



Statement by the US-Taiwan Business Council
USITC Public Hearing on U.S.-Taiwan Free Trade Agreement
May 13, 2002

U.S.-Taiwan FTA: Likely Economic Impact of a Free Trade Agreement (FTA)
Between the United States and Taiwan

Investigation 332-438
United States International Trade Commission

**Statement by the US-Taiwan Business Council at the USITC Public Hearing
May 13, 2002**

The US-Taiwan Business Council is a member based, non-profit association founded in 1976 to foster trade and business relations between the United States and Taiwan.

Introduction

U.S. productivity in the first quarter of 2002 leaped 8.6%, a jump that the Wall Street Journal described as the largest in over 20 years. There is little doubt that U.S. businesses are still benefiting from heavy investments in the 1990s, as well as from cost cutting measures and from innovations and improvements to their business processes. However, we also have to recognize the importance of technology on both personal and corporate productivity gains.

In addition, we continue to see the important part that technology plays in enhancing our predominance in the global economy.

To ensure that the benefits of technology on our economy continue, we must support those global technology partnerships that promote innovation and that foster the development of new and more efficient tools.

Free trade agreements with our technology partners worldwide would use trade policy as a means to further upgrade our economy, and we believe that Taiwan should be at the top of that list of partners.

The United States already relies on Taiwan for large quantities of our technology products, and in 2001 Taiwan was our fourth largest supplier of computer equipment. Add to that the significant percentage of China's computer exports produced by Taiwan companies on the Mainland (estimated to be as large as 70%), and you get an even clearer picture of Taiwan's importance as a supplier of technology products. An FTA would certainly enhance our relationship with this most important strategic technology partner.

Cross-Strait Trade/Gateway into China

For U.S. businesses, Taiwan is important not only as the prime original equipment manufacturer for technology components, and as our most important supplier of semiconductors and computer equipment, it is also increasingly significant as a gateway to China.



U.S. companies recognize the success that Taiwan businesses are enjoying in the Mainland, and that is beginning to change the way they view access to the China market. They increasingly see the value that can be placed on entering with a Taiwan based partner, especially in capital-intensive industries like IT, and the positive impact it can have, for example as a tool for risk management.

In addition, their Taiwan suppliers, with whom they already have a very high comfort level, are making difficult changes and are investing capital to ensure that they remain a viable option for OEM manufacturing, as well as a source for other products and services.

American companies also have the challenge of integrating their own businesses across the Strait, which will always be difficult as long as the barriers to the "three links" (that is, transportation, communication, and postal links) remain in place, and a Taiwan partner, or partnership, can be central to the integration process.

An FTA with Taiwan would allow U.S. companies to capitalize on cross-Strait economic integration, and it could have an important effect on the decisions US companies make when deploying capital, in Taiwan and in China.

Trade Integration

A Free Trade Agreement would take a new step in recognizing the significance of Taiwan as a trading partner, and would accelerate Taiwan's integration into the global marketplace, well on its way with Taiwan's entry to the WTO. It would increase the already impressive flow of trade between our two economies, make U.S. products more competitive in Taiwan, and strengthen the benefits U.S. technology companies already realize through their Taiwan-based suppliers.

An FTA would strengthen Taiwan's economy as well, and thereby its ability to continue to evolve. A vibrant and unconstrained Taiwan economy is critical to peace in the Taiwan Strait and to prosperity in the triangular relationship between Taiwan, China, and the U.S. Given the importance of Taiwan to our economy, we have to ensure that this key trading partner remains free and able to trade.

An expanding Taiwan economy is also most certainly in the interests of U.S. businesses, who have already recognized the importance of Taiwan as a market for their goods and services, as a source for foreign investment in the U.S., and as a value-added technology partner.

Conclusion

In summary, the US-Taiwan Business Council believes that a Free Trade Agreement between the United States and Taiwan could have a very positive impact on U.S. businesses, and that the positive effect would be broadly felt throughout the U.S. economy.