

U.S. REBALANCING TO ASIA AND TAIWAN'S GEO-ECONOMIC PLACE IN THE PACIFIC

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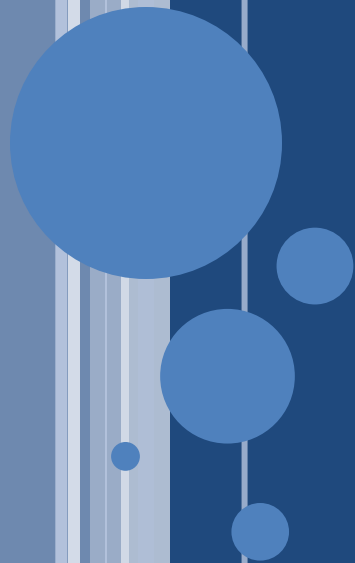
II. The Importance of Taiwan to the U.S. Rebalancing Strategy

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I. U.S. REBALANCING STRATEGY



1. BACKGROUND



President Obama

As President, I have, therefore, made a deliberate and strategic decision -- as a Pacific nation, **the U.S. will play a larger and long-term role in shaping this (Pacific) region and its future**, by upholding core principles and in close partnership with our allies and friends.

Remarks to the Australian Parliament (Nov.17.2011)



National Security Advisor

Susan Rice

Four key objectives in the U.S. Asia-Pacific rebalance include **“enhancing security, expanding prosperity, fostering democratic values, and advancing human dignity.”**

Speech at the George Washington University (Nov.20.2013)



Vice President
Joseph Biden

Reaffirmed the U.S. commitment to the rebalance to Asia and highlighted U.S. efforts to deepen its engagement with the region on the **political, security, and economic fronts.**

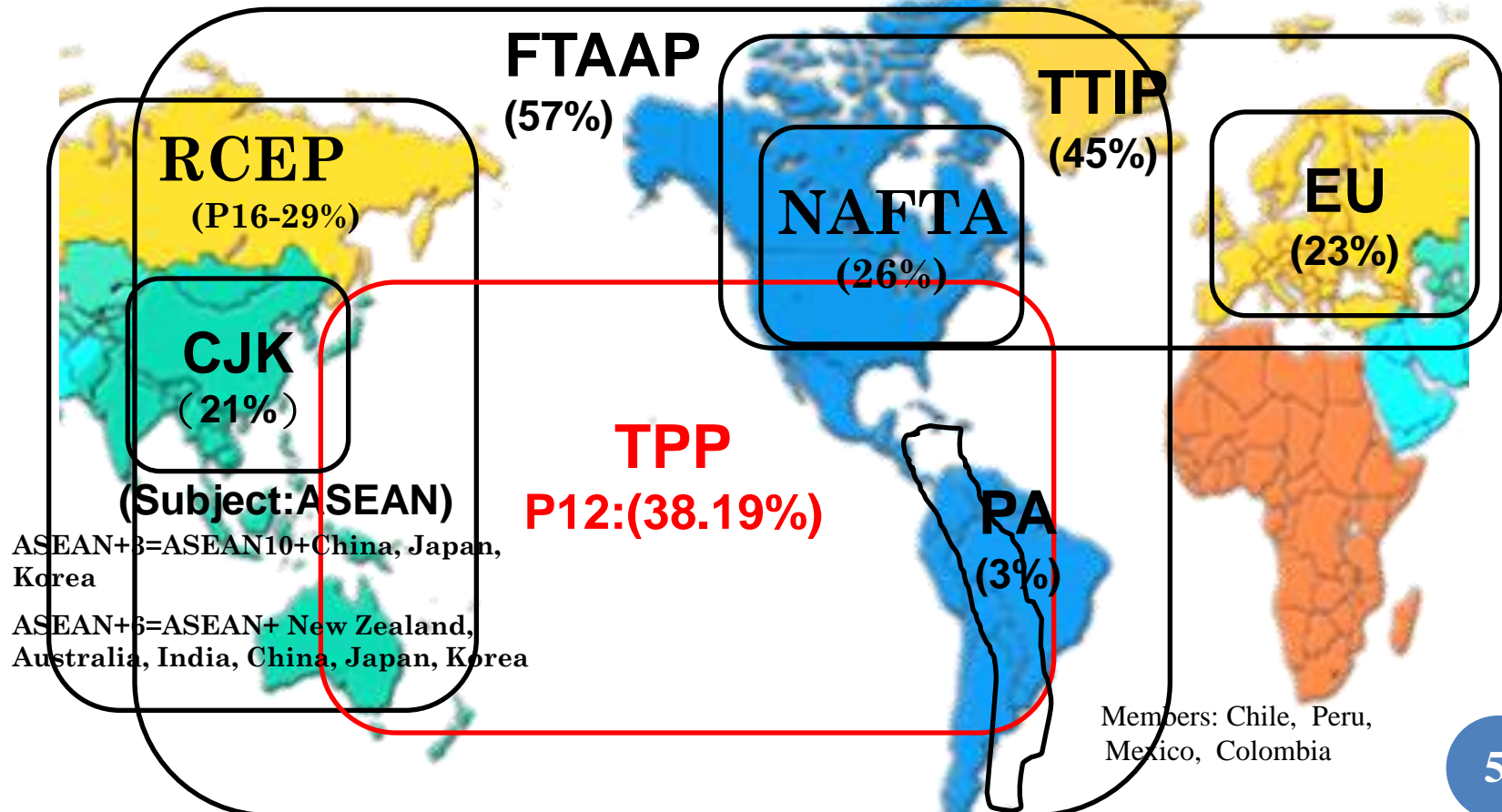
Noting the advanced state of **Trans-Pacific Partnership (TPP)**, he underscored the importance of working to **establish new rules** of the road to **meet the world’s economic needs in the 21st century.**

