

# Trans-Pacific Partnership and China-Japan-Korea FTA: Implication for Taiwan

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December 12, 2012

\*This is a product of research conducted at Stimson Center at the capacity of visiting fellow in the summer of 2012. I am grateful to Stimson Center for hosting the fellowship and for Ministry of Foreign Affairs, Republic of China for support. My gratitude also goes to all the people who allocate their precious time to my interview. Their names are listed in the bottom of the paper.

My interest in this subject arises from an old puzzle. Despite of the Liberal's belief that trade reduces war, in modern time there are cases that diverging interests in trade arrangement pave the way to a war. I recall the old puzzle seeing the hot debate between US and China on Trans-Pacific Partnership (TPP). As a student of international relations, I consider the subjective reading of the different trade initiatives by elite in the policy community as key to understand the impact and predict the next move. By such methodology, my research comes to three points of finding.

The thesis has three points. First, TPP has visible impact on China, especially at the sectoral level. Second, China pursues China-Japan-Korea FTA for its own reasons. The recent speedup of CJK has more to do with increasing interest of Japan and Korea. Third, China and Taiwan see complementary interest in joining TPP.

## **US Strategy in TPP**

Too much has been said about the strategic value of TPP for the United States. Here I only stress on three points.

First is institutional building. Once succeeds, TPP can foster the building of regional trading architecture in a meaningful way. Up to now, the trading architecture in the Asia Pacific is fragmented as countries in East Asia eager to sign FTA with partners inside and outside the

region at different levels of market opening. But the collection of signing partners of many of these agreements does not sufficiently reflect the fact that this region relies heavily for its trade with countries outside the region, especially the European Union and the United States. The attraction of TPP has its root in the underlying trade structure. It also has multilateral trade negotiation in mind as TPP can offer a good template of high standard for negotiation on next generation trade issues as well as serve as alternative (though less satisfactory) to a stalled Doha round negotiation.

The second is export promotion through market-opening. This can be understood in two ways. One is a direct effect of market-opening through the hybrid approach that U.S. negotiators currently apply. By doing so, U.S. prevent case-reopening of the bilateral FTAs it has signed with some of the TPP members so as to secure the concessions it obtained from these previous FTAs. In the meantime, U.S. is negotiating on new tariff reduction and barrier removal with partners that it does not have bilateral FTAs<sup>1</sup>. However, what is usually not to the attention of most people is an indirect effect of export expansion for U.S.. It comes from a desire to join TPP on the part of non-TPP members and a heightened competition between TPP and non-TPP members for U.S. market.

The third is alliance broadening. TPP reaches out to countries like Vietnam and Malaysia which are not formal security allies of U.S. Even though the political situation in Vietnam caused some concern during the initial stage when the Obama administration considered whether to join TPP, Vietnam's unique position in terms of economic development and geopolitics soon turn to be an advantage in U.S. consideration<sup>2</sup>. Malaysia once was at odds with U.S. during the course of bilateral FTA negotiation. TPP resumed the abandoned course and soon prove to pass the previous barricades and work in parallel to improvement of US-Malaysia relation in general. To a lesser degree, new Zealand falls in this category. The idea of US-New Zealand FTA was dropped during the Bush administration for a number of reasons. Now TPP proceed steadily in parallel to continuous lift in significance of US-New Zealand relation that has progressed since 2007<sup>3</sup>.

## **Impact on China**

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<sup>1</sup> Jamie Strawbridge, "TPP Countries reach initial "deal" on how to handle market access talks," Inside US Trade 28.37, (Sep 24, 2010)

<sup>2</sup> Ian F. Fergusson and Bruce Vaughn, "The Trans-Pacific Partnership Agreement," CRS Report for Congress, June 25, 2010, <http://fpc.state.gov/documents/organization/145583.pdf>

<sup>3</sup> Bruce Vaughn, "New Zealand: Background and Bilateral Relations with the United States," CRS Report for Congress, CRS May 27, 2011, <http://www.fas.org/sgp/crs/row/RL32876.pdf>

TPP has impact on China at two levels. One is the rule-making competition and the other being competition for U.S. market in a number of industrial sectors. The rule-making competition occurs between U.S. and China and is mainly about the degree of liberalization or integration. As a high standard trade agreement, the 26-chapter TPP covers issues that are mostly behind the border such as environment, labor, intellectual property rights, sanitary and phytosanitary measures, government procurement, etc. It is in contrast to most of the FTAs signed between ASEAN countries and the three Northeast Asian countries that are mostly focused on customs-border issues with limited coverage of intellectual property rights, notwithstanding environment and labor issues.

