



Asia-Pacific
Economic Cooperation

2007/SOM1/011
Agenda Item: III

Report of the Individual Action Plan (IAP) Peer Review of Chinese Taipei

Purpose: Consideration
Submitted by: APEC Secretariat



**First Senior Officials' Meeting
Canberra, Australia
18 January 2007**

Review of Chinese Taipei's Individual Action Plan (IAP) Peer Review

The IAP Peer Review Session for Japan was held on 17 January 2007 in Canberra, Australia. It was attended by members from Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Singapore; Chinese Taipei; Thailand; United States and Viet Nam. The CTI Chair and IEG Convenor were present as were the APEC Secretariat and ABAC.

The Review Team for Chinese Taipei was comprised of:

Moderator: Mr Roberto Zapata
Senior Official of Mexico
Director-General for Multilateral and Regional Negotiations
Ministry of Economy

Experts: Dr Junsok Yang
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Korea

Ms Gloria Pasadilla
Research Fellow
Philippines Institute for Development Studies
The Philippines

APEC Secretariat Program Director: Carmen Mak

This report contains the following Annexes:

Annex 1 – Concluding Remarks by the Moderator
Annex 2 – IAP Study Report – Chinese Taipei 2006
Annex 3 – Presentation by Chinese Taipei



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Concluding Remarks by the Moderator of the Individual Action Plan (IAP) Peer Review of Chinese Taipei

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IAP Peer Review - Chinese Taipei Moderator's Wrap-up Remarks

- Thank you all for your participation in today's IAP Peer Review for Chinese Taipei.
- First of all, I would like to thank our experts from Korea, Mr. Junsok Yang, and from Philippines, Ms. Gloria Pasadilla, and Chinese Taipei's team, for their contribution to what has been a productive peer review session.
- The review has confirmed how far Chinese Taipei has progressed since its last peer review in 2004, towards the completion of the Bogor Goals.
- In a general view, the final report shows that Chinese Taipei has a clear vision of its present and future role as an Economy, in accordance with its strategic position in the Asia Pacific region, but also as they acknowledge their self-capacities, its advantages as well as its limitations.
- To illustrate the above mentioned, I want to highlight the fact that Chinese Taipei is implementing working programs for long-term economic development, such as the "Challenge 2008" Six-Year National Development Plan and the creation of "two-trillion" and "twin-star" industries; and also action plans to develop 12 categories of service industries, which include financial, telecommunication, R & D, information services, among others.
- Regarding its trade policy, historically its exports have been heavily based on IT-related goods, while its imports rely on industrial raw materials, but recently Chinese Taipei has designated industries such as semiconductors, image displays, digital content and biotechnology as new profit bases of Chinese Taipei's industrial development. Chinese Taipei seeks to build a stronghold of Research and Development based on high quality manpower and a knowledge based economy.
- The fact that Chinese Taipei has a clear vision at the establishment of these objectives should facilitate in a significant way Taipei's road for the fulfilment of the objectives of Bogor.
- As stated in the report, Chinese Taipei has made significant improvements in almost all areas established at the IAP. Some of these improvements are detailed as follows:
 - In the area of services, Chinese Taipei is highly liberalized for foreign competition and foreign investment, with a few exceptions such as the sectors of postal and audiovisual services.

- In the field of investment, Chinese Taipei has made a good progress in liberalising the entrance of foreign investment as well as the outwards allocation of investment in South East Asia, and its remarkable performance in investing in the PRC.
- It must be noted the advance in areas such as customs procedures, standards and conformance, intellectual property rights, government procurement, in which Chinese Taipei has made remarkable progress.
- Even though there is a notable advance in almost all areas, Chinese Taipei must not dismiss other areas in which significant improvement should be done in order to target its economy to the Bogor Goals. Barriers in the form of high ad valorem and specific tariffs , and TRQs in the agricultural and fisheries sectors; potential problems in transparency with regards to customs procedures; and weakness regarding transparency and delivery information on customs are areas in which Chinese Taipei should focus its attention in the road to Bogor.



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I. Introduction

Chinese Taipei, as one of the “four tigers,” has been one of the most successful developing economies in the 20th century. Market liberalization has played a crucial part in the development of Chinese Taipei. For Chinese Taipei, exports have played the part of the engine of growth. Much of Chinese Taipei’s economic growth has been driven by exports of manufactured goods such as textiles, electronics and IT products. However, Chinese Taipei’s growth was dependent on imports as well, since Chinese Taipei had little natural resources, and had to depend on imports for obtaining raw material for its exports. Thus, Chinese Taipei is well aware of the benefits of trade liberalization.

Foreign investment, like foreign trade, also played a significant part in Chinese Taipei’s development; indeed trade and investment were two faces of the same coin, two major pillars of its growth trajectory. Today, while there is an auspicious sectoral shift in its traded products, it still looks on to trade and foreign investment to fuel it to the next stage or transformation towards knowledge-based economy.

Chinese Taipei has been a member economy of APEC since 1991.

In the current peer review report, we, the reviewers, found that Chinese Taipei has made significant progress toward the Bogor Goal. While many of these improvements were made as part of the WTO accession process, many of these improvements go beyond the WTO agreements and mandate, so Chinese Taipei has actively reduced trade and investment barriers.

We found that Chinese Taipei made especially noteworthy improvement in customs procedure, although significant improvements have also been made across the board: in tariffs, investment, intellectual property rights, services, non-tariff measures, standards, and government procurement. While there do remain some market barriers, most notably high tariffs and some non-tariff barriers for agriculture and fishery products, the protection for these sectors is not unusually high compared to other Asian economies. Thus, there remains room for improvement, but such weaknesses in certain areas should not detract from the achievements that Chinese Taipei has made.

The IAP Peer Review Report consists of this main report and four appendices. The first appendix is the questions submitted to Chinese Taipei by the experts, and the answers to those questions by the Chinese Taipei authorities. The second appendix consists of follow-up questions by the experts, and their answers. The third appendix is the questions submitted by ABAC and their answers, and the last appendix is the list of people that the reviewers interviewed during the in-economy visit in September 2006. The reviewers wish to thank the Chinese Taipei officials for taking the time to answer our questions. We also had opportunities to meet with economists and experts from the private sector, most notably the Chung-Hwa Institution for Economic Research and the Chinese Taipei APEC Study Center. We found their answers frank, honest and thought-provoking. We also wish to thank the APEC Affairs Task Force in the Ministry of Economic Affairs for coordinating all the meetings and interviews. Finally, we thank

the APEC secretariat for their assistance in coordinating this project. As always, the responsibility for the views expressed in this report as well as any mistakes it may contain, remains with the reviewers.

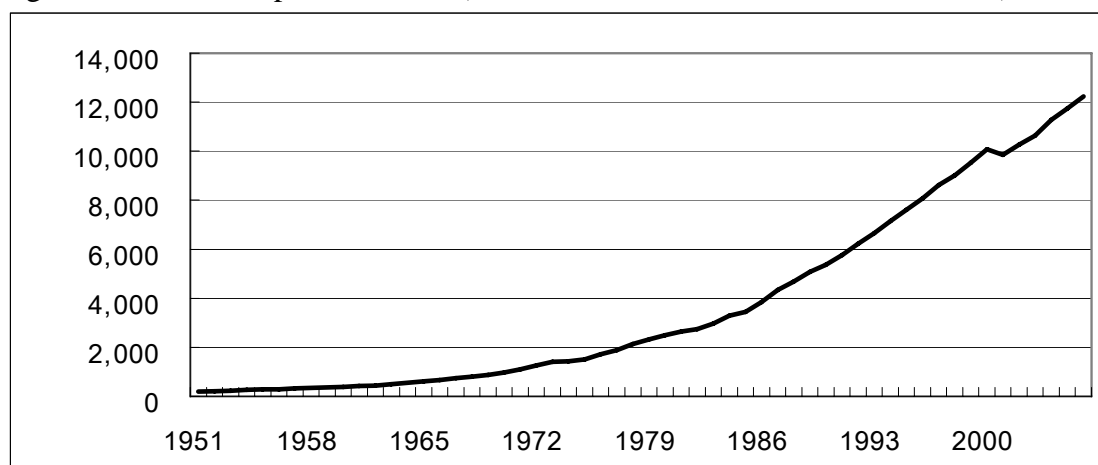
II. Macroeconomy and Trade Policy

A. Macroeconomy

Recent General Trends

Chinese Taipei is known as one of the “four tigers” along with Korea, Hong Kong China, and Singapore. Its population numbers 22.9 million, which makes it the 14th largest APEC economy in terms of population. The nominal GDP for Chinese Taipei grew from about NT\$ 12.4 billion in 1951 to NT\$ 11.1 trillion in 2005. In US dollars, Chinese Taipei’s nominal GDP grew from 1.2 billion in 1951 to 346 billion in 2005. Using 2005 US dollar-based GDP figures, Chinese Taipei is the 9th largest APEC economy. During the same period, the per-capita nominal GDP rose from \$146 to \$15,291. Currently, Chinese Taipei is the 9th largest APEC economy in terms of per-capita GDP. Figure 1 shows the growth in Chinese Taipei’s real GDP from 1951 to 2005. The figures reinforce Chinese Taipei’s striking economic performance, as the real GDP grew from NT\$ 192 billion to NT\$ 11,734 billion. .

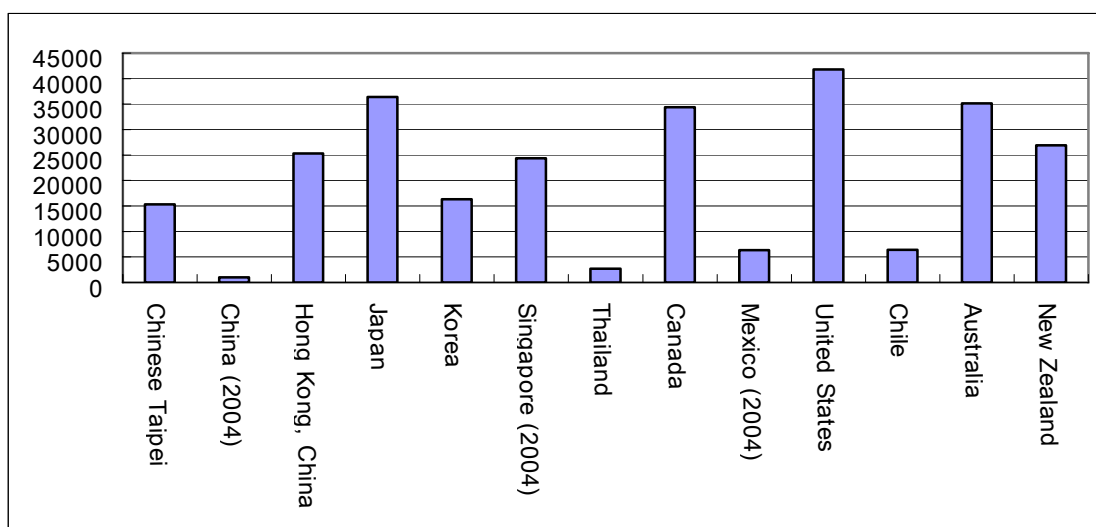
Figure 1. Chinese Taipei Real GDP (1951~2005, Real NT\$ billion, 2001 basis)



Source: Information provided by Chinese Taipei (<http://eng.stat.gov.tw>)

Figure 2 shows the per-capita GDP for Chinese Taipei in comparison to selected APEC member economies. It shows that Chinese Taipei is approaching the per-capita GDP levels of the advanced economies of APEC.

Figure 2. Per Capita GDP for Selected APEC Economies (2005, 2004)



Note: Figures for some economies are for 2004, as marked

Source: Information provided by Chinese Taipei (<http://eng.stat.gov.tw>)

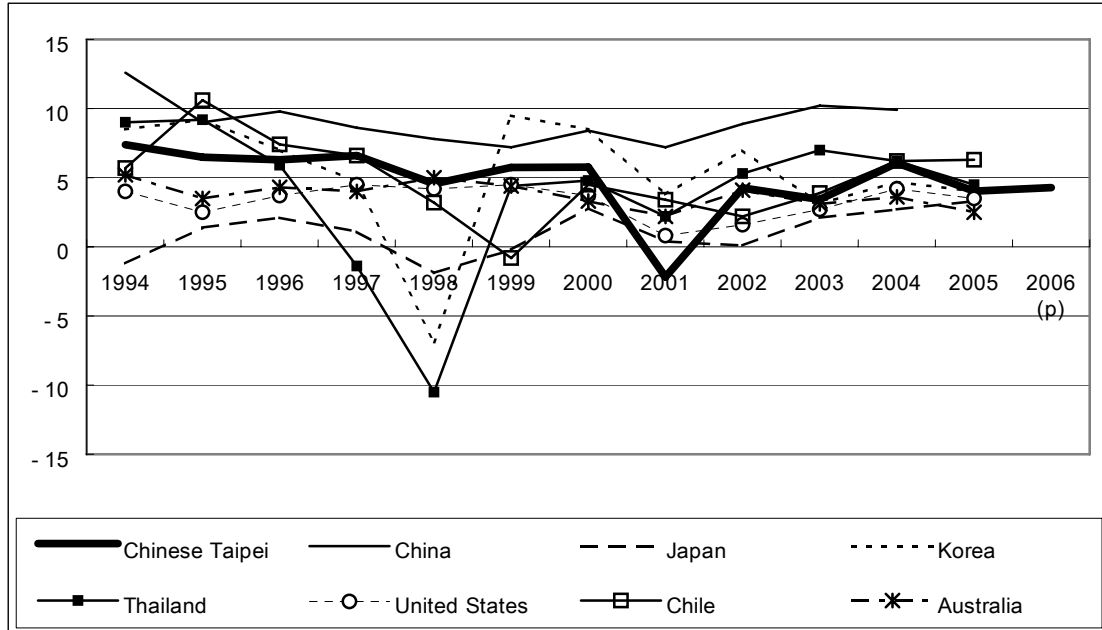
KOSIS database, National Statistics Office, Korea (<http://kosis.nso.go.kr>)

However, in the last decade, Chinese Taipei's growth seems to have slowed down. Figure 3 compares Chinese Taipei's real GDP growth rates with selected APEC economies between 1994 and 2006. First, Chinese Taipei's growth rates seem to be on a general downward trend during the last decade. Further, while its growth rate is fairly healthy by international standards, its relative performance compared to other APEC economies seems to be falling as well. In the early 1990s, Chinese Taipei could be seen as one of the better economic performers among APEC economies, but currently, it is somewhat below average compared to other APEC economies¹. While the growth rates for 2004 had been somewhat higher than usual, government and analysts attribute the high growth that year to recovery of unusually low consumption in the previous year due to the SARS epidemic, as well as unusually high investment due to investments in semiconductor and TFT-LCD industries and the High Speed Rail.

Private economic analysts have expressed worries that growth is falling due to declining economic productivity. Labor productivity growth rates in many industries are falling, and some have actually fallen recently, as seen in Table 1. As a result, Chinese Taipei economy, especially the manufacturing sector, is in danger of hollowing out, as more companies move their production facilities elsewhere. Statistics from the Chinese Taipei government does show that the Chinese Taipei unit labor costs have been growing substantially for apparels and textiles, wood and bamboo products, and basic metal industries in the last two or three years.

¹ Also, it seems noteworthy that the economic performance of APEC economies seems to be converging.

Figure 3. Real GDP growth rates for selected APEC Economies (1994-2006)



Note: calculated in terms of domestic currencies

Source: Information provided by Chinese Taipei (<http://eng.stat.gov.tw>)

KOSIS database, National Statistics Office, Korea (<http://kosis.nso.go.kr>)

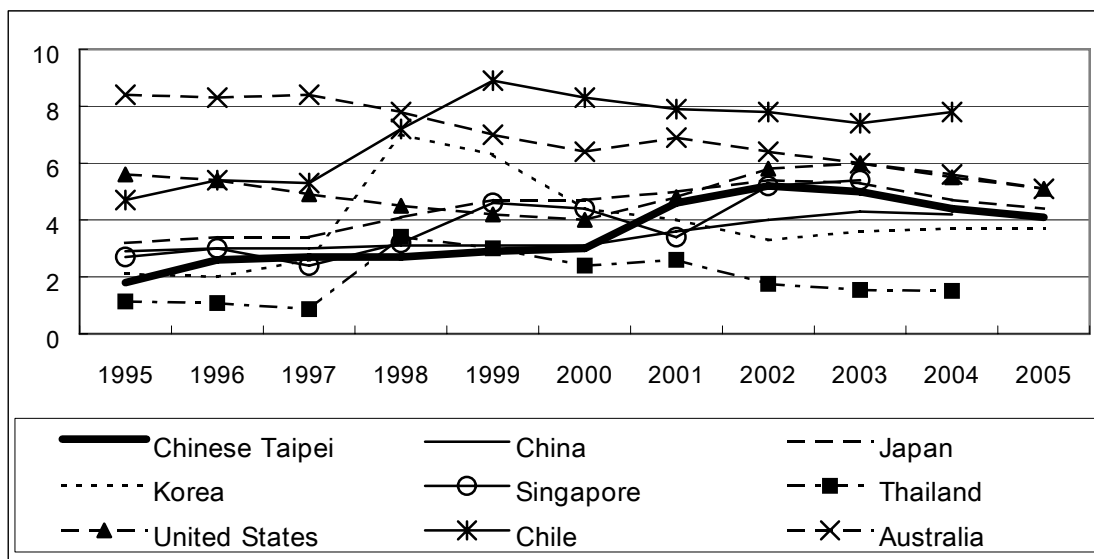
Figure 4 shows unemployment rates for selected APEC economies between 1995 and 2005. It shows that while the unemployment rates for Chinese Taipei is among the lower end of APEC economies, the rates have risen since 2000.

Table 1. Labor Productivity and Unit Labor Costs for Chinese Taipei (Selected Industries) 2000~2005 (Percentage Changes from the Previous Year)

	2000	2001	2002	2003	2004	2005
<i>Labor Productivity</i>						
All Manufacturing	6.24	3.78	9.55	5.29	5.89	4.73
Textile Mill Products	1.95	3.05	-1.55	-5.97	-2.27	-5.78
Apparel and Other Textiles Products	-3.91	-5.38	-3.43	-5.38	-6.61	-7.48
Wood and Bamboo Products	-3.60	6.08	-9.36	-16.11	-8.78	-8.12
Furniture & Fixtures	6.11	-13.07	-13.01	-8.18	2.65	-3.09
Plastic Products	-3.46	2.04	6.22	-0.31	-1.28	-4.08
Basic Metal Industries	-0.05	0.58	10.85	2.16	2.04	-7.44
Fabricated Metal Industries	1.10	-2.04	4.17	-4.70	3.45	-1.51
Computer, Communication & Video & Radio Electronic Products	8.21	10.79	-2.40	4.14	-7.74	5.85
Electronic Parts & Components	9.96	-9.77	24.40	9.56	9.99	10.81
Electrical & Electronic Equipment	-7.71	0.22	16.28	4.91	7.63	-2.47
Transportation Equipment	4.50	-0.59	15.62	5.53	10.00	4.49
<i>Unit Labor Cost</i>						
All Manufacturing	-2.63	2.69	-10.28	-2.84	-4.26	-0.66
Textile Mill Products	0.30	2.54	-0.72	7.21	3.69	11.27
Apparel and Other Textiles Products	5.71	8.98	12.33	8.66	9.25	19.36
Wood and Bamboo Products	4.88	0.93	13.21	21.48	8.01	13.15
Furniture & Fixtures	-0.12	2.54	-8.00	12.56	-1.60	4.00
Plastic Products	3.99	3.65	-3.74	1.85	-4.04	3.19
Basic Metal Industries	4.10	9.60	-15.72	5.73	4.19	10.39
Fabricated Metal Industries	2.24	6.30	-7.42	8.66	-4.51	4.22
Computer, Communication & Video & Radio Electronic Products	-3.33	-4.99	1.82	-1.62	8.64	0.60
Electronic Parts & Components	-3.36	17.88	-19.20	-6.66	-5.61	-4.54
Electrical & Electronic Equipment	10.42	4.25	-15.02	-4.41	-6.76	5.91
Transportation Equipment	-4.63	6.55	-19.85	-1.96	-6.49	-2.30

Source: Information provided by Chinese Taipei

Figure 4. Unemployment Rates for Selected APEC Economies (1995~2005)



Source: Information provided by Chinese Taipei (<http://eng.stat.gov.tw>)
KOSIS database, National Statistics Office, Korea (<http://kosis.nso.go.kr>)

While none of these recent events and trends seem to be excessively worrisome by international standards, some Chinese Taipei economic analysts, both government and private, have expressed worries about medium and long term future. The following section lists some of the problems mentioned by these analysts.

