

UK-TAIWAN TRADE & INVESTMENT: ANNUAL REPORT

22 May 2017

SUMMARY

In 2015, Taiwan was the UK's 33rd largest trading partner globally and the 6th largest in the Asia-Pacific region. The UK was Taiwan's 3rd largest trading partner in Europe. 2015 bilateral trade reached £5,307 million.

UK exports to Taiwan hit £1,799 million in 2015. Goods exports were £1,217 million and services exports were £582 million. In a year that Taiwan's GDP growth slowed from 4.02% in 2014 to just 0.72%, UK exports to Taiwan experienced a 11.3% year-on-year fall as services exports contracted by £158 million. Top UK export sectors were: business and financial services, beverages (mainly whisky), machinery and mechanical appliances, pharmaceutical products and vehicles.

Taiwan invested a total of US\$114.8 million in the UK in 2016, considerably better than the 5-year¹ average of US\$ 10 million annually, prior to the large increase that took place in 2014 and 2015, and third overall in Europe behind the Netherlands and Austria.

UK-Taiwan Trade Performance: goods and services in 2015

1. Based on the Pink Book 2016 statistics published by the UK's Office for National Statistics (ONS), UK Taiwan bilateral trade in goods and services between reach **£5,307 million² in 2015**, down from the historical highest level at £5,862³ million in 2014.
2. The £555 million drop in bilateral trade was as a result of falling imports from Taiwan – down by £325 million on the 2014 level – and a fall in UK services exports of £158 million. In terms of the structure of trade, overall trade in goods accounted for 84% of bilateral trade, as Taiwan's exports are mainly comprised of manufactured products e.g. components and ICT products.

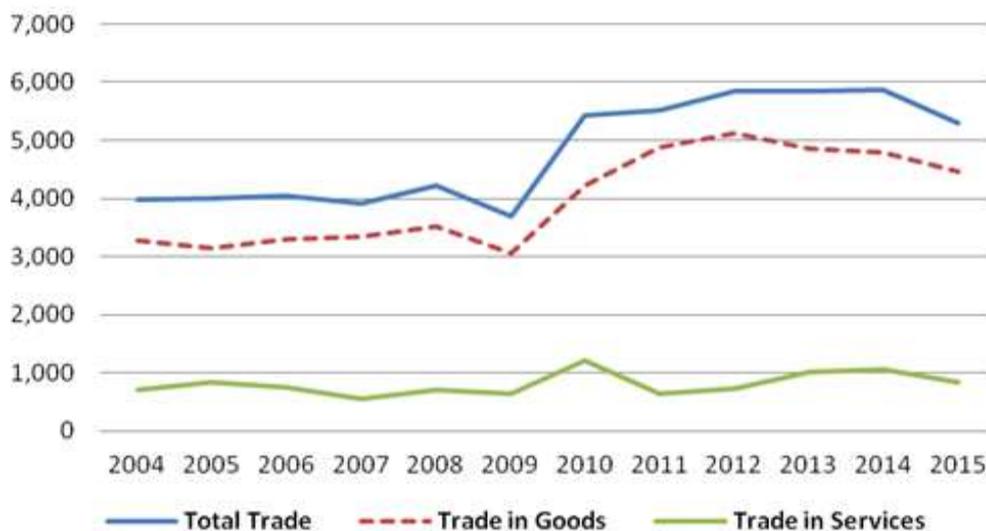
¹ 2009-2013

² This does not include goods trans-shipped through Singapore, Hong Kong, the Netherlands, Singapore, or other trading hubs. True figures are likely to be much higher than bilateral statistics.

³ This is the revised figure by ONS. In the previous Pink Book 2015, bilateral trade recorded £5,796 million for 2014.

