Taiwan's Trade and Investments in the Hyper-Globalized World, its Participation in the Activities of the World Trade Organization (WTO) and in other International Organizations

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1. Introduction

Economic development of Taiwan (Republic of China, ROC) has largely based during the last 60 years on Export Oriented Development Model, though its forms developed deeply during the last decades. At the same time, diplomatic isolation makes Taiwan unable to receive and hold full-fledged membership in international organizations or to join international agreements. A peculiar exception is the World Trade Organization (WTO), which Taiwan could join using a special name of "Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu (Chinese Taipei)" which was not objected by the People's Republic of China, PRC (Mainland China). However, Taiwan still has difficulties when trying to benefit from its membership in other international organizations. But today, in the time of hyper-globalization, foreign direct investments (FDIs) are getting increasingly important and international commerce is getting to be more and more negligeable, the WTO membership is not as important as it used to be some years or decades ago. Today, OECD is perhaps more important, therefore, Taiwan should focus on this organization in the future.

However, as memberships of Taiwan in the international organizations were influenced mainly by political factors, it is also possible that new diplomatic, political and military developments might change the international atmosphere, and especially in the time of increasing tensions between the USA and the European Union on one hand, and the People's Republic of China and Russia on the other, in the near future, Taiwan might return again to some of these international organizations.

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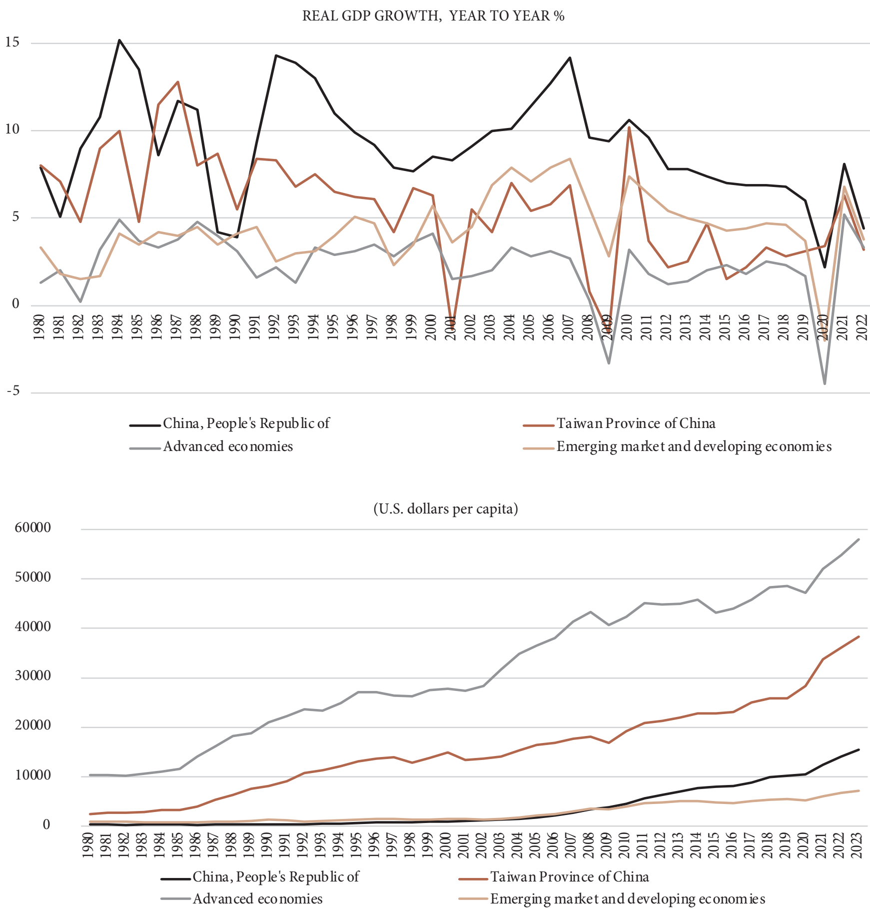
2. Economic Development of China (PRC) and Taiwan (the ROC)

Looking at the GDP per capita data, it becomes clear that the People's Republic of China (PRC) was economically lagging behind Taiwan (Republic of China, ROC) during the last 70 years, because this small island country started its economic development much earlier than China. Taiwan started to apply the methods of the "Developmental State" after the 1960s, and even later, Taiwan remained faithful to this "Developmental State" paradigm. (Debanes – Lechevalier, 2014). PRC has started this type of development only after the 1980s.

Figure 1.



Source: IMF Data Mapper (2022).

As Syaru Shirley Lin has stated in his new book, "after decades of impressive growth, Taiwan achieved the status of 'high-income economies', according to the World Bank's definition of approximately 12,000 USD gross national income per capita, more than three decades ago. In so doing, Taiwan experienced an economic miracle. It not only built a high-income society with a solid middle class, avoiding the middle-income trap that has plagued so many other emerging economies. But even more miraculously, the majority of Taiwanese, ordinary workers and elites alike, benefited from increasing prosperity creating an unusually high degree of equality compared with other economies making the same transition. During its evolution from middle-income to high-income status, Taiwan relied primarily on the export of more highly valued products" (Lin, 2021a).

3. Specificities of Hyper-Globalization: Decline of Importance of Foreign Trade and Increasing Importance of Foreign Direct Investments and Transnational Companies in Our Days

Despite the large number of different misinterpretations and often politically motivated debates, globalization has been a very popular and widely researched topic in the last decades. In addition to economic globalization, some experts usually examine the globalization process of culture, politics, and the value systems as well (See for e.g., McLuhan, 1962; or Hofstede, 2005). Economic globalization during the first five hundred years of this process concentrated mainly on foreign trade, and economic aspects of globalization were measured traditionally by the share of international trade in the total gross domestic product (GDP) of the world or of a given country. But later, by the end of the 20th century, as Transnational Companies (TNCs) became more widespread and an increasing share of international commerce grew into intra-company trade, traditional foreign trade came to be less and less important compared to foreign direct investments (FDIs).[2] This new form of globalization, which is often called hyper-globalization (or neo-globalization), became a relatively new tendency at the end of the 20th century and in the 21st century (Rodrik, 2011; Stiglitz, 2012). After the 1970s, FDIs and transnational companies became dominant in the world, though even before, there were

2 At the same time, recently, final country origins of trade or of foreign investments are getting increasingly difficult to measure. Consequently, it is not easy to make meaningful quantitative analysis of international economy, though some new scientific measurements have appeared lately, such as the TiVA (Trade in Value Added), or the NGI, the New Globalization Index of Petra Vujakovic from the Joint Vienna Institute (Wien). But unfortunately, these—otherwise very good—indices are either not renewed regularly, or not accepted generally.

some (relatively rare) examples of TNCs in the 19^{th} and in the early 20^{th} centuries. However, from the end of the 1970s—when corporate governance systems introduced the use of new and developed IT solutions for computing, and the use of Internet[3] became widespread, as well as transportation cheaper—transnational corporations began to have subsidiaries abroad and started to operate in an integrated way in different parts of the world. Consequently, a completely new form of globalization has emerged and has become dominant.

An important feature of neo-globalization was the emergence of the globally organized TNCs (transnational companies) in the world economy. These companies have outsourced their production to their subsidiaries working in poorer peripheric countries, where wages were much lower and environmental regulations less severe, and these transnational companies (TNCs) are selling their products at higher prices in the more developed centrum economies. This is the geographical optimization of the Global Value Chains (GVCs). This model successfully applies the golden commercial principle of "buy your products cheap and sell them at high prices".

