

# **The Road to TPP: Political and Economic Challenges facing Taiwan and Possible Solutions**

Hsueh-Hong(Constance)Wang  
Visiting Scholar  
Sigur Center for Asian Studies  
Elliott School of International Studies  
The George Washington University  
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## *Introduction*

Some argue that the 21<sup>st</sup> century is Asia's century. In an economic sense, this might be a foregone conclusion. Undoubtedly, Asia is the dominant force of world economic growth in the 21<sup>st</sup> century. In wake of the WTO Doha round negotiations long stalled and global financial crisis, countries opt for further and faster regional economic integration in order to navigate the challenges of expanding export markets, facilitating global trade and maintaining domestic economic growth. Regionalism started to bloom in the 1990s as WTO statistics shows that Regional trade agreements (RTAs) have become increasingly prevalent since the early 1990s. During the 1948-1994 period, the GATT (General Agreement on Tariffs and Trade) received 124 notifications of RTAs (relating to trade in goods), and since the creation of the WTO in 1995 (and replaced GATT), over 400 additional arrangements covering trade in goods or services have been notified<sup>1</sup>. As of 31 July 2013, some 575 notifications of RTAs (counting goods, services and accessions separately) had been received by the GATT/WTO. Of these, 379 were in force.<sup>2</sup> Two proposed trade blocs are the focal point of this trend of economic integration. One, the so-called Asian eccentric "Regional Economic Cooperation partnership, RCEP" led by ASEAN countries with 16 member states and the other is the US-led "Trans-Pacific Partnership Agreement, TPP". The latter would be the center of research for this paper in which I would argue that Taiwan's inclusion in the TPP is in the interests of the US. Although economic merits are the basis of accession to TPP, in Taiwan's case, it's ultimately the political decision by the TPP members, in particular the United States, to include Taiwan in the economic grouping.

The SWOT analysis will be applied here to identify Taiwan's strengths, weaknesses and the opportunities and challenges it's faced with on its road to TPP.

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<sup>1</sup> World Trade Organization, Facts and Figures, [http://www.wto.org/english/tratop\\_e/region\\_e/regfac\\_e.htm](http://www.wto.org/english/tratop_e/region_e/regfac_e.htm)

<sup>2</sup> Ibid, Regional Trade Agreement, [http://www.wto.org/english/tratop\\_e/region\\_e/region\\_e.htm](http://www.wto.org/english/tratop_e/region_e/region_e.htm)

In conclusion, this paper would argue that both the US and Taiwan should act proactively in order for Taiwan to gain the TPP accession.

### ***What is the TPP?***

The Trans-Pacific Partnership Agreement, otherwise known as the TPP is a proposed regional free trade agreement (RTA) currently being negotiated among 12 Asia-Pacific country members including Singapore, New Zealand, Chile, Brunei, United States, Australia, Peru, Vietnam, Malaysia, Mexico, Canada and Japan.

The TPP was initiated in 2003 by Singapore, New Zealand and Chile as a path to trade liberalization in the Asia-Pacific region. Brunei joined the negotiations in 2005. The 4 founding countries established an FTA called the Trans-Pacific Strategic Economic Partnership (P-4) in 2006. In the fall of 2008, the United States, Australia, Peru and Vietnam joined the negotiations to accede to the arrangement. Malaysia was included as the ninth negotiating partner in October 2010 by the consent of the existing members.

In November 2011, the existing 9 negotiating partners announced a framework for the agreement at the sidelines of the APEC Ministerial held in Honolulu, HI. In the TPP Leaders' statement, the TPP partners envision the agreement to be "comprehensive, next-generation regional agreement that liberalizes trade and investment and addresses new and traditional trade issues and 21<sup>st</sup> century challenges,"<sup>3</sup> in which the TPP members seek to eliminate tariffs and non-tariff barriers to trade in goods, services, and agriculture, and to establish rules on a wide range of issues including foreign direct investment and other economic activities. In addition, they strive to create a "21<sup>st</sup> century agreement" that will address new and cross-cutting issues presented by an increasingly globalized economy.

