

**Taiwan and the Trans-Pacific Partnership (TPP)**

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The Trans-Pacific Partnership (TPP) agreement signed by twelve states on February 4, 2016, was truly a significant achievement for global trade harmonization and homogenization as well as a victory for the US in its persistent propagation of international liberalism in international society. In US-China bilateral game play, the TPP is also a strategic competing ground for regional hegemony in East Asia. The US considers the TPP as one major pillar of US rebalancing policy in East Asia to soften, if not to overturn, China's growing influence. Similarly, in anticipation of the potentially negative impacts of the US-directed TPP, China has accelerated its efforts in finalizing the Regional Comprehensive Economic Partnership (RCEP) with the Association of Southeast Asian Nations (ASEAN). As Rapkin and Thompson argue, competition and confrontation between major powers remain possible scenarios despite deep economic interdependence between them. After all, China's aspiration to fulfill its dream of "rich country and strong army" and its desire to be a recognizable and respectable presence in world politics over the past thirty years have intentionally or unintentionally caused anxiety and fear to the US hegemonic stand.<sup>1</sup> Therefore, one should not naively consider the TPP simply as a trade regime to smooth interactions between states. Put simply, an examination of the design and implementation of the TPP requires each participant's considerable deliberation of the political ramifications at both the domestic and international level before applying for TPP membership.

As a trading power situated between these two competing powers, the US and China, Taiwan has actively sought all opportunities for regional trade agreements with both and others, but unfortunately non-economic factors have tended to upset its diligent efforts in recent years. The

TPP certainly offers an opportunity. This paper aims to evaluate the likelihood of Taiwan's TPP membership in light of several factors impeding Taiwan's effort as a result of constantly changing internal and external political circumstances. The layout of the paper proceeds with a brief status introduction of the TPP, then evaluates several key variables for Taiwan's pursuit of TPP membership, and concludes with implications.

### **The TPP at a Glance**

After almost five years of negotiation, twelve nations completed the TPP deal on February 4, 2016, in New Zealand; and currently, the agreement is pending ratification from member states.<sup>2</sup> This monumental multilateral agreement represents an attempt to reduce the transaction costs embedded in the close to four hundred Free Trade Agreements (FTAs), which have proliferated since the beginning of the 21<sup>st</sup> century in the region. In comparison to other FTAs, the TPP's scope and standards in trade practices are far more ambitious, should it be ratified and enforced.

First, the TPP is comprehensive in the elimination, limitation, and regulatory coherence of tariffs and non-tariff barriers in multiple sectors, including the availability of e-commerce, data flow, and protection of personal information and private companies' source codes in its thirty chapters along with member states' various schedules of commitments.<sup>3</sup> The purpose is to create a level playing field for fair and open access to all members' exports. For example, the US claims that the actualization of the TPP will cut over 18,000 taxes of US exports to different member states. Meanwhile, the TPP will reduce tariffs as much as 59 percent of US auto exports and up to 40 percent of US poultry products to other TPP members. The message is clear that the TPP makes more US products competitive in the international market than before.<sup>4</sup> Surely, when the US gains benefits by riding the wave of globalization and free trade in export, recipient states

will encounter political pressure from their domestic constituencies and industrial sectors, which could face an overflow of imports to take over their jobs and economic opportunities.

Second, by setting up an Asia-Pacific trade regime, the TPP aims to be a pace-setter, alongside the Transatlantic Trade and Investment Partnership (TIIP) with the European Union, for future trade regimes as well as a vision-mapper for future global trading rules, standards, and environments of all sizes of economic entities and states. If successfully implemented, it could set a precedent for future trade framework. Rules and standards listed under the TPP can extend its influence and application through territorial barriers. Hence, the TPP not only stipulates rules concerning the transaction, transition, and transportation of materials, personnel, and services in economic exchanges, but also illustrates the subtle convergence, construction, and conversion of economic actors' political beliefs and values into a liberal vision of peace, progress and prosperity. Therefore, it is not surprising to understand why China perceives the TPP as a game changer for trade practices as well as a re-consolidation of the post-WWII liberalism long championed by the US. As one former Chinese diplomat puts it, the TPP is virtually "about who will lead in global economic rule-making."<sup>5</sup> As shown in its institutional design, the TPP is full of rules falling within the confines of economic liberalism and clearly functional in well-established economies rather than newly developing countries, which will spend higher political capital and run political risk in domestic bargaining to fulfill those TPP rules and standards in implementation and enforcement.

