



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN TAIWAN 2022

A REPORT FROM BUSINESS SWEDEN AND THE SWEDISH CHAMBER
OF COMMERCE IN TAIPEI

KEY CONTRIBUTORS TO THIS REPORT

Business Sweden in Taiwan

Petter Sund, Frida Wengelin, Ken Chen

Swedish Chamber of Commerce in Taipei

Fredrik Boye

© Team Sweden in Taiwan 2022, all rights reserved. This study may not be reproduced either in part or in full without prior written consent of Team Sweden and its constituents in Taiwan

FOREWORD

This year's Business Climate Survey is the first product of the strengthened collaboration between Business Sweden and the Swedish Chamber of Commerce in Taipei.

The purpose of the report is to increase the understanding of Swedish companies' performance in Taiwan and deepen our appreciation of the opportunities and challenges that the market possess. In addition, it will hopefully serve as a reference in trade dialogues between Sweden and Taiwan.

Furthermore, the report will walk the reader through the result of the survey and present supporting secondary data to further explain threats, opportunities, and other developments in the market.

The previous year have introduced several challenges for Swedish companies in Taiwan. Challenges presented by the geopolitical environment as well as a rise in Covid-19 cases led to uncertainty as to how the developments would impact the Taiwanese market. Furthermore, pandemic related entry restrictions have had a big impact on the ability for companies to travel to and from Taiwan, affecting the opportunities to meet international partners during a time when most of the world has opened up again. Thankfully, at the time of writing, the entry restrictions to Taiwan have been loosened significantly, and a resumption of pre-pandemic society can be expected to be imminent.

Despite the different challenges, Taiwan's economy is experiencing unprecedent growth and the islands real per capita GDP is expected to be the largest in East Asia, driven by continued strong growth of the manufacturing industry, most notably semiconductors. While 2021 was an exceptional year for the Taiwanese economy, with a GDP growth of over 6 per cent, growth is expected to continue to outpace the average in East Asia for 2022.

The report highlights a positive business climate for Swedish companies in Taiwan and a strong investment outlook. In addition, the report showcases Taiwan's stable market for Swedish companies to do business in. Taiwan's market economy is institutionally sound, and it features transparent, clearly defined as well as rules for ensuring fair competition and largely equal opportunities for all market participants. An independent Fair Trade Commission supervises business practices to ensure fair competition. The market consistently ranks highly in global economic indices measuring ease of doing business, economic freedom and competitiveness.

In summary, we are encouraged by the results and expect Taiwan to continue to cement its place as a core market for Swedish companies in East Asia, on the back of continued solid growth prospects along with ambitious plans to grow exports and make the market bilingual by 2030.

Lastly, we would like to extend our most sincere gratitude to the participating companies and respondents which have contributed to this report with valuable insights.



Petter Sund
Market Manager
Business Sweden



Fredrik Boye
CEO
Swedish Chamber of
Commerce

EXECUTIVE SUMMARY

A large majority, 76 per cent, of Swedish companies saw a positive economic performance during 2021. Only six per cent of participating companies reported a financial loss, which is remarkable considering the negative impact of Covid-19 in 2021.

Companies remain eager to invest in Taiwan with 63 per cent of companies stating that they are expecting to increase their investments. This is slightly up from 60 per cent last year.

71 per cent of Swedish companies still have a positive or very positive perception of the business climate in the region. These high numbers echo the strong financial performances and ambitious investment plans of Swedish companies in the market.

The allure of brand Sweden remains strong, and 66 per cent of participating companies believe that the Swedish brand contributes much or very much to their business in Taiwan. Only 11 per cent perceive the Swedish brand to have little or no effect on their business in the market.

A key concern raised by many Swedish companies is the current low level of digitalisation in Taiwan. Core services often have a very low level of digitalisation, for example, the finance industry is still ridden with bureaucracy and manual steps, such as affixing of seals.

Only 34 per cent of respondent's state that their consumers are much or very much concerned of the environmental impact of a specific product or service they purchase. This is considered a low number when compared to the global average of around 50 per cent. This could however represent a business opportunity for Swedish companies as sustainability becomes a core issue also in Taiwan.

Recruitment is another key challenge for Swedish companies in Taiwan 2022. The domestic shortage, combined with difficulties in bringing skilled labour across the border to Taiwan, impacts Swedish companies' ability to both compete and grow domestically, as well as using Taiwan as a hub for Asia Pacific operations to compete with the likes of Singapore, Hong Kong and Shanghai.

ABOUT THE SURVEY

JOINTLY DELIVERED BY TEAM SWEDEN

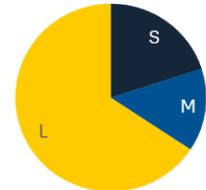
This year, the Business Climate Survey is the result of a collaboration between Business Sweden and The Swedish Chambers of Commerce in Taipei. The survey has been conducted between April and May of 2022 with the aim to highlight the current business environment for Swedish companies in Taiwan.

The survey has underscored the challenges and opportunities that Swedish companies have faced within the previous twelve months of answering the survey and their thoughts on the upcoming year. While 84 companies were contacted, 35 of these companies participated, which amounts to a response rate of 41,7 per cent. The participating companies represent a wide range of industries. Most of the companies are mature, large and active industrial companies and the results can therefore not to be considered to represent all Swedish companies experience in Taiwan but instead provide an overall understanding of the business climate in the region.

The report will firstly discuss the economic outlook for Swedish companies in Taiwan and how they have been performing the previous twelve months. This section will also highlight the investment climate, and pinpoint if Swedish companies are planning further investments in the region. Secondly, we will look at the overall market situation in Taiwan and give an overview of the general traits of the market that play into strategic decisions for firms. The third section will introduce how Swedish companies succeed in Taiwan, and to what extent the “Swedish brand” is part of that success. Lastly, the focus will lay on the sustainability related challenges and opportunities that Swedish companies are experiencing in the market.

