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Developing the Region's Domestic Credit Rating Industry: A View from the Private Sector

Julius Caesar Parreñas

In recent years, governments and public institutions have undertaken considerable work on issues related to bond market development. Notable examples of these are the Asian Bond Market Initiative (ABMI) undertaken by the ASEAN Plus Three (APT) grouping and the Asian Bond Fund (ABF) undertaken by the Executives' Meeting of East Asia Pacific Central Banks (EMEAP), as well as the work of the Asia Cooperation Dialogue (ACD) and the Asia-Pacific Economic Cooperation (APEC) forum.

Not as well-known but equally important are the various discussions within the private sector in recent years on how to support and accelerate this process. The most active organizations in these discussions have been the Asian Bankers Association (ABA), the APEC Business Advisory Council (ABAC), the Association of Credit Rating Agencies in Asia (ACRAA) and the Pacific Economic Cooperation Council (PECC).

This paper draws much from some of the work undertaken by these private sector groups, most notably their recommendations from the past seven years, and the two major bond market conferences co-organized by ABAC and PECC in 2004 and 2005 in Taipei and Tokyo, respectively. The paper also draws from a study commissioned by the ABA on the development of regional standards for Asian credit rating agencies in 2000. It is worth noting that this study, which involved interviews with credit rating agencies, regulators and market players in the region, provided the initial impetus for the establishment of ACRAA.

The private sector vision of the process of bond market development has two dimensions, one domestic and the other regional. The domestic dimension involves substantial improvement in the width, depth and infrastructure of bond markets, and the creation of an enabling environment for expanded private sector activity in these markets.

The regional dimension involves facilitating the emergence of a regional bond market, defined as a market where bonds issued in Asian currencies may be freely invested in and traded by both domestic and foreign participants.

The private sector believes that the achievement of this vision would require reform and capacity-building efforts in five areas, which are:

- the macroeconomic and political environment;
- the regulatory framework;
- the reporting framework;
- public-private sector partnership; and
- capital market development.

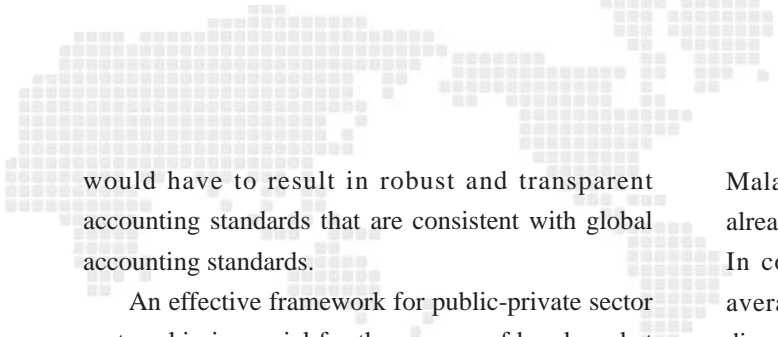
Promoting a favorable macroeconomic and political environment for bond market development would have to aim for a number of key objectives. Among these are:

- political, policy and financial stability;
- reducing restrictions on economic activities;
- ensuring that capital flows are not significantly impacted by any capital controls;
- ensuring that exchange rate regimes are conducive to efficient capital flows and payments; and
- establishing domestic and international coordinating mechanisms.

Improving the regulatory framework would have to aim for:

- ensuring clearly defined creditor rights and insolvency processes;
- effective enforcement of rules and penalties;
- conducive tax and administrative procedures;
- an effective legal framework for asset securitization;
- unhindered cross-border securities transactions;
- a robust system of disclosure;
- clear and sound rules on corporate governance;
- balanced market regulation and supervision; and
- laws and regulations that are consistent and favor market competition.

Efforts to improve the reporting framework



would have to result in robust and transparent accounting standards that are consistent with global accounting standards.

An effective framework for public-private sector partnership is crucial for the success of bond market development efforts. This framework would need to be based on healthy cooperation between finance and regulatory officials and the private financial sector, as well as the establishment of consultative mechanisms at the domestic and international levels.

Finally, the success of these efforts would depend on the achievement of a number of objectives that facilitate the efficient operation of capital markets. These include:

- widening the variety of product types;
- developing the domestic institutional and retail investor base;
- opening the market to many players, including foreign institutions;
- establishing a benchmark yield curve across a broad range of maturities;
- promoting a deep and liquid secondary market;
- reducing restrictions on short-selling, repo transactions and derivatives;
- ensuring that facilities for credit enhancement are governed by clear rules and reflect the market price of capital;
- facilitating the provision of timely, useful and reliable financial information; and
- promoting the development of credible and apolitical credit rating systems and efficient clearing and settlement systems.

As illustrated by this long list of objectives, bond market development is a complex issue, involving a broad range of policy areas and sectors and a large number of institutions and market players, and requiring concomitant reforms and capacity-building measures.

In 2005, ABAC and PECC undertook a survey of financial institutions on the extent to which emerging markets in APEC meet these objectives. The result showed the wide disparity in levels of market development within the region. Dividing these markets into two groups, the more advanced group, consisting of Singapore, Hong Kong, Chile,

Malaysia, Chinese Taipei and Korea, on average already meet 95% of these objectives satisfactorily. In contrast, the others in the second group, on average, meet only 20%. These averaged figures disguise significant variety among these markets, but they underscore the considerable amount of work that remains to be done to improve the policy environment in a number of less developed markets.

A strong credit rating industry is critical for the development of domestic bond markets. The development of the global credit rating industry since John Moody first rated U.S. railroad bonds in 1909 has led to the current situation, where three big global rating agencies (Fitch Ratings, Moody's Investor Service and Standard & Poor's) dominate the industry. However, a number of local rating agencies have been established in various Asian markets over the past twenty years, in response to the emergence of local currency bond markets.

Table 1 presents a list of credit rating agencies that operate in Asian local currency bond markets. Most of these began with some form of technical arrangement or partnership with one of the global rating agencies. Some of the newer agencies have also profited from technical assistance provided by more established domestic agencies, such as India's CRISIL, which helped trained analysts for Rating Agency Malaysia, which in turn contributed to training analysts for Indonesia's PEFINDO.

With the notable exception of Hong Kong and Singapore, which are regional financial centers, global rating agencies have until recently preferred to enter most of Asia's local currency bond markets through joint ventures, rather than undertake ratings in these markets by themselves.

There have been various reasons for this. One is that domestic markets have not been considered large enough to support fully-owned operations. Another is that some local markets have been protected, for example through minimum paid-up capital requirements for new entrants. A third reason is that local agencies have been able to satisfactorily provide information based on their local insights and familiarity with the domestic market, enabling global agencies to penetrate the market at a very low cost

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Table 1: Credit Rating Agencies in Asia's Local Currency Bond Markets

Economies	Asian CRAs	Affiliations/Ownership
Indonesia	PEFINDO (Credit Rating Indonesia)	S&P
	PT Fitch Ratings Indonesia	Fitch
	PT Kasnic Credit Rating Indonesia	(formerly w/ Fitch)
Malaysia	Rating Agency Malaysia Bhd	Fitch
	Malaysian Rating Corporation Bhd	(formerly w/ Thomson)
Philippines	Philippine Rating Service Corporation (PhilRatings)	(formerly with S&P)
Singapore	DP Information Group (DP Info)	Moody's
Thailand	Fitch Ratings (Thailand)	Fitch
	TRIS Rating Co., Ltd. (TRIS Rating)	(formerly w/ S&P/Fitch)
Vietnam	Vietnamnet Ratings Centre	
China	China Chengxin International Credit Rating Co., Ltd.	Fitch
	China Lianhe Credit Rating Co. Ltd.	
	Dagong Global Credit Rating Co., Ltd.	Moody's
	Shanghai Far East Credit Rating Co., Ltd.	
Japan	Japan Credit Rating Agency, Ltd. (JCR)	
	Rating and Investment Information, Inc. (R&I)	
Korea	Korea Investor Services (KIS)	Moody's
	Korea Ratings (KR)	Fitch
	National Information & Credit Evaluation (NICE)	R&I
	Seoul Credit Rating & Information (SCI)	
Chinese Taipei	Fitch Ratings Taiwan	Fitch
	Taiwan Ratings Corporation	S&P

Source: ADB (Asian Bonds Online), Asian Bankers' Association, Fitch Ratings.

through joint ventures.

However, this situation is changing as global rating agencies are either considering to establish their own operations in Asian local currency bond markets or have already done so as of today. Asia's local currency bond markets are attracting these firms as they grow and as entry barriers fall. For now, however, domestic rating agencies remain crucial players in the development of local currency bond markets, and may survive future competition from global agencies if they succeed in current efforts to enhance their strengths and address their weaknesses.

The development of Asia's credit rating industry is dependent on the growth of local currency bond markets in the region. The private sector has also underscored the importance of three key elements:

- improvements in the environment for credit ratings;
- development of best practices among domestic rating agencies; and

- region-wide convergence of key aspects of rating practices.

