TAIWAN

INVESTMENT CLIMATE STATEMENT

2015

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Executive Summary

Strategically located between Northeast and Southeast Asia, Taiwan is an important hub for regional and global trade and investment, especially in the high-technology industry. Indicative of its developed and open investment environment, Taiwan ranks in the upper tenth percentile of major global indices measuring ease of doing business, economic freedom, and competitiveness. Taiwan's investment climate has improved in recent years with expanded cross-Strait trade with mainland China and expansion of trade links with other partners in the Asia Pacific region, as well as reforms to enhance protection of intellectual property rights and rationalize other investment-related regulations. As a relatively open and liberal economy, Taiwan has historically benefited from substantial foreign direct investment, with a total stock of USD 126 billion in approved investment as of 2014. Last year there was better than expected GDP growth of 3.74 percent, mainly attributable to a rise in private consumption and exports. The U.S.-Taiwan investment relationship remains mutually beneficial with ample room to grow. The United States is Taiwan's largest source of foreign investment, with the stock of committed U.S. foreign direct investment reaching USD 16.9 billion in 2013, and U.S. private commercial services exports to Taiwan totaled over USD 11.8 billion in 2013.

Remaining structural challenges in Taiwan's investment environment include stalled progress on privatization of Taiwan's state-owned enterprises (SOEs), which exert considerable influence in the utilities, aerospace, energy, postal, transportation, and financial and real estate sectors. Foreign ownership limits remain in place for wireless and fixed-line telecommunications, television broadcast, and transportation. Restrictions on investments from mainland China in some sectors have been relaxed as cross-Strait ties have improved. The Central Bank retains a currency convertibility policy in which it reserves the right to require large transactions that could impact the foreign exchange market to be scheduled over several days.

Aiming to promote Taiwan as a regional financial hub, Taiwan's Financial Supervisory Commission (FSC) adopted a series of liberalization measures in 2014, including liberalization of financial firms' overseas investments and expansion of overseas business units. Amendments passed by the Legislative Yuan in June 2015 to investment-related statutes clarify the review criteria for merger and acquisition transactions and subject fewer investment applications to mandatory regulatory review. In January 2014, the current administration announced Taiwan's intent to undertake significant liberalization to prepare Taiwan for potential entry into regional trade blocs, which included a review of longstanding gaps in intellectual property protection for pharmaceuticals. The results of this review process and Taiwan's ability to legislate recommended reforms are expected to be the primary determinants of the quality of Taiwan's investment environment going forward.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Strategically located between North and Southeast Asia, Taiwan is a critical hub for regional and global trade and investment. Expanded cross-Strait trade with mainland China through the Economic Cooperation Framework Agreement (ECFA) signed in 2010 improved Taiwan's investment climate by reducing some tariffs and other commercial barriers. In 2014, inward foreign direct investment (FDI) increased by 17.0 percent after posting a decline of 11.2 percent in 2013. Taiwan's science and industrial parks, export processing zones, and free trade zones aim to expand trade and investment opportunities by granting tax incentives, tariff exemptions, low-interest loans, and other favorable terms. Taiwan's economic performance over the past year improved as a result of a rise in domestic consumption and increased demand from the United States. GDP growth in 2014 was 3.74 percent, up from 2.23 percent in 2013. In the 2015 Doing Business report, the World Bank ranked Taiwan 19th out of 189 economies for Ease of Doing Business, down from 16th position in 2014.

Taiwan maintains a negative list of industries closed to foreign investment for reasons its authorities assert relate to security and environmental protection, including public utilities, power distribution, natural gas, postal service, telecommunications, mass media, and air and sea transportation. These sectors constitute less than 1 percent of manufacturing in Taiwan and less than 5 percent of the island's service sector. Railway transport, freight transport by small trucks, pesticide manufactures, real estate development, brokerage, leasing, and trading are all open to foreign investment.

Other Investment Policy Reviews

Taiwan (referred to as Chinese Taipei) has been a member of the World Trade Organization (WTO) since 2002. A WTO review of the trade policies and practices of Taiwan took place September 16-18, 2014. Related reports and recommendations are available at the following link: https://www.wto.org/english/tratop_e/tpr_e/tp402_e.htm

The OECD and UNCTAD have not conducted investment policy reviews of Taiwan.

Laws/Regulations of Foreign Direct Investment

Regulations governing foreign direct investment (FDI) principally derive from the Statute for Investment by Foreign Nationals (SIFN) and the Statute for Investment by Overseas Chinese (SIOC). These two laws permit foreign investors to transact either in foreign currency or the New Taiwan Dollar (NTD). Since 2006, NTD loans obtained from local banks can serve as sources of foreign direct investment. Both the SIFN and the SIOC specify that foreign-invested enterprises must receive the same regulatory treatment accorded local firms. Foreign companies may invest in state-owned firms undergoing privatization and are eligible to participate in publicly financed research and development programs. In late 2012, in pursuit of greater economic liberalization, the Executive Yuan passed preliminary amendments to SIFN and SIOC, which are currently under the review by Taiwan's Legislative Yuan. If passed, foreign investors would no longer need to secure pre-approval but could instead report the investment to the Investment Commission (IC) of the Ministry of Economic Affairs (MOEA) within a certain period of time after implementation, as long as the investment falls under a certain threshold. However, ex ante approval would still be required for investments in restricted industries and those exceeding the threshold.

Industrial Promotion

Not applicable.

