

U.S.-Taiwan Initiative on 21st-Century Trade in the Global Economic Landscape

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Executive Yuan, Taiwan
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Outline

1. **Observations of Current U.S. Trade Policy**
2. **Call for a U.S.-Taiwan Trade Agreement (BTA)**
3. **Growing U.S.-Taiwan Trade Relations and Recent Developments**
4. ***The 21st Century Trade Initiative* Negotiating Mandate**
5. **Significance of *the 21st Century Trade Initiative* and Next Steps**

1-1 Worker-Centered Trade Policy

Invest domestically before negotiating FTAs

- **Infrastructure Investment and Jobs Act**
 - Special focus on building U.S. “hardware” infrastructure
 - Unprecedented amount of investment in U.S. infrastructure with budget amounting 550 billion USD
- **CHIPS and Science Act**
 - 54.2 billion USD to develop domestic semiconductor manufacturing
 - Total budget totaling 270 billion USD (including R&D)
- **Inflation Reduction Act**
 - Scope beyond reduction of inflation
 - Tax credit for electric vehicles, including other tax incentives for green energy investment

1-2 Rally with Allies to Compete with China

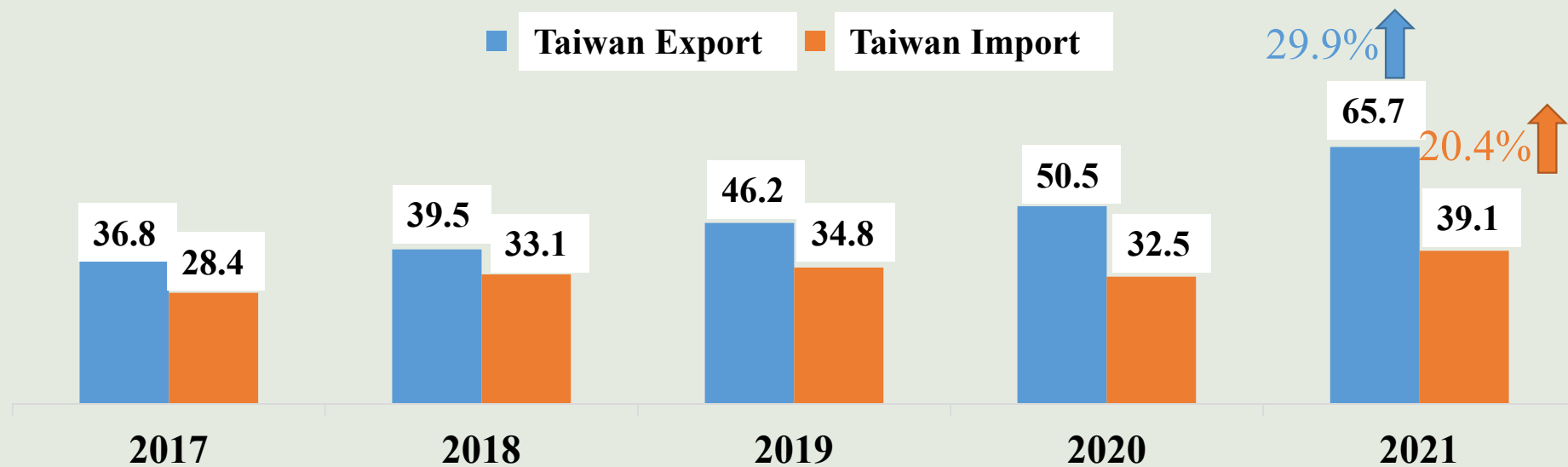
U.S.-China trade and technology conflicts continue

- Technology competition: U.S. CHIPS Act vs. China Chip Fund
- Increasing U.S. sanction and export control measures:
 - More than 110 Chinese entities on the Entity List for the past two years, with the total number of Chinese entities amounting to c.a. 600.
 - New export controls for semiconductor manufacturing technology, advanced semiconductors, and supercomputers.
- Alliances with Japan, South Korea and Taiwan on semiconductor supply chain resilience
- Section 301 Reviews on China continues

2-1 Growing U.S.-Taiwan bilateral trade

With bilateral trade reaching record highs, Taiwan is one of the few top trading partners with whom the U.S. do not have a FTA.

