

# TAIWAN

## Overview

Over the past four decades, Taiwan's economy has been one of the star performers in Asia, and the outlook for its future growth remains bright. Now a developed economy, Taiwan's real GDP grew in the range of 6-7 percent in the early nineties. Weakness in real estate and stock markets and the impact of increased tensions in the Taiwan Strait caused real GDP growth to decline from 6.5 percent in 1994 to 6.1 percent in 1995. In 1996 economic growth is, however, expected to return to 6.3-6.5 percent range. The island's ambition, first expressed a decade ago, to transform itself from an export platform to a high tech production center is proceeding apace. Taiwan exports of high-technology and capital intensive goods, which in 1993 exceeded exports of labor intensive goods for the first time, surpassed 60 percent of total exports in 1995.

## Defense Industry Environment

Taiwan's Ministry of National Defense (MND) had a budget of US \$9.57 billion for Fiscal Year 1996, which began July 1, 1995, a 2 percent increase over the previous year's budget. The national defense budget accounted for 23 percent of the total budget of the central authorities, a slight reduction from its 24.5 percent share of the total FY 95 budget. US \$3.4 billion or 35.5 percent, of that budget was reportedly spent on military investment. Defense spending as a percentage of Taiwan's GDP has been steadily decreasing over the past several years. The national defense budget for FY 1996 represented 3.6 percent of Taiwan's overall GDP.

The proposed national defense budget for FY 1997 reportedly shows a decline of 1.2 percent from the FY 96 Budget to US \$9.45 billion. The budget for weapons purchases is projected to be US \$2.24 billion.

Taiwan has a strong private-sector industrial base, but domestic production of defense equipment has traditionally been dominated by organizations run directly by the Taiwan military. Domestic production has been concentrated in two organizations: the Chung Shan Institute of Science and Technology (CSIST), especially the Aero Industry Development Center (AIDC), and the Combined Service Forces (CSF). Academic institutions and authority-owned firms, most notably the China Shipbuilding Corporation, have also played a significant role in the production of defense equipment.

The star of Taiwan's defense industry is the Chung Shan Institute of Science and Technology (CSIST). Established in 1968, CSIST employs over 6,000 scientists and more than 8,000 technicians. It has four major research divisions: Aeronautics, Missiles and Rockets, Electronics, and Chemistry. CSIST has six centers for systems development, systems maintenance, quality assurance, materials research and development, aeronautic development, and missile manufacturing. CSIST jointly conducts independent research and development of weapon systems with the Aero Industry Development Center, which was Under CSIST's supervision. To date, a number of weapon systems have been domestically designed, tested, and produced on a mass scale by CSIST. These include the Kung-Feng 6A rocket, the Hsiung-Feng I and

Hsiung-Feng II SAMs, artillery fire control systems, naval sonar systems, and naval electronic and warfare systems. CSIST has produced or plans to produce Tien-Kung I and Tien-Kung II SAMs and the Tien-Chien I AAMs. CSIST is also developing Tien-Chien II AAM system. The institute will downsize to about 10,000 employees over the next several years due to shrinking business as well as defense budget cuts. Within the next few years, the authorities plan to turn the institute into the Chung Shan science-based Industrial Park, which will accommodate local and foreign firms engaged in high-tech product research, development and manufacturing.

The Aero Industry Development Center (AIDC) was founded to secure an aerospace manufacturing capability in Taiwan. AIDC began with the co-production of UH-1 Helicopters and F-5 fighters and has since developed two indigenous jet aircraft, the AT-3 jet trainer and the Indigenous Defense Fighter (IDF). Established in 1969, AIDC is the leading aircraft and aircraft engine manufacturer. AIDC, with a workforce of 5,000 highly skilled employees, has four major entities comprising an aeronautical research laboratory, an aircraft factory, an avionics factory, and an aero engine factory. Through joint ventures, technology transfers and assistance programs with foreign aerospace companies, AIDC has been able to manufacture and assemble a total of more than six hundred military aircraft and over three hundred aircraft engines. AIDC has successfully developed an Indigenous Defense Fighter (IDF), now in full production. AIDC has recently joined a Sikorsky-led team to co-produce the S-92 helicopter. AIDC has obtained quality-assurance and testing certificates for more than 200 aircraft parts from European and American aerospace companies. A proposal to privatize AIDC was approved by the Legislature on May 16, 1995.

