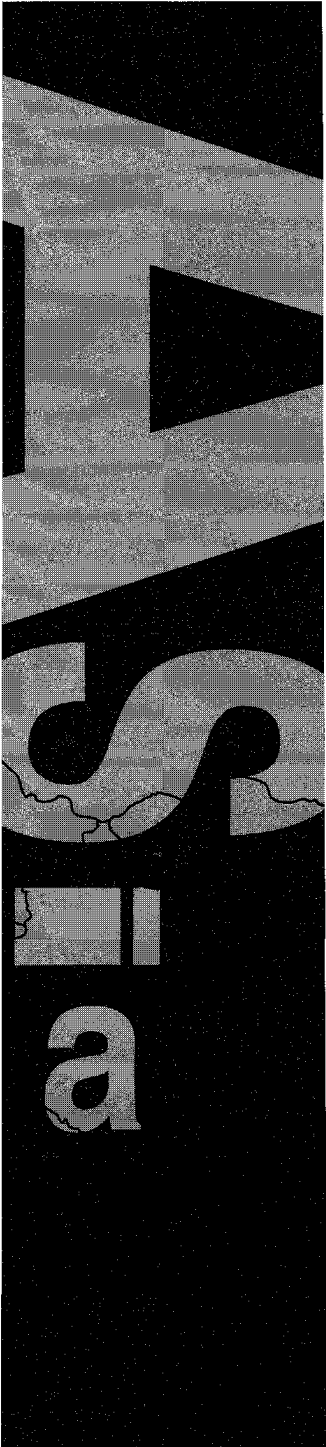


# Maryland Series in Contemporary Asian Studies

*Number 4 – 2002 (171)*



## THE U.S.-TAIWAN FREE TRADE AREA AGREEMENT: A BRIDGE FOR ECONOMIC INTEGRATION IN THE ASIA-PACIFIC REGION

Peter C.Y. Chow

SCHOOL OF LAW  
UNIVERSITY  
OF  
MARYLAND

## ***Maryland Series in Contemporary Asian Studies***

---

General Editor: Hungdah CHIU  
Executive Editor: Chih-Yu T. WU  
Associate Executive Editor: Yufan LI  
Associate Editor: David Salem  
Matthew Lyon  
Assistant Editor: Barbara V. Lam  
Managing Editor: Chih-Yu T. WU

### **Editorial Advisory Board**

Professor Robert A. Scalapino, University of California  
at Berkeley

Professor Bih-jaw LIN, National Chengchi University  
Dr. Ying-jeou MA, President of Chinese Society of  
International Law

Professor Toshio Sawada, Sophia University, Japan  
Professor Choon-ho Park, International Legal Studies,  
Korea University, Republic of Korea

All contributions (in English only) and communications should be sent to:

Professor Hungdah CHIU/or Chih-Yu T. WU  
University of Maryland School of Law  
500 West Baltimore Street  
Baltimore, Maryland 21201-1786, USA

All publications in this series reflect only the views of the authors.

While the editor accepts responsibility for the selection of materials to be published, the individual author is responsible for statements of facts and expressions of opinion contained therein.

Subscription is US \$35.00 per year for 4 issues (regardless of the price of individual issues) in the United States and \$40.00 for Canada or overseas. Checks should be addressed to MSCAS.

Tel.: (410) 706-3870  
Fax: (410) 706-1516

Price for single copy of this issue: US \$9.00

ISSN 0730-0107  
ISBN 1-932330-01-1

© Maryland Series in Contemporary Asian Studies, Inc.

**THE U.S.-TAIWAN FREE TRADE AREA AGREEMENT:  
A BRIDGE FOR ECONOMIC INTEGRATION  
IN THE ASIA-PACIFIC REGION**

Peter C.Y. Chow\*

**TABLE OF CONTENTS**

I. Introduction .....	3
II. The Changing Trade and Industrial Structures in Asia-Pacific and U.S. Position in the Asia-Pacific Region .....	9
III. Taiwan's Role as the Gateway to the Centers of Gravity in Northeast and Southeast Asia .....	15
IV. Alternative Scenarios of Economic Integration in ASEAN: U.S. and Taiwan are on the Same Boat.....	19
V. Preliminary Assessments on a U.S.-Taiwan FTA.....	33
VI. A Dynamic View on a U.S.-Taiwan FTA .....	46
VII. What Needs to Be Done.....	48
VIII. Summary and Conclusion .....	56
Reference .....	58
Appendix: The Tariff Equivalent of Quantifiable Import Barriers in the U.S. and Taiwan in the Baseline in 2001 .....	62

**LIST OF FIGURES**

Figure 1: Taiwan as the Hub of Regional Operation Center .....	26
Figure 2: GDP Growth Rates in the U.S. and Taiwan under Enlargements of ASEAN-FTA .....	27
Figure 3: Export Growth Rates in the U.S. and Taiwan under Enlargements of ASEAN-FTA .....	28
Figure 4: Import Growth Rates in the U.S. and Taiwan under Enlargements of ASEAN-FTA .....	29
Figure 5: Growth Rates of GDP, Export and Import in Taiwan under Enlargements of ASEAN-FTA ..	30

---

\* Professor of Department of Economics, the City College and Graduate Center, City University of New York. The author would like to thank Alex Chung and Kelly Wang for their assistance on the computer graphics. He was benefited from the participants of the expert seminar on "Prospects for a U.S.-Taiwan Free Trade Area" at the Brookings Institution on December 12, 2002. However, the usual caveats apply.

Figure 6:	Growth Rates of GDP, Export and Import in the U.S. under Enlargements of ASEAN-FTA .	31
Figure 7:	Welfare Effects in the U.S. and Taiwan under Enlargements of ASEAN-FTA .....	32
Figure 8:	The Effect of a U.S.-Taiwan FTA on the U.S. Trade by Sectors, (2013 Relative to Baseline) ..	41
Figure 9:	The Effect of a U.S.-Taiwan FTA on Taiwan's Trade by Sectors (2013 Relative to Baseline) ...	42
Figure 10:	The Effect on Sectoral Output in the U.S. and Taiwan (2013 Relative to Baseline) .....	43
Figure 11:	The Effect of a U.S.-Taiwan FTA on the Rates of Return of Factors of Production in the U.S. and Taiwan (2005 relative to baseline).....	44
Figure 12:	The Gains of Total Welfare and Terms of Trade in the U.S. and Taiwan (2005 relative to baseline) .....	45

## I. INTRODUCTION

The United States of America has been and still is one of the Pacific powers with vital interests in the economic growth, political stability and strategic balance in the region. In addition to its security concerns, the U.S. has been promoting market economy and democracy by increasing its trade with and investment in the Asia-Pacific region.<sup>1</sup> Since the late 1980's, trade flows between the U.S. and the Asia-Pacific region have exceeded that of the U.S. and its traditional Atlantic trading partners in Europe.

However, in the post-cold war era, the focus of American interests in East Asia has been shifted from security concern to more and more economic interest.<sup>2</sup> The efforts of the American government in promoting its economic interests are pursued by both multilateral and bilateral trade liberalization through the trading framework of the World Trade Organization (WTO) as well as by engaging in a Free Trade Area Agreements (FTAs) with some Pacific Basin countries such as Singapore<sup>3</sup> and Chile.<sup>4</sup> This drive for trade liberalization is accompanied by the Uruguay Round of trade liberalization, which is to be followed by the Doha Round, as well as by the trend of globalization.

While more comprehensive trade liberalization on multilateral scale was underway in the Doha Round of trade negotiations, there were also significant proliferations of regional trading blocs, which totaled to 140 as of May 2000. It was estimated that by 2005, there would be as many as 250 FTAs within the WTO trading frame-

---

1. U.S. policy has been and still is to nurture a free enterprise market economy in the region. In general, market economy with private property rights is conducive to a pluralistic society, which will contribute to democracy. However, it is not to argue that market economy will definitely lead to democracy.

2. The current anti-terrorism has temporarily diverted Washington's attention toward a united front against Saddam Hussien's regime in Iraq. However, U.S. long-term interest in economic development and political stability in the Asia-Pacific region remains intact.

3. See "USTR Publishes [proposed] Singapore FTA Text," USTR Press Releases 2003-13, March 7, 2003, available at <<http://www.ustr.gov/releases/2003/03/03-13.pdf>> (stating that the text is being released well before the agreement is signed in order to give interested parties time for review); see also <<http://www.ustr.gov/new/fta/singapore.htm>>.

4. See "ITC Begins Assessment of US-Chile FTA," U.S. International Trade Commission News Release 03-029, March 12, 2003, available at <<http://www.usitc.gov/er/nl2003/ER0312AA3.HTM>> (stating USITC instituted an investigation to assess the FTA with Chile proposed by the president); see also <<http://www.ustr.gov/new/fta/chile.htm>>.

work.<sup>5</sup> In the Asia-Pacific region, despite the diversity in levels of economic development, degree of trade protection, as well as other political constraints, regional trading blocs have gained momentum by the end of the 20th century. Such existing trading blocs include FTAs within the Association of South East Asian Nations (ASEAN). Moreover, enlarging the existing trading blocs, such as (1) ASEAN plus China; (2) ASEAN plus Japan; and (3) ASEAN plus China, Japan, and Korea, would also result in future gains.

Due to different levels of economic development and divergent perceptions of regional economic integration between the U.S. and the ASEAN countries, an ASEAN-FTA to include the U.S. is only a remote possibility. In fact, the proposed ASEAN-FTAs were speeded up to act as a counter balance to the economic integration in North America and the formation of the European Union. Consequently, the intention of the above mentioned possible ASEAN-FTA enlargements is to exclude the U.S. from the Asia Pacific region. As a result, the U.S. interest in the Asia-Pacific region might be undercut due to those proposed regional trading blocs, which would eventually exclude the U.S. from the region. The sentiment generated by the collective influence of an institutionalized ASEAN-FTA, its proposed enlargements, and its underlying exclusive regionalism against non-members would substantially depart from the multilateral trade liberalization principle and certainly would undermine the regional growth, stability and strategic balance.

U.S. interest in the Asia-Pacific region has been and still is to maintain political stability, economic prosperity and open regionalism through trade liberalization. Realizing that multilateral trade liberalization through the WTO is too slow to overcome this exclusive regionalism, the U.S. has been seeking some bilateral regional trading arrangements as an alternative for further trade liberalization. In 1993, the Clinton Administration upgraded the Asia Pacific Economic Council (APEC), which was essentially an economic forum, to an annual summit for more active and open participations from all economic entities in the region.<sup>6</sup> Meanwhile, though facing some strong resistance from many ASEAN states as to be ad-

---

5. See "The Trade Policy Environment: Global Enthusiasm for Free Trade Agreements," Australian Department of Foreign Affairs and Trade, available at <<http://www.dfat.gov.au/toos/archive/2002/ch1.html>>.

6. See "History of the Department of State during the Clinton Presidency (1993-2001) – East Asia and the Pacific," Office of the Historian, Bureau of Public Affairs, available at <<http://www.state.gov/r/pa/ho/pubs/8530.htm>>.

dressed below, an APEC-FTA was proposed for the developed countries by 2010, and for developing countries by 2020.<sup>7</sup>

To speed up the multilateral trade negotiations for further trade liberalization, to mitigate the probable isolation from those proposed exclusive trading blocs, and to avoid being marginalized by the further economic integration in Southeast Asia, the U.S. also initiated a “competitive liberalization” policy by proposing FTAs with Singapore and Chile in 2002.<sup>8</sup> The International Trade Commission (ITC) of the U.S. government also has assessed the feasibility of signing FTAs with Korea<sup>9</sup> and Taiwan<sup>10</sup> as well.

Situated between the Northeast and Southeast Asian countries, Taiwan is a natural candidate for the U.S. to bridge its gap in promoting its economic interests, and to support its effort to further trade liberalization in the Asia-Pacific region. Hence, the proposed U.S.-Taiwan FTA is an optimum policy action for the U.S. to pursue its economic interest in the region, and also an important timing stimulus for Taiwan’s economy.

This study is to analyze the significance and policy implications of a U.S.-Taiwan FTA, and to provide some policy recommendations for both Washington and Taipei to further pursue this task. The paper will argue that both the U.S. and Taiwan will benefit from the full implementation of an FTA to further liberalize their trade flows, investments, and technological alliances. The U.S. and

---

7. See “Speech By Singapore Prime Minister Goh Chok Tong at the Announcement of the Singapore - New Zealand Agreement, 11 September 1999,” Singapore Ministry of Trade and Industry, available at <[http://www.mti.gov.sg/public/FTA/frm\\_FTA\\_Default.asp?sid=32&cid=742](http://www.mti.gov.sg/public/FTA/frm_FTA_Default.asp?sid=32&cid=742)>; see also “Transcript of the Prime Minister The Hon John Howard MP Joint Press Conference with Singaporean Prime Minister Goh Chok Tong,” Media Interviews Prime Minister of Australia, November 15, 2000, available at <<http://www.pm.gov.au/news/interviews/2000/interview543.htm>>.

8. See “Information Paper on the US-Singapore Free Trade Agreement (USS-FTA),” December 16, 2002, U.S. Commercial Service, available at <[http://singapore.usembassy.gov/US\\_Singapore/2002/Information%20Paper%20on%20the%20US-Singapore%20FTA.htm](http://singapore.usembassy.gov/US_Singapore/2002/Information%20Paper%20on%20the%20US-Singapore%20FTA.htm)>. See also “U.S. and Chile Conclude Historic Free Trade Agreement,” USTR Press Release, December 11, 2002, available at <<http://www.ustr.gov/releases/2002/12/02-114.htm>>.

9. See “U.S.-Korea FTA Would Increase Bilateral Trade, Reports ITC,” USITC - News Release 01-120, Inv. No. 332-425, October 11, 2001, available at <<http://www.usitc.gov/er/nl2001/ER1011Y1.HTM>>.

10. See “ITC Seeks Input for a Fact finding Study on the Economic Impact of Establishing a Free Trade Agreement between the United States and Taiwan,” USITC - News Release 02-015, Inv. No. 332-438, February 6, 2002, available at <<http://www.usitc.gov/er/nl2002/ER0206Z1.HTM>>; see also “Representative Chen Testifies at USITC Public Hearing for Taiwan-U.S. Free Trade Agreement,” May 14, 2002, available at <<http://www.roc-taiwan.org/dc/press/20020613/2002061301.html>>.

Taiwan have a long tradition of close economic and political ties, the latter of which were stipulated by the Taiwan Relations Act.<sup>11</sup> Taiwan has been ranked as the top 7th or 8th U.S. trading partner since the 1980's.<sup>12</sup> In its struggle for modernization, Taiwan has benefited from the U.S. for its foreign aid and long-term supports in investment, as well as a major market for its economic development and a strong supporter of Taiwan's post-war modernization. Ever since the arrival of the first U.S. aid to Taiwan in the early 1950's, Taiwan has been nurturing a free enterprise market economy, which is consistent with the spirits of American capitalism. With more than four decades of economic development, Taiwan has transformed itself from an agrarian economy with rice and sugar as its major exports in the early 1950's to an exporter of labor-intensive light manufactured products in the 1960's.<sup>13</sup> And by the end of the 20th century, Taiwan has transformed itself to become one of the major producers of technological intensive and high-tech products such as semi-conductor, telecommunication, and computers.<sup>14</sup>

Since the 1980's, Taiwan economy has been embarking on a drive of liberalization and globalization. By the end of the 20th century, Taiwan has become the 16th largest trading partner of the world<sup>15</sup> and the 7th largest foreign direct investor in the world economy. On January 1, 2001, Taiwan became the 144th member of

---

11. See Lester L. Wolff and David L. Simon, eds., *Legislative History of the Taiwan Relations Act*, Jamaica, NY: American Association for Chinese Studies, Inc., 1982; see also "Taiwan Relations Act of 1979," available at <<http://www.usconsulate.org.hk/ustw/geninfo/tra1979.htm>>.

12. See "Text: Foreign Trade Barriers in Taiwan (USTR 1998 Foreign Trade Barriers Report)," available at <<http://usinfo.state.gov/regional/ea/uschina/taitbr98.htm>>; see also Stephen J. Yates, "U.S. to China: Join the WTO, But Real Work Lies Ahead," *The Heritage Foundation Executive Memorandum*, No. 638 (December 9, 1999), available at <<http://www.heritage.org/Research/AsiaandthePacific/EM638.cfm>>; see also "Council History," US Taiwan Business Council, available at <<http://www.us-roc.org/council4.html>>.

13. See Da-Nien LIU and Wen-Jung LIEN, "The Trade Relationship between Taiwan and the U.S. Since the Taiwan Relations Act," Institute of European and American Studies Academia Sinica, Taipei, Taiwan, Table 2, available at <<http://www.taipei.org/tra/sinica/sinica-08.htm>>.

14. See Peter C.Y. Chow, *Taiwan in the Global Economy*, Westport, CT: Praeger, 2002.

15. See Rong-i WU, "Taiwan-European Relations after WTO Accession," *Economic & Trade*, available at <<http://www.gio.gov.tw/taiwan-website/5-gp/eu/3-1.htm>>; see also Douglas H. Paal, "An Update on U.S. - Taiwan Economic Relations," September 18, 2002, available at <<http://ait.org.tw/ait/PR/pr0249e.htm>>.



the World Trade Organization.<sup>16</sup> Moreover, Taiwan has transformed itself into a democratic country with periodic elections as demonstrated by the government turnover in the 1990's.<sup>17</sup> Furthermore, Taiwan has been a role model of free enterprises, market economy, and democratization for many less developed countries in the world.<sup>18</sup>

In addition to the signing of the North American Free Trade Area Agreement (NAFTA) with Canada and Mexico, the U.S. has signed strategic bilateral FTAs with Israel and Jordan.<sup>19</sup> In addition, the U.S. Administration has also submitted proposed FTAs for Chile and Singapore to its congress for final review.<sup>20</sup> With a bilateral trade totaled to only \$301 millions between the U.S. and Jordan in 1999, which accounted for less than 0.002 percent of total U.S. trade in 1999,<sup>21</sup> and similar to the U.S.-Israel FTA, the U.S.-Jordan FTA is generally considered more for strategic interests rather than for trade promotion in the Middle East. Similarly, the U.S.-Chile FTA Accord is more for symbolism in pursuing FTAs with all American states than to promote the bilateral trade between these two countries, although Chile is the 37th largest trading partner, with a bilateral of \$5.9 billions with the U.S. in 2002.<sup>22</sup>

---

16. See "146 members on 4 April 2003, with dates of membership," World Trade Organization Members and Observers, available at <[http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/org6\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm)> (showing Taiwan's official title as "Customary Territory of Taiwan, Penghu, Kimen and Matsu").

17. See Dafydd Fell, "Party Platform Change in Taiwan's 1990s Elections," available at <<http://www.la.utexas.edu/research/cgots/Papers/48.pdf>>.

18. See "Forum Heralds Taiwan as Role Model," Taiwan's Goodwill: Furthering Human Rights and Peace, August 28, 2002, available at <<http://www.gio.gov.tw/taiwan-website/5-gp/human/humanrights/news/d.html>>.

19. See "Free Trade Agreement (FTA)," *Jewish Virtual Library*, available at <<http://www.us-israel.org/jsource/US-Israel/FTA.html>>; see "Jordan-US FTA takes," *Jordon Times*, December 19, 2001, available at <<http://www.jordanembassyus.org/12192001001.htm>>.

20. See *supra* notes 3 and 4.

21. See Grynberg Roman, "The United States-Jordan Free Trade Agreement- A New Standard in North-South FTAs?" *The Journal of World Investment*, Vol.2, No.1 (2001), pp.5-20; see also "U.S. Trade Balance, by Partner Country 2002 in Descending Order of Trade Turnover (Imports plus Exports)," United States International Trade Commission, available at <[http://dataweb.usitc.gov/scripts/cy\\_m3\\_run.asp](http://dataweb.usitc.gov/scripts/cy_m3_run.asp)>.

22. See "U.S. Trade Balance, by Partner Country 2002 in Descending Order of Trade Turnover (Imports plus Exports)," United States International Trade Commission, available at <[http://dataweb.usitc.gov/scripts/cy\\_m3\\_run.asp](http://dataweb.usitc.gov/scripts/cy_m3_run.asp)>; see also "The importance of a Free Trade Agreement between Chile and the United States," Chilean American Chamber of Commerce, available at <<http://www.amchamchile.cl/tlc/links.htm>>.

However, a U.S.-Taiwan FTA will have both strategic as well as economic interests for the U.S. because Taiwan is the 8th largest trading partner for the U.S. with a bilateral trade totaled to \$48.8 billions in 2002.<sup>23</sup> A full implementation of the proposed U.S.-Taiwan FTA would enable U.S. to utilize Taiwan as the hub of its strategic operations by linking both Northeast and Southeast Asian countries. Its significance would be far beyond the conventional wisdom of trade creation and trade diversion resulted from any comparative static analysis.

This study takes a critical analysis on the impacts of the proposed U.S.-Taiwan FTA on the economic growth and stability in the region and the U.S. national interests in Asia-Pacific from a broader and dynamic perspective. Rather than proceeding with model simulations on the cost and benefits analysis of FTA, it examines the probable impacts of an FTA between the U.S. and Taiwan from much broader macro dynamic perspectives of regional economic growth, political stability and strategic balance. Moreover, it advocates that the U.S. will be able to better utilize Taiwan as the hub of regional logistic and operation center for U.S. firms in their efforts to penetrate the Asian market. Taiwan is the linchpin for the U.S. economic growth in Northeast and Southeast Asian countries. By the implementation of a U.S.-Taiwan FTA, many U.S. firms will be able to better access the “center of gravity” of economic growth in the Pacific Rim, and to penetrate in the niche markets in the region. Therefore, it moves beyond the conventional comparative static studies of the cost and benefit analysis on the trade creation and trade diversion resulted from an FTA.

The study is organized in the following order. Section II analyzes the changing trade and industrial structures in the Asia-Pacific region since the mid-1980's and their interrelated relations with the U.S. Section III will address Taiwan's role as the gateway to the “center of gravity” in Northeast and Southeast Asia by emphasizing the strategic significance of the proposed U.S.-Taiwan FTA. Alternative scenarios of economic integration in the Asia-Pacific region under ASEAN plus China, AEASN plus Japan, and ASEAN plus three and their probable impacts on the economies in the U.S. and

---

23. See “Representative Chen Testifies at USITC Public Hearing for Taiwan-U.S. Free Trade Agreement,” May 14, 2002, available at <<http://www.roc-taiwan.org/dc/press/20020613/2002061301.html>>; see also “U.S. Trade Balance, by Partner Country 2002 in Descending Order of Trade Turnover (Imports plus Exports),” United States International Trade Commission, available at <[http://dataweb.usitc.gov/scripts/cy\\_m3\\_run.asp](http://dataweb.usitc.gov/scripts/cy_m3_run.asp)>.

Taiwan will be discussed in Section IV. Section V will summarize the preliminary assessments on the proposed U.S.-Taiwan FTA based on model simulation results from the International Trade Commission, supplemented by a report from Chung Hwa Institution for Economic Research in Taiwan. A dynamic view on a U.S.-Taiwan FTA is addressed in Section VI, which is to be followed by some policy recommendations on what need to be done for further negotiations for both Washington and Taipei in Section VII. The final section is for summary and conclusion.

## II. THE CHANGING TRADE AND INDUSTRIAL STRUCTURES IN ASIA-PACIFIC AND U.S. POSITION IN THE ASIA-PACIFIC REGION

Trade and industrial structures in the Asia-Pacific region have been undergoing accelerated transformation in the three decades from 1960 to 1990 in many Asia-Pacific countries. Following the footsteps of Japan, the Asian Newly Industrialized Countries (NICs), i.e. Hong Kong, Korea, Singapore and Taiwan, have, since the 1960's, expanded their export growth and economic development with the enviable record of an "East Asia Miracle" until the recent slow down after the 1997 financial crisis and world-wide recession.<sup>24</sup> After the 1970's, the NICs, in turn, were followed by the ASEAN-4,<sup>25</sup> and China after the adoption of its "open door policy," in the late 1970's.<sup>26</sup> This section will highlight some recent developments after the Plaza Accord in 1985.<sup>27</sup>

---

24. See Jomo K.S., "Financial Crisis and Macroeconomic Policy Responses to the 1997-8 Financial Crisis in Malaysia," available at <[http://www.worldbank.org/eapsocial/asemsocial/ILO\\_draft\\_full.pdf](http://www.worldbank.org/eapsocial/asemsocial/ILO_draft_full.pdf)>.