Limits on Foreign Control

While most foreign ownership limitations have been removed, there is still a foreign ownership limitation on wireless and fixed line telecommunications firm's direct ownership of 60 percent, and a foreign direct investment limit of 49 percent. State-owned Chunghwa Telecom Co., which controls 97 percent of the fixed line telecom market, maintains a 55 percent limit on indirect foreign investment and a 49 percent limit on direct foreign investment. There is a 20 percent limit on foreign direct investment in cable television broadcast services, but foreign ownership of up to 60 percent is allowed through indirect investment via a Taiwan entity. Foreign investors, in this manner, control one of Taiwan's five largest cable TV networks. In addition, there is a foreign ownership limit of 49.99 percent for satellite television broadcasting services and piped distribution of natural gas, and a 49 percent limit for high-speed rail service. The foreign ownership cap on ground-handling firms, air-catering companies, aviation transportation businesses (airlines), and general aviation business (commercial helicopters and business jet planes) is less than 50 percent, with a separate limit of 25 percent for any single foreign investor. For Taiwan-flagged merchant ships, foreign investment is limited to 50 percent for Taiwan shipping companies operating international routes.

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Taiwan has been gradually relaxing restrictions on investments in some sectors from the People's Republic of China (PRC, or mainland China) as cross-Strait relations have improved. Since 2009, Taiwan has eased restrictions on investments from mainland China by following a three stage approach. Most of Taiwan's manufacturing industry and half of its services and public construction sectors are now open to mainland investment. However, due to restrictions limiting percentage of ownership, and restrictions on mainland investors' participation in Taiwan business operations, this investment liberalization has not yet drawn significant interest from PRC investors. In June 2013, Taiwan signed the cross-Strait Agreement on Trade in Services with mainland China under the ECFA, but legislative review of the Agreement has stalled due to opposition from some lawmakers and some segments of the Taiwan public.

In 2009, Taiwan launched the first phase of opening to mainland Chinese investment. Under its Regulations Governing Permission for People from the Mainland Area to Invest in Taiwan,

Taiwan opened 64 sectors in manufacturing, 117 in services, and 11 in public construction. In order to own shares in a Taiwanese company or to establish a presence in Taiwan, mainland entities and foreign companies in which mainland entities have over 30 percent participation must first obtain permission from the interagency Investment Commission (IC) convened by the Ministry of Economic Affairs (MOEA). The Taiwan authorities may prohibit or restrict investment from mainland Chinese enterprises that: (1) have military shareholders or a military purpose; (2) would create a monopoly; (3) would threaten national security, or; (4) would negatively impact domestic economic development, according to the above-cited regulation.

In a second round of cross-Strait investment liberalization, Taiwan announced in 2011 an additional 42 categories, including 25 sectors in manufacturing, 8 in services and 9 in public infrastructure, which would be open for PRC investment. The manufacturing categories included medical technology, machinery for making metal products, and petrochemicals. In March 2012, Taiwan announced a third tranche of relaxed restrictions on mainland investments. As a result, Taiwan has opened more than two-thirds of Taiwan's aggregate industrial categories to mainland China investors, with manufacturing prominent on the list, in which 97 percent of the sector is now open to PRC capital. In the public construction and service sectors, investment shares open to mainland investors expanded to 51 percent. PRC investors, however, continue to be prohibited from serving as a Taiwan company's Chief Executive Officer, although a mainland Chinese board member may retain management control rights of a Taiwan company.

Press reports indicate that in a subsequent fourth round of liberalization of mainland Chinese investment in Taiwan, MOEA plans to remove prohibitions on mainland ownership of controlling stakes in seven key industries, including light emitting diode (LED) displays, integrated circuit assemblies, semiconductor manufacturing equipment, semiconductor packaging and testing, metal cutting tool machines, and solar batteries. MOEA proposes to impose a shareholding ceiling of 50 percent for PRC investment in these industries, and retain a mechanism for screening investment applications on a case-by-case basis. As a result of the controversy over the cross-Strait Agreement on Trade in Services, this fourth stage of cross-Strait investment liberalization, which was originally expected to launch in late 2013, has been postponed.

Taiwan expects that investment liberalization measures will enhance bilateral cooperation in forming cross-Strait industrial supply chains. As of 2013, Taiwan approved 483 investment applications from mainland China totaling USD 864.5 million, with investment in port facilities and banking operations each accounting for 16 percent of the total. In the banking industry, there are now three mainland banks (out of four which have qualified) that have established branches in Taiwan.

Privatization Program

Not applicable.

Screening of FDI

The Ministry of Economic Affairs (MOEA) Investment Commission (IC) is the entity in charge of screening applications for investment, acquisitions, and mergers. Ninety-five percent of projects that are not included within the negative list generally obtain approval within three working days, according to the IC website. Specifically, approval of projects with an investment value of less than TWD 500 million (USD 16.5 million) is generally granted within two working days at the IC division chief level. For investments between TWD 500 million and TWD 1 billion (USD 33 million) that are not included on the negative list, approval authority rests with the IC Executive Secretary and is normally granted within three working days. Approval of investments above TWD 1 billion or those contained within the negative list require three weeks for approval, because these investments must be referred to the relevant supervisory ministries and must obtain approval of the IC Chairman or IC Executive Secretary. Investments involving mergers and acquisitions require screening at the monthly meeting of an inter-ministerial commission. To address voiced concerns over the potential risks of further opening to mainland Chinese investment, Taiwan's National Security Bureau has participated in every investment review meeting since April 2014 regardless of the nature or size of the investment.

Competition Law

Taiwan's Fair Trade Commission reviews transactions for competition-related concerns.