In July 1996, the military-run AIDC was restructured as a state-run enterprise under the Ministry of Economic Affairs. This conversion from military to public enterprise status is intended to facilitate the transfer of Taiwan's military aeronautic technology to the private sector while enabling the center to form joint ventures with high-tech foreign manufacturers. This in turn is expected to bring advanced aviation technology into Taiwan to accelerate the growth of its aerospace industry. A period of three and a half years has been granted to the center to carry out full privatization.

The Combined Service Forces (CSF) serves as the logistical command responsible for the production of ordinance, military maps, and communications equipment for Taiwan's armed forces. CSF also provides support and services commonly needed by all armed forces services, such as finance, surveying, engineering, rear echelon administration, and armament appraisal and testing.

The state-run China Shipbuilding Corporation (CSC), with 6,400 employees, was contracted to build the Navy's second-generation ships: missile frigates and missile patrol boats. Taiwan plans to build eight missile frigates. Four PFG-2 (Perry Class) frigates have been produced by CSC and turned over to Taiwan's Navy. The fifth missile frigate is scheduled to be delivered to the Navy in January 1997. CSC will complete construction of the remaining frigates by 1999. The first 500-ton missile patrol boat was turned over to the Navy in December 1995. Construction of the remaining 11 missile patrol boats is underway.

Taiwan has traditionally relied heavily on U.S. suppliers for its defense equipment needs. From the U.S. entry into World War II until the break in diplomatic relations in 1979, the U.S. was a close military ally of Taiwan. Until 1994, Taiwan purchased advanced military equipment almost exclusively from the United States, often directly from the U.S. Government through the Foreign Military Sales (FMS) program. All of the major U.S. defense contractors have sold equipment and/or technology to Taiwan, and most of these firms have well-established, long-term relationships with individuals and institutions in the Taiwan military.

Since 1990, Taiwan has attempted to diversify its sources of defense equipment. Taiwan has ordered 60 Mirage 2000-5 fighters and six Lafayette frigates from France and has purchased two submarines from Holland. Purchasing from new suppliers not only decreases Taiwan's dependence on the United States, it also wins the politically isolated Taiwan authorities important friends among the world's hard-pressed defense contractors. European defense contractors are aggressively courting Taiwan decision makers and U.S. contractors will have to protect their market share.

## **Defense Opportunities**

Taiwan's detailed plans for upgrades and new systems are a closely guarded secret, but a general outline of Taiwan's procurement plans is easily obtainable. Taiwan's military equipment is primarily U.S. military equipment of late 1940's and mid-1950's vintage (i.e. C-119, F-5E/F, and F-104 aircraft; towed artillery, M-41 Tanks; and Fletcher, Summer, Gearing Class Destroyers, LST, LSD, PF, and MSC ships). As a result, maintenance support and spare parts are increasingly difficult and, in some cases, impossible to find. Modification or upgrade of this obsolete equipment would be very costly. Consequently, the Taiwan military is looking to retire this old equipment as it procures replacement equipment.

