

2010/11 Taiwan Business Climate Survey



Summary of findings
January 2011

Continued optimism, but reinforcing the need for several crucial changes

Basic facts on the 2011 Business Climate Survey

- First AmCham Business Climate Survey since 2002
- AmCham asked 351 voting representatives from member companies – mainly CEOs – to answer 22 questions in an online questionnaire
- 117 members took part for a 33% response rate
- The results will help AmCham craft effective policy and advocacy positions in line with members' needs & interests

Results

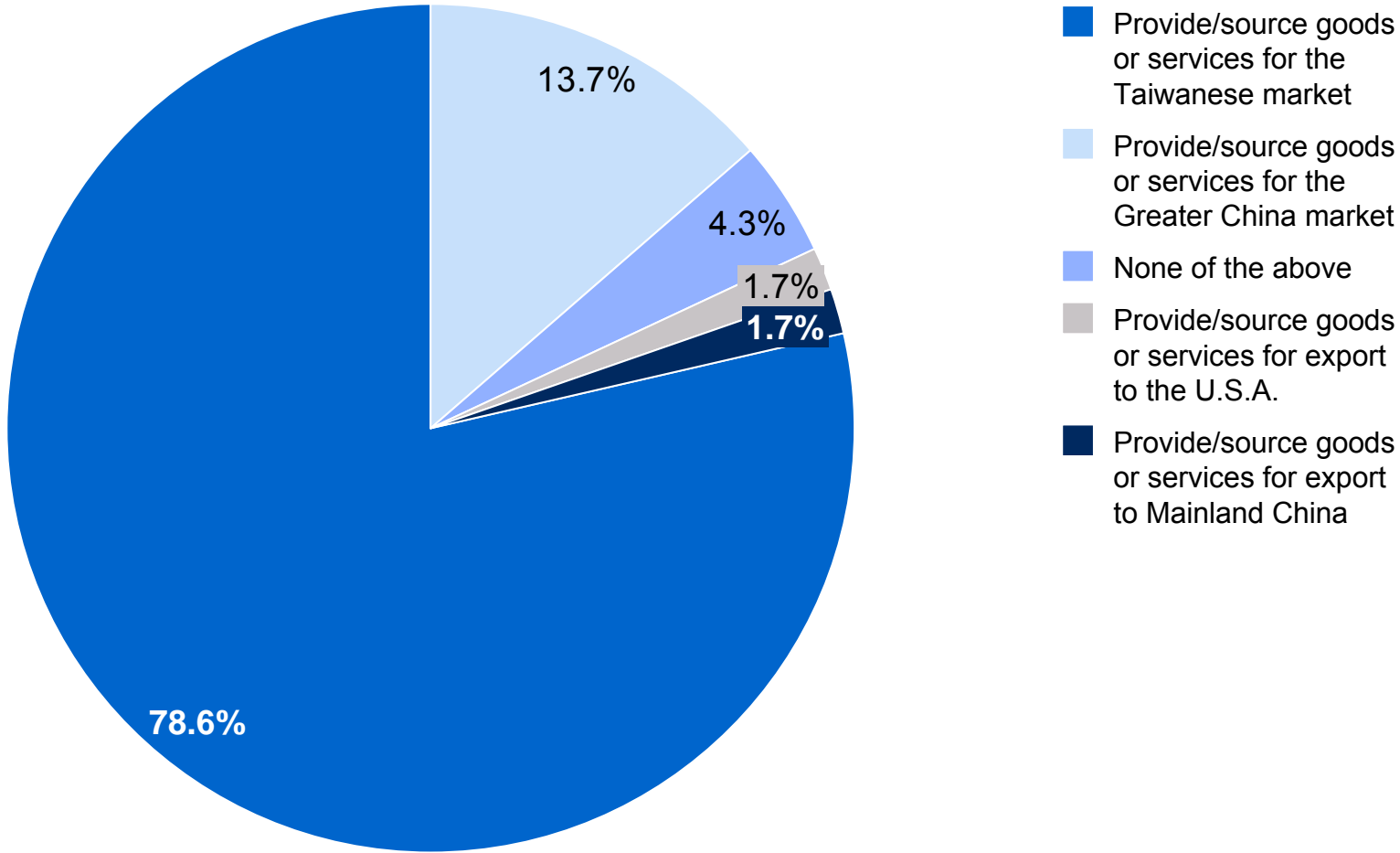
- Taiwan currently enjoys a strong business climate, but Taiwan must do better to compete on equal terms with top investment locations in Asia
- Survey broadly reflects the themes put forward in AmCham's 2010 Taiwan White Paper

Leaders focused on Taiwan

Our business leaders are clearly focused on Taiwan as nearly 80% of their entities' primary goal is to supply the Taiwan market with goods or services. This makes their comments and observations even more pertinent to the Taiwan government.

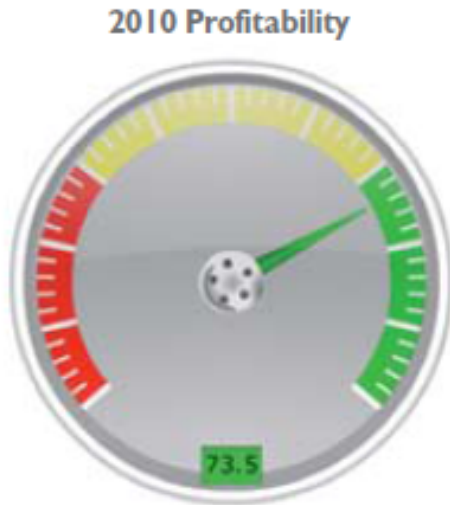


What is your business' primary goal in Taiwan?



Continued optimism, but reinforcing the need for several crucial changes

2011 Forecast for revenue and profit growth



Increased Investment in 2011

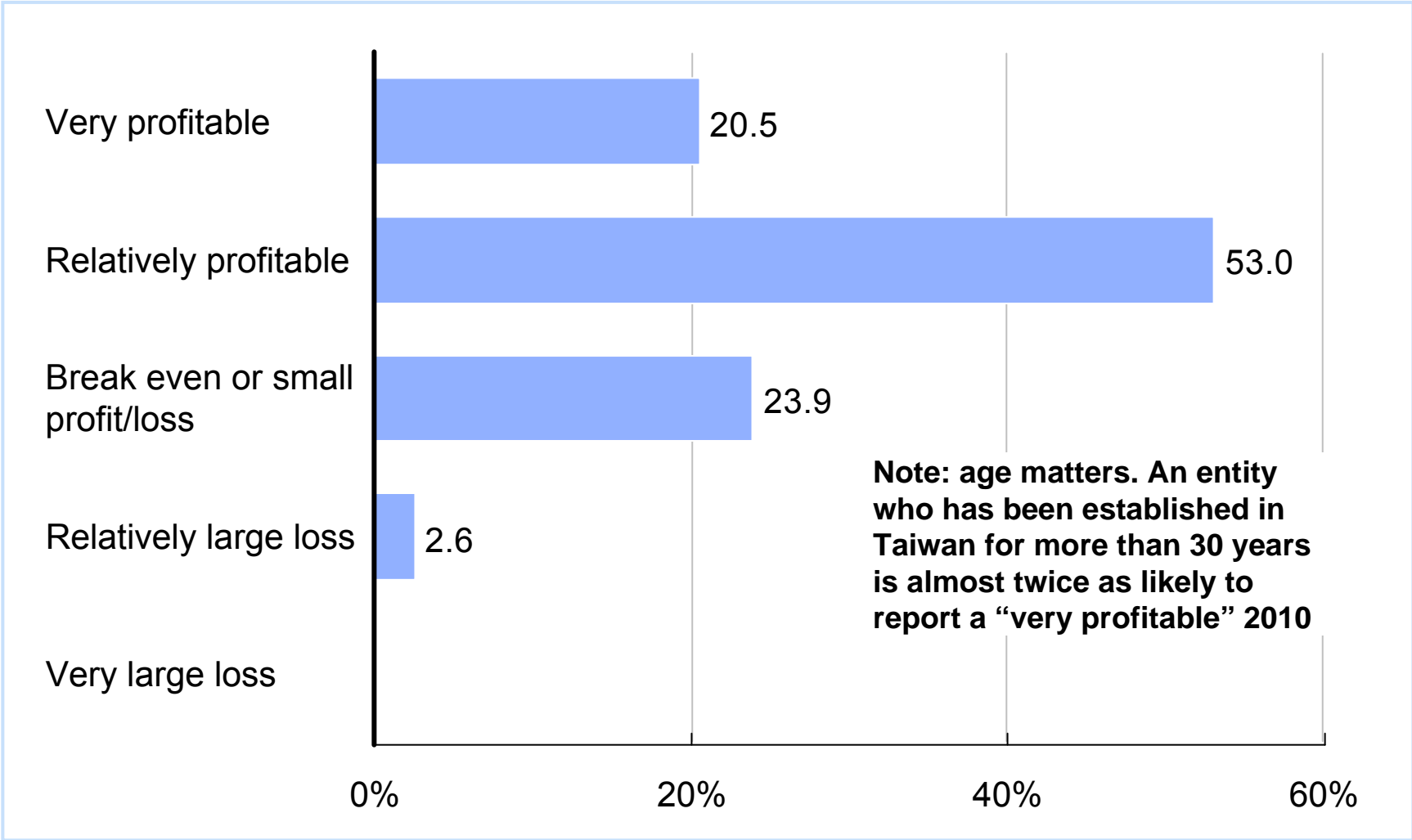


Continued optimism...

