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Exploring Taiwan's Market for Business Opportunities

Saptharaj Kalburgi

saptharajkalburgi123@gmail.com

Christ University, Bangalore, Karnataka

Gaurav Kochar

gaurav.kochar@bba.christuniversity.in

Christ University, Bangalore, Karnataka

ABSTRACT

This paper aims at conducting an analysis of the Taiwan market which will help in analyzing the ease of doing business in Taiwan by Indian businessmen. It is seen that the GDP of Taiwan is increasing gradually. Thus, it portrays a good opportunity for the businessmen to enter the market. It also shows a good export rate taking place from India to Taiwan. Therefore, the first step towards setting up a business abroad is already being fulfilled i.e., exports. The next step is setting up a subsidiary abroad. This can be done by conducting a feasibility test of carrying out a business through a SWOC analysis. This helps in knowing the market condition of the economy which keeps fluctuating. Thus, the SWOC analysis helps to know the market stability of the country which in turn will help in analyzing the feasibility of carrying out business in Taiwan. Also, the role of government plays an important role in the market and it is necessary to take into consideration the important policies of the government i.e., FDI being the most important policy. The business environment should also be taken into consideration because there is severe business competition in the market.

Keywords: Business Opportunities, SWOC, GDP, SMEs, Government control, Investments.

1. INTRODUCTION

Taiwan is a small island nation next to the borders of the republic of China, with modern cities, traditional, Chinese temples, hot springs resorts and dramatic mountainous terrain. The country's capital is Taipei which is located, north of the country and is the major trading hub of the country. The country is mainly occupied by Chinese and the main religion followed here is Buddhism with over 33% of the population following Buddhism. Some of the other religions that are followed here are Christianity and Confucianism. Also, the people from Taiwan are called Taoists. The majorly spoken language is also mandarin Chinese and regular mandarin. This makes it very hard for people from other countries like India, USA, European countries etc. to visit and do business with people from here. Taiwan has the sixth largest GDP in Asia and also has a very fast growing economy which makes it suitable for a lot of exporters and multinational companies to set up their businesses here. Even though there are a lot of obstacles for Indians to do business in Taiwan like the language, food, culture etc. they still try and penetrate their market because of its growing GDP and a strong economy. The Bilateral relationship between India and Taiwan has improved a lot from the 1990s even though both nations are not maintaining a direct diplomatic relationship. According to a poll taken recently, 21% of the Taoists approve of Indian relationship, with 19% disapproving and 60% uncertain. The major goods being exported from India to Taiwan are Petroleum oil, ferro-alloys, motor cars, flour etc. Which also makes it one of the largest exporters to Taiwan.

2. BUSINESS OPPORTUNITIES IN TAIWAN

The economic slump in the European countries because of Brexit and Greece's economy fall and also the slow growth of the US economy create an unstable environment for an investment and penetration of the market. This is why a lot of people are shifting their focus to countries in the Pacific Rim region and India and Bangladesh, which is where Taiwan comes in with its ease of transportation to the western countries and also its strong economy. Here are a few reasons why investing in Taiwan is a very smart thing to do right now.

a. Reputation of Taiwan

The rapid growth and fast industrialization of the country at the end of the 20th century are called the “Taiwan miracle”, with one of the most suitable markets for the IT companies. Also, it is a part of the Four Asian Dragons gives it a big boost for the business to see it as a very good and an upcoming market.

b. Growth of Taiwan

Like I mentioned earlier most of the countries and trying to keep their GDP growth rate positive, whereas when it comes to Taiwan the GDP has been increasing year-on-year and in the next two years it is expected to grow by about 4% (According to the Taiwan Institute of Economic Research) which shows the strength of the economy and makes it a very suitable market for new businessmen and exporters.

c. Taiwan’s World Class Education

Taiwanese universities are ranked among the top universities in the world, which helps them provide a highly skilled workforce and also the level of education at school levels itself is very high, according to a survey done it shows that Taoists are one of the best at mathematics in the world overtaking countries like Japan, USA, and Finland. Also, with the growing emphasis on teaching English at school is a huge boost for the people from other countries trying to set up businesses and exporting to communicate and form a relationship with the people.

d. Business Friendly Government Policies

The Taiwanese government has made it very easy for people to set up and do business in Taiwan. Regarding Foreign investment, they have very little restrictions the major restriction is only towards the defense and the power sector of the economy. Through Nonprofit and other organizations like *Institute for Information Industry (III) and Industrial Technology and Research Institute (ITRI)*, it has turned into a Small and Medium Sized Enterprise friendly environment. The government also to their full potential invests and promotes government grants and some of which are even applicable to the foreigners, such as the *Taipei Municipal Self-Government Ordinance for Industrial Development Conference workshop*.

e. Taiwan has a Great Tool Box

Taiwan has a lot of agile and flexible companies, and also with its advanced technology and infrastructure it makes it a very suitable market for the IT sector. Currently, Taiwan has the highest industrial cluster density, with its tremendous abilities in Hardware and software environment and a lot of big events like the COMPUTEX takes place here in Taiwan which attracts a lot of people from all over the world.

f. Taiwan, a strong Domestic Market

According to the research done by the International Monetary Fund (IMF) in 2016 Taiwan stands 19th in terms of purchasing power Overtaking countries like Japan, China, and South Korea Etc. Only Singapore and Hong Kong have a higher purchasing power than Taiwan in Asia, Furthermore Taiwan’s population is 5 times bigger than that of Singapore and 3.5 times bigger than that of Hong Kong. This is why The Taiwanese market is suitable for exporters to penetrate.