*Vice President’s Meeting with Prime Minister Lee Hsien Loong of Singapore
(June 25. 2014)*

2. ECONOMIC PROPOSAL - TRANS-PACIFIC PARTNERSHIP

(1) Global Economic Integration

2013 Global GDP US\$74.1 trillion



Note: The number in parenthesis indicates the ratio of the given FTA in global GDP.

Source: IMF, World Economic Outlook Databases (WEO) 2013 estimate, October, 2013.

2. ECONOMIC PROPOSAL - TRANS-PACIFIC PARTNERSHIP

(2) History of the TPP Negotiations

2003	Trans-Pacific Strategic Economic Partnership (TPSEP) was initiated by Singapore, New Zealand, and Chile as a path to trade liberalization in the Asia-Pacific region.
2005	Brunei joined negotiations
2006	TPSEP was concluded by 4 countries
2008	The United States joined the TPSEP negotiations (investment and financial services provisions) and set up the TPP negotiations
2013	Recently, Japan officially joined the TPP negotiations
2014	<ul style="list-style-type: none">The TPP has 12 members: Singapore, New Zealand, Chile, Brunei, the U.S., Australia, Peru, Vietnam, Malaysia, Mexico, Canada, JapanThe TPP has had 20 formal rounds; the latest was held on July 3-13 in Ottawa, Canada.

2. ECONOMIC PROPOSAL - TRANS-PACIFIC PARTNERSHIP

(3) Why is the TPP High-Standard?

All sectors are
subject to
negotiation
without exclusion

**Full
Liberalization**

Highlighting the
“behind the border”
issues

Deregulation

Besides tariff
elimination, areas
such as competition
policy, SOEs,
regulatory coherence,
labor and
environmental issues
are covered

Comprehensive

Living

The coverage of the
agreement and its
membership may be
enlarged

2. ECONOMIC PROPOSAL - TRANS-PACIFIC PARTNERSHIP

(4) 29 Chapters of TPP:

Definitions	Market Access for goods	Agriculture	Textiles, Apparel and Footwear	Technical Barriers to Trade
Sanitary and Phytosanitary Measures	Rules of Origin	Customs Cooperation and Trade Facilitation	Investment	Services
Financial Services	Telecommunications	E-Commerce	Business Mobility	Government Procurement
Intellectual Property	Labor	Environment	Transparency	Capacity building
Trade Remedies	Competitiveness	Small- and medium-sized enterprises	Regulatory Coherence	Administration of the agreement
Competition and State Owned Enterprises(SOE)	Legal and Institutional issues	Transparency in Health Care Technology and Pharmaceuticals Foreign Investment		Final Provisions

3. U.S. REBALANCING STRATEGY- ITS IMPLICATIONS TO U.S.-TAIWAN RELATIONS

Goals of the U.S. Rebalancing Strategy:

- Broaden Areas of Cooperation
- Strengthen Relations with Allies
- Develop Regional Norms and Rules



Share the Common Values:
Democracy, Free Trade

Taiwan is an asset and an indispensable partner to the United States in pursuit of the goal of the Rebalancing Strategy.

