



TRADE POLICY REVIEW

REPORT BY

THE SEPARATE CUSTOMS TERRITORY OF TAIWAN, PENGHU, KINMEN AND MATSU

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

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1 INTRODUCTION

1.1. During the review period from 2018 to 2022, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu demonstrated resilient economic performance and production, notwithstanding the challenges posed by the COVID-19 pandemic. Notably, there has been positive growth observed in each and every year in both gross national income (GNI) and overall trade. The aggregated growth rates of 16.18% in Real gross domestic product (GDP) and 46.65% in total trade can be attributed to the implementation of timely and effective response measures. In the post-pandemic era, the pursuit of economic growth will be guided by four pivotal goals: reducing the burden on citizens, stabilizing consumer prices, restructuring industry, and maintaining economic momentum to foster a sustainable economic development.

1.2. In terms of trade policy, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is endeavoring to develop a diversified export market, with a focus on fostering balanced growth in international trade. This objective is being pursued through various strategies, including the enhancement of trade relations with key partners. Moreover, concerted efforts are being devoted to advance the New Southbound Policy and expand markets in emerging regions, including Africa, Central and South America, and the Middle East.

1.3. In terms of industrial innovation, the Program for Promoting Six Core Strategic Industries, which is derived from the 5+2 Industrial Innovation Plan, has been implemented since 2020 to facilitate industry transitions and improvements. Furthermore, the Ministry of Digital Affairs was established in 2022 to formulate overall policy for digital development, foster cybersecurity protections, facilitate digital transformations across industries, and enhance digital resilience.

1.4. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu recognizes climate change as a critical policy issue. Consequently, comprehensive policies addressing climate change were formulated during the review period with an aim to reach the target of net-zero emissions by 2050. It also actively engages in dialogues with other Members on environmental sustainability issues in international organizations such as the World Trade Organization (WTO) and the Asia-Pacific Economic Cooperation (APEC).

1.5. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu places significant importance on fostering a balanced development of its domestic economy. In this regard, dedicated efforts were undertaken during the review period to facilitate inclusive economic growth that encompasses diverse businesses and ensures the protection of labor rights. The objective is to facilitate the participation and empowerment of small and medium-sized enterprises (SMEs), indigenous communities, and women, allowing them to effectively engage in economic activities and reap substantial benefits from economic growth.

1.6. A constant focus is placed on regulatory reform, whereby the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu actively gathers suggestions from stakeholders across all sectors and coordinates inter-departmental consultations. These efforts seek to promote market openness, reduce unnecessary regulatory burdens, and cultivate a favorable investment climate. This proactive approach is geared towards bolstering global connectivity and igniting a renewed drive for economic development.

1.7. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu supports the multilateral trade regime and actively participates in WTO negotiations and other functions. To enhance regional economic cooperation, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu continues to participate in APEC and has made a bid to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2021, avidly seeking support from CPTPP members to facilitate collective prosperity within the regional economy.

1.8. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is firmly committed to the principles of market economy and will continue its efforts in contributing to a free, open, fair and transparent global trading system by adhering to WTO norms and rules.

2 ECONOMIC AND TRADE ENVIRONMENT

2.1 Economic Overview

2.1. During the review period, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu maintained positive economic growth, with real GDP growing 16.18% from TWD 18.64 trillion in 2018 to TWD 21.66 trillion in 2022. Economic growth in 2021 reached 6.53%, higher than the 3.39% growth rate in the previous year. The manufacturing sector also demonstrated impressive export performance, serving as a driving force for economic growth. Additionally, the gross fixed capital formation (GFCF) increased over 10% between 2021 and 2022 due to continuous capital injection from the technology industry and expansion of private sector investments in product development and applications, indicating that private investment plays an integral role in supporting economic growth.

2.2. In terms of the economic structure, the services sector remains the most important economic sector in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, accounting for approximately 60% of the GDP. The employment share of the service sector has also been gradually increasing, now accounting for nearly 60% of the total employment population. The industrial sector showed a slight increase in its contribution to GDP, rising to nearly 40%. The employment share was approximately 35%. The agricultural sector, accounting for less than 2% and continuing to decline, also showed a downward trend in employment share, decreasing from 4.90% in 2018 to 4.64% in 2022.

Table 1: Key Economic Indicators, 2018–2022

Indicator	2018	2019	2020	2021	2022
Gross domestic product (GDP)					
At current prices (TWD million)	18,375,022	18,908,632	19,914,806	21,738,982	22,666,522
Annual change (%)	2.18	2.90	5.32	9.16	4.27
Distribution (%), excluding statistical discrepancy					
Agricultural Sector (%)	1.69	1.68	1.58	1.43	1.41
Industrial Sector (%)	36.31	35.46	37.32	38.76	37.74
Service Sector (%)	62.00	62.86	61.10	59.81	60.85
Chained (2016) dollars (TWD million)	18,642,014	19,213,196	19,863,877	21,160,524	21,658,693
Annual change (%)	2.79	3.06	3.39	6.53	2.35
Gross national income (GNI) per capita (USD)	26,421	26,561	29,369	33,756	33,664
Gross fixed capital formation (GFCF)					
At current prices (TWD million)	4,001,128	4,526,606	4,817,276	5,676,424	6,271,686
Annual change (%)	5.41	13.13	6.42	17.83	10.49
Inflation rate (CPI change, %)	1.36	0.55	-0.23	1.97	2.95
Employment (thousands of persons)	11,434	11,500	11,504	11,447	11,418
Agricultural Sector (%)	4.90	4.86	4.76	4.73	4.64
Industrial Sector (%)	35.71	35.58	35.43	35.45	35.40
Service Sector (%)	59.38	59.55	59.80	59.81	59.96

Note: Data has been updated based on the benchmark revision released on 26 May 2023.

