

Vice Chairman Tsai Hsung-hsiung, distinguished guests, ladies and gentleman, greetings to you all.

It gives me great pleasure to be able to attend this international academic symposium on “ECFA and East Asia Economic Integration” being hosted by the National Policy Foundation. The issue of “regional economic integration,” especially the topic of ECFA and the process of East Asian economic integration, is of vital importance to Taiwan’s future economic development, and has been a focus of attention in every sector of society in Taiwan. I would therefore like, at this point, to thank the organizers for inviting so many outstanding domestic and international scholars and experts here today to explore from different perspectives the feasibility and possible future directions of economic cooperation between Taiwan and other nations in East Asia. I sincerely believe this seminar will be of great benefit in providing our government with new and more diverse ways of thinking on this issue.

## **(The rise of Asian economies: the main engine of global economic growth)**

The global financial crisis of 2008 accelerated the shift in the world economy's center of gravity, with Asia emerging as the main engine of global economic growth. According to IHS Global Insight, emerging Asian economies' share of global GDP doubled from 10% in 2000 to 20% in 2010. Furthermore, these economies accounted for nearly 40 percent of global economic growth last year. At the same time, their foreign trade volume amounted to 30 percent of total world trade, behind only the European Union at 33.6%, and well ahead of the NAFTA region at 15.7%. Over the past five years, Asia has accounted for almost 40 percent of the increase in total global trade volume, with the rapid growth of the mainland Chinese economy in particular bringing about a major expansion in trade within the Asian region. Such close economic and trade exchanges have accelerated region economic integration in East Asia.

## **(East Asia economic integration: Taiwan's exclusion impacts domestic economy)**

Due to slow progress in the WTO Doha round of trade negotiations, the regional economic cooperation trend has become prevalent in recent years, most especially in the East Asia region. The primary axis of economic integration in the region has been the Association of Southeast Asian Nations and the “ASEAN-plus” model (including ASEAN+1, +3, +6, and +8). Besides the establishment of the ASEAN free trade area (AFTA), separate free trade agreements have been signed between ASEAN and each of mainland China, Japan, South Korea, Australia, New Zealand and India. At the same time, ASEAN+3 (namely mainland China, Japan and South Korea) and ASEAN+6 FTAs are being discussed. Furthermore, the scope of East Asia economic integration has gradually been expanding. For instance, participants in the 5<sup>th</sup> East Asia Summit in October 2010 invited the United States and Russia to take part in the 2011 summit, while APEC has listed the establishment of a Free Trade Area of the Asia-Pacific (FTAAP) as one of its long-term goals. Yet, as everyone

can clearly see, Taiwan has been noticeably absent from this economic integration process.

Taiwan's exports to mainland China, Japan, South Korea and ASEAN nations already account for 65 percent of its total exports, far ahead of the U.S. market which only accounts for 12% of the total. Add to this the fact that the recent global financial crisis has led to a significant drop in demand in the U.S., EU and other advanced economies, and it is clear that the East Asia region has become the main export market for Taiwan products looking forward to the future. As an East Asian free trade zone has gradually taken shape, particularly through the ASEAN-mainland China, ASEAN-Japan and ASEAN-South Korea FTAS, the effect has been that Taiwan is in the process of being gradually pushed aside. If we don't take active measures now, Taiwan faces the threat of marginalization in the East Asia region and consequent losses in its economic strength and trade position.

### **(ECFA: Opening opportunities for Taiwan's economy)**

But how should Taiwan go about striving to join the process of economic integration in order to avoid being marginalized? It is clear to everyone that, due to international political factors, Taiwan had for a long time faced significant difficulties in pursuing free trade agreements with other countries. Prior to signing an ECFA with mainland China, we had only signed a total of five FTAs, all with countries in Central America that together absorbed only 0.18% of our total exports. In the past, we made attempts to participate in East Asia economic integration, but the response of each ASEAN nation to our efforts was to wait and watch for an improvement in cross-strait relations before deciding to engage in interactions with us. On this front, we achieved a key breakthrough on June 29, 2010 with the signing of the ECFA with mainland China. Moreover, the early harvest program under the agreement was implemented on January 1 of this year, with tariffs to be reduced in three stages over the next two years.

