

**GENERAL AGREEMENT  
ON TARIFFS AND TRADE**

RESTRICTED  
**Spec(94)30**  
5 August 1994

(94-1591)

---

Original: English

ACCESSION OF CHINESE TAIPEI

Description of Service Sectors  
(Including Telecommunications, Insurance, Banking, Securities,  
Air Transport and Road Transport)

The authorities of Chinese Taipei have submitted the text reproduced hereunder for the information of the members of the Working Party. A copy of the draft schedule of initial commitments on trade in services submitted by the authorities of Chinese Taipei is available in the Secretariat (Office of the Special Adviser to the Director-General, Room 2017), for consultation by delegations.

---

DESCRIPTION OF THE TELECOMMUNICATIONS SECTOR

I. PREVAILING MEASURES

1. Telecommunications business in Chinese Taipei is governed by the Telecommunications Act. Under the Act, public telecommunication services are exclusively operated by the Directorate General of Telecommunications (DGT) under the auspices of the Ministry of Transportation and Communications (MOTC).

Foreigners are not allowed to operate telecommunications business in Chinese Taipei.

2. Currently, value-added services can be provided only by domestic vendors permitted and licensed by the MOTC. Value-added services refer to on-line information and data-base retrieval, electronic mail, voice mail, electronic data interchange, remote transaction, electronic bulletin board, on-line information and/or data processing, word processing-and-editing, and other services permitted by the MOTC.

Foreign-owned companies cannot participate in the VANs market in Chinese Taipei.

3. To follow the world-wide trend of liberalizing the telecommunication sector, Chinese Taipei is now in the process of amending its Telecommunications Act to clearly separate the regulatory and operational functions of DGT so as to provide a more competitive environment.

Presently, the draft amendment to the Telecommunications Act has been approved by the Executive Yuan and submitted to the Legislative Yuan for passage.

## II. FUTURE PLAN

1. According to the draft amendment to the Telecommunications Law, telecommunications enterprises are classified into two categories: Category I and Category II.

Those in Category I are enterprises which install basic switching and transmission networks for the operation and provision of telecommunications services. Category I will be exclusively operated by a to be established state-owned corporation, Chinese Telecommunication Corporation.

Category II covers enterprises which operate and provide value-added services *via* basic telecommunications facilities. Category II will be opened for private investment, domestic as well as foreign, subject to the requirement of obtaining a licence which will be granted by the MOTC.

2. Foreign-owned companies are allowed with special licence to provide value-added services subject to the following two conditions:

- (i) the foreign VAN operators will introduce and transfer advanced hardware/software technology and know-how to citizens or corporate bodies in Chinese Taipei; and
- (ii) the government of the foreign party's home country grants reciprocal treatment to citizens or corporate bodies of Chinese Taipei.

The regulations for issuing aforesaid special licence will be stipulated by the MOTC. The authority will be in a position to receive applications from foreign parties once the amendment of the Act takes effect.

3. Business scopes for Categories I and II enterprises will be proposed and submitted by the DGT to the MOTC for approval. Such business scopes will be reviewed and, when necessary, revised every six months, depending on the then current technological development and market demand.

4. In summary, at the initial stage of the implementation of the liberalization plan, all services except value-added services will be operated by the state-owned company. The reserved areas will be gradually narrowed down through the six-month review contemplated in the amended Telecommunications Act.

## DESCRIPTION OF INSURANCE INDUSTRY

1. According to the "Regulation Governing the Administration of Insurance Agents, Brokers and Adjusters", foreign insurance agent, broker and adjuster companies can establish branch offices in Chinese Taipei to operate the same kind of business that they have operated in their home countries. But such approval is limited to companies from countries that give Chinese Taipei's insurance agents, brokers and adjusters the same treatment.

2. Foreign insurance enterprises can apply to set up liaison offices in accordance with the "Guidelines for Screening and Approval of the Establishment of Foreign Insurance Liaison Offices."

3. The Ministry of Finance has promulgated the "Criteria for Approving Foreign Insurance Enterprises and the Governing Regulations". The criteria and rules apply to all foreign insurance companies without any discrimination regardless of their countries of origin. The Ministry of Finance is now in a position to receive application for establishment of branch offices in Chinese Taipei by non-United States insurance companies to operate the same kind of business as domestic insurance companies.

4. To meet the requirement for liberalization and internationalization of the insurance market, the "Insurance Company Establishment Criteria" is being revised to remove its Article 22. Article 22 provides that the qualified foreign insurance firms may invest in a new insurance company, subject however, to a ceiling of 49 per cent of the equity holding. As a result of the change, a foreign insurance firm may operate insurance business in Chinese Taipei by establishing a subsidiary. Foreign insurance companies are generally accorded the same treatment as domestic companies in terms of their scope of business operation.

## DESCRIPTION OF THE BANKING SECTOR

### I. CURRENT PRACTICES

1. Foreign banks may apply for approval to establish branches or representative offices based on the Guidelines for the Screening and Approval of the Establishment of Branches and Representative Offices by Foreign Banks.

