

CROSS-STRAIT TIES

Taiwan investment on the mainland hits 22-year low

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Taiwanese investments approved for the mainland, a historic destination for the island's export manufacturing sector, fell to a 22-year-low in 2023 while mainland investment in Taiwan also plumbed new depths, showing both sides of the strait have been affected by political friction and global supply chain shifts.

Investments approved for Taiwanese companies on the mainland reached about US\$3.04 billion last year, the Department of Investment Review under Taiwan's Ministry of Economic Affairs said yesterday. That figure covered 328 specific project applications.

The dollar figure is the lowest for any single year since 2001, when it reached just US\$2.78 billion, data shows. The department approved 1,186 projects that year.

Taiwanese investors, once lured by the mainland's lower costs, have been branching out to United States-allied countries since 2018.

This shift gets them around US tariffs on mainland-originated exports and meets US demands that they avoid selling sensitive technology to clients across the strait.

"Firms are increasingly confronted with the higher costs of serving two sides of the ocean and thinking about how to allocate resources," said Jason Hsu, a tech consultant and former Taiwan lawmaker.

Lydia.ai, a firm that designs software for insurance companies, had been told by US venture capital firms to avoid the mainland if it wanted their funding, Taiwanese co-founder Anthony Lee said. The firm raised US\$13 million from 2016 to 2023.

Lee has identified a market on the mainland but he focuses more intently now on Taiwan, Japan and South Korea.

"People are telling me to spin off if you want to do a China thing, because [otherwise] you don't want to be connected to China. That's how bad things are," Lee said.

Taiwan's approved mainland investment bound for the island reached US\$29.7 million last year on 30 total project applications, according to the department.

That number marks the lowest annual figure since Taiwan began allowing mainland investment in 2009 and a precipitous fall from a peak in 2013. Approved deals in 2013 reached US\$349.5 million across 138 applications.

Taiwanese investors preferred to avoid the mainland because of US pressure to "decouple", said Peng Peng, executive chairman of the Guangdong Society of Reform.

Some were afraid of getting caught in a conflict over the next few years, he said.

Beijing sees Taiwan as part of China, to be reunited by force if necessary. Most countries, including the US, do not recognise Taiwan as an independent state, but Washington is opposed to any attempt to take the self-governed island by force and is committed to selling it weapons.