

Economic integration in the Asia Pacific and implications for EU: A Taiwan's perspective

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Asia Pacific defined



**Asia-Pacific
Economic Cooperation**



Which economies are members of APEC?

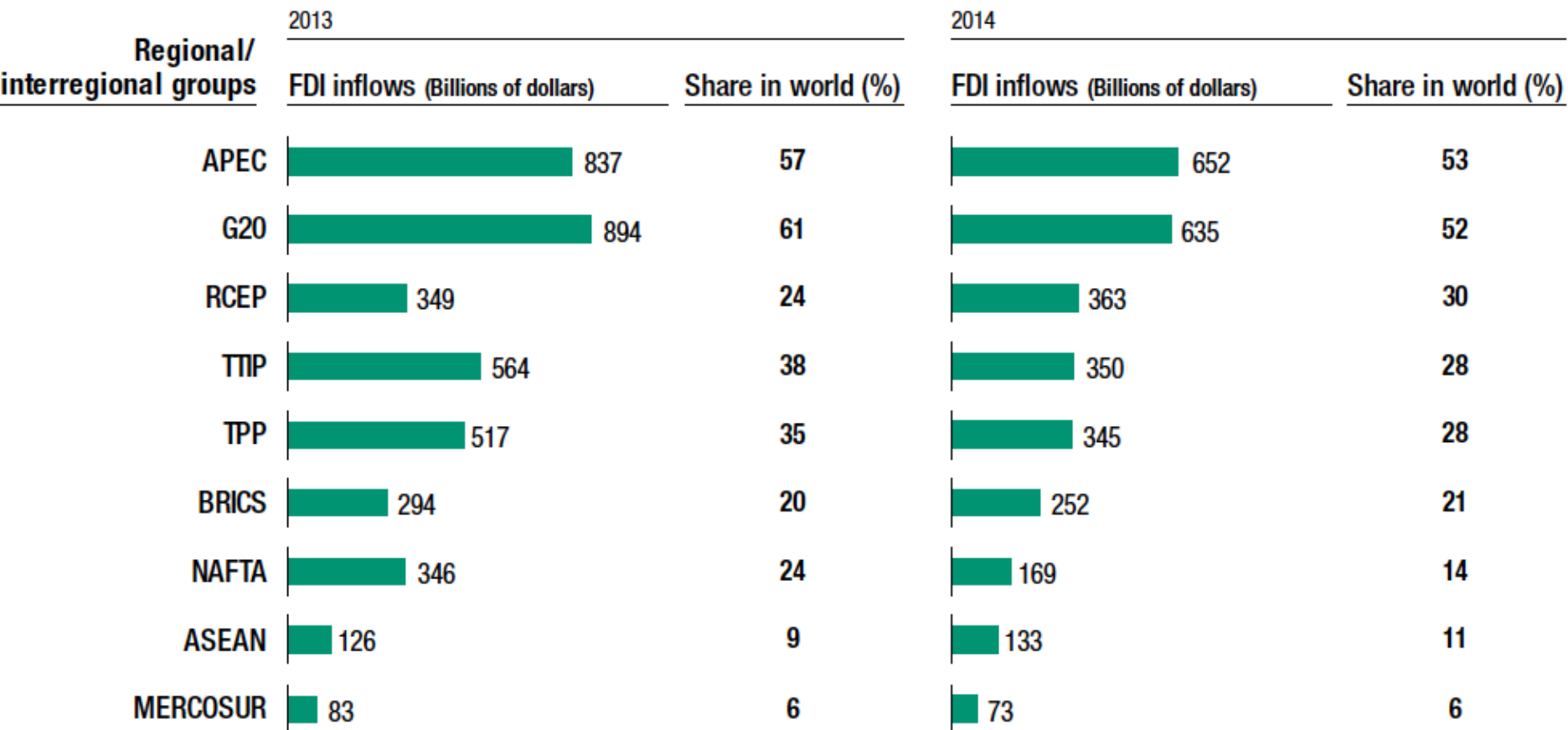




Member Economy and Year Joined	Population (thousands)	GDP (US\$m)	GDP per capita (US\$)	Imports of Merchandise Goods and Commercial Services (US\$m)	Exports of Merchandise Goods and Commercial Services (US\$m)
Australia (1989)	23,131	\$1,560,597	\$67,468	\$304,343	\$304,912
Brunei Darussalam (1989)	418	\$16,111	\$38,563	\$3,612*	\$11,448*
Canada (1989)	35,158	\$1,826,769	\$51,958	\$579,135	\$536,541
Chile (1994)	17,620	\$277,199	\$15,732	\$94,513	\$89,344
China (1991)	1,357,380	\$9,240,270	\$6,807	\$2,279,416	\$2,413,725
Hong Kong (1991)	7,188	\$274,013	\$38,124	\$681,797	\$668,864
Indonesia (1989)	249,866	\$868,346	\$3,475	\$221,559	\$205,077
Japan (1989)	127,339	\$4,901,530	\$38,492	\$995,453	\$860,454
Korea (1989)	50,220	\$1,304,554	\$25,977	\$621,508	\$671,415
Malaysia (1989)	29,717	\$312,435	\$10,514	\$251,059	\$268,110
Mexico (1993)	122,332	\$1,260,915	\$10,307	\$419,768	\$399,774
New Zealand (1989)	4,471	\$185,787	\$41,556	\$51,853	\$52,512
Papua New Guinea (1993)	7,321	\$15,289	\$2,088	\$9,424	\$5,964
Peru (1998)	30,376	\$202,296	\$6,660	\$51,182	\$48,106
The Philippines (1989)	98,394	\$272,017	\$2,765	\$79,487	\$78,369
Russia (1998)	143,500	\$2,096,777	\$14,612	\$465,988	\$588,063
Singapore (1989)	5,399	\$297,941	\$55,182	\$501,446	\$532,387
Chinese Taipei (1991)	23,345	\$489,132	\$20,952	\$311,607	\$356,801
Thailand (1989)	67,011	\$387,252	\$5,779	\$305,727	\$287,114
United States (1989)	316,129	\$16,800,000	\$53,143	\$2,760,584	\$2,241,634
Viet Nam (1998)	89,709	\$171,392	\$1,911	\$145,048	\$142,413



APEC tops in FDI inflow





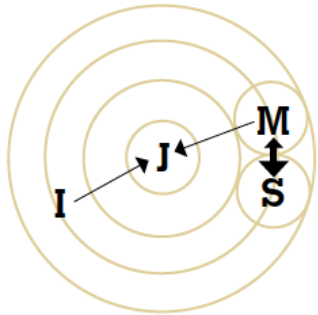
+ Economic integration: the Status quo of the trade and investment inter-dependent *Factory Asia*



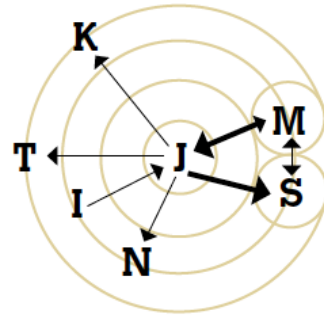
Factory Asia, with China as the powerhouse, is still going up



