



THE TRANS-PACIFIC PARTNERSHIP AND TAIWAN'S FUTURE DEVELOPMENT STRATEGY

ABRIDGED REPORT

October 11-12, 2013

Taiwan Democracy Program

Center on Democracy, Development, and the Rule of Law

Freeman Spogli Institute

Stanford University

FOR PUBLIC RELEASE ON JANUARY 13, 2014

The Trans-Pacific Partnership Conference was sponsored by the Center on Democracy, Development, and the Rule of Law, the Walter H. Shorenstein Asia-Pacific Research Center, and the Taipei Economic and Cultural Office in San Francisco.

**THE TRANS-PACIFIC PARTNERSHIP CONFERENCE
STANFORD UNIVERSITY, OCT. 11-12, 2013
ABRIDGED REPORT**

Introduction

On Oct. 11-12, 2013, the Taiwan Democracy Project convened a conference on “The Trans-Pacific Partnership and Taiwan’s Future Development Strategy” at Stanford. The meeting was sponsored by the Center on Democracy, Development, and the Rule of Law (CDDRL) and the Shorenstein Asia-Pacific Research Center (APARC) at Stanford University, and supported with generous funding from the Taipei Economic and Cultural Office in San Francisco.

The conference brought together an impressive collection of academics, government officials, and policy-makers from Taiwan, the U.S., and many other countries in the Asia-Pacific region for a frank, wide-ranging set of discussions of the Trans-Pacific Partnership and its potential impact on Taiwan. The discussions covered six distinct areas:

- I. How is the trading environment of the Asia-Pacific region changing, and how is Taiwan’s place in that environment likely to be affected?
- II. What is the Trans-Pacific Partnership, what were the motivations behind its creation, and if it is successfully concluded, what is its prospective role in re-organizing trade patterns in the region?
- III. How do trade issues play out in Taiwan’s domestic politics? That is, who are the domestic constituencies most and least likely to support freer trade in the region, and what are their potential avenues of influence on Taiwan’s trade policy?

- IV. What are the likely impacts of changes in the external trading environment on Taiwan's economic development, considering that the island's economy is both highly trade-dependent and increasingly tied to that of the People's Republic of China?
- V. Where is the TPP headed? That is, what are the prospects for a successful conclusion of the TPP negotiations, what are the potential domestic obstacles to ratification of the agreement in various partner countries, and how is the TPP likely to affect trade among its members if and when it comes into effect?
- VI. Finally, from the perspective of the current participants in the TPP negotiations, what does Taiwan need to do to join the next round?

The following summarizes the central findings of the conference on each of these questions.

I. The Evolution of The Economic and Trading Environment of East Asia

The Asia-Pacific region's trade regime has become increasingly complex in recent years. Up through the 1990s, the Asia-Pacific region's trading regime was "under-institutionalized," relying heavily on informal relationships and multi-national firms. Since 2000, however, the lack of agreement in the Doha Round of WTO negotiations has spurred many countries in the region to pursue bilateral trade accords, both with other Asia-Pacific countries and with those elsewhere. The resulting set of agreements has raised concerns about an increasingly complex "noodle bowl" of trade rules and regulations: since each accord is unique, firms have to adjust to a different set of rules for each bilateral trading relationship. In short, the Asia-Pacific region now has a problem of "over-institutionalization" of inter-state trade: there are many agreements with overlapping membership and different requirements.

The objective of both the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Partnership (RCEP), the two most prominent sets of ongoing negotiations, has been to reduce the complexity of these intra-regional trading rules. But they diverge significantly in both their ambitions and their potential membership. RCEP is about harmonizing around the edges of intra-regional trade—that is, seeking to standardize the rules and regulations specified in the many bilateral agreements in the region. The TPP, by contrast, is a much more ambitious attempt to adopt a fundamentally new, “high-quality” agreement, one that standardizes domestic regulation of wide swaths of each member’s economy. In a sense, then, the TPP and RCEP as currently constituted are competing alternatives. This impression of competition is reinforced by the different membership of both groups: China is conspicuously absent from the TPP negotiations, while the US is not part of RCEP, although both countries have informally discussed joining both accords.