25. See "Overview - Association of Southeast Asian Nations," available at <<http://www.aseansec.org/64.htm>> (indicating original ASEAN members in 1967 included Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Membership expanded to Brunei Darussalam in 1984, Vietnam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999). In this study the ASEAN-4 refers to Indonesia, Malaysia, the Philippines, and Thailand for their relatively more significant trading positions with the U.S. And Singapore is classified in the Asian NICs for its more advanced development than the rest of the ASEAN states.

26. See Peter C.Y. Chow and M. Kellman, "The Changing Trade Structure in Pacific Basin Countries: Retrospect and Prospect," in Cheng-Few LEE, ed., *Advances in Pacific Basin Business Economics and Finance*, Vol. 3, Greenwich, CT: JAI Press, 1998, pp.1- 44 (analyzing trade structures within the NICs, the ASEAN-4, as well as China over the period of 1960 through 1990).

27. See "Announcement the Ministers of Finance and Central Bank Governors of France, Germany, Japan, the United Kingdom, and the United States (Plaza Accord)."

The U.S. trade and investment in the Asia-Pacific region were pre-dominantly concentrated in four country groups: Japan; China; the Asian NICs; and the ASEAN-4. Many economists described the East Asian model of development as a triangular axis among the U.S., Japan, and the NICs, which was followed by the ASEAN-4 and China after the 1970's and 1980's, respectively. Essentially, Japan has been served as the leader of the "late industrialized countries" and/or the forerunner of the flock in the "generalized flying geese" pattern of industrialization<sup>28</sup> by providing the technological know-how, strategic components, and key intermediate ingredients to the NICs for further processing and assembly before destined for exports to the U.S. and other organization for economic cooperation and development (OECD) markets. While pursuing Japan's footsteps of export promotion and industrialization since the 1960's, the NICs, in turn, has been followed by a new flock of "late, late comers of industrialization" such as the ASEAN-4 since the 1970's as well as China in the late 1970's after its "open door policy."<sup>29</sup>

Contrary to conventional argument along the "flying geese" scenario, it has been argued that the NICs had not really taken over Japan's position in the U.S. market even in some traditional labor-intensive manufactured products.<sup>30</sup> In fact, U.S. imports of similar product groups from Japan were labeled as the "up market goods" whereas its imports from the NICs were classified as "low market goods."<sup>31</sup> Therefore, essentially U.S. trade and investment in the Asia Pacific region have been dealing with four different country groups at various stages as the "leader of comparative advantage."<sup>32</sup>

---

U of T G8 Information Centre, September 22, 1985, available at <<http://www.g7.utoronto.ca/finance/fm850922.htm#top>>.

28. See K. Akamatsu, "A Historical Pattern of Economic Growth in Developing Countries," *Developing Economies*, No. 1 (March – August 1962), pp. 7-13.

29. See Gerald F. Adams, "The East Asian Development Ladder: Virtuous Circles and Linkages in East Asian Economic Development," in Gerald F. Adams and Shinichi Ichimura, eds., *East Asian Development: Will the East Asian Growth Miracle Survive?*, Westport, CT: Praeger, 1998, pp. 3-18 (arguing that the growth in East Asia "is not a separate development of individual countries, nor is it a joint development. It is a 'linked' development process").

30. See Peter C.Y. Chow, "The revealed Comparative Advantage of the East Asian NICs," *Journal of International Trade*, Vol. V, No. 2 (Winter 1990), pp. 235-262.

31. See Gene Grossman, "Import Competition from Developed and Developing Countries," *Review of Economics and Statistics*, Vol. 14, No. 2 (1982), pp.71-81.

32. See Gerald M. Meier, *Leading Issues in Economic Development*, 6th ed., New York: Oxford University Press, 1995 (illustrating that the bottom of the ladder, which was based on resource-intensive and unskilled labor-intensive such as rice, timber and

There are, at least, five major developments since the mid-1980's, which have significantly affected the trade patterns and investment flows in Asia Pacific. First of all, the most significant event was the Plaza Accord in 1985 on currency realignment, under which Japanese Yen appreciated more than 50% against the dollar between 1985 and 1986.<sup>33</sup> As a result, the currencies in Taiwan and Korea also appreciated with the U.S. dollar at various degrees as well. However, for those countries, which pegged their currencies with the U.S. dollar such as the ASEAN-4, their currencies were weakened as result of the Plaza Accord. Consequently, not only did Japan expand its outward foreign direct investment (FDI) substantially in the second half of the 1980's,<sup>34</sup> the East Asian NICs, especially Korea and Taiwan, also followed the suit of expanding outward FDI after the Plaza Accord. This development was characterized as another scenario of the "flying geese" pattern, i.e., the outward FDI flows NICs followed the suit of that of Japan.

Secondly, the U.S.-Japan Trade Agreement on Semi-conductor in 1986, which undercut Japanese dumping of its semi-conductor products in the U.S. and the third markets, provided the Korean and Taiwanese semi-conductor industries the "odd timing" to catch up with Japan within a short period of time. Korea started to produce the 64K and later 256 K Dynamic Random Access Memory (DRAM) in 1986; Samsung even developed the 64 MB in 1992. Meanwhile, Taiwan started to produce 1 MB in the early 1990's and upgraded to 256 MB within a decade. The "leapfrogging" development strategies of Korean and Taiwanese semi-conductor industries had enabled them to fully exploit the "second mover" advantage as latecomers. By the mid-1990's, Korea and Taiwan were ranked as the 3rd largest and/or the 4th largest producers of Integrated Circuit (IC) industry in the world market, next only to the U.S. and

---

textile, was occupied by the ASEAN; whereas the top of the ladder, which was based on R&D and knowledge intensive such as computer, was occupied by Japan. And in between, the comparative advantage of skill-labor intensive and capital-intensive such as electronics and machinery, was penetrated by the NICs.)

33. See "Japan in the Global Economy: A Personal View," Ministry of Finance Japan – International Finance, June 17, 2002, available at <<http://www.mof.go.jp/english/if/vmi020617e.htm>> (a speech by the Vice Minister of International Affairs, Haruhiko Kuroda, at the Chatham House, London).

34. See Kazuhiko Ishida, "Japan's Foreign Direct Investment in East Asia: Its Influence on Recipient Countries and Japan's Trade Structure," Reserve Bank of Australia – Publications and Research, July 11-12, 1994, available at <<http://www.rba.gov.au/PublicationsAndResearch/Conferences/1994/Ishida.pdf>> (a paper presented at the 1994 International Integration of the Australian Economy Conference).

Japan. The early bird catches the worm; but it is the second mouse that gets the cheese.

Thirdly, the phasing-out of the Generalized System of Preference (GSP) — a preferential trading arrangement for developing countries in some lower end light manufactured products — mandated that the Asian NICs to “graduate” from the low-wage countries, which relied highly on labor-intensive exports. U.S. trade policy toward the East Asian NICs had fostered them to upgrade their industrial structures and export commodities toward more technology-intensive ones with high value-added. Hence, there is a new division of labor among the latecomers of industrialization in Asia-Pacific: Japan still dominated the technological lead; chased behind by the NICs, which had shifted toward more technology-intensive industries; and the ASEAN-4 picked up the space of “export ladder” left by the NICs. Yet with these developments among the noted countries, there is still a differentiation of quality of export commodities.<sup>35</sup>

Fourthly, in spite of the cracking down on the pro-democracy movement in China in June 1989, China’s open-door policy remains unchanged. Moreover, China’s economic reform and open door policy were further re-affirmed after DENG Xiaopin’s “southern tour” to the Special Economic Zones in 1992.<sup>36</sup> In terms of international competitiveness, China’s continued open door policy in promoting its export probably would cause more challenge to the ASEAN-4 than to the Asian NICs. This is mainly due to the similar level of development and overlapping of major export commodities existed between China and ASEAN-4 in the U.S. market.<sup>37</sup>

However, China’s potential market has been and still is an “irresistible” magnetic attraction for many outward FDI, especially those from Japan, Hong Kong, and Taiwan. The resultant impacts of increasing FDI between Japan and the NICs, and between the NICs and ASEAN as well as China led to the rapid development of both intra-regional and intra-industry trade in the Asia-Pacific region since the last decade. This is a new phenomenon, which led Asia-Pacific to become more and more interdependent and less vulnerable to external shocks outside the region.

---

35. See Peter C.Y. Chow, “The revealed Comparative Advantage of the East Asian NICs,” *Journal of International Trade*, Vol. V, No. 2 (Winter 1990), pp. 235-262.

36. See “China in the Red – Deng’s Southern Tour,” *Frontline*, available at <<http://www.pbs.org/wgbh/pages/frontline/shows/red/etc/cron.html>>.

37. See C. H. Kwan, *Economic Interdependence in the Asia Pacific Region*, London: Rutledge, 1994.

Nevertheless, one of the legacies of overemphasis on outward FDI and offshore production while less on “timing adjustments” of structural transformation in indigenous industries had caused a concern of “hollowing out” in the home countries. Some economists considered this phenomenon, which had contributed to more than one decade of economic slowing down since the 1990’s in Japan, as a “strategic failure.”<sup>38</sup> It may well apply to the current situation of over expansion of outward FDI and rising structural unemployment in Hong Kong and Taiwan as well. China as a factory of the world economy would certainly generate significant impacts on the industrial structures, trade patterns and labor migrations (employment) in its own economy as well as many of its rival countries destined for the same market. Moreover, as the largest market for China, the U.S. would certainly be significantly affected as well.

Last but not the least, is the U.S. position in the globalized Asian region, especially after the Uruguay Round of trade liberalization.<sup>39</sup> While the drive for global production network has been underway for more than decades due to segmentation of production process and vertical disintegration of many manufactured industries, it was further accelerated by the trade liberalization after the Uruguay round, and the development of information and telecommunication industries in the 1990’s. As a result, intra-industry, which used to dominate the trade pattern among OECD countries, has become more and more prevalent within the Asia-Pacific region, developed or not. Hence, not only the North-South trade flows, but also the South-South ones tended to be dominated more and more by the intra-industry trade by the end of the 20th century.

All these developments have severely challenged the U.S. leadership and affected its trade and investment in the Asia-Pacific re-

---

38. See Keith Cowling and Philip R. Tomlinson, “The Japanese Crisis – A Case of Strategic Failure,” *Economic Journal*, Vol. 110, Issue 464 (June 2000), pp. F370-76 (illustrating that the growth of offshore production in Japan’s multinational corporation (MNC) affiliates exceeded those from the U.S. and Germany. Based on 1985=100 (1985 as the base year), the growth of offshore production from Japanese MNCs was indexed to 300 in 1995, whereas it was only 172.9 in the U.S. and 141.6 in Germany in the same period. Moreover, employment in manufactures in indigenous industries dropped by 1 million between 1992 and 1996 in Japan, whereas that of overseas affiliates increased by 2.2 millions in the same period. In 1995, Japan’s car exports were exceeded by their foreign subsidiaries. The decade long of economic slow down in Japan was referred to as the “Heisei Recession” in connection with the era under Emperor Heisei).

39. See “Basics – The Uruguay Round,” World Trade Organization – The WTO: Trading into the Future, available at <[http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/fact5\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact5_e.htm)>.

gion. The U.S. has been maintaining its protagonist role in the region for its being the most important export market for most of the Asia-Pacific countries. Nevertheless, the development of off-shore sourcing, the expansion of FDI, and the acceleration of globalization of production network have significantly affected the pattern of U.S. trade with the Asia-Pacific countries. It has been noted that the U.S. trade relationship with Asia Pacific was tended to concentrate more and more on the product group of electronics, machinery and transport equipments, which were grouped under the one digit Standard International Trade Classification (SITC) as SITC-7.<sup>40</sup> Among all trade commodities, SITC-7, which is generally considered as the most sophisticated sector of trade commodities, has become the most important sector for most developing Asian countries to trade with the U.S. (in both export to and import from the U.S.). Hence, intra-industry trade has dominated the U.S. trade with the Asia-Pacific. Meanwhile, the U.S. market has been a key protagonist in the process export-led development and industrialization.<sup>41</sup> Globalization in the 1990's, has generated a trade pattern dominated by intra-industry trade in sophisticated sector of electronics, machinery and transport equipment, under which SITC-7 product groups accounted for three-fourths of all U.S. imports from Malaysia and Singapore, and two-thirds of U.S. imports from the Philippines, South Korea, and Taiwan in 1999.<sup>42</sup>

As a consumer-oriented economy, the U.S. has been serving as the "importer of last resort" for many Asian-Pacific countries to sustain their rapid industrialization and export growth. U.S. demand for final goods from its Asia-Pacific trading partners has generated persistent deficits in its trade account. In fact, the U.S. has suffered from persistent trade deficits with most Asia-Pacific countries. U.S. trade deficits with 17 APEC members increased from \$75.7 billions in 1991 to \$154.83 billions in 1997, which was more than double within 7 years before the Asian financial crisis. U.S. trade deficits with these APEC countries, which accounted for the largest share of its overall trade deficits, were a major concern in Washington, especially when domestic economy in the U.S. was slow and unemployment rate rose.

---

40. See Michael Plumber, "Structural Change in a Globalized Asia: Macro Trends and U.S. Policy Challenges," January 3, 2003 (a paper presented at the annual meeting of the American Economic Association/American Committee for Asian Economic Studies in Washington, D.C.).

41. *Ibid.*, p. 7.

42. *Ibid.*



Even though some economists argued that much of U.S. trade deficits were due to intra-firm trade flows between and among U.S. multinational corporations (MNCs) and their affiliates overseas induced by their FDI,<sup>43</sup> it is politically “incorrect” to run persistent trade deficits with a particular group of countries decades after decades. Nevertheless, the issue could be resolved better if the U.S. MNCs could setup a hub of logistic and operation center in Taiwan to penetrate the niche markets in the hosting countries as well as markets in neighboring countries in the region. This is what to be addressed in Section III.

On the other hand, most Asian countries had run trade surplus against the U.S. The five largest holders of foreign exchange reserves in the world in 2002, namely Japan, China, Taiwan, Korea, and Hong Kong have held more U.S. dollars as their foreign exchange reserves than that of the European Union. Relatively speaking, except for Japan, most Asian financial markets are less developed than those in the OECD countries and are less integrated with the U.S. than the relationship between the U.S. and the European Union. It was estimated that these Asian countries have held nearly \$1.2 trillions by the end of 2002.<sup>44</sup> Such a sizable portfolio of liquid assets, which are denominated in U.S. dollar, held in the immature Asian markets could plausibly generate a wide swing and even unhealthy volatility in the U.S. financial market once their confidence in the dollar is jeopardized. Therefore, from the portfolio aspect of the U.S. financial market, there is additional argument for the U.S. to look at the Asian market seriously by setting a hub of logistic and operational center in the region to penetrate in the emerging financial market in Asia.

### **III. TAIWAN’S ROLE AS THE GATEWAY TO THE CENTERS OF GRAVITY IN NORTHEAST AND SOUTHEAST ASIA**

Market access and non-discrimination are the two fundamental principles for the WTO and its predecessor, the General Agree-

---

43. See Kiyoshi Kojima, “International Trade and Foreign Investment: Substitute or Complements,” *Hitosubasashi Journal of Economics*, 1975, pp.1-12 (arguing that the U.S. outward FDI was, on the whole, anti-trade biased, that is directing investments back to the U.S.; whereas Japanese FDI was largely pro-trade biased, that is targeting investments at the host country and the third market).

44. There were \$478.6 billions of foreign exchange reserves in Japan, \$286.4 billions in China, \$166.3 billions in Taiwan, \$124 billions in Korea, and \$116 billions in Hong Kong by the end of 2002.

ment on Tariffs and Trade (GATT). Even though Article XXIV of the GATT had permitted the formation of preferential trading agreements, many members seemed to have departed from the WTO principles by discriminating against non-members through “exclusive” rather than “open” regional trading bloc. The East Asia Economic Caucus (EAEC) proposed by Malaysia is a typical example under which the U.S. was deliberately excluded. Before comprehensive, full-scale multilateral trade liberalization was concluded, the U.S. had tried to reshape the global trading framework by initiating a series of bilateral free trade agreements (FTAs).<sup>45</sup> After NAFTA, and the U.S.-Jordan FTA in October 2000, the U.S. signed an FTA accords with Singapore and Chile in 2002.<sup>46</sup> To further protect its national interest by promoting freer trade in East Asia, the U.S. initiated a “competitive liberalization” policy by further assessing the FTA proposals with Korea and Taiwan as well.<sup>47</sup>

While maintaining “open regionalism” has been the long-term policy objective for the U.S., recent developments from various alternative economic integration in the ASEAN, such as ASEAN plus China; ASEAN plus Japan; and ASEAN plus China, Japan and Korea have departed from the “non-discrimination” principle. In fact, the proposed expansion of an ASEAN-FTA to include larger economy outside ASEAN members, such as Japan and/or China is a strategic response to the NAFTA and to counter balance the U.S. influence in the Asia-Pacific region. Therefore, the U.S. is being deliberately excluded from any of these proposed enlargements of ASEAN-FTAs. The selective membership in the enlargement of ASEAN, which in fact is an exclusive preferential trade agreement, will not be contributive to the global free trade.<sup>48</sup>

On the other hand, the Asia Pacific Economic Council (APEC) is basically an economic forum, which will not become an institutionalized trading bloc in the foreseeable future. Facing the reality of being threatened by having the lions and sheep in the

---

45. See Lowell Dittmer, “East Asia in the ‘New Era’ in World Politics,” *World Politics*, October 2002, pp.38-65 (arguing that American preference is “for a divide-and-rule strategy for maintaining its historically dominant role in the region (East Asia) – hewing to the familiar hub-and spokes pattern of bilateral alliances rather than to any overarching multilateral organization”).

46. See *supra* notes 3 and 4 (explaining that proposed FTAs were submitted for Congress’ review and comments).

47. See *supra* notes 9 and 10 (discussing possible FTAs with Korea and Taiwan).

48. See Soamiely Andriamananjara, “Preferential Trade Agreement and the Multilateral Trading System,” *International Economic Review*, USITC No. 3402, January/February 2001, pp.1-4, available at <<ftp://ftp.usitc.gov/pub/reports/ier/PUB3402.pdf>>.

same cage, some of the ASEAN members have paid, at most, a lip service on the proposal of the APEC-FTA.<sup>49</sup> With the most optimistic view, the proposed APEC-FTA is only a remote possibility in the future, perhaps in the future's future. Meanwhile, one has to recognize the undergoing dynamic changes in China, Japan, as well as other NICs as potential contenders in the next decade. This will re-structure the regional economic powers, which would further complicate the progress of the proposed APEC-FTA.

In the inter-mediate term, the U.S. tried to engage in a "competitive liberalization" by initiating a series of bilateral FTA accords with Chile and Singapore so as to speed up trade liberalization and to reshape regional balance before a comprehensive free trade becomes a reality globally, or at least, regionally. Against this new trading environment, the proposed U.S.-Taiwan FTA has to be evaluated from a much broader strategic aspect with a dynamic macro view. Its resultant impact on the U.S. interest is far beyond the conventional wisdom of trade creation vs. trade diversion. In that regard, a U.S.-Taiwan FTA will serve as the gateway for the U.S. to Asia-Pacific by connecting the "centers of gravity" of economic growth in Northeast Asia and Southeast Asia.

Taiwan is at the central axis of three major economic growth "centers of gravity" in Asia — namely Northeast Asia, Southeast Asia and the Pacific coastal areas in China. The spread of global production network, especially the vertical disintegration and segmentation of the information, computer and telecommunication industries, has generated several new dimension of the global economy by creating several districts of industrial clusters in the Asia Pacific region. From the American west coast where Silicon Valley is located, to Northeast Asia, Southeast Asia and the coastal areas of mainland China, Taiwan has the unique geographic advantage by providing the U.S. with the shortest sailing and flying times to five major harbors in the Asia-Pacific region. (See Figure 1). By using Taiwan as a regional logistic operation center would enable many U.S. firms to concentrate in R&D and marketing while engaging in outsourcing and offshore production to maintain their international competitiveness. Taiwan is the linchpin of the supply chains to the niche market in the region. The three science and industrial parks in Taiwan are the best links for U.S. high-tech industries to access

---

49. See "Australian," September 19, 1994, p.2 (quoting Prime Minister Mahathir Mohamad of Malaysia "We don't want APEC to become a structure community and we don't want it to become a trade bloc. We don't want APEC to overshadow ASEAN nor do we want to see APEC being dominated by powerful member").

to the industrial clusters in East and Southeast Asia; and the industrial clusters in Japan from Tokyo to Osaka (the Tokai corridor in Japan); the Korean peninsula; the Kugshan industrial park nearby Suchou in mainland China; and the chains of electronic industries in Malaysia, Thailand and Singapore.

Meanwhile, Taiwan has been transforming itself into a knowledge-based economy by developing its R&D intensive and high-tech industries. The undergoing ambitious project called "Challenge 2008" is to achieve the goal of "2 trillions, twin-stars" projects by expanding the semi-conductor and TFT- LCD industries.<sup>50</sup> This is being done with a production target of NT \$2 trillions in 2008 (nearly \$58 billions at the current exchange rates, which averaged at \$1= NT \$34.5).<sup>51</sup> Taiwan's development in its high-tech industries would be complement with American interest in the region. Successful U.S. and European computer firms have been able to use Taiwan as the "hub of their logistic and operation center" to provide the "just-in-time" service to their consumers in the Asia-Pacific region.<sup>52</sup>

Taiwan would be better performed as the "hub of regional operation center" which would enable many U.S. firms to penetrate into the Asia-Pacific markets after a U.S.-Taiwan FTA is fully implemented. So far, more than 30 world-class U.S. MNCs, such as IBM, Compaq, Dell, Texas Instruments, Du Pont, and Motorola have already established their procurement and transshipment hubs in Taiwan. Multinational express cargo services such as UPS, FedEx, and DHL have also set up their airfreight transit hubs in Taiwan as well. Moreover, many U.S. MNCs, such as General Electric, Motorola, Texas Instruments, Hewlett Packard and IBM have signed up "strategic alliances" contracts with Taiwanese indigenous enterprises to further their partnerships in information, telecommunication computer and other high-tech industries.

A U.S-Taiwan FTA will be able to fill up the gap in achieving the long-term policy objective of "open regionalism" for the U.S. by

---

50. See "Challenge 2008 National Development Plan," Council of Economic Planning and Development: Special, May 31, 2002, available at <<http://www.cepd.gov.tw/english/special/index.htm>>.

51. See Chu-Yen CHANG and Po-Lung YU, *Made by Taiwan; Booming in the Information Technology Era*, New Jersey: World Scientific, 2001.

52. See Shin-Horng CHEN and Da-Nien LIU, "Taiwan's Active Role in the Global Production Network," in Peter C.Y. Chow and Bates Gill, eds., *Weathering the Storms; Taiwan, Its Neighbors, and The Asian Financial Crisis*, Washington, D.C.: The Brookings Institution Press, 2000, pp.169-187.

linking Northeast and Southeast Asia. U.S. national interest will be better served by the implementation of a U.S.-Taiwan FTA to connect those markets in Northeast Asia, Southeast Asia, and Mainland China. An FTA agreement between the U.S. and Taiwan will enable U.S. firms to go through Taiwan to expand their market horizon by bridging the supply and market chains between Northeast and Southeast Asian countries. Policy assessments on an FTA with Taiwan should be based on macro dynamic of long term national interests, regional stability and strategic balance, rather than myopic cost –benefit analysis on sectoral basis.

