

# **SCANNING OF INTERNATIONAL MARKETING ENVIRONMENT IN TAIWAN**

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**T**AIWAN, an island in Eastern Asia, is located 320 km north of the Philippines and 150 km east of Mainland China. With an area of 35980 square kilometers, Taiwan borders the East China Sea, the Philippines Sea, the South China Sea and the Taiwan Strait. It did not exist as a separate entity before it was thrust onto the world scene in 1949. In that year it became the focus of the continuing struggle for control between the mainland Communist China and the Chinese Nationalists. Since then, Taiwan has built a modern, internationally oriented and a very dynamic industrial economy, largely from scratch. Despite its small size, Taiwan is the 14<sup>th</sup> largest trading economy in the world, its trade having grown at an annual rate of almost 15 percent since the late 1970s (**Refer: Ministry of Economic Affairs**). It was ranked third in the world among newly industrialised countries according to the 1993 World Competitive Report.

## **Geographical Setting**

Taiwan comprises of the proper Taiwan island, Kinmen (Quemoy), Matsu, P'enghu (the Pescadore Islands) and dozens of other smaller islands. The main island of Taiwan, slightly smaller than the Netherlands is about 394 km long and 144 km at its broadest point. Taiwan is largely mountainous and this occupies half of its total area. It is estimated that only 30% of the area is arable. The island is poor in natural resources and has only few strategic resources which are inadequate to meet its domestic requirements. It enjoys an oceanic and subtropical monsoon climate, with long, humid summers and short, mild winters. Taiwan realises that due to its unfavorable land and natural resources it has to develop its strategic advantage using technology as its main factor condition.

## **Political and Legal System**

It has a multiparty democratic system. The legal system is based on civil law and it accepts compulsory International Court (IC) rulings but with reservations. It is making the transition to a more open and democratic political system after years of authoritarian rule, although it maintains a core of stability within its pro-business government. It has five highest organs of the central government, and the country is administered by the President and the National Assembly. From March 1996, the President is popularly elected. Taiwan was expelled from the United Nations in 1971, and the Peoples Republic of China (PRC) or commonly termed as the Mainland China joined the UN Security Council. In 1979 the USA switched diplomatic recognition from Taiwan (Republic China) to the PRC. Most countries maintain a defacto embassy in Taiwan but for some Latin America countries with whom official diplomatic relations have been set up. Panama remains its most important diplomatic ally.

## **The Education System**

The Taiwanese have high regards for scholarly attainments. A larger proportion of the population now gets higher education. It has a special and supplementary school system running along the

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mainstream educational system. The supplementary school supports vocational education and adult education programs. Remedial classes covering basic job skills are also arranged at training centers. Literacy rate is low at 6%. **(Refer: 'Republic of China at a Glance')**.

## **Population and Social Pattern**

Its population of 21,471,000 (1996) speaks three main Chinese dialects of Mandarin (main), Taiwanese and Hakka. 10% of the population is concentrated in the capital city of Taipei and one third of the population lives in Taiwan's major cities which are located in the western coastal plain. Taiwan's inhabitants are mainly ethnic Chinese, although there are significant historic and social differences between the 84% of them, who are classed as native Taiwanese (including 14% Hakka) and the 14% who are identified as late 1940s mainland Chinese immigrants. Some 2% are classed as non-Chinese aborigines.

## **Business Customs and Ethics**

Taiwanese view business as their life blood ; and the outside world is the key to their success, growth and stability. Taiwan follows a strategy of increasing exports to the Western world, and also to the world at large, in order to maintain de facto legitimacy and its real economic importance to these countries. The strategy works and almost every country of the world maintains a trade mission or representative in Taiwan to serve as de facto embassy, falling short of giving her an official recognition. Taiwan today has been classified as a New Industrialised Country (NIC). Standards of living has increased steadily. To understand how this Taiwan Miracle has been accomplished, it is important to understand the Taiwanese Business Mind and the other facets of doing business with them.

## **Conservative Style**

The typical Taiwanese businessmen are down to earth type, having relatively simple work style, but known for their shrewd negotiating skills. The styles are shaped from their early poverty driven totalitarian sociopolitical system. Most of the top executives are in their forties or fifties, and they have come from such a background. They are skeptical of the younger generation who is becoming more prominent in business but has not experienced the hardships era.

