



Deutsches Wirtschaftsbüro
German Trade Office
Taipei
德國經濟辦事處

Business Confidence Survey

Presentation of Results for 2013

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Executive Director

Business Confidence Survey

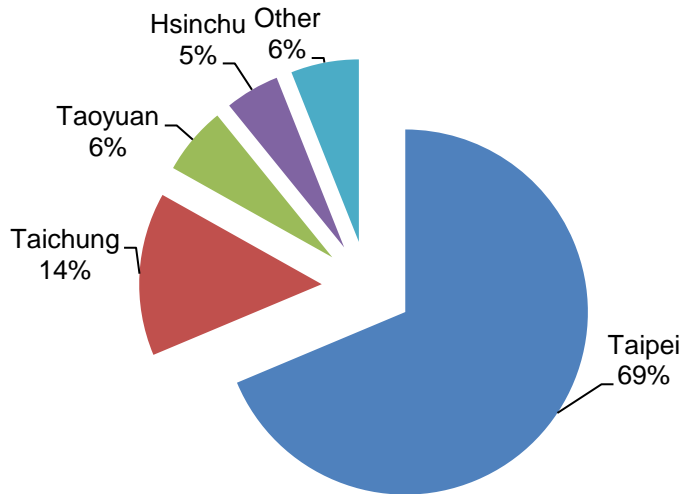
- ① **Part 1 - Business Confidence in Taiwan**
- ② **Part 2 - Innovation**
- ③ **Part 3 - R&D by German companies in Taiwan**

Survey Overview

- 76 responding companies out of 241 German companies contacted in Taiwan
- Response rate: 31.5%
- Time period: May 13th to June 7th, 2013
- Conducted in Taiwan, China, and Hong Kong

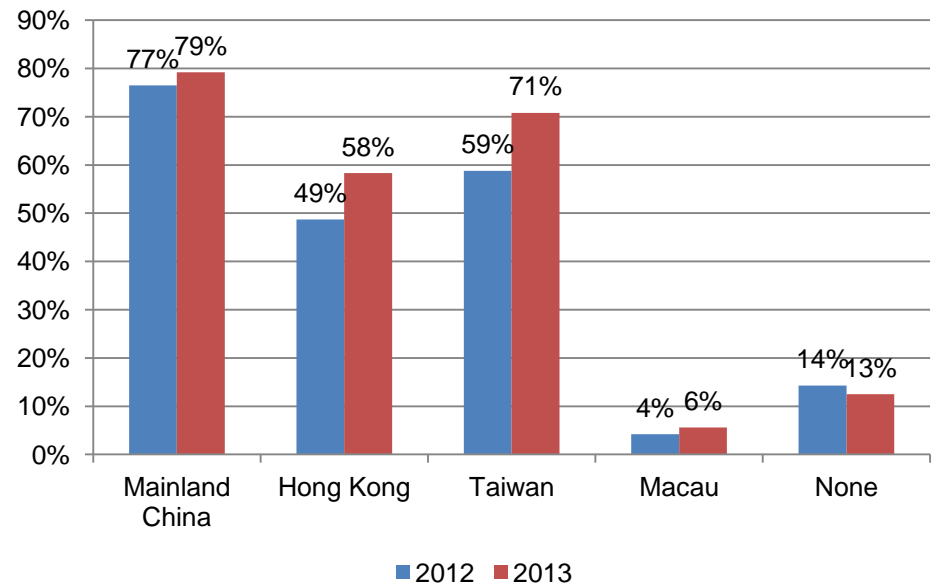
Company Profile

Location of companies



- Over 3/4 are located in Northern Taiwan

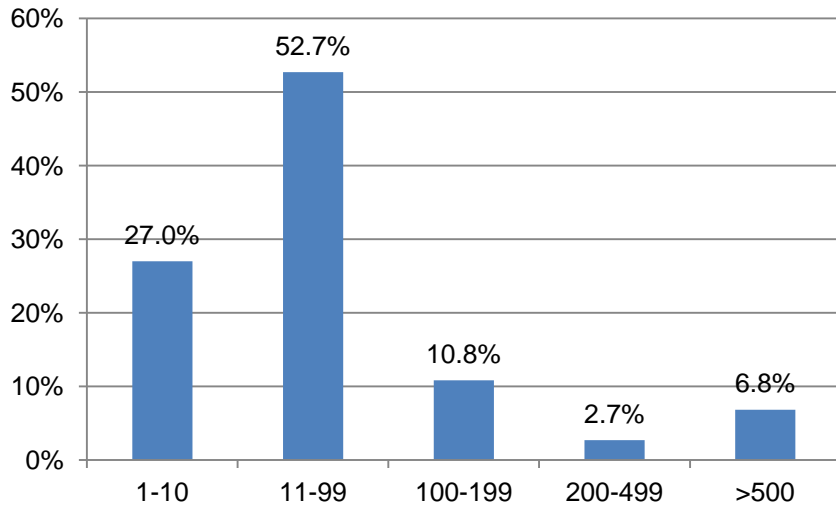
Other branches in Greater China



- 79% of German mother companies have additional branches in Mainland China

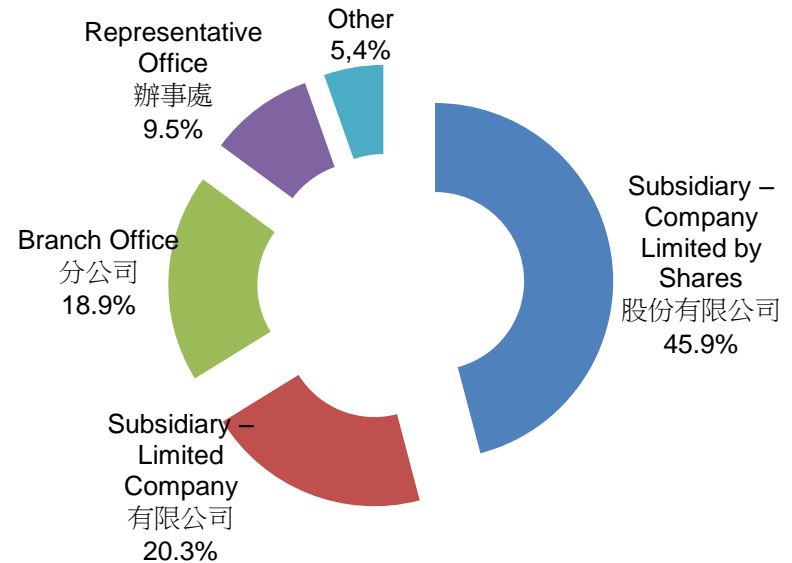
Company Profile

Size of companies



- Over 20% have more than 100 employees

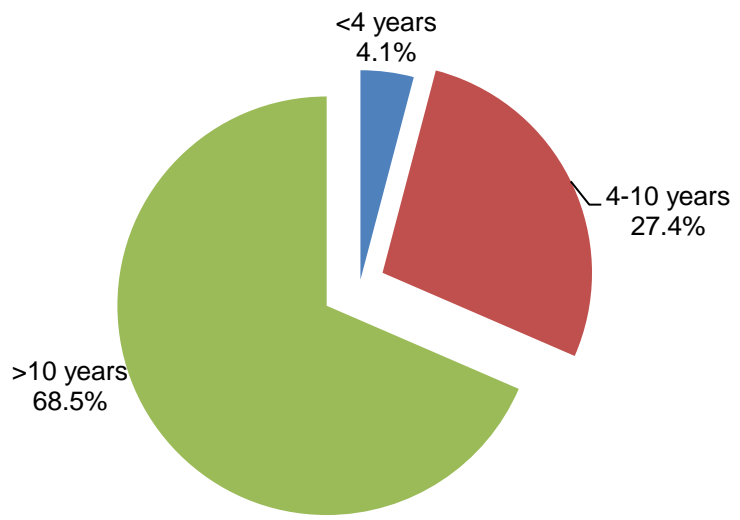
Legal Form



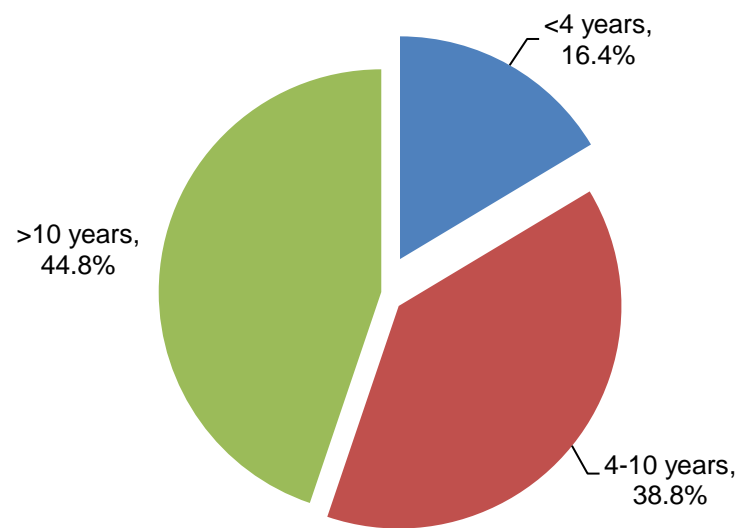
- 2/3 of companies are subsidiaries
- Distribution of legal form similar to previous year

Company Profiles

Market presence Taiwan



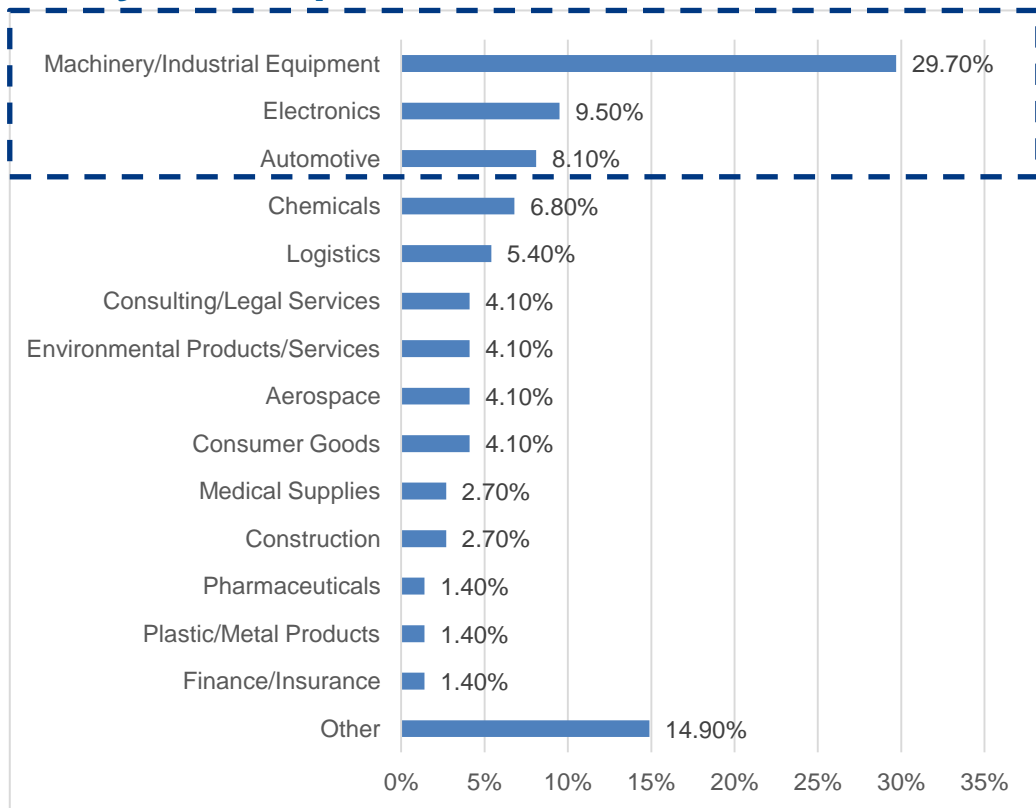
Market presence China



- Companies with extensive market experience:
 Nearly 70% have been in Taiwan for more than 10 years

