

Background Information on ECFA

ECFA

Helping People Do Business to Improve Taiwan's Competitiveness

Cross-Strait Economic Cooperation Framework Agreement
Leading Taiwan into the World Market

Mainland Affairs Council, Executive Yuan

Helping People Do Business to Improve Taiwan's Competitiveness

The ROC government is promoting the signing of a cross-strait Economic Cooperation Framework Agreement (ECFA) to negotiate tariff concessions on major Taiwan exports to mainland China, raise Taiwan's export competitiveness, and create job opportunities.

Since January 1 this year, the 10 member countries of ASEAN and mainland China have gradually developed into a single free trade market, within which over 90% of the goods traded are granted tariff-free treatment. Japan and South Korea are now in intensive talks with mainland China over free trade agreements, potentially resulting in an even bigger 13-country free trade market composed of ASEAN, Japan, South Korea and mainland China. Without a cross-strait ECFA, Taiwan's exports to mainland China will be subject to higher tariffs. For examples, tariffs levied on Taiwan's petrochemical products, machinery and equipment, and automobiles and auto parts will be respectively 7%, 10%, and 25% higher than those imposed on ASEAN products. This will cause a serious drop in Taiwan's exports.

Unfair Trade Treatment Faced by Taiwan

ASEAN Products	Zero Tariff	Mainland Market	World Market
Taiwan's Products	7% Tariff (Petrochemical)		
	10% Tariff (Machinery/Equipment)	Mainland Market	
		World Market	
	25% Tariff (Automobiles and Auto Parts)		

To prevent this, the government wants to sign an ECFA to reduce tariffs on Taiwan's

exports to mainland China with a view to positively facing up to the major challenges posed by regional economic and trade integration.

No Easing of Restrictions on Mainland Agricultural Imports

Mainland Agricultural Imports Allowed into Taiwan:

Former KMT Administration: 479 deregulated items

DPP Administration: 936 deregulated items

Current Administration: Zero new items

Under President Ma's administration, Taiwan has not lifted restrictions on any new agricultural import items from mainland China.

In the past, the former DPP administration lifted restrictions on Mainland agricultural imports to Taiwan without any cross-strait negotiations or accompanying measures. This created a serious impact on farmers' livelihoods. The current administration is now working hard to fix this past damage. Currently, more than 830 Mainland agricultural products are not yet allowed into Taiwan. The government will not further ease restrictions on such imports, nor will it further reduce tariffs on Mainland agricultural imports previously allowed into Taiwan.

No Allowing Mainland Laborers to Taiwan

The ECFA absolutely does not involve opening Taiwan to Mainland labor.

Strict Controls, Protection for Vulnerable Traditional Industries

During the eight-year period of the DPP administration, Taiwan lifted restrictions on over 3,000 items of imports from mainland China without any accompanying measures. This gravely harmed weaker traditional industries in Taiwan. The current administration has guaranteed that it will not allow further harm to these traditional industries. In conducting negotiations, the government will vigorously work to exclude these items from the ECFA and will not allow further reductions of import tariffs on these items so as to prevent any new impact on or damage to these industries. The government will also face up to this fact and devote its full efforts to helping vulnerable industries harmed by policies under the former DPP administration. The government has already earmarked NT\$95 billion over a 10-year period to protect the rights and interests of traditional industries and laborers.

Strengthening the Sovereignty of the ROC

The ECFA is unrelated to the issue of unification or independence, nor does it pertain to sovereignty or involve any political premises or conditions. The agreement will not contain any political language, and it will purely regulate cross-strait economic and trade activities.

Since the new government came into office, Taiwan has signed 12 agreements with the Mainland. These agreements have made cross-strait travel more convenient for the people of Taiwan and greatly reduced transportation costs. At the same time, Mainland imports to Taiwan are subject to even stricter customs inspection and quarantine controls. Mainland tourists visiting Taiwan are still required to go through customs entry and exit procedures, with the customs authority exercising sovereign powers. This demonstrates that no compromises have been made on the sovereignty of the Republic of China.

The sovereignty of the ROC not only has not been undermined, but on the contrary, the improvement in cross-strait relations has expanded Taiwan's international space. For example, the minister of the Department of Health has been invited to attend the World Health Assembly for two consecutive years, and Taiwan has not lost even one of its 23 diplomatic allies. This further proves that Taiwan's sovereignty has grown stronger. What could not be accomplished under the former DPP administration is today possible.

High-Level Supervision, Legislative Review

ECFA negotiations must be subject to a high-level legislative supervision. Before and after the negotiations, the related executive agencies have frequently reported to the Legislative Yuan. After the ECFA is signed, the agreement will definitely be submitted to the Legislative Yuan for review and will only come into effect after passage by the Legislative Yuan.

In a Changing World, Taiwan Can't Stand Alone

Free Trade Agreements Signed among Asian Countries

2000: 3

2008: 58

Regional economic integration is a major global trend. There have been 58 free trade agreements signed among Asian countries. Taiwan and North Korea are the only

nations in the region that have not participated in the integration process.

Taiwan is a major trading power. Last year, exports accounted for 63% of Taiwan's GDP, with 40% contributed by exports to mainland China. In fact, mainland China became Taiwan's biggest trading partner in 2003, when the Democratic Progressive Party was in power. Taiwan naturally wants to sign an economic agreement with its biggest trading partner. This is not a question of leaning toward mainland China, nor does it constitute a selling out of Taiwan. This is a necessary economic strategy in competing with other countries.

Simultaneously Promoting Economic Agreements with Other Countries

While negotiating the ECFA with mainland China, the government is also working to sign free trade agreements (FTAs) with other countries. So long as cross-strait relations grow more stable, Taiwan will have a stronger hand in entering the world market and other countries will be more willing to negotiate FTAs with Taiwan.

Taiwan must avoid becoming marginalized. We need to open the main gate and stride forward on the world stage. With confidence and courage, the people of Taiwan can face the new world order and play a leading role in the new era.

Safeguarding Taiwan, Advancing in the World

Cross-Strait ECFA means:

One Help

- Helping People Do Business to Improve Taiwan's Competitiveness

Two Noes

- No Allowing Mainland Laborers into Taiwan, No Expansion of Mainland Agricultural Imports

Three Yeses

- Yes to Tariff Concessions, Yes to Investment Protections, and Yes to IPR Protection

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