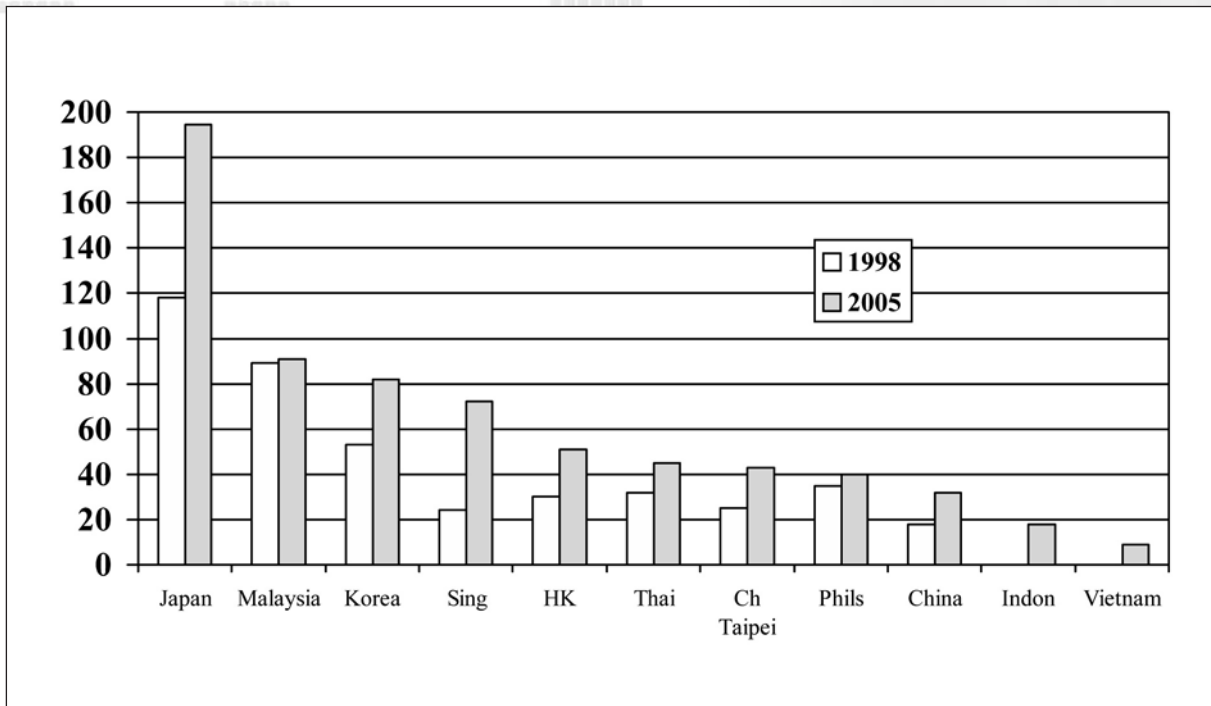
As mentioned earlier in this paper, there are great disparities in levels of market development within the region, as shown in Figure 1. The ratio of market capitalization to GDP is often taken as one (though not the only) key indicator of market development, and by this measure, Japan is clearly way ahead of other Asian markets. It is to be noted, however, that significant growth has been achieved in a number of markets over the past eight years.

This is even more clearly illustrated by the development of bond market capitalization as shown in Figure 2, where these ten markets in East Asia outside Japan have grown by an average of 250% over the eight year period from 1998, although mostly from a low base. Nevertheless, if we look at the composition of issuers in Figure 3, we will also find that corporate bond markets are still very much underdeveloped in most economies.

The low level of development in emerging East

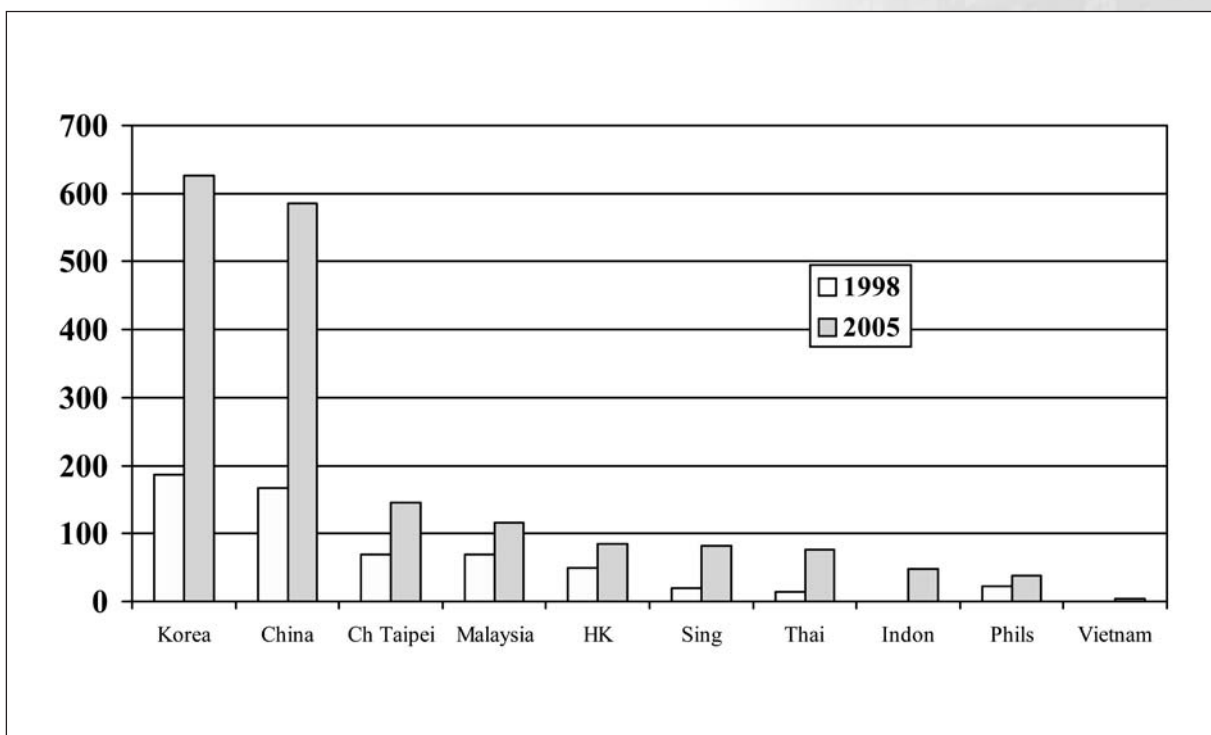


Figure 1: Ratio of domestic bond market capitalization to GDP (%)



Source: ADB (Asian Bonds Online), Asian Bankers' Association, BIS.

Figure 2: Domestic bond market capitalization (US\$ billion)



Source: ADB (Asian Bonds Online), Asian Bankers' Association, BIS.

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Asian markets is more apparent if we compare all the ten markets combined with Japan and the US. Taken together, their combined market capitalization is equivalent to only 20 percent of Japan's market and 7 percent of the US market. In terms of the corporate bond market, East Asia ex-Japan is equivalent to 47 percent of the Japanese market and 13 percent of the US market.

How fast East Asian markets will develop in the coming years will depend on a host of factors. However, measures to attain the key objectives that the private sector has identified, as outlined earlier, will play a significant role in promoting the growth of the market for the region's credit rating industry.

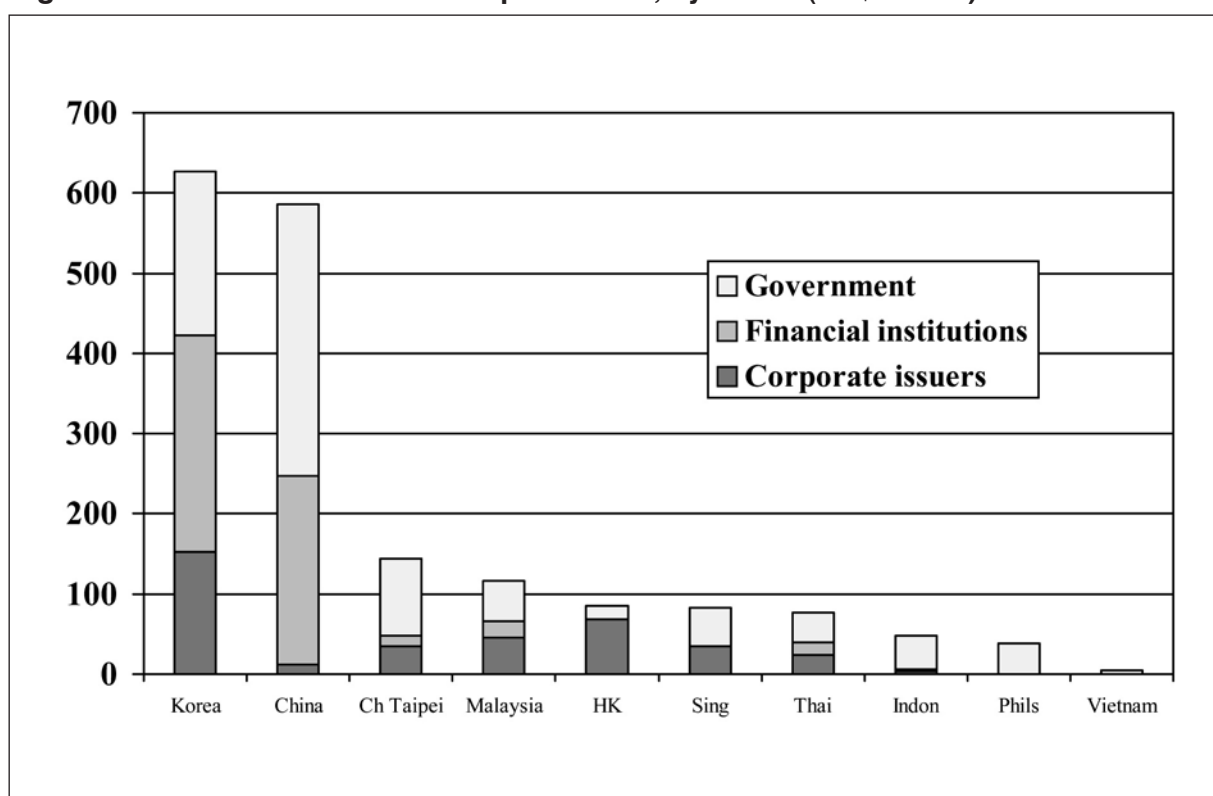
Key areas need to be addressed to provide a favorable environment for the growth of the credit rating industry in emerging markets.