In the short run, these and other trade agreements will only affect the Taiwanese economy at the margins. Despite the focus of the conference on formal free trade agreements—the TPP, RCEP, and various other bilateral and multi-lateral arrangements—these are only one part of the changing trading environment of the region. Equally as important have been infrastructure improvements led by China, including the construction of road and rail links through the countries of peninsular Southeast Asia. The investment decisions of MNCs in the region are also clearly affected by a number of other factors besides tariffs and trade regulations—labor costs and availability of production materials, for instance. Thus, the gains and losses accruing to the Taiwanese economy as the result of changing trade regulations are going to be on the margins in the short run, if they are at all meaningful. It is only in the medium to long term that a new trading regime could have a significant impact on Taiwan.

II. The Evolving Structure and Geopolitics of the Trans-Pacific Partnership

A major source of uncertainty about the TPP is U.S. domestic politics. The Obama administration has committed to winning approval for the TPP, but there remain several serious domestic obstacles that could derail the agreement. For one, President Obama does not currently have fast-track negotiating authority (FTA), which is required in order to get an up-or-down vote on the agreement in Congress. The hostility of many Republicans to Obama and their control of the House could make it impossible for him to get FTA passed, and he faces significant opposition from the left wing of his own party as well. Many of the so-called “Tea Party” Republicans might not actually oppose fast-track authority for Obama because they have little interest in trade issues one way or another. But there remains a real possibility that the TPP might never take effect because it fails in Congress.

For Taiwan, a crucial consideration is the United States’ position on inviting China to join the TPP and its strategy for handling Chinese objections to a Taiwanese application for membership. One major point of tension in the U.S. government is the differing concerns of the State Department, which as a government agency is focused on broader foreign policy concerns, and the U.S. Trade Representative office, which is focused more narrowly on economic interests. The United States’ position on admitting either Taiwan or, more controversially, China to the TPP negotiations would depend in part on how this potential intra-government battle plays out, with consequences for Taiwan that are difficult to foresee.

Nevertheless, Taiwan’s recent trade disputes with the United States over trade issues will probably not prevent Taiwanese participation in the TPP. Taiwan’s recent struggles with the United States over beef imports and other trade issues are much less prohibitive than they seem at first glance. U.S. State Department officials have recently made positive statements about Taiwan’s participation in the TPP, and it is ultimately in the U.S. interest to have Taiwan as a member. In addition, the domestic reforms needed to demonstrate a commitment to the “high-quality” standards of the TPP are not unique to Taiwan. Several other aspirants, including current

members Japan, Malaysia, and Vietnam, have similar or more daunting domestic challenges and yet are considered viable candidates for membership.

Much more important to Taiwan's chances of accession are Chinese attitudes toward the TPP. China has been suspicious of the motivations behind the TPP until recently, viewing it as a potential vehicle to "securitize" trade policy and isolate China economically. Seen in this light, Taiwan's participation in the TPP could become a politically sensitive issue in U.S.-China relations and lead to a delay in or rejection of accession. Moreover, China has no realistic chance of gaining TPP membership in the near term, even if it sought it. One prohibitive factor is that the TPP includes requirements about opening up government procurement contracts to foreign bidders, and places restrictions on the kind of forceful industrial policy that is common among local governments in China. Thus, a positive Chinese view of the TPP is clearly in Taiwan's best interests. If Chinese leaders view the TPP as an "anti-China club," then supporting TPP membership for Taiwan becomes quite politically costly for the United States. If, on the other hand, China seeks and is able to join the TPP at some point, then Taiwan's path to TPP membership becomes considerably smoother.

On this note, there are signs that the Chinese position on the TPP may also be shifting in a more positive direction. The addition of Japan has made clearer to Chinese policy-makers that the TPP will not be an American-dominated initiative, and suspicions that the TPP is an anti-China initiative have been tempered by the fact that the TPP and RCEP have overlapping membership: Australia, New Zealand, Malaysia, Singapore, Brunei, and Vietnam are parties to both. Some Chinese academics have even recently suggested using the TPP as a means to advance difficult domestic reforms, in much the same way that former Chinese premier Zhu Rongji used WTO accession to push for reform in the 1990s. If this view does become the predominant one among policy-makers, then Taiwan's addition to TPP negotiations is less likely to be opposed by China.

