

**Transcript of Remarks by Ambassador Karan Bhatia
Deputy United States Trade Representative
at the Joint Press Conference following the TIFA Talks
Taipei, Taiwan
Friday, May 26, 2006**

DEPUTY MINISTER STEVE CHEN: First, let me ask Ambassador Bhatia to take the floor to give a very brief presentation, please.

DUSTR BHATIA: Thank you, Mr. Deputy Minister. I want to begin, first of all, by thanking Deputy Minister Chen and his team for hosting the 5th meeting of our joint council of our trade and investment framework agreement, our TIFA agreement. Our delegation came to Taipei for the TIFA meetings with the intention of moving our relationship forward by making progress on the full range of bilateral economic issues, in seeking to expand our areas of cooperation. We had a very robust agenda for the TIFA, covering issues related to agricultural trade, to intellectual property rights, to pharmaceutical reforms, to telecommunications regulations as well as other areas. I am pleased to be able to tell you that we have had very productive talks, and in almost every area we have either reached a new level of agreement, or in those areas where we have not, we have mapped out a plan forward towards a solution. We came into these meetings with a strong U.S.-Taiwan economic relationship, and I believe that we conclude them with an even stronger relationship going forward. Let me highlight just a few results from our talks. We had a very good discussion about how we can work together toward a successful, ambitious market opening conclusion for the WTO Doha Development Round. We have had very useful discussion of the important bilateral agricultural issues, and have agreed in principle to establish a Consultative Council on Agriculture that will give us a high-level forum to address comprehensively a full range of agricultural trade policy issues. We have agreed to improve our cooperation on resolving sanitary and phytosanitary, so-called SPS issues, and to support the principle of adherence to the WTO SPS agreement and international guidelines. Intellectual property rights is an area we used to find one of the most difficult areas for resolution between the United States and Taiwan, but no more. We welcome Taiwan's action plan for IPR protection and we are pleased that we have reached agreement on twice-yearly consultations that will provide a useful mechanism to advance our cooperative efforts to address specific concerns. Pharmaceutical issues have been an important topic of conversation and we believe that it is a positive development that the Bureau of National Health Insurance has agreed to hold regular meetings with AIT and private sector stakeholders to discuss health care reform issues. We have agreed to close consultations with Taiwan as its newly-established independent communications regulatory body takes up its important work. Finally, let me talk briefly about a topic that, although it came up in the context of the TIFA conversations, but frankly I think is outside of it, and that is the idea of an FTA between Taiwan and the United States. As I said in remarks earlier today at the American Chamber of Commerce, the Administration, the U.S. Government has a very full trade agenda in the period leading up to the expiration of trade promotion authority in June 2007. Our first priority, our principal priority is achieving a successful

conclusion to the Doha negotiations. We also have a number of ongoing FTA negotiations underway with other countries. As a result, I think it will be extremely difficult and unlikely for us to take on any additional FTA partners during the period leading up to the expiration of TPA authority. Looking to the future, however, we do want to grow our relationship, and we do not rule out any mechanism to further enhance our bilateral economic cooperation that makes sense. As a more immediate task, we look forward to exploring other ways to strengthen our important bilateral trade ties, and we will continue to work with Taiwan to maintain and expand support for its active participation in the world trading community. With that, let me again express my thanks on behalf of the U.S. delegation to Deputy Minister Steven Chen and to his delegation for a very productive, warm and friendly two days of TIFA talks. Thank you.

