

A New Era in Cross-Strait Relations

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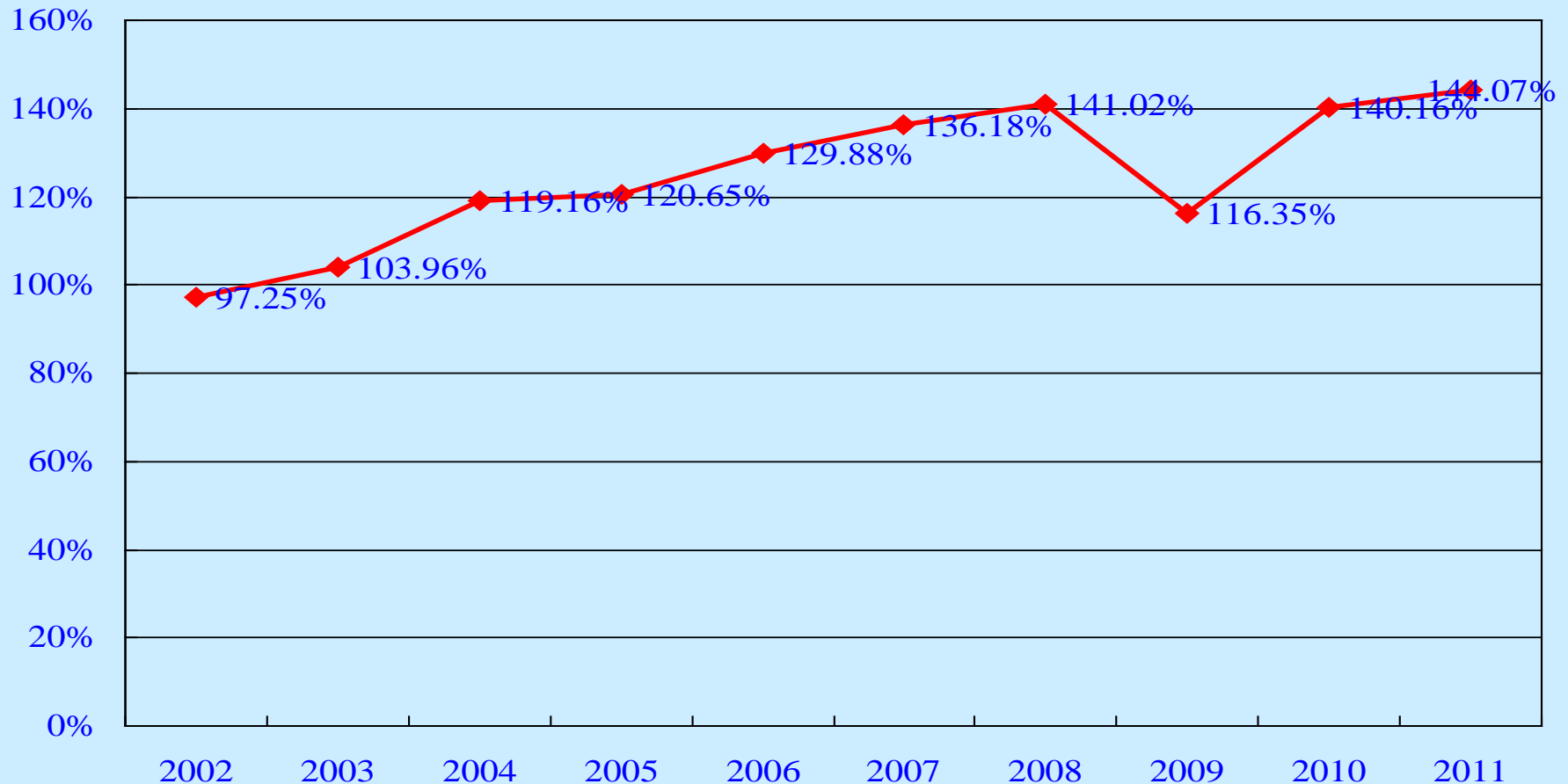
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1. Economic Development of Taiwan

(1) Taiwan is a trade-oriented economy:

The ratio of total trade volume to GDP is 140.16% in 2010



(3) Asia is the main destination of Taiwan's Outward FDI, over 70%

(Accumulated to December, 2010)

State/Area	Cases	Billion US\$	%
Mainland China	38,685	97.32	59.7
Hong Kong	1,126	3.56	2.2
ASEAN	1,982	14.09	8.6
USA	5,046	12.27	7.5
Netherlands	160	1.39	0.9
Central and South America	2,668	27.76	17.0

(2) Asia is Taiwan's largest export market, **over 70%**

Unit: Billion US\$, %

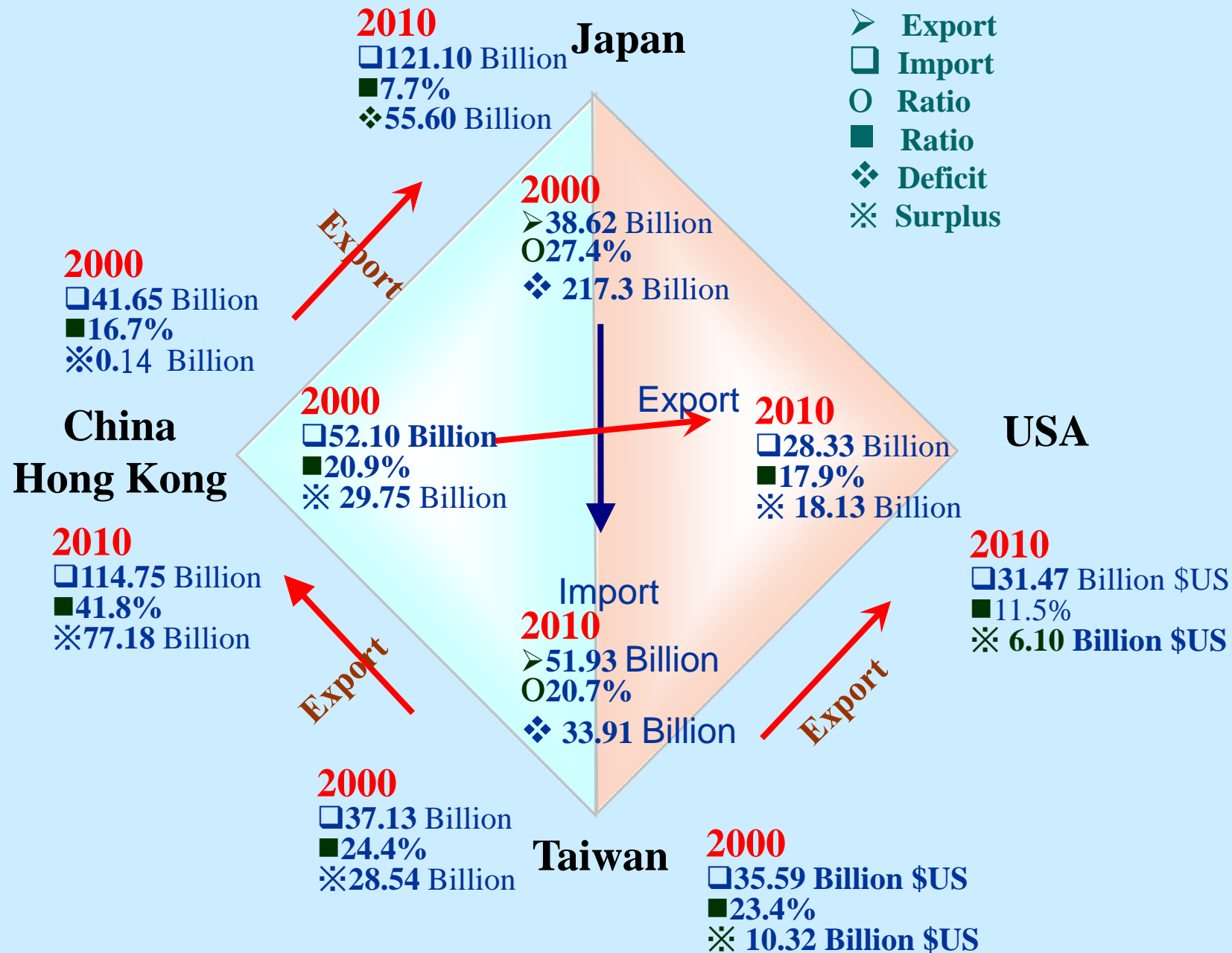
1989			1999			2009			2010		
State/Area	Amount	%	State/Area	Amount	%	State/Area	Amount	%	State/Area	Amount	%
USA	24.07	36.3	USA	30.88	25.4	China	83.69	41.1	China	114.75	41.8
EU	10.94	16.5	China	28.45	23.4	ASEAN	30.15	14.8	ASEAN	41.36	15.1
Japan	9.08	13.7	EU	19.94	16.4	USA	23.55	11.6	USA	31.47	11.5
China*	7.09	10.7	ASEAN	13.98	11.5	EU	22.58	11.1	EU	29.38	10.7
ASEAN	5.50	8.3	Japan	11.91	9.8	Japan	14.50	7.1	Japan	18.02	6.6
Others	9.61	14.5	Others	16.41	13.5	Others	29.20	14.3	Others	39.66	14.4