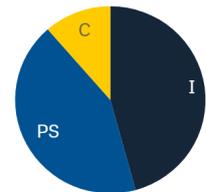
2022 marks the first year of collaboration for the Business Climate Survey between Business Sweden and the Swedish Chamber of Commerce in Taipei. Therefore, the format is slightly different from the surveys conducted previous years in Taiwan, as well as from other Business Sweden BCS reports. From 2023, the BCS will follow the global process and timeline, with the aim to be delivered before the summer holidays.

SIZE OF COMPANIES



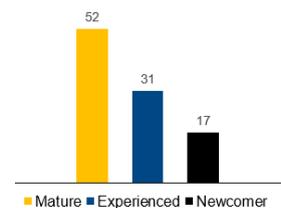
NOTE:
Global employees.
Large >1000 66%
Medium 250-1000 14%
Small 0-249 20%

MAIN INDUSTRY



NOTE:
Industrial 43%
Professional services 41%
Consumer 11%

AGE OF COMPANIES



NOTE:
Mature (-2000)
Experienced (2001-2015)
Newcomer (2016-)

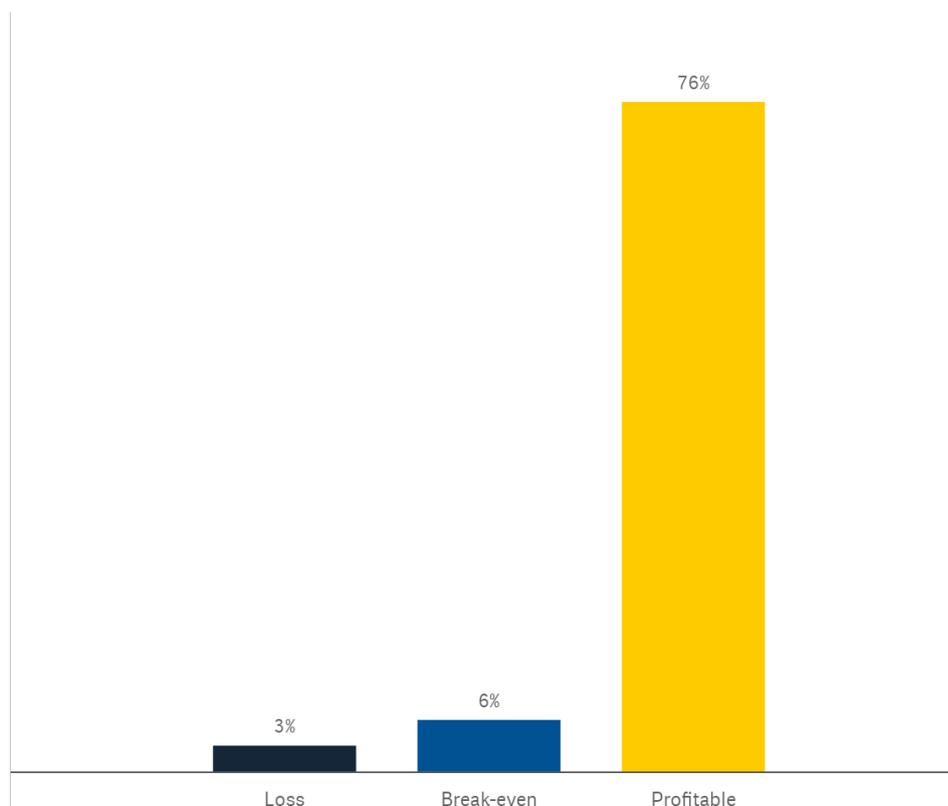
ECONOMIC OUTLOOK

2022 SAW STRONG FINANCIAL PERFORMANCE THAT MAY LEAD TO FURTHER INVESTMENTS

A large majority, 76 per cent, of Swedish companies saw a positive economic performance during 2021. Only six per cent of participating companies reported a financial loss which are very positive numbers, especially when considering the negative impact that Covid-19 has had in the region.

In the last year's Business Climate Survey in Taiwan, Swedish companies underscored Covid-19's negative impact on their ability to sell their products and stated that travel restrictions have been one of the main issues. However, when the effects of the pandemic situation have started to recede, Swedish companies in Taiwan has not been as negatively affected as originally feared.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN TAIWAN IN THE PAST YEAR?



NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022.

TAKING THE CROWN IN EAST ASIA

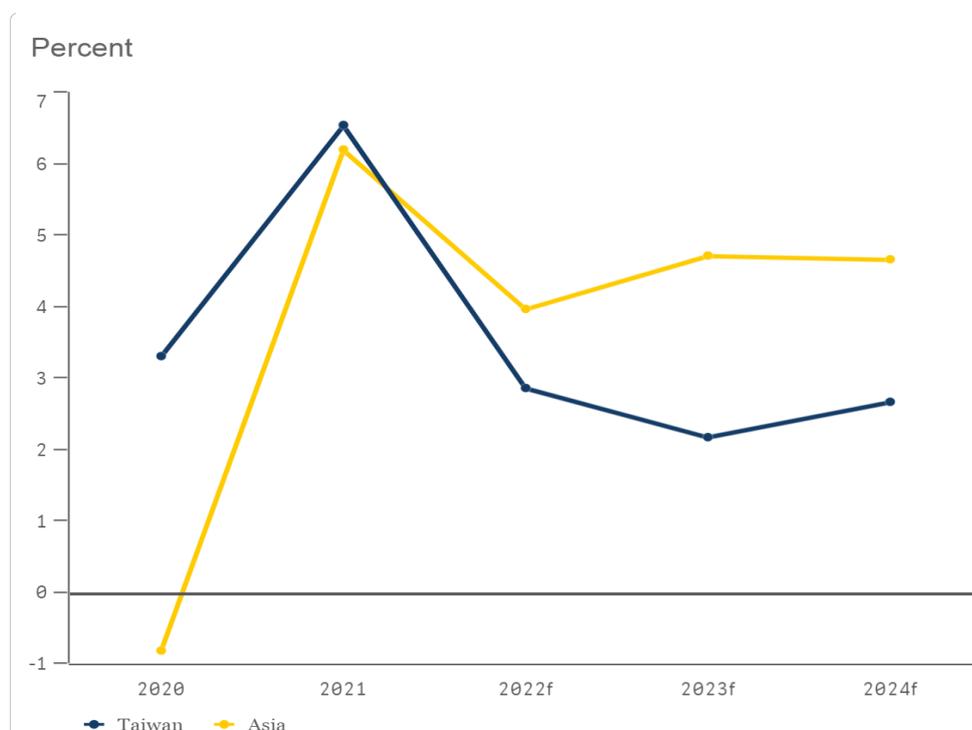
Taiwan's real per capita GDP is expected to be the largest in East Asia, and Taiwan's GDP per capita will be higher than Japan's for the first time in history and higher than South Korea's for the first time since 2003.¹

