

Editorial: The Prospects for an FTA

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The 2006 Taiwan White Paper, published in May, pledged AmCham's support for a U.S.-Taiwan Free Trade Agreement (FTA) - provided that Taiwan demonstrates the political will to take on the tough economic issues that are sure to arise during such negotiations. Encouraging signs that the political will does exist came the same week as the White Paper's release. U.S.-Taiwan negotiations in Taipei under what is known as the Trade and Investment Framework Agreement (TIFA) were regarded by both sides as highly productive. That now paves the way for continued detailed talks on such specific topics as IPR, agricultural trade, and pharmaceutical pricing policy.

In early June, when an Amcham delegation visited Washington for the annual Doorknock [see the report on page 33 of this issue], the feasibility of an FTA figured prominently in the discussions with a broad range of U.S. officials and well-informed observers. They were unanimous in the view that it would be impossible - in light of USTR's small staff and already heavy workload - for Taiwan to start and complete the complex FTA talks in the short time left before the U.S. President's "fast-track authority" expires in July 2007. Given the current mood on Capitol Hill, a full extension of that authority was also seen as extremely unlikely.

But a number of sources consider it highly possible that, under the right circumstances, the U.S. president might request - and Congress would agree to - limited authority to enable a Taiwan FTA to go forward after July next year. The challenge then becomes how to create the circumstances that will make Washington wish to select Taiwan out of the many possible candidates as a priority negotiating partner. From what AmCham learned during the Doorknock, the following steps by Taiwan would all be crucial:

- * Further expand cross-Strait travel and liberalize regulations on investment in China to ensure that an FTA would represent a "win-win-win" situation for Taiwan, the United States, and China.
- * Continue to make steady, substantial progress on TIFA issues and in resolving other bilateral trade concerns.
- * Actively build support among U.S. companies by clearly outlining how they would benefit from a U.S.-Taiwan FTA.
- * Underscore Taiwan's seriousness by preparing concrete measures to assist farmers and other domestic constituencies potentially disadvantaged by an FTA.
- * Demonstrate in as many ways as possible to U.S. government leaders that Taiwan is a reliable, predictable force for stability.

In addition, Taiwan could start negotiating narrower pacts with the United States, such as a Bilateral Investment Agreement, that would serve as chapters of a future FTA - and in the meantime build up trust and good will.

If Taiwan officials are ready to roll up their sleeves and get down to work, AmCham is eager to assist with the practical measures that will bring us closer to achieving an FTA - and thus facilitate business for both Taiwan and American companies.