

# JAPAN, TAIWAN, AND THE FUTURE OF 'AMERICA FIRST' TRADE POLICY



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# Trumponomics

1. President Trump raises “Made in America” and “America First” banners
2. Imposes antidumping taxes and measures under Sections 201 & 301 of the Trade Act of 1974, Section 232 of the Trade Expansion Act of 1962 to strengthen U.S. industrial competitiveness
3. Uses Section 232 of the Trade Expansion Act of 1962 to impose tariffs on steel in March 2018

# Free Trade? TPP ?

1. 'America First' trade policy has shifted from 'free trade' to 'fair trade'
2. KORUS, NAFTA-->USMCA, U.S.-EU, U.S.-Japan re-negotiation due to the emphasis on fair trade agreements
3. U.S.'s withdrawal from the TPP allows Taiwan and other Asian countries to re-evaluate their trade policies

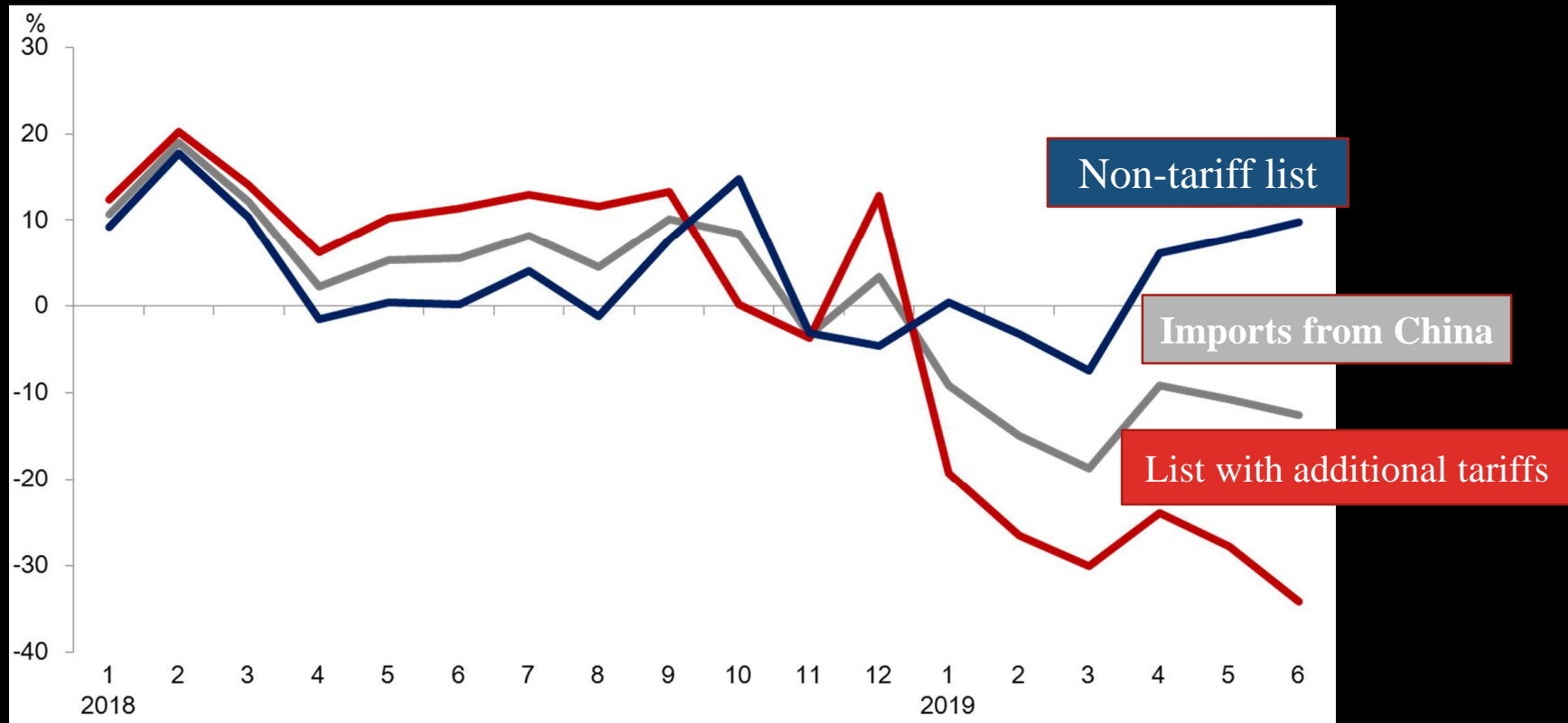
# Trump Trade Policy Adjustments

- ✓ Withdrew the U.S. from the TPP → CPTPP 11
- ✓ Ended the TTIP negotiation → U.S.-EU trade talk
- ✓ Renegotiation of the NAFTA → USMCA
- ✓ Renegotiation of the United States-Korea Free Trade Agreement (KORUS)
- **Adjusted U.S.-China trade relationship**
- **Realigned U.S.-Japan trade relationship**

