



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

SEPARATE CUSTOMS TERRITORY OF TAIWAN, PENGHU, KINMEN AND MATSU

Revision

This report, prepared for the fourth Trade Policy Review of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on its trade policies and practices.

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SUMMARY

1. Since its previous Trade Policy Review in 2014, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's (Chinese Taipei) relatively strong fundamentals and well developed outward-looking economy have helped maintain macro-financial stability and ensure the resilience of its export-led economy. During the review period, annual GDP growth ranged from 0.8% (2015) to 4% (2014), and its annual average rate for the period 2014-17 stood at 2.3%, a major slowdown compared to previous performance (averaging 4.3% over 2002-13). Monetary and fiscal stimulus measures are being used to spur economic recovery. Despite some innovation- and labour-related concerns, Chinese Taipei has maintained its position among the world's most competitive economies, with among the highest living standards, while registering a slight decline in income inequality. Weaknesses in some areas are being addressed via ongoing reforms. Whereas inflation evolved cyclically (0.6% in 2017), the unemployment rate dropped progressively (3.8% in 2017).

2. During the review period, trade and trade-related structural reforms (e.g. in the areas of trade facilitation, taxation, competition policy and intellectual property rights) were undertaken. Following a slowdown in 2015, both labour and total factor productivity increased in 2016-17 largely due to a rise in total production accompanied by a decrease in the number of working hours, thereby improving Chinese Taipei's international competitiveness. Since 2014, a loose monetary policy, involving four policy rate cuts from 1.875% to 1.375%, has provided a monetary stimulus to growth and helped to build a stable financial environment.

3. Chinese Taipei's managed floating exchange rate regime has allowed for exchange rate flexibility and foreign exchange intervention, thus helping to diminish or prevent speculative attacks. During most of the review period, the nominal exchange rate depreciated (except in 2017) – as did the real effective exchange rate, partly due to the strengthening of the US dollar. The current account registered a larger overall surplus, averaging 13.5% of GDP in the period 2014-17 compared to 8.6% over the period 2010-13, *inter alia*, reflecting weak internal demand and falling global oil prices. Foreign exchange reserves have increased steadily mainly due to their management returns. Gross external debt decreased from 33.5% of GDP in 2014 to 32.5% in 2016.

4. The openness of the Chinese Taipei economy to international trade, and its integration into the world economy and global value chains continued to be reflected by the steadily high ratio of its trade (exports plus imports) in goods and services to GDP. This stood at 117.7% in 2017, though lower than in 2014 partly due to weaker global demand. International trade and inbound direct investment trends reflect the continuous importance of Asia-Pacific as Chinese Taipei's main market and supplier, with China, Japan, the United States and the European Union remaining its major individual trading partners, whereas its main inbound direct investment partners were: the European Union; Hong Kong, China; and Japan. Chinese Taipei continues to encourage investment, through incentives and facilitation measures, in order to provide a new engine for economic growth. In 2018, Chinese Taipei's negative list containing investment prohibitions and restrictions was amended to allow overseas investment in ship leasing services and the cultivation of certain crops. Consideration is being given to removing a pre-investment screening review requirement and replacing it with a post-investment registration mechanism.

5. Since 2014, the overall structure and functions of the executive, legislature and judiciary of Chinese Taipei have remained broadly unchanged. However, a restructuring and streamlining of the executive branch has been ongoing with a view to increasing its flexibility and effectiveness; this has included the creation of a development council responsible for planning and supervising development policies. In addition to Chinese Taipei's development plan for the period 2017-2020, key economic strategies being implemented to drive innovation, promote regional cooperation and meet long-term infrastructural needs are respectively: the 5+2 Industrial Innovation Plan, the New Southbound Policy and the Forward-Looking Infrastructure Development Programme.

6. Chinese Taipei's trade policy continues to be based on the premise that trade openness, global and regional connectivity, economic growth and performance, living standards and innovation are strongly linked. It continues to pursue a combined unilateral, bilateral, regional and multilateral approach to trade policy. Chinese Taipei currently has RTAs in force with nine economies; those entering into force during this review period were RTAs with Singapore and New Zealand, covering goods and services, and a cooperation agreement with Paraguay. It continues to offer non-reciprocal preferences to all least-developed countries. Since 2014, it participated as a complainant in three new WTO dispute settlement cases and reserved its third party rights in 22 cases.

7. Chinese Taipei has maintained a strong record of notifications to the WTO, although an up-to-date notification on domestic support to agriculture is pending. New measures have been taken to foster greater public participation in, and transparency of, policy formulation through the establishment of an online public policy platform and the introduction of deadlines for responses by the public sector to stakeholder comments. Efforts to improve the business environment, which is already highly ranked according to World Bank indicators, include enacted or planned legal reforms to: relax restrictions on the recruitment of overseas professionals; support SMEs; and create a friendlier environment for start-ups and entrepreneurs.

8. The general thrust of Chinese Taipei's trade policy has remained relatively unchanged during the period under review. The tariff remains one of the main trade policy instruments and a significant source of tax revenue (5.2% of total tax revenue in 2016). Although over 98% of tariff lines are *ad valorem*, and therefore transparent, the tariff involves a multiplicity of rates (92 *ad valorem* duties, 42 alternate duties, and 16 specific duties), the same as in 2013 but differently allocated. As a result of a reduction of average *ad valorem* equivalent (AVEs) rates, the implementation of the expansion of the Information Technology Agreement (ITA) and tariff nomenclature changes, the simple average applied MFN tariff rate was slightly reduced from 7.8% in 2013 to 7.2% in 2018. Tariff protection varies substantially across and within sectors averaging 17.8% for agricultural products and 5.1% for industrial goods in 2018 (WTO definitions). Peak tariff rates continue to apply to agriculture and range from zero to 1,059.6% (betel nuts); as in 2013, the majority of rates (81.2%) are at 10% or below. Under its multilateral agricultural market-access commitments, Chinese Taipei applies tariff-rate quotas (TRQs) whose high out-of-quota rates make, in effect, certain imports almost prohibitive; during the review period, their average fill ratio ranged from 47.1% in 2015 to 56.5% in 2016. To accelerate industrial development and accommodate domestic supply and demand, industrial raw materials, staple goods and daily necessities continued to benefit from tariff reduction or exemption. All tariff rates/lines are bound and binding commitments relating to the ITA expansion are to be fully implemented by 2021; the average gap of 0.3 percentage points between applied and bound MFN rates suggests high predictability in the tariff. Efforts to expand RTAs contributed to the reduction of the simple average preferential tariff rate from half to less than a third of the MFN average applied tariff rate.

9. During the review period, Chinese Taipei's trade facilitation developments included the ratification of the WTO Trade Facilitation Agreement (TFA) in 2015, the adoption of amendments clarifying relevant legislation (Customs Act), the enhancement of integration of online operations with the Customs-Port-Trade Single Window, facilitation in the exchange of certificates of origin, and the introduction of expeditious customs clearance services. The customs valuation regime and its main method used, the transaction value, have remained unchanged; an advance ruling system on non-preferential rules of origin has been enforced as from 2016. In addition to other charges, a 0.04% Trade Promotion Service Fee continues to be collected on incoming and outgoing merchandise; harbour dues for overseas routes remain 60% higher than for domestic routes.

10. Import prohibitions, restrictions and licensing remain in place to, *inter alia*, protect public morals, human life or health as well as to enforce obligations under international agreements. The scope of import bans rose from 70 ten-digit HS items (2013) to 91 (2018); the coverage of import permits increased to 131 items (126 in 2014). During the review period, the legislative framework governing anti-dumping and countervailing measures was revised in certain areas, and anti-dumping action remained relatively stable. Chinese Taipei continued to use anti-dumping provisions, mainly against imports of carbon steel plate originating mostly in Asia; it initiated 11 anti-dumping investigations (2013-16) and had 19 final measures in effect as at end-2017. Although no countervailing measures have been taken so far, in April 2018 Chinese Taipei initiated a countervailing duty investigation against certain steel products from China. Price- or volume-triggered special safeguard (SSG) action has been taken against imports of several agricultural product categories.

11. Chinese Taipei continued not to levy any taxes on outgoing merchandise. During the review period, the scope of export prohibitions was expanded; the coverage of licensing and approvals remains relatively important. Customs duty and internal taxes paid on incoming raw materials used in exports continue to be refundable. Indirect tax incentives for enterprises operating in export processing and free trade zones remained in place. Export finance, guarantees and credit insurance at preferential terms have assisted manufacturers in expanding exports *inter alia* to the ASEAN, South Asia, Australia, and New Zealand markets in line with the New Southbound Policy objectives.

12. Measures involving various tax and non-tax concessions such as grants and low-interest loans continued to support production and trade of certain agricultural, fishing, oil and gas and manufacturing activities, as well as to *inter alia* encourage SMEs, R&D, science-based activities, the reasonable operation of enterprises, private participation in infrastructure projects and regional development. Chinese Taipei's relatively complex indirect tax structure remains unchanged and certain tax rates were raised (e.g. non-value-added business tax, tobacco tax and profit seeking enterprise income tax). As from 2017, overseas companies undertaking online sales of services to local consumers have been required to register as businesses, obtain a tax identity number and file VAT in Chinese Taipei.

13. The number of Chinese Taipei standards has been reduced over the review period and those adopted in technical regulations (mandatory) stood at 2.1% (2017) of all standards; 99% of standards remain equivalent to international ones. The regulatory framework governing SPS and related measures was amended in several areas including quarantine. The quarantine fee for incoming and outgoing animals, plants, wheat, barley, corn, and soy beans continues to be charged on an *ad valorem* basis. A traceability label system for local agricultural products was introduced. During the review period, Chinese Taipei was subject to three TBT-related specific trade concerns.

14. Public-sector involvement in the economy persists as privatization efforts remain widely opposed. Public-sector participation continues to be spread over several activities including rice, sugar, tobacco and liquor, petroleum, aerospace, shipbuilding, electricity, water supply, banking and finance, engineering, and postal services. Market monopolies are retained in electricity, water supply and postal services. Chinese Taipei is a member of the WTO Agreement on Government Procurement (GPA), and continues to use non-GPA covered public procurement to support SMEs, environment-friendly products, indigenous suppliers and people with disabilities; according to the authorities, price preferences available to local suppliers for contracts not subject to GPA commitments have never been applied. Changes were made to the main public procurement legislation and procurement remains decentralized. The share of non-local suppliers in the total value awarded varied and peaked at 25.5% in 2017, while their share in the number of contracts awarded was relatively stable. In value terms, open tendering remains by far the most used procurement method (79.6%) followed by limited tendering (14.2%).

15. The competition policy regulatory framework, which covers all activities and enterprises (including state-owned enterprises) except those subject to sector-specific laws, has been subject to the widest in range, largest in scale and most influential reforms since its entry into force. They included: the Fair Trade Commission's institutional independence and exclusive responsibility for enforcement; the distinction of free competition issues from fair competition issues; the threshold in the definition of monopolistic enterprises; the revision of merger regulations and investigation rules; and the establishment of an anti-trust fund. In mid-2015, the largest fine ever was imposed for abuse of monopolistic status. Price monitoring and/or stabilization measures *inter alia* on energy products, construction materials, bulk commodities, pharmaceuticals and telecom services remain in place. Consumers' rights were generally strengthened following amendments in the consumer protection legislation.

16. Chinese Taipei's intellectual property rights legislation has been strengthened with amendments in areas such as patents, trademarks and copyrights including certain alignments with international provisions, whereas work is under way in other areas. E-filing of patents and trademarks has resulted in fewer complications and delays. Cooperation with certain overseas intellectual property offices was reinforced through specific agreements. Overall, Chinese Taipei's IPR enforcement system, considered among the most efficient in the region, continued to ensure protection to rights holders.

17. The agriculture sector continues to account for a small share of GDP (1.7%) and employment (4.9%), and most food is imported. Chinese Taipei's overall target of 40% food self-sufficiency suffered a setback in 2015 due to climatic conditions. Production of various agricultural items remains protected by high tariffs (up to 1,059.6%), SSGs and various support mechanisms. Mitigating and disaster relief programmes are also available. While programmes continue to encourage crop diversification and import substitution, according to the authorities, new agricultural policy goals aim to create a multi-functional agricultural sector, rather than merely providing subsidies as in the past. Chinese Taipei offers an environmental payment option to rice farmers to encourage a movement away from price support for rice and no longer purchases tobacco at guaranteed prices. Assistance to increase productivity has also been available through new

programmes to introduce new technology into the sector. Export subsidies are not provided. Key challenges facing the sector include fragmented farms and ageing farmers, low incomes in the sector and vulnerability to natural disasters.

18. Over 60% of the surface area is forested, with reforestation efforts having gradually borne fruit over the past decades. The vast majority of forest is publicly owned. Initiatives to combat illegal logging and promote the utilization of locally produced timber have been taken. Public sector support in fisheries includes grants to fishermen to reduce their fishing capacities, and insurance policy contributions. Tariffs applied to fish imports average 20.4%. There were several legislative, regulatory and institutional developments over the review period, largely to strengthen Chinese Taipei's framework for preventing illegal, unreported and unregulated fishing. Farmers benefit from free water and both farmers and fishermen are eligible for reduced-price gasoline and diesel.

19. The mining and quarrying sector contributes a relatively small share to GDP and employment. All mineral wealth is publicly owned, with exploitation being undertaken under concession agreements. Chinese Taipei continues to import nearly 98% of its energy supply and as such remains vulnerable to global commodity price movements. An ambitious reform programme aims, *inter alia*, to increase the share of locally produced renewable energy in the total energy mix to 20%, to transition to use of cleaner energy, and to end nuclear generation by 2025. A recent amendment to the Electricity Act has liberalized the electricity sales market for electricity generated from renewable sources for the first time. Incentives are being provided, largely through feed-in tariffs, to encourage renewable energy generation. An electricity price formula and a price stabilization fund are aimed at mitigating the impact of price volatility in the short term. State-owned enterprises continue to play a significant role in the sector.

20. Manufacturing remains a pillar of Chinese Taipei's economy, accounting for around 30% of GDP, close to 27% of employment and more than 90% of merchandise exports. The main exports are electronic integrated circuits and micro assemblies and various chemical and basic metal products. Chinese Taipei envisages its industry being characterized by cross-industry technology integration in the future and supporting strategies are being put in place. Tariffs on manufactured goods range from zero to 30%; the highest rates apply to certain large passenger and commercial vehicles, vehicle parts and motorcycles. A wide range of general and sector-specific incentives (both fiscal and non-fiscal) are available to businesses.

21. The share of services in GDP and its share in total employment remained relatively stable during the period under review, and were 60% and 59.3% respectively in 2017. Despite a considerable decline in its service trade deficit, Chinese Taipei continues to be a net importer of services. Public-sector participation in the banking sector remains significant. During the review period, regulatory reforms in banking, *inter alia*, have covered improving banks' liquidity risk profile, adhering to international norms, and strengthening the framework to combat money laundering and terrorism financing. Legal reforms have aimed, *inter alia*, to strengthen supervision of the insurance sector and combat illegal activities.

22. Chinese Taipei's mobile phone and mobile broadband penetration rates remain high. There remain limits on overseas investment in certain types of telecommunications companies. A partially publicly owned telecom company continues to retain a dominant position in several market segments.

23. Public sector involvement in the transport sector remains significant; all airports are publicly owned and managed, and Chinese Taipei retains an equity stake in one airline and one shipping company. Inbound investment restrictions are in place with respect to ownership of locally registered airlines and ships. Only locally registered ships and airlines may provide cabotage services. Restrictions on inbound investment in certain road transport businesses remain in place.

24. The tourism sector is continuing to develop rapidly. Efforts are being made to diversify markets for overseas visitors and to improve and diversify Chinese Taipei's tourism offering. The sector remains open to overseas investment. New subsidy programmes have been introduced to encourage the development of the cruise and fly-cruise segments as well as to encourage visits from overseas incentive tour groups.

25. Chinese Taipei's real GDP is forecast to slow down before gaining momentum in the medium run. Despite its solid fundamentals, downside risks to the economic outlook remain. Notwithstanding its existing buffers, the economy remains vulnerable to exogenous risks such as those relating to developments in the global economic outlook and international trade, and regional geopolitical developments. Future prosperity and sustainable growth depend on implementing total factor productivity-enhancing structural reforms, especially those aimed at supporting the continuing shift of the economy from industry to services, with a greater focus on raising quality and increasing value added within this sector. These and related reforms, including tax, privatization, labour market and continued regulatory reforms, would increase the flexibility of the Chinese Taipei economy and its ability to respond to growing external competition, thus enabling it to continue meeting its economic and welfare objectives including inclusive growth and a narrower wealth divide.

1 ECONOMIC ENVIRONMENT

1.1. Since its previous Trade Policy Review in 2014, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) has been through a cyclical growth path, but its relatively strong fundamentals and well developed outward-looking economy have helped maintain macro-financial stability (Sections 1.2.1 and 1.2.3).¹ Following a 2014 peak, growth bottomed out abruptly in 2015 partly due to a slowdown in world trade and competition from emerging economies. As from 2017, recovery has been supported by a stimulus plan in the face of uncertainty regarding growth developments in its two of its largest trading partners, the United States and China (Section 1.2.1 and below). Despite some innovation- and labour-related concerns, *inter alia* due to relatively stagnant wages and their shrinking share of GDP, Chinese Taipei has maintained its position among the world's most competitive economies, with among the highest living standards, while registering a slight drop in income inequality; weaknesses in some areas are being addressed via ongoing reforms (Sections 1.2.4.1, 1.2.4.3 and 1.2.4.4).² Whereas inflation evolved cyclically (0.6% in 2017), the unemployment rate dropped progressively to 3.8% in 2017 (Sections 1.2.1 and 1.2.2). International trade and inbound direct investment trends reflect the continuous importance of Asia-Pacific as Chinese Taipei's main market and supplier, with China, Japan, the United States and the European Union remaining its major individual trading partners. Its inbound direct investment partners were: the European Union; Hong Kong, China; and Japan (Section 1.3.2).

1.2. Despite Chinese Taipei's solid fundamentals, downside risks to the economic outlook remain. Endogenous long-run risks include the shrinking of the labour force, although ongoing technological upgrading is expected to maintain productivity gains, thus ensuring that GDP growth per capita stays level.³ Sustainable growth will depend on the continuing shift of the economy from industry to services, with a greater focus on raising quality and increasing value added within this sector, thus partly making up for Chinese Taipei's relative decline in the region as a high value-added exporter, but not sufficient to offset the new norm of lower growth. Regarding exogenous factors or risks, recent stimuli to demand, such as the improvements in the global economic outlook and the strengthening of international trade, are to boost consumption and exports.⁴ However, according to the authorities and other sources, several aspects such as the level of debt and reforms in China, cross-strait relations, trade policies favoured by the United States, the potential hike of the Federal Reserve's benchmark rate (Section 1.2.3.1), as well as regional geopolitical risks, could cause uncertainties.

1.1 Main Features of the Economy

1.3. Chinese Taipei remains a highly developed outward-oriented trade-driven economy with a population of 23.6 million (as of March 2018).⁵ It is relatively well diversified, with the services sector constituting the backbone of the economy. In terms of GDP share, services declined slightly

¹ In 2017, Chinese Taipei ranked 36th out of 130 economies in the *FM Global Resilience Index*. Twelve drivers of operational resilience are grouped into three factors: economic, supply chain and risk quality. These combine to form the composite index. FM Global Resilience Index online information. Viewed at: <https://www.fmglobal.com/research-and-resources/tools-and-resources/resilienceindex/explore-the-data/?&sn=1>.

² In 2017, Chinese Taipei ranked 14th out of 63 economies (same rank as in 2014) in the *IMD World Competitiveness Yearbook*. Furthermore, in 2017/18, Chinese Taipei ranked 15th among 137 economies (14th out of 144 in 2014/15) in the *WEF Global Competitiveness Index*. According to the WEF, in 2017/18, despite improvements in several areas, policy instability, restrictive labour relations (Section 1.2.4.4) and restricted potential for innovation remained a concern. Furthermore, according to Directorate General of Budget, Accounting and Statistics (DGBAS) figures, Chinese Taipei's Gini coefficient, one of the most commonly used measures to reflect income inequality, dropped from 0.342 in 2011 to 0.336 in 2013 and remained the same until 2016. The coefficient ranges between 0 (complete equality) and 1 (complete inequality). World Economic Forum (2018), *The Global Competitiveness Report 2017–2018*, Geneva. Viewed at: <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>; IMD online information. Viewed at: file:///D:/Users/tarassenko/Downloads/wcy-5yrs---final.pdf; and online information (<http://focustaiwan.tw/news/aeco/201608190023.aspx> and <https://www.bloomberg.com/news/articles/2013-03-13/taiwan-shrinks-wealth-gap-as-xi-s-communists-struggle-in-china>).

³ Economist Intelligence Unit online information. Viewed at: <http://country.eiu.com/article.aspx?articleid=815457665&Country=Taiwan&topic=Economy&subtopic=Long-term+outlook&subsubtopic=Summary>.

⁴ Online Academia Sinica 2018 Economic Forecast Viewed at: <http://www.econ.sinica.edu.tw/english/content/downloads/list/20130930101097521/>.

⁵ Online information. Viewed at: <https://eng.stat.gov.tw/mp.asp?mp=5>.

over the review period (60% in 2017), followed by manufacturing (30.8%) (Section 1.2.1); both sectors are important for employment and export earnings (Table 1.1). However, its heavy dependence on exports exposes the economy to fluctuations in global demand.⁶ Chinese Taipei maintains a well-developed infrastructure, an educated workforce, and a pro-business attitude while benefiting from a geographically strategic location.⁷ The economy is largely driven by small- and medium-sized enterprises (SMEs), which benefit from specific production assistance measures (Sections 3.3.1.2.1 and 3.3.6). Despite internal debate on social inequality, Chinese Taipei's relative poverty rate is low by international levels and stood at 6.6% in 2016 (7.7% in 2012).⁸

Table 1.1 Selected macroeconomic indicators, 2013-17

	2013	2014	2015	2016	2017 ^a
Accounts (% change, unless otherwise indicated)					
Real GDP	2.2	4.0	0.8	1.4	2.9
Consumption	1.7	3.5	2.0	2.6	1.6
private consumption	2.3	3.4	2.6	2.3	2.3
government consumption	-0.8	3.7	-0.1	3.7	-1.1
Gross fixed capital formation	5.3	2.1	1.6	2.3	0.0
Exports of goods and non-factor services	3.5	5.9	-0.4	1.9	7.4
Imports of goods and non-factor services	3.4	5.7	1.1	3.5	5.2
XGS/GDP (%) (at current market price)	69.5	69.8	64.3	62.8	65.2
MGS/GDP (%) (at current market price)	60.4	59.6	51.4	50.6	52.5
Unemployment rate (%)	4.2	4.0	3.8	3.9	3.8
Productivity					
Labour productivity of all industries	2.0	3.9	0.5	4.4	..
Net fixed capital stock productivity of industrial & service sectors	-3.9	-0.6	-5.8	-4.0	..
Multifactor productivity of industrial & service sectors	0.1	2.4	-1.8	0.7	..
Prices and interest rates (% , unless otherwise indicated)					
Inflation (CPI, % change)	0.8	1.2	-0.3	1.4	0.6
Discount rate of the central bank (end-period)	1.875	1.875	1.625	1.375	1.375
Commercial 1-year deposit rate (end-period)	1.360	1.360	1.210	1.040	1.040
Commercial base lending rate (end-period)	2.882	2.883	2.829	2.631	2.632
Interest rate spread	1.522	1.523	1.619	1.591	1.592
Exchange rate					
NT\$/US\$ (period average)	29.770	30.368	31.898	32.318	30.439
Real effective exchange rate (% change)	1.1	0.0	-1.7	-2.3	3.5
Nominal effective exchange rate (% change)	1.9	0.0	2.0	-0.6	6.8
Fiscal balance^b (% of GDP)					
Total revenue	16.1	15.6	15.9	15.7	..
Tax revenue	11.6	11.9	12.4	12.6	..
Total expenditure	17.5	16.4	15.8	16.0	..
Central administration balance	-0.8	-0.8	-0.1	-0.3	-0.8
Revenue	11.4	10.7	11.2	11.1	10.6
Expenditure	12.2	11.5	11.3	11.3	11.3
General government debt	39.0	37.8	36.6	36.2	36.9
Central administration debt	33.8	32.7	31.6	31.2	31.5
Saving and investment (% of GDP)					
Gross domestic savings	32.9	34.6	36.0	35.4	34.5
Gross domestic investment	22.1	21.9	20.9	20.8	20.3
Savings-investment gap	10.8	12.7	15.0	14.6	14.2
External sector (% of GDP, unless otherwise indicated)					
Current account balance	9.7	11.4	14.2	13.7	14.7
Net merchandise trade	10.7	11.3	13.9	13.3	14.1
Merchandise exports	74.7	71.4	64.1	58.4	61.0
Merchandise imports	64.0	60.1	50.2	45.1	46.9
Services balance	-3.0	-2.2	-2.0	-1.9	-1.5
Services exports	7.1	7.8	7.8	7.8	7.9
Services imports	10.1	10.0	9.8	9.7	9.3

⁶ The World Factbook online information. Viewed at: <https://www.cia.gov/library/publications/the-world-factbook/geos/tw.html>.

⁷ EIU (2017), *Country Commerce*, June 2017, New York. Viewed at: www.eiu.com.

⁸ The relative poverty rate is defined by the Directorate General of Budget, Accounting and Statistics (DGBAS) as the ratio of the number of people whose disposable income falls below the risk-of-poverty threshold. The risk-of-poverty threshold is set as 50% of the average disposable income which is calculated by dividing household disposable income by the square foot of household size. BTI (2016), *Chinese Taipei Report*. Bertelsmann Stiftung, 2016. Viewed at: https://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI_2016_Taiwan.pdf; online data. Viewed at: https://photius.com/rankings/2017/economy/population_below_poverty_line_2017_0.html.

	2013	2014	2015	2016	2017 ^a
Capital account	0.0	0.0	0.0	0.0	0.0
Financial account	10.2	12.0	15.4	12.5	14.2
Direct investment	2.1	1.9	2.3	1.6	1.4
Balance of payments	-2.2	-2.5	-2.9	-2.0	-2.2
Terms of trade (2011=100)	101.1	103.3	114.3	112.7	110.3
Merchandise exports (% change) ^c	-1.6	-0.8	-11.1	-8.0	12.9
Merchandise imports (% change) ^c	-3.3	-2.7	-17.2	-9.3	12.3
Service exports (% change) ^c	5.5	13.8	-1.2	0.9	9.0
Service imports (% change) ^c	-2.4	2.4	-2.3	0.1	3.4
Foreign exchange reserves (US\$ billion)	416.8	419.0	426.0	434.2	451.5
in months of imports of goods and services	13.2	13.5	16.2	17.9	16.8
Total external debt (US\$ billion)	170.1	177.9	159.0	172.2	181.9
Short term (US\$ billion)	155.6	163.3	144.8	160.0	169.2
Debt service ratio ^d	1.7	1.5	1.6	2.1	1.9

.. Not available.

a Provisional.

b Based on all levels of government.

c Growth rates are calculated based on BOP figures in US\$.

d Debt service in per cent of exports of goods and services.

Source: CBC online information. Viewed at: <http://www.cbc.gov.tw>; online information. Viewed at: <http://eng.stat.gov.tw>; online information. Viewed at: <http://eng.dgbas.gov.tw>; and data provided by the authorities.

1.2 Recent Economic Developments

1.2.1 Growth, income, and employment

1.4. During the review period, the annual average GDP growth rate stood at 2.3% (2014-17), a major slowdown compared to the average of 4.3% over the period 2002-13 (Table 1.1).⁹ More specifically, growth peaked in 2014 and bottomed out abruptly the year after, then rose progressively to slightly more than its 2013 level. The reasons for the overall slowdown include strong competition from emerging economies, remaining restrictions on inbound direct investment, insufficient investment in R&D (Section 3.3.1.2.2), stagnant wages, and overreliance on exports as a driver of economic growth.¹⁰ To spur economic recovery in a challenging growth environment, in addition to a rather loose monetary policy stance and structural reforms, expenditure-driven action has been taken through: a March 2017 NT\$882.4 billion (US\$29 billion) stimulus plan designed to lift economic growth over the next eight years and help reduce the wealth gap between the cities and the countryside; an increase in higher minimum wages and additional funding for childcare and long-term care for the elderly; pensions reform; and construction of homes (particularly social housing) (Section 1.2.3.1, 1.2.3.2 and 1.2.4).¹¹ According to the DGBAS, real GDP is to grow by 2.4% (1.9% according to the IMF) in 2018, and is projected to slow down to 2% in 2019 (IMF) seemingly due to an ebbing of the global consumer electronics cycle.¹²

1.5. Since 2014, the overall sectoral pattern of Chinese Taipei's GDP and employment has remained virtually unchanged (see above and Table 1.2). Following a slowdown in 2015 related *inter alia* to the growth drop and the passing of labour legislation related developments (Section 1.2.4.4), both labour and total factor productivity increased in 2016 (Table 1.1) largely due to a rise in total

⁹ WTO documents WT/TPR/S/302/Rev.1, 18 December 2015; WT/TPR/S/232/Rev.1, 28 July 2010; and WT/TPR/S/165, 16 May 2006.

¹⁰ Centre for East Asia Policy Studies (2014), *Chinese Taipei's Economic Opportunities and Challenges and the Importance of the Trans-Pacific Partnership*, January 2014. Viewed at: <https://www.brookings.edu/wp-content/uploads/2016/06/taiwan-trans-pacific-partnership-meltzer-012014.pdf>.

¹¹ The stimulus plan includes a NT\$420 billion Forward-Looking Infrastructure Construction Project with emphasis on water resource management, green energy construction, digital infrastructure and urban and rural infrastructure construction (Section 2.2). EIU (2017), *Country Report*, September, London. Viewed at: www.eiu.com and EIU (2017), *Country Commerce*, June, New York. Viewed at: www.eiu.com; and online information. Viewed at: <https://www.reuters.com/article/us-taiwan-economy-stimulus/taiwan-unveils-29-billion-stimulus-amid-uncertainty-over-u-s-china-idUSKBN16U0DF>.

¹² International Monetary Fund (2018), *World Economic Outlook: Cyclical Upswing, Structural Change*, Washington, DC, April; EIU (2018), *Country Forecast*, February, London. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1386427122&mode=pdf; online information. Viewed at: <https://asia.nikkei.com/Politics-Economy/Economy/Taiwan-raises-2018-GDP-outlook-as-tech-demand-fuels-exports>.

production accompanied by a decrease in working hours; this trend has seemingly been followed by a decline in 2018.¹³ According to the authorities, the key to revive the economy, and therefore increase productivity and wages, is in innovation, which entails industrial upgrading and an increase in the value added of products and services, thus boosting competition.¹⁴ According to the OECD "GVC Participation Index", based on the extent of each economy's export production connected with others, in 2011 Chinese Taipei ranked at the top among the Asia-Pacific economies with 69.1% of its exports comprising intermediate goods.¹⁵ In 2011, its participation in GVCs (67.6%) and domestic value added in exports (57%) stood above the average level of developing and developed exporting economies.¹⁶

Table 1.2 Basic economic indicators, 2013-17

	2013	2014	2015	2016	2017
Real GDP (NT\$ billion, 2011 prices)	14,929.3	15,529.6	15,654.8	15,875.6	16,329.2
Current GDP (NT\$ billion)	15,230.7	16,111.9	16,770.7	17,152.1	17,444.7
Current GDP (US\$ billion)	511.6	530.6	525.8	530.7	573.1
GDP per capita at current market price (US\$)	21,916	22,668	22,400	22,561	24,337
GDP by economic activity at chained 2011 prices (annual % change)					
Agriculture, forestry and fishing	1.3	1.5	-8.4	-10.1	6.0
Mining and quarrying	-4.2	-4.3	-6.6	-7.4	2.0
Manufacturing	1.7	8.2	-0.3	3.1	4.3
Electricity and gas supply	3.1	1.9	-5.4	4.6	-0.1
Water supply and remediation services	2.3	4.6	0.1	3.5	3.4
Construction	0.9	0.8	-0.9	-1.7	-0.2
Services	2.1	3.1	1.3	1.2	2.2
Wholesale and retail trade	1.6	4.2	0.3	0.7	3.7
Transport and storage	7.6	0.9	-0.6	3.4	4.8
Restaurants and hotels	4.1	1.8	2.1	1.8	0.7
Information and communication	3.4	3.2	5.4	3.7	1.7
Finance and insurance	4.0	7.6	3.8	2.3	4.6
Real estate	3.0	2.1	2.0	0.8	1.1
Professional, scientific and technical services	1.5	1.2	-0.1	0.6	-2.2
Support services	2.5	4.4	4.9	3.1	3.4
Public administration	-0.6	-0.2	0.0	0.1	0.7
Education	0.7	1.1	0.1	-0.8	-1.0
Human health and social work	-0.8	4.3	1.2	3.0	2.2
Arts, entertainment and recreation	4.0	2.4	2.0	0.7	1.6
Other services	1.6	4.8	-0.2	-0.1	1.4
Other ^a	6.2	5.5	-0.3	4.4	3.0
GDP (production approach) by economic activity at current prices (%)					
Agriculture, forestry and fishing	1.7	1.8	1.7	1.8	1.7
Mining and quarrying	0.1	0.1	0.1	0.1	0.1
Manufacturing	28.8	30.0	30.2	30.7	30.8
Electricity and gas supply	1.3	1.5	1.8	1.7	1.4
Water supply and remediation services	0.7	0.6	0.6	0.7	0.7
Construction	2.6	2.6	2.5	2.4	2.4
Services	61.9	60.4	60.1	59.7	60.0
Wholesale and retail trade	17.0	16.4	16.3	16.1	16.2
Transport and storage	2.8	2.9	3.0	2.9	3.0
Restaurants and hotels	2.5	2.4	2.5	2.6	2.6
Information and communication	3.1	3.0	2.9	2.9	2.8
Finance and insurance	6.4	6.5	6.5	6.5	6.7
Real estate	8.5	8.2	8.1	8.1	8.1
Professional, scientific and technical services	2.2	2.1	2.1	2.1	2.0

¹³ In 2015, the decrease in labour productivity was more pronounced in manufacturing, namely leather, fur, and related products, followed by basic metals. CBC (2016), *Annual Report 2015*, April; CBC (2017), *Annual Report 2016*, April; and EIU (2018), *Country Forecast*, February, London. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1386427122&mode=pdf.

¹⁴ CBC (2016), *Annual Report 2015*, April 2016.

¹⁵ Presentation by Dr. David S Hong, President, Institute of Economic Research, titled *SMEs in Global Value Chains*, 27 February 2015. Viewed at: <https://www.pecc.org/resources/trade-and-investment-1/2184-smes-in-global-value-chains/file>; Centre for East Asia Policy Studies (2014), *Economic Opportunities and Challenges and the Importance of the Trans-Pacific Partnership*, January. Viewed at: <https://www.brookings.edu/wp-content/uploads/2016/06/taiwan-trans-pacific-partnership-meltzer-012014.pdf>.

¹⁶ The GVC participation rate indicates the share of an economy's exports that is part of a multi-stage trade process. WTO online information. Viewed at: https://www.wto.org/english/res_e/statis_e/miwi_e/TW_e.pdf.

	2013	2014	2015	2016	2017
Support services	1.5	1.5	1.5	1.6	1.6
Public administration	7.0	6.6	6.4	6.3	6.3
Education	4.5	4.3	4.2	4.1	4.0
Human health and social work	3.0	2.9	3.0	3.1	3.2
Arts, entertainment and recreation	0.9	0.9	0.9	0.9	0.9
Other services	2.6	2.6	2.6	2.6	2.6
Other ^a	2.9	3.0	2.9	3.0	2.9
Share of sector in total employment (%)					
Agriculture, forestry and fishing	5.0	4.9	5.0	4.9	4.9
Mining and quarrying	0.0	0.0	0.0	0.0	0.0
Manufacturing	27.2	27.1	27.0	26.9	26.8
Electricity, gas and water	1.0	1.0	1.0	1.0	1.0
Construction	7.9	8.0	8.0	8.0	7.9
Services	58.9	58.9	59.0	59.2	59.3
Wholesale and retail trade	16.6	16.5	16.4	16.4	16.5
Transport and storage	3.9	3.9	3.9	3.9	3.9
Restaurants and hotels	7.1	7.2	7.3	7.3	7.3
Information and communication	2.1	2.2	2.2	2.2	2.2
Finance and insurance	3.8	3.8	3.8	3.8	3.8
Real estate	0.8	0.9	0.9	0.9	0.9
Professional, scientific and technical services	3.2	3.2	3.2	3.3	3.3
Support services	2.4	2.5	2.5	2.5	2.6
Public administration	3.5	3.4	3.3	3.3	3.3
Education	5.8	5.8	5.8	5.8	5.7
Human health and social work	3.9	3.9	3.9	3.9	4.0
Arts, entertainment and recreation	0.9	0.9	0.9	0.9	0.9
Other	4.9	4.9	4.9	4.9	4.9

a Including import duties and value-added tax.

Source: Online statistical information. Viewed at: <http://eng.stat.gov.tw> [11/04/18].

1.6. During the review period, Chinese Taipei's unemployment rate, which is largely linked to growth developments, remained low at around 4% (Table 1.1). According to the authorities, this overall stability is *inter alia* due to special programmes of employment facilitation at times of crisis and regular vocational training activities (Section 1.2.4.4). In the context of an economic upturn, the unemployment rate decreased progressively to 3.8% in 2015 and, after a slight rise in 2016 amid a slow economic recovery, in 2017 it dropped to its 2015 level as a result of accelerated growth.¹⁷ Furthermore, the number of persons that were unemployed due to business downsizing or closure declined moderately, reflecting a generally better economic sentiment in 2017 than in 2016.¹⁸

1.2.2 Prices

1.7. During the review period, CPI inflation was low and developed in a cyclical/irregular manner (Table 1.1). In 2015, it fell into negative territory, bottoming out at -0.3%, largely driven by a steep decline in international commodity prices and slack internal demand, then peaked at 1.4% in 2016, due to a rise in prices of vegetables and fruits affected by weather-related supply disruptions.¹⁹ In 2017, it dropped to 0.6% partly due to the strength of the local currency.²⁰ The CPI-based inflation is expected to average 1.2% (1.3%, IMF) in 2018 in light of a weakening of the local currency, which could add to import price pressures associated with higher global oil costs, combined with internal demand growth developments *inter alia* related to the hikes in minimum wage and public sector employee pay as well as the negative output gap (Section 1.2.4.4).²¹

¹⁷ CBC (2017), *Annual Report 2016*, April.

¹⁸ EIU (2017), *Country Report*, February 2018 updates, London. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1736425557&mode=pdf.

¹⁹ CBC (2016), *Annual Report 2015*, April.

²⁰ CBC (2017), *Annual Report 2016*, April; and EIU (2017), *Country Report*, September, London. Viewed at: www.eiu.com.

²¹ International Monetary Fund (2018), *World Economic Outlook: Cyclical Upswing, Structural Change*, Washington DC, April; and EIU (2017), *Country Report*, February 2018 updates, London. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1736425557&mode=pdf.

1.2.3 Main macroeconomic policy developments

1.2.3.1 Monetary and exchange rate policy

1.8. The Central Bank (CBC), a government body whose policies seem to be appreciated across the region, remains responsible for, and seemingly independent in, the formulation and implementation of monetary policy.²² Its objectives include: promoting financial and economic stability; guiding sound banking operations; and maintaining the stability of the value of the currency.²³ The CBC does not set an inflation target, but to attain its monetary policy objectives it continues to apply a mix of instruments including: open market operations, policy rate discounts and temporary accommodations, required reserve ratios, and re-deposit of financial institutions.²⁴

1.9. Since 2014, a loose monetary policy has provided a monetary stimulus to growth and helped to build a stable financial environment particularly during the 2015 global economic slowdown. The CBC has undertaken four policy rate cuts (September and December 2015, March and July 2016) reducing the discount rate from 1.875% in 2014 to 1.625% in 2015 and 1.375% in July 2016 (Table 1.1) as from when, in light of the gradual recovery of the economy and the stabilized inflation, it has remained unchanged.²⁵ According to the authorities, the CBC will continue to monitor the developments in both actual and expected inflation, the output gap, and other economic and financial conditions, and will undertake appropriate monetary policy action in line with its statutory mandate.

1.10. Chinese Taipei continues to maintain a managed floating exchange rate regime which allows exchange rate flexibility and foreign exchange intervention, and helps diminish or prevent speculative attacks.²⁶ According to the authorities, in 2015, the CBC injected liquidity through open market operations, thus maintaining the banks' excess reserves at a high level. Throughout 2014 and 2015, it continued to conduct open market operations by issuing certificates of deposit (CDs) to maintain reserve money and overnight call loan rates at accommodative levels in line with its policy objectives.

1.11. During most of the review period, the nominal NT\$/US\$ exchange rate depreciated (Table 1.1) partly due to the strengthening of the United States dollar and a weakening yen, which raised Chinese Taipei's competitiveness concerns vis-à-vis Japanese exports.²⁷ As investor sentiments generally improved and outgoing merchandise trade fared better, the local currency appreciated in 2017; reportedly, this development was also largely due to a limited intervention in the currency market that year.²⁸ In trade-weighted terms, overall the real effective exchange rate

²² WTO document WT/TPR/S/232/Rev.1, 28 July 2010; BTI (2016), *Chinese Taipei Report*. Bertelsmann Stiftung, 2016. Viewed at: https://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI_2016_Taiwan.pdf.

²³ The CBC responsibilities comprise: monetary management; foreign exchange management; financial inspection; payment and settlement systems; currency issuance; fiscal agency functions; participation in international activities; and compilation of statistics and research. CBC online information. Viewed at: <https://www.cbc.gov.tw/lp.asp?ctNode=453&CtUnit=271&BaseDSD=7&mp=2>; and WTO document WT/TPR/S/232/Rev.1, 28 July 2010.

²⁴ More detailed information on the monetary policy instruments is available at: <https://www.cbc.gov.tw/lp.asp?ctNode=443&mp=2>.

²⁵ The policy interest rate determines the levels of the rest of the interest rates in the economy, since it is the price at which private agents – mostly private banks – obtain money from the central bank. CBC (2017), *Annual Report 2016*, April 2017; CBC online information. Viewed at:

<https://www.cbc.gov.tw/lp.asp?ctNode=695&CtUnit=303&BaseDSD=32&mp=2>; CBC (2016), *Annual Report 2015*, April 2016; online information. Viewed at: <https://www.focus-economics.com/economic-indicator/policy-interest-rate>.

²⁶ CBC (2016), *Annual Report 2015*, April; and CBC (2017), *Annual Report 2016*, April.

²⁷ CBC (2016), *Annual Report 2015*, April 2016; CBC (2017), *Annual Report 2016*, April; and EIU (2015), *Country Report*, January, London. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=142643198&mode=pdf.

²⁸ In 2017, Chinese Taipei was removed from the United States' Monitoring List in its report on "Foreign Exchange Policies of Major Trading Partners of the United States". The Department of the Treasury (2017), *Report to Congress – Foreign Exchange Policies of Major Trading Partners of the United States*, October 2017. Viewed at: [https://www.treasury.gov/press-center/press-releases/Documents/2017-10-17%20\(Fall%202017%20FX%20Report\)%20FINAL.PDF](https://www.treasury.gov/press-center/press-releases/Documents/2017-10-17%20(Fall%202017%20FX%20Report)%20FINAL.PDF); and EIU (2017), *Country Report*, September, London. Viewed at: www.eiu.com.

depreciated in the period 2015 and 2016, thus confirming an improvement in Chinese Taipei's international competitiveness.

1.2.3.2 Fiscal policy

1.12. Chinese Taipei's prudent fiscal policy remained unchanged until 2017 when it shifted to an expansionary more pro-growth stance (Section 1.2.1 and below), a move consistent with utilizing fiscal space when needed while preserving longer-term fiscal sustainability. Consequently, the fiscal deficit declined steadily from 1.4% of GDP in 2013 to a small surplus of 0.1% in 2015 (Table 1.1) largely due to a tight control over expenditure but also the introduction of a higher business-tax rate for banks and insurance companies in 2014 and a new top income tax bracket in 2015 (Section 3.3.1.1.3)²⁹; in 2016, it returned to a deficit of 0.3%. The spending-driven 2017 stimulus package coupled with the diminishing role of exports as a growth driver, is to preserve the fiscal deficit in the medium-run as infrastructure projects are implemented and stronger stimulus measures are enacted to counteract a renewed weakness in external demand (Section 1.2.1).³⁰

1.2.4 Structural policies

1.13. Trade and domestic reform are considered as intrinsically linked. The 17th mid-term development plan (NDP 2017-2020) intends to increase domestic investment and conduct structural reforms to address low business profits, stagnating wages and companies migrating overseas (Section 2.2). It, *inter alia*, involves "industrial upgrading and an innovative economy". In addition, a New Southbound Policy, launched in 2016, focuses on economic and trade cooperation, talent exchanges, resource sharing and regional linkages (Sections 2.2 and 3.2.5).

1.2.4.1 Tax reform

1.14. During the review period, tax revenue grew steadily from 11.6% (2013) of GDP to 12.6% (2016) (Table 1.1) as a result of tax reforms to improve the tax structure and strengthen the income tax collection system, particularly for high earners.³¹ In January 2018, Chinese Taipei enacted a tax reform aimed at improving tax collection, distributing wealth more equitably and stemming the flow of highly skilled labour overseas.³² It includes: an increase in the profit seeking enterprise income tax rate from 17% to 20% (as from 2018); a decrease in the undistributed earnings tax rate from 10% to 5% (as from 2018); and, a requirement that the undistributed earnings tax paid at the corporate level can no longer be distributed to overseas shareholders as a credit against the dividend withholding tax (as from 2019).³³ According to the authorities, the differential between profit seeking enterprise income tax and the highest marginal tax rate had resulted in the proliferation of companies avoiding the higher income tax rate, thereby lowering tax revenue from high earners. Reportedly, these changes might have a negative overall impact on the budget balance as the revenue boost from the profit seeking enterprise income tax increase is to be outweighed by the impact of the lower top rate of personal income tax and higher deduction thresholds (Section 3.3.1.1.3).³⁴

²⁹ EIU (2015), *Country Report*, January, London. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=142643198&mode=pdf; and EIU (2014), *Country Report*, December, London. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=692579253&mode=pdf.

³⁰ The new infrastructure plan is likely to add at least NT\$100 billion to annual spending (via a special budget) from 2018 onwards that will offset some of the relief provided to the budget through public pensions reform. EIU (2017), *Country Report*, September, London. Viewed at: www.eiu.com; and EIU (2017), *Country Report*, February 2018 updates, London. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1736425557&mode=pdf.

³¹ Ministry of Finance, *Guide to Taxes 2017*. Viewed at: http://www.mof.gov.tw/File/Attach/75532/File_10791.pdf; and EIU (2017), *Country Report*, September, London. Viewed at: www.eiu.com.

³² EIU (2017), *Country Report*, February 2018 updates, London. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1736425557&mode=pdf.

³³ Online information. Viewed at: <http://www.ev.com/ql/en/services/tax/international-tax/alert--taiwan-enacts-tax-reform-proposals>.

³⁴ EIU (2017), *Country Report*, February 2018 updates, London. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1736425557&mode=pdf.

1.2.4.2 Privatization

1.15. During the review period public-sector involvement in the economy has remained relatively unchanged and spread over several activities, as there has been virtually a standstill in the widely opposed privatization process (Section 3.3.5). State-owned enterprises and public utilities continued to be a major source of government revenue and used as industrial development or food security policy tools.

1.2.4.3 Competition policy

1.16. Since its last review, Chinese Taipei undertook several legislative amendments representing the most comprehensive overhaul of its legislation in this area, *inter alia*, to achieve an effective control of concentration of economic power in the market (i.e. mergers), maintain institutional independence, take effective enforcement action against anticompetitive practices and step up international cooperation (Section 3.3.4.1).³⁵

1.2.4.4 Labour market policies

1.17. Labour market rigidities were seemingly increased but some action has been taken to address them. The minimum hourly and monthly wages, which are reviewed annually, have been raised progressively from NT\$115 and NT\$19,047 in 2014 to NT\$140 and NT\$22,000 (US\$725) in 2017 respectively, and remained at this level as of April 2018.³⁶ Following amendments to the Labour Standards Act (LSA), as from January 2016 the workweek was cut from 42 hours to a maximum of 40 hours; its 2017 amendments steeply increased mandatory compensation payments for work performed on a worker's rest day or annual leave, and required pay-outs for unused annual leave.³⁷ Furthermore, the latest LSA amendments, in force as from 1 March 2018, included: seven industry sectors being allowed to have their employees work up to 12 days in a row; an increase of the maximum allowable overtime hours of a worker from 46 to 54 per month; annual leave accrued by employees to be carried over to the next year; a reduction of the minimum number of break hours between shifts from 11 to 8 hours with the consent of the employees or the labour union; and, compensatory leave used instead of pay for overtime worked.³⁸ In response to the ageing of the population, the retirement age (for claiming the labour insurance old-age benefit) was raised from 60 to 61 in 2018; in subsequent years it is to gradually increase until the age of 65 by 2026. The reform of the pension system, currently under consideration, would ease pressure on the fiscal deficit.³⁹

1.18. To reduce unemployment among the indigenous population, construction companies that have won contracts for public infrastructure projects must retain a workforce comprising 2% local people (physically or mentally disabled or aborigines) during the term of contract performance (Section 3.3.1.2.5, 3.3.6 and Table A3.7); otherwise, the foregoing tenderer must compensate with

³⁵ Online information. Viewed at: <https://globalcompetitionreview.com/insight/the-asia-pacific-antitrust-review-2017/1138999/taiwan-fair-trade-commission>.

³⁶ To offset the minimal wage harm to employers, since 2011 several measures, including a subsidy of NT\$10 per hour for part-time workers and a subsidy of up to 80% for costs associated with training workers, have been in place. The authorities indicated that these subsidies are financed by an Employment Stability Fund funded by contributions of employers of immigrant workers. EIU (2017), *Country Commerce*, June, New York. Viewed at: www.eiu.com; online information. Viewed at: <https://www.taiwannews.com.tw/en/news/3234717> and <http://focustaiwan.tw/news/asoc/201312300006.aspx>.

³⁷ The shorter workweek, which had been discussed for years, was introduced at the same time as regulations permitting 84 hours of work for two-week periods were removed. Employees in the industrial and services sectors worked an average of 169.5 hours (including 8.5 hours of overtime) per month in 2016, down 3.3% from 2015. EIU (2017), *Country Commerce*, June, New York. Viewed at: www.eiu.com.

³⁸ Online information. Viewed at: <https://www.taiwannews.com.tw/en/news/3374025> and <https://topics.amcham.com.tw/2018/03/taiwans-latest-labor-standards-act-amendments/>.

³⁹ Reportedly, current pension liabilities stand at around NT\$18 trillion (US\$597 billion) or nine times the central administration's total annual expenditure. Without proper fiscal adjustments, retirement funds for private-sector workers and retired servicemen would run out in 2027 and 2020, respectively. EIU (2017), *Country Commerce*, June, New York. Viewed at: www.eiu.com; online information. Viewed at: <https://cpianalysis.org/2017/07/28/pension-reform-made-in-taiwan/> and <https://www.reuters.com/article/taiwan-pension/update-1-taiwan-cuts-18-pct-interest-in-civil-service-pension-reform-idUSL3N1JQ2EU>.

a fee and cannot hire overseas workers to make up the shortage in question.⁴⁰ Under the 2017 policy of industrial upgrading and an innovative economy under the 17th mid-term development plan (NDP 2017-2020) (above and Section 2.2), new mechanisms for personnel exchanges, recruitment and training are envisaged. Overseas workers have somewhat alleviated the labour shortage in the manufacturing and construction industries.⁴¹ Following amendments to the Employment Services Act, since November 2016, there has been no requirement for overseas blue-collar workers whose contracts have expired to go outside Chinese Taipei for at least one day. To enhance the inflow of professionals from other WTO Members, as from 8 February 2018, Chinese Taipei has relaxed regulations with respect to visa, residence, health insurance as well as tax and retirement benefits including half of the usual income tax in the first three years, as long as their annual income is above NT\$3 million (Section 2.4.2).⁴²

1.2.5 Balance of payments

1.19. In line with its strategy of encouraging export-led growth based on manufacturing, Chinese Taipei continues to run a rising surplus in merchandise trade, which peaked in 2017, and a declining deficit in services that bottomed out the same year (Table 1.3). The merchandise trade surplus considerably exceeded the deficit in services. Consequently, the current account registered a larger overall surplus, averaging 13.5% of GDP in the period 2014-17 compared to 8.6% over the period 2010-13 (Table 1.1), *inter alia*, reflecting stronger external demand and rising global oil prices developments. The current account surplus also reflects the extent to which gross domestic savings (34.5% of GDP, 2017) continued to increasingly exceed gross domestic investment (20.3% of GDP, 2017) (Table 1.1). According to IMF estimates, the current account surplus is to slightly decline from 13.8% (in 2017) of GDP to 13.6% (2018) and 13.5% (2019) mainly due to slower growth of exports than imports which would be supported by resilient household demand, private capital goods expenditure and inputs for housing and infrastructure investment.⁴³

Table 1.3 Balance of payments, 2013-17

(US\$ million)

	2013	2014	2015	2016	2017
Current account	49,872	60,438	74,883	72,786	84,086
Goods and services balance	39,355	48,774	62,412	60,276	72,655
Goods balance	54,557	60,190	73,095	70,615	81,035
Exports	382,096	378,961	336,880	309,941	349,808
Imports	327,539	318,771	263,785	239,326	268,773
Service balance	-15,202	-11,416	-10,683	-10,339	-8,380
Exports	36,461	41,491	40,986	41,360	45,071
Imports	51,663	52,907	51,669	51,699	53,451
Primary income	13,520	14,457	15,854	15,645	15,506
Credit	24,609	29,211	28,886	29,469	35,021
Compensation of employees	637	678	693	746	864
Investment income	23,887	28,440	28,091	28,610	33,999
Other	85	93	102	113	158
Debit	11,089	14,754	13,032	13,824	19,515
Compensation of employees	368	358	434	604	658
Investment income	10,524	14,134	12,351	12,905	18,572
Other	197	262	247	315	285
Secondary income	-3,003	-2,793	-3,383	-3,135	-4,075
Credit	6,179	6,661	6,603	6,944	7,248
Debit	9,182	9,454	9,986	10,079	11,323
Capital account	67	-8	-5	-9	-12

⁴⁰ Article 98 of the Government Procurement Act (GP Act), effective 27 May 1999; EIU (2017), *Country Commerce*, June, New York. Viewed at: www.eiu.com.

⁴¹ As at end-March 2017, there were 639,326 overseas labourers in Chinese Taipei, up 7.5% from a year earlier; the manufacturing industry employed 62.1% of the total overseas labour force and services 37.9% of the total. EIU (2017), *Country Commerce*, June, New York. Viewed at: www.eiu.com.

⁴² Online information. Viewed at: <https://reloc8asia.com/2018/02/13/taiwan-new-rules-recruitment-employment-foreign-professionals-talent/>.

⁴³ According to the authorities, in 2018, a firmly growing global economy and world trade volume together with the emerging demand for semiconductors' new technological applications, such as Internet of things (IOT), automotive electronics, high performance computing and artificial intelligence applications, would support Chinese Taipei's goods export growth. According to the DGBAS, nominal exports and imports of goods and services would grow by 5% and 7.1% for 2018, respectively. International Monetary Fund (2018), *World Economic Outlook: Cyclical Upswing, Structural Change*, Washington, DC, April; EIU (2018), *Country Forecast*, February, London. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1386427122&mode=pdf.

	2013	2014	2015	2016	2017
Financial account	52,407	63,476	80,976	66,436	81,107
Direct investment	10,687	9,883	12,318	8,653	8,102
Assets	14,285	12,711	14,709	17,884	11,357
Liabilities	3,598	2,828	2,391	9,231	3,255
Portfolio investment	29,129	44,041	57,198	78,820	79,039
Assets	37,082	57,096	56,340	81,463	82,924
Liabilities	7,953	13,055	-858	2,643	3,885
Financial derivatives (other than reserves) and employee stock options	-838	-546	1,184	-2,228	-3,696
Assets	-6,055	-5,977	-11,227	-11,153	-11,489
Liabilities	-5,217	-5,431	-12,411	-8,925	-7,793
Other investment	2,111	-2,917	-4,735	-29,472	-14,805
Assets	47,505	11,869	-16,648	-7,352	11,512
Trade credits and advances	565	-208	-899	-5,381	-2,535
Loans	16,575	8,784	3,206	5,843	-1,044
Currency and deposits	18,454	-3,398	-16,738	-3,708	16,860
Other assets	11,911	6,691	-2,217	-4,106	-1,769
Liabilities	45,394	14,786	-11,913	22,120	26,317
Trade credits and advances	133	-646	-263	5,527	3,379
Loans	22,574	4,251	-259	8,451	11,902
Currency and deposits	23,003	10,797	-12,178	9,954	14,888
Other liabilities	-316	384	787	-1,812	-3,852
Reserve assets	11,318	13,015	15,011	10,663	12,467
Net errors & omissions	2,468	3,046	6,098	-6,341	-2,967

Source: CBC online information. Viewed at: <http://www.cbc.gov.tw>.

1.20. Chinese Taipei's gross external debt, which remains largely short term (93% in 2017), has been subject to irregular changes over the review period; it dropped by 10.6% from 2014, a peak year, to 2015, and since then it rose by 8.3% to US\$172.2 billion in 2016 and then by 5.6% to US\$181.9 billion in 2017 (Table 1.1). As a result, the debt service ratio rose from 1.5% to a peak of 2.1% (2016) and then declined slightly to 1.9% (2017). As a percentage of GDP, gross external debt decreased from 33.5% in 2014 to 31.7% in 2017.

1.21. Since 2014, Chinese Taipei's foreign exchange reserves have increased steadily by an overall 8.3% to US\$451.5 billion in 2017 (Table 1.1) mainly due to returns from their management; in 2017, they were equivalent to 78.8% of GDP and 16.8 months of imports of goods and services, compared to 82% of GDP and 17.8 months in 2016, and almost three times the short-term external debt.

1.3 Developments in Trade and Investment

1.3.1 Trends and patterns in merchandise trade and services trade

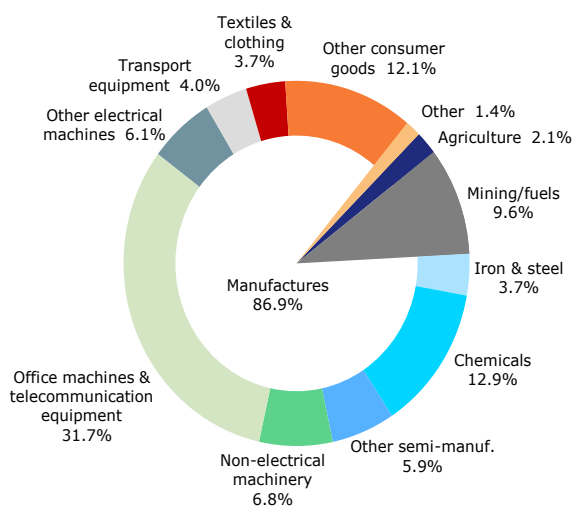
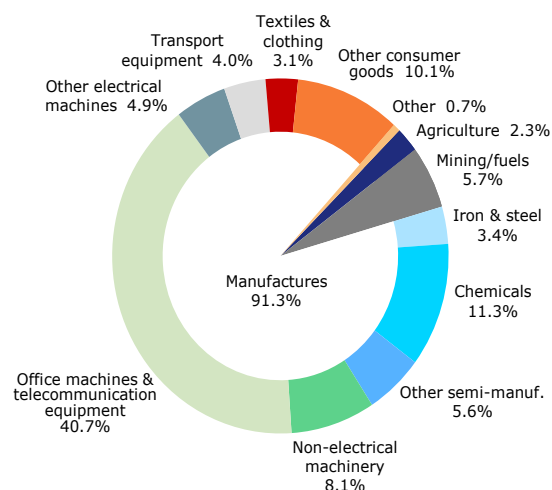
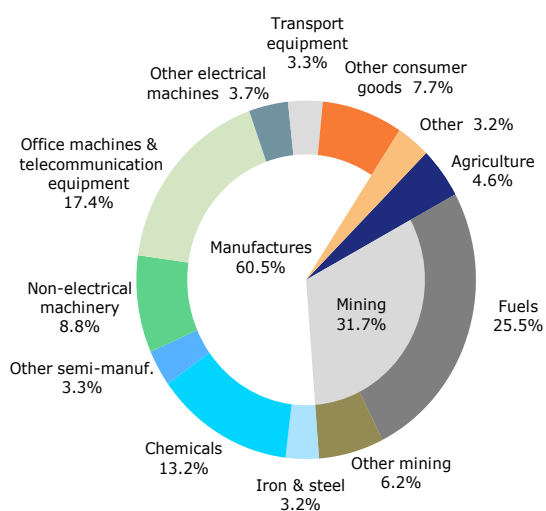
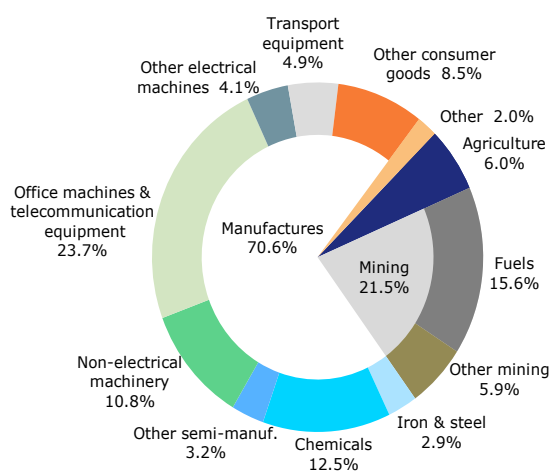
1.22. The openness of the Chinese Taipei economy to international trade, and its integration into the world economy and global value chains continued to be reflected by the steadily increasing ratio of its trade (exports plus imports) in goods and services to GDP; nevertheless, this ratio dropped from 129.4% in 2014 to 117.7% in 2017, partly due to weaker global demand (Table 1.1).⁴⁴

1.23. Since its previous review, Chinese Taipei's merchandise trade has remained largely and increasingly dependent on manufactures (Chart 1.1, Tables A1.1 and A1.2). The share of machinery and transport equipment, namely office machines and telecommunications equipment, and non-electrical machinery in total exports has risen, whereas the share of chemicals and mining/fuels has dropped. Electronics exports grew more in 2017 than in 2016, on the back of the launch of new products in global markets (Section 1.2.1).⁴⁵ Manufactures rose to more than two thirds of total imports whereas mining dropped to 21.5% and agriculture increased to 6%.

1.24. At the same time, while Chinese Taipei's merchandise trade with economies in the region remained virtually unchanged for exports, the pattern of imports shifted slightly away from the Middle East, partly due to the drop of oil prices and currency appreciation (Chart 1.2, Tables A1.3 and A1.4). Notwithstanding some minor fluctuations in trade shares, Chinese Taipei's main trading partners remain China, the United States, the European Union and Japan. The merchandise trade shares of both China and Japan increased.

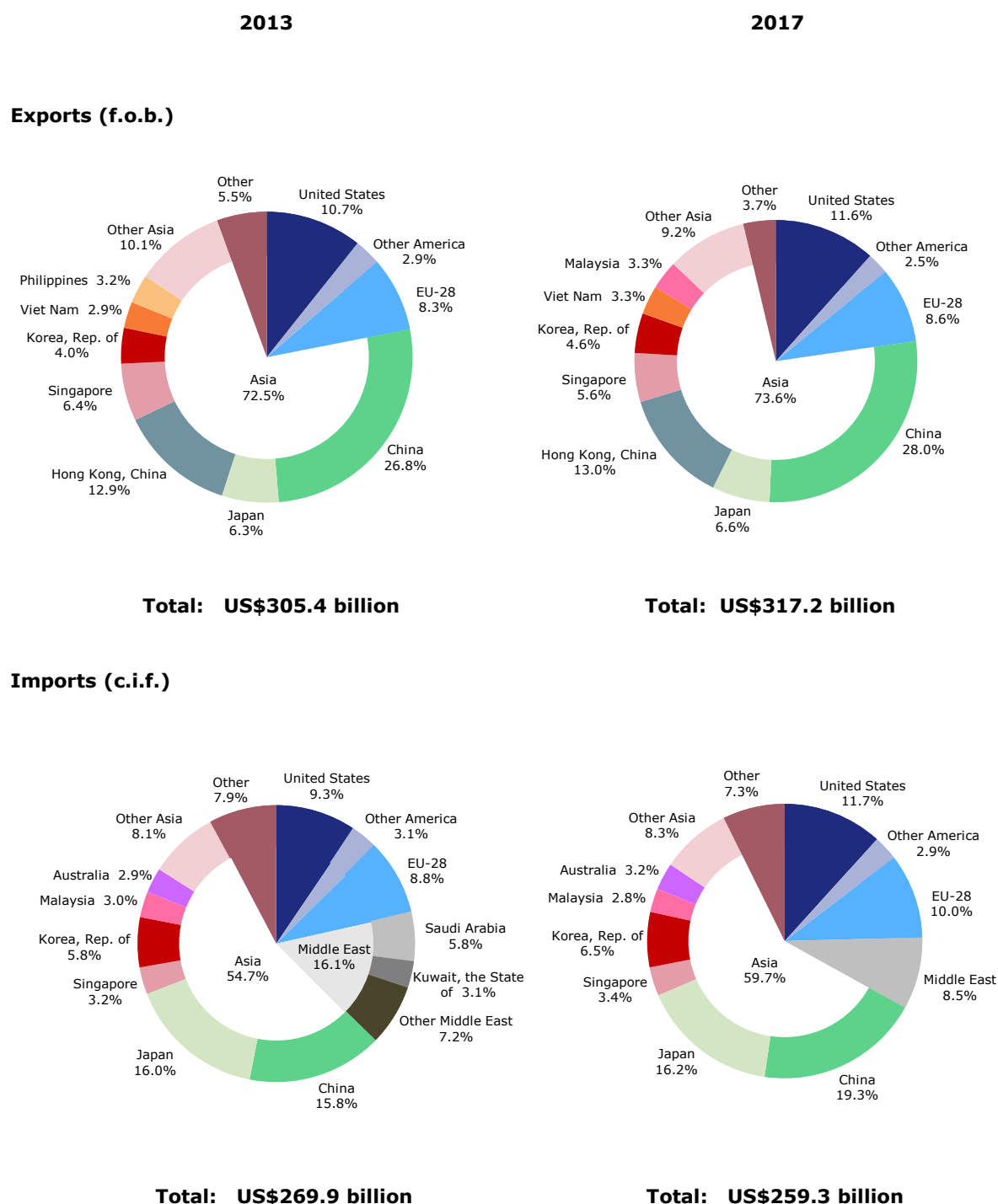
⁴⁴ EIU (2017), *Country Commerce*, June, New York. Viewed at: www.eiu.com.

⁴⁵ EIU (2017), *Country Commerce*, June, New York. Viewed at: www.eiu.com.

Chart 1.1 Product composition of merchandise trade, 2013 and 2017**2013****2017****Exports (f.o.b.)****Total: US\$305.4 billion****Total: US\$317.2 billion****Imports (c.i.f.)****Total: US\$269.9 billion****Total: US\$259.3 billion**

Note: SITC Rev.3 definition.

Source: Data provided by the authorities.

Chart 1.2 Direction of merchandise trade, 2013 and 2017

Source: Data provided by the authorities.

1.25. During the review period, Chinese Taipei remained a net importer of services, running a declining deficit in the services account amounting to 1.5 % of GDP in 2017 (Tables 1.1 and 1.4). This was mainly the outcome of the significant increases in manufacturing services and other business services, despite the stagnating number of tourist visits from China, rising outbound travel, and an increase in the number of remittances sent by overseas workers (Section 1.2.4.4).⁴⁶

⁴⁶ EIU (2017), *Country Report*, September, London. Viewed at: www.eiu.com.

Table 1.4 Trade in services, 2013-17

	2013	2014	2015	2016	2017
Total credit (US\$ million)	36,461	41,491	40,986	41,360	45,071
	(% of total credit)				
Manufacturing services	4.0	3.9	4.0	4.9	5.7
Maintenance and repair services	0.2	0.4	1.0	2.0	2.9
Transport	27.6	26.5	23.9	21.3	22.0
Passenger	6.7	6.8	6.3	5.9	5.4
Freight	19.8	18.7	16.7	14.5	15.8
Travel	33.8	35.2	35.1	32.3	27.4
Business	4.3	3.0	2.8	2.5	2.1
Personal	29.5	32.2	32.3	29.9	25.3
Construction	1.4	2.4	1.9	2.9	3.0
Insurance and pension	0.9	0.8	0.6	0.7	0.9
Finance	5.6	5.8	5.9	6.3	6.4
Charges for the use of intellectual property, n.i.e.	2.8	2.1	2.9	3.0	3.8
Telecommunication, computer and information	3.8	4.2	5.0	5.8	6.3
Other business services	18.8	17.5	18.4	19.2	20.1
Personal, cultural and recreational	0.6	0.6	0.6	0.8	0.8
All levels of government	0.6	0.7	0.8	0.8	0.8
Total debit (US\$ million)	51,663	52,907	51,669	51,699	53,451
	(% of total debit)				
Manufacturing services	14.3	9.8	8.5	6.8	6.4
Maintenance and repair services	1.3	1.6	1.5	1.7	1.8
Transport	19.0	19.5	19.6	21.2	21.0
Passenger	3.6	3.7	3.7	5.1	4.7
Freight	9.4	9.1	8.5	8.6	8.8
Travel	23.8	26.5	30.0	32.1	33.6
Business	4.2	4.4	4.8	5.0	4.7
Personal	19.6	22.1	25.2	27.1	28.8
Construction	1.3	1.9	1.7	2.3	2.6
Insurance and pension	1.9	1.8	1.5	1.4	1.9
Finance	1.0	1.1	1.4	1.7	2.5
Charges for the use of intellectual property, n.i.e.	10.1	10.0	10.7	10.2	7.0
Telecommunication, computer and information	2.3	2.3	2.4	2.6	3.2
Other business services	23.1	23.7	20.9	18.5	18.2
Personal, cultural and recreational	0.5	0.5	0.5	0.4	0.5
All levels of government	1.3	1.3	1.2	1.3	1.3

Source: CBC online information.

1.3.2 Trends and patterns in inbound direct investment

1.26. Inbound direct investment is not only an additional source of capital. It also brings with it entrepreneurship, management skills, and especially new technology, which contribute to improved total factor productivity. Despite its relatively small market, making it difficult to attract investment interest, Chinese Taipei actively supports inbound direct investment (Sections 2.4 and 3.3.1.2.5 and Table A3.7); its market liberalization policies, RTAs and expansion of services (notably tourism) ensure continuous inflows.⁴⁷ During the review period, inbound direct investment flows peaked at US\$11 billion in 2016 (Table 1.5) mainly due to several large-scale investment projects, including those by ASML Holdings, a Dutch producer of semiconductor manufacturing equipment. In 2017, the inflows dropped by an overall 32%, to US\$7.5 billion, partly due to both the global and the Eurozone crisis, the slow recovery of the United States economy and the slowdown in China.⁴⁸ In 2017, the Netherlands was the largest individual source of approved investments in Chinese Taipei, followed by: British Overseas Territories in the Caribbean (mainly the British Cayman Islands and the British Virgin Islands); the United Kingdom; Japan; Samoa; and Hong Kong, China. During the review period, inbound direct investment flows were largely concentrated in services, mainly finance and insurance and wholesale and retail, as well as in manufacturing of electronic parts and components (Tables 1.5 and 1.6).

⁴⁷ EIU (2017), *Country Commerce*, June, New York. Viewed at: www.eiu.com.

⁴⁸ Online information. Viewed at: <https://www.nordeatrade.com/en/explore-new-market/taiwan/investment>; EIU (2017), *Country Commerce*, June, New York. Viewed at: www.eiu.com.

Table 1.5 Inbound and outbound flows of direct investment, by activity, 2014-17 (approval basis)

	2014	2015	2106	2017
Inbound direct investment				
Total (US\$ million)	5,770.0	4,796.8	11,037.1	7,513.2
% of GDP	1.1	0.9	2.1	1.3
By activity (% of total)				
Agriculture, hunting, forestry and fishing	0.1	0.0	0.1	0.4
Mining and quarrying	0.00	0.00	0.00	0.00
Manufacturing	40.7	27.8	68.6	40.6
Electronic parts and components	14.3	5.7	32.9	28.4
Electricity, gas and water	0.1	0.4	0.0	0.2
Construction	0.6	0.2	0.6	0.7
Services	58.5	71.6	30.7	58.1
Wholesale and retail trade	13.6	22.3	10.8	11.7
Finance and insurance	27.2	25.2	11.1	12.5
Outbound direct investment				
Total (US\$ million)	17,570.3	21,710.7	21,793.8	20,822.1
% of GDP	3.3	4.1	4.1	3.6
By activity (% of total)				
Agriculture, hunting, forestry and fishing	0.0	0.0	0.0	0.1
Mining and quarrying	1.0	0.1	0.0	2.9
Manufacturing	45.5	43.2	62.2	39.0
Basic metals	4.8	6.1	1.6	3.5
Electronic parts and components	9.9	10.7	30.5	10.9
Computer, electronics and optical products	7.8	5.4	9.8	5.8
Electrical equipment	2.2	2.6	1.4	1.2
Machinery and equipment	2.0	1.7	2.0	1.5
Electricity, gas and water	0.2	0.2	0.4	0.3
Construction	0.3	0.1	0.3	0.1
Services	52.8	56.4	37.0	57.6
Wholesale and retail trade	11.1	5.0	7.1	9.1
Finance and insurance	30.1	40.8	21.8	43.6
Other	0.3	0.0	0.0	0.0

Source: Investment Commission, MOEA online information. Viewed at:
https://www.moeaic.gov.tw/news.view?do=data&id=1221&lang=en&type=business_ann.

1.27. Chinese Taipei remains not only one of the major exporters of goods, but also of capital. Outbound direct investment flows peaked in 2016 and then dropped by an overall 4.5% in 2017 (Table 1.6) due to several large-scale outbound investment projects, including those by Hon Hai Precision Industry Co., Ltd. investing in Sharp Display Products Corporation (Japan). Similarly to inflows, during the review period outflows were largely concentrated in services (finance and insurance) and manufacturing (electronic parts and components, computer, electronics and optical products; and basic metals) (Table 1.5). At the same time, the main individual destinations were China, British Overseas Territories in the Caribbean (the British Cayman Islands and the British Virgin Islands), Viet Nam and Japan.

Table 1.6 Inbound and outbound flows of direct investment, by source and destination, 2014-17 (approval basis)

	2014	2015	2106	2017
Inbound direct investment				
Total (US\$ million)	5,770.0	4,796.8	11,037.1	7,513.2
% of GDP	1.1	0.9	2.1	1.3
By source (% of total)				
EU-28	24.2	21.2	65.6	44.5
Netherlands	8.6	6.4	60.8	25.2
United Kingdom	4.6	8.8	3.7	15.0
British Overseas Territories in the Caribbean	26.3	30.6	14.0	22.8
Japan	9.5	9.5	3.1	8.5
Samoa	8.8	8.8	2.9	5.1
Hong Kong, China	8.9	7.7	5.4	3.7
Canada	0.2	0.3	0.2	3.4
United States	2.6	2.7	1.3	2.9
Singapore	7.9	3.5	1.0	1.8
Other	11.5	15.7	6.6	7.2

	2014	2015	2106	2017
Outbound direct investment				
Total (US\$ million)	17,570.3	21,710.7	21,793.8	20,822.1
% of GDP	3.3	4.1	4.1	3.6
By source (% of total)				
China	58.5	50.5	44.4	44.4
British Overseas Territories in the Caribbean	17.6	13.3	12.5	28.4
Singapore	0.8	1.1	7.1	4.4
United States	1.6	1.7	1.5	4.0
Viet Nam	3.7	5.7	2.1	3.3
Australia	1.0	0.0	0.1	3.0
Hong Kong, China	2.4	2.3	1.9	1.4
EU-28	4.5	9.0	5.2	1.1
Japan	3.9	1.4	20.7	1.0
Korea, Rep. of	1.0	1.5	1.0	0.0
Other	5.2	13.5	3.7	9.0

Source: Investment Commission, MOEA online information. Viewed at:
https://www.moeaic.gov.tw/news.view?do=data&id=1221&lang=en&type=business_ann.

