

# THE EFFECTS OF TAIWAN DIRECT INVESTMENT IN CHINA ON TAIWAN

Lawrence Wang, University of Liverpool Online

## ABSTRACT

*Foreign direct investment (FDI) is an important area of research in Finance. Taiwan capital is flowing to China at an increasing rate. Taiwan direct investment in China has reached a sum of more than U.S. \$200 billion. Taiwan now suffers a serious economic downturn and high unemployment, when Taiwanese firms close their factories at home and move them to China. In addition, the Taiwan government recently lifted all controls on capital flows and transfer of technology from Taiwan to China. This policy action has further worsened economic conditions in Taiwan. The concerns of Taiwan's business over dependence on China set in motion political events and the military threat of annexation by China. These events prompted this study. Using a survey approach, the study aims identify major effects of Taiwan direct investment in China on Taiwan's economy and methods for coping with the effects. The study also analyzes some related issues related to government policies and administrative efficiency. The model can serve as a reference source for policy makers to cope with the ill effects of FDI.*

**JEL:** F21

**KEYWORDS:** Taiwan Direct Investment (TDI), Foreign Direct Investment (FDI), Economic Cooperation Framework Agreement (ECFA)

## INTRODUCTION

The major culprit of the continual outflows of Taiwan Direct Investment (TDI) to China aggravates the severe conditions of unemployment in Taiwan. To ease the conditions of high unemployment requires understanding of some critical questions. What are the major problems of TDI to China? What are the cross-strait related government policies? Will President Ma Ying-jeou promote sinicization or protect Taiwan sovereignty? What are major strategies for reducing rising unemployment in Taiwan? These are empirical questions, which the present study intends to address and to reflect in a Venn model as shown in Figure 1.

The respondents show high expectations of the President Ma government to deal with the issue of high unemployment. Handling the high unemployment problem should be the priority of all tasks. The faster the government starts to work out the detailed economic plans for creating jobs, the less serious the recession or unemployment problem will be. The coping strategies the respondents suggest are valuable to policy makers. The model symbolizes President Ma's drive to achieve "Sinicization." Following the introduction, the paper reviews the relevant literature. It then discusses the methodology used in the paper. Specifically the paper uses a Venn Model. Discussing each of the four model components follows. The paper closes with conclusions and recommendations.

## LITERATURE REVIEW

Over the past six decades, Taiwan has experienced economic growth (Wang, 1993; and World Bank Group, 1993). Taiwan has become a major leader in supplying the world with the information technology products (Wang, 2001). Taiwan controls more than 70 percent of the global market for computer hardware, semi-conductors, and other high-tech goods. More than 80% of manufacturing in Taiwan are in capital-intensive and high-tech industries (Ramaswami, 1968). Taiwanese firms are attracted by are

larger market and cheaper labor available in China (Srinivasan, 1983). More than 50 percent of Taiwanese enterprises have moved to China (China Times, 2003). More than \$200 billion of Taiwan capital has flowed to China. Responding to cheaper labor and other incentives, China bound TDI results in rising unemployment in Taiwan (Park, 2008). As TDI to China continues, unemployment in Taiwan continues to rise as well. As a result, workers took to the streets of Taiwan to protest rising unemployment rate (Associate Press, 2002).

In February 2010, an official survey was done on the satisfaction ratings of President Ma. The public support of his performance dropped below 40 percent. Only 36 percent of respondents supported him in diplomatic relations while 37 percent approved the way he handled the cross-strait ties between Taiwan and China (Staff Writer, 2010). The Global View Magazine conducted a poll on President Ma in January 2010. The poll showed that only 23.2 percent of the respondents were satisfied with his performance (GVSRC, 2010). Based on these findings, President Ma has a leadership crisis (Staff Writer, 2010).

Despite the differences between Taiwan and China, contact between the two countries has grown significantly over the past two decades. Taiwan has continued to relax controls on unofficial contacts with China. Cross-strait relations in culture appreciation and economic transactions have been on the rise. Since President Ma Ying-jiou came to power, he officially lifted all controls on TDI to China (CNA, 2009). He also lifted the ban on direct travel between the two sides of the Taiwan Strait. His eventual aim is to speed up his sinicizing drive through cross-strait policies. The President Ma administration plays the role of a locomotive that pulls Taiwan away from sovereignty. On October 19, 2008, the Democratic Progressive Party launched a huge demonstration to protest the “diplomatic truce” with China as a sign of losing Taiwan sovereignty to China. The demonstrators accused President Ma of sacrificing Taiwan’s sovereignty under one China policy (Ko and Chang, 2008). President Ma is over friendly to and leans on China according to a CNN report in 2010.

