

**The Path to Comprehensive and Progressive Trade
Integration in Asia-Pacific Region:**

*Overview of Taiwan's Trade Regime and Current
Preparatory Work*

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PREFACE

As a full Member of the World Trade Organization (WTO) under the title of Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu, Taiwan has been actively participating in all WTO-related activities and faithfully fulfilling its obligations in the multilateral trading system.

Taiwan recognizes the significance of a high-standard and comprehensive regional agreement that builds upon our respective rights and obligations under the Marrakesh Agreement Establishing the WTO. Without reservation, we stand in line with such objectives to promote economic integration, liberalize trade and investment, stimulate economic growth, strengthen worker's protection, raise living standards, reduce poverty, and promote sustainable growth.

This document provides an overview of Taiwan's trade policy, ongoing reforms, and explains why Taiwan is a worthy candidate for this important trade agreement. We believe it will be a good basis to engage informally with like-minded countries.

A. Trade Regime

(a) Economic Policies

Taiwan is a free and open market economy. “All-round Construction” and “Economic Power-up” Plans are the two pillars of economic strategy that aim to enlarge infrastructure development, accelerate deregulation, and unlock growth potential.

Other key policies, such as the Four-Year National Development Plan (2017-2020), the New Southbound Policy and the “5+2” Industrial Innovation Plan, have already been set in motion to accelerate various structural reforms and advance industrial transformation.

With a strong determination to follow through with the implementation of these policies, Taiwan expects to continue improving its internal economic structures with the following key policy objectives and market access commitments.

i Key Policy Objectives

- Diversifying markets and broadening the scope of trade are key policy objectives. In order to broaden our access to emerging markets in Southeast Asia, South Asia, and Oceania, the Government launched the New Southbound Policy. Taiwan will continue to pursue free trade among all CPTPP Members on a mutually beneficial basis to achieve a better-shared future.
- We are committed to growing domestic demand, developing trade in services, enhancing

international competitiveness, reducing trade barriers, and reducing dependence on specific trading partners and certain imported and exported products.

- According to the World Bank's Doing Business Report, Taiwan's ranking improved from 19th in 2014 to 15th in 2019. Increasing the transparency of the legal framework to improve the domestic environment for foreign investment is another key objective.

ii Market Access Commitments

Taiwan has kept its commitment under the WTO, capping all tariff lines at an overall average tariff rate of 6.2%: 16.4% for agricultural products and 4.6% for non-agricultural products.

(b) Statistics

i GDP, Population, and Trade

- Taiwan is 5th largest economy among current CPTPP Members.
- Taiwan's stabilized GDP growth rates are at 3% after the global financial crisis. In 2019, Taiwan's growth rates was 2.7%, which was better than most countries during the US-PRC trade conflicts. In the first season of 2020, Taiwan still recorded 1.59% GDP growth in the Covid-19 pandemic, outperformed most of the countries in the world.
- According to the IMF, GDP Per Capita PPP of

Taiwan reached US\$55,078, ranking 15th in the world. Among CPTPP Members, Taiwan has the third highest GDP per capita adjusted by PPP.

CPTPP Members and Taiwan's Macro-Economic Statistics

Members	2019 GDP (billion US\$)	Population (million)	2019 GDP per capita PPP (US\$)
Japan	5,154	126.2	45,546
Canada	1,731	37.5	50,725
Australian	1,376	25.6	53,379
Mexico	1,274	125.9	20,868
Taiwan	586	23.6	55,078
Singapore	365	32.8	32,881
Malaysia	363	5.7	103,181
Chile	294	19.1	26,317
Viet Nam	262	95.5	8,066
Peru	229	32.5	14,719
New Zealand	205	5.0	40,943
Brunei	12	0.4	80,384

Source: IMF(2019) 、Trading Economics Indicators (2020.07).

ii International Ratings

- 12th in WEF Global Competitiveness Index, 2019
- 4th best investment environment (Business