2 TRADE AND INVESTMENT REGIME

2.1 General Framework

2.1. Since 2014, the overall structure and functions of the executive, legislature and judiciary of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) have remained broadly unchanged.¹ However, a restructuring and streamlining of the executive branch has been ongoing with a view to increasing its flexibility and effectiveness; by the end of this process the number of organizations in the executive branch will have been reduced from 37 to 29 (14 ministries, eight councils, three independent agencies and four organizations).² This process should be completed by 31 January 2020.³ These changes included the creation of a development council (NDC) in 2014 which combines the previous responsibilities of the Council for Economic Planning and Development, the Research, Development and Evaluation Commission and the Public Construction Commission. The NDC is responsible for the planning, evaluation, coordination and supervision of Chinese Taipei's development policies.⁴

2.2. There are two levels of local self-governing bodies. At the first level there are special municipalities, counties and cities and at the second level there are townships, county-administered cities and mountain indigenous districts of special municipalities. Local governments' budgets are largely funded through a revenue-sharing arrangement with the central administration, the amount of which *inter alia* depends on the size of the population and the level of economic development of the municipality/county.⁵

2.3. Trade and other such agreements enter into force upon ratification and promulgation; they have the same force and effect as domestic laws.⁶

2.4. As noted by the authorities, inputs from members of the public, businesses and civil society organizations into policy-making, including trade policy-making, are sought on a continuous basis from the time of policy formulation to decision-making. When important new material or comments are received, the competent authority holds public hearings and meetings with academia and experts, or conducts interagency meetings so that it can reach a conclusion; sometimes it is necessary to have more than one round of comments. Public/stakeholder comments, including from overseas companies/parties, can be expressed through a public policy platform launched in February 2015 (<https://join.gov.tw/>). In October 2016, the period of time for public comment was increased from 14 to 60 days, and the requirement for feedback from agencies was introduced; this should be given, and made available online, within 14 days after the preview period. Seemingly, this requirement has greatly increased the transparency of the regulation-making process.⁷

2.5. The Regulatory Reform Centre (RRC), a department of the NDC, *inter alia*, carries out research, planning, and coordination for regulatory reforms; promotes and manages regulatory and institutional reforms, and projects related to competitiveness; administers reforms for the improvement of the investment environment; facilitates international cooperation on regulatory reform issues; and promotes Regulatory Impact Assessment (RIA) and related capacity building.⁸

2.6. As noted by the authorities, since 2004, regulatory impacts assessments (RIAs) are required for all laws sent to the legislative branch; each authority has its own RIA format. RIAs may be published on their respective websites if the contents are not sensitive. Since 2014, regular training programmes for public-sector officials have been undertaken in order to build their capacity in this

¹ More information is available in WTO documents WT/TPR/S/302/Rev.1, 18 December 2015 and WT/TPR/S/232/Rev.1, 28 July 2010.

² The changes in trade-related areas include: the creation of the Ministry of Agriculture (foreseen) and the creation of the NDC (completed). Other changes relate to labour, youth, sports, culture, science, environment and information services. Online information. Viewed at: <https://english.ey.gov.tw/cp.aspx?n=0B5424E21E6FF0A5>.

³ As indicated by the authorities, the time-frame will be determined once the Organization Act has been enacted.

⁴ Online information. Viewed at: <https://www.ndc.gov.tw/en/default.aspx>.

⁵ Online information. Viewed at: <http://english.ey.gov.tw/cp.aspx?n=ec9205f763e2a607>.

⁶ WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

⁷ ECCT 2018 Position Papers. Viewed at <http://www.ecct.com.tw/file/Publications/201711151808326974.pdf>.

⁸ Online information. Viewed at: <https://www.ndc.gov.tw/en/cp.aspx?n=459AC4A538309231>.

area, particularly in undertaking cost-benefit analysis. In 2017, a RIA handbook was issued, providing public-sector agencies with guidelines to further enhance the quality of their regulatory work and to encourage uniformity in the format of RIAs.

2.7. In the context of this review, the authorities indicated that Chinese Taipei aims to respond to the most recent Internet application trends, build a sound legal system aligned with global trends and create a friendly regulatory environment.

2.2 Trade Policy Formulation and Objectives

2.8. Chinese Taipei's trade policy continues to be based on the premise that trade openness, global and regional connectivity, economic growth and performance, living standards and innovation are strongly linked. Chinese Taipei is focused on improving its economic competitiveness, entrepreneurship and enabling a better market access based on the principles of reciprocity and fairness. To reach these objectives, it pursues a combined unilateral, bilateral, regional and multilateral approach to trade policy.

2.9. The Ministry of Economic Affairs (MOEA) remains in charge of formulating and implementing economic policy and its responsibilities, *inter alia*, include trade and investment.⁹ The Bureau of Foreign Trade (BOFT), one of MOEA's administrative agencies, is responsible for formulating Chinese Taipei's trade policies, promoting trade, and managing trade-related activities.¹⁰

2.10. The Office of Trade Negotiations (OTN) continues to be responsible for international trade negotiations.¹¹ In September 2016, supervision of the OTN was upgraded in order to achieve better coordination between the various agencies involved in negotiations to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP).¹²

2.11. Various other ministries are involved in trade policy and trade relations. In particular, the Ministry of Finance (MOF) is in charge of customs policy and customs-related affairs, tax policy and promotion of private participation in infrastructure projects. The Ministry of Health and Welfare is, *inter alia*, responsible for issues related to food safety and sanitation. The Ministry of Transportation and Communication is in charge of administering all aspects of transportation and communications. The NDC is, *inter alia*, responsible for formulating high-level industrial development policies.¹³ Other agencies with trade-related responsibilities include: the Financial Supervisory Commission, which is in charge of development, supervision, regulation and examination of financial markets and financial institutions; the Council of Agriculture, which is responsible for issues related to agriculture, forestry, fishery, animal husbandry and agrifood affairs; the Public Construction Commission, which deals with issues related to government procurement; the Ministry of Justice, which is responsible for issues, *inter alia*, related to formulating and reviewing legal proposals. The Fair Trade Commission is responsible for formulating fair trade and multi-level marketing (i.e. direct sales) policies and regulations and other related matters. A communications commission (NCC¹⁴) accommodates the convergence of technology, promotes the sound development of communications, protects the interests of consumers and promotes cultural diversity.

2.12. The Committee on Global Economic and Trade Strategy created in 2012 functions as a high-level advisory committee on international economic and trade issues. There have been no changes to its structure and responsibilities over the review period.

⁹ For full details of MOEA's responsibilities see online information. Viewed at: http://www.moea.gov.tw/MNS/english/content/Content.aspx?menu_id=190.

¹⁰ More detailed information on BOFT responsibilities are available at: <https://www.trade.gov.tw/english/Pages/List.aspx?nodeID=83>.

¹¹ Online information. Viewed at: https://www.moea.gov.tw/MNS/otn_e/content/Content.aspx?menu_id=2701.

¹² Online information. Viewed at: http://www.moea.gov.tw/MNS/otn_e/content/Content.aspx?menu_id=2701.

¹³ Online information. Viewed at: <https://www.ndc.gov.tw/en/cp.aspx?n=C60222ACEB170E83&s=66EECE3106225E9D>.

¹⁴ Online information. Viewed at: https://www.ncc.gov.tw/english/content.aspx?site_content_sn=284.

2.13. The Chung-Hua Institution for Economic Research (CIER) continues to serve as an economic and industry-related research policy think-tank making recommendations to the authorities.

2.14. Economic, trade and investment goals are contained in the 17th mid-term development plan (NDP 2017-2020) which is the main strategy document, reviewed every four years, for addressing current development needs. Stimulating the economy is identified as a priority task and in this regard, Chinese Taipei intends to increase domestic investment and institute structural reforms so as to address long-standing problems such as low business profits, stagnating wages and companies migrating abroad. The plan contains six core policies, one of which is "industrial upgrading and an innovative economy". Under this policy heading, an ecosystem for industrial innovation is to be developed through the promotion of technological innovation, funding assistance, personnel support and easing of regulations. Certain innovative industries (an Asian Silicon Valley, intelligent machinery, green energy technology, biomedicine, new agriculture and the circular economy) are to be promoted to add value across all industry sectors. Additionally, emphasis is placed on building a digital environment and bringing technical innovations to the service sector and on encouraging innovations in the chip design and semiconductor industries, cultural and creative sectors, lifestyle industries and other fields with high growth potential such as gaming. Another of the six core policies emphasises enhancing bilateral ties with trade partners and diversifying export markets and products.¹⁵

2.15. A Five-Plus-Two Industries Innovation Plan emphasises accelerating overall industrial upgrades through innovation and envisages the future of Chinese Taipei's industry as being characterized by cross-industry technology integration. It contains elements of previously implemented strategies, such as the "Productivity 4.0 Initiative" and the "Industry Upgrading and Transformation Action Plan", and was formulated to be aligned with the administration's "New Economic Model" which is focused on sustainable development, innovation, employment and the distribution of wealth. The target industries for which industrial innovation plans have been developed include sectors such as an Asia Silicon Valley; smart machinery; green energy technology; defence industry; and biomedical industry. The "Plus-Two" element of the Plan relates to "new agriculture" and the "circular economy" with the aim of supporting across-the-board industrial transformation and upgrading.

2.16. A New Southbound Policy, launched in 2016, aims to foster economic cooperation and integration with ASEAN, South Asia, New Zealand, and Australia. The elaborated work plan is aimed at realigning the role of Chinese Taipei in Asian development and seeking new opportunities and momentum for its own development. It focuses on the following areas: economic and trade cooperation, talent exchanges, resource sharing and institutional links and connectivity. Additionally, resources will be used to promote five new flagship projects: regional agricultural development; medical and public health cooperation and the development of industrial chains; industrial talent development; industrial innovation and cooperation; and the NSP forum and youth exchange programme, and three prospective areas (e-commerce, tourism, and infrastructure).

2.17. The Forward-looking Infrastructure Development Programme, launched in 2017 with a 30 year view, aims to build the infrastructure needed for Chinese Taipei's development. It contains funding for eight categories: railway projects; water environments; green energy; digital infrastructure; urban and rural projects; child care facilities; food safety; and human resources.¹⁶

2.18. Sector-specific trade-related objectives are included in the Agriculture Policy 2015 (Section 4.1).

2.19. Since 2014, trade and investment-related legislation has been amended or introduced in virtually all areas (Table 2.1).

2.20. Chinese Taipei attaches importance to making its main laws and other regulations transparent and readily accessible. Most trade and investment related laws and regulations are available in English and are accessible on the Internet from the websites maintained by relevant ministries and agencies or through Chinese Taipei's laws and regulations database (<http://law.moj.gov.tw/ENG/Law/LawSearchLaw.aspx>).

¹⁵ Online information. Viewed at:
https://english.ey.gov.tw/News_Hot_Topic.aspx?n=53CC7B9EC4AE934F&sms=CEDBC95579E256CB.

¹⁶ Online information. Viewed at:
https://www.ndc.gov.tw/en/Content_List.aspx?n=BCDB1EECF95E18E2&upn=7767B950199EF590.

Table 2.1 Principal trade-related laws, January 2018

Area	Law (year of promulgation and the date of last amendment)
Trade	"Foreign Trade Act" promulgated in 1993, amended 11.12.2013
Investment	"Statute for Investment by Foreign Nationals" promulgated in 1954, amended 19.11.1997
E-commerce	Electronic Signatures Act promulgated in 2001
Import/export procedures	"Foreign Trade Act" promulgated in 1993, amended 11.12.2013 "Enforcement Rules of the Foreign Trade Act" promulgated in 1993, amended 08.07.2010 Regulations Governing Import of Commodities promulgated in 1994, amended 31.07.2012 Regulations Governing Export of Commodities promulgated in 1993, amended 08.07.2010 Regulations Governing Registration of Exporters and Importers promulgated in 1993, amended 10.06.2014
Customs	Customs Act, promulgated in 1967, amended 18.01.2017 Regulation of Tariff Quota promulgated in 2001, amended 27.09.2011
Taxation	Commodity Tax Act promulgated in 1946, amended 22.11.2017 Income Tax Act promulgated in 1943, amended 07.02.2018 VANVABT Act promulgated in 1931, amended 14.06.2017
TBT	The Standards Act promulgated in 1946, amended 26.11.1997 The Commodity Inspection Act promulgated in 14.12.1932, amended in 11.07.2007 Weight and Measures Act promulgated in 1929, amended 29.01.2009 Enforcement Rules of Weights and Measures Act promulgated in 1929, amended 22.10.2003
SPS	Statute for Prevention and Control of Infectious Animal Diseases promulgated in 1967, amended 24.12.2014 Plant Protection and Quarantine Act promulgated in 1996, amended 18.06.2014 Act governing Food Safety and Sanitation promulgated in 1975, amended 24.01.2018 Food Administration Act promulgated in 1997, amended 18.06.2014
Competition	Fair Trade Act promulgated in 1991, amended 14.06.2017
Government procurement	Government Procurement Act promulgated in 1998, amended in 06.01.2016
Intellectual property rights	Patent Act promulgated in 1944, amended 18.01.2017 Trademark Act promulgated in 1930, amended 30.11.2016 Copyright Act promulgated in 1928, amended 30.11.2016 Trade Secrets Act promulgated in 1996, amended 30.01.2013
Agriculture	Agricultural Finance Act promulgated in 2003, amended 18.01.2017 Agricultural Development Act promulgated in 1973, amended 30.11.2016 Agricultural Products Market Transaction Act promulgated in 1981, amended 28.11.2012
Forestry	Forestry Act promulgated in 1932, amended 30.11.2016
Fisheries	Fisheries Act promulgated in 1929, amended 20.07.2016 Distant Water Fisheries Act promulgated in 1996, amended 20.01.2017
Mining	Mining Act promulgated in 1930, amended 30.11.2016
Energy	Energy Administration Act promulgated in 1980, amended 30.11.2016 Petroleum Administration Act promulgated in 2001, amended 04.06.2014 Natural Gas Enterprise Act promulgated in 2011, amended 25.05.2016 Electricity Act promulgated in 1947, amended 26.01.2017 Renewable Energy Development Act promulgated in 08.07.2009
Banking	Banking Act promulgated in 1931, amended 24.06.2015 Deposit Insurance Act promulgated in 1985, amended 04.02.2015 Foreign Exchange Regulation Act promulgated in 1949, amended 29.04.2009
Insurance	Insurance Act promulgated in 1929, amended 31.01.2018
Electronic payment	Act Governing Electronic Payment Institutions promulgated in 2015, amended 14.06.2017
Telecommunication	Telecommunications Act promulgated in 1958, amended 11.12.2013
Air Transport	Civil Aviation Act promulgated in 1953, amended 04.02.2015
Maritime transport	Shipping Act promulgated in 1981, amended 22.01.2014
Rail Transport	Railway Act promulgated in 1958, amended 09.11.2016
Tourism	Act for the Development of Tourism promulgated in 1969, amended 11.01.2017

Source: Information provided by the authorities; and online information. Viewed at:

<http://law.moj.gov.tw/ENG/Law/LawSearchLaw.aspx>;
<http://law.coa.gov.tw/GLRSnewsout/EngLawQuery.aspx>;
<https://law.banking.gov.tw/Eng/FLAW/FLAWQRY01.aspx?lpcode=02>; and
<http://law.moj.gov.tw/eng/LawClass/LawList.aspx?LC=0118>.

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.21. Chinese Taipei has stated that trade remains pivotal to its economic development; it strives to pursue a free and open multilateral trade regime, and actively participates in the WTO discussions in order to contribute to the formulation of new international trade regulations and eventually to create greater and more tangible opportunities for all the stakeholders in the ever changing global trade environment.¹⁷

2.22. Chinese Taipei acceded to the WTO in January 2002 and it grants at least MFN treatment to WTO Members (exceptions are described in Section 3.1.5.1). It is a signatory to the civil aircraft and information technology agreements as well as being party to the Government Procurement Agreement. In July 2012, Chinese Taipei accepted the 2005 Protocol Amending the TRIPS Agreement. In April 2014, it accepted the Protocol Amending the Government Procurement Agreement, and in August 2015, the Protocol concerning the Trade Facilitation Agreement (Section 3.1.1).¹⁸ The last TPR of Chinese Taipei was held in 2014. In July 2015, Chinese Taipei notified the WTO of preferential treatment it grants to services and services suppliers of least developed countries stemming from the WTO LDC Services Waiver (WT/L/847). As set out in the notification, preferential treatment in mode 3 is granted in 8 services sectors, and for mode 4 in 13 services sectors.¹⁹ Chinese Taipei was a participant in negotiations to expand the ITA, concluded in December 2015. Under the new Agreement, import duties are to be eliminated on 201 high-tech products.²⁰ Between 2013 and 2015, Chinese Taipei's exports of these products averaged approximately US\$90 billion per year, and the net profit from tariff reductions was approximately US\$820 million.²¹ Among the 201 product items, Chinese Taipei considers that it has a competitive and export advantage with respect to 136 items. It is also a participant in plurilateral negotiations on the Trade in Services Agreement (TiSA) and on environmental goods (EGA).

2.23. At the WTO's 11th Ministerial Conference held in 2017, Chinese Taipei joined the following: the Joint Declaration of Trade and Women's Economic Empowerment; the Joint Ministerial Statement on Services Domestic Regulation; the Joint Statement on Electronic Commerce; the Declaration on the Establishment of a WTO Informal Work Programme for MSMEs; the Fossil Fuel Subsidies Reform Ministerial Statement; and the Declaration in Support of the Multilateral Trading System.²²

2.24. Since 2014, Chinese Taipei has participated as a complainant in three new dispute settlement cases (Table 2.2) and has reserved its third party rights in 22 cases.²³ It has not been involved as a defendant during this period.

¹⁷ BOFT (2016), *The Development of International Trade 2016-2017*, November 2016. Viewed at: <https://www.trade.gov.tw/english/Pages/List.aspx?nodeID=83>.

¹⁸ WTO online information. Viewed at: https://www.wto.org/english/tratop_e/tradfa_e/tradfa_agreeacc_e.htm.

¹⁹ WTO document S/C/N/811, 27 July 2015. Preferential treatment in mode 3 is granted to: video tape/motion picture production and distribution services; motion picture projection services; wholesale trade services of motor vehicles; sales of parts and accessories of motor vehicles; sales of motorcycles and snowmobiles and related parts and accessories; retailing services of motor fuel; freight transportation; and rental or leasing services concerning aircraft without operators. Preferential treatment in mode 4 is granted to: publishing services (excluding sound publishing services); rental/leasing services without operators; building-cleaning services; packaging services; duplicating services; translation and interpretation services; storage and warehousing services; advertising services; food serving services; photographic services; telephone answering services; mailing list compilation and mailing services; and, other entertainment services.

²⁰ Products covered by the ITA Expansion include: new generation multi-component integrated circuits (MCOs), touch screens, GPS navigation equipment, portable interactive electronic education devices, video game consoles, and medical equipment, such as magnetic resonance imaging products and ultra-sonic scanning apparatus. Briefing note: the Expansion of Trade in Information Technology Products (ITA Expansion), 16 December 2015. Viewed at: https://www.wto.org/english/news_e/news15_e/itabriefingnotes161215_e.pdf.

²¹ BOFT (2016), *The Development of International Trade 2016-2017*, November. Viewed at: <https://www.trade.gov.tw/english/Pages/List.aspx?nodeID=83>.

²² WTO online information. Viewed at: https://www.wto.org/english/thewto_e/minist_e/mc11_e/documents_e.htm.

²³ WTO online information. Viewed at: https://www.wto.org/english/tratop_e/dispu_e/find_dispu_cases_e.htm.

Table 2.2 WTO dispute settlement cases involving Chinese Taipei, January 2014-January 2018

Subject of dispute (WTO document series)	Status
Canada — Anti-Dumping Measures on Imports of Certain Carbon Steel Welded Pipe (WT/DS482)	Chinese Taipei requested consultations with Canada on 25 June 2014. No mutually agreed solution was reached and Chinese Taipei requested the establishment of a panel on 22 January 2015. The panel was established on 10 March 2015. The panel report was circulated to Members on 21 December 2016. Canada and Chinese Taipei agreed to implement the DSB's recommendations within a reasonable period of time that is set to expire on 25 March 2018.
Indonesia — Safeguard on Certain Iron or Steel Products (WT/DS490)	Chinese Taipei requested consultations with Indonesia on 12 February 2015. No mutually agreed solution was reached and Chinese Taipei requested the establishment of a panel on 20 August 2015. The panel was established on 9 December 2015. The panel report was circulated on 18 August 2017. Indonesia notified the DSB of appeal to the AB on 28 September 2017; Chinese Taipei notified the DSB of its decision to cross-appeal on 3 October 2017.
India — Anti-Dumping Duties on USB Flash Drives (WT/DS498)	Chinese Taipei requested consultations with India on 24 September 2015.

Source: WTO online information. Viewed at:

https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds482_e.htm;
https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds490_e.htm; and
https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds498_e.htm.

2.25. Chinese Taipei has submitted notifications to the WTO in most areas (Table A2.1). As at January 2017, notifications were not up to date only in one area (Agreement on Agriculture: Art. 18:2 domestic support for which the latest notification covers the years 2011 and 2012). It has not made any notifications under GATS Art. III:3 and GATS Art. VII:4.

2.3.2 Regional and preferential agreements

2.3.2.1 Regional trade agreements (RTAs)

2.26. As at January 2018, Chinese Taipei had regional trade agreements (RTAs) in force with China, El Salvador, Guatemala, Honduras, New Zealand, Nicaragua, Panama, Paraguay, and Singapore. All these RTAs have been notified to the WTO Committee on Regional Trade Agreements (CRTA), with the exception of the RTA with China (the Cross-Straits Economic Cooperation Framework Agreement (ECFA)), for which an early announcement has been made, and the RTA with Paraguay. The main features of all of these RTAs together with details of the status of their consideration by the WTO CRTA, are detailed in Table A2.2. The authorities indicated that the RTA with China will be notified to the WTO once the follow-up agreements (see below) have been concluded.

2.27. Since the previous review, RTAs have entered into force, with Singapore, New Zealand and Paraguay.

2.28. Chinese Taipei's RTA with Singapore was signed on 7 November 2013 and entered into force on 19 April 2014. It was considered in the WTO's CRTA on 30 March 2015.²⁴ In 2017, Chinese Taipei's merchandise trade with Singapore constituted 3.4% of total imports and 5.8% of total exports. The Agreement covers liberalization of trade in both goods and services. Chinese Taipei's transition period for tariff liberalization continues until 2028 at which point 99.5% of tariff lines will be duty free. A total of 46 lines will remain subject to duties.²⁵ With regard to Singapore, as at 2014, 99.9% of total lines in its tariff schedules were duty free on an MFN basis; the remaining six lines became duty-free upon the entry into force of the Agreement. The Agreement also incorporates services commitments which go beyond the scope of those scheduled under the GATS (Section 4.4). The

²⁴ WTO online information. Viewed at:
<http://rtais.wto.org/UI/PublicShowMemberRTAIDCard.aspx?rtaid=527>.

²⁵ Tariffs will continue to apply in 11 Chapters; in ten chapters, the preferential tariffs are the same as the MFN rate, while in one (tobacco), the preferential tariff is lower than the MFN rate.

Agreement, *inter alia*, contains provisions on: investment; competition; electronic commerce; government procurement (Section 3.3.6); and, intellectual property cooperation.²⁶

2.29. As noted by the authorities, Chinese Taipei's exports of electrical and electronic products to Singapore have been the largest growing export items since the entry into force of the RTA, accounting for more than 50% of all exports to Singapore. Liberalization of Singapore's tariffs on certain alcoholic beverages is expected to boost the share of Chinese Taipei's beer in the Singaporean market. Exports from Singapore to Chinese Taipei have mainly been items with applied zero tariff treatment upon the RTA's entry into force such as machines and machine tools, electrical machinery and equipment and parts thereof, plastics and articles thereof, rubber and articles thereof, man-made filaments, dyes and pigments and other colouring matter. Other aspects noted by the authorities are: an increase in bilateral trade in tobacco and Chinese herbal medicines; an increase in the number of Chinese Taipei businesses (20%) that self-issue certificates of origin in order to apply for preferential tariffs under the RTA; promotion of mutual recognition of both parties' laboratories and the test reports and compliance certificates issued by them; and promotion of bilateral investment in telecommunications, cable broadcasting and television, banking and shipping.

2.30. Chinese Taipei's RTA with New Zealand was signed on 10 July 2013 and entered into force on 1 December 2013. It was considered in the WTO's CRTA on 10 November 2014.²⁷ In 2017, Chinese Taipei's merchandise trade with New Zealand constituted 0.3% of total imports and 0.2% of total exports. Chinese Taipei's transition period for tariff liberalization continues until 2025 at which point 99.9% of tariff lines will be duty free. A total of 11 lines will remain subject to duties; these are rice and rice products. During the transition period, Chinese Taipei has transitional TRQs on two products – liquid milk and deer velvet. New Zealand was to liberalize all tariff lines by 2017. The Agreement incorporates services commitments which go beyond the scope of those scheduled under the GATS (Section 4.4). The Agreement, *inter alia*, also contains provisions on investment, competition, electronic commerce, government procurement (Section 3.3.6), intellectual property, labour and environment issues, and cooperation on indigenous issues.²⁸ It contains a "self-certification" ("self-declaration") system for origin determination. An arrangement to recognize compliance with Good Laboratory Practice was signed by the two parties in 2017. The authorities indicated that since entry into force of the RTA with New Zealand, bilateral trade has steadily grown; New Zealand's exports to Chinese Taipei have grown by 30%, dominated by agricultural products, while Chinese Taipei's exports to New Zealand grew by 7%, primarily industrial products.

2.31. On 12 July 2017, Chinese Taipei and Paraguay signed an Agreement on Economic Cooperation providing for limited reciprocal tariff liberalization as well as cooperation between the parties in various areas (technological and technical cooperation; small and medium enterprises; investment promotion; customs; TBT; and SPS). This agreement entered into force on 28 February 2018. Under the agreement, Chinese Taipei committed to reduce to zero over a five-year period, customs duties on 54 tariff lines at the HS 8-digit level, in areas including: beef; starch; fruit juice; tea or mate; animal food; certain essential oils; certain soaps; various wood products and certain footwear. Paraguay provides preferential tariff rates for 19 products. The tariff rate for five of these products is zero (sodium hydroxide, other non-ionic organic surface-active agents, polyethylene terephthalate, other self-adhesive plates, and self-adhesive paper and paperboard). The other preferential tariff rates range between 4% and 18% and apply to items including: printing inks; plastic tableware; sportswear; iron/steel articles; hand tools; table fans; bicycles and fishing reels.²⁹

2.32. There have been no further developments with respect to agreements on trade in goods, trade in services or dispute settlement under the Cross-Straits Economic Cooperation Agreement with China since 2014.³⁰

²⁶ WTO document WT/REG350/1, 19 January 2015.

²⁷ WTO online information. Viewed at: <http://rtais.wto.org/UI/PublicShowMemberRTAIDCard.aspx?rtaid=874>.

²⁸ WTO document WT/REG348/1, 16 July 2014.

²⁹ Online information. Viewed at: <https://www.trade.gov.tw/english/Pages/Detail.aspx?nodeID=1838&pid=624240>.

³⁰ The Cross-Strait Investment Protection and Promotion Agreement was signed in August 2012 and entered into force in February 2013. The draft Trade in Services Agreement was concluded and signed in June 2013, and ratification is pending. The negotiations on trade in goods and dispute settlement have not yet been concluded.

2.33. No other RTAs are being negotiated. However, Chinese Taipei continues to seek to join the CPTPP and is undertaking preparatory work, *inter alia*, by updating its CPTPP impact assessment study, performing regime gap analysis, and through adjustment and support outreach.³¹ Chinese Taipei also seeks to participate in the RCEP and other sub-regional economic integration efforts.

2.3.2.2 Preferential trade agreements

2.34. Chinese Taipei continues to offer non-reciprocal trade preferences to all least developed countries (LDCs) designated as such by the United Nations. The 163 tariff lines covered by the PTA have a tariff rate of zero. Goods imported from these countries are regarded as originating if the goods are wholly obtained, or the regional value content ratio is more than 50%; preferential certificates of origin must be issued and certified by the LDCs respective governments.³² Among Chinese Taipei's biggest trading partners within the LDC group, preferential treatment is most used by Bangladesh (77% of its imports entered Chinese Taipei using preferential tariffs in 2017), Cambodia (92%) and Myanmar (79%) (Table A2.3).

2.35. Chinese Taipei is among the four non-LDC WTO Members who receive GSP (Generalized System of Preferences) treatment from Australia.³³ It is eligible for preferential tariffs on 181 tariff lines (43 are agricultural goods and 138 non-agricultural), of which 164 are duty-free lines (27 agricultural goods and 137 non-agricultural goods).³⁴

2.3.3 Other agreements and arrangements

2.3.3.1 APEC

2.36. Chinese Taipei has been a member of APEC since 1991. In November 2017, APEC member economies reaffirmed their commitment to achieve free and open trade and investment in the region by 2020. The members pledged to continue working together to promote innovative growth, inclusion and sustainable employment; create new drivers for regional economic integration; strengthen the capacity and innovation of MSMEs; enhance food security and sustainable agriculture in response to climate change; and foster a shared future.³⁵ As indicated by the authorities, Chinese Taipei continues to be an active participant in different meetings. It has proposed initiatives and organized seminars and meetings in accordance with the theme set by the host economy while promoting trade in goods and services as well as the reduction of obstacles to commercial activities.³⁶

2.4 Investment Regime

2.4.1 General investment regime

2.37. Chinese Taipei continues its policy of encouraging investment to provide a new engine for economic growth. An investment commission (MOEAIC) under the MOEA remains in charge of matters relating to the screening and approval of inward investment and technical cooperation as well as outward investment.³⁷ In addition, the Department of Investment Services under the MOEA provides single one-stop investment information services relating to planning, launching and expanding investments in Chinese Taipei. It promotes investments in the "5+2" innovative industries (see above). For the promotion of these sectors, Chinese Taipei is using both tax and non-tax incentives including, *inter alia*: tax credits, support related to assigning/licensing IPRs

³¹ The authorities indicated that Chinese Taipei's bilateral trade with the 11 CPTPP economies accounted for 25.3% of total trade in 2016 (21.8% of exports and 29.4% of imports) as well as 55% of inward investment flows.

³² WTO online information. Viewed at: http://ptadb.wto.org/docs/ChineseTaipei_LDC/2012/Chinese%20Taipei%20guide%202012%20En.pdf.

³³ The other three Members are Singapore; Korea (Rep. of); and Hong Kong, China.

³⁴ WTO online information. Viewed at: <http://ptadb.wto.org/ptaTradeInfo.aspx>.

³⁵ APEC online information. Viewed at: https://www.apec.org/Meeting-Papers/Leaders-Declarations/2017/2017_aelm.

³⁶ Online information. Viewed at: <https://www.trade.gov.tw/english/Pages/List.aspx?nodeID=83>.

³⁷ Online information. Viewed at: <https://www.moeaic.gov.tw/about.view?type=atIo&lang=en>.

(Section 3.3.7), payments from assigning/licensing IPRs, R&D subsidies, such as partial R&D and employee training expenditure reimbursement, and low interest loans.³⁸

2.38. Since the previous review, there have been no changes to the legal framework. 2012 amendments to the "Statute for Investment by Foreign Nationals" were not passed by the legislature.³⁹ Given this development, the MOEA has been conducting a comprehensive re-evaluation of the current draft amendments. It has sought public comments and is working to put together all relevant opinions. Thereafter it will revise the draft of the amendment and submit it through the regular legislative process. In this context, the authorities indicated that consideration is being given to removing the pre-investment screening/review requirement and replacing it with a post-investment registration mechanism.

2.39. Chinese Taipei also provides a range of tax incentives for investments in various sectors. These tax incentives include: VAT exemptions; tax credits; exemptions from stamp, deed, securities transaction, business, land value and house taxes; five-year tax holidays; tax deferrals for acquisition of shares; and tax exemptions on royalty payments.⁴⁰ In addition, favourable conditions exist for investors in free trade zones. These conditions include, *inter alia*, exemptions from (i) customs duty; (ii) commodity, business, tobacco and liquor taxes; (iii) public health and welfare duties on tobacco products; and (iv) trade promotion service fees and harbour service fees.⁴¹

2.40. Chinese Taipei does not impose any limitations on the amount of investment capital. If an investor holds more than one-third of total shares or contributed more than one third of total capital, then the reinvestment to be made by the invested enterprise must be approved by the MOEA.⁴² According to the Statute (Article 7), potential investors are prohibited from investing in industries that may negatively affect security, public order, good customs and practices, or health; and those which are prohibited by the law. Chinese Taipei's negative list (prohibited and restricted industries) for inward investment is a compilation of restrictions contained in different laws. It was amended in February 2018 with overseas investment being allowed in ship leasing services, wheat cultivation, buckwheat cultivation, job's tears (adlay) cultivation, and protected cultivation of organic vegetables (limited to plant factories only) (Table A2.4).

2.41. In the case of expropriation/acquisition of an invested enterprise, the investor will be entitled to a reasonable compensation provided the investment accounts for less than 45% of the total capital amount of the invested enterprise. If the investment accounts for 45% or more of the total capital amount of the enterprise in which the investment is directed, the invested enterprise is not subject to requisition or expropriation, as long as the said capital contribution rate of the investor remains unchanged for a period of twenty years after the commencement of business of the invested enterprise.⁴³

2.42. During the review period, a bilateral investment treaty (BIT) with the Philippines was renegotiated and entered into force in 2018. Seven new double-taxation agreements have entered into force, with Kiribati, Luxembourg, Austria, Italy, Japan, Canada and Poland. A new double taxation agreement (DTA) on shipping and air transport entered into force with Macao, China. The

³⁸ Online information. Viewed at: <http://investtaiwan.nat.gov.tw/showPage?lang=eng&search=reward>.

³⁹ The amendments were aimed at loosening restrictions so that investors may report to the competent authority after investing in Chinese Taipei. Around 80% of FDI projects were expected to benefit from the new policy, which, according to the authorities, should have not only streamlined and facilitated the investment application but also made the FDI regime considerably more investor-friendly. WTO document WT/REG268/1, 21 September 2010.

⁴⁰ More detailed information on these tax incentives is available, *inter alia*, in the Statute for Innovation (for tax credits); Business Mergers and Acquisitions Law (for stamp, deed, securities transaction, and business tax exemptions); New Pharmaceutical Development Act (for trainings, investment tax credits etc.); and Income Tax Act (for tax exemption on royalty payment).

⁴¹ Online information. Viewed at: <http://investtaiwan.nat.gov.tw/showPageeng10310016?lang=eng&search=10310016>.

⁴² Investment can be made in the form of: cash, machinery and equipment or raw materials for own use; patent right, trademark right, copyright, technical know-how or other intellectual property right; and other property in which the investor may invest under the Competent Authority's approval. Articles 5 and 6 of the Statute. Viewed at: <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=J0040002>.

⁴³ "Statute for Investment by Foreign Nationals", Article 14. Viewed at: <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=J0040002>.

Singapore–Chinese Taipei RTA which entered into force in 2014 contains investment provisions (Box 2.1).

Box 2.1 Investment framework, January 2018

RTAs with investment provisions (date of entry into force):

Singapore–Chinese Taipei (19/04/2014); New Zealand–Chinese Taipei (01/07/2013); China–Chinese Taipei (01/09/2010); Nicaragua–Chinese Taipei (01/01/2008); Guatemala–Chinese Taipei (01/07/2006); Panama–Chinese Taipei (01/01/2004).

BITs in force (date of entry into force):

Argentina (1993); Belize (1999); Burkina Faso (2003); China (2013); Costa Rica (2004); Dominican Republic (2001); El Salvador (1997); The Gambia (2010); Guatemala (2001); Honduras (1996); India (2002); Indonesia (1990); Japan (2012); Liberia (2000); Malawi (1995); Malaysia (1993); Marshall Islands (1999); Nicaragua (1993); Nigeria (1994); Panama (1992); Paraguay (1992); Philippines (2018); Saint Vincent and the Grenadines (2010); Saudi Arabia (2000); Senegal (2007); Singapore (1990); Swaziland (1998); Thailand (1996); The former Yugoslav Republic of Macedonia (1999); United States (1952); and Viet Nam (1993).

DTAs in force (date of entry into force)

Australia (1996); Indonesia (1996); Malaysia (1999); New Zealand (1997); Singapore (1982); Viet Nam (1998); Thailand (signed in 1999, not in force); South Africa (1996); The Gambia (1998); Swaziland (1999); The former Yugoslav Republic of Macedonia (1999); the Netherlands (2001); the United Kingdom (2002); Senegal (signed in 2004); Sweden (2004); Belgium (2005); Denmark (2005); Israel (2010); Paraguay (2010); Hungary (2010); France (2011); India (2011); Slovakia (2011); Switzerland (2011); Germany (2012); Thailand (2012); Kiribati (2014); Luxembourg (2014); Austria (2014); Italy (2015); Japan (2016); Canada (2016); and Poland (2016).

DTAs (shipping and air transport)

The Netherlands (air transport 1983, shipping 1988); Thailand (1984); Luxembourg (1985); Germany (1988); United States (1988); European Union (1990); Japan (1990); Sweden (1990); Republic of Korea (1991); Norway (1991); Canada (1995); and Macao, China (2017).

Source: UNCTAD Investment Policy Hub online information. Viewed at: <http://investmentpolicyhub.unctad.org/IIA/CountryBits/205#iiaInnerMenu>; and Bureau of Foreign Trade online information. Viewed at: <https://www.trade.gov.tw/english/Pages/List.aspx?nodeID=663>.

2.4.2 Business environment

2.43. During the review period, Chinese Taipei slightly improved its ranking relating to the environment for business, trade and investment according to the World Bank's Doing Business reports. In 2018, it was ranked in 15th place out of 190 economies in comparison to 16th place out of 189 economies in 2014. Chinese Taipei improved its performance with respect to starting a business, dealing with construction permits, getting electricity, registering property, protecting minority investors, paying taxes, and enforcing contracts. Procedures related to getting credit, trading, and resolving insolvency have reportedly become more cumbersome.⁴⁴

2.44. However, the World Economic Forum's 2017-2018 Global Competitiveness Index showed a poorer performance of Chinese Taipei compared to that in 2013-2014 (15th place out of 137 economies in the World Economic Forum's 2017-2018 Global Competitiveness Index compared to 12th place out of 148 economies in 2013-2014). The most concerning areas remain: policy instability, restrictive labour regulations, an inefficient capacity to innovate and bureaucracy. It improved its rankings on access to financing, combatting corruption, tax regulations and rates.⁴⁵

2.45. Realizing the obstacles that companies are facing, the Small and Medium Enterprise Administration (SMEA) of the MOEA, aims to: (1) create a healthy environment for the development

⁴⁴ World Bank (2018), *Doing Business 2018: Reforming to create jobs*. Viewed at: <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf> (p. 197); World Bank (2014), *Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises*. Viewed at: <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB14-Full-Report.pdf>.

⁴⁵ WEF (2017), *The Global Competitiveness Report 2017-2018*. Viewed at: <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>; WEF (2012), *The Global Competitiveness Report 2013-2014*. Viewed at: http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf.

and growth of SMEs; (2) enhance SMEs' information technology capabilities; (3) optimize SMEs' operational management capabilities; (4) promote sound development of SME finance; and (5) build a platform for enterprise start-up and incubation.⁴⁶ In addition, the 2017 Business Development Policy focuses on enterprise promotion in three key sectors: (1) e-commerce; (2) smart logistics, and (3) internationalization of the food and beverage industry.⁴⁷

2.46. As outlined in the 2016 Asia Silicon Valley Development Plan, the authorities are focusing on optimizing Chinese Taipei's start-up and entrepreneurship ecosystem; enhancing linkages with renowned technical clusters worldwide by forging connections with the research and development capabilities; building a complete Internet of Things (IoT) supply chain by integrating hardware advantages into software applications; and constructing diversified demonstration sites for smart products and services.⁴⁸

2.47. During the review period, Chinese Taipei introduced some amendments to the legal framework. The 2015 amendments to the Company Act, which regulates the organization, registration, and establishment-related matters for profit-making companies, allowed the incorporation of closed companies in order to create more flexibility for entrepreneurs and start-ups.⁴⁹ Further draft amendments have been approved by the executive branch and are pending ratification by the legislature. These are intended to create a friendlier environment for start-ups and entrepreneurs, improve corporate governance, enhance the rights and interests of shareholders, increase compliance with international money laundering norms and boost enterprises' operational flexibility, management efficiency and digitalization efforts. The Act for Development of Small and Medium Enterprises, reviewed in January 2016, aims to enhance sound development of SMEs by helping them improve their operation environments, promoting mutual cooperation, and assisting them in striving for growth with their own efforts.⁵⁰

2.48. Specific changes for the recruitment of overseas professionals, introduced by a 2017 Act in this area, comprise: (i) relaxation of regulations on work, visa, and residence, including extension of work permits from three to five years, employment-seeking visas for overseas professionals, and permitting cram schools to hire overseas teachers; (ii) easing of provisions related to stay or residence of parents, spouses and children; and (iii) benefits on retirement, insurance and tax, namely, inclusion in the retirement pension system of overseas professionals with permanent residence status, abolition of the minimum residence requirement to participate in public health insurance, and tax benefits for professionals with an income of more than NT\$3 million per year.⁵¹

2.49. An online portal, *Company, Business and Limited Partnership One-Stop Services Request* (<https://onestop.nat.gov.tw>), established in 2011, aids companies to simplify the procedures for business setups and expands the service menu offered to enhance the facility of the operating business environment.⁵²

2.50. The legal regime for e-commerce in Chinese Taipei includes, *inter alia*, the Electronic Signature Act which aims to (1) promote universal applications of electronic transactions, (2) ensure the security of electronic transactions, (3) promote e-government and e-commerce development, and (4) enable electronic signatures to have the same function as those in actual documents or general signatures/seals. In addition, Enforcement Rules of the Electronic Signatures Act were

⁴⁶ Small and Medium Enterprise Administration online information. Viewed at: <http://www.moeasmea.gov.tw/ct.asp?xItem=204&CtNode=317&mp=2>.

⁴⁷ Commerce Industrial Services Portal online information. Viewed at: <http://gcis.nat.gov.tw/mainNew/English/subclassEnAction.do?method=getFile&pk=160>.

⁴⁸ Online information. Viewed at: https://www.ndc.gov.tw/en/Content_List.aspx?n=90BEB862317E93FC&upn=7B70255F66FB9DF5.

⁴⁹ More detailed information on relevant regulation is available at the Commerce Industrial Service Portal. Viewed at: <http://gcis.nat.gov.tw/mainNew/English/subclassEnAction.do?method=getFile&pk=96>; Law Source Retrieving System of Business and Industry. Viewed at: <http://gcis.nat.gov.tw/elaw/English/lawEnDtlAction.do?method=browse>; and 2017 Business Development Policy. Viewed at: <http://gcis.nat.gov.tw/mainNew/English/subclassEnAction.do?method=getFile&pk=160>.

⁵⁰ Act for Development of Small and Medium Enterprises, Article 1. Viewed at: <http://www.moeasmea.gov.tw/lp.asp?ctNode=299&CtUnit=78&BaseDSD=7&mp=2>.

⁵¹ "Act for the Recruitment of Foreign Professionals" (approved on 7 November 2017). Viewed at: https://www.ndc.gov.tw/en/News_Content.aspx?n=0E2DCBAA6CB72F12&sms=B079565EECD8520&s=225AB A2660D863FE.

⁵² More detailed information on company registration is available at the Commerce Industrial Services Portal. Viewed at: <http://gcis.nat.gov.tw/mainNew/English/index.jsp>.

formulated to facilitate the promotion and implementation of the electronic signatures. Further regulations in this area include the "Regulations on Required Information for Certification Practice Statements" and the "Regulations Governing Permission of Foreign Certification Service Providers".⁵³

2.51. Chinese Taipei has generally improved its ranking in various transparency indices. In 2016, it ranked 31st (36th in 2014) out of 176 economies in Transparency International's Corruption Perception Index (CPI), which measures the perceived level of public sector corruption.⁵⁴ In 2016, it had one of the top places in the Customs Transparency Index in the Global Enabling Trade Report.⁵⁵

2.52. In 2015, Chinese Taipei passed the Act to implement the United Nations Convention against Corruption (UNCAC Act); relevant agencies are in the process of preparing, promoting and implementing the convention within their functions. In addition, in 2016, Chinese Taipei amended its Integrity Building Action Plan to, *inter alia*, strengthen the responsibility system, promote openness and transparency, conduct indicator research, implement a code of conduct for civil servants, and encourage social participation.

⁵³ Online information. Viewed at:

<http://gcis.nat.gov.tw/mainNew/English/subclassEnAction.do?method=getFile&pk=96>.

⁵⁴ Chinese Taipei is not a party of the 2005 United Nations Convention against Corruption (UNCAC). Under this Convention, parties are required to establish criminal and other offences to cover a wide range of acts of corruption. UNODC online information. Viewed at:

<https://www.unodc.org/unodc/en/treaties/CAC/signatories.html>; and Transparency International online information. Viewed at: https://www.transparency.org/news/feature/corruption_perceptions_index_2016.

⁵⁵ Index of transparency of procedures and regulations related to customs clearance, 0–1 (best). WEF online information. Viewed at: <http://reports.weforum.org/global-enabling-trade-report-2016/enabling-trade-rankings/#series=CUSTTRANSPIND>.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1. Since its previous Trade Policy Review, the general thrust of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's (Chinese Taipei) trade policy has remained relatively unchanged. While no unilateral liberalization has been undertaken, there have been policy developments in certain areas including trade facilitation, tariffs, preferential trade agreements, sanitary and phytosanitary requirements, government procurement, competition policy, and intellectual property rights.

3.2. The tariff is one of the main trade policy instruments; its complexity and peak rates have remained unchanged. All tariff rates/lines are bound and the small gap between the simple averages of the MFN applied and bound rates ensures largely predictable and stable market access conditions. In addition to other charges, an *ad valorem* based trade promotion service fee continues to be collected on incoming and outgoing merchandise; harbour dues for overseas routes remain higher than for domestic routes. Import prohibitions, restrictions and licensing remain in place. The legislative framework governing anti-dumping and countervailing measures was revised in certain areas and anti-dumping action remained relatively stable; price- or volume-triggered special safeguards (SSG) action continued to be taken. The share of standards harmonized with international standards increased. The quarantine fee for certain incoming and outgoing items continues to be charged on an *ad valorem* basis.

3.3. During the review period, the scope of export prohibitions and licensing was expanded. Export loans, guarantees and credit insurance at preferential terms have assisted manufacturers expand export markets in line with the New Southbound Policy objectives. Measures involving various tax and non-tax concessions such as grants, and low-interest loans continued to support production and trade.

3.4. Public-sector involvement in the economy in several areas persists as privatization efforts remain widely opposed. Chinese Taipei continues to use government procurement to support SMEs, environment-friendly products, indigenous suppliers and people with disabilities for contracts not subject to commitments under international agreements (e.g. GPA). The competition policy regulatory framework has been subject to the largest reforms since its entry into force; price monitoring and/or stabilization measures remain in place. Consumers' rights were generally strengthened. Chinese Taipei's intellectual property rights legislation has been strengthened and its overall IPR enforcement system continued to ensure protection to rights holders.

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

3.1.1.1 Customs procedures

3.5. During the review period, the basic customs legislation, i.e. the Customs Act and its Enforcement Rules, remained virtually unchanged.¹ In 2014, the Customs Act was amended to clarify the rights and duties of carriers and forwarders by: allowing freight forwarders to present their manifest to Customs and operate their transit and transshipment business; providing the legal basis for businesses to use self-prepared seals; and, stipulating that self-use machinery and equipment imported by a bonded factory be exempt from customs duties if not moved to an unbonded area within five years of the date of importation. In November 2016, the Customs Act was further amended in several areas including the application for advance ruling with regard to the origin of imported goods (see below), requirements for temporary storage and bonding of unclearanced goods, the origin of the goods, the conversion of the price of incoming goods to NT dollars at an exchange rate announced by Customs, and additional penalties and procedures for a variety of customs-related infractions.² The Customs Administration, under the Ministry of Finance (MOF), continues to implement customs legislation whereas other agencies, such as the Council of Agriculture and the Department of Health and Welfare, are involved in SPS inspection and licensing procedures at the border (Sections 3.1.5.2 and 3.3.3).

¹ WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

² Online information. Viewed at:

<http://www.internationaltradeupdate.com/2017/02/03/taiwan-amendments-to-the-customs-act/>.

3.6. Registration requirements remain in place. In order to engage in import/export business, a firm must register as an importer/exporter with the Bureau of Foreign Trade (BOFT) under the Ministry of Economic Affairs (MOEA).³ Branch offices of overseas firms registered with the authorities may apply for registration. Other than these branch offices, non-permanent residents are not normally allowed to engage in import/export activities on a professional basis. An exporter/importer whose trade performance in the preceding year has attained a prescribed turnover, may benefit from certain preferences.⁴ The use of customs brokers remains voluntary. A customs broker who satisfies certain criteria may seek approval for a reduced inspection ratio, valid for one year (renewable).⁵

3.7. Documentation requirements involving an import declaration submitted along with a bill of invoice, packing list and relevant documents have remained unchanged. Import declarations must be lodged within 15 days of arrival of the shipment. Importers may submit a "pre-entry declaration". Pre-entry declared goods may be released by Customs; they may be for import through a specific regional customs house or for import through all customs houses in Chinese Taipei.⁶ The usage rate of pre-entry declaration rose from 10% of total general declarations in 2011 to 20% in 2014, 17.6% in 2015, and 18.4% in 2016.

3.8. Since August 2013, Customs has operated the Customs-Port-Trade (CPT) Single Window, which allows documentation related to customs procedures including customs declarations, trade licensing and SPS permits, to be submitted and processed electronically.⁷ As from 11 November 2015, by simply transmitting the completed consolidated import declaration with relevant permits to the CPT Single Window System, importers are allowed to file their import declaration to Customs while simultaneously applying to licensing agencies for inspection, thus enhancing the integration of interagency business services and simplifying clearance procedures.⁸ Traders who link to the CPT Single Window through a private information network service provider must pay transmission fees whose ceiling is regulated by the MOF. According to the authorities, 99.99% (99.95% in 2013) of customs declarations were processed electronically in 2017, and 70.93% (67% in 2013) of customs duties were paid online.⁹

3.9. Customs may grant authorized economic operator (AEO) status to ten categories of "economic operators in the supply chain".¹⁰ There are two types of AEOs, General AEOs (AEO-G, involving importers/exporters) and Security and Safety AEOs (AEO-S). The benefits of AEO status depend on the type of certificate granted to the economic operator, and could include fewer customs controls (such as less documentation examination and reduced random inspection rate), simplified customs procedures, and flexibility in customs duties payment.¹¹ AEO programme participation is voluntary. As at March 2018, there were 699 (618 in 2014) AEOs of which 125 were importers and

³ Article 9, the "Foreign Trade Act". The BOFT maintains a directory of registered importers/exporters. Viewed at: <http://www.trade.gov.tw/english/Pages/List.aspx?nodeID=115>.

⁴ Article 9-1, the "Foreign Trade Act". Preferences include reduction/exemption in service fees charged by TAITRA, a higher credit line of loans for export-brand-promotion activities, and listing in a BOFT directory.

⁵ The detailed criteria are listed in the Operation Directions for Customs Brokers Application for Lowering Goods Inspection Ratio. Viewed at: <http://web.customs.gov.tw/ct.asp?xItem=51578&ctNode=5831> [in Chinese].

⁶ Article 4, the Regulations Governing the pre-entry Customs Declaration of Import/Export Goods. Viewed at: <https://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=G0350012>.

⁷ The CPT Single Window is an integrated paperless infrastructure for customs clearance documents, and exchange of trade documents and document verification. More information is available in WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

⁸ Ministry of Finance (2016), *Government Finance - 2016*, July.

⁹ Presentation by the Customs Administration/Ministry of Finance titled "The Current Status of WTO TFA (Trade Facilitation Agreement) Implementation of The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu".

¹⁰ "Economic operators in the supply chain" refers to operators involved in the international movement of goods, such as importers, exporters, manufacturers, customs brokers, freight forwarders, shipping agents, warehouse operators, highway carriers, sea carriers, and air carriers. WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

¹¹ Under the AEO scheme, the minimum inspection ratio and quickest customs clearance cut more than four hours of clearance time for each container and save inspection fees amounting to NT\$8,000 (general inspection fee) to NT\$20,000 (container clearance charge). Online *Asia Today* article, 10 March 2013. Viewed at: <http://www.asiatoday.com/pressrelease/taiwan-us-sign-aao-and-c-tpat-mra>.

125 exporters.¹² Chinese Taipei maintains AEO mutual recognition agreements (MRAs) with the United States (November 2012), Singapore (July 2013), Israel (December 2013) and the Republic of Korea (December 2015); AEOs recognized by the customs authorities of these Members enjoy the benefits of trade facilitation in Chinese Taipei, and *vice versa*.¹³ A pilot AEO programme with China has been implemented from October 2016. An action plan regarding an AEO MRA with India has been in place since 11 October 2017. Work for the negotiation of AEO MRAs with other trading partners (e.g. the European Union and Japan) has been ongoing.¹⁴

3.10. Customs clearance for shipments may be carried out under one of the following three modes: "by-pass", "document review" or "document review and physical inspection", determined by computerized selectivity criteria based on various factors, including the reputation of importers/exporters, duty rates, and origin of imports (or destination of exports).¹⁵ Physical inspections are, in general, carried out based on the results of risk assessment. Chinese Taipei conducted time release studies (TRS) in line with the World Customs Organization's guidelines in 2011 and 2014.¹⁶ Since January 2017, Customs has operated a TRS online system allowing online public consultation of relevant data on the "broad-sense release time" (time required from arrival to release of containerized goods) gathered after 2016. As at 2017, the average time required from arrival to removal of goods was 5 days, 23 hours and 33 minutes for sea cargo, compared to 4 days, 21 hours and 50 minutes in 2014; this rise was apparently due to additional control and safety measures introduced since 2014. Regarding air cargo, the average time was 1 day, 13 hours and 27 minutes, compared to 1 day, 9 hours and 28 minutes in 2014. According to the authorities, the major release bottleneck is the efficiency of licensing agencies in reviewing and certifying the import/export licences.

3.11. Simplified customs clearance for imports valued under NT\$50,000 remain in place. Since 1 January 2018, single shipments valued below NT\$2,000 (previously NT\$3,000) have been exempt from customs duties and taxes.¹⁷ However, this regulation is not applicable to frequently imported or special goods prescribed by the MOF. Chinese Taipei maintains a Power of Attorney (PoA) requirement for low-value non-dutiable incoming B2C shipments but this does not cover e-commerce which is taken care of by courier services; transportation and logistics operators assume all liabilities arising from the PoA requirement rather than the person responsible for breaches of the law.¹⁸ In practice, the majority of B2C imports are consigned by express carriers or operators. They are required to provide a PoA with regard to a particular consignment upon the request of Customs. In general, the presentation of a PoA is required if indications of a false declaration have been found by Customs.

3.12. During the review period, Chinese Taipei undertook several trade facilitation initiatives.¹⁹ It accepted the WTO Trade Facilitation Agreement (TFA) on 17 August 2015; its Category A notification indicating which provisions of the TFA it intended to implement upon entry into force of the Agreement had already been submitted in June 2014 (Table A2.1). Work was undertaken to ensure a smooth integration of online operations with the CPT Single Window.²⁰ Electronic certificates of

¹² Presentation by H. H. Huang at the 19-22 September 2016 IEEE International Conference on Management of Innovation and Technology (ICMIT). Viewed at: <http://ieeexplore.ieee.org/document/7605028/>.

¹³ Ministry of Finance (2016), *Government Finance - 2016*, July.

¹⁴ Presentation by H. H. Huang at the 19-22 September 2016 IEEE International Conference on Management of Innovation and Technology (ICMIT). Viewed at: <http://ieeexplore.ieee.org/document/7605028/>.

¹⁵ The by-pass mode requires no document review or physical inspection. The "document review and physical inspection" mode is conducted on the principle of random-select inspection, unless a thorough inspection is deemed necessary.

¹⁶ Undated Presentation by the Customs Administration/Ministry of Finance titled "The Current Status of WTO TFA (Trade Facilitation Agreement) Implementation of The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu".

¹⁷ Article 49 of the Customs Act stipulates that the ceiling of customs exemptions (*de minimis* threshold) is prescribed by the MOF.

¹⁸ ECCT (2016), *2017 Position Papers*, 10 November. Viewed at: <http://www.ecct.com.tw/>.

¹⁹ Ministry of Economic Affairs/Bureau of Foreign Trade (2016), *The Development of International Trade 2016-2017*.

²⁰ The BOFT has been modifying the Import/Export Licensing System (covering 13 categories of documents including import/export permits, etc.), the Online Operation System for Certificates of Origin and Certificates of Processing, the System for Management of Exporter/Importer Registration and Classification of

origin (ECO) mechanisms have been established with both China and the Republic of Korea; a Memorandum of Understanding (MOU) with Viet Nam on Collaboration on the Project for the Cross-border Exchange of Certificates of Origin was signed in July 2015, and work on an MOU on ECO with Belgium was signed in November 2016. The Maritime Express Handling Units of Taipei Harbour International Logistics Corporation and a "Taiwan International Ports Logistics Corporation", providing facilitated customs clearance services, such as round-the-clock simplified declaration and establishing cross-strait express corridors for sea cargoes, were launched on 30 April 2015 and 20 October 2015, respectively; both corporations are privately owned. Since June 2015, the latest advance import cargo information system has been in place thus marking the full completion of its Advance Cargo Import Information System.²¹ In 2015, a programme of intelligent mobile inspection enabling customs inspections through a platform built with 4G internet connection or wireless mobile devices has been established for real-time inspection information to be received, thus raising the efficiency of inspection and clearance.

3.13. According to World Bank Doing Business data, in 2017 Chinese Taipei stood 55th out of 190 economies in the ease of trading across borders, lower than a number of economies in the region and its 18th position (out of 189 economies) in 2013.²² At the same time, it ranked 35th out of 136 economies in the World Economic Forum's (WEF) Enabling Trade Index 2016 rankings compared to 29th out of 134 economies in 2014, whereas regarding domestic market access it ranked 74th and 67th respectively; in terms of efficiency and transparency of border administration it ranked 33rd and 26th respectively.²³ According to the authorities, these drops relate *inter alia* to the same measures that raised the clearance times (see above). According to World Bank Doing Business data, in 2016 importing a shipment of goods required customs (clearance and inspections) and port or border handling equivalent to 34.5 hours and US\$155.4, and 12.9 hours and US\$185, respectively as well as 5 documents. In 2013, importing a shipment required 6 documents, took 10 days and cost US\$720.²⁴ According to the WEF, in 2015 the most problematic factors for importing were mainly: tariffs and non-tariff barriers; high cost or delays caused by international transportation; burdensome import procedures; domestic technical requirements and standards; and, high cost or delays caused by domestic transportation.

3.14. Customs legislation and related operational guidelines are available online.²⁵ In 2017, Customs deployed advanced infrastructure with cloud computing services and also re-designed its official website by introducing responsive web design (RWD) technology allowing for easy access with various mobile devices anytime and anywhere.²⁶ Under the Customs Act, Customs may issue, upon request, written advance rulings on tariff classification, origin matters, and customs valuation.²⁷ The appeal procedure for customs decisions remains unchanged. Traders who disagree with customs decisions may request administrative remedies (e.g. reviews by Customs, or appeals to the MOF). Traders not satisfied with the outcome of the administrative remedies may refer their

Commodities, and other relevant operations. Ministry of Economic Affairs/Bureau of Foreign Trade (2016), *The Development of International Trade 2016-2017*.

²¹ The required clearance procedures and documents were simplified and the risk-management mechanism was incorporated, so as to assure businesses a better clearance environment.

²² World Bank (2014), *Doing business 2014*, 13 May. Viewed at: <http://documents.worldbank.org/curated/en/474281468167054457/pdf/829800Taiwan0TWN0Box0382127B00PUBLIC0.pdf>; World Bank (2018), *Doing Business 2018 - Reforming to Create Jobs*. Viewed at: <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf>.

²³ World Economic Forum and the Global Alliance for Trade Facilitation (2016), *Global Enabling Trade Report 2016*. Viewed at: <http://reports.weforum.org/global-enabling-trade-report-2016/>.

²⁴ World Bank (2014), *Doing business 2014*, 13 May. Viewed at: <http://documents.worldbank.org/curated/en/474281468167054457/pdf/829800Taiwan0TWN0Box0382127B00PUBLIC0.pdf>; World Bank (2018), *Doing Business 2018 - Reforming to Create Jobs*. Viewed at: <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf>.

²⁵ Customs Administration online information, "Laws and Regulations". Viewed at: <http://eweb.customs.gov.tw/np.asp?ctNode=12878>.

²⁶ Online Customs Administration news item titled "Digital Customs enables better border management", 4 January 2018. Viewed at: https://eweb.customs.gov.tw/News_Content.aspx?n=299B807D803FBB88&sms=DF669603F6D12D36&s=EC95DD8EC267B070.

²⁷ Advance rulings on country of origin are applicable only to imports from trading partners that have signed ECAs/FTAs with Chinese Taipei, given that the ECAs/FTAs contain relevant provisions. These preferential trading partners are: Panama, Guatemala, Nicaragua, El Salvador, Honduras, and New Zealand. Customs Act Articles 21 and 36-1.

case to the Administrative Court. Between 2014 and 2017, there were 6,253 cases of review and 2,143 cases of appeal mostly relating to anti-smuggling activities; in 2017 tariff classification and customs valuation cases accounted for 35.1% of reviews and 14.1% of appeals.

3.15. Customs has listed "Anti-drug Smuggling" as a top priority for border enforcement; it cooperates actively with law enforcement agencies to achieve a crackdown on drug trafficking at the border. Modernized equipment, such as X-ray instruments and detector dog teams, have been deployed to make border enforcement more effective. In addition, an intelligence-oriented risk management mechanism has been adopted to balance customs clearance facilitation and border enforcement effectiveness. Between 2014 and 2017, the number and value of smuggling-related seizure cases rose by 118.6% to 12,245 and by 93.3% to NT\$668.91 million respectively. The biggest increase in seizures was of narcotic drugs, whose value rose by 173.5% to NT\$436.48 million.

3.1.1.2 Customs valuation

3.16. During the review period, the customs valuation legislation remained unchanged.²⁸ The transaction value based on the c.i.f. price of the merchandise is still the main method; about 99% of import declarations remain subject to this method.²⁹ When the transaction value method cannot be used, the customs value is decided on the basis and in the sequential order of: the value of identical goods; the value of similar goods; deducted value; computed value; and other reasonable data available to Customs (the order of application of deducted value and computed value are reversible). No reference prices are used for customs valuation purposes.³⁰

3.17. Imports of used motor vehicles continue to be valued on the basis of the deductive c.i.f. price of "model year of imported cars" or the "trade-in price" in the exporting economies plus freight and insurance, or reasonable means as provided under Article 7 of the WTO Customs Valuation Agreement.³¹ Imports of used cars accounted for 6.9% (8.4% in 2013) of total imports of motor vehicles in 2017. In the case of incoming goods on which only a rental or royalty is incurred, without a transfer of ownership, the customs value is determined on the basis of the rental or royalty amount plus the transportation fee and insurance fee.³²

3.18. Chinese Taipei Customs consistently monitors possible undervalued import invoices on high tariff rate goods such as fish, vegetables, fruits, and vehicles. If any such violation is committed, evaded duties should be paid and a penalty applied. No data on undervalued import invoices were available with the authorities.

3.1.2 Rules of origin

3.19. Chinese Taipei continues to use non-preferential and preferential rules of origin.³³ The non-preferential rules of origin are based on the wholly produced criterion and the substantial transformation criterion. If two or more countries or areas are involved in the production of goods,

²⁸ Customs Act (Articles 29 to 42) and its Enforcement Rules (Articles 11 to 27).

²⁹ Article 29 of the Customs Act, and Articles 11 and 12 of the Enforcement Rules of the Customs Act.

³⁰ WTO document WT/ACC/TPKM/18, 5 October 2001.

³¹ Where the f.o.b. value of other identical or similar new vehicles of the same model year and make can be found in the Customs database, the Customs value of the imported used vehicles would be the f.o.b. value of the identical or similar goods depreciated with years of usage plus freight and insurance fees. Where the f.o.b. value of other identical or similar goods is not available, the dealer invoice price of the same model year and make of vehicles listed in the Kelley Blue Book (KBB) and depreciated with years of usage and the trade-in price listed in the NADA Used Cars Magazine of the United States may be used. The lower of the two amounts is applied. Other valuation tools are: the reference market price of the exporting economy plus freight and insurance; and the reference market value information provided by car agents, dealers, or trade unions, or through valuation consultation. Notes on Customs Clearance of Imported Used Motor Vehicles, last revised in December 2011. Viewed at: https://eweb.customs.gov.tw/News_Content.aspx?n=FBBDA933F2812833&sms=049D1F48EE0D790C&s=FC2FEF6675BA427.

³² Online Customs Administration information, including the Regulations Governing the Determination of Country of Origin of Imported Goods, Rules of Origin for Least-Developed Countries, and Rules of Origin for Free Trade Agreements. Viewed at: https://eweb.customs.gov.tw/News_Content.aspx?n=FBBDA933F2812833&sms=049D1F48EE0D790C&s=C4AE7B38BE4F5C85.

³³ Online Customs Administration information. Viewed at: <https://eweb.customs.gov.tw/cp.aspx?n=0546649C8F2D44B4>.

the country or area in which the goods underwent last substantial transformation is deemed to be the country or area of origin of the goods. Under non-preferential rules of origin, substantial transformation is considered to have taken place when the first six digits of the customs import tariff line of the processed or manufactured goods are different from those of their parts or materials, or the ratio of value added is at least 35% of the transaction value of the non-originating parts or materials.³⁴ Article 28 of the Customs Act was amended in 2016 to enforce an advance ruling system on non-preferential rules of origin in line with Article 3 of the TFA (Section 3.1.1.1).³⁵

3.20. Preferential rules of origin in Chinese Taipei's RTA/FTAs differ slightly depending on the agreement; the value added rule is also applied in the form of the regional value content (RVC) method, and *de minimis* clauses allow for a good containing a non-originating material that does not undergo the tariff classification change to still originate if the value of all non-originating materials does not exceed 10% of the adjusted value of the good.³⁶ In the case of least-developed countries (LDCs), the production process conducted in a particular LDC must have added value to the goods by a ratio of no less than 50%.³⁷

3.1.3 Tariffs

3.1.3.1 General features

3.21. Since 1 January 2017, Chinese Taipei's Customs Import Tariff Schedule has been based on the 2017 version of the Harmonized Commodity Description and Coding System (HS). The current Schedule, which is available online and now consists of 9,134 eight-digit tariff lines, contains 404 lines more than its HS 2007 version which was used in 2013.³⁸ It has three sets of rates: the first (MFN rates) applies to goods from WTO Members or countries and areas that accord reciprocal treatment to Chinese Taipei; the second provides preferential rates (Sections 2.3.2 and 3.1.3.6); and, the third set applies to imports not covered by the first two sets.³⁹ The third set contains rates that are either higher than or equal to those contained in the other two sets and, in 2017, it covered 3.53% of total trade (2.82% in 2013); the same year the applied MFN rates covered 90.54% of total imports. The importance of customs tariffs as a source of revenue has remained stable; during the review period their share of total tax revenue stood at slightly more than 5% (Section 3.3.1.2.1). According to the authorities, the WTO bound rates are not contained in the customs tariff which has been regularly notified to the WTO since 2014.⁴⁰

3.22. Changes to the tariff schedule are enacted and promulgated through a legislative procedure. Changes to the tariff schedule are usually proposed by the relevant sectoral agencies (e.g. the industrial and agricultural authorities) to the Customs Tariff Commission under the MOF.⁴¹ Upon review and discussion with relevant stakeholders, the MOF submits its proposal for tariff changes for approval.

³⁴ The origin rules for "completion of major process" are provided in the table of "list rules". Article 7, the Regulations Governing the Determination of Country of Origin of an Import Good, last amended on 24 December 2010.

³⁵ Presentation by the Customs Administration/Ministry of Finance titled "The Current Status of WTO TFA (Trade Facilitation Agreement) Implementation of The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu".

³⁶ Online Customs Administration information. Viewed at: <https://eweb.customs.gov.tw/cp.aspx?n=0546649C8F2D44B4>.

³⁷ No cumulation rules are provided for incoming merchandises from LDCs. To qualify for tariff preferences, LDC-origin goods must be transported directly to Chinese Taipei. WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

³⁸ Customs Administration - Tariff Database Search System. Viewed at: <http://portal.sw.nat.gov.tw/PPL/RedirectorNonLoginAction?appId=APGQ&privilegeId=GC451>.

³⁹ At present, Chinese Taipei receives reciprocal treatment in: Algeria, American Samoa, Anguilla, Azerbaijan, Bahamas, Eritrea, Ethiopia, Holy See, Iran, Iraq, Lebanon, Libya, Marshall Islands, Monaco, Montserrat, Nauru, Somalia, Sudan, Syria, Equatorial Guinea, Kiribati, Palau, Sao Tome and Principe, Tuvalu and Comoros.

⁴⁰ WTO document G/MA/IDB/2/Rev.46, 12 September 2017.

⁴¹ The Customs Tariff Commission also "studies and reviews" matters related to the levy of special customs duties such as anti-dumping and countervailing duties.

3.1.3.2 Applied MFN tariffs

3.23. During the review period, Chinese Taipei's simple average applied MFN tariff rate was slightly reduced from 7.8% in 2013 to 7.2% in 2018 (Table 3.1) mainly due to a reduction of average *ad valorem* equivalent (AVE) rates (see below) and to a lesser extent the implementation of the expansion of the Information Technology Agreement (ITA) and the tariff nomenclature change (Section 3.1.3.1). According to the authorities, between 2012 and 2017 the average effective rate of tariffs (i.e. annual customs revenue divided by annual import value) rose from 1.19% to 1.48%.⁴² Between 2014 and 2017, Chinese Taipei amended its Customs Tariff eight times (i.e. 22/1/2014, 1/7/2015, 9/12/2015, 18/5/2016, 30/12/2016, twice on 22/11/2017, and 27/12/2017) to *inter alia* introduce HS2017 changes and meet its RTAs commitments. Products that benefited from tariff reductions include ITA-related items (mainly HS84, HS85, and HS90) and silk (HS50.02, HS50.03 and HS50.04). Furthermore, under the amendment of the Customs Import Tariff on 9 December 2015 the tariff rates on APEC Environmental Goods and rehabilitation vehicles for the disabled were eliminated so that physically challenged people can receive more convenient transportation services and exports of green products can be promoted accordingly.⁴³

Table 3.1 Structure of the tariff schedule, 2013 and 2018

	MFN applied		Final bound ^a
	2013	2018	
Simple average rate (%)	7.8	7.2	7.5
HS 01-24	23.7	19.2	20.0
HS 25-97	4.2	4.2	4.4
WTO agricultural products	22.1	17.8	18.7
WTO non-agricultural products	5.0	5.1	5.3
Duty-free tariff lines (% of all tariff lines)	30.2	29.3	29.4
Simple average of dutiable lines only	11.1	10.2	10.6
Tariff quotas (% of all tariff lines)	0.8	0.9	0.9
Non- <i>ad valorem</i> tariffs (% of all tariff lines)	1.8	1.8	1.9
Domestic tariff "peaks" (% of all tariff lines) ^b	4.9	6.1	5.8
International tariff "peaks" (% of all tariff lines) ^c	9.3	10.9	11.3
Nuisance applied rates (% of all tariff lines) ^d	4.4	4.8	3.4
Coefficient of variation	3.8	2.6	2.5
Total number of tariff lines	8,730	9,134	9,134
Ad valorem rates (> than 0%)	5,945	6,296	6,280
Duty free rates	2,625	2,674	2,685
Specific rates	89	92	92
Alternate rates	71	72	77

- a Bound rates are based on the 2018 tariff schedule. Final bound rates relate to the ITA expansion to be fully implemented by 2021.
- b Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.
- c International tariff peaks are defined as those exceeding 15%.
- d Nuisance rates are those greater than zero, but less than or equal to 2%.

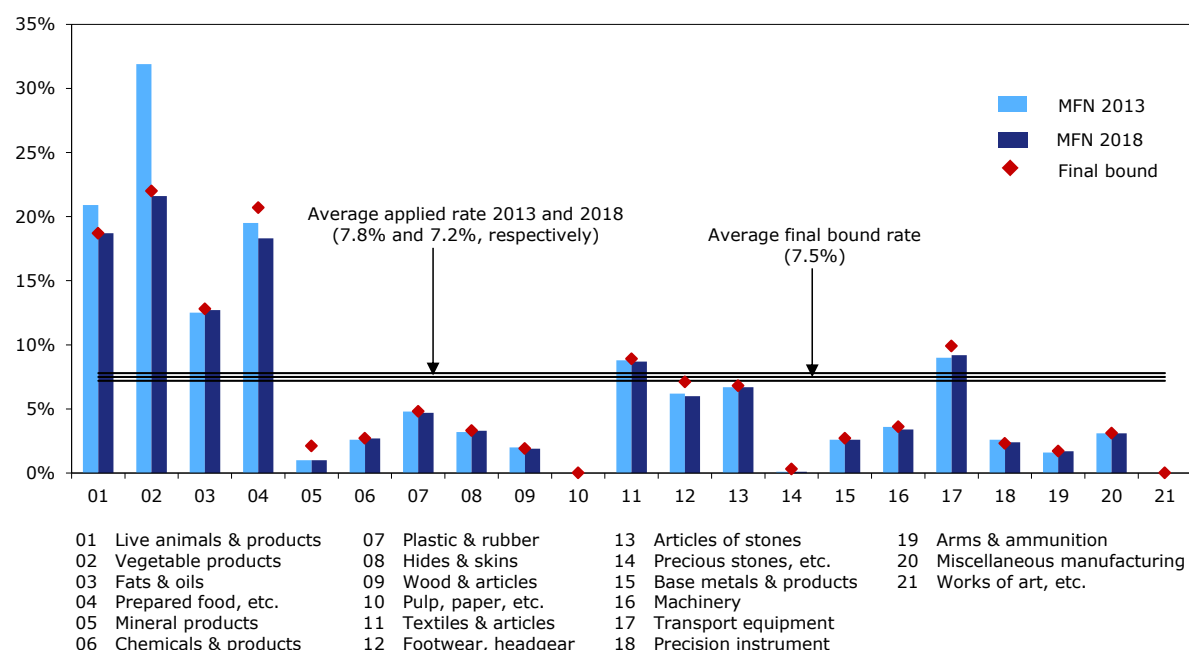
Note: Calculations for averages are based on Chinese Taipei's tariff line level (8-digit); excluding in-quota rates and including AVEs for specific and alternate rates, provided by the authorities. The 2013 tariff is based on HS07 and the 2018 tariff is based on HS17 nomenclature.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.24. Tariff protection varies substantially across and within sectors averaging 17.8% for agricultural products and 5.1% for industrial goods in 2018 (WTO definitions) (Table 3.1). Average tariffs are highest for vegetable products (HS section 02), at 21.6% (Chart 3.1). Manufacturing tariffs are highest for transport equipment (HS section 17) at 9.2%, and for textiles and textile articles (HS section 11) at 8.7%. By according varied and substantial levels of protection to selected sectors, especially agriculture, tariffs distort competition by favouring some activities. Reducing high tariffs would improve Chinese Taipei's resource allocation and welfare.

⁴² Ministry of Finance (2016), *Government Finance - 2016*, July.

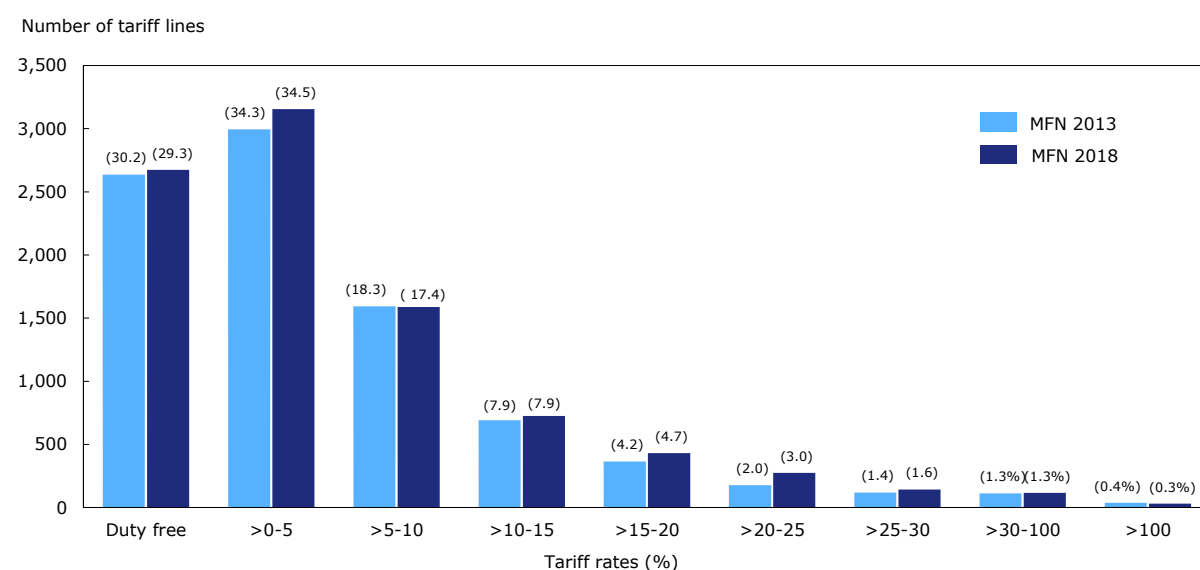
⁴³ Ministry of Finance (2016), *Government Finance - 2016*, July.

