Conducted between November 15 and December 16, 2022, 214 of 437 eligible member companies completed the 2023 Business Climate survey, a response rate of 49%.
Measured Confidence Despite Headwinds in 2023

A Message from AmCham Taiwan Chairperson Vincent Shih

Notwithstanding heightened political risk and global economic headwinds, the 2023 Business Climate Survey shows strong optimism among AmCham members. Respondents expressed a high level of confidence in both Taiwan’s economy and their own company’s business prospects for the coming year and beyond.

The annual survey is based on an online questionnaire sent to AmCham’s voting members, the majority of whom are C-suite executives of leading international and domestic businesses. In this year’s survey, nearly 71% of respondents expressed confidence in Taiwan’s economic outlook over the coming year, a decrease of 16 percentage points compared with 2022. Nearly 73% were optimistic about their companies’ prospects for revenue growth during the same period, a decline of 17 percentage points. Confidence remains strong overall, but it has been adjusted downward from the heady days of late 2021.

The outlook for the next three years was also hopeful, though many respondents have shifted from “very confident” to “somewhat confident” in the past year. Of concern to many were global economic and geopolitical uncertainties (including cross-Strait tensions), energy supply issues, and the pace of regulatory reform. On the latter point, members indicated that more needs to be done to bring Taiwan’s regulatory framework into line with global norms.

The survey also found that:

• 88% of respondents plan to maintain or increase investment in Taiwan in the upcoming year.
• Human capital was found to be a priority, with 60% of respondents investing in staff expansion or training in 2023. Over half expect to keep their headcount largely the same over the next 12 months, and 39% plan to hire more people.
• Survey takers expressed general satisfaction with Taiwan’s workforce but see the need for improvement in foreign-language capability, leadership skills, and international mindset.
• At 2.8 on a scale of 1-5, the level of anxiety about increased cross-Strait tensions remains moderate. Meanwhile, 67% of companies reported that their operations were unaffected by the increased Chinese military activity in the second half of 2022.
• Four-fifths of companies reported at least some negative business impact due to Taiwan’s domestic Covid outbreak in 2022. While 45% said border restrictions disrupted their operations, 63% had an overall favorable assessment of government efforts to manage the pandemic.
• Asked about their ESG activity for the first time in this survey, companies responded that their efforts are mainly directed toward diversity and inclusion, corporate governance, and emissions reduction. Around 56% reported making a formal commitment to achieving net zero emissions, 100% renewable energy, or a similar target.

AmCham looks forward to discussing the survey findings with the Taiwan authorities as part of our shared objective of bolstering Taiwan’s already strong business climate. The increase in international competition only intensifies the urgency of our work.
Confidence in economy lower yet solid

Taiwan in 2021 boasted an economic growth rate of 6.45%, the fastest pace since its rebound from the 2010 global financial crisis. However, in Q1 2022 the economy shrank for the first time in six years. Following further slowdown and weakened global demand for products in Q4, Taiwan’s year-over-year GDP growth was 2.43% in 2022.

Although Taiwan is projected to experience continued slowed economic growth in 2023, with the Chung-Hua Institution for Economic Research forecasting GDP growth of 2.72%, confidence in the economy remains relatively high among AmCham members.

This year nearly 71% of respondents expressed some level of confidence in Taiwan’s economic growth over the next 12 months, while 79% expressed confidence over the next three years. Although these numbers represent decreases of 16 and four percentage points, respectively, they show that belief in the economy remains strong.
**Solid performance in 2022**

Survey respondents reported strong corporate performance, with 75% recording stable or increased revenue in 2022. A quarter of respondents, however, experienced worse revenue numbers than the year prior.

Out of the respondents that reported decreased revenue, 39% were firms providing financial or professional services. Chemical manufacturers and companies in the transportation and logistics sectors each represented 12% of respondents with decreased revenue in 2022.

**Lowered short-term confidence, robust longer-term confidence**

Respondents reported decreased confidence in their own company’s performance in the upcoming year, with 20 percentage points fewer saying they were “very confident” in their company’s revenue growth in 2023 compared with 2022. However, the number of companies expressing confidence over the next three years decreased by only six percentage points.

Longer-term confidence, on the other hand, remained robust, suggesting companies expect to rebound from economic headwinds quickly.
Investments

Strong investment continues

Members maintain a strong belief in the Taiwanese market, with around 91% of companies maintaining or expanding their level of investment in Taiwan during 2022 and 88% planning to maintain or expand investments in 2023. However, the number of companies planning to significantly increase their investments saw the biggest change, dropping by seven percentage points.

