

Business opportunities for multinationals in Taiwan in the post-COVID-19 era

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資誠



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Brief introduction to PwC Taiwan

Who we are

Our areas of service include:

- Audit and assurance
- Consulting
- Crisis management
- Cybersecurity
- Entrepreneurial and private clients
- Family business
- Financial advisory
- Forensics
- Legal
- New ventures
- People and organisation
- Real estate
- Sustainability and climate change
- Tax

1970 Founded in 1970

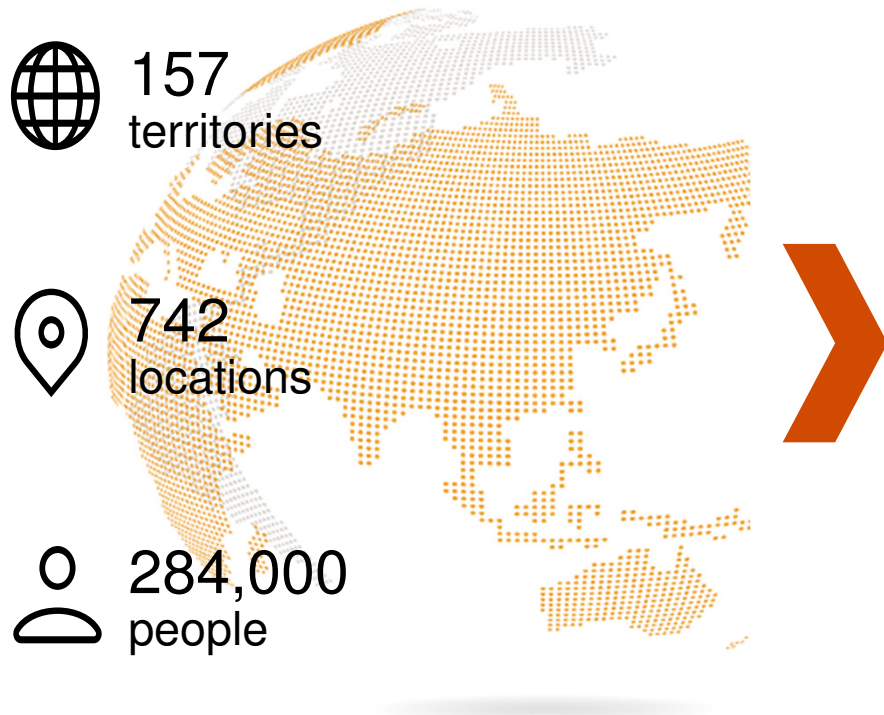
3,000 More than 3,000 professionals

8,500 Over 8,500 clients

6 Provide integrated services in six cities across Taiwan

Member of PwC's global professional service network

We provide seamless cross-border services for multinationals investing in Taiwan



Download at: www.pwc.tw/en/publications.html

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Key findings of PwC's Summer 2020 Global CEO Survey

The world post COVID-19: has it changed for the better?