Third, embedded in the TPP deal is the policy agenda of both the US and Japan. Both may reap about 60 percent of the TPP economic benefits.<sup>6</sup> Particularly, the US has considered the TPP as a key economic pillar, an "economic denial" strategy similar to anti-access and area denial (A2/AD) strategy in the military dimension, for the Obama administration's "pivoting" or

“rebalancing” policy since 2011. The purpose is to counter China’s rapid rise and challenges in East Asia. It represents a reconfiguration of previous administrations’ persistent efforts of integrating China into the global economy and the US-orchestrated view of international liberalism.<sup>7</sup> Recent disputes in the East China Sea and the South China Sea in the 2010s have further motivated the US to establish high TPP standards for China’s compliance. It has become a political imperative for the US administration to actively campaign for and push through the TPP without China’s participation. The intention of these first US moves has presumably been to be in position to impose conditions on late-comers like China or Taiwan, who would then face an uphill battle in entry negotiation. However, it is economically unimaginable for the US and current TPP members to ignore or exclude China from joining the TPP. Should China join the TPP, the trade agreement would augment the current TPP’s geographic sphere of coverage and the TPP’s substantial economic clout, 40 percent of World GDP, to an impressive scale.<sup>8</sup>

And in 2012-13, US-China tension apparently eased with the US invitation of China to join TPP entry negotiation. China’s conciliatory and favorable tone toward the TPP placated previous anxiety and frustration of being excluded from the TPP circle. China’s political deliberation and policy narratives concerning the TPP’s effects began to swing from a zero-sum mode to a non-zero-sum framework of assessing the TPP’s advantages and disadvantages. While Chinese policy analysts acknowledged the benefits of the TPP as stimuli to broaden and deepen China’s reforms in multiple aspects, China continued its pace of RCEP negotiation as a precautionary step to cushion any potential negative impact of the TPP, should China fail to gain membership or need bargaining leverage in negotiation for a better deal in TPP entry talks.<sup>9</sup> In essence, the geo-strategic security anxiety and tension between the US and China is undoubtedly interwoven in

the geo-economic rivalry in the Asia-Pacific region in terms of the eligibility, timing, and sequence of certain economic entities being considered for the TPP negotiation and formation.

Fourth, China's recent conciliatory gesture toward the TPP, nevertheless, does not completely derogate its anxiety and suspicion of the hidden agenda of the US and Japan in re-alliancing East Asian countries. For example, Vietnam's ratification of the TPP would add more weight to Vietnam's policy stand in its maritime dispute with China in the South China Sea. South Korean permission of the deployment of the US anti-missile Terminal High Altitude Area Defense (THAAD) system prompted China's repeated protests in August 2016, but a South Korean decision relative to THAAD would greatly facilitate its TPP entry negotiation process.<sup>10</sup> The deployment of THAAD might affect South Korean trade relations with China, but South Korea's estimate is that a successful entry to the TPP could compensate its loss from trade with China. In other words, the TPP offers additional links to the US which align all signatories closer with the US-led economic domain and thereby undermine China's economic influence in East Asia. On the contrary, China's proposal of the "Belt and Road" project and 2013 establishment of the Asian Infrastructure Investment Bank (AIIB) could be seen as an economic and financial drive for geostrategic balancing against the US.

### **The TPP and Taiwan**

The completion of the TPP has ignited widespread debates and political concerns in most member states in the region. The odds for Taiwan's membership look promising on initial assessment because China's non-membership has prevented China from imposing procedural impediments on Taiwan's membership application for the TPP, though China could still exercise

its influence on Taiwan's application. However, the prospects for the TPP to pass remain unclear at this moment.