(i) Branch: Chinese Taipei has progressively improved market access of foreign banks. Since the first branch of foreign bank was established in 1959, 56 branches have thus far been established in Chinese Taipei by 37 foreign banks. Branches of foreign banks are allowed to operate the same range of businesses as the domestic banks, including commercial banking, saving banking and trust.

(ii) Representative Office: Foreign banks may apply for approval to establish representative offices, and 24 foreign banks have thus far established a representative office in Chinese Taipei. The representative office should serve as a liaison and shall not engage in banking business.

2. As an effort to accelerate the internalization of its financial market and to improve market access of foreign parties, Chinese Taipei lifted the ban on foreign investment in local banks in June 1994. Foreign parties may now invest in and hold equities of existing banks or raise funds to establish new commercial banks under Banking Law and Criteria for Establishment of Commercial Banks.

3. Commercial presence in other forms: In addition to the above-mentioned two ways of entering Chinese Taipei's banking market, foreign parties may also participate in the market in the following manners:

A. Off shore Banking Branch: Distinguished foreign banks are welcomed to establish branch in Chinese Taipei for providing their off-shore banking services.

B. Foreign Exchange Broker: The ban on establishment of new foreign exchange brokers was lifted in August 1993 to facilitate further development of Chinese Taipei's foreign exchange market.

C. Credit Card Business: The credit card market of Chinese Taipei was liberalized upon promulgation of the Rules Governing Credit Card Business in June 1993. Foreign credit card organizations may now issue international cards in Chinese Taipei.

D. Bills Finance Company: Since May 1992, banks in Chinese Taipei have been permitted to operate their own accounts or serve as brokers for customers' accounts of short-term bills. The ban on establishment of new bills finance companies will soon be lifted. The restriction on percentage of foreign investment in bills finance companies will also be removed very soon.

- E. Leasing Company: The restriction on percentage of foreign investment in leasing companies was already removed in April 1994.

4. New financial products: Chinese Taipei has over the past few years granted approval to many new financial products, including such derivative products as interest rate swap, cross currency swap, and forward rate agreement, as well as electronic banking and replacing passbooks with statements, etc.

## II. FUTURE PLANS

1. In order to encourage more distinguished foreign banks to establish branches and representative offices in Chinese Taipei, the following plans are in place to relax or remove current restrictions on establishment of branches and representative offices by foreign banks.

- A. Establishment of First Branch: Chinese Taipei plans to remove the current requirement of ten years of prior business dealings with banks or major enterprises of Chinese Taipei. It also plans to eliminate the prior business dealing requirement for an upgrade from representative office to branch. Therefore, in addition to sound management and professionalism of the managers, future applicants will only have to either (i) rank among the top 500 banks worldwide or (ii) meet the prior business dealing test to qualify for establishing their first branch in Chinese Taipei. Furthermore, the current three-new-branches-per-year quota shared by all foreign banks will also be eliminated.
- B. Establishment of Additional Branches: Efforts have been made to progressively relax restrictions on establishment of additional branches in Chinese Taipei by foreign banks. Citi Bank has been granted approval to establish seven branches in Chinese Taipei, and there are two other foreign banks having more than three branches in Chinese Taipei. The economic needs test contained in the Guideline will be eliminated. The Ministry of Finance shall review future applications based on the stability, law-abiding record, long-term market strategy and business plan of the applicant's existing branch in Chinese Taipei.
- C. Establishment of Representative Office: The current requirements for establishment of representative office by foreign banks are as follows: (1) it has never committed any serious breach of regulations and has had no bad record within the previous five years; (2) it shall have had business dealings with the banks of Chinese Taipei for at least five years; and (3) it shall have had a total business value of at least US\$300 million with the banks and major enterprises of Chinese Taipei in the previous three calendar years. These requirements will soon be relaxed as follows: (1) it has never committed any serious breach of regulations and has had no bad record within the previous three years; (2) it shall rank among the top 1,000 banks world-wide in the year of application, or it shall have a total business volume of at least US\$300 million with the banks and major enterprises of Chinese Taipei in the previous three calendar years; and (3) it shall be reputable and financially sound, and has obtained approval from its Government for establishing representative office in Chinese Taipei.
- D. Currently, each branch of foreign bank is required to have a minimum working capital of NT\$80 million. This floor limit will be adjusted to a level reflecting the actual working capital of the first branch initially established by a foreign bank in Chinese Taipei, that is NT\$240 million, and NT\$120 million for each additional branch. In order to ensure fair competition among foreign and domestic banks, Chinese Taipei has also decided to remove the current ceiling on foreign banks' New Taiwan Dollar

deposit business, i.e., 15 times the entity's working capital. Reasonable transitional period shall be granted to banks that are currently below the post-adjustment level of working capitals. During the transitional period, the current ceiling on New Taiwan Dollar deposit will still apply to ensure sound management of foreign banks for those banks which have not reached the minimum working capital requirements.