III. The Challenges of Freer Trade for Taiwan

Trade issues in Taiwan cut across party lines. The DPP has generally been opposed to free trade agreements with China, while the Ma administration by contrast has made increasing trade with the PRC a centerpiece of its agenda. Public opinion data also show much stronger protectionist attitudes among core DPP supporters than among KMT ones. Yet these attitudes may have less to do with opposition to free trade per se and more to do with the fact that the FTAs are with China. From a national interest standpoint, the TPP's strongest support could actually come from the DPP, because it is consistent with a balancing strategy of reducing Taiwan's economic dependence on the mainland market. Thus, the DPP could play a valuable role in the Ma administration's efforts to win accession to the TPP.

Nevertheless, Taiwan's political system presents significant obstacles to obtaining accession to the TPP. Globally, growing income and wealth inequality is a major source of public opposition to free trade. Unemployment is not particularly high, compared to rates in the U.S. or especially Europe, but the key difference in Taiwan is that the country has not in recent history experienced unemployment at high rates. With many college graduates unable to find jobs today, young people are particularly apprehensive. Moreover, wages are low relative to the cost of living, and wage growth has stagnated, generating widespread unhappiness with economic conditions in Taiwan.

None of these trends are unique to Taiwan—in fact, they are common among democracies in the world today. But the success of a trade liberalization agenda may depend on whether effective schemes can be devised that address some of these concerns, and compensate the losers from reform. Taiwan's current government tax take is only 13 percent of GDP—quite low by comparative standards—which limits its ability to fund the social safety net and improve the lot of lower-income families who might be harmed by trade reforms. An increase in

corporate and income taxes would better ensure that the gains from liberalization are widely shared across Taiwanese society. Instead, Taiwan's fiscal policy has moved in the opposite direction: the cut in the inheritance tax, for instance, has not only disproportionately benefited wealthy families but also contributed to skyrocketing housing prices, which are especially acutely felt by young and middle income people. Unless Taiwan is able to devise policies that address this widening wealth gap, trade liberalization will continue to be a polarizing issue.

IV. Views on Taiwan's Development Strategy for the Next Phase

Taiwan's future economic development depends on managing several major challenges. One is that Taiwan's political isolation is starting to have a negative impact on its international economic relations. To date Taiwan has only been able to sign free trade agreements with smaller nations in Central and South America such as Panama and Chile; its main markets of the EU, the United States, and Japan remain outside any FTA. Taiwan's major trade agreement in recent years was the Economic Cooperation Framework Agreement (ECFA) with the PRC, signed in 2010. But this success pales in comparison to South Korea's flurry of agreements, including with the United States and Europe.

Another challenge is the increasing pace of technological advance in the world's leading economies: future innovation is likely to require large amounts of capital and manpower. Small and medium-sized enterprises (SMEs) produce a large share of Taiwan's economic output, making it challenging to muster sufficient resources to produce significant advances. Taiwanese firms have also struggled to expand their market shares and develop their brands abroad—tasks which become more important as Taiwan's economy becomes more integrated regionally and globally. Other challenges include an increasingly conservative, risk-averse bureaucracy that is

subject to immense media scrutiny and pressure from the legislature, and an aging population that will be followed in the near future by a decline in the size of the work force.

Finally, Taiwan's domestic investment environment has struggled to attract FDI in recent years. The ECFA with China was expected to improve this trend, but it has had a surprisingly small impact. The primary explanation is that the Taiwanese market is too small to attract much interest from Chinese firms; the investment that has come in as a result of ECFA has been motivated by political as much as economic interests. Another explanation is that there are still stringent restrictions in Taiwan on the ability of foreign investors to withdraw funds once they have been committed. Thus, one of the chief potential benefits of the TPP for Taiwan would be to force difficult domestic reforms that would improve the environment for FDI—reforms that could be undertaken even without joining the TPP.