## **Work Virtues**

Work is not just a means but is regarded as one of the highest virtues. Working hours are long to earn more and more money. There is usually one boss (lao ban) who commands absolute respect from his employees. He decides and the employees follow, and on his turn he will take care of even the employees' personal needs. This is based from the Confucian family virtues where the heirachial structure has definite ladder for seniority and status.

## **Small Scale Enterprises**

Taiwanese do not like to work for large companies. Skilled and resourceful professionals aspire to have their own business set-up, however small it may be. To them, it is better to be 'the head of a chicken then to be a tail of an ox'. Small scale capitalism is a norm in Taiwan. The advantage for foreigners is that it is easy to find local partners to set-up a business. The disadvantage is that there is very intense business rivalry that can become vicious in nature. Small scale is also a norm for the service sector. Taiwanese prefer to shop in these small shops eventhough Western-style supermarkets have appeared lately. This consumer style leads to complicated sales network and distribution system.

## **Confucianism The Basis of Success**

The Taiwanese mindset is still being shaped by the basic tenets of Confucianism. Obedience, age, respect and loyalty are some of the virtues, they uphold. Therefore, an older foreign

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businessman has a greater chance of making a breakthrough than a younger person. The family is the pre-eminent institution in Taiwanese society. One's first duty is to the family; and, therefore, most of the companies are 'Family-Driven'. (**Hinkelman, 1994**)

### **Never say never**

There is a general reluctance to say something that can be construed as negative. Taiwanese would likely say what you want to hear rather than what you should hear. This has its own positive as well as negative effects. It also means that the Taiwanese have to homogenise their culture and erase many individuality traits. This could lead to less creativity and innovativeness as well.

### **'Mianzi' (Face)**

Having face means having a high status in the eyes of one's peers, and it is a mark of personal dignity. Taiwanese are sensitive to having and maintaining a face in all aspects of social and business dealings. Therefore, when dealing with the Taiwanese never cause someone to lose face. Conversely, 'face' can also be given by praising someone for the good work done in front of his superiors or his peers. A person's face is not only of his own but also that of the organization he represents.

### **'Guanxi' (Personal Connections)**

In order to market products or engage in cooperative ventures in Taiwan, foreign businessmen must cultivate connections. Guanxi has its roots in the traditional Chinese concept of family where individuals are part of the whole collective family. In essence, the Taiwanese possess a clan mentality under which those inside the clan work cooperatively and view those outside the clan as potential threats. It is an honour for foreigners to be accepted into a network of personal or business relations. You form such relations by doing favors and by demonstrating your integrity and sincerity. On the other hand, one area of business in Taiwan where the importance of personal connection is minimal is export trade. The reason is that Taiwanese businessmen do understand that foreigners have little understanding of the Taiwanese society and traditions.

### **Cultivating Relationship-Matchmaking, Patience**

A Taiwanese who does not already know a potential business associate will hesitate to do business with him until he has had time to get acquainted and size up his associate's character and intentions. The best way to make contact with potential Taiwanese business associates is to have a mutual friend, serve as an intermediary and introducer. Alternatively, represent yourself in a trade show. Rushing into business before having established a personal relationship is an invitation to failure. Be prepared to spend a lot of time deepening and strengthening relationship through visits, dinner, gifts and doing small favors. The Taiwanese like to deal with the same individual. Therefore, designate a personable member of the company to act as the face man for the organization in Taiwan.

### **Meeting the Taiwanese**

Foreigners should display sincerity and respect since Taiwanese attach a lot of importance to social status. Hence, business card exchange and letter of introductions from well known business leaders or overseas Chinese can enhance your image. Maintaining eye contact may be perceived as a sign of aggressive attitude. International business managers should better get an orientation in non verbal cues used in Taiwan, and also in other relevant aspects of its culture.

### **Giving and Receiving Gifts**

Taiwanese are inveterate gift givers since it symbolise hopes for good future business or an appreciation for a favor done. But, foreigners must understand the cultural aspects associated

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with gifts. For examples, when a county commissioner and 20 business representatives from US arrived in Taiwan for seeking business connections, they were taken a back with regard to their choice of green baseball caps for gifts. The trip was scheduled around the time of elections; and the green was the color of the political opposition party. In addition, according to Taiwanese culture, a man wears green to signify that his wife has been unfaithful. While a green hat may lead to trouble in Taiwan, the green color symbolizes exuberance and youth in other Asian countries (**Axtell, Roger**).