Within the past five years, Taiwan has procured and produced numerous new weapon systems. The Air Force has ordered 150 F-16s, 60 Mirage 2000-5s, 4 E-2Ts, and a number of C-130H aircraft. They have also designed, developed, and are now producing the Indigenous Defense Fighter (IDF). The Navy has leased Knox Class frigates from the U.S., is awaiting delivery of the remaining five Lafayette class frigates from France, and has been building its own PFG-2 (Perry Class) frigates. The Army is receiving AH-64 and OH-58D helicopters from the U.S.. Taiwan is also buying an air-defense system based on Patriot missiles, Stinger surface-to-air missiles, advanced targeting and navigation systems for fighter jets, electronic warfare devices, and M60A3 tanks from the U.S. Additionally, all services are upgrading radars and command and control equipment. Because these major procurements have occurred within the last five years and many of these systems are yet to be fielded, military spending for the next several years will be dedicated to funding and fielding these new systems.

These purchases typically include two years of spare parts as initial support for each major new system. Follow-on support is generally done via Foreign Military Sales (FMS) rather than by direct commercial sales. Due to the large number of new aircraft, the Taiwan Air Force is also modernizing its logistics management, however the vendors for this effort have largely been designated.

As Taiwan struggles to fund the huge costs of fielding so many major new systems over a short period of time, the newly empowered Legislative Yuan has played an increasing role in review and approval of military funding. Consequently, procurements move more slowly as legislators review how new weapons systems fit Taiwan's overall defense posture.

Taiwan's military strategy is a "defensive-defense" strategy. To implement this strategy, Taiwan's Ministry of National Defense (MND) will emphasize the following defense product areas in the next five years, which may provide trade opportunities for U.S. firms.

Control of the air: a) provide for maintenance and aircrew training, beddown, operate, and support of 150 New F-16 A/B fighters, 60 new Mirage 2000-5 fighters, and 130 new locally produced Indigenous Defense Fighters (IDF); b) modernize command, control, communication and intelligence systems (C3I) to digitally link Early Warning Systems, fight control, air-to-ground weapons, and central command networks; c) purchase long-range Early Warning radars and new air defense systems; d) Purchase electronic warfare systems and electronic countermeasures capabilities; e) upgrade F-5E/F fighter aircraft and subsystems and maintain follow-on logistic support of E-2 and C-130H aircraft.

Sea control: a) build the next generation surface combat ships such as missile frigates, missile patrol frigates, and coastal patrol boats; b) lease Knox Class frigates and LSTs from the U.S.; c) purchase on-board missiles and control systems as well as three dimensional anti-submarine warfare assets.

Counter-landing operations: a) upgrade basic weapons And the C3I from corps to company level; b) procure and overhaul M60A3 tanks and buy new armored vehicles; c) procure combat helicopters, observation helicopters, training helicopters, and troop transport helicopters.

## **Defense Procurement Process**

The Procurement Bureau (PB) and the Defense Procurement Division (DPD), Taipei Economic and Cultural Representative Office (TECRO)/Washington are Taiwan's two largest and most important official military purchasing agencies. They purchase most of the military equipment and supplies required by Taiwan's defense organizations.

Other military procurement bodies, such as the military services' logistics commands and the Chung Shan Institute of Science and Technology play a relatively minor role in military purchasing abroad. Military organizations may purchase imported items without PB or DPD tendering bids, but all equipment and supplies with a purchase amount exceeding the designated audit ceiling of NTD50 million, approximately \$1.85 million, must be purchased through PB or DPD tenders.

There are two categories of military procurement in Taiwan: domestic purchase and overseas purchase. Both must be done in accordance with pertinent provisions of the Law of Audit. Under the Law of Audit, procurement can be made by open tender, restricted tender (selective tenders), or negotiation. Taiwan military purchasing agencies (except DPD/TECRO)

usually solicit foreign bids through open tenders. Restricted tenders may be used for smaller purchases when the Executive Yuan specifies that the project should be awarded to entities in select geographical regions, or there is another policy reason for not holding an open tender. Restricted tenders, usually awarded on a price-comparison basis, require at least two bidders. Negotiated purchases require special authorization from the Ministry of Audit. Such authorization is granted only when the purchasing entity can demonstrate that there is only one qualified supplier or that the need is too urgent to conduct a competitive tender.

