

**The United States and Taiwan: An Important Economic Relationship**

Remarks by AIT Chairman Raymond F. Burghardt to the  
American Chamber of Commerce in Taipei  
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Introduction

I am pleased to be with you today to discuss the topic of The United States and Taiwan: An Important Economic Relationship. Before I do, however, I'd like first to note this weekend's mayoral elections and compliment Taiwan on its very healthy democratic system. For decades the peaceful exercise of democracy on Taiwan has been one of the best examples in Asia of how an educated, involved populace can shape its own future. It is a very important common bond between the people of Taiwan and America. I congratulate the winning candidates and their supporters, and look forward to getting to know them better in their new positions.

U.S. Engagement in Asia

Enhancing U.S. engagement in the region is one of the key economic priorities for the Obama Administration. As Secretary Clinton noted just two weeks ago in Hawaii, the U.S. is working with partners in Asia to advance an overarching set of goals: to sustain and strengthen America's leadership in the Asia-Pacific region and to improve security, heighten prosperity, and promote our values. We've adopted a very active approach; we've sent the full range of our diplomatic assets into every corner of the Asia-Pacific region. We have quickened the pace and widened the scope of our engagement with regional institutions, with our partners and allies, and with people themselves in an effort to advance shared objectives.

Engagement in Asia has been a U.S. priority since day one of the Obama Administration, because we know that much of the history of the 21st century will be written in Asia. This region will see the most transformative economic growth on the planet. Many of its cities will become global centers of commerce and culture. And as more people across the region gain access to education and opportunity, we will see the rise of the next generation of regional and global leaders in business and science, technology, politics, and the arts.

## Trade Policy Developments

So within that context, closer economic relations are in the interest of both the United States and Taiwan. Taiwan's open and dynamic economy enables it to be a strong and constructive partner in the global trading system. The United States and Taiwan work together closely in multilateral fora such as the WTO and APEC to advance key priorities aimed at advancing open trade. We have an equally strong partnership bilaterally.

Taiwan is one of our most important economic partners -- our 9th largest trading partner, larger than India, Italy, or Brazil, with two-way trade amounting to more than \$46 billion last year. Approximately 11% of Taiwan's exports are destined for the U.S. The United States is the largest foreign investor in Taiwan with cumulative direct investments of over \$21 billion, a 19.6 % share of total foreign direct investment (FDI) in Taiwan. Taiwan's stock of foreign direct investment in the U.S. equals \$12.2 billion, or about 19% of Taiwan's outbound FDI. Our trade is growing at a brisk rate in 2010. In the first nine months of 2010 total U. S. exports to Taiwan increased by 50 percent compared to the same period in 2009. The Trade and Investment Framework Agreement (TIFA) is an important mechanism for strengthening these bilateral trade relations. Through this dialogue we explore ways to deepen our trade relations and improve our bilateral economic cooperation while at the same time discussing and working to resolve outstanding trade and investment issues. Our cooperation under this Agreement is longstanding, dating back to 1994. Over the past several years we have had many successes in our bilateral trade relationship, including Taiwan's accession to the WTO's Government Procurement Agreement last year and a dramatic improvement in Taiwan's protection of intellectual property rights.

Despite our excellent overall trade relations, the United States and Taiwan also have faced significant challenges over the past several years. We still have a number of concerns about Taiwan's restrictions on the import of certain U.S. beef and beef products as well as unnecessarily burdensome import and quarantine measures. These measures have been implemented despite our agreement last October on a bilateral protocol on beef that was consistent with science, with international guidelines, and with Taiwan's own risk assessment which determined that U.S. beef is safe. Taiwan's failure to implement this bilateral agreement has complicated our trade relationship by calling into question Taiwan's reliability and credibility as a negotiating partner.

Notwithstanding these ongoing concerns, it is important for the United States and Taiwan not to let the dispute over beef imports overshadow our excellent trading relationship. Taiwan and the United States have an important trade and investment agenda and we will work together with Taiwan to reinvigorate the TIFA process.

President Ma has stated that it is important for Taiwan to improve its trading relations not just with China, but with the United States and other partners as well. We understand that Taiwan's citizens expect their leaders to maintain a strong relationship with the United States, a relationship in which there is continual progress in our trade ties, agreements on other important issues, and visible signs of U.S. support. The strong relationship made possible by the Taiwan

Relations Act is essential for progress in cross-Strait relations. That political reality may not be universally understood, but there is no doubt about it in Taiwan. That link is also clearly understood in Washington.

