

國立政治大學亞太研究英語碩士學位學程
International Master's Program in Asia-Pacific Studies
College of Social Sciences
National Chengchi University

碩士論文

Master's Thesis

臺灣銀行之困境：台灣銀行業及其不成比例的國際影響力
成因之分析

An Analysis of the Agents Behind Taiwan's Banking System
and its Disproportional International Influence

Student: Robert Edwards

Advisor: Tsoyu Calvin Lin

中華民國 106 年 7 月 July 2017

臺灣銀行之困境：台灣銀行業及其不成比例的國際影響力

成因之分析

An Analysis of the Agents Behind Taiwan's Banking System
and its Disproportional International Influence

研究生：羅德翰

Student: Robert Edwards

指導教授：林左裕

Advisor: Tsoyu Calvin Lin

國立政治大學

亞太研究英語碩士學位學程

碩士論文

A Thesis

Submitted to International Master's Program in Asia-Pacific Studies

National Chengchi University

I

中華民國 106 年 7 月

July 2017



Acknowledgements

In the development of this thesis I would like to sincerely thank a number of people and organizations. First and foremost, I would like to thank Professor Calvin Lin for his excellent guidance and assistance throughout my two years at National Chengchi University and most importantly as my thesis supervisor. I would also like to thank my committee members Professor Lo and Professor Fang, again their input on this thesis has been extremely valuable as they have pushed me to achieve greater things. Finally, in relation to this thesis I would like to thank the British Chamber of Commerce, they have been very supportive providing useful contact to conduct original research on the topic.

My two years at NCCU I am sure will be among the most formative of my life, I have had the good fortune to make a great many friends for life. All of this has been possible because of the generous support given by the Taiwanese government on their many sponsorship programs. I have developed great affection for this island nation and take great pleasure in being able to call it home for this short time.

Abstract

This paper has considered a number of previously unconsidered issues affecting the disproportional international influence of Taiwanese banks. Those issues have been considered together with issues prominent in the existing literature. New issues have been identified through an Analytical Hierarchy Process (AHP) based questionnaire distributed to industry professionals. The issues identified as most salient are then raised in interviews with experts to identify cause and effect. The most prominent issues were found to be serious overbanking and access to capital as well as domestic government policies that limit banks access to the Chinese market. The paper recommends serious structural reform of the banking sector in Taiwan to strengthen private banks through encouraging further mergers and acquisitions.

Key words: Overbanking, Cross-Strait relations, Access to Capital, Financial Regulation

論文摘要

本研究思考了關於台灣銀行業及其不成比例的國際影響力成因，一些以前沒有想到的議題。尤其是將這些議題和一些早已突顯在先行研究中存在的議題一併思考。透過 AHP 調查問卷的方式，將這些新的議題提供給台灣的銀行專業人員填寫作答。然後，再將其中被認為最重要的因素和銀行業專家們面談論證其因果關係。其中發現最不成比例的國際影響力成因是銀行過度競爭和獲取資本，以及國內政府政策限制台灣銀行進入中國市場。因此，本研究建議台灣政府對銀行業進行結構性的重大改革，透過鼓勵合併及收購的方式進一步強化台灣的私營銀行。

關鍵詞：銀行過度競爭、海峽兩岸關係、獲取資本、金融管制

TABLE OF CONTENTS

1. Introduction	1
2. Literature Review and Theoretical Approach.....	4
2.1 Taiwan's Financial Holding Companies and their Influence	12
2.2 The State of the Current International Banking Sector.....	14
2.3 Theoretical Approach.....	21
3. Research Overview and Structure	24
4. Methodology	26
5. Questionnaire Results	29
5.1 Main Topics	32
5.2 Political Issues	32
5.3 Economic Issues.....	33
5.4 Globalisation Issues	35
5.5 Ease of Doing Business	36
6. Interview Data and Discussion.....	38
6.1 Political Issues	38
6.2 Economic Issues.....	40
6.3 Globalisation Issues	41
6.4 Ease of Doing Business	42
7. Conclusion and Implications.....	44
7.1 Limitations and Future Study Direction.....	47
8. Bibliography.....	49
9. Appendix.....	54

CHAPTER 1. INTRODUCTION:

TAIWAN'S BANKING INTERNATIONALISATION ANOMALY

Paldam shows Taiwan holds a key position in the Asia Pacific region as one of the 'Asian Tiger' economies, it remains a source of quality goods and services and an economy that while only growing slowly in recent years, it does continue to show growth.¹ Taiwan ranks as the world's 22nd largest economy when ranked by GDP and 8th on the world's wealth index, as a result of a high trade surplus the country also holds the world's 5th largest foreign reserves.² All of this suggests a strong national economy with expected global influence. To add to this many global companies, have operations in Taiwan and it is home to some truly global brands especially in the technology based industries, that continue to flourish. According to the World Bank Ease of Doing Business Index, Taiwan finds itself in the 11th position and with a well-educated population to add to that, all the immediate signs are strong.³

All of these statistics would suggest a country that has a strong financial sector with measured international impact, however the opposite is the case. None of Taiwan's banks are considered Globally Systemically Important Banks, and are poorly represented beyond Taiwan. To add to that the capital Taipei is not considered an international financial centre by any means. There seems to be a considerable anomaly here. It is from these figures that the interest in this topic began and as such this paper aims to further explore the anomaly behind Taiwan's banking

¹ Paldam, M. "Economic Freedom and the Success of the Asian Tigers: an essay on controversy", *European Journal of Political Economy*, vol. 19, no. 3, pp. 453-477, 2003.

² Taiwan Profile", *CIA World Factbook*, 2017. [Online]. Available: <https://www.cia.gov/library/publications/the-world-factbook/geos/tw.html>. [Accessed: 15- Jul- 2017].

³ Doing Business in Taiwan, China - World Bank Group", *Doingbusiness.org*, 2017. [Online]. Available: <http://www.doingbusiness.org/data/exploreeconomies/taiwan-china>. [Accessed: 15- Jul- 2017].

industry and its disproportional international influence.

Using both quantitative and qualitative data the question will be examined to reveal the catalysts behind the irregularity between a strong internationally focussed economy and an inward looking financial system. This will be done first by taking into account existing literature looking for explanations already considered, importantly examining the current literature will also take into account the structure of the banking system in Taiwan and the changes it has experienced in recent years as well as the structure of the international banking system and the current economic and political pressures it faces; this will then be related back to the Taiwan case to consider any relevant impact it places on the topic.

A Liberal Economic Theory base is used throughout the paper, ageing the merits of a free hand economy especially when considering how the government goes about the regulation of banks at domestically and internationally. Not content on using secondary data alone, this paper adds new primary research to the topic using an Analytical Hierarchy Process (AHP) based questionnaire distributed to industry professional in domestic banks to gain an insight into how the issue is viewed from those working inside the sector. This data is then used to inform interview topic in a round table discussion with senior industry experts from international banks based in Taiwan, all interviewees are Taiwanese nationals with extensive experience in the market their position with international banks offers a new perspective to broaden the discussion. All data collected is focussed around key issue areas of Political Issues, economic Issues, Globalisation Issues, and Issues relating to Ease of Doing Business; these focus areas give clear structure to the research allowing for the easy identification of problem areas in the internationalisation of Taiwanese

banks. Finally, the data and discussion is summed up in a conclusion that considers the implications of the research and possible implications and recommendations for Taiwan's banks and its government.



CHAPTER 2. LITERATURE REVIEW AND THEORETICAL APPROACH

While the English language based literature focussing on the banking sector in Taiwan is limited it is also exceptionally well written and offers the reader a great understanding of the fundamentals of the financial industry in Taiwan. Taiwan's banking sector has often been overlooked in favour of focus on neighbouring financial centres in the region such as Hong Kong, Singapore and Japan and the lack of in depth literature on the subject can be explained by this.⁴ Throughout the literature there are a number of common themes that appear regularly across a range of papers, denoting their importance to the topic. Topics such as bank ownership, the role of the government, financial reform, cross strait relations, international competitiveness, overbanking and mergers and acquisitions are all of crucial importance to fully gauge the issues that face the Taiwanese banking sector. There have also been found to be a number of holes in the existing literature; where noteworthy topics have not been adequately researched, or considered when looking at the disproportional influence of Taiwanese banks in the global financial system. We will start by discussing the common themes using the literature before going on to analyse which topics are necessary to delve deeper into.

Bank ownership arises often in much of the literature, the varying role of state owned banks (SOBs) and privately owned banks (POBs) is questioned as the situation in Taiwan is compared with other regional and global financial centres. Chan and Liu observe that up until the early 1990's Taiwan's banking system was almost entirely managed by prominent SOBs and while there have been great changes since then, Taiwan's banking industry is still heavily angled

⁴ Yeandle, M. "GFCI 19 Asia/Pacific", *Longfinance.net*, 2017. [Online]. Available: <http://www.longfinance.net/global-financial-centre-index-19/982-gfci-19-asia-pacific.html>. [Accessed: 15- Jul- 2017].

toward the SOBs.⁵ Huang and Wu found that of Taiwan's largest nine banks only two can be classed as POBs while the top five positions are held by SOBs.⁶ The problem here lies in the suggestions that many SOBs are grossly inefficient and less profitable than their POB counterparts. While SOBs have been found to be an absolute necessity especially in times of economic uncertainty their sheer scale and number in Taiwan is cause for concern.⁷ This is a remnant of Taiwan's past that successive reform policies have failed to shake off. When one considers the size of Taiwan's economy as the 22nd largest by GDP it would be easy to assume the SOB's would be large enough to command considerable international influence, though that is simply not the case.⁸ The next common theme can go a long way to explain this phenomenon.

Overbanking is a serious concern in Taiwan and the Federal Reserve Bank of San Francisco found this to have originated in the first financial reform era in 1991, as the government opened up the banking sector to POBs they did so hesitantly, only partially privatising many SOBs so rather than follow established market principles where by competition allows only the most efficient banks to succeed as less efficient ones are left behind and fail or become merged, many inefficient banks remained; and the access to capital was spread across a much larger than normal spread creating a considerably lower concentration of capital in the country's top banks compared to neighbouring financial centres.⁹ While overbanking isn't necessarily a negative

⁵ Chen, P. and Liu, P. "Bank ownership, performance, and the politics: Evidence from Taiwan", *Economic Modelling*, vol. 31, pp. 578-585, 2013.

⁶ Hwang, D. and Wu, W. "Financial system reform in Taiwan", *Journal of Asian Economics*, vol. 18, no. 1, pp. 21-41, 2007.

⁷ Chen, P. and Liu, P. "Bank ownership, performance, and the politics: Evidence from Taiwan", *Economic Modelling*, vol. 31, pp. 578-585, 2013.

⁸ *Taiwan Economy: 2016 Q3*. British Office Taipei, 2016, pp. <http://www.bcctaipei.com/wp-content/uploads/2016/11/Taiwan-2016-Q3-Economic-Report.pdf>.

⁹ Borst, N. and Li, C. "Fixing Taiwan's Crowded Banking Sector", *Federal Reserve Bank of San Francisco*, 2017. [Online]. Available: <http://www.frbsf.org/banking/asia-program/pacific-exchange-blog/taiwan-banking-sector-reform/>. [Accessed: 15- Jul- 2017].

point domestically, offering greater choice for the consumer creates greater competition to offer better services; it does reduce Taiwanese banks' ability to gain influence when operating abroad when competing with banks of considerably larger capital. A number of reform initiatives have attempted to change this situation with a connected element often seen in the literature base. encouraging mergers and acquisitions has been a major policy of successive governments to fix the 'overbanking crisis' in Taiwan.¹⁰ The problem arises though in looking at the specific mergers that have taken place, one author describes it as 'small fish eating big fish'.¹¹ In 2002 when Taipei Bank and Fubon Financial Holding Co. merged there was a public outcry as industry professionals believed the SOB Taipei Bank had been sold for considerably lower than its market value, leading to allegations of corruption.¹² A report by Hwang found the price paid for the deal was reasonable in line with market prices however this still remains topic of hot debate and has created difficulty for the government to push further with encouraging more acquisitions.¹³

The role of the government is a regular focus in the literature when we look at the way the government regulates the banking sector in Taiwan and how that prepares Taiwanese banks when operating abroad. In an attempt to protect the local financial industry, the Taiwanese government has afforded local banks certain protections. At the same time, they have introduced a number of regulations that can be seen to limit the strength of international banks in the market.¹⁴ Regulations that limit the percentage of overseas investments that can be held on

¹⁰ Lee, W. "Taiwan's Politics in the 21st Century: Changes and Challenges", *Singapore World Scientific Publishing*, 2010..

¹¹ Tan, A. "The Politics of Financial Reform in Taiwan: Actors, Institutions, and the Changing State", *Asian Affairs: An American Review*, vol. 36, no. 4, pp. 201-212, 2009.

¹² Dean, J. "Fubon to Acquire Taipei Bank in \$2.4 Billion All-Stock Deal", *Wall Street Journal*, 2002. [Online]. Available: <https://www.wsj.com/articles/SB1028828700960610960>. [Accessed: 15- Jul- 2017].

¹³ Hwang, D. and Wu, W. "Financial system reform in Taiwan", *Journal of Asian Economics*, vol. 18, no. 1, pp. 21-41, 2007.

¹⁴ Lin, S. "Taiwan and the Advent of a Cross-Strait Financial Industry", *University of Virginia*, 2013.

clients' portfolios for instance make international banks less competitive as they are limited to use their global reach to benefit consumers looking to invest larger amounts internationally.¹⁵ Local banks however still attract customers that are more focussed on investing domestically with small overseas investment portfolios. While this action can be seen as beneficial for the Taiwanese economy as it keeps domestic investment high and limits capital outflows through regulation. It also limits access to an international investment market even when those investments are highly profitable and beneficial to the investor.

The effect does not end there however, as the literature shows that when Taiwanese banks operate abroad they are not as familiar with international norms, reducing their competitiveness and even putting them at risk of breaching international and national regulations. In 2016 Megabank was fined US\$180 million for involvement in money laundering, while not conclusive the New York State Department of Financial Services viewed this issue as a lack of familiarity with international regulations.¹⁶ The Taiwanese government has not succeeded in bringing local regulations in line with international norms meaning Taiwanese banks abroad are operating under a set of unfamiliar rules that do not afford them the same protections as their domestic market does. As such when Taiwanese banks are subject to scandal operating abroad the stories reduce the desire of Taiwanese banks to expand internationally.¹⁷ Protections at home do not extend abroad and for banks operating under new rules and without protection from competitors, Taiwanese banks struggle to gain influence abroad.

¹⁵ Chen, Y. "Taiwan Must Reform Its Economy", *Taipeitimes.com*, 2016. [Online]. Available:

<http://www.taipeitimes.com/News/editorials/archives/2016/02/22/2003639918>. [Accessed: 15- Jul- 2017].

¹⁶ Chou, C. "Cabinet probes Mega Bank money laundering allegations", *www.ChinaPost.com.tw*, 2016. [Online]. Available: <http://www.chinapost.com.tw/taiwan-business/2016/08/23/476331/Cabinet-probes.html>. [Accessed: 15- Jul- 2017].