New products for more markets

Among companies that invested in R&D, 65% said they were creating new products and services for both Taiwan and overseas markets. Meanwhile, 28% are creating products exclusively for the Taiwan market.

The three most prominent areas of business growth opportunities identified among respondents were larger share of existing market (64%), product or service innovation (58%), and entry into new market sectors (47%).

Planned areas of investment for 2023

- Staff development & expansion 60%
- Marketing & sales 53%
- ESG 28%
- Research & development 22%
- AI / IoT 18%
- Manufacturing 13%
- Facilities 3%
## REGULATORY ENVIRONMENT

**2023**

<table>
<thead>
<tr>
<th>Percentage</th>
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<tbody>
<tr>
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<td>(including stakeholders).</td>
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<td>27%</td>
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### Regulatory environment considered important

This year’s survey included the optional, open-ended question, **“What do you consider to be the most important area for improvement in Taiwan’s business environment in 2023?”**

Among those who responded, **34% mentioned improvement of regulations and policies as the most important area of improvement.** Advancement of regulations’ effectiveness and alignment with international practices were some of the most common answers among these companies.
**White Paper issues: declining satisfaction**

Since 2017, the National Development Council (NDC) has been holding meetings with AmCham committees to track and facilitate progress on issues in the Chamber’s annual White Paper.

While 13 issues from AmCham’s 2020-2021 White Paper cycle were resolved, the number of solved issues dropped to five for the 2021-2022 edition.

Sentiments on the effectiveness of AmCham and NDC’s White Paper meetings reflect these numbers. However, 86% of respondents still view these meetings as effective to some degree, compared with 89% last year.

**What areas do you feel should be the government’s top priorities in the next 1-3 years?**

*Respondents could select up to four options*

- 55% said cross-Strait relations
- 44% said talent development and retention
- 42% said energy sufficiency
- 40% said national security
- 30% said securing a bilateral trade agreement with the U.S.

**Increased focus on security**

Companies urged the government to prioritize national security and trade relations with the U.S., China, and other partners. In the domestic sphere, talent and energy – two of Taiwan’s so-called “five shortages” – were raised as areas of importance to businesses.

This year, national security replaced pandemic control as one of the five most pressing issues. Aside from this change, respondents’ priorities have remained largely the same.
Survey takers reported that political uncertainty was the biggest factor deterring further investment in Taiwan. Then-U.S. Speaker of the House Nancy Pelosi’s August visit to Taipei and the subsequent Chinese military activity occurred in the months before this survey was conducted.

On the energy side, companies reported electricity supply (74%), grid resiliency (70%), and availability of green energy (68%) as their biggest concerns. Both grid resiliency and renewable energy were raised in the 2022 White Paper by AmCham’s Energy Committee. Since 2018 the Committee has called for streamlining regulatory approval for renewable energy projects – a measure that would alleviate concern over electricity supply – and offered ways in which Taiwan can improve grid resiliency.

When asked about risks to their company’s operations, 91% of respondents said they expect cybersecurity threats to impact them negatively. Although its responsibility extends beyond cybersecurity issues, the newly established Ministry of Digital Affairs (Moda) provides reassurance that cybersecurity concerns are receiving government attention.

### Calls for resilience and streamlining

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### Which factors deter your company from expanding or investing in Taiwan?

- **66%** said political uncertainty
- **55%** said bureaucracy
- **43%** said market stagnation
- **42%** said difficulties finding skilled labor
- **33%** said protectionism

### To what extent will the following negatively impact your company’s business operations in 2023?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Large extent</th>
<th>Some extent</th>
<th>Small extent</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cybersecurity threats</td>
<td>12%</td>
<td>36%</td>
<td>25%</td>
<td>37%</td>
</tr>
<tr>
<td>Taiwan’s exclusion from multilateral/bilateral trade pacts</td>
<td>21%</td>
<td>35%</td>
<td>18%</td>
<td>36%</td>
</tr>
<tr>
<td>Spread of misinformation</td>
<td>14%</td>
<td>32%</td>
<td>20%</td>
<td>35%</td>
</tr>
<tr>
<td>Energy sufficiency</td>
<td>15%</td>
<td>34%</td>
<td>19%</td>
<td>32%</td>
</tr>
<tr>
<td>Supply chain issues</td>
<td>25%</td>
<td>36%</td>
<td>23%</td>
<td>13%</td>
</tr>
<tr>
<td>Cross-Strait tensions</td>
<td>31%</td>
<td>40%</td>
<td>19%</td>
<td>7%</td>
</tr>
</tbody>
</table>
Lingering impact during 2022

While 63% said they were satisfied with the Taiwan government’s efforts to control the pandemic, satisfaction levels among member companies regarding the government’s handling of the pandemic in 2022 fell from almost universal support in 2020 and 2021.