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II. THE IMPORTANCE OF TAIWAN TO THE U.S. REBALANCING STRATEGY

1. GLOBAL PERSPECTIVE

1. KEY PLAYER IN THE GLOBAL ECONOMY

(1) Global Ranking:

Taiwan is only about a $\frac{1}{4}$ **the size of Illinois**, but we are the **world's 18th largest** trading nation in 2013.

(Source: World Trade Organization)

**Global
Trade
Ranking**

Taiwan is the **11th in the world** and the **3rd in Asia** in the 2013 global competitiveness rating.

(Source: Lausanne Institute of Management)

**World
Competitiveness**

Taiwan is the **17th freest** in the world in the 2014 Index of Economic Freedom.

(Source: The Heritage Foundation)

**Index of
Economic Freedom**

1. KEY PLAYER IN THE GLOBAL ECONOMY

(1) Global Ranking (cont.):

Profit Opportunity
Recommendation:
No.3

Business
Operation Risk:
No.2 Lowest

Investment Environment
Risk Assessment Report
(BERI, Dec. 2013)

Political Risk:
No.3 Lowest

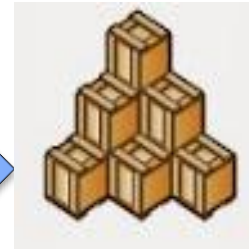
Foreign Exchange
Risk:
No.1 Lowest

1. KEY PLAYER IN THE GLOBAL ECONOMY

(2) Global Industrial Value Chain:

The industrial value chain is based on the concept of production (whether of a good or a service) as a system wherein **materials, labor, technical expertise and other factors of production** are introduced and combined at different stages and in various ways to **create the final product**, which is then delivered to the marketplace to be bought and consumed, completing the value chain life cycle.

(Bruce Kogut, 1985)



Final
Goods

15

Sourcing Materials, Labors, Technical Expertise....

1. KEY PLAYER IN THE GLOBAL ECONOMY

(2) Global Industrial Value Chain (cont.):

Many of Taiwan's industries and products play significant roles in the global industrial value chain.

In fact, **75% of our total exports consist of intermediate goods**, such as components for electronics, communications technology, biomedical equipment, automobiles, etc. Among them, the most notable one is the **high-tech industry**.

Taiwan's World Ranking as a Product Supplier

No.1	No.2	No.3
Wafer Foundry IC Packaging IC Testing	IC Design TFT-LCDs LED	Machine Tools

1. KEY PLAYER IN THE GLOBAL ECONOMY

(2) Global Industrial Value Chain (cont.):

In addition, many Taiwanese companies are working on the **vertical integration of the industrial value chain**, for example: to **integrate cash flow, logistics and collaborative design**; to extend the chain from assembly to **operations management and R&D**. Therefore, we are one of the most important suppliers to many famous international enterprises, such as Apple Inc.