Business Profiles

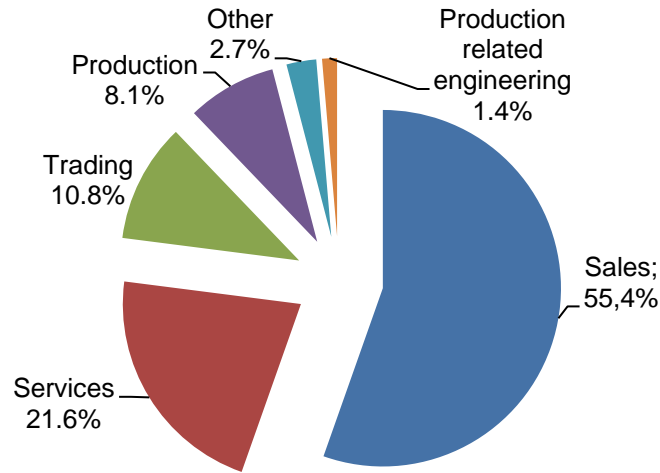
Industry of companies



- Electronics and Automotive new on 2nd and 3rd place (2012: Chemicals and Logistics)

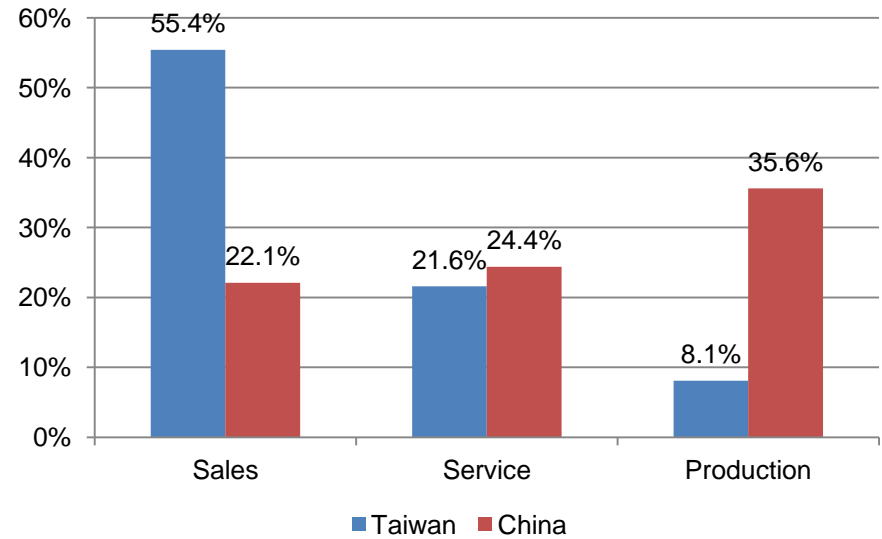
Business Profiles

Business purpose



- Sales/marketing and services as main business purpose

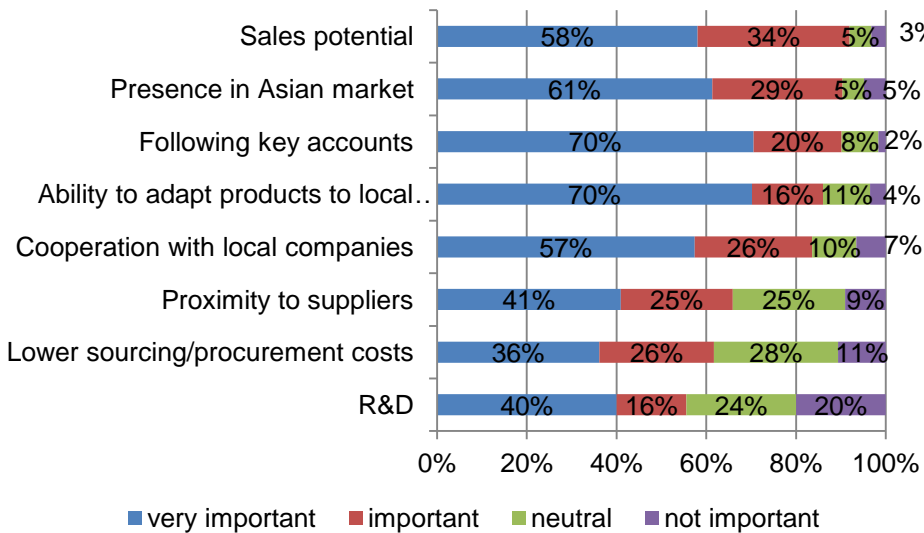
Main business purpose Taiwan compared to China



- Sales significantly more important in Taiwan

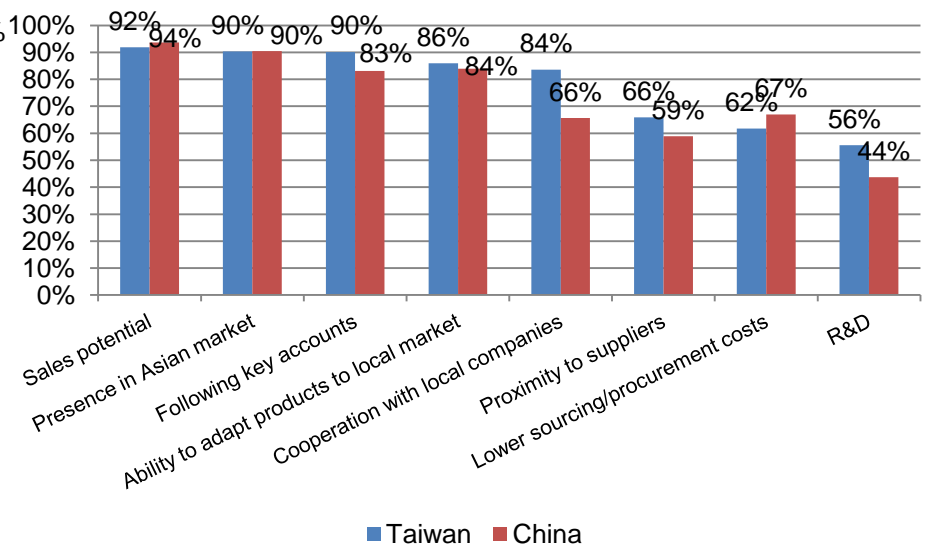
Market Attractiveness

Motives for market presence in Taiwan



- Sales is the most important motive

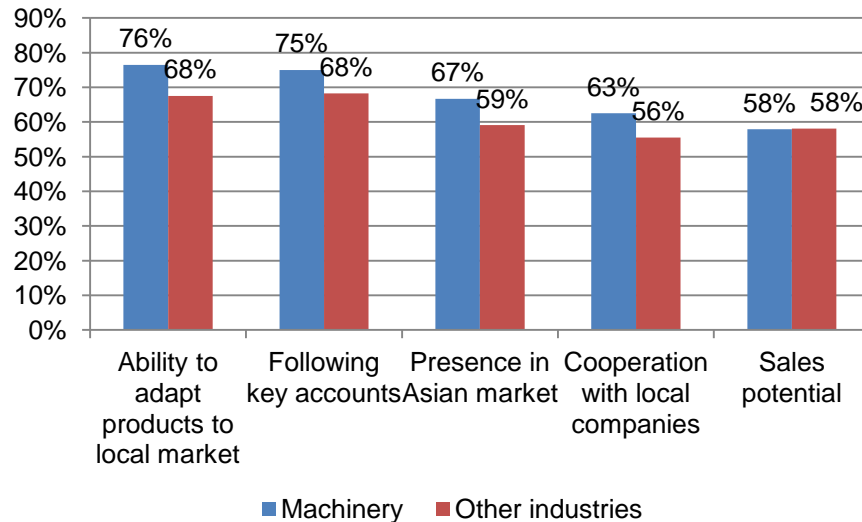
Key motives for German companies in Taiwan and China



- High degree of similarity for motives
- Local cooperation, following key accounts and R&D more important in Taiwan

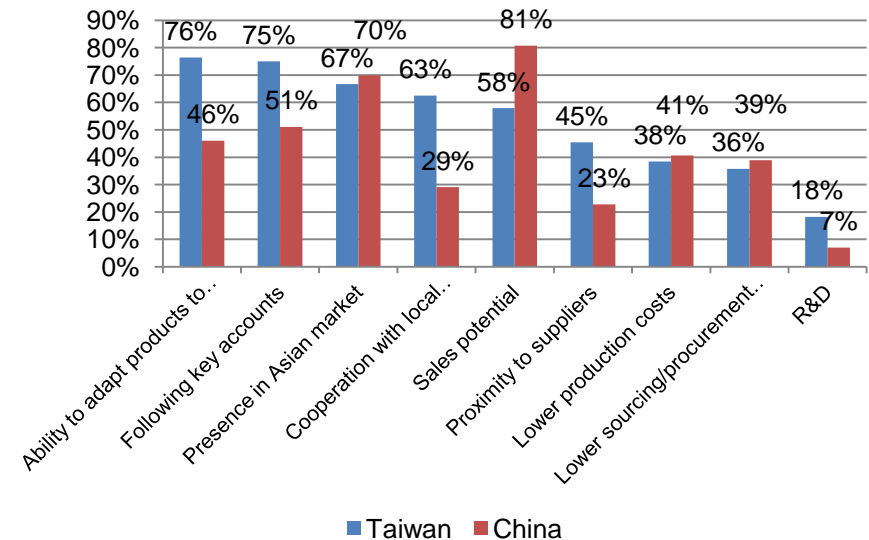
Market Attractiveness

Motives for market presence in the machinery sector (Taiwan)



