

## **BUSINESS COUNCIL PRESIDENT PREDICTS TRADE PROGRESS AFTER TAIWAN ELECTION**

Date: February 11, 2004

The president of the U.S.-Taiwan Business Council this week predicted that the Bush Administration would be ready to resume talks with Taiwan aimed at resolving four trade disputes that have so far prevented the two sides from discussing a broader free-trade agreement. Speaking at the Heritage Foundation on Feb. 10, Council President Rupert Hammond-Chambers said he believes there are new signs within the U.S. government that officials are willing to meet again with Taiwan at a high level after the elections.

This would end the current U.S. policy of opposing such meetings because Taiwan has not done enough on its own to address policies dealing with agriculture, intellectual property rights, telecommunications and pharmaceuticals.

“There appears to be at a working level [within the U.S. government] a growing interest in re-starting the dialogue after the election,” Hammond-Chambers said. “And that’s encouraging, to get both sides to start talking more substantively, not just about issues that have negatively impacted our relationship, but about what’s next.”

Hammond-Chambers stressed that he said he is not aware of any firm plans within the Bush Administration to hold any specific meeting with Taiwan, but said he does expect high-level trade and economic talks to resume after Taiwan’s March 20 election. He said the U.S. Trade Representative’s Office and the American Institute in Taiwan have had recent discussions that indicate the U.S. is willing to “start over” with Taiwan after March 20.

Resolving U.S. complaints about Taiwan’s trade policies in the four sectors is seen as key to allowing the two sides to begin discussing possible negotiations on a free trade agreement (FTA). Most importantly, the U.S. government and industry groups have said they oppose Taiwan’s changes to its optical media law that will likely make it impossible for Taiwan officials to pursue criminal complaints against IPR violators, and gave pirates a longer period of time in which to sell pirated movies without being fined.

Despite this problem, Hammond-Chambers said the Bush Administration appears to understand that Taiwan President Chen Shui-bian’s party tried to improve Taiwan’s IPR regime. “I think from a trust standpoint, from a good faith standpoint, there is a recognition in our government that the Chen Administration is trying to do the right thing,” he said.

Regarding agriculture, the U.S. has insisted that Taiwan must expand market access for rice beyond its original World Trade Organization commitments. In the pharmaceutical sector, Taiwan has created an incentive for its hospitals to use generic drugs, and has placed more expensive research-based drugs at a disadvantage in that market.

And on telecommunications, Taiwan has failed to establish an independent regulator in its market (Inside US-China Trade, July 16).

Hammond-Chambers added that he was very disappointed that these sorts of economic issues were not

being discussed in the debates before Taiwan's upcoming election. He said one reason these issues might not be coming up is that political parties in Taiwan may realize that the changes that have to be made will not be easy, and that it is therefore easier to avoid these issues until after the election. However, he said he does not see the absence of a debate on Taiwan's economic problems as a sign that Taiwan is not interested in addressing U.S. complaints after March 20.

More generally, Hammond-Chambers said Taiwan must be sure it addresses these issues so it can ensure that it still has the option of pursuing an FTA with the United States. He and other sources have predicted previously that a U.S.-Taiwan FTA is a key policy for Taiwan to pursue in order to make sure it is not marginalized economically by China, which has made it clear that it does not want Taiwan to participate in multilateral trade or economic initiatives.

Also related to Taiwan, Deputy Assistant Secretary of State for East Asian and Pacific Affairs Randy Schriver said at a Feb. 6 hearing that the U.S. would oppose any decision by the European Union to lift its arms embargo on China. Schriver, speaking at a hearing held by the U.S.-China Economic and Security Review Commission (USCC), said the U.S. believes the EU originally put in place the ban because of human rights problems in China, and that these problems have not been reduced significantly enough to warrant a change in policy.

Schriver added that the U.S. is worried that China does not yet have in place sufficient export controls, and that arms sales from Europe could be transferred to questionable entities. Finally, he said the prospect of EU arms sales to China could alter the balance that the U.S. is trying to maintain between China and Taiwan. He said that any EU contribution to China could complicate U.S. strategy in the region regarding Taiwan.

In late January, State Department spokesman Richard Boucher said the U.S. has urged top European officials not to lift the arms embargo, although some EU members such as France have considered taking this step.

CHINATRADE-4-6-2