Problems in the Chinese Taipei Economy

One problem mentioned by Chinese Taipei analysts is the moderate economic growth for Chinese Taipei in the past few years. While the growth of 4% may not be considered low by international standards, it does represent slower growth compared to past experience, and its very recent growth rates tend to be lower than the APEC average. Part of the slowing growth is attributed to slowing productivity growth, and the slow growth has sparked discussion on how to increase productivity and growth. Both domestic savings and gross capital formation, as a percentage of GNP, has been falling generally since the 1990s. Domestic savings were 25.0% of GDP in 2005, and the gross capital formation was 19.7% in the same year. Some medium term macroeconomic factors such as the increasing household and credit card debt may have also contributed to the slowing growth by reducing domestic consumption. Current political problems also may have negatively affected growth.

A related concern mentioned by Chinese Taipei analysts is the possibility of overdependence of the economy on the manufacturing sector, IT sector in particular. Currently, half of Chinese Taipei's production is concentrated in the IT sector, and in the opinions of some analysts, the economy is not balanced and too concentrated. Other

industries, notably services, need to be developed. Further, the profit margins of IT-related firms have been declining, and worries about losing competitiveness are spreading. Some analysts, both private and government, commented that Chinese Taipei needs to find new 'leading industries' for the future.

Another problem raised by analysts is the lack of large size companies and conglomerates in the Chinese Taipei economy. The economy has traditionally been dominated by small and medium sized enterprises (SMEs), and in the past, such economic structure has given it a great measure of flexibility, which has been a huge help to boost competitiveness. However, many Chinese Taipei analysts are concerned that SMEs do not allow vast capitalization required for large scale investment and R&D which is needed to compete in the globalized market. Chinese Taipei authorities and analysts point out that this problem is especially acute in the financial services sector. Most of Chinese Taipei banks are small, and the number of banks, on a per-capita basis, is considerably larger than other APEC economies.

Another factor mentioned by analysts was the growing relationship with People's Republic of China (PRC). According to these analysts, 40% of Chinese Taipei exports are exported indirectly to PRC, and Chinese Taipei needs to export more diversely. Also, there is growing tendency for companies to relocate factories from Chinese Taipei to the PRC to take advantage of low labor costs, reflecting a decline in Chinese Taipei's competitiveness.

Finally, Chinese Taipei, along with other more advanced Asian economies, is facing a demographics problem of aging. Birth rates have fallen drastically in recent years, and proportion of working age population in the total population is falling, whereas the proportion of elderly population is increasing rapidly. Thus, the burdens of taking care of the older people through public welfare programs and private family care or assistance, is expected to rise greatly. In 2006, on average, 7.2 laborer supported one elderly person.

Chinese Taipei authorities are aware of these problems, and have, taken various policy measures to alleviate most of the problems cited here. However, because these problems are mostly long term in nature, it will take time to see how effective these policy measures are.

Recent Government Policies

The Asian financial crisis and the public perception concerning the problems listed above, have increased the demand for economic reform and long term government program to increase the productivity of the Chinese Taipei economy. While Chinese Taipei has not been hard hit by the financial crisis compared to some other Asian APEC member economies, the financial crisis did point out the need for Chinese Taipei to reduce the non-performing loans (NPLs) of the banking sector, strengthen prudential regulations on the financial sector, reform bankruptcy and reorganization laws, and liberalize capital controls. Also, many analysts argued that Chinese Taipei is

“over-banked,” that is, there are too many banks, mostly small, compared to the population of Chinese Taipei.

In order to deal with these problems, Chinese Taipei has instituted several measures. The Financial Restructuring Fund was refunded, and the Financial Supervisory Commission was inaugurated in 2004. The first stage of financial reforms successfully reduced the NPL ratio from 11.27% in 2001 to 2.41% in July 2006, and increased the capital ratio above 8%. The reduction of NPLs was driven by privately owned domestic and foreign asset management companies, which allowed the market to reduce the NPLs of banks, without explicit government funding. Chinese Taipei has also implemented a banking restructuring program, and loosened regulations and established incentives to facilitate M&As in the financial sector. Also, Chinese Taipei has instituted several reforms to strengthen corporate governance.

For long-term economic development, Chinese Taipei implemented the “Challenge 2008” Six-Year Development Plan. The plan sets out three reforms in the political, financial and fiscal areas, and implementation of ten key individual projects, which are designed to make Chinese Taipei a “green silicon island.” The plan seeks to change the Chinese Taipei from a low value-added mid-stream processing and contract manufacturing economy of the past into an innovation-oriented, knowledge-based high value-added economy through “SMILE”-oriented industrial development². The ten key projects are listed in Table 2.

Table 2. Ten Projects under Challenge 2008 Program

Investing in Human Resources for Innovation and R&D	1. Top-notch Universities and Research Centers
Cultural & Creative Knowledge Industries	2. International Arts and Popular Music Centers
	3. “M” Taiwan Plan (build two integrated broadband networks)
	4. Taiwan Exposition (to be held in 2011)
Internationally Competitive Global Logistics	5. Conversion of Taiwan Railway System to a Rapid Transit Network
	6. Third-phase Expressways
	7. Kaohsiung Harbor Intercontinental Container Center
Convenient and Ecologically Sustainable Living Environment	8. MRT Systems in Northern, Central, and Southern Chinese Taipei
	9. Sewerage Systems
	10. Lowland Reservoirs and Desalination Plants

Chinese Taipei has also sought the development of “two-trillion, twin-star” industries. The “two-trillion” industries (semiconductors and image display) and the “twin-star” industries (digital content and biotechnologies) are expected to serve as the new profit basis of Chinese Taipei’s international development. The government has also issued guidelines and action plans for service industry development, which seeks the development of twelve promising service industries which are listed in Table 3.

² : “SMILE” stands for “Service”, “Market”, “Inno-Value”, “Life”, and “Employment”.

Table 3. The 12 Categories of Service Industries under Guidelines and Action Plans for Service Industry Development

Financial Services	Cultural and Creative Services
Distribution and Transportation Services	Design Services
Telecommunication and Media Services	Information Services
Medical and Healthcare Services	Research and Development Services
Manpower Training, Dispatching, and Property Managing Services	Environmental Protection Services
Tourism, Sporting and Recreational Services	Engineering Consulting Services

The Plan also seeks to increase foreign investment in Chinese Taipei, and increase trade through the establishment of free trade zones.

The Chinese Taipei authorities believe that these reforms and programs have been successful. They point out that in a Business Risk Intelligence (BERI) survey of 2005, Chinese Taipei investment environment was ranked 5th out of 50 economies, and Chinese Taipei was ranked 5th out of 118 economies surveyed in the growth competitiveness category, and 8th in the global competitiveness category in the 2005 World Economic Forum (WEF) Global Competitiveness Report³.

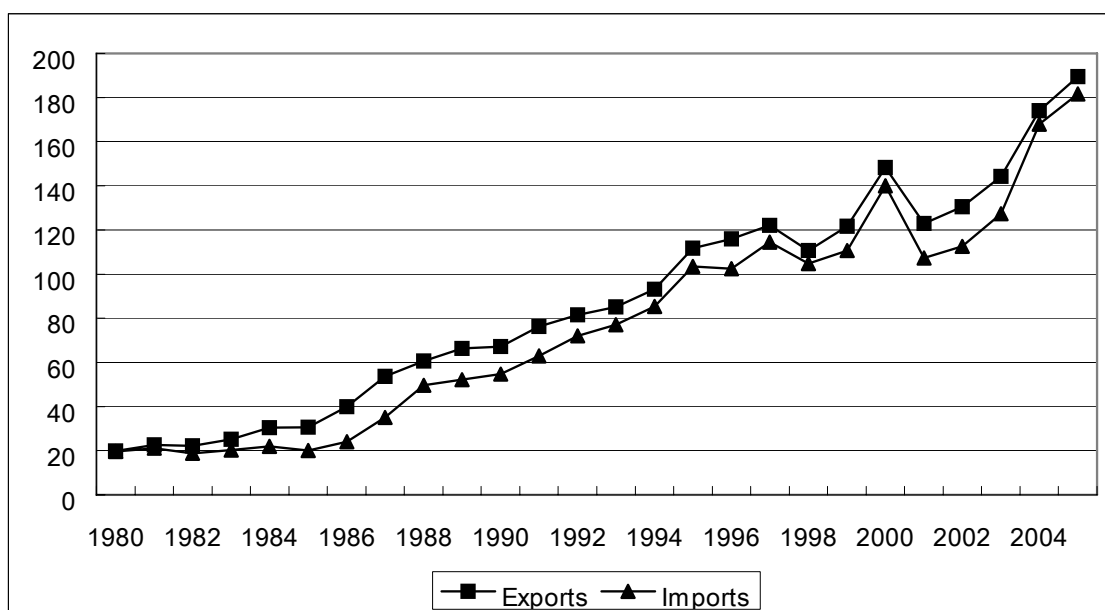
B. Trade Policies

Recent General Trends

Many studies on economic development have pointed out that trade has played an important part in the development of Chinese Taipei economy. Figure 5 shows the growth of Chinese Taipei exports and imports between 1980 and 2005. As seen, both exports and imports have grown nearly tenfold after a quarter of a century.

Figure 5. Chinese Taipei Exports and Imports (1980~2005, US billion dollars)

³ However, Chinese Taipei fell to 13th position in the global competitiveness category in the 2006 WEF report.



Note: Customs Basis

Source: Chinese Taipei Databook

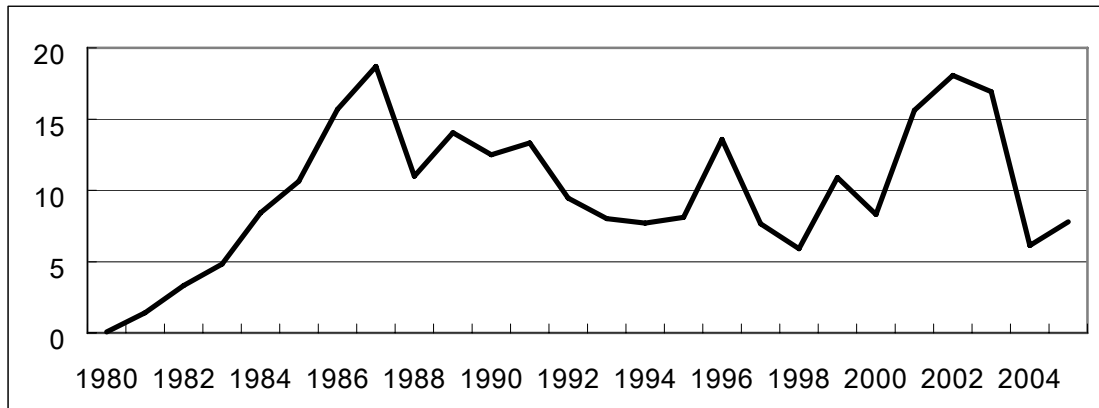
Since the 1980s, more than 90% of Chinese Taipei’s exports have been industrial products. In 2005, 98.7% of exports were industrial products. Within this category, capital-intensive and technology-intensive goods accounted for 80.2%. IT-related goods accounted for 31.2%.

During the 1990s and 2000s, roughly 60 to 70% of Chinese Taipei’s imports were agricultural and industrial raw material, while the share of capital goods in Chinese Taipei ranged between 20 to 30% during the same period. Consumer goods were around 10% of total imports.

Chinese Taipei’s major export partners are PRC (21.6% of exports in 2005), Hong Kong, China (16.2%), US (15.1%), and Japan (7.6%). Export share to ASEAN economies have been steadily increasing, and in 2005, accounted for 14.0% of total exports. On the import side, Chinese Taipei’s major partners are Japan (25.3%), US (11.6%), and PRC (11.0%). ASEAN economies accounted for 11.6% of Chinese Taipei imports.

Figure 6 shows Chinese Taipei’s trade balance for goods, on customs basis. As seen, Chinese Taipei has steadily maintained a trade surplus, though its value has fluctuated greatly.

Figure 6. Chinese Taipei Trade Balance

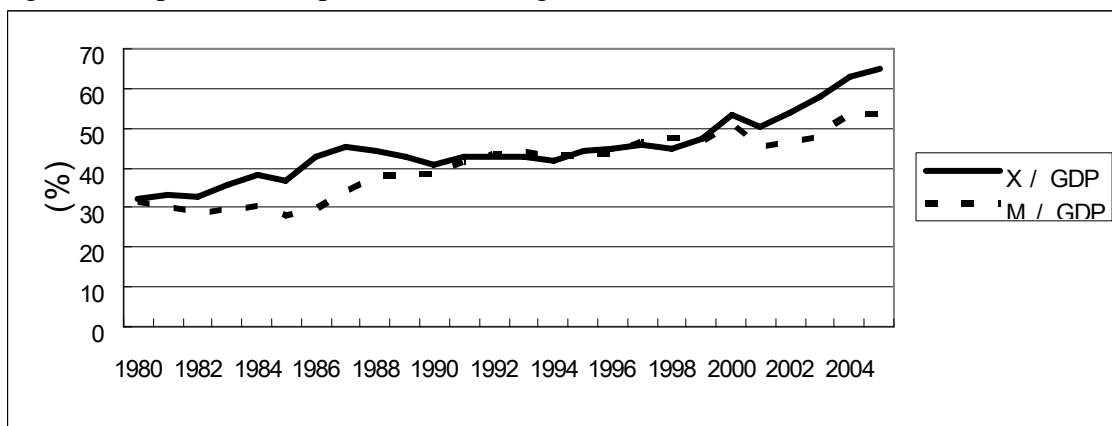


Note: Customs Basis

Source: Chinese Taipei Databook

More interesting may be the figures for exports and imports as a percentage of GDP as shown in Figure 7 and the total trade (the sum of exports and imports) as a percentage of GDP as shown in Figure 8. As seen in these figures, exports reach more than 60% of the GDP, while imports reach more than 50% of GDP. Thus, trade accounts for nearly 120% of GDP. Typically, when trade of an economy is more than 100% of the GDP, it usually reflects the entrepot nature of that economy, where it serves as trade intermediary between two or more economies. However, for Chinese Taipei, the high percentage may reflect a somewhat different nature. Due to its lack of resources, Chinese Taipei imports raw material from abroad, produces intermediate or final goods, then exports those goods. Thus, imports and exports as a percentage of GDP would naturally be high, and a large part of the trade surplus may reflect the value added by Chinese Taipei labor and firms.

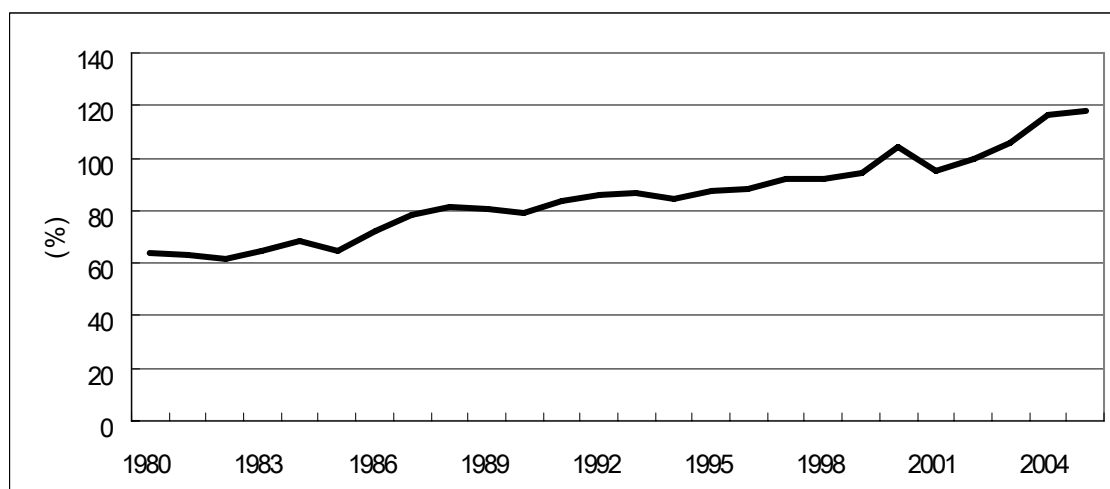
Figure 7. Exports and Imports as Percentage of GDP (1980 – 2005)



Note: Chinese Taipei current account basis

Source: Information provided by Chinese Taipei (<http://eng.stat.gov.tw>)

Figure 8. Total Trade (Exports + Imports) as Percentage of GDP (1980 – 2005)



Note: Chinese Taipei current account basis

Source: Information provided by Chinese Taipei (<http://eng.stat.gov.tw>)

Chinese Taipei, the WTO and the Doha Development Agenda Negotiations

Chinese Taipei became a member of the WTO in 2002. While there had been, and still remains some concerns about joining the WTO, the negative effects from the WTO accession seems to be limited, and the WTO accession seems to have had a positive effect on the Chinese Taipei economy according to a 2005 study on the WTO accession by the Chung-Hwa Institute⁴. Economic and trade development have been on an upward trend since the accession. Total trade has increased steadily since 2002, which has contributed to the growth of GDP. Also, the total production value and exports of manufactured goods have been increasing steadily. Automakers have benefited especially, and the service sector has also benefited due to liberalization and increased foreign investment.

Negative effects from the WTO accession have been felt mostly in industries, which sell most of their products in the domestic market such as the heavy electrical machinery, home electronics, and textile industries, as well as the agricultural industry.

While there have been no formal studies on public opinion toward the WTO and the WTO accession, both government authorities and private analysts have stated that the population on the whole, supported the WTO accession, and still maintain a positive opinion on the WTO.

Chinese Taipei has been participating actively in the Doha Development Agenda (DDA) negotiations. Chinese Taipei authorities note that Chinese Taipei has made extensive commitments during the accession process, and are prepared to make further commitments in the DDA negotiations. However, some domestic industries and organizations are still in the process of making changes and adjustments.

⁴ As cited by the Chinese Taipei government in the answers to expert's question Q0.8. See Appendix I.

In the area of agriculture, Chinese Taipei supports the move toward a market system, but believes that the multifunctional role of agriculture should be recognized. Thus, while there should be substantial reduction in trade-distorting domestic support as well as substantial improvements in market access, certain amounts of flexibility should be given to WTO Members when adopting agricultural reform policies. For its part, Chinese Taipei is in the process of transforming its domestic rice grower support program from the guaranteed price system to a direct payment system. The legislation has been submitted to its legislature, and if passed, the direct payment program will be implemented in 2009.

For Non-Agricultural Market Access (NAMA), Chinese Taipei supports the application of an ambitious formula such as the simple Swiss Formula with reasonably small coefficient values to reduce high tariff rates, especially those associated with tariff peaks and tariff escalation. It also believes that sectoral liberalization can be an effective approach toward reduction of tariff barriers.

For services, the list of priority sectors for Chinese Taipei includes computer and related services, maritime services, distribution services, telecommunications services, logistics services, energy services, financial services, environmental services, and audio-visual services. Also, Chinese Taipei places emphasis on discriminatory regulatory measures, which may act as a deterrent to trade in services.

Chinese Taipei has also emphasized negotiations on rules dealing with Regional Trade Agreements (RTAs) and trade facilitation.