Based on these price and wage differences, multinational corporations gained extra profits without much effort. In addition, less developed countries often offered tax benefits and special subsidies and tax advantages for multinational corporations in order to attract more foreign investments to their country. Due to the flow of semi-finished goods, materials, knowledge and other goods and services between their different subsidiaries, multinational corporations, by distorting their inner prices (called transfer pricing), gained tax advantage as well, and by that, their extra profits increased (OECD, 2010).

The structure of world economy was completely transformed by neo-globalization, and while formerly it could be properly described by analyzing the export and import flows of goods and services, after 1975, Foreign Direct Investments (FDIs) and the activities of TNCs' characterized and determined the world economy.

Perhaps, it would be an exaggeration to say that foreign trade has completely lost its importance, but by the emergence of transnational companies, foreign trade

3 Though commercial use of internet become widespread only in the 90s, when Hyper Text Transfer Protocol (HTTP) was introduced, but even in the 70s and 80s some elements of internet have already emerged. This -- naturally with the new transportation technics -- can be regarded the first steps in the direction of the Neo- or Hyper Globalization.

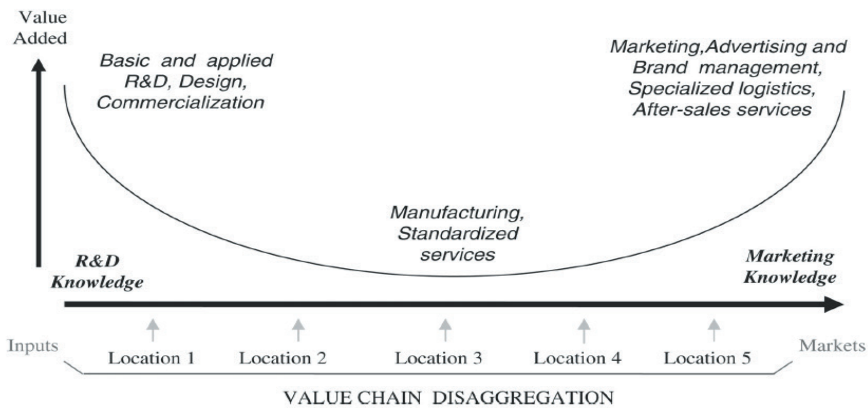
became more and more intra-company trade between different subsidiaries of the big international companies (TNCs), where traditional theories of foreign trade have lost their relevance. By the end of the 20th century, according to some estimations, more than 60 percent of international trade developed into "intra-company trade", i.e., trade between the different subsidiaries of the transnational companies. Therefore, traditional analyzing tools of foreign trade lost their relevance, as the big TNCs had several other aspects influencing how to sell their products abroad (generally through their own subsidiaries located in foreign countries).

4. Taiwan in the System of Hyper-Globalization

During the last decades, Taiwan was able to avoid not only the middle-income trap (Gill – Kharas, 2007; Csath, 2019; Arva – Pasztor – Pyatanova, 2020), but the high-income trap as well, and climbed on the global value chain (GVC) from the simple products to the more sophisticated, higher value added activities. At the same time, some countries in the Eastern Asian region, such as the People's Republic of China (PRC), Malaysia, Thailand, Vietnam (and other Indochinese countries) or Indonesia were seriously endangered by the middle-income trap. The solution for them was to rapidly attract FDIs to their countries, and either to learn the production techniques (and sometimes to copy illegally the more complicated products, like the PRC often does it), or to get involved into the GVC with their cheaper labor force (like Vietnam, Thailand, Malaysia, and Indonesia have done it). The PRC tried to attract lots of FDIs from Hong Kong and Taiwan, and also tried to learn the production methods in those foreign owned subsidiaries (FDIs).

Today, the Smiley Face Curve is one of the most important tools to analyze geographical optimization of the global value chains of the TNCs (Figure 2).

Figure 2. The Smiley Face Curve



Source: Mudambi, 2008.

The smiling face or smiley curve is a graph measuring value added (y-axis) against the steps of value chain (x-axis) of a TNC. The concept was first proposed around 1992 by Stan Shih, the founder and CEO of the Acer Inc., a high-tech IT company headquartered in Taiwan. This graph's major message is that the TNCs are geographically optimizing their production and that is why low value-added activities are outsourced to countries of cheap labor force. (Arva et al., 2020).

As the PRC and the other Southeast Asian countries have a definite wage advantage over Taiwan, that is why lots of Taiwanese firms started to invest in these countries during the 1980s and 1990s as well as outsourced the assembling activities of some of their high-tech products there. The PRC—using the knowledge obtained in the Taiwanese subsidiaries—often copied some of the products developed in Taiwan.

Following these actions of the PRC, companies became more complicated due to the restrictions by Tsai Ing-wen, the new president of Taiwan, who aimed at blocking or at least slowing down the outflow of high-tech technologies to the PRC from Taiwan. In order to compensate the Taiwanese companies, a new initiative was introduced to help these companies to invest in the poorer Southeast Asian countries. This was the so called "New Southbound Policy". György Neszmélyi, Professor of the Budapest Business School, University of Applied Sciences, wrote a very good paper on this topic and of other characteristics of the Taiwanese economy (Neszmélyi, 2020).

5. The Asian Development Model4

Taiwan developed very rapidly thanks to the so-called Asian Development Model, which is a specific version of the Developmental State Model (Öniş, 1991). The Developmental State Model had two versions: the Import Substituting Industrialization (ISI) and the Export Oriented Industrialization (EOI).

The Import Substituting Industrialization was first defined, promoted, and applied in the Latin American countries after WWII. In the Latin American region, the Import Substituting Industrialization (ISI) was used following the suggestions of Raul Prebisch (1950, 1970) and Celso Furtado (1970) and other leading economists of the ECLAC, the United Nations Economic Commission for Latin America and the Caribbean. UNECLAC, or "CEPAL" in Spanish and Portuguese languages, is a United Nations regional commission to encourage economic development and cooperation. However, during the 1970s, it was realized that this ISI model was not successful, because generally, economies of those countries were not large enough to be able to enjoy economies of scale. To rectify this problem, the Southeast Asian countries have developed a special version of Developmental State Model, the Export Oriented Industrialization, where the limited local markets were not real barriers of development.

The Export Oriented Development Model, or the Export Oriented Industrialization[5] follows the same logic that the ISI, but the products are sold abroad, through export. This is very practical, as export (theoretically) does not have the same limitations as internal consumption.

A special version of the Export Oriented Development Model is the Asian Development Model (or East Asian Development Model), where the most important point is to apply the special Asian value systems. Concerning the (East) Asian Development Model, it is assumed that the local elite has consensus on the following issues:

4 See for e.g.: Berger, P. L. – Hsiao, M. H. H. (1988).

5 For the Export Oriented Industrialization, it is much more difficult to name single economists as in the case of Import Substituting Industrialization (Raul Prebisch and Celso Furtado). In the case of Export Oriented Industrialization, generally leading Southeast Asian politicians as Lee Kuan Yew, who served as Prime Minister of Singapore from 1959 to 1990, or Mahathir bin Mohamad, the fourth and seventh Prime Minister of Malaysia might be mentioned.