Coping strategies for reducing rising unemployment is one of the four components of a Venn Model as shown in Figure 1. The nature and purpose of strategies that cope with a particular issue vary in industries or professions (Kolhammar, 2009). The coping strategies of the present study aim to reduce the unemployment rate that has stemmed from excessive exports of jobs and unending transfers of Taiwan capital to China. As in July 2009, 6.1 percent of the workforce or a sum of 633,000 were unemployed in Taiwan (BBC, 2009). Lu, Shiow-ven (2010), a legislator of Taiwan’s ruling Party, claimed the true adjusted rate of unemployment was 11 percent or 1,310,000 unemployed in February. She also stated the adjusted rate of unemployment was two-times higher than the official rate.

Once Taiwan inks the Economic Cooperation Framework Agreement (ECFA) with China, there will be no tariffs between two countries. However, the enterprises that still operate in Taiwan will move their production to China to take advantage of its cheaper labor (Mayer, 1984). As a result, Taiwan capital will flow out to China at an increasing rate. Soon after signing an ECFA, the Taiwan firm exodus to China will leave an estimated 250,000 unemployed. Another result of signing an ECFA is workers in Taiwan will experience falling wages. On the other hand workers in China will enjoy rising wages according to the Factor-Price Equalization Theorem (Samuelson, 1949). The theorem postulates that when two trading countries actively interact with each other, the movement of factor prices of production between two countries will reach a condition of equalization (Cheng, 2009).

## METHODOLOGY

The methodology of this survey is similar to that of earlier studies (Wang, 1995, 2001; and Wang and Rawls, 1975). Taiwan residents were surveyed including policy-makers, financial planners, professors, business entrepreneurs, heads of households, members of labor unions, and other residents. The names and mailing addresses of 1,094 subjects were obtained from four sources. One was a directory of

government organizations and personnel published by the Government Printing Office in Taiwan. Two was a directory of professors in higher education compiled by the Ministry of Education, also in Taiwan. Three was a compilation of domestic and foreign firms in Taiwan published by the Direct Investment Evaluation Committee of the Ministry of Economic Affairs. Four was a directory of labor unions.

The instrument used in the study was a questionnaire. The questionnaire was to identify major problems brought about by excessive TDI to China. A second purpose was to analyze the nature of the cross-strait related government policies. Another purpose was to evaluate the governing behavior of President Ma toward "sinicization." The fourth purpose was to derive some strategies for reducing unemployment in Taiwan. The questionnaire was set up according to a 5-point Likert Scale ranging from "1" meaning "strongly agree" to "5" meaning "strongly disagree." The questionnaire also included an open-end question about each of the four areas or components as shown in a Venn Model of Figure 1.

The subjects in Taiwan received the questionnaire and a cover letter. Enclosed with the cover letter and questionnaire was a business reply mail envelope. The researcher asked the surveyed subjects to return the questionnaires within two months.

Thirty five questionnaires bounced back to the sender due to changes of subjects' mailing addresses. Of the remaining 1,059 questionnaires, 357 subjects completed and returned the questionnaire within the specified time span. The response rate of the survey of 33.71%, was more than three times better than the average mail response rate of about 10% (Ferber, 1949 and Wentz, 1972). This rather high return rate is contributed to short written reminders mailed a few days after the original mailing.

## **EMPIRICAL ANALYSIS**

A Venn Model stemming from empirical findings consists of four components as shown in Figure 1. The first component presents the major problems of TDI to China. The second evaluates the cross strait related government policies. The third discusses the coping strategies for reducing rising unemployment. The fourth focuses on sinicization. Each of the four components is succinctly analyzed below.

