



Taiwan in the Era of New Regionalism: Implications and Prospects

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Abstract

With the current wave of regionalism evolving, regional trade agreements (RTAs) have become in recent years a very prominent feature of the multilateral trading system. In particular, various kinds of free trade agreements (FTAs) continue to mushroom across the globe.

Particularly Asian governments have embarked on “institutional” cooperation or integration to support market-driven economic integration since the early 1990s. Among others, ASEAN as the earliest regional grouping has all the more become the hub of forming FTAs or regionalism in the region. Different “ASEAN plus” FTAs that incorporate all the major economies of Asia except Taiwan are either proposed, under negotiation or in force, and which are going to shape the future of the region.

In addition, trans-Pacific institutional integration or regionalism has also undergone some transformations. In 2006 APEC leaders officially called for a Free Trade Area of the Asia-Pacific (FTAAP) as a long-term prospect. To establish a free trade area across the Pacific, recently the United States, Australia, Peru, and Vietnam have decided to join the first negotiation of enlarging the Trans-Pacific Strategic Economic Partnership Agreement (TPP) .

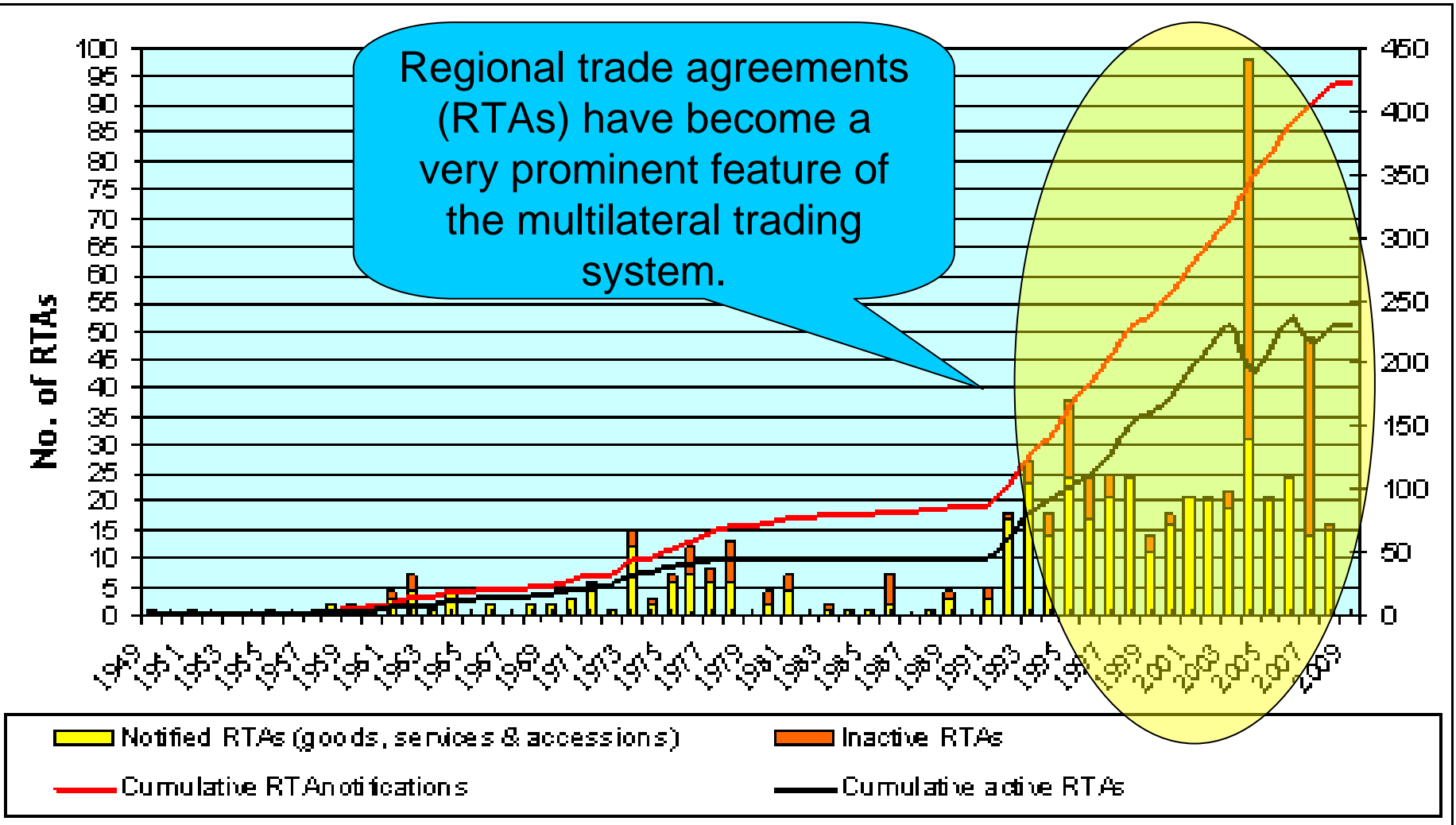
Against the backdrop, however, Taiwan located in Asia Pacific and with great economic exchanges with other states in the region has very little to do with the emerging regionalism in the region. As such what would be implicated to Taiwan? What are Taiwan's roles in East Asian economy? How would/could Taiwan deal with it?



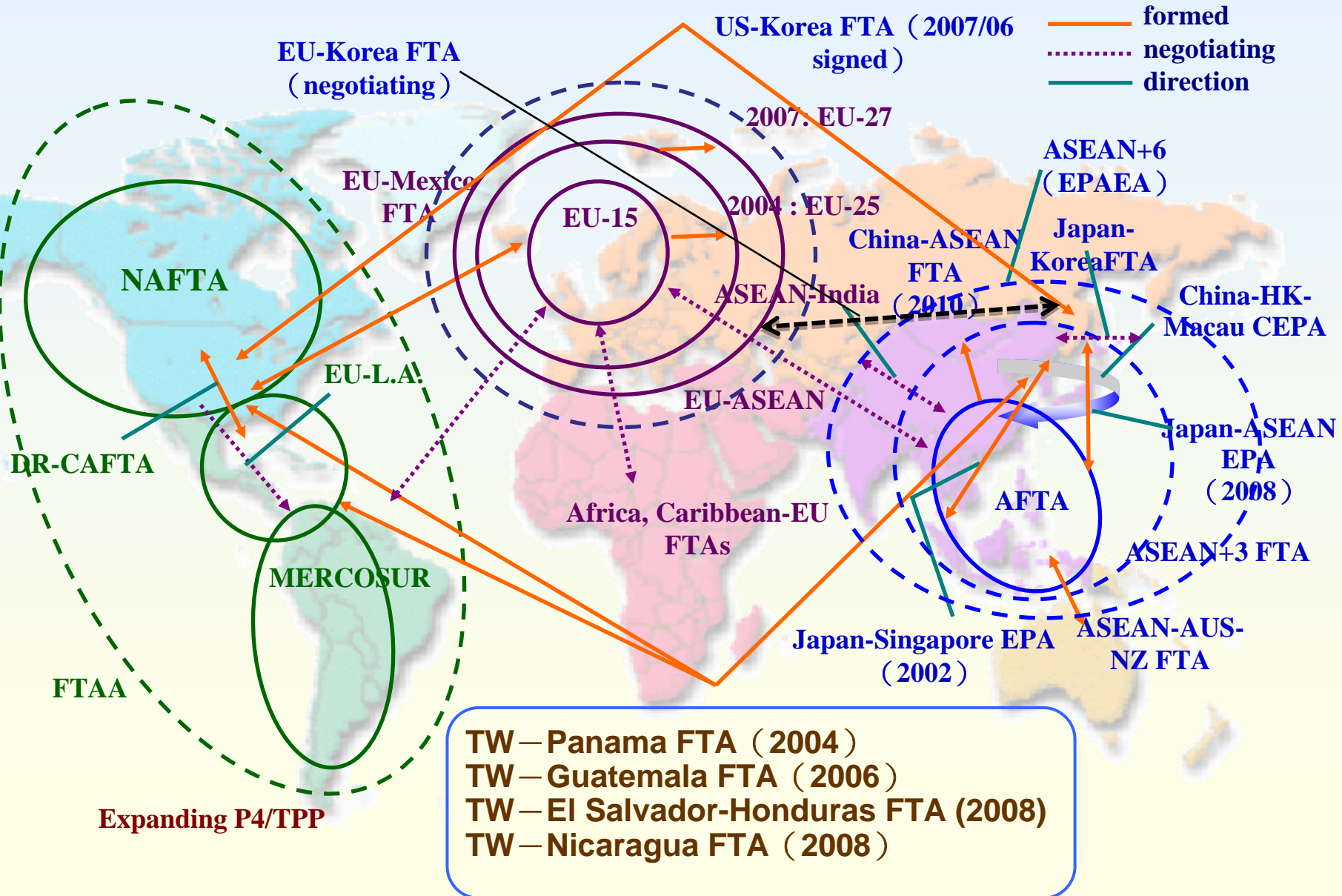
I. New Regionalism



WTO and RTA/FTA Development



Emerging Regionalism and Trading Blocs



Source: adapted from the CEPD, Taiwan.



New Regionalism in Asia Pacific

- New wave of regionalism has turned the Asia-Pacific region to a region with numerous signed FTAs/RTAs and emerging proposals.
- The number of FTAs/RTAs has also multiplied together with the number of countries as members.
- There have been at least 40 FTAs/RTAs signed or under implementation among APEC members and another 40 FTAs/RTAs between APEC members and non-APEC members.
- Including different **ASEAN+N FTAs; Trans-Pacific Strategic Economic Partnership Agreement (TPP)** , **Free Trade Area of the Asia-Pacific (FTAAP)** , etc.