CEOs say post-pandemic changes are permanent and there are more to come

The future of work

Remote collaboration and automation are here to stay

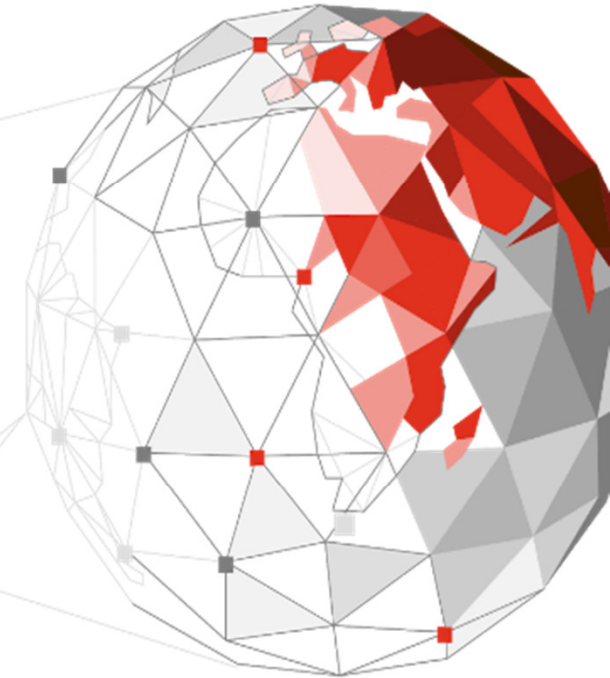
The future of globalism

Accelerating shift towards supply chain restructuring

The future of consumerism

Greater focus on consumer safety and sustainability concerns

Source: PwC's CEO Panel survey, August 2020 - www.pwc.com/gx/en/ceo-agenda/ceo-panel-survey.html



Perspectives on markets and supply chains



Decreasing the dependence on international markets and redirecting more to domestic sales.

Opportunities from potential customers who **previously purchased goods offshore are now choosing to purchase onshore.**

Competition is based in India - hopefully will reduce the attractiveness of India.

Clients desire to decrease risk of offshore supply chains by onshoring and / or vertical integration.

Invest in more production capacity as **Europe will need to ensure supply chain out of Asia.**

buying quality goods from reputable companies like mine rather than cheaper goods from abroad

NZ CEO,
Wholesale,
US\$101-US\$999m

UK CEO,
Industrial
Manufacturing,
<US\$100mn

Ireland CEO,
Business Services,
<US\$100mn

UK CEO,
Technology,
<US\$100m

Spain CEO,
Pharmaceuticals,
US\$101-US\$999m

Canada CEO,
Metals,
US\$101-US\$999mn

Digital transformation: it took a global pandemic to occur

CEOs say they will prioritise business models that are digital and flexible

Trends driving changes

Those about work underpin emerging business models

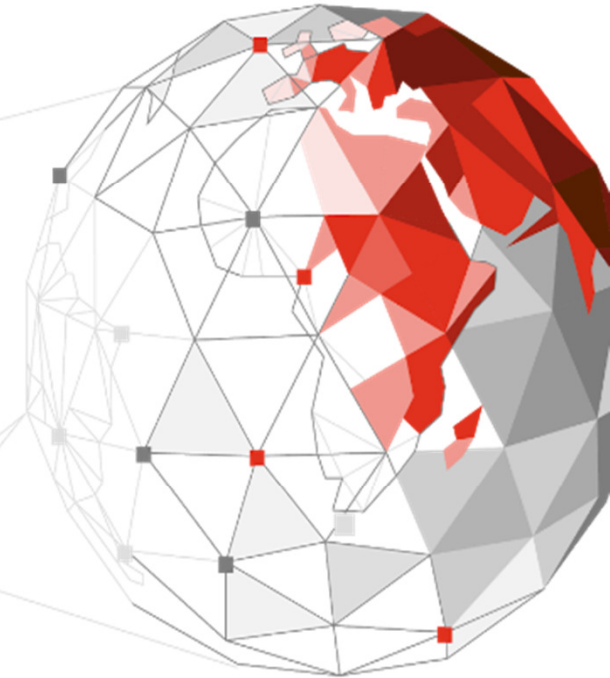
Changes being prioritised

Digitisation and making workforces more flexible and smaller

Transformation finally realised

COVID has forced remote collaboration and digital adoption

Source: PwC's CEO Panel survey, August 2020 - www.pwc.com/gx/en/ceo-agenda/ceo-panel-survey.html



Perspectives on the acceptance of digitisation



Acceptance of digitalization and virtual collaboration. the acceptance is critical.

