Event Proceedings Report: U.S.-Taiwan Business Forum

Bringing together business leaders from Taiwan and the United States to examine the future of our bilateral economic and commercial relationship

Published by the US-Taiwan Business Council
September 9, 2015
TABLE OF CONTENTS

Background ........................................................................................................................................ 1
    About the U.S.-Taiwan Business Forum .......................................................................................... 2
    Table 1: Participant Breakdown ...................................................................................................... 4
Introduction ........................................................................................................................................ 5
The U.S.-Taiwan Business Relationship ......................................................................................... 6
    Semiconductors & Technology ....................................................................................................... 6
    Taiwan as a Partner for U.S. Companies ......................................................................................... 7
    Successful Investment & Cooperation Projects ............................................................................. 8
The Trans-Pacific Partnership (TPP) .............................................................................................. 10
    Taiwan Participation in the TPP .................................................................................................... 11
Conclusion & Policy Recommendations ......................................................................................... 13
BACKGROUND
Taiwan is an important center of trade and investment, and its modern and growing economy benefits from its proximity to and close trade ties with China, as well as from its deep business networks throughout the rest of the Asia Pacific and globally. In 2014, the island’s exports totaled more than US$313 billion, with its top trading partners being China, the U.S., Japan, Hong Kong, and Singapore.

Taiwan is home to the world’s largest semiconductor foundry (industry leader Taiwan Semiconductor Manufacturing Company), hosts the world’s largest cluster of top-of-the-line semiconductor fabrication plants, and plays a huge role in the chip industry as a whole. Taiwan has also evolved to become a global leader in many areas of technology and electronics manufacturing, including for mobile chipsets, next-generation wireless, networking/cloud technology, and flat panels. It is also emerging as a major player in the market for the Internet of Things (IoT), wearables, and smart city technologies. Taiwan companies already serve as critical partners in the global supply chains of many of America’s largest corporations.

Beyond technology manufacturing, Taiwan is a significant trading partner for other high-end products and services with countries throughout the Asia Pacific and globally. Taiwan serves as a major offshore hub for Chinese currency, and is expanding its Yuan-related financial services and taking record-high Yuan deposits. In March 2015 alone, Yuan remittances in Taiwan’s banks exceeded 273 billion. Taiwan is also a major supplier of automotive components and parts to Japan and other trading partners. The island produces approximately 12% of components and crucial parts for cars manufactured in Japan, and Taiwan is poised to play an even greater role in Electric Vehicle (EV) manufacturing as electric cars, motorcycles, and scooters become more commonplace.

Taiwan has very limited energy resources, and is in the process of decommissioning its existing nuclear power plants. Taiwan is therefore a major net importer of energy, forced to import large quantities of oil and coal — counterbalancing its export-driven economy. Currently, more than 98% of Taiwan’s energy consumption comes from foreign sources, accounting for approximately 14.6% of Taiwan’s total GDP. This is ultimately a costly and unsustainable practice, leading Taiwan to massive dependence on unstable trading partners. Taiwan is attempting to diversify energy supplies, and U.S.-produced Liquid Natural Gas (LNG) is one potential source that Taiwan is investigating to offset its reliance on coal and oil.

With its prominence in the global technology trade, and with its diverse high-tech economy, Taiwan is an important trade and security partner for the United States. The two enjoy a robust economic and commercial relationship; in 2014 Taiwan bypassed India and Saudi Arabia to become America’s 10th-largest trading partner, and the U.S. became Taiwan’s second largest trading partner. Taiwan has made it a priority to further deepen ties with the United States, and to boost bilateral business and trade exchanges.
About the U.S.-Taiwan Business Forum

The U.S.-Taiwan Business Forum – held on March 23, 2015 – brought together high-level executives from Taiwan and the United States for a dialogue on industries and sectors where U.S.-Taiwan bilateral cooperation can be expanded. The Forum also supported a wide-ranging conversation on bilateral, trilateral (U.S.-Taiwan-China), and regional trade.

Approximately 50 business leaders from Taiwan and the U.S. met at the Forum to discuss issues of mutual concern, to examine the future of our bilateral economic and business relationship, and to make recommendations about ways to improve the trade and investment relationship between the United States and Taiwan. This Forum also offered a significant opportunity for U.S. executives to meet and interact with some of the most distinguished and visionary leaders from the Taiwan business community.