- For the machinery sector, the ability to adapt products to local markets, following key customers as well as the presence in the Asian market is even more important than for other industries

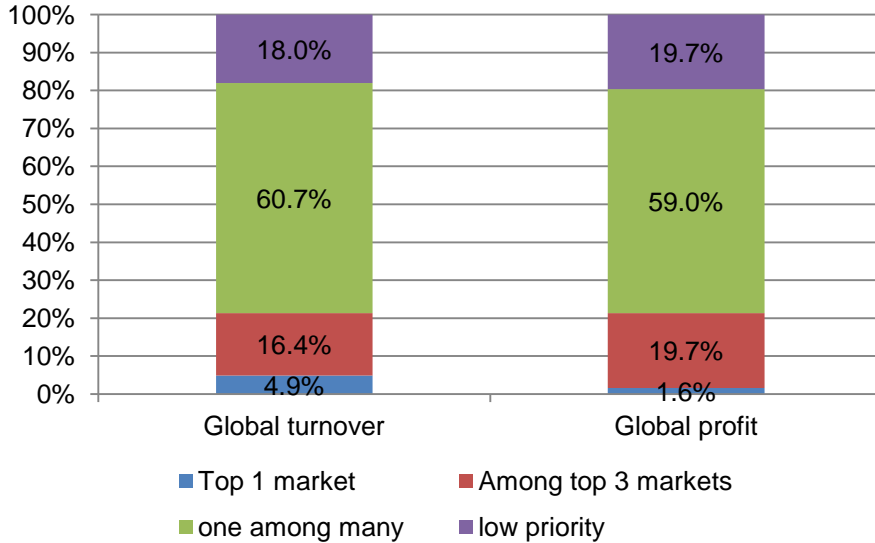
Motives in the machinery sector in Taiwan and Mainland China



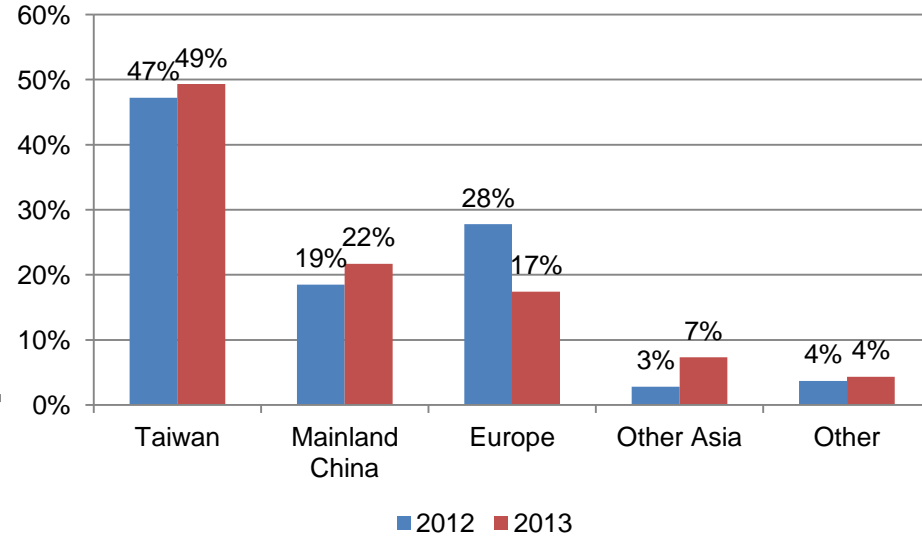
- Most notable differences:
 - Cooperation with local partners +34 p.p.
 - Ability to adapt products +30 p.p.
 - Following key accounts +24 p.p.

Market Attractiveness

Importance of business in Taiwan for parent company



Most important markets

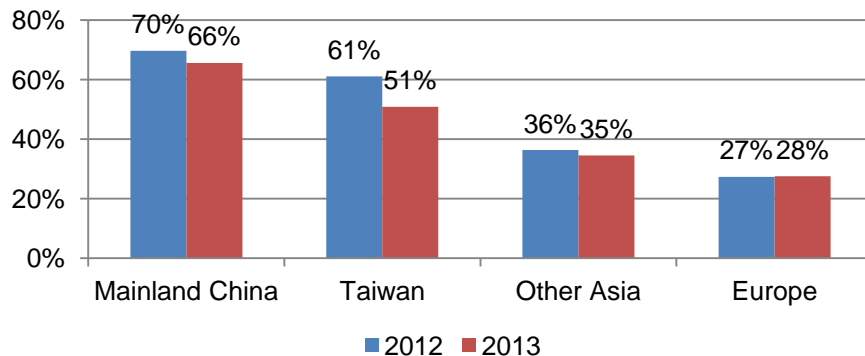


- Taiwan is top market or among top 3 markets for over 20%

- Importance of European market decreasing -11 p.p.
- Regional importance slightly increasing

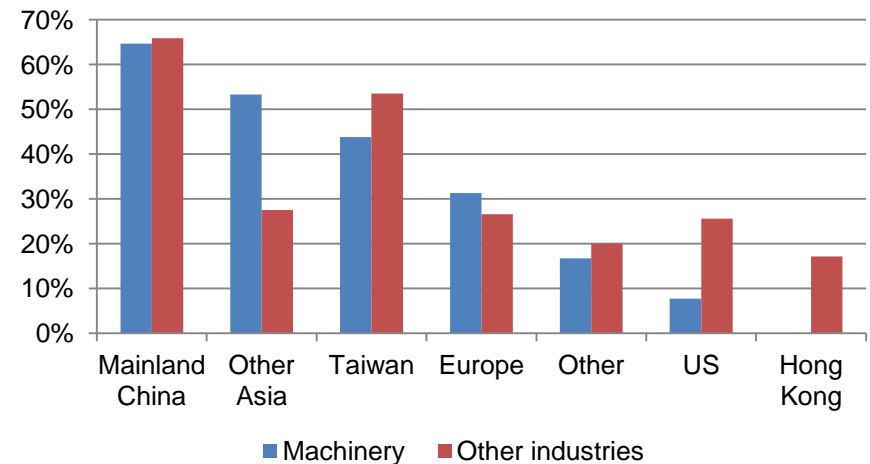
Market Outlook

Competition in Taiwanese market by origin



- Overall competitive pressure easing

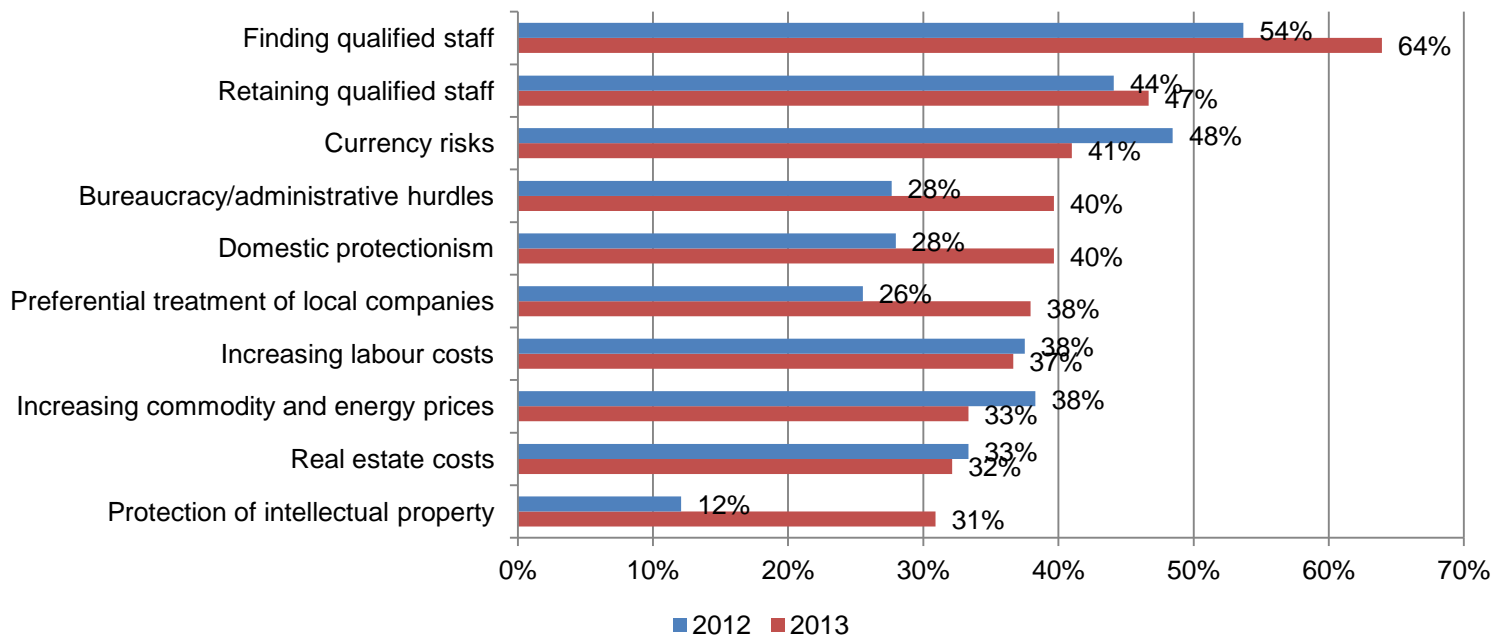
Competition in Taiwanese market for machinery sector



