

labour-intensive industries.

Korea's reaction to NAFTA and other regional groupings is also an important factor. The Korean government remains concerned about rising protectionism in the global trading system and the emergence of regional trading arrangements. While Korea does not appear to be pursuing formal regional integration within either East or North Asia to the exclusion of other ties, it would appear that the government may be promoting economic cooperation in the region as a method for remaining competitive. Promoting increased investment in NAFTA and EU countries, as well as China, would appear to be part of Korea's development strategy.

### 5.3 Taiwan

There are several important macroeconomic and policy-related factors to consider with regard to Taiwan's integration with other countries in North and/or East Asia. First, although Taiwan has made great progress in opening its economy, significant barriers to imports remain. Agriculture and some manufacturing industries are still highly protected. Taiwan maintains an import ban on 242 categories of products. Tariffs, an import licensing system, restrictive standards (particularly for agricultural products) and lack of intellectual property protection still hinder imports. Additionally, the state continues to play a dominant role in such sectors as power and telecommunications. Taiwan also maintains a list of industries not open to foreign investment.

These barriers pose an obstacle to closer economic integration with countries in North Asia. Recent developments indicate, however, that Taiwan is likely to pursue trade and investment liberalization as part of its overall strategy for continued development and growth. Concern over falling levels of both domestic and foreign investment has prompted Taiwan's authorities to take steps to improve the investment climate. In May 1992, they streamlined the application procedure--drastically cutting the processing time for both inward and outward investment. Additionally, Taiwan's authorities set aside approximately US \$10 billion in low interest foreign currency loans to encourage local industries to acquire sophisticated foreign capital goods and technology. Progress in lowering trade barriers is expected as Taiwan completes negotiations for accession to the GATT/WTO.

Concern about isolation and a desire to cement its role in any future Asian trading arrangement have led Taiwan to overcome quietly many of the official obstacles to trade and investment with China. Representatives from China and Taiwan met in Singapore in April 1993 for their first set of serious discussions on political and economic issues. The same concern has also prompted Taiwan to