#### **IV. ALTERNATIVE SCENARIOS OF ECONOMIC INTEGRATION IN ASEAN: U.S. AND TAIWAN ARE ON THE SAME BOAT**

This section briefly summarizes the impacts of further economic integration of the ASEAN countries on the economies in the U.S. and Taiwan. It includes three alternative proposed enlargements: 1) ASEAN plus China; 2) ASEAN plus Japan; and 3) ASEAN plus China, Japan and Korea.<sup>53</sup> The model simulation is based on a computable general model (CGE) of new trading environments in the first decade after both China and Taiwan have been admitted to the WTO sometime within 2002-2011.<sup>54</sup>

##### **Simulation Results**

This section presents the main results from simulations of the three FTA scenarios and compares them with that of the baseline measurement; that is the world trade after the China's and Taiwan's admission to the WTO without FTAs. The focus is on the distributional implications of these FTA proposals, namely identify the winners and losers of the country groups under studies and quantify their gains and losses on macro-economy, trade, and 26 sectors of

---

53. See Jun MA and Zhi WANG, "Options and Implications of Free Trade Area in Asia," a paper presented at the GATP conference in June 2002 (noting that the ASEAN plus China includes both China and Hong Kong economies and a fourth model that included the U.S.). In addition, the author would like to express his appreciation to both Jun MA and Zhi WANG for their permission to cite the simulations results in this section. Results of simulations are available upon request.

54. See Peter C.Y. Chow and Zhi WANG, "The Impacts of China and Taiwan's WTO Accessions on the World Economy," a paper presented at the international conference on the WTO and World Trade III, in Duisburg, Germany on June 29-30, 2002 (providing greater details of the model descriptions, simulation designs and database analyses).

production under study. Analyses in this section will focus on their impacts on the economies in the U.S. and Taiwan.

### 1) ASEAN plus China

#### Macroeconomic Implications<sup>55</sup>

It is found that free trade area covering ASEAN and China/Hong Kong would benefit all member countries within the trading bloc in terms of GDP growth, but will result in a slight loss of GDP growth in non-member countries.<sup>56</sup> The most significant winner under this scenario is Singapore, whose GDP growth will be enhanced by 3.95 percentage points over the ten year period (cumulatively) from 2003-2012, followed by Hong Kong (1.02%), Thailand (0.98%), Indonesia (0.70%), and China (0.37%). Malaysia, the Philippines, and Vietnam will also benefit, but the magnitude of their benefits is less significant at 0.18%, 0.02%, and 0.09%, respectively.

However, the GDP growth in Taiwan will lose 0.08% under this scenario. Taiwan's real export and import will lose 0.12%, and 0.19%, respectively. The real export and real import in the U.S. will be reduced by 0.03% and 0.02%, respectively, under this scenario. The loss of real export and import in 1997 U.S. dollars are \$0.7 billion and \$1.3 billions for Taiwan, and \$2.1 billions and \$3.6 billions for the U.S.

It is noted that the benefits for the FTA members would come from two sources. The first is the increased trade among members, which would allow them to generate comparative advantages thereby increasing the demand for their export so as to enhance the efficiency of their resource allocation. In particular, ASEAN countries' average trade growth rate under the scenario of ASEAN plus China is about 5 percentage points higher than that of the baseline scenario. Most of these gains are results of their increased trade with China, as China reduces its protection rate against FTA members from 11.9% to zero percent in 10 years. The second one is the trade diversion effect, that is, intra-regional (intra-bloc) trade grows at the expenses of inter-regional (inter-bloc) trade between mem-

---

55. See Ma and Wang, "Options and Implications of Free Trade Area in Asia," Table 5 (showing the impacts of alternative scenarios of trade liberalization on macroeconomic indicators).

56. It is noted that additional GDP growth is defined as the difference between the cumulative GDP growth rate for 2003-2012 under the FTA scenario and the cumulative GDP growth rate for 2003-2012 under the baseline — that is China's and Taiwan's WTO entry scenario, but without FTA.

bers and non-members. For example, the implementation of the FTA will increase China's exports to ASEAN by \$37.5 billions and ASEAN exports to China by \$22.1 billions during the ten-year period between 2003 and 2012. However, total trade between FTA members and non-members will fall by \$11.6 billions during the same period.<sup>57</sup>

For the changes of social welfare in real purchasing power (Hicksian equivalent variation of social welfare or economic value), the world as a whole will benefit from the ASEAN plus China. However, the distribution of the benefits is not even. ASEAN countries will gain more than China. Measured in 1997 US dollars, the total increase in real purchasing power in ASEAN countries over the next ten years amounts to \$47.2 billions, about 57% of total welfare gains in the world. China will gain smaller \$36.6 billions, or 44% of total welfare gains in the world. Nevertheless, non-member countries will lose about \$10.5 billions, equivalent to about 13% of total welfare gain in the world. Most of these losses are to be born by the U.S., Japan, and the EU. Taiwan's welfare will also lose \$1.9 billions whereas the U.S. will lose \$5.9 billions in 1997 dollars between 2003 and 2012.<sup>58</sup>

### Sectoral Implications

At the sectoral level, the trade pattern shows, in general, that under the ASEAN plus China, China will increase its net imports of land and resource intensive products, at the same time raises its net exports of labor intensive and capital-intensive products. ASEAN countries will export more land-intensive products to China, mainly via Singapore, which has a strong agricultural processing capacity. As for labor-intensive products, the ASEAN countries with the lowest income levels, i.e., Vietnam and Indonesia, will benefit the most due to increase exports to China. For capital-intensive products, almost all FTA member countries except for Vietnam will enhance their net exports, mainly due to the reduction in the U.S. and EU countries.

In terms of production, the sectoral impact on China is not very significant, by comparison with that of China's WTO entry on

---

57. See Ma and Wang, "Options and Implications of Free Trade Area in Asia," Table 8 (showing results from ASEAN plus China on trade creation and trade diversion).

58. See Ma and Wang, "Options and Implications of Free Trade Area in Asia."

its industrial sectors.<sup>59</sup> Most sectors in China will have a 0.1 to 0.5 percentage points increase in their production levels by 2012. The only three sectors that will have a slightly negative impact in China are wearing apparels, leather and shoes, and petroleum products. Apparently, these are the products which ASEAN countries will be able to export more to China. Singapore, for example, will increase its production of petroleum products, textile, metal products, and processed food products by more than 5% in the next ten years due to the ASEAN plus China. Vietnam also will be able to increase its production of wearing apparels by 19.6% under this scenario.<sup>60</sup>

For Taiwan's net trade position in the world under the scenario of ASEAN plus China, the most significant adversary effect is on its light manufactures, such as textile, leather/shoes, and sports goods. But Taiwan's capital-intensive products will benefit slightly. Overall, Taiwan's total production will be reduced by 0.04%. For the U.S., most of its land-intensive agricultural products and labor-intensive products, such as textile and wearing apparel will be adversely affected as well. The most significant negative effects on the U.S. will be on the labor-intensive industry, which will be cut by 5.5%. This is followed by the capital-intensive industry by a negative 4.51%. Within that industry, the electronic equipment industries will suffer the most, with a negative 4.03% in net trade. Overall, the U.S. production will be reduced by 5.94% in the next ten years; the labor-intensive industry will suffer the most with a negative 6.12%.<sup>61</sup>

## 2) ASEAN plus Japan

Under this scenario, the largest beneficiaries, in terms of GDP growth, are in the descending order from Singapore, Thailand, Vietnam, and Indonesia. Their gains over the next ten years are 3.9, 1.7, 0.7, and 0.4 percentage points, respectively. Other ASEAN countries, such as Malaysia and the Philippines, would experience a slight loss due possibly to adverse terms of trade effects. Japan, due to its large GDP size, will gain only 0.1 percentage points in GDP growth. However, in terms of changes in real purchasing power of social welfare (Hicksian equivalent variation), Japan will gain a significant \$22.9 billions, which is 45% of total welfare gain in the

---

59. See Chow and Wang, "The Impacts of China and Taiwan's WTO Accessions on the World Economy."

60. *Ibid.*

61. See Ma and Wang, "Options and Implications of Free Trade Area in Asia."



world, over the next ten years between 2003 and 2012. However, the ASEAN as a whole will gain even larger \$44.3 billions, which is 88% of total welfare gain in the world. The rest of the world will suffer from a loss of \$17.4 billions, which is equivalent to 34% of total welfare gain in the world. The main losers will be the US (-\$8.7 billions), EU (-\$7.5 billions), Korea (-\$4.1 billions), China (-\$3.1 billions) and Taiwan (-\$2.0 billions). Taiwan's real GDP will reduce by 0.09%; real export and import will lose 0.06 % and 0.20 %, respectively. In terms of 1997 U.S. dollars, Taiwan's real export and import will be cut by \$0.3 billion and \$1.3 billions, respectively. For the U.S., its real GDP will lose 0.01%, whereas its real export and import will lose 0.06% and 0.03%, respectively.<sup>62</sup> In terms of 1997 U.S. dollars, the real export and import in the U.S. will be cut by \$3.1 billions and \$3.2 billions, respectively.<sup>63</sup>

### 3) ASEAN plus China, Japan, and Korea

When all three major North Asian economies, i.e., China, Japan, and Korea, are included in the enlargement of an ASEAN-FTA, then the overall benefit gains for bloc members will be much more than either of the two previous scenarios. Almost all member countries of the FTA will gain in terms of GDP growth, with Singapore, Thailand, Vietnam, Indonesia, Korea, and China to benefit the most. In particular, Singapore's GDP growth will increase by 4.5 percentage points over the next ten years. After being included in the expanded FTA, Korea will turn from a loser to a winner in this scenario. Under this scenario, Korea's GDP growth will rise by 0.9 percentage points in ten years. In terms of changes in real purchasing power, the total benefits to FTA members will amount to \$181.7 billions, while non-members will suffer from a loss of \$24.8 billions. The losers are the U.S. (-\$18.7 billions), EU (-\$15.8 billions), Taiwan (-\$6.5 billions) and India (-\$5.7 billions).<sup>64</sup>

For China, Japan, and Korea it is a Pareto improvement for all three of them to join. Nevertheless, if only one of them joins, then the real purchasing of the other two will be deteriorated. For example, by including only Japan in the FTA, the benefits in terms of change in real purchasing power in China and Korea will be reduced. Similarly, if only China is included, then those of Korea and Japan will be negatively affected. However, if all three are included,

---

62. *Ibid.* Table 6b and 7b (showing sectoral gains and losses under this scenario).

63. See Ma and Wang, "Options and Implications of Free Trade Area in Asia."

64. *Ibid.*

then all of them will benefit. This is illuminating evidence on the trade creation and trade diversion effect in economic integration. These results also demonstrate the economic benefits of "open regionalism" by including more and more members in the trading bloc.

Unfortunately, for non-member countries their benefits will be undercut. For Taiwan, the impacts of an ASEAN plus three would lead to a loss of its GDP growth by 0.25%, whereas the GDP in the U.S. will lose by 0.03%. The real export and import in Taiwan will reduce by 0.25% and 0.55%, respectively, whereas those of the U.S. will lose 0.17% and 0.18%, respectively. In terms of 1997 U.S. dollars, real export and import in Taiwan will be cut by \$1.9 billions and \$4.2 billions, whereas those of the U.S. will be cut by \$7.3 billions and \$9.0 billions, respectively. Real purchasing power in Taiwan will lose as much as \$6.5 billions, whereas that of the U.S. will lose \$18.7 billions.<sup>65</sup>

#### **Section Summary: U.S. and Taiwan are on the Same Boat**

With China and Taiwan's WTO accession as the baseline scenario, the CGE simulation models which included: (1) ASEAN plus China/Hong Kong; (2) ASEAN plus Japan; and (3) ASEAN plus China/Hong Kong, Japan, and Korea, found that under the ASEAN plus China scenario, the most significant winner is Singapore, followed by Thailand, Indonesia, and China. China is benefited at the expense of Japan and Korea. Under the ASEAN plus Japan, Japan benefited at the expense of China and Korea. Under the version of ASEAN plus Three (China/Hong Kong, Japan, and Korea), all member countries will gain more than in the FTA with more limited memberships. This can be explained by the fact that the inclusion of all three North Asian countries (China/Hong Kong, Japan and Korea) in the FTA offers a substantially larger market for its members, compared with those of the original ASEAN countries only.

However, the non-members will be the losers under any of these three scenarios. Taiwan will be a loser in all these alternative scenarios. Taiwan will lose the most under the scenario of ASEAN plus three, followed by the scenario of ASEAN plus Japan, and finally ASEAN plus China. The situation in the U.S. is similar to that of Taiwan. The U.S. is also a loser under all alternative scenarios unless the U.S. is included. A very strong policy implication

---

65. *Ibid.*

here is facing the probably expansions of economic integration by including more members in the ASEAN-FTA, thus the U.S. and Taiwan are on the same boat. This may provide a strong incentive for Washington to speed up a U.S.-Taiwan FTA before all other scenarios are materialized.

For illustration, Figures 2 to 7 further demonstrate the impacts of selective membership of ASEAN-FTA on the GDP growth rate, the export growth rate, the import growth rate, and welfare changes in the U.S. and Taiwan. Both the U.S. and Taiwan will suffer from the “exclusive regionalism” in East and Southeast Asia under all three alternative scenarios of enlargements of ASEAN-FTA. Therefore, it is further confirmed that the U.S. and Taiwan are on the same boat.

Figure 1: Taiwan as the Hub of Regional Operation Center

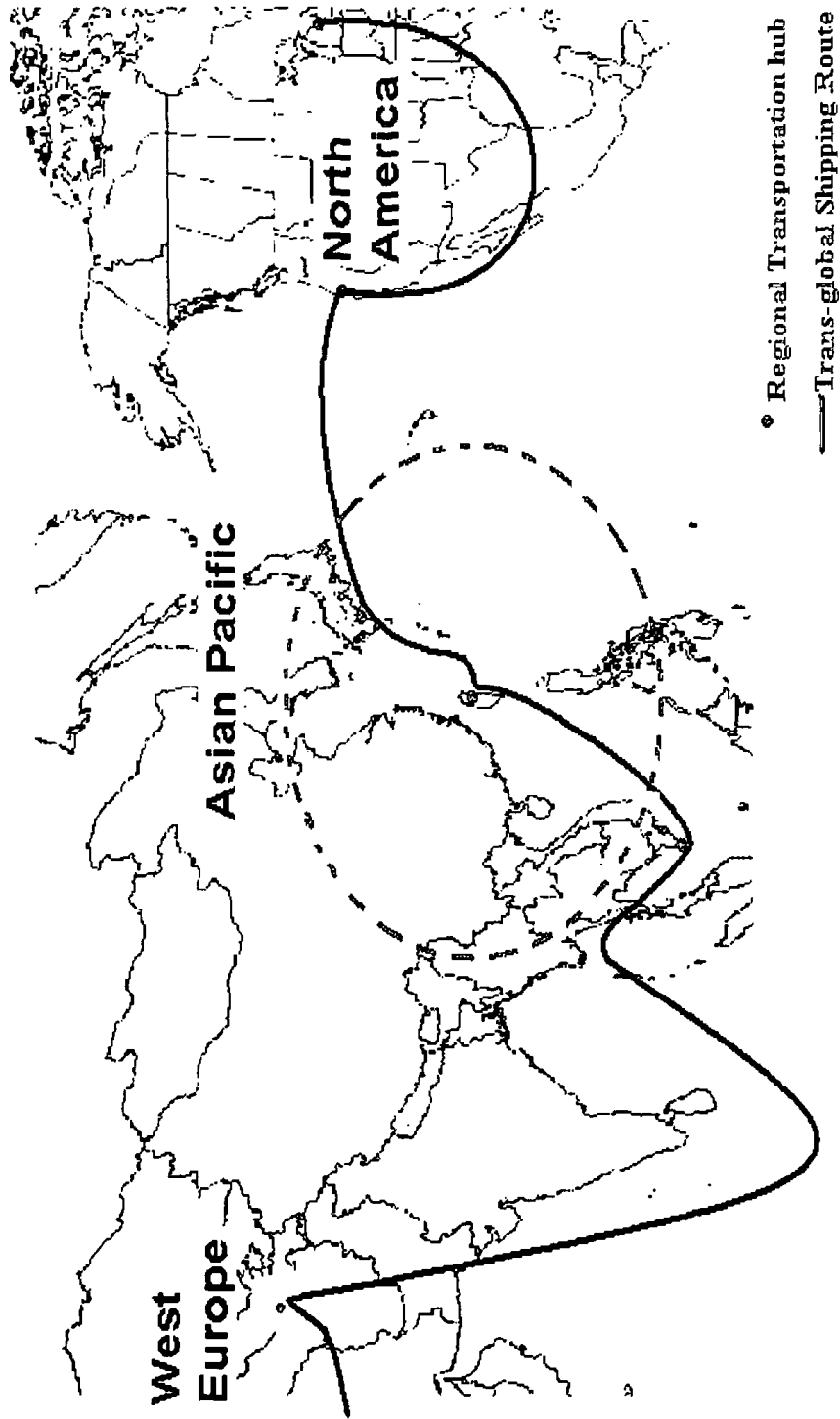
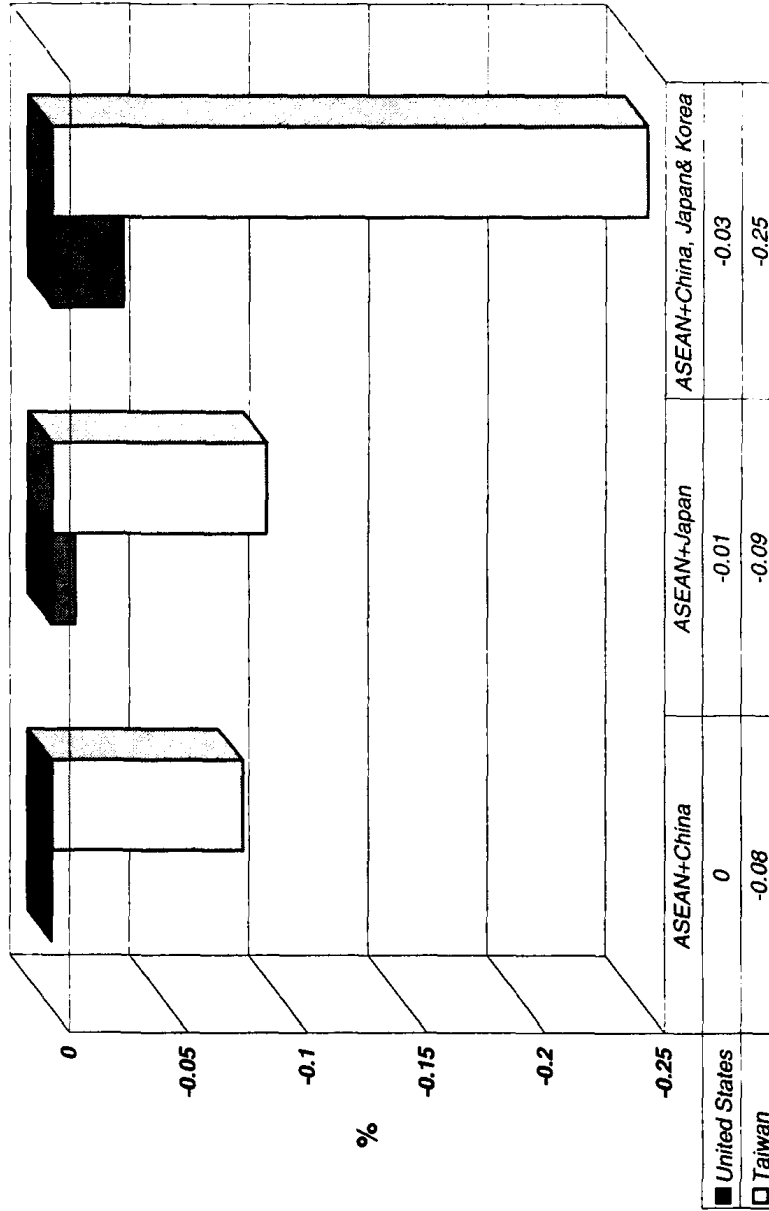
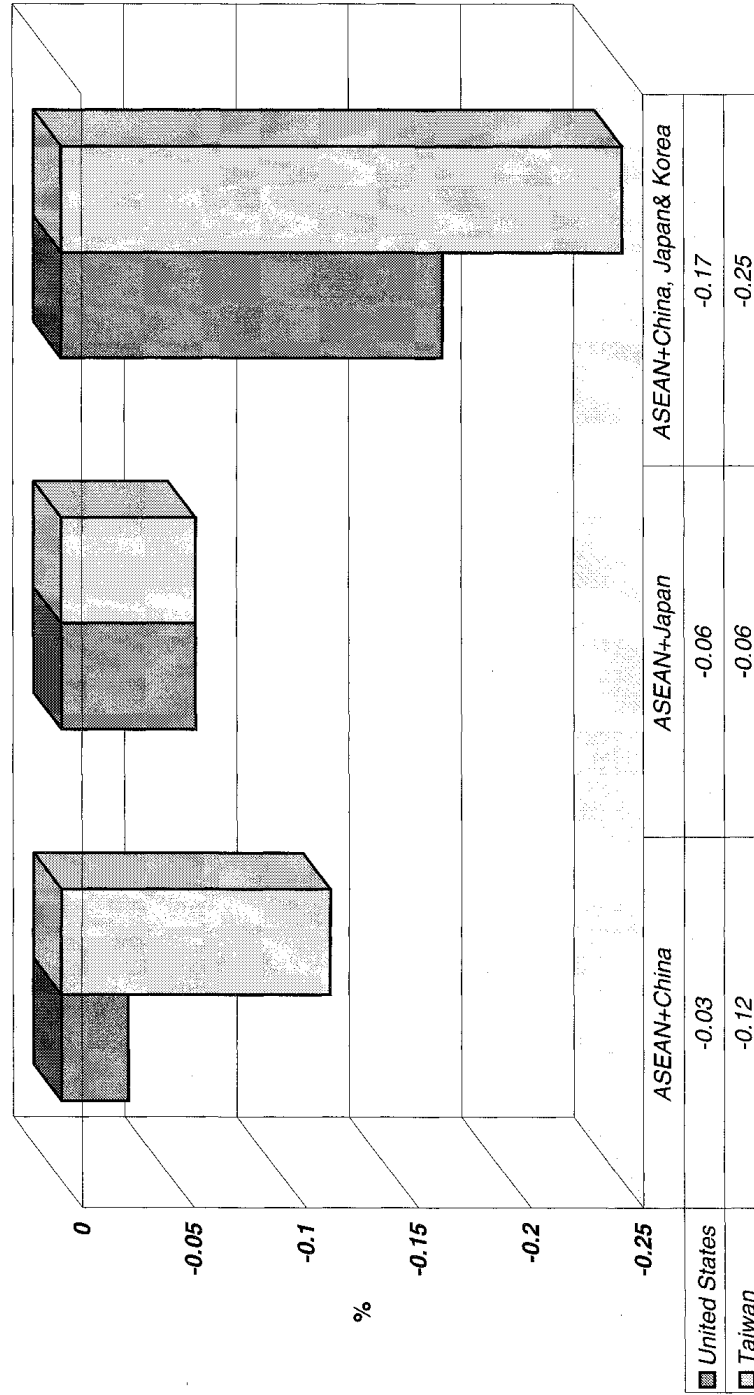


Figure 2: GDP Growth Rates in the U.S. and Taiwan under Enlargements of ASEAN-FTA



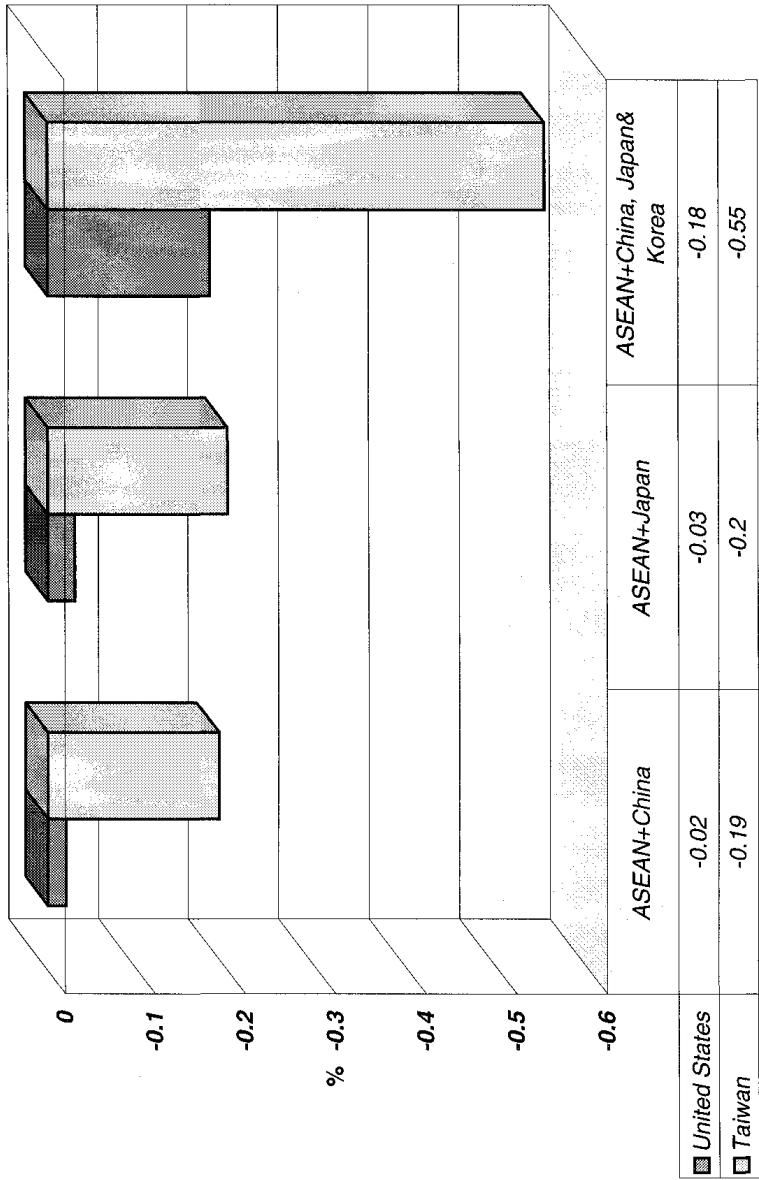
SOURCE: MA and Wang, "Options and Implications of Free Trade Area in Asia."