Investment Trends

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	37 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	19 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	N/A	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	N/A	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

There are relatively few restrictions in Taiwan on converting or transferring direct investment funds. Foreign investors with approved investments can readily obtain foreign exchange from a large number of designated banks. The remittance of capital invested in Taiwan must be reported in advance to the IC, but IC approval is not required. Declared earnings, capital gains, dividends, royalties, management fees, and other returns on investments can be repatriated at any time. For large transactions requiring the exchange of NTD into foreign currency that could potentially disrupt Taiwan's foreign exchange market, the Central Bank may require the transaction to be scheduled over several days. There is no written guideline on the size of such transactions, but according to law firms servicing foreign investors, amounts in excess of USD 100 million may be affected. Capital movements arising from trade in merchandise and services, as well as from debt servicing, are not restricted. No prior approval is required for movement of foreign currency funds not requiring exchange between NTD and foreign currency. No prior approval is required if the cumulative amount of inward or outward remittances does not exceed the annual limit of USD 5 million for an individual or USD 50 million for a corporate entity.

Remittance Policies

Total outbound investment may not exceed 40 percent of an investing company's net worth or paid-in capital (whichever is less), unless it is a professional investment company, the company charter waived the 40 percent limit, or shareholders approve such investment. If the amount of investment exceeds USD 50 million, the company must file an application with MOEA's IC. Otherwise, a local company is not required to obtain prior approval for overseas investments, except with respect to the limitations already discussed on investments.

Taiwan investors are allowed to invest in the majority of manufacturing and service categories in the mainland. The IC, however, continues to prohibit investments in agricultural, high-technology, telecommunications and basic infrastructure sectors. Taiwan entities are not required to go through a third jurisdiction to make their investments on the mainland. In 2008, authorities raised the annual ceiling on an individual's investment in mainland China from USD 2.5 million to USD 5 million. The ceiling on small and medium enterprise investment is either USD 2.5 million or 60 percent of the investing firm's net worth, whichever is higher. For large enterprises, total investment was capped at 60 percent of net worth. This cap, however, does not apply to foreign subsidiaries in Taiwan. For investments below USD 1 million, approval is not required, but investors must report the investment to the IC within six months. For investments between USD 1 million and USD 50 million, approval can be granted in two weeks. Taiwan authorities require an investor to submit a quarterly financial report if the cumulative investment in a project exceeds USD 50 million.

3. Expropriation and Compensation

The U.S. Government is not aware of any previous or recent cases of nationalization or expropriation of foreign-invested assets in Taiwan. There are no reports of indirect expropriation or any official actions tantamount to expropriation. Under Taiwan law, no venture with 45 percent or more foreign investment may be nationalized, as long as the 45 percent capital contribution ratio remains unchanged for a period of 20 years after the establishment of the foreign business. Expropriation can be justified only for national defense needs, in which case reasonable compensation must be provided.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Taiwan is a civil law country. The emphasis of the legal system is placed on statutes rather than case law. When making a judicial decision, the local Courts look to what the Constitution states first and then to codes, statutes and ordinances. Taiwan has comprehensive commercial laws, including the Company Law, Commercial Registration Law, Business Registration Law, and Commercial Accounting Law, as well as laws governing specific industries. Taiwan also has an Intellectual Property Court.

Foreign awards are enforceable in Taiwan only after the local domestic courts have recognized them.

Taiwan has implemented investment guaranty agreements with 31 nations, the latest of which were bilateral investment protection agreements signed with Japan in September 2011 and mainland China in August 2012. The 2013 Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership (ASTEP) and Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Cooperation (ANZTEC) included chapters on investment. Taiwan is in the process of negotiating an investment dispute settlement agreement with the mainland under ECFA.

Bankruptcy

Taiwan's Bankruptcy Law guarantees that all creditors have the right to share the assets of a bankrupt debtor on a proportional basis. Secured interests in property are recognized and enforced through a registration system

Investment Disputes

Foreign investment disputes with the Taiwan authorities are uncommon. Normally, Taiwan resolves disputes according to its domestic laws and based on national treatment or investment guarantee agreements.

International Arbitration

The 1998 Taiwan's Arbitration Law, sought to bring its arbitration regime into line with international practices. Although Taiwan is not a United Nations Commission on International Law (UNCITRAL Model Law) Jurisdiction and the Law’s drafting style is not followed, many provisions in the Arbitration Law are substantially Model Law compliant.

The Chinese Arbitration Association, Taipei (the Association) is a non-profit organization established by the Ministry of Interior. The Association has 30 cooperative agreements with other arbitration institutions across the globe. The Association has managed disputes in sectors including construction, maritime, securities, international trade, intellectual property rights (IPR), insurance, cross-strait disputes, and information technology. By agreement, disputants in a case can determine the governing law of the dispute, rules of procedures, language used in proceedings, authority of the arbitrators, place and location of the arbitration, time of the hearing, and extension of the time limit to render the arbitral award, among other factors.

ICSID Convention and New York Convention

In part due to its unique political status, Taiwan is not a member of the International Centre for the Settlement of Investment Disputes (ICSID Conventions). Foreign investment disputes with the Taiwan authorities are uncommon. Taiwan is not a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. To deal with the issue of reciprocity the Taiwanese Supreme Court has held that for the purpose of enhancing international judicial co-operation, domestic courts may recognize and enforce foreign awards at their discretion, notwithstanding the absence of reciprocity.