During 2020, Taiwan was hailed as an example of successful pandemic control. Thanks to swift action from the government, Taiwan ended 2020 with a total of just seven Covid-related deaths.

The limited spread was largely due to the government’s decision to ban all foreign nationals that did not hold a Resident Certificate or special entry permit on March 19, 2020. Other travel restrictions, such as quarantine upon arrival and requirements of providing negative Covid tests, were also implemented.

Taiwan experienced its largest Covid-19 outbreak in the spring of 2022. Fueled by the Omicron variant, the wave peaked in late May.

The borders were closed to most travelers for two and a half years until October 13, 2022, when Taiwan removed all Covid-related travel restrictions and allowed travelers to enter without mandatory quarantine upon arrival.

Many companies called for the end of Taiwan’s border restrictions throughout 2022, arguing that the inability to bring in investors, partners, and technical support personnel was hurting business.

Around 85% of survey respondents said their business had been negatively impacted by the summer outbreak, with 14% reporting a significant impact. Meanwhile, 45% said their business had been seriously impacted by Taiwan’s border restrictions in 2022.
HUMAN CAPITAL

Talent a priority

Human capital was identified as a top priority among Chamber members. A high 60% of companies said they plan to invest in staff expansion and development during 2023.

Member companies value the diligence and trustworthiness of Taiwan’s workforce. Two-thirds reported that they are satisfied with the talent pool and their ability to find recruits that fit their needs. In last year’s survey only 49% of respondents said they were satisfied.

However, companies reported that language abilities, communication skills, and international mindset could all use improvement. The government’s Bilingual 2030 policy, which aims to improve English abilities among young Taiwanese, will therefore be of critical importance to the strengthening of domestic talent.

Education reform – an area some companies ranked highly as a suggested priority for the government over the next three years – should also include an emphasis on creativity and leadership skills, two areas that ranked low.

Echoing their confidence in Taiwan’s economy over the next year, a vast majority (91%) of companies plan to keep staff numbers at their 2022 level (52%) or increase them (39%).

To what extent do you consider Taiwan’s workforce to be globally competitive in the following aspects?

Respondents could select up to four options

<table>
<thead>
<tr>
<th>TOP 6</th>
<th>BOTTOM 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Diligence</td>
<td>14. Creativity</td>
</tr>
<tr>
<td>2. Trustworthiness</td>
<td>15. Leadership</td>
</tr>
<tr>
<td>3. Execution</td>
<td>16. Communication</td>
</tr>
<tr>
<td>4. Teamwork</td>
<td>17. International mindset</td>
</tr>
<tr>
<td>5. Loyalty</td>
<td>18. Foreign language ability</td>
</tr>
<tr>
<td>6. Ethics</td>
<td>19. English ability</td>
</tr>
</tbody>
</table>

To what extent are you satisfied with your company’s ability to recruit personnel to meet your business needs?

Respondents could select one option from each category.
Taiwan viewed as safe and convenient

Members list Taiwan’s world-renowned healthcare system and low crime rates as the most attractive aspects of living and working here. Rounding out the top five were comparatively low living costs, a stable society, and public transport, including convenient, affordable MRT systems in the larger metropolitan areas and high-speed rail.

The biggest negative factor was seen as road safety, an issue that has recently gained international media attention. Subsequent coverage of high-profile traffic accidents in local media may have also contributed to respondents’ perceptions.

Taiwan’s banking sector has long been criticized for outdated procedures, accessibility issues for foreign nationals, and excessive red tape. One respondent commented that Taiwan’s “banking system is archaic and needs to be reformed to be more like Hong Kong or Singapore.”

Another respondent highlighted the elimination of discrimination against foreign nationals and their businesses in the banking and financial sector as the most important area for improvement of Taiwan’s business climate.

To what extent do you agree that the following aspects make Taiwan a good place for foreign professionals to live and work?

Out of 16 factors

<table>
<thead>
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<tr>
<td>1. Personal safety</td>
<td>12. Job opportunities</td>
</tr>
<tr>
<td>3. Living costs</td>
<td>14. Building quality</td>
</tr>
<tr>
<td>4. Social stability</td>
<td>15. Banking</td>
</tr>
<tr>
<td>5. Mass transit</td>
<td>16. Road safety</td>
</tr>
</tbody>
</table>

How effective has remote working been for your company?

