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Trade Policy Review Body

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**TRADE POLICY REVIEW OF THE SEPARATE CUSTOMS TERRITORY OF TAIWAN, PENGHU,
KINMEN AND MATSU (12 AND 14 SEPTEMBER 2018)**

DISCUSSANT'S OPENING REMARKS

Organe d'examen des politiques commerciales

DOCUMENT DE SÉANCE NON OFFICIEL¹

**EXAMEN DES POLITIQUES COMMERCIALES DU TERRITOIRE DOUANIER DISTINCT DE
TAIWAN, PENGHU, KINMEN ET MATSU (12 ET 14 SEPTEMBRE 2018)**

REMARQUES LIMINAIRES DU PRÉSENTATEUR

Órgano de Examen de las Políticas Comerciales

DOCUMENTO DE SALA NO OFICIAL¹

**EXAMEN DE LAS POLÍTICAS COMERCIALES DEL TERRITORIO ADUANERO DISTINTO DE
TAIWÁN, PENGHU, KINMEN Y MATSU (12 Y 14 DE SEPTIEMBRE DE 2018)**

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4th Trade Policy Review of Chinese Taipei, 12 & 14 September 2018
Remarks of the Discussant, H.E. Mr. Marc Vanheukelen

Thank you, Mr Chairman.

Please allow me to welcome the Head of Delegation of the Chinese Taipei, Vice Minister, Ms. Mei Hua Wang, Ministry of Economic Affairs, and my appreciated colleague Dr. C. Y. Cyrus Chu and his team here in Geneva.

I thank the WTO Secretariat for the usual high-level and comprehensive Report and Chinese Taipei for its Report that both form the main basis for my comments today.

As is customary, please let me recall that as the Discussant for this review, I am speaking entirely on my own behalf.

Having said that, I would like to thank Chinese Taipei for the opportunity to act as the Discussant for the Trade Policy Review of a very active Member, in terms of its constructive participation in the work of this organisation. Chinese Taipei has taken part in several plurilateral initiatives like ITA, EGA, GPA and TiSA. It plays an active role in ongoing Doha-related negotiations and supports the Buenos Aires Joint Initiatives and declarations. I would like to pay tribute to Chinese Taipei's attachment to the rules-based multilateral trading system, especially in the challenging times the organisation is going through.

As a demonstration of its dedication to the transparency pillar of this organisation, Chinese Taipei has chosen alternative timelines for its TPR that has allowed me and the Members to review the replies to the written questions in advance of this meeting and thus to contribute to more interactivity and transparency of this exercise. This review serves as an important addition to the already strong record of notifications of Chinese Taipei to the WTO (although nothing is perfect and there are some outstanding notification obligations in the area of subsidies and incentives, notably the pending up-to-date notification on domestic support to agriculture).

I would like to organise my substantive remarks with some general observations on the economic situation and overall trade policy of Chinese Taipei. I will then focus on the key changes since the previous TPR in 2014 as well as the main trade-related challenges, as highlighted in the Members' questions as areas of interest. The great interest and importance that WTO Members attribute to Chinese Taipei's trade policies and practices is clearly demonstrated by over 400 questions submitted by 22 Members.

As to the overall **economic situation**, the Secretariat report notes that the relatively strong fundamentals and well developed, well diversified and outward-looking economy of Chinese Taipei have helped to maintain macro-financial stability and resilience. Despite some innovation- and labour-related concerns, Chinese Taipei has maintained its position among the world's most competitive economies while registering a slight decline in income inequality. In this context I would like to note that Chinese Taipei has a level of prosperity as measured by GDP per capita of 25 980 USD, which is well comparable to that of many developed members of the OECD.

During the review period, average annual GDP growth for the period 2014-2017 stood at 2.3%, which is a slowdown compared to previous years. However, in the first half of 2018, the economy has showed a strong performance of GDP expanding by 3.2 %. The unemployment rate hit the lowest level in 18 years (3.6%).