### **Conversation**

Taiwanese are curious about foreigners and their habits; and, therefore, their questions are related to what they themselves consider to be important in life i.e. money and family matters. Discussion on topics like Chinese politics especially the PRC-Taiwan relations can be sensitive. Therefore, it should be carefully avoided.

### **Body Language**

Taiwanese often use body language that can be incomprehensible to foreigners or that can be misunderstood. For example, pointing a finger is considered accusatory, rude or hostile. When Taiwanese are embarrassed, they cover their faces.

### **Trade Delegations**

Taiwanese are group oriented people, therefore foreigners must take statements for the group and not as individuals. Have a designated speaker. Taiwanese also accept doing business with women. Having an interpreter is a big advantage.

### **Banqueting**

Eating is Taiwan's number one past time: and knowing about proper banquet protocol demonstrates your respect to the Taiwanese culture. Arrival banquets, seating positions, using chopsticks and concluding the banquet all have relevance to the Taiwanese number one past time. It is then proper for you to reciprocate with a banquet for your host.

### **Negotiations**

The Taiwanese approach is often first to gain a holistic view of the entire proposal, then to break it down into specific chunks; at which time, concrete issues and problems can be discussed. They do not like surprise in the negotiations. It may be wise to lay out your basic position at the beginning time. The Taiwanese are increasingly seen as having unreasonable prices since "Made in Taiwan", once a symbol of low price and doubtful quality, now often means good quality at a relatively high price. Taiwanese negotiations are shrewd and use many tactics such as attrition, playing off competitors and controlling the schedule and location (which is common in Taiwan). The Taiwanese believe in flexibility in scheduling to allow for informal conversation, making acquaintance with the business partner's family, and also dining together.

### **Contracts**

Previously, written contract was viewed as useless. Even now, they still consider a contract to be a loose commitment to do business, not a document that outlines every aspect of the business. Some companies prefer to sign on the short principles of the business and letting the details to be thrashed out by subordinates. MNCs should avoid this, since it commonly creates misunderstanding later on.

## **An Analysis from the Standpoints of Management Taiwan's Cultural Diversity – EPRG Schema**

Any foreigner wanting to market in Taiwan must understand the cultural diversity of the market. One must understand whether the Taiwanese market is: Ethnocentric (specific to the local

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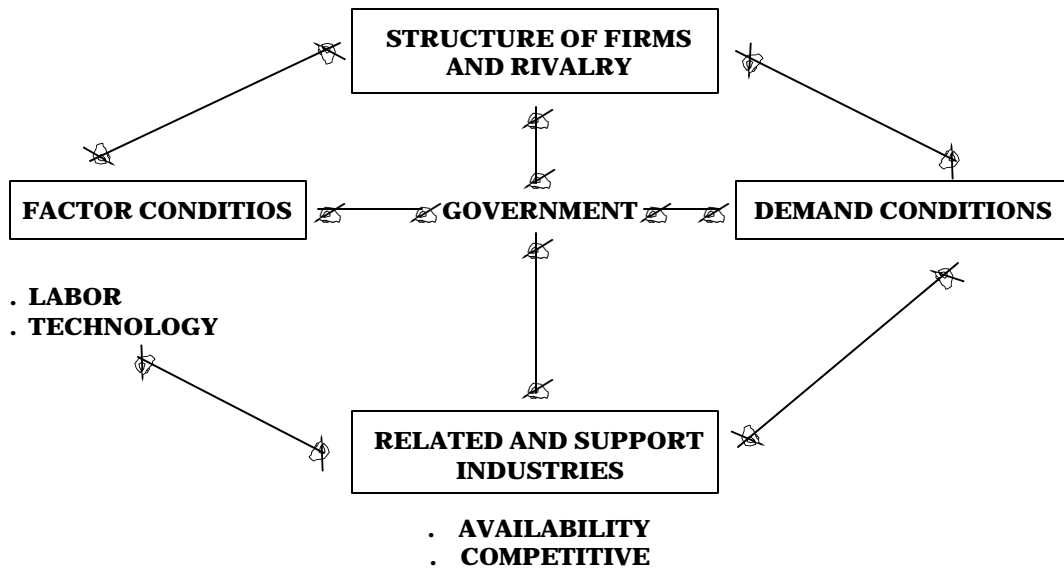
condition), Polycentric (host country based), Regiocentric (regional based), Geocentric (based on global requirements). It is believed that Taiwan has moved from Regiocentric Market orientation towards Geocentric Market orientation. Its low quality and cheap product image in low tech industry is now moving to an image of higher quality, high tech industry, serving markets all over the world. Currently each local company develops its own brand for similar products. A worldwide branding policy is needed if Taiwan wants to market globally. Furthermore, its requirement to enter the WTO club directs it to the Geocentric approach.

