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H.E. Mr. Rufus H. Yerxa
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Deputy United States Trade
Representative in Geneva
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Zurich, 4 February 1992

Mr. Ambassador,

I have the honour to inform you that on 17 January 1992, my government transmitted a letter together with our updated Memorandum of Foreign Trade Regime to the Director General of the GATT to reaffirm our intention to accede to the GATT as a contracting party in accordance with Article XXXIII of the GATT.

Under the instruction of my government, I have the pleasure to send you herewith a copy of the same for your reference and shall be at your disposal for any further information you may require on this subject.

I avail myself of this opportunity to assure you, Mr. Ambassador, of my highest consideration.


Steve R. L. Chen
Director

Enclosures

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General Agreement on Tariffs and Trade
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January 17, 1992

Dear Mr. Director General,

I have the honour to refer to the letter of my predecessor, Dr. L. A. Chen, of 1st January 1990, applying for accession to the General Agreement on Tariffs and Trade on behalf of the Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

My government reaffirms its willingness to pursue the free and open trade policies advocated by GATT and to support and strengthen the open multilateral trading system. This commitment has been further implemented through the increasingly liberal formulation of our domestic trade policy and more specifically through trade measures taken since 1st January 1990. We have not only observed the standstill commitment of the Punta del Este Ministerial Declaration, but have also initiated significant additional trade liberalization as shown in the attached updated version of our Memorandum on Foreign Trade Regime submitted to you on 1st January, 1990.

In view of the growing consensus among contracting parties that a working party be established to consider our application for accession to the GATT, I respectfully request that you circulate this letter along with the updated version of the Memorandum on Foreign Trade Regime to all contracting parties for their information on our continued economic liberalization and to permit the initiation of the normal accession procedures as soon as possible.

Sincerely yours,



Vincent C. Siew

Encl.

MEMORANDUM ON FOREIGN TRADE REGIME OF

THE CUSTOMS TERRITORY OF

TAIWAN, PENGHU, KINMEN AND MATSU

Taipei

January 17, 1992

Updated Version

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MEMORANDUM ON FOREIGN TRADE REGIME OF THE CUSTOMS TERRITORY OF
TAIWAN, PENGHU, KINMEN AND MATSU

Introduction

The Customs Territory of Taiwan, Penghu, Kinmen and Matsu (hereinafter referred to as "the Territory") has effectively exercised full autonomy in the formulation and implementation of its economic, financial and trade policies. Its government, acting on behalf of this separate customs territory encompassing islands of Taiwan, Penghu, Kinmen and Matsu, is fully autonomous in the conduct of its external commercial relations.

For decades, the Territory has been extremely successful in promoting trade and commercial transactions with nearly all nations of the world, regardless of differences in social, economic or political structures. It plays a significant role in international trade. In 1990, it ranked as the world's 15th largest trading power, with industrial products accounting for 95.6 percent of its total exports. It also enjoys a very strong balance of payments position, and has accumulated U.S.\$ 75.6 billion (as of February 1991) in foreign exchange reserves. Per capita GNP stood at U.S.\$ 7,997 in 1990, similar to the level of several OECD countries. It is anticipated that the figure will reach U.S.\$ 20,000 by the turn of this century.

The Territory's successful economic development has been based on market oriented policies, which have introduced competitive practices into its free enterprise system. Considering the limitations of its domestic resources and internal demand, the Territory has relied heavily on the open multilateral trading system.

Unfortunately, the serious trade imbalances that have occurred in the 1980s and the external debt crisis of many Third World countries have contributed to a resurgence of protectionism. This protectionism threatens to severely damage the international financial and trading system, and to contribute to a global recession and socio-political destabilization.

The Territory has benefited greatly from the efforts of the GATT Contracting Parties to liberalize trade in goods and services. It desires to assume its own responsibilities within the system to maintain and defend an open, cooperative international economic system.

The Territory has already undertaken many actions that have reduced its tariffs to the Tokyo Round levels, loosened controls on foreign exchange, strengthened protection of intellectual property rights and liberalized trade in services. In general, the Territory has extended bilateral trade concessions to its trading partners on a reciprocal basis, and by applying the most-favored-nation principle.

The Territory has also set up an "International Economic Cooperation Development Fund" of approximately U.S.\$ 1.2 billion to provide assistance to developing countries.

These considerations have led the Territory to request its accession in accordance with Article XXXIII of GATT as a separate customs territory with full autonomy in the conduct of its external commercial relations. This decision reflects the determination of the Territory to cooperate with other trading nations in GATT to defend an open trading system based on competition among free enterprises on the world markets.

The Territory intends to assume all obligations and rights under the GATT as a contracting party. In addition, the Territory would consider adhering to the agreements and arrangements resulting from the Tokyo Round.

On this basis, the Territory hopes that the Contracting Parties will not only recognize its attempts to play a more active role in the international economic community but will also encourage and support its participation in a strong and comprehensive multilateral trading system.

I. ECONOMY AND FOREIGN TRADE

1. ECONOMY

(1) Brief Introduction to the Territory and its Economy

The Customs Territory of Taiwan, Penghu, Kinmen and Matsu encompasses the islands of Taiwan, Penghu and the islands of Kinmen and Matsu off Fukien. It is separated from mainland China by the Taiwan Straits.

The Territory constitutes a separate customs territory with full autonomy in the conduct of its external commercial relations.

The Territory has a small land area with a dense population: on a land of 36,000 square kilometers lives a population of 20 million (1990 statistics). With a population density of over 560 people per square kilometer, the Territory is one of the world's most densely populated areas (second only to Bangladesh).

Situated in a subtropical area, the Territory is suitable for growing a wide variety of plants; however, the Territory is mountainous, with arable land accounting for only a quarter of its total land area. It is thus naturally restricted in agricultural development. Also, the Territory is short of natural resources: no mineral ores are in rich reserve.

The only abundant resource is manpower, and this valuable resource enabled the Territory to grow strongly between the 1950s and the 1970s, when the Territory's real economic growth rate averaged 9.1 percent a year (see table 1, page 58). Real growth peaked at 12.6 and 11.9 percent respectively in 1986 and 1987, and since then has slowed to 7.3 percent in 1989 and 5.3 percent in 1990.

As a result of strong economic growth during the past four decades, the Territory has developed from a traditional agricultural economy into a newly industrialized economy. Its GNP has grown from U.S.\$ 1.2 billion in 1951 to U.S.\$

161.7 billion in 1990. Its per capita GNP has increased from U.S.\$ 145 in 1951 to U.S.\$ 7,997 in 1990 (see table 2, page 59), ranking the Territory 25th in the world.

Wholesale prices in the Territory have been quite stable in recent years (see table 3, page 60). Consumer prices decreased by 0.2 percent in 1985, grew 0.7 percent in 1986, and 0.5 percent in 1987. Owing to the surging trade surplus and money supply, consumer prices rose 4.4 percent in 1989, and 4.1 percent in 1990.

The Territory's strong growth has been accompanied by low levels of unemployment (see table 4, page 61). Even in the 1970s, during the two oil crises, the average annual unemployment rate was only 1.66 percent. In 1990, it stood at 1.67 percent, and is expected to remain low over the coming few years.

A major goal of the Territory's economic development strategy has always been an equitable distribution of wealth. From 1964 to 1980, the distribution of income became more equitable. The top 20 percent of the household income bracket earned 5.3 times as much as those in the lowest 20 percent in 1964; 16 years later, in 1980, the gap had shrunk to 4.2 times. But the recent trend shows a sign of widening wealth gap. It hit the five-times mark in 1990 for the first time since 1968 to reach 5.2 times. (see table 5, page 62).

The Territory is also a major trading entity. Its merchandise trade exports in 1990 ranked 12th in the world, and imports, 16th, with combined exports and imports ranking 15th. The Territory is also a leader in trade in commercial services. In 1989, the Territory had an import expenditure of U.S.\$ 14.0 billion and export receipt of U.S.\$ 7.5 billion in trade in services, making the Territory the 21st exporter and 11th importer in the ranking of world trade in services. The Territory has accumulated foreign exchange reserves of 75.6 billion U.S. dollars (As of February 1991), largest in the world.

(2) Economic Development Strategies

Economic planning was introduced with the launching of the Territory's first four-year plan in 1953. Until 1960, heavy emphasis was placed on agriculture. A land reform program was carried out and efforts were made to raise agricultural

productivity and exports, as well as rural living standards. At the same time, labor-intensive, import-substituting industries were developed to help conserve foreign exchange and provide additional job opportunities.

At the turn of the 60s, the Statute for the Encouragement of Investment was enacted to attract foreign as well as domestic capital to key industries. Export-oriented industries, designed to take advantage of low-cost labor, began to move gradually into world markets. In the agricultural sector, new farm products were developed, and the export of such products was vigorously promoted. In the 70s, the economy entered a new stage of development, with government policies calling for a gradual shift to basic and heavy industries. As part of a backward integration process, intermediate goods industries were established. Steps were taken to alleviate bottlenecks in transportation, and large sums were spent on the building of new ports, airports, and highways. However, the agricultural sector continued to receive attention, as the government moved to intensify rural development and improve farm income.

In the 80s, efforts for industrial restructuring were pushed forward. In the meantime, to provide the highly trained manpower needed for this restructuring, educational institutions placed even greater emphasis on science and technology.

In the 90s, these efforts as well as economic liberalization and internationalization will be continued. Infrastructural investments, pollution controls, and privatization of public enterprises will be accelerated.

(3) The Current Economic Situation

a. General Situation

The Territory's economy has grown in a decelerating pace over the past four years. From a high real growth rate of 11.9 percent in 1987, declined to 7.3 percent in 1989 and further reduced to 5.3 percent in 1990, mainly due to the New Taiwan dollar's appreciation which led to sluggish export growth. In 1988, consumer prices grew only 1.3 percent; but rose in 1989 and 1990 to 4.4 percent and 4.1 percent, respectively. Unemployment rate reached 1.7 percent in 1988, 1.6 percent in 1989 and 1.7 percent in 1990.

The New Taiwan dollar has appreciated as much as 57.2 percent against the U.S. dollar from 40.47 N.T. dollars per U.S. dollar in September 1985 to 25.75 N.T. dollars per U.S. dollar in December 1991 (see table 6, page 63). The appreciation rate is lower than that of the Japanese yen, but higher than that of the currencies of Korea, Hong Kong, Singapore and major West European countries. This has had a significant impact on the export competitiveness of the Territory's products and has contributed to the reduction of the Territory's trade surplus.

As the Territory continued to face surpluses in its external trade, its net foreign assets increased dramatically and the money supply grew considerably. Money supply (M1B) recorded growth rates of 51.4 percent and 37.8 percent in 1986 and 1987, respectively. The growth rate declined in 1988 but still reached 24.4 percent. However, it declined significantly to minus 6.7 percent in 1990 because of the introduction of tight monetary policy (see table 7, page 64).

b. Structural Adjustment

The Territory's economy continues the process of structural adjustment, reacting to a changing domestic environment as well as changes in its international competitiveness.

The importance of agriculture to the Territory's economy has declined, while that of industries and services has increased. Agricultural products accounted for 23.9 percent of the Net Domestic Product in 1967, but only 4.9 percent in 1990. (see table 8, page 65). Meanwhile, industrial output, which accounted for 30.8 percent of the Net Domestic Product in 1967, rose to 47.1 percent in 1987, then dropped to 41.5 percent in 1990. The service sector, which accounted for 45.3 percent of Net Domestic Product in 1967, rose to 46.7 percent in 1987. As the Territory adopted a policy to encourage the service sector, its contribution to Net Domestic Product rose to 53.6 percent in 1990, making services the fastest growing sector among the three major sectors of the economy and replacing the manufacturing industry as the major source of economic growth. The manufacturing sector continues to contribute to economic growth, and agriculture is progressively less significant.

Employment has also shifted from agricultural sector to industrial and service sectors. Agricultural employment represented 42.5 percent of the total labor force in 1967, but only 12.8 percent in 1990. The manpower released from the agricultural sector has mostly joined the manufacturing and the service industries. The number of people working in the industrial sector accounted for 24.6 percent of the total workforce in 1967; the proportion rose to 40.9 percent in 1990. In the meantime the service sector, which drew 32.9 percent of the total manpower in 1967 and 46.3 percent in 1990, has become the major employer (see table 9 ,page 66).

Net external demand (exports minus imports) has been a major factor in the Territory's economic development. Its net external demand had grown from 4.3 percent of GNP in 1977 to 21.7 percent in 1986. However, due to structural changes over the years, beginning in 1987, this percentage declined to 19.1 percent in 1987, 13.2 percent in 1988, 9.9 percent in 1989 and 8.3 percent in 1990. The contribution of this demand to economic growth has dropped to 0.10 percentage in 1987, minus 3.91 percentage in 1988, minus 1.77 percentage in 1989 and minus 0.94 percentage in 1990.

On the other hand, domestic demand--both in terms of national consumption as well as in terms of fixed investment --has grown annually. Domestic demand contributed much to economic growth in 1988 and 1989 (more than the real economic growth rate), becoming the driving force behind economic growth. For example, economic growth in 1990 was carried out essentially by expanding domestic demand. The contribution of domestic demand to economic growth was 6.2 percentage, compensating the adverse effect of negative growth of net external demand.

c. The Recent Budget Deficits

Although it was the Territory's established policy to balance its budget, the Territory experienced sustained budget deficits before 1969. Between 1969 and 1988, however, the Territory recorded surpluses in its fiscal budgets. But, since 1981 a new fiscal policy aimed at strengthening domestic demand through deficit spending led in fiscal year 1989 (from July 1988 to June 1989) to a record-high budget deficit of N.T.\$ 306.8 billion (around U.S.\$ 11.1 billion), or 33.5 percent of the total revenue. In fiscal year 1990, the budget was just balanced. For fiscal year 1991, the deficit is expected to be N.T.\$ 139.6 billion (around U.S.\$ 5.1 billion), or 13.8 percent of the total revenue, in a further attempt to expand domestic

demand. The deficits will be financed by appropriation of surplus of previous fiscal years, government bonds, and other loans for economic development projects.