- Revenue and profits were strong in 2010
- 2011 is expected to be at least as good, possibly better
- Over half of respondents plan to increase investment in 2011
- 81% are optimistic about the five-year business outlook
- Significant progress in cross-Strait relations, reducing corporate tax levels and tightening IPR enforcement
- ECFA will have a positive impact on their businesses, and even more so on the Taiwan economy as a whole
- Taiwan is a safe, friendly, easy place to live

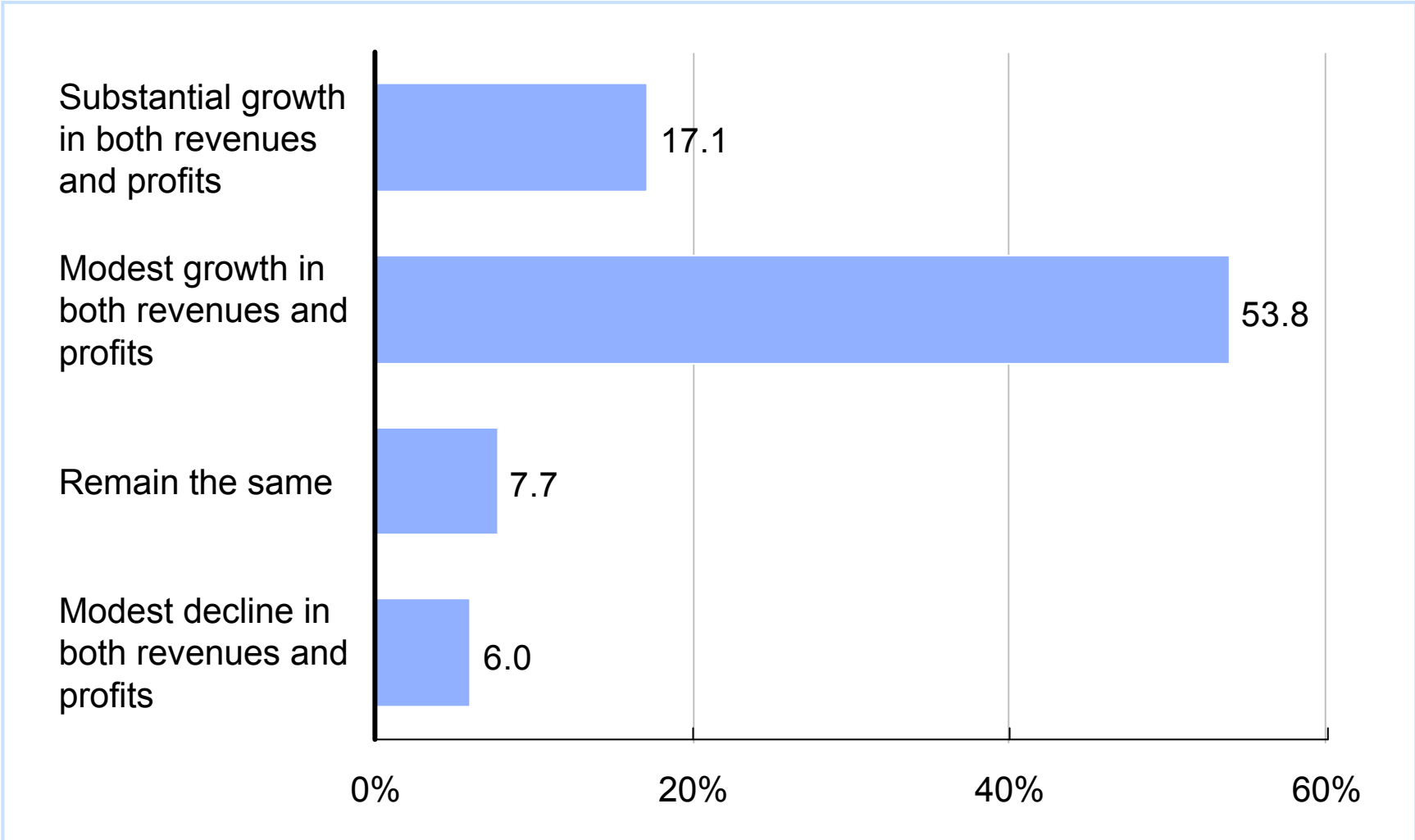
How would you characterize your Taiwan business' financial performance in 2010?

Percent



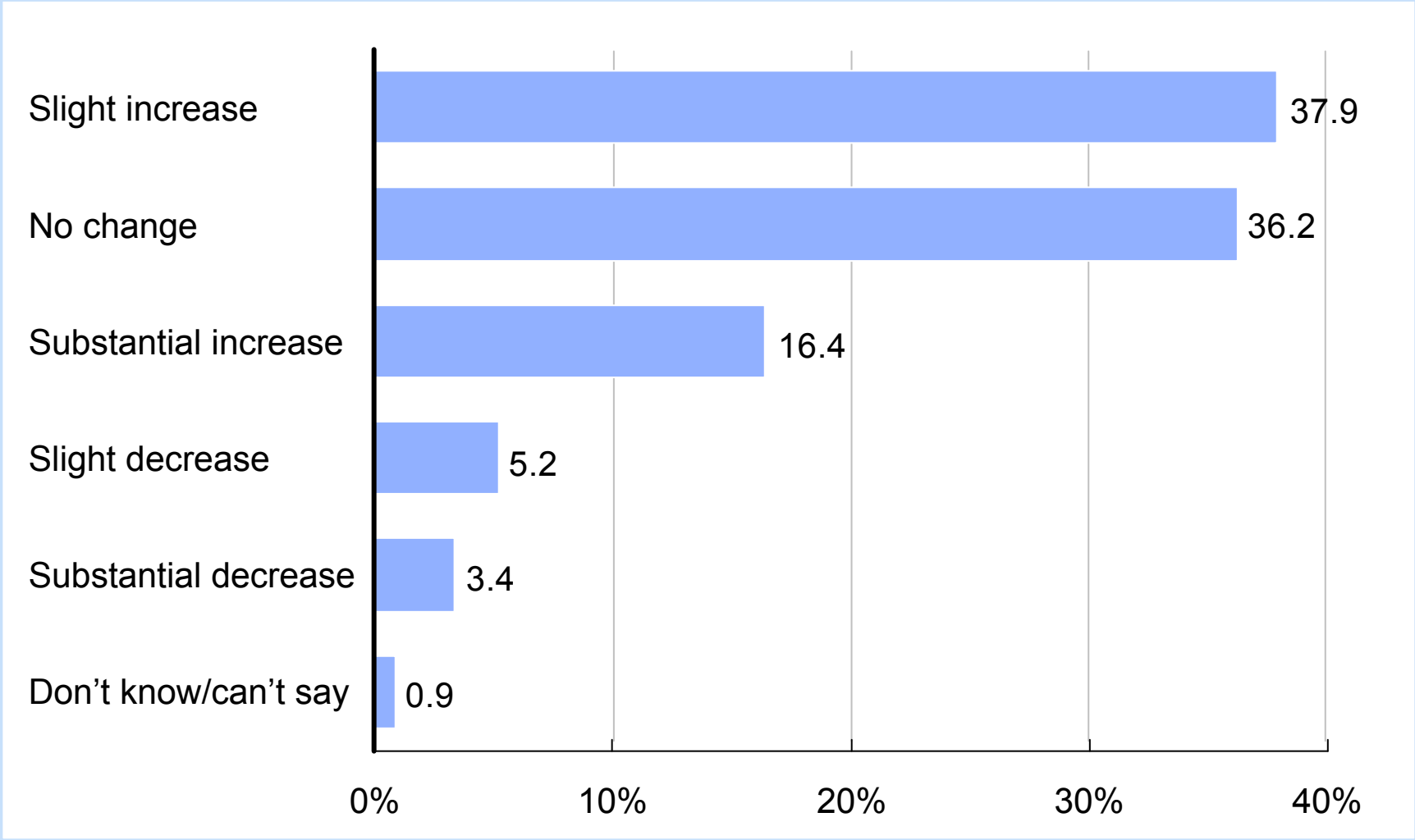
What is your Taiwan business' revenue and profits forecast for next year compared to this year?

