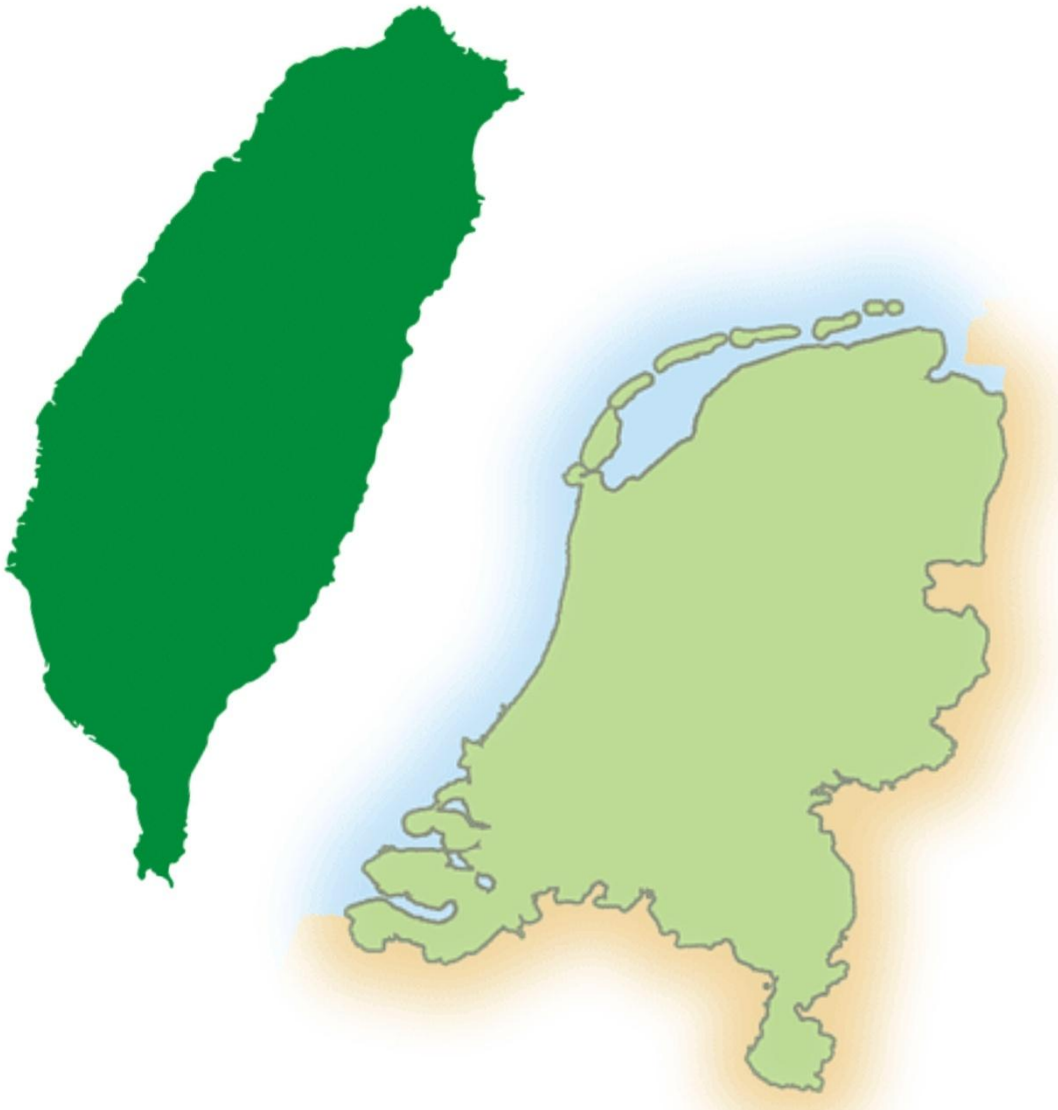


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[GROWTH PERSPECTIVE TAIWAN – NETHERLANDS BUSINESS RELATIONS]

[How Business Incubator networks in Taiwan and The Netherlands can contribute to the development of business relations between young companies in both countries]

This report is based on desk research, online survey's and a fact finding mission performed in 2011 on invitation by SMEA and CBIA with involvement of DIA, EBN and TGN.

