

Data and Profiles - Market Profiles

Taiwan: Market Profile

🕒 10 Nov 2020

✍️ Fitch Solutions



1. Overview

Taiwan is an important market in regional and global value chains, offering one of the most favourable environments for investment in Asia. It is an export-dependent economy of 23 million people with a skilled workforce. As a relatively open and liberal economy, Taiwan benefits from substantial foreign direct investment (FDI) as well as the management and technical expertise that accompany it. Taiwan is also a key link in global supply chains and a major centre for advanced research and development.

Sources: World Bank, Fitch Solutions

2. Major Economic/Political Events

November 2015

Taiwan's President Ma Ying-jeou and Mainland China's President Xi Jinping held historic talks in Singapore, the first of such meeting since 1949.

January 2016

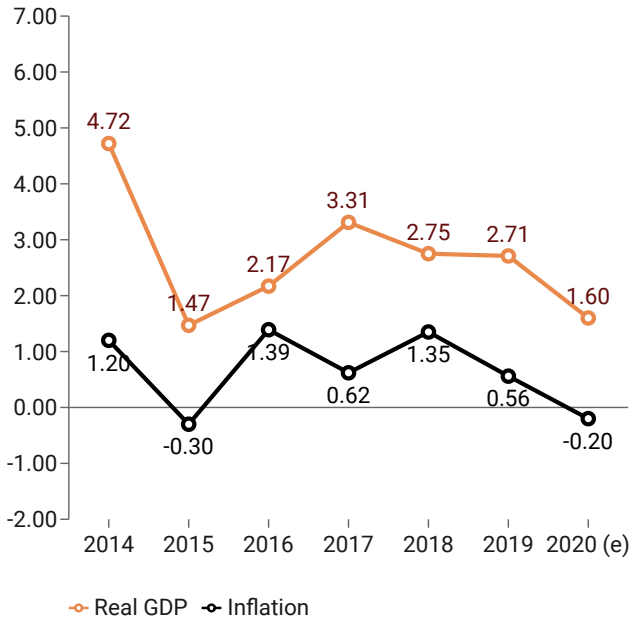
Democratic Progressive Party candidate Tsai Ing-wen won presidential election and took office in May 2016.

November 2018

Taiwan voters went to the polls to choose their mayors and councillors in the 'nine-in-one' local elections.

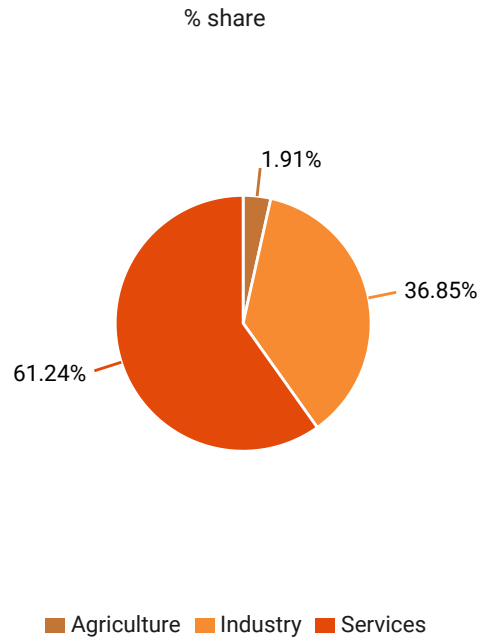
3. Major Economic Indicators

Real GDP and Inflation



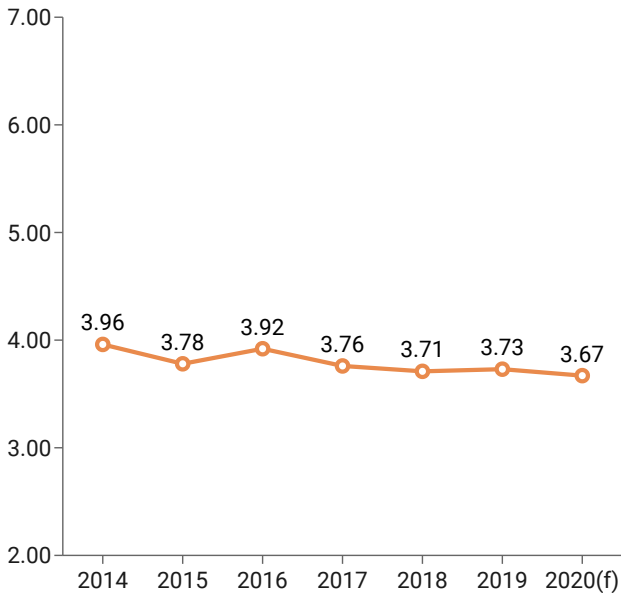
e = estimate
 Source: Taiwan National Statistics
 Date last reviewed: November 3, 2020

GDP by Sector (2019)



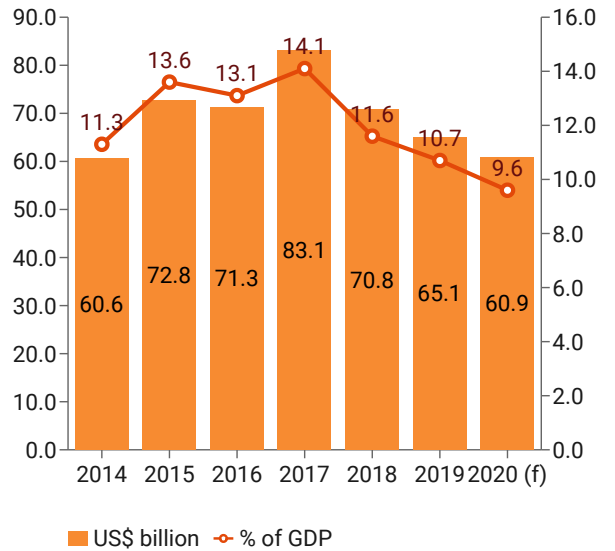
Source: Taiwan National Statistics
 Date last reviewed: March 26, 2020

Unemployment Rate



f = forecast
 Source: Taiwan National Statistics
 Date last reviewed: March 26, 2020

