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Taiwan keen to create FTA with Asean

TAIWAN has proposed to create a free trade agreement (FTA) with the Association of South-East Asian Nations (Asean) to mitigate risk of over-investing in China.

This proposal, however, may be blocked by China which last year agreed to form an Asean-China FTA within the next ten years.

Taiwan's Deputy Minister of Economic Affairs Steve Chen Ruey-Long said that he hoped for an agreement within a year, and did not see any reason why China should object as both countries are members of the World Trade Organisation (WTO).

"The FTA is about economics and trade. China should not try to politicise this sort of agreement as that would be unfortunate," Chen added.

Speaking at the Taiwan-Asean Business Forum 2003 in Kuala Lumpur yesterday, he said since the Asian economic crisis in 1997, Taiwanese investors had shifted to China.

Taiwan has been trying to minimise the risk of putting all its investment into a single region after the crisis.

"Our investment is genuinely over-invested in China, mostly because of the lack of a language barrier, the similarity of culture, and the low labour cost," said Chen.

China accounted for 40 per cent of Taiwan's total outbound investment, with a trade of US\$29.4 billion (US\$1 = RM3.80) worth of goods, or 22.5 per cent, of its exports in 2002.

Chen said Taiwan's "Go South" policy is to encourage the private sector to reconsider and reassess their global strategy with the Asean region as an important economic and investment partner.

"We believe this region will continue to be the most dynamic region in the world and there is room for further growth. There is no doubt about it," he said.

Chen said the forum is a strategic effort by Taiwan to further strengthen bilateral trade and boost regional economic cooperation.

Taipeh, a member of the WTO since two years ago, believes that an FTA between Taiwan and Asean is the best vehicle to bring about closer relationship. "We are one of Asia's major economies, with the capacity and

willingness to provide expertise in developing the economy on a mutually beneficial basis with Asean and I believe such an FTA will benefit both sides," he added.

Taiwan is confident that an FTA will provide greater resource integration and specialisation, enhance regional stability and prosperity, and expedite the pace of East Asia's trade liberalisation.

According to Asian Strategy & Leadership Institute president Mirzan Mahathir, an FTA between Taiwan and Asia will benefit all member countries

and would be worthwhile to study this proposal.

"Malaysia and Taiwan are big trading partners and this trade can be enhanced between all sectors. Malaysia can learn and emulate from Taiwan's small and medium size enterprises (SMEs)," said Mirzan.

Taiwan was the fourth largest investor in Malaysia in the first quarter of this year. Malaysia is Taiwan's second largest trading partner after Singapore, with total trade of US\$7.2 billion. Kuala Lumpur enjoys a trade surplus of US\$1 billion.

Taiwan's investment in Malaysia for 2002 reached US\$9.2 billion and centres on four industries namely energy, chemicals, manufacturing, and IT and electronics.

Taiwan is also currently negotiating an FTA with Panama which it hopes will be concluded early August.

Meanwhile, Malaysia may also want to look to Taiwan to learn how to develop the strength of its SME industry in its bid to develop the sector as the country's new growth driver, Chen said.

The country was able to sail through the 1997-1998 Asian economic crisis thanks to the SMEs that made the backbone of its economy, he added. Free from the trappings of huge corporate debts that pulled down some of Asia's biggest conglomerates from South Korea to Indonesia, the SMEs were more flexible and resilient in the face of the sudden crisis.

Chen said the SMEs could be one of the areas of cooperation the two countries could explore under the proposed Economic Dialogue Partnership between Taiwan and Asean.

Under the economic stimulus measure announced in May, Malaysia has begun to realign its growth policy to shift the balance from being too dependent on export-oriented industry. One of the sectors to be developed is the SMEs, and even smaller grass root industry, in order to boost domestic consumption, income and employment.