The objective of this report is to serve the involved parties to develop an aligned policy to help 'born global' start-ups and SME's to grasp internationalisation opportunities in both The Netherlands and Taiwan. Be aware that this report shows a 'Dutch perspective' on bilateral business opportunities. The report can also be used to attend the information need of pioneering entrepreneurs and business people who look for opportunities to expand.

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Introduction

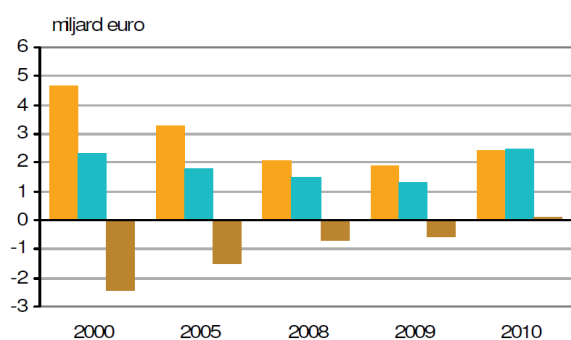
Taiwan and The Netherlands have a longstanding business and trade relationship. Wasn't, it the Dutch traders who, in the 17th century, understood the strategic position of the island Taiwan (than called Formosa) for 'far-east trade'. Although liberated by the Chinese after 38 years, this pattern was set for the centuries ahead, and Taiwan has continued to play an important role in trade between China and Japan ever since then.

This geographic position makes Taiwan an ideal location for Dutch companies to access the Far East. Furthermore, Taiwan is known for its 'foundry' services for foreign businesses, a western style business mentality and its ease of doing business; Taiwan is ranked number 25 according to the World Bank report, comparable to Switzerland(26) and The Netherlands (31).

The geographic position of The Netherlands, in its greater region, is comparable to that of Taiwan and it's region. As such, it is a gateway to north-west Europe, with an export oriented economy like that of the Taiwanese. The main trading partners of the Dutch are Germany and United Kingdom.

Trade between Taiwan and Netherlands in 2010: € 5,6 billion

The trade in goods between the two countries was almost € 5 billion in 2010. € 2,4 billion was exported by Taiwan to The Netherlands and € 2,5 billion was exported by the Dutch to Taiwan. Bilateral trade has shown a gradual decline from 2000 till 2009, only to grow again considerably in 2010. For the first time



Bron: CBS

■ invoer ■ uitvoer ■ handelssaldo

since 1968, a small trade surplus was realised by the Dutch. The Dutch import mainly computers, microprocessors and 500,000(!) bicycles from Taiwan. On the other hand, Taiwanese buy mainly machines from The Netherlands (€ 1,8 billion), one third of them being complex machinery from companies like ASML.

Service trade between the two countries amounted almost € 600 million; € 202 million was exported by the Taiwanese, and € 388 million was exported by the Dutch. The most important services in bilateral trade

are sea freight related services. The most exported services by the Dutch are in licences and royalties (€ 132 million). All together, the trade between Taiwan and The Netherlands is modest compared to the trade for Taiwan with China (\$ 110 billion), Japan and U.S.A. In fact, it's only 5% of that value, but from an E.U. perspective, the Dutch are the third trading partner of Taiwan, after Germany and the U.K..

Can cooperation between incubator networks in Taiwan and The Netherlands support internationalisation for young companies?

That is the central question of this research. For that purpose, delegates from Taiwan have visited Dutch incubators in the spring of 2011 and Dutch delegates visited Taiwan in the fall. Furthermore, data research has been done and incubator managers in both countries have been questioned. In this report is a first draft for alignment of internationalisation activities in both regions.

Taiwan and The Netherlands

Taiwan and The Netherlands are both small countries with a great sense for dependency on foreign relations, and as a result of that, an export-oriented economy. Both countries are highly developed and are densely populated. Both societies reached a high degree of education and technology, which is reflected in high productivity gains in the past decades. Where The Netherlands is the fourth investor in Taiwan, the Taiwanese invest mainly in the Pacific region, and predominantly in mainland China, which reflects the global shift in economic development.