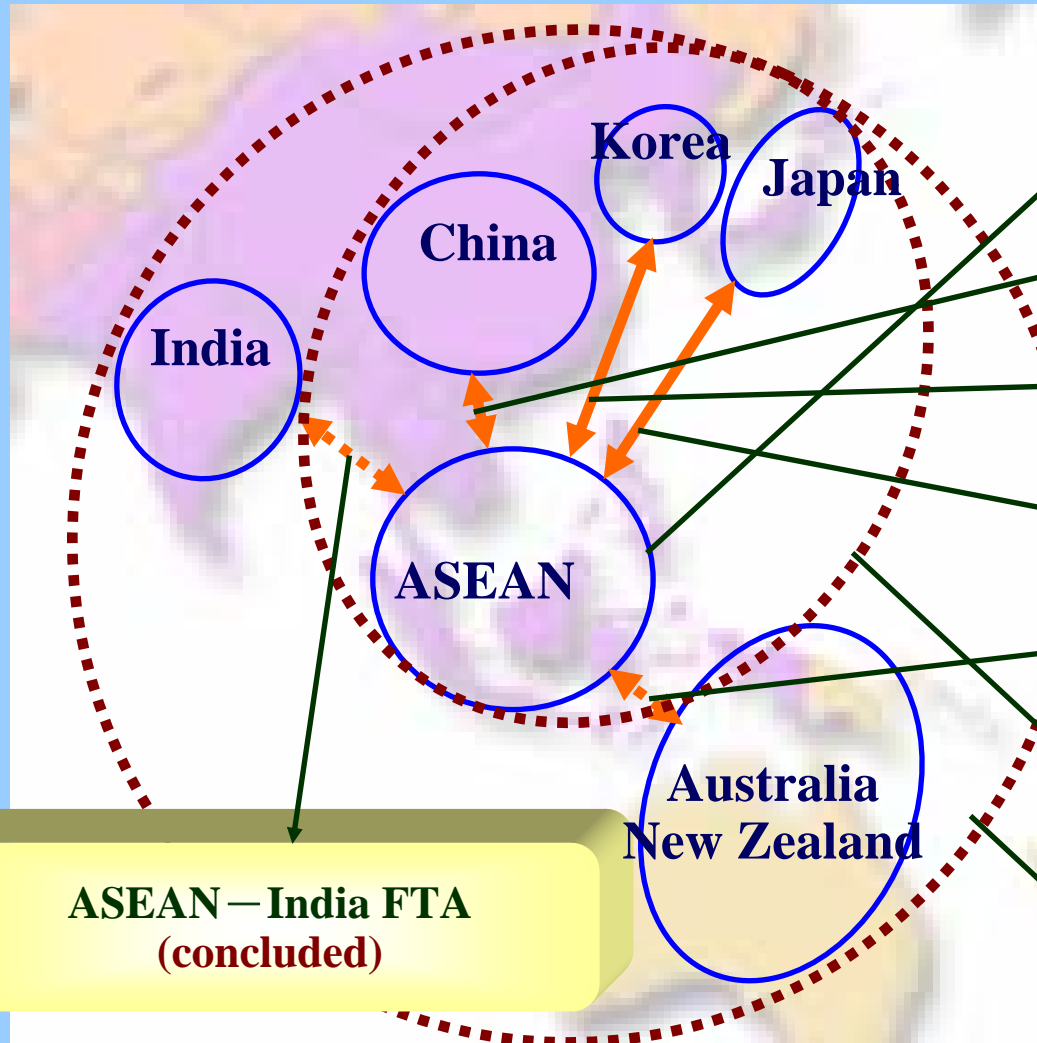
New Regionalism and Taiwan

- However, at present Taiwan has little engagement with new regionalism in Asia Pacific.
- Contents:
 1. What is the state of play of East Asian regionalism?
 2. How APEC has responded to new regionalism?
 3. Implications for Taiwan and Its roles?
 4. What can be done?



II. State of Play of East Asian Regionalism

Current Status of ASEAN+N FTAs



1992 AFTA CEPT、**2015 ASEAN Community**

ASEAN—China FTA
—**2005/07**

ASEAN—Korea FTA
—**2007/06**

ASEAN—Japan EPA —
2008/12

ASEAN—AUS, NZ FTA —
2009/07

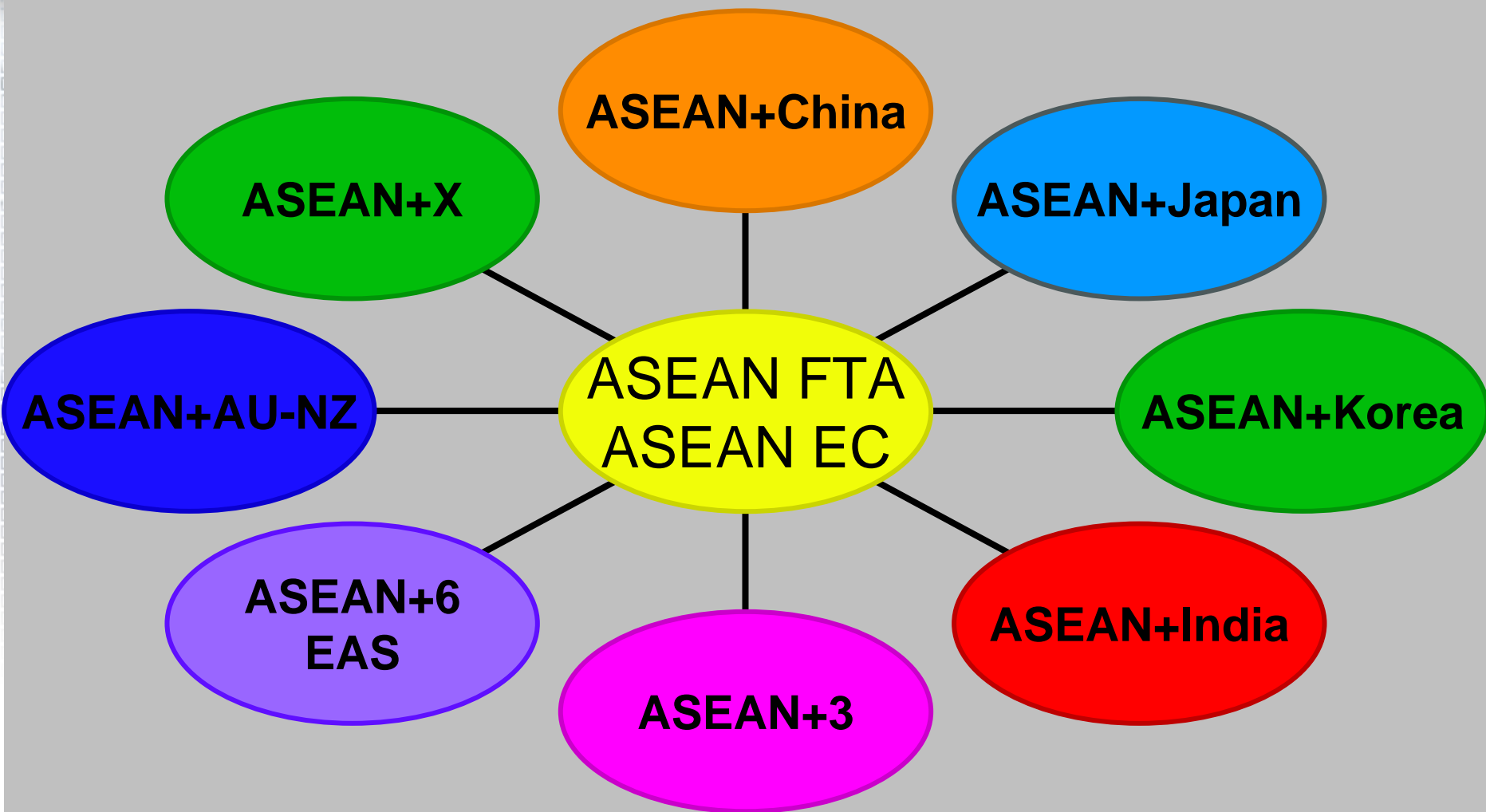
ASEAN+3 — **under discussion**

ASEAN+6 FTA — **under discussion**

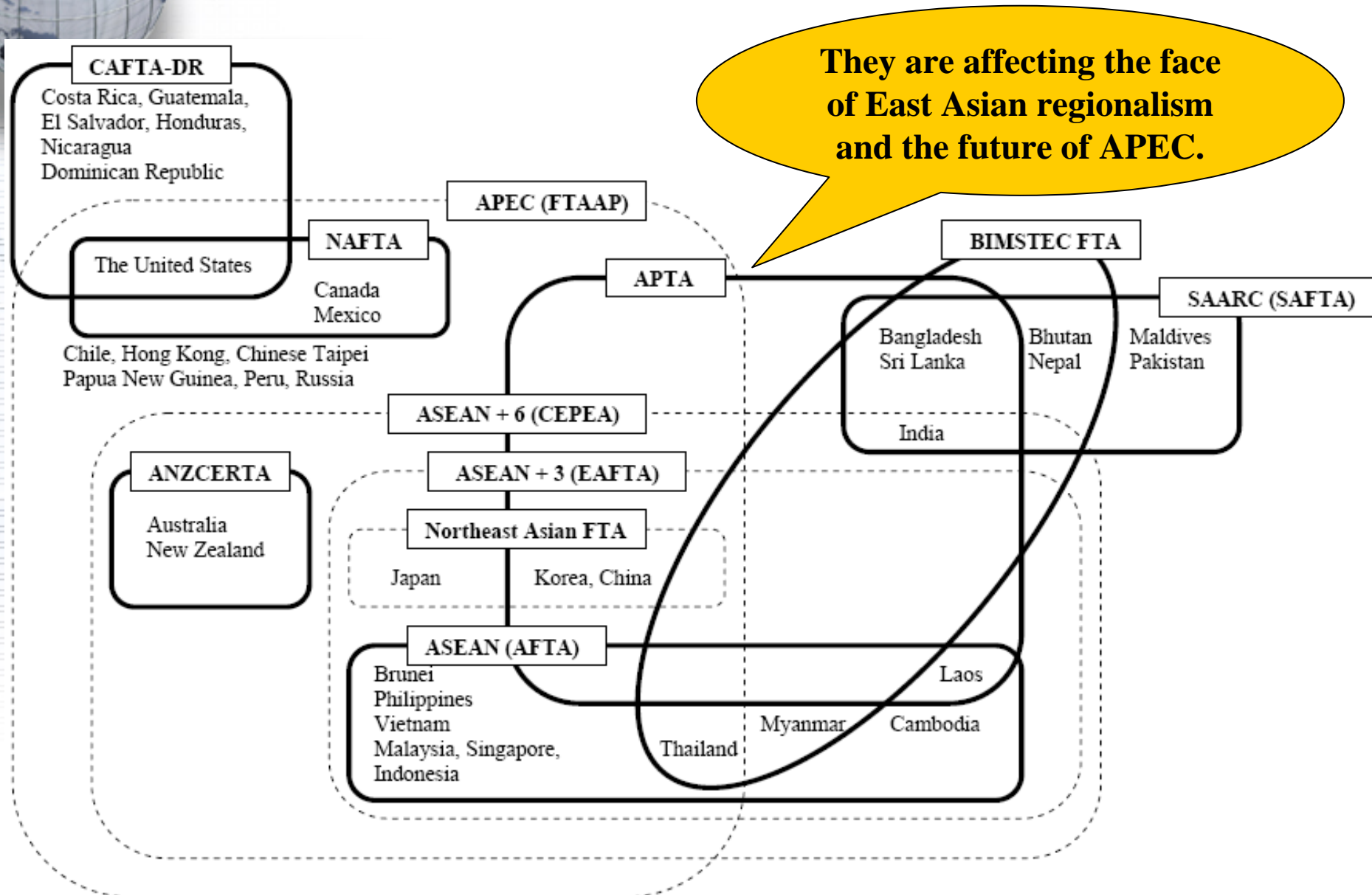
ASEAN—India FTA
(concluded)