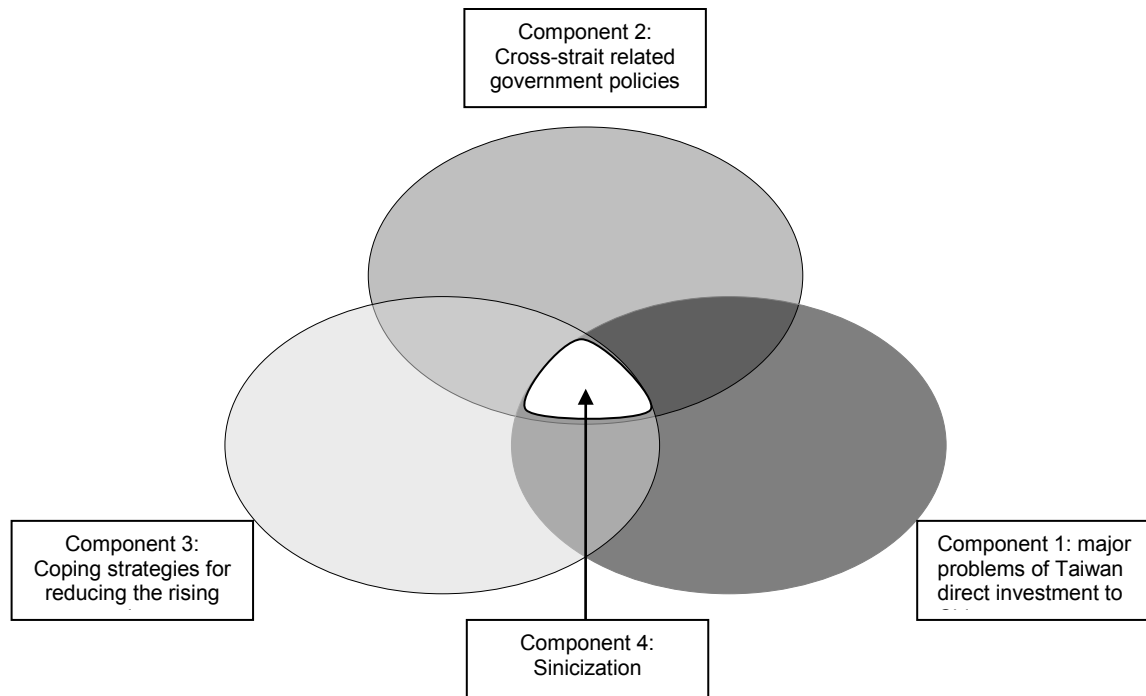
## **PROBLEMS OF TAIWAN DIRECT INVESTMENT TO CHINA**

The continual transfers of capital from Taiwan to China cause severe problems in Taiwan's economy. No country can continue such a one-way series of capital transfers without increasing investments at home. An economy can only prosper through balanced investment at home and abroad. The respondents pointed out some major economic problems Taiwan must deal with.

Taiwan companies moved to China to take advantage of low labor costs in China. Taiwanese firms dismissed their employees in Taiwan, and hired local workers in China. As a result, unemployment has become one of the most important issues in Taiwan. According to the Council of Labor Affairs, the unemployment rate in Taiwan was at 5.86 percent in November 2009. Taiwan was one of the four small tigers or minidragons in Southeast Asia. In the same period, the other three minidragons – Singapore, South Korea, and Hong Kong recorded the unemployment rates of 3.4%, 3.5%, and 4.9%, respectively.

The employment rate in Japan was at 5.2% in 2009. More than 700,000 people in Taiwan have not been able to find a job. The loss of jobs to workers in China produces an intense effect on labor and economic problems in Taiwan. The global financial crisis of 1997-2010 was a major cause for a sharp rise in unemployment in Taiwan. Currently the President Ma government actively promotes the Westward investment policy that exports jobs to China that worsens the unemployment in Taiwan. Therefore, rising unemployment in Taiwan has become one of the major ill effects of TDI to China on Taiwan.