Current Account Balance

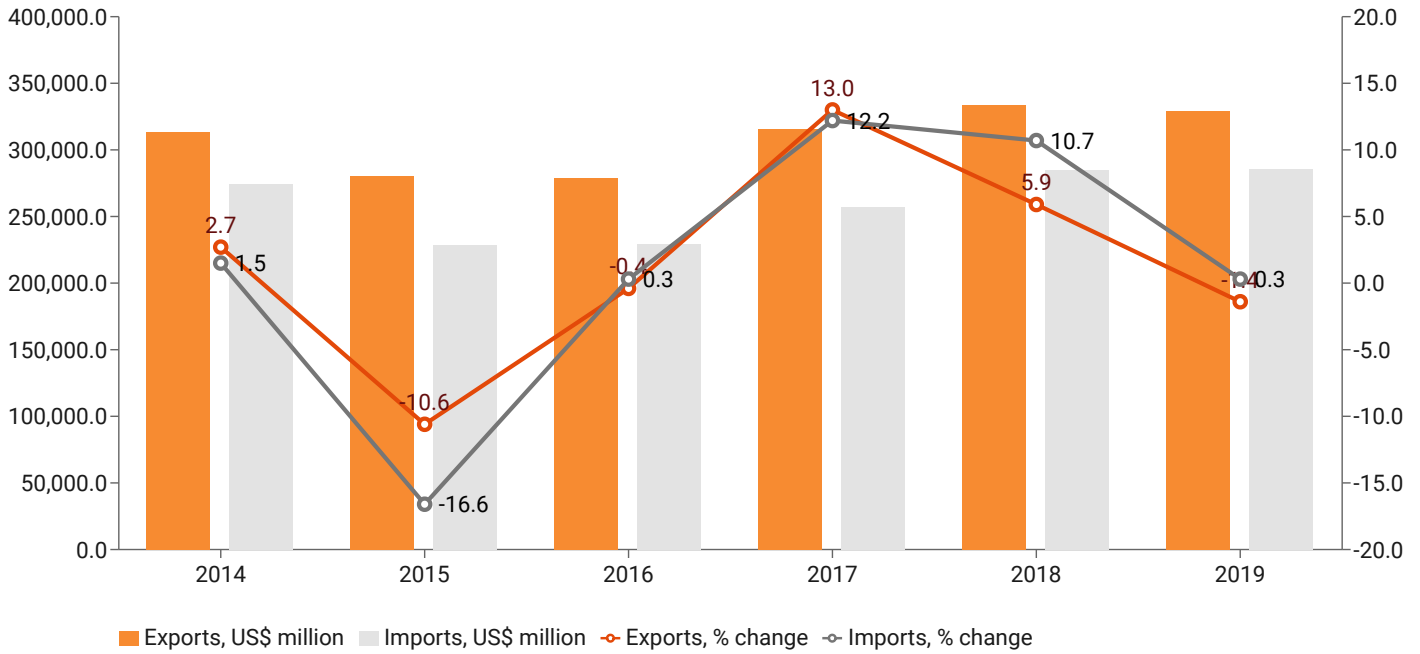


f = forecast
 Source: IMF
 Date last reviewed: November 3, 2020

4. External Trade

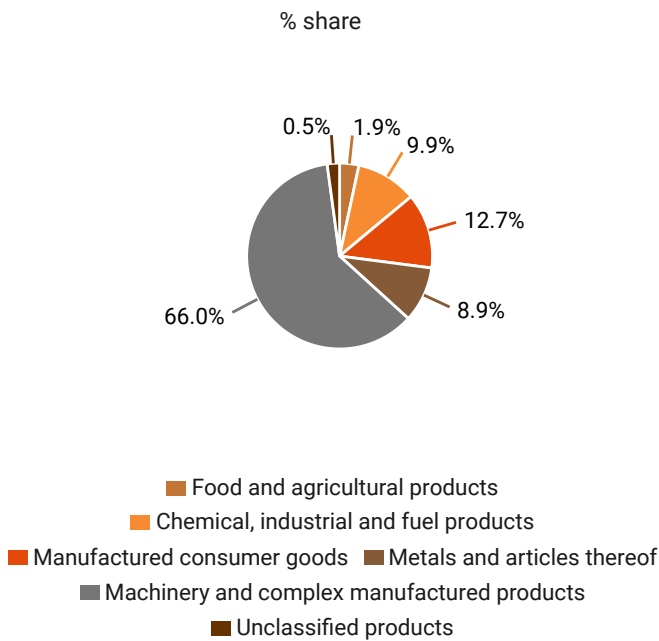
4.1 Merchandise Trade

Merchandise Trade



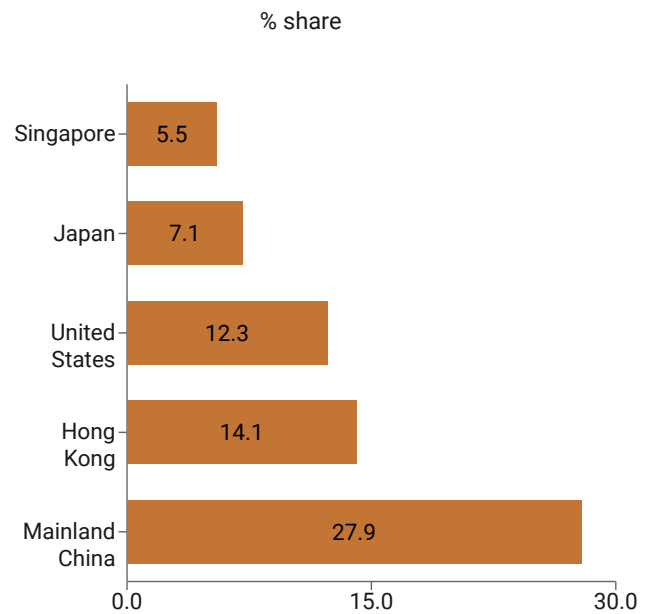
Source: CPT Single Window Taiwan
Date last reviewed: March 26, 2020

Major Export Commodities (2019)



Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: March 26, 2020

Major Export Markets (2019)



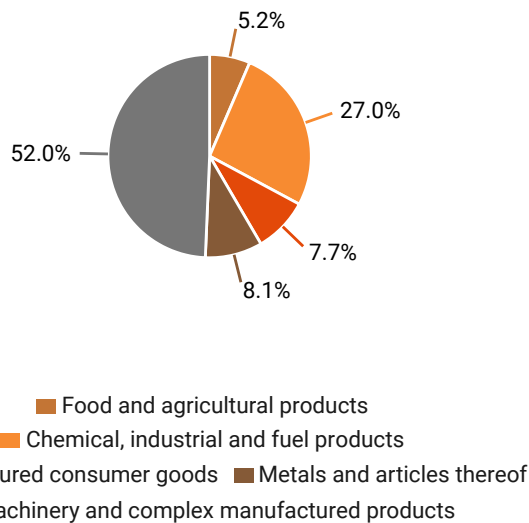
Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: Mar 26, 2020

Major Import Commodities (2019)

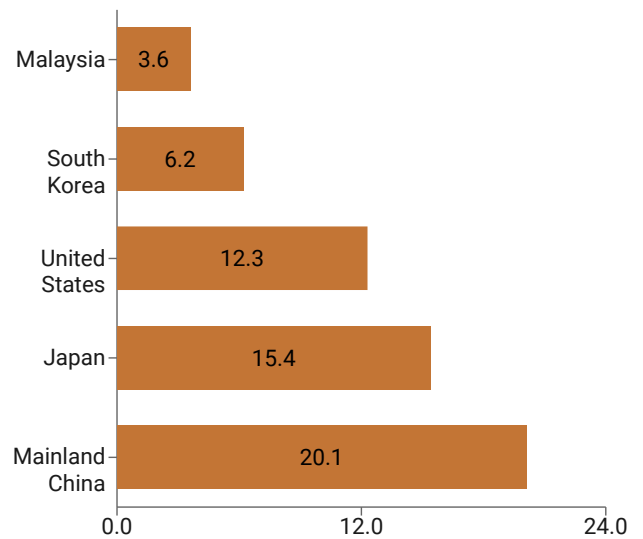
% share

Major Import Markets (2019)

% share



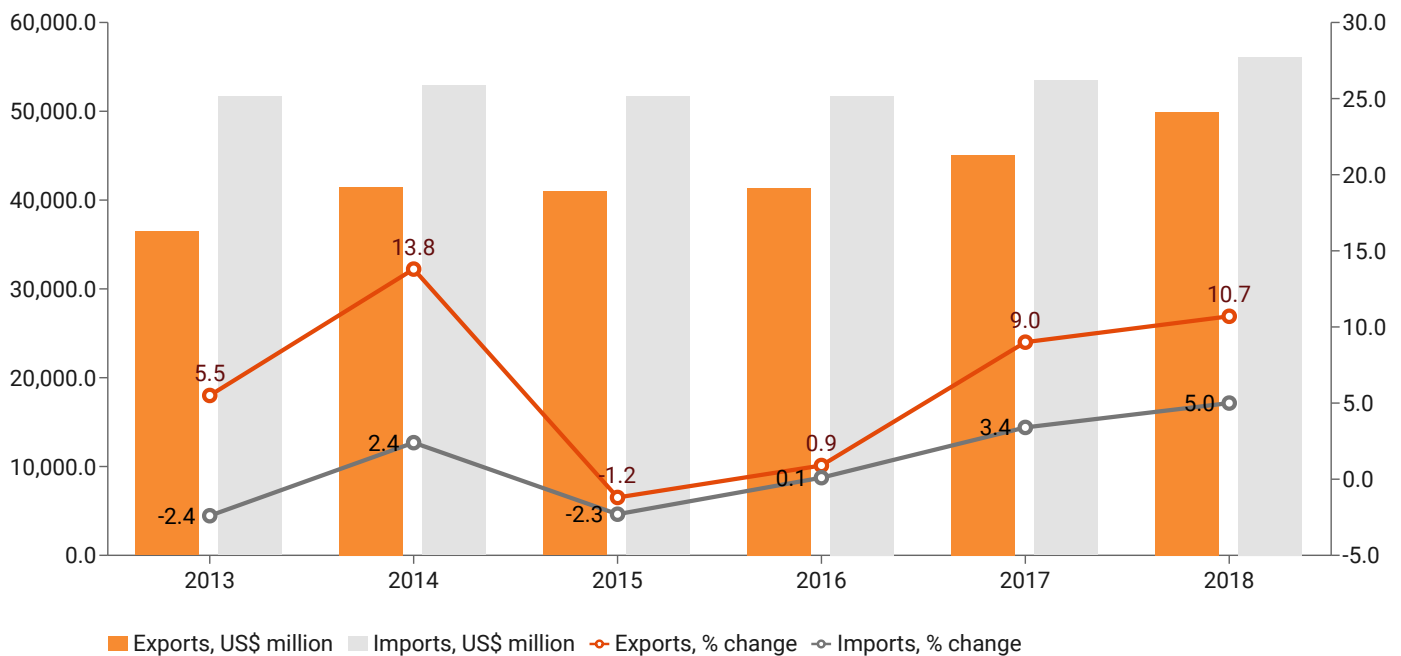
Sources: Trade Map, Fitch Solutions
Date last reviewed: March 26, 2020



Sources: Trade Map, Fitch Solutions
Date last reviewed: March 26, 2020

4.2 Trade in Services

Trade in Services



Sources: WTO, Fitch Solutions
Date last reviewed: November 6, 2019

5. Trade Policies

- Taiwan joined the World Trade Organization (WTO) on January 1, 2002 and is the world's 18th largest exporter (according to the WTO). Taiwan also became a member of the Asia Pacific Economic Cooperation in November 1991 and joined the Central American Bank for Economic Integration in 1992. Taiwan is also a member of the Asian Development Bank (ADB), the Pacific Economic Cooperation Council (PECC), and the Pacific Basin Economic Council (PBEC). Taiwan is also an observer at the Organisation for Economic Co-operation and Development (OECD), and a member of International Chamber of Commerce as 'Chinese Taipei'.
- Taiwan signed an Economic Cooperation Framework Agreement (ECFA) with the Mainland China on June 29, 2010. Taiwan also signed a free trade pact with Singapore, New Zealand, Eswatini and Paraguay.
- The ECFA, a preferential trade agreement between Mainland China and Taiwan, aims to reduce tariffs and commercial barriers between the two parties. The ECFA neither accords the same rights as a Free Trade Agreement (FTA), which would reduce manufacturing jobs and average

salary, nor accelerates capital outflow and brain drain of management and technology expertise.

