

AmCham Taiwan 2022 vDK Issue Paper #1
Issue Thumbnail & Talking Points – Indo-Pacific Economic Framework

Issue:

On October 27, 2021, President Biden announced the development of an Indo-Pacific Economic Framework (IPEF) to deepen economic relations in the region and coordinate approaches to global economic challenges. Administration is overdue to announce the invitee/participants and, to date, has intimated that Taiwan may not be included, or included in a parallel set of discussions.

Decision-makers / Influencers this call:

NSC (Kurt Campbell), DoS (Dan Kritenbrink), USTR (Kathrine Tai), DoC (Gina Raimondo) / tbd

AmCham Position & Prior Engagement:

AmCham Taiwan welcomes and supports the U.S. Government's proposal of an IPEF. Taiwan should be a fully included within the core agreement and under all four pillars (trade, supply chain, energy & infrastructure, tax and anti-corruption).

On April 11, AmCham President responded on behalf of Chamber to a Federal Register Notice for Comments on the Trade Pillar of the IPEF by calling for Taiwan's inclusion as a warranted step that would promote successful outcomes.

At the March 30 Hsieh Nien Fan, in remarks before President Tsai, Ing-wen and Director Sandra Oudkirk, AmCham Chair Shih called on AIT to convey to Washington AmCham's desire to see Taiwan included in the IPEF.

AmCham Objectives for Call:

Learn the status of the decision on inclusion and likely coverage (not all countries will be invited to all four pillars, but countries will not be allowed to opt out of sub-pillars).

Press for Taiwan's full inclusion as best outcome.

Learn what alternative arrangements are contemplated. Consider pushing back against notion of a "second-class" status in "IPEC-light" discussion set, and push for a stand-alone, more robust agreement with Taiwan, should IPEF not be in offering, e.g., a robust supply chain agreement that lands Taiwan as a trusted partner helping U.S. and world to set terms for trade and investment with China, or exploration of a BTA, or conclusion of a digital, tax or other high-impact agreement.

Talking Points:

- *[Generic introductory points for all calls]*
- Thank you for today's conversation and the willingness to take views of the private sector into account on this critical partnership and policy.
- What are the Administration's plans for Taiwan's participation in the IPEF?
- (if toward exclusion or partial inclusion) What is the rationale for this policy?
- (if the timing is to be put off) Won't this repeat experience of *Summit of Democracies*, to which Taiwan was ultimately included, but only after extended delay in inviting caused goodwill and credit to Administration to dissipate?
- As 6th largest economy in Asia and the 8th largest trading partner of the United States, globally. Taiwan is a critical partner of U.S. technology companies and a key part of critical (esp. semiconductors) supply chains.
- It has been working with U.S. in important areas such as sanctions, digital economy, IPR. In areas where it may lag – migrant labor – it is making strides.
- Taiwan has been an active member of APEC since 1991, where it has been a forceful proponent of liberalization. U.S. inclusion of Taiwan will free the way for other countries who seek to engage with Taiwan, but feel they must await U.S. action.
- Taiwan has productively engaged with thousands of individuals across the Indo-Pacific in recent years through the Global Cooperation and Training Framework, to which both Japan and Australia, alongside the United States, are full partners. Taiwan's inclusion will increase the likelihood of positive outcomes under IPEF, given this track record.
- Our over 530 member firms in AmCham Taiwan are working with Taiwan authorities daily on areas identified by the USTR as priorities, including Digital Economy rules, Competition Policy, and Transparency and Regulatory Practice.
- In Labor and Environment, Taiwan has been a leader in Asia.
- In Agriculture, it will be useful to have Taiwan at the table, learning how regional trade partners have refined implementation of food safety and labeling standards.
- We join our partners at USTBC and Taiwan Chambers of North America, as well as over 200 members of Congress in calling for Taiwan's inclusion.

Notes & Follow-up

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Background:

By excluding from the IPEF all market access discussions such as tariffs, the Biden Administration was able to structure IPEF as an t “Executive Agreement” for which no Trade Promotional Authority (i.e., prior Congressional approval) is required. To date, Taiwan has not been mentioned as a probable IPEF participant. This exclusion has been noted as a gesture against pressuring SEA nations or provoking China. There is irony in this exclusion, given that the Indo-Pacific Strategy, which sits above the IPEF, was designed to counter China’s expanding influence – and coercive actions – towards countries across the Indo-Pacific. The logic seems to run that, while the IPS/IPEF is fundamentally about countering China and China will not be included in the discussions, *Taiwan’s* inclusion would effectively force ASEAN members and others in the region to choose categorically between a US camp and a China camp. Since most countries wish access to both, they would, the thinking goes, shun the IPEF in large numbers. The Administration has painted itself into a corner. USTR, long on the Taiwan-skeptical side, is reportedly considering an “IPEF-lite” set of parallel discussions as compromise.