### Environmental Scanning for Market Entry Strategy

Environmental Scanning for Market Entry Strategy requires firms to consider the factors like – Demographic, Economic, Competitive, Technological Change, and Cultural Variables. It is very important for foreign companies wanting to enter Taiwan to understand the areas where business concentrates (only in a few cities in Taiwan) and the economic conditions. Major markets of Taiwan are Taipei, Kaohsiung, Tai Chung, Tainan, Hsinchu and Keelung. Since Taiwanese are moving towards a more 'sophisticated society' from the simple type, the customers, are demanding sophisticated products, commonly imported brands. An MNC may hire the services of a Research firm to conduct a thorough environmental scanning, specific to a product or service. A too generalised approach is not likely to work.

### Why Taiwan Can Go Global? – Micheal Porter’s Diamond Model

It can also be observed that the business conditions in Taiwan are influenced initially by Demand Conditions especially from the surrounding developing countries' markets. As it moves to high tech and less labor intensive industries, Factor Conditions become prominent. Shortage of labor becomes a problem and there is a growing demand for R & D and technology. The government has set-up an Industrial Cooperation Program (ICPs) requiring a firm doing business in Taiwan to transfer its technology to the local partner. **(Refer: Dun and Bradstreet Information Service)**. Taiwan is also blessed with a very strong competitive supporting industry. The structure of firms, however, should move quickly from the 'family type' orientation to a more global outlook in order to have a competitive edge.



## **Communication Issue-Barriers of Communication and Hall's Silence Language**

The Taiwanese are basically imbued with the Chinese culture. Foreigners doing business in Taiwan would face barriers in effective communication. These include:

- ✍ Language barrier-different type of language and dialect (Mandarin, Hokkien).
- ✍ Personal barrier-due to individual strengths and weaknesses.
- ✍ Organisational barrier-the local and foreign staff might not be in good terms.
- ✍ Cultural barrier-different Taiwanese working habits and the role of both explicit and implicit communication style.
- ✍ Perceptual barrier-the more direct approach of western businessmen can be construed as rude compared to the more subdued way of the Taiwanese.
- ✍ Value System barrier-Confusian based family and value system compared to the more decentralised family system of the west and class consciousness. In Taiwan one must also understand the concept of Hall's Silent Language. This includes:
  - (a) Language of Time-Taiwanese put a lot of emphasis on time.
  - (b) Language of Space i.e. proxemics – Closer contact and eye-to-eye distance are preferred in Taiwan denoting your closeness to the family network system.
  - (c) Language of Thing-Giving gifts are highly looked upon.
  - (d) Language of Friendship – Business negotiations in Taiwan start up with 'a-know-you' session before the actual negotiations. The Taiwanese must receive the message of your 'warmth' in starting the business.
  - (e) Language of Agreement-After the deal has been concluded handshake, exchange of gifts and banqueting are firmed signals of the positive conclusion of discussions.

## **Masculine vs Feminine Society Values**

The Taiwanese have more masculine values of success, money and things. This has led them to become one of the world's important economic forces. The feminine values of caring for others and quality of life are also important, primarily due to the inherent value of the society which is family based and focuses upon local environmental issues.