Chart 3.1 Average applied MFN and bound tariff rates, by HS section, 2013 and 2018

Note: Calculations for averages exclude in-quota tariff rates and include AVEs for non-*ad valorem* rates.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.25. The tariff structure has changed little since the last Trade Policy Review of Chinese Taipei. Over 98% of tariffs are levied at *ad valorem* duties, and therefore transparent. There are some 150 different rate bands (92 *ad valorem* duties, 42 alternate duties, and 16 specific duties), same as in 2013 but differently allocated, and of which 49 involve decimal rates; alternate duties apply to 0.8% of total tariff lines (72). Tariff rates continue to range from zero to 1,059.6% (betel nuts, see below and Table A3.1). In 2018, 81.2% of rates are 10% or below, and rates of over 30% apply to 1.6% of tariff items, compared to 82.7% and 1.7% in 2013 respectively (Chart 3.2). The Chinese Taipei tariff could be rationalized, for example, by reducing the large number of rate bands and removing decimal rates.

Chart 3.2 Distribution of MFN applied tariff rates, 2013 and 2018

Note: Figures in parentheses denote the share of total lines. Excluding in-quota rates and including AVEs for non-*ad valorem* rates.

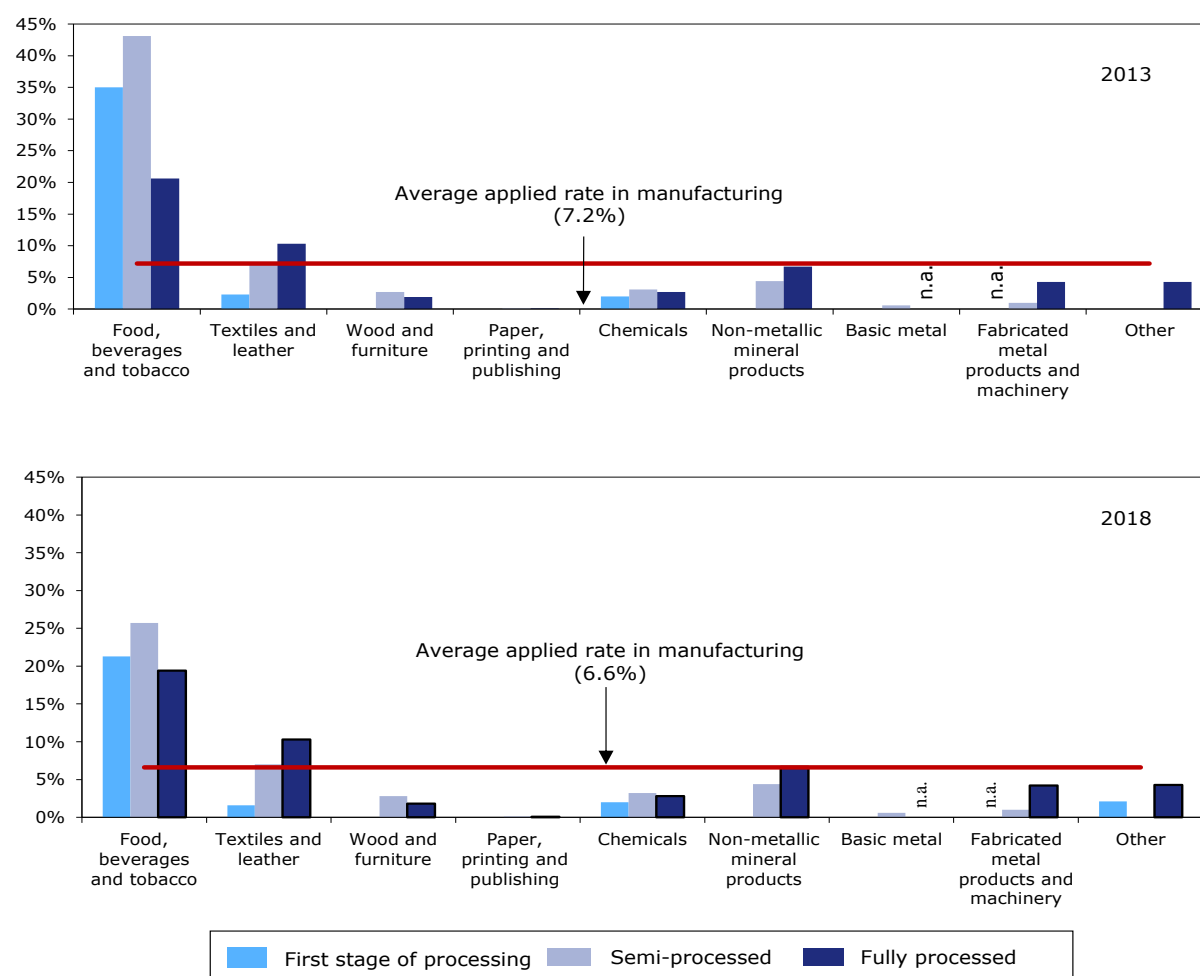
Source: WTO Secretariat calculations, based on data provided by the authorities.

3.26. Non-*ad valorem* tariffs continue to consist of alternate duties on several agricultural items (and mixed metal scrap), mainly agricultural and fish products (e.g. meat of sheep, certain fish, nuts), as well as specific duties on meat of bovine animals, milk, rice, and certain food preparations (Table A3.2). They generally apply the greater component, i.e. either an *ad valorem* or a specific duty, whereby the *ad valorem* alternate rate sets a floor on the import duty rate. According to calculations of the authorities, in 2018 the *ad valorem* equivalents (AVEs) of the specific rates could range from 1.8% (dried grapes) to 1,059.6% (betel nuts) and those of the alternate duties from 5% (mixed metal scrap) to 116.8% (dried cashew nuts) (Table A3.2); these alternate duties form part of Chinese Taipei's WTO tariff binding commitments though some of them have been affected by tariff nomenclature changes. The average AVE of non-*ad valorem* tariff rates is 53.8% (102.9% in 2013), compared to 6.4% for *ad valorem* duties.

3.1.3.3 MFN tariff dispersion and escalation

3.27. Since the previous Review, indicators of tariff dispersion declined (coefficient of variation, standard deviation) whereas tariff escalation showed little change (Table 3.1 and Chart 3.3).

Chart 3.3 Tariff escalation by two-digit ISIC industry, 2013 and 2018



n.a. Not available.

Note: Calculations for averages exclude in-quota rates and include AVEs for non-*ad valorem* rates.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.3.4 MFN tariff bindings

3.28. All tariff rates/lines in Chinese Taipei's tariff schedule are bound and accession-related binding commitments were all implemented by 2011 (Table 3.1); those relating to the ITA expansion are to

be fully implemented by 2021 (Section 3.1.3.2). The simple average bound rate is 18.7% for agricultural products (WTO definition), and 5.3% for non-agricultural products. In its 2018 customs tariff schedule, bound and MFN applied tariff rates coincided in about 90% of all tariff lines whereas in most of the rest the difference was very small, thus suggesting high predictability in the tariff. Since 2013, the overall gap between the simple average MFN applied and bound rates has remained at 0.3 percentage points. The gap is 0.9 percentage points for rates affecting agricultural items and 0.2 percentage points for non-agricultural products.

3.29. During the review period, Chinese Taipei's Schedule CLIII was modified and rectified to reflect changes relating to the introduction of Harmonized System 2007 and ITA expansion undertakings that became effective as of 17 February 2015 and 24 February 2017 respectively.⁴⁴ Chinese Taipei remains included in collective waivers that suspended the application of the provisions of Article II of GATT 1994 in order to allow it to reflect the changes resulting from the introduction of HS2012 and HS2017 nomenclatures in its Schedule of Tariff Concessions.⁴⁵ The HS2012 transposition of Schedule CLIII was submitted by the authorities to the WTO Secretariat on 15 November 2017 for verification; this submission was sent back to the authorities on 18 January 2018 to accept or make further comments and was returned to the Secretariat on 23 April 2018.

3.1.3.5 Tariff-rate quotas

3.30. Chinese Taipei continued to apply tariff-rate quotas (TRQs), under its multilateral agricultural market-access commitments, on 84 agricultural tariff items at the HS eight-digit level or 0.9% of tariff lines in 2018, virtually the same as in 2013 (Table A3.3 and Section 4.1.1.4.1). In-quota *ad valorem* tariff rates ranging from zero (e.g. rice) to 25%, remain much lower than the very high out-of-quota *ad valorem* rates (e.g. bananas, ground nut oil, coconuts, pineapples, shaddocks) that peak at 500% (deer velvet), thus making out-of-quota imports almost prohibitive. Most out-of-quota rates (i.e. 70 out of 84) are specific whereas virtually all (i.e. all but three) in-quota rates are *ad valorem*. According to the latest data provided by the authorities, the average fill-in ratio of tariff quotas peaked at 56.5% in 2016 to slightly drop to 55.8% in 2017 (55.9% in 2012). Fill ratios were steadily low or zero for several product groupings (e.g. bananas, dried day lily, betel nuts, mangoes and shaddocks) whereas for others they stood at or close to 100% (e.g. deer velvet, red bean, dried longans and rice) (Table A3.3). The authorities indicated that the zero fill ratio for bananas and mangoes is due to the fact that they do not meet Chinese Taipei's quarantine requirements as the major production areas of these fruits are infected with pests and diseases; as for other products, the reduced fill ratios are the outcome of prevailing market conditions of supply and demand. According to the authorities, given the multi-functionality of the agriculture sector, TRQs are appropriate measures to ensure sustainable development, and they are considered in line with Chinese Taipei's WTO accession commitments.⁴⁶

3.31. Tariff-rate quotas discussed in this section are applied to goods originating from WTO Members but TRQs under Chinese Taipei's RTAs with New Zealand, Nicaragua and Panama remain also in place (Section 2.3.2). Mechanisms used for quota allocation (depending on the product) on a first-come first-served basis or an allocation in advance method (e.g. order of application, ballot, performance of importation, auctions/open bidding), the most used method, remain unchanged.⁴⁷ TRQs for all agricultural products except rice are based on both global quotas and country-specific quotas. The TRQ system for brown rice consists of two portions: 35% or 50,652 MT for private sector imports and 65% or 94,068 MT for public sector imports (i.e. the Agriculture and Food Agency (AFA) of the Council of Agriculture (COA)) (Section 3.3.5). The amount allocated to public sector imports is divided by both country of origin and tender type (i.e. the simultaneous buy-sell (SBS) scheme and normal tenders). Public sector imports are conducted by open tender, with the contract being awarded to the bidder offering the lowest quote below a ceiling price set by the authorities.⁴⁸ A grade requirement was also imposed for the 2016 SBS quota; in response to customer requests, the AFA

⁴⁴ WTO documents WT/Let/1034, 25 March 2015, and WT/Let/1242, 3 March 2017.

⁴⁵ WTO documents WT/L/998, 12 December 2016, WT/L/999, 12 December 2016; WT/L/1028, 1 December 2017; and WT/L/1029, 1 December 2017.

⁴⁶ WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

⁴⁷ Regulations of Tariff Quota, 27 September 2011.

⁴⁸ The ceiling price is set for each rice procurement tender on the basis of various factors, including export costs, freight fees, processing fees at import ports, as well as domestic retail prices. The AFA also surveys the market condition prior to the setting of the ceiling price. USTR (2017), *2017 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/reports/2017/NTE/2017%20NTE.pdf>.

had implemented the specification of Grade A on SBS procurement, which was removed in 2017. TRQs are administered by the MOF. The publicly owned "Bank of Taiwan" (BOT) is delegated by the Ministry to allocate the TRQs.⁴⁹ TRQs are transferable, partially or wholly, with the amount of the allocated quotas within the validity of the TRQ certificates.

3.1.3.6 Tariff preferences

3.32. Chinese Taipei's efforts to expand its bilateral and regional free trade agreements during the review period meant that its simple average preferential tariff rate on imports from RTAs/FTAs dropped from 3.7% in 2013 to 2.2% in 2017 and remained considerably below the 7.2% MFN average applied tariff rate (Table 3.2, Section 2.3.2); the average preferential rate for imports from LDCs remained virtually unchanged. Under its RTAs, Chinese Taipei provides preferential access to imports originating in: Panama (as of 2004); Guatemala (as of July 2006); Nicaragua, El Salvador and Honduras (as of 2008); China and New Zealand (as from 2013); and Singapore (as from 2014) (Table 3.2). These agreements cover an average of 62.7% of total tariff lines on top of the 29.3% of lines that are already duty free at MFN level (Section 3.1.3.2). Since its last Trade Policy Review, Chinese Taipei has kept virtually unchanged the number of items eligible for unilateral (non-reciprocal) duty-free preferences to LDCs; their average preferential rate remains similar to the simple average applied MFN and their coverage particularly low as compared to those of RTAs (Section 2.3.2.1, Table 3.2). While 90.7% (98% in 2013) of the total value of trade with LDCs was under this duty-free treatment, trade with LDCs accounted for only 0.8% (1.5% in 2013) of Chinese Taipei's total trade in 2017. The Customs Administration maintains a webpage containing all preferential import tariffs. According to the authorities, forgone tax revenue due to the implementation of preferential tariff rates was estimated to have dropped from NT\$363.3 million in 2015 to NT\$159.2 million in 2017 of which 61.8% was due to preferential imports from New Zealand.⁵⁰

Table 3.2 Summary analysis of the preferential tariff, 2017

	Total			WTO agriculture		WTO non-agriculture	
	Average (%)	Duty-free rates ^a (%)	Coverage ^b (%)	Average (%)	Duty-free rates ^a (%)	Average (%)	Duty-free rates ^a (%)
MFN	7.2	29.2		17.5	22.3	5.2	30.6
RTAs							
New Zealand	0.5	98.5	70.6	3.0	93.0	0.1	99.6
Panama	1.2	97.7	69.8	6.7	88.4	0.1	99.6
Nicaragua	1.5	94.2	69.4	7.8	72.0	0.3	98.5
Guatemala	1.6	91.9	69.2	8.5	62.5	0.3	97.7
El Salvador	1.8	92.2	69.2	9.2	63.4	0.3	97.8
Honduras	1.8	92.3	69.3	9.2	63.9	0.3	97.9
Singapore	2.1	83.0	71.5	8.7	64.4	0.7	86.6
China	7.0	32.7	12.3	17.5	22.3	5.0	34.7
Average of above	2.2	85.3	62.7	8.8	66.2	0.9	89.1
LDC	7.1	30.8	11.1	17.5	23.2	5.0	32.3

a Duty-free lines as a percentage of total tariff lines.

b Per cent of total number of lines. Only rates that are lower than the corresponding MFN rate are taken into account.

Note: Calculations are based on Chinese Taipei's tariff line level (8-digit); excluding in-quota rates and including AVEs for non-*ad valorem* rates, provided by the authorities.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.3.7 Duty concessions/exemptions

3.33. To accelerate industrial development and accommodate domestic supply and demand, the authorities continued to reduce or exempt tariffs on industrial raw materials, and temporarily reduce tariffs on staple goods and daily necessities.⁵¹ They consider that these measures greatly contribute

⁴⁹ BOT online information. Viewed at:

http://www.bot.com.tw/English/EInternational_Trade/Tariff_Rate_Quota/Pages/default.aspx.

⁵⁰ These estimates were calculated according to the following formula: Revenue loss of 2016 = 2016 import value × (2016 rates - 2015 rates).

⁵¹ Ministry of Finance (2016), *Government Finance - 2016*, July.

to domestic price stability, economic development, and industrial competitiveness. The MOF may adjust customs duties temporarily in order to deal with an "extraordinary" economic situation, domestic or overseas, to accommodate the supply of goods, or to provide a "reasonable operational environment" without seeking approval from the legislature.⁵² Adjustments are allowed within 50% of the statutory duty rate or quantity, and may be applied for up to one year. Between 2012 and 2017, the authorities undertook 6 temporary adjustments of tariff rates affecting 20 items including milk and cream, pork fat free of lean meat, pork lard, other pork fat and animal fats, pork lard and poultry fats, and 4 categories of goose meat; forgone tax revenue due to the implementation of these temporary adjustments was estimated at NT\$193.4 million for this period.

3.34. As of March 2018, Chinese Taipei maintained *admission-temporaire* agreements, allowing for tariff and tax exemptions for commercial samples, professional equipment, and goods for exhibitions to be imported for re-export without processing, with 41 economies, including Australia, Canada, the European Union, Japan, New Zealand, the Philippines, Singapore, South Africa, the Republic of Korea, Switzerland and the United States.⁵³ The *admission-temporaire* agreements are based on bilateral reciprocity and aimed at enhancing clearance facilitation of goods to be imported for re-export.

3.1.4 Other charges affecting imports

3.35. Chinese Taipei continues to levy certain charges/fees/dues on imports that, according to the authorities at the time of the previous TPR, are all commensurate with the service cost. Customs charges for its services a special supervision fee, cargo examination fee, customs sealing fee, escorting fee, certificate issuance fee, and bonded warehouse stocktaking charge. The customs clearance fee is NT\$500.

3.36. The Trade Promotion Service Fee continues to be collected at the border at the rate of 0.04% on the value of imports (and exports). The Fee finances the Trade Promotion Fund, managed by the Trade Promotion Fund Management Committee; about a third of the 21 members of the Committee are representatives of exporters/importers. The Trade Promotion Fund is used to cover administrative expenses related to trade promotion activities, such as organizing exhibitions. Following a peak of NT\$5 billion (2014), in 2017, the Fund collected NT\$4.5 billion (NT\$4.8 billion in 2012) and spent the same amount (NT\$5 billion in 2012) on trade promotion events.

3.37. Harbour dues remain based on the gross tonnage of ships entering the port (ship port dues), number of passengers departing (passenger port dues), and the "revenue tons" of loaded or unloaded cargoes (cargo port dues).⁵⁴ The authorities indicated that the dues for loading and unloading are the same. Harbour dues are specific to shipping routes, and are applied equally to ships irrespective of origin for the same routes; nonetheless, harbour dues for overseas routes are 60% higher than for domestic routes (Section 4.4.4.1). At the time of the previous TPR, the authorities explained that this difference reflected the costs related to the type of equipment and services provided for vessels operating these routes; this revenue is used mainly for construction and development of the commercial ports.

3.1.5 Import prohibitions, restrictions, and licensing

3.38. During the review period, the regulatory framework governing import prohibitions, restrictions, and licensing has remained largely unchanged.⁵⁵ According to the authorities, these measures are in place to, *inter alia*, protect public morals, human life or health as well as to fulfil its WTO accession commitment and obligations under international agreements in accordance with GATT Articles XX and XXI.⁵⁶ A negative-list approach is applied to import prohibitions/restrictions, i.e. no import licences are required except for those on the List of Commodities Subject to Import

⁵² Article 71 of the Customs Act.

⁵³ Economist Intelligence Unit (2017), *Country Commerce*, June, London. Viewed at: www.eiu.com.

⁵⁴ Revenue tonnes (or charged tonnes) are the greater of measurement tonnes or weight tonnes. Other port-service charges include: port charges (dockage, buoy, tugboat, mooring and unmooring, water supply, cleaning maintenance) and terminal operation charges (cargo handling, storage, wharf passage, equipment utilization).

⁵⁵ The relevant legislation includes the "Foreign Trade Act"; the Regulations Governing Import of Commodities; the Regulations on Import and Export of Endangered Species of Wild Fauna, Flora and Related Products; and the Regulations Governing Export and Import of Strategic High-Tech Commodities.

⁵⁶ WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

Restriction.⁵⁷ The BOFT, under the MOEA, remains in charge of import management measures, such as the issue of import licences and issuance of the approval of exemption from import prohibitions. Incoming and outgoing trade with the Democratic People's Republic of Korea has been banned since 25 September 2017.

3.1.5.1 Import prohibitions

3.39. Since its previous TPR, Chinese Taipei has expanded the scope of its import bans which increased from 70 ten-digit HS items (2013) to 91 (March 2018), involving 39 agricultural (HS 1-24) and 52 industrial (HS 25-97) items, mainly whale sharks, puffer fish, narcotics, toxic chemicals, hazardous wastes, HCFC (hydrochlorofluorocarbon) compounds, fire extinguishers containing HCFC and waste lead-acid accumulators that are subject to trade restrictions under international agreements.⁵⁸ Additional prohibitions apply to direct cross-strait imports of some 2,333 tariff lines (March 2018), an overall increase of 147 lines since 2014 (2,186); they include the 70 prohibited products on an MFN basis.⁵⁹ As of March 2018, 9,658 items (80.54%) from China of a total of 11,991 ten-digit HS items could freely enter Chinese Taipei and 9,534 items (79.51%) were exempt from import licences (Section 3.1.5.2).

3.1.5.2 Import licensing

3.40. During the review period, Chinese Taipei's import licensing requirements and procedures remained largely unchanged. As of April 2018, import permits were required for 131 (126 in 2014) items most of which were related to requirements of international agreements (e.g. CITES) and TRQs (Section 3.1.3.5), essential security as well as protection of culture, human health and the environment (Table 3.3); 98.9% of all incoming commodities (11,507 items) were exempt from import permit requirements.⁶⁰ The authorities indicated that the coverage of non-automatic import licensing increased mainly due to the fact that the Council of Agriculture added alien invasive species as non-importable goods to protect the environment. Import licences (e.g. import permits or import clearance certificates) for any import of an f.o.b. value of US\$20,000 or above are issued by the BOFT. Prior to applying for a licence, importers must obtain approval from the relevant sector-specific authority (Table 3.3). An import licence is valid for six months from its issuance, and may be extended for a maximum of 18 months. No licensing fees, other administrative charges or deposit are required. Import licences are not transferable.

Table 3.3 Prior approval requirement for import licenses, 2018

Goods	Approval authority	Rationale
Methyl bromide; HCFCs	Environmental Protection Administration	To comply with obligations set out in the Montreal Protocol
Breeding livestock/poultry; Genetic resources, genetically modified breeding stock/poultry and genetic resources	Council of Agriculture	To preserve public health and safety of humans, animals, and to prevent entry of infectious diseases
Diamonds	Bureau of Foreign Trade	To cooperate with the Kimberley Process Certification Scheme
Yellow-fin tuna; Bluefin tuna; Southern Bluefin tuna; Swordfish; Big-eye tuna	Fisheries Agency	To protect marine ecology

⁵⁷ Article 7, "Foreign Trade Act", amended 6 November 2013. For the list of import restrictions see Bureau of Foreign Trade online information. Viewed at: <http://www.trade.gov.tw/Pages/List.aspx?nodeID=987>.

⁵⁸ Ministry of Economic Affairs/Bureau of Foreign Trade (2016), *The Development of International Trade 2016-2017*.

⁵⁹ These prohibitions cover a variety of items both industrial (1,344 lines) and agricultural (998 lines); they include live animals, animal products including meat and poultry, fish and fishery products, milk and dairy products; plants and plant products including fruits and vegetables; rice; processed foods and food-related products, pharmaceuticals, iron and steel, electrical and electronic items, and textile-related products. Cross-strait trade is subject to Chinese Taipei's specific laws and regulations dealing with such trade. WTO documents WT/TPR/S/232/Rev.1, 28 July 2010, and WT/TPR/S/302/Rev.1, 18 December 2015; Economist Intelligence Unit (2017), *Country Commerce*, June, London. Viewed at: www.eiu.com.

⁶⁰ Ministry of Economic Affairs/Bureau of Foreign Trade (2016), *The Development of International Trade 2014-2015*; Ministry of Economic Affairs/Bureau of Foreign Trade (2016), *The Development of International Trade 2016-2017*.

Goods	Approval authority	Rationale
Tobacco, alcohol products; undenatured ethyl alcohol	Ministry of Finance and other relevant agencies	To ensure the sound management of alcohol imports pursuant to the relevant laws/regulations
Oil and petroleum products	Bureau of Energy	To promote the sound development of the oil industry; to develop the domestic economy and enhance people's livelihoods; to protect the environment
Fishing boats	Fisheries Agency	To maintain the sustainability of fishery resources
Vessels; civil aircraft	Ministry of Transportation and Communications	To maintain the safety of transport vessels
Firearms; ammunition; simulation guns; police weapons; controlled swords	Police entities	To ensure the safety and peace of society
Industrial use explosives	Bureau of Mines	To ensure the safety and peace of society
Beef from Canada, the United States, the Netherlands, Sweden and Japan	Bureau of Foreign Trade	To protect human health

Source: WTO document G/LIC/N/3/TPKM/8, 25 September 2017, and information supplied by the authorities.

3.41. The import licensing/certification system regarding "optical disk manufacturing equipment" remains automatic; it involves an import clearance certificate issued by the BOFT for safeguarding intellectual property rights.⁶¹ Although imports of radio-communication apparatus do not require licensing, importers of certain types of these apparatus must obtain approval prior to importation.⁶²

3.42. Products originating in China generally continue to require permission from the MOEA prior to their sale to Chinese Taipei. The list of permitted goods originating in China is reviewed and revised every six months. Among the 9,658 (9,150 in 2014) China-origin products that are permitted entry into Chinese Taipei, 124 (126 in 2014) products at HS 10-digit level required import licences in March 2018 (Section 3.1.5.1). According to the authorities at the time of the previous review, the situation would improve upon the entry into force of the ECFA (Table A2.2).

3.43. During the review period, Chinese Taipei continued to submit regular Replies to the Questionnaire on Import Licensing Procedures to the WTO Committee on Import Licensing.⁶³ Chinese Taipei's notification under the 2012 Decision on Notification Procedures for Quantitative Restrictions is pending.⁶⁴

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.1.6.1 Anti-dumping and countervailing

3.44. During the review period, the legislative framework was revised in certain areas. The legal basis for the implementation of anti-dumping and countervailing measures consists of Articles 67, 68 and 69 of the Customs Act and the Regulations Governing the Implementation of the Imposition of Countervailing and Anti-Dumping Duties, both of which are considered by the authorities to be in accordance with the WTO Anti-Dumping Agreement provisions.⁶⁵ Some articles of the Regulations were amended in 2016 to: update the processing and deliberating procedures for withdrawal of cases (Articles 15 and 15-1); revise the regulations for acceptance and deliberation procedures, implementation and inspection procedures, and administration of violation procedures of price undertaking (Articles 23, 24, 25 and 25-1); update application provisions for investigating new shippers, as well as procedures for deliberating and providing guarantees during the period of

⁶¹ WTO document G/LIC/N/3/TPKM/8, 25 September 2017.

⁶² Online information. Viewed at: www.ncc.gov.tw.

⁶³ WTO documents G/LIC/N/3/TPKM/6, 8 September 2015, and G/LIC/N/3/TPKM/8, 25 September 2017.

⁶⁴ WTO document G/L/59/Rev.1, 3 July 2012.

⁶⁵ More information on the anti-dumping and countervailing measures procedures are available in WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

investigation (Article 35-1); and, update regulations for price undertaking measures that will continue to apply during the sunset review period (Article 44).

3.45. The MOF and the MOEA continue to share responsibility over anti-dumping and countervailing investigations. The former is focused on dumping/countervailing determination and measure adoption, whereas the International Trade Commission (ITC) under the latter determines injury to domestic industries. Their websites provide information on investigations, reviews, and measures adopted.

3.46. During the period under review, recourse to anti-dumping action remained relatively stable.⁶⁶ Between 2013 and 2016, Chinese Taipei initiated 14 anti-dumping investigations (12 in 2009-12) involving carbon steel plate (Brazil, China, India, Indonesia, Republic of Korea, Ukraine), certain flat-rolled steel products, plated or coated with zinc or zinc-alloys (China, Republic of Korea), Portland cement type I, II and its clinker (China), benzoyl peroxide (China), computer to plate (China), SUS 300 series flat-rolled products of stainless steel, cold-rolled (cold-reduced) (China, Republic of Korea), and towelling products (China).⁶⁷ As of end-2017, 14 anti-dumping measures were in force on 7 products mainly carbon steel plate (6 cases), certain flat-rolled steel products (2 cases) and flat-rolled products of stainless steel (2 cases).⁶⁸ At the same time, action affected mostly products originating in Asia (12, China (7), Republic of Korea (3), India (1) and Indonesia (1)), and to a lesser extent Brazil and Ukraine. Most final measures consisted of definitive duties; in five cases price undertakings were adopted. Four measures were reviewed and extended to a total period of five years.

3.47. Chinese Taipei has not taken any countervailing measures so far. On 16 April 2018, Chinese Taipei published the notice of initiation of countervailing duty investigation against certain incoming flat-rolled steel products, plated or coated with zinc or zinc-alloys, carbon steel plate, SUS300 series flat-rolled products of stainless steel, cold-rolled (cold-reduced), as well as initiation of both anti-dumping and countervailing duty investigations on the imports of certain carbon cold-rolled steel products and certain flat-rolled products of stainless steel, hot-rolled all originating in China.⁶⁹ Public hearings to collect feedback from concerned parties and gauge public opinion before formally launching the investigation were to be held. The MOF is expected to announce its preliminary countervailing duty (and anti-dumping duties) on Chinese steel products in August 2018 and its final decision in October of the same year. Since its last Trade Policy Review, Chinese Taipei has regularly submitted semi-annual reports on anti-dumping and countervailing actions to the relevant WTO Committees (Section 2.3.1 and Table A2.1).

3.1.6.2 Safeguards

3.48. Since the previous TPR, Chinese Taipei's basic legislation on safeguards consisting of the "Foreign Trade Act" and the Rules for Handling Import Relief Cases remained unchanged. The MOEA's ITC continues to be in charge of safeguard measures.

3.49. No safeguards were taken under the provisions of the WTO Agreement on Safeguards during the review period. An investigation on all imports of high density polyethylene (HDPE) and linear low density polyethylene (LLDPE) was opened in July 2013, and negative injury was determined in April 2014.

3.50. Chinese Taipei maintains its right to impose Special Safeguards (SSGs) on 10 (or 14 according to the authorities) broad categories of agricultural products (7.5% of all HS07 agricultural tariff lines) that overlap but are not identical with those under TRQs (Sections 3.1.3.5 and Section 4.1).⁷⁰ Price-

⁶⁶ With 44 cases initiated between 1997 and 2016, Chinese Taipei was the world's 22nd major user of anti-dumping measures. WTO online information. Viewed at: https://www.wto.org/english/tratop_e/adp_e/AD_InitiationsByRepMem.pdf.

⁶⁷ WTO online information. Viewed at: https://www.wto.org/english/tratop_e/adp_e/AD_InitiationsByRepMem.pdf; and documents including G/ADP/N/244/TPKM, 11 September 2013; G/ADP/N/300/TPKM, 28 August 2017; and G/ADP/N/308/TPKM, 22 February 2018.

⁶⁸ WTO document G/ADP/N/308/TPKM, 22 February 2018.

⁶⁹ Online information. Viewed at: <http://www.taipetimes.com/News/biz/archives/2018/04/23/2003691819>.

⁷⁰ According to the authorities, the product categories consist of: peanuts; pears; garlic; betel nuts; chicken (chicken legs and wings, other chicken cuts); offal (livestock offal and poultry offal); liquid milk; red

or volume-triggered SSG action was taken against imports of 12, 10 and 13 products in 2015, 2016 and 2017 respectively.⁷¹

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirements

3.51. Registration and documentation requirements for exports, in general, remain similar to those for imports (Section 3.1.1.1). Exporters must be registered with the BOFT prior to engaging in any export business. Since 2014, documentation requirements involving an export declaration along with loading lists, booking notes, packing list, as well as export permits and relevant documents have remained unchanged. As from 1995, all outgoing products have required an approved export customs declaration; however, if their f.o.b. value is lower than NT\$50,000, a simple declaration can be used for their express delivery.⁷² According to World Bank Doing Business data, in 2017 exporting a shipment of goods required border (clearance and inspections) and documentary (port or border handling) compliance equivalent to 17 hours and US\$335, and 31 hours and US\$84, respectively as well as 5 documents.⁷³ In 2013, exporting a shipment of goods required 5 documents, took 14 days and cost US\$655.

3.2.2 Taxes, charges, and levies

3.52. Chinese Taipei continues not to levy export taxes. Nonetheless, exports are subject to the trade promotion service fee and the harbour dues (Section 3.1.4).

3.2.3 Export prohibitions, restrictions, and licensing

3.53. During the review period, the legislation in this area remained unchanged and similar to the framework and scope of those applied to imports. Similar to incoming merchandise flows, outgoing trade with the Democratic People's Republic of Korea has been banned (Section 3.1.5).

3.2.3.1 Export prohibitions

3.54. As at July 2017, exports of 42 (35 in 2014) products at HS 10-digit level (of which 20 agricultural items (HS 1-24)) were prohibited (Table A3.4), mostly in line with international conventions requirements or to protect human health, culture, and the environment (e.g. toxic chemicals, warfare, and whale shark, poisonous herbs, and antiques over 100 years old); in addition, sand pebbles and gravels are banned from export on the ground of environmental protection. No temporary or seasonal export bans were in place during the period under review.

3.2.3.2 Export licensing

3.55. As at April 2018, export licensing/permit requirements affected 23 (37 in 2014) products at the HS 10-digit level (of which 3 agricultural items (HS 1-24) from 1 November to 31 March each year) (Table A3.5). Besides controlled chemicals (e.g. CFC), diamonds and equipment for semi-conductors are also subject to export licensing. According to the authorities, as at March 2018,

beans; dried shiitake; pomelos; persimmons; dry day lilies; pork belly; and rice. SSGs, permitted under Article 5 of the WTO Agreement on Agriculture, allow the imposition of additional duties when import quantities exceed SSG trigger volumes or import prices fall below SSG trigger prices. As Chinese Taipei did not import many of these products in the past, SSG trigger volumes are relatively low. WTO documents WT/TPR/S/232/Rev.1, 28 July 2010, and TN/AG/S/29, 20 October 2016.

⁷¹ WTO documents: G/AG/N/TPKM/134, 21 March 2016; G/AG/N/TPKM/149, 6 March 2017; G/AG/N/TPKM/149/Corr.1, 23 March 2017; and, G/AG/N/TPKM/160, 7 February 2018.

⁷² ECCT (2016), *2017 Position Papers*, 10 November. Viewed at: <http://www.ecct.com.tw/>.

⁷³ World Bank (2014), *Doing business 2014*, 13 May. Viewed at: <http://documents.worldbank.org/curated/en/474281468167054457/pdf/829800Taiwan0TWN0Box0382127B00PUBLIC0.pdf>; World Bank (2018), *Doing Business 2018 - Reforming to Create Jobs*. Viewed at: <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf>.

99.26% (11,926 items) of all outgoing commodities (11,991 ten-digit HS items) were exempt from export permit requirements altogether.⁷⁴

3.56. As at April 2018, some 1,022 products (of which 164 agricultural items (HS 1-24)) listed as "Assisted by the Customs for Export Examination" required approvals from relevant competent authorities before exportation. These products include certain foods, agricultural products, drugs and medical devices, chips and IP products including optical discs.

3.57. In addition, export of endangered species of wild fauna and flora protected under CITES Appendix I or species included in the Wildlife Conservation Act must apply to the BOFT for export licences; the application must be accompanied by prior approvals from the Council of Agriculture. The MOEA simplified the process for re-exporting CITES products and improved its online application process in 2012.⁷⁵

3.58. Exports of strategic high-tech commodities (SHTCs) require licences issued by the BOFT. An exporter that has implemented the Internal Compliance Programme may apply for an export licence that is valid for multiple export markets, buyers, consignees and end-users, and valid for three years for non-restricted areas or six months for restricted areas.⁷⁶ SHTCs are entirely restricted on exports to Cuba, China, Iran, Iraq, the Democratic People's Republic of Korea (see above), Syria, and Sudan. The list of restricted commodities adopts the European Union's Community Regime for the Control of Exports of Dual Use Items & Technology, Common Military List, and Sensitive Commodities List.⁷⁷ It also uses "catch-all" controls on end-users and end-uses which indicate a risk that an item may be used for Weapon of Mass Destruction (WMD) purposes.

3.59. Chinese Taipei does not maintain any quantitative restrictions on exports.

3.2.4 Export support and promotion

3.2.4.1 Duty and tax concessions

3.60. Customs duty and taxes (i.e. Commodity Tax and the VAT) paid on imports of raw materials used in exports remain refundable. Duty refunds (or offsetting or drawbacks) are governed by the Customs Act and the Regulations Governing the Offsetting or Refund of Duties and Taxes on Raw Materials for Export Products that remain unchanged. The criteria for refund of customs duties and commodity taxes on raw materials are established by the MOEA on a case-by-case basis in the light of evidence of material to be used in the production process as reported by the exporter prior to processing and verified by the Industrial Development Bureau.⁷⁸ Factories or firms engaged in overseas sales must, when production begins, compile a table showing the quantity of raw materials used for manufacture of finished products and send it, together with the documents relating to overseas sales and information concerning the quantity of the raw materials used, to the Ministry of Economic Affairs for examination and approval. Between 2014 and 2017, the total annual drawback disbursements peaked at NT\$3 billion in 2015, before dropping to NT\$2.7 billion in 2016, and peaking again at NT\$3.3 billion in 2017. The main sectors benefiting from these outlays were hardware and machinery, transport equipment, electronic products, and food and canned foods

⁷⁴ Ministry of Economic Affairs/Bureau of Foreign Trade (2016), *The Development of International Trade 2016-2017*.

⁷⁵ ECCT (2016), *2017 Position Papers*, 10 November.

⁷⁶ Online information. Viewed at: https://supportoffice.jp/outreach/2011/asian_ec/2-1-2_Chinese_Taipei.pdf.

⁷⁷ Outgoing trade restrictions to China remain limited to 12 categories of semi-conductor wafer fabricating equipment for strategic high-tech commodities: chemical mechanical polishers, photo-resist strippers, photo-resist developers, rapid thermal processors, deposition apparatus, cleaning equipment, dryers, electron microscopes, etchers, ion implanters, photo-resist coaters, and lithography equipment. In addition, Chinese Taipei uses its own Sensitive Commodities List specifically for export to the Democratic People's Republic of Korea and Iran, which includes 408 and 372 tariff codes for each destination.

⁷⁸ According to the authorities, information on the formula used for calculating the refund is available online at: <https://csoas.moeaidb.gov.tw/csoas/rtrms/generalcase/QueryAction.do?method=init>. Regarding imported raw materials subject to TRQs, the in-quota rates are applied in refunds regardless of whether the customs duties were paid at these rates. Payments of additional tariffs, such as SSG measures, are not eligible for refund. Goods sold to the bonded areas are also eligible for tax refund. Other taxes and surcharges on imports collected at the border (e.g. Tobacco and Alcohol Tax) are not refunded. At the time of the previous TPR, 51 products at HS 10-digit level, including Huku, buffalo and cow horn, and processed cheese, were ineligible for duty/tax refunds. WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

(Table 3.4). The value of exports benefiting from drawback from 2014 onwards was not available from the authorities.

3.61. Outgoing goods are exempt from the commodity tax, tobacco and alcohol tax, and VAT (Sections 3.3.1.1.2).

Table 3.4 Tax refunds on incoming inputs for export manufactures, 2014-17

(NT\$ million)

Industry	2014		2015		2016		2017	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Hardware and machinery	650	22.4	643	21.4	611	22.6	715	21.86
Transport equipment	318	10.9	342	11.4	388	14.3	443	13.56
Electronic products	640	22	770	25.7	493	18.2	457	13.99
Food and canned foods	416	14.3	255	8.5	93	3.4	88	2.7
Others	882	30.4	992	33	1,124	41.5	1,566	47.9
Total	2,906	100.0	3,002	100.0	2,709	100.0	3,269	100.0

Source: Information provided by the Customs Administration.

3.2.4.2 Free-trade export zones

3.62. During the review period, export processing zones (EPZs) administered by the Export Processing Zone Administration under the MOEA, and free trade zones (FTZs) administered by the Free Trade Zone Administration under the Ministry of Transportation and Communications, offering similar incentives for enterprises, remained in place. Both EPZs and FTZs are bonded areas. In addition to exemption from import duties, imports to EPZs and FTZs are exempt from other indirect taxes and charges collected at the border (Sections 3.1.3, 3.1.4, 3.3.1.1.2 and 4.1.1).⁷⁹ Zone regulations stipulate a minimum capital investment of NT\$80 million for the warehousing industry, NT\$50 million for the transportation industry, NT\$20 million for the manufacturing industry for land leases to build factories, NT\$10 million for the manufacturing industry for factory leases or purchases, and NT\$1 million for other industries. According to article 29 of the Act for the Establishment and Management of FTZs, overseas profit-seeking enterprises may perform the functions of storage, delivery or "simple processing", or delegate them to FTZ enterprises, and are entitled to exemption of their "business income" tax. Preferential trade facilitation measures are also applied in these areas, for example, for manufacturing and warehousing enterprises that have valid AEO-S certificates (Section 3.1.1.1), guarantee deposits are waived on bonded goods (including machinery) valued at under NT\$10 million shipping out of the bonded zones.

3.63. Businesses allowed to operate in FTZs include trading, collecting, transshipment, forwarding, customs clearance, assembling, packaging, repair, manufacturing, testing, and technological services. Business allowed to operate in EPZs are: food; chemical products; electric appliances; garments; machinery; metal products; miscellaneous industrial products; precision machinery; vehicles; consulting services; information services; international trading; and other approved industries defined as "high tech, capital intensive, high quality or high value added".⁸⁰ FTZs are mainly aimed at developing a global logistics industry, while EPZs focus on promoting investment and developing industries. Labour-intensive businesses are discouraged. Since 1986, overseas banks have been allowed to operate in the zones and foreign exchange businesses have no longer been restricted to the designated banks in the EPZs.

3.64. As at 2016, there were 605 (568 in 2014) enterprises operating and employing 81,736 persons at 10 EPZs (Section 3.3.1.2.3); 79 enterprises (68 in 2014) were overseas-invested. Most enterprises are engaged in manufacturing electronic parts and components; computers, electronic, and optical products; non-metallic mineral products; and plastic products. In 2016, the turnover of enterprises in the EPZs was approximately NT\$377.2 billion, with around NT\$192 billion sold to the local market. The same year, EPZs generated exports of US\$13.3 billion and imports of US\$8.1 billion that were equivalent to 4.8% (4.2% in 2013) and 3.5% (3.3% in 2013) of total exports and imports, respectively.

⁷⁹ WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

⁸⁰ Economist Intelligence Unit (2017), *Country Commerce*, June, London. Viewed at: www.eiu.com.

3.2.4.3 Other means of promotion

3.65. Chinese Taipei continues to operate promotion schemes aimed at helping exporters to explore and expand markets, improve product quality, and upgrade product image. Trade promotion activities include organizing trade fairs and trade missions, providing market information, and establishing e-platforms for exporters. The "Taiwan External Trade Development Council" (TAITRA), a non-profit organization, is responsible for implementing major trade promotion programmes and projects.⁸¹ At the time of the previous TPR, the BOFT was running several specific programmes such as the Industrial Image Promotion Project, the Project to Promote Most-Value Products in Emerging Markets, and the Green Trade Promotion Project. In 2012, the last year for which data was made available, NT\$790 million were spent on BOFT's trade promotion programmes. In 2015, the most problematic factors for exporting were mainly: identifying potential markets and buyers; tariff barriers abroad; access to incoming inputs at competitive prices; and, high cost or delays caused by international transportation.⁸²

3.2.5 Export finance, insurance, and guarantees

3.66. The publicly owned Export-Import Bank (Eximbank) remains the main institution that promotes exports and provides export credit, insurance, re-lending, and other kinds of export financing facilities. Short-term export credit (i.e. less than one year) aims to assist firms with obtaining working capital; medium/long-term credit may cover a maximum of 85% of the contract value of Chinese Taipei-made machinery, equipment, turn-key plants and other capital goods.⁸³ Finance by Eximbank is not conditional on export performance and interest rates for export credit are set at LIBOR or OECD Commercial Interest Reference Rates plus interest margin. Repayment is made in equal semi-annual instalments commencing six months from the shipment date and credit applicants may request a grace period of up to ten years (for turn-key plant, full-line equipment, single machine, or other capital goods) or three years from the delivery date of the product. Re-lending is provided to overseas banks in order to facilitate exports by strengthening their competitiveness.⁸⁴ Eximbank also provides domestic firms with a finance facility for overseas investment, and all the credit conditions are considered in line with the provisions of the OECD Arrangement on Officially Supported Export Credit.

3.67. In the context of the New Southbound Policy (Section 2.2), Eximbank is committed to building sound financing, guarantee and export credit insurance mechanisms. It is also engaged in integrating the NDF development fund, the SME development fund of the MOEA, and the BOFT trade promotion fund to jointly provide manufacturers with all types of loans, guarantees and export credit insurance under preferential terms relating to the grace and repayment periods to assist manufacturers expand their exports to the ASEAN, South Asia, Australia, and New Zealand markets.⁸⁵ Furthermore, in addition to 18 economies targeted by the New Southbound Policy, in 2016 and 2017 the Eximbank continued to focus on key export expansion markets chosen by the MOEA, including the United States, Turkey, Viet Nam, China, Indonesia, India, Germany, Malaysia, South Africa, Mexico, the Philippines, and the United Arab Emirates. The Eximbank's average outstanding loans totalled NT\$106.46 billion at end-March 2018, up by 2.8% from a year earlier.⁸⁶ In 2017, Eximbank guarantees totalled NT\$22.1 billion, an increase of 17.4% compared to 2016.⁸⁷ The same year export credit insurance underwritten by Eximbank was NT\$115.8 billion, a year-on-year growth rate of 0.5% from 2016; its export insurance amount was about NT\$41 billion, representing an increase of NT\$2.8 billion compared to 2016. In 2017, the Eximbank approved a total amount of

⁸¹ Online information. Viewed at: <https://www.taiwantrade.com/>.

⁸² World Economic Forum and the Global Alliance for Trade Facilitation (2016), *Global Enabling Trade Report 2016*. Viewed at: <http://reports.weforum.org/global-enabling-trade-report-2016/>.

⁸³ Eximbank online information, "Medium and Long-Term Export Credit". Viewed at: <http://www.eximbank.com.tw/en-us/BankServices/Loans/Pages/MLTEC.aspx>; Economist Intelligence Unit (2017), *Country Commerce*, June, London. Viewed at: www.eiu.com.

⁸⁴ As of the end of 2016, Eximbank had established relending facilities in 22 markets comprising: Chile, Colombia, Dominican Republic, El Salvador, Honduras, Nicaragua, Paraguay, Peru, Armenia, Belarus, Bulgaria, Czech Republic, Russian Federation, Turkey, Israel, Cambodia, India, Indonesia, Mongolia, the Philippines, Thailand, Viet Nam and the United States, with a total of 67 financial institutions overseas; the total relending amount stood at US\$715 million. Eximbank (2017), *Annual Report 2016*, June.

⁸⁵ The NDF development fund provides a higher proportion of financial assistance to enterprises investing in the ASEAN, South Asia, Australia, and New Zealand markets. Eximbank (2017), *Annual Report 2016*, June.

⁸⁶ Economist Intelligence Unit (2017), *Country Commerce*, June, London. Viewed at: www.eiu.com.

⁸⁷ Eximbank (2017), *Annual Report 2016*, June.

NT\$20.68 billion for export credit to key export expansion markets, representing an increase of 6.5% over 2016. As at 2017, the approved amount of policy export loans and loans to emerging markets accounted for 59.1% of Eximbank's total approved amount of export loans; insurance underwritten for emerging markets accounted for 49.7% of its total export credit insurance. The same year, SMEs accounted for about 85% of Eximbank's export credit insurance, a 12.5% increase over the same period in 2016.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives⁸⁸

3.3.1.1 Taxation

3.3.1.1.1 Features

3.68. During the review period, total tax revenue as a share of GDP peaked in 2016, reflecting an overall rise of 8% (2016), before slightly dropping in 2017, and remaining relatively low compared to the OECD average of 34.1% in 2016 (Table 3.5).⁸⁹ The contribution of customs duties to total tax revenue remained significant and relatively stable (ranging from 5.2% to 5.4% of total tax revenues); the Profit-Seeking Enterprise Income Tax and the Individual Income Tax remain the main general direct tax components followed by the Business Tax. Reliance on indirect taxes (i.e. their share to total tax revenue) decreased by about 8%.

Table 3.5 Structure of direct and indirect tax revenue, 2013-17

	2013	2014	2015	2016	2017
Total net tax revenue (NT\$ billion)	1,834.1	1,976.1	2,134.9	2,224.1	2,251.2
% of GDP	12.0	12.3	12.7	13.0	12.9
Direct taxes	59.5	59.8	62.0	62.5	62.6
Profit-Seeking Enterprise Income Tax	19.1	20.4	21.7	22.9	22.3
Individual Income Tax	21.4	20.8	22.2	22.3	21.4
Estate and Gift Tax	1.3	1.3	1.5	2.1	2.3
Securities Transactions Tax	3.9	4.5	3.8	3.2	4.0
Futures Transactions Tax	0.1	0.1	0.2	0.2	0.2
Land Value Tax	3.9	3.6	3.3	4.2	4.2
Land Value Increment Tax	5.6	5.1	5.3	3.7	4.2
House Tax	3.4	3.3	3.3	3.3	3.4
Deed Tax	0.7	0.6	0.6	0.5	0.6
Indirect taxes	40.5	40.2	38.0	37.5	37.4
Customs duties	5.3	5.4	5.2	5.2	5.1
Commodity Tax	8.9	8.7	8.6	8.2	7.9
Tobacco and Alcohol Tax	2.4	2.2	2.1	2.1	2.2
Business Tax	16.5	17.0	15.7	15.9	16.1
Vehicle Licence Tax	3.1	3.0	2.9	2.8	2.9
Stamp Tax	0.6	0.5	0.5	0.5	0.5
Amusement Tax	0.1	0.1	0.1	0.1	0.1
Financial Enterprises Business Tax	1.4	1.3	1.2	1.1	1.0
Health and Welfare Surcharge on Tobacco	1.9	1.7	1.6	1.5	1.4
Special and Provisional Tax	0.0	0.0	0.0	0.0	0.1
Specifically Selected Goods and Services Tax	0.3	0.3	0.2	0.1	0.1

Source: Data supplied by the authorities.

3.3.1.1.2 Indirect taxation

3.69. Chinese Taipei's relatively complex indirect tax structure remains unchanged. It includes the Value-Added and Non-Value-Added Business Tax, the Commodity Tax, tobacco and alcohol taxes, the Health and Welfare Surcharge and the Specifically Selected Goods and Services Tax. All indirect taxes are considered to apply equally in terms of same rates and conditions to both domestically produced and imported goods and services.

⁸⁸ Detailed information on all taxation and tax incentives issues is available online in the Ministry of Finance's *Guide to Taxes 2017*. Viewed at: http://www.mof.gov.tw/File/Attach/75532/File_10791.pdf.

⁸⁹ Online OECD data. Viewed at: <https://stats.oecd.org/Index.aspx?DataSetCode=REV>.

3.70. The Business Tax, in the value-added and non-value-added form, continues to be levied under the Value-Added and Non-Value-Added Business Tax Act (VANVABT). The Value-Added Business Tax (VAT) is collected from business entities at the time of selling goods and services at a rate of 5%. The VAT is calculated either on the basis of actual sales or the customs value of incoming goods plus taxes and related duties and taxes (e.g. customs duties and/or Commodity Tax) or other methods depending on the item. To address VAT collection problems arising from frequent e-commerce transactions, the VANVABT Act was amended on 28 December 2016 to require overseas companies undertaking online sales of services (e.g. hotel bookings, travel packages, digital music) to local individual consumers to register as businesses, obtain a tax identity number and file VAT in Chinese Taipei; the system entered into force on 1 May 2017 and at present there are 76 registered companies.

3.71. The Non-Value-Added Business Tax applies to: enterprises engaged in banking and insurance for banking and insurance business at 5% as from 1 July 2014 (previously 2%); to enterprises engaged in banking, insurance, investment trusts, securities, futures, commercial paper and pawnshops for their core business at 2%; other operations which are non-core business at 5%; the reinsurance premiums of insurance enterprises at 1%; small businesses at 1%; night clubs or restaurants providing entertainment at 15%; saloons or tearooms, coffee shops, and certain bars at 25%; and, consignees in agricultural wholesale markets and small businesses supplying agricultural products at 0.1%.

3.72. A zero tax VAT rate continues to be levied on the sale of goods and services including: outgoing goods; services relating to export or services provided in Chinese Taipei but used overseas; goods sold to outbound/transit passengers in duty-free shops; goods/services sold to a bonded zone business entity for its operational use; international transportation; and vessels and aircraft used in international transportation and deep sea fishing boats.⁹⁰ Exemptions from VAT apply to supply of goods and services and importation of certain goods.⁹¹

3.73. During the review period, no major changes other than temporary exemptions on purchases of certain types of vehicles (e.g. buses for the disabled, wheelchair-accessible vehicles, electric-operated automobiles or motorcycles), have been introduced to the Commodity Tax, a single-stage sales tax levied under the Statute for Commodity Tax at the time goods are dispatched from a factory or are imported (Table A3.7). Goods subject to commodity tax are taxed on an *ad valorem* or specific basis depending on the product. They include: rubber tires, cement, beverage, flat-glass, oil and gas, electric appliances, and vehicles (Table A3.7). The Commodity Tax valuation basis for domestically produced goods is the manufacturers' selling price less other Commodity Tax included in the price or the customs value plus the corresponding customs duty for imports.⁹² Raw

⁹⁰ Article 7 of Value-Added and Non-Value-Added Business Tax Act. Viewed at: <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=G0340080>.

⁹¹ The supply of goods and services includes: sale of land; water supplied to farmland for irrigation; medical services, medicines, ward lodging and meals provided by hospitals, clinics, and sanitariums; social welfare services provided by social welfare organizations or institutions or labour organizations, duly established with the permission of the competent authority, and social welfare services consigned by the authorities; education services; textbooks issued by publishing industry and authorized by education authorities; goods and services sold by student-run shops; newspapers, magazines, newsletters, advertisements, television and broadcasting programs; goods and services sold to their members by co-operatives, goods and services sold to their members by farmers', fishermen's, workers', commercial, and industrial associations in accordance with the law; proceeds from goods sold in tenders, charity sales, and charity shows; goods and services sold in prison workshops and their finished goods stores; services rendered by post and telecommunications offices; monopoly goods sold at statutory prices by publicly owned monopoly industries and by business entities; service of consigned sale of stamp tax tickets and postage stamps; goods or services sold by peddlers or hawkers. The importation of goods includes: ships and aircraft; fertilizers; gold bars, gold bricks, gold foil, gold coins, and gold ornaments; and, domestic antiques. Ministry of Finance *Guide to Taxes 2017*. Viewed at: http://www.mof.gov.tw/File/Attach/75532/File_10791.pdf (pp. 92-94 and 95-96).

⁹² In addition, for products manufactured for others with materials provided by the consignor, the selling price for the computation of the taxable value is the consignor's selling price; for newly-manufactured commodities or in the absence of similar products, the taxable value may be temporarily computed on the basis of their manufacturing costs plus profit until they are marketed; then the taxable value will be determined in accordance with their selling prices, with adjustment to be made for tax collection. Ministry of Finance *Guide to Taxes 2017*. Viewed at: http://www.mof.gov.tw/File/Attach/75532/File_10791.pdf (p. 108 and 112).

materials used for manufacturing other taxable commodities, outgoing goods, and goods for exhibition, but not for sale, are exempt from the Commodity Tax.

3.74. Tobacco and alcohol taxes continue to be levied on tobacco or alcohol items produced domestically (including the related manufacturing and packaging) or from overseas upon their removal from the local factory or upon importation.⁹³ Following the 2017 amendments to the Tobacco and Alcohol Tax Act, the tobacco tax rate has more than doubled, from NT\$590 to NT\$1,590 per 1,000 cigarettes or per kilogram of other tobacco products (e.g. cut tobacco, cigars). Reportedly, instead of being included in the regular government account for revenue and expenditures, since 12 June 2017 the additional revenue has been allocated to a special fund to finance services related to long-term care, established in accordance with the Long-Term Care Services Act.⁹⁴ In addition, tobacco and tobacco products remain subject to the Health and Welfare Surcharge.⁹⁵ Concerns remain over the taxation level of the *mijiu* rice wine, a fermented beverage for cooking and other uses, that continues to be taxed at the much lower rate than the rate applied to alcoholic beverages not for cooking, thus competing with, or being a substitute for, incoming alcoholic beverages not for cooking.⁹⁶ The authorities indicated that the *mijiu* rice wine is used only for cooking, therefore it does not directly compete with, or substitute imported alcoholic beverages; the same tax rate is also applicable to incoming "Cooking Rice Wine" on a non-discriminatory basis.

3.75. The Specifically Selected Goods and Services Tax (SSGST) continues to be charged on "high-priced" goods, such as passenger cars, yachts with a full length of not less than 30.48 meters, airplanes, helicopters, ultra-light vehicles, furniture, turtle shells, hawksbill, coral, ivory, and furs and fur products, and membership rights, at a rate of 10%.⁹⁷ More than 40% (30% in 2013) of SSGST revenue was collected at the border in 2017.

3.3.1.1.3 Direct taxation

3.76. The Profit Seeking Enterprise Income Tax at rates of zero for income up to NT\$120,000 and 17% for income of NT\$120,001 and above, remained unchanged until 2017 but following a tax reform as from January 2018 its rate was raised to 20% (Section 1.2.4.1). However, profit-seeking enterprises with a taxable income of not more than NT\$500,000 have been subject to annual adjustments with a tax rate of 18% for 2018, 19% for 2019 and 20% for 2020 onwards. In 2015, the number of the Individual Income Tax brackets was revised from five to six with the addition of the 45% tax rate bracket on the portion of net income over NT\$10 million. Under the 2018 tax reform, in order to attract professionals to stay in Chinese Taipei and raise its international competitiveness, the highest individual income tax rate was reduced from 45% to 40% and the number of Individual Income Tax brackets was again revised from six back to five. Following the June 2015 amendment of the Income Tax Act, as of 2016, a new real property tax regime took effect setting a 17% (until 2017, 20% since 2018) rate for local corporate taxpayers and a rate of 35% or 45% on profit-seeking enterprises with head offices located outside of Chinese Taipei, depending on whether the property is held for more than one year or less than one year.⁹⁸ A profit-seeking

⁹³ The tax affects: cigarettes (NT\$1,590 per 1,000 sticks); cut tobacco, cigars and other tobacco products (NT\$1,590 per kilogram); beer (NT\$26 per litre) and other brewed alcoholic beverages (NT\$7 per litre, per degree of alcohol content); distilled spirits (NT\$2.5 per litre, per degree of alcohol content); reprocessed alcoholic beverages with alcohol content exceeding 20% by volume (NT\$185 per litre) and with alcohol content equal to or less than 20% by volume (NT\$7 per litre per degree of alcohol content); cooking alcoholic products including cooking rice wine (NT\$9 per litre); other alcoholic beverages (NT\$7 per litre, per degree of alcohol content); and, ethyl alcohol (NT\$15 per litre). Ministry of Finance *Guide to Taxes 2017*. Viewed at: http://www.mof.gov.tw/File/Attach/75532/File_10791.pdf.

⁹⁴ Library of Congress online information. Viewed at: <http://www.loc.gov/law/foreign-news/article/taiwan-proposed-amendments-to-tobacco-and-alcohol-tax/>.

⁹⁵ The surcharge is levied on cigarettes (NT\$1,000 per 1,000 sticks), and cut tobacco, cigars and other tobacco products (NT\$1,000 per kilogram).

⁹⁶ WTO document WT/TPR/S/232/Rev.1, 28 July 2010; ECCT (2017), *2018 Position Papers - Clearing the Hurdles to Economic Progress*, November. Viewed at <http://www.ecct.com.tw/file/Publications/201711151808326974.pdf>; and USTR (2017), *2017 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/reports/2017/NTE/2017%20NTE.pdf>.

⁹⁷ WTO document WT/TPR/S/302/Rev.1, 18 December 2015; Ministry of Finance *Guide to Taxes 2017*. Viewed at: http://www.mof.gov.tw/File/Attach/75532/File_10791.pdf.

⁹⁸ Online information. Viewed at: <https://www.pwc.tw/zh/publications/assets/taiwan-pocket-tax-book-2017.pdf> (p. 9).

enterprise which has its head office in Chinese Taipei and is engaged in maritime transportation may apply to be taxed under the tonnage tax regime.

3.3.1.2 Production assistance

3.77. Chinese Taipei continued to encourage production and trade through various tax and non-tax incentives (Table A3.7). According to its two notifications submitted to the WTO Committee on Subsidies and Countervailing Measures during the review period, support has been provided to agriculture (rice, diversified crops, tobacco leaves, sugar) (Section 4.1), fisheries (buy-back of fishing vessels, closing fishery season, insurance costs) (Section 4.3), industry (SMEs upgrading, high-technology industries, in-zone firms, petroleum facilities) and R&D (new outstanding products, industrial technology development, oil and gas exploration) through various tax and non-tax measures including duties and tax exemptions, guaranteed purchases, payments, grants, and concessional loans, depending on the programme.⁹⁹ In most cases the duration of the support measure remained unspecified and its trade effect difficult to determine. In 2015, the total annual cost of the notified support was not less than NT\$61.8 billion of which 20.6% was delivered through budgetary outlays and the rest via tax expenditures (Business tax exemption of imports to in-zone firms (high-technology, EPZs (Section 3.2.4.2 and below))). Chinese Taipei produces an annual report on tax expenditures (e.g. foregone tax revenue in the form of tax incentives) related to income tax (since 2005) and value-added and non-value-added business tax (since 2017) incentives.

3.3.1.2.1 Small and-medium-sized enterprises

3.78. Small and-medium-sized enterprises (SMEs) remain the backbone of the economy.¹⁰⁰ During the review period, amendments were introduced to the tax benefits under the Act for Development of Small and Medium Enterprise (Table A3.7). SME-specific employment-related tax incentives remain in place. Between 2014 and 2016, 412 firms benefitted from these incentives that represented a total of NT\$63.88 million of forgone tax revenue. SMEs continue to benefit from assistance in the form of soft loans and credit guarantees under the SME Credit Guarantee Fund operated by the SME Administration (SMEA) of the MOEA.¹⁰¹ The development fund's (NDF) Programme to Support Industries to Adjust to Trade Liberalization, in particular on SMEs, has continued to provide preferential loans for "rejuvenant projects" to enterprises affected by liberalization (Table A3.7).¹⁰² Furthermore, public administration entities are expected to assist SMEs to acquire business opportunities in public procurement projects or construction works (Section 3.3.6).¹⁰³

3.3.1.2.2 Research and development

3.79. Research and development (R&D) remains an important driver for Chinese Taipei's economy, and support in this area remains in place (Table A3.7).¹⁰⁴ The main tax incentives for R&D continue to be provided under the 2010 Statute for Industrial Innovation (SII) (Section 3.3.5), which is to be

⁹⁹ WTO documents G/SCM/N/315/TPKM, 24 July 2017, and G/SCM/N/284/TPKM, 30 June 2015.

¹⁰⁰ According to a 2016 White Paper's statistics on SMEs, in 2015 there were about 1.38 million SMEs, 2.3% more than the previous year, accounting for 97.7% of all enterprises and 78.2% of total employment in Chinese Taipei. Their activities represented 30.4% of total sales and 15.2% of total export sales. Local sales accounted for 87.5% of SMEs' total revenue, of which 79.7% was in the services sector. In Chinese Taipei, an SME is a firm with a paid-in capital of NT\$80 million, or less, and less than 200 regular employees (manufacturing, construction, mining and quarrying industries), or an annual sales revenue of NT\$100 million or less and less than 100 regular employees (agriculture, forestry and fisheries, water, electricity and gas, commercial, transportation, warehousing and communications, finance, insurance and real estate, industrial and commercial services or social and personal services industries). Micro enterprises refer to SMEs with fewer than 5 persons employed on a regular basis. Online information. Viewed at: <https://www.moeasmea.gov.tw/ct.asp?xItem=70&CtNode=261&mp=2>.

¹⁰¹ Online information. Viewed at: <https://www.moeasmea.gov.tw/ct.asp?xItem=86&CtNode=324&mp=2>.

¹⁰² WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

¹⁰³ Article 37 of the Act for Development of Small and Medium Enterprises. Viewed at: <https://www.moeasmea.gov.tw/lp.asp?ctNode=299&CtUnit=78&BaseDSD=7&mp=2>.

¹⁰⁴ In 2015, Chinese Taipei's spending on R&D, adjusted for purchasing power parity (PPP), totalled US\$33.7 billion, was 3.6% higher than the previous year, and ranked ninth highest among 42 economies worldwide. It accounted for 3.1% of GDP and represented an average annual increase of 6.1% over the previous five years, the 13th highest among the same 42 economies, according to the DGBAS. Online information. Viewed at: <http://focustaiwan.tw/news/aeco/201707190027.aspx>.

in force until 31 December 2019 although the authorities are to evaluate the possibility of adjusting the tax incentives for R&D investment.¹⁰⁵ Further tax incentives have been available under the Tax Benefits for the Encouragement of Investment scheme (Table A3.7). In 2014 and 2015, 766 and 699 (profit-seeking) enterprises applied for these tax incentives equivalent to NT\$14.982 billion and NT\$17.7 billion respectively. Under the Industrial Development Programme, Chinese Taipei has provided R&D-related subsidies for the development of new outstanding projects and industrial technology (Table A3.7).

3.3.1.2.3 Designated zones

3.80. Support continues to be available for companies operating in designated areas (Table A3.7). In addition to other incentives in place for EPZs and FTZs (Sections 3.2.4.2), under the Preferential Land-Lease Programme for Industrial Estates based on the two principles of "parallel lease and sale" and "leasing is preferable to sale", the authorities continue to provide rent-free leasing for land in industrial parks under the jurisdiction of the MOEA.¹⁰⁶ In the past, land within industrial estates could be purchased in instalments over five to seven years, and 70-90% of the land price could be borrowed from government banks at "reasonable" terms but this does not apply at present; the authorities indicated that this type of support (i.e. concessional terms of loans for leasing land after several extensions) was phased-out by end 2014.¹⁰⁷ At present, the MOEA places an emphasis on incentives to companies that conduct rapid investment in factory setup; under the "Investment Boosting Programme - Preferential Land-Lease Programme for Industrial Estates" it provides rent-free leasing concessions for the initial two-year period of investment. As at 2017, 595 (952 in 2010) companies rented 361 (778 in 2010) hectares of land and had created 81,471 (84,398 in 2010) jobs. As at May 2017, Chinese Taipei had 62 industrial parks under the jurisdiction of MOEA, 46 industrial parks developed by local governments, 66 industrial parks developed by the private sector, 10 export-processing zones (Section 3.2.4.2), 3 science parks, 2 software parks and 7 other types of special zones (free-trade zones, agricultural biotechnology parks (Section 4.1), and environmental-science and technology parks).¹⁰⁸ The same year there were 943 companies registered in all these zones/parks providing 272,194 jobs and with a total sales revenue of NT\$2.5 trillion. No data on the share of designated zones other than EPZs in total outgoing merchandise trade were available from the authorities (Section 3.2.4.2).

3.3.1.2.4 Sector-specific support

3.81. During the review period, tax and non-tax incentives supported agricultural activities (Tables A3.6 and A3.7, and Sections 3.3.1.1.2, 3.3.4.2 and 4.1.1.5). According to the authorities, promoting import-substitution forms part of its new agricultural policy elements (Section 4.1).¹⁰⁹ According to its 2017 WTO notification, in 2011 and 2012 Chinese Taipei provided product- and non-product-specific support to agriculture, the former in the form of guaranteed prices, contract guaranteed, drying subsidy, freight subsidy, purchase, and the latter in the form of input subsidies (agricultural machinery, fertilizers, waiver/reduction of electricity fees) (Section 4.1.1.5.1).¹¹⁰ During the review period, the submission of relevant WTO notifications of domestic support was delayed due to the time required to collect and calculate the data; the authorities indicated that these notifications would be submitted soon. Non-tax incentives were also available for fisheries including aquaculture (Section 4.1.3.6). Oil used by farmers and fishermen is exempt from VAT, and additional support in the form of discounts is available for gasoline and diesel used by fishermen; the authorities consider that these subsidies are not sector-specific (Sections 3.3.4.2 and 4.1.3.6).

¹⁰⁵ Economist Intelligence Unit (2017), *Country Commerce*, June, London. Viewed at: www.eiu.com.

¹⁰⁶ More information is available online. Viewed at: <http://investtaiwan.nat.gov.tw/showPage?lang=eng&search=reward>.

¹⁰⁷ Special incentives in the form of reduced leases apply to Changhua Coastal Industrial Park, Hualien Heping Industrial Park, Ilan-Litse, Tainan Technology Park and Yunlin Technology Industrial Park.

¹⁰⁸ Economist Intelligence Unit (2017), *Industry Report: Automotive, 2nd Quarter*, London. Viewed at: www.eiu.com/automotive.

¹⁰⁹ The authorities indicated that the import substitution objective consists of encouraging farmers to shift from paddy production to diversified crops to boost domestic coarse production, thus alleviating Chinese Taipei from relying on grain imports and promote local production. Another benefit is to reduce the overdraft of groundwater for paddy irrigation and therefore address the already prominent land subsidence issue.

¹¹⁰ WTO documents G/AG/N/TPKM/106, 28 August 2013, and G/AG/N/TPKM/154, 26 September 2017.

3.82. Grants to support exploration and development of oil and gas reserves remain in place (Table A3.7 and Section 4.2.2.3). Special electricity tariff discounts are available to public utilities including water plants, electric trains and railways, public and private schools at all levels, sheltered workshops, registered social welfare organizations and nursing homes; no other special electricity tariffs are available to other consumers who are split into commercial and non-commercial users (Section 4.2.2.2).¹¹¹ As from 2017, a nearly NT\$79 billion Electricity Price Stabilization Fund has been used to offset losses of the publicly owned electricity company Taipower (Section 3.3.5); the authorities indicated that so far NT\$4 billion had been transferred to Taipower.

3.83. In addition to support for R&D and operations at designated zones parks (Table A3.7), manufacturing activities continue to benefit from tax incentives to: boost investment in upgraded equipment; promote incorporation and expansion of emerging and strategic industries; import machinery and equipment not produced locally; invest in the manufacturing and technical services industry; and invest overseas. Between 2012 and 2015, the amounts of taxes reduced or exempted to promote the upgrading of industry have dropped by 44.3% to NT\$62.6 billion whereas taxes rebated for exports rose by 34.8% to NT\$3.1 billion; likewise the share of the amount of non-export related tax relief as a percentage of tax revenues in recent years dropped from 6.3% to 2.9% whereas the share related to exports remained stable at 0.1% (except for 2014).¹¹² Since July 2013, the Central Bank no longer offers special loans via the commercial banking system at preferential interest rates to finance imports of machinery and equipment for major industries.

3.84. During the review period, Chinese Taipei continued to provide tax incentives to support specific industries (Table A3.7) including: the biotech and pharmaceutical industry (under the Act for the Development of Biotech and new Pharmaceutical Industry) (Sections 2.4.1, 3.3.1.2.3, 3.3.2.2, 4.1.1 and 4.3.1); the automotive industry; and development of international airport parks (under the International Airport Park Development Act).¹¹³ Preferential loans through a NT\$10 billion fund remain available for the promotion of the aerospace industry. To boost local investment in high-tech industries, the authorities provide funding for medium- and long-term concessional credit facilities. The funds are meant for: investment in the information, machinery, electronics and textiles industries; purchase of pollution-control equipment; purchase of automated machinery and other factory-automation equipment; and government-encouraged investment projects. Each overseas company helping a local company set up a computerized operating system is eligible for NT\$50 million in subsidies.¹¹⁴ Between 2014 and 2018, grants allocated for developing new leading industries (e.g. 3C industry (i.e. computer, communication and consumer electronics), semiconductors) peaked in 2015 at NT\$420.8 million then dropped to NT\$273.9 million in 2018; the 3C industry has been the largest recipient of these grants.

3.85. Tax benefits support investment in production of local motion pictures (Table A3.7).¹¹⁵ The Financial Technology Development and Innovative Experimentation Act ("the Act") was promulgated on 31 January 2018. The Act is enacted for establishing a Fintech innovative experimentation mechanism and creating a safe environment for Fintech R&D and pilot trials of the financial industry and related sectors, while maintaining financial market order and protecting customers' rights. The Act is applicable to experimenters that use innovative methods to engage in any financial services business that requires approvals from the Financial Supervisory Commission (FSC) (Section 4.4.2). Natural persons, proprietary business, partnership, and legal persons, as well as non-residents through an agent all may apply for innovative experiments. The experimentation period is up to one

¹¹¹ Article 52 of the Electricity Act.

¹¹² Ministry of Finance (2016), *Government Finance - 2016*, July.

¹¹³ In November 2016, the authorities announced a number of measures to support the biotechnology industry, including: investment of NT\$10.9 billion in 2017 to boost its value to NT\$ 1 trillion by 2025; the creation of a "biomedical corridor" between Chinese Taipei's science parks; a tax incentive scheme for biomedical start-ups; and relaxed regulations on inbound investment and recruitment into the sector. Concerning the automotive industry, Commodity Tax reductions or exemptions have fully benefited electric-powered motor vehicles (including electric motor bikes), LPG cars, low-chassis buses, gas buses, hybrid-power buses, electric buses, and rehabilitation buses for the disabled (Section 3.3.1.1.2). In January 2016, the Ministry of Finance amended existing legislation to provide a tax break of NT\$50,000 (US\$1,500) for those upgrading to a newer model within half a year of selling a car that is at least six years old. Online information. Viewed at: <http://investtaiwan.nat.gov.tw/showPage?lang=eng&search=10310016>; Economist Intelligence Unit (2017), *Industry Report: Automotive, 2nd Quarter*, 9 April, London. Viewed at: www.eiu.com/automotive; and Economist Intelligence Unit (2017), *Industry Report: Healthcare, 3rd Quarter*, 22 August, London. Viewed at: www.eiu.com/healthcare.

¹¹⁴ Economist Intelligence Unit (2017), *Country Commerce*, June, London. Viewed at: www.eiu.com.

¹¹⁵ Online information. Viewed at: http://www.mof.gov.tw/File/Attach/75532/File_10791.pdf (p. 207).

year and the applicant may apply for a one-time extension up to six months. However, if the experiment involves laws that should be amended, the experimentation period extension is not subject to the restriction of a one-time extension and the overall period may be extended to three years.

3.3.1.2.5 Other assistance

3.86. Tax incentives are available to promote reasonable operation of an enterprise, private participation in infrastructure projects and investment in less-developed regions (Table A3.7).¹¹⁶

3.3.2 Standards and other technical requirements

3.3.2.1 Standards, testing, and certification

3.87. During the review period, the institutional setting in this area has remained virtually unchanged. The Bureau of Standards, Metrology and Inspection (BSMI), under the MOEA, remains in charge of standardization, metrology and product inspection. Its activities also encompass the development of domestic standards, the verification of weights and measuring instruments, the inspection of commodities and the provision of other certification or testing services.¹¹⁷ By the end of 2018, due to organizational policy adjustments, the BSMI is to cease its certification services for all management systems, except for Hazard Analysis and Critical Control Points (HACCP). More than 20 private or non-profit organizations providing certification services in one or more areas of management systems are taking over certification activities along with the process of BSMI's exit from the certification market.¹¹⁸ At present, eight standards-related institutions involved in the development and promotion of standards are under the BSMI.¹¹⁹ Regarding testing services, the BSMI maintains testing laboratories in regulated sectors and also undertakes research on testing methods in areas of emerging technologies. Currently, the testing laboratories of BSMI and its six branches (see above) are capable of performing tests of physical, chemical, electrical and electromagnetic compatibility properties of products. Such capabilities are important to assist in feasibility studies required for developing domestic standards and regulating product safety.¹²⁰ Product testing activities that lead to certification are conducted at BSMI designated laboratories. A complete list of designated laboratories may be found on the BSMI website.¹²¹

3.88. The BSMI maintains cooperation arrangements with 31 organisations in 24 economies. As at February 2018, the BSMI had signed Mutual Recognition Agreements (MRAs) with eight economies (the United States (1999, 2010), Canada (2002), Australia (2004), New Zealand (2005, 2017), Singapore (2005), Viet Nam (2004), Japan (2012) and the Philippines (2017)) on the acceptance of conformity assessment results in regulated sectors.¹²² The BSMI remains a participant in the APEC

¹¹⁶ Under the Business Mergers and Acquisitions Law (M&A Law) a company, which acquires the assets and shares of another company and pays for the acquisition with its own voting shares, and provided that the total of such shares exceeds 65% of the value of the acquired shares, can benefit from exemptions from, *inter alia*, Stamp Tax, Deed tax, and Securities Transaction Tax. Online information. Viewed at: http://www.mof.gov.tw/File/Attach/75532/File_10791.pdf (p. 213) and <http://investtaiwan.nat.gov.tw/showPage?lang=eng&search=10310016>.

¹¹⁷ As at February 2018, the BSMI had seven departments, six administrative units, six branches and thirteen offices. The six branches are located in Keelung, Hsinchu, Taichung, Tainan, Kaohsiung and Hualien. BSMI online information. Viewed at: <https://www.bsmi.gov.tw/wSite/ct?xItem=3735&ctNode=805>.

