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A U.S. View of Taiwan’s “Asian Silicon Valley” Initiative

Commentary by Lotta Danielsson

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On September 8, 2016, Taiwan’s Executive Yuan (EY) formally approved the government plan to establish an “Asian Silicon Valley” (ASV) in northern Taiwan. The ambitious ASV initiative, with a planned implementation period through 2023, falls under the auspices of Taiwan’s Cabinet-level National Development Council (NDC). Implementation will also be supported by Audrey Tang, the young minister without portfolio charged with leading Taiwan’s digital economy push.

This initiative is intended to boost innovation and R&D, improve Taiwan’s standing in the emerging Internet of Things (IoT) industry, cultivate the next generation of entrepreneurs, encourage domestic start-up companies, and position the island as a key link in a global, next-generation technology ecosystem. The ASV project was part of the “five innovative industries” plan laid out by President Tsai Ing-wen during her election campaign. Along with the “New Southbound Policy” it plays a key role in her plans to enhance Taiwan’s competitive edge, induce industrial transformation, and increase economic growth.

The project has faced some domestic scrutiny, with the Cabinet debating its viability during a series of meetings last summer. But in October 2016 the Executive Yuan (EY) announced that a budget of NT\$11.3 billion (US\$358 million) had been earmarked for the ASV project. Funding was included in the Taiwan government budget passed on January 19, 2017. A portion will be new funding, with the remainder appropriated from existing budgets for government agencies within the Ministry of Science & Technology and the Ministry of Economic Affairs. The NDC has said that the 2017 ASV budget has been allocated towards “internet infrastructure, mobile broadband services, e-commerce, smart applications, test beds, industry-university collaboration, digital talent, and regulatory adjustment.” Future year budget requests will be reevaluated on a rolling basis depending on need.[1]

Taiwan had already taken steps towards deepening cooperation with Silicon Valley and encouraging start-ups and investments in new technology. This included creating the Taiwan Silicon Valley Technology Fund (a capital venture fund), opening a Taiwan Innovation and Entrepreneurship Center in Santa Clara, and establishing the Taiwan Startup Stadium in Taipei. But one of the first concrete steps towards implementation of the ASV project itself came in late December of 2016, when the NDC announced the opening of an Executive Center for the Asian Silicon Valley Plan near the high-speed railway station in Taoyuan in northern Taiwan.

Taoyuan, which is also home to Taiwan’s international airport, is an ideal location to house the headquarters for this initiative, as it is situated between the capital Taipei and the existing technology hub of the Hsinchu Science Park – already a major driver of innovation in Taiwan. Minister Tang has clarified, however, that the project is not about trying to clone Silicon Valley in Taiwan, but rather about building out connections between the island and other centers of next-generation technology excellence, both in the US and in the rest of Asia.



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In discussions with US companies about the ASV project, there is some guarded optimism—although many companies are currently waiting and watching to see how the initiative unfolds. US technology firms have expressed a willingness to partner with the government to realize the potential of Taiwan beyond the traditional hardware manufacturing on which it built its reputation as a technology hub. US businesses may follow the example of Qualcomm, which in November last year [signed](#) a Memorandum of Understanding (MOU) with Taiwan’s Ministry of Economic Affairs to develop next-generation mobile communications and to expand Taiwan’s IoT capabilities. Qualcomm will join with Taiwan’s Industrial Technology Research Institute (ITRI) and with domestic companies to conduct R&D in Taiwan. The MOU also provides a framework for a long-term partnership between Taiwan and Qualcomm to expand and strengthen innovation and entrepreneurship on the island.

Despite some optimism, however, US companies have also seen many other places in Asia—including [Malaysia](#), [Singapore](#), and [Indonesia](#)—try to build their own versions of Silicon Valley, some with disappointing results. They understand that it is not so easy to catch lightning in a bottle. Some US companies also feel that Taiwan is sending [mixed signals](#) with regard to its willingness to embrace the changes necessary to make the ASV project a success. There is concern about lack of openness to new ideas and about a plethora of legal constraints. Sharing economy companies such as AirBnB face an [uncertain future](#) on the island due to strict restrictions on its flagship services. A very vocal Uber has intimated that, while government officials talk about embracing innovation, its no-tolerance stance on ridesharing services sends the opposite message. Some companies feel that, in practice, Taiwan appears to instead be rejecting new technologies and discouraging the type of disruption that is the hallmark of Silicon Valley in the United States.

To successfully implement the ASV vision will therefore require creating a more open regulatory environment in Taiwan. The Taiwan government will have to remove existing hurdles and reduce the cost of starting new companies. It must create an environment where venture capital is readily available. While they took a step forward in this regard by [amending](#) the Company Act to provide additional flexibility for start-up funding, more streamlining is needed. Taiwan will also need to make adjustments to its immigration and work permits system in order to attract foreign experts to the island, as well as develop its education system to foster and reward innovative thinking in its workforce.

The NDC is galvanized and ready to move forward with this project. But ultimately, the government will have to develop a more open and agile bureaucracy, which is able to let the ASV project develop organically and in unexpected directions in order to produce a uniquely Taiwan version of Silicon Valley. Taiwan has to provide infrastructure and a business environment that encourages the sort of innovation culture that allows entrepreneurs to take risks and to explore and develop new ideas. It will be an iterative process over many years, and will require constant changes to adjust to the ever evolving global market environment.

The main point: Taiwan’s Asian Silicon Valley initiative is an ambitious project that has a huge potential upside if it can transform the island into a center for entrepreneurship and innovation. If this is the path that the Taiwan government is taking, US technology companies are willing to cooperate, and to partner with them on mutually beneficial initiatives. However, Taiwan has to make both regulatory and cultural changes to pave the way for success.