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## **Keeping Party Line, Bottom Line Separate**

**For Taiwanese, doing business in China can be lucrative  
-- if they keep their politics private.**

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BEIJING — Taiwanese video game salesman Simon Chang was drinking beer with a mainland customer at a nightclub here recently, laughing as a stand-up comedian delivered off-the-news material, Jay Leno-style.

When the comic turned from bawdy punch lines to President Chen Shui-bian of Taiwan and his supposed plans for the island's independence from China, the crowd launched into a profane political chant. That's when Chang's smile vanished.

"They're cursing my president," he said. "It makes me mad. But what can I do?"

For the estimated 1 million Taiwanese entrepreneurs and staffers who have migrated here to cash in on China's business boom, the answer is: Nothing. To prosper, they must keep their politics private.

And prosper they do. For years, despite a cold war that has generated belligerent political rhetoric, Taiwan and China have established lucrative economic ties across the 100-mile Taiwan Strait, a growing but vulnerable flow of trade and investment that quietly benefits both sides.

At least 50,000 Taiwanese companies, taking advantage of China's cheap labor and fast-growing consumer base, have invested \$100 billion here since 1987, experts say. China has replaced the United States as Taiwan's biggest trading partner, and half the companies on the Taiwan Stock Exchange have mainland operations.

Beijing encourages the flow of people, money and ideas. Besides pumping cash into rural factories and real estate development, Taiwanese companies provide key technologies for budding Chinese industries such as semiconductor manufacturing. More than 60% of China's information technology exports are produced in factories with Taiwanese investment, according to the American Chamber of Commerce in Taiwan.

But Chinese officials also have an ulterior motive. They're wagering that closer economic links will prompt the island's businesspeople — protective of their investments — to pressure Taiwan to join the People's Republic.

Taiwan has been ruled separately since 1949, when Communist Chinese forces led by Mao Tse-tung won the civil war on the mainland and Nationalist forces led by Chiang Kai-shek fled to Taiwan. Fifty-five years later, Beijing still considers Taiwan a renegade province that could be retaken by force if it seeks formal independence.

Taiwanese entrepreneurs recently have found themselves caught in political turmoil. Cross-strait tensions flared after the reelection of Chen and his pro-independence Democratic Progressive Party in March. Chinese officials bristled when Chen introduced a "defensive referendum" asking voters whether they wanted to request that Beijing redirect 500 missiles aimed at the island. Amid mainland saber-rattling, the proposal was defeated at the polls.

This month, China held military exercises off Taiwan's coast, a move that many say was prompted by Taipei's recent test-firing of two U.S.-made Patriot antimissile weapons

The political chill has even spread to the Taiwanese businesspeople.

In June, the government-run People's Daily ran a sharply worded attack on entrepreneurs who supported independence for Taiwan, branding a well-known Taiwanese tycoon as a "persona non grata" for his connections to Chen.

Along with the censure of the tycoon, Hsu Wen-lung, entrepreneurs point to a 2001 incident in which Chinese authorities reportedly ordered 40 tax inspectors to audit the mainland operations of one of Hsu's firms. Beijing maintains that Taiwanese spies could be among the emigrating entrepreneurs.

Despite the rhetoric, said George T. Haley, a professor of marketing and international business at the University of New Haven in Connecticut, both sides are adept at separating politics from trade.

"Research has shown that Asians accept multiple realities better than do Westerners," said the coauthor of the forthcoming "The Chinese Tao of Business: The Logic of Successful Business Strategy."

"The Chinese and Taiwanese can disagree and even show open hostility in the political sphere but cooperate effectively in the commercial sphere as nations, and do so quite

amicably on the personal level."

Still, Taiwanese investors living in China take no chances.

Although he speaks Mandarin fluently, the 38-year-old Chang remains guarded about his life. Working in Beijing, he tells most business contacts that he is from southern China, where the accents are similar to those of Taiwan.

But even among customers who know his background, Chang rarely reveals his political cards.

"I've been in meetings where I'm the only Taiwanese and someone will ask me, 'So what is your position toward Taiwan independence?'"

"Usually, I'll say, 'What do you think? I want to do business here, right?'"

Sometimes, Taiwanese entrepreneurs can be stymied by their own government. For 50 years, Taiwan has banned the so-called three links — direct trade, transportation and postal delivery across the strait. With no direct flights, travelers must fly through a third city such as Hong Kong, adding time and expense.

But there have been experiments with a new charter air and ferry service for Taiwanese businesspeople returning home for holidays. The two sides have also expanded shipping routes and established economic zones with ports that will accept each other's vessels. Direct trade between China and Taiwan remains illegal, so freight must move through third countries.

All across China, government-operated news services run stories quoting regional officials boasting about the rate of Taiwanese investment — while they quietly lobby Beijing to ease its hard-line stance on Taiwan.

And despite China's nagging electricity shortage this summer, provinces with high concentrations of Taiwanese investors are being given priority access to power. In a nod to the mainland's burgeoning film industry, Taiwan may lift a long-standing ban and allow Chinese productions to film on the island.

"The ebb and flow of the political rhetoric has always overshadowed cross-strait business, but provincial officials are always happy to have Taiwan's business, with its taxes, employment and other kinds of money flow," said Richard R. Vuylsteke, executive director of the American Chamber of Commerce in Taiwan. "As for the entrepreneurs, they're looking out for the bottom line, not drawing political lines."

Still, many Taiwanese entrepreneurs say investing in China remains risky. They worry about the stability of the Chinese currency, the yuan, and Beijing's attempts to slow the nation's overheated economy.

With no official political ties or embassy in China, they have little recourse in instances of fraud or crime. A Taiwanese trade group called for improvements in China's public safety and what it called the nation's shoddy judicial system after the reported slaying of four Taiwanese by mainland gangsters last year.

But Chinese authorities don't necessarily want the Taiwanese to get too comfortable. They can easily be replaced, as entrepreneurs from other countries — from the United States and South Korea, to name two — line up to do business. Analysts point to Chinese university studies showing that the health of Taiwan's economy has become reliant on the flow of business with China. The mainland's exports to Taiwan account for only a third of the traffic going the other way, they say.

"These people are making a lot of money here, while many support the cause of Taiwan independence, which could hurt China," said Fan Ying, a trade expert at the Foreign Studies University in Beijing. "In terms of the economy, China doesn't need Taiwan as much as they need us. If such talk of independence continues, economic sanctions are a possible strategy the Chinese could take."

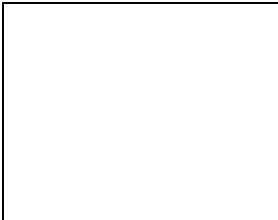
In a recent survey of Taiwan's residents, 60% said their economy would suffer if China imposed sanctions on island entrepreneurs. A similar proportion said the chances of China invading Taiwan would diminish as cross-strait business boomed.

In a statement released this month, Taiwan's Mainland Affairs Council emphasized that such sanctions "would only do harm to both sides."

Taiwanese entrepreneurs hope that their investments will help defuse tensions. Meanwhile, they'll not only keep a close eye on profit margins but also watch out for political trouble.

"You do your business and you don't talk politics," Chang said. "The higher your profile, the better the chance that problems will come looking for you."

#### Photos



Rich opportunity

(AP)

## Increasing ties

The value of trade between mainland China and Taiwan has more than doubled in five years.



Sources: *China Facts & Figures Annual Handbook*; *U.S.-China Business Council*; *Times research*

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