Source: Directorate-General of Budget, Accounting and Statistics.

2.2 Trends in Foreign Trade

2.3. During the review period, import and export trade in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has continued to grow since 2019. Despite the impact of the COVID-19 pandemic, the shift towards low-contact economic activities spurred global demand for information and communication technology (ICT) and network communication products. These types of industries drive its participation within the global supply chain. With effective pandemic mitigation measures, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has successfully sustained momentum in economic production. This is evidenced by the sustained growth in imports and exports, which has facilitated continued economic expansion. Between 2018 and 2022, total trade experienced a remarkable growth of 46.65%, surging from USD 618.8 billion to USD 907.5 billion.

Table 2: Trade Statistics, 2018–2022

(Unit: USD 100 million)

Year	Total Trade	Growth Rate (%)	Total Exports	Growth Rate (%)	Total Imports	Growth Rate (%)	Trade Balance
2018	6,187.99	8.05	3,340.07	5.87	2,847.92	10.73	492.2
2019	6,148.09	-0.64	3,291.57	-1.45	2,856.51	0.30	435.1
2020	6,312.74	2.68	3,451.26	4.85	2,861.48	0.17	589.8
2021	8,283.29	31.22	4,463.71	29.34	3,819.58	33.48	644.1
2022	9,074.51	9.55	4,794.42	7.41	4,280.10	12.06	514.3

Source: Customs Administration, Ministry of Finance.

2.4. Imports and exports for the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu are primarily concentrated in Asia, followed by North America and Europe. During the period under review, there was a slight decrease in the proportion of trade with Asia. The share of exports decreased from 72.10% in 2018 to 68.95% in 2022, and imports decreased from 59.04% to 58.83%. Within the same period, exports to North America grew, the share of exports increased from 12.58% to 16.34%, while the share of imports decreased from 12.32% to 11.21%. Trade with Europe experienced similar changes as trade with Asia, with the share of exports decreasing from 9.36% to 8.57%, and that of imports decreasing from 12.14% to 11.92%. The trading partners of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu consist mainly of: China; ASEAN; the United States; Japan; the European Union; Hong Kong, China and the Republic of Korea, which collectively account for 82% of total trade in 2022.

2.5. During the review period, the main export products were electrical machinery and equipment. The demand for ICT and electronic products experienced a significant upsurge as a consequence of the pandemic, leading to a substantial increase in the proportion of total exports from 43.18% in 2018 to 51.45% in 2022. This trend held for exports of machinery and mechanical appliances, plastics and plastic articles, and mineral fuels, as well as optical instruments and accessories. Similarly, electrical machinery and equipment constituted the largest category of imported products, accounting for 26.43% in 2018 and rising to 29.83% in 2022. These are followed by imports of mineral fuels and machinery and mechanical appliances.

Table 3: Key Export and Import Products of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, 2018–2022

(Unit: USD million, % of total trade value)

Total Exports (Re-exports)						Total Imports (Re-imports)					
Product/Year	2018	2019	2020	2021	2022	Product/Year	2018	2019	2020	2021	2022
Electrical machinery, equipment, and components	144,234	147,263	173,526	218,765	246,680	Electrical machinery, equipment, and components	75,272	79,517	92,794	120,335	127,659
	43.18	44.74	50.28	49.01	51.45		26.43	27.84	32.43	31.50	29.83
Machinery, mechanical appliances, and components	38,823	42,707	44,539	57,454	63,150	Mineral fuels	51,288	44,234	29,607	49,945	78,325
	11.62	12.97	12.91	12.87	13.17		18.01	15.49	10.35	13.08	18.30
Plastics and articles thereof	22,440	19,847	18,498	26,381	23,063	Machinery, mechanical appliances, and components	33,550	42,156	43,033	57,802	64,473
	6.72	6.03	5.36	5.91	4.81		11.78	14.76	15.04	15.13	15.06
Mineral fuels	13,816	12,903	6,202	10,234	17,573	Optical Instruments and Accessories	11,620	12,279	13,930	16,812	17,232
	4.14	3.92	1.80	2.29	3.67		4.08	4.30	4.87	4.40	4.03
Optical Instruments and Accessories	16,211	15,746	16,734	19,788	16,522	Iron and steel	9,585	7,974	7,140	12,777	10,968
	4.85	4.78	4.85	4.43	3.45		3.37	2.79	2.50	3.35	2.56
Vehicles other than railway or tramway rolling-stock	9,950	10,320	10,022	13,589	15,830	Vehicles other than railway or tramway rolling-stock	8,726	8,932	9,617	10,576	10,814
	2.98	3.14	2.90	3.04	3.30		3.06	3.13	3.36	2.77	2.53
Iron and steel	10,450	8,752	7,472	12,751	12,209	Organic chemicals	10,533	8,658	7,109	10,520	9,819
	3.13	2.66	2.17	2.86	2.55		3.70	3.03	2.48	2.75	2.29
Organic chemicals	11,507	8,946	7,169	11,800	11,031	Plastics and articles thereof	7,650	7,267	7,614	9,503	9,118
	3.45	2.72	2.08	2.64	2.30		2.69	2.54	2.66	2.49	2.13

Total Exports (Re-exports)						Total Imports (Re-imports)					
Articles of iron or steel	8,561	7,841	7,076	9,279	10,460	Miscellaneous chemical products	6,574	5,890	6,201	7,278	8,069
	2.56	2.38	2.05	2.08	2.18	Pharmaceuticals	2.31	2.06	2.17	1.91	1.89
Copper and articles thereof	5,003	4,349	4,110	5,385	4,943		3,867	4,258	4,406	5,282	7,304
	1.50	1.32	1.19	1.21	1.03		1.36	1.49	1.54	1.38	1.71

Source: Customs Administration, Ministry of Finance.

