

# BEIJING AND TAIWAN WORK CLOSER TO BRING MORE OPPORTUNITIES IN THE GREATER CHINA REGION

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August 3, 2010

On June 29, Mainland China and Taiwan finalized the long awaited [Economic Cooperation Framework Agreement](#) (ECFA) and the Cross-Strait [Intellectual Property Rights Protection Agreement](#) (IPA). The signing of two documents signals a [new phase of the cross-strait relationship](#) and also forecasts increased business opportunities in the greater China region. By signing ECFA, the Mainland and Taiwan have agreed that the parties will promote the free trade of goods and services; and will increase the bi-lateral economic, trade and investment cooperation. The parties also promised to reduce and eventually eliminate tariffs and non-tariff barriers on majority of products. As an initial gesture, Beijing has agreed to reduce tariffs for 539 products originated from Taiwan, while Taiwan promised to reduce tariffs for 267 products from Mainland. Both parties have agreed to reduce the tariffs for those products to zero within a two-year time frame.

Many industries will inevitably be affected by the execution of this new Agreement. Following are just a few examples:

## **Agriculture**

Agricultural products are among the first batch of products to receive the tariff-free treatment. Under ECFA, Mainland has waived tariffs on more than 40 agriculture products from Taiwan including fruits, vegetables and aquaculture products. On the other hand, in protection of Taiwan's local farmers' interest, parties have agreed not to open Taiwan's market yet to the agricultural products from Mainland. As a result, it is likely to see a dramatic increase on the agricultural product from Taiwan in the Mainland market, which would, in turn, greatly boost the agriculture industry in Taiwan.

## **Electronics & IT**

In the recent years, Taiwan has become a strong player in the global electronics and IT industry, especially in the flat panel display field, and may even surpass Japan and South Korea and become the leader in the near future. ECFA has certainly expedited this process. After the execution of the agreement, it will be easier for the technology from Taiwan to be imported to Mainland, which maintains the manufacturing center of the world as well as the world's largest market for the electronic products. The signing of ECFA will, for the first time, make possible a comprehensive while cost-effective IT industry chain within the greater China region.

## **Logistics**

As the cross-strait transportation and communication of goods and personnel increases because of the implementation of ECFA and subsequent agreements, the logistics industry can greatly benefit from the change. ECFA and subsequent agreements will, on one hand, reduce and/or eliminate most of the tariffs for goods transporting between Taiwan and Mainland, on the other hand, substantially simplify the customs procedure and shorten the clearance time. As a result, logistic business possessing cost-effective technologies will benefit the most from the ECFA.

## **Infrastructure**

Since the infrastructure in most part of the Mainland China is still very much under developed, to best utilize the closer economic relationship with Taiwan, Mainland has, through the ECFA, extended its invitation for Taiwan businesses to invest in mainland infrastructures. Some of the projects open to Taiwan may not even be accessible to investors from other parts of the world. As a result, Taiwan is becoming an attractive platform for investors who are interested in investing into Chinese infrastructure projects that are still restricted to foreigners.

## **Financial and Services**

ECFA also opens up the financial market in China to Taiwan businesses, especially in the banking industry and the corporate financing industry. Financial businesses from Taiwan are likely to receive much more beneficial treatment in China than investors from other parts of the world. Other professional services in Taiwan will also see the benefit brought to them by ECFA shortly. For example, ECFA has suggested Beijing will create an expedited approval procedure for Taiwanese healthcare business who wants to invest and expand in Mainland.

## **Business Opportunities Expand in Greater China Region**

Above mentioned are only but a few examples of how ECFA is creating business opportunities in the greater China region. However, as the name suggests, this is just a framework agreement, its content will be enriched and better interpreted by individual agreements yet to come. Fortunately, the parties have promised to start the process of drafting industry-specific agreements within six months. Through the signing of ECFA and subsequent agreements, Taiwan and Mainland will no doubt become, economically speaking, even closer to each other. It is very likely that foreign investors will start using Taiwan as a platform for their investment in Mainland China. This strategy makes even more sense with IPA signed in conjunction with ECFA. Together with the well established intellectual property framework in Taiwan, the jointly enforced intellectual property rights protection mechanism may ease some concerns for businesses that are afraid to make direct investment in Mainland China.