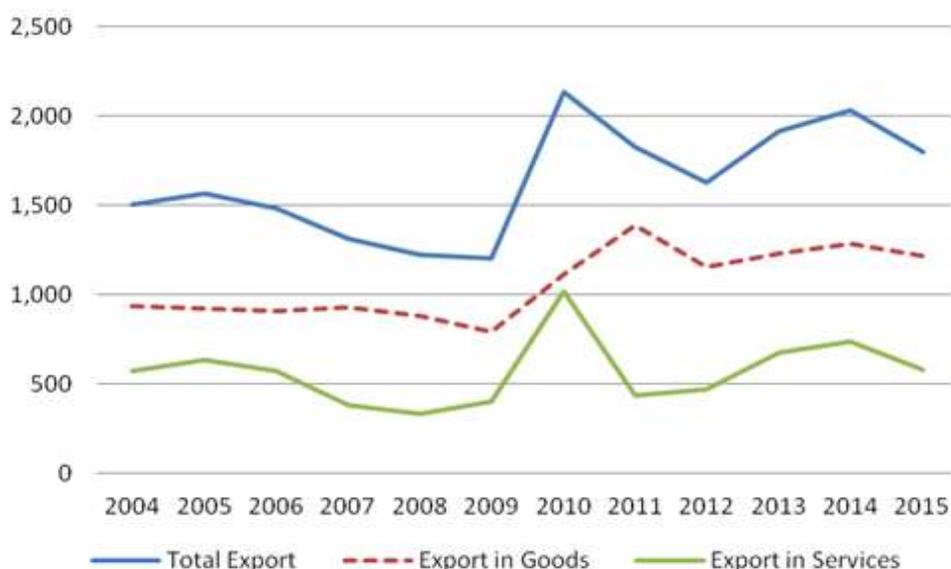


UK-Taiwan Bilateral Trade (£ million)



3. Annual figures show that **UK's total exports to Taiwan stood at £1,799 million** in 2015, down by 11.3% (yoy) from the second-highest level at £2,029 million in 2014. The breakdown of exports included **£1,217 million of goods exports** (£1,289 million in 2014) and **£582 million of services exports** (£740 million in 2014) – a ratio of 2:1 in favour of goods exports.

UK Export to Taiwan (£ million)



4. While the UK enjoyed a trade surplus in services exports over Taiwan of £320 million, Taiwanese exports to the UK in 2015 totalled £3.5 billion – less than the £3.8 billion level in 2014 – giving Taiwan an overall trade surplus of £1.7 billion. This was lower than the £1.9 billion surplus seen in 2014.

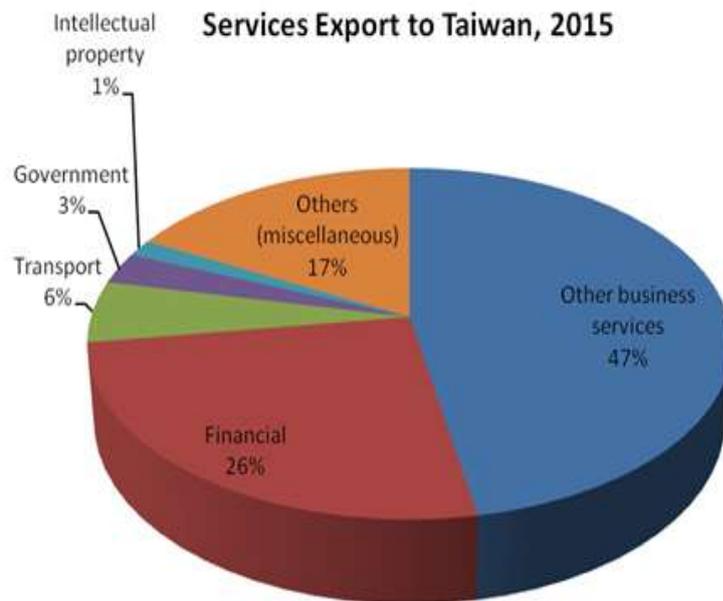
2015 Top UK Goods and Services Exports (>£100 million)		
Rank	Sector	Value (£ million)
1	Other Business Services (e.g. consultancy)	274
2	Beverage Alcohols (mainly whisky)	192
3	Machine and Mechanical Appliances	186
4	Financial Services	149
5	Pharmaceutical Products	140
6	Vehicles	100

Source: ONS & HMRC

5. Overall, **Taiwan was the UK's 33rd largest trading partner** globally and the **6th largest** in the Asia-Pacific region in 2015. **The UK was Taiwan's 3rd largest trading partner in Europe**, after Germany and the Netherlands.

UK Services Exports to Taiwan in 2015

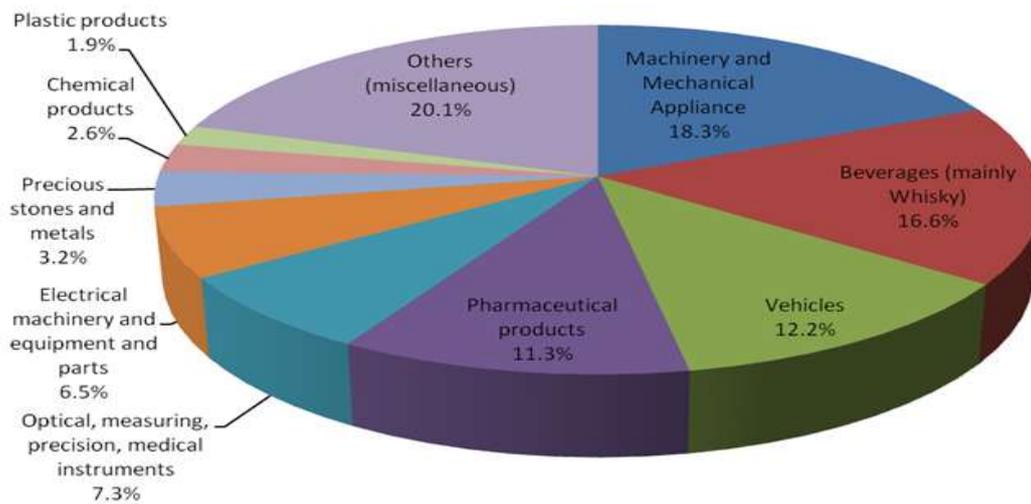
6. UK services exports totalled £582 million in 2015, down from £740 million in the previous year. Transport-related services shrunk dramatically to £33 million in 2015 - down from £237 million in 2014 – the major cause of the fall in services exports. Possible reasons might include previously direct shipments changing routes via third-party ports.
7. UK exports of financial services accounted for a quarter (25.6%) of overall services exports to Taiwan and reached £149 million. Taiwan's financial services sector continues to outperform economy as a whole registering 2.4% growth in 2016, compared to 1.5% of the economy as a whole.
8. Taiwan is now the **50th largest service export destination** for the UK, or **8th largest in Asia Pacific region**, behind Japan (8), Singapore (13), China (14), Hong Kong (25), Malaysia (41), South Korea (47), and Thailand (49).



