

**Project of International Logistic
Service Business Action**
(Final Version)

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One. Origin of the Project

In recent years regional economic & trading organization has been well developed in the wake of the rise of regional economy throughout the world. The newly emerged countries have got their economy open and growing at a rapid pace, triggering the global economic structure integrated anew. The booming Internet and information technology have further heated the competition in the international community for all lines of businesses. Amidst the transformation of the industrial structure, rapid electronic oriented business and logistic services, the potential market of regional supply chains have caught the limelight in the international community. Today, logistic industry strategies have played a pivotal role in the national economic development.

Under such irresistible trend, how to bright the international logistics into a sound development to create sound regional supply chains has become one of the mainstream tasks of international trade. In Asia-Pacific Economic Cooperation (APEC) 2009, for instance, “Supply Chain Link” was covered into one of the key tasks of “Trade Promptness” which, as well, covered four major realms of commodity motivation, e-commerce, product standards and moving of merchants and aimed at logistics and transportation systems as the key targets of development. Under the joint teamwork of all APEC membership system, the logistic function in Asia-Pacific Region has officially marched forward at a rapid pace into an overall renewed era of innovation.

The Republic of China on Taiwan is at the moment facing up with both opportunities and challenges with rapid changes in both internal and external structures. Amidst the multi-regional integration in East Asia, direct flight links and rapid economic interactions between Taiwan and China, how shall we integrate the multifaceted logistic development to boost the logistic industry into the core power of internationalized development to create the logistic networks that link enterprises of the entire world into a whole? This is a pivotal lesson amidst the continual and uninterrupted rise of economic competitive edge. In an attempt to continually and uninterruptedly strengthen Taiwan’s capability in the world economy to guide the enterprises into better domination of the advantage under the existent niches, reinforce software & hardware strength in logistics, we have tried to team up with counterpart customs, harbors and trading systems into a sound teamwork to bring the industrial supply chains into a sound link. This represents a major strategy among the logistic industry development to strengthen the global deployment and the very core to boost Taiwan’s competitive edge. In the present Project, on the grounds of the aforementioned trends and thought, we map out the sound orientations for the logistic management during 2010~2013. Meanwhile, we will put the existent international strongholds for development of Taiwan’s industries into the maximum utilization to create the strength of industrial supply chains of more powerful strategic deployment.

Two. Visions and Goals of the Project

Taiwan is heavily dependant upon foreign trade. Its momentum in economic development presupposes continual implementation of trade. The vision of the present Project is to create superior platforms for international business operation through establishment of the core power in international logistics with wholehearted efforts to bring commercial flow, financial flow and information flow into a whole to back up trading activities and, in turn, create the golden opportunities for Taiwan in economic and trading activities throughout the world. For the present Project, we bear in mind the sound growth and development of domestic logistics and concurrently link the international logistics and

supply chains. We clarify definitely the goals of the present Project as follows:

- I. To develop core power of international logistics, cross-integrate customs, harbor and trading into a whole so as to help Taiwan-based enterprises reinforce their caliber in global logistics.
- II. To make adequate utilization of the golden chances of the close economic interchanges and direct flight links between Taiwan and China to closely connect the industrial supply chains between Taiwan and entire Asia-Pacific Region into a sound teamwork.
- III. To take advantage of the “Economic Cooperation Framework Agreement”(ECFA) newly signed by and between Taiwan and China to set up the global logistic networks toward the golden decade ahead for Taiwan in economic and trading development. By 2020, we will successfully build Taiwan into a key stronghold of value added logistics and resource integration for the entire Asia-Pacific Region.

Three. Review over Relevant Policy Implementation and Orientation for Future Development

I. Implementation of relevant policies and projects

Looking back over Taiwan’s past policies regarding logistic development, we noticed that Taiwan government launched the Asia-Pacific Operating Center Program in 1993, Global Logistics Center in 2000 and Free Trade Port Zone in 2003. All these projects have aimed at the efforts to take advantage of the optimal geographical location that Taiwan holds to, step-by-step, build Taiwan into one of the very strongholds of economic activities in Asia-Pacific Region. As the world economy has moved eastward, the East Asia enters a new phase of economic & trading integration. The integration of the regional economy and Taiwan & China teamwork in economic and trading efforts have virtually reorganized the economic and trading realms and triggered the international logistic supply chains into a new mode of competition/

In the reorganization of economic & trading structure and commercial modes, Taiwan sets up added value added core power in regional logistics in a more active entrepreneurial logistics. In turn, the superior industrial capability of Taiwan gets further linked up with the international community in economic and trading strength. In such regards, we adopt two strategies. The one is to “Build a Nest to Lure Phoenixes” to lure international enterprises to set food in Taiwan as the base to dominate East Asian supply chains. The other: “To Connect Beads into Chains”, to bring together the existent resources of overseas Taiwan entrepreneurs to become the niches for East Asia.

II. Review over the past implementation of policies

In review over the results yielded through performance of the past implementation, we noticed that the efforts have significantly upgraded the values of quite a few industries, guided Taiwan-based enterprises into a new channel into the global logistics and have gradually deployed the firm strongholds in Asia-Pacific Region. In the days and years ahead, as the Asia-Pacific Region will be continually integrated economically and in trade, Taiwan is bound to be continually creating the new mode of logistic industry, invigorate core power of business operation in the international community, set up sounder environments for free bilateral and unilateral trade to speed up the superior potency of “standing firm in Taiwan for powerful logistic of the world”. The results yielded through past

implementation of policies are reassessed below:

(I) The logistic policies call for further integration:

As logistic business is increasingly diversified, comprehensive and multifaceted, implementation of logistic related policies involves cross-department head powers and responsibilities. Facing up to the cross-regional integration trend, we must set up a sound mechanism of coordination in high administrative level authorities, invigorate performance of implementation in various programs beyond the duties and responsibilities of various government departments for more comprehensive planning. In the establishment of cross-department development mechanism in international logistic service business, we should coordinate with the post-ECFA development policies to enable Taiwan-based enterprises to integrate resources of the entire East Asia. While wage rates in China are rising at the moment, we should try to recall some Taiwan investors in Mainland China to return to continually create added values for Taiwan and, meanwhile, by means of integrated teamwork with international logistic businesses, we should team up with overseas Taiwan investors to create brand name channels for international supply chains. In turn, we shall be able to march toward the global logistic goals.

