

場次：台灣在區域經濟發展與競合中的角色（第二場）

題目：Taiwan as an Asia Pacific Operation Center 2002

講者：台灣飛利浦 澤文博總裁（Paul Zeven）

Philips Taiwan's History: An Epitome of Taiwan's Evolution

Philips has been in Taiwan since 1966. It has chosen Taiwan as a major manufacturing and operation center for some of its production lines, including semiconductors, electronic components and monitors. Philips also has local sales in lighting, domestic appliances and consumer electronics. At Philips' prime, which is in 1996, there were 13,000 employees in Philips Taiwan, and it was the largest foreign company, the largest foreign investor and the largest foreign employer in Taiwan. Philips Taiwan has been a leading player in Taiwan's foreign business community, and it has not only integrated into Taiwan's economy and community, but has also evolved with Taiwan.

A look at the differences of Philips Taiwan's profile in 1999 and 2002, and we can clearly observe a drastic change. This transition is not unique to Philips Taiwan but reflects the evolution of Taiwan's electronic industry.

In 1999, Philips Taiwan had six manufacturing centers in Taiwan, including Tayuan Lighting, Chungli Monitors, Chupei CRTs, Dapon CRTs, Kaohsiung Semiconductors, and Kaohsiung Passive Components. Philips Taiwan had 11,561 employees in total, and their operations generated \$6,106 million US dollars. Their regional operations included the Global Headquarters and Competence Center of Monitors, the Asia Pacific Office of Semiconductors, the Asia Pacific Office of Components and the Regional R&D Center (Basic Research).

In 2002, the six manufacturing centers have become three manufacturing centers, which are Tayuan Lighting, Chungli Monitors and Kaohsiung Semiconductors. This again is a reflection of the changing environment of Taiwan's electronic business. Most of the more low-end production has migrated to places with lower wages and lower production costs, namely mainland China in most cases. They now have 3,600 employees, and their revenues amount to \$4,245 million US dollars. The regional operations now include the Global Headquarters and Competence Center; while not as focused on manufacturing, the operations increasingly are concentrating on management, development of products, product management and global commercialization, thereby transforming the manufacture center into a competence center.

We could roughly conclude from the above comparison that, along with the evolution of Taiwan's industrial environment, Philips Taiwan's business profile has changed accordingly. During the sixties, Taiwan had a labor-intensive economy, and Philips Taiwan chose to be an Offshore Assembly Center, in which Philips Taiwan brought in all producing components, produced here and then shipped the products elsewhere. Beginning in the seventies, Taiwan became capital and technology intensive, and Philips Taiwan turned into an International Production Center, in which Philips Taiwan started to invest here, use local components and machinery, produce components locally, and migrate more R&D and competence here. Starting in the eighties and continuing till now, Taiwan has transformed into an information and knowledge intensive economy; therefore, Philips Taiwan has changed into an Asia Pacific and Global Business Center and a Research and Development Center.

Parameters for Foreign Direct Investment—from the Perspective of a Multi-national Corporation

There are various parameters to consider when thinking of directly investing in a foreign country. Here are some of the major reasons that will entice a multinational to invest in a certain country.

1. **Market:** You have to be close to your customers. It would also help a great deal if your home market is self-sustainable, which is the case in China. When the world economy hit a slump, China still had a population of 1.3 billion people to cater for.
2. **Supplier:** Excellent, reliable and competitive supplier is essential as well. Taiwan has done very well in this sense, for the small-and medium-size enterprises in Taiwan have adequate flexibility and reliability, and quality is no longer a cause for concern.
3. **Labor:** The economy has to be able to provide skilled labor with a suitable education and loyalty. Taiwan has kept labor up to standard with the economy in the past decade. However, the market is shrinking in the semiconductor and IC design market.
4. **Competitive Environment:** Needless to say, the country has to be attractive, and usually low costs and high productivity are the main concerns. Taiwan attained a higher standard of living, thus it is no longer a competitive environment for traditional companies, which have been migrating to low-wage area, particularly China.
5. **Location Facilities:** This includes the right premises. Taiwan has done well

with the establishment of the science-based parks.

6. **Investment Fit:** It is only reasonable for a multinational corporation to invest in a certain country if the corporation has either a cultural link, commercial link or a manufacture link with the nation. In Philips' case, its IT and semiconductor operations fit perfectly with Taiwan's local business emphasis.
7. **Government Attitude:** How is the government promoting and facilitating investment? Does the bureaucracy make it easier? Is everything transparent where rules and regulations are concerned? These are some of the questions that will be asked.
8. **Financial/ Fiscal Investment Climate**
9. **Infrastructure:** Including convenient local and international transportation, quality communications (fast and inexpensive telephone and e-mail services), geographic accessibility (in-out), which we might add here, eg accessibility to China, and also the platform for an open market.
10. **Risk Profile:** The total picture of the political, economic, and environmental conditions as well as corruption should be taken into consideration.

Taiwan as a Regional Center for Multinationals

The previous checklist for FDI (Foreign Direct Investment) is also valid for multinationals. In Taiwan's case, it is close to mainland China, and Taiwan has optimal living facilities, traveling facilities and other infrastructural facilities, which make it a good place for expatriates. Taiwan is already a major global trading player (14th largest economic entity for importing and exporting) and has a strong position in the IT and semiconductor markets. Taiwan has also moved to newer, more innovative technologies and product applications, and shifted its focus from product manufacturing to product development. Therefore, Taiwan is a good launching point for activities in the region, and it is logical to have the Regional Center here for strong industry segments such as semiconductors, electronic components and monitors.

But, with the migration of traditional manufacturing to low wage countries, in particular China, and with the global market becoming increasingly "fluid," Taiwan will find it more and more difficult to function optimally outside of a regional block. In fact, Taiwan has become economically interactive/ interdependent with China. It can no longer exist on its own merits, and it is important for it to find its own economic alliances. If managed properly, the mutual strengths can become very powerful, with each finding its role in the economic equilibrium. It is important the

Taiwan finds its role in the Greater China economic equation.

Conclusion

Taiwan has been good to Philips and hopes that Philips has been good to Taiwan and has contributed to its economic prosperity. Philips Taiwan remains committed to Taiwan, in its own way, and also knows where it fits in the global picture, and will continue to operate and invest.