

**Chang Hsien-yao: Cross-Strait Trade in Services Agreement is a Springboard for Taiwan's Advance in World Markets and Membership in Regional Economic Organizations**

July 10, 2013

No. 49

Deputy Minister of the Mainland Affairs Council (MAC) Chang Hsien-yao stated today (July 10) that Taiwan is an island economy that depends on foreign trade as an economic lifeline. Taiwan must orient towards the world and face up to the fact of mainland China's economic rise in order to optimally position on the global economic map. The Trade in Services Agreement signed between the two sides conveys a message to the international community of Taiwan's further liberalization in trade, facilitates the signing of free trade agreements between Taiwan and other countries, and provides a springboard for Taiwan's advance in world markets and membership in regional economic organizations.

The MAC and Southern Taiwan Joint Services Center (STJSC), Executive Yuan jointly held a town hall meeting in Kaohsiung City this afternoon. The meeting was co-chaired by MAC Deputy Minister Chang and STJSC Deputy Chief Executive Officer Lin Ching-chiang. Officials of the Ministry of Economic Affairs, Tourism Bureau of the Ministry of Transportation and Communications, Ministry of Culture, Environmental Protection Administration, Council of Labor Affairs, National Immigration

Agency of the Ministry of the Interior and other related ministries and departments also participated in the meeting to exchange views with and hear the policy proposals of local residents from various circles.

Deputy Minister Chang said that the Cross-Strait Economic Cooperation Framework Agreement (ECFA) signed by the two sides in 2010 is a framework agreement. The overall benefits will only become gradually apparent after the Cross-Strait Investment Protection and Promotion Agreement and the Customs Agreement signed last year (2012) and follow-up agreements on trade in services and trade in goods take effect. The Cross-Strait Trade in Services Agreement goes beyond the ECFA in institutionalizing norms and guarantees for the rights and interests of service providers on the two sides, as well as in expanding the market and scale of the service industries on the two sides.

Deputy Minister Chang indicated that the Cross-Strait Trade in Services Agreement brings many benefits for Taiwan, including expanding the Mainland market, reducing the barriers of "hidden rules" to investment in the Mainland by Taiwan's service industry, attracting foreign investment, creating domestic jobs, and enhancing Taiwan's international competitiveness. In the future, foreign enterprises that have established commercial presence and have substantively operated in Taiwan for three or five plus years may also enjoy preferential treatment in the Mainland market as Taiwanese service providers. The U.S. and European chambers of commerce are subsequently showing keen interest in the Cross-Strait Trade in Services Agreement.

Regarding doubts that the Cross-Strait Trade in Services Agreement could allow Mainland workers to work in Taiwan and lead to domestic unemployment, Deputy Minister Chang clarified that of the 64 service sectors opened to the Mainland this time, nine in the financial service industry and 27 in the non-financial sector were previously opened to Mainland investment in 2009, whereas only 28 sectors are newly opened. The purpose of the opening measure is to attract more Mainland investment to Taiwan's service industry and thereby improve long-term imbalances in cross-strait capital flows. The Agreement will not open Taiwan to Mainland workers and the possibility of Mainland investors acquiring Taiwan identity cards or work permits does not exist. Furthermore, Mainland investment in Taiwan must first be approved by Taiwan's investment review mechanism. There are also comprehensive supporting administration measures, through which the Taiwan side may revoke the license of any Mainland investor in Taiwan that fails to comply with relevant laws and regulations.

Deputy Minister Chang said that Mainland investment in Taiwan's existing service enterprises and companies will increase national economic output; and Mainland investment in establishing new businesses in Taiwan would increase local employment opportunities. Citing the example of international fast food chain McDonald's, Deputy Minister Chang emphasized that foreign and Mainland investment in Taiwan will not result in foreigners or Mainlanders competing for jobs with locals, but will instead create local employment opportunities.

During the meeting, representatives of the Kaohsiung City Chinese Herbal Medicine Association expressed concern over the opening of Taiwan's Chinese herbal medicine (CHM) industry to Mainland investment under the Cross-Strait Trade in Services Agreement. Officials of the Bureau of Foreign Trade responded that, the opening measures in the Agreement only apply to Mainland CHM wholesalers but not retailers. Moreover, since Taiwan opened up to Mainland investment in 2009, only one Mainland CHM wholesaler has invested in Taiwan, therefore the opening measure will not have too big an impact on Taiwan's CHM industry. Deputy Minister Chang also emphasized that the government invites the public to jointly monitor and report any unlawful cases such as an investor operating as "a wholesaler in name but a retailer in practice." In such cases, the government will definitely revoke licenses according to the law and, where the local industry has been seriously affected, demand that negotiations be re-started as stipulated under the agreement.

Representatives of the Kaohsiung City Hotel Association reported that if the number of Mainland tourist groups does not increase in the future, there will be an oversupply in Kaohsiung City's hotel industry; and if Mainland investment is allowed in Taiwan's hotel industry it will exacerbate price competition in the market. Tourism Bureau officials said that the construction of tourist hotels is not among the areas opened to Mainland investment under the Cross-Strait Trade in Services Agreement. Moreover, nearly 80% of the Mainland tourists visiting Taiwan currently

stay at general hotels and only 10% or so choose tourist hotels. Therefore, the impact on the general hotel business is limited and hoteliers need not be overly worried.

Representatives of the Kaohsiung City Women's Beauty Business Association said that industry insiders find the Cross-Strait Trade in Services Agreement difficult to understand. They also worry over whether or not establishment of Mainland invested beauty businesses in southern Taiwan will impact small local beauty salons through low-cost operations, or whether salons will engage in price competition by introducing substandard products from the Mainland. Deputy Minister Chang promised on the spot that related agencies would be asked to provide assistance and even revoke licenses if Mainland investors in Taiwan's service industry engaged in vicious competition.

Over 200 people from various sectors, including local representatives, representatives of related industry and commercial organizations, community leaders, the academic community and media, participated in the meeting and enthusiastically joined in the exchanges.