DEPUTY MINISTER CHEN: As we said, we are holding a fifth TIFA meeting and this is the highest level meeting between the U.S. and Taiwan as a mechanism to promote trade and bilateral economic cooperation. This visit by the Ambassador is testimony to the importance the U.S. attaches to the economic and trade role of Taiwan. And I want to comment on this TIFA meeting and actually we have raised several issues and one of them being the Burkina Faso pilot plan. Being part of the plan, we can find a way to join together with the U.S., and since Taiwan is also promoting some plans in Africa, so I think this is the way the two economies could seek ways to cooperate. Some other issues that we have mentioned in the TIFA meeting include the following: a financial agreement on how to avoid tax evasion, and secondly protection of fruit varieties, and thirdly the U.S. will support Taiwan's participation in CAPERS, and fourthly, while the two sides are talking about IPR issues and possibly any revision of the prohibition regarding parallel imports and rental rights whereby we can allow legal use of these. The next issue is the import of Taiwan fruit into the U.S. market, such as pomelo and longyan. The meeting has been a very productive one and the two economies will find ways to strengthen their trade ties and hopefully under the WTO framework, and we will seek for an early conclusion to the Doha round. And on the APEC framework, more cooperation between the two economies will be possible, and thereby we have laid a good foundation for our future work together. Do you have any questions for Ambassador Bhatia?

QUESTION: (AFP - off-mike)

DUSTR BHATIA: The question pertains to whether it would be possible to remove Taiwan from the Section 301 watch list, which is the analysis that we put out annually on IPR compliance in different economies. Let me say, first of all, Taiwan had formally been on our highest tier, which is our priority watch list, but as a result of a number of positive steps Taiwan has taken, Taiwan has effectively moved from the priority watch list down to the watch list category, which is a category that I should point out encompasses 30 economies around the world, including many developed economies, close partners of ours, such as Canada and the EU elsewhere. So that's just by way of background. The process is an annual one where we look at the IPR performance of each of our trading partners. There is an action plan that Taiwan has developed in this area. We are cognizant of that, and think that it is a very good action plan. So some of our discussion this week, some of our discussions enabled us to understand more clearly what it

is Taiwan is doing and what it intends to do going forward. And I think we can't pre-judge what our next Special 301 analysis is going to be, but I will generally say that if we continue to see progress in this area, certainly that would be something that would be considered very favorably as we do our Special 301 analysis going forward.

QUESTION: (Kathryn Hille, Financial Times) I listened to your speech over lunch today, and I was trying to find out a little bit more clearly whether you were saying that unless Taiwan moves on getting rid of a lot of cross-Strait trade and investment restrictions, there is very little chance that the U.S. would find discussions of an FTA, or moving towards an FTA, worthwhile. Is there any chance that such a move could be taken in the case that Taiwan does not open up, say, direct links and get rid of cross-Strait trade and investment restrictions? The other question is for the vice-minister. Today we heard the Ambassador talking about an FTA, but since the vice-minister did not mention anything about an FTA, and so I wonder if there were any suggestions made about an FTA.

DUSTR BHATIA: Thank you. I would not read into my remarks today any particular linkage. I attempted to be very clear on what I was saying. It is our view that one of the critical issues that faces not just Taiwan's economy, but the economies of the whole..., all of the Asia-Pacific economies, is to make sure that they are well integrated into the regional economy. That is critically important, because frankly businesses view Asia as an integrated market, and one needs to be well tied into the major economies of Asia if one is to be competitive. The need for strong cross-Strait economic relations is therefore an issue that stands on its own, I think. My points with respect to the FTA, and again you were there at the speech this morning, so I will direct you again to those, but I reiterated them briefly here. The points are that we have a very full plate in Washington right now, and our trade promotion authority is set to expire in June of 2007. So it would be premature to make any comments about what set of conditions might allow for contemplation of an FTA going forward.

DEPUTY MINISTER CHEN: The proposed FTA between Taiwan and the U.S. is definitely part of the scope of work that we are trying to promote here, and in the TIFA meeting, while talking about the issue of Asia-Pacific economic integration, we did have an opportunity to exchange views on this issue. I do realize that Taiwan and the U.S. have been enjoying close trade ties, not only in commodities but also in services, and also in the research and development of the IP value chain. And we have been enjoying these close and inseparable ties between our economies, and with the globalization trend I think both sides cannot take close ties for granted. Rather we should continue to promote these ties by taking the next step, which naturally would lead us to a free trade agreement. And I am fully aware of the Ambassador's comments about the U.S. has its plans regarding its resources and its priority when it comes to this issue. But the Ambassador also emphasized the possibility of a bilateral free trade agreement between the U.S. and Taiwan has never been ruled out. And so I think we should try to get the firm support of U.S. businesses for a free trade agreement, and that is part of the work that Taiwan will focus on in the future. In short, we are fully understanding of the position that the resources and priorities of the U.S. government. But on our part, a free trade agreement

has always been a focus of our agenda, and so we will of course continue to work and hopefully see positive results.

