

# Taiwan

## Country Profile Statistical Update Statistical Update

### Forward

This information piece is provided to update the statistical information of existing documents on Taiwan.

### Background

Despite limited natural resources and a population of just 22 million living in an area the size of Vancouver Island, Taiwan has become one of Asia's brightest economic success stories. Trade has driven Taiwan's economic growth in recent decades. Taiwan is the world's 16<sup>th</sup> largest trading economy despite geographic and demographic limitations.

<b>Demographics</b>	
<b>Total Population</b>	22.4 million
<b>Growth Rate</b>	0.94%
<b>Age Breakdown</b>	
0-14 yrs	22%
15-64 yrs	69%
65 years and over	9%
<b>Life Expectancy</b>	
Total	76.82 years
Male	73.82 years
Female	80 years

### Geography

Taiwan is located in the South China Sea approximately 140 km off of the coast of Southern China. It is separated from China by the Taiwan Straits, which continues to be an area of political tension.

Taiwan has a total land area of 35,980 sq km. The capital and largest city is Taipei whose metro area contains roughly one third of the total population. The climate is maritime subtropical with heavy rains in the winter. The terrain is largely mountainous with rugged mountains in the

east and center of the country flowing into rolling plains in the west. Taiwan is susceptible to monsoons and earthquakes.

<b>Main Cities</b>	
Taipei (Metro)	2.6 million (6 million)
Kaohsiung	1.4 million
Tainan	910,000

Natural resources include: coal, natural gas, limestone, marble and asbestos.

### Agriculture

The agricultural sectors importance to the Taiwanese economy has been in decline since the 1960's. However, the food processing sector has always been a competitive part of the economy and the sector as a whole has been developing in recent years. The government has become increasingly supportive of the industry with the goal increasing its competitiveness through the development of value-added products, cash crops, and the diversification of export markets.

Arable farmland comprises an estimated 24% of the total land area, while permanent crops account for just 1%, and permanent pastures 5%. The agricultural sector employs 10% of the work force, and accounts for 3.3% of GDP.

The agricultural sector suffered a serious set back recently when the country's large pork producing sector had to be scaled back dramatically after a foot-and-mouth outbreak. Despite a near complete recovery the pork sector continues to provide opportunities for Canadian suppliers by

way of new products and quality assurance.

Taiwan's farmland is heavily cultivated and produces up to three crops per year. Major agricultural products include: rice, wheat, corn, soybeans, vegetables, fruit, tea, pork, poultry, beef, milk, fish. Fruits and vegetables have become some of Taiwan's most important agricultural exports, while corn, wheat, barley, sorghum, and soybeans are the largest agricultural imports.

Taiwan is far from self-sufficient in basic food products. The scarcity of land, and further scarcity of land suitable for agriculture has always been an issue in Taiwan, and this problem has been multiplied by the pressures of rapid industrial expansion. Land pressures coupled with the high cost of labour makes farming in Taiwan a very costly enterprise. Most of the arable land in Taiwan is used for the production of rice which is one of the few products in which the country remain relatively self-sufficient. Sugar cane and fresh fruit and vegetables are the other primary agricultural products.

Taiwan imports the vast majority of its food needs, roughly US\$12 billion worth of food products and commodities annually with an estimated one third of Taiwan's annual food imports being branded consumer products. Taiwan's largest agricultural imports in 2001 were corn, soybeans, cigarettes and cotton. The US and Japan are the country's largest suppliers.

Taiwan's entry into the WTO has made the market much more accessible to food imports. Import bans have been replaced by tariff quota arrangements. The phasing down of import tariffs has also commenced. As a result of its entry into the WTO, Taiwan will reduce its tariffs on average by 40% on a wide range of products, most notably beef, seafood, lamb and dairy products.

## Economy

Over the past five decades, Taiwan's economy has moved from an agricultural to an industrial orientation and, within industry, from labour-intensive light manufacturing to more capital and skill-intensive manufacturing. Taiwan built on its successes at each stage of its development and the manufacturing economy which grew out of the food processing success of the 1960's is now being replaced by the country's service sector. The service sector now accounts for 65% of GDP and employs 55% of the population.

The economic shift towards a service economy is a direct result of an evolving relationship with China. Taiwan's economy is not so much moving away from manufacturing, as Taiwan's manufacturing plants are moving away from Taiwan. Taiwanese industry is moving in search of cheap and abundant labour and China is quickly become home to some of Taiwan's largest industries. Investment in the mainland is also increasing. China is now Taiwan's 6<sup>th</sup> largest trade partner and Taiwan ranks as China's 5<sup>th</sup> largest trade partner. Taiwan has established three shipping links with China to aid in accommodating their rapidly developing relationship with the mainland.