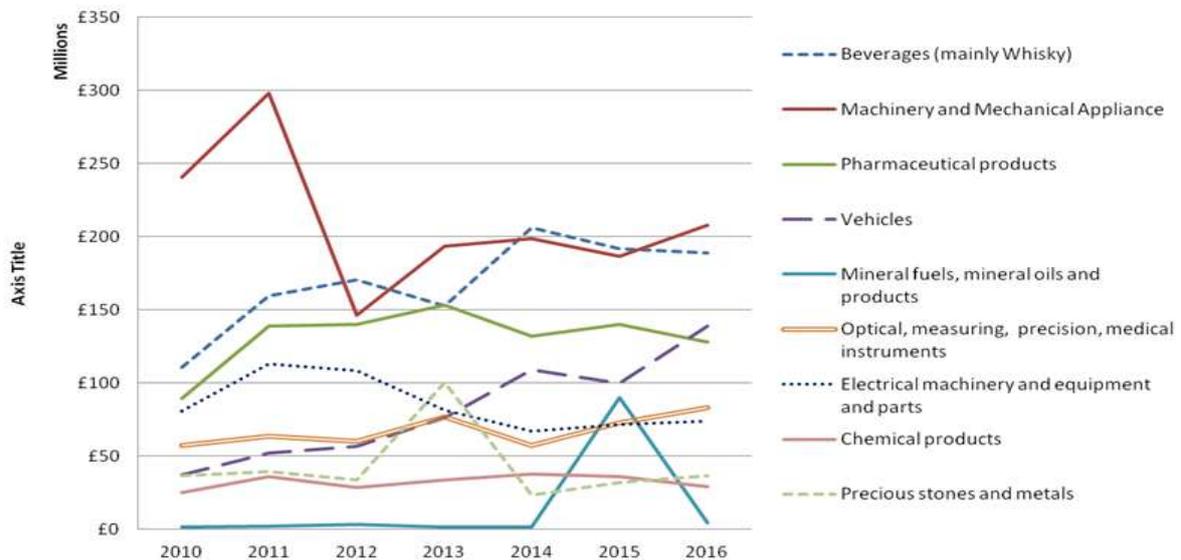
Preliminary UK Goods Exports to Taiwan in 2016

9. The UK's goods exports to Taiwan were affected by the global slowdown of trade and the 1.22% contraction of the Taiwanese economy that occurred in the second half of 2015 and the first quarter of 2016. HM Revenue and Customs figures suggest a slight drop of 2.0% (yoy) but we await the fuller ONS Pink Book figures for further analysis.
10. In 2016, the sector breakdown showed that the top goods exports above £100 million were: machinery and mechanical appliances with 18.3%, beverages (mainly whisky) with 16.6%, vehicles with 12.2%, and pharmaceutical products with 11.3%.
11. Other notable sectors included: optical and precision instruments, electrical machinery and equipment parts, precious stones and metals, chemical products, and plastic products.

