

**THE ROLE OF SMALL AND MEDIUM SIZED ENTERPRISES IN TAIWAN'S  
ECONOMIC DEVELOPMENT AND THEIR FUTURE PROSPECTS**

Giann-Chyuan Wang  
Chung-Hua Institution for Economic Research

**Abstract**

The purpose of this paper is threefold. First, we elaborate upon the reasons behind the rise of SMEs in Taiwan. Second, we explore the role of SMEs in Taiwan's economic development after the 1980s, and the operation of the division of labor system between SMEs and big enterprises and why this system can help protect Taiwan from the Asian financial crisis; the role of SME flexibility in Taiwan's economic robustness will also be analyzed. And third, it discusses the challenges that lie ahead for SMEs and the policy measures or strategies needed to help them get through adverse economic conditions.

Keywords : SMEs, division of labor system, industrial network, Asian financial crisis