The formal agenda at the Forum included discussions on a wide range of topics. A policy discussion on investment and industrial cooperation examined the bilateral investment environment, discussed prospects presented by the potential U.S.-Taiwan Bilateral Investment Agreement (BIA), and appraised opportunities for expanding industrial cooperation between U.S. and Taiwan businesses.

A session on technology trends and bilateral cooperation covered technology and ICT trends – such as the move towards mobility, ubiquitous computing, wearables, and the Internet of Things – and examined how companies in both the U.S. and Taiwan are preparing to take advantage of such trends through bilateral and regional cooperation.

The discussion on the implications of Asia Pacific economic integration addressed questions such as how businesses in the U.S. and Taiwan are responding to regional economic integration, the potential effects of regional trade deals like the Trans-Pacific Partnership (TPP), and if there are opportunities for U.S. and Taiwan companies to cooperate to strengthen their competitiveness in regional markets.

Introductory remarks at the Forum were delivered by Dr. Paul Wolfowitz, Chairman of the US-Taiwan Business Council, Mr. Daniel Russel, Assistant Secretary in the Bureau of East Asian and Pacific Affairs at the U.S. Department of State, and by Mr. Francis Kuo-Hsin Liang, Chairman of the Taiwan External Trade Development Council (TAITRA).

Closing remarks were delivered by Mr. Rupert Hammond-Chambers, President of the US-Taiwan Business Council, by Dr. Robert Wang, Senior Official for APEC at the U.S. Department of State, and by Mr. Francis Liang of TAITRA.
Speakers and moderators in the sessions also included:

- Steve R.L. Chen, Chairman, Powerchip Technology Corporation
- Calman Cohen, President, Emergency Committee for American Trade (ECAT)
- William Morin, Senior Director, Government Affairs, Applied Materials, Inc.
- Kim Y.C. Tsai, Chairman & CEO, Mobiletron Electronics Company, Ltd.
- Debra Waggoner, Director of Global Government Affairs, Corning, Inc.
- Shu-Mei Yang, Deputy Director-General, Bureau of Foreign Trade, Ministry of Economic Affairs

The Taiwan delegation to the Forum was led by Francis Liang of TAITRA, Taiwan’s premier trade promotion organization. The Forum delegates were part of a larger contingent of Taiwan attendees at the second SelectUSA Investment Summit held in Washington, D.C. that same week. The Taiwan delegation to SelectUSA was the second largest of the attending groups, consisting of 88 delegates from 65 companies. A smaller selection of those delegates, business leaders representing approximately 20 companies, participated in the Forum.

The companies included in the Taiwan delegation to the Forum represented the many different facets of the Taiwan economy. While many have already worked together with U.S. firms for decades, all the participating companies are currently exploring expanded partnerships and investment opportunities with their counterparts in the United States. The companies were also promoting Taiwan as an attractive investment destination for U.S. firms, as well as endorsing the idea that Taiwan is an ideal springboard for expansion in the Asia Pacific.

On the U.S. side, participants included executives from companies with substantial existing business interest in Taiwan, companies that see Taiwan as a market opportunity, and companies interested in partnering with or soliciting investment from Taiwan firms.

Participants at the Forum came from a cross-section of the economy, representing 15 industries that ranged from manufacturing and semiconductors to consulting and healthcare. The Forum participants consisted primarily of executives focusing on global government affairs, international issues, and finance & investment. Almost a quarter of the attendees held titles such as Chairperson, CEO, or President of their respective companies/organizations.
Table 1: Participant Breakdown

<table>
<thead>
<tr>
<th>Industries Represented</th>
<th>Executive Representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace</td>
<td>Chairperson 12%</td>
</tr>
<tr>
<td>Automotive</td>
<td>Senior Executive 13%</td>
</tr>
<tr>
<td>Consulting</td>
<td>Vice President 13%</td>
</tr>
<tr>
<td>Consumer Products</td>
<td>Director/Deputy Director 35%</td>
</tr>
<tr>
<td>Energy</td>
<td>Manager, etc. 28%</td>
</tr>
<tr>
<td>Finance</td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td></td>
</tr>
<tr>
<td>Healthcare</td>
<td></td>
</tr>
<tr>
<td>Legal</td>
<td></td>
</tr>
<tr>
<td>Logistics</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
</tr>
<tr>
<td>Non-Government</td>
<td></td>
</tr>
<tr>
<td>Semiconductors</td>
<td></td>
</tr>
<tr>
<td>Software &amp; Web</td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td></td>
</tr>
</tbody>
</table>
INTRODUCTION

The business, economic, and trade relationship remains a cornerstone of overall U.S.-Taiwan bilateral relations. The strength of existing ties between people and businesses, as well as significant foreign direct investment in both directions, represents a commitment to each other as stalwart trading partners. This relationship is both reciprocal and mutually beneficial.