2. EXTERNAL TRADE

(1) External Trade Balance

With a small land area, high population density and scarcity of natural resources, the Territory depends on trade for sustained economic growth. In 1952, the Territory's total external trade (exports plus imports) measured only US\$ 303 million. It grew at an annual average rate of 17.1 percent to U.S.\$ 121.9 billion in 1990, 401 times over a period of 38 years (see table 10, page 67). The average export growth rate was 18.2 percent and import growth rate 16.1 percent. External trade has played a pivotal role in the Territory's economic development since it adopted an export-oriented strategy in 1958. This brought about an external trade growth exceeding economic growth and also deepened the Territory's dependency on trade. For example, in 1952, exports accounted for 8.0 percent of the GNP; in 1990, the percentage had jumped to 46.5 percent. During the same period, import dependency also rose from 14.1 percent to 40.7 percent. The aggregate export-import dependency thus rose from 22.2 percent to 87.2 percent over the 38-year period, making the Territory one of the territories or areas with the highest trade dependency. This booming trade improved the Territory's economic structure, increased its foreign exchange income, accelerated its economic growth, and enlarged job opportunities (see table 11, page 68).

Between 1952 and 1970, the Territory consistently recorded trade deficits (except in 1964 when world sugar prices were so high that they brought the Territory a trade surplus). Beginning in 1971, however, the trade imbalance began to reverse itself. In the years since then, the Territory has registered consecutive trade surpluses (except in 1974-75 when increases in oil prices burdened the Territory's economy so much that it suffered short-term deficits). Between 1982 and 1987, the Territory scored six consecutive record high trade surpluses, with the 1987 surplus of U.S.\$ 18.7 billion being equivalent to 18.1 percent of the GNP. In 1990, the surplus dropped to U.S.\$ 12.5 billion, accounting for 7.7 percent of the GNP. The ever-expanding trade surpluses in recent years have become a major worry for the Territory's economic policymakers, who are now seeking to reduce external trade earnings to a more appropriate scale.

The high trade surplus is mirrored by the Territory's high propensity for savings (in 1987 gross savings accounted for 38.5 percent of GNP and the 1990 figure was 29.7 percent) and inadequate investments (in 1987 domestic investments were only 20.1 percent of GNP, and in 1990, 21.6 percent). Domestic production (supply) thus exceeded the internal demand, deepening the Territory's dependency on exports to absorb excess production.

To speed structural adjustment of its economy and facilitate the integration of its economy into the multilateral system, the Territory has adopted an open trade policy. The Territory lowered import tariffs, loosened or lifted controls and restraints on imports, and substantially appreciated the N.T. dollar against the U.S. dollar. Its efforts to balance its external trade are beginning to bear fruit: imports are growing more rapidly than exports. In 1988, the Territory's exports increased 13.0 percent from the previous year, compared to import growth of 42.0 percent. The trade surplus declined substantially from U.S.\$ 18.7 billion in 1987 to U.S.\$ 10.9 billion in 1988. However, the 9.3 percent growth of exports and 5.2 percent increase of imports in 1989 widened the trade surplus again to U.S.\$ 14.0 billion, in 1990, however, the slower growth rate for exports (1.5 percent) than for imports (4.7 percent) shrank trade surplus again to U.S.\$ 12.5 billion.

(2) Structure of Trade in Goods

The Territory's production structure has been determined essentially by export demand, a typical result for an export-oriented development process. As a result, the growth of most industries was affected more by the economic conditions of other countries than by the state of the domestic economy.

In the 1950s, when the Territory initiated its import-substitution strategy, exports were mainly composed of sugar, rice, banana, tea and processed agricultural products. Few industrial products were sufficiently competitive for export. By the late 1950s, the import-substitution industries were capable of producing competitive export products. As a result, the share of exports of traditional items declined drastically while industrial products took an increasingly greater share of exports. At first, major export items were such labor-intensive products as textiles and plywood. Recently, electronic goods have grown to become

major export items. In 1952, agricultural products and processed agricultural products accounted for 91.9 percent of total exports, of which rice and sugar alone represented 74 percent, and industrial products accounted for only 8.1 percent of total exports. By 1990, the export composition structure has reversed so that industrial goods accounted for 95.6 percent of total exports, while agricultural products and processed agricultural products accounted for only 4.4 percent (see table 12, page 69). Major export items were machinery and electrical equipment (34.4 percent), textile products (15.3 percent), basic metals and articles thereof, and plastic goods.

In contrast, the structure of the Territory's imports did not change much over this period. A major reason is that the Territory, islands with scarce natural resources, has always had to import large quantities of agricultural and industrial raw materials. In 1952, such imports accounted for 65.9 percent of the total; in 1990, the percentage was 70.4 percent (see table 13, page 70). Changes in the import composition occurred for capital goods and consumer goods. In 1952, when the local industrial base was still weak, there was a heavy dependence on imports of basic consumer goods (mostly light industry products); therefore, consumer goods accounted for 19.9 percent of total imports. Later, as import-substitution industries developed, locally produced consumer goods gradually replaced imports. Accordingly, the share of consumer goods in total imports declined--in 1969, it plunged to a low of 4.5 percent. However, following this, increasing per capita income, lowered import duties, and loosened import controls have contributed to a growing demand for foreign consumer goods, whose share rose to 12.1 percent of total imports in 1990.

Imports of capital goods accounted for 14.2 percent of the total imports in 1952. It rose to 34.7 percent in 1969, and then reduced to 23.4 percent in 1980 and to 13.6 percent in 1986, reflecting partly a declining willingness to invest in the Territory. The decline also reflected the fact that the Territory had developed domestic capital equipment industries capable of supplying domestic demand and that the need to import these items had declined. Since 1985, the import share of capital equipment gradually increased again, to a level of 17.5 percent in 1990.

Major import items in 1952 included textile goods, agricultural products and chemical fertilizers. By 1990, these had been replaced by machinery and electrical equipment (28.4 percent), minerals (17.4 percent), chemicals, and basic metals.

(3) Trade by Geographic Areas

The geographic composition of the Territory's trade has changed along with the product composition. The most important change has been the decline in Japan's share of the Territory's exports from 52.6 percent in 1952 to only 9.9 percent in 1983. However in 1990, the percentage rose to 12.4 percent. On the other hand, the U.S. share of the Territory's exports rose from 3.5 percent in 1952 to 48.8 percent in 1984. Since 1984 the U.S. share began to decline annually. In 1990, the share was down to 32.4 percent. Together, the U.S. and Japan have consistently accounted for more than 50 percent of the Territory's imports.

In 1990, other major export markets of the Territory were the EC, Hong Kong, Singapore, Canada, Thailand, and Australia while its major sources of imports included (besides the U.S. and Japan) the EC, Hong Kong, Australia and Saudi Arabia (see tables 14-15, pages 71-72).

A major weakness of the Territory's external trade picture is its over-reliance on a few major trading partners, which makes the Territory vulnerable to economic and political conditions in those countries. An urgent task facing the Territory's policymakers is to diversify export markets and import sources.

Since 1968, the Territory has enjoyed a surplus in trade with the U.S. The surplus totaled U.S.\$ 1 billion in 1976, and climbed to U.S.\$ 16.0 billion in 1987, making the Territory the second largest contributor to the U.S. trade deficit, after Japan. In 1990, the Territory's exports to the U.S. decreased by 9.4 percent while imports increased by 5.1 percent, reducing trade surplus to U.S.\$ 9.1 billion. Despite this significant decline, the trade imbalance remains substantial.

Most of the Territory's trade surplus with the U.S. in the early 1980s can be attributed to long-term structural factors, while only a small part can be attributed to the excessive value of the U.S. dollar and other factors. However, after the joint intervention by the five major industrialized countries in the foreign exchange markets in 1985, the New Taiwan dollar has appreciated 49.3 percent against the U.S. dollar as of December 1990. Despite such appreciation,

the Territory's trade surplus with the United States still persists. This means the exchange rate is not the sole factor for the Territory's trade surplus with the U.S.

In contrast to the surplus it has enjoyed in trading with the U.S., the Territory has suffered trade deficits with Japan. In 1987, the deficit amounted to U.S.\$ 4.9 billion. In 1988, the figure rose to U.S.\$ 6.1 billion; in 1989, U.S.\$ 7.0 billion, and in 1990, reached a record-high U.S.\$ 7.7 billion. How to rectify this problem--chronic trade surplus with the U.S. and deficit with Japan--is a major challenge for the Territory.

3. DIRECTION OF FUTURE ECONOMIC POLICY

The Territory has formulated a Six-Year National Development Plan commencing in 1991 as guidance for future development to achieve four specific policy objectives: to raise national income, to provide sufficient resources for continuous industrial growth, to balance regional developments, and to improve the quality of life.

To these ends, the Territory will:

- (1) expand public investment, especially in the development of industrial zones and housing. Fixed government investment will grow at an average annual rate of 15.5 percent in real terms. The expansion of public investment will expand domestic demand and, at a later stage, enhance overall productivity. As a result, the economy is expected to grow 7.0 percent annually between 1991 and 1996, and per capita GNP to rise from U.S.\$ 7,997 in 1990 to U.S.\$ 13,975 in 1996.
- (2) carefully monitor the distribution of productive resources such as land, water, energy and transportation facilities in order to provide sufficient resources for sustained industrial growth. The Plan envisions the emergence of the Territory, at the time when the Plan is fully accomplished, as a financial center, a regional transportation hub, and a leader of the production of high technology in the Western Pacific.

- (3) make efforts to alleviate population congestion and to diversify the industrial sites. Thus the top priority is given to improving public housing, schools, medical and transportation facilities.

- (4) divide Taiwan area, for the purpose of improving the quality of life, into eighteen living perimeters, in which living accommodations, recreational, educational, medical and business facilities will be self-sufficient. In addition, the government will launch national health insurance programs in 1994 providing insurance to everyone. Environmental legislations will also be amended and administration strengthened to ensure higher environmental quality and effective ecological preservation.

The Six-Year National Development Plan calls for huge investment in major infrastructure projects. The government will invest around U.S.\$ 300 billion in a variety of projects, including a rapid transit system, an expressway, airport extension, environmental protection, water resources, energy development, urban development, culture and education. It is hoped that completion of the Plan will speed up the Territory's entry into the ranks of the fully developed countries and that the attainment of the Plan's goals and targets will lead not only to a more prosperous economy, but also to higher environmental quality and greater social equity.

II. THE FOREIGN TRADE REGIME

1. THE TARIFF SYSTEM

(1) The Evolution of the Customs Tariff up to 1990

The Territory's tariff policy and the tariff rates were established with a view to securing sound development of domestic industries and to coping with changes in the world trading system.

Since September 1, 1980, the Territory has been implementing a "two tier tariff system". The second column on the tariff schedule is the tariff rate for goods subject to the "reciprocal rate", which is lower than the first column. Currently in addition to countries or areas with reciprocal agreements with the Territory, any country or area that does not extend discriminatory treatment to the Territory's goods also qualifies for the second column tariff rates. At present, 140 countries or areas qualify for the second column rates, their goods accounting for over 90 percent of the total value of imports. The first column on the tariff schedule is applicable to countries or areas not covered by the second column, the contracting parties falling within this category are: Myanmar, Cuba, Czechoslovakia, Gambia, Mauritania, Rumania, Sierra Leone, Tunisia, Uganda, and Zimbabwe. Upon accession, unconditional MFN treatment will be extended to all GATT contracting parties.

Between 1984 and 1988, the Territory revised its tariff schedule five times, resulting in an across-the-board lowering of tariff rates by 30 percent. In this process, 234 items were put on the list of duty-free imports, and 7,128 items had their tariff rates reduced, so that the effective average duty rate declined from 7.97 percent in 1984 to 5.77 percent in 1988. The recent tariff reduction, which took place in August 1989, further reduced tariff rates of 4,700 categories of products, covering 61 percent of imported products, including a 30 percent decrease on industrial equipment and 10 percent drop on agricultural products. The highest tariff rate was also cut from 75 percent in 1985 to 50 percent.

The average tariff rates for industrial products are now as follows: 0-2.5 percent for raw materials, 0-10 percent for semi-finished goods, and 5-15 percent for finished products. In 1990, the effective average duty rate was 5.40 percent.

The Territory's present tariff structure is very similar to or even lower than that of certain industrialized contracting parties (see table 16, page 73).

(2) Future Direction of Customs Tariff Rates

Previously when tariff reductions were carried out, emphasis was placed on industrial inputs, agricultural commodities and capital goods. The scope will now be expanded to cover general consumer goods and products for environmental protection, so that customs duties can more effectively play their roles in economic and social development, in environmental protection, and in enhancing consumers' welfare. In order to expedite economic liberalization, the Territory announced a "Four-year (1989-1992) Tariff Reduction Plan" in November 1988 to further reduce the customs duty. By 1992, the effective duty rate is expected to be reduced to 3.5 percent, the average of the industrialized members of OECD, and the average nominal duty rate will be reduced to 7 percent.

Upon its accession to GATT, the Territory will bind 94 percent of its tariff items at a maximum rate of 30 percent. The ceiling for the remaining 6 percent will not exceed 50 percent. The Territory will endeavor to enter into tariff negotiations with interested contracting parties to establish a tariff schedule of specific concessions which will correspond in coverage and scope to that of most industrialized countries.

2. THE CUSTOMS SYSTEM

(1) Valuation

The Territory revised its Customs Law in July 1986 by following the procedures set out in the GATT "Agreement on Implementation of Article VII of the GATT". This regime is applicable to all imports. The Territory is therefore prepared to adhere, upon accession to GATT, to the Customs Valuation Code.

(2) Classification

On January 1, 1989, the Territory implemented the Harmonized System. The Territory's tariff is based on the 8-digit Harmonized System plus two additional digits for statistical subdivisions and one more digit for inspection purpose.

(3) Unfair Trade Laws

In 1984, the Territory enacted "The Implementing Regulation on the Imposition of Countervailing Duties & Anti-dumping Duties". These rules conform to the GATT "Anti-dumping Code" and the "Subsidies Code". Based on these rules, countervailing duties or anti-dumping duties can be levied on imported goods that are found to have received subsidies or have been dumped and which threaten domestic industries. The Territory will, upon accession to GATT, adhere to both the Anti-dumping Code and the Subsidies Code.

(4) Customs Procedures

The Territory will continue to simplify its customs operations to ensure that the customs procedures will not constitute non-tariff trade barriers. Although the Territory is not a member of the Customs Cooperation Council nor a signatory to the International Convention to Facilitate the Importation of Commercial Samples and Advertising Materials (1952), the Customs Convention on the Temporary Importation of Professional Equipment (1961), and the Customs Convention on the ATA Carnet for the Temporary Admission of Goods (1961), the Territory is planning to implement these conventions.

(5) Other Charges and Fees

(a) Harbor Construction Dues:

The Territory imposes harbor construction dues at 0.5 percent on the dutiable value of imports and exports.