The Obama administration's exuberant support of the TPP has encountered opposition during the heated US presidential campaign of 2016, with both presidential candidates, Hilary Clinton and Donald Trump, openly opposing the ratification of the final draft of the TPP. The outgoing Obama administration could certainly spend its remaining political capital to complete the deal.<sup>11</sup> However, electoral fury, public sentiment, and candidates' sensational slogans for protectionist trade policies in 2016 have made the TPP a liability, not an asset, for both parties and candidates unlikely to take the political risk of completing the deal. Both Democrats and Republicans have tried hard to win average voters by pledging certain protectionist policies for domestic job creation and against foreign predatory trade practices. And the TPP deal requires a small group of Democrats to join Republicans, who usually support trade deals, to form a critical mass for TPP passage. However, strong condemnations by Senators Bernie Sanders and Elizabeth Warren have made it difficult for the TPP to win the endorsement of the liberal wing of the Democratic Party.<sup>12</sup>

Meanwhile, the emphasis on US sovereign rights and protection of specific sectors has also alerted them to the TPP's inclusion of the investor-state dispute settlement (ISDS) system. While the ISDS system has been stipulated in fifty US agreements, including the North American Free Trade Agreement (NAFTA), in the twenty-five years prior to 2015, critics and even some supporters have chafed at the ISDS for undermining US state sovereignty by placing corporate interests and status almost equivalent to state authority.<sup>13</sup> Under the TPP legal arrangement, foreign investors would be able to sue host governments outside that state's courts in an *ad hoc* Arbitral Tribunal over national laws that might have unnecessarily impeded corporate profit

earnings based on market economy operation. The Arbitral Tribunal's decision would have the full force of authority similar to domestic courts. Upon winning the case, the investors would be able to seek enforcement in any country for secured payment.

It is difficult to estimate exact impacts on each trade state, but the elevation of corporate power as an equal counterpart to state authority demonstrates the TPP tilt toward the legal practice of market liberalism championed by developed states. For example, Senator Mitch McConnell, Senator Orin Hatch, and some big businesses and labor unions have insisted that the ISDS mechanism under the TPP should not exempt tobacco products, because such an exclusion is detrimental to the international rule-based trading system and in reality would hurt the market expansion of the US tobacco industry.<sup>14</sup>

Undoubtedly, if China has typically taken the blame for trade imbalance, the "China factor" has been a convenient tool to unite supporters and opponents in deal making. Under the US 2015 Trade Promotion Authority Act, an either yes or no vote is required for expeditious congressional approval. However, the TPP's immense coverage and complexity as well as the concern over the distributional consequence of trade make this requirement seem hasty during the election year of 2016.<sup>15</sup> One survey in March 2016 showed that more than 50 percent of US voters would likely vote for a presidential candidate or congressional candidates who oppose the TPP, should candidates implicitly fail to put US jobs first.<sup>16</sup> Unless the US electoral mandate and public opinion shifts after the November 2016 election, it seems that TPP approval will be an uphill battle in Congress in this highly polarized political environment. This does not rule out a chance to ratify the TPP during the lame duck session after the election on November 8, 2016.<sup>17</sup> The timing of the submission of the TPP implementation bills becomes crucial, because formal

submission in legislative procedure will trigger various scheduled deadlines for the Congress to act within ninety legislative days.<sup>18</sup>

Should the US adopt the TPP, additional requirements need to be fulfilled. According to Article 30.5 (2) of the TPP agreement, the TPP will come into force, if at least six of the original treaty members who have ratified the treaty account for at least 85 percent of the combined GDP in 2013 of TPP's twelve original members within two years of the date of signature.<sup>19</sup> Since Japan (17.67 percent) and the US (60.26 percent) combine together to account for about 78 percent of the total GDP in 2013 of twelve TPP signatories, US non-ratification would dictate the fate of the TPP.<sup>20</sup> Similarly, the TPP will not come into force without Japan's ratification. The delay of TPP's approval surely offers temporary breathing space for Taiwan. Even so, if the TPP is crucial for Taiwan, and the TPP entry negotiation is foreseeably tough and tedious, Taiwan will need to prepare in advance.