- First, high standards of corporate governance. This is especially crucial with respect to timely and meaningful disclosure of financial information, board and management process and company ownership structures, with an emphasis on identifying conflicts of interest involving managers and directors.

- Second, robust accounting standards and practices. Previous studies have identified accounting standards as a major impediment to the development of credit ratings in emerging markets within the region, as the quality of ratings given by rating agencies depends on the quality of accounting information they receive.
- Third, effective regulatory oversight. This is crucial to ensure the quality of financial information and disclosure and to ensure high standards for the accreditation and operation of rating agencies.
- Fourth, open markets. An open market that is conducive to unbiased financial reporting is an important prerequisite to the development of a robust credit rating industry. In addition, market discipline is needed to encourage issuers to practice good corporate governance and rating agencies to maintain their credibility and independence.

The Asian financial crisis and recent major corporate failures in advanced markets underscore the need to ensure robust rating practices among rating agencies. For local rating agencies, which are

Figure 3: Domestic bond market capitalization, by issuer (US\$ billion)



still in relatively early stages of development, this requires training to upgrade skills and the development of best practices.

Finally, the following discusses the role of credit ratings in the development of a regional bond market. Global ratings differ from domestic ratings in that they consider foreign currency repatriation risk. Thus, global ratings for corporate bonds are limited by a sovereign rating ceiling, which means they normally could not be higher than the sovereign rating of their home economy. In economies with low sovereign ratings, this results in a compression of ratings, so that their information value to investors who are looking only at individual markets or the region is limited, aside from the fact that not many companies in Asian emerging markets have global ratings.

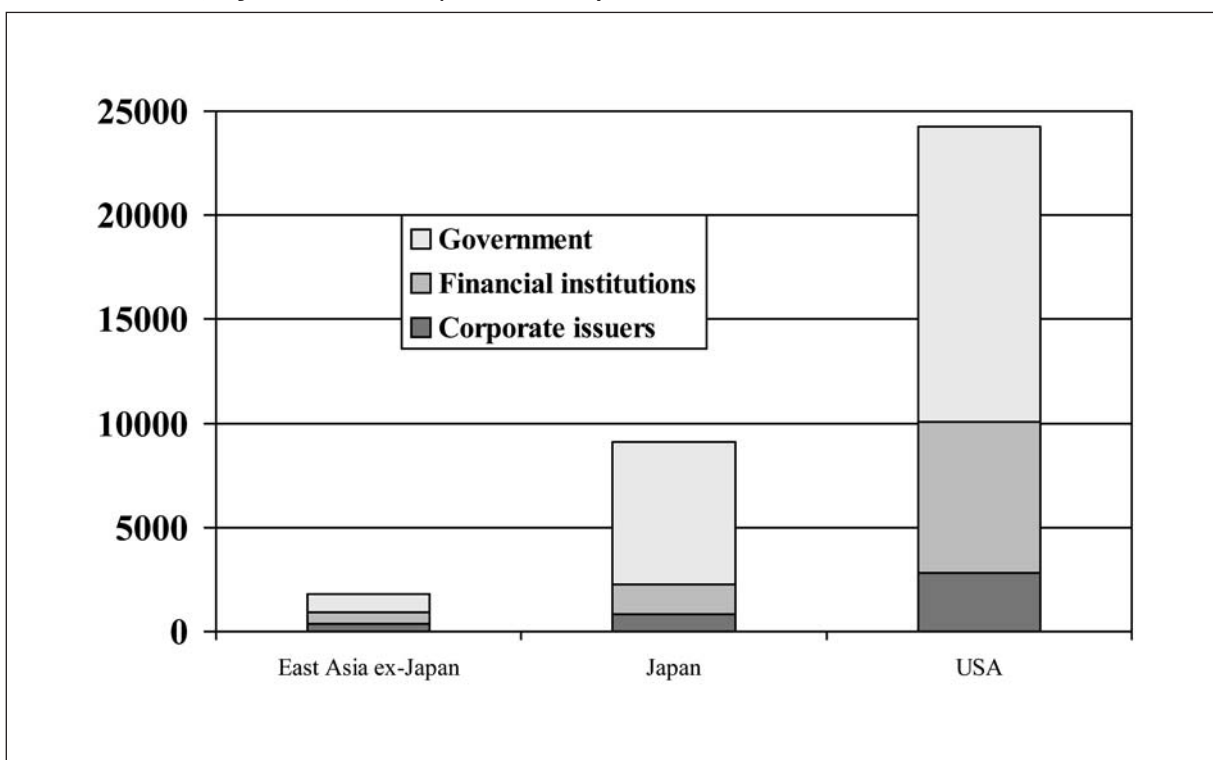
Domestic rating scales for local currency bonds do not contend with foreign currency risk, so that the strongest company in the market can get an AAA domestic rating. This allows greater differentiation of credit risks among domestically rated issuers, and thus have higher information value for investors in the domestic market. However, to the extent that

sovereign ratings differ between markets, the slopes of the rating curve are different from one market to the next, which presents a problem in using domestic ratings for cross-border comparisons of bonds.

The development of a regional bond market would require sufficiently comparable meaningful information on probabilities of default for a considerable number of issuers across economies within the region, which is not at present adequately provided by either domestic or global rating agencies. To address this issue, discussions have focused on (a) harmonizing rating standards and practices among local rating agencies in the region; and (b) the development of a regional credit rating agency that can issue regional credit ratings.

A number of challenges make it difficult to harmonize credit rating standards among local credit rating agencies in the region. First, there are significant differences in stages of market development, accounting standards and regulatory frameworks among economies in the region. Second, local rating agencies are at different stages of maturity. Third, a number of them are affiliated to global rating agencies and have adopted their

Figure 4: Domestic bond market capitalization in East Asia ex-Japan, Japan and the USA, by issuer, 2005 (US\$ billion)



Source: ADB (Asian Bonds Online), Asian Bankers' Association, BIS.

Table 2: Summary of divergence and convergence in practices of Asian credit rating agencies

Areas	Differing practices	Similar practices
Rating scales	<ul style="list-style-type: none"> • Scales and symbols • Default definition 	
Rating process	<ul style="list-style-type: none"> • Time to complete rating exercise 	<ul style="list-style-type: none"> • Process flow • Decision by rating committee • Composition of rating team • Avenue for rating appeal
Internal procedures		<ul style="list-style-type: none"> • Use of rating manual • Code of conduct
Rating methodology and criteria	<ul style="list-style-type: none"> • Qualitative factors • Rating caps on industries • Rating principles 	<ul style="list-style-type: none"> • Broad factors considered for rating • Access to non-public information
Policies on rating action	<ul style="list-style-type: none"> • Rating outlooks • Consultation with ratee on downgrades and watches 	<ul style="list-style-type: none"> • No unsolicited ratings (with a couple of exceptions) • Annual rating review
Rating reports	<ul style="list-style-type: none"> • Information content and depth of analysis 	
Rating database	<ul style="list-style-type: none"> • Data updatedness • Credit scoring model • Benchmarks for rating 	

Source: Development of Regional Standards for Asian Credit Rating Agencies, 2000.

practices and methodologies, which are different from each other. Fourth, there is some reluctance to harmonize in markets where there are several competing agencies.

The establishment of a regional rating agency also faces difficult problems. These include the lack of harmonized regimes in financial reporting, insolvency law and taxation within the region. There is a lack of regional default studies. There is currently no clear idea on ownership structure, management control and area of operation, which involve contentious issues. And finally, there is the question of the commercial viability of a regional rating agency at this point in time.

For the present, efforts should focus on supporting a region-wide convergence of rating practices to make credit ratings in the region's local currency bond markets more comparable and easier for regional and global investors to understand. Table 2 identifies areas where practices of Asian rating agencies diverge and where they converge.