- High priority given to achieving high and sustained economic growth rates, so as to catch up with developed countries "quickly" (i.e., within a few decades);
- Very high rates of investment to GDP so as to achieve rapid movement of the production structure into higher productivity activities;
- The need for the state to coordinate the catch-up strategy and promote some sectors and functions ahead of others, whether through public enterprises or through steering private actors into sectors they would otherwise not enter (Kim et al., 1993; Zhang, 2005);

The Asian Development Model has several important features: state-controlled banks supply of cheap loans to favored industries; the currency is kept at an undervalued level in order to boost exports; domestic consumption is suppressed to create savings for investment, and rapid modernization is achieved by adopting foreign (bought or copied) technologies. Since World War II, this combination of policies proved remarkably successful at narrowing development gaps between Asia and the West.

But at the same time, this model in the longer term has some drawbacks as well. Chinese President Xi Jinping perhaps has a better understanding of the economic challenges facing his country in applying the Asian Development Model than anyone else. In recent years, he has warned of some of the dangers posed by the Model, like the real estate bubble, excessive debt levels, widespread corruption, and rising inequality. These problems are not unique to the People's Republic of China. In the past, every country in the region that adopted the so-called Asian Development Model faced similar problems. Xi's dilemma is that there is no easy way for China to surmount and correct them.

Unfortunately, there are some examples of the Asian Development Model where this model helped corruption and cronyism. In the Philippines, during the 1960s and 1970s, when President Marcos ruled in the country, corruption was very widespread, and the Marcos family was obliged to flee from the country in February 1986, with cash and gold worth more than 700 million USD packed in suitcases. But it is seemingly unavoidable that the Asian Development Model leads to widespread corruption. Singapore's Lee Kuan Yew (1959-1990) and Ferdinand Marcos of the Philippines (1965-1986) coexisted under similar geopolitical pressures and espoused similar socio-political philosophies. Yet, as Root has written, "Lee Kuan Yew's rule derived credibility from a reputation for corruption-free governance, sobriety, and growth, while Ferdinand Marcos' regime became famous for grand scale larceny, and stealing foreign aid for personal profit and gain. Lee established critical and durable limits that channeled government behavior into activities compatible with economic development thereby surpassing any of his regional rivals in competent public policy." (Root, 2019, p. 1).

Unfortunately, it is not clear how cronyism and corruption can generally be avoided in the Asian Development Model, so this question perhaps should be analyzed later in more detail.

6. Mainland China (PRC), the Asian Economic Model and Common Prosperity

As it was written by the Reuters in the beginning of the 21st century, "growth in Asia is inherently unstable. Artificially low interest rates fuel real estate bubbles, such as Japan experienced in the late 1980s and Thailand in the following decade. Easy money also leads to the build-up of excessive debts, as occurred across Southeast Asia in the early 1990s. Cheap capital encourages wasteful investments that undermine productivity growth. The policy of suppressing domestic consumption creates an unbalanced economy. Furthermore, opportunities for corruption abound when credit is distributed by state-run banks, as Indonesia experienced under the kleptocratic Suharto regime. Japan's long period of economic expansion ended when in late 1989, the Bank of Japan decided to burst the property bubble. The Asian 'Tigers'—as the fast-growing economies were called—ran off the cliff a few years later. As economist Paul Krugman demonstrated at the time, the economic 'miracle' could only be sustained with ever-larger inputs of capital and labour. When foreign creditors started to withdraw their capital in the mid-1990s, the region experienced a financial crisis" (Chancellor, 2021). Predictions of the Reuters became true rapidly, as after the Covid-19 pandemic and the Russo-Ukrainian war, long value chain dependent economies have collapsed and a 1970s-type world stagflation has emerged in 2020-2022, and we still don't know how long this economic crisis might be present.

No wonder Chinese President Xi was calling for "common prosperity" which entails a reduction in inequality in China. At the same time, the President wanted to cut excess capacity, reduce leverage and make housing more affordable. All this is to be achieved while "promoting smooth economic growth" and avoiding a "Black Swan", or a grave financial crisis (Wu, 2022). "Common prosperity" has become a major theme of China's official rhetoric since the start of 2021. This followed the delivery of a number of speeches on the topic by Chinese President Xi Jinping, and then the issuing of a range of official documents. Although the term "common prosperity" has a long history in the discourse of the Chinese Communist Party (CCP), including its use by Deng Xiaoping and during the post-Mao years, the re-emergence and re-elevation of the slogan to a lynchpin position certainly indicates a fundamental adjustment of the Party's policy platform. While raw economic growth has been the foremost priority governing China's political economy for decades, this has now changed with the shift in emphasis to common prosperity.

As Guoguang Wu summarized, "Xi Jinping's common prosperity campaign is a comprehensive, redistribution-centered program with multiple layers of policy implications; yet, it remains teeming with intrinsic contradictions. It is proposed as China's strategy for its next stage of development, as the country seeks to move from eliminating absolute poverty to facing the challenge of avoiding the middle-income trap. It is rooted in the CCP's traditional communist ideology, while envisioning the establishment of a global advantage over the Western capitalist world's ability to tackle inequalities. It is a long-term plan but is in part expected to yield immediate political utility for Xi and his allies. This is especially true in the absence of institutional reform to rebalance a series of contradictions in China's political economy of development, ranging from that between stimulating economic growth and promoting income equality, and between the growing role of the state in redistribution and the foreseeable consequences of this resulting in market and civil-society atrophy" (Wu, 2022).

7. Asian Development Model in Taiwan (ROC) and in Other Southeast Asian Small Tigers

During the last decades, Taiwan has successfully applied a special version of the Developmental State paradigm, the Asian Development Model. Originally, perhaps it was the idea of Import Substituting Industrialization to follow, but later, in the Eastern Asian countries, especially in the case of the future "Small Tigers", Taiwan, Singapore, South Korea, and Malaysia, it was realized that local markets were too small, and it was nearly impossible to build competitive local industries on these limited markets. Therefore, Eastern Asian industrialization has largely been based on the Export Oriented Industrialization (EOI). Mainland China has followed later this example, but in a much greater scale.

The small dragons', and the Taiwanese economy were strongly export-oriented. According to the IMF Database and other similar databases (WTO, 2018; Trading Economies, 2021), Taiwanese exports accounted for around 70 percent of total GDP and its composition have changed from predominantly agricultural commodities to industrial goods (now 98 percent) during the past 40 years. Main export products of Taiwan were:

- electronics (33.1 percent of the total),
- information, info-communication, and audio-video products (10.8 percent),
- base metals (8.8 percent),
- plastics and rubber (7.1 percent),
- machinery (7.5 percent).

Main export partners of Taiwan were the PRC and Hong Kong (40 percent of the total), ASEAN countries (18.3 percent), the USA (12 percent), Europe (9 percent), and Japan (7 percent) (Trading Economies, 2022).

8. Taiwanese Outbound Investments in the World and in the PRC

By the mid-1990s, when Taiwan entered the time of neo-globalization, a decade after Taiwanese small- and medium-sized enterprises (SMEs) first went to China, the majority of cross-strait investments shifted from traditional sectors, such as garments and footwear, to informatics industries, particularly personal computer (PC) components, and peripherals. An acute labor shortage and the relatively high costs triggered this emigration of Taiwanese high-technology industries, starting from the most labor-intensive and price-sensitive keyboards and mice to power supply units, and then to motherboards and monitors. In undertaking cross-strait investments, a series of governance and coordination issues were posed for Taiwanese firms. The first of them is related to the location of a new plant. Most Taiwanese personal computer firms initially chose the Pearl River Delta (PRD) and the Yangtze River Delta (YRD) as their destinations; in fact, the site of many Taiwanese investments have shifted from the former to the latter since 1997, once China's membership into the World Trade Organization (WTO) was assured.