QUESTION: (Caroline Gluck, BBC) You are traveling with Mr. Stratford, the Deputy U.S. Trade Representative for trade with China, and we heard that cross-Strait ties were likely to be raised. In your lunchtime speech, you made a very forthright argument about how you felt Taiwan was almost kicking itself in the foot by these restrictions which were undermining its competitiveness. How much progress did you make in these talks in getting some indication from the Taiwan government that restrictions might be lifted, and did they seem to understand your position? Where there any signals that things might change in the near future?

DUSTR BHATIA: The subject did come up, not only in my speech today, but also in our discussions, bilateral meetings. I think it's fair to say that the point probably -- it wasn't the first time, to put it that way, that the Taiwan authorities have heard these points. I think they are views shared by members of the business community here to some extent. I think what I can say about the response that it was certainly -- the points were taken into consideration. And I think there is a recognition, I felt, on the part of the Taiwan authorities of the need to make sure that the economy remains very competitive and integrated into the East Asian economy. And indeed there are important steps as I pointed out in my speech this morning that Taiwan has already taken that help in this respect. We believe that there is more that can usefully be done, and we stand ready to assist as possible, but we do believe this is largely a matter of action for the Taiwan authorities. I think that's all I have to say on that.

DEPUTY MINISTER CHEN: In this TIFA meeting and also when the Ambassador called upon some of the government officials he raised upon some important views regarding this issue. We understand these are views that the U.S. government has on these trends of globalization and the regional development of the Asia Pacific region, and we have listened very carefully to these views. We're listening to these suggestions. We've also explained that we have tried to implement some of these suggestions already. While in some cases, the implementation did not bring out a good outcome, the problem may not lie on the side of Taiwan, because to open up or lift restrictions actually depends on both sides -- that they have to sit down together to have discussions in a good-will manner. So we will try to assure to the Ambassador that we will continue our work in this regard.

I forgot to mention that we value very much all the proposals and views expressed by Ambassador Bhatia.

DUSTR BHATIA: Thank you

DEPUTY MINISTER CHEN: So one more question.

QUESTION: (BNA) You met President Chen Shui-bian this morning, and he seemed to mention some ways to strengthen economic ties, such as an FTA or CEP. What is your comment on his suggestion?

DUSTR BHATIA: I met with President Chen this morning. I thought it was a good constructive discussion. I think it's fair to say that both President Chen and I, on behalf of the USG delegation, expressed a common desire to see continued strengthening and growth of the economic relationship. Again, Taiwan is a very important trading partner for the United States -- \$60 billion USD approximately in two-way trade last year, that's goods only... another \$10 billion if you add on services. That's a significant trading partner, and it is important that that trade relationship continue and grows stronger. It is important that Taiwan's economy and U.S. economy become integrated into the rapidly changing, dynamic Asian economy generally. So we share very common goals in that respect. The President indicated that Taiwan would like to see an FTA with the United States. I indicated, much as I've indicated in the speech and in my comments today, where we stand on that, and that it is not something that is likely to be possible within in the timeframe of TPA expiring -- and given that the TPA is going to be expiring at the end of July 2007. But I think what we also, perhaps more importantly, focused on was the possibility of doing some very concrete things, such as in the areas that we have talked about in the TIFA conversations. To strengthen trade in particular sectors, such as the Agriculture sector. We're doing things that will help remove impediments to bilateral trade, for instance, in the area of investment or taxes. So I think it was a good conversation and the President expressed his views and hopes and I shared what our perspective was from the U.S. side.

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