

**Reacting to East Asian Regionalism: A Perspective from
Chinese Taipei**

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Taiwan Institute of Economic

PECC Trade Forum

Seminar

on

Developing Patterns of Region Trading Arrangements

In the Asia-Pacific Region: Issues and Implications

Vancouver, Canada, 11-12 November 2002



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1. Introduction

Purpose of the Paper :

- Describe Chinese Taipei's trade and investment relations with ASEAN and China.
- Relate the reasons for creating a single East Asian FTA.
- Explain the benefits of including Chinese Taipei in a single East Asian FTA.
- State the importance of Chinese Taipei's WTO membership and its desire for signing FTAs.



1. Introduction

East Asian Regionalism :

- East Asian economies have been promoting closer integration among themselves.
- However, Asia remains dependent on the US and EU for export markets.
- FTAs should serve as building blocks for multilateral trade liberalization.



2. Chinese Taipei's Economic Role in East Asia

Trade Overview :

- Chinese Taipei accounts for about 9% of the region's trade (counting Japan, China, NIEs and the six large ASEAN economies).
- Chinese Taipei is a major trading economy in East Asia.



2. Chinese Taipei's Economic Role in East Asia

Investment Overview :

--Chinese Taipei is a major source of FDI for the region: Over US\$100 billion in China and US\$50 billion in ASEAN.

--In 2001, Chinese Taipei contributed 26.34% of total FDI received in Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

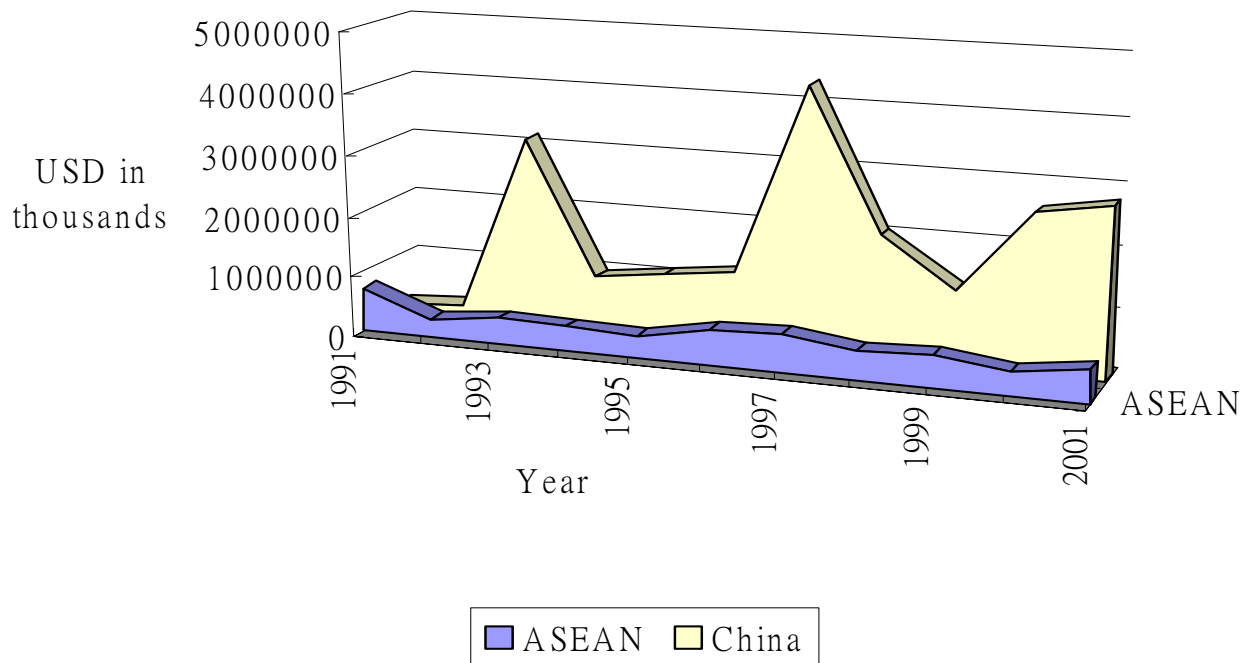


2. Chinese Taipei's Economic Role in East Asia

- The portion of Chinese Taipei's FDI to China has increased from about 60% in 1996 to 80% today, while the flow of FDI to ASEAN has reduced from about 17% in 1996 to less than 2% today.
- Chinese Taipei's investments have contributed to the region's export growth.

2. Chinese Taipei's Economic Role in East Asia

Approved Chinese Taipei Outward FDI by Country (USD)



Source: Ministry of Economic Affairs, Taiwan, 2002





3. Rationale for Including Chinese Taipei in an East Asian FTA

- The inclusion of Chinese Taipei in an East Asian FTA would be beneficial, as Chinese Taipei is a major investor and trading economy.
- The above stated FTA could offset China's cheap labor and favorable policies offered to Chinese Taipei's investors, so that Chinese Taipei's FDI would shift to ASEAN from China and not put "all eggs in one basket."
- EU and NAFTA are expanding membership. Japan has called for ASEAN+5, which includes Chinese Taipei.



3. Rationale for Including Chinese Taipei in an East Asian FTA

- The negative impact of the spaghetti bowl effect, in which many FTAs have different rules, would be mitigated with an East Asian FTA with many members.
- An East Asian FTA with diverse membership is closer to WTO's spirit of multilateral trade liberalization compare with a bilateral FTA.



4. Chinese Taipei's WTO Membership and the Forging of FTAs

- GATT Article 24 allows WTO members to form a customs union or a free trade area.
- GATT 24, paragraph 5 states that “the provisions of this Agreement shall not prevent, as between the territories of contracting parties, the formation of a customs union or of a free trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free trade area.”



4. Chinese Taipei's WTO Membership and the Forging of FTAs

--Therefore, WTO members can sign FTAs with Chinese Taipei under WTO rules.

--Chinese Taipei is actively seeking to sign FTAs with WTO members.



5. Conclusion

- Chinese Taipei is keen to establish closer trade and investment linkages with East Asian economies through FTAs.
- The inclusion of Chinese Taipei in future regional FTAs is needed to promote a true Asian, if not, global economic integration.
- The signing of an East Asian FTA would mitigate the spaghetti bowl effect and lead closer to multilateral trade liberalization.



The End