### TIFA Re-Engagement

As I noted earlier, our Trade and Investment Framework Agreement is an important opportunity to deepen and broaden our already crucial economic relationship. We are in the process of preparing for the next TIFA meeting in the near future. The agenda for these meetings of the TIFA's Council on Trade and Investment will include a wide range of bilateral trade issues of interest to both sides, as well as new cooperative ventures designed to enhance our economic relationship. These new initiatives reflect priorities raised both by the Taiwan Authorities, as well as the U.S. business community, including the members of the America Chamber of Commerce in Taipei.

At times our friends in Taiwan ask why it appears that the TIFA meetings often seem to focus on U.S. requests that Taiwan authorities take action to address policies that have a negative impact on trade or investment flows. As in any large-scale, mature trade relationship, there will inevitably be a list of concerns about various issues that will need to be addressed, and, if possible, resolved through dialogue. The TIFA is the major high-level mechanism to take up these kinds of issues. In most cases, the United States is raising our concerns about whether Taiwan's policies, regulations, and other measures that impact trade and investment are consistent with the international trade obligations to which Taiwan has already agreed.

It is natural that the United States is very focused on these kinds of concerns. The United States has played a central role in establishing a rules-based international trading system that seeks to ensure a fair, predictable, and transparent environment for international trade, and also serves as a platform for future trade and investment liberalization. In addition to being one of Taiwan's most important trading partners, the United States also played a critical role in enabling Taiwan to become a member of the World Trade Organization, which ensures that Taiwan is recognized as a full member of this rules-based multilateral trading system. As one of the most trade-dependent economies in the world, Taiwan has benefitted tremendously from its membership in the WTO. Just last year, Taiwan was also finally able to complete its accession to the WTO Government Procurement Agreement, which gives Taiwan reciprocal access to the government procurement markets of the forty other WTO members who are currently parties to the GPA agreement. Strong U.S. support was critical in enabling Taiwan to accede to the WTO GPA.

We want to ensure that our trade relationship is governed by the principle of fairness. After of decades of trade liberalization, the United States is the largest and most open consumer market in the world. We have been hard at work on this process of multilateral trade negotiations since the inception of the General Agreement on Tariff and Trade in 1948 and have spent the better part of the past 60 years further opening the U.S. market. As a result, the U.S. market is characterized by low tariff rates (albeit with a few small exceptions) and an absence of nontariff barriers. In return for this open access to the U.S. market, American workers, farmers, and businesses expect that the U.S. government will ensure that they will enjoy these same opportunities in foreign markets.

Taiwan, on the other hand, has been liberalizing its import market for a much shorter period of time. Taiwan has gained much from the trade liberalization implemented by the United States and enjoys a substantial trade surplus in our bilateral trade. While Taiwan has made great strides in bringing its domestic policies and regulations into line with its international obligations and with international best practices, there are some notable areas where problems remain, particularly in the agricultural sector, as I noted earlier.

Given its broad mandate, the agenda for our next TIFA will include the full range of bilateral trade issues of interest to both sides. For the United States this will include IPR enforcement, pharmaceuticals and medical devices, standards, agricultural issues and others relating to technical barriers to trade, as well as investment, transparency, and other concerns. Obviously the list of U.S. priorities will in part reflect our assessment of where we believe Taiwan's policies may be having a negative impact on the ability of U.S. exports of goods, services, and agricultural products to fairly compete in the Taiwan market. The TIFA also provides Taiwan the opportunity to raise similar types of trade policy concerns with us.

At the same time the U.S. is also very interested in seeking new ways to deepen our economic cooperation. We are working hard in a number of areas to develop cooperative initiatives that can serve as building blocks to an enhanced economic relationship and provide benefits to both economies. We are currently looking at areas such as electronic commerce, transparency, customs administration and trade facilitation, technical barriers to trade and standards, enforcement of intellectual property rights, and cooperation in labor affairs. We believe that this represents a full and balanced agenda of market access and cooperative activities that will assist in moving the trade relationship to its next level of performance.