(II) Renewed teamwork by and between government and non-government sectors:

While the entire world is integrating economy and trade and the non-government entrepreneurs are marching toward the global logistics, the government authorities have teamed up with non-government sector in the international logistics so as to set up harmonious and inform pace. At the moment, especially, while the APEC primarily aims at “link in supply chains”, Taiwan should put forth maximum possible efforts to have the government and non-government sectors teaming up with each other to enforce the PDCA (plan, do, check, act) circulatory feedback mechanism to bring up added niches in commerce on firm steps, take firm command of the new logistic mode and to, in turn, boost the competitive edge of the logistic business in the international community.

(III) Further reinforcing the logistic facilities into the key international strongholds:

In Taiwan, the hardware transportation construction and the logistic software construction have intensively backed up economic development. As the neighboring East Asian nations have been in cutthroat competition and the global logistics has been adjusted in the mode, we should assess logistic facilities in Taiwan in the global supply chain pivots. That means Taiwan still leaves quite a room to invigorate its performance power. In subsequent efforts, in both hardware construction and software improvement, we should continually strengthen value added planning, especially the harmonious backup and development potential so as to further implement the goal of the “Double Operating Centers”. In turn, Taiwan based investors will become capable of walking out of the island and foreign investors will get adequate incentives to walk onto the island. In the politic blueprints, we should be forward-looking enough to innovate the logistic development, take advantage of the post-ECFA implementation niches to thoroughly remold the logistics capability in Taiwan and to make Taiwan the hubs of international operations.

III. Comparison with the international community and analysis of the *status quo*

(I) Comparison of the logistic development policies in Northeast Asia:

Different countries tend to develop logistics in varied strategies as they are in different levels of business development. At the moment, all Northeast Asian nations are putting forth maximum possible efforts to build the regional supply chains. China, Japan and South Korea are gradually shifting their dialogues into the economic regions of Asia-Pacific Region. In analyses into the logistic policies among China, Japan and South Korea, we notice that Japan, with its “Outlines of Comprehensive Logistic Policies”, is already in the politic level of a developed nation, with stressed focus on international community, environmental protection, efficiency and lifestyle, in the value-added set as a well mature economic body. Mainland China, on the other hand, is in the domestic logistic development as a developing nation. Through its “Logistics Adjustment and Invigoration Planning”, it stresses on the guidance into a sound development in the lines. Through the efforts of the logistic market superintendence and approval of access in market, it sets up the core policies for overall supplementation. On the other hand, South Korea co-shares quite a few similarities with Taiwan in the logistic development through its enactment of logistic policies. Its “Northeastern Asian Logistics Hub Project” is primarily intended to map out the supporting measures to balloon its economy for the purposes of creating and unfolding international logistics. In terms of the strategic policies and logistic development, South Korea is quite in a competition against the Republic of China.

(II) Analysis on the *status quo* of the Republic of China:

1. The competitive edge in logistics of the Republic of China as rated by the World Bank:

As per survey conducted by the World Bank about the logistic competitive edge of key nations, the Republic of China ranks the 20th in overall ranking, behind Singapore, Japan and Hong Kong, but preceding South Korea and Mainland China. The rating represents a subjective survey conducted by the research body of the World Bank but still suggests the referential value for an overall and comprehensive comparison for a nation in the international community. Through single item observation, Republic of China proves remarkable in terms of performance in international transportation, cargo tracing but still shows much more room to improve in the aspects of customs clearance efficiency, infrastructures, logistic services and real-time promptness. The rating results are shown through Table 1. Among the items, customs clearance efficiency is a sort of logistic software construction in a broad sense, infrastructures are logistic hardware construction. Besides, those two items logistic services and real-time promptness represent the ones the Republic of China should put forth added efforts in integrate the supply chains.

Table 1 Competitive edge rating of major nations/regions in East Asia

Nations/regions	LPI Overall ranking	Customs clearance efficiency	Infrastructures	International transportation	Logistic services	Cargo tracing	Real-time promptness
Singapore	2	2	4	1	6	6	14
Japan	7	10	5	12	7	8	13
Hong Kong	13	8	13	6	14	17	26
Taiwan	20	25	22	10	22	12	30
South Korea	23	26	23	15	23	23	28
Mainland China	27	32	27	27	29	30	36

Source: *Connecting to Compete: Trade Logistics in the Global Economy*, the World Bank, January 2010

2. SWOT Analysis on the logistic development of the Republic of China

Taiwan boasts its superior harbor facilities, smooth and unhindered communications links with the neighboring nations and regions. It commands the dominating geographical advantage in developing international logistic services networks. Besides, Taiwan and Mainland China share exactly the same cultures and languages. Where the entire world shows a trend of having the demand for logistic services concentrated in Asia, the logistic services merchants may well deploy their global maps through Taiwan based logistic services to effectively team up with the counterpart logistic services of Asia, Europe and the United States into a whole. Taiwan itself is, nevertheless, advised to further broaden and deepen its logistic internationalization by setting added overseas strongholds, strengthening links with international community and upgrading and nourishing high caliber logistic services human resources and professionalism which appear as the first few lessons for Taiwan at the moment. The logistic services development SWOT is analyzed through the table below:

Table 2 SWOT Analysis on logistic services development in Taiwan

Advantages	Weaknesses
<ul style="list-style-type: none"> ● Located in the optimal geographical location in Asia-Pacific Region ● Superior marine and air forwarders service networks throughout Taiwan. ● Brick and flexible supply and integrating powers in East Asian and Chinese community international networks. 	<ul style="list-style-type: none"> ● It calls for added efforts to link with international standards ● It calls for added efforts to link with international community. ● Too high cost in law compliance. ● Lack of single department dominating administrative powers. ● Inadequate educational & training programs for logistic services talents.
Opportunities	Threats
<ul style="list-style-type: none"> ● The ECFA successfully signed by and between Taiwan and China is conducive to industrial integration. ● Availability of superior human resources ● The 12 Taiwan Beneficial Construction Projects launched by the government with heavy investment in infrastructures, which would integrate the up- and down-stream industries. ● Reduced tariff rates which would help boost competitive edge in the international logistic services. 	<ul style="list-style-type: none"> ● Cutthroat strategic competition from neighboring Japan, South Korea, Singapore, Hong Kong. ● Rapid rise of Mainland China harbor services which would lure the regional logistic activities.