Figure 1: A Venn Model



A Venn Model as shown in Figure 1 reflects the President Ma administration in dealing with four major issues. The first issue is the serious problems of continual transfers of Taiwan's capital to China. The second is the cross-strait policies that are over dependent on China. The third is the strategies coping with rising unemployment. The fourth is the drive for "sinicization." The Venn Model comprises four components or units. Component 1 consists of five subcomponents including rising unemployment, falling capital formation, losing business opportunities in Taiwan to China, transferring technology, and falling real wages. Component 2 also consists of five subcomponent including "no haste, be patient" policy vs. "Westward investment" policy, excessive TDI to China and effects, government policies closer to the employers than to workers, winners and losers for signing an ECFA, and signing an ECFA that benefits business enterprises at the expense of unemployment. Component 3 consists of eleven subcomponents; the first three include stabilization of general prices, improvement of management efficiency of state-owned enterprises, and financing businesses for job creation in Taiwan. The second three subcomponents include reverse investment from China to Taiwan, stop importing foreign workers, and discouragement of business relocations to China. The third three subcomponents are about balanced concerns for the employers as well as for workers, the gap between rich and poor, and diversification strategy. The last two subcomponents are to develop new business and industry in Taiwan, and to postpone inking an ECFA. Component 4 comprises two subcomponents such as a special country-to-country relationship, and "sinicization, Taiwan localization, and unification." Note that Component 4, "Sinicization," reflects the drive of President Ma for achieving his goal for eventual unification of Taiwan and China as shown in the common area of the three circles of the Model.

Capital formation refers to "the transfer of savings from households, individuals, and governments to business resulting in increased output and economic expansion" (InvestorWords 2010). Capital formation is about savings in an economy. Saving leads to investments that produce goods and services in an economy. The flows of TDI to China reduces capital formation of Taiwan. A decrease in capital formation leads to decreased investments that cause an employment reduction in Taiwan's economy. Today, more than 2 million Taiwan business people currently live in China. If these people had lived-in Taiwan, they would have created business opportunities at home. This indicates, Taiwan's domestic demands were weak as confirmed in a CNN report.

The Taiwan government has recently lifted the ban on technology transfer of 12-inch-wafer fabs and plate foundries to China. Lifting controls on wafer fabs and plate foundries could cause noticeable damage to Taiwan's economy. It is not only the most profitable industry yielded to China, but the core of Taiwan's high-tech industry. Taiwan will no longer enjoy a comparative advantage in the IT industry. In February

2010, President Ma approved another transfer of LCD faceplate technology to China from Taiwan. Such a policy will no doubt push up the unemployment rate in the Taiwan IT industry.

Over the past decade, Taiwan has recorded an expansive economy. However, real wages have dropped sharply. Taiwan's Gross Domestic Product grew about 18% in the past ten years, but the real wages shrank about 4% during the same period. Two reasons contribute to falling real wages in Taiwan. First, Taiwan direct investors relocated plants to China. Second, state-owned enterprises keep raising prices of products such as oil, gasoline, natural gas, and electricity. Households face a budget constraint of falling wages and rising costs. Thus, consumers are hard pressed to balance their budgets.

### **CROSS STRAIT RELATED GOVERNMENT POLICIES**

Survey respondents pointed out that President Ma's cross-strait policies were over friendly and dependent on China. They expressed concerns of incessant transfers of Taiwan capital to China. The respondents feel that once Taiwan signs an ECFA, Chinese workers, goods, and services will flood Taiwan's markets. Thus, goods produced in agricultural, transitional, and labor-intensive industries in Taiwan will face stiff competition from Chinese imports. Cheap Chinese imports will force these industries to shut down implying a loss of jobs. Cross-strait related government policies of President Ma are in favor of China, big businesses, and the rich. None of his policies aims to take care of the poor in long run.

In 1996, then President Lee Teng-hui proposed a "no haste, be patient" policy as a guideline for Taiwan direct investments in China. He developed the cross-strait investment policy that reflects concerns of national security. Over the following eight years, the former President Chen Shui-bian of the Democratic Progressive Party approved some cases of TDI to China. Soon after President Ma came to power, he lifted all controls on TDI to China. Since then, the jobless in Taiwan are fast on the rise.

The public raises concerns about the Taiwan's excessive investments in China, because Taiwan's economy may become over reliant on China. The continual TDI to China is against the "investment principle of diversification." From a diversification standpoint, It is dangerous to exclusively promote investing in China. Putting all ones eggs in one basket might break them all if the basket carrier falls. The Ma Ying-jeou government has not had a long-term investment plan to improve Taiwan's unemployment conditions. Since President Ma was in power, he approved more transfers of advanced technology to China. As a result, Taiwan suffers a high rate of unemployment and a widening gap between the rich and the poor. Taiwan direct investors closed plants in Taiwan and moved them to China. They left many unemployed workers in Taiwan. Other workers with a low pay job suffered falling real wages. If TDI to China continues, a vision for a speedy recovery of Taiwan's depressed economy would remain illusive.

