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Biden tests US-China relations with Taiwan trade talks

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President Joe Biden's tentative steps toward a new trade deal with Taiwan will likely exacerbate his administration's already strained relationship with China.

With negotiations set to start in the fall, the talks are poised to add another layer of complexity to a speculated in-person meeting between Biden and Chinese President Xi Jinping in Indonesia during the G-20 forum this November, their first as their respective countries' leaders.

Indo-Pacific trade experts disagree on the economic significance of the so-called U.S.-Taiwan Initiative on 21st-Century Trade. But while they do not believe the Biden administration is deliberately agitating China, this week's announcement of a negotiating mandate that could update the 1994 U.S.-Taiwan Trade and Investment Framework Agreement underscores Biden's commitment to the self-governing island as part of his regional strategy.

"It's an important and, frankly, overdue announcement," Council on Foreign Relations research fellow David Sacks told the *Washington Examiner*. "Taiwan is a top 10 trading partner of the United States. During COVID-19, there was a growing realization of how important it is, especially to semiconductors but also other supply chains. And as we talk about lessening our reliance on China and building trusted or secure supply chains, Taiwan is obviously at the heart of that discussion."

The White House did promote the trade deal negotiating mandate amid tensions with China over House Speaker Nancy Pelosi's (D-CA) trip to Taiwan. But for Sacks, the talks are actually related to the administration's decision to exclude the island from its Indo-Pacific Economic Framework for Prosperity and Taiwanese President Tsai Ing-wen dropping protectionist policies that disadvantaged U.S. beef and pork last year rather than China's sanctions and military drills over Pelosi's visit this month.

"The United States has an interest in deepening its economic relationship with Taiwan on its merits, but it also has a broader interest in helping Taiwan reduce its trade dependence on the mainland," Sacks said. "The mainland is by far Taiwan's largest export market and its largest trading partner, and that gives China, in my view, enormous leverage during a crisis."

Although Biden lacks the congressional support and trade promotion authority to negotiate a free trade deal, senior administration officials are expected to lead the U.S.-Taiwan talks. That is opposed to in the past, particularly during former President Donald Trump's term when his representative, Robert Lighthizer, prioritized an agreement with China over one with the island. Biden and his aides hope the "political buy-in" will encourage other countries to strike their own accords with Taiwan, according to Sacks. Only New Zealand and Singapore currently have unencumbered arrangements.

Atlantic Council senior nonresident fellow Jeremy Mark was confident "a lot of good" will emanate from the U.S.-Taiwan trade negotiations, even if no deal is formalized. For Mark, the dominant downside is the pressure the talks place on U.S.-China relations given the "uncertainties" after Pelosi's trip.

"If you go back and look at the coverage of what was announced in June on the economic relationship with Taiwan, the question is [if] that's all it's going to be, the usual angry boilerplate, or whether there will be other steps taken because they see the need to demonstrate more clearly that they are increasingly uncomfortable with the direction of U.S.-Taiwan relations," he said.

U.S.-Taiwan trade talk critics focus on the omission of market access in the Office of the U.S. Trade Representative's negotiating mandate announcement this week and Biden's Indo-Pacific approach more generally.

"The U.S. ought to reengage on the Trans-Pacific Partnership and bring Taiwan into that existing free trade agreement framework," Cato Institute research fellow Clark Packard said. "The other question I have on both the Indo-Pacific Economic Framework as well as these talks with Taiwan, there's no enforcement mechanism. There's no adjudication mechanism."

"The U.S. and Taiwan already have fairly open trade and investment, and the Biden administration has shown no interest in true trade liberalization with anyone," American Enterprise Institute senior fellow Derek Scissors added. "If the U.S. were ever to sign a formal trade agreement with Taiwan, China would strongly object, but that isn't going to happen in 2022 or 2023, at least."

Through the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States, the U.S. and Taiwan will negotiate trade facilitation, specifically between small and medium businesses, in addition to agriculture and the digital space. Talks will start in the fall after the U.S.-Taiwan Initiative on 21st-Century Trade was announced in June. Discussions will also touch on regulatory and anti-corruption practices, including distortive state-owned enterprise and nonmarket measures, as well as labor and environmental standards.

"We plan to pursue an ambitious schedule for achieving high-standard commitments and meaningful outcomes covering the 11 trade areas in the negotiating mandate that will help build a fairer, more prosperous, and resilient 21st-century economy," Deputy U.S. Trade Representative Sarah Bianchi said this week.