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TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

SEPARATE CUSTOMS TERRITORY OF TAIWAN, PENGHU, KINMEN AND MATSU

This report, prepared for the third Trade Policy Review of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), 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 Chinese Taipei on its trade policies and practices.

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SUMMARY

Economic environment

1. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (hereinafter referred to as Chinese Taipei) remains one of the world's most important economic and trading entities. In 2012, it ranked 19th in the world in terms of the size of its GDP on a purchasing-power parity basis and was the 18th largest exporter and 18th largest importer. Possessing scant natural resources, the island economy imports virtually all its energy needs and raw materials; on the export side, its manufacturing operations satisfy a large proportion of global demand for semiconductors, flat panel displays, precision machine tools, and a wide range of other products.

2. Economic growth is heavily dependent on exports of goods and services, which are equivalent to some 73% of GDP. The sharp drop in global demand owing to the 2008-09 global economic crisis exposed the risks associated with dependence on a relatively limited range of manufactured exports, prompting the authorities to seek new engines of economic growth and diversify the economy.

3. After growing by 2.1% in 2013, the export-oriented economy is expected to benefit from firmer external demand in the medium term as OECD economies are likely to post stronger rates of expansion. The economy's vulnerability to external demand volatility represents the main risk in the medium term. The government's fiscal position means that it has limited resources with which to combat fluctuations in external demand.

4. The economy has become increasingly linked with China and the government is expected to further develop these links and liberalize cross-Strait economic relations, in particular through negotiations under the Economic Cooperation Framework Agreement (ECFA). The ECFA should boost services-sector growth thanks to increased tourism from China due to the introduction of direct flights between the two territories. Increasing tourist arrivals are expected to support employment, thus encouraging household consumption to continue as the main growth driver.

5. With competitive advantages in the information technology manufacturing industries, Chinese Taipei is highly competitive and has development potential, according to several world competitiveness reports released in recent years. Nevertheless, the government faces significant economic challenges and has set out a programme of economic reforms: signing free-trade agreements; reforming its taxation, land regulation, services sector, and health system; liberalizing cross-Straits economic policies and pursuing structural reforms notably the Economic Power-Up Plan and the launching of the Free Economic Pilot Zone Plan.

6. Chinese Taipei remains a net investor abroad with outbound FDI flows almost treble the amount of inbound direct investment. China is by far the main destination for capital outflows. Inbound direct investment as a share of GDP remains low by regional standards even though most sectors are open to inbound FDI.

Trade policy framework

7. Trade policy formulation and implementation have remained largely unchanged with the Ministry of Economic Affairs taking the lead administrative role. High level policy coordination is assured by the Committee of Global Economic and Trade Strategy chaired by the premier.

8. The broad trade policy objectives of Chinese Taipei continue to be focused on its further integration into the global economy through its active participation in the WTO and, increasingly, the negotiation of free-trade agreements and economic-cooperation agreements, the strengthening of trade facilitation and promotion activities, and the reduction of trade barriers in overseas markets. Since the signing of the ECFA with China in 2010, the government has looked to negotiate trade deals with countries that do not recognize it diplomatically, its first successes in this regard being the economic cooperation agreements signed with New Zealand and with Singapore in 2013. Similar agreements with other economies are likely to follow in the medium term and the government is interested in joining the U.S.-led Trans-Pacific Partnership (TPP) as well as the ASEAN-backed Regional Comprehensive Economic Partnership (RCEP). The prospect of

further FTAs should support attempts to reform and liberalize the domestic economy over the next few years.

Main trade policy developments

9. The tariff remains Chinese Taipei's main trade policy instrument, accounting for around 5% of total tax revenue. The contribution of trade-related taxes (including business tax, commodity tax, and tobacco and alcohol tax) to total tax revenue increased from 22.8% in 2009 to 26.8% in 2013; business tax consistently accounted for two thirds of total trade-related tax during the review period.

10. The tariff schedule has barely changed since the previous Review. It consists of *ad valorem* duties, specific duties, and alternate duties. In 2013, *ad valorem* rates covered 98.2% of all tariff lines, enhancing the transparency of the tariff structure. However, there are still 150 rate bands: 86 *ad valorem*; 16 specific; and 48 alternate rates. The tariff thus remains relatively complex, involving a multiplicity of rates. Non-*ad valorem* duties, in particular in agriculture, tend to conceal relatively high *ad valorem* equivalents (AVEs).

11. The 2013 tariff comprised 8,728 lines at the eight-digit level: 30.2% of all tariff lines are duty free and 52.6% of lines have rates below 10%; 4.4% of lines are "nuisance" rates. The simple average applied MFN tariff rate, including the *ad valorem* equivalents (AVEs) of non-*ad valorem* tariff rates, was 7.8% in 2013, the same as in 2009 as no tariff cuts occurred during the review period. Based on the WTO definition, the average applied rate remained at 22.1% for agriculture, and at 5.0% for non-agricultural products. TRQs, mainly for agricultural items, dropped from 1.2% of tariff lines in 2009 to 0.8% in 2013. All tariff lines are bound. Applied rates are close to or coincide with their bound rates with a simple average bound tariff rate of 8.1%, which suggests broad predictability in the tariff.

12. Regarding trade facilitation, Customs has implemented a single window system to accelerate customs clearance and has introduced an authorized economic operator scheme to facilitate procedures for traders meeting certain requirements. Since the 2010 Review, Chinese Taipei has increased the scope of its import bans from 63 ten-digit HS items to 70 items. There are no QRs although prohibitions are in place for inbound cross-Strait trade involving 2,172 tariff lines, down from 2,243 tariff lines in 2009 for both security and commercial reasons.

13. The legislative and institutional framework for contingency measures remained largely unchanged during the period under review. Chinese Taipei has applied a total of 12 anti-dumping (AD) measures since 2003, affecting mainly the steel, textile, and chemical industries. It did not resort to countervailing or safeguard measures during the review period but maintained a number of AD measures. Special safeguards are applied in agriculture.

14. There have been no significant changes to the government procurement regime. The percentage of the total value added awarded to non-local suppliers fell from 28% in 2008 to 10.6% in 2009, but rose again to 26.5% in 2012. GPA membership has affected the operation of the government procurement regime due to the lengthened time-limit for tendering. Chinese Taipei participated in and contributed to the renegotiated GPA, which entered into force on 6 April 2014. According to the authorities, this should add market-access opportunities of NT$3 billion annually.

15. Different types of assistance, including subsidies for production and therefore trade, have continued to be provided for agricultural, fisheries, and industrial products and activities. Following the phase-out of tax incentives under the Statute for Upgrading Industries, a new incentive was introduced under the Statute for Innovative Industries to support innovation and R&D activities.

16. Government-owned enterprises continue to be dominant in several sectors, notably in electricity generation, petroleum, postal services, utilities, telecoms, banking, and land transport. The privatization process, which began in 1992, is currently suspended or under re-evaluation, except with regard to the aerospace sector. Trading activities of government-owned enterprises involve, *inter alia*, rice, the most important crop.

17. Regarding export measures, the government continues to maintain prohibitions and licensing requirements for certain exports mainly on grounds of security, public safety and environmental protection. The government also continues to provide tariff exemption, duty drawback, and the facilities and advantages of free zones. The export processing zones (EPZs) and free trade zones (FTZs) offer similar incentives for enterprises. Businesses allowed to operate in FTZs include trading, collecting, transhipment, forwarding, customs clearance, assembling, packaging, repair, manufacturing, testing, and technological services. Business allowed to operate in EPZs include manufacturing, financial services, management services, and information and communication. The authorities state that FTZs mainly aim at developing a global logistics industry, while EPZs focus on promoting investment and developing industries. In addition to exemption from import duties, imports to EPZs and FTZs are exempt from other indirect taxes and charges collected at the border.

18. There have been significant changes to the competition policy framework in terms of amendments in 2011 to the Fair Trade Act and the granting of independent status to the Fair Trade Commission in 2012. Certain activities such as import cartels may be exempted from the application of the Fair Trade Law. Price controls apply to some utility services, including energy and telecom services, and a price stabilization committee monitors prices of certain commodities and products with a view to coordinating their supply and demand when necessary.

19. There have been a number of legislative changes to the IPR-related legislation: the Copyright Act was amended in 2010 and 2014, the Copyright Intermediary Organization Act was amended in 2010, the new Trademark Act went into force in 2012, the Patent Act was most recently amended in 2014, and amendments were made to the Trade Secret Act in 2013. The authorities have been making efforts to shorten the examination process for patents. On enforcement, cases involving imported commodities infringing trademarks and copyright seem to have been declining. The authorities recognize IPR protection as an essential contribution to economic development and overall competitiveness, as well as to efforts in attracting foreign investment. IPR enforcement at the border is conducted by Customs, which may suspend *ex officio* the release of goods suspected of infringing IPRs.

20. The SPS and standards regimes remained largely unchanged during the review period. Products subject to mandatory technical regulations are subject to commodity inspection for conformity through market surveillance operations rather than using prior entry controls. SPS border inspection procedures have been streamlined. Domestic standards (including national and professional standards) are voluntary, except those designated as technical regulations. The standards policy is intended to promote standardization; to pursue quality improvement for products, processes, and services; to increase productivity; and to ensure adequacy of production, transportation, marketing, and consumption so as to promote public safety.

21. According to the authorities, all technical regulations are aligned with international standards. Technical regulations, which form the basis for issuance of conformity certificates, are mandatory and applied mainly to electrical products, chemical products, machinery, and agricultural products. Products subject to technical regulations must undergo a commodity inspection for conformity before they are placed on the market. Inspections are required for imported, exported, and domestically produced goods. As of February 2014, in addition to 1,853 agricultural and fishery products, 1,137 commodities were subject to mandatory inspections; among which 756 chemical products and 381 mechanical, electrical, and electronic products. The authorities maintain a website, available to the public, for enquiries on products subject to commodity inspection.

Sectoral policy developments

22. The structure of the economy is virtually unchanged since the previous Review. Agriculture accounts for less than 2% of GDP but despite its limited and deceasing role in the economy, continues to be a major recipient of government assistance, including border protection and domestic support. There has been no significant change to the legislative and institutional framework of the agriculture sector since the previous Review. Chinese Taipei relies heavily on imported food and has a trade deficit in food products. In terms of the total value of production, the main subsectors are fruits, pig rearing, and vegetables. Rice, while representing a limited share of the total value of agricultural production, continues to be the major recipient of government assistance, including border protection through tariffs, tariff quotas, special safeguard

measures, state trading arrangements, as well as domestic support including direct payments, price support, and interest subsidies. The average applied MFN tariff for agricultural products (WTO definition), including AVEs, is 22.1%, the same as in 2010, compared to 5% for non-agricultural products.

23. The economy relies heavily on energy imports with fuels accounting for over 25% of the overall import bill in 2013, up from 21% in 2009, and 98% of the total energy supply is imported. Import tariffs on energy products are relatively low with an average tariff of 1.5%. Licensing is required for the import and/or export of some energy products. Subsidies have also been provided to encourage the establishment and operation of petroleum facilities in mountain and offshore island areas.

24. During the review period, manufacturing accounted, on average, for a quarter of GDP, and around 88% of merchandize exports. Despite the government's aim to optimize and restructure manufacturing industries, it appears to have been unable to sufficiently counter developments such as excessive concentration on ICT, relatively low value-added and insufficient product innovation.

25. Services remain the biggest sector in the economy, accounting for about 66% of GDP and 59% of employment. The government identified certain services sectors as "key" industries as the main focus for further development. Despite this, there have been no significant changes in the legislative or institutional framework in the main services sectors, and there have been no significant liberalization measures to further open market access to non-local service suppliers.

26. Chinese Taipei's GATS commitments cover about 120 of the roughly 160 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).

27. The government has selected ten key services industries, and other industries, as the main focus, to promote its industrial development policy. The services industries are: medical tourism, music and digital content, international logistics, fundraising for high-tech and innovation-oriented industries, urban renewal, international promotion of its cuisine, the MICE (meetings, incentives, conferencing, and exhibition) industry, WiMAX technology, Chinese-language e-commerce, and expanded recruitment of overseas students. A number of key strategies were set out in the action plans for these industries, including developing international markets, cultivating talent with foreign language and international marketing expertise, and providing loans, guidance, and assistance for overseas market expansion.

28. Among significant subsector developments, the telecommunication sector has expanded rapidly, at an annual average rate of 20% during the review period, roughly ten times that of the GDP growth rate. Total revenue from telecommunication services accounted for about 3% of GDP in 2013, of which mobile services represented the largest share. The tourism sector has also been developing fast, and is one of the government-designated key emerging industries to boost economic development. In 2012, there were 7.3 million international travellers, an increase of 20% from 2011. The largest source of arrivals was China, followed by Japan, and Hong Kong, China. The fast growth of tourism reflects, among other things, the increase of cross-Straits flights, the opening up to groups and independent visitors from China, and the launch of an open skies regime with Japan and with the Republic of Korea. In financial services, government shares in total banking assets increased from 52% to 59% during the review period. The banking sector is characterized by over-banking with over 400 institutions classified as banks. Only 39 are commercial banks but these hold 76% of total banking assets.

1 ECONOMIC ENVIRONMENT

1.1 Introduction

1.1. Despite its more disappointing recent growth performance, at least judged in the context of its own impressive record, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) remains one of the world's most important economic and trading entities. In 2012, it ranked 19th in the world in terms of the size of its GDP on a purchasing-power parity basis and was the 18th largest exporter and 18th largest importer. At the end of the same year, the island held the 6th largest reserves of foreign exchange in the world and ranked 35th in terms of its cumulative stock of outward foreign direct investment (FDI). Possessing scant natural resources, the island economy imports virtually all its energy needs and raw materials; on the export side, its manufacturing operations satisfy a large proportion of global demand for semiconductors, flat panel displays, precision machine tools, and a wide range of other products.

1.2. The economy continues to be characterized by a high savings rate that persistently exceeds the rate of investment. The savings-investment gap is reflected in large current account surpluses in the balance of payments. Economic growth is heavily dependent on exports of goods and services, which are equivalent to some 73% of GDP. The sharp drop in global demand owing to the 2008-09 global economic crisis exposed the risks associated with the dependence of Chinese Taipei on a few manufactured exports, prompting the authorities to seek new engines of economic growth and diversify the economy.

1.3. After growing by 2.1% in 2013 (Table 1.1), the export-oriented economy is expected to benefit from firmer external demand in the medium term as OECD economies are likely to post stronger rates of expansion. However, its export competitiveness has been eroded by its lack of FTAs and the diminished performance of its vital electronics sector. Chinese Taipei's vulnerability to external demand volatility represents the main risk in the medium term. An economic hard landing in China, the destination for around 27% of exports could have significant repercussions for the economy. The government's fiscal position means that it has limited resources with which to combat adverse fluctuations in external demand. Amid increased international competition, Chinese Taipei will come under increasing pressure to overhaul its traditional dependence on contract electronics production and move into higher value-added manufacturing and services sectors.

1.4. Chinese Taipei faces many of the same economic issues as other developed economies. As labour-intensive industries have relocated to countries with low-cost labour, its future development will rely increasingly on further transformation to a high-technology and service-oriented economy and establishing its place in the global supply chain. The economy has become increasingly linked with China and the government is expected to further develop these links and liberalize cross-Strait economic relations, in particular through negotiations under the Economic Cooperation Framework Agreement (ECFA). The ECFA should boost services sector growth thanks to increased tourism from China due to the introduction of direct flights between the two territories. Increasing tourist arrivals are expected to support employment, thus encouraging household consumption to continue as the main growth driver.

1.5. With competitive advantages in the IT manufacturing industries, Chinese Taipei is highly competitive and has development potential, according to several world competitiveness reports released in recent years. Nevertheless, the government faces significant economic challenges and has set out a programme of economic reforms: signing free-trade agreements; reforming its taxation, land regulation, services sector and health system; and liberalizing cross-Straits economic policies.

1.2 Recent economic developments

1.6. The start of this review period was strongly influenced by the global economic downturn when GDP growth plummeted in the second half of 2008 with steep reductions in exports, private consumption, and investment. As a result, GDP growth declined to under 1% in 2008, and the economy contracted by 1.8% in 2009. The most important factor in the economic downturn of Chinese Taipei following the global financial crisis was the steep decline in both foreign trade and domestic investment. In 2009, gross fixed capital formation decreased by more than 11%. In the same year, the contraction in foreign trade was most apparent when exports and imports declined, respectively, by 20% and 27%. By contrast, both government and private consumption were much less affected.

Table 1.1 Selected macroeconomic indicators, 2009-13

	2009	2010	2011	2012	2013
Accounts (%age change, unless otherwise indicated)					
Real GDP (at 2006 prices)	-1.8	10.8	4.2	1.5	2.1
Consumption	1.3	3.3	2.9	1.5	1.4
Private consumption	0.8	4.0	3.1	1.6	1.8
Government consumption	4.0	0.4	2.2	1.0	-0.3
Gross fixed capital formation	-11.2	21.1	-2.3	-4.0	5.3
Exports of goods and non-factor services	-8.7	25.6	4.5	0.1	3.8
Imports of goods and non-factor services	-13.1	27.7	-0.5	-2.2	4.0
XGS/GDP (%) (at current market price)	62.5	73.8	76.0	73.4	73.0
MGS/GDP (%) (at current market price)	53.8	66.8	69.3	65.7	63.6
Unemployment rate (%)	5.9	5.2	4.4	4.2	4.2
Prices and interest rates (%, unless otherwise indicated)					
Inflation (CPI, %age change)	-0.9	1.0	1.4	1.9	0.8
Discount rate of the central bank (end-period)	1.250	1.625	1.875	1.875	1.875
Commercial 1-year deposit rate (end-period)	0.890	1.130	1.360	1.360	1.360
Commercial base lending rate (end-period)	2.563	2.676	2.882	2.883	2.882
Interest rate spread	1.673	1.546	1.522	1.523	1.522
Exchange rate					
NT$/US$ (period average)	33.05	31.64	29.46	29.61	29.77
Real effective exchange rate (%age change)	-6.7	-1.9	-0.5	-1.3	1.2
Nominal effective exchange rate (%age change)	-3.9	1.2	2.5	-0.2	1.9
Fiscal balance[a] (% of GDP)					
Total revenue	16.9	15.6	16.8	16.5	17.0
Current revenue	16.4	15.2	16.3	16.0	..
Tax revenue	12.3	12.0	12.9	12.8	12.6
Total expenditure	21.4	18.9	19.1	19.0	18.6
Current expenditure	16.1	14.1	14.7	15.5	..
Overall fiscal balance	-4.5	-3.3	-2.2	-2.5	-1.6
Fiscal current balance	0.3	1.1	1.6	0.6	..
Revenue of Central Government	12.3	11.1	12.2	11.9	11.9
Expenditure of Central Government	16.0	14.0	14.0	13.5	12.8
Fiscal balance of Central Government	-3.7	-3.0	-1.8	-1.6	-0.9
General government debt	38.0	38.3	40.0	41.0	41.5
Central government debt	33.1	33.5	34.8	35.6	35.8
Saving and investment (% of GDP)					
Gross national savings	28.5	32.7	30.8	29.8	30.0
Gross domestic investment	17.7	22.4	20.9	19.8	19.3
Savings-investment gap	10.8	10.3	10.0	9.9	10.7
External sector (% of GDP, unless otherwise indicated)					
Current account balance	11.4	9.3	9.0	10.7	11.7
Net merchandise trade	8.1	6.2	6.1	6.6	7.6
Merchandise exports	53.9	63.9	66.1	63.2	62.3
Merchandise imports	45.8	57.8	60.0	56.6	54.7
Services balance	0.5	0.6	0.8	1.3	1.9
Services exports	8.4	9.4	9.9	10.3	10.6
Services imports	7.9	8.8	9.0	9.0	8.7
Financial account	3.6	-0.1	-6.9	-6.7	-8.4
Direct investment	-0.8	-2.1	-3.2	-2.1	-2.1
Balance of payments	14.3	9.4	1.3	3.3	2.3
Terms of trade (2005=100)	83.1	79.2	73.7	73.5	75.3

	2009	2010	2011	2012	2013
Merchandise exports (%age change)	-20.2	34.6	12.3	-2.3	1.4
Merchandise imports (%age change)	-26.9	43.1	12.9	-3.7	-0.4
Service exports (%age change)	-13.7	27.0	13.8	6.9	5.1
Service imports (%age change)	-14.9	27.1	11.0	1.8	-0.9
Foreign exchange reserves (US$ billion)	348.2	382.0	385.5	403.2	416.8
in months of imports of goods and services[b]	20.6	16.1	14.4	15.5	16.1
Total external debt (US$ billion)	82.0	101.6	122.5	130.8	170.4
Short term (US$ billion)	68.2	83.7	107.8	116.5	155.9
Debt service ratio[c]	2.6	1.2	2.2	1.2	2.0

.. Not available.

a Based on general government, including central and local government. Data for 2013 are provisional.
b Import figures taken from the balance of payments.
c Debt service in % of exports of goods and services.

Source: Central Bank Statistics, online information. Viewed at: http://www.cbc.gov.tw; Statistics online information. Viewed at: http://eng.stat.gov.tw; and data provided by the authorities.

1.7. From the perspective of mid-2010, signs of recovery in the global economy were expected to generate stronger GDP growth in Chinese Taipei. In the event, the economy rebounded strongly, recording annual GDP growth of 10.8%, while GDP per capita increased to reach US$18,503. Weak internal and external demand was a constraint on growth in 2011 and 2012, with the rate of increase of aggregate and per capita GDP slowing considerably.

1.8. Affected by the severity of the spreading euro-zone debt crisis and the U.S. fiscal situation, as well as the slowing of China's economic growth, Chinese Taipei experienced export shrinkage and a slump in investment in 2012, with an economic growth rate of 1.5%, falling well short of the government target of 4.3%.

1.9. Commodity price inflation was moderate in 2012 and the CPI rose by 1.9%, due to the reduction of oil and electricity subsidies, but still meeting the target of not exceeding 2%. Inflation was expected to remain stable in 2013 at under 1%, with the rise in regulated electricity prices planned for December 2012, postponed to October 2013. The labour market showed stability with an unemployment rate of 4.2% in 2012 and 2013, the lowest in four years.

1.10. After a period of weak growth, the economy showed signs of recovery in 2013. The mild economic growth that has been achieved is mainly due to weak or negative expansion in imports of goods and services, with net exports serving as the main driver. Inflation averaged only 0.8% in 2013, the lowest rate in four years, with weak demand and moderating global commodity prices reducing upward pressure on prices.

1.11. The sectoral composition of the economy has changed very little since its previous review in 2010 (Table 1.2). In 2013, the agriculture sector generated 1.7% of GDP, and accounted for 5% of total employment. Agriculture is likely to continue to decline in importance as local producers become less able to compete with cheaper goods from overseas.

1.12. During the review period, manufacturing accounted for about a quarter of GDP, with growth in the sector providing a boost to domestic demand through a multiplier effect. The fortunes of the electronics export sector, which ranges from personal computers through optoelectronics and semiconductors, tend to drive manufacturing and industrial activity. The services sector accounts for around 65% of GDP and nearly 59% of employment. It is likely that trade growth in the medium term will help the expansion of trade-related services and further support may be provided by improvements in economic and trade links with China, which will facilitate cross-Strait service operations of firms and financial institutions. Tourism has the potential to become a more important foreign exchange earner, although receipts from tourism accounted for little more than 2.3% of GDP in 2012.

Table 1.2 Basic economic indicators, 2009-13

	2009	2010	2011	2012	2013
Real GDP (NT$ billion, 2006 prices)	12,834.0	14,215.1	14,810.7	15,029.9	15,346.4
Real GDP (US$ billion, 2006 prices)	406.9	430.1	468.1	510.1	515.5
Current GDP (NT$ billion)	12,481.1	13,552.1	13,709.1	14,077.1	14,564.2
Current GDP (US$ billion)	377.7	428.3	465.3	475.4	489.2
GDP per capita at current market price (US$)	16,359.0	18,503.0	20,057.0	20,423.0	20,958.0
GDP by economic activity at constant 2006 prices (annual %age change)					
Agriculture, forestry and fishing	-3.0	1.7	6.4	-1.6	0.2
Mining and quarrying	4.4	13.6	1.4	10.1	-5.7
Manufacturing	-4.3	25.5	6.8	1.8	2.0
Electricity, gas and water	0.1	5.0	0.4	2.6	0.2
Construction	-6.8	11.8	2.2	-2.3	0.8
Services	-0.2	4.8	3.2	1.2	1.5
Wholesale and retail trade	-1.0	5.1	4.2	-0.2	1.0
Transport and storage	-3.5	8.0	3.0	0.9	2.7
Restaurants and hotels	-1.3	9.7	9.2	2.3	1.0
Information and communication	4.2	8.9	4.7	3.7	1.6
Finance and insurance	-7.7	6.5	3.7	0.8	2.5
Real estate	1.9	3.1	1.2	2.2	2.8
Professional, scientific and technical services	2.8	7.6	3.2	0.0	3.2
Support services	-1.8	8.0	5.0	4.6	3.8
Public administration and defence	0.8	3.1	0.3	0.8	-0.7
Education	2.4	0.8	1.4	1.0	0.7
Human health and social work	4.8	0.3	4.3	0.0	0.8
Arts, entertainment and recreation	3.1	4.7	5.3	4.5	3.4
Other services	2.3	4.9	2.7	4.3	1.0
GDP (production approach) by economic activities at current prices (%)					
Agriculture, forestry and fishing	1.7	1.6	1.8	1.8	1.7
Mining and quarrying	0.4	0.5	0.2	0.3	0.4
Manufacturing	23.8	25.9	25.2	24.4	24.9
Electricity, gas and water	2.0	1.8	1.6	1.5	1.8
Construction	2.7	2.8	2.9	2.8	2.9
Services	66.7	64.4	65.2	66.2	65.2
Wholesale and retail trade	18.7	18.3	18.8	18.9	18.5
Transport and storage	3.0	3.2	3.0	3.1	3.0
Restaurants and hotels	2.1	2.0	2.1	2.2	2.3
Information and communication	3.7	3.6	3.6	3.5	3.4
Finance and insurance	6.4	6.3	6.5	6.5	6.5
Real estate	9.2	8.6	8.6	8.7	8.8
Professional, scientific and technical services	2.3	2.2	2.3	2.3	2.3
Support services	1.5	1.4	1.5	1.6	1.6
Public administration and defence	7.7	7.3	7.2	7.4	7.0
Education	5.0	4.6	4.6	4.7	4.5
Human health and social work	3.2	3.0	3.1	3.2	3.2
Arts, entertainment and recreation	0.9	0.9	0.9	1.0	1.0
Other services	3.1	3.0	3.0	3.2	3.1
Other[a]	2.6	2.9	3.1	3.0	3.1
Share of sector in total employment (%)					
Agriculture, forestry and fishing	5.3	5.2	5.1	5.0	5.0
Mining and quarrying	0.05	0.04	0.04	0.04	0.04
Manufacturing	27.1	27.3	27.5	27.4	27.2
Electricity, gas and water	1.0	1.0	1.0	1.0	1.0
Construction	7.7	7.6	7.8	7.8	7.9
Services	58.9	58.8	58.6	58.8	58.9
Wholesale and retail trade	16.9	16.6	16.5	16.6	16.6

	2009	2010	2011	2012	2013
Transport and storage	3.9	3.9	3.8	3.8	3.9
Restaurants and hotels	6.7	6.9	6.8	6.9	7.1
Information and communication	2.0	2.0	2.0	2.1	2.1
Finance and insurance	4.0	4.1	4.0	3.9	3.8
Real estate	0.7	0.7	0.8	0.8	0.8
Professional, scientific and technical services	3.1	3.1	3.2	3.1	3.2
Support services	2.3	2.2	2.3	2.4	2.4
Public administration and defence	3.7	3.7	3.6	3.5	3.5
Education	6.0	5.9	5.9	5.8	5.8
Human health and social work	3.6	3.7	3.8	3.9	3.9
Arts, entertainment and recreation	0.9	0.9	0.9	0.9	0.9
Other	5.1	5.1	5.0	5.0	4.9

a Including import duties and value-added tax.

Source: Statistics online information. Viewed at: http://eng.stat.gov.tw; and data provided by the authorities.

1.13. Chinese Taipei boasts a well-educated workforce and the labour market is likely to remain stable. The overall burden of labour and wage regulation is relatively light and the costs of the mandatory health and pension schemes for workers are not a primary concern for companies. The likely fall in the island's working population from 2016 may increase pressure on the authorities to reconsider restrictions on the employment of foreign workers.

1.3 Macroeconomic policies

1.14. Fiscally, Chinese Taipei remains in a strong position. As of the end of 2012, its foreign reserves were the sixth largest in the world, at over US$400 billion. The currency, the NT dollar, floats freely and the role of the central bank in monitoring the currency and managing the inflow of foreign capital remains flexible. The fiscal deficit of the central government improved from 3.7% of GDP in 2009 to an estimated 1.4% in 2014 as both the deficit and net borrowings of the central government budget are gradually being reduced.

1.3.1 Fiscal policy

1.15. In order to accumulate financial resources to support major policies and public construction, the government has adopted significant fiscal measures to achieve healthy public finances and sustainable economic growth. These measures include: control of the debt limit in accordance with the Public Debt Act; restructuring of expenditure and review of inefficiencies in expenditure; development of multiple channels for cultivating government financial resources; and provision of incentives to promote private participation in infrastructure projects.

1.16. Progress towards reducing the large budget deficit that emerged as a result of the fiscal stimulus applied during the 2008-09 global financial crisis was uneven during the review period, as weak economic expansion curtailed growth in tax receipts. The government has tightened growth in public spending in recent years but has shown few signs of complementing fiscal discipline with tax increases. The revenue base was the equivalent of an estimated 16.5% of GDP in 2012, a low level by advanced-economy standards, and is forecast to remain at around this level in the medium term. Tax revenues remained at a constant 12% to 13% of GDP during the review period; according to the authorities, the central government did not sell its shares in state-owned companies during the period. The general government debt to GDP ratio rose to 41.5% in 2013, up from 38% in 2009.

1.3.2 Monetary and exchange rate policies

1.17. The Central Bank (CBC) is responsible for the formulation and implementation of monetary policy. Under legislation dating from 1979, it is required to perform the functions of both a central bank and a financial regulator. It manages the money supply and credit, serves as the fiscal agent of the government, issues currency, regulates foreign exchange activities, and monitors banks and other financial institutions. Chinese Taipei maintains a managed float exchange rate system, under which the exchange rate is determined in principle by market forces.

1.18. The CBC has tended to favour allowing the NT dollar to strengthen in order to combat inflation. In the medium term, substantial current account surpluses will help to ensure that the currency strengthens in real terms against the U.S. dollar. However, inward and outward flows of speculative capital will continue to play a significant role in determining changes in the NT dollar's value. Since the U.S. Fed signalled that it may taper the size of the bond-buying programme, Chinese Taipei has seen capital outflow from emerging economies and the depreciation of their currencies. The NT dollar weakened by 0.5% against the U.S. dollar on average in 2012 amid relatively weak global trade flows.

1.19. During 2013, the CBC continued to keep the NT dollar exchange rate relatively stable. Nevertheless, when seasonal or irregular factors (such as massive flows of short-term capital) lead to excessive volatility and disorderly movements in the NT dollar exchange rate with adverse implications for economic and financial stability, the CBC may step in to maintain an orderly market.

1.20. Since 2011, the CBC has kept interest rates unchanged, leaving its main policy interest rate, the discount rate, at 1.875%. The authorities might resume tightening monetary policy in 2014, when the recovery of their economy should be more solidly established. The central bank's capacity to maintain a relatively loose monetary policy stance is likely to be supported by relatively subdued inflation.

1.21. The post-crisis period has been marked by large capital inflows, betting on appreciation of the NT dollar. The Financial Supervisory Commission (FSC) did not introduce any new measures in 2011-12 aimed at controlling capital inflows, in particular. Nor did the FSC take any measures prohibiting non-residents from holding deposits. During 2013, the CBC was expected to continue intervening on the foreign exchange market to limit the appreciation of the currency, accumulating foreign exchange reserves to protect the economy from a foreign exchange liquidity crisis.

1.4 Structural policies

1.22. During the review period, the government continued to pursue structural reform as a means of increasing the efficiency and competitiveness of the domestic economy. In order to adjust its industrial structure, in 2009 the government selected a number of industries as the main focus for economic development. These included the so-called six emerging industries (including biotechnology, green energy, cultural and creative industries), the four intelligent industries (including cloud computing and electric vehicles), and the ten major service industries (including international medical care services and international logistics services). To accelerate the adjustment process, in 2012 the authorities launched the Economic Power-up Plan, which aims *inter alia* to strengthen export competitiveness. In 2013, Chinese Taipei launched the Free Economic Pilot Zones plan, which demonstrates its strong ambition to participate in regional economic integration and marks an important change in its development strategy to emphasize innovation over investment.

1.23. In line with the policy of reducing taxes while simplifying government administration, the tax on business profits was lowered to 17% in 2010, and R&D tax incentives were kept in place in a wide range of businesses in order to encourage long-term innovative R&D by enterprises. The Negative List for Investment by Foreign Nationals was amended in 2010, 2012, and 2013 in order to further reduce limitations and restrictions on foreign investors. In addition, in order to facilitate the approval process for FDI, the government submitted draft amendments to the Statute for Investment by Foreign Nationals, which are undergoing examination by the Legislative Yuan. It is expected that once these amendments take effect, most foreign investors will only need to notify the Investment Commission as the investment is implemented rather than having to file an application for approval in advance.

1.5 Balance of payments

1.24. During the period under review, the balance-of-payments current account showed a persistent surplus, owing to a high savings rate that consistently exceeded the investment rate.

The current account surplus reached 10.7% of GDP in 2012, and 11.7% in 2013, according to the authorities. The merchandise trade surplus increased in 2012 and 2013, representing 6.6% and 7.6% of GDP respectively, following a period of sub-par expansion in value terms due to weak global demand conditions for technology products. The small surplus on the services account rose to 1.9% of GDP in 2013, with tourism earnings boosted by significant expansion in visitor arrivals from China. As noted above, foreign exchange reserves continued to increase, reaching almost US$417 billion in 2013, equivalent to 16 months of merchandise and services imports.

1.6 Trade and investment flows

1.25. A rapid expansion in international trade has fuelled economic growth. In 1992, total trade represented 70% of GDP and by 2012, the total merchandise trade of Chinese Taipei (exports + imports) represented almost 120% of GDP and was valued at over US$571 billion, making it the world's 18th largest trader (though it is only the 26th largest economy in the world). The economy is thus highly dependent on international trade. Between 2005 and 2012, net exports were the most important driver of growth, focused on producing parts and components that are incorporated into final products, often sold by companies from Japan, the United States or the EU.

1.26. The global economic crisis, which began in 2008, sharply decreased Chinese Taipei's trade in 2009 with exports and imports falling by 20.2% and 26.9% respectively and real GDP declining by 1.8% over the previous year. However, global economic recovery, especially in China, boosted exports and imports by 34.6% and 43.1% respectively in 2010; in the same year its real GDP grew by 10.8%. Exports and imports increased further in 2011 under the impetus provided by the ECFA as well as rising demand for electronic and machinery products as a result of increasing labour costs in China. However, the upward momentum was not maintained in 2012 when the total value of trade declined by 3% under the impact of slowing growth in some major economies and weakening external demand, before exports made a modest recovery in 2013.

1.6.1 Composition of trade

1.27. The structure of trade has changed significantly since the 1960s, when raw and processed agricultural goods began to be replaced by manufactured products as the dominant export category. Manufactured products accounted for around 88% of exports between 2009 and 2013 (Chart 1.1 and Table A1.1), and these exports shifted from labour-intensive to capital-intensive goods and subsequently to knowledge- and technology-intensive products. In 2013, machinery and transport equipment accounted for over 40% of total merchandise exports and within this category electronic integrated circuits and micro-assemblies remain the single most important export item.

1.28. Imports have comprised mainly raw materials, particularly fuel, and semi-finished goods required for production, with the balance made up by consumer goods. The composition of imports continued to shift during the period under review mainly because of the increased share of fuel in the total import bill, which climbed from 21.4% in 2009 to 25.5% in 2013 (Chart 1.1 and Table A1.2). The share of manufactures in total merchandise imports decreased from 64.3% to 60.8% over the same period. The main categories continued to be office machines and telecoms equipment and chemicals. Imports declined sharply as a result of the global financial crisis of 2008-09, especially of base metals and minerals.

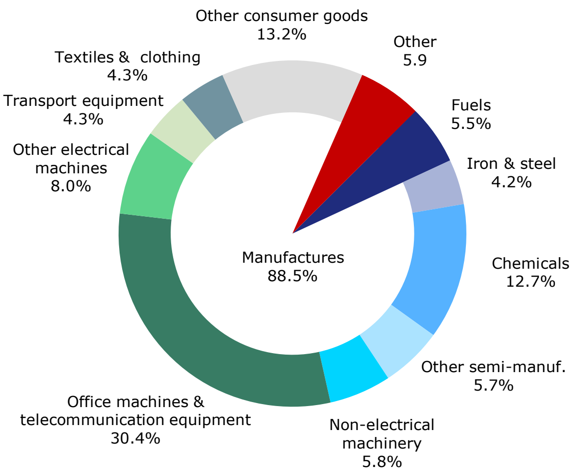
1.6.2 Direction of trade

1.29. Chinese Taipei's main export markets continue to be East Asia (China; Hong Kong, China; Singapore; and Japan), the United States, and the European Union (Chart 1.2 and Table A1.3). China is its major export market, receiving 26.8% of total merchandise exports in 2013 (slightly up from 26.6% in 2009). The shares of other Asian countries such as Korea, the Philippines and Viet Nam and Thailand also increased during the review period while the shares of the U.S., EU, Japan and Hong Kong, China declined.

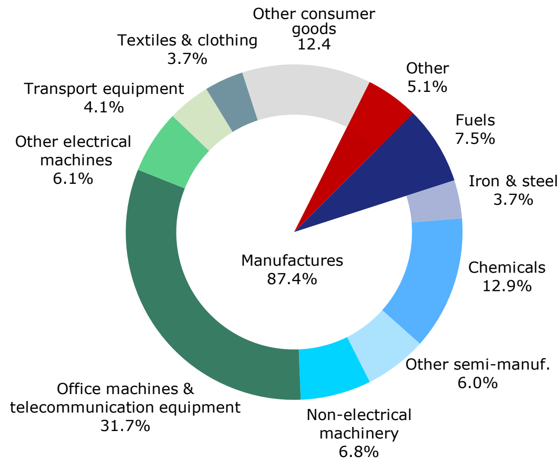
Chart 1.1 Product composition of merchandise trade, 2009 and 2013

2009 | **2013**

(a) Exports (f.o.b.)

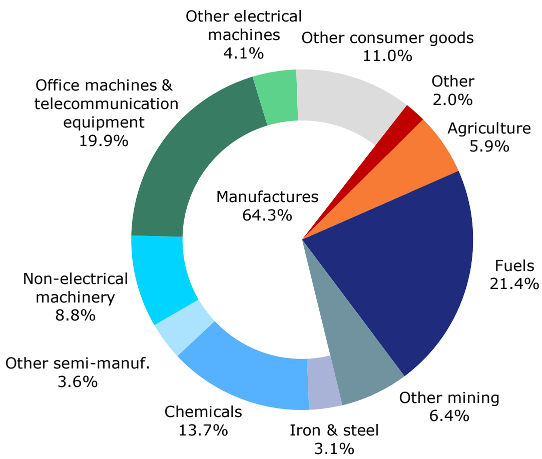


Total: US$203.5 billion

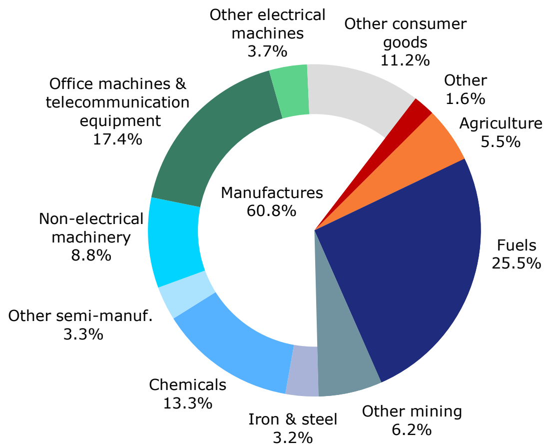


Total: US$305.4 billion

(b) Imports (c.i.f.)



Total: US$174.9 billion



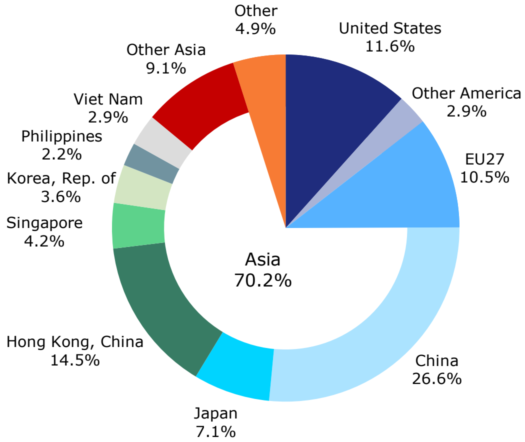
Total: US$269.9 billion

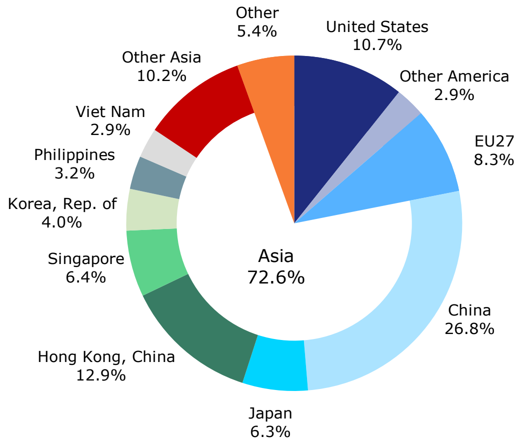
Source: UNSD, Comtrade database (SITC Rev.3); and data provided by the authorities.

Chart 1.2 Direction of merchandise trade, 2009 and 2013

2009 **2013**

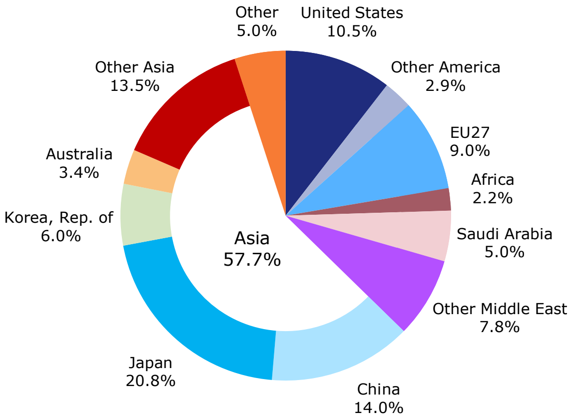
(a) Exports (f.o.b.)

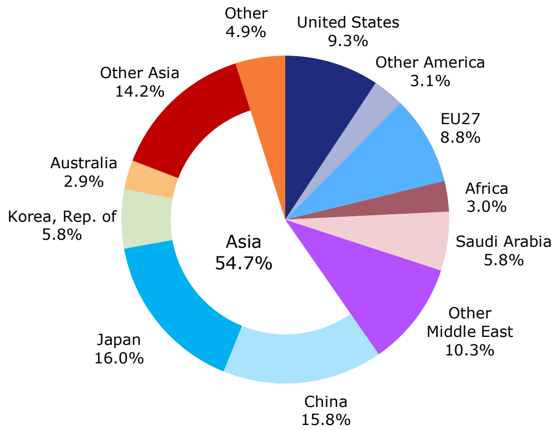




Total: US$203.5 billion **Total: US$305.4 billion**

(b) Imports (c.i.f.)





Total: US$174.9 billion **Total: US$269.9 billion**

Source: UNSD Comtrade database; and data provided by the authorities.

1.30. Asian countries supply around 55% of imports to Chinese Taipei; Japan is still the most important source. Chinese Taipei has a traditional large deficit with Japan, from which it imports machinery and equipment, mainly for its local IT industry, while it maintains a substantial trade surplus with China, to which it exports components for assembly into final products exported to industrialized countries. Imports from Middle Eastern countries consist largely of oil.

1.6.3 Trade in services

1.31. During the review period, Chinese Taipei has been a net exporter of services, running a surplus in the services account, amounting to 1.9% of GDP in 2013 (Table 1.3). This is mainly due to high receipts in "other business services" which helped to offset payments for transport, travel and other services. According to the authorities, other business services consist of: merchanting and other trade-related services; operational leasing services; and miscellaneous business, professional, and technical services.

Table 1.3 Trade in services, 2009-13

	2009	2010	2011	2012	2013
Total credit (US$ million)	**31,774**	**40,357**	**45,920**	**49,111**	**51,640**
	(% of total credit)				
Transport	20.0	24.2	21.1	20.3	19.5
Travel	21.5	21.6	24.1	24.0	24.5
Communications	1.1	1.0	1.0	1.0	0.9
Construction	0.9	0.9	0.8	0.9	0.7
Insurance	1.5	1.1	1.1	1.2	1.1
Finance	2.3	2.1	2.0	1.9	2.3
Computer and information	0.4	0.5	0.8	1.0	1.7
Royalties and licence fees	0.8	1.1	1.8	1.9	2.0
Other business services[a]	50.2	46.6	46.4	46.9	46.2
Personal, cultural and recreational	0.3	0.2	0.3	0.3	0.4
Government	1.2	0.6	0.6	0.6	0.5
Total debit (US$ million)	**29,783**	**37,864**	**42,026**	**42,763**	**42,371**
	(% of total debit)				
Transport	26.1	26.1	24.4	24.5	24.9
Travel	26.2	24.7	24.1	24.9	29.0
Communications	1.4	1.2	1.3	1.4	1.9
Construction	0.3	0.6	0.6	1.0	1.1
Insurance	3.0	2.6	2.7	3.0	2.8
Finance	1.1	0.5	0.6	0.6	0.8
Computer and information	1.1	1.1	1.1	1.3	1.4
Royalties and licence fees	11.5	13.1	13.8	10.6	9.0
Other business services[a]	26.3	27.4	29.1	30.3	26.8
Personal, cultural and recreational	0.7	0.6	0.6	0.7	0.6
Government	2.4	2.0	1.7	1.7	1.6

a Including mainly the receipts from "merchanting", i.e. the net income generated by finance departments of Chinese Taipei-based companies for handling receipts and payments of export orders on behalf of their manufacturing sites located in China and south-east Asian countries.

Source: Central Bank online information; and data provided by the authorities.

1.6.4 Foreign direct investment (FDI)

1.32. Statistics on FDI are available from the Investment Commission (IC) and the Central Bank (CBC). CBC publishes FDI arrivals on a quarterly and yearly basis; CBC data contained in BOP statistics are not classified by industry or country. The IC publishes monthly and yearly foreign investment statistics by industry and by country, although they may not correspond exactly to realized investment. The authorities note that, in practice, the FDI statistics of the Investment Commission are collected on the basis of IC's approved investment projects and include country and industry categories. On the other hand, according to the authorities, statistics collected by the CBC are based on transactions in the foreign exchange market and may differ from those of the IC.

1.33. Although Chinese Taipei frequently scores relatively well in international competitiveness surveys, those rankings do not translate into high levels of inbound investment. During the review period, inbound FDI remained in the region of 1% of GDP (Table 1.4). At US$5.3 billion in 2013, FDI remains low compared with regional economies such as Thailand, Viet Nam, Singapore, and the Republic of Korea. Chinese Taipei has struggled to increase FDI inflows in recent years which, in part, reflects a difficult global environment but also the declining price competitiveness of the manufacturing sector, stalled trade liberalization, and a failure to address regulatory concerns of foreign investors in matters such as land purchasing and services sector access.

Table 1.4 Inbound and outbound flows of direct investment by source and destination, 2009-13

(US$ million and %)

	2009	2010	2011	2012	2013
Inbound direct investment					
Total (US$ million)	4,835.4	3,905.9	4,999.2	5,887.1	5,294.3
% of GDP	1.3	0.9	1.1	1.2	1.1
By source (%)					
United States	5.5	8.2	14.8	6.9	11.0
Japan	4.9	10.3	8.9	7.0	7.7
Hong Kong, China	5.7	4.3	8.0	6.2	7.0
Singapore	1.4	3.2	16.6	2.6	3.9
Netherlands	20.5	10.9	10.6	20.4	4.5
United Kingdom	18.3	16.6	1.8	1.1	1.2
British Overseas Territory in the Caribbean	22.8	27.1	22.6	23.5	27.2
Others	20.9	19.5	16.8	32.4	37.5
Outbound direct investment					
Total (US$ million)	10,148.2	17,441.3	18,073.5	20,890.7	14,424
% of GDP	2.7	4.1	3.9	4.4	2.9
By destination (%)					
United States	11.0	2.8	4.0	0.7	2.9
China	70.4	83.8	79.6	61.2	63.7
Hong Kong, China	2.4	1.4	1.4	1.4	2.2
Singapore	0.4	0.2	2.5	21.5	1.1
Viet Nam	2.4	3.8	2.5	4.5	12.0
British Overseas Territory in the Caribbean	5.4	3.3	4.4	0.8	1.6
Others	8.2	4.7	5.6	9.8	16.5

Source: Information provided by the Investment Commission, MOEA at: http://www.moeaic.gov.tw/system_external/ctlr?PRO=PubsCateList&cid=5.

1.34. Chinese Taipei continues to be a net investor abroad. According to balance-of-payments statistics, total outbound direct investment reached almost US$14.4 billion in 2013, nearly three times as much as inbound direct investment. China remained by far the main destination, receiving between 61% and 84% of total investment outflows during the review period. Most outbound direct investment was in the manufacturing sector, although its share declined from 67% in 2009 to 54.4% in 2013 (Table 1.5). Its businesses have been relocating their production bases to China since the late 1980s. The WTO accessions of China in 2001 and Chinese Taipei in 2002 prompted firms to accelerate this relocation to improve their competitive edge in exports.

