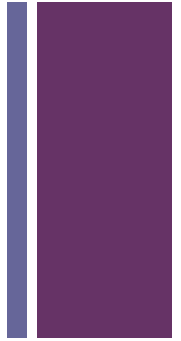


The Tiger that Dances with the Dragon: The Development of Cross-Strait Economic Cooperation and its Implications for Korea

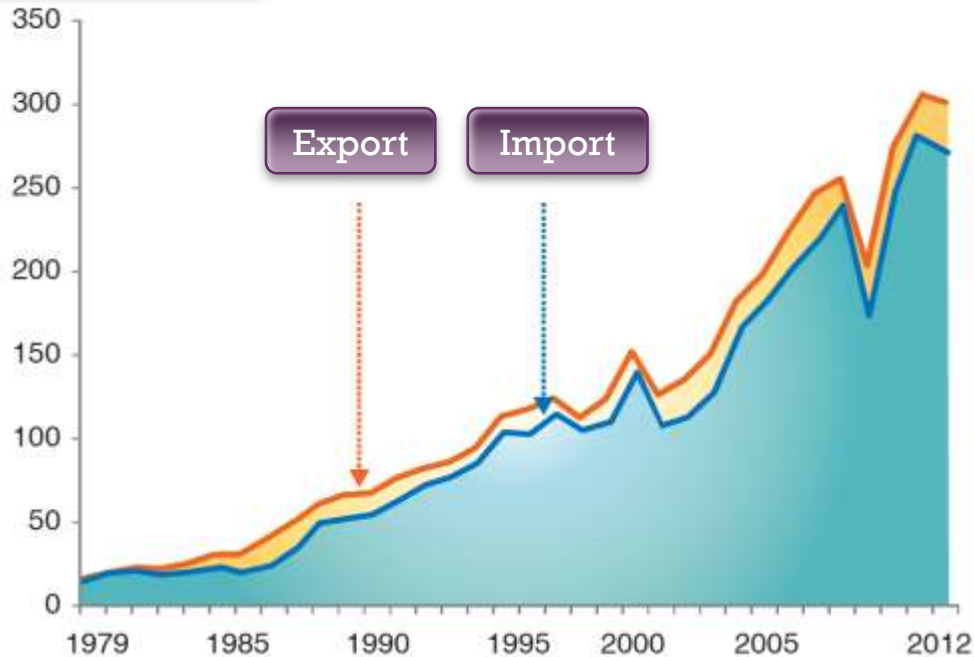
Roy Chun Lee

Taiwan WTO & RTA Center, CIER

+ The importance of trade and investment for Taiwan



Unit: US\$ billions

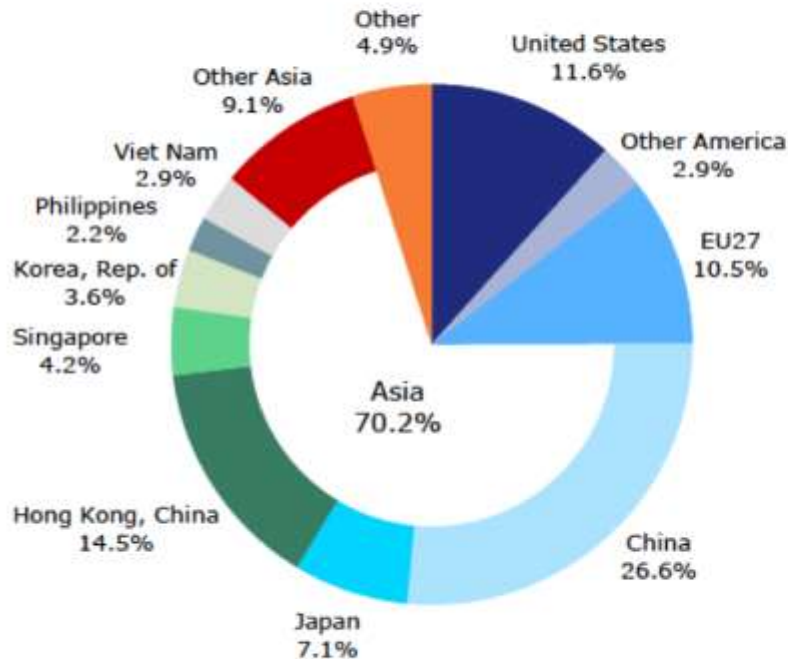


- Trade dependency=136% (2013)
- Current account surplus=11% of GDP
 - (US\$ 71 B with China, 34 B worldwide)
- No. 5 Outward investor in Asia