¹⁷ Chen, H. Chuo, Y. Chang, J. and Yu, S. *Does Banking Competition Improve Industry Performance? Evidence from Taiwan*. Journal of Informatics and Data Mining, 2016, p. <https://datamining.imedpub.com/does-banking-competition-improve-industry-performance-evidence-from-taiwan.pdf>.

Financial system reforms have been a common feature of various government administrations and they have had varied levels of success. Their implementation follows Taiwan's history as an authoritarian regime and follows its democratisation from the first direct presidential election in 1996. Tan sees Taiwan financial reform as a product of political reform. In looking at Taiwan's past as a developmental state he sees unelected officials are less constrained when making economic policy decisions in the interest of the state, a democratic government however has a longer and more complicated decision-making process that reduces the win set for actors involved. As with many previously authoritarian nations, the SOB's have remained a formidable presence in the financial industries of the countries involved. For Taiwan Tan observes, the state was previously the only institution capable of providing funds to promote private business, in turn creating economic growth.¹⁸ The first financial system reform began in 1991 in the form of liberalising the industry, Wang notes that at this time the government began issuing licenses to new banks as well as encouraging foreign banks to enter the local market. As a result, too many banks were joining the market and competition drove down service prices for the consumer and profitability for the institutions. Since joining the WTO in early 2002 competition from international banks has continued to impact the success of local banks.¹⁹

In 2001 Chen Shui Bian made a speech in which he suggested financial system reform was to be a top priority. In his term however, several questionable mergers took place including the Taipei Fubon merger addressed above as well as a merger between the smaller private CTBC bank and the considerably larger SOB Mega Financial Holdings which itself was a merger of two

¹⁸ Tan, A. "The Politics of Financial Reform in Taiwan: Actors, Institutions, and the Changing State", *Asian Affairs: An American Review*, vol. 36, no. 4, pp. 201-212, 2009.

¹⁹ Wang, H. *The Financial Reforms in Korea and Taiwan*. Asian Banking Association, 2003.

previously SOBs Bank of Communications (BOC) and the International Commercial Bank of China (ICBC) these deals and others were subject to extreme criticism in later trials in which former president Chen Shui Bian was found guilty of corruption.²⁰ By the end of 2005 the government had achieved two major aims, having three banks with at least 10% market share and halving the number of SOB's. Hwang is quick to notice however, this has been achieved by merging SOB's with other SOB's, strengthening the state sector rather than the already weaker private sector.²¹ A second reform by President Chen however was much more successful, referred to as the 258 policy the aim was to bring the Non-Performing Loan ratio down to 8% or lower in all banks and have a capital ratio of 5% within two years since the target was set in 2001. The aims of this policy were achieved by all but the most heavily burdened banks achieving great success and fixing a pressing problem that was facing the Taiwanese banking sector.²² In the time since the end of Chen's administration banking reform has remained an emotive issue, some changes have taken place in the laws governing banks aimed at making merger options more attractive, there is difficulty however in how much involvement the government should take in this process.

According to normal market mechanisms the most efficient banks will grow and consume smaller less efficient banks without need for the government to intervene, such a strong SOB sector will make growth difficult for some commercial banks as SOB's that were previously used to finance government infrastructure and other public spending are now entering the same profit

²⁰ Branigan, T. "Taiwan court jails former president Chen Shui-bian for corruption", *The Guardian*, 2009. [Online]. Available: <https://www.theguardian.com/world/2009/sep/11/taiwan-jails-former-president-corruption>. [Accessed: 15- Jul- 2017].

²¹ Hwang, D. and Wu, W. "Financial system reform in Taiwan", *Journal of Asian Economics*, vol. 18, no. 1, pp. 21-41, 2007.

²² Leou, C. *Financial Liberalisation under Democratisation: The Long Journey of the Reform on the State-Owned Banks in Taiwan*. SOAS, University of London, 2006.

driven market as commercial banks.²³ The current administration had so far not made much of stand on any new financial reforms however the decision of Lee Ruey-tsang as chairman of the Financial Supervisory Commission is quite telling. He is not viewed as experienced as previous officials to hold the post and will need to show he is more willing to push reform initiatives than his predecessors. The next few years will reveal what kind of reforms he is able to direct.²⁴

When discussing Taiwan, few topics can be discussed in isolation without considering the effect of Cross Strait Relations to the topic. Throughout the literature, the relations with China are frequently discussed, and are found to have varied impact upon the Taiwanese banking system. Some promote greater financial industry engagement across the strait while others continue to see such arrangement as putting Taiwan's wider geopolitical security at risk. Lin, a partner with JP Morgan's Asian banking operations argues that greater cross strait financial engagement is a way to build Taiwan as a global financial centre, a goal that has crossed the consciousness of many administrations since the announcement of Lee Deng Hui's Asia-Pacific Regional Operations Centre initiative with finance as one of its six pillars.²⁵ During his two terms in office President Ma Ying-Jeou was particularly focussed on liberalising financial cross-strait relations, the FSC even began to promote a 'financial industry with cross-strait characteristics' promoting Taiwan as a destination for the offshore RMB industry was among the main focusses.²⁶ However, as China's own financial sector began to show the stress of enormous domestic debt many experts in Taiwan saw greater financial integration across the strait to risk the stability of

²³ Tan, A. "The Politics of Financial Reform in Taiwan: Actors, Institutions, and the Changing State", *Asian Affairs: An American Review*, vol. 36, no. 4, pp. 201-212, 2009.

²⁴ "The Man to Help with Financial Reform", *Taipeitimes.com*, 2016. [Online]. Available: <http://www.taipeitimes.com/News/editorials/archives/2016/10/24/2003657790>. [Accessed: 15- Jul- 2017].

²⁵ Lin, S. "Taiwan and the Advent of a Cross-Strait Financial Industry", *University of Virginia*, 2013.

²⁶ "Cross-Strait Financial Businesses", *Fsc.gov.tw*, 2016. [Online]. Available: <http://www.fsc.gov.tw/en/home.jsp?id=99&parentpath=0,2,98>. [Accessed: 15- Jul- 2017].

Taiwan's own financial sector. As such, recent initiatives have been focussed on isolating Taiwan from any risk in the event of any future financial fall out in China.²⁷ Taiwan's bipolar politics also makes cross strait relations a contentious issue when discussing the financial industry, traditionally the KMT party a remnant of the authoritarian past, support closer relations with China. On the other hand, the DPP party, seen as supporting independence, see great risk in closer economic relations with China, instead supporting greater engagement with other regional partners.²⁸ The key point is thus that poor financial cross strait relations are a result of Taiwanese domestic politics and restrictive policies for Taiwanese banks in China are a clear factor, though one must question is this issue as one sided as it appears.²⁹ One can foresee however the challenges for Taiwanese banks to operate successfully internationally without open access to the world's second largest economy just 160 km across the Taiwan Strait.³⁰

While the above issues are addressed and discussed to great extent through the literature, few if any pieces are successful at bringing the issues together and considering the broader implications relating to the international competitiveness of Taiwanese banks. This thesis therefore aims to fill that niche in the literature, by bringing together the political, economic, global and cultural aspects of the problem; the research will offer greater depth and understanding into a multi-faceted issue that has thus far only been considered in isolation with singular issues raised. The existing literature does exceptionally well at identifying issues through statistical studies and engagement with government officials, however the issues are often insufficiently discussed to

²⁷ "Fitch: Taiwan Banks' Pivot from China Has Lowered Contagion Risk", *Reuters*, 2017. [Online]. Available: <http://www.reuters.com/article/idUSFit988774>. [Accessed: 15- Jul- 2017].

²⁸ "New Southward Policy", *Ministry of Economic Affairs*, 2016. [Online]. Available: https://www.moea.gov.tw/MNS/english/news/News.aspx?kind=6&menu_id=176&news_id=54317. [Accessed: 15- Jul- 2017].

²⁹ Lin, S. "Taiwan and the Advent of a Cross-Strait Financial Industry", *University of Virginia*, 2013.

³⁰ "Taiwan Strait", *Encyclopedia Britannica*, 1998. [Online]. Available: <https://global.britannica.com/place/Taiwan-Strait>. [Accessed: 15- Jul- 2017].

identify their broader effects. The research will go further still to engage with professionals working within the Taiwanese banking industry to lend greater perspective to issues already identified by previous scholars of the existing literature base. The role of this thesis is thus, to bring together existing research with further primary research into a sector of expertise not yet brought into the discussion, with the role of furthering academic and professional debate into a pressing and topical issue. The literature sees Taiwan as being over banked domestically and underrepresented internationally, the research will offer a well-rounded discussion of the agents behind this phenomenon and offer potential solutions through international examples and theoretical understanding of the global financial system.

2.1 Taiwan's Financial Holding Companies and their Influence

Focusing purely on the banks in Taiwan comes with limitations and may risk a narrow-minded perception of the issues affecting the local banks disproportional influence overseas. Some of the largest banks in Taiwan both state and privately owned are subsidiaries of larger financial holding companies (FHC's) this may influence their practices; their influence abroad may also be affected by this ownership structure. In November 2001, the Taiwanese government passed the Financial Holding Company Act, the law was introduced to create synergy across the financial industry and develop the financial sector further, though critics argue it has in fact harmed the banking sector.³¹ A paper produced by professors at National Dong Hwa University and North Carolina State University used Data Envelopment Analysis to compare bank profitability and efficiency before and after FHC Act among banks that became part of a larger FHC. Data was taken between 1997-2001 and compared with result from 2003-2007, the results

³¹ 金融監督管理委員會-英譯法規內容(外部版)", *Law.fsc.gov.tw*, 2014. [Online]. Available: <http://law.fsc.gov.tw/law/EngLawContent.aspx?Type=E&id=1286>. [Accessed: 15- Jul- 2017].

showed that before FHC Act banks were considerably more efficient than in the years after.³²

They argue that while the intent of the act to consolidate an over serviced financial sector is clear, the strains it places on management processes for managing such diverse entities has led to reduced growth in profit and efficiency for the bank subsidiaries.

Further research finds that all though the grouping of financial entities can create more synergy in the sector it still faces many similar problems to before the FHC Act was introduced, the most notable is the overbanking issue that leads to diseconomies of scale that fuel a relatively lower profitability than seen in countries with fewer banks relative to the population.³³ In essence, the FHC Act has not addressed the issues associated with Taiwan's banking industry but has simply redefined it with the same outcomes, both research papers make the case for further mergers and acquisitions to take place in the financial sector, of which 54 have taken place since September 2004, while this is improving the economies of scale for the financial sector in the Taiwan market, it remains 'too many, too small' further mergers and acquisitions are needed.³⁴ As FHC's acquire more entities this could be an opportunity to address the overbanking issue, creating banks that have the strength and backing to compete outside of Taiwan.

2.2 The State of the Current International Banking Sector

The challenges facing Taiwanese banks cannot be viewed by looking at issues with Taiwanese banks or the domestic system of regulations and practices in Taiwan itself. Looking at the issue in isolation like this would lead to great criticism of the Taiwanese banking system without

³² Zhu, D. Chen, Y. and White, L. "A study on profitability and marketability of Taiwanese bank firms before and after the Financial Holding Company Act", *International Journal of Business Performance Management*, vol. 15, no. 3, p. 207, 2014.

³³ Chow, P. *Economic Integration Across the Taiwan Strait: Global Perspectives*. Cheltenham: Edward Elgar Publishing Limited, 2013.

³⁴ *M&A Deals since September 2004 (53 Deals)*. British Chamber of Commerce Taipei, 2017.

applying it to the global situation. The current structure of the global banking system itself limits the ability for smaller banks to grow and challenge the established primacy of the majority western banks that remain the most prevalent of the Globally Systemically Important Banks, often labelled as banks that are 'too big to fail'.³⁵ Not only is there are structure in place that limits the ability of other financial institution to take on global significance, there is also the wider economic environment to consider. The year 2008 saw a global banking crisis triggered by the trading in mortgage backed securities that were based on poorly considered loans backed by the US government. That crash shook the global banking system and its effects continue to be felt almost a decade later.³⁶ More recently we have also seen the rise of populist movements most clearly shown in the Brexit vote in the UK and in the US President Trump victory.³⁷ Both of these events came as a surprise to many financial institutions and political think tanks, such surprises lead to greater uncertainty in the global governance system. Uncertainty poses great risk to a financial system that is promoting long term investments based on expert analysis of what we can expect from the global economy in the years to come.³⁸ In the following pages, we will discuss the impact of the global banking structure, the rise of populism as well as recent financial regulation changes that are having global impact. These topics will be considered as to how they impact the Taiwanese banking system, as banks consider entering the global market.

The structure of the global banking system has been built over many centuries and is predominantly European and North American focussed, in recent years we have seen the rise of

³⁵ "Banks and "too big to fail" Kash call", *Economist.com*, 2016. [Online]. Available: <https://www.economist.com/news/finance-and-economics/21710258-veteran-financial-crisis-says-banks-need-much-more-capital-kash-call>. [Accessed: 15- Jul- 2017].

³⁶ Coggan, P. "That 2008 comparison (again)", *Economist.com*, 2016. [Online]. Available: <https://www.economist.com/blogs/buttonwood/2016/09/financial-markets>. [Accessed: 15- Jul- 2017].

³⁷ Cadwalladr, C. "The great British Brexit robbery: how our democracy was hijacked", *the Guardian*, 2017. [Online]. Available: <https://www.theguardian.com/technology/2017/may/07/the-great-british-brexite-robbery-hijacked-democracy>. [Accessed: 15- Jul- 2017].

³⁸ Buch, C. Buchholz, M. and Tonzer, L. *Uncertainty and International Banking*. Amsterdam: De Nederlandsche Bank, 2014.

more Asian institutions as Asia has gained importance in the global economy. However, the main power centres for the financial industry remain firmly in European and US centres, most notably in London and New York. When we observe the list of GSIB's issued by the FSB each year, we see that of the top 12 most important banks to the global economy only two are not North American or European banks, those two are the Industrial and Commercial Bank of China Limited and the Mitsubishi UFJ FG Bank. If we widen that list further to all 18 banks that are considered GSIB's only 7 are Asian institutions all of which are Chinese state banks or Japanese banking institutions. None of the banks in the list are Taiwanese owned banks.³⁹ For centuries, the global banking system has been dominated by Europe and the US; however, changes are emerging; the rise of Chinese banks has coincided with the rise of China itself and a general resurgence in the global importance of Asia. Recent years have seen a considerable rise in the importance of Asian banks and financial centres such as Hong Kong and Singapore. This year, DBS a Singaporean bank purchased the commercial banking arm of ANZ bank throughout the Asia Pacific region.⁴⁰ Furthermore, this year saw China surpass the Eurozone as the world largest bank system, the Financial Times attributes this to its increasing influence in the global financial system, though also more worryingly its reliance on national debt to drive it through the 2008 financial crisis that caused an enormous drop in the demand for Chinese made goods, the traditional driver of the manufacturing based economic model in China. Prasad describes this as "sign of an economy overly dependent on bank-financed investment, beset by inefficient resource allocation, and subject to enormous credit risks" one must therefore wonder if such a rise is sustainable and to what lengths can the global banking system separate itself from the risk

³⁹ 2016 list of global systemically important banks (G-SIBs). Basel: Financial Stability Board, 2016.