Duration of Dispute Resolution

Not applicable

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Since its accession to the World Trade Organization (WTO) in 2002, Taiwan has discontinued performance requirements. Taiwan does not require foreign firms to transfer technology, locate in specified areas, nor hire a minimum number of local employees as a prerequisite to investment.

Investment Incentives

Not applicable.

Research and Development

Research and development tax credits, equivalent to 15 percent of total R&D expenditures, are available only to companies incorporated in Taiwan.

Performance Requirements

Taiwan does not currently mandate any performance requirements.

Data Storage

Taiwan does not currently follow any forced localization policies related to data storage.

6. Right to Private Ownership and Establishment

Private investors in Taiwan have the right to establish and own business enterprises, except in a limited number of industries that authorities deem to bear upon national security and environmental protection. Private entities can freely acquire and dispose of interests in business enterprises. Private firms have the same access as state-owned companies to markets, credit, licenses, and supplies. Taiwan authorities have eliminated most state-owned monopolies, with the exception of some companies in the health insurance, financial, and power and water utility sectors.

7. Protection of Property Rights

Real Property

Interests in property are enforced in Taiwan. Taiwan maintains a reliable recording system for mortgages and liens.

Intellectual Property Rights

Taiwan is not a member of the World Intellectual Property Organization (WIPO) but adheres to key international agreements such as the Berne Convention and the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS). Reflecting significant advances in Taiwan's IPR legal regime and enforcement actions, the Office of the U.S. Trade Representative (USTR) removed Taiwan from the Special 301 Watch List in 2009. The United States remains concerned about a number of IPR issues in Taiwan, including online piracy of copyrighted materials, illegal textbook copying on university campuses, end-user piracy of software, signal theft of cable TV, corporate trade secret theft, and limited protections for some types of pharmaceutical patents. Taiwan Customs reported that seizures of imported counterfeit goods in 2014 increased 36 percent over the prior year, from 40,914 items in 2013 to 55,577 items in 2014. Facial mask cosmetic products accounted for 56 percent of total seizures, with the remainder in other categories including stationery, headphone, toys, clothes, leather products, and mobile phones. The Criminal Investigation Brigade (the IPR police) in 2014 filed 2,115 cases and seized six million counterfeit items, including discs, clothing, handbags, watches, and footwear, with value of the seizures reaching USD 2.3 billion. The importation and transshipment of counterfeit products mainly from mainland China is a problem. The United States is actively working with the Taiwan authorities to address these issues.

The Pharmaceutical Law, as amended in 2004 and 2007, increased penalties for the production, distribution and sale of counterfeit medicines. The law authorizes pharmaceutical data exclusivity for five years to prevent unfair commercial data use, the same exclusivity period as in the United States for chemical drugs. However, the law currently does not cover new indications or biological pharmaceuticals. Taiwan does not currently have a Patent Linkage system, resulting in several cases of generic drugs gaining approval and reimbursement despite the existence of a valid patent. In response, in April 2014 Taiwan established a task force to conduct studies on establishing a patent linkage system. Taiwan authorities expect the patent application review period to shorten to less than 22 months in 2016, following the establishment of Patent Service Center in May of 2012 and implementation of Patent Prosecution Highway (PPH) agreements with the United States in 2011, with Japan in 2012, and Spain in 2013, as well as an agreement on the deposit of biological materials with Japan in 2014.

In May 2011, the Legislative Yuan passed an amendment to the Trademark Law, which is modeled after the 2006 Singapore Treaty on the Law of Trademark. The amendment retains concordance of Taiwan's trademark law with international standards, and expands IPR protections to trademarked goods by extending the scope of goods eligible for protection, broadening the conditions in which infringement shall be deemed to have occurred, and strengthening customs enforcement mechanisms for trademarked goods. The amendment is designed to increase the protection of well-known trademarks and impose stronger penalties on infringers who sell fake commodities through the Internet and electronic media.

The Ministry of Economic Affairs' Intellectual Property Office (TIPO) and other agencies have adopted programs to protect intellectual property rights. Examples include:

- The Judicial Yuan inaugurated in 2008 an Intellectual Property Court authorized to handle all new civil and administrative intellectual property (IP) litigation, as well as appeals on criminal cases to streamline and improve the quality of judicial procedures in IP cases.

- Taiwan authorities have strengthened cooperation with foreign enforcement agencies, including signing an IP cooperation and protection agreement with mainland China in 2010 to combat Internet-related IPR violations.

- The Ministry of Education (MOE) continues to implement an IPR action plan to combat unauthorized textbook copying and illegal downloads on academic computer networks. January 2014 amendments to the action plan are intended to reinforce internal university control mechanisms and improve awareness of IPR protection.

With respect to trade secret infringement, the Legislative Yuan in January 2013 passed an amendment to the Trade Secrets Law to levy greater penalties for corporate IP theft, including a maximum five-year jail sentence and a TWD 50 million (USD 1.7 million) fine, with increased penalties -- including up to 10 years imprisonment -- for trade secrets taken to other countries, including mainland China. To improve law enforcement procedures for collecting evidence, the Legislative Yuan in January 2014 passed amendments to the Communications Security and Surveillance Act. The amendments enable investigators and prosecutors to conduct wiretapping in trade secrets infringement cases involving jurisdictions outside Taiwan, such as mainland China. Affected local and foreign firms continue to encourage development of further judicial measures, including through witness protection for trade secrets cases and by shifting the burden of proof to defendants. Amendments in 2014 to the Communications Security and Surveillance Act, Intellectual Property Case Adjudication Act, and Witness Protection Act provided additional tools for trade secrets enforcement, while Taiwan and U.S. industry have pointed to the need for continued strengthening of civil and criminal procedures for evidence protection.