As an APEC member, Taiwan is eligible to apply for TPP membership. Art. 20.6.1 of the original P4 Agreement adopted by New Zealand, Brunei, Chile, and Singapore in 2005 indicated that the TPP's accession is open to "any APEC Economy or other State. The term of such accession shall take into account the circumstances of the APEC Economy or other State, in particular with respect to timetables for deliberation."<sup>21</sup> Likewise, Article 30.4 of the 2016 TPP Treaty confirms, "This Agreement is open to accession by any state or separate customs territory that is a member of APEC."<sup>22</sup> The same article stipulates that the TPP accession will proceed with working group negotiation for terms and conditions for the applicant country without any objection of all treaty members. Such an entry negotiation corresponds well with the procedure of the World Trade Organization (WTO).

Against this backdrop, all political parties appear to accept that Taiwan's application for TPP membership be an ultimate priority for Taiwan's future in Taiwan's polarized politics, though the details of appropriate concessions in entry negotiation and Taiwan title of representation in the TPP may be still subject to political brawl. In brief, Taiwan considers TPP membership as an irresistible and irrefutable panacea for Taiwan's overall trade expansion, economic vitality, and strategic balance against the magnetic effect of China's market.

It allows Taiwan first to mitigate over-dependence on the China market and second to effectuate its persistent desire for meaningful representation and contribution in international organizations. Third, the TPP presents opportunities for the government to implement some desperately needed institutional reforms in finance and industry to enhance the quality and competitiveness of made-in-Taiwan products in the international market. However, the agreement also poses significant tests to the government's economic elites to navigate through Taiwan's noisy, populist, and occasionally loathsome political atmosphere, which has been filled with self-righteous know-it-all media commentators and self-aggravating politicians and pundits of various ideological convictions. In any policy design and implementation, decision makers will have to spend huge political capital to win support from different constituencies. Even so, the TPP gives the government a legitimate policy impetus for economic reforms either on the elimination of "on border" trade barriers or calibrating "within border" economic policies and rules in the areas of intellectual property rights, financial liberalization, and overall industrial upgrades for standard compliance. For instance, the attempt to prepare Taiwan for the TPP's claimed platinum standard has prompted the Intellectual Property Office of the Ministry of Economic Affairs in May 2016 to propose a revision of Taiwan's Trademark Act to meet the

TPP provisions for smooth TPP accession, and the Executive Yuan swiftly endorsed such a change.<sup>23</sup>

### **It's Economy, but Politics is Essential**

Even so, the government will have a difficult task to convince and win public support of specific trade issues, when the issues are close to people's hearts and cut deeply into the pockets of various constituencies. An example is the 2012 political controversy in Taiwan related to US beef imports, which ignited serious domestic resistance when the then opposition party, the Democratic Progressive Party (DPP), vigorously led the charge in Taiwan's legislature to orchestrate numerous protests with public interest organizations and pork farmers on the street. The beef import dispute even provoked tough US threats of delaying or suspending bilateral trade negotiations, such as the Trade and Investment Framework Agreement (TIFA) talks, and the US even hinted its intent to block Taiwan's TPP application, if the beef import issue was not resolved. Later, the Taiwanese government compromised with the US with an amendment to permit a limited chemical Ractopamine residual level in beef products. Consequently, the beef import controversy tainted the ruling Nationalist Party (Kuomintang, KMT) as a party both without a backbone to stand firm against US pressure and willing to sell out public health for trade. In contrast, the opposition party, the DPP, surged to be seen as a proud defender of public health and a nationalistic party daring to push back unreasonable US pressure. This trade dispute sacked the KMT's reputation, which has been reflected in numerous public opinion polls concerning its political legitimacy and public trust in governance. Compounded by a series of policy debacles and controversial issues, the KMT's luck dropped, and the beef import issue became constantly flaunted as a vivid example of the KMT's negligence in public health and

feeble stance in national interest. As expected, the KMT's suffered a landslide loss in the 2014 island-wide mayoral and local elections and subsequently turned over its control of the presidency and the legislature to the DPP in the 2016 presidential election.