Expanding ASEAN+N FTAs



Beyond ASEAN+N FTAs



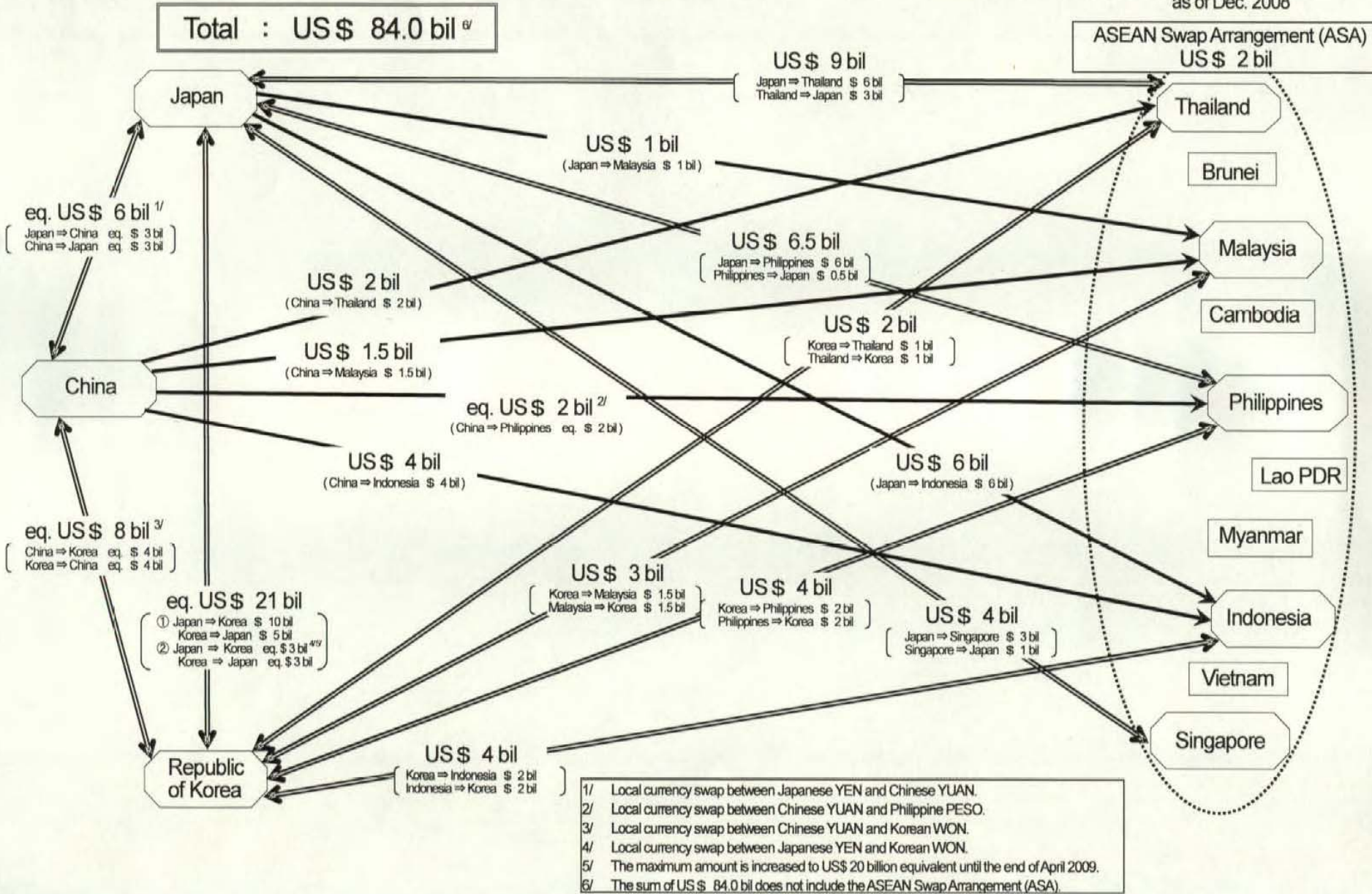


ASEAN+3 Financial Cooperation

- East Asia FTA (ASEAN+3 FTA) now is stalled.
- “Chiang Mai Initiative” (CMI, May 2000)
 - currency swap size in 2008 was \$84bn
- Asian Bond Market Initiative (ABMI): to recycle Asian savings into Asian economies
- 2009/05 ASEAN+3 finalized the multilateralization of CMI (CMIM) that will be implemented before the end of this year.
 - includes "the individual country's contribution, borrowing accessibility, and the surveillance mechanism,"
 - The total size of the CMIM is 120 billion U.S. dollars.
 - Hong Kong to participate in the CMIM under China's portion.
 - On ABMI, establishing the Credit Guarantee and Investment Mechanism (CGIM) as a trust fund of the ADB with an initial capital of 500 million U.S. dollars

Network of Bilateral Swap Arrangements (BSAs) under the Chiang Mai Initiative (CMI)

as of Dec. 2008





CMIM 貢獻與借款比例分配

| Country | Contribution (USD Billion) | | Borrowing Multiplier |
|-------------|----------------------------|--|----------------------|
| Brunei | 0.03 | | 5 |
| Cambodia | 0.12 | | 5 |
| China | 38.4 | China (exclude Hong Kong, China) 34.2 | 0.5 |
| | | Hong Kong, China 4.2 | 2.5* |
| Indonesia | 4.77 | | 2.5 |
| Japan | 38.4 | | 0.5 |
| Korea | 19.2 | | 1 |
| Lao PDR | 0.03 | | 5 |
| Malaysia | 4.77 | | 2.5 |
| Myanmar | 0.06 | | 5 |
| Philippines | 3.68 | | 2.5 |
| Singapore | 4.77 | | 2.5 |
| Thailand | 4.77 | | 2.5 |
| Vietnam | 1.00 | | 5 |

*Hong Kong, China's borrowing is limited to IMF de-linked portion because Hong Kong, China is not a member of the IMF

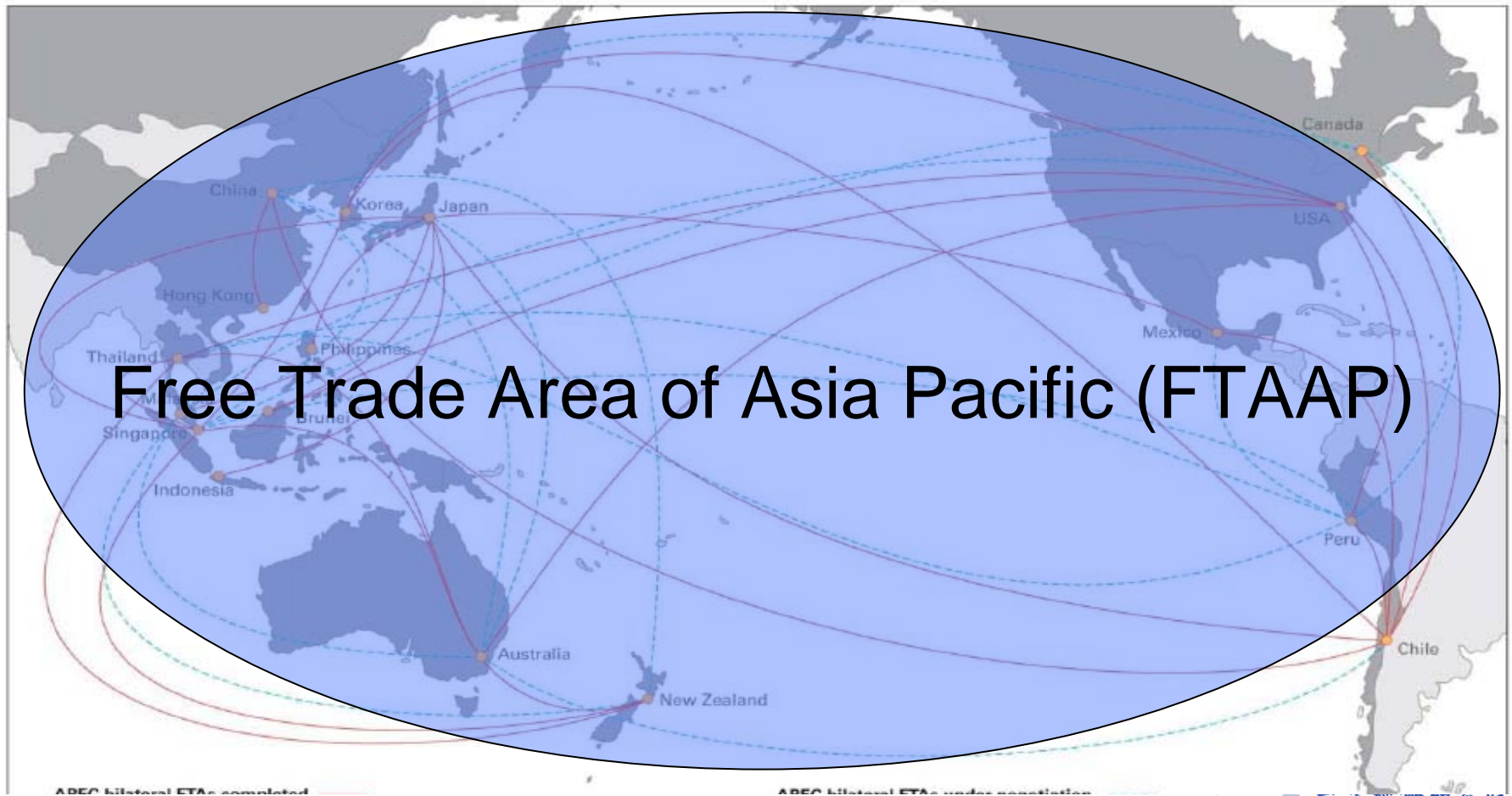


III. APEC's Responses



APEC, FTAAP and TPP

- From 2003 APEC began to include the issue of increasing FTAs/RTAs.
- The notion of Free Trade Area of Asia Pacific (FTAAP) surfaced
- In 2006, APEC decided to include a FTAAP as a long term prospect.





