



## TAIWAN

### What's happening in this economy

Taiwan will hold presidential and legislative elections in January 2020. A change in administration may see significant changes to policy settings in areas such as energy, innovation, trade policy and the cross-Strait.

Taiwan is a significant industrialised economy – with a gross domestic product (GDP) of Int'l \$1,251.5 billion in purchasing power parity (PPP) terms, it sits just outside the 20 largest economies in the world.

Taiwan has a trade-based economy with particular strengths in:

- ICT manufacturing (particularly semiconductors)
- petrochemical refining and plastic products
- metal refining and products, and
- consumer products manufacturing.

It is a significant importer of energy, resources, and agricultural products. A return to global trade growth saw the Taiwanese economy return to reasonable growth after the Global Financial Crisis slow-down.

Government policy plays a big role in the Taiwan economy, stemming from its days as a centrally planned economy. Major policy drivers include cross-strait relations with China, building Taiwan's domestic economic capacity, and an ambitious energy transition policy.

Taiwan has adopted an economic diversification policy to encourage greater trade, investment, education and research links with ASEAN, South Asia, Australia and New Zealand (known as the New Southbound Policy). Under the policy, Taiwan wants to pursue regional and bilateral trade agreements, including membership of CPTPP, and new FTAs. Taiwan plans a significant domestic defence industry, including a large-scale indigenous submarine program.

Taiwan's policy to support innovation and develop its domestic economic capacity (the 5+2 Innovative Industries policy) has some overlap with Australia's National Innovation and Science Agenda. Priority fields in both include:

- advanced manufacturing
- food and agribusiness
- medical technologies and pharmaceuticals, and
- oil, gas and energy resources.

Under the 5+2 policy Taiwan hopes to create an 'Asian Silicon Valley' focusing on IoT applications and start-ups. It plans to develop various science parks, precincts and smart cities. Taiwan has begun a major infrastructure development policy (Forward-looking Infrastructure Development Project) worth approximately AUD 18.2 billion over four years. Under this project, Taiwan intends to invest in infrastructure

#### Key facts and figures (2018)

- **Population:** 23.6 million
- **GDP growth:** 2.6%
- **GDP per capita:** USD 24,971.40
- **Political system:** democracy
- **Two-way trade:**  
AUD 17.6 billion  
Tw to Aus: telecom equipment & parts; refined petroleum; personal travel (excl. education); computers  
Aus to Tw: coal; iron ore & concentrates; natural gas; personal travel (excl. education)
- **Two-way investment:**  
AUD 19.8 billion



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across a range of industries, such as rail transportation, water environment, urban and rural development, digital development and green energy.

Taiwan has also announced a Bilingual 2030 policy to increase the use and prevalence of English in Taiwan. The policy targets increasing English-language education at schools as well as Taiwanese authorities, and providing more information and services in English.

Taiwan is also looking to attract further foreign investment, and to attract, develop and retain more highly-skilled workers. The country has a very high rate of tertiary education, but relatively low salaries for university graduates. It wants greater focus on job-ready skills, including through collaboration with Australia on VET standards. Australia is Taiwan's second largest destination for students studying overseas (behind the US), and the VET sector is showing particularly rapid growth.

Australia is Taiwan's largest energy supplier and Taiwan is Australia's fifth largest resources and energy market. Alongside pursuing the goal of a 'nuclear-free homeland', addressing energy security, air pollution, and climate change has led Taiwan to adopt an ambitious energy transition policy. This aims to increase the share of renewable energy from 5% to 20% and the share of LNG from 35% to 50% by 2025. Coal use will be reduced from 45% to 30% and nuclear energy (15%) will be phased out over the same period. Massive investment in offshore wind projects and significant expansion of LNG receiving and distribution facilities will be the near-term results.

Taiwan has a high savings rate and relatively low rate of domestic investment. This creates a significant pool of funds available for foreign investment. Reflecting its demand for Australia's energy and industrial inputs, Taiwanese foreign direct investment is concentrated in the energy and resources sectors. But in recent years investment has diversified also into residential and hospitality projects.

Taiwan has a technologically advanced consumer market with very high rates of internet penetration, and an extremely high rate of smartphone penetration. Taiwanese consumers are increasingly health-conscious and value food quality and safety. Major Taiwanese cities are making a big effort to improve their connectivity and amenity for residents and tourists. They aspire to be greener, smarter, healthier and culturally richer.

Taiwan will face an increasing economic challenge from a rapidly ageing population, which saw it transition from an 'ageing' society in 1993 to an 'aged' society in 2018. It is projected to become 'super-aged' by 2026. Taiwan's population is projected to decrease by about 5 million from its current 23.5 million to 18.5 million in 2060. This could place pressure on a range of Australian exports, including industrial inputs and education, as Taiwan's labour pool shrinks. But there is also potential for further opportunities in health and aged-care; biotech, pharmaceuticals and medical devices; and financial services, including insurance and superannuation.