2.6. In 2020, the services trade was impacted by the COVID-19 pandemic, leading to a decrease in volume. Border control measures greatly hindered trade in travel services. Nonetheless, as the pandemic was gradually brought under control, a subsequent rebound in services trade was observed in the years 2021 and 2022. Indeed, services exports exhibited a more rapid recovery compared to imports, primarily attributed to increased international freight rates and the resilient adaptability of the domestic maritime and air freight industries. Additionally, the transition from a services trade deficit to a surplus can also be partially attributed to a continuously narrowing deficit in travel services trade since 2020, owing to a substantial decline in expenditure on travel services.

Table 4: Services Trade in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, 2018-2022

(Unit: USD million)

Year	Services: credit (exports)					Services: debit (imports)					Balance on services				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Total	50,209	51,838	41,210	51,995	58,169	56,865	56,937	37,491	39,567	45,276	-6,656	-5,099	3,719	12,428	12,893
Manufacturing	2,781	3,214	3,870	4,389	4,326	2,726	1,882	1,532	2,006	1,931	55	1,332	2,338	2,383	2,395
Maintenance & Repair	1,530	1,389	1,346	978	1,165	924	922	749	893	1,250	606	467	597	85	-85
Transport	10,951	10,522	11,023	19,754	21,586	12,450	11,816	9,681	9,575	10,082	-1,499	-1,294	1,342	10,179	11,504
Travel	13,704	14,411	1,800	744	2,747	19,428	20,500	3,046	1,247	3,108	-5,724	-6,089	-1,246	-503	-361
Other Services	21,243	22,302	23,171	26,130	28,345	21,337	21,817	22,483	25,846	28,905	-94	485	688	284	-560

Source: Central Bank (CBC).

2.3 Developments in Foreign Investment

2.7. During the review period, both outbound and inbound investment of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu was affected by changing global circumstances and the pandemic. Outbound investment dropped by 51.63% in 2019 compared to the previous year, however, it rose gradually year by year after that. In 2022, global economic uncertainties prompted businesses to adopt a more cautious approach towards outbound investment. On the other hand, while inbound investment experienced a decline during the pandemic, there was a significant increase of 75.73% in 2022 compared to the previous year, attributed to green energy investments.

2.8. During the review period, outbound and inbound investment were concentrated in electronic parts and components manufacturing, financial and insurance services, as well as wholesale and retail sectors. Outbound investment was mainly directed to China, ASEAN, and the United States, while inbound investment originated primarily from the European Union and Japan.

Table 5: International Investment Statistics, 2018-2022

(Unit: USD million (% of change from previous year))

Year		2018	2019	2020	2021	2022
Outbound investment	Amount	22,792.29	11,024.24	17,711.59	18,462.31	15,009.04
	Change	9.46%	-51.63%	60.66%	4.24%	-18.70%
Top Three Major Industries		Financial and Insurance Services (41%); Electronic Parts and Components Manufacturing (10%); Basic Metal Production (9%)	Financial and Insurance Services (30%); Wholesale and Retail (14%); Electronic Parts and Components Manufacturing (12%)	Electronic Parts and Components Manufacturing (30%); Financial and Insurance Services (27%); Wholesale and Retail (13%)	Electronic Parts and Components Manufacturing (28%); Financial and Insurance Services (27%); Wholesale and Retail (19%)	Electronic Parts and Components Manufacturing (19%); Financial and Insurance Services (17%); Transportation and Warehousing (13%)
	Top Three Major Destinations	China (37%); US (9%); ASEAN (8%)	China (38%); ASEAN (22%); EU (6%)	China (33%); US (24%); ASEAN (15%)	China (32%); ASEAN (31%); Japan (12%)	China (34%); ASEAN (32%); US (7%)

Year		2018	2019	2020	2021	2022
Inbound investment	Amount	11,671.48	11,293.15	9,270.65	7,592.52	13,341.99
	Change	50.04%	-3.24%	-17.91%	-18.10%	75.73%
	Top Three Major Industries	Electronic Parts and Components Manufacturing (32%); Financial and Insurance Services (28%); Chemical and Fertilizer Manufacturing (13%)	Electronic Parts and Components Manufacturing (24%); Financial and Insurance Services (19%); Publishing, Audiovisual, and ICT (11%)	Financial and Insurance Services (30%); Professional, Scientific, and Technical Services (14%); Wholesale and Retail (12%)	Financial and Insurance Services (30%); Wholesale and Retail (12%); Real Estate (9%)	Financial and Insurance Services (42%); Wholesale and Retail (14%); Power and Gas Suppliers (14%)
Top Three Major Sources	EU (52%); Japan (13%); UK (5%)	EU (31%); Japan (11%); Australia (6%)	EU (39%); Japan (10%); UK (7%)	EU (18%); ASEAN (12%); Japan (10%)	EU (36%); Japan (13%); Australia (9%)	

Note: Amounts denote examined and approved investment.