(b) Special Customs Services:

If special customs services are required, a flat rate commensurate with the approximate cost of the services rendered is charged.

The Ministry of Finance has promulgated the "Rules Governing

the Collection of Handling Charges" to unify collections.

(6) Export Processing Zones

Export processing zones (EPZs) are established in order to encourage investments, and to expand the export of products and services. Therefore, all products imported by enterprises located in EPZs for their own use are exempted from customs duties.

The products of the manufacturing industry in the Territory's EPZs are normally for export. However, 50 percent of their annual productions are allowed for sale on the local market after the payment of customs duties. If the quantity to be sold locally are over 50 percent of annual productions, then they should be approved by the Export Processing Zone Investment Screening Board.

3. THE IMPORT LICENSING SYSTEM

(1) General Description

The Territory's import control measures originated from the 1950s, when these measures were introduced for balance-of-payments problems. Since 1983, the Territory has taken a series of steps to liberalize imports, including, among others, substantially reducing the number of goods subject to import bans or controls and expanding the list of products that can be freely imported. The Territory's present tariff, based on the Harmonized System, contains 9,053 items, of which 8,811 or 97.3 percent are permitted to be imported. Among them, 5,918 items, or 65.3 percent, can be imported without any permit, 699 items must apply for a permit from the Board of Foreign Trade (BOFT) and the other 2,194 items from a licensing unit authorized by BOFT (such as banks) (see table 17, page 74).

(2) Non-automatic Licensing

The Territory restricts the importation of some products on the grounds of national security, maintaining the public order, or preserving human, animal or plant health.

Importation of some of these products is controlled. All of these require a prior import permit issued by the Board of Foreign Trade.

Presently, six industrial and 123 agricultural products are subject to import controls on the grounds of related policy and social consideration, i.e. these products can not normally be imported. They include animal offal, herring, mackerel, squid, liquid milk, wheat flour, waste of plastics, etc.

Another group of 4 industrial and 77 agricultural products is subject to discretionary licensing. They include rice, chicken meat, red beans, peanuts, potatoes, rubber accelerators, and some others.

The Territory also applies a certain number of area restrictions. 35 industrial and 19 agricultural goods presently fall under these provisions, i.e. they can only be imported from certain areas.

The Territory prohibits all direct imports from Mainland China.

(3) Automatic Licensing

The Territory imposes licensing requirements on the importation of certain products for administration or management purposes. Such permits are issued automatically within 24 hours after application to the responsible agencies. These agencies include the Board of Foreign Trade (BOFT), the Export Processing Zone Administration, the Science-based Industrial Park Administration and licensing banks.

(4) Permit Application Procedures

Importers seeking to import foreign goods subject to a prior licensing requirement must apply to the Board of Foreign Trade or other authorized agencies for a license. If the application meets the requirements of the "Guidelines for Screening Imported Goods" and the "Regulations Governing Import Applications" and other import regulations as contained in the "Customs Import Tariffs and Classification of Import & Export Commodities", these agencies will issue a permit within 24 hours of the application. An import permit is

valid for six months. If the shipment cannot be completed within that period of time, the importer can apply to the original licensing agencies for an extension. He can also apply for a new license.

(5) Future Directions

In the Trade Bill now in legislative process, the Territory plans to eliminate in principle all prior licensing requirements. Certain limited exceptions will however be maintained for reasons of national security, public order, cultural, educational, public health considerations and environmental protection. To this end, the Territory plans to adopt a "negative list" approach.

In designing its new import licensing system, the Territory will follow the examples of the current licensing systems of developed countries and take into account existing GATT rules.

Products not listed in the negative lists can be freely imported. The new system will give more transparency to the Territory's import administration system. Once the negative listing system is adopted, BOFT will review the lists every year for further liberalization. These steps are expected to speed up the Territory's import liberalization in line with the spirit of GATT. Upon its accession to GATT, the Territory will also consider adherence to the GATT Licensing Code.

4. THE EXPORT LICENSING SYSTEM

With the adoption of the Harmonized System, the previous 26,889 items were regrouped into about nine thousand items. Of the current total 9,011 items, 98.9 percent or 8,907 items may be exported.

In the past, most exports required export permits (E/Ps). However, with the policy of trade liberalization, more and more exportable goods do not need E/Ps. At this moment, only 2,707 items or 30.0 percent of all goods require export licenses for the following reasons:

(1) Implementation of quantitative restriction arrangements and voluntary restraint arrangements (VRA), voluntary export restrictions (VER) and orderly marketing arrangements (OMA):

Export permits are required for the export of textile and garment products to the U.S. (since 1962), Canada (since 1975), the European Communities (since 1975); of silk cloth to Japan (since 1980); of footwear to the European Communities (since July, 1990); of machine tools and steel to the U.S. (both since 1987).

(2) National security, the security of supply of certain daily necessities and important industrial materials, including rice, salt, coal, and uranium.

(3) Social and financial policies, including gold, gold ores and concentrates, and narcotics.

(4) Protection of endangered species of wild fauna and flora, including grouper fry, Formosan land-locked salmon, and white-skin sugarcane.

(5) Hygiene and health, including puffer fish, turtles, prawns, and pork.

(6) Agricultural development, including bananas, seedless watermelons, onions, eels, and raw sugar.

There are also regulations concerning marking of brand and origin on export products with the purpose of protecting intellectual property rights and consumers' interests.

5. THE LABELING SYSTEM FOR IMPORTED PRODUCTS

(1) The Existing Laws and Regulations

The "Commodity Labeling Law" governs the labeling of all commodities. It is aimed at assuring accurate labeling, protecting producers' reputations, and safeguarding consumer interests.

(2) The Labeling of Mark of Origin

The "Commodity Labeling Law" does not impose a mark-of-origin requirement, it only sets out criteria for such labels. The choice to mark the origin is left to the producer.

(3) The General Rules on Labeling

In general, the "Commodity Labeling Law" is applicable, in conformity with the national treatment principle, to both locally produced and imported commodities.

To prevent deceptive practices and to protect consumers against fraudulent or misleading indications, the Territory requires a mark of origin for importation of certain textile and garment products.

6. STANDARDS, INSPECTION AND QUARANTINE

(1) Standards and Inspection

Standards are written and published in the name of Chinese National Standards (CNS) by the National Bureau of Standards (NBS) of the Ministry of Economic Affairs. Most of the standards are similar to or in conformity with international standards such as ISO and IEC. There are, however, some deviations due to different customs.

The Bureau of Commodity Inspection and Quarantine (BCIQ) was established by the Ministry of Economic Affairs to carry out necessary commodity inspection measures according to the Commodity Inspection Law. The purpose of this inspection is to promote the quality of commodities, to safeguard safety of products and to protect consumer interests. The methods of commodity inspection are similar to those which are presently exercised by international practices. There are national laboratory accreditation arrangement, product certification scheme and quality assurance system, all of which are in conformity with latest international practices related to ISO/IEC guides.

The Territory is, therefore, undertaking its standards, testing, inspection and quality assurance scheme in accordance with latest relevant international guides and practices. It will consider to adhere to "The Agreement on Technical Barriers to Trade" (Standard Code) upon its accession to the GATT.

(2) Quarantine

In principle, no animals, plants or by-products thereof may be exported or imported until it has been ascertained through quarantine or treatment that they are free from pests or diseases.

This principle is implemented on the basis of the following laws and regulations:

- (a) The Commodity Inspection Law and its Enforcement Rules.
- (b) Quarantine Requirements for the Importation of Animals and Animal Products.
- (c) Regulation for the Control of Infectious Domestic Animal Diseases and its Enforcement Rules.
- (d) Quarantine Restrictions on the Importation of Plants and Plant Products.

7. TRADE AGREEMENTS

The Territory has entered into bilateral trade agreements with many countries. The list of these agreements is attached herewith as Annex.

III. OTHER POLICIES AFFECTING FOREIGN TRADE

1. INDUSTRIAL POLICY

The chief goal of the Territory's industrial policy is to facilitate the promotion of industries upgrading, to increase the competitiveness of industrial products, to support the growth of the whole economy, and to raise the living standards of the people. During the 1940s, the focus was on rebuilding fundamental industries and during the 1950s on import-substitution consumer industries. In the 1960s, the Territory started the promotion of export-oriented industries and emphasis was on the coordinated development of up-stream parts and components. From the late 1970s, with the completion of the Ten Construction Projects covering steel, shipbuilding, petrochemical, electricity, and telecommunication industries, the Territory began to develop both capital- and technology-intensive industries. During the 1980s, the Territory began to focus on creating a more favorable environment for the development of high-technology and high-value-added industries. This included setting up a science-based industrial park to afford local companies access to the latest R&D facilities in order to upgrade the quality and strengthen the competitiveness of the Territory's products in the world markets.

The Territory promulgated a "Statute for Upgrading Industries" on December 29, 1990 to encourage the establishment and development of high technology industries and venture capital investment enterprises and to provide industrial sectors with incentives on R&D, manpower training, improvement of product quality, employment of more productive production methods, and adoption of automation and energy-saving processes of production and pollution prevention.

2. AGRICULTURAL POLICY

The Territory is mountainous with limited agricultural resources. The cultivated land is about 900,000 hectares covering one quarter of the total land. Four million people still depend on agriculture for their living. Average farm size is small (1.03 hectares in 1990). Production costs have increased greatly in recent years due to wage increases. Therefore, most of the farm products produced in the Territory lost their competitiveness in both domestic and the world markets.

The farm family income (U.S.\$ 3,768 per capita family in 1990) has been lower than that of non-farmers (U.S.\$ 5,484) in the Territory (see table 18, page 75). This caused a continuous outflow of farm labor, particularly of young people, to non-agricultural sectors in the past two decades. As a consequence, the age structure of the Territory's agricultural labor force is unfavorable, with an average of about 50 years.

With continued increases in agricultural production costs, farm income further declined. Farmers were forced to diversify into non-farm activities. In 1990, only 35.2 percent of the total farm family income was derived from farming.

The Territory maintained a food self-sufficiency rate of over 100 percent until 1965. Since then, however, this rate has declined continuously. The self-sufficiency rate for grains (other than rice) has declined to less than 10 percent; for pulse, nuts and seeds to less than 20 percent, and for dairy products, to about 20 percent. The self-sufficiency rate for sugar remains above 100 percent, but has also shown a downward trend. Falling self-sufficiency in food has led to an increasing dependence on imports and vulnerability to changes on foreign agricultural markets.

As an equitable distribution of national income is a very important policy objective in the Territory, the first aim of its agricultural policy at present is to raise farm income. Sufficient supply of food for the population and the protection of the natural environment are the other two important agricultural policy objectives. In order to achieve those objectives, the Territory set up price support programs and introduced a certain number of border measures for a few products. However, according to a recent research done by the U.S. Department of Agriculture, the Territory's overall agricultural protection is low.

The Territory intends to adopt a more market-oriented agricultural policy, including a gradual opening of the market and lowering of the tariff rates. Recently the government approved an "Integrated Agricultural Adjustment Program." Under this program, the government will put more emphasis on the following measures in the future six years from July 1, 1991 to June 30, 1997:

(a) Upgrading agricultural technology in order to increase products' added value and competitiveness.

(b) Enlarging farm size through the land-purchase fund by assisting full-time farmers to purchase farmland from part-time farmers at low interest rates. This program has been in effect since 1980.

(c) Encouraging young farmers to increase farm productivity through a program to train young farmers to modernize agricultural techniques.

(d) Avoiding the adoption of market-distorting measures and gradually phasing out price supports.

The Territory is prepared to support the negotiation objectives of the Uruguay Round in the field of agriculture and will favorably consider implementing its reforms.

3. MONETARY POLICY

The Central Bank is in charge of the monetary policy in the Territory. The ultimate goal of the monetary policy is to maintain the stability of the financial system, control inflation and promote economic development. The Central Bank has the authority to adjust various deposit reserve ratios and rediscount rates, to conduct open market operations, and to act as the lender of last resort.

Beginning in December 1988, the Central Bank adopted a tight monetary policy by implementing both general and selective credit control measures to tackle the problem of prolonged excess monetary growth, which stemmed from the continuous trade surplus and the huge influx of speculative capital from abroad.

In December 1988, the Central Bank raised deposit reserve ratios. In March 1989, the Central Bank imposed limitations on loans related to real estate and investment companies. In April 1989, the Central Bank raised rediscount rates, deposit reserve ratios, and ceilings of interest rates for both deposits and loans. Finally in May 1989, instead of fully redeeming maturing bills, the Central Bank reached an agreement with 13 major local banks requiring local banks to purchase one-year negotiable certificate of deposit of the Central Bank up to 80 percent of the maturing amount.

As a result of these measures, the annual growth rate of money supply (M1B) slowed dramatically from 26.6 percent in November 1988 to 8.5 percent in May 1989. The growth rate of bank loans and investment leveled off, and the consumer price level dropped gradually.

Because the trends of most financial indicators were within set targets, the Central Bank reviewed its monetary policy in June 1989 and relaxed housing loans for the first-time buyers and increased foreign exchange financial facilities for the importation of machinery and equipment.

The Territory will continue its efforts to liberalize banking interest rates so that the market mechanism can fully decide interest rates and thus help promote better use of money.

To rationalize the interest rate structure and to promote the normal operation of the "discount window", the Central Bank raised the rediscount rate by 2 percent - 2.25 percent in August 1989 (see table 19, page 76).

In the first half of 1990, in response to a tight money supply, the Central Bank conducted open market operations, accommodated N.T.\$ 40 billion to the 13 major local banks, permitted the redeposit of Cooperative Bank of Taiwan, and allowed the negotiable certificate of deposit held by the 13 banks to draw and redeem fully on their maturing date.

In the second half of 1990, to promote economic recovery, the Central Bank lowered the reserve requirement, appropriated N.T.\$ 15 billion postal savings redeposit and eased the regulation concerning selective credit control on financial institutions' real estate loans. Also to absorb the excess liquidity of the banking system resulting from overbought position of foreign exchange, the Central Bank accepted the redeposit from Bank of Taiwan, Bank of Communications, and others, and issued treasury bills and negotiable certificates of deposits.

4. FOREIGN EXCHANGE POLICY

Before July 1978, New Taiwan dollar was pegged to the U.S. dollar, because the United States was the Territory's most important trading partner and because most of the Territory's international transactions were denominated in U.S. dollars. Since the pegged exchange rate movements could not reflect developments in the

Territory's balance of payments, and the exchange rate fluctuations interfered with the pursuit of internal policy objectives, a floating rate system was introduced in February 1979. Up to March of 1989, the central rate of the U.S. dollar against N.T. dollar was established on the basis of the weighted average rate of inter-bank transactions in U.S. dollars on the previous business day.

