



The Bottom Line

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U.S. and Taiwan Sign Initiative for 21st Century Trade

Summary

On June 1st, the U.S. and Taiwan jointly announced the U.S.-Taiwan Initiative on 21st-Century Trade, intended to develop concrete ways to deepen the economic and trade relationship, advance mutual trade priorities based on shared values, and promote innovation and innovation inclusive economic growth for our workers and businesses.

Background

Economically, Taiwan is dependent on Beijing. However, Taiwan relies on Washington for its security and international political support. The island is in a precarious position - Beijing claims the self-governing island as part of its territory and threatens to annex it. Even though Taiwan has its own government, democratic elections, and army, most governments worldwide do not recognize it as a country. Taiwan has no interest in being ruled by communist China.

"Taiwan and the United States' shared values of democracy, freedom, and a market economy are an important basis for the vigorous development of the Taiwan-U.S. partnership," Joanne Ou, spokeswoman for Taiwan's foreign ministry, said. Under President Tsai Ing-wen and the DPP party, the democratic island has chosen to align more closely with the U.S., its most significant unofficial ally and supplier of arms. President Donald Trump's administration took unprecedented measures to boost U.S. support for Taiwan. In 2020, Ms. Tsai won a second term, drawing criticism from Beijing. By then, Hong Kong had seen months of unrest with protesters demonstrating against the mainland's increasing influence - a trend that had many in Taiwan worried Beijing would next set its eyes on Taiwan. Although Democratic and Republican administrations have favored a cautious approach to cross-strait relations in recent decades, President Trump shattered diplomatic norms by increasing travel and exchanges with Taiwanese officials. He elevated the island's international profile in ways that have drawn praise from the DPP and saber-rattling from Beijing under President Xi Jinping.

Current Status

Taipei and Washington have moved closer through informal, unofficial interactions since 1979 when the U.S. cut diplomatic ties with the self-ruled island that Beijing claims as its own. As part of his pivot to Asia, Biden launched the Indo-Pacific Economic Framework for Prosperity (IPEF), which included 14 states in the region but not mainland China or Taiwan. However, analysts say the new US-Taiwan Initiative on 21st-Century Trade signals a more standardized approach to strengthen ties under Joe Biden's administration. "Declaring that Taiwan was rejected for the framework was done in name only," said Shi

Yinhong, an international relations professor at the Renmin University of China. "Probably because of this, the U.S. and Taiwan immediately went into talks for a formal agreement for economic and trade cooperation."

The initiative could bring the island closer to the U.S. Indo-Pacific strategy by reducing its economic reliance on mainland China and counter China's growing regional influence. The U.S. Trade Representative office has said the initiative also aims to level the playing field for businesses and workers when competing against state-owned enterprises (SOE) that create "significant distortions" - a veiled reference to the Chinese economy that relies on SOEs that often operate in foreign markets.

Wu Xinbo, a professor and director of the Centre for American Studies at Fudan University in Shanghai, said the U.S. intended to reaffirm its support for Taiwan through the initiative, which still allowed the island to be part of the U.S. Indo-Pacific strategy. "What the U.S. cares most about is to pull Taiwan away from mainland China and reduce its dependence on the mainland economy, including Taiwan's support for the mainland in the area of semiconductors," Wu said.

Taiwan Semiconductor Manufacturing Company, or TSMC as it is better known, makes over half of the world's most advanced chips as the biggest chip foundry.

Impact

The new initiative marks the official launch of trade negotiations between Taiwan and the U.S. According to Taiwan's trade representative John Deng, it is a precursor to signing a free trade agreement.

The initiative covers 11 key areas, including "trade facilitation, regulatory practices, agriculture, anti-corruption, supporting small and medium-sized enterprises, digital trade, labor rights, the environment, standards, state-owned enterprises, and non-market practices and policies," Deng said.

RESOURCES

[What's Behind the China-Taiwan Divide?](#) (BBC News)

[The U.S. and Taiwan are Drawing Closer, Irritating China](#) (CNBC)

[United States and Taiwan Announce the Launch of the U.S.-Taiwan Initiative on 21st-Century Trade | United States Trade Representative](#) (ustr.gov)

[US-Taiwan trade initiative signals a shift in approach, analysts say | South China Morning Post](#) (scmp.com)

[US and Taiwan move to develop new trade initiative - CNNPolitics](#)