

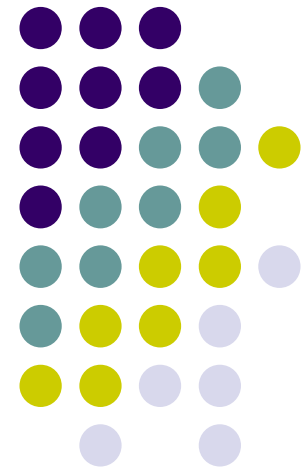
Taiwan's Economy & Vision for Next Decade

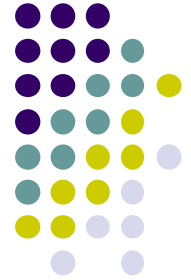
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2011/1/17





Outline

Taiwan's Economy

- Neighbors
- 2010 Review
- 2011 Forecast

Vision for Next Decade

- Current Challenges
- Future Growth Model



Neighbors



1. GDP (2000 constant \$bn); 2. Export (\$bn); 3. Total reserves (\$bn); 4. Land area (1,000 sq.km(total), sq.km(per capita)); 5. population (bn)

Source: all data are from the Work Bank, except export data from the IMF. Latest data are updated to 2009.



2010 Review – Strong Recovery

Not only export, but also domestic demand boost the last-year economy.

- The 1st half-year investment: +67% (yoy) [*]
- Consumer confidence at 6-year high: 81.6 [*]
- International trade hits historical high: \$520bn (total), \$275bn (export), \$245bn (import) [*]
- Unemployment rate: 4.73% [*]

[*] November statistics



2010 Review – Continued...

Solid private consumption is back and expected to grow further.

- Two sub-indices of consumer confidence at 10-year highs: employment opportunities, future prosperity [*]
- Contribution to GDP growth: 20% (2010) [*], 40% (2011) [^]
- Consumer financing at recent high: car loans, credit card payment [*]
- GNP per capita: \$20,000 (2011) [^]

[*] November statistics; [^] Estimated numbers

2011 Forecast by CIER

Cautiously Optimistic



1. GDP growth

- 9.64% (2010) [*], 4.55% (2011) [^]

2. Domestic demand growth

- Private consumption: 3.36% (2010) [*], 2.21% (2011) [^]
- Private investment: 31.55% (2010) [*], 2.45% (2011) [^]

3. International trade growth

- Export: 24.71% (2010) [*], 6.26% (2011) [^]
- Import: 28.33% (2010) [*], 2.51% (2011) [^]

[*] November statistics; [^] Estimated numbers

2011 Forecast by CIER

Continued...



4. Low inflation

- CPI:

1.00% (2010)^[*], 1.36% (2011)^[^]

5. USD/NTD

- Average foreign exchange rate:

31.66 (2010), 30.43 (2011)^[^]

6. Labor market

- Average unemployment rate:

5.26% (2010)^[*], 4.83% (2011)^[^]

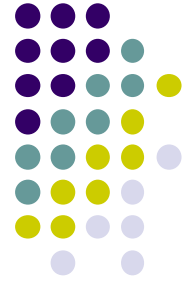
[*] November statistics; [^] Estimated numbers

2011 Forecast by Global Insight



GDP Forecast by Global Insight				
Country	Estimated Annual Growth Rate (%)			
	2010	2011	2012	2013
Asia	7.4	5.4	5.7	6.1
Mainland China	10.1	9.2	8.7	8.9
India	8.5	8.1	8.5	8.6
Japan	4.4	1.1	1.4	1.9
Taiwan	10.0	4.5	6.0	5.1

Date: Dec. 15, 2010



2011 Forecast – Uncertainties

1. Fiscal & monetary policies in Western countries
 - Impact of the Fed's QE2
 - Euro debt crisis
2. Food & oil prices
 - Global population growth & emerging market demand
3. Tightening monetary & housing policies in mainland China
4. Geopolitical risks, esp. Korean peninsula

Outline



Taiwan's Economy

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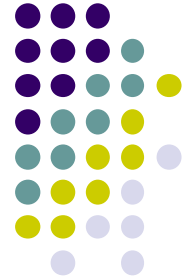
Vision for Next Decade

- Current Challenges
- Future Growth Model

Current Challenges – Manufacturing



1. OEM & ODM models
 - No control over channel & brand
 - Declining profit margin due to rising competition
2. Overweighed resources to support IT sector
3. More oversea production bases, less domestic hiring



Current Challenges – Service

1. Less internationalization

- Volatile profit cycle from concentrated revenue source in domestic market
- Lagging technical upgrade due to shortage of international support