As the weighted average rate of inter-bank transactions on the previous business day was unable to reflect market forces in time and with precision, the foreign exchange system in the Territory has been revised several times since early 1989. Beginning from the end of 1990, authorized foreign exchange banks have been permitted to set their own exchange rate for small foreign exchange transactions (less than U.S.\$ 10,000), which used to be fixed by a committee of banks. The market-based exchange rate system in the Territory has so far functioned pretty well and is, to a large extent, similar to those adopted by the leading nations of the world.

As for exchange controls, transactions relating to current account are totally free. The annual limit on non-trade related capital inflows or capital outflows is now set at U.S.\$ 3 million per entity, but if companies and individuals get permission for long-term investment or direct investment, they can purchase or sell whatever amount of foreign exchange approved by the Investment Commission of MOEA. The limit on capital flows has been relaxing with liberalization and internationalization of financial markets in the Territory.

To promote the development of the local foreign exchange funding market, a foreign currency call loan market was established in August 1989. The breadth of the market has been expanded in terms of eligible participants and tradable currencies. Fifty foreign exchange banks were permitted to participate at the establishment of the call loan market. Since August 1990, headquarters and affiliated institutions of foreign banks in the Territory, overseas branches of local banks, and all financial institutions in Singapore, New York, and London have been allowed to participate in the market. The tradable foreign currencies have been increased from only the U.S. dollar to all other 12 currencies listed on the foreign exchange market. Upon the linkage agreements between Taipei foreign currency call loan market and the international money brokers, the market has extended its services to the neighbouring centers such as Hong Kong and Singapore.

The Territory also allows banks to operate forward foreign exchange transactions to facilitate merchandise trade beginning on November 1, 1991.

The Territory is not a member of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), but would be ready to fully comply with the provisions of Article XV of the GATT.

5. FINANCIAL POLICY

The Ministry of Finance is vested with the responsibility to formulate and carry out the Territory's financial policy. The purposes of its financial policy are:

- To establish a sound money market, to adjust money supply and demand and to support the development of the agricultural, industrial, and commercial sectors.
- To design, draft and review banking and financial laws and regulations and to supervise their enforcement.
- To establish a sound banking system so as to manage and supervise banks and special financial institutions.

The Territory provides market access for foreign financial institutions and is interested in participating in negotiations to achieve further progressive liberalization under the multilateral framework.

(1) Money and Banking

The financial system consists of monetary institutions, deposit insurance institutions, other financial institutions and the financial market. Monetary institutions include commercial banks, specialized banks, local branches of foreign banks, credit cooperative associations, credit department of farmers' associations, and credit department of fishermen's associations. The Central Deposit Insurance Corporation is one example of deposit insurance institutions. Other financial institutions include investment and trust companies, small and medium credit guarantee funds, postal savings system and insurance companies. The financial market includes the money market and the capital market. The participants in the money market include bills

finance companies and monetary institutions and those in the capital market are securities finance companies and securities brokers.

In recent years, because the national income has increased, so as the willingness of the public to save, total deposits increased from N.T.\$ 729 billion at the end of 1978 to N.T.\$ 6,491 billion at the end of 1990. Total loans at the end of 1978 were N.T.\$ 694 billion and at the end of 1990, N.T.\$ 4,980 billion. Total loans have, since 1983, been less than total deposits, and over the years, this gap has widened. This indicates that both government and private sectors should co-operate to raise investment incentives, and to promote the use of credit so as to utilize economic resources more effectively.

The money market is the place where enterprises adjust their short-term capital needs. Promoting the money market is, therefore, a means of providing enterprises with another way to attract short-term capital. At present, there are three private bill finance corporations. The total amount of commercial paper underwritten by these finance companies came to N.T.\$ 34 billion in 1978 and N.T.\$ 1,712 billion in 1990. The total transaction amount of bills grew from N.T.\$ 128 billion to N.T.\$ 14,537 billion, for the same period.

To further liberalize its banking service, the Territory amended the Banking Law again in July 1989. The fluctuation limit on interest rates was lifted, new commercial banks were allowed to set up, and the business scope that banks are allowed to conduct could be broadened upon the consent of the Ministry of Finance. In 1990, the Territory also amended the Guideline for Screening and Approval of Establishment of Branches and Representative Offices by Foreign Banks, permitting local branches of foreign banks to engage in trust business and to accept savings deposits. The requirements for setting up new branches by foreign banks were also relaxed.

(2) Securities

The Securities and Exchange Commission (SEC) is the regulatory agency of the capital market which was established in September 1960. The Taiwan Stock Exchange was incorporated in 1961 and started operation in February 1962. When the Taiwan Stock Exchange was first established, there were only 18 companies listed with a total registered capi-

tal of U.S.\$ 135 million. By November 1991, the total market value of 220 listed companies on the Taiwan Stock Exchange has reached approximately U.S.\$ 111.5 billion.

With regard to the securities industry, as of November 1991, there were 348 securities brokerage firms, 62 securities underwriters, and 55 securities dealers registered with the SEC. Additionally, there are four securities investment trust companies and 84 securities investment consulting companies operating in the Territory.

As to the foreign participation in the local securities industry, in addition to 11 local securities firms that have foreign shareholders under joint venture arrangement, there are two foreign securities firms having been allowed to operate branch business in the Territory. Furthermore, the Securities and Exchange Commission has also allowed five renowned foreign securities firms to set up their representative offices in the Territory.

The securities financing system of the Territory was introduced in 1974. In line with the policy of liberalization, the SEC has permitted qualified securities firms, starting in October 1990, to offer securities financing service to their customers. As of November 1991, 22 securities firms have been allowed to engage in such business.

To further securities market development, the regulatory authority is currently undertaking efforts to the promotion of foreign institutional investment in the local market; the establishment of bonds market; and the facilitation of local enterprises to issue securities in overseas market. As securities markets around the world become more and more interdependent, and as the global securities trading system moves toward integration, the Territory will continue its efforts to internationalize its securities market.

(3) Insurance

The insurance sector has developed rapidly in the Territory. The government not only established "Civil Servants' Insurance" and "Labors' Insurance", but also "Farmers' Health Insurance" in October 1985. The total premium of property and casualty insurance increased from N.T.\$ 7.9 billion in 1979 to N.T.\$ 40.3 billion in 1990, an increase of 5.1

times. The total life insurance premium grew from N.T.\$ 9.7 billion to N.T.\$ 145.5 billion, at an increase of 15.0 times, over the same period.

To liberalize its insurance market, to safeguard the interests of the insured and to strengthen the supervision of the insurance industry, the Territory is drafting an amendment to its current Insurance Law. The amendment will set criteria for local and foreign insurance license seekers.

6. FISCAL POLICY

The goal of the Territory's fiscal policy has been to promote economic growth, full utilization of national resources and equitable distribution of wealth.

During the 1950s, the Government experienced financial difficulties and was forced to borrow from supranational institutions and other foreign banking groups. The Territory therefore adopted a balanced-budget policy. Government expenditure was set to equal projected revenue.

However, since fiscal year 1964, government revenue has steadily increased with the growing economy. As a result, the government budget has greatly expanded to meet the development needs of the economy. Since fiscal year 1971, the Government has been able to repay the loans required during 1950s when the budgets were in deficit.

In recent years, the Territory has carried out a series of measures, including many public development projects, in an effort to stimulate private investment and to expand domestic demand. Such measures will lead to an increase of imports and a reduction of its trade surplus. Most of those development projects will be financed by issuing government bonds, and thus absorb excess liquidity in the market place.

In the future, the government budget will be set more closely by the Government's growing policy needs rather than budget balancing and will work for the Territory's future economic stability and national development.

The Territory's taxation system is composed of many, rather than a single, tax regulations. Taxes are classified into national taxes and local taxes (provincial, county or city taxes). The income tax includes an individual income tax which is collected under five progressive rates with 6 percent as the minimum, and a business income tax whose rates are 0, 15, and 25 percent. Business taxes are divided into a value-added tax and a gross business receipt tax. Except for small traders, financial institutions and night clubs, which pay their business taxes in accordance with their gross revenue, all other businesses are required to pay a 5-percent value-added business tax.

The main objective of the Territory's tax policy is to strengthen direct tax collection (especially the income tax), to improve the tax system, to broaden the tax base, and to adjust the tax burden.

Foreign residents and foreign company branches in the Territory are granted national treatment in terms of tax rates and tax payments.

7. FOREIGN INVESTMENT POLICY

The Territory has adopted a liberal and open policy towards direct foreign investments in the Territory.

Necessary regulations have been enacted and measures taken to encourage direct foreign investment.

The Industrial Development and Investment Center (IDIC) of the Ministry of Economic Affairs is in charge of investment promotion and serves as a bridge to assist prospective foreign investors, while the Investment Commission of the Ministry is responsible for the screening and approval of foreign investments. During the past few years, IDIC has also promoted outward investments.

(1) Inward Investment

According to the Statute for Investment by Foreign Nationals, foreign nationals may invest directly in most industries upon approval by Investment Commission. The Territory protects following rights of foreign investors:

(a) All foreign investing enterprises are entitled to the same incentive measures as their local counterparts.

(b) Foreign investors can hold 100 percent of the shares of their manufacturing enterprises in the Territory.

(c) There are no remittance restrictions on income and profits derived from their investments in the Territory.

(d) There are no remittance restrictions on the sale of shares or on the termination of investment.

(e) There are no local content requirements for foreign companies except in automobile and motorcycle manufacturing.

(2) Outward Investment

The Territory also encourages outward investment. Since the relaxation of foreign exchange controls and the promulgation of "Regulations Concerning the Screening and Handling of Outward Investment and Outward Technical Cooperation Projects" in 1987, outward investments have become more evident and played an increasingly important role in the economic development of South East Asia.

(3) Future Directions

The Territory is determined to:

(a) Continue to maintain a good investment environment by streamlining the existing rules and regulations, and reducing unnecessary administrative procedure.

(b) Seek to introduce foreign high-technology and advanced management expertise in order to improve the local economic structure and to promote economic growth.

(c) Encourage local investors to increase their overseas investments to help capital formation and to increase employment in the Third World countries.

8. GOVERNMENT PROCUREMENT

The Territory's government procurement is classified into two categories: domestic purchases and overseas purchases. Both have to comply with the pertinent provisions of the Law of Audit.

Under the Law of Audit, procurement can be made by open tender, restricted tender or negotiation. If the budget of a purchase reaches a certain amount prescribed by the Ministry of Audit, the purchase must be conducted by open tender unless otherwise approved. At present the prescribed amount is N.T.\$ 50 million (about U.S.\$ 1.92 million).

Apart from the Law of Audit, the Territory has also set down guidelines for centralized procurement of foreign goods. According to the guidelines, an overseas procurement by central government agencies with a budget exceeding the prescribed amount shall be entrusted to the Central Trust of China (CTC) for handling in accordance with CTC's standard operating procedures.

However, the centralized procurement system has been modified to provide for the following exceptions:

- (1) Overseas procurement below the prescribed amount can be conducted by the end-user.
- (2) All public colleges, universities and public institutes for academic research and training may buy supplies by themselves for the purpose of teaching or educational research.
- (3) All military supplies shall be handled according to specific procedures by military agencies.
- (4) If special permission is granted by the government, the end-user may handle its own overseas procurement.

9. STATE ENTERPRISES

There are 10 state enterprises and a few provincial enterprises which conduct transactions in international markets. The purpose of these state enterprises is to stabilize supply and prices of raw materials or industrial inputs, or to develop certain strategic industries. Some of these enterprises enjoy a monopoly position or have the exclusive right to import certain products and raw materials.

After an assessment made in 1987, the government, based on efficiency considerations, has initiated privatizing programs for China Steel Corporation, China Shipbuilding Corporation, China Petrochemical Development Corporation, Taiwan Machinery Manufacturing Corporation and BES Engineering Corporation.

The Territory also lifted its exclusive right to operate petrol filling stations, allowed the importation and free selling of wine, beer and cigarettes by private companies and approved the application lodged by Formosa Plastic Corporation to set up the sixth naphtha cracker. All these measures are to introduce competition into markets and to increase efficiency for public enterprises.

State enterprises are encouraged to make purchases or sales solely in accordance with commercial considerations.

10. COMPETITION POLICY AND CONSUMER PROTECTION

In order to maintain open competition, to promote the stability and prosperity of the economy, and to protect consumers' interests, the Fair Trade Law was passed by Legislative Yuan in January 1991 and will come into force on February 4, 1992.

The law is designed to prohibit enterprises from engaging in unfair trade practices which undermine the competition and impair the market mechanism. It also set out provisions regarding monopoly behavior, combination, concerted actions, multilevel sales and other matters relating to unfair trade practices.

The Fair Trade Committee shall be established under the supervision of the Executive Yuan to enforce the law and to investigate and handle violations of the provisions.

The Territory is also drafting a Consumer Protection Law to protect consumers' interests.

11. INTELLECTUAL PROPERTY RIGHTS PROTECTION

Protection of intellectual property rights has been a long-established policy of the Territory. Both the government and industry cooperate for effective protection of intellectual property rights, including the level of protection and enforcement. These efforts can be outlined as follows:

(1) Copyright Protection

The Copyright Law was amended on July 10, 1985 to broaden the list of copyrightable subject matters to include, among others, computer programs, scientific-technological or engineering drawings. It also imposes heavier penalties on infringements and extends the term of protection to a minimum of 30 years. In addition, the Law accords protection to foreign copyright owners on the basis of reciprocity.

The Territory is amending the Law again to meet the criteria of Bern Convention. A draft amendment has been submitted to Legislative Yuan in December 1990. The bill, if enacted, shall provide the same advanced level of copyright protection as those of developed economies.

(2) Trademark Protection

The Territory's Trademark Law was amended on November 29, 1985. The penalties for infringements were made stiffer by imposing up to five years' imprisonment. The Law was further amended on May 26, 1989 to stipulate that infringing goods should be seized regardless of ownership. It also accords national treatment, on a reciprocal basis, to foreign trademark owners.

(3) Patent Protection

The Patent Law was amended on December 24, 1986 to bring it up to date with industrial and technological developments. The amendment broadened the scope of patentable items to include chemicals and pharmaceuticals and afforded greater remedies to patent holders. The government is in the process of drafting further amendments to the Law, taking

into consideration future trends in patent protection in other countries and the applicability of the Law. The Territory grants national treatment to foreign patent owners on a reciprocal basis.