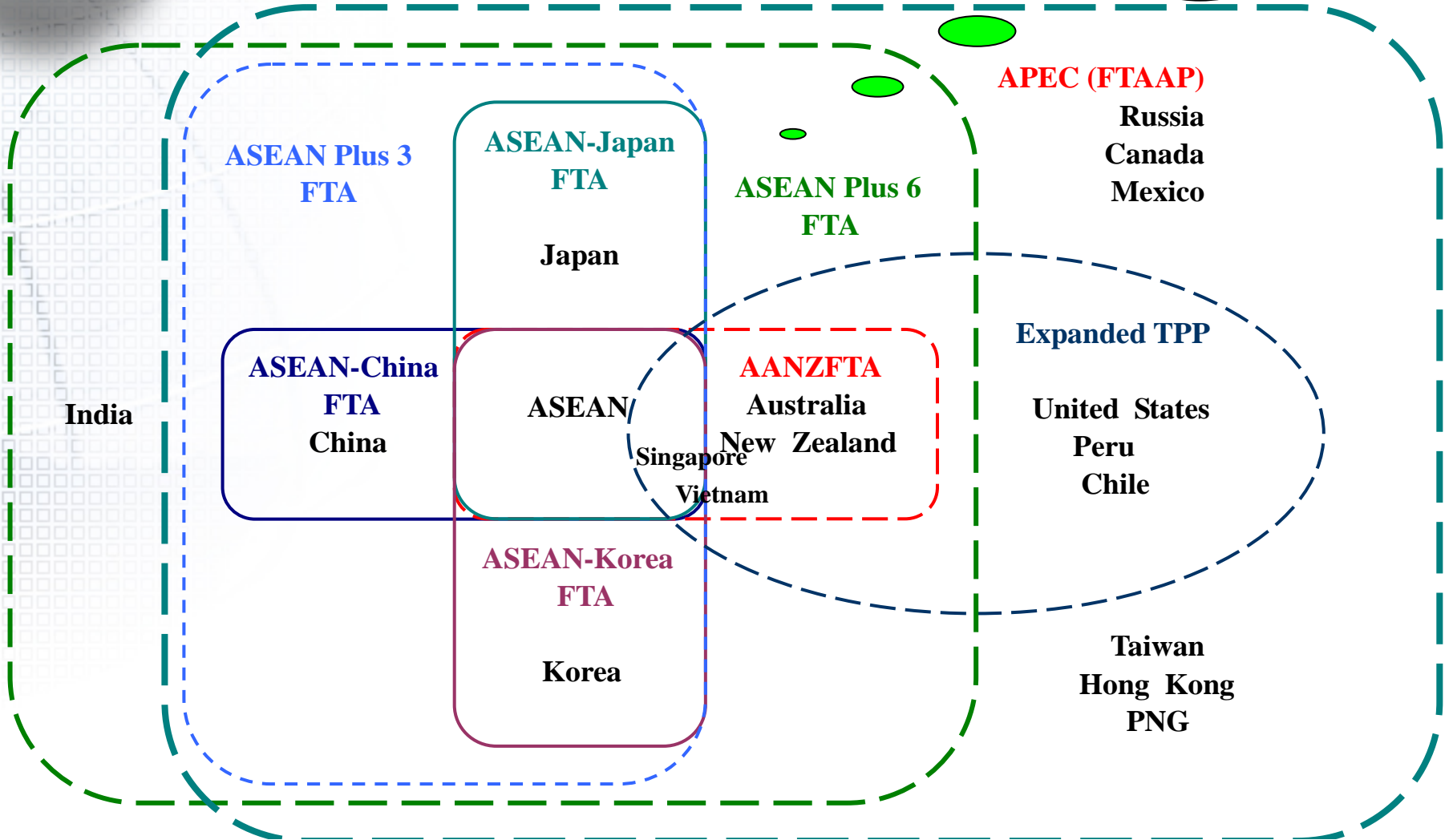
From FTAAP to P4; From P4 to P8?

- FTAAP is a long term prospect; different positions existing among APEC members.
 - Bust the idea of FTAAP push APEC to face its own regional economic integration issue.
 - Any possible approach or vehicle to achieve FTAAP or APEC FTA?
-
- Exploring ways and means to promote regional economic integration
 - Trans-Pacific Strategic Economic Partnership Agreement (P4/TPP) emerging as a vehicle
 - US announced to join TPP in 2008; Australia, Peru, and Vietnam followed.
 - P4 expanding to P8?



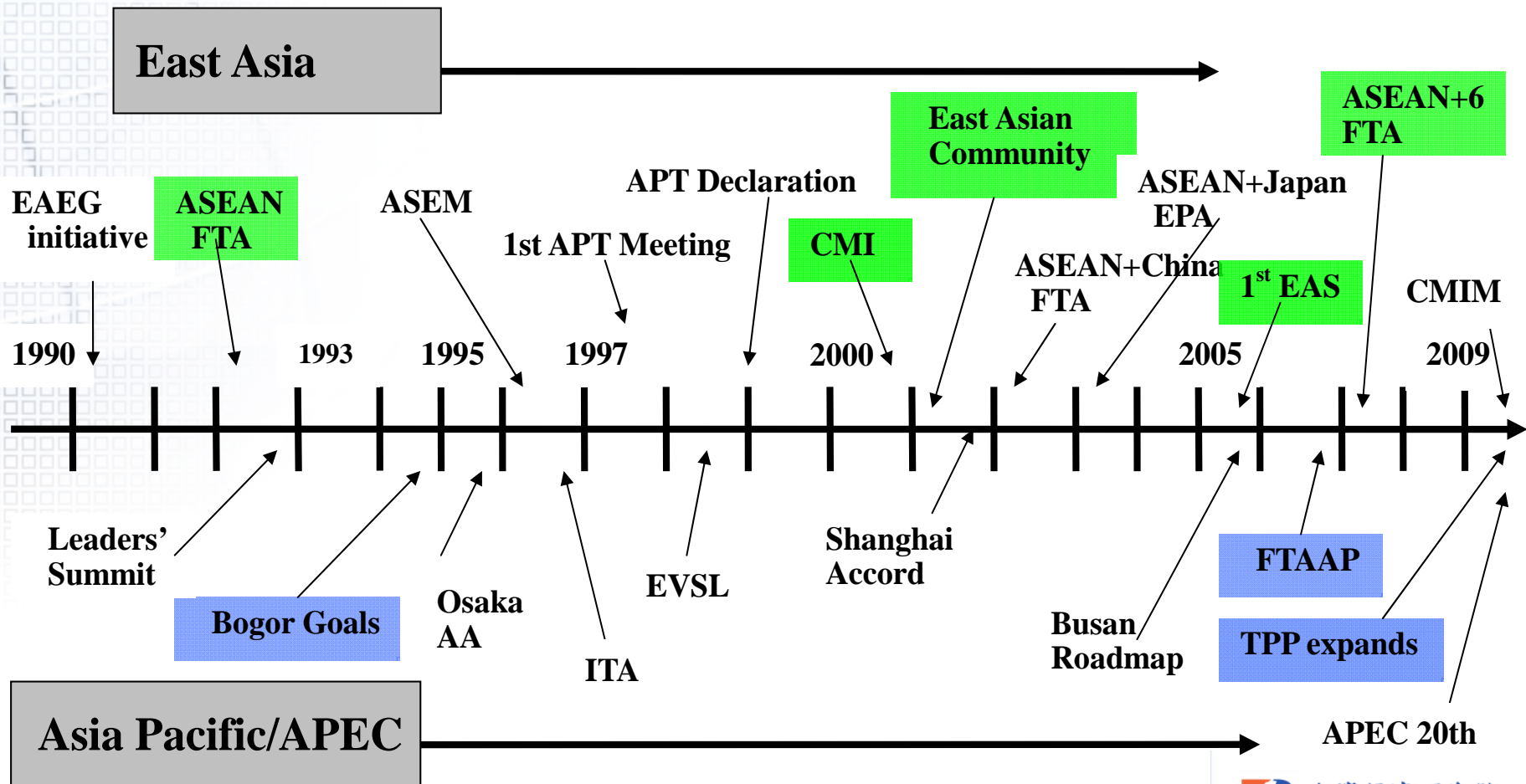
Which Way Forward?

Converge or Diverge?



