



Taiwan's Time

By Claude Barfield

Resident scholar Claude Barfield asserts that President George W. Bush should uphold the U.S. commitment to democratic regimes by engaging in formal negotiations for a free trade agreement (FTA) with Taiwan. Though such an action would be in defiance of China's policy toward Taiwan, a U.S.-Taiwan FTA would create significant benefits by advancing American interests and giving Taiwan an opportunity to thrive and compete in an increasingly integrated East Asian region.

While the waning months of an administration is normally not a time for new foreign policy initiatives, President Bush should break precedent and begin formal negotiations with Taiwan for an FTA. Such a move would send a powerful signal to our allies in East Asia that America—despite great sympathy for the humanitarian efforts of the authoritarian Chinese government after the earthquake and thus far foregoing intervention against the military thugs in Burma—still stands by its determination to foster and support democratic regimes in the region.

It is no secret that during the Bush administration relations between Washington and Taipei have often been tense and fractious as a result of former president Chen Shui-bian's proindependence agenda. On May 20, however, the political landscape in Taiwan changed dramatically when the candidate of the opposition Kuomintang Party, Ma Ying-jeou, was inaugurated as president.

In March, Ma defeated the candidate representing Chen's Democratic Progressive Party, Frank Hsieh, 58 percent to 42 percent—a decisive victory. Ma has promised to upgrade cross-Strait relations and to liberalize investment, transportation, and tourism restrictions with the mainland. On April 12, in a precedent-setting event, Presi-

dent Hu Jintao of the People's Republic of China met informally with the incoming vice president of Taiwan, Vincent Siew, and took note of the “new circumstances” surrounding Taiwan-China “economic . . . cooperation.”

Despite the call for more harmonious relations, it remains unclear whether Chinese leaders will ease up on their hitherto relentless campaign to isolate Taiwan, economically as well as politically. Thus far, for instance, there is no sign that the mainland has relented in its opposition to Taiwan's participation in the World Health Organization as an observer—a status that does not imply political sovereignty.

Of far greater economic importance, since the late 1990s, Chinese leaders have aggressively warned Asian nations not to sign FTAs with Taiwan, stating that they would “bring trouble on themselves” should they undertake such negotiations. Yet the numerous regional and global FTAs already in place or in process of being negotiated (more than one hundred in East Asia alone) are steadily undermining Taiwan's international competitiveness through trade and investment discrimination.

Both the FTA between China and the Association of Southeast Asian Nations (ASEAN) and the recently finalized FTA between Japan and the ASEAN are exerting a dampening impact on Taiwan's exports. But far worse consequences for

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Taiwan's textiles, plastics, chemicals, and electronic sectors are inevitable if the FTAs between America and South Korea and between the European Union and South Korea are ratified.

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Ma has announced that he will attempt to revive talks with Singapore on a future FTA as a test case for China. Undoubtedly, Singapore—and other nations of East Asia—will be watching for a signal from America. It is time for the Bush administration to challenge Beijing's previous bullying tactics, not only for strategic purposes but also to demonstrate that it will live up to its own selection criteria for FTA partners around the world.

Today, Taiwan passes the administration's publicly stated tests with flying colors: it is a robust democracy, it is a steadfast diplomatic and security ally, and it has signaled willingness to negotiate a comprehensive trade agreement that goes beyond current World Trade Organization (WTO) obligations. Such an agreement would enjoy bipartisan support in Congress and substantial backing, at least behind the scenes, from the American business community.

In defending FTA negotiations with Taiwan, America can and should base its position on longstanding international law and practice. China's assertion that bilateral FTAs with Taiwan violate the "one China" policy is fundamentally flawed because the international community—and Beijing—have accepted Taiwan's membership in the WTO and in the Asia-Pacific Economic Cooperation as a "customs territory."

By extension, FTAs are merely a further manifestation of that legal status and, indeed, the basis upon which China has become Taiwan's most important trade and investment partner. Further, over the past four years, America and Taiwan have already conducted extensive negotiations under the Trade and Investment Framework Agreement (TIFA) process, which America uses as a building block to future FTAs.

As a result of recent TIFA negotiations, on top of the stringent new obligations Taiwan assumed with WTO membership, it is no longer credible for American negotiators to argue that Taiwan is not ready economically to conclude a "WTO-plus" FTA. Taiwan's economy is certainly as liberalized as that of South Korea when it began FTA negotiations with America in 2006.

In launching a formal FTA negotiation in the coming months, Bush will no doubt bear the brunt of Beijing's initial anger, but if he reiterates a strong commitment to the "one China" policy at the same time, he will leave a legacy on Taiwan that both advances American interests and assures that Taiwan has the opportunity to thrive within an increasingly integrated East Asian region.