
SUMMARY

1. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) is an advanced, outward-oriented economy whose performance remains strongly influenced by the global trading environment. Economic activity is driven mainly by services and manufacturing, whereas agriculture and mining make modest contributions to GDP and employment. As a global leader in electronic integrated circuits, Chinese Taipei occupies a critical position in most global supply chains. Accordingly, its economic performance benefited from strong global demand for electronic parts and components during the COVID-19 pandemic and in its aftermath.
2. Like most advanced economies, Chinese Taipei faces demographic challenges driven by a declining fertility rate and an ageing population. However, income and gender inequalities remain relatively low and are not structurally embedded.
3. Chinese Taipei continues to rely considerably on trade: exports and imports of goods and services accounted for 120% of GDP in 2018 and 127% in 2022. Trade patterns have not changed substantially since the previous Review in 2018. Manufactured goods, namely machinery (electrical equipment), remain the key driver of exports and imports. However Chinese Taipei's participation in global value chains deepened during the period under review and is especially significant in manufacturing of electronic products, particularly electronic integrated circuits. Merchandise exports and imports remain concentrated in trading partners in the region, followed by the United States and the European Union.
4. The institutional framework for trade policy formulation and implementation has remained broadly unchanged since the last Review, but new participatory approaches to policy development have been adopted. To this end, during the review period, Chinese Taipei drafted its first Action Plan (2021-2024), aimed at promoting transparency, accountability, participation, and inclusion. The Plan emphasizes the importance of cooperating with civil society and of making relevant information available to the public, as required by law. In addition, a programme under which executive agencies must communicate with stakeholders at all stages of policy development was implemented.
5. Chinese Taipei continues to view trade as a critical tool to develop its economy, promote innovation, strengthen supply chain resiliency, and attract investment. Thus, trade policy constitutes one of the main pillars of Chinese Taipei's New Model for Economic Development, designed in 2016 to use export and local demand as twin engines for growth. Under the New Model, Chinese Taipei has pursued several strategies in order to, *inter alia*, strengthen core key industries, promote industrial innovation and transformation, and build a digital economy. In addition to its development plans, Chinese Taipei has been implementing several programmes aimed at boosting investment in strategic sectors, such as the Forward-looking Infrastructure Development Program, the "5+2 Innovative Industries Plan", and the New Southbound Policy, aimed at reducing its overdependence on any single market.
6. Chinese Taipei remains a firm supporter of a rules-based multilateral trading system, as embodied by the WTO, and is committed to safeguarding a transparent and predictable trade and investment environment. Moreover, considering that it has a relatively limited number of regional trade agreements and other cooperation arrangements, it attaches high importance to the WTO including the plurilateral agreements, as well as tariff liberalization arrangements such as the Information Technology Agreements (ITA and ITA II), which have been an essential means of securing market access for its major exports. Chinese Taipei was actively involved in WTO discussions and initiatives during the review period; it participated in the negotiations or discussions on agriculture and fisheries subsidies, trade and public health, and WTO reform, as well as in the Joint Initiative on Electronic Commerce, and it co-sponsored a proposal to reinvigorate the Work Programme on Electronic Commerce. Chinese Taipei maintains a strong record of notifications at the WTO.
7. During the review period, there were no major changes to the main legislation governing overseas investment. All overseas investors require prior approval to invest in Chinese Taipei, although efforts have been made to simplify the procedures of application, review, and approval of overseas investment, and assistance in expanding and investing overseas has been provided to local businesses. There are several activities where inward investment is banned or restricted. The list of such activities, which is reviewed periodically, was last amended in 2018. Chinese Taipei relies on a broad network of bilateral investment treaties (BITs) to promote investment and co-operation with

trading partners. In addition, Chinese Taipei maintains a series of incentives to promote local investment and attract overseas investment, consisting mainly of tax deductions and other support measures.

8. Since the last Review in 2018, the simple average applied MFN tariff has remained almost unchanged, at 7.1% in 2023. Most tariffs continue to be levied on an ad valorem basis. Tariff protection varies substantially across and within sectors. The average tariff for agricultural products (WTO definition) remains substantially higher, at 17.6% in 2023 compared to the average for non-agricultural products that stood at 5.1%, unchanged since 2018. Among non-agricultural products, fish and fishery products are subject to the highest average tariffs (19.9%), with rates ranging from 0% to 50% (or 0% to 83.8% if AVEs are considered). Over the review period, the main change in the tariff structure was an increase in the number of duty-free rates, which was mainly due to completion of the ITA expansion. Tariffs may be adjusted to cope with special economic situations, manage the supply of goods, and provide industries with appropriate operational conditions. These temporary adjustments are usually in place for a year. During the review period, such measures were applied to staples (e.g. beef, wheat, and some dairy products) and COVID-19-related goods (e.g. masks and ethyl alcohol).