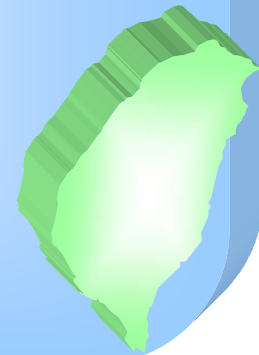


Competition between East Asian regionalism and Asia-Pacific regionalism





IV. Implications for Taiwan and its roles

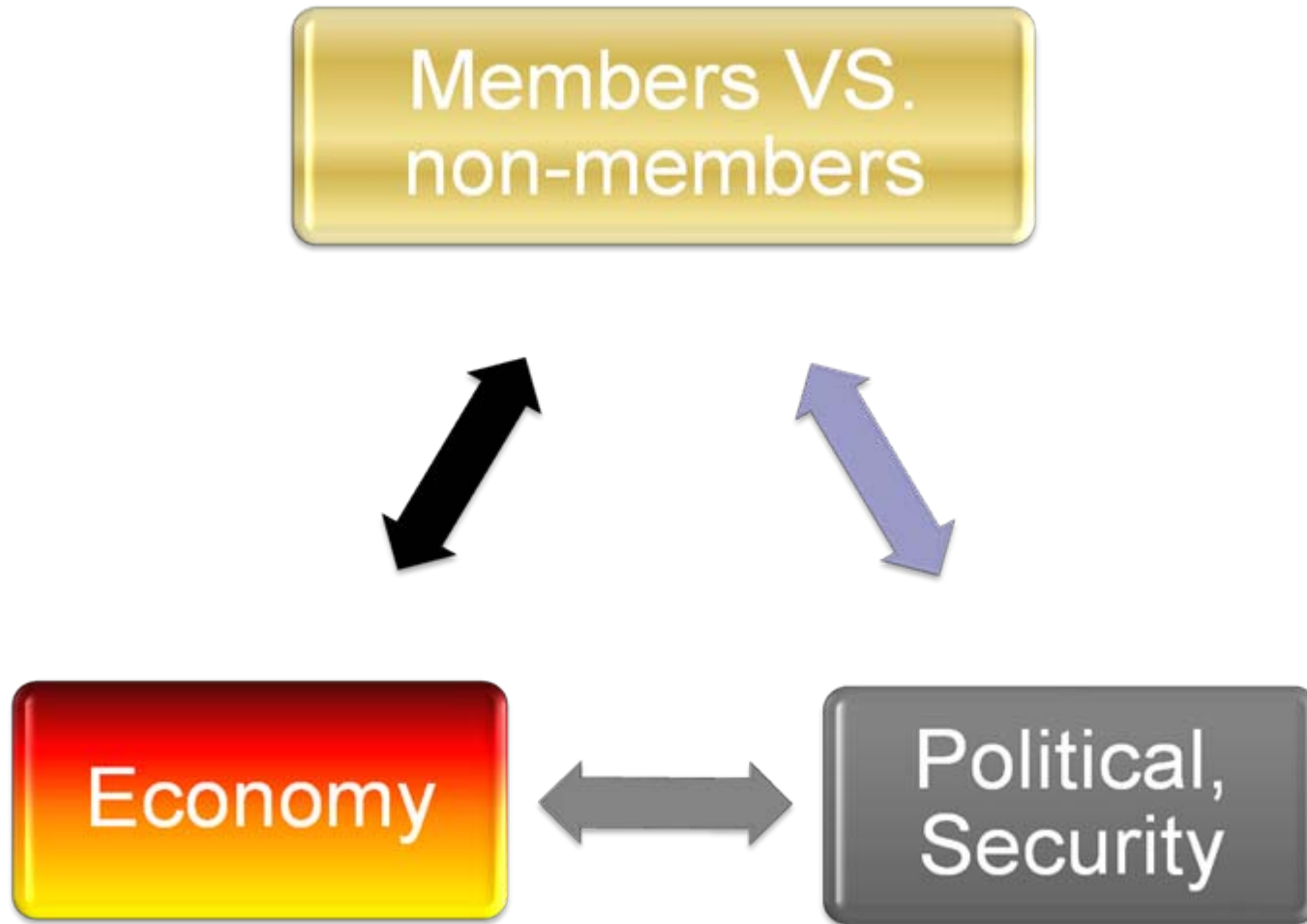




Characteristics and Trends

- The state of the region is changing much faster than before with following major characteristics and trends:
 - Growing policy-driven or government-led integration
 - Bilateralism is greatly over multilateralism
 - Multiple rules of origin are increasing transaction costs and complicating trading system.
 - Competition between East Asian and Asia-Pacific regionalism; but lack of strong leadership
 - With or without the success of the WTO Doha Round, trends for more FTAs seem to be continuing.
- They are causing impacts and shaping the region.

Effects of Regionalism (RTAs)





Strong Trade Tie with East Asia

Intra-Regional Trade Share, 1980–2006 (%)

| Region | 1980 | 1985 | 1990 | 1995 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|------|------|------|------|------|------|------|------|------|------|------|
| NIEs (4) | 8.6 | 9.2 | 11.9 | 15.5 | 15.5 | 15.3 | 15.8 | 15.2 | 14.6 | 13.9 | 13.6 |
| ASEAN (10) | 17.9 | 20.3 | 18.8 | 24.0 | 24.7 | 24.1 | 24.4 | 26.6 | 26.7 | 27.2 | 27.2 |
| ASEAN + PRC; Korea; Hong Kong; Taiwan(14) | 22.7 | 27.2 | 33.0 | 39.1 | 40.6 | 41.1 | 43.4 | 44.7 | 45.2 | 45.5 | 45.8 |
| ASEAN+3 (13) | 30.2 | 30.2 | 29.4 | 37.6 | 37.3 | 37.1 | 37.9 | 39.0 | 39.2 | 38.9 | 38.3 |
| ASEAN+3 + Hong Kong + Taiwan(15) | 36.8 | 39.0 | 43.1 | 51.9 | 52.1 | 51.9 | 53.8 | 55.4 | 55.9 | 55.4 | 54.5 |
| ASEAN+6 (16) | 34.6 | 34.8 | 33.7 | 40.8 | 40.5 | 40.6 | 41.3 | 42.4 | 43.0 | 43.1 | 42.6 |
| ASEAN+6 + Hong Kong + Taiwan (18) | 40.5 | 42.7 | 46.3 | 54.5 | 54.6 | 54.5 | 56.3 | 57.7 | 58.5 | 58.4 | 57.6 |
| NAFTA (3) | 33.8 | 38.7 | 37.9 | 43.1 | 48.8 | 49.1 | 48.4 | 47.4 | 46.4 | 46.1 | 44.3 |
| MERCOSUR | 11.1 | 7.2 | 10.9 | 19.2 | 20.3 | 17.9 | 13.6 | 14.7 | 15.2 | 15.5 | 15.7 |
| Old EU (15) | 60.7 | 59.8 | 66.2 | 64.2 | 62.3 | 62.2 | 62.5 | 63.0 | 62.2 | 60.4 | 59.5 |
| New EU (27) | 61.5 | 60.0 | 66.8 | 66.9 | 66.3 | 66.7 | 67.4 | 68.1 | 67.6 | 66.2 | 65.8 |

Source : Masahiro Kawai and Ganeshan Wignaraja, "Regionalism as an Engine of Multilateralism: A Case for a Single East Asian FTA," ADB Working Paper Series on Regional Economic Integration No. 14 (February 2008), p. 24.

Receiving FDI from the region

| FDI Inflows to ¹ | FDI Source | | | | | | Total % (\$ million) |
|-----------------------------|--------------------|---------------------|-------------|-------------|-------------|--------------|----------------------------|
| | United States % | European Union % | Japan % | NIEs % | ASEAN9 % | | |
| NIEs | 16.8 | 15.8 | 8.1 | 5.2 | 3.9 | 100.0 | (437,999) |
| Hong Kong, China | 5.1 | 7.4 | 5.7 | 5.3 | 1.8 | 100.0 | (215,999) |
| Korea, Rep. of | 22.4 | 40.1 | 13.3 | 4.1 | 7.4 | 100.0 | (55,975) |
| Singapore | 31.7 | 19.3 | 8.5 | 4.0 | 5.8 | 100.0 | (142,748) |
| Taiwan | 19 | 13 | 15. | 14. | 2. | 100. | (23,277) |
| ASEAN9 ² | 18.4 | 29.1 | 19.1 | 29.2 | 4.2 | 100.0 | (116,413) |
| Indonesia | 5.7 | 50.9 | 3.3 | 15.0 | 9.3 | 100.0 | (11,839) |
| Malaysia | 27.4 | 23.4 | 13.6 | 22.0 | 2.1 | 100.0 | (44,651) |
| Philippines | 23.4 | 10.3 | 23.1 | 16.9 | 1.1 | 100.0 | (13,709) |
| Thailand | 10.5 | 10.5 | 25.1 | 27.6 | 0.9 | 100.0 | (37,428) |
| Viet Nam | 4.8 | 19.1 | 14.4 | 39.2 | 6.6 | 100.0 | (18,225) |
| China, People's Rep. of | 8.1 | 8.1 | 8.6 | 54.0 | 1.6 | 100.0 | (537,163) |
| Total | 13.9 | 14.7 | 10.5 | 34.9 | 3.1 | 100.0 | (992,516) |

Notes:

¹ FDI recipient data compiled by IITI are adjusted for consistency with balance of payments figures.

² ASEAN9= ASEAN minus Singapore.

Source : Masahiro Kawai and Ganeshan Wignaraja, "Regionalism as an Engine of Multilateralism: A Case for a Single East Asian FTA," ADB Working Paper Series on Regional Economic Integration No. 14 (February 2008), p. 24.