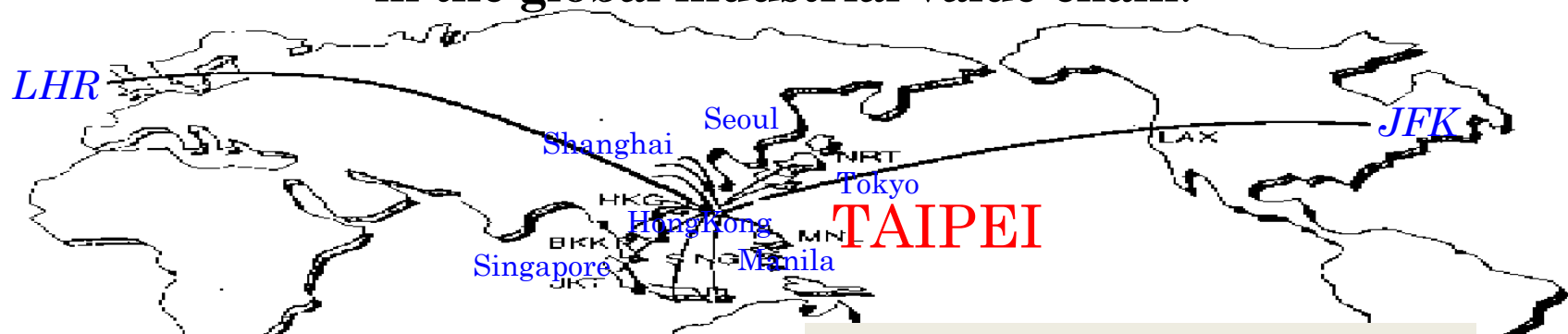
Apple Products	Main Manufacturers
iPhone 、 iPad 、 Macbook 、 iTV...	Foxconn 、 Pegatron 、 Quanta



1. KEY PLAYER IN THE GLOBAL ECONOMY

(2) Global Industrial Value Chain (cont.):

Taiwan's prime geographic location has raised our profile and status in the global industrial value chain.



Average flying time among 7 major airports in Asia Pacific

Taipei	02:55
HK	03:05
Shanghai	03:25
Manila	03:30
Seoul	04:00
Tokyo	04:15
Singapore	04:55
Sydney	06:15

Average sailing time among 5 major harbors in Asia Pacific

Kaohsiung	53
HK	64
Manila	68
Shanghai	78
Tokyo	110
Singapore	124

1. KEY PLAYER IN THE GLOBAL ECONOMY

(2) Global Industrial Value Chain (cont.):

Taiwan's Geo- Economic Advantage

Geographically well-positioned

Flexibility, Innovativeness
& Vast Experience of Manufacturers

Ideal high-tech Manufacturing Environment-
No.1 Industrial Cluster (*WEF Report, 2013*)

Therefore, we are the best choices for :

- Transportation and Logistics Hub
- Innovation and entrepreneurship hotspot
- Operational headquarters in Asia-Pacific

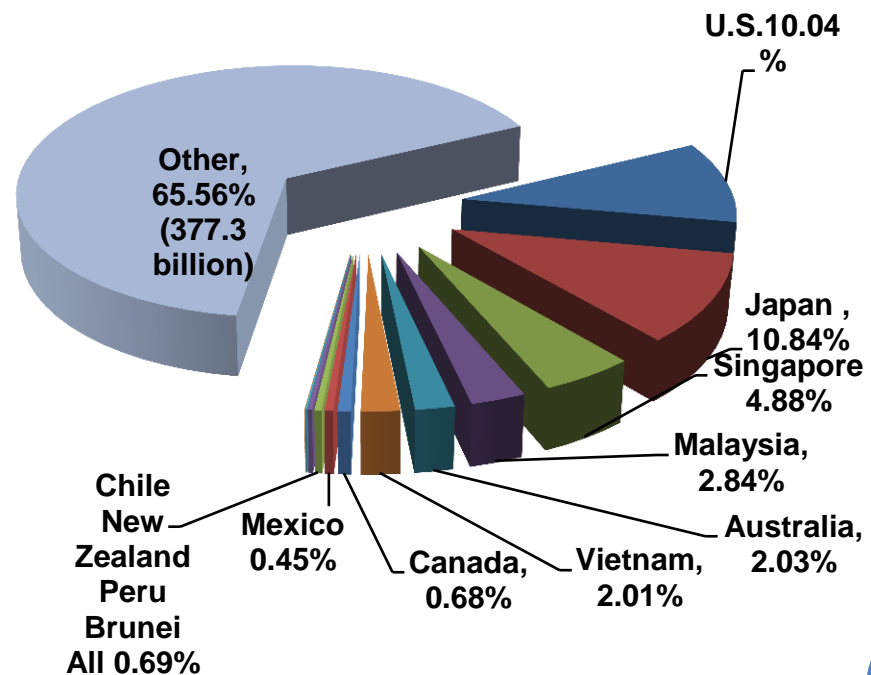
2. TPP MEMBERS PERSPECTIVE

2. CONTRIBUTIONS TO THE TPP AGREEMENT

(1) Close Trade Relation to All 12 TPP Members

- In 2013, Taiwan's trade with all 12 TPP members amounted to 198.22 billion USD - **34.4% of our total trade in volume.**
- If Taiwan join the TPP, we will become **the 6th largest economic power** among the members of the TPP.

