

# The Case of Free Trade Switzerland – Taiwan: An Update

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## 1 Executive Summary

For Switzerland, Taiwan still is an economically significant missing link in its chain of FTAs in East Asia. This study updates a Research Report by the same author in 2016, assessing the potential benefits of mutual tariff abolition as part of a possible bilateral economic agreement between the WTO members Switzerland and Taiwan, already taking into account the impact of the Information Technology Agreement (ITA). This updated study (2016-2020) finds that, even considering the fact that more than half (53%) of **Taiwanese exports to Switzerland** is already duty-free, Taiwanese companies still could envisage significant duty savings (8.7 Mio CHF annually) in their exports to Switzerland, especially for the machinery, metal articles, and vehicles parts industries in Taiwan. The exporters of plastic and textile articles, sports requisites, furniture, and food preparations would also benefit significantly. **Swiss exports to Taiwan** are also to a considerable degree duty-free already (57%), but given the increase in exports value, the savings potential is even slightly higher than in 2016, namely 42 Mio USD annually. A free trade arrangement would benefit especially the machinery and vehicles parts industries in Switzerland (15 Mio USD) and the watch industry (13 Mio USD). The exporters of chemical goods and food products would also benefit significantly. Most importantly, a free trade agreement would eradicate **unfair competitive disadvantages** of companies in Taiwan vis-à-vis their competitors in countries such as Japan, South Korea, or the PR China, and at the same time provide Swiss companies with “an unobstructed, stable and non-discriminatory market access compared to their main competitors”, which is the main goal of Switzerland's foreign trade policy.

In concluding bilateral economic agreements with Taiwan, Singapore and New Zealand have proven that “effective economic representation“ is possible “without touching upon sovereignty issues“. The same would be possible for Switzerland and Taiwan, both being WTO members and willing to extend their FTA network globally.

## 2 Background

As it was five years ago, it is still today in 2021 an obvious fact that cross-Strait relations between Taiwan and the People's Republic of China (PRC) have “a limiting impact ... on Taiwan’s foreign economic ties, particularly in terms of the scope for Taiwan to reach FTAs with its trading partners” (Tsang 2012: 13), and also that “cross-Strait tensions constrain Taiwan’s ability to sign FTAs with other countries” (Kastner 2012: 128). In spite of many adverse factors, WTO-member Taiwan (since 2002, under the name “Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)”) has worked hard to conclude bilateral economic agreements that come close to the standard template of FTAs with countries that recognize the PRC as part of their One-China-policy. Negotiations with Singapore commenced in May 2011 and were concluded two years later. The *Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership (ASTEP)* was signed in Singapore on 7 November 2013. In the same year, an Economic Cooperation Agreement with New Zealand (ANZTEC) was concluded, “a diplomatic coup for Taipei and a win for New Zealand”, as White (et al. 2013) saw it, at the same time expressing the hope that the ANZTEC will pave “the way for Taiwan to close similar bilateral trade deals and bolsters its case for participation in regional trade frameworks”.

This became possible because of the conclusion of the Economic Co-operation Framework Agreement (ECFA) Taiwan-PRC in 2010 and the consequently “relaxed cross-Strait atmosphere” (Kastner 2012: 129). One of the motivations on the Taiwanese side was that passage of ECFA will make it easier for Taiwan to reach FTAs with other countries, having the “potential to lower some of the barriers blocking Taiwanese

participation” in FTAs (ibid.). Young (2014) in his research on the success factors for New Zealand's way to an agreement with Taiwan confirms that, and sees it related to the “growth in the number of countries with existing preferential economic agreements and good relations with the PRC”. For the successful conclusion of the negotiations - notably conducted by “private sector negotiators” - the strict use of WTO nomenclature was an important factor.<sup>1</sup> The agreement between WTO members New Zealand and Taiwan proves that „effective economic representation“ is possible “without touching upon sovereignty issues“ (ibid.).

In 2015 the *Act of Providing Support in Response to Trade Liberalization* (因應貿易自由化調整支援條例) was passed, stipulating that the government should establish a fund to assist negatively impacted industries to weather any damage caused by market liberalization.<sup>2</sup> This was another clear sign that Taiwan is determined to pursue the goal to become a node in the increasingly dense global FTA network. The high relevance of this long-term strategic goal was confirmed after the elections in 2016 by the new administration led by Tsai Ing-wen.<sup>3</sup>

Switzerland, on the other side, currently has - in addition to the EFTA Convention and the FTA with the European Union (EU) of 1972 - a network of 33 FTAs with 43 partners outside the EU. In East Asia, this includes FTAs with the PR China, Hong Kong (China), Japan, South Korea, the Philippines, Indonesia, and Singapore. Agreements with other

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1 White (et al. 2013) report that New Zealand kept the entire negotiation process „as low-profile as possible and held the signing ceremony at a local university in Wellington without the presence of senior officials from either side“. They quote a New Zealand representative: “We have a no-surprises relationship with China”, and „Beijing was 'comfortable' with how ANZTEC had proceeded“.