Netherlands CEO, Asset & Wealth Management, US\$101-US\$999m

speeding up digital transformation with more colleagues becoming believers

Malaysia CEO, Automotive, US\$1-US\$10bn

change is easy now, no resistance against digitalisation acquisition opportunities work life balance is much better

Belgium CEO, Banking & Capital Markets, <US\$100m

Accelerating digitization of our business: the pandemic has radically improved customer and employee interest in, and adoption of, digital tools.

US CEO, Communications, US\$101-US\$999m

the opportunity to change to digital platforms rapidly and without resistance

Australia CEO, Healthcare, US\$101-US\$999m

massive shift for buyers to online and much more receptivity of sellers to move to online instead of their traditional selling methods. everyone sees having a strong online channel and working with a professional partner is a must.

UK CEO, Media & Entertainment, <US\$100m

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Global supply chains in a post-pandemic world

Acceleration of global supply chain restructuring

COVID has revealed the fragility of the international supply chain model

- The consequences of COVID and prolonged US-China trade tensions have accelerated a major restructuring of global supply chains by multinationals.
- Governments and manufacturers worldwide are also reassessing their future arrangements for production of critical goods to reduce supply vulnerabilities.
- Restructuring will take the form of relocation and diversification of international production bases, and the shortening and building of parallel supply chains.
- The main beneficiaries in Asia are expected to be India, SE Asia and Taiwan.

Multinationals are unlikely to completely abandon China

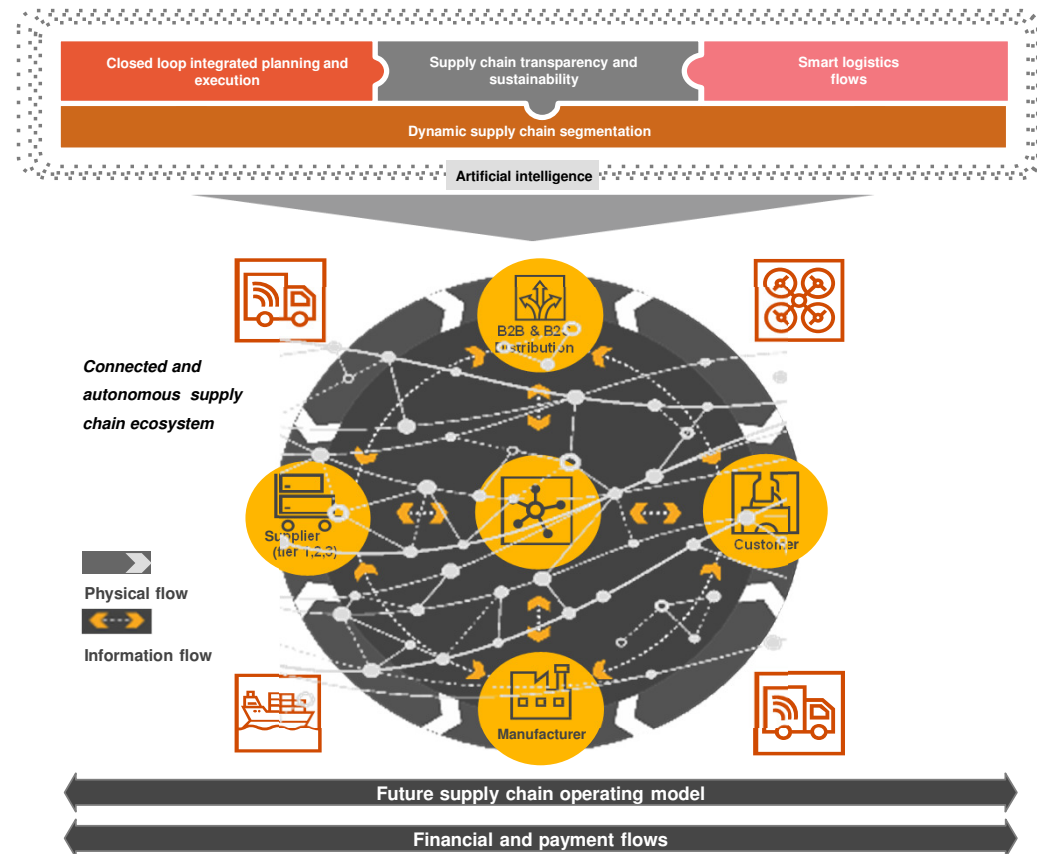
PwC survey found over 70% of large US companies in China don't plan to relocate