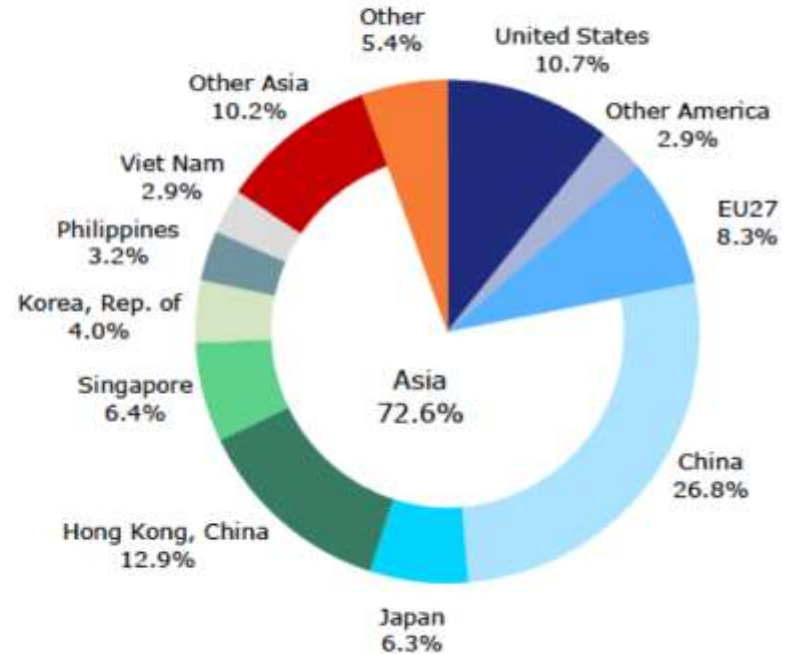
Taiwan's major trading partners

2009



Total: US\$203.5 billion

2013

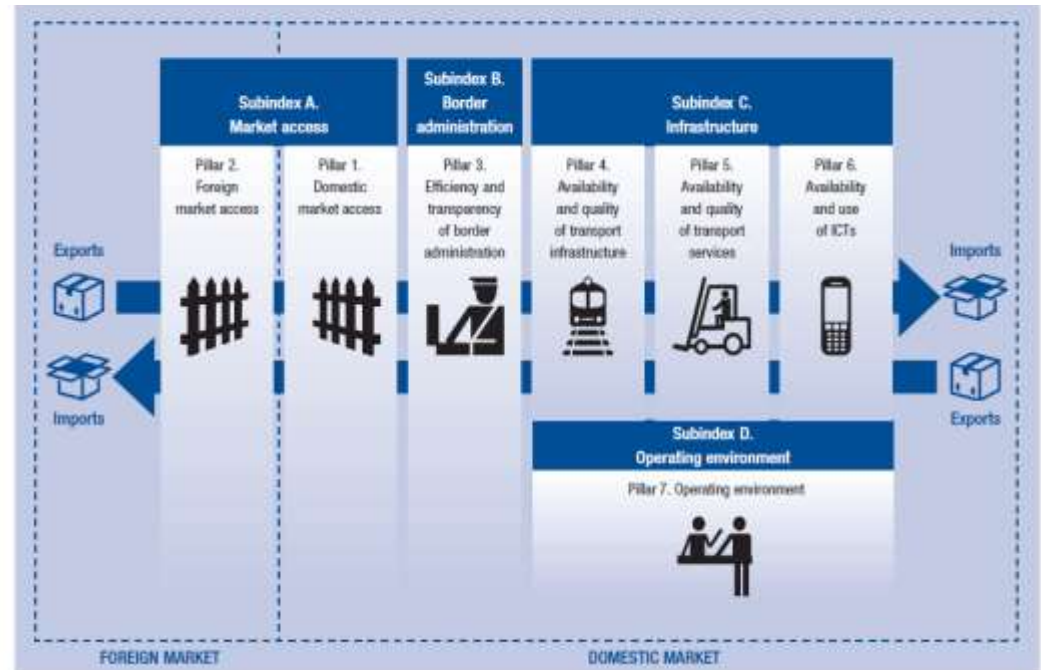


Total: US\$305.4 billion

+ Despite WTO membership, barriers remain high for Taiwan

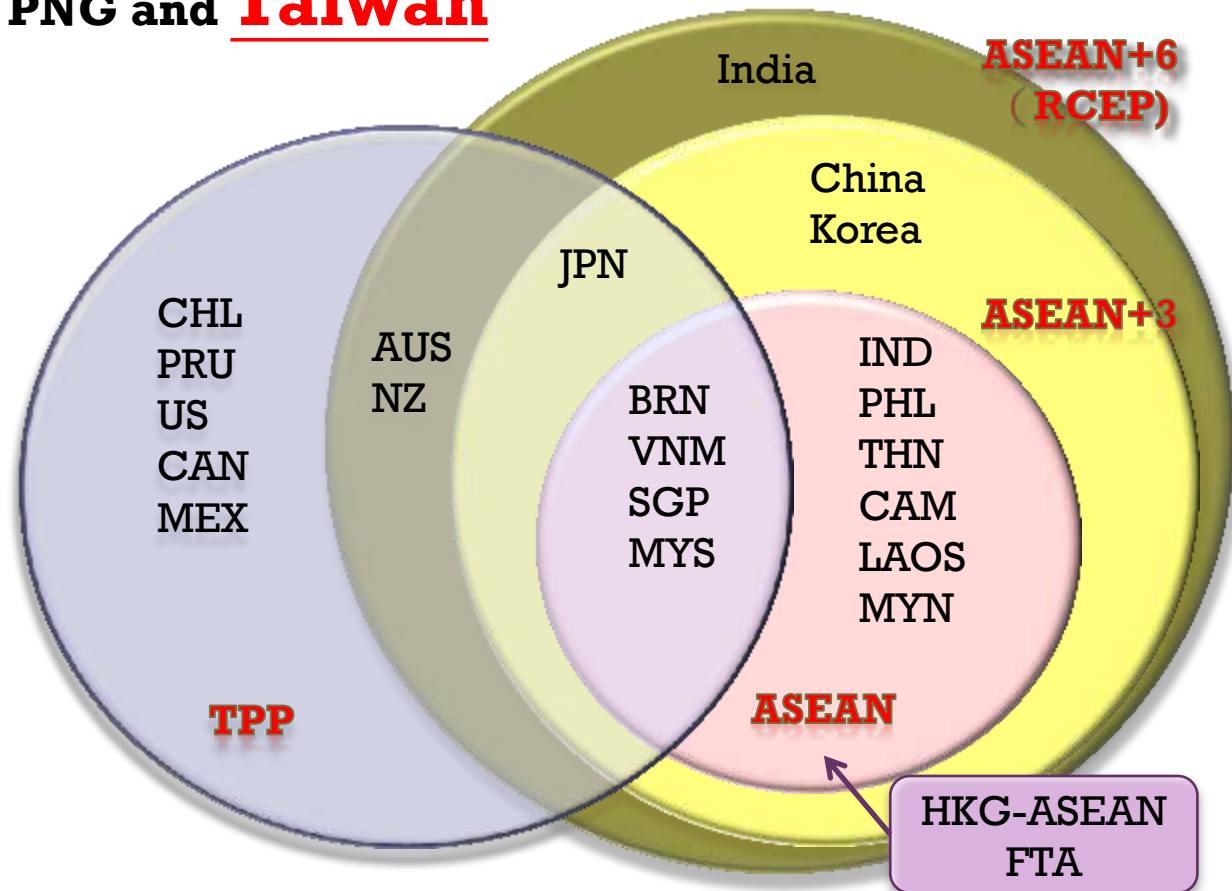
- Overall ranking: **24/138**
- Foreign market access ranking:

137/138



+ The threat of marginalization is real and presence

The only 3 APEC Economies missing are: Russia, PNG and Taiwan

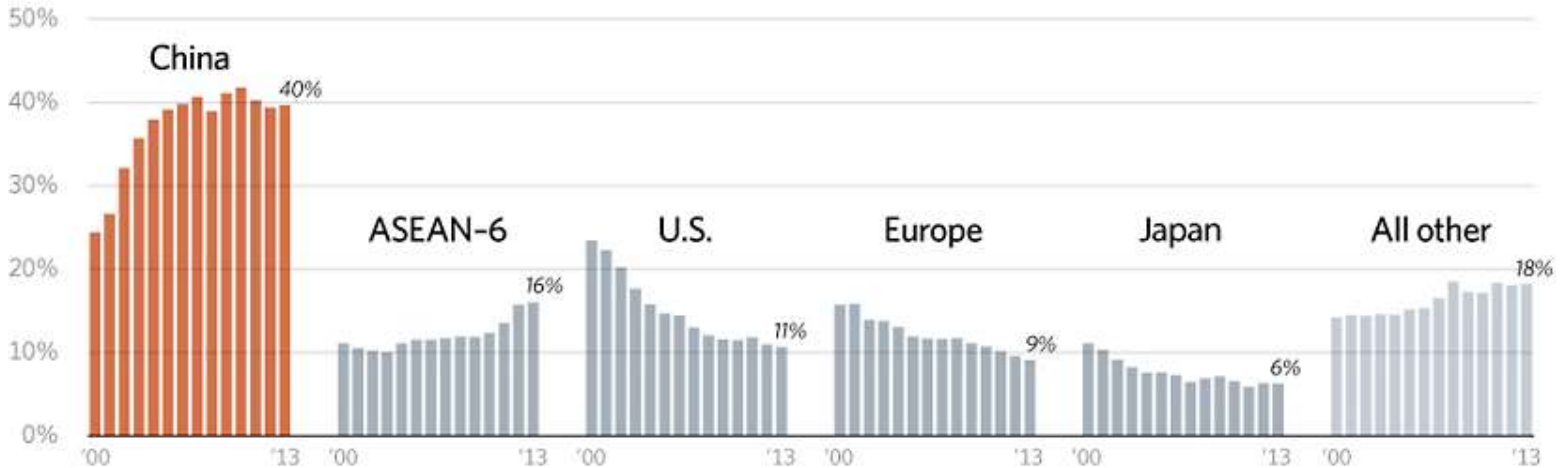


+ Dancing with the Dragon: harmonization of the Cross-Strait economic relationship as stepping stones

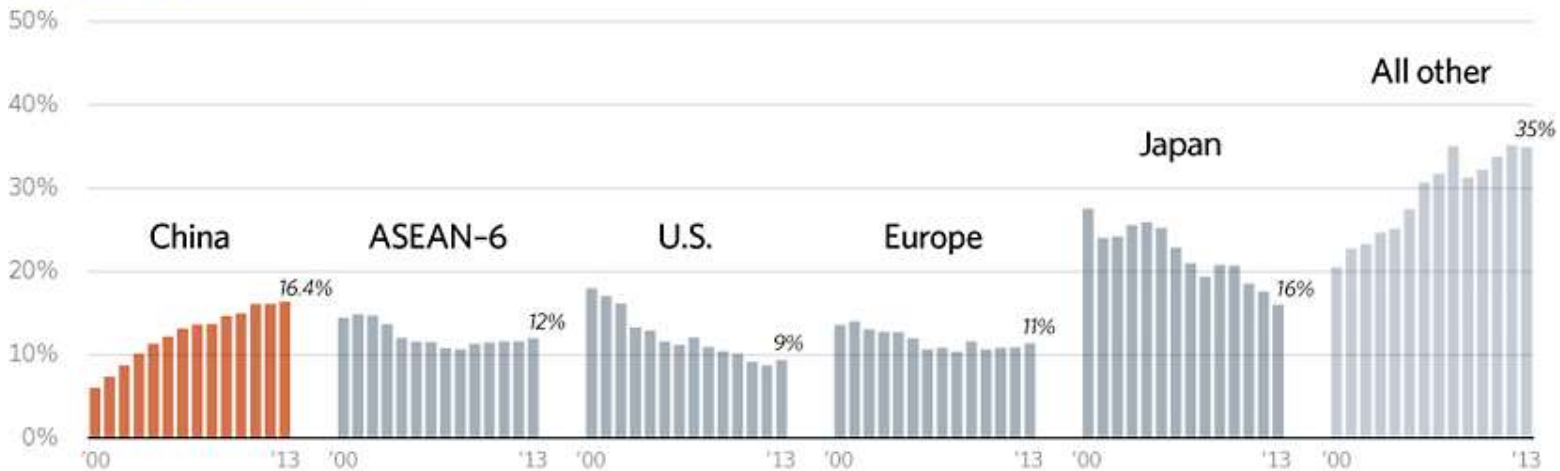
- China's position is one of the key factor for TPP and FTA
- No. 1 trading partner
- Trade and investment between Taiwan and China remains distorted