Percent



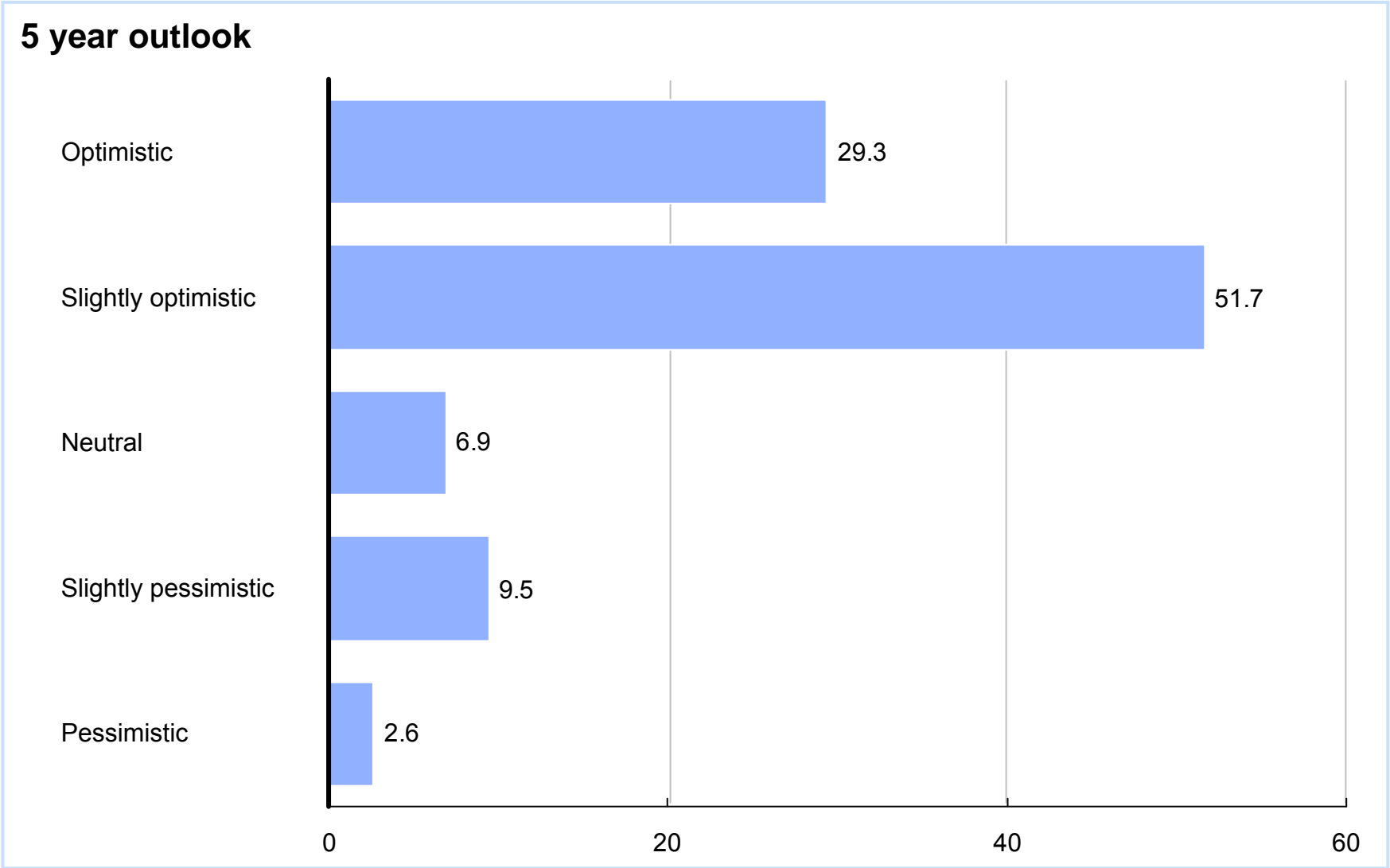
What is likely to happen to your entity's level of investment in Taiwan over the next 12 months?

Percent



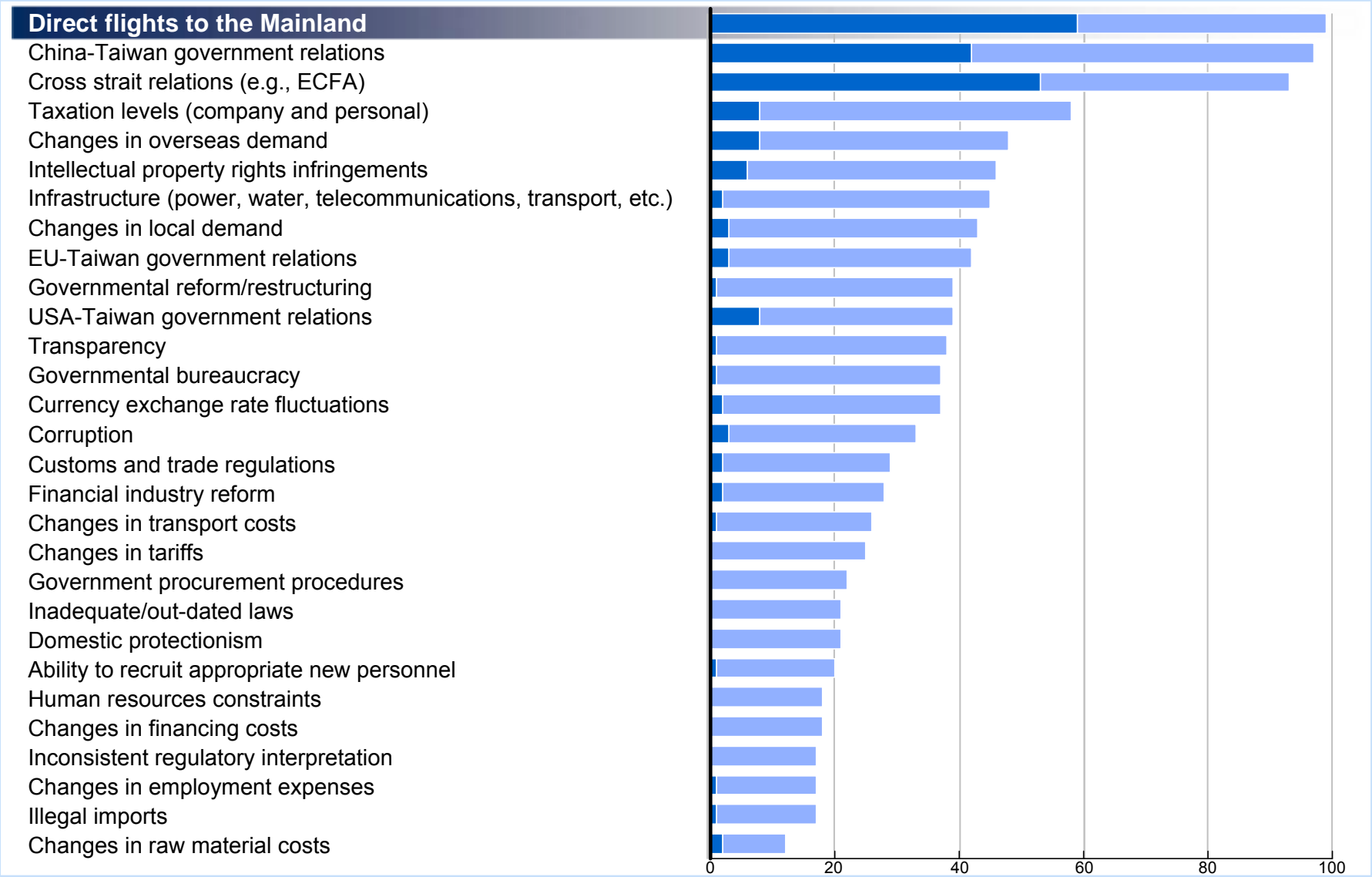
How would you describe your 5-year business outlook for Taiwan?