Source: The Investment Commission, Ministry of Economic Affairs.

3 ECONOMIC POLICY AND DEVELOPMENTS

3.1 General Development Plan

3.1. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu adopts the fundamental principles of innovation, strong employment, and equitable distribution, as the policy objective for economic development as part of its National Development Plan. Each ministry implements key initiatives, including: (1) to continue with the Forward-looking Infrastructure Development Program to spur momentum for economic growth; (2) to optimize the investment environment and relax regulatory controls to attract greater investment; (3) to facilitate industry innovation and transformation, meeting local demands and strengthening the competitiveness of domestic industries; (4) to develop the digital economy, in particular emerging global business models; and (5) to enhance regional economic integration and bridge domestic and foreign markets.

3.2. During the review period, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu achieved significant success in policy implementation. Stable and positive economic growth averaging 3.61% was achieved despite the pandemic, and GNI per capita increased 27.41% from USD 26,421 to USD 33,664.

3.3. During the pandemic, the primary goals for overall economic development were pandemic control and stable economic growth. The government adopted timely border control measures, implemented smart pandemic control measures within communities, and also subdivided company operations to reduce physical contact. Economic growth was stabilized through both relief and stimulus measures, the positive results of which are as follows:

- Relief measures included providing financial assistance and loan relief, employment support, tax assistance, reduced or deferred payment of utility bills, as well as for rent on state-owned properties. These measures aim to support families, protect underprivileged groups, assist businesses, and safeguard industries, establishing comprehensive mechanisms to provide complete assistance to affected industries and persons. As of the end of 2022, more than TWD 330 billion in relief funds was distributed, providing assistance to around 15 million individuals and businesses.
- The goal of stimulus measures was to expand the domestic market. In 2020 and then again in 2021, two rounds of stimulus vouchers and other support measures were implemented to stimulate consumer spending. These measures have led to significant growth in the revenue of industries such as the food and beverage sector, retail industry, and wholesale and retail trade, indicating a certain level of support for domestic economic growth.

3.4. During the review period, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu generally adopted a moderate expansionary fiscal policy, aiming to achieve a balance between revenue and expenditure. Both revenue and expenditure were increased simultaneously, aligning with the goal of maintaining stable fiscal conditions. The exception was during the pandemic in 2020, when an aggressive expansionary fiscal policy was adopted to minimize the impact on the economy.

Furthermore, strict fiscal discipline was adhered to during the period under review, limiting public debt (including domestic and external debt) to about 30% of the GDP.

3.5. In terms of monetary policy, the currency exchange rates of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu are in principle determined by market forces. Global inflationary pressures are causing many countries to adopt tightened monetary policy. However, due to supply-side measures implemented during the review period, domestic inflation remains relatively mild and manageable. Therefore, a more gradual and moderate approach to tightening monetary policy is being adopted.

3.2 Trade and Investment Policy

3.2.1 Trade Policy

3.6. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is an open economy relying heavily on foreign trade. Between 2018 and 2022, the trade dependency ratio rose from 101.57% to 118.99%. This indicates that foreign trade played a crucial role in driving economic growth, and economic development is closely linked to global economic fluctuations. At present, foreign trade policy aims to promote balanced international growth and diversified export markets.

3.7. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu maintains a stable and constructive bilateral economic relationship with its key trading partners. During the review period, its total bilateral trade grew significantly: 65.95% with the United States, 47.09% with the European Union, 31.79% with Japan, 60.07% with the Republic of Korea, and 36.48% with China.

3.8. Furthermore, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has further strengthened its engagement with the Asia-Pacific region, particularly through the implementation of the New Southbound Policy since 2016. Leveraging its strengths in healthcare, agriculture, tourism, technology, and culture, it has fostered deeper and more diverse exchanges with partner Members. Notably, total trade with the markets covered by the New Southbound Policy has witnessed a substantial growth of 54.48%, surging from USD 116.7 billion to USD 180.3 billion during the review period.

3.9. To expand into emerging markets such as Central and South America, Africa, and the Middle East, the government has formulated strategic plans to explore business opportunities. The Overseas Credit Guarantee Fund offers financial support to facilitate the entry of businesses into these markets. As a result, its total trade with the emerging markets in Central and South America, Africa, and the Middle East grew substantially by 53.87%, 68.05%, and 26.26% respectively.

3.10. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu will continue to participate in regional economic integration, strengthen supply chain and technical cooperation with global partners to capitalize on new business opportunities in the post-pandemic era.

3.2.2 Investment Promotion Policy

3.11. To foster an efficient and supportive investment environment, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has continued to streamline registration requirements for foreign companies, enabling companies to fulfill documentation requirements after registering their branch or representative offices. Concurrently, the approval process for inbound investment has also been simplified, leading to reduced administrative costs for investors.

3.12. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has strategically focused on attracting inbound investment by positioning itself as a global supply chain hub and enhancing industrial development. A comprehensive set of investment promotion policies has been implemented, including favorable land rental rates, project loans, and an integrated single-window service platform to facilitate efficient and secure investment processes for interested enterprises. Between 2019 and 2022, the total inbound investment exceeded USD 62 billion, creating over 140,000 job opportunities.

3.13. On the other hand, the government has intensified its efforts to attract investment from multinational corporations, with a focus on high-tech industries such as critical materials and

equipment for the semiconductor sector, as well as renewable energy. Throughout the review period, several corporations from the United States, the European Union, as well as Asia, either made new investments or expanded their existing investments in those areas.