* : Mainland China includes Hong Kong ; ASEAN: six founding members

(4) Mainland China, including Hong Kong, is Taiwan's...

Largest trade partner	Trade with Mainland China amounted to US\$153.23 billion in 2010, accounting for 29.0% of total .
Largest source of trade surplus	Taiwan enjoyed a US\$77.16 billion trade surplus with Mainland China, compared to US\$23.25 billion with the rest of the world.
Largest export market	Exports to Mainland China in 2010 amounted to US\$114.75 billion, or 41.8% of the total .
Largest target country for investment	Taiwan's investment in Mainland China reached US\$101.21 billion, or 61.55% of the total . (Accumulated to March 2011)
Second largest source of imports	US\$37.58 billion, imports from China made up 14.9% of the total .

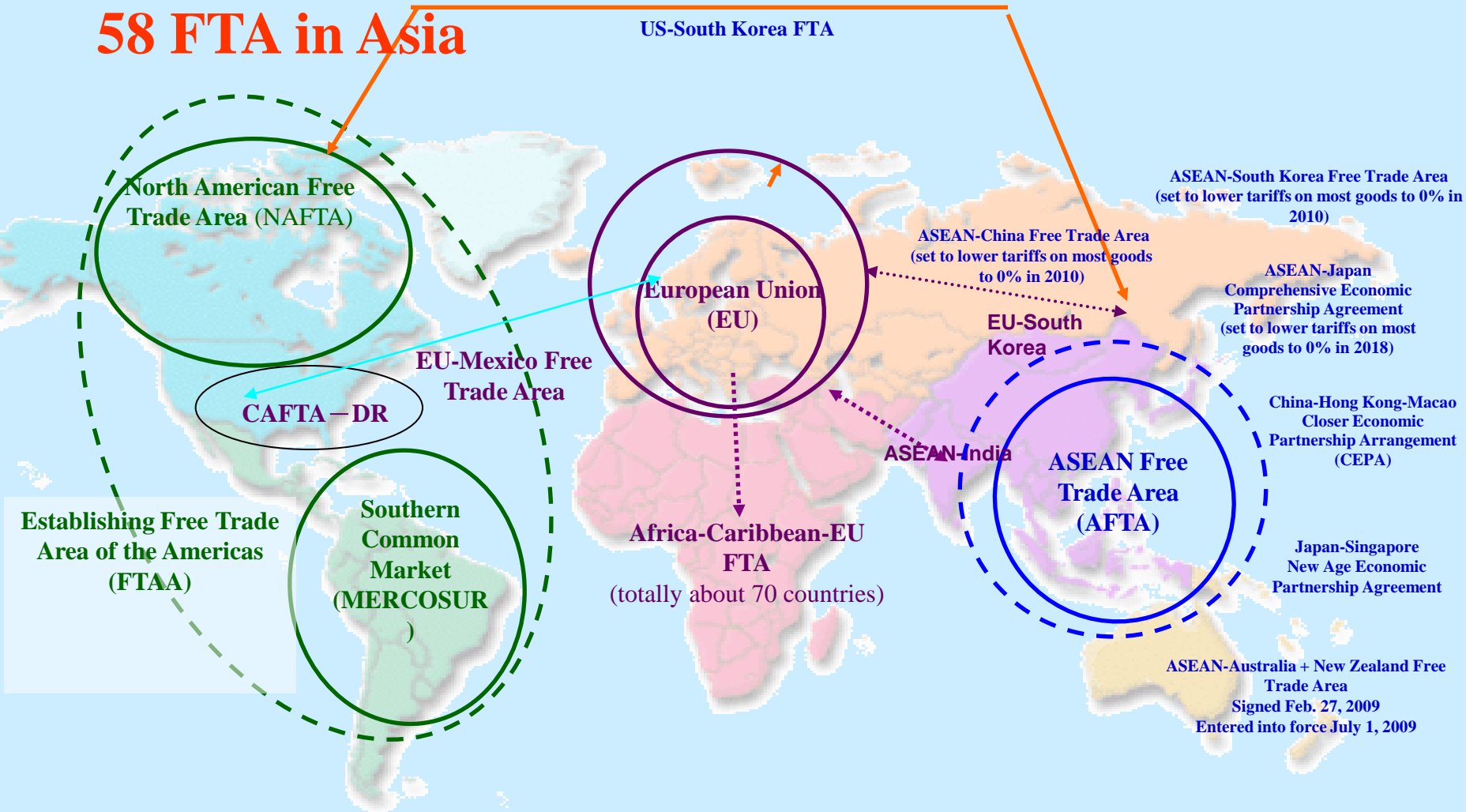
(5) Four-country trade



2. Impacts of Global Economic Integration

(1) Delay of the WTO Doha Round has caused the spread of international bilateral FTA. **310 FTA in the world and**

58 FTA in Asia



(2) The nominal average tariff for Taiwan's and ASEAN's export products to China

Unit: %

Tariff	Taiwan	ASEAN			
Products	2009	2005	2007	2009	2010
Petrochemical	6.49	6.01	5.53	0.98	0.25
Machinery	8.23	6.97	5.84	2.08	0.07
Transportation	14.92	13.59	11.42	7.04	4.31

(3) Comparison of signing FTA between Taiwan and Korea

	Taiwan	Korea