V. The Future of the TPP: Views from Participating Countries

There remains great uncertainty about the TPP requirements and its ultimate impact on regional trade. Because the TPP negotiations are taking place in strict secrecy, even the best-informed participants at the conference could not say with confidence what the final agreement would contain. The specific language, the practical consequences of the agreement, and the potential concessions that each member country is offering are not yet publicly known, and the initial results may be disappointing to advocates of trade liberalization. It is possible that the treaty's "living agreement" clause could develop into a powerful instrument for removing non-tariff barriers. Perhaps the greatest benefit for many countries is the impact the TPP will have on domestic economies. For instance, the Abe government in Japan has apparently decided to commit significant political capital to win TPP membership because it reinforces domestic policy goals.

What is known is that Taiwan's economic, political, and demographic challenges are not particularly unusual in the region—certainly not enough to preclude its participation in negotiations. For example, Japan faces the same problems of fierce domestic opposition to reform and poor returns on investment at home, and both Japan and South Korea have rapidly aging populations. In addition, it is striking that both Malaysia and Vietnam are current participants in the TPP negotiations. Both will have to adopt much more drastic and far-reaching reforms than Taiwan would to meet the requirements of the TPP. In Malaysia's case, the loosening of ruling party control over state-owned enterprises could lead to the electoral defeat of UMNO. In Vietnam, TPP membership will probably require radical changes to the many parts of the economy that remain centrally planned or controlled. The presence of these countries in the TPP suggests that the constraints on Taiwan are more political than economic in nature.

VI. Taiwan's Strategy and the TPP

Most conference participants viewed TPP membership as an undoubtedly good thing for Taiwan, but some thought Taiwan would have other realistic options to expand its trade relations if it did not enter the TPP, perhaps through bilateral agreements or closer integration with the PRC. Others viewed Taiwan's options as much more limited. The U.S. position appears to rule out any bilateral agreement with Taiwan, and other arrangements such as the Pacific Alliance are not likely to deliver anywhere near the benefits that the TPP would. In that case, Taiwan's only realistic alternative would be even greater integration with the Chinese economy.

The RCEP does not appear to be a feasible alternative to the TPP for Taiwan. One obstacle is procedural: Taiwan lacks a free trade agreement with ASEAN, which is a requirement to join RCEP. Another is political: China is not likely to support Taiwanese participation in

RCEP until and unless it agrees to reunification talks. A third is pragmatic: RCEP's membership is large and diverse, including countries as different as Japan and India, and it is also a much less ambitious framework than the TPP. As a consequence, RCEP membership would not provide the kinds of benefits to Taiwan that the TPP would in the long run.

Moreover, if Taiwan is to join the TPP, the sooner the better. All new applicants will be asked to renegotiate the terms of entry, there will undoubtedly be additional demands made on the countries that apply, and all existing members will have a veto over admission. Notably, if Taiwan seeks membership, it is likely to have a lot of company: Korea, Indonesia, Thailand, and the Philippines are all possible participants in the second round. Thus, if Taiwan does not join in the next round, it will have to satisfy demands from even more countries to earn admittance.

Finally, Taiwan would do well to develop better policies to compensate the losers from trade liberalization. The Ma administration's approach to trade liberalization with the PRC contrasts unfavorably with the Lee Teng-hui administration's approach to WTO accession. In the latter case, the administration admitted that some farmers would lose their jobs as a result of the agreement, and promised compensation. Although there were protests, the agreement was approved by the legislature. By contrast, the Ma administration has taken a different approach to the services trade agreement with the PRC, emphasizing the benefits to the overall economy without talking about who would be negatively affected or discussing the proposal with the legislature. This may be one reason the services trade agreement has faced so much opposition even within the KMT caucus in the legislature.

CONCLUSIONS

The motivation for the conference was to consider the opportunities and constraints on Taiwan's future economic development, particularly in the context of a changing trading environment in the Asia Pacific region. The participants provided a variety of perspectives on this topic, engaging in a great deal of lively debate and conversation. Although there remained some disagreement among the panelists as a whole, three key conclusions emerged by the end of the conference. First, that it is in Taiwan's national interest to join the Trans-Pacific Partnership. Second, that the external obstacles to Taiwan's participation are significant but not insurmountable. And third, that domestic obstacles to Taiwan's membership are likely to be more intractable than international ones.