The purpose of the ECFA is “to help citizens do business, and to boost Taiwan’s competitiveness.” The accord not only allows industries to enjoy the positive effects of tariff reductions, it also allows Taiwan products entering the mainland market to enjoy fair treatment. Furthermore, through cooperation under the accord in non-tariff areas, such as investment protection, IPR protection and mutual recognition of testing and certification standards, Taiwan can gain a relative advantage over other countries in making inroads into the mainland market. At the same time, this cooperation can boost incentives to attract foreign, mainland Chinese and overseas Taiwanese investment in Taiwan, as well as encourage industries to keep their roots in Taiwan, and draw more companies from the EU, U.S., Japan and other advanced nations to select Taiwan as a partner for gaining access to the mainland market. All of this can increase employment opportunities in our country, as well as development opportunities across the strait for Taiwan’s differentiated and niche products, allowing for more complete cross-strait industrial supply chains for our industries, and helping us to expand markets and develop

regional brands. More importantly, the ECFA opens up opportunities for Taiwan to participate in East Asia economic integration and to sign economic partnership agreements with every country in the region. In other words, enhancing “cross-strait links” helps to boost Taiwan’s “global deployment” capabilities and promotes our integration with the rest of the world.

### **(Post-ECFA challenges facing Taiwan)**

However, the ECFA has at the same time brought about several challenges. Although the accord has helped open the door for us to launch economic cooperation agreement talks with even more nations, this also means that Taiwan will have to reduce tariffs and open up its market to a growing number of countries. As a result, domestic enterprises, regardless of whether they are in the agricultural, industrial or service sectors, will face even fiercer competition. To prepare for this impact, the government has already mapped out various accompanying measures. A total of NT\$95 billion will be allocated to support industrial restructuring between 2010 and 2019.

Three types of restructuring support strategies have been adopted to assist industries impacted to differing degrees by market liberalization. Firstly, for less competitive industries that rely primarily on domestic demand and are particularly vulnerable to trade liberalization effects, “revitalization guidance and assistance” will be provided. Secondly, for enterprises and labor that have yet to be impacted in sectors where imports have increased because of tariff reductions or FTAs slated to come into force in the future, the government will actively offer assistance in carrying out “structural adjustments.” Finally, for industries, enterprises and labor that have already been hurt by liberalization measures, the government will provide relief to compensate them for their losses. At the same time, we will continue to enhance measures to guide and assist small and medium-size enterprises and traditional industries to innovate and upgrade their technology, expand and develop domestic and overseas markets, and raise their overall competitiveness.



**(Actively promoting Taiwan's participation in global economic integration)**

Viewed from the present perspective, the ECFA has indeed had a catalyst effect in terms of Taiwan negotiating free trade agreements with other countries. For example, Taiwan and Singapore issued a joint statement on August 5, 2010 announcing the launch of a feasibility study on negotiating an economic partnership agreement (ASTEP), and formal talks are expected to begin in the near future. The Philippines and India have also publicly expressed an interest in discussing FTAs with Taiwan, with both sides first launching feasibility studies through academic organizations, to be followed later by government-to-government consultations. In addition, several member nations of ASEAN have also responded positively to the idea of inking economic cooperation agreements with Taiwan. All this clearly indicates that the ECFA has not only been helpful in terms of institutionalizing cross-strait economic and trade ties but also in terms of Taiwan establishing new economic and trade cooperative relations with its trading partners in the East Asia region and beyond.

Lacking sufficient resources and possessing a relatively small domestic market, Taiwan is an export-oriented country that relies heavily on foreign trade. As such, it can only achieve sustainable economic development through the integration of global resources and the development and expansion of overseas markets. Furthermore, the East Asia region, with its abundance of natural and labor resources, enormous economic development potential, and geographical proximity to Taiwan, is definitely among the most important regions with which our country should pursue FTAs in the future. Taiwan will continue to hold fast to the principle of pursuing individual FTAs on multiple fronts, actively seeking to ink such pacts with East Asian nations and its other trading partners. Besides significantly cutting tariffs, this will also involve opening up the service sector, relaxing investment restrictions, removing non-trade barriers, enhancing IPR protection, adjusting anti-dumping measures, formulating SPS measures for food, animal and plant health, and so on, in order to advance Taiwan's integration with the rest of the world and carry out the economic strategy of

“strengthening Taiwan, linking with the Asia-Pacific, and deploying globally.”

## **Conclusion**

At this point, on behalf of the Ministry of Economic Affairs, I would like to thank all of the participants from industry and academia for their interest in and concern for the important policy issues currently facing the government. Amid the pressures of global and regional economic integration and increasingly fierce international competition, we welcome and appreciate your expert comments, suggestions and advice on further strengthening Taiwan’s key position in the East Asia industrial supply chain and maintaining our country’s competitive advantages. In closing, please allow me to wish you all prosperity, good health and happiness. Thank you for your time.