2 Taipei Times, 16 December 2015: *Act to ease free-trade impacts passed*. Under the act, “observing mechanisms” are to be set up before economic agreements are signed, to understand how well industries are prepared for trade liberalization and a consultation service should be provided to the enterprises after the agreements are signed.

3 Building on the efforts of a Trans-Pacific Partnership (TPP) task force established in the year before, a new trade negotiations office was set up. Source: *Taiwan trade negotiations office planned by Tsai*, Taiwan Today, February 26, 2016.

ASEAN-members are underway.<sup>4</sup> The aim of Switzerland's FTA policy is “the improvement of the framework conditions for economic relations with relevant economic partners”. The objective is “to provide Swiss companies with an unobstructed, stable and non-discriminatory market access in these countries compared to their main competitors” (SECO 2016).

A non-intended effect of this legitimate policy to create a network of FTAs worldwide is *discrimination* against those economic partners not being part of this network. Switzerland grants preferential access to all of Taiwan's regional neighbors (and thereby to virtually all main competitors of Taiwanese companies on this Swiss market).

Against this background, this study assesses the potential benefits of mutual tariff abolition as main part of possible bilateral economic agreement between the WTO members Switzerland and Taiwan, both for industrial and agricultural goods (section 4), taking into account multi-lateral Information Technology Agreement (ITA)<sup>5</sup>. The following section 3 defines scope and methodology of the study. The last section provides conclusions and speculations about the opportunities for a bilateral FTA-like economic agreement between Switzerland and Taiwan in a wider context.

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4 Source: State Secretariat for Economic Affairs (SECO); [https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik\\_Wirtschaftliche\\_Zusammenarbeit/Wirtschaftsbeziehungen/Freihandelsabkommen/partner\\_fha.html](https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Freihandelsabkommen/partner_fha.html) (November 24, 2021).

5 The Information Technology Agreement (ITA) was concluded by 29 participants at the Singapore Ministerial Conference in 1996. Since then, the number of participants has grown to 82, representing about 97% of world trade in IT products. At the Nairobi Ministerial Conference in December 2015, over 50 members concluded the expansion of the ITA, which now covers an additional 201 products. (Source: WTO, July 2016).

### 3 Scope and Methodology

As the study four years ago, this update is not an encompassing analysis of the potential economic benefits of a Free Trade Agreement (FTA), since a comprehensive FTA usually consists of a dozen chapters on a wide range of economic topics, such as non-tariff barriers (NTB), intellectual property rights (IPR), public procurement, services, movement of natural persons etc. - all beyond the scope of this analysis. However, the mutual abolition of tariffs, either immediately upon enforcement of an agreement or in the course of *phasing out*-periods, is a core element of every FTA. Therefore, this analysis is a contribution to an *ex ante* assessment of the potential benefits of a FTA-like bilateral economic agreement between the WTO-members Switzerland and Taiwan.<sup>6</sup>

The utility of *ex ante* FTA assessments is increasingly acknowledged. As the Asian Development Bank (ADB) stated in a report from 2010, "a clear and accurate understanding of the potential effects of an FTA before its negotiation (ex-ante evaluation) is necessary in deciding the overall negotiation position of the country, based on overall cost-benefit analysis and the identification of what the country can and cannot provide to its FTA partners in the negotiations" (Plummer et al. 2010: 2).<sup>7</sup>

The empirical analysis consists of three parts. Section 4.1 looks at the development of bilateral trade during the last five years. In section 4.2 the results concerning Taiwanese exports to Switzerland are presented.

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6 The same methodology has been applied in other studies by the author, so for the countries of the Gulf Cooperation Council (GCC), Central America, and the People's Republic of China (Ziltener 2014a-c), among others.

7 The ADB sees pre-negotiation studies also as „helpful to exploit the potential exporting benefits of FTAs and to draw up necessary adjustment policies for sectors which may be negatively affected by FTAs. The results of pre-negotiation impact assessment studies should be reflected effectively in the FTA negotiations. Likewise, assessing the actual impacts of an FTA after its implementation (ex-post evaluation) to examine whether the impacts are within the expected range is also important to draw up further necessary adjustment policies for the affected sectors and to exploit the benefits that are yet to fully materialize. This kind of impact assessment is especially important when the negative effects of the FTA seem to be larger than the positive effects.“ (Plummer et al. 2010: 2)

The data source in sections 4.1 and 4.2 is the Swiss Customs Directorate. Switzerland's collection of customs duties is based solely on specific assessment bases, generally the gross weight. Most other countries collect their customs duties on a value basis.