Chinese Taipei remains open to international trade and is well integrated into the world economy and global value chains. It maintains a well-developed infrastructure, an educated workforce, and a pro-business attitude while benefiting from a geographically strategic location. Its trade policy continues to be based on the premise that trade openness, innovation, global and regional connectivity, and economic performance are strongly linked. It continues to pursue a combined unilateral, bilateral, regional and multilateral approach to trade policy. Chinese Taipei has currently 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.

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 and China as the biggest export destination. Goods exports hit a historic record (US\$163 billion) in the first half of the year with machinery and mechanical appliances, including IT products, remaining the major exports. China has also remained the biggest outbound investment destination (47%) for Chinese Taipei. The growing integration of those two economies is therefore striking, notwithstanding regular political tensions.

Chinese Taipei continues to offer non-reciprocal preferences to all least-developed countries and as a major beneficiary of economic globalisation itself, it is willing and ready to contribute to Aid-for-Trade and other assistance initiatives by making financial and other forms of contributions and assistance to developing country members, as well as to related WTO agencies.

As one proverb says: "The leaves of the tree are many, but the root is one. When the root is firm the branches flourish." I think we can all commend Chinese Taipei for achieving such a good foundation that will bring success and sustainability of its policies in the longer term.

Both Reports note that during the review period, **several trade and trade-related structural reforms** were undertaken and a number of **reform initiatives** have been adopted to boost the economy and improve competitiveness, which - according to the World Economic Forum's 2017-2018 Global Competitiveness Index - slipped somewhat. This brings me to the second part of my remarks - the key developments since the last TPR in 2014, and there have been quite a few.

Chinese Taipei has implemented the development plan (2013-2016) whose objective was to accelerate structural adjustments and relax regulations. Now, key policies, namely the development plan for 2017-2020 and the "5+2" Industrial Innovation Plan are being implemented to accelerate innovation.

The New Southbound Policy was launched to provide an overarching framework for the development of a new and comprehensive relationship with additional partners in the Asia-Pacific region and to boost links with partners in this region.

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.

During the review period, one key legislative achievement was the Financial Technology Development and Innovative Experimentation Act, which came into force on 30 April 2018, introducing the so-called "financial supervision sandbox system" to encourage financial technology innovation.

An ambitious energy reform programme aims, *inter alia*, to increase the share of locally produced renewable energy in the total energy mix to 20%, to transition to cleaner energy, and to end nuclear power generation by 2025. Tax reform, labour market reform, and fisheries management reform, as reported in both Reports, should also be flagged as relevant developments since the last review.

Turning now to the **trade and investment regime and trade policy measures and practices**, since the last Trade Policy Review, the general thrust of the investment and trade policy of Chinese Taipei has actually remained unchanged. While no unilateral liberalization has been undertaken, there have been policy developments in certain areas such as trade facilitation, competition policy, intellectual property rights, tariffs, preferential trade agreements, sanitary and phytosanitary requirements, and public procurement.

Many of these areas have been of interest to the 22 Members that have posed advance questions to Chinese Taipei. Allow me to highlight some that seem to have attracted most of the interest - and sometimes also concern - by the Membership.

Improving investment and business climate has been a recurrent theme in both of the previous TPRs whereby Chinese Taipei has been encouraged to reduce high public sector

involvement in the economy and address regulatory concerns of foreign investors. I have seen again a number of questions from Members on this theme also at this review.

Since the previous review, there have been not many changes to the legal framework. However, the authorities have been conducting a comprehensive re-evaluation of the current draft amendments and have indicated that consideration is being given to removing the pre-investment screening/review requirement and replacing it with a post-investment registration mechanism.

As a positive development, Chinese Taipei's negative list containing investment prohibitions and restrictions has now been amended to allow overseas investment in ship leasing services and the cultivation of certain crops. New measures have also been taken to foster greater public participation in 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.