Should this example serve as a lesson for Taiwanese politicians in the electoral process, then US pork imports could ignite the political dynamite of the volatile Taiwanese domestic politics in the TPP entry negotiations. Indeed, the DPP has gained the electoral mandate govern. The change of the governing party from the KMT to the DPP means that previous insults and offenses the DPP levied against the KMT would become convenient remarks for the KMT to toss back. The issue will be tense because the Taiwanese public consumes more pork than beef. Taiwan's 7,600 pig farms depended on raising about 5.5 million heads of pigs in May 2016 for living. Most Taiwanese agro-farming business are small-scale and may not be cost-effective in financial sustainability and pricing competitiveness vis-à-vis US large farming ranches. Thus, the political impact of American pork imports will be expectedly higher and riskier than that of beef imports for the ruling DPP party. Also the majority of pig farms are located in southern Taiwan, where traditionally the DPP's electoral base has been located.<sup>24</sup> In other words, any proposed trade deal to import US pork products would undoubtedly encounter public concerns, resistance, and protests. The intense pig farm lobby, public anxiety over US health standards in pork products, and social protests would create collateral damages for the ruling party's political reputation and trustworthiness for its policy inconsistency and political expediency to bow to US pressure. The price would be a cut of the DPP's constituency support of regime legitimacy. Ultimately, the pork issue will be a testing ground to measure the level of Taiwan's public tolerance and decision makers' political commitment to market openness and compliance with the stringent TPP standard at the risk of a loss of political support. The message is that a broad

trade regime carries not only economic risks and costs, but also possible tsunami effects in political landscape modification. Put simply, Taiwan's "sociotropic" perceptions—perceptions of how trade affects the country as a whole, the injection and incitement of public sentiment by political spoilers and practitioners in the name of fair trade rather than free trade—may easily skew trade preferences into a fierce competing ground for populists for vote gains and electoral constituency sustainability.<sup>25</sup>

Since Taiwan is unlikely to join the RCEP for trade benefits any time soon, the TPP becomes a predominant priority for Taiwan. Should TPP membership be a vital priority of the ruling DPP's economic strategy, it will have to spend huge political capital to secure the domestic support of opposition parties, civil society organizations, and farmers for a mutually acceptable solution to win US support for Taiwan's TPP bid. Here, the DPP encounters a political dilemma. The DPP must find ways to reconcile its vehement past protests as an opposition party in alliance with farm lobbying groups and NGOs focusing on public health against American beef and pork imports with its policy reverse and discourse reconstruction to permit US pork imports after it became the ruling party in 2016. Such a sudden policy shift due to the DPP's changed political status inevitably hurts former political allies and gives an impression of the DPP being a politically shrewd party overwhelmingly concerned with electoral gains and power sustainability without much care and concerns for policy integrity. In other words, if the DPP sticks to its anti-US pork import stance, the chance of accession to the TPP would be remote and Taiwan's export-led economy will encounter setbacks.

Nevertheless, the ruling DPP government will try to reverse its former stand on US pork imports in order to open the gateway to the TPP, if necessary. Taiwan's 2014 Sunflower Student Movement has derailed the passage of a service trade with China. Taiwan's chances to be part of

the China-directed RECP remains distant, and the TPP has become the primary alternative. The DPP's calculation to grab the window of opportunity, spawned by the US need for Taiwan to discredit and oppose China's claim over the South China Sea, is also unrealistic because the South China Sea maritime dispute and the TPP issue are matters of two separate characteristics difficult to be coupled for an easy tradeoff. The South China Sea dispute is firmly grounded in nationalistic sentiment and territorial claims with speculative resource benefits, which are largely different from specific commodities with foreseeable and calculable impacts through the TPP arrangement. Moreover, the merit delivered by the Arbitral Tribunal on the Philippines v. China case on July 12, 2016, has redefined the status of the South China Sea dispute for the foreseeable future. The US satisfaction from the Philippines' legal victory and Taiwan's refusal to accept the result also has indicated the decoupling of the South China Sea territorial dispute and the TPP's entry negotiation. In addition, the DPP government's initial May 2016 attempt to persuade Taiwan's domestic farm lobby groups and a health conscious public to accept US pork imports to test the waters of public reaction and political acceptance failed in humiliation. This indicates that the DPP government has to construct a better political strategy to convince both the public and political opponents to support the TPP on specific trade issues.