- COVID-19 has put a spotlight on the world's reliance on China for production and sourcing, and intensified pressures for supply chain diversification from China.
- Multinationals are unlikely to leave en masse since there is no simple manufacturing substitute for China, and many are focused on its huge domestic market.
- However, companies will be increasingly considering China +1 strategies, which could involve moving part of their production to other countries within the region.

The urgent need to design smarter, stronger and more diverse supply chains has been one of the main lessons from COVID

- Volatility, uncertainty and big disruptions are forcing companies into shifting the focus of their global supply chains quickly.
- A recent PwC report on supply chains found that transformation and improved connectivity are crucial to future success.
- Investing in advanced capabilities makes strong economic sense and provides the agility needed to respond to disruptions.



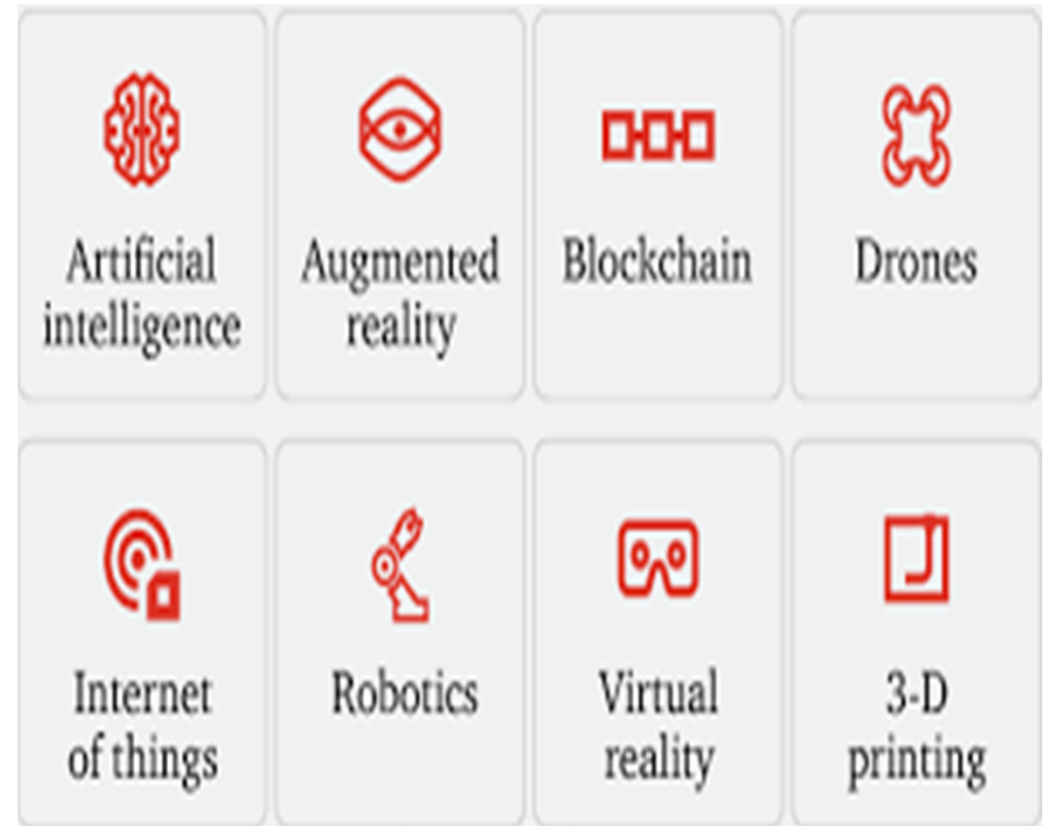
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Accelerating digital transformation of business models

Transform through new technology

COVID has accelerated the adoption of digital tools across businesses

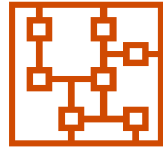
- Technology is evolving at breakneck speed and is already defining what's next for organisations and industries.
- Business leaders understand this: 69% are worried about the speed of tech change and are struggling to keep pace.
- Just 20% have made major progress in getting smart about technology and its potential implications for their business.