1.35. The cumulative approved FDI from Chinese Taipei to China from 1991 to 2012 was US$124.5 billion, 81% of which in manufacturing. The top sectors of cumulative FDI include: electronic parts and components manufacturing; computers, electronic and optical products manufacturing; electrical equipment manufacturing; wholesale and retail trade and fabricated metal products manufacturing. The level of its investment in China may be under-reported as many investors are believed to invest there through a Hong Kong entity in order to avoid scrutiny by the government of Chinese Taipei. More than 1 million of its people are estimated to be residing in China and more than 70,000 of its companies have operations there. The authorities point out that in order to protect the rights and interests of investors, promote mutual investments, create an impartial investment environment and enhance cross-Strait economic prosperity, the cross-Strait Bilateral Investment Protection and Promotion Agreement was signed and ratified in August 2012, making the above-mentioned phenomenon less likely to happen.

Table 1.5 Inbound and outbound flows of direct investment by activity, 2009-13 (approval basis)

(US$ million and %)

	2009	2010	2011	2012	2013
Inbound direct investment					
Total (US$ million)	4,835.4	3,905.9	4,999.2	5,887.1	5,294.3
% of GDP	1.3	0.9	1.1	1.2	1.1
By activity (%)					
Agriculture, hunting, forestry & fishing	0.1	0.1	0.6	0.0	0.1
Mining and quarrying	0.0	0.0	0.1	0.0	0.0
Manufacturing	20.7	34.7	29.5	25.6	35.6
Electronic parts and components	5.1	9.2	11.9	11.1	15.8
Electricity, gas and water	0.9	2.7	2.1	1.2	2.9
Construction	0.5	0.9	1.3	0.8	0.7
Services	70.1	60.9	65.1	72.4	63.0
Wholesale and retail trade	13.8	10.2	15.1	18.3	14.2
Finance and insurance	46.6	39.8	36.8	37.4	26.5
Outbound direct investment					
Total (US$ million)	10,148.2	17,441.3	18,073.5	20,890.7	14,422.4
% of GDP	2.7	4.0	3.9	4.40	2.94
By activity (%)					
Agriculture, hunting, forestry & fishing	0.1	0.1	0.0	0.0	0.0
Mining and quarrying	0.0	0.1	0.1	0.0	6.9
Manufacturing	67.0	68.5	63.8	48.1	54.4
Basic metal	0.9	1.9	3.2	4.2	12.8
Electronic parts and components	21.2	28.8	21.7	15.8	9.0
Computers and electronics	10.7	7.5	9.0	7.5	9.1
Electrical equipment	4.9	4.1	3.7	2.3	3.7
Electricity, gas and water	0.2	0.3	0.0	0.0	0.0
Construction	0.3	0.5	0.4	0.3	0.3
Services	29.7	29.2	35.2	51.4	38.1
Wholesale and retail trade	10.2	7.7	8.5	7.5	9.6
Finance and insurance	14.2	10.0	15.5	31.1	18.8

Source: Information provided by the Investment Commission, MOEA at: http://www.moeaic.gov.tw/system_external/ctlr?PRO=PubsCateList&cid=5.

1.36. Chinese Taipei factories based in China use the lower labour and land costs to process domestic inputs into finished goods for export to industrial markets such as the United States, Japan, and the EU, and for final sale in China. Recently, however, rising labour and land costs in China have prompted some firms to move from China to other Asian economies such as Viet Nam. Some firms have also shifted to producing higher value-added goods and higher-tech products in China.

1.37. During the review period, FDI inflows to high tech industries, including electronic parts and components, picked up, while there was a relative decline in investments in the financial sector. The main sources of inbound investment during the review period were the United States; Japan; Hong Kong China; and the Netherlands. FDI also flows from the tax havens of British Territories which include a number of multinational corporations, including those originating from Chinese Taipei. The bulk of their investment has been directed towards financial services, real estate, and wholesale and retail trade.

2 TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

2.1 Introduction

2.1. The broad trade policy objectives of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) continue to be focused on its further integration into the global economy through its active participation in the WTO and, increasingly, the negotiation of free-trade agreements and economic-cooperation agreements, the strengthening of trade facilitation and promotion activities and the reduction of trade barriers in overseas markets. Since the signing of the ECFA with China in 2010, the government has looked to negotiate trade deals with countries that do not recognize it diplomatically, its first success in this regard being the economic cooperation agreement signed with New Zealand in 2013. Similar agreements with other economies are likely to follow in the medium term and Chinese Taipei has also expressed interest in joining the U.S.-led Trans-Pacific Partnership (TPP) by 2020 as well as the ASEAN-backed Regional Comprehensive Economic Partnership (RCEP). The prospect of further FTAs should support attempts to reform and liberalize the domestic economy over the next few years.

2.2. Chinese Taipei's many science-based industrial parks, export-processing zones and free-trade zones provide favourable trade and investment opportunities. While Chinese Taipei frequently scores relatively well in international competitiveness surveys[1], its levels of inbound investment are not high, compared to other regional economies like the Republic of Korea, Singapore, Thailand, and Viet Nam. Chinese Taipei remains a moderate recipient of inward FDI in the east-Asian region with inflows concentrated in manufacturing, finance, and insurance services, and averaging around only 1% of GDP. During the review period, the government continued to liberalize its regulations with respect to FDI and it is generally expected that investors from China will continue to stimulate investment.

2.2 General institutional framework for making and enforcing policies

2.3. The central government consists of the Office of the head of government and five branches: Executive Yuan, Legislative Yuan, Judicial Yuan, Examination Yuan, and Control Yuan. The head of government has the authority to promulgate laws under the constitution. The Executive Yuan, or cabinet, is the main policy-making arm of government, its members being appointed by the head of government rather than elected representatives. Currently there are 14 ministries and 15 other agencies under the Executive Yuan.

2.4. The Legislative Yuan is the law-making body or parliament, comprising 113 legislators, elected to four-year terms. In addition to making laws, the Legislative Yuan's functions include questioning government officials and ministers on policies, and reviewing budgetary bills and audit reports. The members of the civil service are selected through an examination process controlled by the Examination Yuan. The judicial system comprises a lower court, a court of appeals, and a supreme court. The courts are independent and are overseen by the Control Yuan.

2.5. A natural or juridical person whose rights and interests in a matter relating to WTO issues may be impaired by an administrative action in Chinese Taipei is permitted to appeal such action, in principle to the Administrative Court, provided that relevant requirements are met under the Administrative Litigation Act.

2.6. International treaties enter into force after being ratified and promulgated and have the same force and effect as domestic laws.

2.3 Administration of trade policy

2.7. The Ministry of Economic Affairs (MOEA) remains the main governmental agency involved in trade policy formulation and implementation. It is also responsible for concluding and signing

[1] The World Bank ranked Chinese Taipei 16th out of 183 economies for "Ease of Doing Business" in 2014, up from 25th in 2012. Viewed at: http://www.doingbusiness.org/rankings. Also in 2012, Chinese Taipei was ranked 37th in the Transparency International Corruption Index; http://www.transparency.org/cpi2012/results; 17th in the 2014 Heritage Economic Freedom ranking; http://www.heritage.org/index/ranking; and 13th in the WEF Global Competitiveness Report, 2013-14; http://www.weforum.org/reports/global-competitiveness-report-2013-2014.

trade-related agreements with trading partners. In addition to trade, the MOEA's operational scope embraces industrial development, water resources, investment, energy, mining, national corporations, commercial affairs, SMEs, intellectual property, and standards and measurement (Box 2.1).

Box 2.1 Organization of the Ministry of Economic Affairs

The Ministry of Economic Affairs currently consists of staff units, administrative agencies, national corporations, as well as 63 overseas commercial offices located in 52 countries.

Staff units

Department of Mines
Department of Commerce
International Cooperation Department
Department of Investment Services
Department of Industrial Technology
Department of Statistics
Central Region Office
Southern Taiwan Joint Services Center, Executive Yuan
Office of Trade Negotiations

Administrative agencies

Industrial Development Bureau
Bureau of Foreign Trade
Intellectual Property Office
Bureau of Standards, Metrology and Inspection
Bureau of Energy
Water Resources Agency
Small and Medium Enterprise Administration
Export Processing Zone Administration
Central Geological Survey
State-owned Enterprise Commission
Investment Commission
International Trade Commission
Bureau of Mines

Corporations

Taiwan Sugar Corporation
Taiwan Power Company
CPC Corporation, Taiwan
Aerospace Industrial Development Corporation
Taiwan Water Corporation

Overseas offices

Asia Pacific
America
Europe
Middle East
Africa

Source: MOEA

2.8. MOEA's Bureau of Foreign Trade (BOFT) is responsible for drafting international trade policies, promoting trade, and managing trade-related activities. Its major functions are: (i) drawing up and implementing trade policies and regulations; (ii) participating in the activities of international trade organizations (WTO, APEC, OECD) and enhancing bilateral trade relations; (iii) handling and coordinating trade negotiations, consultations, and disputes; negotiating and signing FTAs; handling ECFA follow-up agreements and the Cross-Straits Economic Cooperation Committee; preparing and researching a Chinese Taipei-EU Economic Cooperation Agreement; and researching potential participation in the TPP; (iv) administering the import/export regime and providing guidance to trading businesses; and managing trade security and export control administration and related issues; (v) promoting foreign trade and developing overseas markets; and (vi) supervising and coordinating the MOEA's overseas offices.

2.9. The Office of Trade Negotiations (OTN) was established in March 2007 to serve as a coordination office among the relevant agencies to develop government positions and strategies for trade negotiations. Both the OTN and the BOFT report to the MOEA. Consisting of a trade policy team and a legal team, OTN's mission consists of: (i) participating in WTO-related negotiations[2], namely the Doha round, Chinese Taipei's accession to the Government Procurement Agreement, and expansion of the Information Technology Agreement, and preparations for negotiating trade in environmental goods; (ii) participating in WTO dispute cases and generally harmonizing domestic trade laws and regulations with WTO obligations; and (iii) engaging in bilateral negotiations on economic cooperation agreements (ECAs) and bilateral investment arrangements with, *inter alia*, Japan, New Zealand, and Singapore.

2.10. According to the authorities, other ministries and agencies involved in the formulation and implementation of trade policy include the Ministry of Finance, Ministry of Health and Welfare, Financial Supervisory Commission, National Development Council, Council of Agriculture, Public Construction Commission, Ministry of Transportation and Communications, Ministry of Justice, the Fair Trade Commission, and the National Communications Commission.

2.11. Prior to 2012, high-level trade policy coordination was undertaken by the Committee of Global Trade Policy Strategy Alliance and Arrangements. The Committee, chaired by the premier, was renamed the Committee of Global Economic and Trade Strategy in 2012 and aims to enhance policy coordination and performance for promoting economic and trade liberalization, including the drafting of a work agenda for launching and signing FTAs and ECAs. In this work, the government has classified accession to the TPP/RCEP as important targets.

2.12. The cabinet is coordinating work on building a national consensus, directing related ministries to draft response measures for sensitive domestic industries, and assisting businesses to engage in global planning, industrial upgrade and development of high value-added products to increase competitiveness and mitigate the potentially negative effects of joining the TPP. Under the auspices of this committee, the MOEA is entrusted with convening the Task Force of the Global Economic and Trade Strategy, composed of 20 vice-ministers who coordinate trade-related issues.

2.13. In order to foster participation from industries and academia in the formulation of trade policies, the Consultative Committee of Industrial and Academic Sectors was established under the Committee of Global Economic and Trade Strategy with a view to facilitating dialogue between the government and relevant stakeholders. Meetings of the group are jointly chaired by the vice-premier and an industrial leader nominated by group members. The Committee provides the government with advice on the impact of trade liberalization on domestic industries and responsive adjustment policies, and generally helps to build consensus and obtain support from key domestic sectors for ongoing trade liberalization.

2.14. The Chung-Hua Institution for Economic Research (CIER) is a government think tank responsible for providing relevant agencies with appropriate research concerning Chinese Taipei's participation in various trade negotiations. The CIER also builds and maintains economic and trade databases, issues e-papers, and handles outreach and training in order to assist government departments in the administration of trade affairs.

2.4 Main trade laws

2.15. The primary law governing trade in goods remains the Foreign Trade Act. The main law regarding tariffs and customs administration is the Customs Act. For services sectors, while certain sector-specific laws and regulations apply (e.g. Banking Act, Telecommunications Act, Healthcare Act), most services sectors are only subject to the generally applied Civil Act, Company Act, and the Business Registration Act.

2.16. A number of articles in the Foreign Trade Act were amended in 2010 and 2011, in order to comply with the requirement for clarity of legal authorization, the requirements of international conventions such as CITES, as well as to incorporate labour unions as applicants for investigation of import relief. The Customs Act has been amended twice since 2010 to ensure facilitation of

[2] As well as negotiations on the Trade in Services Agreement (TISA) taking place outside the WTO.

customs clearance as well as compliance with international guidelines. Changes and amendments to IP-related laws and regulations are covered in more detail in section 3 of this report.

2.17. When Chinese Taipei acceded to the WTO, it undertook to ensure that all laws, regulations, and judicial decisions and administrative rulings of general application relating to goods trade, as well as measures subject to the transparency provisions of the GATS and TRIPS Agreements would be translated and published in an official WTO language no later than 90 days after enactment or issuance. The authorities have set up enquiry points based on the requirements of relevant WTO Agreements.

2.5 Policy objectives

2.18. Chinese Taipei's overall trade and investment policy objectives remain largely unchanged since its previous review and are focused on increased integration into the world economy through the development of a liberalized and internationally competitive market economy. The government aims to diversify its exports to emerging markets so as to create new business opportunities, and continues to implement trade promotion campaigns.

2.19. Chinese Taipei has participated in WTO negotiations such as the Doha Round and ITA expansion and has utilized WTO rules to reduce and eliminate trade barriers. The government also continues to promote bilateral economic and trade relations through the negotiation and signing of FTAs and ECAs. In order to actively participate in economic integration, it has enacted regulatory reforms and streamlined business operating requirements and, during the review period, stepped up efforts for deregulation and regulatory alignment. According to the authorities, from May 2008 to March 2014, the government completed 904 actions to loosen economic and financial regulation in the areas of finance and taxation, human resources, industry, and cross-Strait economic affairs, including the easing of multiple entry for businessmen from China.

2.20. Among the government's key policy targets are: the active launching of ECAs to improve connection to the Asia Pacific region; further steps towards economic liberalization in order to attract multinational corporations to establish operational headquarters in Chinese Taipei, and building it into an effective and efficient portal for enterprises worldwide to access the Asia-Pacific market; and the gradual creation of conditions to achieve the goal of participation in the TPP.

2.21. The authorities point out that these policy objectives are consistent with the overall national economic plan (4-year National Development Plan 2013-2016) and the Economic Power-up Plan launched in 2012, which both emphasize trade expansion and investment promotion as key economic development goals.

2.5.1 National Development Plan (NDP)

2.22. In addition to promoting exports and accelerating trade diversification, Chinese Taipei is seeking to negotiate and sign FTAs and ECAs with the objective of increasing trade with FTA and ECA partners to 50% of total foreign trade by 2016, from 5% in 2013; this might be rather optimistic. The authorities are also seeking to create favourable conditions for joining the Trans-Pacific Partnership (TPP), as well as to speed up completion of the follow-up agreements under the Cross-strait Economic Cooperation Framework Agreement (ECFA).

2.23. The authorities are seeking to attract investment by, *inter alia*, broadening inducements for foreign enterprises to invest in Chinese Taipei, providing fully customized consulting services, bolstering inter-agency coordination, and optimizing single-window efficiencies. The government is also seeking to encourage overseas firms that have developed international brands or high value-adding processes to invest back in Chinese Taipei. The government is mapping out and implementing plans to establish free economic pilot zones with the primary goal of developing high value-added service industries and the secondary goal of developing manufacturing industries that can promote development of the service industry.

2.5.2 Economic Power-up Plan

2.24. Complementing the NDP, this plan contains policies aimed at: raising the added value of exports and developing exports to emerging markets; strengthening the competitiveness of services exports, including improving the quality of tourism; and at the organizational level, strengthening the mission and functions of the trade-policy-making apparatus by raising the level and profile of the Committee of Global Economic and Trade Strategy by placing it under the chairmanship of the premier and strengthening its role in the negotiation and conclusion of ECAs and other trade arrangements; and formulating a strategic plan for intellectual property to enable Chinese Taipei to become an Asian leader in IP creation, utilization, and protection.

2.6 Trade Agreements and Arrangements

2.25. Chinese Taipei's position in Asian supply chains and its economy's reliance on international trade has made market access for its exports and stable trading relations a priority. It acceded to the WTO with effect from 1 January 2002, and was admitted to the Asia Pacific Economic Cooperation (APEC) forum in November 1991. It is a participant in the Competition, Steel and Fisheries Committees of the OECD. During the review period, Chinese Taipei tried to expand trade amid concerns about the proliferation of regional and bilateral FTAs in particular among its major trading partners and competitors. The authorities recognize that exclusion from such FTAs has been problematic and could weaken enterprise competitiveness, adversely affecting trade and economic growth.

2.26. Chinese Taipei maintains extensive unofficial ties with countries that do not recognize it, focusing on trade, investment, culture, and cooperation in non-political areas.

2.6.1 Multilateral and regional agreements

2.6.1.1 World Trade Organization

2.27. Chinese Taipei applies MFN treatment to all other WTO Members except with regard to specific circumstances that are consistent with WTO rules for general and security exceptions. However, the growing share of international trade that is now subject to preferential treatment under FTAs is perceived to be undermining the value of the WTO MFN commitment.

2.28. Chinese Taipei became a signatory to the plurilateral Agreement on Government Procurement in July 2009. It participated in the new round of GPA negotiations and adopted the revised GPA, together with other GPA members, at the ministerial meeting convened by the GPA Committee on 30 March 2012. The revised GPA entered into force on 6 April 2014.

2.29. The government continues to be a strong supporter of the multilateral trading system, which played a critical role in curtailing protectionism during the 2008 financial crisis. The authorities believe that the WTO system must continue to be strengthened in order to respond to the ever-changing global trade environment. Regarding the Doha Round, it is considered that the Bali package covers only a small fraction of the DDA negotiations and that future negotiations must take into consideration ambitious and balanced outcomes while adequately responding to the special flexibility needs of developing countries and newly acceded members. In particular, the government recognizes the importance of the Doha Round as a milestone in safeguarding and advancing food security. As a developing Member, Chinese Taipei emphasizes the importance of responding to the needs of developing countries and LDCs by helping them integrate further into the multilateral trading system through contributions to the WTO's various development programmes, including the Doha Development Agenda Global Trust Fund (DDAGTF) and the Standards and Trade Development Facility (STDF).

2.30. The government welcomed the Trade Facilitation Agreement concluded at the MC9 and will implement the agreement accordingly. In addition, it is willing to provide the necessary technical assistance to other developing members by sharing its experience on the modernization of customs procedures. Concerning the implementation of the MC9 decision on duty-free and quota-free market access for LDCs (WT/MIN(13)/44, WT/L/919), providing assistance to LDCs is considered central to the Doha Development Agenda. The government has therefore continuously supported and provided various kinds of trade assistance projects to further enhance the balanced and sustainable development of LDCs.

2.31. As discussed elsewhere, the services sector is in need of reform. Along with 20 trading partners, the government is participating in plurilateral negotiations (outside of the auspices of the

WTO) with the aim of negotiating a trade in services agreement (TISA). Successful conclusion of an ambitious services agreement could help provide impetus to reform Chinese Taipei's services sectors while opening up new market opportunities for its services exports.

2.32. Regarding dispute settlement, during the previous review period, Chinese Taipei was a complainant in one case, concerning the tariff treatment by the EU on imports of certain information technology products. It participated as a third party in panels involving 16 cases in the period 2010-2013. It has never been a respondent in a WTO dispute settlement case.

2.33. During the review period, Chinese Taipei met notification requirements under various WTO Agreements. Regarding the notifications of QRs, concerned agencies are currently compiling data and the authorities expect to notify the WTO by end-September 2014.

2.6.1.2 APEC

2.34. Since joining APEC in 1991, Chinese Taipei has taken an active role in various meetings and initiatives. It supports and cooperates with other member economies in areas such as promoting ease of doing business, supply chain connectivity, structural reforms, SMEs, and energy efficiency. It underwent Individual Action Plan (IAP) peer Reviews in 2004 and 2007, and the 2014 IAP is currently being studied by the APEC Secretariat's Policy Support Unit.

2.6.2 Cross-Straits Economic Cooperation Framework Agreement (ECFA)

2.35. Chinese Taipei pursued closer economic integration with China during the review period. The most significant vehicle for this is the ECFA, which entered into force in September 2010. The ECFA serves as a road-map for future economic integration through four follow-on agreements concerning investment protection, trade in goods, trade in services, and dispute settlement (Box 2.2). It also includes provisions on an early harvest programme on tariff elimination and services liberalization. As of June 2013, two of the four follow-up agreements were completed (on trade in services and investment promotion and protection). The services trade agreement is still under legislative consideration. Chinese Taipei made 64 market-access commitments to investors from China, including for hotels and restaurants, social services, transport, and wholesale commerce. Limits imposed on the amount that Chinese institutions are able to own in local banks are likely to be raised gradually. However, sectors that are considered important for the strategic defence of Chinese Taipei remain off-limits.

Box 2.2 Key follow-on agreements under the ECFA

- Trade promotion offices: Taiwan External Trade Development Council of Chinese Taipei opened its first trade promotion office in Shanghai in December 2012 and since then has established offices in Beijing, Tsingtao, and Guangzhou. The China Chamber of Commerce for Import and Export opened its first trade promotion office in Chinese Taipei in January 2013. These offices are designed to facilitate cross-Strait trade, primarily in the services sector, by providing local market information, product advertising, and consulting services to businesses.

- Trade in goods agreement: as part of the ECFA, Chinese Taipei and China agreed to reduce and gradually eliminate tariffs on select imports. The final group of these "early harvest" items became tariff free on 1 January 2013. Through this arrangement, China has removed tariffs on 539 items imported from Chinese Taipei while Chinese Taipei has removed tariffs on 267 items imported from China. Both parties intend to build on this progress by completing a more comprehensive trade in goods agreement in the near future.

- Trade in services agreement: in June 2013, Chinese Taipei and China signed a services trade agreement to eliminate investment restrictions and other barriers across 11 service sectors. Chinese Taipei investors will gain access to numerous service subsectors in China, including those in e-commerce, printing, construction, transportation, tourism, entertainment, and funeral services; and Chinese investors will gain access, *inter alia*, to car rental, cargo transportation, beauty parlours, online gaming, and funeral services.

- Dispute settlement mechanism: Chinese Taipei and China in 2013 continued to discuss a mechanism to help resolve disputes that might arise from the interpretation, implementation, and application of the ECFA follow-on agreements.

Source: WTO Secretariat and Chinese Taipei authorities.

2.6.3 Other existing and potential preferential agreements

2.36. At the start of the review period, Chinese Taipei was a party to only five signed and ratified FTAs, with: Panama (2004), Guatemala (2005), Nicaragua (2008), El Salvador (2008), and Honduras (2008). Together they accounted for only 0.14% of its total trade in 2013. Since the conclusion of the ECFA, Chinese Taipei has also signed an Economic Cooperation Agreement (ECA) with New Zealand in July 2013[3], its first such deal with a country with which it does not have official diplomatic relations. Chinese Taipei and Singapore agreed in principle to an ECA in May 2013, and signed the ASTEP agreement[4] in November 2013.

2.37. In broad terms, the ECAs involve the removal of most market access barriers within a certain period, including: elimination of tariffs for agricultural and industrial products; opening of the services sector market; removal of foreign investment restrictions; and the bringing into line with international norms, regulations and policies affecting issues such as competition, IPR protection, standards and SPS measures, e-commerce, environmental protection. Chinese Taipei aims to substantially increase the value of its trade conducted via ECAs.

2.38. Chinese Taipei has engaged in ECA feasibility studies with India and Indonesia. The study with Indonesia was completed in December 2012 and the results suggested that both sides could enhance bilateral relations by means of an ECA. Similarly, the report on the study with India, delivered in September 2013, contains policy recommendations to further bilateral economic relations and suggests a joint working group for exploring ways to move forward. The authorities note that think tanks from Chinese Taipei and the Philippines have conducted an ECA feasibility study. The EU is one of Chinese Taipei's main trading partners and has become a prime target for an ECA.

2.39. The 1994 Trade and Investment Framework Agreement (TIFA) between the United States and Chinese Taipei is the key framework for the two governments to discuss their trade and economic relationship. The TIFA talks were suspended from 2007 until March 2013 due to disputes over access for U.S. beef and pork. In April 2014, the 8th TIFA meeting was held in Washington, constituting an important step to strengthen cooperation with the United States so as to lay a foundation for Chinese Taipei to join the emerging Trans-Pacific Partnership (TPP).

2.6.4 TPP

2.40. The government has identified economic liberalization as a key driver of economic growth and has undertaken to reform the economy to be ready to join the TPP, according to the authorities, as soon as practically possible. The achievement of this goal is significant not only as regards the opening of new export markets for Chinese Taipei and the preservation of its role in Asian supply chains, but also in terms of driving crucial domestic economic reforms. A government policy report entitled "2012 Golden Decade National Vision" identifies a number of core challenges such as a too large reliance on industry and manufacturing, dependence on too few export markets, the need to expand innovation and reduce reliance on trade as a driver of growth, the need to increase the competitiveness of the services sector and achieve greater market access overseas. The government places emphasis on strengthening bilateral relations with the United States, maintaining healthy cross-Strait interaction and the further establishment of economic and trade relations with other TPP members.

2.6.5 Unilateral trade preferences

2.41. Chinese Taipei grants duty-free access to items of LDC origin. The preference scheme covers nearly 98% of the total value of all products imported from LDCs. In terms of tariff lines, nearly 32% of imported LDC products receive preferential treatment. Chinese Taipei does not receive GSP (Generalized System of Preferences) treatment from any of its trading partners.

[3] ANZTEC (Agreement between New Zealand and Chinese Taipei on Economic cooperation) entered into force on 1 December 2013.

[4] ASTEP (Agreement between Singapore and Chinese Taipei Economic Partnership) entered into force on 19 April 2014.

2.7 Foreign investment regime

2.42. The government has long maintained a policy of attracting FDI as part of its growth strategy, although FDI inflows have been subject to various restrictions. The main aim of investment policy was initially to attract export-oriented investment based on the competitiveness of Chinese Taipei's educated workforce. More recently, the objective has been adjusted to focus on attracting FDI into technology-intensive areas and to promote technological spill-overs.

2.43. Currently, the most significant efforts to improve attractiveness to foreign investors are centred on the further opening of the economy to investment flows from China. The government has also announced policies aimed at encouraging the territory's overseas companies, especially those based in China, to reinvest on the island. Planned free economic pilot zones (FEPZs) in six major ports and Taoyuan International Airport form a key part of the government's strategy to attract more foreign investment. Restrictions on labour and on capital and goods flows are being loosened, and tax incentives are being provided to firms investing in designated industrial and services activities in the FEPZs.

2.44. In order to improve the investment climate, the government abandoned the use of a permitted investments list in favour of a negative list of industries, closed to foreign investment for security, environmental and health protection. Further reforms in this direction were undertaken during the review period. In June 2013, the Investment Commission of the MOEA reviewed the negative list and more than 20 subsectors were removed, including the manufacture of chemical products, the plantation and growing of fruits and flowers, land cargo transport, and certain financial intermediation services.

2.45. The negative list for investment by overseas Chinese and foreign nationals, now consists of 10 prohibited industries and 16 restricted industries (Table 2.1). Liberalization has reduced the list to less than 1% of manufacturing categories and less than 5% of service industries. For an investment in an industry that is restricted by law or regulations, approval must be obtained from the competent industry authority. The amended list entered into effect in June 2013. The government will review and modify the list periodically or when required.

Table 2.1 Negative list for investment by overseas Chinese and foreign nationals (amended 17 June 2013)

1. Prohibited industries

Code No.	Scope of industry	Sub-item of Industry	Description	Competent authorities	Remarks
18	Manufacture of chemical material	1810 Manufacture of basic chemical material	Manufacturing of nitroglycerin for military use (nitroglycerin used in explosive pillars involving public safety)	Ministry of Defense	
			Soda-chloride factories operating with mercuric electrolyzers	Ministry of Economic Affairs	National treatment
			A category of chemical products in accordance with the prohibition of chemical weapons of the United Nations	Ministry of Economic Affairs; Ministry of Defense	National treatment
			CFC, halon, methylchoroform, carbon tetrachloride	Environmental Protection Administration, Executive Yuan	National treatment
19	Manufacture of chemical products	1990 Manufacture of other chemical products	Gun powder fuse, agents of fire and fulminating mercury	Ministry of Defense	
24	Manufacture of basic metals	2499 Manufacture of other basic metals	Cadmium smelting	Ministry of Economic Affairs	National treatment

Code No.	Scope of industry	Sub-item of Industry	Description	Competent authorities	Remarks
		not elsewhere classified			
29	Manufacture of machinery and equipment	2939 Manufacture of other general-purpose machinery	Firearms, weapons manufacturing, arms repair, ammunition and fire-control (for military use, exclusive of military aircraft)	Ministry of Defense	
49	Land transport-ation	4931 Motor bus transportation 4932 Taxi transportation 4939 Other bus transportation	including city passenger bus services and highway passenger services Tour bus services	Ministry of Transportation and Communication	Not prohibited for overseas Chinese
54	Postal and courier activities	5410 Postal activities		Ministry of Transportation and Communication	National treatment
60	Programming and broadcasting activities	6010 Radio broadcasting 6021 Television broadcasting 6022 Cable and other subscription programming	Radio broadcasting industry; Radio television industry	National Communications Commission	
64	Financial intermedia-tion	6415 Postal saving and remittance services		Ministry of Transportation and Communication; Financial Supervisory Commission	National treatment
69	Legal and accounting activities	6919 Other legal activities	Public notary services	Judicial Yuan	Not prohibited for overseas Chinese
93	Sports activities and amusement and recreation	9323 Special amusement activities		Ministry of Economic Affairs	

2. Restricted industries

Code No.	Scope of industry	Sub-item of industry	Description	Competent authorities	Remarks
01	Agriculture and animal husbandry	0111 Growing of rice 0112 Growing of cereals (except rice) 0113 Growing of special crops		Council of Agriculture	

Code No.	Scope of industry	Sub-item of industry	Description	Competent authorities	Remarks
		0114 Growing of vegetables			
		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			
02	Forestry			Council of Agriculture	Not prohibited for overseas Chinese
03	Fishing and aquaculture			Council of Agriculture	
10	Manufacture of tobacco products			Ministry of Finance	National treatment
18	Manufacture of chemical material	1810 Manufacture of basic chemical material	Manufacturing of nitroglycerin (not used in gun powder and explosive pillars involving public safety)	Ministry of Defense	
27	Manufacture of computers, electronic and optical products		Military instrument and equipment	Ministry of Defense	
31	Manufacture of other transport equipment and parts	3190 Manufacture of other transport equipment and parts not elsewhere classified	Manufacture, repair and assemble of military aircraft	Ministry of Defense; Ministry of Economic Affairs	
33	Other manufacturing	3399 Other manufacturing not elsewhere classified	Processing of ivory	Council of Agriculture	National treatment
35	Electricity and gas supply	3510 Electricity supply	Electric power supply and power distribution	Ministry of Economic Affairs	
		3520 Gas supply	Piped fuel gas supply	Ministry of Economic Affairs	
36	Water supply	3600 Water supply	Tap water supply	Ministry of Economic Affairs	

Code No.	Scope of industry	Sub-item of industry	Description	Competent authorities	Remarks
50	Water transport-ation	5010 Ocean transportation 5020 Inland and lake transportation	Transport by ship and ship leasing service	Ministry of Transportation and Communication	Not restricted for overseas Chinese
51	Air transport-ation	5100 Air transportation		Ministry of Transportation and Communication	Not restricted for overseas Chinese
52	Supporting activities for transport-ation	5260 Service activities incidental to air transportation	Airport ground services and air catering services	Ministry of Transportation and Communication	1. Not restricted for overseas Chinese. 2. Except as otherwise provided in relevant treaties or agreements
60	Broadcasting and programming	6010 Radio broadcasting 6021 Television broadcasting 6022 Cable and other subscription programming	Cable television services and satellite television broadcasting	National Communications Commission	
61	Telecommun-ications	6100 Telecommunications	Type-I telecommunications enterprise	National Communications Commission	
69	Legal and accounting activities	6912 Scrivener activities	Land registration services	Ministry of the Interior	

Remarks:

1. Public welfare corporations such as social security insurances, schools and hospitals are deemed non-profit enterprises, thus not listed in the negative listing for investment.

2. Industry codes in these tables are categorized according to the "Standard Industrial Classification System of the Republic of China" (Rev.9 of 1 March 2011) by the Directorate-General of Budget, Accounting and Statistics of ROC (Taiwan). http://www.dgbas.gov.tw/ct.asp?xItem=28854&ctNode=5479&mp=1).

3. This document is translated according to its Chinese original; in case of discrepancy, the original version in Chinese shall prevail.

Source: http://www.moeaic.gov.tw/system_external/ctlr?PRO=LawsLoad&lang=1&id=32.

2.46. Regulations governing FDI mainly derive from the Statute for Investment by Foreign Nationals (SIFN) and the Statute for Investment by Overseas Chinese (SIOC). The two laws permit foreign investors to use foreign currencies or NT dollars, and both statutes specify that foreign invested enterprises must receive the same regulatory treatment accorded local firms. Foreign companies may invest in state-owned firms undergoing privatization and are eligible to participate in publicly financed R&D programmes. Foreigners investing in Chinese Taipei by incorporating new companies need prior approval from the Investment Commission.

2.47. In order to facilitate the FDI application process, the Investment Commission tabled draft amendments to both statutes in 2012, which the legislative Yuan is expected to legalize. The amendments should loosen restrictions so that investors may report to the competent authority after implementing investments in Chinese Taipei, while prior official approval will still be required under some exceptional circumstances. Around 80% of FDI projects are expected to benefit from this new policy, which should not only streamline and facilitate the FDI investment application but also make the FDI regime considerably more investor-friendly.

2.48. The government established the InvesTaiwan Service Center in 2010 in order to provide one-stop solutions to investors, including evaluation of investment projects, legal and tax advice, identification of potential factory locations, and interagency coordination (http://investtaiwan.nat.gov.tw/eng/show.jsp?ID=1200&MID=8). According to the authorities, foreigners may lease or purchase land for certain usage (such as offices, residences, and factories) on a reciprocal basis.

2.49. Chinese Taipei is not a member of the International Centre for Settlement of Investment Disputes, established by the World Bank to provide arbitration and conciliation services for government and foreign investors. Foreign investment disputes are normally resolved according to domestic law and regulations based on "national treatment" and investment guarantee agreements.

2.50. Up to March 2014, Chinese Taipei had bilateral investment agreements or ECAs/FTAs with investment chapters in force with 32 countries, including five added since its previous Review (St Vincent and the Grenadines, Gambia, Japan, China[5], and New Zealand). Chinese Taipei has double taxation avoidance agreements in force with 25 economies.

[5] The Cross-Strait Bilateral Investment Protection and Promotion Agreement with China was signed in August 2012 and entered into force in February 2013.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures

3.1. The basic customs legislation in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) is the Customs Act and its Enforcement Rules. The Customs Act was amended twice during the period under review (in May 2010 and May 2013).[1] The authorities note that these amendments served to facilitate customs clearance and ensure compliance with international guidelines. The Customs Administration, under the Ministry of Finance, implements customs legislation, including border measures[2]; other competent authorities, such as the Council of Agriculture and the Department of Health and Welfare, are involved in SPS inspection and licensing procedures at the border.

3.2. Customs legislation and related operational guidelines are available online.[3] The authorities indicate that regular conferences or symposia are held for consultations between traders and Customs on relevant matters. No change was made in the appeal procedure for customs decisions during the review period. Traders who disagree with customs decisions may request administrative remedies (e.g. reviews by Customs, or appeals to the Ministry of Finance). Traders may then refer the case to the Administrative Court if they are not satisfied with the outcome of the administrative remedies. During the review period, an average of 400 disagreements with customs decisions were registered each year.

3.3. 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).[4] Branch offices of foreign firms registered with the authorities may apply for registration as importers/exporters. Other than these branch offices, non-permanent residents are not normally allowed to engage in import/export on a professional basis. An exporter/importer whose trade performance in the preceding year has reached a prescribed turnover, may benefit from certain preferences.[5]

3.4. According to the World Bank's *Doing Business* report[6], trading across borders ranks well compared to the regional average (Table 3.1).

Table 3.1 Summary of procedures and documents for trading across borders

		Chinese Taipei	East Asia and Pacific average	OECD high income average
Number of documents required	Import	6	7	4
	Export	5	6	4
Days required to complete procedures	Import	10	22	10
	Export	10	21	11
Cost to complete procedures (US$ per container)	Import	720	884	1,090
	Export	655	856	1,070

Source: World Bank Group (2013), *Doing Business 2014; Economy Profile*. Viewed at: http://www.doingbusiness.org/reports/global-reports/~/media/giawb/doing%20business/documents/profiles/country/TWN.pdf.

[1] The Enforcement Rules of the Customs Act August 2010 amendment. Viewed at: http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=G0350002 [28/05/2013].

[2] Customs Administration online information. Viewed at: http://eweb.customs.gov.tw/mp.asp?mp=21

[3] Customs Administration online information, "Laws and Regulations". Viewed at: http://eweb.customs.gov.tw/np.asp?ctNode=12878 [26/11/13].

[4] 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 [13/12/13].

[5] Article 9-1, the Foreign Trade Act. Preferences include reduction/exemption in service fees charged by Taiwan External Trade Development Council (TAITRA), a higher credit line of loans for export-brand-promotion activities, and listing in a BOFT directory. Also see WTO document WT/TPR/M/232/Add.1, p.31, 25 August 2010.

[6] The World Bank Group (2013); see also OECD Trade Facilitation Indicators – Chinese Taipei. Viewed at: http://www.oecd.org/tad/facilitation/Chinese-Taipei_OECD-Trade-Facilitation-Indicators.pdf [05/12/13].

3.5. Customs has operated the Customs-Port-Trade (CPT) Single Window since August 2013, which allows documentation related to customs procedures, including customs declarations, trade licensing, and SPS permits, to be submitted and processed electronically.[7] The Single Window can be accessed either directly via the Customs Automation System (web-based application) or via the "through customs network" (message-based application in EDI or XML format). The "through customs network" is an interface between traders and the CPT Single Window operated by private contractors.[8] There are no fees for traders linking directly to the Single Window; traders using the "through customs network" pay service fees to the private contractors, and the services charged are regulated by the Ministry of Finance. According to the authorities, 99.95% of customs procedures in 2013 were done electronically.

3.6. Import declarations must be lodged within 15 days following arrival of the shipment. Importers may submit a "pre-entry declaration". Pre-entry declared goods may be released by Customs upon payment of a guarantee deposit, which may be for imports through a specific regional customs house, or for imports through all customs houses nationwide.[9] The Customs Act was amended in May 2010 to enlarge the scope of assets that may be considered as deposits, however the authorities note that the usage rate of pre-entry declaration was still only around 10% in 2011.

3.7. Customs clearance for shipments may be carried out under one of 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).[10] Physical inspections are, in general, carried out on a random basis. In 2011, the average length of clearance was two days for sea cargos, and one day for air cargos. Using pre-arrival clearance, the average length was 20 hours for sea cargos, and 4 hours for air cargos; 24-hour customs clearance has been available for express consignments since 2001.

3.8. The use of customs brokers is voluntary. A customs broker who satisfies certain criteria may seek approval for a reduced inspection ratio, valid for one year; this may be renewable.[11]

3.9. Customs may grant authorized economic operator (AEO) status to "economic operators in the supply chain".[12] There are two types of AEOs, General AEOs (AEO-G) and Security & 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 (Table 3.2). Participation in the authorized economic operator programme is voluntary. As of 2 May 2014, 618 applicants were granted the AEO status (329, AEO-G; and 289, AEO-S). The AEO schemes are not open to operators established outside Chinese Taipei.

3.10. Chinese Taipei signed AEO mutual recognition agreements with the United States (November 2012), Singapore (July 2013) and Israel (December 2013)[13], through which AEOs recognized by the customs authorities of the United States, Singapore or Israel enjoy the benefits of trade facilitation in Chinese Taipei, and *vice versa*.

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[7] The CPT Single Window incorporated the FT-Net system that has been operated since 2009. The CPT Single Window is an integrated paperless infrastructure for customs clearance documents, and exchange of trade documents and document verification.

[8] Two EDI service providers run the "through customs network".

[9] Article 5, the Regulations Governing the Implementation of Post-Release Duty Payment Procedures For Imported Goods, amended on 20 December 2010.

[10] 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.

[11] The detailed criteria are listed on 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 [14/12/13, in Chinese].

[12] 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, air carriers.

[13] Customs Administration Press Release. Viewed at: http://aeo.customs.gov.tw/aeo/PTL_AEO_101.aspx?NEWS_ID=CH1220131030001 [11/12/13, in Chinese].

3.11. Under the Customs Act, Customs may issue, upon request, written advance rulings on tariff classification[14], origin matters[15], and customs valuation.[16]

3.12. Customs implements the Customs Convention on the ATA Carnet for the Temporary Admission of Goods (ATA Carnet) at the border. The Taiwan External Trade Development Council (TAITRA) is the designated ATA document issuer and the guarantor for the security of temporarily imported goods. The ATA Carnet is valid for up to one year.

Table 3.2 Benefits of authorized economic operator certificates

	AEO-G	AEO-S
Document review and inspection ratio applied	Lower	Lowest
Simplified procedure when inspected	√	√
Priority treatment when inspected	n.a.	√
Non-intrusive approach of inspection	n.a.	√
Duties payment on a monthly basis	√	√
Affidavit as substitute for security of duties and charges	√	√
Prior release of re-imports of Chinese Taipei originating products with an affidavit	√	√
Single contact windows for customs clearance assistance	n.a.	√

√ Applicable.
n.a. Not applicable.

Source: WTO Secretariat, summary based on the Regulations Governing the Certification and Management of the Authorized Economic Operators.

3.1.2 Customs valuation

3.13. There has been no change in customs valuation legislation since the last Review. The rules were set out in the Customs Act (Articles 29 to 42) and its Enforcement Rules (Articles 11 to 27).

3.14. The transaction value is the primary basis for customs value determination. The transaction values used are c.i.f. values.[17] In the event that transaction values cannot be used, the customs value is based either on a deductive value or computed value; if neither of these methods can be used, the customs value is determined on the basis of data available to Customs.[18] According to Customs, around 99% of all import declarations in 2013 were accepted in accordance with the transaction value method.

3.15. Imports of used motor vehicles continue to be valued on the basis of the deductive c.i.f. price[19] of "model year of imported cars" or the "trade-in price" in the exporting countries plus freight and insurance[20], or reasonable means provided in Article 7 of the Customs Valuation Agreement. Imports of used cars accounted for 8.4% of total imports of motor vehicles in 2013.

3.16. For imports for which payment of royalties and licence fees is a condition of the sale of the goods[21], the royalties and licence fees paid/payable must be taken into account for customs valuation purpose.[22]

[14] Article 21, the Customs Act.
[15] Advance rulings on country of origin are applicable only to trading partners that have signed bilateral ECA/FTAs with Chinese Taipei.
[16] Article 36-1, the Customs Act. Advance rulings are not applied to imports of waste.
[17] Article 29, the Customs Act, Article 11 and 12 of the Enforcement Rules of the Customs Act.
[18] WTO document WT/ACC/TPKM/18, 5 October 2001.
[19] A deductive c.i.f. price is the market price of an equivalent new car discounted by the years in use, plus the insurance and freight costs occurred during importing the used car in question.
[20] Notes on Customs Clearance of Imported Used Motor Vehicles, revised in December 2011. Viewed at: http://eweb.customs.gov.tw/ct.asp?xItem=44745&ctNode=6493 [11/09/2013].
[21] Customs Administration online information. Viewed at: http://eweb.customs.gov.tw/ct.asp?xItem=14995&ctNode=6493 [12/09/2013].
[22] Customs Administration online information. Viewed at: http://eweb.customs.gov.tw/ct.asp?xItem=51324&ctNode=6493 [12/9/2013].

3.1.3 Rules of origin

3.17. There are both non-preferential and preferential rules of origin. Non-preferential rules are applied for the purpose of, *inter alia*, implementation of anti-dumping and countervailing measures, quantitative restrictions, MFN tariff quotas, and origin marking. Preferential rules of origin are set out in reciprocal and non-reciprocal trade arrangements.

3.18. For non-preferential rules, in cases where more than one country is involved in the production of a good, the country of origin is determined as the country where the product has undergone its "last substantial transformation".[23] Substantial transformation may be expressed as[24]: a change of HS tariff heading or subheading criterion; a more than 35% in added value criterion; or the "completion of major process".[25]

3.19. Preserving operations, to ensure that a product remains in good condition during transport and storage, breaking up and assembly of packages, simple mixing of products, simple assembly of parts, etc. are not considered as substantial transformation.

3.20. Imports from LDCs must have no less than 50% of value added in the country of origin.[26] Where more than one country is involved in production, no cumulation rules are provided for LDCs. To qualify for tariff preferences, LDC-origin goods must be transported directly to Chinese Taipei.[27]

3.21. Regarding the value-added criterion for obtaining originating status, Chinese Taipei maintains bilateral cumulation only with WTO Members with which it has free-trade arrangements, i.e. only the originating products or materials may benefit from preferential treatment.

3.22. Chinese Taipei maintains preferential rules of origin through its free-trade arrangements with El Salvador and Honduras; Guatemala; Nicaragua; New Zealand; Panama; and Singapore. Preferential rules of origin vary according to different reciprocal trade arrangements.[28] The authorities indicate that the variations are small.

3.23. Certificates of origin are issued by the BOFT to facilitate exports. Since 6 November 2013, traders have been allowed to self-issue a certificate-of-origin-declaration that serves as a certificate of origin.[29]

3.1.4 Tariffs

3.24. The tariff schedule has three sets of rates: MFN rates applied to WTO Members or other countries/areas that accord reciprocal treatment; preferential rates; and rates applied to all other imports.[30]

3.1.4.1 MFN tariffs

3.25. The tariff nomenclature, also known as the Import and Export Commodity Classification (CCC), is based on the Harmonized Commodity Description and Coding System (HS), and further specified at the ten-digit level. The current nomenclature reflects the fourth amendment to the HS

[23] Article 5, the Regulations Governing the Determination of Country of Origin of an Import Good, amended 24 December 2010.
[24] Article 7, the Regulations Governing the Determination of Country of Origin of an Import Good, amended 24 December 2010.
[25] The origin rules for "completion of major process" are provided in the table of "list rules".
[26] Article 8, the Regulations Governing the Determination of Country of Origin of an Import Good, amended 24 December 2010.
[27] In the case of shipping through a third country, no operations are allowed other than unloading and reloading in the country of transit. See Article 11, the Regulations Governing the Determination of Country of Origin of an Import Good, amended 24 December 2010.
[28] For detailed information, see Customs Administration online information, "Rules of Origin". Viewed at: http://eweb.customs.gov.tw/ct.asp?xItem=42658&CtNode=12640 [07/10/2013].
[29] Article 20-3, the Foreign Trade Act, amended 6 November 2013.
[30] These other rates are equal to or higher than their corresponding MFN rates. The authorities note that imports subject to the third set of tariff rates accounted for 0.006% of total trade in 2013.

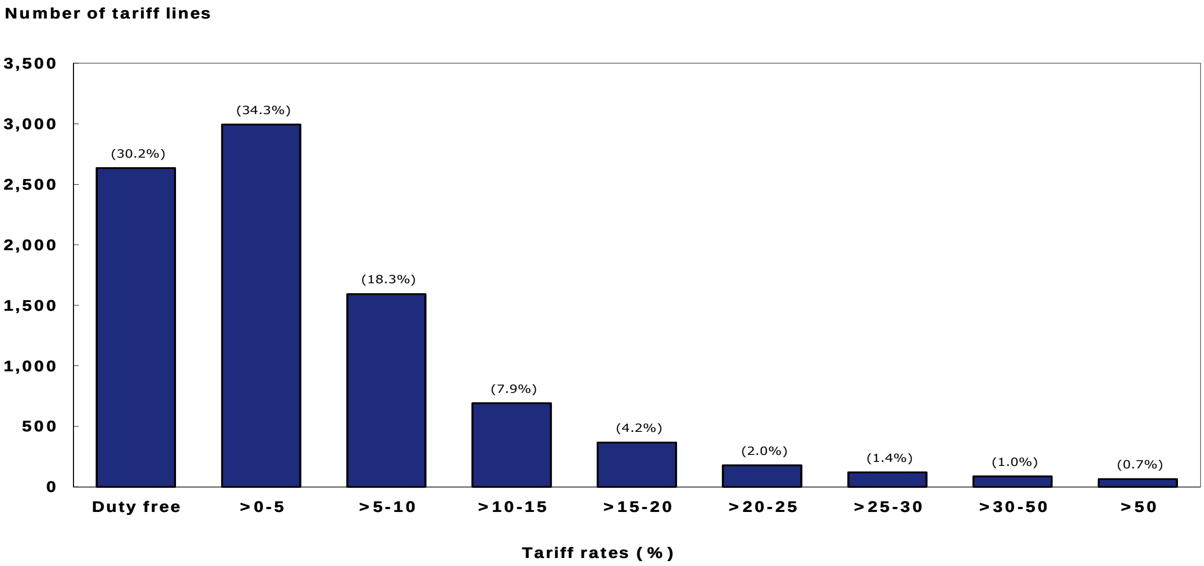
(HS 2007). The authorities maintain a public online database of tariff rates and other measures, including quantitative restrictions and contingency measures, applied to imports (and exports).[31]

3.26. 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 authorities (e.g. the industrial and agricultural authorities) to the Customs Tariff Commission under the Ministry of Finance.[32] After review and discussion with relevant stakeholders, the Tariff Commission submits its proposal for tariff changes to the Executive Yuan (through the Ministry of Finance) and the legislature for approval. During the period under review, Chinese Taipei amended its MFN tariff schedule twice, in June 2010 (35 lines amended) and in November 2012 (7 lines amended). According to the authorities, the changes in the tariff schedule reflected the change of nomenclatures, but also resulted in tariff reductions on certain products with the aim of lowering firms' operational cost and thus enhancing industrial competitiveness. Products that benefited from tariff reductions include fuels, parts and components of motor vehicles, tube monitors, and frames and mountings for spectacles/goggles (Table A3.1).