Percent



Over the past 3 years (2008-2010), how would you describe the progress made in Taiwan in each of the following?

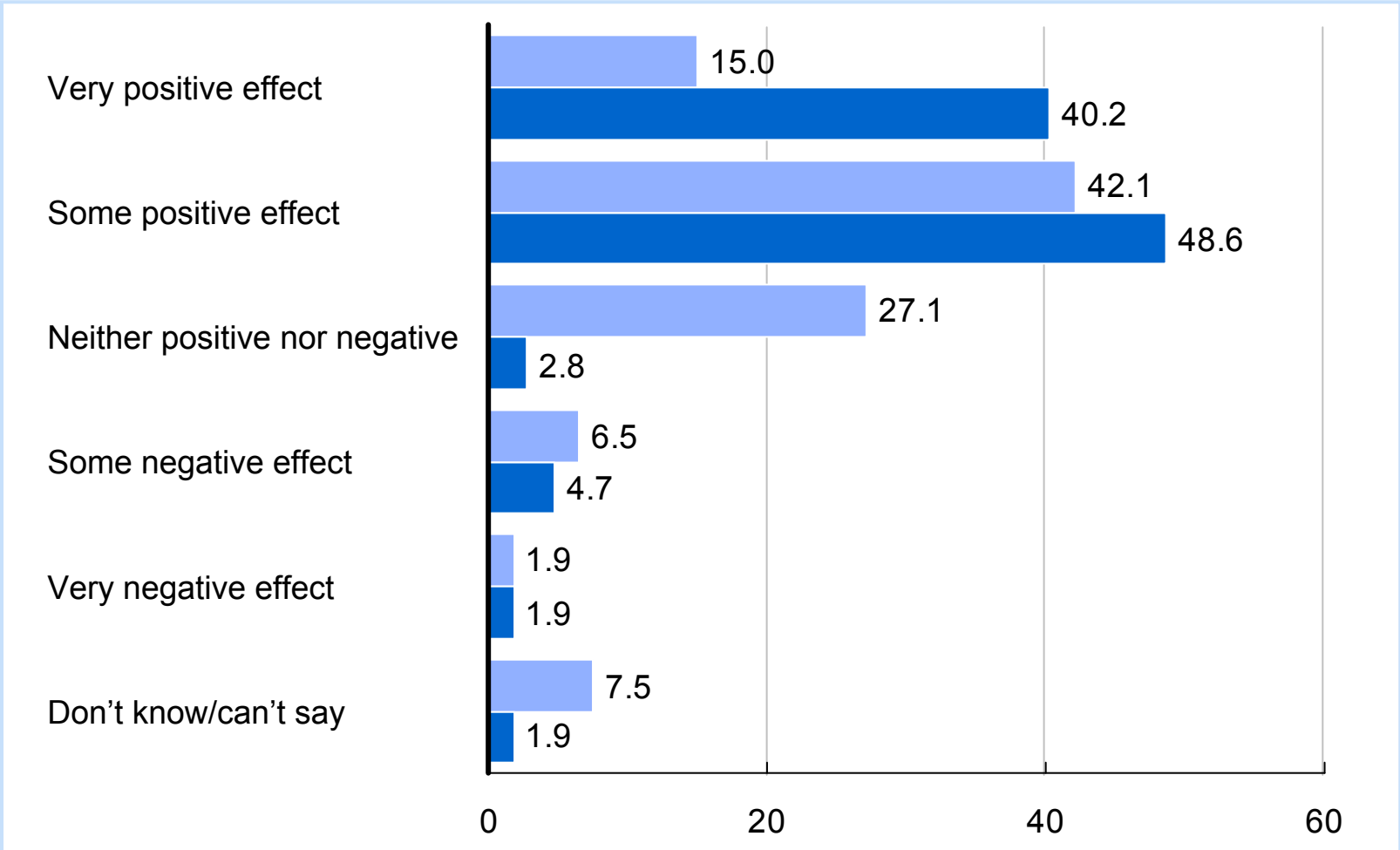
■ Some progress
■ Significant progress



What type of effect do you think that the Economic Cooperation Framework Agreement (ECFA) will have on your business and on Taiwan?

Effect on my business
Effect on Taiwan

Percent



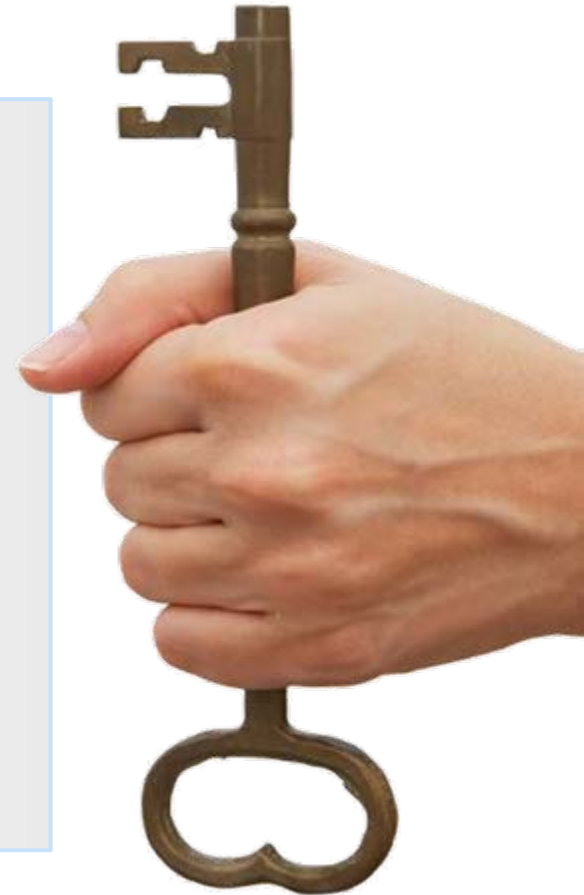
Top 10 Most agreed on (net promoter)

1	My family feels safe in Taiwan	95
2	Taiwanese people are extremely nice	90
3	Taiwan provides quality Health/Medical/Dental services	82
4	Taiwan is an easy country to live in	82
5	Alternative transportation options are usable and provide options to driving my car (i.e., buses, bike lanes, taxis, trains, sidewalks)	79
6	Taiwan delivers reliable electricity	76
7	Taiwan provides adequate shopping opportunities	74
8	The Postal service is excellent	70
9	Internet connectivity is excellent	68
10	Mobile telephone coverage is excellent	67

