

Why Taiwan?

Summary

Area: 36,193 km² (13,974 mi²)

Population: 23.6 million

Population growth rate (change): 0.2%

Capital city: Taipei

Official language: Mandarin

Currency: New Taiwan Dollar (TWD)

Nominal GDP: US \$579.3 billion

Real annual GDP growth: 2.8%

GDP per capita: US \$24,576.7

Annual inflation rate: 0.6%

Unemployment rate: 3.8%

General authority gross debt: 35.2% of GDP

Fiscal balance: -1.8% of GDP

Current account balance: 13.8% of GDP / US \$80.1 billion

Exports of goods to UK: £3,188 million

Imports of goods from UK: £1,203 million

[Source – mostly FCO Economics Unit]

General overview

Taiwan is strategically located at the heart of the Asia-Pacific Region. It is a hi-tech, developed economy – now the world's 22nd largest economy according to the latest IMF figures – which plays a key role in global trade, and which enjoys a GDP per-capita in purchasing power parity terms that is higher than Japan, France and the UK. Taiwan

accounts for 6-7% of global trade in ICT products and its manufacturing sector accounts for a robust 30% of its GDP. Taiwan's exports constituted 62.83% of GDP in 2016.

Innovation is a key strength of the Taiwanese economy, which compares well with global competitors on many key indicators. For example, it ranks 15th in the 2017-18 World Economic Forum's Global Competitiveness Report and 11th overall on innovation. Taiwan ranks 14th in the 2017 IMD World Competitiveness Yearbook, following only Hong Kong and Singapore in East Asia. It also ranks 12th in IMD's new World Digital Competitiveness Report and takes 13th place to do business with globally, by the Economist Intelligence Unit (EIU) for 2017. See: <http://country.eiu.com/taiwan>.

[Source – FCO Guidance/gov.uk]

Over 300 UK firms have investments in Taiwan, including HSBC, Standard Chartered Bank, GSK, Astra Zeneca, Mott MacDonald, ARM, Arup, and BP.

Contact a Department for International Trade (DIT) Taiwan export adviser at: <https://www.contactus.trade.gov.uk/enquiry/topic> for a free consultation if you are interested in exporting to Taiwan.

Contact UK Export Finance (UKEF) about trade finance and insurance cover for UK companies, see: <https://www.gov.uk/government/organisations/uk-export-finance>. You can also check the current UKEF cover position for Taiwan at: <https://www.gov.uk/guidance/country-cover-policy-and-indicators#taiwan>.

[Source – DIT/ gov.uk]

Geography

Taiwan, referred to by its authorities as the Republic of China (ROC) and formerly called Formosa (lit. "beautiful island") by the Portuguese, lies 180 km off the southeastern coast of mainland China, separated by the Taiwan Strait. It is an archipelago of 86 islands, with the largest, Taiwan Island, consuming almost 98% of the land mass of 13,900 mi². To the northeast across the East China Sea it borders Japan and the Philippines to the south across the South China Sea.

An island slightly smaller than Switzerland, the eastern two-thirds of Taiwan is mountainous and rugged, rising to just under 4,000 m. The west, where most of the population live, consists of gently rolling hills. The capital and largest city, Taipei, lies in the northwest.

Taiwan lies on the Tropic of Cancer, and has a marine tropical climate with hot humid weather, East Asian monsoons in late spring and typhoons in late summer and early autumn.

Owing to major seismic faults, Taiwan is prone to earthquakes, the most recent major one in 1999 killing nearly 2,500 people.



Taiwanese authority overview

Political situation

Taiwan is a stable, vibrant democracy with a free press and independent judiciary. It holds presidential and legislative elections every four years, the next being in 2020, with city mayor and prefecture magistrate elections also held every four years, the next being in late 2018. Taiwan has a population of 23.6 million.

In the January 2016 presidential and legislative elections, the then-opposition Democratic Progressive Party (DPP) won both elections, taking both the Presidency and the majority in the Legislative Yuan from the KMT. President Tsai, a graduate of LSE, took office on 20th May 2016. This was the third peaceful exchange of power between parties since Marshall Law was lifted in 1987 – typically seen as the benchmark for a stable and entrenched democracy.

