Following the disintegration of the former Soviet Union, Mongolia, which was once an integral part of the Moscow-dominated socialist camp, subsequently set out on a radical path of dual reforms aimed at achieving political democratization and economic liberalization. For well over a decade, the ongoing processes of transformation have survived recurrent setbacks, although such survival has not been without its costs (in the form of huge material losses).

Nevertheless, thanks to the massive international support for the country’s reforms, in the form of financing from a number of important aid groups, Mongolia’s campaign for (re-)modernization has now paid off, as evidenced by the resultant stability which has been achieved under the governance of a whole new generation of bureaucratic elites. This phenomenal resurgence has commanded worldwide attention, and indeed it has not gone unnoticed in Taiwan, where the island’s leadership has been vigorously pushing for bilateral cooperation with Mongolia, through all technically feasible avenues, one such avenue notably being the offer of humanitarian aid to Ulaanbatar.

In vying for a trump card against the potential geopolitical vacuum within the region, the Taiwanese government’s initiatives have recently witnessed the reciprocal opening up of representative offices in Ulaanbatar in September 2002, and in Taipei in February of this year. Whilst this provides a clear positive sign, there are nevertheless, numerous obstacles standing in the way of any proposed rapid development of relations between the two economies. Both Taiwan and Mongolia remain very much alienated today, as evidenced by the ill-reputed contemporary Chinese history, yet from a technical standpoint, the lack of provisioning of a sound intelligence guide, which is essential for any economy if it is to gain a proper grasp of all the available business opportunities, is equally discouraging. The project which gives rise to this report was therefore commissioned in order to fill the gaps that currently exist in this area.

The research results of the project are presented in four chapters, based upon several thematically related studies, with the concluding section offering a number of policy proposals and suggestions. The main topics addressed include: (i) an overview of the Mongolian economy with specific focus on the various socio-political changes that have taken place in recent years; (ii) an interpretation of the overall performance of the various branches of Mongolia’s industry and the constraints under which they have operated in the past, and in many cases, under which they continue to operate; (iii) the evolution of the driving forces behind Mongolia’s shift towards diversification in its external economic relations, and in the general investment environment; and (iv) the emergence of the Mongolian Assistance Group and its contribution towards the country’s ongoing developmental efforts.

It is proposed in the study that in setting out to shape a strategy for the development of bilateral ties between Taiwan and Mongolia, considerable effort should be directed towards undertaking commercially-motivated activities, whilst dealing only sparingly with any of the politically sensitive issues that are expected to arise. Although it is clear that on both moral and humanitarian grounds, assistance aimed at maximizing the reduction and eventual elimination of poverty in Mongolia must not be dismissed, within such a strategy ‘trade in lieu of aid’ must stand as the overriding gospel; after all, the special and inalienable heritage of the brotherhood that used to cement (Han-) Chinese and Mongols for more than a millennia can by no means be dismissed. The difficult processes that are involved in the transition of the Mongolian economy, which will undoubtedly have adverse effects on the Mongolian people at large, equally calls for a sympathetic approach. Based on the very same sentiments, this study has gone out of its way to seek rational grounds for the pursuit of strong ties
between the two economies. As detailed in the final section of the report, viable options for development are proposed in two directions: (i) the development of ongoing bilateral relations with recourse to autonomous and self-propelled mechanisms; and (ii) an attempt to draw on the resources of an approving third party, with particular emphasis on targeting those international organizations of which Taiwan is already a member, or in which is has a stake, such that it would be justly entitled to request such cooperation.

When considering the effort that has gone into the reconstruction of the statistical database (which was inconsistent, even in the publication series of some of the presumably creditworthy organizations) and the work involved in reconciling the shifting texts of the existing official legal codes, in the sense of further elaboration of the current arguments, the scope and materials covered in the present volume have actually far exceeded those originally conceived for the project, and indeed, which had originally been dictated by the available budget.

Electricity Tariff Regulations for Vertically-Integrated Utilities and Power Distributors Under a Deregulated Electricity Market, King Ming Wang, May 2003

The international trend towards the liberalization of the electricity power industry has had an enormous influence on Taiwan. Under the deregulation policy prescribed by the Electricity Act Amendment Bill, Taiwan will open its electricity market to the public sector in all areas including generation, transmission and distribution. In addition, its electricity industry will move towards a more liberalized market system characterized by the introduction of new vertically-integrated utilities and contestable customers. As the electricity power market becomes more and more liberalized and diversified, it is expected that new regulatory schemes for electricity rates will be developed and introduced, with particular regard to the vertically-integrated utilities and power distributors, who are obliged to supply electricity within the new liberalized market; as such, the necessary government regulations on electricity pricing should be studied very carefully before any particular scheme is selected for implementation.

The aim of this study is to investigate the important issue of the regulatory pricing system, taking into consideration consumer interests, government policy and the sustainable operations of the power utilities. The study also aims to explore the implications for the vertically-integrated utilities and power distributors arising out of the new electricity rates under a policy of deregulation. In order to achieve these objectives, the study first of all undertakes a review of the various regulatory methodologies adopted for the electricity power industry, before going on to explore the relationship between deregulation of the electricity industry and the electricity tariff regulations.