12. LABOR POLICY

With small and densely-populated islands that are relatively poor in natural resources, the Territory could not have achieved economic development unless its human resources had been sufficiently and adequately developed. To this end, labor policy plays an important role.

The Territory's labor policy is designed to meet the challenge brought upon by its economic development and to protect labor rights as well.

The Territory provides constitutional protection for the rights of workers including the rights to work in fair conditions, to form unions, to engage in collective bargaining and to strike without violation of regulations and laws.

13. SMALL AND MEDIUM ENTERPRISE POLICY

Small and medium enterprises are the backbone of the Territory's economy and have contributed to the equitable distribution of wealth.

The Territory focuses on a balanced development between large firms and small and medium enterprises. However, as the latter are thought to be less resourceful than the former, the Territory tends to exert its efforts to help them grow steadily. In February, 1991, the Territory promulgated "the Statute for the Development of Small and Medium Enterprises" and will take the following measures to improve the investment environment for them:

- (1) Providing market information
- (2) Promoting the rationalization of management
- (3) Encouraging technical cooperation
- (4) Facilitating access to production resources, such as land, capital and labor force
- (5) Education and training of competent personnel
- (6) Promotion of mutual cooperation

14. SCIENCE AND TECHNOLOGY POLICY

Recognizing that technological progress is the key to future development and a prerequisite for the success in the market place, the Territory is making great efforts in research and technological development. The Territory has also identified the following areas as new and promising industries deserved of major focuses of attention: telecommunications industry, information industry, consumer electronics industry, semiconductors industry, precision machinery and automation industry, aerospace industry, advanced materials industry, specialty chemicals and pharmaceuticals industry, medical and health care industry and pollution control industry. Eight key technologies to support the development of above mentioned new and promising industries are: optoelectronics, information software, industrial automation, applies materials technology, advanced sensing technology, biotechnology, resource development and energy conservation.

15. THE INTERNATIONAL ECONOMIC COOPERATION DEVELOPMENT FUND

The purpose of the establishment of the International Economic Cooperation Development Fund is to strengthen international economic cooperation through joint efforts with developing countries. The authorized capital of the Fund is U.S.\$ 1.1 billion. The Fund is used to provide soft loans and technical assistance to those developing countries which are friendly to the Territory. Since its establishment on 5 October, 1988, the Fund has reviewed 83 applicants from 29 countries and four international organizations and has approved 18 applications as of December 31, 1991.

16. TRANSPORT POLICY

The Territory's transport policy is to provide a safe and comfortable, convenient and rapid as well as economical transport environment for its people and economic development. The Territory has deregulated most of its domestic air and inland transport service and is willing to exchange landing rights with other countries.

17. TELECOMMUNICATION POLICY

The Directorate General of Telecommunications is currently both a provider and administrator of telecommunications services. The Territory is now in the process of amending its Telecommunications Law to clearly separate the regulatory and operational functions of the Telecommunications Administration to create a more competitive environment. The Territory is considering to allow foreign participation in its value-added networks (VANs) and other non-reserved services in the telecommunications sector.

18. MULTILATERAL ECONOMIC COOPERATIONS

The Territory is eager to participate, on reciprocal and mutually advantageous basis, all multilateral and regional cooperations which are aimed at advancing the cause of free trade and a liberal investment climate, assisting economic development, raising standards of living, ensuring full employment, supporting sustained growth, developing full use of world resources and mutually reinforcing with GATT system. The Territory is also willing to contribute to multilateral efforts in assisting the economic development of developing countries.

For these reasons, the Territory participated actively in all OECD dialogues and workshops with Dynamic Asian Economies (DAEs) since 1990, joined the Asia-Pacific Economic Cooperation (APEC) in November 1991, provided funds to European Bank for Reconstruction and Development (EBRD) and Central American Bank in September and October 1991.

The Territory is equally concerned and care about the environmental and national protection and would like to join in international efforts to promote such goals. The Territory respects the letters and spirits of Montreal Protocol.

The Territory is also an observer of South Pacific Forum.

IV. TRADE LAWS AND REGULATIONS, ORGANIZATIONS AND PUBLICATIONS

1. LAWS AND REGULATIONS AND RESPONSIBLE AGENCIES CONCERNING CUSTOMS ADMINISTRATION

Major tariff regulations include (1) the Customs Law and (2) the Enforcement Rules for the Customs Laws (3) the Implementing Regulation on the Imposition of Countervailing Duties & Anti-dumping Duties.

The Department of Customs Administration of the Finance Ministry is responsible for establishing customs systems and drawing up tariff regulations; the Inspectorate General of Customs (IGC) is charged with the collection of customs tariffs.

2. REGULATIONS AND RESPONSIBLE BODY CONCERNING IMPORT AND EXPORT LICENSING

The Board of Foreign Trade (BOFT) of the Ministry of Economic Affairs is the administration and policy formulation body on all external trade matters and is responsible for import and export licensing.

Currently, imports are handled in accordance with the "Guidelines for Screening Imported Goods" and the "Regulations Governing Import Applications" compiled by the Ministry of Economic Affairs.

The existing major regulations governing exports are: the Basic Rules for Screening Exported Commodities; the Measures for Management of Exporters and Importers; and the Regulations Governing Export Applications.

The BOFT is now drafting the Regulations for Management of Exported and Imported Goods under the Trade Bill now in legislative process, which will integrate the major contents of the above-mentioned regulations in order to meet GATT requirements.

3. REGULATIONS GOVERNING FOREIGN INVESTMENT AND RESPONSIBLE AGENCIES

The major regulations governing foreign investment are:

- (1) Statute for Investment by Foreign Nationals (Ministry of Economic Affairs);
- (2) Statute for Investment by Overseas Chinese (MOEA);
- (3) Regulations governing the Screening and Handling of Outward Investment and Outward Technical Cooperation Projects (MOEA);
- (4) Statute for Establishment and Management of Export Processing Zones (MOEA);
- (5) Enforcement Rules of Statute for the Establishment and Administration of Science-based Industrial Parks (National Science Council);
- (6) The Negative Lists for Investment by Overseas Chinese and Foreign Nationals (MOEA).

The Investment Commission of the Ministry of Economic Affairs is the major government agency responsible for screening foreign and overseas Chinese investment projects and the Industrial Development and Investment Center (IDIC) of the Ministry is responsible for the administration of related investment activities.

4. PUBLICATIONS RELATED TO FOREIGN TRADE STATISTICS

- (1) The Republic of China Statistics Yearbook (by Directorate General of Budget, Accounting and Statistics, Executive Yuan);
- (2) The Republic of China Statistics Monthly (by DGBAS);
- (3) The Republic of China Statistics Handbook (by DGBAS);
- (4) The Republic of China Export-Import Statistics Monthly (by Ministry of Finance);
- (5) Customs Import Tariff and Classification of Import and Export Commodities of the Republic of China (by IGC, MOF and BOFT, MOEA);
- (6) The China Import-Export Statistics Yearbook (the Taiwan area) (by IGC);

- (7) The Republic of China Import-Export Statistics Monthly (by IGC);
- (8) The Bulletin of Statistics of Banks' Foreign Exchange Transactions in Imports and Exports (by Central Bank of China);
- (9) Taiwan Statistical Data Book (by Council for Economic Planning and Development);
- (10) Balance of Payments, Taiwan District, the Republic of China (by CBC).

ANNEX

LIST OF BILATERAL TRADE AGREEMENTS

A. North America

The United States¹

Treaty of Friendship, Commerce and Navigation with Accompanying Protocol, November 1946.

Exchange of Notes between the Government of the Republic of China and the Government of the United States of America, Concerning an Agreement on Trade Matters, December 1978.

Exchange of Letters between the Coordination Council for North American Affairs and the American Institute in Taiwan Concerning an Agreement on MTN Consultations, October 1979.

Agreement on Tariff Concessions between the Parties Represented by American Institute in Taiwan and Coordination Council for North American Affairs, December 1981.

1. Taiwan Relations Act 1979 of the United States authorizes "the continuation of commercial, cultural, and other relations" with Taiwan. It stipulates that the absence of diplomatic relations or recognition shall not affect the application of the laws of the United States with respect to Taiwan, and the laws of the United States shall apply with respect to Taiwan in the manner that the laws of the United States applied with respect to Taiwan prior to January 1, 1979. "For all purposes, including actions in any court in the United States, the Congress approves the continuation in force of all treaties and other international agreements, including multilateral conventions, entered into by the United States and the governing authorities on Taiwan recognized by the United States as the Republic of China prior to January 1, 1979". The Act also authorizes the US Government "to enter into, perform, enforce, or have in force an agreement or transaction relative to Taiwan" through the American Institute in Taiwan (AIT). An authorization has also been given on Taiwan side to the Coordination Council for North American Affairs (CCNAA) to enter into, perform, and enforce agreements with the AIT.

Exchange of Letters between CCNAA and AIT Concerning the Export Performance Requirement Affecting Investment in the Automotive Sector, October 1986.

Agreement between CCNAA and AIT Concerning Trade in Certain Machine Tools, December 1986.

Agreement between CCNAA and AIT Concerning Beer, Wine and Cigarettes, January 1987.

Agreement for the Reciprocal Exemption from Income Tax of Income Derived from the International Operation of Ships and Aircraft between the CCNAA and the AIT, May 1988.

Memorandum of Understandings between the American Institute in Taiwan and the Coordination Council for North American Affairs, March 1989. (concerning turkey meat imports)

Agreement Concerning the Protection and Enforcement of Rights in Audio-Visual Works between the Coordination Council for North American Affairs and the American Institute in Taiwan, May 1989.

Exchange of Letters between the CCNAA and the AIT regarding the High Seas Driftnet Fishing in the North Pacific Ocean, August 1989.

Exchange of Letters concerning Copyright Agreement between the CCNAA and the AIT, June 1990.

Exchange of Letters concerning the Textile Agreement between the CCNAA and the AIT, September 1990.

Agreement for the Exchange of Air Transport Equipment and Service Information, November 1990.

Canada

Memorandum on Air Services, October 1990.

B. Asia

Japan

Agreement for the Establishment of Overseas Office between the Association of East Asian Relations and the Interchange Association, December 1972. (translated from Chinese and Japanese)

Agreement for the Maintenance of Civil Air Business between the Association of East Asian Relations and the Interchange Association, July 1975. (translated from Chinese and Japanese)

Agreed Minutes of the Economic and Trade Conferences between the Association of East Asian Relations and the Interchange Association, 1975 to 1990.

Agreement for the Reciprocal Exemption from Taxes on Income Derived from the Operation of International Sea and Air Transport between the Association of East Asian Relations and the Interchange Association, September 1990. (translated from Chinese and Japanese)

Saudi Arabia

Memorandum of Understanding Amending the Annex of the Air Transport Agreement between the Republic of China and the Kingdom of the Saudi Arabia, May 1986.

Technical Cooperation Program between the Saudi Arabian Standards Organization (SASO) and the Chinese Bureau of Commodity Inspection & Quarantine (B.C.I.Q.), August 1988.

Korea

Trade Agreement between the Government of the Republic of China and the Government of the Republic of Korea, March 1961.

Agreement for the Reciprocal Exemption from Taxes on Revenue or Income Derived from the Operation in International Traffic of Ships or Aircraft between the Governments of the Republic of China and the Republic of Korea, July 1972.

Air Transport Agreement between the Government of the Republic of China and the Government of the Republic of Korea, November 1990.

Agreement between the Government of the Republic of China and the Government of the Republic of Korea on ATA Carnet, November 1990.

Singapore

Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income between Department of Taxation, Ministry of Finance, Republic of China and Inland Revenue Commission, Ministry of Finance, Republic of Singapore, December 1981.

Memorandum of Understanding on Scientific and Technological Cooperation between the Science Council of Singapore and the National Science Council of the Republic of China, January 1982.

Agreement on Exchange of Traffic Rights between the Civil Aeronautics Administration of the Republic of China and the Civil Aviation Authority of Singapore, October 1989.

Agreement between the Board of Foreign Trade in Taipei and the Trade Development Board in Singapore for the Temporary Admission of Goods, April 1990.

Agreement between the Industrial Development & Investment Center in Taipei and the Economic Development Board in Singapore on the Promotion & Protection of Investments, April 1990.

Thailand

Agreement for the Reciprocal Exemption from Taxes on Income Derived from the Operation of International Air Transport, June 1984.

Memorandum of Understanding between China Airlines Limited and Thai Airways International Limited concerning the Exchange of Traffic Rights, July 1987.

Memorandum of Understanding between Thai Airways International Ltd. and China Airlines Ltd. concerning the Handling of Travel Documents and the Promotion of Economic Activities and Tourism, July 1987.

Cooperation Agreement between the Federation of Thai Industries and the Chinese National Association of Industry and Commerce, January 1989.

Memorandum of Understanding between China Airlines Ltd. and Thai Airways International Ltd., April 1990.

Memorandum of Understanding between Evergreen Airways Corporation and Thai Airways International Limited, October 1990.

Indonesia

Agricultural Technical Cooperation Agreement between the Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei, October 1985.

Memorandum between the Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei for Extension and Amendment to the Agreement on Agricultural Technical Cooperation in East Java, November 1986.

Sino-Indonesian Fishing Cooperation Agreement, June 1987.

Agreement of Air Service between Chamber of Commerce of China, Jakarta, and Chamber of Commerce of Indonesia, Taipei, November 1988.

The Extension to the Agricultural Technical Cooperation Agreement between the Chinese Chamber of Commerce to Jakarta and the Indonesian Chamber of Commerce to Taipei, October 1988.

Air Services Agreement between the Taipei Economic and Trade Office and the Indonesian Chamber of Commerce to Taipei, November 1989.

Agreement between the Taipei Economic and Trade Office and the Indonesian Chamber of Commerce in Taipei for the Promotion and Protection of Investment, December 1990.

The Philippines

Memorandum of Agreement between China Airlines Ltd. and Philippine Airlines Inc., April 1990.

Bahrain

Agreement of Agricultural Technical Cooperation between the Government of the Republic of China and the Government of the State of Bahrain, February 1987.

The United Arab Emirates

Agreement on Exchange of Traffic Rights between the Civil Aeronautics Administration of the Republic of China and the Department of Civil Aviation of The United Arab Emirates, January 1990.

Lebanon

Agreement between China Airlines Limited and Trans-Mediterranean Airways S. A. L. concerning the Exchange of Traffic Rights, June 1987.

C. Oceania

Australia

Fishery Agreement between the Government of Australia and Kaoshing Kailis Fishing Company, November 1979.

