

# BUSINESS

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## The most dangerous place on earth



A Taiwanese soldier on exercises in Hsinchu County, northern Taiwan. China lays claim to Taiwan and a build-up of its military in the Taiwan Strait is ringing alarm bells in some quarters. (Chiang Ying-ying/AP, 29531839)

THE title of this piece was the headline article in a recent Economist and is about what it calls the 'exercise of a high calibre ambiguity' that has kept the peace between the US and China over Taiwan, an island of 24m. people 100 miles off China's coast. Leaders in Beijing argue that there is only one China and that Taiwan is a rebellious part of it.

While the US acknowledges the claim of China, it has spent 70 years ensuring that they are separate.

As the article in the Economist rightly acknowledges, war would be a catastrophe as not only are China and the US nuclear powers but it would be an economic disaster.

Readers may at this stage be a little confused as to why this article appears on the business page. The reason is that all situations fraught with political and economic uncertainty present business opportunities.

Taiwan is at the epicentre of the semi-conductor industry. The Taiwan Semiconductor Manufacturing Company is the world's most valuable chip maker. It has been estimated that the company produced 84% of the world's most advanced chips and as a consequence were production at TSMC to stop, so would the world's global electronics industry.

The Economist states the firm's technology and know-how are possibly a decade ahead of its rivals and it will take many years

Guernsey service providers should seize opportunities arising from the situation in Taiwan, writes **Advocate Raymond Ashton**

before the US and China can hope to catch up.

What has accelerated the interest in the area is the report of China's military build-up in the Taiwan Strait and that eventually it will run out of patience with its current dual policy of a combination of threat on the one hand and encouragement of moves to unify on the other. US intelligence suggests that invasion might occur as early as the next six to seven years.

The uncertainty in Taiwan is exacerbated by the fact that the 'one country, two systems' policy in Hong Kong is now seen to be a flawed model by Beijing.

The politics of the area are complex and fraught with ambiguities. Whatever emerges in the press and some distinguished papers such as the South China Post can be interpreted in at least two ways (and often more).



Patient readers might say, what has all this got to do with Guernsey?

What we know is that when people feel threatened, they have an obvious preference to relocate their wealth to safe jurisdictions. As if such evidence was necessary, before the Second World War many German Jewish business people (and others) accepted large discounts on the value of their exports if payment was made in foreign currency. The recipients

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were places like England, Switzerland and Sweden. It follows that financial services providers in Guernsey might find a growing market for their products in Taipei, the capital of Taiwan; the Red Dragon is much feared in Taipei and throughout Taiwan.

Indeed at one stage China wouldn't accept Taiwanese products (now abandoned) and everything had to be exported and imported via Hong Kong.

The significance of the Taiwan economy in world terms is that it is the 30th largest in the world and as stated above, is very advanced technologically. There is clearly a market for captive insurance, trusts and funds in Taiwan which hitherto have not been recognised. Another attraction is the financial infrastructure which has been influenced by the US so there are a number of US banks in Taipei and the companies operating

in the economy are familiar with sophisticated financial instruments – and the stock exchange in Guernsey might be an attractive repository for such instruments.

Attention in Guernsey has been focused on the potential of China, while Taiwan has been ignored. As a highly developed country, there is clearly a need for insurance products such as captives and trusts for passing wealth between generations and companies for trading. These possibilities exist even in a tax neutral context. The first port of call for enquiries about Taiwan should be the commercial department of the embassy in London, in order to make contracts with financial institutions in Taiwan.

As a postscript, Hong Kong may also be a very valuable market for Guernsey service providers for the same reasons, particularly now that China is exercising increasing assertiveness in its affairs. This will undoubtedly form the subject of another article but it must be remembered that the Chinese are a great mercantile nation in that even at the time of the Maoist's Red Book revolution it was possible to leave China and the port of Shanghai was still prosperous during the period. It was only a question of money and thousands of older people were (and still are) allowed to leave China for the safer climes of Hong Kong and as a consequence transfer the burden to the Hong Kong economy.