During the review period, Chinese Taipei's **trade facilitation developments** included the ratification of the WTO Trade Facilitation Agreement in 2015, the adoption of amendments clarifying relevant legislation (Customs Act), further integration of online operations with the Customs-Port-Trade Single Window, and the introduction of expeditious customs clearance services. However, harbour dues for overseas routes remain 60% higher than for domestic routes. Average time to process goods is almost 6 days from arrival to removal of goods for sea cargo. According to World Bank Doing Business data index, 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.

According to the World Economic Forum, in 2015 the most problematic factors for importing were mainly: tariffs and non-tariff barriers; high cost or delays caused by international and domestic transportation; burdensome import procedures; and domestic technical requirements and standards.

These issues have often been referred to in Members' questions, such as on further alignment of standards and technical requirements with international standards, simplifying certification and testing requirements, streamlining conformity assessment procedures, plans for tariff structure simplification, expansion of the scope of export prohibitions, and duty and tax concessions and incentives.

Another area that has again received considerable attention by Members – and some expressions of concern – is the **sanitary and phytosanitary regime**. The Report notes that during the review period, the main laws and regulations affecting food standards and specification have basically remained the same.

Members have raised questions on the consideration of international standards when establishing restrictions on imports from countries with animal disease; regulatory measures to improve food safety of locally produced food items; delays on issue of sanitary certificates for unprocessed imported foodstuffs; restrictions on certain imports of beef and poultry products and procedures for establishing maximum residue limits, to name a few. Reportedly, Chinese Taipei's slow process for establishing minimum residue levels for pesticides, the 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. Some Members have invited Chinese Taipei to notify its SPS measures to the WTO at the draft stage and ensure that sufficient time is given to submit comments and for those comments to be taken into consideration before adoption.

Maybe Chinese Taipei could share its thinking on these SPS issues and any plans to expedite and simplify procedures and practices?

Turning finally to **sectoral policies**, while Members have shown considerable interest in developments in the financial services sector as well as in the energy-related incentives and subsidies and initiatives against illegal, unreported and unregulated (IUU) fishing, the call for more liberalisation in **agricultural policy and measures** has remained in the forefront of many Members' concerns.

Chinese Taipei's objectives for the agricultural sector are set out in its New Agricultural Policy, adopted in December 2016. The overall aim is reportedly to create a multi-functional agricultural sector, rather than merely providing subsidies, as in the past.

The average applied MFN tariff for agricultural products was 17.8% in 2018. Thirty tariff lines had rates over 100%, mainly as a result of the tariff lines with out-of-quota rates. Special safeguard measures were taken several times during the review period. During Chinese Taipei's previous review, it was observed that there had been a notable increase in price-based special safeguards since 2013; this tendency is also reflected in the current review period.

And there have been several other areas of interest from Members, such as competition policy, privatisation plans, enhancing further IPR legislation and enforcement, and public procurement.

Chair, some of the **challenges observed** at the last TPR four years ago persist today.

One of them is the shrinking of the labour force, although ongoing technological upgrading is expected to maintain productivity gains. The labour force challenge is one that a growing number of WTO Members face and needs to be addressed through various means, including life-long learning. After all, as another saying goes: "If you are planning for a year, plant rice. If you are planning for a decade, plant trees. If you are planning for a lifetime, educate people".

Sustained growth in the highly competitive region of Asia depends on implementing productivity-enhancing structural reforms, especially those aimed at the shift of the economy from industry to services, with a greater focus on raising quality value added.

Chinese Taipei has several challenges to tackle. However, and I herewith conclude, Chair, everything I have read and heard in the context of this 4th Trade Policy Review so far, suggests that authorities are taking these challenges seriously and Chinese Taipei is setting for itself the goals to do so. I trust that in five years' time at the 5th TPR the WTO membership will be able to take stock of further progress made by Chinese Taipei.

Thank you.