9. Taiwanese FDIs to the PRC during the Presidency of Ma Ying-jeou (2008)

Since his election as Taiwan's president in 2008, Ma Ying-jeou (from the party of the KMT) has embarked on an active policy of rapprochement with China, leading to the signing of a string of economic and technical agreements with Beijing that have further liberalized and normalized cross-strait economic relations. But as Frank Muyard has written in 2015 "later as the economic crisis that struck Taiwan for most of the first two years of Ma's administration and a series of missteps and mismanagements by the president and the Kuomintang (KMT) government, have generated a crisis of confidence and widespread discontent among the Taiwanese. It resulted in consistently low approval ratings and several setbacks in regional and by-elections in 2009 and 2010, as well as the resurgence of a reformed opposition under the leadership of Tsai Ing-wen of the Democratic Progressive Party. […] The discrepancy between Ma's increasingly apparent Chinese nationalism and the Taiwan-centered national identity of the majority is further indication of a significant disconnect between the KMT administration and the Taiwanese mainstream" (Muyard, 2010, p. 5).

According to Muyard, press reports indicate that, since the signing of the ECFA (Economic Cooperation Framework Agreement, Taiwan and China, June 29, 2010), China has somewhat backed away from opposing Taiwan seeking trade agreements with other countries, which Taiwan calls "economic cooperation agreements" (ECAs). On July 10, 2013, Taiwan concluded an ECA with New Zealand and signed the Agreement between Singapore and Taiwan on Economic Partnership (ASTEP) on November 7, 2013. Taiwan has also pursued exploratory talks with the European Union, the Philippines, India, Indonesia, and Israel about the possibility of an ECA.

Taiwan is a major source of foreign direct investment (FDI) flows to the PRC, although the exact level remains unknown. According to the Taiwan Investment Commission, Taiwan's approved FDI flows to China grew from 2.6 billion USD (2000) to 13.1 billion USD (2011), but declined during the next two years (totaling 8.7 billion USD in 2013). The stock of Taiwan's approved FDI to China from 1991 to 2013 was 133.7 billion USD, 80 percent of which is in manufacturing. The top five sectors of Taiwan's cumulative FDI in China from 1991-2013 were electronic parts and components manufacturing (25.3 billion USD); computers, electronic, and optical products manufacturing (18.4 billion USD); electrical equipment manufacturing (9.8 billion USD); wholesale and retail trade (7.0 billion USD); and finance and insurance (6.2 billion USD). Some analysts argue that a large level of Taiwan's investment in China is not reported to the government. For example, many Taiwanese investors are believed to invest in China through a Hong Kong entity in order to avoid scrutiny by Taiwan's government. It is highly probable that the total level of Taiwan FDI in China could be as high as 300 billion USD.

US data on trade with Taiwan perhaps underestimates the importance of Taiwan to the US economy because of the role of global supply chains. To illustrate, Taiwan's manufacturers and traders report data on the amount of export orders they receive from various countries. These data indicate that annual orders for products from US buyers are much larger than the reported level of annual US imports from Taiwan. For example, while US imports from Taiwan in 2013 were 37.9 billion USD, US entities placed export orders for 107.2 billion USD with Taiwan firms in the same year. This was nearly three times higher than the US-reported level of imports from Taiwan. The gap between US imports from Taiwan and US export orders to Taiwan firms has widened considerably over the past 10 years[6] (UNCTAD, 2022; World Bank, 2020; WTO, 2018; EIAS, 2018; Trading Economics, 2018).

A significant amount of Taiwan's ICT hardware products that are assembled in China are exported to the US and to the EU. The US trade data indicate that computer products and parts are the single largest category of US imports from Mainland China. Thus, it is likely that a large part of US imports of computers and computer parts from China originates from Taiwan-invested subsidiary firms in Mainland China. In many cases, the US ICT firms place orders for products with Taiwan's firms, which manufacture the products in China, then ship them to the United States, where the US firms sell the products under their own brand names. According to Taiwan's Ministry of Economic Affairs (MOEA), US firms such as Apple, Dell, Verizon, and HP are among the major global purchasers of ICT products made by Taiwan firms (primarily Hon Hai/Foxconn) (ITIF, 2021).

According to the official Taiwanese government sources[7], overseas production accounted for 13.3 percent of Taiwan export orders in 2000, but by 2013, this level reached 51.5 percent. For Taiwan ICT firms, this ratio rose from 24.9 percent to

6 A very interesting analysis was made by Jiandong Shi, a Chinese PhD student at the National University of Public Service, Doctoral School of Public Administration Sciences of Hungary in 2021, where he has pointed to the statistical problems of proper measurement of the international trade between the USA, the PRC, Taiwan, and Hong Kong (Shi, 2021).

7 Reliable statistical sources are rather scarce and are often contradictory on the Taiwanese economy, so it is not easy to analyze this topic.

87.3 percent. The disparity between the data on Taiwan's export orders and US import data is largely explained by the fact that a significant level of products designed and sold by Taiwan's firms are actually built elsewhere, especially in the PRC, and then shipped to different countries worldwide, among others, to the United States. For example, from 2001 to 2008, the value of Taiwan's information technology (IT) hardware (such as computers) production increased from 42.8 billion USD to 100.0 billion USD.

Major US exports to Taiwan included industrial machinery; semiconductors and other electronic components; basic chemicals; and aerospace products. In 2013, Taiwan was the seventh-largest export market for US agricultural products, valued at 3.1 billion USD. Major US agricultural exports to Taiwan include soybean and soybean products, wheat and wheat products, processed foods, and beef. In addition, Taiwan is the seventh-largest foreign holder of US Treasury securities, which totaled 179 billion USD as of January 2014.

The Brussels based European Institute for Asian Studies[8] (EIAS) conducts interesting studies on the PRC and on Taiwan, and in one of its latest reports of October 2018, entitled the Taiwan's Outward Foreign Direct Investment (OFDI) into the European Union, it made very interesting statements on Taiwan's outward FDI and Trade Relations.

10. Taiwan's Government's Efforts Against Chinese Technological Spying

The new government of Tsai Ing-wen[9] is formed by the anti KMT Democratic Progressive Party (DPP). As the Financial Times (Financial Times, 2021) mentioned at the end of 2021, "Taiwanese regulators wanted to slow down high-tech FDI outflows to the PRC in order to stop copying by companies from the PRC. The latest move by Taipei to prevent the leak of sensitive technologies, including semiconductors, to the mainland have made lots of problems for the Taiwanese businessmen. In order to stop outflow of high-tech products to the PRC, the

8 According to the homepage of this institute: "The European Institute for Asian Studies (EIAS) is a leading Think Tank based in Brussels, the capital of the European Union, focusing on EU-Asia relations since its founding in 1989. As a policy research center, its aim is 'to promote understanding between the European Union and Asia'." In addition, "it aims to strengthen ties between Asia and Europe through in-depth, comprehensive research, as well as acting as a knowledge exchange platform and forum for dialogue between policymakers, members of academia and think tanks, civil society and the corporate sector" (EIAS, 2018).

