Cross-Straits Economic Cooperation Framework Agreement

Preamble

The Straits Exchange Foundation and the Association for Relations Across the Taiwan Straits, adhering to the principles of equality, reciprocity and progressiveness and with a view to strengthening cross-Straits trade and economic relations,

Have agreed, in line with the basic principles of the World Trade Organization (WTO) and in consideration of the economic conditions of the two Parties, to gradually reduce or eliminate barriers to trade and investment for each other, create a fair trade and investment environment, further advance cross-Straits trade and investment relations by signing the Cross-Straits Economic Cooperation Framework Agreement (hereinafter referred to as this Agreement), and establish a cooperation mechanism beneficial to economic prosperity and development across the Straits.

The two Parties have agreed through consultations to the following:

Chapter 1. General Principles

Article 1. Objectives

The objectives of this Agreement are:

1. To strengthen and advance the economic, trade and investment cooperation between the two Parties;

2. To promote further liberalization of trade in goods and services between the two Parties and gradually establish fair, transparent and facilitative investment and investment protection mechanisms;

3. To expand areas of economic cooperation and establish a cooperation mechanism.

Article 2. Cooperation Measures

The two Parties have agreed, in consideration of their economic conditions, to take measures including but not limited to the following, in order to strengthen cross-Straits economic exchange and cooperation:

1. Gradually reducing or eliminating tariff and non-tariff barriers to trade in a substantial majority of goods between the two Parties;

2. Gradually reducing or eliminating restrictions on a large number of sectors in trade in services between the two Parties;

3. Providing investment protection and promoting two-way investment;

4. Promoting trade and investment facilitation and industry exchanges and cooperation.

Chapter 2. Trade and Investment

Article 3. Trade In Goods

1. The two Parties have agreed, on the basis of the Early Harvest for Trade in Goods as stipulated in Article 7 of this Agreement, to conduct consultations on an agreement on trade in goods no later than six months after the entry into force of this Agreement, and expeditiously conclude such consultations.

2. The consultations on the agreement on trade in goods shall include, but not be limited to:

(1) modalities for tariff reduction or elimination;

(2) rules of origin;

(3) customs procedures;

(4) non-tariff measures, including but not limited to technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures;

(5) trade remedy measures, including measures set forth in the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994, the Agreement on Subsidies and Countervailing Measures and the Agreement on Safeguards of the World Trade Organization, and the safeguard measures between the two Parties applicable to the trade in goods between the two Parties.

3. Goods included in the agreement on trade in goods pursuant to this Article shall be divided into three categories: goods subject to immediate tariff elimination, goods subject to phased tariff reduction, and exceptions or others.

4. Either Party may accelerate the implementation of tariff reduction at its discretion on the basis of the commitments to tariff concessions in the agreement on trade in goods.

Article 4. Trade In Services

1. The two Parties have agreed, on the basis of the Early Harvest for Trade in Services as stipulated in Article 8, to conduct consultations on an agreement on trade in services no later than six months after the entry into force of this Agreement, and expeditiously conclude such consultations.

2. The consultations on the agreement on trade in services shall seek to:

(1) gradually reduce or eliminate restrictions on a large number of sectors in trade in services between the two Parties;

(2) further increase the breadth and depth of trade in services;

(3) enhance cooperation in trade in services between the two Parties.

3. Either Party may accelerate the liberalization or elimination of restrictive measures at its discretion on the basis of the commitments to liberalization in the agreement on trade in services.

Article 5. Investment

1. The two Parties have agreed to conduct consultations on the matters referred to in paragraph 2 of this Article within six months after the entry into force of this Agreement, and expeditiously reach an agreement.

2. Such an agreement shall include, but not be limited to, the following:

(1) establishing an investment protection mechanism;

(2) increasing transparency on investment-related regulations;

(3) gradually reducing restrictions on mutual investments between the two Parties;

(4) promoting investment facilitation.

Chapter 3. Economic Cooperation

Article 6. Economic Cooperation

1. To enhance and expand the benefits of this Agreement, the two Parties have agreed to strengthen cooperation in areas including, but not limited to, the following:

(1) intellectual property rights protection and cooperation;

(2) financial cooperation;

(3) trade promotion and facilitation;

(4) customs cooperation;

(5) e-commerce cooperation;

(6) discussion on the overall arrangements and key areas for industrial cooperation, promotion of cooperation in major projects, and coordination of the resolution of issues that may arise in the course of industrial cooperation between the two Parties;

(7) promotion of small and medium-sized enterprises cooperation between the two Parties, and enhancement of the competitiveness of these enterprises;

(8) promotion of the mutual establishment of offices by economic and trade bodies of the two Parties.

2. The two Parties shall expeditiously conduct consultations on the specific programs and contents of the cooperation matters listed in this Article.

Chapter 4. Early Harvest

Article 7. Early Harvest for Trade In Goods

1. To accelerate the realization of the objectives of this Agreement, the two Parties have agreed to implement the Early Harvest Program with respect to the goods listed in Annex I. The Early Harvest Program shall start to be implemented within six months after the entry into force of this Agreement.

