



# THE ROUGH CUT

An occasional publication from **Taiwan Business Leaders' Forum**  
 Political and economic snippets complementing the *Asia Executive Brief*  
*Sources are IMA Asia and our own analysis unless otherwise indicated*

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## A tough political environment :

President Tsai Ing-Wen faces a challenging political environment and has to deal with labour law and pension reforms that need to balance various special interests.

(Further information: <https://topics.amcham.com.tw/2017/03/pension-reform-momentum/>)

Concerning personnel and policy developments, the public is losing patience with tentative government and its focus on social justice issues rather than the economy. Next year's elections will see voters choose the mayors and city councillors, which would be key to determining if the KMT could regain its footing. Indeed, the party needs to win back ground lost in 2014 to counter the DPP political dominance.

Regarding the Trump-Xi summit, the primary focus was more about stabilizing the critical U.S.-China relationship and burnishing his foreign policy credentials than achieving a breakthrough. Though the two leaders did not say they talked about the problem of Taiwan, which is the core interest of the People's Republic of China, they certainly agreed to deal with it in their next meeting.

As for external defence, the Trump administration is preparing a new weapons package for Taiwan that will include "more and better defensive arms", despite China's disapproval. Moreover, Taiwan is taking steps to boost its own naval capabilities, announcing the launch of a new submarine-building program.

Meanwhile, Tsai's push for new regional partners, called the "New Southbound Policy," is similar to but more strategic than the policies of Lee Teng-hui and Chen Shui-bian. Like its forerunners, Tsai's policy seeks to lessen the mainland's dominance of Taiwan's trade, but it is more comprehensive and emphasizes building an extensive network of cultural and interpersonal relationships throughout the region.



On cross-straits relations: communication channels remain closed. China is unlikely to change its views amid the party congress; and Hong Kong's new Chief Executive, Carrie Lam, is unlikely to work on improving relations with Taiwan.

China's efforts to isolate Taiwan in Asia are perceivable through different projects : for example, Alibaba plans to set up a regional distribution hub in Malaysia to cater to its fast-growing business in the region; about 25 African, European and South American countries are set to join the China-led Asian Infrastructure Investment Bank this year, reinforcing Beijing's determination to push a global agenda even as US president Donald Trump rails against the ills of economic globalisation; the One Belt One Road project continues to progress without Taiwan on board. (Further information: <http://www.tandfonline.com/doi/pdf/10.1080/24761028.2016.11869096?needAccess=true>)

## A synchronized upswing in the global economy

It looks likely that this year, for the 1st time since 2010, rich-world and developing economies will put on synchronized growth spurts. For six months or so there has been growing evidence of increased activity. It has been clearest in the export-oriented economies of Asia, but it is visible in Europe, in America and even, just, in hard-hit emerging markets like Russia and Brazil.

The world economic outlook is promising and as a result, Taiwan's economy will benefit from heating external demand. According to the DGBAS's latest estimate in February 2017, Taiwan's 2017 GDP growth rate forecast has been revised upward, to 1.92%, mainly due to expected improvement in exports outlook. On the domestic economy side, the overall monitoring indicator flashed the "Green" signal for the seventh consecutive month in January 2017, reflecting the domestic economy continuing its recovery. (*Further information:* <https://topics.amcham.com.tw/2017/04/taiwan-economic-outlook-april-2017/>)

## Government plans to attract foreign talent to Taiwan

But we have been here before!

The main reforms announced:

- Foreign nationals may enter Taiwan on a job-seeking visa that will be valid for six months and extendable for another six months without the holder having to leave the country.
- Foreign white-collar workers will be eligible for inclusion in the new labour pension system, and those with permanent residence will have the option of a lump-sum payment or a monthly pension upon retirement.
- During the first three years of employment in Taiwan, certain categories of foreign professionals will be taxed on only half of their income in excess of NT\$2 million.
- Students and new graduates of foreign universities will be permitted to seek internships at Taiwan companies.
- Foreign white-collar workers with permanent residence will be no longer required to remain in Taiwan for at least 183 days per year to maintain their status.

Moreover, consumer confidence continued to grow this April, making it the highest point since July 2015 (*Further information:* <http://www.chinapost.com.tw/taiwan/2017/04/18/495767/Consumer-confidence.htm>).

However, it is important to notice that the cost of buying real estate has hit an all-time high nationally, with new figures showing that average workers are being increasingly priced out of home ownership (*Further information:* <http://www.chinapost.com.tw/taiwan/national/national-news/2017/04/18/495773/Generation-rent.htm>).

In order to create an environment conducive to industrial upgrading, the government will actively implement the 5+2 industrial innovation program, which is based on Taiwan's advantages in the semiconductor industry. Meanwhile, the government is planning to expand public investment this year to promote forward-looking infrastructure, including: rail transport, water environment, green energy, digital communication, local urban and rural development. These measures should help transform the industrial structure and accelerate Taiwan's economic recovery.

*"This would help to attract and retain international talent"*

*Lin Chih-mei*

To encourage more foreign talent to work in Taiwan in order to boost Taiwan's global competitiveness, the Cabinet passed a draft bill Thursday that would relax restrictions and improve the working environment for foreign professionals in Taiwan.

However, the bill, called the "Act for the Recruitment and Employment of Foreign Professional Talent," still requires approval from the Legislative Yuan, which is most likely to be held against it, in the view of its position to protect and keep jobs for local people. Several announcements on this issue have been done before, but each time the results didn't live up to the expectations, so this declaration should be taken with a grain of salt.