9. Chinese Taipei bound all tariff lines at levels ranging from 0% to 500%, with a total of 96 tiers. For six tariff lines (at the 10-digit level), the applied MFN tariff appears to exceed the bound level. Chinese Taipei continues to offer non-reciprocal tariff preferences to all LDCs.

10. The legal and institutional framework regulating non-tariff barriers has not changed substantially since 2018. In 2023 some 0.8% of tariff lines were subject to import prohibitions, on an MFN basis, consisting mainly of fish products; there are additional import prohibitions specific to direct cross-strait imports. Imports from all origins require a licence, unless otherwise specified in Chinese Taipei's accession protocol. Import licensing requirements covered 2.1% of all tariff lines in 2022. During the COVID-19 pandemic, a temporary export ban was imposed on certain masks (HS 6307.90.50) and on fever thermometers (HS 9025.19.90). Chinese Taipei also uses export licensing (permits) which, in 2023, applied to 0.2% of total tariff lines. The main exports subject to licensing comprise equipment related to semiconductors, diamonds, and microscopes.

11. As at end-2022, there were 19 anti-dumping measures in force; some had been in place for several years as determined necessary by sunset reviews and 4 measures had been in effect for more than 10 years. During the period under review, Chinese Taipei imposed countervailing duties on certain products originating in China; however, these measures were suspended because of overall economic interests. Chinese Taipei did not impose any measures pursuant to the WTO Agreement on Safeguards; nonetheless, it continued imposing special safeguard (SSG) actions in regard to imports of several agricultural products.

12. During the review period, there were no significant changes regarding the formulation, application, and objectives of technical regulations and sanitary and phytosanitary (SPS) measures, and primary legislation was not amended. Subsidiary legislation was updated as required. Since 2018, Chinese Taipei has submitted to the WTO 213 regular notifications concerning technical regulations and 101 on SPS measures. Some temporary measures, one of an urgent nature, taken in the context of the COVID-19 pandemic were notified to the WTO TBT Committee and five emergency measures to the WTO SPS Committee (four for plant protection and one for animal protection). Four specific trade concerns were raised in relation to the adoption of SPS measures, including one concern that has been raised several times over the years.

13. As in 2018, Chinese Taipei continues to implement a series of incentive programmes to promote production and investment. These programmes, consisting mainly of tax deductions and other support measures, have not undergone substantial modifications. The programmes notified to the WTO included mainly sectoral incentives, such as subsidies for agriculture, forestry, and industry, as well as horizontal incentive programmes to promote R&D. Some of these programmes are in place to stimulate investment and technological innovation, promote the development of SMEs, and facilitate access to credit. SMEs continue to be of high importance to the economy in terms of their contribution to exports of goods and services (26% in 2021) and women's economic empowerment; in 2021, 37% of all SMEs were owned by women and operated in the services sector. Chinese Taipei also offers incentives in remote areas and through the Free Trade Zones, in which established enterprises may benefit from duties and tax exemptions. Other regimes, such as Science Parks,

Export Processing Zones/Technology Industrial Parks, and Agricultural Technology Parks, are in place to create clusters and synergies.

14. Public-sector involvement in different areas of the economy persists. Since the previous Review, the main development in government procurement was a substantial amendment to the Government Procurement Act aimed at improving efficiency. The procurement process remains decentralized; no procedural or institutional changes were made, apart from an update of the procurement thresholds to keep pace with inflation. Chinese Taipei participates in the WTO GPA and continues to use public procurement as a tool to support SMEs, minorities, and disadvantaged groups, or for environmental protection. Chinese Taipei provides offsets and price preferences to promote employment, industrial development, and environmental protection. These apply to procurement not covered by the WTO GPA.

15. As a knowledge-based economy that relies on high-tech industries and FDI, Chinese Taipei has continued to strengthen its framework for protecting technological innovation and intellectual property rights (IPR). During the review period, IPR legislation was amended several times with the view to streamlining and adapting the IPR regime to a rapidly evolving environment. At the WTO, Chinese Taipei actively participates in the TRIPS Council, where it plays a key role in discussions on IP as it relates to innovation, MSMEs, women, microfinance, and public-private collaboration. In addition, during the review period, Chinese Taipei further deepened global IPR cooperation by signing a number of memoranda of understanding.