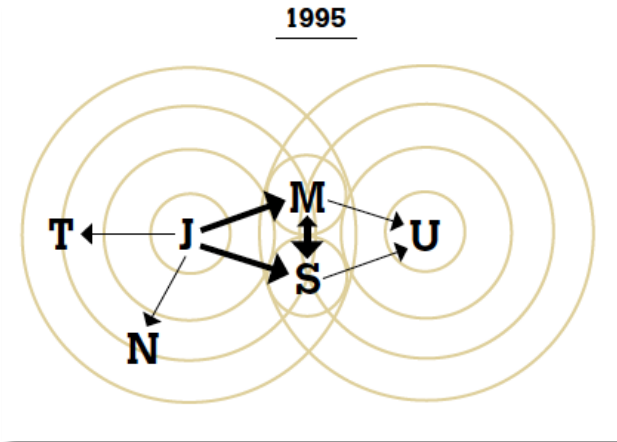
1985



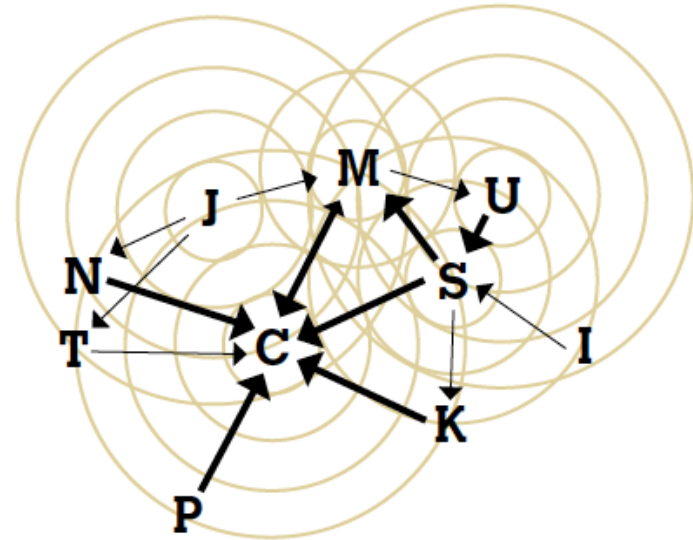
1990



1995



2005

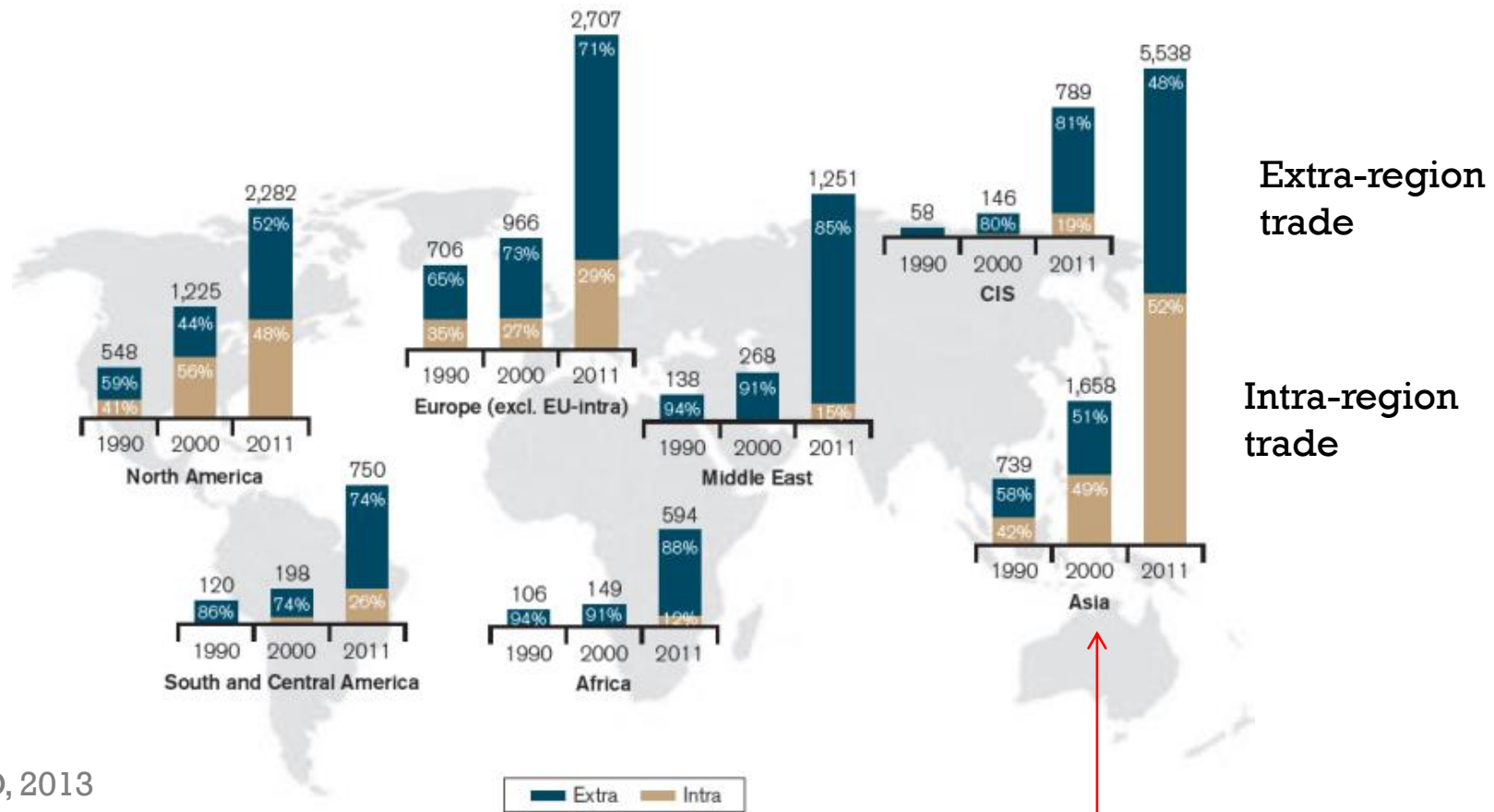


Evolution of AP regional production networks, 1985-2005

C	China	N	Chinese Taipei
I	Indonesia	P	Philippines
J	Japan	S	Singapore
K	Republic of Korea	T	Thailand
M	Malaysia	U	United States

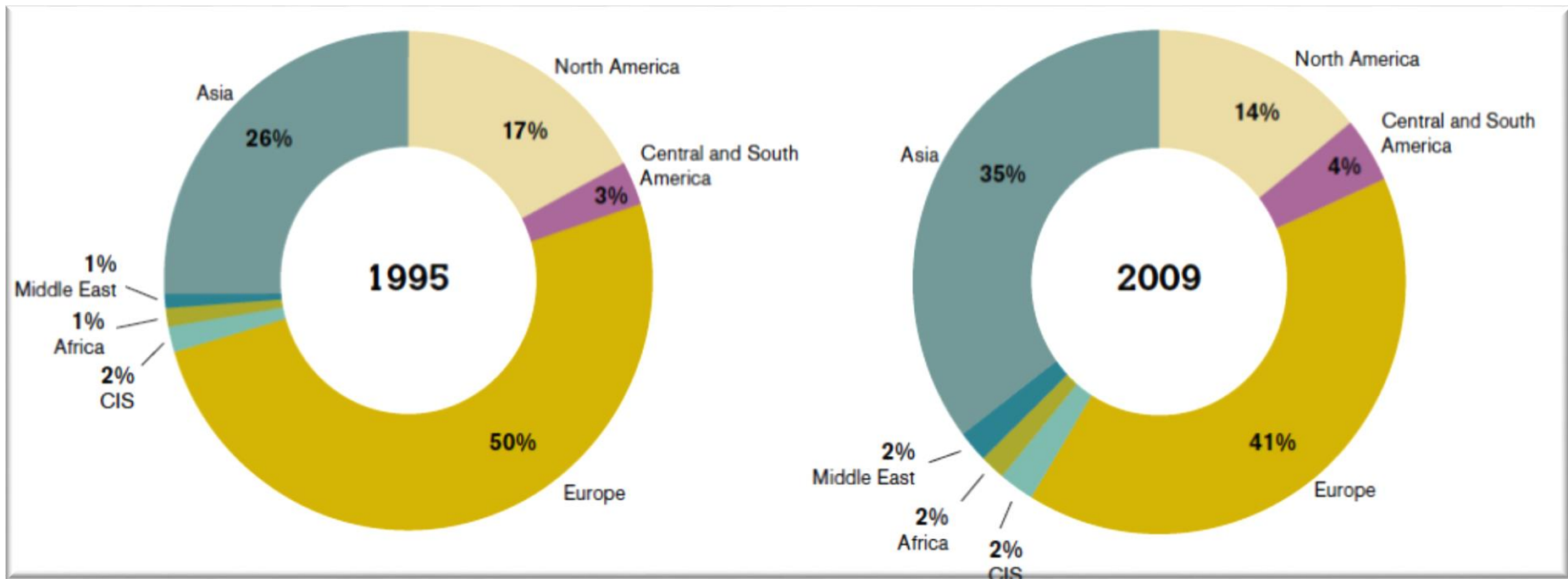
+ Highly inter-dependent production network

The highest level of intra-region trade in the world outside EU



Source: WTO, 2013

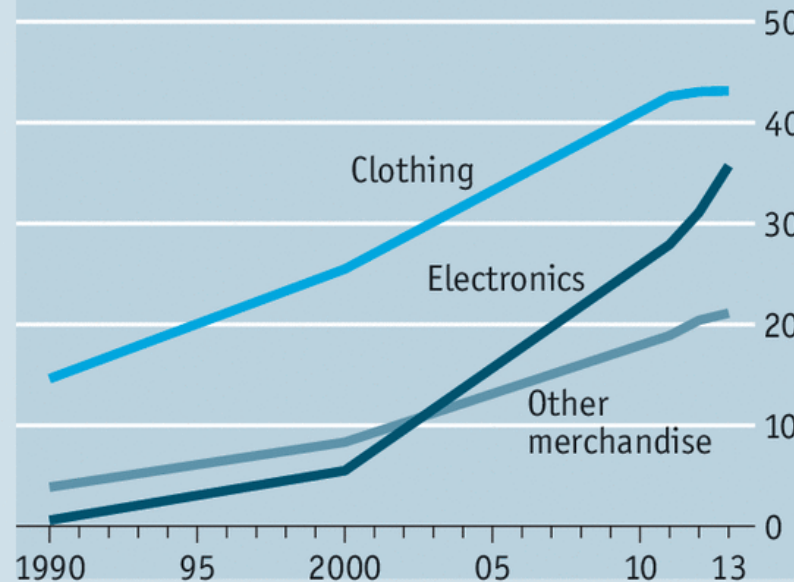
+ Regional shares on world exports of intermediate goods (%)