3.27. Apart from the above, the tariff schedule has hardly changed since its previous Review. It consists of *ad valorem* duties, specific duties, and alternate duties. In 2013, *ad valorem* rates covered 98.2% of all tariff lines, which enhances the transparency of the tariff structure. However, there are still 150 rate bands; 86 *ad valorem*; 16 specific; and 48 alternate rates. The tariff thus remains relatively complex, involving a multiplicity of rates. Non-*ad valorem* duties in particular in agriculture tend to conceal relatively high AVEs.

3.28. The 2013 tariff comprises 8,728 lines at the eight-digit level: 30.2% of all tariff lines are duty free and 52.6% of lines have rates below 10% (Chart 3.1); 4.4% of lines are "nuisance" rates. The simple average applied MFN tariff rate, including the *ad valorem* equivalents (AVEs) of non-*ad valorem* tariff rates[33], was 7.8% in 2013, the same as in 2009. Based on the WTO definition, the average applied rate remained at 22.1% for agriculture, and at 5.0% for non-agricultural products. Tariff-rate quotas cover less than 1% of tariff lines (Table 3.3).

Chart 3.1 Distribution of MFN tariff rates, 2013



Note: Figures in parentheses denote the share of total lines. Calculations exclude in-quota rates and include AVEs for non-*ad valorem* rates as provided by the authorities.

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

[31] Customs Administration - Tariff Database Search System. Viewed at: http://eweb.customs.gov.tw/RateWebEn/Search1.aspx [07/10/2013].

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

[33] The *ad valorem* equivalents (AVEs) were provided by the authorities; they were calculated based on the 1999-2001 trade data. The authorities indicate that the calculation followed the method based on WTO document JOB(05)/166/Rev.1.

Table 3.3 Tariff structure, 2009 and 2013

(%, unless otherwise indicated)

	MFN applied		Final bound[a]
	2009	2013	
Bound tariff lines (% of all tariff lines)	100.0	100.0	100.0
Simple average rate	7.8	7.8	8.1
WTO agricultural products	22.1	22.1	23.0
WTO non-agricultural products	5.0	5.0	5.2
Duty-free tariff lines (% of all tariff lines)	30.1	30.2	28.8
Simple average rate of dutiable lines only	11.2	11.1	11.3
Tariff rate quotas (% of all tariff lines)	1.2	0.8	0.8
Non-*ad valorem* tariffs (% of all tariff lines)	1.8	1.8	1.8
Domestic tariff "peaks" (% of all tariff lines)[b]	5.2	4.9	4.8
International tariff "peaks" (% of all tariff lines)[c]	9.3	9.3	9.6
Overall standard deviation of tariff rates	29.3	29.4	29.6
Coefficient of variation of tariff rates	3.8	3.8	3.7
Nuisance tariffs (% of all tariff lines)[d]	4.4	4.4	3.6
Total number of tariff lines	8,730	8,728	8,728
Ad valorem rates	5,945	5,934	6,054
Duty free	2,625	2,635	2,515
Specific rates	89	88	88
Alternate rates	71	71	71

a Based on the 2013 tariff schedule in HS07 nomenclature.
b Domestic tariff peaks are defined as those exceeding three times the overall 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: Both tariff schedules are based on HS07 nomenclature.
Calculations for averages are based on national tariff line level (8-digit); excluding in-quota rate and including AVEs as provided by the authorities.

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

3.29. In the 2013 tariff schedule, 159 lines are non-*ad valorem* rates (*i.e.* specific rates plus alternate rates) accounting for less than 2% of lines. On average, non-*ad valorem* rates continue to afford higher protection than *ad valorem* rates. The average AVE of non-*ad valorem* tariff rates is 102.9%, compared with 6.1% for *ad valorem* duties. Under the WTO definition, cereals and preparations are subject to the highest average tariff rate, followed by fruit, vegetables and plants; oils seeds, fats, oil and their products; and dairy products (Table 3.4). Rates above 100% are mostly AVEs related to agricultural goods[34], applying to, *inter alia*, rice and rice products (102.6%~1,069%), betel nuts (822.1%), ground-nuts products (744.2%), and certain milk products (146.9%). Apart from agricultural products, non-*ad valorem* tariff rates apply to 54 lines, for example, on dried, salted or in-brine squid (753.6%).

3.30. Additional tariffs in the form of special safeguard (SSG) measures are imposed on 15 products, including dried shiitake, betel nuts, chicken legs and wings, and milk. Within the review period, most applied SSG measures were triggered by volume-based action.[35]

3.31. Duty drawbacks refer to the refund of tariff duties that are collected on the imported raw materials used for manufacturing products for export (Section 3.2.2). In 2013, NT$2,528 million were refunded as duty drawbacks.

[34] Six tariff lines have *ad valorem* rates above 100%; they are out-of-quota rates for agricultural products.

[35] WTO documents G/AG/N/TPKM/104, 23 May 2013; G/AG/N/TPKM/95, 13 March 2012; G/AG/N/TPKM/86, 21 March 2011; and G/AG/N/TPKM/74, 25 February 2010.

Table 3.4 Summary of the MFN applied tariff, 2013

	Number of lines	Simple average (%)	Tariff range (%)	Standard deviation	Duty free lines (%)	Non-*ad valorem* rates (%)
Total	**8,728**	**7.8**	**0-1,069.9**	**7.8**	**30.2**	**1.8**
HS 01-24	1,584	23.7	0-1,069.9	66.1	18.6	10.0
HS 25-97	7,144	4.2	0-30	4.3	32.8	0.0
By WTO category						
WTO agricultural products	**1,407**	**22.1**	**0-1,069.9**	**67.4**	**23.7**	**7.5**
Animals and animal products	190	18.9	0-45	11.1	2.6	13.2
Dairy products	46	31.6	5-146.9	34.6	0.0	28.3
Fruit, vegetables, and plants	435	22.1	0-822.1	53.4	22.5	6.9
Coffee and tea	46	13.4	0-43	11.8	26.1	10.9
Cereals and preparations	160	53.5	0-1,069.9	137.2	5.0	16.3
Oils seeds, fats, oil and their products	120	27.0	0-744.2	113.3	50.0	3.3
Sugars and confectionary	28	16.4	0-27.5	7.7	7.1	0.0
Beverages, spirits and tobacco	110	18.2	0-40	10.2	13.6	0.0
Cotton	5	0.0	0-0	0.0	100.0	0.0
Other agricultural products	267	6.1	0-500	30.9	48.3	0.7
WTO non-agricultural products	**7,321**	**5.0**	**0-753.6**	**10.6**	**31.4**	**0.7**
Fish and fishery products	282	23.8	0-753.6	45.7	6.0	18.8
Minerals and metals	1,452	2.9	0-12.5	3.7	54.3	0.1
Chemicals and photographic supplies	1,543	2.7	0-20	2.3	29.6	0.0
Wood, pulp, paper and furniture	372	0.6	0-12.5	2.4	92.5	0.0
Textiles	878	7.6	0-12.5	3.4	3.4	0.0
Clothing	366	11.8	10.5-12	0.6	0.0	0.0
Leather, rubber, footwear and travel goods	219	5.4	0-10	3.4	15.1	0.0
Non-electric machinery	792	3.3	0-17.5	2.8	23.9	0.0
Electric machinery	488	4.2	0-15	3.7	27.0	0.0
Transport equipment	240	9.3	0-30	8.5	21.7	0.0
Non-agricultural products, n.e.s.	661	3.3	0-14	3.2	37.4	0.0
Petroleum	28	2.1	0-5	2.1	46.4	0.0

Note: Calculations are based on national 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.

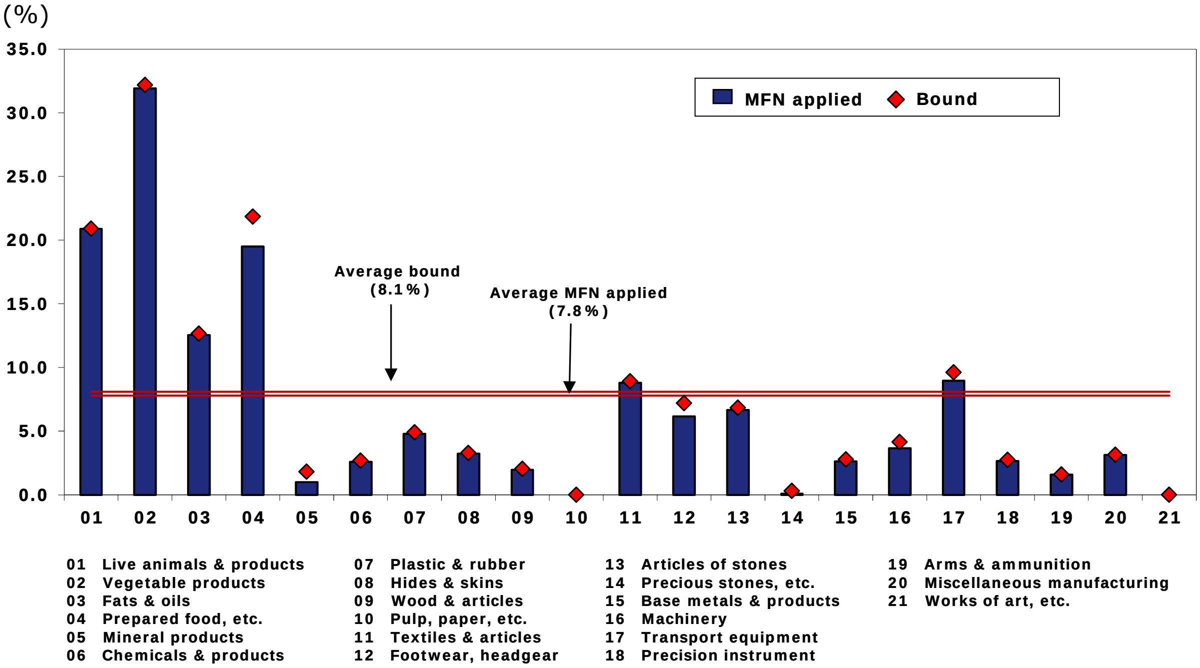
3.1.4.2 WTO bound tariffs

3.32. All tariff lines are bound. Applied rates are close to or coincide with their bound rates with a simple average bound tariff rate of 8.1%, compared to a simple average of applied rate at 7.8% (Chart 3.2).[36] This suggests broad predictability in the tariff.

3.33. Chinese Taipei is covered by the collective General Council waiver suspending the application of GATT binding disciplines to allow WTO Members to implement HS 2012 changes, pending the incorporation of these changes into their schedules of concession.[37] This waiver will expire on 31 December 2014.

[36] Simple average at national tariff line level.
[37] WTO document G/C/W/684/Rev.1, 8 October 2013.

Chart 3.2 Average applied MFN tariff and bound rates, by HS section, 2013



Note: Calculations exclude in-quota rates and include AVEs for non-*ad valorem* rates as provided by the authorities.

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

3.1.4.3 Preferential tariffs

3.34. Preferential tariffs are granted to least developed countries (LDCs) and to WTO Members that have free-trade agreements or economic cooperation agreements with Chinese Taipei (Table 3.5).

Table 3.5 Summary analysis of preferential tariff, 2013

(%)

	Total		WTO agriculture		WTO non-agriculture	
	Average (%)	Duty free rates[a] (%)	Average (%)	Duty free rates[a] (%)	Average (%)	Duty free rates[a] (%)
MFN	7.8	30.2	22.1	23.7	5.0	31.4
Free trade arrangements						
FTA with El Salvador	3.5	78.8	16.3	49.3	1.0	84.4
FTA with Guatemala	3.0	78.5	15.2	48.7	0.7	84.3
FTA with Honduras	3.3	83.9	16.3	49.5	0.8	90.5
FTA with Panama	1.9	97.9	11.3	88.7	0.1	99.6
FTA with Nicaragua	2.9	85.2	14.6	55.4	0.7	91.0
ECFA with China	7.6	33.3	22.1	23.7	4.8	35.1
Least developed countries (LDCs)	7.6	31.7	22.1	24.3	4.9	33.1

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

Note: Calculations are based on national 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.

3.35. Simple average tariff rates of FTAs, in general, are lower than MFN rates, and the duty-free coverage is wider (Table 3.5). The main items still subject to tariffs in the FTAs with Central American countries are small passenger vehicles and parts, tobacco and tobacco products, and some agricultural products.[38] Since January 2013, all lines listed in the Early Harvest for Trade in Goods in the ECFA with China have been zero-rated. The simple average rate under the ECFA was 7.6% in 2013, with about one-third of total tariff lines duty free. In 2013, duty-free trade with China accounted for 11.15% of total trade, which gave a weighted average tariff rate at 1.4%.[39] In addition to MFN duty-free treatment, other duty-free trade of China-origin goods under the ECFA Early Harvest covers 267 lines, including products such as petrochemical, textiles, machinery, and transport equipment.

3.36. Chinese Taipei unilaterally provides LDCs with duty-free treatment, covering 31.7% of lines in the 2013 tariff schedule.[40] While 98% of the total value of trade with LDCs was under this duty-free treatment, trade with LDCs accounted for only 1.5% of Chinese Taipei's total trade in 2013.

3.1.4.4 Tariff exemption and reduction

3.37. Under the Customs Act, certain imports are exempted from tariff payment. These include: articles imported by certain government officials or for certain official use; articles for educational, research, or experimental purposes imported by public and private schools or other educational or research institutions; and advertising material and samples of no commercial value or of a value below the prescribed ceiling.

3.38. The Ministry of Finance has authority to adjust customs duties temporarily in order to deal with an "extraordinary" economic situation, domestic or overseas, or a situation to accommodate the supply of goods, or to provide a "reasonable operational environment" without seeking approval from the legislature.[41] Adjustments are allowed within 50% of the statutory duty rate or quantity, and may be applied for up to one year. Different from the procedure for schedule changes, enterprises and/or industrial associations may apply for temporary tariff adjustment. The decision for temporary adjustment is subject to approval by the Executive Yuan.

3.39. During the review period, the authorities temporarily lowered tariff rates for certain products five times; each temporary adjustment was valid for a maximum of six months, and reduced most affected rates by half (Table 3.6). According to the authorities, the tariff rate adjustments were made in response to a hike in food prices, with the aim of lowering the cost of living.

Table 3.6 Temporary tariff adjustment, 2010-13

HS Code	Product	Original rate (%)	Temporary reduced rate (%)	Validity
11081410	Manioc starch	7	3.5	10 Aug 2011 - 9 Feb 2012
10011000	Durum wheat	6.5	3.25	
10019000	Other wheat and meslin	6.5	3.25	
11010010	Wheat flour	17.5	8.75	
11031100	Groats, meal of wheat	20	10	
04021000; 04022100	Milk and cream powder	10	7.5	
19011000	Preparation for infant use	5	2.5	25 Nov 2011 - 24 May 2012
19019021; 19019022	Prepared milk powder	12	6	

[38] WTO document WT/TPR/M/232/Add.1, page 51, 25 August 2010.
[39] Calculation by the authorities of Chinese Taipei.
[40] Customs Administration online information, "General Rules of the Customs Import Tariff". Viewed at: http://www.customs.gov.tw/rate/rate/General%20Rules%20of%20The%20Customs%20Import%20Tariff.pdf [26/10/13].
[41] Article 71, the Customs Act.

HS Code	Product	Original rate (%)	Temporary reduced rate (%)	Validity
04051000	Butter	5	3.75	1 Dec 2011 - 31 May 2012
04059010	Milk fat	8	6	
11022000	Flours of maize	6	3	
12081000	Soya beans	3	1.5	
04021000; 04022100	Milk and cream powder	10	5	10 Feb 2012 - 9 Aug 2012
08081000; 08093000; 08105000	Fresh apples, nectarines and kiwifruits	20	10	5 Oct 2012 - 4 Dec 2012

Source: Information provided by the authorities.

3.1.4.5 Tariff-rate quotas

3.40. Tariff-rate quotas (TRQs) are applied to 85 agricultural products at the HS ten-digit level (74 national tariff lines). The in-quota tariff rates for goods subject to tariff quotas are listed separately under Chapter 98 of the CCC.[42] TRQs for small vehicles and chassis were abolished in September 2011. The authorities state that appropriate border measures need to be maintained to ensure sustainable development, given the multi-functionality of the agriculture sector.[43] According to the authorities, the quantities of TRQs are in line with Chinese Taipei's commitment upon its accession to the WTO.

3.41. Tariff-rate quotas are applied only to goods originating from WTO Members and are administered by the Ministry of Finance. The Bank of Taiwan (BOT) is delegated by the Ministry to allocate the TRQs.[44] TRQs for all agricultural products except rice are based on global quotas; TRQs for rice are allocated to specific countries.

3.42. Allocation of TRQs, in practice, is through open bidding. When TRQs are allocated via open bidding, the BOT collects a deposit (referred to as a performance bond or a premium) upon issuing a certificate of tariff quota. Quota holders may apply for refund of the deposit if the entire quantity of goods specified in their TRQ certificate has been imported within the certificate validity.[45] TRQs are transferable, partially or wholly, with the amount of the allocated quotas, within the validity of the TRQ certificates.

3.43. When the annual quota for a product is used up, normal import duties will be applied to the out-of-quota imports (Table 3.7). The out-of-quota rates can be *ad-valorem* or specific. Some non-*ad valorem* rates (e.g. rice flakes) provide extremely high protection, which makes out-of-quota imports almost prohibitive (Table 3.7).

3.44. During 2009-12, TRQs for rice, longans, and deer velvet were almost filled whilst those for bananas, betel nuts, mangoes, and shaddocks were barely used (Table A3.2). The authorities note that very low or zero usage of the TRQs is attributed to the fact that products intended for import fail to pass relevant SPS requirements.

3.45. TRQs provided in the bilateral trade arrangements with New Zealand, Nicaragua, and Panama are administered in a similar manner to the MFN TRQs.

[42] Customs Administration online information, *General Rules of the Customs Import Tariff*. Viewed at: http://eweb.customs.gov.tw/public/Attachment/091011391771.pdf [22/10/13]. The out-of-quota rates are listed on the corresponding lines of other relevant chapters.

[43] WTO document WT/TPR/M/232/Add.1, page 8, 25 August 2010.

[44] Bank of Taiwan online information, "Tariff Rate Quota". Viewed at: http://www.bot.com.tw/Trade/TradeWTO/WTO_intro/Pages/default.aspx [16/04/14].

[45] If the amount of goods not imported is less than a proportion prescribed in the TRQ announcement, the goods in questions are considered as imported entirely. The performance bond or premiums may not be refunded after five years.

Table 3.7 Tariff rate quotas, 2013

Products	Out-of-quota rates 2013	In-quota rates 2013
Deer velvet (1 line)	500%	22.5%
Fresh pears (1 line)	NT$49/kg	18%
Bananas (1 line)	100%	12.5%
Red bean (8 lines)	NT$22/kg	22.5%
Milk (17 lines)	NT$15.6/kg	15%
Peanuts (11 lines)		
Ground-nuts and flours and meals thereof	NT$42/kg or NT$64/kg	25%
Ground-nuts oil	338%	25%
Garlic bulbs (3 lines)		
for planting	NT$27/kg	0%
other	NT$27/kg	22.5%
Dried shiitake (1 line)	NT$369/kg	25% or NT$110/kg whichever is the higher
Dried day lily (1 line)	NT$58/kg	22.5%
Coconuts (1 line)	120%	15% or NT$0.9/kg whichever is the higher
Betel nuts (1 line)	NT$810/kg	17.5%
Pineapples (1 line)	173%	15%
Mangoes (1 line)	60%	25%
Shaddocks (1 line)	184%	25%
Dried longans (1 line)	NT$88/kg	15%
Rice(24 lines)		
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%

Source: WTO document G/AG/N/TPKM/102, and information provided by the authorities.

3.1.5 Tax collected at the border and other charges

3.46. Customs collects import duties and, on behalf of other government agencies a number of taxes: Business Tax; Commodity Tax; Tobacco and Alcohol Tax; Specially Selected Goods and Services Tax; Health and Welfare Surcharge on Tobacco Products; and Trade Promotion Services Fee on imported goods at the border. The Specially Selected Goods and Services Tax has been imposed on "high-priced" products since 1 June 2011. The contribution of trade-related taxes to total tax revenue increased from 22.8% in 2009 to 26.8% in 2013 with a certain amount of fluctuation (Table 3.8). Business Tax constantly accounted for two thirds of total trade-related tax during the review period.

Table 3.8 Taxes and fees collected at the border, 2009-13

(NT$ million)

	2009	2010	2011	2012	2013
Import tariffs	68,827	89,484	96,323	94,918	97,009
Business Tax	232,165	322,710	344,727	328,093	327,246
Commodity Tax	17,436	26,982	32,684	30,975	34,242
Tobacco and Alcohol Tax	17,579	17,547	17,084	16,036	16,774
Health and Welfare Surcharge on Tobacco Products	13,327	18,070	15,845	14,257	15,159
Specially Selected Goods and Services Tax	n.a.	n.a.	791	1,304	1,685
Total	349,334	474,793	507,454	485,583	492,115
Percent of total tax revenue	22.8	29.3	28.8	27.0	26.8
Trade Promotion Service Fee	3,503	4,588	4,921	4,827	4,813

n.a. Not applicable.

Source: Information provided by the authorities.

3.1.5.1 Internal taxes

3.47. Internal taxes such as Business Tax, Commodity Tax, Specifically Selected Goods & Services Tax, and Tobacco and Alcohol Tax[46] are applied equally to domestically produced and imported products.

3.48. Rubber tyres, cement, beverages, flat-glass (except conductive glass), fuels (such as oil and gas), electric appliances (e.g. fridges, air conditioners, audio/video recorders), and motor vehicles (including electric motor vehicles) are subject to Commodity Tax. Commodity Tax rates vary from 8% to 35%, while the rates on cement and fuels are specific taxes. The Executive Yuan is allowed to adjust the specific taxes within 50% of taxes specified in the legislation. However, no Commodity Tax adjustment was made in the review period. During the review period, Commodity Tax collected at the border accounted around for 19% of total Commodity Tax revenue.

3.49. From 1 June 2011, certain "high-priced" goods, such as passenger cars, yachts, aircraft, helicopters, ultra-light vehicles, furniture, turtle shells, hawksbill, coral, ivory, and furs and fur products are subject to Specifically Selected Goods and Services Tax.[47] The tax rate is 10%. More than 30% of Specially Selected Goods and Services Tax was collected at the border in 2013.

3.50. Tobaccos (including tobacco products) and alcohol beverages are subject to Tobacco and Alcohol Tax. In addition, tobacco and tobacco products are subject to the Health and Welfare Surcharge.

3.51. Business Tax collected on imported goods is a value-added tax (VAT) set at the rate of 5%. VAT rates for imported wheat, barley, corn, or soy beans may be adjusted at the discretion of the Executive Yuan.[48] According to the authorities, such discretion was exercised twice during the review period, in order to deal with extraordinary economic situations and stabilize the supply of goods: VAT exemptions were granted on imported wheat, barley, corn, and soy beans for 15 months (10 March 2009 to 9 June 2010), and to corn for one year (6 April 2012 to 5 April 2013). VAT is exempted for imports of vessels for international transport, ocean fishing ships, fertilizers, and gold and gold products.

3.1.5.2 Fees and other charges

3.52. The Trade Promotion Service Fee is 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 and travel expenses. In 2012, the Fund collected NT$4,827 million at the border and spent NT$4,640 million on trade promotion events.[49]

3.53. Harbour dues are based on the gross tonnage of ships entering the port (ship port dues), number of passengers departing (passenger port dues), and the "revenue tons"[50] of loaded or

[46] The Health & Welfare Surcharge on tobacco products is levied and paid at the same time as the Tobacco & Alcohol Tax is collected; see Article 22, Tobacco and Alcohol Tax Act. Viewed at: http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=G0330010 [11/11/13]; and Article 18, Regulations for the Collection of Tobacco and Alcohol Tax. Viewed at: http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=G0330022 [11/11/13].

[47] Specifically Selected Goods and Services Tax Act Article 2, lists all taxable-value thresholds for goods subject to this tax. For example, passenger cars whose value is not less than US$1 million are subject to this tax. Viewed at: http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=G0340128 [11/11/13].

[48] Article 9-1, Value-Added and non-Valued-Added Business Tax Act, amended 23 November 2011.

[49] Bureau of Foreign Trade online information, "2012 Accounting Reports of Units under Trade Promotion Fund". Viewed at: http://www.trade.gov.tw/App_Ashx/File.ashx?FilePath=../Files/PageFile/275_433287/%e4%b8%ad%e8%8f%af%e6%b0%91%e5%9c%8b101%e5%b9%b4%e5%ba%a6%e6%8e%a8%e5%bb%a3%e8%b2%bf%e6%98%93%e5%9f%ba%e9%87%91%e9%99%84%e5%b1%ac%e5%96%ae%e4%bd%8d%e6%b1%ba%e7%ae%97.pdf [in Chinese, 20/05/14].

[50] Revenue tonnes (or charged tonnes) are the greater of measurement tonnes or weight tonnes.

unloaded cargoes (cargo port dues).[51] Harbour dues are specific to shipping routes, and are applied equally to domestic and foreign ships for the same routes; nonetheless, harbour dues for overseas routes are 60% higher than for domestic routes. The authorities explained that this difference reflects the costs related to the type of equipment and services provided for vessels operating these routes. The authorities note that the dues collected are used mainly for construction and development of the commercial ports.

3.54. Customs charges for its services, including a special supervision fee, cargo examination fee, customs sealing fee, escorting fee, certificate issuance fee, and bonded warehouse stocktaking charge. The authorities note that all these fees are commensurate with the service cost. In the context of its last TPR, the authorities indicated that there was no intention to abolish these fees.[52]

3.1.6 Import prohibitions, restrictions, and licensing

3.55. The basic framework for import prohibitions, restrictions, and licensing has remained largely unchanged since 2010, although live marine mammalian wildlife and their products have been included in import restrictions since 25 January 2013.[53] 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.

3.56. 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 Restriction.[54] The authorities state that they maintain such measures in order to protect public morals, to safeguard international peace and security, to protect human life or health, to fulfil its WTO accession commitment, and to fulfil its obligations under international agreements in accordance with GATT Articles XX and XXI. The Bureau of Foreign Trade (BOFT), under the Ministry of Economic Affairs, administers import management measures, such as issuance of import licences, and issuance of approval of exemption from import prohibitions. Tariff-rate quotas for agricultural products are administered by the Ministry of Finance.

3.1.6.1 Import prohibition

3.57. Seventy products at HS 10-digit level are prohibited from entry into Chinese Taipei. They cover, *inter alia*, whale sharks, puffer fish, narcotics, toxic chemicals, fire extinguishers[55], and waste lead-acid accumulators (Table A3.3). The authorities impose import prohibitions for reasons of public security, environmental protection, and compliance with its international obligations.

3.1.6.2 Import licensing

3.58. The import licensing requirements and procedures have remained largely unchanged since 2010, except that imports of small vehicles and chassis no longer require tariff-quota licences.[56]

3.59. Import licences (e.g. import permits or import clearance certificates) are issued by the BOFT. Prior to applying for a licence, importers must obtain approval from the relevant sector-specific authority (e.g. the Council of Agriculture, or the Food and Drug Administration) (Table 3.9). These conditions apply for reasons of, *inter alia*, requirements of trade agreements; essential security; and protection of culture, humans, and the environment.

[51] 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).

[52] WTO document WT/TPR/M/232/Add.1, page 29, 25 August 2010.

[53] Article 24, Wildlife Conservation Act, 25 January 2013. See WTO document G/TBT/N/TPKM/132/Rev.1, 13 March 2013.

[54] 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.

[55] Imports of fire extinguishers containing hydrochlorofluorocarbons (HCFCs) are prohibited.

[56] WTO documents G/LIC/N/3/TPKM/2/Rev.2, 15 September 2011; and G/LIC/N/3/TPKM/4, 16 August 2013.

Table 3.9 Prior approval authorities for import licences

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 from abroad
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
Tobacco, alcohol products; Undenatured ethyl alcohol	Ministry of Finance; Industrial Development Bureau (for ethyl alcohol used in non-alcohol manufacturing/non-medical alcohol); Ministry of Defence (for military use)	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 national 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 Communication	To maintain the safety of transport vessels
Firearms; ammunition; simulation guns; police weapons; controlled swords	National Police Administration; Municipal/City/County Police (for controlled swords)	To ensure the safety and peace of the society
Industrial use explosives	Bureau of Mines	To ensure the safety and peace of the society
Beef from Canada and the United States	Bureau of Foreign Trade (with prior approval from Taiwan Food and Drug Administration)	To protect human health

Source: WTO document G/LIC/N/3/TPKM/2/Rev.1, 31 August 2009; and information provided by the authorities.

3.60. Automatic import licensing is applied to optical disc manufacturing equipment, and to six iron and steel products under import surveillance.[57] The authorities note that the issuance of import clearance certificates for optical disc manufacturing equipment is to prevent infringement of intellectual property rights.

3.61. Importers of endangered species of wild fauna and flora protected under CITES must apply to the BOFT for import permits; the application must be accompanied by CITES certificates issued by the exporting country.

3.62. Enterprises or individuals not registered with the BOFT as importers/exporters must seek an import licence from the BOFT for any import of an f.o.b. value of US$20,000 or above.

3.63. An import licence is valid for six months from its issuance, and may be extended for 18 months maximum. No licensing fees, other administrative charges or deposit are required. Import licences are not transferable.

3.64. Chinese Taipei maintains tariff-rate quotas (TRQs) on agricultural products (sections 3.2.4 and 4.1.1.3). A certificate of tariff quota serves as an import licence. In the context of the last TPR, the authorities indicated that the maintenance of TRQs and other special safeguard measures on agriculture products was to ensure the sustainable development of the agriculture sector.[58] The TRQ for small vehicles and chassis was abolished in September 2011.

[57] WTO document G/LIC/N/3/TPKM/2/Rev.1, 31 August 2009.
[58] WTO document WT/TPR/M/232/Add.1, page 8, 25 August 2010.

3.1.6.3 Other restrictions

3.65. Products originating from China generally require permission from the MOEA prior to their exportation to Chinese Taipei.[59] The list of permitted goods originating from China is reviewed and revised every six months. As of 10 April 2014, 2,186 China-origin products at HS 10-digit level were prohibited from importation into Chinese Taipei.[60] This cross-Strait prohibition covers, *inter alia*, 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; fabrics and textile products; iron and steel products; certain machinery; and motor vehicles and parts.[61] Among the 9,150 China-origin products that are permitted entry into Chinese Taipei, 126 products at HS 10-digit level require import licences. According to the authorities, this was a solution to the failure to conduct bilateral consultations during WTO accession negotiations of the two parties, and the authorities indicate that the situation will improve after the entry into force of the ECFA.

3.66. Imports of radio-communication apparatus do not require licensing, but importers of these apparatus must obtain approval from the relevant authorities prior to importation; the National Communication Commission (NCC) approves these imports for civilian use, and the Ministry of Defence for military use.

3.1.7 Contingency measures

3.1.7.1 Overview

3.67. The legislative and institutional framework for contingency measures has remained largely unchanged during the period under review.

3.68. Chinese Taipei has applied a total of 12 anti-dumping (AD) measures since 2003, affecting mainly the steel, textile, and chemical industries. It has applied no countervailing or safeguard measures since its accession to the WTO.

3.1.7.2 Anti-dumping and countervailing

3.69. The main AD legislation is contained in the Customs Act and the Regulations Governing the Implementation of the Imposition of Countervailing and Anti-Dumping Duties. Competence for AD/CV investigations is shared between the Ministry of Finance and the Ministry of Economic Affairs: the Ministry of Finance is focused on dumping/countervailing determination, whereas the International Trade Commission (ITC) under the Ministry of Economic Affairs (MOEA) verifies injury to domestic industries.[62] The authorities maintain websites, which are available to the public, on information on investigations, reviews, and measures adopted.[63]

3.70. Provisional measures may be imposed no earlier than 60 days from the initiation of the proceeding. Provisional duties must be secured by a guarantee; upon provision of the guarantee, imports of the product concerned will be cleared from Customs. Provisional duties may be imposed for four months, up to a maximum of nine months.[64]

[59] Article 7, Regulations Governing Permission of Trade Between Taiwan Area and Mainland Area.

[60] Bureau of Foreign Trade online information, "Trade Services – Mainland Goods Administration". Viewed at: http://www.trade.gov.tw/Pages/List.aspx?nodeID=744 [in Chinese, 28/05/14].

[61] The prohibition of 2,186 products includes 70 prohibited products on an MFN basis. See detailed list of prohibited China-origin goods at: https://fbfh.trade.gov.tw/rich/text/fhj/asp/download.asp?src=FHJP191R01.xls&progNo=FHJP340&progName=貨品資料表下載 [in Chinese, 28/05/14].

[62] International Trade Commission online information, "Industry injury investigations for AD/CV duties". Viewed at: http://www.moeaitc.gov.tw/ITCWEB/webform/wFrmRule.aspx?programid=551 [21/11/13, in Chinese language.].

[63] Customs Administration online information, "Anti-dumping and Countervailing Measures in Force". Viewed at: http://eweb.customs.gov.tw/ct.asp?xItem=67293&CtNode=15591 [16.04.14] and International Trade Commission online information, "Investigation Cases". Viewed at: http://www.moeaitc.gov.tw/itcweb/IC/wFrmIcOngoingEn.aspx?programid=574 [20/11/13].

[64] When the authorities "consider to examine" whether a duty lower than the margin of dumping would be sufficient to remove injury, the application of provisional measures will be extended to six months (from

3.71. Definitive anti-dumping or countervailing measures are usually imposed for a fixed period of five years, subject to expiry reviews. If no expiry review is requested, the measure expires automatically. Domestic industries may request expiry reviews no later than five months before the expiry of a measure. If the expiry review determines the measure should be retained, the duties normally remain in force for another five years. The authorities indicated that the average duration of AD measures is seven years.

3.72. AD or CV measures may be terminated or changed before their expiry. After the measures have been in place for more than one year, interim reviews may be requested by any interested party, including importers and exporters.[65] Interim or expiry reviews may result not only in a decision to continue or end the duties in force, but also in a change in the level or form of the duties. For instance, AD duties were raised, during the interim review on sodium formaldehyde sulpoxylate from China (in June 2012), and during the expiry review on art paper from Japan (in March 2006).[66] The threshold for terminating AD measures is where the dumping margin is determined to be less than 2% of the export price.

3.73. There were six definitive AD measures in force during the review period, two of which were extended through expiry reviews. These measures affect: towelling products, certain footwear, benzoyl peroxide, sodium formaldehyde sulpoxylate, and Portland cement type I, II and its clinker from China; and cold-rolled stainless steel products from China and Korea (Table A3.4). The highest definitive AD duties imposed between January 2010 and November 2013 concern towelling products at 204.1% and Portland cement at 91.58%. The measure concerning art paper from Japan expired in March 2011.

3.74. During the period under review, eight new AD investigations were initiated; three investigations resulted in the imposition of definitive AD measures. The investigations covered the industries of cement, chemical, paper, steel, and computerized publishing machines (computer to plate) from five trading partners (Table A3.4).

3.75. Chinese Taipei has applied no countervailing measures since its accession to the WTO in 2002.

3.1.7.3 Safeguards

3.76. The basic legislation on safeguards is contained in the Foreign Trade Act and the Rules for Handling Import Relief Cases. Provisions regarding the Transitional Product-Specific Safeguard Mechanism against products from China were deleted in January 2014, in accordance with the expiry of the corresponding section in the WTO Accession Protocol of China. The MOEA ITC is the competent authority for safeguard measures.

3.77. The authorities do not maintain any market surveillance or other similar measures on the grounds of safeguard concerns. When safeguard measures are applied, tariff increases (including tariff-rate quotas) or import quotas may be imposed to the products concerned.[67]

3.78. A new 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. Since its accession to the WTO, Chinese Taipei has initiated two safeguard investigations. According to the authorities, no safeguard measures have been applied under the provision of the WTO Agreement on Safeguards.

3.79. Chinese Taipei maintains special safeguard (SSG) measures, through imposition of additional tariffs, on 15 agricultural products (section 3.1.4.1). In the context of its last TPR, the

four months) and nine months (from six months). See Article 13, Regulations Governing the Implementation of the Imposition of Countervailing and Anti-Dumping Duties.

[65] An interim review may also be carried out on the initiative of the authorities. See Article 43, Regulations Governing the Implementation of the Imposition of Countervailing and Anti-Dumping Duties.

[66] International Trade Commission online information, "List of Antidumping Review Investigation Cases". Viewed at: http://www.moeaitc.gov.tw/itcweb/webform/wfrmSite.aspx?pagestyle=2&programid=275 [21/11/13].

[67] Article 4, Rules for Handling Import Relief Cases.

authorities note that the SSG measures on agricultural products were distinct from the safeguard measures pursuant to the WTO Agreement on Safeguards.[68]

3.80. All of Chinese Taipei's bilateral trade arrangements contain provisions on safeguards.

3.1.8 State-trading

3.81. Chinese Taipei maintains state trading over rice products and banknote paper (eight national tariff lines).[69]

3.82. As stipulated in the Food Administration Act, imports of rice and rice products within the tariff-rate quotas are carried out by the Agriculture and Food Agency (AFA) under the Council of Agriculture[70]; 65% of the TRQs are assigned to the AFA (Section 4.1). The authorities note that these measures are to ensure food security, food market stability, and the security of farmers' income.

3.1.9 Technical regulations and standards

3.83. During the period under review, the institutional framework for technical requirements and standards remained largely unchanged. The relevant legislation includes provisions in the Standards Act, the Weights and Measures Acts, the Commodity Inspection Act, and their implementation regulations, as well as the Regulations Governing the Establishment of Chinese National Standards and the Regulations Governing Registration of Product Certification. The TBT enquiry point is the Bureau of Standards, Metrology and Inspection (BSMI) under the Ministry of Economic Affairs (MOEA).[71]

3.84. BSMI notified 74 technical regulations and conformity assessment procedures to the WTO in the period from January 2011 to November 2013. The notifications cover, *inter alia*, consumer chemicals, electric and electronic equipment, household appliances, motor vehicles and parts, food and beverage, and textile products. The notifications normally specify a comment period of at least 60 days and a proposed date of adoption. The authorities also submitted a number of addenda, providing additional information on the adoption, entry into force, extension of comment period, and contents of the final text of previously notified TBT measures.

3.85. Any person, legal entity, government agency or organization may submit proposals for national standards to the National Standards Review Council. The relevant standard authorities such as various National Standards Technical Committees prepare the draft standards, and publish for comments. The standards, once finally adopted, will be granted a CNS symbol and a serial number. As stipulated in the Regulations Governing the Establishment of National Standards, international standards are used as the basis for drafting national standards, except where these would not conform to the purpose of the national standard.[72] Notices of proposed technical regulations, standards, procedures for conformity assessment, and their final texts are published in the *Government Gazette*[73] and on the BSMI website.

3.86. Domestic standards (including national and professional standards)[74] are voluntary, except those designated as technical regulations.[75] The standards policy is intended to promote standardization; to pursue quality improvement for products, processes, and services; to increase productivity; and to ensure adequacy of production, transportation, marketing, and consumption so as to promote public safety. According to the authorities, all technical regulations are aligned with international standards.[76] Technical regulations form the basis for issuance of conformity

[68] WTO document WT/TPR/M/232/Add.1, page 37, 25 August 2010.
[69] WTO document G/STR/N/14/TPKM, 25 June 2012.
[70] Article 7, the Food Administration Act, amended 24 November 2010.
[71] WTO document G/TBT/ENQ/38/Rev.1, 8 July 2011.
[72] Article 6, Regulations Governing the Establishment of National Standards, amended on 5 December 2011.
[73] *Executive Yuan Gazette*. Viewed at: http://gazette.nat.gov.tw/egFront/eng/EngIndex.jsp.
[74] Professional standards are private standards.
[75] Article 4, the Standards Act.
[76] WTO document WT/TPR/M/232/Add.1, page 17, 25 August 2010.

certificates. Technical regulations, which are mandatory, are mainly applied to certain electrical products, chemical products, machinery, and agricultural products.

3.87. Products subject to technical regulations must undergo a commodity inspection for conformity before they are placed on the markets. Inspections are required for imported, exported and domestically produced goods. As of February 2014, in addition to 1,853 agricultural and fishery products, 1,137 commodities were subject to mandatory inspections; among which 756 chemical products[77], and 381 mechanical, electrical and electronic products. The authorities maintain a website, available to the public, for enquiries on products subject to commodity inspection.[78]

3.88. Inspections are carried out under four conformity assessment procedures: batch-by-batch inspection, monitoring inspection, registration of product certification, and declaration of conformity. The choice of inspection procedures depends on the nature of risks involved. Products of simple design with fewer safety concerns may be cleared through declaration of conformity; whereas other products mainly are subject to registration of certification, i.e. submission of relevant documentations, including quality management accreditation and laboratory testing certificates, to the BSMI. As of February 2014, 52 products (41 electronic products and 11 chemical products) were subject to declaration of conformity; 80% of mechanical, 100% of electrical, and 60% of electronic products were subject to registration of product certification.

3.89. Products meeting the criteria set out in national standards (including technical regulations) may bear CNS marks, upon application by the producers to the BSMI. Applications for using CNS marks must be product and producing-plant specific.[79] Foreign-origin products may also apply for CNS marks.[80] Approval is conditional on the applicant's acquisition of accreditation of quality management, and certificates of conformity.

3.90. Certificates of conformity for chemical products are issued only by the BSMI; certificates for mechanical, electrical and electronic products, and certificates of quality management may be issued by the BSMI or by BSMI-commissioned certification bodies (third-party certification agencies). Domestic non-profit institutions (e.g. government institutes, universities, colleges) with BSMI-recognized laboratories may apply to become third-party certification agencies; application is not open to foreign institutions. Product certification by foreign agencies may be recognized only through mutual recognition arrangements.

3.91. Product testing activities that lead to certification must be conducted in the laboratories recognized/designated by the BSMI. Laboratories that apply for BSMI recognition must be accredited by the Taiwan Accreditation Foundation (TAF) prior to submitting their applications. Foreign laboratories may also apply for BSMI recognition.[81] BSMI recognition is valid for three years, renewable.[82] The TAF has accredited 1,638 laboratories; there are 262 conformity assessment bodies.[83]

3.92. Foreign laboratories may also obtain BSMI recognition through bilateral cooperation agreements or mutual recognition agreements for example under the International Accreditation Forum, Inc. (IAF) or the Pacific Accreditation Cooperation (PAC).[84] As of March 2014, 117 foreign

[77] Textile products of synthetic fabrics are included in chemical products.

[78] BSMI online information, "Search System of the Bureau of Standards, Metrology, and Inspection". Viewed at: http://civil.bsmi.gov.tw/bsmi_pqn/index.jsp?lang=en [25/11/13].

[79] Article 8, Regulations Governing CNS Mark.

[80] Foreign applications must be made through an agent who has a house or business address in Chinese Taipei.

[81] Foreign applications must be made through an agent who has a house or business address in Chinese Taipei. Foreign applicants for designated laboratories for chemical products, and for designated electrical safety laboratories recognized by the BSMI must be accredited by the TAF prior to application; applications for designated EMC laboratories may be submitted directly to the BSMI.

[82] Recognized laboratories may apply for the BSMI accreditation for quality management certification bodies. Accreditation is valid for five years, renewable every five years.

[83] Conformity assessment bodies include not only third-party certification bodies, but also test facilities, factory inspection bodies, and quality management certification bodies.

[84] If there is no accreditation body (AB) in an applicant’s country, or if the AB in the applicant’s country is not a member of the IAF MLA or PAC MLA, accreditation may be acquired from other IAF MLA or PAC MLA member ABs located in other countries.

laboratories have acquired BSMI recognition through mutual recognition arrangements. The authorities may accept test reports, inspection certificates, and/or other relevant certification documents issued by accredited laboratories from bilateral agreement partners, or under multilateral mutual recognition agreements.[85] As of February 2014, the BSMI had signed bilateral cooperation agreements with 35 organizations in 26 countries[86]; and Chinese Taipei has mutual recognition agreements (MRAs) with seven WTO Members (Australia, Canada, Japan, New Zealand, Singapore, Viet Nam, and the United States). The authorities note that seven foreign certification documents were accepted through mutual recognition arrangements during the review period.

3.93. The BSMI also runs two voluntary certification programmes: CNS-mark certification also for products passing national standards that are not designated as technical regulations; and VPC as an alternative to the CNS mark for products that have a short life-cycle and where relevant international standards are available.

3.94. Product labelling is mandatory in[87]: imported products must have labels and instructions in Chinese language, and the Chinese version may not be simpler than the version in the original language.

3.1.10 Sanitary and phytosanitary requirements

3.95. The Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ) under the Council of Agriculture is the SPS enquiry point in the WTO.[88]

3.96. The Bureau notified 122 regular and 7 emergency SPS measures to the WTO between 1 January and 30 November 2013. Chinese Taipei considered that, of the 39 notified measures for which there was a relevant international standard, 26 conformed to that international standard. Apart from emergency notifications, about 55% of notifications allowed a 60 day period for public comment; for the rest the authorities considered that a comment period was not applicable or practical. Among the notified measures, Chinese Taipei identified 20 as "trade facilitating". In addition, the authorities submitted a number of addenda during the period under review, providing additional information on previously notified SPS measures.

3.97. Since the last Review, WTO Members have discussed concerns in the SPS Committee regarding a number of measures. Two new trade concerns were raised for the first time during the review period, and one was resolved (Table 3.10). The authorities note that the maximum residue level (MRL) of ractopamine in beef was adopted in September 2012.

Table 3.10 Specific trade concerns over Chinese Taipei's SPS measures, January 2010-December 2013

Issue	WTO reference document[a]	Raised by	Date first raised	Solution
Restrictions on ractopamine in beef and pork	G/SPS/R/66	United States, Brazil, Canada, Costa Rica, Ecuador, Peru	08/10/2008	Not reported
BSE measures	G/SPS/R/63	Canada, United States, European Union	17/03/2010	Not reported
MRLs for roasted and powdered coffee	G/SPS/R/67	India, Colombia, European Union	10/07/2012	Resolved (18/10/2012)

a Only the most recent source document is cited.

Source: WTO Secretariat.

[85] Article 15, Commodity Inspection Act.

[86] The authorities stated that the cooperation agreements with the BSMI and other jurisdictions mainly involve co-registration cooperation on management system certification, product marks, technical cooperation, regulatory cooperation and cooperation, for general purposes. See WTO document WT/TPR/M/232/Add.1, page 32, 25 August 2010.

[87] Article 12, Commodity Labelling Act, amended on 26 January 2011.

[88] WTO document G/SPS/ENQ/16, 9 December 2013.

3.98. Chinese Taipei is a member of the World Organization for Animal Health (OIE), but is not a member of the Codex Alimentarius Commission, or the International Plant Protection Convention (IPPC). The authorities note that they do take IPPC standards, guidelines, and recommendations into consideration.[89] Chinese Taipei maintains bilateral arrangements such as consultations meetings on promoting mutual cooperation on SPS issues with Australia, Canada, China, the European Union, Japan, Thailand, the Netherlands, New Zealand, the Philippines, Viet Nam, and the United States. SPS measures are also covered in the free-trade arrangements with El Salvador; Guatemala; Honduras; New Zealand; Nicaragua; Panama; and Singapore.

3.99. Legislation pertaining to SPS measures for foods (the Food Sanitation Act) has been amended five times since 2010 (last amendment effective February 2014). Other legislation such as the Statue for Prevention and Control of Infectious Animal Diseases; and the Plant Protection and Quarantine Act remained unchanged.

3.100. All foods and related products (e.g. food additives, food containers/packages, and food cleansers) must comply with the general requirement laid down in the Food Sanitation Act and specific requirements depending on the products. The Food Sanitation Act was renamed "Act Governing Food Safety and Sanitation" in February 2014. The Food and Drug Administration (TFDA), under the Ministry of Health and Welfare, is the competent authority for foods and related products.[90]

3.101. Food businesses within the category and scale designated by the central competent authorities must apply for registration prior to commencing operations.[91] The registration requirement covers food manufacturing and processing businesses, catering businesses, food importing businesses, and food retail businesses.[92]

3.102. Imported foods in the form of tablets or capsule must file for registration with the TFDA, and acquire an import permit/licence before importation. The authorities note that this requirement is necessary to identify the nature of tablet/capsule contents (i.e. food or drug). Imports of beef and beef products from the United States or Canada require import licences from the BOFT. In the context of its last TPR, the authorities noted that this "import licensing measure is a special arrangement", and there were no plans to notify the WTO about such licensing procedures.[93]

3.103. Imported foods and related products are subject to TFDA inspection prior to customs clearance if "designated by the central competent authorities".[94] TFDA border inspection may take the form of: batch-by-batch inspection (on-site sampling of each batch); randomly selected batch inspection (up to 50% on-site sampling of each batch); "oversee inspection" (on-site verification and sampling); batch-by-batch verification; and document review. Importers may apply for a second inspection within 15 days if the imports fail to pass the inspection. Food importers with an excellent performance record may be granted import inspection with less control, including the application of minimum inspection rate[95], and the use of document review.[96]

3.104. Food importers may apply to the TFDA for prior release due to the product nature (e.g. perishable goods) or inspection time-frame. They may be required to pay a deposit against prior release; however, prior release does not imply that the imports may be freely circulated in the market without inspection.