16. The agriculture sector continues to be characterized by scarce farmland, fragmented farming operations, a declining and ageing rural workforce, and vulnerability to extreme weather events. Most farms remain small-scale and family-operated. Crop production provided more than 50% of the sector's annual output throughout the 2018-21 period. Rice remains the most important staple food, although both its cultivation area and production volume have been steadily declining since 2018.

17. Chinese Taipei remains heavily dependent on imported food and agricultural inputs, such as animal feed and forage crops, and fertilizers. In 2021, imports accounted for 68.7% of Chinese Taipei's annual caloric intake, up from 65.5% in 2018. Financial support provided to the agriculture sector continues to follow various policy directions, targeting, *inter alia*, specific activities, particular crops (rice, sugarcane, and fruit), essential inputs, and farmers' and fishers' finance and insurance. During the review period, the authorities made several legislative amendments and enacted new legislation on organic agriculture, irrigation, distant water fisheries, agricultural insurance, and farmer retirement.

18. Chinese Taipei's energy needs continue to be met essentially through imports, and the energy supply matrix remains dominated by fossil fuels. The absence of electricity grid interconnections with overseas partners exacerbates its energy supply challenges. Various subsectors, including electricity and natural gas, are yet to be fully opened to competition and the footprint of state-owned enterprises remains large.

19. The combined share of renewable sources in total energy supply, albeit still modest, has been on the rise, underpinned by guaranteed feed-in tariffs and regulations requiring large industrial consumers to take part in the green energy transition. Chinese Taipei has also been implementing an industrial policy for offshore wind power generation. In 2023, Chinese Taipei upgraded its framework for reducing greenhouse gas emissions and set a formal goal to achieve net zero emissions by 2050. Subsidies continue to be granted to ensure the supply of petroleum products in remote areas, reduce pricing differences between cities and rural areas, and encourage the exploration and development of oil and natural gas reserves. Wholesale and retail prices of natural gas are regulated.

20. Manufacturing remains a pillar of Chinese Taipei's economy, underpinned by a vigorous electronic parts and components subsector, including a world-leading semiconductor industry and a robust chemicals subsector. Although overseas investment in certain manufacturing activities remains prohibited or restricted, Chinese Taipei maintains a range of incentives aimed at encouraging technological upgrading and the creation of industrial clusters.

21. Chinese Taipei's economic growth continues to be supported by its highly developed and resilient financial system. The authorities indicate that in 2022 92.1% of adults had bank or post office accounts, 95.5% had made electronic payments, and 73.2% owned life insurance policies. The financial system remains dominated by local banks, many of which belong to financial conglomerates that also own insurance companies and other financial services providers.

22. During the review period, the authorities continued strengthening the regulatory and prudential supervision frameworks, while implementing various relief and revitalization measures in response to the COVID-19 pandemic. Key developments included amendments enabling the market entry of Internet-only banks and insurance companies, giving insurers more flexibility to invest their funds, and expanding securities firms' scope of business. Chinese Taipei also established a regulatory sandbox for thematic financial technology experiments, followed by a business trials mechanism for banking, insurance, securities, and futures businesses. Implementation of an open banking framework is ongoing.

23. During the review period, noteworthy developments in Chinese Taipei's telecommunications market included the discontinuation of 3G mobile services in December 2018, the launching of 5G services in 2020, the release of spectrum for next-generation satellite communications services in March 2022, and market consolidation (pending FTC clearance) that would reduce the number of mobile operators from five to three in the near future. Significant changes were made to the legal and institutional framework. These included the enactment of a new Telecommunications Management Act in 2020 and the establishment of a Ministry of Digital Affairs in 2022.

24. Chinese Taipei's geography underpins maritime transport's position as an essential lifeline for external merchandise trade. Throughout the review period, approximately 93% of annual overseas freight traffic was transported by sea. The bulk of overseas passenger traffic remains airborne. The outbreak of the COVID-19 pandemic triggered declines in both overseas freight and passenger movements during 2020-22, with the latter decline being most pronounced.

25. All vessels entering Chinese Taipei's international commercial ports must use towage assistance. The use of pilotage services is compulsory in six of the seven international commercial ports, except for exempted vessels. The authorities indicate that towage assistance and bunkering services are, in principle, open to competition.