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Report on Competitive Neutrality in Chinese Taipei

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Competitive Neutrality in Chinese Taipei

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The Role of State-Owned Enterprises in Chinese Taipei

◆ 1950s-1970s

- ▶ 1949-1959 the import-substitution phase**
- ▶ 1960s the export-oriented industrialization phase**
- ▶ 1970s a further import-substitution**

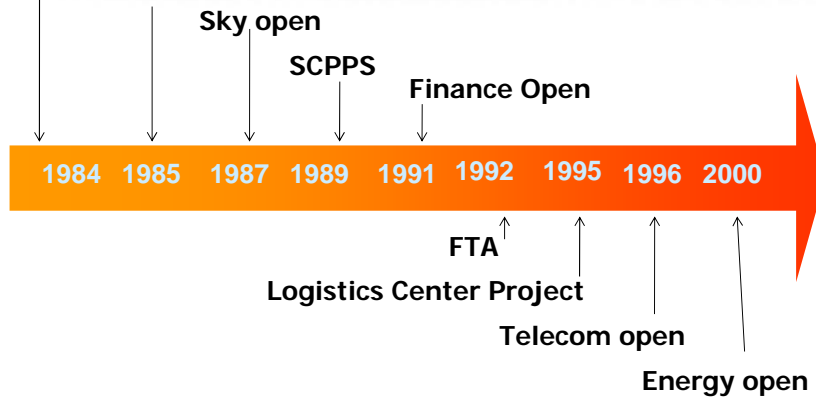
◆ 1980s liberalization and internationalization

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Deregulation in Chinese Taipei

Liberalization, Internationalization, Institutionalization

Economic Reform Committee



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Privatization of SOEs

◆ Between 1998-2012

- ▶ 38 SOEs were privatized, which includes steel, petrochemical, marine transport, telecommunication, commercial bank and insurance company
 - ◆ Open state-controlled markets to private companies, i.e. telecommunication and banking industries.
 - ◆ Promoting market-oriented approach
 - ◆ 17 SOMs were shut down. Most of them were owned by the Veterans Affairs Commission

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Privatization of SOEs (cont.)

- ◆ In 1952 SOEs contributed 57% of industrial production but in 1980 less than 20%, then in 2007 less than 5.98%.
- ◆ Until November in 2012
 - ▶ 1 SOEs (*tobacco and liquor*) under Ministry of Finance
 - ▶ 2 SOEs (*postal service and railways*) under Ministry of Transportation and Communication
 - ▶ 5 SOEs (*electricity, water, petroleum, sugar and aerospace*) under the Ministries of Economic Affairs.

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Competition Neutrality Policy

- ◆ Administrative Law of SOEs
 - ▶ Definition of SOEs (§ 3)
 - ◆ A business that is either wholly or partially owned and operated by government
 - ▶ Competition Neutrality (§ 6)
 - ◆ Unless otherwise specified in applicable regulations, the rights and responsibilities of state-owned enterprise shall be the same as those of private enterprises of similar categories

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Competition Law

- ◆ 1991 Fair Trade Act § 46
 - ▶ *Exceptions of FTA*
 - ▶ *Five years grace period for SOEs*

- ◆ 1999 Fair Trade Act § 46
 - ▶ *Competition rules should, and generally do, apply to both private and state-owned enterprises*

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Case Study – Chunghwa Post

- ◆ Exclusive rights to the deliver of letters, postcards and any paper conveying message. (Postal Act § 6)
- ◆ Exemption from taxation
- ◆ Responsibility
 - ▶ a universal, fair and reasonable service (Postal Act § 1)
 - ▶ statutory profit requirement

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Conclusions

- ◆ SOEs don't have substantial competitive advantages over competitors in the markets open to private companies.
- ◆ Challenges to improve SOEs' performance
 - ▶ strengthening the function of board of directors
 - ▶ enhancing disclosure and transparency
 - ▶ improving internal auditing

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*Thank You for
Listening*

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