+ China has become Taiwan's No. 1 trading partner

SHARE OF TAIWAN EXPORTS



SHARE OF TAIWAN IMPORTS



Source: Taiwan Bureau of Foreign Trade, National Statistics Database, <http://ebas1.ebas.gov.tw/pxweb/Dialog/statfile1L.asp> (accessed July 17, 2014).

+ Trade surplus with China is significant

CHART 4

Absent Bilateral Trade with China, Taiwan Would Have Large Trade Deficit

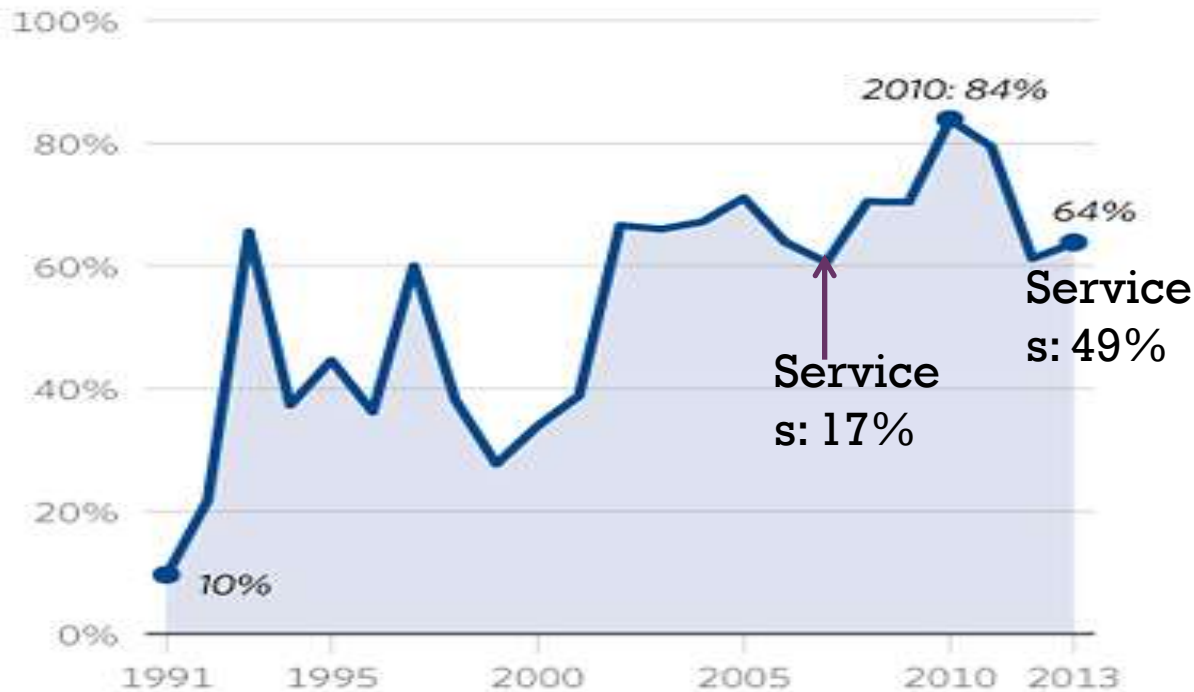
IN BILLIONS OF U.S. DOLLARS



Source: Taiwan Bureau of Foreign Trade, Trade Statistics, <http://www.trade.gov.tw/English/> (accessed July 22, 2014).

+ China's also Taiwan's No. 1 FDI destination

SHARE OF TAIWAN'S FOREIGN DIRECT INVESTMENT GOING TO CHINA



Source: Ministry of Economic Affairs (Taiwan), Investment Position, http://www.moeaic.gov.tw/system_external/ctrl?PRO=PublicationLoad&lang=1&id=159 (accessed July 17, 2014).

+ Harmonization and normalization of the Cross-Strait Econ Relationship

- Normalization a key policy for President Ma, with more than 21 econ.-related agreements already signed and the ECFA and 4 Mini-FTAs the underpinning pillars
 - Institutionalize dialogue under the ECC to enhance understanding and confidence
 - To ensure equal footing with Korea, ASEAN and Japan
 - To create possible political leeway for PTA participation
- Liberalization of direct air and maritime transportation, tourists from Mainland China

兩岸經貿正常化：中國投資之解禁

項目	第1階段 2009.6.30	第2階段 2011.3.2	第3階段 2012.3.19	合計（總項 數）	開放 比例
製造業	64	25	115	204（211）	96.68%
服務業	130	8	23	161（316）	50.95%
公共建設	11	9	23	43（84）	51.19%
合計	205	42	161	408（611）	66.78%

