

**TAIWAN-ASEAN ECONOMIC RELATIONS
IN THE CONTEXT OF EAST ASIAN
REGIONAL INTEGRATION**

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Executive Summary

1. The East Asian economies continue to maintain high growth rates despite the 2008-9 financial crisis. East Asian regional economic integration has been accelerating in tandem with the continuing growth of the Chinese and emerging economies, reflecting the rapidly growing intra-regional trade, intra-regional investment and the proliferation of Free Trade Agreements (FTAs).
2. As East Asian economic integration intensifies, Taiwan is increasingly concerned about the risks of its over-reliance on the mainland. It is thus seeking to expand and diversify its economic relations and further develop its cooperation with Southeast Asia and beyond.
3. Taiwan was an important trade and investment partner of ASEAN in the 1970s when Taiwan first relocated its labor-intensive manufacturing industries to Southeast Asia. Southeast Asia has since the late 1990s replaced North America to become Taiwan's most important destination for exports.
4. However, as regional economic integration deepens, Taiwan is facing increasing challenges from China, Japan, South Korea and India especially in its export and investment positions in the Southeast Asian markets.
5. The conclusion of the Economic Cooperation Framework Agreement (ECFA) is often cited as the most significant development of Taiwan's economy and a new beginning for the island. The significance of ECFA is not so much on the current content of the ECFA, but more on what ECFA might become, and the impacts it is likely to have on cross-Straits relations and the region as a whole.
6. Since the mainland now accounts for 27% of Taiwan's total exports, Taiwan can indirectly benefit from the mainland's FTAs with its trading partners in Southeast Asia and the economic integration in this region.

7. As China has become an important outward FDI source, and Chinese companies in some sectors like textile and automotive have also been relocating parts of their production operations to ASEAN countries, Taiwanese enterprises can ride on their collaboration with mainland's enterprises to expand their investment in Southeast Asia.
8. The prospect of Taiwan signing FTA-like agreements, bilateral investment agreements, or making other economic arrangements that will help keep pace with the proliferation of bilateral and plurilateral arrangements in Asia has improved since the ECFA. These arrangements are also expected to enhance Taiwan's position as a regional business hub.