This analysis is conducted based on access to the Swiss Customs tariff revenue statistics for 2016-2020 and not an computed approximation to it, which grants a high level of statistical accuracy. By definition the total duties levied on imports from Taiwan equal the maximum FTA savings potential. The usual *caveat* applies: The concept of the maximum savings potential does not imply that this potential will completely be realized under the conditions of an FTA, even a comprehensive one. Some goods will not qualify for tariff exemption due to non-compliance with the rules of origin or because the export activity does not meet the proper procedural and administrative requirements. Also, given the rather low level of Swiss tariffs, some companies will consider the financial incentives to apply for tariff exemption under FTA insufficient. Others will simply not be aware of the tariff exemption opportunities provided by the FTA. Therefore the *FTA utilization rate*, measuring the degree to which the FTA is successfully used to reach duty free trading, is usually lower than 100%. E.g., a utilization rate of 70% means that 70% of all exports (according to value) from country A to country B in a specific year were effectively making use of the FTA. Some empirical examples: For Swiss exports to Germany we found a utilization rate of 50%, another 40% being exported on duty free basis already, with the result that 90% of Swiss exports to Germany are effectively duty free. The utilization rate in Swiss exports to France is 37% (another 61% being duty free already), to Mexico 51%, to South Korea 60% (Ziltener/Blind 2014). Obviously, utilization rates and therefore the true benefits of tariff abolition can be analyzed only after implementation of a given FTA.

This also applies to the analysis of Swiss exports to Taiwan, the results of which are presented in section 4.3. Here the data source is the Taiwan Customs Office, whose willingness to communicate and cooperate in this matter is acknowledged by the author.

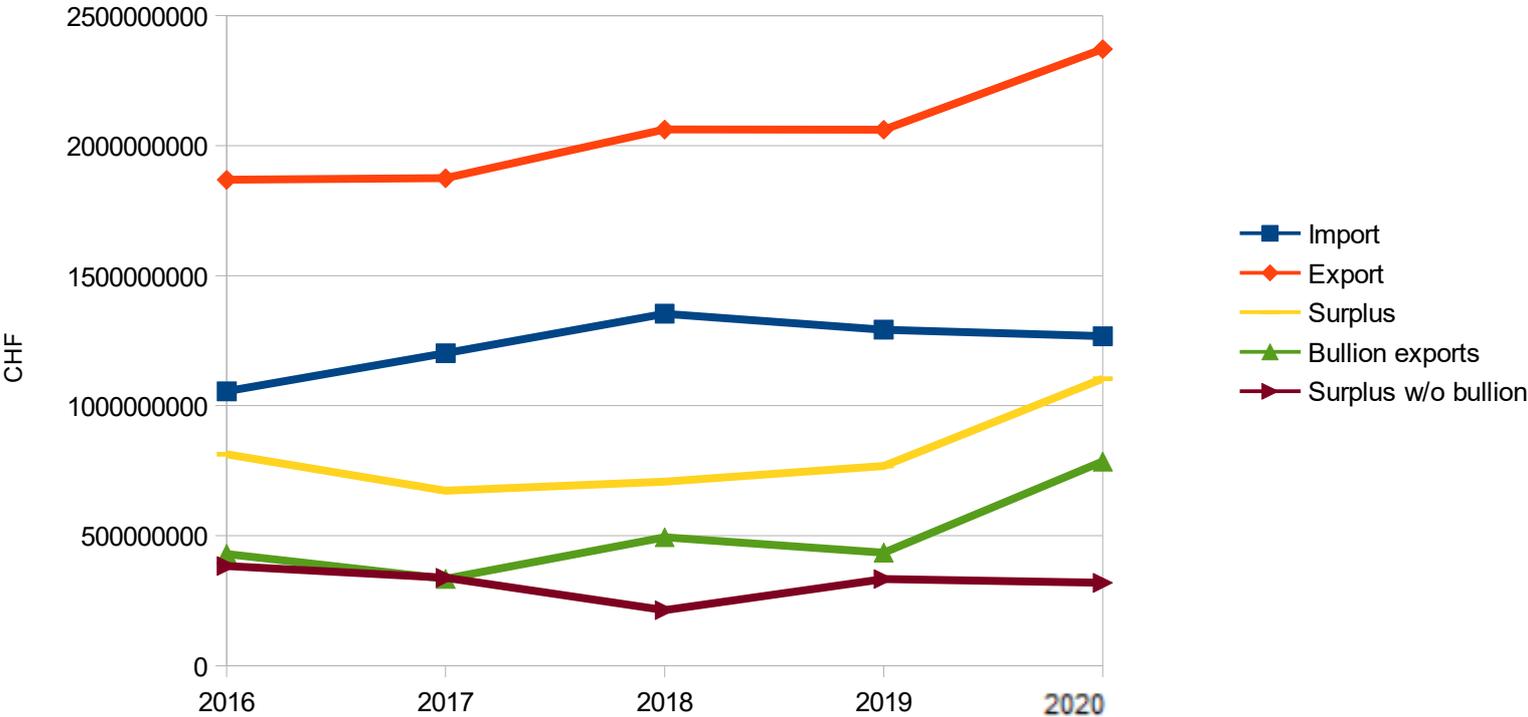
## 4 Tariff Treatment and Savings Potential in Bilateral Trade