Figure 3: Export Growth Rates in the U.S. and Taiwan under Enlargements of ASEAN-FTA



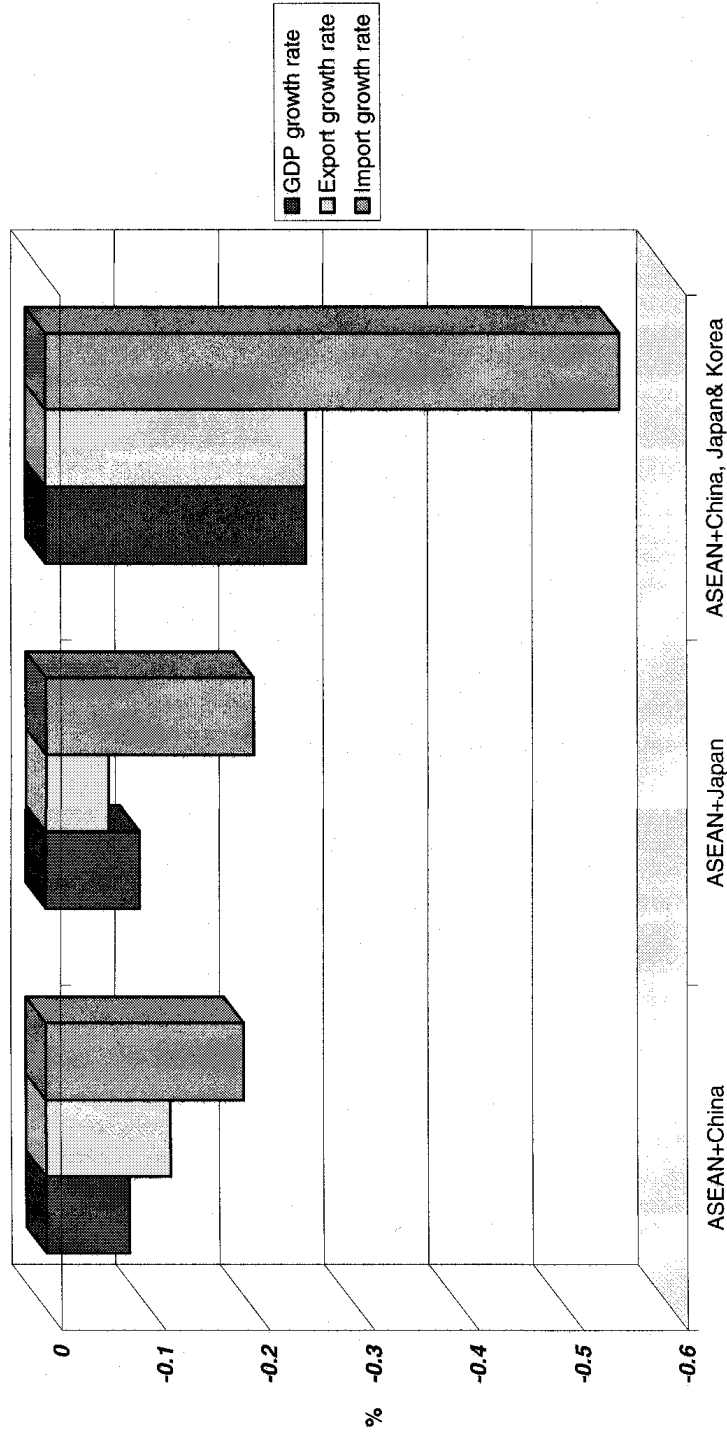
SOURCE: MA and Wang, "Options and Implications of Free Trade Area in Asia."

Figure 4: Import Growth Rates in the U.S. and Taiwan under Enlargements of ASEAN-FTA



SOURCE: MA and Wang, "Options and Implications of Free Trade Area in Asia."

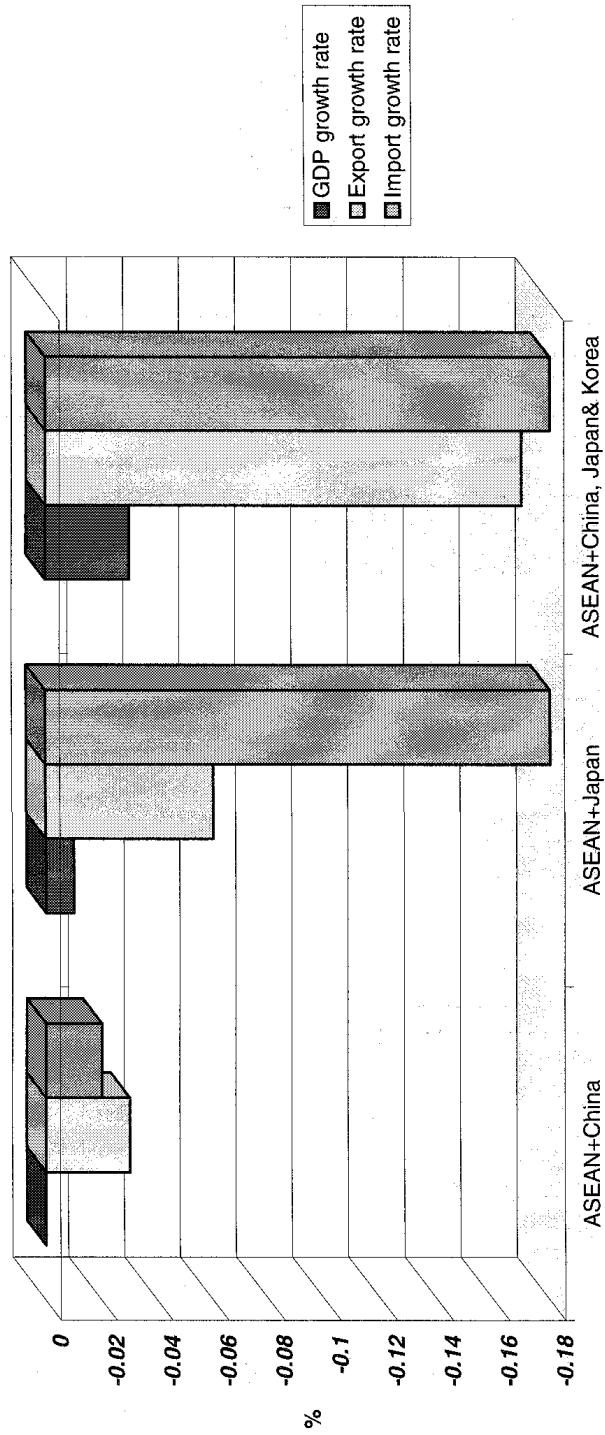
Figure 5: Growth Rates of GDP, Export and Import in Taiwan under Enlargements of ASEAN-FTA



SOURCE: MA and Wang, "Options and Implications of Free Trade Area in Asia."

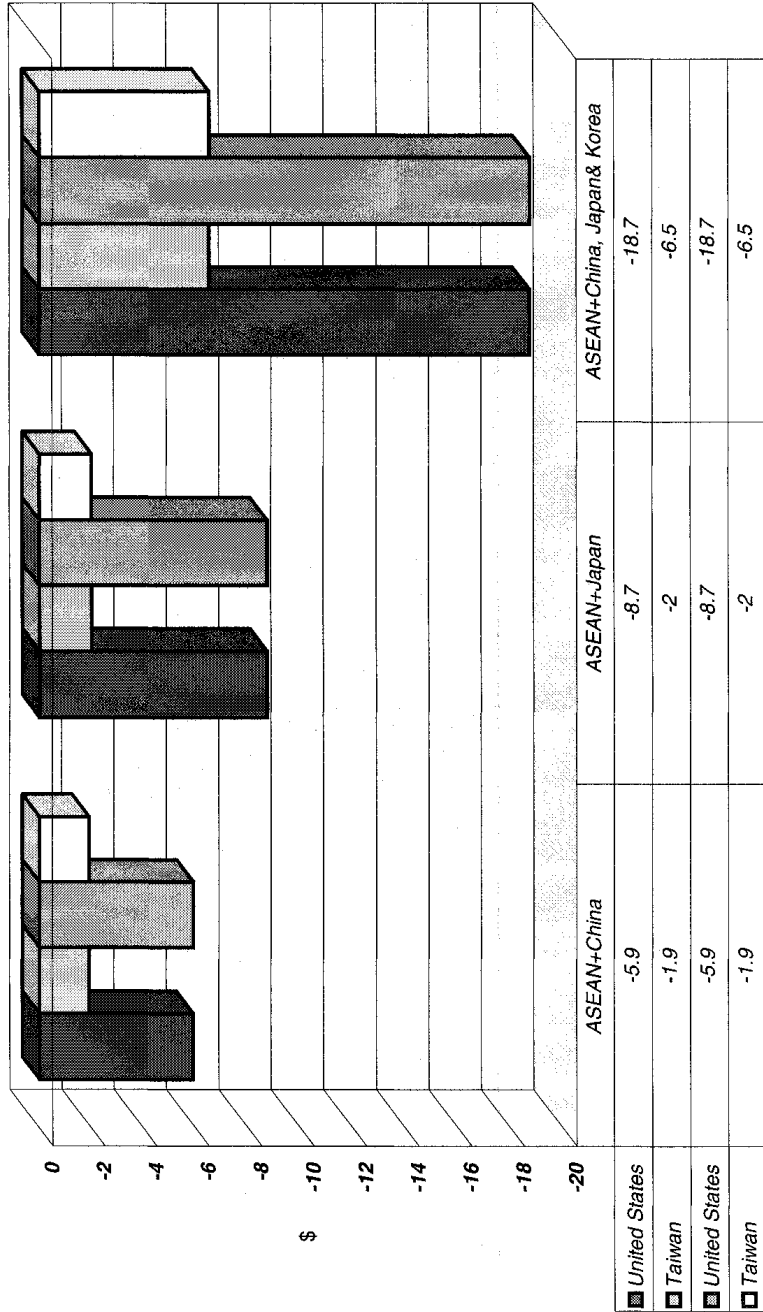


Figure 6: Growth Rates of GDP, Export and Import in The. U.S. under Enlargements of ASEAN-FTA



SOURCE: MA and Wang, "Options and Implications of Free Trade Area in Asia."

Figure 7: Welfare Effects in the U.S. and Taiwan under Enlargements of ASEAN-FTA



Unit: Billion of 1997 US Dollars

SOURCE: MA and Wang, "Options and Implications of Free Trade Area in Asia."

## V. PRELIMINARY ASSESSMENTS ON A U.S.-TAIWAN FTA

This section is to assess the likely economic effects of a Free Trade Agreement between the United States and Taiwan mainly by using the Computable General Equilibrium (CGE) model and qualitative assessment conducted by the U.S. International Trade Commission (USITC).<sup>66</sup> The USITC report offered the likely impact of removing non-quantifiable barriers to trade between United States and Taiwan.<sup>67</sup> The results and findings are all trying to solve the following question: if an FTA were established between United States and Taiwan, how would the time paths of the relevant variables differ compared to the projected base line? The main concern is the significant changes in the two economies of the U.S. and Taiwan after the implementation of an FTA between them.

### Simulation Design and Results

The database is based on 1997 U.S. dollars. Taiwan's economy is projected to grow by 5.11% per year, while the U.S. economy is projected at 2.71% during the period under investigation. The projection baselines are based on the economic conditions in 2001, and expected economic conditions under an FTA in 2005, 2009, and 2013. As it stated by an USITC report:

The protection database is adjusted to reflect the purchasing-in of the trade policy measures ratified under the Taiwan and China WTO accessions, and the Agreements on Agriculture and on Textiles and Clothing (ATC) of the Uruguay Round. Thus, economic conditions in 2001 reflect reductions in export subsidies and import tariff for food and agricultural products and expansion of quotas for textiles and clothing agreed at the Uruguay Round and the accession of China and Taiwan to the WTO.<sup>68</sup>

The tariff equivalent of quantifiable import barriers in the U.S. and Taiwan in the baseline in 2001 was reproduced in the appendix from USITC.<sup>69</sup> Overall, the 2005 baseline data reflects 36% reduction in

---

66. See Tain-jy CHEN and Chiao- Hsia TU, "The Economic Interest and Necessity of the U.S.-Taiwan FTA," Taipei: Chung Hwa Institution for Economic, 2002.

67. *Ibid.*

68. See "U.S.-Taiwan FTA: Likely Economic Impact of a Free Trade Agreement between The United States and Taiwan," USITC Publication 3548 Investigation No. 332-438, October 2002, available at <<http://www.usitc.gov/wais/reports/arc/w3548.htm>>.

69. *Ibid.* Table 7-3.

food and agriculture import tariffs and export subsidies for developed countries under Uruguay Round and 24% reduction for developing countries. This section presents the estimated effects of a US-Taiwan FTA on selected economic aggregates, including the volume of trade in goods and services between the United States and Taiwan. And for each economy (Figures 8-9), the GDP, sectoral output (Figure 10), the real rate of return on the primary factors (Figure 11), and the welfare (Figure 12) were also considered.<sup>70</sup>

### 1) Trade Volumes

The results from the CGE model simulations suggest that US-Taiwan bilateral trade would increase as a result of an FTA. Removing trade barriers in a preferential manner can generate trade growth through trade creation and/or trade diversion as generally anticipated. The general equilibrium model simulations indicate that four years following the implementation of a US-Taiwan FTA in 2001, U.S. exports to Taiwan will likely have a 16 percent increase from about \$21.8 billions to \$25.3 billions, while U.S. imports from Taiwan will increase by 18 percent from \$39 billions to \$46 billions over the projected baseline. Total U.S. exports and imports are estimated to be approximately 0.2 percent higher than if an FTA had not been implemented.<sup>71</sup>

From Figures 8 and 9, one can find that the growth rates of trade under FTAs are generally larger in those sectors which have substantial trade barriers than others because an FTA-led market access improvement tends to be larger in those highly protective sectors. In spite of Taiwan's rapid liberalization undertaking since the 1980's, agriculture is still among the most protected sectors in Taiwan.<sup>72</sup> Hence, liberalization under an FTA would lead to a substantial import growth of agricultural commodities from the United States. The results suggest that U.S. exports of rice, fish, and other

---

70. See Chen and Tu, "The Economic Interest and Necessity of the U.S.-Taiwan FTA."

71. *Ibid.* ( using similar CGE model simulation showed the U.S. export to and import from Taiwan will increase by 0.39% and 0.35%, respectively after the FTA.).

72. See Ming M. WU, *Rice Policy in Taiwan: New Direction under Globalization*, Policy Research Series No. 9, Taipei: Taiwan Think Tank, 2003. (In Chinese). Since 1974, Taiwan adopted an "agricultural supporting price program" to subsidize rice farmers. A "Food Grain Stabilization Fund" was established to implement this program. But anticipating the trade liberalization of the WTO entry, the government has reduced the quota of rice production under the supporting price program recently.

food products would increase by more than 100%. Furthermore, U.S. import in dairy; textile, wearing apparel, and leather; and other crops will also increase by more than 100%. Hence, intra-industry trade will occur in a post-FTA era and consumers in both countries will have a wider range of choices afterward. Moreover, the removal of Taiwan's import protection in motor vehicles and parts would result in an increase of U.S. exports to Taiwan by more than 300%.<sup>73</sup> It would be a big plus for American automobile industry. This development could further lead to a new division of labor between American and Taiwanese automobile and auto parts industries. Perhaps, this scenario is similar to that between the auto industries in Germany and Belgium. Having realized that comparative advantage relative to Germany is not in automobile industry, Belgium, rather than developing its own brand name of automobile and exporting to the world market, had developed and manufactured only auto parts and accessories.

An FTA between the U.S. and Taiwan would raise total Taiwan exports by about 2%, while total imports would be a 2% higher relative to that in the baseline. The former effect is almost entirely driven by an 18% rise in Taiwan exports to the U.S. as Taiwanese firms would take advantage of the improved access to the U.S. market. At the sectoral level, overall Taiwan exports would substantially increase in textiles, wearing apparel, and leather; oilseeds; other crops; and other foods. (Figure 9).

An FTA between the U.S. and Taiwan would raise total Taiwan GDP by 0.3%. Production in the most affected sector — textile, apparel and leather — would expand by 8% in Taiwan, but will shrink by 0.4% in the U.S. Production in vegetable, fruits and nuts is projected to increase by 0.3%, other crops production will increase by 1.6% in the U.S, whereas its motor vehicle will increase by 0.4%. Taiwan's production in oilseeds is estimated to grow by 0.4%, whereas its production in other crops will increase by 1.6%. However, Taiwan will face an inevitable decline in its production in motor vehicle and parts (-1.6%), vegetable, fruits, and nuts (-1.7%), and electronics (-1%).<sup>74</sup>

Model results indicate that at the aggregate level, the increase of imports in Taiwan from the United States would displace imports from other regions (trade division). For 2005, Taiwan's global im-

---

73. See USITC, "U.S.-Taiwan FTA: Likely Economic Impact of a Free Trade Agreement between The United States and Taiwan."

74. *Ibid.*

ports will increase by about \$3 billions, but Taiwan imports from the United States will increase by about \$4 billions, which implies that imports from the rest of the world would decline by about \$1 billion. By doing so, it would balance Taiwan's trade dependence on all of its trading partners by enhancing Taiwan's trade dependence on the U.S. market. On the other hand, global U.S. imports increase by about \$3 billions but U.S. imports from Taiwan will increase by about \$7 billions for 2005, which implies that U.S. imports from the rest of the world will decline by about \$4 billions (-0.3 %).<sup>75</sup> This is another indication that strongly suggests that the U.S.-Taiwan trade relations would be significantly accelerated after the implementation of an FTA.

## **2) Gross Domestic Products (GDP)**

The changes in trade flows will result in different impacts on the total and various sectors of production in both economies. Generally speaking, an increase of export incentive would lead to an increase in the output in that sector. Conversely, increasing competition in the form of a higher volume of imports may lead to a shrinking domestic production in the sector, at least in the short term.

The simulation results indicate that changes in domestic production at the sectoral level, following an FTA implementation, are generally small in percentage terms, especially for the United States. The results are not totally unexpected, given that U.S. trade with Taiwan is small relative to total U.S. trade and total production. However, a reversed situation would occur in Taiwan; production of textile, apparel, and leather sector would increase by 8.2 percent in 2005, follow by 1.6% of other crops, 0.9% in other transportation equipment, 0.3% in petroleum/coal products and 0.2% in chemical, rubber, and plastic products, while production in most of the remaining sectors would decline. In the U.S., production in vegetable, fruits, and nuts will increase. Other sectors would be insignificantly affected.<sup>76</sup>

## **3) The Real Rate of Return on the Primary Factors of Production**

The effect of an FTA will result in a relocation of resources according to the new trading environment. Factors of production in

---

75. *Ibid.*

76. *Ibid.*

Taiwan will move into textiles, apparel, and leather sectors, but will move out of the other sectors following preferential trade liberalization by the United States. Changes in demand for different primary factors of production would affect their real rate of return.

According to Stolper-Samuelson theorem, free trade will benefit the owners of resources, which are used intensively in the export sector.<sup>77</sup> Therefore, an output expansion in a particular sector is accompanied by an increase in the returns to the factors that are used intensively, and a decrease in returns to those factors less intensively used. Simulation results indicate that an FTA would cause real wages for both unskilled and skilled labor to increase in Taiwan, while in the United States, the effect on wages would be negligible.

In Taiwan's textiles, apparel, and leather industries, according to the model, the increase demand will raise real wages by 1.2% for unskilled labor and 1.1% for skilled labor, respectively in 2005. Given that agriculture sector uses land intensively, the rental rate on land would be reduced by 3.2% in Taiwan when the sector is opened up to the U.S. Conversely, the return to land would increase by 0.1% in the United States. The declining output in the mineral and metal products sector leads to a downward pressure on the returns to natural resources (used mainly in mining) in both economies.

#### 4) Welfare

The effects of an FTA on domestic prices depend on the relative strength and interaction between those offsetting forces. Simulation results indicate that the consumer price changes triggered by an FTA in the United States are very small. But, simulation results show that following the implementation of an FTA, economic welfare in Taiwan, as measured by equivalent variation (EV), would increase by 0.3% percent in 2005. The dollar amount is \$1 billion, most of which arises from improvements in Taiwan's term of trade,

---

77. See W. F. Stolper and Paul Samuelson, "Protection and Real Wages." *Review of Economic Studies*, November 9, 1941, pp. 58-73. Reprinted in American Economic Association, *Readings in the Theory of International Trade*, chapter 15, Philadelphia: Blakiston. The initial case was to demonstrate the impacts of tariff protection if imports are labor intensive. But, the author used it as a mirror image to argue that for the case of free trade and returns on the factor of production in the export sector.

which is \$1.2 billions. For the U.S., total welfare gain would be \$0.2 billion; mainly from a 0.2 billion gain in its terms of trade.<sup>78</sup>

### **Summary of Quantitative Findings from the USITC**

By the implementation of a US-Taiwan FTA, total U.S. exports and imports are each estimated to be approximately 0.2% higher in 2005 than if an FTA had not been implemented.<sup>79</sup> At the bilateral level, U.S. exports to Taiwan would likely increase from about \$21.8 billions from the baseline to \$25.3 billions in 2005, a 16% increase, while U.S. imports from Taiwan would likely increase 18% from about \$39 billions to \$46 billions in the same time period. At the sectoral level, the estimated impacts are relatively large for those sectors with high initial trade barriers and relatively small for those sectors with low initial trade volumes. The analysis suggests that after an FTA implementation, several sectors in the U.S. would experience an export growth exceeding 100% - including motor vehicles and parts, rice, fish, and other food stuffs. Furthermore, U.S. import sectors would also experience growth exceeding 100% in the areas of dairy; textiles, wearing apparel, and leather; and other crops.