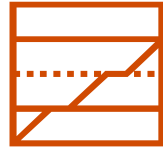
Digital transformation is ...



Adopting technology innovation



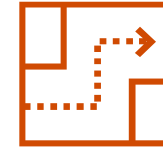
Being data-driven in every decision



Designing experiences to achieve 100% adoption

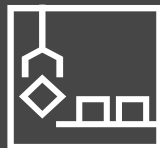


Moving with start-up speed and behaviours



Navigating complexities of international business environment

To drive...

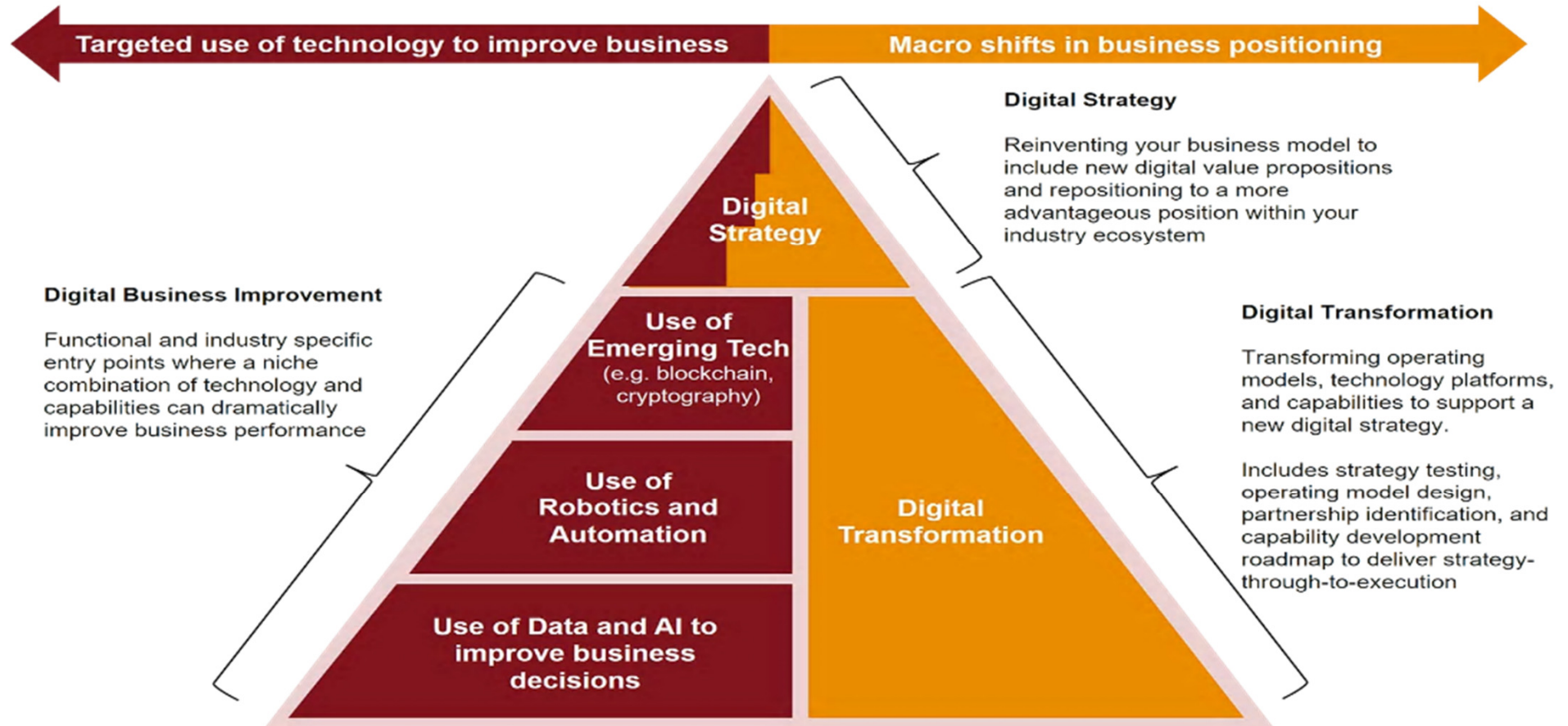


Productivity revolution



New or accelerated growth models

Unlock business value with digital transformation



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Related business opportunities in Taiwan for multinationals

Why Taiwan?

Investment environment advantages and incentives

Global rankings

#4 Best Destination for Investment

(2019 BERI Report)

#13 Ease of Doing Business

(2019 World Bank Doing Business Report)

#3 State of Cluster Development

(2019 World Economic Forum Global Competitiveness Report)

Talent

49% of population has a bachelor's degree or higher

#2 Talent Ranking in Asia
(2019 IMD Talent Ranking)

#2 Worldwide in Educational Attainment
(2019 IMD Talent Ranking)

IP protection

- IP regulations meet international standards
- IP court and police force dedicated to enforcement
- Trade secrets protection
- Respect for IP protection

Leading industries

- Semiconductors
- Displays
- Machine Parts
- Electronic Parts
- Auto Parts

Incentives

- Tax incentives
- R&D subsidies
- Global talent incentives
- Special zone incentives

Source: InvesTaiwan - <https://investtaiwan.nat.gov.tw>

National strategic focus on digital innovation

Moving from contract manufacturing to R&D and innovation model

Six core strategic industries

- Information and digital industries
- Cybersecurity excellence industry
- Precision health industry
- National defence and strategic industries
- Green energy and renewable energy industries
- Livelihood and strategic stockpile industries



Source: NDC, National Development Plan 2021-2024.

Taking advantage of global supply chain realignment

Government actively taking steps to promote Taiwan's supply chain strengths

Forum on Supply Chain Restructuring (Sept)

- Jointly staged by Taiwan, the EU, Japan and the US
- Focus on improving resilience among like-minded partners

New initiatives to capture early opportunities:

- Regional high-end production hub (July)
- Advanced semiconductor manufacturing centre (July)
- Display technology and applications action plan (June)
- Emerging industries R&D programme (June)