¹¹⁸ According to the authorities, over the last 25 years, certification of management systems reached their fullest potential; the number of existing certification bodies to meet the needs of local industry for global deployment is sufficient and their competence is internationally recognized. BSMI (2017), *2016 Annual Report of BSMI*, April 2017. Viewed at: <https://www.bsmi.gov.tw/wSite/public/Data/f1495182475951.pdf>.

¹¹⁹ The standards-related institutions involved in the development of CNS are the NSRC standards review council and NSTCs standards technical committees. In addition, the BSMI also recognizes 6 standardizing groups, mainly industry associations or non-profit organizations, that participate in the development activities of standards.

¹²⁰ BSMI (2017), *2016 Annual Report of BSMI*, April 2017. Viewed at: <https://www.bsmi.gov.tw/wSite/public/Data/f1495182475951.pdf>.

¹²¹ It includes designated electromagnetic compatibility (EMC) and safety testing laboratories; designated testing laboratories for machinery and mechanical products; and chemical products testing laboratories recognized by the BSMI overseas. BSMI online information. Viewed at: <https://www.bsmi.gov.tw/wSite/np?ctNode=4116&mp=1>.

¹²² More detailed information on cooperation partners with whom agreements/MoUs were signed is available at: BSMI (2017), *2016 Annual Report of BSMI*, April 2017. Viewed at:

Sub-Committee on Standards and Conformance, and the International Organization of Legal Metrology (OIML); it also participates in the General Conference on Weights & Measures (CGPM), the Asia Pacific Legal Metrology Forum (APLMF) and the Asia Pacific Metrology Programme (APMP).¹²³ To bring domestic standards in line with international standards, the BSMI continues to follow the standardization-related activities of international standardising organisations, such as ISO, IEC, Codex, ITU, UN/ECE, etc.¹²⁴ It remains the WTO/TBT Enquiry Point of Chinese Taipei.

3.89. The 2017 BSMI Work Plan has been focused on domestic standards for green energy technologies, precision machinery, green transportation, energy-saving, environmental protection, public construction, and consumer and senior care products. With respect to energy-saving and environmental protection, emphasis is placed on cycling products, electric vehicles, energy management system and smart meters. In response to public concerns raised by consumers for a healthy and safe living environment, the BSMI continues to work on, *inter alia*, synthetic detergents, tyres, wheelchairs, infant products and products used for public construction.¹²⁵ The areas identified in the 2017 work plan remain the focus areas of the 2018 plan; new products such as those in the energy-saving area, i.e. fuel cell technologies, wind turbines and photovoltaic energy management systems, were included. In response to the needs of manufacturers, consumers and other users, Chinese Taipei's semi-annual work programme objective is to draft and revise domestic standards with a view to applying a set of consistent standards to local products, procedures and services.¹²⁶

3.90. During the review period, the legislative framework in standardization and inspection has remained largely unchanged. Its main legal instruments include the Standards Act, the Commodity Inspection Act, the Weights and Measures Act, and their implementing regulations. The Regulations Governing Monitoring Inspection were amended in December 2014 to clarify the manner in which monitoring inspection is performed and to expedite the customs clearance procedures by allowing advance payment of inspection fees under conditions approved by the BSMI.¹²⁷

3.91. Regulatory impact analysis (RIA) is one of the elements of Good Regulatory Practice (GRP) (Section 2.1). The BSMI introduces technical regulations on a risk-based approach, where risk assessment is performed at different stages of the product safety system, including setting standards, decision on regulating, pre-market control, border checks, and market surveillance. Public hearings are also held to engage stakeholders more directly in order to understand the impacts of proposed measures.

3.3.2.1.1 Voluntary, compulsory and aligned standards

3.92. Standards continue to be implemented on a voluntary basis, unless they are designated as technical regulations (Article 4 of the Standards Act).¹²⁸ Chinese Taipei's standards (CNS) are based primarily on international standards, such as those developed by the International Standards Organization (ISO), International Electrotechnical Commission (IEC), and International Telecommunications Union (ITU).¹²⁹ As at end-2017, there were 13,391 (14,651 in 2013) standards, of which 282 (2.1%) were designated as technical regulations; at the same time, 99% of CNS standards were equivalent to international ones (Table A3.8). Technical regulations are administered

<https://www.bsmi.gov.tw/wSite/public/Data/f1495182475951.pdf>; and information provided by the authorities.

¹²³ The APEC Sub-Committee on Standards and Conformance identified six priority areas for member economies to align their domestic standards with international standards for the period of 2014-2018. These priority areas comprise: (i) solar PV, (ii) electrical product safety, (iii) LED lighting, (iv) energy management, (v) electrical accessories, and (vi) EMC. Chinese Taipei authorities report that they achieved the goal of aligning domestic standards in these areas with international standards. BSMI online information. Viewed at: <https://www.bsmi.gov.tw/wSite/ct?xItem=3770&ctNode=808&mp=2>.

¹²⁴ BSMI online information. Viewed at: <https://www.bsmi.gov.tw/wSite/ct?xItem=3770&ctNode=808&mp=2>.

¹²⁵ BSMI (2017), *2016 Annual Report of BSMI*, April 2017. Viewed at: <https://www.bsmi.gov.tw/wSite/public/Data/f1495182475951.pdf>.

¹²⁶ BSMI online information. Viewed at: <https://www.bsmi.gov.tw/wSite/ct?xItem=3784&ctNode=808&mp=2>.

¹²⁷ BSMI online information. Viewed at: <http://www.bsmi.gov.tw/wSite/public/Attachment/f1425953896025.doc>.

¹²⁸ The procedure for establishing domestic standards is described in Article 7 of the Standards Act. WTO document WT/TPR/S/232/Rev.1, 28 July 2010.

¹²⁹ Online information. Viewed at: <https://www.export.gov/article?id=Taiwan-Standards-for-Trade#standardsproductcertification>.

by the relevant agencies under various laws and regulations and they also issue conformity certificates.¹³⁰ They mainly affect specific chemical products, electrical and mechanical goods, electronic products, civil engineering and architecture and food (Table A3.8).

3.93. Reportedly, although Chinese Taipei tends to act rapidly to adopt international standards for sectors where it is a strong exporter (such as electronic goods), there are concerns in areas where the pace of adoption of international standards remains slow. Examples that seemingly stand out include, *inter alia*, automotive double testing and food safety standards.¹³¹ The authorities indicated that they follow the established principle of regulations which are consistent with international standards and based on scientific principles. Furthermore, while drafting regulations the considerations depend on individual experiences, and they are eventually established on the basis of risk assessments (see above). They also clarified that: Chinese Taipei's vehicle safety regulation was harmonized with UN ECE regulation; the origin of the regulation is the same as those of the European Union, Japan and Korea (Rep. of); and, there is accredited technical service and its testing report from the European Union, Japan, Korea (Rep. of) is accepted. In principle, there are no double testing issues. Based on the principle of equality and mutual-benefit, and to simplify the process of mutual vehicle safety type approval, Chinese Taipei welcomes the discussion of mutual recognition of vehicle type approval certificates with WTO Members.

3.94. All products subject to (mandatory) technical regulations are subject to commodity inspection in accordance with the Commodity Inspection Act.¹³² The BSMI remains in charge of these testing and inspection methods; testing of commodities can only be done by the BSMI or testing laboratories recognized by the BSMI (Section 3.3.2.1).¹³³ Products that have complied with regulatory inspection requirements are affixed with the Commodity Inspection Mark.¹³⁴ The Batch-by-Batch Inspection (BBI) is applied to products with unstable manufacturing processes or to those products that pose concerns of risk or danger.¹³⁵ As at February 2018, a total of 574 products were subject to the BBI scheme. The Monitoring Inspection Scheme (MIS) is a simplified BBI system, based upon a confidence building process. As at February 2018, a total of 555 products were subject to the MIS, all chemical products including cement products, petroleum products, fire-retardant paint materials, fire-retardant building materials, tires and toys.¹³⁶ At the same time, 1,220 commodities of 802 chemical products and 418 mechanical, electrical or electronic products were subject to mandatory inspection before being allowed to be placed on the local market in accordance with the Commodity Inspection Act.¹³⁷ Between 2015 and 2016, the total number of inspection cases (3 agencies involved) increased by 10.5% to 1.6 million of which 70.5% related to imports, about 29% to incoming consumer goods and 41.3% to incoming food and related products. During the same period, batches of commodities inspected only by the BSMI increased by 0.8%, of which 98.6% related to incoming merchandise, about 51% of which were mechanical and electrical/electronic products.

3.95. Under the Registration of Product Certification (RPC) testing system, products are subject to conformity assessment modules which cover both the design and production phases of product manufacturing. As at February 2018, a total of 753 products were subject to the RPC scheme. The Declaration of Conformity (DoC) is a less restrictive conformity assessment procedure, which is generally applied to low-risk products with stable manufacturing technology and few concerns of risk

¹³⁰ WTO document WT/TPR/S/232/Rev.1, 28 July 2010.

¹³¹ ECCT (2016), *2017 Position Papers*, 10 November. Viewed at: <http://www.ecct.com.tw/>.

¹³² WTO document WT/TPR/S/232/Rev.1, 28 July 2010.

¹³³ Online information. Viewed at: <https://www.export.gov/article?id=Taiwan-Standards-for-Trade#standardsproductcertification>.

¹³⁴ BSMI (2017), 2016 Annual Report of BSMI, April 2017. Viewed at: <https://www.bsmi.gov.tw/wSite/public/Data/f1495182475951.pdf>.

¹³⁵ Online information. Viewed at: <https://www.bsmi.gov.tw/wSite/ct?xItem=4447&ctNode=811&mp=2>.

¹³⁶ More detailed information on the application procedures, required documents and a list of designated laboratories is available at the BSMI website at: <https://www.bsmi.gov.tw/wSite/lp?ctNode=811&CtUnit=667&BaseDSD=7&mp=2>. Chinese Taipei commodity inspection schemes online information. Viewed at: <https://www.bsmi.gov.tw/wSite/public/Attachment/f1506578277977.pdf>.

¹³⁷ As of February 2018, the BSMI was commissioned by the Council of Agriculture to conduct inspection of 83 products imported as feedings. Information on such products is available at: http://civil.bsmi.gov.tw/bsmi_pqn/index.jsp?lang=en.

and danger.¹³⁸ As at February 2018, a total of 49 commodities were subject to the DoC scheme.¹³⁹ Post-market surveillance measures are taken to ensure the safety of regulated products.¹⁴⁰

3.96. The BSMI also administers the CNS Mark Certification System; the application for CNS ranges from voluntary use by businesses in purchase or production to mandatory use when referenced by technical regulations.¹⁴¹ As at end-2017, a total of 683 factories and 2,085 products were granted a CNS mark. The Voluntary Product Certification (VPC) System continued to upgrade the level of design, development and production of products based on more stringent requirements. In 2016, it covered 37 product items, mostly, electrical and electronic products. In 2016, the scope of the VPC System was expanded to cover photovoltaic (PV) modules to promote duality testing and validation of PV modules, low-carbon footprint investigation of PV manufacturers and development of factory inspection technology. Reportedly, it provides a comprehensive certification system for the PV industry conducive to high-performance solar PV module technology.¹⁴²

Metrology

3.97. The BSMI remains responsible for developing the statutory metrology system. The purpose of this system is to ensure fair trade, maintain proper public safety and health, and protect the environment (Article 5 of the Weights and Measures Act). However, with a view to aligning the practices of business management with the classification of legal instruments, the BSMI is in the process of reviewing the Enforcement Rules of Weights and Measures Act. A draft clarifying the category and scope of each statutory metrology instrument will be available for public announcement by the end of 2018 and will be open for comments by the industry and related stakeholders before adoption. A WTO notification is to be submitted on this matter in the course of 2018.

3.98. By the end of 2017, there were 1,170 instrument measuring enterprises of which 251 were engaged in manufacturing, 231 in repairing, and 688 in importing measuring instruments. The measurement laboratory NML maintains 134 sets of standard measurement systems in 17 fields, and provides 5,260 calibration services for primary and secondary laboratories. In 2017, the NML participated in key comparisons for 15 items and 28 sets of measurement of traceability (Sections 3.3.3.1 and 3.3.2.2). By the end of 2017, there had been 372 items of measurement standards registered in the database of the International Bureau of Weights and Measures (BIPM), to ensure that Chinese Taipei's measurement standards are equivalent to international standards.¹⁴³

Drugs approval and GM issues

3.99. In response to concerns over Chinese Taipei's seemingly lengthy drug-approval process, the Food and Drug Administration (FDA) under the Ministry of Health and Welfare (MOHW) started to gradually improve its benefit/risk-based drug-approval systems. In February 2017, the authorities approved plans to revise the legal status of the Centre for Drug Evaluation (CDE) but there has been no progress so far. In addition, a reduction in the number of stages in the drug-approval process from three to two is envisaged.¹⁴⁴ According to the authorities, the average review times for new drug approval stood at 346 days in 2015, 361 days in 2016, and 295 days in 2017.¹⁴⁵ In 2016, the Health Insurance Administration's new drug approval rate stood at 50%, meaning that only 50% of

¹³⁸ Under the DoC scheme, manufacturers may have testing done at the BSMI designated laboratories, prepare their own technical documents, and then draft the declaration of conformity themselves.

¹³⁹ These products include: digital cameras, digital video cameras, typewriters, cash registers, electronic calculators, card punching machines, optical disc devices, data storage units, class B main boards of computers, add-on cards with I/O devices, and vulcanized rubber tubes. Export.gov online information. Viewed at: <https://www.export.gov/article?id=Taiwan-Standards-for-Trade#standardsproductcertification>.

¹⁴⁰ BSMI (2017), *2016 Annual Report of BSMI*, April 2017. Viewed at: <https://www.bsmi.gov.tw/wSite/public/Data/f1495182475951.pdf>.

¹⁴¹ More detailed information on terms for the granting of CNS Marks is available in: WTO documents WT/TPR/S/302/Rev.1, 18 December 2015 and WT/TPR/S/232/Rev.1, 28 July 2010.

¹⁴² BSMI (2017), *2016 Annual Report of BSMI*, April 2017. Viewed at: <https://www.bsmi.gov.tw/wSite/public/Data/f1495182475951.pdf>.

¹⁴³ BSMI (2017), *2016 Annual Report of BSMI*, April 2017. Viewed at: <https://www.bsmi.gov.tw/wSite/public/Data/f1495182475951.pdf>.

¹⁴⁴ Economist Intelligence Unit (2017), *Industry Report: Healthcare*, 3rd Quarter, 22 August, London. Viewed at: www.eiu.com/healthcare.

¹⁴⁵ In a few special cases it attained 500 days. In 2017, the FDA refused to file (RTF) to reject submissions of bad quality; as a result, the review time has significantly decreased to less than 300 days. ECCT (2016), *2017 Position Papers*, 10 November. Viewed at: <http://www.ecct.com.tw/>.

the approved cases were subject to reimbursement.¹⁴⁶ It appears that on average it takes up to 417 days to be approved for reimbursement; the process for cancer drugs can reach up to 781 days.¹⁴⁷ Consequently, it seems that Chinese Taipei remains behind the comparable economies in ensuring patients' access to innovative and valuable treatments, despite having some of the lowest reimbursement prices. Furthermore, the authorities indicated that, in order to simplify the hospital accreditation criteria and strike a balance with the objective of promoting the development of new pharmaceuticals and the biotech industry (Sections 2.4.1, 3.3.1.2.3, 3.3.1.2.4, 3.3.2.2, 4.1.1 and 4.3.1) under the 2017 hospital accreditation criteria (for medical centre use), they retained articles related to the purchase of new pharmaceuticals and medical devices that had been approved in accordance with the "Act For The Development Of Biotech And New Pharmaceuticals Industry". In addition, the revised hospital accreditation criteria require that procurement activities should not contravene commitments under any treaties or agreements, such as the WTO Agreement on Government Procurement (GPA). Provisions related to encouraging hospitals to import or to purchase new drugs of specific origin were removed from the regional and district hospital accreditation criteria recently.

3.100. In December 2015, amendments to the School Health Act banned the use of processed food with biotechnology ingredients in school meals. Reportedly, this ban of genetically modified (GM) ingredients was not supported by scientific evidence and contradicted the GM food approval list issued by the MOHW (Section 3.3.3.1). According to the authorities, these amendments were proposed by the legislators and approved expeditiously therefore there has not been sufficient time to proceed with their WTO notification which, as of April 2018, was still pending. Some of Chinese Taipei's trading partners urged it to remove this ban at the 2016 Trade and Investment Framework Agreement (TIFA) Council meeting.¹⁴⁸

Chemical substances

3.101. Following the 2013 amendments to the Occupational Safety and Health Act (OSH Act) (formerly the Labour Safety and Health Law), importers and producers of chemical substances were required to register new chemical substances that they sell or utilize in production with the Ministry of Labour (MOL). At the same time, parallel amendments were also passed to the Toxic Chemical Substances Control Act (TCSCA), drafted by the Environmental Protection Administration (EPAT). The new TCSCA covers existing and new chemical substances that are manufactured in, or imported into Chinese Taipei.

3.102. Separate registrations under the TCSCA and OSH Act became mandatory on 11 December 2014 and 1 January 2015, respectively. In response to requests to eliminate the burden of duplicative TCSCA and OSH Act listings raised at the TIFA TBT working group, as from August 2015 EPAT has served as a consolidated single registration window. This step, along with the establishment of simplified registration rules, reduced regulatory complexity. Phase one of the TCSCA registration process was concluded in March 2016. In 2016, EPAT also sought stakeholder comments to improve the operation of the registration schemes, including the single window, and compiled a list of chemicals to be subject to standard registration which is to be announced in the course of the revision of the Regulation of New and Existing Chemical Substances Registration in 2018.¹⁴⁹ Concerns on the duration and applicability of confidential business information (CBI) protection were also addressed in the draft amendment.

¹⁴⁶ According to the authorities, in 2016, the approval rate of new drug pricing in the PBRS Joint Meeting has already achieved 89%.

¹⁴⁷ According to the authorities, these are unofficial data and is calculated based on the duration between the first time a drug supplier submits dossiers and the date of listing, without considering that a drug supplier may disagree with the pricing result and resubmit. Therefore, there is a difference in calculation basis. According to NHIA's data 2013-2016, a new drug pricing process (from submission to listing) takes 8.5 months (approximately 250 days) as median duration and 9.7 months as average duration. Even though multiple participation of the pricing review process may more or less influence the time course of pricing procedures, NHIA's pricing time course still remains quite reasonable.

¹⁴⁸ The United States and ASEAN concluded the US-ASEAN Trade and Investment Arrangement (TIFA) in 2006 and since then have been working to build US-ASEAN trade and investment ties as well as promote ASEAN regional economic integration. USTR (2017), *2017 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/reports/2017/NTE/2017%20NTE.pdf> and ECCT (2016), *2017 Position Papers*, 10 November. Viewed at: <http://www.ecct.com.tw/>.

¹⁴⁹ USTR (2017), *2017 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/reports/2017/NTE/2017%20NTE.pdf>.

Other

3.103. An import ban on food exports from five Japanese prefectures after the accident at TEPCO's Fukushima Daiichi Nuclear Power Station in 2011 remains in place (Section 3.3.2.1.2).¹⁵⁰ In February 2017, Chinese Taipei notified its draft amendments to the Tobacco Hazards Prevention Act, including plain packaging requirements, aimed to take into account principles of the WHO Framework Convention on Tobacco Control; these plain packaging requirements were not retained at the following stage (Section 3.3.7.1.2).¹⁵¹

3.3.2.1.2 Transparency

3.104. Between January 2014 and early May 2018, Chinese Taipei submitted 167 regular notifications to the WTO Committee on Technical Barriers to Trade; the 60-day period for comments was observed for 136 regular notifications.¹⁵² The type of measures notified to the WTO, included 162 technical regulations (Article 2.9) and 88 conformity assessment procedures (Article 5.6). Chinese Taipei did not notify any urgent technical regulations (Article 2.10) or any urgent conformity assessment procedures (Article 5.7); the notified measures were mainly related to consumer and human health protection. In addition, only 7 out of all MRAs signed in this area (see above) have been notified so far (Article 10.7).¹⁵³ During the review period, Chinese Taipei was subject to three TBT-related specific trade concerns (STCs).¹⁵⁴

3.3.2.2 Marking and labelling

3.105. Under the Commodity Labelling Act, which remained unchanged during the review period, all labelling must be done in Chinese and may be supplemented by a label in English or another language.¹⁵⁵ In 2015, the authorities relaxed food labelling regulations and procedures to allow importers to clear unlabelled goods at Customs and move the goods to their own warehouses for labelling; the only requirement is that the goods are labelled before they are sold.¹⁵⁶ A traceability label system for local products under the Safe Agricultural Products (Gi-Am-Pu) Label has been in place since 2015 (Sections 3.3.2.1.1 and 3.3.3.1).¹⁵⁷ The MOHW remains responsible for overseeing and enforcing food and beverage labelling requirements.

3.106. Labelling requirements for foods containing and/or derived from genetically modified food raw materials remain virtually unchanged. In 2015, new biotechnology labelling regulations for

¹⁵⁰ STC online information. Viewed at: <http://spsims.wto.org/en/SpecificTradeConcerns/View/387>.

¹⁵¹ WTO document G/TBT/N/TPKM/264, 13 February 2017.

¹⁵² WTO TBT IMS. Viewed at: <http://tbtdims.wto.org/>.

¹⁵³ WTO online information. Viewed at:

<http://tbtdims.wto.org/en/AgreementNotifications/Search?ProductsCoveredHSCodes=&ProductsCoveredICSCodes=&DoSearch=True&ExpandSearchMoreFields=False&NotifyingMember=Chinese+Taipei&PartiesToTheAgreement=&DocumentSymbol=&DistributionDateFrom=&DistributionDateTo=&DescriptionOfContent=&SearchTerm=&ProposedDateOfEntryIntoForceFrom=&ProposedDateOfEntryIntoForceTo=&ProductsCovered=&SubjectMattersCoveredByAgreement>.

¹⁵⁴ These STCs covered: the Draft of the Organic Agriculture Act (EU, 2016); genetically modified organisms labelling (Australia, Canada, New Zealand, South Africa, United States, 2015); and, additional labelling standard of prefecture of origin for foods from Japan (Japan, 2015). WTO TBT IMS. Viewed at: <http://tbtdims.wto.org/en/SpecificTradeConcerns/View/508>; <http://tbtdims.wto.org/en/SpecificTradeConcerns/View/464>; and, <http://tbtdims.wto.org/en/SpecificTradeConcerns/View/465>.

¹⁵⁵ WTO document WT/TPR/S/232/Rev.1, 28 July 2010 and online information. Viewed at: <https://qcis.nat.gov.tw/elaw/English/lawEnDtlAction.do?method=viewLaw&pk=169>.

¹⁵⁶ The following businesses may apply for an exemption from labelling requirements if the imported product is over three kilograms: (i) facilities that import food products for further processing; (ii) restaurants, fast food outlets and bakeries that import food products for their own kitchens; and (iii) importers that import food products for further processing or repackaging (i.e. products not for direct sale to consumers). If an imported product is less than three kilograms, interested companies must request an exemption from the FDA in advance. Viewed at: <https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative%20Taipei%20Taiwan%2012-16-2016.pdf>; and ECCT (2017), 2018 *Position Papers – Clearing the Hurdles to Economic Progress*, November. Viewed at: <http://www.ecct.com.tw/file/Publications/201711151808326974.pdf>.

¹⁵⁷ Online information. Viewed at: <https://eng.coa.gov.tw/ws.php?id=2505355>.

prepackaged foods, food additives, and unpackaged foods were introduced.¹⁵⁸ Primary products from GM raw materials, such as soybean oil, corn starch and syrup and soy sauce, are required to be labelled as GM. "Secondary" products made with GM primary products, such as beverages containing corn syrup, are exempted from GM labelling requirements. The length and width of the font must not be less than 2 mm and must be noticeable due to a different colour, font or background. The regulations impose a 3% *de minimis* threshold for GM labelling. These regulations cover restaurants and catering establishments. Fines for violating the regulations can range from NT\$30,000 (US\$1,000) up to NT\$3 million (US\$100,000). Business licences can be revoked for serious violations.¹⁵⁹

3.3.3 Sanitary and phytosanitary measures

3.3.3.1 Food standards-setting framework

3.107. During the review period, the main laws and regulations affecting food standards and specification remained the Act Governing Food Safety and Sanitation (last amended in January 2018) and its Enforcement Rules (amended in July 2017), and the Regulations of Inspection of Imported Foods and Related Products (amended in June 2015). The main change was the raising of the legal standing of the rules on claims of medical efficacy to regulation level.

3.108. The MOHW remains responsible for food safety with its key implementing agency, the FDA (Section 3.3.2.1.1), responsible for consumers' health protection by: creating sound legal standards and reviewing mechanisms; implementing the food source management; establishing detailed quality chain monitoring systems; pushing forward laboratory responsibilities and capabilities; putting in place risk management systems; and proactively strengthening consumer protection and communication channels.¹⁶⁰

3.109. During the review period, the FDA continued to amend food-related laws and regulations to comply with international standards. Its focus areas included: amendments to food regulatory standards and product review; management of food sources, in particular implementing a food safety control system and border inspection of food; inspection of food additives; monitoring of the food safety chain including post marketing monitoring, sampling and testing of food; and food safety and sanitation management.¹⁶¹

3.110. Chinese Taipei is a member of the World Organization for Animal Health (OIE), but it is not a member of the Codex Alimentarius Commission or the International Plant Protection Convention (IPPC).¹⁶² Bilateral arrangements on promoting mutual cooperation on SPS issues exist with Australia, Canada, China, the European Union, France, Hungary, Italy, India, Japan, Korea (Rep. of), Thailand, the Netherlands, New Zealand, the Philippines, Poland, South Africa, Spain, Sweden, the United Kingdom, the United States and Viet Nam.¹⁶³

Maximum residue levels

3.111. MOHW remains responsible for setting and promulgating maximum residue limits (MRLs); the Codex standards are not automatically adopted.¹⁶⁴ The legislative framework regulating MRLs

¹⁵⁸ USTR (2017), *2017 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/reports/2017/NTE/2017%20NTE.pdf>.

¹⁵⁹ USTR (2017), *2017 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/reports/2017/NTE/2017%20NTE.pdf> and https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative/Taipei/Taiwan_12-16-2016.pdf.

¹⁶⁰ MOHW (2017), *2016 Chinese Taipei Health and Welfare Report*, January 2017. Viewed at: <https://www.mohw.gov.tw/cp-137-521-2.html>.

¹⁶¹ Food businesses are required to use Hazard Analysis and Critical Control Points (HACCP) systems to prevent food hazards and establish a food safety management task force. In 2015, there were 640,000 batches of food imports and related products, of which 50,149 were tested. MOHW (2017), *2016 Chinese Taipei Health and Welfare Report*, January 2017. Viewed at: <https://www.mohw.gov.tw/cp-137-521-2.html>.

¹⁶² WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

¹⁶³ SPS measures are also covered in the RTAs with El Salvador, Guatemala, Honduras, New Zealand, Nicaragua, Panama and Singapore. WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

¹⁶⁴ USDA Foreign Agricultural Service (2016), *Food and Agricultural Import Regulations and Standards – Narrative*, December. Viewed at:

includes, *inter alia*: Standards for Pesticide Residue Limits in Foods, Standards for Pesticide Residue Limits in Animal Products, and Standards for veterinary drug residue limits in food.¹⁶⁵ Chinese Taipei amends regulations on MRLs on average four times per year to remain in line with the latest safety assessment information. The 2018 amendments to Standards for Pesticides Residue Limits in Foods covered 253 residue limits of 29 pesticides in 119 food categories which were either added or changed by TFDA.¹⁶⁶

3.112. Incoming fruit, vegetables, meat and other food products are subject to inspection and testing by FDA inspectors at the port of entry for pesticides, animal drugs and other contaminants such as heavy metals. All established MRLs are implemented across the board for both incoming and locally produced products. All incoming merchandise is subject to market entry inspection upon arrival whereas local products are subject to surveillance or monitoring, reportedly, at a much lower inspection frequency.¹⁶⁷ The authorities indicated that the entry control measures are based on the "Regulations of Inspection of Imported Foods and Related Products" which are risk-based and take into consideration the violations record of importers; as a result the target items, mechanism and criteria for sampling of the entry point inspection and local surveillance differ.

3.113. With respect to imports of corn and soybeans, a declaration, which states whether the shipment is intended for feed/industrial use or food use, is required at Customs upon arrival. Incoming rice is subject to batch-by-batch testing for pesticide residues, heavy metals, aflatoxin, and mycotoxins. The tests are generally completed within 3-5 working days; should the test exceed five days, incoming rice may be released into approved warehouses with an importer *affidavit* awaiting the outcome of the test. During this time, the product cannot be sold on the market.¹⁶⁸

3.114. Reportedly, Chinese Taipei's slow process for establishing MRLs for pesticides, low number of approved MRLs, and zero tolerance policy for pesticides without established MRLs have resulted in incoming agricultural shipments being stopped at the ports of entry and other restrictions. Concerns also relate to MRLs that are considered not Codex standards- or science-based.¹⁶⁹ In 2014, the COA devised a set of review standards to ensure consistency in the treatment of overseas test reports on field efficacy and residues. The authorities indicated that they follow the principle of establishment of pesticide MRLs consistent with international standards on the basis of scientific principles, and in line with the COA's requirements for using pesticide. Furthermore, the levels at which the MRLs are set depend on the dietary pattern and total intake in Chinese Taipei, and they are eventually established on the basis of risk assessments. The process of evaluating the pesticide MRLs of incoming crops is subject to the same principles as those for local crops.

Food additives

3.115. The FDA's Standards for Scope, Application and Limitation of Food Additives prescribe strict tolerance levels and acceptable use requirements for processed food products that contain artificial food additives. As of February 2018, the Standards for Specification, Scope, Application and

[https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative Taipei Taiwan 12-16-2016.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative%20Taipei%20Taiwan%2012-16-2016.pdf).

¹⁶⁵ In addition, standards for heavy metals are listed under *Standards for Tolerance of Heavy Metals in Plant Origin*, and standards for infant foods under *Standards for Sanitation and Pesticide Residue Limits in Infant Foods*. USDA Foreign Agricultural Service (2016), *Food and Agricultural Import Regulations and Standards – Narrative*, December. Viewed at:

<https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative Taipei Taiwan 12-16-2016.pdf>.

¹⁶⁶ Online information. Viewed at: <http://resources.selerant.com/food-regulatory-news/taiwan-march-updates-for-pesticide-mrls>.

¹⁶⁷ USDA Foreign Agricultural Service (2016), *Food and Agricultural Import Regulations and Standards – Narrative*, December. Viewed at:

<https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative Taipei Taiwan 12-16-2016.pdf>.

¹⁶⁸ USDA Foreign Agricultural Service (2016), *Food and Agricultural Import Regulations and Standards – Narrative*, December. Viewed at:

<https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative Taipei Taiwan 12-16-2016.pdf>.

¹⁶⁹ USTR (2017), *2017 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/reports/2017/NTE/2017%20NTE.pdf>.

Limitation of Food Additives cover over 800 food additive standards and regulations.¹⁷⁰ Additives not contained in the list are prohibited for use in foodstuffs in Chinese Taipei.¹⁷¹

3.116. Article 35 of the Act Governing Food Safety and Sanitation stipulates that when importing food additive combinations, food businesses must attach a product ingredient report issued by the manufacturer or responsible manufacturer of the country of origin and an official sanitary certificate issued by the exporter.¹⁷² To add a new food additive to the Standards for Scope, Application and Limitation of Food Additives, a manufacturer or a designated representative must send a formal application accompanied by several documents to the MOHW which evaluates the acceptability of these additives and makes a formal determination within four to six months.¹⁷³

Genetically modified raw materials

3.117. Chinese Taipei is one of the major importers of genetically modified (GM) crops. Its regulatory and institutional framework remained virtually unchanged during the review period.¹⁷⁴ In 2015, the Feed Control Act was amended to contain a legal basis for managing GM feeds. Since 2014, an Advisory Committee in Genetically Modified Foods has been in place to: formulate genetically modified foods policies and strategies; and study and formulate genetically modified foods related plans and other genetically modified foods related matters.¹⁷⁵ All genetically modified food raw materials (GMFRM) must be reviewed by the competent authority in health risk assessment; product registration must be filed for and a permit document procured from the competent authority (Article 21 of the Act Governing Food Safety and Sanitation).¹⁷⁶ Importers of GMFRM must file for product registration, obtain a permit document and then install a traceability system for tracing the source and tracking the flow of the GMFRM (Sections 3.3.2.1.1 and 3.3.2.2). A grace period of two years was given to unregistered GMFRM already present on the market until 2016. Food businesses in Chinese Taipei must retain records, documents, electronic files, or a database of incoming products and GMFRM for a period of five years. As at February 2018, Chinese Taipei had approved 130 GM foods.¹⁷⁷

¹⁷⁰ A complete list of food additives is available at:

<https://consumer.fda.gov.tw/Law/Detail.aspx?nodeID=518&lang=1&lawid=241>.

¹⁷¹ In addition, a searchable list of food additives is available at:

<https://consumer.fda.gov.tw/Food/FoodAdd.aspx?nodeID=161> (in Chinese), and in: USDA Foreign Agricultural Service (2016), *Food and Agricultural Import Regulations and Standards – Narrative*, December 2016. Viewed at:

[https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative Taipei Taiwan 12-16-2016.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative%20Taipei%20Taiwan%2012-16-2016.pdf).

¹⁷² This regulation does not apply to flavouring agents. Act Governing Food Safety and Sanitation.

Viewed at:

<https://consumer.fda.gov.tw/Law/Detail.aspx?nodeID=518&lang=1&lawid=292&k=%u98DF%u54C1%u5B89%u5168%u885B%u751F%u7BA1%u7406%u6CD5%u65BD%u884C%u7D30%u5247>.

¹⁷³ USDA Foreign Agricultural Service (2016), *Food and Agricultural Import Regulations and Standards – Narrative*, December 2016. Viewed at:

[https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative Taipei Taiwan 12-16-2016.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative%20Taipei%20Taiwan%2012-16-2016.pdf).

¹⁷⁴ The legal framework contains, *inter alia*: the Rules for conduct in respect to Genetic Recombination Experiment and Fundamental Science and Technology Act under MST; the Plant Variety and Plant Seed Act, the Animal Industry Act, the Fishery Law and the Feed Control Act under COA; and the Act governing Food Safety and Sanitation under MOHW's FDA. Its institutional framework comprises: (i) the Ministry of Science and Technology (MOST) in charge of laboratory researches; (ii) the Council of Agriculture (COA) in charge of environment and feed safety; and (iii) the MOHW responsible for food safety. Food Industry Research and Development Institute (2016), *Regulations and safety assessment for genetically modified foods and feeds in Chinese Taipei* presented by Wen-Shen Chu, July. Viewed at: <http://ilsr.org/taiwan/wp-content/uploads/sites/19/2017/02/%E6%BC%94%E8%AA%AA%E6%AA%94%E6%A1%88-%E6%9C%B1%E6%96%87%E6%B7%B1%E5%8D%9A%E5%A3%AB-%E5%8F%B0%E7%81%A3%E5%9F%BA%E5%9B%A0%E6%94%B9%E9%80%A0%E4%BD%9C%E7%89%A9%E6%B3%95%E8%A6%8F%E8%88%87%E5%AE%89%E5%85%A8%E6%80%A7%E8%A9%95%E4%BC%B0.pdf>; and WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

¹⁷⁵ Regulations Governing the Establishment of the Advisory Committee in Genetically Modified Foods. Viewed at: <http://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?PCode=L0000062>.

¹⁷⁶ Act Governing Food Safety and Sanitation. Viewed at:

<https://consumer.fda.gov.tw/Law/Detail.aspx?nodeID=518&lang=1&lawid=292&k=%u98DF%u54C1%u5B89%u5168%u885B%u751F%u7BA1%u7406%u6CD5%u65BD%u884C%u7D30%u5247>.

¹⁷⁷ Online database of approved GM foods in Chinese Taipei. Viewed at: <https://consumer.fda.gov.tw/Food/GmoInfoEn.aspx?nodeID=300#>.

3.3.3.2 Quarantine regulations

3.118. During the review period, most of the main laws and regulations on quarantine requirements have been amended. They include: the Statute for Prevention and Control of Infectious Animal Diseases (amended in December 2014), the Plant Protection and Quarantine Act (amended in June 2014), the Enforcement Rules of the Plant Protection and Quarantine Act (amended in December 2015), the Quarantine Requirements for the Importation of Animals or Animal Products (amended in June 2017), and Quarantine Requirements for the Importation of Plants and Plant Products (amended in October 2017). The amendments concerned *inter alia* clarification of the provisions of Article 5 of the Enforcement Rules of the Plant Protection and Quarantine Act. It lists some plant protection or plant quarantine matters that may be addressed by relevant agency representatives, private organizations, or individuals authorized by the competent or plant quarantine authority whenever necessary.¹⁷⁸

3.119. The Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ), under the COA, continues to be responsible for animal and plant quarantine as well as for quarantine services and prevention and control of important animal and plant diseases and pests. The FDA remains in charge of the safeguarding, quality and sanitation of all agricultural imports. BAPHIQ is the WTO SPS enquiry point. COA's Agriculture and Food Agency (AFA) oversees such programmes as rice procurement and organic certification.¹⁷⁹

Phytosanitary measures

3.120. Incoming plants and plant products must have a phytosanitary certificate issued by the plant quarantine authority of the exporter or an electronic certificate with the agreement of the Chinese Taipei's plant quarantine authority; the latter has not been in place as there has been no such agreement so far.¹⁸⁰ Imports of soils; plants, plant products or other articles with soil; pests; antagonist or competitor and other organisms used as biological control agents for controlling pests; and packages or containers used by or harbouring the above mentioned articles are forbidden unless they are applied for experimental, research, educational or exhibit use by governmental agencies, public enterprises, schools, corporations or organizations founded and registered under relevant laws, and approved by the competent authority.¹⁸¹ Prior to importation all relevant documents/data for risk assessment must be submitted for approval.¹⁸² Although certificates issued by the exporter's competent authorities are generally accepted, in a few cases certificates issued by organizations or agencies accredited or authorized by the competent authority may also be accepted.¹⁸³ The authorities indicated that there have been no new phytosanitary bans imposed since 2014.

Sanitary measures

3.121. Animals and animal products remain subject to inspection and quarantine.¹⁸⁴ The import/export of items subject to quarantine can only be handled by quarantine authorities or

¹⁷⁸ Information provided by the authorities.

¹⁷⁹ USDA Foreign Agricultural Service (2016), *Food and Agricultural Import Regulations and Standards – Narrative*, December. Viewed at: [https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative Taipei Taiwan 12-16-2016.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative%20Taipei%20Taiwan%2012-16-2016.pdf).

¹⁸⁰ If importers fail to submit phytosanitary certificates or if their certificates contain information inconsistent with the pertinent quarantine requirements, the plant quarantine authority can demand that importers submit the corrected certificates within a specified period of time, impose quarantine measures, re-export, or destroy imports. Article 16 of Plant Protection and Quarantine Act. Viewed at: <http://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?PCode=M0140001>.

¹⁸¹ Article 15 of the Plant Protection and Quarantine Act online information. Viewed at: <http://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?PCode=M0140001>.

¹⁸² All the documents can be found under Article 11 of the Enforcement Rules. Viewed at: <http://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?PCode=M0140>.

¹⁸³ USDA Foreign Agricultural Service (2016), *Food and Agricultural Import Regulations and Standards – Narrative*, December. Viewed at: [https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative Taipei Taiwan 12-16-2016.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative%20Taipei%20Taiwan%2012-16-2016.pdf).

¹⁸⁴ These include: bovines, water buffaloes, horses, mules, donkeys, camels, sheep, goats, rabbits, pigs, dogs, cats, fowls, turkeys, ducks, geese, eels, prawns, tilapia, milkfish, salmon, trout, and other animals (Article 3-4), other animals of similar breeds, or animals which can be affected by infectious animal diseases, and their carcasses, bone, flesh, internal organs, fats, blood, hide, hair, feather, horns, hooves, tendons, milk,

authorized organizations (Article 32 of the Statute). Risk assessment by the animal quarantine authority is required for a first-time application for importation of animals or animal products.¹⁸⁵

3.122. At present, Chinese Taipei bans the entry of animals and animal products from territories infected with foot-and-mouth disease, rinderpest, contagious bovine pleuropneumonia and African swine fever. In addition, the following animals are prohibited from importation: (i) bovines from a zone affected by Bovine spongiform encephalopathy (BSE); (ii) elephants from a zone affected by foot-and-mouth disease; (iii) perissodactyl animals from zones affected by glanders; and (iv) poultry and birds from zones affected by highly pathogenic avian influenza. Animal products prohibited from importation include: (i) products with disease-transmission potential derived from perissodactyl animals from zones affected by glanders; (ii) poultry from territories (zones) recognized as infected with highly pathogenic avian influenza or Newcastle disease; and (iii) products with potential to transmit BSE from territories (zones) with reported case(s) of BSE.¹⁸⁶ Imports of fishery products (live, fresh, chilled, or frozen) require a certificate of origin issued by either the authorities of the exporting territory or its authorized representative.¹⁸⁷

Fees

3.123. Quarantine authorities continue to levy service charges for operations such as on-site inspection at a rate of NT\$500 per batch of consignment¹⁸⁸; other inspection fees (e.g. animal holding fees, carcass burning fees, document handling fees, etc.) are imposed at the actual cost of the service and in line with the "Regulations Governing Fees for Animal and Plant Quarantine".¹⁸⁹ The quarantine fee for incoming animals and plants is charged at 0.1% (0.05% for wheat, barley, corn, and soy beans) of the c.i.f. value for imports and the f.o.b. value for exports.¹⁹⁰ To assess the cost of quarantine services, price fluctuations and changes in several factors are taken into consideration. The quarantine fees charged for incoming animals and plants are based on the c.i.f. value for imports; these fees have been under ongoing review and discussion since 2017.

3.3.3.3 Transparency

3.124. Between January 2014 and early May 2018, Chinese Taipei submitted 261 notifications to the WTO Committee on Sanitary and Phytosanitary Measures: 232 were regular notifications, 7 were emergency notifications, and the remaining notifications were addenda. Chinese Taipei applied the 60-day period for comments for 129 regular notifications.¹⁹¹ All notified SPS measures related to international standards, guidelines or recommendations. Chinese Taipei was subject to one SPS/TBT-related STC regarding import restriction in response to the 2011 nuclear plant accident in Japan (Section 3.3.2.1.2).

blood powder, eggs, sperm, embryos, and other objects which could spread animal epidemic disease (Article 5). Statute for Prevention and Control of Infectious Animal Disease. Viewed at: <http://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?PCode=M0130003>.

¹⁸⁵ Detailed information on the importation/exportation procedure of objects subjected to quarantine can be found in Chapter 4 of the Statute for Prevention and Control of Infectious Animal Disease. Viewed at: <http://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?PCode=M0130003>; and Article 9-10 of the Quarantine Requirements for the Importation of Animals and Animal Products. Viewed at: https://www.baphiq.gov.tw/files/web_articles_files/baphiq/14984/16959.pdf.

¹⁸⁶ Article 6 of the Quarantine Requirements for the Importation of Animals and Animal Products. Viewed at: https://www.baphiq.gov.tw/files/web_articles_files/baphiq/14984/16959.pdf.

¹⁸⁷ Online information. Viewed at: <https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative%20Taipei%20Taiwan%2012-16-2016.pdf>.

¹⁸⁸ Multiple batches at the same site are counted as one batch. Service charges for on-site inspections are not applied to inspections conducted at warehouses, container terminals or other locations where the offices of the BAPHQ are located. Article 10 of Regulations Governing Fees for Animal and Plant Quarantine, amended 20 February 2014.

¹⁸⁹ A cap is imposed on this service charge at 15% when carried out by private practitioners.

¹⁹⁰ Economist Intelligence Unit (2017), *Country Commerce*, June, London. Viewed at: www.eiu.com.

¹⁹¹ WTO SPS IMS. Viewed at: <http://spsims.wto.org/>.

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.125. Competition policy remains mainly regulated by the Fair Trade Act (FTA) and relevant implementing regulations, policy statements and guidelines most of which were amended during the review period (Table A3.9).¹⁹² All activities and conduct of enterprises (including state-owned enterprises) are covered by the FTA.¹⁹³ Competition issues related to certain activities are also subject to sector-specific legislation, such as the Banking Law, the Financial Holding Company Act, the Financial Institutions Merger Act, the Insurance Act, the telecommunications rules and laws regulating professionals and the practice of fee standards set by professional associations. The FTA has precedence over other laws with respect to competition except when these laws contain relevant provisions that are not in conflict with its legislative purposes. The Fair Trade Commission (FTC) remains the competent authority for the formulation and implementation of competition policy; however, according to the authorities, for any matter covered by the FTA and involving other ministries or commissions, the FTC may consult with them.¹⁹⁴ Industrial policy goals have been addressed in the FTC's policy making process through consultations with the stakeholders concerned.

3.126. During the review period, the FTA was amended three times (4 February 2015, 24 June 2015 and 14 June 2017). Its February 2015 amendments, covering 70% of its provisions, were considered the widest in range, the largest in scale and the most influential legal reforms since its entry into force. Significant amendments on the aspect of free competition included: the FTC's independence and exclusive responsibility for FTA enforcement; the distinction of free competition issues from fair competition issues; the threshold in the definition of monopolistic enterprises; the revision of merger regulations and investigation rules; and the establishment of an anti-trust fund to subsidize expenses from litigation, to provide rewards for the reporting of illegal concerted actions, to support relevant research, education and advocacy, and to promote international cooperation.¹⁹⁵

3.127. The FTA addresses monopolistic actions, concerted actions, mergers, as well as unfair competition. With regard to monopolistic actions, monopolistic enterprises are prohibited from abusing their market power. Where the market share exceeds the aforementioned thresholds, an individual enterprise would not be deemed as a monopolistic enterprise if its market share does not exceed one tenth of the relevant market or its total sales in the preceding year are less than NT\$2 billion.¹⁹⁶ The FTA generally prohibits competing enterprises from engaging in concerted action, such as fixing price, quantity, or market share, which would have an impact on the functioning of the market; exemptions may include actions that are beneficial to the economy as a whole, in the public interest and meet certain conditions. It requires that on the basis of market share or sales criteria, certain mergers be notified to the FTC in advance. The FTA does not apply to any proper conduct in connection with the exercise of IP rights pursuant to the provisions of the Copyright Law, Trademark Law, or Patent Law.¹⁹⁷

3.128. The FTC may initiate investigations, upon receiving complaints or *ex officio*, into any alleged violation that harms the "public interest". Since November 2011, a leniency programme has been in place to encourage enterprises to report illegal concerted action, submit evidence and assist investigations.¹⁹⁸ Where a violation related to monopolistic action, concerted action, resale price fixing, or other competition-restraining action is found, the FTC may order the relevant enterprise to cease the violation and correct its conduct within a prescribed period. The FTC may also issue an administrative penalty ranging between NT\$100,000 and NT\$50 million. If the relevant enterprise fails to cease the violation or take corrective action, the FTC may issue an order with a higher

¹⁹² The text of the Fair Trade Act is available at the FTC's website: <https://www.ftc.gov.tw/internet/english/doc/docList.aspx?uid=1294>.

¹⁹³ Article 46 of the FTA.

¹⁹⁴ Sub-paragraph 2 of Article 6 of the FTA.

¹⁹⁵ According to Article 47-1 of the FTA, 30% of the fines imposed according to the FTA are put into the fund. Other capital sources of the fund include interest accrued on the fund, budgetary allocations and other relevant incomes. By the end of 2017, the total amount of the fund was NT\$241.69 million (99.96% fines, 0.04% interests accrued).

¹⁹⁶ Decree of the Fair Trade Commission on 4 March 2015. Viewed at: <https://www.ftc.gov.tw/upload/9f149c0a-dd41-4efe-9784-7de5ace54ed1.pdf>.

¹⁹⁷ Article 45 of the FTA.

¹⁹⁸ Article 35 of the FTA and the Regulations on Immunity and Reduction of Fines in Illegal Concerted Action Cases.

administrative penalty ranging between NT\$200,000 and NT\$100 million until the enterprise complies with the FTC's order. In the case of serious violations related to monopolization and concerted action, the FTC may impose an administrative penalty of up to 10% of the total sales income of an enterprise in the previous fiscal year.

3.129. Failure to comply with FTC orders regarding monopolization or concerted action may be subject to a punishment of imprisonment of up to three years, or a fine of no more than NT\$100 million, or both. For failure to comply with FTC orders regarding resale price fixing or other competition-restraining actions, the imprisonment would be up to two years and the fine would be up to NT\$50 million. FTC decisions are appealed directly to the Administrative Court according to the February 2015 FTA amendments. Enterprises injured by a competition rules violation may file a claim for compensation at a court. The compensation should not exceed three times the amount of damages that is proven.

3.130. In the period 2012-2017, the FTC opened investigations into 13,898 cases, of which only 16% were self-initiated and 11.5% related to requests of opinion (Table 3.6); a total amount of about NT\$37.5 billion was imposed with peaks in 2014, 2015 and 2017. In 2015, the FTC imposed a NT\$5.7 billion fine, the third largest fine in its history on a group of manufacturers of electronic capacitors (devices used for storing electricity temporarily), a group of companies including Nippon Chemi-Con Corporation and NEC TOKIN Corporation, both of Japan, as well as the US-based Vishay Polytech, for holding regular meetings to restrict competition and keep prices higher than the market level.¹⁹⁹ In mid-February 2015, it initiated its *ex officio* investigation on Qualcomm's monopolistic conduct and found that the company, a world leader in 3G and next-generation mobile technologies, was abusing its monopolistic status in the market of baseband chips; a fine of NT\$23.4 billion, the largest amount ever imposed since FTC's establishment, was imposed on Qualcomm.²⁰⁰ In May 2016, the FTC imposed a fine of NT\$72.6 million on 21 container freight station operators for engaging in illegal concerted action to collect facility fees for export goods. In 2017, apart from the Qualcomm case, the FTC sanctioned: three TV channel agents for failing to rectify their illegal conduct that offered different transaction terms when licensing broadcasting rights to incumbents and newcomers; six cable TV operators for preventing competitors from engaging in competition by inducement with low prices, or other improper means; ten franchisers for not fully disclosing to trading counterparts important franchise information during franchisee recruitment; and a large pharmaceutical company for implementing resale price maintenance.

Table 3.6 Competition policy enforcement statistics, 2012-17

Number of cases	2012	2013	2014	2015	2016	2017
Cases opened	2,555	2,279	2,375	2,090	2,311	2,288
Cases received: sub total	2,114	1,973	2,001	1,666	1,960	1,960
Complaint	1,955	1,623	1,538	1,302	1,586	1,671
Application for concerted action	10	4	8	15	5	7
Mergers	52	51	68	60	71	43
Request of opinion	97	295	387	289	298	239
Self-initiated investigations	441	306	374	424	351	328
Cases processed						
Cases concluded in current year, total	1,895	1,643	1,642	1,283	1,543	1,727
Ruling on the violation of the FTA	86	102	77	37	42	36
No-action decision	316	276	199	101	129	104
Administrative action	6	1	2	-	2	1
Review terminated	1,340	1,160	1,275	1,108	1,325	1,484
Cases consolidated	147	104	89	37	44	102
Fine (NT\$ million)	366.6	1,336.9	6,140.5	5,860.8	267.6	23,516.3
Anti-competitive practice	307.8	1,278.1	6,105.1	5,829.4	205.9	23,422.5
Unfair trade practice	46.6	49.6	30.9	20.9	53.6	45.0
Improper multi-level sales or violation of the Multi-Level Marketing Supervision Act	12.1	8.2	4.5	10.6	8.1	15.8
Others	0.15	0.95	-	-	-	-
Appeals						
Cases concluded in current year, total	147	112	90	19	10	10
Rejected	119	81	70	15	6	9
Original decision repealed	17	8	12	1	-	-

¹⁹⁹ Economist Intelligence Unit (2017), *Country Commerce*, June, London. Viewed at: www.eiu.com.

²⁰⁰ FTC News Release, 11 October 2017. Viewed at: <https://www.ftc.gov.tw/internet/english/doc/docDetail.aspx?uid=179&docid=15247>.

Number of cases	2012	2013	2014	2015	2016	2017
Not accepted	11	11	8	2	3	1
Withdrawn	-	1	-	1	1	-
Partially rejected (or not accepted)	-	2	-	-	-	-
Cases pending	37	25	20	13	11	13

Source: Information provided by the authorities.

3.131. The FTC maintains competition cooperation arrangements/agreements with its counterparts in Australia, Canada, France, Hungary, Japan, Mongolia, New Zealand and Panama; no new agreements were signed during the review period.²⁰¹ The FTC is a member of the International Competition Network (ICN) and participates in ICN's activities regularly. Competition advocacy is also an important aspect of the FTC's duties. In 2017, the FTC organized 81 advocacy activities for enterprises and the general public. It also held training workshops on competition policy for business managers, lawyers, and government officials.

3.3.4.2 Price controls

3.132. The Price Stabilization Committee remains responsible for work in this area.²⁰² Whenever necessary, it coordinates the supply and demand of relevant goods and services with a view to stabilizing their prices. To promptly respond to inquiries from the Price Stabilization Committee, the Commodity Price Supervisory Board continues to monitor price changes and supply of bulk commodities and important livelihood products. On 31 March 2015, the NDC development council established an online Price Information Platform to provide the general public with access to comprehensive information on current and historical prices of livelihood products. Trade-related measures may be adopted to stabilize prices (Section 3.1.3.7).²⁰³

3.133. Chinese Taipei maintains price monitoring over energy products (electricity, gasoline, diesel, gas, and natural gas, etc.), construction materials (iron and steel, sands and stones etc.), bulk commodities (e.g. wheat, corn, soybeans, flour, milk powder, cooking oil, salt), pharmaceuticals and telecom services. The cost of most new drugs is reviewed almost once a year, and has resulted in several price reductions in recent years, seemingly making Chinese Taipei a less attractive market for overseas pharmaceutical companies. Among more than 16,000 drugs covered by NHI, around 7,600 drug prices were adjusted in 2017 (332 raised in price and 7,331 reduced in price), yet only 88 of which were Class 1 drugs (patented drugs). Besides, the average adjustment range of the drug price adjusted in 2017 was only 3.5%.²⁰⁴

3.134. Price-stabilization measures remain in place at upstream, mid-stream, and downstream levels, as well as some production support measures (Table 3.7, Sections 3.3.1.2.4, 4.1.1.1 and 4.2.2.3). Taking into account people's livelihood requirements, economic development objectives and local industry competitiveness, the current floating price adjustment mechanism for domestic gasoline and diesel fuel of the publicly owned petroleum company (CPC Corporation) regulates their pre-tax wholesale price so as to keep it at the lowest level among neighbouring East Asian economies, such as: Japan; Korea (Rep. of); Hong Kong, China; and Singapore (Sections 3.3.5 and 4.2.2.3). Domestic airlines abide by a maximum discount on ticket prices which can be made as a seasonal adjustment of 50%.

²⁰¹ Online information. Viewed at: <https://www.ftc.gov.tw/internet/english/doc/docList.aspx?uid=1075>.

²⁰² Members of the Price Stabilization Committee include, among others, the Ministries of Economic Affairs, Finance, Transportation and Communication, Health and Welfare, the Central Bank (CBC), the Council of Agriculture (COA), the Public Construction Commission (PCC), and the NDC development council.

²⁰³ Online information. Viewed at: <http://www.ey.gov.tw>.

²⁰⁴ Economist Intelligence Unit (2017), *Industry Report: Healthcare*, 3rd Quarter, 22 August, London. Viewed at: www.eiu.com/healthcare.

Table 3.7 Price-stabilization measures

Commodities	Measures
Upstream: incoming bulk commodities, and farm-gate prices of agricultural products	<ul style="list-style-type: none"> - Monitoring price changes in the international market for bulk commodities (wheat, corn, soybeans, flour, milk powder and cooking oil); - reducing tariffs "dynamically" on some milk powder, butter, corn flour, soy flour, apple, nectarine, kiwifruit and goose meat; - exempting from business tax (corn); - limiting price rises of some state-owned enterprise products: for example, "Taiwan Sugar Corporation" was required to stabilize the price of its small packets of sugar, and to keep its salad oil prices at the lowest level in the market; - keeping track of daily movements in farm-gate and wholesale prices of key agricultural products. Activating relevant production and marketing modulation measures when necessary.
Mid-stream: reducing transportation costs, and strictly investigating cartels	<ul style="list-style-type: none"> - Subsidizing oil used by farmers and fishermen: exempted from the 5% Business Tax; subsidizing gasoline and diesel used by fishermen by 14% of the price; - strengthening investigation of mid-stream cartels or illegal hoarding.
Downstream: monitoring market prices, setting up special anti-inflation areas, and strictly punishing illegal hoarding or price gouging	<ul style="list-style-type: none"> - Stabilizing market prices of agricultural products (rice, vegetables, meat); - setting up mechanisms for checking market prices: price checks by the MOEA, the Consumer Protection Committee, and the FTC; - setting up special anti-inflation areas in stores, and working in coordination with businesses to fight inflation; - strengthening the investigation of cartels, illegal hoarding, and price gouging - enhancing transparency on price information.
Dedicated measures to stabilize the price of fruits and vegetables	<ul style="list-style-type: none"> - Establishing an Integrated Online Market Information System for Fruits and Vegetables on 1 May 2017; - increasing vegetable storage capacity; - establishing an emergency mechanism to increase vegetable imports prior to possible typhoon strikes; - establishing vegetable security stock; - increasing the number of stores for the supply of cheap vegetables; - increasing agricultural production facilities such as greenhouses; - strengthening price check when there are typhoon alarms; - establishing task forces to respond to possible natural disaster strikes.

Source: NDC online information. Viewed at:
https://www.ndc.gov.tw/Content_List.aspx?n=E2D7F614ADB04163.

3.3.4.3 Consumer protection

3.135. The Consumer Protection Act was amended on 17 June 2015.²⁰⁵ Major changes brought to the Act concern: the use of standard contracts; distance sales and door-to-door sales; and consumer suits.²⁰⁶ The Enforcement Rules of the Consumer Protection Act were amended accordingly on 31 December 2015; the same day, the Regulations on Reasonable Matters as Exceptions to Rescind the Distance Sales were enacted to specify rules related to the amendment of the Act. As a result of these amendments, consumers' rights appear to be generally strengthened. The Consumer Protection Committee remains responsible for organizing consultations and conducting reviews of consumer protection related policies, enforcement of regulations, and other relevant issues. In 2017, there were 54,255 consumer complaints registered online on its website. During the review period, the leading categories of consumer disputes were related to online gaming (3,102 cases); clothing, leather and shoes (3,011 cases); telecommunication services (2,839 cases), mobile phone and peripheral products (2,555 cases); and the cram schools system (1,449 cases).

3.3.5 State trading, state-owned enterprises, and privatization

3.136. During the review period, public-sector involvement in the economy has remained relatively unchanged and spread over several activities including rice, sugar, tobacco and liquor, petroleum, aerospace, shipbuilding, electricity, water supply, banking and finance, engineering, and postal services; market monopolies are retained in electricity, water supply and postal services

²⁰⁵ Consumer Protection Committee online information. Viewed at:
https://www.cpc.gov.tw/cpc_en/Content_List.aspx?n=1680CAE13C36FA16.

²⁰⁶ More information on these amendments is provided online by the Consumer Protection Committee at:
https://www.cpc.gov.tw/cpc_en/News_Content.aspx?n=F66FD3CFB8AED49D&sms=D5B062E5C3E2CFD2&s=E12F415F444EDD26.

(Table 3.8).²⁰⁷ State-owned enterprises continue to be managed mostly by ministries including the MOEA, the Ministry of Transportation and Communications, and the MOF.²⁰⁸ The government retains control over some already entirely or partly privatized enterprises, including through managing appointments to boards of directors.²⁰⁹ As at April 2018, there were 18 state-owned enterprises operating in Chinese Taipei (see below); their contribution to GDP rose from 3.4% (2013) to 4.3% (2016), whereas their share in gross fixed capital formation dropped from 5.5% to 4.6%. Between 2014 and 2016, the state-owned enterprises' total assets rose from NT\$18.7 trillion to NT\$19.7 trillion, and their net profit rose from NT\$232 billion to NT\$365.1 billion with only one company registering losses ("Taiwan Railway Administration"). Despite a drop in 2015, these enterprises employed 116,783 persons in 2016. In 2015, revenue from surpluses of public enterprises and public utilities, albeit gradually declining, accounted for 9.8% (11.2% in 2013) of net government revenue and remained its second major source after taxes.²¹⁰ No data on the share of state-owned enterprises in local and overseas trade were available from the authorities.

Table 3.8 Indicative list of state-owned enterprises, 2018

Company name	Public sector ownership (%)	Privatization progress and/or plan
Printing Plant, Ministry of Finance	100.00	Temporarily not being privatized (it is charged with the implementation of government policies)
Export-Import Bank	100.00	Temporarily not being privatized (it is charged with the implementation of government policies)
Taoyuan International Airport Corporation	100.00	Temporarily not being privatized
"Taiwan Tobacco & Liquor Corp."	100.00	Temporarily not being privatized (Corporation and its employees still have no consensus on privatization at the moment)
"Taiwan Railway Administration"	100.00	Temporarily not being privatized
"Taiwan International Ports Corporation"	100.00	Temporarily not being privatized
"Taiwan Financial Holding Co. Ltd."	100.00	Temporarily not being privatized (it is charged with the implementation of government policies)
"Land Bank of Taiwan Co. Ltd."	100.00	Temporarily not being privatized (it is charged with the implementation of government policies)
CPC Corporation (CPC)	100.00	Temporarily not being privatized
Chunghwa Post Co. Ltd.	100.00	Temporarily not being privatized: Chunghwa Post Co. Ltd. should provide universal service
"Taiwan Sugar Corp. (TSC)"	96.51	Re-evaluation: currently being planned by SBU (Strategy Business Unit)
"Taiwan Water Corp. (TWC)"	100.00	Temporarily not being privatized: water purification plant by contracting out
Chunghwa Telecom	40.18	Latest release of shares: 25 April 2017
Aerospace Industrial Development Corp.	35.17	Latest release of shares: 21 August 2014
"CSBC Corporation, Taiwan (CSBC)"	33.57	Latest release of shares: 18 December 2008
RSEA Engineering	100.00	It completed the privatization of its construction sector on 1 November 2009 and will implement the procedures for its dissolution and liquidation in 2020
Tang Eng. Iron Works Co.	11.56	Latest release of shares: 5 July 2006

Source: Information provided by the authorities; and Economist Intelligence Unit (2017), *Country Commerce*, June. Viewed at: www.eiu.com.

²⁰⁷ BTI (2016), *Chinese Taipei Report*. Bertelsmann Stiftung, 2016. Available at: https://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI_2016_Taiwan.pdf (p. 13).

²⁰⁸ For example, the MOEA supervises "Taiwan Sugar", "Taiwan Power" and the CPC Corporation; the Ministry of Transportation and Communications supervises Chunghwa Post and "Taiwan Railway Administration"; and the MOF supervises "Taiwan Tobacco and Liquor", as well as the banks. Economist Intelligence Unit (2017), *Country Commerce*, June, London. Viewed at: www.eiu.com.

²⁰⁹ These enterprises include, *inter alia*, Chunghwa Telecom, "China Steel", "Taiwan Fertilizer", "Taiwan Salt", CSBC Corporation (shipbuilding), Yang Ming Marine Transportation, and eight public banks.

²¹⁰ Ministry of Finance (2016), *Government Finance - 2016*, July.

3.137. State-owned enterprises are also used as industrial development or food security policy tools. In November 2017, amendments to the Statute for Industrial Innovation (SII) mandating an R&D spending quota (i.e. percentage of budget) for state-owned enterprises were passed (Section 3.3.1.2.2).²¹¹ Regarding rice, the most important crop in Chinese Taipei, the Agriculture and Food Agency (AFA) of the COA continues to retain an exclusive right to import 65% of the rice tariff quota at the in-quota tariff rate (Sections 3.1.3.5 and 4.1).²¹² The Central Engraving and Printing Plant (CEPP) retains an exclusive right to print currency and to import banknote paper to stabilize financial markets and to prevent counterfeiting through the use of banknote paper.

3.138. According to the legislation and the authorities, a state-owned enterprise is a company that retains *de jure* monopoly rights and at least 50% of its shares are owned by the government. Upon the loss of its statutory monopoly rights or other special rights, and/or reduction of the number of shares held by the public sector, a state-owned enterprise is considered privatized, and therefore not subject to WTO notification despite being involved in trading activities (e.g. "Taiwan Tobacco and Liquor Corporation" and "Taiwan Sugar Corporation").²¹³ Consequently, Chinese Taipei's WTO notifications during the review period cover state-trading activities on rice and banknote paper only.²¹⁴

3.139. During the review period, there has been virtually a standstill in the privatization process involving the closure by liquidation of the Kaohsiung Ammonium Sulphate Co. Ltd. (15 January 2016) as well as the release of shares of the Aerospace Industrial Development Corp. (August 2014) and Chungwa Telecom (April 2017) (Table 3.8). This situation seems largely due, *inter alia*, to: lack of consensus on privatization between employees and corporation and implementation of government policies; opposition; various economic considerations; regulatory difficulties; and the fragmented administrative structure (i.e. different agencies involved in their administration).²¹⁵ Furthermore, the January 2017 Electricity Act amendments included plans for the restructuring of the publicly owned electricity company Taipower in the period 2023-2026 and the setting up of a new holding company that will gradually liberalize power generation and distribution (Section 4.2.2.2).²¹⁶

3.3.6 Government procurement

3.140. Government procurement amounted to NT\$1 trillion in 2016, representing 6% of GDP, down from 7% in 2013. In 2017, construction works accounted for 36.5% of the total value of government procurement, while goods and services represented 35.6% and 27.9%, respectively.²¹⁷ The share of non-local suppliers in the total value awarded ranged from 10.9% (2014) to 25.5% (2017) (Table 3.9), while their share in the number of contracts awarded was relatively stable, at slightly above 10% with a peak of 11.1% in 2017.²¹⁸

²¹¹ Online information. Viewed at: <https://www.export.gov/article?id=Taiwan-state-owned-enterprises>.

²¹² WTO document G/STR/N/16/TPKM, 20 June 2016.

²¹³ WTO document WT/TPR/S/232/Rev.1, 28 July 2010.

²¹⁴ WTO documents G/STR/N/15/TPKM, 9 September 2014, and G/STR/N/16/TPKM, 20 June 2016.

²¹⁵ So far the privatisation process, initiated in 1989, has been carried out through sale of shares and assets, formation of a privately owned enterprise by joint venture with private individuals, merger with an existing private enterprise, and/or capital increase. WTO documents WT/TPR/S/232/Rev.1, 28 July 2010, and WT/TPR/S/302/Rev.1, 18 December 2015; Economist Intelligence Unit (2017), *Country Commerce*, June, London. Viewed at: www.eiu.com; and BTI (2016), *Chinese Taipei Report*, Bertelsmann Stiftung, 2016. Viewed at: https://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI_2016_Taiwan.pdf (p. 15).

²¹⁶ Enerdata online information. Viewed at: <https://www.enerdata.net/publications/daily-energy-news/taiwan-amends-its-electricity-act-plans-nuclear-exit-2025.html>; and Export.gov online information. Viewed at: <https://www.export.gov/article?id=Taiwan-state-owned-enterprises>.

²¹⁷ In 2017, the main procurement items for goods were: pharmaceutical products, weapons and ammunition and parts thereof. The main services procured were: architectural, engineering and other technical services. The major construction contracts covered were: construction work for civil engineering and buildings.

²¹⁸ Regarding "domestic goods", the rule for determining source of origin of goods is pursuant to the Regulations Governing the Determination of Country of Origin of Import Goods, which is prescribed by the Ministry of Finance and the Ministry of Economic Affairs. Products produced by overseas-invested companies or joint-ventures are not considered "domestic". Regarding "domestic services", the rule for determining source of origin of services is pursuant to the GP Act and its related regulations, by the origin or the place of registration of the actual service provider. Where the service provider is a natural person, the citizenship applies; where the service provider is not a natural person, the place of registration applies.

Table 3.9 Procurement by origin, 2014-17

	2014	2015	2016	2017
Total value (NT\$ billion)	934.5	919.4	1,026.0	1,222.6
Percentage of GDP	5.8	5.5	6.0	7.0
Share	(%)			
Local	89.1	81.4	82.2	74.5
Non-local	10.9	18.6	17.8	25.5
Suppliers originating in GPA parties	9.5	16.7	16.7	16.2
Number of contracts awarded	187,966	177,956	182,082	185,803
Share	(%)			
Local	89.8	89.1	89.2	88.9
Non-local	10.2	10.9	10.8	11.1
Suppliers originating in GPA parties	8.9	9.4	9.2	9.3

Note: The statistics include procurement not covered by the WTO/GPA and with a value of more than NT\$100,000. The statistics do not include procurement for resale or using in the production of supplies or services for sale.

Source: Information provided by the authorities.

3.141. Chinese Taipei is a member of the WTO Agreement on Government Procurement (GPA) and has opened its GPA covered procurements to other members of the Agreement. Public Private Partnerships contracts are not covered by Chinese Taipei's commitment under the revised GPA. According to the authorities, in 2016, market access opportunities in central and sub-central entities under Chinese Taipei's GPA commitment stood at NT\$206.7 billion (NT\$182.3 billion in 2014), representing 20.2% (19.5% in 2014) of its total government procurement value; construction and services accounted for 43.7% and 20.1% of the GPA procurement value respectively, and the Ministry of Transportation and Communications and Taipower are the main procurement entities responsible for 19.6% and 20.2% of this amount respectively.²¹⁹ The authorities reported that, as at April 2018, the statistics for GPA-covered procurement in 2017 were under preparation and would be submitted when available. Since 2014, the GPA procurement value has remained stable.

3.142. Chinese Taipei maintains two bilateral trade agreements that contain market-access commitments on government procurement: one with New Zealand (ANZTEC), which entered into force on 1 December 2013, and another with Singapore (ASTEP), effective since 19 April 2014. Notably, under the ASTEP, the two signatories adopted lower market access thresholds for the procurement of goods and services (excluding construction services) than those under the GPA for central entities but for the others they are the same as those under the revised GPA, reflecting their willingness and ability to further liberalize their government procurement markets bilaterally.²²⁰

Legislation

3.143. Government procurement remains regulated by the Government Procurement Act (GP Act), which aims to ensure fair and open procurement procedures, promote the efficiency and effectiveness of government procurement operation and ensure the quality of procurement. It applies to procurement by any government agency, public school, or state-owned enterprise, for the contracting of construction work, the purchase or lease of property, and the retention or employment of services.²²¹ During the review period, the Act was amended in January 2016.²²² The amendments included: the introduction of payment and review procedures for procurement of construction services; the strengthening of the role of the Complaint Review Board for Government Procurement (CRBGP) in providing suggestions or proposals in dispute mediation; the application of mediation and arbitration to procurement of technical services; and the increase of the maximum number of

²¹⁹ So far the GPA has covered procurement of Taipei and Kaohsiung Cities; other mega cities have not been officially included in the list of the sub-central entities. Currently, Chinese Taipei has no plans to expand its GPA coverage to include other municipalities in its list of sub-central entities. WTO documents GPA/137/Add.1, 27 May 2016; and GPA/142/Add.3, 3 July 2017.

²²⁰ The GPA standard thresholds are SDR 130,000 for goods and services procured by government entities, SDR 200,000 for local government entities and SDR 400,000 for other entities, and SDR 5 million for construction services procurement by all entities. Under the ASTEP, Chinese Taipei and New Zealand set the thresholds at SDR 130,000 for goods and services and SDR 5 million for construction services procured by all entities.

²²¹ Articles 2 and 3 of the Government Procurement Act.

²²² Public Construction Commission. Viewed at: <http://lawweb.pcc.gov.tw/EngLawContent.aspx?id=49>.

CRBGP members from 25 to 35 in order to improve the quality and efficiency of dispute handling, as well as to reduce the overload on members.

Procurement methods and relevant policies

3.144. Since the previous review, there has been no change in the procurement methods, bidding procedures or procurement thresholds. Procurement contracts of not less than NT\$1 million are awarded through open, selective, or limited tendering procedures. Open tendering refers to the procedure method under which a public notice is given to invite all interested suppliers to submit their tenders. In principle, open tendering must be used for all procurement contracts of a value of NT\$1 million or over. Selective tendering consists of procurement with pre-qualification procedure where only qualified suppliers are invited to bid. It may be used when there is a recurring demand; the review of tenders is lengthy; the suppliers' cost of preparing a tender is high; the suppliers' qualification requirements are complicated; or the procurement concerns research and development. Limited tendering refers to the procedures under which no public notice is given and only a limited number of suppliers are invited to compete or only one supplier is invited to tender. It is used, *inter alia*, when: there is no eligible tender in response to open and selective procedures; the subject of procurement is an exclusive right; there is extreme urgency; or the procurement involves follow-up maintenance by the current supplier.²²³ Contracts are granted to either the lowest priced tender or the most advantageous tender, as prescribed in tender documents. The authorities have been promoting the most advantageous tender criteria in key and significant works.

3.145. Between 2014 and 2016, the share of open tendering in total procurement value dropped whereas that of limited tendering rose (Table 3.10); this was due to large military procurements in 2015 and 2016 that were conducted through limited tendering. In 2017, the share of open tendering in total procurement value rose back to 79.6%; 14.2% was awarded through limited tendering and 6.2% through selective tendering.

Table 3.10 Procurement share by type of procedure, 2014-17

Year	Item	Open tendering (%)	Selective tendering (%)	Limited tendering (%)
2014	Share of total value	81.7	5.6	12.7
	Construction	92.0	1.4	6.6
	Goods	69.6	14.1	16.3
	Services	81.7	1.6	16.7
2015	Share of total value	74.5	9.1	16.4
	Construction	91.6	1.6	6.8
	Goods	49.2	25.4	25.4
	Services	81.4	0.9	17.7
2016	Share of total value	78.4	5.4	16.2
	Construction	92.5	0.0	7.5
	Goods	57.1	15.7	27.2
	Services	83.0	1.1	15.9
2017	Share of total value	79.6	6.2	14.2
	Construction	96.0	0.0	3.9
	Goods	61.0	16.3	22.7
	Services	81.9	1.3	16.9

Note: The statistics include procurement not covered by the WTO/GPA and with a value of more than NT\$100,000. The statistics do not include procurement for resale or using in the production of supplies or services for sale.

Source: Information provided by the authorities.

3.146. The Chinese Taipei public procurement system remains decentralized. The Public Construction Commission (PCC) remains the authority to formulate, coordinate, and monitor the implementation of government procurement policies on goods, services, and construction works. The special municipalities of Taipei City, Xinbei City, Taoyuan City, Taichung City, Tainan City and Kaohsiung City maintain their procurement audit teams to audit procurement operations handled by their respective authorities.²²⁴ Pursuant to paragraph 1 of Article 108 of the GP Act, the central,

²²³ Article 18-22 of the Government Procurement Act.

²²⁴ ECCT (2017), *2018 Position Papers- Clearing the Hurdles to Economic Progress*, November. Viewed at <http://www.ecct.com.tw/file/Publications/201711151808326974.pdf>.

municipal, and county (city) authorities may establish procurement supervision unit(s) to monitor and supervise procurement affairs. Besides the Central Procurement Supervision Unit under the PCC, 15 central entities and 22 local entities have established their own procurement supervision units. The Central Procurement Supervision Unit under PCC is responsible for auditing and supervising all procurement cases, while the other procurement audit teams are responsible for their entities and subordinate agencies. According to the authorities, there is no problem arising from their allegedly overlapping project supervision and dispute handling systems.²²⁵

3.147. Relevant laws and regulations on government procurement, procurement notices and contract award information are published in the Government Procurement Gazette (currently an e-gazette) as well as on the PCC's website.²²⁶ To enhance the openness and transparency of procurement information, since 1999 Chinese Taipei has maintained an online procurement platform, namely GEPS (Government E-Procurement System), to provide single website e-procurement service for government entities and suppliers.²²⁷ All procuring entities are required to publish their tender notices, tender documentation and award notices in the Government Procurement Gazette and on the platform. A procuring entity may base its decision on whether to receive tenders through GEPS upon "actual needs" relating to the specificity/characteristics of the procured item; the authorities indicated that certain local companies do not have the capacity to meet e-procurement requirements. For GPA covered procurements, summary notices in English are also published through the system. During the review period, there was an annual average of about 250,000 procurements providing e-tender documentation annually, accounting for over 99% of the total number of tenders. By promoting e-tendering documentation, the authorities saved time and reduced human resources and printing costs estimated at over NT\$ 1 billion per year. In addition, the publishing of the e-Government Procurement Gazette saves printing-related advertisement costs estimated at about NT\$3 billion per year.

3.148. Chinese Taipei's government procurement regime requires reciprocity in terms of market access opportunities. The GP Act stipulates that procuring entities should restrict or ban suppliers, products or services from certain territories from participating in the procurement where the territory imposes a restriction or ban on the suppliers, products or services from Chinese Taipei.²²⁸ A procuring entity may indicate in its tender documentation whether overseas suppliers from countries not parties to agreements signed by Chinese Taipei are allowed to participate in the tendering; if allowed, the procuring entities must specify the name of the country concerned.

