

The 11th Plenum of the Home Affairs Committee

The 7th Session of the 10th Legislative Yuan

**Assessing the Impact of Mainland China's
Trade Barrier Investigations on
Taiwan's Export Trade & the Cross-Strait
Economic Cooperation Framework
Agreement (ECFA)**

Special Report

Mainland Affairs Council

April 26, 2023

Honorable Chairman, Members of the Committee, Ladies and Gentlemen:

I'm honored to be invited by this committee to present this report on "Assessing the Impact of Mainland China's Trade Barrier Investigations on Taiwan's Export Trade & the Cross-Strait Economic Cooperation Framework Agreement (ECFA)" and explain some of the related operations of the Mainland Affairs Council (MAC). Your invaluable insights and guidance are deeply appreciated.

I. Background

1. Announcement by Mainland China: On April 12, 2023, mainland China's Ministry of Commerce (MOC) announced it would immediately initiate trade barrier investigations into trade restrictions imposed by Taiwan. The key points of the announcement include:
 - (1) Mainland China initiated the inspection based on provisions of the Foreign Trade Law of the People's Republic of China and the Rules for Foreign Trade Barrier Investigation (hereinafter the "Investigation Rules").
 - (2) The investigation was initiated on March 17 this year in response to an application submitted by the China Chamber of Commerce for Import and Export of Foodstuffs, Native Produce and Animal By-products; China Chamber for Commerce of Metals, Minerals and Chemicals Importers and Exporters; and China Chamber of Commerce for Import and Export of Textiles.
 - (3) The investigation focuses on measures by Taiwan prohibiting the import of 2,455 products from mainland China, including agricultural, metals, minerals, chemicals, and textile products.
 - (4) The investigation is expected to conclude by October 12 of this year, with the possibility of an extension to January 12, 2024, under special circumstances.
2. Notification by mainland China to Taiwan: On April 12 this year, mainland China's Permanent Mission to World Trade Organization (WTO) informed Taiwan's Permanent Mission to WTO of the aforementioned announcement by the MOC.
3. Potential Developments following the Investigation
 - (1) Under mainland China's Investigation Rules, the MOC may collect

information from interested parties by issuing questionnaires and holding hearings (Article 21). The ministry may also send personnel to the country or region under investigation to collect evidence (Article 22, subject to the consent of the investigated country), hold consultations with the government of the investigated country or region (Article 25), etc.

(2) Article 33 of the Investigation Rules stipulates that if the investigation determines the existence of trade barriers, the MOC may, depending on the situation, hold bilateral consultations, initiate multilateral dispute settlement mechanisms, or take other appropriate measures.

(3) Under WTO provisions, mainland China can request consultations with Taiwan if it believes Taiwan's measures constitute trade barriers. If the issue remains unresolved, they can resort to the WTO's dispute settlement mechanism, which makes final judgment about whether trade barriers exist.

II. Statement of the Government's Position

1. Mainland China and Taiwan joined the WTO in late 2001 and early 2002, respectively. During the WTO accession process, the two sides did not negotiate on market access for trade in goods. To safeguard Taiwan's interests and demonstrate goodwill towards mainland China, the Ministry of Economic Affairs (MOEA) manages the import of mainland Chinese goods according to the Regulations Governing Permission of Trade between the Taiwan Area and the Mainland Area. Goods may be imported if they "do not endanger national security" and "do not have any serious or negative impacts on related industries." The Bureau of Foreign Trade under the MOEA holds review meetings every two months to continuously review goods that can be imported from mainland China. Based on these regulations and domestic demand, Taiwan has permitted the importation of 9,835 agricultural and industrial products from mainland China over the years.
2. The two sides had held multiple consultations on Taiwan's regulation of imported goods from mainland China. However, they did not reach a consensus due to differing positions. Since May 20, 2016, mainland China has suspended official interactions between the two sides, preventing further negotiations.
3. Mechanisms and norms in cross-Strait trade have been in place for many years and both sides are WTO members; therefore, consultations and discussions on

any issues that arise can be negotiated and discussed through the existing mechanisms.