The President Ma government has passed economic policies in favor of the business companies or groups with special tax breaks. The government has not proposed any special tax relief bill for the working people in Taiwan. The President Ma administration is more responsive to the demands of business firms than to the needs of workers. The Ma government often invites business executives to take part in developing cross strait policies without representation of labor. As a result, the President Ma government often inadequately addressed public complaints. Although the government did carry out several short-term job plans for the unemployed, the results were not as effective as planned. Up to this point, the Ma administration has not been able to develop any long-term policies that could reduce the high unemployment problem.

Regardless of public opposition, the Ma administration insists on signing an ECFA with China. Nevertheless, President Ma has not told the public and the lawmakers of the Legislative Yuan about the ECFA's contents and its negative impacts on agricultural and traditional industries in Taiwan. An ECFA allows China's goods and services produced with low costs of production to be sold in Taiwan. Therefore,

Taiwan's markets will be full of cheap Chinese imports and Taiwan will lose its competitive edge to China. China will weaken and wipe out more than a million Taiwan's small and medium sized business firms in traditional and labor-intensive industries. These firms are the backbone of Taiwan's economy. The government should clearly communicate the nature of the ECFA, conduct extensive impact studies, as well as identify potential winners and losers from the agreement. The Ma administration should not make such an important decision without full disclosure and extensive discussion. The administration recruited some business firms in support of its decision to sign an ECFA. However, the public is firmly against signing an ECFA. It is surprising that President Ma insists on signing an ECFA with China who has more than 1,500 missiles aimed at Taiwan?

The China Post News Staff (2010) reported that in December 2009, the Commonwealth Magazine conducted a questionnaire survey on some 1,109 Chief Executive Officers of the top business firms in Taiwan. Some 90% of surveyed subjects stated that they supported signing the ECFA pact with China. More than 70% of respondents stated that inking the pact would help reduce tariffs against Taiwan's exports to the region of ASEAN (the Association of South East Asian Nations). Signing an ECFA would improve the competitive advantage of Taiwan business enterprises for doing business in the ASEAN region that includes China. The Commonwealth Magazine study inferred the proposed ECFA aimed to increase profit through tariff cuts and to achieve best competitiveness. An ECFA does not offer a solution to the problem of high unemployment in Taiwan. Most likely, signing an ECFA contributes to increasing the jobless rates at home.

### **COPING STRATEGIES FOR REDUCING THE RISING UNEMPLOYMENT**

The incessant transfers of Taiwan capital to China have developed tough problems in Taiwan's economy. High unemployment is one of the most serious problems Taiwan has ever faced. The respondents offered eleven strategies to cope with the rising unemployment in Taiwan. These coping strategies are sound in theory and effective in practice.

The state-owned and managed enterprises in water, electricity, salt, sugar, oil, natural gas, gasoline, and other goods are supposed to keep the general prices stable. Nevertheless, under the President Ma administration, these state-owned enterprises have increased the prices of their products. As a result, other industries were compelled to raise prices of goods and services. Prices behave flexibly upward and rigidly downward. For example, gas prices often go up more and come down less. As the general level of prices go up, the consumers suffer falling buying power. Therefore, controlling general prices should be the primary role of the state-owned enterprises in Taiwan. So far, President Ma has not been able to present to the public any helpful strategies to release recessionary pressures. The first empirical strategy, the surveyed subjects recommended, is the government must stabilize general prices.

State-owned or government enterprises are set up to serve the public with goods and services at reasonable prices. Taiwan's state-owned enterprises operate in either the monopolistic market or the oligopolistic market. Therefore, government enterprises should not strive for windfall profits. They should aim for a reasonable return. To keep prices of goods and services low, state-owned enterprises need to improve management efficiency of strategic, physical, and human resources. If Taiwan's state-owned enterprises had improved their management efficiency, they would have been able to sell their goods and services at fair prices. Therefore, improvements in management efficiency of Taiwan's state-owned enterprises is long overdue.