Free Trade Zones

As a part of Chinese Taipei development strategy, Chinese Taipei is currently promoting the development of free trade zones (FTZs). Five FTZs are currently in operation: Keelung Port, Taipei Port, Taichung Port, Kaohsiung Port and Taoyuan Air Cargo Park. FTZs are designed to facilitate the participation of companies in the international supply chain, and provide four major advantages to companies located in the FTZs: Single window administration, free flow of goods within the FTZs, autonomous management by companies operating in the FTZs, and the free exercise of commercial activities within the FTZs by international businesses. Chinese Taipei has relaxed some regulations and requirements for businesses located within FTZs. It has streamlined procedures for granting entry and issuing landing visas to business personnel, eased requirements to permit setup of holding companies for offshore investment and allows offshore banking units (OBUs) to handle foreign currency transactions, relaxed hiring ratio for foreign workers, and as long as the goods remain in the FTZs, goods are exempt from duty and taxes as well as customs checking and inspection under the principle that FTZs exist within physical territory, but outside the customs territory.

As of mid-July 2006, a total of 73 enterprises have moved into the five FTZs, and the number is expected to reach 105 by the end of 2006. Chinese Taipei is seeking more active foreign investment in the FTZs. The total investment in the FTZs is expected to

be NT\$ 13.8 billion, and the total import and export trade is expected to be NT\$193.8 billion by 2008. These figures seem to indicate that FTZs have been a success. However, while many areas have expressed interest in establishing FTZs in their jurisdiction, the Chinese Taipei government states that it is unlikely the number of FTZs will rise in the near future.

Cross-Strait Relationship

The previous APEC IAP Peer Review Report mentioned that cross-strait relations remain a delicate issue, and that assessment is still valid. As mentioned in the previous APEC Peer Review Report, following the WTO accession, Chinese Taipei has made the following policy adjustments to liberalize the trade relationship between Chinese Taipei and PRC:

1. Continue to relax controls on PRC imports. According to the Chinese Taipei Bureau of Foreign Trade website, 8154 products have been permitted for imports from PRC, and further 591 products are permitted conditionally. Imports of 2352 products are still prohibited from PRC⁵.
2. Allow many industries to invest in PRC, and simplify the application procedure
3. Start to relax restrictions on PRC businesspeople visiting Chinese Taipei to do investment and purchasing.

Statistics show that the cross-straits relationship is growing quickly. PRC is now one of Chinese Taipei's largest trading partners and also a large recipient of its foreign investments. According to private analysts, millions of Chinese Taipei people reside in PRC for an extended period of time. Thus, at least in terms of economic matters, the relationship across the strait is growing quickly.

However, while some restrictions on cross-straits trade and investment has been eliminated or loosened, restrictions do remain. Chinese Taipei still prohibits imports of 2352 products, mostly agricultural goods. Also, some restrictions and prohibition on direct investment remain on Chinese Taipei investment in PRC. Chinese Taipei may need to examine these restrictions and prohibitions to make sure that these restrictions do not arise for protectionist reasons.

Chinese Taipei and FTA/RTAs

As with most other APEC member economies, Chinese Taipei has become more active in negotiating free trade agreements (FTAs) or regional trade agreements (RTAs) with other economies. Chinese Taipei currently has two FTAs in effect; one with Panama, which came into force in 2004, and one with Guatemala which came into effect in 2006. Negotiations with Nicaragua have been completed in 2006, and

⁵ Numbers of goods are based on HS classification 10 digit level. Numbers were obtained on October 30, 2006.

negotiations are currently under way with Honduras and El Salvador. The Chinese Taipei authorities believe that FTAs / RTAs are useful methods to increase trade.

Chinese Taipei, APEC and the Bogor Goal

Chinese Taipei believes that APEC delivers welfare to its member economies, and strongly supports APEC activities. Chinese Taipei has participated actively in APEC activities, and it has implemented more than 100 APEC-related policy measures for promoting trade and investment liberalization and facilitation (TILF) between Chinese Taipei and its APEC neighbors. They include the promotion of paperless trade, APEC Business Travel Card, IPR Service Centre, the liberalization of capital flow, and the domestic legislation for fair trade. Chinese Taipei has taken active part in ECOTECH activities as well, in such initiatives as “Transforming Digital Divide into Digital Activities”, and “The APEC Digital Opportunity Center.”

Through APEC activities, Chinese Taipei has gained opportunities for capacity building and technical assistance on various areas. APEC is also a forum where Chinese Taipei is able to share its own successful experiences with other member economies.

Chinese Taipei has expressed its commitment to the Bogor Goal, and is committed to the target date of 2020. However, Chinese Taipei authorities have expressed their opinion that Bogor Goal is not a goal that can be achieved and be done with. Rather, the authorities believe that Bogor Goal is a goal which must be continuously striven for. There will be trade and investment barriers which cannot be completely eliminated, and changes in global situation may create new barriers for trade and investment as well, so there will always be some barriers that must be reduced or eliminated.

The authorities have expressed their opinion that Bogor Goal must go beyond WTO obligations; that is, Bogor Goal must aim to be “WTO-plus.” As described in the next section, in areas such as intellectual property rights and trade facilitation, Chinese Taipei has gone beyond its WTO obligations. However, in some areas such as tariffs, Chinese Taipei seems to be less enthusiastic in going beyond its WTO obligations.

III. Review of IAP by Chapter

A. Tariffs

In most areas of the IAP, including tariffs, Chinese Taipei views the Bogor Goal as something to strive toward, rather than a goal that one can achieve. In line with that interpretation, Chinese Taipei is actively seeking to reduce its tariffs, through the WTO Doha Development Agenda negotiations, FTA negotiations, and other measures as warranted.

Chinese Taipei has bound 100% of its tariff lines. According to the tariff chapter of the IAP, 30.9% of these lines are duty-free. While this percentage is lower than those of

advanced APEC member economies, it is well above the percentage of developing member economies.

Table 4. Duty Free Rates as Percentage of Total Tariff Lines (%)

Chinese Taipei	Average All APEC Economies	Average Advanced Economies	Average Developing Economies
30.90	32.88	61.79	16.01

Notes: Data on tariffs for individual economies were obtained from each Member economy's IAP Tariff chapter, the latest year available. For Australia, Chinese Taipei, Hong Kong China, and Japan, 2006 IAP were used. For Brunei Darussalam, Chile, Indonesia, Malaysia, Mexico, Peru, Russia, Thailand and USA, 2005 IAP were used. For all other member economies, 2004 IAP were used. When calculating the averages, there were no data available for a particular member economy, that member economy was excluded from calculation. Australia, Canada, Hong Kong China, Japan, New Zealand, Singapore and United States were classified as advanced economies, and all other economies were classified as developing economies..

Bound rates for Chinese Taipei are very close to the applied rates, compared with the other APEC member economies⁶. As seen in Table 5.1, the average bound rates for Chinese Taipei are considerably lower than those of the developing economies. The average bound rates for the manufacturing sectors are lower than those of the advanced economies, but the bound rates for agricultural, fishery, and petroleum goods are higher.

Similar pattern is seen for simple average applied rates and import-weighted average applied rates. As seen in Table 5.2, Chinese Taipei's simple average applied tariff rates are lower than those of developing APEC member economies, and comparable to those of the advanced economies. However, the rates for agricultural, fishery, and petroleum products are considerably higher than the average rates for the advanced economies, though lower than the average for developing economies.

Table 5.3 shows the import-weighted average applied rates. Again, the average rates for Chinese Taipei are considerably lower than those for the developing economies, but somewhat higher than those for the advanced economies. It is interesting to note, however, that Chinese Taipei's import-weighted average tariff rate for fishery products is higher than the figure for even the developing economies.

These figures indicate that Chinese Taipei's tariff levels are among the lowest of the developing economies, but do not yet approach the levels of the advanced economies. The tariff rates for the manufacturing sector is very close to those of the advanced economies, indicating that in the area of tariffs, for the manufacturing sector, at least, Chinese Taipei has made considerable progress toward the Bogor Goal.

However, the figures also indicate that there remains substantial protection in the agriculture and fishery sectors. These figures indicate that, much like most other Asian APEC member economies, Chinese Taipei has significant tariff barriers on agricultural

⁶: According to the IAP Tariff Summary Report for 2006, the simple average bound rate for transport equipment is lower than the simple average bound rate, which is unusual.

goods. Similar conclusions can also be drawn from the tariff dispersion table in the tariff chapter of Chinese Taipei's IAP.

Further, Chinese Taipei has 89 specific tariffs⁷, 85 in the agricultural sector, and 4 in the fishery sector. Specific tariffs are non ad-valorem tariff. These tariffs are imposed on weight (per ton) basis. WTO Trade Policy Review (TPR) (2006) for Chinese Taipei has indicated that the ad-valorem equivalents (AVEs) of these specific tariffs, based on WTO specified formula for calculation, are quite high⁸. The simple average of AVEs for the specific tariffs was 130%. The Chinese Taipei authorities have expressed the opinion that the protective effects of the specific tariffs are not very high. The authorities believe that these AVEs overestimate the effect of these specific tariffs, and the goods covered by these specific tariffs account only for 0.19% of total import value, thus the protection offered by the specific tariffs are minimal overall. However, for the 89 goods covered by the specific tariffs, the specific tariffs may act as significant barriers, which also explains why its share to total import appear inconsequential.

The 2006 WTO TPR Report (p.32) states that tariff escalation is present in a number of sub-sectors such as textiles, petroleum, coal and non-metallic mineral products. From the tariff dispersion tables, there seems to be some tariff peaks in agricultural products and transport equipment. However, it is worth noting that tariff structures of virtually all APEC member economies show some tariff escalation and tariff peaks, and the degree of tariff peaks and escalations shown in Chinese Taipei's tariff structure do not seem excessive compared to other APEC member economies.

Overall tariff rates have been falling in Chinese Taipei. The simple average tariff rate for all goods in 2005 was 7.8%⁹, and the rate for 2006 was 5.71%. Chinese Taipei authorities have expressed their willingness to further reduce tariffs as part of the Doha Development Agenda negotiations, including tariffs on agricultural goods, and specific tariffs. However, the authorities emphasize that tariff reductions should be taken by all WTO members as a part of the overall DDA negotiations.

In conclusion, while there remains some problems in Chinese Taipei's tariff structures, such as higher tariff levels for agriculture and fishery goods, some tariff escalation, and high specific tariffs, Chinese Taipei has made solid gains toward the Bogor Goal. Chinese Taipei's overall average tariff rates, especially those for the manufacturing sector, approach the levels of the advanced APEC member economies. Further, Chinese Taipei has been reducing its tariff rates, and has expressed the willingness to further reduce tariffs in the context of the WTO DDA negotiations.

⁷ Note that the 2006 IAP Tariff Dispersion Table indicates that there are 8839 specific tariffs. The Chinese Taipei authorities have stated that the figures in that table are incorrect, and have provided the corrected table. The corrected table is included in Table 6.

⁸ WTO Trade Policy Review for Chinese Taipei (2006) WT/TPR/S/165 p.30

⁹ WTO Trade Policy Review for Chinese Taipei (2006) WT/TPR/S/165 p.28

Table 5.1. Average Bound Rates

	All Goods	Agriculture excluding Fish	Fish and Fish Products	Petroleum Oils	Wood, Pulp, Paper and Furniture	Textiles and Clothing	Leather, Rubber, Footwear and Travel Goods	Metals	Chemical & Photographic Supplies	Transport Equipment	Non-Electric Machinery	Electric Machinery	Mineral Products, Precious Stones & Metals	Manufactured Articles, n.e.s
Chinese Taipei	5.71	11.27	17.54	6.12	0.85	9.08	5.64	2.66	2.77	7.91	3.80	4.38	2.97	3.79
Average	15.44	21.41	14.81	13.75	12.88	18.77	18.73	14.03	14.17	17.17	13.56	13.05	14.09	15.09
Average (Advanced)	7.93	9.74	2.42	3.66	3.21	14.89	12.83	4.69	5.10	7.66	5.66	5.05	4.22	5.52
Average (Developing)	21.18	31.96	24.26	21.99	20.85	24.37	25.44	21.86	21.80	25.58	20.46	19.94	21.99	23.22

Note: See Note for Table 4

Table 5.2. Average Applied Rates

	All Goods	Agriculture excluding Fish	Fish and Fish Products	Petroleum Oils	Wood, Pulp, Paper and Furniture	Textiles and Clothing	Leather, Rubber, Footwear and Travel Goods	Metals	Chemical & Photographic Supplies	Transport Equipment	Non-Electric Machinery	Electric Machinery	Mineral Products, Precious Stones & Metals	Manufactured Articles, n.e.s
Chinese Taipei	5.67	11.94	17.74	4.55	1.11	9.03	5.47	2.58	2.73	8.44	3.07	3.97	2.86	3.69
Average (APEC)	7.23	12.13	7.62	4.24	4.65	10.68	8.74	5.02	4.15	8.87	4.11	5.76	4.81	6.21
Average (Advanced)	4.57	7.67	1.99	1.74	1.85	8.35	8.01	2.19	2.48	3.52	1.96	2.22	1.99	2.50
Average (Developing)	9.22	16.01	11.23	5.99	6.59	13.43	10.50	7.04	5.54	12.59	5.70	8.19	6.80	8.79

Note: See Note for Table 4

Table 5.3. Import-Weighted Average Applied Rate

	All Goods	Agriculture excluding Fish	Fish and Fish Products	Petroleum Oils	Wood, Pulp, Paper and Furniture	Textiles and Clothing	Leather, Rubber, Footwear and Travel Goods	Metals	Chemical & Photographic Supplies	Transport Equipment	Non-Electric Machinery	Electric Machinery	Mineral Products, Precious Stones & Metals	Manufactured Articles, n.e.s
Chinese Taipei	2.43	7.84	9.28	2.50	0.87	8.00	6.20	0.87	2.19	5.99	2.72	1.80	0.67	1.52
Average (APEC)	4.44	11.23	5.15	2.64	3.31	8.23	6.83	3.69	4.17	7.64	2.57	2.20	2.78	3.59
Average (Advanced)	1.47	4.27	1.87	0.10	0.93	8.97	7.37	0.70	2.60	0.67	0.20	0.40	0.47	0.77
Average (Developing)	6.41	16.05	7.68	4.25	5.03	10.01	8.34	5.73	5.80	12.17	4.10	3.43	4.34	5.32

Note: See Note for Table 4

Table 6. Corrected Chinese Taipei Tariff Dispersion Table for 2006

APEC INDIVIDUAL ACTION PLAN: TARIFF DISPERSION TABLE FOR 2006														
NUMBER OF TARIFFS AT OR BETWEEN	All Goods	Agriculture excluding Fish	Fish and Fish Products	Petroleum Oils	Wood, Pulp, Paper and Furniture	Textiles and Clothing	Leather, Rubber, Footwear and Travel Goods	Metals	Chemical & Photographic Supplies	Transport Equipment	Non-Electric Machinery	Electric Machinery	Mineral Products, Precious Stones & Metals	Manufactured Articles, n.e.s
0%	2766	336	12	5	343	30	33	571	457	57	237	226	208	251
0% <X<= 5%	2975	198	2	18	24	216	88	175	1028	76	514	206	109	321
5% <X<=10%	1581	145	23	5	22	495	109	195	87	33	59	164	101	143
10% <X<=15%	689	154	48	0	12	424	0	0	0	22	15	11	3	0
15% <X<=20%	325	256	58	0	0	0	0	0	2	8	1	0	0	0
>20%	414	282	80	0	0	0	0	0	0	52	0	0	0	0
Specific	89	85	4	0	0	0	0	0	0	0	0	0	0	0
TOTAL	8839	1456	227	28	401	1165	230	941	1574	248	826	607	421	715

Source: Chinese Taipei Authorities

B. Non-Tariff Barriers

Licensing and Prohibitions

Non-tariff measures are not defined very clearly in the APEC IAP. One can argue that all chapters of the IAP other than the tariff chapter deal with non-tariff measures. However, IAP tends to concentrate on measures such as quantitative restrictions to trade, licensing, voluntary export restraints and transparency issues. For this review, in addition to those measures, antidumping duties, counter-vailing duties (CVDs) and SPS measures will be examined as well.

After its accession to WTO, Chinese Taipei removed many non-tariff measures that were inconsistent with the WTO. These consisted mostly of import bans on huge number of products, as well as of quantitative and area restrictions. Today, only 56 tariff lines (0.5% of more than 10,000 tariff lines), down from 252 items before 2002, are subject to import prohibition; 24 lines (0.3% of tariff lines) are subject to import licensing, down from 130; while many quantitative restrictions, including import ban on rice and rice products, were replaced by TRQs which currently number 129 tariff lines. Many of the product prohibitions, however, remain for imports from People's Republic of China, numbering more than 2,000 tariff lines at the ten-digit HS level. Cross-strait trade, furthermore, can only be made indirectly, usually shipping through a third port.

The 56 prohibited products involve toxic chemicals or hazardous wastes and other compounds that are restricted under international agreements. Dog meat is prohibited based on concern over public morality; while puffer fish prohibition is for human and animal health.

Table 7. Commodities subject to import prohibition

Name of Product	Number of Tariff Items
Mushroom products, containing narcotics	2
Dog meat	1
Puffer fish	5
Poppy seeds	1
Banned toxic chemicals	19
Narcotics and preparations	1
Hazardous waste	8
Halon and fluoro chloro carbon compounds	19
Total	56

Source: Data provided by Chinese Taipei

The 24 items requiring import permits include diamonds, HCFC compounds, lead, cadmium, chromium waste and scrap, bromomethane, and six steel and iron products. The chemicals are also restricted under the Montreal Protocol, while the steel and iron products are purportedly for statistical purposes and licensing is automatic and without restriction.

Tariff Rate Quotas (TRQs) apply mainly to agricultural products as well as motor vehicles and chassis. The agriculture products include 30 items of rice and rice products, herrings, sprats sardines and anchovies, liquid milk, peanuts and processed products, red beans, and mackerel, among others. The ad-valorem equivalent of rice products out-of-quota tariff is 1,069% which is the highest applied MFN tariff. The government has an importing monopoly for rice for the purpose of stabilizing prices.

Yet, while Chinese Taipei's non-tariff measures applied on an MFN basis appear very reasonable, as they are mainly made on the basis of health and moral protection, protection of sensitive product, as well as in compliance with international agreements, and similar to or even less restrictive than is found in other developed economies, its non-tariff measures applied on products from PRC leave a lot of room for more liberalization to be desired. About 2,352 products from PRC remain banned, mostly agricultural products, pharmaceutical, iron and steel, electrical and electronic items, textile-related products, among others (see Table 8).

Still, it should be noted that this number had already significantly declined. As of July 2006, 8,660 items or 79.61% of all 10,878 tariff lines under HS ten digit are approved for import, up from 56.3% in 2002. Of these, 7,255 are industrial products and 1,405 are agricultural. A remaining 591 products are conditionally approved. Moreover, Chinese Taipei constantly reviews the cross-strait import lists, at least once every six months, and is disposed towards more liberalization.

SPS Measures

The Bureau of Animal and Plant Health Inspection and Quarantine (BAPHIQ) under the Council of Agriculture, is responsible for animal and plant disease control, health inspection and pest control, quarantine, veterinary drug administration and meat hygiene and inspection. Its responsibilities include all issues pertaining to SPS including data collection and risk analysis as well as SPS-related scientific and technological research and development, among others.

The border quarantine inspection of plant and animal products is carried out batch-by-batch, and Chinese Taipei recognizes the quarantine standards and SPS measures of other economies which meet international standards as well as Chinese Taipei's quarantine requirements. Products that are subject to quarantine requirements must be accompanied with a phytosanitary/veterinary certificate or other required certificate or permit issued by the competent authorities of the exporting economy.

Foodstuffs designated by the authorities such as special dietary food, imported food in tablet or capsule forms, food additives and food containing GMOs are subject to licenses with five years validity.

Conformity assessment requirements in Chinese Taipei for standards conformance does not create unnecessary obstacle to trade.

Antidumping and CVDs

Chinese Taipei maintains anti-dumping duties on three products: art paper from Japan, cement from South Korea and the Philippines, and towel products from PRC. Special safeguards apply on selected agriculture products. Its anti-dumping and CVDs are jointly applied by the Ministry of Finance (MOF) and the MOEA. The MOF is responsible for determining if imports are subsidized or dumped, while the MOEA is responsible for investigating whether the subsidized or dumped imports cause injury to the domestic industry.