So far, such a competition is conceived in the U.S. as productive to a move toward multilateral trade liberalization. From the U.S. perspective, this is the picture what Fred Bergsten has in mind when coining the term “competitive liberalization”<sup>4</sup>. As the key player of the alternative FTA model, China shall be on negotiation table eventually. But the question whether it occurs in TPP or in the eventual multilateral negotiation. The fact that the competition chapter in TPP requires stricter discipline on state-owned enterprises and state-supported enterprises reveals a possibility of using TPP to stimulate reform of state-own enterprises in China. But no matter what is in mind of the business community when proposing it (in early 2011) and the government officials when drafting the clause (in September 2011), it is bound to be a double-edged sword. Due to the sensitivities this clause creates for many TPP members, this clause alone offers China good excuse to stand aside. In the recent negotiation, Singapore flags objection to this clause though Vietnam, the one that should see a real effect, seemed to be willing to deal with it<sup>5</sup>. Whether it will get through still waits to be seen. Shall to the contrary to the initial ambition of the U.S., China continues to keep away from TPP and hostile to the idea of trade liberalization TPP prescribes, the idea of moving toward a FTA of the Asia Pacific via TPP would not come true. Nor would the idea of using TPP as a template to resume multilateral trade negotiation be anywhere near the start.

In addition to rule-making competition, TPP would also stir competition for U.S. market between TPP members and China. Comparing the structure of exports between China and the three TPP members, you may find that overlap between China and Vietnam and that between China and Mexico are tremendous to account for 6 out of 10 major exports headed to U.S. Competition between China and Malaysia is to a lesser degree as the two countries have 4 major exports in common<sup>6</sup>.

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<sup>4</sup> Fred Bergsten, “Competitive Liberalization and Global Free Trade: A Vision for the Early 21st Century,” Working Paper 96-15, Peterson Institute of International Economics, 1996

<sup>5</sup> “U.S. SOE Proposal Raises Ire Of Singapore State-Owned Investment Firm,” Inside US Trade, May 13, 2012

<sup>6</sup> The trade figures are obtained from Trade Map, <http://www.trademap.org/>

However, what is more important than the simple trade figure is the reason for trade. If we compare the trade balance of these countries with U.S. and that with China, a more interesting picture emerges. Malaysia, Mexico, and Vietnam all enjoy trade surplus with U.S.. However, Mexico and Vietnam suffer trade deficit with China while Malaysia enjoys trade surplus with China. In the meantime, Mexico is major destination for China's outward direct investment in Latin America. Investment concentrates on automobile, electronics, mining, textile, etc. In 2009 Mexico registered the highest number of contracts of China's oversea investment in the world<sup>7</sup>. Vietnam witness a rapid increase of China's investment recently. In 2008, Vietnam is the 3<sup>rd</sup> largest destination among ASEAN countries of hosting China's outbound FDI. In 2010, China's investment in Vietnam increased at the rate of 74%. Most of China's investment in Vietnam is located industrial processing and manufacture in traditional sectors<sup>8</sup>.

In addition, among the top 10 exports from China to Vietnam, 3 (cotton, fabric, and plastics) are materials or intermediates for production of apparel, footwear, and furniture, Vietnam's major export to U.S whereas 2 (electric/electronics and machinery) can be used in all industrial production in general. Among the top 10 exports from China to Mexico, however, 5 are in the same category of Mexico's and China's major exports headed to U.S. In other words, there is a vertical division of labor between China and Vietnam in the traditional sector, on the one hand, and a horizontal division of labor between China and Mexico in the intermediates. Both can be considered as investment-driven<sup>9</sup>.