This growing relationship does not mean an end to political disputes between the two countries. While unpopular in many circles in both China and Taiwan it appears that the expanding trade relationship will continue.

Taiwan's economy went into recession in 2001 for the first time since 1975 as GDP contracted by 2.2%, the largest drop on record. While the economy managed to emerge relatively unscathed from the Asia financial crisis in 1997, the realities of the global economic slowdown due in part to a declining IT market and Taiwan's heavy reliance on exports made the recession unavoidable. Taiwan's economy is very exposed internationally with almost 50% of GDP derived at least in part

from exports, in particular exports from the IT sector. Taiwan's exports were down by over 6% in 2001.

Projections for 2003 are mixed, but generally more positive as most believe that the declines of 2001 and part of 2002 have bottomed out, and the country will return to a healthy positive trade balance. Taiwan's GDP is projected to continue to strengthen and grow to an annual average of 4.7% in 2003-04.

<b>Economic Indicators</b>	<b>2002</b>
<b>GDP</b>	US\$275.7 billion
<b>GDP Growth</b>	3.1% (2002) 4.7% (2003e)
<b>GDP per capita</b>	US\$12,228
<b>GDP by Sector</b>	
Agriculture	3.3%
Industry	35.7%
Services	61%

Taiwan's limitations economically and reliance on trade have not gone unnoticed by government and this situation has had a significant impact in Taiwan's recent policy decisions. The primary aims of new governmental policy are to strengthen the domestic economy through infrastructure development, upgrade industry to remain at the forefront, not simply competitive and the expansion of value-added services industries. Despite these initiatives the current and future growth of the Taiwan export industry will be led by electronics, information and communications products.

<b>Labor force</b>	<b>2002</b>
<b>Total</b>	9.4 million
Unemployment rate	5.2%
<b>By Sector</b>	
Agriculture	10%
Services	52%
Industry and commerce	38%

Traditional labor-intensive industries are steadily being moved off-shore and replaced with more capital and technology intensive industries. Taiwan has become a major investor in China, Thailand, Indonesia, the Philippines, Malaysia, and Vietnam. The tightening of labor markets has led to an influx of foreign workers, both legal and illegal.

Unemployment reached 5.2% by the end of 2002, which reflected not so much a decline in economic growth, but major structural shifts in the economy such as the shift of labour intensive industries to China.

### **Trade agreements**

Taiwan is a member of the Asia Pacific Economic Cooperation (APEC), the Central American Bank for Economic Integration and the Asian Development Bank (ADB). In addition, Taiwan is an active participant in the Pacific Economic Cooperation Council (PECC) and the Pacific Basin Economic Council (PBEC).

The lack of formal diplomatic relations with most of its trading partners has not hindered Taiwan's rapidly expanding commerce as Taiwan currently maintains trade offices in more than 60 countries with which it does not have official relations, including Canada.

Although Taiwan is currently not a member of any free trade organization, it has made progress in recent years by joining international organizations like the WTO.

### **Competition**

The United States is Taiwan's largest trading partner, accounting for 26% of Taiwan's exports and supplying 19% of its imports. The United States, Hong Kong (including indirect trade with China.) and Japan account for two-thirds of Taiwan's total exports, and the U.S. and Japan provide 45% of Taiwan's imports. The EU is also

a significant trade partner, accounting for 15.1% of total exports and 18.9% of imports.

The United States, Australia and New Zealand are all major suppliers of agri-food products to Taiwan, with many products competing directly with Canadian goods. Many key competitors enjoy a price advantage based on location. However, until recently these same competitors have also enjoyed preferential access, an advantage they will lose now that Taiwan has entered the WTO.

### **Canada - Taiwan Trade and Investment**

Taiwan is the 14<sup>th</sup> largest economy in the world, and it is Canada's 14<sup>th</sup> most important export market. In 2001, Canada recorded \$989 million in a diverse mix of merchandise exports to Taiwan, led by wood pulp, electrical machinery, nickel and coal. Manufactured and technology exports have consistently increased in importance as niches grow within industrial, agri-food and beverage markets. Canada is also an important destination for overseas studies, an area that is expected to grow in importance.