3.14. Moreover, the government has established a talent recruitment platform to assist investors in recruiting foreign talent and enhancing collaboration with universities to facilitate talent exchanges.

3.15. Regarding outbound investment, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu proactively supports businesses exploring diverse emerging markets, aiming to mitigate the risks associated with over-concentration.

3.3 Industrial Innovation

3.3.1 Industrial Innovation Policies

3.16. To accelerate industry transformation and development, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is dedicated to building a new economic model that strives for sustainable development around its core principles of innovation, strong employment, and equitable distribution. The three major strategies – working with local industries, supporting industries with domestic demand, and entering international markets – will stimulate industry innovation and vitality. The 5+2 Industrial Innovation Plan was introduced in 2016 and covers intelligent machinery, the Asia Silicon Valley, green energy, biomedicine, defense and aerospace, new agriculture, and the circular economy. The Plan is instrumental in driving growth in the next-generation industries and injecting new momentum for economic growth.

3.17. On the basis of the 5+2 Industrial Innovation Plan, the government further initiated the Program for Promoting Six Core Strategic Industries in May 2020. The Program covers information and digital industries, the cybersecurity industry, the precision health industry, the green and renewable energy industry, the defense industry, as well as strategic industries and strategic stockpile industries. AI and 5G related programs are also being promoted at the same time, allowing these industries to better seek opportunities for global supply chain restructuring during the post-pandemic era. Accompanying measures include the promotion of regulatory reforms in the financial, talent, and digital sectors, strengthening talent cultivation and international exchanges, and providing financial support. Talent cultivation includes establishing specialized research institutes or academies, strengthening on-the-job training and international exchanges, and attracting international talent. Financial support includes providing financing assistance and expanding funding channels.

3.3.2 Achievements of Industrial Innovation Policies

3.18. The 5+2 Industrial Innovation Plan has so far made significant achievements. The promotion of the Asia-Silicon Valley Plan has contributed to the growth of the Internet of Things (IoT) industry. The IoT industry's output value was around TWD 1 trillion in 2018 and doubled by 2022, with a global market share of 4.83%. The machinery industry and the biotechnology industry have both surpassed a market value of TWD 1 trillion. In the area of green energy technologies, investment in offshore wind power and solar power has also reached TWD 1 trillion.

3.19. In terms of new agriculture and the circular economy, as of the end of 2022, investment in smart agriculture exceeded TWD 2 billion. The aim is to continue developing innovative, energy-efficient, and sustainable agriculture practices that enhance the value of resource recycling. The government has also facilitated alliances between industry sectors and public associations, committing to collectively improve resource utilization efficiency among businesses. As of the end of 2022, the recycling rate of industrial waste reached 81.4%, and the recycling industry contributed more than TWD 77 billion in value.

3.4 Digital Economy

3.20. In response to trends in digital and technological transformations, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu launched the nine-year Digital Nation and Innovative Economic Development Plan (DIGI+) in 2017. After four years of implementation, the DIGI+ was

subsequently upgraded to Smart Taiwan 2030. The goal is to enhance the value of the digital economy, increase the adoption of digital services, and improve the coverage of high-speed broadband services. Through the integration of government resources and collective efforts from the private sector and industries, the government is creating an environment that accelerates digital innovation and economic development.

3.21. In the post-pandemic era, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has embraced new digital and smart technologies, integrating digital payments to accelerate the economic recovery of industries such as retail, food and beverage, and tourism. Business opportunities in sectors such as healthcare and information communication are increased through international research and development collaborations in digital technology.

3.22. Last but not the least, the Ministry of Digital Affairs was established in August 2022 to facilitate digital development of the telecommunication, information, cybersecurity, Internet and communication industries, as well as coordinate the overall planning of digital governance and infrastructure to develop the digital economy and accelerate digital transformation.

3.5 Inclusive and Sustainable Development

3.5.1 Responding to Climate Change

3.23. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu announced in March 2022 the Pathway to Net-Zero Emissions in 2050, and in December 2022 the 12 Key Strategies, and then promulgated the Climate Change Response Act in February 2023. This Act includes the 2050 net zero emission target, an equitable transition, plus a chapter on climate change adaptation.

3.24. The government is reducing its dependence on imported energy by expanding the installation of renewable energy sources. The goal is to reduce energy import dependency to below 50% by 2050. By leveraging ICT advantages, the aim is to align industries with the global supply chain and green initiatives, thereby establishing low-carbon business models and green supply chains. In addition, through public dialogue, efforts are being made to enhance awareness of climate change and promote the adoption of low-carbon lifestyles. Activities to communicate with the public are being conducted to discuss the potential impacts of efforts toward net-zero emissions and the development of relevant supportive measures. The aim is to ensure that climate transition aligns with the principles of social equity.

3.25. To encourage the prioritization of green sustainability among businesses, investors, and consumers, and to promote support from the financial sector for green energy development, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has been undertaking green finance initiatives since 2017. A series of action plans have been introduced since then. On September 2022, the Green Finance Action Plan 3.0 was released to enhance the quality and content of ESG information disclosures, strengthen climate risk management of financial institutions, promote GHG emissions inventory disclosures, and establish a sustainable taxonomy.

3.26. A new plan to improve the overall competitiveness of SMEs was also adopted in October 2022 to assist SMEs embrace new international opportunities in net-zero emissions. Actions have been taken to enhance carbon reduction capabilities, foster relevant talent, support the low-carbon transformation of the manufacturing and service industries, guide export-oriented SMEs to comply with international carbon footprint verification standards, expand domestic capabilities to verify carbon emissions, and provide support for low-carbon measures such as green and sustainable preferential loans.