In summation of the aforementioned analyses, Taiwan is well advised to take advantage of the same languages, same cultures shared by and between Taiwan and China, brisk and flexible market integration in supply, team up with fellow logistic services both at home and abroad into alliance, broaden service strongholds and scales, improve the infrastructures, foster high-caliber professionals and experts for logistic services, upgrade information service, better link with international community toward integrated global services, the golden niches while international entrepreneurs set food on Taiwan, bring together the resources of overseas Taiwan investors to combine financial flow and information flow. Through such teamwork, Taiwan will definitely create golden chances for Taiwan toward the global niches.

IV. Orientations of the subsequent efforts

Where the entire Asia-Pacific Region rapidly changes its economic & trading circumstances and where Taiwan and China are in increasing closer ties, the economic and trading development strategies and measures become increasingly important. Exactly as pointed out by the World Bank in its performance rating report: The trends of *Connecting to Compete: Trade Logistics in the Global Economy*. The World Bank officially promulgated that the entire world is already into an era of Compete: Trade Logistics in the Global Economy. As analyzed above about the advantages and weaknesses of the logistic services in Taiwan, the logistic services in Taiwan must benefit the Economic Cooperation Framework Agreement (ECFA) newly executed by and between Taiwan and China, especially the development strategies in the upcoming golden decade where “connecting links must be the very core of cooperation and development. Teaming up with the economic and trading policies and measures, Taiwan must be able to develop the surpassing competitive edge in international logistic services. Through “connection, cooperation, development” process and the policies, Taiwan should create and march toward more broad vision:

- (I) Strengthen the efforts to negotiate and talk with counterpart regions and nations in East Asian about the aviation powers and flight extension rights, study the machine/air link combination, marine/rail links to make Taiwan better link with the international logistic services. Meanwhile, Taiwan should try to strengthen logistic services cooperation with the marine and air ports between Taiwan and China.
- (II) Boost customs cooperation with counterpart regions and nations in East Asian, carryout customs, harbor & trading information platforms, inspection and quarantine mechanism, green channels for customs clearance, cargo safety control and such teamwork; accelerate the inter-accreditation on the AEO System with multinational entrepreneurial giants.
- (III) Work out and set up express connecting corridors, harbor cooperation, rapid ship connection, logistic mechanism link between Taiwan and China. Strengthen cooperation between Taiwan and the peripheral nations so that the logistic services between Taiwan and China will be growing at a rapid pace.
- (IV) The government authorities have put forth maximum possible efforts to help enterprises integrate resources, create setup of overseas supply chains, to adopt industrial policies and measures to cause Taiwan’s industries to get integrated with the traditional lines. Through such efforts, the government would boost Taiwan’s logistic businesses into international and larger scale.

Four. Implementation strategies and concrete measures

Boosting the international logistic service business into better development has virtually become a key task for all nations throughout the world to boost their competitive edge. In Taiwan, implementation of logistic services related policies would in most cases involve the inter-agency powers and responsibilities and would also involve such factors of government organization system and human resources. At the moment, therefore, we lay the effective inter-agency communications mechanism as the supreme task.

In the present Project “Service Business Implementation Panel of the Executive Yuan (the Cabinet)”, functions as the horizontal communications mechanism. All the strategies and measures so adopted are the powers and responsibilities to integrate various ministries and departments concerned so as to show the comprehensive key point of the logistic policies in the Republic of China.

I. Implementation strategies

The very key points of the present Project are unfolded through four aspects. The first is fostering of the logistic business; the next is building of complete set hardware constructions; the third is standardized integration between systems and information. The last is the concerted performance (synergy) from interact between software & hardware and unfolding of cooperation with international community which call for fulfillment of linkup programs of individual supply chains. In summation of the aforementioned key thoughts, the fundamental strategic policies for the logistic development in the Republic of China are enumerated below:

(I) Settlement of the fundamental strength for Taiwan’s logistic businesses:

We should put forth maximum possible efforts to promote respective logistic businesses up to larger scale, standardize logistic systems, heighten the function of logistic management and foster logistic businesses oriented professionals so as to back up the coordinating business lines into a sound development. In particular, we should take advantage of the world factories and ultra markets in Mainland China to foster the comprehensive logistic businesses in Taiwan, to help logistic businesses upgrade themselves into international level enterprises to, in turn, back Taiwan’s industries toward the world.

(II) Promotion of logistic business linkup related cooperation:

We will try to unify the import and export trade and harbor administration into a whole, set up single window cooperation platforms, enhance logistic service safety and efficiency, cause logistic businesses to get associated with electronic industry and step up Taiwan based industries to get linked up with the international supply chains through the frameworks of international information cooperation. We will, especially, stress the cooperation of customs, harbor, trade information between Taiwan and China. These efforts will create seamless link with the golden trade chances of the world for Taiwan-based industries.

(III) Establishment of topnotch software & hardware infrastructures of international level:

We will strengthen transportation infrastructures through international linkup to upgrade the transportation facilities in Taiwan to make Taiwan become the must-pass hub for the supply chain flows in Asia-Pacific Region. Meanwhile, the government may, by means of the administrative organization reform in Ministry of Transportation & Communications, make the maximum possible performance of the logistic functions in the international harbors and airports. The government will build cooperative networks for domestic and worldwide transportation mode to assume sound seamless linkup in the functions of highways, rails, air and sea transportation.