Effective	Panama, Guatemala, Nicaragua, Honduras and El Salvador, ECFA (China)	Chile, Singapore, ASEAN, India, EU
signed		USA, Peru
% of total export	<p>6.94%</p> <p>0.195% (Panama, Guatemala, Nicaragua, Honduras and El Salvador)</p> <p>6.74% (ECFA: 41.785% * 16.14% (Early Harvest Plan))</p>	36.22%

(4) Why is Taiwan necessary to sign ECFA with China?

- a. Taiwan is an island-type economy heavily oriented toward export; foreign trade is extremely important.
- b. Mainland China is our largest trade partner, leading foreign investment destination, and leading source of trade surplus.
- c. Regional economic integration throughout the world and bilateral FTAs have formed substantial market barriers to our businesses seeking to sell products worldwide.

- d. The negative effects of these substantial market barriers are already obvious. In the next ten years, as regional integration continues, our international competitiveness will decline to a critical level.
- In sum, we have to
 - **Grasp an opportune time of cross-strait friendship to sign the ECFA with China.**
 - **Continue actively to pursue the signing of FTAs with key trading partners.**

3. Major Significance of ECFA

- (1) On June 29, 2010, the SEF and the ARATS signed the **Cross-Straits Economic Cooperation Framework Agreement (ECFA)** , which came into effect on September 12, 2010.
 - a. The main objective of ECFA is to seek fair treatment of Taiwan products in the mainland market.