+ China remains central, but the Factory Asia is going south-east

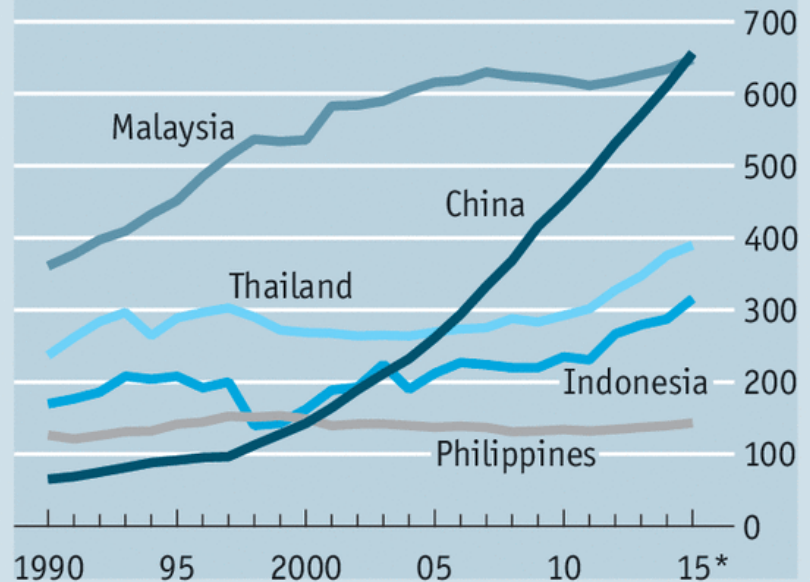
New-wage manufacturing

China's share of global exports, %



Sources: Thomson Reuters; Economist Intelligence Unit

Average monthly wages, 2010 prices, \$



* Forecast



From Factory Asia to Market Asia

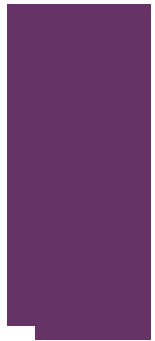
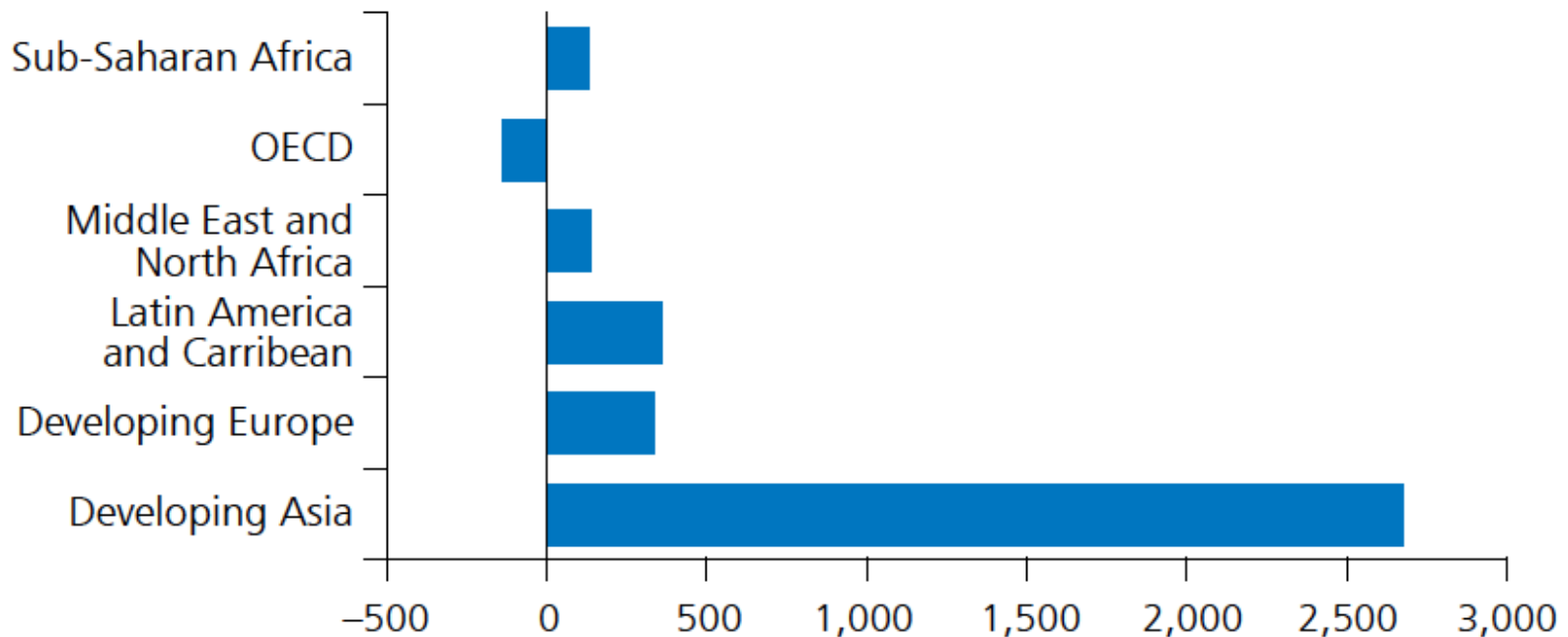


Figure 11b: Change in Middle Class Expenditure, 1990–2009
(\$ billion)

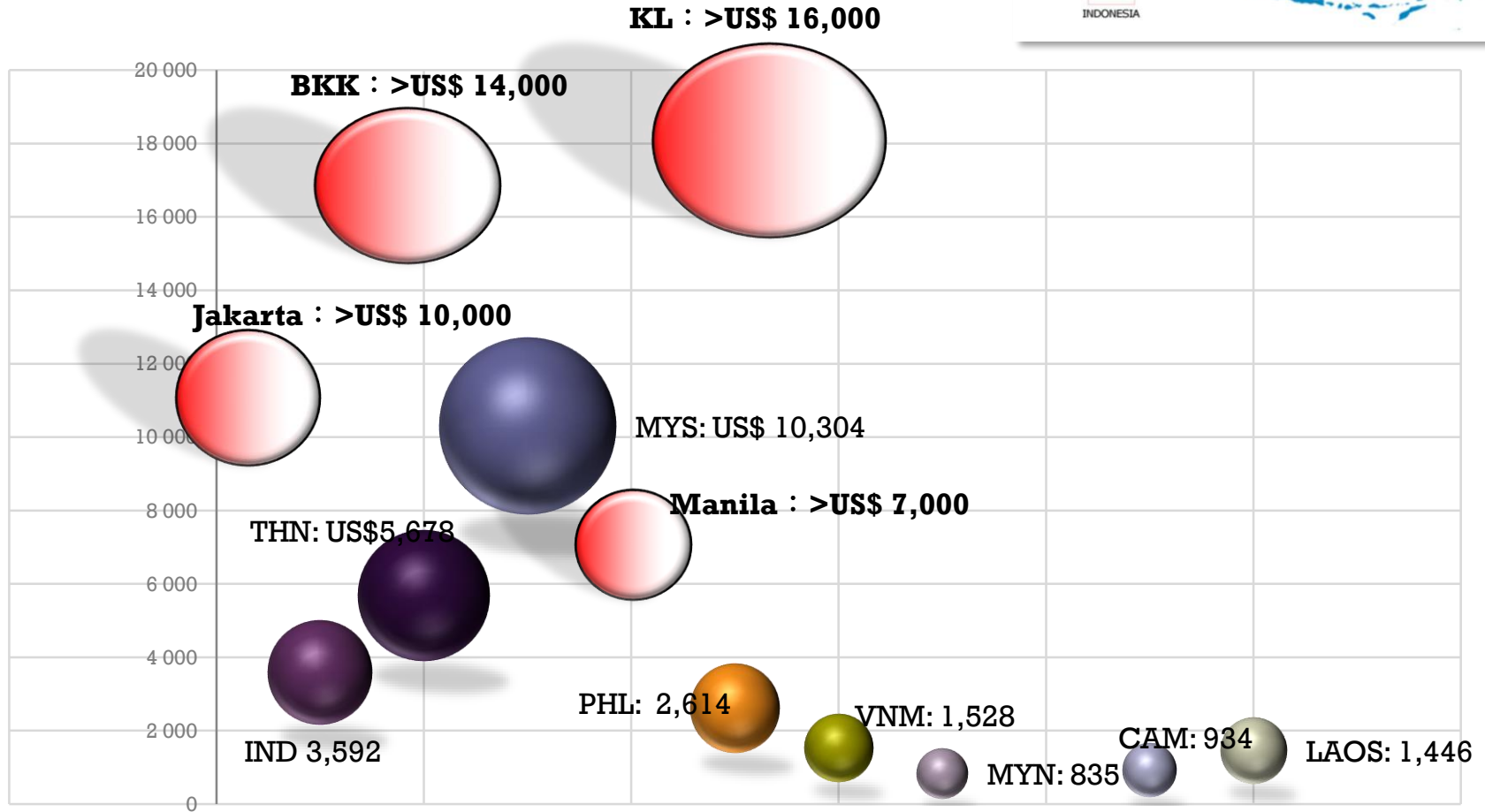


Source: ADB, 2013

+ The Association of South East Asian Nations (ASEAN): the next World factor/ Market