The Secretary of Commerce and the U.S. Trade Representative will co-chair the U.S. team leading the IPEF negotiations.

The Office of the United States Trade Representative (USTR) will lead the pillar on Fair and Resilient Trade,

The Department of Commerce will lead pillars on: (1) Supply Chain Resiliency; (2) Clean Energy, Decarbonization, and Infrastructure; and (3) Taxation and Anti-Corruption.

Issues that USTR should address in the negotiations, including the following:

1. General negotiating objectives for the proposed agreement.
2. Labor-related matters.
3. Environment and climate-related matters.
4. Digital Economy-related matters.
5. Agriculture-related matters.
6. Transparency and good regulatory practice issues.
7. Competition-related matters.
8. Customs and trade facilitation issues.
9. Issues of relevance to small and medium-sized businesses that should be addressed in the negotiations.
10. Other measures or practices, including those of third-country entities, which undermine fair market opportunities for U.S. workers, farmers, ranchers, and businesses.

References for deeper background:

- Dir. Oudkirk referenced the White House’s 4-page *Fact Sheet* on the overall Strategy during her meeting with us last month, and Vincent asked that I circulate it here: <https://www.whitehouse.gov/briefing-room/speeches-remarks/2022/02/11/fact-sheet-indo-pacific-strategy-of-the-united-states/>
- Additional background on the subsidiary *Economic Framework*, which is being jointly led by Sec. Raimondo (USDOC) and Amb. Tai (USTR) is found here: <https://crsreports.congress.gov/product/pdf/IN/IN11814>
- Our colleagues at the U.S. Chamber of Commerce have made extensive recommendations on the *Framework*: <https://www.uschamber.com/international/indo-pacific-economic-framework-business-recommendations>
- Federal Register Notice to offer comments on the Framework through April 11th here: <https://www.federalregister.gov/documents/2022/03/10/2022-05044/request-for-comments-on-the-proposed-fair-and-resilient-trade-pillar-of-an-indo-pacific-economic>

Overview of U.S. Indo-Pacific Strategy

- The Indo-Pacific Strategy is an “affirmative” strategy that sets forth a shared vision for an Indo-Pacific that is free and open, connected, prosperous, secure, and resilient.
 - o Through the strategy, the U.S. will work with its allies and partners to expand the collective capacity of the region to meet the challenges of today and tomorrow.
 - o The strategy aims to work through – and in tandem with – regional mechanisms, such as the Quadrilateral Security Dialogue (the “Quad”) and ASEAN.
 - o It builds upon the work of previous U.S. administrations and a broad bipartisan consensus that the Indo-Pacific is the single most critical region for the U.S.
- The five core objectives of the Indo-Pacific Strategy are:
 - o i) Advance a free and open Indo-Pacific;
 - o ii) Build connections within and beyond the region;
 - o iii) Drive regional prosperity;
 - o iv) Bolster Indo-Pacific security;
 - o v) Build regional resilience to transnational threats.
- i) Advance a free and open Indo-Pacific.
 - o The U.S. will work with its allies and partners to deal with these challenges openly and develop rules transparently and collaboratively, and apply them fairly—across land, water, cyberspace, and the open seas.
 - o ii) Building collective capacity.
 - o Washington remains “steadfast” in its support for an ASEAN-centered regional architecture.
 - o The U.S. realizes that “common action” is now a “strategic necessity.”
 - o The alliances, organizations, and rules that the U.S. and its partners have built in previous years and decades must be adapted to new circumstances.
 - o iii) Drive regional prosperity.
 - o Two-way trade between the U.S. and region totaled \$1.75 trillion in 2020 and supported 5 million Indo-Pacific jobs.

- o The U.S. is the number one investment partner with ASEAN member states, investing more in the region in 2020 than the next three nations combined.
- iv) Bolster security.
- o The U.S. is modernizing and enhancing its capabilities to defend its interests and deter aggression in the region.
- o It is doing this through:
 - § Advancing integrated deterrence;
 - § Deepening cooperation and enhancing interoperability with allies and partners;
 - § Maintaining peace and stability in the Taiwan Strait;
 - § Innovating to operate in rapidly evolving threat environments (including in space, cyberspace, and critical and emerging technologies).
 - § Pursuing the complete denuclearization of the Korean Peninsula.
- v) Build resilience.
- o The U.S. continues to assist the region combat COVID-19 and the climate crisis, and its assistance comes “without any strings attached.”
- o 148 million doses of COVID-19 vaccines and \$754 million in foreign assistance to save lives in the region.