At that time, Canada, Japan and Mexico started to consult with the existing TPP partners on joining the negotiations. As a result, Mexico and Canada were accepted on June 18 and 19, 2012 respectively as negotiating partners based on a consensus reached among the TPP countries. Both countries participated in the negotiations in the December 2012 round in Auckland, New Zealand. Although it has been engaging in bilateral consultations with the existing partners of TPP about the possibility of joining the TPP, Japan didn't express its definitive interest in participation until Prime Minister Shinzo Abe

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<sup>3</sup> Source: TPP Leaders Statement, Honolulu, Hawaii, November 12, 2011

officially made the announcement on March 15, 2013.<sup>4</sup> The decision was welcomed and accepted by the existing members and Japan became the newest party to TPP negotiations and began to fully participate in the July 2013 Malaysia round. By the end of August, 2013, 19 rounds of negotiations have been concluded and the participants are aiming to complete the agreement by the end of 2013.

During the Chicago run of negotiations in September of 2011, all participants agreed that the negotiating texts, proposals of each Government, accompanying explanatory material, emails related to the substance of the negotiations, and other information exchanged in the context of the negotiations, is provided and will be held in confidence<sup>5</sup>. So far, it's understood that 29 chapters of have been negotiated and the structure is basically similar to recent US FTAs which include the traditional tariff issues: market access in goods and services; negotiations are undergoing on setting up disciplines of government procurement, foreign investment, technical barriers to trade, trade remedies, Sanitary and phytosanitary measures (SPS), Intellectual property protections(IPRs), rule of origin(RoO), competition, labor, environmental standards and other issues. It would also cover cross-cutting issues such as regulatory coherence, competitiveness, business facilitation, small and medium sized companies, state-owned enterprises (SOE) and other issues.

If concluded as intended, TPP would be the largest economic bloc existing to date which represents a market of 792 million people, 11.3% of world population and a combined GDP of \$28.1 trillion (close to 40% of the world GDP) and 25.8%of world trade.<sup>6</sup>

### ***TPP and the United States***

Though the accession to the TPP is based on consensus among the existing members, it is fair to argue the US has been playing a leading role since it joined the TPP negotiations and remains the driving force for shaping the TPP into a comprehensive and high-standard FTA and it would definitely play a crucial role for Taiwan's entry. So it is necessary to discuss the significance of TPP to the US.

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<sup>4</sup> Press Conference by Prime Minister Shizo Abe, Friday, March 15, 2013  
[http://www.kantei.go.jp/foreign/96\\_abe/statement/201303/15kaiken\\_e.html](http://www.kantei.go.jp/foreign/96_abe/statement/201303/15kaiken_e.html)

<sup>5</sup> Source: New Zealand Ministry of Foreign Affairs and Trade, <http://www.mfat.govt.nz/Trade-and-Economic-Relations/2-Trade-Relationships-and-Agreements/Trans-Pacific/1-TPP-Talk/0-TPP-talk-29-Nov-2011.php>

<sup>6</sup> Source: Australian Department of Foreign Affairs and Trade website: <https://www.dfat.gov.au/fta/tpp/>

The TPP serves several strategic goals in US policy. First, it is the leading trade policy initiative of the Obama Administration. In his 2013 trade policy agenda, president Obama continued setting trade as the priority way to support jobs and economic growth<sup>7</sup>. His administration continues to advance negotiations for TPP which would link the US to dynamic economies of the Asia Pacific region, home to more than 40 percent of the world's population with economies conducting 40 percent of global trade and with great growth potential. If concluded, it may not only revitalize global trade, expand US export, create jobs to or that? boost the US economy, but more significantly serve to shape the economic architecture of the Asia-Pacific region by harmonizing existing agreements with US FTA partners, attracting new participants, and establishing regional rules on new policy issues facing the global economy and potentially to provide impetus to the now stalled Doha round negotiation under the World Trade Organization (WTO)<sup>8</sup>. Moreover, the TPP is the main economic elements of the US rebalance to Asia. This reflects the recognition in the United States that Asia is and will continue to be a vital economic region for decades to come.<sup>9</sup>

