

TPP: OPPORTUNITIES AND CHALLENGES FOR TAIWAN



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What is TPP, and why should I care?



Is Taiwan ready?

Is this ever really going to happen?



USTR ON TPP



"TPP

- is a platform for engagement and growth in the Asia-Pacific region. It solidifies relationships with our allies and firmly establishes the United States as a leader in the Pacific.
- levels the playing field for American workers and American businesses, leading to more Made-in-America exports and more higher-paying American jobs here at home.
- advances our values, helping to build a global trading system that will allow our workers to effectively compete in the modern economy."

TPP ECONOMIES

Australia

Japan

Peru

Brunei

Malaysia

Singapore

Canada

Mexico

**United
States**

Chile

**New
Zealand**

Vietnam



TPP ECONOMIES



TPP ECONOMIES—SIZE



Country	2015 GDP (USD billion)
Australia	\$ 1,224
Brunei	\$ 12
Canada	\$ 1,552
Chile	\$ 240
Japan	\$ 4,123
Malaysia	\$ 296
Mexico	\$ 1,144
New Zealand	\$ 172
Peru	\$ 192
Singapore	\$ 293
United States	\$ 17,947
Vietnam	\$ 191

**Total
(World)**
\$ 79,000

**Total
(TPP Signatories)**
\$ 27,386

**34.7% of
world total**

Taiwan would add \$524 billion more!

TPP ECONOMIES—WEALTH



Country	2015 PPP Adjusted Per Capita GDP (USD)
Australia	\$ 47,608
Brunei	\$ 72,370
Canada	\$ 45,723
Chile	\$ 23,556
Japan	\$ 38,216
Malaysia	\$ 25,632
Mexico	\$ 18,370
New Zealand	\$ 36,152
Peru	\$ 12,187
Singapore	\$ 85,198
United States	\$ 56,421
Vietnam	\$ 5,964

**Taiwan would rank
4th— \$47,889!**

TPP BASICS

**Document of
Biblical
Proportions**

**Import Duty
Reductions**

**Rules of
the Road**

**Communication
and
Coordination**

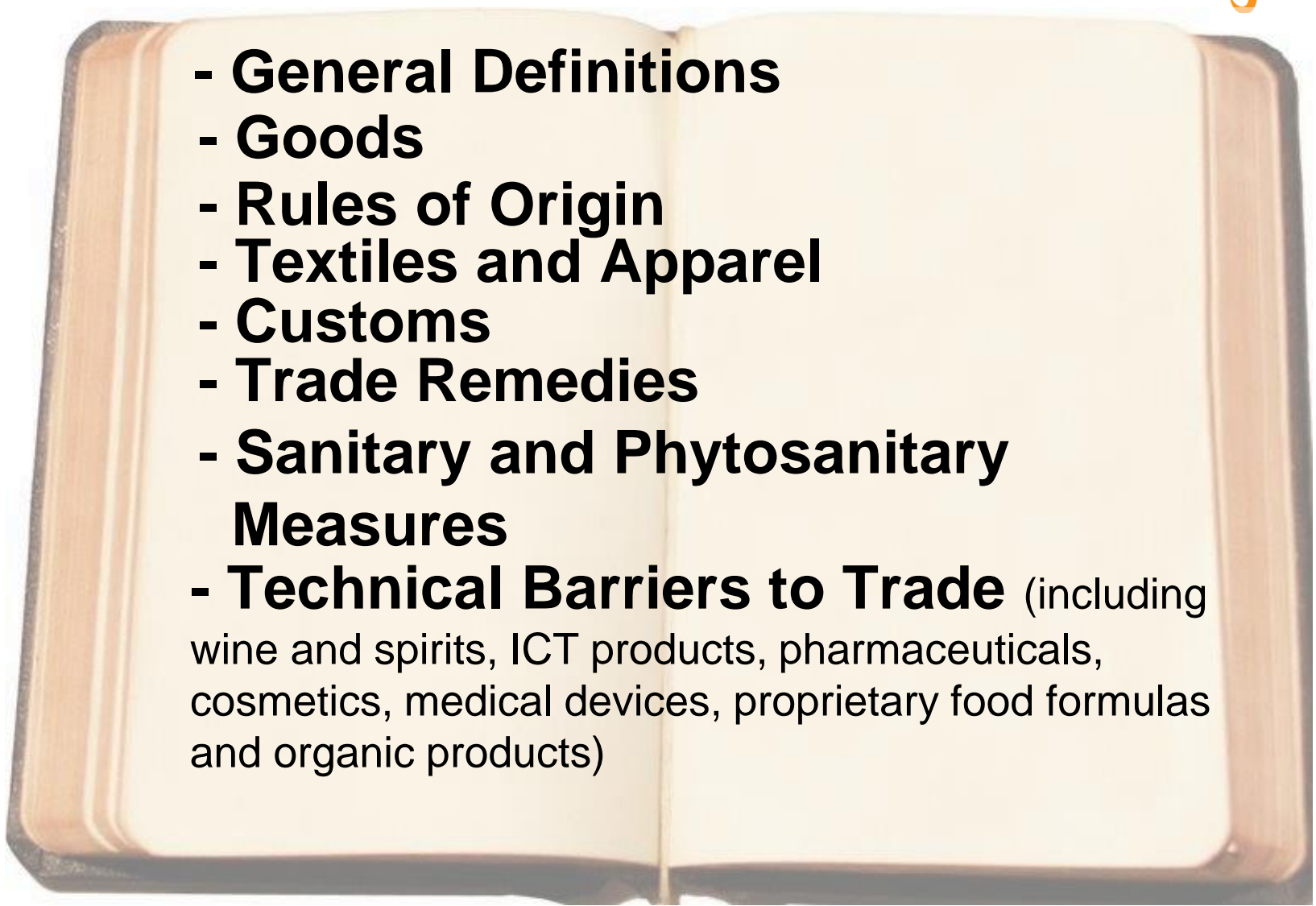
**Foot in the Door
Regulatory
Approach**