Even though Taiwan's GDP growth was higher than the rest of the region in the beginning of 2021, projections are that Taiwan will experience a decrease in growth starting from 2021 and continuing until 2023 where there is a projected trend-shift. According to the Asian Development Outlook (ADO) Report 2022, GDP grew by 3.4 per cent in the first half year of 2022 which was revised down from a 3.8 per cent projection. The growth is the result of a strong domestic demand with investment as a main catalysator, which has been driven by firms' capital expenditure and green energy and 5G network infrastructure projects.²

Inflation is also a rising concern in Asia, yet less so than the rest of the world. In Taiwan, inflation averaged 3.1 per cent in the first half of 2022, but as a result of measurements imposed by the central bank and government, inflation growth is expected to slow down for the second half of 2022.³

Moreover, Swedish companies in Taiwan are having a positive outlook on their business operations in the region. In line with the companies' positive financial performance in 2021, 50 per cent of the participating companies are also expecting a slight or significant increase to the financial performance in 2022. In addition, 30 per cent are expecting a significant or slight decrease.

PROJECTED GDP GROWTH IN TAIWAN



NOTE: Constant prices.

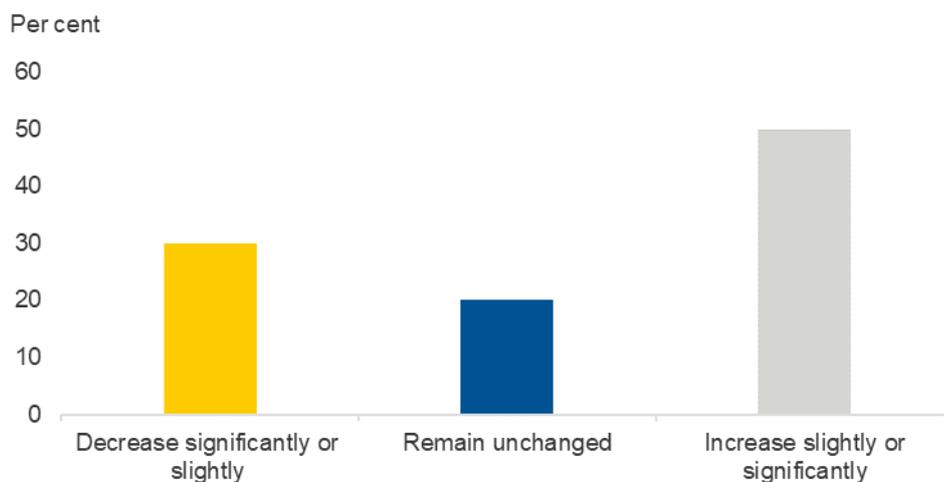
SOURCE: Oxford Economics 7th of June 2022

¹ DeAeth, D. (2022) *Taiwan's per capita GDP highest in East Asia, says IMF: Taiwan news: 2022-10-13 20:49:00, Taiwan News.* Taiwan News. Available at: <https://www.taiwannews.com.tw/en/news/4685794>

² ADO (no date) *Asian Development Outlook Update 2022, Asian Development Bank.* Available at: <https://www.adb.org/>

³ ADO (no date) *Asian Development Outlook Update 2022, Asian Development Bank.* Available at: <https://www.adb.org/>

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY IN TAIWAN REGARDING TURNOVER?



NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022.