Taiwan's Trade with TPP Members (2013)



2. CONTRIBUTIONS TO THE TPP AGREEMENT

(2) Taiwan's Membership Benefits All 12 TPP Members

The economic benefits with Taiwan's accession to the TPP

TPP Members	Real GDP growth rate (%)
Australia	0.410
Brunei	1.080
Chile	0.330
Malaysia	4.740
New Zealand	1.230
Peru	0.390
Singapore	2.740
United States	0.050
Vietnam	11.900
Mexico	0.700
Canada	0.750
Japan	0.500

Taiwan's inclusion in the TPP would bring an additional **78 billion USD** worth of social welfare to the TPP member nations.

Source: *Study Report of Economic Impact Assessment and Response Analysis regarding Taiwan Accession to the Trans-Pacific Partnership (TPP)*, Chung-Hua Institution for Economic Research (2013).

2. CONTRIBUTIONS TO THE TPP AGREEMENT

(3) Taiwan as an Accountable and Important Partner

High-Standard,
Comprehensive
Agreement

- Taiwan's accession may inject flowing water for progress in the Negotiation.

Complete Asia-
Pacific
Industrial
Supply Chain

- Taiwan's inclusion will help reduce or eliminate tariffs and other trade barriers, while harmonizing and standardizing trade legislation, creating broader, more substantial and much more efficient industrial value chains and supply chains.

3. US-TAIWAN PERSPECTIVE

3. US-TAIWAN BILATERAL RELATIONS

(1) Close Partnership

Overall	Taiwan and the U.S. are close friends and partners in terms of trade, investment, technology, culture, education, tourism , and we also share common values of democracy and free market .
Trade	The U.S. was Taiwan's 3rd largest trading partner, and Taiwan was the U.S. 12th largest trading partner in 2013. Total bilateral trade amounted to 63.5 billion USD .
Investment	The U.S. is Taiwan's greatest source of foreign investment, and the 4th largest recipient of Taiwanese investments.
Visa Waiver Program	The U.S. granted Taiwan visa-free treatment in 2012, allowing greater business people movement.

3. US-TAIWAN BILATERAL RELATIONS

(2) Trade and Investment Framework Agreement (TIFA)

In 1994, we signed the Trade and Investment Framework Agreement (TIFA), creating an avenue for us to discuss and collaborate on matters of trade and investment

7th TIFA Meeting

“Information and Communication Technology Services (ICT) Statement of Trade Principles”,
"Statement of Principles of International Investment"

8th TIFA Meeting

Promoting mutual collaboration in 6 major areas: investment, multilateral and regional cooperation, pharmaceuticals and medical equipment, intellectual property rights (IPR), technical barriers to trade (TBT), and agriculture.

3. US-TAIWAN BILATERAL RELATIONS

(3) Multilateral Initiatives Cooperation

ITA

Under the joint leadership of **Taiwan and the U.S.**, ITA's primary members launched **ITA expansion negotiations** in May 2012 to include more products.

TiSA

Taiwan, the U.S., and several other WTO members banded together to form the **Really Good Friends of Services (RGF)**. In 2011, RGF succeeded in launching the initiative to sign a **Trade in Services Agreement**.