The extent of the economic relationship demonstrates outwardly the important unofficial political relationship between the two, and helps maintain Taiwan’s economic autonomy and ability to remain free from coercion. The U.S. greatly values Taiwan as an investment and business partner, and both the U.S. government and U.S. businesses look forward to continuing to improve the economic, trade, and business relationship in the future.

Discussions and events held in Washington, D.C. on the U.S.-Taiwan bilateral relationship tend to be political in nature. This Forum therefore represented a unique opportunity to bring stakeholders together to discuss the significant business and commercial relationship between the U.S. and Taiwan, and ways to deepen cooperation, establish new relationships between firms, and encourage action on bilateral, multilateral, and global trade issues.

This Event Proceedings Report attempts to accurately document the policy and industry discussions held at the Forum.
THE U.S.-TAIWAN BUSINESS RELATIONSHIP

The U.S. has long been an important trade and investment partner for Taiwan. Starting in the 1960s, when the Taiwan economy first began developing into the powerful global player that it is today, investments by U.S. companies allowed Taiwan to sustain its growth and helped support its development into one of the four Asian tigers. Some of the beneficiaries of the then nascent U.S.-Taiwan commercial relationship include companies that today are global leaders.

Semiconductors & Technology

One salient example includes the development of the semiconductor and technology industries in Taiwan. Many of the pivotal founders of the Taiwan semiconductor industry were trained as engineers in the United States, and it was an American company – RCA – that agreed to transfer the necessary technology and supplies to Taiwan to kick start its Integrated Circuit (IC) sector.

Today, companies such as Taiwan Semiconductor Manufacturing Company (TSMC) and United Microelectronics (UMC) are suppliers of chips to the largest electronics and technology companies in the world. Taiwan is also serving as an innovator in the industry, ranking as the fourth most prolific filer of patents in the U.S., behind Japan, Germany, and South Korea. Singling out only semiconductor-related patents, Taiwan jumps to number one – ahead even of the United States.

The Taiwan semiconductor and technology industries have thus played a tremendously important role in promoting the technological developments that have transformed the global economy over the last few decades. During the last 40 years, we have seen the cost per transistor reduced 20 million times. The cost per unit area of display has been reduced by 20 times – advances that have made today’s flat panel TVs affordable – while solar panel costs are down by a factor of 6. There was a time when today’s 64 gigabyte smartphone would have cost billions of dollars, and while it took 64 years for landline telephones to achieve a 40% penetration rate into U.S. households, smartphones accomplished the same level of ubiquity in just 10 years. Taiwan has served to help advance that development as a center of excellence and innovation in the technology sector.

Taiwan’s semiconductor and technology industries remain poised to continue to play an important role in support of worldwide economic development. Technology trends to watch will include new mobile technologies, cloud computing, the Internet of Things, wearables, and other new mobile applications and Internet-based services. The mobile industry in particular will continue to grow and is likely to continue to push innovation and productivity gains both in the U.S. and Taiwan, as well as globally, opening opportunities for U.S. and Taiwan businesses.

Today, there are billions of mobile devices in use around the world, and that number is expanding swiftly. A recent report noted that mobile communications is the most rapidly adopted consumer technology in history. Mobile technologies account for 3.2% of GDP in the U.S., a figure that rises to 11% in South Korea, and mobile generated global revenue reached US$3.3 trillion in 2014.²

Looking at the pace of technology evolution, one question becomes how companies in both the U.S. and Taiwan can prepare for the changes that the future will bring. How can companies ensure that national infrastructure, domestic policy and regulatory frameworks, as well as internal company policies will allow them to take advantage of a rapidly changing market?

In addition, companies’ increasing emphasis on foreign markets brings its own set of challenges. How do businesses develop the tools necessary to accommodate this new international focus, how do they facilitate the deployment of those tools, and how do they deliver to their foreign customers? Global ecommerce sales are expected to reach $1.4 trillion by 2016.³ With the rapid expansion of non-traditional markets and sales channels, developing a better understanding of the forthcoming challenges and opportunities will require both bilateral and multilateral discussions.