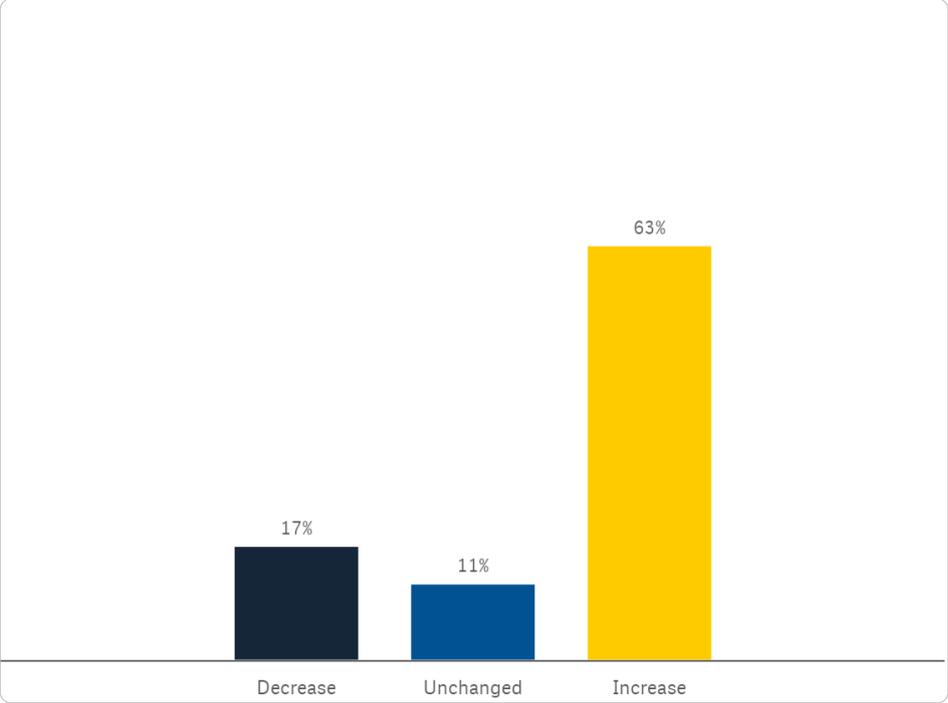
STRONG INVESTMENT OUTLOOK

Companies' eagerness to invest in Taiwan is also showcasing positive numbers, with 63 per cent of companies stating that they are expecting to increase their investments. These are similar numbers to the previous year where 60 per cent of participating companies were planning investments in the upcoming year.

These high numbers reflect the conclusions made by the Business Environment Risk Intelligence (BERI) Report in 2022. According to the report, Taiwan is tied with South Korea as the best markets in Asia with regards to "profit opportunity recommendation" and ranks third in the world in the same category, behind Norway and Switzerland. In other words, Taiwan's overall investment environment is strong, and the recommendations from the BERI are that investors should continue to increase investments and business activities in the region⁴.

⁴ 投資臺灣人口網 Invest Taiwan_News & Events_Taiwan ranked as the third-best destination for investment in the 1st Beri Report in 2022 (2022) 投資臺灣人口網 Invest Taiwan. Department of Investment Services, MOEA. Available at: [https://investtaiwan.nat.gov.tw/newsPage?lang=eng&search=51888#:~:text=According%20to%20the%201st%20\(April,only%20behind%20Switzerland%20and%20Norway](https://investtaiwan.nat.gov.tw/newsPage?lang=eng&search=51888#:~:text=According%20to%20the%201st%20(April,only%20behind%20Switzerland%20and%20Norway)

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN TAIWAN, COMPARED TO THE PAST 12 MONTHS?



NOTE: Decrease and increase represent aggregations of slight/significant development changes. The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022.

THE MARKET

As many other places around the world, Taiwan has faced great uncertainty in the last couple of years. Strict Covid-19 restrictions and growing tensions with China has led to a concern for how the future of business looks in Taiwan. These concerns can however not be seen in the results from the survey, as the respondents are perceiving the business climate as overall positive.

Despite Taiwan's small size compared to other markets in Asia, it holds an important role in the global economy. Rapid economic growth between the 1960's and 1990's gave Taiwan designation as a "Asian Tiger" economy. The market is known for an ease of doing business and is often used as a testing market for the rest of Asia.

Today, Taiwan is perhaps best known for its semi-conductor industry. The market is the main producer of semi-conductors worldwide and accounts for 92 per cent of the world's most advanced semiconductor manufacturing capacity.⁵ However, Taiwan's domestic economy is dominated by the services sectors, which amounts to over 60 per cent of the GDP, with the industrial sector equalling 36 per cent of which the semiconductor industry makes up 15 per cent.⁶

Taiwan is a low-risk market to conduct business in and is considered a category one market by the Swedish Export Credit Agency when reviewing creditworthiness. The assessment spans from category zero to a category seven, and the lower the category the better the creditworthiness of the specific market. While Taiwan is ranked behind Japan, it holds the same place as South Korea and ahead of Hong Kong.⁷

Lastly, an increase in international companies investing in Taiwan has led to a high demand of local talent with bilingual proficiency. Therefore, the government has launched the Bilingual 2030 Policy to boost the competitiveness of local talent. The mission of the policy is twofold; helping Taiwan's workforce connect with the world and attracting international enterprises to Taiwan; enabling Taiwanese industries to connect to global markets and create high-quality jobs.⁸

POSITIVE BUSINESS CLIMATE

In the light of the rise in tensions with China and the ongoing Covid-19 pandemic, a clear majority (71 per cent) of Swedish companies still have a positive or very positive perception of the business climate in the region. These high numbers echo the strong financial performances and ambitious investment-plans of Swedish companies in the market. This is a clear indicator that Swedish companies view Taiwan as a market of opportunity, even in uncertain times.