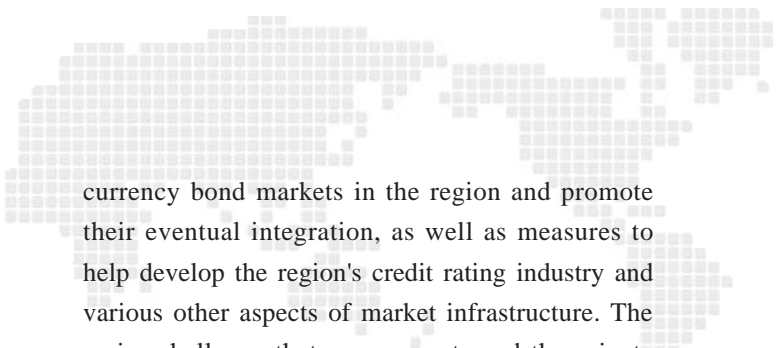
It is important to stress at this point that the goal should not be the establishment of absolute or fixed common standards, as the rating process is dynamic,

and diversity of opinion is valuable for investors in making risk assessments. However, it is still possible to establish commonality through best practices that can serve as benchmarks, in a way that improves the quality, reliability, transparency and objectivity of ratings, while preserving the crucial function of credit ratings as third party independent opinions.

These efforts would have to be supported by efforts to harmonize financial reporting, insolvency law and taxation regimes within the region.

In summary, the credit rating industry in the region is still in its early stages, given that most local currency bond markets have yet to reach a sufficient level of maturity. There is yet no truly "regional" industry, since there is still very little intra-regional bond market activity. However, local currency bond markets in the region's developing economies are growing rapidly, and this process enjoys considerable political support and business interest, so that significant growth in demand for credit ratings may be expected in coming years.

In the meantime, governments and the private sector have had ample opportunity to identify the measures that need to be taken to develop local



currency bond markets in the region and promote their eventual integration, as well as measures to help develop the region's credit rating industry and various other aspects of market infrastructure. The major challenge that governments and the private sector in the region face now is the challenge of translating ideas into action, through reforms and capacity-building efforts. The success of these efforts will depend on the extent to which governments and the private sector are equal to the task.

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Enhancing Women's Economic Status in Taiwan through Trade Liberalization

Johnny C. Chiang, Yu-Xi Liu, Phoebe Lu, Tzu-Ying Chen

Contributions of Trade Liberalization to Women in Taiwan

Over the past few years, more and more case studies in Taiwan have focused on trade liberalization's positive effects on women in Taiwan. These research efforts have explored how to allow women to enjoy the benefits of trade liberalization through the market mechanism or creation of policy. Trade liberalization has indeed brought benefits for women. For example, trade liberalization has created job opportunities. In certain sectors where the percentage of female employees is higher or women have more extensive networks, such as the service industry, women benefit greatly from trade liberalization. In addition, at a certain level of income, the rise of the service and trading industries has helped reduce the burden of housework for women, improving their overall wellbeing to some degree. Therefore, in the case of Taiwan, the percentage of female employees in the service industry has been growing. While the liberalization of the service industry has made the service industry more prosperous, at the same time as it has also benefited women, because as incomes of female employees increase, the consumers of the service industry, who are also women, gain advantages.

In addition, the implementation of social welfare policy has helped women participate in economic activities. The emphasis on education for gender equality and policy supporting the knowledge-based economy has allowed women to pursue the ability to build their professions, the ability to participate in economic activities and compete in markets. All these factors have enabled women to benefit from trade and economic development. Moreover, the economic growth of a country builds the national treasury by increasing tax revenue. The resulting increase in social benefits helps implement policies favoring gender equality.

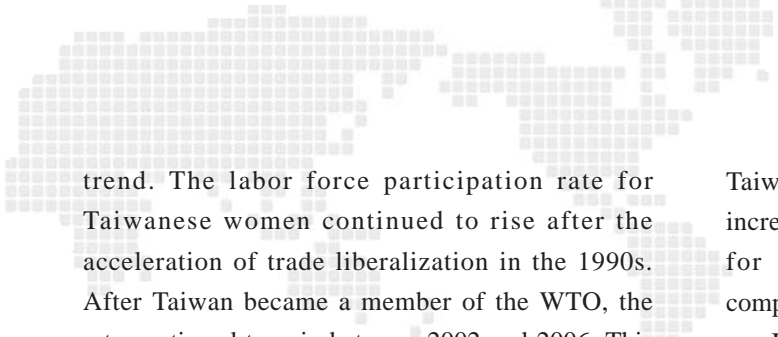
At present, most of the research on the economic

status of women focuses on financing, entrepreneurship, and micro enterprises. The contributions of trade liberalization to women in Taiwan can be viewed in the following ways:

Changes in Labor Force Participation Rate for Women

Since the 1980s, Taiwanese women's participation rate in the labor force has shown significant growth. The labor force participation rate is defined as the percentage of those working among the population over the age of 15. In 2005, in the population over the age of 15, 67.62% of every 100 males were employed, while 48.12% of every 100 females were employed. The labor force participation rate for women rose from 39.25% in 1980 to 48.12% in 2005. The increase has been gradual and steady, and the growth rate is higher than the overall average for both males and females. In the same period, the labor force participation rate for men declined from 77.11% in 1980 to 67.72% in 2005. Statistics over the period showed that the gap between males and females had narrowed. The continuing decline of the labor force participation rate for men is not a result of their being forced out of the job market by women. According to the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the labor force participation rate for men in Taiwan is lower than that of Japan, Singapore or the U.S., mainly because Taiwanese men retire earlier. Figures from 2004 showed that fewer than half of the men between the ages of 60 and 64 remained in the job market and only 11 out of every 100 men over the age of 65 were still working. The low willingness to work for men of middle and advanced age is the main cause for the decline in the labor force participation rate.

However, the increase in the labor force participation rate for women has been a global phenomenon. Taiwan has followed this international



trend. The labor force participation rate for Taiwanese women continued to rise after the acceleration of trade liberalization in the 1990s. After Taiwan became a member of the WTO, the rate continued to gain between 2002 and 2006. This indicates that trade liberalization boosts women's willingness to work. Even in the high-tech industry, which used to be dominated by males, the percentage of female engineers has been rising over the years. Based on figures from the Hsinchu Science Park Administration, of the 110,000 employees in the Science Park, 51% are men and 49% are women. This indicates that the tech industry is no longer dominated by men.

However, compared to other developed countries such as South Korea, Japan and the U.S., in Taiwan the labor force participation rate for women is still relatively low. It was even lower than Japan's at 48.3% in 2003. This shows that there is still considerable potential for Taiwanese women in terms of human resource development.

Changes in Incomes & Salaries for Women

According to the Human Development Report published by the United Nations, the fact that wages are lower for women than for men is a global phenomenon. This is mainly because there are a larger number of females working at basic income levels. The shrinking gap between the wages of the two sexes can be seen as women enhancing their competitiveness in the workplace. As the gap between both sexes on the job market shrinks, pay is becoming increasingly equitable. In 1994, the average salary of women employed in non-agricultural work was approximately 75% what men were making throughout the world. Tanzania boasted the highest percentage at 92%, followed by the U.S. at 75%. Bangladesh had the lowest percentage at 42%.

In 1991, the ratio of female employees to male employees was 67.8% to 100% in the industrial and service industries in Taiwan. The ratio rose to 78.73% in 2005, an increase of over 10 percentage points. This was largely because wages for women grew faster than those for men over the decade when

Taiwan actively promoted trade liberalization. The increase of this ratio indicates significant progress for women in terms of income gains and competitiveness in the workplace.

In different industries, the narrowing gap in wages of the two sexes was particularly obvious in services, indicating that women's status and competitiveness in this field had improved. This was particularly so after 1990, when women's wages rose by nearly 10% to 83.42% of what men were making.

In terms of different industries, the biggest gap in the wages of both sexes was in the manufacturing industry. In 1991, wages for women were only 60.46% of those for men. In 2005, the percentage increased to 68.27%. Apart from public utilities (such as water, electricity and gas), finance and insurance are industries that have seen the fastest growth in women's wages and the narrowest gap in wages between sexes. The rate rose from 68.39% in 1990 to 84.25% in 2006. This shows that the status of women improved the fastest in the finance and insurance industries since the 1990s, when the pace of trade liberalization started to accelerate. The finance industry in Taiwan has been liberalized in recent years, and wages for women have shown the strongest growth in this industry.

In addition to wage incomes, the percentage of women as the main breadwinners in households has also been increasing. Traditionally, men have played this role. However, the percentage of women increased from 19.6% in 2001 to 21.2% in 2003. Compared to other countries in East Asia, this rate was already relatively high in Taiwan.

Effects on Female Employment

In the past, most studies emphasized the negative impact of trade liberalization on female labor. These studies fail to address the positive effects such as the increased job opportunities and high-level positions for women resulting from changes in the industrial structure. In fact, trade liberalization may trigger the demand for labor in areas where women enjoy advantages, allowing women to enjoy more job opportunities or higher incomes. Trade liberalization may also create new

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opportunities, new products or new departments and hence increase job opportunities for women.