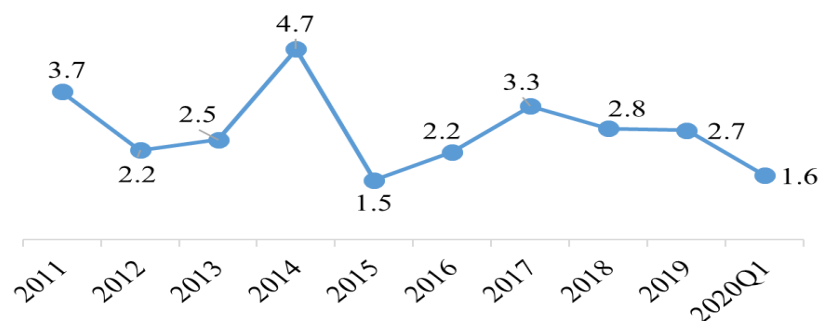
Environment Risk Intelligence, 2019)

- 6th largest foreign exchange reserves (IMF, 2020)
- 7th largest investor in the Asia-Pacific region (UNCTAD, 2017)
- 15th economy for ease of doing business (World Bank, 2019)
- 16th most competitive economy (IMD World Competitiveness Yearbook, 2019)
- 18th largest trading member of the WTO (2019)
- 240 Taiwanese products ranked Top 3 in terms of worldwide exports (2019)

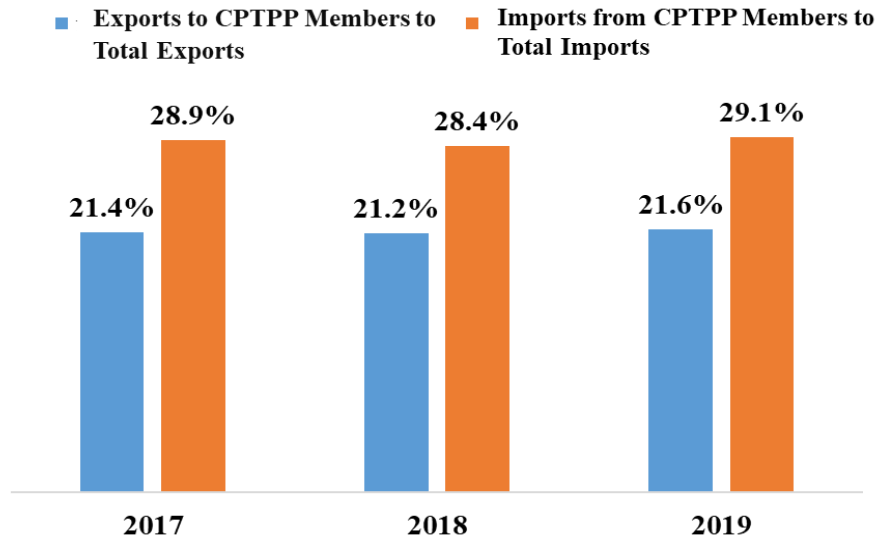
iii Bilateral Trade and Investment with CPTPP Members

- Close trade ties: In the recent three years, about 21% of our total exports are to CPTPP Members and approximately 30% of our total imports come from CPTPP Members.
- Global trade has declined since the US-PRC trade war. However, Taiwan's trade performance with CPTPP members still grew.

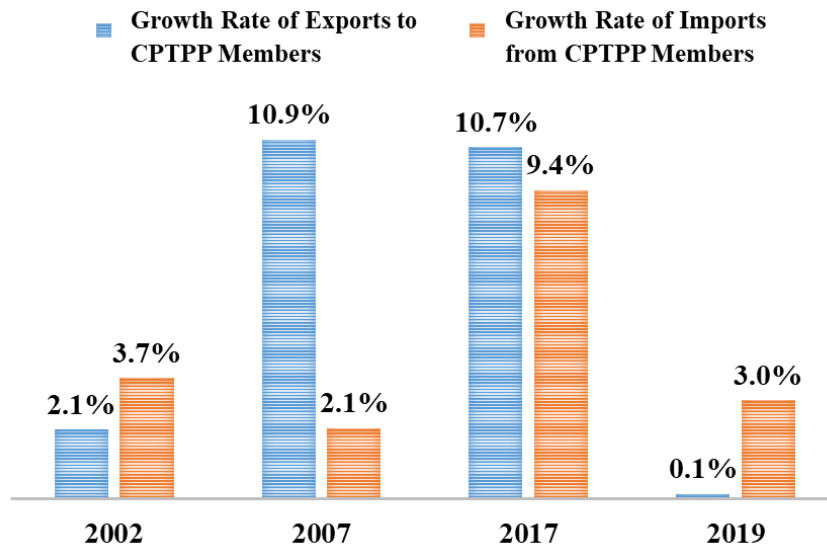
GDP Growth Rates of Taiwan in Recent Ten Years