[89] WTO document WT/TPR/S/232/Rev.1, July 2010.

[90] Food and Drug Administration online information. Viewed at: http://www.fda.gov.tw/EN/index.aspx [05/12/13].

[91] Article 8, Food Sanitation Act.

[92] Article 4, Regulations Governing the Registration of Food Businesses, entry into force on 3 December 2013.

[93] WTO document WT/TPR/M/232/Add1, page 39, 25 August 2010.

[94] Article 30, Food Sanitation Act. If the imported product is not for sale, and its value and quality are consistent with the TFDA announcement (or are approved by the TFDA), import inspection may be exempted.

[95] Criteria for importers with excellent performance are listed in Article 14, of the Regulations of Inspection of Imported Foods and Related Products, amended 27 January 2014.

[96] For importers whose products conformed to the regulations within two years. See Article 15, the Regulations of Inspection of Imported Foods and Related Products, amended 27 January 2014.

3.105. Imported foods deemed to be high risk are subject to "systematic inspection" prior to importation. "Systematic inspection" covers meat products under HS code chapter 02, and headings 0504, 1601, 1602, and 1603. When a source control is needed, or in response to a specific food-safety incident in the export country, Chinese Taipei may send inspectors for an on-site visit to the suppliers.[97] The authorities indicate that Chinese Taipei does not charge a fee for on-site inspection and generally pays the expenses of the inspection team.

3.106. Foods or food additives that have never been provided for human consumption or have never been proven to be harmless to human health are prohibited (from manufacturing, importation and exportation). It is also prohibited to import skulls, brains, eyes, spinal marrow, ground beef, viscera and other related products from non-epidemic areas with a reported case of Bovine Spongiform Encephalopathy or New Variant of Creutzfeldt-Jakob Disease within the past ten years.[98] Food with pesticide or veterinary drugs residue exceeding the permissible tolerance may not be placed on the market. Chinese Taipei amended its Standards for Pesticide Residue Limits in Foods on 31 December 2013, and the Standards for Pesticide Residue Limits in Livestock and Poultry Products on 20 August 2013.[99] As of end 2013, 3,587 pesticide MRLs had been published and enforced. According to the authorities, Chinese Taipei follows Codex principles and FAO/OECD risk-assessment procedures when setting pesticide MRLs for fruits and vegetables. Chinese Taipei does not ban the use of beta-agonists (a chemical group including ractopamine) as a feed additive in cattle, and established a 10 ppb MRL for ractopamine in beef muscle in September 2012 by adopting the Codex standard.

3.107. Imports of terrestrial animals, fertilized eggs, semen, embryos, sera, and biological materials for research purpose (inactivated biological preparation excluded) are subject to prior clearance (e.g. import permits, or issuance of quarantine requirements)[100] from the quarantine authorities. In Chinese Taipei, the term "animal products" covers products whether intended for human consumption or not, that have been derived from animals or come from animals, whether processed or not, *inter alia*, meat, dog, and cat food, dry animal products (e.g. bone, horn, claw, feather, etc.), fish, processed products containing meat, animal feed preparations, processed egg products, and milk and milk products. Importation of Bats is prohibited, as well as animals and animal products from animal-disease-infected areas, except those meeting the relevant quarantine requirements.[101]

3.108. The simplified quarantine clearance procedure is applied to imports of low-risk animal products, which includes certain products originating in non-infected areas of animal diseases, and dog and cat food processed by high-temperature sterilization procedures. This clearance procedure is based mainly on reviews against application documents; on-site inspections will be conducted on the basis of random selection among all applications.

3.109. Request for first-time imports of live animals and animal products is subject to risk assessment by the quarantine authorities. The risk assessment may result in setting quarantine requirements specific to the imports. If the risk assessment concludes that there is no risk for disease transmission, or the risk for disease transmission can be controlled and the relevant quarantine requirements have been adopted, the importation will be allowed. Subsequent consignments of the same kind may be imported by simply following quarantine requirements issued by the authorities.

[97] Article 35, Food Sanitation Act.
[98] Article 15, Food Sanitation Act.
[99] Food and Drug Administration online information, "Laws and Regulations: Food". Viewed at: https://consumer.fda.gov.tw/Files/LawFile/518_127/Standards%20for%20Pesticide%20Residue%20Limits%20in%20Foods.PDF; and https://consumer.fda.gov.tw/DownLoadMethod/ashx/downloadFile.ashx?id=2189&type=0.
[100] The quarantine requirement is a binding document that Chinese Taipei quarantine authorities issue to importers according the specific conditions of the imports. All technical details to comply with the quarantine requirements are listed and serve as a guideline. The authorities are of a view that the quarantine requirement is a trade facilitation measure, and is expected to reduce border denial of goods if it is properly followed.
[101] Animals originating from disease-free areas but transhipped through ports/airports in infected areas are considered as originating from infected areas, and are thus prohibited from importation. However, animal products under the same situation may be imported if transported in closed containers. See Article 3 and 6, Quarantine Requirements for the Importation of Animal and Animal Products, amended on 21 March 2014.

3.110. According to the authorities, the importation of animals and animal products generally is not confined to specific sources (e.g. farms) as long as quarantine requirements are met. However, the TFDA maintains a list of approved establishments/farms for beef imports from Canada and crab imports from China; only products from the establishments on the list are allowed to enter Chinese Taipei. According to the authorities, the list is maintained as per the respective bilateral arrangements with trade partners.

3.111. Importation of plants and plant product is subject to prior clearance from the authorities. Hazardous insects, soil, plants with soil, and their containers are prohibited from importation. A detailed list of plant quarantine requirements is published, and available to the public; the recent updated version entered into force on 4 October 2013.[102] There are two categories of quarantine requirements on the list: import prohibition and import permit. The import prohibition list is country- and plant-specific.[103] For imports of plants subject to quarantine requirements must have phytosanitary certificates issued by the competent authorities of the exporting country must be submitted prior to the shipments' arrival in Chinese Taipei.

3.112. Requests for first-time imports of plants and plant products are subject to risk assessment by the quarantine authorities.

3.113. Animals, animal products, plants and plant products that are on the import inspection list, must be inspected prior to customs clearance.[104] The official controls at the border involve documentary, identity, and physical checks. Importers must submit applications for inspection prior to the arrival of shipments. Applications may be submitted through the Single Window (Section 3.1.1). The BAPHIQ carries out quarantine inspections on a batch-by-batch basis, except for animal and plant products deemed to be low risk, for which inspection is conducted on the basis of random selection. Importers are not allowed to apply for a second inspection for intended imports that fail to comply with the quarantine requirements.

3.114. Inspection fees are set at 0.1% of the customs values (0.05% for wheat, barley, corn, and soy beans); quarantine authorities levy service charges for operations such as on-site inspection at a rate of NT$500 per batch of consignment[105]; other (e.g. animal holding fees, carcass burning fees, document handling fees, etc.) are imposed at the actual cost price.[106]

3.115. Agricultural products (including processed products) marketed as "organic" must be certified by a certification body accredited by the COA.[107] The certificate is product specific, and valid for three years, renewable. Imported organic agricultural products must be reviewed by the authority before being placed on the market. Foreign certificates of organic agricultural products are accepted for the review process if issued by a certification body accredited by the exporting country and approved by Chinese Taipei.[108] Ingredients of organic agricultural products must come from not less than 95% of organic raw materials, and must be clearly labelled. Imported inputs of organic materials must be labelled with their country of origin, even after they have been substantially transformed within Chinese Taipei.[109]

[102] BAPHIQ online information, Quarantine Requirements for the Importation of Plants or Plant Products. Viewed at: http://www.baphiq.gov.tw/admin/upload/twgov_file_201311071146261.pdf [28/11/13].

[103] Plants and plant products originating from pest-free areas but transhipped through ports/airport in the pest-infected areas are considered as originating from infected area, and thus prohibited from importation.

[104] For the list of animals, animal products, and plants and plant products subject to inspection, see Bureau of Foreign Trade online information, "Commodity Export/Import Regulation Enquiries" with a regulation code B01.

[105] 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. See Article 10, Regulations Governing Fees for Animal and Plant Quarantine, amended 20 February 2014.

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

[107] Article 5, Agricultural Production and Certification Act.

[108] Imported Organic Agricultural Product and Organic Agricultural Processed Product Management Regulations, amended 23 June 2011.

[109] See Article 26, Organic Agricultural Product and Organic Agricultural Processed Product Certification Management Regulations. This requirement entered into force on 23 June 2012.

3.116. Provisions pertaining to genetically modified organisms (GMOs) are scattered in various acts and regulations.[110] GMOs require authorization before their marketing and sale. In order to obtain authorization, genetically modified organisms (including aquatic organisms, plants, and animals) must undergo field tests and pass bio-safety assessments. Field tests of GMOs must be conducted by field testing institutions accredited by the relevant competent authorities. Evaluation Committees within the competent authorities are responsible for reviewing field tests and relevant management matters, as well as for approving bio-safety assessment reports after the field tests. A genetic-characteristics investigation, an integrated part of a field test, must be carried out and serve as a pre-requisite for bio-safety assessment. For imported GMOs, reports of genetic-characteristics investigations by the exporting countries may be accepted as reference documentation for the bio-safety assessment procedure. As of end-May 2014, only one GM-plant had been authorized.

3.117. GMOs as food raw materials must obtain approval from the food safety authorities. Since 2002, 61 GMOs (out of 68 applications), have been approved as food raw materials. According to the authorities, the average processing time for approving GMOs as food raw materials is about two years. Under the recently amended Food Safety and Sanitation Act, importers of GMOs as food raw materials must establish a system for backward and forward tracking of the origin and dissemination of the ingredients. With regard to labelling, an approach of positive labelling is set out in the amended Act, i.e. food and food-additive ingredients that contain/are derived from GMOs must be listed.

3.118. Genetically modified plants that have been authorized for domestic promotion and sale must be labelled in accordance with provisions in the Commodity Labelling Act. Moreover, genetically modified plants on the market must be clearly labelled "Genetically Modified" and display the unique GM plant identification number issued by the Council of Agriculture.[111]

3.119. Genetically modified plants, breeding flocks/stocks, and aquatic products need approval from the competent authorities prior to their importation/exportation. Approvals of genetically modified plant imports/exports are issued by the Council of Agriculture. The competent authorities may take samples from the imported consignments for the purpose of verifying the nature of imported genetically modified plants.[112]

3.2 Measures Directly Affecting Exports

3.2.1 Export documentation and procedures

3.120. Registration and documentation requirements for exports, in general, are similar to those for imports. Exporters must be registered with the BOFT prior to engaging in any export business. There has been no major change in documentation requirements and procedures since the last Review. According to the World Bank's *Doing Business Report*, the export documentation and procedures in Chinese Taipei outperform the average in the region, and are better than the OECD average in terms of time and financial cost (Table 3.1).

3.2.2 Export taxes, charges, and levies

3.121. Chinese Taipei does not levy export taxes. Nonetheless, exports are subject to a trade promotion service fee and the harbour dues (Section 3.1.5.2). Exported goods are exempted from the Commodity Tax, the Tobacco and Alcohol Tax, and the VAT.

3.122. Customs duties and taxes (i.e. tariff, Commodity Tax and the VAT) paid on imported raw materials used for exports are refundable.[113] For imported raw materials subject to TRQs, the

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[110] These laws include the Food Safety and Sanitation Act, the Animal Industry Act, the Fisheries Act, and the Plant Variety and Plant Seed Act; and the relevant regulations include the Regulations on Field Trial of Transgenic Breeding Livestock (Fowl) and the Bio-Safety Assessment, the Regulations on Field Testing of the Transgenic Plants, the Regulations on Packaging and Labelling of the Transgenic Plants, and the Regulations on Approving Import/Export of Transgenic Plants.

[111] Regulations for Packaging and Labelling of Transgenic Plants, enacted 29 June 2005.

[112] Article 6, Regulations on Approving Import/Export of Transgenic Plants.

[113] Article 4, Regulations Governing the Offsetting or Refund of Duties and Taxes on Raw Materials for Export Products, amended 30 August 2012.

in-quota rates are applied in refunds regardless of whether the customs duties were paid at the in-quota rates. Payments of additional tariffs, such as SSG measures, are not eligible for refund. Commodity Tax and the VAT are fully refunded for the materials used as inputs for exports. Applications for refund must be made within 18 months of the date the imported raw material clears the customs. The authorities note that the criteria for tax refunds on raw materials are established by the MOEA on a case-by-case basis.[114]

3.123. Goods sold to the bonded areas are also eligible for tax refund.

3.124. According to the authorities, duty and tax refunds have been "comprehensively resumed" in response to the export slump due to the global economic crisis; previously, goods with a tariff rate of less than 5% were excluded from duty refunds. Currently, 51 products at HS 10-digit level, including Huku, buffalo and cow horn, and processed cheese, are ineligible for duty/tax refunds. In 2013, NT$2,587 million were refunded to exporters (Table 3.11).[115]

3.125. Other taxes and surcharges on imports collected at the border (e.g. Tobacco and Alcohol Tax) are not refunded.

Table 3.11 Tax refunds on imported inputs for export manufactures, 2010-13

(NT$ million)

Industry	2010		2011		2012		2013	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Hardware and machinery	513	26	547	23.8	540	24.3	661	25.6
Transport equipment	256	13	251	10.9	267	12	256	9.9
Electronic products	173	8.8	215	9.4	212	9.6	303	11.7
Food and canned foods	215	10.9	301	13.1	338	15.2	373	14.4
Others	813	41.3	984	42.8	862	38.8	994	38.4
Total	**1,970**	**100**	**2,298**	**100**	**2,219**	**100**	**2,587**	**100**

Source: Information provided by Customs.

3.2.3 Export prohibitions, restrictions, and licensing

3.126. There has been no change in the legislation pertaining to export controls since its last TPR.

3.2.3.1 Export prohibitions

3.127. Exports of 35 products at HS 10-digit level are prohibited (Table A3.5), most of these are banned under international conventions 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.

3.128. According to the authorities, no temporary or seasonal export bans were in place during the period under review.

3.2.3.2 Export licensing

3.129. Export licensing is applied to 37 products at the HS 10-digit level (Table A3.6). Besides controlled chemicals (e.g. CFC), diamonds and equipment for semi-conductors are also subject to export licensing.

3.130. In addition, exporters of endangered species of wild fauna and flora protected under CITES must apply to the BOFT for export licences; the application must be accompanied by approvals from the Council of Agriculture.

3.131. Exports (and import) of strategic high-tech commodities (SHTCs) require licences issued by the BOFT; the export licensing procedures were amended on 31 July 2012, to facilitate licence

[114] Article 9, Regulation Governing the Offsetting or Refund of Duties and Taxes on Raw Materials for Export Products, amended 30 August 2012.

[115] Refunds of Commodity Tax, on average, account for 3% of total tax refunds from Customs.

application procedures. Under the amendment, an exporter who has implemented the Internal Control Program may apply for an export licence that is valid for multiple countries, buyers, consignees and end-users; the licence is valid for three years. SHTCs are restricted on exports to Cuba, China[116], Iran, Iraq, North Korea, 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.

3.2.3.3 Other export control

3.132. Products listed as "assisted by the Customs for export examination" require approvals from relevant competent authorities before exportation. These products include certain foods, agricultural products, drugs and medical devices, chips and IP products including optical disc.

3.2.4 Export operations of state enterprises

3.133. No information about state trading in exports has been notified to the WTO. According to the authorities, Taiwan Tobacco and Liquor Corporation (TTLC) and Taiwan Sugar Corporation (TSC) do not have any exclusive rights or privileges over export operations of tobacco, wine, and sugar.[117]

3.2.5 Export finance, promotion, and assistance

3.134. The government-owned Export-Import Bank (Eximbank) is the main institution that promotes exports and provides export credit, export insurance, re-lending, and other kinds of export finance 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 85% of the contract value of Chinese Taipei-made machinery.[118] Re-lending facility is provided to overseas banks in order to facilitate exports. Eximbank also provides domestic firms with a finance facility for overseas investment.

3.135. Interest rates for export credit are set at LIBOR or OECD Commercial Interest Reference Rates plus interest margin; credit applicants may request a grace period. The authorities note that finance by Eximbank is not conditional on export performance, and all the credit conditions are in line with the provisions of the OECD Arrangement on Officially Supported Export Credit.

3.136. The MOEA implemented the New Cheng Ho Plan in 2008 to maintain export momentum by aiding exporters facing declining orders. According to the authorities, the Plan was phased out at the end of 2012. Plan integrated all existing export assistance measures under one umbrella, including export finance (credit, issuance, and re-lending) operated by the Eximbank, and other trade promotion projects commissioned to various trade and industrial associations targeting China and other emerging economies' markets.

3.137. Export promotion schemes are 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. Taiwan External Trade Development Council (TAITRA), a non-profit organization, is responsible for implementing major trade promotion programmes and projects. In continuation of trade promoting measures in the New Cheng Ho Plan, the BOFT runs 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. The authorities note there are no restrictions on industries and companies participating in these programmes. In 2012, NT$790 million was spent on trade promotion programmes run the BOFT.

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[116] Export restrictions to China are 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. Exports of other SHTCs to China are considered as being export to non-restricted areas.

[117] WTO document WT/TPR/M/232/Add.1, page 40, 25 August 2010.

[118] Eximbank online information, "Medium and long term Export Credit". Viewed at: http://www.eximbank.com.tw/en-us/BankServices/Loans/Pages/MLTEC.aspx [10/12/13].

3.2.6 Free zones

3.138. The export processing zones (EPZs) and free trade zones (FTZs), offer similar incentives for enterprises. EPZs are administered by the Export Processing Zone Administration under the Ministry of Economic Affairs; FTZs are administered by the Free Trade Zone Administration under the Ministry of Transport and Communication.

3.139. Businesses allowed to operate in FTZs include trading, collecting, transhipment, forwarding, customs clearance, assembling, packaging, repair, manufacturing, testing, and technological services. Business allowed to operate in EPZs include manufacturing, financial services, management services, and information and communication. The authorities state that FTZs mainly aim at developing a global logistics industry, while EPZs focus on promoting investment and developing industries.

3.140. 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 (section 3.1.5).[119] Preferential trade facilitation measures are also applied in these areas (section 3.1.1), for example, for manufacturing and warehousing enterprises that have valid AEO-S certificates, guarantee deposits are waived on bonded goods (including machinery) valued under NT$10 million shipping out of the bonded zones.

3.141. There are 568 enterprises operating in 10 EPZs; 68 enterprises are foreign-invested. Most enterprises are engaged in manufacturing electronic parts and components; computers, electronic, and optical products; non-metallic mineral products; and plastic products. In 2013, the turnover of enterprises in the EPZs was approximately US$12.29 billion, with around US$5.69 billion sold to the domestic market. EPZ shares in total exports and imports were 4.18% and 3.34%, respectively, in 2013.

3.3 Measures Affecting Production and Trade

3.3.1 Taxation and incentives

3.142. More than half of tax revenue is sourced from direct taxes. The principal indirect taxes are Business Tax, Commodity Tax, and Tobacco and Alcohol Tax; customs duties contributed about 5% of tax revenue (Table 3.12).

Table 3.12 Direct and indirect tax revenues, 2009-13

	2009	2010	2011	2012	2013[a]
GDP (NT$ billion)	12,481.1	13,552.1	13,709.1	14,077.1	14,564.2
Total tax revenue (NT$ billion)	1,530.3	1,622.2	1,764.6	1,796.7	1,834.1
	% of total				
Direct taxes	**62.4**	**58.5**	**59.4**	**60.3**	**59.5**
Profit-seeking Enterprise Income Tax	21.8	17.6	20.8	20.5	19.1
Individual Income Tax	20.0	18.8	19.4	21.9	21.4
Estate and Gift Tax	1.5	2.5	1.3	1.6	1.3
Securities Transactions Tax	6.9	6.4	5.3	4.0	3.9
Futures Transactions Tax	0.2	0.3	0.3	0.2	0.1
Land Value Tax	3.9	3.9	3.6	3.5	3.9
Land Value Increment Tax	3.5	4.5	4.5	4.5	5.6
House Tax	3.7	3.6	3.4	3.4	3.4
Deed Tax	0.9	0.9	0.7	0.7	0.7
Indirect taxes	**37.6**	**41.5**	**40.6**	**39.7**	**40.5**
Customs duties	4.5	5.5	5.5	5.3	5.3
Commodity Tax	8.4	9.3	9.3	9.0	8.9
Tobacco and Alcohol Tax	3.0	2.7	2.5	2.5	2.4

[119] Shipments from the bonded areas to non-bonded areas are subject to normal border measures, and the previously exempted duties and taxes must be paid. The exempted duties and taxes do not have to be paid on shipments of machinery and equipment that was imported into the bonded area at least five years earlier.

	2009	2010	2011	2012	2013[a]
Business Tax	14.6	16.5	16.1	15.7	16.5
Vehicle Licence Tax	3.5	3.3	3.1	3.1	3.1
Stamp Tax	0.6	0.6	0.5	0.6	0.6
Amusement Tax	0.1	0.1	0.1	0.1	0.1
Financial Enterprises Business Tax	1.4	1.3	1.3	1.4	1.4
Health and Welfare Surcharge on tobacco	1.6	2.1	2.0	1.9	1.9
Specially Selected Goods and Services Tax	n.a.	n.a.	0.1	0.2	0.3

n.a. Not applicable.

a GDP for 2013 is provisional.

Source: Information provided by the authorities.

3.3.1.1 Direct taxes

3.143. Revenue from Individual Income Tax and Profit-seeking Enterprise Income Tax accounted for 21.4% and 19.1% of total tax revenue, respectively, in 2013 (Table 3.12). In 2010, Profit-seeking Enterprise Income Tax was reduced from 25% to 17%, and the lowest three marginal rates of Individual Income Tax were lowered by 1%.

3.3.1.2 Indirect taxes

3.144. Business Tax is applied to sales of goods and services in two forms: non-value-added and value added. The non-value-added Business Tax is applied mainly to the services sector: 2% for enterprises engaging in banking, insurance, investment trust, securities, futures, commercial paper, and pawnshops[120]; 15% or 25% for enterprises engaging in special beverage and food services; and 1% for small businesses. The value-added Business Tax (i.e. the VAT) is applied to all other businesses transactions in goods and services at the rate of 5%.[121] The Business Tax is calculated on the basis of actual sales (the customs valuation for imported goods) plus taxes and duties (e.g. customs duties, or Commodity Tax where applicable).

3.145. Commodity Tax is a special excise tax imposed equally on imported and domestic products. Goods subject to Commodity Tax include rubber tyres, cement, beverages, flat glass, oil and gas, certain electric appliances, and motor vehicles. Depending on the product, the tax may be *ad valorem* or specific. The base for Commodity Tax is the manufacturers' selling price less other Commodity Tax included in the price (for domestically produced goods), or the customs valuation price plus the corresponding customs duty (for imports).

3.146. The Tobacco and Alcohol Tax is imposed in the form of specific duties: NT$590 per kg of tobacco products; and NT$2.5 per litre per degree of alcohol content.[122] Manufacturers are required to register with tax collection authorities prior to commencing production. Tobacco products are also subject to the Health and Welfare Surcharge; the surcharge finances the health insurance programme and other programmes related to health and welfare.

3.147. All transport vehicles are subject to the annual Vehicle Licence Tax.[123] The tax rate was amended in January 2012, mainly to list the rates for fully electric-powered motor vehicles.[124]

[120] 1% for reinsurance premiums of insurance business.

[121] Business Tax exemptions are granted on, *inter alia*, sales of land, medical and education services, and sales of financial derivative products. See Article 8, Value-Added and non-Value-Added Business Tax Act, amended 23 November 2011.

[122] WTO document WT/TPR/M/232/Add.1, page 41, 25 August 2010.

[123] Exemptions of Vehicle Licence Tax are granted for, *inter alia*, emergency services vehicles, and vehicles owned and used only by the mentally or physically disabled, that carry a Mental/Physical Disability Manual. See Article 7, Vehicle Licence Tax Act.

[124] For details of Vehicle Licence Tax rates, see the Laws and Regulation Database. Viewed at: http://law.moj.gov.tw/Eng/LawClass/LawContent.aspx?PCODE=G0340095 [20/01/14].

3.3.1.3 Tax exemptions and incentives

3.148. Since June 2010, Profit-seeking Enterprise Income Tax has been reduced to 17% (from 25%). The authorities note that this tax reduction was intended to create an internationally competitive environment, reduce the tax burden and benefit enterprises in all industries. In addition, companies may benefit from a 15% tax credit against the Business Income Tax for R&D expenditure. In the context of last TPR, the authorities noted that this tax credit was the only tax incentive maintained in the Statute for Industrial Innovation (SII), which replaced the Statute for Upgrading Industries (SUI).[125]

3.149. The amendment of Business Tax Act in April 2011 allowed more types of transaction by enterprises operating in bonded areas to be zero-rated for VAT.[126] The VAT on foreigners' purchases of goods and services may be eligible for refund within one year, if the purchases are for exhibition or temporary business activities in Chinese Taipei.

3.150. For the agriculture sector, 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 are exempted from Business Tax (VAT).[127] 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 are exempt from Commodity Tax.

3.151. Completely electric-powered motor vehicles (including electric motor bikes) are exempted from Commodity Tax and Vehicle Licence Tax from end 2011 to 2017.[128] Commodity Tax for other electric vehicles is reduced to half of the statutory rates, i.e. 12.5% or 15% for electric automobiles, and 8.5% for electric motor bikes. Low-chassis buses, gas buses, hybrid-power buses, electric buses, and rehabilitation buses for the disabled, purchased and registered between 5 June 2009 and 4 June 2014, are exempted from Commodity Tax; and from 30 December 2011 to 29 December 2016, a reduction of NT$25,000 is granted per LPG car.

3.152. Exemptions from Commodity Tax are also granted for electrification glass and reinforced glass for use in producing moulds; dehumidifiers for use in factories; and hand-carry record players smaller than 32 cm.

3.3.2 Non-tax incentives, subsidies, and other assistance

3.153. At the time of the last TPR, the authorities stated that they did not provide prohibited subsidies within the meaning of Article 3 of the WTO Agreement on Subsidies and Countervailing Measures. Since then, the authorities submitted to the WTO two notifications on its support programmes covering the fiscal years 2008 to 2012.[129]

3.3.2.1 Subsidies to the agriculture sector

3.154. Subsidies are provided for the production of rice, sorghum and feed corn, sweet potatoes, beans, tobacco leaves, certain vegetables, and sugar. In fisheries, grants are provided for programmes for buy-back of fishing vessels, reduction of fishing vessels, closing the fishery season, water-recirculation devices used in aquaculture, marine insurance for fishing vessels, and fish market (price) stabilization, as well as aquaculture facilities subsidized by loan programmes (Section 4.1.1.4).

[125] WTO document WT/TPR/M/232/Add.1, page 64, 25 August 2010.
[126] Article 7, Value-Added and Non-Value-Added Business Tax Act.
[127] Imported rice and rice products are not exempt from VAT.
[128] Commodity Tax exemption is valid from 28 December 2011 through 27 January 2017, and Vehicle Licence Tax exemption is valid from 6 January 2012 through 5 January 2015.
[129] WTO documents G/SCM/N/220/TPKM/Rev.1, 18 August 2011; and G/SCM/N/253/TPKM, 17 July 2013.

3.3.2.2 Grants and loans for R&D

3.155. The National Development Fund (NDF) was set up in 2006 and incorporated the Sino-American Fund and the Executive Yuan Development Fund as sub-funds. The NDF's main activities are to promote industrial upgrading and improvement of the structure of industry, by investing in start-up enterprises and projects, and supporting financial institutions' policy lending programmes. In recent years, the NDF has focused on financing newly emerging industries, such as information and communication technology, and bio-technology. The loans financed by the NDF are provided through assistance programmes administered by various authorities (e.g. New Industrial Product R&D Programme, managed by the MOEA).

3.156. Under the Statue for Industrial Innovation (SII), a number of measures have been adopted to encourage innovation and R&D activities. Since June 2010, the Industrial Development Bureau under the MOEA has launched a "special project for subsidizing development of major market-comprehensive product". This project together with the "Grant for development of new leading industries" provides grants to cover no more than 50% of the expenses incurred exclusively for the development of new leading products.[130] In addition, non-enterprise entities may be eligible to apply for grants and assistance with an aim to promote "industry-academia-research-organization collaboration". Between 2010 and 2013, 263 projects were approved, and a total of NT$3,366.52 million was provided under this scheme (Table 3.13).

Table 3.13 Sectoral allocation of grants for developing new leading industries

(NT$ '000)

	2010	2011	2012	2013
3C industry	133,395	92,468	31,000	208,044
Medical and health care	84,788	40,780	n.a.	30,091
Precision machinery and automation	85,954	585,853	96,991	467,553
Precision machinery	52,351	286,913	106,400	136,934
Pollution Prevention	44,009	41,364	7,500	10,000
Specialty chemicals and pharmaceuticals	94,407	113,228	79,320	16,000
Aerospace	46,159	n.a.	n.a.	n.a.
Advanced materials	80,898	129,810	4,000	4,500
Semi-conductors	145,924	n.a.	50,000	25,700
Culture industry	32,017	n.a.	n.a.	2,170
Total	**799,902**	**1,290,416**	**375,211**	**900,992**

n.a. Not applicable.

Source: Information provided by the authorities.

3.157. Also under the SII, in order to achieve sustainable development, the MOEA provides manufacturers with assistance in, *inter alia*, energy conservation and carbon reduction in production processes; energy resources integration; clean production; green technology; corporate social responsibility; product information disclosure; green factories; and work environment improvement. Any company incorporated in Chinese Taipei is eligible to apply for grants.[131] In general, the approved grant covers no more than 50% of the project expenses, with a cap of NT$5 million within two years of project implementation.[132] The authorities note that as of the end of 2013, guidance and assistance had been provided to more than 3,800 manufacturers to push forward with a range of sustainable-development-related matters.

3.158. The Department of Industrial Technology under the MOEA provides funding opportunities for domestic and foreign companies to carry out R&D activities under the Industrial Technology

[130] The eligible expenses are: costs incurred for full-time research personnel; costs of consumable instruments and raw materials; costs for use and maintenance of R&D equipment; costs for technology transfer; and travel fees related to the project.

[131] Other eligibility requirements are listed in the Regulations Governing the Provision of Guidance, Assistance and Subsidies by the MOEA for Industry Sustainable Development.

[132] The eligible expenses are: costs incurred for full-time personnel; costs of consumable instruments and raw materials; costs for use and maintenance of R&D equipment; costs for technology transfer; and travel fees related to the project.

Development Programme.[133] These include grants to cover up to 50% of R&D project expenses with a cap of NT$30 million, for a maximum of three years. Enterprises are encouraged to set up R&D centres through two incentive programmes[134]; grants are provided to cover personnel-related costs in relation to the R&D centre operations. Foreign applications for grants to support setting up R&D centres will no longer be accepted after 1 May 2014.

3.3.2.3 Assistance to small-and-medium-sized enterprises

3.159. Assistance is provided for small-and-medium-sized enterprises (SMEs) in the form of loans. Under the SME Development Fund, established and managed by the MOEA, SMEs may apply for specific and urgent loans for recovery plans related to disaster damage, at a ceiling interest rate of 1% plus a flat rate of the 2-year postal fixed saving rate. SMEs may also apply for medium- and long-term loans for product marketing, overseas investment, and construction projects.

3.160. In addition to sponsoring R&D activities, the National Development Fund is a major financer of the Programme to Support Industries to Adjust to Trade Liberalization; the programme aims to provide support and reduce the negative impact of liberalization on manufacturing and services sectors, in particular on SMEs. The Fund provides a total of NT$20 billion in preferential loans to enterprises affected by liberalization for rejuvenant projects. The preferential loan, for a maximum of ten years, will cover not more than 90% of the project cost, with a cap of NT$100 million for each applicant.

3.161. Besides helping enterprises rebound from liberalization, the authorities provide low-interest loans to help affected enterprises and workers to switch to new sectors and products. For instance, enterprises that suffer due to a surge of certain product imports may apply to the MOEA, for loans up to NT$5 million as working capital, and up to NT$10 million as capital finance.

3.3.2.4 Other subsidies and assistance

3.162. The Industrial Development Bureau under the MOEA provides assistance to develop the venture capital investment industry, including provision of reference letters on behalf of the venture funds to facilitate the sourcing of finance from government-operated funds (e.g. the National Development Fund) and from the private sector.[135]

3.163. With the aim of attracting investment, in 2002 the Industrial Development Bureau introduced the incentives programme for lease and purchase of land in industrial parks (also called the 006688 programme). This programme exempts firms from land lease fees for the first two years, requires payment of 60% of full lease fees during the third and fourth years, payment of 80% of full lease fees during the fifth and sixth years, and payment of full lease fees starting in the seventh year. If a company applies to purchase the land before the lease period expires, the firm's guarantee deposit and lease fees already paid may be deducted from the price. The programme, after several extensions, is expected to be phased out by end 2014. According to the authorities, as of end 2010, 952 companies rented 778 hectares of land and had created NT$655.5 billion in output value, while providing 84,398 jobs.[136]

3.164. The government provides grants to encourage exploration and development of oil and gas reserves (section 4.2). This aims to secure oil supply and stabilize the domestic market, through supporting geo-surveys, drilling, and other related activities. The grant covers not more than 50% of the expense of each exploration, and not more than 12% of the expense of each development project. Between 2010 and 2012, this scheme paid out grants totalling NT$958.94 million.

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[133] Department of Investment Services online information, "Industrial Technology Development Program". Viewed at: http://investtaiwan.nat.gov.tw/eng/show.jsp?ID=38&MID=2.

[134] The Industrial Technology Innovation Center Program (MNCD) for domestic enterprises, viewed at: http://innovation4.tdp.org.tw/; and the Multinational Innovative R&D Centers in Taiwan (MNCF) for foreign enterprises. Viewed at: http://innovation5.tdp.org.tw/.

[135] The criteria for venture investment fund support are contained in Article 3, Regulations for the Guidelines for Venture Capital Investment Industry.

[136] Department of Investment Services online information, "Invest in Taiwan – Land Lease Incentives in Industrial Parks". Viewed at: http://investtaiwan.nat.gov.tw/eng/show.jsp?ID=40&MID=2.

3.3.3 Government-owned enterprises

3.165. Government-owned enterprises are mainly involved in petroleum, aerospace, finance, transport, and utilities. They have market monopolies in utilities and postal services. There is no institutional framework overarching government-owned enterprises. They are managed separately under various relevant ministries; CPC Corporation, Taiwan Power Company, Aerospace Industrial Development Corporation, Taiwan Sugar Corporation, and Taiwan Water Corporation are under the Ministry of Economic Affairs; Taiwan Railways Administration, and Chunghwa Post are under the Ministry of Transport and Communications; and the Ministry of Finance owns Taiwan Tobacco and Liquor Corporation, and a few banks.

3.166. Privatization of government-owned enterprises began in 1992; however, the privatization schedule is suspended or under re-evaluation. In the context of last TPR, the authorities stated that privatization of government-owned enterprises remains at the top of the policy priorities.[137] During the period under review, the five government-owned enterprises under the MOEA were in the process of privatization, all at different stages. The authorities consider that a government-owned firm is privatized once it loses its monopoly rights and/or the government reduces its shareholding. Public listing of the government-share of Aerospace Industrial Development Corporation was approved by the Taiwan Stock Exchange (TSEC) on 12 May 2014, and is expected to be completed by end 2014; the MOEA is offering more than 50% government shares.[138] However the authorities note that government-share offerings will no longer be used for privatization in the future.

3.3.4 Government procurement

3.167. Government procurement accounted for 7% of GDP in 2013, down from 10% of GDP in 2008.[139] It remains regulated under the Government Procurement Act, most recently amended in 2011. The amendments were mainly on price database; the award procedure for professional, technical, or information service; and on model contracts prescribed by the responsible entity (Table 3.14). The Act applies to procurement by any government agency, public school, and government-owned enterprises, for the contracting of construction work, the purchase or lease of property, and the retention or employment of services.

Table 3.14 Major amendments to the GP Act in 2011

Article	Amendment	Background note
Article 11	Where there is any property and service item that requires a price database to be set up, the regulations for establishing price database of construction must apply *mutatis mutandis*	The price database of manpower for information services has been in operation since 2012, and the information therein can be used by procuring entities as a reference for evaluating budget amounts and government estimates
Article 52	Where the value of a procurement reaches the threshold for publication (NT$1 million), and the subject of procurement is a professional service, technical service or information service, the award procedure of most advantageous tender without setting a government estimate, may be applied	Purpose: to promote the award to the most advantageous tender for such services, instead of the lowest tender

137 WTO document WT/TPR/M/232/Add.1, 25 August 2010.

138 Ministry of Economic Affairs online information, "Press release". Viewed at: http://www.moea.gov.tw/Mns/populace/news/News.aspx?kind=1&menu_id=40&news_id=36805.

139 In 2013, the main procurement items for goods were: electrical machinery and apparatus; medical appliances, precision and optical instruments, watches and clocks; office, accounting and computing machinery; special purpose machinery; transport equipment. The main services procured were: architectural, engineering and other technical services; repair services incidental to metal products, machinery and equipment; sewage and refuse disposal, sanitation, and other environmental protection services; administrative services of the Government; placement and supply services of personnel. The major construction contracts covered construction work for civil engineering; construction work for buildings; installation work; special trade construction work; and building completion and finishing.

Article	Amendment	Background note
Article 63	The model contracts prescribed by the responsible entity must, in principle, be adopted by the entity	Purpose: to reduce contract disputes resulting from the contract clauses prescribed by the procuring entities

Source: Information provided by the authorities.

3.168. Chinese Taipei became a member of the WTO plurilateral Agreement on Government Procurement (GPA) on 15 July 2009. The share of non-local suppliers in the total value awarded fluctuated widely (between 10.6% and 26.5%), from 2009 to 2013 (Table 3.15), while their share in the number of contracts awarded increased from 7% to about 11%. The authorities indicated that GPA membership affected the efficiency of the government procurement regime, due to the lengthened time-limit for tendering. Moreover, a summary tender notice is required for each GPA-covered procurement in one of the WTO official languages, which is an additional requirement for the procurement entities. On the other hand, as the annual procurement statistics provided by the other GPA parties in recent years did not include information on awards to Chinese Taipei enterprises, the authorities cannot evaluate the effect of GPA membership on its enterprises.

Table 3.15 Procurement by origin, 2009-13

	2009	2010	2011	2012	2013
Total value (NT$ billion)	1,148.9	1,211.5	1,255.3	1,220.9	1,006.4
Percentage of GDP (%)	9.2	8.9	9.2	8.7	6.9
Share			(%)		
Domestic	89.4	81	79.4	73.5	82.5
Non-local	10.6	19	20.6	26.5	17.5
Suppliers originating in GPA parties	9.9	15.6	17.1	22.8	14
Number of contracts awarded	206,793	200,245	185,227	180,551	180,998
Share			(%)		
Domestic	96.3	89.7	88.7	88.7	89.1
Non-local	3.7	10.3	11.3	11.3	10.9
Suppliers originating in GPA parties	3.5	9.5	10.3	10.3	9.7

Note: The statistics include procurement not covered by the WTO/GPA and with a value of more than NT$100,000.

Source: Information provided by the authorities.

3.169. Chinese Taipei participated in and contributed to the renegotiation of the GPA, which entered into force on 6 April 2014.[140] As Kaohsiung County Government was merged into the Kaohsiung Municipality Government in December 2010, Chinese Taipei has committed to include procurement by the Kaohsiung County Government and its subordinated administrative units for the revised GPA. It is estimated that the additional market access opportunities amount to NT$3 billion per year. Pursuant to the GP Act, a procuring entity must conduct a GPA-covered procurement in conformity with the requirements of the Agreement, thus the authorities consider that there is no need to modify the Act to reflect the revised GPA.

3.170. Chinese Taipei has signed two ECAs that contain market-access commitments on government procurement: the Agreement with New Zealand on Economic Cooperation (ANZTEC), which entered into force on 1 December 2013, and the Agreement with Singapore on Economic Partnership (ASTEP), effective 17 April 2014.

3.171. The institutional framework on government procurement remains unchanged: the Public Construction Commission (PCC) formulates, coordinates, and monitors the implementation of government procurement policies on goods, services, and construction works. Its website contains laws and regulations on government procurement, tendering notices and awards, and the electronic procurement system (GPIS - government procurement information system).[141] Tenders covered by the GPA have summary notices in English, as required by Article 9 of the GPA.[142]

[140] WTO online news: http://www.wto.org/english/news_e/news14_e/gpro_07apr14_e.htm [08/04/14].
[141] PCC online information. Viewed at: http://www.pcc.gov.tw.
[142] WTO document, WT/TPR/M/232/Add.1, p.83.

Procurement notices, invitations to tender, and contract awards are also published in the daily *Government Procurement Gazette*. There is no registration system for suppliers in government procurement.

3.172. According to Articles 17, 43 and 44 of the Act, domestic suppliers may be accorded preferential treatment, except where prohibited by agreements to which Chinese Taipei is a party. Such treatment may include local-content, technology transfer, investment, export facilitation, or price preference of 3% maximum.[143] 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*. The authorities state that no price preference has been published since 1999 when the GP Act became effective. According to the authorities, this is because there is no incentive for domestic suppliers to adopt the 3% price preference pursuant to Article 44 of the GP Act. The government procurement regime also contains secondary policy goals, such as to encourage the procurement of environment-friendly green products; to support indigenous suppliers; and to give priority to the goods and services produced and provided by people with disabilities.

3.173. There has been no change in the procurement methods, bidding procedures or procurement thresholds since 2010. Procurement contracts of not less than NT$1 million are awarded through open, selective, or limited tendering procedures (Table 3.16). According to the authorities, the same requirements in tendering apply to domestic and non-local suppliers.

Table 3.16 Procurement methods and procedures

Procurement methods	Procedure
Open tendering	Public notice is given and all interested suppliers are invited to submit tenders
Selective tendering	Pre-qualification selection among interested suppliers who submit their qualification documents upon public notice; only suppliers selected through this process are invited to tender
Limited tendering	No public notice; only a few suppliers are invited to compete or only one supplier is invited to tender

Source: Information provided by the PCC.

3.174. In 2013, about 80% of all procurement was awarded through open tendering; 9% through limited tendering; and about 11% through selective tendering (Table 3.17). In principle, open tendering must be used for all procurement contracts of a value of NT$1 million or over. Selective tendering 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. The selective tendering procedures are also applicable for electronic procurement practices. Limited tendering 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.

3.175. For procurements over the NT$1 million threshold, in case of any dispute arising from the invitation to tender, the evaluation of tender, or the award of contract, suppliers may file complaints to the Complaint Review Board for Government Procurement (CRBGP). Contract disputes relating to government procurement may also be referred to CRBGP for mediation. To ensure impartiality, the CRBGP must consist of 7-25 members selected from impartial persons of professional knowledge in legal or procurement affairs and appointed by the responsible entity or the municipal or county (city) governments. Three members may be high-ranking officials of the responsible entity or the municipal or county (city) governments provided that the number of these officials does not exceed one fifth of the total number of members.[144] The CRBGP was established in May 1999; from then to the end of 2013, there were 4,605 mediation cases, of which 65 were filed by non-local suppliers (1.4%). Mediation cases accounted for 64% of substantively resolved cases. During the same period, 3,189 complaints were filed with the CRBGP, of which 98 were filed by non-local suppliers, accounting for 3% of total cases.

[143] Articles 43 and 44 of the Act.
[144] WTO document WT/TPR/M/232/Add.1, p.118, 25 August 2010.

3.176. In case of objection to the decision by the CRBGP, the unsatisfied supplier may refer the case to the administrative court within two months from the date of receipt of the review decision. From 2009 to 2012, more than 600 cases for procurements over the NT$1 million threshold, were substantively resolved by the CRBGP (relating to invitation to tender, evaluation of tender, or award of contract), and 138 of the CRBGP review decisions were referred to the administrative court.

3.177. A dispute arising from the performance of a contract may also be taken to an arbitration institution. These include the Arbitration Association (http://www.arbitration.org.tw); the Construction Arbitration Association (http://www.tcaa.org.tw/); and the Construction Industry Association (http://www.cciaa.org.tw/). According to the authorities, in 2012 and 2013, there were 61 cases of contract disputes regarding construction, and 100 cases regarding professional engineering services.

Table 3.17 Procurement share by type of procedure, 2009-13

Year	Item	Open tendering (%)	Selective tendering (%)	Limited tendering (%)
2009	Share of total value	79.6	8.7	11.7
	Construction	90.6	4.8	4.6
	Goods	57.6	21	21.3
	Services	83.5	1	15.5
2010	Share of total value	72.4	10.4	17.2
	Construction	94.6	1.4	4.0
	Goods	47.1	24.7	28.2
	Services	78.2	0.9	20.8
2011	Share of total value	67.7	22.4	10.0
	Construction	95.6	0.2	4.1
	Goods	39.5	47.8	12.7
	Services	85.8	1.1	13.1
2012	Share of total value	70.8	8.1	21.0[a]
	Construction	95.0	0.8	4.2
	Goods	45.9	18.3	35.9
	Services	79.6	0.8	19.6
2013	Share of total value	80.1	11.1	8.8
	Construction	94.2	1.8	4.1
	Goods	56.1	32.3	11.7
	Services	85.9	1.3	12.8

a The authorities indicated that the higher share of limited tendering in 2012 was due to expenditures on military procurement in 2012.

Note: The statistics include procurement not covered by the WTO/GPA and with a value of more than NT$100,000.

Source: Information provided by the authorities.

3.3.5 Competition policy and regulatory issues

3.3.5.1 Competition policy

3.178. The Fair Trade Commission (FTC) remains the implementing authority for competition policy. The Organic Act of the Fair Trade Commission, effective in 2012 granted independent status of the FTC since 2012. During the review period, the main legislation on competition policy, the Fair Trade Act (FTA), was amended twice (in 2010 and 2011).[145] Amendments mainly concern the introduction of a leniency programme, the increase of maximum administrative fines for abuse of dominance and concerted actions, and the imposition of civil liabilities for false endorsements

[145] FTC online information. Viewed at: http://www.ftc.gov.tw/internet/english/doc/docDetail.aspx?uid=644&docid=12106 [26/06/13].

(Table 3.18). The authorities state that the leniency programme is an invaluable tool to detect cartels. In 2012, the FTC had its first leniency application and then fined four optical disk drive manufacturers for their international cartel.

3.179. 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 (Article 45). Article 46 stipulates that where there is any other law governing competition, such other law will apply provided that there is no conflict with the legislative purposes of the FTA. Examples include the Banking Law, the Financial Holding Company Law, the Financial Institutions Merger Act, the Insurance Law, the telecommunications rules, and laws regulating professionals and the practice of fee standards set by professional associations (Chapter 4).

Table 3.18 Amendments to the Fair Trade Act

Article	Content	Relevant regulations
Article 35-1: leniency programme	Reduction or immunity from fines to cartel members who report illegal concerted actions to the FTC	Regulations on Immunity and Reductions of Administrative Fines in Illegal Concerted Actions, enacted on 6 January 2012
Article 41: administrative fines	The FTC may impose an administrative fine of up to 10% of the total sales income of an enterprise in the previous fiscal year without being subject to the limit of the administrative fine, if the enterprise is considered by the FTC as being in serious violation of Articles 10 on abuse of dominance, and 14 on concerted actions	Regulations for Calculation of Administrative Fines for Serious Violations of Articles 10 and 14 of the Fair Trade Act, enacted on 5 April 2012
Article 21: civil liabilities for false endorsement	False endorsers may be held jointly liable with the advertiser for up to 10 times the reward they have received from the advertiser	Fair Trade Commission Disposal Directions (Policy Statements) on Use of Endorsements and Testimonials in Advertising

Source: Information provided by the authorities.

3.180. The FTA applies to all enterprises, including companies, sole proprietorships or partnerships, trade associations, and any other persons or organizations engaging in transactions through the provision of goods or services. Commercial operations of government agencies are also subject to the FTA. It regulates not only monopolistic actions, mergers, and concerted actions, but also unfair competition (Table 3.19).