- Machinery sector facing more competition from other Asian countries

Business Challenges 2013

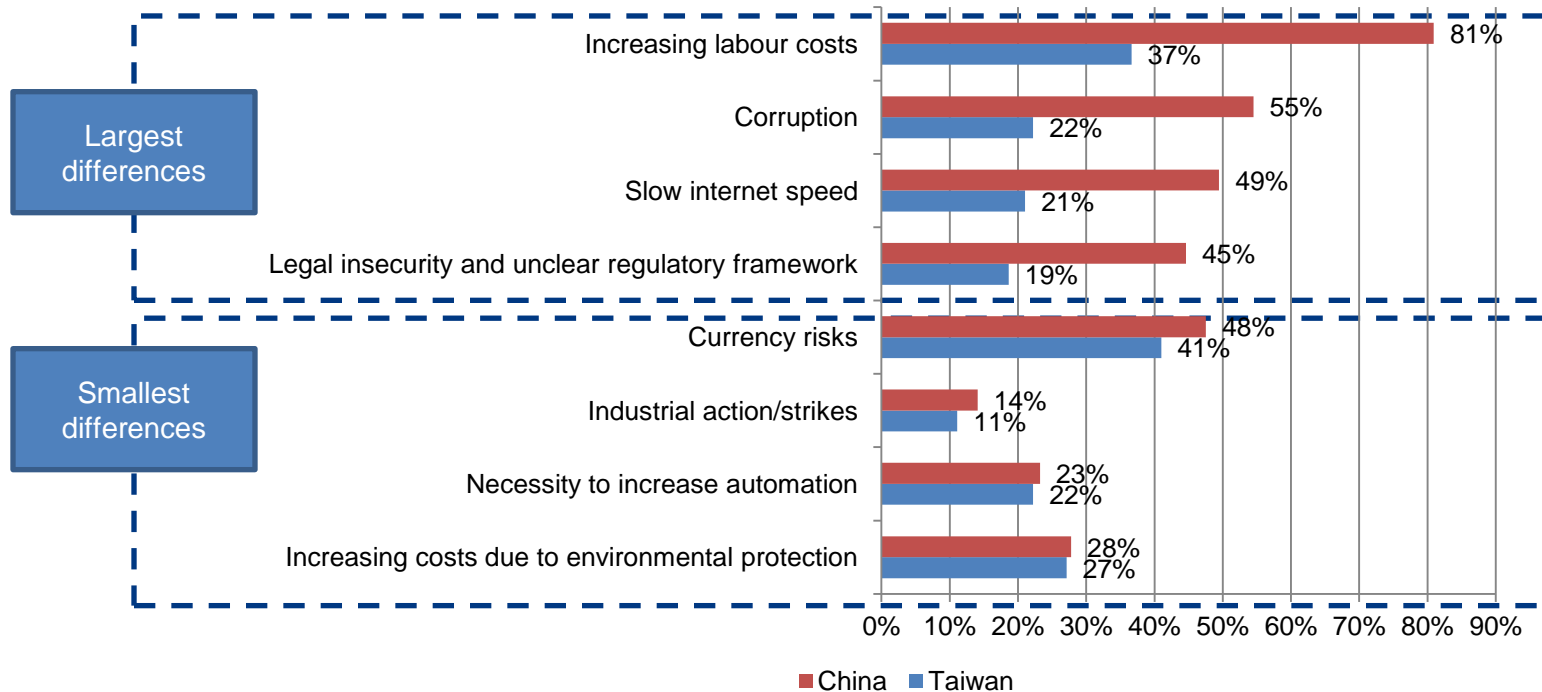
Top 10 challenges in Taiwan



- HR issues and currency risks biggest challenges
- Only finding qualified staff a major problem or problem for over 50%
- Big changes compared to 2012 in protection of intellectual property, bureaucracy / administrative hurdles, domestic protectionism and preferential treatment of local companies

Business Challenges 2013

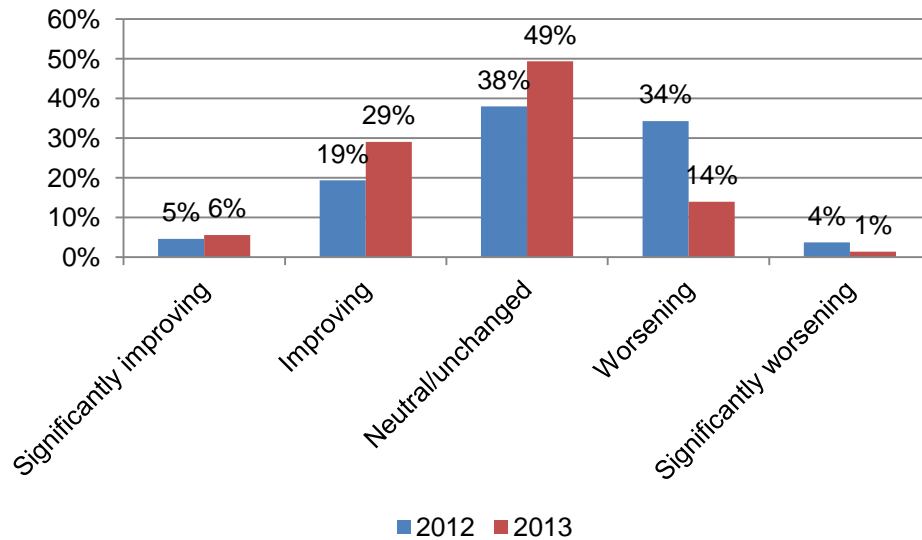
Challenges in Taiwan compared with Mainland China



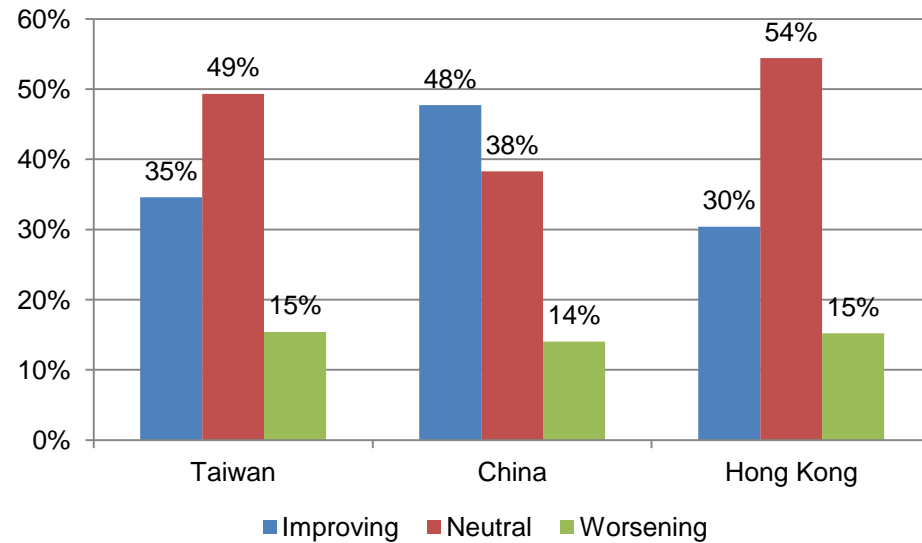
- German companies face bigger challenges in China in all areas

Business Outlook 2013

Economic conditions Taiwan



Economic conditions Greater China

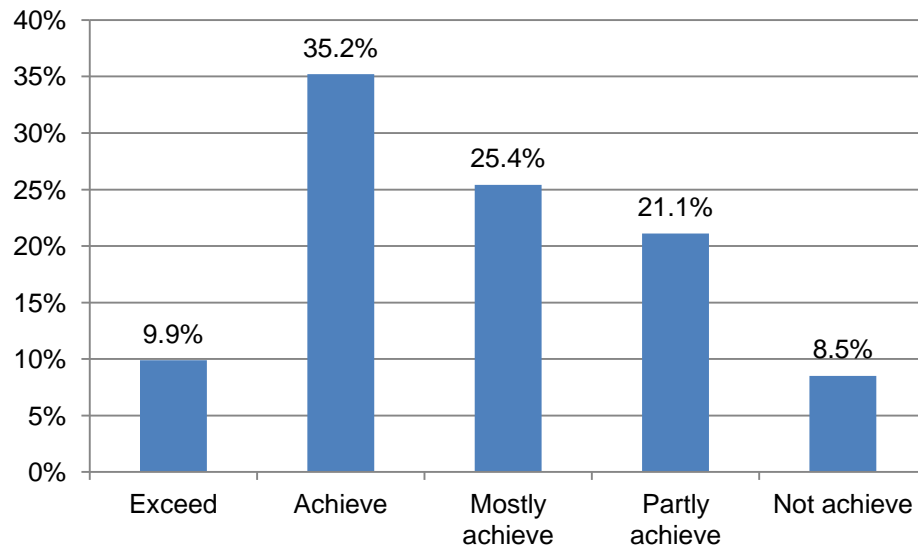


- 35% see improvements (2012: 24%)
- Only 15% of companies see conditions worsening (2012: 38%)

- Slightly less optimistic compared to China, slightly more optimistic than Hong Kong

