

MOEA 2020 1st New Economic Development Consulting Meeting

Minutes Abstracts

1. Trend of Changing Global Supply Chain

(1) Based on the rule of US President Trump, the dual economy on trade, technology and talent will continue, even if Joe Biden is elected in the future. From a long-term/short-term perspective, the current situation won't change.

(2) So far, only high-tech field would be dual system. According to the first phase trade agreement between the United States and China, the United States focus on lowering the barrier for U.S. companies to entry China local market. Besides high-tech industries, other industries are not de-Sinicization but increase their investment in China. Therefore, it needs to be more precise in using the word "de-Sinicization", it may result in industries making the wrong decision on selecting manufacturing location.

(3) Different industries in Taiwan may have different competitive landscapes in the four quadrants of the dual system. It may be more beneficial not to select sides. The followings are the four quadrants:

- A. The competitive landscape developed by the United States and China separately, such as 3D printing and cyber security.
- B. The fields that the United States leads and punishes China, such as semiconductor equipment, chip design, and software tools.
- C. The industries rely on China, such as DJI commercial drones and intermediates of medicinal chemistry. In the past, they were controlled by China or India industries because of their highly energy-consuming and polluting processes.
- D. The industries are interdependence with other countries, such as

relying on Taiwan for chip manufacturing, or relying on German and Japanese drivers for machine tools.

(4) Rethinking Taiwan **industries'** opportunities in Southeast Asia and India when the supply chains move:

- A. The cost of labor and land is increasing in China that induce the difficulties to get profit in supply chain. Especially after the US-China trade war, the supply chains are moving southward giving the chance for Taiwan to using different attitude to see the southbound policy.
- B. With the development of various regional countries, different unicorns are being bred. Now there is too much money and too few stories, which also shows the importance of language of capital. Taiwan has a lot of private capital, and the government can establish a mechanism to tell Taiwan's advantages (the traditional industry supply chains are solid and the semiconductor industries are also strong) as a capital story that the world would understand. In the future, Taiwan will get great opportunities for attracting FDI because of its credibility.
- C. Korea or Japan's industries invest in Southeast Asia with financial institutions, but Taiwan's industries invest in Southeast Asia with no support by financial institutions, financial industries are decoupled from industries.

(5) In the past, Taiwan's economy was overly dependent on China. With this wave of epidemics' normalization, regardless of the shorter supply chains, supply chain disruption or multi-chain, the government should help integrate and complete the supply chain to achieve the goal of improving security or autonomy.

2. Change in consumer demand

- (1) Consumer confidence is the expectation of the future. Young people in Southeast Asia and India are poorer than young people in Taiwan, but why they are willing to spend money, because they have lots of opportunities to make money in the future. Government should not use relief package for young people that may lead to lose work skills.
- (2) The epidemic has contributed to the rise of the "0-Touch Economy". The industry should cooperate with the R&D institutions, with three stages (before, during, and after) five levels (health, prevention, diagnosis, treatment, recovery and prognosis), integrating digital technology, and developing the "0-Distance Innovation technology service", providing remote users with an experiential service of "far away from the cloud and in front of their eyes" and emerging business models.

3. Talent cultivation and salary

- (1) Salary is the most important thing for attracting talents, and investment will drive the demand for talents, thereby increasing salary. However, attracting foreign companies to Taiwan may squeeze the demand for employment of local companies. Government should be more active and advanced thinking for fulfilling insufficient talent supply, and should not be limited to the practices such as the Industrial Talent Class in the past.
- (2) We usually simply assume that increasing investment will increase wages. Therefore, the government's strategy is only to attract investment in the first phase but it is unknown whether the wages in the next stage will actually increase. In conclusion, the government needs to pay attention to the changes in the structure of talent's supply and demand.

4. Energy transition and risk management

- (1) The International Energy Agency (IEA) believes that now is the best

time to promote the energy transition. The government's relief package can focus on the development of clean energy technologies such as solar energy, wind energy, and hydrogen energy; on the other hand, to consider how to cancel or reduce subsidies for fossil fuels at the same time.

- (2) The real impact factor on the development of renewable energy is the affordability of energy expenditures. Thus, low oil prices have more financial capability to invest in renewable energy; however, when oil prices are too low, geopolitics will be more unstable, making energy stocks to face a relatively high risk.
- (3) The question that rises from the US-China conflict is which products need to be self-sufficient or to maintain a safe stock, such as food, energy, etc. in a country; whether it can be achieved through a short chain or a trustworthy alliance between countries.