- Taiwan is not a part of any regional customs union, but it is a member of the WTO under the name 'Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)'.
- Taiwan currently has active FTAs with nine nations: Panama, Republic of Guatemala, Republic of Nicaragua, Republic of El Salvador, Republic of Honduras, New Zealand, Singapore, Republic of Paraguay and Kingdom of Eswatini.
- As a major exporter of industrial products and one of the world's top importers, Taiwan has not imposed a significant number of trade barriers, allowing foreign products to compete with local ones on the domestic market. However, certain barriers remain in services, retail, cosmetics and medical devices in the form of lengthy, costly and non-transparent regulatory approval processes.
- There are also a number of anti-dumping duties on basic metal products from trading partners, such as Mainland China, South Korea and Brazil, and on certain footwear, textiles, chemicals and cement imports from Mainland China. Safeguard measures are also in place for certain meats, such as chicken. Nevertheless, Taiwan continues to make improvements to its tariff structure on raw materials and finished products.
- Taiwan uses the Customs Cooperation Council Nomenclature to classify goods and set duty rates. The customs duty is payable by the consignee or the holder of the bill of lading for imported goods, and is based on the dutiable value or the volume of goods imported.
- According to WTO, the average tariff rate for imported goods was 6.5% in 2018, but remained higher for agricultural goods (16.9%).

6. Trade Agreements

6.1 Multinational Trade Agreements

Active

1. Taiwan-Panama Bilateral Trade Agreement: Taiwan signed an FTA with Panama in August 2003 and it entered into force in 2004. Exporters can benefit from the exemption of customs duties on 4,181 items of commodities exported to Panama, and Panama gives preferential treatment to marine transport companies from Taiwan in using its seaport facilities. Though Taiwan and Panama cut official diplomatic ties in June 2017 after more than a century of diplomatic relations, the FTA is still active.
2. Taiwan-Guatemala Bilateral Trade Agreement: Taiwan signed an FTA with Republic of Guatemala in July 2005. Under the Guatemala-Taiwan FTA, Guatemala committed to extending free-tariff treatment to 447 export agricultural products from Taiwan. Taiwan grants tariff exemptions to 644 or 41% of listed Guatemalan export agricultural products and is seeking to gradually lower tariffs on the rest. Business persons from Taiwan are also allowed to invest in Guatemala and then extend their operations, or export their products, to the United States and other countries in Central America under the terms of the Central American FTA to which Guatemala is a member.
3. Taiwan-Nicaragua Bilateral Trade Agreement: Taiwan signed an FTA with Nicaragua in June 2006. This agreement eliminates foreign trade barriers, and facilitates the cross-border movement of export products and services between Nicaragua and Taiwan.
4. Taiwan-El Salvador-Honduras FTA: Taiwan signed an FTA with the Republic of El Salvador and Republic of Honduras in May 2007. The main exports from Taiwan to these states are agro-processed and industrial products. Through the Taiwan-El Salvador-Honduras FTA, 3,590 export products from Taiwan benefit from tariff-free entry into El Salvador. A total of 5,688 products from El Salvador benefit from the same treatment in the Taiwanese markets.
5. Agreement between New Zealand and Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Cooperation (ANZTEC): Taiwan signed an FTA with New Zealand in July 2013. ANZTEC is a comprehensive market liberalisation agreement. For trade in goods, Taiwan will liberalise 99.88% of its tariff lines (excluding rice), while New Zealand will liberalise 100%. The deal envisages removing all trade barriers between the two economies by 2025.
6. Agreement between Singapore and Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Cooperation on Economic Partnership (ASTEP): Taiwan signed agreements with Singapore in November 2013. Under this agreement, Taiwan's tariffs will be lowered in three phases, starting with removing import tax on 83% of Singaporean exports to Taiwan and ending with a virtual tax-free regime, while Singapore will eliminate duties on all imports from Taiwan. It was agreed that duties on other products will be removed over a period ranging from 5 to 15 years.
7. Cross-Straits ECFA: In addition, Taiwan inked the ECFA with Mainland China in June 2010. This agreement boosts market access and reduces tariffs and commercial barriers.
8. Economic cooperation agreement between Taiwan and the Kingdom of Eswatini: Taiwan signed agreements with Eswatini and the agreement went into effect in December 2018. The agreement covers aspects in trade, investment, export processing zones, technical and personnel exchange and cooperation. Taiwan eliminate the tariff on 153 categories of goods from Eswatini. Eswatini will provide information

to Taiwan relating to Taiwan's participation in African economic integration, and will assist Taiwan to use Eswatini as a base in strengthening Taiwan's investments in the African economy.

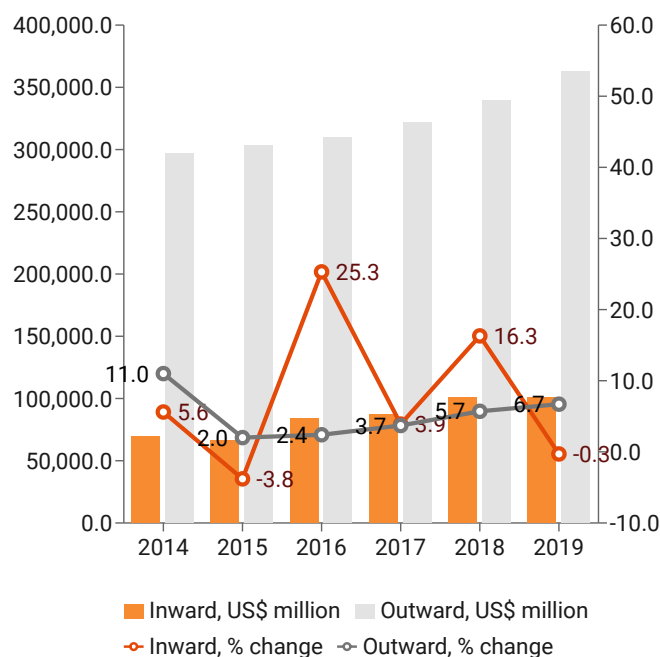
- Economic cooperation agreement between Taiwan and the Republic of Paraguay: Taiwan signed agreements with Paraguay and all preferential tariff treatments officially went into effect in September 2019. Taiwan grant preferential tariff rates and quota to in total 31 categories of goods from Paraguay, including sugar, sesame and fruit juices. Paraguay grant preferential tariff rates to 14 categories of goods from Taiwan, including rice noodle, handbags, fibres, steel articles and lighting products.