Since 2000, the number of high-level female executives and elected officials has grown at its fastest rate in recent years. The growth for women is even higher than that for men. This shows that the increase of females among high-level executives and elected officials is greater than that for men.

As far as professions are concerned, the increase of female technicians, professional assistants and professionals was the second highest annual rate for all categories. The categories that saw the sharpest decline were agriculture, forestry, fishery and animal husbandry. The growth rates have been negative every year. This shows that since 2000, especially in the few years after Taiwan joined the WTO, Taiwanese women actually have found more high-level professional job opportunities. In addition, female workers in agriculture, forestry, fishery and animal farming suffered the greatest impact.

If we observe the changes in female employees in different sectors, we can see that since 1980, the percentage of female employees in services has been rising sharply, at a pace faster than that for male employees. The rate gained from 28.97% in the 1980s to 59.64% in 2005. In other words, 59.64% of females in non-agricultural industries in Taiwan were employed in the service industry by 2005; while only 45.5% of males in non-agricultural industries in Taiwan were working in the service industry. Over half of Taiwanese men still work in industrial sectors. This shows that not only are there more women entering the service industry, but also the service industry has become a major destination for female employees. During this period when Taiwan had been promoting trade liberalization, the service industry had grown rapidly. This, coupled with increased educational levels and training opportunities has helped attract more women into the job market.

Effects on Female Education

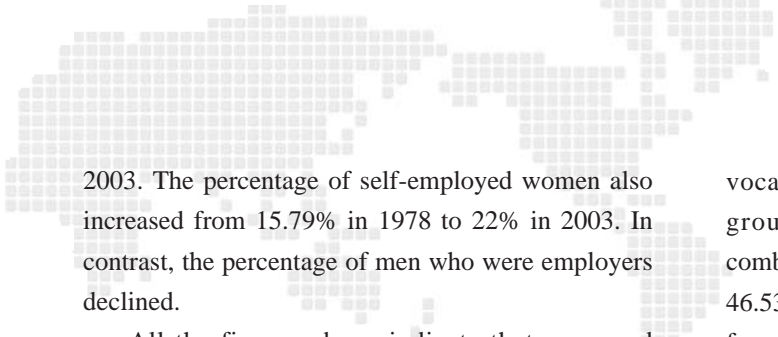
Economic growth and development of society are helping women to enjoy more opportunities to pursue education. In 1999, in the female population above the age of 15, 46.4% of women had educations below the junior high school level. This rate

had declined by 14.2 percentage points from 10 years before. Women with university or above educations accounted for 20.3% of the population, an increase of 9.3 percentage points. Since the 1950s when education rapidly became available to more people, the female population has enjoyed more study opportunities. In the 1994-1995 academic year, women accounted for nearly 50% of all students at every school level. In terms of the gender split in the schooling population, both sexes have almost equal opportunities in terms of numbers.

After years of efforts to implement the Nine-Year Compulsory Education Program, by 1990, the ratio of school children to school-aged children in Taiwan reached almost 100% for both boys and girls. However, since the 1990s when Taiwan accelerated its pace of trade liberalization, the biggest changes for women in their educational process have been the increase in opportunities to receive higher education. The percentage of women enrolled in higher education increased significantly from 20.44% in 1990 to 61.06% in 2005, even higher than the 54% for men. This is not only due to the growing affluence of society, but also to the efforts of the government. In the era of trade liberalization, women find most of their job opportunities in the service industry. At a time when the importance of the knowledge-based economy cannot be overemphasized, women have had access to more opportunities to receive higher education. All these factors have boosted the economic status of women as well as the investment in human capital for society as a whole.

Female Entrepreneurship and Business Owners

When women are active in economic activities, they not only participate in the job market, but also seek opportunities to start their own businesses. An increasing number of women are seeking to start businesses at a pace that is growing more rapidly than that for men. According to figures from the National Youth Commission, from 1993 through 2003, the percentage of women seeking to start their own businesses rose from 12.7% to 16.6%, while that for men declined from 87.3% to 83.4%, a drop of 5 percentage points. The percentage of women as employers rose from 10.15% in 1978 to 15.14% in



2003. The percentage of self-employed women also increased from 15.79% in 1978 to 22% in 2003. In contrast, the percentage of men who were employers declined.

All the figures above indicate that more and more women choose to be their own bosses at a time when Taiwan has been promoting trade liberalization. In fact, what has been driving female entrepreneurship is not only the improvement of women's education levels and social status, but also external factors, such as trade liberalization and globalization as well as the advent of the knowledge-based economy and structural changes in industry. Trade liberalization and globalization have triggered changes in the originally localized economic structure and vested interests. As a result, more new opportunities have emerged that benefit women. While women enjoy advantages in the service industry, more opportunities appear when industry becomes more service oriented, making it clear why more and more women are joining the ranks of entrepreneurs.

In addition, according to a report prepared by the Chung Hua Institution for Economic Research on behalf of the National Youth Commission, business tax figures from the Financial Data Center, Ministry of Finance, showed that in 2003, there were a total of 394,245 enterprises whose chairpersons were women. These female-owned enterprises accounted for 33.87% of the total businesses in Taiwan. However, the total revenue of these female-owned enterprises stood at NT\$3,286.6 billion, only 13.07% of the total. In other words, female-owned enterprises contributed to less than 20% of the whole economy. The average revenue of these female-owned enterprises was NT\$8.4 million, or 30% of the average of the male-owned enterprises (NT\$28.4 million). It shows that the typical scale of the female-owned enterprises is relatively small. This is why the revenue contribution was low for female-owned enterprises overall. In terms of age distribution, both female business owners and self-employed women are typically between 30 and 54 years old. In terms of educational background, the majority of female employers are high school and

vocational school educated, and the next largest group is college and university educated. The combination of both educational levels accounted for 46.53% of all female employers. Most self-employed females are primary school educated, and the next largest groups are high school and vocational school educated. The combination of all these education levels accounts for 57.42% of the total. In other words, the educational background of self-employed women is, on average, lower than that of female employers. The sectors that attract more female employers are lodging, food and beverages and educational services; while the sectors that attract more self-employed women are educational services, other services, lodging and food and beverages.

Exports from Female-Owned Enterprises in Taiwan

According to the statistics from the report White Paper on SMEs: A Study of Female Entrepreneurship in Taiwan (2003) by the Chung Hua Institution for Economic Research, under the commission of the Small and Medium Enterprise Administration, Ministry of Economic Affairs, female-owned large enterprises and SMEs in Taiwan accounted for 7.2% and 5.7% of total industry revenue, respectively. There was no significant difference between large enterprises and SMEs. It means that female-owned enterprises are not limited to SMEs. However, compared to enterprises owned by men, female-owned enterprises do not match export capabilities of male-owned companies.

Although the report indicates that the share of female-owned enterprises in the export market is lower than that of male-owned companies, as far as contributions to exports are concerned, female-owned SMEs have greater influence than male-owned SMEs in the export market. Female-owned SMEs accounted for 40.16% of the export value from female-owned companies. This shows that in terms of boosting exports from female-owned enterprises, the focus should be on female-owned SMEs. Generally speaking, there is a huge gap between large enterprises and SMEs in terms of management and financial risks. Therefore, to boost

potential exports from female-owned enterprises, the appropriate strategy should be to use existing policy to help SMEs. Taiwan has a long-standing history of promoting SMEs, and its experience can serve as reference for other emerging nations on similar paths of economic development.

In terms of industry distribution, the main exporters among male-owned enterprises are in manufacturing, accounting for 60.59% of all enterprises. The second highest contributor was the wholesale and retailing industry at 31.22%. The main exporters among female-owned enterprises are wholesalers and retailers, amounting to 61.56% of all female-owned enterprises, followed by manufacturing, amounting to 26.73% of all female-owned enterprises. However, the contribution to exports from female-owned manufacturers was lower than that from male-owned manufacturers. This shows that the export contributions from male-owned and female-owned enterprises are significant in terms of industry distribution. The main exporters among female-owned enterprises are in the wholesaling and retailing industry.

In sum, with regard to the exports of female-owned enterprises, we know that there are differences between domestic-market oriented female-owned enterprises and exports-oriented female-owned enterprises. Therefore, different policies should be created for these two types of female-owned enterprises, based on their business focuses.

Policies to Enhance the Status of Women in Taiwan

Over the past decade, Taiwan has been active in creating a female-friendly environment with efforts in legal regulation following global trends favoring gender equality and women's rights. The establishment of the Commission on Women's Rights Promotion, Executive Yuan, is undoubtedly leading this movement and has prompted all regulators to factor gender issues into their policy and legal framework. Therefore, the government published regulations such as the Public Assistance Act and the Statute on Assisting Families of Women in Difficult Circumstances to help women meet their family responsibilities through subsidies so that they

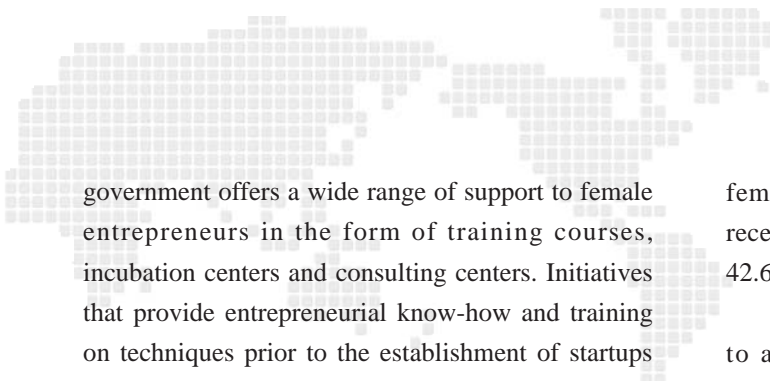
can improve their lot.