With this picture in mind, it may be concluded that once in place, TPP would hasten China's investment toward the two countries and increase the two countries' export to U.S. and the trade surplus it generates. But it might reduce trade deficit U.S. suffers from US-China trade. In balance it may not be bad for the U.S. Moreover, if TPP can stimulate an overhaul in domestic regulatory system in Vietnam and Mexico to the extent to absorb service export and outbound investment from U.S. in great volume, the overall trade balance may change. So does the production chain, which once occur could bring huge impact on China.

## **China's Response**

So far there is no consensus in China with regard to how to deal with TPP. Basically views expressed by Chinese scholars can be divided into two groups. One group has doubts about TPP

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<sup>7</sup> "China chooses Mexico as its main foreign investment destination," <http://blog.finetik.com/2009/10/01/china-chooses-mexico-as-its-main-foreign-investment-destination/>

<sup>8</sup> "China's Direct Investment in Vietnam Surges 74.3 pct in 2010," Vietnam Business and Economy News, December 29, 2010, <http://www.vneconomynews.com/2010/12/chinas-direct-investment-in-vietnam.html>

<sup>9</sup> The trade figures are obtained from Trade Map, <http://www.trademap.org/>

for three reasons, being the difficulty in reaching agreements, escalating competition in rule-making, and interference in regional production chain<sup>10</sup>. The other group sees opportunities in TPP of more market-opening with substantial followership. Even though the entry barrier is very high, there are still rooms for change. How big the room will be can be judged by the case of Vietnam<sup>11</sup>. In contrary to a wide spread whisper that TPP is China containment, thoughtful thinkers in China do not develop reasons of doubts on that basis.

In response to TPP whose prospect is looming large, China takes several steps. First, China strengthens China-ASEAN FTA by launching sector-level dialogue mechanism with a hope to further integration between China and ASEAN across a broad range of industrial sectors. This is announced in July 2011 during the second China-ASEAN Industry Cooperation Conference. China places a high hope on this initiative and Chinese media even used the term “Kunming Consensus” to describe it. It should be noted that the first China-ASEAN industry cooperation conference was convened as recent as in September 2010<sup>12</sup>.

Second, China signed the Foreign Investment Protection Agreement (FIPA) with Canada in February 2012. This is an agreement that China has worked for long since 2007. At that time the expectation was that the negotiation would be finished in 2 years. After prolonged negotiation, it finally comes to a conclusion this year<sup>13</sup>. Third, China continues negotiation with Australia on

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<sup>10</sup> Xiangyang Li (李向陽), “Trans-Pacific Partnership Agreement: A Major Challenge to China’s Rise (跨太平洋伙伴关系协定：中国崛起过程中的重大挑战),” *International Economic Review* (國際經濟評論), Iss. 2, 2012; Chenyang Liu (劉晨陽), “A Political and Economic Analysis on the Development and Influence of the Trans-Pacific Strategic Economic Partnership Agreement,” (『跨太平洋戰略經濟夥伴協議』發展及影響的政治經濟分析), *Asia Pacific Economic Review*, (亞太經濟) Iss 3, 2010; Jianren Lu (陸建人), “Features of TPP and Motivations of U.S. Participation” (美國加入 TPP 的動因分析), *Journal of International Trade* (國際貿易問題), Iss. 1, 2011

<sup>11</sup> Yunling Zhang (張蘊嶺), “Impact of US-led Trans-Pacific Partnership Agreement on China” (美國主導泛太平洋夥伴協議對中國的影響), *Review of Economic Research* (經濟研究參考), Iss. 1, 2012; 「林桂军：亚太经济一体化的路径与冲突」, 「WTO 多边开放与区域经济合作」研討會, 清華大學經管學院, July 6, 2012, 新浪網財經版 <http://finance.sina.com.cn/emba/tsinghuasem/20120706/154112499544.shtml>; 「盛斌：入世后中国贸易自由化与未来贸易改革」, 「WTO 多边开放与区域经济合作」研討會, 清華大學經管學院, July 6, 2012, 新浪網財經版, <http://finance.sina.com.cn/emba/tsinghuasem/20120706/152012499404.shtml>

<sup>12</sup> Hao Nan, “Conference strengthens cooperation in commerce,” *China Daily*, September 18, 2010, [http://www.chinadaily.com.cn/regional/2010-09/18/content\\_11321859.htm](http://www.chinadaily.com.cn/regional/2010-09/18/content_11321859.htm)

<sup>13</sup> Dorothy Kosich, “Historic Canada-China trade agreements benefit both mining sectors,” *Mineweb*, February 9, 2012, <http://www.mineweb.com/mineweb/view/mineweb/en/page72068?oid=145108&sn=Detail>

FTA. High expectations are raised on both sides though difference in some issues waits to be solved<sup>14</sup>.