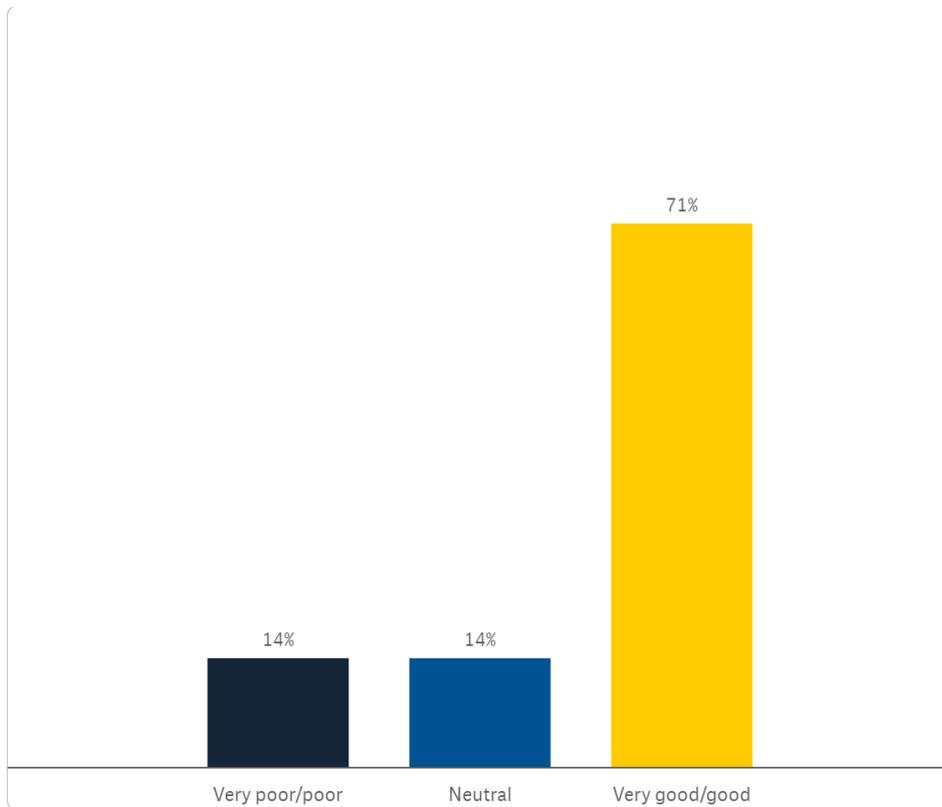
⁵ Varas, A. et al. (2021) *Semiconductor Industry Association | SIA | voice of the semiconductor ...* BCG. Available at: https://www.semiconductors.org/wp-content/uploads/2021/05/BCG-x-SIA-Strengthening-the-Global-Semiconductor-Value-Chain-April-2021_1.pdf

⁶ Song-Pehamberger, D. (2022) *Taiwan's semiconductor edge to shore up security ties*, *Foreign Brief*. Available at: <https://www.foreignbrief.com/analysis/taiwans-semiconductor-edge/#:~:text=Taiwan%27s%20role%20as%20a%20key,end%20chips%20originate%20from%20there>

⁷ *Countries (202AD) EKN*. Available at: <https://www.ekn.se/en/countries/>

⁸ *National Development Council (no date) 國發會全球資訊網(英文網)*. 國家發展委員會. Available at: https://www.ndc.gov.tw/en/Content_List.aspx?n=BF21AB4041BB5255

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN TAIWAN?



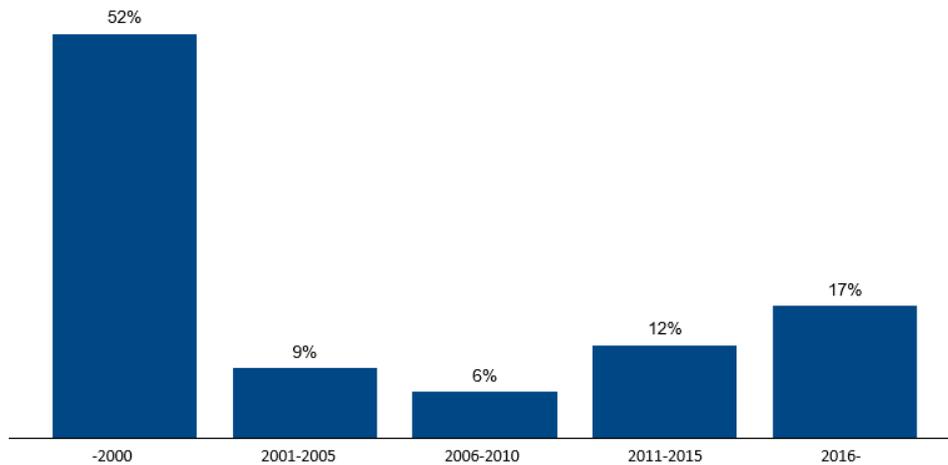
NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022.

MATURE AND SMALL COMPANIES IN MAJORITY

A majority (56 per cent) of companies participating in this survey entered Taiwan before the 2000's. However there has been a slow yet steady rise of Swedish companies entering the market since.

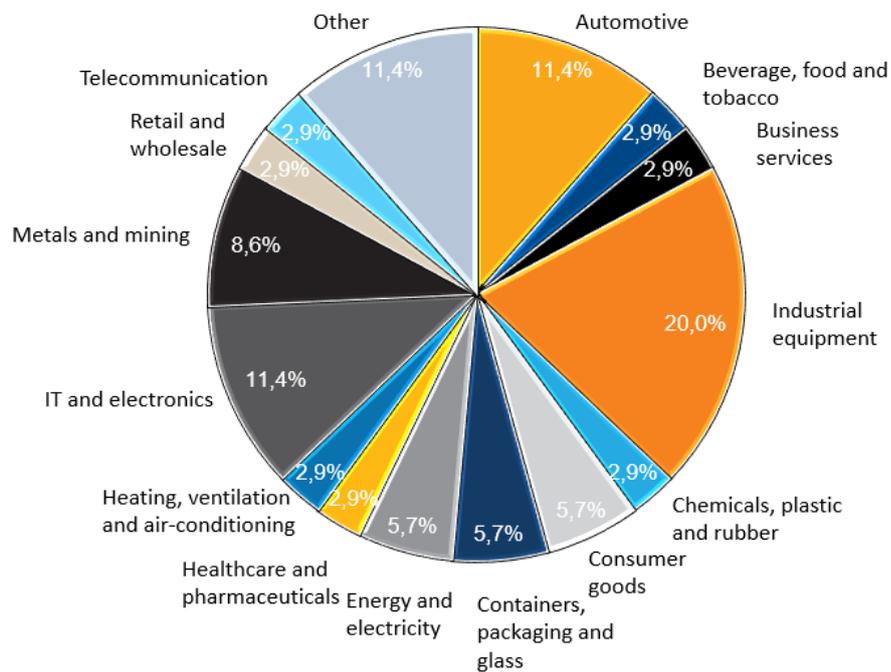
The respondents of the survey represent a wide variety of industries. The biggest industries are industrial equipment (20 per cent), followed by automotive (11,4 per cent), IT and electronics (11,4 per cent) and other (11,4 per cent). The diversity of industries showcases the attractiveness of Taiwan to a broad range of companies. Lastly, 89 per cent of participating companies are considered small (>249 employees).

