

# The Prospects of a Taiwan-U.S. Free Trade Agreement (TUFTA)

July 25, 2006

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Ministry of Economic Affairs

# PRESENTATION OVERVIEW

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**Taiwan's Economic Profile**

**Current US-Taiwan Economic Relationship**

**Importance of a Taiwan-U.S. FTA (TUFTA)**

**-Advantages & Benefits of TUFTA**

**Taiwan: A Strong FTA Partner for the U.S.**

**TUFTA: The Next Step in the U.S.-Taiwan  
Relationship**

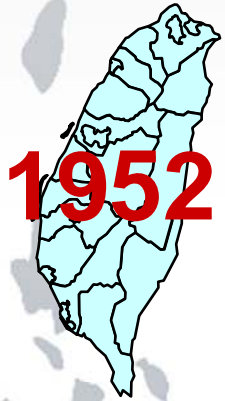
# THE LITTLE GIANT

**Foreign Trade:** \$300 million

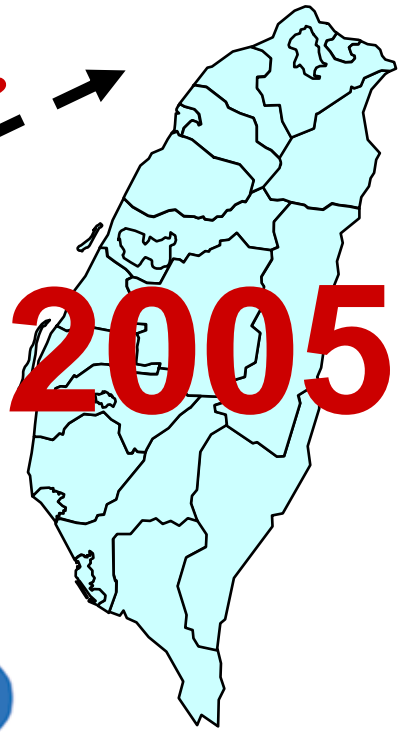
**FDI:** \$1 million

**Per Capita GDP:** \$196

**Foreign Exchange Reserves:** \$34 million



**7.6% annual growth in GDP for 53 years**



**Foreign Trade:** \$371 billion

**FDI:** \$4.2 billion

**Per Capita GDP:** \$15,273

**Foreign Exchange Reserves:** \$253 billion

# The Evolution of the Little Giant

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Rice



Sugar



Bananas



**79%**  
of the  
world's  
PDAs



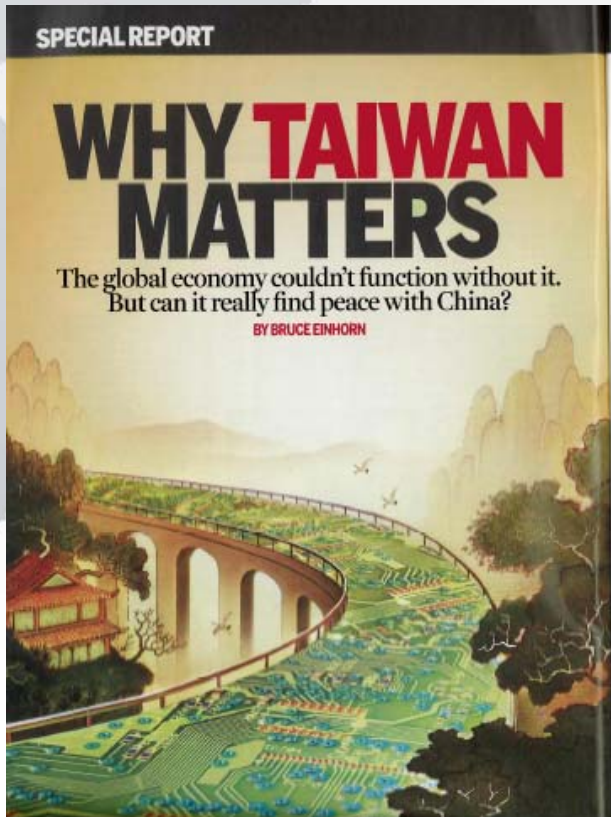
**72%**  
of the  
world's  
laptops



**68%**  
of the  
world's  
LCD  
monitors

**“Taiwan is the hidden center of the global economy.”**

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**“Taiwan is the hidden center of the global economy.”**

Excerpt from **“Why Taiwan Matters”** by Bruce Einhorn, **Business Week**, May 16, 2005