2. In order to increase the convertibility between foreign currency and New Taiwan Dollar in the market of Chinese Taipei, and to facilitate foreign parties' banking with domestic financial institutions, Chinese Taipei now allows foreign natural persons and juridical persons without domicile in Chinese Taipei, including financial institutions, to open their own New Taiwan Dollar accounts with domestic financial institutions of Chinese Taipei. Accounts of foreign natural persons are limited to demand deposit account (i.e. checking account, passbook account and passbook savings account) only, while those of foreign juridical persons are so limited in principle. With these measures of liberalization in place, we hope to see higher efficiency of the financial market of Chinese Taipei.

#### DESCRIPTION OF THE SECURITIES SECTOR

1. A foreign securities firm seeking to establish a branch office in Chinese Taipei must have established and maintained a representative office for at least a year. The original requirement of two-year waiting period has recently been reduced to one year. The limitation on the number of branches a foreign securities firm may operate in Chinese Taipei has been eliminated recently. The requirement imposed on a securities firm seeking to establish commercial presence in Chinese Taipei has recently been changed. The requirement that it has not been punished by the regulator of its home country for the most recent three years become that it has not been so for two years, and the ranking requirement in terms of its total assets has also been abolished.

2. A foreign firm establishing a subsidiary in Chinese Taipei is no longer subject to limitation on the extent of its equity holding in a locally established securities firm.

3. The capital requirement for the subsidiaries and branches of foreign securities firms is the same as that set for domestic firms; the scope of business for domestic and foreign securities firms are also the same.

4. Chinese Taipei promulgated on 8 January 1993 its Criteria for Establishment of Futures Brokerage Firms for trading in foreign futures, and so far has granted business licences to 17 futures firms, including six branch offices of foreign futures firms.

5. Developments not covered by GATS but affecting securities investment and other related activities in Chinese Taipei

- (i) Domestic enterprises issuing convertible bonds and global deposit receipts (GDRs) in foreign markets may now remit back the funds so raised to the total extent of US\$3 billion, subject however, to certain conditions.
- (ii) The ceiling and flooring amounts for each institutional investor's direct investment in Chinese Taipei are amended to be US\$200 million and US\$5 million respectively.
- (iii) The ceiling on the total amount of foreign institutional investors' investment in Chinese Taipei has been raised to US\$7.5 billion.

### DESCRIPTION OF AIR TRANSPORT SERVICES

As mentioned in the Annex on Air Transport Services to General Agreement on Trade in Services, the Agreement shall apply to measures affecting:

- (a) Aircraft repair and maintenance services;
- (b) the selling and marketing of air transport services;
- (c) computer reservation system (CRS) services.

With regard to aircraft repair and maintenance services, there is no limitation on foreign investment in aircraft repair stations. However, for the purpose of ensuring flight safety, foreign investors shall apply to CAA of Chinese Taipei for a certificate of competency prior to its operation, this requirement also applies to Chinese Taipei's citizens.

Foreign air carriers, either on-line or off-line, are allowed to set up branch offices or representative offices, or delegate their agents in Chinese Taipei for selling and marketing their air transport services.

CRS services are considered as one type of telecommunications business, and therefore are subject to the relevant telecommunications laws and regulations. Draft amendment of the relevant regulations contemplates offering market access to foreign operators

### DESCRIPTION OF ROAD TRANSPORT SERVICES

Although land transportation at present is not open for investment by foreign parties, there is no limitation on the provision of its maintenance and repair service. In regard to the market access to the road transport, Chinese Taipei recognizes the trend of intermodal transport and is in the process of amending the Highway Law to allow inland trucking operation related to intermodal transport. The proposed amendment has been approved by the Legislative Yuan at the First Reading on 16 March 1994. When the legislative process is completed, a foreign party may file an application to establish and operate trucking business related to import/export sea container transport, provided that home countries of the foreign parties grant reciprocal treatment to operators of Chinese Taipei.

ATTACHMENT

NEW DRAFT AMENDMENT 35 & 81 TO THE HIGHWAY LAW

As approved by the Legislative Yuan on 16 March 1994

Article 35

Non-Chinese Taipei citizens or juridical persons may not invest in or operate motor vehicle transportation business within the territory of Chinese Taipei.

On condition that the government of a foreign carrier permits Chinese Taipei shipping carrier to transport import and export ocean containers within the territory of such foreign country, a foreign shipping carrier which has established a branch office in Chinese Taipei with a foreign Carrier Branch Office Licence issued by the MOTC may apply to the MOTC through the Highway Authority-in-charge for approval to operate container trucking business. Upon approval of this application, the foreign carrier may, with its own vehicles, transport import and export ocean containers. The provisions in the preceding paragraph shall not apply to such foreign shipping carrier.

A foreign shipping carrier which has established a branch office in Chinese Taipei and has been granted an approval to operate container trucking business in accordance with the preceding paragraph, shall not commence its business operation until it has completed the change of company recognition, change of branch office registration, business enterprise registration and has obtained a motor vehicle transportation business licence. The foreign carrier shall abide by the Laws and regulations of Chinese Taipei governing the administration of container trucking business. The business scope shall be limited to trucking import and export ocean containers.

Article 81

This Law becomes effective from the date of promulgation, provided, that the date for the enforcement of the second and the third paragraphs of Article 35 is to be prescribed by the Executive Yuan in a separate ordinance.