US \$





+ Economic integration: the recent
policy initiatives

+ The concept of single production base and single market in the AP

1. Free flow of goods, services/investment
2. Free flow of professionals/talents
3. Enhance competitiveness and efficiency
4. Facilitate equitable and inclusive economic development

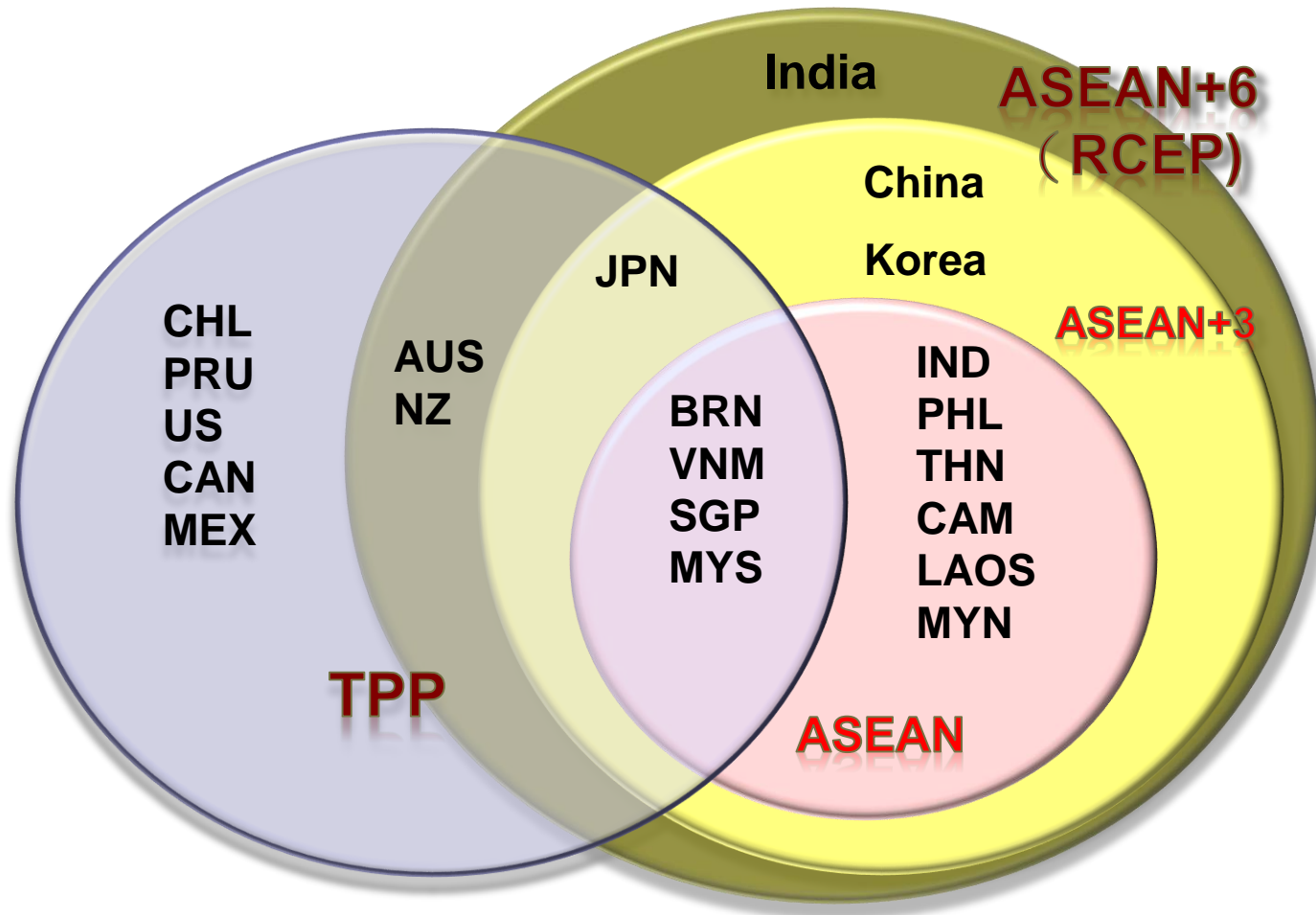


+ The pillars underpinning regional economic integration initiatives

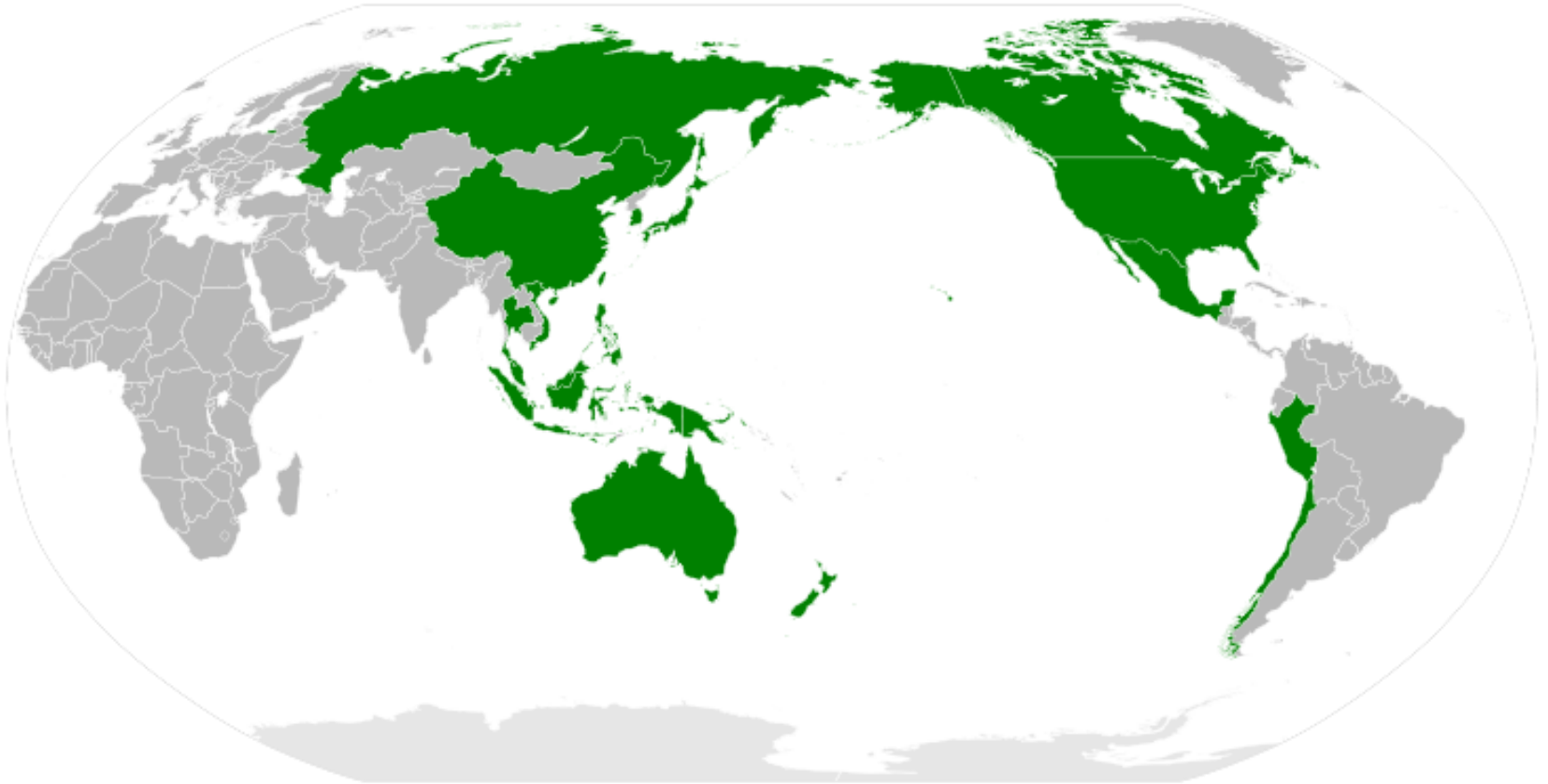
Removing hardware and software obstacles at all levels of the system

- **Hardware:** Trade and investment enabling infrastructures: Transportation, energy, broadband/ICT, Data network
- **Software:** Tariff and non-tariff measures, regulatory harmonization, due process, transparency, IPR protection, competition law, consumer and privacy protection...