### ***TPP and Taiwan***

Taiwan is an export-oriented economy of which exports of goods and services account for a large percentage of Taiwan's GDP--74 percent in 2012. Around 64 percent of Taiwan's total trade value (and 72 percent of export) takes places within TPP members and Mainland China plus Hong Kong combined.<sup>10</sup> Trade provides a lifeline for Taiwan's survival and prosperity. President Ma Ying-jeou has expressed Taiwan's willingness to join TPP on numerous occasions. When he outlined his "Golden Decade National Vision" blueprint in November of 2011, he urged his administration to create the conditions needed for Taiwan to join the TPP within 10 years. In his inaugural speech in May 2012, he set the goal of joining TPP within 8 years by stating "Over the next eight years, we must fully prepare to join the Trans-Pacific

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<sup>7</sup> Source: The President's 2013 Trade Policy Agenda, <http://www.ustr.gov/sites/default/files/Chapter%20I%20-%20The%20President's%20Trade%20Policy%20Agenda.pdf>

<sup>8</sup> Ian F. Fergusson, William H. Cooper, Remy Jurenas and Brock R. Williams "The Trans-Pacific Partnership Negotiations and Issues for Congress", Congressional Research Service(August 21, 2013)

<sup>9</sup> Robert G. Sutter, Michael Brown, and Timothy J.A. Adamson, with Mike M. Mochizuki and Deepa Ollapally "Balancing Acts: the U.S. rebalance and Asia-Pacific Stability", Sigur Center for Asian Studies, Elliott School of International Affairs, The George Washington University(August 2013)

<sup>10</sup> Source: Taiwan Ministry of Economic Affairs

Partnership in order to seize the historic opportunity to become further integrated into the global trading system.”<sup>11</sup>

TPP is a Preferential Trade Agreement (PTA) in nature which provides more favorable market access treatments for participating members, thus offering competitive advantages over non-members. In addition to favorable market access, TPP tends to go beyond traditional tariff and services trade liberalization to include new trade regimes addressing barriers created by Non-Tariff Measures (NTM) and harmonizing domestic regulations in order to reduce costs and uncertainty in cross border transactions, mitigate investment risk and improve the efficiency.<sup>12</sup> So, accession to TPP can serve as an external driver of domestic economic reform for Taiwan. It not only secures Taiwan’s place on the trade action in Asia where economic growth averages above 7 percent but also allows Taiwan to significantly increase exports, create homegrown jobs and enhance competitiveness.

Strategically speaking, apart from helping to reduce Taiwan’s over-dependence on China economically, Taiwanese aspirations for TPP membership can also be regarded as a means to counter South Korea’s proactive free trade agreement strategy. South Korea has been seen as Taiwan’s main trade rival which already has signed FTAs with ASEAN, the European Union and the US, among others, and has launched talks on an agreement with China. If all goes smoothly for the Koreans, within the next two years 60 percent of their exports will enjoy tariff concessions, mostly in key markets where they compete head-to-head with the Taiwanese -- in electronics, steel, machinery, petrochemicals, plastics and textiles.<sup>13</sup> Taiwan’s bid for TPP is a strategy that the former Government Spokesman Philip Yang described as “Taiwan’s own rebalancing act” during his trip to Washington DC in November accompanying former Vice President Vincent Siew in promoting Taiwan’s participation.

Even though joining the TPP is not just for the purpose of confidence boosting, the successful accession would definitely also bring a spill-over effect of psychological satisfaction for Taiwan people and provide confidence in dealing with cross-Strait relationship.

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<sup>11</sup> Source: <http://english.president.gov.tw/Default.aspx?tabid=491&itemid=27199&rmid=2355>

<sup>12</sup> Roy Chun Lee, “The Importance of TPP for Taiwan”, Taiwan WTO and RTA Center, CIER, p2

<sup>13</sup> Asiasentinel.com: “Taiwan’s Ma Seeks to Join Trans-Pacific Partnership”, <http://www.asiasentinel.com/econ-business/taiwans-ma-seeks-to-join-trans-pacific-partnership/>

## ***Where does Taiwan stand? SWOT analysis***

In quest of the TPP membership, Taiwan needs to identify its sustainable niche and take best advantage of its strengths. Also, there is a need to understand the weaknesses so that Taiwan can weather the outside challenges and rise to the occasion when the opportunity presents itself.