Nondiscriminatory Applications

Chinese Taipei believes that its NTMs are consistent with the WTO. They subscribe to the notification and transparency requirements in the WTO, has enquiry points for SPS and other non-tariff measures, and applies them in a nondiscriminatory way. In fact, to some extent, in the case of its Green mark program, an eco-labeling program that complies with ISO 14024, the certification or audit requirement is allegedly more rigid for domestic applicants than for foreign ones. Foreign manufactured products may commission independent third parties to conduct on-site audit and the certification may be valid for two years. In contrast, for applicants with domestic manufactured products, on-site audit needs to be conducted every time the application is submitted, and the audit can only be conducted by designated organization by the Administration. Furthermore, unlike similar requirements in the EU where participation is mandatory, in Chinese Taipei it is voluntary. Other similar labeling regulations are likewise nondiscriminatory.

Measures affecting exports

The WTO Trade Policy Review of Chinese Taipei reports that export prohibitions cover 48 tariff lines (HS 10-digit), while export licensing cover 41 items. Banned products are covered by international conventions, such as toxic chemicals, arms and ammunition, and narcotics. Chinese Taipei also prohibit exports of trout and salmon products, plants used for pharmaceutical purposes, and antiques. The reasons are for environmental and cultural preservation. The restricted exports that require export permit include high-tech products that are deemed strategic, agricultural products, chips and IP products including optical disks and drugs and medical devices.

Prior to the phase out of the WTO Agreement on Textiles and Clothing, there were export prohibitions on 845 items, 802 of which were related to textiles. All these were subsequently abolished after accession.

Summing up, Chinese Taipei has undertaken enormous liberalization concessions upon accession to the WTO, removing prohibitions and restrictions on hundreds of products, and remains engaged for further liberalization within the multilateral negotiation process. Thus, it has made significant progress toward the Bogor Goal. It has mechanisms for constant review of products that could be removed from the prohibition or licensing lists. About the only dark mark that truly remains in its

liberalization effort is the prohibition on many products to/from PRC. Given Chinese Taipei's political constraint, removal of many of these prohibitions will likely come more slowly, and would blot its otherwise excellent stride towards reaching the Bogor Goals.

Table 8. Prohibited products from PRC

HS Classification	Description	Number of Tariff Items
01	Live animals	14
02	Meat and edible meat offal	166
03	Fish, crustaceans, molluscs, aquatic invertebrates nes	48
04	Dairy products, eggs, honey, edible animal product nes	37
05	Products of animal origin, nes	19
06	Live trees, plants, bulbs, roots, cut flowers etc	95
07	Edible vegetables and certain roots and tubers	56
08	Edible fruit, nuts, peel of citrus fruit, melons	54
09	Coffee, tea, mate and spices	7
10	Cereals	13
11	Milling products, malt, starches, inulin, wheat gluten	32
12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	11
14	Vegetable plaiting materials, vegetable products nes	1
15	Animal,vegetable fats and oils, cleavage products, etc	8
16	Meat, fish and seafood food preparations nes	83
17	Sugars and sugar confectionery	11
18	Cocoa and cocoa preparations	13
19	Cereal, flour, starch, milk preparations and products	46
20	Vegetable, fruit, nut, etc food preparations	65
21	Miscellaneous edible preparations	8
22	Beverages, spirits and vinegar	32
23	Residues, wastes of food industry, animal fodder	10
25	Salt, sulphur, earth, stone, plaster, lime and cement	9
29	Organic chemicals	23
30	Pharmaceutical products	56
31	Fertilizers	5
32	Tanning, dyeing extracts, tannins, derivs,pigments etc	15
35	Albuminoids, modified starches, glues, enzymes	3
38	Miscellaneous chemical products	19
40	Rubber and articles thereof	16
44	Wood and articles of wood, wood charcoal	2
48	Paper & paperboard, articles of pulp, paper and board	3
49	Printed books, newspapers, pictures etc	1
51	Wool, animal hair, horsehair yarn and fabric thereof	15
52	Cotton	151
54	Manmade filaments	62
55	Manmade staple fibres	119
56	Wadding, felt, nonwovens, yarns, twine, cordage, etc	6

58	Special woven or tufted fabric, lace, tapestry etc	56
59	Impregnated, coated or laminated textile fabric	9
60	Knitted or crocheted fabric	53
61	Knitted or crocheted fabric	2
63	Other made textile articles, sets, worn clothing etc	3
68	Stone, plaster, cement, asbestos, mica, etc articles	9
69	Ceramic products	15
70	Glass and glassware	27
71	Pearls, precious stones, metals, coins, etc	4
72	Iron and steel	340
73	Articles of iron or steel	29
74	Copper and articles thereof	24
76	Aluminium and articles thereof	14
79	Zinc and articles thereof	1
81	Other base metals, cermets, articles thereof	2
83	Miscellaneous articles of base metal	4
84	Nuclear reactors, boilers, machinery, etc	30
85	Electrical, electronic equipment	129
87	Vehicles other than railway, tramway	79
89	Ships, boats and other floating structures	16
90	Optical, photo, technical, medical, etc apparatus	26
93	Arms and ammunition, parts and accessories thereof	5
	<i>TOTAL</i>	2, 211

Source: <http://eweb.trade.gov.tw>

C. Services

The importance of services in global trade is growing rapidly. The Bogor Goal recognizes this growing importance, and the IAP requires the APEC member economies to examine services carefully, sector by sector, to encourage the member economies to liberalize all sectors of services. Chinese Taipei has instituted measures to significantly liberalize many sectors of its services industry, and many of them are described below.

Overview

Services is the major sector in the Chinese Taipei economy, comprising of 73.6% of GDP in 2005. It also generates the most number of jobs, accounting for 58.3% of domestic employment. Banking on high productivity in the services sector, Chinese Taipei took an offensive export interest in the GATS Doha negotiations. It had already committed 110 subsectors out of 154 services subsectors in the WTO in its accession commitments, and was ready to commit 10 additional subsectors in the Doha. These sectors include: computer services, telecommunication services, audiovisual services, maritime transport services, environmental services, banking services, and customs clearance services. It co-sponsored 13 collective requests in the plurilateral negotiations of services, which include requests for cross-border supply liberalization across all

services sectors and logistics liberalization, among others. In the APEC, it has listed 22 services sectors out of the 24 total.

Its current commitments in the GATS are mostly bound at actual applied regulations, unlike most developing economies commitments where bound regulations are more restrictive than the status quo. It is common, for instance, to see developing economy GATS commitment binding foreign commercial presence at 40% of equity when the status quo already allows 60% foreign ownership.

The table below shows the highlight summary of current state of liberalization in Chinese Taipei's services sector. Overall, services is highly liberalized, after years of deregulation efforts. In many sectors, full liberalization had already been achieved, particularly in commercial presence. Even professional services or financial services which developing economies usually find hard to fully open up, Chinese Taipei has liberalized foreign market entry. Of course, it should be pointed out that despite opening professional services to foreign competition, Chinese Taipei has the natural barrier advantage of language which is crucial for passing examination to acquire various professional licenses.

In sectors in which only partial liberalization exists, the reasons are usually based on security or cultural consideration such as quota limitations in audio-visual services or equity limits in basic telecommunication. Only postal services has not liberalized whatsoever.

What worked for Chinese Taipei in the past is the flexible policymaking in which laws and regulations were decided largely on pragmatism and on what would help Chinese Taipei be competitive in the global market. This same characteristic is what would make it achieve the Bogor goals for services liberalization, allowing it to constantly review existing restrictions and adjusting and removing them, if necessary. And, especially now that it is setting its goal at global competitiveness in 12 specific services sectors, all liberalization options that would help achieve this objective are open. Already, at this point, Chinese Taipei is far ahead of many other APEC economies towards reaching full liberalization.

Table 9. Highlights of Services Liberalization, By Sector

<i>Service Sector</i>	<i>Cross-border supply of services</i>	<i>Notes</i>	<i>Commercial Presence</i>	<i>Notes</i>
Professional services				
Accounting	n.a.		Full	
Architecture	n.a.		Full	
Engineering	Partial	Residency requirement; establishment	Full	
Legal	n.a.		Partial	AFLA has limitations on type of activities
Communication Services				
Express delivery	n.a.		Full	
Postal services	n.a.		Closed	State-run monopoly
Telecommunication	n.a.		Partial	Equity limits in basic telecom; nationality requirement
Audio-visual	Partial	Foreign satellite broadcasting requires establishment	Partial	Programming quota, equity limits, nationality requirement
Construction and related services	n.a.		Full	
Financial services	Partial	Establishment requirement	Full	Full banking privileges for foreign bank branches
Distribution services	n.a.		Full	
Education services	Full	Committed "none" in mode 1 in GATS	Partial	Nationality requirement for board members;
Energy services	n.a.		Partial	
Environmental services	n.a.		Full	
Health/ social welfare services	n.a.		Full	
Recreation and sporting services	n.a.		Full	
Tourism/ travel related	n.a.		Full	
Transportation services				

Air transport	n.a.		Partial	Equity limits in airline companies
Maritime	Partial	Establishment requirement	Full	
Rail	n.a.		Full	
Road	n.a.		Partial	
Note: n.a. means either data is not available or not very relevant for the provision of services				

Professional Services: Accounting, Architectural, Engineering, Legal

Non-Chinese Taipei natural persons may practice accountancy in Chinese Taipei if he/she passes the CPA examination in Chinese Taipei. The examination is in Chinese. In addition, they are required to obtain permission from the Financial Supervisory Commission (FSC). Like other CPAs (foreign and domestic), a CPA passer has to register with the competent authority (provincial or municipality) and must be a member of a CPA association.

The requirement for non-Chinese Taipei architects is very similar to that for accounting, i.e. membership in professional organization and passing of examination. The competent authority to approve application prior to actual practice is the Ministry of Interior. However, an alternative route is available to architects other than passing Chinese Taipei examination through a qualification evaluation. In particular, education, practice and training, as well as experience can substitute for the examination requirement to obtain architect's license.

Similarly, non-Chinese Taipei natural persons may be licensed as a professional engineer (PE) in Chinese Taipei following the provisions of the Professionals and Technologists Examination Act. The competent authority for the granting of a PE license is the Public Construction Commission (PCC). There is no nationality requirement for a PE but domestic residency is required. To provide consulting services in engineering, a foreigner with PE license must establish a personal PE office. Chinese Taipei became a member of the APEC Engineer Framework in 2005.

To provide services in Chinese Taipei, foreign engineering firms (under the reciprocity principle) should establish a branch or subsidiary company, but following specific requirements which include the condition that the chairman of the board or representative of the firm is a PE, unless the firm has been registered in its home economy for more than five years and has accumulated more than NT\$2 billion worth of contracts over the past five years.

A non-citizen may take the Attorney Qualification Examinations and, if he/she passes may be granted the license by the Ministry of Justice (MOJ) and admitted to the Bar Association to practice as a lawyer in Chinese Taipei. A different case, however, applies to "attorney of foreign legal affairs" (AFLA) who are permitted to only practice

the laws of his/her “home jurisdiction” and such international laws as adopted by the “home jurisdiction”. He/she shall handle legal affairs related to marriage or parentage cases, or legal affairs relating to succession in which one of the parties is a Chinese Taipei citizen, or the inheritance property is located in Chinese Taipei. He/she shall work in conjunction with a Chinese Taipei attorney or provided with written opinions by such attorney.

In sum, the professional services access provided by Chinese Taipei to non-Chinese Taipei natural persons is much more liberal than most other APEC economies, although it should be said that it enjoys the natural barriers from the Chinese language.

Financial Services

Chinese Taipei’s financial system is not as highly concentrated as in other economies like Hong Kong, China or Korea. It is composed of many, but relatively small banks, with the top 5 banks’ asset share not anywhere near the shares of their counterparts in other economies. Chinese Taipei authorities, as well as private analysts have stated that Chinese Taipei is ‘overbanked’, that is, the number of financial institutions are too high and the size of the banks are too small relative to the size of the Chinese Taipei economy and its population. The financial system had also experienced fragility due to high nonperforming loans ratio in the 1990s brought about by deregulation and over-competition among domestic banks.

In 2000, it started major financial sector reform focused on cleaning up bank balance sheet problems. It established the Financial Restructuring Fund, provided incentives for the creation of private asset management companies (AMCs) to deal with distressed bank assets, lowered tax rates for financial institutions and deposit reserves to encourage bad debt write-offs, and improved the legal environment for M&As through the enactment of the Financial Institution Merger Act and the Financial Holding Company Act. The result is a marked decline in the banking system’s NPL ratio from 11.27% in 2001 to 2.39% in June 2006.

More recent financial sector reforms are focused on encouraging bank consolidation and the promotion of Chinese Taipei as a regional fund-raising and asset management center. It revised M&A regulations to be in line with international norms and offers incentives for consolidation and foreign investors. Earlier, the government tried to dictate bank consolidation through fiat, ala Malaysia, but opposition from the financial sector led the government to withdraw the regulation and to rely, instead, on market mechanism for banks to consolidate. Further opening of the market to foreign competition is thought to provide the necessary pressure for domestic consolidation. To reduce overbanking and encourage mergers of banks, the Chinese Taipei authorities have currently prohibited the establishment of new domestic banks, as well as the establishment of new branches by existing banks. Non-Chinese Taipei banks, however, are partially exempted from this prohibition. Non-Chinese Taipei banks, when establishing their presence in Chinese Taipei, can establish one branch.

From a highly regulated financial system where banks were considered a policy tool to support manufacturing, Chinese Taipei's financial sector has gradually adjusted to a more deregulated financial system. Over the years, the government eased regulations for non-Chinese Taipei investments in the financial market. In the securities market, the government has removed the limitation on shareholding for non-Chinese Taipei investors of outstanding shares of listed/quoted company, except for some specific industries, since 2000. It put in its place a more simplified procedure in 2003 via a registration process that facilitates non-Chinese Taipei investors to conduct trade in the securities market. It no longer subjects investors to any investment quota or validity periods. Further deregulation by the Financial Supervisory Commission (FSC) allow non-Chinese Taipei investors to engage in long hedge strategy on futures market and relaxed securities lending and borrowing system. In particular, the three-year ban as penalty for settlement default by non-Chinese Taipei investors no longer applies; they are, further, allowed to invest in more instruments like REIT and REAT beneficiary securities, call (put) warrants during underwriting periods, and odd-lot stocks. Offshore foreign investors have also been allowed to trade in US dollars in the futures market.

Chinese Taipei had eased most of its exchange and capital control like liability limits or limits on borrowings. Since December 2005, non-Chinese Taipei investors could transfer their assets freely as long as these belong to the same beneficiary.

To attract more non-Chinese Taipei investors in strategic service sectors like financial services, limits on equity ownership have been abolished, although limitations on single ownership remains. For non-Chinese Taipei Financial Holding Companies (FHCs), 100% ownership is allowed, subject to qualification requirements like capitalization, assets, etc. Unlike other economies where branches of foreign banks are not accorded national treatment as their subsidiaries, Chinese Taipei grants national treatment to both branches and subsidiaries of foreign banks. Still, despite very lenient rules, market penetration of non-Chinese Taipei banks is not very deep (see Table). Its share of total banking assets, for example, is less than 10%. Its share in deposits and loans are even more meager than its asset share at 2.6% and 3%, respectively. In the Philippines, the comparative figure for all three ratios is 15%, even though there are less head offices of foreign banks located there than in Chinese Taipei.

Table 10. Chinese Taipei Financial System: Selected Indicators (as of July 2006)

	Domestic Banks	Local Branches of non-Chinese Taipei Banks
Number of Head Offices (local branches)	44 (3273)	33 (65)
Deposits (in NT\$100 Mn)	176,835	6,384
Percent share of deposits (in %)	72.74	2.63
Loans (in NT\$100Mn)	157,289	5,427
Percent share of loans (in %)	91.12	3.14
Assets	265,978	23,879
Percent share of assets (in %)	91.76	8.24

Non-performing loans (in NT\$100Mn)	4,038	38
NPL Ratio (in %)	2.41	0.71
Number of Employees **	135,885	9,120

Source of basic data: www.banking.gov.tw

** as of June 2006

While regulations on FDI in financial services are sufficiently liberal, cross-border trade, (or mode 1 transactions in GATS terminology), in financial services remains limited. For most financial transactions, an establishment requirement is necessary to access the domestic market, except for reinsurance where no requirement to set up liaison or branch offices in Chinese Taipei is required. Some non-established financial institutions' NT\$ bond securities have been issued and sold in the domestic market (with the approval of the central bank), and usually issues by multilateral institutions like the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IDB), to name a few. Wholesale transactions by domestic financial institutions,¹⁰ like participation in cross-border syndicated loans, however, are not restricted, and in fact, constitute about 20% of domestic banks' profits. In its prudential regulation of cross-border trade in retail financial services, Chinese Taipei does not significantly differ from many other economies, even developed ones.

The European trend towards bancassurance has not yet pervaded the local market. However, life insurance companies that meet certain qualifications may conduct wealth management business after obtaining approval from competent authority. It can solicit insurance products through banking channels by utilizing the business space, office facilities, and manpower provided by banks.

As in other economic sectors, Chinese Taipei follows a different procedure in financial services with the People's Republic of China (PRC). First, approval is sought from the competent authority to engage in any financial activities like deposit taking or remittances with PRC branches of foreign banks, PRC banks and their overseas branches, as well as natural persons. The allowable purposes for outward remittances to PRC are limited to 15 categories e.g. office expenses, personal use or grants, importing goods from PRC, etc. However, Chinese Taipei is continuously reviewing its policies with respect to PRC.

Communication Services: Express Delivery and Postal Services

Chinese Taipei seeks to maintain, for the moment, the monopoly of the state-run corporation, Chunghwa Post Co., Ltd, to carry out the business of forwarding of letters, postal cards, or other correspondence. Allowable non-Chinese Taipei investment in postal services is, therefore, zero. Private courier services, on the other hand, is fully liberalized, but its business is limited to forwarding business papers, goods, and parcels.

Communication Services: Telecommunications

¹⁰ 'Domestic' here means both domestic and foreign banks that are locally established.

Chinese Taipei started liberalizing the telecommunications sector as early as in 1987, but it was in 1996 when the most significant competition policy step was taken. It stopped the dual role of the Directorate General of Telecommunications (DGT) and separated its regulatory function from the provision of telecommunication services which is to be the responsibility of Chunghwa Telecom Co. (CHT). Later, CHT was partly privatized, but around 53% remains as government share.

Chinese Taipei telecommunication service is among the highly ranked sector all over the world. In fixed line penetration rate, it is ranked number 1 in Asia and number 7 all over the world. In mobile telecommunication penetration rate, it is ranked number 19 globally. Tariffs on local calls are low, although mobile tariff is still higher than that in Singapore, Korea, and Hong Kong, China.

The industry is divided into mobile network service, fixed network, satellite services, and value added services. Each of these is further subdivided, for example, mobile network is divided into 2G, 3G, Paging and PHS; fixed network services, into domestic and international call services; and satellite communications can be either fixed or mobile satellite. Value added services include internet access and others. Operators who own and operate network facilities to provide telecom services are the so-called Type I telecommunication operators, while the operators who do not own network facilities are Type II enterprises. Table 11 below shows how Chinese Taipei had traveled a long way from the previous monopoly telecommunication position in the past to having more competition in the sector.

Table 11. Telecommunication Service Providers

<i>Type of Business</i>	<i>Service Categories</i>	<i>No. of Operator</i>	<i>Subtotal</i>	<i>Total (as of June 2006)</i>
		2G	6	
	Mobile phone	3G	5*	
			5	
			4	
			9	
			1	
	<i>Mobile</i>		1	31
			0	
			9	
	<i>Satellite</i>		6	15
			4	
			63	
<i>Basic Telecom</i>	<i>Fixed</i>		4	71
<i>Value-added</i>			173	553
			82	

I-phone	87
Other Value-added services	211

* The first 3G Operator, APBW, launched its services on 29 July 2003

Source: Data provided by Chinese Taipei Authorities

While Chunghwa Telecom dominates the fixed network services for domestic calls, with 97% share of the market, it has significant competition in international call service where its share is significantly less – only 59 %. Among the different segments of telecommunications, revenues from mobile services contribute the largest share (60%); fixed network services comes next with 20% of revenue share; value added services contribute 12 %, and others, 8% (Source: NCC, June 2006).