As stated previously, the effluences of TDI to China resulted in plant relocations to China and left many unemployed in Taiwan. Taiwan direct investors in China are the primary culprits. Some Taiwan direct investors financed their business operations with Taiwan capital and left jobless workers and a huge debt behind. Society should publically condemn these debtors. Taiwan needs a long-term strategy to

assuage the problem of high unemployment that calls for financing business for job creation. The government should encourage financial institutions to finance business plans that create jobs in Taiwan in the short and long run.

It is harmful that one direction continual transfers of TDI to China results in rising unemployment and reductions in domestic investment. One way to resolve the problems is to reverse investment from China back to Taiwan. This might be done with an attractive incentive package. The government should organize a reverse investment committee consisting of government officials, business executives, and labor representatives. Strong support from local government would help the committee objectively complete the task.

Had Taiwan not imported foreign workers, the current problem of high unemployment would not have been so severe. If foreign workers keep coming, they will keep competing on the Taiwan job market. Therefore, the respondents strongly recommend that Taiwan import no more foreign workers.

President Ma recently established a goal of reducing unemployment to 5 % by 2011, but did not specify how to achieve the goal. The government needs to slow down Taiwanese firms moving to China if Taiwan is to achieve this goal. The respondents expect President Ma's actions not words, for he has made so many empty promises. For example, one of his broken promises called for a "6-3-3" plan. The plan strived for achieving a 6% economic growth, an average per capita income of US\$30,000, and a 3% unemployment rate by 2009.

President Ma's cross-strait policies are characterized by closer relations with employers than with workers. That is, his government has been more responsive to concerns of the former than that of the latter. Had he addressed the issue of high unemployment more effectively and efficiently earlier, he would have likely received better marks on the performance poll. Surveyed subjects expect the government must achieve balanced concern for the employers as well as for the workers.

The gap between rich and poor in Taiwan is widening, signaling an unstable economy. The poor cannot gain a fair share of Taiwan's prosperity. President Ma should shoulder the responsibility to redistribute incomes of the taxpayers by raising taxes on the rich and lowering taxes for the poor. The government needs to complete three immediate tasks. One is to create employment opportunities for the jobless. Two is to design a sustainable welfare system. Three is to reform the current tax schedule. Civil servants, teachers, and military personnel pay no taxes. The respondents expect that President Ma should apply the needed human-physical-financial resources to bridge the gap between the rich and the poor.

The principle of investment calls for diversifying to spread risks. Taiwan should diversify its investments in other countries. Likely, China would exert political influences on Taiwan; therefore, Taiwan would increase risks of eroding its sovereignty. If Taiwan becomes overly dependent on the Chinese economy, Taiwan's economy would become a subset of the Chinese economy. Taiwan's economy would be subject to political manipulation by China. China may speed up sinicization to achieve unification. Diversification also reflects a concern of national security by improving safeguards on sovereignty.

Taiwan should not overemphasize the IT industry. In addition, Taiwan should not overlook the ill results of the relocation of most IT firms to China. Taiwan's economy has become hollow because it lacks other sustainable industries. Business firms in agricultural, traditional, and other areas still produce goods and services in Taiwan. Nevertheless, they will soon lose their competitiveness because the large quantity of cheap Chinese goods should Taiwan sign the ECFA pact. Therefore, these firms will be out of business. Under this circumstance, the respondents strongly recommend that Taiwan engage in R&D to develop new businesses in non IT industries. It is probable the agricultural, traditional, and labor-intensive industries would not be able to survive after the signing the ECFA pact. Until the public and the

legislators get a chance to assess the impact of an ECFA on Taiwan's economy, to postpone signing ECFA would be the right action to take.

## SINICIZATION

The governing behaviors of President Ma have been tilting toward China. He deals with the major problems of capital transfers, cross-strait policies, and unemployment with his driving force of sinicization in the center of a Venn Model as shown in Figure 1. The surveyed subjects responded to President Ma's drive for achieving "sinicization" concisely. They clearly pointed out that President Ma aimed to bring Taiwan to unification with China.