### **The Shadow of the China Factor in Taiwan's TPP Application**

Regardless of one's ideological inclination, China is a major factor intertwined with Taiwan's pursuit of TPP membership. If one applies the total GDP of the twelve original members in 2013 as a measurement mark, China's GDP accounted for 34 percent of the TPP's aggregate GDP, lower than the US ratio and higher than Japan's. Hence, China would be a nice addition to the TPP's powerful presence in the global economy. In comparison, despite Taiwan's

1.8 percent ratio in the TPP total GDP in 2013, Taiwan's GDP value would comfortably rank sixth, which is below Mexico but ahead of New Zealand among all twelve TPP members.<sup>26</sup>

Some American analysts have suggested that the US consider inviting Taiwan to TPP negotiations to upend China.<sup>27</sup> By playing the Taiwan card right, the US would save Taiwan from its overwhelming dependence on China's market and bring Taiwan closer to the recent US-Japan alliance framework against an increasingly assertive China. The US endorsement of Taiwan's TPP membership also exhibits US approval of the current Tsai administration's staunch denial of the "one China" principle as contained in the 1992 Consensus.

The question is whether the US would do whatever it can to support Taiwan to the point of infuriating China. The unpleasant reality is that although Taiwan is a relatively significant consideration, it is not an indispensable determinant in the overall US strategy in dealing with China's economic and political ascendancy. At the same time, it might be an overly simplified assessment to claim that current US-China relations are in a wholly negative, confrontational mode due to either the escalation of naval show of force in the South China Sea dispute or the US deployment of an anti-missile system in the Korean Peninsula. After all, US-China economic linkages remain tight, and their joint collaboration is essential in world politics. Stated differently, it is unforeseeable that the US would be willing to engage with Taiwan's TPP request without careful assessment of the political fallout of China's retaliation. The Tsai government's refusal to accept the 1992 Consensus has made China increasingly suspicious of US intent to embrace Taiwan's TPP negotiation.

Likewise, other TPP members might be subject to China's political pressure and interest entanglements and may act as China's surrogate to impose unnecessary hurdles for Taiwan. For example, China's interruption and intimidation have prevented most of Taiwan's trading partners

from establishing free trade agreements (FTA) with Taiwan, as evidenced by Taiwan's dismal record of FTA completion in the 2010s. So far, Taiwan completed only two FTAs in 2013, one with New Zealand and the other with Singapore. While the KMT government's effort deserves praise, these two FTAs made up only 9.6 percent of Taiwan's trade by 2014. In sum, regardless of China being a TPP member or not, China's behind the scenes influence remains a vital element for current TPP members, including the US, to consider when deliberating Taiwan's TPP application.

If Taiwan is able to engage in TPP entry negotiation, Taiwan will proceed with discussions with existing TPP members to demonstrate its capability and commitment to meet the TPP's high standards and acceptable "timetables for liberalization" as stipulated in the TPP agreement.<sup>28</sup> Undoubtedly, Taiwan will work hard to maximize its overall net trade benefits. It will also deal with domestic resistance and opposition launched by sceptics of globalization and less competitive domestic groups, such as the poultry and agriculture lobbies. The US and Japan would be key counterparts in negotiation because of their close economic and strategic ties with Taiwan. A glance at Taiwan's 2014 trade data shows that the US and Japan claimed 11.11 percent and 6.35 percent, respectively, of Taiwan's important export venues, following China (Hong Kong included) as the top recipient of Taiwan's exports in a ratio of 39.74 percent.<sup>29</sup> Any reduction in or elimination of trade barriers with these countries would contribute greatly to Taiwan's exports and economic sustainability.

Other than the usual wheeling and dealing in trade negotiation and securing public support, the issue of Taiwan's suitable and legitimate title of representation will be an issue for domestic debates and a concern for TPP members. On this point, China's persistent insistence on the "one China" principle will raise the perennial issue of Taiwan's preferred title of "Republic of China"

or “Taiwan” in international organizations. Therefore, assuming that Taiwan’s TPP bid proceeds well, Taiwan’s title of representation is likely to follow either the APEC precedent of adopting the name of “Chinese Taipei” or the World Trade Organization’s agreement of “The Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu (Chinese Taipei).”<sup>30</sup> In the APEC model, Taiwan has joined as a non-sovereign entity with certain restrictions on its membership privileges. And Taiwan participates in the WTO as a customs territory rather than a sovereign state, because the organization welcomes separate autonomous customs territories to join in order to facilitate the reduction of trade barriers and compromise among all parties concerned.

