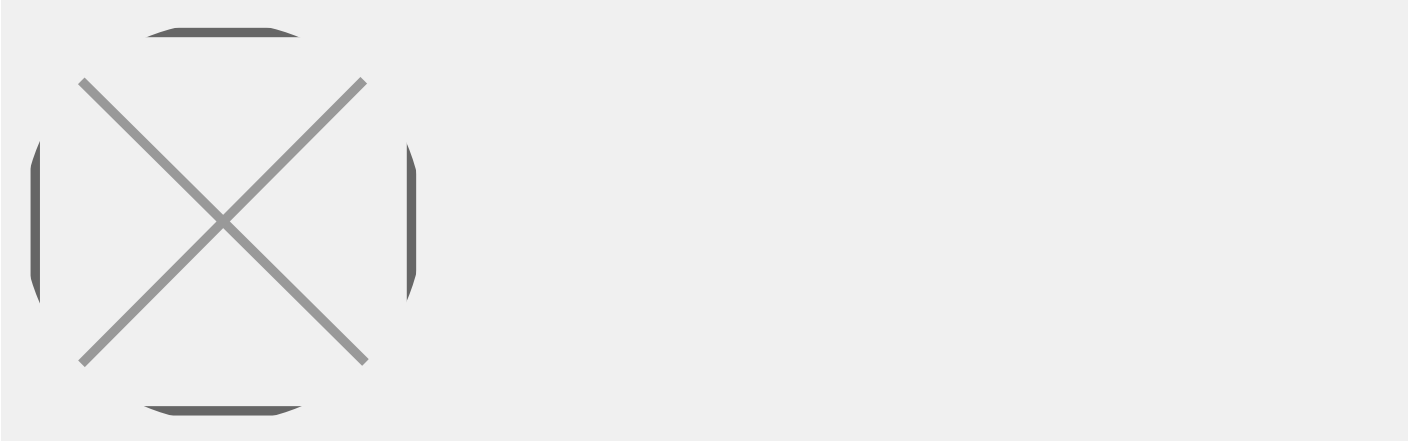
Interview: Yi-cheh Chiu, Director General, Department of Investment Services, Taiwan



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The General Director of the 'Invest in Taiwan' program discusses Taiwan's competitiveness on a global and regional level, highlights the areas and industrial sectors where the country is looking to invest, and talks about the importance of further economic integration with its neighbours in order to realize its potential.

Can you please introduce our readers to the Ministry of Economic Affairs' Department of Investment Services, noting its role in the market and current goals and agenda?

In response to the gradual reduction in US aid, the Industrial Development and Investment Center (IDIC), the forerunner of the Department of Investment Services (DOIS), was established under the Council of US Aid on Dec. 1, 1959 and charged with the promotion of foreign investment in Taiwan. DOIS was switched to the Ministry of Economic Affairs in 1973 and continued its work of attracting foreign investment.

The Department of Investment Services is a staff unit of the Ministry of Economic Affairs, charged with the promotion of foreign investment in Taiwan, the encouragement of overseas Taiwanese companies to invest at home and to bring jobs back (just as President Obama's initiative "make it in America"), the guidance of domestic enterprises investing overseas, and the recruitment of foreign talent.

The main tasks of DOIS include the following: promotion of foreign investment in and technical cooperation with Taiwan; encouragement of and assistance for overseas Taiwanese businesses to return and invest in Taiwan; guidance and assistance for outward investment; pinpointing and compilation of investment opportunities; implementation of investment projects, follow-up, and removal of obstacles to investment; publishing of investment guides and investment-related laws and regulations; recruitment of overseas professionals; and promotion and liaison regarding bilateral and multilateral investment matters.

Our vision as an organization is as follows: to establish a quality investment environment and attract foreign, overseas Chinese, and overseas Taiwanese companies to invest; to help enterprises carry out global deployment; and to build a matchmaking bridge to help enterprises recruit foreign talent.

For the purpose of providing better investment services, the InvesTaiwan Service Center was established in August 2010 to offer one-stop customized services and help overseas and local investors remove investment obstacles and realize their investment projects.

To meet the needs of each case, the InvesTaiwan Service Center can: coordinate with central and local government agencies to speed up administrative procedures; offer evaluation, legal, and accounting consultation for prospective investment plans; and provide information on the acquisition of land for factory or office use.

How would you characterize the nature and channels of foreign direct investment (FDI) that Taiwan is looking to attract?