## Trade, investment, and commercial opportunities and activities

- Taiwan is Australia's 13<sup>th</sup> largest two-way trading partner with total trade value of AUD 17.6 billion in 2018:
  - in 2018 Australia's total investment in Taiwan was AUD 10.2 billion (an increase of 23% year-on-year), and
  - Taiwan's total investment in Australia was AUD 9.6 billion in 2018.
- Recent investment interests have expanded beyond minerals and resources to include:
  - biomedicine



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- renewable energy
- energy storage
- tourism infrastructure
- agriculture and food, and
- financial services.
- Taiwan’s ‘New Southbound Policy’ includes incentives such as beneficial loans and guarantees to Taiwanese businesses:
  - the aim is to spur investment in ‘New Southbound’ countries, including Australia.
- Taiwan’s energy transition policy has created opportunities for new Australian investment in, and development of, Taiwan’s new offshore wind industry:
  - it also could enable new Taiwanese investment in Australian LNG projects
  - Taiwanese solar energy developers and investors are seeking large-scale solar investment opportunities in Australia, and
  - coal remains a significant export and investment in Australian reserves may yet increase.
- Taiwan has the largest number of foreign banks in Australia (nine).
- Major current and emerging commercial opportunities include:
  - resources and energy: opportunities exist for Australian business and investors in offshore wind, LNG and coal in the short to mid-term, as well as in solar, energy storage and other renewable energy markets in the mid to long-run
  - services and technology: initiatives such as the ‘Asian Silicon Valley’ and ‘Smart Homeland’ create opportunities in advanced manufacturing; ICT/IoT and AI applications including fintech, cyber security, and agritech; and smart city development, including smart transportation, disaster prevention and response, and urban development
  - major infrastructure and urban development: the Forward-looking Infrastructure Development Project presents commercial opportunities in urban regeneration design, sustainability and heritage conservation. New Australian infrastructure—such as Sydney’s aerotropolis—may be an opportunity for Taiwanese financiers and developers. Australia also has a long-term partnership with Taiwan in water quality and drought management, which seeks to share resources, develop talent and identify appropriate technology and product developments
  - agribusiness and food: Taiwan’s appetite for Australian food products continues to grow, creating further opportunities for agricultural exports and building agritech partnerships. Taiwan’s high e-commerce penetration rate creates another potential channel for Australian’s high-end food and consumer goods to expand market share
  - international health: Australia’s biotech capability and Taiwan’s Ten-Year Development Plan to launch 20 new drugs and 80 new devices for the global markets by 2025 creates opportunities for R&D and commercialisation partnerships. This includes in IP licensing, clinical trials and regulatory consultancies. Taiwan’s ageing population presents opportunities for aged care services and training, and exporting functional food and natural health supplements for seniors
  - international education: Taiwan is Australia’s 10<sup>th</sup> largest student source market and its drive to up-skill its labour force creates opportunities for education exports and partnerships. Taiwan has already adopted over 300 Australian VET competency standards, creating opportunities for both direct VET



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training and train-the-trainer services. Bilingual 2030 may provide opportunities for English-language education services, and

- pension markets: Taiwan launched a two year trial of universal defined-benefit contribution retirement plans on 31 July 2019. It aims to promote retirement savings for individuals and boost public awareness of planning for retirement as Taiwan’s society ages. There may be opportunities for Australian fund managers during and after the trial phase.
- Major Australian office initiatives to capitalise on these opportunities are in:
  - energy and resources – supporting annual Australia–Taiwan energy and minerals dialogues and delegations that engage business and allow industry on both sides to appreciate and take advantage of the opportunities
  - digital technologies – promoting the capabilities of, and creating opportunities for, Australian disruptive technologies; and promoting Australia as a business, commercialisation and investment partner in disruptive technologies, including in green energy, immersive technologies, cybersecurity, fintech and agritech
  - infrastructure and cities – enhancing Australia’s brand and reputation in smart cities-related industries in Taiwan, including by supporting Australian delegations visiting the annual Taiwan Smart City Summit and Expo to build partnerships
  - agribusiness and food – profiling Australia as a leading supplier of premium fresh food and innovative health foods; driving export growth through business-to-business and business-to-consumer product showcases and events. Supporting annual Australia–Taiwan agricultural dialogues and delegations that engage business and allow industry on both sides to appreciate and take advantage of the opportunities
  - international health – promoting Australia’s capabilities in clinical trials and digital health, and supporting viable biomedical collaborations between Australia and Taiwan, and
  - international education – sharpening and enhancing branding, outreach and in-market engagement; supporting borderless skills training in-market; fostering education excellence by facilitating R&D commercialisation and cross-industry collaboration.

## Trade policy and negotiations

Taiwan is Australia’s 13<sup>th</sup> largest two-way trading partner. Taiwan’s major FTAs are with New Zealand (ANZTEC) and Singapore (ASTEP), however Australia does not have an FTA in place with Taiwan. Australia faces relatively high tariff and non-tariff barriers to agriculture.

Taiwan is a member of the WTO (as the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and APEC (as Chinese Taipei).



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