Taiwan’s Current Trade Status and Challenges

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Director General
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1. Current Status and Challenges
2. Taiwan’s Trade Priorities
   2.1 Multilateral and Plurilateral Negotiations in the WTO
   2.2 Progress in TPP / RCEP Participation
   2.3 The “New Southbound Policy”
3. Conclusion
1. Current Status and Challenges

Trade Growth Rates for the World and Taiwan

Data Source: Global Insight, 15 July 2016 and Customs Administration. Note: 2016 data is projected.
1. Current Status and Challenges

1.1 Taiwan’s External Trade Decline

- Taiwan’s exports/imports have slowed in recent years.

source: The Customs Administration, MOF, compiled by BOFT
1. Current Status and Challenges

1.2 Concentration of Export Market

- Mainland China (including Hong Kong) accounts for 40% of Taiwan’s total exports.

Growth rate and amount of Taiwan’s exports in 2015

Source: the Customs Administration, MOF (2015 Analysis of International Trade Trends by BOFT)
1. Current Status and Challenges

1.3 Concentration of Exported Products

<table>
<thead>
<tr>
<th>Product</th>
<th>2001</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parts for Electronic Products</td>
<td>30.1%</td>
<td>30.1%</td>
</tr>
<tr>
<td>Information, Communication and Audio-video Products</td>
<td>24.8%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Base Metals and Articles of Base Metals</td>
<td>9.0%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Machinery</td>
<td>8.0%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Electrical Machinery Products</td>
<td>5.1%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>3.4%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Optical, Photographic Cinematographic Apparatus</td>
<td>1.8%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Parts for Electronic Products, Machinery, Chemicals, Optical, Photogra</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: The Customs Administration, MOF, compiled by BOFT
1. Current Status and Challenges

1.4 Regional Economic Integration

- Taiwan lags in FTA coverage.

FTA coverage rate in some Asian countries

<table>
<thead>
<tr>
<th>Country</th>
<th>FTA's in force</th>
<th>FTA coverage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>30</td>
<td>(33.67%, 15)</td>
</tr>
<tr>
<td>Mainland China</td>
<td>50</td>
<td>(56.38%, 9)</td>
</tr>
<tr>
<td>Korea</td>
<td>70</td>
<td>(76.65%, 21)</td>
</tr>
<tr>
<td>Taiwan</td>
<td>10</td>
<td>(9.74% (note), 7)</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>100</td>
<td>(64.29%, 14)</td>
</tr>
</tbody>
</table>

Source: Global Trade Atlas Navigator Jan-Oct 2015 statistics, the Customs Administration, MOF of Taiwan
Note: ECFA-only items listed in the early harvest scheme are included
1. Current Status and Challenges

1.5 More Black Swans?

- **Brexit**
  - Highly uncertain before the UK completes its exit negotiation with the EU

- **The US presidential election in November**
  - Both candidates are against TPP

- **Geopolitics**
  - Terrorist attacks, Syrian refugees pouring into the EU, disputes in the South China Sea
2. Priorities of Taiwan’s trade

2.1 Multi- / Plurilateral negotiations in the WTO (1/4)

Trade Facilitation Agreement (TFA)

**Background**

- WTO members concluded negotiations at Ninth Ministerial Conference held in Bali, Indonesia in December 2013
- The first multilateral agreement concluded at the WTO by all of its Members
- TFA will enter into force 30 days after 2/3 of WTO members have domestically ratified and notified the WTO of their acceptance of this Protocol. The number of ratifications now stands at 90.

**Benefit**

- expedite the movement of goods
- reduce times and costs of customs clearance
- transparency the border procedures
- predictable release of goods

- Boost global trade
- Increase domestic and foreign investment
- Export market diversification
- Enhance consumer welfare

**Taiwan’s performance**

- formally ratified the TFA on September 3, 2015 and become the 15th WTO members have accepted the TFA
- donate CHF 35,000 to help the developing and least-developed countries reap the benefits of the TFA in 2016
- According to the study of Chung-Hua Institution for Economic Research:
  - GDP ↑ $3.8 billion
  - Exports ↑ $3.2 billion
  - Imports ↑ $2.7 billion
2. Priorities of Taiwan’s trade
2.1 Multi- / Plurilateral negotiations in the WTO (2/4)

Information Technology Agreement (ITA) Expansion

In May of 2012, Taiwan and other major IT exporting countries initiated the ITA expansion negotiations, which lasted for three and a half years. The 24 participating members announced the conclusion of the negotiations on December 16, 2015.

■ Outcome

- The ITA expansion was the first significant tariff reduction deal for goods in 18 years. The annual trade in these 201 products is valued at USD $1.3 trillion per year, and accounts for approximately 10% of total global trade.