President Lee Teng-hui, the first Taiwan-born president (1988 – 2000) of Taiwan (Republic of China) was the strongest proponent for achieving Taiwan localization. He highlighted Taiwan first, and proposed that China and Taiwan have a special country-to-country relationship. President Chen Shui-bian (2000 – 2008), another Taiwan-born president adopted the same cross-strait policies of dissinicization. Dissinicization means away from Chinese influences. For 20 years (1988-2008), both President Lee and President Chen firmly believed that Taiwan should not strive to sinicize or to unify with China. President Lee Teng-hui was the chair of the Kuomintang Party; President Chen Shui-bian was the chair of the Democratic Progressive Party. Although they kept contact with China, Taiwan remained a country with full sovereignty. Both presidents governed a cross-strait policy through "the three links" with China. The three links are direct postal, telephone, and airline links between Fujian province of China, and Taiwan's islands of Quemoy and Matsu. The three links indirectly routed through Hong Kong. Each cross-strait policy aims to guard Taiwan sovereignty under President Lee as well as President Chen.

Sinicization is a term defined here as Taiwan increases its cultural, economic, and political ties with China. That is to bring the ties under Chinese influence. There are two groups of people in Taiwan: One group is for sinicization, and the other is for Taiwan localization. Most of Taiwan residents are supporters of Taiwan localization. These supporters strive for achieving Taiwan independence.

Since President Ma Ying-jeou won the presidential election in 2008, cross-strait policies have helped China speed up sinicization and unification with Taiwan. A case in point, he lifted control on "the three links" which indirectly routed through Hong Kong. He opened airports and seaports to China for direct access without concerns of national security. President Ma is an active practitioner of "sinicization" as reflected in his governing behaviors.

A news video on February, 28-2010 shows President Ma conversing with a 90-years-old poet. He said to the poet, "My name, Ma Ying-jeou, meant for unification with China." He is carrying out the will of his late father for unifying Taiwan and China. The will, mind, and governing behaviors of President Ma clearly show that he belongs to a minority group (15%) of Taiwan residents. His cross-strait policies lean toward China aims to achieve "unification."

## CONCLUSION AND RECOMMENDATION

As shown in Figure I, the model fully reflects concerns of the unemployed, the poor, the enterprises, the government, and President Ma's leadership and ability in running the government. An objective of the study is to produce a set of empirical strategies coping with the ill effects of TDI to China on Taiwan. Another objective is to present a model stemming from empirical findings as an addition to the existing literature. The third objective is to serve as a reference source for policy makers who would benefit from the research.



Taiwan's depressed conditions of high employment are surmountable. President Ma could ease the conditions if he had the will and the leadership in allocating needed resources to alleviate Taiwan's economic problems. Thus, if he decides to improve the quality life of Taiwan residents and to raise his low performance ratings, respondents strongly recommend that President Ma take the following three actions: 1) Suspend the cross-strait policies that export jobs and capitals to China, 2) Slow down "sinicization" and start to focus on "Taiwan localization," 3) Carry out the eleven strategies drawn from the empirical findings for coping with the severe problem of the rising unemployment in Taiwan.

There are a couple of limitations of the present study. One limitation is the paper only focuses on qualitative presentation of the model as shown in Figure 1. The other is the model that does not show feedback. Feedback will be drawn from future research with other groups of respondents. An increasing number of Taiwan firms take orders for goods in Taiwan and produce the goods in China. Such a practice causes severe problems of unemployment in Taiwan. Thus, one suggestion for future research is to design a model on "reverse investments" from China back to Taiwan." Another is to develop a quantitative model for "financing investments that create jobs" in Taiwan.