Another question to address is where the global supply chain is heading, and what it will look like 5 and 10 years down the road. Changes in labor markets, the increasing cost of labor, the changing nature of products, and a shift in market focus – along with many other factors – will bring changes that could alter existing supply networks.

It is important for both U.S. and Taiwan businesses to examine what Taiwan’s role might be in a changed global supply chain, and determine how it will affect their operations. There is so much interdependence between companies already, not only in the supply chain but in the technology industry as a whole, that one side is not likely to prosper on its own. U.S. and Taiwan companies should therefore work together to better understand the challenges they face in the future.

**Taiwan as a Partner for U.S. Companies**

Taiwan is already a substantial business partner for U.S. companies, and leading American companies already have long-term and significant investments on the island. Taiwan is an important partner because of the crucial role it plays in the global supply chain – not only in the information technology, electronics, and telecommunication industries, but also in the chemicals, textile, automotive, plastics, and other sectors. In addition to its highly devoted and well educated workforce, Taiwan’s proximity to customers in the region also positions the island as an ideal base of Asian operations for U.S. firms.


The Taiwan government continues to be focused on global competitiveness, and is making progress towards offering a regulatory and legal environment conducive to supporting investments by foreign firms. Taiwan has made tremendous efforts towards strengthening intellectual property protection rights and towards reinforcing the protection of trade secrets – both of which are vitally important in attracting U.S. technology companies to invest in Taiwan. In this regard, Taiwan can serve as a model for other economies in the region.

Taiwan is also taking its commitments to the World Trade Organization (WTO) and the Asia-Pacific Economic Cooperation (APEC) seriously. Taiwan is a strong partner for other member economies, and has been active in effecting trade liberalization both in the region and around the world. In addition, President Ma Ying-jeou has set several goals for the remainder of his Administration to make preparations for joining the Trans-Pacific Partnership (TPP) by making changes to the Taiwan regulatory environment to meet the standards set for TPP membership. Measures already taken by the Ma Administration, such as the strengthening of trade secret protection statutes, were therefore an important and prescient move.

U.S. businesses encourage the Taiwan government to continue to move forward on reforms that would bring Taiwan’s regulatory regime in line with forward-leaning international practices; reforms that would also help support Taiwan’s participation in global economic integration. The U.S. and Taiwan governments can also positively affect the attractiveness of bilateral investments and spur additional cooperation between businesses by committing to moving forward on the bilateral Trade & Investment Framework Agreement (TIFA) talks, and by fast-tracking the signing of a Bilateral Investment Agreement (BIA) between the U.S. and Taiwan.

In general, BIAs function as credible frameworks to promote foreign direct investment. They provide security and reduce investor risk by ensuring non-discriminatory, fair, and equitable treatment of foreign investors, and remove the temptation for local business requirements. While offering binding international dispute resolution mechanisms, such agreements protect existing investments, promote additional investments, expand the infrastructure for successful partnerships, increase transparency and rule of law, and act as economic development tools.

Signing a BIA also sends a signal to businesses in the signatory economies, as well as to the international business community, that the signatories provide stable legal environments for investors.

**Successful Investment & Cooperation Projects**

Many Taiwan companies are targeting the U.S. for investments in order to participate in one of the largest global consumer markets. Taiwan companies are already part of the supply chain for many countries that are members of the TPP, including the U.S., and are already investing in American businesses. Meanwhile, Taiwan is serving as an important partner for U.S. companies doing business in Asia.

In addition to the wide-ranging discussion on business topics, the Forum participants gave several examples of successful bilateral investments and successful partnerships between U.S. and Taiwan businesses.
The U.S. government has made an effort to provide legislative support for domestic manufacturing and for U.S. exports, and the increased demand for goods manufactured in the U.S. has led to increased opportunities for Taiwan companies – in particular small to midsize businesses – to participate in the U.S. economy. One example is Taiwan company Mobiletron Electronics, which specializes in electronics components for the automotive industry. It was the first Taiwan business to invest in Alabama almost 30 years ago, and its U.S. subsidiary has now grown into a successful midsize company that has supported the revitalization of the U.S. manufacturing sector.