Sources: Taiwan Bureau of Foreign Trade, WTO Regional Trade Agreements database

7. Investment Policy

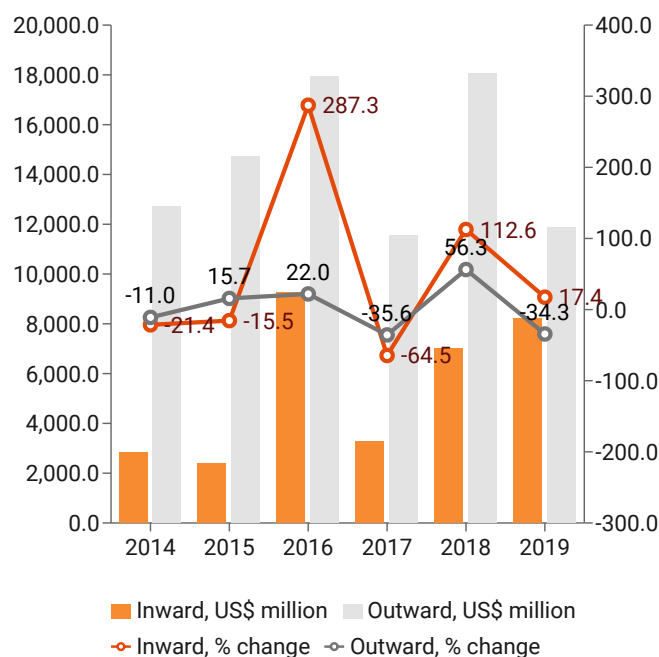
7.1 Foreign Direct Investment

Foreign Direct Investment Stock



Sources: UNCTAD, Fitch Solutions
Date last reviewed: November 3, 2020

Foreign Direct Investment Flow



Sources: UNCTAD, Fitch Solutions
Date last reviewed: November 3, 2020

7.2 Foreign Direct Investment Policy

- Taiwan welcomes and actively courts FDI and partnerships with foreign firms. President Tsai Ing-wen, who was elected in January 2016 and assumed office in May that year, launched an initiative to promote economic growth by increasing domestic investment and FDI, especially from ASEAN countries under the New Southbound Policy. The government aims to use Taiwan's strengths in high-technology, manufacturing and R&D, with a focus on targeted sectors, including smart machinery, defence and aerospace, green energy, biotechnology and biopharmaceuticals, and the Internet of Things (IoT). Plans for expanded investment by the central authorities in physical and digital infrastructure across Taiwan complement this investment promotion strategy.
- In light of an increasingly uncertain external environment, it is likely that investment growth will fade over the coming quarters as manufacturers pare back their production and capacity. That said, there will be some degree of support from the government's continued commitment to its Forward-Looking Infrastructure Development Programme. In its 2019 budget, the government will embark on the second phase (2019 to 2020) of the initiative, which will see overall spending more than double to TWD227.5 billion (approximately 1.2% of GDP) from TWD107.1 billion in phase one (September 2017 to end-2018).
- Taiwan and Mainland China entered into the ECFA on June 29, 2010. According to the Early Harvest List of ECFA, both parties eliminated import tariffs on a number of products as of January 1, 2013. Mainland China has also opened up 11 sectors to Taiwanese service providers, and Taiwan has reciprocated by opening nine, covering both financial and non-financial services, to mainland service providers.
- Taiwan and Mainland China signed the Cross-Straits Agreement on Trade in Services on June 21, 2013, under which Mainland China pledged to further open up 80 categories of services to Taiwanese service providers – e-commerce, securities brokerage, banking, insurance, culture and creativity, transportation, and technical certification and analysis. In return, Taiwan committed to further opening up 64 service sectors, including securities brokerage, banking, insurance, tourism, medical services, and technical certification and analysis, to mainland service providers.

5. Taiwan is open to foreign investment and has relatively few restrictions for investors. There are a number of highly favourable trade and investment opportunities, including science parks, export processing zones and free trade zones. Manufacturing firms located in export processing zones and science parks are required to export all of their output in order to obtain tariff-free treatment of production inputs. However, these firms may sell their products in the domestic market upon payment of relevant import duties.
6. Trading in corporate bonds and financial bonds issued by Taiwan companies is temporarily exempt from securities transaction tax assessment. In 2019, Taiwan strengthened minority investor protections by enhancing ownership and control structures in listed companies.
7. As of January 1, 2016, luxury tax is no longer levied on sales of real estate properties. There are also no payroll taxes other than those for social security contributions.
8. Taiwan's many 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 favourable terms.
9. Taiwan currently has seven key free trade zones, based in Keelung, Kaohsiung, Taichung, Taipei, Anping, Taoyuan and Suao. The zones are designed to develop modern, high-end industrial activities through the loosening of restrictions on the flow of people, goods and capital. The first stage of development encompasses intelligent logistics, international medical care, value-added agriculture and industrial cooperation. It is hoped that the simplification of the customs system in the zones will encourage the development of industrial testing, verification, maintenance and other services.
10. There are compulsory social security programs that require contributions from employers and employees based on monthly insured salary, which is capped at various amounts for labour insurance, health insurance, and pensions. Taiwan social security programs include the following:
 - The Labour Insurance Program
 - The National Health Insurance Program
 - The Labour Pension Program
11. All sales of goods and services in Taiwan, as well as the importation of goods into Taiwan, are subject to business tax. Sellers and service providers are generally obligated to pay business tax for the sales of goods or services within Taiwan unless the law provides otherwise. For importation of goods, the business tax will be paid by the goods receivers or buyers via customs. For importation of services sold by foreign companies to Taiwanese buyers, business tax shall be paid by the service buyers. However, the service buyer (corporate entity) will not be required to pay business tax if it is exclusively engaged in taxable transactions subject to either 5% or 0% VAT.
12. Despite the above, Taiwan has formally implemented a new VAT mechanism starting May 1, 2017 for cross-border sales of business-to-consumer electronic services. Under the new mechanism, sales of cross-border electronic services by corporate sellers to individual buyers require the foreign companies to register for VAT purposes in Taiwan, file VAT returns, and pay VAT if their annual sales exceed the promulgated threshold of TWD480,000.
13. According to the Ministry of Economic Affairs (MOEA), goods commissioned for testing by foreign companies will be able to be shipped into one of the zones and then, after testing is completed, shipped back to the commissioning companies without the need for further reporting, allowing greater convenience for testing firms. There are plans to introduce a single window system to boost the efficiency of Free Economic Pilot Zones (FEPZ) and promote investment in the zones by integrating existing resources. This will help firms with the required procedures and greatly shorten the administrative process for building permits, company registration, environment protection, utilities and land – thereby making it easier to do business in the zones.
14. A non-resident company whose head office is located outside of Taiwan must keep separate books for its branch in Taiwan. A head office or regional headquarters' general and administrative expenses may be allocated to the branch under certain conditions. Corporate income tax (CIT) is assessed only on the branch's profits. A Taiwan branch should complete an annual CIT return. A Taiwan branch of a foreign company may remit after-tax profits to its foreign head office without further tax due.
15. A foreign motion picture's branch in Taiwan can deem 45% of its revenue from leasing of motion pictures as cost. However, if a foreign enterprise with no branch office in Taiwan leases motion pictures through agents, 50% of the revenues can be deemed as taxable income.
16. A non-resident company that is engaged in international transportation, construction contracting, provision of technical services, or machinery and equipment leasing within Taiwan, and where the cost and expenses are proven to be difficult to calculate, may apply for advance approval from the National Tax Administration (NTA) to adopt the deemed-profit method to determine the taxable income as 10% or 15% of the gross revenues. This will effectively reduce the withholding tax (WHT) rate to 2% or 3% on gross revenues once the approval is obtained from the NTA.
17. For non-resident enterprises providing cross-border electronic services to Taiwanese buyers (including individuals and profit-seeking enterprises and organisations), the non-resident company may apply to the NTA to adopt a deemed-profit method based on its business

model and industry.

18. Certain tax incentives are provided to investors if they are located in prescribed areas, such as science parks, economic processing zones, free-trade-zones, etc. Other tax credits are granted to qualifying companies that invest in specific businesses or industries promoted by the government, such as biotech.
19. Under Taiwan's Regulations Governing the Approval of Investment or Technical Co-operation in Mainland China, business investment and technical co-operation undertaken in the mainland by Taiwanese companies, is subject to the approval of Taiwan's Investment Commission under the MOEA.
20. A number of tax incentives are available under the Mergers and Acquisitions (M&A) Act to encourage M&A activities in Taiwan. Certain taxes, including business tax, deed tax, securities transaction tax, and stamp tax may be exempted or deferred in case of acquisitions, mergers, or corporate divisions (including spin-offs) that meet certain conditions. After the merger, spin-off, or acquisition, any tax concession previously enjoyed by the merged entities will continue to be applicable to the surviving or newly-created company. However, it is required to manufacture the same products or provide the same services that were originally approved for tax concessions by the merged entities in order to continue the concessions obtained previously.
21. Taiwan has been gradually relaxing its restrictions on foreign investment, including such hi-tech projects as the production of semiconductors and wafer fabrication, as well as any investment under USD200,000. Since the beginning of 2010, it has also lifted technical restrictions on investing in the production of TFT-LCD panels on the mainland and allowed mergers and acquisitions or equity investment of TFT-LCD panel factories.
22. For security and environmental protection reasons, Taiwan maintains a list of industries closed to foreign investment. These include public utilities including postal services and land transportation, manufacture of certain chemical materials and basic metals, radio and television broadcasting and public notary services. Also, Taiwan pose restrictions to foreign investments to industries including utilities, some sectors in agriculture, animal husbandry and air transportation.
23. The MOEA Investment Commission screens applications for investments, acquisitions and mergers. Roughly 95% of projects that are not closed to investment obtain approval within three working days, while those with an investment value of less than TWD500 million (USD16.5 million) are generally granted within two working days. Approval of investments above TWD1 billion or in a restricted industry require three weeks, as these investments must be referred to the relevant supervisory ministries and require approval of the Chief Commissioner or Executive Secretary of the Investment Commission. Investments involving mergers and acquisitions are screened at the monthly meeting of an inter-ministerial commission. The National Security Bureau also takes part in every review meeting for foreign investment applications, regardless of the nature or size of the investment.
24. Taiwan is experiencing slow progress on the privatisation of its state-owned enterprises, which presents structural challenges to its investment environment. Foreign businesses may invest in state-owned enterprises that are earmarked for privatisation and they are also allowed to participate in publicly financed research and development programmes.
25. According to the Act for the Establishment and Management of Free Trade Zones, foreign companies or their branch offices in Taiwan that apply for establishment in the free-trade-zone or delegate companies already established in the free-trade-zone to store and/or perform simple processing in the free-trade-zone and sell goods to customers within and outside of Taiwan shall be exempted from CIT. However, in the event that the annual domestic sales exceed 10% of the total annual domestic and foreign sales, the portion in excess shall not be exempted from CIT.

