

TAIWAN

Business Conditions Snapshot

- Taiwan's Democratic Progressive Party (DPP) was returned to government in presidential and legislative elections in January 2020, providing policy continuity in areas such as energy, innovation, trade policy and cross-strait relations.
- Taiwan is a trade-based, significant industrialised economy – with a gross domestic product (GDP) of International \$1,300 billion in purchasing power parity (PPP) terms, it sits just outside the 20 largest economies in the world.
- It is recognised for its economic strengths.
 - ICT manufacturing (particularly semiconductors).
 - Petrochemical refining and plastic products.
 - Metal refining and products.
 - Consumer products manufacturing.
- It is a significant importer of energy, resources, and agricultural products. Taiwan's early and effective response to the COVID-19 pandemic makes it one of few economies in the world expecting positive growth in 2020. It has taken a conservative, careful approach to opening its borders to international travellers.
- Government plays a significant role in Taiwan's economy. Major policy drivers include seeking to maintain stable cross-strait relations with China, attracting high-end manufacturing investment, taking advantage of the reordering of global technology supply chains, developing an indigenous defence industry, 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.
- In the DPP's second term, Taiwan is promoting 'six core strategic industries', and continuing its support for innovation and domestic economic capacity development (the 5+2 Innovative Industries policy). These share priority fields with Australia's Industry Growth Centres.

Key facts and figures

- Population: 23.6 million (2018)
- GDP growth: 2.0 per cent (2019)
- GDP per capita: \$US24,828
- Political system: democracy
- Two-way trade: A\$20.2 billion (2018-19)
- Australian imports: refined petroleum; telecom equipment & parts; integrated circuits; personal travel (excluding education)
- Exports: coal; iron ore and concentrates; natural gas; personal travel (excl. education); agrifood
- Two-way investment: A\$19.8 (2018)



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- Advanced manufacturing.
 - Cyber security.
 - Food and agribusiness.
 - Medical technologies and pharmaceuticals.
 - Oil, gas and energy resources.
- Taiwan hopes to create an 'Asian Silicon Valley' focusing on Internet of Things 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 A\$44 billion over eight years. Under this project, Taiwan intends to invest in infrastructure 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. This aims to increase English-language education at schools and provide more government 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 fourth 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 electricity from renewables from six per cent to 20 per cent, and the share of electricity from LNG from 33 per cent to 50 per cent by 2025.
 - Also by 2025, all enterprises contracting more than 5MW of electricity from Taipower (Taiwan's monopoly electricity provider) are required to provide at least 10 per cent of their electricity from renewables or storage. Electricity from coal will be reduced from 46 per cent to 30 per cent, and nuclear (15 per cent) will be phased out over the same period.
 - To achieve this, there will be massive investment in offshore wind projects.
 - A significant expansion of LNG receiving and distribution facilities will be undertaken.
 - New gas power stations will also be produced.



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- Taiwan has a high savings rate and relatively low rate of domestic investment. In 2019, the executive announced tax incentives for returning capital from overseas, increasing competition for financial returns on local assets. There are large pools of funds seeking higher returns from foreign portfolio investment. Reflecting its demand for Australia's energy and industrial inputs, Taiwanese foreign direct investment is concentrated in the energy and resources sectors, but it is diversifying (see below).
- 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 – the percentage of people aged 65 years or over is projected to increase from 15 per cent in 2019 to 35 per cent in 2050. Taiwan's population is also projected to decrease by as much as four million from its current 23.6 million to 19.6 million in 2050. 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 and Investment Opportunities

- Taiwan is Australia's 12th largest two-way trading partner with total trade value of A\$20.2 billion in 2019.
 - In 2019 Australia's total investment in Taiwan was A\$16.9 billion (an increase of 66% year-on-year).
 - Taiwan's total investment in Australia was A\$10.4 billion in 2019.
- Recent investment interests have expanded beyond minerals and resources to include:
 - Biomedicine.
 - Renewable energy.
 - Circular economy and recycling.
 - Energy storage.
 - Tourism infrastructure.
 - Agriculture and food.
 - Financial services.



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- Taiwan's 'New Southbound Policy' includes incentives such as beneficial loans and guarantees to Taiwanese businesses:
 - The aim is to spur investment in Australia, New Zealand, Southeast Asia and South Asia.
- Taiwan's energy transition policy has created opportunities for new Australian investment in, and development of, Taiwan's new offshore wind industry:
 - It could also encourage new Taiwanese investment in Australian LNG and hydrogen projects.
 - Taiwanese solar energy developers and investors are seeking large-scale solar investment opportunities in Australia.
 - Coal remains a significant export, but Taiwan is unlikely to make new investments in coal mines.
- Taiwan has the largest number of foreign banks in Australia (nine).
- Major current and emerging commercial opportunities are in:
 - Resources and energy: opportunities exist for Australian business and investors in offshore wind, solar and LNG in the short to mid-term, as well as in 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 artificial intelligence (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: Taiwan's Forward-looking Infrastructure Development Project presents commercial opportunities in urban regeneration design, sustainability and heritage conservation. New Australian infrastructure – such as Western Sydney's aerotropolis, renewable energy generation and medical hubs based in state capitals – may be an opportunity for Taiwanese financiers and developers.
 - Agribusiness and food: Taiwanese consumers demonstrate a preference for reputable, high quality and well packaged international food and beverage. At the mid-price point, Taiwan operates the world's highest concentration of convenience stores, which can be an attractive channel for Australian snack foods.
 - 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 market by 2025 creates opportunities for R&D and commercialisation partnerships. More than 30 Taiwanese companies have conducted clinical trials in Australia. Other opportunities include intellectual property (IP) licensing and regulatory consultancies. Taiwan's ageing population presents opportunities for



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aged care services and training, and exporting functional food and natural health supplements for seniors.

- International education: Taiwan is Australia’s 13th largest source of international student enrolments 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 training and train-the-trainer services. Bilingual 2030 may provide opportunities for English-language education services. Australia should remain a preferred education destination after COVID-related restrictions ease.
- 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. Taiwan welcomes Australian fund managers to tender for pension fund management opportunities.
- Major Australian Office initiatives to capitalise on these opportunities are in:
 - Energy and resources – supporting annual Australia–Taiwan energy and minerals dialogues, the inaugural Australia-Taiwan Hydrogen Seminar, and delegations that engage business and allow industry on both sides to appreciate and take advantage of opportunities.
 - Promoting Australian industry capability online and through social media campaigns, such as *Rediscover Australia* in November 2020.
 - 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, advanced computing, 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 and hosting virtual conferences.
 - 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 opportunities.
 - International health – promoting Australia’s capabilities in clinical trials and digital health, and supporting viable biomedical collaborations between Australia and Taiwan.



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- 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 12th largest two-way trading partner. Taiwan's major FTAs are with New Zealand (2013) and Singapore (2013), and Latin American diplomatic partners such as Paraguay. Australia does not have an FTA in place with Taiwan. Australia faces relatively high tariff and non-tariff barriers to agriculture and is increasingly disadvantaged compared to competitors with preferential trade access. Taiwan will remove most remaining tariffs on New Zealand agricultural products by 2021.
- 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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