III. Assessment of the Impact of the Investigation on Taiwan's Export Trade and the ECFA

1. Assessment of the Impact on Taiwan's Export Trade

- (1)** The total export value of the 2,455 goods involved in the investigation amounted to US\$24.85 billion in 2022, accounting for 5.2% of Taiwan's total exports. Exports of such items to mainland China amounted to US\$4.43 billion, representing 3.7% of Taiwan's total exports to mainland China and 0.9% of Taiwan's total exports. Were mainland China to use these 2,455 goods as retaliatory measures, the overall impact on Taiwan's economy would still be limited.
- (2)** The products involved in the investigation were mainly in the food (including agricultural and fishery products), textile, and petrochemical industries. The impact on specific industries can only be determined after mainland China concludes its investigation and takes corresponding measures.

2. Assessment of the Impact on the ECFA

- (1)** The investigation is not directly linked to the ECFA: The present trade barrier investigation initiated by mainland China against Taiwan is aimed at the 2,455 mainland Chinese products whose importation to Taiwan are not permitted; as a result, the investigation has no direct relation to the ECFA. Various sectors of the society are concerned that mainland China could suspend the early harvest benefits under the ECFA as a retaliatory measure against Taiwan. The relevant authorities will hold consultations with mainland China under WTO mechanisms, closely monitor developments, continuously assess the impact, and prepare responses.
- (2)** Government's position on the ECFA: The ECFA has benefited both sides since its implementation. The government has consistently and clearly adhered to the position of maintaining healthy and orderly economic and trade exchanges and mutual benefit across the Taiwan Strait. The government hopes the two sides can seek solutions through practical communication. The government has no interest in terminating the ECFA, which would create losses for relevant businesses on both sides and harm

the cross-Strait economic and trade relations.

- (3) **Tariff reduction under the ECFA:** From January 1, 2011, to December 31, 2022, Taiwan received approximately US\$9.387 billion in tariff reductions for exports to mainland China, while mainland China received approximately US\$981 million in tariff reductions for exports to Taiwan. If the functioning of the ECFA is affected, the additional tariffs that businesses on both sides need to pay will impact the competitiveness of their products in each other's markets.

IV. Government Responses

1. **Negotiations with mainland China through existing mechanisms:** Mainland China has notified Taiwan through WTO channels regarding the trade barrier investigation announced by the MOC against Taiwan. Taiwan will hold consultations with mainland China according to WTO mechanisms. Taiwan's Office of Trade Negotiations (OTN) under the Executive Yuan will be in charge of coordination and planning in conjunction with relevant agencies, whereas the MOEA and Council of Agriculture (COA) will conduct assessment and respond to the impact on relevant industries.
2. **Preparing responses for various scenarios:** The OTN, in conjunction with the MOEA, COA, and other relevant agencies, will compile and analyze WTO regulations and relevant cases, conduct tabletop exercises for various possible scenarios, and plan for advance preparations.
3. **The competent authorities, including the MOEA, COA, Ministry of Finance, and Ministry of Health and Welfare, will continue ongoing improvements in industry competitiveness and risk diversification with the following measures:**
 - (1) The MOEA will continue to promote work on enhancing domestic economic resilience, responding to the changing economic and trade environment, and countering potential economic sanctions. Such efforts will focus on assisting industries in diversifying production bases, strengthening global operations, supporting enterprise upgrading and transformation, improving the domestic investment environment, and actively participating in regional economic integration. Initiatives include: organizing economic and trade missions to target markets in New Southbound markets, holding conferences on resilient supply chains, supporting re-investment in Taiwan by overseas Taiwanese businesses, and launching global campaigns to win

orders. Other measures include amending the Industrial Innovation Act to boost investment tax deductions for companies that are engaged in technology innovation and play critical roles in international supply chains. Further initiatives involve actively seeking accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Taiwan-US Bilateral Trade Agreement (BTA), and the Indo-Pacific Economic Framework, and accelerating progress on the Taiwan-US Initiative on 21st Century Trade and the New Southbound Policy.

- (2) The COA has established a platform for agricultural exports to provide relevant business matching measures and establish long-term and stable target markets. It has also implemented various measures to strengthen both domestic and export sales and diversify risk. Measures include: ensuring the quality and safety of agricultural products, establishing ordering platforms, strengthening quarantine inspections for exports to other countries, promoting e-commerce, and providing additional export incentives.

V. Conclusion

The government's position in response to mainland China's trade barriers investigation against Taiwan is to engage in consultations with mainland China under the WTO framework to resolve the concerns of both sides. The government hopes that mainland China will not complicate, instrumentalize, or politicize trade issues. It will continue to monitor the progress of mainland China's investigation and duly respond.

That concludes this report. I welcome any feedback from the committee members. Thank you!