This section takes a closer look at the bilateral trade of the five years since 2016 between Taiwan and Switzerland and derives conclusions regarding the savings potential provided by tariff abolition by both sides for exporters on both sides.

### 4.1 Bilateral Trade, 2016-2020

The bilateral trade data show an increasing surplus for Switzerland, but only if we take into account bullion exports. Over the last 5 years, trade volumes have been rather stable.

Table 4.1: Switzerland-Taiwan: Bilateral Trade, 2016-2020



Data source: Swiss Federal Customs Administration FCA, 2021 (SwissImpex).

## 4.2 FTA Savings Potential in Taiwan's Exports to Switzerland

### 4.2.1 Swiss Imports from Taiwan: The Big Picture

Switzerland's imports are already to a high degree (85.3%) tariff-free, but her Customs Office still collects annually around 1.3 Bio CHF on duties. Therefore, we expect to find this pattern also in the imports from Taiwan. While in 2016 1/3 of total imports from Taiwan were already freed from duties (mainly metal goods, machinery as well as some instruments and watches parts), this share has increased every year, to more than ½ in 2019 and to 53.5% in 2020 (Table 4.2). However, since the value of imports has also increased, the total FTA savings potential is still not much lower than in 2016, close to 9 Mio CHF.

Table 4.2: Swiss Imports from Taiwan, 2016-2020: Tariff Treatment

	Imports total	- Normal rate	- Exemption	E/I (%)	Duties
2016	1'055'448'572	700'681'077	354'767'495	33.6	9'290'399
2017	1'202'181'704	654'167'209	548'014'495	45.6	9'163'274
2018	1'353'812'735	724'010'036	629'802'699	46.5	9'616'584
2019	1'292'731'271	625'841'143	666'890'128	51.6	9'285'963
2020	1'267'299'973	589'562'767	677'737'206	53.5	8'669'470

CHF. Duties = FTA savings potential. Data source: Swiss Federal Customs Administration FCA, 2021.

Table 4.3 shows the major positions in Taiwan's exports that are already exempted from duties, namely various metal products and machinery, and especially – as expected – IT goods. Most relevant, of course, is the analysis of positions that are not exempted yet, since that is where the FTA savings potential comes from. Table 4.4 reveals that the export category with the highest savings potential is vehicles including parts (1.9 Mio CHF), other metal parts and machinery (around 3.7 Mio CHF), but also plastic articles, textiles, toys and food products.

Table 4.3: Swiss Imports from Taiwan, 2020 (HS): What is already exempted from duties?

	<b>Goods (HS)</b>	<b>Value (Mio CHF)</b>
1	Various machinery (85; 85% of imports in this section)	302.6
1.1	<i>Telephones</i>	80.8
2	Machinery and mechanical appliances (84; 65% of imports in this section)	136.1
2.1	<i>Data-processing machines</i>	96.6
2.2	<i>Semiconductor/machinery (8486)</i>	13.9
3	Jewellery articles/parts (7113; 84% of imports in this section)	109.5
4	Instruments (90)	55.2
5	Gold/articles (7108)	15.1
6	Clocks/watches incl. parts (91)	14.3
7	Metal articles/parts (72, 73)	10.6
8	Certain organical chemicals and misc. chemical products	6.7
10	Pharma (30, 100% of imports in this section)	5.7

Data source: Swiss Federal Customs Administration FCA, 2021.

Table 4.4: Swiss Imports from Taiwan, 2020: Where is the FTA Savings Potential most significant?