- + Free Trade Agreements: membership of the Trans-pacific Partnership Agreement (TPP) and the Regional Comprehensive Economic Partnership (RCEP)

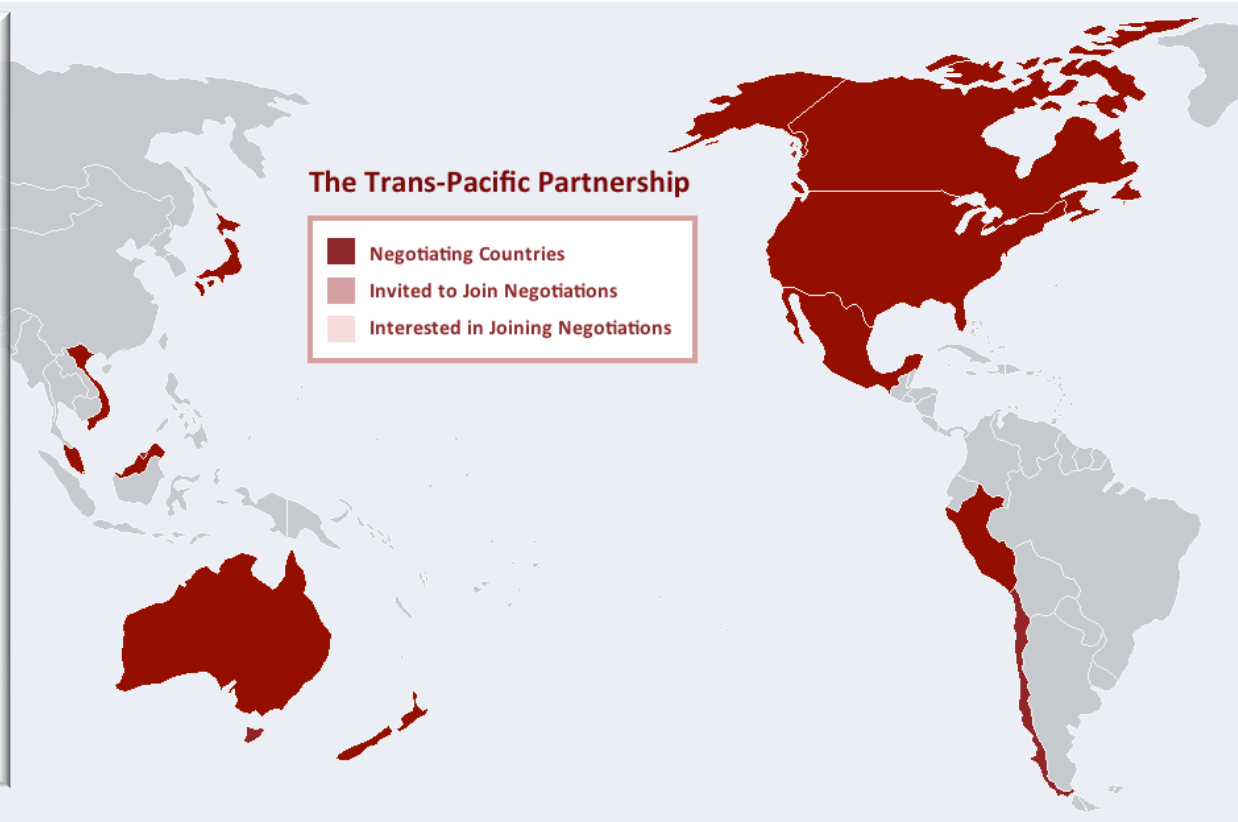


+ APEC starts to explore the creation of the FTA-AP



+ TPP: concluded on the 5th of October 2015

- U.S.-led
- Started negotiation in 2010, with Japan joining in 2013
- 12 countries participating
- 37% of world's GDP
- All key economies in the global supply chain
- Likely to come into effect by the end of 2016



+ TPP: KEY ELEMENTS



All sectors are subject to negotiation without exclusion, 99.5% zero tariff

Full liberalization

Highlighting the “behind the border” issues

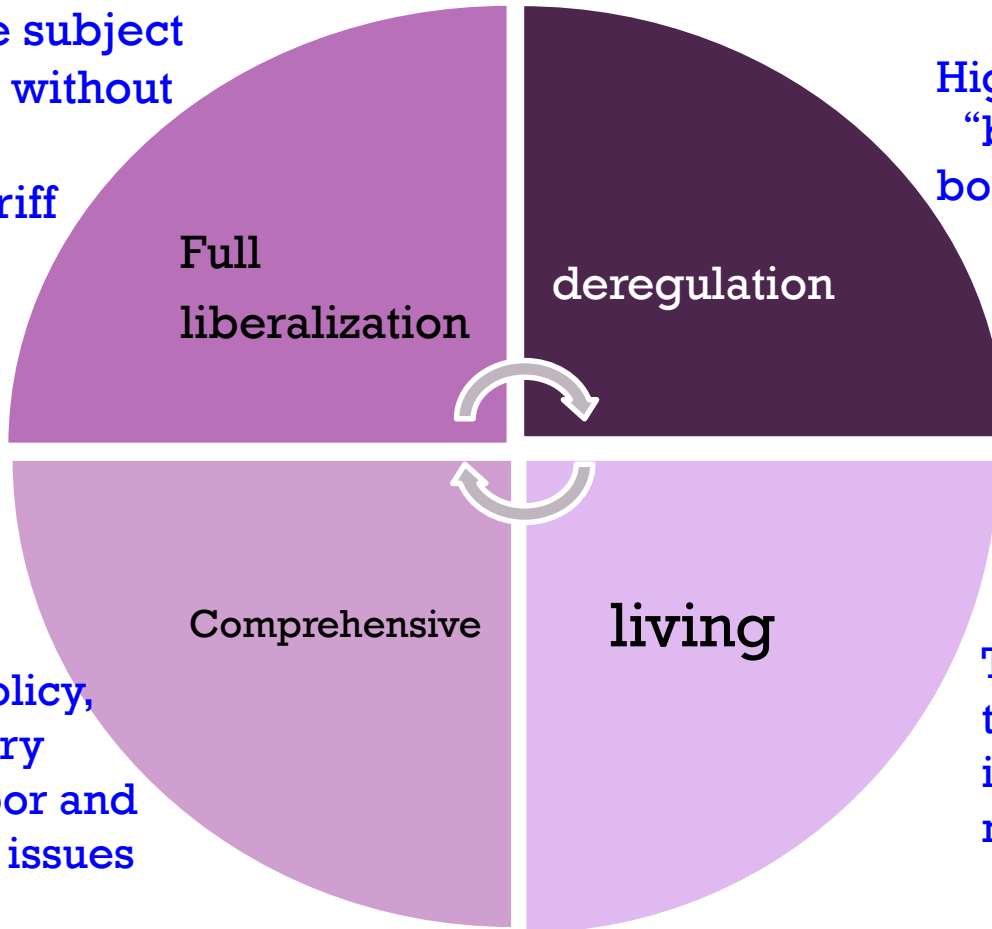
deregulation

Besides tariff elimination, competition policy, SOEs, regulatory coherence, labor and environmental issues are covered

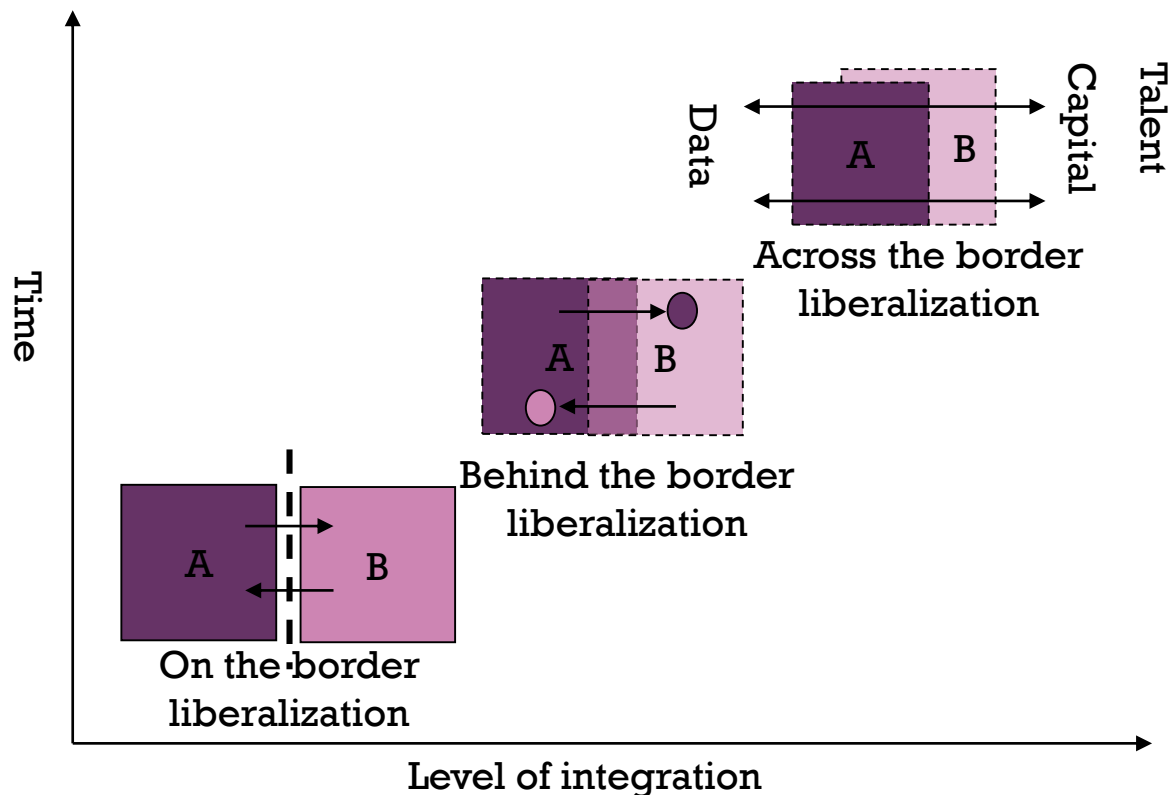
Comprehensive

living

The coverage of the agreement and its membership may be enlarged



+ TPP and next generation trade issues



- TPP deals with WTO-plus disciplines on Non-Tariff Measures (NTMs)
 - Regulatory coherence
 - Harmonization of technical regulations and conformity assessments
 - New rules on SOE, liberalization of electronic commerce and ICT related services and the cross-border transfer of data and information