⁴⁰ Freed, J. and Azhar, S. "Singapore's DBS pounces on ANZ assets to extend Asia private banking push", *Reuters*, 2017. [Online]. Available: <http://www.reuters.com/article/us-anz-bank-asia-dbs-idUSKBN12V0YR>. [Accessed: 15- Jul- 2017].

posed by the rise of the Chinese banking system.⁴¹

Early 2016 saw shocks in the Chinese stock market driven by ‘mom and pop traders’, statistics began to show signs of risk as the market value dropped 18% in just 11 days, leaving the global community and the ruling CCP unsure on what steps to take to stabilize such ‘turbulence’.⁴² As we see, even Chinese banks that are emerging as some of the most important financial institutions of the global financial system cannot be assured of their place in that exclusive group for long, their own growth is based on the growth of the giant that is China and as such their growth is only as strong as the country itself. Many western banking institutions have spread such risk however; by becoming truly global institutions, with offices, investments, and capital coming from across the globe, while firmly based in European and US markets. In this way, they are far more protected from global political and economic changes as well as being so strongly connected with the global market place that any potential fall out of these institutions will warrant government bailouts that ensure they cannot fail. This Brenner sees as the “international financial system placing itself systematically within the world imperialist structure of power” one is thus left to wonder how can smaller banks achieve growth in a global market already saturated and dominated by institutions that are now a vital part of the very global system they are based in.⁴³ All of this does indeed suggest the path to internationalisation for Taiwanese banks is far from simple, especially if they wish to become more than bases for the Taiwanese diaspora abroad. It does not however render such development as an impossibility, banks like DBS have been very successful at gaining greater international influence beyond Singapore,

⁴¹ Prasad, E. "China overtakes eurozone as world's biggest bank system", *Ft.com*, 2017. [Online]. Available: <https://www.ft.com/content/14f929de-ffc5-11e6-96f8-3700c5664d30?mhq5j=e2>. [Accessed: 15- Jul- 2017].

⁴² "China's stockmarket crashes—again", *Economist.com*, 2016. [Online]. Available: <https://www.economist.com/news/business-and-finance/21685146-chinas-stocks-and-currency-start-2016-big-tumbles-chinas-stockmarket>. [Accessed: 15- Jul- 2017].

⁴³ Norfield, T. *The City London and the Global Power of Finance*. New York: Verso Books, 2016.

through mergers, take overs, and aggressive growth policies they have shown that Asian banks still have enormous potential in the global marketplace. Though the structure of the global banking system has been built over a great many centuries there are also more recent concerns that must be addressed in the political sphere.

The rise of populism shocked the global financial system most clearly reflected in the UK's vote to leave the European Union on the 23rd June 2016 and with Trump's rise to the Whitehouse in January 2017, these are not seen as isolated incidents but rather part of a wider global movement shown most strongly in democracies across the world.⁴⁴ The Philippines voted in Duterte as president in June 2016, France voted Macron as president in elections in June 2017 and Taiwan itself voted independent Mayor Ko Wen-je as Mayor of Taipei along with the rise of the New Power Party in a system usually viewed as a two-party system.⁴⁵ Changes are happening globally and the financial system is having to adjust to an ever more unpredictable political environment. Traditionally uncertainty has been seen as the number one enemy of the financial system, as this trend was emerging the financial systems even betted against such outcomes, in the night before the Brexit vote sterling prices rose to 1.50USD showing the strongly felt belief that the vote would end in favour of staying in the European union, when markets had opened the next day sterling had dropped to just 1.33USD.⁴⁶ This showed a financial system that seemed detached from the people, countless televised interviews with industry experts had been ignored and rather than choose a clear and certain path of remaining in the EU, the public had chosen

⁴⁴ Shuster, S. "How Populism Is Splitting Europe", *TIME.com*, 2017. [Online]. Available: <http://time.com/time-person-of-the-year-populism/>. [Accessed: 15- Jul- 2017].

⁴⁵ Laksai, L. "Taiwan's Newest Political Party Was Co-Founded by a Tattooed Rockstar", *Foreign Policy*, 2015. [Online]. Available: <http://foreignpolicy.com/2015/11/19/taiwan-politics-china-new-power-party-beijing-ma-xi-kmt-dpp/>. [Accessed: 15- Jul- 2017].

⁴⁶ Treanor, J. Goodley, S. and Allen, K. "Pound slumps to 31-year low following Brexit vote", *The Guardian*, 2016. [Online]. Available: <https://www.theguardian.com/business/2016/jun/23/british-pound-given-boost-by-projected-remain-win-in-eu-referendum>. [Accessed: 15- Jul- 2017].

years of uncertainty by opting to leave the EU, a clear point of critical juncture for the future of the UK. For the UK and the global financial system this was to have much greater impact, London is often regarded as the global financial centre.⁴⁷ Part of the reason for its eminence is because of so called passporting rights that allow institutions in the UK to sell EU financial products, that vote to leave has risked the future of such rights and will form a major part of the UK-EU negotiation process.

Many financial institutions are already looking to move staff and offices out of London to other European and wider global locations, shaking the structure of the entire financial system.⁴⁸ Eminent Politicians in the UK such as London Mayor Sadiq Khan see this leading to an increase in the role Asian financial centres such as Hong Kong and Singapore may begin to play in the future.⁴⁹ Trump's rise to the Whitehouse over his rival Hillary Clinton seen by many as too close to Wall street has also sent waves through the global banking system.⁵⁰ Trump entered office based on the premise of 'making America great again', promising to roll back free trade agreements and enforce protectionisms in to US market that would encourage greater manufacturing in the US. However, the global community that has been built on the rise of free trade and the development of truly global markets has not welcomed such moves.

⁴⁷ Smith, R. "London holds off New York to keep its title as world's top financial centre", *Cityam.com*, 2017. [Online]. Available: <http://www.cityam.com/261819/london-holds-off-new-york-keep-its-top-spot-worlds-number>. [Accessed: 15- Jul- 2017].

⁴⁸ Donnell, J. "The EU is planning to make it a lot easier for British banks to Leave the UK", *The Independent*, 2017. [Online]. Available: <http://www.independent.co.uk/news/business/news/brexit-latest-news-uk-banks-new-incentive-leave-london-eu-plans-european-central-bank-a7643081.html>. [Accessed: 15- Jul- 2017].

⁴⁹ Treanor, J. "Sadiq Khan warns hard Brexit will cost millions of jobs across UK", *The Guardian*, 2016. [Online]. Available: <https://www.theguardian.com/business/2016/oct/27/sadiq-khan-to-warn-hard-brexit-will-cost-millions-of-jobs-across-uk>. [Accessed: 15- Jul- 2017].

⁵⁰ Appelbaum, B. "Trump Nominates Randal K. Quarles to Oversee Wall Street Banks", *Nytimes.com*, 2017. [Online]. Available: <https://www.nytimes.com/2017/07/10/us/politics/trump-nominates-randal-quarles-to-oversee-wall-street-banks.html>. [Accessed: 15- Jul- 2017].

Negotiations for global agreements like the Trans Pacific Partnership that Taiwan had hoped to be a part of have fell flat, losing all support from the Trump Administration, new hope now lies in Japan's ability to lead negotiations without US involvement.⁵¹ These changes affect people's perception of risk, and that in turn affects the way the banking sector is perceived, the prices of traditional investment items like gold and fine art has continued to rise in recent years as more reliable investment options are sought.⁵² When trust and uncertainty are rising, the environment becomes considerably more difficult for a new bank to gain influence internationally, rather those larger banks are seen as better locations for investments rather than banks with an unknown or troubled international record, thus the spiral continues for the issues associated with Taiwanese banks looking to gain greater influence internationally.

The final point to consider when evaluating the current state of the global financial sector and its impact on Taiwanese banking institutions is the recent changes to international regulations, looking specifically at Basel III which aims to increase the resilience of the global financial system in order to avoid another global financial crisis. Most poignantly it increases bank capital requirements in relation to their lending.⁵³ Reducing bank leverage and enhancing liquidity, preventing a potential run on the bank where by customers withdraw their investments in the bank on mass as happened with Northern Rock in the UK in 2007 the first British bank to suffer such an event in over 150 years.⁵⁴

⁵¹ Nadeau, P. "Can Japan Lead Asia's Economic Order?", *The Diplomat*, 2017. [Online]. Available: <http://thediplomat.com/2017/01/time-for-japan-to-lead-the-economic-order/>. [Accessed: 15- Jul- 2017].

⁵² Goodley, S. "Gold, fine wine, art or under the bed: what's the safest place for your cash?", *The Guardian*, 2011. [Online]. Available: <https://www.theguardian.com/business/2011/jul/25/safe-havens-investors-cash>. [Accessed: 15- Jul- 2017]

⁵³ "Basel III: international regulatory framework for banks", *Bis.org*, 2017. [Online]. Available: <http://www.bis.org/bcbs/basel3.htm>. [Accessed: 15- Jul- 2017].

⁵⁴ "The Bank that failed", *The Economist*, 2007. [Online]. Available: <http://www.economist.com/node/9832838>. [Accessed: 15- Jul- 2017].

The new regulations start date has continually been put back and now stands at the end of March 2019, while these regulations are more stringent and enforce grater requirement on the banks it seems they will have a much greater impact for European and US banks as oppose to Asian banks. The Federal Reserve Bank of San Francisco argues that Basel III will be of little consequence to Asian banks, they show that as a result of the 1997-1998 Asian Financial Crisis many domestic policies of banks already meet and even exceed those of Basel III they argue that traditionally “Asian banks rely on less leverage and fewer hybrid capital instruments than their western counterparts, resulting in both higher levels and quality of capital” the result of this is that Asian banks in many cases are more ready to handle any crisis than the European and US giants.⁵⁵ Such a situation could be an opportunity to capitalize on their already stringent regulations to develop an image of trust and stability internationally.

Overall the global banking system is undergoing changes that have not yet been experienced, an emerged China as well as strong growth in wider Asia. The rise of unpredictable global populist movements many of which are seen as protectionist and inward looking in their motivations as oppose to the global predecessors. As well as new regulations aiming to reign in banks in an effort to create stability and resilience in an increasingly turbulent global arena. These are not ideal situations for a Taiwan banking sector that is safe and well positioned in a domestic market to begin considering entering in to new markets or expand their existing presence there to cater to a wider clientele. While the research suggests these are strong reasons to hinder banks branching beyond their shores it is also important to work with industry experts to expose further

⁵⁵ Yao, W. "Why Asian Banks are Well Positioned for Basel III", *Federal Reserve Bank of San Francisco*, 2016. [Online]. Available: <http://www.frbsf.org/banking/asia-program/pacific-exchange-blog/why-asian-banks-are-well-positioned-for-basel-iii/>. [Accessed: 15- Jul- 2017].

points that may have a role in the Taiwanese banking systems disproportional international influence.

2.3 Theoretical Approach

All academic works need to base themselves in the existing literature where possible and also connect to an existing framework from which a topic can be understood, this paper will be written predominantly from the stand point of Liberal Economic Theory. Adopting a theoretical approach ensures the final result can be easier connected to the current understanding of a topic as well as most crucially it offers critics a standpoint on which to build criticism. Only through continual constructive criticism can ideas be built upon and strengthened. Liberal Economic Theory has been adopted as it encourages free hand economic practices where by market principals of competition, quality, and efficiency are responsible for driving economic development. When this is related to the banking sector it argues that greater regulation and state involvement in the industry will lead to a lack of efficiency and competition internationally as banks are protected at home. The Taiwan SOB dominated banking sector can be seen as such.⁵⁶ State Owned Banks are seen to be far less efficient than the private counterparts in part because of the protection their relationship with the government provides.⁵⁷ Alternatively, it is argued if the government is less involved in the sector then natural competition will result in the most efficient banks that profit the most and offer the best services will begin to acquire their weaker less efficient rivals without government encouragement to do so.⁵⁸ The difficulty thus rises in establishing where one must draw the line between too much and too little involvement in the

⁵⁶ Appel, H. "The Ideological Determinants of Liberal Economic Reform: The Case of Privatization", *Cambridge University*, 2000.

⁵⁷ Chen, P. and Liu, P. "Bank ownership, performance, and the politics: Evidence from Taiwan", *Economic Modelling*, vol. 31, pp. 578-585, 2013.

⁵⁸ Hwang, D. and Wu, W. "Financial system reform in Taiwan", *Journal of Asian Economics*, vol. 18, no. 1, pp. 21-41, 2007

sector.⁵⁹ As seen in the literature, it is wise for the government to keep at least one strong State Bank that can be used when needed to finance important government projects that offer the chance to build the national economy.⁶⁰ Another line must be considered when looking at how much the government should look to protect its own domestic banking sector against larger foreign rivals. While the Taiwanese market is heavily banked, no one local bank can rival the size of the larger Globally Systemically Important Banks from outside. The competition can therefore be seen not to start from a level playing field.⁶¹ Throughout the paper, this argument is continued, focussing on the role of the government in relation to the international competitiveness of Taiwanese banks.

In connection to this issue the author will also look at the path the Taiwanese government has taken with their banking sector to improve the banks' ability to operate domestically and internationally. Specifically, we will look for points of 'Critical Juncture', these are points where government has made choices to take one path that has resulted in a series of actions and decisions that are ultimately based in one earlier decision. The theory argues that the longer an actor has followed a certain path the higher the losses will be if the actor later wishes to change paths.⁶² The author has already identified the point where Taiwan began to liberalise its banking sector and grant licenses to private banks without privatising state banks as one of those critical junctures, that was a step toward creating a liberal free market economy but also a decision that

⁵⁹ Schuman, M. "State capitalism vs the free market: Which performs better? | TIME.com", *TIME.com*, 2011. [Online]. Available: <http://business.time.com/2011/09/30/state-capitalism-vs-the-free-market-which-performs-better/>. [Accessed: 15- Jul-2017].

⁶⁰ Hwang, D. and Wu, W. "Financial system reform in Taiwan", *Journal of Asian Economics*, vol. 18, no. 1, pp. 21-41, 2007.

⁶¹ Vives, X. *Competition and Stability in Banking*. Princeton: Princeton University Press, 2016.

⁶² Soifer, H. "The Causal Logic of Critical Junctures", *Comparative Political Studies*, vol. 45, no. 12, pp. 1572-1597, 2012.

created a situation of over banking.⁶³ Identifying these points of critical juncture is essential to ensure one understands the decisions of the past and their modern day implications.

The final theoretical concept the author finds both valuable and necessary to the research to include is the issue of 'Salience'. Frankel wrote about the importance of identifying issues of salience in his book *National Interest*.⁶⁴ For this research, this will be a crucial point, by identifying which issues are salient to which actor, the author hopes to show how the issue of international competitiveness of the Taiwanese banking sector is being framed and tested for solutions. Much of the research focuses on finding issues of salience and connecting their importance to the research question to give greater clarity, understanding and depth to a multi-faceted and complicated issue.