3.149. Legal provisions for preferential treatment for local suppliers, with the aim of promoting local employment and industrial development remain in place.²²⁹ This treatment is available to procurement not subject to Chinese Taipei's commitments under international treaties or agreements (e.g. GPA).²³⁰ Local suppliers are eligible for a price preference of 3% maximum.²³¹ The margin of the price preference and the starting/expiry dates of the price preference period for particular tenders must be published by the responsible entity in the Government Procurement Gazette. However, the authorities indicated that although no price preference has been published or implemented since the entry into force of the GP Act in 1999, there is no plan to suppress this provision from the Act.

3.150. The GP Act allows procuring entities to introduce offset requirements in their procurements, except when prohibited by agreements to which Chinese Taipei is a party.²³² The offsets may include requirements on local content, technology transfer, investment, export facilitation, or other similar measures, provided that they do not have a weight of over one third in the evaluation. No further information (e.g. number of cases and type of items) on the implementation of this policy since 2014 was available from the authorities.

²²⁵ ECCT (2017), *2018 Position Papers- Clearing the Hurdles to Economic Progress*, November. Viewed at <http://www.ecct.com.tw/file/Publications/201711151808326974.pdf>

²²⁶ PCC website. Viewed at: <http://www.pcc.gov.tw>.

²²⁷ An English version of the introductory page of the GEPS website is available at: <http://web.pcc.gov.tw/tps/pss/tender.do?method=goNews>.

²²⁸ Article 17 of the GP Act.

²²⁹ Local suppliers are defined as suppliers that supply property with at least 50% value added locally, or suppliers of construction work or services locally.

²³⁰ Articles 17, 43 and 44 of the GP Act.

²³¹ Article 44 of the GP Act.

²³² Articles 43 and 44 of the GP Act.

3.151. Chinese Taipei continues to use non-GPA covered government procurement to support: the development of local small and medium enterprises (SMEs) (Section 3.3.1.2.1); the procurement of environment-friendly (green) products; indigenous suppliers; and people with disabilities. To promote SMEs' participation in government procurement, a yearly target percentage (YTP) of the value of procurement awarded or subcontracted to SMEs in the total value of procurement is set. The YTP has increased from 20% in 2000, when the schedule was established, to 40% in 2010 and has remained unchanged since then.²³³ The YTP has non-binding character and is assessed in a "conglomerated" manner. The value to be subcontracted to an SME by a non-SME is determined by the latter and at its own discretion. For a procurement valued at less than NT\$1 million, the procuring entity may prescribe in its tender documentation that the contract will be granted to an SME unless SMEs are not in a position to carry out the procurement in question. The award information published online in the GEPS specifies whether the winning supplier is an SME, and if not, an estimated value is sub-contracted to SMEs. The Small and Medium Enterprise Administration provides information on government procurement regulations and advises SMEs on practical issues. The PCC collects and classifies the information yearly, notifies the procuring entities, and publishes it on its website. In 2017, the total value of contracts of a value exceeding NT\$100,000 awarded or subcontracted to SMEs was NT\$782.4 billion, representing 64% of the total procurement of these contracts.

3.152. Procuring entities are encouraged but not required to give priority to environment-friendly goods in their procurements according to Article 96 of the GP Act. A price preference of no more than 10% might be granted to relevant certified goods. Terms and specifications related to Article 96 are defined by the Regulations for Priority Procurement of Eco-Products, jointly published by the PCC and the Environmental Protection Administration in 1999.²³⁴ A 2001 Programme defines the proportion and categories of environmentally preferable products that governmental agencies shall purchase. The goal has been amended annually according to the yearly performance and it is set at 90% for 2017. Currently, a total of 167 categories of products, with the Green Mark, the Energy Label, the Water Efficiency Label, or the Green Building Material Label, are included in the list. The system applies to products regardless of origin considerations. On 21 March 2018, there were 295 local and overseas companies with 6,437 certified models among 51 kinds of products. An appraisal mechanism was created and maintained to evaluate the overall performance of the system in accordance with established criteria and index; honours or awards are granted to entities meeting their annual environment-friendly goods purchase targets.

Enforcement

3.153. The Complaint Review Boards for Government Procurement (CRBGP) established at different levels of government are responsible for handling complaints filed by suppliers where there might be a breach of laws and regulations in a procurement whose contract value is over NT\$1 million. If the supplier does not accept the CRBGP's decision, it may file an administrative appeal with the administrative appeal court. Reportedly, arbitration is often the preferred form of dispute settlement for overseas suppliers, rather than mediation, which is the current practice in public procurement contracts.²³⁵ Between 2014 and 2017, 1,235 complaints related to invitation to tender, evaluation of tender, or award of contract were filed with the CRBGP of the PCC, of which 14 cases were filed by overseas suppliers, accounting for 1.1% of total cases. Of the aforementioned 14 cases, none of them were found to be in breach of relevant laws and regulations; 1 case was appealed to the administrative court. Compared with the period covered under the previous TPR, the number of complaints increased due to the objections of suppliers to the payment of a bid bond which they were informed of by the procuring entities pursuant to a notice of the audit office of Chinese Taipei which calculates the related costs of a tender. Between 2014 and 2017, a total of 5,937 disputes, of which 3,040 were complaints (including complaints related to invitation to tender, evaluation of tender, or award of contract and the debarred suppliers) and 2,897 were mediations for GPA-covered and non GPA-covered procurements, were settled by seven CRBGPs. Among the complaints and mediations filed to the CRBGPs, 47% involved construction, 28% services and 25% properties. According to the PCC's Annual Enforcement Report 2017, during the period 2014-2017, among complaints related to invitation to tender, evaluation of tender, or award of contract filed to the

²³³ WTO document GPA/WPS/SME/26, 6 July 2016.

²³⁴ The Regulations are available at:

<http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=A0030084>.

²³⁵ The outcomes of mediations are not legally binding, and thus parties may subsequently pursue remedies in courts or arbitration, an option that lengthens the process and is costly for both sides. ECCT (2017), *2018 Position Papers- Clearing the Hurdles to Economic Progress*, November. Viewed at <http://www.ecct.com.tw/file/Publications/201711151808326974.pdf>.

CRBGP of the PCC regarding ordinary complaints, 91% involved "complaint against the procedures or the outcome of the procurement", 8% involved "complaint against the content of the tender documentation"; and 1% involved "complaint against the interpretations, subsequent explanations, amendments or supplements of the tender documentation".²³⁶ No data on bid-rigging cases examined from 2014 onwards were available from the authorities. According to the results of a satisfaction survey on the CBRGP of the PCC by suppliers and procuring entities, the overall satisfaction rating stood at 93%, which is indicative that Chinese Taipei's complaint review mechanism is effective and efficient.

3.3.7 Intellectual property rights

3.154. Chinese Taipei considers that the protection of intellectual property rights (IPR) encourages investment and fosters the development of knowledge-based industries which are key to maintaining its global competitiveness.²³⁷ Chinese Taipei's IPRs policy has remained virtually unchanged; it is focused on improving its regime by amending the existing regulations, and its 2015-2017 IPR Action plan has been largely focused on enforcement (Section 3.3.7.3).²³⁸ During the review period, Chinese Taipei strengthened protection in areas such as patents, trademarks and copyrights, whereas further work is under way in trade secrets and copyright. In discussions in the TRIPS Council it has either co-sponsored or supported *ad hoc* agenda items under which the link between innovation and IPRs was examined from various perspectives.²³⁹

3.155. Since 2014, Chinese Taipei has submitted 23 notifications with respect to its obligations under the WTO TRIPS Agreement (Table A2.1). Apart from the WTO TRIPS Agreement, Chinese Taipei participates in IPRs protection and cooperation within the APEC Intellectual Property Rights Expert Group (IPEG) framework. It remains a non-Member of WIPO and, therefore, a non-signatory of WIPO-administered agreements. Chinese Taipei maintains bilateral instruments on IPR protection and enforcement in the form of agreements or MoUs with several economies.²⁴⁰ During the review period, it signed new MoUs with the Republic of Korea on the Exchange of Industrial Property Information and the Electronic Exchange of Priority Documents (2015), the United Kingdom (UKIPO) for the Mutual Cooperation in the Field of Deposit of Biological Material for the Purposes of Patent Procedure (2017), and the European Union (EUIPO) on bilateral IPR cooperation (2018), as well as Patent Prosecution Highway (PPH) MoUs with the Republic of Korea (2015), Spain (SPTO) (2016), Poland (UPRP) (2017) and Canada (CIPO, pilot) (2018) (Section 3.3.7.1.1). In addition, it continues to strengthen exchanges and cooperation with the USPTO, JPO, KIPO, SIPO, and other intellectual property offices in various economies.²⁴¹ A Cross-Strait Agreement on IPR Protection and Cooperation has been in place since 12 September 2010.

3.156. The MOEA's intellectual property office (TIPO) remains in charge of formulating IPR policy, laws and regulations; administration of IPR registration and public IP awareness; settling disputes, and enforcement of IPR-related laws; inter-agency coordination; and promoting cooperation with

²³⁶ The Annual Performance Report is available at: <https://www.pcc.gov.tw/> (in Chinese only).

²³⁷ For example, all royalties for patents, trademarks and know-how to overseas licensors face a 20% tax to be withheld at the source. However, these royalty payments may be exempt from the withholding requirement if trademarks and patents are licensed to a local entity (including an approved inbound investment with up to 100% overseas ownership) under an approved agreement for technical cooperation. This exemption does not apply to transfers of technical know-how for use exclusively by high-tech industries or important technical industries. Economist Intelligence Unit (2017), *Country Commerce*, June, London. Viewed at: www.eiu.com; AmCham 2015 Industry Committees priority issues. Viewed at: <http://amcham.com.tw/wp-content/uploads/2016/05/WP-2015-Intellectual-Property-Licensing.pdf>.

²³⁸ MOEA (2016), *2015 Intellectual Property Office Annual Report*, June 2016.

²³⁹ Chinese Taipei was a co-sponsor of the *ad hoc* agenda item on IP and Innovation at the TRIPS Council meetings in February 2018 (IP/C/M/88); October 2017 (IP/C/M/87 and Add.1); March 2017 (IP/C/M/85 and Add.1); November 2016 (IP/C/M/83 and Add.1); June 2016 (IP/C/M/82 and Add.1); March 2016 (IP/C/M/81 and Add.1); October 2015 (IP/C/M/80 and Add.1); and June 2014 (IP/C/M/76 and Add.1).

²⁴⁰ These economies include: Austria, Australia, Chile, Costa Rica, El Salvador, the European Union, France, Germany, Guatemala, Japan, Liechtenstein, the Netherlands, Paraguay, the Philippines, Spain, Switzerland, the United Kingdom and the United States. The complete list of bilateral agreements is provided online by TIPO. Viewed at: <https://www.tipo.gov.tw/ct.asp?xItem=175779&ctNode=6842&mp=2>; and in WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

²⁴¹ MOEA's Intellectual Property Office online information. Viewed at: <https://www.tipo.gov.tw/ct.asp?xItem=175779&ctNode=6842&mp=2>; and MOEA (2016), *2015 Intellectual Property Office Annual Report*, June 2016.

Chinese Taipei's trading partners.²⁴² All main IPR laws and regulations are available in both English and Chinese on TIPO's website (<https://www.tipo.gov.tw/mp.asp?mp=2>).²⁴³ Since January 2014, TIPO has operated an electronic delivery of patent and trademark official documents; this improvement facilitated document search, statistics and management, and reduced document storage space, cost and postage. In the period 2014-2017, a total of 1,090,812 official documents were delivered and 293,376 cases filed electronically.²⁴⁴ A patent or trademark applicant must file an application with TIPO, which normally renders a decision within six months upon submission of all supporting documents (Sections 3.3.7.1.1 and 3.3.7.1.2). In 2017, the average first official action pendency for invention patents and trademarks was 8.8 and 5.07 months, respectively; and the average disposal pendency for inventions, utility models and design patents and trademarks was 16, 2.4, 7.1 and 7.04 months, respectively.

3.157. Following the 2011 amendments of Article 59.1.6 of the Patent Act and of Article 36.2 of the Trademark Act that introduced the principle of international exhaustion, parallel imports are not considered to be in violation of relevant laws, therefore they are permitted. However, regarding copyright, according to Article 87.1.4 of the Copyright Act parallel imports are considered as infringement except for the cases listed in Article 87bis of the Act.²⁴⁵ No data on values and main product categories of parallel imports since 2014 were available from the authorities.

3.3.7.1 Industrial property

3.3.7.1.1 Patents and utility models

3.158. Protection for patent rights remains for 20 years from the filing date of the application for inventions, ten years for utility models, and 12 years for design.²⁴⁶ The Patent Act was last amended in 2017 with key revisions including: the extension of the grace period for invention and utility model patent applications from 6 to 12 months preceding the date of domestic filing; the removal of restrictions on the types of disclosure that qualify for the grace period regardless of whether such disclosure was the applicant's intention or not; and in response to public calls, the removal of the requirements of claiming the grace period at the time of filing an application.²⁴⁷ In line with the needs of the industry and relevant policies, and to align relevant provisions with the 2017 amendments to the Patent Act, amendments were introduced to the Enforcement Rules of the Patent Act and, *inter alia*, referred to the submission of the priority document in e-form, technical terms for design patents and the postponement of the publication of a patent (e.g. its extension from three to six months).²⁴⁸

3.159. To promote partnerships with other economies with respect to mutual recognition of biological material deposit effects, 2015 amendments, enforced in January 2016, were made to

²⁴² WTO document WT/TPR/S/232/Rev.1, 28 July 2010.

²⁴³ In accordance with the relevant laws and regulations, all applicants for IPR protection, irrespective of origin, receive the same level of protection; application procedures in terms of time and fees are also the same. WTO document WT/TPR/S/232/Rev.1, 28 July 2010.

²⁴⁴ MOEA (2015), *Annual Report 2014 Intellectual Property Office*, July 2015; MOEA (2016), *2015 Intellectual Property Office Annual Report*, June 2016. MOEA (2017), *2016 Intellectual Property Office Annual Report*, August 2017. Viewed online: <https://www.tipo.gov.tw/public/data/782314564271.pdf>.

²⁴⁵ These exceptions include the original or copies of a work imported that are, *inter alia*: (i) for the use of all levels of government agencies; (ii) for the supply of works to non-profit scholarly, educational, or religious organizations, or for library lending or archival purposes, (iii) for the private use of the importer, not for distribution; (iv) for visually impaired, learning disabled, hearing impaired or other persons with a perceptual disability; (v) original or copies of a work incorporated into any legally imported goods, machinery, or equipment that are imported in conjunction with the import of such items; and (vi) user's manuals or operating manuals accompanying any legally imported goods, machinery, or equipment. Article 87bis of the Copyright Act. Viewed at: <https://www.tipo.gov.tw/public/data/61221027271.pdf>.

²⁴⁶ Articles 52, 114, and 135 of the Patent Act. Viewed at: <https://www.tipo.gov.tw/public/Attachment/752949427.pdf>.

²⁴⁷ WTO document IP/N/1/TPKM/15, IP/N/1/TPKM/P/8, 10 October 2017; and MOEA (2017), *2016 Intellectual Property Office Annual Report*, August 2017. Viewed at: <https://www.tipo.gov.tw/public/data/782314564271.pdf>.

²⁴⁸ Other amendments of the Enforcement Rules of the Patent Act to clarify certain doubts in practices and coordinate with the amendment of the 2014 Patent Act were undertaken in 2014 and relate to: clarifying the calculation of grace period; clarifying continuation of the patent rights; and inserting a new provision to avoid double patenting. WTO document IP/N/1/TPKM/7, IP/N/1/TPKM/P/6, 11 March 2015. WTO document IP/N/1/TPKM/16, IP/N/1/TPKM/P/9, 10 October 2017.

Article 11 of the Regulations for the Deposit of Biological Material for Patent Application based on the Regulations under WIPO's Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure.²⁴⁹ In 2016, amendments were introduced to the Patent Attorney Act, to cover issues relating to patent attorneys' practices, including the modes and the scope of their commissioned practices, their on-the-job training, as well as management and disciplinary actions for patent agents.²⁵⁰

3.160. With respect to pharmaceutical inventions, important steps have been taken towards ensuring better protection in this area to promote the economy's innovation potential.²⁵¹ In December 2017, the Pharmaceutical Affairs Act (PAA) was amended as part of Chinese Taipei's commitment to join the then Trans-Pacific Partnership Agreement (TPP, Section 2.3.2). The amendment was aimed at aligning existing IPRs in this area to the TPP provisions by, *inter alia*, reportedly tightening data exclusivity for new indications and setting up a patent linkage system to ensure that generic drugs are not launched in Chinese Taipei while the original patent is still valid.²⁵² Data exclusivity for new drugs with new ingredients were set out in the 2017 PAA amendments. Additional amendments to the PAA, providing data exclusivity for drugs with newly added or change of indications with international data involving a three year regulatory protection that might be extended to five years for those with domestic clinical trials, have been in place since 31 January 2018; nevertheless, the legislative process for the Patent Linkage amendments has not yet been completed.²⁵³

3.161. During the review period, there were no changes to compulsory licensing in the Patent Act and no such cases have arisen so far.

3.162. The number of patent applications declined whereas the number of patents granted increased and continues to mainly relate to invention patents (Table 3.11). Although the majority of applications are made by residents, the share of overseas patent applicants and recipients has risen to above 40% due to a drop in patent applications by residents, especially for inventions between 2012 and 2016. In 2017, TIPO received a total of 73,791 patent applications (compared to 78,015 applications in 2014); the same year, 71,877 patents were granted (compared to 76,252 in 2014) (Table 3.11); the top three item categories in which the most patents were granted in 2017 were semiconductor devices (6,618 cases), optics (5,587 cases) and shaping of metal (4,261 cases). Chinese Taipei's patent application review period has shortened from an average of 41 months in 2013 to 16 months in 2017, following the implementation of the Patent Backlog Reduction Project launched in 2010, the Patent Prosecution Highway (PPH) as from 2011, and other fast-track measures.²⁵⁴ As at February 2018, TIPO maintained six PPH bilateral agreements of which three were signed during the review period (see above).²⁵⁵ In 2017, the pendency from PPH request to final decision was within 4 months. Reportedly, TIPO's e-filing service for patent applications and

²⁴⁹ WTO document IP/N/1/TPKM/11, IP/N/1/TPKM/O/3, 10 December 2015.

²⁵⁰ WTO document IP/N/1/TPKM/13, IP/N/1/TPKM/P/7, 10 December 2015.

²⁵¹ USTR (2017), *2017 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/reports/2017/NTE/2017%20NTE.pdf>.

²⁵² A patent linkage system provides notice of a patent owner's rights to potential competitors. Economist Intelligence Unit (2017), *Industry Report: Healthcare*, 3rd Quarter, 22 August, London. Viewed at: www.eiu.com/healthcare.

²⁵³ Online information Viewed at: <https://www.fda.gov.tw/en/newsContent.aspx?id=22815> and <http://www.conventuslaw.com/report/taiwan-amendment-to-the-pharmaceutical-affairs-act/>.

²⁵⁴ There are two types of PPH programs, i.e. the general PPH and PPH MOTTAINAI. The general PPH enables an applicant, whose claims are determined to be allowable/patentable in the Office of First Filing (OFF), to have the corresponding application filed in the Office of Second Filing (OSF) advanced out of turn for examination while at the same time allowing the OSF to exploit the search and examination results of the OFF; PDX is the programme for electronic exchange of priority documents. Under the PPH "MOTTAINAI" enables an applicant, whose claims have been determined to be allowable/patentable by the Office of Earlier Examination (OEE), to undergo an accelerated examination at the Office of Later Examination (OLE), regardless of with which office the application was first filed. MOEA's Intellectual Property Office online information. Viewed at: <https://www.tipo.gov.tw/ct.asp?xItem=335512&ctNode=7556&mp=2> and <https://www.tipo.gov.tw/ct.asp?xItem=575120&ctNode=6687&mp=2>; Export.gov online information. Viewed at: <https://www.export.gov/article?id=Taiwan-Protection-of-Property-Rights>.

²⁵⁵ These agreements were signed with the United States (2011), Japan (2012), Spain (2013), the Republic of Korea (2015), Poland (2017) and Canada (2018). Online TIPO information. Viewed at: <https://www.tipo.gov.tw/ct.asp?xItem=335512&ctNode=7556&mp=2>.

continued PPH expansion with a number of economies have resulted in fewer complications and delays in the application process (Section 3.3.7).²⁵⁶

Table 3.11 Patents applied for and granted, 2012-17

	2012	2013	2014	2015	2016	2017
Patent applications						
Invention	51,189	49,218	46,379	44,415	43,836	46,122
Domestic (%)	45	44	41	39	38	39
Overseas (%)	55	56	59	61	62	61
Utility model	25,636	25,025	23,488	21,404	20,161	19,549
Domestic (%)	95	95	94	94	94	94
Overseas (%)	5	5	6	6	6	6
Design	8,248	8,968	8,148	7,808	8,445	8,120
Domestic (%)	61	57	57	57	54	53
Overseas (%)	39	43	43	43	46	47
Total	85,073	83,211	78,015	73,627	72,442	73,791
Domestic (%)	62	61	59	57	56	55
Overseas (%)	38	39	41	43	44	45
Patents granted						
Invention	25,536	40,251	45,601	48,315	48,947	45,710
Domestic (%)	48	49	47	44	43	41
Overseas (%)	52	51	53	56	57	59
Utility model	24,643	24,847	23,712	22,106	19,793	19,037
Domestic (%)	95	95	95	94	94	94
Overseas (%)	5	5	5	6	6	6
Design	6,431	7,050	6,939	7,666	7,666	7,130
Domestic (%)	61	61	58	56	55	51
Overseas (%)	39	39	42	44	45	49
Total	56,610	72,148	76,252	78,087	76,406	71,877
Domestic (%)	70	66	63	59	58	56
Overseas (%)	30	34	37	41	42	44

Source: Information provided by the authorities.

3.3.7.1.2 Trademarks

3.163. Upon registration, the exclusive right of the trademark continues to be provided for ten years, renewable indefinitely for ten year periods.²⁵⁷ During the review period, the Trademark Act was amended in December 2016 to exclude application of confiscation/seizure provisions of the Criminal Code and to maintain the absolute obligation of confiscation under Article 98 of the Trademark Act. The amendment made no changes to confiscation practices. The 2015 amendments to the Enforcement Rules of the Trademark Act were mainly aimed at streamlining the trademark application process by exempting the applicant from submitting the original copy of proof for rights of priority and exhibition priority, as well as a copy of the written request and related documents of the original application for the division of application for registration.²⁵⁸ In 2017, the schedule of Article 19 of the Enforcement Rules of the Trademark Act was amended to correspond with the Nice Classification (NCL 11-2017).²⁵⁹

3.164. TIPO's e-filing service for trademark applications led to fewer complications and delays in the trademark application process (Section 3.3.7 and above). In 2017, TIPO received a total of 83,802 applications for trademark registration (compared to 75,933 in 2014), mostly from residents (Table 3.12).

Table 3.12 Trademarks and related data, 2012-17

	2012	2013	2014	2015	2016	2017
Trademarks						
Applications	74,357	74,031	75,933	78,523	79,300	83,802
Domestic	55,696	55,338	56,217	57,356	57,548	61,215
Overseas	18,661	18,693	19,716	21,167	21,752	22,587

²⁵⁶ Amcham online information. Viewed at: <https://amcham.com.tw/wp-content/uploads/2017/06/Intellectual-Property-Licensing-EN.pdf>.

²⁵⁷ Trademark Act online information. Viewed at: <https://www.tipo.gov.tw/public/data/7161442371.pdf>.

²⁵⁸ WTO document IP/N/1/TPKM/9, IP/N/1/TPKM/T/6, 1 October 2015.

²⁵⁹ WTO document IP/N/1/TPKM/18, IP/N/1/TPKM/T/8, 10 October 2017.

	2012	2013	2014	2015	2016	2017
Registrations	61,918	60,557	66,257	62,993	68,177	74,226
Domestic	45,659	44,174	48,728	45,233	48,828	53,202
Overseas	16,259	16,383	17,529	17,760	19,349	21,024
Rejections	8,724	8,581	7,641	7,692	8,956	8,903
Certification marks						
Applications	37	41	31	43	27	41
Registrations	42	30	37	31	26	30
Collective membership marks						
Applications	71	64	72	58	47	61
Registrations	39	54	48	56	52	36

Source: Information provided by the authorities.

3.165. Despite the existence of relevant legal and penal provisions, reportedly there are concerns regarding the seemingly unauthorized use by Chinese Taipei companies of luxury brand logos and other promotional materials, thus creating a false impression that trademark owners act as sponsors or conduct co-marketing activities with these companies.²⁶⁰ Plans to introduce plain packaging for tobacco products raised concerns about possible spill-over effects of standardized packaging requirements into other industry sectors, including alcoholic beverages, soft drinks and fast food.²⁶¹ A draft amendment of the Tobacco Hazards Prevention Act was sent for legislative consideration on 21 December 2017 (Section 3.3.2.1.1); the proposal for plain packaging was not included in the suggested amendment.

3.3.7.1.3 Geographical indications

3.166. During the review period, the legislative framework governing geographical indications (GIs) consisting of the Trademark Act and other relevant legislation remained unchanged.²⁶² GIs are protected against uses that mislead consumers and allow free riding; third parties are prohibited from applying for registration as trademarks and from abusing indications of origin, which constitutes an act of unfair competition. According to the authorities, there have been no GI infringing cases between 2014 and 2017; nevertheless, during the same period TIPO rejected three applications for trademark registration that were similar to overseas GIs for wines or spirits. In WTO negotiations, the authorities support a multilateral system of notification and registration of GIs for wines and spirits that is based on voluntary participation. With regard to the extension to other products of the higher level of protection for wines and spirits required under the TRIPS Agreement, the authorities continue to maintain that neither the necessity nor urgency for such an extension had been demonstrated.

3.3.7.1.4 Plant varieties

3.167. Since the previous review, there have been no changes to the Plant Variety and Plant Seed Act, amended in 2010.²⁶³ The Act provides protection for plant varieties that have the characteristics of novelty, distinctness, uniformity, and stability, as well as an appropriate plant variety denomination.²⁶⁴ In 2016, discussions were held in the context of the bilateral Economic and Trade Consultation IPR Working Group with the European Commission on issues of IPR law, enforcement of protection, mutual recognition on distinctness, uniformity and stability (DUS) reports for plant variety of *Phalaenopsis* and *Doritaenopsis*, as well as on cooperation with global counterparts.²⁶⁵ To

²⁶⁰ Articles 36.1, 68, 69, 95 and 97 of the Trademark Act. Amcham online information. Viewed at: <https://amcham.com.tw/wp-content/uploads/2017/06/Intellectual-Property-Licensing-EN.pdf>; and ECCT (2017), *2018 Position Papers – Clearing the Hurdles to Economic Progress*, November. Viewed at <http://www.ecct.com.tw/file/Publications/201711151808326974.pdf>.

²⁶¹ ECCT (2016), *2017 Position Papers*, and ECCT (2017), *2018 Position Papers – Clearing the Hurdles to Economic Progress*, November. Viewed at <http://www.ecct.com.tw/file/Publications/201711151808326974.pdf>.

²⁶² These include the Fair Trade Act, the Tobacco and Alcohol Administration Act, the Regulations Governing the Labelling of the Alcohol Products, the Commodity Labelling Act, and other related regulations. Online information. Viewed at: http://aippi.org/wp-content/uploads/2017/06/2017_StudyReport_IM_Taiwan_SC_GeoInd_2017-06-06_NEW.pdf.

²⁶³ Laws & regulations online database. Viewed at: <http://law.moi.gov.tw/eng/LawClass/LawContent.aspx?pcode=M0030024>.

²⁶⁴ WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

²⁶⁵ MOEA (2017), *2016 Intellectual Property Office Annual Report*, August 2017. Viewed at: <https://www.tipo.gov.tw/public/data/782314564271.pdf>.

expedite the mutual takeover of DUS test reports between Chinese Taipei and the European Union, the authorities amended the DUS test report for *Phalaenopsis* to discuss it with the EU Community Plant Variety Office (CPVO) Technical Committee.

3.3.7.1.5 Layout designs of integrated circuits (topographies)

3.168. Layouts of integrated circuits remain protected under the Integrated Circuit Layout Protection Act, last amended in 2002. The protection period remains for ten years from the date of application or the date of first commercial exploitation, whichever is first.²⁶⁶

3.3.7.1.6 Trade secrets

3.169. Since the last TPR, no changes have been made to the Trade Secrets Act, last revised in 2013. The Act contains civil and criminal liability (Article 13 and 13-1 to 13-4) for trade secret misappropriation. In 2017, TIPO proposed draft amendments to the current Act that *inter alia* relate to: trade secret infringement indictable only upon complaint; an unrecognized overseas entity's standing to file a complaint; limited accessibility of secret-related materials during criminal investigation; and, reciprocal treatment for overseas trade secrets.²⁶⁷ However, at a public hearing held on 5 May 2016, the public voiced its opposition against the proposed change to trade secrets infringement indictable only upon complaint, thus leading to the non-inclusion of the proposed change in the revised version of the draft amendments.

3.170. Agro-pesticides are considered a trade secret under the Standards for Physico-chemical Property Tests and Toxicology Testing of Agro-pesticides.

3.171. To promote awareness of trade secret protection during the review period, Chinese Taipei conducted 9 rounds of seminars on Trade Secret Practices with over 400 participants aimed at stepping up investigation techniques. In addition, 5 symposiums on Reasonable Measures for Maintaining Confidentiality of Trade Secrets with around 600 participants aimed at helping SMEs build a robust protection mechanism were held between 2016 and 2017. Participants were mostly members of law enforcement agencies as well as legal counsels from technology industry and courts.²⁶⁸

3.3.7.2 Copyright and related rights

3.172. Chinese Taipei's Copyright Act was last amended in November 2016. It continues to protect ten types of work (Article 5) upon accomplishment of the work and for 50 years after the author's death (Article 30) except for photographic works, audio visual works, sound recordings, and artists' (performers') performances, for which copyright is granted for 50 years from the time of public release (Article 34).²⁶⁹ Copyright does not need to be registered to be protected. Under Article 4, works of overseas right holders enjoy copyright protection provided there is a treaty/agreement ratified by the legislature.²⁷⁰ With respect to other works, no protection applies, unless first published in Chinese Taipei, or published in Chinese Taipei no more than 30 days after first publication in a territory that provides reciprocal protection to Chinese Taipei right holders.

3.173. Similar to trademarks (Section 3.3.7.1.2), the 2016 amendments to the Copyright Act (Article 98) were aimed at the alignment of existing provisions with the new chapter on "Confiscation" in the Criminal Code.²⁷¹ Revisions of the "Operation(al) Directions for (Various

²⁶⁶ WTO document WT/TPR/S/232/Rev.1, 28 July 2010.

²⁶⁷ Online information. Viewed at: <https://www.lexology.com/library/detail.aspx?g=ce36be36-d5a4-47cf-bfa3-75537db3f1d7> and <https://www.lexology.com/library/detail.aspx?g=63501e8b-4494-4af1-be53-0cf342deac93>.

²⁶⁸ MOEA (2015), *Annual Report 2014 Intellectual Property Office*, July 2015; MOEA (2016), *Annual Report 2015 Intellectual Property Office*, June 2016; and MOEA (2017), *2016 Intellectual Property Office Annual Report*, August 2017. Viewed at: <https://www.tipo.gov.tw/public/data/782314564271.pdf>.

²⁶⁹ These works include: oral and literary works, musical works, dramatic and choreographic works, artistic works, photographic works, pictorial and graphical works, audio-visual works, sound recordings, architectural works and computer programs. Article 5 of Copyright Act. Viewed at: https://members.wto.org/crattachments/2017/IP/TPKM/17_4035_00_e.pdf.

²⁷⁰ As of 2002, when Chinese Taipei became a WTO Member, works created by people from WTO Member obtained protection.

²⁷¹ WTO document IP/N/1/TPKM/14, IP/N/1/TPKM/C/12, 10 October 2017.

Applying (of) the Copyright Collective Management Organization (of the Intellectual Property Office, MOEA)" and "Directions Applying for Permission to Establish a Copyright Collective Management Organization" were published in July 2016 (see below); they now include more concrete description of original provisions, enhancement of review meetings, more flexibility in public hearings, and the coverage of financial statements in applicants' business plans.²⁷²

3.174. In response to the advanced development of digital technology, in October 2017 a draft amendment to the Copyright Act comprising 145 articles expected to change 80% of the current provisions was approved and sent to the legislative branch for inspection and formal amendment through three successive readings where it remained as of April 2018.²⁷³ The key proposed changes include: revised definitions of "public broadcasting" and "public transmission"; new provisions on "simultaneous further communication to the public rights"; new provisions on "retransmission rights"; new provisions on performer's rights, namely, performers whose acting appears in a physical audiovisual form such as a digital video disks shall receive the same rights as persons whose performances are fixed in phonograms; provisions on fair use of copyright works by the general public were adjusted; new provisions on compulsory licensing of works of unknown economic right holders and those on the registration of copyright pledges; and amendments to provisions on criminal liability.²⁷⁴

3.175. According to the authorities, at the time of the previous TPR the Copyright Act was: consistent with the TRIPS Agreement and had implemented protection and enforcement standards as stipulated by the WIPO Internet Treaties (i.e. the WIPO Copyright Treaty and the WIPO Performances and Phonogram Treaty) as well as provisions on exceptions and limitations set by WIPO's Marrakesh Treaty to Facilitate Access to Published Works by Visually Impaired Persons and Persons with Print Disabilities.²⁷⁵

3.176. During the review period and as in many other WTO Members, copyright-related concerns included: the use of infringing streaming devices (ISD), apps, website linking, and "plug in" media players offering stream ripping/downloading functions and inability of laws/regulations to deal with the vast amount of illegal downloading activities facilitated by non-hosted websites and websites offshore; short-term copyright protection compared to other economies (e.g. the European Union (up to 70 years), the United States (95/120 years depending on the work), Mexico (75 years)); relaxing current penal provisions and no longer treating violations as public crimes; and the greater freedom given under the Copyright Collective Management Organization (CCMO) Act to content users to appeal to TIPO to revise the copyright royalty fees.²⁷⁶ The authorities indicated that any person committing acts involving provision of peer-to-peer (P2P) to facilitate viewing via streaming or downloads by the general public is violating the provision of subparagraph 7, paragraph 1 of Article 87 of the Copyright Act. Any person providing the public with hyperlinks that enable streaming of infringing contents may be regarded as a joint-principal offender or abettor according to Article 92 of the Copyright Act, although judicially collecting relevant evidence can be difficult; right holder groups recently called for legislative amendment, demanding that any person committing the aforementioned act be deemed as copyright infringement. Stream ripping is a technology that enables users to decode or disrupt streaming platforms to facilitate (illegal) download; any person committing the above act is liable for violating the provisions of Article 80-2 or Subparagraph 7, Paragraph 1 of Article 87 of the Copyright Act. To stem the infringing activities facilitated by non-hosted websites and websites offshore, in mid-2017 Chinese Taipei adopted "Follow the Money" measures to block the advertising revenues of piracy sites.²⁷⁷ The authorities consider that the

²⁷² MOEA (2017), *2016 Intellectual Property Office Annual Report*, August. Viewed at: <https://www.tipo.gov.tw/public/data/782314564271.pdf>.

²⁷³ They cover 93 amendments and 17 new articles. Online information. Viewed at: <https://www.lexology.com/library/detail.aspx?q=884d7f2c-c6d4-4695-9611-c8eebbcd0ad2>.

²⁷⁴ TIPO online information. Viewed at: <https://www.tipo.gov.tw/ct.asp?xItem=652057&ctNode=6687&mp=2>; and Lexicologa online information. Viewed at: <https://www.lexology.com/library/detail.aspx?q=10ec7be4-8071-4be3-92e4-8ff8e89866ab>.

²⁷⁵ WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

²⁷⁶ TIPO's intervention into copyright royalty rate setting under the CCMO Act has seemingly resulted in unstable royalty rates and interference with the normal rights of parties to negotiate rates in the free market. AMCHAM information. Viewed at: <http://amcham.com.tw/wp-content/uploads/2016/08/WP-2016-Intellectual-Property-Licensing-English.pdf>; and ECCT (2017), *2018 Position Papers - Clearing the Hurdles to Economic Progress*, November. Viewed at: <http://www.ecct.com.tw/file/Publications/201711151808326974.pdf>.

²⁷⁷ Following the recent adoption of "Follow the Money" measures overseas, e.g. in the United States and the United Kingdom, in September 2017 TIPO facilitated the conclusion of a Memorandum of Understanding (MoU) on the Infringing Website List (IWL) between the invited rights holder groups and

current term of protection for economic rights of a work is in compliance with WTO/TRIPS requirements. A draft amendment to the Copyright Act removes the minimum penalty of 6 months imprisonment for some criminal liability provisions, thus giving a court of law more flexibility in determining sentences in lawsuits; other than this amendment, the criminal sentencing and standards of prosecution are in line with the existing laws.

3.3.7.3 Enforcement

3.177. Chinese Taipei has continued to pursue its objective of making the intellectual property environment conducive to more innovation and R&D. Chinese Taipei is seen as having one of the most efficient IPR enforcement regimes in the Asian region.²⁷⁸ Its ranking on IPRs protection has remained virtually unchanged. In 2017, it was positioned 27th out of 137 economies in the WEF Global Competitiveness index in terms of intellectual property protection, compared to 26 out of 144 economies in 2014.²⁷⁹ According to the International Property Rights Index (IPRI), it ranked 24th globally and 6th regionally out of 127 and 19 economies, respectively, in 2017; and 23rd globally and 6th regionally out of 95 and 16 economies, respectively, in 2014.²⁸⁰ According to the Global Software Study, the estimated rate of unlicensed software installation in Chinese Taipei stood at 36% in 2015, down from 38% in 2013 and well below the Asia Pacific regional average of 61%.²⁸¹ The authorities indicated that online piracy within Chinese Taipei has been curbed through the "Follow the Money" initiative (Section 3.3.7.2) and international cooperation (see below) as most major online infringements are committed by websites located overseas.

3.178. Since its previous review, Chinese Taipei has maintained policies and measures to strengthen IPRs enforcement. The TIPO 2015-2017 IPR Action plan was, *inter alia*, aimed at: coordinating inspection agencies, police forces, and prosecutors to counter new forms of IPR violations; strengthening enforcement in counterfeit and piracy investigations; investigating and curbing online copyright infringement; implementing border control measures; strengthening the Trade Secrets Act enforcement; facilitating a comprehensive IPR legal system; enhancing education; and promoting international and cross-strait exchange and cooperation.²⁸²

3.179. Chinese Taipei's IPR Action Plan 2018-2020 is a response to global industrial trends, particularly in areas such as digital technology, as well as fast development in the Internet and social media. It is also in line with its overall economic and trade policies, such as the 5+2 Industry Innovation Plan and the New Southbound Policy (Sections 2.2 and 3.2.5).²⁸³ The Plan highlights assistance to corporations (especially SMEs) working on R&D and innovation, strengthens trade secrets protection and infringement investigation involving e-commerce and online purchases, as well as strengthens overseas IPR protection assistance. Its main objectives include: increasing enterprises' R&D and innovation capability; the establishment of an IPR legal regime that suits the

advertisers. As a result, advertisers receiving lists of rogue sites from rights holders groups should refrain from placing ads on such sites to deter infringement. TIPO is to continue its intermediary role to facilitate the sound operation of the mechanism and encourage more advertisers to participate in the agreement. Online information. Viewed at: <http://www.taipetimes.com/News/biz/archives/2017/09/05/2003677797>.

²⁷⁸ In 2009, reflecting progress in Chinese Taipei's IPR legal regime and enforcement, the Office of the US Trade Representative removed it from the Special 301 Watch List. Export.gov online information. Viewed at: <https://www.export.gov/article?id=Taiwan-Protection-of-Property-Rights>; Amcham online information. Viewed at: <https://amcham.com.tw/wp-content/uploads/2017/06/Intellectual-Property-Licensing-EN.pdf>.

²⁷⁹ WEF (2017), *The Global Competitiveness Report 2017-2018*, Geneva. Viewed at: <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>; and WEF (2015), *The Global Competitiveness Report 2014-2015*, Geneva. Viewed at: http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf.

²⁸⁰ The IPRI scores the underlining institutions of a strong property rights regime: the legal and political environment, physical property rights, and intellectual property rights. It is the world's only index entirely dedicated to the measurement of intellectual and physical property rights. International property rights index online information. Viewed at: <https://internationalpropertyrightsindex.org/countries> and <https://internationalpropertyrightsindex.org/about>.

²⁸¹ The biennial study published in May 2016 by the Business Software Alliance - a private industry group, estimated the commercial value of unlicensed software in Chinese Taipei at US\$264 million in 2015, down from US\$305 million in 2013. Economist Intelligence Unit (2017), *Country Commerce*, June, London. Viewed at: www.eiu.com.

²⁸² MOEA (2015), *Annual Report 2014 Intellectual Property Office*, July 2015; MOEA Intellectual Property Office online information. Viewed at: <https://www.tipo.gov.tw/public/data/75161541271.pdf>.

²⁸³ Online information. Viewed at: <https://topics.amcham.com.tw/2017/05/52-industrial-innovation-plan/>.

local environment and aligns with international regulations; the effective investigation of counterfeit and piracy and strengthening of trade secrets protection; the enhancement of online copyright protection and fair use mechanisms; the effective implementation of campus IPR protection; enhancement of enforcement officers' professional knowledge and skills; improving public awareness of IPR protection; and, the strengthening of global cooperation and overseas IPR protection.

3.180. All IPRs laws contain provisions on civil remedies in case of infringement.²⁸⁴ Criminal penalties upon infringement of copyright include imprisonment for up to five years and a fine of up to NT\$5 million.²⁸⁵ Criminal penalties for trademark infringement include imprisonment for up to three years and a fine of up to NT\$200,000. Criminal penalties are also in place for trade secrets misappropriation (Section 3.3.7.1.6). Intellectual property right holders can enforce their rights with investigations, raids, preliminary injunctions, indictment and trial, and cease and desist letters.²⁸⁶

3.181. An Inter-agency Coordination Taskforce for IP Enforcement, including representatives of the police force, the IPR Police, the Customs Administration, the Ministry of Justice (MOJ), the Investigation Bureau of the MOJ, the Ministry of Education, and the Ministry of Economic Affairs, continues to coordinate enforcement work (Sections 3.3.7.3.1 and 3.3.7.2).²⁸⁷ Campus IPR protection has been enhanced through the MOU signed in August 2016 between the Ministry of Education and right holder groups. In addition to the MOU on the Infringing Website List (IWL) (Section 3.3.7.2), an MoU on IPR Enforcement Cooperation between the United States and Chinese Taipei entered into effect in February 2017.²⁸⁸

3.3.7.3.1 Domestic enforcement

3.182. The Police Force, the District Prosecutors Office and the High Prosecutors Office (Intellectual Branch Office) implement IPR legislation. The IPR Police undertakes counterfeit and piracy investigation. The Joint Optical Disk Enforcement Taskforce (JODE) continues to conduct periodic and random inspections of optical disc plants, printing plate factories, and other related facilities. In 2016, the value of trademark and copyright seizures in the local market is reported to amount to NT\$14.4 billion (US\$432 million), down from NT\$19.5 billion (US\$630 million) in 2015; in 2016, affirmed IP infringement cases totalled 4,946 cases, a 1.35% decline over the previous year.²⁸⁹

3.183. TIPO continues to pursue activities to enhance educational advocacy in this area, including: publication of various advocacy materials, newspapers, television and radio ads, internet activities, and speeches to promote IPR.²⁹⁰ Chinese Taipei has also continued to promote professional knowledge and the enforcement capability of police officers, judges, and lawyers as well as to raise awareness of representatives of the industry and academia through various training courses and workshops. These were mainly focused on trade secrets protection (legal regime and practices) (Section 3.3.7.1.6), IPR online enforcement, high-tech crime/cybercrime investigation and digital forensics technology, patent strategies and their use in various tech fields, as well as patent search system.

3.3.7.3.2 Enforcement by Customs

3.184. IPR enforcement on incoming and outgoing goods is conducted by Customs, which may suspend *ex officio* the release of goods suspected of infringing IPRs. The number of cases involving seizures of incoming counterfeit branded goods rose from 149 cases in 2014 to 228 cases in 2017, with the majority of the violations involving computing, communication, and consumer products (Table 3.13). Furthermore, seizures of incoming goods infringing trademark increased to 228 cases

²⁸⁴ WTO document WT/TPR/S/232/Rev.1, 28 July 2010.

²⁸⁵ Articles 88 and 91 of the Copyright Act. Viewed at: <https://www.tipo.gov.tw/public/data/61221027271.pdf>; and Article 95 of the Trademark Act. Viewed at: <https://www.tipo.gov.tw/public/data/7161442371.pdf>.

²⁸⁶ Wang&Wang online information. Viewed at: <https://www.wangandwang.com/intellectual-property/intellectual-property-overview-taiwan/intellectual-property-taiwan/>.

²⁸⁷ WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

²⁸⁸ USTR (2017), *2017 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/reports/2017/NTE/2017%20NTE.pdf>.

²⁸⁹ Online information. Viewed at: <https://www.export.gov/article?id=Taiwan-Protection-of-Property-Rights>.

²⁹⁰ MOEA Intellectual Property Office online information. Viewed at: <https://www.tipo.gov.tw/public/data/75161541271.pdf>.

in 2017 with vehicle parts, consumer electronics and cosmetics ranking at the top, in terms of the number of confiscated articles. Customs officials attribute the rise in seizures to increased detection of small parcel air freight shipments of counterfeit goods purchased from overseas e-commerce sites.²⁹¹

Table 3.13 IPR enforcement by Customs, 2014-17

Enforcement on incoming goods infringing trademarks

	Cases	Computer, communication, and consumer electronics	Bags/leather	Clothes	Cosmetics	Watches	Shoes	Medicines	Car parts	Toys	Others
2014	149	4,390	1,483	942	31,300	874	698	200	364	2,388	12,938
2015	199	5,052	2,456	1,045	6,300	304	1,237	-	2,605	1,359	15,172
2016	169	107,303	141	4,864	2,820	627	-	17,630	5,307	4,318	49,882
2017	228	18,676	6,186	5,481	9,402	4,112	184	7,662	157,183	5,250	40,132

Enforcement on incoming goods infringing copyright

	Cases	Game software (or game CDs)	Pirated optical discs (or movie DVDs)	Others	Total
2014	9	1	1,439	0	1,440
2015	12	0	785	300	1,085
2016	9	46	1,341	1	1,388
2017	0	0	0	0	0

Enforcement on outgoing goods

Export commodities infringing trademarks			Trademarks in the export declaration not in conformity with the commodity trademark and referred to BOFT through TIPO
	Cases	Quantities of commodities infringed	
2014	1	1,500	122
2015	1	660	291
2016	3	7,747	242
2017	5	16,484	260

Source: Information provided by the authorities.

3.3.7.3.3 Judicial action

3.185. An Intellectual Property Court continues to cover first instance and second instance civil action for the protection of IPRs. Criminal cases are dealt with by district courts in the first instance and by the IP Court in the second instance. For administrative action, the Court acts as first instance, and appeals are made to the Supreme Administrative Court. Between its establishment in July 2008 and end 2017, the Intellectual Property Court dealt with 13,206 cases (8,323 until 2013), of which 95.7% (12,634 cases) had been closed.²⁹² More than half of the cases were either first or second instance civil cases, while the remaining cases were virtually evenly spread between administrative and criminal cases.

3.186. Between 2013 and 2017, the share of cases found violating the law out of all investigated cases at all District Prosecutors Offices (including prosecution, application for summary judgement, and deferred prosecution and *ex officio*) dropped from 51% (2013) to 33% (2017), and the share of cases found guilty by the Court (including imprisonment, detention and fines) out of total adjudications was reduced from 81% (2013) to 73% (2016) (Table 3.14). Between 2013 and 2017, the share of indictment out of all investigated cases at all District Prosecutors Offices dropped from 22.6% to 16.5%, and the share of imprisonment out of total adjudications declined from 36.9% to

²⁹¹ Online information. Viewed at: <https://www.export.gov/article?id=Taiwan-Protection-of-Property-Rights>.

²⁹² WTO document WT/TPR/S/302/Rev.1, 18 December 2015; online information. Viewed at: http://ipc.judicial.gov.tw/ipr_english/doc/Statistics/10612-1.pdf.

22.2% whereas the share of fines rose from 3.2% to 5% (Table 3.14). This performance reflects an enforcement concern relating to a seemingly increasing reluctance to grant search warrants in IPR-related cases, which are necessary for the preservation of evidence; IPR enforcement appears also hampered through reduced levels of sentencing and fines given to those convicted, an explanation considered by the authorities as lacking substantial supporting evidence.²⁹³

Table 3.14 IPR enforcement within the market, 2012-17

District Prosecutors Offices

	Investigations concluded	Outcome (case)				
		Indicted (ordinary procedure)	Indicted (summary judgement)	Deferred	Not indicted	Others
2012	7,763	799	995	2,073	2,754	1,142
2013	7,818	712	1,058	2,081	2,909	1,058
2014	6,791	587	842	1,566	2,798	998
2015	8,075	757	820	1,602	3,629	1,267
2016	7,667	625	679	1,279	3,678	1,406
2017	7,032	560	599	920	3,730	1,223

Police Force

	Total		Trademark violations		Copyright violations		Optical discs seized	Internet cases
	Cases	Suspects	Cases	Suspects	Cases	Suspects	No. of discs	Cases
2012	5,484	6,342	3,260	3,716	2,224	2,626	131,648	2,892
2013	5,730	6,623	3,475	3,983	2,255	2,640	99,608	3,535
2014	4,910	5,730	2,760	3,120	2,150	2,610	350,604	2,929
2015	5,014	5,691	2,804	3,070	2,210	2,621	183,958	3,935
2016	4,946	5,527	2,642	2,908	2,304	2,619	3,912	893
2017	4,523	5,191	2,123	2,446	2,398	2,742	3,572	92,306

IPR police

	Total cases	Types of cases					
		Internet	Markets	Storefronts	Flyers	Factories	Others
2012	2,576	1,570	402	562	3	6	24
2013	2,754	1,803	370	551	2	2	27
2014	2,115	1,393	217	458	1	9	37
2015	2,428	1,963	100	345	0	6	14
2016	2,516	2,143	119	238	1	8	7
2017	2,162	1,694	103	108	0	38	219

IP adjudication findings

	Total adjudication	Imprisonment	Detention	Fines	Acquitted	Others
2012	1,915	818	677	62	125	233
2013	1,700	628	695	55	93	229
2014	1,740	493	782	66	120	279
2015	1,520	328	760	64	107	261
2016	1,339	279	608	91	104	257
2017	1,295	287	636	65	67	240

Source: Information provided by the authorities.

²⁹³ Amcham online information. Viewed at: <https://amcham.com.tw/wp-content/uploads/2017/06/Intellectual-Property-Licensing-EN.pdf>.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, Forestry, and Fisheries

4.1. Agriculture, forestry and fisheries together accounted for 1.7% of GDP and 4.9% of total employment in 2017 (Table 1.2). Continuing a trend in evidence during the previous review period, the value of total agriculture, forestry and fishery production continued to grow, peaking in 2014 and dropping off slightly in 2015 due to climate and weather factors, but recovering thereafter (Table 4.1).¹ Inward investment in most agriculture and animal husbandry activities, as well as forestry, fishing and aquaculture, is restricted under the applicable laws (Section 2.4.1 and Table A2.4); as indicated by the authorities, the decision as to whether to allow overseas investment rests with the Investment Commission, which relies on the advice of the Council of Agriculture (COA). Inflows of inbound direct investment into these sectors over the review period were negligible (Table 1.5).

Table 4.1 Value of agriculture, forestry and fisheries production, 2012-16

(NT\$ million)

	2012	2013	2014	2015	2016
Agriculture production	372,050	381,418	416,709	408,364	430,913
Forestry production	375	432	382	244	207
Fishery production	106,174	101,650	104,962	92,256	86,453
Total	478,000	483,499	522,052	500,863	517,573

Source: COA (2016) Statistics Yearbook. Viewed at: <http://agrstat.coa.gov.tw/sdweb/public/book/Book.aspx>; and information provided by the authorities.

4.2. The budgetary outlay for agriculture, forestry and fisheries reached NT\$35.5 billion in 2017, down from 39.5 billion in 2016 and 35.8 billion in 2015. Budgetary support is most significant for agriculture (72.1% of the total in 2017), followed by forestry (16.4%) and fisheries (11.4%) (Table 4.2).

Table 4.2 Budgetary outlays for agriculture, forestry, and fisheries by type of expenditure, 2015-17

(NT\$ million)

	2015	2016	2017
Agriculture (total)	25,079.8	27,988.0	25,627.3
- development of agricultural food technologies	161.5	143.3	722.6
- general administration	741.9	775.7	270.4
- agricultural food management	1,418.4	2,901.9	1,192.9
- food administration operation	22,758.0	24,167.1	23,441.4
Forestry (total)	6,226.4	6,370.1	5,841.2
- forestry research	66.4	71.0	39.4
- general administration	2,273.7	2,625.0	2,326.7
- forestry management and development	3,886.3	3,674.0	3,475.2
Fisheries (total)	4,478.8	5,138.1	4,052.2
- management services	298.4	351.7	344.7
- research services	161.3	182.1	179.1
- fisheries management	3,050.3	3,363.0	2,376.5
- fisheries development	968.8	1,241.3	1,152.0

Source: Information provided by the authorities.

4.3. The COA remains the entity responsible for the administration of forestry, agriculture, fisheries, livestock and other affairs concerning foodstuffs.² An ongoing executive level reorganization will involve the establishment of an agriculture ministry, once the requisite decision has been taken by the legislative branch. It is envisaged that the new ministry will improve the functioning of its departments, including through promoting agricultural technology industrialization, strengthening agricultural product safety and marketing, enhancing agricultural resource protection, implementing farmland water conservancy construction and rural development, and improving animal protection

¹ Online information. Viewed at: <https://eng.coa.gov.tw/ws.php?id=2505341>.

² The various bodies falling under the COA's responsibilities were viewed at: <https://eng.coa.gov.tw/ws.php?id=2501014>.

and pet management. The COA owns and manages the Pingtung Agricultural Biotechnology Park, while two other biotechnology parks (for trees and orchids) are owned and managed by local administrations.

4.4. In 2014, an agricultural technology research institute (ATRI) was established by the COA as an independent foundation; it is intended to provide a platform for applying advanced agricultural technology to the sector in order to enhance productivity and export competitiveness. Apparently, this is part of a drive to encourage value chain agricultural production. The ATRI's responsibilities include analysing market information and technological developments; and providing training services.³ There have been no other institutional changes since 2014.

4.1.1 Agriculture

4.1.1.1 Characteristics and policy objectives

4.5. The key impediments to the productivity and competitiveness of the agricultural sector in Chinese Taipei remain the fragmented nature of agricultural holdings and demographic trends (the average age of farmers is 63.5 years). The average farm size is still 1.1 hectares and the number of farming households has steadily increased from 749,375 in 2012 to 775,264 in 2015 (Table 4.3).⁴ Low incomes in the farming sector have made it difficult to attract young people into the profession.⁵ Chinese Taipei is also vulnerable to natural disasters as witnessed by the damage inflicted by the typhoons Soudelor and Dujuan in 2015, which also negatively impacted production and labour productivity.

Table 4.3 Agricultural land, 2012-15

Year		No land	<0.1 hectare	0.1-0.5 hectares	>0.5 hectares	Total
2012	Farming households	4,730	26,266	405,468	342,911	779,375
	Share in total agricultural household	0.6%	3.4%	52.0%	44.0%	100%
2013	Farming households	3,978	23,423	407,053	345,853	780,307
	Share in total agricultural household	0.5%	3.0%	52.2%	44.3%	100%
2014	Farming households	3,150	32,614	380,737	367,989	784,490
	Share in total agricultural household	0.4%	4.2%	48.5%	46.9%	100%
2015	Farming households	4,848	13,355	383,430	316,331	775,264 ^a
	Share in total agricultural household	0.6%	1.7%	49.5%	40.8%	100%

a 2015 data includes a total of 57,300 farm households which did not engage in agriculture.

Source: COA (2016), *Basic Agricultural Statistics 2015*. Viewed at: <http://agrstat.coa.tw/sdweb/public/book/Book.aspx>; and information provided by the authorities.

³ FFTC Agricultural Policy Platform online information. Viewed at: http://ap.fftc.agnet.org/ap_db.php?id=241.

⁴ In 2015, this figure included 57,300 farming households that did not engage in agriculture.

⁵ On average, farming families earn only just over 20% of their total income from farming.

4.6. Building on previous strategies⁶, Chinese Taipei's objectives for the agricultural sector are set out in its New Agricultural Policy, adopted in December 2016.⁷ This policy is based upon three pillars (Table 4.4), as well as measures to improve agricultural structures (reactivating fallow farmland; establishing large-scale zones to specialize in farming selected crops; and encouraging young people to return to rural areas) and promote rural development through regenerating rural communities and promoting agro-tourism. According to the authorities, the overall aim is to actively create a multi-functional agricultural sector, rather than merely providing subsidies, as in the past. Measures are aimed at responding to natural disasters, stabilizing farmers' incomes, improving the shortage of manpower, and enhancing modernized agriculture and its competitiveness.

Table 4.4 New Agricultural Policy objectives

Pillar	Objectives
Pillar I: Establishing agricultural paradigms	Implement green environmental payments on farmland; promote agricultural insurance programmes; upgrade the livestock industry; enhance the conservation of fishery resources; promote green energy; sustainably use forest resources; promote smart agriculture; encourage young farmers; and activate local economies.
Pillar II: Formulating a safety system for agricultural products	Establish a food security system; implement the "Big Granary project" for non-GMO grain production areas; promote organic and environmentally friendly farming; ensure safe yields of agricultural produce at their source; increase the frequency of agricultural product inspections; and establish a trusted labelling system for agricultural products.
Pillar III: Enhancing the capabilities of agricultural marketing	Support robust small-scale farmers and agribusiness; establish export companies for agricultural and fishery products; construct an online trading platform for agricultural products; develop agricultural clusters; sign cooperative accords with trading partners.

Source: Information provided by the authorities.

4.7. Thus far, concrete measures taken to achieve these objectives have, *inter alia*, included: the development and expansion of a traceability system for locally produced agricultural products so as to encourage local production and consumption; new regulations to strengthen food safety and quality⁸; expansion of Chinese Taipei's disaster relief programme; a new public sector support programme for natural disaster crop insurance (see below); and loosened restrictions on employing external labour in the slaughtering industry to cope with manpower shortages.⁹ The COA has also undertaken various training, R&D, and information technology support activities and launched an "Smart Agriculture 4.0 programme" which involves the introduction of advanced technologies into three focal areas (bio-agriculture, quality agriculture and precision agriculture); ten priority product categories have been selected as pilot industries in the first stage of promotion.¹⁰ As indicated by the authorities, results achieved from implementation of this programme thus far include: the creation of an information platform for orchids, seedlings, mushrooms, rice and major export crops

⁶ Previous strategies related to: transforming the agricultural sector from a traditional to a competitive, modern one; developing organic agriculture; attracting young generation farmers and providing aged farmers' life care; expanding the scale of farms; building an agricultural corridor alongside the railway track linking southern Changhua county and Yunlin county (an area which suffers from serious land subsidence); and diversifying and enhancing the quality of agricultural products. The various measures to be taken under these policies included: revitalizing agricultural communities; reactivating fallow land; conserving water used for irrigation purposes; using technology to assist with production and marketing; promoting interdisciplinary cooperation to expedite the establishment of industrial value chains; establishing an agricultural technology research institute; creating new market opportunities through trade agreements; establishing an ageing farmer allowance plan; promoting the small landlords big tenants policy; providing training and education; establishing farmers' income compensation measures; launching an agricultural insurance plan for disaster relief; increasing domestic food self-sufficiency and encouraging local production and consumption; strengthening the food safety management mechanism; and highlighting brand characteristics of local produce through origin certification. The various policies were viewed at: https://eng.coa.gov.tw/theme_list.php?theme=eng_policies.

⁷ The New Agricultural Policy is only available in Chinese at: <https://www.coa.gov.tw/ws.php?id=3>.

⁸ Amendments were made to the Agro-Pesticides Management Act to increase fines for manufacture, trade, sale, distribution, etc. of banned agro-chemicals. Online information. Viewed at: <https://eng.coa.gov.tw/ws.php?id=2505341>.

⁹ Online information. Viewed at: <https://eng.coa.gov.tw/ws.php?id=2505351>.

¹⁰ The "Smart Agriculture 4.0 programme" is part of the wider "Productivity 4.0 Initiative" which concerns other sectors of the economy. Advanced technologies include sensors, digital devices, internet of things (IoTs), and big data, which will be used to digitalize knowledge, automate production, produce quality products, facilitate operations and promote cloud-based source-tracing. The ten product categories are: phalaenopsis orchids; seedlings; mushrooms; rice; agricultural facilities; aquaculture; poultry; traceable agro-products; dairy; and deep-sea fishing. Online information. Viewed at: <https://eng.coa.gov.tw/ws.php?id=2505350>.

as well as procedures for customized planting; the establishment of a demonstration field for smart production of seedlings; and the development of a quick response (QR) coding system for access to the origin of agro products, with relevant information such as land location, farmers' information, and inspections undertaken.

4.8. Chinese Taipei set an overall food self-sufficiency target of 40% (based on calories) in 2011. According to the authorities, the overall food self-sufficiency ratio peaked in 2014 at 34% and now stands at 31% due to the impact of typhoons. There are no product-specific self-sufficiency targets. Efforts to meet the overall self-sufficiency goal as well as to increase the production of import substitution crops (an objective contained in the New Agricultural Policy¹¹) are largely being undertaken through the "Support for Diversified Crops" programme (see below) and the "Adjusting the Cropping System and Revitalizing Fallow Land" programme launched in 2013. Under the latter programme, fields may only be left fallow for one growing season during the year (during which green manure crops must be grown); in the other season, farmers are encouraged to cultivate (a) import substitution crops; (b) crops with export potential; (c) organic crops; or (d) crops with unique local characteristics¹²; they are eligible for diversion payments ranging from NT\$15,000 to NT\$45,000 per hectare. Other measures in place, *inter alia*, to encourage farmers to plant import substitution crops include: providing subsidies for farming equipment; setting up a platform for farmland renting brokerage; providing interest-free loans for renting land and low-interest loans for business operations; and implementing disaster relief (see below).¹³ The main import substitution crops being grown are feed corn, soybean and wheat. In 2016, Chinese Taipei produced 65,105 tonnes of feed corn (with a value of NT\$586 million); 3,061 tonnes of soybean (with a value of NT\$176 million) and 3,638 tonnes of wheat (with a value of NT\$116 million). Since 2014, the volume and value of soybean production has increased each year while the volume and value of feed corn and wheat have fluctuated.

4.9. Price stabilization measures are in place for certain agricultural products (Table 3.7).

4.1.1.2 Legislative framework

4.10. The main law governing the sector remains the Agricultural Development Act of 1973 as amended.¹⁴ The Act was further amended once over the review period, in 2016, in order to exempt farms organized in the form of a sole proprietorship or partnership and legally registered agricultural cooperatives from profit-seeking enterprise income tax (which is levied at a rate of 17% over a certain threshold) for selling self-produced primary agricultural products.¹⁵ The exemption is in force for a five year period, starting from 11 November 2016. The estimated revenue foregone for this tax exemption is NT\$16.96 million per year.

4.1.1.3 Production and trade

4.11. Crop production represents nearly 62% of the value of total agricultural production and livestock production, just over 38%. In value terms, fruit, hogs, vegetables and rice are the most important items reared or produced (Table 4.5).

Table 4.5 Value of agricultural production, 2012-16

	2012	2013	2014	2015	2016
Agricultural production (NT\$ million)	372,050	381,418	416,709	408,364	430,913
Crop production (%)	60.1	60.7	59.5	59.9	61.6
- Paddy rice	10.7	9.7	10.0	9.2	8.8
- Coarse grain	2.2	2.4	3.0	2.6	3.0
- Special crops	3.3	3.2	3.1	3.1	3.0

¹¹ Among the objectives contained in the New Agricultural Policy are to encourage farmers to grow import-substitute crops and to encourage the cultivation of fallow farmland with import-substitute crops or non-GMO soybean and maize.

¹² Online information. Viewed at: <https://eng.coa.gov.tw/ws.php?id=2505342> and <https://eng.coa.gov.tw/ws.php?id=2505358>.

¹³ WTO document WT/TPR/M/302/Add.1, 23 October 2014 [p. 25].

¹⁴ For further details on the Act see WTO document WT/TPR/S/165/Rev.1, 10 October 2006. The Agricultural Development Act was viewed at: <http://law.coa.gov.tw/GLRNewsout/EngLawContent.aspx?Type=E&id=239>.

¹⁵ The Agricultural Development Act, Article 47-1.

	2012	2013	2014	2015	2016
- Vegetables	16.5	16.1	14.4	15.8	17.9
- Mildew	1.5	1.6	1.6	2.1	2.2
- Fruit	21.3	23.0	23.3	22.5	22
- Ornamental plants	4.3	4.3	4.0	4.1	4.1
Livestock production (%)	39.9	39.3	40.5	40.1	38.4
- Hogs	17.9	17.4	18.4	17.6	16.6
- Broiler chickens	4.3	4.4	4.5	4.6	4.5
- Colourful broiler chickens	5.6	5.5	5.3	5.4	5.2
- Mule and Muscovy duck	1.4	1.7	1.8	2.1	2.0
- Cow milk	5.5	5.0	5.2	5.5	2.3
- Hen eggs	5.2	5.0	5.2	5.5	5.4

Source: COA (2016), *Statistics Yearbook*. Viewed at: <http://agrstat.coa.gov.tw/sdweb/public/book/Book.aspx>; and information provided by the authorities.

4.12. Chinese Taipei has a trade deficit in food, and imports supply a significant part of consumption. Imports of food (excluding fish) represented about 4.5% of total merchandise imports in 2015 and 2016, the major products being: soybeans, corn and food preparations. In 2016, Chinese Taipei's main sources of food imports were, in order of importance: the United States, the European Union, Brazil, Japan and New Zealand.

4.13. Exports of food (excluding fish) comprised about 0.8% of total merchandise exports both in 2015 and 2016, and major exported products included food preparations, spirits, and non-alcoholic beverages. The main destinations include: China; the United States; Hong Kong, China; and Japan. According to official sources, Chinese Taipei is the world's largest exporter of orchids, representing over 90% of flower export value in 2015.¹⁶

4.1.1.4 Trade measures

4.1.1.4.1 Tariffs

4.14. The average applied MFN tariff for agricultural products (WTO definition) including AVEs was 17.8% in 2018 (Table 3.1). 7.2% of tariff lines for agricultural products are subject to non-*ad valorem* rates and the simple average AVE is 68.1%. Thirty tariff lines had rates over 100%, mainly as a result of the tariff lines with out-of-quota rates. The highest MFN tariffs apply to: areca (betel) nuts, fresh or dried (1 tariff line at 1,059.6%); other deer velvet (1 tariff line at 500%); various rice and rice products (12 tariff lines with rates ranging from 100.9% to 476.8%); various ground nut and ground nut products (7 tariff lines with rates ranging from 120.8% to 338%); fresh or dried pomelos (1 tariff line at 184%); fresh or dried pineapples (2 tariff lines at 173%); dried longans and longan pulp (1 tariff line at 137.8%); coconuts, shelled and other (2 tariff lines at 120%); dried cashew nuts in shell (1 tariff line at 116.8%); dried shitake (1 tariff line at 109%); and dried day lily (1 tariff line at 103%).¹⁷

4.15. At the time of Chinese Taipei's previous review, the authorities indicated that tariff reductions would be considered based on the outcomes of the Doha Development Agenda (DDA) negotiations.¹⁸ In the context of this Review, the authorities confirmed that Chinese Taipei's position in this regard has not changed.

4.16. Over the review period, temporary tariff reductions were applied to milk and cream, pork fat and lard, poultry fat and goose meat (Section 3.1.3.7).

¹⁶ Online information. Viewed at: <https://english.ey.gov.tw/cp.aspx?n=D558EBF449B7C570>.

¹⁷ Eight tariff lines have *ad valorem* rates: other deer velvet; coconuts, shelled; other coconuts; pineapples fresh or dried (2 lines); pomelos, fresh or dried; crude ground-nut oil; refined ground-nut oil and its fractions.

¹⁸ WTO Document WT/TPR/M/302/Add.1, 23 October 2014.

4.1.1.4.2 Tariff quotas

4.17. Chinese Taipei applies tariff-rate quotas (TRQs), under its multilateral agricultural market-access commitments, on 85 agricultural tariff items at the HS eight-digit level (Section 3.1.3.5).

4.1.1.4.3 Special safeguard measures

4.18. Special safeguard measures (SSGs) were taken several times during the review period (Section 3.1.6.2). During Chinese Taipei's previous review, it was observed that there had been a notable increase in price-based SSGs since 2013¹⁹; this tendency is also reflected in the current review period (Table 4.6). The authorities have indicated that the increased activation of price-based SSG's at some points may have been due to changes in domestic supply and demand, as well as the commercial (i.e. profit) considerations of importers.²⁰

Table 4.6 Special safeguard measures invoked, 2014-17

	Description of product	Volume-based SSGs ^a	Price-based-SSGs ^a	
			Cases	Quantity affected (kg)
2017	Rice	-	36	5,952
	Peanuts	03.03 to 31.12	2	300
	Garlic	10.01 to 31.12	-	-
	Betel Nuts	13.03 to 31.12	-	-
	Chicken legs and wings	-	1,217	41,343,629
	Other chicken cuts	09.06 to 31.12	24	204,162
	Fresh milk	03.08 to 31.12	29	68
	Other liquid milk	24.10 to 31.12	13	727
	Red beans	20.01 to 31.12	-	-
	Dried shiitake	20.10 to 31.12	4	3,818
	Persimmon	17.11 to 31.12	-	-
	Dried day lilies	22.12 to 31.12	-	-
	Pork belly	04.09 to 31.12	109	658,850
2016	Peanuts	15.12 to 31.12	7	1,781
	Garlic	29.07 to 31.12	-	-
	Chicken legs and wings	16.11 to 31.12	2,018	84,281,753
	Other chicken cuts	26.10 to 31.12	73	859,785
	Fresh milk	28.07 to 31.12	-	-
	Other liquid milk	08.12 to 31.12	22	11,009
	Red beans	27.06 to 31.12	-	-
	Pomelos	23.05 to 31.12	-	-
	Persimmon	08.11 to 31.12	-	-
	Pork belly	22.09 to 31.12	37	555,050
2015	Rice	24.12 to 31.12	1	1,460
	Peanuts	15.12 to 31.12	21	1,150
	Pears	09.11 to 31.12	-	-
	Chicken legs and wings	16.07 to 31.12	819	37,462,135
	Other chicken cuts	-	33	61,952
	Fresh milk	26.08 to 31.12	39	27,175
	Other liquid milk	26.10 to 31.12	-	-
	Livestock offal	17.09 to 31.12	-	-
	Red beans	-	1	2
	Dried shiitake	-	4	33
	Persimmon	17.11 to 21.12	-	-
	Pork belly	21.08 to 31.12	21	603,565
2014	Rice	-	7	29,670
	Peanuts	11.04 to 31.12	-	-
	Pears	26.11 to 31.12	-	-
	Garlic	21.12 to 31.12	-	-
	Betel nuts	29.04 to 31.12	-	-
	Chicken legs and wings	05.09 to 31.12	28	789,445
	Other chicken cuts	-	23	605,428

¹⁹ With respect to price-based SSGs, once the import price falls below the trigger price, an additional duty may be imposed on a batch-by-batch basis according to Article 5 of the Agreement on Agriculture. In principal, trigger prices equal the average 1990 to 1992 c.i.f. import prices of the product. Trigger prices of some products, which were not imported during the base period, are based on the c.i.f. prices of those products in neighbouring markets.

²⁰ The authorities confirmed that this explanation provided during its previous review (WTO document WT/TPR/M/302/Add.1, 23 October 2014) remains valid.

	Description of product	Volume-based SSGs ^a	Price-based-SSGs ^a	
			Cases	Quantity affected (kg)
	Fresh milk	03.09 to 31.12	-	-
	Other liquid milk	03.11 to 31.12	33	44,903
	Red beans	-	2	538
	Dried shiitake	17.11 to 31.12	5	3,062
	Pork belly	29.09 to 31.12	21	513,115

a If both the volume-based and price-based SSGs are applicable on an import consignment, only one of them (the higher additional duty) will be applied.

Source: WTO documents G/AG/N/TPKM/160, 7 February 2018; G/AG/N/TPKM/149, 6 March 2017; G/AG/N/TPKM/149/Corr.1, 23 March 2017; G/AG/N/TPKM/134, 21 March 2016; and G/AG/N/TPKM/122, 11 March 2015; and information provided by the authorities.

4.1.1.4.4 State trading

4.19. Rice remains the only agricultural product subject to state-trading. The Agriculture and Food Agency (AFA) under the COA regulates the production, purchase, warehousing, export and import of rice, with a view to ensuring food security, market stability and income security for farmers. The AFA purchases a portion of the paddy rice owned by farmers for food security stocks (at least three months' consumption) at guaranteed prices, while most of the rice produced enters the market freely (Table 4.7). Food security stocks are mainly released to schools for school lunches (around 20,000 tonnes per year). The AFA has the exclusive right to import the public sector portion of the TRQ on rice, i.e. 65% of the TRQ.

Table 4.7 Arrangements for rice, 2015 and 2016

('000 metric tonnes)

	2015	2016
Total quantity imported	152.9	150.8
Quantity imported by the AFA	94.0	94.0
Total quantity exported	93.3	104.6
Quantity exported by the AFA	0	0
Chinese Taipei's production (brown rice)	1,260.4	1,264.1
Domestic purchases by the AFA (paddies)	363	398
Chinese Taipei's supply (brown rice)	1,217.8	1,188.5
Domestic sales by the AFA (brown rice)	459.2	430.6

Source: Information provided by the authorities.

4.1.1.4.5 Export promotion, restriction and prohibition

4.20. Chinese Taipei has notified the Committee on Agriculture that no export subsidy programmes subject to reduction commitments have been applied.²¹

4.21. Chinese Taipei helps farmers to enhance global recognition of their agricultural products and increase exports by conducting and facilitating international marketing programmes, holding overseas exhibitions, and building brand images. As noted in Chinese Taipei's previous review, the coverage of beneficiary products in this programme is wide, including fish (tuna, grouper, and tilapia), orchids, tea, soya bean and fruits (bananas and mangos).²²

4.22. Export prohibitions are in place for Coypu (Myocastoridae); dog meat; mushroom spawn and products (containing narcotics); dutchmanspipe (including its fruits); and Southern Fangchi Root (Table A3.4). The re-export of subsidized fertilizers (see below) is prohibited.

²¹ Notifications cover the review period up to 2017, inclusive. WTO documents: G/AG/N/TPKM/159, 23 January 2018 (for 2017); G/AG/N/TPKM/146, 23 January 2017 (for 2016); G/AG/N/TPKM/132, 29 January 2016 (for 2015); and G/AG/N/TPKM/121, 10 February 2015 (for 2014).

²² WTO Document WT/TPR/M/302/Add.1, 23 October 2014.

4.1.1.5 Domestic support measures

4.1.1.5.1 Notified support levels

4.23. A complete and up-to-date picture of domestic support levels, as notified to the WTO, was not available, since Chinese Taipei's most recent domestic support notification only covers 2011 and 2012. In the context of this Review, the authorities indicated that a new notification will be submitted soon. Total domestic support for agriculture, including Green Box, and Amber Box (i.e. including *de minimis* levels), amounted to NT\$52.8 billion in 2012 and fluctuated in the preceding years (Table A4.1).

4.24. The current total Aggregate Measurement of Support (AMS) reached NT\$8 billion in 2012, up from NT\$7.2 billion in 2011; and NT\$3.9 billion in 2010 and 2009 respectively.

4.25. Over the period 2009-12, product-specific support increased from NT\$4.2 billion to NT\$9 billion over this period; it is most significant for rice. A notable trend is increased support for vegetables which increased from NT\$217 million to NT\$634 million over the same period (Table A4.1).

4.26. The non-product-specific component of the AMS fluctuated over the period: NT\$9.2 billion in 2009, NT\$6.2 billion (2010), NT\$7.1 billion (2011) and NT\$6.8 billion (2012). As at the time of Chinese Taipei's previous review, fluctuations have been partly linked to changes in world prices for fertilizers and crude oil. In 2012, the main non-product-specific AMS expenditures were on the agricultural fertilizer price difference subsidy (NT\$4 billion) (see also Section 4.1.1.5.2.2 below) and interest subsidies (NT\$2.2 billion) (see also Section 4.1.1.5.2.3 below) (Table A4.1).