Sources: WTO – Trade Policy Review, national sources, Fitch Solutions

7.3 Free Trade Zones and Investment Incentives

Free Trade Zone/Incentive Programme	Main Incentives Available
Taiwan currently has seven FTZs, based in Keelung, Kaohsiung, Taichung, Taipei, Taoyuan, Anping and Suao	<p>Key benefits:</p> <ul style="list-style-type: none"> - Foreign investors are treated as nationals. - Loosening of restrictions on the flow of people, goods, and capital through the simplification of customs system. Firms can have up to 40% of their labour as foreign workers. Customs clearance is exempted from inspection when shipped to or from the Zone. - Encouraging the development of industrial testing in logistics, medical care, agriculture and industry.

R&D tax incentives	<p>- Under the Statute for Industrial Innovation (SII), R&D credits are available for up to 15% of qualified R&D expenses incurred, with the maximum amount of tax credit capped at 30% of the tax payable for the year in which the expenses were incurred, including the 5% profit retention tax.</p> <p>- Effective from January 1, 2016 to December 31, 2019, amendments to the SII provide another alternative for companies to claim an R&D credit of 10% of qualifying R&D expenses against income tax payable within a period of three years, starting from the current year.</p> <p>- In addition, to facilitate the circulation and application of innovative R&D results, and promote industrialisation of innovative technologies, where individuals/companies derive income from transfer or license of their self-developed intellectual property (IP), the amendments allow the individuals/companies to either deduct qualifying R&D expenses of up to 200% (capped at corresponding income received) within the current year or claim R&D tax credits against income tax payable.</p>
--------------------	--

8. Taxation – 2020

- Value Added Tax: 5%
- Corporate Income Tax: 20%

Sources: Taxation Administration, Ministry of Finance, World Bank 'Doing Business' 2020

8.1 Important Updates to Taxation Information

- Taiwan extended its tax treaty network to include treaties with Canada and the Czech Republic. The treaty with Canada has come into effect starting from January 1, 2020. The treaty with the Czech Republic will become effective as of January 1, 2021. Taiwan has also signed a treaty with Mainland China; however, this tax treaty has not yet come into effect.
- With effect from January 1, 2018, the corporate income tax rate in Taiwan is 20%. However, for profit-seeking entities with less than TWD500,000 in taxable income, the rate is 18% in 2018, 19% in 2019 and 20% in 2020 if taxable income exceeds TWD120,000.

8.2 Business Taxes

Type of Tax	Tax Rate and Base
Corporate Income Tax	20%
Capital Gains Tax	20%
Value Added Tax	5%
Individual Income Tax	5-40%
Commodity Tax (applicable to items including rubber tyres, beverages, cement, oil and gas, electrical appliances and vehicles)	8-30%
Non-Value Added Tax for financial institutions, certain restaurants and certain small companies business entities	0.1-25%
Withholding Taxes for resident corporations and individuals	- Interest: 10% - Royalties: 10% - Rental income: 10%
Withholding Taxes for non-residents that are not party to tax treaties	- Dividends: 21% - Interest: 20% - Interest derived from short-term commercial papers, securitised instruments, government/corporate/financial institution bonds or conditional transactions: 15% - Royalties: 20%
House Tax	1.2-5%, based on the government-assessed value of the building

Land Value Increment Tax	20-40% (special rate of 10%), levied on the increase in the government-assessed value of the land during the ownership period
Futures Transaction Tax	<ul style="list-style-type: none"> - Stock index futures contracts: 0.002% on the transaction price - Interest rate futures contracts for 10 years government bonds futures: 0.000125% - Option contracts: 0.1% based on the premium paid - Gold futures: 0.00025% on the transaction price - Foreign exchange futures: 0.000001% on the transaction price - Oil futures: 0.000005% on the transaction price
Deed Tax	Rates range from 2% to 6%, for example, deed tax of purchase and sale stands at 6%
Stamp Tax	0.1-0.4% of the contract value or the amount received
Securities Transaction Tax	Corporate bonds and financial bonds: 0.1%; 0.3% on gross proceeds from the sale of domestic shares

Sources: Taxation Administration, Ministry of Finance, InvestTaiwan

Date last reviewed: March 26, 2020

9. Foreign Worker Requirements

9.1 Foreign Worker Restrictions

A more open migrant policy will be necessary in order to somewhat offset the shrinking domestic labour force and tightening labour market. At present, a number of restrictions on migrant workers remain in place, and while many are being relaxed, reform is only underway on a gradual basis. One of the key restrictions on migrant workers is the limit on their permitted stay in Taiwan, which currently stands at 12 years. This prevents the full integration of migrant workers into the labour force and does not allow them to replenish the territory's declining population on a long-term basis. In addition, foreign workers are required to renew their permits every three years, adding substantial costs and difficulties for low-wage migrants who must make a round-trip back to their home country.

9.2 Local Worker Requirements

There are also a number of restrictions placed on businesses seeking to hire migrant labour. The total workforce of a company may only comprise 40% of foreign workers, and manufacturing firms must hire five local workers for each foreign worker employed. In order to employ more highly skilled or management-level personnel, both the worker and the business must satisfy conditions set by the government. The expatriate must hold an advanced-level qualification, such as a PhD or master's degree or a significant level of vocational experience in a relevant field. Businesses must meet one of a number of targets in order to employ such foreign workers, including sales volumes of over TWD10 million, import and export volume of over USD1 million, or paid-in capital of TWD5 million in a new company or foreign branch.

9.3 Work Permits

Employers who wish to import foreign workers are required to first apply for a work permit with the Council of Labour Affairs (applications must be submitted in Chinese). Reviewing the work permit application alone takes two weeks, and once approved the work permit is sent to the employer. Only then can the prospective employee apply for a visa. This can amount to a lengthy process, and together with the visa processing fee of USD164, this represents a bureaucratic and financial burden on foreign businesses. Foreign workers planning on relocating to Taiwan for up to three years without re-application can apply for an Alien Resident Certificate (ARC), which permits multiple entry and re-entry. Spouses and dependents can apply for an accompanying ARC with appropriate proof of their relationship to the main applicant. These restrictive measures make it more difficult for business to fill positions in which there is a skills mismatch with the local workforce, or which require specific expertise or managerial experience.

Sources: Government websites, Fitch Solutions

10. Risks

10.1 Sovereign Credit Ratings

	Rating (Outlook)	Rating Date
--	------------------	-------------

Moody's	Aa3 (Stable)	08/11/2018
Standard & Poor's	AA- (Stable)	02/04/2017
Fitch Ratings	AA- (Stable)	25/09/2019

Sources: Moody's, Standard & Poor's, Fitch Ratings

10.2 Competitiveness and Efficiency Indicators

	World Ranking		
	2018	2019	2020
Ease of Doing Business Index	15/190	13/190	15/190
Ease of Paying Taxes Index	56/190	29/190	39/190
Logistics Performance Index	27/160	N/A	N/A
Corruption Perception Index	31/180	28/180	N/A
IMD World Competitiveness	17/63	16/63	11/63

Sources: World Bank, IMD, Transparency International

10.3 Fitch Solutions Risk Indices

	World Ranking		
	2018	2019	2020
Economic Risk Index Rank	6/202	13/201	3/201
Short-Term Economic Risk Score	79.8	79.4	72.7
Long-Term Economic Risk Score	77.8	76.6	77.8
Political Risk Index Rank	43/202	45/201	47/201
Short-Term Political Risk Score	76.9	75.6	75.6
Long-Term Political Risk Score	75.1	75.1	74.7
Operational Risk Index Rank	18/201	16/201	16/201
Operational Risk Score	73.3	72.5	73.1

Source: Fitch Solutions

Date last reviewed: August 20, 2020

10.4 Fitch Solutions Risk Summary

ECONOMIC RISK

Taiwan's key strengths stem from the territory's external position, underpinned by considerable trade openness and a competitive financial sector profile, with the former buttressed by the territory's accumulation of a sizeable foreign exchange reserve buffer. A number of structural shortcomings such as a fairly high dependence on exports from a single sector (electronics), and its heavy reliance on its export sector amid global trade headwinds, weigh on economic growth.