Taiwan's Imports and Exports to the U.S. over the Past Five Years (unit: USD billion)

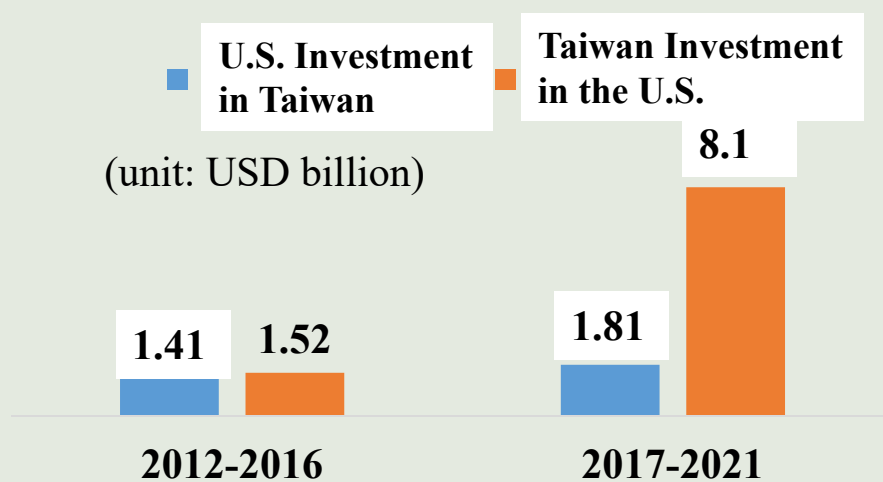


Source: Ministry of Finance

2-2 Growing U.S.-Taiwan investment

Mutual investment between the U.S. and Taiwan over the past five years has increased, with **Taiwanese investment in the U.S. growing by 431.8%**.

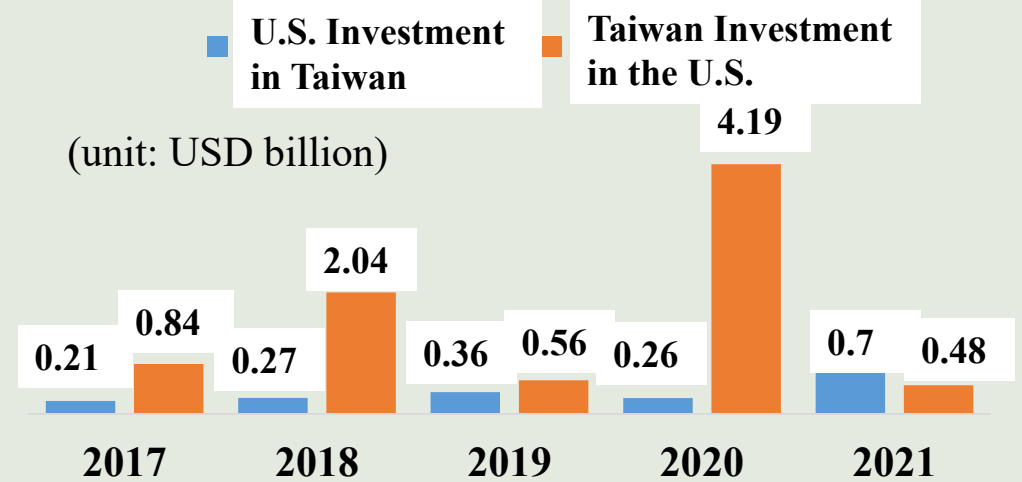
U.S.-Taiwan Bilateral Investment before/after 2016



Source: Ministry of Economic Affairs Investment Commission

In 2020, Taiwanese investment in the U.S. increased significantly, **totaling over 4 billion USD**.

U.S.-Taiwan Bilateral Investment over the Past Five Years



2-3 Existing WTO commitments insufficient to meet the needs of the current global trade landscape

FTAs offer opportunities for better inter-governmental cooperation and market access

- While WTO commitments serve as a basis for common ground, the global trade landscape has sought out other negotiation vehicles to negotiate issues concerning 21st century trade.
- The U.S., among other WTO Members, have utilized bilateral and regional trade agreements as a mechanism for such negotiations and thus far signed 14 FTAs with other trading partners, including South Korea and Australia.
- Regional economic pacts, such as the USMCA and CPTPP, have also become the forefront negotiations avenue for international trade standard setting.