Both countries are quite high on the Logistic Performance Index (TW=20, NL=4) and the Taiwanese government decided recently to invest \$ 3 billion in infrastructure and processes to boost the 'Taiwan logistics Hub'. The Netherlands, as the top performer in this field, can help to upgrade the Logistics Competence.

Taking into consideration the great cultural differences between both countries, it is pleasant to note that there are quite some similarities which make doing business easy. Dutch people are competent in English, the language of business, and foster a direct and open attitude to communication and business. They respect differences, and endorse transparency and justice. It is quite easy to get around with an attitude like that in Taiwan. Taiwanese have a western style business culture, many people speak English very well, and manage to deal with the open and direct communicating Dutch.

Similarities:

1. English speaking, international orientation
2. Business culture, easy to do business
3. Small countries, densely populated, emphasis on spatial planning and environment
4. Export oriented, great logistics and maritime sector
5. Government supportive to business

Some statistics of economic structure

Taiwan	The Netherlands
Industry (31% GDP): Strong IT/micro electronics Acer, Asus, HTC 20% of world optoelectronic industry (LCD+PV) Nr 1 producer of OEM Chips: TSMC, UMC	Industry (24.9%) Oil & Chemicals (Shell, DSM), Machinery (ASMI, ASML), Food (Unilever, Heineken), ICT & Electronics (Atos-Origin, Philips)
Services (67% GDP)	Services (76% GDP) Transport, logistics, trade, finance, entertainment, design (AEGON, ABNAMRO, ING, Amsterdam Exchange, Rabobank, KPMG, KLM, Randstad, ReedElsevier, Vopak, Endemol, OMA)
	Agriculture (2.6%): nr 1 in Bulbs & Flowers, 33% of export.
Energy Large imports, Nuclear, 6.8% renewable	Energy: nr 2 supplier in Europe for natural Gas (behind Russia), 9.2% renewable
Net Export (9.43% GDP)	Net Export (7.67% GDP)

Taiwan policy focus

The Taiwanese government supports the development of high-value business by investing greatly in the R&D capacity of the country and commercialisation through science parks and business incubators, with the Hsinchu Science Park as its prime example. With an emphasis on development of new, cutting edge applications in micro-/nano technology, cleantech, ICT, biotech and pharma, the government intends to maintain its comparative advantages in a highly competitive regional environment, where China, Hong Kong and Singapore challenge the position of Taiwan. The signing of ECFA (Economic Cooperation Framework Agreement) between China and Taiwan in 2010 has done a great deal in closing the gap with Hong Kong and Singapore though, adding a considerable value of \$ 11 billion trade advantage a year to the Taiwanese economy thanks to a preferential status in trade with the mainland. As a result, trade and investments from Taiwan to the mainland is showing a great surge.

The government is further pursuing a growth track for the great number of its SME's (98% of businesses) by lowering bureaucracy, lowering tax, and supporting productivity. Productivity gains are to come from investments in R&D, innovation, creativity, ICT/automation, lowering energy consumption and boosting cleantech. Ultimately, productivity, innovation and growth of SME's would lead to more great Taiwanese brands, like HTC, Asus and Giant. Maybe in the future their products will not always be 'Made in Taiwan' but certainly could be 'Developed in Taiwan'.

Last but not least, the government has strengthened the Anti-Corruption Statute and the Money Laundering Code. Other efforts to bring down corruption include laying out a plan of action and forming a national-level committee to promote clean governance and implementing a code of ethics for civil servants. These actions must upgrade the CPI of Taiwan which is ranked number 32 (comparable with Portugal) (NL = 7) in 2011, according to Transparency International.