- Each member shall apply three-year staging in four equal annual tariff reductions from July 2016, unless agreed by other members. Extended staging to five or seven years may be necessary in limited circumstances.

■ Benefits for Taiwan

- The export value of ITA expansion products accounts for 28.7% of Taiwan’s total exports

- Tariff Net Profit: USD $ 820 million

- Competitive items: 136 out of 201 on the ITA expansion product list
2. Priorities of Taiwan’s trade
2.1 Multi- / Plurilateral negotiations in the WTO (3/4)

Negotiation on Environmental Goods Agreement (EGA)

**Participants**
1. Australia
2. Canada
3. China
4. Costa Rica
5. EU (28)
6. Hong Kong
7. Iceland
8. Israel
9. Japan
10. Korea
11. New Zealand
12. Norway
13. Singapore
14. Switzerland
15. Taiwan
16. Turkey
17. US

**Goal**
- On the basis of the APEC List of Environmental Goods, to expand the product coverage and seek tariff elimination
- Apply the principle of Most Favored Nation once a critical mass of WTO Members participates
- Contribute to green growth and sustainable development

**Progress**
- Launched in July 2014
- 15 Rounds hold till July 2016
- Seek to conclude the negotiation by the end of 2016

**Taiwan’s nominations**
- Bicycles and parts, LED lighting, recycled paper, photovoltaic cells, turbines, pumps, pipes, sound insulation products, waste management machinery, sewage sludge dryers, water filtering or purifying machinery, measuring or checking instruments, etc.
2. Priorities of Taiwan’s trade
2.1 Multi- / Plurilateral negotiation in the WTO (4/4)

Trade in Servicers Agreement (TiSA)

What is TiSA
- A plurilateral trade agreement covers trade in services only.
- Negotiations among 23 WTO Members* accounting for 70% of the services trade in the world
- Starting in 2013 and expecting to conclude by the end of 2016

* Australia, Canada, Chile, Colombia, Costa Rica, EU, Hong Kong, Iceland, Israel, Japan, Korea, Liechtenstein, Mexico, Mauritius, New Zealand, Norway, Pakistan, Panama, Peru, Switzerland, Taiwan, Turkey, US

Objectives of TiSA
- A high-ambition agreement, that would attract broad participation and which could be multilateralised in the future
- Further liberalization in trade in services by improving the market access commitments and by developing new and enhanced trade disciplines (such as Financial Services, Telecom Services, Ecommerce, Temporary stay of business persons, etc)

Taiwan’s objectives to join TiSA
- Expand the services export opportunities and upgrade the competitiveness of Taiwanese services industry
- Connecting the world by participating in the new service rules making
- Making Taiwan ready for joining TPP
2. Priorities of Taiwan’s trade
2.2 Progress in TPP and RCEP participation

2.2.1 TPP: The Trans-Pacific Partnership (1/5)

Timeline

2005  TPP launched (P4)
2008  Japan joined
2013  Oct. 5 concluded
2015  Nov. 5 Draft published
2015  Feb. 4 Agreement signed
2016  members’ ratifications, TPP enter into force (estimated)
2017  Open to new members
2017  ?
2. Priorities of Taiwan’s trade
2.2 Progress in TPP and RCEP participation

2.2.1 Features of the TPP agreement (2/5)

All items are subject to negotiations. The results are presented in the schedules.
- Goods
- Services
- Government Procurement

Comprehensive liberalization

Cross-cutting
- behind borders” issues (e.g.: telecom, intellectual property, etc.
- Regulatory coherence
- SMEs
- Competitiveness and business facilitation
- development

New Trade Challenges
- Competition policy,
- Labor
- State-owned enterprises,
- Environment
- E-commerce

A living agreement
- new issues and
- new members
The total trade amount between Taiwan and TPP members in 2015 was around \textbf{187.9 billion US dollars}, which accounts for 36.91\% of Taiwan’s total trade (509 billion US dollars).

The total GDP of the 12 TPP members in 2015 was around \textbf{27.46 trillion US dollars} (37\% of the global GDP), higher than both the EU (22\%) and NAFTA (28\%).
2. Priorities of Taiwan’s trade
2.2 Progress in TPP and RCEP participation

2.2.1 Preparations for joining the TPP (4/5)

◆ The Executive Yuan has assigned a Minister without Portfolio to supervise and facilitate the preparation work.