18 TPP COMMITTEES

Committee on Trade in Goods
Committee on Agricultural Trade
Committee on Rules of Origin and Origin Procedures
Committee on Textile and Apparel Trade Matters
Committee on Sanitary and Phytosanitary Measures
Committee on Technical Barriers to Trade
Committee on Financial Services
Committee on Temporary Entry for Business Persons
Committee on Telecommunications
Committee on Government Procurement
Committee on State-Owned Enterprises and Designated Monopolies
Labour Council
Environment Committee
Committee on Cooperation and Capacity Building
Committee on Competitiveness and Business Facilitation
Committee on Development
Committee on SMEs
Committee on Regulatory Coherence



TPP CHAPTERS (1)

- 
- **General Definitions**
 - **Goods**
 - **Rules of Origin**
 - **Textiles and Apparel**
 - **Customs**
 - **Trade Remedies**
 - **Sanitary and Phytosanitary Measures**
 - **Technical Barriers to Trade** (including wine and spirits, ICT products, pharmaceuticals, cosmetics, medical devices, proprietary food formulas and organic products)

TPP CHAPTERS (2)

- 
- An open notebook with a dark cover and cream-colored pages is shown from a top-down perspective. The notebook is open to two blank pages. On the left page, a list of ten items is written in bold black text, each preceded by a hyphen. The list includes: Investment, Services, Financial Services, Visas, Telecommunications, Electronic Commerce, Government Procurement, Competition, State-Owned Enterprises, Intellectual Property, and Labor. The notebook is centered in the lower half of the slide.
- Investment
 - Services
 - Financial Services
 - Visas
 - Telecommunications
 - Electronic Commerce
 - Government Procurement
 - Competition
 - State-Owned Enterprises
 - Intellectual Property
 - Labor

TPP CHAPTERS (3)

- 
- An open notebook with two blank, cream-colored pages is shown. The notebook has a dark cover. The list of TPP chapters is printed on the left page.
- Environment
 - Capacity Building
 - Competitiveness
 - Development
 - SMEs
 - Regulatory Coherence
 - Transparency and Anticorruption
 - Administration
 - Dispute Settlement
 - Exceptions
 - Ratification and Accession

SELECT TPP CHAPTERS



- **Goods**
- **Technical Barriers to Trade**
(but not the sector-specific commitments)
- **Investment**
- **Ratification and Accession**

IMPORT DUTIES STILL DISTORT TRADE *eiger*

- **Trucks Entering U.S. → 25%**
- **Pork Entering Japan → 4.3%** (and minimum price of US\$ 4.76 per kilogram)
- **Pork Entering Vietnam → 34%**
- **Apparel Entering U.S. → 32%**
- **Apparel Entering Malaysia → 20%**



IMPORT DUTIES UNDER TPP

ALL Import Duties on Manufactured Products Eventually Eliminated

MOST Import Duties on Agricultural Products Eventually Eliminated

EVEN Minimum Price for Pork Imported Into Japan Drops to 49 Cents / Kilo

ONLY Benefits TPP Exporters, NOT Taiwan
Multiplier Effect on Taiwan's Intermediate Goods Exports (70%!)

COMPETING AGAINST A TPP EXPORTER — A Big Problem *eiger*



- **Taiwan exporter loses sale!**

FIGHT BACK— END DUTIES ON RAW MATERIALS AND COMPONENTS



- NOW



- WITHOUT TAIWAN IMPORT DUTY



- Still Just a Partial Answer

REAL ANSWER— JOIN TPP



- NOW



- TPP



PROCEDURES FOR TECHNICAL REGULATIONS

- . National Treatment**
- . One Publication**
- . Publish Proposed Regulation for Comment 60 Days in Advance**
- . Consider Requests to Extend Comment Period**
- . Respond to Significant Issues**
- . Explain Thinking**
- . Publish Final Regulation 6 Months in Advance**

FOREIGN INVESTMENT

- **National Treatment**
- **Most Favored Nation Treatment**
- **Free Transfers of Investment Cash**
- **Right to Arbitrate Investment Disputes**



FOREIGN INVESTMENT CHALLENGES



- **Exchange Controls**
- **TPP Article 9.15**

"1. A Party may deny the benefits of this Chapter to an investor of another Party . . . if the enterprise is owned or controlled by a person of a non-Party . . . and has no substantial business activities in the territory of any Party other than the denying Party.

"2. A Party may deny the benefits of this Chapter to an investor of another Party . . . if persons of a non-Party own or control the enterprise and the denying Party adopts or maintains measures with respect to the non-Party . . . that prohibit transactions with the enterprise . . ."

ENTRY INTO FORCE?

- **U.S., Japan plus four other signatories needed**

- **Two major U.S. objections**

1. Deal isn't good enough



2. Trade and investment are bad



CAN TAIWAN JOIN?

- **Major Benefits— Recover Supply Chain, Diversify and Reform**
- **Take-It-Or-Leave-It**
- **Competing Against Korea**
- **The China Factor**
- **Gap Analysis**
- **Need for Rational Dialogue**



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THANK YOU

