

布魯金斯研究院「台灣與TPP研討會」演講稿

Strategic Implications of Taiwan's Participation in the Trans-Pacific Partnership

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Ladies and gentlemen,

It's a great pleasure to be here today. The topic of my talk is the Strategic Implications of Taiwan's Participation in the Trans-Pacific Partnership (or, TPP), but my concern is much broader. The fundamental purpose of our visit is to bring Taiwan back to Washington's attention.

To say that Taiwan has been the staunchest ally of the United States in East Asia is an understatement. For the fundamental values that form the pillars of the United States, including the democratic political institution and liberal economic system, Taiwan embraces, exemplifies, and now is a strong defender of them in its region.

Regrettably, it is now not at all unusual to hear doubts about whether the United States still cherishes a partner and a friend as loyal as Taiwan. And the doubts emerge with good reasons—the United States has now slipped to the third spot with respect to Taiwan's major trade partners, lagging behind Mainland China and Japan. An even more clear but worrisome indicator comes from a recent HSBC report, where it claims the economies of Taiwan and the United States have decoupled. According to the research, before 2008, a 1% increase in U.S. GDP would cause a 6% increase in Taiwan's exports, but now, the linkage is no longer significant. In comparison, a 1% increase in Mainland China's GDP now would cause a 3.8% increase in Taiwan's exports. For two once closest partners, this recent development is truly unfortunate. But does the United States really care?

My presence here and the people accompanying me here show that Taiwan cares much about the fading linkage with the United States. The delegation is

composed of business leaders of top Taiwanese companies, all of which have close business relations with the United States and have business branches across East Asia. The goal of our U.S. trip is simple but significant: to rekindle a close U.S.-Taiwan partnership by demonstrating the Taiwanese society's devotion to its ties with the United States and by bringing Taiwan back to Washington's radar screen.

Taiwan is facing daunting economic and strategic challenges, many of which our U.S. friends such as Richard Bush and Kurt Campbell have not appealed for attention and provide advice to both Taipei and Washington. Due to the difficult international political reality facing Taiwan, Taiwan is excluded from any of the major regional trade agreements in Asia and risks being economically marginalized.

It is noteworthy that in 2010, Taiwan signed an Economic Cooperation Framework Agreement (or, ECFA) with Mainland China. The ECFA opens up the enormous Chinese market to Taiwanese businesses, but without other trade agreements, Taiwan's external economic relations are highly skewed and imbalanced towards integration with Mainland China but marginalization to the rest of the world. The risk of marginalization undermines people's confidence on Taiwan's economic prospects and discourages domestic and foreign direct investments in Taiwan, at a time when Taiwan needs these investments the most to improve its structure of exports and move to higher value-added goods and services to tackle the challenges of slowed economic growth, stagnated wage increases, and deteriorating income inequality.

When advocating the U.S. strategy of rebalancing towards Asia, former U.S. Secretary of State Hillary Clinton acknowledged that Taiwan for decades "has been a faithful, democratic ally of the United States" and remains an "important economic and security partner" in the Asia-Pacific. If Washington means what it says, it makes perfect sense to incorporate Taiwan into the Trans-Pacific Partnership Agreement that is the economic pillar of the U.S. rebalancing strategy, for two reasons.

First, Taiwan's economy is facing a challenging period of transition, where a TPP membership will provide Taiwan with a strong external stimulus and vehicle to

carry out structural reforms and rebuild people's confidence on Taiwan's economic prospects. Market liberalization and economic confidence will be conducive to investments that are critical to Taiwan's long-term economic competitiveness.

Second, Taiwan's geographical location at the center of East Asia and its shared cultural background with Mainland China, as well as its law-abiding society, make Taiwan a favorable access point for the island's trade partners to tap into Mainland China's market. In view of these opportunities embedded in a partnership with Taiwan, Tokyo signed a bilateral investment agreement with Taipei in September 2011. By including Taiwan in the TPP, the United States thus lends a much-needed hand to a faithful friend at a critical juncture of Taiwan's economic development and at the same time, enables U.S. businesses to leverage their partnership with Taiwanese counterparts to foray into East Asia's dynamic markets.

The TPP, with its combined market scale and economic diversity (accounting for 37.8% of global output and 25.3% of world trade, with members including the world's first and third-largest economies), offers Taiwan with *the* meaningful opportunity to diversify and rebalance its external economic relations. I thus want to emphasize that joining the TPP is an issue of economic development and prosperity that are fundamental to the basic economic rights of the Taiwanese people. That said, incorporating Taiwan into the TPP would rejuvenate the strong economic linkage between the United States and Taiwan and enable Taiwan to maintain a meaningful range of choices in its foreign relations—both of which have strategic implications for Washington as well.

A much broader TPP with Taiwan could create even more possibilities. A Taiwan inside the TPP will not only open up more of Taiwan's domestic market but also expand American companies' access to other regional customers, multiplying the opportunities facing these transnational corporations. Therefore, a Taiwan included in the TPP is an asset to the trade pact—the island can literally be the pivot point that makes the Asia-Pacific economic relations a seamless network.