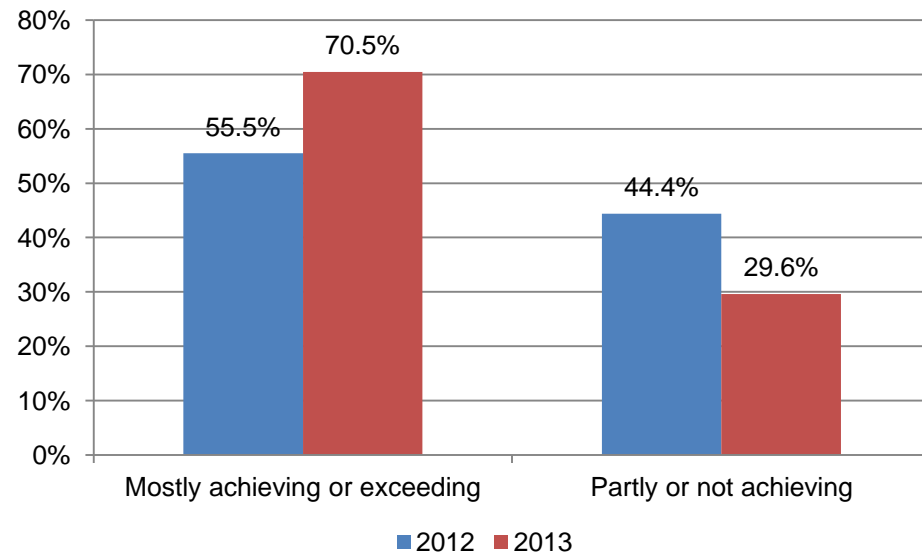
Business Outlook 2013

Business targets



- Over 70% will mostly reach their business targets

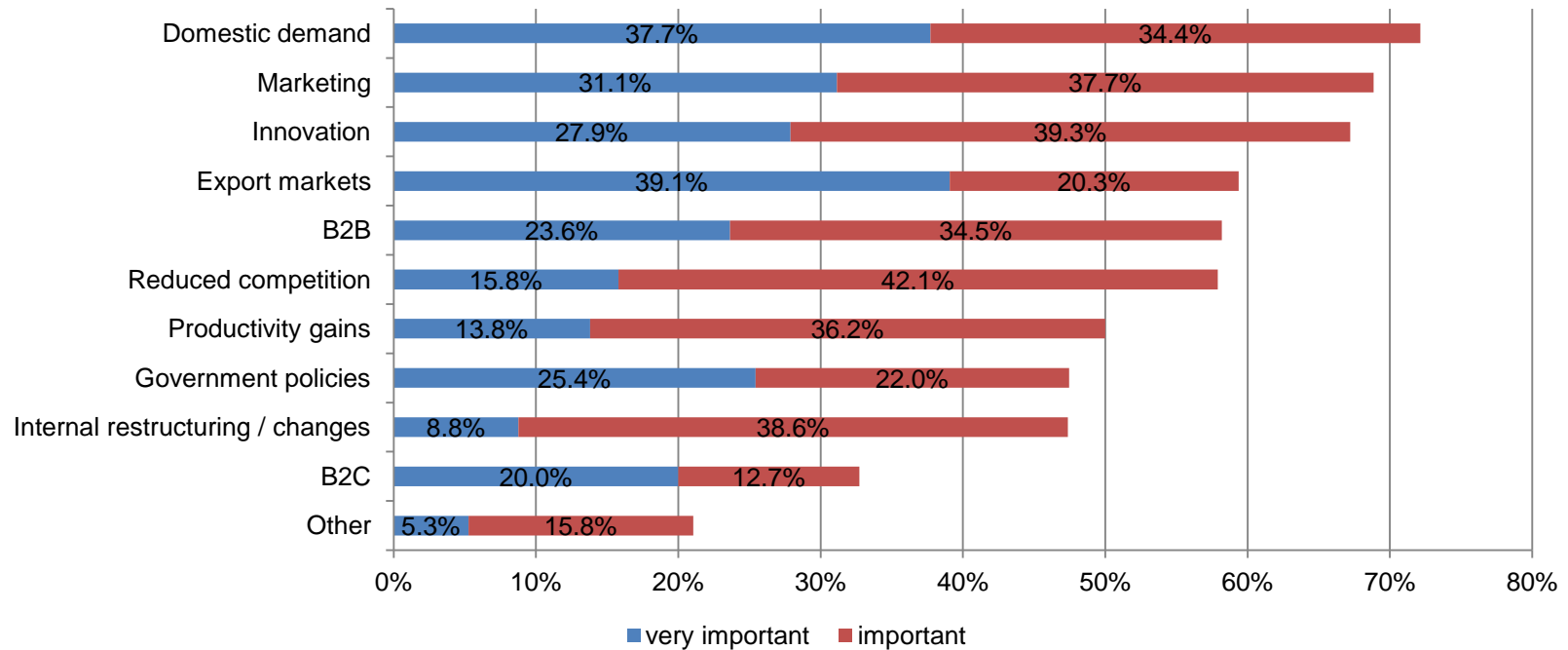
Comparison with 2012



- Share of companies reaching or exceeding their business targets increases by 15 p.p.

Business Outlook 2013

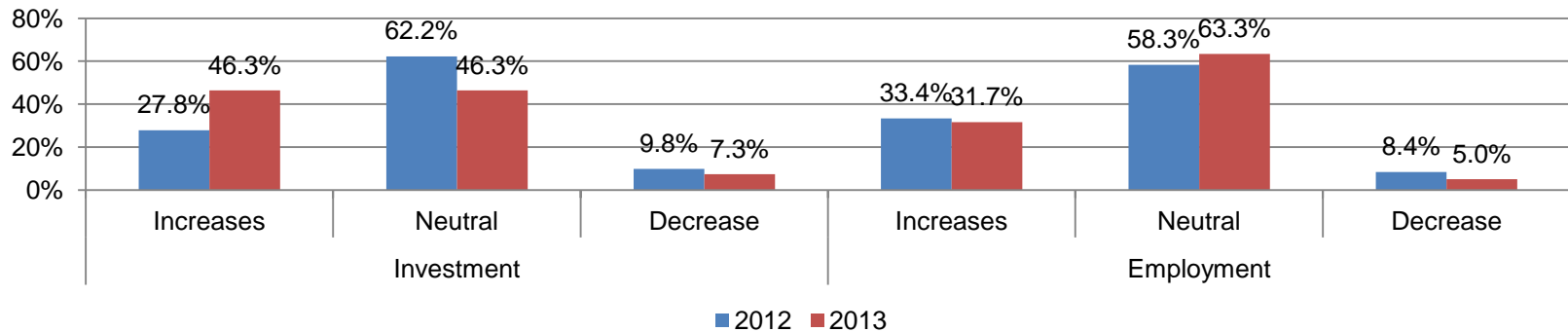
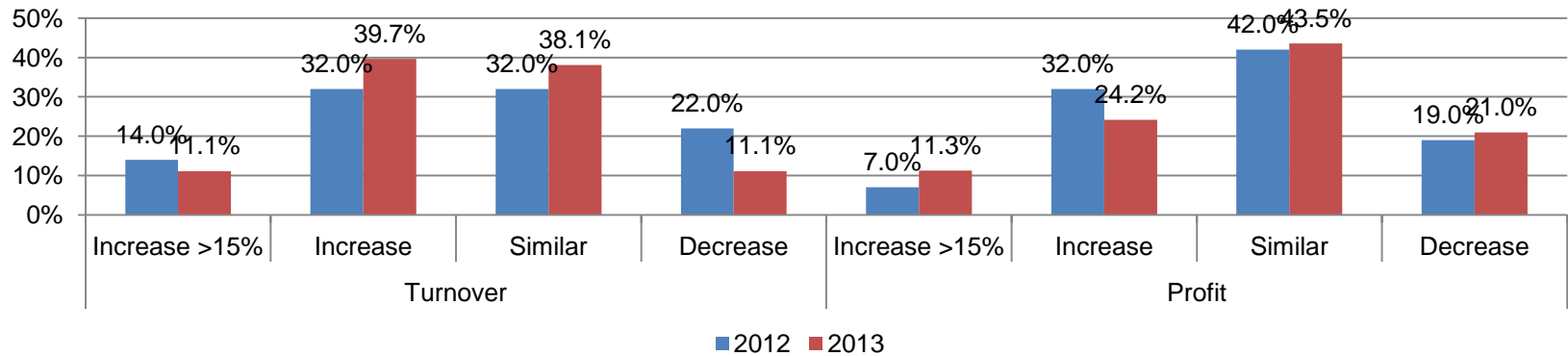
Importance of growth drivers



- Main drivers for growth:
 Domestic demand, marketing, innovation

Business Outlook 2013

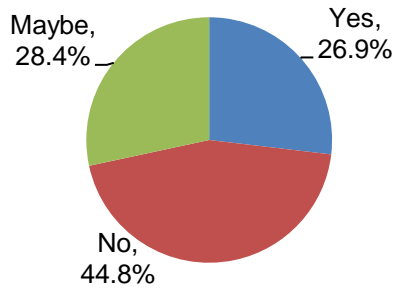
Expectations for 2013 in comparison to 2012



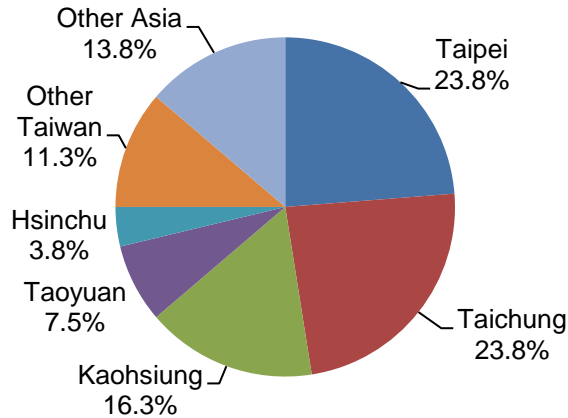
- Turnover increasing for 51% of companies
- 46% expect increasing investment activities
- Profit continues to increase but at a slightly lower rate than 2012
- Employment continues to grow

Business Outlook 2013

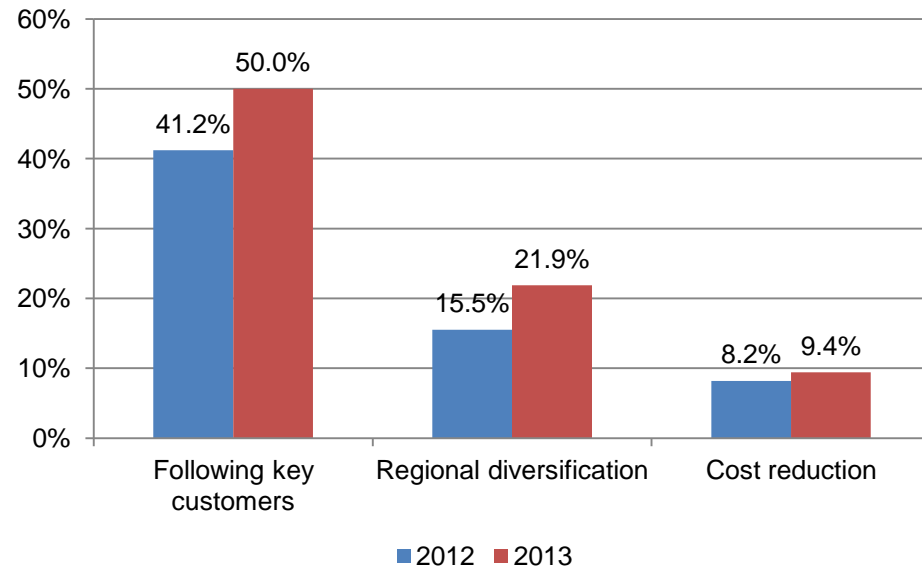
Investments in new locations within next 3 years



Attractiveness for future investments by region



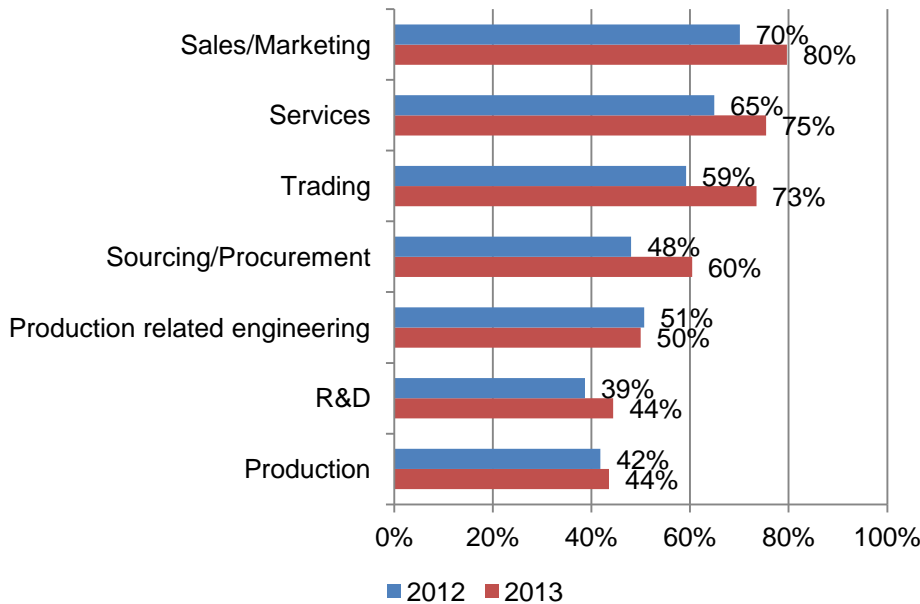
Investment motivation



- Taichung and Kaohsiung particularly increased their attractiveness
- Importance of following key customers and regional diversification most important motives