### ***Strengths:***

Geopolitical importance:

1. Taiwan is located some 180 kilometers (112 miles) off the southeastern coast of China across the Taiwan Strait, which serves as an indispensable trade route to all Asian countries.
2. Taiwan is situated in the middle of a proximate chain of islands extending southward from Japan, through the Ryukyu's, Taiwan, the Philippines, Malaysia, Indonesia and Australia which China is "boxed-in". With the Cold War era long gone, the risk of military confrontation in this region has diminished significantly. However, China recently declared a new Air Defense Zone over the East China Sea that has caused the escalation of tensions between key players in this region, namely Japan, China, US and Taiwan. This situation again brings back the world's attention to the geopolitical complexity and significance of this area.

Sound Economic performance:

1. Through decades of hard work and sound economic management, Taiwan has transformed itself from an underdeveloped, agricultural island in 1950s to an economic power that is a leading producer of high-technology goods nowadays. Today, Taiwan is the 27<sup>th</sup> largest economy with an annual GDP of \$ 747 billion and is the 7<sup>th</sup> largest in Asia.
2. Taiwan has close economic ties with the TPP members. Five of Taiwan's top ten export destinations are TPP parties, namely, US, Singapore, Japan, Vietnam and Malaysia. Trade with TPP parties represents approximately 35 percent of Taiwan's total trade (over 38 percent of imports and 32 percent of exports).
3. Furthermore, Taiwan's business sector, distinguished by its manufacturing technology and management expertise, is now an integral part of the supply chain of many global companies. Including Taiwan in the TPP will ensure that the agreement strengthens and further reinforces these production networks.

4. Taiwan signed the ECFA (Economic Cooperation Framework Agreement) with China in 2010, which allows many industries in Taiwan to enjoy a tariff-free status into the Mainland market. The advantages of historic, linguistic, cultural and other affinities, plus geographic location, have already put Taiwan in a favorable position to grasp opportunities in Mainland markets and utilize the mainland's economic resources to boost Taiwan's economic development. The situation is also favorable for multinational enterprises to utilize Taiwan's advantages as an entry-point (or "gateway" and "springboard" as Taiwan advocates it) to mainland China. This argument is especially true since Taiwan's business sector is well known for its audacious entrepreneurship and is characterized as agile and quick to adopt. The TPP partners can take advantage of Taiwan's global competitiveness in information and communications technology while trading and investing with China and South East Asia.

***Weaknesses:***

1. Structural economic problems:

Following several decades of economic and industrial development, Taiwan has accumulated extensive experience and capability, and come to play an important role in global supply chains. However, Taiwan's industries are beginning to face a challenge for structural transformation and upgrading. For instance, the computer, communication and electronics industries, which have been key drivers of Taiwan's economic growth during the past decade, have seen huge numbers of firms in this sector move to mainland China. Meanwhile, mainland China's own industry value chains have been growing and maturing to compete with Taiwanese industries. As American Chamber in Taipei pointed out in the 2013 White Paper, Taiwan is significantly underperforming as a destination for foreign investment owing to the lack of transparency for its foreign investment application approval process and the strict regulations governing the inflow of foreign talent. Also the high personal income tax deters foreign talent from entering Taiwan.<sup>14</sup> Stagnated wage levels and skyrocketing housing market all present structural issues. Therefore a domestic economic reform is much needed to prepare itself for the next stage of economic development.

2. Disruptive domestic politics-presented in different dimensions:

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<sup>14</sup> American Chamber of Commerce "Taiwan White Paper" June, 2013, p5-6



The ideological differences and distrust between the two main political parties; the infighting within the ruling party; the incoherence between the executive branch and the ruling party caucus in legislature; the public's distrust and lack of understanding of the trade policy so populist protectionism is often played up against ideas of trade liberalization, as a result, an otherwise rational policy choice can be easily disrupted. The import of US beef serves a perfect example, leading to that the TPP parties question Taiwan's willingness and ability to tackle difficult domestic issues.

