

## Development Case Studies: Taiwan and Guangdong

### At a Glance

Both Guangdong and Taiwan are located far from Beijing, China's cultural heart. For both areas, Hong Kong is a major trading partner. Taiwan is financing operations within SEZs (Special Economic Zones) and Open Coastal Areas in China and is one of many international examples of investment in Guangdong Province. Government planning has been crucial to the continued development of both locations. Taiwan is encouraging immigrants who have high-technology knowledge to return and use that knowledge in science-based industrial parks. Both Guangdong and Taiwan are linked to the world economy through the global production system and international trade. Both locations play a vital role in the continued growth of economies in East Asia, Southeast Asia, and the world.



### Case Study 1: *Guangdong: Globalization in the Pearl River Delta*

#### Special Economic Zones Boost Guangdong

International trade has become one of the most important sectors of Guangdong's economy. Coastal and international shipping routes link over one hundred large and small ports in the province, of which Guangzhou and Shantou have national significance. The importance of these ports was emphasized in 1979, when the government declared Shenzhen, Shantou, and Zhuhai as Special Economic Zones (SEZ). The designation was part of economic reforms that were implemented to realize Deng Xiao Ping's policy of Four Modernizations.

SEZs are designed to take advantage of foreign capital by allowing more economic freedoms. These include duty-free trade, tax incentives, relaxation on foreign investment restrictions, and permitting profits made in China to be expatriated to the investors' home countries. Guangdong Province -- with overseas links forged through emigration, trade history, and proximity to the international financial connections of Hong Kong -- has helped these SEZs take advantage of their status. The result has been tremendous economic growth that at present drives the rest of China.

#### Production Systems Go Global

The global production system maximizes efficiency in the production process. The system is highly organized, with numerous business activities proceeding simultaneously in a variety of locations. As orders are being taken at one site, components of the final product are being made in a variety of other locations. The parts are then shipped to a manufacturing facility that combines the parts to make a finished product. The product is then sent to a port for shipment to a distribution center that delivers it to a retail location.

#### Local Infrastructure Under Global Demand

A well-developed infrastructure is crucial to Guangdong's continued economic growth. Without modern facilities such as ports, highways, buildings, and telecommunications networks, companies cannot compete in the world economy. The delays and resulting expenses caused by poor transportation systems threaten the cost advantages that lure industry to these locations. Poor communications networks can slow information transfer, causing problems in other factories in the global production system.

#### Communications Technology Allows Coordinated Production

Communications technology is central to the global production system. This technology links geographically diverse operations through the use of fiber optics and faxes that monitor computerized inventories. In the Nike example, bar codes that are read into a computer in Hong Kong can be downloaded through telecommunications lines to a central computer in Beaverton, Oregon, where decisions regarding production and marketing are made and products are tracked.

### Case Study 2 -- *Taiwan: High-Tech Tiger*

#### Growth in the Taipei Basin

Taiwan's capital is the city of Taipei, located in northwestern Taiwan. The city sits in one of the coastal basins of Taiwan and is ringed by mountains. The rapid economic development of Taiwan has produced a relatively wealthy population.

#### Hsinchu Science-Based Industrial Park Attracts Workers

The Hsinchu Science-Based Industrial Park (HSIP), located 28 miles (45 kilometers) southwest of Taipei, was developed by the government to give high-tech entrepreneurs a place to conduct research and development of new

technologies as well as a haven in which to start new businesses. This shepherding strategy differs from other models of high-tech industry development.

Today, HSIP is home to more than two hundred high-tech companies. The industrial park, which is situated to take advantage of the proximity of Taipei, the international airport, and major seaports, is part of the Taiwanese government's plan to lure more high-tech industries to Taiwan. Local universities, the government-funded Industrial Technology Research Institute, a new infrastructure, and the high standard of living associated with the industrial park all help draw new businesses and attract highly trained workers to the island.

HSIP has been so successful that it is running out of space and the government has built other industrial parks around Taipei.

### **Taiwan Plans National Development for the Twenty-First Century**

In order to stay ahead, Taiwan in 1980 embarked on a program to develop more capital and technology-intensive industries. The program was a response to competition from other countries. The growth of Taiwan's newly industrializing economy increased the cost of doing business in export-oriented light industries such as textiles. Taiwan's competitors took advantage of this by producing goods at a cheaper rate. Facing increasing competition, increasing dependence on raw materials from abroad, and increasing salaries, Taiwan looked to new strategies to reduce its vulnerability to external economic conditions. Domestic investments such as HSIP are one approach to advancing the economy into a new stage.

### **Taiwan's Role as an Interface Region**

Many of Taiwan's high-tech entrepreneurs studied for advanced degrees in the United States and worked in high-tech companies in California's Silicon Valley. They returned to Taiwan with their knowledge and jump-started Taiwan's high-tech industry. Today, they are expanding their businesses into Mainland China, particularly in Shanghai. Shanghai is home to a well-educated population, has a long history of contact with foreign business, and sits at the mouth of the Chang Jiang River, gateway to Central China.

Taiwanese geographer, Jinn-Yuh Hsu, presents the idea that Taiwan operates as an "interface region." This region represents how Taiwanese entrepreneurs, educated in the U.S., act as a conduit for importing Western technology into China. Geographer Hsu explains that the strong cultural ties between Taiwan and China, as well as Taiwanese familiarity with the Chinese way of doing business, gives Taiwan an edge in facilitating the development of China's high-tech industry, to the benefit of both Taiwan and China.

However, the future of this development may hinge on relations between China and Taiwan. With the 1949 Communist Revolution, Chinese Nationalists fled to Taiwan and established the Republic of China. Since that time, there has been continued tension between those who believe Taiwan should be independent and those who feel Taiwan should be reunified with China. Both points of view exist in China and Taiwan. At times, China has threatened the use of force in order to put down a bid for independence and/or impose reunification.