When less than three qualified bidders compete for an open tender, the bids will not be opened and the agency in charge will announce the cancellation of the tender. However, if there are only one or two bids and the agency has confirmed that only those bidders have the capability to take on the project, the procurement may be changed to a restricted tender or a negotiated purchase. This normally happens only on the third round of a tender (i.e. after the tender has twice failed to attract the mandatory three qualified bidders.)

Procurements can be classified into "single review" and "divided review" tenders, based on differences in the procedures used to review the bids. Tender documents usually ask the bidders to provide three main items: qualifications of the supplier, specifications of the commodity, and price. If these three items are reviewed at the same time, the tender is defined as a "single review" tender. If the item to be procured is expensive and technically complex, the qualifications of the bidders and the specifications of the product(s) they propose to supply are usually reviewed before proposals are opened. These tenders are defined as "divided review" tenders.

To begin the procurement procedure, the military purchasing agencies (except DPD/TECRO Washington) must publicly announce the invitation-to-bid in both Chinese and local English newspapers, namely the Youth Daily News and Central Daily News (Chinese), and the China Post and the China News (English). In case of restricted tenders or negotiated purchases, invitation letters are sent to specific firms. An invitation to bid is attached to the letter.

The bidder must have its own copy of the invitation to bid, available at modest cost from PB/Taipei or DPD/Washington, D.C., to tender a bid. A bid bond of three percent of the total bid value in the form of cash, bank draft, certified check, bank guarantee, or letter of credit is required at the time of submission and will be refunded if the bid is unsuccessful. Unless otherwise stipulated in the contract, within 18 days after receiving the minutes of award, the seller must deposit a performance bond of five percent of the contract value.

New-to-market vendors interested in presenting their product line to Taiwan's military branches should first contact the Procurement Bureau within the Ministry of National Defense to schedule a presentation.

A primary function of the Procurement Bureau is the compilation of data and supplier lists which are made Available to Taiwan's military branches, so defense contractors are strongly encouraged to submit product literature and promotional material to the bureau's second division, which is also charged with making this information available to the various military service headquarters.

Product literature and all inquiries should be addressed to :

Procurement Bureau  
Ministry of National Defense  
172-1 Po Ai Road  
Taipei, Taiwan  
Tel: 886-2-382-6078  
886-2-382-6079  
Fax: 886-2-382-6444

Contacts: Captain Chang Wu-Tai, Chief, Second Division  
Col. Y.F. Lin, Dep. Chief, Second Division  
Lt. Colonel C.L. Chen, Procurement Officer  
Commander Wei Hung, Procurement Officer

### *Barriers to U.S. firms*

There are no known barriers to U.S. firms receiving solicitations, submitting offers, or obtaining contracts. The Taiwan offices or Taiwan representatives of U.S. firms may participate in domestic tenders and U.S. firms may participate directly in international tenders and invitations to bid. The specifications for international tenders are written in English and tendering firms' proposals are expected to be in English.

The Taiwan authorities have imposed offsets and technology transfer requirements on successful bidders for large military procurements, often after tenders have been awarded and contracts signed. Offsets or industrial cooperation programs range from 30%-60% of the contract price. Although no regulations stipulate that large projects must have local participation, the Taiwan authorities prefer to have domestic industry participation in major procurements to help local firms acquire foreign technology and high technology manufacturing experience. In addition, these industrial benefits make procurements more politically palatable.

### *Other Agencies with Jurisdiction over Defense Trade*

The main push to require foreign suppliers to sign Industrial Cooperations Programs (ICP) comes from Taiwan's Legislative Yuan (LY), with strong support from the Ministry of Economic Affairs (MOEA). The first free elections for the LY in over 40 years were held in December 1992 and the second free elections in December 1995. The democratic and energized body is challenging the Executive Yuan on many fronts. Taiwan's historically independent military did not previously require offsets on military purchases, but obtaining an economic share for local business on multi-million dollar contracts with foreign firms is good politics, and pressure from the LY to obtain even larger offsets will continue.