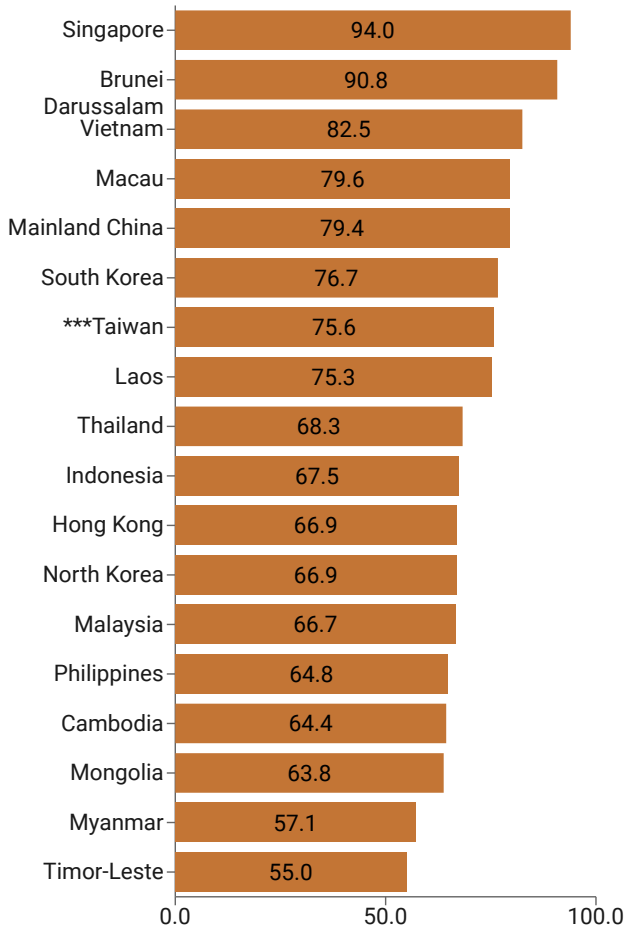
OPERATIONAL RISK

Taiwan's attractive operating environment presents few risks to incoming businesses. The territory performs well in a number of areas, most notably its highly developed logistics infrastructure and open economy, with a relatively low tax burden and minimal red tape. Among the limited concerns to investors is regional tension, which raises uncertainty in the medium term. In addition, high labour costs and a concentrated banking system reduce Taiwan's international competitiveness and drive up operational costs. Nevertheless, the benefits of a competitive operating environment largely outweigh the risks posed to business activity.

Source: Fitch Solutions

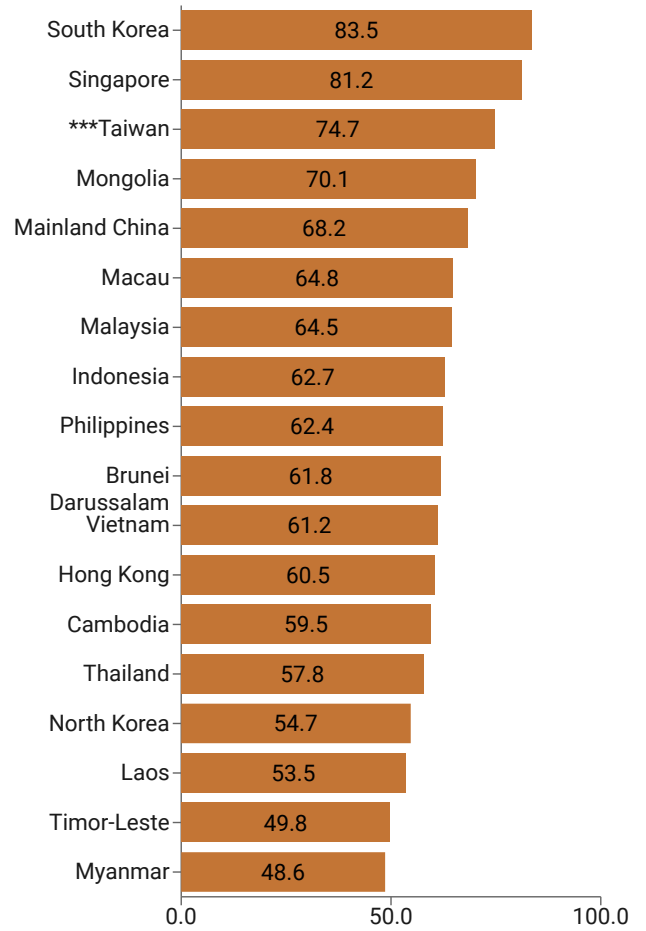
Data last reviewed: March 26, 2020

Short Term Political Risk Index



100 = Lowest risk; 0 = Highest risk
 Source: Fitch Solutions Political and Economic Risk Indices
 Date last reviewed: August 20, 2020

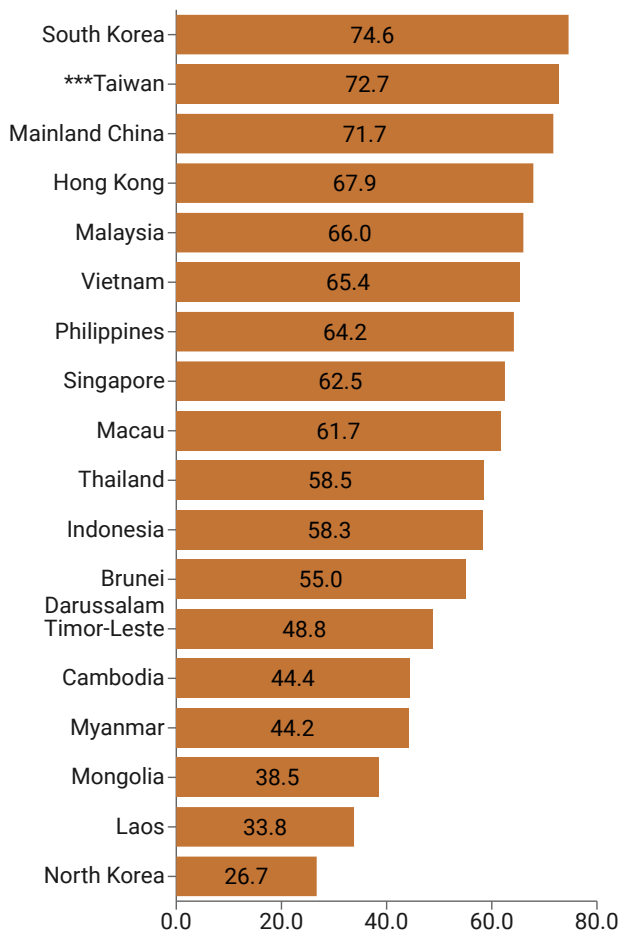
Long Term Political Risk Index



100 = Lowest risk; 0 = Highest risk
 Source: Fitch Solutions Political and Economic Risk Indices
 Date last reviewed: August 20, 2020