# U.S.-TAIWAN ECONOMIC RELATIONS

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BILATERAL TRADE 2005  
\$57 billion

## TAIWAN...

**8<sup>th</sup>** largest trading partner

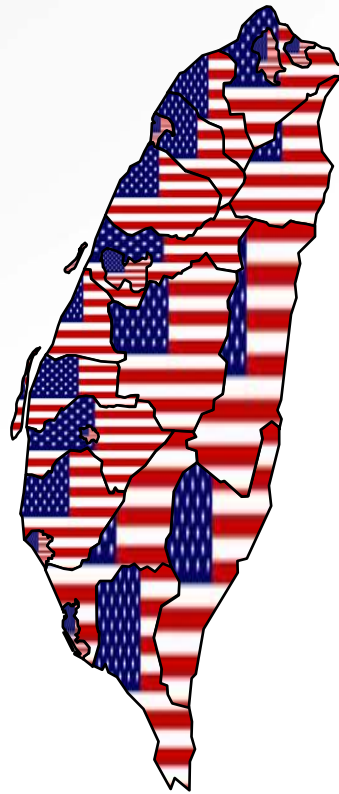
Exports to U.S.: **\$35 billion**

**5<sup>th</sup>** largest agricultural market

- No.1 products:  
corn, soybeans, wheat,  
apples, cherries, beef...

As a market for U.S. goods  
and services:

> Australia + Chile + Singapore



## THE U.S...

**3<sup>rd</sup>** largest trading partner

Exports to Taiwan: **\$22 billion**

- The most dynamic IT  
global supply chain:  
U.S. + Taiwan

# U.S.-TAIWAN ECONOMIC RELATIONS

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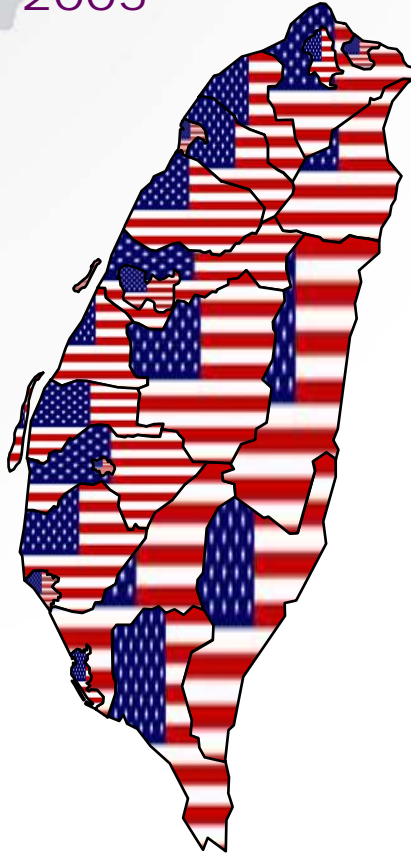
## BILATERAL INVESTMENT 2005

### TAIWAN...

**\$315 million**

Taiwanese investors:

Formosa Plastics, Nan Ya Corp., Sino Swearingen Aircraft Company, Continental Carbon Company, Foxconn, Arima, Inventec, HTC, Yang Ming Corp., Evergreen Marine Corp., Eva Air, China Airlines ...



### THE U.S...

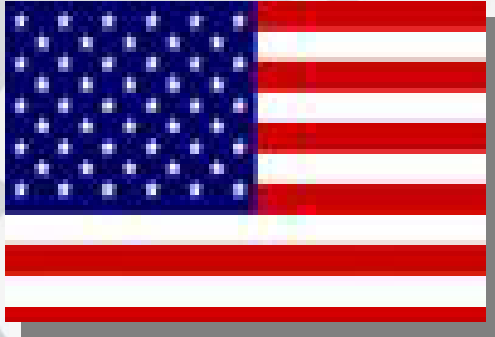
largest foreign investor:  
**\$804 million**

U.S.-based multinationals:

IBM, Microsoft, Cisco Systems, AT&T, Texas Instruments, Intel, AMOCO Chemical, DuPont, Aetna Life Insurance, Citibank, Corning, Applied Materials ...