According to statistics compiled by the Investment Commission, Ministry of Economic Affairs, total cumulative foreign investment in Taiwan from 1952 to 2012 totaled 32,929 cases with a value of about US$121 billion. The top five national sources of this investment were the US (accounting for 18.6% of total FDI inflow approved by the Investment Commission), the Netherlands (16.2%), Japan (14.1%), Singapore (5.8%), and the UK (5.6%). The top three recipient industries were financial services (28%), information and communications technology (24%), and wholesale and retail sales (9.8%). The pharmaceutical manufacturing industry received about US$65.7 million of this investment (0.53%).

In April 2009 Taiwan began promoting the development of six emerging industries: biotechnology, medicine and healthcare, culture and creation, tourism, green energy, and high-end agriculture. We will continue encouraging foreign investment in these key industries in order to expand their market scale, increase their production value, and explore their business opportunities.

We will offer better aftercare services for existing foreign investors, through the InvesTaiwan Service Center, to encourage them to expand their investments in Taiwan. According to the “2013 World Investment Report” released by UNCTAD, reinvested earnings can be an important source of finance for long-term investment. Nearly one third of total global FDI income is kept in the host economies; for developing countries, the share of retained earnings is about 40%. Our goal is to constantly increase the amount of earnings that our foreign investors reinvest in Taiwan.

How would you rate Taiwan’s global competitiveness and regional positioning?

A number of prominent international institutions have given high ratings to Taiwan’s investment environment and competitiveness. According to the “Global Competitiveness Report 2012-2013” released by the World Economic Forum (WEF), Taiwan ranks 13th of 144 economies around the world and 4th in Asia. In the report released in April 2013 by Business Environment Risk Intelligence (BERI), Taiwan ranks 4th among the world’s major economies, and 2nd in Asia, in terms of Profit Opportunity Recommendation (POR). According to the “World Competitiveness Yearbook” published by the International Institute for Management Development (IMD) in 2013, Taiwan ranks 11th globally and 3rd in Asia. According to the World Bank’s “Doing Business 2013” report, Taiwan’s “Ease of Doing Business” ranking has jumped to 16th out of the 185 economies covered.

What programs is the Taiwanese government undertaking to further bolster the country’s attractiveness?

A revision of Taiwan’s Income Tax Act, passed on May 28, 2010, lightened the tax burden on companies by reducing the corporate income tax rate from 25% to 17%. The new rate is far more favorable than China’s (25%) and Korea’s (22%).

Our government enacted a Biotech and New Pharmaceutical Development Act in 2007 to provide tax incentives to enterprises developing and producing new biopharmaceuticals. Biotechnology and new pharmaceuticals companies can offset 35% of their R&D and employee training expenditures against the corporate income tax.

The government promulgated the Statute for Industrial Innovation in May 2010. To encourage companies to conduct R&D activities, they can offset 15% of their R&D expenditures against their corporate income tax up to 30% of their total corporate income tax due for the current year.

To upgrade the technology standards of Taiwanese industries, the MOEA is vigorously encouraging international businesses to set up their regional R&D centers in Taiwan by offering support in the area of human resources and a wide range of subsidies. Several well-known international firms

such as HP, Sony, Dell, IBM, and Intel have already established R&D centers in Taiwan.

The government is actively encouraging businesses to set up operations headquarters in Taiwan and carry out such functions as R&D, production, marketing, finance, and logistics as part of their global deployment schemes. In February 2002, the government approved a Business Operations Headquarters Action Plan that offers several incentive measures

What key challenges can you think of for Taiwan in view of an increasingly connected, and increasingly competitive, international environment?

The uncertain economic outlook has led global enterprises to maintain a wait-and-see attitude toward new investment rather than undertake major international expansion projects. At the same time, the competition for foreign investment among Asian economies such as Korea, Hong Kong, Singapore, and Indonesia has increasingly intensified.

Taiwan has to participate in regional economic integration to boost its international competitiveness. The signing of ECFA, ANZTEC and Taiwan-Japan Investment Agreement help attract foreign investors to Taiwan. Our government will work actively to promote the signing of ECAs or BIAs with our major trading partners as well as Asian Pacific countries.

Can you offer some key messages to business leaders and investors regarding the Department of Investment Services' future goals and strategies?

Taiwan's competitive advantages include a well-developed network of industrial clusters and supply chains, well-educated workforce, and robust infrastructure. Moreover, with its superior geographic location and low corporate tax rate, Taiwan is the ideal place for multinational companies to choose as their regional headquarters. Foreign firms can also use Taiwan as a gateway to the huge China market, especially after the cross-strait Economic Cooperation Framework Agreement (ECFA) came into effect in 2011.

I look forward to the possibility of working with you soon, and wish you every success in your Taiwan endeavors.

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