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Current Status of Taiwan's efforts in joining
the Trans-Pacific Partnership (TPP)

Reporting Agency: The Ministry of Economic Affairs
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Mr. Chairman, members of the Committee, ladies and gentlemen:

I would like to thank the Committee for inviting me to attend today's meeting and to report on the current status on Taiwan's efforts in joining the Trans-Pacific Partnership (TPP) as follows:

I. Implications of the TPP for Asia-Pacific economic integration and the current negotiation progress

1. The TPP is one of the major pathways towards Asia-Pacific economic integration:

(1) The APEC Leader's Meeting in 2010 endorsed the TPP and ASEAN+X as pathfinders for achieving the proposed Free Trade Area of the Asia Pacific (FTAAP). Leaders of the 11 TPP Members announced in 2012 that efforts would be made to complete the TPP negotiations by the next APEC Leader's Meeting to be held in October of 2013 (October 7-8, 2013), and instructed the negotiation teams to discuss matters pertaining to participation with Asia-Pacific partners that were interested in joining.

(2) Business representatives of APEC Members (the APEC Business Advisory Council), in its recommendations to APEC Leaders in 2012, called for the accelerated promotion of economic integration, and, in response to recent challenges to the global economy, and the promotion of FTAAP regardless of approach in accordance with the principles of inclusiveness, transparency, and extensiveness, where participation should be open to all members.

2. Membership Expansion:

(1) Preceded by the Trans-Pacific Strategic and Economic Partnership Agreement (TPSEP) jointly signed by Singapore, New Zealand, Brunei, and Chile in 2005, the TPP negotiations gained momentum when the United States formally announced its participation in September of 2008, followed by Peru and

Australia, where the 1st round of negotiations opened in March of 2010, after which other countries such as Vietnam and Malaysia joined the rapidly progressing negotiations; the TPP is the first regional trade agreement linking Asia and the Americas across the Pacific.

- (2) There are currently 11 Members, including Singapore, New Zealand, Brunei, Chile, Peru, Australia, the United States, Vietnam, Malaysia, Mexico, and Canada (Mexico and Canada joined the 15th round of negotiations in December of 2012). A total of 16 rounds of consultative negotiations have been held, while the 17th round is to be held in Peru this May, and the 18th round is to be held this September (venue to be decided).
- (3) Prime Minister Shinzo Abe of Japan formally announced on March 15, 2013 that Japan intends to join the TPP negotiations, pending a consensus resolution from the Members, including the completion of a congressional process by the U.S. [Note: the Office of the United States Trade Representative (USTR) shall notify the U.S. Congress and initiate a 90-day consultation phase between the Administration and Congress, while the USTR will concurrently issue in the Federal Register a solicitation for public comments, hence Japan is expected to see formal participation in the TPP negotiation rounds this July at the earliest.]
- (4) The Gross Domestic Product (GDP) of the 11 TPP Members accounts for 29.77% of the total worldwide, while their trade accounts for 21% of worldwide trade; should Japan be included, the GDP of the 12 members would account for an increased global share of 38.19%, while their trade would account for 25.7%.

3. Characteristics of the TPP Agreement:

- (1) Billed as a high-quality and high-standard agreement: Tariffs for most products are expected to be reduced to zero when the agreement enters into force, and the extended tariff-reduction period would only be allowed for a small number of agricultural products and special products.

(2) A broad scope: In addition to cross-cutting issues such as regulatory coherence and small and medium-sized businesses, emerging issues such as environmental protection and labor are also included.

(3) Kept up to date: New trade issues will be continually incorporated into the agreement as the international economic environment changes, while the commitments made by Members may be upgraded in terms of content and standards via review processes.

4. Negotiation progress and pending issues:

(1) The Agreement has a total of 29 chapters, among which, chapters that are either completed or have gained significant progress include those on small and medium-sized businesses, customs administration, cross-border trade in services, regulatory coherence, government procurement, telecommunications, competition policy, trade facilitation, and cooperation and capacity building.

(2) Outstanding issues include state-owned enterprise competition regulations, drug patents, pricing and payment systems, cross-border free data flow, intellectual property, and dispute settlement mechanism for investors and governments. In addition, the goods market access issues that are contentious between the United States and other TPP Members are those on dairy products, beef (New Zealand), footwear, textiles and apparel (Vietnam).

II. Important implications of the TPP for Taiwan

1. Statistics from the International Trade Centre (ITC, an organization jointly established by the WTO and the UN) database show that the 11 TPP Members accounted for 23.43% of Taiwan's trade in 2012, and if calculated on the basis of 12 Members (including Japan), the share in Taiwan's trade would have increased to 40.10%, demonstrating an impact that cannot be understated on Taiwan's foreign trade.

2. Because the TPP is one of the paths towards economic integration in the Asia Pacific region, and the Members include some of Taiwan's important trading partners, if Taiwan joins the TPP, economic and trade relations with the Members can be deepened, equivalent to signing FTAs with several major countries. Discriminatory treatments against goods and services of Taiwan will be eliminated, and enterprises will enjoy the benefits of tariff reduction and expanded export markets, while marginalization is prevented. Also, Taiwan can use the opportunity while pushing for participation in the TPP to draft a comprehensive plan for accelerated domestic industry upgrades to bring Taiwan's laws and regulations in line with international norms, and to foster feasible conditions for market opening.
3. According to initial assessment by the Chung-Hua Institution for Economic Research, should Taiwan not join the TPP, the chemical plastic and rubber product industry as well as the textile and apparel industry will suffer significant impacts; should Japan, South Korea, and Taiwan all join the TPP, the textile industry, the chemical plastic and rubber product industry, the leather garment industry and products thereof would be the major beneficiaries, while the service sector output would also increase significantly.