(IV) Create new niches of logistic services with supply chains in Asia-Pacific Region

Sound market growth is the very prerequisite for logistic professionalism into a sound growth. At the same time while the government is fostering the logistic businesses into concerted performance (synergy) development, the government will focus on the economic and trade teamwork as the very hub to boost the logistic businesses into concerted development so that Taiwan-based enterprises will grow up into a sounder shape. Through the logistic service mechanism, the Taiwan enterprises will get their power penetrating into entire Asia-Pacific Region. Through the information flow, commercial flow and financial flow associated into a whole, Taiwan will fulfill the unified supply chains in high speed seamless linkup with the international counterparts of logistic services.

II. Concrete measures

On the grounds of aforementioned strategies, the government authorities concerned shall, first of all, work out concrete measures and put them into firm implementation. After the projects are unfolded, Taiwan is to be in further development and cooperation with the peripheral economic bodies. The “Service Business Implementation Panel of the Executive Yuan (the Cabinet)” will coordinate with ministries and departments concerned to reassess the newly established concrete measures into hands-on implementation year-by-year (Cf. Table 5). The concrete measures at the moment cover four major aspects. The core contents are enumerated below:

(I) Promote customs clearance efficiency:

Amidst the brand new trend after successful execution of ECFA, the government authorities should try to ease up legal binding, streamline customs process to make possible more prompt trade, advanced customs clearance efficiency, to make customs operation play a positive role in the economic development of the nation and help enterprises enhance competitive edge. These efforts will help enterprises take Taiwan as the logistic core of the entire world. Utilizing modernized science and technology, the government authorities could effectively assure trade safety and security as the optimal strategies to boost trade.

Through effective utilization of information communications know-how, the government authorities are advised to integrate the resources of customs, trade review process and border management agencies to build “customs, harbor and trading services through single window” with wholehearted efforts. Through such single window, an enterprise may utilize the information through all relevant agencies after it inputs the information through just one entry. This will exempt the double entry problem and prevent potential error. In turn, the enterprises will curtail the trading process and the time for customs declaration process in a broad sense, assure transparent information to facilitate trace the cargo flow and forecast the time required for customs flow and, eventually, bring down trading costs. Besides, through implementation of the “Quality Enterprise Accreditation System” (known as AEO), the qualified lawful enterprises will be granted beneficial terms in customs clearance process. Through “Cargo information forecast system”, the customs may obtain the required information to conduct risk analyses before too late and thus accelerate the smuggling crackdown efficiency. Through overall adoption of X-ray container examination instruments, the customs may enhance the smuggling crackdown performance and lower the inspection costs compared with the traditional manual examination. With the adoption of RFID electronic seal escorting systems, the customs will better assure containerization safety and security. The concrete measures in the present sector are enumerated below:

1.1 Enhance trade promptness:

- 1.1.1 Carry out the project to integrate the trade promptness networks.
- 1.1.2 Work out the way to streamline customs clearance process.
- 1.1.3 Intensify and set up additional customs clearance software facilities.

1.2 Promote trading safety:

- 1.2.1 Forecast information of cargo flow.
- 1.2.2 Enhance the enterprise accreditation and management mechanism.
- 1.2.3 Assure cargo movement safety.
- 1.2.4 Modernized inspection technology & know-how.

1.3 Set up intellectual circumstances

- 1.3.1 Render customs, harbor and trading services through single window
- 1.3.2 Carry out safe and intellectual sea, air port projects.

(II) Sound and comprehensive infrastructures:

After the ECFA was signed by and between Taiwan and China, Taiwan gets the virtual breakthrough in logistic channels and economic cooperation. The sea, air transportation and the peripheral industry development would play the role as the catalyst of the macro-economical development. Taiwan's sea, air ports are, as a result, repositioned anew. The competition among ports of various countries is no longer confined to port-to-port competition alone but is now virtually the competition that is expanded to competition in hinterlands and even the omnifarious and comprehensive competition that covers the development of industrial supply chains. The seaports and air airports in Taiwan should, accordingly, deal with such competition status through in close teamwork amidst sound division of labor. Other than the aforementioned aspects, Taiwan will renovate its seaports and air airports as the international gateways as a means to boost national competitive edge through four aspects, i.e., reconstructing harbor facilities, intensifying international links in seaports and air airports, reforming harbor systems and strengthening free trade port development.

In reconstructing harbor facilities, the relevant constructions shall be carried out in the north, central and south parts. The construction in north Taiwan primarily focuses on Taiwan Taoyuan International Airport which will be rebuilt into Taoyuan Airport City. In central Taiwan, Taichung Port will be built into the central Taiwan dispatch center. In the south, Kaohsiung Harbor will be built at the core Kaohsiung seaport and air airport project into the Kaohsiung Sea & Air Trade City. In the aspect of strengthening international linkup with seaports and air airports, Taiwan will further boost direct air links between Taiwan and China through direct flights with renovated values and win over added international flight powers as the key points. Besides through the efforts to separate from government performance from enterprises, the government will positively carry out commercial port reforms so as to efficiently enhance port competitive edge, promptly orient to the market demand and solicit

investors. Then, as the last part effort, to strengthen free port development and implement free trade port and international logistic services related businesses, the government will carry out such sub-projects of “Enhancing Port Region Business Performance”, “Strengthening Port Region System Functions” and “Positive Efforts to Solicit Investors”. Through regional division of labor between Taiwan and China, Taiwan will build the free trade port zones into major platforms of international logistic services to renew Taiwan’s competitive edge in port performance and logistic services. On the grounds of the aforementioned spirits, the concrete measures in this aspect include:

2.1 Strengthen airport logistic services:

- 2.1.1 Expand and improve airport building premises, strengthen software services.
- 2.1.2 Carry out Taiwan Taoyuan International Airport Outline Project.
- 2.1.3 Carry out Airport MRT System Project.
- 2.1.4 Broaden National Freeway #2.

2.2 Reconstruction of port facilities:

- 2.2.1 Build the operating hinterlands for “Kaohsiung Port Chienchen Harbor Area Land Development Project”.
- 2.2.2 Build “National Freeway #7 Kaohsiung Highway Section” to strengthen port area external links.
- 2.2.3 Map out sea port and peripheral industries into overall development, work out the feasibility studies about establishment of logistic and dispatch centers in Central Taiwan.
- 2.2.4 Reassess the rate of import containerization fares.