1. It is in Taiwan's national interest to join the Trans-Pacific Partnership. The benefits of TPP membership are initially likely to be modest, and there is still some doubt that the agreement will ultimately win approval in the United States and other member countries and enter into effect. Nevertheless, if it does, the benefits of TPP membership are likely to be substantial over time for Taiwan, including greater access to its major export markets as well as the enactment of growth-inducing domestic reforms. More importantly, the costs of *not* being a member of the TPP are potentially large. Most other countries in the region have already joined the partnership or are seeking to join in the next round, including Korea, Japan, Malaysia, Singapore, Vietnam, and the United States. These make up the bulk of Taiwan's major trading partners; the only notable omission is the People's Republic of China. Because Taiwan's economy is highly trade-dependent, and because many of its most efficient and highest-value industries depend on links to regional production chains, any alteration in the regional rules of trade could have a major impact on Taiwan's economy. If and when it comes into force, the TPP promises to produce such an impact, creating strong incentives for trade-dependent firms to relocate much of their activity from Taiwan to TPP member countries.

If Taiwan remains outside of this new regional trading bloc, the prospects for domestic-driven economic growth do not look very good. It has a rapidly aging population and a shrinking workforce, and it has attracted little foreign direct investment in recent years. Nor has closer economic integration with the People's Republic of China to this point reversed the net outflow of investment. Taiwan's high rankings in competitiveness and ease-of-business indices are of less consequence if its economy becomes more isolated from the rest of the world.

Furthermore, alternative arrangements to the TPP, to the extent that they exist, are likely inferior to TPP membership. For both political and pragmatic reasons, the RCEP is not a realistic alternative for Taiwan in the short- to medium-term: Taiwan does not have a trade agreement with ASEAN, would have to seek Chinese approval which is likely to come at an impossibly high political cost, and would not reap much benefit beyond tariff reductions for some of its exports. Bilateral FTAs are feasible but do not offer the same kind of unified, comprehensive framework that the TPP does. They also in practice have tended to be under-utilized, with firms preferring to trade under the WTO's MFN rules instead. Thus, their impact is likely to be limited. Finally, Taiwan's economy is already heavily dependent on the Chinese market, and further integration is fraught with domestic political challenges and security concerns. Thus, Taiwan appears to have much to lose from not gaining membership in the TPP, especially over the long term.

2. The external obstacles to Taiwan's accession to the TPP are significant, but not insurmountable. As it has since at least the 1970s, Taiwan's participation in international affairs of any kind depends crucially on the positions of two countries, the United States and the People's Republic of China. As an agreement among states that will regulate trade around the Asia Pacific region, the Trans-Pacific Partnership is no different. Conference participants repeatedly emphasized that attitudes in the United States and China would together be decisive for Taiwan's prospective membership in the TPP. Neither country's support is guaranteed. But

neither country's opposition is a certainty, either. And Taiwan does appear to have some ability to influence the positions that both countries ultimately take.

On the United States side, the recent history of bilateral trade relations is not good. U.S. negotiators have expressed frustration at continuing restrictions on important agricultural products such as beef and pork. As importantly, Taiwan's political process has generated outcomes that violate multiple norms of U.S. trade practice: using scientific standards for decisions about food safety, holding up-or-down votes on trade agreements, and implementing domestic laws and regulations in accordance with international agreements. And Taiwanese policy-makers have demonstrated little inclination over the past 10 years to undertake reforms desired by their U.S. counterparts, from relaxing restrictions on foreign direct investment to adopting international best practices on consumer regulation and inspection of imports. As a result, the United States position in recent years has been that Taiwan is not a reliable trade partner, and that its inclusion in the original TPP negotiations would be counterproductive.