Taiwan's Trade Dependence Unit: US\$ billion; %

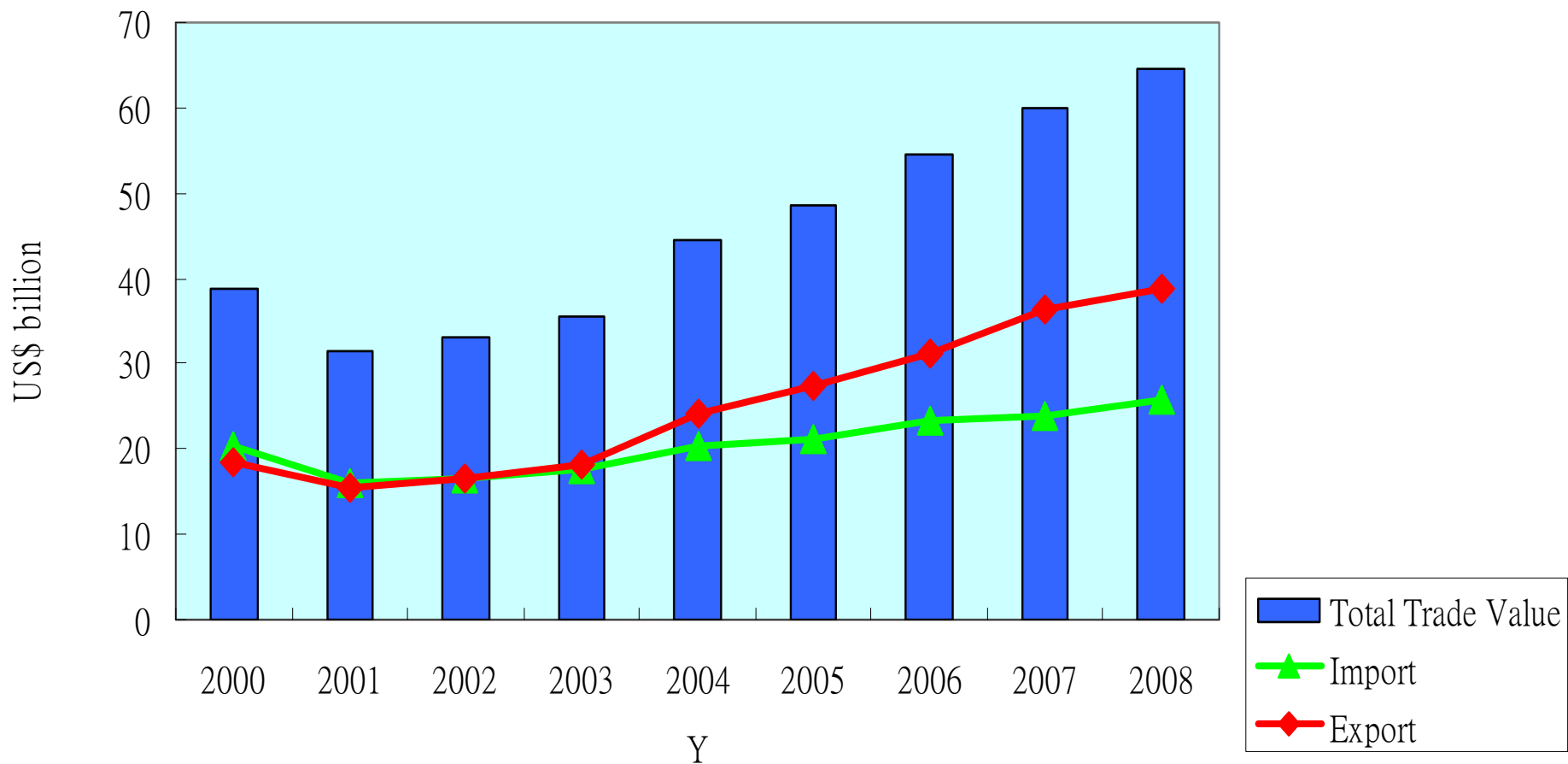
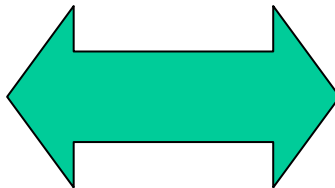
| | Year | Total Trade | | Export | | Import | | Trade |
|-----------------|------|-------------|------|--------|------|--------|------|---------|
| | | Value | % | Value | % | Value | % | Balance |
| US | 2006 | 55.03 | 12.9 | 32.36 | 14.4 | 22.66 | 11.2 | 9.70 |
| | 2007 | 58.59 | 12.6 | 32.07 | 13.0 | 26.52 | 12.1 | 5.56 |
| | 2008 | 57.13 | 11.5 | 30.80 | 12.0 | 26.33 | 10.9 | 4.46 |
| Japan | 2006 | 62.59 | 14.7 | 16.30 | 7.3 | 46.29 | 22.8 | -29.98 |
| | 2007 | 61.88 | 13.3 | 15.94 | 6.5 | 45.94 | 20.9 | -30.01 |
| | 2008 | 64.09 | 12.9 | 17.56 | 6.9 | 46.52 | 19.3 | -28.96 |
| ASEAN-6 | 2006 | 53.96 | 12.6 | 30.65 | 13.7 | 23.30 | 11.5 | 7.35 |
| | 2007 | 59.48 | 12.8 | 35.78 | 14.5 | 23.69 | 10.8 | 12.09 |
| | 2008 | 64.08 | 12.9 | 38.40 | 15.0 | 25.69 | 10.7 | 12.71 |
| Europe | 2006 | 47.72 | 11.2 | 26.15 | 11.7 | 21.57 | 10.6 | 4.58 |
| | 2007 | 52.35 | 11.2 | 28.69 | 11.6 | 23.66 | 10.8 | 5.02 |
| | 2008 | 54.42 | 11.0 | 29.95 | 11.7 | 24.47 | 10.2 | 5.48 |
| China | 2005 | 76.37 | 20.0 | 56.28 | 28.4 | 20.09 | 11.0 | 36.18 |
| | 2006 | 88.12 | 20.7 | 63.33 | 28.3 | 24.79 | 12.2 | 38.55 |
| | 2007 | 102.26 | 21.9 | 74.25 | 30.1 | 28.02 | 12.8 | 46.23 |
| | 2008 | 105.40 | 21.2 | 73.98 | 28.9 | 31.42 | 13.0 | 42.57 |
| China+HK | 2005 | 99.89 | 26.2 | 77.69 | 39.1 | 22.20 | 12.2 | 55.48 |
| | 2006 | 115.86 | 27.2 | 89.19 | 39.8 | 26.67 | 13.2 | 62.52 |
| | 2007 | 130.29 | 28.0 | 100.44 | 40.7 | 29.84 | 13.6 | 70.60 |
| | 2008 | 132.49 | 26.7 | 99.58 | 39.0 | 32.91 | 13.7 | 66.67 |