The Tsai administration is focused on a number of domestic priorities: industrial restructuring, reducing barriers to investment, adjusting the current labour system, transitioning to new sources of energy, mitigating social issues arising from a falling birth rate and aging population, tax reform, pension reform and judicial reform.

Cross-Strait relations

While the political focus of the current administration is on domestic reform Taiwan's relationship with China, the "cross-Strait" relationship remains a highly publicised political risk.

The People's Republic of China (PRC) has claimed sovereignty over Taiwan since the end of the Chinese Civil War in 1949, when the defeated Chinese Nationalist Party (Kuomintang or KMT) Government fled to the island. China threatens invasion if Taiwan ever declares independence.

While over the last thirty years the cross-Strait relationship has improved, such that there are direct flights across the Strait, and large numbers of Taiwanese business-people live and work in the PRC, tensions occasionally still come to the fore. Following the 2016 election of the DPP, the Chinese Government broke off official contact between the two sides of the Taiwan Strait, setting DPP acceptance of China's "One China" framework as a precondition for resumption of contacts.

The Tsai administration has repeatedly said that they wish to maintain the status quo and uphold all existing agreements with China. However, they are not willing to accede to China's demand. As a result of this political standoff, Taiwan's membership of international organisations – such as Interpol and the World Health Organization – has been blocked or constrained by China.

Despite restrictions on its engagement with international organisations noted above, Taiwan is a full member of the WTO (joining in 2002 under the name of “The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu”), and the Asia-Pacific Economic Cooperation (APEC) forum.

The UK, like our EU partners, the United States, Australia and other major allies, does not recognise Taiwan as a state, and therefore does not have formal diplomatic relations with Taiwan. Only 20 countries, mainly in the South Pacific, Africa and Latin America, formally recognise Taiwan (as the “Republic of China”). The PRC does not protest other countries’ commercial, cultural and other non-political links with Taiwan, but protests anything it views as formal official contact or which – in its view – might encourage Taiwan’s “independence”.

[Source – FCO Overseas Business Risk/gov.uk]

Business and human rights

Taiwan has constitutional protections of civil rights and legal protections of equality. The constitution protects the right to unionise.

The Labour Standards Law (LSL) provides for minimum employment standards including minimum working age and standards for working conditions and health and safety.

Taiwanese law provides for gender equality with regard to salaries, promotions, and assignments, though men still dominate senior positions. For more information on labour regulations, contact the British Office’s DIT team.

The Taiwanese authorities do not currently recognise same sex marriages or civil partnerships, so there is no provision in law for visas for same sex dependents. In May 2017 Taiwan’s Constitutional Court ruled that Taiwan’s Civil Code, allowing only heterosexual marriage, is unconstitutional. The Taiwanese authorities have until May 2019 to bring their Civil Code into line with their Constitution.

[Source – FCO Overseas Business Risk/gov.uk]

Economic overview

One of Asia’s “Four Tigers”, along with South Korea, Singapore and Hong Kong, Taiwan has transformed itself through decades of hard work into a well-industrialised and mature capitalist economy. From being an underdeveloped, agriculture-based island, Taiwan has grown to be a dynamic world-class leader in technology.

Taiwan’s economy experienced a period of rapid industrialisation in the decades after the end of the Chinese Civil War with average GDP growth rates approaching 9% on

average between 1950 and 1999. During this period Taiwan's economy diversified away from the previously dominant agricultural sector towards industries geared up to meet external demand and became increasingly export orientated. The period saw Taiwan come to be known as one of Asia's "Four Tiger" economies. The transition continued into the 1980s as Taiwan moved in a more hi-tech direction aided by the establishment of world class industrial clusters beginning with Hsinchu Science Park – today one of the leading global semi-conductor industry hubs – and policies aimed at liberalising the economy.