## **Influence of Taiwan's Culture On Employees' Work-Related Values and Attitudes – the Hofstede's Cultural Model**

Based on the Hofstede's Cultural model, Taiwan's cultural dimensions can be categorised as follows:

- ✍ It is based on Collectivism as opposed to Individualism. Taiwanese have a tight 'family style' framework where they expect others in the organization to look after and protect them. In exchange, they provide absolute loyalty to the group.
  - ✍ It is a High Power Distance society where employees show a great deal of respect for those in authority and where rank, title plus status carry a lot of weight. That is why foreigners who want to negotiate with Taiwanese must always send a representative who has a comparable status to his Taiwanese business partner.
  - ✍ The degree of uncertainty avoidance is High in Taiwan since one can observe a greater nervousness and aggressiveness in the society. Formal rules are constructed and there is less tolerance for unusual behavior.
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- ✗ Taiwanese are more inclined towards Quantitative or Measurable dimensions of Life rather than 'Quality' of Life. Values like assertiveness, acquisition of money and material goods enjoy priority in the Taiwanese custom even though now, importance is being put by some sections of the society on Quality of Life by putting emphasis on importance of relationship, sensitivity and concern for welfare of others.

## **Marketing Prospective**

Taiwan's foreign commerce is to the tune of USD85.1 billion for c.i.f. total imports and USD93 billion for f.o.b. exports (1994 est). It has a per capita of USD 12070 with real growth rate of 6% (1994 est). Principal trading partners are Japan, USA, EU for imports, and USA, Hong Kong, EU and Japan for exports (Refer: Bureau of Statistics, Taiwan). There is an increase in the demand of consumer durables, with more women joining the workforce. However, due to the smaller size of the Taiwanese homes, large capacity refrigerators / freezers or other such items are not marketable. The companies have gone for modifying the size of their home appliances.

## **Channels of Distribution**

These are three major channels of distributions:

- ✗ Private Traders – importers and wholesalers who buy and sell for their accounts.
- ✗ End Users – Manufactures, public utilities and other institutional buyers.
- ✗ Public Trading Agencies – Agencies set-up by the government such as the Central Trust of China, and Taiwan Supply Bureau. The general practice is to launch a company, with a local, non-exclusive distributor who handles the first few orders from end users. This is, then, followed by an appointment of a local exclusive agent to handle the marketing.

The Seven Ways to approach the Taiwan Market are:

- ✗ Establish a Representative Office: This is for a product, requiring heavy after sales service, for examples – computers and household appliances.
- ✗ Exhibit at Trade Fairs: Preferred for new products.
- ✗ Get a Distributor or Agent: If a product has strong competitors, this is the preferred way. Examples include electronic and heavy machinery.
- ✗ Do Direct Marketing: Preferred for consumer products like auto part and accessories.
- ✗ Open your own Distributorship or Retail Stores: Preferred for companies that have a large array of products.
- ✗ Negotiate a Joint Arrangement with a local company: Commonly for products that are of high technology, protected by copyright and intellectual property.
- ✗ Enter a Bid on projects: Primarily for sales to public organizations.

No special law is available to regulate termination of agency agreements and either party can terminate the services without incurring liabilities by giving notice to either party provided there is no breach of contract.

Taiwan has agreed to adhere to the GATT Uruguay Round Agreement on Government Procurement as part of its accession agreement with the WTO. Technically complex tenders are led by the Central Trust of China (CTC) which is a multifunction government owned financial enterprise supervised by the Ministry of Finance. Procurement procedures have to also abide by the Law of Audit. Taiwan's Industrial Cooperation program (ICPs) requires foreign vendors to propose programs that transfer technology, procure locally and assist in marketing. They hope, this will nurture strategic industries and upgrade their technology base.

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The manufacturers have to adhere to the growing demand for respect for consumer rights. This can be seen from the recall of the defective products, the push by the Consumers' Federation for more comprehensive consumer legislation, and suggested provision of toll-free service numbers by manufacturers.

## Advertising

Taiwan is not relatively dependent on radio and television advertising even though it has a well developed and an extensive radio and television network. Newspaper is the main avenue for advertising accounting for 40% of all advertising spending. 7% is taken up by magazines. Television accounts only for 33% of the advertising spending and radio 7%. Taiwan has about 24 advertising agencies but they serve as managers for campaigns developed by foreign parent companies and rarely do any local creative work.

## Foreign Investment

Taiwan welcomes foreign investment, and in principle, it will open all sectors of its economy to foreign investment except in areas involving national security or causing potential environmental damage.