3. Little political capital left for the leader to invest on TPP:

President Ma's approval rating suffered after a rocky start of his second term in office. He invested a lot of his political capital in introducing some unpopular but necessary policy reforms such as the increase of utility price, cutting year-end bonuses for retired civil servants, teachers and ex-servicemen who are often seen as his Party's core supporters. Low approval rating makes President Ma limited to invest political capital in promoting TPP which might be viewed harmful for disadvantaged industries such as the agricultural sector.

4. Sectoral interest is sometime placed above the national interest as a whole:

Each governmental agency represents the interest of its stakeholders. For example, the Department of Agriculture tends to promote the interests of farmers and opposes many concessions in agricultural market access negotiations, which is not uncommon in other countries since farmers and unions tend to be traditional opponents of market liberalization. Take South Korea, for example.-When President Kim Dae-jung made the fateful decision to launch a new FTA policy in order to further the process of domestic reform and secure export markets in the wake of the Asian Financial crisis in late 1990s, he reformed the trade policy apparatus by reorganizing the Ministry of Foreign Affairs into the Ministry of Foreign Affairs and Trade, and tasked the new office of Trade Minister with strategic planning and negotiation on foreign trade. He also established an inter-ministerial coordination body (the Ministerial Meeting on External Economic Affairs) in 2001 which succeeded in breaking down the resistance of uncooperative ministries<sup>15</sup>. Since direct opposition to important trade initiatives would look bad in the cabinet-level meeting, during the Korea-US FTA negotiations, the Korean

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<sup>15</sup> Mireya Solis, "South Korea's Fateful Decision on the Trans-Pacific Partnership", Policy Paper, No. 31, September 2013, Brooking, P7-8

Ministry of Agriculture shifted the strategy to secure safeguards, protracted liberalization calendars, and side payments.<sup>16</sup>

In Taiwan's case though, it is often seen that ministries fight against each other for sectoral interests rather than national interest as a whole. Unfortunately with the National Security Council (an advisory body answering directly to the President) and numerous especial task forces at the Cabinet-level led by either the Vice Premier or Premier in place to make policy decisions can only address this issue to some extent. The decision often comes out as compromises between different ministerial proposals. In its annual Taiwan White Paper of 2013, the American Chamber of Commerce in Taipei expressed similar concern by pointing out that numerous examples of narrow-minded or protectionist policies by some government agencies run counter to the national goals of liberalization and internationalization.<sup>17</sup>

***Opportunities:***

1. TPP is viewed as a driving force for further economic integration in the Asia-Pacific region and is open to all APEC economies as long as they meet the high standards mandated by TPP.
2. Taiwan signed two FTA type agreements with New Zealand and Singapore (both are the current TPP members), in which the TPP standard was applied. This may help pave Taiwan's way to TPP. The Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation (ANZTEC) is especially significant given that it is the first economic agreement Taiwan signed with a developed country which does not maintain formal diplomatic relations with it, and with a country in the southern hemisphere.
3. Japanese Prime Minister Abe has expressed his support for Taiwan's TPP bid. Some believed it's through careful political calculation that by including Taiwan in TPP, it would create a high-standard free trade environment surrounding China, whose trade liberalization is lagging far behind. Abe's support would carry certain weight since Japan is the second largest economy in the TPP.
4. Key members in the US Congress, an integral part of US treaty-making process have voiced their support for Taiwan's TPP inclusion. For example, Robert Menendez, Chairman of United States Senate Committee on Foreign Affairs mentioned when he met with a high profile business

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<sup>16</sup> Ibid, P8

<sup>17</sup> American Chamber of Commerce "Taiwan White Paper" June, 2013, p3

delegation headed by former Vice President Vincent Siew last month that he has asked the US Trade Representative Michael Froman to include Taiwan in the ongoing TPP talks.<sup>18</sup>

5. Recently China has also expressed its interest in joining the TPP which might clear the political roadblock for Taiwan's inclusion.