**World's
18th
largest
trading
state in
2008**

ASEAN+6: Malaysia, Indonesia, Philippine, Singapore, Thailand, Vietnam



Taiwan's Increasing Trade with ASEAN

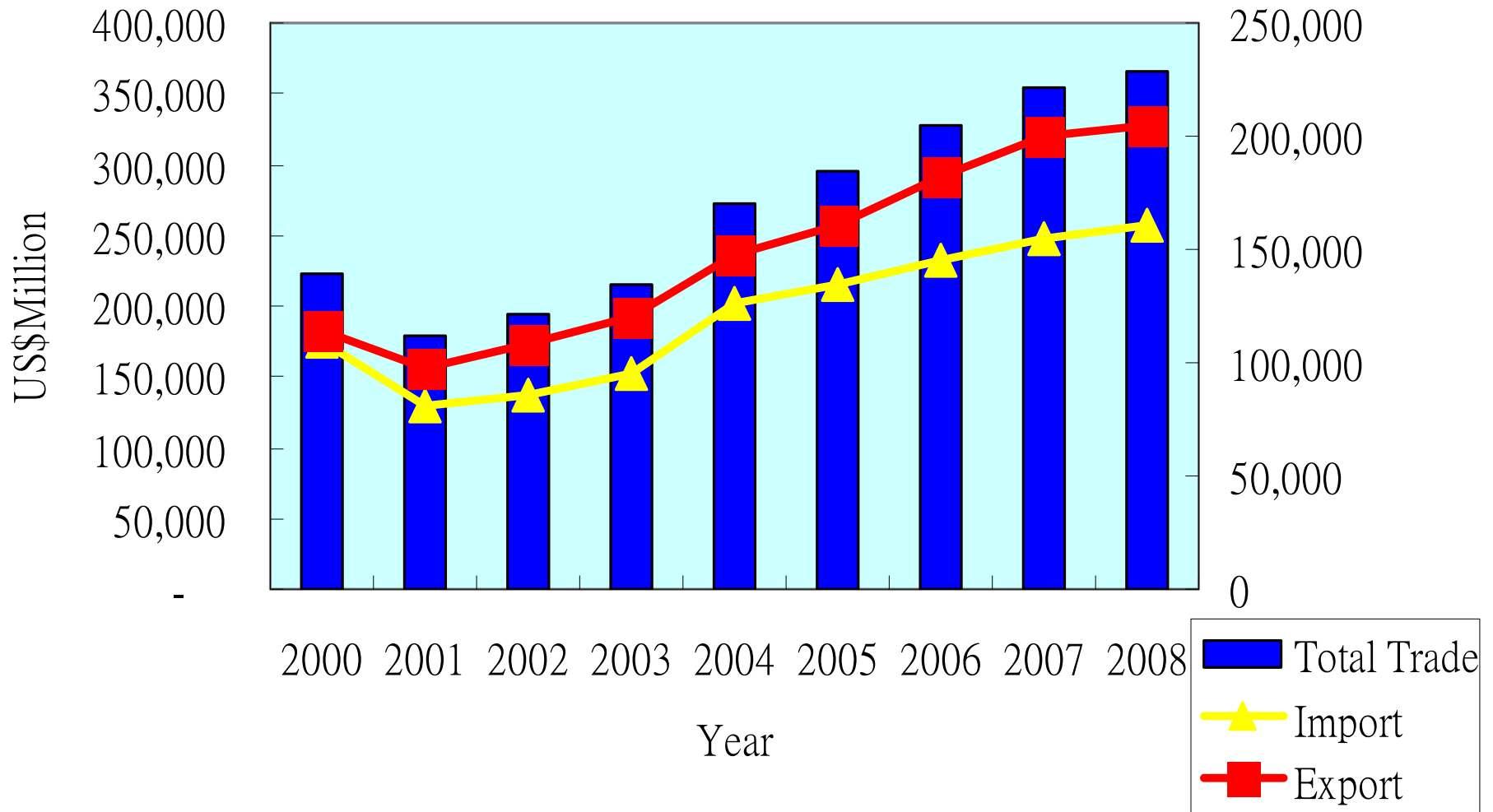


Taiwan's FDI in ASEAN States

Unit: US\$ million

| Country | Thailand | | Malaysia | | Philippines | | Indonesia | | Singapore | | Vietnam | | Cambodia | | Total | |
|---------------------|----------|-----------|----------|-----------|-------------|----------|-----------|-----------|-------------|----------|----------|-----------|----------|--------|-------|-----------|
| Year | Cases | Amount | Cases | Amount | Cases | Amount | Cases | Amount | Cases | Amount | Cases | Amount | Cases | Amount | Cases | Amount |
| 1959-1989 | 642 | 2,097.25 | 477 | 1,257.05 | 348 | 349.41 | 76 | 1,384.58 | 35 | 22.72 | 2 | 4.69 | 0 | 0 | 1,580 | 5,115.70 |
| 1990 | 144 | 782.70 | 270 | 2,347.83 | 158 | 140.70 | 94 | 618.30 | 10 | 47.60 | 8 | 135.80 | 0 | 0 | 684 | 4,072.93 |
| 1991 | 69 | 583.50 | 182 | 1,326.17 | 109 | 12.00 | 58 | 1,057.80 | 13 | 12.50 | 13 | 268.87 | 0 | 0 | 444 | 3,260.84 |
| 1992 | 44 | 289.90 | 137 | 574.70 | 27 | 9.10 | 23 | 563.30 | 11 | 95.11 | 16 | 665.80 | 0 | 0 | 258 | 2,197.91 |
| 1993 | 61 | 215.40 | 86 | 331.18 | 21 | 5.40 | 20 | 358.90 | 12 | 69.47 | 31 | 757.66 | 0 | 0 | 231 | 1,738.01 |
| 1994 | 88 | 477.50 | 100 | 1,122.76 | 42 | 199.15 | 48 | 2,484.03 | 19 | 171.19 | 55 | 631.27 | 2 | 15.87 | 354 | 5,101.77 |
| 1995 | 102 | 1,803.90 | 123 | 567.80 | 34 | 13.60 | 89 | 567.40 | 20 | 31.65 | 48 | 945.58 | 14 | 63.04 | 430 | 3,992.97 |
| 1996 | 66 | 2,785.20 | 79 | 310.40 | 22 | 117.11 | 111 | 534.60 | 54 | 165.00 | 47 | 472.92 | 34 | 53.41 | 413 | 4,438.64 |
| 1997 | 62 | 414.30 | 63 | 480.40 | 16 | 80.56 | 101 | 3,419.40 | 27 | 144.01 | 53 | 266.46 | 62 | 44.04 | 384 | 4,849.17 |
| 1998 | 69 | 253.60 | 74 | 263.40 | 19 | 30.48 | 91 | 165.20 | 56 | 158.18 | 61 | 345.66 | 25 | 38.39 | 395 | 1,254.91 |
| 1999 | 86 | 211.10 | 66 | 70.26 | 18 | 19.15 | 92 | 1,486.10 | 19 | 324.52 | 85 | 240.80 | 15 | 55.39 | 381 | 2,407.32 |
| 2000 | 120 | 437.41 | 92 | 241.07 | 10 | 5.42 | 82 | 134.54 | 40 | 219.53 | 135 | 482.58 | 15 | 95.35 | 494 | 1,615.90 |
| 2001 | 50 | 158.69 | 88 | 296.58 | 9 | 11.99 | 69 | 83.85 | 26 | 378.30 | 139 | 1,376.06 | 8 | 56.97 | 389 | 2,362.44 |
| 2002 | 41 | 62.93 | 64 | 66.29 | 22 | 236.35 | 50 | 83.18 | 27 | 25.76 | 194 | 525.34 | 4 | 6.82 | 402 | 1,006.67 |
| 2003 | 57 | 338.83 | 57 | 163.69 | 22 | 47.11 | 49 | 117.54 | 15 | 26.40 | 188 | 579.32 | 1 | 1.00 | 389 | 1,273.89 |
| 2004 | 53 | 268.53 | 78 | 109.09 | 22 | 29.52 | 41 | 68.86 | 18 | 751.78 | 167 | 572.43 | 6 | 4.60 | 385 | 1,804.81 |
| 2005 | 57 | 417.66 | 71 | 113.64 | 20 | 25.30 | 43 | 133.39 | 16 | 97.68 | 186 | 661.93 | 4 | 4.19 | 397 | 1,453.79 |
| 2006 | 63 | 284.30 | 70 | 110.48 | 27 | 38.05 | 27 | 218.62 | 18 | 806.30 | 148 | 358.91 | 1 | 16.44 | 354 | 1,833.10 |
| 2007 | 49 | 247.75 | 41 | 118.79 | 28 | 444.86 | 31 | 51.40 | 9 | 1,194.11 | 233 | 1,813.37 | N.A. | 13.99 | 391 | 3,884.27 |
| 2008 | 33 | 123.25 | 32 | 256.07 | NA | 25.74 | 46 | 306.23 | 14 | 697.63 | 138 | 8,657.34 | N.A. | 8.50 | 263 | 10,074.76 |
| Total | 1,956 | 12,253.70 | 2,250 | 10,127.65 | 974 | 1,751.50 | 1,241 | 14,333.00 | 459 | 5,397.87 | 1,947 | 19,762.79 | 191 | 478.00 | 9,018 | 64,651.17 |
| Accumulated ranking | 3 | | 3 | | 7 | | 8 | | N.A. | | 1 | | 3 | | | |

Taiwan's Trade with APEC Members



Source: Bureau of Foreign Trade, MOEA, Taiwan

Income effect of ASEAN+N FTAs

| | ASEAN+PRC FTA | | ASEAN+ Japan FTA | | ASEAN+ Korea FTA | | ASEAN+ 3 FTA | | ASEAN+ 6 FTA | |
|---------------|-----------------------|---------|-----------------------|---------|-----------------------|---------|-----------------------|---------|-----------------------|---------|
| | Value (\$ million) | %change | Value (\$ million) | %change | Value (\$ million) | %change | Value (\$ million) | %change | Value (\$ million) | %change |
| Japan | -3,965 | -0.08 | 24,943 | 0.51 | -1,308 | -0.03 | 74,825 | 1.54 | 77,137 | 1.59 |
| Korea | -5,382 | -0.67 | -1,844 | -0.23 | 10,916 | 1.37 | 49,393 | 6.19 | 51,351 | 6.43 |
| PRC | 19,103 | 0.58 | -4,475 | -0.14 | -2,351 | -0.07 | 41,502 | 1.26 | 43,598 | 1.33 |
| Taiwan | -2,519 | -0.49 | -1,093 | -0.21 | -443 | -0.09 | -10,493 | -2.03 | -11,527 | -2.23 |
| Indonesia | 6,924 | 2.30 | 2,834 | 0.94 | 1,475 | 0.49 | 7,884 | 2.62 | 8,588 | 2.86 |
| Malaysia | 7,551 | 4.02 | 4,453 | 2.37 | 1,339 | 0.71 | 10,391 | 5.54 | 11,869 | 6.33 |
| Philippines | 2,556 | 2.13 | 1,915 | 1.59 | 630 | 0.52 | 3,177 | 2.64 | 3,431 | 2.85 |
| Singapore | 6,854 | 4.13 | 3,171 | 1.91 | 793 | 0.48 | 7,943 | 4.79 | 9,002 | 5.43 |
| Thailand | 16,324 | 7.39 | 14,107 | 6.39 | 2,640 | 1.20 | 26,728 | 12.10 | 28,346 | 12.84 |
| Viet Nam | 3,371 | 4.68 | 2,119 | 2.94 | 1,136 | 1.58 | 5,293 | 7.35 | 5,490 | 7.63 |
| India | -809 | -0.10 | -658 | -0.08 | -370 | -0.05 | -2,371 | -0.30 | 19,270 | 2.42 |
| Australia | 1,046 | 0.18 | -1,204 | -0.21 | -9 | 0.00 | -2,376 | -0.41 | 22,546 | 3.91 |
| New Zealand | 166 | 0.21 | -73 | -0.09 | 12 | 0.02 | -216 | -0.27 | 4,136 | 5.24 |
| United States | 7,713 | 0.05 | -782 | -0.01 | 287 | 0.00 | -4,966 | -0.03 | -8,917 | -0.06 |
| Canada | 1,211 | 0.12 | 363 | 0.04 | 155 | 0.02 | 1,796 | 0.18 | 1,546 | 0.15 |
| ASEAN | 44,211 | 3.72 | 28,831 | 2.43 | 8,088 | 0.68 | 62,186 | 5.23 | 67,206 | 5.66 |
| EU 27 | 12,921 | 0.11 | 867 | 0.01 | 253 | 0.00 | 6,786 | 0.06 | 1,806 | 0.02 |
| NAFTA | 9,985 | 0.06 | -214 | 0.00 | 273 | 0.00 | -235 | 0.00 | -4,474 | -0.03 |
| LAmerica | 2,667 | 0.13 | -109 | -0.01 | -303 | -0.01 | -2,082 | -0.10 | -2,958 | -0.14 |

註： Compared to 2017 baseline (at constant 2001\$)

Source : adapted from Masahiro Kawai and Ganeshan Wignaraja, "Regionalism as an Engine of Multilateralism: A Case for a Single East Asian FTA," ADB Working Paper Series on Regional Economic Integration No. 14 (February 2008).

Impacts of ASEAN+N FTAs (%)

| | 5 ASEAN+1 FTAs | | ASEAN+3 FTA | | ASEAN+6 FTA | |
|---------------------------|----------------|------------|-------------|------------|-------------|------------|
| | GDP | Investment | GDP | Investment | GDP | Investment |
| Taiwan | -0.06 | -0.86 | -0.08 | -1.68 | -0.09 | -1.86 |
| China | -0.02 | 0.21 | 0.00 | 1.12 | 0.01 | 1.19 |
| Hong Kong | 0.00 | -0.47 | 0.00 | -0.34 | 0.00 | -0.51 |
| Japan | 0.00 | -0.03 | 0.05 | 0.46 | 0.06 | 0.44 |
| Korea | 0.20 | 0.75 | 0.44 | 2.90 | 0.51 | 3.01 |
| Singapore | 0.37 | 11.78 | 0.30 | 9.32 | 0.32 | 10.05 |
| Other ASEAN States | -0.01 | 2.74 | -0.01 | 1.59 | 0.00 | 1.85 |
| India | 0.35 | -0.45 | -0.04 | -0.39 | 0.40 | 0.89 |
| Australia | -0.01 | -0.04 | 0.01 | 0.56 | 0.14 | 2.83 |
| New Zealand | 0.00 | -0.01 | 0.00 | -0.21 | 0.08 | 1.64 |
| US | 0.00 | -0.24 | 0.00 | -0.41 | 0.00 | -0.49 |
| Rest of World | -0.01 | -0.26 | -0.02 | -0.42 | -0.02 | -0.52 |