Another example of successful investments is Corning, a world-leading American manufacturer of specialty glass, ceramics, optical glass, displays and related materials for industrial, scientific, and consumer applications. The company has been operating in Taiwan for over 40 years, and maintains two of the world’s largest glass display facilities, which are based in Taiwan. Corning’s investment in Taiwan is still its largest in any foreign country through the company’s 150 year history.

Finally, the partnership between Micron of the U.S. and Nanya Technology of Taiwan (part of the Formosa Plastics Group) produced the Taiwan joint venture company Inotera, and Micron is now the second largest investor in Taiwan with Inotera as its largest global supplier. The semiconductor sector in Taiwan has undergone a challenging industrial restructuring over the last several years, to combat overinvestment and glut in what had been a volatile and crowded market. The Dynamic Random Access Memory (DRAM) industry in particular has seen tremendous market consolidation. The Inotera partnership has helped Micron and Nanya stay on the leading edge of technology, with advanced 20nm production ramping up, and the partnership has helped both companies work through the difficult economic times on the heels of the global recession.
THE TRANS-PACIFIC PARTNERSHIP (TPP)

The lack of progress on the multilateral Doha Development Agenda negotiations under the auspices of the World Trade Organization (WTO) was a major failure for the international community. If a majority of the American business community had their way, trade agreements would be concluded on a multilateral basis, as those types of agreements have the most positive impact on the growth of the U.S. economy. But the failure of the WTO Doha round has instead led to a general increase in emphasis on easier-to-negotiate plurilateral and bilateral trade agreements.

Regional trade agreements (RTAs), a catch-all term for reciprocal agreements on trade between two or more partners, have become increasingly common worldwide. As of mid-April of 2015, the WTO counted 406 regional trade agreements in effect, with the Asia Pacific region leading the way for the largest numbers of such agreements.\(^4\) RTAs are drivers of regional economic integration for much of international trade, and as such can create opportunities and stimulate growth. However, they can also disrupt trade for those economies who remain on the outside and are unable to participate.

A primary focus for the discussion at the Forum was the potential for Taiwan to join the Trans-Pacific Partnership (TPP), one of the most important and ambitious of the plurilateral trade agreements currently under negotiation. The first rounds of TPP negotiations are being concluded between the United States and 11 other countries – Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam – that together account for about US$28 trillion in annual economic output, or about 39% of global GDP.

The agreement intends to offer comprehensive market access to members, eliminating tariffs and other barriers to goods and services trade and investment. Once completed, the TPP would offer a pathway towards future growth and economic development for the participating countries by promoting trade and investment, ensuring a competitive business environment, stimulating innovation, and supporting the creation and retention of jobs.

The TPP is seen as a way to strengthen the economies of participants by promoting greater cooperation and a freer regulatory framework across the board, and there is hope that the TPP can evolve into a set of rules that will support best business practices in the region. While the negotiations are not complete, and there is little public insight into the exact rules and regulations that are being discussed, businesses are cautiously optimistic that the agreement will represent a broad set of guidelines that will be commercially meaningful for existing and new partners, and that it will not be a minimalist agreement. Some observers believe that TPP negotiations could be complete before the end of 2015, with votes coming as early as the beginning of 2016.

\(^4\)“Regional Trade Agreements Gateway” World Trade Organization, accessed September 1, 2015, at www.wto.org/english/tratop_e/region_e/region_e.htm.
The 12 countries currently negotiating the TPP have different motivations for their interest in this agreement, with different degrees of importance attached to its commercial benefits and its geopolitical implications – both are important facets of the agreement. For some countries, the commercial aspect is the primary motivator, while for others it is about geopolitics. For some, like the United States, it is both.

For the United States, the TPP represents a tremendous commercial opportunity, as it allows U.S. companies to expand their foreign markets, and thereby gives impetus to continued future development and expansion. For the U.S. – as well as for several other TPP countries – the agreement is also a way to ensure continued U.S. engagement in the broader Asia Pacific region, counteracting the growing influence of China.

**Taiwan Participation in the TPP**

For Taiwan, participation in the TPP is of crucial importance. Taiwan sees inclusion in the agreement as vital to the island’s ability to engage with its important trading partners – especially with the United States and Japan, with which it maintains major trade ties. It is essential that Taiwan be included in future attempts to expand the agreement beyond the original member countries – particularly since South Korea will also be pushing for membership. South Korea represents Taiwan’s primary strategic competitor, and every effort must be made to ensure that Taiwan can continue to compete on a level playing field.