Resources for Rights Holders

• Taiwan Intellectual Property Office, MOEA: http://www.tipo.gov.tw

Contact at AIT
• Kris Kvols
• Economic Officer
• +886-2162-2000
• TaipeiICS@state.gov

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at http://www.wipo.int/directory/en/.
Local lawyers list: photos.state.gov/libraries/ait-taiwan/171414/acs/listofattorneys11122013.pdf

8. Transparency of the Regulatory System

Taiwan has in place comprehensive laws and regulations regarding taxes, labor, health, and safety. In addition to tax incentives, Taiwan's science and industrial parks and export processing zones present streamlined bureaucratic procedures for the investment application process. Outside of these areas, the MOEA Department of Investment Services (DOIS) functions as the coordinator between investors and all agencies involved in the investment process. The MOEA's IC is charged with reviewing and approving inbound and outbound investments.

Taiwan has simplified work-permit procedures for foreign "white-collar" employees. The Ministry of Labor issues work permits for all white-collar workers through a single window service portal. Employers can apply on-line for work permits for their foreign employees, which are typically issued within 7 to10 days and may be extended indefinitely as long as the employer considers the employment necessary.

Since January 2012, Taiwan employers are able to hire non-professional or technical position foreign workers online through a network system designed by the Ministry of Labor. This system is expected to save employers and foreign workers TWD 63,000 (USD 2,020) in administrative costs and will reduce the hiring process from an average of 3 months to 30 working days. NGOs, however, have argued that complicated procedures and restrictions on use of both the Service Center and the online service have prevented widespread implementation, and they advocate lifting restrictions on transfers between employers. The maximum duration of foreign workers' stay in Taiwan is 12 years.

Foreign highly skilled or professional workers are required to hold a bachelor's degree and two years of relevant work experience to enter Taiwan's job market. There are no job experience requirements, however, for foreign management professionals employed in research and development (R&D) centers, international firms' operations' headquarters, and firms in designated industries. Professionals with a master's degree or above are not subject to any job experience requirement for employment in Taiwan. Those with lower education levels employed in non-professional or technical positions are required to have relevant job experience. Professional or specialized foreign workers have the right to obtain permanent residence status after they have legally stayed in Taiwan for seven consecutive years, with a minimum time of residence of 180 days per year. The seven-year requirement is waived for high-tech professionals and those who have made significant contributions to Taiwan. Non-professional or vocational workers do not possess the same right to obtain permanent residence status automatically after seven years' legal residence.

There are simplified entry-visa issuance procedures for foreign white-collar workers who work for foreign companies. A foreign executive who enters Taiwan with a tourist visa is not required to leave the island in order to convert the tourist visa to an employment visa. Similarly, a foreign executive whose employment visa expires is not required to leave in order to renew the visa.

9. Efficient Capital Markets and Portfolio Investment

Taiwan's capital market is mature and active. As of December 2014, 854 companies were listed on the Taiwan Stock Exchange (TSE). In July 2012, despite strong resistance from the business lobby, Taiwan's Legislative Yuan passed amendments to introduce a capital gains tax on the sales of securities, effective January 1, 2013. The ratio of the market value of listed companies to GDP was 167.2 percent in 2014. The market value of listed companies in Taiwan was USD 896.4 billion as of December 2014. The transaction volume of Taiwan's stock market rose from the USD 631.4 billion in 2013 to USD 730.0 billion in 2014, and the turnover rate in transaction volume slightly increased to 84.61 percent of 2014 from last year's 82.64 percent. A wide variety of credit instruments, all allocated on market terms, are available to both domestic- and foreign-invested firms. Legal accounting systems are largely transparent and consistent with international standards. In response to foreign and domestic financial institutions' concerns in recent years about non-transparent private equity transaction reviews by Taiwan's main financial regulatory body, the Financial Supervisory Commission (FSC) sought to clarify review criteria and enhance transparency through proposed amendments to the Business Mergers and Acquisitions Act, which were passed by the Legislative Yuan in June 2015. Foreign portfolio investors are not subject to foreign ownership limits except in a limited number of industries. In an aim to promote Taiwan as a regional financial hub, FSC has adopted a series of liberalization measures since late-2013. FSC switched to a negative list approach toward local banks' overseas banking units (OBU) businesses not involving the conversion of the NTD and allowed local securities houses to operate overseas securities units (OSU) businesses. FSC also announced in February 2015 that it will issue 5-10 overseas insurance unit (OIU) licenses in the first half of 2015 to help local insurers expand business to non-resident investors. In addition, in January 2015 Taiwan's legislature passed a third-party payment law which authorizes non-bank companies to engage in third-party payments business, opening the way for a range of new e-commerce business opportunities in Taiwan.

In recent years, Taiwan authorities have taken steps to encourage a more efficient flow of financial resources and credit. The limit on NTD deposits that a branch of a foreign bank may hold has been lifted. Non-residents are permitted to open NTD bank accounts, though they are subject to capital-flow controls that limit each remittance to USD 100,000. There are no restrictions on residents opening bank accounts overseas. A freeze on new bank branches, designed to encourage consolidation in the banking industry, was removed in 2007, although both foreign and domestic banks still require case-by-case approval to open new branches. In 2013, the FSC lifted a previous requirement that foreign banks merge branch operations into newly opened subsidiaries, thereby allowing them keep both branch and subsidiary operations in Taiwan. Restrictions on capital flows relating to portfolio investment have also been removed. The banking, insurance and securities industries have been liberalized to a certain extent and are open to foreign investment. Since 2012, mainland Chinese banks have been allowed to acquire stakes of Taiwan banks, with a 10 percent ceiling on total mainland investment in a given Taiwan financial institution. Foreign institutional investors currently are allowed to enter Taiwan's market without restrictions. There is no minimum asset requirement. On-shore foreign investors are subject to annual capital flow limits of USD 5 million for an individual foreign investor and USD 50 million for an unregistered foreign company.