	<b>Goods (HS)</b>	<b>Amount (CHF)</b>
1	Vehicles, incl. parts (87)	1'867'291
2	Metal articles (72, 73, 74)	1'759'842
3	Machinery and equipment, incl. parts (84, 85)	1'353'837
3.1	<i>Electric accumulators (8507)</i>	212'568
3.2	<i>Ball or roller bearings (8482)</i>	114'028
4	Metal tools, misc. metal articles (82, 83)	691'397
5	Plastic articles (31)	675'449
6	Apparel and clothing accessories (61, 62, 63)	548'073
7	Toys, games and sports requisites (95)	300'582
8	Furniture (94)	200'216
9	Animal or vegetable fats and oils (15)	181'654
10	Food preparations (21)	149'449

Data source: Swiss Federal Customs Administration FCA, 2021.

#### 4.2.2 Swiss Imports from Taiwan: A Closer Look at Food / Agriculture

Table 4.5. reveals the FTA savings potential in Taiwanese exports of processed food and agricultural products, a total of several 100'000 CHF.

Table 4.5: Swiss Imports from Taiwan, 2020: A closer look at food / agriculture (HS1-24)

	<b>Goods (HS)</b>	<b>Value (Mio CHF)</b>	<b>Exemption (%)</b>	<b>FTA Savings Potential (CHF)</b>
1	Fish (03)	66'158	70.3	59
2	Bulbs, tubers, tuberous roots (0601)	382'669	0	5'803
3	Vegetables (07)	65069	33.9	6'847
4	Plants (perfumery, pharmacy, 1211)	290'678	100	0
5	Vegetable saps & extracts (1302)	1'103'135	100	0
6	Vegetable materials (plaiting; 1401)	67'752	100	0
7	Vegetable oils (1515)	445'955	0	180'861
8	Sauce /-preparations (2103)	95'880	0	12'395
9	Various food preparations (2106)	651'749	0	135'250
10	Beverages (22)	887'150	0	16'268
11	<i>Waters (2202)</i>	762'839	0	12'937
12	<i>Alcohol (2208)</i>	106'292	0	1'554

Value=Imports. FTA Savings Potential=Duties 2020. Data source: Swiss Federal Customs Administration FCA, 2021.

Table 4.6: Swiss Imports from Taiwan, 2016-2020: A closer look at fruits (HS08)

	<b>Goods (HS08)</b>	<b>Value (CHF)</b>	<b>Exemption (%)</b>	<b>FTA Savings Potential (CHF)</b>
2016	Total fruits & nuts (08)	7'837	25.2	61
2017	Total fruits & nuts (08)	2'102	23.8	10
2018	Total fruits & nuts (08)	8'145	27.3	11
2019	Total fruits & nuts (08)	3'397	0	8
2020	Total fruits & nuts (08)	522	0	10
2016	<i>Desiccated coconuts (0801.11)</i>	2'434	0	7
2016	<i>Other nuts (excl. coconuts, Brazil nuts and cashew nuts; 0802)</i>	2'174	39.4	3
2016	<i>Fresh or dried bananas (0803.9000)</i>	1'357	0	49
2016	<i>Dried prunes (0813.2010)</i>	1'121	100	0
2018	<i>Citrus fruit, fresh or dried (0805)</i>	6'513	27.5	1

Value=Imports. FTA Savings Potential=Duties 2020. Data source: Swiss Federal Customs Administration FCA, 2021.

### 4.2.3 Swiss Imports from Taiwan: A Closer Look at Vehicles / Parts

Table 4.7 shows that the most important position in this category are parts and accessories for motorcycles and bicycles (HS8714) with an FTA savings potential of almost 800'000 CHF alone. Other major positions are motor cycles and motor vehicles, including parts and accessories.

Table 4.7: Swiss Imports from Taiwan, 2020: A closer look at vehicles (HS87)

	<b>Goods (HS)</b>	<b>Value (Mio CHF)</b>	<b>FTA Savings Potential (CHF)</b>
1	Vehicles total (87)	184.3	1'867'291
2	<i>Motor vehicles (8703)</i>	2.7	26'839
3	<i>Parts and accessories for tractors, motor vehicles (8708)</i>	8.8	368'326
4	<i>Motorcycles (8711)</i>	48.2	301'423
5	<i>Bicycles (8712)</i>	36.3	367'380
6	<i>Parts and accessories for motorcycles and bicycles (8714)</i>	87.3	797'569

Value=Imports. FTA Savings Potential=Duties 2020. Data source: Swiss Federal Customs Administration FCA, 2021.