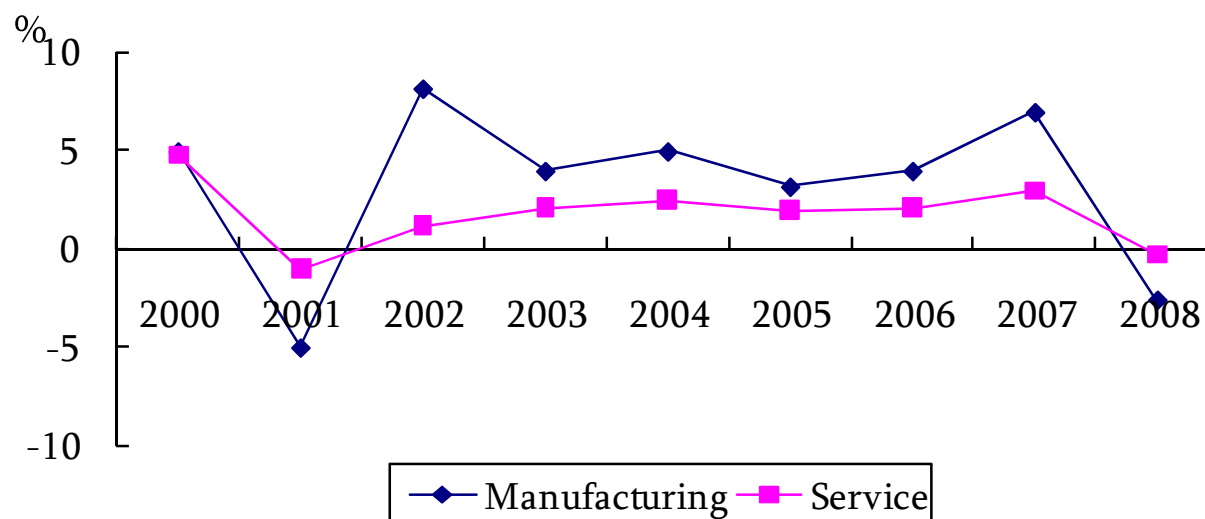
2. Insufficient incentives for innovation

- Contribute to 60% employment, but have limited demand for high-end talents
- Wage stagnation

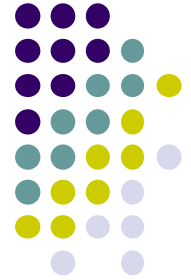


Current Challenges – Service

3. Vicious circle worsens its productivity compared with manufacturing sector



Source: Ministry of Economic Affairs, R.O.C.



Future Growth Model

1. New industries
2. New markets
3. Low vs. high resource-based industries
4. Three engines
 - investment, export, domestic demand
5. New Business Model



New industries

Six Key Emerging Industries

- Quality agriculture
- Culture & creativity
- Tourism & travel
- Medicine & healthcare
- Green energy
- Biotechnology

Ten Key service industries

- International medical care
- International logistics
- Music & digital content
- Conventions & exhibitions
- Urban renewal
- WiMAX
- Chinese e-Commerce
- Education
- Finance
- Intl. of cuisine

Four Emerging Smart Industries

- Cloud computing
- Green architectures
- Electric vehicles
- Industrial patents & inventions

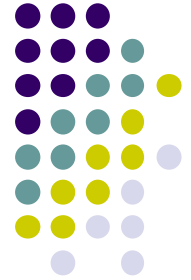
2020 Core Industries

- Basic metals
- Machinery equipment
- Transportation
- Petrochemicals
- Semiconductors
- Panel Displays
- Logistics services
- Green energy
- Smart living
- Digital content
- Food
- Advanced electronic materials
- Textile industry
- Communication
- Information services
- Biotechnology
- Intelligent robot
- 4G technology
- Advanced medical equipment
- Flexible display
- Electric vehicles
- Automotive
- Cultural/creative design

Strategic Review Board

- New green energy
- Future energy

Source: Ministry of Economic Affairs, R.O.C.



New markets

- Build a platform for developing and producing high-quality goods with reasonable prices
 - BRICs countries, Southeast Asia
 - Policy instruments (marketing channel, consumer behavior research)
- Build a platform for marketing in emerging markets
 - Virtual international shopping mall
 - Taiwan products fair

Low vs. high resource-based industries

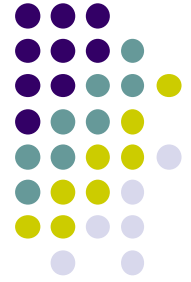


- Low resource-based industries should have a top priority
- The share of high resource-based industries should be reduced
 - The output ratio of high resource-based industries to manufacturing sector is 27.5% on average during 2000-2008
 - Structural change is needed to reduce this ratio
 - New energy consumption and supply model
 - two highs: efficiency & value-added
 - two lows: emission & dependence

Three engines: investment, export, domestic demand



- Investment
 - Take advantage of ECFA (the Cross-Strait Economic Cooperation Framework Agreement)
 - More foreign direct investment
 - High quality environment for investment and living
- Export of high-value services
 - S&T-based services
 - MediaTek (total solution, providing a platform rather than a single product)
- Deregulation in service industry to stimulate domestic demand
 - Education services, Medical tourism
 - Cultural and Creative, Agribusiness, Franchise



New business model

- Reposition of Taiwan's economy
 - Global logistics headquarters and hubs
 - Center for training, financial capital and management
- More investment in brands and marketing channels to enter the global market
 - Professional marketing company to help SMEs
 - Overseas marketing channels
 - Consumer behavior researches
- Integration of manufacturing and service industries
 - S&T-based services, Systems integration

Thank You for your attention!

