

Free the impact of exogenous determinants on the business cycle of the taiwanese ...

[Sociology](#), [Community](#)



Abstract

This paper has evaluated the exogenous factors affecting the Taiwanese economy. The importation of technology and association with regional and international trade organizations have been discussed as the two most important exogenous factors. Taiwan has had a long political battle for sovereignty with China. Since 2002, this country has taken charge of its political and business endeavors. It has become one of Asia's strongest economies. Among other recommendations, this paper has noted that if Taiwan must boost its economy further, it has to ease its Foreign Direct Investment policies and allow additional investors. In addition, efforts should be geared towards revolutionizing the agricultural and mining industries for the better.

Country's Overview

Taiwan is located in South East Asia, and it lies on an area that is approximated to be 35 980 square kilometers. In terms of climate, Taiwan lies in the tropical climate and experiences a rainy season during the southwest monsoon winds between June and August (WFB, 2014). The country is majorly cloudy for the most part of the year. With respect to natural resources, Taiwan boasts of natural deposits such as natural gas, coal, limestone, asbestos and marble. The Taiwanese ethnic group is the largest comprising of 84 percent of the entire population (WFB, 2014). The Chinese ethnicity ranks second with 14 percent and other indigenous groups constitute 2 percent. There is also a tiny population of the international community.

This country has a population growth rate of 0.25 percent. People in the age group of 25-55 years form the largest percentage (47.7%); males and females have a ratio of 1:1 in this age group. Children in the age group of 0-14 years form the second dominant group, at 14 percent. The age group of 15-24 years and that of 54 years and above come in as third and fourth respectively (WFB, 2014). The median age is 39.2 years. For males, the median age is 38.5 years while the female average age is 39.9 years. The Taiwanese people are quite literate. Those aged 15 years and above can read and write (96.1%). Taipei is the capital city of this nation, and it has the Time zone of UTC+8 hours. This state has 14 counties comprising of the mainland Taiwan and several neighboring small islands (WFB, 2014).

Basic history

Taiwan is a sovereign state in East Asia that was originally known as the Republic of China (ROC). This Island is the native home of the indigenous Taiwanese people. The Dutch and Spaniards later arrived during the colonization era and brought civilization to this Island. After the end of the Second World War, Japan, which had conquered this Island, surrendered (WFB, 2014). Taiwan was now in full control of ROC. The Independence of this state is still debatable because the People's Republic of China (PRC) and ROC claim that they are the legitimate owners of Taiwan. Taiwan has now dissociated from China and controls its business and politics. However, the political differences between this nation and China are still debatable (WFB, 2014). System of government

Taiwan has the civil law legal system and a multiparty democracy. The

President is the country's chief. There are three arms of the government: the executive, judiciary and legislature. In the executive, the President (Chief of State) is the leader of the nation. There is the head of government post; the office holder takes charge of government business under the guidance of the president, vice president and the cabinet. Elections are held after every four years; the president and his deputy vie on the same ticket. The legislature has 113 members. At the head of the judiciary, is the Supreme Court that is governed by Supreme Court president.

Economic system

This country has a dynamic capitalist economy; the government has minimal control on forex trade and investment. Top on the list of the country's export are electronics, petrochemicals and machinery. The economy's progress is derailed by the country's low birth rate and increasing old age population (WFB, 2014). The currency of the country is the Taiwan Dollar. Taiwan has an economic growth rate is 2. 2 percent; the GDP is \$926. 4 billion (IMF, 2014). With respect to the labor force, there are 6, 183, 567 males in the age group of 16-49 years. There are 6, 006, 676 females in the same age group (labor force). In total, the country has a labor force of 11. 55 million people. The country has an employment rate of 4. 1 percent. A considerable percentage of the population is urbanized (WFB, 2014; TWB, 2014).

Describe Exogenous Market determinants

Exogenous market determinants denote external factors that are believed to shape an economy (Cubbin, 2013). Champions of this notion opine that external factors determine the market or economic growth. The

technological prowess of an industry determines its market structure.

Markets that have superior technologies are likely to perform better than those with limited technologies (Cubbin, 2013). Technology, from an exogenous perspective, comes into play when the country imports the necessary technology. Secondly, foreign and international policies can determine how a country conducts business (Doing Business, 2014). It is essential for countries to become member states of regional and international business organizations. These organizations determine the order of doing business regionally or internationally.

Analyze market determinants impact on country's macro outcomes

The ease of doing business in a given county plays a crucial role in attracting investors and improving the country's GDP (Doing Business, 2014). There are different factors that are used in assessing the ease of doing business, as well as the country's macroeconomic outcomes. Taiwan is ranked at number 17 with respect to starting a business and number 18 at doing business across borders. With respect to protecting investors, it is ranked at number 34. Other factors are as follows: registering property (31), getting electricity (7); paying taxes (38); enforcing contracts (84). Resolving insolvency (16) and dealing with construction permits (7) (Doing Business, 2014).

With respect to exogenous factors, Taiwan's electronics industry leads on the exportation front. This is a reflection of a good adoption of decent technologies. In order to boost other possible industry drivers like mining and agriculture, Taiwan must embrace internationally recognized technologies.

Taiwan is a member of the World Trade Organization, International Trade

Union Confederation, Asia-Pacific Economic Cooperation and Asian Development Bank among others. Being a member state of these regional and international trade organizations has allowed this country to conduct business with regional and international allies, and this has boosted the country's GDP. Solutions to correct economy's challenges

In order to boost the country's economy, Taiwan must improve its Foreign Direct Investment Policy and allow more foreign investors in the country other than the US, China and Japan. It must improve the acquisition and supply of electricity at the local level because electricity supply powers industrial growth. Thirdly, Taiwan should make it possible to conduct business across borders. Fourthly, this country should improve its policies on enforcing contracts. In addition, the government needs to invest in technology through education and research. Besides, efforts should be geared towards revolutionizing the agricultural and mining industries for the better.

Conclusion

This paper has evaluated how exogenous factors affects the Taiwanese economy. Technology and international policies are the two most dominant exogenous factors that have been identified to shape this country's economy. Taiwan has allowed the importation of technology, partly through education and has joined different regional and international trade organizations. These initiatives have benefited the country's economic growth. However, there are other areas that must be improved if this country intends to strengthen its economy further.

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