3.5.2 Inclusiveness: SMEs, Women, Labor, and Indigenous Peoples

3.27. The economic development objectives of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu encompass not only the pursuit of sustainable growth but also the promotion of social inclusivity. In order to achieve balanced economic growth, it recognizes the significance of ensuring equitable access to resources and opportunities for all members of society. As a result, various initiatives have been implemented to facilitate the inclusive development of SMEs, women, labor, and indigenous peoples.

SMEs

3.28. SMEs hold a prominent position within the economy, contributing substantially to sales revenue, entrepreneurial activity, and employment opportunities. In terms of sales revenue, SMEs have achieved impressive results due to increased international trade and domestic investment. As the latest statistics indicate, in 2021 total sales revenues for SMEs reached TWD 26 trillion, accounting for over 50% of overall corporate sales. Of these revenues, nearly 90% came from the domestic market. At the same time, export volume showed a year-on-year growth of 25%. In 2021, there were over 1.59 million SMEs, accounting for over 98% of all businesses and marking a historical high. SMEs employed 9.2 million people, accounting for approximately 80% of the total employed population.

3.29. The government values the development of SMEs, and aims to enhance their competitiveness, foster new opportunities, and accelerate industry transitions and development to address the challenges posed by the digital economy, sustainable development, local innovation, and global challenges in the post-pandemic era. By helping SMEs flourish, grow, and conduct international exchanges, new opportunities for product marketing are made available, creating greater momentum for economic growth.

Women

3.30. In the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, there are about 600,000 women-owned SMEs, representing more than 37% of all SMEs. To enhance competitiveness, the government has been providing credit guarantee measures and strengthening entrepreneurial development support systems. Since the Women Entrepreneurship Program began in 2013, it has supported a total of more than 10,000 female entrepreneurs to start new businesses. Due to recent developments in the digital economy, the program has also been providing assistance and support to female entrepreneurs in enhancing their digital skills and offering courses on utilizing digital marketing tools.

3.31. Since women make significant contributions to driving economic growth, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has been actively implementing policies aimed at promoting gender equality and removing gender barriers in the workplace. To encourage greater female participation in economic activities, a range of measures have been implemented to create a supportive work environment. These measures include the establishment of childcare facilities, relaxation of rules to allow both parents to take unpaid parental leave simultaneously, as well as implementation of childcare subsidies and flexible working hours.

Labor

3.32. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu recognizes that labor plays a crucial role in economic development. It is committed to promoting fundamental labor principles and rights. To strengthen the protection of workers' rights and interests, several regulatory reforms have been implemented. These measures include the gradual reduction of total working hours, enhancements to occupational accident protections, safeguarding workers' rights, and the establishment of effective mechanisms for resolving labor disputes.

3.33. Consequently, the minimum wage has been steadily increasing during the review period. Since 2016, the minimum monthly wage has been raised for seven consecutive years to TWD 26,400, marking an increase of almost 32%. The aim is to stimulate domestic consumption through wage growth. In response to the declining birth rate and aging population, efforts are made to encourage the middle-aged and the elderly to stay in or return to the workforce. Additionally, continuous assistance is provided to promote youth employment and enhance overall labor force participation.

Indigenous Peoples

3.34. To facilitate the empowerment of indigenous peoples, the Indigenous Peoples' Economic and Industrial Development 4-Year Plan (2018-2021) was implemented to bolster the development of indigenous agriculture, cultural creativity, and ecotourism. Additionally, there are future plans to promote collaboration between indigenous industries in fields such as sports, leisure, and healthcare, etc. to expand the scope of industrial development.

3.35. During the review period, employment growth among the indigenous peoples grew by nearly 7%. The growth is especially significant in healthcare and social services. Additionally, the number of indigenous businesses increased from around 3,000 to more than 18,000, showing a remarkable sixfold growth rate. These businesses are predominantly microenterprises.

3.36. In 2022, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu officially joined the Indigenous Peoples Economic and Trade Cooperation Arrangement (IPETCA), as a founding member alongside New Zealand, Canada, and Australia. The government will continue to collaborate with other members to address indigenous economic empowerment issues.

3.6 Multilateral and Regional Economic Cooperation

3.6.1 Participating in WTO

3.37. As a free and open economy, the prosperous development of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is intricately connected to the effective functioning of an open and inclusive multilateral trading system. The WTO holds a pivotal role in providing continuous support and driving the global trading system, which bears significant importance for the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu. To improve the functioning of WTO bodies, it actively participates in the discussion on WTO reform, with the objective of enhancing all facets of WTO's functions to effectively address the challenges arising from the new trade landscape of the 21st century.

3.38. The government also actively engaged in the negotiations before and after the 12th WTO Ministerial Conference (MC12). It supported the Ministerial Declaration on the Emergency Response to Food Insecurity and relevant resolutions to address global food security challenges. It is committed to ongoing participation and cooperation with all Members to promote global food security. It actively participated in related negotiations, aiming to establish resilience for future pandemics while ensuring protection for innovative research and development. The ratification process for the WTO Agreement on Fisheries Subsidies has been set in motion. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is actively engaging in negotiations for the second phase of the Agreement, focusing on addressing subsidies related to overcapacity and overfishing, aiming at advancing sustainable development goals in the fisheries sector. Lastly, in order to support the continued growth of digital trade and global digital economy development, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu supports the extension of the moratorium on customs duties on electronic transmissions, and expects to reach a resolution for a permanent moratorium to increase stability and predictability in digital trade and integrate global SMEs into international trade supply chains.