Money and Banking System, Hostile Takeovers

Taiwan has removed legal limits on foreign ownership in most companies listed on the TSE, with the exception of public utilities, power distribution, natural gas, postal service, telecommunications, mass media firms, and air and sea transportation industries. There have been no reports of private or official efforts to restrict the participation of foreign-invested firms in industry standards-setting consortia or organizations.

Since the mid-1980s, the financial sector has been steadily opening to private investment, although Taiwan continues to tightly regulate its banking system. The market share held by foreign banks was relatively small until 5 foreign banks and 3 foreign private equity funds completed their acquisitions of Taiwan banks in 2007 and 2008. Over the past decade, 9 state-owned banks have been privatized. The only Taiwan-based reinsurance company was privatized in 2002. Banks that have some form of state ownership or control, including the 3 remaining banks wholly owned by the state, dominate Taiwan's banking sector and hold a market share of nearly 50.4 percent as of December 2014.

10. Competition from State-Owned Enterprises

Taiwan launched privatization programs in 1989 and succeeded in turning over most of its state-owned enterprises (SOEs) to private industries. As of December 2012, Taiwan authorities still controlled 19 SOEs, including official agencies such as the Central Bank, the Bureau of National Health Insurance, and the Export-Import Bank of the ROC, which have no private-sector competitors.

Progress toward privatizing some of the remaining SOEs has stalled since 2007, largely due to opposition from SOE employees. Currently, there is no timetable for privatizing existing SOEs. While limited in number, some of Taiwan's SOEs are large in scale and exert significant influence in their industries. Examples include monopolies such as Taiwan Power Company (Taipower) and Taiwan Water Co., as well as the island's only aerospace product manufacturer, Aerospace Industrial Development Co. (AIDC), and industry giants Chinese Petroleum Co. (CPC), Taiwan Tobacco & Liquor Co., Chunghwa Post Company, Taiwan Sugar Co., Taiwan Railways Administration, Taiwan Financial Holdings, and the Taiwan Land Bank. CPC controls over 70 percent of Taiwan's gasoline retail market. With the exception of the state monopolies, SOEs compete directly with private companies.

SOEs typically have an independent board of directors, and senior management is not required to report directly to a line minister or consult with authorities before making business decisions, except in rare cases. The authorities, however, can appoint officials to serve in a certain number of board member positions.

The Taiwan authorities hold minority shares and exert some control over some former SOEs that have been privatized, including through managing appointments to the board of directors. These enterprises include Chunghwa Telecom, China Steel, Taiwan Fertilizer Co., Taiyen (Taiwan Salt), China Shipbuilding Co., Yang Ming Marine Transportation Co., as well as some financial institutions.

The Bank of Taiwan, one of Taiwan Financial Holdings Group's wholly owned companies, is the island's largest bank in terms of assets. As of 2014, Taiwan's four largest banks, which are either wholly owned or controlled government banks, accounted for 29 percent of Taiwan's domestic banks' total assets. Most of these state-affiliated banks are large in scale compared to the purely private financial institutions, and some have been underperforming. In the third quarter of 2014, for example, the return on assets (ROA) for Bank of Taiwan was 0.23 percent, lower than the domestic banks' average ROA of 0.79 percent, according to statistics from the Central Bank.

Taiwan has neither a sovereign wealth fund nor an asset management bureau, but has a Labor Pension Fund Supervisory Committee that oversees contracted private managers of labor insurance and pension funds.

OECD Guidelines on Corporate Governance of SOEs

Taiwan is not a member of the OECD.

Sovereign Wealth Funds

Taiwan does not currently operate a sovereign wealth fund.

11. Corporate Social Responsibility

The Taiwan authorities actively promote corporate social responsibility (CSR). MOEA and FSC have issued guidelines on ethical standards and internal control mechanisms in order to help businesses embrace responsibility for the impact of their activities on the environment, consumers, employees, and communities. MOEA maintains an online newsletter to publicize best practices and raise awareness of the latest CSR-related developments in Taiwan and abroad.

At the corporate level, foreign and local enterprises endeavor to follow accepted CSR principles such as those propagated in the Organization for Economic Cooperation and Development's (OECD) Guidelines for Multinational Enterprises. Taiwan businesses, especially high-tech electronics companies, increasingly publish CSR reports. Global Views Magazine, one of Taiwan's most influential magazines, annually gives a CSR award to highlight companies that follow internationally accepted CSR standards and adopt transparent, environmentally conscious, and socially responsible practices. The award in 2014 went to domestic (Taiwan) firms Delta Electronics Inc., Taiwan Semiconductor Manufacturing Company Inc., Lite-On Technology Corporation, Chinatrust Financial Holdings Co., E-Sun Financial Holding Co., and Fubon Financial Holding Co; foreign recipients in 2014 included DHL, Citibank, Microsoft, and IBM.