◆ Preparations are focused on the following five areas:

- "Gap analysis" between our existing laws and the TPP text, and amendments for implementation
- Impact assessment
- Seeking the support of TPP members
- Domestic capacity building
- Enhanced domestic communication and consultation

TPP website: http://www.tpptrade.tw/

TPP Facebook: http://m.facebook.com/taiwantpp/
## 2. Priorities of Taiwan’s trade
### 2.2 Progress in TPP and RCEP participation

#### 2.2.1 The Challenges and Opportunities of the TPP (5/5)

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Taiwan meets the accession requirement in Chapter 30 of the TPP.</td>
<td>• Taiwan has only two FTAs with TPP members.</td>
</tr>
<tr>
<td>• Taiwan has been a crucial, integral part of Asia-Pacific supply chains.</td>
<td>• Taiwan’s trade regime must be liberalized to the TPP level.</td>
</tr>
<tr>
<td></td>
<td>• Taiwan has a unique international status.</td>
</tr>
</tbody>
</table>
2. Priorities of Taiwan’s trade
2.2 Progress in TPP and RCEP participation

2.2.2 An Overview of the RCEP (1/3)

Regional Comprehensive Economic Partnership (RECP) negotiations were launched in May 2013 and the 14th round was just held in August.

<table>
<thead>
<tr>
<th>Issues Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade in Goods</td>
</tr>
<tr>
<td>Trade in Services</td>
</tr>
<tr>
<td>Investment</td>
</tr>
<tr>
<td>Economic and Technical Cooperation</td>
</tr>
<tr>
<td>Other Issues</td>
</tr>
</tbody>
</table>

The RCEP includes 10 ASEAN member states and ASEAN's 6 FTA partners.
2. Priorities of Taiwan’s trade
2.2 Progress in TPP and RCEP participation

2.2.2 An Overview of the RCEP (2/3)
All participants in the RCEP are among Taiwan’s important trading partners.

In 2015, Taiwan’s trade with RCEP members amounted to US$293.3 billion, accounting for about 57.6% of Taiwan’s total trade.

In 2015, RCEP’s GDP amounted to US$22.4 trillion, accounting for about 30.62% of global GDP.

Sources: Statistics of the Customs Administration (ROC); World Economic Outlook Database, April 2016
2. Priorities of Taiwan’s trade
2.2 Progress in TPP and RCEP participation

2.2.2 An Overview of the RCEP (3/3)

• Terms and Conditions to Join RCEP:
  ✓ Only after the completion of the RCEP negotiations.
  ✓ An open accession clause that enables the participation of any other ASEAN FTA partner that did not participate in the RCEP negotiations and any other “external economic partners” (this term has not yet been discussed and defined).
  ✓ Consensus of all 16 current members is required.

• Taiwan could possibly participate in RCEP’s 2nd stage of negotiations:
  ✓ After the current RCEP negotiations are concluded, the agreement enters into force, and the new membership requirements are defined, then our accession will be considered by all RCEP members.
2. Priorities of Taiwan’s trade

2.3 The “New Southbound Policy” (1/4)

1. New Scope:

- 10 countries of ASEAN, countries in South Asia, and Australia and New Zealand.

2. New Direction:

- To enhance economic partnership between Taiwan, ASEAN and South Asia countries through the promotion of multi-faceted links in the areas of trade, investments, SMEs, industrial cooperation, E-commerce and personnel exchange.

3. New Brace:

- Extending trade, investment and industrial cooperation to ASEAN and South Asia market to build up new support to Taiwan’s economic development.
2. Priorities of Taiwan’s trade

2.3 The “New Southbound Policy” (2/4)

Ministry of Economic Affairs has developed a new plan to promote the New Southbound policy, which focuses on:

Six dimensions

- Trade
- Two-Way Investment
- SMEs
- Industrial Cooperation
- E-commerce
- Personnel Training
2. Priorities of Taiwan’s trade
2.3 The “New Southbound Policy” (3/4)

Comprehensive Trade Promotions
- Developing new business models
- Offering customized services
- Overseas mechanical vocational training centers and mechanical marketing alliances
- Economic and trade dialogues

Two-way Investment
- Strategic Taiwan-ASEAN partnerships
- Cluster investments in ASEAN and South Asia
- Investment safety nets

Small and Medium Enterprises
- Financing and credit guarantees
- Support SME exports.
2. Priorities of Taiwan’s trade
2.3 The “New Southbound Policy” (4/4)

**Industrial Cooperation**
- Bilateral industrial cooperation
- Exportation of system integration services and turn-key plants.

**E-Commerce Marketing**
- Globalization of “Taiwantrade” and promoting e-commerce trade.
- Using e-commerce to access markets: Using online-to-offline (O2O) marketing, etc.
- Globalization of e-business platforms.

**Personnel Training**
- Industrial Personnel training
- International Marketing Personnel Training.
- Strengthening personnel exchanges
3. Conclusions

- Levelling the playing field for Taiwan’s businesses
- Enhancing our partnerships with the global community
Thank you

Bureau of Foreign Trade
http://www.trade.gov.tw/