Tonga

Fishery Agreement between the Government of the Republic of China and the Government of Kingdom of Tonga, October 1980.

Tuvalu

Fishery Agreement between the Government of the Republic of China and the Government of Tuvalu, November 1981.

Solomon Islands

Fishery Agreement between the Government of the Republic of China and the Government of Solomon Islands, October 1983.

Agreement of Technical Cooperation between the Government of the Republic of China and the Government of Solomon Islands, December 1989.

Marshall Islands

Fishery Agreement between the Government of the Republic of China and the Government of Marshall Islands, October 1982.

Memorandum for Continuing the Agreement of Technical Cooperation between the Government of the ROC and the Government of the Republic of the Marshall Islands, February 1988.

Cook Islands

Agreement between the Government of the Cook Islands and the Taiwan Deep Sea Tuna Boat Owners and Exporters Association concerning the Licensing of Fishing Vessels of the Association to Fish within the Exclusive Economic Zone of the Cook Islands, January 1988.

Kiribati

Fishery Agreement between Overseas Fisheries Development Council and the Government of the Republic of Kiribati, March 1980.

Papua New Guinea

Agreement of Agricultural Technical Cooperation between the Government of the Republic of China and the Government of Papua New Guinea, September 1990.

Nauru

Agreement of Exchange of Traffic Rights between the Civil Aeronautics Administration of the Republic of China and the Civil Aviation Authority of the Republic of Nauru, March 1988.

Palau

Exchange of Notes for the Agreement on Technical Cooperation between the Government of the Republic of China and the Government of the Republic of Palau, December 1988.

Fiji

Agreement of Technical Cooperation between the Government of the Republic of China and the Government of the Republic of Fiji, April 1990.

Agreement of Technical Cooperation on Sugar Industry between the Government of the ROC and the Government of the Republic of Fiji, April 1990.

D. Europe²

2. The European Parliament adopted a resolution on "Trade with Taiwan" (Doc. 2-1765/84, PV 23 II, PE 99.454, p.30) in which the European Parliament, "believes that the Community cannot neglect the economic importance of Taiwan and should take full advantage of developing commercial and economic relations; urges the Commission to improve the existing commercial and economic relations with Taiwan and therefore to ensure that Taiwan is informed of planned trade measures and is treated in a comparable manner to other Far Eastern trading partners"; "Also suggests that consideration be given as to how to integrate Taiwan into the obligations and responsibilities of an advanced trading partner within the international economic system with particular regard to the mutual observation of internationally accepted agreements regulating fair-trading practices such as the GATT and the ILO; asks, in the interests of furthering the reciprocity of trade and industrial contacts to the common benefit, that business and in-

Protocol on Income Tax Exemption on Shipping Enterprises between Taipei Economic and Cultural Office, Brussels, Belgium and Eurochambers, Association of European Chambers of Commerce and Industry, August 1990.

Agreement (and Protocol) on the Organization of a System of International Customs Deposits with China-Taiwan for the Temporary Admission of Goods between China External Trade Development Council and the Association of European Chambers of Commerce and Industry, March 1991.

The Netherlands

Protocol Concerning Income Tax Exemption on Shipping Enterprises Between the Far East Trade Office, the Hague and the Dutch/Chinese Committee for Economic Cooperation of the Joint Business Council, the Hague, June 1989.

Luxembourg

Agreement between the Department of Taxation of the Ministry of Finance of the Republic of China and the Tax Administration of the Ministry of Finance of the Grand-Duchy of Luxembourg for the Reciprocal Exemption from Taxes on Revenues or Income Derived from the Operation of International Air Transport, March 1985.

Sweden

Protocol on Income Tax Exemption on Shipping Enterprises between the Taipei Trade Tourism and Information Office, Stockholm and the Swedish Trade Council, September 1990.

Germany

Protocol concerning Income Tax Exemption on Shipping Enterprises between Far East Information, Bonn Office and Taiwan Committee of the German Economy, August 1988.

dustrial relations should be facilitated and improved by simplifying existing procedure"

Norway

Protocol on Income Tax Exemption on Shipping Enterprises between Taipei Trade Center, Oslo and Norwegian Trade Council, June 1991.

Austria

Agreement concerning the Establishment of Scheduled Airlinks between Vienna International Airport and Taipei International Airport, September 1990.

Spain

Acuerdo preliminar de Cooperacion Bilateral entre la Asociacion de Importadores y Exportadores de Taipei de la Republica de China la Camara Oficial del Comercio e Industria de Navarra de Espana, March 1991.

E. Africa

South Africa

Trade Agreement between the Government of the Republic of China and the Government of the Republic of South Africa, February 1975.

Fishery Agreement between the Government of the Republic of China and the Government of the Republic of South Africa, January 1978.

Agreement for the Reciprocal Exemption from Taxes on Income Derived from the Operation of Sea and Air Transport between the Government of the Republic of China and the Government of the Republic of South Africa, March 1980.

Rules of Procedure for the Exchange of Scientists in Accordance with the Agreement of Agricultural Scientific and Technological Cooperation between the Republic of China and the Republic of South Africa, April 1988.

Maize Trade Agreement between Board of Foreign Trade, Ministry of Economic Affairs, Republic of China and Maize Board, Republic of South Africa, May 1989.

Agreement for the Exchange of Plant Material between the Council of Agriculture of the Republic of China and the Department of Agricultural Development of the Republic of South Africa, January 1990.

Mauritius

Agreement on Agricultural Technical Cooperation between the Trade Mission of the Republic of China to Mauritius and the Rose Belle Sugar Estate Board of Mauritius, November 1989.

Lesotho

Agreement on Agricultural Technical Cooperation between the Government of the Republic of China and the Government of the Kingdom of Lesotho, June 1990.

Guinea-Bissau

Acordo Geral de Cooperacao Economica Cientifica e Tecnica enter o Governo da Republica da China e o Governo da Republica da Guine-Bissau, October 1990.

Swaziland

Exchange of Notes for the Extension of the Agreement on Agricultural Technical Cooperation between the Republic of China and the Kingdom of Swaziland, April 1987.

F. Latin America

Guatemala

Convenio Comercial entre el Gobierno de la Republica de China y el Gobierno de la Republica de Guatemala, April 1979.

Canje de Notas entre la Republica de China y la Republica de Guatemala Relacionadas a la Extension del Acuerdo de Cooperacion Tecnica-Minera de Pesca, March 1990.

Costa Rica

Convenio Comercial entre la Republica de China y la Republica de Costa Rica, November 1964.

Dominican

Acuerdo Comercial entre la Republica de China y la Republica Dominicana, October 1964.

Acuerdo entre la Republica de China y la Republica Dominicana Para la Creacion de un Proyecto Piloto Para la Crianza de Camarones Marinos, November 1988.

Canje de Notas entre la Republica de China y la Republica Dominicana Relacionadas a la Extension del Agregado Adicional al Acuerdo de Cooperacion Tecnica, December 1989.

Dominica

Agreement of Cooperation on Agricultural Technology between the ROC and the Commonwealth of Dominica, June 1989.

El Salvador

Acuerdo Comercial entre la Republica de China y la Republica de El Salvador, October 1964.

Canje de Notas entre la Republica de China y la Republica de El Salvador Relacionadas a la Extension del Acuerdo de Cooperacion Tecnico-Agricola, January 1988.

Honduras

Acuerdo Comercial entre la Republica de China y la Republica de Honduras, November 1964.

Canje de Notas entre la Republica de China y la Republica de Honduras Relacionadas a la Extension del Acuerdo de Cooperacion Tecnica-Pesquera, November 1988.

Convenio de Asistencia Tecnica y Cooperacion Agropecuaria entre la Republica de China y la Republica de Honduras, December 1989.

Panama

Convenio Comercial entre la Republica de China y la Republica de Panama, April 1981.

Canje de Notas entre la Republica de China y la Republica de Panama Relacionadas a la Extension del Acuerdo de Cooperacion Tecnica, November 1989.

Canje de Notas Relacionadas a la Extension del Acuerdo de Cooperacion Tecnica de Pesca entre la Republica de China y la Republica de Panama, August 1990.

Paraguay

Tratado de Comercio y de Cooperacion Economica entre la Republica de China y la Republica del Paraguay, May 1962.

Acuerdo Para el Establecimiento de Proyectos de Desarrollo Integrado en Asentamientos Rurales entre la Republica de China y la Republica del Paraguay, October 1989.

Haiti

Accord de Commerce entre la Republique de Chine et la Republique d'Haiti, July 1974.

Exchanges de Notes entre la Republique de Chine et la Republique d'Haiti concernant la prorogation de l'accord de la Cooperation Technique Agricole, October 1986.

Ecuador

Convenio de Cooperacion Tecnica entre el Consejo de Agricultura del Yuan Ejecutivo de la Republica de China y el Ministerio de Defensa Nacional de la Republica del Ecuador, February 1990.

St. Kitts & Nevis

Exchange of Notes for the Extension of the Agreement on Agricultural Technical Cooperation between the Republic of China and the Government of St. Kitts and Nevis, April 1989.

St. Lucia

Addendum to Agreement on Agricultural Technical Cooperation between the Government of the Republic of China and the Government of St. Lucia, May 1990.

St. Vincent

Exchange of Notes for the Extension of the Agreement on Technical Cooperation in Agriculture between the Republic of China and St. Vincent, August 1990.

Uruguay

Canje de Notas entre la Republica de China y la Republica Oriental del Uruguay Relacionadas a la Extension y Ampliacion del Acuerdo de Cooperacion Tecnico-Agricola, February 1987.

Bahamas

Agreement of Agricultural Technical Cooperation between the Government of the Republic of China and the Government of the Commonwealth of the Bahamas, March 1990.

Belize

Agreement on Agricultural Technical Cooperation between the Government of the Republic of China and the Government of Belize, October 1990.

Grenada

Agreement on Agricultural Technical Cooperation between the Government of the Republic of China and the Government of Grenada, February 1991.

Table 1 Gross National Product

Unit: US\$ Million

Period	At Current Prices		At Constant Prices of 1986
	Amount	Growth Rate (%)	Growth Rate (%)
(1952-1959)	1,617	19.63	8.24
(1960-1969)	2,887	14.30	9.10
(1970-1979)	16,094	19.79	10.17
(1980-1989)	76,934	12.74	8.18
1985	63,097	6.19	5.55
1986	77,299	16.33	12.57
1987	103,200	12.41	11.87
1988	125,316	9.01	7.84
1989	150,283	10.70	7.33
1990	161,728	9.59	5.29

Source: "Quarterly National Economic Trends, Taiwan Area"
 Directorate-General of Budget, Accounting and
 Statistics (DGBAS)

Table 2

Per Capita GNP

Unit: US\$

Period	Per Capita GNP
1965	217
1970	389
1975	964
1980	2,344
1981	2,669
1982	2,653
1983	2,823
1984	3,167
1985	3,297
1986	3,993
1987	5,275
1988	6,333
1989	7,512
1990	7,997

Source: Same as Table 1

Table 3 Annual Changes in Prices
previous year = 1

Period	Wholesale prices (%)	Consumer prices (%)
1960s	3.10	4.80
1970s	8.20	8.90
1980s	1.50	6.30
1985	-2.60	- 0.17
1986	-3.34	0.70
1987	-3.25	0.52
1988	-1.56	1.28
1989	-0.38	4.41
1990	-0.61	4.13

Source: Same as Table 1

Table 4 Unemployment Rate

Period	Unemployment rate(%)
1960s	3.30
1970s	1.66
1980	1.23
1981	1.36
1982	2.14
1983	2.71
1984	2.44
1985	2.91
1986	2.66
1987	1.97
1988	1.69
1989	1.56
1990	1.67

Source: Same as Table 1

Table 5 Distribution of Personal Income by Household

Unit: %

Households divided into five groups of equal size	1964	1974	1980	1985	1986	1987	1988	1989	1990
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Lowest fifth	7.71	8.84	8.82	8.37	8.30	8.11	7.89	7.70	7.45
Second fifth	12.57	13.49	13.90	13.59	13.51	13.5	13.43	13.50	13.22
Third fifth	16.62	16.99	17.70	17.52	17.38	17.53	17.55	17.72	17.51
Fourth fifth	22.03	22.05	22.78	22.88	22.65	22.82	22.88	23.07	23.22
Highest fifth	41.07	38.63	36.80	37.64	38.16	38.04	38.25	38.01	38.60
Ratio of highest fifth's income to lowest fifth's	5.33	4.37	4.17	4.50	4.60	4.69	4.85	4.94	5.18

Source : 1. "Taiwan Statistical Data Book 1990"
 Council for Economic Planning and Development
 2. "Quarterly National Economic Trends, Taiwan Area"
 DGBAS

Table 6 Foreign Exchange Rate

End of Month	U.S.\$1.00 =N.T.\$
Dec. 1961	40.05
Dec. 1962	40.05
Dec. 1963	40.05
Dec. 1964	40.05
Dec. 1965	40.05
Dec. 1966	40.05
Dec. 1967	40.05
Dec. 1968	40.05
Dec. 1969	40.05
Dec. 1970	40.05
Dec. 1971	40.05
Dec. 1972	40.05
Dec. 1973	38.00
Dec. 1974	38.00
Dec. 1975	38.00
Dec. 1976	38.00
Dec. 1977	38.00
Dec. 1978	36.00
Dec. 1979	36.03
Dec. 1980	36.28
Dec. 1981	37.84
Dec. 1982	39.91
Dec. 1983	40.27
Dec. 1984	39.47
Dec. 1985	39.85
Dec. 1986	35.50
Dec. 1987	28.55
Dec. 1988	28.17
Dec. 1989	26.17
Dec. 1990	27.11
Dec. 1991	25.75

Source: "Financial Statistics Monthly
Taiwan District"
The Central Bank of China (CBC)

Table 7

Money Supply

End of Year	Money Supply (M1B*)		Money Supply (M2)	
	M1B (NT\$ Million)	Annual Growth(%)	M2 (NT\$ Million)	Annual Growth(%)
1961	7,699	-	16,718	-
1962	8,086	5.0	19,041	13.9
1963	10,355	28.1	24,843	30.5
1964	13,979	35.0	32,341	30.2
1965	16,194	15.8	37,350	15.5
1966	18,170	12.2	44,572	19.3
1967	23,637	30.1	54,875	23.1
1968	26,360	11.5	61,706	12.4
1969	30,472	15.6	75,068	21.7
1970	35,042	15.0	92,588	23.3
1971	45,756	30.6	119,331	28.9
1972	61,357	34.1	158,112	32.5
1973	92,268	50.4	205,157	29.8
1974	101,922	10.5	255,984	24.8
1975	131,227	28.8	327,711	28.0
1976	164,103	25.1	413,039	26.0
1977	219,188	33.6	545,213	32.0
1978	300,213	37.0	714,131	31.0
1979	323,417	7.7	782,285	9.5
1980	396,862	22.7	953,613	21.9
1981	451,560	13.8	1,131,401	18.6
1982	517,480	14.6	1,406,189	24.3
1983	612,902	18.4	1,777,608	26.4
1984	669,619	9.3	2,134,220	20.1
1985	751,469	12.2	2,633,142	23.4
1986	1,137,863	51.4	3,298,862	25.3
1987	1,568,225	37.8	4,175,021	26.6
1988	1,950,473	24.4	4,920,804	17.9
1989	2,068,759	6.1	5,671,941	15.2
1990	1,929,991	-6.7	6,231,214	9.9

Source: "Financial Statistics Monthly, Taiwan District"
The Central Bank of China

Note: * Include net currency, net checking accounts and
passbook deposits and passbook savings deposits.