The experiences of electricity tariff regulations in the advanced countries around the world are then collected and analyzed, followed by clarification of the required regulatory structure in Taiwan, and the provision of a suggested framework for the future structuring of the electricity tariff regulatory system for the liberalized electricity market. Based upon the study's suggested electricity tariff regulatory system, the rights of vertically-integrated utilities and power distributors are also analyzed, as are their social obligations, along with a close examination of the implications arising from the selected electricity rates under the proposed electricity tariff regulations. The study closes by offering policy implications and relevant recommendations for the consideration of policymakers in Taipower.

Firm Turnover, Resource Reallocation and Productivity Growth: Evidence from Taiwan's Manufacturing Sector, Pei-Chou Lin, February 2003

Along with the overall improvements in technology that arise out of industrial development, the major force behind increases in productivity within any given industry is probably effective resource reallocation between firms as a result of the turnover of firms arising from the actions of the market mechanism. If firms within an industry are heterogeneous in their production efficiency, the market will tend to encourage efficient firms to enter whilst forcing inefficient firms to leave. Such turnover of firms will thereby alter the market share between efficient and inefficient firms, and as a result, there will be an overall change in productivity in the underlying industry.

This study uses Taiwanese manufacturing census data for 1981, 1991 and 1996 to establish a panel dataset at firm level in order to explore the dynamics of turnover in Taiwan's manufacturing sectors. The study concludes with an examination of the linkages between turnover and firm-level productivity, followed in turn by the overall analysis of turnover-induced resource reallocation effects in order to compute the contribution to total factor productivity (TFP) for the whole of the manufacturing industry.
The Economic Analysis of Unfunded Mandates for Environmental Protection, Lihchyi Wen, March 2003

Federal governments often impose mandates on states requiring these states to meet minimum standards of environmental quality, but without providing the necessary funding. This gives rise to questions as to which level of government should pay for the costs of implementing such policies. The economic literature in this area suggests that if the level of environmental protection provided by local governments is mandated by the federal government, unfunded mandates can create a crowding out effect since state and local governments are then forced to reduce non-mandated services in order to finance the mandates. An important question to be asked here, therefore, is whether the lack of provision of public goods, due to tax competition, is affected by the extent to which a federal government is prepared to fund its federal mandates.

This study uses a general equilibrium model to examine the strategic behavior between a federal government and a state government, with the results showing that if the federal government funds the federal mandates through revenues raised by a federal output tax, social welfare will be independent of whether the mandate is funded because an increase in federal funding does not reduce tax competition. Furthermore, the federal government would have no incentive to distort its decision regarding the mandate. Thus, although the allocation of output between the consumption of private and public goods is still distorted due to tax competition, the allocation of public revenue between the environment and general public goods is nevertheless efficient.


This study employs a macro-econometric model in an effort to evaluate the impact on the Taiwanese economy from both the Iraq war and the SARS outbreak, designing several different scenarios as the foundation for its economic analysis.

Following a survey of the related literature and research reports, such as those provided by the CSIS and the WEFA Group’s global insight, as well as general news reports relating to the SARS outbreak, the study sets up three scenarios, the baseline case, the benign case and the worst case scenario. In the baseline case, it is assumed that the international economy will gradually recover and that SARS could be under control by the end of May 2003; under such conditions the Taiwanese economy would see growth of 3.51 per cent in 2003 and the overall effect of the SARS outbreak would be very limited. In the benign case, it is assume that SARS does not come under control until the end of June, or that it might even go on for a further three months; under such conditions, as compared to the baseline case, growth in Taiwan would be reduced by 0.24 per cent in 2003, falling to 3.27 per cent for 2003 as whole. In the worst case scenario, if the SARS outbreak were to continue until the end of 2003, as compared to the baseline case, the economic growth rate in Taiwan would slow by 0.81 per cent, with the economy potentially slipping back into recession in 2003 and the unemployment rate rising to 5.28 per cent.

The Construction of a Trade Competitiveness Analysis System and its Application to the Comparison of the Competitiveness of Taiwan and Mainland China in the US Market, Wen-Jung Lien, May 2003

This study sets out to develop a rapid and fully informative model for the systematic analysis of changes to trading competitiveness. The model is based on trading value, and uses market share, growth rates, and so on, as indices, with the final results being provided through systematic calculations. The main characteristic of this model is the way in which it functions as a combined multi-purpose analysis tool, and thus, its ability to offer a variety of results by comparing any single commodity, or all commodities, between the two markets. Comparison types include static analysis, growth rate analysis and comparative static analysis.

Using this model, the study has now completed an artificial intelligence database for the analysis of trading competitiveness, and has applied this database to a comparison of the competitiveness in the US market, in terms of commodities, between Taiwan and mainland China. The results suggest that, irrespective of which parameters are adopted, the trading competitiveness of Taiwan is clearly lower than that of mainland China.