In both APEC and WTO models, state members have been willing to accommodate China’s conditions in order to ensure China’s participation by compromising Taiwan’s legitimate title of representation. Such an accommodation was also exhibited by the sequence of WTO accession: China joined the organization first; Taiwan had to wait for an additional twenty-one days to accede to the WTO on January 1, 2002, even though Taiwan had completed its series of entry negotiations with other member states long before China’s finalization.<sup>31</sup> Taiwan’s balancing act in its quest for international participation involves finding a suitable status of representation and fending off China’s unreasonable imposition of a title that might imply Taiwan’s subordinate and regional status within China’s political authority. Meanwhile, whatever nomenclature Taiwan adopts will need to ensure maximum political support domestically without unduly downgrading Taiwan’s international dignity and status.

So far, “Chinese Taipei” seems to be a suboptimal compromise for both China and Taiwan to let Taiwan be a legitimate member of international organizations. The wording of “Chinese” implies a reference to the “One China” principle, and the specification of “Taipei” signifies separate geographic location and domain. However, one noticeable development is that this title,

“Chinese Taipei,” which is employed by the WTO, the APEC, and other international organizations, has witnessed a declining approval ratio in recent Taiwanese public opinion polls. This is not a surprising phenomenon. As of June 2016, close to 60 percent of Taiwanese citizens identify as only “Taiwanese,” while less than 4 percent of Taiwanese citizens identify themselves as “Chinese.” These numbers starkly contrast how Taiwanese identified in 1992: 17.6 percent as “Taiwanese” only, and 25.5 percent as “Chinese.” As for those who consider themselves “both Taiwanese and Chinese,” the percentage has dropped from 46.4 percent in 1992 to 33.6 percent in June 2016, as released in a survey by The Election Study Center of the National Chengchi University. The dramatic uptick in Taiwanese identity has been reflected in a strong resistance to be part of the reference framework of “Chinese.”<sup>32</sup> Therefore, the usual nomenclature of “Chinese Taipei,” adopted by many international organizations, has lost favor in domestic opinion. Such a sentiment is especially obvious among younger voters in the wake of the January 2016 election of the current President Tsai Ying-wen, who staunchly rejected the “one China” principle as embedded in the 1992 Consensus. The combined effect of her presidency and rejection of the 1992 Consensus is that the common practice of Taiwan’s international participation under the banner of “Chinese Taipei” has increasingly encountered rising public doubts and displeasure. A recent survey by the Taiwan Public Opinion Foundation (*Taiwan Minyi Jijinhui*) shows that most people would prefer the title of “Taiwan” (53.4 percent) or the “Republic of China” (31 percent) to “Chinese Taipei” (8.7 percent). Even so, 49.1 percent of respondents overall, representing a combination of wholeheartedly (9.1 percent) or reluctantly (40 percent), still think the title of “Chinese Taipei” is acceptable to represent Taiwan in international organizations.<sup>33</sup> Public desire for a politically correct name for Taiwan’s international participation has been a constant issue of civic debate and could easily flare up under the current DPP government. Indeed, when it was an

opposition party, the DPP long criticized the title of “Chinese Taipei” and campaigned hard to exchange it for “Taiwan,” as part of its ultimate dream of Taiwan independence.<sup>34</sup> Still, the DPP is unable to change China’s imposition of the “one China” condition as shown in the recent case of Taiwan’s participation in the World Health Organization’s (WHO) May 2016 assembly meeting under the designation of “Chinese Taipei.”<sup>35</sup> As painful as it might be, the reality of international politics reveals that numerous international institutions’ concerns over China’s global influence has affected Taiwan and subdued these organizations’ cherished mission to be all-inclusive democratic institutions with equal representation and meaningful participation. Thus, the noble ideal of a liberalist institution is, in operation, still subject to the rubrics of power politics.