4.27. Support notified under the Green Box was nearly NT\$43 billion in 2011 and nearly 37 billion in 2012, a decrease from peak support levels in 2009 (just over NT\$44 billion). The biggest budgetary decrease over the period was in the area of payments for relief from natural disasters (see also Section 4.1.1.5.2.5 below). Support for general services, the largest category, peaked in 2011, influenced mainly by increased support to infrastructural services (Table A4.1).

4.1.1.5.2 Selected incentives and support

4.1.1.5.2.1 Price support – guaranteed purchases

4.28. Chinese Taipei subsidizes producers of rice and sugar by buying these products at guaranteed prices, which are generally higher than market prices. The authorities confirmed that guaranteed prices are the only form of price support used.

4.29. With respect to rice, the COA has implemented a two-track policy since January 2018. Farmers can choose to either receive a "green payment" of NT\$10,000-NT\$13,500 per hectare or to sell rice to the Agriculture and Food Agency (AFA) at guaranteed prices, as previously (see below). The purpose of the two-track policy is to encourage farmers to plant high quality rice and sell it to the market; this should reduce the distortion in rice market prices and, by reducing support, speed up reform of the rice industry. The authorities indicated that it is too early to see which support option farmers generally prefer. There continue to be three types of guaranteed purchases of rice through the Agriculture and Food Agency (AFA): planned, supplementary and additional. Limits on the quantity of the different rice types that may be purchased have not changed since Chinese Taipei's previous review (Table 4.8). The "planned" purchase category takes into account production prices and is usually higher than the market price, while "additional" prices are not and the "supplementary" purchase prices depend on demand.²³ As indicated by the authorities, the purpose of having the "additional prices" is to avoid prices being lower than production costs. The "supplementary" prices aim at stabilizing market prices. Farmers who produce rice in paddy fields are eligible for all three types of guaranteed purchase, while those producing in upland areas are only eligible for "supplementary" and "additional" purchases. The amount spent on the subsidy was NT\$583 million in 2014 and NT\$696 million in 2015.

²³ WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

Table 4.8 Guaranteed purchases of rice

	Guaranteed prices	Quantity limit
Planned purchase	NT\$26/kg for Japonica-type rice NT\$25/kg for Indica-type rice and glutinous rice	2,000 kg/hectare for the first crop 1,500 kg/hectare for the second crop
Supplementary purchase	NT\$23/kg for Japonica-type rice NT\$22/kg for Indica-type rice and glutinous rice	1,200 kg/hectare for the first crop 800 kg/hectare for the second crop
Additional purchase	NT\$21.6/kg for Japonica-type rice NT\$20.6/kg for Indica-type rice and glutinous rice	3,000 kg/hectare for the first crop 2,400 kg/hectare for the second crop

Source: WTO document G/SCM/N/315/TPKM, 24 July 2017.

4.30. Guaranteed purchases of sugar are undertaken by the "Taiwan Sugar Corporation" (TSC), a state-owned enterprise. The TSC concludes contracts with sugar farmers for the purchase of sugarcane and sugar sharing. Sugarcane farmers obtain 55% of the sugar made from sugarcane, and are paid either the domestic sugar selling price (which is based on the international sugar price), or the prepaid contract price (NT\$24,878 per ton), whichever is higher. The contract price takes into account domestic sales and marketing costs and it has been frozen since 1990. Sugar factory subsidies include covering the costs of transporting sugar cane, and contract costs such as cane garden fire insurance and parasitic wasp tablets. The cost of guaranteed purchases and sugar factory subsidies was a total of NT\$248.75 million over the period 2014-17.

4.1.1.5.2.2 Fertilizer subsidies

4.31. From May 2008, the COA had subsidized the price increases of chemical fertilizers, with farmers paying the pre-May 2008 price plus 15% of the price increase.²⁴ The subsidy was granted based on the actual usage of fertilizer, with no limit on the amount of subsidy per farmer. This subsidy scheme was terminated in July 2017.

4.32. Two new fertilizer subsidy schemes were introduced in 2017. Farmers in remote areas and offshore islands are eligible for a fertilizer freight subsidy of NT\$500 per tonne. Additionally, all farmers are eligible for freight subsidies (also at NT\$500/tonne) for composite fertilizers containing organic matter. The purpose of the latter scheme is to promote eco-friendly agriculture and reduce the use of chemical fertilizers.

4.1.1.5.2.3 Interest subsidy

4.33. All farmers and fishermen are eligible for loans with subsidized interest rates in order to operate smoothly (update equipment, improve skills and innovation, increase the value-added of their products, strengthen sales, respond to natural disasters etc.). The loan capital is provided by credit departments of farmers' associations and fishermen's associations or the Agricultural Bank. The source of finance for the subsidy is the Agricultural Development Fund. The amount of the interest subsidy was NT\$1.7 billion in 2014 and NT\$1.4 billion in 2015. In 2015, as in previous years, the main expenditure was on loans for accelerating rural construction (81.6% of loans); the next biggest category of loans were those to expand the family farm and support land purchases by farmers (9.2%); followed by loans for farm machinery (5.6%); and then loans for natural agricultural disasters (3.5%).²⁵

4.1.1.5.2.4 Insurance subsidies

4.34. The COA runs three livestock insurance programmes. Under the pig mortality insurance programme, the authorities pay 40-70% of the insurance premiums and farmers pay the remaining 60%-30% depending on the rearing scale of pig farms. Under the pig transportation insurance programme, the authorities pay 50% of the insurance premiums and farmers pay the remaining 50%. Under the dairy cattle mortality insurance programme, the authorities pay 70% of the insurance premiums and farmers pay the remaining 30%. The authorities indicated that the average annual cost of these subsidies was around NT\$230 million.

4.35. In 2015, the COA initiated a new programme for natural disaster insurance for agricultural crops; it subsidizes one-third to one-half of the premiums for approved insurance products offered

²⁴ WTO document WT/TPR/S/302/Rev.1, 18 December 2015

²⁵ WTO document G/SCM/N/315/TPKM, 24 July 2017.

by private insurance providers. The amount of the premium subsidy for the year 2017 was around NT\$18.23 million. Seven items have been included in the initial period of this insurance scheme (pears, mangoes, custard apples, paddy rice, aquatic products, grouper, and bird flu).

4.1.1.5.2.5 Disaster relief programmes

4.36. Over the review period, amendments were made to the Regulations for the Relief of Damage Caused by Natural Disasters in the wake of the 2015 typhoons. Certain crops and fisheries items which were previously not eligible for relief are now eligible for low interest rate loans.²⁶ Additionally, changes were made to expand eligibility for post-disaster cash relief as well as to increase the value of such relief.²⁷ As reported by the authorities, total relief allocations in 2015 amounted to NT\$3.6 billion, benefitting 139,400 households, and 353 farm or fishing households received low-interest loans totalling NT\$26 million.²⁸

4.1.1.5.2.6 Support for Diversified Crops programme

4.37. Under the "Support for Diversified Crops" programme, payments are made to farmers whose circumstances fall under one of the following categories: (a) growing rice in the base year (1994-2003); (b) growing guaranteed price purchase crops of feed corn, sorghum or sugarcane in the base year; or (c) registering as set-aside or diversion under "Rice Production and Rice Field Diversion Projects" in the base year. Diversion payments range from NT\$15,000 to NT\$45,000 per hectare. The amount of the subsidy granted in 2014 was NT\$3.5 billion and in 2015, NT\$3.7 billion.²⁹

4.1.1.5.2.7 Small Landlords, Big Tenants Policy

4.38. Under the "Small Landlords, Big Tenants" policy, launched in May 2009³⁰, small landowners over 65 years old who have paid agricultural insurance for over five years and who lease their land to tenants may receive a monthly incentive of NT\$2,000 per hectare up to a maximum of 3 hectares (NT\$72,000 annually). The measures to assist big tenants are: (a) a subsidy for improving leased agricultural land; (b) a subsidy for contract farming; (c) enterprise management assistance packages (including subsidies for purchasing production equipment and applying for verification of healthy and safe agricultural products); zero-interest rent and low-interest (1%) loans; and (d) natural disaster assistance. By the end of December 2017, the policy had assisted 19,427 hectares, 39,701 small landlords and 2,279 big farmers, and the authorities report that it has met the objectives of expanding farm size and encouraging participation of younger farmers.³¹ The cost of this policy was NT\$1.23 billion in 2016.

4.1.1.5.2.8 Support to discontinue tobacco production

4.39. The purchase of domestically produced tobacco leaf used to be regulated by the Government Procurement Act and was conducted through a restricted tendering procedure. The purchase price took into account costs, market prices and past awards. The value of tobacco leaf purchased in 2015/16 was NT\$283.1 million and NT\$276.8 million in 2016/17. In February 2017, this procurement practice was terminated. The COA enacted "Operating Guidelines for Advising Farmers to Declare Abandonment of Tobacco Leaf Production" with a view to encouraging farmers who brought in tobacco leaves for procurement during the period 2016/2017 to abandon their undertaking. The farmers who made such a declaration were eligible for a one-time payment of NT\$600,000 per hectare. Farmers may apply for support to transfer production into other crops,

²⁶ Additional crops eligible for disaster relief are: citrus fruit, bamboo shoots and short-term vegetables. Additional fishery items are: grouper, eel, ornamental fish raised in outdoor fish ponds, and indoor aquaculture production and management facilities.

²⁷ Online information. Viewed at: <https://eng.coa.gov.tw/ws.php?id=2505353>.

²⁸ Online information. Viewed at: <https://eng.coa.gov.tw/ws.php?id=2505360>.

²⁹ WTO document G/SCM/N/315/TPKM, 24 July 2017. In 2015, the breakdown of the subsidy was: NT\$527 million for feed corn; NT\$95 million for vegetables; NT\$519 million for forage crops; and NT\$2.6 billion for other crops.

³⁰ The stated objectives of this policy are to rejuvenate the agricultural labour structure, expand farm scale and give retirement relief to elderly farmers.

³¹ Online information. Viewed at: https://eng.coa.gov.tw/theme_data.php?theme=eng_policies&sub_theme=eng_programs_services&id=17.

under the policy of "Basis for Support Provision to Farmers Transferring Away from Tobacco Leaf Production".

4.1.1.5.2.9 Other

4.40. Farmers also receive reduced-price gasoline and diesel (Table 3.7). Under the Act of Irrigation Association Organization, members of the Irrigation Association are entitled to use irrigation and drainage facilities; the COA pays the membership fee for farmers and hence they effectively receive their water free of charge. Under the "Income Tax Act" farmers are permitted to deduct 100% of costs and necessary expenses from their whole year's income, and the income tax is zero.

4.1.2 Forestry

4.41. The forestry sector in Chinese Taipei is small, accounting for 0.01% of GDP in 2016.³² There are an estimated 268,317 persons employed in the sector. Green forests cover nearly 61% of the surface area (some 2,197,000 hectares) and reforestation efforts have resulted in a 2.2% increase in the forested area since 1993.³³ Publicly owned forests (including forests owned at central and county/city levels) cover 1,857,000 hectares, of which there are 460,000 hectares of protected forests.³⁴ The estimated size of commercial forest land, including both publicly and privately owned forests is 290,000 hectares. The logging of primary forests has been banned since 1990.

4.42. Harvesting of yields on publicly owned forests is carried out according to an annual logging plan which is compiled by the Forestry Bureau (see below).³⁵ Owners of private forest lands must also submit logging plans to be included in the annual logging plan. Various efforts have been taken to prevent illegal logging, including: the production of an illegal logging high risk area map; a rewards system for reporting illegal logging; and the recruitment of volunteer forest rangers to work alongside full-time rangers.³⁶ As noted by the authorities, promotional activities, such as participating in exhibitions, are being undertaken to encourage the use of domestic timber.

4.43. The Forestry Bureau under the COA continues to regulate the development of forestry. The main law is the Forestry Act of 2004, as amended. Amendments to the Act in 2016 introduced articles relating to the protection of trees outside forests; the extension of an awards system for achievements in protecting or adopting trees; and penalties for illegal activities.

4.44. The objectives for the sector as set out in the New Agricultural Policy (see above) are to: promote afforestation and reforestation; strengthen forest preservation and comprehensive management of forests; promote nature conservation; preserve wild animal and plant resources; ensure the sound functioning of ecological systems; strengthen the economic value of forest land and upgrade the quality of forest recreation areas.³⁷

4.45. The value of forestry production has fluctuated in recent years, from a high of NT\$432 million in 2013 to a low of NT\$207 million in 2016 (Table 4.1) Over the period under review, the volume of timber logged steadily decreased from 37,899.19 m³ in 2014 to 24,769.23 m³ in 2016; with most timber being logged from publicly owned forests.³⁸

4.46. Most imported wood products (114 out of the 131 tariff lines in HS chapter 44) face zero tariffs, and the simple average tariff is 1.4%. According to the authorities, 99% of the timber used in Chinese Taipei is imported. Timber and timber products from CITES species may not be imported or exported. There is no requirement to process wood prior to export.

4.47. In 2013, in order to activate idle farmlands, the COA launched the Adjusting the Farming System Programme to promote 6 to 10 years of short-term economic forestation. This programme aims to increase the self-sufficiency rate of local wood industries, provide diversified utilization of

³² Online statistical information. Viewed at: <http://http://eng.stat.gov.tw>.

³³ Online information. Viewed at: <https://www.forest.gov.tw/EN/forest-news/0060708>.

³⁴ Online information. Viewed at: <https://www.forest.gov.tw/EN/forest-news/0060308>.

³⁵ Forestry Act, Article 15.

³⁶ Online information. Viewed at: <https://www.forest.gov.tw/EN/forest-news/0060308>.

³⁷ New Agricultural Policy. Viewed at: <https://eng.coa.gov.tw/ws.php?id=2505347>. These goals are also set out in the stated goals of the Forestry Bureau. Viewed at: <https://theme.forest.gov.tw/Policies/Important-Policies/en/>.

³⁸ In 2014, 15% of total timber logged was from private forests, 9% in 2015 and 24% in 2016.

local farmland and also to contribute to carbon sequestration.³⁹ Financial support is available to farmers and forest owners to help them pay for various kinds of certification fees.

4.1.3 Fisheries

4.1.3.1 Overview

4.48. In 2016, fishing accounted for 0.23% of GDP.⁴⁰ According to the authorities, in 2016, Chinese Taipei had a 2.2% share in global fisheries' landed value and a 0.7% share of global aquaculture production value. It is estimated that in 2016 the sector employed 236,593 persons and that there were 22,695 locally registered fishing vessels, comprising a total of 596,759 GT. According to official sources, the key challenges facing the sector include demographic trends, with an outflow of workers into other sectors; offshore and coastal water contamination which has depleted fish stocks; a deterioration in the environment for fish farming; and climate change. To address the challenges of conserving coastal and offshore fisheries resources, the Fisheries Agency (FA) of the COA is promoting the reduction of fishing, fostering habitat cultivation and environmental maintenance, strengthening conservation and management and campaigning for monitoring, control and surveillance of coastal fisheries to ensure the sustainable utilization of fisheries resources. To address labour shortages, incentives have been adjusted to graduates of maritime schools and training centres to encourage young people to stay in the industry. Additionally, possibilities to engage overseas fisheries workers have been expanded (see below).

4.49. The objectives for the sector as set out in the New Agricultural Policy (see above) are to pro-actively participate in international fisheries organizations; implement norms for management of fishing vessels; strengthen measures to increase coastal fisheries resources and preserve coastal ecologies in a sustainable manner; improve water supply facilities for areas where aquaculture is concentrated; and strengthen on-site monitoring, testing, and management of the use of pharmaceuticals for fisheries products.⁴¹ Other key objectives are to combat IUU fishing through implementation of legislation and action plans (see below).

4.50. In August 2015, Chinese Taipei joined the North Pacific Fisheries Commission and has been actively participating in its meetings.

4.51. Chinese Taipei issued its plan of action to prevent, deter and eliminate illegal, unreported and unregulated fishing (IPOA-IUU) in 2013 to complement the United Nations Food and Agriculture Organization (FAO) 2001 International Plan of Action in this area.⁴²

4.1.3.2 Legal and institutional framework

4.52. The main law governing the sector is the Fisheries Act of 2008, as amended. Its objectives are to: ensure the conservation and rational use of aquatic resources; increase fisheries productivity; promote sound fisheries development; guide and assist recreational fisheries; maintain the orderly operation of fisheries; and improve the livelihood of fishermen.⁴³ The Fisheries Act restricts engagement in fisheries operations in Chinese Taipei to locals, unless a cooperation agreement is reached.⁴⁴

4.53. There have been several legislative, institutional and regulatory developments in the fisheries sector over the review period, largely in order to strengthen Chinese Taipei's framework to prevent

³⁹ The area of short-term economic forestation under the Programme was 33 hectares in 2013; 33 hectares in 2014; 49 hectares in 2015; 74 hectares in 2016 and 27 hectares in 2017.

⁴⁰ Online statistical information. Viewed at: <http://eng.stat.gov.tw>.

⁴¹ New Agricultural Policy. Viewed at: <https://eng.coa.gov.tw/ws.php?id=2505347>.

⁴² Online information. Viewed at: <https://www.fa.gov.tw/en/Policy/content.aspx?id=26&chk=e5df77d1-3ad0-49a2-9837-3e5117f1e850¶m=pn%3d1>.

⁴³ The Fisheries Act (2008). Viewed at: <http://law.coa.gov.tw/GLRSnewsout/EngLawContent.aspx?lan=E&id=231&KW=fisheries+act>.

⁴⁴ The Fisheries Act, Article 5. The regulatory framework for cooperation agreements are the Regulations on External Fisheries Cooperation. Viewed at: <http://law.coa.gov.tw/GLRSnewsout/EngLawContent.aspx?Type=E&id=249>; and the Regulations on the Management of Fisheries Cooperation Regulations for External Fisheries Cooperation and the Regulations on the Management of Fisheries Cooperation. Viewed at: <http://law.coa.gov.tw/GLRSnewsout/EngLawContent.aspx?Type=E&id=252>.

illegal, unreported and unregulated fishing (IUU). This is in part in response to a yellow card warning issued by the European Union in 2015 to Chinese Taipei regarding perceived shortcomings in its regime for preventing illegal fishing.⁴⁵ As reported by the OECD, a Five-Year Programme for strengthening international cooperation on combatting IUU fishing began in January 2016, which includes: a reformed legal framework; an international economic and trade strategy; rules for traceability of fish and fisheries products; and new regulations for control and management of coastal and offshore fishing vessels in port and at sea. A plan of control and inspection was set up in 2015 to conduct monitoring, control and surveillance measures on domestic fishing vessels and to ensure their compliance with international regulations and domestic management measures to prevent, deter and eliminate IUU fishing activities. Additional landing declaration requirements and transshipment controls were strengthened.⁴⁶ According to official sources, heavy fines or criminal sanctions as main penalties have been introduced, supplemented by other management actions (i.e. revocation of fishing licence, forfeiture of catch, fishing gear and fishing vessel, and a requirement for the violating vessel to stop fishing and return to a designated port within a given time-frame). A 24/7 Fisheries Monitoring Centre has also been established allowing fishermen to receive notices from the COA and minimize the possibility of unintentional violations.⁴⁷ The authorities indicated that they are working with the European Union to be released from the yellow card warning.

4.54. Other changes over the review period have been a further loosening of the regime for employing overseas fisheries workers to cope with a shortage of local fishermen; in July 2015, the Ministry of Labour announced that Vietnamese fisheries workers may be employed in Chinese Taipei and during the period November 2017 to February 2018, 1,897 persons from Vietnam had been employed. This announcement brings to five the number of Members from which fisheries workers may be hired (the others are: Indonesia; the Philippines; Malaysia and Mongolia).⁴⁸

4.55. The Fisheries Agency under the COA regulates the fishing sector. It is, *inter alia*, responsible for issuing the required fisheries licences; granting permission for the building, modification or chartering of vessels; and granting permission for the import and export of fishing vessels.

4.1.3.3 Production and trade

4.56. According to the authorities, Chinese Taipei follows the catch quotas which are regulated by regional fisheries management organizations.⁴⁹ It manages quotas through deep sea fisheries management and e-logbook systems.⁵⁰

⁴⁵ The EU prohibits fisheries products from entering its market unless they are certified as legally fished. It has a yellow card warning system which indicates that the recipient is at risk of being identified as uncooperative in the fight against illegal fishing. In the case of Chinese Taipei, concerns related to: "serious shortcomings in the fisheries legal framework, a system of sanctions that does not deter IUU fishing, and a lack of effective monitoring, control and surveillance of the long-distance fleet" as well as a concern that it "does not systematically comply with Regional Fisheries Management Organization (RFMO) obligations. European Commission online information. Viewed at: http://europa.eu/rapid/press-release_IP-15-5736_en.htm.

⁴⁶ OECD online information. Viewed at: <http://www.oecd-ilibrary.org/docserver/download/5316011e.pdf?expires=1519138391&id=id&accname=ocid195767&checksum=8EE71C15468AB2860C3F9BA4A67D3C70>; and online information. Viewed at: <https://www.fa.gov.tw/en/Announcement/content.aspx?id=50&chk=f006f8ba-a4ca-40f6-a3bc-729e79b14d5c¶m=pn%3d1>.

⁴⁷ Online information. Viewed at: <https://www.fa.gov.tw/en/Announcement/content.aspx?id=50&chk=f006f8ba-a4ca-40f6-a3bc-729e79b14d5c¶m=pn%3d1>.

⁴⁸ Online information. Viewed at: <https://eng.coa.gov.tw/ws.php?id=2505351>. Prior to recruiting non-local workers, vessel owners who have a fishery licence must engage a local employment agency which has been certified by the Ministry of Labour (MOL) to issue an employment advertisement for local workers on a website for 21 days and in newspapers for 14 days. If there are no local applications, then the Ministry of Labour will approve the issuance of an employment permit. Once this permit has been received, the vessel owner can entrust an MOL-certified overseas agency to recruit overseas crew.

⁴⁹ These organizations include: the International Commission for the Conservation of Atlantic Tunas (ICCAT); the Western and Central Pacific Fisheries Commission (WCPFC); the Indian Ocean Tuna Commission (IOTC); and the Commission for the Conservation of Southern Bluefin Tuna (CCSBT).

⁵⁰ As noted by the authorities, once Chinese Taipei receives its catch quotas from the respective organizations it distributes them to registered fishing vessels. Each day, vessels need to log into their e-logbook system and transmit their locations and quantity of fish caught to Chinese Taipei's fish monitoring centre. If a vessel is close to filling its quota it receives an alert. The authorities indicated that inspections take

4.57. Fisheries production fluctuated over the period 2012-16; with a significant drop between 2015 and 2016 due to the reduction of squid jigging fishery, typhoon damage and cold damage. The main components of fisheries production in value terms are deep-sea fisheries, which accounted for 44% of the value of production in 2016 and inland water aquaculture (33%) (Table 4.9). According to official sources, Chinese Taipei is the world's top producer of Pacific saury, it is among the world's major suppliers of grouper and tilapia and it has a significant ornamental fish farming industry, with around 260 farms producing over 300 species.⁵¹

Table 4.9 Fishery production 2013-16

(NT\$ '000,000)

	Deep-sea fisheries	Offshore fisheries	Coastal fisheries	Marine aqua-culture	Inland water fisheries	Inland water aqua-culture	Total
2013	43,829	12,531	4,046	6,998	2	34,245	101,650
2014	43,644	14,276	4,077	6,169	1	36,794	104,962
2015	39,172	10,606	3,605	6,255	7	33,156	92,256
2016	37,715	10,641	4,115	5,601	6	28,441	86,519

Source: Online information. Viewed at: <https://eng.coa.gov.tw/ws.php?id=2505271>; and information provided by the authorities.

4.58. Fisheries accounted for 34% of agriculture, fishing and forestry exports combined in 2016. The main export categories are frozen fish, mainly: bigeye tuna; skipjack; yellowfin tuna; albacore and tilapia, as well as fresh/chilled bigeye and yellow fin tuna; live eels; cuttlefish and squid (frozen, dried, salted, in brine or smoked); prepared or preserved minced fish; and live fish (mainly grouper). Chinese Taipei has consistently maintained a trade surplus in fisheries (Table 4.10). The main import categories were frozen shrimp and prawns; flours/meals/pellets of aquatic invertebrates; fresh or chilled Atlantic and Danube Salmon; cuttlefish and squid (frozen, dried, salted, in brine or smoked); and frozen halibut.

Table 4.10 Fishery production, consumption and trade, 2012-15

(Tonnes)

Classification	2012	2013	2014	2015
Production	1,256,082	1,274,282	1,409,807	1,299,741
Import	539,497	466,258	487,649	465,169
Export	654,458	683,541	794,509	795,409
Consumption	1,141,121	1,056,999	1,102,947	969,501

Note: Fisheries production includes marine and aquaculture fisheries.

Source: Information provided by the authorities.

4.1.3.4 Trade measures

4.59. The tariff schedule contains 444 tariff lines for fish and fishery products (WTO definition), with a simple average tariff rate of 20.4%. 54 tariff lines are non-*ad valorem* and the average of the AVEs was 25.9%. The highest MFN tariffs apply to: top shell, dried, salted or in brine (AVE of 92.8%); other shrimps and prawns, dried, salted or in brine (AVE of 80.8%); top shell, frozen (AVE of 61.6%); mullet, frozen (AVE of 54.4%); squid, dried, salted or in brine (AVE of 50%); jacks, crevalles and scads, frozen (50%); and, other carangidae fish, frozen (50%).

4.60. Imports of certain fish and fish products (whale shark, puffer fish and ball puffer fish) are prohibited for conservation purposes (Section 3.1.5). Exports restrictions apply to: eels, glass eel, eel fry, young eel, tuna, swordfish, salmon and trout.

4.1.3.5 Export promotion, restrictions and prohibitions

4.61. The authorities confirmed that Chinese Taipei does not provide any export promotion support specific to the fisheries sector. The export of whale shark (live, chilled, frozen etc.) is prohibited (Section 3.2.3).

place on-board and when vessels are being unloaded. Additionally, there is information exchange with overseas counterparts when Chinese Taipei vessels dock in overseas harbours.

⁵¹ Online information. Viewed at: <https://english.ey.gov.tw/cp.aspx?n=D558EBF449B7C570>.

4.1.3.6 Subsidies and other public sector support

4.62. Most of general support expenditures in the sector by Chinese Taipei are directed to fisheries management programmes (Table 4.11).

Table 4.11 Subsidies to the fishing sector, 2013-16

(NT\$ million)

	2013	2014	2015	2016
Fishing vessels buy-back programme	113.0	47.8	46.5	43.6
Reward for closing fishery season	179.8	181.8	185.1	181.0
Fishing vessels marine insurance reward	51.4	57.4	51.2	53.8

Source: WTO document G/SCM/N/315/TPKM, 25 July 2017; and information provided by the authorities.

4.63. To avoid overfishing, the FA continues to provide grants to fishermen to reduce their fishing capacities. Under the Fishing Vessel Buy-Back Programme, grants are paid for the purchase of fishing vessels with valid fishing licences; the buy-back amount is calculated on the basis of the tonnage of the fishing vessel and the length, pipe diameter and engine power of the raft.⁵² Since this programme's inception in 2001, 944 vessels and 1988 rafts have been purchased under this scheme and dismantled.⁵³ Under the Reward for Closing the Fishing Season programme, owners of fishing vessels with valid fishing licences are eligible for grants if the vessel operates at sea for more than 90 days in a year and is docked in port for at least 120 days in the year. The aim of the scheme is to encourage active fishing vessels not to fish during the low season (Table 4.11).

4.64. Under the Fishing vessels marine insurance scheme, the FA also pays between 40% and 100%, depending on the size of the vessel, of the cost of insurance for vessels if damaged at sea (Table 4.11).⁵⁴

4.65. Fishermen are also eligible for public sector support under the interest subsidies programme (Section 4.1.1.5.2.3) and the disaster relief programme (Section 4.1.1.5.2.5). Fishing vessels also benefit from discounted diesel and gasoline (Table 3.7 and Section 3.3.1.2.4).

4.2 Mining and Energy

4.2.1 Mining

4.66. In 2017, mining and quarrying accounted for 0.1% of GDP (Table 1.2). In 2016, there were nearly 2,700 persons engaged in the sector, of which around half were employed in the extraction of crude petroleum and natural gas and the other half in quarrying of stone sand, clay and other mining activities.⁵⁵ Mining activities are regulated by the Bureau of Mines under the MOEA. The main law governing the sector is the Mining Act of 1930, as amended.⁵⁶ Over the review period, the Act was amended once, in 2016, to align it with changes to the Criminal Code.⁵⁷

4.67. All minerals are publicly owned. In order to undertake mining and related activities, a mineral right, either for exploring or mining, must be obtained. Exploration rights are granted for four years, extendable once by two years. Mining rights are granted for 20 years, extendable once for a further 20 years. By end 2017, there were a total of 223 mines including offshore mines, of which 171 were active. In the same year, the area covered by active concessions was 36,649 hectares. Mineral right fees and mineral royalties are collected; revenue accruing from these amounted to NT\$225.2 million

⁵² The buy-back amounts for vessels are on a sliding scale (NT\$50,000/GT for 1st to 5th tonne; NT\$40,000/GT for 6th to 10th tonne; NT\$30,000/GT for 11th to 20th ton; NT\$25,000/GT for 21st to 50th tonne; NT\$20,000/GT for 51st to 100th tonne; NT\$18,000/GT over 100 tonnes. The maximum amount for each eligible vessel is NT\$7.9 million.

⁵³ Figures are up to date as at mid-April 2018.

⁵⁴ Small vessels (below 100 tonnes) are eligible for 100% of the insurance cost, while larger vessels are eligible for a proportional system.

⁵⁵ Online information. Viewed at: <https://www.mine.gov.tw/Download/PInfo/P00001287A.pdf>.

⁵⁶ Online information. Viewed at: <https://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=J0020001>.

⁵⁷ Article 69 of the Mining Act was amended to delete section 2 which related to confiscation of unlawful gains.

in 2017. There has been no inbound direct investment into the sector (Table 1.5) in spite of there being no inward investment restrictions in force.

4.68. According to official sources, there are 15 kinds of minerals with economic value mined in Chinese Taipei. These include: certain energy minerals (petroleum, natural gas (see also Section 4.2.2)); metallic minerals (gold); and, non-metallic minerals (sulfur, marble, dolomite, limestone, feldspar, talc, serpentine, gem, kaolinite, and silica sand). In value terms, mining production is dominated by natural gas, followed by marble, serpentine and petroleum (Table 4.12).

Table 4.12 Volume and value of mining production, 2014-2017

Mineral	Volume Value	Unit	2014	2015	2016	2017
Gold	Volume	Hectogram	49	22	..	40
	Value	US\$	153,805	59,495	..	124,198
Petroleum	Volume	Kilo litre	9,320	9,534	8,446	5,407
	Value	US\$	6,030,624	3,166,029	2,141,531	1,805,381
Natural gas	Volume	Kilo c.m. ^a	386,548	373,775	321,891	265,702
	Value	US\$	235,285,794	134,837,043	79,105,545	79,708,203
Marble	Volume	Metric ton	20,591,169	18,035,342	15,918,147	15,675,146
	Value	US\$	91,905,282	62,276,402	46,551,087	63,994,806
Limestone	Volume	Metric ton	30,049	1,094	1,439	2,993
	Value	US\$	330,347	59,208	77,045	449,108
Dolomite	Volume	Metric ton	22,196	22,350	22,005	13,357
	Value	US\$	899,190	871,010	885,146	582,615
Talc	Volume	Metric ton	133	162	250	..
	Value	US\$	21,532	10,139	7,736	..
Mica	Volume	Metric ton	5,016	8,287	1,879	750
	Value	US\$	1,256,973	1,977,054	442,453	187,506
Kaolinite	Volume	Metric ton	1,808	732	4,035	1,665
	Value	US\$	199,098	2,978	18,130	10,635
Serpentine	Volume	Metric ton	137,955	133,964	102,021	72,072
	Value	US\$	4,333,488	3,589,176	2,813,733	2,596,681
Feldspar	Volume	Metric ton	5	1	0	0
	Value	US\$	112	12	2	1
Gem	Volume	Kilogram	694	941	794	608
	Value	US\$	5,106	3,969	5,121	81,149
Rock crystal	Volume	Metric ton	2,851	3	186	122
	Value	US\$	46,943	840	15,745	5,749
Silica sand	Volume	Metric ton	131,652	132,469	175,644	139,274
	Value	US\$	827,556	694,049	939,995	848,735
Sulphur ore	Volume	Metric ton	1	0	1	1
	Value	US\$	1	0	2	2

.. Not available.

a Cubic meter.

Source: Information provided by the authorities.

4.69. Tariff protection is low. According to the ISIC 2 classification of mining, the average applied MFN tariff on mining products was 0.6% in 2016. Over 80% of tariff lines are duty free and MFN applied tariffs range from zero to 7.5% (Table A3.1). An export prohibition is in place for pebbles, gravels and stone commonly used for concrete aggregates, road metalling or railway/other ballast (Table A3.4), in order to meet local market demand and, in the long term, to protect inland resources.

4.70. In the context of this Review, the authorities indicated that no incentives are provided to companies operating in this sector.

4.2.2 Energy

4.2.2.1 Overview

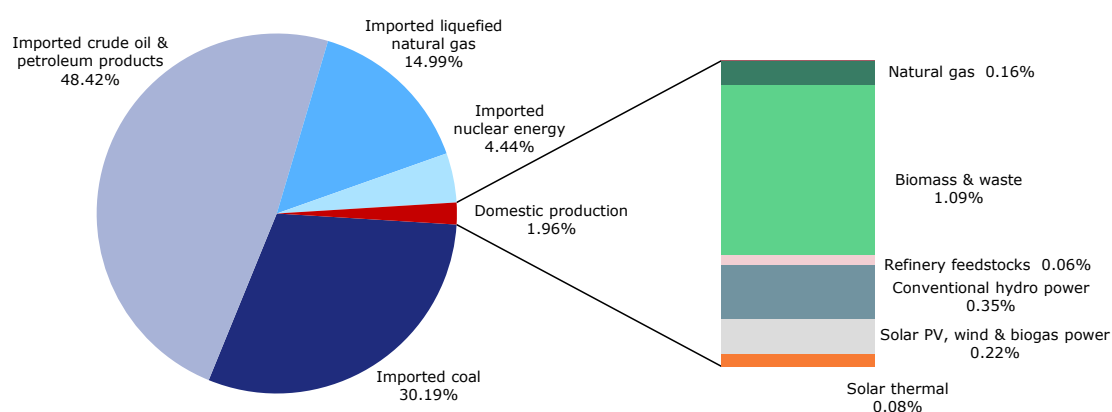
4.71. Chinese Taipei continues to depend heavily on energy imports. In 2017, 98.04% of the total energy supply was imported (Chart 4.1). Fuels accounted for 15.32% of the merchandise import bill in 2017. Total energy consumption in Chinese Taipei in 2017 was 117.28 million kilolitres of oil

equivalent; the annual average consumption growth rate has been 2.55% over the past 20 years. The energy and industrial sector is the main energy consumer, accounting for 44.56% of total consumption in 2017, followed by non-energy use (i.e. industrial inputs) (21.18%); the transport sector (11.88%); the services sector (10.79%); the residential sector (10.72%); and the agriculture, forestry and fisheries sectors (0.87%).⁵⁸ Electric power transmission and power distribution and piped fuel gas supply are listed as restricted industries under the negative list for inward investment. Chinese Taipei remains vulnerable to global commodity price movements, and until recently was operating with a low reserve margin (7.2% in 2017). However, as a result of recent measures undertaken, it is expected that the reserve margin will reach 15% by 2019.

4.72. The MOEA remains responsible for formulating energy policy and implementing energy-related legislation (see below). The Bureau of Energy, under the MOEA regulates the natural gas utilities, petroleum and LPG filling stations, and the import, export, production and sale of petroleum products. In 2016, an Energy and Carbon Reduction Office was created to oversee implementation of greenhouse gas emission reduction targets (see below), increase renewable power (solar and wind) generation and facilitate research and development spending on green energy.⁵⁹

4.73. The main laws governing the energy sector remain the: Petroleum Administration Act (see below); the Natural Gas Enterprise Act (see below); the Electricity Act (see below); the Renewable Energy Development Act (see below); and the Energy Administration Act.

Chart 4.1 Total energy supply, 2017



Source: Data provided by the authorities.

4.74. The Energy Administration Act (1980, as amended) was promulgated to upgrade the energy administration aimed at the rational and efficient use of energy. It provides for the establishment of an Energy Development Fund, sets out approval requirements for energy-related activities, and has provisions on energy use and audit as well as penalties.⁶⁰ It was amended once over the review period, in 2016, in order to reflect revised rules on confiscation contained in the Criminal Law.

4.75. Energy policy is also influenced by the 2015 Greenhouse Gas Reduction and Management Act. Under this Act, an emission reduction target has been set at no more than 50% of the 2005 level by 2050. Entities are assigned carbon emissions allowances and if they exceed the initial allocated allowances, they can procure unused allowances through the Early Action, Offset Project, carbon trading, or other approaches. Penalties for non-compliance include fines (maximum of NT\$1,500 per metric tonne).⁶¹

⁵⁸ MOEA, *Energy Statistics Handbook 2016*. Viewed at: https://web3.moeaboe.gov.tw/ECW/english/content/SubMenu.aspx?menu_id=1537.

⁵⁹ EIU online information. Viewed at: http://country.eiu.com/filehandler.ashx?issue_id=236106007&mode=pdf.

⁶⁰ Energy Administration Act (1980, as amended). Viewed at: <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=J0130002>.

⁶¹ Online information. Viewed at: <https://www.epa.gov.tw/public/Data/511181640271.pdf>.

4.76. Chinese Taipei continues to pursue many of the targets contained in its 2008 Sustainable Energy Development Policy, which has as the overall goal of establishing a high efficiency, high value-added, low emission and low dependence energy consumption and supply system, through cleaner energy supply and rationalized energy demand.⁶²

4.77. A more recent 2017 Guideline on Energy Development sets out the main pillars of Chinese Taipei's energy policies, namely: energy security; green economy; environmental sustainability; and social equity. Its objectives are to end nuclear energy by 2025 and take the necessary steps to ensure this, including through energy transition, energy saving, exploration, storage and smart system integration. Trade aspects of the guideline include ensuring the stability of energy import channels and decentralizing the sources and approaches in energy procurement to reduce the risks of imported energy supply. Other notable aspects include: reducing dependency on fossil fuel energy, expanding the use of natural gas, and strengthening incentives for green energy development. Energy market reform is to be promoted on the premise of "diversified supply", "equity in usage" and "freedom of choice", and energy prices are to be rationalized.⁶³ An Energy Transition White Paper will be elaborated to achieve the objectives set in the Guideline; the authorities indicated that this should be completed by August 2018. External concerns have been expressed that the ambitious target of ending nuclear power by 2025 may be an expensive and complicated option, particularly given limited operating energy reserves.⁶⁴

4.2.2.2 Electricity

4.78. "Taipower" (TPC), a state-owned enterprise, continues to play a dominant role in the electricity sector (Section 3.3.5). It generates 70% of total electricity produced and until recently had a monopoly on the transmission, distribution and sale of electricity. However, significant industry changes were set in train with the amendment of the Electricity Act in January 2017, which allows renewable energy generating corporations to sell their electricity directly to consumers rather than being obliged to sell it to TPC as before.⁶⁵ Such sales may be effected either through wheeling or direct supply. It also allows for the establishment of renewable energy retailing enterprises and fully opens users' power purchasing choice for renewable energy. Legal amendments also provide for the future creation of an electricity industry regulatory authority which, *inter alia*, will be responsible for supervising and managing electricity enterprises and the electric power market, and protecting users' rights and access to and use of electricity. The schedule for establishing this authority is being reviewed together with the organizational restructuring of the MOEA. Additionally, the law provides for the restructuring of the operations of TPC into two parts: one for generation and the other for transmission, distribution and sales; the time frame for completing this restructuring is within 6-9 years of the passing of the amendments (i.e. during the period 2023-2026).⁶⁶ The TPC will remain the sole operator in the area of electrical energy transmission and distribution. According to the authorities, there are no plans to privatize the TPC.

4.79. There are 9 independent power producers (IPPs) which together generate 17% of total electricity produced. Overseas investors are allowed to own 100% of an IPP.

⁶² Sustainable Energy Development Policy. Viewed at: http://web3.moeaboe.gov.tw/ECW/english/content/Content.aspx?menu_id=1524. Specific targets to be reached by 2025 include: improving energy efficiency by more than 2% per annum so as to decrease energy intensity by 50%; reducing CO2 emissions to the year 2000 level; increasing the share of low carbon energy in electricity generation systems to 55% (from the current 40%); increasing the share of renewable energy in the electricity system to 8%; increasing the use of low carbon natural gas to account for 25% of power generated; and reducing carbon intensity of manufacturing by 30%. Other objectives are to reconsider the nuclear power option; replace existing power generating units; introduce clean coal technology; rationalize energy prices; allocate emission quotas and reduction requirements for industry; and undertake various regulatory reforms. See also WTO documents WT/TPR/S/232/Rev.1, 28 July 2010, and WT/TPR/S/302/Rev.1, 18 December 2015.

⁶³ Guideline on Energy Development. Viewed at: <http://web3.moeaboe.gov.tw/ECW/english/content/SubMenu.aspx>.

⁶⁴ Online information. Viewed at: <http://www.world-nuclear.org/information-library/country-profiles/others/nuclear-power-in-taiwan.aspx> and http://country.eiu.com/filehandler.ashx?issue_id=236106007&mode=pdf.

⁶⁵ EIU online information. Viewed at: <http://www.eiu.com/industry/article/1604995544/liberalization-of-the-energy-sector-proceeds-smoothly/2017-01-13>.

⁶⁶ Online information. Viewed at: <http://law.moj.gov.tw/Eng/LawClass/LawAllPara.aspx?PCode=J0030011>.

4.80. In November 2016, a new electricity retail price formula was adopted; the average electricity price per kWh is based on the following calculation: power purchasing expenditure (including profits), plus transmission and distribution expenditure (including profits) plus service charges for electricity sales, plus reasonable profits for the electricity retailing utility enterprise, divided by the total amounts of electricity sold. Electricity prices are reviewed and adjusted twice per year, in April and October, by the Electricity Tariff Examination Council which falls under the MOEA's responsibility. The growth rate of the increase/decrease in electricity prices should, in principle, not exceed 3% compared to the last adjustment. The Electricity Tariff Examination Council approves the reasonable profits, according to the operating performance of the electricity enterprise; the rate of return on investment for reasonable profits is set between 3% and 5%. The upper bound rate of 5% is applied if Taipower experiences losses. If the accumulated losses are covered, the rate of return on investment is reduced to 3%. In March 2018, the first tariff increase since October 2013 was announced (an average rise of 3%), and following a series of successive cuts. According to the authorities, the average electricity prices for the first half of 2018 were: NT\$3.59/kWh for the small business sector; NT\$2.49/kWh for the residential sector; NT\$3.31/kWh for low voltage electricity; NT\$2.70/kWh for high voltage electricity; and NT\$2.234/kWh for ultra-high voltage electricity.

4.81. In 2017, an electricity price stabilization fund was established in order to mitigate the impact of volatile electricity prices in the short term; it is financed through tariffs. In 2017, the balance of the fund was NT\$79 billion. Due to lower revenues and increased costs, Taipower posted a loss in 2017 and its accumulated losses rose to above NT\$100 billion⁶⁷; and it has recently received pay-outs from the fund.

4.82. Chinese Taipei's target is to increase the share of locally produced renewable energy in the total supply to 20% by 2025; it has been estimated that investments of around NT\$1.8 trillion will be needed.⁶⁸ In addition to renewable energy targets and objectives set out in the 2008 Sustainable Energy Development Policy and the 2017 Guideline on Energy Development, "green energy" is also one of the five main innovative industries included in the 17th mid-term development plan (NDP 2017-2020), for which industrial innovation plans are being implemented (Section 2). Additionally, a green energy infrastructure component has been included in the 2017-2021 Forward-looking Infrastructure Development Programme (Section 2); with a budgetary allocation of NT\$20.8 billion to be used for shoring up the infrastructure and certification capabilities needed for green energy development. The focus will be on conserving, storing and creating energy as well as integrating systems. Initiatives include: (a) installing low-voltage smart meters across Chinese Taipei and implementing time-of-use electricity pricing plans which can be selected by end users; (b) promoting research and development platforms to improve photovoltaic modules' reliability, efficiency, cost and safety; (c) constructing underwater foundations and heavy cargo piers needed for wind power development; and (d) establishing the Shalun Green Energy Science City, a green-energy industry ecosystem which will include a certification site and an inspection and testing centre.⁶⁹

4.83. As required by the Renewable Energy Development Act (promulgated in 2009), the TPC and IPPs must contribute to a renewable energy fund. The contribution is based on their units of power generated annually, excluding the electricity generated by renewable energy. The fund is used to subsidize utilities when they produce or purchase electricity generated by renewable energy. Under the same Act, the importation of equipment for use in generating renewable energy is exempt from import tariffs, provided that its intended use is verified and there is no domestic production of such equipment.⁷⁰

4.84. New incentive programmes are in place in order to help achieve renewable targets (Table 4.13). The 2-Year Solar PV Project and the Green Energy Roofs Project are first steps towards meeting the goal of 3 GW of rooftop and 17GW of ground-mounted PV systems by 2025. For each of these projects, the incentives take the form of "feed-in" tariffs. The authorities confirmed that there are no local-content requirements.

⁶⁷ Online information. Viewed at: <http://focustaiwan.tw/news/aeco/201707160010.aspx>.

⁶⁸ Online information. Viewed at: https://www.moeaboe.gov.tw/ECW/english/news/News.aspx?kind=6&menu_id=958&news_id=14939.

⁶⁹ Online information. Viewed at: https://english.ey.gov.tw/News_Content.aspx?n=4733E27E047FAFE8&sms=B82C8C4331A350DC&s=84BB5A005A572A13 and <http://www.sqesc.nat.gov.tw/en/index.php>.

⁷⁰ WTO documents WT/TPR/S/302/Rev.1, 18 December 2015; and WT/TPR/S/232/Rev.1, 28 July 2010.

Table 4.13 Renewable energy incentives, 2018

Governing regulations (date introduced)	Description
2-Year Solar PV project (October 2017)	Two-year programme (running between June 2016 and June 2018) (a) to install solar power units on public buildings, factories, agricultural facilities and other rooftops (goal of 1055 MW of power) and (b) to install surface-based solar installations on land currently used by the salt industry, land subject to severe subsidence, aquatic areas, sealed landfills and polluted acreage (goal of 465 MW of power).
Green Energy Roofs Project (October 2017)	Over the period January 2018 to December 2020, local administrations are eligible for subsidies to install roof solar panels. Subsidies cover 40% of the construction costs (50% in remote locations) and 100% of the design costs. Subsidies are also available for building public solar power stations in remote areas and aboriginal lands; 100% of the design costs are covered and an additional subsidy, not exceeding NT\$600,000 would be provided for the building of power lines to these power stations.* Local administrations are responsible for selecting service providers to install the rooftop photovoltaic systems for building owners. Electricity generated by the solar panels is first consumed by the building occupants, and any surplus is sold wholesale by the service provider to the TPC for supplying other homes and businesses. The photovoltaic service provider that installs the system can sell the generated electricity to the grid at a feed-in tariff rate that is guaranteed for 20 years. From this tariff, at least 10% will be returned to the building owners, while another 3% will go to local administrations to support green energy development funds and local infrastructure.
4-year Wind Power Promotion Plan (2017-2020)	Incentives take the form of a 20-year guaranteed power purchase scheme provided under the framework of the Renewable Energy Development Act (2009). In 2018, two options are provided for offshore wind developers. One is a guaranteed feed-in tariff of NT\$5.8498/kWh for 20 years, and the other is a guaranteed feed-in tariff of NT\$7.1177/kWh for the first 10 years and NT\$3.5685/kWh for the next 10 years. The target is to reach 520MW of offshore wind by 2020 and 5,500 MW of offshore wind by 2025.

* According to the authorities, this policy was adjusted in 2018.

Source: Online information. Viewed at: <http://focustaiwan.tw/news/aeco/201710250024.aspx>; https://www.moeaboe.gov.tw/ECW/english/news/News.aspx?kind=6&menu_id=958&news_id=14939; <http://www.taipeitimes.com/News/front/archives/2017/10/26/2003681057>; and information provided by the authorities.

4.2.2.3 Hydrocarbons and natural gas

4.85. The oil industry continues to be regulated by the Petroleum Administration Act (2001, as amended). Over the review period, it was amended in 2014 in order to further specify the Petroleum Fund's scope, coverage and conditions.

4.86. Chinese Taipei imports almost all of its crude oil, which is yielded into petroleum products. Excess production of petroleum products is exported. Over the period 2014-16, production and exports remained fairly stable (Table 4.14)

Table 4.14 Production volume and exports of petroleum products, 2014-16

	Production volume of petroleum products ('000 KLOE)	Exports of petroleum products ('000 KLOE)
2014	55,436.1	19,461.0
2015	54,949.4	18,834.1
2016	53,998.8	19,463.0

Source: Information provided by the authorities.

4.87. Tariffs on petroleum products (WTO category) are low, with an average MFN applied rate of 2%. Nearly half of the 34 tariff lines are duty free and the highest tariff rate applied is 5% (Table A3.1). In 2016, the value of crude petroleum oil imports amounted to 5.6% of the merchandise import bill; imports mainly came from Saudi Arabia (31.9%); Kuwait (20.1%); and

Angola (10.1%).⁷¹ Import licensing is required for oil and petroleum products (Table 3.3). The importation of hydrocarbons requires prior-approval (an establishment permit and an operation licence) from the Bureau of Energy within the MOEA. There are two companies which import crude oil, the CPC and "Formosa Petrochemical Corporation".

4.88. The publicly owned petroleum company CPC operates two oil refineries which account for 48% of the domestic refining capacity; the rest is undertaken by the private firm, "Formosa Petrochemical Corporation", which operates a single oil refinery.⁷² As at early 2018, 237 companies had been granted gasoline and diesel wholesale licences. The authorities confirmed that there are currently no plans to privatize CPC.

4.89. There are no price controls on petroleum products. Various petroleum products are subject to the commodity tax (Table A3.6). Petroleum is exported or re-exported primarily by both CPC and "Formosa Petrochemical Corporation" if there is a surplus after refining. Over the period 2014-16, exports and re-exports of petroleum products accounted for between 3.5% and 6.4% of total merchandise exports.⁷³ A business is not allowed to start an oil export operation until its application has been approved, and a registration certificate issued, by the Bureau of Energy.

4.90. Reduced-price diesel and gasoline are available for farmers and fishermen (Table 3.7). Subsidies continue to be granted to encourage petroleum facility operators to maintain product supplies in remote areas, reduce the pricing between cities and such areas, and to encourage the exploration and development of oil and natural gas reserves (Table A3.7).

4.91. The natural gas industry is regulated under the Natural Gas Enterprise Act (2011, as amended).⁷⁴ Over the review period, it was amended in 2016 in order to clarify requirements that natural gas utility enterprises should satisfy the demand of households, commercial businesses, and service sectors before supplying natural gas to other sectors. It gives the competent authority the right to review natural gas sales prices and basic fees on a periodic basis, and it also has revised provisions on business inspections and penalties.

4.92. Given limited local natural gas resources, demand is met almost entirely by imports of liquefied natural gas (LNG). The annual output of natural gas production in Chinese Taipei was 0.26 million tonnes in 2014, 0.25 million tonnes in 2015, 0.22 million tonnes in 2016 and 0.18 million tonnes in 2017. The import tariff on natural gas is zero. In 2017, Chinese Taipei's major suppliers were Qatar (30.8% of LNG imports), Malaysia (18.2%), Indonesia (13%) and Papua New Guinea (11.2%).

4.93. The CPC has a de facto monopoly on imports of natural gas. Twenty-five natural gas utility enterprises provide natural gas to about 3.5 million users. The market coverage ratio is around 46%. The CPC sets wholesale prices in accordance with a natural gas pricing formula which is based on the full-cost-recovery principle; this formula must be approved by the MOEA. Retail gas prices are regulated by the MOEA and are based on the principle of full-cost-recovery.

⁷¹ Data from UN Comtrade Database, SITC Rev.3.

⁷² EIU online information. Viewed at: http://country.eiu.com/filehandler.ashx?issue_id=236106007&mode=pdf. At the time of Chinese Taipei's previous review, the CPC had a 57% share of refinery capacity. However, its market share has decreased due to the closure, in 2015, of one of its refineries.

⁷³ In 2014, the value of exports and re-exports of petroleum products, other than crude (SITC Rev. 3 code 334) and residual petroleum products (SITC Rev. 3 code 335) amounted to US\$19,905.5 million (6.3% of total merchandise exports). In 2015, the figures were respectively US\$11,535.1 million and 4.1%. In 2016, the figures were respectively US\$9,793.6 million and 3.5%.

⁷⁴ Petroleum Administration Act. Viewed at: <http://law.moj.gov.tw/Eng/LawClass/LawContent.aspx?PCODE=J0020019>. Natural Gas Enterprise Act. Viewed at: <http://law.moj.gov.tw/Eng/LawClass/LawContent.aspx?PCODE=J0130045>.

4.3 Manufacturing

4.3.1 Overview

4.94. Manufacturing continues to be a pillar of Chinese Taipei's economy. In 2017, it accounted for 30.8% of GDP, 26.8% of employment (Table 1.2) and 91.2% of merchandise exports. Responsibility for industrial policy formulation rests with the Industrial Development Bureau (IDB) within the MOEA.

4.95. Inward investment is prohibited under Chinese Taipei's negative list (Section 2.4.1 and Table A2.4) in the manufacture of certain chemical materials, certain chemical products, weapons, and cadmium smelting.⁷⁵ Inward investment restrictions are in place for the manufacturing of nitroglycerin (not used in gun powder/explosives); military instruments and equipment; and military aircraft. Flows of inward investment into the manufacturing sector have fluctuated dramatically on an annual basis since 2014, ranging from US\$27.8 million to a peak of US\$68.6 million; the subsector attracting the highest levels of inward investment is electronic parts and components (Table 1.5).

4.96. Central to Chinese Taipei's strategy for developing its manufacturing sector has been, for a very long time, support for the creation of industrial clusters in different geographical areas. This has taken the form of industrial policies encouraging investment in production in local counties and cities and laws and regulations inducing a good environment for the development of firms and related corporate entities. Policy measures taken to encourage cluster development have included industrial park development strategies, provision of low-cost industrial land with tax exemptions, investment incentives, and a variety of industrial cooperation mechanisms.⁷⁶

4.97. Challenges faced by the manufacturing sector include: obstacles to industrial transformation (an over-concentration of electronics and original equipment manufacturers (OEM)), and a lack of key materials, equipment and system integration solutions as well as the fact that final goods are not branded (although IC components are used in global value chains); difficulties in accessing international markets; low levels of investment; and labour shortages.⁷⁷ At the time of Chinese Taipei's previous Review, the manufacturing sector had been negatively affected by the relocation of manufacturing activities to lower cost locations in the region⁷⁸; however the authorities indicated that as production costs in China have risen, relocation of manufacturing to China is no longer on an increasing trend. In response to these challenges, industrial upgrading is one of the objectives and strategies contained in the 17th mid-term development plan (NDP 2017-2020) (Section 2.2). Additionally, a Five-Plus-Two Industries Innovation Plan emphasizes accelerating overall industrial upgrades through innovation (Section 2.2). Innovation in the chip design and semiconductor industries is also being encouraged; the aim is to shift the industrial base away from its traditional concentration on contract manufacturing and gear it towards high-value added, service-and solutions-orientated business models. The focus is primarily on emerging applications development, such as Internet of Things (IoT), artificial intelligence and automobile electronics. Supporting policies are being put in place such as to build the appropriate ecosystem and encourage investors to support innovation in semiconductor technologies (such as new IC design algorithms, new processes under 3 nanometre and 3D integrated circuit packaging).⁷⁹ The authorities indicated that new legislation facilitating the recruitment of overseas professionals should help to alleviate labour shortages (Section 2).

⁷⁵ With respect to chemical material, the prohibitions relate to the manufacturing of nitroglycerin for military use; soda-chloride factories operating with mercuric electrolyzers; a category of chemical products in accordance with the UN prohibition of chemical weapons; and CFC, halon, methylchloroform, carbon tetrachloride. The manufacture of the following chemical products is prohibited: gun powder fuse, agents of fire and fulminating mercury.

⁷⁶ A map detailing the main cluster activities was viewed at:
<https://www.moeaidb.gov.tw/ctrl?lang=1&PRO=publication.rwdPublicationView&id=3322>.

⁷⁷ Online information. Viewed at:
<https://www.moeaidb.gov.tw/ctrl?lang=1&PRO=publication.rwdPublicationView&id=3322>.

⁷⁸ WTO document WT/TPR/S/232/Rev.1, 28 July 2010.

⁷⁹ Online information. Viewed at:
<https://www.moeaidb.gov.tw/ctrl?lang=1&PRO=publication.rwdPublicationView&id=3322>.

4.3.2 Production and trade

4.98. In terms of production value, the main subsectors are: electronic parts and components; basic metal industries; chemical materials; petroleum and coal products; fabricated metal products; and computers, electronic and optical products (Table 4.15).

Table 4.15 Industrial production value, 2014-17

(NT\$ million)

	2014	2015	2016	2017
Total manufacturing	14,425,538	12,861,116	12,313,235	13,033,676
Food manufacturing	507,829	494,180	509,229	515,170
Beverages and tobacco manufacturing	146,397	144,701	143,993	167,588
Textiles mills	293,885	284,746	272,374	264,362
Wearing apparel and clothing accessories	22,918	21,885	21,847	20,069
Leather, fur and related products	26,316	20,201	16,378	16,038
Wood and bamboo products	19,106	18,378	19,169	19,517
Pulp, paper and paper products	161,666	158,138	155,847	165,065
Printing and reproduction of recorded media	69,831	67,369	69,962	67,476
Petroleum and coal products	1,258,477	835,042	705,754	778,992
Chemical materials	2,076,752	1,658,719	1,568,491	1,756,264
Chemical products	265,070	258,490	253,498	263,480
Pharmaceuticals and medicinal products	76,256	73,735	78,779	79,010
Rubber products	97,980	96,033	91,036	93,763
Plastic products	269,035	260,393	254,200	254,339
Non-metallic mineral products	228,509	217,653	191,742	184,165
Basic metal industries	1,540,074	1,225,132	1,137,371	1,346,990
Fabricated metal products	781,541	712,049	701,858	742,063
Electronic parts and components manufacturing	3,749,487	3,615,521	3,547,434	3,673,051
Computers, electronic and optical products	788,920	696,244	655,208	618,868
Electrical equipment	387,628	366,315	355,382	381,317
Machinery and equipment	664,702	649,088	601,938	652,540
Motor vehicles and parts	421,844	407,037	387,042	383,223
Other transport equipment	282,184	287,106	267,635	266,898
Furniture	37,860	38,368	38,211	38,091
Other manufacturing	186,069	182,177	183,659	189,210
Repair and installation of industrial equipment and machinery	65,202	72,414	85,200	96,129

Source: Online statistical information. Viewed at:

https://eng.dqbas.gov.tw/public/data/dqbas03/bs2/yearbook_eng/Yearbook2016.pdf; and data provided by the authorities.

4.99. Chinese Taipei's main exports of manufactured goods are office machines and telecommunication equipment (predominantly electronic integrated circuits and micro assemblies), which represented nearly 41% of total merchandise exports in 2017 and various chemicals, representing 11% of total merchandise exports. Imports of manufactured goods (SITC Rev.3) accounted for 72.4% of all merchandise imports; the major import category (in 2016) was electronic integrated circuits and micro assemblies.

4.3.3 Trade measures

4.100. Tariffs on manufactured goods (HS Sections 5-21) in 2018 ranged from 0% to 30%. Highest tariffs fall under the transport equipment sub-category and are imposed on certain tank lorries, winch trucks and chassis for special purpose vehicles (3 tariff lines at 30% (HS 8-digit level)). Various large passenger vehicles; trucks for the transport of goods; and chassis, attract tariffs of 25% (29 tariff lines); and certain motorcycles attract tariffs of 20% (5 tariff lines).

4.101. Steel remains the predominant industry for which anti-dumping investigations are ongoing and measures are in force (Section 3.1.6.1).

4.102. Manufacturing companies may benefit from Chinese Taipei's regime for duty refunds of raw materials used in exports (Section 3.2.4.1). They are also the most dominant industry group in EPZs (Section 3.2.4.2).

4.3.4 Incentives

4.103. Multiple sector-specific and general tax incentive schemes are in place (Section 3.3.1.2.).⁸⁰ Public sector support in terms of building infrastructure and providing subsidies is also taking place in the context of building a "greener" economy; which may invigorate local manufacturing industries to grow in new "niche" areas. In the automotive sector, for example, Chinese Taipei has set a target of banning all petroleum-powered vehicles by 2040⁸¹, and reportedly it is establishing a foothold in the market for electrical vehicles, particularly in terms of parts manufacturing and automotive electronics.⁸² Likewise, policy directions aimed at encouraging solar energy generation are also intended to assist local manufacturing businesses develop products in this area (Section 4.2.2.2). Tax incentives are available for the purchase of electric-powered automobiles and motorcycles and hybrid electric vehicles (Section 3.3.1.2.4).

4.4 Services

4.4.1 Overview

4.104. In 2017, services accounted for 60% of GDP and 59.3% of employment. The biggest services subsectors in terms of contribution to GDP were: wholesale and retail trade (16.2%); real estate (8.1%); and finance and insurance (6.7%) (Table 1.2). During the review period, Chinese Taipei was a net importer of services (Section 1.3).

4.105. An overview of Chinese Taipei's GATS commitments is contained in previous reviews.⁸³ All of the RTAs to which Chinese Taipei is a signatory contain provisions on trade in services (Section 2.3.2); however only the RTAs with Singapore, New Zealand and Guatemala contain schedules of specific commitments on services. As reported in detail in the respective factual presentation reports considered by the WTO Committee on Regional Trade Agreements (CRTA), the preferential commitments Chinese Taipei has undertaken in some of these RTAs, in many instances, are improvements over those scheduled under its GATS schedule.⁸⁴

4.106. Chinese Taipei's GATS commitments cover about 120 of the 160-odd services subsectors. It lists MFN treatment exemptions for the acquisition of land and air transport services, which are to be regulated on the basis of reciprocal treatment and/or bilateral arrangements. Market access limitations concern, *inter alia*, financial services (including banking, insurance, and asset management), telecommunications (including satellite communications, land-based mobile communications, radio, and TV), and some professional services (such as legal services, accounting, and taxation).⁸⁵

⁸⁰ In the context of this Review, the authorities noted that the Statute for Industrial Innovation was amended in 2017 to provide some tax incentives for angel investors and limited partnership venture capitals forms, so as to encourage investment in start-ups. Additionally, the income tax deferral on employee stock awards and investors' stock pay-out has been extended to the year in which shares are actually transferred.

⁸¹ Chinese Taipei's objectives are to replace public buses and official vehicles with electric vehicles by 2030, ban the selling of petroleum motorcycles by 2035 and petroleum automobiles by 2040. Online information. Viewed at: <https://www.moeaidb.gov.tw/ctlr?lang=1&PRO=news.rwdNewsView&id=23660>.

⁸² EIU online information. Viewed at: http://country.eiu.com/filehandler.ashx?issue_id=56094789&mode=pdf. As noted by the EIU, electronics account for 40% of vehicle production costs and this should rise to over 60% with the development of the autonomous car.

⁸³ WTO document WT/TPR/S/165/Rev.1, 10 October 2006 (section 5(i)); and WT/TPR/S/302/Rev.1, 18 December 2015 (section 4.4.1).

⁸⁴ For a comparison between Chinese Taipei's sector-specific commitments scheduled under its RTAs and the GATS, see WTO document WT/REG350/1, Table 4.2 for the RTA between Chinese Taipei and Singapore; WTO document WT/REG297/1/Rev.1, 17 July 2013, Table 4.2 for the RTA between Chinese Taipei and Guatemala; and WTO document WT/REG348/1, 16 July 2014, Table 4.3 for the RTA between Chinese Taipei and New Zealand.

⁸⁵ WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

4.4.2 Financial services

4.107. In 2017, financial services and insurance activities contributed 6.7% to GDP and accounted for 3.8% of employment (Table 1.2).⁸⁶ The sector's total assets rose from NT\$90,324.5 million in 2014 to NT\$102,696.6 million 2017. In 2017, banks accounted for 75.9% of the system's assets and insurance companies for 24.1%.

4.108. According to the authorities, Chinese Taipei's banking sector remains stable and resilient. As at the end of Q4 2017, the average common equity tier 1 ratio, tier 1 capital ratio and total capital adequacy of local banks had reached 11.20%, 11.81% and 14.17% respectively, all higher than the minimum requirements set for 2019. In addition, the 2016 stress test results showed that average capital ratio and leverage ratio of local banks under stress scenarios were higher than the minimum requirements set for 2016 and 2017. There have been no bankruptcies over the review period. Banks benefit from a high proportion of stable customer deposits and the system's low use of overseas funding makes it less vulnerable to contagion risks during turbulent periods in global capital markets.⁸⁷

4.109. The Central Bank (CBC), *inter alia*, ensures financial stability and conducts sound banking operations (for a fuller description of its responsibilities see Section 1.2.3.1).⁸⁸

4.110. The Financial Supervisory Commission (FSC), established in 2004, remains the sole statutory financial supervisor and supervises all financial institutions including banks, securities and insurance companies. Its purpose is to build a sound, fair, effective and internationalized financial environment and market, and maintain financial stability. It is authorized to conduct targeted examinations on issues related to monetary, credit and forex policies and payment systems (on-site supervision) and implements off-site monitoring to identify the weaknesses of individual financial institutions and respond appropriately to banking system developments.⁸⁹ The FSC owns the Central Deposit Insurance Corporation. As reported by the FSC, it has helped channel capital into the real economy; assisted enterprises raise funds in the capital market and enhanced protection of the rights and interests of investors and financial consumers. Concrete recently adopted measures include: (a) making it easier to obtain finance for entrepreneurship; (b) promoting innovative experimentation in financial technology; (c) developing green finance; (d) encouraging the development of financial products for the elderly; (e) supporting the New Southbound Policy (see Section 2); (f) encouraging financial institutions to take part in urban renewal; (g) increasing stock market liquidity; and (h) enhancing protection of the rights and interests of financial consumers, and promoting financial inclusion.

4.111. As of July 2014, the business tax rate for enterprises engaged in banking and insurance business was increased from 2% to 5%; this increase forms part of a broader fiscal reform package. Sales amounts from reinsurance premiums are taxed at 1%.⁹⁰ The tax applies to insurers' gross receipts.⁹¹

⁸⁶ As of end-2017, the sector employed 432,000 people. EIU (2018), *Industry Report - Financial services, 1st Quarter 2018*. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1746444958&mode=pdf (p. 2).

⁸⁷ BTI (2016), *Chinese Taipei Report*. Bertelsmann Stiftung, 2016. Viewed at: https://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI_2016_Taiwan.pdf.

⁸⁸ EIU (2018), *Industry Report - Financial services, 1st Quarter 2018*. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1746444958&mode=pdf.

⁸⁹ Online information. Viewed at: <https://www.cbc.gov.tw/ct.asp?xItem=882&CtNode=492&mp=2311>.

⁹⁰ Article 11 of Value-added and Non-value-added Business Tax Act.

⁹¹ The business tax rate shall be 2% for enterprises engaged in banking, insurance, investment trusts, securities, futures, commercial paper, and pawnshops for their core business separate from banking and insurance business, but 5% for all other operations which are non-core business. Article 11 VANVABT Act. Viewed at: http://www.mof.gov.tw/File/Attach/75532/File_10791.pdf (p. 96); and EIU (2018), *Industry Report - Financial services, 1st Quarter 2018*. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1746444958&mode=pdf.

4.4.2.1 Banking and finance

4.112. Chinese Taipei's banking sector appears to remain saturated, with many banks and a limited number of clients. As a result, net interest margins have fallen to one of the lowest levels in Asia.⁹² As of 2017, the banking system structure consisted of 38 locally incorporated banks (down from 39 due to a merger approved in 2017)⁹³; 29 local branches of non-local banks; 23 credit cooperatives; 311 credit departments of farmers' and fishermen's associations; and eight bills finance companies⁹⁴ (Table 4.16).⁹⁵ The banking sector remains dominated by publicly owned banks; three banks are fully publicly owned (the "Bank of Taiwan", the Land Bank and the EXIM Bank) and a further six banks are partially publicly owned (the "Taiwan Cooperative Bank", the First Commercial Bank, the Hua Nan Commercial Bank, the Chang Hwa Commercial Bank, the Mega International Commercial Bank and the "Taiwan Business Bank"). At the end of 2016, these banks held 49.01% of total bank assets, down from 52% in 2010. There are 24 banks with local majority ownership which accounted for 45.2% of total assets. The five banks with non-local majority ownership accounted for 5.8% of total assets. At the end of 2017, locally incorporated banks (excluding the postal savings bank) accounted for 78.0% (77.6% in 2014) of total deposits and 89.9% (91.1% in 2014) of total loans; while local branches of non-local banks accounted for 1.6% (1.1% in 2014) of total deposits and 4.3% (3.1 in 2014) of total loans, respectively (Table 4.16).

Table 4.16 Banking indicators, 2014-17

Title	2014	2015	2016	2017
Number of banks	406	409	410	410
Locally incorporated banks	39	39	39	38
Local branches of non-local banks	30	30	29	29
Credit cooperatives	23	23	23	23
Credit departments of farmers' and fishermen's associations	306	309	311	311
Bills finance companies	8	8	8	8
Total deposits (NT\$ trillion)	36.5	38.7	40.1	41.5
Locally incorporated banks (%)	77.6	77.7	77.2	78.0
Local branches of non-local banks (%)	1.1	1.4	2.0	1.6
Postal savings (%)	15.0	14.8	14.8	14.4
Total loans (NT\$ trillion)	23.5	24.3	25.1	26.3
Locally incorporated banks (%)	91.1	90.8	90.5	89.9
Local branches of non-local banks (%)	3.1	3.3	3.7	4.3
Non-performing loan ratio (%)	0.24	0.22	0.26	0.26
Locally incorporated banks (%)	0.25	0.23	0.27	0.28
Local branches of non-local banks (%)	0.03	0.00	0.08	0.01
Profitability				
Return on assets (ROA) – locally incorporated banks	0.79	0.75	0.68	0.67
Return on equity (ROE) – locally incorporated banks	11.65	10.58	9.24	8.97

Source: FSC statistics. Viewed at: <http://www.banking.gov.tw/en/> [22/03/2018]; and information provided by the authorities.

4.4.2.1.1 Institutional and legislative framework

4.113. The main laws governing the banking sector are: the Banking Act; the Deposit Insurance Act; the "Foreign Exchange Regulation Act"; and the Act Governing Electronic Payment Institutions. In 2015, the Banking Act was amended to allow a bank to invest up to 40% of equity in financial institutions, rather than 40% of paid-in capital as previously. In 2018, the Banking Act and the Act Governing Electronic Payments Institutions were amended to facilitate the development of general finance and financial technology, pursuant to the enactment in 2017 of the Financial Technology

⁹² EIU (2018), *Industry Report - Financial services, 1st Quarter 2018*. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1746444958&mode=pdf.

⁹³ In 2017, the FSC approved the merger of Yuanta Commercial Bank and Ta Chong Bank, with Yuanta Commercial Bank being the surviving entity after the merger.

⁹⁴ The business of a bills finance company includes certifying and underwriting short term bills and financial bonds; brokering and trading short term bills, financial bonds and government bonds; and guaranteeing and endorsing short term bills.

⁹⁵ A complete list of financial institutions is available at: <https://www.cbc.gov.tw/lp.asp?ctNode=495&CtUnit=210&BaseDSD=7&mp=2>.

Development and Innovative Experimentation Act. In 2015, the Financial Institutions Merger Law was amended to improve merger and acquisition procedures and provide an array of tax incentives.⁹⁶

4.114. In December 2014, the FSC and the CBC jointly promulgated the "Standards Implementing the Liquidity Coverage Ratio of Banks" in order to move in line with international norms and improve the short-term resilience of the liquidity risk profile of banks. The standards, which entered into force in 2015, require banks to maintain eligible, high-quality liquid assets to meet their liquidity needs for a 30 calendar day liquidity stress scenario. As of January 2015, the liquidity coverage ratio of banks amounted to 60%, and is expected to reach 100% as of January 2019. In 2016, the FSC and the CBC additionally introduced "Standards Implementing the Net Stable Funding Ratio of Banks" ensuring, according to the authorities, that banks have sufficient long-term stable funding sources to support business expansion, thus reducing future funding pressure.

4.115. In addition, to enhance the quality of credit rating services and support the sound development of credit rating agencies, in December 2015 the FSC amended the "Regulations Governing the Administration of Credit Rating Agencies with reference to international regulatory standards". The key amendments include: (i) enhancing sound business operations of credit rating agencies and quality of credit ratings; (ii) strengthening the requirements regarding the scope and content of information disclosure by credit rating agencies; and (iii) adding provisions regarding prevention of conflict of interests to strengthen independence of credit rating agencies.

4.116. In 2017, to further enhance the framework for anti-money laundering and countering terrorism financing, the FSC introduced amendments to "The Rules Governing Offshore Banking Branches". These amendments strengthen Offshore Banking Units' (OBUs) ability to undertake customer due diligence by using the assistance of third parties and prohibit OBUs from encouraging or assisting a resident customer to open an OBU account using the identity of a non-resident. In 2017, the FSC promulgated "Regulations Governing Anti-Money Laundering of Financial Institutions" and "Directions Governing Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business, Electronic Payment Institutions and Electronic Stored Value Card Issuers" to delineate customer due diligence and thereby further strengthen the mechanisms to prevent money laundering and the financing of terrorism.

4.4.2.1.2 Market access

4.117. During the review period, market access conditions remained unchanged. Overseas banks must establish commercial presence to provide services in Chinese Taipei, and obtain approval (business licence) from the FSC.⁹⁷ They may set up subsidiaries, branches or representative offices subject to approval by the FSC. Representative offices of a non-local bank are limited to collecting commercial and market information and business liaison. A subsidiary of a non-local bank must comply with the same minimum capital adequacy ratios and paid-in capital requirements as a locally incorporated bank.⁹⁸ Non-local financial institutions can invest in local financial companies with up to 100% ownership.⁹⁹ Inward investment is prohibited in postal saving and remittance services as specified in Chinese Taipei's negative list for investment (Section 2.4.1 and Table A2.4).

4.4.2.1.3 Prudential regulations and capital adequacy requirements

4.118. During the review period, Chinese Taipei continued to implement Basel III capital-adequacy standards, launched in 2013, with the planned transition period until 2019. As of September 2017, locally incorporated banks had a sound capital adequacy ratio of 13.4% (12.9% in 2015) mainly due to increases in cumulative earnings and common stock.¹⁰⁰ In 2015, the FSC and CBC introduced the liquidity coverage ratio of banks' high-quality liquid assets to their net outward cash flow within a 30-day period as a new bank prudential measure. Locally incorporated banks were initially required

⁹⁶ EIU (2018), *Industry Report - Financial services, 1st Quarter 2018*. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1746444958&mode=pdf.

⁹⁷ Article 117 of Banking Act. Viewed at: <http://law.moi.gov.tw/ENG/LawClass/LawAll.aspx?PCode=G0380001>.

⁹⁸ WTO documents WT/TPR/S/232, 31 May 2010; and WT/TPR/S/302/Rev.1, 18 December 2015.

⁹⁹ EIU (2018), *Industry Report - Financial services, 1st Quarter 2018*. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1746444958&mode=pdf.