Nevertheless, the conference deliberations indicated more latent support in Washington for Taiwan's participation in regional trade arrangements than can be gleaned from the actions and statements of USTR officials. Multiple conference participants noted that they had heard encouraging statements from State Department officials in support of Taiwan's participation in the next round of TPP negotiations. The U.S. official position is that any member of APEC is eligible to participate; since Taiwan is part of APEC, Taiwan is therefore eligible as well. U.S. officials have apparently presented this formulation to Chinese authorities many times without objection. In addition, several participants argued, Taiwan's membership is in the interests of both the United States and other founding members of the TPP.

The concerns about Taiwan's trading practices do not appear to be insurmountable, either. For one, several of the founding members of the TPP look substantially less prepared for accession than does Taiwan. Vietnam and Malaysia will undoubtedly have to implement major reforms of their state-owned enterprises and government procurement rules. The next round is

likely to include Thailand and Korea, at a minimum, neither of whom appears obviously better positioned than Taiwan to join the agreement. In addition, Taiwan has recently completed negotiations and signed free trade agreements with New Zealand and Singapore, and it can demonstrate its commitment to trade liberalization by winning legislative approval for both. And even some of the major sources of tension in U.S.-Taiwan trade relations have recently eased, as beef imports to Taiwan have jumped 40 percent in the last year. Overall, despite what appear to be unavoidable tensions over specific trade issues, these are unlikely to supersede the larger strategic interest of the United States in seeing Taiwan join the TPP.

On the Chinese side, the initial reaction in the PRC to U.S. participation in the TPP was quite suspicious, which did not bode well for Taiwan. Many Chinese elites thought of the TPP as a manifestation of U.S. efforts to “securitize” trade policy, feeding into fears prevalent among Chinese hawks of a U.S. effort to “contain” China and prevent its rise into a world power. Until recently, that appeared to be the predominant view in China. However, several conference participants noted a change in attitude in recent months among many Chinese officials and academics. Rather than seeing the TPP as an implicit threat to China’s development, an increasing number now see it as a sincere attempt to build a more effective regional trade regime. From that perspective, China might actually benefit from joining the TPP in the next round: by pledging to meet the TPP requirements, the country would commit to a new stage of difficult but necessary economic reforms, in much the way WTO membership was used by Zhu Rongji to advance a reform agenda in the 1990s. Thus, there is now a significant and growing group of Chinese policy-makers who are more inclined to support the TPP. In fact, conference deliberations highlighted that it is in Taiwan’s best interest for China also to join the TPP. At the least, Taiwan is much better off if the TPP is viewed primarily as a trade regime rather than as the beginning of an alliance with security implications.

Conference deliberations also highlighted the importance to Taiwan of seeking TPP membership sooner rather than later. The next round of negotiations for new members is likely to

begin shortly after the TPP takes effect, in 2015 or 2016. Those negotiations will be completely new, and every original member will have a veto. Taiwan is likely to have to satisfy demands from a wide array of its trading partners to accede to the TPP in that round. Yet waiting will merely increase the number of members; each round is likely to lead to a higher price of admission. Thus, it is in Taiwan's interest to join before many other countries are added to the agreement.

3. The domestic obstacles to Taiwan's membership are likely to be more intractable than international ones. Taiwan's domestic political challenges may present the greatest obstacles to its TPP aspirations. The conference deliberations returned several times to the same set of roadblocks to greater trade liberalization in Taiwan. The most fundamental is a strong protectionist element in Taiwanese public opinion, which persists and has even strengthened despite the fact that Taiwan has long been one of the chief beneficiaries of trade liberalization. Public support for protectionism is concentrated among the less-educated, rural segments of the population. Core pan-Green supporters are also on average significantly more protectionist, although such sentiments can be found in significant numbers among pan-Blue partisans as well. It is not clear to what degree this partisan difference reflects deeper aversion to liberal trade policies in general, or instead a narrower hostility toward free trade agreements with China.