Total merchandise trade between Canada and Taiwan was valued at \$5.30 billion in 2002. This was a decrease of \$96 million over 2001. Canada's exports were valued at \$4.2 billion, while imports from Taiwan were valued at \$1 billion resulting in a positive Canadian trade balance of \$3.17 billion. Canada's exports to Taiwan declined by 3.8% in 2002, while imports increased by 7.6% over 2001.

Bilateral agricultural trade between Canada and Taiwan was valued at \$212.3 million in 2002. Canada dominates the two-way trade resulting in a positive Canadian trade balance of \$143 million.

Canada exported over \$177 million worth of agricultural goods to Taiwan in 2002. Canada's exports increased by 28% in 2002, compared to \$138.3 million in 2001.

Exports in 2002 were dominated by frozen bovine cuts. Exports of frozen bovine cuts were valued at \$17.8 million, while flours, meals and pellets were valued at \$17.6 million. Non-alcoholic beverages, food preparations and rapeseed, colza oil and its fraction rounded out Canada's top five agricultural exports.

Canada's agricultural exports were dominated by intermediate goods with a value of \$114.2 million. Consumer exports were valued at \$58.4 million and bulk exports were valued at \$5 million.

Canada's agri-food imports from Taiwan in 2002 were value at \$34.6 million, an increase of \$4.5 million over 2001. Imports were dominated by communion wafers which made up 6% of total agri-food imports and food preparations which made up 5.4%. Imports of green tea, fruits and animal feed preparations rounded out the top five imports.

### **Investment**

In recent years, Taiwan has implemented a number of measures designed to liberalize its economy and improve its investment environment. This consistent policy of liberalization is in keeping with its goals of joining the World Trade Organization (WTO) and developing the island into an Asia-Pacific regional operations center.

The United States is the top foreign investor in Taiwan, while Japan is a close second. The US has accounted for 25% of total foreign investment since 1952. Japan has accounted for 24% of total foreign investment in Taiwan during the same time period.

Since 1988, outward direct investment has exceeded inward direct investment. Outward investments totaled US\$32 billion during since 1988. China has been one of the principal destinations for Taiwanese investment. Taiwan has long encouraged and facilitated direct foreign investment. Regulations affecting foreign-invested

enterprises are generally transparent and non-discriminatory. All foreign-ownership limits on construction, real estate development and brokerage, banking, insurance, finance, securities, and futures industries have been lifted. In fact, in some sectors the government has established minimum investment levels for foreign firms.

### **Market Access**

Taiwan continues to be a highly protected market in which import tariffs are applied to the majority of processed food products, which makes it difficult for foreign investors to compete with local products. Furthermore, many other non-tariff barriers remain in place. As a condition to joining the World Trade Organization (WTO), Taiwan agreed to a partial opening of its markets for agri-food products. This has influenced Taiwan to lift some bans, and the lower some of its tariffs as a result of pre-accession negotiations.

In the near future, Taiwan is expected to make a formal entry into the WTO, which will bring further opportunities. Taiwan has committed itself to reducing import tariffs and lifting restrictions. Some of these changes will be made after accession, and others will be made gradually over the first few years following accession.

Taiwan maintains a very complex set of regulations regarding the imports of goods. As a result, Taiwan's regulatory environment affecting food imports is cumbersome. Many Taiwanese government agencies are responsible for the application of rules and regulations. Often, changes to those regulations are made with limited advance notice. Also, many of these regulations have been influenced by US and Japanese practices. As a result of its recent accession to the WTO, Taiwan has brought its practices closer to those applied in western countries.

Inspection of agriculture commodities and food products is the responsibility of the Bureau of Animal and Plant Health Inspection and

Quarantine (BAPHIQ). Information regarding quarantine regulations for imported plants and plant products can be found the following address: <http://www.baphiq.gov.tw/law/files/imfruit08-1.htm> Exporters should note that Taiwanese authorities only allow imports of animal and animal products from countries and territories they have declared free of certain diseases (such as foot-and-mouth or Newcastle disease), and that Taiwan does not recognize declarations of freedom issued by the OIE (International Office for Epizootics).

The Bureau of Food Sanitation of the Taiwan Department of Health <http://www.doh.gov.tw> is responsible for regulations governing food safety and sanitation. These regulations cover aspects such as: sanitary standards, food additives, pesticide residue limits, health food sanitary standards, special dietary food, labelling for products containing genetically modified organisms, and nutritional labelling for packaged food.