- b. The scope of the agreement includes reducing tariffs, eliminating of non-tariff trade barriers, promoting trade and investment contacts, and boosting economic development and employment.**

- c. The early harvest list for Taiwan exports to the mainland includes 539 products, 8 service industries, and 3 financial service sectors. The mainland list for exports to Taiwan covers 267 products, 8 service industries, and 1 financial service sector.**

(2) Early Harvest Plan in Goods

Industry	The list for Taiwan exports to mainland China			The list for mainland exports to Taiwan		
	Items	Export amount In 2009 US\$ M.	% of the total Taiwan' exports to China	Items	Export amount In 2009 US\$ M.	% of the total China's exports to Taiwan
Petrochemical	88	5,944.08	6.93	42	328.69	1.21
Machinery	107	1,143.39	1.33	69	473.97	1.75
Textile	136	1,588.34	1.85	22	116.33	0.43
Transportation	50	148.44	0.18	17	408.94	0.02
Others	140	4,997.21	5.84	167	1,529.83	5.64
Agriculture	18	16.08	0.02	0	0	0.00
Total	539	13,837.54	16.14	267	2,857.76	10.53

(3) Early Harvest Plan in Services

Modes of service supply: (1) Cross-border supply (2) Consumption abroad (3) Commerce Presence

	Mainland China gives Taiwan	Taiwan gives Mainland China
Business Services	<ol style="list-style-type: none">1. Research and Development2. Convention3. Special design4. Audiovisual services5. Software implementation and Data processing6. Accounting, auditing and Bookkeeping7. Hospital8. Aircraft repair and maintenance	<ol style="list-style-type: none">1. Research and development2. Convention3. Special design4. Motion Picture5. Computer Reservation System6. Exhibition7. Commission agent's services8. Sporting and other recreational services
Financial Sector	<ol style="list-style-type: none">1. Banking and other financial services2. Insurance and related services3. Securities, futures and other related services	Banking and other financial services

(4) Effects of Early Harvest Plan for Taiwan's export to Mainland China

Effects of Early Harvest Plan, Jan.-August, 2011

Items	Amount, US\$	Growth rate
Tariff Saving	77.93 Million US\$	
Total Export to China	83.10 Billion	9.52%
Early Harvest Plan	13.61 Billion	13.41%
Machinery		42.7%
Pacific Saury		822%
Live Grouper		292%
Soft-shelled Turtle eggs		27%
Tea		56 %

4. Opportunities of Taiwan's Economy

- (1) The U.S.-based Business Environment Risk Intelligence (**BERI**) continued to rank Taiwan the **Third** globally for favorable investment environment.
- (2) **IMD** also ranked Taiwan at the **sixth** position in 2011 world competition Report.

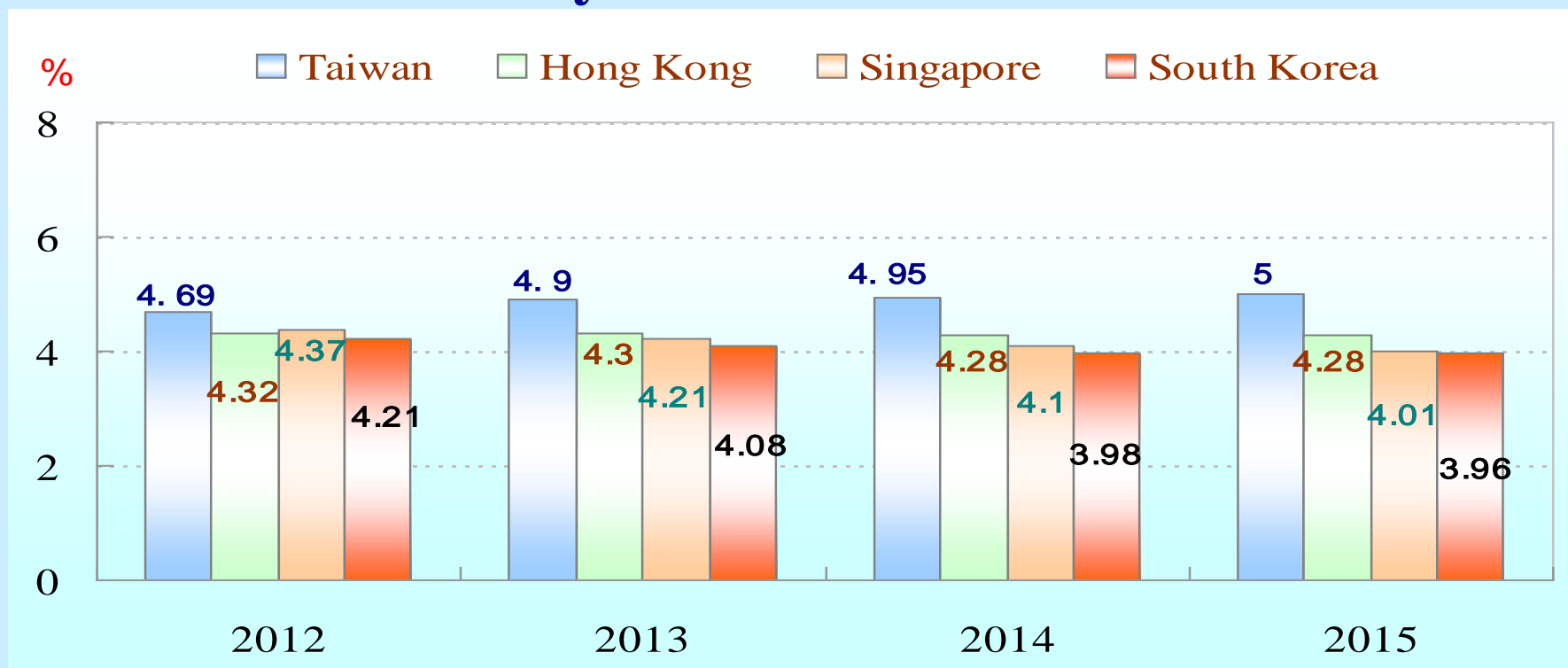
Year	2006	2007	2008	2009	2010	2011
BERI	6	6	5	5	4	3
IMD	17	18	13	23	8	6
WEF	13	14	17	12	13	13