Since the position vehicles / parts (HS87) is the single most important regarding FTA savings potential (Table 4.4), the following subsection analyzes the competitive situation of Taiwanese exporters in the context of other exporting economies in East Asia, taking into account that Switzerland conducts its trade with the selected countries (Japan, PR China, South Korea) under FTA conditions. As a matter of fact, a significant share of these countries' exports is exempted from duties, while Taiwanese exports are almost completely subject to tariffs. This clearly indicates that we have a case of discrimination against producers of vehicle parts in Taiwan.

Table 4.8: Swiss Imports of vehicles / parts (HS87) from Asia, 2020

	<b>Imports (HS87)</b>	<b>Value (Mio CHF)</b>	<b>Exemption (%)</b>	<b>Duties collected (CHF)</b>
1	Imports total from Japan	528.3	73.4	2'205'305
2	Imports total from PR China	253.2	56.3	3'829'824
3	Imports total from South Korea	168.8	90.3	396'159
4	Imports total from Taiwan	184.3	0.3	1'867'291
1.1	<i>Imports of parts &amp; accessories for motorcycles &amp; bicycles (8714) from Japan</i>	21.6	56.8	64'799
2.1	<i>Imports of parts &amp; accessories for motorcycles &amp; bicycles (8714) from PR China</i>	30.4	50.9	217'734
3.1	<i>Imports of parts &amp; accessories for motorcycles &amp; bicycles (8714) from South Korea</i>	0.06	1.2	479
4.1	<i>Imports of parts &amp; accessories for motorcycles &amp; bicycles (8714) from Taiwan</i>	87.3	0.2	797'569

Data source: Swiss Federal Customs Administration FCA, 2021.

#### 4.2.4 Taiwan's Exports to Switzerland in Comparison

Since the results of the analysis of the competitive situation in the vehicles / parts has revealed substantive disadvantages for Taiwanese producers, it is worth to have a look at this aspect at aggregate level. Tabl 4.9 displays again Switzerland's imports from Japan, the PR China, South Korea, and Taiwan. As expected, Taiwan has the lowest share of goods exempted from duties in its exports to Switzerland. However, the absolute amount of duties is highest in the case of the PR China, since the FTA utilization rate is rather low, at 66%.

Table 4.9: Swiss Imports from Asia, 2020

	Imports (HS01-97)	Value (Mio CHF)	Exemption (%)	Duties collected (Mio CHF)
1	Imports total from PR China	16'580	65.9	177.2
2	Imports total from Japan	4'989	81.6	5.5
3	Imports total from South Korea	972	81	2.8
4	Imports total from Taiwan	1'267	53.5	8.7

Data source: Swiss Federal Customs Administration FCA, 2021.

Japan and South Korea are more successful in the utilization of the FTA in force (81% of exports exempted, as a matter of fact). On average, Japanese companies pay 0.1 *Rappen* (CHF cent) duty on every *Franc* of exports to Switzerland, Korean companies pay 0.3 *Rappen* per 1 *Franc*. Taiwanese companies, on the other side, pay 0.7 *Rappen* per 1 *Franc*, which clearly makes the case for an FTA between Switzerland and Taiwan, be it for reasons of competitive fairness alone.

#### 4.2.5 Conclusions

In general, we find a trend that Taiwanese exports to Switzerland are, step by step, year by year, getting closer to free trade conditions. This has to do with the Swiss customs tariff structure, but also with liberalizing multilateral Agreements such as the ITA. However, even with more than half exports exempted from Swiss duties, the savings potential of an FTA for Taiwan exporters has not significantly decreased over the last 5 years, it is still close to 9 Mio CHF annually. An FTA would benefit especially the machinery, metal articles, and vehicles parts industries in Taiwan. The exporters of plastic and textile articles, sports requisites, furniture, and food preparations would also benefit significantly. An FTA would correct the discrimination against Taiwanese producers and exporters vis-à-vis their competitors in countries such as Japan, South Korea, or the PR China, on the Swiss market.

### 4.3 FTA Savings Potential in Switzerland's Exports to Taiwan

#### 4.3.1 Taiwanese Imports from Switzerland: The Big Picture

As we found in the case of Swiss imports from Taiwan, we observe a clear trend towards increasing tariff exemption of Taiwanese imports from Switzerland: The respective share grew from 42.6% in 2016 to 57.5% (Table 4.10).

However, the total FTA Savings Potential for Swiss exporters is, given the increase of Swiss exports to Taiwan especially in 2018 and 2020, today even higher than in 2016, it amounts to a total of 42 Mio USD annually (Table 4.10).