In addition, the government also has nurtured the concept of equality from an educational perspective and endeavored to promote women's social status through the power of education. According to data from the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the net enrollment rate for women in higher education increased from 10.25% in 1980 to 61.06% in 2005, 7% higher than that for men in 2005. This shows that the human capital qualities of women have been improving significantly. This has empowered women to step out of the family.

The Taiwanese government is fully aware of the positive effects of women's participation in economic activities and women's contributions to overall economic growth. However, the potential of female entrepreneurship and employment is yet to be fully realized. The Taiwanese government is well prepared to embrace the rise of female economic power.

The government has been playing a caretaker role as far as female employment is concerned. The amendments and additions to relevant labor laws such as the Labor Standards Law have provided for the safety of late night work for women, maternity leave, time off and compensation for miscarriages and transfers to easier jobs during pregnancy. Also, the Gender Equality in Employment Law mentions the implementation of menstruation leave for women. These are all incentives for women due to their innate disadvantages. These incentives also promote women's willingness to work. The labor force participation rate for women rose from 39.25% in 1980 to 48.22% in 2006. The draft New-Century Women's Labor Policy that is currently being modified by the Council of Labor Affairs, Executive Yuan is focused on the creation of a gender-equal work environment, the enhancement of employability for women, the protection of female labor and the creation of a comprehensive social support system. It is hoped that women can feel secure and fully dedicated to their jobs with support from their families and society and a complete package of government policies.

With the rapid development of SMEs in Taiwan, female entrepreneurship is growing. The Taiwanese



government offers a wide range of support to female entrepreneurs in the form of training courses, incubation centers and consulting centers. Initiatives that provide entrepreneurial know-how and training on techniques prior to the establishment of startups include the Flying Goose Project sponsored by the National Youth Commission, female entrepreneurship workshops organized by the Council of Labor Affairs and management training for owners of sideline businesses provided to women in farming villages by the Council of Agriculture, Executive Yuan. During the start-up process, the Ministry of Economic Affairs offers consulting and troubleshooting services to medium- and small-scale startups. In addition, the Small and Medium Enterprise Administration, Ministry of Economic Affairs has established nearly 100 incubation centers to provide pre-startup training and evaluation, as well as consulting and support services to startups founded by women. The assistance even includes support for reorganization and upgrading of female-owned enterprises. Figures from the Small and Medium Enterprise Administration show that over 90% of the businesses that have been assisted by the incubation centers have been successful. The number of female-owned businesses that come to the incubators for help increased from 136 in 2003 to 227 in 2005, up by 167% in the course of two years.

In addition to the comprehensive assistance and services for female entrepreneurs to develop skills, the government also provides a wide range of loans and subsidy programs for funding. The National Youth Commission, Council for Labor Affairs, the Small and Medium Enterprise Administration, Council of Agriculture and the Indigenous Peoples Commission offer various loan schemes to different types of candidates. Both the Council of Labor Affairs, Executive Yuan and the Department of Labor, Taipei City Government offer loan schemes for women who are in special circumstances and aged between 20 and 65. The Youth Entrepreneurship Loan Scheme offered by the National Youth Commission and the Micro Enterprise Startup Loan Scheme offered by the Small and Medium Enterprise Administration are funding channels for

female entrepreneurs. The percentage of women receiving such loans rose from 38.66% in 2003 to 42.67% in 2005.

Due to the comprehensive support and measures to assist female entrepreneurs, female-owned businesses have grown in numbers and size. According to a white paper on SMEs in 2004, the percentage of female-owned enterprises increased from 15.79% of all businesses in 1978 to 22% in 2003. The growth rate of nearly 7% is a strong indicator of the results that have come from supporting female entrepreneurship.

Overall, the efforts by the Taiwanese government to promote the development of female-owned enterprises are worthy of recognition. A series of policy initiatives have empowered women to gradually establish economic autonomy. Women are also gaining greater status at home because of their growing economic independence from men. In terms of the percentage of women's wages compared with men's wages, the number for industrial and service industries climbed from 67.8% in 1991 to 78.37% in 2005. The number for finance and insurance industries increased from 69.39% to 84.25%, up by 15.86% over the same period. In addition, figures from the Directorate-General of Budget, Accounting and Statistics, Executive Yuan show that 21.6% of households relied on women as the main breadwinners in 2004, still significantly lower than 78.4% for men, but the gap has been shrinking.

Technology in Practice: The Case of APEC

Darson Chiu

Technology is essential for an organization's sustainable development and operation. "Technology is the combination of skills, knowledge, abilities, techniques, materials, machines, computers, tools, and other equipment that people use to convert or change raw materials into valuable goods and services" (Jones, 2004, p. 264). For a profit driven organization, technology is an important component to optimize its outputs and maximize its profits. Inputs, outputs, and profits are apparent factors for sustaining profit driven organizations, and technology plays the critical role linking these factors. Technology is also a very important factor for nonprofit organizations; however, identifying inputs, outputs, and the relationship between them is not as easy. The inputs and outputs of nonprofit organizations do not necessarily have market values, but technology is still needed to transform inputs into outputs in the case of nonprofit organizations.

This article intends to identify the technologies transforming inputs into outputs and analyze the impacts of technologies on organizational performance in the Asia-Pacific Economic Cooperation (APEC), a nonprofit, intergovernmental, and regional organization. The technology embedded and adopted in APEC is related to APEC's interplay with its member economies and other organizations. There exist intra-relationships between APEC and its member economies as well as interrelations between APEC and other international organizations. The intra-relationships and interrelationships of APEC are influenced by its core and enabling technologies. In addition, the relevant technologies are closely related to APEC's organizational structure.

APEC from an Alternative Dimension

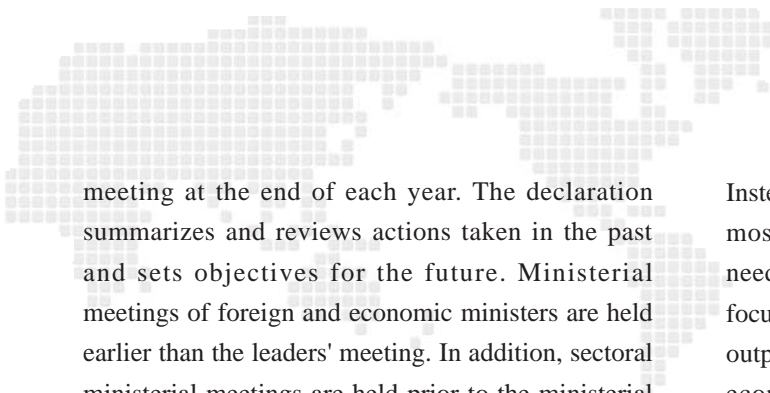
APEC is a regional organization that was founded in 1989, and its purpose is to promote free trade and economic cooperation in the region of

Asia-Pacific (APEC, 2005). APEC is not only an organization but also a forum that operates based on open dialogue among governments with consensus as the decision making mechanism. APEC is also a non-binding organization, which means that there are no compulsory obligations for APEC member economies. Fulfillment of APEC member economies is supported mainly through peer pressure as well as economic and technical cooperation. Fulfillment of APEC member economies is in accordance with APEC's mission, which is referred and categorized as three pillars, namely, trade and investment liberalization, business facilitation, and economic and technical cooperation. The first pillar is to reduce and eliminate tariff and non-tariff barriers that hinder regional trade and investment. The second pillar is to reduce business transactional costs by improving access to information related to regional trade and coordinating relevant policies and strategies to smooth the progress of economic growth. The third pillar is to bring together APEC member economies and build the basic capacities so as to promote regional trade, whereas developed economies are encouraged to provide technological assistances to developing economies (APEC, 2005).

APEC organizes events to gather economy leaders, ministers, senior officials and scholars from 21 member economies to exchange views every year. These events include working group meetings, senior official meetings, ministerial meetings, and an economic leaders' meeting (APEC, 2005). In general, APEC is operating with two levels, policy level and working level.

Policy Level

APEC policy level consists of economic leaders' meeting and ministerial meetings. The economic leaders' meeting has been the focal event of APEC, and it is held once a year in the APEC host economy. Leaders announce leaders' declaration after the



meeting at the end of each year. The declaration summarizes and reviews actions taken in the past and sets objectives for the future. Ministerial meetings of foreign and economic ministers are held earlier than the leaders' meeting. In addition, sectoral ministerial meetings are held prior to the ministerial meeting of foreign and economic, and the sectoral ministerial meetings comprise areas of education, finance, health, human resource development, science and technology, tourism, and telecommunication and information (APEC, 2005). Ministers evaluate the year's activities and provide proposals for leaders' consideration.