All applications for investments approval, acquisitions and mergers are screened by the Foreign Investment Commission (FIC), Ministry of Economic Affairs (MOEA). Approvals are being guided among other things by the Statue for Investment by Foreign Nationals (SIFN) and the Statue For Investment by Overseas Chinese (SIOC). A 'Negative List' adopted in July 1990 specifies industries closed and restricted to foreign investment. This would mean that 10% of the 391 industries in Taiwan will have restrictions. These include service industries like reinsurance and legal services. If you need to set up an industrial zone, this will take 56 months after vetting by 43 agencies (Refer: Dun & Bradstreet Information Service ).

## Environment Protection

Taiwan spends enormous money to protect the environment, following decades of neglect amid rapid industrial development on a relatively small island. Local concerns about the environment have swelled into a major domestic political issue which in turn is pushing the business development. Rising income standard has led to increasing sophistication about environmental damage. Through the Taiwan Pollution Control Equipment Manufacturing Association (TPCEMA), it is working to channel burgeoning outlays for pollution control products away from foreign concerns and towards local companies. The Environmental Industry has been identified as strategic in the Six Year National Development Plan in 1991, as shown in the following table:

### Taiwan's Environmental Business Sector (all in US Dollar)

	1992	2002 (Projected)
Production Value	\$1.324 bil	\$3.759bil
Avg. Annual Growth	11%	11%
Exports	\$75mil	\$464mil
Domestic Demand	\$1.633bil	\$4.291bil
R&D (as % of total sales)	1%	3.5%

**Source :** Republic of China EPA Statistics (adapted from 'PROSPECTS-Asian Sustainable Growth, Dec. 94)

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## Corruption & Crime

Corruption and organised crime have a long history in Taiwan. The Kuomintang (KMT) government of Chiang Kai Sek already had close ties with the Green Shang, a Shanghai based triad which helped to overthrow the Qing Dynasty and later served as enforcers for Chiang's rule. Now with the rise of democracy, money politics and gang influence have risen (Refer: Asian Business, March 97). Opposition party members estimated that 33% of legislators at the Legislative Yuan have links to organised crime. The government is considering a Procurement Law to make the process more open, while closing avenues for corruption, bid rigging and mob influence in Taiwan's public sector. This measure is also a part of the government's bid to gain WTO's entry.

## Human Resources

There is a reverse braindrain as US-trained overseas Chinese engineers are flocking back to the island. In 1991, labor force was 8.6 million (40% of population). The economy is shifting towards high technology and capital intensive type of labor force. The government has taken two prong actions:

- ✗ Export traditionally labor intensive industries to the PRC or ASEAN Developing economies, hence solving the issues of rising labor and land cost and those of shortage of skilled labor.
- ✗ Import workers from ASEAN. Taiwan has one of the world's highest insurance premium, retirement pay benefits.

## Labor Force in Taiwan

Item	Unit	1986	1996
Labor Force	Thousands	7945	9310
Male		4957	5662
Female		2988	3648
Employment	Thousands	7733	9068
Agriculture	%	17	10
Industry		42	38
Services		41	52
Unemployment Rate	%	2.7	2.6
Male		2.8	2.7
Female		2.5	2.4

**Source:** Bureau of Statistics, 1997, Taiwan

## Financial Sector

A future exchange has been established following the relaunching of over the counter stock exchange in 1996. A new category of bank similar to the merchant bank is in the process of establishment. Capital markets are being liberalised with new financial instruments whilst monetary authorities have pledged to lift capital controls by 2000.

## WTO (World Trade Organization)

Unlike its highly visible but fruitless attempts to join the UN, the island approach to WTO entry has been at a low key but it seems to be more productive. It has reached agreement with 21 of the 26 WTO member countries. However it is worth noting that the remaining 5 members are the USA, the EU, Canada, Switzerland and Singapore with whom negotiations are expected to be tough. Taiwan's Board of Foreign Trade (BOFT) which is responsible for all these negotiations indicated that thorny issues include requirement by countries like USA for a bigger market for

their wheat. This would threaten Taiwan's main rice industry. Singapore requests for more market for its electronic products but the main contention between these countries involve agriculture products. The membership of WTO will have profound affect for Taiwan. 'Sunset' industries like car production and agriculture will suffer as tariff drop as cheaper products are allowed in. The other issue for entry is the possible 'blockage' by PRC which has made known its intention to be in WTO first before Taiwan. But the PRC is nowhere ready for the WTO membership.