9 Tsai Ing-wen was the president of Taiwan from 2016 till 2020 and was re-elected in 2020.

Taiwan's Ministry of Economic Affairs announced the revision of current regulations to require Taiwanese companies to seek approval if they planned to sell or dispose of any of their assets, plants or subsidiaries in China to their Chinese counterparts or other local buyers, as such a move could involve the transfer of sensitive technologies. Current regulation only requires Taiwanese companies to notify authorities of such transactions. A set of revised regulations, which were designed to protect Taiwan's valuable chip technologies, was sent to the Executive Yuan for further review on December 17, 2021, and would take effect before the end of 2021 at the earliest, or in January 2022, an official of the Taiwan Investment Commission told Nikkei Asia. Currently, Taiwanese companies' investments in China, including setting up subsidiaries there, must be approved by the commission (Financial Times, 2021). The article goes on as follows: "the Taiwanese Ministry of Justice and the Mainland Affairs Council, are drafting new regulations to prevent Taiwanese professionals from leaking trade secrets and critical technologies to 'foreign counterforces' in places such as China, Hong Kong and Macau, in an elevating effort to discourage people from working for companies across the strait." According to the Financial Times, "the stricter scrutiny comes as many Taiwanese tech companies have sold their Chinese subsidiaries over the past few years. Lite-On, a leading power management solutions provider, sold 51 percent of its solid-state drive storage subsidiary in the Chinese city of Suzhou to Tsinghua Unigroup in 2017 and the remaining stake to a local investment firm this June. ASE Technology Holding, the world's biggest chip packaging and testing service provider, is the latest example. The Taiwanese company earlier this month sold stakes in two of its Chinese subsidiaries to Wise Road Capital, a Chinese private equity firm that recently became involved in rescuing embattled Chinese chip conglomerate Tsinghua Unigroup. Wise Road's 1.4 billion USD takeover bid for South Korean chipmaker Magnachip Semiconductor was dropped this week due to stricter US government scrutiny over the deal due to national security concerns […]. We have noticed that there's a vulnerability in the current legal system that needs to be patched," Investment Commission spokesperson Lu Chen-hui told Nikkei Asia. "Although the cases of Catcher and Wistron are less technology-intensive, it reveals that there's a loophole for possible sensitive technology leakage going forward" (Financial Times, 2021). A dedicated ministry team will be tasked with looking more closely at transactions that involve technologies surrounding "chipmaking, chip packaging and testing, and panels", the officials said. The administration of President Tsai Ing-wen has been tightening its screening of Chinese investments in Taiwanese companies to protect sensitive technologies and has banned staffing companies from listing jobs openings for sensitive industries, such as semiconductors, that are located in China (Ibid.).

But it is probable that official data on foreign trade and even FDI flow between China and Taiwan are not showing the reality, as the real Taiwanese export and direct investment data might be two or three times higher than in the official PRC or ROC statistics. Taiwanese FDIs to China often go through third countries such as Thailand, the Philippines, and Singapore etc. with large Chinese business communities in order to hide the real origins from the Taiwanese government.

It is interesting to note that there are important political differences between older and younger people in Taiwan. Syaru Shirley Lin (2021a) has stated that "The older generations remain focused on Taiwan in high-income trap, economic prosperity and have strong ideological views on China, young people prefer candidates who are firmly Taiwanese with strong commitment to progressive values, but are result-oriented in governance, and pragmatic about cross-Strait relations. Even if China is not their top choice as a place to live and work, they want to have the choice just like young people anywhere else. Politically, the experience of living and studying in China has not made them more supportive of unification, and in some cases, they have actually become more opposed to it. To younger generations, there is no contradiction in working in China but supporting a more autonomous and separate Taiwan" (Lin, 2021a, p. 61).

11. The New Southbound Policy Initiative After 2019

During the last 30 years, Taiwan, the ROC, and Mainland China, the PRC, had strong economic ties, but the Tsai Ing-wen government tried to loosen these relations just in order to reduce the copying of Taiwanese products by the PRC's companies. That is why the New Southbound Policy initiative was introduced with the aim of redirecting the international economic relations of Taiwan to a new geographical area (Neszmélyi, 2020). Eighteen countries are targeted by the New Southbound Policy: Thailand, Indonesia, the Philippines, Malaysia, Singapore, Brunei, Vietnam, Myanmar, Cambodia, Laos, India, Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan, Australia, and New Zealand. It is important to see that in some of these countries there are significant Chinese business communities that play a crucial role in the local economic life, and this generally helps to strengthen the economic ties of Taiwan with these countries. In order to support the goals of the New Southbound Policy, the Department of East Asian and Pacific Affairs of the Ministry of Foreign Affairs of Taiwan established the Indo-Pacific Affairs Section. One focus of the Indo-Pacific Section is to forge more cooperative ties with the

United States, Australia, and Japan, as they have shared similar visions for a Free and Open Indo-Pacific (FOIP).

This Taiwanese "New Southbound Policy" has lots of similarities with the Hungarian "Opening to East", or later the "Opening to South" initiative, and both are similar to the Chinese "Belt and Road Initiative (BRI, or B&R)", formerly known as "One Belt One Road", but the major difference is that China regards this B&R initiative as a "global infrastructure development strategy" with the aim to invest in nearly 70 countries and international organizations. While the Hungarian government announced the Opening to East policy in 2012, China accepted its B&R initiative in 2013, and the Taiwanese project was officially launched on September 5, 2016, and the present Hungarian "Opening to South" initiative was announced in 2015. It is interesting to note that, in reality, the Hungarian "Opening to East" policy was one of the oldest of these three initiatives: moreover, it had been initiated even earlier, when in 2003, the former Minister of Economy, István Csillag, entrusted KPMG Budapest to work out the details of a government program called "Opening to East", with the aim of getting back the former export markets of Hungary. China and Taiwan followed it only some years later.

12. How can Taiwanese Businessmen Overcome Outward FDI Government Regulation? Can the GUANXI System Help That?

Though the New Southbound Policy of the Tsai government might provide solutions for the Taiwanese companies, at the same time, it should see that in reality, it is not very difficult to overcome the restrictions of the new Taiwanese government, simply, some reliable Chinese businessmen should be found in the Southeast Asian region, for example in the Philippines, in Thailand, in Malaysia or in Singapore where Chinese businessmen are dominating local economic life. Taiwanese businessmen can easily invest without much government scrutiny in those countries and can ask the local Chinese partners to invest in their own name and country of origin in the PRC. By this, Taiwanese companies can avoid government control of their FDIs in China, and the (Chinese) companies in the PRC can enjoy the benefits of the Taiwanese investments and can continue copying those high-tech products. Thus, the emerging question is how the traditional Guanxi system might help these acts?

As Nigel Bowen mentioned in the Sydney Morning Herald some years ago, "the two Chinese characters that make up the term *guanxi* mean 'a gate' and 'to connect', thus guanxi is usually loosely translated as 'relations' or 'connections' in English" (Bowen, 2015). Guanxi refers to the durable social connections and networks a firm uses to exchange favors for organizational purposes, Flora Gu, Kineta Hung and David K. Tse in their research examined how and when guanxi operates as a governing mechanism that influences firm marketing competence and performance in the transitional economy of China (Gu et al., 2008). Drawing on social capital theory, they proposed an integrative framework that unbundles the benefits and risks of guanxi and delineates the organizational processes to internalize guanxi as a corporate core competence. The authors surveyed senior executives in 282 firms in China's consumer products industries. The findings confirmed guanxi's direct effects on market performance and its indirect effects mediated through channel capability and responsive capability. The authors also confirm that technological turbulence and competition intensity can be effective structure-loosening forces, thus reducing the governing effects of guanxi. The findings suggested that firms can improve market access and growth through guanxi networks, but managers need to capitalize on them from the personal to the corporate level. In addition, managers should be aware of guanxi's dark sides, which include reciprocal obligations and collective blindness. Their study shows that personal networks are popular universally, but in China, they have unique, distinct ways of operation (Gu et al., 2008).