More challenges ahead for Taiwan

Of course, the most prominent challenge for Taiwan is, and has always been, the legal status of the country. Only 24 countries have recognised Taiwan as an independent nation although it de facto is. This is a result of the special history that formed today's Taiwan as a result of the nationalist Kuomintang losing the Chinese (mainland) war to the communists. Since then, both parties officially claim all of China (including Taiwan). Because of the much greater geopolitical force of China (officially, the Peoples Republic of China) over Taiwan (officially, the Republic of China) most countries don't find it opportune to recognise Taiwan. Outside of that, Taiwan and countries around the world pursue a pragmatic policy of developing trade and investment relations between one another. As such, Taiwan is represented by 'trade and investment agencies' in 140 countries to facilitate bilateral relations and foster trade and business. Most countries have the same facilities in Taiwan, such as the Netherlands Trade & Investment Office in Taipei.

Taiwanese politics are roughly divided over a Kuomintang-wing (KMT) and a 'Taiwan original' wing (DPP), which have a different attitude toward relationship with mainland China. Since Taiwan has become a full-blown democracy in 2000, this has resulted into small swings in policy, depending on which party was casting its influence. Amazingly enough, this has resulted in improved relations with mainland China, on business, domestic and cultural fronts. Both China and Taiwan seem to have exchanged rhetoric for economic development as the way to soften the tensions. In an economic sense the ECFA (Economic Cooperation Framework Agreement) has been the best result of this policy, seeing a great increase of bilateral trade and investment but also growing inward FDI from Japan, U.S. and Australia in Taiwan. It's too early to speculate on the long-term effect of ECFA, but it is definitely an important corner stone in foreign appreciation of the Taiwan international business status, an improved positioning to also deal with domestic and local challenges.

Food- and Safety

As a small and highly populated country, Taiwan has challenges regarding the highly intense, but small scale agriculture, flood- and coastal protection, spacial planning and environmental protection. It has developed measures to protect small farmers for the international markets, a programme through the National Council for Sustainable Development on protecting coastal areas from the rise in the sea level, and protecting inland flooding and water supply. The Council of Agriculture implemented a strategy to alleviate agricultural practices to more high-value produce by supporting quality certification, technology development and diversification. The most valued product is orchids: Taiwan fosters the largest collection of varieties in the world, and is the top of class breeder and seed-developer. New technologies have enabled this sector to get patents recognised all over the world. The EU and Taiwan have agreed to mutually accept 'Plant Breeder Rights' DUS testing reports. Most of R&D and commercialisation is to be concentrated in the Pingtung Agricultural Biotechnology Park in the south of the country. Even though these policies promote further development of agriculture, Taiwan has no policy on food security, which was identified as a clear issue during the 2008 global food crisis. While rice prices doubled and tripled, at the same time 200,000 hectares of fertile land was kept fallow to keep rice prices high. While Taiwan is one of the most dependable countries on importing food, there seems no real political appetite to change the favour it has for industrial development over agricultural development. Where average farms are 1 hectare and average age of farmers is 58, it is predictable that within the next 5 years, Taiwan will need a green revolution of its own to enter the global battle on food and bio-based energy and materials.