OECD Guidelines for Multinational Enterprises

At the corporate level, foreign and local enterprises endeavor to follow accepted CSR principles such as those propagated in the Organization for Economic Cooperation and Development's (OECD) Guidelines for Multinational Enterprises.

12. Political Violence

Taiwan is a relatively young and vibrant multi-party democracy. President Ma Ying-jeou's second election victory in 2012 marked another peaceful, democratic transition in Taiwan. There have been no reports of politically motivated damage to foreign investment. In some instances, local and foreign companies have been the target of peaceful protests and demonstrations relating to labor disputes and environmental issues.

13. Corruption

Taiwan has implemented laws, regulations, and penalties to combat corruption. The Corruption Punishment Statute and Criminal Code contain specific penalties for corrupt activities, including maximum jail sentences of life in prison and a maximum fine of up to TWD 100 million (USD 3.3 million).

In November 2011, the Legislative Yuan passed amendments to the Anti-Corruption Act that expanded the scope of activities it covered and increased penalties for public officials who fail to explain the origins of suspicious assets or property. Based on the revised act, public servants suspected of corruption are required to declare the origins of their assets if an increase in their assets is disproportionate to an increase in their income in the three years following the allegations. If defendants refuse to offer an explanation, or if the explanation proves to be false and the defendants are found guilty of corruption, they face a jail sentence of up to five years or a fine of no more than the value of the assets of undeclared origin, or both.

The U.S. Government is not aware of cases where bribes have been solicited for foreign investment approval.

Taiwan formally became a member of the WTO Agreement on Government Procurement (GPA) in 2009. The Public Construction Commission (PCC) publishes all state procurement projects that require open bidding, in accordance with WTO transparency requirements. According to PCC statistics, there were 187,819 government-procurement contracts with total value of TWD 1,136 billion (USD 37.41 billion) in 2014. Among them, 2,442 contracts were WTO-GPA covered, valued at TWD 187.4 billion (about USD 6.17 billion), of which 417 were awarded to foreign suppliers. Following rezoning in 2010 to create five special municipalities -- Taipei City, New Taipei City, Taichung City, Tainan City and Kaohsiung City -- and a revised GPA implemented in December 2011, Taiwan has expanded coverage to the new entities.

The Legislative Yuan in January 2011 passed the following additional amendments to the Government Procurement Act: (1) Procurements of technology, information, and professional services can be based on quality (i.e., the most advantageous bids), rather than price; (2) A GP data bank containing a list of individual prices of awarded construction tenders exceeding TWD 10 million (USD 331,400); and (3) Procurement agencies are required to use model contracts provided by PCC to reduce potential disputes.

The PCC organizes inspection teams to monitor all public procurement projects both at the central and local levels, and publishes the bidding and inspection results. A task force comprised of PCC staff and independent experts investigates complaints. The authorities generally investigate allegations of corruption and take action to penalize corrupt officials.

Attempting to bribe or accepting a bribe from Taiwan officials constitutes a criminal offense, punishable under the Corruption Punishment Statute and the Criminal Code. The Corruption Punishment Statute also treats payment of a bribe to a foreign official as a crime and makes such a bribe subject to criminal prosecution. The maximum penalty for a public official receiving a bribe is life imprisonment or a maximum fine of TWD 100 million (USD 3.3 million). For those attempting to bribe officials, the maximum penalty is 7 years in prison and a fine of TWD 3 million (USD 99,400). In addition, the offender will be barred from holding public office. The assets obtained from acts of corruption are seized and turned over to either the injured parties or the Treasury.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Taiwan is not a party to the OECD Convention on Combatting Bribery. For more information, visit http://www.oecd.org/dataoecd/59/13/40272933.pdf.

Taiwan is not a party to the UN Anticorruption Convention. For more information, visit http://www.unodc.org/unodc/en/treaties/CAC/signatories.html.

Resources to Report Corruption

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:
Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a Lay-Person's Guide to the FCPA is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa

Information about the OECD Anti-bribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html.

See also new Anti-bribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf.

General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual Global Corruption Report that provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr.

The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://go.worldbank.org/RQQXYJ6210.

The World Economic Forum publishes the Global Enabling Trade Report, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.html.

Additional country information related to corruption can be found in the U.S. State Department's annual Human Rights Report available at http://www.state.gov/g/drl/rls/hrrpt.

Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://www.report.globalintegrity.org.

14. Bilateral Investment Agreements

Under the Taiwan Relations Act, the terms of the 1948 Friendship, Commerce, and Navigation Treaty between the Republic of China and the United States remain in force. Under its terms, U.S. investors are guaranteed national treatment and are provided with a number of protections, including protection against expropriation.

Representatives of the United States and Taiwan signed a Trade and Investment Framework Agreement (TIFA) in 1994 to serve as the basis for consultations on trade and investment issues. After TIFA discussions were suspended in 2007 in response to Taiwan policies affecting U.S. beef imports, the resumption of TIFA talks in 2013 produced numerous results, including new joint statements on investment principles and information and communication technology (ICT) services, and the launch of new TIFA working groups on investment and technical barriers to trade. The April 2014 TIFA Council meeting welcomed steps by Taiwan authorities to improve trade secrets protection, address pharmaceutical issues, clarify investment criteria, lift data localization requirements in the financial sector, and to revise standards affecting U.S. market access, while also highlighting the need for more meaningful progress on long-standing agricultural trade issues and intellectual property protection.