As Jing Vivian Zhan stated in her article in 2012, corruption exists all around the world and throughout human history, but societies undergoing rapid modernization and institutional transition tend to be more susceptible to this problem. In her article she analyses the corruption facilitating roles of the guanxi network in China. When deficient political and economic institutions hamper the effective flow of information and resources and when fast structural changes generate uncertainty, people can resort to guanxi network, an informal institution, to overcome these difficulties and advance their private interests. Using empirical evidence from reform-era China, she demonstrated in her article how the communication, exchange, and normative functions of the guanxi network enhanced the opportunities, means, and incentives for public officials to engage in corruption, especially transactional corruption, through particularistic ties (Zhan, 2012).

Finally, the guanxi network can distort norms by falsely presenting certain illicit behaviors as standard and normatively acceptable practices. This is especially true during the transition period. As rules are in constant flux and political morality based on the Communists (or more specifically the Maoists), ideologies quickly erode, and considerable confusion arises on the part of cadres as to what are morally justifiable behaviors. If an official is embedded in a guanxi network with many other officials who engage in corrupt activities but behave as if their activities were legitimate and justified, this official over time may lose his/her own judgment and accept their practices as normal.

Well established political-legal institutions and market mechanisms are generally thought to be crucial for the prevention of corruption. Ideally, opportunities for corruption can be minimized under a transparent and democratic regime with a strong rule of law and an open and fair market free from state intervention and distortion. However, even the most advanced economies and political systems cannot achieve such ideal status, although they do much better than those underdeveloped and nontransparent regimes with weak rule of law. Transition systems are particularly problematic, because when the old political and economic systems are torn down, but the new ones are yet to be established, tremendous gaps exist in the formal institutions and can be exploited for rent-seeking.

Empirical evidence from reform-era China demonstrates how the guanxi network creates both means and incentives for officials to exploit the structural opportunities under transition and engage in corruption, especially transactional corruption through particularistic ties within relatively small, exclusive networks. The corruption-facilitating effects of guanxi network are realized through its communication, exchange, and normative functions.

- First, when the nontransparent system blocks the free flow of valuable information, guanxi network provides secret, exclusive, and safe channels of communication for officials to disclose crucial information in exchange of economic or noneconomic benefits.
- Second, when state intervention and underdeveloped market prevent open and fair distribution and exchange of resources, the guanxi network enables corrupt exchange between haves and have-nots.
- Third, guanxi network can distort officials' norms and induce them to particularistic behaviors. When such norms override the legal norms, officials will feel obliged and justified to engage in corrupt activities (Zhan, 2012).

13. The Foreign Trade of Taiwan during the last 60 years

During the years of Export Oriented Industrialization (from 1960 till now), economic development was rather rapid in Taiwan. As we have already mentioned, export was Taiwan's main source of economic growth, like in other developing countries in East Asia. The weight of exports in Taiwan's gross domestic product (GDP) from 1960 to 1975 rose from 9.4 percent (1960) to 33.7 percent (1975). During the 1980s, Taiwan's exports were around 43-52 percent of its GDP. At the same time, it maintained an elevated GDP growth rate, between 3.5 percent and 12.7 percent. After 2000, the proportion of exports in the GDP increased even higher. By 2007, Taiwan's exports accounted for 64 percent of its GDP (Chianga – Gerbierb, 2010, p. 149).

Table 1. Taiwanese exports, GDP and Economic Growth

Year	Exports ($million)	GDP ($million)	Exports/GDP (%)	Annual economic growth (%)
1960	164	1736	9.4	6.3
1965	450	2843	15.8	11.2
1970	1481	5739	25.8	11.4
1975	5309	15,747	33.7	4.9
1980	19,811	42,285	46.9	7.4
1981	22,611	49,288	45.9	6.2
1982	22,204	49,606	44.8	3.5
1983	25,123	53,479	47.0	8.3
1984	30,456	60,384	50.4	10.7
1985	30,726	63,409	48.5	5.0
1986	39,862	76,929	51.8	11.5
1987	53,679	103,520	51.9	12.7
1988	60,667	125,789	48.2	8.0
1989	66,304	152,724	43.4	8.5
1990	67,214	164,513	40.9	5.7
1991	76,563	184,267	41.6	7.6
1992	82,122	218,712	37.5	7.9
1993	85,957	230,926	37.2	6.9
1994	94,300	252,227	37.4	7.4
1995	113,342	273,792	41.4	6.5
1996	117,581	289,315	40.6	6.3
1997	124,170	300,005	41.4	6.6
1998	112,595	276,105	40.8	4.6
1999	123,733	298,757	41.4	5.8
2000	151,950	321,230	47.3	5.8
2001	126,314	291,694	43.3	–2.2
2002	135,317	297,668	45.5	4.6
2003	150,600	305,624	49.3	3.5
2004	182,370	331,007	55.1	6.2
2005	198,432	355,958	55.7	4.1
2006	224,017	365,503	61.3	4.9
2007	246,677	383,343	64.3	5.7

Source: Chianga – Gerbierb, 2010. p. 149.

Clearly, in Taiwan (as in other rapidly developing Far East countries), there were at least two distinct phases of Export Oriented Industrialization:

- The first phase was before hyper-globalization, when direct export was dominant, as in Taiwan wages were relatively low and consequently, the country exported products directly to the final markets. That is why direct exports were important after the 1960s for sustaining Taiwan's rapid economic growth.
- In the second phase, after the 1990s—following the logic of hyper-globalization— "exporting directly the final goods to the world market" was replaced by "FDI outflow" and by "exporting the intermediate goods and services to a third country for manufacturing and assembling", and final exports came from the affiliates working in third countries. These affiliates exported to the final markets. As we have already mentioned, it is rather difficult to analyze foreign trade, as it is practically impossible to make meaningful quantitative analysis of international economy, though, some new measurements have appeared lately, such as the TiVA (Trade in Value Added), or the NGI, the New Globalization Index of Petra Vujakovic from the Joint Vienna Institute (Wien). But unfortunately, these indices are either not renewed regularly, or not widely accepted. This is the second phase of Export Oriented Industrialization. The Taiwanese exportation was transformed from high labor intensity to high capital and technology intensity activity during this phase. According to the Ministry of Economic Affairs in Taiwan (hereafter MOEA), the export of heavy, chemical, and technology-intensive sectors in Taiwan's total manufacturing exports increased from 60 percent (1990) to 85 percent (2005). On the other hand, exports of high labor intensity goods diminished from 46 percent (1985) to 28 percent (2005) (Taiwan Statistical Data Book, 2006).

This is why traditional foreign trade is less and less important today than foreign direct investments, and trade is realized inside the great global transnational companies.

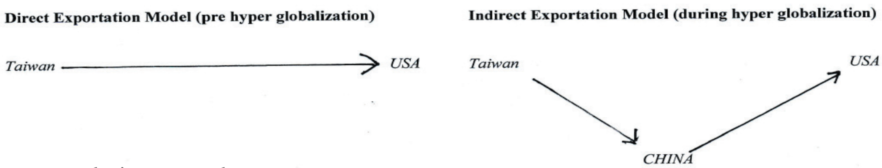
Meanwhile, Taiwan's main export destination also changed from the US, the "final market", to China, which can be regarded as the "indirect market". The US market took 49 percent of Taiwan's total exports in 1984; however, this dropped to 13 percent by 2007. In fact, since 2000, exports to China (including Hong Kong), have exceeded exports to the US. The Mainland Affairs Council (MAC, established in 2008) estimated that the proportion of Taiwan's exports to China of the total export rose from 6.5 percent (1990) to 30 percent (2007) (Cross-Strait Economic Statistics Monthly, MAC). Most of the exports to China were parts and accessories for optical and photographic instruments, electronic equipment, and mechanical appliances, and it is highly probable that the final products made in PRC (China) were later exported to the US and to other developed countries.