Taiwan today is an advanced and hi-tech export orientated economy. The world's 22nd largest economy, its exports accounted for 63% of GDP in 2016. Over the last decade, Taiwan has averaged 3.7% annual GDP growth. In 2016, growth moderated to 1.48% though official estimates for growth in 2018 have been revised upwards to 2.29%.

Taiwanese firms are world leaders in several hi-tech manufacturing sectors, such as semiconductors, laptops, servers, smartphone components, machine tools and solar panels. Taiwanese firms are also renowned for providing contract manufacturing services, with the most famous example being Foxconn – Taiwan's largest company by market capitalisation – which manufactures the iPhone on behalf of Apple.

Having historically enjoyed substantial trade surpluses, Taiwan's foreign reserves were the 5th largest in the world at the end of 2017. Taiwan is a major regional investor, particularly in China and Southeast Asia. Taiwan was China's 5th largest source of FDI in 2016 attracting US \$3.26 billion of investment according to the Chinese Ministry of Commerce. China is Taiwan's largest overseas investment destination (44.4% of Taiwan's overseas investment in 2016, down from 50.5% in 2015). Around 80,000 Taiwanese companies are located in China, accounting for an estimated 70% of China's electronics manufacturing.

Taiwan's economy does face some significant long-term challenges including: a rapidly aging population, a shortage of skilled labour, rising competition, an overdependence on key export sectors and energy security. To address these, the current DPP administration has introduced an industrial innovation programme aimed at promoting development of sectors of the economy seen as key for Taiwan's future economic development. These are: biomedical, defence, green energy, the "Internet of Things" and smart machinery.

Following the appointment of a new Cabinet in September 2017, a new emphasis has been placed at tackling five key shortages in land, labour, talent, energy and water. Specific measures have been introduced to address these including increased infrastructure investment and legislative changes to make it easier to attract and recruit foreign professionals.

Deregulation and broader economic reform measures are also being promoted including reform of the tax system and deregulation of banking and finance laws.

[Source – FCO Overseas Business Risk/gov.uk]

Strengths of the Taiwanese market

Strengths of the Taiwanese market include:

- 15th out of 190 markets in The World Bank's latest (2018) Ease of Doing Business report (<http://www.doingbusiness.org/data/exploreeconomies/taiwan-china>)
- world's biggest manufacturer of computer related products and semiconductors
- logistics hub for the Asia-Pacific Region
- modern infrastructure
- skilled workforce, abundant capital, and excellent innovation capabilities
- more RMB deposits than anywhere else except Hong Kong

Benefits of the Taiwanese market

Benefits for UK businesses exporting to Taiwan include:

- major platform for business with China
- liberalisation of banking, insurance and securities sectors
- offshore centre for the Renminbi (RMB), China's official currency
- high levels of consumer disposable income
- sound legal environment with comprehensive protection of Intellectual Property Rights (IPR)

[Source – DIT/ gov.uk]

Trade between the UK and Taiwan

British businesses are highly visible in the Taiwanese domestic market, and trade links with Europe continue to grow. There is a substantial market for infrastructure consultancy and products, financial services, high-value manufacturer supply chain, chemicals and a growing demand for creative industries and for green technology and services. This is a sophisticated market for consumer goods, particularly for international designer labels. Taiwan was the 4th largest market for Scotch whisky in 2016, with a strong demand for premium single malt brands (3rd largest market globally by value).

Taiwan's 2002 entry into the WTO increased exports and improved market access to Taiwan for foreign firms which have been drawn by the success of one of Asia's most dynamic and innovative economies and by a favourable business environment.

In 2016, Taiwan was the UK's 33rd largest trading partner globally and the 7th largest in the Asia-Pacific Region. The UK was Taiwan's 3rd largest trading partner in Europe. 2016 bilateral trade reached £5.35 billion.

In 2016, the UK's total exports of both goods and services to Taiwan were £1.98 billion, a rise of 11% on the previous year. Taiwan was the UK's 33rd largest market for goods exports with £1.2 billion of exports in 2016. UK services exports to Taiwan reached £777 million in 2016 making Taiwan the UK's 46th largest export market for services.