2. The Early Harvest Program for trade in goods shall be implemented in accordance with the following rules:

(1) the two Parties shall implement the tariff reductions in accordance with the product list and tariff reduction arrangements under the Early Harvest stipulated in Annex I, unless their respective non-interim tariff rates generally applied on imports from all other WTO members are lower, in which case such rates shall apply;

(2) the products listed in Annex I of this Agreement shall be subject to the Provisional Rules of Origin stipulated in Annex II. Each Party shall accord preferential tariff treatment to the above-mentioned products that are determined, pursuant to such Rules, as originating in the other Party upon importation;

(3) the provisional trade remedy measures applicable to the products listed in Annex I of this Agreement refer to measures provided for in subparagraph (5) of paragraph 2 of Article 3 of this Agreement. The safeguard measures between the two Parties are specified in Annex III of this Agreement.

3. As of the date of the entry into force of the agreement on trade in goods to be reached by the two Parties pursuant to Article 3 of this Agreement, the Provisional Rules of Origin stipulated in Annex II and the provisional trade remedy measures provided for in subparagraph (3) of paragraph 2 of this Article shall cease to apply.

Article 8. Early Harvest for Trade In Services

1. To accelerate the realization of the objectives of this Agreement, the two Parties have agreed to implement the Early Harvest Program on the sectors and liberalization measures listed in Annex IV. The Early Harvest Program shall be implemented expeditiously after the entry into force of this Agreement.

2. The Early Harvest Program for Trade in Services shall be implemented in accordance with the following rules:

(1) each Party shall, in accordance with the Sectors and Liberalization Measures Under the Early Harvest for Trade in Services in Annex IV, reduce or eliminate the restrictive measures in force affecting the services and service suppliers of the other Party;

(2) the definition of service suppliers stipulated in Annex V applies to the sectors and liberalization measures with respect to trade in services in Annex IV of this Agreement;

(3) as of the date of the entry into force of the agreement on trade in services to be reached by the two Parties pursuant to Article 4 of this Agreement, the definitions of service suppliers stipulated in Annex V of this Agreement shall cease to apply;

(4) in the event that the implementation of the Early Harvest Program for Trade in Services has caused a material adverse impact on the services sectors of one Party, the affected Party may request consultations with the other Party to seek a solution.

Chapter 5. Other Provisions

Article 9. Exceptions

No provision in this Agreement shall be interpreted to prevent either Party from adopting or maintaining exception measures consistent with the rules of the World Trade Organization.

Article 10. Dispute Settlement

1. The two Parties shall engage in consultations on the establishment of appropriate dispute settlement procedures no later than six months after the entry into force of this Agreement, and expeditiously reach an agreement in order to settle any dispute arising from the interpretation, implementation and application of this Agreement.

2. Any dispute over the interpretation, implementation and application of this Agreement prior to the date the dispute settlement agreement mentioned in paragraph 1 of this Article enters into force shall be resolved through consultations by the two Parties or in an appropriate manner by the Cross-Straits Economic Cooperation Committee to be established in accordance with Article 11 of this Agreement.

Article 11. Institutional Arrangements

1. The two Parties shall establish a Cross-Straits Economic Cooperation Committee (hereinafter referred to as the Committee), which consists of representatives designated by the two Parties. The Committee shall be responsible for handling matters relating to this Agreement, including but not limited to:

(1) concluding consultations necessary for the attainment of the objectives of this Agreement;

(2) monitoring and evaluating the implementation of this Agreement;

(3) interpreting the provisions of this Agreement;

(4) notifying important economic and trade information;

(5) settling any dispute over the interpretation, implementation and application of this Agreement in accordance with Article 10 of this Agreement.

2. The Committee may set up working group(s) as needed to handle matters in specific areas pertaining to this Agreement, under the supervision of the Committee.

3. The Committee will convene a regular meeting on a semi-annual basis and may call ad hoc meeting(s) when necessary with consent of the two Parties.

4. Matters related to this Agreement shall be communicated through contact persons designated by the competent authorities of the two Parties.

Article 12. Documentation Formats

The two Parties shall use the agreed documentation formats for communication of matters arising from this Agreement.

Article 13. Annexes and Subsequent Agreements

All annexes to this Agreement and subsequent agreements signed in accordance with this Agreement shall be parts of this Agreement.

Article 14. Amendments

Amendments to this Agreement shall be subject to consent through consultations between, and confirmation in writing by, the two Parties.

Article 15. Entry Into Force

After the signing of this Agreement, the two Parties shall complete the relevant procedures respectively and notify each other in writing. This Agreement shall enter into force as of the day following the date that both Parties have received such notification from each other.

Article 16. Termination

1. The Party terminating this Agreement shall notify the other Party in writing. The two Parties shall start consultations within 30 days from the date the termination notice is issued. In case the consultations fail to reach a consensus, this Agreement shall be terminated on the 180th day from the date the termination notice is issued by the notifying Party.

2. Within 30 days from the date of termination of this Agreement, the two Parties shall engage in consultations on issues arising from the termination.

This Agreement is signed in quadruplicate on this 29th day of June [2010] with each Party retaining two copies. The different wording of the corresponding text of this Agreement shall carry the same meaning, and all four copies are equally authentic.

Annex I: Product List and Tariff Reduction Arrangements Under the Early Harvest for Trade in Goods

Annex II: Provisional Rules of Origin Applicable to Products Under the Early Harvest for Trade in Goods

Annex III: Safeguard Measures Between the Two Parties Applicable to Products Under the Early Harvest for Trade in Goods

Annex IV: Sectors and Liberalization Measures Under the Early Harvest for Trade in Services

Annex V: Definitions of Service Suppliers Applicable to Sectors and Liberalization Measures Under the Early Harvest for Trade in Services

Chairman

Straits Exchange Foundation

President

Association for Relations Across the Taiwan Straits