This opposition stems in part from growing income and wealth inequality, which is a major source of protectionist sentiments throughout the democratic world. Starting from a remarkably low level, inequality in Taiwan has risen significantly over the past two decades. Unemployment, especially among college graduates, is also quite a bit above the historical average, and wage growth has stagnated. The current administration has not directly addressed most of these concerns through policy initiatives. Likewise, it has not taken steps to compensate the losers from trade liberalization, choosing instead in the case of the cross-Strait Economic Cooperation Framework Agreement to focus entirely on the benefits that it would bring. Yet the

long-term success of a trade liberalization agenda in Taiwan may depend on whether effective redistributive policies can be devised and implemented. It will probably require increasing the government's tax take—currently only 13 percent of GDP—strengthening the social safety net, and implementing programs targeted especially at lower-income workers who are disproportionately harmed by free trade agreements. Otherwise, trade liberalization will continue to be fiercely opposed by narrow but highly organized constituencies.

One non-obvious suggestion to emerge from the conference deliberations was that the DPP is well-positioned to act as a champion of trade liberalization under the guise of the TPP, despite having a strongly protectionism element among its base. DPP supporters are likely to sympathize with an agreement that helps Taiwan diversify its economy away from the mainland Chinese market and strengthen economic ties with other countries in the region. There is an opening for the principal opposition party in Taiwan to reframe the debate over free trade by casting the TPP as an insurance policy against over-dependence on China. President Ma's current unpopularity makes it unlikely that his administration alone will be able to rally support behind an economic reform agenda. If the significant changes required for TPP membership are to be attempted, then that effort would be strengthened if there are forceful advocates in both the Green and Blue camps.

Another serious domestic obstacle to trade reform is the ascendance of the legislature at the expense of the executive branch in Taiwan, and the concomitant fragmentation of policy-making. The legislative reforms of the last decade have increased the influence and authority of individual legislators, and as a consequence they have made it easier for sectoral interests to block reforms. Taiwan does not have any institutional procedure corresponding to fast track negotiating authority in the United States, nor does it have a single body like the U.S. Trade Representative to coordinate trade policy among the executive, the legislature, and the various private business lobbies. Unless Taiwan's trade policy-making process is reformed to reduce access points available to individual interests, more trade agreements are likely to be pulled apart and altered by

the legislature in a way that renders them invalid. Such may be the fate of the cross-Strait services agreement, currently facing more than a dozen public hearings and line-by-line roll-call votes in the Legislative Yuan.

Finally, the Taiwanese bureaucracy appears to be yet another obstacle to reform. One of the key initiatives of the TPP is to standardize legal frameworks that govern products, such as child safety regulations or food inspections. Even on these issues, which do not inflict obvious harm on a particularly constituency, the various regulatory agencies in Taiwan have not had a promising record over the past decade, instead moving if anything in the direction of crafting more requirements that are unique to Taiwan. If Taiwan is to gain membership in the TPP, it will require overcoming the entrenched conservatism and resistance to reform of the bureaucracy.



The Taiwan Democracy Program at the
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Conference on

**The Trans-Pacific Partnership and Taiwan's
Future Development Strategy**

co-sponsored by
The Walter H. Shorenstein Asia-Pacific Research Center

October 11-12, 2013
Bechtel Conference Center, Encina Hall
Stanford University

Friday, October 11

8:15 -9:00 am Breakfast and Registration at Encina Hall

9:00 - 9:15 am Welcoming remarks
Larry Diamond, Director, CDDRL, Stanford University

9:15 - 11:00 am
How the Economic/Trading Environment of East Asia is Evolving

Chair: Larry Diamond, Director, CDDRL, Stanford University

1 *Broad overview of trends in regional trade and trading partnerships*
Vinod Aggarwal, Professor of Political Science and
Director of the Berkeley APEC Study Center, UC Berkeley

2 *Challenges for Taiwan's future development strategy in a changing global economy*
Tain-Jy Chen, President of Chung-Hua Institution for Economic
Research (CIER); Professor of Economics, National Taiwan University;
Former Chairman of the Council of Economic Planning and Development

Discussants: **Miles Kahler**, Rohr Professor of Pacific International
Relations, UC San Diego
Hung-mao Tien, President, Institute for National Policy
Research (INPR), Taiwan; Former Minister of Foreign
Affairs, Taiwan

11:00 - 11:15 am Coffee Break

11:15 - 1:00 pm

The Trans-Pacific Partnership: Its Evolving Structure and Geopolitics

Chair: Daniel Sneider, Associate Director for Research, Shorenstein Asia Pacific Research Center, Stanford University