MOEA is responsible for coordinating the Taiwan Authorities' efforts to upgrade Taiwan's industrial base, and as many defense products require sophisticated manufacturing capabilities, MOEA is interested in using LY-required ICP programs to assist Taiwan firms in moving into

high value-added manufacturing. In addition, the Ministry of Foreign Affairs has jurisdiction over defense trade in accordance with Taiwan's foreign policy.

A key player in Taiwan's procurement process is the Ministry of Audit, which falls under the jurisdiction of the Control Yuan, an independent branch of Taiwan's Pentapartite government. The Ministry of Audit's job is to prevent corruption in the procurement process and ensure that the taxpayer's dollars are spent wisely. The Ministry of Audit monitors the procurement process to ensure that it is conducted in accordance with Taiwan laws and regulations, and has the power to decide when a tender can be awarded on a negotiated or restricted (only two bidders) basis.

## **Diversification/Commercial Opportunities**

### *Privatization*

Although Taiwan has plans to privatize many of the large, government-owned firms such as China Steel, China Petroleum, Taiwan Power, Bes Engineering, etc., few of these firms operate in the defense sector. Not only are privatizations far behind schedule, the Taiwan authorities are reluctant to allow significant foreign equity participation in the newly privatized firms. Although the privatization and removal of many special privileges from the large, government-owned firms will open up new markets in Taiwan for U.S. competitors, U.S. firms will have to look very carefully at the cost of investments in these newly privatized firms.

One organization whose potential privatization has attracted a great deal of interest from the U.S. defense community is the Aerospace Industry Development Center (AIDC). The AIDC owns an advanced aerospace manufacturing center, has several thousand skilled workers on the payroll and is one of the few organizations in Taiwan with actual aerospace manufacturing experience. Current plans, however, are not to privatize AIDC, but to "corporatize" it from a non-profit research center to a profit-seeking, but still authority-owned corporation which would operate on a commercial basis. While U.S. firms may find opportunities to cooperate with AIDC on specific projects, there is little to no chance that Taiwan would allow foreign entities to hold a significant equity stake in a corporatized AIDC.

Opportunities for U.S. firms looking to sell dual-use or defense-related high technology products in Taiwan are excellent. Taiwan is seeking foreign suppliers and partners on a number of high technology products/projects, including the following industry sectors:

### *Environment*

Taiwan launched a five-year Green Plan (1992-1996), which has strengthened enforcement of environment regulations. Strong political pressure from environmental groups and private citizens has forced the Taiwan authorities to launch several environmental improvement projects. The authorities have also provided attractive tax and financial incentives to encourage private firms to install proper pollution control facilities.

### *Computer Software*

Taiwan has also become one of the most important and fastest-growing software markets in the Asia-Pacific region. Areas of opportunity in Taiwan's software market include multimedia, telecommunications, and internet-related products and services. In 1995, the total sales of Taiwan's information services industry exceeded USD 1.62 billion. Taiwan business firms are investing in various programs to automate offices and manufacturing operations. In addition, because of the growing awareness of intellectual property rights, Taiwan's purchases of foreign-developed software have expanded rapidly in recent years. The United States is the unchallenged leader, with an import share of over 70 percent. Furthermore, with over one million personal computers installed, the outlook for the PC-based software market is also promising. Taiwan is interested in acquiring 3D virtual reality PC technology. The Taiwan authorities have approved a budget of US\$ 2.5 million for the first phase of foreign technology acquisition.

MOEA has authorized an annual budget of NTD 6 million for a four-year plan to conduct preliminary work to research and promote CALS (Continuous Acquisition and Life-Cycle Support). Corporate Synergy Development Center is a key organization for CALS promotion.

