



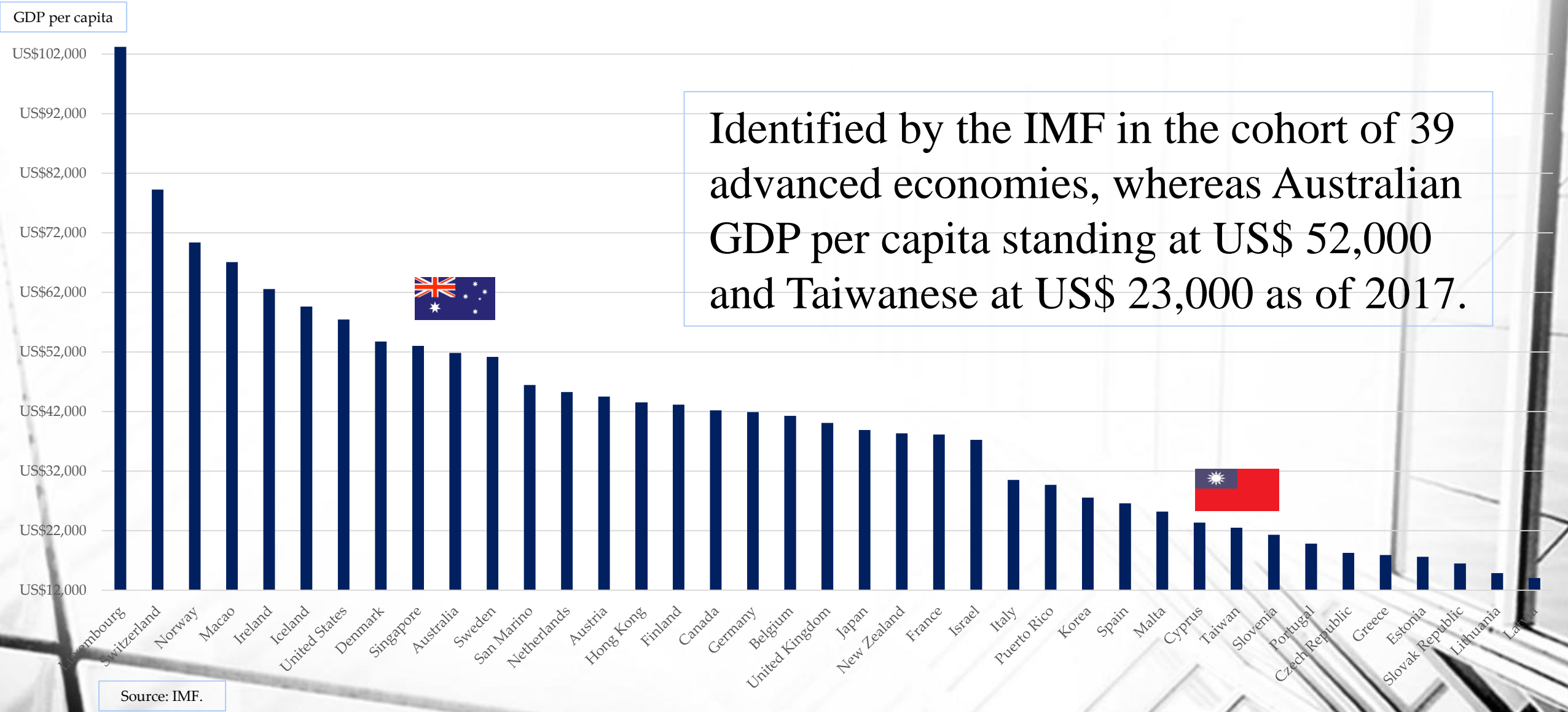
Challenged: Taiwan's Prospects in Regional Economic Integration and New Southbound Policy

Darson Chiu

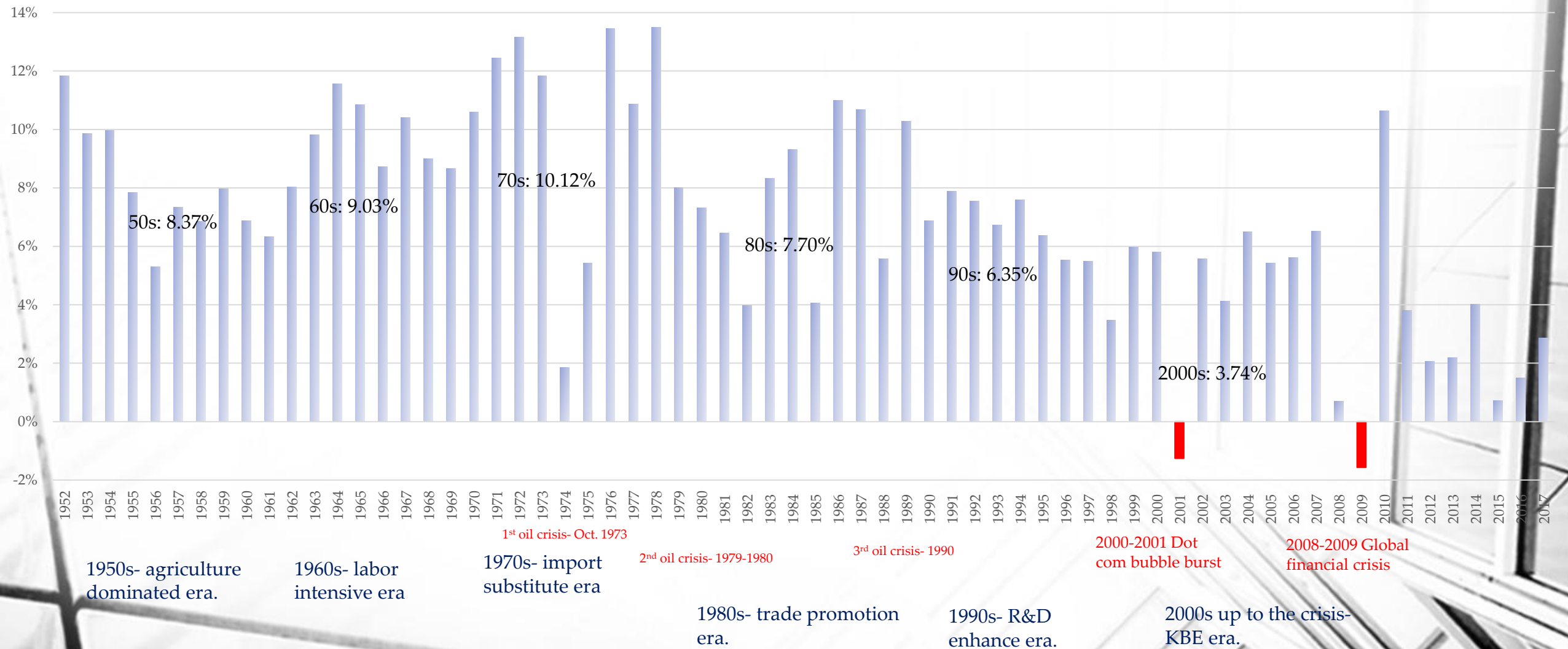
Research Fellow, Taiwan Institute of Economic Research