3.39. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is participating in various Joint Statement Initiatives (JSI). These initiatives include areas such as e-commerce, domestic regulation in services, investment facilitation, and micro, small, and medium-sized enterprises (MSMEs). It had actively participated in the negotiations on services domestic regulation concluded in December 2021. The disciplines agreed upon by participating Members aim to enhance transparency, predictability and efficiency of licensing and qualification procedures for service suppliers and operators. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu continues to work with other Members to complete certification procedures. It is actively involved in relevant discussions in hopes of establishing global e-commerce rules that meet current development trends. It also joined negotiations on the Investment Facilitation for Development (IFD) initiative in 2021.

3.40. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu actively participates in the informal working group on MSMEs. It especially values the importance of access to and transparency of trade information by partnering with the International Trade Centre (ITC) to offer a seminar on promoting the Global Trade Helpdesk (GTH). The government is committed to helping its domestic SMEs to connect with global markets through these and other relevant efforts.

3.41. In terms of emerging issues in environmental sustainability, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu joined other WTO Members in launching the Trade and Environmental Sustainability Structured Discussion (TESSD) initiative in November 2022. It will

continue to participate in discussions of the informal working group proposing concrete measures and suggestions for trade and environmental issues under the WTO framework.

3.42. The implementation and compliance with the WTO agreements are important to the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's participation in the WTO. During the review period, it addressed trade disputes via the WTO dispute settlement mechanism, both as complainant or as third party. Additionally, it is actively participating in dispute settlement reform discussions by promoting the use of alternative dispute resolution mechanisms. It also closely engages in discussions to improve panel procedure to enhance a fully and well-functioning dispute settlement system that is accessible to all WTO Members.

3.6.2 Participating in APEC

3.43. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu recognizes the significance of APEC as a vital economic forum for the Asia-Pacific region. Through active participation in APEC, it demonstrates support for the multilateral trading system, regional economic development, and the advancement of key initiatives such as the Free Trade Area of the Asia-Pacific (FTAAP) and the APEC Putrajaya Vision 2040. Collaborative efforts with other economies within APEC aim to propose measures that promote digitalization, inclusiveness, sustainability, and trade and investment. The ultimate goal is to foster a free, open, and rules-based trading environment in the Asia-Pacific region.

3.44. In response to post-pandemic recovery and sustainable development, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, as a reliable global supply chain partner, is committed to adopting open and equitable trade measures and good regulatory practices to foster structural reforms and strengthen collaborations in trade facilitation with other APEC economies. Various initiatives have been put forward in areas such as the digital economy, talent development, inclusive trade, public health and medicine, MSMEs, female empowerment, food security, renewable energy, indigenous rights, and sustainable oceans. These proposals aim to support the objectives of the APEC, promoting inclusivity and sustainable growth.

3.6.3 Application for CPTPP membership

3.45. Recognizing the significance of accession to the CPTPP, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has placed great importance on this endeavor. In September 2021, a formal request for accession to the CPTPP was submitted to the depositary country, New Zealand, and diligent preparations are currently underway to pursue accession. During the review period, it completed all necessary legislative amendments to meet the high standards of the CPTPP.

3.6.4 Bilateral and Other Regional Economic Participation

3.46. As of the end of 2022, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu had concluded free trade agreements (FTAs) and economic cooperation agreements (ECAs) with 11 trade partners. In June 2022, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu and the United States jointly announced the U.S.-Taiwan Initiative on 21st-Century Trade, aiming to build a sound regulatory framework to enhance mutual trade relations based on shared common values. The first agreement was signed in June 2023. At present, it has also entered into 32 bilateral investment agreements (BIAs) with various trading partners.

3.47. In order to adapt to the evolving international political and economic dynamics and enhance its global trade and economic strategies, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu takes proactive measures to facilitate domestic industries in engaging with key trading partners. This is achieved through the establishment of regular bilateral dialogue platforms, which serve as vital mechanisms to deepen trade and investment relationships. It also aims to foster consensus on industrial and economic cooperation, while collectively advancing bilateral relationships.

3.48. In terms of regional economic engagement, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, along with the United States, Canada, Japan, the Republic of Korea, Singapore, and the Philippines, jointly issued the Global Cross-Border Privacy Rules (CBPR)

Declaration in April 2022 and announced the establishment of the Global CBPR Forum. As a founding member, the government will continue to promote the CBPR system, assist stakeholders to strengthen privacy protection and enhance exchange and cooperation with other members on information privacy issues, and support data transfers and protection across borders.

3.7 Regulatory Reform

3.7.1 Overall Progress

3.49. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has made continued efforts to deregulate and improve economic and investment freedoms, resulting in notable advancements. In February 2023, the U.S. Heritage Foundation released the 2023 Index of Economic Freedom, and ranked the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu the 4th highest out of 184 global economies and the 2nd in the Asia-Pacific region, marking its best performance to date. Significant improvements were observed in key index factors such as fiscal health, government integrity, property rights, and judicial effectiveness, reflecting substantial progress.

3.7.2 Promote Good Regulatory Practices

3.50. To enhance regulatory transparency and public consultation, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has extended the public notice period for draft laws and regulations related to trade, investment, and intellectual property rights to 60 days since October 2016. Since 2017, draft laws are required to be published online at Join.gov.tw to allow for public input. Amendments to the Directions for Implementing Online Participation in Public Policy were made in April 2018 to ensure that the competent authorities respond to public opinions in a timely and appropriate manner.