Continued optimism

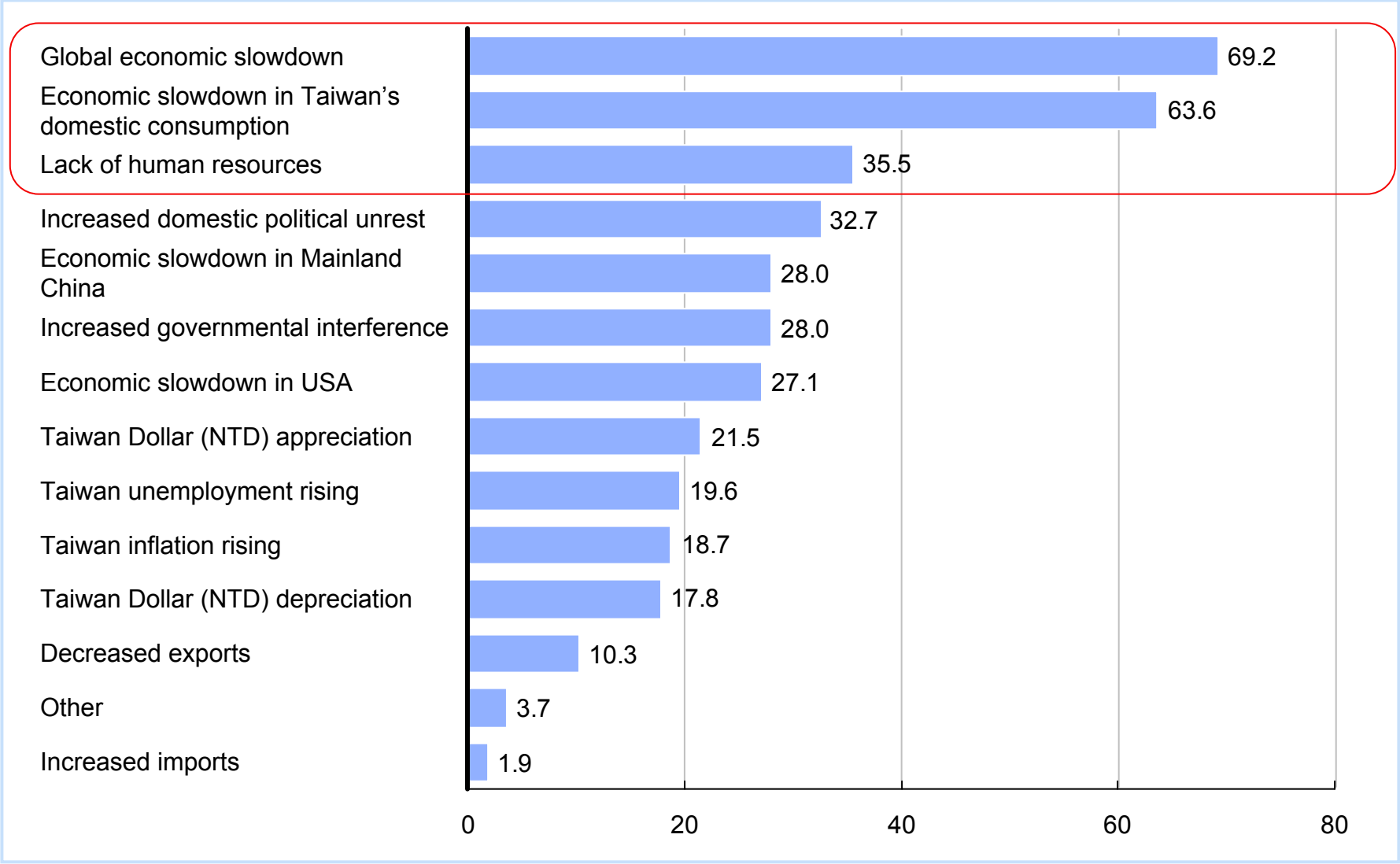
...but reinforcing the need for several crucial changes

- Biggest risks seen are macroeconomic, both global & domestic
- Beyond that, talent and HR concerns take center stage
 - Local talent market could constrain growth
 - Importing talent is difficult – personal income tax a big factor
- Continued frustration around government inefficiency, inconsistent regulatory interpretations, and outdated or inadequate laws



What are the major risks facing your entity in the coming years?

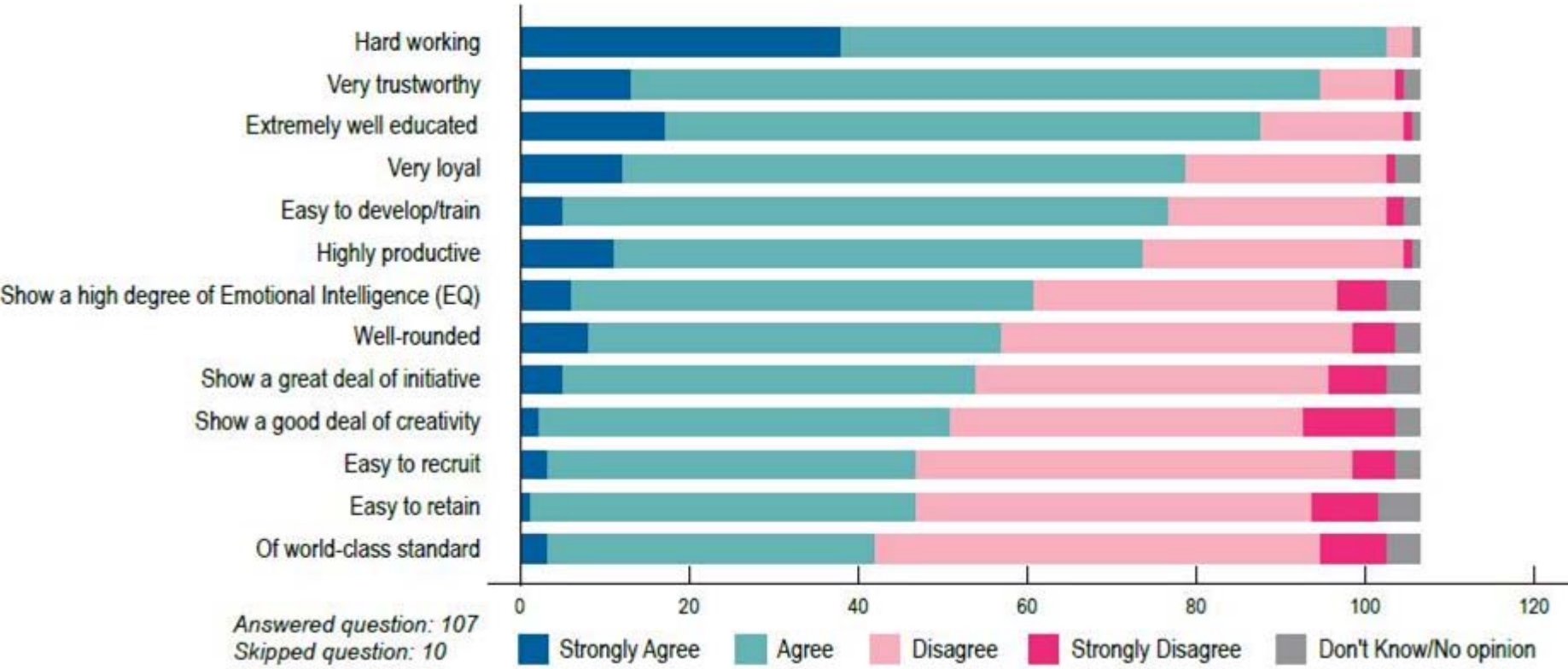
Percent



How would you describe the quality of the available Human Capital in Taiwan?

Percent

How would you describe the quality of the Human Capital in Taiwan?



Top 10 issues with combined greatest impact on business performance (total of “extreme”, “significant” and “some”)

1	Changes in Local Demand
2	Governmental Bureaucracy
3	Inconsistent regulatory interpretation
4	Ability to recruit appropriate new personnel
5	Inadequate/Out-dated laws
6	Taxation levels (Company and Personal)
7	Currency Exchange rate fluctuations
8	China - Taiwan government relations
9	Changes in Employment expenses
10	Lack of transparency