In addition, China now accounts for over 40% of Taiwan's total trade, and participation in regional trade liberalization could help Taiwan restore greater balance to its overall economic activity. If Taiwan remains absent from regional trade agreements, it may be drawn even further into China's economic orbit – to the detriment of the business and national security interests of its other trading partners, including the United States.

So far, Taiwan has only been able to successfully negotiate and put into effect 7 bilateral trade agreements, including agreements with China, Singapore, and New Zealand. Taiwan is therefore concerned about becoming marginalized both economically and politically should it remain on the outside of the TPP looking in. Trade diversion away from Taiwan and towards other members of the agreement is a real possibility.

Taiwan is a major Asia Pacific economy, located in a key region that connects North Asia with South Asia. It is a center of operational and technical excellence, and its economy has the ability to adapt to a dynamically changing world. At present, Taiwan is a key cog in the global technology supply chain, but there are uncertainties about the future and questions about how Taiwan can maintain its competitive advantage if it is forced to linger on the outside of regional and global trade liberalization. Of particular concern is the timing of Taiwan’s proposed admission to the TPP, as the longer it takes, the further Taiwan risks falling behind its regional competitors.

There appears to be broad U.S. business community support for Taiwan’s entry into the TPP, and some claim that it is not a question of whether but when Taiwan will join. However, there are many challenges for Taiwan in this regard, with one issue in particular being Taiwan’s legal status. Although there may be ways
to bypass the issue of Taiwan’s complicated political situation, it is still likely to negatively affect Taiwan’s TPP application.

In addition, Taiwan is not alone in pushing for participation – many other countries are having the same conversations about preparing for admission, and they are also clamoring to join once the initial agreement with the 12 founding partners is completed. The TPP is designed to be a “living” agreement where it is flexible enough to expand to new products and sectors, as negotiators attempt to include ways to address new and evolving trade issues. Without such provisions, the agreement would already be outdated at signing. This approach applies to membership as well, which may be extended not only across the Asia Pacific, but which may also reach out into other regions around the globe. Positioning Taiwan at the forefront of the throng represents a major task that must be approached with vigor and a well thought out strategy.

Finally, Taiwan has focused on persuading the U.S. to support its TPP application – a strategy that has been effective in the past, such as during Taiwan’s successful push for admission to the WTO. However, the TPP is a consensus-based agreement, and admission for Taiwan is unlikely to come about based on a unilateral decision by the United States. While Japan, one of the TPP countries, has also indicated its willingness to admit Taiwan into the agreement, it is likely that expanding the push to include other founding members – in addition to pushing the U.S. to champion its cause – would give Taiwan a better chance of success.
CONCLUSION & POLICY RECOMMENDATIONS

Commercial diplomacy has been a component of the U.S.-Taiwan bilateral relationship from the very beginning. It is encouraging that we can continue to involve both the U.S. and Taiwan governments, along with businesses and non-government organizations from both sides, in such an important dialogue.

A strong and dynamic Taiwan economy is clearly in the best interest of the United States, and Taiwan’s participation in regional economic integration will ensure that it remains a robust trading partner for the U.S. while avoiding economic marginalization.

A Bilateral Investment Agreement (BIA) would be an important bridge and valuable next step in U.S. trade and investment relations with Taiwan, particularly as a BIA could serve as a precursor for U.S. support of Taiwan’s entry into the TPP. A BIA would bring many benefits for companies on both sides, with protections and benefits flowing both ways. Starting BIA negotiations at the earliest possible date would be an excellent way forward for all stakeholders. However, a BIA may be folded in to a TPP negotiation if consideration of Taiwan as a second round entrant to the TPP is accelerated.

While negotiations for Taiwan entry into TPP could take time and require a tremendous amount of work on both sides, it is an ambitious but achievable goal. The intent to sign such an agreement should be a central goal for the relationship, anchoring bilateral ties while broadening and deepening Taiwan’s trade relationships.

The TPP could serve as a platform to address some of Taiwan’s concerns, including the U.S. side working to address the high tax burden that has discouraged some Taiwan companies from expanding their investments in the United States. Taiwan companies are subject to state and federal taxes, 30% withholding, and other taxation – a burden for businesses particularly given that competitors, including Chinese businesses, are not subject to the same tax rates.