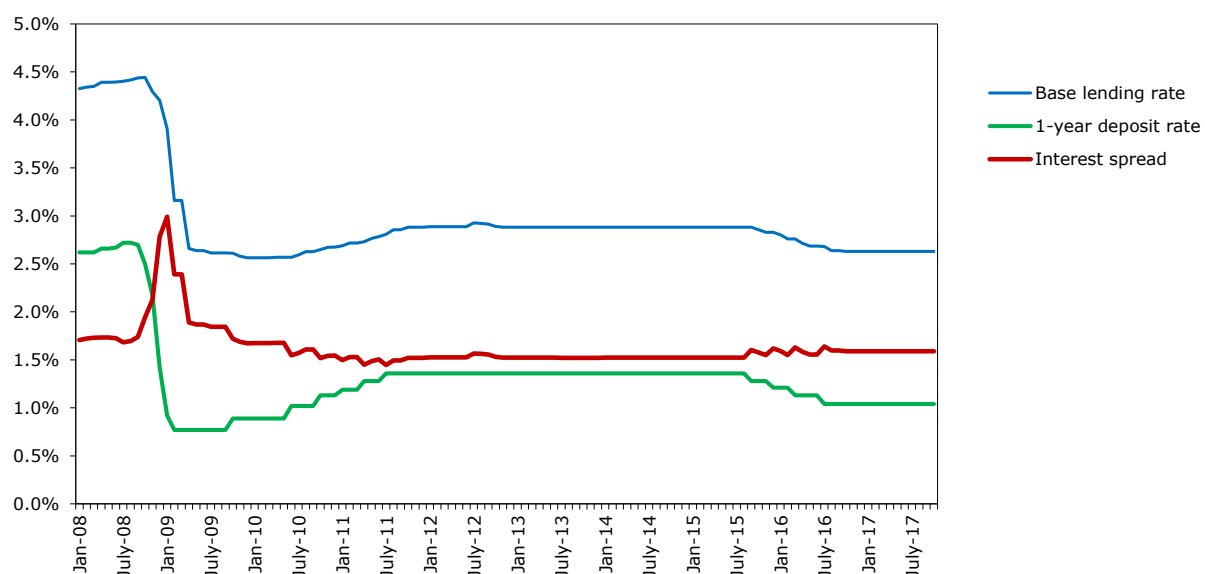
¹⁰⁰ EIU (2018), *Industry Report - Financial services, 1st Quarter 2018*. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1746444958&mode=pdf; and CBC (2017), *Annual Report 2016*, April.

to meet a minimum liquidity coverage ratio of 60%. The required ratio was further raised to 70% in 2016, 80% in 2017 and 90% in 2018. A further scheduled increase is expected to bring it to 100% in 2019.¹⁰¹

4.119. During the review period, non-performing loans of monetary financial institutions as a whole increased by NT\$11.5 billion to NT\$81.9 billion in 2016 due to declining asset quality; and their average NPL ratio also increased to 0.28% at the end of 2016 from the previous year's 0.25%.¹⁰² According to the FSC, the average NPL ratio stood at 0.28% at end-2017. Concerns have been expressed that real estate-related loans account for a higher level (40%) in the books of Chinese Taipei's locally incorporated banks.¹⁰³

4.120. Between January 2014 and end-October 2017, Chinese Taipei's bank interest rate spread (difference between the average borrowing and lending rates in nominal terms) marginally increased from 1.52% to 1.59% (Chart 4.2).

Chart 4.2 Interest rate spread, January 2008-October 2017



Source: CBC online information.

4.4.2.2 Securities

4.121. During the review period, the percentage of non-local investors in total market capitalization increased from 36.4% in 2014 to 38.1% in 2016 (Table 4.17). As of 31 December 2017, there were 111 securities firms, 39 securities investment-trust enterprises, 84 securities investment consulting enterprises and 15 futures commission merchants.

Table 4.17 Performance of the securities sector, 2014-17

	2014	2015	2016	2017
TWSE listed companies: number	854	874	892	907
Capital issued (NT\$ trillion)	6.8	7.0	7.0	7.1
Market capitalization (NT\$ trillion)	26.9	24.5	27.2	31.8
GTSM companies: number	685	712	732	744
Capital issued (NT\$ trillion)	0.7	0.7	0.7	0.7
Market capitalization (NT\$ trillion)	2.7	2.7	2.7	3.3
Unlisted companies (number)	621	646	645	658
Capital issued (NT\$ trillion)	1.8	1.7	1.6	1.6

¹⁰¹ EIU (2018), *Industry Report - Financial services, 1st Quarter 2018*. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1746444958&mode=pdf.

¹⁰² CBC (2017), *Annual Report 2016*, April.

¹⁰³ BTI (2016), *Chinese Taipei Report*. Bertelsmann Stiftung, 2016. Viewed at: https://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI_2016_Taiwan.pdf.

	2014	2015	2016	2017
Inbound investment in stock market				
Number of approved cases	1,372	1,300	1,304	1,147
Accumulated net inward remittance (US\$ billion)	192.4	193.8	199.4	208.1
Percentage of market value held by overseas investors (%)	36.4	36.7	38.1	39.5

Source: FSC statistics. Viewed at: <http://www.sfb.gov.tw/en/>; and information provided by the authorities.

4.122. The Securities and Futures Bureau of the FSC remains responsible for planning and implementing the supervision and regulation of securities and futures markets as well as securities and futures enterprises.¹⁰⁴ To boost the securities market, the FSC launched the Securities Market Stimulation Programme in February 2015, consisting of eight strategies and 15 measures. The measures include, *inter alia*: (i) easing the price fluctuation limit to 10%; (ii) enhancing securities firms' settlement account functions; (iii) streamlining the procedures of account opening and trading for securities investors; (iv) enlarging the scope of targets for day trading, and (v) lifting the limits on margin purchases and short sales. As at end-2016, the Programme had brought about a 10-15% rise in trading volume.¹⁰⁵ In January 2016, in order to facilitate the use of investors' holdings for reinvestment, and to enable securities firms to use their funds more efficiently, the FSC issued an order allowing securities companies to conduct borrowing and lending of funds to customers for unrestricted purposes. The scope of collateral includes "Taiwan Stock Exchange" (TWSE) or TPEx listed securities, trust funds raised and invested in Chinese Taipei, government bonds and spot gold registered for trading on the TPEx. Additionally, in order to increase stock market liquidity, the securities transaction tax on day trading was halved from 3‰ to 1.5‰ as from 28 April 2017. The authorities reported a significant increase both in the day trading turnover and the average daily turnover as a result of this tax cut.

4.123. The Securities and Exchange Act continues to be the main law governing the sector; in 2018 it was amended to promote inclusive financing and the development of Fintech. Amendments were also made to the Securities Investment Trust and Consulting Act in 2018 in order to increase the competitiveness of the domestic asset management industry and promote the sound operation of securities investment trust and consulting enterprises.

4.124. During the review period, the FSC introduced several amendments to the regulatory framework to provide securities firms with more flexibility.

4.125. The "Regulations Governing Securities Firms" were amended twice over the review period, in 2015 and 2017. Key changes introduced in 2015 included, *inter alia*, lowering operating bonds for individual branch units of a securities firm to NT\$5 million; easing limits on the size of securities firms' holdings of securities issued by any single non-local company; and adding provisions under which customers' settlement funds may be temporarily deposited in the securities firm's settlement account. The ceiling on non-local currency deposits held by a securities firm not for business operation purposes was also raised to 30% of the firm's net worth. Furthermore, the FSC issued an order permitting invested non-local enterprises, in which the parent securities firm owns 50% or more of the shares, or over which the parent has *de facto* control, to lend funds to, and provide guarantees to, one another. Changes introduced in 2017 included easing the aggregate liabilities of a securities firm (from 4 times to 6 times its capital net worth) so as to enhance the flexibility of securities firms' financial resource distribution and the efficiency of their capital utilization. When a securities firm engages in performing financial derivative trading contracts and related hedging activities, the amount of these transactions may be excluded from the calculation of its quota for holding equity securities issued by related parties. There has been a relaxation of the restrictions on financial status for trading financial derivatives on the securities firm's business premises; and other changes were made in order to increase fund use flexibility for investors holding separate accounts set up by a securities firm for individual customers in its settlement accounts.

4.126. Amendments to "The Regulations governing Borrowing or Lending Money in Connection with Securities Business by Securities Firms" included enlarging the scope of financing instruments and collaterals.¹⁰⁶ In September 2015, the investment cap on securities trading by banks in the exchange market and over-the-counter-market was raised from 25% to 30%; a provision was also added

¹⁰⁴ Article 4 of the Organic Act Governing the Establishment of the Financial Supervisory Commission.

¹⁰⁵ FSC (2016), *2015-2016 Annual Report*, September.

¹⁰⁶ FSC (2016), *2015-2016 Annual Report*, September.

allowing the limit to be adjusted by the competent authority in line with the economic and financial situation.¹⁰⁷

4.127. In 2017, the FSC published the amendments to "The Regulations Governing the Preparation of Financial Reports by Securities Issuers", effective as of January 2018, mainly adjusting related accounting items and attached forms, as well as specifying the disclosure requirements on financial instruments and contracts with customers.¹⁰⁸

4.128. As in the previous Review, non-local securities firms may establish subsidiaries, branches, and representative offices, with no ownership restrictions. The minimum paid-in capital requirements are the same for locally incorporated and non-local securities firms.¹⁰⁹ Offshore securities units and OBUs were allowed to operate in Chinese Taipei's "free economic pilot zones" (FEPZs), providing a range of financial products and services to local and non-local professional investors until 2016. Allowing these operations in the FEPZs, which offer a range of tax concessions, helps to expand the scale of Chinese Taipei's financial market by attracting overseas investors.¹¹⁰

4.4.2.3 Insurance

4.129. In 2017, Chinese Taipei's insurance industry consisted of 54 insurance companies and branches. Insurance penetration increased to 20.5% and the total premium income of the insurance industry rose steadily (Table 4.18).

Table 4.18 Performance of the insurance sector, 2014-17

	2014	2015	2016	2017
Percentage in the total assets of financial institutions (%)	29.6	29.6	31.9	33.6
Non-life insurance	0.5	0.5	0.5	0.5
Life insurance	29.1	29.2	31.4	33.1
Insurance penetration (%)	18.0	18.3	19.2	20.5
Non-life insurance	0.8	0.8	0.9	0.9
Life insurance	17.2	17.5	18.3	19.6
Number of insurance companies and branches – total	54	54	54	54
Reinsurance	3	3	3	3
Non-life insurance – local	17	17	17	17
Non-life insurance – branches of non-local companies	5	5	6	6
Life insurance – local	24	24	23	23
Life insurance – branches of non-local companies	5	5	5	5
Total premium income of insurance industry (NT\$ trillion)	2.9	3.1	3.3	3.6
Non-life	0.1	0.1	0.2	0.2
Life	2.8	3	3.1	3.4

Source: FSC statistics. Viewed at: <http://www.ib.gov.tw/en/> [29/03/2018]; and information provided by the FSC.

4.130. Two insurance companies are directly and publicly owned, the "Bank Taiwan Life Insurance Co., Ltd", which is fully owned and had a 1.14% market share in 2015¹¹¹, and the "Central Reinsurance Corporation" which is partially owned and had a 18.83% market share of the non-life reinsurance market and 23.49% market share of the life reinsurance market in 2015.¹¹² A further four are indirectly partially-owned.

4.131. Owners of automobiles in Chinese Taipei are required to have a contract of Compulsory Automobile Liability Insurance (CALI) which is available from non-life insurance companies. This ensures that injured parties receive basic coverage for injuries caused by automobile traffic

¹⁰⁷ FSC (2016), *2015-2016 Annual Report*, September.

¹⁰⁸ Information provided by the authorities (legislation, regulations, etc.).

¹⁰⁹ NT\$400 million for underwriting, NT\$400 million for trading, NT\$200 million for brokerage, and an additional NT\$30 million for establishing a branch office. WTO documents WT/TPR/S/232, 31 May 2010; and WT/TPR/S/302/Rev.1, 18 December 2015.

¹¹⁰ EIU (2018), *Industry Report - Financial services, 1st Quarter 2018*. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1746444958&mode=pdf.

¹¹¹ The market share is calculated by the ratio of the company's gross premium income to overall domestic premium income of the life insurance industry.

¹¹² The market share is calculated by the ratio of the company's domestic ceded-in premium to the domestic ceded-out reinsurance premium.

accidents. The MOTC works in conjunction with the FSC to supervise the implementation of the CALI; premiums are regulated and reviewed every year.

4.132. The market remains fairly concentrated, with the top providers, including Cathay Life Insurance, Nan Shan Life and Fubon Life Insurance, accounting for 53% of total premiums (NT\$1,669 billion) in 2016. Sales in bank branches (bancassurance) are the dominant sales channel for the sector. In 2016, total premiums for all types of insurance reached US\$102 billion, making Chinese Taipei the fourth-largest insurance market in Asia after Japan, China and the Republic of Korea.¹¹³

4.133. Chinese Taipei continues to promote micro-insurance businesses – as of 2017, there were 27 insurance companies engaging in micro-insurance (15 life insurers and 12 non-life insurers). As of 2017, the accumulated number of individuals covered by micro-insurance reached 502,000 with a total insured amount of more than NT\$165 billion (around US\$5.5 billion). It is expected that more economically disadvantaged and specific groups of people can be taken care of, thus strengthening the social safety net.¹¹⁴

4.4.2.3.1 Institutional and legislative framework

4.134. The FSC Insurance Bureau remains responsible for planning and implementing the supervision and regulation of the insurance market and insurance enterprises.¹¹⁵

4.135. The governing legislation for the sector is the Insurance Act. The 2014 amendments to this Act aimed to, *inter alia*: (i) enhance the independence of directors and thus facilitate implementation of corporate governance; and (ii) prompt insurers to more appropriately exercise their shareholder rights with respect to investee companies, and their rights as owners of securitization products. Further amendments in 2015 included: (i) introduction of 4-tier regulatory requirements for RBC ratio of the insurance company; (ii) strengthening of internal audit control; (iii) a truthful representation obligation of the policy holder regarding subject insured and important matters relating to risk, and (iv) an insurance brokers' obligation of due diligence and a duty of loyalty.

4.136. As specified in the Insurance Act, life insurance companies may not offer non-life insurance services and vice versa, except where a non-life insurance enterprise is authorized by the competent authority to engage in personal injury or health insurance.¹¹⁶

4.137. In a move to allow insurers to develop a significant presence in overseas property markets, the FSC continues to relax restrictions on overseas investments in real estate by local insurance firms. In 2017, the FSC relaxed overseas investment rules by allowing insurers to invest in private debt funds and private real-estate funds. In January 2018, insurers were also allowed to invest as much as 10% of their assets under management in equity futures funds and futures exchange-traded-funds.¹¹⁷

4.138. In 2017, to enhance the framework for anti-money laundering and counter terrorism financing for multinational insurance companies, Chinese Taipei amended the pertinent regulations so that a non-local insurance enterprise, which applies to establish a branch in Chinese Taipei, must now prepare a document issued by the competent local authority certifying that no serious deficiency in anti-money laundering and countering terrorism financing has taken place in the last five years.¹¹⁸

4.4.2.3.2 Market access

4.139. An insurance company's paid-in capital must amount to a minimum of NT\$2 billion. Non-local insurance enterprises, must obtain approval from the FSC to set up a branch office which is allowed to engage in insurance business; the branch's paid-in capital must be at least NT\$50 million.

¹¹³ EIU (2018), *Industry Report - Financial services, 1st Quarter 2018*. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1746444958&mode=pdf.

¹¹⁴ Information provided by the authorities.

¹¹⁵ Article 4 of the Organic Act Governing the Establishment of the Financial Supervisory Commission.

¹¹⁶ WTO documents WT/TPR/S/232, 31 May 2010; and WT/TPR/S/302/Rev.1, 18 December 2015.

¹¹⁷ EIU (2018), *Industry Report - Financial services, 1st Quarter 2018*. Viewed at: http://www.eiu.com/FileHandler.ashx?issue_id=1746444958&mode=pdf.

¹¹⁸ Information provided by the authorities.

Representative offices are prohibited from solicitation activities.¹¹⁹ Reinsurance and retrocession and maritime shipping insurance may be obtained from companies located overseas. However, for all other forms of insurance a commercial presence is required.

4.4.3 Telecommunications services

4.140. Reportedly, Chinese Taipei has one of the most competitive telecommunications markets in the world.¹²⁰ Chinese Taipei's mobile phone penetration rate remains high at 122.4%, although subscriptions have slightly dropped off in recent years as the market has become saturated. Mobile broadband subscriptions have continued to increase, such that by May 2017, the mobile broadband penetration rate was 96.6% (with 87.6% of these subscribers paying for 4G services). Fixed telephone subscriptions have continued to decrease due to the take-up of mobile services, while fixed broadband subscriptions have remained stable (Table 4.19). The total revenue of telecom services was NT\$360 billion in 2016; the main revenue earner was the mobile phone segment (nearly 59%), followed by fixed Internet and value-added services (just over 15%). Revenue from data communications has continued to increase as a proportion of total telecom revenue.¹²¹

Table 4.19 Telecommunications market, 2013-May 2017

Market		2013	2014	2015	2016	2017 (May)
Mobile phone	Penetration rate (%)	127.6	128.4	125.0	122.9	122.4
	Subscribers (million)	29.8	30.1	29.4	28.9	28.8
Fixed telephone	Penetration rate (%)	52.3	51.4	50.6	49.7	49.3
	Subscribers (million)	12.2	12.1	11.9	11.7	11.6
Internet ^a	Penetration rate (%)	76.3	78.0	78.0	79.7	92.8 (Aug.)
	Users (million)	15.9	16.3	16.4	16.8	18.7 (Aug.)
Mobile broadband ^b	Penetration rate (%)	77.4	80.9	81.2	92.4	96.6
	Subscribers (million)	18.1	19.0	19.1	21.8	22.8
Fixed broadband ^c	Penetration rate (%)	24.1	24.2	24.1	24.2	24.2
	Subscribers (million)	5.6	5.7	5.7	5.7	5.7

a Internet users refers to individuals who accessed the Internet during the year.

b Mobile broadband subscribers are the 3G and 4G subscribers that can access the Internet.

c Fixed broadband subscribers are subscribers of ADSL, FTTx, cable modem, and leased line that can access the Internet.

Source: Data provided by the authorities.

4.141. The Ministry of Transportation and Communications (MOTC) is responsible for establishing overall policies for the telecommunications sector. The fully independent communications commission (NCC) regulates the sector; its current objectives are to strengthen the communications infrastructure, encourage innovation, lead in digital applications and transformation through cross-sector governance and continue to apply the concept of digital equality and digital inclusion to protect the rights of the public.¹²² Priority actions being implemented by the NCC, *inter alia*, include: development of 4G services (first launched in 2014) and planning for the future development of 5G services by 2020; improvement of connection quality; medium and long-term planning of spectrum arrangements to meet the needs of Internet broadband and "internet of things" (IoT) services; and the release of IoT number restrictions. In June 2017, 2G services were terminated. Reportedly, Chinese Taipei is expanding its digital platforms and there is a greater focus on e-services and digital media which depend on mobile Internet and fixed broadband.¹²³

4.142. The main law governing the sector is the Telecommunications Act; there were no amendments to this Act over the review period.¹²⁴ Recently, two new laws were drafted and are

¹¹⁹ Rogan, P. (2016), *The Insurance and Reinsurance Law Review*, 4th edition.

¹²⁰ Online information. Viewed at:

<http://country.eiu.com/articleindustry.aspx?articleid=246287408&Country=Taiwan&topic=Industry&subtopic=Telecommunications>.

¹²¹ Online information. Viewed at:

https://www.ncc.gov.tw/english/files/16060/384_1830_170428_1.pdf.

¹²² Online information. Viewed at:

https://www.ncc.gov.tw/english/files/18022/382_2184_180227_1.pdf.

¹²³ Online information. Viewed at:

http://country.eiu.com/filehandler.ashx?issue_id=236287407&mode=pdf.

¹²⁴ Online information. Viewed at: https://www.ncc.gov.tw/english/files/15092/17_1628_150923_1.doc.

being reviewed by the legislative branch: the "Telecommunications Management Act" and the "Digital Communications Act". The aim of these laws is to: provide an environment conducive to digital convergence, involving a shift towards regulations being categorized by behaviour rather than business; introduce the concept of Internet governance into the digital economy; strengthen Internet security; and promote digital economy infrastructure.¹²⁵

4.143. There are two types of telecom operators. Type 1 operators own and operate network facilities and are subject to price-cap regulations (see below); they include operators providing mobile, satellite and fixed-line services. Type 2 operators do not own and operate network facilities and may set their prices freely.¹²⁶ Both must be licensed by the NCC. Inbound investment restrictions continue to be in place for Type 1 operators (overseas investment is limited to a maximum of 49%). Additionally, the sum of direct and indirect shareholding may not exceed 60%. Minimum capital requirements also apply to Type 1 operators.¹²⁷

4.144. As at March 2018, there were 5 providers of mobile telecommunications services operating in Chinese Taipei ("Chunghwa Telecom"; "FarEasTone"; "Taiwan Mobile"; "Taiwan Star Telecom"¹²⁸ "Asia Pacific Telecom") and 4 fixed-line network providers ("Chunghwa Telecom"; "Taiwan Fixed Network"; "Asia Pacific Telecom"; "New Century InfoComm Tech"). "Chunghwa Telecom" is partially publicly owned (35.29% of shares are held by the MOTC) (Section 3.3.5), while the other providers are fully privately owned. "Chunghwa Telecom" is the dominant provider in the fixed telecom market. It is also the biggest mobile provider, albeit in a more competitive environment (Chart 4.3).

4.145. To ensure a competitive environment, the NCC applies price controls on dominant type 1 telecommunications enterprises; these include a price control on mobile and fixed termination rates, a price cap on wholesale leased lines and tariff approvals. It also requires them to submit detailed information when fixing or adjusting tariffs. The NCC declares as Dominant Type 1 telecommunications enterprises those operators that meet any of the following criteria: (a) control of critical and key telecommunications infrastructure; (b) dominance over market prices; (c) a market share of subscribers or business volume.¹²⁹ Non-dominant Type 1 operators and Type 2 operators only need to notify the NCC whenever their tariffs are fixed or adjusted. As at April 2018, "Chunghwa Telecom", "Taiwan Mobile" and "FarEasTone" had been designated as dominant 3G operators and "Chunghwa Telecom" had been designated as a dominant fixed-line operator.

4.146. According to the tariff calculation of the ITU's Measuring the Information Society Report, tariffs have been declining in the mobile-cellular and mobile broadband (post-paid computer-based) segments and have been stable in the fixed broadband and mobile broadband (prepaid handset-based) segments.

¹²⁵ Online information. Viewed at:

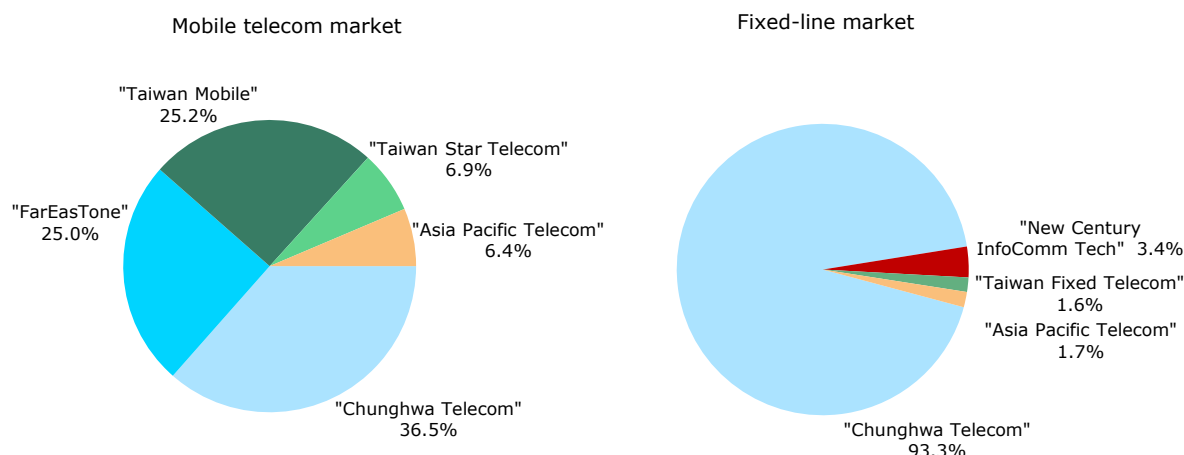
https://www.ncc.gov.tw/english/files/18022/382_2184_180227_1.pdf.

¹²⁶ A full list of the number of licenced Type 1 and Type 2 licensees and operators as at 2016 was viewed at: https://www.ncc.gov.tw/english/files/18022/382_2184_180227_1.pdf.

¹²⁷ These minimum capital requirements are as follows: (a) Under the Regulations for Administration of Mobile Broadband Businesses it is NT\$6 billion for 4G mobile broadband businesses; (b) under the Regulations for Administration on Satellite Communications Services, it is NT\$100 million for fixed communications satellite services and NT\$500 million for mobile communications satellite services; (c) under the Regulations for Administration on Fixed Network Telecommunications Businesses it is: NT\$6.4 billion for integrated network business, NT\$800 million for long distance network business, NT\$800 million for international network business and NT\$300 million for international submarine cable leased-circuit business.

¹²⁸ In 2014, "Taiwan Star Cellular" and "Vibo Telecom" merged to become "Taiwan Star Telecom". Online information. Viewed at: http://country.eiu.com/filehandler.ashx?issue_id=236287407&mode=pdf.

¹²⁹ Administrative Regulations Governing Tariffs of Type 1 Telecommunications Enterprises.

Chart 4.3 Fixed and mobile operators, market share, December 2017

Source: Data provided by the authorities.

4.147. Regulations governing interconnection have not changed over the review period.¹³⁰ Dominant carriers are forbidden from rejecting interconnection requests and regulations set out the guiding principles for bilateral negotiations between telecom companies to set interconnection rates and terms. Interconnection rates must be cost-orientated, fair, reasonable and non-discriminatory. If no agreement is reached between telecom enterprises within three months, either party may file a written application to the NCC for arbitration.¹³¹ No such applications have been made to the NCC since January 2014. Amendments to the regulations, in November 2017, are to include a clause prescribing that the mobile communication network connection rates announced by the NCC will also apply to mobile broadband business operators.¹³²

4.148. Other pro-competitive regulations in place require practices such as number portability, equal access, wholesale pricing and accounting separation. Cross-subsidization is not permitted.¹³³

4.149. Spectrum licences are allocated through an auction process. A new procedure was adopted in 2017, involving a two-stage auction process. The first stage is multi-round auction with quantity-based bidding (i.e. bidding for the number of blocks). The second stage is for location-based bidding (i.e. bidding for specific assignments in accordance with blocks won).¹³⁴

4.150. The NCC may designate Type 1 operators as responsible for providing universal telecommunications services (fixed-line local telephone services and broadband services) to specific areas.¹³⁵ Losses arising from the provision of universal services are covered by the Telecommunications Universal Services Fund. The Fund is financed through contributions from telecommunications operators which are set as a proportion of their revenue. There have been no changes to the universal service regulation since 2014. Public sector investment totalling US\$1.5 billion is planned to be made over the period up to 2025 to improve Chinese Taipei's digital infrastructure and to narrow the differences between rural and urban areas.¹³⁶

¹³⁰ Regulations Governing Network Interconnection among Telecommunication Enterprises.

¹³¹ WTO document WT/TPR/S/232/Rev.1, 28 July 2010. Interconnection rules are set out in the Regulations Governing Network Interconnection among Telecommunication Enterprises.

¹³² Online information. Viewed at: https://www.ncc.gov.tw/english/files/17041/360_2009_170419_1.pdf.

¹³³ WTO document WT/TPR/S/232/Rev.1, 28 July 2010.

¹³⁴ Online information. Viewed at: https://www.ncc.gov.tw/english/news_detail.aspx?site_content_sn=360&is_history=0&pages=0&sn_f=2126.

¹³⁵ As noted in a previous Review (WTO document WT/TPR/S/232/Rev.1, 28 July 2010), under the Universal Telecommunication Services Regulations, the incumbent operator must, and other Type 1 telecom operators may, apply to provide universal services by submitting an annual implementation plan; once a Committee has reviewed the applications, the NCC designates the universal service providers on the basis of the merits of their respective plans.

¹³⁶ Online information. Viewed at: http://country.eiu.com/filehandler.ashx?issue_id=236287407&mode=pdf.

4.4.4 Transport services

4.151. Chinese Taipei's main transport sector objectives are set out in the Forward Looking Infrastructure Plan (Section 2), which prioritizes developing the railway and local metropolitan transit systems. Specific goals are: linking the high speed and conventional rail systems into an integrated network; upgrading and improving conventional rail services; moving rail tracks above or underground to speed up commuter services; promoting urban mass rapid transit and building tourism-orientated rail systems for central and southern areas.

4.4.4.1 Maritime transport

4.152. Chinese Taipei continues to depend mainly on maritime transport for its imports and exports of merchandise goods; around 99% of the volume and 53% of the value of Chinese Taipei's external trade is carried by ship. In 2017, there were 1.13 million passengers travelling on inbound and outbound voyages on international routes. The authorities indicated that the cabotage market is small and no official data on its exact size is collected.

4.153. The Ministry of Transportation and Communications (MOTC) remains responsible for regulating the maritime transport sector, including ports. Within the MOTC, the Maritime and Port Bureau (MPB) is responsible for studying and drafting regulations, policies and development plans governing the shipping industry, vessels, maritime seafarers, maritime affairs and commercial ports, as well as planning, implementation and supervision of other maritime and port-related affairs. The "Taiwan International Ports Corporation" (TIPC) is in charge of all international commercial port operations. The MPB or appointed local authorities are in charge of all domestic commercial port operations.

4.154. The main laws governing the sector are the Shipping Act, the Law of Ships, and the Commercial Port Law.¹³⁷ Over the review period, the Shipping Act was amended once, in 2014, to reflect developments in Chinese Taipei's free trade and maritime cooperation agreements.¹³⁸

4.155. There have been no changes to conditions and requirements for registering vessels or to Chinese Taipei's applied regime on overseas investment. MOTC approval must be obtained to engage in sea transportation as a vessel carrier.¹³⁹ To be registered locally, at least 50% of the carrier's capital must be from Chinese Taipei.¹⁴⁰ Only vessels registered in Chinese Taipei may undertake cabotage services, unless a franchise is granted.¹⁴¹ In 2017, the MOTC granted more than 200 voyages to overseas-registered vessels. Overseas vessel carriers must establish a local branch in Chinese Taipei or commission a local shipping agency as their agent before they can provide international transport services (passengers and cargo). They must keep a minimum operating fund of NT\$12 million.

4.156. Vessel carriers engaged in liner service must submit cargo and passenger tariffs to the MOTC for examination; if tariffs are found to be improper (i.e. much higher or lower than the usual market price), the MOTC may order carriers to make revisions; no such case occurred over the review period. Agreements between overseas and local operators on freight rates and charges must be filed with the MOTC; if an agreement is considered to impede the "order of shipping or economic development", the MOTC may order a revision of the agreement within a specific period.

4.157. There are no requirements to transport certain goods on locally registered vessels.

4.158. Chinese Taipei had the world's 12th largest maritime fleet in 2016, with 898 vessels of over 1,000 gross tonnes. It has 165 shipping carriers including 3 major companies that provide container transport service and three that provide bulk transport services.¹⁴² The Yang Ming Transport

¹³⁷ The Law of Ships. Viewed at: <http://db.lawbank.com.tw/Eng/FLAW/FLAWDAT0201.asp>; and the Commercial Port Law were not amended over the review period.

¹³⁸ Shipping Act. Viewed at: <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=K0070001>.

¹³⁹ Shipping Act, Article 7. As set out in Article 3 of the Act, a "vessel carrier" means the industry engaging in transportation of passengers and cargoes by power-driven vessels or non-power-driven vessels of a set gross tonnage, wherefrom it receives remuneration.

¹⁴⁰ Law on Ships, Article 5.

¹⁴¹ Shipping Act, Article 4.

¹⁴² Online information. Viewed at: <http://www.motc.gov.tw/en/home.jsp?id=256&parentpath=0,150,250#>.

Corporation is a partially publically owned shipping company; it has a capacity of 640,806 TEU and has a 2.9% market share.¹⁴³

4.159. Chinese Taipei has seven international ports; in 2016 over 80% of the volume of imports and exports were handled by two ports: Kaohsiung Port (which handled nearly 50% of trade volume) and Taichung Port (32%).¹⁴⁴ According to the authorities, Kaohsiung Port was ranked the world's 15th largest port in 2017 in terms of the amount of container cargo handled and it is an important transit point for maritime transport between Asia, Europe and America. Ports are operated by the TIPC (Section 3.3.5). Both local and non-local companies may participate in public tendering processes to operate port terminals; as at mid-April 2018 there were three non-local companies operating terminals at the Kaohsiung Port.¹⁴⁵ An Intercontinental Container Centre Project has been implemented at the Port of Kaohsiung in response to the trend towards large container ships and to reinforce the status of Kaohsiung Port as a transshipment hub. The first phase included four container terminals which are now operational. The second phase comprises the construction of a petrochemical oil storage and transport centre; it should be completed in 2019.

4.4.4.2 Air transport

4.160. The Civil Aeronautics Administration (CAA), under the MOTC, regulates the air transport sector. The governing legislation is the Civil Aviation Act.¹⁴⁶ Over the review period, it was amended in 2015 in order to follow international civil aviation regulations and practices.¹⁴⁷

4.161. Chinese Taipei has two international airports (Taoyuan International Airport) and (Kaohsiung International Airport) and 15 domestic airports. All airports are publicly owned and managed (Section 3.3.5).¹⁴⁸ The Taoyuan International Airport is operated by a fully publicly owned corporation ("Taoyuan International Airport Corporation"). The other 16 airports are public agencies. No concessions have been granted to private-sector companies. Major infrastructural works in progress include the construction of a third terminal at Taoyuan International Airport which should increase airport capacity by 20 million passengers per year. No other major infrastructural works are being undertaken or planned.

4.162. International passenger transportation by air has continued to grow year-on-year. By 2017, there were 66 million passengers. Passenger numbers on internal flights have fluctuated. Cargo volumes both on internal and overseas flights have fluctuated since 2013 (Table 4.20).

Table 4.20 Air transport of passengers and cargo, 2012-17

	2012	2013	2014	2015	2016	2017
Passengers ('000)	46,860	50,336	55,357	58,156	63,253	65,978
- International	35,899	39,385	44,391	47,983	51,979	54,475
- Cabotage	10,680	10,547	10,563	9,798	10,843	11,097
- Transit	282	403	402	374	431	406
Cargo (MTs '000)	2,091	2,085	2,222	2,151	2,233	2,416
- International	1,102	1,083	1,145	1,136	1,215	1,314
- Cabotage	36	36	35	33	32	30

Source: Online statistical information. Viewed at:
https://eng.dgbas.gov.tw/public/data/dgbas03/bs2/yearbook_eng/Yearbook2016.pdf.

¹⁴³ Data provided by the authorities based on Alphaliner TOP 100, 3 April 2018.

¹⁴⁴ Online statistical information. Viewed at:
https://eng.dgbas.gov.tw/public/data/dgbas03/bs2/yearbook_eng/Yearbook2016.pdf.

¹⁴⁵ There are several local companies operating terminals or container freight stations in Chinese Taipei's various ports. The main ones are: China Container Terminal Corp.; United Logistics International Co.; Evergreen Marine Corp.; Wan Hai Lines; YangMing Marine Transport Corp.; Kao Ming Container Terminal; Lien Hai Terminal Corp. and Taipei Port Container Terminal Corp. The non-local companies are APL, Hyundai Merchant Marine and OOCL.

¹⁴⁶ Online information. Viewed at:
<http://law.moj.gov.tw/Eng/LawClass/LawContent.aspx?pcode=K0090001>.

¹⁴⁷ As noted by the authorities, the amendment mainly includes initial airworthiness and continued airworthiness of flight operation standards, validation and certification of flight simulation training devices, and criteria for the design, manufacture and test flight activities of ultra-light vehicles.

¹⁴⁸ Taoyuan International Airport is managed by the publicly owned Taoyuan International Airport Corporation Limited.

4.163. As at end-2017, 85 airlines provided flight services: 79 were non-local airlines and 6 were air carriers registered in Chinese Taipei. Scheduled international services provided by local and non-local carriers covered 296 routes connecting 141 cities worldwide. Air carriers registered in Chinese Taipei accounted for 56% of total passenger volume and 64% of cargo volume. The carriers with the biggest market share are "China Airlines" (with a 25% market share in passenger volume and a 38% share in cargo volume) and Eva Airways (22% market share in passenger volume and a 25% share in cargo volume) (Section 3.3.5).

4.164. The Civil Aviation Act (Article 81) prohibits overseas aircraft or overseas civil air transport enterprises from carrying passengers, cargo and mail between two points in Chinese Taipei. The Act also limits overseas investment in domestic airlines to 49% of total equity, and a cap on individual inbound investment is set at 24%.

4.165. As of June 2017, Chinese Taipei had signed 57 reciprocal bilateral air services agreements (ASAs); 12 of these were either signed or revised over the review period. All of the air services agreements most recently concluded by Chinese Taipei allow for multi-designation and cooperative arrangements, and many do not require that statistics be exchanged. The withholding clause within the ASAs has been consistently set at "substantial ownership and effective control" (SOEC).¹⁴⁹ The most open agreements include 5th freedom traffic rights and liberal "free determination" capacity clauses.

4.166. As set out in the Civil Aviation Act and the Regulations Governing Airport Ground Handling Services, overseas investment in airport ground handling services companies is limited to less than 50% of shares and no single overseas person or company may hold more than 25% of total shares. There are no restrictions under the applicable regulations on overseas investment with respect to aircraft maintenance and repair services; regulations applicable to this activity are set out in the Regulations of Repair Station Certification and Management for Aviation Products, Appliances and Parts.¹⁵⁰

4.4.4.3 Road transport

4.167. There are approximately 20,000 km of highway networks in Chinese Taipei; the main roads include three north-south freeways as well as five east-west expressways, together totalling 1,050 km. An electronic toll system has been in effect on the freeways since end-2013.

4.168. The MOTC's policy objectives for the sector are to: provide a comfortable and convenient transportation service; encourage the use of public transportation; work to smooth transfers between various transport modes; raise safety; and establish "smart" technologies and ticketing systems. Within the MOTC, the Directorate General of Highways remains responsible for highway automobile transport, tourist bus transport enterprises, and car and pick up rental businesses; automobile cargo transport and container truck transportation enterprises. A number of agencies are responsible for metropolitan automobile transport enterprises.¹⁵¹

4.169. The main law governing road transportation remains the Highway Act.¹⁵² Restrictions on inbound investment in commercial automobile business remain in place.¹⁵³

4.4.4.4 Rail transport

4.170. According to official sources, over 230 million passengers and 7.76 million metric tonnes of freight are carried by trains per year. There are 1,065 km of railway in Chinese Taipei which include: general railways; a high-speed rail system (about 350 km of track); an urban mass rapid transport

¹⁴⁹ SOEC is the most restrictive type of withholding clause. More liberal clause-types are: principal place of business and community of interest.

¹⁵⁰ Online information. Viewed at: <https://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=K0090028> and <https://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=K0090011>.

¹⁵¹ WTO document WT/TPR/S/302/Rev.1, 18 December 2015.

¹⁵² Online information. Viewed at: <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=K0040001>.

¹⁵³ Under Article 35 of the Law, non-Chinese Taipei persons or legal persons are prohibited from investing in commercial automobile businesses within the boundaries of Chinese Taipei; however, those who are approved by the MOTC may apply to invest in: car and pickup truck rental, automobile cargo transport, and container truck transport.

(MRT) system in Taipei (about 131 km of track); and a MRT/LRT system in Kaohsiung (about 51 km of track).

4.171. The MOTC is the regulator for rail transport. It administers publicly owned railways and supervises local, private and special railways.¹⁵⁴ The MOTC's objectives for the subsector are to create a more orderly and convenient railway transportation system for Chinese Taipei, raise the overall efficiency of rail service for Hualien and Taitung and build a robust urban-rural railway service. Future efforts are to be directed at achieving "greener" and more seamless transportation with industrial and sightseeing potential.

4.172. The main law governing the sector is the Railway Act of 1958 as amended. Over the review period, it was amended in 2014 and 2016, with changes being related to safety aspects. As set out in law, in principle, railways should be publicly owned and managed and the construction, extension, transfer or management of local, private and special railways, must be ratified by the MOTC.¹⁵⁵ Concessions have been granted to locally-owned private sector companies to operate Chinese Taipei's high speed rail system and Kaohsiung's MRT system. Overseas investment, in principle, is permitted, but has not happened in practice. The other railways are operated by public-sector entities.

4.4.5 Tourism services

4.173. The tourism sector is continuing to develop rapidly. Visitor arrivals have increased year on year, reaching 10.7 million in 2016, up from 7.3 million in 2012. Ninety percent of visitor arrivals are from within Asia, largely China (47% of visitor arrivals in 2016), followed by Japan (18%) and the Republic of Korea (8%); these markets have been the most dynamic.¹⁵⁶ Most visitor arrivals in 2016 were for leisure (70.7%), followed by business (6.9%), visiting relatives (4%), study (0.6%), conferences (0.6%); medical treatment (0.4%); exhibitions (0.1%); and other (16.7%). In 2016, the average stay was 6.5 nights, with an average spending rate of US\$193 per day; both the length of stay and average spending rates have slightly declined in recent years.¹⁵⁷ An airport service fee of NT\$500 is levied per person exiting Chinese Taipei.

4.174. The Tourism Bureau of the MOTC continues to be responsible for policy formulation and implementation in the sector. The legal framework for the tourism sector is the Act for the Development of Tourism.¹⁵⁸ This was amended three times over the review period, in 2015, 2016 and 2017. Among the changes are: introducing the possibility of levying a tourism conservation fee¹⁵⁹; requiring that competent authorities employ professional guides in ecological and cultural environment reserves in order to preserve, maintain and explain the resources unique to Chinese Taipei and that priority be given to employing local indigenous people as professional guides; and introducing exemptions or reductions in the land value tax and housing tax (these are taxes levied at the local level) for approved tourist amusement, tourist hotel and hotel enterprises which support official policy for raising quality.¹⁶⁰

4.175. Tourism is one of the areas in which Chinese Taipei is seeking to strengthen ties with other Asian economies through its New Southbound Policy (Section 2.2). Recent steps taken in this context have been to: offer visa-free entry for visitors from Brunei Darussalam, the Philippines and Thailand; encourage Chinese Taipei businesses operating in these Asian economies to organize inbound

¹⁵⁴ Railway Act, Article 4. Viewed at: <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=K0030001>.

¹⁵⁵ Railway Act, Article 3.

¹⁵⁶ In 2012, there were 3.6 million visitor arrivals from China and 5.1 million in 2016. For Japan, the figures are 1.4 million in 2012 and 1.9 million in 2016 (an increase of 463,387). For the Republic of Korea, the figures are: 259,089 in 2012 and 884,397 in 2016 (an increase of 625,308).

¹⁵⁷ In 2012, the average length of stay was 6.87 nights and the average spend per visitor was US\$234. Online statistical information. Viewed at: https://eng.dqbas.gov.tw/public/data/dqbas03/bs2/yearbook_eng/Yearbook2016.pdf.

¹⁵⁸ Online information. Viewed at: <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=K0110001>.

¹⁵⁹ As noted by the authorities, this fee targets scenic spots or natural areas. The fee is not yet being levied (as at mid-April 2018) pending the approval of enforcement rules.

¹⁶⁰ Local authorities decide if structures meet the overall goal for local development and social purposes. They also decided on the extent of the reduction or whether an exemption is offered.

incentive tours; stage tourism promotion events; and, create a friendlier environment for Muslim travellers, for example through the promotion of halal certification in hotels and restaurants.¹⁶¹

4.176. The Tourism Bureau is implementing the Tourism 2020: A Sustainable Tourism Development Plan approved in January 2018. It has 5 main action plans to fulfil the objective of Chinese Taipei being a "friendly, smart and experience-filled Asian travel destination". The primary action plan is market diversification. The emphasis is on Japan, the Republic of Korea and Southeast Asia. However, Chinese Taipei is also seeking to deepen the penetration of the European and American markets, maintain the Chinese market and further develop new market segments such as meetings, incentives, conventions and exhibitions, cruise markets, Muslim tourism and charter-flight travellers. A second action plan is to promote local travel through the deployment of new travel card and tourism events programmes. The third action plan relates to guidance for industrial transformation, under which adjustments to the tourism structure will be made to improve service quality, develop e-commerce and maximise opportunities for businesses through brand exposure, quality-evaluation mechanisms, increased resources and support for travel agencies, and strengthened training for non-local tour guides. The fourth action plan is to promote "smart tourism" involving the integration and improvement of services for tourists, including information, ticketing systems and public transport services. The final action plan is to expand experimental tourism, by working with local administrations to create new tourist attractions and promote localized travel adventures, such as themed itineraries for scenic spots catering to overseas tourists.¹⁶²

4.177. The sector is fully open to inbound investment. As set out in the Act for the Development of Tourism, overseas travel agencies wishing to establish subsidiaries in Chinese Taipei must obtain approval from the Tourism Bureau, recognition and approval in accordance with the Company Law, and a travel enterprise licence. Non-local travel enterprises intending to dispatch representatives must apply to the Tourism Bureau and notify the MOEA; such representatives may not engage in business outside Chinese Taipei.¹⁶³ There has been overseas investment in hotels.

4.178. Since 1 March 2017, new incentives under the "Special Offers of International Cruise at TIPC Ports" have been provided by the TIPC to develop Chinese Taipei's cruise travel industry; these involve discounts on dockage and passenger service fees for certain categories of passenger-vessel calls.¹⁶⁴ This incentive scheme is due to expire at end-December 2018. It is estimated that revenue foregone will amount to 0.03% of the TIPC's revenue. It seems that positive results have been achieved, with a 29% increase in passenger numbers.

4.179. Under the Tourism Bureau's "Directions for Preferential Loans for Upgrading the Tourism Industry", hotel operators who take out a loan and make interest payments can apply for subsidies from the Bureau to help pay part of their interest. Subsidized interest loan funds must be used for investments in upgrading equipment, renovations, expansion, reconstruction of business premises, as well as capital repairs and upgrade that raise the quality of travel and accommodation. Over the period 2014-17, the scheme assisted 30 tourist hotels, with the total interest subsidies reaching NT\$150.7 million.

4.180. A new subsidy scheme has been introduced to encourage overseas incentive tour groups to visit Chinese Taipei; the level of subsidies granted depends on the length of stay, size of group, origin of visitors and whether there are multiple visits.¹⁶⁵ Another scheme is designed to promote the fly-cruise segment. Subsidies are available to cruise lines with a fly-cruise schedule that includes accumulated layovers in Chinese Taipei for 48 hours or more; the subsidy per passenger is US\$30

¹⁶¹ Online information. Viewed at: <https://nsppe.mofa.gov.tw/nsppe/news.php?post=130296&unit=376>.

¹⁶² Online information. Viewed at: <https://amcham.com.tw/2017/09/tourism-2020-sustainable-tourism-development-strategy/>.

¹⁶³ Tourism Development Act, Article 28. Viewed at: <http://law.moi.gov.tw/Eng/LawClass/LawAll.aspx?PCode=K0110001>.

¹⁶⁴ These are: (a) full dockage exemption for maiden visits by cruise ships; (b) extra incentive discounts on passenger-service fees for single-route, multiple port call itineraries in Chinese Taipei (c) special berthing incentives for "fly-cruise" (Port of Keelung) and homeport (Port of Kaohsiung) calls. Online information. Viewed at:

https://www.motc.gov.tw/en/home.jsp?id=158&parentpath=0,151&mcustomize=news_view.jsp&dataserno=201706160009&aplistdn=ou=data,ou=news,ou=english,ou=ap_root,o=motc,c=tw&toolsflag=Y&imgfolder=img.

¹⁶⁵ Online information. Viewed at: https://www.roc-taiwan.org/uploads/sites/97/2017/04/Incentives_for_Promotion_of_Incentive_Torus_to_Taiwan.pdf.

per passenger for groups of over 300 fly-cruise passengers and US\$50 per passenger for groups of over 600.¹⁶⁶ Funding for both schemes is provided by the Tourism Bureau.

¹⁶⁶ Online information. Viewed at: <http://admin.taiwan.net.tw/upload/law/20180103/833f8b1e-ca46-4020-b3e4-65d1ff88b239.pdf>.

5 APPENDIX TABLES

Table A1.1 Merchandise exports, by group of products, 2013-17

	2013	2014	2015	2016	2017
Total exports (US\$ billion)	305.4	313.7	280.4	280.3	317.2
	(% of total)				
Total primary products	11.7	10.5	8.2	8.0	8.0
Agriculture	2.1	2.2	2.2	2.3	2.3
Food	1.1	1.2	1.4	1.4	1.4
Agricultural raw material	1.0	0.9	0.9	0.8	0.8
Mining	9.6	8.3	6.0	5.7	5.7
Ores and other minerals	0.2	0.2	0.2	0.5	0.4
Non-ferrous metals	1.8	1.7	1.6	1.7	1.9
6826 - Copper foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials), of a thickness (excluding any backing) not exceeding 0.15 mm; copper powders and flakes	0.5	0.5	0.5	0.6	0.7
Fuels	7.6	6.4	4.1	3.5	3.4
334 - Petroleum oils and oils obtained from bituminous minerals, other than crude	7.4	6.2	4.0	3.4	3.3
Manufactures	86.9	88.7	90.7	91.2	91.3
Iron and steel	3.7	3.8	3.2	3.0	3.4
Chemicals	12.9	12.4	11.6	11.0	11.3
5743 - Polycarbonates, alkyd resins and other polyesters	1.0	0.9	0.9	0.8	0.9
5729 - Other styrene polymers	0.8	0.8	0.7	0.7	0.8
5112 - Cyclic hydrocarbons	1.2	1.0	0.7	0.6	0.6
Other semi-manufactures	5.9	6.0	6.3	5.9	5.6
6942 - Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter pins, washers (including spring washers) and similar articles, of iron or steel	1.2	1.3	1.4	1.3	1.3
Machinery and transport equipment	48.6	51.0	54.7	57.0	57.8
Power generating machines	0.5	0.6	0.7	1.0	1.1
Other non-electrical machinery	6.3	6.4	6.7	6.6	7.0
7284 - Machinery and mechanical appliances specialized for particular industries, n.e.s.	0.9	0.9	0.9	1.0	1.3
Agricultural machinery and tractors	0.0	0.0	0.1	0.0	0.0
Office machines & telecommunication equipment	31.7	34.0	36.8	39.9	40.7
7764 - Electronic integrated circuits and microassemblies	20.6	23.0	24.8	27.9	29.1
7649 - Parts and accessories suitable for use solely or principally with the apparatus of division 76	1.4	1.5	2.6	2.8	3.0
7763 - Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices (including photovoltaic cells, whether or not assembled in modules or made up into panels); light-emitting diodes	2.6	2.8	2.8	2.5	2.0
7599 - Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with the machines of subgroups 751.1, 751.2, 751.9 and group 752	1.8	2.0	1.9	1.8	2.0
7643 - Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus or sound-recording or reproducing apparatus	1.9	1.2	1.0	0.9	0.7
Other electrical machines	6.1	5.7	5.8	5.0	4.9
7722 - Printed circuits	1.9	1.9	2.0	1.8	1.7
Automotive products	2.1	2.2	2.4	2.2	2.1
7843 - Other parts and accessories of the motor vehicles of groups 722, 781, 782 and 783	1.2	1.2	1.4	1.4	1.3
Other transport equipment	1.8	2.0	2.4	2.2	1.9
7853 - Invalid carriages, whether or not motorized or otherwise mechanically propelled; parts of the articles of group 785	0.6	0.8	0.9	0.9	0.9
Textiles	3.4	3.3	3.5	3.2	2.9
6552 - Other knitted or crocheted fabrics, not impregnated, coated, covered or laminated	0.8	0.8	0.9	0.8	0.7
6531 - Fabrics, woven, of synthetic filament yarn (including woven fabrics obtained from materials of heading 651.88), other than pile and chenille fabrics	0.6	0.6	0.6	0.6	0.5
Clothing	0.3	0.3	0.3	0.3	0.2
Other consumer goods	12.1	11.9	11.2	10.8	10.1

	2013	2014	2015	2016	2017
8719 - Liquid crystal devices, n.e.s.; lasers (other than laser diodes); other optical appliances and instruments, n.e.s.	5.2	4.3	3.1	2.7	2.6
8939 - Articles of plastics, n.e.s.	0.6	0.6	0.7	0.7	0.6
8843 - Lenses, prisms, mirrors and other optical elements, of any material, mounted, being parts of or fittings for instruments or apparatus, other than such elements of glass not optically worked	0.3	0.5	0.7	0.7	0.7
Other	1.5	0.8	1.1	0.8	0.7

Note: SITC Rev.3 definition.

Source: Data provided by the authorities.

Table A1.2 Merchandise imports, by group of products, 2013-17

	2013	2014	2015	2016	2017
Total imports (US\$ billion)	269.9	274.0	228.6	230.6	259.3
	(% of total)				
Total primary products	36.3	35.6	28.2	25.4	27.4
Agriculture	4.6	5.6	6.3	6.2	6.0
Food	3.2	4.3	5.0	5.0	4.8
Agricultural raw material	1.4	1.3	1.3	1.2	1.2
Mining	31.7	29.9	22.0	19.3	21.5
Ores and other minerals	2.8	2.6	2.2	2.2	2.2
Non-ferrous metals	3.4	3.5	3.5	3.3	3.7
6821 - Copper, refined and unrefined; copper anodes for electrolytic refining; copper alloys, unwrought	1.2	1.2	1.2	1.2	1.4
Fuels	25.5	23.8	16.3	13.8	15.6
3330 - Petroleum oils and oils obtained from bituminous minerals, crude	12.4	11.7	7.0	5.6	6.5
334 - Petroleum oils and oils obtained from bituminous minerals, crude	6.1	5.3	3.9	3.5	3.5
3431 - Natural gas, liquefied	3.6	3.6	2.7	2.1	2.5
3212 - Other coal	2.5	2.2	2.1	1.9	2.6
Manufactures	60.5	62.1	68.6	72.4	70.6
Iron and steel	3.2	3.3	2.9	2.6	2.9
Chemicals	13.2	12.9	13.2	12.7	12.5
5985 - Chemical elements doped for use in electronics, in the form of discs, wafers or similar forms; chemical compounds doped for use in electronics	1.0	1.2	1.3	1.2	1.1
5429 - Medicaments, n.e.s.	0.7	0.7	0.9	0.9	0.9
5112 - Cyclic hydrocarbons	1.6	1.3	0.9	0.9	1.0
5989 - Chemical products and preparations, n.e.s.	1.0	0.9	0.8	0.8	0.7
Other semi-manufactures	3.3	3.4	3.8	3.5	3.2
Machinery and transport equipment	33.1	34.2	39.5	44.4	43.4
Power generating machines	0.7	0.8	0.9	1.8	1.9
7144 - Reaction engines	0.0	0.0	0.0	0.8	0.8
Other non-electrical machinery	8.1	7.5	9.0	10.5	8.9
7284 - Machinery and mechanical appliances specialized for particular industries, n.e.s.	4.0	3.2	4.0	5.4	3.8
7285 - Parts, n.e.s., of the machines and mechanical appliances of headings 723.48, 727.21 and 728.41 through 728.49	1.0	1.1	1.3	1.4	1.6
Agricultural machinery and tractors	0.0	0.0	0.0	0.1	0.1
Office machines & telecommunication equipment	17.4	18.4	20.5	22.6	23.7
7764 - Electronic integrated circuits and microassemblies	11.6	12.4	13.8	15.6	16.7
7643 - Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus or sound-recording or reproducing apparatus	0.9	1.1	1.5	1.2	1.3
7763 - Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices (including photovoltaic cells, whether or not assembled in modules or made up into panels); light-emitting diodes	0.9	0.9	1.1	1.0	0.9
7599 - Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with the machines of subgroups 751.1, 751.2, 751.9 and group 752	0.5	0.6	0.7	0.8	1.1
Other electrical machines	3.7	3.6	4.1	4.2	4.1
Automotive products	2.1	2.4	2.9	2.9	2.8
7812 - Motor vehicles for the transport of persons, n.e.s.	1.2	1.4	1.8	1.9	1.9
Other transport equipment	1.2	1.5	2.0	2.4	2.1
7929 - Parts, n.e.s. (not including tyres, engines and electrical parts), of the goods of group 792	0.1	0.1	0.1	0.9	0.7
Textiles	0.5	0.5	0.6	0.5	0.5
Clothing	0.6	0.6	0.8	0.8	0.7
Other consumer goods	6.6	7.1	7.9	7.8	7.3
8747 - Oscilloscopes, spectrum analyzers and other instruments and apparatus for measuring or checking electrical quantities (other than meters of subgroup 873.1); instruments and apparatus for measuring or detecting alpha, beta, gamma, X-ray, cosmic or other ionizing radiations.	0.9	1.3	1.2	1.3	1.1

	2013	2014	2015	2016	2017
8742 - Drawing, marking-out or mathematical calculating instruments (e.g. drafting machines, pantographs, protractors, drawing sets, slide-rules, disc calculators); instruments for measuring length, for use in the hand (e.g. measuring rods and tapes, micrometres)	0.6	0.5	0.7	0.8	0.8
Other	3.2	2.4	3.1	2.1	2.0

Note: SITC Rev.3 definition.

Source: Data provided by the authorities.

Table A1.3 Merchandise exports, by destination, 2013-17

Total exports (US\$ billion)	2013	2014	2015	2016	2017
	305.4	313.7	280.4	280.3	317.2
	(% of total)				
Americas	13.6	13.9	15.1	14.5	14.1
United States	10.7	11.1	12.2	12.0	11.6
Other America	2.9	2.8	2.9	2.5	2.5
Canada	0.8	0.8	0.8	0.7	0.7
Mexico	0.6	0.6	0.8	0.7	0.7
Europe	9.1	9.2	9.3	9.4	9.3
EU-28	8.3	8.4	8.5	8.8	8.6
Germany	1.8	2.0	2.1	2.1	2.0
Netherlands	1.5	1.6	1.5	1.6	1.6
United Kingdom	1.4	1.3	1.3	1.3	1.2
Italy	0.6	0.6	0.6	0.7	0.7
France	0.5	0.5	0.5	0.6	0.5
EFTA	0.2	0.2	0.2	0.2	0.2
Other Europe	0.5	0.6	0.6	0.4	0.5
Turkey	0.5	0.5	0.5	0.4	0.5
Commonwealth of Independent States (CIS)	0.6	0.5	0.4	0.4	0.4
Africa	1.1	0.9	0.8	0.7	0.6
Middle East	1.9	2.0	1.9	1.7	1.5
United Arab Emirates	0.6	0.5	0.5	0.5	0.4
Saudi Arabia, Kingdom of	0.6	0.6	0.6	0.4	0.3
Asia	72.5	72.3	71.6	72.9	73.6
China	26.8	26.2	25.4	26.4	28.0
Japan	6.3	6.3	6.9	7.0	6.6
Other Asia	39.5	39.7	39.3	39.6	39.0
Hong Kong, China	12.9	13.6	13.6	13.7	13.0
Singapore	6.4	6.5	6.2	5.8	5.6
Korea, Republic of	4.0	4.0	4.5	4.6	4.6
Malaysia	2.7	2.7	2.5	2.8	3.3
Viet Nam	2.9	3.2	3.4	3.4	3.3
Philippines	3.2	3.0	2.7	3.1	3.0
Thailand	2.1	1.9	2.0	2.0	2.0
Australia	1.2	1.1	1.1	1.1	1.0
India	1.1	1.1	1.0	1.0	1.0
Indonesia	1.7	1.2	1.1	1.0	1.0
Other	1.2	1.1	0.8	0.4	0.5

Source: Data provided by the authorities.

Table A1.4 Merchandise imports, by origin, 2013-17

	2013	2014	2015	2016	2017
Total imports (US\$ billion)	269.9	274.0	228.6	230.6	259.3
	(% of total)				
Americas	12.5	12.8	14.3	15.1	14.6
United States	9.3	10.0	11.6	12.4	11.7
Other America	3.1	2.8	2.7	2.7	2.9
Brazil	1.0	0.8	0.8	0.8	1.0
Europe	9.9	9.8	11.0	11.5	10.9
EU-28	8.8	8.9	10.0	10.5	10.0
Germany	3.1	3.4	3.8	3.7	3.5
Netherlands	1.7	1.2	1.3	1.8	1.3
France	1.0	1.0	1.2	1.3	1.5
Italy	0.8	0.8	0.9	1.0	1.0
EFTA	1.0	0.9	0.9	0.8	0.7
Other Europe	0.1	0.1	0.1	0.1	0.1
Commonwealth of Independent States (CIS)	1.5	1.7	1.3	1.7	1.7
Russian Federation	1.2	1.3	1.1	1.1	1.3
Africa	3.0	2.7	1.4	1.3	1.4
Middle East	16.1	14.6	10.3	7.6	8.5
Saudi Arabia, Kingdom of	5.8	5.0	3.2	2.5	2.6
Kuwait, the State of	3.1	2.4	1.7	1.3	1.4
United Arab Emirates	1.7	2.0	1.5	1.1	1.5
Qatar	2.3	1.9	1.7	1.0	1.0
Asia	54.7	55.7	59.1	59.7	59.7
China	15.8	17.5	19.3	19.1	19.3
Japan	16.0	15.2	16.9	17.6	16.2
Other Asia	23.0	22.9	22.9	23.0	24.2
Korea, Republic of	5.8	5.4	5.7	6.4	6.5
Singapore	3.2	3.1	3.1	3.3	3.4
Australia	2.9	2.7	2.5	2.6	3.2
Malaysia	3.0	3.2	2.9	2.7	2.8
Indonesia	2.6	2.7	2.6	1.9	1.9
Thailand	1.4	1.6	1.7	1.7	1.7
Viet Nam	1.0	0.9	1.1	1.2	1.2
Philippines	0.8	0.8	0.8	1.0	0.9
India	1.0	0.9	0.8	0.9	1.2
Other	2.3	2.7	2.7	3.2	3.3

Source: Data provided by the authorities.

Table A2.1 Chinese Taipei's notifications to the WTO, January 2014 to January 2018

Agreement	Requirement	Symbol and date of latest notification
Agreement on Agriculture		
Articles 10 and 18.2	Export subsidy (ES:1)	G/AG/N/TPKM/115, 14/08/2014 G/AG/N/TPKM/121, 10/02/2015 G/AG/N/TPKM/132, 29/01/2016 G/AG/N/TPKM/146, 23/01/2017
Article 18.2	Domestic support: total aggregate measure of support (DS:1)	G/AG/N/TPKM/154, 26/09/2017
Article 18.2	Market access: volume of imports under tariff and other quotas (MA:2)	G/AG/N/TPKM/112, 10/04/2014 G/AG/N/TPKM/126, 24/11/2015 G/AG/N/TPKM/135, 29/03/2016 G/AG/N/TPKM/148, 06/03/2017
Articles 5.7 and 18.2	Special safeguard provisions (MA:5)	G/AG/N/TPKM/111, 20/02/2014 G/AG/N/TPKM/122, 11/03/2015 G/AG/N/TPKM/134, 21/03/2016 G/AG/N/TPKM/149, 06/03/2017
Article 5.7	Volume-based special safeguard (MA:3) and price-based special safeguard (MA:4)	G/AG/N/TPKM/110, 31/01/2014 G/AG/N/TPKM/113, 09/05/2014 G/AG/N/TPKM/114, 20/05/2014 G/AG/N/TPKM/116, 25/09/2014 to G/AG/N/TPKM/120, 07/01/2015 G/AG/N/TPKM/123, 14/08/2015 to G/AG/N/TPKM/125, 19/10/2015 G/AG/N/TPKM/127, 03/12/2015 to G/AG/N/TPKM/131, 27/01/2016 G/AG/N/TPKM/133, 16/03/2016 G/AG/N/TPKM/136, 13/06/2016 to G/AG/N/TPKM/145, 16/01/2017 G/AG/N/TPKM/147, 15/02/2017 G/AG/N/TPKM/150, 30/03/2017 to G/AG/N/TPKM/153, 21/09/2017 G/AG/N/TPKM/155, 15/11/2017 to G/AG/N/TPKM/158, 15/01/2018
General Agreement on Trade in Services		
Article V:7(a)	Notification of Regional Trade Agreement: Singapore and Chinese Taipei	S/C/N/739, WT/REG350/N/1, 23/04/2014
	Notifications of preferential treatment to services and service suppliers of least developed countries	S/C/N/811, 27/07/2015
Agreement on Implementation of Article VI of the GATT 1994 (anti-dumping)		
Article 16.4	Anti-dumping actions (ad hoc)	G/ADP/N/256, 11/04/2014 G/ADP/N/274, 24/07/2015 G/ADP/N/284, 19/04/2016 G/ADP/N/290, 22/09/2016 G/ADP/N/297, 23/03/2017
Article 16.4	Anti-dumping actions (semi-annual)	G/ADP/N/252/TPKM, 27/01/2014 G/ADP/N/259/TPKM, 30/07/2014 G/ADP/N/265/TPKM, 26/02/2015 G/ADP/N/272/TPKM, 06/10/2015 G/ADP/N/280/TPKM, 09/03/2016 G/ADP/N/286/TPKM, 14/10/2016 G/ADP/N/294/TPKM, 07/02/2017 G/ADP/N/300/TPKM, 28/08/2017
GATT 1994		
Article XVII:4(a)	State-trading activities	G/STR/N/15/TPKM, 09/09/2014 G/STR/N/16/TPKM, 20/06/2016
Article XXIV:7(a)	Notification of Regional Trade Agreement: Singapore and Chinese Taipei	S/C/N/739; WT/REG350/N/1, 23/04/2014
Agreement on Government Procurement		
Article XIX:5	Modification of statistics on government procurement	GPA/123, 28/07/2014
Article XVI:4-5	Statistics	GPA/130, 10/06/2015 GPA/137/Add.1, 27/05/2016 GPA/142/Add.3, 03/07/2017
Paragraph 2 of Annex F in Appendix 2	Exclusions and restrictions in the Annexes to Appendix I	GPA/WPS/EXCS/6, 19/12/2014
Paragraph 2 of Annex D in Appendix 2	Statistics on procurement	GPA/WPS/STAT/3, 29/05/2015

Agreement	Requirement	Symbol and date of latest notification
Paragraph 3.2 of Annex C in Appendix 2	Questionnaire; work programme on SMEs	GPA/WPS/SME/5, 04/08/2015 GPA/WPS/SME/22, 27/06/2016 GPA/WPS/SME/26, 06/07/2016
Annexes 1, 2 and 3 of Appendix I	Thresholds	GPA/W/325/Add.10, 21/11/2014 GPA/W/336/Add.10, 15/11/2016
Agreement on Import Licensing Procedures		
Article 7.3 (4)	Replies to questionnaire on import licensing procedures	G/LIC/N/3/TPKM/5, 01/08/2014 to G/LIC/N/3/TPKM/8, 25/09/2017
Article 1.4(a) and 8.2(b)	Publication of import licensing procedures	G/LIC/N/1/TPKM/9, 01/08/2014 to G/LIC/N/1/TPKM/12, 22/09/2017
Decision on Notification Procedures for Quantitative Restrictions		
G/L/59/Rev.1	Quantitative restrictions	G/MA/QR/N/TPKM/1, 03/10/2014 G/MA/QR/N/TPKM/2, 28/07/2016
Agreement on Rules of Origin		
Articles 5 and 4 of Annex II	Ad hoc	G/RO/N/113, 02/04/2014 G/RO/N/119, 14/10/2014
	First time	G/RO/LDC/N/TPKM/1, 10/07/2017
Agreement on Subsidies and Countervailing Measures		
Article 25.1	Subsidies	G/SCM/N/284/TPKM, 30/06/2015 G/SCM/N/315/TPKM, 24/07/2017
Article 25.11	Countervailing duty actions (semi-annual)	G/SCM/N/267, 16/12/2013 G/SCM/N/274, 23/06/2014 G/SCM/N/281, 12/12/2014 G/SCM/N/298, 18/12/2015 G/SCM/N/305, 15/06/2016 G/SCM/N/313, 16/12/2016 G/SCM/N/321, 15/06/2017
Agreement on Safeguards		
Termination	Termination of a safeguard investigation with no safeguard measure imposed	G/SG/N/9/TPKM/1, 14/05/2014
Articles 12.5 and 8.2	Notification of termination of safeguard investigation	G/L/1076; G/SG/N/12/TPKM/1, 20/10/2014
Article 12.6	Legislation	G/SG/N/1/TPKM/3, 28/01/2014
Agreement on the Application of Sanitary and Phytosanitary Measures		
Article 7 and Annex B	Proposed and adopted SPS regulations	G/SPS/N/TPKM/303, 10/01/2014 to G/SPS/N/TPKM/452, 10/01/2018
Agreement on Technical Barriers to Trade		
Article 2.10		G/TBT/N/TPKM/210, 29/07/2015
Article 2.9	Technical regulations	G/TBT/N/TPKM/154, 07/01/2014 to G/TBT/N/TPKM/156, 14/03/2014 G/TBT/N/TPKM/158, 01/04/2014 to G/TBT/N/TPKM/164, 19/06/2014 G/TBT/N/TPKM/166, 08/07/2014 G/TBT/N/TPKM/168, 23/07/2014 G/TBT/N/TPKM/171, 18/08/2014 G/TBT/N/TPKM/172, 18/08/2014 G/TBT/N/TPKM/174, 04/09/2014 to G/TBT/N/TPKM/178, 10/10/2014 G/TBT/N/TPKM/181, 28/10/2014 G/TBT/N/TPKM/184, 06/11/2014 G/TBT/N/TPKM/185, 06/11/2014 G/TBT/N/TPKM/185/Rev.1, 23/02/2016 G/TBT/N/TPKM/185/Rev.2, 15/09/2016 G/TBT/N/TPKM/187, 27/11/2014 G/TBT/N/TPKM/188, 28/11/2014 G/TBT/N/TPKM/190, 08/12/2014 G/TBT/N/TPKM/192, 13/01/2015 to G/TBT/N/TPKM/196, 16/01/2015 G/TBT/N/TPKM/198, 28/01/2015 G/TBT/N/TPKM/199, 28/01/2015 G/TBT/N/TPKM/207, 19/06/2015 G/TBT/N/TPKM/211, 29/07/2015 G/TBT/N/TPKM/212, 12/08/2015 G/TBT/N/TPKM/216, 01/10/2015 G/TBT/N/TPKM/219, 14/10/2015 to G/TBT/N/TPKM/222, 13/11/2015 G/TBT/N/TPKM/226, 07/01/2016

Agreement	Requirement	Symbol and date of latest notification
		G/TBT/N/TPKM/227, 04/02/2016 G/TBT/N/TPKM/229, 04/03/2016 to G/TBT/N/TPKM/231, 01/04/2016 G/TBT/N/TPKM/239, 08/07/2016 to G/TBT/N/TPKM/242, 03/08/2016 G/TBT/N/TPKM/244, 01/09/2016 G/TBT/N/TPKM/246, 26/09/2016 G/TBT/N/TPKM/249, 14/10/2016 G/TBT/N/TPKM/251, 20/10/2016 G/TBT/N/TPKM/257, 06/12/2016 G/TBT/N/TPKM/262, 19/01/2017 G/TBT/N/TPKM/264, 13/02/2017 G/TBT/N/TPKM/266, 13/03/2017 G/TBT/N/TPKM/267, 13/04/2017 to G/TBT/N/TPKM/269, 18/04/2017 G/TBT/N/TPKM/275, 09/06/2017 G/TBT/N/TPKM/283, 09/08/2017 G/TBT/N/TPKM/283/Rev.1, 15/01/2018 G/TBT/N/TPKM/286, 16/08/2017 to G/TBT/N/TPKM/288, 28/08/2017 G/TBT/N/TPKM/292, 02/10/2017 to G/TBT/N/TPKM/294, 05/10/2017 G/TBT/N/TPKM/296, 30/11/2017 G/TBT/N/TPKM/297, 30/11/2017 G/TBT/N/TPKM/302, 30/11/2017 G/TBT/N/TPKM/305, 30/11/2017 to G/TBT/N/TPKM/307, 30/11/2017 G/TBT/N/TPKM/310, 04/12/2017 G/TBT/N/TPKM/312, 15/11/2017 G/TBT/N/TPKM/283/Rev.1, 15/01/2018
Articles 2.9 and 5.6	Technical regulations	G/TBT/N/TPKM/157, 24/03/2014 G/TBT/N/TPKM/165, 07/07/2014 to G/TBT/N/TPKM/167, 23/07/2014 G/TBT/N/TPKM/148/Rev.1, 09/07/2014 G/TBT/N/TPKM/169, 06/08/2014 G/TBT/N/TPKM/170, 14/08/2014 G/TBT/N/TPKM/173, 26/08/2014 G/TBT/N/TPKM/179, 22/10/2014 G/TBT/N/TPKM/180, 24/10/2014 G/TBT/N/TPKM/182, 04/11/2014 G/TBT/N/TPKM/183, 06/11/2014 G/TBT/N/TPKM/186, 20/11/2014 G/TBT/N/TPKM/189, 28/11/2014 G/TBT/N/TPKM/191, 12/12/2014 G/TBT/N/TPKM/197, 21/01/2015 G/TBT/N/TPKM/200, 25/02/2015 to G/TBT/N/TPKM/206, 19/06/2015 G/TBT/N/TPKM/168/Rev.1, 17/03/2015 G/TBT/N/TPKM/208, 02/07/2015 G/TBT/N/TPKM/209, 03/07/2015 G/TBT/N/TPKM/213, 02/09/2015 to G/TBT/N/TPKM/215, 21/09/2015 G/TBT/N/TPKM/217, 01/10/2015 G/TBT/N/TPKM/218, 07/10/2015 G/TBT/N/TPKM/223, 03/12/2015 to G/TBT/N/TPKM/225, 08/12/2015 G/TBT/N/TPKM/228, 19/02/2016 G/TBT/N/TPKM/232, 12/04/2016 to G/TBT/N/TPKM/238, 07/07/2016 G/TBT/N/TPKM/243, 10/08/2016 G/TBT/N/TPKM/206/Rev.1, 16/08/2016 G/TBT/N/TPKM/245, 01/09/2016 G/TBT/N/TPKM/247, 27/09/2016 G/TBT/N/TPKM/248, 06/10/2016 G/TBT/N/TPKM/250, 17/10/2016 G/TBT/N/TPKM/252, 20/10/2016 to G/TBT/N/TPKM/256, 02/12/2016 G/TBT/N/TPKM/258, 09/12/2016 to G/TBT/N/TPKM/261, 12/01/2017 G/TBT/N/TPKM/263, 30/01/2017 G/TBT/N/TPKM/265, 02/03/2017

Agreement	Requirement	Symbol and date of latest notification
		G/TBT/N/TPKM/270, 19/04/2017 G/TBT/N/TPKM/272, 16/05/2017 to G/TBT/N/TPKM/274, 22/05/2017 G/TBT/N/TPKM/276, 16/06/2017 to G/TBT/N/TPKM/282, 28/07/2017 G/TBT/N/TPKM/284, 09/08/2017 G/TBT/N/TPKM/289, 14/09/2017 to G/TBT/N/TPKM/291, 29/09/2017 G/TBT/N/TPKM/295, 27/11/2017 G/TBT/N/TPKM/298, 30/11/2017 G/TBT/N/TPKM/299, 30/11/2017 G/TBT/N/TPKM/301, 30/11/2017 G/TBT/N/TPKM/303, 30/11/2017 G/TBT/N/TPKM/304, 30/11/2017 G/TBT/N/TPKM/308, 30/11/2017 G/TBT/N/TPKM/309, 01/12/2017 G/TBT/N/TPKM/311, 04/12/2017 G/TBT/N/TPKM/313, 15/01/2018 G/TBT/N/TPKM/314, 09/01/2018
Article 5.6	Conformity assessment procedures	G/TBT/N/TPKM/285, 16/08/2017
Agreement on Implementation of Article VII of GATT 1994 (customs valuation)		
Articles 1, 4, 5, 6, 7, 9, 10, 11, 12, 13 and 16	Replies to questions on customs valuation	G/VAL/N/2/MNE/1, 22/12/2014
Article 22	Laws/regulations	G/VAL/N/1/MNE/1, 15/12/2014
Article 4	Notification of treatment of interest charges in customs value of imported goods	G/VAL/N/3/MNE/1, 22/12/2014
Agreement on Trade Facilitation		
WT/L/911	Category A commitments	WT/PCTF/N/TPKM/1, 26/06/2014
Agreement on Trade-Related Aspects of Intellectual Property Rights		
Article 63.2	Laws/regulations made effective by the notifying Member; amendments to a law/regulation	IP/N/1/TPKM/4, 21/01/2014 IP/N/1/TPKM/E/3, IP/N/1/TPKM/P/4, 28/01/2014 IP/N/1/TPKM/P/3, 28/01/2014 IP/N/1/TPKM/T/5, 11/03/2014 IP/N/1/TPKM/5, 11/03/2014 IP/N/1/TPKM/6, 22/04/2014 IP/N/1/TPKM/U/2, 08/05/2014 IP/N/1/TPKM/P/5, 08/05/2014 IP/N/1/TPKM/L/3, 08/05/2014 IP/N/1/TPKM/C/11, 08/05/2014 IP/N/1/TPKM/C/10, 08/05/2014 IP/N/1/TPKM/8, IP/N/1/TPKM/O/1, 11/03/2015 IP/N/1/TPKM/7, IP/N/1/TPKM/P/6, 11/03/2015 IP/N/1/TPKM/10, IP/N/1/TPKM/O/2, 01/10/2015 IP/N/1/TPKM/9, IP/N/1/TPKM/T/6, 01/10/2015 IP/N/1/TPKM/13, IP/N/1/TPKM/P/7, 10/12/2015 IP/N/1/TPKM/12, IP/N/1/TPKM/O/4, 10/12/2015 IP/N/1/TPKM/11, IP/N/1/TPKM/O/3, 10/12/2015 IP/N/1/TPKM/18, IP/N/1/TPKM/T/8, 10/10/2017 IP/N/1/TPKM/17, IP/N/1/TPKM/T/7, 10/10/2017 IP/N/1/TPKM/16, IP/N/1/TPKM/P/9, 10/10/2017 IP/N/1/TPKM/15, IP/N/1/TPKM/P/8, 10/10/2017 IP/N/1/TPKM/14, IP/N/1/TPKM/C/12, 10/10/2017
Agreement on Trade-Related Investment Measures		
Article 6.2	Notification of publications	G/TRIMS/N/2/Rev.24, 15/09/2014 G/TRIMS/N/2/Rev.24/Add.4, 05/05/2015

Source: WTO Secretariat.