Bilateral Trade between Taiwan and CPTPP Members



Source: The Customs Administration, Ministry of Finance, Taiwan



Source: The Customs Administration, Ministry of Finance, Taiwan

- In 2019, 31% of our accumulated outbound investment destination were CPTPP Members while inbound FDI from CPTPP Members consisted of 20.6% of our total FDI. Viet Nam, Singapore, and Australia were the top three CPTPP destinations for Taiwanese investment. Japanese and Australia investors invested more in Taiwan than other CPTPP Members.

iv Existing Bilateral Platforms

- Economic dialogues at the ministerial or director-general level with Japan, Malaysia, Singapore, Australia, New Zealand, and Canada
 - FTAs with Singapore, and New Zealand
 - Bilateral Investment Agreements with Japan, Viet Nam, and Malaysia
- v Taiwanese business associations also meet with their Japanese, Singaporean, Mexican, Peruvian, New Zealand, Australian, Chilean, and Vietnamese counterparts on a regular basis.

B. Current Preparatory Work

(a) Streamlining the Coordination among Government Agencies

In September 2016, the Executive Yuan assigned a designated Minister without Portfolio to oversee cross-agency preparatory work for joining the TPP. The Government also elevated the Office of Trade Negotiations from the Ministry of Economic Affairs to the Executive Yuan, where Minister without Portfolio John C. Deng now serves as Chief Trade Negotiator. The Office of Trade Negotiations coordinates with other agencies Taiwan's negotiating positions to advance the goal of regional economic integration.

(b) Legislative Amendments and Other Efforts

i Performing the Legal “Gap Analysis”

Since the release of the official CPTPP text, all relevant government agencies in Taiwan have completed the first stage of the regulatory “gap analysis” to identify discrepancies between Taiwan’s current domestic laws and regulations and CPTPP obligations. Twelve laws were identified to have “gaps”. Since 2016, eight laws have already completed the amendment process. The remaining four proposed amendments are pending in the Legislative Yuan as priority bills fully supported by all major parties.

Result of the “Gap Analysis”

Laws	Amendments Already Passed Through Legislature	Related CPTPP Chapter
Statute for Distant Water Fishing	Preventing overfishing and limiting excess fishing capacity	Environment
Ordinance to Govern Investment in the Operation of Foreign Flag Fishing Vessels		
The Fisheries Act		
Pharmaceutical Affairs Act	Extending data exclusivity to new indications of an existing medicine	Intellectual Property
	Strengthening/Establishing a patent-linkage system	
Cosmetic Hygiene and Safety Act	Removing the requirement of labeling permit number	TBT Annex C Pharmaceuticals

	and registration number for cosmetics to get marketing permit	
The Plant Variety and Plant Seed Act	Extending the protection of rights in plant varieties to cover plants protected by international conventions like UPOV	Intellectual Property
Agro-pesticides Management Act	Extending the length of protection for data exclusivity from 8 to 10 years	Intellectual Property
Postal Act	Defining postal mail (post monopoly) items by value or weight	Cross-Border Trade in Services Annex B Express Delivery Services

