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**SPECIAL COMMENTARY:**  
**Taiwan, TIFA & TPP - Taiwan Needs the Trans Pacific Partnership Now**

**March 11, 2013**

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**US-Taiwan Business Council**

On Sunday, March 10, U.S. Deputy Trade Representative Demetrios Marantis conducted trade negotiations with Taiwan's Deputy Minister of Economic Affairs Cho Shih-chao. This Trade & Investment Framework Agreement (TIFA) meeting marks the resumption of bilateral trade talks, which had suffered a more than 5-year freeze brought on by disagreements over Taiwan imports of U.S. beef.

Trade negotiators on both sides concentrated on setting a foundation for the future by creating several working groups focused on investment and on technical barriers to trade. In addition, they agreed upon a number of joint principles in information and communication technology services and international investment. These measures will provide direction for the next year of negotiations in the run-up to the TIFA meeting tentatively planned for Washington, D.C. next year.

In Taiwan, the TIFA media coverage has remained mostly focused on the issue of pork imports. This is a highly contentious issue domestically, and is being used to pressure the government of Taiwan President Ma Ying-jeou into a defensive position; hence the steady stream of official pronouncements in the lead-up to the meeting, stating that there would be no concessions on pork.

Deputy USTR Marantis had his own balance to strike on the issue, with significant pressure coming from Congress to move forward on market access issues regarding pork. In the end, however, neither negotiating team wishes to find itself painted into a corner like during the 2007 disagreements over beef, and Mr. Marantis was extremely careful in the language he used when talking about applying uniform health and safety standards to food.

The most important development is the groundwork both sides are laying for a possible Bilateral Investment Agreement (BIA). This is an essential building block to a more robust and ambitious trade relationship, and it is a welcome indication that both sides are prepared to press for significant outcomes.

The successful TIFA meeting is a welcome break from the inertia of bilateral U.S.-Taiwan trade relations during the past 5+ years. Taiwan is a top U.S. trading partner, and it is only right that we should have a robust and dynamic trade dialogue with significant and eminently achievable goals.

For Taiwan, however, the resumption of TIFA talks with the U.S. is only the beginning of what must be a sustained push for further and more wide-ranging trade arrangements with its myriad trading partners. A chief target should be Taiwan's participation in the Trans Pacific Partnership (TPP) as soon as possible.

President Ma was re-elected in January 2012, giving him the green light to continue his policy of cross-Strait reconciliation through economic and cultural liberalization. Taiwan's Economic Cooperation Framework Agreement (ECFA) with China was the centerpiece of Ma's successes during his first term, and the populace was persuaded that he was committed to a balanced trade approach and to opening up other markets as well – that Taiwan would undertake a truly global trade policy.



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Yet President Ma is now profoundly unpopular due to deep countrywide angst over chronic low growth, rampant under-employment, and stagnant wages. Taiwan's citizens are unhappy with their present economic lot, and – perhaps somewhat unfairly – they hold President Ma responsible.

China agreed to sign the ECFA in an attempt to utilize closer economic ties to accelerate political unification, and the ECFA is a political agreement for China. For Taiwan it is primarily an economic agreement, and Taiwan does not see it as a facilitator to eventual unification with China – indeed, polling in Taiwan shows less than 10% of the population in support of such an outcome.

If Taiwan creates a structural trade imbalance weighted too heavily towards China, it runs the risk of also creating a domestic political and cross-Strait imbalance which would raise tensions should Beijing try to use it to coerce political concessions. Both the United States and other countries in the region should be seriously concerned about the potential for Taiwan economic marginalization or a trade relationship too weighted toward China. It is inherently destabilizing.

President Ma rightly understands that there must be a counterweight to ECFA to avoid a future rise in tensions. “We must pursue economic growth” he has stated, a goal to be achieved through trade liberalization and eventual inclusion in the TPP. However, the Ma timeline – seeing Taiwan join TPP after a buildup of about 8 years – is nowhere near ambitious enough.

The US-South Korea Free Trade Agreement (KORUS), along with other impending FTAs involving China and Taiwan's North East Asian trading partners, has to represent an immediate call to action for Ma and for Taiwan. Exports account for 70% of the island's GDP, and 40% of those exports go to China. Taiwan is hugely reliant on access to foreign markets for its economic well-being, but access to those markets is increasingly wrapped up in the politics of Taiwan's relationship with China.

Taiwan, unlike its global and regional competitors – including arch-rival South Korea – is uniquely barred from throwing itself into the trade liberalization ring. The complex political situation means that Taiwan is not like any regular country, and therefore cannot rely on normal tactics for remaining competitive. It is already falling seriously behind South Korea, whose ambitions today are seemingly best represented by the omnipresent Samsung.

Following TIFA talks with the U.S., Taiwan will likely announce that their New Zealand and Singapore FTAs have finally been completed. These announcements – coming after a successful TIFA round and with exports increasing due primarily to improved demand from China – will allow President Ma to shore up his domestic political support by arguing that Taiwan's economic fortunes are on the uptick. If that happens, Ma and his government run the risk of believing that Taiwan's core challenges are under control. They are not.

Mr. Ma would be well advised to use the KORUS as a guidepost for his second term. By unilaterally embracing reform, he could bring Taiwan into compliance with the standards set by the agreement. Ma should instruct his new Premier Jiang Yi-huah to have each ministry assess what changes will be required. In the fall of 2013, Premier Jiang should then submit a series of legislative changes to the Legislative Yuan that could be debated and enacted over the following 9 months.

In the summer of 2014, Taiwan should present its application to the negotiating countries of the TPP and request membership as a founding member, since Taiwan would by then already be near full compliance with the terms and conditions of the TPP. Such an achievement would represent the perfect complement to President Ma's first term success with the ECFA.



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If Taiwan does not seize the initiative and take some major steps forward on its own, the island will be left further and further behind its global rivals. As President Ma noted in May 2012, "if we want reform, then we must bear the short-term pains of adjustment." He is correct.

Mr. Ma's second term legacy should not be laying the groundwork for TPP membership in 8 years; it should be TPP membership now.

**About the US-Taiwan Business Council:**

The US-Taiwan Business Council ([www.us-taiwan.org](http://www.us-taiwan.org)) is a membership-based non-profit association, founded in 1976 to foster trade and business relations between the United States and Taiwan. The Council provides its members with business intelligence, offers access to an extensive network of relationships, and serves as a vital and effective representative in dealing with business, trade, and investment matters.