⁶³ Tan, A. "The Politics of Financial Reform in Taiwan: Actors, Institutions, and the Changing State", *Asian Affairs: An American Review*, vol. 36, no. 4, pp. 201-212, 2009.

⁶⁴ Frankel, J. *National Interest*. London: Macmillan, 1970.

CHAPTER 3. RESEARCH OVERVIEW AND STRUCTURE

The aim of this research project is to delve deeper into the reasons why Taiwan's banking sector has thus far struggled to establish itself abroad while also considering why Taiwan has not managed to establish itself as a global or regional financial centre; and why a country with so much wealth has few banks that are large enough to carry international influence. To effectively achieve this aim four key research areas have been identified.

1. Political Issues - Taiwan is not recognised as a sovereign nation by all the G20 countries and beyond, the country is not a member of the UN and has only limited membership in other international organisations.⁶⁵ The complicated cross-strait relations with China affect the country's ability to participate in the international stage and it is feasible to suggest this also has an effect on Taiwan's financial sector.
2. Economic Issues - Using a number of the figures above and more, the economic scale of Taiwan nationally will be considered and compared with other regional centres. More specifically however, Taiwan's most influential banks will be assessed. examining their own economic scale when compared with the top banks of other similarly economically positioned countries. If any anomalies are found further research will be conducted to discover the reasons behind such oddities.
3. Globalisation Issues - Taiwan's banks and the government have had a number of strategic pushes to make the country's banking sector more engaged in operations abroad while

⁶⁵ Winkler, S. "Taiwan's UN Dilemma: To Be or Not To Be", *Brookings*, 2012. [Online]. Available: <https://www.brookings.edu/opinions/taiwans-un-dilemma-to-be-or-not-to-be/>. [Accessed: 15- Jul- 2017].

also trying to make Taipei a more desirable choice for large international banks to base their Asian operations from, in this regard they must compete with the regional financial giants of Hong Kong and Singapore however.

4. Ease of Business - In this section, two aspects will be explored, one will look at the country's laws and regulations within the financial sector that could limit international banks desire to base themselves here. The second will consider the Taiwanese work force, looking at education levels and English and other linguistic competencies.



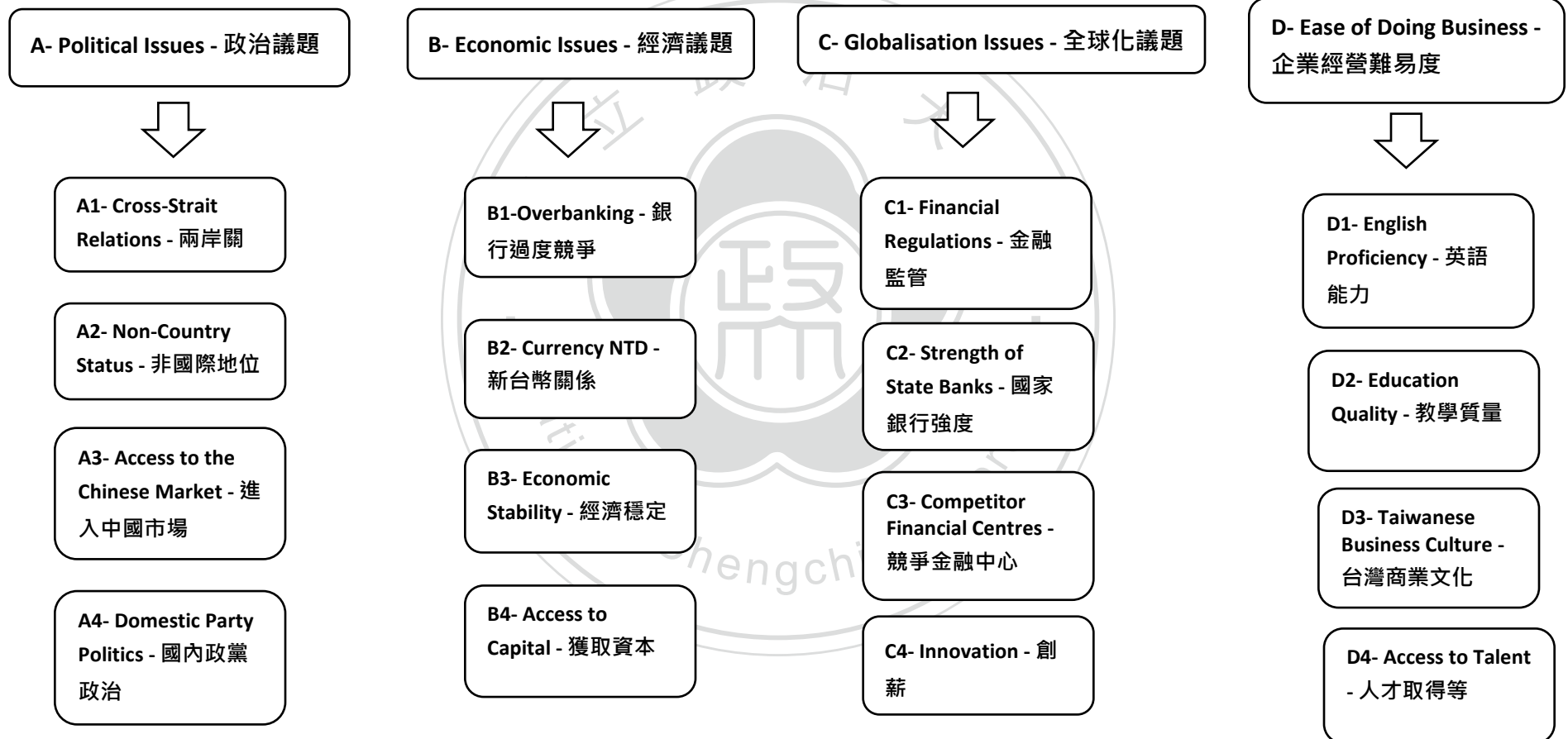
CHAPTER 4. METHODOLOGY

In order to produce a well-researched piece with a wide range of positions taken, the research for this paper will have both quantitative and qualitative research; taking a meticulous and scientific approach to the analysis of all data collected.

Quantitative Data – Qualitative Data will be collected via questionnaire, the format of which will follow Saaty's AHP method that uses pair wise comparisons to give experts the opportunity to value one item's importance over another in relation to complex issues and subjective judgements.⁶⁶ The subject is offered a scale that varies by level of salience, the numbers from the scale can then be calculated to rate which factors were seen as most permeant to the question across the data set. The pair wise comparisons are separated into two tiers. The first compares the broader topics relating to the research question. The second tier then compares specific topics of interest taken from the broader issues in tier one. In this way both the broader issues and the more topic specific issues can be ranked by salience to the research issue. In order to ensure variety, the dataset took in 20 participants all in mid to high level positions at Taiwanese domestic banks. The questionnaire was made available digitally to encourage greater questionnaire completion rate. A sample of the questionnaire is provided in the appendix. In addition to the questionnaire such sources as quarterly reports from the banks themselves as well as reports published by Taiwan's own central bank will be used. In addition to this, financial think tank reports will be used to collect more valuable data. The AHP based questionnaire is arranged according to the table below.

⁶⁶ Saaty, T. "Decision making with the analytic hierarchy process", *International Journal of Services Sciences*, vol. 1, no. 1, p. 83, 2008.

An Analysis of the Agents Behind Taiwan's Banking System and Its Disproportional International Influence
灣銀行之困境：台灣銀行業及其不成比例的國際影響力成因之分析



Sample Selection – The sample selection for the questionnaire has targeted 20 people working in the Taiwanese banking sector, in order to ensure results are balanced ten have been taken from private banks and another ten were taken from state banks. State banks are defined as those where the government has a minimum of a 20% share in the bank.⁶⁷

Qualitative Data - Interviews were conducted with some of the more influential people within Taiwan's banking industry as well as with professors in Taiwan that have previously researched or taken an interest in the topic of the internationalisation of Taiwan's banks. Data from these interviews appropriately places these expert opinions alongside the quantitative data collected. In order to provide the specific points that should be focussed on in interviews, the author has observed what points were believed to be most salient in the AHP questionnaire based research. Using these points to inform the discussion creates greater opportunities to go further in the analysis of the quantitative data collected, bringing together expert opinion with the authors own wide spread research. Furthermore, previous research done in the area will be taken into account and built upon to develop further the existing research and inspire new academic discussion and debate of the topic. A model of the identified as most salient is shown on the following page.

Using both qualitative and quantitative data will provide a rounded approach to the research that recognises both expert opinion and existing statistical analysis based research. Only by combining the two approaches can one expect to offer greater insight in to the research question at hand.

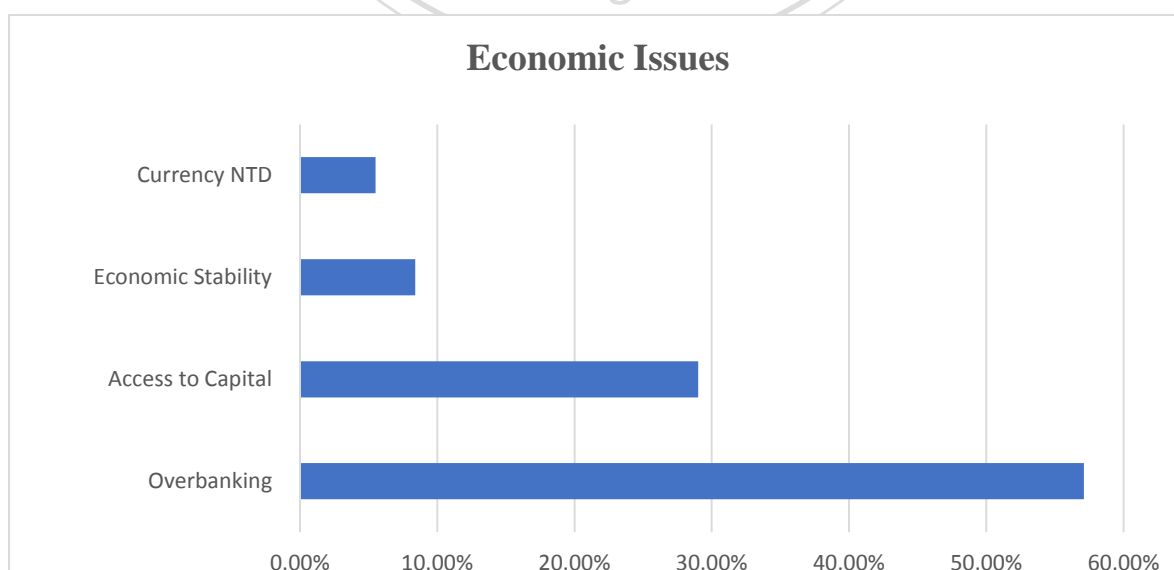
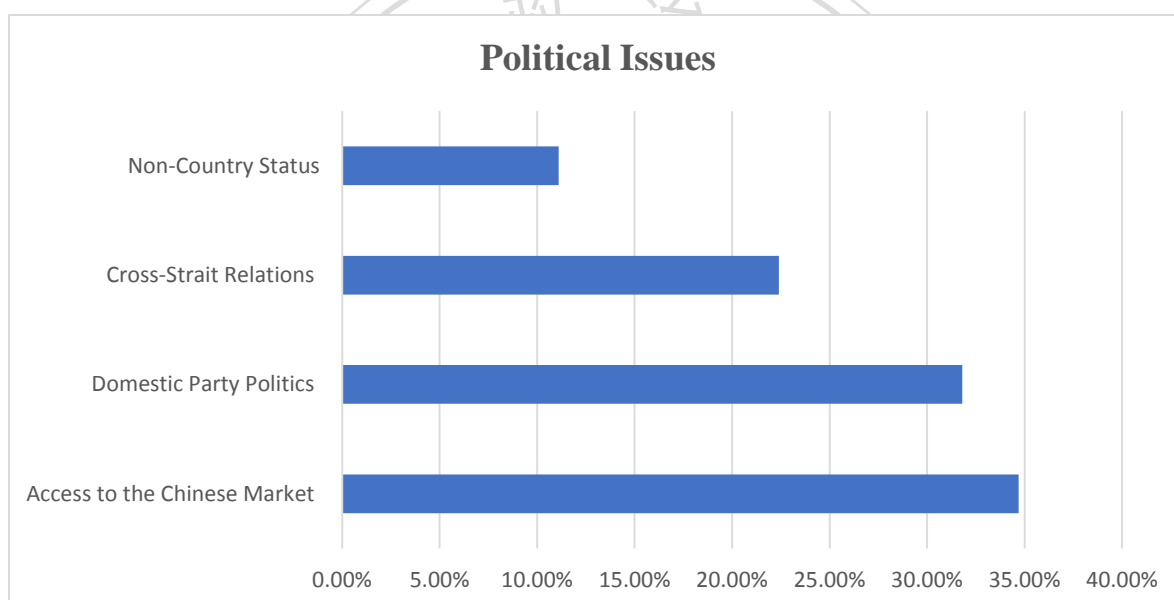
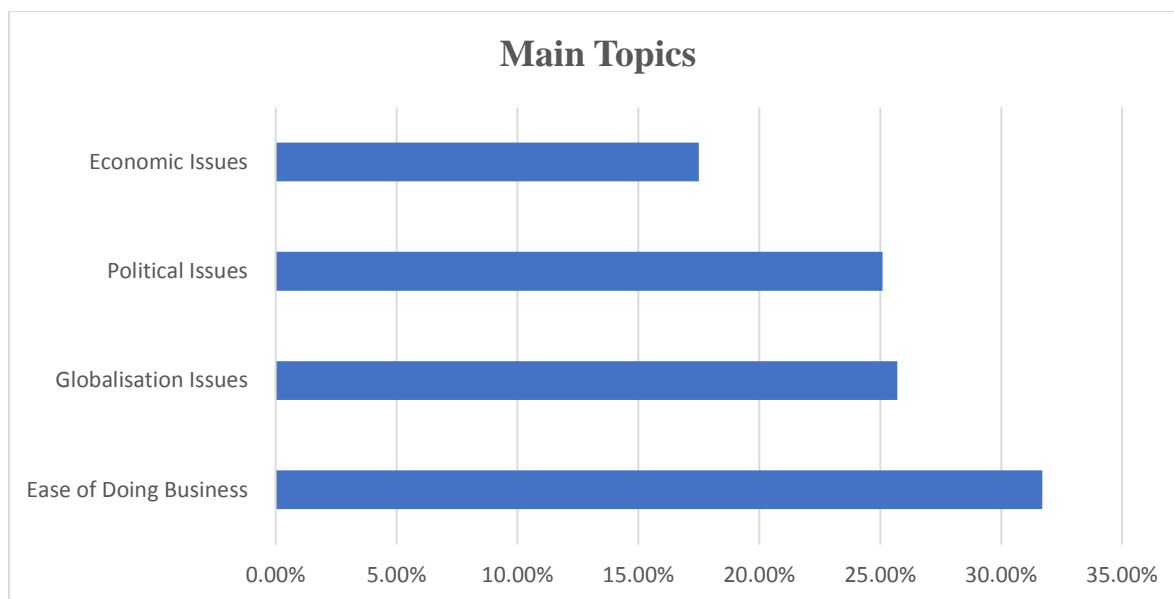
⁶⁷ Taiwan Financial Services Conference, Investor Presentation. Taipei: Ministry of Finance Taiwan, 2005.