The overall impacts on U.S. GDP are estimated to be insignificant because of its size relative to that of Taiwan. But, Taiwan's GDP is projected to increase by about 0.3% as a result of an FTA. The textiles, apparel, and leather sector-the most affected sector-is estimated to shrink by about 0.4% in the United States and to grow by about 8% in Taiwan. U.S. output of vegetables, fruits, and nuts is projected to increase by about 0.3%, while U.S. motor vehicle output would grow by about 0.1%. Taiwan output of oilseeds is estimated to grow by 0.4%, while the production of other crops would increase by 1.6%.

The USITC also conducted model simulation under alternative assumptions about the response of trade to an FTA and the link between factor productivity and economic openness to evaluate the

---

78. See Chen and Tu, "The Economic Interest and Necessity of the U.S.-Taiwan FTA," (showing that U.S. GDP growth rate will be increased by additional 0.02% after an FTA, whereas Taiwan's GDP will increase 0.56%; welfare effect in the U.S. will increase by \$1 billion whereas that of Taiwan will increase by \$2.6 billions after a U.S.-Taiwan FTA is implemented).

79. See USITC, "U.S.-Taiwan FTA: Likely Economic Impact of a Free Trade Agreement between the United States and Taiwan," p.7-4 (indicating that the "beginning of period dates are used to characterize time"). Hence, the date 2005 means the beginning of 2005, not the end.



impact of a US-Taiwan FTA. Simulation results suggested if factor productivity in Taiwan increased due to more openness of trade in the U.S., the economic benefits of an FTA would be substantially larger for Taiwan and slightly larger for the United States-obviously due to the asymmetric size of their GDPs.

### **Qualitative Assessment**

A number of barriers and other impediments to trade between the U.S. and Taiwan are difficult to measure precisely in quantity, and do not lend themselves to a quantitative analysis at all. Therefore, the removal of the Non-Tariff Measures (NTMs) is being assessed by the qualitative approach by the USITC. An FTA could involve the reduction of both the tariff and quota measures analyzed in the model above, and the selected NTMs described below.

#### **1) Agricultural Goods**

The reduction of NTMs in key agriculture sectors would probably not result in large changes to US-Taiwan trade beyond the changes caused by tariff and quota changes. The model simulation estimated that U.S. exports of rice to Taiwan would likely increase substantially (by more than 100%) if Taiwan's absolute import quota were to be removed. The removal, however, probably would not have significant additional impact on U.S.-Taiwan trade because Taiwan's rice import from the U.S. accounted for only \$30 to \$35 millions, whereas U.S. export of agricultural commodities to Taiwan totaled to \$3 billions recently.<sup>80</sup>

#### **2) Non-Agricultural Goods**

In the case of the textile and apparel sectors, the removal of NTMs might result in significant changes to US-Taiwan trade, which is over and above the estimated effects of tariff and quota reduction. It is likely that after an initial increase in trade activity, additional effect of removing NTMs in the long-term would not be substantial because Taiwan is not highly competitive in textiles for labor-intensive industry by comparison with China and ASEAN states. Also removal of Taiwan's NTMs may increase access to the Taiwan market for U.S.-built vehicles but the potential gains for the U.S. motor vehicles and part industry are likely small. Nevertheless,

---

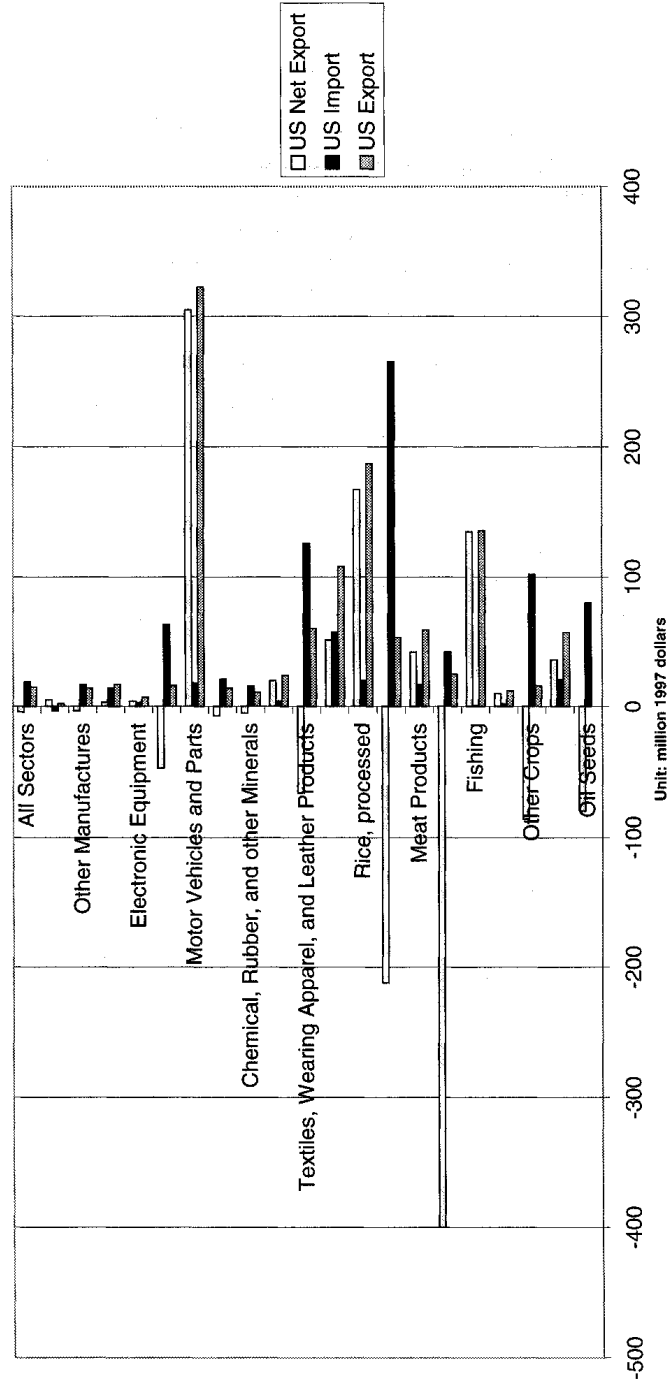
80. See USITC, "U.S.-Taiwan FTA: Likely Economic Impact of a Free Trade Agreement Between The United States and Taiwan."

the strategic alliance and a new division of labor on the automobile industry are significant for further economic integration and cooperation between these two countries.

### **3) Services**

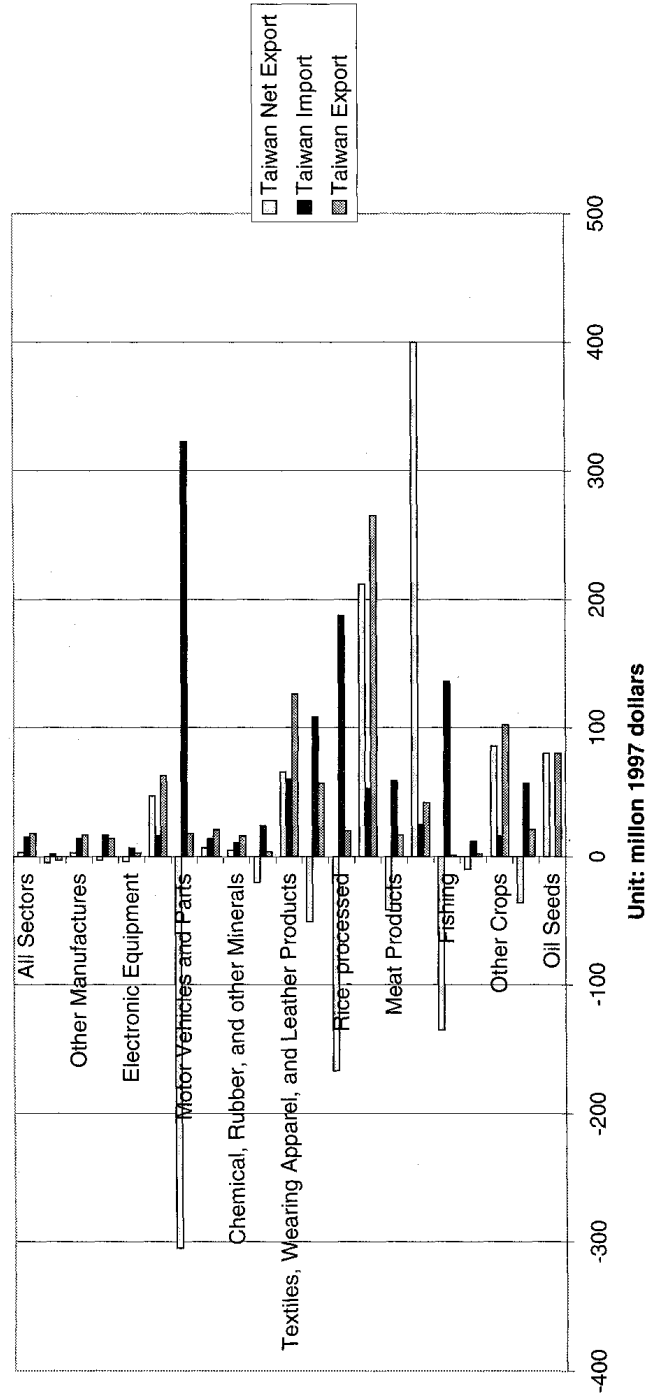
Taiwan is an important market for financial services, and the U.S. has a strong comparative advantage in these service sectors. Therefore, a post FTA era, U.S. banks would expect to increase sales of services to Taiwan's financial markets and the U.S. exporters/subsidiaries operating in Taiwan, as well. Presumably, an FTA will push Taiwan to further globalize its financial sector, which has been undergoing liberalization and privatization for decades since the 1980's. There is no evidence to suggest that U.S. trade barriers have had a significant impact on imports from Taiwan in these sectors. This is because the U.S. has strong comparative advantage in financial service in the world economy. Therefore, removal of the remaining U.S. measures would likely have minimal effect on U.S. imports of banking and financial services from Taiwan. However, a further integration of financial markets is conducive to mitigate any plausible shocks and volatilities in both countries.

Figure 8: The Effect of a U.S.-Taiwan FTA on the U.S. Trade by Sectors, (2013 Relative to Baseline)



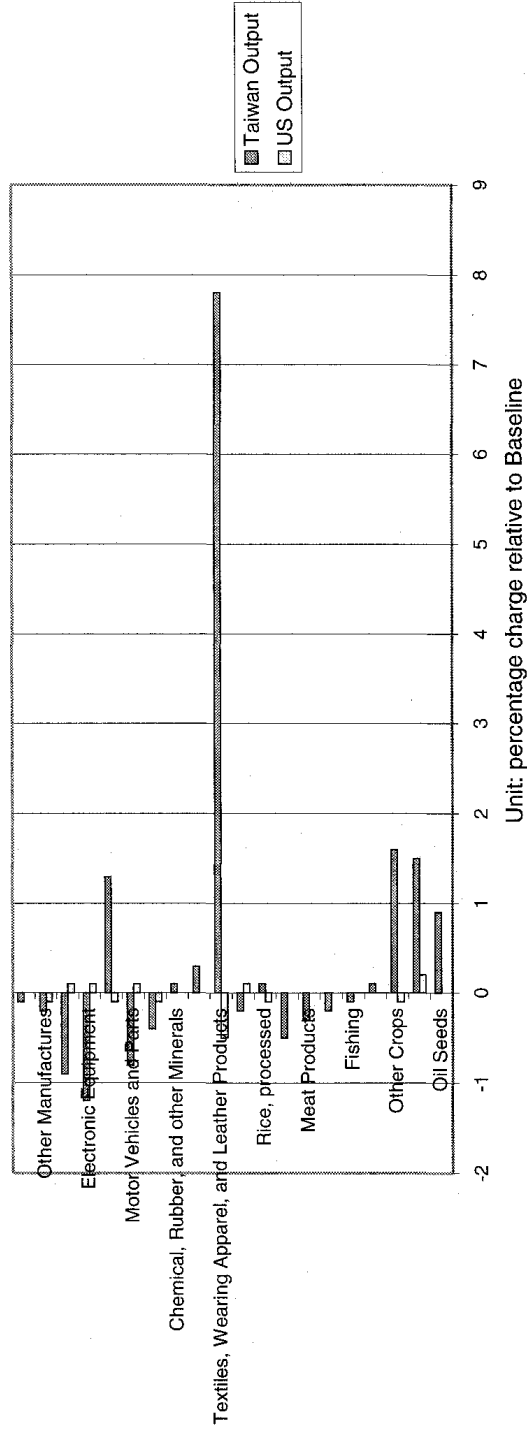
SOURCE: USITC, "U.S.-Taiwan FTA: Likely Economic Impact of a Free Trade Agreement between the United States and Taiwan."

Figure 9: The Effect of a U.S.-Taiwan FTA on Taiwan's Trade by Sectors (2013 Relative to Baseline)



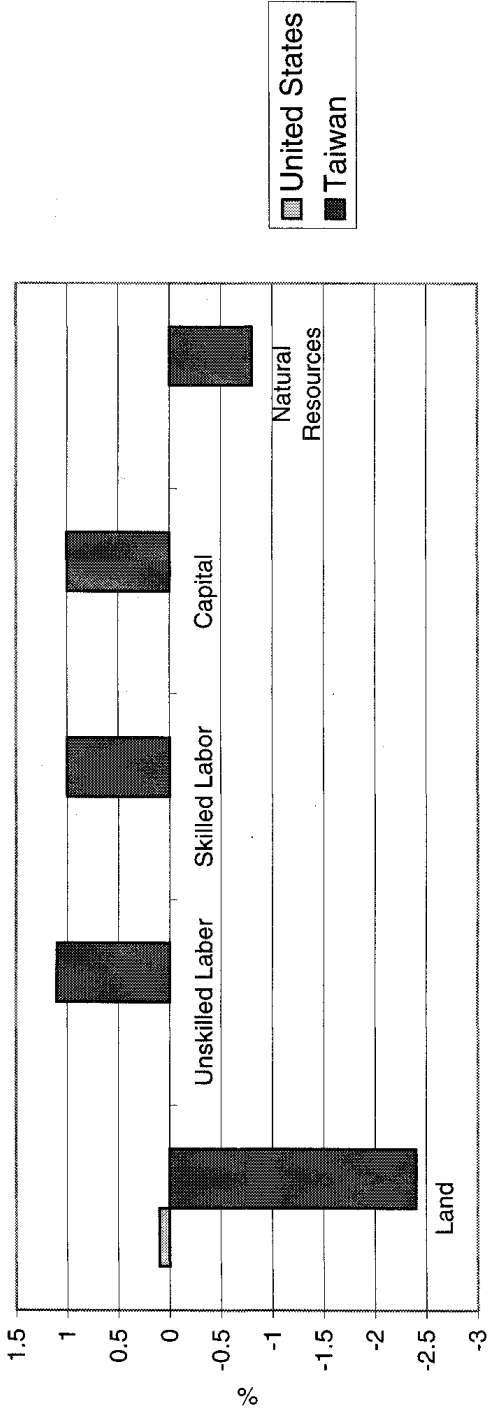
SOURCE: USITC, "U.S.-Taiwan FTA: Likely Economic Impact of a Free Trade Agreement between the United States and Taiwan."

Figure 10: The Effect on Sectoral Output in the U.S. and Taiwan (2013 Relative to Baseline)



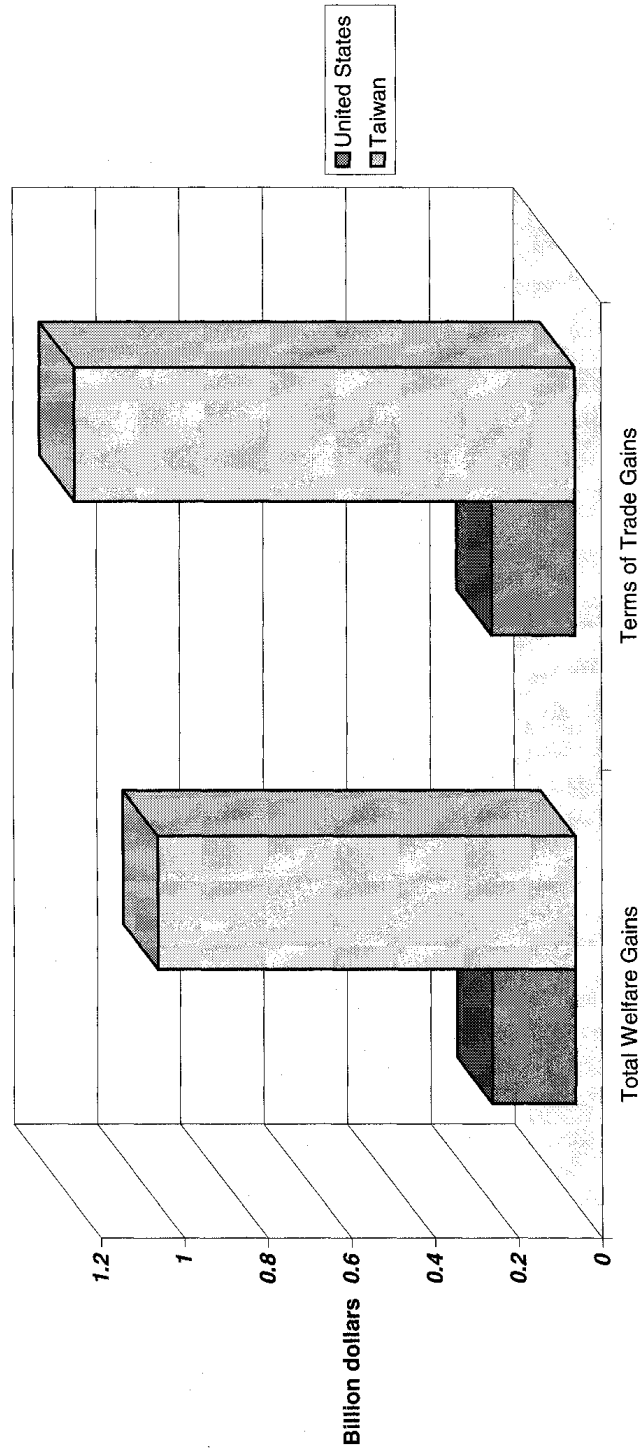
SOURCE: USITC, "U.S.-Taiwan FTA: Likely Economic Impact of a Free Trade Agreement between the United States and Taiwan."

Figure 11: The Effect of a U.S.-Taiwan FTA on the Rates of Return of Factors of Production in the U.S. and Taiwan (2005 relative to baseline)



SOURCE: USITC, "U.S.-Taiwan FTA: Likely Economic Impact of a Free Trade Agreement between the United States and Taiwan."

Figure 12: The Gains of Total Welfare and Terms of Trade in the U.S. and Taiwan  
(2005 relative to baseline)



SOURCE: USITC, "U.S.-Taiwan FTA: Likely Economic Impact of a Free Trade Agreement between the United States and Taiwan."

## VI. A DYNAMIC MACRO VIEW ON A U. S.-TAIWAN FTA

As argued before, an FTA agreement between the U.S. and Taiwan has to be looked at from macro dynamic perspective.<sup>81</sup> U.S. economic interests in the Asia-Pacific region will be better met by using Taiwan as the hub of logistics and operation center for U.S. firms. This is because an implementation of any of the proposed ASEAN enlargements (i.e., ASEAN+China, ASEAN+Japan, and ASEAN+China, Korea, and Japan) would mean regional trading blocs without the U.S. In another word, if any of the ASEAN scenarios become realized, as evidenced by suggestions in November 2002 of a possible ASEAN plus China in the near future, the combination of these economic abilities could generate a “countervailing economic bloc” against the U.S. Hence, not only the U.S. economy, but its political interests would also be jeopardized.

From Taiwan’s perspective, any of those “exclusive economic blocs,” whether ASEAN plus China or Japan, or ASEAN plus all three of China, Japan and Korea would imply a creation of an expanding trade bloc minus Taiwan, which would threaten its future growth, symbolically if not economically. Its psychological impacts on Taiwan probably would be much more than that of the real economic one. Hence, both the U.S. and Taiwan would be marginalized by any of the proposed expansion of the ASEAN-FTAs. Unless an “open regionalism” such as the APEC-FTA is fully implemented, which would not occur in the foreseeable future as argued before, Taiwan would face a strong challenge of being marginalized by and excluded from the region, symbolically if not economically.

A more dynamic macro view on a proposed U.S.-Taiwan FTA would further generate a strong stimulating effect on investment to overcome investors’ “confidence syndrome” in Taiwan, which appeared to have deterred the “animal spirits” of Taiwanese entrepreneurs in the last couple of years.<sup>82</sup> While the proposed U.S.-Taiwan FTA is not aiming against any of its trading partners, the resultant trade creation effect would reduce Taiwan’s over dependence on

---

81. *Ibid.* p. 7-4 (providing a quasi-dynamic analysis because it “[employs] a static framework with a dynamic element where macroeconomic variables are changing over time”).

82. The ratio of investment in total GDP dropped steadily from 24.7% in 1997 to 17.8% in 2001, with an average of 22.5% in the 1997-2001 period. For comparison, they were 26.6% in Japan, 27.4% in Korea, 28.8% in Hong Kong, and 31.8% in Singapore. See <<http://www.adb.org>>.



the China's market.<sup>83</sup> Moreover, domestic investment in Taiwan would be boosted as business confidence is psychologically enhanced by the U.S. support. By 2002, Taiwan's exports to China plus Hong Kong accounted for more than for 30%, which is over and above that of Taiwan's trade with the U.S.<sup>84</sup> Much of the trade flows between Taiwan and Mainland China were generated by the continued expansion of Taiwanese outward FDI destined to China.

By 2001, nearly half of Taiwanese outward FDI has been destined to Mainland China. While economic mutual interdependence could reduce the tensions across the Taiwan Strait, an over dependence on a single market in China is unhealthy in managing any probable external risks.<sup>85</sup> Before the cross strait relations between Beijing and Taipei is institutionalized, Taipei should try to avoid its over dependence on a single market, specifically with China, and maintain its economic leverages so as to effectively deal with a hostile regime against Taiwan sovereignty.<sup>86</sup> This is because China has continually claimed Taiwan as one of its provinces.

Therefore, the significance of the proposed U.S.-Taiwan FTA is far beyond the conventional wisdom of comparative static on the economic cost and benefit. Its dynamic effect is over and above any economic interest cost on sectoral bases. Hence, it will serve as an important policy instrument for both the U.S. and Taiwan to expand U.S. economic interests in the Asia-Pacific region and to further sustain Taiwan's economic development in the 21st century.

Other scholars have noted the prospects of an FTA between the U.S. and Taiwan. To illustrate, a report sponsored by the Center for Northeast Asian Policy Studies concluded that a successful U.S.-Taiwan FTA would have the following significant effects:

---

83. See <<http://www.trade.gov.tw>>; <<http://www.moea.gov.tw>>; <<http://11210.69.121.61/user/news/detail-1.asp?kind=1&id=5186>>. Showing that exports to China accounted for 25.3% of Taiwan total export in 2002; the total amount of exports to China increased by 37% in 2002, compared to 2001. The U.S. used to be the number one major export market for Taiwan; however, in 2002, Taiwan's export to the U.S. decreased to 22.8%. According to reports by the Board of Foreign Trade, the Ministry of Economic Affairs on March 3, 2003, exports to Mainland China surpassed the U.S. for the first time, and China became the largest market for Taiwan, in 2002.

84. *Ibid.*

85. China has been elevating its deployment of 400 plus missiles aiming at Taiwan in the coastal area. See *Chinese World Almanac 2003*, Taipei: Central News Agency, 2002, p. 895.

86. See Peter C.Y. Chow, "Taiwan's Political and Economic Policy toward Mainland China" in Winston L. Yang and Deborah A. Brown, eds., *Across the Taiwan Strait: Exchange, Conflicts and Negotiations*, Center for Asian Studies, St. Johns University, 1999, pp. 1-29.