The Industrial Development Bureau is executing its first 5-year plan (1993-97). The projects include:

1. Implementation of large-scale government projects for the development of pilot systems for National Information Infrastructure (NII);
2. Experimental broadband network system in Hsinchu Science-Based Industrial Park;
3. Information system for Land Affairs Administration;
4. Information system for National Geographic Management;
5. Office automation at basic-level government agencies;
6. Computerization of government documents; and
7. Computerization of the finance industry.

Sales of networking and application software have excellent prospects. Companies should consider localization of their products for Chinese language users.

#### *Electronics Industry Production/Test Equipment*

With several on-going and proposed high-tech investment projects and growing production of advanced electronic products and components, sales prospects for advanced EIPT equipment are bright. Most advanced EIPT equipment must be imported to meet domestic demand since Taiwan-produced equipment is still limited to simple, low-value added products. Furthermore, to upgrade production capabilities of the electronics industry, Taiwan has accelerated investment in the electronics manufacturing industry.

#### *Laboratory Scientific Instruments*

In recent years, Taiwan has made great efforts to improve its research and development environment. Public R&D expenditure on a wide range of projects has increased yearly. By



2002, more than USD 13.8 billion (NTD 360 billion) will be budgeted for science and technology related R&D. The authorities have also provided the private sector with attractive R&D tax incentives and other supports. High-end laboratory and scientific instruments are all imported. Since U.S. firms are particularly strong at the high end, sales in this area are expected to remain strong.

### *Telecommunications Equipment*

As of 1996, the Taiwan authorities have begun to open up the telecommunications market to competition and privatization. The Telecommunication Law, promulgated in February, 1996, separates telecommunications regulation from operations and allows wholly foreign-owned value-added network service providers to compete in the market. The law also opens major wireless services to private competition with a maximum of 20 percent foreign investment. Cable television legislation has also become law. Since Taiwan does not produce advanced telecommunications equipment, many opportunities exist in this area for U.S. firms.

### *Transportation/Aerospace*

Taiwan's airport projects include the expansion and modernization of the Chiang Kai Shek (CKS) International Airport and the renovation of domestic airports. All projects in this sector are the responsibilities of the Civil Aeronautics Administration (CAA), within the Ministry of Transportation and Communications (MOTC).

While local firms can undertake basic design work and civil construction, opportunities for American firms are limited to the sale of specialized equipment, or overall management.

The CKS second phase expansion project consists of two parts:

#### Passenger Terminal

The USD 960 million project involves the construction of an additional terminal, aprons for additional wide body jets, a multi-level parking structure, installation of a domestic transfer terminal and expansion of related support facilities. CAA has awarded two contracts and is yet to let contracts for a people mover system, baggage handling system, elevators/escalators, boarding bridges, and a baggage transfer system.

#### Cargo Terminal

This project consists of expansion of cargo terminal warehouse facilities, installation of an automated cargo processing system, construction of additional aprons for cargo planes, and parking facilities for cars and small trucks. Taiwan's CAA has undertaken the basic design. The cost for this project which may be undertaken as a turnkey operation is estimated at USD 160 million, covering design, construction, equipment procurement, training, etc. CAA estimates that approximately USD 80 million will be spent on electrical and mechanical equipment, much of which will be acquired from foreign suppliers.

Taiwan plans to build a third international airport in southern Taiwan but has yet to decide the airport site. Meanwhile, Taiwan's CAA plans to expand domestic airports in Tainan, Taichung, Hualien, and Matzu Island.

### *Helicopters*

Taiwan has finalized plans to open its skies to commercial helicopter transportation for passengers, cargo and mail, thus spurring the demand for commercial helicopters. In line with this new policy, Taiwan will build eight heliports in Ilan, Miaoli, Taichung County, Nantou, Youlin, Tungyin island, Kinmen and Chu-Kwang.

Currently, Taiwan plans to open three flight routes for helicopter transportation. They are CKS Airport-Taipei Airport, CKS Airport - Hsinchu Science-Based Industrial Park, Taipei Airport - Hsinchu Science-Based Industrial Park. The Taiwan authorities are considering opening tourist routes on a point to point basis.