Macroeconomic Impacts of P4 and P8

| | Real GDP | | Trade Terms | | Investment | | Welfare Effect | |
|---------------|----------|---------|-------------|---------|------------|---------|----------------|----------|
| Unit | % | | % | | % | | US\$million | |
| Scenario | P4 | P8 | P4 | P8 | P4 | P8 | P4 | P8 |
| Taiwan | 0.0000 | -0.0020 | -0.0002 | -0.0158 | -0.0008 | -0.0406 | -0.36 | -38.95 |
| China | 0.0000 | -0.0147 | -0.0004 | -0.0427 | -0.0005 | -0.0404 | -2.67 | -710.35 |
| Hong Kong | 0.0000 | 0.0000 | -0.0004 | -0.0390 | -0.0012 | -0.0653 | -0.29 | -48.29 |
| Japan | 0.0000 | -0.0015 | -0.0010 | -0.0531 | -0.0012 | -0.0573 | -9.60 | -491.62 |
| Korea | 0.0000 | -0.0051 | -0.0008 | -0.0276 | -0.0011 | -0.0451 | -3.04 | -129.67 |
| Singapore | 0.0045 | -0.0026 | 0.0232 | 0.3173 | 0.0591 | 0.9776 | 46.36 | 559.77 |
| Brunei | -0.4765 | -0.4472 | 0.0030 | 0.8370 | 6.0745 | 14.1613 | -25.61 | 15.31 |
| New Zealand | 0.0015 | 0.0390 | 0.0140 | 1.1086 | 0.0204 | 1.0050 | 7.71 | 414.56 |
| Chile | 0.0010 | 0.0025 | 0.0023 | 0.1322 | 0.0159 | 0.1117 | 0.94 | 45.72 |
| Australia | 0.0000 | 0.0083 | -0.0010 | 0.3128 | -0.0008 | 0.4938 | -0.76 | 616.19 |
| US | 0.0000 | 0.0010 | -0.0004 | 0.0057 | -0.0008 | -0.0065 | -7.91 | 400.29 |
| Vietnam | -0.0001 | 1.0599 | -0.0016 | 1.8624 | -0.0045 | 11.7479 | -0.65 | 1246.44 |
| Peru | 0.0000 | -0.0368 | -0.0008 | -0.4598 | -0.0009 | 0.9130 | -0.16 | -129.76 |
| Other ASEAN | -0.0001 | -0.0031 | -0.0011 | -0.0411 | -0.0023 | -0.0999 | -11.44 | -456.85 |
| India | 0.0000 | -0.0056 | -0.0004 | -0.0583 | -0.0007 | -0.0554 | -0.39 | -139.24 |
| Rest of World | 0.0000 | -0.0025 | -0.0003 | -0.0121 | -0.0009 | -0.0534 | -24.47 | -1459.27 |

Source: TIER

Taiwan's Export to be Replaced by Korea...?

Index of Export Similarity (2006)

| | TW | China | Japan | Korea | ASEAN | India | AUS | NZ | EU-25 |
|------------------|-----------|--------------|--------------|--------------|--------------|--------------|------------|-----------|--------------|
| Taiwan | | 0.76 | 0.67 | 0.80 | 0.73 | 0.45 | 0.24 | 0.30 | 0.62 |
| China | 0.76 | | 0.60 | 0.73 | 0.72 | 0.55 | 0.27 | 0.36 | 0.60 |
| Japan | 0.67 | 0.60 | | 0.76 | 0.54 | 0.40 | 0.23 | 0.29 | 0.70 |
| Korea | 0.80 | 0.73 | 0.76 | | 0.72 | 0.47 | 0.25 | 0.31 | 0.71 |
| ASEAN | 0.73 | 0.72 | 0.54 | 0.72 | | 0.53 | 0.37 | 0.39 | 0.59 |
| India | 0.45 | 0.55 | 0.40 | 0.47 | 0.53 | | 0.37 | 0.35 | 0.54 |
| Australia | 0.24 | 0.27 | 0.23 | 0.25 | 0.37 | 0.37 | | 0.40 | 0.35 |
| NZ | 0.30 | 0.36 | 0.29 | 0.31 | 0.39 | 0.35 | 0.40 | | 0.85 |
| EU-25 | 0.62 | 0.60 | 0.70 | 0.71 | 0.59 | 0.54 | 0.35 | 0.85 | |

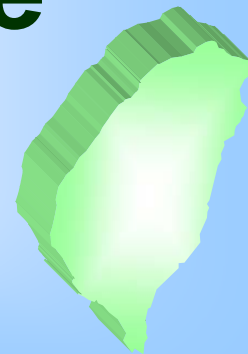


Taiwan's Roles in East Asian Economy

- Taiwan is crucial and indispensable to East Asian economy. In contrast, East Asian region has become more and more important to Taiwan's economy as well.
- Trade creation and diversion or investment creation and diversion caused by ASEAN+X FTAs might affect Taiwan's role in any way.
- In particular if Taiwan continues to be excluded from any ASEAN+X FTA, Taiwan's role in East Asian economy might be affected negatively.



V. What Can Be Done



Effect of Taiwan + P4 or P8

| GDP (%) | P4 | P4+TWN | difference | P8 | P8+TWN | difference |
|---------------|---------|---------|----------------|---------|---------|----------------|
| Taiwan | 0.0000 | 0.3902 | 0.3902 | -0.0020 | 0.0399 | 0.0419 |
| China | 0.0000 | 0.0049 | 0.0049 | -0.0147 | -0.0317 | -0.0171 |
| Hong Kong | 0.0000 | -0.0003 | -0.0003 | 0.0000 | 0.0000 | 0.0000 |
| Japan | 0.0000 | 0.0013 | 0.0013 | -0.0015 | -0.0023 | -0.0009 |
| Korea | 0.0000 | -0.0076 | -0.0075 | -0.0051 | -0.0094 | -0.0043 |
| Singapore | 0.0045 | 0.0081 | 0.0036 | -0.0026 | -0.0036 | -0.0010 |
| Brunei | -0.4765 | -0.4823 | -0.0058 | -0.4472 | -0.4462 | 0.0010 |
| New Zealand | 0.0015 | 0.0012 | -0.0003 | 0.0390 | 0.0439 | 0.0050 |
| Chile | 0.0010 | -0.0015 | -0.0025 | 0.0025 | 0.0044 | 0.0019 |
| Australia | 0.0000 | -0.0019 | -0.0019 | 0.0083 | 0.0079 | -0.0004 |
| US | 0.0000 | 0.0005 | 0.0005 | 0.0010 | 0.0012 | 0.0002 |
| Vietnam | -0.0001 | 0.1144 | 0.1146 | 1.0599 | 1.2364 | 0.1766 |
| Peru | 0.0000 | -0.0012 | -0.0012 | -0.0368 | -0.0385 | -0.0017 |
| Other ASEAN | -0.0001 | 0.0010 | 0.0011 | -0.0031 | -0.0063 | -0.0032 |
| India | 0.0000 | -0.0014 | -0.0014 | -0.0056 | -0.0097 | -0.0041 |
| Rest of World | 0.0000 | -0.0007 | -0.0007 | -0.0025 | -0.0031 | -0.0006 |

Source: TIER

Closer Cross-Strait Economic Exchange

| Item | Cumulative Figure |
|--|-----------------------|
| Cross-Strait Trade (\$billion) | 1988-Dec. 2008 |
| Overall Trade | 775.67 |
| Exports to China | 599.00 |
| Imports from China | 176.67 |
| Balance | 422.32 |
| Investments in China | 1991-Dec. 2008 |
| Number of Investments | 37,181 |
| Amount of Investments (\$billion) | 75.56 |
| China's Statistics | Up to Dec. 2008 |
| Number of Investments | 77,506 |
| Amount of Real Investments (\$billion) | 47.66 |
| Cross-Strait Visitors | 1987-Dec. 2008 |
| Taiwan's Visitors to China (thousand) | 51,424.0 |
| China's Visitors to Taiwan (thousand) | 1988-Dec. 2008 |
| | 2,151.79 |

China is now Taiwan's biggest economic partner and receives the most FDI.

ECFA with Mainland China

| Real GDP (%) | Without ECFA | | | With ECFA | | | | |
|---------------|--------------|--------------|--------------|-------------|----------------|-------------|-------------|-------------|
| | 5 ASEAN+1 | ASEAN+3 | ASEAN+6 | ECFA | ECFA+Singapore | ECFA+ASEAN | ECFA+JP | ECFA+US |
| Taiwan | -0.06 | -0.08 | -0.09 | 0.13 | 0.13 | 0.33 | 0.12 | 0.12 |
| China | -0.02 | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 | -0.01 |
| Hong Kong | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Japan | 0.00 | 0.05 | 0.06 | -0.01 | -0.01 | -0.01 | 0.00 | -0.01 |
| Korea | 0.20 | 0.44 | 0.51 | -0.06 | -0.06 | -0.07 | -0.07 | -0.07 |
| Singapore | 0.37 | 0.30 | 0.32 | 0.04 | 0.04 | 0.11 | 0.03 | 0.04 |
| Other ASEAN | -0.01 | -0.01 | 0.00 | 0.00 | -0.01 | -0.01 | -0.01 | 0.00 |
| India | 0.35 | -0.04 | 0.40 | -0.02 | -0.01 | -0.02 | -0.01 | -0.02 |
| Australia | -0.01 | 0.01 | 0.14 | -0.01 | -0.01 | -0.01 | -0.01 | -0.01 |
| New Zealand | 0.00 | 0.00 | 0.08 | -0.01 | -0.01 | -0.01 | -0.01 | -0.01 |
| US | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Source: TIER



Enhancing Economic Integration with ASEAN

- In 1995, Taiwan's FDI in ASEAN accounted for 62.29% of Taiwan's total FDI; and Taiwan's FDI in China accounted for 17.34% of Taiwan's overall FDI; however, up to December 2008, that became 57.1%.
- Taiwan must now treat ASEAN as major driving force behind East Asian economic integration and develop a new approach to enhance Taiwan's economic relations with ASEAN nations.
- Bilaterally, enhancing economic ties with major partners. Reviving FTA talks with Singapore.
- Regionally, connection via ECFA, forming framework agreement or other economic arrangements



Support and Contribute to APEC

- APEC is still a relatively stable, experienced, and influential regional platform. Let APEC
 - minimize the costs by improving trade and investment facilitation.
 - multilateralize RTAs/FTAs through expanding, merging or docking processes.
 - engage sub-regional economic integration like ASEAN plus one, three, or six, and TPP.
 - focus on its won regional economic integration and achieve the Bogor Goals in time