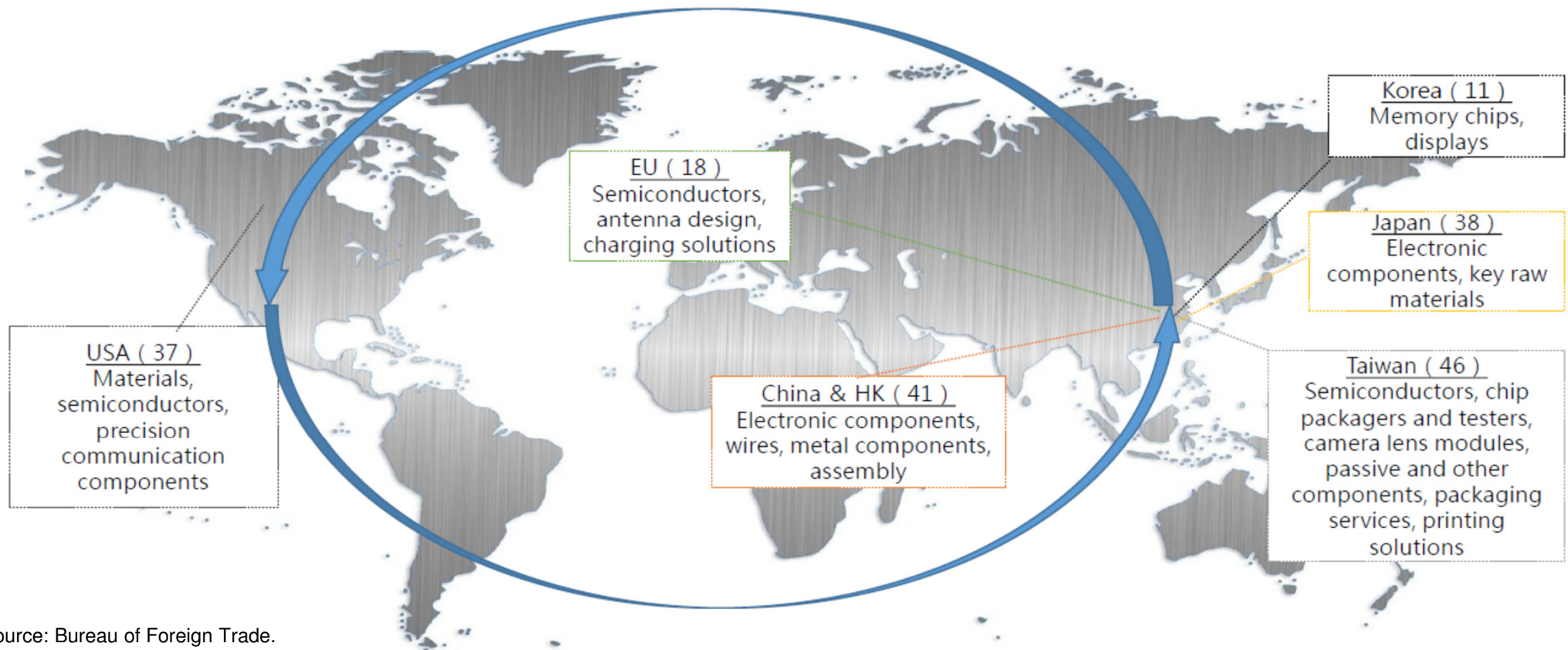
Source: Taiwan Today



Source: Executive Yuan

Taiwan is an integral part of the global ICT supply chain

For example, 46 of Apple's top 200 iPhone suppliers in 2018 were from Taiwan



Source: Bureau of Foreign Trade.

Taiwan aiming to become a hub for emerging technologies...

Focus on attracting international technology companies to invest in R&D in Taiwan

A new government programme aims to transform Taiwan into a global high-tech R&D hub, focusing on development of:

- Emerging semiconductors
- New-generation communications (5G)
- Artificial intelligence (AI)

Multinationals are showing strong interest, with Google, IBM and Microsoft all adding staffing for local R&D in new technologies.



Source: Executive Yuan

.... as well as a tech R&D hub for the biomedical industry
Taiwan proved its biomedical capabilities during the COVID-19 pandemic

- Biomedicine industry is a designated key sector in Taiwan, with a strategic objective of becoming a hub for biomedical R&D in the Asia-Pacific region
- The industry has made major progress in recent years, and the government is now looking to secure its place in the restructuring of global supply chains.
- To develop a stronger biomedical industry, the government is taking steps to bolster precision healthcare by integrating innovative technologies.



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A reliable partner in building supply chain resiliency

Taiwan offers a major supply chain and digital ecosystem hub for multinationals

Supply chain security and resiliency.

- Taiwan offers a reliable option to multinationals considering to diversify their production bases within Asia-Pacific, especially in the ICT and health sectors.

Digital ecosystem solutions provider

- Amid growing digitisation, multinationals can leverage Taiwan's expanding digital ecosystem for smart technology, digital transformation and innovative solutions.

Thank you

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