Source: Compiled by the Office of Trade Negotiations, EY, Taiwan

Laws	Amendments Waiting for Legislative Review	Related CPTPP Chapter
Patent Act	Stipulating a basis for patent litigation in response to the introduction of patent linkage (Extending grace period from 6 to 12 months: Completed in 2017)	Intellectual Property
Copyright Act	Empowering prosecutors to actively bring charges against severe copyright infringement	Intellectual Property
Trademark Act	Stipulating criminal penalties for counterfeiting trademarks or collective trademarks labels	Intellectual Property

Draft Digital Communications Act	Enacting a new law to prevent a flood of junk mail	E-Commerce
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Source: Compiled by the Office of Trade Negotiations, EY, Taiwan

ii Business Environment-Related Reforms

The following highlights Taiwan's recent efforts to foster a more business-friendly environment:

(i) Administrative Transparency

1. Effective October 1, 2016, all proposals for new regulations or regulation amendments are subject to a mandatory 60-day public notice and comment period. The only exception is in the case of emergencies or when a regulation must be promulgated within a shorter time.
2. A user-friendly Internet platform (<http://join.gov.tw>) was created in 2016 for the public to track proposed regulatory amendments and to submit comments as part of the effort to elevate transparency and encourage public participation. In the 2017 Global Open Data Index published by Open Knowledge International, Taiwan was ranked number one out of the 93 countries assessed.

(ii) The Financial Sector: In 2015, Taiwan liberalized procedures for establishing offshore insurance units (OIU), allowing insurance service providers to offer international insurance services and expand the scale of its domestic

operations on a global level.

(iii) Foreign Professionals: To attract skilled overseas professionals, the Government has relaxed its requirements for foreign professionals through 27 reform initiatives with respect to visas, employment, residence, finance, taxes, insurance as well as enhancing their living environment. Taiwan is also strengthening the mechanism to attract outstanding foreign students and young entrepreneurs to come to Taiwan and has passed the “Act for the Recruitment and Employment of Foreign Professionals” for that purpose.

(iv) Taxation: The highest marginal tax rate for the individual income tax was reduced from 45% to 40% to encourage professionals to keep their residence in Taiwan. The surtax rate on undistributed earnings of companies shall be reduced from 10% to 5%. The profits of an enterprise organized as a sole proprietorship or a partnership not required to calculate or pay income tax shall be included in the partners’ or the sole proprietor’s individual consolidated income.

iii Impact Assessment

- (i) The Government performed two cross-agency impact assessments: one in 2016 before the U.S.’s withdrawal from the TPP and one after the release of the new CPTPP text in April 2018.
- (ii) The final analysis consisting of goods, services, regulatory coherence and econometric evaluation shows a net positive impact on

Taiwan by joining the CPTPP.

iv Domestic Outreach

- (i) A designated CPTPP webpage (<https://cptpp.trade.gov.tw>), along with pamphlets containing agreement-related FAQ and accounts on various social media platforms, has been designed and set up to encourage and facilitate greater public involvement and outreach.
- (ii) The Government has completed over 40 outreach events in 2018 to business associations, universities, and legislative bodies to promote efforts to join the CPTPP.

C. Benefits of Taiwan CPTPP Membership

For Global Trade

- i In 2017, trade with CPTPP Members consists of one-fourth of Taiwan's total trade. While 30% of Taiwan's imports came from CPTPP Members, 20% of Taiwan's export went to CPTPP Members. Japan, Singapore and Malaysia were Taiwan's top 10 trading partners. In the same year, 30.42% of Taiwan's total FDI came from CPTPP Members, while more than half of our outbound investment (54%) went to CPTPP Members.
- ii According to the WTO-OECD Trade in Value-Added (TiVA) database, Taiwan has the highest participation in global value chains among current CPTPP Members. The high percentage of imports from CPTPP Members to Taiwan demonstrates Taiwan's tightly-knit relationship to the CPTPP value chain.