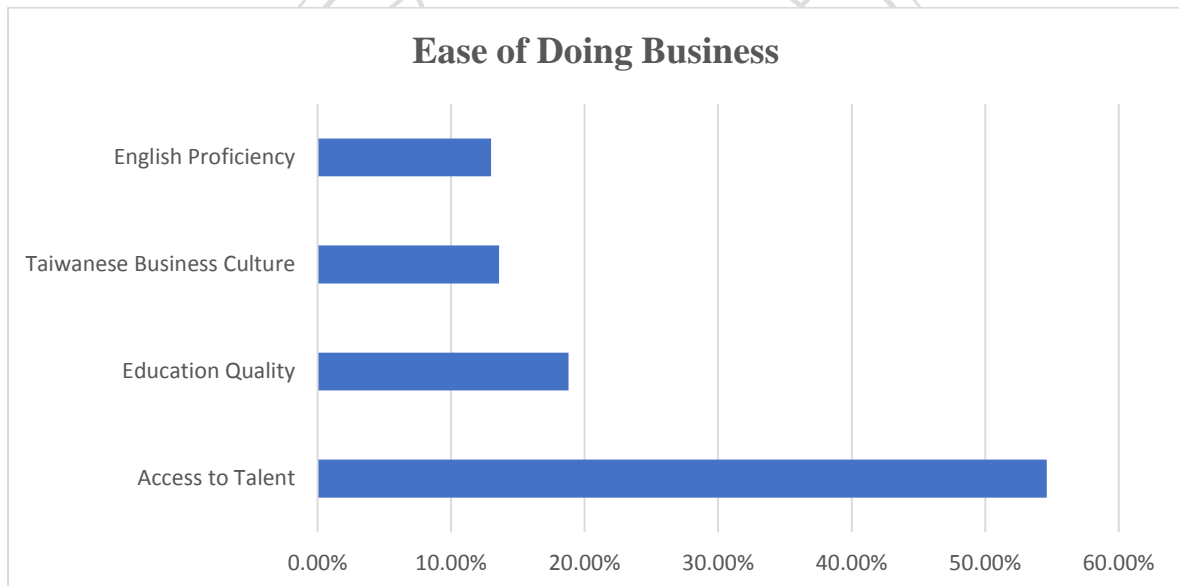
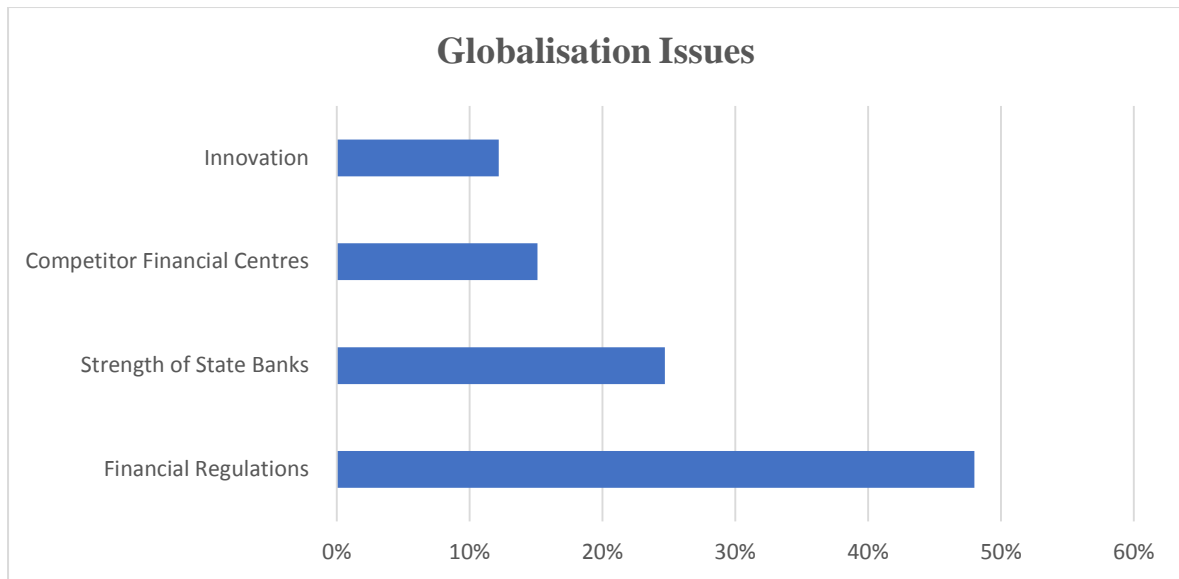
CHAPTER 5. QUESTIONNAIRE RESULTS

Using a questionnaire based on the AHP format completed by a total of 20 banking professionals represented equally from both state and private banking sectors, we have collected results that reveal the most pivotal issues facing the Taiwanese banking sector today. All topics used in the questionnaire are the results of in depth discussions with Taiwanese banking professionals as well as commonly observed topics in the existing research base.⁶⁸ In this section results will be presented and shown in relation to the original assumptions of the author and the prevailing literature. In the next section Interviews have been conducted to present further discussion of the results.



⁶⁸ An example of the questionnaire can be found in the appendix as well as the results collected from each section.





5.1 Main Topics

The first section assessed the relevance of the main topics being considered, these are:

Political Issues, Economic Issues, Globalisation Issues, and Issues Related to the Ease of Doing Business in Taiwan. Participants were asked to rank these issues against each other, the results are then assessed to show the percentage value of the salience of each issue. In this first section, the following results shown in ascending order were found:

Ease of Doing Business 31.7%

Globalisation Issues 25.7%

Political Issues 25.1%

Economic Issues 17.5%

These results highlight some important factors facing the Taiwanese banking industry, many previous works focussed on the political and economic factors and often miss factors related to the ease of doing business. However, the results here show that ease of doing business factors cannot be ignored. While political aspects remain of high importance, economic issues fall to the lowest position in our results. Globalization factors are of almost equal importance to political issues. To better under these results and understand what specific issues are of importance the following sections of the questionnaire break down the topics to offer greater depth from which observe where greatest salience is put.

5.2 Political Issues

Breaking down the political section using the same process the following topics were used and analysed to reveal the results shown below:

Access to the Chinese Market 34.7%

Domestic Party Politics 31.8%

Cross-Strait Relations 22.4%

Non-Country Status 11.1%

In these results, the topic of greatest importance is also one that features regularly in the literature, Professor Lin of the University of Virginia also places particular importance to the issue.⁶⁹ The banking community in this situation wants greater engagement in the Chinese market rather than less. The next issue is one that is very much connected with the first; domestic party politics, direct the policies that influence the banking sectors ability to engage with China, though evidently there is a clear split of more than 10% between domestic party politics and Cross-Strait Relation suggesting there is much more being considered here than any one party's policies toward engagement with Mainland China. The fourth topic related to the international recognition Taiwan receives, the Non-Country status is seen as particularly low with just 11.1 percent salience associated with the issues. While all these topics seem similar at first glance by comparing them with one another we can observe the subtle differences that have a measurable impact of the Taiwanese banking sector's success when operating abroad. These issues can thus be further explored through discussion with industry experts.

5.3 Economic Issues

Breaking down economic issues within the topic we received results that were both reassuring and surprising, these results will ensure discussion is directed to the most salient topics. The results and topics analysed are as follows:

Overbanking 57.1 %

⁶⁹ Lin, S. "Taiwan and the Advent of a Cross-Strait Financial Industry", *University of Virginia*, 2013.

Access to Capital 29.0%

Economic Stability 8.4%

Currency NTD 5.5%

The results here are clearly aligned with the literature, overbanking is perhaps the topic most commonly discussed in the contemporary literature and greatly impacts the size and strength any one bank can achieve because the second topic access to capital, even with considerable wealth among the population, with so many banks present that wealth is too thinly spread. Given the extremely low importance given to the final topic it is necessary to justify why they were considered for the questionnaire. Economic Stability as seen in the literature review is a topic that is widely discussed globally, with potential economic troubles in Europe after Brexit and the uncertainty associated with the Trump presidency in the United States, an export driven economy like Taiwan may be effected by a decrease in demand for Taiwanese goods.⁷⁰ This would affect the economy and inevitably the Taiwanese banking sector also, in order to operate with strength in the international banking sector it must also remain strong in the domestic sphere. The fourth sector is one that is also approached with uncertainty by many, however, as shown in the literature review the Taiwanese currency the NTD is one that is occasionally looked at with great scepticism by the US government and with a Trump administration there is worry that Taiwan could fall out of favour and be listed as a currency manipulator.⁷¹ Issues like this affect the long-term expectation of the Taiwan banking industry and individuals desire to use their services in foreign markets. However, by those working within the industry this is evidently not their greatest worry and has little impact when considered against the issues of overbanking and access to capital.

⁷⁰ "Overseas Business Risk - Taiwan - GOV.UK", *Gov.uk*, 2017. [Online]. Available: <https://www.gov.uk/government/publications/overseas-business-risk-taiwan/overseas-business-risk-taiwan--2>. [Accessed: 15- Jul- 2017].

⁷¹ "Donald Trump's anger at Asian currency manipulators misses target", *Ft.com*, 2017. [Online]. Available: <https://www.ft.com/content/d2aeb4bc-ef71-11e6-930f-061b01e23655?mhq5j=e2>. [Accessed: 15- Jul- 2017].

5.4 Globalisation Issues

Globalisation issues have been approached as issues that impede and challenge Taiwan's banking to attain success when operating abroad. It is clear that domestic policies are of greater salience than international influences here, the results of this section are shown below:

Financial Regulations 48%

Strength of State Banks 24.7%

Competitor Financial Centres 15.1%

Innovation 12.2%

Financial regulations are often addressed in the literature, both the difficulty for Taiwanese banks in abiding to and understanding international banking regulation as well as the issues with domestic banking regulations. This will be further discussed in the interview stage to clarify the key issues associated with financial regulations. The strength of state banks is another issue not often missed in the literature and one the government has failed to truly address in a series of financial reforms discussed in the literature review. It was certainly not expected that competitor financial sectors would feature so low in our results, the strength of centres like Hong Kong, Shanghai, and Singapore were originally viewed as pivotal issues in the debate. This area will be further addressed to consider why it is less relevant than originally expected. Lastly, there seems to be little influence played by innovation levels in the Taiwanese banking sector, this is perhaps one issue that may affect individual banks more than others, though when considered as part of the wider issue it is not granted much salience.

5.5 Ease of Doing Business

Finally, we approach the topic that was viewed as the most important in the initial stages of our questionnaire, here the results are most surprising and attracted the strongest responses from our participants. The results and topics are shown below:

Access to Talent: 54.6%

Education Quality: 18.8%

Taiwanese Business Culture: 13.6%

English Proficiency: 13%

Access to talent carries a difference of over 30% compared to any other topics considered, the issue was not originally expected to be an issue of great salience. Previous research rarely mentions the topic, whereas considerations for Taiwan's English proficiency are a regular topic of discussion. However, once the issue is raised many questions and realisations begin to emerge, Taiwan has famously low wages and while comparatively higher in the financial sector they still cannot compare with international banks abroad, and even domestically.⁷² This may result in the most capable candidates chasing positions with international banks rather than working in domestic banks. The next topic relates to the quality of education in Taiwan, this is a surprising result. Generally, the quality of education at the top universities in Taiwan is well regarded however there is an undeniable preference for western education institutions especially those in the United States and Great Britain.⁷³ Taiwanese Business Culture and English Proficiency rank almost equally, Taiwanese business culture may be part of a wider issue that sees relatively low number of Asian banks ranked as GSIB's compared to European or US banks. Finally, English proficiency is comparably high in Taiwan when

⁷² Jennings, R. "<https://www.forbes.com/sites/ralphjennings/2017/04/23/taiwans-once-mighty-high-tech-sector-is-falling-behind-because-of-low-pay/#f2078407b431>", *Forbes.com*, 2017. [Online]. Available: <https://www.forbes.com/sites/ralphjennings/2017/04/23/taiwans-once-mighty-high-tech-sector-is-falling-behind-because-of-low-pay/#f2078407b431>. [Accessed: 15- Jul- 2017].

⁷³ Lin, R. and Chung, J. "More students going abroad: data - Taipei Times", *Taipeitimes.com*, 2014. [Online]. Available: <http://www.taipeitimes.com/News/taiwan/archives/2014/03/04/2003584849>. [Accessed: 15- Jul- 2017].

compared globally, it ranks ahead of Japan and China in 33rd place and just 3 and 4 positions behind Hong Kong and France respectively.⁷⁴ All of these locations have a thriving banking sector suggesting this has little influence in Taiwan's banking sector internationalisation woes.

Overall the results from this questionnaire are truly revealing, though they do offer fascinating areas of the debate not yet considered, they provide only directions for discussion. Alone they are incomplete. The next section takes these results and discusses them with industry experts to reveal their reasoning and implications for an industry full of potential for Taiwan globally.



⁷⁴ "EF 英語能力指標", *Ef.com.tw*, 2017. [Online]. Available: <http://www.ef.com.tw/epi/>. [Accessed: 15- Jul- 2017].

CHAPTER 6. INTERVIEW DATA AND DISCUSSION

This section adds the qualitative analysis to the quantitative data presented in the previous section. Using interview data alongside academic research a further discussion of the result will be presented. Interviews were conducted in a group session where topics were specified, though direct questioning was not used. Those interviewed were Sam Ang, Head of Global Banking at HSBC Taiwan, Ken Woo, previously a senior manager at Standard Chartered Taiwan, and Francine Wu the chairperson for the British Chamber of Commerce Financial Services Committee and CEO of Schroder Investment Management Taiwan.

6.1 Political Issues

During discussion relating to the influence of political issues with Taiwanese banks and their disproportional influence abroad interviewees predominantly confirmed results of the questions and answered one of the key questions this paper hoped to resolve. To what extent do relations between China and Taiwan affect the banking sector? and is China using its influence abroad to reduce the influence of Taiwanese banking institutions? Interviewees felt that issues affecting Taiwan's banks cannot be viewed in this light. While cross-strait relations do have an effect, this is very much one sided and more a result of Taiwan's policies toward China than any Chinese international influence to stifle Taiwan's financial sector's international influence. When we asked Syaru Shirley Lin she gave a similar response arguing that given the bilateral trade between China and Taiwan and the investments of the Taiwanese business community in China, it simply would not be in China's interests to work against Taiwanese banks, she argues that when looking at cross straight relations the political and economic spheres must be separated to realise the opposite approaches in them. Instead she argues that governments in Taiwan have not done enough to allow and promote greater

cross-strait exchanges in the financial sector.⁷⁵ Sam Ang, agrees greater exchanges would likely allow Taiwanese banks to benefit from greater access to the Chinese market. However, she also argues this is simply unrealistic as a result of domestic party politics and the likely response of the electorate. Francine Wu, reminds us that many Taiwanese are still wary of any moves that seem to push the islands economic or political relations closer to China. This sentiment is especially strong among Taiwan's youth and was most evident during the 2014 Sunflower Movement protests against the Cross-Strait Agreement on Trade in Services, which would have made cross strait exchanges easier for a number of industries including the banking sector. Protesters felt the agreement had not followed a democratic process and responded by occupying the Legislative Yuan, riot police were used to evict the protest, more than 150 people were injured and 61 arrested. The event drew the attention of international media and inspired national debate resulting in the failure of the agreement to be ratified to this day.⁷⁶ In the election that followed in 2016 the KMT party suffered its most serious defeat with the DPP winning the largest winning margin since the island's first election.⁷⁷ Many argue the handling of Cross-Strait Agreement on Trade in Services and the handling of the ensuing protest were a heavy factor in this loss.