Clean energy, technology and Environment

The Environmental Protection Agency pursues a policy of curbing unlawful conduct and stimulating technology and processes to boost a sustainable economy. Next to this control. It also pursues a policy of transparency by making information available on all sorts of environmental issues, both in Chinese and English. In cooperation with the NCSA, it stimulates sustainable development by supporting R&D, and organising awareness and training sessions with SME's. Taiwan is confronted by great challenges in terms of energy security, fossil fuel dependence, CO₂ emissions, and energy pricing reforms. Taiwan has recently enacted legislation to transition to sustainable energy sources, increase energy efficiency, and lower CO₂ emissions. More than ever, environment, geopolitics and energy have found a common ground in 'clean energy' legislation supported by both political wings (which is unique). Taiwan relies for 85% on oil and coal for its energy supply. On top of that, it relies almost 100% on imported energy to fuel its burgeoning industry, which is subsidized to keep up a level playing field. In 2008 the government launched the Framework of Taiwan's Sustainable Energy Policy, a document outlining several measures that commit to modest short-term and medium-term goals in energy efficiency and CO₂ emissions reductions. The government has pledged to decrease energy intensity twenty percent from 2005 levels by 2015, and fifty per cent by 2025 (MOEA, 2008). Furthermore, Taiwan aims to return CO₂ emissions to 2008 levels between 2016-2020 and to 2000 levels by 2025. Taiwan has also pledged to double its share of renewable energy as a proportion of total installed capacity from eight percent to sixteen percent by 2025. Taiwan has already developed most of its suitable hydropower sites, so the vast majority of renewable energy growth will come from the wind and solar energy sectors. Passed in July 2009, REDA (Renewable Energy Development Act) calls for a 6.5 GW increase in renewable energy installed capacity, bringing Taiwan's total to ten GW within twenty years. REDA importantly establishes a system of feed-in tariffs for electricity generated by renewable energy and compels Taiwanese utilities to purchase it. From 2010-2015, the government is preparing to invest U.S. \$1.47 billion to promote renewable energy and energy research and development. But challenges are still there with regard to carbon-cap legislation, and on the broader effects of green engineering, for instance in agribusiness. Taiwan has a tradition of effective industrial policy, but if it will be able to change the energy savvy attitude of their people remains to be seen.

Human Resources Development

Although Taiwanese students score high marks in mathematics and science, the educational system is heavily criticised for placing excessive pressure on students. The system is regarded as rigid and old-fashioned, and reports suggest corporal punishment is still practiced here and there, curbing down the creative and innovative potential of the country. Compare this with the notion that Taiwan's traditional strength is in manufacturing and a development in the value chain to R&D/innovation and/or creativity-design-marketing is essential, the broader development of human resources than just for engineering and manufacturing is eminent. In the 2011 'global talent index' Taiwan ranked 20th (NL = 10) comparable with Belgium and South-Korea, which is not bad. Looking deeper into the survey, it clearly shows that companies in most Asian countries are worried by the limited creativity of their new talents in overcoming challenges. It is a considerable challenge for far-eastern countries like Taiwan to change the political, corporate and educational context to foster a new creative and versatile workforce.

Taiwanese challenges - opportunities for Dutch companies

Generally speaking, Taiwan offers a good place to do business. It offers great ease in establishing a new firm, in setting up cooperation, and in doing business in Taiwan, China and Japan. It has a broad manufacturing base, both in Taiwan and on mainland China. Although it has a slightly worse performance on the transparency index than The Netherlands, normally this doesn't pose a threat to normal business practices.

Depending on sector and positioning in the value chain, there are several specialised science- and business parks and related business incubators which offer a great landing area for first timers. Hsinchu Science Park around ITRI (The Industrial Technology Research Institute with 6,000 researchers) for example, is perfect for high-tech R&D firms looking for an environment that represents the world's top-class in micro-electronics and biotech. But also for companies in cleantech, ICT/media and agribusiness, specialised hubs are available.

The need for a European life style by Taiwanese consumers is reflected in kitchen design, food, fashion, interior and luxury consumer products (for example, cars). The combination of Arts & Crafts and high quality production makes it attractive to the Taiwanese consumer. Like many other Asians, luxury brands are in high demand, leaving, for instance, the local kitchen and furniture manufacturers complaining about their inability to compete.

Taiwanese challenges in the areas mentioned above also pose additional opportunities for Dutch companies.

Food and Security

The Netherlands boasts a high-value/high-volume agribusiness sector, the number two in the world which is impressive considering the small scale of the country. In some areas, The Netherlands is dominant. For instance in flower bulbs, the Dutch dominate with 80% of global trade, and in flowers, 65%. A strong base in R&D, breeding and reproduction, and a bio-based industry guarantee a forward position in the future. Many Dutch companies and organisations are well-suited to assist Taiwan in changing its agricultural prospects, and in enabling their ambitions. Furthermore, the longstanding Dutch struggle for land reclamation and protection has fostered a broad and international base in water management, environmental engineering and offshore construction. Dutch companies are global top of class in their fields of dredging, coastal protection, water treatment, drainage and irrigation, land reclamation and environmental engineering.

