

Re-establishment and Adjustment of Taiwan-Japan Economic Relations in 1950s

Sao-yang Hong

ABSTRACT

This study discusses the subsequent inflow of Japanese investments following the signing of the Taiwan-Japan trade agreement in September 1950. Early investments from Japan were continuation of business networks established during the colonial era, while later investments were new ventures for economic benefits. As a defeated nation of WWII, Japan underwent economic restructuring. By the 1950s, Japan had become the largest economic power in Asia. During the same time, Japanese investments focused on the profit of business and industrial markets, and on introducing mature technology to Taiwan. This was in contrast to Japanese investments in other Southeast Asian countries, which were mainly for economic cooperation as a form of war compensation and were channeled through the government as investment in infrastructure.

The zaibatsu capital which dominated distribution of goods between Taiwan and Japan during the colonial era assumed a new role in the post-war period. It was like a multinational enterprise setting up branch offices in different countries. The Taiwan government held a rather passive attitude toward the inflow of Japanese business investments, which to some extent could easily be replaced by domestic state-owned or private trade enterprises. The National Security Bureau had first thought of assessing the anti-communist stand of the Japanese businesses as the criterion for approving their investments in Taiwan. However, such plan did not work out partly because of the difficulty in evaluating political inclination of businesses and the dependence on Japanese capital for economic development.

Through joint venture and technology transfer, Japanese industrial capital launched production of goods sold to both the government and the military sector. On the one hand, the Taiwan government implemented industrial policy that guaranteed a basic market for Japanese investments. On the other hand, it also imposed rules and restrictions on the inflow of capital and technology from Japan so as to protect local enterprises.

During the 1950s when Taiwan received U.S. Aid, some Japanese investments were channeled into Taiwan through supply of raw materials and technology under the umbrella of the U.S. assistance scheme. However, rules and restrictions imposed on U.S. Aid forced Japanese investments to resort to their own global distribution network for entry into Taiwan.

Keywords: Japanese Investments, Taiwan-Japan Economic Relations, Foreign Direct Investment, Decolonization, Cold War