**Threats:**

1. The future of TPP is still a question mark given that the countries making up the TPP negotiating partners include advanced industrialized, middle income and developing economies with different level of trade liberalization. It remains to be seen if the US can balance its vision of creating a "comprehensive and high-standard" agreement with a large and expanding group of countries, while not insisting on terms that other countries will reject. Moreover, while the proposed deadline is approaching, there have been some voices in the US Congress opposing TPP unless some conditions are met. Also, more than 150 Democrats in the House of Representatives (President Obama's caucus) are opposing the TPA (Trade Promotion Authority, a legislation that defines U.S. negotiating objectives and priorities for trade agreements and establishes consultation and notification requirements for the President to follow throughout the negotiation process. At the end of the negotiation and consultation process, Congress gives the agreement an up or down vote, without amendment.) , claiming it's "outdated".<sup>19</sup>The latest TPA expired on July 1, 2007 so the current TPP negotiations are not being conducted under the auspices of formal TPA. However the US Trade Representative Office has been informally following the procedure of notifying and consulting with the Congress as if TPA were still in place.
2. The China factor. All 12 TPP members maintain diplomatic ties with China and could easily be swayed or influenced by China's opposition to Taiwan's entry to TPP. Therefore, they may not support Taiwan's bid.
3. With only two FTAs with current TPP members and other handful FTAs with other countries, Taiwan has very limited experience in FTA negotiations. As a result, Taiwan could be easily -

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<sup>18</sup> Source: Focus Taiwan, Nov. 21, 2013. <http://focustaiwan.tw/news/aip/201311210015.aspx>

<sup>19</sup> Source: Congresswoman Rosa DeLauro(D-CT)'s website.

[http://delauero.house.gov/index.php?option=com\\_content&view=article&id=1455:delauero-miller-lead-151-house-dems-telling-president-they-will-not-support-outdated-fast-track-for-trans-pacific-partnership&Itemid=21](http://delauero.house.gov/index.php?option=com_content&view=article&id=1455:delauero-miller-lead-151-house-dems-telling-president-they-will-not-support-outdated-fast-track-for-trans-pacific-partnership&Itemid=21)

overlooked when TPP members and economically marginalized by strategic options of other countries when pursuing integration partners.

4. The accession to TPP is based on the consent of each TPP member and Taiwan has some long-standing trade disputes with many TPP members. For instance, the US government would keep pushing for the import of pork and the Canadian government has expressed its growing frustration over Taiwan's continuing ban on the import of Canadian bone-in beef.

### ***Why is it in the US interest to support Taiwan's accession to TPP?***

1. Rejuvenate the bilateral economic ties:

Bilateral trade between the US and Taiwan reached \$63 billion in 2012, making Taiwan the United States' 11th largest trading partner and sixteenth largest export market. Taiwan is also the eighth largest consumer of US agricultural goods. However, according to a recent sensitivity analysis conducted by HSBC, before the 2008 global financial crisis, a 1% increase in US GDP would cause a 6% increase in Taiwan's exports, but now the linkage is no longer statistically significant. The economies of Taiwan and the US have decoupled.<sup>20</sup> By incorporating Taiwan into the TPP and further removing trade barriers, the importance of Taiwan's market would go up further for the US goods and services and reinforce the bilateral cooperation in trade and investment.

2. Taiwan shares the common values of freedom, democracy, rule of law and market-oriented economy with the US. Its survival and prosperity is a testament or indicator of the set of values the US shares would work in this region. .
3. Taiwan is an important ally of the US in both security and economic terms. "The US would remain committed to a strong relationship with Taiwan, an important security and economic partner" as then Secretary of State Hillary Clinton stated in her speech at the Hawaii-based think tank East-West Center in 2011. Including Taiwan in TPP would fulfill the US commitment to Taiwan.
4. In terms of economic relations with the US vis-à-vis current other 11 TPP partners, Taiwan's trade volume with the US is the fourth largest, only next to Canada, Mexico and Japan. Leaving Taiwan out would limit TPP partners' market and manufacturing choices and without Taiwan in

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<sup>20</sup> Cited from Barron's emerging market daily, Oct. 22, 2013, <http://blogs.barrons.com/emergingmarketsdaily/2013/10/22/korea-taiwan-decoupled-from-us-favor-korea-over-taiwan-says-hsbc/tab/print/>

TPP would be the missing link. Even though economic merits should be taken into account but ultimately, it would be a political decision for all the TPP members to consider Taiwan's participation. For Taiwan's case, the US should look beyond its economic façade and weigh in on the political calculation.