- Extremely effective: 13%
- Very effective: 33%
- Somewhat effective: 36%
- Not so effective: 14%
- Not at all effective: 2%
- Not applicable: 2%

The majority of businesses (82%) reported that remote working practices had been at least somewhat effective for their company. However, only 49% of respondents intend to implement long-term remote working solutions, while 44% intend to return to their traditional work model. Companies providing professional services (24%) and healthcare-related products and technologies (19%), as well as the ICT industry (17%), were the most likely to find remote working effective.
ESG

Has your company made a formal commitment to ESG principles?

ESG a widespread priority

Respondents place high value on following environmental, social, and corporate governance (ESG) principles, with 56% having made a formal commitment to net zero, RE100 (100% renewable energy), or similar initiatives. This is the first time AmCham members were surveyed on ESG as part of the Business Climate Survey.

Companies are focusing equally on human capital, governance, and the environment. However, fewer than half (47%) have a dedicated team to implement these principles effectively. This is perhaps due to the reported size of individual companies, as 36% of respondents have 50 or fewer employees in Taiwan and may not be able to designate a full team to implement ESG principles.

“Diversity and inclusion” was the most popular issue among respondents, as 70% reported they will focus on this area over the next three years. Investments by respondents in training and professional development over the previous year also reflect members’ emphasis on human capital. Taiwan in 2019 became the first in Asia to pass marriage equality legislation. It is also ranked high internationally for gender parity in government and the wider workforce.

In second and third place were health, safety, and human capital development (62%) and corporate governance (56%), followed by transparency and ethics (53%) and emissions reductions and waste management (52%), which ranked fourth and fifth, respectively. Taiwan has made a formal commitment to achieving net zero by 2050, making it critical for businesses here to reduce emissions and transition away from carbon-intensive materials.
International agreements highly valued

A majority of AmCham member companies (73%) consider it important to their business for Taiwan to achieve a bilateral trade agreement (BTA) with the United States, a long-standing advocacy issue of the Chamber. The number of respondents considering a BTA important increased by six percentage points from last year.

Companies are perhaps encouraged by recent talks between the United States and Taiwan under the U.S.-Taiwan Initiative on 21st-Century Trade and the numerous high-level trade visits by U.S. federal and state officials to Taiwan over the past six months. The U.S. is Taiwan’s second-largest trade partner, accounting for approximately 15% of all trade at US$114 billion in 2021.

Respondents also support Taiwan’s inclusion in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP. Member countries include some of Taiwan’s largest trading partners, including Japan, Singapore, Vietnam, and Malaysia. Taiwan applied to join the CPTPP on September 22, 2021.

How important would the following agreements with the United States be to your business?

How important would Taiwan’s participation in the CPTPP be to your business?

CPTPP signatories (dark blue) and applicants (light blue)
More affected by U.S.-China trade dispute

This year 83% of respondents reported at least some impact of the US-China trade dispute on their business, which is slightly higher than the figure reported in 2022 (80%).

More respondents viewed the impact of increased competition between the U.S. and China as unfavorable to Taiwan than in previous years. This development follows the introduction of export controls by the United States that in effect cut China off from advanced semiconductors made with American technology, and a push to diversify tech supply chains, affecting many ICT companies.

When asked if their company had relocated some or all of their operations from China to Taiwan in the last five years, 10% reported that they had. Similarly, 17% reported that their company had relocated operations from China to a market other than Taiwan.
Most companies unaffected by increased tensions

When asked if their company had experienced significant disruption due to increased tensions across the Taiwan Strait, **33% reported disruption**, which is 16 percentage points more than the figure reported in a flash survey by AmCham conducted immediately after Chinese military activities began.

**A third of companies reported being disrupted by elevated concern or policy changes from their global headquarters**, followed by increased shipping, insurance, or financial costs (30%) and staff anxiety (29%). Fourth and fifth on the list of disruptions were delays (28%) and lost investment or strategic opportunities (21%).

Overall, personal anxiety about increased military activity or tensions across the Strait remained flat between August and December 2022, at 2.8 out of 5.

Nevertheless, **47% of companies said they either have revised or plan to revise business continuity plans to address the new geopolitical climate.**

When asked what the government’s focus should be in the next 1-3 years, **55% responded cross-Strait relations.**
ABOUT THE RESPONDENTS

Industry classification

Primary activity in Taiwan

Years of operations in Taiwan

Location of headquarters

Number of employees