1. Have additional positive dynamic effects (not taken into account in the econometric models) on Taiwan in the areas of services, such as logistics, and in-bound foreign direct investment.
2. Create an environment that will strengthen the partnership between Taiwan and American companies, which will in turn help the latter in developing their market in China (the “gateway” effect).
3. Help stimulate structural reform within Taiwan, accelerating deregulation and the evolution toward a knowledge-based economy.
4. Provide Taiwan with a better balance among its trading partners (the U.S., China, Japan, and ASEAN).<sup>87</sup>

Therefore, one has to take a longer-term perspective with a broader dynamic macro view on the effects of the proposed FTA between the U.S. and Taiwan. A “positive sum of game” for all parties could be generated if leaders from both countries are to map out a long-term strategy for promoting their own economic interests as well as to enhance the regional growth and stability in the Asia-Pacific region. Furthermore, as many other regional trading arrangements are emerging, it is crucial for both the U.S. and Taiwan to catch the timing to work out an FTA before both of them become marginalized. In summary to take the words of Richard Bush:

A number of FTAs are being pursued globally, and an economy that does not “get there first” risks losing the contest for in-bound FDI and for market share in the economies to which it exports. (The latter is the “trade diversion” effect of market opening on a bilateral and regional basis.)<sup>88</sup>

## VII. WHAT NEEDS TO BE DONE

U.S.-Taiwan trade flows have become more and more concentrated on the basis of intra-industry trade, especially in the high-tech manufactured sectors. Trade barriers in the intra-industry trade are much easier to be removed because of mutual interdepen-

---

87. See Richard Bush, “Prospects for a U.S.-Taiwan Free Trade Area,” Expert Seminar sponsored by The Center for Northeast Asian Policy Studies, The Brookings Institution, December 12, 2002. The author would like to express his gratitude to Richard Bush at the Brookings Institution for providing him with this summary report.

88. *Ibid.*

dent between the trading partners. However, there are still some quarrels between the U.S. and Taiwan on signing an FTA agreement, but both have a strong compassion to resolve those disputes within a short period of time. Perhaps, it is stronger in Taipei than in Washington.

U.S. comparative advantage lies in three major areas (sectors): a) agricultural commodities; b) high-tech sector with emphasis on the intellectual property rights (IPRs); and c) service sector, especially in telecommunication, financial and banking services. U.S. will demand that Taiwan to further lift its remaining trade barriers in agricultural commodities, to fully implement its IPRs, and to clamp down on alleged piracy. Moreover, as the demand for health care and pharmaceutical products been increasing in Taiwan, the U.S. has become more and more interested in the promising pharmaceutical market in Taiwan.

Negotiation on the proposed FTA between Washington and Taipei probably would have to focus on the remaining bilateral trade issues: on agricultural commodities; on the implementation of IPR; and even the probable liberalization of pharmaceutical products from Taipei.<sup>89</sup>

A report by the White House to the Congress on global trade issues found that several areas of bilateral trade relations between the U.S. and Taiwan, including intellectual piracy; telecommunications, agriculture and pharmaceuticals were deficient. This document "is also seen as an important barometer of when and whether the US will enter into a Free Trade Agreement with Taipei, an agreement that would have tremendous symbolic value as a measure of overall bilateral ties, including political relations."<sup>90</sup>

In regard to Intellectual Property Rights (IPRs), in spite of the Taiwanese government's declaration of an "action year" protection against piracy "in 2002, the U.S. charged that there was a continued pirating of optical media, failure to shut down counterfeit and IPR-infringing facilities and the export of pirated and counterfeit goods overseas."<sup>91</sup> U.S. continues to urge "the Taiwanese government to further improve its enforcement and legal framework for IPR protection."<sup>92</sup>

---

89. See Newsletter of the U.S.-Taiwan Business bulletin, February 28-March 6, 2003, available at <<http://www.us-taiwan.org>>.

90. *Ibid.*

91. *Ibid.*

92. *Ibid.*

On telecommunications, the U.S. also complained that Taipei “has not implemented the legal regime or licensing criteria to provide new licenses for local, domestic long distance, and international services while Taipei committed itself under its WTO accession agreement to fully open the telecommunications service market.”<sup>93</sup> On agriculture, the U.S. alleged that Taiwan has been late in “implementing its tariff-rate and market access quotas on rice, chicken, pork, and other products specified in the WTO commitments.”<sup>94</sup>

The above list from Washington incorporated some new businesses as well as some old ones. It should be noted that on the rice import, Taiwan implemented the tariff rate quota (TRQ) as part of its WTO commitment. Therefore, Taiwan agreed to further consult with Washington on rice imports. For the market of new pharmaceutical products, the U.S. raised a new demand for Taiwan to make further concession, which is far beyond what Taiwan has committed to the WTO.<sup>95</sup> But, as indicated before, the rising demand for pharmaceutical products in Taiwan has generated a strong pressure from U.S. firms to press Washington to fulfilling their aspirations of penetrating into Taiwanese market.

These bilateral trade issues are not entirely irreconcilable. Taipei would like to move all of these issues to the context of the U.S.-Taiwan FTA negotiations, simultaneously. The scheduled bilateral trade negotiations on the U.S.-Taiwan Trade and Investment Framework Agreement (TITA), in November 2002, which had been postponed by Washington, has to resume and conclude long before any negotiations for a U.S.-Taiwan FTA could proceed. However, Washington insisted that Taipei has to meet its demands before the talks on TITA could re-open.<sup>96</sup>

In effect, both Washington and Taipei argued that the other party had put the proverbial cart in front of the horse. It seemed, instead, like two dogs chasing their own tails. Essentially, trade negotiation is an art of “give and take.” In view of its dynamic perspective as well as the psychological impact resulted from a U.S.-Taiwan FTA, both Washington and Taipei would have to figure out what is lost by postponing the FTA and what is gained from it. But catching the momentum of “competitive liberalization” under the Bush Administration is crucial for both Washington and Taipei.

---

93. *Ibid.*

94. *Ibid.*

95. *Ibid.*

96. *Ibid.*

Presumably, the bottom line for the U.S will be for Washington to give Taiwan no more than what has been given to Singapore and Chile; and to get no less from Taiwan than what Washington has gotten from those countries.<sup>97</sup> Since Singapore has no agricultural sector to be protected, but Taiwan does, this means that it is necessary for Washington to distinguish its trade policies between Singapore and Taiwan.<sup>98</sup> By the end of 2002, Taiwan still had nearly one million farmers, though agricultural sectors accounted for less than 2% of its total GDP.<sup>99</sup> Taiwanese farmers have been the victims of the drive for globalization and trade liberalization. Any incumbent government in Taiwan will have a hard time to accommodate further U.S demand on trade liberalization of agricultural commodities without encountering farmers' revolt. Given that agricultural population still totaled to 3.7 millions, which accounted for 16.7% of the population in Taiwan,<sup>100</sup> no elected government could afford to lose farmers' support. This was evidenced by the November 2002 farmers' demonstration in Taipei against the proposed reform of rural credit institution in Taiwan. As a result, the popularity of the incumbent government under President CHEN Shui-bian dropped significantly.<sup>101</sup>

Moreover, agriculture has served as the supportive sector in Taiwan's economic development for more than two decades from the 1950's to the 1970's.<sup>102</sup> One of the most obvious evidence is the

---

97. See William C. Gruben and Sherry L. Kiser, "Chilean Accord Extends U.S. Free Trade Universe by One," *Southwest Economy, Federal Reserve Bank of Dallas*, January-February 2003 (highlighting the U.S.-Chile FTA Accord: "on the plus side for U.S. consumers, more than 85 percent of Chilean exports to the United States will enter duty-free as soon as the treaty goes into effect. By the fourth year, 94.8 percent of Chilean exports overall will be duty-free; however, only about three-fourths of Chilean agricultural exports will enter the United States duty-free by that time. . . The agreement will also allow tariffs on some Chilean fruits, which are among Chile's most visible products in the United States, to persist 12 years after the agreement takes effect. Similarly, the new accord specifies free trade in wine, but not until 2014. All of this will allow, some say, plenty of time for U.S. protectionists to devise new anticompetitive stratagems.").

98. See Newsletter of the U.S.-Taiwan Business bulletin, February 28-March 6, 2003, available at <<http://www.us.-taiwan.org>>. Singapore imported less than \$300 million of agricultural commodities, whereas Taiwan imported more than \$2.6 billion in the decade of 1990's, and reached to nearly \$3 billions in 2001.

99. See Council for Economic Planning and Development (CEPD), "Tables 2-9a and 3-8b," *Taiwan Statistical Data Book*, Taipei: CEPD, 2002. Taiwan has 708,000 labor employments in the primary sector in 2001.

100. *Ibid.* Table 4-2.

101. See [Libertytimes.com.tw](http://libertytimes.com.tw), November 29, 2002.

102. See Newsletter of the U.S.-Taiwan Business bulletin, February 28-March 6, 2003, available at <<http://www.us.-taiwan.org>>.

“hidden tax” imposed on farmers under the compulsory “rice-fertilizer barter system,” which was implemented until the early 1970’s. Taiwan’s agriculture subsidy such as the support price of rice for farmers is more or less to compensate farmers’ income lost during the process of rapid industrialization. Perhaps, one can argue that is a social welfare policy, rather than a trade protection one. Of course, Taiwanese government would need to differentiate its social welfare policy for farmers from that of trade protection on agriculture, lest the U.S. retaliate against it.

Though no transition will be pain free, whether in agriculture or industry, it would take longer time for farmers to adapt or to restructure than what would be for industrial workers. On the other hand, one has to recognize that U.S. comparative advantage in agricultural commodities has been nurtured by its farming bills, which subsidized American farmers more than others governments.<sup>103</sup>

Off and on, the U.S. has been focused too narrowly on some sub-agricultural sectors or even on some specific product groups in trade negotiations without considering the macroeconomic interests or even the overall trade balance. In the late 1980’s, there was a trade dispute between Washington and Taipei on Taiwan’s import restrictions on turkey (including viscera and turkey meat) from the U.S. At the time of trade dispute Taiwan’s imports of those meat products accounted for merely a couple million dollars, while its total imports of agricultural commodities were more than \$2 billions.<sup>104</sup> Since Taiwan had to import most of its feeding grains for animals and poultry from the U.S., if Taiwan had increased its imports of final meat products from the U.S., then Taiwan would have to cut its imports of feeding grain (intermediate products). This result would not improve the overall trade or even agricultural trade balance between these two countries. This is a fairly simple consumption theory of “substitution” in the basic principles of economics. But, the strong or even stubborn demand from the U.S. unfortunately led to a Taiwanese farmers’ demonstration against U.S. trade policy in front of the office compound of the American Institute in Taiwan<sup>105</sup>— an unhappy incident.

---

103. See Organization for Economic Cooperation and Development (OECD), *Agricultural Policies in OECD Countries*, Paris: OECD, 2001, p. 16.

104. See Council for Economic Planning and Development (CEPD), “Tables 11-15a: Value of Principal Imports by Origin,” *Taipei Statistical Data Book*, Taipei: CEPD, 1995, p.223.

105. Commission of Agriculture (COA) Report, 1988.

Understandably, trade policy overwhelmingly influenced by domestic interest groups, which are highly concentrated and well organized with abundant resources for political lobby, rather than by the great majority of consumers who are less organized than the industry and the union. Moreover, the beneficiaries of free trade, which are the consumers, are usually widely spread and scattered around under which "free ride" is the norm. Unless the consumer is well organized to create a "countervailing power" in the policy-making process, actual trade policy would be anything but optimum- in the sense that protection is in favor of the small segments protected industries and/or unions, whereas free trade is beneficial to the great majority of consumers. That is why many economists associated trade protection with rent seeking.<sup>106</sup> Under such circumstance, unless the leader of government has the vision and strong leadership to overcome the pressure from various interest groups, trade policy could be political correct, but economic incorrect. As a result, a protective trade policy is not consistent with the overall national interest and social welfare.

However, trade frictions must be resolved rationally if both sides are to negotiate based on the overall national interests, rather than on those of sectoral or specific industry groups. Hence, both Washington and Taipei could possibly reconcile their disputes if they would rationally manage the issues based on their maximum aggregate national interests.

If Washington takes a more dynamic perspective on linking the U.S. interest in the Northeast, Southeast Asia countries, as well as the Pacific coastal areas in Mainland China, then its national interest could be better served by implementing a U.S.-Taiwan FTA than would be otherwise. Taiwan could be better served as the hub of the logistic and operation center for U.S. firms if an FTA is implemented. U.S. firms could further expand their trade and investments in the Asia-Pacific countries after a confirmed U.S.-Taiwan FTA. U.S. trade deficits will be reduced substantially after U.S. firms are able to better penetrate in the niche markets in Asia. Therefore, U.S. economic and strategic interests resulted from an FTA with Taiwan are far beyond the cost and benefit analysis based on those model simulations cited in Section V.

For Taiwan, it is imperative to respond to the following demands from the U.S. with reasonable offers: IPRs; rice import; and

---

106. See Anne Krueger, "The Political Economy of the Rent-Seeking Society," *American Economic Review*, June 1974, pp.291-303.

telecommunications. In fact, the TRQ is a two part tariffs – a lower tariff applies to the import within quota and a higher tariff apply to those beyond the import quota. However, whether the quota is filled in full or not depends on market conditions. This is a formula that is acceptable by the WTO and Taiwan's stand on rice import is in compliance with it.

Under the TRQ formula, Taiwan will import rice from the U.S. according to its market needs. But it does not have to commit to the U.S. to import the amount of the quota if there is no market demand for it. But the U.S. seemed to insist on Taiwan to commit to import certain percentage of its domestic consumption of rice import from the U.S.<sup>107</sup> Therefore, the difference between the U.S and Taiwan on rice import is a matter of “import quantity” rather than whether or not for Taiwan to import rice from the U.S. Again, the dispute is not irreconcilable.<sup>108</sup>

Trade statistics of Taiwan's agricultural imports from the U.S. are ranked in the descending order from maize (corn), soybeans and wheat. These three product groups alone totaled to \$1.18 billions in 2001.<sup>109</sup> Rice import accounted for only a small percentage in the total agricultural imports from the U.S., which were nearly \$3 billions in 2001. Moreover, the Engles' law of low-income elasticity of demand for food consumption applies to the rapid developing economy like Taiwan. Rice consumption probably cost less than 5% of consumers' budget in Taiwan now. The average per capita consumption of rice dropped nearly a 25% from 66 kilograms in 1990 to 50 kilograms in 2001.<sup>110</sup> Facing the declining demand in the mar-

---

107. See [www.ERS.usDA.gov](http://www.ERS.usDA.gov). This is the “minimum access” principle, an ad hoc bilateral agreement, not the WTO clause, on Japan's import of rice from the U.S prior to 1999. Beginning with 1999, Japan applied the TRQ of rice import, which was about 8% of the 1986-88 base of total rice consumption in Japan in 1999. It dropped to 7.2 % now. If Taiwan had to yield to the U.S. demand on the “minimum access” on rice import, then Taiwan would have to import approximately 144,720 metric tons of brown rice — about 10.4% of Taiwan annual production in 2001. Though the market value of rice import is only about \$35 to \$40 millions in Taiwan's total agricultural imports from the U.S., which is nearly \$3 billions in 2001, the difference between TRQ and the “minimum access” is that under TRQ Taiwan would need to import rice as the market demands, whereas it would have to import rice every year under the minimum access clause.

108. Note that though rice is the main food grain in Taiwan, the long grain rice from the U.S. is not the favorite kind of grain for Taiwanese consumers.

109. See Council for Economic Planning and Development (CEPD), “Tables 11-15a,” *Taiwan Statistical Data Book*, Taipei, 2002.

110. See Ming M. WU, *Rice Policy in Taiwan: New Direction under Globalization*, Policy Research Series No. 9, Taipei: Taiwan Think Tank, 2003. (In Chinese).



ket and increasing liberalization of import, Taiwan will have a tough time in adjusting its agriculture, especially in rice production.

Taiwan's effort in controlling IPRs, not only focused on raiding downstream sellers, but also on cracking down upstream manufactures of compact discs (CD) and other computer soft wares. "The unprecedented bounty of \$300,000 reward to informers who tip off the government authorities about manufactures of pirated CDs" is intended to "serve as an incentive to get the general public involved in the anti-piracy campaign by providing the government with information about illegal CD production."<sup>111</sup> In addition to the task force, which consisted of the Ministry of Finance, the Ministry of Justice, and the Ministry of Interior, to provide more scrutiny on shipments going through customs to suppress any export of pirated CD, Premier YU Shyi-kun also called for an amendment to the IPR law to tighten any illegal operations on CD manufactures.<sup>112</sup> With a special 220-member police force to protect the IPR, the government confiscated pirated goods exceeded \$300 millions in 2001.<sup>113</sup> Taipei's efforts on implementing the IPR probably will take more time than what Washington has anticipated due to different cultural attitudes between these two countries. But, as President CHEN Shui-bian declared to a delegation from the U.S. House of Representatives on February 18, 2003, "Besides fulfilling its (Taiwan's) duties and commitments as a WTO member, Taiwan will also keep on dedicating itself to IPR protection."<sup>114</sup> Therefore, Taiwan's determination on IPR is beyond doubt.

Taipei needs to realize that its relations with Washington could not be better under the Bush Administration. The "fast-track" Trade Act of 2002<sup>115</sup> grants the President of the U.S. to conduct trade negotiation with a freer hand than ever before. Once a trade agreement is concluded, the Congress could only approve or disapprove it, but can not amend it. Given the unprecedented favorable political environment between Taipei and Washington under the Bush Administration, it is a perfect time for Taipei to speed up the FTA negotiations with Washington by resolving those pending trade issues.

---

111. See *Taiwan Journal*, February 28, 2003, p.1.

112. *Ibid.*

113. *Ibid.*

114. *Ibid.*

115. See "Trade Promotion Authority," U.S. Department of State, August 23, 2002, available at <<http://www.state.gov/eh/tpp/tpa/>>; see also "Trade Promotion Authority," available at <<http://www.tpa.gov>>.

Past history has shown that any trade dispute between Washington and Taipei is negotiable and reconcilable. Occasionally, even intimate couples can quarrel, but can still share the same bed. Since the U.S. and Taiwan are on the same boat, neither one would like to have a ship wreck. Trade frictions between any countries could be resolved if both parties applied to the “reciprocity principle” in accommodating each other’s demand.

### VIII. SUMMARY AND CONCLUSION

A comprehensive, full-scale multilateral trade liberalization through the WTO is too slow to overcome the proliferations of ongoing exclusive regionalism. Therefore, the U.S. has been engaging in “competitive liberalization” through bilateral preferential trading arrangements as an alternative. A U.S.-Taiwan FTA will have both strategic as well as economic interests for the U.S., which is much more significant than those of the U.S. FTAs with either Chile or Jordan. Both Chile and Jordan were ranked as the 37th and 77th largest trading partners for the U.S., whereas Taiwan is the 8th largest trading partner for the U.S. with a bilateral trade totaled to \$48.84 billions in 2002.<sup>116</sup>

The U.S. has been maintaining its protagonist role in the region for its being the most important export market for most of Asia-Pacific countries. Since the 1990’s, U.S. trade with Asia Pacific has been concentrated in the more sophisticated sectors, which include electronics, machinery and transport equipments. Moreover, intra-industry has accounted more than half of the trade volumes between the U.S. and many Asia-Pacific countries. Yet, the U.S. has been suffering persistent trade deficits in trading with them.

Taiwan is at the central axis of three major economic growth centers in Asia: the Northeast Asia; the Southeast Asia; and the Pacific coastal areas in China. A U.S.-Taiwan FTA will be able to fill up the gap of “open regionalism” for the U.S. by linking the niche markets in Northeast and Southeast Asia for U.S. firms. It is to the U.S. interest to sign an FTA agreement with Taiwan so that many U.S. firms could further use Taiwan as the hub of their logistics and operation center to penetrate into the markets in the region. An FTA agreement between the U.S. and Taiwan will enable Taiwan to become the linchpin of the supply and market chains for U.S. firms

---

116. See U.S. Trade Balance, by Partner Country 2002, USITC, available at <[http://dataweb.usitc.gov/scripts/cy\\_m3\\_run.asp](http://dataweb.usitc.gov/scripts/cy_m3_run.asp)>.

to expand their market horizon in the three centers of gravity in the Asia-Pacific region.

Alternative scenarios of the ASEAN-FTA enlargements, whether ASEAN plus China, ASEAN plus Japan, or ASEAN plus China, Japan and Korea would exclude both the U.S. and Taiwan from ASEAN regionalism. Both the U.S. and Taiwan would be losers under any of those scenarios. Taiwan will lose the most under the scenario of ASEAN plus three, follow by the scenario of ASAEAN plus Japan, and then ASEAN plus China. The loss for the U.S. is similar to that of Taiwan under these three alternative scenarios. Therefore, from those model simulations, there is a strong resentment of “being marginalized” for both Washington and Taipei- a strong policy implication of both of them to coherently coordinate their trade liberalization for mutual benefits. Facing possible expansions of “exclusive regional trading blocs” by including only China, Japan and Korea in the ASEAN-FTA, whether individually or collectively, the U.S. and Taiwan are on the same boat. Hence, there is a strong incentive for Washington to speed up a U.S.-Taiwan FTA before the above mentioned scenarios are materialized.

Based on various model simulations conducted in the U.S. and Taiwan, the implementation of a US-Taiwan FTA would boost total U.S. exports from 0.2 to 0.39%, whereas its import will increase by 0.2 to 0.35%, respectively. At the bilateral level, U.S. exports to Taiwan would likely increase from about \$21.8 billions to \$25.3 billions, a 16% increase, while U.S. imports from Taiwan would likely increase from about \$39 billions to \$46 billions, an 18% increase in 2005. Following an FTA implementation, several sectors in the U.S. would experience an export growth exceeding 100% — including motor vehicles and parts, rice, fish, and other food items. In addition, U.S. import sectors would also experience growth exceeding 100% in the areas of dairy; textiles, wearing apparel, and leather; and other crops.

The overall impacts on U.S. GDP are estimated to be 0.02% because of its relative size to that of Taiwan. But Taiwan’s GDP is projected to increase by about 0.3% as result of an FTA. The textiles, apparel, and leather sector — the most affected sector — is estimated to shrink by about 0.4% in the United States and to grow by about 8% in Taiwan. U.S. output of vegetables, fruits, and nuts is projected to increase by about 0.3%, while U.S. motor vehicle output would grow by about 0.1%. Taiwan output of oilseeds is esti-

mated to grow by 0.4%, while the production of other crops would increase 1.6%.

But from a broad perspective of macro dynamic, a U.S.-Taiwan FTA would have additional positive dynamic effects on the economies in the U.S. and Taiwan. It is particularly evident in the areas of services such as logistics and in-bound foreign direct investment. The advantages of strengthening the partnership between Taiwan and American companies are numerous: to help the U.S. to penetrate in the niche markets in the Asia, to assist in stimulating externality structural transformation in Taiwan; to accelerate deregulation and the evolution toward a knowledge-based economy, and to provide an opportunity to Taiwan to better balance its trade dependency on all of its trading partners among the U.S., China, Japan, and ASEAN. Hence, policy assessments on an FTA with Taiwan should be based on macro dynamic of long term national interests, regional stability and strategic balance, rather than myopic cost-benefit analysis on sectoral basis.

However, there are still some pending trade issues between Washington and Taipei that must be resolved. These bilateral trade issues, however, are not irreconcilable. Though Taipei would like to move all these issues to the context of the U.S.-Taiwan FTA negotiations simultaneously, Washington has insisted that Taipei meet its demands before the talks on an FTA could start. It seems that both Washington and Taipei have argued that the other party had put the cart in front of the horse. In view of the dynamic impacts of an FTA on the economies in the U.S. and Taiwan, both Washington and Taipei probably would have to figure out what is lost by postponing an FTA and what is gained from it. However, catching the momentum of "competitive liberalization" under the Bush Administration is crucial for both parties.