FUTURE PROSPECTS

- Next round of accession in late 2016
- Potential candidates: Taiwan, Korea, Indonesia, Thailand and the Philippines
- China watching closely




**TPP: A
BAD DEAL FOR
MEDICINE**

**HELP US TELL PRESIDENT OBAMA
AND CONGRESS TO FIX THE TPP.**

The Trans-Pacific Partnership (TPP) trade pact has provisions that will lock in high drug prices and block generics for years, making it much harder for us all to get the lifesaving medications we need.

doctorswithoutborders.org/TPP #BadDealForMedicine



MEDECINS SANS FRONTIERES
DOCTORS WITHOUT BORDERS

+ The infrastructure connectivity initiatives: China's OBOR and the AIIB

TPP Membership



AIIB Membership



OBOR: The New Silk Road Economic Belt and the 21st Century Maritime Silk Road



The Asian Infrastructure Investment Bank (AIIB)



AIIB Membership 2015

Vote Type	% of Total Votes	Total Votes	Vote per Member	China (Largest PFM)	Maldives (Smallest PFM)
Basic votes	12	138,510	2,430	2,430	2,430
Share votes	85	981,514	Varies	297,804	72
Founding Member votes	3	34,200	600	600	600
Total	100	1,154,224	varies	300,834 (26.1%)	3,102 (0.3%)



+

**Implications and challenges
for Taiwan**

+ Taipei and the Taipei 101





Who is Taiwan?

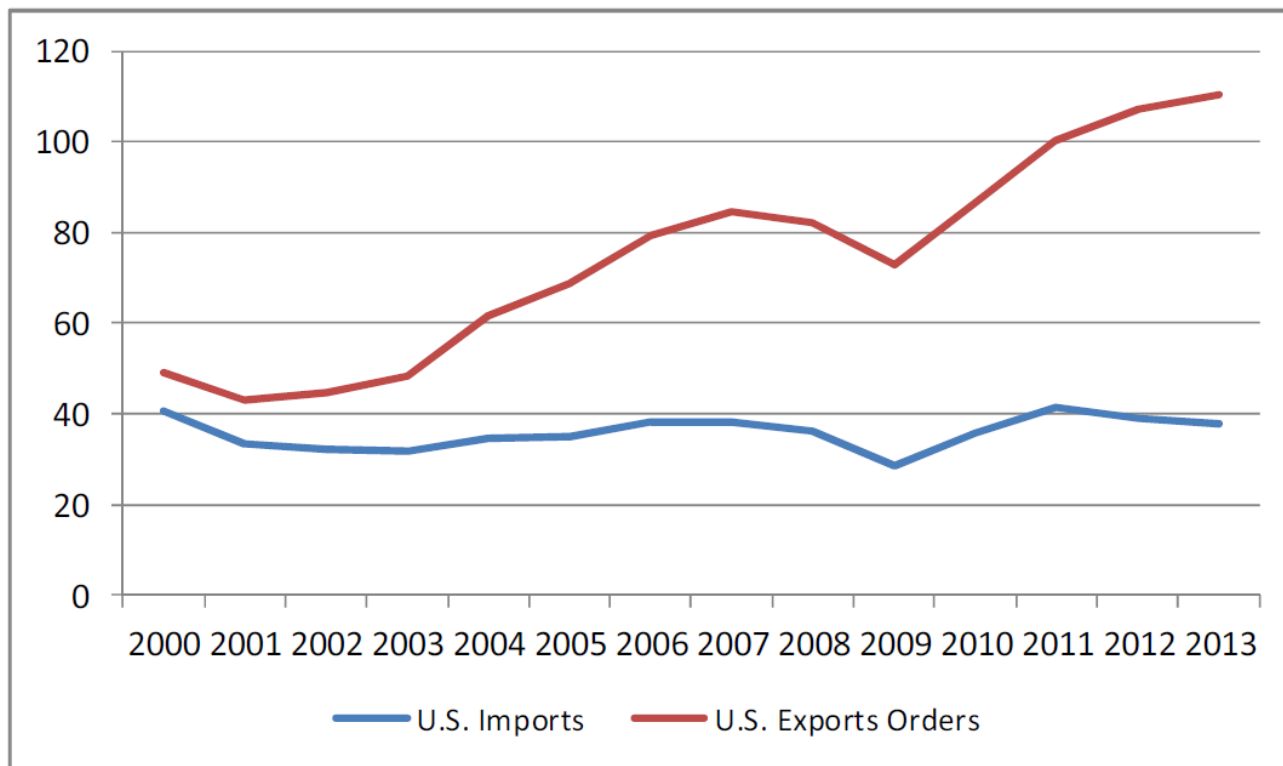
- 139th Land area
- 52th Population
- 20th Trade value*
- GDP per capital (PPP):



*Could be No. 12 if the export value of overseas investment is included

+ The level of Taiwan's off-shore manufacturing

Figure 6. Comparison of U.S. Export Orders Placed with Taiwan Firms and U.S. Merchandise Imports from Taiwan: 2000-2013
(\$ billions)



Sources: CRS, 2015. U.S.-Taiwan Relationship: Overview of Policy Issues

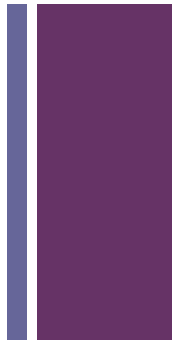
+ Taiwan's role in China's economic development

- Taiwanese business account for **18.34%** of total export of manufactured goods by foreign firms,
- Created **14.4million** Chinese jobs (1.8% of total; 2008)
- Jiangsu Province: **37%** of total export; **13%** of jobs in the manufacturing sector (2006)
- Fujian Province: **43%** of total export; **25%** of jobs in the manufacturing sector
- Taiwan accounts for over **40%** of China's total import of Integrated Circles (semi-conductors)
 - USD **80 Billion** (total crude oil import= USD 120 Billion)

