

## Cards are falling in Taiwan's favor

Written by Huang Tien-lin 黃天麟  
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US President Donald Trump means what he says. As promised during his election campaign, on his third day in office Trump withdrew the US from the Trans-Pacific Partnership (TPP) trade agreement, which his administration intends to replace with a series of bilateral trade agreements.

Although the move was widely criticized by international media and within academic circles, Trump made the correct decision.

Trump's decision to terminate the TPP is in fact manna from heaven for Taiwan: It presents the government with a golden opportunity to bring about the normalization of the nation's economy.

Here is a list of the positive and negative consequences that are likely to result from Trump's decision on the TPP.

First, after the story broke, pro-China Taiwanese media and academics initially thought they had hit the jackpot and attempted to spin an exaggerated narrative of a government whose goal to become a member of the TPP laid in tatters.

Critics also argued that, with relations between Taiwan and China increasingly tense and the door to Taiwan joining the Regional Comprehensive Economic Partnership (RCEP) firmly shut, Taiwan's economy would become further marginalized.

That is wrong-headed. Even if it could, Taiwan should not get involved in the RCEP, which is led by China. In addition, the TPP was a multilateral agreement bolstered by both Japan and the US, so China would probably have been able to lean on pro-China member states to thwart the pact. The TPP's future was therefore by no means guaranteed.

Trump has said that his administration would replace the TPP with a series of bilateral trade agreements. All he needs to do is to reach an agreement with Japan and he would be able to

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effectively neutralize any blocking maneuvers by Beijing.

This means that now is the perfect opportunity for Taiwan to sign free-trade agreements with both the US and Japan — two of the world's leading economies.

Second, the Economic Cooperation Framework Agreement (ECFA) signed by Taiwan and China is representative of past bilateral trade agreements inked between Taiwan and other nations. Due to the reasons of a shared language, the two nations' close proximity to each other and a vast disparity in the economic scale of the two nations — a product of vastly differing population sizes and land masses — the Chinese economic juggernaut has acted as a powerful magnet on Taiwan's smaller economy.

After signing the ECFA Taiwan's economy rapidly worsened and began to contract.

Taiwan need not have similar misgivings about any free-trade agreements with the US or Japan. Not only would the deals complement each other, but by signing deals with the advanced economies of Japan and the US, Taiwan would be able to upgrade its technological capabilities, which would enable the nation to offset the negative effects of the ECFA.

Doing so would help the government achieve its "five plus two" industrial innovation plan — an Asian Silicon Valley, intelligent machinery, "green" energy technology, biomedicine and national defense, in addition to establishing a new agricultural paradigm and a circular economy — which would put Taiwan's economy on the road toward normalization.

Third, if Beijing and Washington exercise restraint and avoid an all-out trade war, the US and China will surely try to reach some sort of a bilateral trade deal. A key US demand would be for China to further open up access to its markets — which would be hugely advantageous to Taiwan.

However, if negotiations were to be unsuccessful and a trade war between the two countries ensued, this would be a blow to China. Encumbered by a tired-out and wasteful economy, Beijing would no longer be able to indulge in frequent saber rattling. A newly-restrained China

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would naturally be a positive development for Taiwan.

Fourth, Chinese President Xi Jinping (習近平) recently spoke at the World Economic Forum in Davos, Switzerland, calling on world leaders to protect globalization and free markets and oppose protectionism. Xi's words are deeply ironic, since the world's foremost employer of protectionist policies is none other than China.

Even more ridiculously, after Xi's speech, Taiwan's pro-China media outlets tried to present China as the new "world leader of globalization." Really?

One only needs to understand the size of the US' annual trade deficit — the price tag for upholding the current system of globalized free trade — in order to put things into perspective: Last year it was US\$800 billion. The US is able to shoulder this cost — is China?

Xi's proposition that China could replace the US in this role is clearly absurd: The man is getting ideas above his station.

Ever since Beijing's founding of the Asian Infrastructure Investment Bank in 2015, I have repeatedly argued that world events have begun to turn in Taiwan's favor.

Philippine President Rodrigo Duterte's rejection of the US and embrace of China; South Korean President Park Geun-hye attending a Chinese Communist Party military parade in September 2015; the Japanese National Diet's lifting of restrictions on the Japan Self-Defense Forces, including the lifting of a long-term ban on offensive operations; and the election of Trump as president of the US are all positive developments for Taiwan.

President Tsai Ing-wen's (蔡英文) administration must not let this precious opportunity go to waste. If it does, Tsai's government will be given short shrift by Taiwanese.

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*First Commercial Bank.*

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