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“ Small software and networking companies in Taiwan will have to work together if they want to compete with global powerhouses. Too much competition on a local level will not increase national competitiveness of the industry.”

—IT company executive, Taiwan

“ General businessmen in Taiwan are not yet willing to pay for intangible goods such as software and intellectual property. This impedes the development of a local software market.”

—IT company executive, Taiwan

Taiwan, a small island with a sizeable population, is well respected internationally for its commercial prowess and agility, and is a leader in Networked Readiness in Asia, as reflected by its fifteenth overall ranking in Readiness for the Networked World.

During the 1960s and 1970s, Taiwan's economy was based primarily on labor-intensive industries. As the competitive edge of those industries began to decline with the increasing cost of labor, the Taiwanese government was quick to shift its industrial policy to focus on high-technology products—a policy that successfully transformed Taiwan into one of the largest hardware-exporting nations in the world. This achievement has certainly had a major impact on national priorities in harnessing information technologies for economic growth and competitiveness (Ranking in ICT as Government Priority: 5). The National Infrastructure Initiative outlined by the government captures that sense of optimism in a strategic medium-term plan.

Taiwan's teledensity and mobile penetration are among the highest in Asia. Since 1997, its mobile subscriber growth rate has been one of the fastest in the world, largely attributable to the intense competition in the Taiwanese wireless market. Taiwan's telecommunications sector is changing relatively quickly from being a government-run monopoly to a fully deregulated industry (Ranking in Effect of Telecommunications Competition: 18). With the privatization of Chunghwa Telecom, the state-run operator, still in process, the industry remains in transition but is expected to become more competitive in the coming years.

Taiwan's Internet penetration is high by Asian standards. Broadband facilities are currently limited (Ranking in Availability of Broadband: 38) but their numbers are rising rapidly. Cyber cafés have become a very profitable business in the cities. In

remote villages, there are more than 300 Internet access centers. Taiwan has also made major strides in connectivity of schools. By mid-1999, all primary schools and junior high schools in Taiwan had computer classrooms connected to the Taiwan Academic Network and to the Internet via DSL (Ranking in Internet Access in Schools: 10). About a hundred Internet teaching training resource centers provide content and materials for courses in primary and secondary schools.¹

Taiwan's well developed information infrastructure, high level of ICT penetration, and export-driven economy have made it an attractive location for development of e-commerce, particularly B2B. There are considerable efforts to establish B2B electronic supply chains between major ICT companies and their Taiwanese suppliers and among local ICT companies (Ranking in e-Commerce micro-index: 17). To facilitate e-commerce transactions in foreign trade, the Ministry of Economic Affairs plans to set up a Taiwan Information Marketplace (TIM)—a B2B website on Taiwanese industrial products. B2C e-commerce, however, is quite limited in Taiwan, despite high credit card penetration, primarily because of a lack of trust and consumer protection policies for online transactions.

Taiwan has also been making progress in e-government (Ranking in e-Government micro-index: 7). Some e-government initiatives have been undertaken, such as the Government Service Network, to which about a thousand government agencies have access. The government provides some of its services online, while even more initiatives have been approved by the Taiwanese Cabinet.

Key Facts

Population	22,300,000
Rural population (% of total population) 1999	NA
GDP per capita (PPP)	US\$17,223
Global Competitiveness Index Ranking, 2001–2002	7
UNDP Human Development Index Ranking, 2001 (adjusted to GTR sample)	NA
Main telephone lines per 100 inhabitants	56.80
Telephone faults per 100 main telephone lines	2.54
Internet hosts per 10,000 inhabitants	495.98
Personal computers per 100 inhabitants	22.46
Piracy rate	53.00 %
Percent of PCs connected to Internet	21.91 %
Internet users per host	5.71
Internet users per 100 inhabitants	28.13
Cell phone subscribers per 100 inhabitants	80.30
Average monthly cost for 20 hours of Internet access	US\$7.83

RANK

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