Taiwan has concluded various forms of investment agreements with the following 32 countries: Argentina, Belize, Burkina Faso, mainland China, Costa Rica, Dominica, El Salvador, Gambia, Guatemala, Honduras, India, Indonesia, Japan, Liberia, Malaysia, Macedonia, Malawi, the Marshall Islands, Nicaragua, Nigeria, Panama, Paraguay, the Philippines, Saudi Arabia, Senegal, Singapore, St. Vincent, Swaziland, Thailand, the United States, Vietnam and New Zealand.

Bilateral Taxation Treaties

Taiwan does not have a bilateral taxation treaty with the United States.

15. OPIC and Other Investment Insurance Programs

Taiwan and the United States also have an Overseas Private Investment Corporation (OPIC) agreement. The agreement, signed in 1952, is called the Agreement Dealing with Guaranty of American Investment of Private Capital in Taiwan. The OPIC project listing does not including any active projects in Taiwan since FY 1992, the earliest year for which data is available.

16. Labor

Benefiting from the recovery in the global economy, Taiwan's unemployment rate continued to decline to 3.96 percent in 2014, down slightly from 4.18 percent in the previous year. In the industrial sector, the number of blue-collar foreign workers increased from 278,919 in 2013 to 331,585 as of 2014. There are no special hiring practices in Taiwan. Employees are typically paid at least a one-month bonus at the end of the lunar calendar year (January or February). Benefits often include meals, transportation, and dormitory housing or related allowances. A standard labor insurance program is mandatory. The program provides paid maternity leave, a lump sum or annuity retirement plan, and other benefits. A new retirement system implemented in 2005 replaced a voluntary retirement scheme that still covers approximately 30 percent of the total labor force and, under the standard labor law, permits retirement at age 55 with 15 years of service. Employees hired after July 2005 must join the new system, which sets mandatory retirement at age 65. The new system also requires the employer to contribute six percent of an employee's monthly wage to accounts at designated banking institutions. The accounts follow the employees as they move from one employer to another. A universal national health insurance system, to which employers must contribute, covers all Taiwan residents.

Taiwan provides unemployment relief based on the Employment Insurance Law enacted in 2002. Alternatives for unemployment pay include a vocational training allowance for jobless persons and employment subsidies to encourage the hiring of jobless persons. The Labor Standards Law (LSL) sets a standard eight-hour workday and a biweekly maximum of 84 hours. The public sector and most private firms have a five-day workweek. The LSL restricts child labor and requires employers to provide overtime pay, severance pay, and retirement benefits. The LSL covers both manufacturing and service sectors. Violators are liable to criminal penalties (jail terms) and administrative punishments (fines).

Beginning January 1, 2013, Taiwan's minimum monthly salary increased TWD 267 (or 1.4 percent) to TWD 19,047 (USD 657 at exchange rate of TWD 29.1 per U.S. dollar), and the minimum hourly wage rose TWD 6 to TWD 109 (USD 3.76). Monthly manufacturing sector wages in the first nine months of 2012 averaged TWD 45,089 (USD 1,554) including overtime, allowances, and bonuses – a 0.5 percent increase compared to the same period in 2011.

Labor unions have become more active and independent since Taiwan’s martial law was lifted in 1987. Mergers and acquisitions (M&A), factory closures, and the new retirement system contributed to an increased trend in labor disputes over the past decade. Taiwan is not a member of the International Labor Organization (ILO) but adheres to the ILO core conventions in the protection of workers' rights.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

The first free trade/free port zone began operation in 2004 at Keelung, Taiwan's northern port. Another four were established in 2005 at Taoyuan International Airport, and the international harbors in Kaohsiung, Taichung, and Taipei. In May 2010 and August 2013, the Executive Yuan approved the free-trade zone at the Suao Port and one at Anping port respectively, making a total of seven free trade zones in Taiwan. The Taiwan authorities have relaxed restrictions on the movement of merchandise, capital, and personnel into and out of these zones.

As part of a broader restructuring and to increase the competitiveness of Taiwan's ports, the Ministry of Transportation and Communications (MOTC) established the Taiwan International Ports Corp. (TIPC) on March 1, 2012, to manage commercial activities of Taiwan's ports and free trade zones. The TIPC facilitates cooperation with foreign shipping operations and related businesses.

On December 14, 2012, the Legislative Yuan approved the amendment of the Act for the Establishment and Management of Free Trade Zones, which would exempt London Metal Exchange (LME)-certified non-ferrous metals at Taiwan's free trade zones from income tax through 2042. On June 18, 2013, the LME board approved Kaohsiung Port as a LME delivery port of primary aluminum, aluminum alloy, copper, lead, nickel, tin, and zinc.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2014	529,580	2014	529,550	IMF World Economic Outlook
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2014	23,499	2013	16,905	bea.gov/international/factsheet/ factsheet.cfm?Area=628
Host country's FDI in the United States ($M USD, stock positions)	2014	13,846	2013	6,420	bea.gov/international/factsheet/ factsheet.cfm?Area=628
Total inbound stock of FDI as % host GDP	2014	25%	2013	13%	UNCTAD

*Investment Commission, Ministry of Economic Affairs, Taiwan. Taiwan data were based on approved investment and did not take account of disinvestment.

Table 3: Sources and Destination of FDI

Foreign direct investment position data are not available for Taiwan.

Table 4: Sources of Portfolio Investment

Portfolio investment data are not available for Taiwan.

19. Contact for More Information

• Kris Kvols
• Economic Officer
• No.7, Ln. 134, Sec. 3, Xinyi Rd., Da-an Dist., Taipei City 106-59.
• +886-2162-2000
• TaipeiICS@state.gov