

Industrial Policy and Business Management: Development of Automobile Industry in Taiwan (1950-1970)

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ABSTRACT

From the perspective of business history, this study investigated Taiwan's two largest enterprises in automobile industry of the 1950s to 1970s, namely Yulon Motor Co., Ltd. and Ford Lio Ho Motor Co., Ltd. Specifically, comparison between them was made in terms of production and marketing strategies adopted by domestic and foreign-funded enterprises in their business operations. Moreover, the effects of government industrial policy were also reexamined.

During the early years of industrial development when Taiwan had low overall industrial competency, Yulon achieved the local content rate imposed by the government through self-production of components and the establishment of a subsidiary company. Initially, the Taiwan government supported Yulon by granting it monopoly in its operations. However, owing to insufficient supply, the government subsequently opened the market to new manufacturers and allowed partial imports, thus shrinking the market originally monopolized by Yulon. Such changes indicated the lack of consistency in industrial policy of the government. Although the foreign-funded Ford Lio Ho was a latecomer in the automobile industry, it rapidly achieved international-level quality by using the existing technology and production experience of its parent company, Ford. In this way, it fulfilled the government requirement that new manufacturers joining the industry should achieve the same local content rate as that of existing ones; thus enabling the products of Ford Lio Ho and its satellite factory to be exported.

Comparing the development experience of the above two automobile enterprises revealed that under the import substitution policy, Yulon was oriented toward supplying the domestic market, while Ford Lio Ho, besides participating in the local market, also became part of Ford's US production system. In the early development of the automobile industry, the government gave greater priority to domestic production, requiring only the

hub factories to improve local content rate. The lack of consideration for fostering peripheral businesses and not taking economic efficiency of small-scale productions into account are limitations of government policy imposed on the assembly industry.

Keywords: Automobile, Yulon Motor Co., Ltd., Ford Lio Ho Motor Co., Ltd., Industrial Policy, Local Content Rat