According to Min-Hua Chianga and Bernard Gerbierb (2010), the main reason for the change of export destination and category was that Taiwan's outward foreign direct investments (OFDI) exceeded inbound foreign direct investments (IFDI) received by Taiwan. Following the New Taiwan Dollar's appreciation and wage increases in the latter half of the 1980s, Taiwan was no longer an ideal production site for labor-intensive sectors. Instead, Taiwanese firms began to invest abroad increasingly in order to enjoy labor-cost advantages and to export intermediate goods to lower wage countries for manufacturing, especially in China.

Consequently, exports remained the main source of Taiwan's economic growth, but exports changed drastically: it was not Taiwan who exported final goods directly, but these exports were realized indirectly, through FDIs abroad. Taiwan transformed itself from a "directly exporting country, inward-investment driven economy" to an "outward-investment-driven economy", where a large part of Taiwanese export was actually produced in other countries, in companies partially or totally owned and controlled by Taiwanese companies or Taiwan based TNCs. Therefore, we may conclude that Export Oriented Industrialization was replaced by Foreign Direct Investments Oriented Industrialization. This new type of industrialization helped Taiwan avoid the middle-income trap, thus endangering all countries which were not able to realize this new phase of Export Oriented Industrialization.

The weight of Taiwan's inward and outward Foreign Direct Investments in its GDP has changed largely. Taiwan's inward investment as a percentage of GDP increased slightly from 5.8 percent (1980) to 12.7 percent (2007), while its outward investment as a percentage of GDP increased from 0.2 percent to 41.3 percent, and these outbound FDIs have largely contributed to the hidden increase of Taiwanese exports. This transformation of export pattern is a characteristic of hyper-globalization, as formerly the Export Oriented Development was characterized by direct export, but in the time of hyper-globalization, export became indirect, where Taiwan is not directly responsible for the exportation, but through foreign direct investments, intermediate goods and knowledge is exported to countries where wages are relatively low, and the final exportations are coming from those countries.

Figure 3. Direct and Indirect Export Orientated Models



Source: author's own compilation.

14. Taiwan and Its Representation in International Organizations

Since Taiwan was replaced in the United Nations by the People's Republic of China 50 years ago, the Republic of China's (Taiwan) formal presence in international organizations has been greatly restricted, but not eliminated completely. On October 25, 1971, the Republic of China (ROC), by American initiatives, was formally expelled from the United Nations by a vote of the General Assembly and replaced by the People's Republic of China (PRC), formed in Beijing at the end of the country's civil war in 1949. Nevertheless, Taiwan maintains membership in several important international organizations, including the International Olympic Committee, Asia-Pacific Economic Cooperation, the Asian Development Bank, the Governmental Advisory Committee of the Internet Cooperation for Assigned Names and Numbers, and, most recently, the World Trade Organization (WTO). Yet, Taiwan desires greater participation on the international stage, especially within the United Nations and in the World Health Organization (WHO), and its efforts to promote them are generally met with strong resistance from China. At the same time, it is important to note that Taiwan is not the member of the OECD. The OECD was created in more steps and members have also changed during the time.

In addition to the Asian Development Bank, Taiwan is a member of over forty organizations, but maintains only fifteen diplomatic ties with other countries, among them with the US, France, Germany, Japan, Russia, and the United Kingdom.

WTO

When the General Agreement on Tariffs and Trade (GATT) was established in the post war era, China, under civil war between the Nationalists (Kuomintang) and the Communists, was represented by the Nationalist government of the ROC.

In the 1950s, ROC (Taiwan) withdrew from GATT. However, the PRC applied for membership at the GATT, the former body of the WTO. Meanwhile, the government of the ROC re-applied for its membership at the WTO under the name: "custom territory" of "Taiwan, Penghu, Kinmen, and Matsu". By August 1999, Taiwan completed trade negotiations with all its partners except for Hong Kong and Canada. The government of the PRC insists that it must be admitted first before Taiwan is allowed to join the WTO. It happened and Taiwan has been a member of the WTO since January 1, 2002, under the name of "Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu (Chinese Taipei)" (Chiang, 2017).

CPTPP – (Comprehensive and Progressive Agreement for Trans-Pacific Partnership)

Taiwan has also applied to join the CPTPP under the name, the Separate Customs Territory of Taiwan, Penghu, Kinmen, which was used in the World Trade Organization (WTO). The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also known as TPP11 or TPP-11 is a trade agreement among Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. It evolved from the Trans-Pacific Partnership (TPP), but it has never entered into force due to the withdrawal of the United States.

The OECD, the Organization for Economic Cooperation and Development

The OEEC (Organization for European Economic Co-operation) was formed originally in 1948 to administer American and Canadian aid in the framework of the Marshall Plan for the reconstruction of Europe after WWII. Similar reconstruction aid was sent to the war-torn Republic of China and post-war Korea, but not under the name of "Marshall Plan". The OEEC started its operations on April 16, 1948 and originated from the work done by the Committee of European Economic Co-operation in 1947 in preparation for the Marshall Plan. Since 1949, it has been headquartered in the Château de la Muette in Paris, France.

When the Marshall Plan was over, the OEEC focused on important global economic issues. In the 1950s, the OEEC provided the framework for negotiations aimed at determining conditions for setting up a European Free Trade Area, to bring the European Economic Community of the six and the other OEEC members together on a multilateral basis. In 1958, a European Nuclear Energy

Agency was set up under the OEEC. By the end of the 1950s, when the rebuilding of Europe had been done effectively, some leading countries felt that the OEEC had outlived its purpose but could be adapted to fulfill a more global mission. In January 1960, a resolution was reached in Paris to create a body that would deal not only with European and Atlantic economic issues, but also devise policies to assist less developed countries. The plan of this reconstituted organization was to bring the US and Canada, who were already OEEC observers, on board as full members and also to set to work straight away on bringing in Japan. Official founding members of the OECD were the following: Austria, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States. Following the 1957 Rome Treaties to launch the European Economic Community, the Convention on the Organization for Economic Co-operation and Development was drawn up to reform the OEEC. The Convention was signed in December 1960, and the OECD officially superseded the OEEC in September 1961. It consisted of the European founder countries of the OEEC plus the United States and Canada. Three countries, Netherlands, Luxembourg, and Italy—all OEEC members—ratified the OECD Convention only after September 1961 but are nevertheless considered founding members.

In 1989, after the political transitions of East and Central Europe, the OECD started to assist countries in Central Europe (especially the Visegrád Group) to prepare market economy reforms. In 1990, the Centre for Co-operation with European Economies in Transition (now succeeded by the Centre for Cooperation with Non-Members) was established, and in 1991, the Program "Partners in Transition" was launched for the benefit of Czechoslovakia, Hungary, and Poland. This program also included a membership option for these countries.