2.3 Strengthen international linkup in seaports and air airports:

- 2.3.1 Implement the sea/sea and sea/air link modes to boost cargo moving promptness.

2.4 Aviation system reform:

- 2.4.1 Set up state-run airport corporations.
- 2.4.2 Set up harbor service corporations.

2.5 Strengthen free trade port development:

- 2.5.1 Enhance port area business performance.
- 2.5.2 Strengthen port area system functions, map out better land layout for free port zones.
- 2.5.3 Positively solicit investors.
- 2.5.4 Set up cross-territory cooperative mechanism and cause linkup of green

channels.

2.6 Promotion of transit services:

- 2.6.1 Encourage ships to register their nationality in Taiwan; work out preferential supporting measures.
- 2.6.2 Encourage international navigation firms with preferential supporting measures to build their bases in Taiwan as the strongholds for their cargo services.
- 2.6.3 Lure ships through one-stop services to moor in Taiwan with reduced rates, streamline the administrative formalities to them for refueling in Taiwan.

2.7 Strengthening warehousing facilities:

- 2.7.1 Work out projects to set up co-share warehouses inside the controlled zones or the neighboring hinterlands to facilitate small and medium logistic businesses.
- 2.7.2 Help logistic businesses find out the right land to set up lawful warehousing strongholds.

(III) Strengthen logistic services

In terms of network deployment integration, we try to take sea and air strongholds of international logistic services in Asia-Pacific Region and transportation networks as the target, set up land, sea and air network link mode and dispatch functions to promptly back at customers of industries at home and abroad to dispatch for their products into international logistic activities. Through such efforts, we can take firm command of globalized niches and demand, support the logistic businesses to set up professional logistic service mode, information value added function and cross-national logistic management momentum to win trust from overseas Taiwan investors and foreign merchants so as to win over more chances of international logistic services.

Where logistic services cover industrial logistic activities and logistic businesses, for the high level industry interrelationship and social benefits, we have established the items for logistic service surveys so as to dominate the scale, structure and development level of logistic activities in Taiwan. In turn, we provide the programs for continual improvements and provide the base as the reference for the government to set up the logistic services policies.

Under the trends of globalized economic and trading development in the international community, management over the supply chains calls for mid- and high-level human resources with global vision, capability of integration and policymaking. It is, therefore, advisable to encourage non-government educational & training organizations to maximize training momentum, carry out educational & training programs satisfactory to industrial demands, set up the sound mechanism for human resources accreditation. Meanwhile, the non-government training organizations should team up with professional international counterparts to bring in logistic educational & training programs and accreditation mechanism from advanced nations to broaden the channels to foster logistic human resources, strengthen the logistic human resources

structure to back up modernized and globalized development.

Besides, we shall continually encourage logistic businesses to accomplish core business complementarity, process consolidation & improvement, information integration through business cooperation to develop into integrated international logistic service business which should be the key tasks laying ahead. Meanwhile, the government authorities will offer incentives to logistic businesses to take firm command of the logistic business operation mode and develop innovated, differential and value-added logistic services to offer innovated logistic business operating mode, IT mode and logistic services mode with services to satisfy more customer needs, boost competitive edge and, in turn, help industries come into common platforms and standards. The concrete measures in the present sector are enumerated below:

3.1 Development and integration of logistic networks:

- 3.1.1 Study and analyze the characteristics of manufacturing industry and set up the special logistic services mode for the industrial zones.
- 3.1.2 Guide logistic businesses to strengthen transit momentum and build integral import and export logistic networks.
- 3.1.3 Conduct comparative analyses on domestic logistic services strongholds/networks with the neighboring countries based on the needs for services of the international logistic storage.
- 3.1.4 Guide domestic logistic businesses to undertake logistic businesses for foreign firms.
- 3.1.5 Keep logistic businesses informed of the change in the relevant laws and regulations in real-time.

3.2 On the rating chart of 2010 World Bank LPI, boost Taiwan's logistic services for the capability and quality:

- 3.2.1 High transportation services, rail transportation services, cargo forwarding services and such logistic services concerned.
- 3.2.2 Upgrade the capability and quality of warehousing forwarding businesses in quality, quantity and the standard inspection authorities and such logistic services.
- 3.2.3 Upgrade the capability and quality of relevant logistic services for quarantine authorities.
- 3.2.4 Upgrade the capability and quality of relevant logistic services for customs brokers.

3.3 Establish regular logistic statistical survey:

- 3.3.1 Study and offer proposals to have judgement of international logistic business matrixes, calculation operation of the output value covered into the industrial and commercial census.
- 3.3.2 Conduct statistical survey of logistic activities for domestic manufacturing

industry, wholesale and retail businesses, relevant logistic businesses so as to accumulate the fundamental information for statistics of logistic services related statistics.

- 3.3.3 Enact the statistical data which could depict the status of overall logistic services development in Taiwan and put such data into promulgation on a regular basis.
- 3.4 Educational & training programs for international logistic services human resources:
 - 3.4.1 Estimate the human resources required for various lines of international logistic businesses.
 - 3.4.2 Foster and train mid- and high level logistic services related professionals.
 - 3.4.3 Foster and train logistic services devotees and personnel.
- 3.5 Upgrade and innovate industries.
 - 3.5.1 Back up enterprises to transfer and upgrade and set up demo system.
 - 3.5.2 Study and propose the way to assure smoothly logistic businesses, offer preferential financing to cause sound development toward larger scale.
 - 3.5.3 Develop new and original mode to boost competitive edge in the international community.