Continued optimism, but reinforcing the need for several crucial changes

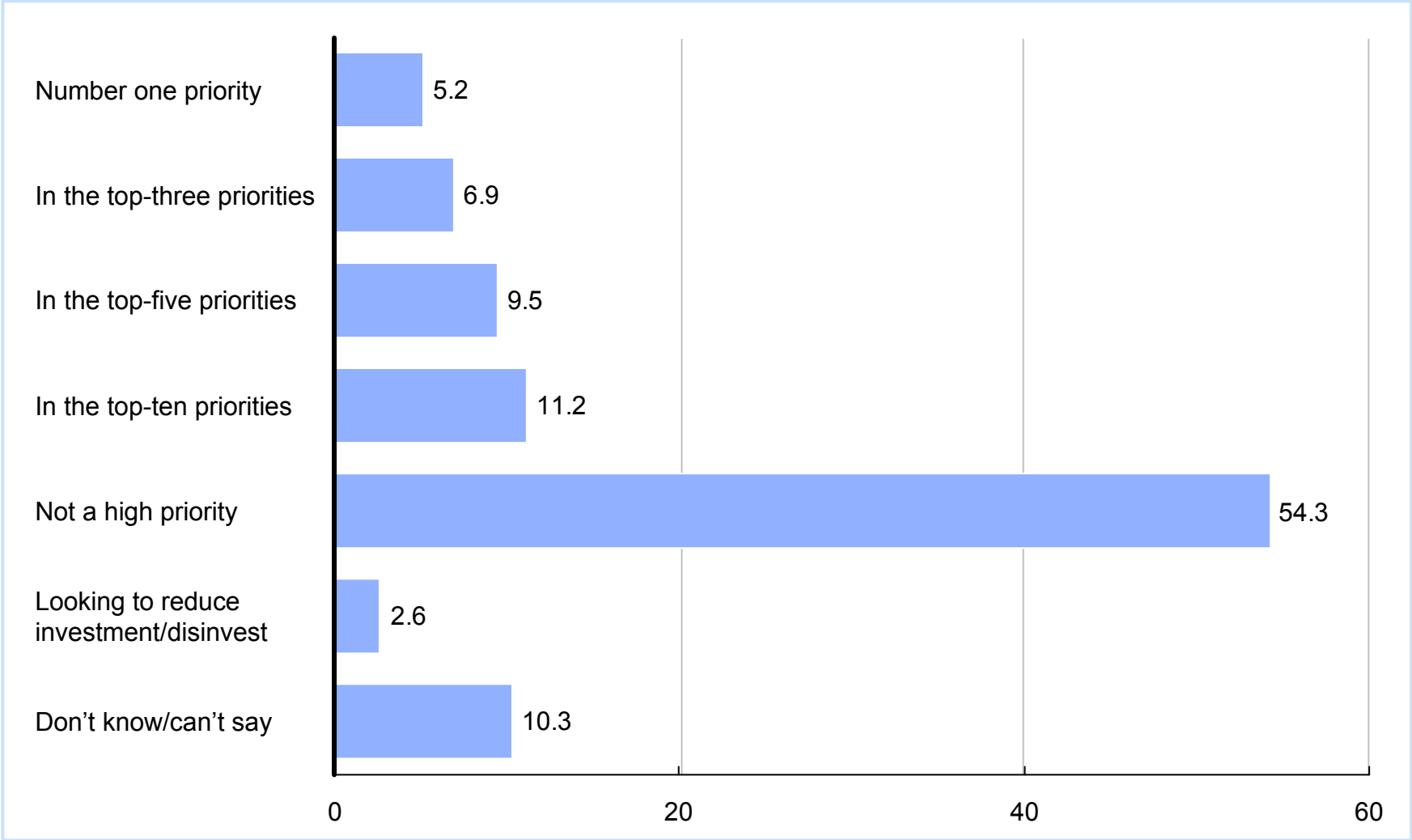
A challenge...

- Over 50% of our respondents cited that Taiwan is not a priority for their global entity's investment plans (i.e. Taiwan is generally viewed as “not a high priority” back at the head office)
- Given the momentum behind ECFA, cross-strait transportation, and IPR enforcement, perhaps Taiwan could do more to better position and market itself to gain some more global attention?
- Our survey shows that changes to personal taxation rates, investment incentives, and research & development incentives may go a long way to boost Taiwan in the investment plans of our member companies



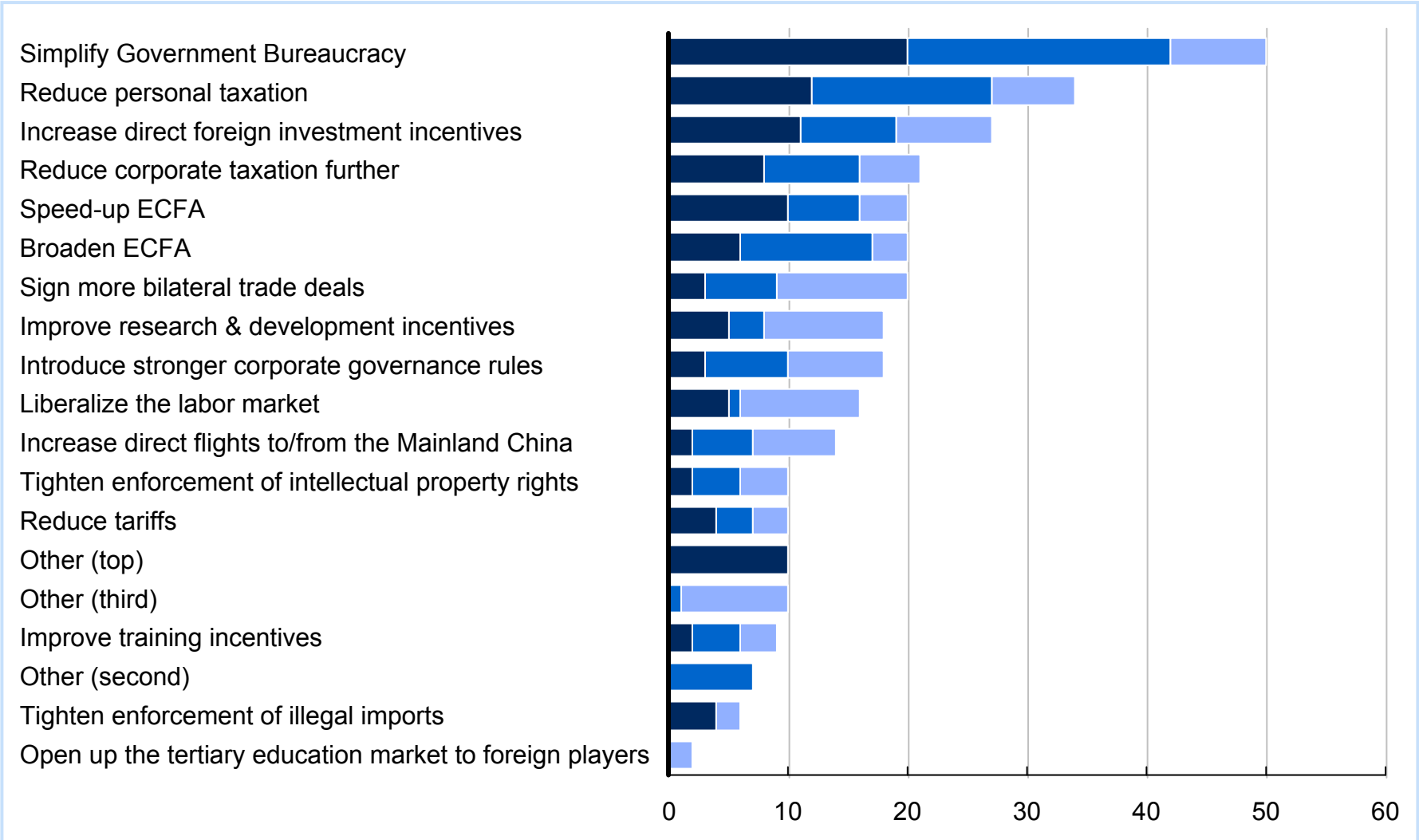
How does Taiwan fit into your global entity's investment plans?

Percent



What are the 3 top things that the Taiwan Government could do to help your entity in the next 12 months?

No. 3
No. 2
No. 1



" Other " priorities relate to single-mention issues



A special thank you

In closing, thanks to Gordon Stewart of Independent Marketing Limited for his professional assistance with this project!



About our sample

Who, When and How

The survey was addressed, via email, to the principal leader within AmCham's Corporate Membership. Usually this is the CEO.

The survey was sent out on the evening of the 6th of November and the last response collected in the afternoon of November 30th, 2010. [Most responses were received prior to the municipal elections on the 27th of November.]

The survey was conducted online with each respondent receiving a unique link.

Certain question choices were randomized, to avoid bias.

The survey received a total of 117 responses, representing a 33% response rate. The survey consisted of up to 22 questions covering the aforementioned topics

Industry Classifications

We have reclassified our sample according to the ‘STANDARD INDUSTRIAL CLASSIFICATION SYSTEM OF THE REPUBLIC OF CHINA (Rev.8 , 2006)’

Our sample draws from all of the major industrial classifications in Taiwan. The one exception is ‘Water supply and remediation services’ - which represents only 0.6% of all registered businesses in Taiwan.

Our sample is more skewed towards ‘Manufacturing’, ‘Finance and Insurances’ and ‘Professional Scientific and technical services’, industries.