As a result, Poland, Hungary, the Czech Republic, and Slovakia, as well as Mexico, and South Korea became members of the OECD between 1994 and 2000. In 1995, Cyprus applied for membership, but, according to the Cypriot government, it was vetoed by Turkey. In 1996, Estonia, Latvia, and Lithuania signed a Joint Declaration expressing willingness to become members of the OECD. In 2012, Romania reaffirmed its intention to become a member of the organization, and in September 2012, the government of Bulgaria confirmed its application for membership before the OECD Secretariat. The OECD established a working group headed by Ambassador Seiichiro Noboru to work out a plan for the enlargement with non-members. The working group defined four criteria that had to be fulfilled: "like-mindedness", "significant player", "mutual benefit" and "global considerations". The working group's recommendations were presented at the OECD Ministerial Council Meeting on May 13, 2004. On May 16, 2007, the OECD Ministerial Council decided to open accession discussions with Chile, Estonia, Israel, Russia, and Slovenia and to strengthen cooperation with Brazil, China, India, Indonesia, and South Africa through a process of enhanced engagement. Chile, Slovenia, Israel, and Estonia all became members in 2010. In March 2014, the OECD halted membership talks with Russia in response to its role in the 2014 Annexation of Crimea. In 2013, the OECD decided to open membership talks with Colombia and Latvia. In 2015, it opened talks with Costa Rica and Lithuania. Latvia became a member on July 1, 2016, and Lithuania on July 5, 2018. Colombia signed the accession agreement on May 30, 2018 and became a member on April 28, 2020. On May 15, 2020, the OECD decided to extend a formal invitation for Costa Rica to join the OECD, and the country joined as a member on May 25, 2021. Other countries that have expressed interest in OECD membership are Argentina, Peru, Malaysia, Brazil, and Croatia.

The OECD works as a real "think tank", analyzing important economic questions and working out proposals, which are generally not binding but the member countries are normally signing them. Major topics of the OECD during the last years were the following:

- Tax reform (the OECD publishes and updates a model tax convention that serves as a template for allocating taxation rights between countries),
- OECD Guidelines for Multinational Enterprises (these are a set of legally non-binding guidelines attached as an annex to the OECD Declaration on International Investment and Multinational Enterprises),
- Transfer Pricing Guidelines since 1995,
- The OECD's work on bid rigging includes the publication of guidelines for fighting this practice in the context of public procurement,
- Regular publications (books, economic outlooks, thematic publications, such as Education at a Glance, or Health at a Glance, etc.),
- Country papers presenting all major countries of the world.

It is interesting that there is no news about the application of Taiwan to the OECD, though:

- perhaps it could be easier to get access there than to other international organizations,

- the PRC is not member of the OECD either therefore, it would not be able to protest against membership of Taiwan,
- topics analyzed by OECD are more important in our days generally than that of other international organizations.

To sum up Taiwan's efforts to join international organizations, Taiwan's seventh attempt to join the WHO failed in 2003, and its eleventh attempt to join the United Nations seems to be also doomed to failure.

Taking into account the former failures and the changing pattern of globalization of our days, when instead of foreign trade, the more important Foreign Direct Investments and transnational companies are dominating the international economic life, perhaps instead of the United Nations, it would be wiser for Taiwan to try to become a member of the OECD.

A counter example is the dispute between Lithuania, a small Baltic state and the huge People's Republic of China over the official name of Taiwan. It is interesting to see that accession to international organizations does not seem to be completely hopeless, as Chinese veto on Taiwan's accession is largely political and as the ties between the US, the EU and the PRC are deteriorating, in the (near) future Taiwan could be accepted by some international organizations. An interesting example for that is the relations of Taiwan with Lithuania. As the BBC reported on January 7, 2022 (Nevett, 2022): "a tiny European state of Lithuania announced the opening of a Taiwanese representative office in its capital, Vilnius. To the casual observer, the statement may have seemed unremarkable. To China, it was an intolerable declaration of diplomatic hostility. When the office opened last November 2021, it was the first time a European Union member state had let Taiwan use its own name for a foreign outpost. That touched a nerve in China, which claims Taiwan as part of its territory, even though the island has long seen itself as a self-governed democratic state. To avoid offending China, most countries eschew official relations with Taiwan and recognize its representative office under the name of its capital, Taipei."

Though for a while it seemed that Lithuania also would accept the logic of the PRC, later it became clear that to stick to their original decision, Lithuania might have even gained a lot. As the Politico wrote, "Lithuania's showdown with China over Taiwan is poised to deliver an unexpected windfall to the small Baltic nation that France and Germany could only dream of: investment in microchip manufacturing. Europe is a laggard in the all-important semiconductor industry and a key plank of the EU's industrial strategy—intended to keep Europe in the economic big league with rivals such as China and the US—is a drive for microchip production. Although EU bigwigs have sought cooperation with heavyweight (and democratic) Asian players in the electronics sector such as Taiwan and South Korea, their overtures have so far yielded little. That impasse looks like it could be broken, however, as a bitter trade dispute between Lithuania and China turns Vilnius and Taipei into an unusual pair of geopolitical Davids allied against Goliath in Beijing. Because of the warming diplomatic ties between Lithuania and Taiwan, China has unleashed a strict embargo against the Baltic nation—boycotting not only its exports but even goods from other EU countries made with Lithuanian components (Lau – Cerulus, 2022; Hickson, 2013).

15. How the USA and International Politics can help Taiwan to get into the International Organizations

Stephen Ezell quoted Alex Wong, Head of the US State Department's Indo-Pacific strategy, in his paper as follows: "[Taiwan] can no longer be excluded unjustly from international organizations. [It] has much to share with the world. The United States should continue to facilitate Taiwan's engagement in these types of international forums" (Ezell, 2021, p. 28). Beside this, Stephen Ezell proposed that the US and Taiwan should increase their cooperation in the following areas:

- Advocate that international economic institutions produce more Taiwanese research,
- Increase STEM education exchange,
- Increase investment in publicly funded research,
- Turbocharge Taiwanese digitalization, especially in manufacturing,
- Complement Taiwan's strengths in hardware with greater strengths in software,
- Collaborate on supply chain security, especially in the semiconductor sector,
- Collaborate on semiconductor export controls,
- Establish an innovation experts' working group,
- Develop a strategic sovereign wealth fund,
- Collaborate to support the competitiveness of allied high-tech enterprises.

And its major conclusions are that "Taiwan and the United States represent free, like-minded, democratic societies that constitute key economic and national security partners for one another. The competitiveness and innovation capacity of a wide range of US high-tech enterprises and industries depends on the vitality of the key Taiwanese suppliers they depend on. This report has endeavored to showcase the depth and importance of US economic, trade, innovation, and supply chain linkages with Taiwan and offer a broad range of policy recommendations that, if undertaken, would strengthen the depth and strength of those relationships to the mutual benefit of both nations." (Ezell, 2021, p. 34).

But as the exclusion of Taiwan from the UN and from international organizations was the consequence of a purely political step, to get back also might be the consequence of political decisions.

16. War or Peaceful Cooperation between China and Taiwan?

It is clear that peaceful economic relations between Taiwan, the PRC and even the United States are much more advantageous than a war, in spite of the fact that relations between Taiwan and the PRC are getting increasingly tense nowadays. Though it is not clear what the future might bring, at the same time, it would be very bad (or even catastrophic) for not only to the countries directly interested, but also for the whole world, if a full-fledged war erupted between Taiwan and China. Such a war might destroy not only the economy of Taiwan, but also the economy of the PRC as well, and also might disrupt Global Value Chains all over the world, too.

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