The Participation Rate in the Global Value Chain

Rank	Country	Participation Rate (% of total export)
1	Taiwan	67.6
2	Singapore	61.6
3	Malaysia	60.4
4	Viet Nam	52.3
5	Chile	51.9
6	Peru	48.7
7	Japan	47.4
8	Brunei	46.9
9	Mexico	46.8
10	Australia	43.6
11	Canada	42.4
12	New Zealand	33.3

Source: Compiled by the Office of Trade Negotiations, EY, Taiwan

- iii The “Trade Specialization Index (TSI)” shows that Taiwan’s economic structures are similar to Japan, Malaysia, and Singapore, and complementary to Australia, Peru, Canada, Chile, New Zealand, and Mexico.
- iv A comparison of the complementarity index of trade in goods shows that 50% of Taiwan’s import demand are met by Singapore, Malaysia, Mexico, Japan, Canada, and Viet Nam, and vice versa.
- v Ranking 18th in global trade, Taiwan has long been an indispensable link in the global value chain. Taiwan’s trading regime, including its investment, e-commerce, finance, telecommunications, labor, environment, and state-owned enterprises governance, will be further upgraded through membership in the CPTPP.

(b) For Member Signatories

i Non-agricultural products

Between 2017 and 2019, Taiwan's average annual import from the CPTPP Members reached \$75.8 billion, of which only \$11.2 billion faced tariffs more than 5%.

Among CPTPP Members Japan is the number one exporter to Taiwan, accounting for 56.1% of total exports from CPTPP Members amounting to \$42.5 billion. Exports from Australia and Malaysia rank second and third, respectively, consisting of 11.42% and 11.37% of total exports from CPTPP Members.

(i) Currently Taiwan imposes relatively higher tariffs on some of the machinery and intermediary imports, many of them originating from Japan. These tariffs are expected to be eliminated with Taiwan's membership in the CPTPP.

(ii) Taiwan also expects to expand market access for construction and building materials, textile and apparel, appliances from Malaysia and Viet Nam with CPTPP membership.

ii Agricultural Products

In 2019, CPTPP Members exported \$3.46 billion worth of agricultural and food products to Taiwan, accounting for 25.3% of Taiwan's total agro-import. We expect the figures to expand with Taiwan's membership in the CPTPP.

Major Agro-Imports to Taiwan from CPTPP Members

Country	Import (Unit: Thousand US \$)	Major Items
Japan	737,544	Prepared food products, alcoholic beverage, apples, pastries, fishery products
New Zealand	732,257	Milk and cream, fresh fruit, frozen beef, Butter, Fresh, Chilled Or Frozen Sheep Or Goats
Australia	604,173	Fresh, Chilled Or frozen beef, Fresh, Chilled Or Frozen Sheep Or Goats, Milk and cream, Malt Extract
Vietnam	341,214	Crustaceans, Live Fresh Chilled Frozen Dried Etc, Tea, Fish Fillets And Other Fish Meat, Prepared Animal Feeding food, Coconuts
Malaysia	319,150	Palm oil, Prepared food products, Crustaceans, Live Fresh Chilled Frozen Dried Etc, Bread, Pastry, Cakes, Bisuits And Other Bakers' Wares, Coffee, Tea
Canada	292,378	Fresh, Chilled Or Frozen pork, Soybeans, Prepared Animal Feeding food, Crustaceans, Live Fresh Chilled Frozen Dried Etc, Prepared food products

Country	Import (Unit: Thousand US \$)	Major Items
Chile	211,281	frozen fish, apples, pears cherries, grapes, alcoholic drinks
Singapore	107,695	Prepared food products, Malt Extract, Cigarettes, Margarine, Prepared Animal Feeding food
Peru	82,358	flours/meals and pellets of fish or of crustaceans, grapes, prepared fishery products, Fresh Or Chilled Vegetables
Mexico	34,101	flours/meals and pellets of fish or of crustaceans, Fixed Vegetable Fats And Oils, alcoholic beverage
Brunei Darussala m	555	Prepared food products, Crustaceans, Live Fresh Chilled Frozen Dried Etc, Margarine, Sugar Confectionary, Pasta
Total		3,462,706

Source: Compiled by the Office of Trade Negotiations, EY, Taiwan