Working Level

APEC working level includes senior official meetings, Committee on Trade and Investment, Committee on Economic and Technical Cooperation, Economic Committee, Budget and Management Committee, working groups, and special task groups. Working under guidance from ministers, senior officials conduct and supervise activities of committees, working groups, and task forces.

APEC is a hierarchical structure. The management structure of APEC is a top-down mechanism that leaders instruct ministers, whereas ministers direct senior officials to take certain actions. The functioning structure is a bottom-up mechanism that senior officials gather information and outcomes from committees, working groups, and task forces and propose to minister while minister submit action plans to Leaders.

APEC Economies

Tremendous gaps exist in economic development among APEC economies. There are no 100% service-oriented or manufacturing-oriented economies in the APEC region because economic structures are evolved in response to internal and external needs. The internal and external needs demand a mixture of outputs of services and manufacturing goods. A service-oriented economy must place a greater emphasis on human resource development because humans or labor is the most important input for service-oriented economy.

Instead of treating labor as a fixed input factor like most economists do, a service-oriented economy needs to stress the importance of human relations focused natural systems to create an added value to outputs. The technology used by a service-oriented economy is the technological activity of human resource capacity building. A manufacturing economy considers labor as simply one of the inputs like capital and machinery. The technology required by a manufacturing economy is to efficiently process all inputs to generate maximum or optimal outputs. In addition to reach efficiency, the technology is also used to create an added value. By comparison, the use and impact of technology in a service-oriented economy and a manufacturing-oriented economy are equally important to create value added. By contrast, the technology used in a service-oriented economy is to strengthen labor inputs, whereas the technology used in a manufacturing economy is to empower the technological activity. All APEC member economies are partially service-oriented and manufacturing-oriented, which indicates that APEC economies need to take advantage of relevant technologies to optimize their national interests. When adopting applicable technologies, economies also experience consequential impacts. Trying to promote economic cooperation among member economies, APEC has to realize that various impacts experienced by different economies and adopt appropriate core and enabling technologies to fulfill its mission and goal.

Core and Enabling Technologies

Core Technology

The core technology is that technology that provides leverage to the organization to fulfill its mission and grow (Scott, 2003). Prahalad (1993) offered that the organizational core competency that includes the core technology should be a main basis of competitive differentiation, and the core technology based competency ought to be difficult for competitors to copy. The core technology is what sustains an organization. APEC's core technologies are its hierarchical structure and consensus decision making mechanism that resolve potential conflicts among member economies. As developed economies

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interested in trade liberalization and facilitation, and developing economies keen on economic cooperation, APEC has taken advantage of its structure and mechanism and successfully dealt with diverse interests of member economies. The hierarchical structure supported by policy and working levels helps launch valuable projects in promoting liberalization, facilitation, and economic and technical cooperation efficiently. The consensus mechanism helps eliminate conflicts that could easily arise in other international organizations.

The development of APEC's core technologies has been influenced by its environments and other international organizations. Witnessing other organizations facing a moratorium in progress due to their inflexible organizational structures and compulsory obligations, APEC adopts a unique structure that is hierarchical in implementing action plans, non-binding in commitments, and consensus based decision making as its core technologies. The core technologies help APEC fulfill its mission with respect to the particular environments of Asia-Pacific region. APEC uses its core technologies to optimize its outputs and resolve potential problems, such as: gaps in economic development and different opinions in cooperation formats among APEC member economies.

Enabling Technology

Enabling technologies are those that facilitate or assist the core technology in doing best what it does (Scott, 2003). The enabling technologies of APEC comprise its management approach to coordinate committees, working groups, and task forces and its updated information technology that reduce the transactional costs of communications among APEC member economies. The management approach is conducted by practicing transformational leadership at the secretariat level and directive leadership at the organizational level. The communication technology of APEC has evolved from face-to-face meetings to planned virtual meetings, and the evolution has updated the enabling technologies that empower the core technologies. The enabling technologies of APEC are related to new management and information technology, whereas APEC depends more on information technology to reinforce its core

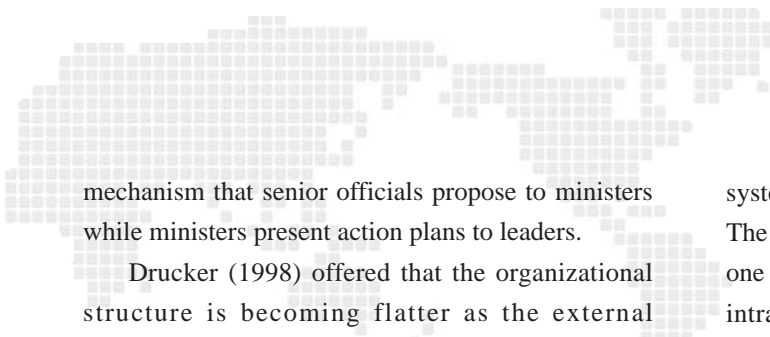
technologies because of geographic distances in the region of Asia-Pacific. The enabling technologies assist APEC's core technologies in sharing information faster and managing organizational structure and decision making more effectively.

Organizational Structure

"An organization's culture is shaped by the people inside the organization...and by the type of structure used by the organization" (Jones, 2004, p.36). Technologies bring about change in organizations, and change impacts people and the organizational structure. Organizational structures play an important role in supporting technology because "technology exists at three levels: individual, functional or departmental, and organizational" (Jones, 2004, p.265) and these three levels are crucial components of organizational structures. The individual level of APEC is related to the diverse capacities in production technologies possessed by APEC member economies with respect to various combinations of service-oriented and manufacturing-oriented dimensions. The functional or departmental level of APEC is its hierarchical policy level and voluntary working level. The organizational level of APEC is its structure with regard to the rational, natural, and open systems. APEC's organizational structure is a mixture of rational, natural, and open systems.

Rational System

"From the rational system perspective, organizations are instruments designed to attain specified goals" (Scott, 2003, p.33). The goals of APEC are embedded in its three pillars, which are to promote trade and investment liberalization, business facilitation, and economic and technical cooperation (APEC, 2005). The organizational goal has been guiding APEC's actions since 1989. The rational system "refers to the extent to which a series of actions is organized in such a way as to lead to predetermined goals with maximum efficiency" (Scott, 2003, p.33). In order to attain the specified goals, the rational system of APEC is designed as a top-down device that APEC leaders instruct ministers, whereas ministers direct senior officials to take certain actions. The system is also a bottom-up



mechanism that senior officials propose to ministers while ministers present action plans to leaders.

Drucker (1998) offered that the organizational structure is becoming flatter as the external environments become more dynamic due to the proliferation of information and adoption of computer technology. To obtain the advantage of modern technology, organizations need to transform themselves to be information-based (Drucker, 1998). "In the information-based organization, the knowledge will be primarily at the bottom" (Drucker, 1998, p.6). APEC is definitely not an organization with a flat structure, but it is transforming itself into an information-based organization with committees, working groups, and task forces at the bottom to acquire necessary knowledge. Newcomers could defeat incumbents and create new demands with rising expertise (Day & Schoemaker, 2000). APEC has been challenged by other organizations for the limited regional resources; however, APEC is current the most powerful decision maker in the region with its out of the ordinary core and enabling technologies.

Natural System

According to Scott (2003), the natural system model generally suited for professional or nonprofit organizations, so this is an ideal system for APEC. The natural system focuses on human or member relations of an organization. The essential phase of natural system is to identify members' needs. APEC member economies have different needs in promoting trade and economic growth. Developed economies are interested in eliminating trade barriers, but developing economies are more interested in acquiring new production technologies. The rational theorists value organizations, whereas the natural theorists value people or members (Scott, 2003). Unlike the rational system concentrating on the formal organizational structure, Scott (2003) offered that the natural system model focuses on the informal arrangement in decision making, which is perfect to manage the huge inconsistency in views of economic needs from developed and developing economies. APEC has incorporated the natural

system in its non-binding decision making process. The use of this particular decision making process is one of APEC's technologies that help strengthen the intra-relationships between APEC and its member economies.

Open System

"The best way to organize depends on the nature of the environment to which the organization relates" (Scott, 2003, p.96). The open system places an emphasis on organizational environments. Because the environments of a regional organization are changing rapidly caused by globalization and information technology, APEC needs to focus on these two factors in response to its open systems. Globalization is a contemporary and inevitable trend, and information technology is the driving force that speeds up the globalization trend (Harris, 2000).