(IV) Promote cross-territory development and teamwork:

From start of the direct flight links between Taiwan and China to execution of ECFA, the relationship between Taiwan and China is now developing toward a sounder manner. Very naturally, Taiwan based enterprises and Mainland China based Taiwan investors are facing up to the significant changes both qualitatively and quantitatively, the government is on the bounden duty to help enterprises go into sounder global logistic deployment to integrate the overall strength, including Taiwan based enterprises, Mainland China based Taiwan investors and Taiwan investors throughout the world, for the cargo sources and logistic resources to take Taiwan as the very hub so that the superior manufacturers originating in Taiwan get chances to have their commodities marketed toward entire Asia and even the entire world. The effort to combine the logistic businesses between Taiwan and China into a whole toward the cross-territory development is a very significant key task lying ahead of us all.

In the face with the post-ECFA competition of the world, the government primarily focuses on the logistic businesses to help build integral supply chain management services to deploy strongholds in major commercial and trade bases abroad and help domestic logistic businesses develop toward larger scale and greater niches. The government authorities, meanwhile, also try by all means to arrange merchants to participate in overseas promotion missions to develop new chances throughout the world to boost competitive edge for Taiwan investors in the global supply chain competitive edge. Besides, the government will, as well, invite non-government sector (associations, societies) to team up with the government to jointly set up logistic services technology & know-how, equipment, software into the common standards. By means of being associated with the key in the present case organizations, those logistic

businesses will get linked up with logistic services standards of advanced nations, promote cloud services and such cross-territory logistic businesses so as to bring down logistic costs and boost economic benefits.

Besides, as a variety of demands for logistic services will rise in the days and years ahead, we should try to take advantage of the preferential geographical position and networks which create the golden chances amidst the direct chartered cargo flights between Taiwan and China to win cargo flight businesses to and from Mainland China. Through firm command of the chances amidst the substantial opening of the direct flights between Taiwan and coastal ports and inland territories of Mainland China, the government will help enterprises concerned to win flight extension powers for airlines as the formidable competitive edge in the flight markets in China. In the aspect of sea freight, the government is encouraging shipping merchants to additionally open navigation routes to connect the secondary ports of China. The government will team up with the east Asian counterparts to build new wharves. Through such efforts, the government would develop logistic businesses among countries and will get native ports associated with overseas ports into master ports and auxiliary ports complex that connect both domestic and overseas chances. Toward the special economic zones in both Taiwan and China, the government will launch cooperative teamwork on a regular basis to build special sea freight courier zones and prompt corridors between Taiwan and China, as well as inter-connected mechanism of customs information exchange and cooperation between the two sides of Taiwan Strait. In turn, both Taiwan and China will enjoy the customs teamwork in zero time gap to effectively boost sea freights and sea freight volume. The concrete measures in the present sector include: :

- 4.1 Aiming at the post-ECFA industrial need, the government will support the logistic businesses toward the niches of development up to sounder scale so as to win post-ECFA chances in wholehearted efforts.
 - 4.1.1 Render counseling guidance to mid- and large-scale logistic businesses toward larger scale and supply chain management services and expand the contents of global services and cross-national service strongholds.
 - 4.1.2 Host logistic business cooperation and interchange conferences between Taiwan and China.
 - 4.1.3 Set up sound interchange mechanism with Taiwan Investors Association, set up overseas business mission (toward Mainland China, Vietnam, India and such newly emerged regions) so as to probe into business opportunities for logistic businesses abroad.
 - 4.1.4 Study and analyze into the status of logistic business development in Mainland China and other newly emerged countries in Asia to offer proposals to Taiwanese investors to deploy the feasible mode.
- 4.2 Team up with non-government sectors to get linked up with international standards in a full steam:
 - 4.2.1 Invite associations and societies to participate in integration with Taiwan's customs, trade verification management process to meet the safety needs of the sea and air ports.
 - 4.2.2 The government will team up with the non-government sector to set up the

common standards of logistic technology & know-how, equipment, software through talks between Taiwan and China or major international organizations (e.g., WCO) to promote cross-territory development.

- 4.3 Promote logistics oriented cloud services to intensify information integration:
 - 4.3.1 Promote cross-territory integration services for information, logistics and financial flows.
 - 4.3.2 Set up cross-territory logistic services document storage and conversion mechanism to co-share services.
- 4.4 Set up linking powers and strategic alliance with foreign counterparts (including secondary ports in Mainland China)
 - 4.4.1 Development air and sea link networks with Mainland China through talks between Taiwan and China.
 - 4.4.2 Launch logistic network regional division of labor through northeast Asian nations.
 - 4.4.3 Extend outward investment in harbors.
- 4.5 Promote cross-territory cooperation for enterprises:
 - 4.5.1 Build special sea courier zones to render zero-time gap logistic services
 - 4.5.2 Build prompt courier corridors between Taiwan and China to create zero time gap value-added circumstances.
 - 4.5.3 Set up information exchange inter-connection mechanism between Taiwan and China.

Five. Implementation time schedule, frameworks and the funds required

I. Project time schedule and implementation frameworks

In the present Project, we combine the measures and implementation submitted by such authorities including Ministry of Finance, Ministry of Economic Affairs, Ministry of Transportation & Communications, Directorate-General of Budget, Account & Statistics of the Executive Yuan (the Cabinet), Council of Labor Affairs (concrete time schedule and division of labor, as detailed in Tables annexed hereto). The overall time schedule covers four years starting from 2010 until 2013. The subsequent implementation involves the overall reassessment and inter-agency in overall harmonization which could be coordinated through the “Service Business Implementation Panel of the Executive Yuan (the Cabinet)”.

II. Funds required:

The funds required for the present Project involve the sums budgeted for the authorities concerned (Cf. Table 3). The substantial implementation depends upon the data as submitted to and approved by the Executive Yuan (the Cabinet) year-by-year.

