

Time for a Taiwan-US trade deal

Written by Juan Fernando Herrera Ramos
Friday, 24 May 2019 03:50

After Chinese Vice Premier Liu He's (刘鹤) visit to the US that ended without a deal between the world's two largest economies, he said that officials from both nations would meet again in Beijing, but made it very clear that China would not be willing to make any concessions on "important principles."

The failure to produce an agreement was because China reportedly backed away from many of the commitments it had previously accepted, which included changes to its trade laws regarding the well-known Chinese practice of "forced technology transfers": Foreign companies that wish to do business in China must partner with local companies and share their proprietary information.

As a result of the failed negotiations, US President Donald Trump increased tariffs on US\$200 billion of Chinese goods, as he had threatened to do so months before.

The tariffs rose from 10 percent to 25 percent, and just a few days later, China responded in kind by announcing that it would also increase tariffs of up to 25 percent on US\$60 billion of US goods.

Following the Chinese decision, US Trade Representative Robert Lighthizer announced that the US administration would order a tariff hike on pretty much all remaining Chinese imports to a value of US\$300 billion.

The increase is still months away from taking place, as it must go through a period of public comment before actually being imposed, but it is likely to be implemented by July.

This was described by Politico in an article on Tuesday last week as the "nuclear option" in the ongoing trade dispute, and was considered by many to be nothing more than a threat to make China quickly come to an agreement with the US.

However, it now seems that the threat is very close to becoming a reality.

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The Office of the United States Trade Representative (USTR) said in a notice: “The proposed product list covers essentially all products not currently covered by action in this investigation,” excluding “pharmaceuticals, certain pharmaceutical inputs, select medical goods, rare earth materials and critical minerals.”

The escalation of the conflict has once again rattled international markets, and with Trump now saying that the tariffs could actually bring more benefits to the US economy than any good deal they could make, it should not surprise anyone if this conflict extends for months, if not years.

The US president seemed to have at least contemplated that scenario when he sent out a tweet saying that China would probably try to wait for a Democrat to defeat him in the next election, so that they could obtain a better deal.

In what appeared to be a response to the situation, Chinese President Xi Jinping (习近平) warned that one civilization forcing itself on another would be “stupid” and “disastrous.”

The lack of a solution is likely to have negative consequences for both nations — and possibly for Taiwan and the rest of the world — but as the old saying goes: If life gives you lemons, make lemonade.

Taiwan must take advantage of the conflict between China and the US and push more than ever before for a bilateral trade agreement with the US.

According to the USTR: “US goods and services trade with Taiwan totaled an estimated US\$94.5 billion in 2018... Taiwan is the US’ 11th-largest goods trading partner with US\$76 billion in total [two-way] goods trade during 2018.”

With these numbers, it is only natural for both nations to look to improve their commercial relationship and sign a trade agreement, but this idea has probably never received so much support in the US as it is receiving it now.

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There are think tanks in Washington that are regularly pushing the idea, and influential members of the US Congress have also voiced their support, such as US Senator Cory Gardner, a Republican member of the Senate Committee on Foreign Relations, who called a free-trade agreement with Taiwan “imperative.”

Comments have also been made by US Representative Ted Yoho, a Republican and member of the House of Representatives Committee on Foreign Affairs, as well as its Subcommittee on East Asia, the Pacific and Nonproliferation.

Yoho said in a Skype conference held by the Heritage Foundation in Washington — in which President Tsai Ing-wen (蔡英文) participated — that “trade is important between our nations, but more important than that is our common belief in the values we hold, the democracies that we have together. That in itself is the thing that really binds us together.”

Foundation founder Edwin Feulner said that the trade agreement would receive “huge bipartisan support on Capitol Hill” from Democrats and Republicans.

Feulner was responsible for inviting Tsai to participate in the conference.

Tsai told the conference audience that the Taiwanese government was enthusiastic about the possibility of a trade agreement between the two nations.

“If we can have a breakthrough in trade with the US, this will be very helpful in terms of encouraging many other trading partners to do the same,” she said.

Stephen Yates, a former deputy national security adviser to former US vice president Dick Cheney who has observed the relationship between Taiwan and the US, told Voice of America that Trump has “unhesitatingly signed” a significant number of bills in support of the nation, signaling that this might be the ideal time to push for a trade deal.

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The possibility of a bilateral trade agreement between these two nations is not particularly new, but there have been different reasons for it never materializing.

One of them is a ban that Taiwan has since 2006 enforced on pork coming from the US that contains a leanness-enhancing drug called ractopamine.

Taiwan softened this ban on US beef products in 2012 in an effort to please the US.

This is something the US would likely want to have addressed, but what could arguably be considered as the biggest obstacle in the past seems to have lost importance now.

A free-trade agreement between the nations would be a tacit recognition of Taiwanese independence and sovereignty, which previous US presidents were not even willing to entertain, because it would go against the US' "one China" policy and put it at odds with Beijing.

However, with the signing of the Taiwan Travel Act — which authorizes visits by officials from both nations — it seems as if Trump would be more willing than any of his predecessors to sign a trade deal.

The Trade and Investment Framework Agreement was signed by both nations in 1994 and could be used as the basis for negotiations with Taiwan.

Taiwan and the US have been cooperating for decades. They share the same democratic values and respect for free trade and open markets.

There is no doubt that the celebration of the 40 years of the Taiwan Relations Act, the signing of the Taiwan Travel Act and many other bills are positive developments aimed at

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strengthening the good relationship between Taiwan and the US, but a free-trade agreement would be an incredible sign of support, and an amazing development for the Taiwanese economy that would reduce its dependence on the Chinese market and bring the relationship between these two nations closer than ever before.

It is time for Taiwan to push to make it happen.

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