To safeguard fair competition in the industry, no cross-subsidization is allowed. Instead, the IAP states that regulation requires separate calculation of profits and losses according to the item of service provided, and the net universal service costs and necessary administrative cost for the provision of universal services are shared amongst type I telecom and certain type II telecom operators.

The telecommunication sector is regulated by NCC, the commission in charge of communications, an independent government body established in February 2006 from the merger of the Directorate General of Telecommunications (DGT) and the Department of Broadcasting Affairs of the Government Information Office. It sets a price cap on Type I tariff and regulates entry into basic telecommunications sector through franchising and licensing requirement. It awards licenses for Type I operators either through evaluation and examination, open tender, or other methods, considering factors like the conditions of the telecommunications market and other needs of public interest such as protection of minorities rights and interests, as well as provision of universal services.

Entry, for Type I telecom operations, requires far deeper funding requirement. The minimum paid-in capital requirement for an integrated network operator is NT\$16 billion, and the build out requirement for the self-constructed local network is 400 thousand subscribers' lines or ports. This hefty requirements limit entry of Type I operators deliberately to only large carriers. Chinese Taipei alleges that this ensures that the licensee can provide high quality of service based on economies of scale and adequate level of network construction.

Type I foreign investments are also restricted to a maximum of 49% direct foreign investors' share, and 60% for both direct and indirect. Foreign direct and indirect share in Chunghwa Telecom may not exceed 40%, although it should be pointed out that its GATS commitment puts the maximum at only 20%. As far as national treatment requirement is concerned, Chinese Taipei requires that the Chairman of the Board of a Type I telecom enterprise must be a Chinese Taipei natural person.

Restrictions on FDI in domestic infrastructure and communications are reasoned as protection of public interests and domestic security. Yet, while Chinese Taipei clearly recognizes this restriction on FDI in Type I telecom services, they also note that the restriction is actually

‘not binding’ in the sense that actual FDI shares in telecom enterprises are actually far below the allowable ceilings. They are, in fact, encouraging more inward direct investment in services sectors, among them the telecom sector.

Compared to Type I telecom, regulations for Type II enterprise operators are relatively lighthanded. Licenses are granted by the NCC. It faces no price cap in setting tariffs, and no investment limitation on value-added services.

Chinese Taipei’s regulation of inward direct investments in telecommunication sector is actually already among the more liberal of APEC economies. With the exception of the United States which had fully liberalized this sector in both cross-border trade and commercial presence, most other economies have only partially liberalized commercial presence in this sector¹¹ Chinese Taipei is already one step more advanced in that commercial presence in value-added services, at least, is fully liberalized. As far as further deregulation in the industry is concerned, Chinese Taipei is continuously reviewing its restrictions and would adjust its policies when it sees fit. For the moment, they do not see any adverse effect on foreign investment in the sector due to ownership restrictions as current actual FDI shares in Type I enterprises are still way below the maximum allowed.

Communications Services: Audio-visual

Again for security and public welfare reasons, Chinese Taipei puts limits on non-Chinese Taipei ownership in cable radio and television system operators up to 20 % for direct shareholding, and 60% for both direct and indirect. Shareholding in cable and television system operation is also limited to legal entities. Two-thirds of directors of the board and two-thirds of company supervisors should be Chinese Taipei natural persons. In addition, there is quota allocation for non-Chinese Taipei programs based on the total number of hours of program transmission on the activated channels of a system operator – at least 20% of cable radio and television programs must be produced domestically.

In satellite broadcasting business, direct shareholdings by non-Chinese Taipei shareholders is limited to a maximum of 50% of total issued shares. Non-Chinese Taipei broadcast satellite media may broadcast programs and advertisements in Chinese Taipei after permission from the regulatory agency is granted. But there is a cross-border restriction - an establishment requirement - in that they are required to set up a branch office or agent in Chinese Taipei territory to supply programs.

For wireless radio and television, the programming quota for domestically produced programs is set at a higher minimum of 70%. No non-Chinese Taipei investments are currently allowed in wireless radio and television, and no plan is afoot to review this non-Chinese Taipei investment limit.

In all subsectors of audio-visual services sector, Chinese Taipei did not indicate any planned improvement or further liberalization in its IAP report.

¹¹ Stephenson (2005), Annex Tables.

Construction and Related Engineering Services

Aside from domestic regulation affecting establishment requirement such as the employment of professional engineers, experience and track record requirement for different classes of construction company, capitalization requirements, and engineers' certification requirements, construction and related engineering services is fully liberalized for foreign participation. One should, however, note the discussion for recognition requirements for engineering professions in the general discussion of professional services above.

Distribution Services

Distribution services in Chinese Taipei is fully liberalized. But the government's approval of specific trading enterprises' activities and goods is required before a company could be registered. The list in the IAP includes wholesale of agricultural products, fuel stations, tobacco product imports, among others. Other than those specifically mentioned in the list, no government approval is necessary for company registration.

Education Services

Education services sector is another fully liberalized sector, as per the IAP, except for nationality requirement for the principal/president and chairman of the board. There is a further restriction on the nationality of the members of the board – non-Chinese Taipei directors may not exceed five and may not be more than one-third of the board.

Energy Services

Energy services sector is not included in Chinese Taipei's schedule of commitments in the GATS but the sector is partially liberalized.

Environmental Services, Health Related and Social Services, Recreational Cultural and Sporting Services, Tourism and Travel Related Services

These sectors are fully liberalized.

Employment of non-Chinese Taipei professionals in recreational, cultural, and sporting services must follow the regulations for employment of non-Chinese Taipei specialists, as well as the Qualifications and Criteria Standards. In addition, employers' qualifications are part of the reckoning for the entry of non-Chinese Taipei professionals. In particular, the list of employers includes schools, public organizations in social, educational and cultural sectors, international hotels, publication industry, among others (see list in the IAP). The Chinese Taipei's GATS commitments require residency for a publisher and editor.

Transport Services: Air, Maritime, Rail, Road

There is equity limitation for non-Chinese Taipei investments in Chinese Taipei airlines of up to one-third of total equity. This limit is, however, planned to be increased up to 49%. In

addition to the equity limitation, Chinese Taipei has two MFN exemptions for: a) ramping services provided in airports; and b) other supporting services for air transport, limiting the granting of self-handling of these services to economies with which it has bilateral air agreements.

In maritime transport, Chinese Taipei requires foreign vessel carriers to establish a franchise or branch to conduct commercial activities in the territory. It further requires that non-Chinese Taipei vessel carrier keeps in Chinese Taipei territory an operating fund of no less than NT\$12 million. It should be noted that Maritime Transport is not in the current GATS commitments of Chinese Taipei but is included in its revised Doha offers.

Conclusion

In conclusion, Chinese Taipei has liberalized much of its services sector for foreign competition and foreign investment. Thus, it has made substantial progress toward the Bogor Goal. However, as with most other APEC member economies, substantial barriers or requirements remain for certain services industries. Some of these barriers may be addressed in the Doha Development Round services negotiations, but some may not. Chinese Taipei is encouraged to examine its remaining barriers to see whether the barriers currently in place are truly justified.

D. Investment

Several treatises in economic development have emphasized the important role of investment. One of the main goals of APEC is to facilitate and increase investment among its member economies, and the Bogor Goal directly reflects this goal. Chinese Taipei is well aware of the importance of investment, and has encouraged investment throughout its development. In the last decade, it has placed more emphasis on attracting foreign investment, and as its economy has developed, it has increased its overseas investment as well.

Chinese Taipei economy has prospered over the decades on the basis of contract manufacturing from non-Chinese Taipei multinationals seeking cheap labor for production. In the 1980s up to early 1990s, as wages in Chinese Taipei also rose with economic growth, Chinese Taipei began outward investments to other Southeast Asian economies, to diversify product locations taking advantage of both cheaper labor and GSP privileges of these economies in developed markets. In the latter half of 1990s, outward investments to People's Republic of China (PRC) started to dominate. In 2005, about 71% of Chinese Taipei outward investments are estimated to be in PRC, even as investment in Southeast Asia declined. Within Southeast Asia, most of Chinese Taipei investments are going to Vietnam.

As for inward investments, according to investments data from January to July 2006, manufacturing still comprises the bulk, followed by services. In all, 58% of total investments go to manufacturing while services receive almost 42%. More specifically, the bulk of investments in manufacturing are concentrated in electronic parts and components (90%). Communications, audio and video electronic products is a very distant second and receive three percent of total investments in the sector. As regards services, on the other hand, majority of the investments in

the sector go to financing (35.53%) followed by auxiliary financing services (27.15%) and professional, science and technical services (16.68%).

Because of its own development experience with FDIs, Chinese Taipei considers it an important policy tool for economic growth. It wants to attract more inbound direct investments, especially in services related industries and high knowledge-intensive sectors, to help in the shift to a more knowledge-based economy. To this end, it had made significant policy improvements to facilitate the process for overseas Chinese and non-Chinese Taipei investors interested in investing in Chinese Taipei. It established simplified procedures for approval and reporting, it engages the foreign chambers of commerce and acts on their suggestions. It liberalized many equity limits, particularly in services, facilitated asset transfers, and eased exchange controls for currency remittances. Investment-related laws, including visa application procedures, are transparent and are generally available in government websites.

For example, in the financial sector, it loosened loan restrictions on non-Chinese Taipei banks to allow single credit to be based on total net worth of the non-Chinese Taipei bank rather than that of the branch/subsidiary in Chinese Taipei. It derestricted investments in securities, removed prior approval requirement for portfolio investment through the Taiwan Stock Exchange Corporation (henceforward, TESC), and simplified outward remittances procedures. It relaxed regulations for institutional investors and removed prohibitions on futures market trading in US dollars.

The Financial Holding Company Act allows non-Chinese Taipei holding companies to invest in local financial institutions or own up to 100 percent of their own operations with the hope that non-Chinese Taipei investment will add to local holding companies' capital, enhance their competitive edge in the global market, and introduce advanced strategies.

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The Corporate Merger and Acquisitions Act relaxed restrictions on acquisition and simplify procedure for merging of the parent company with its subsidiaries. Chinese Taipei also relaxed many restrictions on foreign investments like switching some sectors from the list of Prohibited sectors to the Restricted list (e.g. cable and satellite broadcast and television), or removing sectors from the Negative List altogether. These lists are defended on the basis of consumer welfare, safety and security considerations, but is continuously reviewed and updated for possible delisting of sectors. It also removed restrictions on foreign investment ratio and on the number of foreigners in the boards of directors e.g. for air freight forwarders and air cargo entrepot.

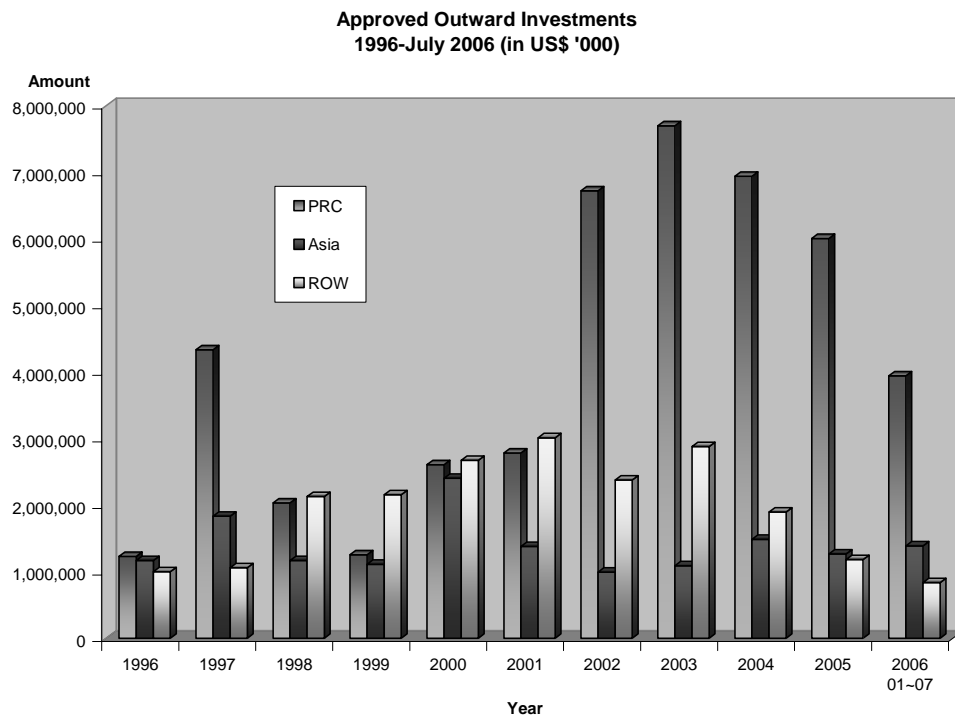
Although Chinese Taipei thinks that all its investment measures are WTO-consistent, it abolished local content requirements for automobiles and motorcycles/scooters. Intellectual property rights protection, of concern to technology investors, has the necessary security because all domestic regulations are in line with international IPR conventions.

To facilitate matters for foreign investors, it established the single-window process through the Department of Investment Services (DOIS), under the Ministry of Economic Affairs (MOEA), to serve as a liaison with other related government bodies, or as a channel of communication with those agencies for investors during the process of their investment. It also established the Coordination Office for Investment Promotion (COIP) as a one-stop office to eliminate investment barriers in land acquisition, transportation, water and electricity, environmental protection and conservations, and other related problems which investors face after investments had been approved.

For review and approval of both inward and outward foreign investment, the Investment Commission has the responsibility. For investments up to NT\$1.5 billion and which do not involve prohibited and restricted industries, a fast track review is available that takes 2-3 days on average. For investments higher than NT\$1.5 billion and are in the Negative List for Investments for Overseas Chinese and non-Chinese Taipei people, the examination procedure can take up to 14 days. And for more complicated transactions like mergers, acquisitions, or corporate splits but which do not involve investment in PRC and are not extraordinary, the review process can take 21 days. For more complicated cases, the Investment Commission draws on the specific industry knowledge of other agencies. For example, an acquisition of a domestic insurance firm will have to be passed on to the Insurance Bureau or Financial Supervisory Commission to evaluate its compliance with the Insurance Act.

There are, however, a few difficult areas for greater investment liberalization in Chinese Taipei. There is huge outward investment to PRC which currently stands at an annual average of 62% of total investments since 2000. There is no bilateral arrangement for investment protection between PRC and Chinese Taipei. On its part, Chinese Taipei reviews and regulates all outward cross-strait investments. It has limitations on maximum amount (40% of assets for enterprises with less than NT\$80 million paid-up capital), and prohibits outward investment in certain manufacturing, agriculture, services and basic infrastructure construction sectors.

Figure 9. Chinese Taipei Outward FDI



As to land ownership, Chinese Taipei has reciprocal treatment with 40 other economies where Chinese Taipei natural persons are also allowed to own land. Still, non-Chinese Taipei investors may be allowed to acquire land for investments that are helpful to major infrastructure projects, overall economic development, or agricultural and animal husbandry industries as approved by the concerned authorities.

Double taxation is another issue for investors with no double taxation treaty with Chinese Taipei. It had concluded 16 such bilateral treaties, including with 6 APEC member economies, and is willing to negotiate with other interested economies. Though procedures for outward remittances have been simplified, there remains a cap on outflows. Each Chinese Taipei resident has a maximum accumulated settlement account of US\$5 million (US\$50 million for companies), and anything in excess required the central bank's approval.

There are also delays in the privatization of SOEs although the process had been started a few years ago.

Overall, there is sufficient clarity of investment laws in Chinese Taipei and efforts are being put to bear on further de-restrictions and de-limitations on non-Chinese Taipei investments to make them conform with international norms.

In conclusion, Chinese Taipei has made significant progress toward the Bogor Goal in the area of investment. It recognizes the importance and utility of both inward

investment into Chinese Taipei, as well as outward overseas investment in areas such as PRC and southeast Asia.

E. Standards and Conformance

Standards and conformance have sometimes been used as hidden trade and investment barriers. In the Bogor Goal, and in its trade facilitation program, APEC has placed much emphasis on making sure that standards are not being used for such purposes. Standards should have scientifically valid rationale or justification, and standards should be harmonized with global standards or those of other economies as much as possible. Many APEC programs are in place to provide capacity building and technical assistance to developing economies to carry out this goal.

Harmonization

In the area of standards and conformance, Chinese Taipei has made substantial progress toward the Bogor Goal. Chinese Taipei believes in the advantage of having the Chinese Taipei standards harmonized with international ones. It is moving quite rapidly towards it, with 71% of harmonizable domestic standards already in accord with international standards since October 2005. The others are still under review, but Chinese Taipei is making an effort to harmonize them as soon as possible.

As of end-July 2006, Chinese Taipei has 14,022 domestic standards, some of which have no international standard counterpart. In 2004, only roughly 36% domestic standards have corresponding international standards, while the remaining 64% have none. Of the 36% standards with international counterparts, 69% have been aligned in 2004 and 71% in October 2005.

Table 12. Harmonization with international standards

<i>Item</i>	<i>Data</i>	<i>Data</i>
Domestic Standards	End of Year 2001	July 2006
Total number of Domestic standards	13,789	14,022
Non-existence of international standards	8,820	8,882 a/
Existence of international standards	4,969	5,011 a/
Domestic standards that are identical with international standards	1,302	1,832 a/
Domestic standards that modifies corresponding international standards	974	1,604 a/
Rate of harmonization with international standards (both identical and modified)	46%	71% b/
a/ end 2004 data; b/ end-October 2005		
Source: www.bsmi.gov.tw and data provided by authorities.		

Chinese Taipei claims that all its standards measures are WTO compliant and in accord with the TBT and SPS agreements. 2006 WTO TPR report found no inconsistencies between Chinese Taipei's standards measures and the TBT and SPS agreements. Its food labeling regulations are essentially consistent with the Codex standards for labeling packaged food, although it is not a member of the Codex Alimentarius. Furthermore, for the identified priority areas by the APEC Sub-Committee on Standards and Conformance (SCSC), namely electric and electronic appliances, food labeling, machinery, plastic products and rubber products, Chinese Taipei had achieved the goal of aligning domestic standards with international standards in 2004.

Chinese Taipei follows a clear and transparent process of domestic standard setting. A proposal is first submitted and drafted, then comments are solicited and reviewed before final approval and promulgation. Moreover, all domestic standards are reviewed every five years. Information on standards is available in designated government websites, or is available for purchase.

Finally, with respect to standards and conformance's link with trade facilitation, Chinese Taipei can be considered a model for other APEC economies for putting its inspecting agencies in the customs office, a step which greatly accelerates the release of goods from customs.

Relevant institutions

The institution primarily in charge of standard setting and inspection is the Bureau of Standards, Metrology and Inspection (BSMI), under the Ministry of Economic Affairs. BSMI covers regulation for all electronic, mechanical, and chemical products. It is, at the same time, the coordinator for international agencies and with other government agencies. It acts as the enquiry point for WTO/TBT matters.

For food safety, sanitary and health standards, pharmaceuticals, and cosmetics, the Department of Health is in charge. The DOH, however, has commissioned the BSMI to

carry out customs inspection related to sanitary and health issues on food and medical products.

There are 22 other government agencies involved in standards and conformance. Among these are the NCC, the Environmental Protection Administration, the Ministry of Transportation and Communications, etc. For example, the Environmental Protection Administration is responsible for pollution and clean environment issues. It inspects automotive manufactures and imports for acceptable emission levels.

Domestic standards, MRAs, and international alignment

Chinese Taipei supports the goal: “one standard, one test, one certificate, accepted worldwide.” Thus, it tries to promote the internationalization of product certification systems and the establishment of mutual recognition agreements with foreign certification bodies. BSMI, the agency responsible for standards and conformance, accepts test results, inspection certificates, and/or other relevant certification documents of trading partners, subject to its bilateral or multilateral agreements.