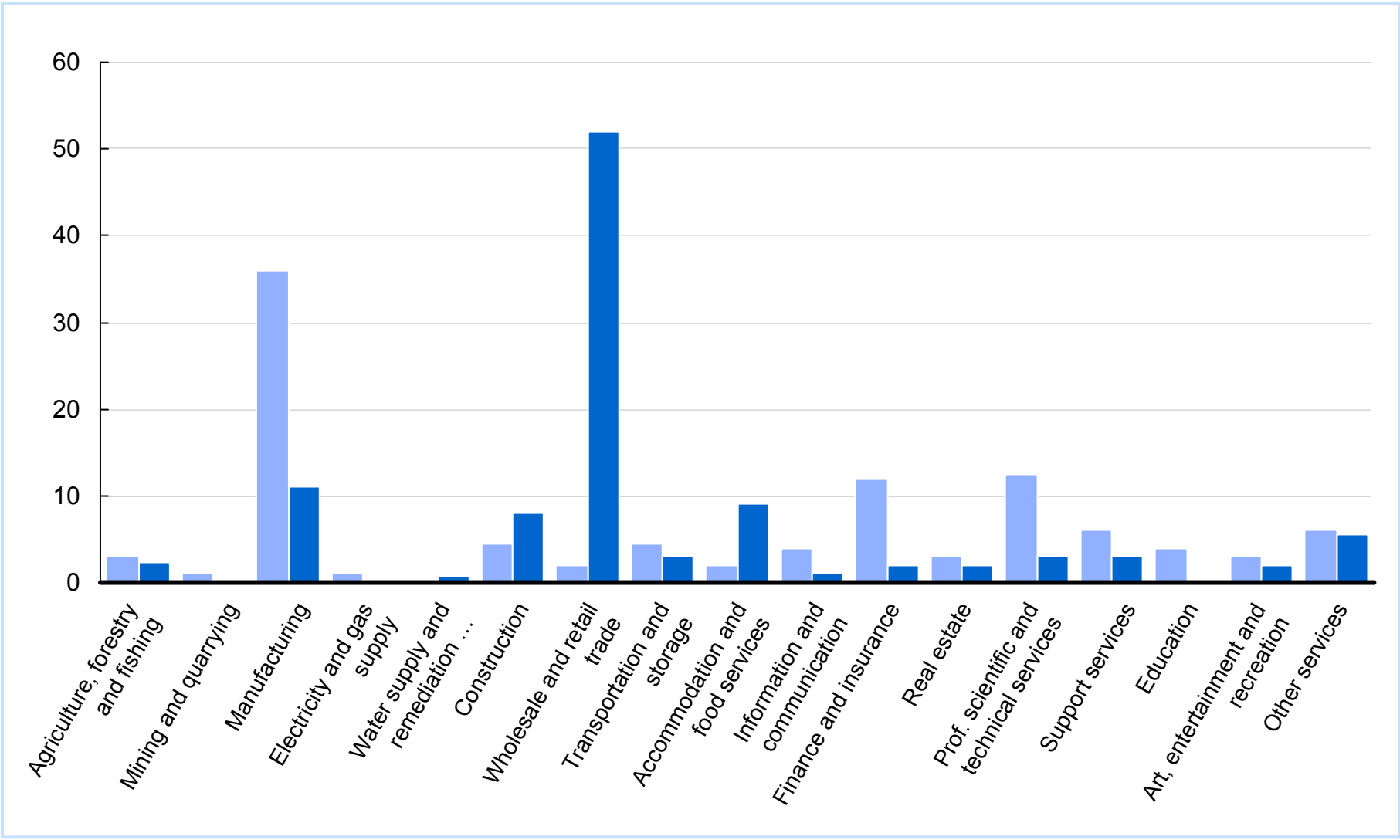
And it is under-weighted in the ‘Wholesale and Retail Trade’ industry – by virtue of the fact there are simply some 616,000 of these businesses registered in Taiwan, representing 52% of all business numbers.

With these covenants, we believe the sample to be a fairly good representation of business in Taiwan and a very good sample of AmCham’s corporate membership

Sample vs. universe

Percent

■ Sample
■ No. of registered businesses stores in Universe¹



¹ Statistical; yearbook of the Republic of China 2009 edited 2010

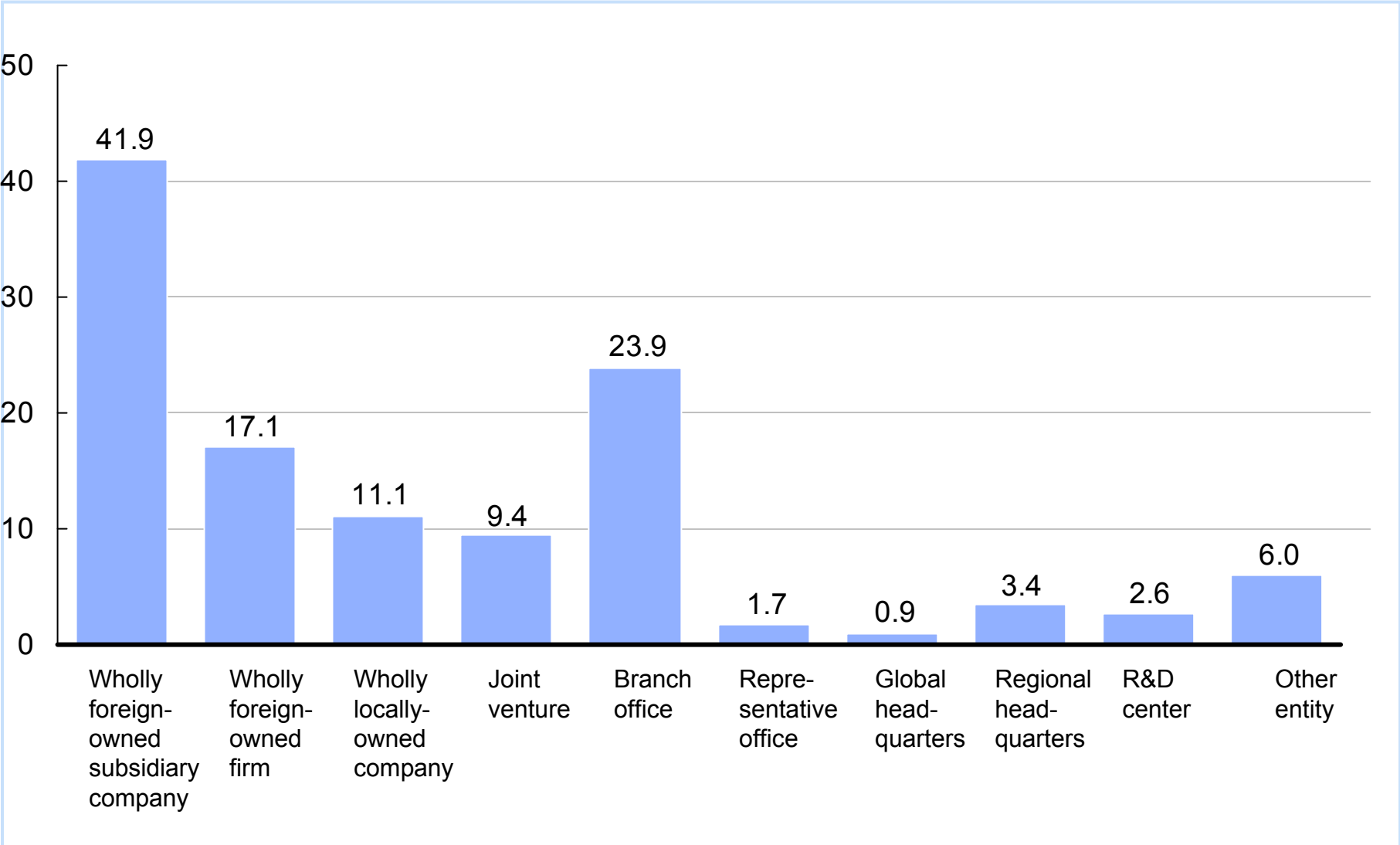


Type of legal entity

The vast majority of businesses in this sample are wholly foreign-owned, including 41.9% that are subsidiaries, 23.9% organized as branch offices, and 17.1% established in Taiwan with foreign ownership. A few of those surveyed also have an R&D center and some have regional HQs located in Taiwan. Consequently, the results in the next chart show multiple responses and total more than 100%.

What type of legal entity does your business have in Taiwan?