3-1 Taiwan has continuously made efforts to call for a bilateral trade agreement (BTA) with the United States.

- Dec 2019: 161 House Representatives signed a joint letter advocating for the US-Taiwan BTA.
- Aug 2020: President Tsai announced to lift restrictions on importation of pork containing ractopamine residue and beef from cattle of age more than 30 months.
- Oct 2020: 50 U.S. Senators signed a joint letter to support the U.S.-Taiwan BTA.
- Jan 2021: U.S. pork containing ractopamine and beef from cattle of age more than 30 months started to enter the Taiwan market.
- Dec 2021: A national referendum confirmed the opening of pork with ractopamine.


3-2 Recent developments that led to the negotiations of the 21st-Century Trade Initiative.

- **May 2022:** Minister Deng met with USTR Ambassador Katherine Tai at the sideline of APEC meetings.
- **Jun 2022:** the U.S.-Taiwan Initiative on 21st-Century Trade was launched and the first ministerial meeting was held.
- **Aug 2022:** the U.S. and Taiwan announced the commencement of the 21st-Century Trade Initiative.



4-1 The trade issues under the U.S.-Taiwan Initiative on 21st Century Trade

The 11 trade issues currently contemplated under this Initiative highly overlap with those in the CPTPP and USMCA, with the possibility of more issues to be added in the future.

Trade facilitation	Good regulatory practices	Anti-corruption
SMEs	Agriculture	Standards
Digital trade	Labor	Environment
State-owned Enterprises	Non-market policies and practices	

4-2 The trade issues covered comprise part of a BTA

The Initiative does not have the “market access” provisions of a BTA, but would cover “access to market” rules also provided under a BTA.

- **The Biden administration has yet to negotiate any agreements with tariff reduction.**
 - The Biden administration suspended BTA negotiations with the UK, Kenya and Brazil previously started by the Trump administration.
 - The current Indo-Pacific Economic Framework (IPEF), US-Taiwan Initiative on 21st Century Trade, and Americas Partnership for Economic Prosperity (APEP) also do not negotiate market access issues such as tariff reduction.
- **“Access to market” trade rules can still enhance and facilitate existing market access of the parties.**
 - *E.g.*, “Trade Facilitation” can help accelerate the speed of customs clearance with cooperation between customs authorities.
 - *E.g.*, cooperation on “Standard” can harmonize standards and inspection procedures.

4-3 Trade Facilitation

- Enhance transparency of trade regulations, including publishing information on the Internet to communicate with traders and set up enquiry points.
- Accelerate customs clearance, including issuing advance rulings, employing electronic or automated systems for risk analysis and targeting, and allowing a single submission of information covering all goods contained in an express shipment through electronic means.
- Keep information provided by the other customs authority confidential if so designated.

4-4 Good Regulatory Practices

- Regulations should be written using plain language to ensure that those regulations are clear, concise, and easy for the public to understand.
- Make publicly available online at least every year a list of regulations that the Party reasonably expects to adopt or propose to adopt.
- Shall endeavor to provide a time period for the public to submit written comments and other input on the proposed text of the regulation.
- Make publicly available online the text of the regulation when it is finalized.
- Adopt or maintain procedures or mechanisms to conduct reviews of its regulations currently in effect.

4-5 Anticorruption

- Adopt or maintain legislative and other measures as may be necessary to establish bribery and corruption behavior as criminal offenses under its law.
- Adopt or maintain measures to protect whistleblowers.
- Disallow the tax deductibility of bribes and other expenses.
- Establish measures regarding the recovery of proceeds of corruption.
- Deny a safe haven for foreign public officials who engage in corruption.

4-6 Small and medium-sized Enterprises (SME)

- Publish on its website information that the Party considers useful to any person interested in trading, investing or doing business in that Party's territory and update it periodically.
- Facilitate inter-governmental cooperation to share experience, such as helping SMEs to participate in digital trade.
- Frequent dialogue with SMEs, including inviting SMEs, private sector, NGOs, academia and other stakeholders to meet periodically to provide advice or technical assistance.