Table 3.19 Key characteristics of the Fair Trade Act

Subject	Exceptions
Monopolistic enterprises are prohibited from abusing their market power, including by:	No exception
- preventing any other enterprises from competing by unfair means	
- improperly setting, maintaining or changing prices for goods or services	
- requiring preferential treatment from trading partners without justification	
Mergers must be notified to the FTC if:	
- as a result of the merger the enterprise(s) will have 1/3 of the market share;	Where any enterprise holds no less than 50% of the voting shares or capital contribution of another enterprise, and merges with such other enterprise
- one of the enterprises in the merger has 1/4 of the market share;	Where enterprises of which 50% or more of the voting shares or capital contribution are held by the same enterprise merge
- sales for the preceding fiscal year of one of the enterprises in the merger exceeds the threshold amount publicly announced by the FTC (the thresholds may be different for financial and non-financial enterprises.[a]	Where an enterprise assigns all or a principal part of its business or assets, or all or part of any part of its business that could be separately operated, to another enterprise that it has newly established

Subject	Exceptions
	Where an enterprise, pursuant to the proviso of Article 167, Paragraph 1 of the Company Law or Article 28-2 of the Securities and Exchange Law, redeems its shares held by shareholders so that its original shareholders' shareholding falls within the circumstances provided for in Article 6, Paragraph 1, Subparagraph 2
Price fixing, market sharing, and other "concerted actions" are prohibited:	
"concerted actions" are any form of mutual action or understanding with competitors on prices, quantity, technology, products, facilities, trading counterparts or trading areas	- unifying the specifications or models of goods for cost reduction, quality improvement, or efficiency increasing purposes
	- joint research and development on goods or markets to upgrade technology, improve quality, reduce costs, or increase efficiency
	- each developing a separate and specialized area to rationalize operations
	- entering into agreements concerning the competition in foreign markets to secure or promote exports, i.e. export cartels
	- joint acts regarding the importation of goods, i.e. import cartels
	- joint acts limiting the quantity of production and sales, equipment, or prices in economic downturn, when the market price of products is lower than the average production costs so that the enterprises in a particular industry have difficulty maintaining their business or encounter a situation of overproduction, actions to meet economic downturns
	- actions by small and medium-sized enterprises to jointly improve efficiency
Unfair competition is prohibited:	
Resale price maintenance for goods	
Actions likely to lessen or to impede competition	
Using in the same/similar manner the names, trademarks, containers, packaging, appearances, symbols of other enterprises' goods or services to cause confusion	
Using in the same/similar manner the marks that are identical or similar to a well-known foreign trademark that has not been registered in the country; selling, transporting, exporting, or importing goods bearing such trademark	
Making or using false or misleading representations or symbols	
Making or disseminating any false statement that is able to damage the business reputation of another;	
Multi-level sale, if the participants receive economic benefits mainly from introducing others to participate, rather than from marketing or selling of the goods/services	
Any deceptive or obviously unfair conduct that is able to affect trading order	

a Any merger that falls within the following circumstances must be filed with the FTC in advance: where an enterprise in a merger is a non-financial enterprise, the total sales value for the preceding fiscal year exceeds NT$10 billion, and the enterprise it merges with, has a sales value exceeding NT$1 billion in the preceding fiscal year. Where an enterprise in a merger is a financial enterprise, the sales value for the preceding fiscal year exceeds NT$20 billion, and the enterprise it merges with, has a sales value exceeding NT$1 billion in the preceding fiscal year.

Source: Fair Trade Act; WTO document WT/TPR/M/232/Add.1, p.91; and information provided by the authorities.

3.181. Article 14 stipulates that the FTC may approve export or import cartels "for the benefit of the economy and in the public interest", with a time limit. By January 2014, there had been no applications for an export cartel, and ten import cartels had been approved by the FTC under its consideration of improving efficiency. Most of these are agreements between food manufacturers on joint purchasing and shipping of imported bulk cargos such as soybeans, wheat, and corn.

Because undertakings not participating in the import or export cartels may be injured parties of these approved actions, Article 15 stipulates that the FTC may attach conditions to the cartel participants. The conditions may include allowing any one participant to import a specific commodity, but not to exclude any other participant without justification to prevent any discrimination. The FTC has received one complaint for discrimination from one undertaking not participating in the import cartels; this case is still under investigation.

3.182. The FTC is a ministerial-level agency responsible for policy and legislation as well as enforcement of competition policy. The FTC may initiate investigations in response to complaints (from enterprises, customers, or consumers) about alleged violations of the FTA, or open an investigation ex officio for a matter that involves the "public interest". In 2013, the FTC opened investigations into 2,279 cases, among which 306 were self-initiated and 1,973 were reported, comprising 1,621 complaints, 4 applications for concerted actions, 51 merger notifications, and 297 "requests of opinion" (Table 3.20).

Table 3.20 Enforcement statistics on competition policy, 2009-13

	2009	2010	2011	2012	2013
Cases opened	1,612	1,438	1,863	2,555	2,279
Cases received	1,501	1,299	1,517	2,114	1,973
Complaints	1,402	1,206	1,361	1,955	1,621
Applications for concerted action	6	-	7	10	4
Mergers	58	45	57	52	51
Requests for opinion	35	48	92	97	297
Self-initiated investigations	111	139	346	441	306
Cases processed					
Cases concluded in current year	1,456	1,243	1,346	1,895	1,641
Ruling on violation of the FTA	140	109	110	86	102
No-action decision	352	291	278	316	276
Administrative action	3	1	15	6	1
Review terminated	909	793	898	1,340	1,158
Cases consolidated	52	49	45	147	104
Fines (NT$ million)	202	65.8	233.1	366.6	6,182.1
Anti-competitive practice	119.6	28	104.1	307.8	6,123.4
Unfair trade practice	78.6	32.9	119.1	46.6	49.6
Improper multi-level sales	3.3	2.7	9.3	12.1	5.2
Others	0.5	2.3	0.7	0.15	0.95
Appeals					
Cases concluded in current year	140	144	83	147	112
Rejected	123	100	69	119	81
Original decision repealed	3	1	4	17	8
Not accepted	12	15	9	11	11
Withdrawn	2	-	1	-	1
Partially rejected (or not accepted)	-	28	-	-	2
Cases pending	73	30	31	39	25

Source: FTC (2013), and information provided by the FTC.

3.183. Remedies for substantive infringement include fines and orders to cease and correct conduct. Administrative fines range between NT$50,000 and NT$25 million, and may be doubled in case of repeated offences. In cases of serious violation of Articles 10 and 14 of the FTA, an administrative fine of up to 10% of the total sales income of an enterprise in the previous fiscal year may be imposed. Failure to comply with FTC orders is subject to: imprisonment of up to three years and a fine of up to NT$100 million for violating orders on monopolization, concerted action, or trademark; and imprisonment of up to two years with a fine of NT$50 million for violating orders on unfair practices. FTC decisions may be appealed in the Appeal and Petition Committee of the Executive Yuan, and if necessary, further to the Administrative Court.

3.184. The FTC has competition cooperation arrangements/agreements with its counterparts in Australia, Canada, France, Hungary, Mongolia, New Zealand, and Panama.[146]

3.185. There has been no major change to consumer protection legislation since 2010.[147] In January 2012, the Consumer Protection Commission was absorbed into the Executive Yuan and reorganized into the Department of Consumer Protection. At the same time, the Executive Yuan set up a Consumer Protection Committee, which is responsible for organizing consultations and conducting reviews of consumer protection related policies, enforcement of regulations, and other relevant issues. In 2013, the five leading categories of consumer disputes were related to telecommunication services, mobile phone and peripheral products, cram schools, automobiles, and real estate.

3.3.5.2 Price controls and price-stabilization measures

3.186. According to the authorities, only a few utility services, including energy (electricity, petroleum and gas), and telecom services are subject to price controls (Chapter 4).

3.187. A Price Stabilization Committee was set up under the Executive Yuan in 2008, to monitor prices of certain commodities and products and to coordinate their supply and demand, when necessary, with a view to stabilizing their prices.[148] Members of the Committee include the Ministries of Economic Affairs, Finance, Interior, Transportation and Communication, Justice, the Central Bank (CBC), the Council of Agriculture (COA), the Fair Trade Commission (FTC), and the National Development Council (NDC). Prices of the following products are monitored: energy products (gasoline, diesel, gas, and natural gas, etc.), construction materials (iron and steel, sands and stones etc.), and bulk commodities (e.g. wheat, corn, soybeans, flour, milk powder, cooking oil). Trade-related measures may be adopted with a view to stabilizing prices.[149]

3.188. Price-stabilization measures have been adopted at upstream, mid-stream, and downstream levels, as well as some supporting measures (Table 3.21).

Table 3.21 Price-stabilization measures

Commodities	Measures
Upstream: Imported bulk commodities, and farm-gate prices of agricultural products	- monitoring price changes in the international market for bulk commodities - reducing tariffs "dynamically" on some milk powder, butter, corn flour, soy flour - exempting from business tax (corn) - limiting price increases of some state-owned enterprise products: for example, Taiwan Sugar Corporation was required to freeze the price of its small packets of sugar, and keeping its salad oil prices at the lowest level in the market - keeping track of daily movements in farm-gate and wholesale prices of "sensitive" agricultural products[a]
Mid-stream: Reducing transportation costs, and strictly investigating cartels	- subsidizing oil used by farmers and fishermen: exempted from the 5% Business Tax; 50% of the above-baseline price of gasoline and diesel is subsidized - conducting cost-price analysis on commodities that are important in people's daily life, to deter businesses from raising prices unreasonably - 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	- stabilizing market prices of agricultural products - setting up mechanisms for checking market prices: price checks by the DGBAS, 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

[146] FTC online information. Viewed at: http://www.ftc.gov.tw/internet/english/doc/docList.aspx?uid=1075 [09/04/14].
[147] For details, please see WTO (2010) p. 74.
[148] Executive Yuan online information. Viewed at: http://www.ey.gov.tw/cp.aspx?n=64D0CD86E9048B7B [02/07/2013].
[149] Executive Yuan online information. Viewed at: http://www.ey.gov.tw.

Commodities	Measures
Supporting measures: Central Bank (CBC)	The CBC closely watches price trends, and adopts monetary policies: when domestic gasoline and electricity price increases caused inflation expectations, the CBC strengthened its conduct of open market operations, withdrew excess liquidity in the money market and required banks to keep excess reserves at a modest level

a Sensitive agricultural products include vegetables (such as green leafy, roots, bulbs and tubers), fruits (such as bananas, pineapples, citrus, melons), and meat and fish and seafood (such as pork, poultry, fish, shrimps, crabs, cephalopods, shell fish).

Source: NDC online information. Viewed at: http://www.ndc.gov.tw/dn.aspx?uid=11589 [09/04/14].

3.189. On 31 May 2012 the Executive Yuan approved a draft amendment of Article 251 of the Criminal Code, to impose a penalty of up to three years' imprisonment or detention, and/or a fine of up to NT$300,000 for hoarding behaviours with an intention to increase transaction prices of food, agricultural products, raw materials, or other necessary items of the peoples' diet. According to the Ministry of Justice, this was to prevent manipulation of market prices of agricultural and industrial products that are related to people’s livelihood and to avoid unfair trade (such as intending to raise the selling prices by hoarding food, agricultural products or other daily necessities, or seedlings, fertilizers, ingredients or other agricultural or industrial essentials, not selling them without a good cause, and intending to affect the selling prices of these products by means of spreading false information). In addition, obstruction of the sale or transportation of these agricultural or industrial products by threats, violence, or fraud is subject to severe sentencing so as to curb the manipulation of market prices and avoid the impact on people caused by abnormal price fluctuations.

3.3.6 Intellectual property rights

3.3.6.1 Overview

3.190. The MOEA's Intellectual Property Office (TIPO) is in charge of formulating IPR-related policies, both as regards intellectual and industrial property rights, and their implementation. It also ensures inter-agency cooperation on IPR enforcement related matters. All IPR legislation is available on TIPO's website.[150] There have been a number of amendments to IPR legislation since 2010. The Copyright Act was amended in 2010 and in 2014, and the Copyright Intermediary Organization Act was amended in 2010. The new Trademark Act entered into force in July 2012, amendments to the Patent Act went into force in 2013 and 2014, and amendments were made to the Trade Secrets Act in February 2013.[151]

3.191. Chinese Taipei committed to fully apply the TRIPS Agreement by the date of its accession to the WTO; the authorities consider that they have fully implemented the Agreement. At the WTO, it participates in the work of the Council on TRIPS, including on issues such as the establishment of a multilateral system of notification and registration of geographical indications (GIs) for wines and spirits, GI extension, and the Convention on Biological Diversity (CBD).[152] TIPO also participates in APEC/IPEG meetings, and exchanges experiences with other attending APEC members. Chinese Taipei is not a Member of WIPO, or a signatory to any WIPO convention.

3.192. There are bilateral instruments in place on IPR protection and enforcement with Austria, Australia, Chile, Costa Rica, El Salvador, the EU, France, Germany, Guatemala, Japan, Liechtenstein, the Netherlands, Paraguay, the Philippines, Spain, Switzerland, the United Kingdom, and the United States. The IPR MOU with Nicaragua was incorporated in the FTA signed in June 2006. The bilateral instruments with New Zealand were terminated by Chapter 10, Article 9 of the ANZTEC Agreement with New Zealand concluded in 2013. Its Chapter 10 contains provisions on IPR protection. More recently, new or renewed agreements or MOUs have been signed with China (2010), the Czech Republic (2010), Italy (2011), Spain (2013) and the United Kingdom (2013).[153]

[150] TIPO online information. Viewed at: website: http://www.tipo.gov.tw/np.asp?ctNode=7105&mp=2.
[151] For an overview of the main dedicated IPR laws and regulations, as well as other relevant laws and regulations notified during the review period, see WTO documents IP/N/1/TPKM/6 (22 April 2014); IP/N/1/TPKM/5 (11 March 2014); IP/N/1/TPKM/4 (21 January 2014); and IP/N/1/TPKM/3 (27 August 2012).
[152] TIPO (2013).
[153] For the complete list of bilateral agreements see TIPO website at http://www.tipo.gov.tw/ct.asp?xItem=175779&ctNode=6842&mp=2.

The Cross-Strait Agreement on IPR Protection and Cooperation that took effect on 12 September 2010 aims at enhancing cooperation on the protection of IP rights. In particular, it recognizes priority rights of both sides with respect to patents, trademarks, and plant varieties. It also provides that both sides will accept applications for plant variety rights and will consult to expand the scope of it. To fight cross-border illegal activities involving IP rights, a communication platform was established for competent IP authorities to facilitate information exchange.[154]

3.193. Both the Patent Act (Article 59.1.6) and the Trademark Act (Article 36.2) adopt the principle of international exhaustion, thus allowing for parallel imports of goods that are protected by patents or trademarks. Parallel imports of copyright-protected products are prohibited, under the Copyright Act (Article 87.1.4.), subject to the exceptions listed in its Article 87bis.

3.194. Between its establishment in July 2008 and end 2013, the Intellectual Property Court dealt with 8,323 cases, of which 94% (7,797 cases) has been closed. Half of the cases were either first or second instance civil cases, while the remaining cases were evenly spread between administrative and criminal cases. The Court's jurisdiction covers first instance and second instance civil action for the protection of intellectual property rights. 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.

3.3.6.2 Copyright

3.195. The major changes to the Copyright Act, amended in 2010 and 2014[155], include:

- Rebroadcasting at business venues and the broadcasting or simultaneous transmission of copyright-protected works to the public which were reproduced under authorization in advertisements are exempted from criminal liability. The purpose is to reduce the high number of criminal lawsuits faced by business venues and broadcasting organizations;

- Copyright-protected works may be reproduced exclusively for use by those with "learning disability". This amendment aims at facilitating access to such works for disabled persons; and

- Registered schools of all levels, non-profit organizations and local or central agencies are authorized to produce and share accessible-format copies of copyright-protected works without permission of the right holders in order to facilitate access to such works by individuals with visual and hearing impairments. For this purpose, producers may circumvent technological protection measures adopted by right holders. This latest amendment, adopted in January 2014, aims at ensuring equal access opportunities by mirroring the exceptions and limitations provided for by the WIPO Marrakesh Treaty concluded in June 2013.

3.196. The Copyright Intermediary Organization Act was amended in 2010[156], and its name was changed to Copyright Collective Management Organization Act. Relevant amendments include the introduction of a "joint royalty rate" and a "one-stop shop" system. The joint royalty rate is a single rate jointly adopted by two or more collective management organizations (CMOs) with respect to the same type of exploitation. TIPO designated three CMOs[157] to adopt a joint royalty rate for computer karaoke machines. Negotiations to determine the joint royalty rate and the CMO with the authority to collect royalties (the one-stop shop) are still ongoing.[158] The purpose of these amendments is to simplify licensing procedures and to balance the interests of users and collective

[154] WTO document WT/TPR/M/232, p.37, para. 261.

[155] The text of the Copyright Act as amended in 2014 is available in WTO document IP/N/1/TPKM/C/10, 8 May 2014.

[156] The text of the amended Copyright Collective Management Organization Act is available in WTO document IP/N/1/TPKM/C/11, 8 May 2014.

[157] Before the amendment of the Act, since there was no limitation specified to the number of collective societies, more than one collective society in the same category of work was allowed, which made licensing procedures complicated.

[158] If an agreement cannot be reached by negotiation, any of the CMOs may apply to TIPO for determination. Before the joint royalty rate is determined, users who submitted written requests to CMOs to adopt a royalty rate may be exempted from criminal liabilities for the type of exploitation.

societies. The authorities expect the amendment to provide a simpler way for users to obtain complete and full licences from CMOs and to lower transaction costs for CMOs. Another important amendment is the revision of the rate review system: instead of a mandatory prior review of collective societies' rates by TIPO, which was applied before, TIPO now only reviews disputes regarding royalty rates that have been submitted to it. In addition, the "per user rate" was introduced as another option beside the "percentage rate or lump sum". Users may make interim payment to legally use works managed by CMOs while the rate is being reviewed.

3.197. Copyright is granted for 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, computer programs, derivative works, compilation works, and artists' (performers') performances. In general, copyright protection commences from the point of accomplishment of the work and is extended for the lifetime of the author plus 50 years, except 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. Copyright does not need to be registered to be protected.

3.198. Under Article 4 of the Copyright Act copyright protection for non-local right holders is provided when there is a reciprocal arrangement with TIPO contained in a bilateral or multilateral agreement.[159] Nationals of WTO Members benefit from copyright protection in Chinese Taipei because of the non-discrimination rules that apply under the TRIPS Agreement. Works of citizens originating in countries without these reciprocity arrangements are also protected, provided they are published first in Chinese Taipei, or within 30 days of being published elsewhere.

3.199. According to the authorities, the Copyright Act is consistent with the TRIPS Agreement. Among others, it has 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 as established by WIPO's Marrakesh Treaty to Facilitate Access to Published Works by Visually Impaired Persons and Persons with Print Disabilities.

3.3.6.3 Patents

3.200. The Patent Act has been substantially reviewed in 2011 and in 2013, and most recently in 2014.[160] Reflecting the amendments, eight regulations were modified, including the Enforcement Rules of the Patent Act.[161] Major amendments are listed in Table 3.22. Most recently, the Regulations Governing Customs Detaining Goods Suspected of Patent Infringement complemented the provisions on border protection measures of the Patent Act. The Regulations, promulgated jointly by the MOEA and the Ministry of Financed, became effective on 24 March 2014.

3.201. Patents are granted for inventions, utility models, and designs. Protection for patent rights is for 20 years from the date of filling of the application for inventions, 10 years for utility models, and 12 years for designs. While applications for invention patents and designs are subject to substantive examination, a formality examination applies to utility model applications, which were concluded within less than four months on average in 2012. Since the previous Review, no compulsory licences have been granted.

[159] The Agreement for the Protection of Copyright between the Coordination Council for North American Affairs and the American Institute in Taiwan is the only bilateral agreement containing reciprocal arrangements.

[160] For the latest amendments, see the Patent Act as notified to the WTO in document IP/N/1/TPKM/P/5, 8 May 2014. The Enforcement Rules of the Patent Act that entered into force on 1 January 2013 are reproduced in WTO documents IP/N/1/TPKM/P/4, and IP/N/1/TPKM/E/3, 28 Jan 2014.

[161] Other modified regulations include: the Regulations Governing Submission of Foreign Language Application Documents, the Regulations Governing the Implementation of Filing Patent Applications by Electronic Means, the Regulations for the Deposit of Biological Material for Patent Application, the Regulations of Patent Fees, the Regulations for Reduction and Exemption of Patent Annuities, the Regulations Governing Invention and Creation Awards, and the Regulations for Ratifying Patent Term Extension.

Table 3.22 Major amendments to the Patent Act from 2011 to 2014

Subject	Details
Scope	Design patents may cover partial designs, computer-generated icons and graphical user interfaces (icons & GUIs), and sets of articles.
Application procedures	A patent applicant who discloses the invention in printed publications on his/her own accord may also claim grace period thereof; Submission of proof of application right is no longer required; Applications may be submitted in the following foreign languages: Arabic, English, French, German, Japanese, Korean, Portuguese, Russian, and Spanish; A certificate proving both deposit and viability of biological materials shall be issued; "Reinstatement of rights" mechanism was introduced: applicants who unintentionally fail to claim priority rights at the time of application or patent owners who fail to pay patent annuities on time may apply for the reinstatement of rights; Time limit for applicants wishing to amend applications has been removed; Divisional applications may be filed within 30 days from the date of approval of the original patent application.
Substantive examination	A "final notice" mechanism and procedures to correct translation errors have been introduced; Limits on the extension of patent term have been relaxed; Provisions regarding the processing of both invention patent and utility model patent filed separately in respect of the same creation have been added; An examination requirement on a post-grant amendment of utility model patent has been introduced.
Exceptions and limitations	A regime of international exhaustion applies to patents; Private acts that are for non-commercial purposes and acts that are necessary for obtaining drug regulatory approvals fall within the scope of exceptions to patent rights.
Compulsory licensing	The following was changed from a ground for compulsory licensing to a prerequisite: an agreement cannot be reached between parties in respect of a voluntary licence; in the event of national emergency or other extreme urgency, TIPO may grant the compulsory licence of a needed patent pursuant to an emergency order or upon notice from the central government authorities in charge of such matters; Remuneration of compulsory licensing shall be carried out in a single-phase process by TIPO; Compulsory licences may be granted to produce pharmaceutical products needed to treat HIV/AIDS, tuberculosis, malaria, and other epidemics for export to countries with insufficient manufacturing capacities in the pharmaceutical sector.
Patent invalidation	Examination by *ex officio* action has been abolished; Invalidation actions may be filed against parts of claims; Examining and deciding invalidation shall be made on a claim-by-claim basis; Examining invalidation action and amendment shall be conducted jointly and the decisions thereof shall be rendered jointly.
Remedies for infringement	The infringer's intentional or negligent act must be clarified for the patentee to claim the damages of patent infringement; A method of calculating damages on the basis of reasonable royalties has been introduced; A maximum punitive damage of triple the suffered damage has been restored and may be awarded by the court upon request by the right holder, depending on the circumstances of the intentional infringement.
Border measures	Conditional upon depositing a security, the right holder may request detention by Customs of imported goods suspected of infringing patent rights. Detention shall be repealed, among others, if a civil infringement litigation has not been filed within 12 days counting from the date of requesting action by Customs or if the owner of the detained goods deposits a counter security. In case of a final and binding court ruling that finds that the detained goods are not infringing patents, the right holder shall be liable for the damages caused by the detention.

Source: Information provided by the authorities.

3.202. In 2013, TIPO received 49,218 invention patent applications (Table 3.23). In February 2014, it took on average 36 months for a patent to be granted, down from 41 months in 2013 and 46 months in 2012. This reflected the authorities' efforts to reduce patent backlog. To accelerate the patent examination process and to shorten the average time of pendency, TIPO put in place a Patent Backlog Reduction Project in June 2010. As part of this project, the number of patent examiners was increased from around 350 to more than 500. Furthermore, a Patent Search

Centre was officially inaugurated in April 2012, with a view to assisting TIPO in handling prior art research and sustaining examination efficacy.[162]

Table 3.23 Patents applied for and granted, 2009-13

	2009	2010	2011	2012	2013
Patent applications					
Invention	46,654	47,442	50,082	51,189	49,218
Domestic (%)	49	48	47	45	44
Foreign (%)	51	52	53	55	56%
Utility model	25,032	25,832	25,170	25,636	25,025
Domestic (%)	97	96	96	95	95
Foreign (%)	3	4	4	5	5
Design	6,739	7,220	7,736	8,248	8,968
Domestic (%)	63	59	60	61	57
Foreign (%)	37	41	40	39	43
Total	78,425	80,494	82,988	85,073	83,211
Domestic (%)	65	65	63	62	61
Foreign (%)	35	35	37	38	39
Patents granted					
Invention	14,138	16,345	20,025	25,536	40,251
Domestic (%)	53	52	50	48	49
Foreign (%)	47	48	50	52	51
Utility model	23,591	23,935	24,037	24,643	24,847
Domestic (%)	97	97	96	95	95
Foreign (%)	3	3	4	5	5
Design	5,995	5,686	6,243	6,431	7,050
Domestic (%)	53	61	60	61	61
Foreign (%)	47	39	40	39	39
Total	43,724	45,966	50,305	56,610	72,148
Domestic (%)	77	76	73	70	66
Foreign (%)	23	24	27	30	34

Source: TIPO (2013), and information provided by TIPO.

3.203. In addition, TIPO adopted an Accelerated Examination Programme (AEP) under which applicants may request an accelerated procedure provided that one of the following conditions is met: (i) the application's foreign counterpart has been granted under substantive examination by a foreign patent office; (ii) while the patent has not been granted, the application's foreign counterpart has received an OA (office action) from the EPO, JPO or USPTO during the substantive examination; and (iii) the application is essential to the commercial exploitation of the invention. In January 2014, another condition was added: the technical field involves energy conservation, new energy or new energy vehicles or the invention involves carbon emission reduction or saves natural resources. The purpose is to support investment in R&D and development of green technology. In total, more than 5,000 requests for the AEP were received from 2009 to 2013, with an average pendency to obtain a final decision of 141 days.

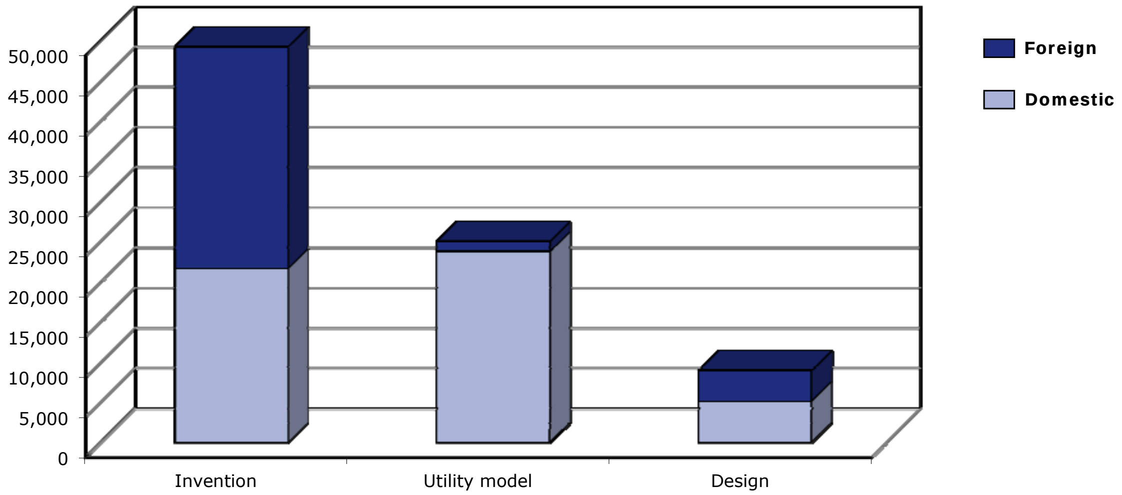
3.204. Other efforts by TIPO to shorten the examination process include the establishment of Patent Prosecution Highway (PPH) programmes with USPTO and JPO. PPHs aim at allowing the applicant to seek an advanced examination by TIPO as the Office of Second Filing (OSF), if the USPTO or JPO as the Office of First Filling (OFF) has determined the claim is allowable or patentable. Up to February 2014, 604 PPH requests have been made to USPTO and 772 to JPO. A PPH Mottainai Pilot programme was agreed with the Spanish Patent and Trademark Office (SPTO) in October 2013 for two years; no request had been made under this programme as of February 2014.

[162] TIPO (2013).

3.205. Most foreign applications are for invention patents, while domestic applications are divided almost equally between invention and utility model patents (Chart 3.3). Among the non-local patent applicants, Japan and the United States are the top two foreign sources.

Chart 3.3 Patent applications, 2013

Number



Source: Information provided by TIPO.

3.3.6.4 Trademarks and geographical indications

3.206. A new Trademark Act was promulgated in June 2011 and entered into force on 1 July 2012.[163] Over half of the articles in the Trademark Act were amended. Major amendments include:

- expanding the scope of protected subject matter through the coverage of motions, holograms and any signs with distinctiveness;
- stipulating the types of trademark use;
- abolishing the two-instalment payment of trademark registration fee;
- allowing reinstatement of rights if the registration fee was unintentionally unpaid;
- requesting submission of supporting evidence, where an invalidation or revocation action is filed on a trade mark, to show the use of such trade mark in three years;
- increasing protection for well-known trademarks against the likelihood of dilution;
- inserting liability for contributory trademark infringement, including manufacturing, processing, displaying, selling, exporting or importing counterfeit labels, tags, packaging or containers;
- stipulating that Customs shall provide information to the right holder, upon his request, of the names and addresses of the importer/exporter, the consignor/consignee, and the quantity of the suspected goods for investigation or prosecution purposes, and to hand out samples of the suspected goods to the trademark owner against provision of a security; and
- putting in place a registration mechanism and related infringement liabilities for geographical certification marks and geographical collective trademarks.[164]

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[163] Notified to the WTO in document IP/N/1/TPKM/T/4, 27 August 2012. The Enforcement Rules of the Trademark Act were circulated in WTO document IP/N/1/TPKM/T/5, 11 March 2014.

3.207. The Enforcement Rules of the Trademark Act, Standards of Trademark Fees, Implementation Regulations for Customs to Detain Articles Infringing the Rights in the Trademark, and Regulations for e-Filling of Trademark Applications were also revised, as well as all 11 examination guidelines and other notices.[165]

3.208. Trademarks protection is for ten years, and is renewable. Application for trademark registration is made to the Registrar Office in the TIPO. Applications are examined with regard to the formalities, and absolute/relative grounds for refusal. An application for trademark registration is accepted if none of the grounds for refusal is found to exist. A registered trade mark must be published and a certificate is issued once the registration fee has been paid. It takes about six to seven months to register a trademark.

3.209. Well-known trademarks are protected both under the Trademark Act, which prevents the distinctiveness or reputation of well-known trade marks from being diluted, and the Fair Trade Act, which prevents well-known trademarks from being confused. For example, if a well-known trade mark is registered in Chinese Taipei, using or registering similar marks or using words contained in the registered well-known trademark as the business name is prohibited, and considered as violation of the Trademark Act. If the well-known trademark is not registered, the Fair Trade Act prevents any acts considered to bring unfair competition.

3.210. In 2013, TIPO received a total of 74,031 applications for trademark registration, mostly from residents (Table 3.24).

Table 3.24 Trademark and related data, 2009-13

	2009	2010	2011	2012	2013
Trademark					
Application	59,669	66,496	67,620	74,357	74,031
Domestic	47,009	50,998	50,895	55,696	55,338
Foreign	12,677	15,498	16,725	18,661	18,693
Registration	48,075	54,292	48,315	61,918	60,557
Domestic	35,650	41,410	36,687	45,659	44,174
Foreign	12,425	12,882	11,628	16,259	16,383
Rejection	7,728	8,356	6,480	8,724	8,581
Certification mark					
Application	43	33	64	37	41
Registration	27	39	21	42	30
Collective membership mark					
Application	57	83	70	71	64
Registration	41	55	56	39	54

Source: TIPO (2013), *Intellectual Property Office Annual Report 2012*, Taipei, June.

3.211. Geographical indications (GIs) may be registered as geographical certification marks, or geographical collective trademarks. Under the Trademark Act and other relevant legislation[166], third parties are prohibited from applying for registration as trademarks and from abusing indications of origin, which constitutes an act of unfair competition. 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 of other products to the higher level of protection for wines and spirits required under the TRIPS Agreement, the authorities consider that neither the necessity nor urgency for such an extension has been demonstrated.

[164] TIPO (2013).
[165] TIPO (2013.
[166] 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.

3.3.6.5 Layout-designs of integrated circuits, plant varieties, trade secrets

3.212. In accordance with the Integrated Circuit Layout Protection Act, most recently amended in 2002[167], protection for layouts of integrated circuits is for 10 years from the date of application, or the date of first commercial exploitation, whichever is first. The Plant Variety and Plant Seed Act provides protection for plant varieties that have the characteristics of novelty, distinctness, uniformity, and stability, as well as an appropriate plant variety denomination.

3.213. In response to a number of recent cases of violation of trade secrets which led to huge losses for domestic companies and severely affected fair competition among industries, the Trade Secret Act was amended in January 2013.[168] The amendments that entered into force in February 2013 focus on the introduction of criminal liability for infringement. Among others, a number of unlawful acts listed are punishable by imprisonment or detention not exceeding five years and an additional fine of NT$1 million to NT$10 million. In addition, increased penalties of up to ten years imprisonment and an additional fine from NT$3 million to NT$50 million apply for infringement of a trade secret for the purpose of using it in a foreign jurisdiction.

3.3.6.6 Enforcement of IPRs

3.214. The authorities recognize IPR protection as an essential contribution to economic development and overall competitiveness, as well as to efforts in attracting foreign investment.[169] IPR enforcement at the border is conducted by Customs, which may suspend ex officio the release of goods suspected of infringing IPRs (Table 3.25).

Table 3.25 IPR enforcement at the border by Customs, 2009-13

IPR enforcement by Customs on imports and exports

Enforcement on imported goods

(a) Commodities infringing trademarks

		Commodities infringed by type of item								
Year	Cases	Car parts	Leather products	Watches	Shoes	Clothes	Cigarettes	Cell phones	Medicines	Others
2009	270	4,221	3,221	488	16,987	41,511	1,026,680	0	39,000	83,174
2010	210	1,519	3,611	812	4,016	13,863	3,957,050	196,199	182,487	130,928
2011	91	497	754	96	1,571	1,362	0	205	9,151	47,820
2012	74	1,364	1,494	219	3,549	3,476	450,000	480	4,603	51,013
2013	89	0	2,697	383	358	12,604	0	660	0	24,212

(b) Commodities infringing copyright

		Pirated optical discs			
Year	Cases	Game software (or game CDs)	Pirated optical discs (or movie DVDs)	Others	Total
2009	45	24,856	4,569	0	29,425
2010	44	11,719	5,938	68	17,725
2011	18	595	3,995	0	4,590
2012	13	353	930	0	1,283
2013	8	16	499	0	515

Enforcement on exported goods

(a) Export commodities infringing trademarks			(b) Trademarks in the export declaration not in conformity with the commodity trademark and referred to the ACC
Year	Cases	Quantities of commodities infringed	
2009	3	102,672	513
2010	1	620	561
2011	4	17,200	510
2012	1	64,800	255
2013	2	54,960	181

Source: Information provided by the authorities.

3.215. During the review period, the number of cases of imported commodities infringing trademarks generally declined; the main commodities concerned included car parts, leather products, watches, shoes, clothes, cigarettes, cell phones, and medicines. Cases of imported

[167] As notified to the WTO in document IP/N/1/TPKM/L/3, 8 May 2014.
[168] For the text of the Trade Secret Act see WTO document IP/N/1/TPKM/U/2, 8 May 2014.
[169] TIPO (2013).

commodities infringing copyright declined significantly. The authorities consider that this was because:

- the government's efforts in promoting IPR awareness have been effective in reducing the import and export of counterfeits and pirated goods;

- law enforcement agencies have adopted measures to deter the import and export of counterfeits and pirated goods;

- the Trademark Act imposes a penalty on traders who import or export counterfeits.

3.216. The authorities note that online trading and the delivery of counterfeits and pirated articles by express cargo or mail parcels have made Customs enforcement more difficult. The decreasing quantities of pirated optical discs may be attributed to copyright infringement being conducted in the digital environment. Furthermore, some suspected infringement cases cannot be sustained because the right holder, based on a cost-benefit analysis, is reluctant to help with on-site inspection.

3.217. The decline in cases of counterfeit auto parts and medicines may be attributed to greater public awareness of safety and health. The variation of the number of cigarettes seized by the Customs is because cigarette smuggling is moving from counterfeit to white brands.[170]

3.218. At the same time, export commodities infringing trademarks increased between 2010 and 2012. Most of the seized articles were counterfeited memory cards or mobile phones, which are small in size and weight, but large in quantity.

3.219. Within the border, the Police Force of the Ministry of the Interior and the High Prosecutors Office implement IPR legislation. In particular, the IPR Police in the National Police Agency undertakes counterfeit and piracy investigation. In 2013, the IPR Police investigated 2,754 cases, an increase of 7% from 2012 (Table 3.26). The Joint Optical Disk Enforcement Taskforce (JODE) conducts periodic and random inspections of optical disc plants, printing plate factories, and other related facilities. The JODE also facilitates the IPR Police in strengthening Internet inspection.

3.220. The infringement of trademarks, copyrights, and trade secrets may lead to the imposition of criminal liability whereas the infringement of patents, layout-designs of integrated circuits, and plant varieties does not involve criminal liability. Provisions on criminal liability in patent infringement were deleted in 2001 (for invention) and 2003 (for utility model and design); according to the authorities, this was partly because the initiation of criminal investigation and prosecution might be abused to interfere with the operation of business and the development of industries. As registration of layout-designs of integrated circuits requires only formality examination, according to the authorities, it is likely to draw public concern if criminal liability is imposed against the infringement. The COA stated that, as criminal investigation and prosecution might be abused to interfere with the operation of business and the development of industries, criminal liability of plant variety infringement was deleted from the Plant Variety and Plant Seed Act in 2004.

3.221. An Inter-agency Coordination Taskforce for IP Enforcement has been established to combat IPR infringement.[171] Many authorities, such as the National Police Agency (including IPR Police), the Customs Administration, the High Court Prosecutors Office, the Judicial Yuan, the Bureau of Foreign Trade, the Joint Optical Disk Enforcement Task Force, Ministry of Education and TIPO, work together in the Inter-agency Coordination Taskforce for IP Enforcement.

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[170] "White brands" are cigarettes made in legitimate factories overseas but smuggled into Chinese Taipei in large shipping containers without payment of relevant taxes, such as excise duty.

[171] WTO document WT/TPR/M/232, p.5.

Table 3.26 IPR enforcement within the border, 2009-13

IPR enforcement

High Prosecutors Office

Year	Investigations concluded	Outcome (case)				
		Indicted (ordinary procedure)	Indicted (summary judgement)	Deferred	Not indicted	Others
2009	7,414	655	1,263	1,933	2,699	863
2010	7,107	768	975	1,882	2,524	958
2011	7,991	861	1,263	2,049	2,575	1,243
2012	7,763	799	995	2,073	2,754	1,142
2013	7,794	712	1,057	2,077	2,900	1,048

National police

	Total		Trademark violations		Copyright violations		ODs seized	Internet cases
	Cases	Suspects	Cases	Suspects	Cases	Suspects	No. of discs	Cases
2009	5,543	6,115	2,620	2,919	2,923	3,196	785,806	3,046
2010	5,161	5,988	2,890	3,377	2,271	2,611	1,348,523	2,646
2011	5,633	6,505	3,382	3,867	2,251	2,638	615,528	2,986
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

IPR police

	Total cases	Types of cases					
		Internet	Markets	Storefronts	Flyers	Factories	Others
2009	2,010	1,263	430	174	13	2	128
2010	1,948	1,008	289	480	10	12	149
2011	2,243	1,355	205	456	5	9	213
2012	2,576	1,570	402	562	3	6	24
2013	2,754	1,803	370	551	2	2	27

IP adjudication findings

Adjudication	Total	Imprisonment	Detention	Fines	Acquitted	Others
2009	2,250	985	719	64	161	321
2010	1,949	906	632	35	130	246
2011	1,925	878	604	40	176	227
2012	1,915	818	677	62	125	233
2013	1,699	628	694	55	93	229

Source: TIPO (2013), and information provided by TIPO.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, fisheries and forestry

4.1.1 Agriculture

4.1.1.1 Overview

4.1. The share of agriculture, together with forestry and fishery, accounted for only 1.7% of GDP in 2013 and its contribution to total employment fell to 5% (Table 1.2). Nevertheless, it is considered by the government to be fundamental to the economy of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei). Since the previous Review in 2010, there have been no major changes to the legislative or institutional framework of the agriculture sector. The main legislation remains the Agricultural Development Act of 1973, and the Council of Agriculture (COA) is still responsible for the administration of agriculture, forestry, fishery, livestock, and other affairs concerning foodstuffs.

4.2. The value of agricultural production was NT$371 billion (US$12.5 billion) in 2012. The main contributors are fruits (21% of the total value of agricultural production), pig rearing, and vegetables (Table 4.1). Although paddy rice accounts for a lower share of the total value, it has attracted disproportionate attention from the government.

Table 4.1 Value of agriculture production, 2009-12

(NT$ million and %)

	2009	2010	2011	2012
Total agriculture, forestry and fishing	407,169	426,913	475,897	477,913
Forestry production	416	390	388	375
Fishery production	85,901	92,499	106,322	106,174
Agriculture	320,852	334,024	369,187	371,364
	(%)			
Crop production	55.7	56.5	56.9	60.0
Paddy rice	10.5	9.1	10.3	10.7
Coarse grain	2.4	2.5	2.4	2.3
Special crops	2.6	3.2	3.3	3.3
Vegetables	14.8	15.3	15.1	16.6
"Mildew"	1.1	1.2	1.3	1.5
Fruit	20.5	21.2	20.1	21.3
Ornamental plants	3.8	4.0	4.3	4.4
Livestock production	44.3	43.5	43.1	40.0
Hogs	20.5	21.2	20.4	18.0
Broiler	4.7	4.7	4.8	4.3
"Colourful broiler"	6.6	6.2	6.5	5.6
Mule & Muscovy duck	1.6	1.6	1.5	1.4
Cow milk	2.3	2.4	2.5	2.5
Hen eggs	5.7	4.6	4.7	5.2

Source: COA (2013), *Statistics Yearbook 2012*. Viewed at: http://agrstat.coa.gov.tw/sdweb/public/book/Book.aspx [28/01/14]; and information provided by the COA.

4.3. Agriculture is characterized by small landholdings (Table 4.2). The average farm size is 1.1 hectares and holdings are often fragmented, which increases production costs and difficulties for achieving economies of scale. In 2012, there were about 779,375 farming families, 4.7% more than in 2009. The increase was due mainly to the ageing of the rural population, which may result in further fragmentation of farm land. On average, the income from farming for these families, is only about a quarter of their total income.

Table 4.2 Agricultural land, 2009-12

	Year	No land	< 0.1 hectare	0.1 ~ 0.5 hectares	> 0.5 hectares	Total
2009	Farming households	3,931	21,053	358,438	360,725	744,147
	Share in total agricultural household	0.5%	2.8%	48.2%	48.5%	100%
2010	Farming households	5,451	16,615	410,112	348,210	780,388
	Share in total agricultural household	0.7%	2.1%	52.6%	44.6%	100%
2011	Farming households	5,399	23,556	401,531	346,987	777,473
	Share in total agricultural household	0.7%	3.0%	51.7%	44.6%	100%
2012	Farming households	4,754	26,260	405,450	342,911	779,375
	Share in total agricultural household	0.6%	3.4%	52%	44%	100%

Source: COA online information. Viewed at: http://www.coa.gov.tw/view.php?catid=2447512 (in Chinese) [10/10/13]; the Taiwan Area Farming Household Survey by Agriculture and Food Agency, COA (for 2009 and 2011 data); the Agricultural, Forestry, Fishery and Husbandry Census by Directorate-General of Budget, Accounting and Statistics (for 2010 data); and information provided by the COA.

4.4. Chinese Taipei has a trade deficit in food, and imports supply a significant part of consumption. Imports of food (excluding fish) represented about 4% of total merchandise imports in 2012, the major products being: soybeans, corn, food preparations, cigarettes, wheat, and spirits. In 2012, the import share of food supply was 85.1% for cereals (104.3% for wheat, 100.5% for corn, 99.9% for sorghum), 117.5% for sugar, and 98.3% for soybean.[1] It seems a large part of these grains are for animal feed (section 4.1.5.2). The import share of rice supply was 11.3% in 2012, while the self-sufficiency ratio for rice was 106.9%.[2] Food is imported mainly from the United States, Brazil, Japan, and Australia.

4.5. Exports of food (excluding fish) comprised about 0.6% of total merchandise exports in 2012, and major exported products include food preparations and non-alcoholic beverages. It exports its food products mainly to China, the United States, Hong Kong, China, and Japan.

4.1.1.2 Agricultural policy objectives

4.6. According to the COA, the policy objectives are: safeguarding food security, creating an ecological environment, improving farmers' welfare, constructing a culture system that replenishes agricultural resources, and ensuring agriculture's sustainable development. The COA intends to develop scientific agriculture and promote agricultural exports, so as to build agriculture as one part of the global value chain and green industry.

4.7. The transfer of land ownership is based on the property right regulations set out in the Civil Code. In order to address fragmentation, the COA has promoted the policy of "Small Landlords, Large Tenants", whereby the government encourages young professional tenant farmers[3] or farmer groups to rent farms (from owners unable or disinclined to farm), through measures such as: interest-free loans for renting land, farming equipment grants, platform for renting brokerage, low-interest (1%) business loans, and disaster relief assistance. The young farmers are encouraged to plant import substitution crops (including corn, non-genetically modified soybeans, pasture and forage corn, and other feed and forage), to expand the scale of farms.[4] Technical training and mentorship programmes (such as case-by-case supply chain counselling) are provided to assist young farmers. According to the authorities, if young farmers choose not to plant import

[1] COA (2013), Food Supply & Utilization 2012. Viewed at: http://agrstat.coa.gov.tw/sdweb/public/book/Book.aspx. [10/10/13].
[2] COA (2013), Food Supply & Utilization 2012. Viewed at: http://agrstat.coa.gov.tw/sdweb/public/book/Book.aspx. [10/10/13].
[3] The authorities state that "young professional farmers are defined as farmers who are 18-55 years old with agricultural diploma or received agricultural-related training".
[4] COA online information, "The Mid-term Agricultural Program of the Council of Agriculture, Executive Yuan (2013-2016)". Viewed at: http://eng.coa.gov.tw/list.php?catid=8799 [09/10/13].

substitution crops, they may still benefit from these support measures, apart from supply chain counselling. By the end of 2013, the average size of large tenant holdings was 8.4 hectares.

4.8. With the aim of developing a competitive, market-oriented agriculture, the COA implemented a "Quality Agriculture Development Programme (2009-12)" to promote value added in agriculture.[5] Detailed measures included:

- healthful agriculture: provided training programmes to help farmers to adopt and implement good agricultural practice (GAP) and to participate in the certification of Traceable Agriculture Product (TAP), and Certified Agricultural Standards (CAS) products;

- excellent agriculture: provided research support and technology incubator programmes to accelerate the integration of new innovations and business model and to develop new agricultural start-ups and high-tech industries, such as orchids, ornamental fish, groupers, plant seedlings, and breeding livestock; and

- LOHAS (lifestyle of health and sustainability) agriculture: developed agri-tourism and eco-friendly products to create a sustainable environment for rural communities and agriculture-oriented tourism.

4.1.1.3 Border measures

4.1.1.3.1 Tariffs

4.9. Tariffs on some agricultural products remain high: 37 tariff lines have tariff rates over 100%, of which 6 lines are *ad valorem* (other deer velvet - 500%, crude ground-nut (peanut) oil - 338%, refined ground-nut (peanut) oil - 338%, pomelos - 184%, pineapples - 173%, and other coconuts - 120%). About 7.5% of tariff lines for agricultural products are subject to non-*ad valorem* rates, with a simple average AVE of 132.3%. The highest MFN tariffs (AVEs) apply to: rolled or flaked rice (1069.87%), areca (betel) nuts (822.08%), rice in the husk (800.71%), flours and meals of ground nuts (744.19%). The average applied MFN tariff for agricultural products (WTO definition), including *ad valorem* equivalents (AVEs), was 22.1% in 2013, unchanged from 2009 (Table 3.3).

4.1.1.3.2 Tariff quotas

4.10. Tariff quotas (TQs) apply to 16 agricultural products: deer velvet, fresh pears (excluding European pears), bananas, red beans, liquid milk, peanuts, garlic bulbs, dried shiitake mushrooms, dried day lily, young coconut, betel nuts, pineapples, mangoes, shaddocks, dried longans and longan pulp, and rice (including rice products).[6] The Bank of Taiwan (BOT) is entrusted by the Finance Ministry to administer the allocation of TQs for these items; it allocates the quotas and issues certificates, which serve as import licences. The TQs for 15 agricultural products (except rice) may be allocated to any enterprise registered with the authorities as importer/exporter, including non-local enterprises. The in- and out-of-quota tariff rates on agricultural products, and the quota filling rate are listed in Table 3.7. There were no in-quota imports of banana, mango, and shaddocks during the review period; according to the authorities, this was because the products did not meet the SPS requirements at the border inspections.

4.11. TQs for rice are divided between government (65%, imported by the government) and the private sector TQs (35%, imported by the private sector). The government TQs, imported exclusively by the Agricultural and Food Agency (AFA) (section 4.1.3.4), are further allocated on a country-specific basis: 64,634 tonnes from the United States, 18,634 tonnes from Australia, 8,300 tonnes from Thailand, and 2,500 tonnes from Egypt. The private-sector quota is allocated through a bidding process; any enterprise registered as an importer/exporter and food dealer with the authorities, including non-local firms, are eligible to apply for a certificate under the quota allocation system.

[5] WTO document, WT/TPR/M/232, p.38.

[6] WTO documents, G/AG/N/TPKM/75, 15 March 2010; G/AG/N/TPKM/87, 25 March 2011; G/AG/N/TPKM/94, 29 Feb 2012; G/AG/N/TPKM/102, 28 Feb 2013.

4.1.1.3.3 Special safeguard measures (SSGs)

4.12. Special safeguard measures were taken during the review period; most were volume based (Table A4.1).

4.13. The number of price-based SSGs increased significantly in 2013 (Table A4.1). According to the authorities, once the import price falls below the trigger price, additional duty may be imposed on a batch-by-batch basis according to Article 5 of the Agreement on Agriculture (Table A4.2).

4.1.1.3.4 State trading

4.14. Rice remains the only agricultural product subject to state-trading. The Agricultural 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.[7] The AFA purchases a portion of the paddy rice owned by farmers for food security stock, while most of the rice produced enters the market freely (Table 4.3). The authorities state that to ensure food security, the AFA must procure at least three months' consumption of paddy rice as public stock-holding. As noted, the AFA has the exclusive right to import the government portion of the TQ on rice, i.e., 65% of the TQ.