In this situation, we see domestic party politics as restricting some of the options for Taiwanese banks to gain greater influence abroad, giving that China is Taiwan's biggest trading partner and closest geographical market this has considerable impact; however, it does not answer all the concerns for the sector's disproportional influence abroad.

⁷⁵ Lin, S. *National Identity, Economic Interest and Taiwan's Cross-Strait Economic Policy 1994-2009*. [S.l.]: Open Dissertation Press, 2017

⁷⁶ Wang, C. "'The future that belongs to us': Affective politics, neoliberalism and the Sunflower Movement", *International Journal of Cultural Studies*, vol. 20, no. 2, pp. 177-192, 2017.

⁷⁷ Glaser, B. "Tsai Ing-wen and DPP Win Big in Taiwan | Center for Strategic and International Studies", Csis.org, 2016. [Online]. Available: <https://www.csis.org/analysis/tsai-ing-wen-and-dpp-win-big-taiwan>. [Accessed: 15- Jul-2017].

6.2 Economic Issues

The interview results saw the topics of overbanking and access to capital take overwhelming importance over economic stability and risks associated with the New Taiwan Dollar.

Unsurprisingly those interviewed also identify these as the most prominent issues facing the Taiwanese banking sector today. Ken Woo treats the two topics as one, arguing it is overbanking that results in issues associated with access to capital, this is a logical explanation repeated in much of the literature.⁷⁸ Woo however goes further to say that traditionally as banks struggle to get access to capital in their own market it would be natural to explore opportunities overseas, taking advantage of underserved markets to gain access to new capital and opportunities. However, in the Taiwanese case, banks have struggled to grow to a point where they feel confident to compete with other international banks internationally. The market for him is entering an era where the largest global banks have too much influence to allow for the rising of new banks. He argues that the best opportunity for growth internationally is now in through M&A, he raises the case of Singapore bank DBS acquiring ANZ commercial operations in Asia as an example of this, but again the issue comes back to the capital requirement and risk associated with such M&A options.

The whole system becomes a vicious cycle for Taiwanese banks, without further reforms aimed at encouraging more banks in Taiwan to merge the problem will persist. Ang suggests that simply encouraging banks to merge is limited in the success it can achieve. Instead she argues that wider structural reform in the sector is necessary. She says the problems with Taiwanese banks goes right to the core of issues affecting the wider economy and politics in Taiwan. A number of Taiwanese banks are family operated and used to support the business

⁷⁸ Tan, A. "The Politics of Financial Reform in Taiwan: Actors, Institutions, and the Changing State", *Asian Affairs: An American Review*, vol. 36, no. 4, pp. 201-212, 2009.

interest of some of the wealthiest families in Taiwan.⁷⁹ This is it argued drives an array of the issues associated with overbanking as even relatively weaker banks are fulfilling their purpose of supporting a business interest of those at the top. This in turn inverts normal market principles that argue the most efficient and profitable banks will acquire less successful ones or drive them out of the market. In this scenario therefore, smaller, less efficient banks remain and still control capital that is then denied to other banks. Ang believes that only structural reform would resolve this issue but carries much political risk for any party that wishes to pursue such an agenda going against the interest of the elite.

6.3 Globalisation Issues

The globalisation section of the questionnaire offered some surprising results, it was originally projected that other international financial centres would have a large role in Taiwan's banking industry's disproportional influence, however results showed this to be only a minor concern; financial regulations on the other hand were the top concern from those surveyed. Wu argued that at the current stage in the development of Taiwan's banks international financial centres like Hong Kong and Singapore were of little relevance. She argued that without significant reform that resulted in further merging of Taiwanese banks and greater access to the Chinese market they would fail to be competitive in places like Hong Kong. She continued by stating that much of Hong Kong's success as a financial centre is because of its easy access to opportunities and capital from the Chinese market.⁸⁰ As current regulations stand Taiwan's banks could not offer the same services and thus would lose much of the selling points investors wish to find in bank services there. Woo argues that other international financial centres are a challenge for Taiwan as a whole, he tells us that

⁷⁹ Chen, P. and Liu, P. "Bank ownership, performance, and the politics: Evidence from Taiwan", *Economic Modelling*, vol. 31, pp. 578-585, 2013.

⁸⁰ Woo, J. *Business and politics in Asia's key financial centres*. Singapore: Springer, 2016

many governments have promoted the idea of building Taiwan as a financial centre, though the regional competition is too strong unless Taiwan can offer easy access to Mainland China's market and a better environment for international banks in Taiwan. However, when considering the effect for Taiwanese banks abroad it is of less consequence.

A second issue that was raised in the questionnaire was the Strength of the State Banks. Ang says that this again connects to the issue of overbanking and access to capital, she says a number of state banks have been merged as part of government encouragement to do so; however this has only strengthened the state sector. The state sector is considered less efficient and less able or driven to compete abroad, she argues that the number of state banks in Taiwan is much higher than considered politically necessary.⁸¹ Ang again however considers the risk of privatising state banks or merging them with private entities. These actions draw public attention and often violent criticism, past examples have led to allegations of corruptions and selling state assets for undervalued totals.⁸² Consistently we see that measures that may hope to improve the ability for Taiwanese banks to compete on a level field internationally require actions that are unfavourable for the electorate, and subject to domestic political divides.

6.4 Ease of Doing Business Issues

While ease of doing business was the most important issue shown in questionnaire results not all those interviewed agreed with this. They all argued that Taiwan was an excellent environment for businesses to grow and develop, though there are challenges they observe now, that were not issues previously. The greatest issue all three interviewees agreed on is

⁸¹ Wang, H. *The Financial Reforms in Korea and Taiwan*. Asian Banking Association, 2003.

⁸² Pan, J. "Group files corruption lawsuit against Ma over Fubon - Taipei Times", *Taipeitimes.com*, 2016. [Online]. Available: <http://www.taipeitimes.com/News/front/archives/2016/10/19/2003657462>. [Accessed: 15- Jul- 2017].

stagnant wages alongside a rising cost of living, it is argued that many talented Taiwanese graduating from the best universities in Taiwan and abroad are seeking opportunities overseas or with international companies, especially in the banking sector. Opportunities with international banks are heavily sought after, due to the higher salaries paid and opportunities to work in global offices outside Taiwan.⁸³

In recent years Taiwan has seen very poor wage growth, especially for entry positions, while the banking sector is comparatively well paid, similar positions abroad command substantially higher salaries. Taiwanese banks are therefore struggling to compete with international companies and positions abroad to attract the best talent. Woo tell us Taiwanese banks abroad mostly serve wealthy Taiwanese in those markets with business interest in Taiwan and an existing relationship with the bank, this focus on Taiwanese clients he argues makes it difficult for Taiwanese banks to seek international talent also, language barriers become an issue not because of English but rather because the working language of many Taiwanese banks even internationally is Mandarin Chinese as oppose to the industry norm of English. Many talented professionals in the banking industry that are not Chinese speakers are then less likely to be considered for opportunities with Taiwanese banks. He states that unless Taiwanese banks expand their own horizons and look outward for greater investment options then Taiwanese banks will remain too focussed domestically to be able to succeed abroad and gain greater international influence.

⁸³ 2016 *Taiwan Salary Survey*. Taipei: Robert Walters Taiwan, 2016.

CHAPTER 7. CONCLUSION AND IMPLICATIONS

The issue of Taiwanese banks and their disproportional international influence is a complex one that cannot be answered by any one paper alone. This paper has instead highlighted some of the key issues in the debate, both those previously recognised in the existing literature as well as ones previously not considered in the topic of the question. By breaking the topic down into four key areas of discussion, political, economic, globalisation, and the ease of doing business we have created a situation whereby these sectors can be further explored to reveal greater discoveries.

Our own discoveries have shown that unlike many issues facing Taiwan's ability to operate internationally the banking sector is not significantly affected by Chinese efforts to limit its growth. On the contrary, we have found no instance of China exerting international influence to weaken Taiwan's banking sector abroad and believe it to be counter to China's own interests. We have instead found that the domestic political situation and will of the electorate has had notable influence on the ability for Taiwanese banks to grow their influence abroad, especially in the Chinese market where the industry would be perhaps most well placed to take advantage of the strong business relationship between China and Taiwan. While new regulations and agreements between the two sides would most likely strengthen the Taiwanese banking sector, they also present too much political risk for the electorate to give such measures their support.

Economically the issues of overbanking and access to capital were overwhelmingly considered the most pressing issues in existing literature, questionnaire research and interviews with industry professionals. The issue however is complicated by the very structure of the Taiwanese banking system that defies market norms, much political might

will be necessary to push through reforms and encourage mergers between privately owned banks rather than creating stronger state banks. Solving the issue of overbanking will in turn solve the issue of access to capital and create banks large enough to compete internationally serving international clients as oppose to focussing on Taiwanese abroad. The research found that as Taiwanese banks grow stronger they will have to consider how they can compete in centres like Hong Kong with established international banks, however at this time this is not a primary concern. Taiwan itself will have to reconsider its regulations that protect the domestic banking sector and limit the operations of international banks in Taiwan if it is too develop itself as a financial centre of the region, this would be made easier by relaxing regulations related to access to the Chinese market however the political difficulties in this have already been discussed and is not viewed as a likely scenario.

The issues regarding the ease of doing business in Taiwan are not considered pressing with the exception of access to talent, attracting the most talented individuals has been found to be a severe issue for the domestic financial sector. Banks in Taiwan will have to explore options to offer better employment packages to attract candidates who may otherwise decide to work abroad or with international banks in the market. While the research suggests there is great potential for the future of the Taiwanese banking sector given Taiwan's economic strength it also sees the path to building a strong banking sector with the confidence and ability to exert influence internationally as filled with difficulties; predominantly relating to domestic policies and established domestic banking structures that complicate further mergers of Taiwanese banks that could potentially solve the overbanking crisis. That is holding back banks with the potential and desire to grow, and compete with established international giants.

The recommendations here are made to the Taiwanese government for tackling the issue of

overbanking and issues relating to access to capital found in this paper to be the catalyst behind Taiwan's banking industry and its disproportional influence. As discussed there are a number of issues and political risks surrounding government reform aiming to merge more banks and break down the ownership structures of Taiwan's banks. The author therefore recommends the setting up of bipartisan task group made up of government official from all major political parties as well as industry professionals with experience in both the state and private banking sectors. This group would produce a white paper identifying the key areas where the government can take action to consolidate the banking sector and ease regulations in support of the banks. Ensuring a balanced membership of the task group would minimize the political risk; however the government would need to use extra resources to control the narrative and minimize potential for negative interpretation of its approach. Once there can be a consolidation of banks and a dramatic increase in the capital of private banks the government can look at policies that would encourage the success of its banks abroad as well as options for building Taiwan as a regional financial centre.

At some point in the near future also, it is recommended the government reconsider the Cross-Strait Agreement on Trade in Services that has the potential to allow greater access in the Chinese market for Taiwanese banks. This agreement needs to be subject to greater discussion as well as engagement with the electorate to understand where the issues in the agreement lie, again to minimize political risk a similar task group of professionals from all the industries covered in the agreement as well as experts for Taiwan's defence and intelligence community can be used to give the government a hands-off approach that encourages informed discussion before giving the choice to the electorate.

This research has strong implications for both the future of Taiwan government policy toward

the banking industry as well as to further academic discussion of the topic. The research shows that previous methods that take into account only the figures without cross-referencing that data with industry professional for deeper discussion are inadequate. Only through a truly varied approach can the anomaly be understood across all its aspects, leaving clear lines of discussion for further insight in to the future of Taiwan's banking industries influence internationally. Many of the original expectations of this paper have been confirmed in the reaseach however more importantly many have also been shown to have been misplaced. Both the influence of the Chinese government and competitor financial centres were grossly overestimated, discoveries like this are the reason why such research is necessary, not only looking to prove one's expectations as correct but also by being prepared to accept expectations that were wrong and then exploring background to such realisations. Perhaps the most poignant realisation and implication of this research is that without strong leadership in the structural reformation of the banking system in Taiwan it will continue to have disproportional international influence in relation to the strength of the Taiwanese government. The paper finds that at this time government intervention is absolutely necessary before free market principle can begin to take effect.

7.1 Limitations and Future Study Direction

It must be acknowledged there were certain limitation in this study, one is the author lack of ability to sufficiently analyse local Chinese based data, this would add much more perspective than using predominantly international English based sources. Another is the papers decision to focus on the main issues affecting the internationalisation of Taiwanese banks without looking deeper into specific issues. A future study would do well to look specifically at the issues of bank ownership and how this affect the internationalisation of Taiwanese banks. By separating the questionnaire data results by state and privately-owned

banks this could have been better considered. However, the author took the decision that this would warrant a whole new study that could not only consider SOB's against POB's but also look at those banks associated with the main business families in Taiwan. Overall the topic has been well analysed and has performed its foremost objective of highlighting areas that warrant further study.



REFERENCES

- 2016 list of global systemically important banks (G-SIBs). Basel: Financial Stability Board, 2016.
- 2016 Taiwan Salary Survey. Taipei: Robert Walters Taiwan, 2016.
- Appel, H. "The Ideological Determinants of Liberal Economic Reform: The Case of Privatization", *Cambridge University*, 2000. .
- Appelbaum, B. "Trump Nominates Randal K. Quarles to Oversee Wall Street Banks", *Nytimes.com*, 2017. [Online]. Available: <https://www.nytimes.com/2017/07/10/us/politics/trump-nominates-randal-quarles-to-oversee-wall-street-banks.html>. [Accessed: 15- Jul- 2017].
- Banks and "too big to fail" Kash call, *Economist.com*, 2016. [Online]. Available: <https://www.economist.com/news/finance-and-economics/21710258-veteran-financial-crisis-says-banks-need-much-more-capital-kash-call>. [Accessed: 15- Jul- 2017].
- Basel III: international regulatory framework for banks, *Bis.org*, 2017. [Online]. Available: <http://www.bis.org/bcbs/basel3.htm>. [Accessed: 15- Jul- 2017].
- Borst, N. and Li, C. "Fixing Taiwan's Crowded Banking Sector", *Federal Reserve Bank of San Francisco*, 2017. [Online]. Available: <http://www.frbsf.org/banking/asia-program/pacific-exchange-blog/taiwan-banking-sector-reform/>. [Accessed: 15- Jul- 2017].
- Branigan, T. "Taiwan court jails former president Chen Shui-bian for corruption", *The Guardian*, 2009. [Online]. Available: <https://www.theguardian.com/world/2009/sep/11/taiwan-jails-former-president-corruption>. [Accessed: 15- Jul- 2017].
- Buch, C. Buchholz, M. and Tonzer, L. *Uncertainty and International Banking*. Amsterdam: De Nederlandsche Bank, 2014.
- Cadwalladr, C. "The great British Brexit robbery: how our democracy was hijacked", *the Guardian*, 2017. [Online]. Available: <https://www.theguardian.com/technology/2017/may/07/the-great-british-brexite-robbery-hijacked-democracy>. [Accessed: 15- Jul- 2017].
- Chaturvedi, S. "Taiwanese banks venture overseas", *Globalcapital.com*, 2016. [Online]. Available: <http://www.globalcapital.com/article/b10vbw9b5ldt8/taiwanese-banks-venture-overseas>. [Accessed: 15- Jul- 2017].
- Chen, H. Chuo, Y. Chang, J. and Yu, S. *Does Banking Competition Improve Industry Performance? Evidence from Taiwan*. Journal of Informatics and Data Mining, 2016, p. <https://datamining.imedpub.com/does-banking-competition-improve-industry-performance-evidence-from-taiwan.pdf>.
- Chen, P. and Liu, P. "Bank ownership, performance, and the politics: Evidence from Taiwan", *Economic Modelling*, vol. 31, pp. 578-585, 2013.