It actively participates in regional and international workshops and seminars that discuss or exchange information on various standards such as toy safety, the APEC Electrical and Electronic MRA (EEMRA). It also participates actively in some Specialist Regional Bodies (SRBs) like the Asia Pacific Metrology Program (APMP), the Asia Pacific Laboratory Accreditation Cooperation (APLAC), the Asia Pacific Legal Metrology Forum (APLMF) and Pacific Accreditation Cooperation (PAC). In international fora, Chinese Taipei participates in the International Organization of Legal Metrology (OIML), International Laboratory Accreditation Cooperation (ILAC), International Accreditation Forum (IAF) and the General Conference of Weights and Measures (CGPM). It also joins in international and domestic food proficiency testing programs.

Within APEC, it had signed PAC and APLAC MRAs. It supports the technical infrastructure development project of the APEC Subcommittee for Standards and Conformance (SCSC). It has also signed bilateral MRAs with the US and Canada on EMC test reports of IT equipment, with Australia on EMC test report of electronic and electrical products, and with New Zealand and Singapore on test reports and certification for electronic and electrical products, and has expressed willingness to sign more MRAs with other interested economies.

Under the bilateral MRAs both sides accept test reports or certificates issued by each other’s designated conformity assessment bodies.

Link with trade facilitation

Chinese Taipei specified certain products as regulated i.e. they have to comply with certification requirements before they are shipped out of the manufacturing premises, are imported, or placed on the market. Certification is conducted according to four

schemes: batch-by-batch inspection, registration of product certification, monitoring inspection, and declaration of conformity.

As of July 2006, Chinese Taipei has 586 regulated products – 218 chemical products and 368 mechanical, electrical, or electronic products. Of these, 92% may use DoC (Declaration of Conformity) or RPC (Registration of Product Certification), while the remaining 8%, or roughly 40 items, undergo batch-by-batch inspection.

For imported processed food or agriculture, livestock, and aquaculture products, the DOH has commissioned the BSMI to conduct inspection. As of July 2006, 1,761 agriculture and fishery products are subject to inspection using the batch-by-batch scheme.

Another product that requires batch-by-batch inspection is automotive imports. The Environmental Protection Administration checks emission levels of auto imports based on the California (USA) standards on emission. There is no single international standard on acceptable emission. Chinese Taipei attributes the significantly improved air quality in its economy despite the increased number of cars to the stringent inspection of auto emissions.

Generally, imports are examined by the government, while exports are examined by licensed third party assessor. BSMI contracts 11 independent testing institutions and designates them to conduct inspection. BSMI conducts assessment of these designated institutions at least once every 6 months. BSMI also signed cooperative agreements or MOUs with 32 different certification organizations abroad. Chinese Taipei accepts test reports issued by recognized foreign third-party testing laboratories. Foreign third parties that want to be designated testing laboratories have to apply to the BSMI and have to go through an accreditation process for their safety test reports to be recognized.

Prior to 1997, BSMI relied on batch inspection as the only conformity assessment procedure to ensure compliance of products with regulatory requirements. To facilitate trade and to adopt international practices, BSMI had gradually introduced the concept of risk management into its conformity assessment procedure. Today, BSMI bases its conformity assessment on the risk levels of products, the technical competence of manufacturers and third party testing facilities. The result is an increased number of products entering Chinese Taipei market under post-market surveillance, instead of pre-market inspection.

The market surveillance mechanism is of two parts: 1) appearance checks, or whether the inspection mark was affixed to the products, to determine awareness of the program; 2) sample testing, consisting of purchasing samples from the open market and verifying whether the purchased sample is consistent with the information contained in the related declaration of conformity and technical report, or physical testing of the product against the relevant standards.

A review of the DoC process in December 2003, however, showed high awareness of the technical standards but the sample testing yielded high non-conformity to

standards of about 47.7%. The authorities cite 50% non-compliance rate in the more recent reviews, a high enough figure that concerns Chinese Taipei authorities about the possible ineffective quality control mechanism among SMEs in the economy.

Chinese Taipei has accumulated experiences in adopting trade facilitating conformity assessment schemes, in environmental protection, and in many other areas of standards and conformance. Chinese Taipei is not able to participate in deliberations carried out at ISO, IEC, Codex, ITU on new rules and standards.

In conclusion, Chinese Taipei has made good progress toward the Bogor Goal in the area of standards and conformance. However, the high non-conformity to declared standards in post-market evaluation may be a significant problem. Luckily, the Chinese Taipei authorities are aware of the problem. Measures to improve the compliance rate should be formulated and implemented in the near future.

F. Customs Procedures

Customs procedures is another area where Chinese Taipei made impressive progress. Even though Chinese Taipei is not a formal member of the World Customs Organization (WCO), it is implementing much of the Revised Kyoto Convention, and has already achieved impressive results. As seen below, Chinese Taipei has already implemented many of the measures, which have been proposed by WTO members in the context of Doha Development Agenda negotiations on trade facilitation.

Chinese Taipei has been implementing automation for cargo clearance since 1992 for air cargo, and 1995 for sea cargo. Chinese Taipei has been utilizing the UN/EDIFACT model, and the average clearance time for sea cargo is 1.5 hours, and average clearance time for air cargo is 11 minutes. Such short clearance time is an impressive achievement, since clearance time used to be measured in days before automation was implemented.

Chinese Taipei has also instituted a pre-entry clearance system, and most goods are released immediately upon arrival unless there are irregularities with the cargo or the paperwork, or when the cargo is subject to random inspections as a part of the risk-management system. Chinese Taipei believes that such pre-entry clearance system will help firms compete in a just-in-time zero-inventory business environment, and help firms participate in the international supply chain. If the cargo is classified as C1, it undergoes paperless clearance, and traders can file all necessary information through electronic forms. The number of forms have been streamlined and reduced recently as a part of Chinese Taipei's efforts to improve trade facilitation and establish an electronic network for customs clearance. If the cargo is more risky, and classified as C2 or C3, it must submit some paperwork, but Chinese Taipei maintains a one-stop window for submission of paperwork so that the burdens to the traders are minimized. 78.29% of air cargo and 55.08% of sea cargo are classified as C1.

Chinese Taipei has also implemented the authorized trader system: 172 importers have been approved as authorized traders, and these traders can pay their duties post-

release, and pay the duties monthly on a lump sum basis. Further, these authorized traders face a reduced cargo examination rate.

Chinese Taipei has made substantial progress toward installing a risk-management and post-clearance audit system-based customs clearance system. Chinese Taipei customs maintains a cargo and entry summary selectivity system, which allows manpower to be concentrated on high risk goods. Further, the risk management and post-clearance audit system allows customs to expedite clearance for legitimate goods, as seen in the impressive average clearance time for cargo.

Chinese Taipei has also established an electronic network for customs clearance called "Facile Trade Net." The goal of the Facile Trade Net is to transmit licensing documents, including import and export permits, certificates of import and export commodity inspection, as well as import and export approval documents, through the consolidated computer system. As a first step, the systems of Customs Service, Bureau of Foreign Trade, Bureau of Standards, Metrology and Inspection, and Bureau of Animal and Plant Health Inspection and Quarantine have been consolidated into a single system. Further consolidation is expected.

Chinese Taipei is currently operating the Air Cargo Internet ASP (Application Service Provider) Declaration System, and the Sea Cargo Internet ASP Declaration System. Further, Chinese Taipei Customs has consolidated the Customs cargo clearance systems and the e-Financial Services System to establish the "Customs Duty and Tax Internet Payment System." Some important elements of this system came on line in early 2006. Traders can now utilize the existing over-the-counter payment method or the electronic payment system. Under the electronic payment system, traders are able to enquire or pay duties/taxes via the Internet around-the-clock.

Chinese Taipei maintains a single contact window, established by the Bureau of Foreign Trade of the Ministry of Economic Affairs, to provide relevant import or export information of various agencies for traders.

On the whole, the improvements in the Chinese Taipei customs clearance system are impressive. However, there does seem to be some elements, which may be further improved. Customs task force found that there are some discrepancies between the Chinese Taipei Customs Act and the Revised Kyoto Convention. The Chinese Taipei government has submitted legislation, which would eliminate or reduce many of these discrepancies. However, the legislation has not yet passed the legislature. Chinese Taipei is not a formal member of the WCO and while they have implemented most of the provisions in the revised Kyoto Convention, they have not fully implemented all the provisions. Also, the Chinese Taipei has not yet fully adopted the WCO Customs Data Model in its customs procedure system. The Chinese Taipei authorities have stated that, because the WCO is currently at work in a new version (Version 2.0) of the WCO Customs Data Model, they will rather wait until the new version is finalized before adopting the Customs Data Model.

While Chinese Taipei has made impressive improvements in customs clearance, there seems to be some weaknesses in certain areas dealing with transparency. Under the current law, the commenting period for new trade related legislations or regulations seems to be seven to fourteen days, which seems too short to allow the Chinese Taipei authorities to gather a full range of opinions from all parties, including foreign traders. Further, if there are no explicit provisions in the legislation or regulations, the time between publication of the new legislation or regulation and its entry to force seems to be only three days. Such short time period seems too short for traders to prepare themselves for the new legislation or regulation. The authorities, however, have emphasized that many legislation explicitly state the period between publication and entry into force, and such period may be as long as one year.

Moreover, even though Chinese Taipei has installed many of the mechanisms and processes to improve transparency, information may not be flowing smoothly to traders. In the answers to questions from ABAC, it was clear that Chinese Taipei have instituted various measures to address the problems of traders. However, the fact that the members of ABAC were not aware of these measures and pointed out problems (which had been addressed by government measures) during the peer review process, seems to indicate that information on these measures are not being delivered to businesses and traders effectively. Of course, it cannot also be discounted that members of ABAC may not be aware of the existence of information in government websites, or if they do, they do not have the habit to check it out with regularity. Nevertheless, Chinese Taipei also provides single-window inquiry points for traders, investors, etc. that members of ABAC may tap.

In conclusion, Chinese Taipei has made remarkable gains in the area of customs procedures, and has made substantial progress toward the Bogor Goals. However, there seems to be some problems remaining with transparency and delivery of information. Also, some provisions of the Revised Kyoto Convention have yet to be implemented.

G. Intellectual Property Rights

As with other chapters of the IAP, Chinese Taipei considers the Bogor Goal as a principle to be striven for, rather than a goal to be achieved. Thus, Chinese Taipei is committed to making continual efforts to reduce barriers in its trade and investment regime, including matters related to intellectual property rights (IPRs).

Chinese Taipei IPR authorities have stated that, as part of creating an environment for free trade and investment, IPR protection needs to be established, and a comprehensive IPR protection plan needs to be formed and implemented. As part of that goal, Chinese Taipei has installed the appropriate intellectual property (IP) legal framework, and instituted various policies to implement the framework, as well as to implement the Osaka Action Agenda (OAA) and the Busan Roadmap.

According to the Chinese Taipei authorities, the IP legal framework is consistent with Chinese Taipei's obligations under the TRIPS Agreement. The WTO Trade Policy Review for 2006 found no discrepancies between Chinese Taipei's IP regime and the

TRIPS Agreement. Chinese Taipei is not a formal signatory to most international IP treaties, organizations and conventions such as the Berne Convention and WIPO. However, the Chinese Taipei IP regime is consistent with most of the provisions of these treaties and conventions. Thus, Chinese Taipei authorities state that their IP regime goes beyond what is required by WTO Agreements.

In order to comply with the TRIPS Agreement and to implement the OAA, Chinese Taipei has amended its three primary IPR related legislation, the Copyright Act, the Patent Act and the Trademark Act. Copyright Act now include measures on “public transmission” rights and “technological protection measures” which brings it in conformity with the WIPO Copyright Treaty (WCT) and WIPO Performances and Phonograms Treaty (WPPT). Future amendments under consideration include P2P and ISP liability for the Copyright Act; and an extension of patent protection to plants and animals for the Patent Act. Measures were also put in place to expedite the granting of IPR.

For enforcement and implementation, the Intellectual Property Office (TIPO) is in charge of implementing and establishment of IPR regulations and policies. TIPO’s responsibility includes policy coordination, policy formulation, policy discussions and integration, policy promotion, and policy review. Most notably, TIPO plays an important role in coordinating IPR enforcement among the agencies in charge of IPR; which include the Ministry of Justice, the Prosecutors and the Judicial Branch, and the Police Departments.

An innovative measure introduced by Chinese Taipei to protect IPR is the IPR Police, which can be described as a partnership between the police department and TIPO. For the IPR Police, the regular police department provides the personnel, but TIPO provides the operational and logistic budget. IPR Police regularly patrols various marketplaces, especially the popular ‘night markets.’ They number 220 officers, and have been successful in substantially reducing the number of large-scale CD and DVD counterfeiters. Further, the IPR Police maintains a special team to deal with IPR violations on sales through the Internet.

Chinese Taipei has also established the Joint Optical Disks Enforcement Taskforce (JODE) in January 2002 to combat optical disk (CD, VCD and DVD) piracy. It is also beginning to target Internet infringement and IPR piracy in campuses. Measures include encouraging second-hand bookstores and used-book sales to reduce textbook piracy in universities.

TIPO has also engaged in public education to increase the awareness of IP related issues, and enhance IP “user skills” so that consumers will be more respectful of IPR. The education program includes a series of promotional programs, activities to enhance the professional capabilities of IP enforcement personnel, IP related training seminars, the establishment of TIRA, an academy dealing with intellectual property, and the launching of a patent commercialization website to provide suppliers and user with information on patent licensing, assignment, technology transfer, and other IP-related issues.

Chinese Taipei has strengthened the civil and criminal liabilities for IPR violations. Strengthened civil liability measures include the rights by IPR owners to demand the removal of infringement, prevention of infringement, as well as restoration and compensation for damages.

Further, Chinese Taipei is in the process of establishing an IP Court. The training for judges began in March 2006. The IP Court should increase the awareness of IPR related issues and increase the pool of expertise in the judicial branch.

Due in large part to such efforts, IPR protection in Chinese Taipei has improved considerably. A recent International Intellectual Property Alliance (IIPA) reported that the enforcement of IPR protection in Chinese Taipei has led to a significant decrease in piracy rate, and in the US Special 301 report, the USTR has recently downgraded Chinese Taipei's status from "Priority Watch List" to "Watch List."

The Chinese Taipei authorities have reported one case of compulsory licensing. The case involved patents dealing with recordable CDs (CD-Rs). According to the Chinese Taipei authorities, the original licensing agreement set high royalty rate, which may have been appropriate at the time of the negotiations, but could not reflect the subsequent changes in the global market for CD-Rs, which resulted in a large drop in prices. When the patent holder and a licensee could not reach an agreement dealing with renegotiation of patent license royalty rate, the authorities issued the compulsory license in 2004. The patent holder has filed an appeal with the High Administrative Court on August 18, 2006. According to the government, the compulsory licensing was carried out in line with Chinese Taipei's laws and it seems consistent with provision of TRIPs. However, compulsory licensing should not be a tool which is used lightly, especially when dealing with negotiations between private parties.

In conclusion, Chinese Taipei has established a good legal framework for the protection of IPR. Chinese Taipei's legal framework is compliant with the TRIPS Agreement, and for the most part, is compliant with various international IPR conventions and agreements, even though Chinese Taipei is not a signatory to these conventions and agreements.

In conclusion on enforcement and implementation, Chinese Taipei has made significant progress with the establishment of the IPR Police and IP Courts. TIPO publishes monthly, quarterly and annual reports on IPR protection and relevant statistics. These reports are available through the TIPO website (<http://www.tipo.gov.tw>).

H. Competition Policy

Competition policy can facilitate market liberalization through maintaining a domestic market which allows competition by both domestic and foreign firms. A strong domestic monopoly or oligopoly may inhibit competition by both domestic and foreign entrants, resulting in economic inefficiency and high prices to consumers.

The Fair Trade Law (FTL) of Chinese Taipei went into effect in 1992, and prohibits anti-competitive conducts such as abuse of monopolistic positions, mergers without notification, horizontal agreements affecting market function, resale price maintenance, anti-competitive vertical restraints, passing-offs and counterfeiting, false or misleading advertising, commercial disparagement, illegal multi-level sale schemes, and grossly unfair trade practices. The Fair Trade Commission (FTC) of Chinese Taipei was established in 1992 as the main authority responsible for competition policy. It investigates violations in FTL, and may take administrative measures including fines and cease orders. If these violations involve criminal liability, the FTC can bring these cases to court. The decisions of the FTC can be appealed to the Appeal and Petition Committee, and in turn, to the administrative court. FTC promotes market competition by limiting monopolies from abusing their market positions, illegally colluding, or engaging in illegal mergers and acquisitions.

Other functions of the FTC include building a sound, fair internal trade system, promoting deregulation, advocating the concept of fair trade, promoting international exchange and cooperation on competition policy issues, and when necessary, revising the fair trade laws for submission to the legislature. Notably, FTC is engaged in various programs such as “Legal Deregulation Promotion Program,” “Program to Eliminate Unfair Competition by State-Run Enterprises,” “Program to Dissolve Controls and Promote Market Competition,” and “Green Silicon Island Vision and Strategic Legal Review Program.” FTC has assisted governmental departments in reviewing all laws and regulations under their respective jurisdictions in order to provide an environment for fair market competition and enforce competition policy¹².

As indicated in the IAP, Chinese Taipei has made significant efforts to enforce the FTL and maintain a competitive economic environment. As of the end of 2005, Chinese Taipei handled 27,803 cases relating to competition law. Among them, 19,150 were either complaints filed by members of the public or whose investigations were initiated ex officio; 2,330 were law interpretation cases; and 6,323 involved applications or notifications for concerted actions or mergers. As seen from these numbers, the FTC is responsive to public complaints about non-competitive behavior by firms. Members of the public can file a complaint to the FTC by letter or e-mail, but the complaint must provide detailed and substantive content of anti-competitive behavior, and present relevant evidence along with the true name and address of the complainant. Also, according to article 31 of the FTL, an enterprise, which have been infringed upon by another enterprise, can take the case to court and receive three times the amount of damage in compensation.

Thus, Chinese Taipei has made significant progress in installing competitive policy, and establishing a competition-friendly economic environment. However, there

¹² According to 2004 WTO Trade Policy Review of Chinese Taipei, (p.64, footnotes 98 and 99) the FTL states that “monopolies” exist if the market share of an enterprise in a relevant market reaches one-half of the market, the combined market share of two enterprises reaches two-thirds, or the combined market share of three enterprises reaches three-fourth of the market; and the definition of a “merger” includes: holding or acquisition of more than one-third of total shares of an enterprise; lease of the whole or major part of the business of an enterprise; joint operation by enterprises on a regular basis; and direct or indirect control of business operations of another enterprise.

are some recent developments which may weaken competition policy. According to the IAP, FTC has handled 2,198 violations of the FTC and fined a total of NT\$ 1271 million. Thus, an average penalty for a violation seem to be around NT\$ 500,000 (approximately US\$ 16,000), which seems too low to act as a significant deterrent. The Chinese Taipei authorities point out that the FTL allows fines up to NT\$ 25 million for the first violation, and there have been several instances where such high penalties have been issued. Further, because most of the Chinese Taipei firms are small, even small penalties can be significant for these companies.

Chinese Taipei tolerates monopolies and oligopolies, as long as they do not abuse market power. These monopolies or oligopolies include enterprises whose monopolistic status is protected or approved by other laws and regulations. Also, while FTL generally prohibits mergers, they can be permitted by the FTC to the extent that they do not impede competition or if the overall economic benefits of the merger outweigh the disadvantages. Notably, the FTL allows FTC to allow mergers after examination under following exceptions:

1. Unifying the specifications or models of goods for the purpose of reducing costs, improving quality or increasing efficiency;
2. Joint research and development on goods or markets for the purpose of upgrading technology, improving quality, reducing costs, or increasing efficiency;
3. Each [enterprise] developing a separate and specialized area for the purpose of rationalizing operations;
4. Joint acts with regard to importation of goods for the purpose of strengthening trade;

5. Joint acts limiting the quantity of production and sales, equipment or prices for the purpose of meeting the demand in an orderly fashion while in an economic downturn when the market price of products is lower than the average production costs, so that the enterprises in a particular industry have difficulty in maintaining their business, or encounter a situation of overproduction;
6. Joint acts for the purpose of improving operational efficiency or strengthening the competitiveness of small and medium sized enterprises.