It is a golden opportunity for Taipei to catch this perfect time during the Bush Administration and to take advantage of the fast track Trade Act. Once a trade accord is signed, including a U.S.-Taiwan FTA, the U.S. Congress could only vote for or against it without amendment. With so many supporters for Taiwan on Capital Hill, it is very optimistic that the U.S. Congress will ratify the FTA bill, once signed.

#### REFERENCE

Adams, Gerald F., "The East Asian Development Ladder: Virtuous Circles and Linkages in East Asian Economic Development," in Gerald F Adams and Shinichi Ichumura, eds., *East Asian Develop-*

ment: *Will the East Asian Growth Miracle Survive?*, Westport, Ct: Praeger, 1998, pp.3-18.

Akamatsu, K., "A Historical Pattern of Economic Growth in Developing Countries," *Developing Economies*, No.1 (March-August 1962), pp. 7-13.

Andriamananjara, Soamiely, "Preferential Trade Agreement and the Multilateral Trading System," *International Economic Review*, January/February 2001, pp.1-4. From website at <<http://www.usitc.gov>>.

Bush, Richard, *Summary Report on the "Prospects for a U.S.-Taiwan Free Trade Area,"* an Expert Seminar sponsored by The Center for Northeast Asian Policy Studies, The Brookings Institution, December 12, 2002.

Chang, Chu-Yen and Po-Lung YU, *Made by Taiwan: Booming in the Information Technology Era*, New Jersey: World Scientific, 2001.

Chen, Shin-Horng and Da-Nien LIU, "Taiwan's Active Role in the Global Production Network," in Peter C.Y. Chow and Bates Gill, eds., *Weathering the Storms; Taiwan, Its Neighbors, and The Asian Financial Crisis*, Washington, D.C.: The Brookings Institution Press, 2000, pp. 169-187.

Chen, Tain-jy and Chiao- Hsia TU, *The Economic Interest and Necessity of the U.S.-Taiwan FTA*, Taipei: Chung Hwa Institution for Economic, 2002. Working Paper.

Chow, Peter C.Y., "The Revealed Comparative Advantage of the East Asian NICs," *Journal of International Trade*, Vol. V, No.2 (Winter 1990), pp. 235-262.

Chow, Peter C.Y., "Taiwan's Political and Economic Policy toward Mainland China," in Winston L. Yang and Deborah A. Brown, eds. *Across The Taiwan Strait: Exchange, Conflicts and Negotiations*, Center for Asian Studies, St. Johns University, 1999, pp. 1-29.

Chow, Peter C.Y., *Taiwan in the Global Economy*, Westport, CT: Praeger, 2002.

Chow, Peter C.Y. and M. Kellman, "The Changing Trade Structure in Pacific Basin Countries: Retrospect and Prospect," in Cheng-Few LEE, ed., *Advances in Pacific Basin Business, Economics and Finance*, Vol. 3, Greenwich, CT: JAI Press, 1998, pp. 1-44.

Chow, Peter C.Y. and Zhi WANG, "The Impacts of China and Taiwan's WTO Accessions on the World Economy," a paper presented

at the international conference on the WTO and World Trade III on June 29-30, 2002 in Duisburg, Germany.

Council for Economic Planning and Development (CEPD), *Taiwan Statistical Data Book*, Taipei: CEPD, 2002.

Council for Economic Planning and Development (CEPD), *Challenge 2008*, Taipei: CEPD, 2002 (In Chinese).

Cowling, Keith and Philip R. Tomlinson, "The Japanese Crisis- A Case of Strategic Failure," *Economic Journal*, Vol. 110 (June 2000), pp. F 358-381.

Grossman, Gene, "Import Competition from Developed and Developing Countries," *Review of Economics and Statistics*, Vol. 14, No.2 (1982), pp.71-81.

Dittmer, Lowell, "East Asia in the 'New Era' in World Politics," *World Politics*, October 2002, pp.38-65.

Gruben, William C. and Sherry L. Kiser, "Chilean Accord Extends U.S. Free Trade Universe by One," *Southwest Economy*, Federal Reserve Bank of Dallas, January-February 2003. From website at <<http://www.dallasfed.org>>.

International Trade Commission (ITC), *U.S.-Taiwan FTA: Likely Economic Impacts of a Free Trade Agreement Between the United States and Taiwan*, Washington, D.C.: USITC, 2002.

Kojima, Kiyoshi, "International Trade and Foreign Investment: Substitute or Complements," *Hitosubsashi Journal of Economics*, 1975, pp. 6-12.

Krueger, Anne, "The Political Economy of the Rent-Seeking Society," *American Economic Review*, June 1974, pp. 291-303.

Kwan, C.H., *Economic Interdependence in the Asia Pacific Region*, London: Rutledge, 1994.

Ma, Jun and Zhi WANG, "Options and Implications of Free Trade Area in Asia," a paper presented at the GATP conference in June 2002.

Meier, Gerald M, *Leading Issues in Economic Development*, 6th edition, New York: Oxford University Press, 1995.

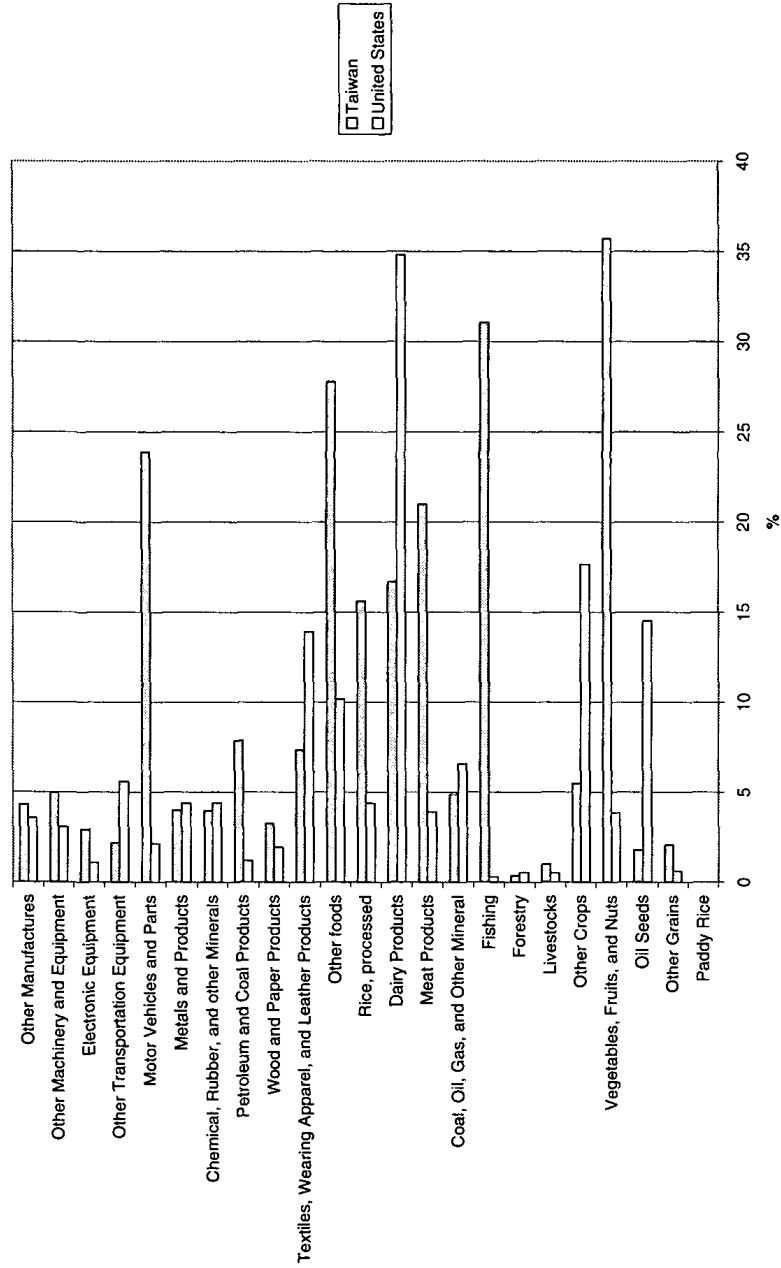
Plummer, Michael, "Structural Change in a Globalized Asia: Macro Trends and U.S. Policy Challenges," a paper presented at the annual meetings of the American Economic Association/ American Committee for Asian Economic Studies on January 3, 2003 in Washington, D.C.

Roman, Grynberg, "The United States-Jordan Free Trade Agreement-A New Standard in North-South FTAs?" *The Journal of World Investment*, Vol.2, No.1 (2001), pp.5-20.

Stolper, W.F. and Paul Samuelson, "Protection and Real Wages," *Review of Economic Studies*, November 9, 1941, pp. 58-73. Reprinted in American Economic Association, *Readings in the Theory of International Trade*, chapter 15, Philadelphia: Blakiston.

Wu, Ming M., *Rice Policy in Taiwan: New Direction under Globalization*, Policy Research Series No. 9, Taipei: Taiwan Think Tank, 2003 (In Chinese).

**APPENDIX**  
**THE TARIFF EQUIVALENT OF QUANTIFIABLE IMPORT BARRIERS IN THE U.S. AND TAIWAN IN THE BASELINE IN 2001**





***Maryland Series***  
***in Contemporary Asian Studies***  
(Formerly Occasional Papers/Reprints Series  
in Contemporary Asian Studies, 1977-1999)

500 West Baltimore Street  
Baltimore, Maryland 21201-1786  
U.S.A.

Tel: (410) 706-3870

Fax: (410) 706-1516

(For back issues, new prices effective from October 1, 1991)

***1977 Series***

- |  |                       |                           |
|--|-----------------------|---------------------------|
| <b>No. 1 - 1977</b>  | <b>ISSN 0730-0107</b> | <b>ISBN 0-942182-00-6</b> |
| Chinese Attitude Toward Continental Shelf and Its Implication on De-limiting Seabed in Southeast Asia (Hungdah Chiu), 32 pp.       |                       | \$3.00                    |
| <b>No. 2 - 1977</b>  | <b>ISSN 0730-0107</b> | <b>ISBN 0-942182-01-4</b> |
| Income Distribution in the Process of Economic Growth of the Republic of China (Yuan-Li Wu), 45 pp.                                |                       | \$3.00                    |
| <b>No. 3 - 1977</b>  | <b>ISSN 0730-0107</b> | <b>ISBN 0-942182-02-2</b> |
| The Indonesian Maoists: Doctrines and Perspectives (Justus M. van der Kroef), 31 pp.   |                       | \$3.00                    |
| <b>No. 4 - 1977</b>  | <b>ISSN 0730-0107</b> | <b>ISBN 0-942182-03-0</b> |
| Taiwan's Foreign Policy in the 1970s: A Case Study Adaptation and Viability (Thomas J. Bellows), 22 pp.                            |                       | \$3.00                    |
| <b>No. 5 - 1977</b>  | <b>ISSN 0730-0107</b> | <b>ISBN 0-942182-04-9</b> |
| Asian Political Scientists in North America: Professional and Ethnic Problems (Edited by Chun-tu Hsueh), 148 pp. Index             |                       | \$6.00                    |
| <b>No. 6 - 1977</b>  | <b>ISSN 0730-0107</b> | <b>ISBN 0-942182-05-7</b> |
| The Sino-Japanese Fisheries Agreement of 1975: A Comparison with Other North Pacific Fisheries Agreements (Song Yook Hong), 80 pp. |                       | \$5.00                    |



- No. 5 - 1978 (17)**                      **ISSN 0730-0107**                      **ISBN 0-942182-16-2**  
The Role of Law in the People's Republic of China as Reflecting Mao  
Tse-Tung's Influence (Shao-chuan Leng), 18 pp.                      \$3.00
- No. 6 - 1978 (18)**                      **ISSN 0730-0107**                      **ISBN 0-942182-17-0**  
Criminal Punishment in Mainland China: A Study of Some Yunnan  
Province Documents (Hungdah Chiu), 35 pp.                      \$3.00
- No. 7 - 1978 (19)**                      **ISSN 0730-0107**                      **ISBN 0-942182-18-9**  
A Guide to the Study of Japanese Law (Lawrence W. Beer and Hide-  
nori Tomatsu), 45 pp.                      \$4.00
- No. 8 - 1978 (20)**                      **ISSN 0730-0107**                      **ISBN 0-942182-19-7**  
The Pueblo, EC-121, and Mayaguez Incidents: Some Continuities and  
Changes (Robert Simmons), 40 pp.                      \$4.00
- No. 9 - 1978 (21)**                      **ISSN 0730-0107**                      **ISBN 0-942182-20-0**  
Two Korea's Unification Policy and Strategy (Yong Soon Yim), 82 pp.  
Index                      \$4.00

***1979 Series***

- No. 1 - 1979 (22)**                      **ISSN 0730-0107**                      **ISBN 0-942182-21-9**  
Asian Immigrants and Their Status in the U.S. (Edited by Hungdah  
Chiu), 54 pp.                      \$4.00
- No. 2 - 1979 (23)**                      **ISSN 0730-0107**                      **ISBN 0-942182-22-7**  
Social Disorder in Peking After the 1976 Earthquake Revealed by a  
Chinese Legal Documents (Hungdah Chiu), 20 pp.                      \$4.00
- No. 3 - 1979 (24)**                      **ISSN 0730-0107**                      **ISBN 0-942182-23-5**  
The Dragon and the Eagle — A Study of U.S.-People's Republic of  
China Relations in Civil Air Transport (Jack C. Young), 65 pp.                      \$5.00
- No. 4 - 1979 (25)**                      **ISSN 0730-0107**                      **ISBN 0-942182-24-3**  
Chinese Women Writers Today (Edited by Wai-lim Yip and William  
Tay), 108 pp.                      \$5.00
- No. 5 - 1979 (26)**                      **ISSN 0730-0107**                      **ISBN 0-942182-25-1**  
Certain Legal Aspects of Recognizing the People's Republic of China  
(Hungdah Chiu), 49 pp.                      \$4.00
- No. 6 - 1979 (27)**                      **ISSN 0730-0107**                      **ISBN 0-942182-26-X**  
China's Nationalization of Foreign Firms: The Politics of Hostage Capi-  
talism, 1949-1957 (Thomas N. Thompson), 80 pp. Index                      \$5.00

**No. 7 - 1979 (28)**                      **ISSN 0730-0107**                      **ISBN 0-942182-27-8**  
U.S. Status of Force Agreement with Asian Countries: Selected Studies  
(Charles Cochran and Hungdah Chiu), 130 pp. Index                      \$4.00

**No. 8 - 1979 (29)**                      **ISSN 0730-0107**                      **ISBN 0-942182-28-6**  
China's Foreign Aid in 1978 (John F. Copper), 45 pp.                      \$4.00

### ***1980 Series***

**No. 1 - 1980 (30)**                      **ISSN 0730-0107**                      **ISBN 0-942182-29-4**  
The Chinese Connection and Normalization (Edited by Hungdah Chiu  
and Karen Murphy), 200 pp. Index                      \$7.00

**No. 2 - 1980 (31)**                      **ISSN 0730-0107**                      **ISBN 0-942182-30-8**  
The Conceptual Foundations of U.S. China Policy: A Critical Review  
(James C. Hsiung), 17 pp.                      \$3.00

**No. 3 - 1980 (32)**                      **ISSN 0730-0107**                      **ISBN 0-942182-31-6**  
Policy, Proliferation and the Nuclear Proliferation Treaty: U.S. Strate-  
gies and South Asian Prospects (Joanne Finegan), 61 pp.                      \$4.00

**No. 4 - 1980 (33)**                      **ISSN 0730-0107**                      **ISBN 0-942182-32-4**  
A Comparative Study of Judicial Review Under Nationalist Chinese  
and American Constitutional Law (Jyh-pin Fa), 200 pp. Index (out  
of print)                      \$6.00

**No. 5 - 1980 (34)**                      **ISSN 0730-0107**                      **ISBN 0-942182-33-2**  
Certain Problems in Recent Law Reform in the People's Republic of  
China (Hungdah Chiu), 34 pp.                      \$4.00

**No. 6 - 1980 (35)**                      **ISSN 0730-0107**                      **ISBN 0-942182-34-0**  
China's New Criminal & Criminal Procedure Codes (Hungdah Chiu),  
16 pp.                      \$3.00

**No. 7 - 1980 (36)**                      **ISSN 0730-0107**                      **ISBN 0-942182-35-9**  
China's Foreign Relations: Selected Studies (Edited by F. Gilbert Chan  
& Ka-che Yip), 115 pp. (out of print)                      \$5.00

**No. 8 - 1980 (37)**                      **ISSN 0730-0107**                      **ISBN 0-942182-36-7**  
Annual Review of Selected Books on Contemporary Asian Studies  
(1979-1980) (Edited by John F. Copper), 45 pp.                      \$4.00

### ***1981 Series***

**No. 1 - 1981 (38)**                      **ISSN 0730-0107**                      **ISBN 0-942182-37-5**  
Structural Changes in the Organization and Operation of China's Crim-  
inal Justice System (Hungdah Chiu), 31 pp.                      \$3.00



- No. 5 - 1982 (50)**                      **ISSN 0730-0107**                      **ISBN 0-942182-49-9**  
 Constitutional Revolution in Japanese Law, Society and Politics (Law-  
 rence W. Beer), 35 pp.    \$4.00
- No. 6 - 1982 (51)**                      **ISSN 0730-0107**                      **ISBN 0-942182-50-2**  
 Review of Selected Books on Contemporary Asian Studies, 1981-1982  
 (Edited by David Salem, Roy Werner and Lyushen Shen), 67 pp.    \$4.00
- No. 7 - 1982 (52)**                      **ISSN 0730-0107**                      **ISBN 0-942182-51-0**  
 Chinese Law and Justice: Trends Over Three Decades (Hungdah Chiu),  
 39 pp.    \$4.00
- No. 8 - 1982 (53)**                      **ISSN 0730-0107**                      **ISBN 0-942182-52-9**  
 Disarmament and Civilian Control in Japan: A Constitutional Dilemma  
 (Theodore McNelly), 16 pp.    \$4.00

***1983 Series***

- No. 1 - 1983 (54)**                      **ISSN 0730-0107**                      **ISBN 0-942182-53-7**  
 Essays on Sun Yat-sen and the Economic Development of Taiwan (Ma-  
 ria Hsia Chang and A. James Gregor), 60 pp.    \$3.00
- No. 2 - 1983 (55)**                      **ISSN 0730-0107**                      **ISBN 0-942182-54-5**  
 Elite Conflict in the Post-Mao China (Revised version of No. 7-1981  
 (44)) (Parris H. Chang), 48 pp.    \$3.00
- No. 3 - 1983 (56)**                      **ISSN 0730-0107**                      **ISBN 0-942182-55-3**  
 Media-Coverage on Taiwan in The People's Republic of China (Jörg-M.  
 Rudolph), 77 pp.    \$4.00
- No. 4 - 1983 (57)**                      **ISSN 0730-0107**                      **ISBN 0-942182-56-1**  
 Transit Problems of Three Asian Land-locked Countries: Afghanistan,  
 Nepal and Laos (Martin Ira Glassner), 55 pp.    \$3.00
- No. 5 - 1983 (58)**                      **ISSN 0730-0107**                      **ISBN 0-942182-57-X**  
 China's War Against Vietnam: A Military Analysis (King C. Chen),  
 33 pp.    \$3.00
- No. 6 - 1983 (59)**                      **ISSN 0730-0107**                      **ISBN 0-942182-58-8**  
 The People's Republic of China, International Law and Arms Control  
 (David Salem), 325 pp. Index    \$7.00  
 (Hardcover edition published in *Maryland Studies in East Asian Law and  
 Politics Series*, No. 3, ISBN 0-942182-59-6)    \$15.00

### ***1984 Series***

- No. 1 - 1984 (60)**                      **ISSN 0730-0107**                      **ISBN 0-942182-60-X**  
China's Nuclear Policy: An Overall View (Shao-chuan Leng), 18 pp.                      \$3.00
- No. 2 - 1984 (61)**                      **ISSN 0730-0107**                      **ISBN 0-942182-61-8**  
The Communist Party of China: Party Powers and Group Politics from the Third Plenum to the Twelfth Party Congress (Hung-mao Tien), 30 pp.                      \$3.00
- No. 3 - 1984 (62)**                      **ISSN 0730-0107**                      **ISBN 0-942182-62-6**  
Legal Problems of Seabed Boundary Delimitation in the East China Sea (Ying-jeou Ma), 308 pp. Index (paperback out of print)                      \$10.00  
(Hardcover edition published in *Maryland Studies in East Asian Law and Politics Series*, No. 4, ISBN 0-942182-63-4)                      \$15.00
- No. 4 - 1984 (63)**                      **ISSN 0730-0107**                      **ISBN 0-942182-64-2**  
A New Direction in Japanese Defense Policy: Views from the Liberal Democratic Party Diet Members (Steven Kent Vogel), 63 pp.                      \$3.00
- No. 5 - 1984 (64)**                      **ISSN 0730-0107**                      **ISBN 0-942182-65-0**  
Taiwan's Elections: Political Development and Democratization in the Republic of China (John F. Copper with George P. Chen), 180 pp.                      \$5.00  
Index                      \$5.00  
(Hardcover edition: ISBN 0-942182-66-9)                      \$10.00
- No. 6 - 1984 (65)**                      **ISSN 0730-0107**                      **ISBN 0-942182-67-7**  
Cankao Xiaoxi: Foreign News in the Propaganda System of the People's Republic of China (Jörg-Meinhard Rudolph), 174 pp. Index                      \$5.00

### ***1985 Series***

- No. 1 - 1985 (66)**                      **ISSN 0730-0107**                      **ISBN 0-942182-68-5**  
The Political Basis of the Economic and Social Development in the Republic of China (Alan P. L. Liu), 22 pp.                      \$3.00
- No. 2 - 1985 (67)**                      **ISSN 0730-0107**                      **ISBN 0-942182-69-3**  
The Legal System and Criminal Responsibility of Intellectuals in the People's Republic of China, 1949-1982 (Carlos Wing-hung Lo), 125 pp. Index                      \$5.00
- No. 3 - 1985 (68)**                      **ISSN 0730-0107**                      **ISBN 0-942182-70-7**  
Symposium on Hong Kong: 1997 (Edited by Hungdah Chiu), 100 pp.                      \$4.00  
Index





### ***1987 Series***

- No. 1 - 1987 (78)**                      **ISSN 0730-0107**                      **ISBN 0-942182-81-2**  
An Analysis of the U.S.-China Nuclear Energy Cooperation Agreement  
(Benjamin Chin), 40 pp.                      \$3.00
- No. 2 - 1987 (79)**                      **ISSN 0730-0107**                      **ISBN 0-942182-82-0**  
Survey of Recent Developments in China (Mainland and Taiwan), 1985-  
1986 (edited by Hungdah Chiu, with the assistance of Jaw-ling Jo-  
anne Chang), 222 pp. Index                      \$8.00
- No. 3 - 1987 (80)**                      **ISSN 0730-0107**                      **ISBN 0-942182-83-9**  
Democratizing Transition in Taiwan (Yangsun Chou and Andrew J. Na-  
than), 24 pp.                      \$3.00
- No. 4 - 1987 (81)**                      **ISSN 0730-0107**                      **ISBN 0-942182-84-7**  
The Legal Status of the Chinese Communist Party (Robert Heuser),  
25 pp.                      \$3.00
- No. 5 - 1987 (82)**                      **ISSN 0730-0107**                      **ISBN 0-942182-85-5**  
The Joint Venture and Related Contract Laws of Mainland China and  
Taiwan: A Comparative Analysis (Clyde D. Stoltenberg and David  
W. McClure), 54 pp. (out of print)                      \$4.00
- No. 6 - 1987 (83)**                      **ISSN 0730-0107**                      **ISBN 0-942182-86-3**  
Reform in Reverse: Human Rights in the People's Republic of China,  
1986/1987 (Ta-Ling Lee and John F. Copper), 150 pp.                      \$8.00