Fourth, and the most eye-catching, is to speed up the process of China-Japan-Korea FTA and launch China-Korea FTA. It should be noted here that most of the steps have been initiated long before TPP gets serious attention and they have reasons other than responding to TPP. However, in the context of a possible competition with TPP, these measures are given new and high significance. Especially the CJK FTA and China-Korea FTA, the two FTAs have been discussed by the three players for about a decade and momentum and hopes have come and gone from time to time. Now China-Korea FTA entered formal negotiation and CJK FTA is scheduled to start formal negotiation by the end of this year. It is indeed a time to look at it more seriously.

## **CJK FTA**

There are two points in the comparison of priorities and sensitivities of the three participants in CJK FTA. First, China's strength mainly lies in agriculture and traditional sectors whereas strength of Korea and Japan lies in technologically sophisticated manufacture. Interestingly, when only Korea and China enter into FTA, Korea enjoys strong advantage in most of the high-end manufacture. However, when CJK join together, Korea's advantage with China becomes her disadvantage with Japan. That explains why Korea is eager to enter negotiation with China before CJK enters negotiation in the hope that by the time CJK turns into reality Korean industries can grow strong enough by taking advantage of China's huge market so as to be able to compete with Japan. Second, the three sides are clearer about what they would like to seek in service than in manufacture<sup>15</sup>.

That being said, let's take a look at the motives and concerns of the three parties and how that affect the pre-negotiation talks. On China's side, the motives are by and large for economic reasons<sup>16</sup>. First, China understands during the course of financial crisis that relying on markets in the West is too risk. It should put more efforts to increase stakes in other markets in its trade portfolio. Japan and Korea are ideal candidates. For the year of 2011, China-Japan trade accounts for 9% of its total trade and China-Korea accounts for merely 6%. In terms of export, the share is

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<sup>14</sup> Graeme Dobell, "A trade deal without China," The Interpreter, December 21, 2011  
<http://www.lowyinterpreter.org/post/2011/12/21/A-trade-deal-without-China.aspx>

<sup>15</sup> Joint Study Committee for a FTA among China, Japan, and Korea, Joint Study Report for a FTA among China, Japan, and Korea, METI and MOFA of Japan, December 16, 2011  
<http://www.meti.go.jp/press/2011/03/20120330027/20120330027-3.pdf>

<sup>16</sup> The four reasons are mostly from insights obtained in study on China-Korea FTA. See Jinhe Liu, "The Sino-Korea FTA: A Perspective from China," SERI Quarterly, July 2011

even smaller. China's export to Japan accounts for 7% of its total export and to Korea it is 4%. China definitely sees great potential here. Second, internationalizing renminbi and reducing reliance on U.S. dollar are considered as one of China's major goals in pursuing foreign economic policy, also a lesson learnt and an aspiration generated during the financial crisis. With increase of intra-region trade volume, China can expand the use of renminbi. The function could be served better through inter-governmental arrangement and it is where FTA may have a role to play.

Third, there are high expectations from Chinese business to push forward a CJK FTA. Fourth, there is also reflection within China on whether time is ripe for China to enter FTA with advanced economies. The previous FTAs are mostly with developing economies. The one with New Zealand is the first with an advanced economy and that with Singapore being the second. How FTAs signed with developing countries contribute to China's economy and whether FTAs with advanced economies make more contribution are under serious consideration. Last, but not least, having a China-Korea FTA get started can push forward progress of CJK FTA and vice versa. If you look at these reasons, it is interesting to find that these are basically economic ones and only the first and the last are in some way related to TPP. Also there are concerns with regard to CJK and China-Korea FTA on the Chinese side. These include that CJK or China-Korea FTA could continue the current trend of tremendous trade deficit China suffered and the lock-in effect of placing China at a relatively disadvantageous position in regional production chain.