Chen, Y. "Taiwan Must Reform Its Economy", *Taipeitimes.com*, 2016. [Online]. Available: <http://www.taipeitimes.com/News/editorials/archives/2016/02/22/2003639918>. [Accessed: 15- Jul- 2017].

China's stock market crashes—again, *Economist.com*, 2016. [Online]. Available: <https://www.economist.com/news/business-and-finance/21685146-chinas-stocks-and-currency-start-2016-big-tumbles-chinas-stockmarket>. [Accessed: 15- Jul- 2017].

Chou, C. "Cabinet probes Mega Bank money laundering allegations", *www.ChinaPost.com.tw*, 2016. [Online]. Available: <http://www.chinapost.com.tw/taiwan-business/2016/08/23/476331/Cabinet-probes.html>. [Accessed: 15- Jul- 2017].

Chow, P. *Economic Integration Across the Taiwan Strait: Global Perspectives*. Cheltenham: Edward Elgar Publishing Limited, 2013.

Coggan, P. "That 2008 comparison (again)", *Economist.com*, 2016. [Online]. Available: <https://www.economist.com/blogs/buttonwood/2016/09/financial-markets>. [Accessed: 15- Jul- 2017].

Cross-Strait Financial Businesses, *Fsc.gov.tw*, 2016. [Online]. Available: <http://www.fsc.gov.tw/en/home.jsp?id=99&parentpath=0,2,98>. [Accessed: 15- Jul- 2017].

Dean, J. "Fubon to Acquire Taipei Bank in \$2.4 Billion All-Stock Deal", *Wall Street Journal*, 2002. [Online]. Available: <https://www.wsj.com/articles/SB1028828700960610960>. [Accessed: 15- Jul- 2017].

Doing Business in Taiwan, China - World Bank Group, *Doingbusiness.org*, 2017. [Online]. Available: <http://www.doingbusiness.org/data/exploreeconomies/taiwan-china>. [Accessed: 15- Jul- 2017].

Donald Trump's anger at Asian currency manipulators misses target, *Ft.com*, 2017. [Online]. Available: <https://www.ft.com/content/d2aeb4bc-ef71-11e6-930f-061b01e23655?mhq5j=e2>. [Accessed: 15- Jul- 2017].

Donnell, J. "The EU is planning to make it a lot easier for British banks to Leave the UK", *The Independent*, 2017. [Online]. Available: <http://www.independent.co.uk/news/business/news/brexit-latest-news-uk-banks-new-incentive-leave-london-eu-plans-european-central-bank-a7643081.html>. [Accessed: 15- Jul- 2017].

EF 英語能力指標, *Ef.com.tw*, 2017. [Online]. Available: <http://www.ef.com.tw/epi/>. [Accessed: 15- Jul- 2017].

Fitch: Taiwan Banks Pivot from China Has Lowered Contagion Risk", *Reuters*, 2017. [Online]. Available: <http://www.reuters.com/article/idUSFit988774>. [Accessed: 15- Jul- 2017].

Frankel, J. *National Interest*. London: Macmillan, 1970.

Freed, J. and Azhar, S. "Singapore's DBS pounces on ANZ assets to extend Asia private banking push", *Reuters*, 2017. [Online]. Available: <http://www.reuters.com/article/us-anz-bank-asia-dbs-idUSKBN12V0YR>. [Accessed: 15- Jul- 2017].

Glaser, B. "Tsai Ing-wen and DPP Win Big in Taiwan | Center for Strategic and International Studies", *Csis.org*, 2016. [Online]. Available: <https://www.csis.org/analysis/tsai-ing-wen-and-dpp-win-big-taiwan>. [Accessed: 15- Jul- 2017].

Goodley, S. "Gold, fine wine, art or under the bed: what's the safest place for your cash?", *The Guardian*, 2011. [Online]. Available: <https://www.theguardian.com/business/2011/jul/25/safe-havens-investors-cash>. [Accessed: 15- Jul- 2017].

Hwang, D. and Wu, W. "Financial system reform in Taiwan", *Journal of Asian Economics*, vol. 18, no. 1, pp. 21-41, 2007.

Jennings, R. "<https://www.forbes.com/sites/ralphjennings/2017/04/23/taiwans-once-mighty-high-tech-sector-is-falling-behind-because-of-low-pay/#f2078407b431>", *Forbes.com*, 2017. [Online]. Available: <https://www.forbes.com/sites/ralphjennings/2017/04/23/taiwans-once-mighty-high-tech-sector-is-falling-behind-because-of-low-pay/#f2078407b431>. [Accessed: 15- Jul- 2017].

Laksai, L. "Taiwan's Newest Political Party Was Co-Founded by a Tattooed Rockstar", *Foreign Policy*, 2015. [Online]. Available: <http://foreignpolicy.com/2015/11/19/taiwan-politics-china-new-power-party-beijing-ma-xi-kmt-dpp/>. [Accessed: 15- Jul- 2017].

Lee, W. "Taiwan's Politics in the 21st Century: Changes and Challenges", *Singapore World Scientific Publishing*, 2010.

Leou, C. *Financial Liberalisation under Democratisation: The Long Journey of the Reform on the State-Owned Banks in Taiwan*. SOAS, University of London, 2006.

Lin, R. and Chung, J. "More students going abroad: data - Taipei Times", *Taipeitimes.com*, 2014. [Online]. Available: <http://www.taipeitimes.com/News/taiwan/archives/2014/03/04/2003584849>. [Accessed: 15- Jul- 2017].

Lin, S. "Taiwan and the Advent of a Cross-Strait Financial Industry", *University of Virginia*, 2013.

Lin, S. *National Identity, Economic Interest and Taiwan's Cross-Strait Economic Policy 1994-2009*. [S.l.]: Open Dissertation Press, 2017.

M&A Deals since September 2004 (53 Deals). British Chamber of Commerce Taipei, 2017.

Nadeau, P. "Can Japan Lead Asia's Economic Order?", *The Diplomat*, 2017. [Online]. Available: <http://thediplomat.com/2017/01/time-for-japan-to-lead-the-economic-order/>. [Accessed: 15- Jul- 2017].

New Southward Policy, *Ministry of Economic Affairs*, 2016. [Online]. Available: https://www.moea.gov.tw/MNS/english/news/News.aspx?kind=6&menu_id=176&news_id=54317. [Accessed: 15- Jul- 2017].

Norfield, T. *The City London and the Global Power of Finance*. New York: Verso Books, 2016.

Overseas Business Risk - Taiwan - GOV.UK, *Gov.uk*, 2017. [Online]. Available: <https://www.gov.uk/government/publications/overseas-business-risk-taiwan/overseas-business-risk-taiwan--2>. [Accessed: 15- Jul- 2017].

Paldam, M. "Economic Freedom and the Success of the Asian Tigers: an essay on controversy", *European Journal of Political Economy*, vol. 19, no. 3, pp. 453-477, 2003.

Pan, J. "Group files corruption lawsuit against Ma over Fubon - Taipei Times", *Taipeitimes.com*, 2016. [Online]. Available: <http://www.taipeitimes.com/News/front/archives/2016/10/19/2003657462>. [Accessed: 15- Jul- 2017].

Prasad, E. "China overtakes eurozone as world's biggest bank system", *Ft.com*, 2017. [Online]. Available: <https://www.ft.com/content/14f929de-ffc5-11e6-96f8-3700c5664d30?mhq5j=e2>. [Accessed: 15- Jul- 2017].

Saaty, T. "Decision making with the analytic hierarchy process", *International Journal of Services Sciences*, vol. 1, no. 1, p. 83, 2008.

Schuman, M. "State capitalism vs the free market: Which performs better? | TIME.com", *TIME.com*, 2011. [Online]. Available: <http://business.time.com/2011/09/30/state-capitalism-vs-the-free-market-which-performs-better/>. [Accessed: 15- Jul- 2017].

Shuster, S. "How Populism Is Splitting Europe", *TIME.com*, 2017. [Online]. Available: <http://time.com/time-person-of-the-year-populism/>. [Accessed: 15- Jul- 2017].

Smith, R. "London holds off New York to keep its title as world's top financial centre", *Cityam.com*, 2017. [Online]. Available: <http://www.cityam.com/261819/london-holds-off-new-york-keep-its-top-spot-worlds-number>. [Accessed: 15- Jul- 2017].

Soifer, H. "The Causal Logic of Critical Junctures", *Comparative Political Studies*, vol. 45, no. 12, pp. 1572-1597, 2012.

Taiwan Economy: 2016 Q3. British Office Taipei, 2016, pp. <http://www.bcctaipei.com/wp-content/uploads/2016/11/Taiwan-2016-Q3-Economic-Report.pdf>.

Taiwan Financial Services Conference, Investor Presentation. Taipei: Ministry of Finance Taiwan, 2005.

Taiwan Profile, *CIA World Factbook*, 2017. [Online]. Available: <https://www.cia.gov/library/publications/the-world-factbook/geos/tw.html>. [Accessed: 15- Jul- 2017].

Taiwan Strait, *Encyclopedia Britannica*, 1998. [Online]. Available: <https://global.britannica.com/place/Taiwan-Strait>. [Accessed: 15- Jul- 2017].

Tan, A. "The Politics of Financial Reform in Taiwan: Actors, Institutions, and the Changing State", *Asian Affairs: An American Review*, vol. 36, no. 4, pp. 201-212, 2009.

The Bank that failed, *The Economist*, 2007. [Online]. Available: <http://www.economist.com/node/9832838>. [Accessed: 15- Jul- 2017].

The Man to Help with Financial Reform, *Taipeitimes.com*, 2016. [Online]. Available: <http://www.taipeitimes.com/News/editorials/archives/2016/10/24/2003657790>. [Accessed: 15- Jul- 2017].

Treanor, J. "Sadiq Khan warns hard Brexit will cost millions of jobs across UK", *The Guardian*, 2016. [Online]. Available: <https://www.theguardian.com/business/2016/oct/27/sadiq-khan-to-warn-hard-brexit-will-cost-millions-of-jobs-across-uk>. [Accessed: 15- Jul- 2017].

Treanor, J. Goodley, S. and Allen, K. "Pound slumps to 31-year low following Brexit vote", *The Guardian*, 2016. [Online]. Available: <https://www.theguardian.com/business/2016/jun/23/british-pound-given-boost-by-projected-remain-win-in-eu-referendum>. [Accessed: 15- Jul- 2017].

Vives, X. *Competition and Stability in Banking*. Princeton: Princeton University Press, 2016.

Wang, C. "'The future that belongs to us': Affective politics, neoliberalism and the Sunflower Movement", *International Journal of Cultural Studies*, vol. 20, no. 2, pp. 177-192, 2017.

Wang, H. *The Financial Reforms in Korea and Taiwan*. Asian Banking Association, 2003.

Winkler, S. "Taiwan's UN Dilemma: To Be or Not To Be", *Brookings*, 2012. [Online]. Available: <https://www.brookings.edu/opinions/taiwans-un-dilemma-to-be-or-not-to-be/>. [Accessed: 15- Jul- 2017].

Woo, J. *Business and politics in Asia's key financial centres*. Singapore: Springer, 2016.

Yao, W. "Why Asian Banks are Well Positioned for Basel III", *Federal Reserve Bank of San Francisco*, 2016. [Online]. Available: <http://www.frbsf.org/banking/asia-program/pacific-exchange-blog/why-asian-banks-are-well-positioned-for-basel-iii/>. [Accessed: 15- Jul- 2017].

Yeandle, M. "GFCI 19 Asia/Pacific", *Longfinance.net*, 2017. [Online]. Available: <http://www.longfinance.net/global-financial-centre-index-19/982-gfci-19-asia-pacific.html>. [Accessed: 15- Jul- 2017].

Zhu, D. Chen, Y. and White, L. "A study on profitability and marketability of Taiwanese bank firms before and after the Financial Holding Company Act", *International Journal of Business Performance Management*, vol. 15, no. 3, p. 207, 2014.

金融監督管理委員會-英譯法規內容(外部版), *Law.fsc.gov.tw*, 2014. [Online]. Available: <http://law.fsc.gov.tw/law/EngLawContent.aspx?Type=E&id=1286>. [Accessed: 15- Jul- 2017].

APPENDIX

No.	Content	Page
1	A copy of the bilingual AHP based questionnaire given out to industry professionals in Taiwanese banks.	52-56
2	AHP results from section 1 Main topics of the questionnaire.	57
3	AHP results from section 2 Political Issues of the questionnaire.	58
4	AHP results from section 3 Economic Issues of the questionnaire.	59
5	AHP results from section 4 Globalisation Issues of the questionnaire.	60
6	AHP results from section 5 Ease of Doing Business Issues of the questionnaire.	61

Which factors do you believe to be more important when considering the internationalisation challenges facing the Taiwanese banking sector?

你認為哪一個因素是比較重要的：當思考台灣銀行業面臨國際化的挑戰

Q1

A- Political Issues - 政治議題

B- Economic Issues - 經濟議題

Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q2

A- Political Issues - 政治議題

C- Globalisation Issues - 全球化議題

Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q3

A- Political Issues - 政治議題

D- Ease of Doing Business - 企業經營難易度

Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q4

B- Economic Issues - 經濟議題

C- Globalisation Issues - 全球化議題

Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q5

B- Economic Issues - 經濟議題

B D- Ease of Doing Business - 企業經營難易度

Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q6

C- Globalisation Issues - 全球化議題

D- Ease of Doing Business - 企業經營難易度

Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

A-Political Issues

Which factors do you believe to be more important when considering the internationalisation challenges facing the Taiwanese banking sector?