- 至2013年6月底：
 - 累計核准投資案件413件
 - 投(增)資金額7.20億美元
 - 270家完成公司登記，資金到位約計6.2億美元（86%）
 - 創造就業：6771人

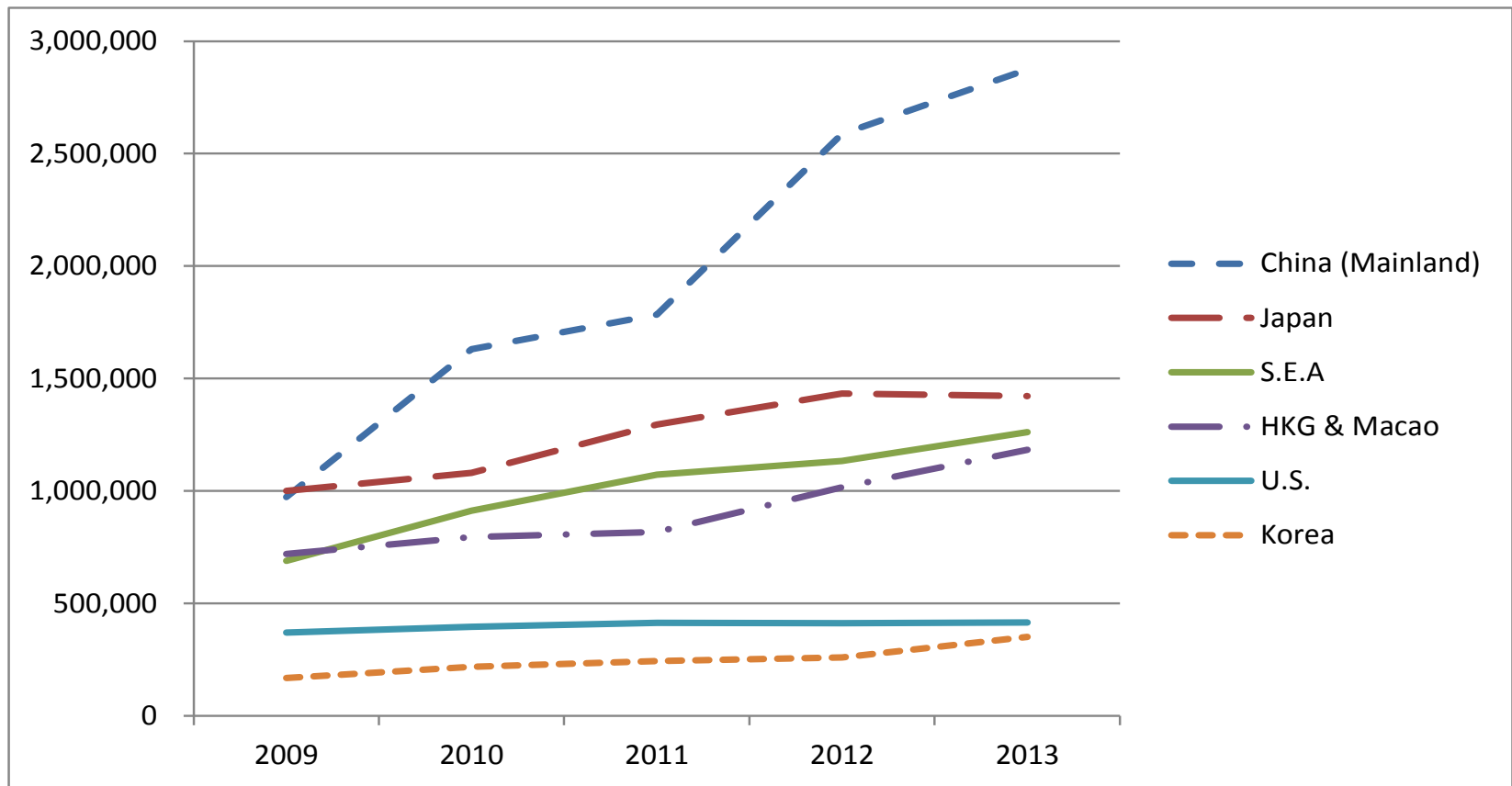
양안 통상 정상화: 중국 투자 금지 해제

항목	1단계 2009.6.30	2단계 2011.3.2	3단계 2012.3.19	합계 (총 항목 수)	개방 비율
제조업	64	25	115	204 (211)	96.68%
서비스업	130	8	23	161 (316)	50.95%
공공건설	11	9	23	43 (84)	51.19%
합계	205	42	161	408 (611)	66.78%

- 2013년 6월 말까지:
 - 비준 투자 건수 누계 413건
 - 투자액 7.20억 달러
 - 270개 기업 등록완료, 약 6.2억 달러 투자 달성(86%)
 - 일자리 창출 : 6771명