For Taiwan, it is important to utilize existing processes such as TIFA and a potential BIA negotiation to solve some of the outstanding issues in the trade relationship, like the issues surrounding some agricultural imports. Continued Taiwan domestic regulatory reform will remain important, not only in the context of a BIA and/or TPP accession, but in general to promote foreign investment and improve the business environment in Taiwan for foreign firms.

Joining the TPP is central to the way forward for Taiwan; it is an important step towards a successful future. To increase the odds of acceptance, Taiwan has to make a concerted effort to address outstanding issues with each of the 12 founding members of the agreement. Taiwan can jumpstart its application by identifying policy gaps, making amendments to domestic policies, and offering an overall improved regulatory regime that meets TPP standards.

It is important to note that one of the countries now in the TPP asked for acceptance and was initially turned down, but on the second try they were successful as its government was willing to negotiate all issues on the
table. This should serve as an incentive for Taiwan to continue pushing its application, despite the obstacles presented.

To summarize, the discussions at the U.S.-Taiwan Business Forum produced several specific policy recommendations. These recommendations are designed to support and enhance the overall U.S.-Taiwan trade relationship, bring industries closer together, and remove significant barriers to trade.

1. The United States and Taiwan should launch Bilateral Investment Agreement (BIA) negotiations at the earliest possible date. It is essential to have momentum in the bilateral trade relationship over the course of 2015-2016, as both the United States and Taiwan will see new political administrations take office. Additionally, because China and the United States are close to concluding a Bilateral Investment Treaty, the U.S. must work to ensure that Taiwan trade policy remains similarly addressed. The BIA could serve as a platform to address some concerns expressed by Taiwan businesses, including the U.S. side working to address the high tax burden that has discouraged some Taiwan companies from expanding their investments in the United States.

2. Taiwan should maintain a course of unilateral reform of its economy in preparation for participation in additional international trade agreements. Such reforms will be necessary for any consideration of Trans-Pacific Partnership (TPP) membership. Taiwan could look to the U.S.-Korea Free Trade Agreement (KORUS) as a roadmap for how to undertake such fundamental changes, thereby bringing their economy in line with international standards.

3. The TPP should continue to be the top bilateral policy focus for the governments in both the United States and Taiwan. The U.S. should support Taiwan's application for membership, and work to bring Taiwan into the negotiations as soon as viably possible.

4. Taiwan's application for membership in the TPP should not be linked to any pre-negotiation concessions. All issues should be dealt with on a case by case basis during the bilateral negotiating process, and no issue should be seen as unassailable.

5. The U.S.-Taiwan bilateral negotiations for the TPP should aspire to cover every sector in the trade relationship, in order to fully flesh out issues and address barriers to trade. Only through vigorous and wide-ranging negotiations can a truly successful agreement be reached.

The US-Taiwan Business Council wishes to thank all the participants at the March 23, 2015 U.S.-Taiwan Business Forum, with a special thank you extended to the moderators and speakers. The Council is looking forward to continuing to work with all attendees to shape the future of U.S.-Taiwan trade and investment, and to hosting additional events where we can continue this important dialogue.
This report was published in September 2015 by the US-Taiwan Business Council. The Council is a non-profit, member-based organization dedicated to developing the trade and business relationship between the United States and Taiwan. Members consist of public and private companies with business interests in Taiwan. This report serves as one way for the Council to offer analysis and information in support of our members’ business activities in the Taiwan market.

This Event Proceedings Report attempts to accurately document the policy and industry discussions held at the U.S.-Taiwan Business Forum, an event that took place on March 23, 2015 in Washington, D.C., but the views expressed do not necessarily reflect the views of each individual participant, nor of the US-Taiwan Business Council. The publication of this report is part of the overall activities and programs of the Council, as endorsed by its Board of Directors. However, the views expressed in this publication may not reflect the views of individual members of the Board of Directors or Executive Committee.

© 2015 US-Taiwan Business Council

The US-Taiwan Business Council has the sole and exclusive rights to the copyrighted material contained in this report. Use of any material contained in this report for any purpose that is not expressly authorized by the US-Taiwan Business Council, or duplicating any or part of the material for any purpose whatsoever, without the prior written consent of the US-Taiwan Business Council, is strictly prohibited and unlawful.

1700 North Moore Street, Suite 1703
Arlington, Virginia 22209
Phone: (703) 465-2930
Fax: (703) 465-2937
council@us-taiwan.org
www.us-taiwan.org

Compiled and edited by Lotta Danielsson
Printed in the United States