### **Implications**

Trade has been the lifeline of Taiwan’s economy. It is anticipated that the strenuous trade rules and standards stipulated by the TPP on various sectors of a member state’s economy will definitely cause domestic uproar and challenges. Still, Taiwan’s commitment to trade is inevitable, and its quest for TPP membership is a crucial mission for Taiwan to maintain comparative and competitive advantages in trade. The “China factor” will continue to be a major stumbling block to Taiwan’s bid to various trade regimes. Just as with as previous administrations, the current DPP government will have a daunting task to tackle.

First, regardless of the fate of the TPP, the current administration has to re-construct public discourses in order to re-inform, re-direct, and re-educate its supporters about the necessity to win their endorsement, or, at least, their non-resistance, to any trade deals beneficial to Taiwan’s export-oriented economy. In practical terms, the DPP has to “communicate, communicate, and

communicate,” as President Tsai pledged during her inauguration, with its constituencies, pork producers, and related interest groups about the importance of the TPP or other trade regimes. Even if the TPP has a long way to go before it comes into existence, Taiwan’s economic reforms and revisions of institutional rules to push forward trade liberalization will prepare itself for future bilateral or multilateral deals.

Second, the accession to the TPP would mean strategic and economic benefits to Taiwan. Political-security concerns parallel the economic advantages of the TPP in the case of Taiwan. The pursuit of TPP membership is hence advocated not only for economic interests but also for its strategic association with the US against China’s security threats. This would represent an economic balancing act to mitigate Taiwan’s excessive reliance on China.<sup>36</sup> Such an intent is obvious in the current DPP government’s mindset. While both linker (i.e., the US in this case) and linkee (i.e., Taiwan) in the TPP would actively construct a proposed trade regime based on political-security mutual interests, the question is whether the stronger linker, the US, and the weaker linkee, Taiwan, might have different sets of national interests and priorities. It is hard for the Taiwan government to gauge fully whether the US interest in having Taiwan on board with the TPP deal is an attempt to reap substantial benefits for both sides or merely a tactical move to employ Taiwan as a convenient allurement in the overall US-China gameplay. Moreover, if the US fails to ratify the TPP, what is the alternative plan for Taiwan to sustain its future economic vitality? Will Taiwan turn around to eye on the RECP scheme with a full understanding that China has been the mover and shaker of the RCEP for a long time? In this case, the chance for Taiwan to hop on the RECP bandwagon is slim. Even if China chooses to accommodate Taiwan’s wish, is Taiwan willing to adapt to China’s demands? Or, is it possible for Taiwan to generate sufficient collective will from ASEAN members to overcome China’s opposition to join in the

RCEP? Will the current “New Southward Policy,” emphatically espoused by the Tsai government, be compelling enough to entice and secure ASEAN members’ sincere endorsement of Taiwan’s role in the RCEP? Naturally, the issue has to take into consideration a recent Vietnamese government’s hefty fine of \$500 million against a Taiwanese company, Formosa Ha Tinh Steel Corporation, for its chemical spill along the 120-mile coastal water in central Vietnam.<sup>37</sup> Furthermore, if the TPP is eventually established, and China accelerates its pace to be on board, what is Taiwan’s contingency roadmap in acquiring TPP membership without openly acknowledging the “one China” principle required by China as the key to cross-Strait relations?

Third, in all permutations of Taiwan’s exploration of trade deals, China’s move is essential to any of Taiwan’s membership quests. Fully aware of its weak status in comparison to China’s clout and having a desire not to be left behind, the Taiwanese government’s recent shift from its past discourse of “meaningful international participation” to “meaningful international contribution” is surely innovative and appealing to the international community. Nevertheless, in a tough world of power politics driven by self-interests and divergent security threat perceptions, complicated historical anomalies, and identity constructs, Thucydides’ Melian Dialogue’s adage of “the strong can do whatever it can do and the weak must suffer whatever it must” still resonates loudly in Taiwan’s situation. While the US can deploy the TPP as an economic denial strategy to counter China, Taiwan, as a distinctively weak party caught between the crossfire between the US and China, may need to skillfully employ both acts of engagement and balancing in dealing with cross-Strait economic exchanges. It seems that a cordial relationship with China remains an essential part of Taiwan’s economic growth in the future.

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