Table 4.3 State-trading arrangement for rice, 2009-12

('000 tonnes)

Rice	2009	2010	2011	2012
Total quantity imported	103.3	181.5	131.7	156.8
Quantity imported by the AFA	47.9	94.1	72.9	103.5
Total quantity exported	8.4	9.8	19.2	24.8
Quantity exported by the AFA	0	0	0	0
National production (brown rice)	1,276.5	1,168.0	1,347.8	1,368.2
Domestic purchases by the AFA (paddies)	183	191	386	442
National supply (brown rice)	1,317.9	1,270.7	1,246.1	1,279.4
Domestic sales by the AFA (brown rice)	156.3	132.6	201.7	328.1

Source: WTO documents, G/STR/N/13/TPKM, 25 June 2010; G/STR/N/14/TPKM, 25 June 2012; and G/SCM/N/253/TPKM, 17 July 2013; and information provided by the authorities.

4.1.1.3.5 Export promotion, restriction and prohibition

4.15. According to the authorities' export subsidy notifications to the WTO Committee on Agriculture, it does not use export subsidies for agricultural products.[8] In acceding to the WTO, it undertook not to use export subsidies. According to the authorities, there is no export credit, guarantee or insurance programme for agricultural products.

4.16. The government helps farmers to export their products by conducting and facilitating international marketing programmes, holding overseas exhibitions, and building brand images.

4.17. According to the authorities, there is no restriction on the re-export of rice imported under the TQ. The COA prohibits re-exports of subsidized fertilizers (section 4.1.1.4.2.4).

4.1.1.4 Domestic support measures

4.1.1.4.1 Support levels

4.18. The most recent notification of domestic support from the authorities is for 2010. Total domestic support for agriculture, including Green Box, and Amber Box (i.e., including *de minimis* levels), amounted to NT$51 billion in 2010 (Table 4.4).

[7] WTO document G/STR/N/14/TPKM, 25 June 2012.

[8] WTO documents G/AG/N/TPKM/105 19 July 2013; G/AG/N/TPKM/93, 24 February 2012; G/AG/N/TPKM/83, 20 January 2011; G/AG/N/TPKM/72, 2 February 2010; G/AG/N/TPKM/64, 6 March 2009, G/AG/N/TOPKM/54, 18 January 2008; G/AG/N/TPKM/44, 21 February 2007.

Table 4.4 Domestic support to agriculture and livestock, 2007-10

(NT$ million and %)

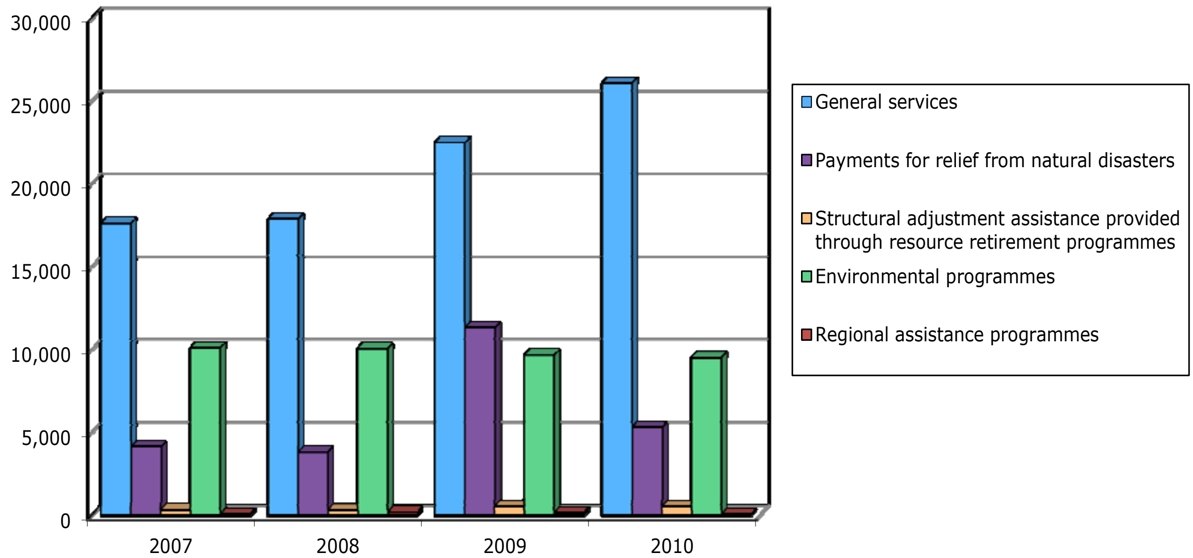
	2007	2008	2009	2010
Total domestic support	38,890.7	44,432.5	57,130.3	51,495.2
Equivalent to GDP (%)	0.3	0.4	0.5	0.4
Equivalent to total tax revenue (%)	2.3	2.6	3.9	3.3
Equivalent to total government expenditure (%)	1.7	1.9	2.1	2.0

Source: WTO Secretariat calculations, based on WTO documents G/AG/N/TPKM/106 (28 August 2013) and G/AG/N/TPKM/79 (31 August 2010); and information from the authorities.

4.19. Support notified under the Green Box reached a peak in 2009 (NT$44 billion), mainly reflecting an increase in payments for relief from natural disasters (up from NT$3.7 billion in 2008 to NT$11 billion in 2009), and an increase in general services (Chart 4.1). General services have been increasing, to a large extent because of increased expenditures on infrastructure services. Expenditures on environmental programmes remained relatively stable during the review period, and the dominant component - land conservation subsidy - decreased slightly.

Chart 4.1 Green box support, 2007-10

(NT$ million)



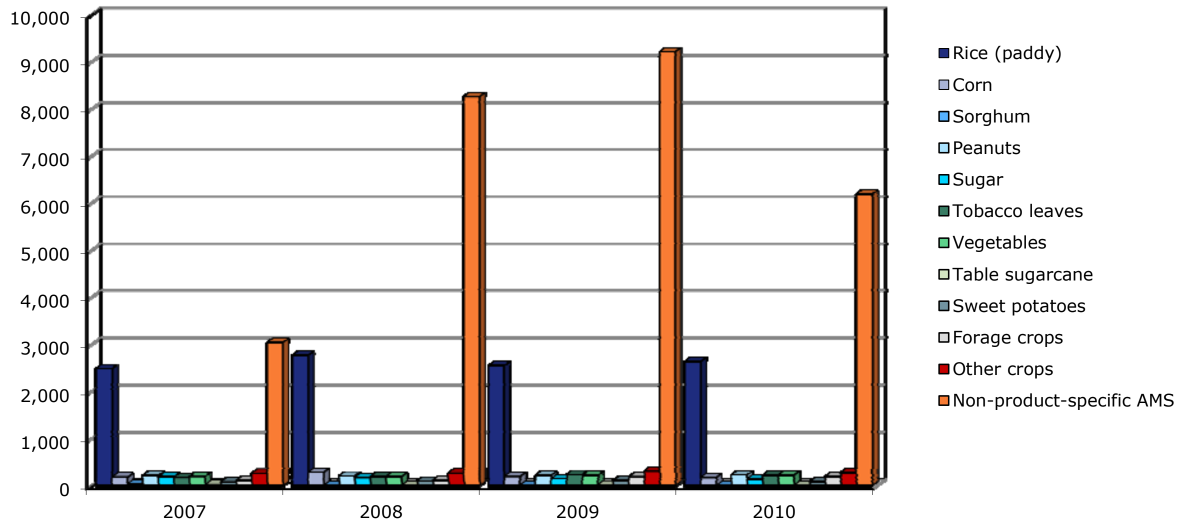
Source: WTO documents G/AG/N/TPKM/106, 28 August 2013; and G/AG/N/TPKM/79, 31 August 2010.

4.20. The current total Aggregate Measurement of Support (AMS) reached NT$4 billion in 2008, and fell in 2009 and 2010. Total support notified under the Amber Box, that is, including the *de minimis* levels, rose from about NT$7 billion in 2007 to more than NT$13 billion in 2009, then fell to NT$10 billion in 2010. This is due to the increase in non-product-specific support, which was less than the *de minimis* limit of 5% of the value of production, and therefore not included in the current total AMS figure (Chart 4.2).

4.21. The non-product-specific AMS reached NT$9 billion in 2009, mainly attributed to the increase in agricultural fertilizer price-difference subsidy, which rose from NT$43 million in 2007 to NT$4.7 billion in 2008 and NT$5 billion in 2009. The authorities indicate that this was because of the surge in global prices of fertilizers and crude oil in 2008. The total non-product-specific support fell to NT$6 billion in 2010, most of this was for the fertilizer subsidy (NT$2 billion) and interest rate subsidies (NT$3 billion).

Chart 4.2 Amber box support, 2007-10

(NT$ million)



Source: WTO documents G/AG/N/TPKM/106, 28 August 2013; and G/AG/N/TPKM/79, 31 August 2010.

4.1.1.4.2 Selected support measures

4.1.1.4.2.1 Direct payments under the adjustment programme

4.22. The government has been trying to encourage farmers to convert rice paddies to other crops, mainly through the "adjustment program of paddy and upland field utilization". Under this programme, farmers who convert their rice paddies to the production of peanuts, vegetables, ornamental plants, forage, or other crops receive NT$22,000 or NT$45,000 (with a contract for feed corn) per hectare of land converted.[9]

4.23. There are several sub-programmes under the adjustment programme, including the "land conservation programme", the "set-aside programme", and the "land retirement programme".

4.24. Under the "land conservation programme", payments have been given to farmers for maintaining farmland in environmentally good condition by growing green manure crops or setting it aside. According to the authorities, to comply with the WTO Agreements, the amount of payment is lower than the extra costs or loss of income. Under the programme, the COA provided assistance for a total area of 221,679 hectares in 2008, 213,697 hectares in 2009, and 206,467 hectares in 2010.[10]

4.25. The set-aside programme encourages farmers to set their marginal land aside with an ecologically sound purpose. Most of the set-aside land was marginal land with low productivity. According to the authorities, it is difficult to lease this kind of land to other farmers and thus it has limited effect on the price (or rent) of farm land. The authorities consider that the set-aside programme contributed to resource conservation and soil productivity restoration.

4.26. The "land retirement programme" aims to convert farmland into forestry, to achieve island-wide reforestation. Between 2002 and 2013, more than 13,000 hectares of uncompetitive farmland was converted into forest. These forests have several functions such as timber production, carbon sequestration, clean air, and environmental protection.

4.1.1.4.2.2 Price support - guaranteed purchase

4.27. Most product-specific support has taken the form of price support: the AFA and/or government-owned enterprises buy products such as rice, tobacco leaves, and sugar at

[9] WTO document G/AG/N/TPKM/106 (28 August 2013).
[10] WTO document G/AG/N/TPKM/106 (28 August 2013).

guaranteed prices, which are higher than market prices. Guaranteed-price purchases of sorghum and feed corn were terminated in 2011 and 2013 respectively. The difference between the guaranteed price (applied administered price) and the actual market prices represents a government subsidy.

4.28. There are three types of guaranteed purchases of rice by the government: planned, supplementary, and additional (Table 4.5). Table 4.3 reflects the volumes purchased by the government through the AFA. All three forms are available only to farmers who produce rice in paddy fields. There is a limit on the quantity of crops farmers may sell to the government under the guaranteed purchase programme: the maximum is 6.2 tonne/ha for the first crop, and 4.7 tonne/ha for the second crop. However, farmers are not allowed to mix different types of rice. According to the authorities, the "planned" purchase price is usually higher than the market price, while "additional" purchase prices are not, and the "supplementary" purchase prices depend on demand. Therefore, farmers usually sell part of their harvest to the government under the "planned" purchase price; the amount is restricted based on their registered cultivation area and a per-hectare limit. In order to prevent abuses of the system, participating rice farmers must register their cultivated land area and location before each harvest to ensure that the rice sold is actually grown by them.

Table 4.5 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/253/TPKM, 17 July 2013.

4.29. The government also maintains price stabilization measures on agricultural products, including monitoring price, temporarily adjusting tariffs (Table 3.6), exemptions from tax, and limiting price increases by some SOEs.

4.1.1.4.2.3 Interest subsidy

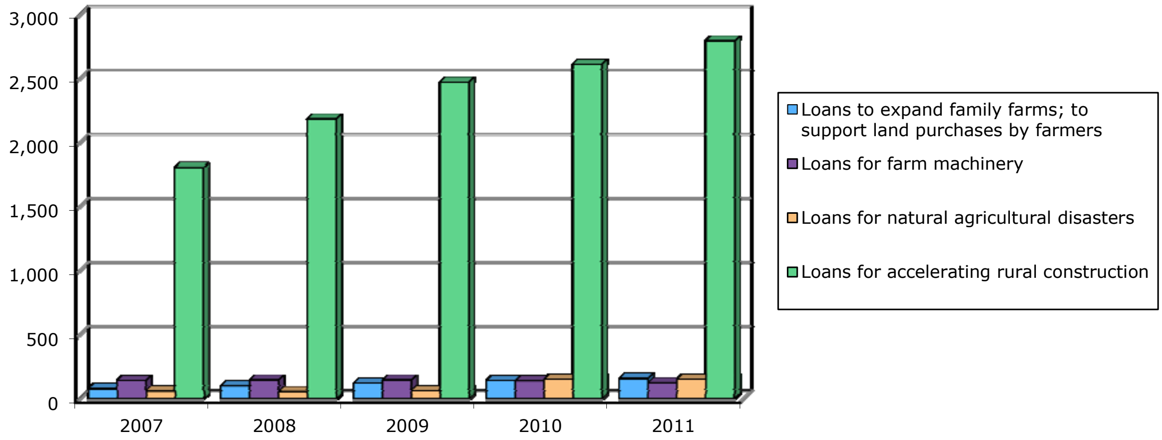
4.30. Loans with subsidized interest rates are provided to farmers (Chart 4.3). The loan capital is provided by credit departments of farmers' associations, fishermen's associations, or the Agricultural Bank. The source of finance for the interest subsidy is the Agricultural Development Fund.[11] A major portion of the Fund comes from the government's budget. The Fund is mainly used to provide: interest differential subsidies for specific agricultural loans; government administrative overhead on food-related programmes; promotion of rational fertilizer use; grants to farmers or fishermen whose children study in universities or senior high schools; structural adjustment on agricultural production and marketing; and agricultural research, experiment, and technology improvement.

4.31. Loans to expand family farms, i.e., to support land purchases by farmers, are smaller than loans for farm machinery. The authorities stated that, loan applications on land purchases accounted for a small portion because of the ageing farming population; most farm land has been transferred to the younger generations through inheritance.

[11] WTO document G/SCM/N/253/TPKM, 17 July 2013.

Chart 4.3 Interest subsidy for loans granted, 2007-11

(NT$ million)



Note: Loans for accelerating rural construction include such items as:
- loans in the agricultural food industry to provide guidance and assistance to management;
- loans in the livestock and poultry industry for improving management efficiency;
- loans to farmers to provide guidance, assistance, and management improvement;
- preferential loans for businesses that move into the agricultural technology park; and
- loans for agricultural production and marketing groups.

Source: WTO documents G/SCM/N/253/TPKM, 17 July 2013; and G/SCM/N/220/TPKM/Rev.1, 18 August 2011.

4.1.1.4.2.4 Other assistance

4.32. Several subsidies have been provided for production inputs, such as the agricultural machinery price subsidy, fertilizer freight subsidy, waiver/reduction of fees for electricity used for agricultural production, fuel subsidy for agricultural machinery, and agricultural fertilizer price difference subsidy. In particular, since May 2008 the COA has subsidized 85% of price increases of fertilizers, with farmers paying the pre-May 2008 price plus 15% of the price increase.[12] The total cost of the subsidy programme from May 2008 to end 2011 was NT$15 billion, due to the dramatic increase of fertilizer prices globally. Because of the subsidies, prices of fertilizers in this economy are lower than in some neighbouring countries: for example, the urea price is only 50% of that in Japan, and close to that in China. For this reason, the COA prohibits the re-export of subsidized fertilizers.

4.33. Under the Agricultural Development Act and the Livestock Insurance Regulations, livestock insurance is the only policy-based insurance among all forms of agricultural insurance. The insurance system is operated by the local farmers' associations, with the government providing guidance. The authorities state that there are more incentives for farmers to insure their animals because hogs and dairy cows have higher values, and it is easier for insurers to validate claims.

4.34. Although the incomes of individuals engaged in farming is taxable, such income is defined as gross yearly revenue less costs and necessary expenses, and the costs and necessary expenses are currently deemed as 100% of the gross yearly revenue. Thus, the farming income of individuals is *de facto* exempt from tax. In addition, business tax (VAT) on primary agricultural products, both domestically produced and imported, is exempted (i.e., farmers pay VAT on their purchases, but are not charged on their sales of primary agricultural products).

[12] COA (2012), p.44.

4.1.1.5 Key subsectors

4.1.1.5.1 Fruits

4.35. Fruit production is the largest agricultural industry in terms of output value; contributing more than 20% of the total value of agricultural production (Table 4.1). Its fruits are mainly consumed domestically, with exports representing about 5% of production. Major export destinations are Japan; China; and Hong Kong, China. It imports around 16% of domestic supply of fruits[13], mainly from the United States, Chile, and New Zealand.

4.36. The tariff schedule contains 106 tariff lines (HS 8-digit) on fruits and nuts (HS Chapter 08). The simple average tariff rate is 36%, ranging from 2.5% to 822.1%; 12 lines are non-*ad valorem*, with the highest AVE being 822.1% on acrea nuts. The highest *ad valorem* rate is 184%, for pomelo. Tariff quotas apply on 8 lines: coconuts, areca nuts, bananas, pineapples, mangoes, pomelos, other fresh pears, and longans.

4.37. According to the authorities, no specific subsidy is given to fruit farmers. The current policies focus on improving quality and enhancing competitiveness by providing research, technical assistance, and training courses on product quality and safety.

4.1.1.5.2 Pig rearing

4.38. Pig rearing is a major contributor to agricultural production although its share fell from 21% in 2008 to 18% in 2012 (Table 4.1). Pork is mainly consumed domestically, and only 0.4% of the output is exported. The main export destinations include Hong Kong, China; Japan; and China. The share of imports in domestic supply was 6% in 2012, and the main import origins were Canada, the United States, Denmark, and the Netherlands. Three tariff lines apply to live swine, with tariff rates ranging from 2.5% to 5%; the simple average is 4.2%.

4.39. According to the authorities, no subsidy is given to pig farmers. The major policies are to support local government and animal science experts to enhance disease quarantine and inspection services, to establish product quality and safety certification systems, and to accelerate structural adjustment by promoting value-added business networks. The main focus is to maintain the sustainability of the pig industry, stabilize the domestic pork production and marketing systems, and to ensure consumers’ confidence in domestic pork.

4.40. Pig rearing is an import-dependent subsector. The main feeds for pigs are formula feeds, more than 99% of which are manufactured locally. However, more than 99% of the feed ingredients, such as corn, wheat, and soybeans are imported. Importers of feed ingredients must register to receive manufacturing licences. Tariff rates for corn, wheat, and soybeans are 0%, 6.5%, and 0%, respectively.

4.1.1.5.3 Vegetables

4.41. Vegetable production makes up the third-largest agricultural subsector, in terms of output value, accounting for 17% of total production value in 2012 (Table 4.1). Less than 5% of the production is exported, as most is consumed domestically. Major export markets are Japan, the United States, and Hong Kong, China. The import share of vegetables in domestic supply was about 15% in 2012. Imports mainly come from the United States, China, and Thailand.

4.42. In 2013, the simple average of the 101 tariff lines on edible vegetables and certain roots and tubers (HS Chapter 07) was 27.8%, ranging from 0% to 328%. Among these 7 lines are subject to tariff quota: garlic (3 lines), frozen red beans, dried shitake, dried day lily, and dried red beans. The same 7 lines also have non-*ad valorem* rates, which are all specific and correspond to the out-of-quota rates. The highest non-*ad valorem* rate is 328% (on dried shitake), and the highest *ad-valorem* rate is 30% (on some mushrooms).

4.43. According to the authorities, no specific subsidy is given to vegetable farmers. Current policies focus on stabilizing domestic supply, increasing farmers' income, and developing export

[13] COA (2013a).

potential through research, technical assistance, and training courses on product quality and safety certification systems.

4.1.1.5.4 Rice

4.44. Rice is considered the most important crop although it is only the fourth largest sector and represents 10% of the total value of agriculture production (Table 4.1). The government uses border measures including high tariffs, TQs, and SSGs to protect rice from import competition, and rice is subject to state-trading arrangements. There are also domestic support measures for rice, mainly price support through minimum prices, which reinforce the border measures. According to the authorities, taking into consideration the increased costs of production, the price for public purchases of rice was increased by NT$3 per kg starting with the first growing season of 2011, and from the second season of 2011 the COA subsidized farmers NT$2 per kg on the basis of dry paddy for the costs of drying, packaging, and storing, thus allowing farmers to sell wet paddy to the government.[14]

4.45. In order to encourage farmers to switch from paddy to other crops, the government has been implementing the set-aside programme (such as the "Adjustment Program of Paddy and Upland Field Utilization"), and other diversion programmes. The acreage planted to rice dropped by more than half between 1983 and 2011, from 645,855 to 254,292 hectares.[15] However, production increased from 1.4 million tonnes to 1.7 million from 2007 to 2012, as yields have improved.[16]

4.1.1.5.5 Sugar

4.46. The government has been supporting the development of the sugar industry, with a view to developing the industry in cooperation with farmers. The Taiwan Sugar Cooperation (TSC), a government-owned enterprise, regulates the sugar industry. The TSC made contracts with farmers for the purchase of sugarcane and sugar sharing. The sugarcane farmers obtain 55% of the sugar made from sugarcane, and are paid either the domestic sugar selling price, or the prepaid contract price, whichever is higher. The contract price takes into account the domestic selling cost and marketing cost, and it has been frozen since 1990.[17] According to the authorities, the prepaid contract price of NT$24,878 per ton has been higher than the domestic selling price since 1990 (except in 2010 and 2011), and the latter is based on the international sugar price. The difference between the contract price and the domestic selling price, i.e., the subsidy, is borne by the TSC.

4.47. The average tariff on sugar is 16.4%, with rates ranging from 0 to 27.5%. The TSC also provides grants to sugarcane farmers, in the form of interest subsidies for loans for the purchase of inputs, insurance premiums for sugarcane farms, fees for pest and disease control, inspection for sugar brix, and others.[18]

4.1.2 Fishery

4.48. Fishing has an important role in the economy, and Chinese Taipei has unique oceanographic traits and biodiversity. In 2012, fishing accounted for 0.7% of GDP and 3% of total employment. Fishery is an exporting sector, accounting for 0.7% of merchandise exports in 2012, equivalent to 29% of combined agriculture, fishing and forestry exports.

4.49. The tariff schedule contains 282 tariff lines for fish and fishery products, with a simple average tariff rate at 23.8%. Among them, 53 lines are non-*ad valorem*, and the average of the AVEs was 46.6%. The highest MFN tariff (AVE) is 753.6%, on squid (dried, salted, in brine). In 2012, imports accounted for about 47% of domestic consumption level (Table 4.6).

[14] COA (2012).
[15] WTO document G/SCM/N/253/TPKM, 17 July 2013.
[16] COA (2013b).
[17] WTO document G/SCM/N/253/TPKM, 17 July 2013.
[18] WTO document G/SCM/N/253/TPKM, 17 July 2013.

Table 4.6 Fishery production, consumption, and trade

(Tonnes)

Classification	2009	2010	2011	2012
Production	1,090,218	1,169,825	1,222,655	1,256082
Import	480,435	475,817	484,007	539,497
Export	577,470	613,908	610,913	654,458
Consumption	993,183	1,031,734	1,095,749	1,141,121

Note: Fisheries production includes catch fisheries and aquaculture fisheries production.

Source: Information provided by the COA.

4.50. The Fisheries Agency (FA) under the COA regulates the fishing sector. The core fishing policy is to maintain the sustainability of fishery resources, and to improve the livelihood and welfare of fishermen. According to the authorities, the future fishing policies intend to, *inter alia*, enhance the competitiveness of the fishing industry, promote value-added development, and ensure and enhance food security of fishery products.

4.51. In order to avoid overfishing, the FA has been providing grants to fishermen to reduce their fishing capacities (Table 4.7). The fishing vessel and raft buy-back programme has been implemented since 1991; to date, the government has bought 3,272 vessels and 1,723 rafts. To reduce fishing capacity while protecting the environment and maintaining sustainable fishery resources, all vessels bought back under this programme are dismantled.[19] In September 2002, the government introduced a reward system for closing the fishing season[20]; according to the authorities, the number of fishing vessels participating in this programme has grown gradually, and totalled 9,830 in 2012. In order to improve the social security and welfare of fishermen, the government provides marine insurance subsidies for small-scale and artisanal fishing vessels weighing less than 100 tons.[21]

Table 4.7 Subsidies to the fishing sector, 2009-12

(NT$ million)

Title	2009	2010	2011	2012
Fishing vessel buy-back programme: grants to fishing vessels depending on the tonnage, and to fishing rafts depending on the length of raft, the pipe diameter, and the power of main engine	607.6	118.2	66.5	86.8
Reward for closing fishery season	159.2	166.7	171.8	173.5
Fishing vessels marine insurance reward: grants provided to cover a portion of the insurance costs for fishing vessels if damaged at sea	87.4	103.7	82.8	45.4

Source: WTO documents, G/SCM/N/253/TPKM, 17 July 2013; G/SCM/N/220/TPKM/Rev.1, 18 Aug 2011; and information provided by the COA.

4.52. To control illegal, unreported, unregulated (IUU) fishing, the government of TKPM has established various legal frameworks and measures, including: participating in the RFMOs (regional fisheries management organizations) and cooperating with member economies bilaterally; establishing a record of licensed fishing vessels (white list); requiring fishing vessels to implement a vessel monitoring system (VMS); requiring fishing vessels to report their catches either through VMS or by fax; implementing management measures on transhipment in the port or at sea; dispatching patrol vessels to conduct boarding and inspection; implementing the Observer Program and the Statistical Document and Catch Document Scheme; controlling fishing capacity of the fleet; allocating fishing quotas and limitations on the fishing area; and promulgating the National Plan of Action to Prevent, Deter and Eliminate Illegal, Unregulated and Unreported Fishing, in 2013, in response to the adoption of the FAO International Plan of Action on IUU.

[19] WTO document WT/TPR/M/232, p.38.
[20] Fisheries Agency (2012).
[21] WTO document WT/TPR/M/232, p.38.

4.1.3 Forestry

4.53. Chinese Taipei has prohibited the logging of its natural forest since 1985. Most forest products are imported: average annual imports of forest products were around 6 million cubic meters between 2007 and 2011. Most imported wood products (106 of the 123 tariff lines) face zero tariffs, and the simple average tariff is 1.5%.

4.54. The Forestry Bureau under the COA regulates the development of forestry. The current forestry policy focuses on fostering the sustainability of the forestry industry, promoting production restructure, and extending the value chain of forestry production. Major policy tools include: encouraging the local governments to set up forestry production cooperatives to establish the supply chain through production to marketing of timber/bamboo products; and promoting research and development of new innovative product lines for manufacturers to use forestry products as raw materials. The authorities hope that, by improving the economic value of forestry, and encouraging the upgrading towards modern forestry enterprises, timber production will move from a primary industry to a higher quality secondary processing industry. The COA is also promoting forestry tourism and other tertiary industry, to improve the added value potential of forestry.

4.55. The COA is promoting the screening of suitable tree species for short-term economical forests to replace the imported timber needed in the pulp and mushroom industries. There are also indications that the forest products processing industry will use domestic forestry products to develop innovative products with local characteristics, thereby helping to expand into overseas markets.

4.56. According to the authorities, the Forestry Bureau does not provide any subsidy to the forestry industry. Instead, the authorities aim to urge the local governments to set up forestry production cooperatives under their jurisdiction, for which timber/bamboo producers, processors, and marketing sectors can be connected to form a supply chain. The authorities expect that the forestry production cooperatives will thus be financially independent and sustainable.

4.2 Energy

4.2.1 Overview

4.57. The economy depends heavily on energy imports, with fuels accounting for over 25% of the overall import bill. In 2013, 98% of the total energy supply was imported (Chart 4.4). The largest source of domestic energy production is biomass and waste; coal has not been produced since 2001.[22]

4.58. In accordance with the Energy Management Act, most recently amended in 2009, the MOEA is responsible for formulating energy policy and implementing the Electricity Act, the Petroleum Administration Act, and other energy-related legislation. The Bureau of Energy, under the MOEA, regulates the natural gas utilities, petroleum and LPG filling stations, and the importation, exportation, production, and sale of petroleum products.

4.59. Policy objectives are specified in the Strategy Framework of Sustainable Energy Policy, approved in 2008. According to the Framework, sustainable energy development must balance the objectives of energy security, economic development, and environmental protection, while considering the need of future generations.[23] The specific targets include:

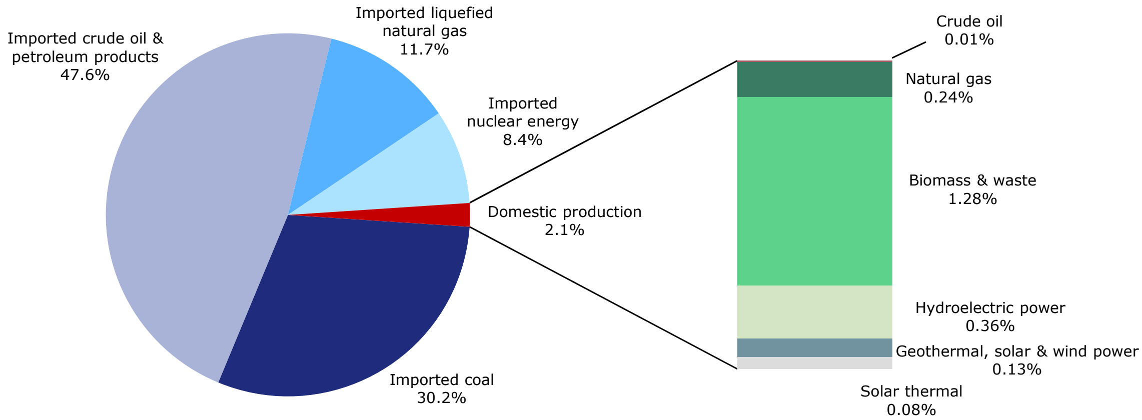
- improving energy efficiency by more than 2% per annum from 2008, so that the energy intensity level is to decrease by 20% in 2015 compared with the 2005 level, and with further technological breakthroughs and proper matching administrative measures, the energy intensity level is to decrease by 50% in 2025 compared with the 2005 level;

[22] Bureau of Energy online information, "Productivity scale of coal mines". Viewed at: http://web3.moeaboe.gov.tw/ECW/english/content/ContentLink.aspx?menu_id=1540 [20/11/13].
[23] MOEA online information. Viewed at: http://web3.moeaboe.gov.tw/ECW/english/content/Content.aspx?menu_id=1524 [14/10/2013].

– developing clean energy by: reducing CO_2 emissions to their 2008 level between 2016 and 2020, and further to their 2000 level in 2025; increasing the share of low-carbon energy in electricity generation from the current 40% to 55% in 2025;

– securing stable energy supply by building a secure energy supply system to meet economic development goals.

Chart 4.4 Total energy supply, 2013



Source: Data provided by the authorities.

4.60. To achieve these objectives, the government has been adopting measures in: first, setting up a comprehensive regulatory framework such as on the implementation of the "Greenhouse Gas Emissions Reduction Act", and the "Renewable Energy Development Act", and formulating the "Regulations on Energy Tax" to reflect the external cost of energy consumption, amending the "Energy Management Act" to promote energy saving measures[24]; and second, providing cleaner energy supply by developing carbon-free renewable energy, and rationalizing energy demand, by reforming the industries towards a low-energy intensive structure.

4.61. The authorities notified that subsidies have been granted to the energy sector to, among others, encourage petroleum facility operators to maintain product supplies in the mountain and offshore island areas, reduce the pricing differences between cities and such areas, and to encourage the exploration and development of oil and natural gas reserves (Table 4.8). Subsidies have also been given to the electricity sector in offshore island areas, to reduce the price difference between cities and these areas.

4.62. Import tariffs on energy products are relatively low. In 2013, among the 74 tariff lines on energy products, 32 lines had a tariff rate of 0. The average tariff for energy products is 1.5%, while rates range from 0 to 7.5%. Import and export licensing is required for hydrocarbons. According to the authorities, there are no quantitative restrictions on the import/export of energy products, and there is no state monopoly on these products. Prices of hydrocarbons and natural gas must be reviewed by the MOEA. The government has been adopting price stabilization measures on some energy products: for example, oil used by farmers and fishermen is subsidized, and 50% of the above-baseline price of gasoline and diesel is subsidized (Section 3.3.5.2).

[24] In line with the international trends of encouraging energy saving and reducing environmental pollution, the government is contemplating introducing an energy tax on oil, gas, and coal, to replace the commodity tax and related fees levied on oil and gas. The authorities consider that this will need to be considered within the broader energy and environmental protection policy frameworks, also taking into account the potential impact on domestic oil and electricity prices, as well as implications for the economy, industries, and the environment as a whole.

Table 4.8 Subsidies to the energy sector, 2009-12

(NT$ '000)

	2009	2010	2011	2012
Subsidy for the establishment of petroleum facilities in mountain and offshore island areas	2	6,948	5,684	13,321
Subsidy for the maintenance costs of petroleum facilities in mountain and offshore island areas	8,593	7,834	6,243	7,190
Subsidy to offset the cost of shipping petroleum or LPG to mountain and offshore island areas	141,287	149,353	173,396	159,128
Subsidy for extra personnel costs in the operation of petroleum facilities in mountain or offshore island areas	28,671	28,160	33,789	25,970
Subsidy to diminish the price difference of household LPG between the mountain areas and urban or/and suburban areas	-	2,252	12,884	27,998
Total	178,553	194,547	231,996	233,607
Fund to encourage exploration and development of oil and natural gas reserves	294,125	308,751	398,648	251,542

Source: WTO documents G/SCM/N/220/TPKM/Rev.1, 18 August 2011; and G/SCM/N/253/TPKM, 17 July 2013.

4.2.2 Key subsectors

4.2.2.1 Electricity

4.63. Chinese Taipei does not import or export electricity.

4.64. More than half of electricity is generated by Taipower (TPC), a government-owned enterprise under the Ministry of Economic Affairs (MOEA). Its major businesses include power development, generation, transmission, and distribution. Less than one fifth of electricity is produced by independent power producers (IPPs) (Table A4.3), and non-local investors are allowed to own 100% of an IPP. Although thermal energy remains the biggest source for electricity generation, electricity generated by renewable energy, in particular solar and wind power, has increased rapidly. This reflects partly the government's efforts to increase domestic energy supply to reduce Chinese Taipei's reliance on imported energy.

4.65. Electricity generated by IPPs must be sold to the TPC, which distributes power to consumers. According to the authorities, the purchase price is determined either by a competitive bidding process tendered by IPPs, or as announced by the TPC.

4.66. In accordance with the Electricity Act, most recently amended in 2012, electricity prices (to end-users) must be approved by the MOEA. The prices must reflect the cost plus a reasonable profit. Electricity prices, despite a recent increase, remain relatively low in the region (Table 4.9). However, the TPC has been running a loss, as the cost of electricity generation and purchase has exceeded revenue from sales. The net loss increased to NT$62 billion in 2012, from NT$43 billion in 2011.[25] According to the authorities, the TPC does not receive any government subsidy.

4.67. It seems that the government wishes to continue its initiative to privatize the TPC. A draft amendment to the Electricity Act, with an intention to liberalize the electricity industry, has been submitted to the Executive Yuan for review. According to the authorities, pending the adoption of the Electricity Act, the privatization plan for the TPC will be submitted to the Legislative Yuan for approval.

[25] Taipower (2013).

Table 4.9 Electricity tariffs, 2013

(NT$/kwh)

Residential use		Industrial use	
Country / region	**Average unit price**	**Country / region**	**Average unit price**
Malaysia	2.5762	Republic of Korea	2.3079
Shanghai, China	2.8837	Malaysia	2.6487
Republic of Korea	2.8998	Chinese Taipei	2.8020
Chinese Taipei	3.1165	Thailand	2.8174
Thailand	3.1545	Hong Kong, China	3.2023
Shenzhen, China	3.1781	Shenzhen, China	3.7763
Hong Kong, China	4.1421	Shanghai, China	3.8303
Singapore	5.2500	Singapore	3.8960
The Philippines	6.1095	The Philippines	4.3273
Japan	7.3409	Japan	4.8729

Source: Information provided by the Bureau of Energy.

4.2.2.2 Hydrocarbons and natural gas

4.68. The oil industry is regulated by the Petroleum Administration Act, effective 11 October 2001 and amended on 26 January 2011.[26] The natural gas industry is regulated under the Natural Gas Enterprise Act, effective 1 February 2011.[27] The Bureau of Energy is in charge of implementing these laws.

4.69. Chinese Taipei imports almost all crude oil requirements. Import tariffs for crude oil are zero, and those for petroleum and petroleum products are low (0-5%). The Middle East is the major supplier, accounting for 85% of total imports of crude oil. No quantitative restrictions are in place for the importation of crude oil, petroleum, and petroleum products, but licences are required in line with the Petroleum Administration Act. Enterprises wishing to import hydrocarbons must apply for approval from the MOEA, and pay fees to the Petroleum Fund based on import quantities. Currently, two enterprises are licenced importers, the Chinese Petroleum Corporation (CPC), and the Formosa Petrochemical Corporation (FPCC). In 2013, 46.04% of crude oil was imported by the CPC, and 53.96% by the FPCC. The MOEA issues import licences and import approvals (to licensed importers for each import product, after payment of fees to the Petroleum Fund), and manages the Petroleum Fund to support petroleum and gas supply and market management.

4.70. To stabilize oil supply and prevent supply disruption, the Petroleum Administration Act requires the refiners and importers to maintain stocks of more than 60 days of sales volumes (calculated from the average domestic sales and private consumption over the preceding 12 months). In addition, the government uses the Petroleum Fund to finance the storage of oil, and is responsible for stockpiling 30 days of oil demand and 25 days of LPG demand.

4.71. Two companies have been granted petroleum refining business licences: the CPC (accounting for 79% of the domestic refining capacity in 2012), and the FPCC (accounting for the remainder). In addition, 204 companies have been granted gasoline and diesel wholesale licences.

4.72. The CPC, a 100% government-owned company, remains dominant in the oil industry, including exploration, production, importation, refining, transportation, and marketing. The CPC has been running a loss, and the government has been making efforts to privatize the CPC. According to the resolution made by the Legislative Yuan (10/01/2003), the CPC shares must not be released unless there is consultation with the labour union, and approval of the privatization programme by the Legislative Yuan. The CPC is negotiating with the petroleum labour union

[26] Petroleum Administration Act. Viewed at: http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=J0020019.

[27] Natural Gas Law. Viewed at: http://law.moj.gov.tw/LawClass/LawAll.aspx?PCode=J0130045 (in Chinese only) [20/11/13].

concerning the release of shares and employees' rights and interests after privatization, and the privatization timetable is undergoing re-evaluation.

4.73. According to the authorities, the CPC adjusts prices for petroleum and gas (gasoline, diesel, fuel oil, LPG, and LNG); based on floating pricing mechanisms that reflect fluctuations in international petroleum and gas prices. The MOEA conducts regular reviews of pricing mechanisms. Private companies may set their own prices for petroleum products in accordance with costs and production/sales conditions.

4.74. The authorities notified to the WTO that subsidies have been given to establish and maintain the operation of petroleum facilities in the mountain and offshore island areas, and to encourage the exploration and development of oil and natural gas reserves (Table 4.8). However, according to the authorities, no subsidies (direct or indirect) are given to the petroleum and gas sector.

4.75. Since natural gas resources are very limited, its demand is met almost entirely by imports of liquefied natural gas (LNG). The import tariff on natural gas is zero. In 2012, Qatar, Malaysia, Indonesia, and Nigeria were Chinese Taipei's major suppliers, accounting for about 90% of total LNG imports.

4.76. Currently, only the CPC has a licence to import natural gas pursuant to the Natural Gas Enterprise Act. Other enterprises may apply for such licences. Twenty-five natural gas utility enterprises provide natural gas to about 3.2 million users (residential, business, service, and partial industry customers). The market coverage rate is about 44%.[28] The CPC sets wholesale prices in accordance with the natural gas pricing formula based on the full-cost-recovery principle, and prices must be approved by the MOEA. Retail gas prices are regulated by both the MOEA and the local governments, and are based on the principle of full cost recovery.

4.2.2.3 Renewable energy

4.77. Renewable energy (solar, biomass, geothermal, ocean and wind energy) accounts for a small share of total electricity generation (Table A4.3). Nevertheless, wind and solar power generation has been increasing fast. The government expects that power generation capacity from renewable sources will account for 16.1% of total power generation capacity by 2030.[29]

4.78. In accordance with 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 annual power generation units, except the electricity generated by renewable energy. The fund is used to subsidize utilities when they produce or purchase electricity generated by renewable energy, mainly because the cost of generating electricity using non-renewable energy is lower than the cost using renewable energy. Under the Renewable Energy Development Act, the importation of equipment for use in generating renewable energy is exempt from import tariffs, provided that such intended use is verified and there is no domestic production of such equipment.

4.3 Manufacturing

4.3.1 Overview

4.79. Manufacturing's contribution to GDP and employment remained stable during the period under review. It accounted for 24.8% of GDP and 27.2% of employment in 2013; however, it accounted for about 90% of total merchandise exports.

4.80. In terms of output, manufacturers of computers, electronics, and optical products account for the largest share (24.6% of total value-added in manufacturing); followed by metal and machineries; and chemicals.

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[28] The market coverage rate is the ratio of the number of households with natural gas supply to the number of registered households.

[29] The MOEA has a target that by 2030, 13,750 MW of renewable power generation units will be installed, of which 4,200 MW will be wind power units through the "Thousand Wind Turbines" scheme, and 6,200 MW will be solar power units through the "Million Rooftop PVs" scheme.

4.81. The Industrial Development Bureau (IDB) under the Ministry of Economic Affairs is the main competent authority that formulates policies, strategies, and measures for industrial development, promotes industrial upgrade, and administers industrial parks.[30]

4.3.2 Recent developments

4.82. The authorities have identified six "newly emerging industries" and four "intelligent industries" in the industrial development plan. In November 2011, the Executive Yuan approved the 2020 Industrial Development Strategy, which covers manufacturing and certain services sectors related to manufacturing.[31] The Strategy aims, *inter alia*, to increase added value and intangible assets of manufacturing, and the output share of newly emerging industries (Table 4.10). The focus is on metal and machinery; information and electronics; and chemicals. The authorities envision that these sectors have potential to upgrade the production chain, producing higher value-added contents such as services embedded in the products.

Table 4.10 2020 Industry development objectives

	2009	2015	2020
Value-added ratio of manufacturing	23%	25%	28%
Share of intangible assets in gross fixed capital formation in manufacturing	8%	12%	15%
Output share of newly emerging industries in manufacturing	4%	14%	30%

Source: Ministry of Economic Affairs; 2020 Industrial Development Strategy. Viewed at: http://www.moeaidb.gov.tw/external/ctlr?PRO=filepath.DownloadFile&f=policy&t=f&id=3084

4.83. In September 2012, the MOEA published an Action Plan for Industrial Structure Optimization, and announced the "Three Industries, Four Reforms" programme, which aims to enhance the competitiveness of its industries. The programme intends to break through the conventional division of industry, and intertwine the electronic sector with other sectors, such as services, and green energy. "Servicification" of manufacturing is one of the key themes in the programme, under which "smart life services" and "smart tool equipment manufacturing" are identified as key industries.

4.84. Encouragement of R&D activities has been at the heart of the government's policies towards manufacturing (section 3.3.2.2.). During the implementation of the Statute for Upgrading Industries, R&D spending increased from 1.71% of GDP in 1992 to 2.91% in 2010; meanwhile annual R&D spending by the private sector rose from NT$51.8 billion to NTD 286.3 billion. Information and communication technology accounted for 13.65% of GDP in 2010, up from 5.4% in 1992. The Statute for Innovative Industries (SII) replaced the SUI, and has been the major legal instrument for industrial policies since mid-2010.

4.85. Industrial parks, including export processing zones (EPZs) and science industrial parks (SIPs), have played an important role in industrial policies. There are a total of 328 manufacturing enterprises in the export processing zones, of which 56 are foreign-invested enterprises. While EPZs comprise mainly conventional manufacturing enterprises, SIPs attract more high-tech industries and start-up enterprises. The three clusters of science industrial parks, (Hsinchu Science Parks, Central Taiwan Science Parks, and Southern Taiwan Science Parks), with a total of 757 manufacturing firms, include 208 companies manufacturing integrated circuits, 175 in optoelectronics, and 120 in precision machinery. In 2013, 61.25% of output from SIPs were exported, accounting for 14.82% of total merchandise exports; total turnover grew 9.15% on a year-on-year basis, whereas total trade grew 7.83%.[32]

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[30] Industrial parks are export processing zones (EPZs) and science-industrial parks (SIPs). SIPs are administered by the Ministry of Science and Technology.

[31] The Industry Upgrading and Transformation Action Plan focuses on: reforming traditional industries; consolidating main-strength industries; and cultivating emerging industries.

[32] Ministry of Science and Technology online information, "Statistical Database - Science Industrial Parks". Viewed at: https://ap0512.most.gov.tw/WAS2/sciencepark/AsSciencePark.aspx [in Chinese].

4.86. Green energy was identified as one of the "newly emerging industries". The authorities plan to focus on manufacturers of solar panels and LED lighting devices, as well as manufacturing of wind power equipment, fuel cells, and electric motor vehicles.

4.87. The government aims to further promote its manufactures of electric motor vehicles including "smart" electric cars. Electrical vehicles are exempt from Commodity Tax and the Licence Tax. The authorities intend to "promote key components" such as batteries, motors and controllers to be made locally by sponsoring thematic R&D plans and subsidy provision.[33] The output value of electrical vehicles was NT$3.84 billion in 2012, with investments of NT$16.2 billion; the authorities target is to increase output to NT$65 billion in 2020. Smart electrical vehicles are given priority consideration when public entities procure/rent vehicles. According to the authorities, local governments have purchased 42 EVs, while state-owned enterprises have purchased 54 on a trial basis.

4.4 Services

4.4.1 Overview

4.88. Services accounted for about 65% of GDP during the review period, and about 59% of total employment (Table 1.2). In 2013, the most important services subsectors were wholesale and retail trade (18.5%), real estate (8.8%), public administration and defence (7.0%), and finance and insurance (6.5%). It is a net services exporter (Table 1.3).

4.89. 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).[34]

4.90. According to the authorities, "unless otherwise provided", the government grants "national treatment" to the services and services providers of any other WTO Member. Restrictions on "national treatment" include limitations on commercial presence (mode 3) in telecommunications, and on the presence of natural persons (mode 4) in human health services. Horizontal commitments as regards mode 4 refer to conditions for the entry and temporary stay of natural persons (business visitors and intra-corporate transferees). There is also a horizontal limitation on "national treatment" in mode 3 concerning the acquisition of land for certain uses.

4.91. The government selected ten key services industries, and other industries, as the main focus, to promote its industrial development policy. The services industries are: medical tourism, music and digital content, international logistics, fundraising for high-tech and innovation-oriented industries, urban renewal, international promotion of its cuisine, the MICE (meetings, incentives, conferencing, and exhibition) industry, WiMAX technology, Chinese-language e-commerce, and expanded recruitment of overseas students. A number of key strategies were set out in the action plans for these industries, including developing international markets, cultivating talent with foreign language and international marketing expertise, and providing loans, guidance, and assistance for overseas market expansion.

4.92. In 2012 the government launched the “Three Industries, Four Reforms” programme to accelerate the adjustment of the industrial structure. The programme aims at promoting industrial optimization and restructuring, as the economy was experiencing critical issues such as excessive concentration on ICT industries, low value-added, and insufficient innovation of its products. In addition, rapid integration among other East Asian countries brought more international competition. The main strategies include incorporating service elements into the manufacturing sector, "technologizing" and "internationalizing" service industries, and adding innovative, aesthetic, and green elements into traditional industries, to create distinctive products.

[33] Industrial Development Bureau online information, "Industrial Development, 2013". Viewed at: http://www.moeaidb.gov.tw/external/download/en/about/moeaidb.pdf [24/02/14].
[34] WTO document GATS/SC/136/Rev.1, 2 July 2002.

4.93. The government is establishing free economic pilot zones (FEPZs), where market access and other trade-related regulations are to be relaxed substantially, and where high-end services (such as smart logistics, international health care, financial services, and education innovation) will be the focal industries. Initially eight FEPZs have been approved (section 3.2.6). The authorities consider that this project is helpful for its participation in regional integration schemes, such as the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP) programmes.

4.4.2 Banking, finance and insurance

4.4.2.1 Overview

4.94. The share of financial services in GDP was about 6.5% in 2013, and the share in total employment was 3.8% (Table 1.2). The Financial Supervisory Commission (FSC) remains responsible for the supervision of banking, insurance, securities institutions, and financial holding companies. The Organic Act Governing the Establishment of the Financial Supervisory Commission was most recently amended on 1 July 2012. According to this Act, The FSC's duties and functions remain the same, but its Board of Commissioners was reconfigured: in addition to the existing Commissioners with financial expertise, the Minister of Finance, the Minister of Economic Affairs, the Minister of Justice, and the Minister of the National Development Council are also included as *ex officio* commissioners to facilitate communication and coordination on financial supervisory matters.