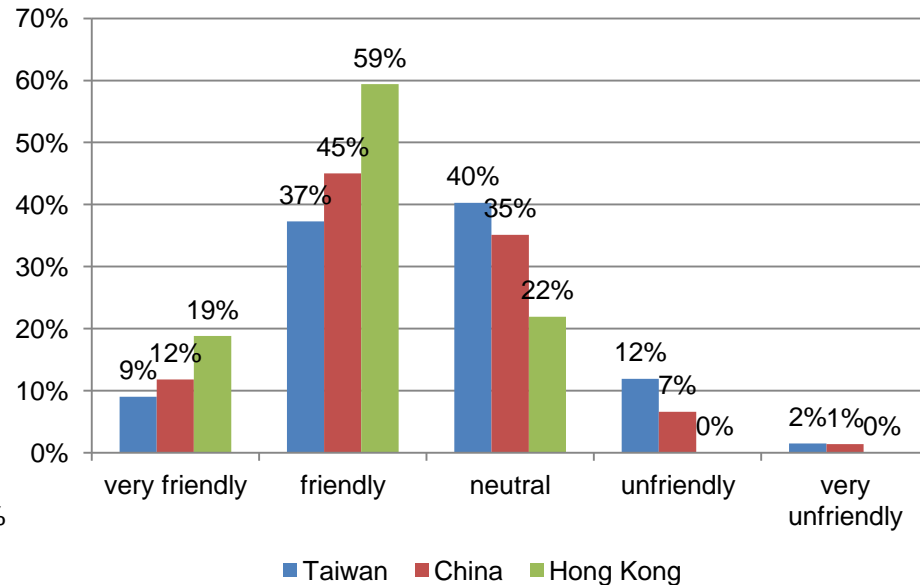
Market Outlook

Future attractiveness of Taiwan



- Sales and Services continue to be most important for future attractiveness

Business friendliness of local authorities in Greater China

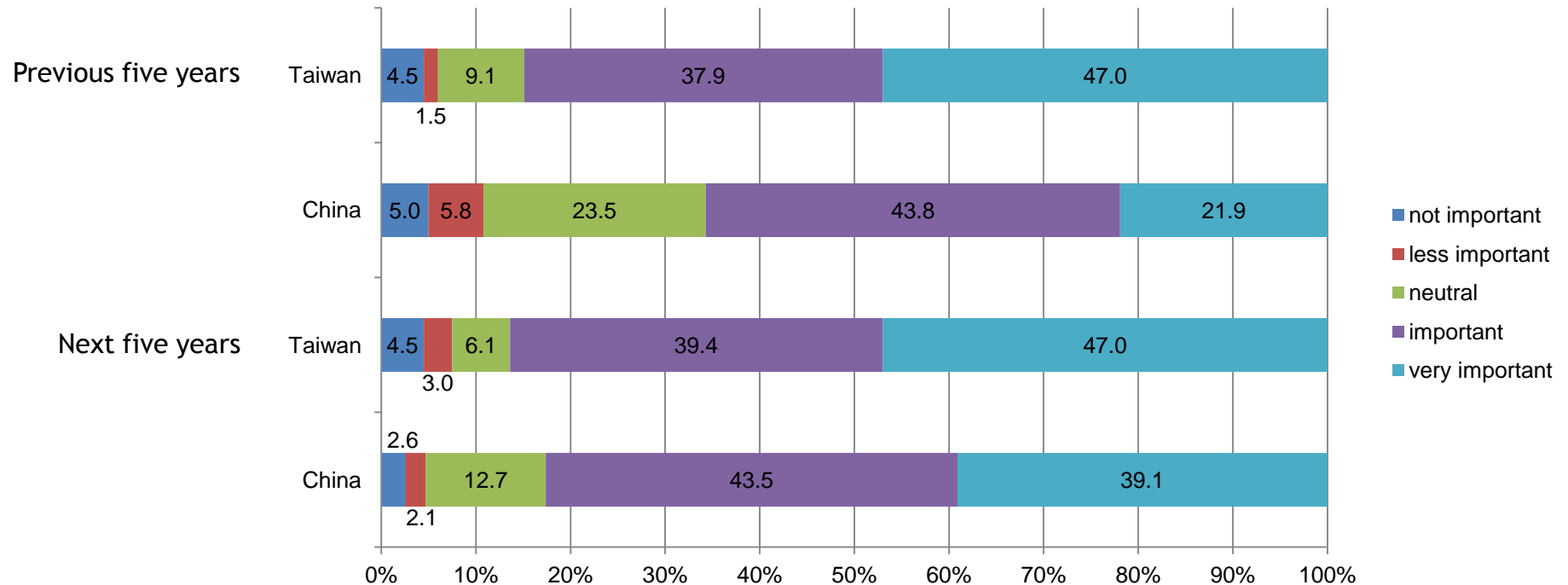


- Majority of companies in Taiwan perceive local authorities as business friendly
- However, lower compared to China or Hong Kong

Business Confidence Survey

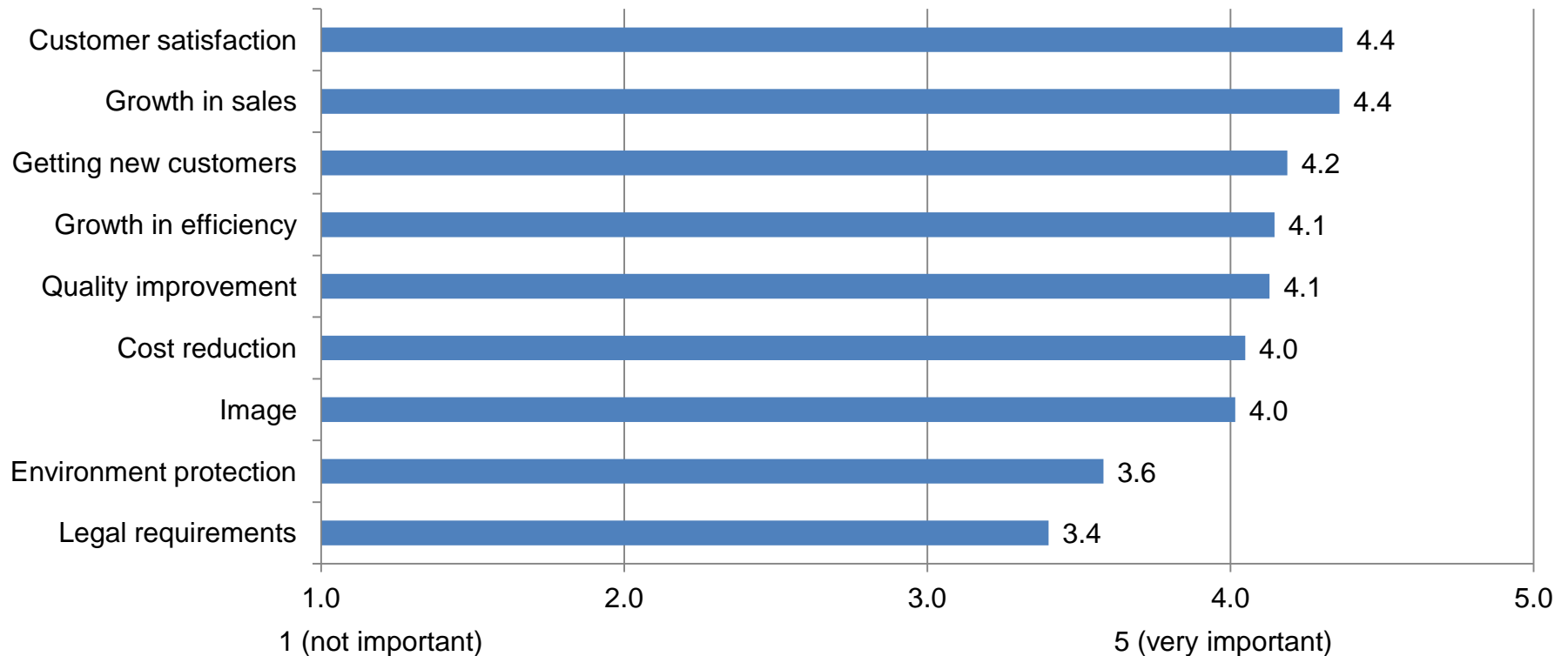
- ① **Part 1 - Business Confidence in Taiwan**
- ② **Part 2 - Innovation in cooperation with STAUFEN.**
- ③ **Part 3 - R&D by German companies in Taiwan**

Importance of innovations



- High level of importance of innovations in Taiwan continuous
- Dramatic increase in China

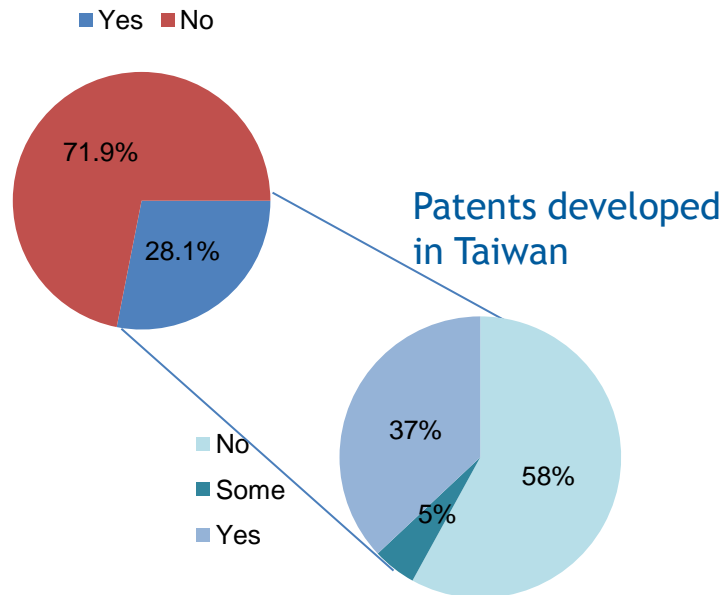
Drivers for innovation activities



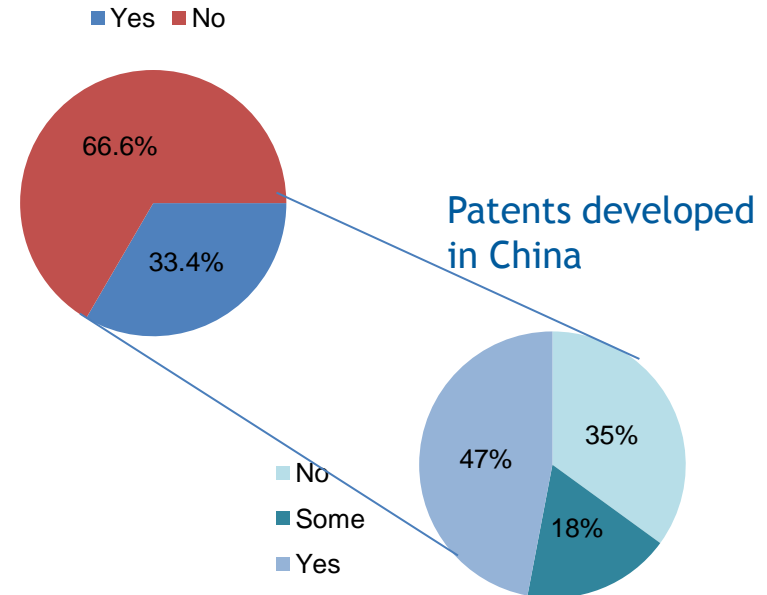
- Customers in Taiwan are main focus of innovation activities, legal requirements and environmental issues are less important
- Results similar to Mainland China

