

## Clarification and Response to Criticism from Professor Show-Ling Jang Reported Today (September 22) by the Liberty Times

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Professor Show-Ling Jang of the Department of Economics at National Taiwan University criticized the Mainland Affairs Council (MAC) and the Cross-Strait Trade in Services Agreement in an article reported today (September 22) by the Liberty Times. The MAC issued the following clarification to set the record straight:

1. Professor Jang claims that the MAC maliciously deceived the public about the "Ten Strengthens", which seriously misinterprets government policy.

(1) The "Ten Strengthens" proposed by the MAC in the print ad cite industry statements and are entirely based on facts. The related content holds up to objective examination.

(2) When the Trade in Services Agreement was signed, the Ministry of Economic Affairs (MOEA) and other relevant agencies had already formulated measures to help business owners expand opportunities in the Mainland market. After the Agreement comes into effect, business owners will no longer need to struggle alone since they will have the backing of the government and the Agreement. This can create more cases to be "stronger".

2. Benefits for the restaurant, laundry and beauty salon industries

(1) Although the Mainland has not included the restaurant, laundry and beauty and hairdressing industries among commitments under the Cross-Strait Trade in Services Agreement, these markets in mainland China are in fact already open to

Taiwanese businesses. Companies in these sectors therefore face no real obstacles to development in the Mainland. This is why the government has highlighted in the "Ten Strengthens" print ads the Mainland success stories of "85 ¢ Bakery café", "Natural Beauty", and "Elephant King Laundry". With the signing of the Cross-Strait Trade in Services Agreement, Taiwan will enjoy not only pre-existing market opening measures, but also additional safeguards in areas such as disclosure and provision of information (Article 5) and liaison mechanisms (Article 18). These will further support the development of Taiwanese companies in the Mainland. If necessary, the government will imitate the practice of the MOEA and Taiwan External Trade Development Council. Competent authorities can coordinate with the Straits Exchange Foundation (SEF) and industry associations to form delegations of small and medium enterprises to visit the Mainland and help companies develop business opportunities there.

(2) As for Taiwan's small restaurant, laundry and beauty and hairdressing industries, Mainland companies will have difficulty competing with local businesses since the service quality of these sectors in Taiwan is higher than that of the Mainland. Assessments by the competent authorities have concluded that Mainland operators will have only a limited impact on Taiwanese businesses.

3. Greater opportunities and risk controls in the wholesale and retail, e-commerce and banking industries

(1) The wholesale and retail services industries are not newly opened sectors under the Agreement, but rather were opened in June 2009. Rigorous case-by-case examinations and checks conducted by the MOEA and other involved agencies have shown that Mainland capital has not dominated the wholesale and retail industries, nor have Mainland products flooded the markets. After the Trade in

Services Agreement is signed, Mainland investment applications in the wholesale and retail industries will be rigorously reviewed by the Council of Agriculture, MOEA and other relevant agencies. All goods imported from the Mainland will still be required to meet existing customs clearance, quarantine and testing laws and regulations to prevent substandard products from reaching the market. The problems that worry Professor Jang will not occur.

(2) E-commerce investment in the Mainland will help Taiwanese companies to thrive, not to be "uprooted." When negotiating trade in services pacts, all countries hope that the other side will entirely open their market and do not worry about the problem of "uprooting." Professor Jang's statement truly does not accord with general common sense. In the Cross-Strait Trade in Services Agreement, Taiwan has won agreement from the Mainland to allow Taiwanese e-commerce companies to hold up to a 55% share of businesses in trial points in the Mainland. All Taiwanese businesses consider this a major breakthrough that not only will benefit e-commerce platform operators, but also is good news for the small businesses that sell products to the Mainland via these platforms. Following up, the Taiwan side needs to press the Mainland to further open its market for the cross-border supply of services to expand Taiwan's interests. In fact, the government is already promoting related work through the cross-strait industrial cooperation platform and has achieved preliminary results.

(3) Banking is a highly regulated industry. The competent authorities rigorously review each case, whether it is an investment by Taiwanese banks in the Mainland or an investment by Mainland banks in Taiwan. They also have set up security control mechanisms whose top priority is to prevent an adverse impact on domestic financial security. That Mainland investors buy half of the banks in Taiwan will not occur. As for the issue of personal financial information, the

government and Joint Credit Information Center will jointly keep watch. The government will also strictly enforce the law and duly respond to the latest developments. Furthermore, the Mainland will not limit Taiwanese banks only to establishing "village and township banks" or to operating in Fujian Province. Rather, Taiwanese banks will enjoy preferential treatment when opening "village and township banks" and operating in Fujian. Professor Jang's comments therefore show an incomplete understanding of the facts.

4. The film, online game, life insurance and futures industries will enjoy preferential treatment. This is a fact, not an exaggeration.

Under the Trade in Services Agreement, Taiwan's film, online game and futures industries will enjoy treatment preferential to those of other World Trade Organization (WTO) members. Hong Kong's situation differs fundamentally from that of Taiwan due to the implementation of the "one country, two systems" policy. Nevertheless, in the film and futures industries, efforts by the Taiwan side succeeded in winning approval from the Mainland first to grant preferential treatment and to sign an agreement with Taiwan. It was only later that the Mainland agreed to extend the same preferential treatment to Hong Kong. Overall, Taiwan will still enjoy first-to-market advantages over foreign companies in the Mainland.

5. Professor Jang's criticism that the Cross-Strait Trade in Services Agreement is seriously lopsided and forces Taiwan to open industries that mainland China is not opening to Taiwan is inconsistent with the facts

Professor Jang is especially concerned over whether or not the Mainland will allow Taiwan's disadvantaged industries such as restaurant, laundry, beauty salon and other industries to invest in the Mainland. In fact, the Mainland already allows

Taiwanese investment in service sectors that are open to all foreign companies, including the restaurant, retail, wholesale, beauty and other grassroots industries. The Agreement annex includes 80 service categories that exceed the Mainland's WTO commitments. As for the sectors included by Taiwan in the annex, only 19 sectors exceed Taiwan's WTO commitments, and all of these sectors are currently open to foreign investors. Currently, Taiwan has opened 316 service sectors to foreign investors. Even after the Trade in Services Agreement takes effect, nearly 120 service sectors will still not be open to investment from the Mainland. This shows that the cross-strait negotiations and signing of the Trade in Services Agreement are based on the WTO and Economic Cooperation Framework Agreement and consider the level of industrial development, degree of market opening and economic scale of the two sides. The Agreement is about realizing "mutual benefit" across the Strait; it is not "one-sided." Following Professor Jang's propositions would require full reciprocity between the two sides in the scope of market opening. This would mean that Taiwan should, according to WTO commitments, open its lawyer, accountant and other professional service industries to the Mainland, as well as reduce relevant restrictions in the telecommunications and construction industries. Such an approach would, conversely, be inconsistent with Taiwan's interests.