4.95. The Financial Consumer Protection Act entered into force on 30 December 2011, providing a legal basis for the establishment of a financial consumer dispute ombudsman body. The Financial Ombudsman Institution (FOI) began operation on 2 January 2012. The FOI has a set of standard operating procedures to ensure effective resolution of complaints and ombudsman cases involving disputes between financial institutions and consumers. On the other hand, the authorities consider that there is no urgency for the draft Financial Services Act to be enacted in the near future.[35]

4.96. The Financial Restructuring Fund, set up in July 2001 by the FSC and closed in December 2011, helped the market exit of 56 financial institutions and encouraged three others to either merge with a stronger competitor, or achieve a turnaround, by either paying off the liabilities and taking over the assets not assumed by other financial institutions, or by paying off the difference by which the liabilities to be settled exceeded the assets. The Fund was owned and managed by the government. As a result, the average NPL ratio of all financial institutions was reduced from the peak of 8.16% in 2001 to 3.28% in 2004. The ratio of the domestic banks was lowered from 2.95% in 2004 to 0.42% at the end of 2011.

4.4.2.2 Banking

4.97. There have been no major changes in the banking sector's legislative and institutional framework since 2010. However, the Banking Act was amended a few times, including on mortgage loans (Article 12), and on the removal of the 25% cap on total shares with voting rights for each investor.[36] The Banking Bureau of the FSC is responsible for the development of financial policies and regulations, and the supervision of banking and bills markets. The Bureau issues bank licences, reviews applications for new branches and banking activities, sets regulations for bank lending, investments, and other activities, and takes disciplinary action against banks that fail to comply with relevant laws.

4.98. The banking sector remains dominated by domestic banks, which accounted for 76% of total banking assets. At the end of 2013, domestic banks (excluding the postal savings bank) accounted for 78% of total deposits and 92% of total loans, while local branches of non-local banks accounted for 0.8% of total deposits and 2.5% of total loans, respectively (Table 4.11).

[35] The draft of the Financial Services Act was completed by the FSC in 2009, with the intention to provide a single legal instrument for the financial services industries.

[36] Currently, a person or concerned party who intends to singly, jointly or collectively acquire more than 10%, 25% or 50% of a bank’s outstanding voting shares, must apply for prior approval from the FSC.

Table 4.11 Banking indicators, 2009-13

Title	2009	2010	2011	2012	2013
Number of banks	**405**	**401**	**400**	**402**	**405**
Domestic banks	37	37	37	38	39
Local branches of non-local banks	32	28	28	30	31
Credit cooperatives	26	26	25	24	24
Credit departments of farmers' and fishermen's associations	300	301	302	302	303
Bill finance companies	10	9	8	8	8
Total deposit (NT$ trillion)	**28.6**	**30.2**	**31.5**	**32.7**	**34.5**
Domestic banks (%)	75.7	77	77.1	77.4	77.8
Local branches of non-local banks (%)	2.0	1.3	1.5	1.0	0.8
Postal savings (%)	15.4	14.9	14.8	15.1	14.9
Total loans (NT$ trillion)	**18.6**	**19.8**	**21**	**21.6**	**22.4**
Domestic banks (%)	91.8	92.3	91.8	92.1	91.8
Local branches of non-local banks (%)	2.7	2.4	3	2.5	2.5
Non-performing loan ratio (%)	**1.15**	**0.60**	**0.42**	**0.39**	**0.37**
Domestic banks (%)	1.15	0.61	0.43	0.40	0.38
Local branches of non-local banks (%)	0.91	0.22	0.13	0.01	0.01
Profitability					
Return on assets (ROA) - domestic banks	0.28	0.58	0.59	0.68	0.68
Return on equity (ROE) - domestic banks	4.49	9.1	9.3	10.4	10.26

Source: FSC statistics. Viewed at: http://www.banking.gov.tw/en/ [31/10/2013]; and information provided by the authorities.

4.99. Currently there are five non-local bank subsidiaries operating in the market, and there are no equity ownership limits for non-local financial institutions in local banks. Non-local banks must establish a commercial presence to provide services in the territory. A non-local bank may apply to establish a branch office, a representative office or a subsidiary, subject to prior approval of the FSC. Non-local bank branches may conduct the full range of banking businesses including accepting deposits from the public as defined in the Banking Act. They are not separate legal entities and thus not subject to the minimum capital requirement, paid-in capital requirement, and other regulations set for domestic banks as prescribed in the Banking Act. 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 domestic bank.

4.100. The postal savings system, which remains fully government owned, accounted for 15% of total deposits. The upper deposit limit for generating interest in postal passbook savings account is NT$1 million. Total deposits in excess of this limit do not generate interest. Interest earned from a postal savings passbook account is tax exempt.

4.101. The government share (excluding the postal savings system) in the banking sector remains large. The Bank of Taiwan, the Land Bank, and the EXIM Bank are fully government owned. The government holds majority shares in six other banks: 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 February 2014, these banks held 50.9% of total bank assets, down from 52% in 2010.

4.102. The Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks were amended in November 2012 to implement the Basel III rules. In accordance with the amendment, the minimum common equity ratio, the Tier I ratio, and the total capital ratio of domestic banks were to reach 3.5%, 4.5%, and 8%, respectively, in 2013, and 7%, 8.5%, and 10.5%, respectively, by the end of 2019. At the end of September 2013, the overall capital adequacy ratio of domestic banks was 9.03%, 9.12%, and 11.77% respectively, higher than the 8% legal requirement. Partly reflecting the adoption of the Basel III, the average non-performing loan (NPL) ratio of the banking sector fell from 1.1% in 2009 to 0.37% at the end of 2013 (Table 4.11).

4.103. The interest rate spread of domestic banks remains at around 2% (Table 4.12). The authorities consider that the domestic market has too many financial institutions relative to the size of the economy, resulting in fierce competition in the banking sector. Since the global financial crisis, loan interest rates have been generally increasing, reflecting stronger demand for funds as a result of the economic recovery. At the same time, deposit interest rates have stayed at a lower level owning to the increased portion of demand deposits.

Table 4.12 Weighted average interest rates on deposits and loans and spreads, 2009-13

Year	2009	2010	2011	2012	2013
Domestic banks					
Deposits (%)	0.85	0.61	0.75	0.82	0.80
Loans (%)	2.07	1.97	2.16	2.24	2.23
Spread (%)	1.22	1.36	1.41	1.42	1.43
Local branches of non-local banks					
Deposits (%)	0.44	0.34	0.50	0.46	0.44
Loans (%)	2.01	1.42	1.47	1.31	1.18
Spread (%)	1.57	1.08	0.97	0.85	0.74
Credit cooperatives					
Deposits (%)	0.88	0.64	0.76	0.82	0.82
Loans (%)	2.38	2.32	2.52	2.53	2.50
Spread (%)	1.50	1.68	1.76	1.71	1.68
Credit department of farmers' and fishermen's association					
Deposit (%)	0.71	0.56	0.64	0.68	0.68
Loans (%)	2.27	2.13	2.38	2.42	2.37
Spread (%)	1.56	1.57	1.74	1.74	1.69

Source: Central Bank, *Financial statistics monthly*, various issues.

4.104. At the end of 2013, 63 offshore banking units (OBUs) commenced operation, with total assets of US$169.6 billion. During 2013-14, the authorities further relaxed the rules for OBUs providing non-NT$ services to offshore clients, including: relaxing the product scope under trust and derivatives businesses OBUs may offer; removing statutory thresholds of clients' classifications; and allowing OBUs meeting statutory conditions to conduct new-type business without obtaining the authority’s prior approval.

4.105. The blanket deposit insurance mechanism, in response to the 2008 global financial crisis, was terminated in 2010. The authorities consider that the scheme successfully restored local market confidence during 2008-10.

4.106. Financial services were included in the ECFA with China.

4.4.2.3 Insurance

4.107. The share of insurance in the total assets of financial institutions increased from 24.6% in 2009 to 29% in 2013 (Table 4.13). The authorities indicated that this was mainly because of the increases in premium income, the appreciation of real estate interest, and profits from disposing of real estate.

4.108. Since the previous Review, there has been no major change to the legislative and institutional framework on insurance. The Insurance Act was amended in 2011 to, *inter alia*, allow an insurer that sells non-investment-linked insurance products denominated in a non-local currency, if it meets certain conditions, to apply for permission not to count investments in connection with these products against its cap on total overseas investments.[37] The cap was defined in accordance with Article 146-4 of the Insurance Act: the competent authority must set limits on the aggregate dollar amount of foreign investments of insurance enterprise funds based

[37] Financial Supervisory Commission (2012), p.13.

on the state of the business of each individual insurance enterprise; such investments may not exceed 45% of the funds of any individual insurance enterprise.

Table 4.13 Performance of the insurance sector, 2009-13

	2009	2010	2011	2012	2013
Percentage in the total assets of financial institutions (%)	24.6	26.2	26.4	28.1	28.9
Non-life insurance	0.6	0.6	0.5	0.5	0.5
Life insurance	24	25.7	25.9	27.6	28.4
Insurance penetration (%)	16.9	17.9	16.9	18.5	18.6
Non-life insurance	0.8	0.8	0.8	0.9	0.9
Life insurance	16.1	17.1	16.1	17.6	17.7
Number of insurance companies and branches - total	58	57	57	57	56
Reinsurance	4	3	3	3	3
Non-life insurance - domestic	17	17	17	17	17
Non-life insurance - branches of non-local companies	6	6	6	6	6
Life insurance - domestic	22	23	24	24	24
Life insurance - branches of non-local companies	9	8	7	7	6
Total premium income of insurance industry (NT$ trillion)	2.1	2.4	2.3	2.6	2.7
Non-life	0.1	0.1	0.1	0.1	0.1
Life	2	2.3	2.2	2.5	2.6

Source: FSC statistics. Viewed at: http://www.ib.gov.tw/en/ [31/10/2013]; and information provided by the FSC.

4.109. Under the Insurance Law, 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 accident or health insurance. Insurance firms may not engage directly in banking. However, any domestic or overseas insurance company registered with the authorities may sell insurance products through banking channels, provided that it has obtained approval from the competent authority to jointly promote insurance products or provide relevant services with a bank.

4.110. The authorities stated that the regulations for non-local and local investment in the insurance sector are the same, and there are no equity restrictions for non-local investment. Establishment of a commercial presence is necessary to access the insurance market, except for reinsurance, maritime shipping insurance, and commercial aviation insurance.[38] For a non-local insurance company to establish a branch, it must have a minimum capital of NT$50 million. The minimum paid-in capital required for the establishment of domestic insurance companies and subsidiaries of non-local insurance firms is NT$2 billion. From 2013, all insurance firms (domestic and non-local) are required to adopt the IFRS (International Financial Reporting Standards).

4.4.2.4 Securities

4.111. The Securities and Futures Bureau of the FSC regulates securities and capital markets. Policy objectives of the securities subsector are: to foster the sound development of the capital markets and to encourage fund-raising through public offering of securities; to improve the operation of the securities and futures markets and to ensure a fair and efficient market environment; to promote the development of the securities service industries and to facilitate the flow from savings into investment. During the review period, the FSC continued working to develop Chinese Taipei into a regional fund-raising platform for high-tech and innovative companies: from 2010 to the end of 2012, there were 228 newly listed companies, of which 139 in the high-tech and biotechnology industries.

4.112. The Securities and Exchange Act, most recently amended in 2012, regulates public offering, issuing, and trading of securities. Key amendments include: accommodating the efforts of public companies to adopt IFRSs; improving the quality and timeliness of corporate information

[38] WTO document GATS/SCI/136/Rev.1, 2 July 2002.

disclosure; safeguarding minority shareholders[39]; adding a special chapter to address matters pertaining to non-local companies so as to flesh-out legislative provisions governing non-local companies seeking to list their securities in Chinese Taipei.

4.113. The percentage of non-local investors in total market capitalization increased from 29.8% in 2009 to 33.1% in 2013 (Table 4.14). 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 domestic and non-local securities firms.[40]

Table 4.14 Performance of the securities sector, 2009-13

	2009	2010	2011	2012	2013
TWSE listed companies: number	741	758	790	809	838
Capital issued (NT$ trillion)	5.9	5.9	6.2	6.4	6.6
Market capitalization (NT$ trillion)	21	23.8	19.2	21.4	24.5
GTSM companies: number	546	564	607	638	658
Capital issued (NT$ trillion)	0.8	0.7	0.7	0.7	0.7
Market capitalization (NT$ trillion)	1.9	2.0	1.4	1.7	2.3
Unlisted companies (number)	497	512	516	540	584
Capital issued (NT$ trillion)	1.8	1.7	1.6	1.7	1.8
Non-local investment in stock market					
Number of approved cases	1,626	1,488	1,420	1,278	1,357
Accumulated net inward remittance (US$ billion)	1.5	1.7	1.6	1.6	1.8
Percentage of market value held by non-local investors (%)	29.8	31.2	31.1	32.6	33.1

Source: FSC statistics. Viewed at: http://www.sfb.gov.tw/en/ [31/10/2013].

4.114. According to the authorities, the FSC has continuously eased restrictions on non-local investment in the domestic securities markets in recent years. For instance, as of 4 October 2010, overseas Chinese and foreign nationals have been permitted to invest in stocks or depositary receipts offered by a foreign enterprise before it obtained a primary or secondary listing on either the TWSE or the GreTai Securities Market, and stocks offered or depositary receipts reissued by such companies in connection with a cash capital increase. Since 16 November 2012, overseas Chinese and foreign nationals have been allowed to invest in offshore ETFs (exchange traded funds) pursuant to the Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals.

4.115. The FSC maintains limits on investment by Chinese investors. Qualified institutional investors approved by the competent securities, banking, and insurance authority of China are allowed to engage in securities investment and futures trading in Chinese Taipei. According to the authorities, the FSC has taken measures to further ease trade in financial services, based on bilateral negotiations.

4.4.3 Telecommunications and postal services

4.4.3.1 Telecommunications

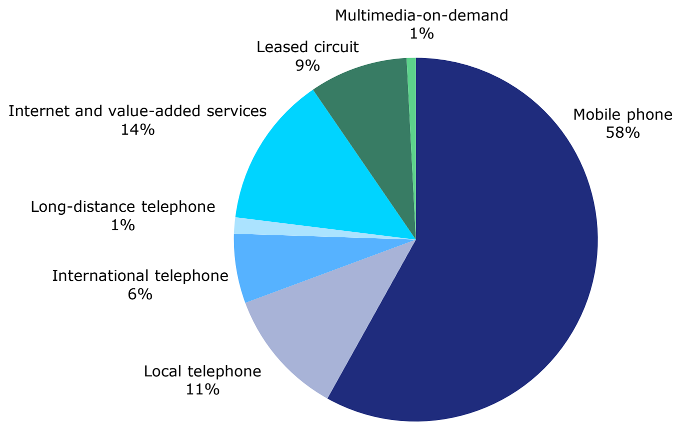
4.116. There has been no significant change to legislation in the telecommunication services sector since the previous Review. The Telecommunications Act is the main legislation. The National Communications Commission (NCC), an independent body established in 2006, is the regulatory agency for the telecommunications and broadcasting sectors. The Ministry of Transport and Communications (MOTC) is responsible for planning national communication resources and providing guidance for telecommunication industry development.

[39] Any shareholder that has continuously held, for one year or longer, 3% or more of the total number of the outstanding shares of a company listed on the Taiwan Stock Exchange (TWSE), the GreTai Securities Market (GTSM), or the Emerging Stock Market may - if they deem that a specific matter materially damages the interests of shareholders - apply (providing reasons, related evidence, and explanations of necessity) to have the competent authorities inspect certain specified matters pertaining to the securities issuer.

[40] 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.

4.117. The telecommunication sector developed rapidly during the review period, greatly outpacing the GDP growth rate.[41] Total revenue from telecommunication services accounted for about 3% of GDP in 2013, of which mobile services represented the largest share (Chart 4.5). Reportedly, the NCC has permitted three companies to launch commercial 4G services: Chunghwa Telecom, Taiwan Mobile, and Far EasTone are expected to inaugurate their respective LTE networks in the coming months.

Chart 4.5 Distribution of telecom revenue, 2013



Source: Data provided by NCC.

4.118. The penetration rates for telecom services, except for fixed telephony, have continued to rise (Table 4.15).

Table 4.15 Telecommunications market, 2009-13

Market		2009	2010	2011	2012	2013
Mobile phone	Penetration rate[a] (%)	116.7	120.4	124.8	126.9	127.6
	Subscribers (million)	27	27.9	29	29.6	29.8
Fixed telephone	Penetration rate (%)	55.5	54.8	54.6	53.2	52.3
	Subscribers (million)	12.8	12.7	12.7	12.4	12.2
Internet[b]	Penetration rate (%)	69.8	71.5	72	74.5	74.9
	Users (million)	16.1	16.5	16.7	17.4	17.5
Mobile broadband[c]	Penetration rate (%)	61.5	71.2	76.9	76.4	77.4
	Subscribers (million)	14.2	16.5	17.9	17.8	18.1
Fixed broadband[d]	Penetration rate (%)	21.6	22.9	23.8	27.7	30
	Subscribers (million)	5	5.3	5.5	6.4	7

a Market penetration refers to service subscribers per 100 inhabitants.
b Internet users refer to individuals who accessed the Internet during the year.
c Mobile broadband subscribers are the 3G subscribers that can access the Internet.
d Fixed broadband subscribers are the subscribers of ADSL, FTTx, cable modem, leased line and PWLAN that can access the Internet.

Source: Data provided by the NCC.

4.119. The Telecommunications Act imposes limits on non-local investment in Type I operators, who own and operate network facilities. In accordance with Article 12, the chairman of the Board of a Type I telecommunications enterprise must be a citizen of Chinese Taipei. Non-local investment in a Type I enterprise (apart from Chunghwa Telecom) is limited to a maximum of 49% of total shares (which is above the GATS limit of 20%), and the sum of direct and indirect

[41] According to the Telecom Industry Update published by GlobalTrade.net, the telecom sector has grown at an average annual rate of 20% in the past decade (much higher than the GDP growth rate of 2% in 2012-13). Viewed at: http://www.globaltrade.net/f/market-research/text/Taiwan/Computers-Telecommunications-Internet-Telecom-Industry-Update.html [02/06/2014].

shareholding may not exceed 60%.[42] Type I operators must obtain licences from the NCC, and are subject to minimum capital requirements. There is no equity restriction for non-local investment in Type II operators, who do not own network facilities.

4.120. Type I operators face price-cap regulations (Article 26 of the Telecommunications Act).[43] Cross-subsidization is not allowed. Type II operators determine their own tariffs. The NCC adjusted the pricing mechanism a number of times during the review period; according to the authorities, this is to protect consumer rights and encourage the sound development of the telecommunications industry. For example, in 2011, the right to determine the pricing of a local to mobile call was shifted from the mobile operators to the fixed-network operators; according to the authorities, this was estimated to save consumers NT$3.3 billion in 2011. Since 2012, a uniform-rate formula has been applied to local and long-distance calls domestically: long-distance calls now cost NT$1.6 per three minutes, the same as local calls down from NT$5.7 in the past. In January 2013, the NCC announced a new adjustment of mobile termination rates (MTRs) for four years (2013 to 2016). In February 2013, the NCC announced a new adjustment coefficient for wholesale prices for Type I telecom services of the SMP, running from 1 April 2013 to 31 March 2017. According to the authorities, in the future, the NCC intends to push for further rationalization of telecom tariffs.[44]

4.121. The telecommunications market is still dominated by the partially government-owned Chunghwa Telecom (CHT). The largest shareholder of the CHT is the MOTC, holding 35.29%. The CHT accounted for 95% of the fixed-line local telephone market (by subscribers), 77% of the domestic long-distance market (by minutes), 55% of the international telephone market (by minutes), 78% of the broadband market (by subscribers), and 35% of the mobile services market (by subscribers).[45] According to the authorities, the CHT does not receive any government support.

4.122. The Telecommunications Act and the relevant regulations forbid dominant carriers from rejecting interconnection requests, and require interconnection rates to be cost-oriented. Dominant carriers are prohibited from: improperly determining, maintaining, or changing their tariffs or methods of offering telecommunications services; rejecting, without due cause, requests for leasing network component, leasing circuits, negotiation or testing, and co-location negotiation; and discriminating against other telecommunications enterprises or users.

4.123. To develop the digital industry and enhance the quality of broadband Internet, a Digital Convergence Policy Initiative was announced in December 2010. The government's definition of digital convergence refers to the convergence of the information technology industry, telecommunications services, the consumer electronics industry, and the entertainment industry. In accordance with the Initiative, the government revised relevant regulations in two stages: the first stage, from 2010 to 2012, included the amendment to the Radio and Television Act, the Cable Radio and Television Act, the Satellite Broadcasting Act, and the Telecommunications Act, to relax restrictions on cross-industry telecommunications, broadcasting, and internet operations. The second stage, from 2013 to 2014, is to complete the legislation on the digital convergence regulation framework.

4.124. CHT is responsible for providing universal service for fixed-line local telephone services. The universal service obligations for broadband services are assigned to CHT, Taiwan Fixed Network, Taiwan Optical Platform, and New Century InfoComm Tech. Losses arising from providing the universal services are borne by the Telecommunications Universal Services Fund, financed by a proportion of the revenue of Type I telecommunications enterprises and Type II telecommunications enterprises publicly designated by NCC.

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[42] Telecommunications Act. Viewed at: http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=K0060001 [13/01/14].

[43] Under the price-cap mechanism, tariffs charged by Type I telecom operators must not exceed the Consumer Price Index minus the Production Efficiency Index (PEI).

[44] NCC adopted the bottom-up LRIC+ approach; according to the authorities, this would promote efficiency, and sustainable competition in the retail mobile market, and confer the greatest possible benefits to consumers.

[45] Chunghwa Telecom (2013).

4.125. The aim of universal broadband service is to assure basic access to quality voice and data services at a reasonable price anywhere in the territory. The NCC completed the projects of "Broadband for Villages" in 2007 and "Broadband for Tribes" in 2010. All tribes in remote areas now have 2Mbps broadband services. Since 2012, the NCC has been promoting broadband speeds from 2Mbps to 12Mbps; coverage of remote villages is estimated to reach 75% in 2013, 85% in 2014, and 95% by 2015.

4.4.3.2 Postal service

4.126. Postal services are reserved for the government-owned Chunghwa Post Co. Ltd and other entrusted companies; no others may engage in the business of delivering letters, postcards or other correspondence. Non-local investment is allowed in courier services, limited to the delivery of business correspondence documents, goods, and parcels.

4.127. According to the Postal Act, the MOTC is the regulatory agency for postal services. The MOTC set up the Chunghwa Post to manage postal services, including the delivery of mail, and other businesses such as postal savings, remittances, simple life insurance, philately, and related merchandise, and the management of postal assets.[46]

4.128. Chunghwa Post provides universal postal services, and has the right to set postage fees subject to approval from the MOTC. Mail delivery services provided by Chunghwa Post, as well as postal property and bills, receipts, and other documents used to provide such services, are exempt from taxes. According to the authorities, Chunghwa Post does not receive any other government support. However, with more than 11,000 staff providing postal services and with 1,322 postal offices, Chunghwa Post is operating at a loss according to the authorities.

4.4.4 Transport

4.4.4.1 Maritime transport

4.129. For Chinese Taipei, a chain of islands, exports and imports are mostly transported by sea. It has 174 shipping carriers (139 in 2008), including three major companies providing container transport services (Yangming Marine Transport Corporation, Evergreen Marine Corporation, and Wan Hai Lines Ltd.), and three providing bulk transport services (China Steel Express, U-ming, and Ta-Ho Maritime Corporation).[47] Its fleet was the world's 10th largest in 2013, totalling 814 vessels of over 1,000 gross tonnes (102 vessels flying national flag).[48]

4.130. Chinese Taipei did not include maritime transport services in its GATS commitments. The applied regime on non-local investment and cross-border trade restrictions is specified under the Shipping Law and the Law of Ships, and is identical to the obligations under the ECA with New Zealand (Table A4.4). Both Laws were amended recently: the Shipping Law was amended in June 2013 concerning, *inter alia*, the security of vessels and the penalties[49]; the Law of Ships was most recently amended in December 2010, according to which the affairs administered by the shipping administration authorities are now determined by the Executive Yuan.[50]

4.131. The Ministry of Transport (MOTC) remains responsible for regulating the maritime transport sector, including ports. There are seven international ports. The Commercial Port Law and the Organic Act Establishing the Taiwan International Ports Co., Ltd have been amended since 2010. The functions of administrative and business operations of the MOTC were separated into a Maritime and Port Bureau under the MOTC (in charge of shipping and navigation of harbours), and the Taiwan International Ports Corporation (TIPC) (in charge of all major commercial port operations).

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[46] Postal Act. Viewed at: http://www.post.gov.tw/post/internet/U_english/index.jsp?ID=240104.

[47] MOTC online information. Viewed at: http://www.motc.gov.tw/en/home.jsp?id=256&parentpath=0,150,250 [14/11/2013].

[48] UNCTAD (2013).

[49] Shipping Law. Viewed at: http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=K0070001 [24/01/14].

[50] Law of Ships. Viewed at: http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=K0070004 [24/01/14].

4.132. Direct cross-strait shipping began on 15 December 2008 (before that, direct cross-Strait shipping was prohibited). As of the end of 2012, the cargo volume of marine transport between both sides reached 349 million revenue tonnes and the container shipment volume was about 7.58 million TEUs. Direct cross-Strait shipping reduces transportation time and cost significantly, and will enhance the competitiveness of Chinese Taipei's commercial ports.[51]

4.4.4.2 Air transport

4.133. The latest amendment to the Civil Aviation Act took effect in January 2012. The amendment contains, *inter alia*, the opening of private aviation: i.e., foreign private aircraft, with permission from MOTC or in accordance with a treaty or an agreement, may be allowed to engage in flights for non-profit activities in the territory.

4.134. Its GATS commitments, and its RTA commitments on air transport services are listed in Table A4.4. The foreign investment and market access restrictions are, in general, the same as the provisions contained in the ECA with New Zealand. There is a recommendation for its civil servants who travel overseas on official business to fly with Chinese Taipei carriers; however, according to the authorities, they frequently fly with foreign carriers.

4.135. Airlines are free to establish their prices for international flights, although the fares must be filed with the MOTC and the Civil Aeronautics Administration (CAA). The CAA, under the MOTC, is the air transport regulator. The MOTC is responsible for approving new carriers, while the CAA is responsible for supervising existing carriers.

4.136. The liberalization of the cross-Strait air links and the development of tourism has increased passenger volumes at its airports. In 2013, there were 48.8 million passengers, an increase of 7.5% over 2012. On the other hand, due to the weak economy around the world, cargo volume decreased 0.02% to 1.68 million tonnes in 2013.

4.137. At the end of 2012, 64 airlines (38 in 2008) provided flight services: 58 were non-local airlines operating to and from the territory, and 6 were domestic air carriers providing both international and domestic air services. At the end of September 2013, domestic airlines accounted for 58% of total passenger volumes and 61% of total cargo volumes. The leading carrier, China Airlines (36% of its shares are owned by the government-owned China Aviation Development Foundation), accounted for 29% of market share in passenger volume and 32% in cargo volume; EVA Airways, accounted for 21% and 28%, respectively.[52]

4.138. Chinese Taipei has 2 international airports and 15 domestic airports, all of which are owned and managed by the government. The largest, the Taoyuan International Airport (TTIA), is managed by the Taoyuan International Airport Corporation Ltd, a state-owned company, and began operations on 1 November 2010. The TTIA and its surrounding areas are being developed into a Taoyuan Aerotropolis as part of the i-Taiwan project. Terminal 3 is to be completed in 2018 and all the facilities of the Aerotropolis are expected to be finished in 2030.

4.139. At the end of 2013, Chinese Taipei had bilateral air services agreements based on reciprocity with 51 countries or areas. International scheduled services provided by domestic and non-local carriers covered 276 routes connecting 129 cities worldwide (up from 181 and 78 respectively in 2008). It has also launched an open skies regime with Japan and with the Republic of Korea.

4.140. Cross-Strait flights continued to increase during the review period (Chart 4.6). By the end of 2013, there were 828 scheduled passenger flights and 68 scheduled cargo flights per week (up from 270 and 56 in 2009), between 10 cities in Chinese Taipei and 54 cities in China (8 and 27 in 2009).[53]

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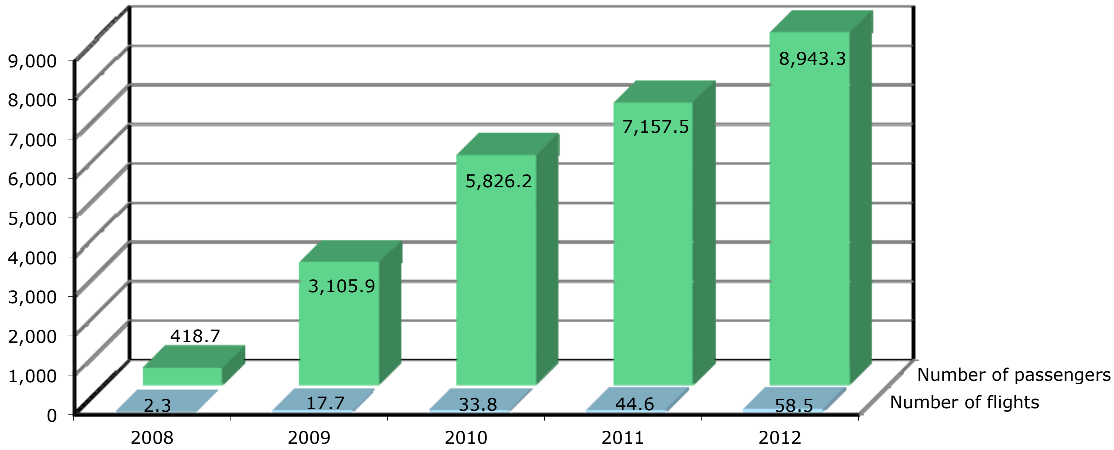
[51] MOTC (2013).

[52] MOTC statistics. Viewed at: http://www.caa.gov.tw/APFile/big5/download/ao/1381995181651.pdf [18/11/13].

[53] CAA (2013). Viewed at: http://www.caa.gov.tw/APFile/big5/download/pliad/1371635464037.pdf [18/11/13].

Chart 4.6 Cross-Strait aviation: number of flights and passengers, 2008-12

Number in '000



Source: CAA online information. Viewed at: http://www.caa.gov.tw./APFile/big5/download/ao/1381995016081.pdf [18/11/13].

4.4.4.3 Road transport

4.141. The highway network totals about 20,000 km. In recent years the government has been making efforts to lengthen and maintain the network. The National Freeway No. 2 was completed in May 2012; and to enhance the freeway's connections with nearby roadways and relieve traffic bottlenecks, several interchanges were reconstructed.[54]

4.142. The Directorate General of Highways is the regulatory authority for highway automobile and transport, tourist bus transport enterprises; car and pickup truck rental businesses; automobile cargo transport and container truck transportation enterprises. For metropolitan automobile transport enterprises, the responsible agencies are the municipal highway authority, the county/city highway authority, the special municipal city highway authority, or the central authorities for taxicab transport business.

4.143. Road transportation is regulated under the Highway Law, most recently amended on 3 July 2013 (Table A4.4). According to Article 35 of the Law, non-local 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.[55] According to the authorities, there are 6 non-local enterprises investing in car rental business, and 11 non-local enterprises investing in road freight business. According to the authorities, the government follows "national treatment" principles and applies the same criteria for local and non-local road transport enterprises. Investors must meet the regional transportation needs, promote conveniences to the public, have adequate financial capability, have adequate vehicles, parking lots, and repair abilities (outsourcing is acceptable), and their equipment must meet operational needs.

4.4.4.4 Rail transport

4.144. The MOTC is the regulator for rail transport. The Railway Law specifies that, in principle, railways must be state owned and managed (Table A4.4). State railways must be administered by the MOTC, while local/private/special railways must be supervised by the MOTC. The construction,

[54] MOTC online information. Viewed at: http://www.motc.gov.tw/en/home.jsp?id=255&parentpath=0,150,250 [18/11/13].

[55] Highway Law. Viewed at: http://law.moj.gov.tw/eng/LawClass/LawAll.aspx?PCode=K0040001 [18/11/13].

extension, transfer, or management of local/private/special railways must be ratified by the MOTC.[56]

4.145. Railways comprise general railways, mass rapid transit, and high-speed rail. The general railways are operated by the Taiwan Railway Administration (TRA), and maintained by the Railway Reconstruction Bureau (RRB). At end 2013, the total length of the general railways was 1,061.3 km; total passengers carried reached 227.3 million (up 3% from 2012), with passenger revenues of NT$16.9 billion (up 4.7%). A total of 10.7 million tonnes of freight were transported in 2013, 2% less than in 2012; freight revenues dropped 11.8% to NT$0.9 billion.

4.146. Private/non-local investment is allowed in the operation of the MRT system. Currently there are two mass rapid transit (MRT) systems in operation. Taipei Rapid Transit Corporation (TRTC), owned by Taipei City Government, operates the MRT system in Taipei city. Kaohsiung Rapid Transit Corporation (KRTC), privately owned within a contract period, operates the MRT system in Kaohsiung city.

4.147. The high speed rail (HSR) has been in commercial operation since 2007. The HSR line is about 345 km, and is operated by the Taiwan High Speed Rail Corporation (THSRC). According to the authorities, the THSRC is not a government-owned company, and private and non-local investment is allowed in the operation of the HSR system. In 2013, the number of passengers transported by the HSR system reached 47.5 million, or an average of 130,000 passengers per day.

4.4.5 Tourism

4.148. The tourism sector is regulated mainly under the Statute for the Development of Tourism, last amended in 2011 on the business scope for travel enterprises. The Tourism Bureau of the MOTC is responsible for policy formulation and implementation in the sector. In general, there is no market access or "national treatment" restrictions on non-local investment under GATS, FTAs, and the ECAs.[57] Non-local investors wishing to establish subsidiaries in the market must obtain approval from the Tourism Bureau, recognition and approval in accordance with 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 the territory.[58]

4.149. The tourism sector has been developing fast, and is one of the government designated key emerging industries to boost economic development. In 2012, there were 7.3 million international travellers, an increase of 20% from 2011. The largest source of arrivals was China, followed by Japan, and Hong Kong, China. Total tourism receipts amounted to NT$348.5 billion in 2012 (2.3% of GDP). The Tourism Bureau formulates the tourism policy, which aims at attracting over 10 million visitors a year and generating NT$470 billion tourism revenue before the end of 2016.

4.150. The fast growth of tourism reflects, among other things, the increase of cross-Strait flights, the opening up to groups and independent visitors from China, the launch of an open skies regime with Japan, and with the Republic of Korea. In addition, the government activated a NT$30 billion Tourism Development Fund from the Project Vanguard for Excellence in Tourism (2009-14) to build an international tourism base. About half of the total amount under this project (49.22%, or NT$14.771 billion) is being provided from the Treasury, and the remaining NT$15.236 billion from the Tourism Development Fund (the source is the Air Services Fee). Three action plans — Project Summit, Project Keystone, and Project Propeller — are being carried out through six core efforts: regional flagships, international spotlights, industrial regeneration, elite development, market development, and quality enhancement.

4.151. Accommodation capacity is important for tourism development. Most hotels are small or medium in size. To help upgrade the quality of travel and accommodation, hotels with 15 rooms or

[56] Railway Law. Viewed at: http://law.moj.gov.tw/eng/LawClass/LawAll.aspx?PCode=K0030001 [18/11/13].

[57] WTO document GATS/SC/136/Rev.1 (2 July 2002); FTAs with El Salvador and Honduras, Guatemala, Nicaragua, and Panama; and ECA with New Zealand.

[58] Statute for the Development of Tourism, Article 28. Viewed at: http://admin.taiwan.net.tw/law/law_d_en.aspx?no=9&d=317 [15/01/14].

more are being offered medium and long-term government funding and bank loans for investment in renovation, expansion, or reconstruction. Currently 29 banks extend these loans; interest rates are negotiated between the banks and the borrowers, but may not exceed 1.65% over the medium and long-term capital rate. The Tourism Bureau is offering subsidies of up to NT$1 million to these hotels to help cover their hardware and software planning and design costs.

4.4.6 Professional services

4.4.6.1 Legal services

4.152. The Ministry of Justice (MOJ) administers the provision of legal services, according to the Attorney Regulation Act.[59] Local attorneys and foreign legal affairs attorneys who are permitted to practice law by the MOJ may do so, in the form of sole proprietorship and partnerships, and receive remuneration. However, a foreign attorney who does not obtain permission from the MOJ to provide legal services in Chinese Taipei, may not establish a law firm or employ attorneys to practice law for profit, or enter a partnership with attorneys to practice law.

4.153. Non-citizens who take the Attorney Qualification Examinations in Chinese Taipei and receive the attorney licence, must obtain approval from the MOJ before practicing as lawyers. A non-citizen licensed to practice law in Chinese Taipei must use the Chinese language during proceedings in court or when present at an investigation procedure. All documents submitted by such attorneys must be drafted in Chinese.

4.154. Non-local attorneys refer to those who have been licensed to practice law in a country or region other than Chinese Taipei. Non-local attorneys must obtain approval from the MOJ and join the Bar Association where his/her law firm is located to practice law. Non-local attorneys are allowed to practice the law of their home jurisdiction and international law; if they work in conjunction with a local attorney or receiving the latter's written opinion, they may provide legal services relating to marriage, parentage or inheritance, when a person from Chinese Taipei is involved or the inheritance property is located in Chinese Taipei.

4.155. A non-local attorney may apply to become an "attorney of foreign legal affairs (AFLA)" if he/she obtains permission from the Ministry of Justice before practicing law in Chinese Taipei, and is admitted to the Bar Association where the law firm is located.

4.156. Overall, the applied regime is consistent with its GATS commitment, according to which, provision of legal services by AFLAs is restricted to natural persons having established a law office in the form of sole proprietorship, and partnership in a law office is limited to persons registered as attorneys of foreign legal affairs.[60] The government has allowed AFLAs to establish partnerships with, or employ, licensed local lawyers since its accession to the WTO. Foreigners who are college graduates majoring in law-related subjects or have at least two years' law-related working experience, or who have passed the lawyer’s examination in any foreign country, may be employed by local lawyers or AFLAs to work as assistants or consultants.

4.157. Under its GATS commitments, Chinese Taipei will recognize an AFLA if:

- the service provider is qualified as a lawyer in his/her home jurisdiction(s);
- the service provider has practiced as a qualified lawyer for at least five years in his/her home jurisdiction(s). However, should a foreign lawyer be employed by a lawyer of Chinese Taipei as an assistant or consultant or have practiced his/her home jurisdiction laws elsewhere, the term up to a maximum of two years of employment or practice may be accredited to the said five year term; and
- any foreign lawyer who is already employed by a local lawyer by the date of its accession to the WTO in accordance with the Regulation Concerning Chinese Taipei's Lawyers' Employment of Foreigners and Administration Thereof, may apply to become an AFLA after the completion of the two years' employment period.

[59] Attorney Regulation Act. Viewed at: http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=I0020006 [17/01/14].

[60] WTO document GATS/SC/136/Rev.1, 2 July 2002.

4.158. From 2009 to 2013, 31 foreign attorneys applied to the MOJ for approval to practise as foreign attorneys; 25 were registered at bar associations.

4.4.6.2 Accounting services

4.159. In accordance with the Certified Public Accountant Act, the Financial Supervisory Commission (FSC) is the regulatory authority for accounting services. Article 8 of the CPA Act stipulates that the holder of a CPA certificate may not practice as a CPA until he or she has established or joined a CPA firm, applied to the competent authority for registration, and joined a certified public accountants association (CPA association) as a practicing member; the CPA association may not refuse membership to such person.[61]

4.160. A foreign national who has received permission to practise as a CPA must comply with the CPA Act, including the provisions stipulating the qualification of the assistant recruited by the CPA. For example, a CPA is required to establish an office locally to practise and perform professional services by himself/herself or establish a CPA partnership and practice jointly with other CPAs; a CPA must not perform professional services without being admitted to membership of a CPA association after he/she has been registered with the local authority; a foreigner may take the CPA examination in Chinese Taipei. A foreigner who has passed the examination and acquired a CPA certificate must obtain permission from the Ministry of Finance before practising as a CPA. To date, one foreign national has obtained a local CPA licence and is practising in Chinese Taipei.

4.4.6.3 Architectural services

4.161. Under the Building Act and the Architect Act, the Ministry of the Interior governs architect services at the central level, and local governments are responsible at the local level. Currently no non-local architects are practising in Chinese Taipei.

4.162. Any citizen may act as an architect if qualified through the architect examination. A foreigner may take the architect examination. An architect may practise solely or organize an associate office for joint practice. The office should be registered with the respective municipality, county/city authority under which jurisdiction it is located. When practising in another municipality, county/city, an architect should be registered with the respective local regulating authorities, but need not have a branch office there.

4.163. According to Article 28 of the Architect Act, after acquiring the necessary business practice licence, an architect must join the architect association organized in his/her chosen area of practice.[62] The association may not refuse or deny the membership application of a licensed architect.

4.4.6.4 Professional engineering services

4.164. Professional engineering services are regulated by the Professional Engineers Act (PEA)[63], and the Act Governing the Administration of Professional Engineering Consulting Firms (PECF Act).[64] The Public Construction Commission (PCC) is the regulatory authority. At end 2013, there were 2 non-local PEs and 14 non-local PE firms in Chinese Taipei.

4.165. According to the laws and regulations, there are no limits on regions, cities, or number of offices for foreign services providers of engineering services. The qualification requirements for related personnel in engineering service are:

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[61] CPA Act. Viewed at: http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=G0400067 [20/01/14].

[62] Architect Act. Viewed at: http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=D0070112 [20/01/14].

[63] Professional Engineers Act. Viewed at: http://law.moj.gov.tw/eng/LawClass/LawSearchContent.aspx?pc=J0030022&k1=Professional+engineer&k2=&k3=&k4= [20/01/14].

[64] Professional Engineering Consulting Firms Act. Viewed at: http://law.moj.gov.tw/eng/LawClass/LawAll.aspx?PCode=D0070073 [20/01/14].

- a professional engineer, possessing the professional engineer certificate, must not practise the profession until having gained at least two years of engineering experience and obtaining the professional engineer licence from the PCC;

- the chairperson of the board of directors or the statutory representative of a professional engineering consulting firm must be a licensed professional engineer, except when: (a) a firm hires a minimum of 20 licensed professional engineers; (b) a firm is listed on either the Taiwan Stock Exchange (TSE) or the Over-the-Counter (OTC); or (c) foreign firms have been in business in their mother countries for five years minimum since incorporation, and have undertaken domestic and overseas engineering consultation services amounting to a minimum of NT$2 billion over the past five years;

- have at least one third of the number of directors and shareholders taking charge of business operations or representing a professional engineering consulting firm, must be licensed professional engineers within the firm’s registered business scope, except: when a firm has a minimum of 20 licensed professional engineers or a firm is listed on either the TSE or the OTC;

- a professional engineering consulting firm's manager in charge of engineering services or the person in charge of the engineering department must be a licensed professional engineer.

4.4.7 Other services

4.166. Chinese Taipei's GATS Schedule includes commitments in, *inter alia*, construction and related engineer services, distribution services, education services, and environmental services. Some of these services sectors are included its FTAs and ECAs (Table A4.5).

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5 APPENDIX TABLES

Table A1.1 Merchandise exports by group of products, 2009-13

(US$ billion and %)

	2009	2010	2011	2012	2013
Total exports (US$ billion)	203.7	274.6	308.3	301.2	305.4
	(% of total)				
Total primary products	9.8	9.5	10.4	12.0	11.7
Agriculture	2.1	2.0	2.2	2.3	2.2
Food	1.1	1.0	1.1	1.3	1.2
Agricultural raw material	1.1	1.0	1.1	1.1	1.0
Mining	7.7	7.5	8.2	9.6	9.5
Ores and other minerals	0.3	0.3	0.3	0.3	0.2
Non-ferrous metals	1.9	1.9	2.2	2.2	1.8
Fuels	5.5	5.2	5.7	7.2	7.5
Manufactures	88.5	89.4	88.2	87.1	87.4
Iron and steel	4.2	4.0	4.2	3.8	3.7
Chemicals	12.7	13.0	13.2	12.6	12.9
5743 Polycarbonates, alkyd resins and other polyesters	0.9	0.9	0.9	1.0	1.0
5729 Other styrene polymers	1.0	1.1	1.0	0.9	0.8
5138 Polycarboxylic acids, and their anhydrides, derivatives	1.1	1.1	1.3	0.9	0.4
5822 Other plastics, flat shapes, non-cellular and not reinforced, etc.	0.6	0.6	0.6	0.6	0.6
Other semi-manufactures	5.7	5.7	5.9	6.2	6.0
6942 Screws, bolts, nuts and similar articles of iron or steel	0.9	1.1	1.2	1.2	1.2
Machinery and transport equipment	48.4	49.2	48.2	47.9	48.8
Power generating machines	0.4	0.4	0.5	0.5	0.5
Other non-electrical machinery	5.4	6.0	6.6	6.6	6.3
7284 Machinery and appliances for particular industries, n.e.s.	0.7	0.9	1.0	0.9	0.9
Agricultural machinery and tractors	0.1	0.1	0.1	0.1	0.0
Office machines & telecommunication equipment	30.4	31.7	31.4	30.7	31.7
7764 Electronic integrated circuits and micro-assemblies	18.2	18.2	17.9	19.2	20.6
7763 Diodes, transistors, etc.	2.9	3.7	3.2	2.6	2.6
7643 Radio or television transmission apparatus	2.0	2.8	3.5	2.0	1.9
7599 Parts and accessories of 751.1, 751.2, 751.9 and 752	3.0	2.8	2.0	1.7	1.8
7649 Parts and accessories for apparatus of division 76	0.8	0.9	1.2	1.5	1.4
7638 Sound/video recording/reproducing apparatus; video recording/reproducing apparatus	0.3	0.4	0.5	0.6	0.7
Other electrical machines	8.0	7.2	5.9	6.0	6.1
7722 Printed circuits	2.0	2.0	2.0	2.0	1.9
7788 Electrical machinery and equipment, n.e.s.	2.6	2.1	1.1	1.2	1.4
Automotive products	1.8	1.8	1.9	2.1	2.1
7843 Other motor vehicle parts and accessories of 722, 781 to 783	1.2	1.1	1.1	1.2	1.2
Other transport equipment	2.5	2.1	2.0	2.1	2.0
7853 Invalid carriages, parts of 785	0.8	0.7	0.7	0.8	0.8
Textiles	3.9	3.6	3.6	3.4	3.4
6552 Other knitted/crocheted fabrics, not impregnated/coated, etc.	0.7	0.6	0.7	0.7	0.8
Clothing	0.4	0.4	0.3	0.3	0.3
Other consumer goods	13.2	13.6	12.7	12.8	12.4
8719 Liquid crystal devices, n.e.s.; lasers (excl. laser diodes)	5.9	6.5	5.6	5.6	5.2

	2009	2010	2011	2012	2013
8841 Optical fibres and optical fibre bundles; optical fibre cables other than those of heading 773.1; sheets and plates of polarising material; lenses, prisms, mirrors and other optical elements, unmounted, other than such elements of glass	0.7	0.8	0.7	0.7	0.7
Other	1.6	1.1	1.4	0.9	0.9
Gold	0.9	0.7	1.0	0.4	0.2

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1.2 Merchandise imports by group of products, 2009-13

(US$ billion and %)

	2009	2010	2011	2012	2013
Total imports (US$ billion)	174.4	251.2	281.4	270.5	269.9
	(% of total)				
Total primary products	33.7	33.2	35.6	38.3	37.1
Agriculture	5.9	5.2	5.5	5.5	5.4
Food	4.6	3.8	3.9	4.2	4.0
Agricultural raw material	1.3	1.5	1.5	1.4	1.4
Mining	27.8	28.0	30.1	32.8	31.7
Ores and other minerals	2.5	3.1	3.4	2.9	2.8
2815 Iron ores and concentrates, not agglomerated	0.5	0.7	0.9	0.8	0.8
2823 Other ferrous waste and scrap	0.6	0.8	0.8	0.7	0.6
Non-ferrous metals	3.9	4.3	4.4	4.0	3.4
6821 Copper anodes; alloys; unwrought	1.5	1.6	1.5	1.3	1.2
6811 Silver	0.5	0.4	0.8	1.0	0.4
Fuels	21.4	20.5	22.4	25.9	25.5
3330 Crude oils of petroleum and bituminous minerals	11.3	10.2	10.8	13.2	12.4
3431 Natural gas, liquefied	2.3	2.3	3.0	3.6	3.6
3212 Other coal, whether or pulverized, not agglomerated	3.3	2.6	3.1	2.9	2.5
Manufactures	64.3	65.1	62.6	60.1	60.8
Iron and steel	3.1	3.6	3.7	3.3	3.2
Chemicals	13.7	13.7	14.2	13.2	13.3
5112 Cyclic hydrocarbons	1.4	1.4	1.7	1.4	1.6
5989 Chemical products and preparations, n.e.s.	1.0	1.0	0.9	1.0	1.0
5985 Chemical elements and compounds doped for use in electronics	1.3	1.5	1.3	0.9	1.0
5822 Other plastics, flat shapes, non-cellular and not reinforced, etc.	0.9	0.8	0.9	0.9	0.8
Other semi-manufactures	3.6	3.5	3.4	3.5	3.3
Machinery and transport equipment	35.5	36.1	33.4	32.3	33.2
Power generating machines	0.7	0.6	0.7	0.6	0.7
Other non-electrical machinery	8.1	10.1	8.3	7.4	8.1
7284 Machinery and appliances for particular industries, n.e.s.	3.7	5.4	3.7	3.6	4.0
7285 Parts, n.e.s. of machines/ appliances of 723.48, 727.21, 728.41 to 728.49	0.8	1.1	0.9	0.8	1.0
Agricultural machinery and tractors	0.0	0.0	0.0	0.0	0.0
Office machines & telecommunication equipment	19.9	18.5	17.4	17.1	17.4
7764 Electronic integrated circuits and micro-assemblies	13.9	13.0	12.0	11.5	11.6
7763 Diodes, transistors, etc.	1.1	1.2	1.0	1.0	0.9
7643 Radio or television transmission apparatus	0.6	0.5	0.5	0.8	0.9
Other electrical machines	4.1	4.1	4.1	4.0	3.7
Automotive products	1.5	1.7	2.0	2.0	2.1
7812 Motor vehicles for the transport of persons, n.e.s.	0.8	0.8	1.1	1.0	1.2
Other transport equipment	1.2	1.1	0.9	1.2	1.2
Textiles	0.5	0.5	0.5	0.5	0.5
Clothing	0.6	0.5	0.5	0.6	0.6
Other consumer goods	7.2	7.1	6.8	6.7	6.8
8747 Oscilloscopes, spectrum analysers and other instruments, etc.	0.8	1.0	0.8	0.9	0.9
Other	2.0	1.7	1.8	1.6	2.1
Gold	1.0	0.9	0.9	0.8	0.8

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1.3 Merchandise exports by destination, 2009-13

(US$ billion and %)

	2009	2010	2011	2012	2013
Total exports (US$ billion)	203.7	274.6	308.3	301.2	305.4
	(% of total)				
America	14.5	14.4	14.9	14.1	13.6
United States	11.6	11.5	11.8	11.0	10.7
Other America	2.9	2.9	3.1	3.1	2.9
Canada	0.7	0.7	0.8	0.8	0.8
Brazil	0.7	0.7	0.8	0.7	0.6
Mexico	0.5	0.6	0.5	0.6	0.6
Europe	11.3	10.8	10.1	9.5	9.1
EU(27)	10.5	9.9	9.3	8.7	8.3
Germany	2.3	2.4	2.2	1.9	1.8
United Kingdom	1.5	1.3	1.5	1.7	1.4
The Netherlands	2.1	1.9	1.5	1.5	1.5
Italy	0.9	0.9	0.8	0.6	0.6
EFTA	0.3	0.3	0.3	0.3	0.3
Other Europe	0.6	0.6	0.5	0.6	0.5
Commonwealth of Independent States (CIS)	0.4	0.5	0.6	0.6	0.6
Africa	1.1	0.8	1.0	1.0	1.1
Kingdom of Saudi Arabia	0.3	0.4	0.5	0.6	0.6
United Arab Emirates	0.5	0.5	0.5	0.5	0.6
Middle East	1.7	1.7	1.9	1.9	1.9
Asia	70.2	70.9	70.4	71.8	72.6
China	26.6	28.0	27.2	26.8	26.8
Japan	7.1	6.6	5.9	6.3	6.3
Six East Asian Traders	26.1	26.2	26.7	27.6	28.0
Hong Kong, China	14.5	13.8	13.0	12.6	12.9
Singapore	4.2	4.4	5.5	6.7	6.4
Korea, Rep. of	3.6	3.9	4.0	3.9	4.0
Thailand	1.9	1.9	2.0	2.2	2.1
Malaysia	2.0	2.2	2.2	2.2	2.7
Other Asia	10.3	10.1	10.6	11.1	11.5
Philippines	2.2	2.2	2.3	2.9	3.2
Viet Nam	2.9	2.7	2.9	2.8	2.9
Indonesia	1.6	1.6	1.6	1.7	1.7
Australia	1.2	1.1	1.2	1.2	1.2
India	1.2	1.3	1.4	1.1	1.1
Other	0.9	1.0	1.1	1.1	1.1

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1.4 Merchandise imports by origin, 2009-13

(US$ billion and %)

	2009	2010	2011	2012	2013
Total imports (US$ billion)	174.4	251.2	281.4	270.5	269.9
			(% of total)		
America	13.3	13.5	12.6	12.0	12.5
United States	10.5	10.2	9.3	8.8	9.3
Other America	2.9	3.3	3.3	3.2	3.1
Brazil	0.7	1.0	1.1	1.1	1.0
Europe	9.9	9.4	9.6	9.3	9.9
EU(27)	9.0	8.5	8.5	8.3	8.8
Germany	3.2	3.3	3.3	2.9	3.1
The Netherlands	1.1	1.3	1.0	1.3	1.7
France	1.0	0.9	1.0	1.1	1.0
EFTA	0.8	0.8	1.0	0.9	1.0
Other Europe	0.1	0.1	0.1	0.1	0.1
Commonwealth of Independent States (CIS)	1.8	1.3	1.3	1.7	1.5
Russian Federation	1.3	0.9	0.8	1.2	1.2
Africa	2.2	2.8	3.8	3.5	3.0
Angola	0.6	1.1	2.0	1.8	1.4
Middle East	12.8	12.4	12.7	15.9	16.1
Kingdom of Saudi Arabia	5.0	4.7	4.9	5.5	5.8
Kuwait	2.6	2.4	2.7	3.2	3.1
Qatar	0.4	0.8	1.3	2.0	2.3
United Arab Emirates	1.4	1.4	1.5	1.7	1.7
Oman	0.6	0.7	0.5	1.6	1.3
Asia	57.7	58.7	58.2	55.8	54.7
China	14.0	14.3	15.5	15.1	15.8
Japan	20.8	20.7	18.5	17.6	16.0
Six East Asian Traders	13.6	14.7	14.4	13.8	14.0
Korea, Rep. of	6.0	6.4	6.3	5.6	5.8
Singapore	2.8	3.0	2.8	3.0	3.2
Malaysia	2.7	3.1	3.1	2.9	3.0
Thailand	1.5	1.5	1.6	1.4	1.4
Hong Kong, China	0.6	0.6	0.6	1.0	0.6
Other Asia	9.3	9.1	9.8	9.3	8.9
Australia	3.4	3.6	3.9	3.4	2.9
Indonesia	3.0	2.4	2.6	2.7	2.6
India	0.9	1.1	1.1	1.0	1.0
Other	2.3	1.9	1.8	1.8	2.3

Source: UNSD, Comtrade database (SITC Rev.3).