Table A2.2 Summary features of RTAs in force, January 2018

El Salvador–Honduras–Chinese Taipei Free Trade Agreement	
Parties	El Salvador, Honduras and Chinese Taipei
Date of entry into force	El Salvador and Chinese Taipei: 1 March 2008 Honduras and Chinese Taipei: 15 July 2008
End of transition period (goods liberalization) for Chinese Taipei	01 January 2027
Coverage	Goods and services
Chinese Taipei's merchandise trade with El Salvador (2017)	0.02% of total imports; 0.03% of total exports
Chinese Taipei's merchandise trade with Honduras (2017)	0.03% of total imports; 0.02% of total exports
WTO legal cover	GATT Art. XXIV & GATS Art. V
WTO consideration status	Factual presentation distributed. WTO consideration 03.07.2013
WTO document series	WT/REG283/1/Rev.1

Guatemala–Chinese Taipei Free Trade Agreement	
Parties	Guatemala and Chinese Taipei
Date of entry into force	01 July 2006
End of transition period (goods liberalization) for Chinese Taipei	2020
Coverage	Goods and services
Chinese Taipei's merchandise trade with Guatemala (2017)	0.04% of total imports; 0.04% of total exports
WTO legal cover	GATT Art. XXIV & GATS Art. V
WTO consideration status	Factual presentation distributed. WTO consideration 03.07.2013
WTO document series	WT/REG297/1/Rev.1

New Zealand–Chinese Taipei Free Trade Agreement	
Parties	New Zealand and Chinese Taipei
Date of entry into force	01 December 2013
End of transition period (goods liberalization) for Chinese Taipei	2025
Coverage	Goods and services
Chinese Taipei's merchandise trade with New Zealand (2017)	0.3% of total imports; 0.2% of total exports
WTO legal cover	GATT Art. XXIV & GATS Art. V
WTO consideration status	Factual presentation distributed. WTO consideration 10.11.2014
WTO document series	WT/REG348/1

Nicaragua–Chinese Taipei Free Trade Agreement	
Parties	Nicaragua and Chinese Taipei
Date of entry into force	01 January 2008
End of transition period (goods liberalization) for Chinese Taipei	2022
Coverage	Goods and services
Chinese Taipei's merchandise trade with Nicaragua (2017)	0.05% of total imports; 0.01% of total exports
WTO legal cover	GATT Art. XXIV & GATS Art. V
WTO consideration status	Factual presentation distributed. WTO consideration 27.09.2010
WTO document series	WT/REG267/1/Rev.1

Panama–Chinese Taipei Free Trade Agreement	
Parties	Panama and Chinese Taipei
Date of entry into force	01 January 2004
End of transition period (goods liberalization) for Chinese Taipei	2013
Coverage	Goods and services
Chinese Taipei's merchandise trade with Panama (2017)	0.01% of total imports; 0.04% of total exports
WTO legal cover	GATT Art. XXIV & GATS Art. V
WTO consideration status	Factual presentation distributed. WTO consideration 29.11.2010
WTO document series	WT/REG268/1

Singapore–Chinese Taipei Free Trade Agreement	
Parties	Singapore and Chinese Taipei
Date of entry into force	19 April 2014
End of transition period (goods liberalization) for Chinese Taipei	2028
Coverage	Goods and services
Chinese Taipei's merchandise trade with Singapore (2017)	3.4% of total imports; 5.6% of total exports
WTO legal cover	GATT Art. XXIV & GATS Art. V
WTO consideration status	Factual presentation distributed. WTO consideration 30.03.2015
WTO document series	WT/REG350/1

Cross–Straits Economic Cooperation Framework Agreement (ECFA)	
Parties	China and Chinese Taipei
Date of entry into force	12 September 2010
End of transition period (goods liberalization) for Chinese Taipei	2013 (for early harvest items)
Coverage	Goods and Services
Chinese Taipei's merchandise trade with China (2017)	19.3% of total imports; 28.0% of total exports
WTO legal cover	Not notified to WTO (early announcement made)
WTO consideration status	Not notified to WTO

Paraguay–Chinese Taipei Agreement on Economic Cooperation	
Parties	Paraguay and Chinese Taipei
Date of entry into force	28 February 2018
End of transition period (goods liberalization) for Chinese Taipei	2023
Coverage	Goods (limited scope)
Chinese Taipei's merchandise trade with Paraguay (2016)	0.009% of total imports and 0.01% of total exports
WTO legal cover	Not notified to WTO
WTO consideration status	Not notified to WTO

Source: WTO Secretariat.

Table A2.3 Imports from LDCs under PTAs, 2014-2017

(NT\$ '000)

Trading partner		2014	2015	2016	2017
Afghanistan	Total value of imports	0	0	0	123
	Value of imports entering under preferences	0	0	0	0
Angola	Total value of imports	0	0	0	0
	Value of imports entering under preferences	0	0	0	0
Bangladesh	Total value of imports	542,073	371,698	228,731	233,519
	Value of imports entering under preferences	411,526	310,107	193,999	181,622
Benin	Total value of imports	0	0	0	0
	Value of imports entering under preferences	0	0	0	0
Bhutan	Total value of imports	0	0	228	2
	Value of imports entering under preferences	0	0	0	0
Burkina Faso	Total value of imports	0	0	0	42
	Value of imports entering under preferences	0	0	0	0
Burundi	Total value of imports	2,076	9,508	5,849	5,068
	Value of imports entering under preferences	0	0	0	0
Cambodia	Total value of imports	72,137	128,597	222,102	171,374
	Value of imports entering under preferences	55,040	113,562	204,982	157,746
Central African Rep.	Total value of imports	0	0	0	0
	Value of imports entering under preferences	0	0	0	0
Chad	Total value of imports	0	1	0	0
	Value of imports entering under preferences	0	0	0	0
Comoros	Total value of imports	0	0	75	11
	Value of imports entering under preferences	0	0	0	0
Congo DR	Total value of imports	176	0	1	302
	Value of imports entering under preferences	0	0	0	0
Djibouti	Total value of imports	0	0	0	0
	Value of imports entering under preferences	0	0	0	0
Eritrea	Total value of imports	21	0	0	0
	Value of imports entering under preferences	0	0	0	0
Ethiopia	Total value of imports	207,472	227,654	325,730	532,581
	Value of imports entering under preferences	7,600	863	314	3,518
Gambia	Total value of imports	1	0	0	0
	Value of imports entering under preferences	0	0	0	0
Guinea	Total value of imports	0	533	199	73
	Value of imports entering under preferences	0	0	0	73
Guinea-Bissau	Total value of imports	35	0	0	0
	Value of imports entering under preferences	0	0	0	0
Haiti	Total value of imports	3,561	855	6	20
	Value of imports entering under preferences	3,458	850	6	20
Kiribati	Total value of imports	15,226	0	0	0
	Value of imports entering under preferences	0	0	0	0
Lao PDR	Total value of imports	35,923	29,554	45,101	30,473
	Value of imports entering under preferences	1,409	3,678	2,005	4,777
Lesotho	Total value of imports	1,034	0	0	0
	Value of imports entering under preferences	1,034	0	0	0

Trading partner		2014	2015	2016	2017
Liberia	Total value of imports	0	0	0	0
	Value of imports entering under preferences	0	0	0	0
Madagascar	Total value of imports	779	1,719	869	774
	Value of imports entering under preferences		1,719	785	774
Malawi	Total value of imports	1,330	20,156	12,566	16,455
	Value of imports entering under preferences	1,330	20,156	12,566	16,455
Mali	Total value of imports	12	0	0	0
	Value of imports entering under preferences	12	0	0	0
Mauritania	Total value of imports	0	0	0	0
	Value of imports entering under preferences	0	0	0	0
Mozambique	Total value of imports	0	0	3	0
	Value of imports entering under preferences	0	0	3	0
Myanmar	Total value of imports	116,278	126,727	134,985	165,578
	Value of imports entering under preferences	115,203	125,220	126,488	131,409
Nepal	Total value of imports	7,011	6,139	7,754	9,829
	Value of imports entering under preferences	6,962	5,727	6,750	9,155
Niger	Total value of imports	0	0	131	55
	Value of imports entering under preferences	0	0	131	55
Rwanda	Total value of imports	6,017	6,847	7,955	9,325
	Value of imports entering under preferences	0	0	214	0
Sao Tome and Principe	Total value of imports	319	253	407	58
	Value of imports entering under preferences	0	0	0	0
Senegal	Total value of imports	860	4,457	1,244	1,315
	Value of imports entering under preferences	860	4,421	1,244	1,315
Sierra Leone	Total value of imports	0	0	6	0
	Value of imports entering under preferences	0	0	6	0
Solomon Islands	Total value of imports	23,001	0	0	0
	Value of imports entering under preferences	0	0	0	0
Somalia	Total value of imports	0	0	0	29
	Value of imports entering under preferences	0	0	0	29
South Sudan	Total value of imports	0	0	0	0
	Value of imports entering under preferences	0	0	0	0
Sudan	Total value of imports	11,365	3,565	755	3,251
	Value of imports entering under preferences	4,063	3,565	1	3,251
Timor Leste	Total value of imports	26	5,189	5,360	12,621
	Value of imports entering under preferences	1	0	4	2
Togo	Total value of imports	0	0	0	269
	Value of imports entering under preferences	0	0	0	269
Tuvalu	Total value of imports	0	0	0	0
	Value of imports entering under preferences	0	0	0	0
Uganda	Total value of imports	14,517	10,593	22,122	19,885
	Value of imports entering under preferences	0	0	0	0
Tanzania	Total value of imports	15,409	17,628	13,700	22,772
	Value of imports entering under preferences	1,941	13	620	19
Vanuatu	Total value of imports	0	0	52	0
	Value of imports entering under preferences	0	0	52	0

Trading partner		2014	2015	2016	2017
Yemen	Total value of imports	2,131	3,075	3,726	1,930
	Value of imports entering under preferences	0	0	1,734	0
Zambia	Total value of imports	0	212	166	318
	Value of imports entering under preferences	0	0	0	0

Source: Based on information provided by the authorities.

Table A2.4 Investment prohibitions and restrictions, 2018**1. Prohibited**

Scope of industry	Sub-item of industry	Description
Manufacture of chemical material, fertilizers and nitrogen compounds, plastic and rubber materials, man-made fibres	1810 Manufacture of chemical material	Manufacturing of nitroglycerin for military use (nitroglycerin used in explosive pillars involving public safety)
		Soda-chloride factories operating with mercuric electrolyzers
		A category of chemical products in accordance with the UN prohibition of chemical weapons
		CFC, halon, methylchloroform, carbon tetrachloride
Manufacture of other chemical products	1990 Manufacture of other chemical products not elsewhere classified	Gun powder fuse, agents of fire and fulminating mercury
Manufacture of basic metals	2499 Manufacture of other basic metals not elsewhere classified	Cadmium smelting
Manufacture of machinery and equipment	2939 Manufacture of other general-purpose machinery	Firearms, weapons manufacturing, arms repair, ammunition and fire-control (exclusive of military aircraft), high-energy weapons systems (such as laser weapons, microwave weapons, and electromagnetic railguns) and other hi-tech weapons systems
Land transportation	4931 Motor bus transportation 4932 Taxi transportation 4939 Other bus transportation	Including city passenger bus services and highway passenger services Tour bus services
Postal and courier activities	5410 Postal activities	
Programming and broadcasting activities	6010 Radio broadcasting 6020 Television broadcasting and subscription programming	Radio broadcasting industry Radio television industry (exclusive of satellite television broadcasting)
Financial service activities	6415 Postal saving and remittance services	
Legal and accounting activities	6919 Other monetary intermediation	Public notary services
Sports activities and amusement and recreation activities	9323 Special amusement activities	

2. Restricted

Scope of industry	Sub-item of industry	Description
Agriculture and animal husbandry	0111 Growing of rice	
	0112 Growing of cereals (except rice)	Exclusive of the cultivation of wheat, buckwheat and job's tears (adlay)
	0113 Growing of special crops	Exclusive of the cultivation of Chinese herbal medicine crops and special crops with health-giving properties (not including tea)
	0114 Growing of vegetables	Exclusive of the cultivation of organic vegetables and the cultivation of vegetables using protected cultivation (limited to plant factories)
	0116 Growing of mushrooms	
	0119 Growing of other crops	
	0121 Raising of cattle	
	0122 Raising of swine/pigs	Raising of breed swine
	0123 Raising of chickens	Raising of breed chickens
	0124 Raising of ducks	Raising of breed ducks
	0129 Other animal husbandry	
Forestry		
Fishing		
Manufacture of tobacco products		

Scope of industry	Sub-item of industry	Description
Manufacture of chemical material, fertilizers and nitrogen compounds, plastic and rubber materials, man-made fibres	1810 Manufacture of chemical material	Manufacturing of nitroglycerin (not used in gun powder and explosive pillars involving public safety)
Manufacture of computers, electronic and optical products		Military instrument and equipment
Manufacture of other transport equipment and parts	3190 Manufacture of other transport equipment and parts not elsewhere classified	Manufacture, repair and assembly of military aircraft
Other manufacturing	3399 Other manufacturing not elsewhere classified	Processing of ivory
Electricity and gas supply	3510 Electricity supply	Electric power transmission and power distribution
	3520 Gas supply	Piped fuel gas supply
Water supply	3600 Water supply	Tap water supply
Water transportation	5010 Ocean transportation	Transport by ship
	5020 Inland and lake transportation	
Air transportation	5100 Air transportation	
Support activities for transportation	5260 Service activities incidental to air transportation	Airport ground services, air catering services and airport operation and management services
Programming and broadcasting activities	6020 Television broadcasting and subscription programming	Satellite television broadcasting (provision of satellite television programming)
Telecommunications	6100 Telecommunications	Cable television services, satellite television broadcasting (direct broadcast satellite TV service) and/or Type-I telecommunications enterprise
Legal and accounting activities	6912 Scrivener activities	Land registration services

Source: Information provided by the authorities.

Table A3.1 MFN applied tariff summary, 2018

	Number of lines	Average (%)	Range (%)	Coefficient of variation (%)	Duty free (%)
Total	9,134	7.2	0-1,059.6	2.6	29.2
HS 01-24	1,844	19.2	0-1,059.6	2.0	16.4
HS 25-97	7,290	4.2	0-30	1.0	32.5
By WTO category					
WTO agricultural products	1,504	17.8	0-1,059.6	2.4	22.4
Animals and products thereof	224	18.4	0-45	0.6	3.1
Dairy products	49	22.4	5-69.4	0.8	0.0
Fruit, vegetables, and plants	451	21.0	0-1,059.6	2.6	20.0
Coffee and tea	46	12.4	0-38.2	0.8	26.1
Cereals and preparations	174	31.4	0-476.8	2.0	6.9
Oils seeds, fats, oil and their products	128	12.9	0-338	3.7	49.2
Sugars and confectionary	29	16.1	0-27.5	0.5	6.9
Beverages, spirits and tobacco	116	18.1	0-40	0.5	12.9
Cotton	5	0.0	0-0	0.0	100.0
Other agricultural products, n.e.s.	282	6.3	0-500	4.8	46.5
WTO non-agricultural products	7,630	5.1	0-92.8	1.2	30.6
Fish and fishery products	444	20.4	0-92.8	0.5	5.4
Minerals and metals	1,445	2.8	0-12.5	1.3	54.5
Chemicals and photographic supplies	1,605	2.8	0-20	0.8	27.3
Wood, pulp, paper and furniture	382	0.7	0-12.5	3.7	91.9
Textiles	883	7.6	0-12.5	0.4	3.4
Clothing	366	11.8	10.5-12.5	0.0	0.0
Leather, rubber, footwear and travel goods	219	5.2	0-10	0.7	15.1
Non-electric machinery	825	3.3	0-17.5	0.9	23.6
Electric machinery	501	3.8	0-15	0.9	28.3
Transport equipment	265	9.5	0-30	0.9	21.5
Non-agricultural products, n.e.s.	661	3.1	0-10	1.0	39.6
Petroleum	34	2.0	0-5	1.0	47.1
By ISIC sector					
ISIC 1 - Agriculture, hunting and fishing	664	15.8	0-1,059.6	3.1	32.2
ISIC 2 - Mining	139	0.6	0-7.5	2.8	81.3
ISIC 3 - Manufacturing	8,330	6.6	0-500	2.0	28.2
Manufacturing excluding food processing	7,116	4.3	0-30	1.0	31.1
Electrical energy	1	0.0	0-0	0.0	100.0
By stage of processing					
First stage of processing	1,231	12.7	0-1,059.6	3.3	39.6
Semi-processed products	2,833	4.6	0-297.9	2.4	33.1
Fully processed products	5,070	7.3	0-338	1.5	24.7
By HS section					
01 Live animals and products	734	18.7	0-500	1.2	9.0
02 Vegetable products	559	21.6	0-1,059.6	2.8	27.5
03 Fats and oils	78	12.7	0-338	4.2	35.9
04 Prepared food, beverages and tobacco	473	18.3	0-121.7	0.8	11.6
05 Mineral products	231	1.0	0-7.5	1.8	67.5
06 Chemicals and products thereof	1,496	2.7	0-25	1.0	32.9
07 Plastics, rubber, and articles thereof	358	4.7	0-10	0.6	3.4
08 Raw hides and skins, leather, and its products	87	3.3	0-10	1.1	39.1
09 Wood and articles of wood	161	1.9	0-12.5	1.9	73.9
10 Pulp of wood, paper and paperboard	182	0.0	0-0	0.0	100.0
11 Textiles and textile articles	1,220	8.7	0-12.5	0.4	4.2
12 Footwear, headgear, etc.	76	6.0	0-10	0.5	9.2
13 Articles of stone, plaster, cement	258	6.7	0-12.5	0.4	3.9
14 Precious stones and metals, pearls	76	0.1	0-6.5	8.7	98.7
15 Base metals and articles thereof	894	2.6	0-10	1.4	59.3
16 Machinery, electrical equipment, etc.	1,333	3.4	0-17.5	0.9	26.3
17 Transport equipment	284	9.2	0-30	0.9	22.2
18 Precision equipment	363	2.3	0-10	1.3	48.8
19 Arms and ammunition	21	1.7	0-5	1.4	66.7
20 Miscellaneous manufactured articles	240	3.1	0-11	0.9	37.1
21 Works of art, etc.	10	0.0	0-0	0.0	100.0

Note: Excluding in-quota rates and including AVEs for non-*ad valorem* rates, provided by the authorities.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table A3.2 Non-ad valorem applied tariffs and their respective ad valorem equivalents

HS code	Description	MFN 2018 ^a	AVE
02011010	Meat of bovine animals, fresh or chilled	NT\$10/kg	4.3%
02011090	Meat of bovine animals, fresh or chilled	NT\$10/kg	4.3%
02012010	Meat of bovine animals, fresh or chilled	NT\$10/kg	2.7%
02012020	Meat of bovine animals, fresh or chilled	NT\$10/kg	2.5%
02012090	Meat of bovine animals, fresh or chilled	NT\$10/kg	2.1%
02013010	Meat of bovine animals, fresh or chilled	NT\$10/kg	2.3%
02013020	Meat of bovine animals, fresh or chilled	NT\$10/kg	4.0%
02013090	Meat of bovine animals, fresh or chilled	NT\$10/kg	3.5%
02021010	Meat of bovine animals, frozen	NT\$10/kg	12.7%
02021090	Meat of bovine animals, frozen	NT\$10/kg	12.7%
02022010	Meat of bovine animals, frozen	NT\$10/kg	3.6%
02022020	Meat of bovine animals, frozen	NT\$10/kg	3.9%
02022090	Meat of bovine animals, frozen	NT\$10/kg	5.1%
02023010	Meat of bovine animals, frozen	NT\$10/kg	3.5%
02023020	Meat of bovine animals, frozen	NT\$10/kg	4.2%
02023090	Meat of bovine animals, frozen	NT\$10/kg	5.6%
02041000	Meat of sheep, fresh, chilled or frozen	NT\$11.3/kg or 15%	15.0%
02042100	Meat of sheep, fresh, chilled or frozen	NT\$11.3/kg or 15%	15.0%
02042200	Meat of sheep, fresh, chilled or frozen	NT\$11.3/kg or 15%	15.0%
02042300	Meat of sheep, fresh, chilled or frozen	NT\$11.3/kg or 15%	15.0%
02043000	Meat of sheep, fresh, chilled or frozen	NT\$11.3/kg or 15%	15.0%
02044100	Meat of sheep, fresh, chilled or frozen	NT\$11.3/kg or 15%	15.0%
02044200	Meat of sheep, fresh, chilled or frozen	NT\$11.3/kg or 15%	15.0%
02044300	Meat of sheep, fresh, chilled or frozen	NT\$11.3/kg or 15%	15.0%
02045000	Meat of goats, fresh, chilled or frozen	NT\$11.3/kg or 15%	15.0%
03019921	Live swamp eel	NT\$10.8/kg or 18%	18.9%
03024400	Mackerel, fresh or chilled	NT\$9.3/kg or 30%	30.0%
03024920	Capelin, fresh or chilled	NT\$9/kg or 17.5%	17.5%
03028910	Mullet, fresh or chilled	NT\$30/kg	22.1%
03028930	Sweetfish (Ayu), fresh or chilled	NT\$23/kg or 17.5%	17.5%
03028951	Rice-field eel, fresh or chilled	NT\$10.8/kg or 18%	18.0%
03028960	Shishamo smelt, lake smelt, fresh or chilled	NT\$9/kg or 17.5%	17.5%
03035400	Mackerel, frozen	NT\$7.3/kg or 25%	25.0%
03035920	Capelin, frozen	NT\$6.42/kg or 12.5%	12.5%
03038910	Mullet, frozen	NT\$25/kg	54.4%
03038930	Sweetfish (Ayu), frozen	NT\$23/kg or 17.5%	20.4%
03038951	Rice-field eel, frozen	NT\$10.8/kg or 18%	18.0%
03038960	Shishamo smelt, lake smelt, frozen	NT\$6.42/kg or 12.5%	12.5%
03044910	Swamp eel fillets, fresh or chilled	NT\$12/kg or 20%	20.0%
03045910	Swamp eel meat, fresh or chilled	NT\$12/kg or 20%	20.0%
03048910	Swamp eel fillets, frozen	NT\$12/kg or 20%	26.1%
03055971	Silver anchovy, dried	NT\$47.6/kg or 25%	40.2%
03061112	Rock lobster and other sea crawfish, not smoked, frozen	NT\$33.7/kg or 15%	15.0%
03061212	Lobster, not smoked, frozen	NT\$33.7/kg or 15%	15.0%
03061421	Swamp crabs, not smoked, frozen	NT\$40.8/kg or 30%	37.2%
03063100	Rock lobster and other sea crawfish, live, fresh or chilled	NT\$33.7/kg or 15%	15.0%
03063200	Lobster, live, fresh or chilled	NT\$33.7/kg or 15%	15.0%
03063321	Swamp crabs, live, fresh or chilled	NT\$47.6/kg or 35%	35.0%
03069110	Rock lobster, dried, salted or in brine, but not smoked	NT\$33.7/kg or 15%	15.0%
03069210	Lobster, dried, salted or in brine, but not smoked	NT\$33.7/kg or 15%	15.0%
03069511	Shrimp skin, dried, but not smoked	NT\$5.36/kg or 24%	24.0%
03069519	Other shrimps/prawns, dried, salted/in brine, but not smoked	NT\$48/kg or 25%	80.8%
03071920	Oysters, dried, but not smoked	NT\$50/kg or 25%	25.0%
03072100	Scallops, live, fresh or chilled	NT\$17.2/kg or 10%	10.0%
03072200	Scallops, frozen, but not smoked	NT\$17.2/kg or 10%	10.0%
03072920	Scallops, dried, salted or in brine, but not smoked	NT\$184/kg or 12.5%	12.5%
03073921	Mussels, dried, but not smoked	NT\$40.5/kg or 27%	44.6%
03074221	Squid, live, fresh or chilled	NT\$15/kg	49.6%
03074321	Squid, frozen, but not smoked	NT\$15/kg	30.4%
03074922	Squid, dried, salted or in brine, but not smoked	NT\$219/kg or 50%	50.0%
03077120	Ruditapes philippinarum, live, fresh or chilled	NT\$34/kg or 30%	30.0%
03077210	Ruditapes philippinarum, frozen, but not smoked	NT\$34/kg or 30%	36.5%
03077220	Arcoida, frozen, but not smoked	NT\$11.7/kg or 25%	25.0%
03077230	Clams, frozen, but not smoked	NT\$22.6/kg or 20%	32.6%
03078121	Other abalone, live, fresh or chilled	NT\$30/kg or 7.5%	7.5%
03078122	Other haliotis diversicolor, live, fresh or chilled	NT\$66.4/kg or 20%	20.0%

HS code	Description	MFN 2018 ^a	AVE
03078310	Abalone, frozen, but not smoked	NT\$30/kg or 7.5%	9.0%
03078320	Haliotis diversicolor, frozen, but not smoked	NT\$83/kg or 25%	26.2%
03078720	Abalone, dried, but not smoked	NT\$225/kg or 15%	25.0%
03078740	Abalone, including Haliotis diversicolor, smoked	NT\$36/kg or 9%	11.4%
03079170	Locos, live, fresh or chilled	NT\$26.6/kg or 14%	16.0%
03079210	Arcoida, frozen, but not smoked	NT\$11.7/kg or 25%	25.0%
03079220	Clams, frozen, but not smoked	NT\$22.6/kg or 20%	20.5%
03079230	Top shell, frozen, but not smoked	NT\$30/kg or 20%	61.6%
03079240	Locos, frozen, but not smoked	NT\$19/kg or 10%	10.0%
03079951	Top shell, dried, salted or in brine, but not smoked	NT\$45.2/kg or 30%	92.8%
03079963	Locos, smoked	NT\$17/kg or 10%	34.9%
03081921	Sea cucumbers, spiky, dried, but not smoked	NT\$100/kg or 10%	10.0%
03083030	Jellyfish, dried, salted or in brine, but not smoked	NT\$8.4/kg or 12%	13.1%
04011010	Fresh milk	NT\$15.6/kg ^b	59.6%
04011020	Long-life milk	NT\$15.6/kg ^b	58.9%
04012010	Fresh milk	NT\$15.6/kg ^b	48.8%
04012020	Long-life milk	NT\$15.6/kg ^b	64.2%
04014010	Fresh milk	NT\$15.6/kg ^b	21.5%
04014020	Long-life milk	NT\$15.6/kg ^b	69.4%
04015010	Fresh milk	NT\$15.6/kg ^b	19.8%
04015020	Long-life milk	NT\$15.6/kg ^b	48.1%
04029910	Fresh milk, containing added sugar	NT\$15.6/kg ^b	25.0%
04029920	Milk, evaporated or sterilized, containing added sugar	NT\$15.6/kg ^b	25.0%
04029992	Other milk, containing added sugar	NT\$15.6/kg ^b	55.4%
04039029	Certain type of buttermilk	NT\$15.6/kg ^b	5.7%
04039040	Curdled milk	NT\$15.6/kg ^b	20.8%
04039059	Other flavoured, modified, fermented milk	NT\$15.6/kg ^b	58.6%
04039090	Certain type of cream	NT\$15.6/kg ^b	20.8%
07032010	Garlic bulb for planting	NT\$27/kg ^b	54.8%
07032090	Other garlic, fresh or chilled	NT\$27/kg ^b	54.8%
07102910	Frozen red beans	NT\$22/kg ^b	66.5%
07123920	Shiitake, dried	NT\$369/kg ^b	109.0%
07129040	Dried garlic bulb	NT\$27/kg ^b	30.8%
07129050	Day lily, dried	NT\$58/kg ^b	103.0%
07133200	Dried red beans	NT\$22/kg ^b	58.6%
08013120	Dried cashew nuts, in shell	NT\$26.2/kg or 16%	116.8%
08013220	Dried cashew nuts, shelled	NT\$26.2/kg or 16%	16.0%
08021120	Bitter almonds, in shell, fresh or dried	NT\$4/kg or 10%	10.0%
08021220	Bitter almonds, shelled, fresh or dried	NT\$4/kg or 10%	10.0%
08024110	Fresh chestnuts, in shell	NT\$5.8/kg or 16%	16.7%
08024120	Dried chestnuts, in shell	NT\$10.2/kg or 16%	16.7%
08024210	Fresh chestnuts, shelled	NT\$5.8/kg or 16%	21.1%
08024220	Dried chestnuts, shelled	NT\$10.2/kg or 16%	16.0%
08028000	Areca (betel) nuts, fresh or dried	NT\$810/kg ^b	1059.6%
08062010	Grapes, dried (raisin), in bulk	NT\$2/kg	2.9%
08062020	Grapes, dried (raisin), packed in boxes	NT\$2/kg	1.8%
08083090	Other pears, fresh	NT\$49/kg ^b	83.5%
08121000	Cherries, provisionally preserved	NT\$10/kg or 20%	20.0%
08134010	Longans, dried and longan pulp	NT\$88/kg ^b	137.8%
10061000	Rice in the husk (paddy or rough)	NT\$45/kg ^b	476.8%
10062000	Husked (brown) rice	NT\$45/kg ^b	261.4%
10063000	Semi-milled or wholly milled rice	NT\$45/kg ^b	230.7%
10064000	Broken rice	NT\$45/kg ^b	318.5%
11029011	Glutinous rice flour	NT\$49/kg ^b	252.6%
11029019	Other rice flour	NT\$49/kg ^b	297.9%
11031910	Groats and meal of coix	NT\$5.7/kg or 20%	20.0%
11031930	Groats and meal of rice	NT\$45/kg ^b	80.2%
11032010	Pellets of rice	NT\$49/kg ^b	81.6%
11041910	Rolled or flaked rice	NT\$49/kg ^b	194.1%
11042920	Other worked rice	NT\$49/kg ^b	274.5%
11061010	Red bean flour, meal and powder	NT\$22/kg ^b	81.3%
11081910	Rice starch	NT\$49/kg ^b	143.3%
12023010	Seed of ground-nuts, in shell	NT\$42/kg ^b	26.8%
12023020	Seed of ground-nuts, shelled	NT\$64/kg ^b	26.8%
12024100	Ground-nuts, in shell	NT\$42/kg ^b	186.3%
12024200	Ground-nuts, shelled, whether or not broken	NT\$64/kg ^b	120.8%
12089011	Flours and meals of ground-nuts, edible	NT\$64/kg ^b	122.5%
12089021	Flours and meals of ground-nuts, inedible	NT\$64/kg ^b	122.5%
12129952	Bitter apricot stones and kernels	NT\$4/kg or 10%	10.0%

HS code	Description	MFN 2018 ^a	AVE
18069053	Certain type of prepared milk containing cocoa	NT\$15.6/kg ^b	8.3%
18069055	Certain type of flavoured milk containing cocoa	NT\$15.6/kg ^b	8.3%
18069061	Certain type of cereals containing cocoa	NT\$49/kg ^b	26.1%
18069071	Certain type of prepared food containing cocoa	NT\$49/kg ^b	38.2%
18069092	Certain type of prepared food containing cocoa	NT\$49/kg ^b	26.1%
19019025	Milk, prepared, containing added sugar	NT\$15.6/kg ^b	54.4%
19019027	Flavoured milk, prepared	NT\$15.6/kg ^b	23.9%
19019091	Certain type food preparations containing $\geq 30\%$ rice	NT\$49/kg ^b	39.3%
19021110	Uncooked rice pasta, not stuffed or otherwise prepared	NT\$49/kg ^b	103.6%
19021910	Uncooked rice pasta, not stuffed or otherwise prepared	NT\$49/kg ^b	60.0%
19022010	Other stuffed rice pasta	NT\$49/kg ^b	113.3%
19023020	Other rice pasta	NT\$49/kg ^b	100.9%
19041020	Certain type food preparations containing $\geq 30\%$ rice	NT\$49/kg ^b	41.9%
19042011	Certain type food preparations containing $\geq 30\%$ rice	NT\$49/kg ^b	65.8%
19042021	Certain type food preparations containing $\geq 30\%$ rice	NT\$49/kg ^b	65.8%
19049010	Certain type food preparations containing $\geq 30\%$ rice	NT\$49/kg ^b	29.4%
20049010	Certain type of prepared and preserved red beans	NT\$22/kg ^b	19.7%
20055110	Certain type of prepared and preserved red beans	NT\$22/kg ^b	16.0%
20055910	Certain type of prepared and preserved red beans	NT\$22/kg ^b	35.2%
20060011	Certain type of prepared and preserved red beans	NT\$22/kg ^b	48.3%
20060025	Certain type of prepared and preserved red beans	NT\$22/kg ^b	19.7%
20081111	Ground-nuts, roasted, in shell	NT\$42/kg ^b	121.7%
20081112	Ground-nuts, roasted, shelled	NT\$64/kg ^b	29.6%
20081191	Ground-nuts, in shell, otherwise prepared or preserved	NT\$42/kg ^b	45.6%
20081192	Ground-nuts, shelled, otherwise prepared or preserved	NT\$64/kg ^b	59.0%
20081942	Certain type of prepared mixtures of nuts and seeds	NT\$64/kg ^b	34.9%
21033000	Mustard flour and meal and prepared mustard	NT\$9/kg or 15%	15.0%
21069098	Other food preparation containing $\geq 30\%$ rice	NT\$49/kg ^b	26.0%
81129222	Other mixed metal scrap	NT\$750/TNE or 5%	5.0%

a Alternate rates: whichever is the greater.

b Out-of-quota rate.

Source: Information provided by authorities.

Table A3.3 Tariff-rate quotas and utilization, 2012-2018**Tariff rate quotas, 2018**

Products	Out-of-quota rate 2018	In-quota rate 2018	Tariff quota quantity (MT) 2018
Deer velvet (1 line)	500%	22.50%	5
Fresh pears (1 line)	NT\$49/kg	18%	9,800
Bananas (4 lines)	100%	12.50%	13,338
Red bean (8 lines)	NT\$22/kg	22.50%	2,500
Liquid milk (19 lines)	NT\$15.6/kg	15%	21,298
Peanuts (13 lines)			5,235
Ground-nuts and flours and meals thereof	NT\$42/kg or NT\$64/kg	25%	
Ground-nuts oil	338%	25%	
Garlic bulbs (3 lines)			3,520
For planting	NT\$27/kg	0%	
Other	NT\$27/kg	22.50%	
Dried shiitake (1 line)	NT\$369/kg	25% or NT\$110/kg whichever is the higher	288
Dried day lily (1 line)	NT\$58/kg	22.50%	101
Coconuts (2 line)	120%	15% or NT\$0.9/kg whichever is the higher	10,000
Betel nuts (1 line)	NT\$810/kg	17.50%	8,824
Pineapples (2 line)	173%	15%	23,870
Mangoes (2 line)	60%	25%	12,755
Shaddocks (1 line)	184%	25%	4,300
Dried longans (1 line)	NT\$88/kg	15%	330
Rice (24 lines)			144,720
Rice	NT\$45/kg	0%	
Rice products	NT\$49/kg	20% or 25%	
Groats and meal of rice	NT\$45/kg or NT\$49/kg	0-25%	

Tariff quotas utilization ratio, 2012-17

(%)

Products	2012	2013	2014	2015	2016	2017
Deer velvet	99.6	99.4	99.4	99.4	99.4	91.9
Fresh pears	76.3	57.9	99.6	63.1	99.9	77.2
Bananas	0	0.0	0.0	0.0	0.0	0.0
Red bean	99.9	100.0	74.7	98.4	99.9	99.9
Liquid milk	55.7	70.7	87.2	86.0	84.5	96.9
Peanuts	99.7	98.5	99.9	99.9	100.0	99.9
Garlic bulbs	99.3	22.6	75.6	5.4	99.3	48.0
Dried shiitake	51.3	51.4	78.4	24.4	71.6	94.8
Dried day lily	77.1	0.0	0.0	0.0	0.0	0.0
Coconuts	28.1	66.6	63.5	64.3	33.4	61.7
Betel nuts	0.3	0.2	0.3	0.1	0.2	8.0
Pineapples	7.5	11.9	11.7	13.0	17.4	14.2
Mangoes	0	0.0	0.0	0.0	0.0	0.0
Shaddocks	0	0.0	0.0	0.0	0.0	0.0
Dried longans	99	100.0	100.0	100.0	100.0	100.0
Rice	99.9	92.7	88.7	99.9	98.2	100.3
Average	55.86	48.24	54.94	47.13	56.48	55.8

Source: Information provided by the authorities.

Table A3.4 Prohibited exports, July 2017

		Description
1	0106.19.40.23-7	Myocastoridae spp.
2	0208.90.29.20-4	Meat of dogs, fresh, chilled or frozen
3	0301.99.29.48-9	Serrasalmus spp., Pygocentrus spp., Pristobrycon spp., Pygopristis spp.
4	0301.99.29.49-8	Electric eel (Electrophoridae spp.)
5	0301.99.29.51-3	Whale shark (Rhincodon typus), live
6	0302.81.00.10-5	Whale shark (Rhincodon typus), fresh or chilled
7	0303.81.00.10-4	Whale shark (Rhincodon typus), frozen
8	0304.47.00.10-6	Whale shark (Rhincodon typus) fillets, fresh or chilled
9	0304.59.90.20-0	Whale shark (Rhincodon typus) meat (whether or not minced), fresh or chilled
10	0304.88.00.11-5	Whale shark (Rhincodon typus), fillets or steaks, frozen
11	0602.90.10.10-9	Mushroom spawn, containing narcotics (the composition of which is as set forth in article 2.3 of the "Statute for Narcotics Hazard Control")
12	1211.90.60.00-1	Slender dutchmanspipe (Aristolochia debilis radix)
13	1211.90.91.41-5	Southern Fangchi Root (Aristolochiae Fangchi Radix)
14	1211.90.91.42-4	Stem of manchurian dutchmanspipe (Aristolochiae manshuriensis caulis)
15	1211.90.91.43-3	Dutchmanspipe fruit (Aristolochiae Fructus)
16	1211.90.91.44-2	Dutchmanspipe vine (Aristolochiae Caulis)
17	1404.90.99.50-2	Mushroom products, containing narcotics (the composition of which is as set forth in article 2.3 of the "Statute for Narcotics Hazard Control")
18	1604.19.90.71-2	Whale shark (Rhincodon typus), whole or in pieces, but not minced, prepared or preserved, frozen
19	1604.19.90.72-1	Whale shark (Rhincodon typus), whole or in pieces, but not minced, prepared or preserved, canned
20	1604.19.90.79-4	Other whale shark (Rhincodon typus), whole or in pieces, but not minced, prepared or preserved
21	2505.90.00.10-5	Other natural sands, chloride containing more than 0.012%
22	2505.90.00.90-8	Other natural sands of all kinds, whether or not coloured, other than metal-bearing sands of Chapter 26
23	2517.10.90.00-1	Other pebbles, gravel, broken or crushed stone, of a kind commonly used for concrete aggregates, for road metalling or for railway or other ballast, whether or not heat-treated
24	2903.81.00.00-6	1,2,3,4,5,6-Hexachlorocyclohexane (HCH (ISO)), including lindane (ISO, INN)
25	2914.39.00.10-4	Isomers and salts of Phenyl-2-propanone, P2P
26	2914.79.00.20-3	Isomers and salts of o-Chlorophenyl cyclopentyl ketone, 2-Chlorophenylcyclopentyl ketone, o-Chlorobenzoylcyclopentane
27	2921.45.00.60-6	2-Naphthylamine (beta-naphthylamine)
28	2921.45.00.71-3	2-Naphthylamine acetate
29	2921.45.00.72-2	2-Naphthylamine Hydrochloride
30	2921.49.00.10-3	P-Aminobiphenyl
31	2921.49.00.20-1	P-Aminobiphenyl Hydrochloride
32	2925.29.00.10-3	Hydroxylamine HCL
33	2926.90.90.30-3	Isomers and salts of alpha-Acetylphenylacetoneitrile
34	8710.00.00.10-3	Tanks and other armoured fighting vehicles, motorized, whether or not fitted with weapons
35	8710.00.00.20-1	Parts of tanks and other armoured fighting vehicles, motorized
36	8906.10.00.00-7	Warships
37	9301.10.00.00-6	Artillery weapons(for example, gun, howitzers and mortars)
38	9301.20.00.00-4	Rocket launchers; flame-throwers; grenade launchers; torpedo tubes and similar projectors
39	9301.90.00.00-9	Other military weapons
40	9705.00.00.20-6	Collections and collectors' pieces of weapon
41	9705.00.00.90-1	Other collections and collectors pieces of zoological, botanical, mineralogical, anatomical, historical, archaeological, palaeontological, ethnographic or numismatic interest
42	9706.00.00.90-0	Other antiques of an age exceeding one hundred years

Source: Information provided by the authorities.

Table A3.5 Export permits, May 2018

		Description
1	7102.10.00.00-1	Diamond, unsorted
2	7102.21.00.00-8	Industrial diamonds, unworked or simply sawn, cleaved or bruted
3	7102.31.00.00-6	Non-industrial diamonds, unworked or simply sawn, cleaved or bruted
4	8486.10.00.20-1	Grinding, polishing and lapping machines for processing of semiconductor wafers
5	8486.20.00.11-0	Chemical vapor deposition apparatus for semiconductor production
6	8486.20.00.12-9	Physical deposition apparatus for semiconductor production
7	8486.20.00.31-6	Machine-tools for dry-etching patterns on semiconductor materials
8	8486.20.00.32-5	Spraying appliances for etching, stripping or cleaning semiconductor wafers
9	8486.20.00.33-4	Apparatus for wet etching, developing, stripping or cleaning semiconductor wafers
10	8486.20.00.40-5	Epitaxial deposition machines for semiconductor wafers
11	8486.20.00.50-2	Ion implanters for doping semiconductor materials
12	8486.20.00.61-9	Step and repeat aligners for semiconductor wafers
13	8486.20.00.62-8	Scanning aligners for semiconductor wafers
14	8486.20.00.63-7	Electron beam direct writers to produce patterns on semiconductor wafer
15	8486.20.00.71-7	Spin dryers for semiconductor wafer processing
16	8486.20.00.72-6	Spinners for coating photographic emulsions on semiconductor wafers
17	8486.20.00.73-5	Photo-resist coaters for semiconductor wafers
18	8486.20.00.80-6	Apparatus for rapid heating of oxidation, diffusion, annealing of semiconductor wafers
19	9031.41.10.10-2	Photomicrographic microscopes fitted with equipment specifically designed for the handling and transport of semiconductor wafers or reticles
20	9031.80.00.20-4	Electron beam microscopes fitted with equipment specifically designed for the handling and transport of semiconductor wafers or retices

Source: Information provided by the authorities.

Table A3.6 Goods subject to commodity tax, 2018

Taxable items	Tax amount or rate	Exemptions
Beverages		
Diluted natural fruit/vegetable juice	8%	Pure natural fruit juice, fruit syrup, concentrated fruit syrup, concentrated fruit juice, and natural vegetable juice that is in compliance with the domestic standards are exempted
Other machine-made cool and soft drinks	15%	
Cement		Tax on Portland blast-furnace slag cement was reduced to NT\$196/MT on 1 January 2000; The tax may be adjusted within 50% of the prescribed tax amounts according to the actual situation
White or coloured cement	NT\$600/MT	
Portland I cement	NT\$320/MT	
Portland blast-furnace slag cement	NT\$280/MT	
Cement substitutes and others	NT\$440/MT	
Electric appliances		Dehumidifiers for use in factories are exempted Record players, portable sets having a diameter of less than 32 centimetres are exempted
Refrigerators	13%	
Colour television sets	13%	
Air conditioners	20%	
Central air conditioning units composed of compressor, air conditioning box, and fan coil	15%	
Dehumidifiers	15%	
Video recorders	13%	
Record players	10%	
Audio recorders	10%	
Stereophonic systems	10%	
Electric ovens	15%	
Flat-glass		Conductive glass and reinforced glass used for mould-making are exempted. Article 9-1 of the Commodity Tax Act: Within 5 years from 24 November 2017, any domestic manufacturers or importers may apply for exemption from the commodity tax on the glass used exclusively for photovoltaic modules by submitting a statement promising not to sell or use such products for any other purposes as well as the certificate of usage issued by the competent industry authority
Including all kinds of flat-glass and glass bars	10%	
Oil/gas		The tax may be adjusted within 50% of the prescribed tax amounts according to the actual situation
Gasoline	NT\$6,830/KL	
Diesel oil	NT\$3,990/KL	
Kerosene	NT\$4,250/KL	
Fuel oil for aircraft	NT\$610/KL	
Fuel oils	NT\$110/KL	
Dissolving oils	NT\$720/KL	
Liquefied petroleum gas	NT\$690/MT	
Rubber tyres		Inner tubes, solid rubber tyres, tyres used on manpowered/animal-powered vehicles and farming vehicles are exempted from the commodity tax
Tyres for buses and trucks	10%	
Various other rubber tyres	15%	Vehicles imported for use in technical research and development, special-purpose vehicles equipped with devices for exclusive use in public security control and/or sanitation activities, mail transportation vehicles, tractors equipped with farming equipment, cargo trucks/cars for exclusive use on farmland, and engineering vehicles not running on public roads are exempted. From 1 January 2007, the tax rate on sedans above 2,001cc was reduced to 30%; electric-powered automobiles and motorcycles are taxed at half of the statutory tax rates. Low chassis buses, gas buses, hybrid oil and electric buses, electric buses, and rehabilitation buses for the disabled which were purchased and for which registration is completed within 5 years from 5 June 2014 have been exempted from commodity tax. Wheelchair-accessible vehicles which conform to the Vehicle Safety Test Standard and were purchased within 5 years from
Vehicles		
Sedans below 2,000 cc	25%	
Sedans above 2,001 cc	30%	
Trucks, buses, other vehicles	15%	
Motorcycles	17%	

Taxable items	Tax amount or rate	Exemptions
		<p>6 February 2015 are exempted from the commodity tax. However, owners of the aforementioned tax-exempt vehicles must pay the original commodity tax if the vehicle was changed and the equipment for carrying the wheelchair torn down within 5 years from the date of registration.</p> <p>Article 12-3 of the Commodity Tax Act: Between 28 January 2017 and 31 December 2021, a person who purchases a completely electric-operated automobile or motorcycle and completed registration is exempted from the Commodity Tax. However, the exempted tax amount shall be limited to NT\$1.4 million taxable value; the excessive portion is not exempted.</p> <p>Article 12-5 of the Commodity Tax Act: Within 5 years from 8 January 2016 a person who scraps or exports his/her passenger sedan, truck, or dual-purpose vehicle which had left the factory for at least 6 years and holds a licence for the above vehicle for more than one year, within 6 months before or after the scrapping or export date, for the person purchasing a new vehicle of the above type and completing its registration, the commodity tax of such a new vehicle shall be reduced by NT\$50,000. A person who scraps or exports his/her motorcycle below a 150 cc cylinder volume which had left the factory for at least 4 years and holds a licence for such a motorcycle for more than one year, within 6 months before or after the scrapping or export date, for the person purchasing a new motorcycle and completing its registration, the commodity tax of such a new motorcycle shall be reduced by NT\$4,000.</p> <p>Article 12-6 of the Commodity Tax Act: Between 24 November 2017 and 31 December 2019, a person who scraps his/her used truck which was produced by the factory before 30 June 1999 and purchases a new truck and completes its registration, the commodity tax for the new truck shall be reduced by NT\$50,000.</p>

Source: Information provided by the authorities; and Commodity Tax Act. Viewed at: <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=G0340076>.

Table A3.7 Main production assistance measures, 2014-17

Measure	Total duration of the programme	Beneficiaries	Cost budgetary/foregone tax revenue)
(A) SMALL AND MEDIUM-SIZED ENTERPRISES			
(i) Tax incentives			
Hiring Additional Employees - Up to 130% of salaries paid to newly hired employees can be recognized as additional tax deductible salary expenses; - Up to 150% – for employees who are 24 years or younger.	2014-24 2016-24	SMEs that hire additional full-time employees and raise overall salary expenses	2014: NT\$13.91million 2015: NT\$33.35million 2016: NT\$14.85million 2017: ..
Salary Raises - In case of salary increase to domestic junior employees, a SME can deduct up to 130% of the incremental annual gross salary payments, excluding statutory basic wage adjustment.	2016-24	SMEs	2016: NT\$1.77 million 2017: ..
(ii) Non-tax incentives			
Loans for SMEs: specific and urgent financing for recovery plans from damage caused by disasters - Loan provided by banks as from 2016, the ceiling interest rate is 1% plus a flat rate of 2-year postal fixed savings rate.	No time limit	All enterprises that meet "Standards for Identifying a Small and Medium-Sized Enterprise": - enterprises engaged in manufacturing, construction, mining or excavating, paid-in capital of less than NT\$80 million; - enterprises engaged in economic activities (e.g. agriculture, logging, fishing, the raising of livestock, utilities, commerce, transport, warehousing, communications, finance, insurance, real estate, commercial, social or individual services) with an annual operating revenue of less than NT\$100 million	2012-16: NT\$12.4 million 2017: NT\$43.41 million
Medium and long term loans for product marketing and loans for overseas investment and construction projects - Approval of loan applications performed by commercial banks; capital provided entirely by SME Development Fund.	No time limit	All enterprises which meet the "Standards for Identifying a Small and Medium-Sized Enterprise"	2014: NT\$540 million 2015: NT\$514 million 2016: NT\$630 million 2017: NT\$514 million
Preferential loans to enterprises affected by liberalization for rejuvenant projects: - 10 year loans to cover up to 90% of project cost, with a cap of NT\$100 million per applicant.	No time limit	All enterprises that meet the definition of rejuvenant enterprises of the "Programme to Support Industries to Adjust to Trade Liberalization"	2014: NT\$3,331 million 2015: NT\$1,500 million 2016: NT\$4,400 million 2017: NT\$5,637 million
Loans for SMEs and private enterprises - 25% of loans provided by the Development Fund, and 75% by domestic banks.	Until the expiration of the Industrial Innovation Act	All enterprises (not limited to a specific industry or enterprise)	2014-16: NT\$29.12 million

Measure	Total duration of the programme	Beneficiaries	Cost budgetary/foregone tax revenue)
B) RESEARCH & DEVELOPMENT AND RELATED FIELDS			
(i) Tax incentives			
Tax credit for R&D - 15% of the amount invested in R&D may be credited from the profit-seeking enterprise income tax within a limit of 30% in the same year. - Since 2016, a company can claim a tax credit for three years using a 10% tax credit rate within a limit of 30% income tax; or claim a tax credit within the current year using a 15% tax credit rate within a limit of 30% income tax.	2010-19	- All profit-seeking enterprises; - Companies engaging in qualified R&D activities (limited partnerships could apply Tax credit for R&D since 22 November 2017)	2014: NT\$14,982 million 2015: NT\$17,755 million 2016: NT\$20,590 million 2017: ..
Tax Deferral on Income in the Form of Stock from Technology Investment and Stock-based Employee Compensation - Deferral of income tax assessment until the year of transfer or the 5 th year after the year of shares subscription (Before amendment) - Deferral of income tax assessment until the year of transfer after the year of shares subscription (After amendment).	2016-23/11/2017 24/11/2017-2019	- Form of Stock from Technology Investment: Chinese Taipei individuals or companies (limited partnerships could apply Tax Deferral on Income in the Form of Stock from Technology Investment since 22 November 2017); - Stock-based Employee Compensation: all individuals	2016: .. 2017: ..
200 Percent Deduction of R&D Expenses	2016-19	Chinese Taipei individuals or companies (limited partnerships could apply since 22 November 2017)	2016: .. 2017: ..
Tax Benefits for the Encouragement of Investment (R&D-related)	n.a.	Upgrading industries	n.a.
Tax Credits for Upgraded Equipment - 5%-35% tax credits for R&D equipment.	1991-2009 Extended until 31 December 2017	Profit-seeking enterprises engaging in qualified activities	2014: NT\$10,071 million 2015: NT\$1,249 million 2016: NT\$3,562 million 2017: ..
(ii) Non-tax incentives			
Grants – funds for development of new outstanding projects - The assistance funds granted are a total of no more than 50% of the amount of the following expenses incurred exclusively for the development of new leading products: (i) Costs incurred for full-time research personnel; (ii) Costs of consumable instruments and raw materials; (iii) Costs for use and maintenance of R&D equipment; (iv) Costs for technology transfer; (v) Travel fees related to the project.	No time limit	Any company incorporated under the Company Law with sound financial standing and without ever having a record of refusal or bounced cheque through a domestic bank	2014-16: NT\$4,495 million

Measure	Total duration of the programme	Beneficiaries	Cost budgetary/foregone tax revenue)
<p>Grants – funds for development of industrial technology, Technology Development Programme for Enterprises</p> <p>- The assistance funds to be granted must not exceed 50% of the total amount of the following expenses:</p> <p>(i) Costs incurred for full-time and/or part-time research personnel;</p> <p>(ii) Costs of consumable instruments and raw materials;</p> <p>(iii) Costs for use and maintenance of R&D equipment;</p> <p>(iv) Costs for technology transfer;</p> <p>(v) Domestic travel expenses.</p> <p>- Programmes include:</p> <p>1. Advanced Technology Research Plan (A+ Industrial Innovation R&D programme)</p> <p>- Subsidies are available for 40% to 50% of total development funding for new technologies that are not yet mature in Chinese Taipei and that will, in the future, generate strategic products, services, or industries.</p> <p>2. Integrated R&D Plan (A+ Industrial Innovation R&D programme)</p> <p>- Subsidies are available for 40% to 50% of total project cost for the integration of key and cross-sector technologies.</p> <p>3. Encouragement of Domestic Enterprises to Set Up R&D Centres (A+ Industrial Innovation R&D programme)</p> <p>- Subsidies are available for up to NT\$20million or 50% of total spending by domestic enterprises on the establishment of R&D centres in Chinese Taipei.</p> <p>4. Global Innovation and R&D Partnership Plan</p> <p>- Subsidies are available for up to 50% of total spending by overseas enterprises to engage in innovation and R&D in Chinese Taipei.</p>	No time limit	<p>Any company incorporated under the Company Law with sound financial standing and without ever having a record of refusal or bounced cheque through a domestic bank.</p> <p>A company can apply for this fund to offset the costs of the following activities:</p> <p>1. Research and development of advanced technologies that may be aptly characterized as vital and innovative in the long term;</p> <p>2. Technologies research and development that enhance vertical or horizontal integration and drive the forming of industry chain ecosystems or clusters;</p> <p>3. Establishment of research and development centres in Chinese Taipei that create innovative technologies and services;</p> <p>4. Development of innovative or integrative manufacturing technology by SMEs</p>	<p>2014: NT\$2,063 million</p> <p>2015: NT\$2,230 million</p> <p>2016: NT\$2,279 million</p> <p>2017: NT\$2,008 million</p>

Measure	Total duration of the programme	Beneficiaries	Cost budgetary/foregone tax revenue)
C) DESIGNATED ZONES			
Tax incentives			
Duty and tax exemptions for all in-zone enterprises - Exemptions from: (i) Import duty, commodity and business taxes on imported machinery and equipment; (ii) Import duty, commodity and business taxes on imported raw and consumption materials, fuels, semi-finished products, samples, and finished products for transshipment by traders and warehousing operators; (iii) Deed tax when acquiring a new standard plant building in the Export Processing Zone	No time limit	All in-zone industries	2014-16: NT\$39,985million
Duty and tax exemptions for high-technology industries - Exemptions from customs duty, commodity tax, and business tax (VAT) on imported machinery and equipment, raw material, and commodities, fuel, and semi-finished products.	No time limit	The Science Parks enterprises	2014-16: NT\$115,153 million
D) SECTOR-SPECIFIC SUPPORT			
AGRICULTURE & FISHERIES			
Tax incentives			
- VAT exemptions for primary agricultural products, fertilizer, pesticides, veterinary drugs, agricultural machinery, transportation equipment for farmland, and fuel oil and electricity used in such machinery and equipment, and sales of rice and wheat flour and the service of husking rice.	No time limit	Exemptions for primary agricultural products, sales of rice and wheat flour and the service of husking rice	2014: NT\$23,882 million 2015: NT\$25,759 million 2016: NT\$24,755 million 2017: NT\$24,799 million
- Commodity tax exemptions for inner tubes, solid rubber tyres, rubber tyres for use on man-powered/animal-powered vehicles and farming vehicles, tractors equipped with farming equipment, and cargo trucks/cars for exclusive use in farm land.	No time limit	(1) Inner tubes, solid rubber tyres, rubber tyres for use on farming vehicles; (2) Tractors equipped with farming equipment, and cargo trucks/cars for exclusive use in farm land	
Non-tax incentives			
Subsidy - Support for rice programme - Planned, supplementary and additional purchases.	No time limit	Farmers producing rice in paddy fields	2014: NT\$583 million 2015: NT\$696 million 2016: NT\$557 million 2017: NT\$ 651 million
Subsidy - Support for diversified crops - Provided in form of diversion payment (guaranteed price purchase, or registering as set-aside or diversion under "Rice Production and Rice Field Diversion Projects").	No time limit	Farmers producing selected crops	2014: NT\$3,524 million 2015: NT\$3,718 million 2016: NT\$3,490 million 2017: NT\$3,567 million
Subsidy - Support for tobacco leaves - Purchase under restricted price tendering.	No time limit	Tobacco farmers	2013: NT\$346.8 million 2014: NT\$339.8 million 2015: NT\$330.4 Million 2016: NT\$283.1 million 2017: NT\$276.8 million

Measure	Total duration of the programme	Beneficiaries	Cost budgetary/foregone tax revenue)
Subsidy - Support for sugar - Guaranteed purchase; - Subsidy for sugarcane transportation, fire insurance premium in farm, fees for Parasitoid wasp biological control, etc.	No time limit	Sugarcane farmers	2014: NT\$59.36 million 2015: NT\$84.19 million 2016: NT\$64.41 million 2017: NT\$40.79 million
Interest subsidy - Preferential interest rates loans for all farmers and fishermen in various industries or type of agriculture.	No time limit	All farmers and fishermen	2014: NT\$1,730 million 2015: NT\$1,408 million 2016: NT\$1,286 million
Grant - Fishing Vessels Buy-Back Programme - Buy-back amount for fishing vessels, calculated and accumulated in 2015-16: i) NT\$50,000 for each gross ton of the 1st to 5th ton; ii) NT\$40,000 for each gross ton of the 6th to 10th ton; iii) NT\$30,000 for each gross ton of the 11th to 20th ton; etc.	No time limit	Owners of all varieties of fishing vessels with valid fishing licences, including recreational fishing vessels	2014: NT\$47.804 million 2015: NT\$40.720 million 2016: NT\$37.547 million 2017: NT\$0 million
Grant – Reward for Closing Fishery Season	No time limit	Any fishing vessels with valid fishing licences that comply with the related regulations of closing fishery except recreational fishing charter boats.	2014: NT\$179.944 million 2015: NT\$183.529 million 2016: NT\$180.879 million 2017: NT\$173.815 million
Grant – Fishing Vessels Marine Insurance Reward - Grants to cover a portion of the insurance costs for fishing vessels if damaged at sea.	No time limit	Owners of fishing vessels	2014: NT\$57.353 million 2015: NT\$51.219 million 2016: NT\$53.840 million 2017: NT\$50.045 million
MANUFACTURING			
Tax incentives			
Tax Benefits for the Encouragement of Investment Encouragement of Investment in Manufacturing and the Technical Services Industry - Five year income tax exemptions (from the date of selling its products/render services) for a newly incorporated company; - Five year income tax exemptions (from the date of newly added equipment starts to operate/render services) for an existing company.	2001-03 2008-09 Extended until 31 December 2027	Qualified companies in manufacturing industry and its related technical services industry	2014: NT\$4,928 million 2015: NT\$ 5,185million 2016: NT\$ 5,188million 2017: ..
BIOTECH AND PHARMACEUTICAL INDUSTRY			
Tax incentives			
Biotechnology and New Pharmaceutical Industries - 35% of R&D and employee training expenditures can be claimed as a deductible expense; - Companies investing in or founding or expanding biotechnology or new pharma can claim 20% of the invested amount as a deductible expense; - Tax exemptions on income received in form of stock/subscription of shares through stock option certificates.	2007-21	Qualified companies in biotechnology and new pharmaceutical industries - a profit-seeking enterprise that (i) subscribes for the stock issued by a Biotech and New Pharmaceuticals Company at the time of the latter's establishment or subsequent expansion; and (ii) has been a registered shareholder of the Biotech and New Pharmaceuticals Company for a period of three (3) years or more. - top executives and technology investors	2014: NT\$20 million 2015: NT\$45 million 2016: NT\$114 million 2017: ..

Measure	Total duration of the programme	Beneficiaries	Cost budgetary/foregone tax revenue)
MOTION PICTURE PRODUCTION			
Tax incentives			
Encouragement of Investment in Production of Domestic Motion Pictures - Up to 20% of the purchase price of the company stock may be claimed as a deductible expense.	2004-14 2015-25	Profit-seeking enterprises investing a certain amount in the establishment or expansion of a film production enterprise and holding registered stock, either originally owned or obtained as a result of fundraising, in that enterprise for a period of at least three years	2015: NT\$13 million 2016: NT\$6 million 2017: ..
OIL & GAS			
Non-tax incentives			
Grants – funds for encouraging exploration and development of oil and natural gas reserves - The grant is used only in support of the following activities: i) The implementation of geological, geophysical, and/or geochemical surveys and research necessary for the exploration of oil and natural gas; ii) Drilling for the exploration and/or development of oil and/or natural gas reserves; iii) Any other necessary pertinent activities that have been reviewed and approved by the authorities. The total subsidy allocated for an <i>exploration proposal</i> must not exceed 50% of the budget in the applicant's proposal. The total subsidy allocated for a <i>development proposal</i> must not exceed 12% of the budget in the applicant's proposal. Should the proposal be successful, the whole grant plus additional feedback, computed by 10% compound interest, must be returned in 5-15 years.	Started in 2002, not subject to deadline	Companies limited by shares incorporated under the Company Law that engage in the exploration and development of oil and natural gas reserves are eligible for the grant	2013: NT\$350 million 2014: NT\$430 million 2015: NT\$400 million 2016: NT\$68 million 2017: NT\$156 million
Subsidies for the establishment and operation costs of petroleum facilities, and products consumption costs in the remote areas, aboriginal areas and isolated island areas. - Subsidy for the establishment of petroleum facilities in such areas; - Subsidy for maintenance costs of petroleum facilities in such areas; - Subsidy to offset the cost of shipping petroleum or LPG to such areas; - Subsidy for extra personnel costs in the operation of petroleum facilities in such areas; - Subsidy to diminish the price difference of household LPG between remote areas, aboriginal areas and urban or/and suburban areas.	Started in 2002: 2010 – for aboriginal areas; 2014 – for remote areas. No time limit	Owners and/or operators of petroleum facilities in these areas	2014: NT\$267 million 2015: NT\$280 million 2016: NT\$252 million 2017: NT\$274 million

Measure	Total duration of the programme	Beneficiaries	Cost budgetary/foregone tax revenue)
E) OTHER INCENTIVES			
1. Encouragement of Newly Emerging, Important, and Strategic Enterprises - Up to 20% tax credit for encouragement of newly emerging, important and strategic industries.	2000-09 Extended until 31 December 2018	Profit-seeking enterprises or individuals who invest in newly emerging, important, and strategic enterprises	2014: NT\$1,882million 2015: NT\$1,752million 2016: NT\$840million 2017: ..
2. Encouragement to Import Machinery and Equipment Not Produced by Chinese Taipei - Import and business tax exemptions for encouragement of import machinery and equipment.	2002-no time-limit	Companies in scientific industries	..
Tax Benefits for Promoting the Reasonable Operation of an Enterprise			
1. Encouragement of Merger or Consolidation - Exemption from stamp, deed, securities transaction, and business taxes.	2002-no time limit	A company, which acquires the assets and shares of another company and pays for the acquisition with its own voting shares, and provided that the total of such shares exceeds 65% of the value of the acquired shares	..
2. Deduction of Land Value Increment Tax Upon the Relocation of Factories.	1991-no time limit		..
3. Tax Exemption on the Value of Assets Increased Upon Revaluation. In the case of a 25% rise in prices, the fixed assets, depletion assets, and intangible assets may be revalued according to laws and regulations. The appreciation incurred due to revaluation or adjustment of assets must be recorded as unrealized revaluation surplus and shall be exempted from profit-seeking enterprise income tax. As these assets are transferred, lost, or scrapped such revaluation surplus shall be included in taxable income of the current year and subject to profit-seeking enterprise income tax.	No time limit		..

Measure	Total duration of the programme	Beneficiaries	Cost budgetary/foregone tax revenue)
<p>Promotion of private participation in Infrastructure Projects</p> <p>According to article 2 of the Act for Promotion of Private Participation in Infrastructure Projects (PPIP Act), if matters are not specified in its law, other relevant laws shall apply. If the PPP projects are in accordance with the PPIP Act and are conformed to major infrastructure projects, the projects shall apply the relevant tax benefits in the PPIP laws.</p> <p>1. Exemption from business income tax (a maximum period of five years). <i>The provisions of Regulations Governing Application for Exemption from Profit-seeking Enterprise Income Tax by Private Institutions Participating in Public Infrastructure Projects shall apply.</i></p> <p>2. Investment tax credit for capital expenditures. <i>The provisions of Regulations Governing Application of Investment Tax Credits to Private Institutions Participating in Public Infrastructure Projects shall apply.</i></p> <p>3. Preferential customs duties on imported machinery and equipment. <i>The provisions of Regulations Governing Exemption and Installment Payments of Import Duties to Private Institutions Participating in Public Infrastructure Projects shall apply.</i></p> <p>4. Reduction or exemption of the house tax, the land value tax, and the deeds tax. <i>The provisions of the regulations governing application of tax exemption or reduction of land value tax, housing tax, and deed tax to private institutions participating in public infrastructure projects promulgated by the municipal/county/city government shall apply.</i></p> <p>5. Investment tax credits of subscription of shares issued by the private institution (up to twenty percent of the subscription price). <i>The provisions of Regulations Governing Application of Tax Credit to Profit-seeking Enterprise Shareholders of Private Institutions with Respect to Investments Made in Major Infrastructure Projects shall apply.</i></p>	..	Projects are in accordance with PPIP laws and are conformed to major infrastructure projects	

Measure	Total duration of the programme	Beneficiaries	Cost budgetary/foregone tax revenue)
Promotion of private participation in Infrastructure Projects - Five-year tax holidays; tax credit of up to 20% on certain investment expenditures of private institutions participating in a major infrastructure project; customs duty incentives or payment in instalments; reduction in land value tax, house tax, and deed tax; and investment tax credit for corporate shareholders.	2000-no time limit	1. For five-year tax holidays and tax credit on certain investment expenditures, the beneficiary is a private entity participating in a major infrastructure project; 2. For investment tax credit for corporate shareholders, the beneficiary is a profit-seeking enterprise shareholder of private institution participating in a major infrastructure project	For five-year tax holidays, tax credit on certain investment expenditures, and investment tax credit for corporate shareholders: 2014: NT\$723 million 2015: NT\$566 million 2016: NT\$552 million 2017: ..

n.a. Not applicable.

.. Not available.

Source: WTO documents G/SCM/N/284/TPKM, 30 June 2015 and G/SCM/N/315/TPKM, 24 July 2017; Online information. Viewed at: <http://investtaiwan.nat.gov.tw/showPage?lang=eng&search=reward>; Online information. Viewed at: <https://www.moeasmea.gov.tw/ct.asp?xItem=86&CtNode=324&mp=2>; Online information. Viewed at: http://www.mof.gov.tw/File/Attach/75532/File_10791.pdf; and Online information. Viewed at: <https://www.moeasmea.gov.tw/ct.asp?xItem=235&ctNode=299&mp=2>; Economist Intelligence Unit (2017), *Industry Report: Automotive*, 2nd Quarter, London. Viewed at: www.eiu.com/automotive; and information provided by the authorities.

Table A3.8 CNS and their equivalence with international standards, end-2017

Area		Total standards	Existence of international standards ^a (A)	Number of standards equivalent to international standards (B)	Standards equivalent to international standards ^b (B)=(C)+(D)		Rate of equivalence (%) (E)=(B)/(A)×100
					Mandatory technical regulations (C)	Voluntary standards (D)	
A	Civil engineering and architecture	620	88	74	8	66	84.1
B	Mechanical engineering	2,116	412	410	11	399	99.5
C1-C4	Electrical engineering	1,200	347	343	68	275	98.8
C5-C7	Electronics engineering	786	262	262	31	231	100.0
D	Automotive and aerospace engineering	512	42	42	4	38	100.0
E	Railway engineering	91	16	16	0	16	100.0
F	Shipbuilding engineering	354	22	22	1	21	100.0
G	Ferrous materials and metallurgy	386	123	123	35	88	100.0
H	Non-ferrous materials and metallurgy	250	80	80	6	74	100.0
J	Nuclear engineering	0	0	0	0	0	N/A
K	Chemical industry	2,551	496	496	27	469	100.0
L	Textile industry	378	97	94	2	92	96.9
M	Mining	82	8	8	0	8	100.0
N1-N4	Agriculture	382	85	85	5	80	100.0
N5-N7	Food	520	185	185	16	169	100.0
O	Wood industry	84	27	27	13	14	100.0
P	Pulp and paper industry	193	62	62	3	59	100.0
Q	Environmental management	52	50	50	0	50	100.0
R	Ceramic industry	376	107	97	14	83	90.7
S1-S2	Domestic wares	278	79	79	1	78	100.0
S3	Accessibility design	28	24	24	0	24	100.0
T	Medical equipment and appliances	327	171	171	3	168	100.0
X	Information and communication	871	786	785	8	777	99.9
Z1-Z3	Industrial safety	241	27	22	7	15	81.5
Z4	Quality control	81	45	45	2	43	100.0
Z5-Z6	Physical distribution and packaging	171	42	42	1	41	100.0
Z7-Z9	General and miscellaneous	461	260	259	16	243	99.6
Total		13,391	3,943	3,903	282	3,621	98.99

a Number that have corresponding international standards.

b A local standard that is identical to or modifies corresponding international standards is considered as equivalent to international standards.

Source: Information provided by the authorities.

Table A3.9 Legal instruments on competition, 2018

Instruments	Dates of promulgation or most recent amendment
Fair Trade Act	14 June 2017
Enforcement Rules of Fair Trade Act	2 July 2015
Organic Act of the Fair Trade Commission	14 November 2011
Code of Conduct for Antitrust Compliance of Enterprises	20 October 2011
Principles of the Fair Trade Commission Regarding the Definition of Relevant Markets	6 March 2015
The Threshold of Total Sales at Which an Enterprise is Exempted from Being Deemed as a Monopolistic Enterprise	4 March 2015
Regulations for Calculation of Administrative Fines for Serious Violations of Article 9 and Article 15 of the Fair Trade Act	6 March 2015
Standards on the Application of Article 46 of the Fair Trade Act	4 August 2016
Regulations Governing Management and Utilization of the Antitrust Fund	24 November 2015
Regulations on Payment of Rewards for Reporting of Illegal Concerted Actions	19 April 2016
Fair Trade Commission Disposal Directions (Policy Statements) on Trade Associations and Other Business Groups	17 June 2016
Fair Trade Commission Disposal Directions (Guidelines) on Technology Licensing Arrangements	24 August 2016
Fair Trade Commission Disposal Directions (Guidelines) on the Reviewing of Cases Involving Enterprises Issuing Warning Letters for Infringement on Copyright, Trademark, and Patent Rights	24 December 2015
Concerted actions	
Public Notice on Filings for Approval or Extension of Concerted Actions	20 September 2016
Fair Trade Commission Disposal Directions (Guidelines) on Approval of Concerted Pricing among Small or Medium-sized Enterprises	26 December 2016
Fair Trade Commission Disposal Directions (Guidelines) on Concerted Petroleum Purchasing by Individual Petrol Stations	17 May 2016
Regulations on Immunity and Reduction of Fines in Illegal Concerted Action Cases	6 March 2015
Sector-specific policies	
Fair Trade Commission Disposal Directions (Guidelines) on Elevator Enterprise Sales and Maintenance	22 April 2015
Fair Trade Commission Disposal Directions (Policy Statements) on the Sales of Elementary and Junior High School Textbooks	30 December 2015
Fair Trade Commission Disposal Directions (Policy Statements) on Cable Television Related Enterprises	27 May 2016
Fair Trade Commission Disposal Directions (Policy Statements) on the Financial Industry	25 September 2015
Mergers	
Merger Types to Which Paragraph 1 of Article 11 of the Fair Trade Act Does Not Apply	18 July 2016
Thresholds and Calculation of Sales Amount which Enterprises of a Merger shall File with the Fair Trade Commission	2 December 2016
Directions for Enterprises Filing for Merger	15 June 2017
Regulations for the Examination of Financial Holding Company Merger Cases	9 July 2015
Fair Trade Commission Disposal Directions (Guidelines) on Handling Merger Filings	18 July 2016
Fair Trade Commission Disposal Directions (Guidelines) on Extraterritorial Mergers	1 December 2016

Note: Legislation on other aspects of fair trade, such as false advertisement and multi-level marketing enterprises, are covered in this table.

Source: FTC's online information. Viewed at: <https://www.ftc.gov.tw/internet/english/>, and information provided by the authorities.

Table A4.1 Domestic support to agriculture and livestock, 2009-12

(NT\$ million, unless otherwise indicated)

	2009	2010	2011	2012
Total domestic support (I + II)	57,471.42	51,819.33	58,054.48	52,790.07
Equivalent to GDP (%)	0.44	0.37	0.41	0.36
Equivalent to total tax revenue (%)	3.9	3.3	3.4	3.0
Equivalent to total public expenditure (%)	2.2	2.0	2.2	2.0
I. Aggregate Measurement of Support (AMS)^a				
(a) Product-specific AMS	4,195.20	4,205.15	8,063.60	9,040.93
- Rice (paddy)	2,550.14	2,637.90	6,129	6,931.78
- Feed corn ^b	198.97	173.06	222.12	261.93
- Soybean	0	0	0	17.57
- Sorghum ^b	5.67	0.45	0	0
- Peanuts	218.49	232.21	330.79	317.91
- Sugar	150.86	142.18	110.61	91.98
- Tobacco leaves	234.71	223.27	217.98	210.16
- Vegetables	217.05	224.98	444.72	633.84
- Table sugarcane	15.11	13.31	8.79	10.50
- Sweet potatoes	108.93	85.37	109.02	95.81
- Forage crops	185.98	196.44	214.69	236.92
- Other crops	309.29	275.98	275.88	232.53
(b) Non-product-specific AMS	9,211.28	6,185.96	7,079.81	6,775.82
- Agricultural machinery price subsidy	19.65	21.87	27.01	27.77
- Fertilizer freight subsidy	492.88	403.85	412.19	0
- Agricultural fertilizer price difference subsidy	5,206.24	2,097.37	3,085.84	4,003.28
- Waiver or reduction of fees for electricity used for agricultural production	557.73	562.66	277.56	282.00
- Fuel subsidy for agricultural machinery	0	0	0.22	45.66
- Interest subsidy	2,739.45	2,894.90	3,076.48	2,225.87
- Livestock insurance programme	195.33	205.31	218.51	191.24
II. Measures exempt from the reduction commitment – "Green Box"	44,064.94	41,428.22	42,893.07	36,973.32
General services				
- Research (general, in relation to environmental programmes and product-specific)	3,336.32	3,475.64	2,943.07	2,952.07
- Pest and disease prevention	983.32	879.98	556.53	410.25
- Training services	831.03	436.77	755.45	1,096.07
- Extension and advisory services	2,367.04	2,644.55	2,098.30	2,362.02
- Inspection services	607.85	473.64	292.10	231.13
- Marketing and promotion services	1,073.70	1,300.06	988.95	1,629.95
- Infrastructural services	13,265.68	16,856.92	22,667.49	16,533.80
Payments for relief from natural disasters				
- Aid for natural disaster: payments for relief of incomes damaged by natural disaster	11,238.36	5,153.52	1,381.07	1,342.64
- Interest subsidy: special loans granted to farmers for the relief of farms damaged due to natural disaster	63.67	153.08	1,072.34	654.29
Structural adjustment assistance provided through resource retirement programmes				
- Land retirement programmes	524.16	504.83	597.79	693.41
Environmental programmes				
- Interest subsidy for pollution reduction	3.84	4.66	4.42	3.54
- Programmes for preventing pollution, managing agricultural waste and monitoring on the pollution of water and soil, for promoting the sustainable use of farm land	85.50	105.71	99.06	69.86
- Interest: loan granted to farmers for the use of water and soil conservation	12.58	12.69	11.81	9.23
- Land conservation subsidy	9,548.13	9,369.50	9,394.47	8,955.24
Regional assistance programmes				
- Integrated agricultural construction and environmental improvement programmes for disadvantaged farmers	123.76	56.67	30.22	29.82

a Calculations are based on Annex 3 of the Agreement on Agriculture, and may not represent actual spending.

b Price support for sorghum was discontinued in 2011 and for feed corn in 2013.

Source: WTO Secretariat calculations, based on WTO documents G/AG/N/TPKM/106, 28 August 2013 and G/AG/N/TPKM/154, 26 September 2017.