### *Medical Equipment*

Taiwan began implementation of an island-wide public health care insurance system in March 1995. A total of USD 3 billion has been set aside as health care continues to be a major issue in Taiwan. More than 22 large-scale hospital investment projects will be undertaken by 1999. Projected health care expenditures will double, to reach USD 4 billion by the end of 1996.

In addition, diagnostic and therapeutic equipment is in great demand in Taiwan. Taiwan's medical device market is growing at double digit rates and is projected to continue in the near future, which will translate into many trade opportunities for U.S. firms.

### *Process Controls: Industrial (PCI)*

Taiwan's manufacturers continue to modernize their production equipment to hasten the shift toward automation. This has led to increased demand for more advanced industrial process controls. U.S. suppliers are highly competitive in the growing markets for electronic and computer-based control systems. More than 80 percent of U.S.-made process control systems sold in Taiwan go to state-run firms and large-scale private enterprises. Private industrial firms are major purchasers of Japanese systems because of their lower selling price and good after-sales service. There is little competition from local manufacturers due to insufficient R&D and lack of technical know-how. Process control systems used in the chemical industry have the highest growth potential.

For further information regarding trade opportunities in these commercial sectors, please contact the following ministries and/or the American Institute in Taiwan (AIT).

Contact for airport expansion projects:

George C.C. Feng  
Director  
Division/Airport Expansion Construction  
Division, Civil Aeronautic Administration  
Ministry of Transportation & Communications  
Sungshan Airport, Taipei Taiwan  
Tel: 011-886-2-514-2931  
Fax: 011-886-2-514-7216

Contact for purchases of helicopters:

Chih-Hsiang Chou (surname Chou)  
Director  
Flight Standards Division  
Civil Aeronautics Administration  
Taipei Sung Shan Airport  
Tel: 011-886-2-514-2441  
Fax: 011-886-2-712-1815

Contact for law enforcement:

Yao Kao-Chiao (surname Yao)  
Director General  
National Police Administration  
7 Chunghsiao e. Road, Sec. 1  
Taipei, Taiwan  
Tel: 011-886-2-321-9011  
Fax: 001-886-2-396-9781

Contacts for related technology fields:

H.H. Tsai  
Administrator  
Environmental Protection Administration  
41, Sec. 1, Chung-Hwa Road  
Taipei, Taiwan  
Tel: 011-886-2-311-7772, ext. 2000  
Fax: 011-886-2-311-6071

Chang Po-Ya, M.D., M.P.B.  
Director-General  
Department of Health, Executive Yuan  
100 Aikuo H. Road

Taipei, Taiwan  
Tel: 011-886-2-321-0151  
Fax: 001-886-2-312-2907

Li-Chuan Chu, Ph.D.  
Project Manager  
Office of Committee for Aviation & Space  
Industry Development (CASID)  
International Trade Building, Suite 1712  
333 Keelung Road, Sec. 1  
Taipei, Taiwan  
Tel: 011-886-2-757-6157  
Fax: 011-886-2-757-6043

Richard Y. H. Lin  
Director  
Center for Aviation & Space Technology  
Industrial Technology Research Institute  
Chung Hsing Compound  
195 Chung Hsing Road, Sec. 4  
Chutung, Taiwan 310  
Tel: 011-886-2-035-820-100  
Fax: 011-866-35-820-045

## **Doing Business in Taiwan**

Many books have been written on doing business in Asia and it is expected that many more will be written in the future. Doing business in Taiwan is different from doing business in the United States, but U.S. firms are best served by using common sense and sticking to certain fundamental rules which are briefly discussed below.

- Learn as much as possible about the market, competitors and the people with whom you will be doing business with by obtaining as much written information as possible.
- Know the strengths and capabilities of your products and the capabilities of your company.