## REFERENCES

- Associate Press (2002). "Taiwanese dump trash to protest rising unemployment rate," *Associate Press*, Taipei, Taiwan, Sunday, November 10.
- BBC (2009). "Taiwan unemployment at new high," *BBC News*. Retrieved March 15, 2010 from <http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/8217907.stm>
- Cheng, Li-chiun (2009). "ECFA will do Taiwan more harm than good," *Taipei Times*, March 27, p. 8 Retrieved March 13, 2010 <http://www.taipetimes.com/News/editorials/archives/2009/03/27/2003439519>
- China Times (2003). "Money flows into the Mainland," *China Times*, Taiwan, January 19.
- CNA (2009). "Minister remains tight-lipped on investment deregulation," *The China Post*, December 29. Retrieved March 5, 2010 from <http://www.chinapost.com.tw/taiwan/china-taiwan-relations/2009/12/29/238412/Minister-remains.htm>
- Ferber, R. (1949). *Marketing Research*, McGraw-Hill.
- GVSRC, (2010). "News release," *the global View Research Center*. Retrieved January 23, 2010 from <http://www.gvm.com.tw/gvsrce/eng/index.asp>
- InvestorWords (2010). "Capital formation," *Investorwords.com*. Retrieved March 7, 2010 from [http://www.investorwords.com/705/capital\\_formation.html](http://www.investorwords.com/705/capital_formation.html)
- Ko, Shu-ling and Chang, Rich (2008). "Chen to play low-key role at demonstration," *Taipei Times*, October 20, p.3
- Kolhammar, Tina (2009). "Poverty and legal empowerment - a minor field study of south african farm workers and dwellers," Retrieved March 5, 2010 from [www.essays.se/about/Strategies+for+reducing+unemployment/](http://www.essays.se/about/Strategies+for+reducing+unemployment/) - Cached
- Lu, Shio-ven (2010). "News Release: the adjusted unemployment rate, 11% or 1,310,000 unemployed in February," *DahwaNews*, March 18.

- Mayer, W. (1984). "Endogenous tariff formation," *American Economic Review*, 74(5), p. 970-985
- Park, Bun-Soon (2008). "Korean and Taiwanese investment patterns in China," *Samsung Economic Research Institute, SERI, Korea, and Taiwan Institute of Economic Research, TIER*, January, P. 51-60
- Ramaswami, V.K. (1968). "International Factor Movement and National Advantage," *Economica*, 35(139) p. 309-310
- Samuelson, Paul A. (1949). "International factor-price equalization once again," *Economic Journal*, 59, p. 181-197
- Srinivasan, T.N. (1983). "International factor movements, commodity trade and commercial policy in a Specific factor model," *Journal of International Economics*, 14(3/4), p. 289-312
- Staff Writer (2010). "Embracing the Deep Blue will not save Ma from leadership crisis: Liberty Times," *Taiwan News*, January 25. Retrieved March 21, 2010 from [www.etaiwannews.com/etn/news\\_content.php?id=1163950&lang=eng\\_news&cate\\_img=83.jpg&cate\\_rss=news\\_Politics](http://www.etaiwannews.com/etn/news_content.php?id=1163950&lang=eng_news&cate_img=83.jpg&cate_rss=news_Politics)
- Staff Writer (2010). "President Ma's cross-strait and diplomatic approval rating at record low," *Taiwan News*, February 22. Retrieved March 4, 2010 from <http://www.etaiwannews.com/etn/print.php>
- The China Post News Staff (2010). "90% of CEOs of top 1,000 firms back ECFA," *The China Post* Thursday, January 14, 2010. Retrieved February 20, 2010 from <http://www.chinapost.com.tw/taiwan/china-taiwan-relations/2010/01/14/240687/90-of.htm>
- Wang, Lawrence K. (1993). *International financial management*, Taipei, Taiwan: Hwa-Tai Publishers Company.
- Wang, Lawrence K. (1995). "The Asia-Pacific finance and investment: A case study of Taiwan," *International Trade Journal*, 9 (3).
- Wang, Lawrence K. (2001). "The successful experience of Taiwan in coping with the Asian financial crisis," *Proceedings, Northeast Decision Sciences Institute*, March.
- Wang, Lawrence K. and Rawls, James (1975). "The transfer of training obtained abroad to Taiwan," *Industry of Free China (an English Version)*, 43 (2).
- Wentz, W. B. (1972). *Marketing research: management and methods*. Harper and Row.
- World Bank Group (1993). *The East Asia Miracle: Economic Growth and Public Policy*, *World Bank Policy Research Reports*, Oxford University Press.

## **BIOGRAPHY**

Dr. Lawrence Wang is a Professor of Finance at the University of Liverpool Online. He is also an International Business and Financial Consultant. Dr. Wang has been a Yale University Visiting Faculty Fellow, Professor of Finance, Associate to the President, College Dean, Chair of the Finance Department, and Faculty Chair of Graduate Programs in Finance and Accounting. Dr. Wang can be contacted at 405 Victoria Circle, Warner Robins, GA 31088, USA, Email: [Wangl405@cox.net](mailto:Wangl405@cox.net)