Table 3 Assembled Budgets Required for the Project

Expressed in Thousand NT Dollars

Project concerned	2010	2011	2012	2013	Total
Measure I: Upgrade customs clearance efficiency					
Trade promptness network integration programs (Ministry of Economic Affairs)	160,426	40,000	--	--	200,426
Cargo forecast information (Ministry of Finance) Note #1	22,000	140,630	302,180	47,540	512,350
Superior enterprise accreditation and management mechanism (Ministry of Finance)	7,967	3,636	1,878	0	13,481
Cargo moving safety(Ministry of Finance)	47,863	119,748	122,202	0	289,813
Modernization of inspection know-how(Ministry of Finance)	173,515	35,000	436,769	0	645,284
customs, harbor and trading services through single window(Ministry of Finance)	20,000	275,000	455,000	0	750,000
Safety intellectual sea port programs (Ministry of Transportation & Communications)	77,950	101,550	0	0	179,500
Measure II: Sound and comprehensive infrastructures					
The First Airport Mansion Expansion Project (Ministry of Transportation & Communications)	370,000	750,000	561,000	0	1,681,000
Construction of airport MRT systems(Ministry of Transportation & Communications) Note #2	17,979,600	19,445,800	18,636,700	17,135,300	73,197,400
Taiwan Taoyuan International Airport Zone Outline Programs (Ministry of Transportation & Communications)	45,000	0	0	0	45,000
National Freeway #2 Expansion (Ministry of Transportation & Communications)	4,325,000	2,892,000	866,000	0	8,083,000

Project concerned	2010	2011	2012	2013	Total
National Freeway #7 Kaohsiung Highway Section(Ministry of Transportation & Communications) Note #3	30,000	48,000	361,600	4,971,100	5,410,700
Kaohsiung Port Elevated Link Highway Project (Ministry of Transportation & Communications) Note #4	115,530	2,056,300	2,376,520	2,084,550	6,632,900
Kaohsiung Port Inter-continental Container Center, Phase I Project (Ministry of Transportation & Communications)	2,100,000	559,000	0	0	2,659,000
Measure III: Strengthen logistic services					
Industrial logistic services promotion program (Ministry of Economic Affairs)	--	62,208	62,208	62,208	186,624
Logistic services fundamental human resources training program (Council of Labor Affairs)	20,700	20,700	20,700	20,700	82,800
Measure IV: Promote cross-territory cooperation					
Logistic services and supply chain management development project(Ministry of Economic Affairs)	80,427	71,474	71,474	71,474	294,849
Promote logistics oriented cloud services(Ministry of Economic Affairs) Note #5	--	--	130,000	120,000	250,000

Note #1: Ministry of Finance “Cargo Forecast Information Program” is to be implemented during the period starting from 2010 until 2014. Among it, the sum budgeted for 2014 amounted to NT\$287,650,000 which is not enumerated in the Table.

Note #2: Ministry of Transportation & Communications “Airport MRT System Construction Project” is to be implemented during the period starting from 2004 until 2014. Among it, the sum budgeted for 2014 amounted to NT\$6,010,600,000 which is not enumerated in the Table.

Note #3: Ministry of Transportation & Communications “National Freeway #7 Kaohsiung Highway Section is to be implemented during the period starting from 2007 until 2017. Among it, the sums budgeted for 2014 amounted to NT\$60,617,000,000 and years thereafter which are not enumerated in the Table.

Note #4: Ministry of Transportation & Communications “Kaohsiung Port Elevated Link Highway Project” is to be implemented during the period starting from 2007 until 2014. Among it, the sum budgeted for 2014 amounted to NT\$485,720,000 which is not enumerated in the Table.

Note #5: Ministry of Economic Affairs “Promote logistics oriented cloud services” is to be implemented during the period starting from 2012 until 2014. Among it, the sum budgeted for 2014 amounted to NT\$100,000,000 which is not enumerated in the Table.

Six. Forecast effect and the influence

I. Anticipated benefits

The present Project is implemented for the purposes of integrating international logistic services, combining the regional attributes of the enterprises and administrative promptness of the free trade harbor zones, taking advantage of the commercial flows to develop in-depth level value-added business operation. Through sea and air combined freights, Taiwan is supposed to boost the competitive edge of sea and air logistic services in the international. Meanwhile, the government holds the policy to encourage enterprises to bring added value or dispatch cargoes in Taiwan, combine loading & unloading at wharves to yield processing functions to maximize the concerted performance (synergy) as “stores in front, factories behind” in the international economic and trade to embody the goals of “international logistic services while rooted in Taiwan”. The Project is anticipated to accomplish the following benefits:

- (I) Boost international logistic businesses toward sounder scale, promote upgraded logistic services mode, set up mechanism for industrial parts & components to benefit customers through dispatch anywhere throughout the world to take charge of the business opportunities yielded by the logistic businesses. Meanwhile, in coordination with the human resources in the industrial logistic businesses, we will back up the enterprises into further growth. Eventually, we will build Taiwan into the value-added bases of logistic services for dispatch of parts & components throughout the world.
- (II) Set up the “customs, harbor and trading services through single window”, streamline formalities for trade and import and export, create the information platforms linked up with the international community. The authorities in charge of the harbor, trade and customs affairs would strengthen economic and trading administrative measures through simultaneous pace to ensure trade safety and promptness, upgrade the transit cargo flow to lure more shipping merchants to moor in Taiwan ports or to ship their cargoes to Taiwan ready for dispatch. Meanwhile, in association with the coordinating measures, the sea, air port hinterlands of Taiwan will be built into the strongholds of the value-added logistic businesses of entire Asia-Pacific Region.
- (III) By means of reform the airports, seaports and such major transportation logistic services ports, development of the airport parks, we may strengthen the external links of various ports. In turn, the free trade ports will get their functions further maximized. Besides, with enterprise spirit, or entrepreneurial spirit, embedded, the logistic base facilities and services will be strengthened to integrate the administrative services of the government to lure more enterprises, both domestic and foreign ones, to land in the port areas to yield the cluster effect. While entire island is marching toward the free trade system, Taiwan will become the sea and air hub of entire Asia-Pacific Region.

II. Establishment of the targets for concrete performance

- (I) Major index—Boosting the ranking status in LPI:

Through the concrete performance indices, the Project through firm implementation will function as the key factors of reference. The World Bank revealed the Logistic Performance Index (LPI) for the first time in 2007 and revealed the LPI ranking of the

world as the second time in January 2010.