Clean energy, technology and Environment

Higher prices for fossil fuels, deeper knowledge on climate change and geopolitical changes lead to the growing importance of domestic energy, energy efficiency and carbon reduction. Growing unrest leads to our populations to demand cleaner water, air, soil and food. A healthier environment is demanded. The Netherlands is the second largest natural gas supplier in Europe, and a small scale oil supplier. Thus, Dutch companies are well-equipped to deal with all sorts of challenges connected to the energy sector which is subject to environmental legislation since the 1960s. Some of these companies have grown to become global players, like Shell, Fugro, SBM and Urenco. Since the 1970s measures have been taken to favour clean energy development, resulting in strong investments in wind power, biomass power, waste-to-

energy, and cleaner exhaust. Almost 10% of energy production is now from renewable resources. Since the first law to protect the remaining nature in 1928, a lot has been done to protect nature, flora and fauna, water, air and soil from the impact of industrialisation and rapid population growth. These measures have been very successful to protect nature, soil, and water, but less so for air, since this needs still more cooperation with neighbouring countries. The Netherlands is one of the leading nations in international environmental protection because it understands that it needs cooperation to protect the domestic environment.

Human resource development

Several educational reforms in The Netherlands since the 1970s have changed the landscape from a 'one-size-fits-all' approach to a personal development approach in education. Within a framework of mandatory education between 4 and 18, 99% of students complete their education. 47% of these complete secondary education, and 39% go on to higher education, resulting in 25% of working population having a higher education. The big difference between the two educational systems becomes clear when looking at output quality. Whereas the Taiwan system leads to high levels of mathematics, the Dutch systems leads to high levels of creative and managerial educated people (cognitive skills). There seems to be a match, a potential to learn and exchange here. Where the Dutch labour market suffers a shortage of technically skilled people, the Taiwanese suffers a shortage of creative people. Cooperation with Dutch organisations might bring Arts, Crafts and Design education in Taiwan to a new level. In combination with a Creative Incubator (like Caballerofabriek in The Hague) this could enable more businesses in Taiwan to profit from creative business talent, supporting 'Designed in Taiwan' like it has done for 'Dutch Design'.

Matching profile Taiwan-The Netherlands

TAIWAN	NETHERLANDS
Ease to do Business	Ease to do Business
Manufacturing/ Foundry Service	World Class creative sector
Specialised Science Parks	Science Parks growing stronger
Micro-electronics sector	Micro-/Nano electronic design sector
Biotech sector	Bio-Life Science sector
LCD and PV-panels	Growing demand for PV-cells and panels
High level of technically skilled people	High level of creative and managerial people
Developing maritime sector	Well developed logistics sector
Weak in Life style products	Good in architecture and design
Small scale agriculture	Well developed agribusiness sector
Challenged coastline and water management	Well developed water management sector
High energy consumption	Low energy consumption
Old fashioned educational system	Modern Education