Professor, Department of Economics, Tunghai University

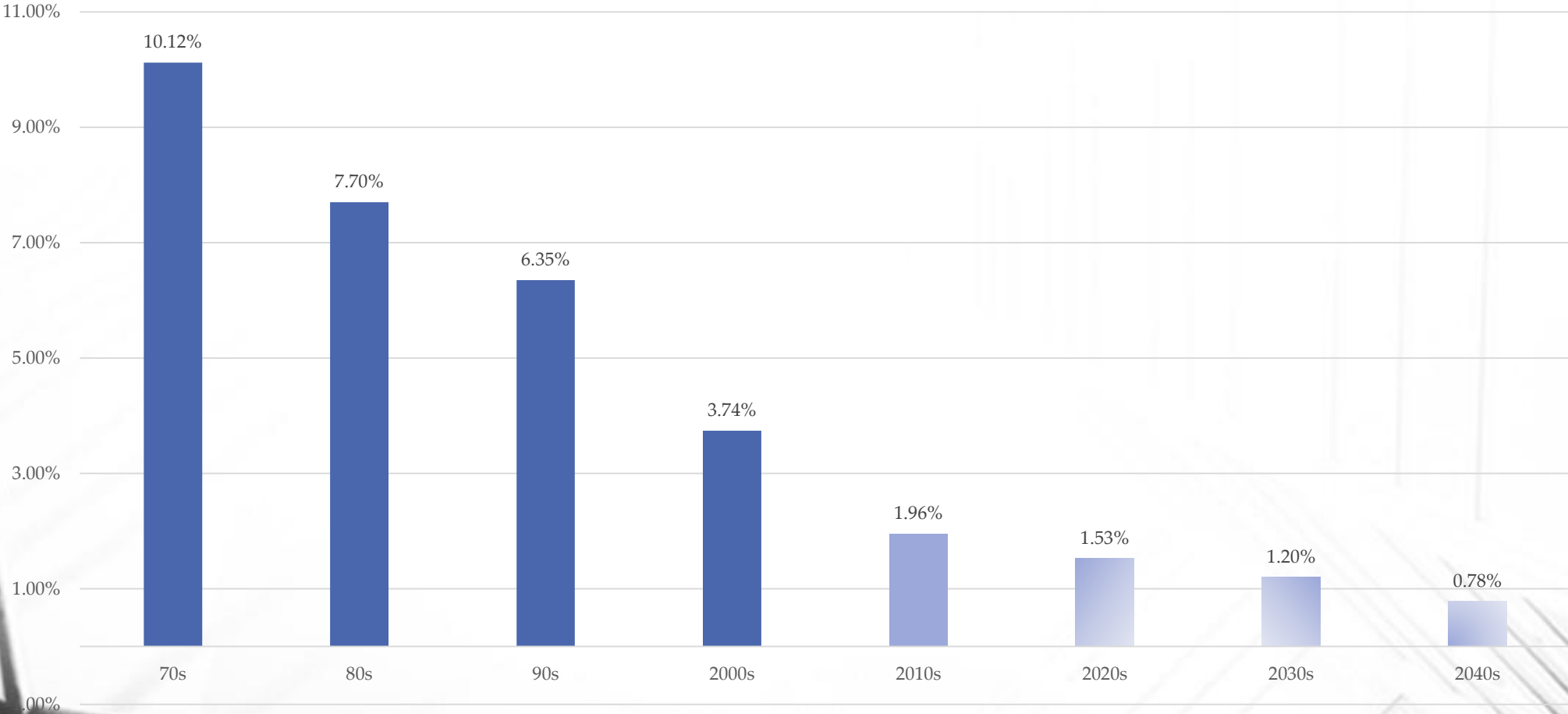
The status of Taiwan at global economic stage