Goods Export to Taiwan, 2016



Main Goods Export, 2010-16



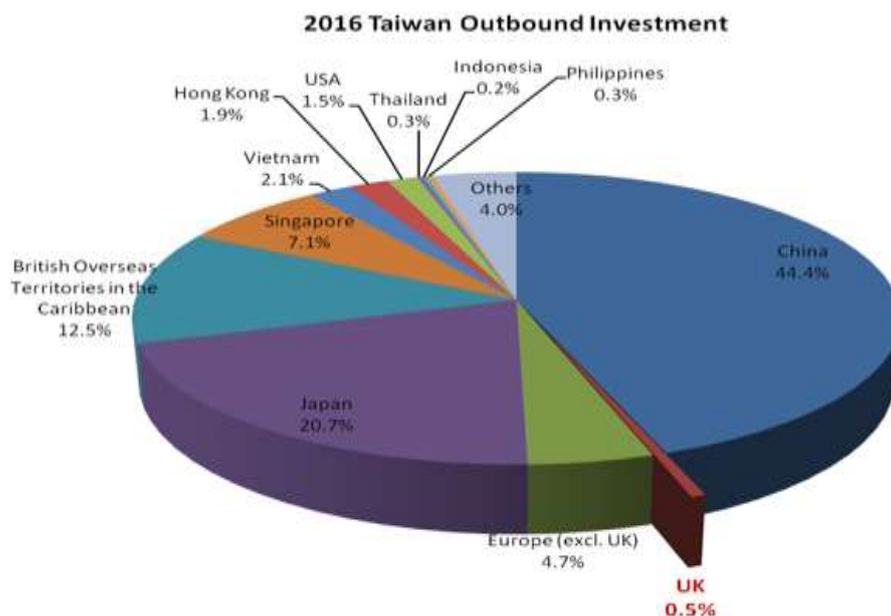
12. Since 2010, the trend of UK goods exports suggests that beverages, pharmaceuticals, machinery and mechanical appliances have seen a consistent level of demand from Taiwan. Additionally, UK vehicle exports to Taiwan almost tripled between 2011 and 2016 to reach £138.9 million in 2016. For example, the Sunderland-made Nissan Juke is

now among Taiwan’s top 10 imported SUVs. This is in addition to the strong demand for high-performance cars produced by Aston Martin and McLaren.

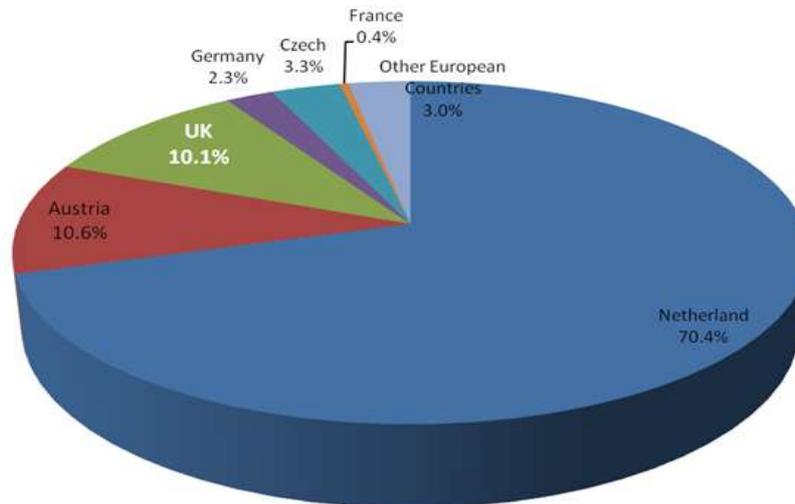
13. These figures place Taiwan as the **38th largest goods export destination** for the UK (down from 37th), or **8th largest in Asia Pacific region**, behind China (6), Hong Kong (12), South Korea (13), Japan (15), Singapore (20), Malaysia (31), and Thailand (34). The 2016 figures for services, when available, will likely place Taiwan higher up the total trade rankings.

Taiwan’s Outbound Investment to the UK

14. According to the Investment Commission of Ministry of Economic Affairs, Taiwan maintained its levels of outbound investment with overseas investments of US\$21.8 billion (£18.2 billion) in 2016, an increase of US\$0.1 billion or 0.4% on the 2015 level.
15. The geographical spread of investment did, however, see changes with increases in investments to Japan with US\$ 4.5 billion and Southeast Asia, particularly Singapore with US\$ 1.6 billion. Outbound investment to Mainland China fell to US\$ 9.7 billion, US\$ 1.3 billion lower than the level of 2015. This, to a certain extent, reflected the new Democratic Progressive Party administration’s policy direction, in particular the new Go-South initiative, aimed at encouraging the diversification of Taiwan’s trade and investment relationships.



2016 Taiwan Outbound Investment in Europe



16. In 2016, US\$ 1.1 billion investment went to Europe, within which around 10.1% of the investment in Europe went to the UK - ahead of other European countries expect Netherland⁴ and Austria.

17. Following the period in 2014-2015 with massive one-off commercial properties investments by Taiwan's biggest financial holding groups, **Taiwan invested a total of US\$114.8 million in the UK in 2016**, better than the 5-year (2009-2013) average level of US\$ 10 million.

Contact

Ta-Ching Shih Ph.D.

Senior Economic Officer

British Office Taipei

+ 886 2 8758 2051

ta-ching.shih@fco.gov.uk

⁴ A local semiconductor company Hermes-Epitek invested €540 million to their virtual holdings company registered in Netherland in October 2016.