

R O C TAIWAN FUND
Form N-30B-2
August 21, 2001

T H E

R.O.C

TAIWAN FUND

QUARTERLY REPORT

June 30, 2001

DEAR STOCKHOLDERS

The Fund's net asset value per share (NAV) declined 20.5% in the second quarter, underperforming the 15.8% fall in the Taiwan Stock Exchange Index (TAIEX) largely because of the New Taiwan dollar's 4.6% depreciation against the U.S. dollar during the period.

Hit by a barrage of weak economic signals, deteriorating corporate fundamentals and persistent domestic political bickering, the TAIEX declined each month during the second quarter. Even the sharp recovery of the Nasdaq, which is usually closely watched in Taiwan as an indicator for its own technology-heavy market, could offer only short respites to the otherwise downward movement that sapped investor confidence. There were few individual winners as all market segments fell.

The market was rattled early in the period by increased Sino-American tensions after the April 1 mid-air collision between a U.S. military surveillance plane and a Chinese jet fighter. The sluggish economy soon took over as the dominant concern weighing on investors. Each month during the second quarter saw double-digit declines in Taiwan's exports and a rise in the unemployment rate to a new record high (although still low, at just over 4%, compared to most major economies). In May the government announced that first-quarter economic growth was 1.1%, the slowest pace in 26 years. At about the same time, Taiwan's currency started to fall in value against the U.S. dollar and continued this trend through the end of June.

The weakening economy was reflected in disappointing first-quarter results for most listed companies. Exceptions were notebook computer producers and some makers of PC components such as motherboards, which benefited from a growing

Edgar Filing: R O C TAIWAN FUND - Form N-30B-2

trend by the world's major computer brand owners to outsource production to Taiwan manufacturers. The few positive corporate results, however, did little to dispel the growing worries over a continuing fall of capital spending on technology in the U.S. since the American market absorbs the lion's share of Taiwan's technology exports. The gloom was perhaps most evident for the semiconductor industry. Prices of main memory chips fell sharply, and one of Taiwan's major foundry companies (contract manufacturers for other chipmakers and designers) warned of a second-quarter operating loss and uncertain near-term outlook.

Caught up in partisan political squabbles, the government was unable to lift the cloud of pessimism about the economy. The major opposition party threatened to propose a no-confidence vote over the government's failure to halt rising unemployment and pared down a supplementary budget designed to boost the economy. Even the enactment of a financial reform package came only after a special legislative session had to be convened.

Investors' concerns about the economy were on the mark. We are projecting that Taiwan's economic performance worsened in the second quarter, contracting slightly less than 1%. As noted above, foreign demand fell sharply. Exports, which represent about 40% of gross national product, declined 17%. Domestic demand was also weak. Private investment fell as most companies, especially small- to mid-sized manufacturers, cut expansion plans. Given rising unemployment and the slumping stock market, private consumer spending suffered as well. Only a big increase in public sector outlays added a significant lift to domestic demand. We are projecting that the economy hit a low point in the second quarter and have reduced our forecast of growth for the full year to 1.5%.

The moderate economic uptrend we are expecting in the second half of the year should start to lend support to Taiwan's stock market, whose valuation in terms of price/earnings multiple is quite low. The Fund intends to be at least 90% invested in equities during most of the third quarter. By September it should be clear whether there is a pick-up in global demand for the peak Christmas season. If the outlook is weak, however, we may increase our cash position until the year-end, when the market usually rallies.

We are grateful for your continuing support and look forward to reviewing our market outlook and portfolio strategy with you in future reports.

Respectfully submitted,

/s/ Michael Ding

Michael Ding
President
August 2, 2001

PORTFOLIO HIGHLIGHTS
THREE MONTHS ENDED JUNE 30, 2001

KEY STATISTICS

Change in N.A.V. (\$6.59 to \$5.24)

-\$1.35

Edgar Filing: R O C TAIWAN FUND - Form N-30B-2

Total Net Assets \$171.5 Million
=====

TEN LARGEST HOLDINGS

Company	Percent of Net Assets
Hon Hai Precision Industry Co., Ltd.	6.74%
Taipei Bank	5.49
Asustek Computer Inc.	5.14
Winbond Electronics Corp.	4.86
Cradle Technology Corp.	4.66
Picvue Electro	