3.51. To ensure the effective implementation of good regulatory practices, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu adopts a proactive approach in reviewing the current legal and regulatory framework. In response to the valuable input from domestic and foreign chambers of commerce, coordination meetings are organized to foster comprehensive communication among stakeholders. These meetings serve as a platform for consensus-building, with the aim of adjusting laws and regulations in a manner that aligns with the identified needs and priorities of various stakeholders.

3.52. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is dedicated to legal reforms to reduce regulatory burdens and create a business-friendly environment. One notable initiative is the Startup Regulatory Adjustment Platform, which allows entrepreneurs to access information on regulations and provide feedback. This platform facilitates effective communication between businesses and the authorities, thus reducing compliance costs for startups.

3.7.3 Major Economic and Trade Legislative Reforms

3.53. In 2018, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu promulgated both the Financial Technology Development and Innovative Experimentation Act and the Unmanned Vehicles Technology Innovative Experimentation Act to ensure advancement and safety of startup technologies. Amendments were also made to relax regulatory control of the Company Act, with key changes aimed at enhancing the fundraising capabilities of startups, fostering talent retention, improving the efficiency and effectiveness of corporate governance, and diversifying profit distribution mechanisms. In 2021, amendments were made to the Act Governing Electronic Payment Institutions to integrate the two supervisory systems for electronic payments and electronic stored value cards. The Act for the Recruitment and Employment of Foreign Professionals and the Company Act were also amended to provide more favorable working and residency conditions, as well as encourage businesses to digitalize operations and streamline international businesses procedures. In 2023, the Act Governing Electronic Payment Institutions was amended again to enhance supervision of the financial health and debt-repayment capacity of electronic payment institutions.

3.54. In 2022, the Copyright Act, the Patent Act, and the Trademark Act were amended to enhance IP protection. Amendments to the Copyright Act stipulate that acts that constitute serious infringement, including but not limited to certain instances of illegal digital piracy, are considered

offenses indictable without complaint. Amendments to the Trademark Act introduced criminal provisions for counterfeiting labels of trademarks or collective trademarks, aiming to strengthen the protection of rights holders. The amendment to the Patent Act provides a legal basis whereby patent holders of a new drug may initiate legal proceedings against generic drug manufacturers in accordance with the patent linkage system established under the Pharmaceutical Affairs Act.

3.8 Aid for Trade

3.55. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu actively engages in Aid for Trade initiatives, collaborating with other partner Members to address global development challenges. Leveraging its technological capabilities to support sustainable development, efforts are being made through bilateral and multilateral aid and technical assistance programs. These endeavors are aimed at making a significant contribution to the international community.

3.56. Bilateral cooperation through trade assistance programs aims to help partner Members improve resource utilization efficiency, production technologies, industrial productivity, and trade capacity, as well as increase the economic capabilities of SMEs led by women and youth. The ultimate goal is to enable partner Members to achieve fair and rule-based international trade. This cooperation encompasses four key operation aspects: (i) supporting trade-related infrastructure, (ii) providing technical assistance, (iii) providing lending and investment assistance, and (iv) fostering capacity building.

3.57. Moreover, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu actively engages in official development assistance (ODA) through its participation in multilateral aid programs. Cooperation includes three approaches: (i) donations to international organizations or institutions, (ii) the establishment of special funds to cooperate with international institutions (including the creation of APEC sub-funds for Human Security and Women and the Economy, as well as donating to APEC sub-funds for Digital Innovation, Micro, Small and Medium Enterprises, and Marine Debris Management and Innovation), and (iii) cooperating with international institutions (such as the U.S. International Development Finance Corporation (DFC), European Bank for Reconstruction and Development (ERBD), and Central American Bank for Economic Integration (CABEI)).

4 CONCLUSION AND OUTLOOK

4.1. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu demonstrated resilience during the COVID-19 pandemic, successfully maintaining robust and positive economic growth throughout the review period. Despite the challenges posed by the pandemic, this sustained growth instills confidence to navigate the challenges of the post-pandemic era and fosters an optimistic outlook for future economic development.

4.2. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu firmly believes in the role of free trade in driving global economic growth and remains committed to supporting the development of the multilateral trading system under the WTO. In line with this commitment, it will uphold the fundamental principles and values of the WTO and actively engage in multilateral and plurilateral initiatives within the WTO framework. Constructive feedback will be provided for the formation of new rules on emerging and substantive issues. Furthermore, through collaborative efforts with other WTO Members, it aims to promote WTO reform and enhance the effectiveness of the multilateral trading system to address the evolving demands of global trade.

4.3. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu upholds the principles and norms of the WTO in formulating domestic economic and trade policies. It is committed to undertaking legal reforms to enhance policy transparency, efficiency, and market openness by eliminating trade barriers. Furthermore, it recognizes the importance of incorporating inclusive and environmentally sustainable perspectives into economic and trade policies. Through these efforts, it aims to demonstrate responsible engagement as a WTO Member and contribute to free trade, inclusive growth, and environmental sustainability.

4.4. Moving forward, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu remains committed to the ongoing pursuit of liberalization and development, while actively engaging with other WTO Members to initiate necessary reforms that strengthen the multilateral trading system. Furthermore, it firmly upholds the principles of a market economy, adheres to the WTO standards, and endeavors to play a role in preserving an open, free, equitable, and transparent global trade system.