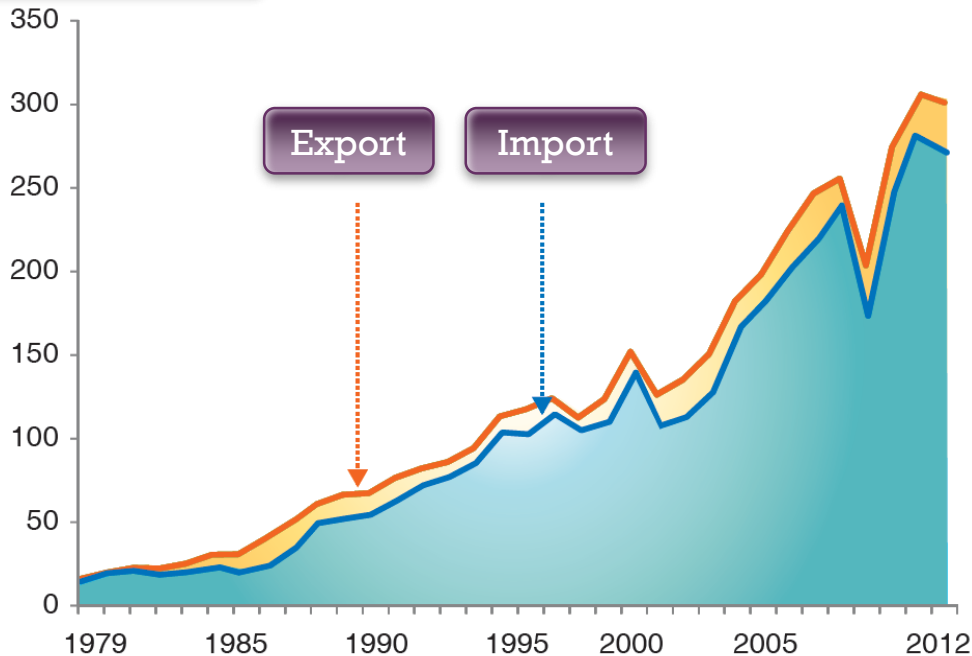




Taiwan is a major participant in Asia Pacific economic integration



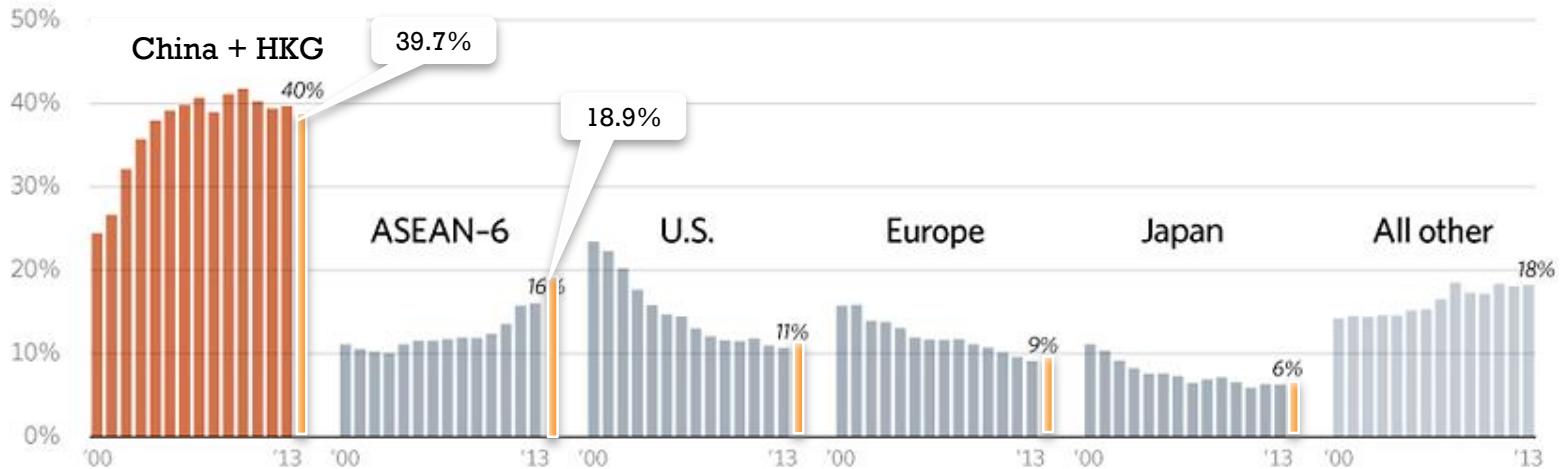
Unit: US\$ billions



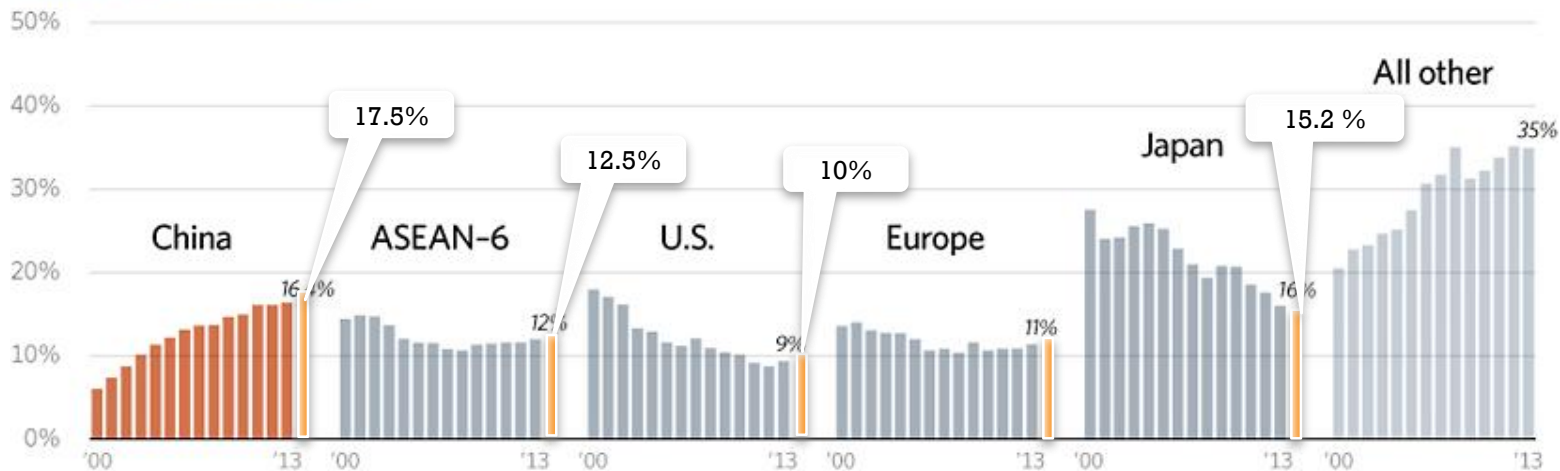
- Trade dependency=110% (2014)
- Current account surplus=11% of GDP
- No. 5 Outward investor in Asia (or no.3/4 if investment from third country to host country included)

+ Taiwan's already an integrated part of the Factory and Market Asia

SHARE OF TAIWAN EXPORTS



SHARE OF TAIWAN IMPORTS



Source: Taiwan Bureau of Foreign Trade, National Statistics Database, <http://ebas1.ebas.gov.tw/pxweb/Dialog/statfile1L.asp> (accessed July 17, 2014).

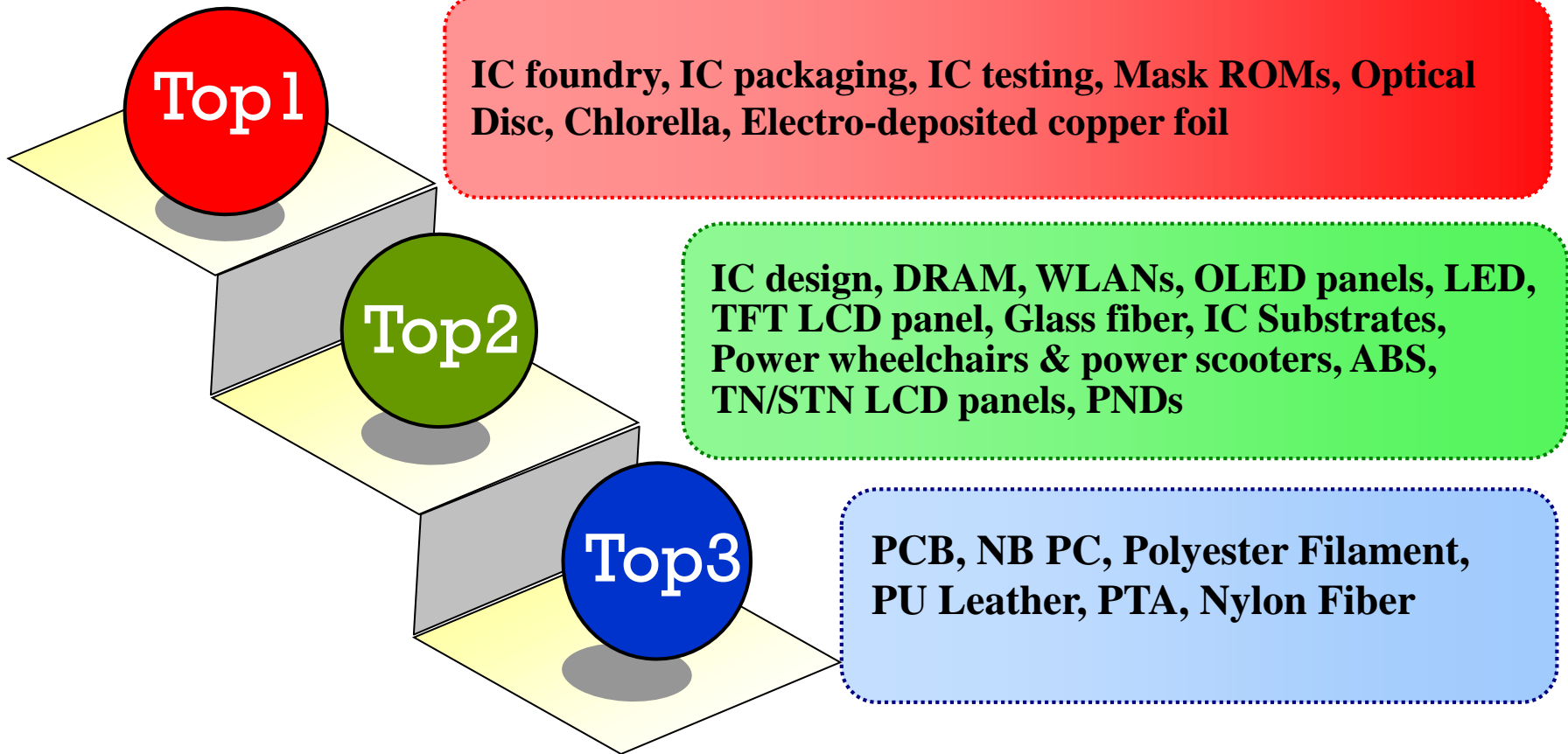
+ Deep integration with China

SHARE OF TAIWAN'S FOREIGN DIRECT INVESTMENT GOING TO CHINA



Source: Ministry of Economic Affairs (Taiwan), Investment Position, http://www.moeaic.gov.tw/system_external/ctrl?PRO=PublicationLoad&lang=1&id=159 (accessed July 17, 2014).