## Recommendations for Taiwan

### At the National or Domestic Level:

1. Make joining TPP a more urgent priority: even though 8 years is a sensible goal for Taiwan to lay the groundwork to meet the TPP standards, however it seems farfetched for other countries – especially the United States – to support a goal that would only take place 8 years later. Furthermore, with the acceleration of economic integration in the region, Taiwan doesn't have the luxury to wait for 8 years. Instead, Taiwan needs to make joining TPP a more urgent priority. To this end, several actions need to be taken:
  - (1) Policy wise, the government should set up a clear economic roadmap which identifies what kind of liberalization and deregulation are needed. For industries which would be potentially adversely affected, the government should formulate a strategy to help the disadvantaged industries to transform themselves. It's comforting to know that Taiwan government has started to evaluate and assess the gaps between its level of openness and the operation of its regulatory regime vis-à-vis that of the TPP requirements by benchmarking the liberalization commitments and disciplines under the KORUS FTA.<sup>21</sup> But those are only baby steps, albeit in the right direction.
  - (2) The leader should demonstrate strong and decisive leadership, making painful but necessary political decisions such as tackling thorny trade issues.
  - (3) The government should apply better communication skill to communicate with the stakeholders, convince the public and the industries the importance of trade liberalization. Make sure to include all interest groups in the decision making process. Transparency would be the key.

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<sup>21</sup> Francis Liang, Taiwan Deputy Minister of Economic Affairs "Strategic Implication of Taiwan's Participation in the "addressing at the Seminar held at the Brookings Institution

- (4) The government should find a way to build up consensus among different political parties on the importance of Taiwan becoming part of the Trans-Pacific economic integration. If the Legislative Yuan could ratify the Cross-Strait Service Pact, it would send a strong signal to TPP members that Taiwan is ready to tackle difficult domestic issues to gain the accession.

At the International Level:

1. Taiwan should announce its intention to be included in the second round of accession negotiation as soon as the current negotiation round is concluded.
2. Taiwan should follow the known procedure of TPP current members-kick off bilateral consultations with existing participants on the possibility of joining the negotiations.
3. Sending strong signals to demonstrate Taiwan has the capacity to undertake necessary domestic reform to meet the TPP requirements.
4. Even though accession to TPP is based upon the consensus of all TPP members, given US' leading role in the TPP, getting its endorsement would be the most important step for Taiwan's inclusion in TPP. There is obviously an urgent need to put the US on top priority list for lobbying to convince skeptics that it's in the US interest not only to support Taiwan's inclusion but also to facilitate Taiwan's participation in TPP. In mid-Nov. 2013, former Vice President Vincent Siew led a delegation of prominent business leaders to visit Washington, DC to advocate Taiwan's bid for TPP. They attended a seminar, met with top officials from Administrative branch also members of the Congress. That trip was a big boost for Taiwan's voice to be heard in the US. We need more high profile visits of this kind to garner more attention and support for Taiwan's cause.

Conclusion:

The TPP is vital for Taiwan to keep up pace with its regional competitors by expanding its market beyond dependence on China. Taiwan has missed the first boat of TPP however it could still be among the first of the latecomers. In order to join the second round of negotiation, Taiwan needs to restore TPP members' confidence by tackling standing trade issues. But it's also in the US interest to help Taiwan join the TPP—It's a two-way street that both Taiwan and the US should take on a more proactive role in seek of Taiwan's TPP participation. As soon as Taiwan signals its determination, the US should respond reciprocally in a timely fashion to facilitate Taiwan's accession.