Short Term Economic Risk Index

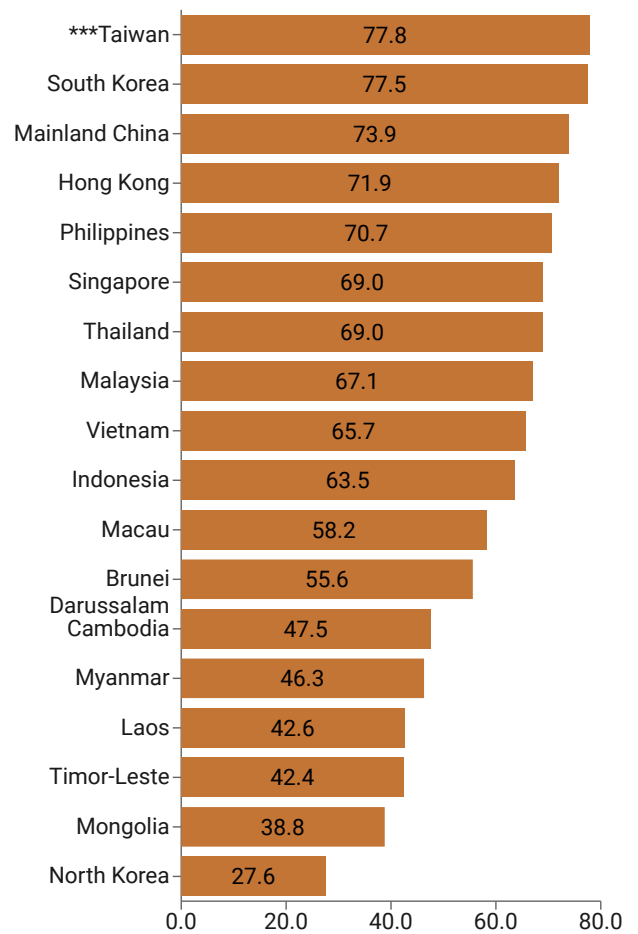
Long Term Economic Risk Index



100 = Lowest risk; 0 = Highest risk

Source: Fitch Solutions Political and Economic Risk Indices

Date last reviewed: August 20, 2020



100 = Lowest risk; 0 = Highest risk

Source: Fitch Solutions Political and Economic Risk Indices

Date last reviewed: August 20, 2020

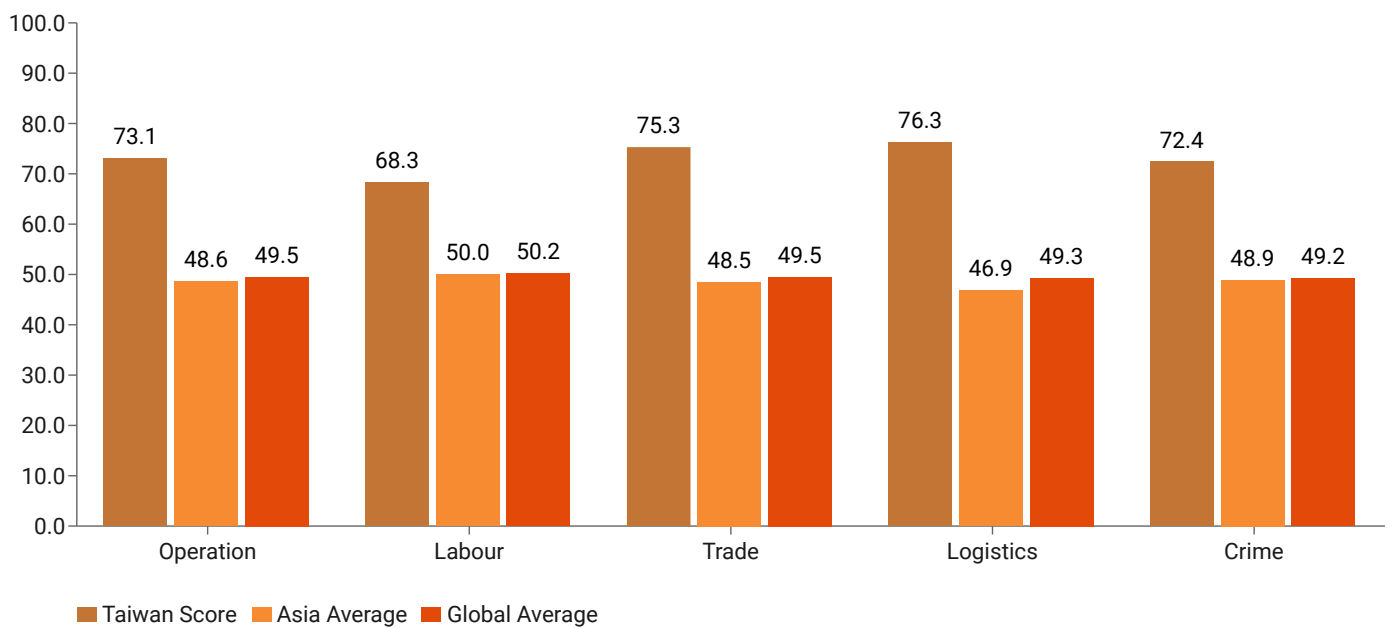
10.6 Fitch Solutions Operational Risk Index

	Operational Risk	Labour Market Risk	Trade and Investment Risk	Logistics Risk	Crime and Security Risk
Taiwan Score	73.1	68.3	75.3	76.3	72.4
East and Southeast Asia Average	55.8	56.4	57.8	55.6	53.5
East and Southeast Asia Position (Out of 18)	3	3	3	4	4
Asia Average	48.6	50.0	48.5	46.9	48.9
Asia Position (Out of 35)	3	3	3	4	4
Global Average	49.5	50.2	49.5	49.3	49.2
Global Position (Out of 201)	16	15	13	20	30

100 = Lowest risk, 0 = Highest risk

Source: Fitch Solutions Operational Risk Index

Taiwan vs Global and Regional Operational Risk Averages



Note: 100 = Lowest Risk, 0 = Highest Risk

Source: Fitch Solutions Operational Risk Index

Date last reviewed: August 20, 2020

Country/Region	Operational Risk	Labour Market Risk	Trade and Investment Risk	Logistics Risk	Crime and Security Risk
Singapore	83.5	77.5	90.3	79.0	87.0
Hong Kong	80.9	72.0	89.0	80.7	81.9
Taiwan	73.1	68.3	75.3	76.3	72.4
South Korea	71.4	62.4	70.5	79.7	73.1
Malaysia	69.7	62.6	74.9	74.0	67.2
Macau	63.7	60.9	69.5	56.2	68.3
Brunei Darussalam	61.3	59.1	59.1	60.1	66.8
Thailand	60.7	56.6	67.7	69.2	49.2
Mainland China	58.8	54.9	61.4	71.8	47.2
Indonesia	54.7	55.0	55.1	55.7	52.8
Vietnam	53.1	49.3	57.5	57.8	47.9
Mongolia	50.9	55.3	52.5	41.0	54.9
Philippines	47.5	57.5	49.7	45.5	37.0
Cambodia	40.9	44.5	43.0	35.2	41.0
Laos	38.1	39.6	35.5	41.0	36.1
Myanmar	33.1	47.6	39.1	27.8	17.8
North Korea	32.1	51.1	18.5	27.8	30.8
Timor-Leste	31.8	40.3	32.5	22.5	31.8
Regional Averages	55.8	56.4	57.8	55.6	53.5

Emerging Markets Averages	46.8	48.6	47.0	45.8	45.9
Global Markets Averages	49.5	50.2	49.5	49.3	49.2

100 = Lowest risk, 0 = Highest risk

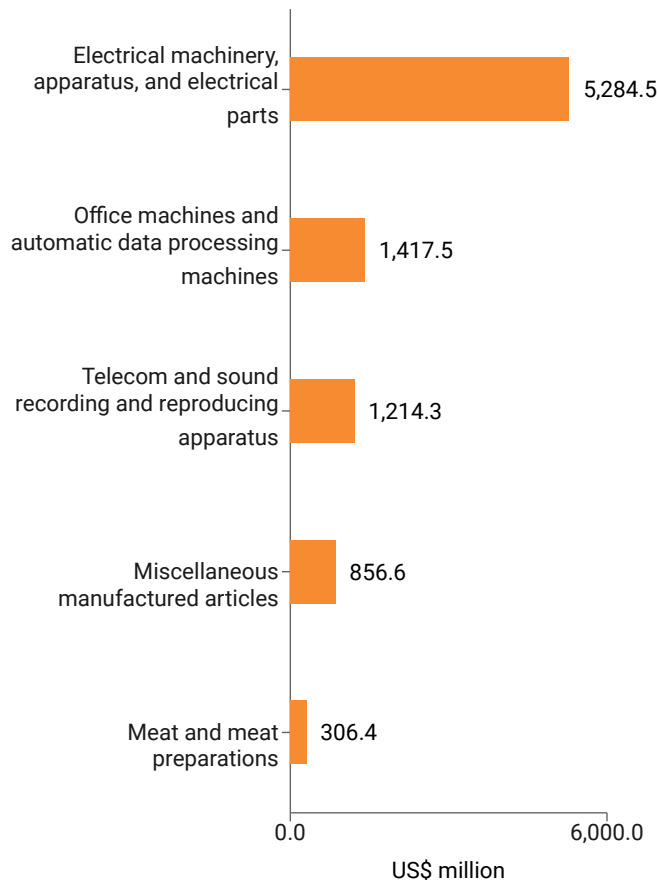
Source: Fitch Solutions Operational Risk Index

Date last reviewed: August 20, 2020

11. Hong Kong Connection

11.1 Hong Kong's Trade with Taiwan

Major Export Commodities to Taiwan (2019)