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN TAIWAN?



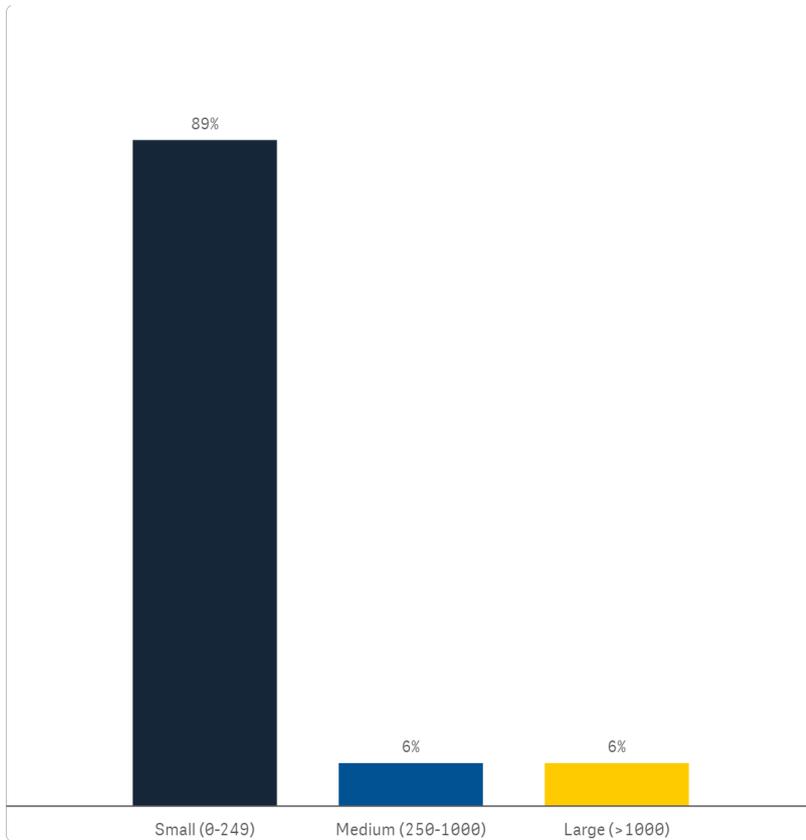
NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN TAIWAN?



NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN TAIWAN IN 2022



NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022.

STRENGTHS AND WEAKNESSES OF THE TAIWANESE MARKET

The Swedish companies in the survey believe that personal safety, infrastructure, and suppliers are the conditions that meets their needs most favourably. The level of digitalisation, transparency/equal treatment, and specialists and key personnel are on a shared place of the conditions that meets the companies needs the least.

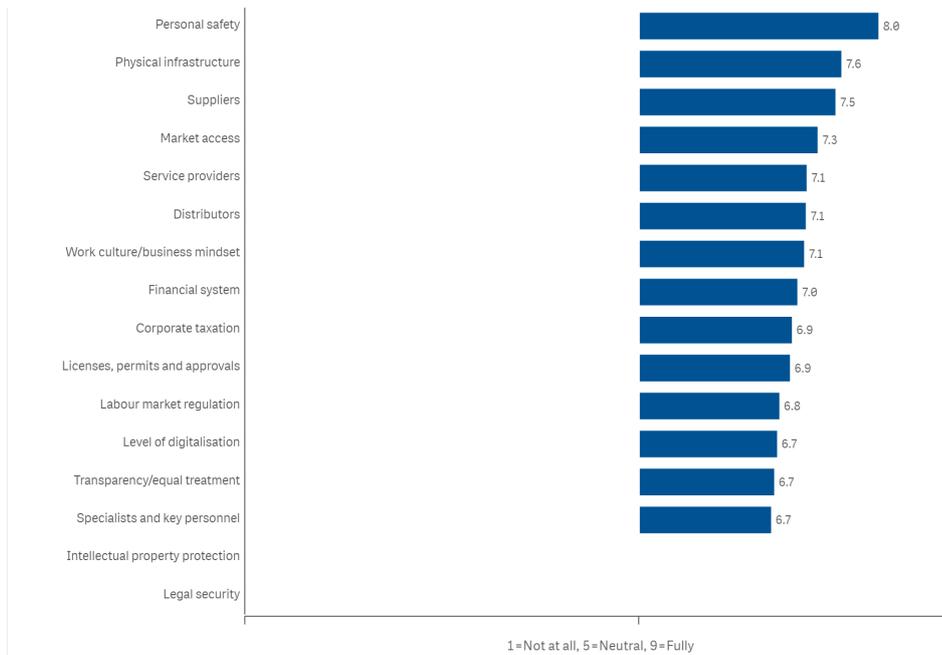
While Taiwan is ranked the 11th most competitive digital economy (out of 63) in IMD's World Digital Competitiveness ranking, Sweden holds third place in the same category.⁹ Consequently, even though Taiwan is an advanced nation within digitalisation, Sweden is known for its digital talent and innovation, hence their high knowledge within the field can be difficult to triumph, or meet, in other markets.

Similarly, Taiwan is climbing on the corruption perception index and is now on place 25. Sweden on the other hand is at fourth place and thereby have high standards on transparency and equal treatment which can be a reason for the lower score given by the participating companies.