你認為哪一個因素是比較重要的：當思考台灣銀行業面臨國際化的挑戰

Q1								
A1- Cross-Strait Relations - 兩岸關係					A2- Non-Country Status - 非國際地位			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q2								
A1- Cross-Strait Relations - 兩岸關係					A3- Access to the Chinese Market - 進入中國市場			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q3								
A1- Cross-Strait Relations - 兩岸關係					A4- Domestic Party Politics - 國內政黨政治			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q4								
A2- Non-Country Status - 非國際地位					A3- Access to the Chinese Market - 進入中國市場			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q5								
A2- Non-Country Status - 非國際地位					B A4- Domestic Party Politics - 國內政黨政治			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q6								
A3- Access to the Chinese Market - 進入中國市場					A4- Domestic Party Politics - 國內政黨政治			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

B- Economic Issues - 經濟議題

Which factors do you believe to be more important when considering the internationalisation challenges facing the Taiwanese banking sector?

你認為哪一個因素是比較重要的：當思考台灣銀行業面臨國際化的挑戰

Q1					B2- Currency NTD - 新台幣關係				
B1-Overbanking - 銀行過度競爭									
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要	
9	7	5	3	1	3	5	7	9	

Q2					B3- Economic Stability - 經濟穩定				
B1-Overbanking - 銀行過度競爭									
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要	
9	7	5	3	1	3	5	7	9	

Q3					B4- Access to Capital - 獲取資本				
B1-Overbanking - 銀行過度競爭									
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要	
9	7	5	3	1	3	5	7	9	

Q4					B3- Economic Stability - 經濟穩定				
B2- Currency NTD - 新台幣關係									
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要	
9	7	5	3	1	3	5	7	9	

Q5					B4- Access to Capital - 獲取資本				
B2- Currency NTD - 新台幣關係									
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要	
9	7	5	3	1	3	5	7	9	

Q6					B4- Access to Capital - 獲取資本				
B3- Economic Stability - 經濟穩定									
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要	
9	7	5	3	1	3	5	7	9	

C- Globalisation Issues - 全球化議題

Which factors do you believe to be more important when considering the internationalisation challenges facing the Taiwanese banking sector?

你認為哪一個因素是比較重要的：當思考台灣銀行業面臨國際化的挑戰

Q1								
C1- Financial Regulations - 金融監管					C2- Strength of State Banks - 國家銀行強度			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q2								
C1- Financial Regulations - 金融監管					C3- Competitor Financial Centres - 競爭金融中心			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q3								
C1- Financial Regulations - 金融監管					C4- Innovation - 創新			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q4								
C2- Strength of State Banks - 國家銀行強度					C3- Competitor Financial Centres - 競爭金融中心			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q5								
C2- Strength of State Banks - 國家銀行強度					C4- Innovation - 創新			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q6								
C3- Competitor Financial Centres - 競爭金融中心					C4- Innovation - 創新			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

D- Ease of Doing Business - 企業經營難易度

Which factors do you believe to be more important when considering the internationalisation challenges facing the Taiwanese banking sector?

你認為哪一個因素是比較重要的：當思考台灣銀行業面臨國際化的挑戰

Q1								
D1- English Proficiency - 英語能力					D2- Education Quality - 教學質量			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q2								
D1- English Proficiency - 英語能力					D3- Taiwanese Business Culture - 台灣商業文化			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q3								
D1- English Proficiency - 英語能力					D4- Access to Talent - 人才取得等			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q4								
D2- Education Quality - 教學質量					D3- Taiwanese Business Culture - 台灣商業文化			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q5								
D2- Education Quality - 教學質量					D4- Access to Talent - 人才取得等			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

Q6								
D3- Taiwanese Business Culture - 台灣商業文化					D4- Access to Talent - 人才取得等			
Most Important 最重要	V. Strongly Important 非常重要	Strongly Important 很重要	Slightly Important 一點重要	Equally Important 相等重要	Slightly Important 一點重要	Strongly Important 很重要	V. Strongly Important 非常重要	Most Important 最重要
9	7	5	3	1	3	5	7	9

AHP Analytic Hierarchy Process (EVM multiple inputs)K. D. Goepel Version **04.05.2016**Free web based AHP software on: <http://bpmsg.com>**Only input data in the light green fields and worksheets!**

n= Number of criteria (2 to 10) Scale: AHP 1-9

N= Number of Participants (1 to 20) α : Consensus: 76.7%

p= selected Participant (0=consol.) 2 7 Consolidated

Objective Which factors do you believe to be more important when considering the internationalisation challenges facing the Taiwanese banking sector?

Author R. Edwards**Date** 29-May-17Thresh:

Iterations: 6

EVM check: 2.2E-08

Table	Criterion	Comment	Weights	Rk
1	Political Issues		25.1%	3
2	Economic Issues		17.5%	4
3	Globalisation Issues		25.7%	2
4	Ease of Doing Business		31.7%	1
5	Criterion 5		0.0%	
6	Criterion 6		0.0%	
7	Criterion 7		0.0%	
8	Criterion 8		0.0%	
9		for 9&10 unprotect the input sheets and expand the	0.0%	
#		question section ("*" in row 66)	0.0%	

Result **Eigenvalue** lambda: 4.103

Consistency Ratio 0.37 GCI: 0.14 CR: 3.8%

Matrix	Political Issues	Economic Issues	Globalisation Issues	Ease of Doing Business	Criterion 5	Criterion 6	Criterion 7	Criterion 8	0	0	normalized principal Eigenvector
Political Issues	1	2/9	3/4	3/5	-	-	-	-	-	-	25.08%
Economic Issues	4/9	1	7/8	2/3	-	-	-	-	-	-	17.52%
Globalisation Issues	1 1/3	1 1/7	1	5/6	-	-	-	-	-	-	25.69%
Ease of Doing Business	1 5/8	1 1/2	1 1/5	1	-	-	-	-	-	-	31.71%
Criterion 5	-	-	-	-	1	-	-	-	-	-	0.00%
Criterion 6	-	-	-	-	-	1	-	-	-	-	0.00%
Criterion 7	-	-	-	-	-	-	1	-	-	-	0.00%
Criterion 8	-	-	-	-	-	-	-	1	-	-	0.00%
0	-	-	-	-	-	-	-	-	1	-	0.00%
0	-	-	-	-	-	-	-	-	-	1	0.00%

AHP Analytic Hierarchy Process (EVM multiple inputs)K. D. Goepel Version **04.05.2016**Free web based AHP software on: <http://bpmsg.com>**Only input data in the light green fields and worksheets!**

n= Number of criteria (2 to 10) Scale: AHP 1-9

N= Number of Participants (1 to 20) α : Consensus: 80.7%

p= selected Participant (0=consol.) 2 7 Consolidated

Objective Which factors do you believe to be more important when considering the internationalisation challenges facing the Taiwanese banking sector?

Author R. Edwards

Date 29-May-17

Thresh:

Iterations: 6

EVM check: 2.0E-08

Table	Criterion	Comment	Weights	Rk
1	Cross-Strait Relations		22.4%	3
2	Non-Country Status		11.1%	4
3	Access to the Chinese Market		34.7%	1
4	Domestic Party Politics		31.8%	2
5	Criterion 5		0.0%	
6	Criterion 6		0.0%	
7	Criterion 7		0.0%	
8	Criterion 8		0.0%	
9		for 9&10 unprotect the input sheets and expand the question section ("*" in row 66)	0.0%	
#			0.0%	

Result **Eigenvalue** lambda: 4.055

Consistency Ratio 0.37 GCI: 0.07 CR: 2.0%

Matrix	Cross-Strait Relations	Non-Country Status	Access to the Chinese Market	Domestic Party Politics	Criterion 5	Criterion 6	Criterion 7	Criterion 8	0	0	normalized principal Eigenvector
	1	2	3	4	5	6	7	8	9	10	
Cross-Strait Relations	1	2 1/8	3/4	4/7	-	-	-	-	-	-	22.40%
Non-Country Status	1/2	1	1/4	1/2	-	-	-	-	-	-	11.14%
Access to the Chinese Market	1 1/3	4	1	-	-	-	-	-	-	-	34.65%
Domestic Party Politics	1 3/4	2 1/7	1	1	-	-	-	-	-	-	31.81%
Criterion 5	-	-	-	-	1	-	-	-	-	-	0.00%
Criterion 6	-	-	-	-	-	1	-	-	-	-	0.00%
Criterion 7	-	-	-	-	-	-	1	-	-	-	0.00%
Criterion 8	-	-	-	-	-	-	-	1	-	-	0.00%
0	-	-	-	-	-	-	-	-	1	-	0.00%
0	-	-	-	-	-	-	-	-	-	1	0.00%

AHP Analytic Hierarchy Process (EVM multiple inputs)K. D. Goepel Version **04.05.2016**Free web based AHP software on: <http://bpmsg.com>**Only input data in the light green fields and worksheets!**

n= Number of criteria (2 to 10) Scale: AHP 1-9

N= Number of Participants (1 to 20) α : Consensus:

p= selected Participant (0=consol.) 2 7 **Consolidated**

Objective Which factors do you believe to be more important when considering the internationalisation challenges facing the Taiwanese banking sector?

Author Date Thresh: Iterations: EVM check:

Table	Criterion	Comment	Weights	Rk
1	Overbanking		57.1%	1
2	Currency NTD		5.5%	4
3	Economic Stability		8.4%	3
4	Access to Capital		29.0%	2
5	Criterion 5		0.0%	
6	Criterion 6		0.0%	
7	Criterion 7		0.0%	
8	Criterion 8		0.0%	
9			0.0%	
#		for 9&10 unprotect the input sheets and expand the question section ("*" in row 66)	0.0%	

Result	Eigenvalue	lambda: <input type="text" value="4.081"/>
	Consistency Ratio	0.37 GCI: <input type="text" value="0.11"/> CR: <input type="text" value="3.0%"/>

Matrix	<div> <div>Overbanking</div> <div>Currency NTD</div> <div>Economic Stability</div> <div>Access to Capital</div> <div>Criterion 5</div> <div>Criterion 6</div> <div>Criterion 7</div> <div>Criterion 8</div> <div>0</div> <div>0</div> </div>										normalized principal Eigenvector
	1	2	3	4	5	6	7	8	9	10	
Overbanking	1	7 2/7	6 2/3	2 3/4	-	-	-	-	-	-	57.05%
Currency NTD	1/7	1	1/2	1/6	-	-	-	-	-	-	5.53%
Economic Stability	1/7	1 6/7	1	1/4	-	-	-	-	-	-	8.42%
Access to Capital	3/8	6 1/4	4	1	-	-	-	-	-	-	29.00%
Criterion 5	-	-	-	-	1	-	-	-	-	-	0.00%
Criterion 6	-	-	-	-	-	1	-	-	-	-	0.00%
Criterion 7	-	-	-	-	-	-	1	-	-	-	0.00%
Criterion 8	-	-	-	-	-	-	-	1	-	-	0.00%
0	-	-	-	-	-	-	-	-	1	-	0.00%
0	-	-	-	-	-	-	-	-	-	1	0.00%

AHP Analytic Hierarchy Process (EVM multiple inputs)K. D. Goepel Version **04.05.2016**Free web based AHP software on: <http://bpmsg.com>**Only input data in the light green fields and worksheets!**

n= Number of criteria (2 to 10) Scale: AHP 1-9

N= Number of Participants (1 to 20) α : Consensus:

p= selected Participant (0=consol.) 2 7 **Consolidated**

Objective Which factors do you believe to be more important when considering the internationalisation challenges facing the Taiwanese banking sector?

Author R. Edwards

Date 29-May-17

Thresh:

Iterations: 6

EVM check: 1.8E-08

Table	Criterion	Comment	Weights	Rk
1	Financial Regulation		48.0%	1
2	Strength of State Banks		24.7%	2
3	Competitor Financial Centres		15.1%	3
4	Innovation		12.2%	4
5	Criterion 5		0.0%	
6	Criterion 6		0.0%	
7	Criterion 7		0.0%	
8	Criterion 8		0.0%	
9		for 9&10 unprotect the input sheets and expand the	0.0%	
#		question section ("*" in row 66)	0.0%	

Result Eigenvalue lambda:

Consistency Ratio 0.37 GCI: CR:

Matrix	Financial Regulations	Strength of State Banks	Competitor Financial Centres	Innovation	Criterion 5	Criterion 6	Criterion 7	Criterion 8	0	0	normalized principal Eigenvector
Financial Regulations	1	1 3/7	4 4/9	3 3/4	-	-	-	-	-	-	48.02%
Strength of State Banks	5/7	1	1 1/4	2	-	-	-	-	-	-	24.71%
Competitor Financial Centres	2/9	4/5	1	1 2/7	-	-	-	-	-	-	15.11%
Innovation	1/4	1/2	7/9	1	-	-	-	-	-	-	12.15%
Criterion 5	-	-	-	-	1	-	-	-	-	-	0.00%
Criterion 6	-	-	-	-	-	1	-	-	-	-	0.00%
Criterion 7	-	-	-	-	-	-	1	-	-	-	0.00%
Criterion 8	-	-	-	-	-	-	-	1	-	-	0.00%
0	-	-	-	-	-	-	-	-	1	-	0.00%
0	-	-	-	-	-	-	-	-	-	1	0.00%

AHP Analytic Hierarchy Process (EVM multiple inputs)K. D. Goepel Version **04.05.2016**Free web based AHP software on: <http://bpmsg.com>**Only input data in the light green fields and worksheets!**

n= Number of criteria (2 to 10) Scale: AHP 1-9
 N= Number of Participants (1 to 20) α : Consensus: 79.8%
 p= selected Participant (0=consol.) 2 7 Consolidated

Objective Which factors do you believe to be more important when considering the internationalisation challenges facing the Taiwanese banking sector?

Author R. EdwardsDate 29-May-17Thresh: 1E-07Iterations: 6EVM check: 1.4E-08

Table	Criterion	Comment	Weights	Rk
1	English Proficiency		13.0%	4
2	Education Quality		18.8%	2
3	Taiwanese Business Culture		13.6%	3
4	Access to Talent		54.6%	1
5			0.0%	
6			0.0%	
7			0.0%	
8			0.0%	
9			0.0%	
#		for 9&10 unprotect the input sheets and expand the question section ("*" in row 66)	0.0%	

Result	Eigenvalue	lambda: 4.139
	Consistency Ratio	0.37 GCI: 0.18 CR: 5.1%

Matrix												normalized principal Eigenvector	
		English Proficiency	Education Quality	Taiwanese Business Culture	Access to Talent	0	0	0	0	0	0		
English Proficiency	1	-	1	3/4	2/9	-	-	-	-	-	-	(13.04%	
Education Quality	2	1	-	2 1/4	2/7	-	-	-	-	-	-	18.77%	
Taiwanese Business Culture	3	1 1/3	4/9	-	1/3	-	-	-	-	-	-	13.55%	
Access to Talent	4	4 2/3	3 1/2	3 2/7	-	-	-	-	-	-	-	54.63%	
0	5	-	-	-	-	-	-	-	-	-	-	0.00%	
0	6	-	-	-	-	-	-	-	-	-	-	0.00%	
0	7	-	-	-	-	-	-	-	-	-	-	0.00%	
0	8	-	-	-	-	-	-	-	-	-	-	0.00%	
0	9	-	-	-	-	-	-	-	-	-	-	0.00%	
0	10	-	-	-	-	-	-	-	-	-	-	0.00%	