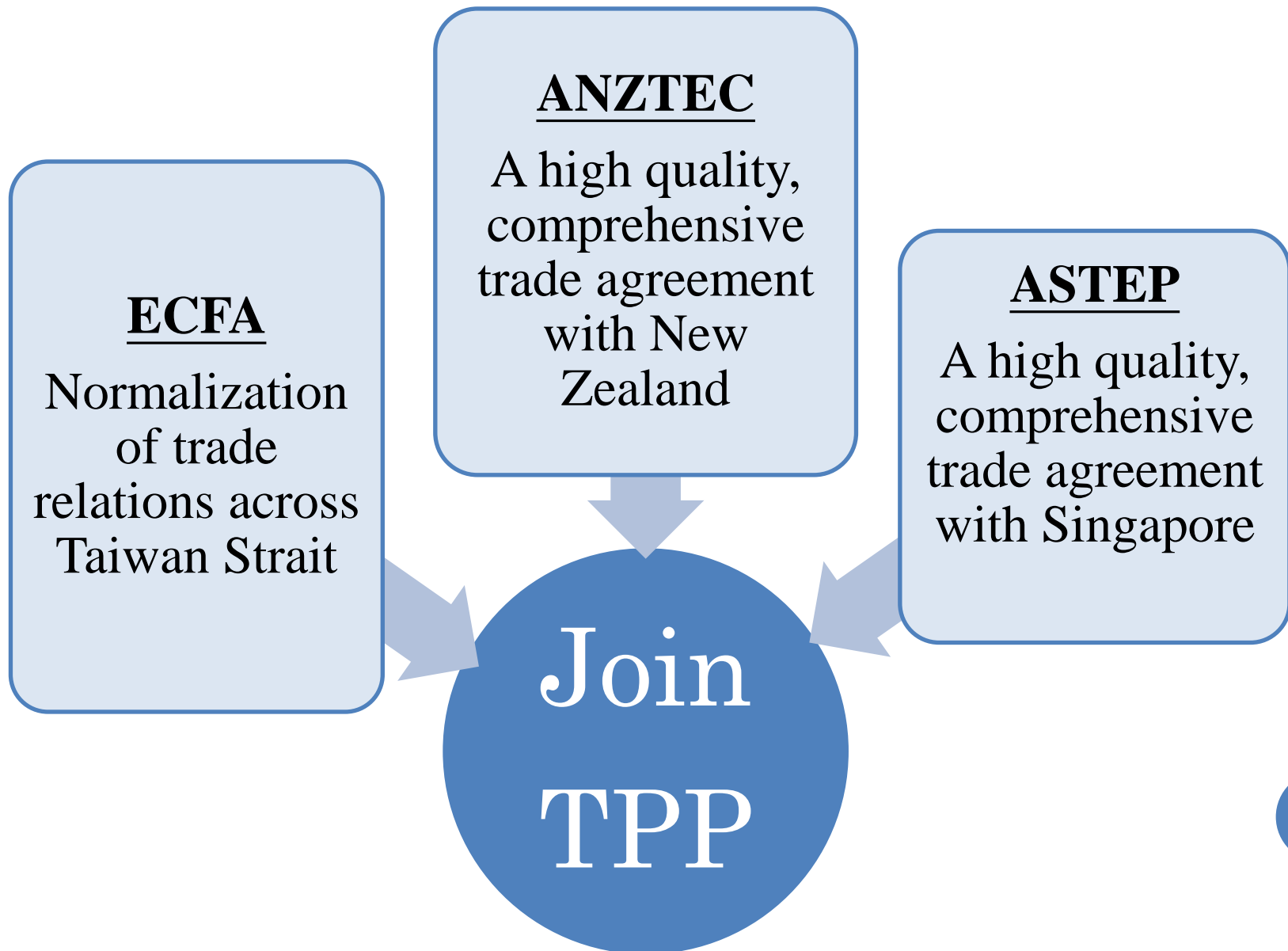
Environmental Goods

This January, **Taiwan, the U.S.**, and the other 12 WTO members nations convened in Davos to launch **trade in environmental goods negotiations**.

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III. TAIWAN'S PREPARATION TO JOIN TPP

1. INTERNATIONAL PARTICIPATION




2. DOMESTIC REFORMS

Bridge the Gap
between
Taiwan's Trade
Regime and
TPP's High
Standards

In 2009, we began to work on creating a more welcoming environment in Taiwan for business operations.

Currently, we are strengthening the interagency coordination to further liberalize economic and trade.

Also, we are planning to establish a “Free Economic Pilot Zone” to make a “testing base” for trade and services liberalization.



Through the high-standard, comprehensive Trans-Pacific Partnership, Taiwan and the U.S. will achieve their shared goal: the long-term economic growth of the Asia-Pacific region as a whole, which is the deciding factor to the ultimate success of the U.S. “Rebalancing” strategy.

THANK YOU!