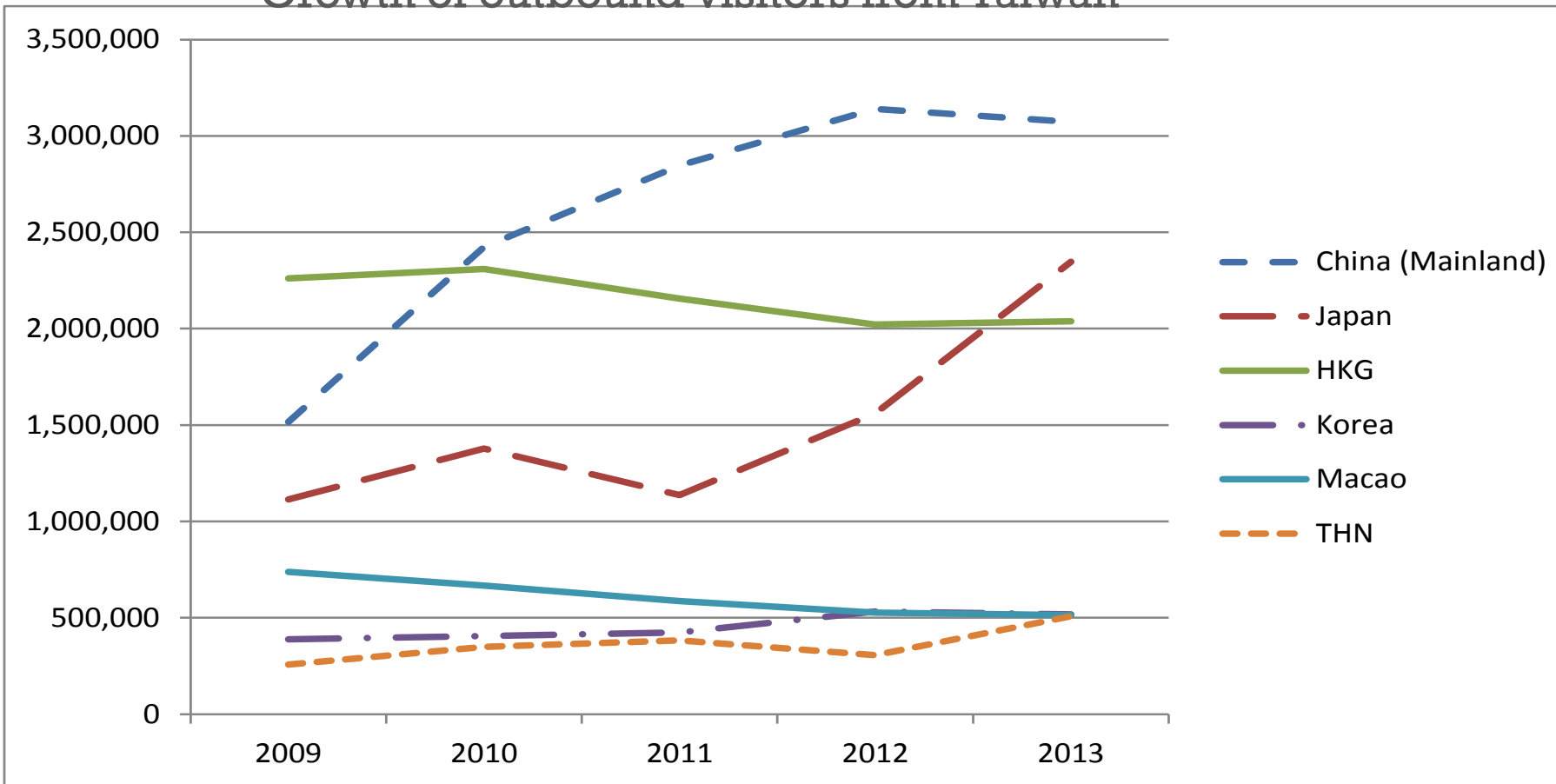
+ The surge of tourists and direct transportation provide impetus of development

Growth of inbound visitors to Taiwan



+ The surge of tourists and direct transportation provide impetus of development

Growth of outbound visitors from Taiwan





- No. of weekly direct flights: 1,100
- New maritime ferry services: 3-hour trip one way from Taichung (Taiwan) to Pengtan (Fujian, China)



兩岸經貿協議不是只有ECFA：已簽署與經貿有關之合作協議

- 空運協議
- 食品安全協議
- 海運協議
- 郵政協議
- 包機會談紀要
- 關於大陸居民赴臺灣旅遊協議

- 農產品檢疫檢驗合作協議
- 標準計量檢驗認證合作協議
- 漁船員勞務合作協議
- 空運補充協議
- 金融合作協議 + 保險業、銀行業、證券及期貨監督管理合作瞭解備忘錄

- 醫藥衛生合作協議
- 經濟合作架構協議
- 智慧財產權保護合作協議

- 海關合作協議
- 投資保障和促進協議

2008

2009

2010

2012



양안 통상협정은 ECFA에 국한되지 않는다: 통상 관련 협력 협정 이미 체결

- 항공운송 협정
- 식품안전 협정
- 해상운송 협정
- 우편 협정
- 전세기 회담요록
- 중국주민의 타이완 관광에 관한 협의

- 농산품 검역 검사 협력 협정
- 표준 계량 검사 인증 협력 협의
- 어민 조업 협력 협정
- 항공운송 추가 협정
- 금융협력 협정+보험, 은행, 증권 및 선물 관리감독 협력 양해각서