Patent registrations for and in Taiwan

Registrations for patents in Taiwan in the last five years

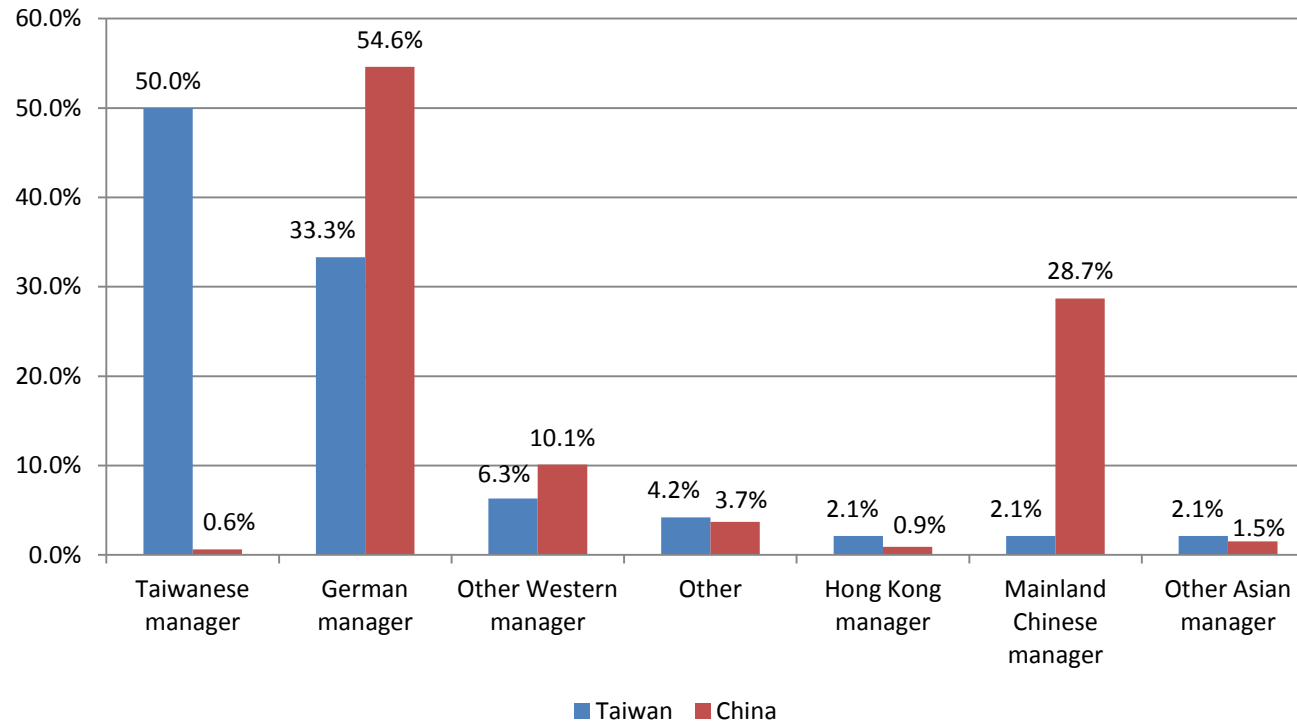


Registrations for patents in China in the last five years



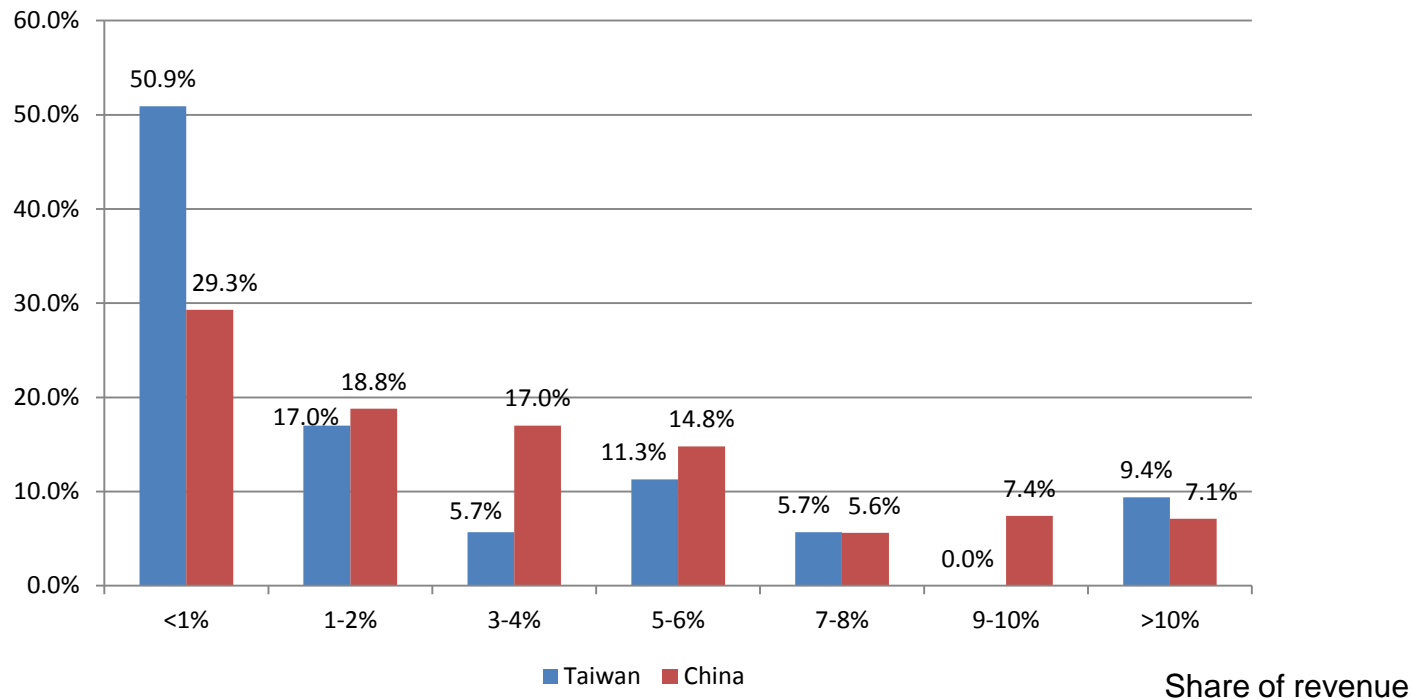
- About 28% of the interviewed companies registered for patents in Taiwan of which 37% were developed in Taiwan
- In China, more registrations for patents and more patents developed locally

Innovation management



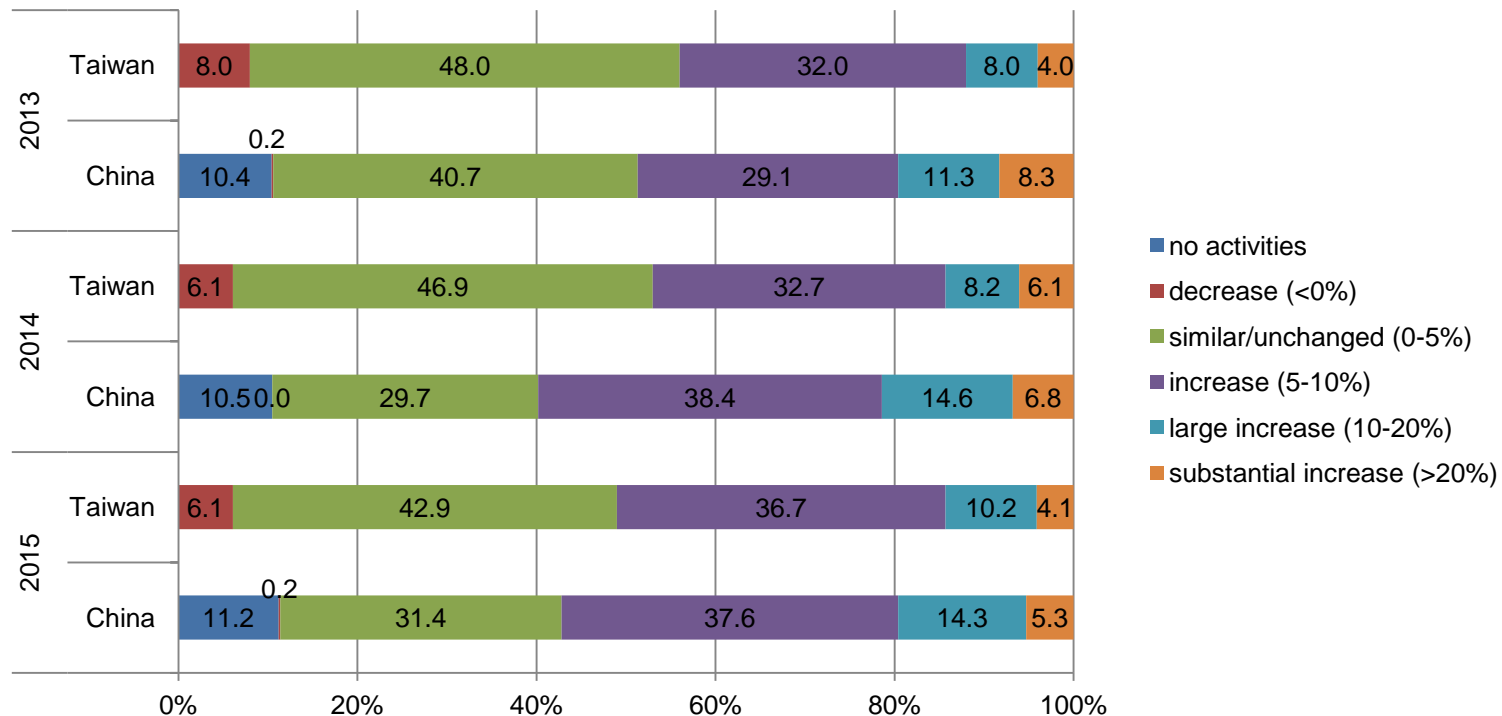
- In Taiwan most of the responsible managers for innovation are Taiwanese, Germans range second before other Western managers
- In China, mostly German managers are responsible