Some in the United States hold ambivalent attitudes towards Taiwan's TPP pursuance. Their reasons include that, first, Taiwan simply talks the talk but not walks the walk; second, Taiwan is no longer an important market for the United States; third, Mainland China's opposition makes Taiwan's TPP membership impossible; and fourth, other TPP members would not support Taiwan's participation. To be frank, these excuses are unfounded, and let me dispel these misleading arguments for our U.S. friends.

First, Taiwan has the political will and capabilities to liberalize its economy and meet the high standards of the TPP. The recent foot-dragging on the legislative approval of a service pact between Taiwan and Mainland China gives outside observers an impression that Taiwan lacks domestic consensus on economic liberalization. But nothing could be more wrong. The current situation is the outcome of a confluence of free trade, identity politics, and cross-strait political mistrust, and the confluence results from the political reality that Taiwan's current integration efforts, for better or worse, starts from its relations with Mainland China, and people should not be fooled by the apparent gridlock.

Looking back a decade or so ago, Taiwan successfully concluded its WTO negotiations, and the legislature had no difficulty in approving the agreements. More recently, Taiwan signed an economic cooperation agreement with New Zealand, and it took the pact only three months to acquire legislative approval. A Taiwan-Singapore trade pact has just concluded two weeks ago, and there is no difficulty in sight that will block its ratification. This is certainly not to say there will be no harmed domestic interests trying to block liberalization, but from Taiwan's successful resolving the U.S. beef import row and ratifying the hotly-debated ECFA with Mainland China, the track records are clear: the Taiwanese public generally acknowledges the importance of liberalization as the economic lifeline of this island economy, and the government has the political will and capabilities to push for economic liberalization.

Second, Taiwan remains the United State's eleventh largest trade partner and sixteenth largest export market. Taiwan is also the eighth largest consumer of U.S. agricultural goods. By incorporating Taiwan into the TPP and further removing trade barriers, the importance of Taiwan's market could go up further. More importantly and as mentioned already, Taiwan's institutional affinity to the United States and cultural affinity to Mainland China make the island an ideal springboard into the China market for American companies, especially small and medium enterprises. The TPP will open up Taiwan's market while also enabling Taiwan to serve as an gateway to the rest of Asia and beyond. This shows that U.S. interests in Taiwan are significant.

Third, Mainland China's attitude towards the TPP has changed. Beijing has recently expressed its willingness to study the feasibility of participating in the pact. Against the backdrop of improved cross-strait relations and institutionalized cross-strait integration, Mainland China's warmer attitude towards the TPP gives it even less reasons to oppose Taiwan's participation. Our position is that we hope the United States can help Taiwan to join the TPP negotiation, we also hope the United States can invite Mainland China to participate.

Forth, once the United States decides to invites Taiwan to the TPP negotiation, other members will follow suit. The existing TPP members are all Taiwan's important trade partners, who are poised to benefit from Taiwan's economic liberalization and have no reasons to oppose Taiwan's participation. This is particularly true after Mainland China signed the ECFA with Taiwan and showed benevolent attitudes towards similar economic pacts between Taiwan and other countries.

Our economic cooperation agreements with the New Zealand and Singapore are good examples of the scope of liberalization Taiwan is prepared to consider under the TPP. Taiwan's bilateral trade agreements with them are both comprehensive and of high quality. These two trade agreements having been signed augurs well for Taiwan's participation in the TPP.

For certain, in addition to the help of the United States, Taiwan needs to do more on its own part. Two high-priority tasks will be to forge a domestic consensus on the long-term cross-strait economic relations and to lay out a roadmap for participating in the TPP.

The deep mistrust between Taiwan's ruling and opposition parties has led into a gridlock the debate about a proper cross-strait economic relationship. But in fact, the two parties have more common grounds than people think: both want Taiwan's economy to prosper, and both don't want Taiwan's freedom of choice to shrink. This common ground should be enough to form a domestic consensus and principle to guide Taiwan's long-term strategy and objectives on cross-strait economic relations. The government and the major opposition party should cooperate to build up such a consensus, which will defuse tensions on cross-strait policies and make Taiwan's cross-strait and regional economic integration truly a virtuous circle.

Second, the government needs to be more pro-active in its pursuance of a TPP membership. A trade pact as comprehensive and of high quality as TPP is, the government should not fool itself by thinking that everything can be ready overnight once Taiwan is invited to the negotiation. Instead, the government should acknowledge that to meet the TPP's standard of liberalization, the economic overhaul will be of a grand scale and require a staged roadmap to communicate with affected sectors, rally domestic support, and prepare for unavoidable adjustments. By making clear such a roadmap and implementing the parts fully on Taiwan's own control, the nation demonstrates it is walking the walk on its pursuance of the TPP. In this way, every year can be the breakthrough year of Taiwan's TPP membership.

Ladies and gentlemen, Taiwan today is an even more valuable economic and strategic partner of the United States. U.S. support of Taiwan to participate in the TPP is the first step toward, not an end of, the rejuvenation of the U.S.-Taiwan partnership. It's time for Washington to bring Taiwan back in!