## U.S.-TAIWAN ECONOMIC RELATIONS

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- ★ One of the world's most important economic and strategic relationships



- ★ A shared view for democracy, human rights, and free market principles

**“The strong ties with the United States have allowed Taiwan to evolve into a “free and democratic Chinese society.”**

*U.S. President George W. Bush in Kyoto Nov. 16, 2005*

# ADVANTAGES & BENEFITS OF TUFTA

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## USITC Study

### ➤ Agricultural & Industrial Products:

- ✓ Increasing market share
- ✓ Replacing imports from other suppliers

### ➤ Services:

- ✓ First country to enjoy complete access to Taiwan's markets
- ✓ Much more competitive in Taiwan's markets: vs Japan and the EU

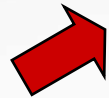
**16%**

**\$3.4  
billion**

# ADVANTAGES & BENEFITS OF TUFTA

Institute for International Economics (IIE) Study

T  
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Increase of U.S. exports :

**\$6.6 billion**



Overall welfare gains

**> 10 other U.S. FTA partners**

# ADVANTAGES & BENEFITS OF TUFTA

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## SUBSTANTIVE ECONOMIC AND COMMERCIAL GAINS

<b>Agriculture Sector</b>	Rice, vegetables, fruits, fish/shellfish, poultry, beef and pork, processed foods
<b>Industrial Sector</b>	Motor vehicles and parts, machinery and equipment, electrical machinery and equipment, textile & garments
<b>Services Sector</b>	Financial services, asset management, telecommunications services, transportation, education services, health care service and tourism
<b>Other</b>	<ul style="list-style-type: none"><li>• Enhanced protection of IPR</li><li>• Enhanced cooperation on high tech/nanotech R&amp;D</li><li>• Greater economic efficiency and economic turnover</li><li>• Increased flows of two-way investment</li></ul>

# ADVANTAGES & BENEFITS OF TUFTA

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## Advantages

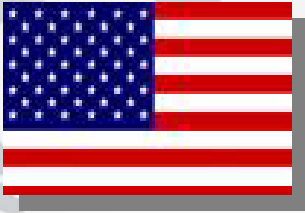
- Enhancing the Existing Bilateral Economic and Trade Relationship
- Promoting High-Level Investment Ties
- Boosting Innovation-Driven Partnership in the IT Sector
- Promoting Customs and Security Cooperation
- Deepening Strategic and Economic Engagement with the World's Most Dynamic Region
- Demonstrating the Common Commitment to Further Trade Liberalization

# CONGRESSIONAL AND PRIVATE SECTOR SUPPORT

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## STRONG SUPPORT FROM U.S. CONGRESS & BUSINESSES

- Support from more than 100 Members of Congress



“Concluding a free trade agreement with Taiwan is a concrete step towards supporting an ally that shares the US’s values.”  
--Senator Max Baucus (D-MT)

- “Resolutions” passed by a total of 45 State Senates and Assemblies from 27 states
- Endorsement by more than 120 companies and organizations spanning about 30 states

Eric Smith, President of the International Intellectual Property Alliance, has voiced his **strong support** for a U.S.-Taiwan FTA.

## CONGRESSIONAL AND PRIVATE SECTOR SUPPORT

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**March 2003:** Representatives Jim Ramstad (R-MN) and William Jefferson (D-LA) submit a concurrent resolution, calling for a Taiwan-U.S. FTA. This resolution has garnered signatures from **69 members** of Congress.

**February 2006:** Rep. Ramstad and Jefferson resubmit a concurrent resolution, with endorsement from **56 members of Congress** to date.

**March 2006:** Senators Max Baucus (D-MT) and Jon Kyl (R-AZ) submit a joint proposal to the Finance Committee, calling for TUFTA.

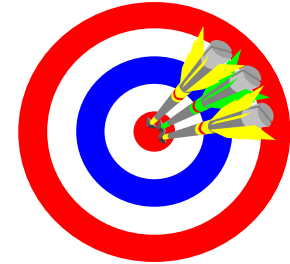
## TUFTA: BUILDING ON A STRONG PARTNERSHIP

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- ✓ Taiwan and the U.S. have already signed **more than 140** bilateral agreements.
- ✓ Both are WTO and APEC members.
- ✓ Taiwan has **resolved many of U.S. concerns** on IPR, beef, pharmaceuticals and telecommunications.
- ✓ Successful May 2006 TIFA discussions
- ✓ A TUFTA would expand upon trade liberalization of the WTO. (GATT Article 24 and GATS Article 5)

# **TAIWAN IS READY**

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- Country Readiness**
- Economic and Commercial Benefits**
- Benefits to Broader Trade Liberalization Strategy**
- Compatibility with U.S. interests**
- Congressional and Private Sector Support**



**Thank You**