Taiwan as the World's Leading Supplier of High-Tech Products



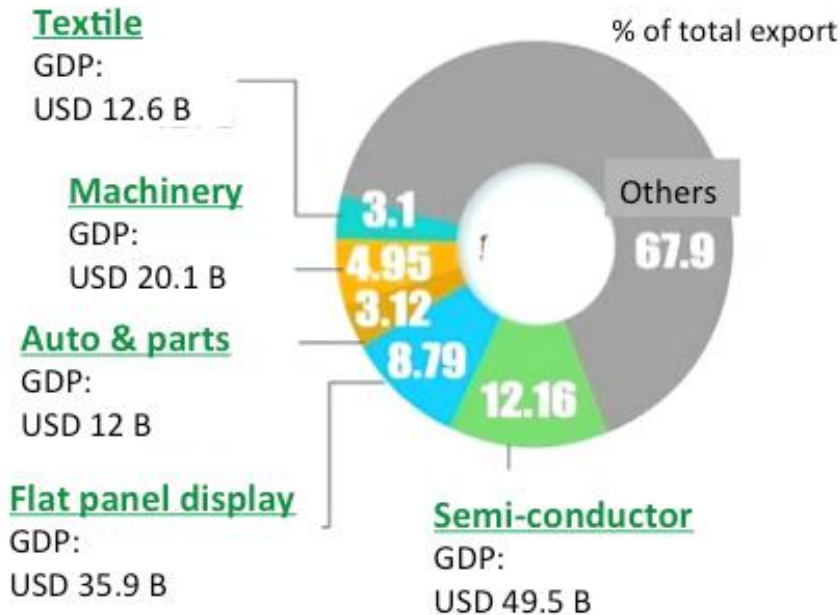
- Due to a substantial extent of **offshore production** in numerous high-tech end products and intermediate goods, Taiwan's domestic production and exports are now concentrated on **high-end intermediate goods** such as ICs and LCD panels.

But Taiwan is NOT all about ICT...



GIANT's Avail Advanced
SL 0 Women's Road Bike
2015
Retail price: about **8,500**
Euro

+ The rise of China's export substitute and the issue of concentration



Ranking	Category	2015.08 Export value	+/- (%)	2015 1-8 Export value	+/- (%)
Total		7,585	-9.8%	59,347	-5.4%
1	Electronics	2,592	-6.3%	19,754	1.3%
2	Machinery	520	-7.9%	4,179	0.2%
3	Chemical	469	-16.6%	3,888	-13.5%
4	Optical and	434	-19.5%	3,610	-4.7%
5	medical devices	403	-15.1%	3,338	-10.3%
6	Steel & products	357	18.1%	2,489	6.5%
7	Transportation	291	-2.2%	2,302	-1.1%
8	ICT	304	-8.3%	2,303	-8.9%
9	Electrics	254	-8.6%	1,906	-5.1%

Source: MOEA, 2015; UDN News Service

Joining the TPP to remain competitive and push for domestic reform is a priority



The national identity issue

U.S. State or Foreign Country of Birth

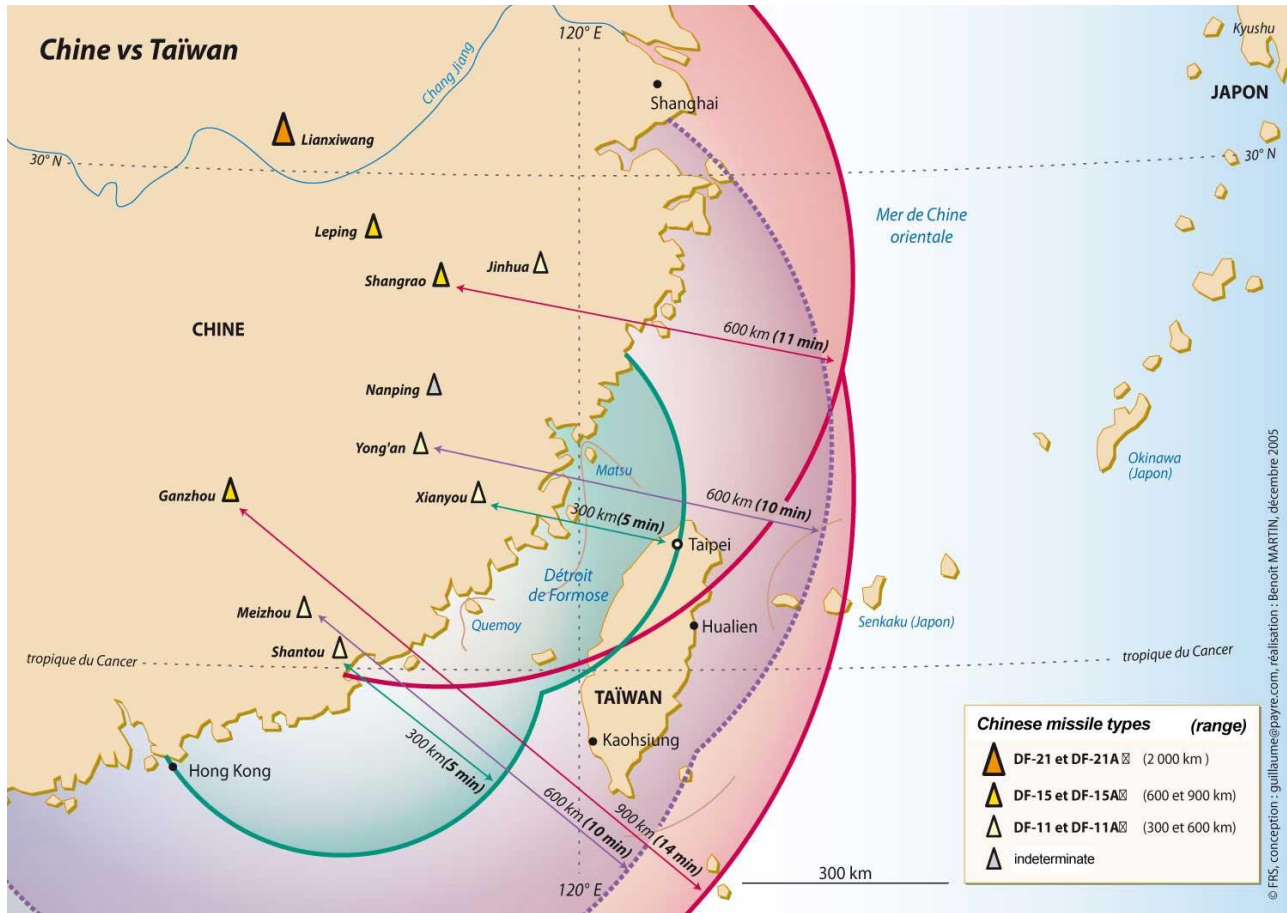
U.S. State Foreign Country/U.S. Possession Clear

TAIWAN, PROVINCE OF CHINA





The Missiles and the Great wall preventing Taiwan to join the AP economic integration





The Taiwan-China (unfinished)FTAs and the Sunflower Movement

+ Economic and social challenges



- Stagnation of wages, rising living costs and dissatisfaction of younger generation : the distribution of benefits and the assistance of the vulnerable
- The rise of China and ASEAN, transformation of the democratic and econ. structure
- Aging society

Estimated change in Taiwan's higher education

Year	2013	2023	No. reduced	% reduced
Under	301,820	182,293	119,527	-39.6%
Post	53,834	46,000	7,834	-14.55%
PhD	7,670	4,800	2,870	-37.4%
Sub	363,324	233,093	130,231	-35.84%

+ Implications for EU and Hungary

- The future of the Asia Pacific is unpredictable (in the good way) : development in the region is too important to ignore
- Understand is the first step
- Engage with ambition and imagination
- Development of and collaboration in the Soft Economy is important
 - Cultural, Arts, Creative industries, Education, Tourism, Food (organic agricultural products)
- Develop domestic supply chain and finding a right position in the global supply chain are critical in light of integration



Thank you



Further reading: *How Taiwan became the hottest food destination in the world* by Tom Parker Bowles

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Bars Restaurants Man Food Drinks

FOOD & DRINK

NEWS & ADVICE

HOW TAIWAN BECAME THE HOTTEST FOOD DESTINATION ON EARTH

15 September 2015 By Tom Parker Bowles

Tom Parker Bowles visits the Asian island where even the offal tastes divine

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<http://www.esquire.co.uk/food-drink/article/8841/taiwan-food-guide/>