Taiwan invested a total of US \$21.8 billion (£18.2 billion) overseas in 2016, 23.6% higher than the previous year. The UK (excluding British Overseas Territories) was the third largest investment destination in Europe for Taiwan. A total of US \$114.8 million (£95.7 million) investment went to the UK, accounting for 0.5% of Taiwan's overall outbound FDI in 2016, or 10.1% of investment in Europe.

Investment in Taiwan

Taiwan ranks 15th in the World Bank's Ease of Doing Business Rankings, scoring well above the regional average for East Asia and the Pacific. Taiwan was ranked 16th overall in terms of starting a business.

There is a large British business presence in Taiwan. The British Chamber of Commerce in Taipei has 145 members at the time of writing (March 2018) and continues to grow as UK business interests and investment in Taiwan increase. Over the last ten years, UK investment in Taiwan has grown to nearly £4 billion covering a wide range of sectors from financial services to pharmaceuticals to ICT. British companies operating in Taiwan include ARM, Astra Zeneca, Diageo, GSK, HSBC, Mott Macdonald, ODE Ltd, Oxford Instruments and Standard Chartered Bank.

[Source – FCO Overseas Business Risk/gov.uk]

The UK and Taiwanese Authorities signed an agreement in December 2017 which will make it easier for UK and Taiwanese businesses in the biotechnology and pharmaceutical fields to protect their Intellectual Property. This will support leading UK industries like pharmaceuticals, helping companies export products like cutting-edge genetic medicines to Taiwan knowing their rights will be protected.

New dialogues on agriculture and energy were also agreed, which will bring big opportunities to UK companies. Taiwan plans to increase its renewable energy production from 4% to 20% of supply by 2025, much of it from offshore wind farms, and as the world's leading offshore wind producer, the UK is poised to be a key partner in this.

The new agricultural dialogue between the two authorities is also a boost for UK farmers as Taiwan is the largest per-capita pork consumer in Asia, underlining the commitment of both authorities to resolve the remaining steps to see Taiwan allow market access for British pork in the first half of 2018.

The two authorities also agreed to deepen links between the UK and Taiwan's leading financial sectors, building on the UK's £176 million of financial services exports to Taiwan last year. In particular, the UK will offer its expertise in financing renewable energy projects and fintech development in Taiwan.

See also the UK Government's September 2017 British Business Climate Survey – Taiwan, at: <https://www.gov.uk/government/publications/2017-british-business-climate-survey>. This first survey of its kind, of UK companies operating in Taiwan, is aimed at gauging their view of the local business climate in the world's 22nd largest economy.

The survey shows that there is broad confidence amongst UK businesses operating in Taiwan in the prospects for Taiwan's economy and for their own operations here in Taiwan over the next year. The survey also highlights important areas where the Taiwanese authorities could take further steps to make Taiwan more attractive to investors and further promote free trade. The British Office welcomes the steps taken by the current DPP administration to improve regulatory coherence and transparency by adopting a 60-day notice and comment period before introducing new measures, and also welcome efforts to encourage innovation in the fintech sector such as the draft regulatory sandbox bill.

[Source – DIT/gov.uk]

In addition:

Taiwan was ranked 29th out of 180 markets in the latest 2017 Transparency International Corruption Perceptions Index (the UK ranked 8th): https://www.transparency.org/news/feature/corruption_perceptions_index_2017.

Taiwan is ranked 15th out of 190 markets in the World Bank's 2018 Ease of Doing Business index (the UK ranks 7th): <http://www.doingbusiness.org/rankings>.

The World Economic Forum's Global Competitiveness Report 2017-18 ranks Taiwan 15th out of 137 (the UK is ranked 8th): <http://reports.weforum.org/global-competitiveness-index-2017-2018/>.

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[Source – DIT/gov.uk]

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Contact IMA
International Market Advisor
IMA House
41A Spring Gardens
Buxton
Derbyshire
SK17 6BJ
United Kingdom
Email: info@ima.uk.com
General enquiries switchboard: +44 (0) 1298 79562
Website: www.DoingBusinessGuide.co.uk