### **Strength Through Trade**

- ✍ Taiwan being the 14<sup>th</sup> Largest Trading Economy (1992) has trade surplus with all major economic powers except Japan. It has strong export base and a trade surplus, with minimal foreign debt. (Refer: MOEA)
- ✍ With the US it has the 2<sup>nd</sup> highest trade surplus. US has been asking for reduction in the deficit by eliminating barriers to US imports and investments. The US Congress is thinking of protectionist measures especially in products where the components are supplied from Taiwan but assembled and exported through the PRC.

### **Managing the PRC & Taiwan Conflict**

The conflicts between PRC (Mainland China) and Taiwan are both Functional and Dysfunctional Conflicts. It is a Functional Conflict situation since it has caused the government to outline economic strategies which are global in nature. It has effectively brought Taiwan to be one of the Asian Tigers and motivating it to work harder to enter the WTO club. On the other hand it is dysfunctional in nature situationally but is less obvious. The psychological fear and pressure put by PRC caused some companies to reduce its operation in Taiwan especially during the 1996 Presidential election.

### **Taiwanese Strengths, Weaknesses, Opportunities and Threats (SWOT)**

Taiwan's main strengths are its strong economic fundamentals, trained and skilled labor and a well established infrastructure. Its strategic location next to the PRC is important to the USA and Japan. Furthermore, it has strong Chinese connections; and, hence, Taiwanese understand the PRC issues better. Therefore, it can act as the bridge between other countries who want to do business in the PRC. Its weaknesses is its low natural resources, shortage of labor and unfavorable land conditions which are mostly hilly. Opportunities are in abundance in Taiwan since Taiwanese people are ever willing entrepreneurs. Threats come from its status vis-vis the PRC especially since it is being looked upon by the PRC as one of its territories. The high labor cost is also causing products to become expensive. Corruption and rivalry both in business as well as politics could lead to fragmentation of the business confidence in Taiwan.

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## Understanding Taiwan's Corporate Level Strategy - Using the Boston Consulting Group (BCG) Matrix

		MARKET SHARE	
		HIGH	LOW
G R O W T H	<b>H I G H</b>	<b>Stars</b> MECHANICAL APPLIANCES (COMPUTER PRODUCTS i.e Data Processing, machine Parts, Terminals)	<b>Question Marks</b> Articles of Apparel, Textile for Industrial Use
	<b>L O W</b>	<b>Cash Cows</b> ELECTRICAL MACHINERY (Integrated Circuit, Color Video Monitor)	<b>Dogs</b> Toys, Plastic Article
		HIGH	LOW

### Industrial Production, Taiwan (Principal Manufacturing Products)

Item	Units	1986	1996
Paper	1000MT	5795	12472
Personal Computer	1000 Sets	1218	8003
Color Picture Tube	1000Pcs	3649	12508
Integrated Circuit	1000Pcs	1800506	9146548
Cars	Sets	172978	362544

**Source:** Bureau of Statistics, 1997, Taiwan

### What Advantage Does Taiwan Have? - The Rugman Verbeke Model

Based on the Rugman Verbeke Model, there are two possible specific advantages a country can have: Firm Specific Advantage (FSA) where it is based on factors such as patent, technology and customer loyalty; and Country Specific Advantage (CSA) based on political stability, people's sincerity, education and technology. For Taiwan, its Competitive Advantage is driven by Firms Specific Advantage (FSA) where companies produce innovative products, known for their quality and performance. As a country, it has a lot of disadvantage such as threat from mainland China and lack of natural resources.