Taiwan's economic growth history

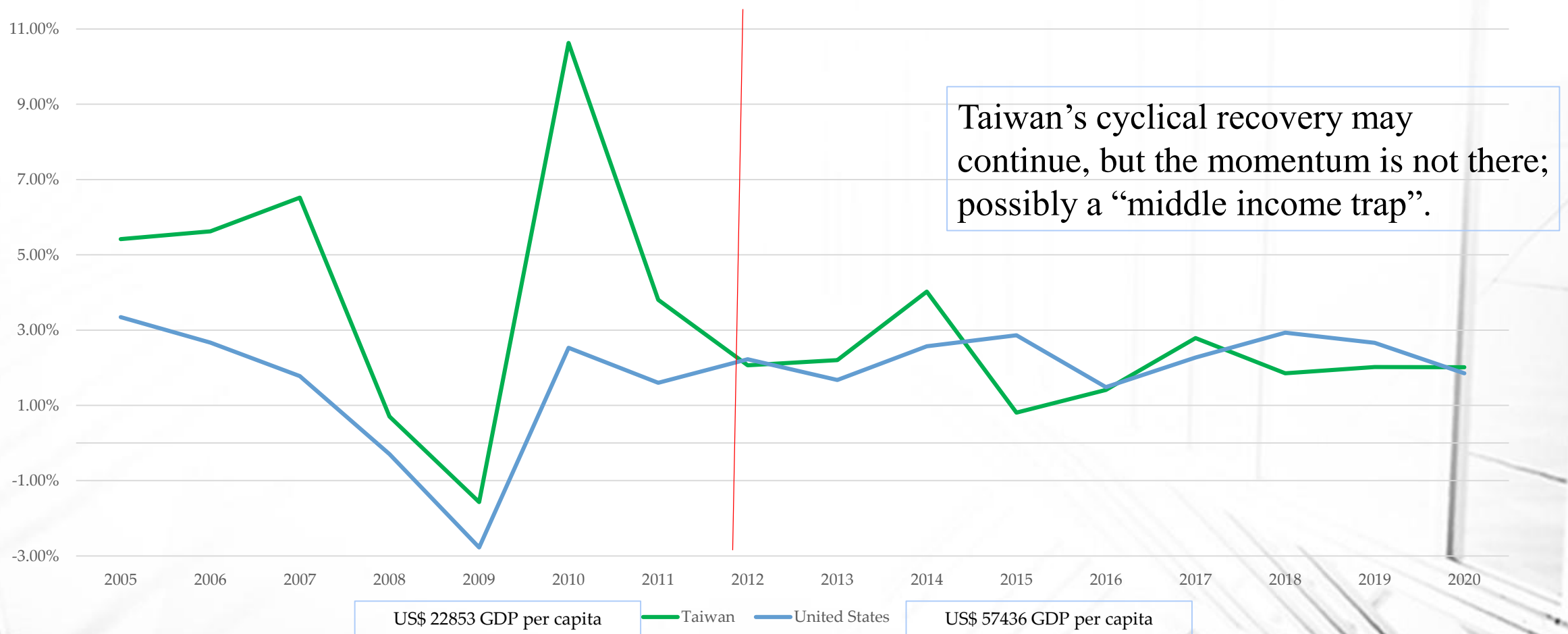


Review and outlook of Taiwan's economic growth

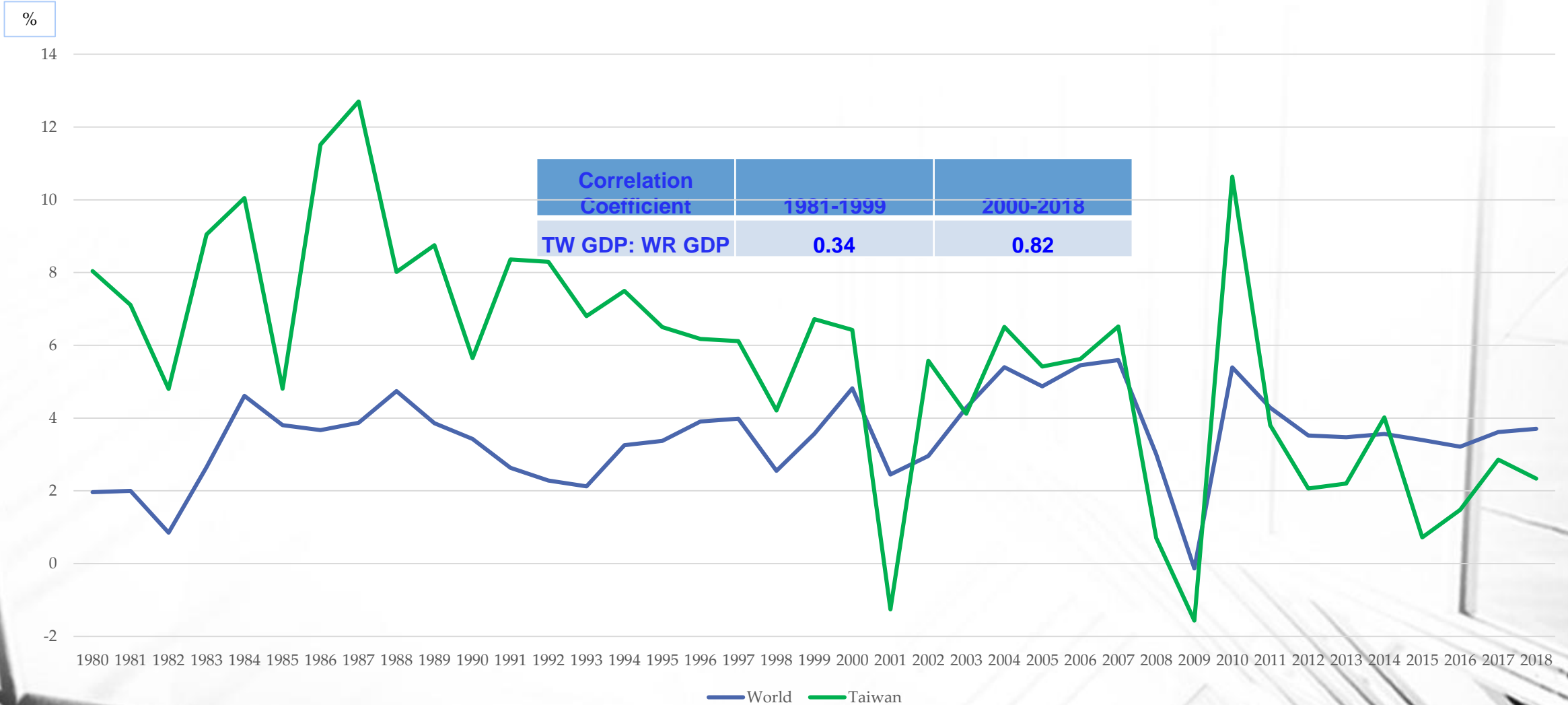


Source: EIU.

