

Reliance on China is a hindrance to free trade

Written by Gerrit Van Der Wees
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Over the past weeks there have been a number of statements by President Ma Ying-jeou's (馬英九) administration to the effect that Taiwan has not made sufficient progress toward trade liberalization because of the stalled cross-strait service trade agreement, causing Taiwan to fall behind South Korea, its main competitor.

The government is of course blaming the delay on the Sunflower movement and the Democratic Progressive Party (DPP), accusing them of impeding Taiwan's inclusion in international free-trade agreements.

In the meantime, the Chinese Nationalist Party (KMT) portrays China as the gatekeeper to Taiwan's participation in the proposed Trans-Pacific Partnership (TPP) as well as free-trade agreements with other nations, saying that "progress" needs to be made in the agreements with China before the nation can move toward other agreements.

There is a US colloquialism that sums up this argument perfectly: "Hogwash," meaning "pertinently untrue" or even "utter nonsense." Here is why.

First, it is crystal clear that China is inhibiting and constraining Taiwan in its attempt to gain more international space. What does the Ma administration do in response? Try to get closer to China. This is an utterly self-defeating approach, which will only lead Taiwan into a one-way alley toward Beijing.

Second, the cross-strait service trade agreement — and the proposed trade-in-goods agreement and the proposed free economic pilot zones — would not help Taiwan in its economic development and trade liberalization, but severely damage it.

The reason is that these agreements would undermine Taiwan's industrial, agricultural and service base: Even more jobs would disappear and Taiwan would be flooded by Chinese goods and services, leaving little room for Taiwan's own industry, agriculture and services.

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Third, accepting China as a “gatekeeper” for Taiwan’s participation in regional trade organizations and bilateral trade agreements is tantamount to giving up the nation’s sovereignty. Taiwan needs to be self-confident and rely on its own strengths, and refuse to give China an excuse to choke its freedom to act in its own interests or in broader regional interests. Beijing itself is the reason other countries are hesitant to sign free-trade agreements with Taiwan, and it is highly deceptive, and even immoral, for the Ma government to pretend otherwise.

Last but not least, from many discussions with DPP representatives and the Sunflower movement, it has become apparent they are very outward-looking and highly supportive of real trade liberalization for Taiwan.

However, this real trade liberalization does not come about by cozying up to China. On the contrary: it would only come about if Taiwan distances itself from a repressive and authoritarian China, and builds up its own confidence to engage in international trade agreements in a democratic and transparent fashion — something that has been sorely lacking under Ma’s administration.

Taiwan can and should move toward true trade liberalization, but — as former US secretary of state Hillary Rodham Clinton said in June in an interview with Taiwan Business Weekly — avoid becoming economically over-reliant on China, which would entail it losing its economic and political independence.

Such real trade liberalization would require difficult choices for Taiwanese: there is a need for structural economic reform, simplifying the legal structures, cleaning up the bureaucratic red tape, investing in innovation and upgrading the manufacturing sector. All of that needs to be done in a democratic and transparent manner, so that society as a whole is brought to a new level and nobody is left behind.

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