Table A3.1 Tariff lines affected by schedule changes in 2010 and 2012

Tariff number	Products	MFN rate applied after the change (%)	MFN rates applied before the change (%)
Schedule changed in June 2010			
07019000	Potatoes (other than seed), fresh or chilled	15	20
23033000	Brewing or distilling dregs and waste	0	3
27090090	Other petroleum oils and oils obtained from bituminous minerals, crude	0	2.5
27101949	Other fuel oil	0	10
27101967	Partly refined petroleum, including topped crudes	0	5
84073490	Reciprocating spark-ignition internal combustion piston engines for other motor vehicles, of a cylinder capacity exceeding 1,000cc	17.5	20
84819090	Other parts of articles of heading 84.81	3	5
85285910	Other colour non-cathode-ray tube monitors	0	10
85285920	Other black and white or other monochrome non-cathode-ray tube monitors	0	7.5
87029010	Gas bus	10	15
90031100	Frames and mounting for spectacles, goggles or the like, of plastic	5	10
90031920	Frames and mounting for spectacles, goggles or the like, of base metal	5	6.8
90031930	Frames and mounting for spectacles, goggles or the like, of precious metal	5	6.8
90031990	Frames and mounting for spectacles, goggles or the like, of other materials	5	6.8
90039000	Parts of frames and mounting for spectacles, goggles or the like	5	6.8
82090010[a]	Plates, sticks, tips and the like for tools, unmounted, of tungsten carbides	0	n.a.
82090090[a]	Other plates, sticks, tips and the like for tools, unmounted, of cermets	5	n.a.
84183010[a]	Freezers of the chest type, of exceeding low temperature (-70°c and under) not exceeding 800L capacity	0	n.a.
84183090[a]	Other freezers of the chest type, not exceeding 800L capacity	3.5	n.a.
84184010[a]	Freezers of the upright type, of exceeding low temperature (-70°c and under) not exceeding 900L capacity	0	n.a.
84184090[a]	Other freezers of the upright type, not exceeding 900L capacity	3.5	n.a.
84185010[a]	Other freezers of exceeding low temperature (-70°c and under)	0	n.a.
84185090[a]	Other furniture (chests, cabinets, display counters, show-cases and the like) for storage and display, incorporating refrigerating of freezing equipment	3.5	n.a.
84186910[a]	Refrigerating machines of electricity, for central system	2.5	n.a.
84431920[a]	Textile printing machines	4	n.a.
84518000[a]	Other machinery of heading 84.51	4	n.a.
85059070[a]	Other articles of heading 85.05	0	n.a.
85059091[a]	Flux conductor for articles of heading 85.05	0	n.a.
85059092[a]	Ferrite core and yoke for articles of heading 85.05	0	n.a.
85059099[a]	Other parts of articles of heading 85.05	0	n.a.
87021030[a]	Hybrid electric-petroleum bus	25	n.a.
87029020[a]	Electric bus	25	n.a.
90021110[a]	Interchangeable lenses, for single lens reflex cameras	0	n.a.
90021190[a]	Other objective lenses, for cameras, projectors or photographic enlargers or reducers	5	n.a.

Tariff number	Products	MFN rate applied after the change (%)	MFN rates applied before the change (%)
Schedule changed in November 2012			
06021090	Other unrooted cuttings and slips	0	6
84186100	Heating pumps other than air conditioning machines of heading 84.15	2.5	3.5
14049080[a]	Sphagnum moss, for plant growing media use	0	n.a.
38249093[a]	Mixture oligomer of diphenylmethane diisocyanate (excluding item 39093010)	1.2	n.a.
70200013[a]	Quartz crucibles, solely for the manufacture of semiconductor boules	5	n.a.
84159010[a]	Indoor or outdoor units for split-system air conditioning machines	10	n.a.
84159090[a]	Other parts of air conditioning machines	1.5	n.a.

n.a. Not applicable.

a New lines resulted from changes in nomenclatures.

Source: Information provided by the authorities.

Table A3.2 Tariff quotas utilization ratio, 2009-13

(%)

	2009	2010	2011	2012	2013
Deer velvet	99.6	99.6	99.6	99.6	99.4
Bananas	0.0	0.0	0.0	0.0	0.0
Fresh pears	96.0	99.9	99.6	76.3	57.9
Liquid milk	38.9	53.5	60.5	55.7	70.7
Peanuts	99.5	100	99.9	99.7	98.5
Rea bean	87.0	99.8	99.9	99.9	100
Garlic bulbs	74.5	89.6	54.1	99.3	22.6
Dried shiitake	12.6	61.0	51.3	51.3	51.4
Dried day lily	73.1	39.6	89.1	77.1	0.0
Young coconut	27.3	52.3	84.2	28.1	66.6
Betel nuts	0.0	0.2	0.1	0.3	0.2
Pineapples	8.0	5.7	6.6	7.5	11.9
Mangoes	0.0	0.0	0.0	0.0	0.0
Shaddocks	0.0	0.0	0.0	0.0	0.0
Dried longans and longan pulp	100	100	100	99.0	100
Rice	100	99.9	99.9	99.9	92.7

Source: WTO Secretariat, based on WTO documents G/AG/N/TPKM/75, G/AG/N/TPKM/87, G/AG/N/TPKM/94, G/AG/N/TPKM/102; and information provided by the authorities.

Table A3.3 Products subject to import prohibition, 2013

HS code	Product
0208.90.29.20	Meat of dogs
0301.99.29.50	Whale shark (Rhincodon typus), live
0302.65.00.10	Whale shark, fresh or chilled
0302.69.99.80	Puffer fish, fresh or chilled
0303.75.00.10	Whale shark (Rhincodon typus), frozen
0303.79.99.30	Puffer fish, frozen
0304.19.90.40	Whale shark (Rhincodon typus) fillets and its meat, fresh or chilled
0304.19.90.60	Puffer fish fillets and its meat (whether or not minced), fresh or chilled
0304.29.90.41	Whale shark, fillets or steaks, frozen
0304.29.90.70	Puffer fish fillets and its meat (whether or not minced), frozen
0304.99.19.10	Puffer fish, minced (surimi), frozen
0305.30.90.30	Ball puffer fillets, dried, salted or in brine, but not smoked
0305.59.90.30	Puffer fish, dried
0602.90.10.10	Mushroom spawn, containing narcotics
1207.99.20.90	Other Huo Ma Jen (Cannabis Fructus)
1404.90.99.50	Mushroom products, containing narcotics
1604.19.90.31	Ball puffer fish, whole or in pieces, but not minced, prepared or preserved, frozen
1604.19.90.32	Ball puffer fish, whole or in pieces, but not minced, prepared or preserved, canned
1604.19.90.39	Other ball puffer fish, whole or in pieces, but not minced, prepared or preserved
1604.19.90.71	Whale shark (Rhincodon typus), whole or in pieces, but not minced, prepared or preserved, frozen
1604.19.90.72	Whale shark (Rhincodon typus), whole or in pieces, but not minced, prepared or preserved, canned
1604.19.90.79	Other whale shark (Rhincodon typus), whole or in pieces, but not minced, prepared or preserved
2710.19.51.21	Blending oils containing 70% or more by weight of petroleum products (containing polychlorobiphenyls)
2710.91.10.00	Oil, electric transformer, containing polychlorobiphenyls, polychlorinated naphthalene chloronaphthalen, polychlorinated terphrnyls or hexachloro benzene, perchlorobenzene
2710.91.20.00	Condenser oil, electric, containing polychlorobiphenyls, polychlorinated naphthalene chloronaphthalen, polychlorinated terphrnyls or hexachloro benzene, perchloro benzene
2710.91.90.00	Other oil containing polychlorinated biphenyls (PCBs), polychlorinated terphenyls (PCTs) or polybrominated biphenyls (PBBs)
2830.90.90.10	Trinickel disulfide
2852.00.00.90	Other Compounds, inorganic or organic, of mercury, excluding amalgams.
2903.14.00.00	Carbon tetrachloride
2903.19.10.10	Trichloroethane, Methyl Chloroform, C2H3Cl3
2903.41.00.00	Trichlorofluoromethane
2903.42.00.00	Dichlorodifluoromethane
2903.43.00.00	Trichlorotrifluoroethane
2903.44.00.00	Dichlorotetrafluoroethane and Chloropentafluoroethane
2903.45.00.11	Chlorotrifluoromethane (CFC-13)
2903.45.00.21	Pentachlorofluoroethane (CFC-111)
2903.45.00.22	Tetrachlorodifluoroethane (CFC-112)
2903.45.00.31	Heptachlorofluoropropane (CFC-211)
2903.45.00.32	Hexachlorodifluoropropane (CFC-212)
2903.45.00.33	Pentachlorotrifluoropropane (CFC-213)
2903.45.00.34	Tetrachlorotetrafluoropropane (CFC-214)
2903.45.00.35	Trichloropentafluoropropane (CFC-215)
2903.45.00.36	Dichlorohexafluoropropane (CFC-216)
2903.45.00.37	Chloroheptafluoropropane (CFC-217)
2903.46.00.00	Bromochlorodifluoromethane, bromotrifluoromethane and dibromotetrafluoroethanes
2903.49.00.31	1,2-Dibromo-3-Chloropropane (DBCP)
2903.51.00.00	1,2,3,4,5,6-Hexachlorocyclohexane (HCH (ISO)), including lindane (ISO, INN
2903.62.10.00	Hexachlorobenzene (ISO)
2903.62.20.00	DDT (ISO) (clofenotane (INN), 1,1,1-trichloro-2,2-bis(p-chlorophenyl)ethane)

HS code	Product
2904.20.00.14	P-nitrobiphenyl
2908.11.00.00	Pentachlorophenol (ISO)
2908.19.10.00	Salts of pentachlorophenol (ISO)
2908.19.90.20	2,4,5-trichlorophenol
2909.19.90.10	Dichloromethyl ether
2909.19.90.30	Chloromethyl methyl ether
2921.45.00.60	2-naphthylamine (beta-naphthylamine)
2921.45.00.71	2-naphthylamine (beta-naphthylamine) acetate
2921.45.00.72	2-naphthylamine (beta-naphthylamine) hcl
2921.49.00.10	4-aminobiphenyl
2921.49.00.20	4-aminobiphenyl hcl
2925.29.00.10	Hydroxylimine HCL
2929.90.00.10	Alpha-bromobenzyl cyanide (benzeneacetonitrile, bromo)
3301.90.11.00	Extracted oleoresins of opium
3403.19.90.10	Lubricating preparations, containing polychlorinated biphenyls, polychlorinated naphthalene, chloronaphthalene, polychlorinated terphenyls or hexachloro benzene, perchlorobenzene,
3404.90.90.10	Waxes composed of polychloro-biphenyls or polychloronaphthalenes
3813.00.00.10	Preparations and charges for fire-extinguishers, containing bromotrifluoromethane (halon-1301), bromochlorodifluoromethane (halon-1211)or dibromotetrafluoroethane (halon-2402)
3824.90.23.10	Condenser oil not of mineral oil origin, (containing polychlorinated biphenyls, polychlorinated naphthalene, chloronaphthalene, polychlorinated terphenyls or hexachloro benzene, perchlorobenzene)
3824.90.99.11	Polychlorobiphenyls
8424.10.00.10	Fire-extinguishers, containing bromotrifluoromethane (halon-1301), bromochlorodifluoromethane (halon-1211)or dibromotetrafluoroethane (halon-2402)
8548.10.10.00	Waste lead-acid accumulators and spent lead-acid accumulators

Source: Information provided by the authorities.

Table A3.4 Anti-dumping measures, January 2002-November 2013[a]

Partner affected	Initiation	In force	Withdrawn	Product description
Measures in force				
China	01 Mar 06	19 Sep 06		Towelling products
China	13 Oct 06	16 Mar 07		Certain footwear
China	08 Dec 09	20 May 10		Benzoyl peroxide
China	06 Feb 10	16 Jul 10		Sodium formaldehyde sulpoxylate
China	06 Dec 10	30 May 11		Portland cement type I, II and its clinker
China	20 Feb 13	15 Aug 13		Certain cold-rolled stainless steel Products
Korea	20 Feb 13	15 Aug 13		Certain cold-rolled stainless steel products
China[a]	25 Nov 13			Computer to plate
Measures expired / expired after extension				
Korea	01 Jan- 8	14 Dec-98	14 Dec 03	Uncoated stress-relieved steel wires
India	01 Jan 98	14 Dec 98	14 Dec 03	Uncoated stress-relieved steel wires
Australia	01 Jan 97	21 Mar 97	14 Jun 04	H-beam
Korea	01 Jan 98	14 Dec 98	14 Jun 04	H-beam
Poland	01 Jan 98	14 Dec-98	14 Jun 04	H-beam
Russian Federation	01 Jan 98	14 Dec 98	14 Jun 04	H-beam
Japan	01 Jan 98	10 Dec 99	22 Mar 05	H-beam
Korea	19 Jul 01	19 Jul 02	05 May 08	Portland cement
Philippines	19 Jul -01	01 Jul 02	05 May 08	Portland cement
Japan	01 Jan 00	20 Jul 00	03 Mar 11	Art paper
Measures terminated / withdrawn				
Indonesia	19 Sep 01		24 Jan 02	Uncoated stress-relieved steel wires
Germany	13 Jan 03		30 Apr 03	Hot-rolled stainless steel coil - black
Italy	13 Jan 03		30 Apr 03	Hot-rolled stainless steel coil - black
Indonesia	14 Oct 06		22 Aug 07	Uncoated printing and writing paper
China	14 Oct 06		22 Aug 07	Uncoated printing and writing paper
Japan	14 Oct 06		22 Aug 07	Uncoated printing and writing paper
China	26 Mar 12		03 Jul 12	Carbon steel cold rolled steel flat products
Korea	26 Mar 12		03 Jul 12	Carbon steel cold rolled steel flat products
India	26 Mar 12		03 Jul 12	Hot-rolled steel plate
Korea	26 Mar 12		03 Jul 12	Hot-rolled steel plate
Japan	26 Mar 12		03 Jul 12	Low grade non-grain-oriented electrical steel
China	03 Feb 12		11 Dec 12	Coated paper
Finland	03-Feb 12		11 Dec 12	Coated paper
Japan	03 Feb 12		11 Dec 12	Coated paper
Korea	03 Feb 12		03 Jul 12	Coated paper

a The measures listed in this table are listed by trading partner affected.
b Newly opened investigation with application of provisional measures.

Source: WTO Secretariat; and online information, viewed at: http://www.moeaitc.gov.tw/ITCWEB/webform/wfrmNews.aspx?News=1&pagestyle=2&programid=250.

Table A3.5 Products subject to export prohibition, 2013

HS code	Product
0208.90.29.20	Meat of dogs
0301.99.29.50	Whale shark (Rhincodon typus), live
0302.65.00.10	Whale shark, fresh or chilled
0303.75.00.10	Whale shark (Rhincodon typus), frozen
0304.19.90.40	Whale shark (Rhincodon typus) fillets and its meat, fresh or chilled
0304.29.90.41	Whale shark, fillets or steaks, frozen
0602.90.10.10	Mushroom spawn, containing narcotics
1211.90.60.00	Putchuck, new (Radix Saussureae)
1211.90.91.41	Guang Fang Jee (Radix Aristolochiae Fangchi)
1211.90.91.42	Guan Mu Tong (Caulis Aristolochiae Manshuriensis)
1211.90.91.43	Mar Doe Ling (Fructus Aristolochiae)
1211.90.91.44	Ten Shen Tirng (Caulis Aristolochiae)
1404.90.99.50	Mushroom products, containing narcotics
1604.19.90.71	Whale shark (Rhincodon typus), whole or in pieces, but not minced, prepared or preserved, frozen
1604.19.90.72	Whale shark (Rhincodon typus), whole or in pieces, but not minced, prepared or preserved, canned
1604.19.90.79	Other whale shark (Rhincodon typus), whole or in pieces, but not minced, prepared or preserved
2505.90.00.00	Other natural sands of all kinds, whether or not coloured, other than metal-bearing sands of Chapter 26
2517.10.90.00	Pebbles, gravels, broken or crushed stone, of a kind commonly used for concrete aggregates, for road metalling or for railway or other ballast, shingle and flint, whether or not heat-treated
2903.51.00.00	1,2,3,4,5,6-Hexachlorocyclohexane (HCH (ISO)), including lindane (ISO, INN
2921.45.00.60	2-naphthylamine (beta-naphthylamine)
2921.45.00.71	2-naphthylamine (beta-naphthylamine) acetate
2921.45.00.72	2-naphthylamine (beta-naphthylamine) hcl
2921.49.00.10	4-aminobiphenyl
2921.49.00.20	4-aminobiphenyl hcl
2925.29.00.10	Hydroxylimine HCL
8710.00.00.10	Tanks and other armoured fighting vehicles, motorized, whether or not fitted with weapons
8710.00.00.20	Parts of tanks and other armoured fighting vehicles, motorized
8906.10.00.00	Warships
9301.11.00.00	Self-propelled, artillery weapons
9301.19.00.00	Other artillery weapons
9301.20.00.00	Rocket launchers; flame-throwers; grenade launchers; torpedo tubes and similar projectors
9301.90.00.00	Other military weapons
9705.00.00.20	Collections and collectors' pieces of weapon
9705.00.00.90	Other collections and collectors pieces of zoological, botanical, mineralogical, anatomical, historical, archaeological, palaeontological, ethnographic or numismatic interest
9706.00.00.90	Other antiques of an age exceeding one hundred years

Source: Information provided by the authorities.

Table A3.6 Products subject to export licensing, 2013

HS code	Product
2903.14.00.00	Carbon tetrachloride
2903.19.10.10	1,1,1-Trichloroethane, Methyl Chloroform, $C_2H_3Cl_3$
2903.41.00.00	Trichlorofluoromethane
2903.42.00.00	Dichlorodifluoromethane
2903.43.00.00	Trichlorotrifluoroethane
2903.44.00.00	Dichlorotetrafluoroethane and Chloropentafluoroethane
2903.45.00.11	Chlorotrifluoromethane (CFC-13)
2903.45.00.21	Pentachlorofluoroethane (CFC-111)
2903.45.00.22	Tetrachlorodifluoroethane (CFC-112)
2903.45.00.31	Heptachlorofluoropropane (CFC-211)
2903.45.00.32	Hexachlorodifluoropropane (CFC-212)
2903.45.00.33	Pentachlorotrifluoropropane (CFC-213)
2903.45.00.34	Tetrachlorotetrafluoropropane (CFC-214)
2903.45.00.35	Trichloropentafluoropropane (CFC-215)
2903.45.00.36	Dichlorohexafluoropropane (CFC-216)
2903.45.00.37	Chloroheptafluoropropane (CFC-217)
2903.46.00.00	Bromochlorodifluoromethane, bromotrifluoromethane and dibromotetrafluoroethanes
7102.10.00.00	Diamond, unsorted
7102.21.00.00	Industrial diamonds, unworked or simply sawn, cleaved or bruted
7102.31.00.00	Non-industrial diamonds, unworked or simply sawn, cleaved or bruted
8486.10.00.20	Grinding, polishing and lapping machines for processing of semiconductor wafers
8486.20.00.11	Chemical vapour deposition apparatus for semiconductor production
8486.20.00.12	Physical deposition apparatus for semiconductor production
8486.20.00.31	Machine-tools for dry-etching patterns on semiconductor materials
8486.20.00.32	Spraying appliances for etching, stripping or cleaning semiconductor wafers
8486.20.00.33	Apparatus for wet etching, developing, stripping or cleaning semiconductor wafers
8486.20.00.40	Epitaxial deposition machines for semiconductor wafers
8486.20.00.50	Ion implanters for doping semiconductor materials
8486.20.00.61	Step and repeat aligners for semiconductor wafers
8486.20.00.62	Scanning aligners for semiconductor wafers
8486.20.00.63	Electron beam direct writers to produce patterns on semiconductor wafer
8486.20.00.71	Spin dryers for semiconductor wafer processing
8486.20.00.72	Spinners for coating photographic emulsions on semiconductor wafers
8486.20.00.73	Photo-resist coaters for semiconductor wafers
8486.20.00.80	Apparatus for rapid heating of oxidation, diffusion, annealing of semiconductor wafers
9031.41.10.10	Photomicrographic microscopes fitted with equipment specifically designed for the handling and transport of semiconductor wafers or reticles
9031.80.00.20	Electron beam microscopes fitted with equipment specifically designed for the handling and transport of semiconductor wafers or reticles

Source: Information provided by the authorities.

Table A4.1 Special safeguard measures, 2009-13

	Description of product	Volume-based SSGs[a]	Price-based SSGs[a]	
			Cases	Quantity affected (KG)
2009	Peanuts	27 Nov - 31 Dec		Not taken
	Other liquid milk	3 Aug -31 Dec		Not taken
	Pork offal	12 Nov - 31 Dec		Not taken
	Dried shiitake	28 Oct - 31 Dec		Not taken
	Shaddock	10 Feb - 31 Dec		Not taken
	Dried day lilies	23 Nov - 31 Dec		Not taken
	Pork belly	23 Dec - 31 Dec	4	15,904
2010	Chicken legs and wings	10 July - 31 Dec	1	496
	Fresh milk	28 July - 31 Dec		Not taken
	Other liquid milk	29 Oct - 31 Dec		Not taken
	Pork offal	20 Dec - 31 Dec		Not taken
	Dried shiitake	24 Feb - 31 Dec		Not taken
	Pork belly	3 Sept - 31 Dec	17	10,048.60
	Rice	31 Dec[b]		Not taken
2011	Dried shiitake	28 Jan - 31 Dec		Not taken
	Fresh milk	4 July - 31 Dec		Not taken
	Chicken legs and wings	3 Aug - 31 Dec		Not taken
	Other chicken cuts	2 Sept - 31 Dec	1	51
	Pork belly	13 Sept - 31 Dec	10	12,348.9
	Other liquid milk	25 Oct - 31 Dec		Not taken
2012	Dried shiitake	22 March - 31 Dec		Not taken
	Betel nuts	9 Apr - 31 Dec		Not taken
	Chicken legs and wings	19 Sept - 31 Dec		Not taken
	Fresh milk	26 Sept - 31 Dec		Not taken
	Other liquid milk	27 Nov - 31 Dec		Not taken
	Dried day lilies	17 Dec - 31 Dec		Not taken
	Livestock offal	28 Aug - 31 Dec		Not taken
2013	Rice	Not taken	24	1,500
	Peanuts	Not taken	41	3,874
	Pork belly	Not taken	22	213,905.3
	Other liquid milk	Not taken	31	7,912.5
	Betel nuts	26 Apr - 31 Dec		Not taken
	Other chicken cuts	Not taken	11	27,591
	Poultry offal	12 Aug - 31 Dec		Not taken
	Fresh milk	27 Sept - 31 Dec		Not taken
	Chicken legs and wings	8 Nov - 31 Dec	17	686,276.1
	Red beans	Not taken	2	40.5
	Dried shiitake	31 Dec		Not taken

a If both the volume-based and price-based SSGs are applicable on an import consignment, only one of them will be applied.

b The volume based SSG on rice was applied on 31 December 2010, when the accumulated import volume of rice reached the trigger level.

Source: WTO documents G/AG/N/TPKM/74, 25 February 2010; G/AG/N/TPKM/86, 21 March 2011; G/AG/N/TPKM/95, 13 March 2012; G/AG/N/TPKM/104, 23 May 2013; G/AG/N/TPKM/97, 9 October 2012; G/AG/N/TPKM/103, 17 May 2013; G/AG/N/TPKM/107, 14 October 2013; G/AG/N/TPKM/108, 22 October 2013; G/AG/N/TPKM/109, 3 December 2013, G/AG/N/TPKM/111/Corr.1, 27 February 2014; and information provided by the COA.

Table A4.2 Trigger price of price-based SSGs, 2014

Description of product		Tariff number	Trigger price (NT$/kg)
Peanuts	In shell	12023010, 12024100, 20081111, 20081191	11.8
	Shelled, flours, and meals	12023020, 12024200, 12089011, 12089021, 20081112, 20081192, 20081942	18.1
	oil	15081000, 15089000	25.9
Pears		08083090	54
Garlic		07032010, 07032090, 07129040	9.7
Betel nuts		08028000	50
Chicken legs and wings		02071311, 02071411, 02109912, 16023210	30
Other chicken cuts		02071100, 02071200, 02071319, 02071419, 02109919, 16023220	42
Liquid milk (NT$/l)		04011010, 04012010, 04014010, 04015010, 04029910, 04011020, 04012020, 04014020, 04015020, 04029920, 04029992, 04039029, 04039040, 04039059, 04039090, 18069053, 18069055, 19019025, 19019027	17
Red beans		07102910, 07133200, 11061010, 20049010, 20055110, 20055910, 20060011, 20060025	14.4
Dried shiitake		07123920	302.15
Shaddock		08054020	10.4
Persimmons		08107000	23.4
Dry day lilies		07129050	13.7
Pork belly		02031911, 02031991, 02032911, 02032991	30
Rice	In the husk	10061000	6
	Husked	10062000	7
	Polished, glutinous, semi-milled or wholly milled	10063000, 10064000	8
	Flour, meal, starch, other worked	11029011, 11029019, 11031930, 11032010, 11041910, 11042920, 11081910	9

Note: 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 countries.

Source: Information provided by the COA.

Table A4.3 Electricity produced and purchased, 2012-13

Item			Electricity produced & purchased (GWh)		Share of total (%)		Growth rate (%)	
Year			**2012**	**2013**	**2012**	**2013**	**2012**	**2013**
P.S. Hydro			2,889	3,174	1.4	1.5	-5.2	8.6
Thermal	TPC		115,272	115,637	54.1	54.2	4.1	-2.1
	IPPs		39,558	37,522	18.6	17.6	1.8	0.5
	Cogeneration		9,255	9,698	4.3	4.5	-2.6	34.5
	Subtotal		164,085	162,857	77	76.3	3.1	0.1
Nuclear			40,522	40,079	19	18.8	1.2	3.1
Renewable energy	Conventional hydro	TPC	3,995	4,539	1.5	2.1	-9.9	-3.2
		IPPs	113	150	0.1	0.1	-2.3	-4.5
		Hydro entrusted to TPC	768	712	0.4	0.3	23.8	-11.4
	Wind power	TPC	803	748	0.4	0.4	55.9	1.5
		IPPs	730	869	0.3	0.4	44.0	15.4
	Solar energy	TPC	9	17	0.0	0.0	123.7	30.8
		IPPs	29	284	0.0	0.1	1,133	127.2
	Subtotal		5,546	7,319	2.6	3.4	6.7	0.6
Total			213,042	213,429	100	100	2.7	0.8

Source: TPC online information. Viewed at: http://www.taipower.com.tw/e_content/content/mma/mma01-1.aspx?sid=3 [19/11/13]; and information provided by the Bureau of Energy, MOEA.

Table A4.4 Summarized trade regimes of transport services

Subsectors	GATS	FTAs	ECA with NZ	Applied regime
11.A. International maritime transport	Not explicitly covered by GATS	**FTAs with El Salvador and Honduras/Guatemala/Nicaragua**: Foreign investment restrictions: - zero% for unlimited companies; - ½ of the equity for a limited company or a company limited by shares. The representative director of the limited company must be a national of Chinese Taipei. The chairman and at least ½ of the board of directors must be its nationals **FTA with Panama**: same except the chairman/representative director and at least 2/3 of the board of directors must be its nationals	Maritime transportation services and the operation of "vessels of Chinese Taipei": Cross-border trade in services and investment: 1. To transport passengers and cargos, foreign vessel carriers must: - set up a branch company and obtain the approval from competent authorities; - authorize a local shipping agency to handle the passenger or cargo transporting affairs on their behalf. 2. People seeking to engage in maritime transport as a vessel carrier must own at least one of the Chinese Taipei vessels. 3. To register as "vessels of Chinese Taipei": - the ship must be owned by its authorities; - the ship must be owned by its citizens; - the ship must be owned by companies incorporated under its laws, with principal offices situated within Chinese Taipei[a]; - the ship must be owned by a juridical person established under its laws, with its main office situated within Chinese Taipei and at least 2/3 of the members and the statutory representatives must be its citizens. 4. Ship owners or operators must employ eligible local seafarers in the first priority. The employment of foreign seafarers must be approved by the competent authority and the approval is subject to economic needs tests	Shipping Law, Law of Ships, Seafarer Act, Guidelines of Permission and Administration for Employing Foreign Seafarers Overall regime identical to that provided in the ECA with NZ, via the obligations contained in Chapters 12 and 13 of this agreement

Subsectors	GATS	FTAs	ECA with NZ	Applied regime
11.A.(f) Supporting services for maritime transport	Not explicitly covered by GATS	**FTAs with El Salvador and Honduras/Guatemala/Nicaragua/Panama**: No restrictions	No restrictions	Shipping Law, Law of Ships
11.B. Internal waterway transport, cabotage, and pilotage	Not explicitly covered by GATS	**FTAs with El Salvador and Honduras/Guatemala/Nicaragua/Panama**: Foreign investment restrictions: - zero% for unlimited companies; - 1/3 of the equity for a limited company or a company limited by shares The representative director/chairman and at least 2/3 of the board of directors must be nationals of Chinese Taipei Cross-border trade in services: - any non-local vessel may not navigate between the ports to transport passengers and cargos unless a franchise is granted; - no person may be registered as a pilot if he loses his nationality of Chinese Taipei; - unless otherwise specially approved by the government or for seeking shelter, any non-local flag ship may not stay in any harbour or port other than those announced by the government as international port	Cross-border trade in services and investment: - foreign vessels may not navigate between ports to transport passengers or cargos unless an approval is granted by the competent authority on an annual basis - docking at ports other than the designated international ports is not permitted for foreign vessels unless seeking shelter or approved by the competent authority	Shipping Law, Law of Ships, Pilotage Law Overall regime identical to that provided in the ECA with NZ, via the obligations contained in Chapters 12 and 13 of this agreement
11.C. Air transport services: (a) Maintenance and repair of aircraft, (b) Selling and marketing of air transport services, (c) Computer reservation system	(a) Maintenance and repair of aircraft: (1) unbound; (2) none; (3) none; (4) unbound except as indicated in the horizontal section (b) Selling and marketing of air transport services: (1) none; (2) none; (3) none; (4) unbound except as indicated in the horizontal section	**FTAs with El Salvador and Honduras/Guatemala/Nicaragua/Panama**: No restrictions	No restrictions	Civil Aviation Act, Regulations Governing General Aviation Overall regime identical to the FTAs and ECA, i.e., no restrictions

Subsectors	GATS	FTAs	ECA with NZ	Applied regime
	(c) Computer reservation system: (1) none; (2) none; (3) none; (4) unbound except as indicated in the horizontal section			
Airport ground handling services[b], catering services	Not explicitly covered by GATS	**FTAs with El Salvador and Honduras/Guatemala/Nicaragua/Panama:** Foreign investment in an airport ground handling services or a catering service company: - zero% for unlimited companies; - ½ of the equity for a limited company or a company limited by shares. The representative director/chairman and at least ½ of the board of directors of a limited company or a company limited by shares must be Chinese Taipei nationals	Foreign investment in ground handling or catering services must meet the following requirements: - unlimited company with the entire body of its shareholders being citizens of Chinese Taipei; - limited company with over 50% of capital owned by citizens or juridical persons of Chinese Taipei and represented by directors who are its citizens - company formed by shareholders of both limited and unlimited liabilities, whose unlimited liability shareholders are its citizens - company limited by shares with over 50% of its total shares owned by its citizens or juridical persons, whose chairman and over 50% of the directors are its citizens; and no single foreign citizen or juridical person may hold more than 25% of its total shares Cross-border trade: Chinese Taipei reserves the right to adopt or maintain any measure as part of the act of devolving baggage handling and hangar services that is provided by the government-owned airport at the time this Agreement enters into force. A local responsible agent may be required for baggage handling services	Civil Aviation Act, Regulations Governing General Aviation Overall regime identical to that provided in the ECA with NZ, via the obligations contained in Chapters 12 and 13 of this agreement

Subsectors	GATS	FTAs	ECA with NZ	Applied regime
Airfield management and operation[b]	Not explicitly covered by GATS	**FTAs with El Salvador and Honduras/Guatemala/Nicaragua/Panama**: Foreign investment: - zero% for unlimited companies; - 1/3 of the equity for a limited company or a company limited by shares[c] The representative director/chairman and at least 2/3 of the board of directors of a limited company or a company limited by shares must be nationals of Chinese Taipei; and the managers and operators of the airfield must be its nationals	Foreign investment must meet the following requirements: - unlimited company completely owned by Chinese Taipei citizens; - limited company with over 50%[c] of capital owned by its citizens or juridical persons and represented by directors who are its citizens; - company formed by shareholders of both limited and unlimited liabilities, whose unlimited liability shareholders must be its citizens; - company limited by shares with over 50% of its total shares owned by its citizens or juridical persons, whose chairman and over 50% of the directors are its citizens; and no single foreign citizen or juridical person may hold more than 25% of its total shares; - other juridical persons whose representatives are its citizens	Civil Aviation Act Overall regime identical to that provided in the ECA with NZ, via the obligations contained in Chapter 12 of this agreement
Airport operation and management[b]	Not explicitly covered by GATS	**FTAs with El Salvador and Honduras/Nicaragua**: Investment and cross border trade in services: Only state, county, and city governments are allowed to establish and operate airports, including the air traffic control services **FTAs with Guatemala/Panama**: airport operation and management, including terminal and air traffic control services, are reserved to the state	Foreign investment in a private airport terminal company subject to: - company limited by shares with over 50% of its shares owned by citizens or juridical persons of Chinese Taipei, whose chairman and over 50% of the directors are its citizens; - and no single foreigner or juridical person may hold more than 25% of its total shares.	Civil Aviation Act Overall regime identical to that provided in the ECA with NZ, via the obligations contained in Chapter 12 of this agreement
Air transport auxiliary services	Not explicitly covered by GATS	**FTAs with El Salvador and Honduras/Guatemala/Nicaragua/Panama**: The aircraft pilot and other aeronautical technical personnel must be Chinese Taipei nationals, unless exclusively permitted by the Ministry of Transportation and Communication in accordance with relevant regulations	Foreign natural persons may only be employed as aircraft pilot, flight engineer, mechanic, repairman, and aircraft dispatcher with the approval of the MOTC	Civil Aviation Act Overall regime identical to that provided in the ECA with NZ, via the obligations contained in Chapter 13 of this agreement

Subsectors	GATS	FTAs	ECA with NZ	Applied regime
General aviation services: business engaging in aerial tourism, survey, photographing, fire-fighting and searching, paramedic, hauling and lifting, spraying and dusting, and those authorized and other than air transport of passengers, cargo and mail flight operations for compensation or hire	Not explicitly covered by GATS	**FTAs with El Salvador and Honduras / Guatemala / Nicaragua / Panama**: Foreign investment in a civil air transport enterprise or a specialty air service company: - zero% for unlimited companies; - 1/3 of the equity for a limited company or a company limited by shares[c] The representative director/chairman and at least 2/3 of the board of directors of a limited company or a company limited by shares must be Chinese Taipei nationals Cross-border trade in services: only its aircraft are allowed to provide general domestic aviation services	Cross-border trade: provision of specialty air services other than services supplied by general aviation enterprises is prohibited in Chinese Taipei. General aviation enterprises must be established in Chinese Taipei, subject to approval by the MOTC. Foreign investment in civil air transport enterprise and general aviation enterprise must meet the following requirements: - unlimited company with the entire body of its shareholders being citizens of Chinese Taipei; - limited company with over 50%[c] of capital owned by its citizens or juridical persons and represented by directors who are its citizens - company formed by shareholders of both limited and unlimited liabilities, whose unlimited liability shareholders are its citizens. - company limited by shares with over 50% of its total shares owned by its citizens of juridical persons, whose chairman and over 50% of the directors are its citizens; and no single foreign citizen or juridical person may hold more than 25% of its total shares	Civil Aviation Act, Regulations Governing General Aviation Overall regime identical to that provided in the ECA with NZ, via the obligations contained in Chapters 12 and 13 of this agreement
Road transport (11F)	(a) Passenger transportation: (1) unbound; (2) none; (3) none; (4) unbound except as indicated in the horizontal section. (b) Freight transportation (limited to ordinary trucking services and container trucking services), excluding regular route trucking services as currently defined in the Highway Law: (1) unbound; (2) none; (3) none; (4) unbound except as indicated in	**FTAs with El Salvador and Honduras / Guatemala / Nicaragua**: Foreign investment restrictions: foreigners or unincorporated legal entities may not invest in automobile transportation providers within the boundaries of Chinese Taipei, but those approved by the central highway authority may apply to invest in car rental transportation services and freight transportation services[d] **FTA with Panama**: foreigners or unincorporated legal entities may not invest in automobile transportation providers within the boundaries of Chinese Taipei, but those approved by the central highway authority may apply to invest	Foreigners may not invest in the business of bus transportation, urban bus transportation, tour bus transportation, and taxicab transportation in Chinese Taipei	Highway Law Overall similar to the provisions contained in the FTAs

Subsectors	GATS	FTAs	ECA with NZ	Applied regime
	the horizontal section. (d) Maintenance and repair of road transport equipment: (1) none; (2) none; (3) none; (4) unbound except as indicated in the horizontal section	in car rental transportation services, general carrier transportation services, and container car transportation services[d]		
Rail transport services:	(a) Passenger transport: (1) unbound; (2) none; (3) none; (4) unbound except as indicated in the horizontal section. (b) Freight transport: (1) unbound; (2) none; (3) none; (4) unbound except as indicated in the horizontal section. (c) Maintenance and repair of rail transport equipment: (1) none; (2) none; (3) none; (4) unbound except as indicated in the horizontal section	**FTAs with El Salvador and Honduras/Guatemala/Nicaragua/Panama**: No restriction	Foreigners may not invest in railway in Chinese Taipei	Railway Law: In principle, railways must be state owned and managed. The construction, extension, transfer, or management of local, private, and special railways, must be ratified by the Ministry of Transportation and Communications (MOTC) Overall regime identical to the ECA with NZ
H. Services auxiliary to all modes of transport	(a) Cargo handling services: (1) unbound; (2) none; (3) none; (4) unbound except as indicated in the horizontal section. (b) Storage and warehousing services: (1) unbound; (2) none; (3) none; (4) unbound except as indicated in the horizontal section. (c) Freight transport agency services: (1) none; (2) none;	**FTAs with El Salvador and Honduras/Guatemala/Nicaragua/Panama**: No restriction	No restriction	

Subsectors	GATS	FTAs	ECA with NZ	Applied regime
	(3) none; (4) unbound except as indicated in the horizontal section. (d) Other supporting and auxiliary transport services (excluding local pick-up and delivery): (1) none; (2) none; (3) none; (4) unbound except as indicated in the horizontal section			

a The authorities state that, 100% foreign-owned companies, incorporated in Chinese Taipei, with principal offices there, are not allowed to fly Chinese Taipei flag.

b According to the authorities, "airport ground handling services", "airfield management and operation services", and "airport operation and management" services are different. In accordance with the Civil Aviation Act:

- "airport ground handling services" means a service that involves towing and guiding aircraft on the ramp, loading and unloading of baggage, cargo and meals, cleaning the aircraft cabin, operating the air bridge, and other associated tasks;
- "airfield" means any land or water that is used for take-off, landing and surface movement by the aircraft, which must be established and managed after the approval of the Ministry of Transportation and Communications through Civil Aeronautics Administration. Currently, only central or local governments, its citizens or legal persons specified in Article 10 of the Civil Aviation Act may apply to establish an airfield and offer airfield operations and management services;
- "airport terminal" means an area of land that is used for the landing and take-off of aircraft, including its buildings and facilities to load/unload passengers/goods, which must be planned, established and managed after approval by the Ministry of Transportation and Communications through Civil Aeronautics Administration. Currently, all airports are State-owned or State-operated.

c According to the authorities, the foreign equity restrictions under the FTAs are more liberalized: instead of 1/3, foreign investment may not reach more than ½ of the equity for a limited company or a company limited by shares.

d In accordance with the Highway Law,

- "automobile transportation" services include passenger transportation, freight transportation, and vehicle rental transportation.
- "passenger transportation" includes bus transportation, urban bus transportation, tour bus transportation, and taxi cab transportation.
- "freight transportation" includes carrier transportation, line carrier transportation, and container carrier transportation.
- "vehicle rental business" includes car rental business and pickup truck rental business.

Source: WTO Secretariat, WTO document GATS/SC/136/Rev.1 (2 July 2002), FTAs with El Salvador and Honduras, Guatemala, Nicaragua, and Panama; and ECA with New Zealand; and information provided by the authorities.

Table A4.5 Summarized trade regimes of other selected services

Subsectors	GATS	FTAs (with El Salvador and Honduras / Guatemala / Nicaragua / Panama)	ECA with NZ	Applied regime
3. Construction and related engineering services (511 - 518)	(1) unbound (2) none (3) none (4) unbound except as indicated in the horizontal section	No restriction	No restriction	Construction Industry Act
4. Distribution services A. commission agents' services (621)	(1) none (2) none (3) none (4) unbound except as indicated in the horizontal section	No restriction	No restriction	
B. wholesale trade services (excluding firearms and military equipment) (622) C. retailing services (631, 632, 6111, 6113, 6121) (excluding firearms and military equipment) D. franchising (8929)	(1) none (2) none (3) none (4) unbound except as indicated in the horizontal section	No restriction	No restriction	Retail Market Management Regulation
5. Education services Student placement services for overseas studies related for education services as described in CPC 9222, 9223, 9224, 923, 924, and 929	(1) none (2) none (3) none (4) unbound except as indicated in the horizontal section	No restriction	No restriction	Private School Law Supplementary and Continuing Education Law
Primary and secondary education (921, 922)	Not explicitly covered by GATS	Foreign investment is not allowed in primary and junior high schools	Foreign national schools: primary and secondary schools established by foreigners must not enrol students without foreign citizenship Note: Foreign national primary and secondary	Private School Law: primary schools and junior high schools, under the current compulsory education policy, must be free and foreign investment is not allowed

Subsectors	GATS	FTAs (with El Salvador and Honduras / Guatemala / Nicaragua / Panama)	ECA with NZ	Applied regime
			schools established by New Zealand investors may be for profit No more than two New Zealand for-profit schools can be permitted in Chinese Taipei Local schools: New Zealand persons may not participate in primary or secondary schools, other than through financial contribution to an existing school board or in the establishment of a not-for-profit corporation in partnership / joint venture with local financial contributors in accordance with relevant laws and regulations	
Education services (9222, 9223, 9224, 923, 924, 929)	(1) none (2) none (3) none, except (a) the principal/president and chairman of the board must be national of Chinese Taipei; (b) the number of foreigners as director may not exceed one third of the board and may not exceed five directors (4) unbound except as indicated in the horizontal section	The chairman and at least 2/3 of the board of trustees, and the president/principal of the institution providing senior high school education, higher education, adult education and other education and training services (CPC 929) must be Chinese Taipei nationals	Adult and Other Education: foreign persons may not serve as a local manager for institutions providing adult education and/or other education services	Private School Law Supplementary and Continuing Education Law
6. Environmental services A. sewage services (9401); refuse disposal services (9402); other (9404, 9405, 9409)	(1) unbound (2) none (3) none (4) unbound except as indicated in the horizontal section	No restriction	No restriction	Basic Environment Act

Subsectors	GATS	FTAs (with El Salvador and Honduras/Guatemala/Nicaragua/Panama)	ECA with NZ	Applied regime
6. Environmental services sanitation and similar services (9403);	(1) unbound (2) none (3) none (4) unbound except as indicated in the horizontal section	No restriction	No restriction	Basic Environment Act
6. B. consulting services incidental to nature and landscape protection (9406)	(1) none (2) none (3) none (4) unbound except as indicated in the horizontal section	No restriction	No restriction	Basic Environment Act

Source: WTO Secretariat, WTO document GATS/SC/136/Rev.1 (2 July 2002), FTAs with El Salvador, Honduras, Guatemala, Nicaragua, and Panama; and ECA with New Zealand; and information provided by the authorities.

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