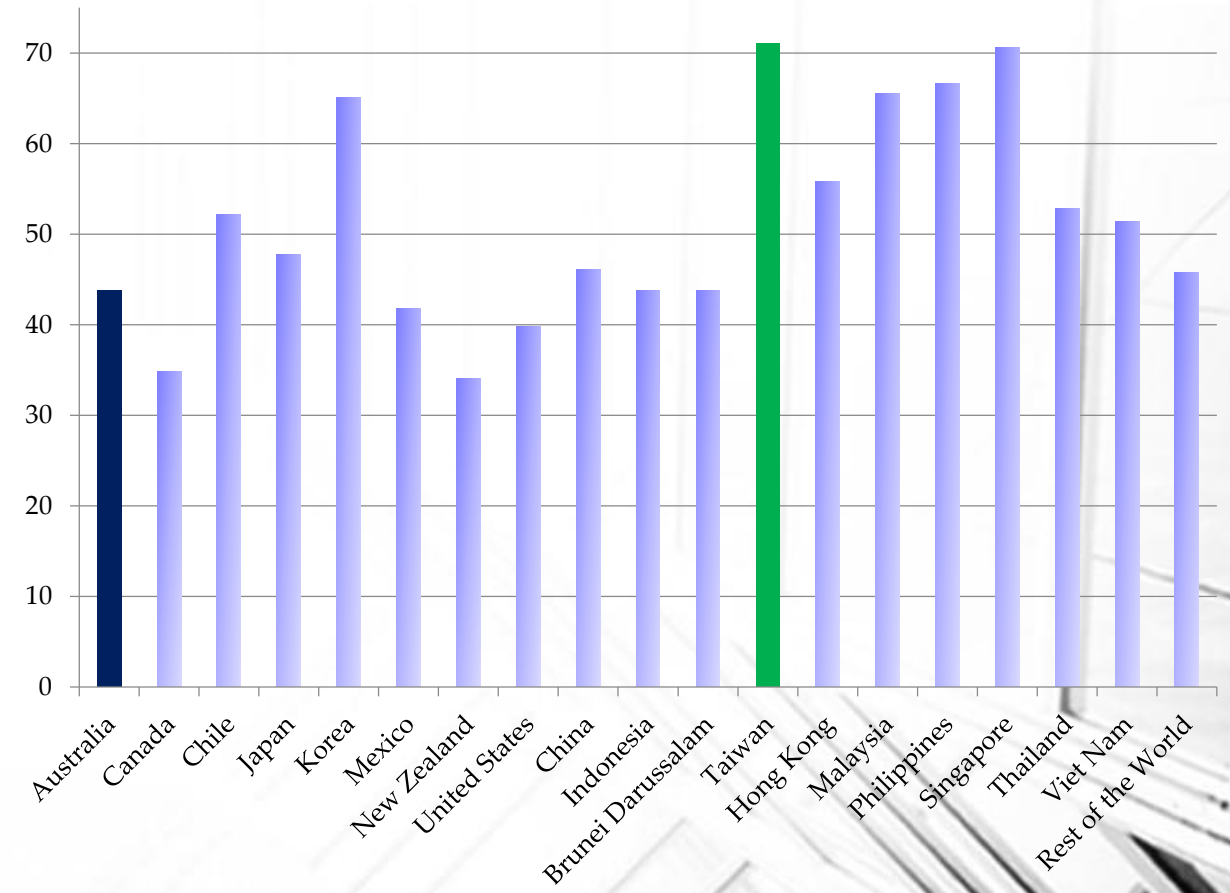
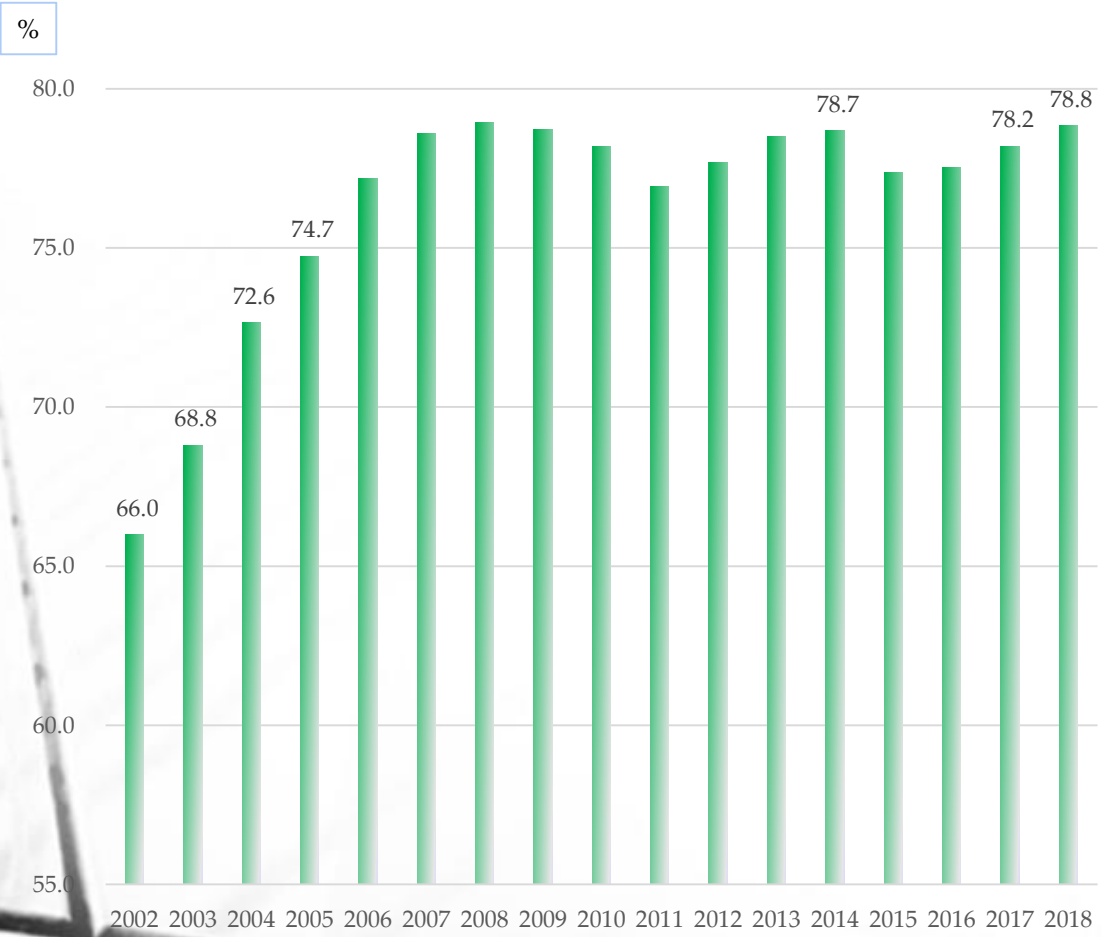
Comparison of economic growth patterns