1 *The geopolitics of the TPP: Implications for the shaping of the balance of power in Asia Pacific*

Donald Emmerson, Senior Fellow, Shorenstein Asia Pacific Research Center, Stanford University

2 *China's Role in Asia Pacific trade and its responses to the TPP*

Bai Gao, Professor of Sociology, Duke University

Discussant: Mignonne Chan, Adjunct Associate Professor, National Cheng Chi University; former advisor to the President, National Security Council, Taiwan

1:00 - 2:15 pm Lunch Break

2:15 - 4:00 pm **How is Taiwan Responding to the Challenge of Freer Trade?**

Chair: Peter Chow, Professor of Economics, City University of New York

1 US-Taiwan trade relationships and Taiwan's diplomacy to date

Szu-yin Ho, Professor of Political Science, National Cheng Chi University

2 Taiwan's domestic politics and the constituencies for free trade

Yun-han Chu, Professor of Political Science, National Taiwan University; Fellow, Academia Sinica; President, Chiang Ching-kuo Foundation

Discussant: Rupert Hammond-Chambers, President, US-Taiwan Business Council

4:00 pm Bus to Sheraton Hotel

6:00 pm Meet in the lobby of the Sheraton to walk to dinner at Scott's Seafood, 855 El Camino Real, Palo Alto

Saturday, October 12

8:15 am Breakfast at Encina Hall

9:00 - 10:45 am

Taiwan's Development for the Next Phase: Two Views

Chair: Hung-mao Tien, Institute for National Policy Research, Taiwan

1 **Sheng-Cheng Hu**, Fellow, Academia Sinica; Former Chairman, Council for Economic Planning and Development

2 **San Gee**, Vice Chairman of the Taiwan External Trade Development Council (TAITRA); former Deputy Chairman, Council for Economic Planning and Development

Discussant: Mignonne Chan, Adjunct Associate Professor, National Cheng Chi University; former advisor to the President, National Security Council, Taiwan

10:45 - 11:00 am Coffee Break

11:00 am - 1:00 pm **Looking to the Future, Part I: Where is the TPP Headed?**

Chair: Donald Emmerson, Senior Fellow, Shorenstein Asia Pacific Research Center, Stanford University

1 *New Zealand perspective*

Charles Finny, Partner, Saunders Unsworth; former lead negotiator on the Agreement between New Zealand and the Separate Customs Union of Taiwan, Penghu, Kinmen and Matsu on Economic Cooperation, and on the China-New Zealand FTA

2 Japan perspective

Shujiro Urata, Professor, Graduate School of Asia-Pacific Studies, Waseda University

3 Korea perspective

Jin Kyo Suh, Senior Fellow, Korea Institute for Economic Policy

4 Singapore perspective

Deborah Kay Elms, Senior Fellow and Head of Temasek Foundation Centre for Trade & Negotiations, Singapore

1:00 - 2:00pm Lunch Break

2:00 - 3:45 pm

Looking to the Future, Part II: Taiwan's Strategy and the Future of the TPP

Chair: Yun-han Chu, Professor of Political Science, National Taiwan University; Fellow, Academia Sinica; President, Chiang Ching-kuo Foundation

1 What does Taiwan need to do to join the TPP, and to improve its credibility on trade issues with the US?

Don Shapiro, Senior Director, American Chamber of Commerce in Taipei

2 *Taiwan's View of the TPP*

Roy Chun Lee, Deputy Executive Director, Taiwan WTO and RTA Center, Chung-Hua Institution for Economic Research

3 *Global Opportunities, Local and Transnational Politics: Taiwan's Bid for FTAs*

Peter Chow, Professor of Economics, City University of New York
Co-authored with Tun-Jen Cheng

Discussant: Jeffrey Schott, Senior Fellow, Peterson Institute for International Economics

3:45 - 4:15 pm Concluding Discussion

4:15 pm Bus to Sheraton Hotel

6:00 pm Meet in the lobby of the Sheraton to get a bus to dinner at Ming's Restaurant, 1700 Embarcadero Road, Palo Alto