- 의약 보건 협력 협정
- 경제협력 구조 협정
- 지적재산권 보호 협력 협정

- 관세 협력 협정
- 투자 보장과 촉진 협정

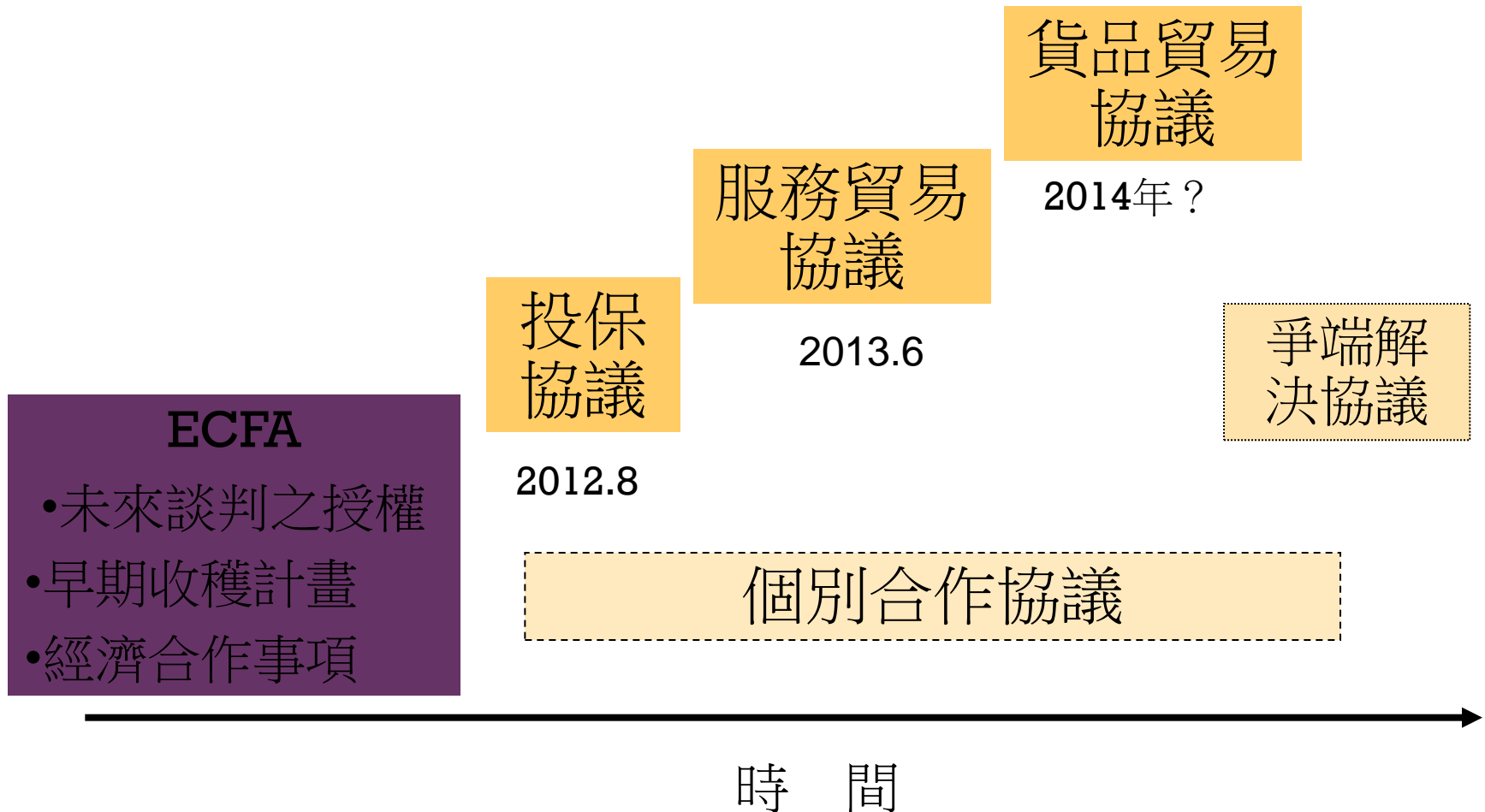
2008

2009

2010

2012

兩岸簽訂經貿協定之基本政策路徑



양안 통상 협정 체결의 기본 정책 경로

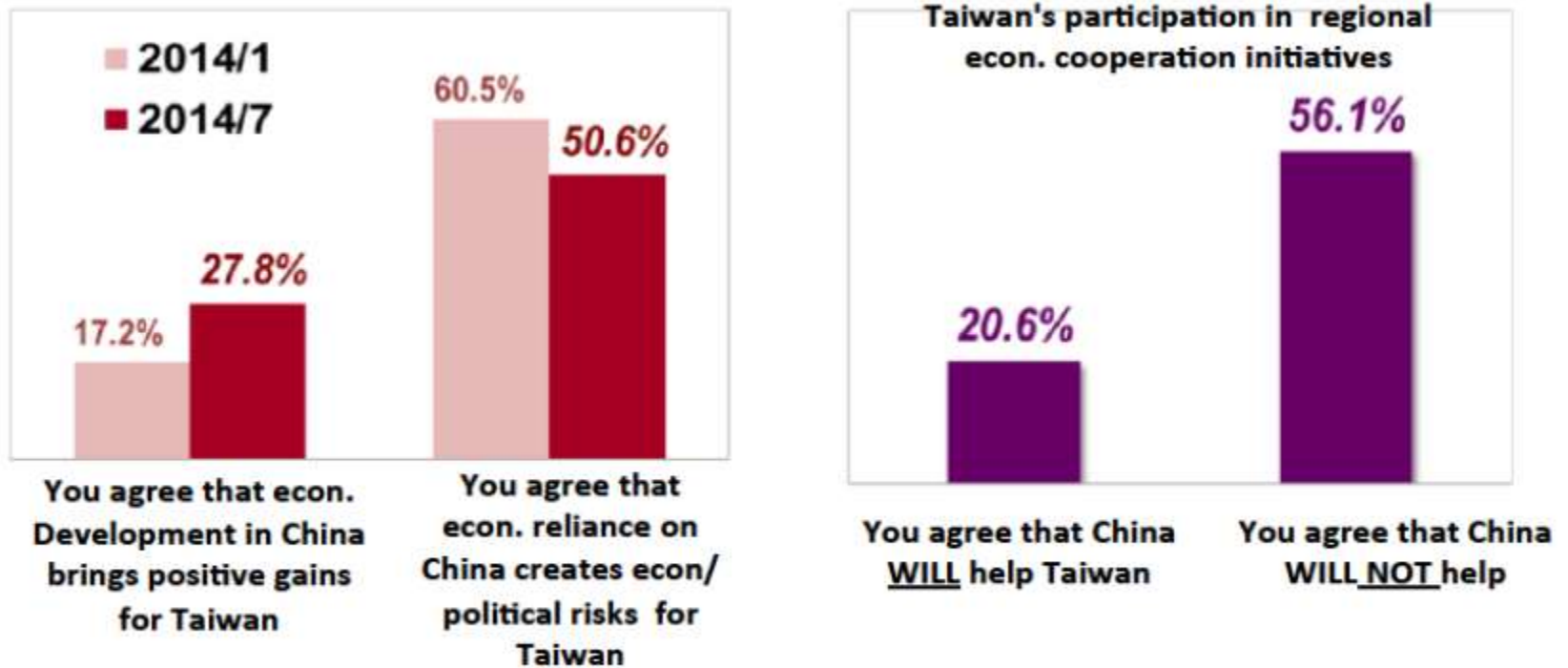


+ Dancing with the Dragon: Stepping stone becomes stumbling stone

- The Sunflower student movement against the Services Trade Agreement with China
 - The secretive “Black Box” style negotiation and lack of participation by the public and the Legislative Yuan
 - Security is the main concern
 - Fears that most if not all investments from are likely to be politically motivated
 - Whether economic integration with China will be paving the way for political integration.
 - Lack of commitment from China on PTAs participation
- Consequence:
 - The services agreement is put on hold until the LY passes a new legislation regulating the reporting, monitoring and due process mechanism of any agreements between Taiwan and China.
 - The negotiation of the Cross-Strait Goods Agreement was also informally suspended for 11 months before resuming in September 2014.