Percent

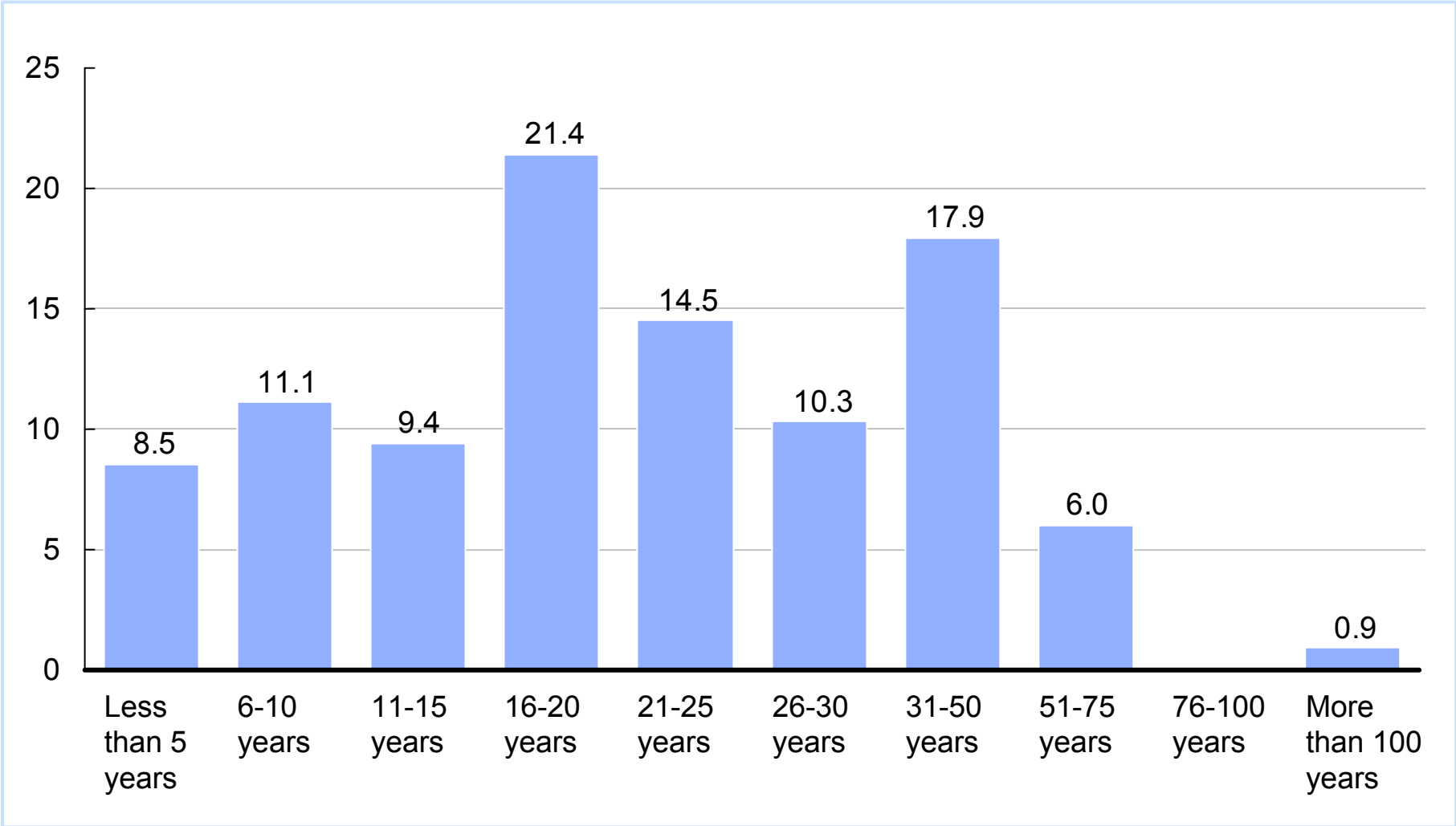


Time in Taiwan


Our sample is split between those who are relatively new to Taiwan (less than 15 years with a physical presence here) at 29%, those who are established 15-30 years at 46%, and those who are well-established (more than 30 years) at 25%. The most frequent length of a physical presence in Taiwan is 16 to 20 years.

How long has your business had a physical presence in Taiwan?

Percent

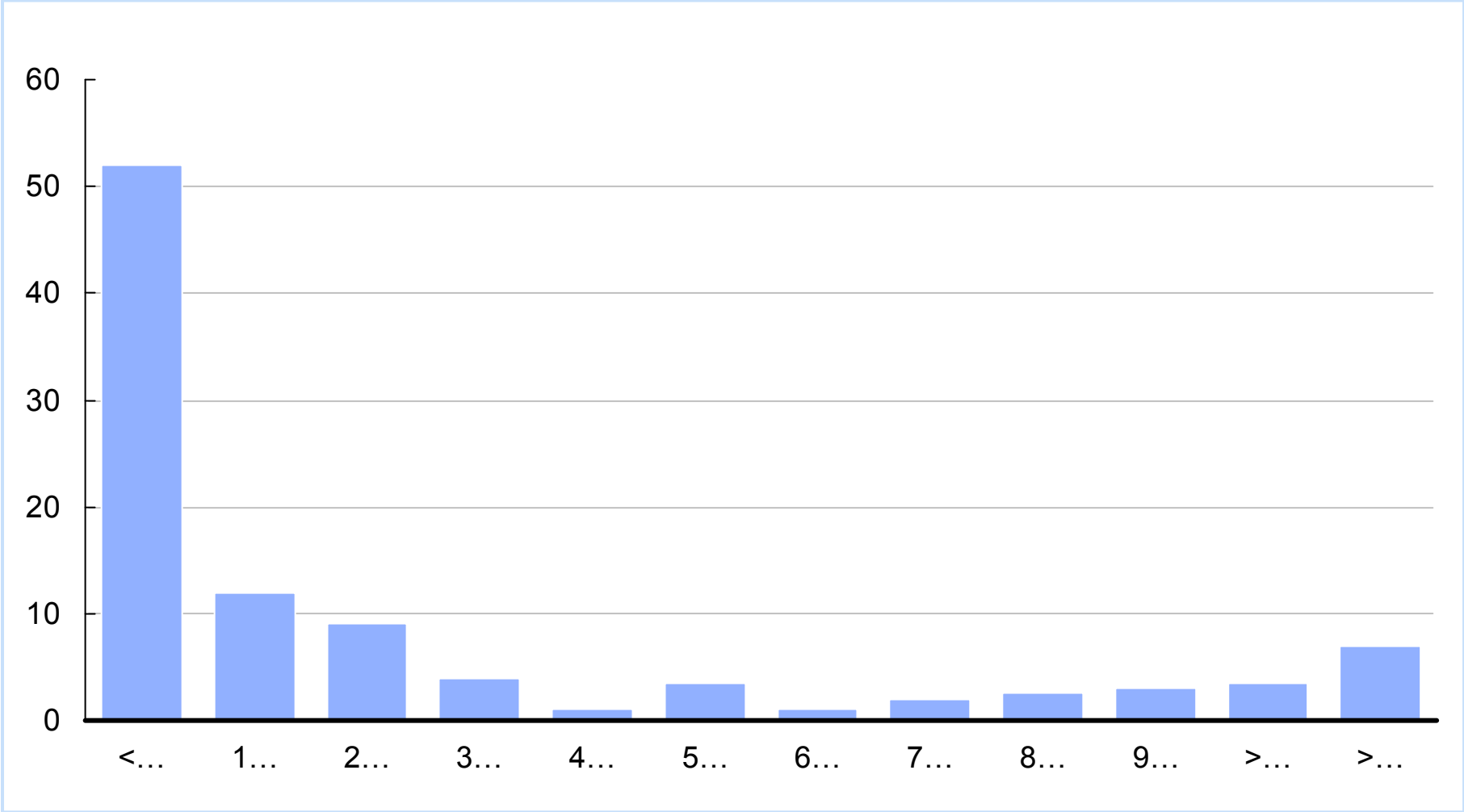


Number of Full Time Equivalent Employees (FTEE)



Our sample covers a wide spectrum of employers - from the very small to the very large. However, 52% employ less than 100 FTEE, 27% employ between 100 and 500, and a further 22% employ more than 500.

No. of full time equivalent employees (FTEE)



Approximately how many full time equivalent employees (FTEE) does your business in Taiwan employ? Part-time employees = 0.5 of a FTEE

Percent