The organizational environments have influenced APEC's development, but on the other hand constrained APEC's operation to a certain extent. "All must enter into exchanges with the environment" (Scott, 2003, p.133). APEC needs to compete with other regional organizations for the limited regional resources. In order to sustain its development and operation, APEC relies heavily on two essential resources, financial contributions and participation from member economies, since "all organizations must secure a continuing supply of resources—including participants—from their environment" (Scott, 2003, p.183). Compared with other organizations in the region of Asia-Pacific, APEC possesses the dominant competitiveness in terms of acquiring resources from the region. From the perspective, APEC's technologies include launching the leaders' meeting to attract media attention, dominating resources with its hierarchical and governmental power, and outsourcing research works to competitors. APEC could not pay attention to all perspectives, so APEC is outsourcing some of the research works to other regional organizations, such as the Pacific Economic Cooperation Council (PECC). PECC is not as powerful as APEC because APEC has the direct support from governments. Overshadowed by APEC, PECC transformed its role

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from a competitor to a partner. "Corporations must Change to adapt to shifts in the market place" (de Jager, 2004, p.16). APEC has forced PECC to become a think-tank and called PECC as "APEC Second Track" (PECC, 1980). PECC has executed a number of APEC projects, and this relationship has been a positive development for the growth of both APEC and PECC. PECC is part of APEC's open system, and APEC has successfully used its technologies to change its open system and sustain its interrelationships.

Conclusion

Benjamin and Levinson (1993) suggested that organizations could benefit more from placing a greater emphasis on managing organizational changes resulted in technologies than focusing mainly on the technologies. APEC has also employed its technologies including the newly invented information technology to deal with the rapidly changing international environments, whereas the technologies have changed APEC and its environments. de Jager (2004) offered that organizations need to change in response to changing environments. An organization might easily lose its competitiveness without properly managing emerging technologies (Adner & Levinthal, 2002). Chang and Lung (2002) also offered that technological improvement and organizational changes are necessary to maintain an elevated technological effectiveness.

Technology is a device or mechanism that converts inputs into outputs, whereas an advanced technology is able to minimize inputs to produce optimal outputs or generate maximum outputs with fixed inputs. In the case of APEC, the inputs are available resources in the region of Asia-Pacific, and the outputs are achievements contributing to the region's economic cooperation and growth. APEC is operating with hierarchical structure and consensus decision making mechanism to fortify its interrelationships and intra-relationships. In addition to APEC's hierarchical structure, APEC adopts a combination of national, natural, and open systems to empower its absolute advantage in the region of Asia-Pacific.

In conclusion, the technologies adopted by

APEC are different from technologies adopted by profit driven organizations. The technologies have positively impacted APEC and its environments.

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An Overview of the Local Cultural Industries Development in Taiwan

Grace Chung

Small and medium enterprises (SMEs) have always been the driving force behind most economies' economic development. SMEs accounted for about 97.8% in businesses on this island and provided close to 80% employment opportunities. Hence, developments of SMEs have always caught the central of attention in local economic policies and strategies. In particular, the efforts of revitalizing local cultural industries and helping them become a competitive player in the international market has recently become the top agenda in the government's new economic development campaign. Indeed, in the past, there has been a tendency in neglecting traditional local industries since these industries are mainly located in remote areas, which have potential transportation problems, and thus the required business development services are often not available at all or delivered by providers with limited capacities and competence. In fact, a number of international agencies had identified that micro-enterprises development can be a useful means to eradicate poverty. It is thus important for the government in playing a major role to help micro enterprises and grassroots producer organizations match their social goals of poverty alleviation through generation of employment, economic and social empowerment through being commercially viable, market readiness and creation of greater market opportunities. The primary focus is on capacity building of artisans, product development and increased access to local, regional and global markets.

Therefore, on one hand, we see the continuation of the government in Taiwan in implementation of support measures for the technological upgrading of the SMEs, on the other hand, we also began to see the importance of providing guidance for the restructuring of traditional local industries in early

1989. These measures aim to remove obstructions of the development and actively challenge SMEs to develop their own technologies to meet the change of the economic environment. There are now a number of governmental agencies involved in the guidance program to the traditional and special local industries. The government formulated policies for support to the development and revitalization of those industries that have the potential in retaining characteristics of preserving traditional production methods and motifs, integrating local available natural resources, uniqueness and cultural aspects of their products. Needless to say, business activities in the economy are market-oriented, so competition among SMEs and other enterprises is encouraged.

To meet and address these needs, the central government brings together the Ministry of Economic Affairs, the Council for Cultural Affairs, the Council of Agriculture, the Council of Indigenous People's Affairs, the Council of Hakka Affairs and etc. in continuously offering guidance and other support programs and activities while cooperating with the local provincial authorities to the local cultural SMEs. It was projected at the same time that assistance to the local industries could attribute not only real economic values, but also to the sustainable development of the poorer rural communities.

The Small and Medium Enterprise Administration (SMEA) of the Ministry of Economic Affairs first implemented the "Guidance for Traditional and Special Local Industrial Project" in 1989. The project was focused mainly on providing guidance to local industries that were of historical importance or uniqueness, along with those consumption-type industries that had made a significant contribution to local development. At the time of merging new and old cultures, it has been

Types of industries which governmental agencies have focused in promotion of traditional and special local industries

Government Agency	Main Emphasis of Local Industry Promotional Efforts
Small & Medium Enterprise Administration	Industries that are of particular historical importance, consumer-oriented, or unique, and which have the potential to be developed into special local industries for a particular township, rural township, or district
Commerce Department, MOEA	Small and medium-sized commercial enterprises
Industrial Development Bureau, MOEA	New industries and products, particularly those that are unique or emphasize high quality
Council for Cultural Affairs, Executive Yuan	Local industries with special cultural characteristics
Council of Indigenous Peoples, Executive Yuan	Tourist farm operations, specialty agricultural products, operation of restaurants using local agricultural products and innovative agricultural products
Council for Hakka Affairs, Executive Yuan	Industries characteristic of the Hakka districts on the island, including special agricultural products, construction, wood-carving, ceramics, weaving, paper umbrella production, restaurant business and bed-and-breakfast operation

Source: SMEA, MOEA.

Consultancy Results

Year	Amount of Funding	Total Cases	Number of Guided Enterprises	Number of Trained Employees	Increased Benefits	Improved Jobs	Unit: NT\$
							Improved Amount of Investment
2003	36,000,000	21	300	-	120,000,000	1,200	-
2004	36,036,000	22	404	330	128,825,000	1,503	-
2005	36,036,000	18	421	450	141,252,000	1,665	306,272,000
2006*	37,075,000	15	400	480	130,000,000	1,450	400,000,000
Total	145,547,000	76	1,525	1,260	520,077,000	5,818	-
Average	36,825,000	19	381	420	130,019,000	1,455	-

*Figures in 2006 are estimated.

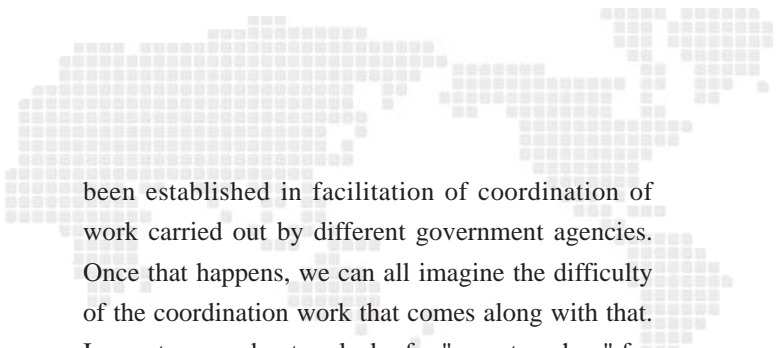
Source: SMEA, MOEA.

one of the important topics as to how creativeness and new concept of management and development can be achieved in local cultural industries. Hence, the expansion of creative local industries and the development of local industries in indigenous communities were deemed as a priority. The idea was to realize the goal in creating "a special local industry in every township, rural township and community." The consultation program seeks in development of the creation of cultural industries and the production and dissemination of diversified cultural goods and services and in the boosting of production capacities and vocational training.

After a decade and a half of persist efforts, many

of the local industry guidance programs implemented by the SMEA have achieved impressive results. Successful cases include the clog industry in Paimi, Ilan County, coconut cultivation in Laochuangchiao, Pingtung County; vegetable dye industry in Chungliao, Nantou County; Hisaopantien community in Luku Rural Township; and the indigenous people's handicraft in Santimen, Pingtung County.

Nevertheless, though many different government agencies have taken keen interest in promoting the development of traditional and special local industries, they often have their own agendas in mind. Particularly, since thus far, no mechanism has



been established in facilitation of coordination of work carried out by different government agencies. Once that happens, we can all imagine the difficulty of the coordination work that comes along with that. In most cases, due to a lack of a "one-stop shop" for the promotion of development of local cultural industries, companies have difficulty in gathering correct information. Consequences are reduced effectiveness of the consultancy work. Ministry has been making many efforts in assisting the market development of the local cultural industries and he stressed the need to address other aspects of the problem faced by the local cultural industry, particularly in assisting them to produce high-quality products, improve management skills and upgrade manufacturing process.

Conclusion

As successful local industries are regarded as a critical aspect of local economic development and source of tax revenue for the government, consultancy to the development of local cultural industries remains an important economic policy. Cultural goods are a form of "merchandise", but they are not "just like any other." Should the emphasis be placed on the first proposition or on the second? Clearly sensitivities, traditions and approaches vary from country to country. Hence, the importance of the cultural dimension of development, preservation of cultural identities, international cultural cooperation and dialogue between cultures, together with the notion that access to the information society and the role of the new technologies are one of the major challenges facing cultural policy today and still more so in future.