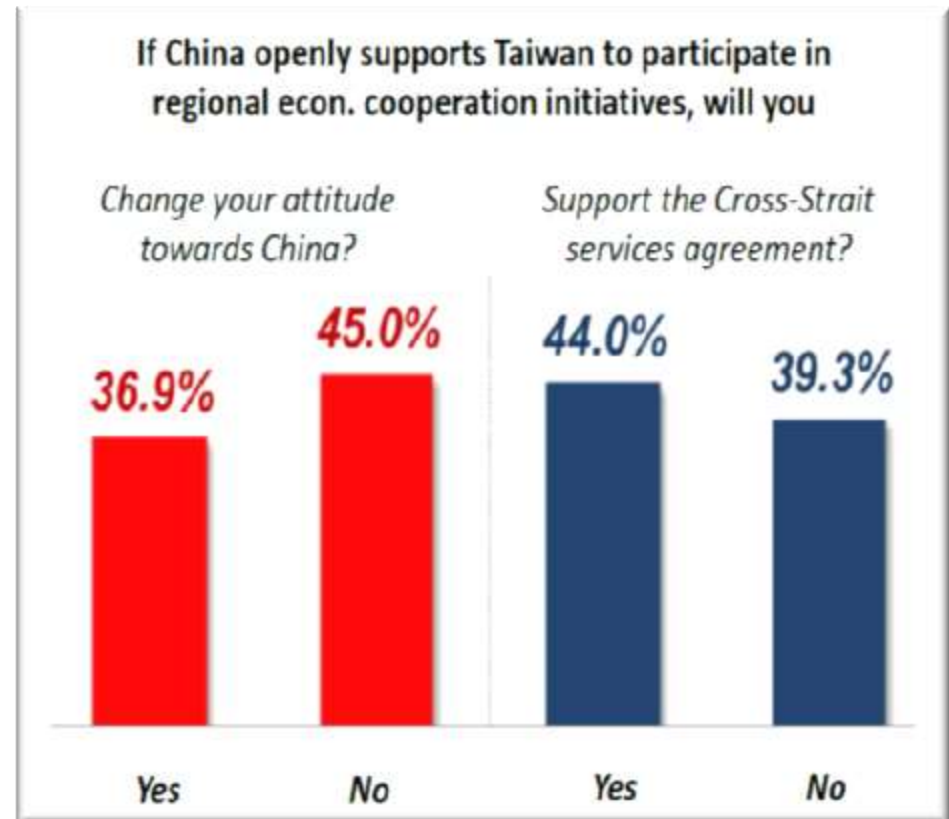
FIGURE 4 Poll results of Taiwan-China economic relationship in Taiwan (July 2014)



Source: Taiwan Indicators Survey Research (TISR), July 2014.

+ The way forward: Breaking the deadlock situation through confidence-building and dialogue with China

- Adjustment for China's sequential approach: China's assurance in Taiwan's participation BEFORE the ECFAs are completed
- Provides new impetus for Cross-Strait economic integration.
- Requires dialogue with China
- Requires confidence inside Taiwan



+ Implications for Korea

- **Situation and scenario very different in Cross-Strait and in N-S Korea relationship**
- **Step-by-step sequential approach is critical for the society to form consensus and confidence**
 - **Transparency and communications are important**
 - **Economic cooperation will not lead to political cooperation unless consensus is reached**
 - **Build-in safeguard measures**
- **Supports from major powers is also critical**



Thank you