Innovation expenses



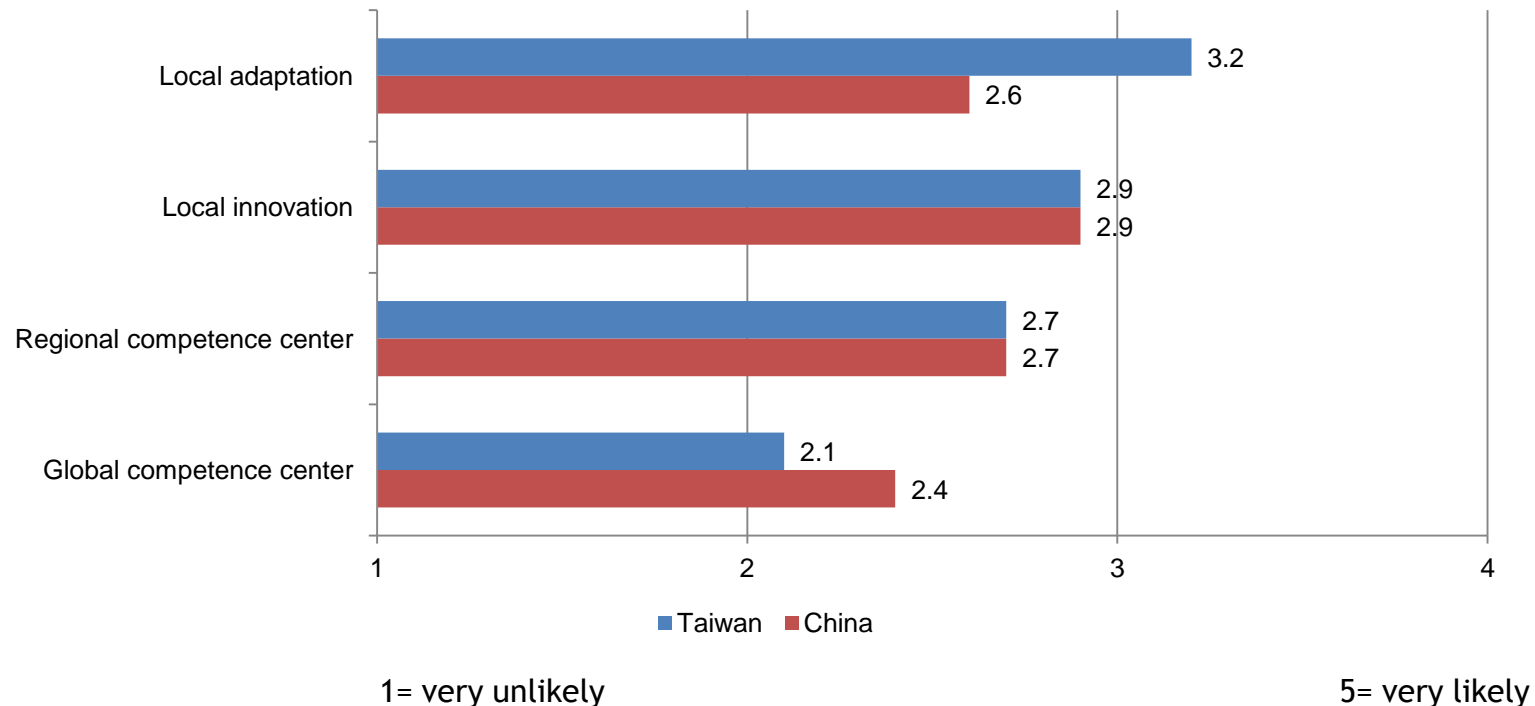
- In Taiwan, only 26.4% of the interviewed companies spend 5% or more of revenue share on innovation activities
- In China 35% of companies spend 5% or more of revenue share on innovation activities

Forecast innovation budget



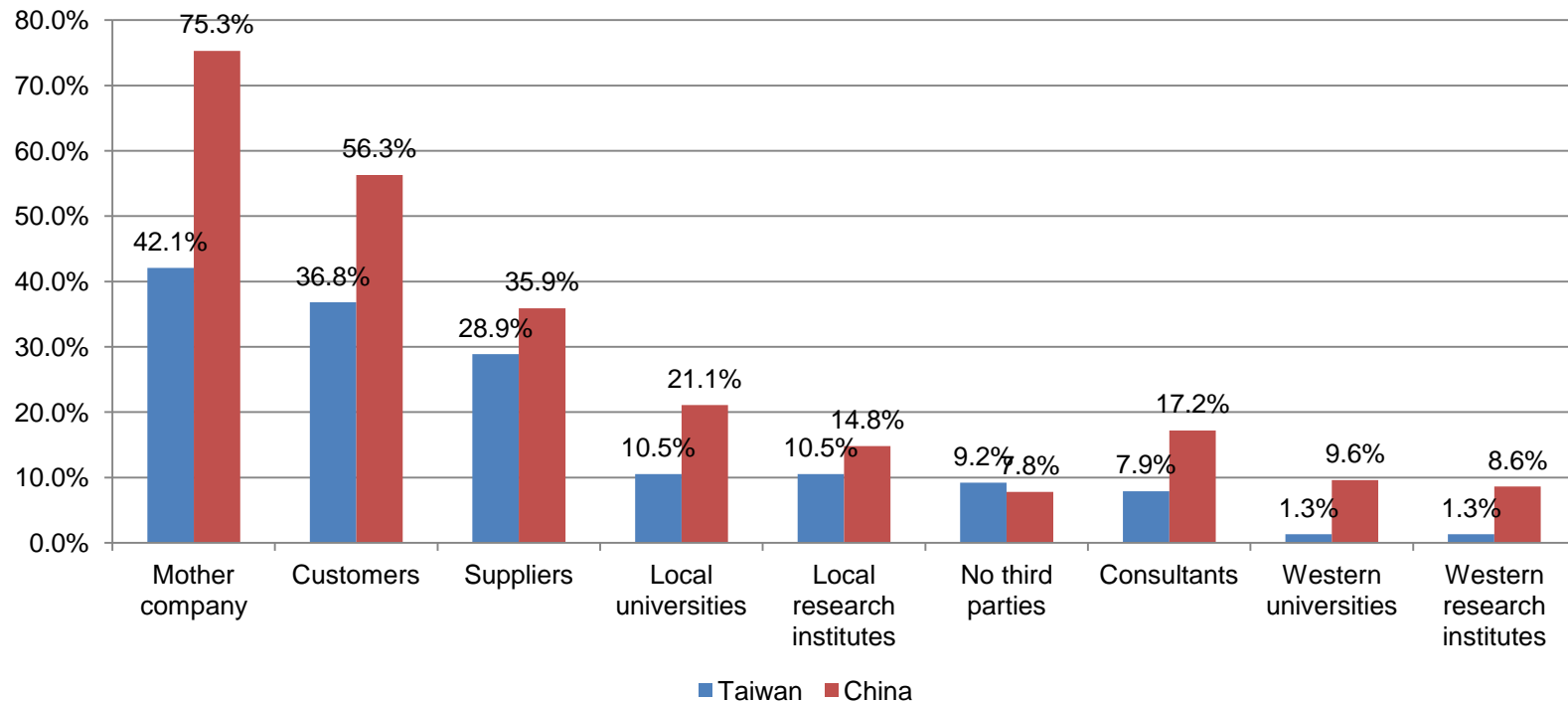
- In Taiwan: Increase of percentage of companies which plan to invest in innovation
- Increase in China even more rapid

Developing of innovation centers



- German companies mostly do not plan to have global or regional innovation centers in Taiwan
- More likely to have local adoptions or local innovations

Innovation networking



- German mother company still most important partner for innovation activities in Taiwan, followed by customers and suppliers
- Local universities and institutes rarely integrated

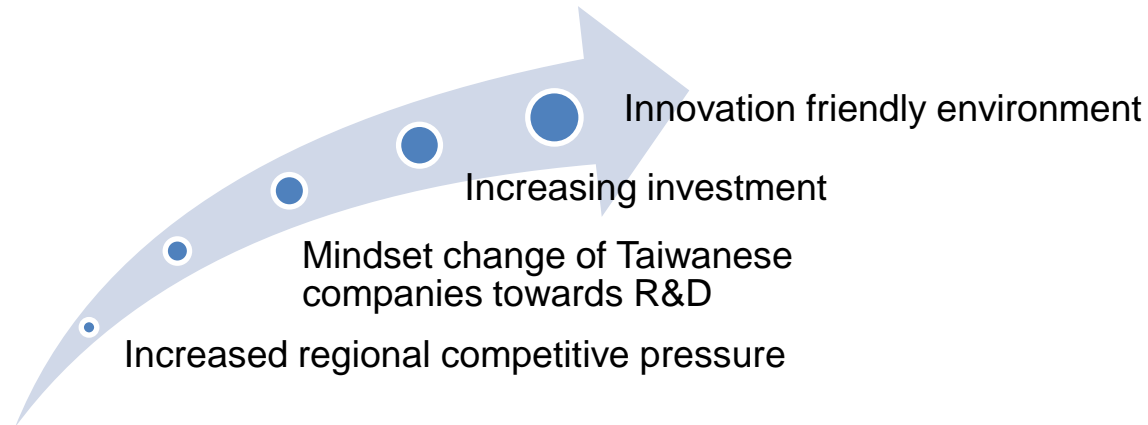
Business Confidence Survey

- ① Part 1 - Business Confidence in Taiwan
- ② Part 2 - Innovation
- ③ Part 3 - R&D by German companies in Taiwan

R&D by German companies in Taiwan

General perception

- Great undervaluation of Taiwan as strategic partner in R&D
- Locational advantages little known in Germany
- Relatively easy to run business and offer great potential



German R&D in Taiwan - Examples

Bayer HealthCare

- **Development of animal health products**
- Small R&D-Teams at selected universities
- Model shares technology, human capital and knowledge

Merck Display Technologies

- **Global Liquid Chrystal R&D organization**
- New Business R&D and Application Lab
- Taiwan operation as bridge to research centers in Europe

Evonik Degussa

- **Project House Light & Electronics**
- New products and technologies for the photovoltaic, display, LED, and lighting industries
- First project house outside Germany

Key findings

1. German companies in Taiwan are more optimistic about the economic situation in Taiwan and their own business success in 2013 compared to 2012.
2. They continue to increase their investment in Taiwan and plan to hire more employees in 2013. During the next 3 years 27% plan to invest.
3. Taiwan is especially attractive for German companies in sales/marketing, as well as for cooperation with local companies, following key accounts and R&D.
4. Recruiting and retaining qualified staff remain the biggest challenge. More German companies express dissatisfaction with preferential treatment of local companies, bureaucracy and protection of intellectual property rights.
5. Taiwan remains an important partner for German companies in R&D. But there is still huge potential for more activities of German companies and cooperation with Taiwanese partners for local adaptation and innovation.

Thank you very much for your attention.

German Trade Office Taipei
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