Table 8

Net Domestic Product
by Kind of Activity

Unit: %

Year	Total	Agriculture	Industries	Services
1952	100.0	36.0	18.0	46.0
1953	100.0	38.3	17.7	44.0
1954	100.0	31.7	22.2	46.1
1955	100.0	32.9	21.1	46.0
1956	100.0	31.6	22.4	46.0
1957	100.0	31.8	23.9	44.3
1958	100.0	31.1	24.0	44.9
1959	100.0	30.5	25.7	43.8
1960	100.0	32.9	24.9	42.2
1961	100.0	31.6	25.0	43.4
1962	100.0	29.4	25.7	44.9
1963	100.0	26.8	28.1	45.1
1964	100.0	28.3	28.9	42.8
1965	100.0	27.4	28.6	44.0
1966	100.0	26.3	28.8	44.9
1967	100.0	23.9	30.8	45.3
1968	100.0	22.1	32.5	45.4
1969	100.0	18.9	34.6	46.5
1970	100.0	18.0	34.5	47.5
1971	100.0	14.9	36.7	48.4
1972	100.0	14.2	40.3	45.5
1973	100.0	14.1	43.8	42.1
1974	100.0	14.5	41.2	44.3
1975	100.0	14.9	39.1	46.0
1976	100.0	13.4	42.7	43.9
1977	100.0	12.5	43.4	44.1
1978	100.0	11.3	44.9	43.8
1979	100.0	10.4	45.1	44.5
1980	100.0	9.2	44.7	46.1
1981	100.0	8.7	44.4	46.9
1982	100.0	9.2	42.9	47.9
1983	100.0	8.7	43.6	47.7
1984	100.0	7.5	45.4	47.1
1985	100.0	6.8	45.3	47.9
1986	100.0	6.4	47.1	46.5
1987	100.0	6.2	47.1	46.7
1988	100.0	6.0	45.5	48.5
1989	100.0	5.7	43.0	51.3
1990	100.0	4.9	41.5	53.6

Source: Same as Table 1

Table 9 Employment by Industries

Unit: %

Period	Total	Primary Industry	Secondary Industry	Tertiary Industry
1952 Average	100.0	56.1	16.9	27.0
1953 Average	100.0	55.6	17.6	26.8
1954 Average	100.0	54.8	17.7	27.5
1955 Average	100.0	53.6	18.0	28.4
1956 Average	100.0	53.2	18.3	28.5
1957 Average	100.0	52.3	19.0	28.7
1958 Average	100.0	51.1	19.7	29.2
1959 Average	100.0	50.3	20.3	29.4
1960 Average	100.0	50.2	20.5	29.3
1961 Average	100.0	49.8	20.9	29.3
1962 Average	100.0	49.7	21.0	29.3
1963 Average	100.0	49.4	21.3	29.3
1964 Average	100.0	49.5	21.3	29.2
1965 Average	100.0	46.5	22.3	31.2
1966 Average	100.0	45.0	22.6	32.4
1967 Average	100.0	42.5	24.6	32.9
1968 Average	100.0	40.8	25.4	33.8
1969 Average	100.0	39.3	26.3	34.4
1970 Average	100.0	36.7	28.0	35.3
1971 Average	100.0	35.1	29.9	35.0
1972 Average	100.0	33.0	31.8	35.2
1973 Average	100.0	30.5	33.7	35.8
1974 Average	100.0	30.9	34.3	34.8
1975 Average	100.0	30.4	34.9	34.7
1976 Average	100.0	29.0	36.4	34.6
1977 Average	100.0	26.7	37.6	35.7
1978 Average	100.0	24.9	39.3	35.8
1979 Average	100.0	21.5	41.8	36.7
1980 Average	100.0	19.5	42.4	38.1
1981 Average	100.0	18.8	42.2	39.0
1982 Average	100.0	18.9	41.2	39.9
1983 Average	100.0	18.6	41.1	40.3
1984 Average	100.0	17.6	42.3	40.1
1985 Average	100.0	17.5	41.4	41.1
1986 Average	100.0	17.0	41.5	41.5
1987 Average	100.0	15.3	42.7	42.0
1988 Average	100.0	13.7	42.6	43.7
1989 Average	100.0	12.9	42.2	44.9
1990 Average	100.0	12.8	40.9	46.3

Source: Same as Table 1

Table 10

Foreign Trade

Period	Total Value (NT\$ Million)				Expressed in US\$ million			
	Total	Exports	Imports	Balance	Total	Exports	Imports	Balance
1952	4,001	1,468	2,533	-1,065	303	116	187	-71
1953	4,738	1,984	2,754	-770	320	128	192	-64
1954	4,755	1,451	3,304	-1,853	304	93	211	-118
1955	5,063	1,917	3,146	-1,229	324	123	201	-78
1956	7,731	2,931	4,800	-1,869	312	118	194	-76
1957	8,934	3,675	5,259	-1,584	360	148	212	-64
1958	9,466	3,861	5,605	-1,744	382	156	226	-70
1959	14,128	5,708	8,420	-2,712	388	157	231	-74
1960	16,763	5,966	10,797	-4,831	461	164	297	-133
1961	20,706	7,812	12,894	-5,082	517	195	322	-127
1962	20,909	8,735	12,174	-3,439	522	218	304	-86
1963	22,766	13,283	14,483	-1,200	694	332	362	-30
1964	34,524	17,362	17,162	200	861	433	428	5
1965	40,283	17,887	22,296	-4,409	1,006	450	556	-106
1966	46,608	21,451	24,957	-3,506	1,158	536	622	-86
1967	57,943	25,629	32,314	-6,685	1,447	641	806	-165
1968	67,790	31,568	36,222	-4,654	1,692	789	903	-114
1969	90,604	41,975	48,629	-6,654	2,262	1,049	1,213	-164
1970	120,367	59,257	61,110	-1,853	3,005	1,481	1,524	-43
1971	156,358	82,416	73,942	8,474	3,904	2,060	1,844	216
1972	220,316	119,525	100,791	18,734	5,502	2,988	2,514	474
1973	315,802	170,723	145,079	25,644	8,275	4,483	3,792	691
1974	479,113	213,718	265,395	-51,677	12,605	5,639	6,966	-1327
1975	427,928	201,468	226,460	-24,992	11,261	5,309	5,952	-643
1976	599,052	309,913	289,139	20,774	15,765	8,166	7,599	567
1977	679,078	355,239	323,839	31,400	17,872	9,361	5,811	3,550
1978	876,887	468,509	408,378	60,131	23,714	12,687	11,027	1,660
1979	1,112,227	579,299	532,928	46,371	30,877	16,103	14,774	1,329
1980	1,423,628	712,195	711,433	762	39,544	19,811	19,733	78
1981	1,608,389	829,756	778,633	51,123	43,811	22,611	21,200	1,411
1982	1,600,332	864,248	736,084	128,164	41,092	22,204	18,888	3,316
1983	1,819,326	1,005,422	813,904	191,518	45,410	25,123	20,287	4,836
1984	2,075,558	1,204,697	870,861	333,836	52,415	30,456	21,959	8,497
1985	2,024,866	1,223,019	801,847	421,172	50,828	30,726	20,102	10,624
1986	2,423,024	1,506,603	916,421	590,182	64,013	39,849	24,164	15,685
1987	2,818,755	1,705,650	1,113,105	592,545	88,569	53,612	34,957	18,655
1988	3,152,080	1,729,466	1,422,614	306,852	110,241	60,585	49,656	10,929
1989	3,130,378	1,745,105	1,385,273	359,832	118,450	66,201	52,249	13,952
1990	3,274,660	1,802,780	1,471,880	330,900	121,930	67,214	54,716	12,498

Source: "Monthly Statistics of Exports and Imports"
 Department of Statistics, Ministry of Finance

Table 11 Foreign Trade (Goods & Services)
Dependency

Unit: %

Year	EX/GNP	IM/GNP	(EX+IM)/GNP
1952	8.04	8.04	22.18
1953	8.64	8.64	22.45
1954	6.48	6.48	21.33
1955	8.26	8.26	20.84
1956	9.04	9.04	24.94
1957	9.69	9.69	24.51
1958	10.47	10.47	27.34
1959	12.72	12.72	33.72
1960	11.51	11.51	30.55
1961	14.01	14.01	35.12
1962	13.63	13.63	32.60
1963	17.94	17.94	37.03
1964	19.98	19.98	39.20
1965	19.36	19.36	41.72
1966	21.86	21.86	43.44
1967	22.19	24.24	46.43
1968	24.35	27.21	51.56
1969	26.91	27.64	54.55
1970	30.37	30.42	60.79
1971	35.58	33.12	68.70
1972	42.25	36.01	78.26
1973	47.22	41.92	89.14
1974	43.94	51.69	95.63
1975	39.86	43.15	83.01
1976	47.85	45.68	93.53
1977	49.22	44.32	93.54
1978	52.50	46.04	98.54
1979	53.30	52.17	105.47
1980	52.61	53.80	106.41
1981	52.20	50.15	102.35
1982	50.15	45.00	95.15
1983	52.98	44.35	97.33
1984	55.63	44.54	100.17
1985	53.33	39.75	93.08
1986	56.69	37.38	94.07
1987	56.41	39.34	95.75
1988	53.40	42.63	96.03
1989	49.22	41.57	90.79
1990	46.53	40.69	87.22

Source: Same as Table 1

Table 12 Composition of Exports

Unit: US\$ Million

Year	Industrial Products		Processed Agricultural Products		Agricultural Products		Total Exports
	Amount	%	Amount	%	Amount	%	
1952	9.5	8.1	81.3	69.8	25.7	22.1	116.5
1956	20.1	17.0	76.3	64.5	21.9	18.5	118.3
1961	79.8	40.9	86.5	44.3	28.9	14.8	195.2
1966	295.2	55.1	134.8	25.1	106.3	19.8	536.3
1967	394.8	61.6	148.7	23.2	97.2	15.2	640.7
1968	539.7	68.4	161.7	20.5	87.8	11.1	789.2
1969	776.4	74.0	174.9	16.7	98.1	9.3	1,049.4
1970	1,164.7	78.6	190.0	12.8	126.7	8.6	1,481.4
1971	1,666.9	80.9	230.5	11.2	163.0	7.9	2,060.4
1972	2,489.0	83.3	295.5	9.9	203.6	6.8	2,988.1
1973	3,794.1	84.6	351.7	7.9	337.6	7.5	4,483.4
1974	4,766.2	84.5	603.2	10.7	269.6	4.8	5,639.0
1975	4,440.6	83.6	572.5	10.8	295.7	5.6	5,308.8
1976	7,154.1	87.6	606.1	7.4	406.1	5.0	8,166.3
1977	8,188.8	87.5	669.6	7.1	502.3	5.4	9,360.7
1978	11,309.5	89.2	740.1	5.8	637.5	5.0	12,687.1
1979	14,580.8	90.5	819.6	5.1	703.0	4.4	16,103.4
1980	17,989.7	90.8	1,108.7	5.6	712.2	3.6	19,810.6
1981	20,989.0	92.8	1,042.0	4.6	580.2	2.6	22,611.2
1982	20,619.4	92.9	1,133.2	5.1	451.8	2.0	22,204.4
1983	23,422.1	93.3	1,215.4	4.8	485.3	1.9	25,122.8
1984	28,624.8	94.0	1,324.3	4.3	507.3	1.7	30,456.4
1985	28,847.3	93.9	1,386.7	4.5	491.9	1.6	30,725.9
1986	37,272.4	93.5	1,950.2	4.9	626.8	1.6	39,849.4
1987	50,364.3	93.9	2,557.9	4.8	689.5	1.3	53,611.7
1988	57,267.5	94.5	2,494.5	4.1	823.4	1.4	60,585.4
1989	63,145.0	95.4	2,578.6	3.9	477.6	0.7	66,201.2
1990	64,204.2	95.6	2,578.7	3.8	431.4	0.6	67,214.3

Source: "Monthly Statistics of Exports and Imports"
Department of Statistics, Ministry of Finance

Table 13 Composition of Imports

Unit: US\$ Million

Year	Agricultural & Industrial Raw Materials		Capital Equipment		Consumer Goods		Total Imports
	Amount	%	Amount	%	Amount	%	
	1952	123.3	65.9	26.6	14.2	37.3	
1956	143.1	73.9	36.2	18.7	14.4	7.4	193.7
1961	204.7	63.5	84.9	26.4	32.5	10.1	322.1
1966	407.9	65.5	183.0	29.4	31.5	5.1	622.4
1967	508.9	63.2	259.0	32.1	37.9	4.7	805.8
1968	568.5	62.9	293.1	32.5	41.7	4.6	903.3
1969	737.7	60.8	421.2	34.7	53.8	4.5	1,212.7
1970	957.6	62.8	492.5	32.3	73.9	4.9	1,524.0
1971	1,160.3	62.9	589.4	32.0	94.2	5.1	1,843.9
1972	1,588.7	63.2	782.1	31.1	142.7	5.7	2,513.5
1973	2,496.9	65.8	1,082.7	28.6	212.9	5.6	3,792.5
1974	4,345.2	62.4	2,142.8	30.7	477.8	6.9	6,965.8
1975	3,726.6	62.6	1,823.6	30.6	401.5	6.8	5,951.7
1976	4,920.4	64.7	2,209.0	29.1	469.5	6.2	7,598.9
1977	5,648.3	66.4	2,198.8	25.8	663.8	7.8	8,510.9
1978	7,551.1	68.5	2,724.5	24.7	751.3	6.8	11,026.9
1979	10,196.9	69.0	3,629.5	24.6	947.3	6.4	14,773.7
1980	13,967.9	70.8	4,623.0	23.4	1,142.2	5.8	19,733.1
1981	16,308.3	76.9	3,441.3	16.2	1,449.9	6.9	21,199.5
1982	14,251.7	75.5	3,083.1	16.3	1,553.7	8.2	18,888.5
1983	15,884.9	78.3	2,820.5	13.9	1,581.6	7.8	20,287.0
1984	17,270.1	78.6	2,990.9	13.6	1,698.2	7.8	21,959.2
1985	15,458.2	76.9	2,836.8	14.1	1,807.0	9.0	20,102.0
1986	18,270.2	75.6	3,615.4	15.0	2,279.2	9.4	24,164.8
1987	25,898.7	74.1	5,614.2	16.1	3,444.4	9.8	34,957.3
1988	36,586.4	73.7	7,386.2	14.9	5,683.1	11.4	49,655.7
1989	37,690.3	72.1	8,554.0	16.4	6,004.3	11.5	52,248.6
1990	38,541.8	70.4	9,585.6	17.5	6,588.4	12.1	54,715.8

