

Taipei needs to expand its trade targets: US study

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A new US study on Taiwan's economy cautions that gains from current trade and investment talks with China may be limited and that Taipei needs to concentrate on internal economic restructuring and the cultivation "of new and dynamic foreign relationships beyond the straits."

Written by Derek Scissors, a research fellow in Asia Economic Policy at the Heritage Foundation, the study says Taiwan should reform corporate taxation and the "sheltered" domestic service sector.

Scissors said it might be "difficult to imagine" how the centerpiece of Taiwan's economic strategy could be anything other than more open trade and investment with China, but said: "The most lucrative years for Taiwan-China business and trade have already passed."

As an investment, China is moving from a growth stock to a value stock and Beijing's successful globalization has left fewer opportunities for Taiwanese companies, Scissors said.

"Both the mainland as a source of dynamism for the Taiwanese economy and Taiwan playing a pivotal role in mainland development in return are waning — not waxing — forces," Scissors said.

Other options should therefore be cultivated, he wrote.

The study, entitled Taiwan's Economy Needs More Than Cooperation With China, said Taipei should seek partners poised for a period of especially rapid growth — "better positioned to achieve rapid gains from fresh globalization and in greater need of Taiwanese technology and service industries."

Scissors said that an obvious candidate is India, because it is now entering a demographic expansion of similar magnitude and importance to the one that China is leaving.

"In some ways, India is China 15 years ago, with a decade of 12-13 percent growth potentially available, to be then possibly followed by the same 8 percent annual [growth]," he said.

"More open Taiwanese trade and investment with China fits the principles of American foreign policy ... Diversification of economic efforts, however, will result in a more vigorous Taiwan ... And a more economically dynamic, secure Taiwan is good for peace, stability and prosperity in the region," he said.

"Cross-straits liberalization is valuable, but it is only one arrow in the quiver ... More needs to be done to bolster Taiwan's economic future, and America can help," the study said.

Among the recommendations made by Scissors is that Taiwan should ensure that its regulations, taxes and international economic agreements do not artificially divert trade and investment toward China or any East Asian bloc at the expense of other promising partners such as India.

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The US should support cross-strait liberalization while verifying that it does not spark fresh discrimination against US products and companies and that the US should pursue its own trade and investment liberalization with Taiwan, “culminating in a robust free trade agreement and bilateral investment treaty,” he wrote.

Given US President Barack Obama’s cautious approach to free trade agreements, however, it is unlikely that Scissors’ last recommendation will gain much traction.

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