### ***1988 Series***

- No. 1 - 1988 (84)**                      **ISSN 0730-0107**                      **ISBN 0-942182-87-1**  
Chinese Attitudes toward International Law in the Post-Mao Era, 1978-  
1987 (Hungdah Chiu), 41 pp.                      \$3.00
- No. 2 - 1988 (85)**                      **ISSN 0730-0107**                      **ISBN 0-942182-88-X**  
Chinese Views on the Sources of International Law (Hungdah Chiu),  
20 pp.                      \$3.00
- No. 3 - 1988 (86)**                      **ISSN 0730-0107**                      **ISBN 0-942182-89-8**  
People's Republic of China: The Human Rights Exception (Roberta  
Cohen), 103 pp. (out of print)                      \$5.00
- No. 4 - 1988 (87)**                      **ISSN 0730-0107**                      **ISBN 0-942182-90-1**  
Settlement of the Macau Issue: Distinctive Features of Beijing's Negoti-  
ating Behavior (with text of 1887 Protocol and 1987 Declaration)  
(Jaw-ling Joanne Chang), 37 pp.                      \$3.00

**No. 5 - 1988 (88)**                      **ISSN 0730-0107**                      **ISBN 0-942182-91-X**  
The Draft Basic Law of Hong Kong: Analysis and Documents (edited  
by Hungdah Chiu), 153 pp.                      \$5.00

**No. 6 - 1988 (89)**                      **ISSN 0730-0107**                      **ISBN 0-942182-92-8**  
Constitutionalism in Asia: Asian Views of the American Influence (ed-  
ited by Lawrence W. Beer), 210 pp. (out of print)                      \$10.00

***1989 Series***

**No. 1 - 1989 (90)**                      **ISSN 0730-0107**                      **ISBN 0-925153-00-1**  
The Right to a Criminal Appeal in the People's Republic of China  
(Margaret Y.K. Woo), 43 pp.                      \$3.00

**No. 2 - 1989 (91)**                      **ISSN 0730-0107**                      **ISBN 0-925153-01-X**  
The Status of Customary International Law, Treaties, Agreements and  
Semi-Official or Unofficial Agreements in Chinese Law (Hungdah  
Chiu), 22 pp.                      \$3.00

**No. 3 - 1989 (92)**                      **ISSN 0730-0107**                      **ISBN 0-925153-02-8**  
*One Step Forward, One Step Back, Human Rights in the People's Re-  
public of China in 1987/88* (John F. Cooper and Ta-ling Lee), 140  
pp.                      \$6.00

**No. 4 - 1989 (93)**                      **ISSN 0730-0107**                      **ISBN 0-925153-03-6**  
Tibet: Past and Present (Hungdah Chiu and June Teufel Dreyer), 25 pp.  
\$3.00

**No. 5 - 1989 (94)**                      **ISSN 0730-0107**                      **ISBN 0-925153-04-4**  
Chinese Attitude toward International Law of Human Rights in the  
Post-Mao Era (Hungdah Chiu), 38 pp.                      \$4.00

**No. 6 - 1989 (95)**                      **ISSN 0730-0107**                      **ISBN 0-925153-05-2**  
Tibet to Tiananmen: Chinese Human Rights and United States Foreign  
Policy (W. Gary Vause), 47 pp.                      \$4.00

***1990 Series***

**No. 1 - 1990 (96)**                      **ISSN 0730-0107**                      **ISBN 0-925153-06-0**  
The International Legal Status of the Republic of China (Hungdah  
Chiu), 20 pp. (Out of print, please order No. 5-1992 (112) for a  
revised version of this issue)                      \$3.00

- No. 2 - 1990 (97)**                      **ISSN 0730-0107**                      **ISBN 0-925153-07-9**  
 Tiananmen: China's Struggle for Democracy—Its Prelude, Development, Aftermath, and Impact (Winston L. Y. Yang and Marsha L. Wagner), 314 pp. Index (paperback out of print)                      \$8.00  
 (Hardcover edition published in *Maryland Studies in East Asian Law and Politics Series*, No. 11, ISBN 0-925153-08-7)                      \$14.00
- No. 3 - 1990 (98)**                      **ISSN 0730-0107**                      **ISBN 0-925153-09-5**  
 Nationality and International Law in Chinese Perspective (Hungdah Chiu), 37 pp.                      \$4.00
- No. 4 - 1990 (99)**                      **ISSN 0730-0107**                      **ISBN 0-925153-10-9**  
 The Taiwan Relations Act after Ten Years (Lori Fisler Damrosch), 27 pp.                      \$3.00
- No. 5 - 1990 (100)**                      **ISSN 0730-0107**                      **ISBN 0-925153-11-7**  
 The Taiwan Relations Act and Sino-American Relations (Hungdah Chiu), 34 pp. (out of print)                      \$4.00
- No. 6 - 1990 (101)**                      **ISSN 0730-0107**                      **ISBN 0-925153-12-5**  
 Taiwan's Recent Elections: Fulfilling the Democratic Promise (John F. Copper), 174 pp. Index (out of print)                      \$8.00

***1991 Series***

- No. 1 - 1991 (102)**                      **ISSN 0730-0107**                      **ISBN 0-925153-13-3**  
 Legal Aspects of Investment and Trade with the Republic of China (Edited by John T. McDermott, with contributions by Linda F. Powers, Ronald A. Case, Chung-Teh Lee, Jeffrey H. Chen, Cheryl M. Friedman, Hungdah Chiu, K.C. Fan and Douglas T. Hung), 94 pp.                      \$6.00
- No. 2 - 1991 (103)**                      **ISSN 0730-0107**                      **ISBN 0-925153-14-1**  
 Failure of Democracy Movement: Human Rights in the People's Republic of China, 1988/89 (Ta-ling Lee and John F. Copper), 150 pp. Index                      \$10.00
- No. 3 - 1991 (104)**                      **ISSN 0730-0107**                      **ISBN 0-925153-15-X**  
 Freedom of Expression: The Continuing Revolution in Japan's Legal Culture (Lawrence W. Beer), 31 pp.                      \$5.00
- No. 4 - 1991 (105)**                      **ISSN 0730-0107**                      **ISBN 0-925153-16-8**  
 The 1989 US-Republic of China (Taiwan) Fisheries Negotiations (Mark Mon-Chang Hsieh), 84 pp.                      \$6.00
- No. 5 - 1991 (106)**                      **ISSN 0730-0107**                      **ISBN 0-925153-17-6**  
 Politics of Divided Nations: China, Korea, Germany and Vietnam — Unification, Conflict Resolution and Political Development (Edited by Quansheng Zhao and Robert Sutter), 198 pp. Index (out of print)                      \$12.00



- No. 4 - 1993 (117)**                      **ISSN 0730-0107**                      **ISBN 0-925153-28-1**  
 In Making China Modernized: Comparative Modernization between  
 Mainland China and Taiwan (Wen-hui Tsai), 281 pp. Index (out of  
 print, please order No. 5 - 1996 for 2nd ed.)                      \$18.00
- No. 5 - 1993 (118)**                      **ISSN 0730-0107**                      **ISBN 0-925153-30-3**  
 Hong Kong's Transition to 1997: Background, Problems and Prospects  
 (with Documents) (Hungdah Chiu), 106 pp.                      \$7.00
- No. 6 - 1993 (119)**                      **ISSN 0730-0107**                      **ISBN 0-925153-31-1**  
 Koo-Wang Talks and the Prospect of Building Constructive and Stable  
 Relations Across the Taiwan Straits (with Documents) (Hungdah  
 Chiu), 69 pp.                      \$5.00

### *1994 Series*

- No. 1 - 1994 (120)**                      **ISSN 0730-0107**                      **ISBN 0-925153-32-X**  
 Statutory Encouragement of Investment and Economic Development in  
 the Republic of China on Taiwan (Neil L. Meyers), 72 pp.                      \$7.00
- No. 2 - 1994 (121)**                      **ISSN 0730-0107**                      **ISBN 0-925153-33-8**  
 Don't Force Us to Lie: The Struggle of Chinese Journalists in the Re-  
 form Era (Allison Liu Jernow), 99 pp.                      \$7.00
- No. 3 - 1994 (122)**                      **ISSN 0730-0107**                      **ISBN 0-925153-34-6**  
 Institutionalizing a New Legal System in Deng's China (Hungdah  
 Chiu), 44 pp.                      \$5.00
- No. 4 - 1994 (123)**                      **ISSN 0730-0107**                      **ISBN 0-925153-35-4**  
 The Bamboo Gulag: Human Rights in the People's Republic of China,  
 1991-1992 (Ta-ling Lee & John F. Copper), 281 pp. Index                      \$20.00
- No. 5 - 1994 (124)**                      **ISSN 0730-0107**                      **ISBN 0-925153-36-2**  
 Taiwan's Legal System and Legal Profession (Hungdah Chiu and Jyh-  
 pin Fa), 22 pp.                      \$3.00
- No. 6 - 1994 (125)**                      **ISSN 0730-0107**                      **ISBN 0-925153-37-0**  
 Toward Greater Democracy: An Analysis of the Republic of China on  
 Taiwan's Major Elections in the 1990s (Wen-hui Tsai), 40 pp.                      \$6.00

### *1995 Series*

- No. 1 - 1995 (126)**                      **ISSN 0730-0107**                      **ISBN 0-925153-38-9**  
 Relations between the Republic of China and the Republic of Chile  
 (Herman Gutierrez B. and Lin Chou), 31 pp.                      \$5.00



- No. 6 - 1996 (137)**                      **ISSN 0730-0107**                      **ISBN 0-925153-51-6**  
 A Study of the Consular Convention between the United States of  
 America and the People's Republic of China (Stephen Kho), 68 pp.                      \$6.00

***1997 Series***

- No. 1 - 1997 (138)**                      **ISSN 0730-0107**                      **ISBN 0-925153-52-4**  
 Tiananmen to Tiananmen, China under Communism 1947-1996  
 (Yuan-Li Wu), 348 pp. Index                      \$35.00  
 (Hardcover edition: ISBN 0-925153-53-2)                      \$45.00

- No. 2 - 1997 (139)**                      **ISSN 0730-0107**                      **ISBN 0-925153-54-0**  
 The External Relations and International Status of Hong Kong (Ting  
 Wai), 72 pp.                      \$8.00

- No. 3 - 1997 (140)**                      **ISSN 0730-0107**                      **ISBN 0-925153-55-9**  
 Sheltering for Examination (*Shoushen*) in the People's Republic of  
 China: Law, Policy, and Practices (Kam C. Wong), 53 pp.                      \$6.00

- No. 4 - 1997 (141)**                      **ISSN 0730-0107**                      **ISBN 0-925153-56-7**  
 Legal Aid Practices in the PRC in the 1990s — Dynamics, Contents and  
 Implications, (Luo Qizhi) 68 pp.                      \$8.00

- No. 5 - 1997 (142)**                      **ISSN 0730-0107**                      **ISBN 0-925153-57-5**  
 The KMT's 15th Party Congress: The Ruling Party at a Crossroads  
 (John F. Copper), 38 pp.                      \$5.00

- No. 6 - 1997 (143)**                      **ISSN 0730-0107**                      **ISBN 0-925153-58-3**  
 From Pirate King to Jungle King: Transformation of Taiwan's Intellec-  
 tual Property Protection (Andy Y. Sun), 138 pp.                      \$18.00

***1998 Series***

- No. 1 - 1998 (144)**                      **ISSN 0730-0107**                      **ISBN 0-925153-59-1**  
 From "Multi-System Nations" to "Linkage Communities": A New  
 Conceptual Scheme for the Integration of Divided Nations  
 (Yung Wei), 20 pp.                      \$4.00

- No. 2 - 1998 (145)**                      **ISSN 0730-0107**                      **ISBN 0-925153-60-5**  
 The Impact of the World Trade Organization on the Lack of Trans-  
 parency in the People's Republic of China (Stephen Kho), 63 pp.                      \$7.00

- No. 3 - 1998 (146)**                      **ISSN 0730-0107**                      **ISBN 0-925153-61-3**  
 The Nationalist Ideology of the Chinese Military (Xiaoyu Chen), 45 pp.                      \$6.00

**No. 4 - 1998 (147)**                      **ISSN 0730-0107**                      **ISBN 0-925153-62-1**  
Convergence and the Future of Reunification between Mainland China  
and Taiwan: A Developmental View (Wen-hui Tsai), 33 pp.                      \$5.00

**No. 5 - 1998 (148)**                      **ISSN 0730-0107**                      **ISBN 0-925153-63-X**  
Chinese Patent Law and Patent Litigation in China (Xiang Wang),  
61 pp.                      \$8.00

**No. 6 - 1998 (149)**                      **ISSN 0730-0107**                      **ISBN 0-925153-64-8**  
The Development of Banking in Taiwan: The Historical Impact on Fu-  
ture Challenges (Lawrence L.C. Lee), 39 pp.                      \$6.00

### ***1999 Series***

**No. 1 - 1999 (150)**                      **ISSN 0730-0107**                      **ISBN 0-925153-65-6**  
An Analysis of the Sino-Japanese Dispute over the T'iao-yutai Islets  
(Senkaku Gunto) (Hungdah Chiu), 27 pp.                      \$6.00

**No. 2 - 1999 (151)**                      **ISSN 0730-0107**                      **ISBN 0-925153-66-4**  
Taiwan's 1998 Legislative Yuan, Metropolitan Mayoral and City Coun-  
cil Elections: Confirming and Consolidating Democracy in the Re-  
public of China (John F. Copper), 53 pp.                      \$7.00

**No. 3 - 1999 (152)**                      **ISSN 0730-0107**                      **ISBN 0-925153-67-2**  
The Diaoyutai/Senkaku Islands Dispute: Its History and an Analysis of  
the Ownership Claims of the P.R.C., R.O.C., and Japan  
(Han-yi Shaw), 148 pp.                      \$20.00

**No. 4 - 1999 (153)**                      **ISSN 0730-0107**                      **ISBN 0-925153-68-0**  
Election and Democracy in Hong Kong: The 1998 Legislative Council  
Election (Shiu-hing Lo & Wing-yat Yu), 68 pp.                      \$9.00

**No. 5 - 1999 (154)**                      **ISSN 0730-0107**                      **ISBN 0-925153-69-9**  
The ROC on the Threshold of the 21st Century: A Paradigm Reexam-  
ined (Edited by Chien-min Chao & Cal Clark), 189 pp.                      \$24.00

**No. 6 - 1999 (155)**                      **ISSN 0730-0107**                      **ISBN 0-925153-70-2**  
Party Primaries in Taiwan: Trends, Conditions, and Projections in Can-  
didate Selection (Julian Baum and James A. Robinson), 39 pp.                      \$6.00

### ***2000 Series***

**No. 1 - 2000 (156)**                      **ISSN 0730-0107**                      **ISBN 0-925153-71-0**  
United States-Taiwan Relations: Twenty Years after the Taiwan Rela-  
tions Act (Edited by Jaw-Ling Joanne Chang & William W. Boyer),  
309 pp. Index                      \$28.00  
(Hardcover edition: ISBN 0-925153-72-9)                      \$42.00



- No. 2 - 2000 (157)**                      **ISSN 0730-0107**                      **ISBN 0-925153-73-7**  
 Taiwan's 2000 Presidential and Vice Presidential Election: Consolidating Democracy and Creating a New Era of Politics (John F. Cooper), 66 pp.                      \$9.00
- No. 3 - 2000 (158)**                      **ISSN 0730-0107**                      **ISBN 0-925153-74-5**  
 Legal Eligibility of Taiwan's Accession to GATT/WTO (CHO Hui-Wan), 22 pp.                      \$6.00
- No. 4 - 2000 (159)**                      **ISSN 0730-0107**                      **ISBN 0-925153-75-3**  
 Russia's Northeast Asia Policy: Challenges and Choices for the 21st Century (Sharif M. Shuja), 22 pp.                      \$6.00
- No. 5 - 2000 (160)**                      **ISSN 0730-0107**                      **ISBN 0-925153-76-1**  
 East Asia and the Principle of Non-Intervention: Policies and Practices (Linjun WU), 39 pp.                      \$7.00
- No. 6 - 2000 (161)**                      **ISSN 0730-0107**                      **ISBN 0-925153-77-X**  
 The Association of South East Asian Nations' Confidence and Security Building with the People's Republic of China: Internal Constraints and Policy Implications (Kwei-Bo HUANG), 61 pp.                      \$9.00

***2001 Series***

- No. 1 - 2001 (162)**                      **ISSN 0730-0107**                      **ISBN 0-925153-78-8**  
 Socio-economic Changes and Modernization in an Age of Uncertainty: Taiwan in the 1990s and Its Future Challenge (Wen-hui TSAI), 35 pp.                      \$7.00
- No. 2 - 2001 (163)**                      **ISSN 0730-0107**                      **ISBN 0-925153-79-6**  
 Implementation of Taiwan Relations Act: An Examination after Twenty Years (Edited by Hungdah CHIU, Hsing-wei LEE and Chih-Yu T. WU), 267 pp.                      \$27.00
- No. 3 - 2001 (164)**                      **ISSN 0730-0107**                      **ISBN 0-925153-80-X**  
 The Diplomatic War between Beijing and Taipei in Chile (Lin CHOU), 61 pp.                      \$9.00
- No. 4 - 2001 (165)**                      **ISSN 0730-0107**                      **ISBN 0-925153-81-8**  
 Reforming the Protection of Intellectual Property: The Case of China and Taiwan in Light of WTO Accession (Andy Y. SUN), 46 pp.                      \$8.00
- No. 5 - 2001 (166)**                      **ISSN 0730-0107**                      **ISBN 0-925153-82-6**  
 Arbitration of Commercial Disputes in China (Vai Io LO), 26 pp.                      \$6.00

**No. 6 - 2001 (167)**                      **ISSN 0730-0107**                      **ISBN 0-925153-83-4**  
Building a Democratic State in Modernizing Taiwan: The 2001 Legislative Election and the Push for Pluralism (Wen-hui TSAI and George P. Chen), 24 pp.                      \$6.00

***2002 Series***

**No. 1 - 2002 (168)**                      **ISSN 0730-0107**                      **ISBN 0-925153-84-2**  
United States and Territorial Disputes in the South China Sea: A Study of Ocean Law and Politics (Yann-huei SONG), 321 pp.                      \$35.00

**No. 2 - 2002 (169)**                      **ISSN 0730-0107**                      **ISBN 0-925153-85-0**  
The Politics of Racial Discrimination in Hong Kong (Barry Sautman and Ellen Kneehans), 83 pp.                      \$10.00

**No. 3 - 2002 (170)**                      **ISSN 0730-0107**                      **ISBN 1-932330-00-3**  
The Social and Political Bases for Women's Growing Political Power in Taiwan (Cal Clark and Janet Clark), 40 pp.                      \$7.00

**No. 4 - 2002 (171)**                      **ISSN 0730-0107**                      **ISBN 1-932330-01-1**  
The U.S.-Taiwan Free Trade Agreement: A Bridge for Economic Integration in the Asia-Pacific Region (Peter C.Y. Chow), 62 pp.                      \$9.00

## MARYLAND STUDIES IN EAST ASIAN LAW AND POLITICS SERIES

(The following books are published under the auspices or co-  
auspices of the East Asian Legal Studies Program of the Univer-  
sity of Maryland School of Law. The views expressed in each  
book reflect only those of the author. All books published in  
hard cover edition, unless otherwise indicated.)

1. Hungdah Chiu, *China and the Taiwan Issue*. New York: Praeger  
Publishers, A Division of Holt, Rinehart and Winston/CBS, Inc.,  
1979. 295 pp. (Now distributed by the Greenwood Press)  
ISBN 0-03-048911-3 \$49.95
2. Hungdah Chiu, *Agreements of the People's Republic of China, 1966-  
1980: A Calendar*. New York: Praeger Publishers, A Division of  
Holt, Rinehart and Winston/CBS, Inc., 1981. 329 pp. (Now distrib-  
uted by the Greenwood Press)  
ISBN 0-03-059443-X \$49.95
3. David Salem, *The People's Republic of China, International Law and  
Arms Control*. Baltimore, Maryland: University of Maryland  
School of Law OPRSCAS\*, 1983. 325 pp.  
ISBN 0-942182-59-6 \$15.00
4. Ying-jeou Ma, *Legal Problems of Seabed Boundary Delimitation in  
the East China Sea*. Baltimore, Maryland: University of Maryland  
School of Law OPRSCAS, 1984. 308 pp.  
ISBN 0-942182-63-4 \$15.00
5. Hungdah Chiu and Shao-chuan Leng, editors, *China: 70 Years After  
the 1911 Hsin-hai Revolution*. Charlottesville, Virginia: Univer-  
sity Press of Virginia, 1984. 600 pp.  
(Published under the co-auspices of the Committee on Asian Stud-  
ies, University of Virginia.)  
ISBN 0-8138-1027-7 \$35.00
6. Shao-chuan Leng and Hungdah Chiu, *Criminal Justice in Post-Mao  
China*. Albany, New York: State University of New York Press,  
1985. 325 pp.  
(Published under the co-auspices of Committee on Asian Studies,  
University of Virginia.)  
ISBN 0-87395-950-7 (hardcover) \$74.50  
ISBN 0-87395-948-5 (paperback) \$24.95

---

\* Occasional Papers/Reprints Series in Contemporary Asian Studies, Inc. (It has  
been changed to Maryland Series in Contemporary Asian Studies, MSCAS), 500 West  
Baltimore St., Baltimore, Maryland 21201-1786. (Tel. 410-706-3870)

7. Jaw-ling Joanne Chang, *United States-China Normalization: An Evaluation of Foreign Policy Decision Making*. Baltimore, Maryland: University of Maryland School of Law OPRSCAS, 1986. 246 pp. (Copublished with Monograph Series in World Affairs, University of Denver)  
ISBN 0-942182-78-2 \$12.00
8. Lester Ross and Mitchell A. Silk, *Environmental Law and Policy in China*. Westport, CT: Greenwood Press (Quorum Books), 1987. 449 pp.  
ISBN 0-89930-204-1 \$75.00
9. Hungdah Chiu, Y.C. Jao and Yuan-li Wu, editors, *The Future of Hong Kong: Toward 1997 and Beyond*. Westport, CT: Greenwood Press (Quorum Books), 1987. 262 pp.  
ISBN 0-89930-241-6 \$55.00
10. Ray S. Cline and Hungdah Chiu, eds., *The United States Constitution and Constitutionalism in China*. Washington, D.C.: U.S. Global Strategy Council, 1988. Distributed by OPRSCAS, 166 pp. Paper. \$8.00
11. Winston L.Y. Yang and Marsha L. Wagner, eds., *Tiananmen: China's Struggle for Democracy—Its Prelude, Development, Aftermath, and Impact*. Baltimore, Maryland: University of Maryland School of Law OPRSCAS, 1990. 314 pp. Index  
ISBN 0-925153-08-7 \$14.00
12. Mitchell A. Silk, ed., *Taiwan Trade and Investment Law*. Hong Kong: Oxford University Press, 1994. 693 pages.  
ISBN 0-19-585289-3 \$59.00

---

## ORDER FORM

Mail this order form to Maryland Series in Contemporary Asian Studies,  
University of Maryland School of Law, 500 West Baltimore Street,  
Baltimore, Maryland 21201-1786, U.S.A. Or e-mail to eastasia@law.  
umaryland.edu or fax to (410)706-1516

Check One:

Please Send:

*ISBN*

*Title*

*No. of Copies*

---

---

---

---

Please start my subscription of the MSCAS: Starting year \_\_\_\_\_

Subscription price is U.S. \$35.00 per year for 4 issues in the U.S. and  
\$40.00 for Canada, Mexico or overseas (regardless of the price of  
individual issues).

My check of U.S. \$ \_\_\_\_\_ is enclosed.

\_\_\_\_\_ copy(s) of invoice/receipt required. (Institution/  
library may request billing before making payment)

Please add postage/handling of \$3.00 for one copy and \$2.00 for each  
additional copy. Make checks payable to MSCAS.

Please send books to:

Contact Name

Corporation/Library/Institution

Address (Please include zip code)

Country

---

---

---