Table 4.10: Taiwanese Imports from Switzerland, 2016-2020: Tariff Treatment

	Imports total	- Normal rate	- Exemption	E/I (%)	Duties
2016	1'558'112'600	894'243'516	663'869'084	42.6	40'166'856
2017	1'570'562'056	877'332'608	693'229'448	44.1	37'647'114
2018	1'903'803'594	906'983'374	996'820'220	52.4	39'308'998
2019	1'827'006'300	885'293'539	941'712'761	51.5	39'332'985
2020	2'233'243'001	953'695'364	1'279'547'637	57.3	41'995'430

USD. Duties = FTA savings potential. Data source: Taiwan Customs Office, 2021.

In absolute figures, the FTA savings potential for Swiss producers / exporters (Table 4.11) is the largest for the MEM industry (metal and machinery, 15 Mio USD), the watch industry (13 Mio USD), the chemical industry (7.2 Mio USD), but also food / agriculture (5.7 Mio USD).

Table 4.11: Taiwan's Imports from Switzerland, 2020: Where is the FTA Savings Potential most significant?

	<b>Goods (HS; 2020 USD)</b>	<b>Amount (USD)</b>
1	Metal products, machinery (72-89)	15'066'662
2	Watches (91)	12'896'391
3	Chemical products (28-39; w/o Pharma 30)	7'238'140
3.1	<i>Potassium gold cyanide and their gold compounds (28433; 137 Mio)</i>	<i>3'437'443</i>
3.2	<i>Printing ink (3215; 14.8 Mio)</i>	<i>966'078</i>
3.3	<i>Polyamides (3908, 27.3 Mio)</i>	<i>681'953</i>
4	Agriculture, food (1-24)	5'650'090
5	Textiles (50-63)	230'134
6	Instruments (90)	23'767

USD. Duties = FTA savings potential. Data source: Taiwan Customs Office, 2021.

Notes: Pharma (HS30) is already duty free, except sterile surgical or dental adhesion barriers (HS30061040, MFN 4.9, duties 21'035 USD). Gold potassium cyanide is an important gold source used in electrolytic gold plating. Bullion (gold, silver etc.) is MFN=0.

#### 4.3.2 Taiwanese Imports from Switzerland: A Closer Look at Food/Agriculture

A closer look at food / agricultural products exported to Taiwan (Table 4.12) reveals that food preparations, tobacco products, chocolate, and ice cream would benefit mostly from tariff abolition.

Table 4.12: Taiwan's Imports from Switzerland, 2020: A closer look at food / agriculture (HS1-24)

	<b>Goods (HS)</b>	<b>Value (USD)</b>	<b>Exemption (%)</b>	<b>FTA Savings Potential (USD)</b>
1	Various food preparations (2106)	8'507'144	0	1'955'587
2	Tobacco products (2402)	5'299'740	0	1'420'375
3	Preparations for infants or young children use, incl. milk powder (1901)	15'438'813	0	920'238
4	Chocolate (1704, 1806)	5'097'533	0	761'437
5	Ice cream (2105)	2'375'734	0	259'716
6	<i>Total food/agriculture (1-24)</i>	<i>52'788'574</i>	<i>22.7</i>	<i>5'650'090</i>

Value=Imports. FTA Savings Potential=Duties 2020. Data source: Taiwan Customs Office, 2021.

Note: Already duty-free are food products of almost 12 Mio USD, among which are coffee, cocoa, beer, and whiskies.

As shown in the Research Report (Ziltener 2016, 2018a, b) five years ago based on data from New Zealand (NZCIO 2013), New Zealand

exporters of dairy products have successfully taken advantage of the free trade opportunities and have increased their exports to Taiwan. Swiss exporters of dairy products would receive this relevant improvement of market access as a consequence of a bilateral free trade arrangement, mostly on day one of entry into force or after one or two years after enforcement, as the . Until then, they have to face competitive disadvantages on the Taiwanese market, vis-à-vis their New Zealand competitors, as the ANZTEC case suggests.

### 4.3.3 Taiwanese Imports from Switzerland: A Closer Look at MEM Products

In the metal / machinery sector, various apparatuses and parts made in Switzerland would benefit from a free trade arrangement (Table 4.13). The total FTA savings potential for the Swiss MEM industry would amount to more than 15 Mio USD annually. Already duty-free are MEM products exports of almost 104 Mio USD, mostly IT products.