g. Taiwan as an Economic Hub

The culture, language and economic closeness to a country like China bounds to have a lot of opportunity for growth and expansion in the economy. With its Political stability and democratic environment, Taiwan is one of the most stable places to start a business in India and a doorway to a country like China. Not like Taiwan by itself is not a sufficient enough market.

h. Taiwan's Positive Trend in FDI

The Ministry of Economic Affairs revealed that Taiwan's net balance of trade was over US\$ 4bn for Q4 2012, showing that Taiwan’s export is a key sector for the Island’s economy.

i. Taiwan’s Culture of Innovation

The Taiwan government spends a lot of money on research and development in the country. It has also set up a lot of hubs and has a lot of policies where the multinational can come and do the research and development for their company with the local players of the economy. This, in turn, sets a sense of trust in the multinational companies and will be a motivator for them to come and set up their businesses here. The early participants of the program were companies like DELL, Sony, and Intel Etc. which in total have established more than 50 R & D centers in Taiwan. Among these companies, many found that the technology and infrastructure here is better than parts of the world and also have expanded their R&D centers. This shows that Taiwan always welcomes innovation and also another reason for companies to setup there business here.

j. Taiwan’s Environment

With its high rate of literacy, low cost of living and low utility. Also, a large number of foreigners living in Taiwan makes it as a perfect market for people to invest in. At the end of the day, the major things that are required to set up a business are all present in Taiwan which is why it is one of the most suitable markets in the Pacific Rim.

3. ROLE OF GOVERNMENT: ENCOURAGEMENT OF FOREIGN DIRECT INVESTMENT (FDI)

In the present era, all the developing countries do not welcome the foreign direct investment. It is because there are various pros and cons of FDI for the host nation, and hence consensus is still to be established on that basis. But in contrast to others countries, Taiwan always extends a welcoming arm to FDI.

It was during the post-war era when Taiwan seriously lacked the foreign exchange. Because of this, the Taiwan government tried hard to promote the investment in the country by foreigners and the overseas Chinese to help and supplement the limited capital for the economic development. In order to encourage the FDI, the prevailing constraints for the investors on the scope of investment in the country, the procedures, the expatriation of capital and profits, and the credit were removed. During the early 1950s, the government in the country changed various laws and promulgated numerous important statutes in order to provide more incentives for investment in the country. These changes included the Statute for Investment by the Foreign Nationals (1954) and also the Statute for Investment by the Overseas Chinese (1955).

The increase in foreign investment due to efforts by the government successfully brought about an increasing number of projects and an increase in the amount of investment year after year, specifically after the 1960s. Foreign Direct Investment reached its peak in 1989 with a total amounting to US\$2.4 billion, which was led by the United States, it was followed by Japan and Europe.

This increased FDI influenced the development of the local SMEs in several ways. Firstly, the production techniques in the region and the trade opportunities accompanied the introduction of FDI to the local SMEs. This sudden transformation of the purchase of parts from imports and transfer to the domestic market also forced the SMEs to face greater challenges of global competition which can be seen as a second effect. The third effect of the FDI can be considered as the most important. The recently developed center-satellite factory network formed by the MNCs brought the practice of international trade to the local SMEs. The local businessmen in the region were inspired to interact through and engage using the international business language. Such type of training has proven very valuable and productive when the local businessmen advanced to the global market all by themselves. Now, the fourth influence of the FDI is the diffusion effect. Many of the SMEs were created and developed by the former employees of the foreign companies in Taiwan.

4. BUSINESS ENVIRONMENT: SEVERE BUSINESS COMPETITION

The Taiwanese SMEs appear to be developing under very severe and critical conditions. Although, such a business environment not only enhances the resilience of SMEs against various challenges worldwide it also upgrades the level of entrepreneurship of the entire nation.

There are certain factors that explain this challenging business environment for SMEs. The most important factors are the state-owned enterprises with the monopoly power. These enterprises have successfully dominated the domestic market within the region and have occupied the most profitable sectors of the economy. It is this situation that has forced SMEs to turn their attention to the foreign market. Because of this reason, SMEs hold a very high share of exports. If these SMEs succeed to sell their products in the world market, they can become internationally competitive and would be recognized worldwide. They very well understand the fact that only by being competitive they can survive in the international market.

At the early stages of development in Taiwan, the legal system appeared to be inadequate and also its implementation seemed very loose. Establishing a small business in the country was not at all difficult. Those individuals who aspired to be the entrepreneurs had ambition, aggressiveness and the entrepreneurial spirit to achieve it. In addition to this, the younger generations were also attracted to set up the businesses to take advantage of the loose regulations and execution prevailing in that area.

During those days, the business environment and the regulated market was very hard for the SMEs, but it also provided an opportunity for their success. Although Taiwan has become integrated with the international society, the modern business customs and other systems are being established in the country. But there are still certain defects that have to be addressed. Taiwan has successfully constructed a modern business environment which is comparable to those of other developed countries in the twenty-first century.

5. CONCLUSION

Among the 4 Asian Dragons Taiwan is one of the most suitable countries in terms of doing business through various methods like exporting, setting up manufacturing units, or having subsidiaries. This is because of the immense support by the government and the people of Taiwan, with their policies for Foreign Direct Investment being very easy and also other government policies made flexible for the businessmen makes it the ideal destination for businessmen to do business. There might be a lot of disadvantages in this market like the language barriers and the cultural background differences but the advantages overcome the disadvantages by so much that the disadvantages don't even matter, such is the market of Taiwan.

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