Further, Chinese Taipei has recently changed its “pre-merger approval application” system to a “pre-merger notification system.” Also, the FTC has adopted the principle of “precedence of administrative action over judicial adjudication.” In revising the Fair Trade Law, Chinese Taipei has eased controls on mergers to enhance international competitiveness, provided measures to encourage firms to cooperate in R&D and innovation, and adopted a leniency policy toward cartels. According to the 2004 WTO Trade Policy Review of Chinese Taipei (p.64) the leniency policy was instituted to more effectively ban collusions. Because some types of cartels are difficult to detect, the leniency policy provides amnesty to parties of a cartel which notifies the existence of the cartel to the FTC. Many of these changes in policy, especially those dealing with mergers, seem to reflect the Chinese Taipei concerns that their economy is based excessively on small and medium sized enterprises, which are too small to compete in globalized, competitive economy, and thus the economy needs fewer, but larger firms.

While economic case can be made for most of these exceptions to competition policy, these recent changes in competition policies, these exceptions and changes increase the weight of responsibility on the FTC to make sure that the benefits outweigh the costs, and that these exceptions and changes in policy do not significantly reduce the competitiveness of the domestic economy. The FTC should be vigilant and examine these cases brought under these exceptions or changes in policy with care, and make sure that foreign competitors are not unduly put at a disadvantage by these exceptions and changes in policy.

In conclusion, Chinese Taipei has made significant improvements in its competition policy regime, and has enforced its competition policy vigorously. While some exceptions to its competition policy, as well as some recent changes have the potential to weaken competition policy, economic case can be made on the usefulness of these exceptions and policy changes, and there is no evidence that these exceptions and policy changes have reduced the competitive environment of Chinese Taipei. Thus, it has made significant progress toward the Bogor Goals.

I. Government Procurement

It is not entirely clear how much liberalization of the government procurement regime is required to satisfy the Bogor Goals. Chinese Taipei authorities consider liberalization of the government procurement regime, along the lines of the WTO

Government Procurement Agreement, as an adequate fulfillment of the Bogor Goals. Chinese Taipei has reached agreement with existing Parties on the substance of its terms of accession to the plurilateral Agreement on Government Procurement. However, the formal decision on its accession to the Agreement has yet to be taken. Chinese Taipei is participating in the ongoing renegotiation of the Agreement in regard to both the text of the Agreement and coverage commitments pursuant to Article XXIV:7 of the Agreement, mostly concerning nomenclature issues. While the final details have not been finalized, the negotiated coverage under the GPA for Chinese Taipei seems to be comparable to other signatories of the GPA.

Government procurement in Chinese Taipei is carried out under the authority of each individual government agency, unlike other economies which may have one centralized purchasing agency, or one agency which performs a majority of all government purchasing. However, with the impetus of the accession to the GPA, Chinese Taipei has passed the Government Procurement Act (GP Act), which provides a common legal and regulatory framework for government procurement by all government agencies. As a result, the government procurement regime of Chinese Taipei is consistent with the provisions of the GPA, and APEC Non-Binding Principles on Government Procurement.

The GP Act covers all government agencies in Chinese Taipei at all levels, and covers procurements in products, services and construction services. The GP Act also demands e-procurement in part. The Public Construction Commission (PCC) acts as the responsible agency for the government in matters relating to the GP Act.

The GP Act operates on the principles of openness, transparency, effective competition, value for money, and fairness and reasonableness. Chinese Taipei emphasized seven features of the GP Act:

1. Procurement decisions shall be fair and reasonable, and shall not involve differential treatment to suppliers without due cause;
2. Tender requirements such as qualification, technical specification, and time-limits shall not involve unnecessary barriers to competition;
3. Tendering and award information are disclosed on the Government Procurement Gazette and PCC's information network;
4. Contract settlement mechanism is embodied in the Act;
5. Bid-challenge system is established to protect the interests of the suppliers;
6. Post-employment and conflicts of interests are regulated; and
7. Penal provisions are prescribed to regulate abuse or obstruction of the GP Act.

Procurement notices for all procurement over NT\$1 million (approximately US\$ 29,000) are published in the Government Procurement Gazette, which is published daily except on Saturday, Sunday and holidays; and the information is also available through the Government Procurement Information System (GPIS), Chinese Taipei's electronic procurement (e-procurement) network. Chinese Taipei has published English summaries of procurement notices through the GPIS since December 31, 2004 for those procurements which may be covered by the GPA.

Chinese Taipei has been operating its e-procurement system, GPIS, since 1992. The Internet address for GPIS is <http://web.pcc.gov.tw/>. The system is used by all procuring government agencies. GPIS publicizes all tendering and award information, and makes information in the Government Procurement Gazette also available on the web. Chinese Taipei estimates that the GPIS saved more than US\$100 million per year in advertising fees for all government agencies. It also operates an electronic bidding and inter-entity supply contract system, which makes government procurement-related documents available instantaneously, and allows electronic bidding. Through this contract system, Chinese Taipei maintains an electronic supplier catalogue and electronic price inquiry and quotation system covering nearly 12,000 items by 3200 suppliers, and is applicable to procurements of less than NT\$100,000.

Since 2000, more than 80% of the procurement by Chinese Taipei is carried out through open tender contracts. Further, since 2001, the share of procurement through foreign suppliers in total value of total procurement has ranged between 14~19%, which is relatively high compared to most WTO members and APEC economies - without being a member of the plurilateral GPA in the WTO.

In summary, Chinese Taipei has made substantial progress in making its government procurement system more transparent and open. It has certainly gone beyond the provisions of the Osaka Action Agenda, which requires each economy to share information dealing with government procurement, and make its government procurement system more transparent.

Currently, the implication of the Bogor Goal as it concerns government procurement is unclear. It is unclear whether the Bogor Goal mandates the opening of the government procurement market, and to what extent. One can argue that even the WTO GPA does not go far enough in opening the procurement market, since it excludes a substantial part of government procurement from market opening, and most signatories exclude non-signatories from market access based on the principle of reciprocity.

However, even without yet acceding to the WTO GPA, it is clear that Chinese Taipei has gone further than many APEC member economies in moving toward the Bogor Goal in the area of government procurement, and it should be commended on that point.

J. Deregulation / Regulatory Review

Regulations may act as an explicit and implicit barrier for international trade or investment. Some regulations limit trade and investment directly. These regulations are often dealt with in the international fora such as the WTO, OECD and APEC. Some regulations also act as implicit trade and investment barriers. These regulations may contain no explicit discriminatory provisions toward foreign trade or foreign investment, but by making the domestic trade or investment environment difficult, particularly for foreign participants who often cannot familiarize themselves with difficult domestic regulations, they can act as de-facto barriers to international trade and investment.

These regulations often lead to inefficient use of resources, and reduce the growth potential of the economy.

To deal with this possibility, APEC and OECD have been engaged in a process to improve the quality of domestic regulations through regulatory review and reform, which include deregulation. Thus, the elements in the deregulation / regulatory review section of the IAP include not only elements concerning market access, but also include elements concerning domestic reviews and efficiency.

Chinese Taipei has made good progress in its regulatory reform program. Chinese Taipei recognizes three core concepts in its regulatory reform program: (1) deregulation, simplification of administrative procedures, active innovation and the relaxation of controls; (2) establishment of a modern and highly efficient regulatory environment under the principles of maximizing benefits, simplifying government administration, and better serving the people; and (3) establishment of active, energetic, and efficient administrative organizations.

The government has steadily established the mandate for regulatory reform. Government Reform Guidelines were passed in 2000, and administrative reform conference was held in 2001. Innovative Service Mechanism Group was convened under the Government Reform Committee in 2001, and the Council of Organizational Reform was established in 2002. The Council oversees deregulation, decentralization, corporatization, and outsourcing of relevant government functions.

The Center for Economic Deregulation and Innovation (CEDI) of the Council for Economic Planning and Development (CEPD) is responsible for coordinating the overall deregulation and regulatory reform program for the entire government. CEDI also acts as an intermediary between the private sector and the government, to gather opinions of businesses and the public.

In order to establish an effective regulatory reform program, mechanisms to review new regulations and existing regulations need to be put in place. Chinese Taipei has review mechanisms in place. The current 'Guidelines on central Administrative Agencies' Legal Matters' require that there be a mechanism for transparency in the promulgation and revision of laws and regulations. Under the current guidelines, if necessary, an agency can consult with professionals and scholars, or call a seminar or a public hearing. An agency can also seek advice from local autonomous bodies when new or revised laws and regulations affect the membership of the local autonomous body, or if said body's spending is affected. The agency in that case, can implement an evaluation concerning the aspects and scope of the impacts of the draft regulation.

Chinese Taipei is currently strengthening its review mechanism for new regulations. In 2005, CEPD has made a cross-ministerial resolution to introduce the Regulatory Impact Analysis (RIA) mechanism. CEPD is currently working with various agencies to formulate a concrete action plan for adopting RIA, and is drafting guiding principles and operational methods. First stage of adoption, namely a study on the operational experiences of various OECD economies, has been completed in 2003. Also, in May

2005, the Planning Group for Formulating Concrete RIA Action Plan was established, and the draft Action Plan was completed. An empirical analysis of RIA involving a test case using the “Commodity Inspection Act” of the Bureau of Standards, Metrology & Inspection has been completed in February of 2006. Chinese Taipei seems to be committed to introducing the RIA mechanism in its review of new regulations, and it is progressing steadily. Once the RIA mechanism is in place, Chinese Taipei should have a strong review mechanism in place for new regulations.

In some APEC member economies, some interest groups have sought to bypass regulatory reform process and install inefficient regulations or regulations favoring some interest groups¹³. Chinese Taipei has introduced an Assessment Checklist for Law Proposals, which can serve to minimize regulatory problems and inefficient or undesirable regulations incorporated into laws. The items of the checklist are summarized in Table 14. Such assessment for law proposals goes well beyond the typical level of regulatory reform, and is a welcome development.

Table 14. The Assessment Checklist for Law Proposals

Categories	Checklist Questions
1. Describing the Issues of Proposed Law	(1) Related issues being involved
	(2) Any reasons for being exempted from this checklist assessment procedure
2. Providing the Background Information	(3) The current legal environment
	(4) The possible agencies, industries, people being impacted by the proposed law in terms of costs, obligations and rights, as well as change in welfare
3. Formulating the Problem	(5) Is the matter a set government policy, or a legal obligation for amendment?
	(6) Any difficulties or obstacles occurred in the current social or market mechanism?
	(7) Any difficulties or obstacles occurred in current government institutions or legal operations?
	(8) Other causes?
4. Setting the Targets to be Achieved	(9) Clear delineation for the scope of the problem and the linkage with the matter to be resolved
	(10) Maintaining the status quo
	(11) Possible extrajudicial alternatives
	(12) Possible judicial alternatives
	(13) Other measures
5. Conducting Regulatory	(14) List of Prelim-formulated alternatives
	(15) If SMEs are involved, it is necessary to conduct the Regulatory Feasibility Assessment for them.

¹³ Inefficient or undesirable regulations are regulations which protect certain interest groups, or regulations which involve unnecessarily high costs, and may be better enforced using alternate means.

Feasibility Assessment (RFA)	
7. Engaging in Public Consultation Process	(16) whether or not consultation documents are well prepared and public opinions are being solicited (17) Active opinion consultation (18) Records for the consultation process
8. Undertaking Policy Assessment	(19) Compilation of the public opinions and records of consultation (20) Conducting Cost-Benefit Analysis (CBA) for each possible alternatives
9. Choosing the Policy Measure to be Implemented	(21) The concrete contents for the chosen measure (22) The reason for the particular choice (23) Whether or not to conduct the advanced analysis

Chinese Taipei is also actively reviewing existing regulations. The Challenge 2008 Development Plan includes three reforms for correcting long-entrenched deficiencies and ten plans for investing in the future. The three reforms are: Implementing political reform; advancing financial reform; and pushing fiscal reform. The ten plans involve e-Generation Manpower Cultivation Plan; Cultural and Creative Industry Development Plan; International Innovation and R&D Base Plan; Industrial Value Heightening Plan; Doubling Tourists Arrivals Plan; E-Taiwan Industry Construction Plan; Operations Headquarters Development Plan; Island-wide Trunk Transportation Construction Plan; Water and Green Construction Plan; and New Home Community Development Plan. Each of these reforms and plans involve regulatory review and reform for relevant areas of regulation. Further, in the “Guidelines and Action Plans for Service Industry,” Chinese Taipei has selected 12 emerging services for strengthened development, and the plans include deregulation. Also, some regulations dealing with customs administration and clearance have been simplified for Free Trade Zones. Under these plans, the relevant ministries and agencies must actively push an agenda for regulatory reform and deregulation.

In summary, Chinese Taipei is implementing regulatory review and reform in diverse areas. However, it should be emphasized that these areas were not chosen randomly or in a haphazard fashion, but through consultation with stakeholders and diverse range of interested parties, and most of these reviews are parts of comprehensive reform programs. Chinese Taipei authorities have emphasized that they incorporate opinions from not only domestic stakeholders, but non-Chinese Taipei stakeholders as well. Chinese Taipei has established an outside-in mechanism for gathering the opinions of foreign stakeholders including the European and American Chambers of Commerce on a regular basis. Through these consultations, the authorities should continually seek out areas to improve its regulations. Once reforms in the areas listed above are completed, Chinese Taipei government should maintain its vigilance, and find new areas for reviews of existing regulations.

To encourage more “bottom-up” reforms in regulation, Chinese Taipei government also runs the “Golden Axe Awards” program, where government workers are encouraged to find inefficient or unnecessary regulations, and rewarded if they find such regulations. The result of the Golden Axe Awards is impressive. In the six years

since the award has been instituted, the administrative cost savings from ideas presented from the Golden Axe Awards has been more than NT\$ 92 billion, and work days saved number more than 28 million days. In total, the cost savings for citizens is estimated to be about NT\$ 114 billion.

As a result of these programs, as well as Chinese Taipei's efforts to increase FDI and reduce the costs of trade, there has been substantial deregulation in the areas of services, investment, and customs, especially related to free trade zones, as seen in the IAP.

Chinese Taipei has made substantial progress in the area of regulatory transparency as well. Text of laws and regulations are available through the Internet. Chinese Taipei maintains an Internet-based law database at the website of the Ministry of Justice (<http://law.moj.gov.tw/eng>). Further, all legislation, executive orders and implementation rules for all government agencies are posted on the individual website of each agency. Laws, regulations, and administrative guidelines in the area of trade and investment are also available on the web at the websites of Bureau of Foreign Trade (<http://eweb.trade.gov.tw>), and the Industrial Development & Investment Center (http://www.idic.gov.tw/index_e.htm). In addition, domestic and foreign stakeholders are consulted in the regulatory reform process. As stated above, the current laws, as well as the RIA under consideration requires consultation with relevant stakeholders for new laws and regulations. Stakeholders also have strong input in regulatory review for existing regulations. Information and opinion gathering, as well as bottom-up reform is encouraged through stakeholder consultations, as well as the Golden Axe Program which allows government workers to find and reform inefficient or unnecessary regulations.

Chinese Taipei has also recently participated in APEC-OECD regulatory reform programs. It has made a self-assessment of its regulatory system according to the APEC-OECD Integrated Checklist on Regulatory Reform. This self-assessment report is available on the Internet at the OECD website: (<http://www.oecd.org/dataoecd/19/62/37521626.pdf> and <http://www.oecd.org/dataoecd/19/61/37521558.pdf>) According to the report, Chinese Taipei has most of the necessary legal and administrative mechanisms in place for regulatory transparency and reviews, but actual reforms have been delayed in some cases due to timing of legislation, the political and economic contingencies, as well as concerns about budgets, impact on government employees, and personnel arrangements.

As a part of its economic liberalization and regulatory reform programs, Chinese Taipei has been privatizing many of its state owned enterprises (SOEs). Between 2000 and 2005, 44 SOEs have been privatized. Chinese Taipei considers a SOE to be privatized if the collective share of the enterprise owned by the government and government-owned enterprise drops below 50%. SOEs account for a substantial share of the economy. In 2004, the gross product generated by 28 SOEs accounted for 9.12% of the GNP, and 8.53% of the total gross capital formation. However, these percentages have been falling due in large part, to privatization.

In conclusion, Chinese Taipei has made substantial and admirable progress in the area of regulatory review and deregulation. When Chinese Taipei fully implements the RIA mechanism, it should have a comprehensive system in place for reviewing proposals for new regulations or revisions of existing regulations. Also, under various reform programs, Chinese Taipei is reviewing existing regulations in several areas. Chinese Taipei has installed several transparency provisions in its laws, and has made regulatory databases available to the public, and is steadily pursuing a privatization program. All these measures are in line with reaching the Bogor Goal.

K. Implementation of WTO Obligations Including Rules of Origin

Chinese Taipei acceded to the WTO in 2002, and underwent its first Trade Policy Review (TPR) in 2006. In general, Chinese Taipei's trading partners acknowledge that Chinese Taipei is faithfully implementing its WTO obligations. Chinese Taipei authorities have expressed their view that, because of their long accession process (which took twelve years), they have encountered no specific difficulties in implementing their WTO obligations or accession obligations. Further, according to comments by Chinese Taipei authorities and private analysts, despite some domestic adjustments, the Chinese Taipei public retains their generally favorable opinion on WTO accession.

In the area of the rules of origin, Chinese Taipei defines the Bogor Goal as WTO-consistent trade. Thus, it seems that Chinese Taipei believes observing the provisions of the WTO Rules of Origin Agreement and other relevant agreement is sufficient for achieving the Bogor Goals. By this criterion, one can argue that Chinese Taipei has already achieved the Bogor Goals.

Chinese Taipei uses both non-preferential and preferential rules of origin. Its non-preferential rules of origin are based on the wholly produced criterion and the substantial transformation criterion. Substantial transformation is determined on the basis of changes in tariff classification at the HS six digit level, or when the ratio of value added is at least 35% of the transaction.

Preferential rules of origin are applied to imports under free-trade agreements. Under the Chinese Taipei-Panama FTA, origin is conferred when goods are wholly obtained or produced entirely within the free trade area, or if these materials undergo a change in tariff classification under the HS as set out in the specific rules of origin in the FTA agreement. Under the FTA agreement, when no change in tariff classification occurs, a good may still be considered as originating from the region if its regional value content is not less than a certain percentage. Chinese Taipei has stated that it will continue to use a preferential rules of origin in future FTAs.

In its answers to the experts' questions, the Chinese Taipei has expressed its opinion that there is no need to have a common rule of origin among APEC member economies, since harmonization work is already proceeding in the WTO, and once the WTO work is completed, there will be a WTO-based common set of rules of origin.

L. Dispute Mediation

The dispute mediation chapter of the IAP deals with government-to-government and government-to-private dispute mediation and settlement. An appropriate dispute mediation process improves transparency of a member economy's trade and investment regime, and in cases of government-to-private disputes, allows private traders or investors to have a fair recourse against government agencies. Some NGOs in APEC member economies claim that these dispute mediation processes impinge on national sovereignty, but in reality, these processes are usually used when a government agency ignores relevant international agreements or domestic laws and regulations when dealing with foreign entities; or when the interpretation of international agreements or laws and regulations are not clear.

Thus, the establishment of a fair, impartial and appropriate dispute mediation process, which allows easy access to foreign traders and investors, can greatly enhance market liberalization measures, and greatly help the progress toward the Bogor Goals.

In the case of Chinese Taipei, for government-to-government disputes, like many other APEC member economies, the most important dispute mediation and settlement mechanism is the WTO dispute settlement mechanism. Since its accession in 2002, Chinese Taipei has participated in thirty four cases as a third party, and has requested for two consultations. The two cases involve steel safeguards by the United States, and anti-dumping measures by India.

In addition, Chinese Taipei's free trade agreements and bilateral agreements on promotion and reciprocal protection of investment include general provisions for settling disputes between governments through bilateral consultation, arbitration and/or mediation.

Chinese Taipei is not a formal signatory to the International Convention on the Settlement of Investment Dispute between States and Nationals of Other States (ICSID). Chinese Taipei relies on bilateral arrangements for government-to-private disputes. Bilateral arrangements include provisions stated in bilateral investment promotion and protection agreements. Private investors from economies which have not signed a bilateral agreement are not formally covered by these provisions. However, so far, Chinese Taipei has not yet been involved in an investment dispute.