#### Economic Cooperation Framework Agreement (ECFA)

Let me turn for a minute to Taiwan's economic relationship with its OTHER most important trading partner -- also a key to the region's economic future. . The signing of the cross-Strait Economic Cooperation Framework Agreement (ECFA) this past summer in Chongqing accelerates the positive trend of furthering regional peace, stability, and prosperity. ECFA will lower or eliminate tariffs on hundreds of commodities. It will also provide a framework to facilitate cross-Strait investment and to liberalize cross-Strait financial services. Future negotiations may add to the scope of the agreement by increasing the number of tariff reductions and liberalizing trade in services. Now that the agreement is in force, we encourage the parties to notify ECFA to the WTO in a manner consistent with requirements for agreements that cover substantially all trade. We will be closely observing the ECFA process as it moves forward. We certainly welcome the increased trade and people-to-people ties that will necessarily result from this agreement. The United States welcomes increased economic integration and lower barriers to trade throughout the world as a proven means to enhance growth and prosperity. Open, fair trading environments are good for U.S. firms, good for the United States and good for the global economy. The United States has been at the forefront in calling for lowering trade and investment barriers throughout Asia. As ECFA develops in the months and years to come, it can help make that goal a reality. Another important goal of ECFA should be to make Taiwan a more attractive place to trade and invest by lowering non-tariff trade barriers in Taiwan and by

facilitating efforts by American and other foreign firms to base regional operations in Taiwan. If ECFA is to be a truly successful arrangement, firms from the United States and other countries must also be able to benefit. We see that Taiwan officials already are urging U.S. companies to explore investments on Taiwan to take advantage of the increased market access to China that ECFA is expected to bring. ECFA hopefully will help stimulate an overall increase in the U.S. economic presence in the region, including greater U.S. exports to both Taiwan and Mainland China.

President Ma has emphasized that he hopes Taiwan will be able to enter into new trading arrangements with other trading partners now that ECFA has been signed. Under WTO rules, any WTO member is free to negotiate trade agreements with other members as long as WTO standards are met. We believe that Taiwan should be able to do that. Such accords will enhance the trade ties Taiwan already enjoys through its membership in the WTO and APEC. The resulting growth will ultimately benefit all the economies of the region, including both Taiwan and China.

### Recent Cross-Strait Developments

I'd like to wrap up with a few minutes talking about the cross-Strait relationship. We have witnessed remarkable progress in cross-Strait relations in the two years since Taiwan President Ma Ying-jeou took office. Direct travel, shipping and postal service are now routine, with more than 310 direct flights per week. More than one million mainland tourists are expected to visit Taiwan this year. Financial and investment ties continue to deepen and law enforcement cooperation is increasing.

The United States has long been guided by the view that although we are not a direct participant in cross-Strait issues, we have a strong and abiding interest in helping to foster a peaceful and non-coerced resolution of problems.

Future stability in the Strait will depend on open dialogue between Taiwan and the PRC, free of coercion and consistent with Taiwan's democracy. In order to engage productively with the mainland at a pace and scope that is politically supportable by its people, Taiwan needs to be confident in its role in the international community, and that its future will be determined in accordance with the wishes of its people. The United States has a constructive role to play in each of these areas.

### Conclusion

Turning back to the U.S. - Taiwan economic relationship, the best course forward is to make progress on the important trade issues that are still impeding our bilateral trade and investment flows, and work hard at fashioning sturdy and reliable building blocks that will support trade liberalization between our two economies and with other Asian economies. The beginnings of these foundation stones may be discerned in the cooperative initiatives that are now being explored as part of our preparations for the upcoming TIFA meeting. The United States remains committed to this broader enterprise of continuing to strengthen the very important U.S.-Taiwan economic relationship.

The U.S.-Taiwan economic relationship, alongside our cultural and historical ties, forms one of the great success stories for U.S. engagement in the region. Taiwan's own economic transformation has benefited the U.S. greatly, and we have achieved much through common understanding and effort. Most of that understanding and effort has come not from policymakers or diplomats but from businessmen and women, entrepreneurs, educators, and students who have cross-pollinated the best, most innovative ideas of both peoples. There is much we have left to achieve, but as Taiwan and the U.S. move ahead in the 21st century, the energy and enthusiasm we've seen throughout our relationship can ensure we get there. Thank you.

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