Taiwan and world economy are becoming more correlated

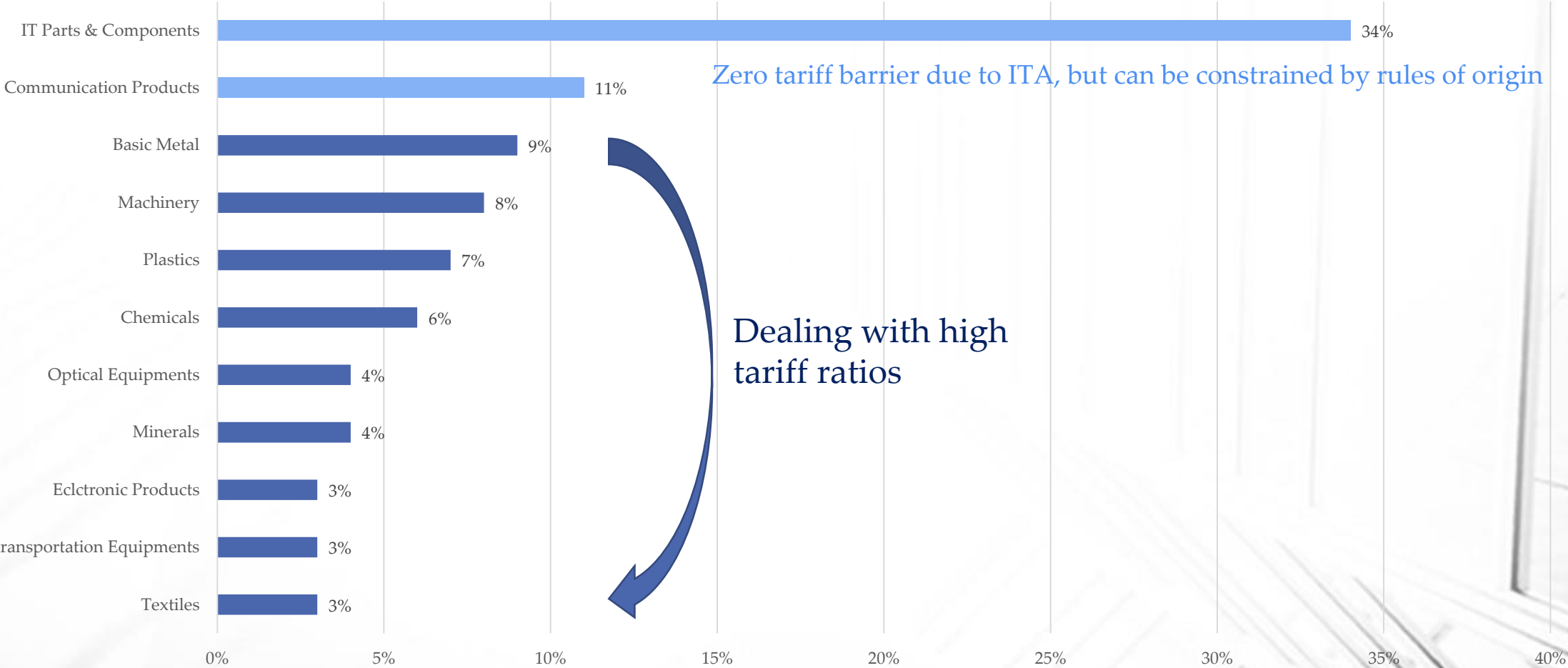


Taiwan's exports in intermediate goods and GVC participation



Source: MOEA, OECD GVC Indicator

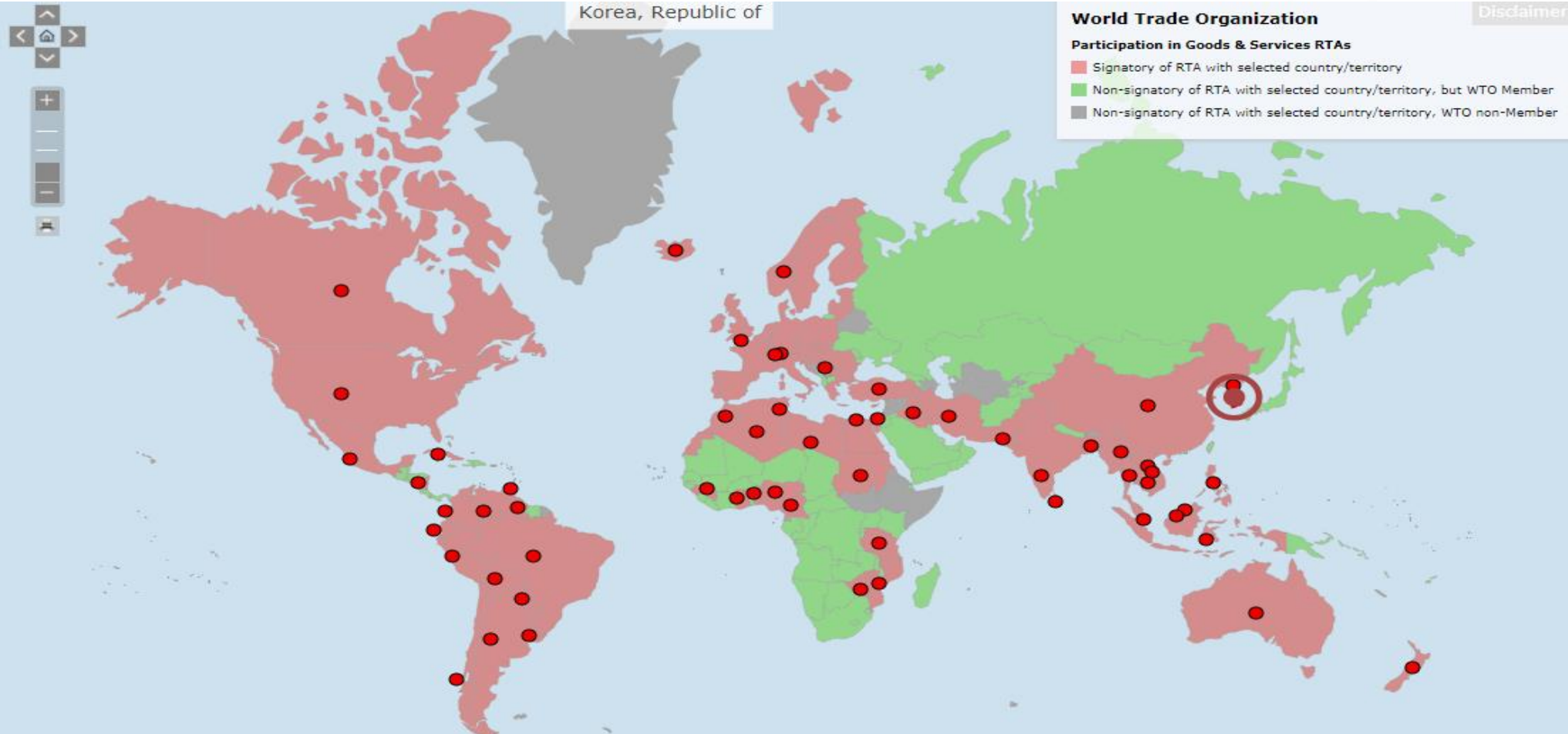
Taiwan's major exporting items



Economic policies in response to the structural issues

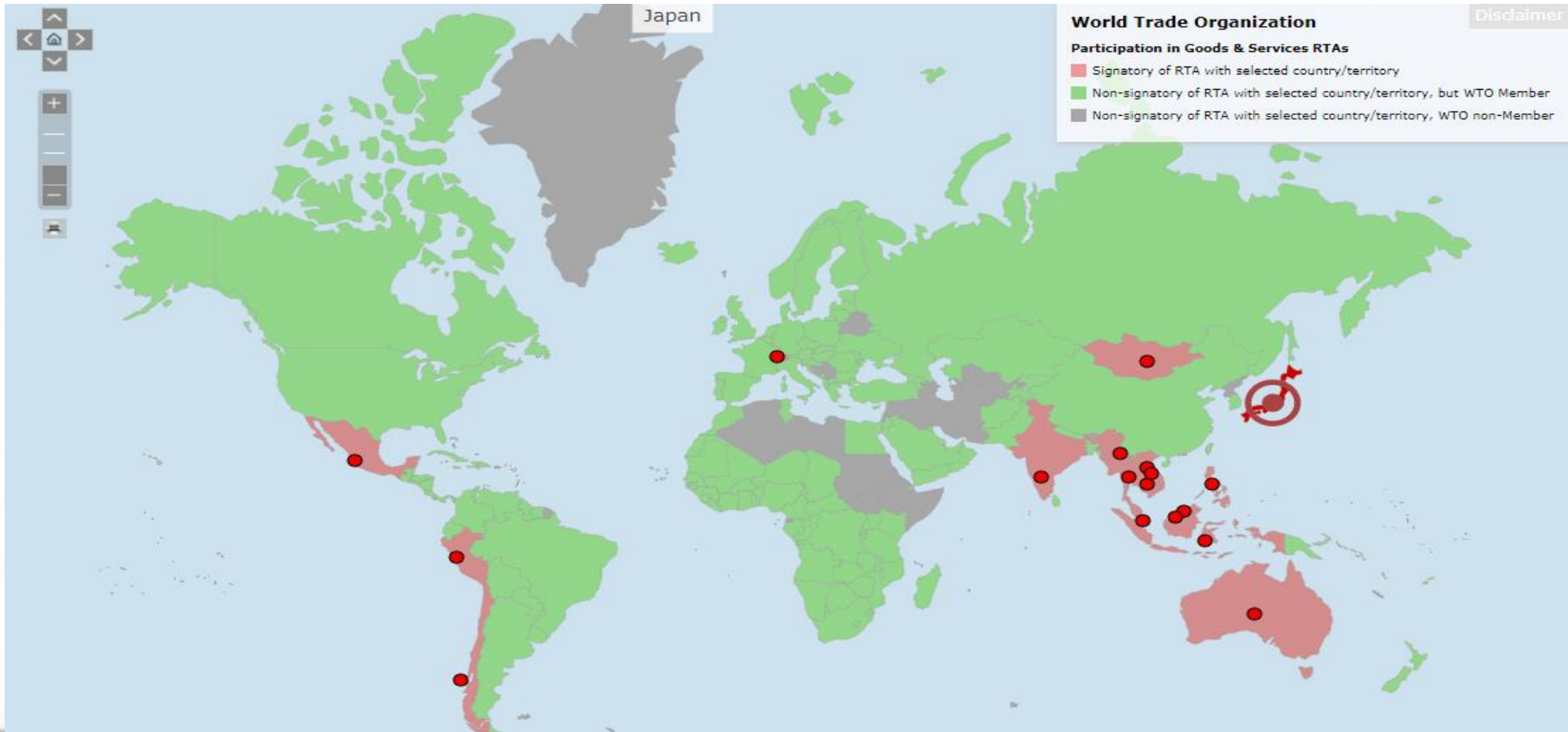
- Structural issues: Taiwan is having trouble to regain its growth momentum due to two major structural constraints: a) its exports of ICT goods (45% of total) as the major growth engine has been losing the tech advantage and b) its exports of traditional manufacturing goods (the other 55%) have been dealing with tariff barriers because of insufficient FTA coverage.
 - Taiwan's industries need to move up supply value chain as Taiwan's major exporting items have been intermediate goods.
 - Taiwan needs to join in **Regional Economic Integration (REI)** and expand its FTA coverage as export is a critical engine.