- Communication is paramount. If necessary, hire a professional interpreter/translator to communicate your message effectively. Respond promptly and thoroughly to all requests for information or assistance.
- Be honest and considerate. Productive long-term business relationships are built on a foundation of honesty and mutual respect. U.S. firms should make an effort to learn about Taiwan business and cultural practices such as business-card giving, banqueting, and the importance of titles. Taiwan business people and Government officials will readily forgive small mistakes in Chinese etiquette if they believe the offender is honest and sincere.

### *Regulatory Environment*

The Ministry of Economic Affairs had recently announced measures governing imports and exports of high-technology equipment and supplies. The measures stipulate that when a local importer is required by the government of the exporting country or the foreign exporter to submit an international Import Certificate (IC) and a Delivery Verification Certificate (DV) for a COCOM controlled product valued over \$5,000, the importer shall apply for such certificates in accordance with the procedures outlined by MOEA. The measures also require a local exporter to apply for an export license from the Board of Foreign Trade in order to export high-technology equipment and supplies.

Import licensing requirements are being phased out on most civilian products, but importers must obtain an import license from MND to import munitions and armaments. MND must also approve the export of such products.

Foreign firms are prohibited by law from making investments in Taiwan's defense industries. As noted above, the Taiwan authorities have recently begun requiring "Industrial Cooperation Programs" (IPC), which normally contain offset provisions as a condition of all large government procurements, including defense equipment. The percentage for IPC (or offsets) is determined at the planning stages and will be no less than 30 percent of the purchase price. The authorities have traditionally encouraged co-production of many weapon systems.

U.S. firms should note that Taiwan procurement regulations specifically prohibit foreign firms pursuing defense contracts from employing local agents on a commission basis. While it is permissible to hire a local representative to liaise with the military and obtain information, it is not permitted for the foreign firm to link the agent's compensation to the results of a tender award. The Procurement Bureau prefers to work directly with foreign suppliers rather than through local representatives. Commissions cannot be paid to local sales intermediaries where procurement is in excess of \$1 million. This measure was adopted to reduce the possibility of corruption on large procurements.

### **U.S. Government Points of Contact**

The following is a list of useful contacts for U.S. firms interested in doing business in Taiwan.

**AIT Commercial Section**

Suite 3207, 32/F International Trade Tower  
333 Keelung Road, Section 1, Taipei, Taiwan  
Tel: 886-2-720-1550  
Fax: 886-2-757-7162

William Zarit  
Deputy Chief

Cynthia Griffin  
Commercial Officer

Peter Yen  
Commercial Specialist

**AIT Technical Section**

7, Lane 134, Hsin Yi Rd., Sec. 3, Taipei, Taiwan  
Tel: 886-2-7092000  
Fax: 886-2-7027675

Gus Sorenson  
Chief

Robert Van Horn  
Army Logistics/Programs

George "Korky" Wright  
Air Force Logistics/Programs

Richard Ames  
Navy & Marine Logistics/Programs  
AIT Technical Liaison Section  
7, lane 134, Hsin Yi Rd., Sec. 3, Taipei, Taiwan  
Tel: 886-2-7092000  
Fax: 886-2-7027675  
Larry Mitchell  
Chief

Roger Dong  
Deputy chief

**AIT Economic Section**

7, lane 134, Hsin Yi Rd., Sec. 3, Taipei, Taiwan  
Tel: 886-2-7092000

Fax: 886-2-7014216  
Ann K. Breiter  
Science and technology Officer

**AIT Washington**

Suite 1700,  
1700 North Moore Street  
Arlington, Virginia 22209

Tel: 703-525-8474-6  
Fax: 703-841-1385

Gary Weis  
Director, Political Military Affairs

**U.S. Department of Defense**

Mr. Wayne Laskofski  
Defense Security Assistance Agency  
DSAA/OPS/EPR  
Washington, D.C. 20301-2800  
Tel: (703) 604-6609  
Fax: (703) 604-6041