⁹ World Digital Competitiveness Rankings - IMD (no date) IMD business school. Available at: <https://www.imd.org/centers/world-competitiveness-center/rankings/world-digital-competitiveness>

Additionally, The International Property Rights Index (IPRI) gives Taiwan a score of 6,95 which equals a placement of 21 worldwide. In the Asia pacific region, Taiwan holds 6th place after New Zealand, Singapore, Hong Kong, Australia, and Japan.¹⁰

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN TAIWAN?



NOTE: The number of respondents for this question was 35.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022.

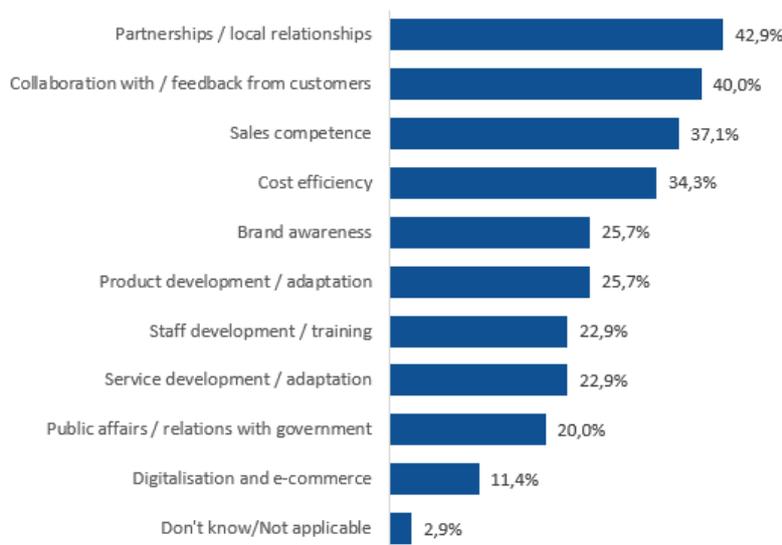
¹⁰ LEVY-CARCIENTE, S.A.R.Y. and MONTANARI, L.O.R.E.N.Z.O. (2022) "International property index 2022," *Property Rights Alliance* [Preprint].

HOW SWEDISH COMPANIES SUCCEED IN TAIWAN

RELATIONSHIPS AND PARTNERSHIPS ARE KEY

Similarly to previous years, companies rank partnerships and local relationships as the most important factor to stay competitive in Taiwan. Digitalisation and e-commerce are considered the least important factors, which could be tied to the low level of digitalisation companies referred to when answering which local conditions met their needs the least.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN TAIWAN?

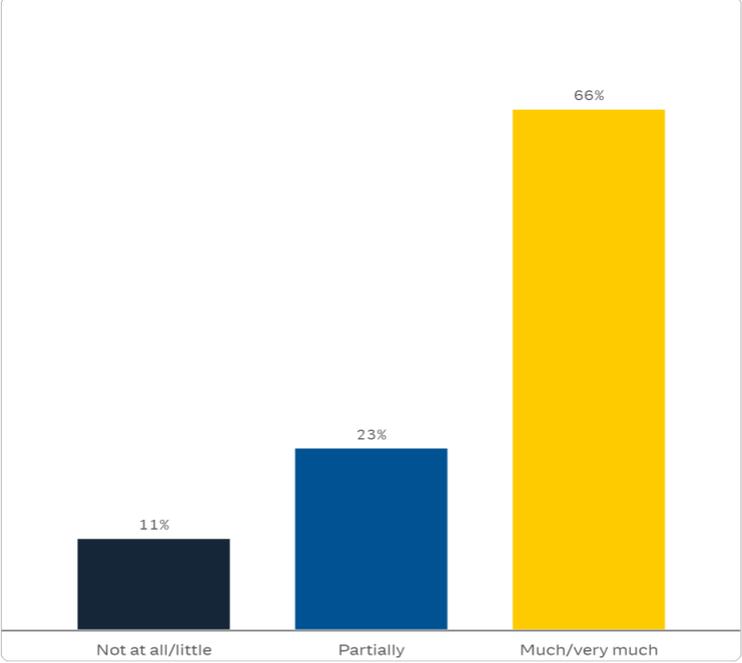


NOTE: The number of respondents for this question was 35.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022.

THE SWEDISH BRAND DRIVES GROWTH

Sweden has a strong nation brand, or brand identity, which means that even those who have limited knowledge about Sweden often associates Sweden with clear concepts. As much as 66 per cent of participating companies believe that the Swedish brand contributes much or very much to their business in Taiwan. Only 11 per cent perceive the Swedish brand to only have a little, or no effect, on their business in the market.

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE “SWEDISH BRAND” CONTRIBUTES TO YOUR BUSINESS IN TAIWAN?



NOTE: The number of respondents for this question was 35. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022.

ACTING SUSTAINABLY

OPPORTUNITIES WITHIN SUSTAINABILITY

Only 34 per cent of respondent's state that their consumers are much or very much concerned of the environmental impact of a specific product or service that they are purchasing. This can be considered a low number when compared to the global average. IBM conducted a global survey with 13.000 consumers in ten large economies, where 49 per cent answered that they would pay a premium price for sustainable products, and 51 per cent answered that sustainability was more important to them today than twelve months ago.¹¹

Even though the consumers are expressing a minor interest in sustainable products, there is a great amount of opportunity in this field for companies that are ready to make an impact.

Taiwan is the world's 29th biggest polluter and ranks 92nd in the global sustainability index. As Taiwan lacks recognition on an international level, they are excluded from the UNFCCC, which means that they lack access to climate transition financing.¹² Consequently, clean energy transitions become a difficult task and companies with a sustainability edge are in demand.