(2) Taiwan's economic growth rate in 2010 and 2011

2010	First Q.	Second Q.	Third Q.	Fourth Q.
10.88%	13.59%	12.86%	10.69%	7.13%
2011 (f)	First Q.	Second Q. (f)	Third Q. (f)	Fourth Q. (f)
4.81%	6.16%	5.02%	3.48%	4.71%

F: forecast

(3) 2012~2015 The predicted economic growth rates of Taiwan are in the first place among the four little dragons and climb all the way, but the predicted economic growth rates the other three dragons diminish all the way.



This all due to ECFA, bringing momentum for the economic development of Taiwan.

(4) Expand international economic cooperation:

- a. Start negotiation “Economic Partnership Agreement” with Singapore**
- b. sign “mutual assistant agreement on custom matters” with India**
- c. sign “Arrangement for the mutual Cooperation on the liberalization, promotion and protection of investment” with Japan**
- d. Start the feasibility study of “Economic cooperation Agreement” with India and Philippines.**

- (5) With a sound overall external environment, and through Taiwan's own efforts, we have a great opportunity to realize the President Ma's vision of turning Taiwan into:**
- a. a global innovative center**
 - b. an Asia-Pacific trade hub**
 - c. an operation headquarters for Taiwan businesses**
 - d. a regional headquarters for foreign enterprises**

5. Future Negotiations between the two sides

Establish Economic Cooperation Committee	The first meeting held on February 22, 2011
1. Agreement on Investment Protection	Both sides have several times negotiations
2. Agreement on Trade in goods	Taiwan will get more benefit than the Chinese mainland.
3. Agreement on Trade in services	Create investment opportunities in services for Taiwan businesses.
4. Dispute settlement agreement	Establishment of appropriate dispute settlement procedures.
5. Economic Cooperation	Industry, finance, customs, e-commerce, as well as Small-and-Medium enterprises cooperation.

6. Conclusion

The signing of the ECFA has set the stage for cross-strait peace and prosperity and built a bridge for Taiwan to sign economic cooperation agreements with other countries. In future, we hope:

- a. Foreign investors can invest in Taiwan and use Taiwan as a base to operate business in Asia**
- b. Foreign investors can form joint venture with Taiwan's enterprises to operate business in Asia together**
- c. WTO and APEC members can help Taiwan to join the international economic organization, to sign FTA, and to attend more international economic conferences. Especially, President Ma has proposed to join TPP.**