Table 4.13: Taiwan's Imports from Switzerland, 2020: A closer look at MEM products (HS72-89)

	<b>Goods (HS)</b>	<b>Value (USD)</b>	<b>Exemption (%)</b>	<b>FTA Savings Potential (USD)</b>
1	Various electrical apparatuses for switching or protecting electrical circuits (8535)	29'801'634	0	2'979'611
2	Valves, tubes (8481)	63'505'156	0.1	2'255'428
3	Various apparatuses for electric control (8537)	16'087'943	0	876'169
4	Water heaters, driers (8419)	26'466'479	12.9	692'291
5	Parts and accessories of motorcycles	13'438'559	0	673'990
6	Parts of gas turbines (84119900)	27'166'755	0	543'335
7	Machine tools operated by laser processes (84561190)	13'567'951	7.3	503'320
8	<i>Total metal products, machinery (72-89)</i>	<i>443'493'980</i>	<i>23.4</i>	<i>15'066'662</i>

Value=Imports. FTA Savings Potential=Duties 2020. Data source: Taiwan Customs Office, 2021.

#### 4.3.4 Conclusions

In general, we can confirm the expected trend – the trend that Swiss exports to Taiwan are, step by step, year by year, getting closer to free trade conditions. Again, this has to do with Taiwan's customs tariff structure, but also with liberalizing multilateral Agreements such as the ITA. However, even with more than 57% exports exempted from Taiwanese duties, the savings potential of an FTA for Taiwan exporters has *increased* over the last 5 years, it amounts to 42 Mio USD annually. An FTA would benefit especially the machinery and vehicles parts industries in Switzerland, and its world-famous watch industry. The exporters of chemical goods and food would also benefit significantly. Creating free trade with Taiwan would ensure non-discriminatory market access for all Swiss producers and exporters, e.g. in dairy products vis-à-vis their competitors from New Zealand.

## 5 Conclusions and Outlook

This ex ante assessment of the savings potential of mutual tariff abolition means to contribute to an increased awareness by traders, exporting companies, as well political actors regarding the economic potential of a bilateral FTA-like agreement between Switzerland and Taiwan. Its potential might even be higher when leading to dynamic trade effects which were not in the scope of this study. Furthermore this study should increase public attention regarding non-intended discriminatory effects of bilateral FTA networks.

A bilateral free trade and / or economic partnership agreement – which Switzerland and Taiwan as WTO-members can conclude with each other, whatever the nomenclature will be – would bring new dynamics into Taiwanese exports to Switzerland, especially through the eradication of competitive disadvantages of Taiwanese companies in relation to other producers in East Asia who conduct their exports with Switzerland already under free trade conditions, such as Japanese and Korean companies. For Swiss companies it would create “an unobstructed, stable and non-discriminatory market access compared to their main competitors”, which is the official goal of Switzerland's foreign trade policy. The interests towards a bilateral economic agreement have been converging for quite a time, and at least two successful cases (Singapore, New Zealand) prove that it is possible to conclude economic agreements with Taiwan without touching upon sovereignty issues and therefore without interference by 'one China' policy issues.

Taiwan has signalled its persisting interest in concluding bilateral economic agreements<sup>8</sup>, but also has clear ambitions to join multilateral schemes such as the *Comprehensive and Progressive Agreement for*

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8 Taiwan president calls for investment agreement with EU (22.9.2020), Taiwan president seeks to negotiate trade deal with UK (19.1.2021), Taiwan calls on Australia to restart FTA talks (31.5.2021)

*Trans-Pacific Partnership (CPTPP)*, the former *TPP*.<sup>9</sup> In September 2021, Taiwan has officially submitted its application.<sup>10</sup> For Swiss companies, every extension of these kinds of schemes means potentially discriminatory market situations, meaning companies from other countries getting better market access to third markets. Switzerland should pro-actively consider joining these growing plurilateral Agreements; this would help to solve some of the problems stemming out of a purely bilateral trade policy (cf. Ursprung/Ziltener 2020, 2021).

Even in a world without such mega-regional Agreements - there ought to be a political aspect in Switzerland's reasoning on the issue. Being an independent and therefore highly vulnerable 'speedboat' in the world economy just like Taiwan, Switzerland should work pro-actively to avoid unsound discriminatory effects of its high-flying trade policy bilateralism wherever possible. On the successful way to completing its FTA net with all major East Asian economies, Taiwan as 'missing link' should not be left out, not only in view of the significant savings potential for Swiss exporters, but also in view of a fundamental value that is essential, actually indispensable for Switzerland's existence as open economy in the process of globalization: trade policy fairness, defined as equality of chances to get non-discriminatory market access around the globe.

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10 *Taiwan submits bid to join CPTPP trade pact* (Nikkei, 22/9/2021).

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