Source: "Monthly Statistics of Exports and Imports"
Department of Statistics, Ministry of Finance

Table 14 Major Export Markets

Unit: US\$ Million

Country	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	%
North America	8,730.7	9,268.5	12,061.3	15,784.1	15,715.0	20,265.9	25,195.6	25,013.0	25,753.0	23,304.9	34.7
U.S.A.	8,163.1	8758.0	11,333.7	14,987.7	14,770.3	18,994.4	23,636.7	23,431.0	23,996.2	21,745.9	32.4
Canada	567.6	509.6	727.6	916.3	944.7	1,271.5	1,558.9	1,582.0	1,756.8	1,558.5	2.3
Asia	6,559.9	6,074.6	6,482.5	7,634.9	8,356.7	10,336.5	15,122.0	19,885.2	23,363.0	25,692.6	38.2
Japan	2,478.7	2,377.8	2,477.1	3,186.5	3,460.9	4,559.1	6,978.2	8,762.1	9,051.1	8,337.7	12.4
HongKong	1,897.0	1,565.3	1,643.6	2,087.1	2,539.7	2,921.1	4,117.6	5,579.7	7,029.6	8,556.3	12.7
Singapore	604.0	576.1	710.6	878.4	885.2	930.6	1,348.8	1,680.0	1,973.5	2,203.7	3.3
Indonesia	424.0	422.5	429.1	346.2	280.9	391.7	444.5	631.1	933.1	1,245.8	1.9
Korea	280.4	198.6	222.6	230.5	253.8	351.6	637.2	917.1	1,132.2	1,212.8	1.8
Philippines	280.3	236.1	245.8	190.7	239.2	328.6	458.2	599.9	776.6	811.4	1.2
Thailand	195.3	251.9	263.8	244.8	236.2	278.4	424.1	752.9	1,106.4	1,423.6	2.1
Malaysia	187.5	222.5	223.7	232.0	194.9	205.7	271.9	450.6	693.5	1,103.6	1.6
Others	212.7	260.8	266.2	238.7	265.9	369.7	441.5	511.8	667.0	797.7	1.2
Europe	2,874.4	2,595.7	2,761.2	3,063.8	2,996.5	4,773.6	7,887.2	9,877.0	10,940.2	12,233.4	18.2
Germany	910.6	791.5	854.0	870.9	807.3	1,277.4	1,991.7	2,343.4	2,574.8	3,197.7	4.7
U. K.	566.1	529.8	617.1	690.7	650.0	966.0	1,547.2	1,904.9	2,099.0	1,979.4	2.9
Netherlands	386.8	327.6	379.7	435.2	457.8	673.7	1,087.5	1,506.5	1,580.1	1,856.2	2.8
France	278.4	248.7	210.4	229.8	227.7	433.4	772.4	938.0	1,085.8	1,131.7	1.7
Italy	214.8	204.6	180.7	226.7	246.1	382.3	655.1	834.2	868.5	984.9	1.5
Belgium	140.4	132.7	136.5	166.7	162.2	243.4	373.6	470.8	461.3	486.9	0.7
Switzerland	59.2	54.1	58.9	72.4	69.0	117.5	226.9	273.9	305.7	369.7	0.6
East Europe	9.1	5.3	18.8	16.9	17.8	21.0	49.5	55.4	102.1	195.2	0.3
Others	309.0	303.4	305.1	318.3	358.6	658.9	1,183.3	1,549.9	1,862.9	2,031.7	3.0
Middle East	1,240.9	1,544.7	1,493.9	1,336.4	1,125.4	1,285.3	1,466.3	1,474.5	1,433.5	1,399.6	2.1
Saudi Arabia	606.6	719.3	760.2	727.7	590.0	626.3	703.5	629.0	555.6	459.4	0.7
Others	634.3	825.4	733.7	608.7	535.4	659.0	762.8	845.5	877.9	940.2	1.4
Oceania	804.2	768.1	751.7	941.7	902.4	1,045.6	1,339.8	1,640.0	1,830.3	1,541.0	2.3
Australia	676.9	643.5	634.4	831.6	747.3	869.8	1,100.8	1,356.9	1,536.3	1,279.2	1.9
Others	127.3	124.6	117.3	110.1	155.1	175.8	239.0	283.1	294.0	261.8	0.4
Africa	1,100.5	884.2	680.9	700.0	560.5	742.6	1,081.5	1,363.7	1,254.5	1,257.1	1.9
Latin America	990.1	755.7	502.6	586.8	658.5	929.5	1,062.3	1,022.5	1,209.0	11,353.0	2.0
Others	310.5	312.8	388.6	388.6	410.7	470.3	457.0	309.5	417.6	432.8	0.6
Grand Total	22,611.2	22,204.3	25,122.7	30,456.4	30,725.7	39,849.3	53,611.7	60,585.4	66,201.1	67,214.4	100

Source: "Monthly Statistics of Exports and Imports"
 Department of Statistics, Ministry of Finance

Table 15

Major Import Sources

Unit: US\$ Million

Country	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	%
Asia	7,917.4	6,472.4	7,407.7	8,745.2	7,744.0	10,768.2	15,729.1	20,928.0	23,259.6	23,849.8	43.6
Japan	6,928.6	4,780.2	5,586.7	6,441.8	5,548.8	8,254.7	11,840.5	14,824.2	16,026.9	15,998.4	29.2
Malaysia	452.9	469.6	493.7	550.8	481.5	500.8	729.0	943.3	887.4	1,003.0	1.8
Hong Kong	308.9	307.4	298.8	370.4	319.7	378.7	753.8	1,921.7	2,204.8	1,445.9	2.6
Indonesia	467.1	259.5	344.5	423.0	413.8	357.3	567.2	613.4	706.1	921.6	1.7
Singapore	199.4	152.1	167.2	268.0	275.9	339.9	522.1	740.0	889.0	1,406.0	2.6
Korea	301.4	232.8	165.1	243.9	186.6	328.7	532.7	900.1	1,238.9	1,343.6	2.5
Thailand	117.5	107.0	74.5	140.0	146.9	162.9	200.4	341.9	390.0	447.9	0.8
Philippines	120.8	68.5	91.2	134.3	104.2	152.7	194.4	242.3	238.5	236.3	0.4
Others	75.2	95.3	185.9	94.2	266.6	292.5	389.0	401.1	678.0	1,047.0	2.0
North America	5,033.8	4,879.6	5,007.9	5,442.0	5,115.2	5,901.4	8,281.2	13,955.3	12,991.1	13,450.8	24.6
U.S.A.	4,765.7	4,563.2	4,646.4	5,041.6	4,746.2	5,415.8	7,629.5	13,002.0	11,995.1	12,611.8	23.0
Canada	268.1	316.4	361.5	400.4	369.0	485.6	651.7	953.3	996.0	839.0	1.6
Europe	1,965.9	2,115.7	2,270.2	2,361.1	2,453.6	3,235.9	5,275.5	7,996.4	8,378.8	9,585.8	17.5
Germany	649.0	790.3	695.8	771.7	848.5	1,146.4	1,665.0	2,203.5	2,661.2	2,716.1	5.0
U. K.	302.1	270.3	307.6	294.4	262.4	356.8	789.2	1,111.5	926.7	1,153.7	2.1
Netherlands	132.1	157.7	217.1	248.7	221.3	323.6	455.9	898.0	663.2	728.6	1.3
France	187.7	315.1	347.8	222.4	251.7	313.1	473.6	649.6	793.8	1,131.6	2.1
Italy	195.0	187.5	179.8	222.0	234.5	272.9	442.2	650.2	789.1	817.4	1.5
Switzerland	190.5	105.2	135.4	149.1	139.7	205.0	463.4	1,027.9	830.0	1,200.5	2.2
Belgium	66.8	56.2	86.9	91.7	96.0	144.5	243.6	283.5	301.3	393.4	0.7
East Europe	14.4	5.1	9.3	16.9	8.1	20.1	61.9	181.9	181.9	258.3	0.5
Others	228.3	228.3	290.6	344.3	391.4	453.5	680.7	990.3	1,231.6	1,186.2	2.1
Middle East	4,249.4	3,531.7	3,678.6	3,321.1	2,795.0	2,001.9	2,553.5	2,560.7	2,817.0	3,305.9	6.0
Saudi Arabia	1,797.3	1,968.5	1,925.5	1,971.2	1,361.0	910.0	1,075.3	1,237.0	1,375.5	1,539.2	2.8
Kuwait	2,244.4	1,281.5	1,132.5	727.6	670.8	443.0	730.2	489.4	434.5	369.0	0.6
Others	207.7	281.7	620.6	622.3	763.2	648.9	748.0	834.3	1,007.0	1,539.3	2.6
Oceania	664.5	726.7	779.4	877.5	882.7	987.4	1,155.3	1,525.7	1,847.4	1,866.0	3.4
Australia	593.1	643.5	682.4	777.5	800.6	883.5	999.9	1,336.2	1,631.0	1,659.7	3.0
Others	71.4	83.2	97.0	100.0	82.0	103.9	155.4	189.5	216.4	206.3	3.4
Africa	727.6	539.6	541.6	504.9	501.1	600.9	1,023.7	1,262.0	1,173.5	1,220.5	2.2
Latin America	512.6	576.3	512.2	643.8	527.7	573.0	770.5	1,310.5	1,652.2	1,332.8	2.4
Others	74.4	46.4	89.4	102.9	122.7	95.9	168.4	117.2	129.0	104.4	0.3
Grand Total	21,199.6	18,888.4	20,287.0	21,959.1	20,102.0	24,164.6	34,957.2	49,655.8	52,248.6	54,716.0	100.0

Source: Same as Table 12

Table 16 Tariff Structure of Imported Goods

January 1991

Tariff Rate %	Items			%
	Agricultural Products Chapter(1-24)	Industrial Products Chapter(25-97)	Subtotal	
0	83	723	806	10.14
1-5	249	3024	3273	41.13
6-10	100	1650	1750	21.97
10.5-20	156	1004	1160	14.54
21-30	155	186	341	4.27
31-50	417	63	480	5.99
Specific	18	22	40	0.50
Mixed	74	22	96	1.20
Total	1252	6694	7946	100.00

Source: Department of Customs Administration,
Ministry of Finance.

Table 17

Import Licensing System

As of 1st December, 1991

Import Regulations	Number of Items	Percentage over Total Numbers of Items
1. Items under Control	242	2.67 %
2. Items Permitted to be Imported	8,811	97.33 %
* Licensed by the BOFT	699	7.72 %
* Licensed by Lincising Units Authorized by the BOFT(such as Bank)	2,194	24.24 %
* Items Imported Without Permit	5,918	65.37 %
Total	9,053	100.00 %

Source: Board of Foreign Trade, Ministry of Economic Affairs.

Table 18 Per Capita Income of Farm and Non-Farm Family

Year	Per Capita Income (US\$)				Farm Family Income as % of Non-Farm Family Income		
	Farm (1)	Non-Farm (2)	Employee (3)	Laborer (4)	Non-Farm (1)/(2)	Employee (1)/(3)	Laborer (1)/(4)
1966	173	249	242	197	69.8%	71.7%	88.1%
1968	183	316	297	262	57.9%	61.7%	70.0%
1970	206	342	322	294	60.2%	63.9%	70.0%
1971	238	371	349	299	64.2%	68.2%	79.8%
1972	290	436	411	365	66.5%	70.5%	79.5%
1973	328	545	500	449	60.2%	65.7%	73.2%
1974	507	741	694	594	68.4%	73.1%	85.3%
1975	549	819	767	673	67.1%	71.6%	81.5%
1976	657	969	898	792	67.7%	73.2%	82.9%
1977	720	1,133	1,028	894	63.6%	70.0%	80.5%
1978	903	1,410	1,293	1,120	64.0%	69.9%	80.6%
1979	1,107	1,717	1,586	1,395	64.5%	69.8%	79.4%
1980	1,414	2,129	1,953	1,768	66.4%	72.4%	79.9%
1981	1,627	2,440	2,240	1,976	66.7%	72.6%	82.3%
1982	1,729	2,546	2,367	2,100	67.9%	73.0%	82.3%
1983	1,915	2,678	2,482	2,211	71.5%	77.2%	86.6%
1984	1,995	2,921	2,714	2,380	68.3%	73.5%	83.8%
1985	2,098	3,040	2,820	2,513	69.0%	74.4%	83.5%
1986	2,372	3,251	3,015	2,701	73.0%	78.7%	87.8%
1987	2,614	3,601	3,341	2,995	72.6%	78.2%	87.3%
1988	3,019	4,130	3,831	3,467	73.1%	78.8%	87.1%
1989	3,500	4,824	4,464	4,014	72.5%	78.4%	87.2%
1990	3,768	5,484	5,126	4,622	68.7%	73.5%	81.5%

Source: Department of Budget, Accounting & Statistics
Taiwan Provincial Government

Table 19 Rediscount Rate and
 Prime Rate

Unit: %

Year	Rediscount Rate	Prime Rate (Bank of Taiwan)
1983	7.25	8.50
1984	6.75	8.00
1985	5.25	7.00
1986	4.50	6.25
1987	4.50	6.25
1988	4.50	6.75
1989	7.75	10.50
1990	7.75	10.50

SOURCE: "Financial Statistics Monthly"
 CBC