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## FISCAL IMPACT REPORT

**SPONSOR** Sanchez, M / Clahchischilliage      **ORIGINAL DATE** 2/11/15  
**LAST UPDATED** \_\_\_\_\_      **HB** \_\_\_\_\_

**SHORT TITLE** Support Participation By Taiwan      **SB** SJM 19

**ANALYST** Clark

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		No Fiscal Impact				

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Economic Development Department (EDD)

### SUMMARY

#### Synopsis of Bill

Senate Joint Memorial 19 requests Congress and the president of the United States support the efforts of Taiwan to be granted observer status by certain international organizations and agreements, including the International Civil Aviation Organization, the United Nations framework convention on climate change, and the World Health Organization.

Second, the memorial requests Congress and the president support Taiwan’s participation in the Trans-Pacific Partnership and continuing trade and investment framework agreement talks discussing the signing of a bilateral investment agreement with the United States.

Third, the memorial encourages the governor to lead a delegation to visit to Taiwan for the purpose of enhancing New Mexico’s business and trade connections with Taiwan and the Asian-Pacific market, and to include business and industry leaders in the delegation.

### FISCAL IMPLICATIONS

The Economic Development Department (EDD), which operates the Office of International Trade, reports there would be no fiscal impact to the agency.

## **SIGNIFICANT ISSUES**

This memorial expands upon the support for Taiwan requested in Senate Joint Memorials 32 and 27, enacted in 2013 and 2014, respectively. Taiwan is the United States' eleventh-largest trading partner, and the United States is Taiwan's third-largest trading partner. Taiwan signed a bilateral investment agreement with Japan in 2011 and free trade agreements with New Zealand and Singapore in 2013. The memorial notes Taiwan hopes that trade relations with the United States will ultimately lead to a free trade agreement between the two countries. Additionally, New Mexico has had a strong economic and cultural relationship with Taiwan since establishing sister-state relations in 1985 and sister-city relations between Albuquerque and Hualien city in 1983. According to the U. S. Department of Commerce, New Mexico's exports to Taiwan totaled \$10.8 million in 2012, and the machinery and computer and electronic products industries represent approximately half the value of all exported goods.

EDD currently contracts with an organization based in Taipei, Taiwan to assist New Mexico companies locate distributors and representatives in Taiwan, Hong Kong, and Mainland China. This region is commonly referred to as the Greater China area. New Mexico receives support from the Taiwan government in the area of trade promotion, and the government frequently assists the New Mexico trade office. Taiwan and Mainland China signed the Economic Cooperation Framework Agreement in 2010, opening up new opportunities and allowing New Mexico businesses to collaborate with Taiwanese companies to leverage this agreement and utilize Taiwan as a gateway to Mainland China and other fast-growing Asian markets.

## **PERFORMANCE IMPLICATIONS**

Inclusion of Taiwan in major free trade agreements such as the Trans-Pacific Partnership could lead to increased exports of New Mexico products to Taiwan and help promote foreign direct investment from Taiwan to New Mexico.

## **TECHNICAL ISSUES**

EDD notes eventual recognition of Taiwan would be subject to successful negotiations between the United States and China to amend the One China Policy to allow recognition and admission of Taiwan. Mainland China has shown no inclination to do so, and the U.S. has not been aggressive in its pursuit of amending the One China Policy.

## **OTHER SUBSTANTIVE ISSUES**

EDD provided the following historical information in its analysis.

The underlying dynamic for exclusion of Taiwan from major world bodies and organizations arose from the One China Policy that was agreed upon by the U.S. and China during the historic Nixon visit to restore diplomatic relations. China insisted that the U.S. downgrade relations with Taiwan known as the Republic of China and recognize mainland China as the one China. Subsequently, diplomatic relations between the U.S. and Taiwan were downgraded. The U.S. maintains the American Institute in Taiwan (AIT) to deal with bilateral affairs and Taiwan maintains the Taipei Economic Council (TECO) to represent their interests in the U.S. As a further condition, Taiwan was excluded from major world bodies including the United Nations, World Health

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Organization etc. Taiwan, as an established democracy and long term ally of the U.S., is seeking admission to major world organizations and the ability to enter into free trade agreements with other nations.

JC/bb