#### Sciences & Technology

Item	Unit	1986	1996
Patents Applied	Cases	26198	47055
Patents Granted	Cases	10526	29469
R&D Manpower	Persons	45104	102801
R&D Expense	Mil SNT	25396	125031

**Source:** Bureau of Statistics, 1997, Taiwan

### Taiwanese Companies – Deciding between Globalization & National Responsiveness

A survey done by Asia, Inc & Arthur D. Little named Acer Inc. (Computer Industry, Sales US2360mil-1995), Taiwan Semiconductor Manufacturing Co. (Semiconductor Industry; Sales US108mil-1995), United Microelectronics Corp (Semiconductors Industry; Sales US915mil-1995), Mosel Vitelec Inc. (Semiconductor Industry; Sales US516mil-1995) & Evergreen Marine Corp (Shipping/Aviation Industry; SalesUS1187mil-1995) as the 2<sup>nd</sup>, 6<sup>th</sup>, 18<sup>th</sup>, 21<sup>st</sup>, & 32<sup>nd</sup> 'Asia's 50 Most Competitive Companies' in Asia respectively. (Refer: Asia Inc, June 1997). Basically, these companies started locally before going global with their products. Commonly MNCs do not prefer to go nationally since the market is small and a global market provides better **control** for business. National competitiveness demands an understanding of the different consumer tastes in the different national market segments and can lead to decentralization. Globalization on the other hand requires the production and marketing of homogenous products worldwide as demonstrated by Acer Inc. Using the Globalization-National Responsiveness Model, we can evaluate the status of the companies mentioned as follows:

		<b>LOW</b>	<b>HIGH</b>		
<b>G L O B A L I Z A T I O N</b>	<b>H I G H</b>	* More homogenous products * Economies of Scale * Integrated Strategy	* Need Integration & Regional adaptation * Expect policy Shocks	<b>H I G H</b>	
	<b>L O W</b>	* Narrow Market Strategy * International standards of products and services * Low centralised control	* Need product Adaptation * No Economies of Scale	<b>L O W</b>	
		<b>LOW</b>	<b>HIGH</b>		
<b>NATIONAL RESPONSIVENESS</b>					

The companies like Acer Inc. are in the quadrant of High-Globalization, Low-National responsiveness based on their products, at the moment (Acer expanded globally by using its own PC brand and by producing products locally- Refer: Asia Inc. June, 1997)

In order to maintain global business, the Taiwan Government plays an important role in the four main areas of:

- ✍ maintaining economic competitiveness by producing quality products and moving towards the high technology sector.
- ✍ Influencing trade regulations as demonstrated by its lobbying to join WTO and also the setting up of various agencies such as Foreign Investment Commission, and also liberalising the money market.
- ✍ Developing a global orientation to allow companies like ACER Inc. & Taiwan Semiconductors to operate as MNCs; and
- ✍ Innovating products through R&D Activities.

### Concluding Remarks

PRC's (Mainland China) intransigence in pursuit of what it regards as its legitimate concerns over the sovereignty & territorial integrity of Taiwan is a major worry not only for Taiwan but also for the Asia Pacific Region (Refer EIU forecast). After Hong Kong's transfer to the PRC in July 1997, Beijing is even more eager to bring Taiwan into its arms. Beijing threatens to use force against Taiwan if it seeks formal independence; but Taiwan too is important for the USA as well

as Japan for strategic and economic reasons. A July 1997 public opinion showed that more Taiwanese support independence rather than unification (Refer: 'SUN', Oct 26, 1997).

Taiwan has been asking for the International forum to give dual recognition to the PRC & Taiwan. PRC dreams of reunification and by increasing its link with Taiwan, PRC wants to claim Taiwan. There is a belief that reunification will naturally follow economic interdependence between PRC & Taiwan. Policy changes in Taiwan and China have allowed deeper economic ties to develop; and there has been a sharp rise in the two-way trade between Taiwan and China, despite the prohibition of direct trade links with the main land, (Refer: Cateora).

Taiwan's economic growth rate is forecasted to be 6.3% (GDP growth) for the 1996-2000 period and investment growth rate at 25.2% also for the same period (Ref: EIU Report). However, the stand off in March 1996 Presidential elections when PRC staged missile tests near Taiwan had put some dent in the economy as many Taiwanese and other nervous investors sold stocks. Economic trading power is viewed as the ticket to legitimacy on the world stage. Therefore, Taiwan will harness all efforts to gain entry into the WTO in order to be 'recognised' by the world. Taiwan is extremely interdependent to the other nations for its economic survival due to low natural resources. Therefore, it will have no choice but to maintain business friendship with many countries.

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