Korea's FTA coverage



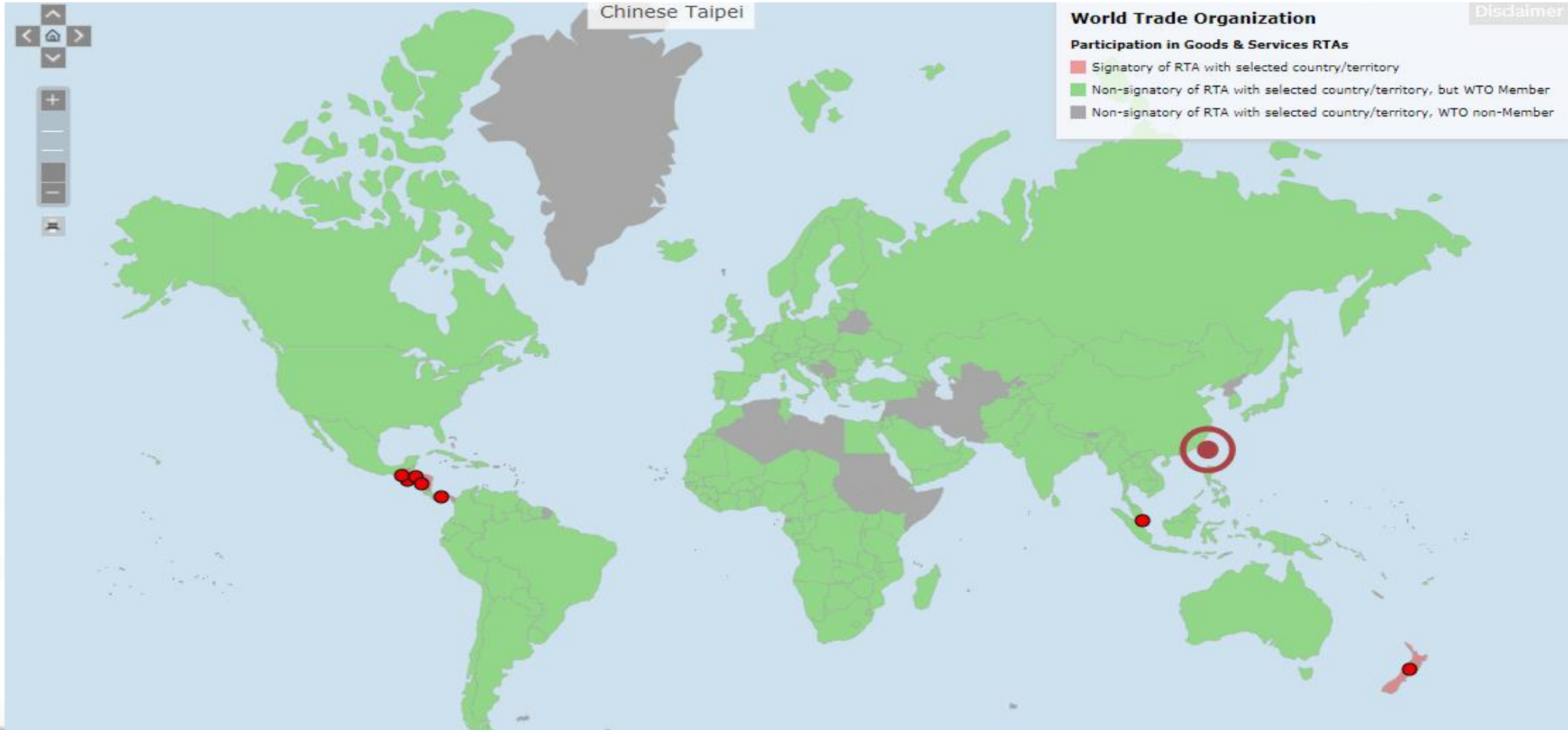
Source: WTO.

Japan's FTA coverage



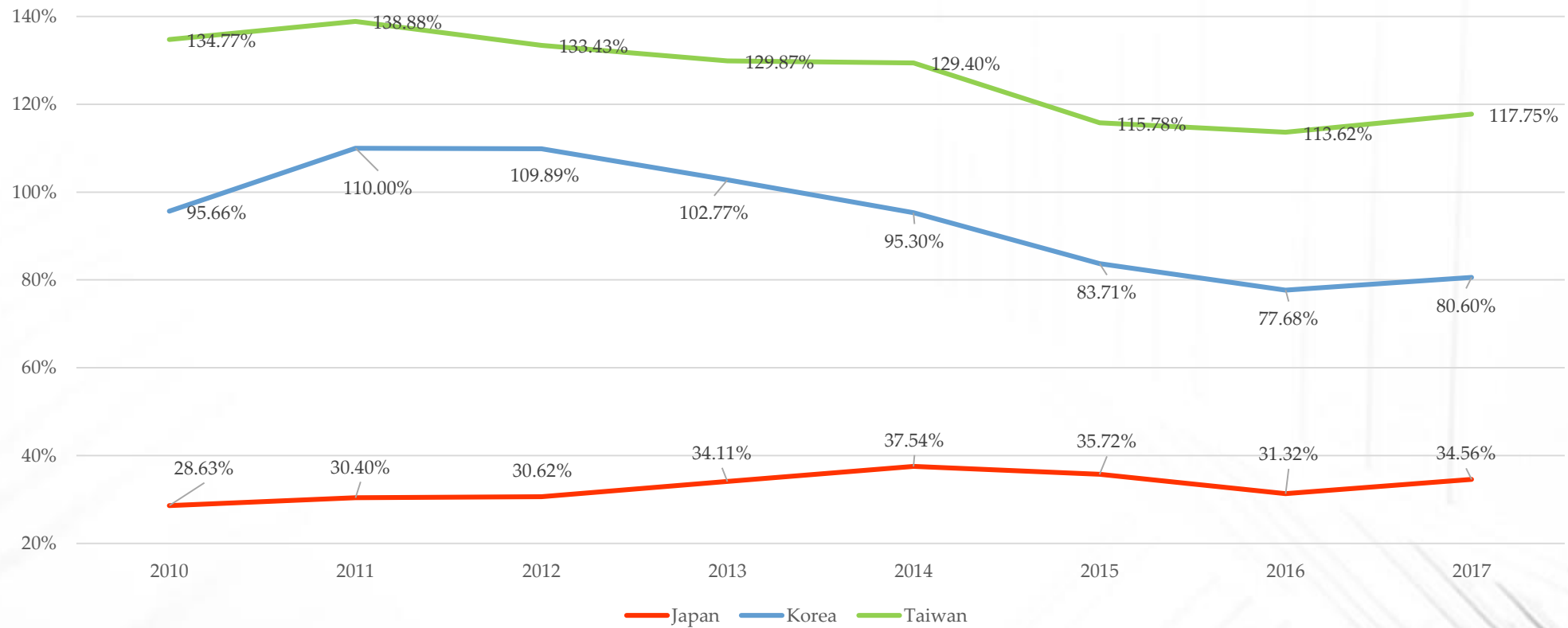
Source: WTO.