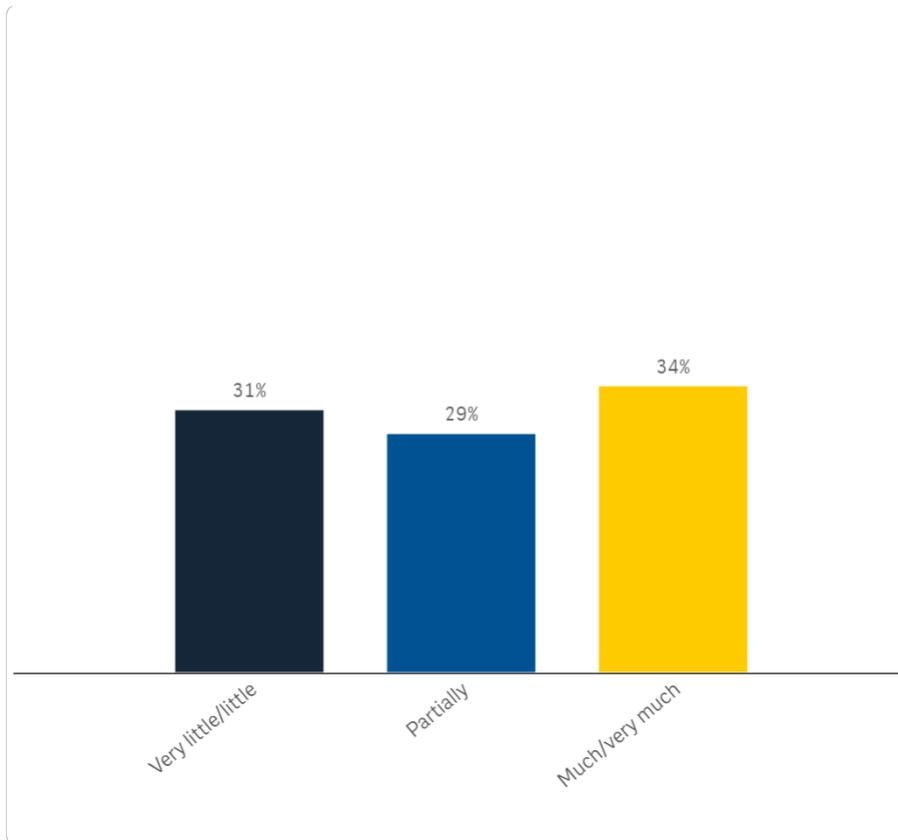
Taiwan has also had an increasingly large focus on sustainability issues during the last few years. President Tsai Ing-Wen has continuously emphasised the government's commitment to achieving net zero carbon emissions by 2050. In addition, the five-plus-two innovative industries initiative and the forward-looking infrastructure development program also highlights Taiwan's aim to be an active part in combating climate change.

President Tsai Ing-Wen has also underscored the business potential within these initiatives, and the government's aim of turning the challenges of net-zero transformation into new business opportunities, while securing the country's position in the global supply chain. This is, and will continue to be, a great opportunity for Swedish companies to utilise their knowledge and position as sustainability leaders to enhance their business potential in the market.

¹¹ Cheung., et al (22AD) "Balancing sustainability and profitability," *IBM Institute for Business Value* [Preprint].

¹² Mulhern, O. (2020) *Taiwan - ranked 92nd in the global sustainability index*, *Earth.Org*. Earth.Org. Available at: https://earth.org/global_sustain/taiwan-ranked-92nd-in-the-global-sustainability-index/

TO WHAT EXTENT DO CUSTOMERS IN YOUR INDUSTRY IN TAIWAN CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



NOTE: The number of respondents for this question was 35. "Don't know/Not applicable" responses are included but not shown in figure.

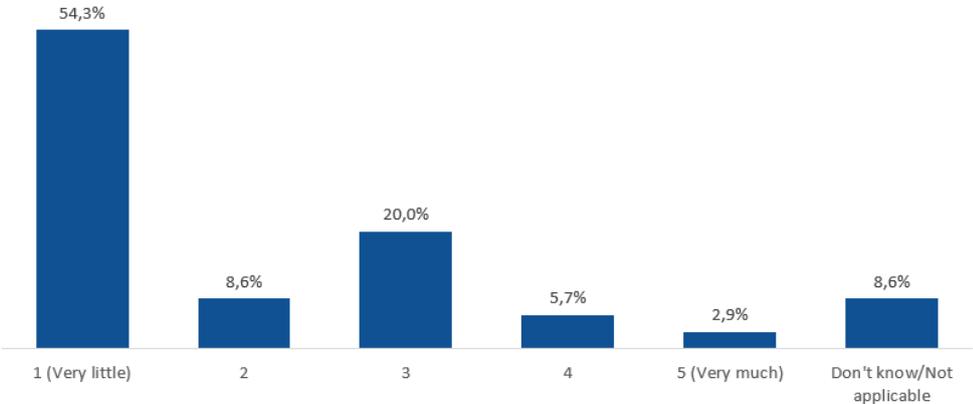
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022

AN INCREASINGLY TRANSPARENT ENVIRONMENT

In 2021, Taiwan improved with three places from the previous years on the Corruption Perceptions Index (CPI) and is currently on place 25. This is the best score Taiwan has received since the CPI report was first published in 1995. The Swedish companies' responses also reflect a sense of security on the topic as 54,3 per cent answered "very little" when asked if corruption has affected their business.

When comparing the CPI placement to the rest of the Asia Pacific region, Taiwan ranks in 6th place behind New Zealand, Singapore, Hong Kong, Australia, and Japan.

TO WHAT EXTENT DO YOU PERCEIVE THAT CORRUPTION IN TAIWAN AFFECTS YOUR BUSINESS?



NOTE: The number of respondents for this question was 35.
SOURCE: Business Climate Survey for Swedish Companies in Taiwan 2022.

CONTACT US

BUSINESS SWEDEN

Petter Sund

petter.sund@business-sweden.se

SWEDISH CHAMBER OF COMMERCE IN TAIPEI

Fredrik Boye

fredrik@swedchamtw.org

