

Cross-Straits Agreement on Trade in Services



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Promoting the internationalization of Taiwan's economy

Since President Ma took office on May 20, 2008 and resurrected institutionalized cross-strait negotiations, there have been 9 rounds of high-level talks between the Straits Exchange Foundation (SEF) and the Association for Relations Across the Taiwan Straits (ARATS), which have yielded the signing of 19 agreements and the reaching of 2 consensuses. These results have not only pragmatically solved problems stemming from cross-strait exchanges, but have also laid firm foundations for benign interaction and development across the Taiwan Strait.

On June 21, 2013, Taiwan and mainland China signed a service trade agreement. This was the first free trade agreement concluded between the two sides of the Taiwan Strait on the basis of the Cross-Straits Economic Cooperation Framework Agreement (ECFA) and the WTO General Agreement on Trade in Services (GATS). It is beneficial to Taiwanese firms' expansion of business in mainland China's markets, and to accelerating Taiwan's participation in regional economic integration, creating conditions for the liberalization and internationalization of Taiwan's economy.

Policy Ads by Mainland Affairs Council, The Executive Yuan, The Republic of China



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Expanding ECFA's follow-up benefits

In the service trade Early Harvest list under the ECFA signed in June 2010, the Mainland opened just 19 items in 11 service sectors, delivering limited benefit. However, after the signing of the Cross-Straits Agreement on Trade in Services, the Mainland has opened 80 service items to Taiwan, ranging in scope across business services, communication services, construction services, distribution services, environmental services, health & social services, tourism & travel services, entertainment, cultural & sporting services, transport services, financial services, and other service sectors. Furthermore, the opening treatments all exceed the Mainland's WTO commitments, securing to Taiwanese service firms more favorable conditions than foreign firms for developing business in the Mainland, and effectively enhancing the benefits of ECFA.



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Raising the competitiveness of Taiwan's service industries

The following explains some examples of Taiwan's industries that will be main beneficiaries after the opening of Mainland markets:

- **E-commerce:** Can enter the Mainland's briskly developing ecommerce market as holders of a 55% equity stake in a business.
- **Banking:** Can set up bank branches in small towns and rural areas, form joint ventures with Mainland banks, enjoy fewer restrictions on who they can lend to, and banks with branches in Fujian can set up sub-branches in all parts of the province
- **Securities industry:** Can hold joint investment in fully licensed securities companies, and can invest in the Mainland's capital market as a renminbi qualified foreign institutional investor (RQFII), which will be beneficial both to service providers' business operation and to investors' financial management.
- **Film post-production mastering:** More than 800 films are produced in the Mainland each year, and Taiwan's post-production service providers can draw on their technical advantages to secure more business.
- **Construction:** When construction firms are set up in the Mainland as cross-strait joint investments, the ratio of the Mainland investment will not be subject to any limit, and Taiwanese firms can use their individual performance on the two sides of the Strait as the basis for bid evaluation, providing a niche for Taiwanese firms' entry to the Mainland market.
- **Travel agencies:** Taiwan's travel agencies can operate in the Mainland under the same operating conditions and minimum registered capital rules as Mainland firms, without any annual turnover threshold. The Mainland has an enormous domestic travel market, and the opening of this market can bring many new business opportunities to Taiwan's travel service providers.



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Effect in increasing foreign investment in Taiwan

While the main purpose of the Cross-Straits Agreement on Trade in Services is to promote liberalization of both sides' economic environments and advance mutual market opening, it can also serve as a driver for increasing foreign investment in Taiwan. Foreign firms that invest in Taiwan will be able to collaborate with Taiwanese firms to jointly access Mainland markets, while the input of foreign capital can vitalize the development of Taiwan's service trade. Moreover, if a foreign enterprise establishes a business location in Taiwan and engages in substantive operation for 3 or 5 plus years, it will be able to enjoy favorable treatment in the Mainland under this Agreement as a Taiwanese service provider. Therefore, this Agreement is also helpful to making other countries more willing to engage in economic and trade cooperation with Taiwan.



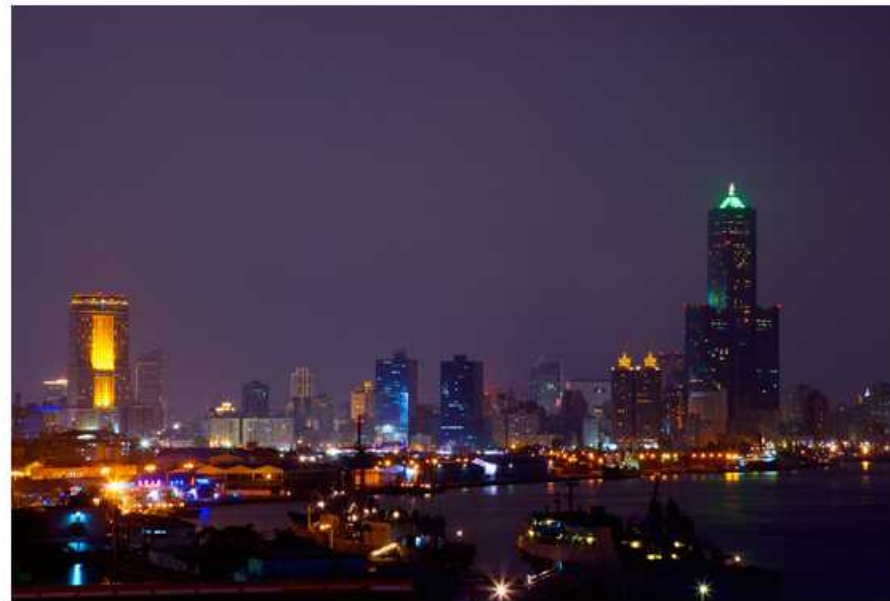
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The foundation for Taiwan to join regional economic integration

Since the signing of ECFA, other countries have been far more willing to sign economic and trade agreements with Taiwan. For example, Japan signed an investment protection agreement with us on September 22, 2011; New Zealand signed an economic cooperation agreement (ANZTEC) with us on July 10, 2013; and our negotiations with Singapore on the signing of an economic partnership agreement (ASTEPA) look likely to reach conclusion soon.



We expect that the signing of the Cross-Straits Agreement on Trade in Services, by giving us preferential access to mainland China markets, will spur other countries' willingness to negotiate and sign economic and trade agreements with Taiwan. This, in turn, will enable us to build more solid foundations for our strategic objective of applying to join the Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP), and other regional economic integration arrangements.

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