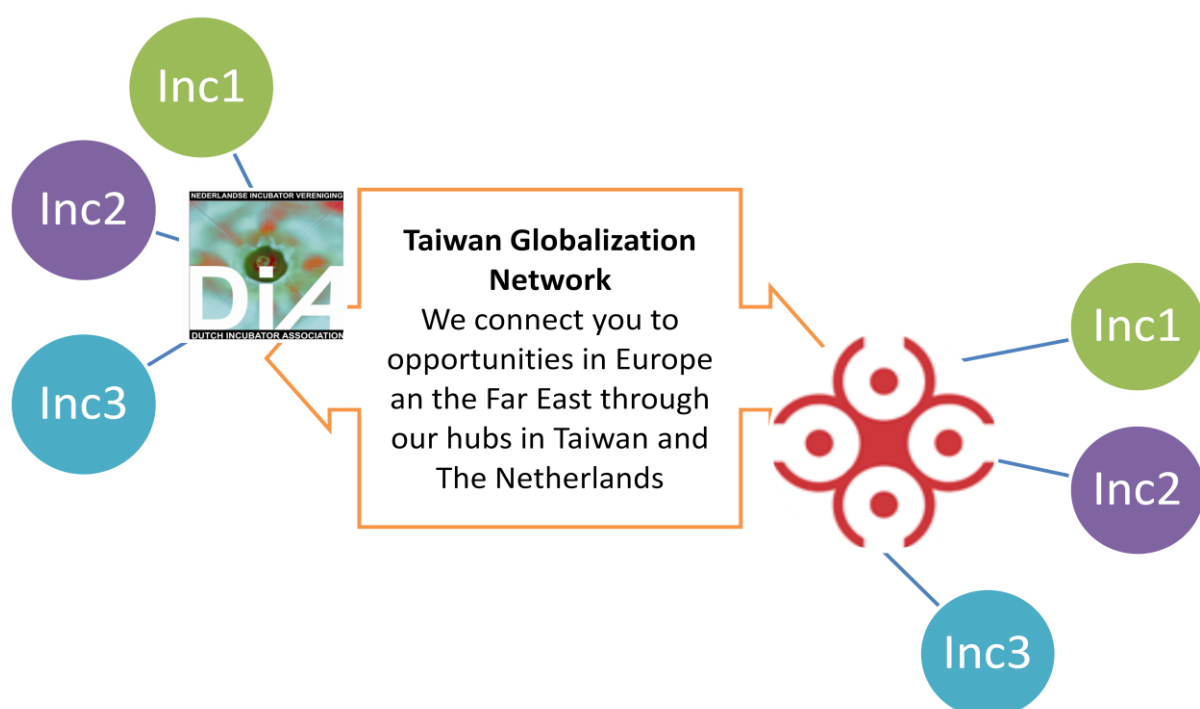
Approach to enable business internationalisation between the two countries

The premise of this report is that young companies and small SME's could be supported for easier expansion to international markets if service providers, incubator networks and regional and/or national agencies develop a cooperation framework to this end.

Foreign Investment Agencies and Export Agencies in Both countries are not used to deal with the small companies, business incubator networks in both regions can partly fill this gap. BI's have good local/regional networks and are used to deal with young and small innovative companies. They have no experience, at least most don't, in helping these companies with internationalisation. Adding internationalisation specialists to the mix might fill this gap.

Agencies	Business Incubators	International Experts
Accurate knowledge of business, trade and legal issues	Experience in Startup Support	Experience in business internationalisation efforts
Networks in Government and Industry	Dense local/regional networks	Targeted networks

It could be feasible for Business Incubation networks to set up national web-platforms in cooperation with Agencies to inform start-ups and SME's about internationalisation, global opportunities, support instruments and internationalisation experts. These platform would also be a source for incubator managers to add internationalisation service to their support portfolio.



Target groups

As we focus on (alumni) clients of Business Incubators, there are two types of company profiles to make; the 'born global' companies and the 'growing' company. The born globals have an experienced management team from the early start and the company needs an international market and/or value chain to become viable. Growing companies started years ago with inexperienced entrepreneurs who grew their company to a level it outgrows the national market; their next step needs to be abroad. Since the global internet penetration, 'born global' isn't that uncommon anymore.

Pilot project

Considering the relative novelty of this approach, and little data on 'market demand' it would be advisable to start with a pilot project and grow the successful elements that emerge from that approach. Information to prospect companies can be generated by agencies and distributed by BI-networks. Information about internationalisation services can be delivered by Experts. Together the partners can organise fairs, conferences and trade missions. In The Netherlands a Taiwan Business Day can be fair, conference and match-making event at the same time. A similar event 'Netherlands Business Day' can be organised in Taiwan. These days will be focus events to generate success stories of companies that were already successful and information meeting for start-ups and SME's to learn about the opportunities and challenges and meet potential business partners. For the long term, it would be good to setup a foundation which continues the activities which prove to be filling the gap.

The pilot project will have to be further developed by organisations from both countries.

Sources

Council For Economic Planning and Development Taiwan: <http://www.cepd.gov.tw/encontent/>

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