III. Current status of Taiwan's promotional efforts – Implementing a “Promotional Strategy for joining the TPP”

The Executive Yuan approved during a meeting of the International Economic and Trade Strategy Group in 2012 the promotional strategy that Taiwan put forth for joining the TPP, where work will be conducted simultaneously from the aspects of “domestic economic and trade liberalization” and “rallying external support.” Domestically, emphasis will be placed on enhanced communication to foster a national consensus, on the accelerated adjustment and reformation of economic and trade institutions, and on adjustments of industrial structure; internationally, emphasis will be placed on the strengthening of bilateral relations between Taiwan and the U.S., on the maintenance of a healthy atmosphere for

cross-Strait interaction, on the further establishment of economic and trade relations with TPP Members, and on the demonstration to the Members of the efforts and commitment of Taiwan towards liberalization. Relevant priorities and progresses are as follows:

1. Strengthening interagency coordination to enhance the promotion of Taiwan's efforts for further economic and trade liberalization: Taiwan has elevated the convener of the "International Economic and Trade Strategy Group" from the vice premier-level to the premier-level, so as to strengthen interagency coordination and performance for promoting economic and trade liberalization, and has drafted the "Work Agenda for promotion of launching and signing of ECAs and of economic and trade liberalization" to serve as a basis for the promotional efforts of various agencies; currently, the stocktaking for liberalization that is needed has been completed, while a program for further liberalization works is being drafted.
2. Making an in-depth study and analysis of the impact on the economy and industries of Taiwan, and drafting complementary response measures: In-depth studies on potential positive and negative influences of the TPP on and possible response measures for Taiwan's economy as a whole and individual industries, respectively, will continue to be commissioned in stages to domestic think tanks.
3. Enhancing public awareness with campaigns: In order to enhance the importance attached by different sectors to economic and trade liberalization, the Ministry of Economic Affairs (MOEA) has held during the first half of the year multiple workshops related to regional economic integration to communicate the concept of "reciprocal opening"; TPP-related seminars to be held in the northern, central, southern, and eastern parts of the country have been scheduled for this year, so as to make known the negotiation progress of the TPP, thus preparing for further liberalization.
4. Continuously strengthening economic and trade cooperation with the U.S.: The U.S. plays a key role in the expanded TPP negotiations. With the joint efforts from both Taiwan and the U.S. and after a five-year interruption, the Taiwan-U.S. TIFA meetings resumed on March

10 in Taipei, thus opening up new opportunities for enhanced bilateral cooperative relations in the future; Taiwan's government will continue to strengthen cooperation with the U.S. government via the TIFA platform and other channels for official dialogue, so as to lay a foundation for Taiwan to join the TPP.

5. Strengthening the lobbying of industries, officials, and academia of major members such as the U.S.:

- A. Utilization of the APEC forum to gain recognition and support from the TPP Members: Taiwan will continue to exchange opinions with and gain support from the TPP Members at the APEC forum by means of bilateral meetings.
- B. Commissioning foreign think tanks to hold workshops to create a favorable atmosphere: This year, the MOEA will commission think tanks of the TPP Members to hold relevant workshops at their respective localities, so as to provide individuals from various sectors in the Members' countries with a better understanding of the specific benefits that Taiwan would bring forth by joining the TPP, both for the Members and for economic integration in the Asia Pacific region.
- C. Mobilizing industries as an auxiliary power: Taiwan's efforts in joining the TPP should be augmented via close collaboration with Taiwan's industries to influence the policies of foreign governments.
- D. Preparing a lobby paper: The MOEA is currently preparing a lobby paper on the TPP, specifically addressing how Taiwan is committed to liberalization, and its contributions towards an improved linkage between supply chains and value chains in the Asia Pacific region; the said paper will soon be distributed to various representative offices and foreign individuals so as to allow lobbying of the Members on appropriate occasions.
- E. Continuously collecting information on the developments of the TPP negotiations: In addition to collecting the latest developments of the TPP via embassies and representative

offices overseas, our think tanks will also continue to be commissioned to conduct studies with respect to the latest developments of the TPP negotiations and to provide recommendations in that respect.

IV. Conclusion

Foreign trade is the economic lifeline of Taiwan. Given that regional economic integrations have been progressing in full swing in recent years, and for the purpose of maintaining international competitiveness, in addition to strengthening of economic and trade liberalization as well as of trade facilitation, Taiwan should make active participation in regional economic integrations its highest priority. In fostering a favorable international environment for the development of Taiwan's enterprises, the government has classified accession to the TPP as an important target to be promoted. The MOEA will continue to engage in comprehensive studies on drafting domestic responses to the trend of liberalization, so as to gradually equip Taiwan with what it takes to join the TPP, so that TPP Members will understand Taiwan's commitment towards further economic and trade liberalization, thus seeking support for Taiwan's participation in the TPP from existing participants. Domestically, the MOEA will work towards building a national consensus, draft in-depth response measures for sensitive domestic industries, and actively assist businesses to engage in global planning, industrial upgrade, and adjustments towards developing high value-added products, so as to increase the international competitiveness of Taiwan's products, and to mitigate the potential negative impacts to Taiwan from joining the TPP.

Your comments on the content of this report are welcomed. Thank you.