# U.S. Imports from China

- **July 6, 2018** – Additional 25% tariffs on 818 lines covering approximately \$34 billion went into effect → 1st round tariff increased.
- **August 23, 2018** – Additional 25 % tariffs on 279 lines covering approximately \$16 billion went into effect. → 2nd round tariff increased
- **September 24, 2018** – Additional 10% tariffs on 5,745 lines covering approximately \$200 billion went into effect → 3rd round tariff increased
- **May 10, 2019** – Additional 25% tariffs on \$200 billion of imports went into effect
- **May 13, 2019** – Announced additional 25% tariffs on \$300 billion of imports
- **August 12, 2019** – Announced additional 5% tariffs
- **August 13, 2019** – Announced additional 10% tariffs on \$300 billion of imports effective September 1, 2019; tariffs on cell phones and laptops delayed until December 15, 2019
- **September 11, 2019** – Announced additional 25-30% tariffs on \$250 billion worth of goods **postponed** from October 1 to October 15, 2019

# U.S. Imports from China



The 2018 growth rate of U.S. imports from China is 6.8%, with additional tariffs increased by 9.9% and non-tariff list increased by 4.2%. Since January 2019 the situation has changed, additional tariffs list has decreased consecutively for 6 months, with a reduction of 27% from January to June. Impact of list 3 was 20%, while non-tariff list imports remained stable with an annual growth rate of 2.4%. Total imports from China decreased by 12.4%

**Source: Taiwan Ministry of Finance Statistics**

# Impact of U.S.-China Trade War on Taiwan<sup>6</sup>

- Taiwan is highly integrated in global supply chain
- Taiwan's X+M is 145% of GDP in 2018
- Taiwan's economy is heavily affected by the global economy. Trade protectionism measures adopted by major export markets impact Taiwan's economy
- With increased trade tensions between the U.S. and China, the outcome of trade talks would affect global economic prospects
- U.S.-China trade war hurts Taiwan on two ends – Taiwan depends on China as the manufacturing base and uses U.S. as the export market, especially for final goods, like laptop, mobile phone, ICT products.



# Impact on Taiwanese Companies in China

## ✓ Trilateral trade

- China is an important investment and production base for Taiwanese companies, establishing the trilateral trade model of “receiving orders in Taiwan, manufacturing in China, and shipping for American consumers”
- U.S.-China trade tensions will affect production and investment strategies of Taiwan’s businesses model of the trilateral trade.



# U.S. Imposition of Additional Tariffs on Chinese Products—Impact on Taiwan

- List 1 of tariff lines covers approx. \$34 billion of Chinese imports;
- List 2 covers approx. \$16 billion of Chinese imports
  - Value added created by Taiwan is only 0.21% of GDP
  - Taiwanese companies dealt with tariffs by shipping products earlier before the extra tariff took into force, transferring orders, and relocating production base

# U.S. Imposition of Additional Tariffs on Chinese Products—Impact on Taiwan

- List 3: additional tariffs on Chinese ICT imports (mobile phones, laptops, and final consumer goods) of about \$200 billion, which started to impact Taiwan's exports to China in intermediate goods and parts and components.

# **U.S. Imposition of Additional Tariffs on Chinese Products—Impact on Taiwan**

- List 4: additional tariffs on about \$300 billion worth of Chinese imports; tariffs on ICT products such as cellular phones, laptops, computer monitors, video game consoles, and consumer products including toys, shoes, and apparel will start on December 15, 2019
  - Demand declines as the price increased.
  - List 4 has more significant impacts on Taiwan's exports for intermediate good and consumption goods.