Compared with 2007, Taiwan upgraded the LPI rank from the 21st to the 20th. Looking into further details, Taiwan ranked 10th and 12th in the categories of “international cargo arrangement” and “international cargo tracing capability”, apparently surpassing the overall rank. In those four categories of “customs clearance efficiency”, “infrastructures”, “logistic services” and “real-time promptness”, Taiwan ranked 25th, 22nd, 22nd and 30th, suggesting more room for Taiwan to further upgrade itself.

In an attempt to upgrade Taiwan in the overall capability of supply chain link, the present Project sets the goals of boosting Taiwan in the minimum of two ranks by 2012 in the categories of “customs clearance efficiency”, “infrastructures” and “logistic services” as the overall performance goal.

(II) Secondary goal:

Through establishment of the software & hardware construction progress, customs, harbor and trade integration and such secondary indices, the Project will monitor the accomplishment effect. Through such efforts, we will continually reassess the implementation of the Project, business operation flow and such subsequent policies and measures. The major indices and sub-indices are enumerated in Table 4.

Table 4: Concrete performance indices of international logistic service business development (including the major indices and secondary indices)

Indices	Descriptions	Sponsors (co-sponsors)	Target values of the respective years				Overall target values
			2010	2011	2012	2013	
Major index No. I: Upgrade the ranking in World Bank LPI by 2012 in such secondary indices of “customs clearance efficiency”, by 2 ranks up to 23rd.							
1. Number of superior firms.	Number of superior firms: 400 firms (Total number of firms in that year / Total number of firms ×100%)	Ministry of Finance	23%	62%	100%	--	100%
	Number of superior firms inter-acknowledged internationally (The superior enterprises inter-acknowledged by more than three nations×100% /3)	Ministry of Finance	--	--	66%	100%	100%
2. Import and export cargo customs clearance efficiency	Reduce the time required for import and export customs clearance (time required for import and export customs clearance in a broad sense)	Ministry of Finance(Ministry of Economic Affairs) (Ministry of Transportation & Communications) (Department of Health) (Council of Agriculture)	--	Complete measuring of the time required for domestic customs clearance	--	Reduce by 20% from the survey base value	Reduce by 20% from the survey base value
	Reduce the volume of import and export documents	Ministry of Finance	--	--	--	Reduce down to below 2~3 cases	Reduce down to below 2~3 cases
Major index No. II: Upgrade the ranking in World Bank LPI by 2012 in such index of “infrastructures”, by 2 ranks to 20th.							
3. Annual cargo volume growth rate of Taiwan Taoyuan International Airport	The import and export cargo volume compared with the preceding year	Ministry of Transportation & Communications	The GDP growth rate of the year +1%	The GDP growth rate of the year +1%	The GDP growth rate of the year +1%	The GDP growth rate of the year +1%	Annual GDP growth rate +1%
4. Annual cargo volume growth rate of Kaohsiung Port	The import and export cargo volume compared with the preceding year	Ministry of Transportation & Communications	The GDP growth rate of the year +1%	The GDP growth rate of the year +1%	The GDP growth rate of the year +1%	The GDP growth rate of the year +1%	Annual GDP growth rate +1%

Indices	Descriptions	Sponsors (co-sponsors)	Target values of the respective years				Overall target values
			2010	2011	2012	2013	
	year						
5. Performance of Inter-Continental Container Center	Annual container loading, unloading capacity	Ministry of Transportation & Communications	--	1,500,000 TEU	--	1,500,000 TEU	3,000,000 TEU
	Boost models of incoming ships into the Port		--	10,000 TEU level	12,500 TEU level	--	12,500 TEU level
6. Growth rate of free port zone import and export trade		Ministry of Transportation & Communications	The GDP growth rate of the year +2%	The GDP growth rate of the year +2%	The GDP growth rate of the year +2%	The GDP growth rate of the year +2%	Annual GDP growth rate +2%
7. Establishment of large-scale logistic centers	Stress on development of large-scale logistic centers	Ministry of Economic Affairs	--	--	1 firm	1 firm	Get approvals for two logistic service centers in the north, central, south Taiwan within four years
Major index No. III: Upgrade the ranking in World Bank LPI by 2012 in such index of "logistic services", by 2 ranks to 20th.							
8. International deployment of logistic businesses	Number of firms	Ministry of Economic Affairs	2 firms	3 firms	3 firms	3 firms	11 firm
	Build new additional overseas strongholds		8 points	12 points	12 points	13 points	45 points
	The number of newly increased service bases abroad		12 items	18 items	20 items	25 items	75 items
	Number of newly increased customers		5 firms	7 firms	8 firms	10 firms	30 firms
9. Push forward investment by the non-government sector	Amount	Ministry of Economic Affairs	NT\$120 million	NT\$250 million	NT\$300 million	NT\$330 million	NT\$1 billion
		Ministry of Transportation & Communications	NT\$800 million	NT\$300 million	NT\$300 million	NT\$500 million	NT\$1.9 billion

Indices	Descriptions	Sponsors (co-sponsors)	Target values of the respective years				Overall target values
			2010	2011	2012	2013	
	Number of employees	Ministry of Economic Affairs	200 employees	250 employees	250 employees	300 employees	1,000 employees
		Ministry of Transportation & Communications	155 employees	347 employees	109 employees	121 employees	732 employees
10. Bolster international and multinational logistic businesses	Number of firms	Ministry of Economic Affairs	1 firm	1 firm	2 firms	1 firm	5 firms
	Boost the number of manufacturers and suppliers		200 firms	200 firms	400 firms	200 firms	1,000 firms
	Boost logistic services up to larger scale		NT\$2 billion	NT\$2 billion	NT\$4 billion	NT\$2 billion	NT\$10 billion
11. Fostering and training of logistic services related human resources	Train mid- and high-level human resources	Ministry of Economic Affairs	100 employees	100 employees	100 employees	100 employees	400 employees
	Train fundamental level human resources for logistic services	Council of Labor Affairs	2,500 employees	2,500 employees	2,500 employees	2,500 employees	10,000 employees

Appendix: Overview Table of Concrete Measures Matters to Be Implemented in Varied Years