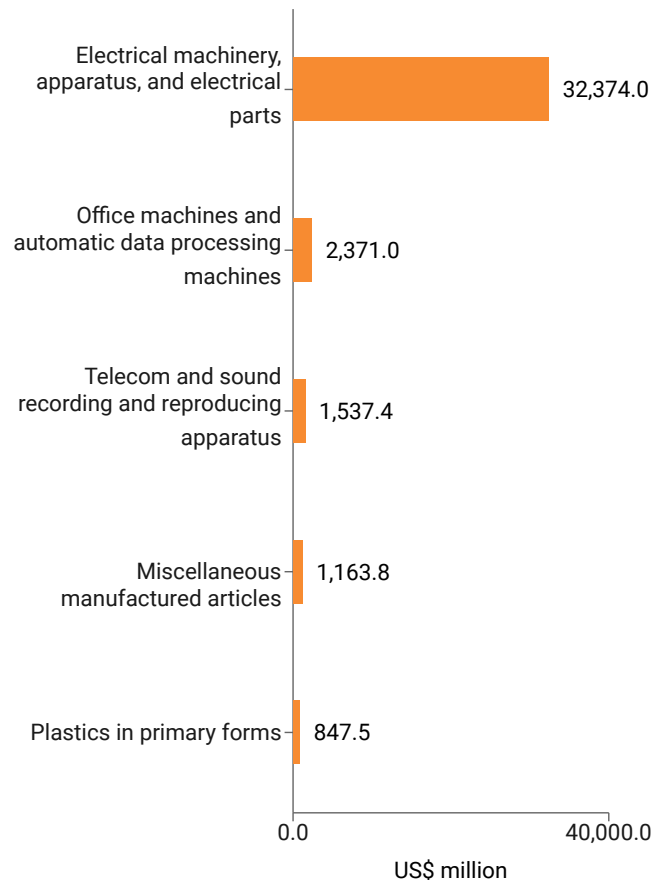


Note: Graph shows the main Hong Kong exports to Taiwan (by consignment)

Sources: Hong Kong Census and Statistics Department, Fitch Solutions

Date last reviewed: March 26, 2020

Major Import Commodities from Taiwan (2019)



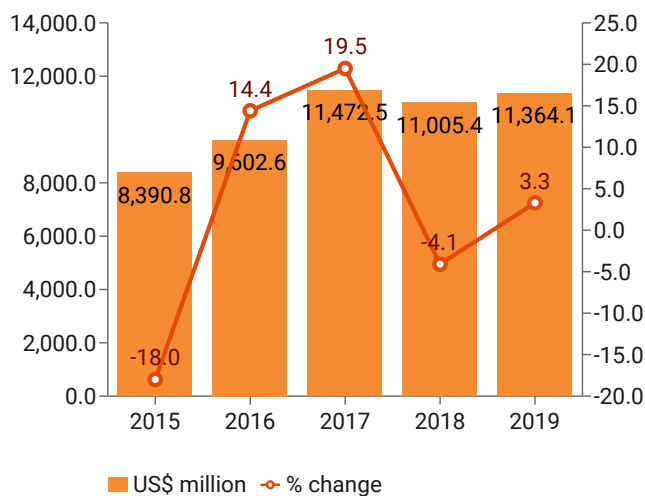
Note: Graph shows the main Hong Kong imports from Taiwan (by consignment)

Sources: Hong Kong Census and Statistics Department, Fitch Solutions

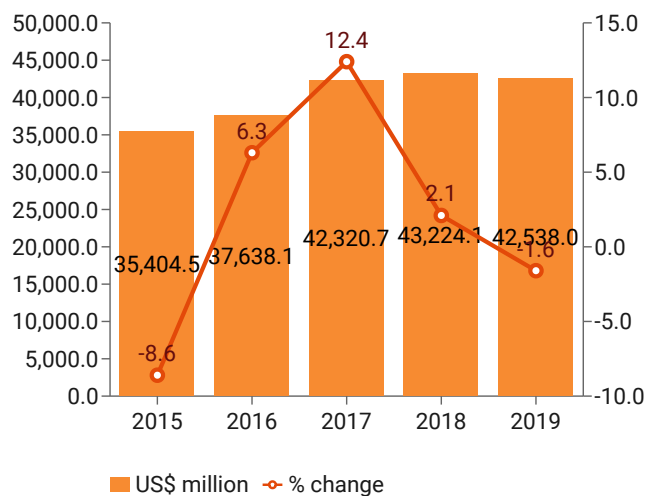
Date last reviewed: March 26, 2020

Merchandise Exports to Taiwan

Merchandise Imports from Taiwan



Note: Graph shows Hong Kong exports to Taiwan (by consignment)
 Sources: Hong Kong Trade Statistics, Census & Statistics Department, Fitch Solutions
 Date last reviewed: March 26, 2020



Note: Graph shows Hong Kong imports from Taiwan (by consignment)
 Sources: Hong Kong Census and Statistics Department, Fitch Solutions
 Date last reviewed: March 26, 2020

Exchange Rate HK\$/US\$, average

7.75 (2015)
 7.76 (2016)
 7.79 (2017)
 7.83 (2018)
 7.77 (2019)

	2019	Growth rate (%)
Number of Taiwanese residents visiting Hong Kong	1,538,915	-20.100

Sources: Hong Kong Tourism Board, Fitch Solutions
 Date last reviewed: March 26, 2020

11.2 Commercial Presence in Hong Kong

	2019	Growth rate y-o-y (%)
Number of Taiwanese companies in Hong Kong	339	-8.6
- Regional headquarters	26	18.2
- Regional offices	92	-5.2
- Local offices	221	-12.3

Sources: Hong Kong Census and Statistics Department, Fitch Solutions
 Date last reviewed: October 28, 2019

11.3 Commercial and Economic Section in Hong Kong

Taiwan Interest Group - In Hong Kong General Chamber of Commerce

Address: Admiralty Headquarters, 22/F, United Centre, 95 Queensway, Admiralty, Hong Kong

Email: wendylo@chamber.org.hk

Tel: (852) 2823 1232

Sources: [Hong Kong General Chamber of Commerce](#), Fitch Solutions

Hong Kong Business Association in Taiwan

Email: hkbatw@gmail.com

Tel: (886) 2 2547 3736

Website: www.hkba.org.tw

Please click to view [more information](#).

Source: [Federation of Hong Kong Business Associations Worldwide](#)

Taipei Economic and Cultural Office

Address: 40/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong

Email: info@tecos.org.hk

Tel: (852) 2887 5011

Sources: [Taipei Economic and Cultural Office](#), Fitch Solutions

11.4 Visa Requirements for Hong Kong Residents

Hong Kong residents are allowed a 30-day entry after applying for an Entry Permit in advance and online. Starting from July 1, 2017, generally, single-entry visas for Hong Kong residents and tourist visas for Mainland China nationals residing in Hong Kong must be applied for online. Submission to the office will no longer be accepted. Visitors are required to upload a photo and required documents when filling in the online application form. Provided that the documents required are complete, it usually takes five working days to process the application. Visitors must pay the fee online with a credit card and print the visa.

Also, persons with the following eligibility can apply for a 30-day landing visa upon arrival:

- Hong Kong residents who were born in Hong Kong,
- Holder of a Hong Kong Permanent Identity Card who were not born in Hong Kong, and have entered Taiwan after 1983,
- Holder of a valid Taiwan entry permit.

Travel tickets which show the person will leave Taiwan in 30 days, and a fee, are required.

Sources: Bureau of Consular Affairs, Ministry of Foreign Affairs, Taiwan, Fitch Solutions

Date last reviewed: March 26, 2020

Related Topics

[Taiwan](#)

[TAIWAN GDP](#)

[TAIWAN ECONOMIC STRUCTURE](#)

[TAIWAN EXTERNAL TRADE](#)

[TAIWAN IMPORT](#)

[TAIWAN EXPORT](#)

[TAIWAN TRADE POLICY](#)

[TAIWAN INVESTMENT POLICY](#)

[TAIWAN TRADE AGREEMENT](#)

[TAIWAN FDI](#)

[TAIWAN TRADE WITH HONG KONG](#)

Free Business Information

Subscribe to keep pace with global developments

[Sign Up >](#)



香港貿發局 Your business · Our mission |

[HKTDC.com](#) | [About HKTDC](#) | [Contact HKTDC](#) | [HKTDC Mobile Apps](#) | [Hong Kong Means Business eNewsletter](#) | [E-Subscription Preferences](#)

[Čeština](#) | [Deutsch](#) | [Español](#) | [Français](#) | [Italiano](#) | [Polski](#) | [Português](#) | [Русский](#) | [عربي](#) | [한국어](#) | [日本語](#)

[Terms of Use](#) | [Privacy Statement](#) | [Hyperlink Policy](#) | [Site Map](#) | [京ICP备09059244号](#) | [京公网安备11010102002019号](#)

Follow HKTDC [f](#) [t](#) [in](#) [weibo](#) [whatsapp](#) [youtube](#) [rss](#)

Copyright © 2021 Hong Kong Trade Development Council. All rights reserved.