# U.S. Imposition of Tariffs on China—Direct Impact on Taiwan

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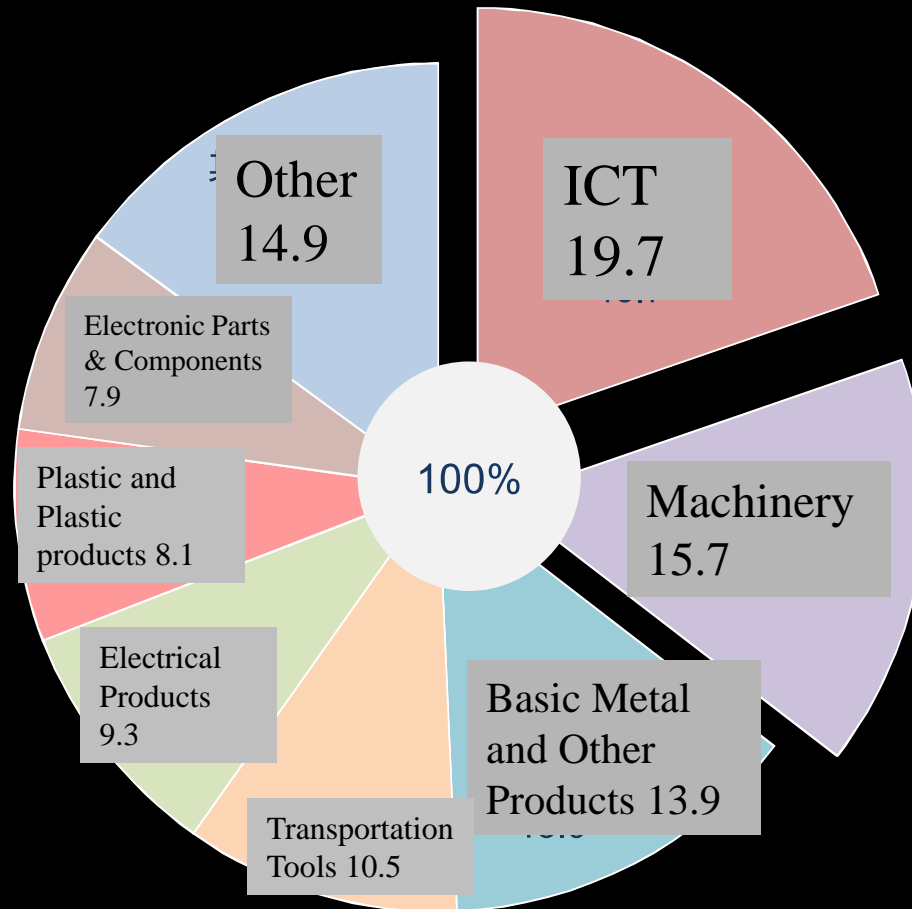
- Taiwanese businesses may adjust their production capacity to respond to U.S. tariffs
- Taiwan businesses (ICT OEMs) account for 15 of 20 major exporters from China to the U.S.
- Some industries were affected, but some businesses also benefitted by delivering orders prior to tariffs, or orders for products transferred from China to Taiwan
- In the long term, Taiwanese businesses will relocate their production base and adjust from their over dependence on China as the manufacturing base

# U.S. Imposition of Additional Tariffs on Chinese Products—Direct Impact on Taiwan

- As a result of U.S.-China trade war, Taiwan's exports to the U.S. clearly increased, further strengthening Taiwan's supply chain relationship with the U.S.
- The value of U.S. imports from Taiwan grew 20.2% in 2019H1.
- Almost half of U.S. imports from China bear additional tariffs, resulting in a sharp increase in the cost of Chinese imports. U.S. companies have started to increase imports from other countries
- 2019H1 for the Products on the lists of tariff increased for Chinese imports:
  - Exports from Slovakia grew by 1.1 times. Trade diversification
  - Exports from Vietnam and Taiwan increased by 33.7% and 28.5%, respectively
  - Exports from France and South Korea increased by 19.5% and 12.7%, respectively

**Source: Taiwan Ministry of Finance Statistics**

# 2018 U.S. Imports from Taiwan on the Additional Tariff List



Source: Taiwan Ministry of Finance Statistics

# Trading partner

## U.S.: Taiwan is the **9th** largest

## Taiwan: U.S. is **2nd** largest



The screenshot shows the U.S. Department of State website header with the seal and the text "U.S. DEPARTMENT OF STATE DIPLOMACY IN ACTION". Below the header is a navigation bar with links: SECRETARY TILLERSON, ABOUT, WHAT WE DO, POLICY ISSUES, COUNTRIES & REGIONS, and PRESS. A search bar is located below the navigation bar. The main content area shows the breadcrumb trail: Home > Under Secretary for Public Diplomacy and Public Affairs > Bureau of Public Affairs > Bureau of Public Affairs: Publications > U.S. Bilateral Relations Fact Sheets. The page title is "U.S. Relations With Taiwan". There are social media sharing icons for Facebook, Twitter, Google+, and YouTube, along with a "Share" button.

### U.S. Assistance to Taiwan

U.S. development assistance to Taiwan in the 1950s and 1960s helped Taiwan create a more prosperous economy. Currently, the United States provides no development assistance to Taiwan.

### Economic Relations

The United States has maintained and enhanced its commercial ties with Taiwan since 1979. Taiwan is the United States' ninth largest trading partner, and the United States is Taiwan's second largest trading partner. Taiwan enjoys Export-Import Bank financing, Overseas Private Investment Corporation guarantees, normal trade relations status, and ready access to U.S. markets. AIT has been engaged in a series of trade discussions that have focused on protection of intellectual property rights and market access for U.S. goods and services. The United States has a trade and investment framework agreement with Taiwan under the auspices of AIT and the Taipei Economic and Cultural Representative Office (TECRO) in the United States. As of 2013, companies from Taiwan employed more than 12,000 workers in the United States with total worker compensation of almost a billion dollars.

relationship between the United States and Taiwan, and reaffirms the U.S. commitment to assist Taiwan in maintaining its defensive capability. The United States insists on the peaceful resolution of cross-Straits differences, opposes unilateral changes to the status quo by either side, and encourages both sides to continue their constructive dialogue on the basis of dignity and respect.



THANK YOU

FOR YOUR ATTENTION!