Taiwan's FTA coverage



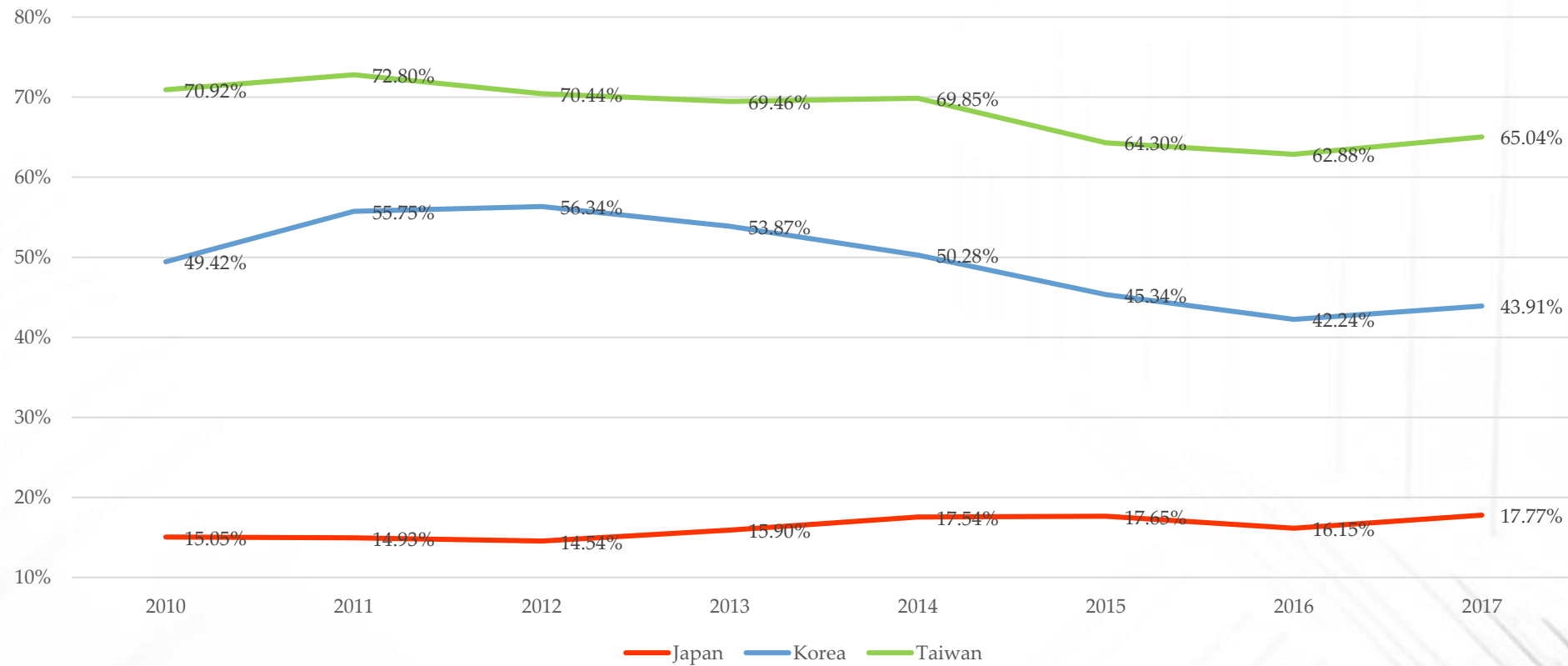
Source: WTO.

Dependence upon foreign trade



Source: EIU Country Data.

Dependence upon exports



Source: EIU Country Data.

Taiwan's policies in response

- To move up supply chain, Taiwan is conducting the **five plus two innovative industrial plan**, which include a) green energy technology, b) the development of an Asian Silicon Valley, c) biomedicine, d) intelligent machinery, e) national defense and aerospace, plus f) the development of a new agricultural paradigm and g) a circular economy.
- To deal with insufficient FTA coverage, Taiwan is conducting the **New Southbound Policy (NSP)** calls for the development of comprehensive relations with ASEAN, South Asia, and Australia and New Zealand, while promoting regional exchanges and collaborations.



New Southbound Policy

- It is a “people centered policy”, and its 5 flagship projects:
 - Promoting innovative industries,
 - Medical cooperation and industrial supply chains,
 - Policy forums and youth exchange platforms,
 - Regional agriculture development, and
 - Talent cultivation
- How Taiwan and Australia can cooperate: attract more Taiwanese students to Australia instead of China to pursue advanced education.

Guidelines for the new southbound policy

- For the long term goal, forge a “sense of economic community” and gradually build up mutual trust.
- For the short to mid term goal, provide policy incentives for cultural exchanges and economic cooperation.

5. Pursue institutionalized bilateral and multilateral cooperation

We have consistently pursued the goals of promoting institutionalized economic cooperation with our major trading partners and taking part in the process of regional economic integration. We need to continue working to sign bilateral investment and taxation agreements with the nations of ASEAN and South Asia as well as New Zealand and Australia, and should actively seek to sign economic cooperation agreements or enter into economic cooperation projects with our major trading partners. Doing so will build up a stronger foundation and momentum for our efforts to join the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP).

WTO tariff profiles of CPTPP and RCEP countries

<i>CPTPP</i>				<i>RCEP</i>			
<i>Members</i>	<i>Total</i>	<i>Ag</i>	<i>Non-Ag</i>	<i>Members</i>	<i>Total</i>	<i>Ag</i>	<i>Non-Ag</i>
Australia	2.7	1.2	2.7	Australia	2.7	1.2	2.7
New Zealand	2.0	1.4	2.2	New Zealand	2.0	1.4	2.2
Japan	4.0	13.1	2.5	Japan	4.0	13.1	2.5
Brunei	1.2	0.1	1.3	Brunei	1.2	0.1	1.3
Malaysia	5.8	8.4	5.4	Malaysia	5.8	8.4	5.4
Singapore	0.0	0.1	0.0	Singapore	0.0	0.1	0.0
Vietnam	9.6	16.3	8.5	Vietnam	9.6	16.3	8.5
Peru	2.4	2.8	2.4	China	9.9	15.5	9.0
Canada	4.1	15.6	2.2	India	13.5	33.4	10.2
Chile	6.0	6.0	6.0	Korea	13.9	56.9	6.8
Mexico	7.0	14.6	5.7	Indonesia	7.9	8.4	7.8
* Both CPTPP and RCEP are important integration processes for Taiwan; 6 CPTPP and 13 RCEP member economies are new southbound policy's targeted partners.				Philippines	6.3	9.8	5.7
				Thailand	11.0	31.0	7.7
				Laos	8.5	11.2	8.1
				Myanmar	5.6	8.6	5.1
Taiwan	6.4	15.7	4.8	Cambodia	11.2	14.9	10.6

Conclusions

- Taiwan's economy is highly correlated with the global conditions and export is the most important engine.
- Due to insufficient FTA coverage, there's no strong momentum to support Taiwan's economic growth.
- The government has conducted the NSP to explore potential partners in the long run.
- Strategy- NSP to promote REI, and REI to fulfill NSP.

*Thank
you*