4-7 Agriculture

- Risk analysis for setting up food safety standards should include risk assessment, risk communication, and risk management; stakeholders should also have opportunities to comment.
- Exchange information on issues related with “equivalency” , “regionalization” , “inspection at the port of export” , and “import inspection” , and promote systemic certification to facilitate import procedures.
- Emergency measures are allowed upon notification to the other Party, but the result of the assessment should be provided within six months after implementation and be based on science.

4-8 Standard

- Enhance provisions on transparency and notification obligations.
- Provide proper assessment and enhance public comments and participation during the rule-making and implementation process.
- A Party can request the authorities concerned of the other Party to review a product's standard or inspection procedure.
- Product labelling should not discriminate the other Party's products.

4-9 Digital Trade

- Maintain tariff-free goods and services that are electronically transmitted.
- Allow cross-border transfer of data.
- Prohibit data localization as a prerequisite for operating business.
- Protect on-line customers and enhance protection on personal data and privacy.

4-10 Labor

- Should set up laws or regulations about minimum wage, working hours and occupational safety.
- Provide clear rules on public participation, procedural protection, and the cooperation and consultation between Parties.

4-11 Environment

- Should protect human, wildlife and marine animals and commit to protecting the environment. Mutual cooperation to cope with challenges such as:
 - Ozone layer protection, air pollution, sustainable forest management, fishery resource management and fishery subsidies, illegal wildlife trade, marine environmental protection, and climate change.
- Should enforce effectively environmental regulations and will not encourage trade or investment through damaging its environmental protection. Encourage voluntary environment initiatives.

4-12 State-owned Enterprises (SOE)

- Define SOE to include government designated monopoly, and enterprises that can be indirectly controlled by the government although government's shareholding does not reach 50%.
- SOE should conduct its business activities based on commercial consideration.
- Prohibit “non-commercial assistance” to SOEs with bad credit, including loans and loan guarantees.
- Define how to calculate damages and adversary effects.
- Regulate how to make information of SOE transparent.

4-13 Non-market Policies and Practices

- Clarify current non-market policies and practices, such as substantial government subsidies and economic coercion.
- Enhance information sharing.
- Clarify what policy tools are needed.
- Discuss how to maintain market mechanisms and make new rules to deal with such issues.

5-1 Significance of the 21st-Century Initiative for Taiwan



1 Enhance U.S.-Taiwan trade relations

The Initiative will harmonize trade-related regulations between U.S. and Taiwan and deepen the bilateral economic and trade relations through more trade and investment activities.

2 Reinforce the competitiveness of Taiwan

The Initiative will boost confidence of foreign investors in Taiwan and attract more capital and high tech from around the globe.

5-2 Significance of the 21st-Century Initiative for Taiwan



3 **Facilitate** Taiwan's economic integration

The Initiative will help pave the way for Taiwan's further economic integration into the international trade community.

4 **Enhance** Taiwan's Market Economy System

The Initiative will deepen the U.S. and Taiwan cooperation, which will in turn reinforce Taiwan's market economy.

5-3 The Initiative Sets to Establish High-Standard Trade Rules

- **The issues covered under the Initiative highly overlap with those discussed under the IPEF**
 - Both the Initiative and the IPEF include topics such as Trade Facilitation, Good Regulatory Practices, Anticorruption, Agriculture, Digital Trade, Labor, and Environment.
 - The Initiative also includes SME, Standard, and State-Owned Enterprises, which are topics similar to those covered under the IPEF.
- **The issues covered under the Initiative also contain the newest issues in trade agreements**
 - New issues include Digital Trade and Non-market Policies and Practices.

5-4 The Initiative has the opportunity to expand into a comprehensive BTA and next steps

- **Possibility of negotiating market access in the future**
 - Market access may be on the table for negotiations in the future.
- **Next Steps: Taiwan is actively preparing for the negotiations**
 - Taiwan has begun to analyze the alignment of potential negotiations issues with current domestic laws and regulations, as well as to assess the potential impact and benefits under the eleven trade areas.

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