Chinese Taipei does include administrative relief system for foreign investors in its "Law of Administrative Procedure", and information on Chinese Taipei's laws and subsidiary legislation are published regularly. It also maintains an Internet-based law database at the website of the Ministry of Justice (<http://law.moj.gov.tw/eng>). All legislation, executive orders and implementation rules for all government agencies are posted on the individual website of each agency. Laws, regulations, and administrative guidelines in the area of trade and investment are also available on the web at the

websites of Bureau of Foreign Trade (<http://eweb.trade.gov.tw>), and the Industrial Development & Investment Center (http://www.idic.gov.tw/index_e.htm)

For disputes between private parties, these parties can litigate their disputes in court. Chinese Taipei also provides facilities for commercial arbitration and conciliation. Chinese Arbitration Association, and TCAA and CCIAA, two arbitration associations dealing with construction, provide arbitration and conciliation services.

Chinese Taipei's dispute mediation and settlement processes for government-to-government disputes and government-to-private disputes seems to be adequate, and in line with those of other member economies. Thus, in the area of dispute mediation, Chinese Taipei has made considerable progress toward the Bogor Goal.

M. Business Mobility

Mobility of business people is a crucial component of service liberalization as well as investment liberalization. Businesspeople must be able to obtain visas quickly and efficiently. The conditions for obtaining or renewing a visa should not act as barriers for service trade or investment liberalization. Thus, the importance of mobility of business people is explicitly recognized in the Bogor Goal.

Chinese Taipei visa and immigration policy is sufficiently liberal for business visitors and alien workers, particularly professional or white-collar workers. Information on relevant laws and procedures for the application process are clear and available on government websites. Visa processing periods, for economies where visas are required for entry take 1-3 days for visitor visas, and 10-17 days for working visa and work permits for intra-corporate transfers, which is well within the APEC BMG standard of 30 days.

Yet, while it is notably more liberal with white-collar workers, it is also considering allowing more non-Chinese Taipei laborers to alleviate problem of labor shortage, especially for night shifts in factories that have 24 hours a day operation. This allows workers from other Southeast Asian economies, namely, Philippines, Thailand, Indonesia, Malaysia, and recently, Vietnam, to come in to work.

Some 30 economies enjoy visa-free entry in Chinese Taipei, eight of which are APEC economies, for stays of less than 30 days. An additional four economies have landing visa privilege where they can apply for visa upon arrival. Chinese Taipei has granted 874 APEC Business Travel Card allowing multiple entry at 90 days period of stay each time. For frequent business traveler in Chinese Taipei, one-year multiple entry visa is available for stays up to 90 days. Visitor visa allows up to 6 months stay if connected with non-Chinese Taipei investment in Chinese Taipei.

Residency visas may be granted for persons essential to the execution of an investment project. But the number of resident visas is tied to the amount of inward investment, increasing for every additional US\$500,000 additional investments up to a maximum of four persons.

Since March 2005, all Chinese Taipei travel documents issued are machine readable. It is further studying the application of biometric technology in passports and in airport immigration points. Relevant immigration information are available on-line but on-line visa processing is not yet done for better verification of submitted documents. It is still considering the Advance Passenger Information (API) systems and the required amendment of Immigration Law to make the APIS doable is under discussion. Chinese Taipei had established a one-stop center with the Council of Labor Affairs for the processing of professional workers' work permits. But for professionals or persons from PRC who want to engage in permitted business activities in Chinese Taipei, their applications are handled by the Immigration Office of the Police Academy starting February 2005.

In all, Chinese Taipei should be commended for its transparency and efficient immigration process, and in its active participation in the APEC BMG activities. But it would be even more commendable if the visa free privileges of the eight APEC economies would be extended to more, if not all, APEC members.

IV. Conclusion

Chinese Taipei has made significant progress toward the Bogor Goal. Even though it has only been two years since the last IAP peer review, Chinese Taipei has made significant improvements toward the Bogor Goal since then. While many of these improvements were made as part of the WTO accession process, it should also be pointed out that many of these improvements go beyond the WTO agreements and mandate, so Chinese Taipei has actively reduced trade and investment barriers.

Chinese Taipei believes that Bogor Goal is something that is to be continually striven for, rather than something that can be explicitly achieved. While such definition makes it difficult to measure whether Chinese Taipei will actually achieve the Bogor Goal by 2020, it does serve to emphasize that trade and investment liberalization and facilitation is a continuous task; and changing global and domestic environment means that there may continually be new barriers to overcome in the future.

Chinese Taipei has made especially noteworthy improvement in customs procedure. The clearance time for cargo is among the shortest in all APEC member economies. Significant improvements have also been made in tariffs, investment, intellectual property rights, services, and government procurement. Chinese Taipei has lowered its average applied tariff levels significantly since the last peer review, established the IP Police, which specializes in IPR protection, removed many import prohibitions and restrictions, harmonized domestic standards with international ones, facilitated entry of business people. Also, since the Asian financial crisis, Chinese Taipei has continually reduced investment barriers to attract foreign investment in both manufacturing and service sectors. Non-Chinese Taipei investors with the satisfaction of fit-and-proper criteria are also being welcomed to join this sector. Foreign holding companies can now invest in local financial institutions or own up to 100% of their own operations.

There do remain some market barriers, most notably high tariffs and some non-tariff barriers for agriculture and fishery products. While protection for these sectors is not unusually high compared to other Asian economies, nevertheless, Chinese Taipei should reexamine them. There does seem to be indication that in the agricultural sector, Chinese Taipei is moving from protection to establishment of social safety net such as direct payment programs for farmers.

There also are some trade and investment barriers with regard to People's Republic of China. In light of the growing importance of cross-strait movement of goods and services, Chinese Taipei should re-examine these barriers.



Asia-Pacific
Economic Cooperation

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Agenda Item: III

IAP Peer Review Presentation by Chinese Taipei

Purpose: Consideration
Submitted by: APEC Secretariat



First Senior Officials' Meeting
Canberra, Australia
18 January 2007

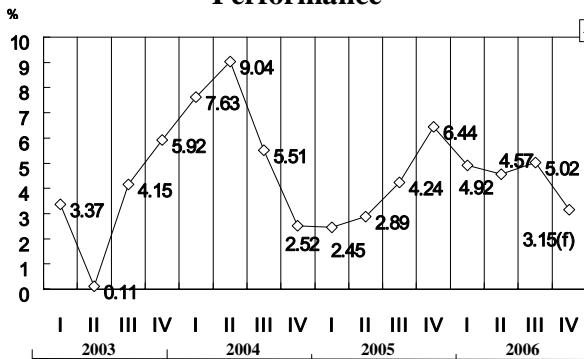
IAP Peer Review Chinese Taipei

January 17, 2007
Canberra, Australia

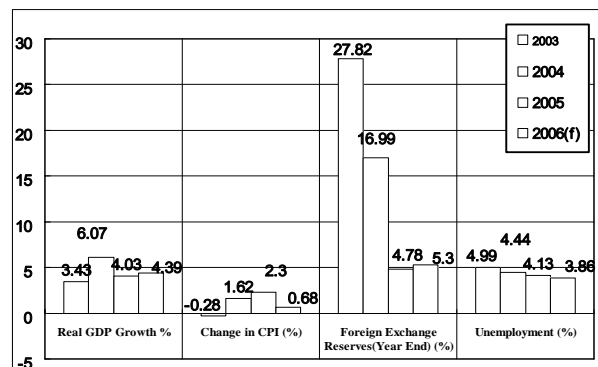
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- II. Chinese Taipei's Trade Profile with other APEC Economies
- III. Chinese Taipei's Economic Vision and Current Policies
- IV. Chinese Taipei's Efforts Towards Bogor Goals

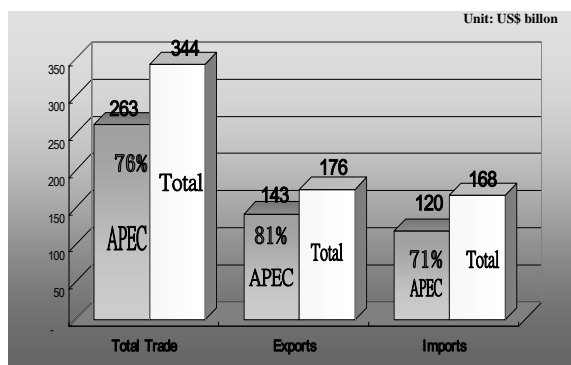
I. Review of Chinese Taipei's Economic Performance



A Summary of Economic Indicators in 2003~2006



Statistics on Exports/Imports in 2006 (1~10)



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II. Chinese Taipei's Trade Profile with Other APEC Economies

Indicator	2005	2006 (1~10)
Exports	US\$152.6 billion (up 9.5%)	US\$142.8 billion (up 14.3%)
Imports	US\$133.5 billion (up 6.6%)	US\$120 billion (up 7.5%)

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Chinese Taipei Trade with Other APEC Economies

■ Chinese Taipei's total two-way trade in goods with other APEC economies during January-October 2006 amounted to US\$262.8 billion, up 11.11% from the same period in 2005. This constituted 76% of our total trade in goods.

■ Our five largest APEC trade partners, ranked in order, are:

1. China (US\$59.71 billion, 17.35%)
2. Japan (US\$51.45 billion, 14.95%)
3. U.S. (US\$44.71 billion, 12.99%)
4. Hong Kong, China (US\$29.10 billion, 8.45%)
5. Korea (US\$17.89 billion, 5.20%)

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Chinese Taipei Trade with Other APEC Economies

Goods Imports

■ Chinese Taipei imported US\$120 billion in goods from APEC economies from January to October 2006, up 7.50% from the same period in 2005. This constituted 71% of our total imports.

■ The five largest APEC suppliers of imports for Chinese Taipei, ranked in order, are:

1. Japan (US\$38.58 billion, 22.96%)
2. China (US\$20.13 billion, 11.98%)
3. U.S. (US\$18.33 billion, 10.91%)
4. Korea (US\$12.24 billion, 7.28%)
5. Malaysia (US\$5.04 billion, 3.00%)

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Chinese Taipei Trade with Other APEC Economies

Goods Exports

- Chinese Taipei exported US\$143 billion of goods to other APEC economies from January to October 2006, up 14.34% from the same period in 2005. Exports to other APEC economies accounted for 81% of Chinese Taipei's exports.
- Our five largest APEC export destinations:
 1. China (US\$39.59 billion, 22.49%)
 2. Hong Kong, China (US\$27.74 billion, 15.76%)
 3. U.S. (US\$26.38 billion, 14.98%)
 4. Japan (US\$12.87 billion, 7.31%)
 5. Singapore (US\$7.47 billion, 4.24%)

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III. Chinese Taipei's Economic Vision and Current Policies

■ Policy Initiative: Economic Development Vision for 2015

■ Vision: a prosperous, just, sustainable, and beautiful Chinese Taipei.

■ Goal for 2015:

- 5% average annual economic growth
- US\$30,000 per capita GDP
- Sectoral growth rates from 2005 to 2015:
 - ✓ Agriculture 1.0%
 - ✓ Industry 3.9%
 - ✓ Manufacturing 4.3%
 - ✓ Services 5.5%

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■ Goals for 2009:

- US\$20,000 per capita GDP
- Sectoral growth rates from 2006 to 2009:
 - ✓ Agriculture 1.0%
 - ✓ Industry 4.2%
 - ✓ Manufacturing 4.9%
 - ✓ Services 5.5%

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■ Current Economic Policies:

- Building a sound investment environment
 - ✓ Providing land on preferential terms
 - ✓ Ensuring sufficient labor supply
 - ✓ Offering funding assistance
 - ✓ Improving environmental impact assessments
 - ✓ Encouraging private investment
- Initiating a new era in industrial development
 - ✓ Development of emerging industries
 - ✓ Upgrading and transforming industry
 - ✓ Balanced industrial development

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IV. Chinese Taipei's Efforts Towards Bogor Goals

- Tariffs
- Liberalization of Trade in Services
- Investment Regime
- Customs Procedure
- Intellectual Property Rights
- Competition Policy
- Government Procurement Regime
- Deregulation and Regulatory Review
- Business Mobility

12

Tariffs (I)

- Specific Measures in the Area of Tariffs Towards Bogor Goals
 - Amendment of the Schedule
 - A 14.78% decline of tariff rates took effect on June 19, 1998
 - Commitment to the Ministerial Declaration on Trade in Information Technology Products (ITA)
 - Starting in 1997 all ITA imports to Chinese Taipei are duty-free
 - Adoption of a tariff rate quota system (TRQ) since 2002
 - Covering passenger cars, chassis and 22 agricultural commodities
 - Lowering the degree of tariff escalation on 35 items (under HS 8-digit) since 2003
 - Building an institutional consultation mechanism with the private sector

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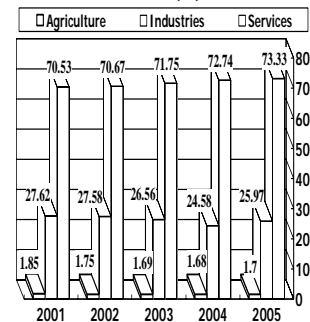
Tariffs (II)

- Results in 2006
 - The simple average tariff rate for all goods was reduced from 7.8% in 2005 to 5.6% in 2006.
 - The average bound and applied rates, especially for the manufacturing sector, are fairly low compare to other developing economies, and the overall average tariff rates have approached the levels of the advanced economies.

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Trade in Services (I)

Services have accounted for over 70 % of total GDP .



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Trade in Services (II)

■ Coping with the WTO GATS and APEC Bogor Goals

- In the WTO DDA, we commit to liberalize 113 sub-sectors among the 155 in the service industry, and we are ready to commit 10 more sectors/sub-sectors.

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Trade in Services (III)

- Following the mandate of the WTO's HK Ministerial Conference, we co-sponsored 13 collective requests in the plurilateral negotiations of services, including requests for cross-border supply liberalization across all sectors. On the way to achieve APEC's Bogor Goals, we have listed 22 sub-sectors out of the 24 total.
- Although the Doha Round negotiations were suspended, we still continue with the internal consultations on domestic regulation, and on the drafting of the second round of revised offers.

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Trade in Services (IV)

■ Further Unilateral Liberalizing Measures Outside of Our GATS Commitments

- In telecommunication services: we have offered to relax the restriction on the total direct shareholding by foreigners from 20% to 49%, and to remove the nationality requirement for a majority of the board of directors.
- In road transport services: we have relaxed the restriction on foreigners managing regular route trucking services.
- In financial services: we revised a regulation to eliminate the Qualified Foreign Institutional Investor (QFII) qualification screening and this ensures that foreign access to our stock market is opened.

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Investment Regime (I)

- Chinese Taipei values foreign investment and strives to improve investment environment by all possible means.
- Chinese Taipei's investment laws serve the purpose of directing and protecting foreign investment.
- Application procedures for foreign investors, branches, or representative offices are simple and understandable.

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Investment Regime (II)

- **Chinese Taipei provides strong incentives for investment:**
 - Preferential taxes. E.g., R&D, manpower training: 30% tax credit for expenditures.
 - Industrial land rental discounts program. E.g., the first two years rent-free for manufacturers that lease land in industrial parks.
- **Chinese Taipei's investment regime is designed and implemented with the Bogor Goals in mind. To go further toward realizing the Bogor Goals, Chinese Taipei has revised the "Statute for Investment by Foreign Nationals."**

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Customs Procedure (I)

- **Cargo clearance automation:**
 - UN/EDIFACT model
 - in air cargo since 1992 and sea cargo since 1995
 - Average clearance time (import)
 - ✓ Sea cargo: 2 hours
 - ✓ Air cargo: 13 minutes
- **Customs on-line service:**
 - 82 items of on-line application services since 2003
 - Internet declaration system
 - ✓ Air cargo: started in April 2004
 - ✓ Sea cargo: Started in Aug 2005
- **Trace the progress of entry on the Internet**

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Customs Procedure (II)

- **E-Payment System:**
 - The Internet on-line payment services was launched on 20 February 2006.
- **Other efforts to facilitate international trade:**
 - Completing the research on World Customs Organization common data model (WCO CDM version 1.1) and ready to harmonize data elements
 - Facilitating and simplifying customs procedures continuously in line with the Revised Kyoto Convention

22

Intellectual Property Rights (I)

- **IPR Measures to Achieve Bogor Goals**
 - WTO TRIPS Agreement implementation
 - Expeditious granting of IPR
 - Effective enforcement
 - Public education on IPR and enhancing IP user skills
 - APEC cooperation on IPR issues

23

Intellectual Property Rights (II)

■ Implementing the Busan Roadmap

- Anti-counterfeit and anti-piracy
- IPR Service Center

■ Achievements and Prospects

- International Intellectual Property Alliance (IIPA): IPR protection enforcement in Chinese Taipei has led to a significant decrease in piracy rates.

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Competition Policy

■ The Fair Trade Commission's Accomplishments

- Enforcing fair trade laws
- Building a sound fair trade system
- Promoting deregulation
- Advocating the fair trade concept
- Promoting international exchange and cooperation
- Revising the Fair Trade Law

25

Government Procurement Regime (I)

■ Government Procurement Regime

- The responsible authority is the Public Construction Commission (PCC).
- The GP Act covers all procurements consisting of products, services, and construction services (US\$30 billion per year).
- The GP Act conforms to requirements of WTO's Government Procurement Agreement (GPA).
- The GP Act is consistent with the APEC Non-binding Principles on Government Procurement.

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Government Procurement Regime (II)

- Chinese Taipei concluded all bilateral consultations with WTO's GPA Parties on December 9, 2002. Accession to the GPA is pending a decision by the WTO GPA Committee (see experts' report for more information).
- English tendering notices have been published since Dec. 2004 for procurements that may be covered by GPA in the future. Website: <http://web.pcc.gov.tw>
- Complaint Review Board for Government Procurement (CRBGP) handles bid challenges and contract disputes in accordance with the GP Act.

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Deregulation and Regulatory Review

(I)

- **The establishment of a national coordinating agency**
The Centre for Economic Deregulation and Innovation (CEDI) under the Council for Economic Planning and Development (CEPD) is responsible for coordinating all deregulation matters in Chinese Taipei.
- **Transparency mechanism**
 - The adoption of “Guidelines on Central Administrative Agencies’ Legal Matters” and wide consultation with stakeholders
 - Disclosure on the Internet
- **Constructing a review mechanism for new regulations**
Learning from the OECD experience and the completion of the Regulatory Impact Analysis (RIA) Action Plan

Deregulation and Regulatory Review

(II)

- **Ground-breaking design: the Assessment Checklist for Law Proposal**
Checking key considerations that ought to be contained in a law proposal, for preventing interference by specific interest groups
- **Reviewing the Existing Regulations**
Under the guidance of the “Challenge 2008 Development Plan” and the “Guidelines and Action Plans for Service Industry”
- **Participation in the APEC Process**
A voluntary self-assessment with the APEC-OECD Integrated Checklist on Regulatory Reform
- **Privatization**
Between 2000 and 2005, 44 SOEs have been privatized.

Business Mobility

- **Chinese Taipei is committed to enhance and facilitate business mobility through the APEC Business Travel Card (ABTC) scheme. Major efforts and outcomes:**
 - Since issuing the first Cards in May 2002, Chinese Taipei received 17,041 applications forwarded by other economies and 979 of its own as of July 31, 2006. From these applications, 874 cards were issued.
 - The current processing time for the issuance of visa for “intra-company transfers and specialists” is 10-17 days, which is much shorter than APEC’s 30-day standard.
 - The regulation on issuing ABTC was amended in February 2006. This revision has made the Card more easily obtainable.

Concluding Remarks

- **Chinese Taipei fully implements our WTO commitments and participates actively in the WTO DDA negotiations. We are also willing to make more commitments in the negotiations.**
- **We have made significant achievements in many IAP areas through lower tariff rates, open service sectors, facilitated customs procedures, effective IPR protection measures, etc. These show that we are on track toward achieving the Bogor Goals.**
- **Chinese Taipei is willing to work and cooperate with other APEC economies to realize the Bogor Goals at an early date.**