Now let's look at Korea's motives. Korea sees a number of advantages from China-Korea FTA. First, China's eagerness in seeking a FTA with Korea provide opportunity to seek economic return and with that Korea can also enhance her position in CJK. It is also having strategic value to offer some leverage over North Korea<sup>17</sup>. Put aside all economic calculation, Korea's concern on CJK FTA is mainly about public sentiment against Japan, which just killed a possible defense cooperation agreement. It is much less so in the case of China-Korea FTA. For Japan, Prime Minister Noda has claimed to pursue both TPP and CJK. There is also a report revealing Japan's interest in China-Japan FTA. However, it should be noted that Japan's interest in CJK is not very visible until recently and one possible explanation is her prospect for joining TPP is turning opaque in the first half of 2012.

There are two facts in the progress on CJK so far. It is not expected to be as lowest common denominator as previous FTAs China enters into with ASEAN, though surely it will not be as high standard as TPP. The request for a higher standard is mainly from Japan and Korea. In addition, there are two standing issues (that is, pre-entry national treatment and negative listing)

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<sup>17</sup> Min-uck Chung, "China has US in mind in seeking Korea FTA," Korea Times, May 3, 2012, [http://www.koreatimes.co.kr/www/news/nation/2012/05/116\\_110220.html](http://www.koreatimes.co.kr/www/news/nation/2012/05/116_110220.html)

remain unsolved in the investment agreement<sup>18</sup>. The two issues have delayed the agreement's conclusion but do not deter it from happening this year. By looking at the two facts, I came to two findings. One is that there is rising interest on the part of Korea and Japan in bilateral FTA with China or CJK. China has had high interest in CJK or CK FTA from the beginning. But this does not get FTA moving until recently. So it is more likely that the recent move is due to changed interest in Korea and Japan. Second, all three are seeking economic returns despite some strategic reasons to have the deal done. The intrigue point is that a high interest in Korea has to do with a high enthusiasm in China. Both see the other side's interest as weakness and none is eager to give in. This to some degree keeps the pre-negotiation talk and formal negotiation at a low speed. But according to the latest development, China seems to play Korea and Japan one against the other quiet well to put in place more momentum. Whether such momentum will continue to accumulate to keep the agreement move waits to be seen.

### **Implication for Taiwan**

How TPP and CJK FTA impact Taiwan? According to a research done by East West Center, Taiwan would suffer a loss of 0.2% of GDP shall TPP succeeds without Taiwan being a member of it. Taiwan would suffer more loss of 0.95% if the Asian track continue to grow without Taiwan being a member of it. Taiwan would suffer the greatest loss of 1.05% if the two track co-exists. But, nonetheless, if the two tracks merge into one, Taiwan's welfare gain would turn to positive at the level of 3.77%<sup>19</sup>.

Major impediments to Taiwan's joining TPP can be grouped in two categories. One is misperception about Taiwan and the other is domestic constraint. I would like to talk about the misperception first. One of the misperceptions on Taiwan in the international trade community is that Taiwan only wants an agreement but not free trade solely for the purpose of creating the image of statehood. This is entirely wrong. Taiwan has been one of the major beneficiaries of free trade since 1958 when the government undertook an overhaul in trade regime. In 1993, the world bank attributes Taiwan's economic success to adopting policies that in substance promotes free trade<sup>20</sup>. There is no reason why Taiwan hates free trade. In making inroads to the regional trading agreements, the Ma administration adopts a flexible approach when it comes to the name. Looking at the two agreements currently discussed, they do not use the term FTA. Nor do they use Taiwan or Republic of China. It is displayed on the website of Taiwan's Ministry of

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<sup>18</sup> Weijia Hu (胡維佳), "Revisiting "FTA" (重審「FTA」)," *Caijin (財經)*, Issue 16, June 3, 2012, p. 82

<sup>19</sup> Peter Petri, Michael G. Plummer, and Fan Zhai, *The Trans-Pacific Partnership and Asia Pacific Integration*, East West Center, Working Paper, Economics Series, No. 119, October 24, 2011

<sup>20</sup> World Bank, *The East Asian Miracle: Economic Growth and Public Policy*, New York: Oxford University, 1993

Economic Affairs in both English and Chinese versions, which refutes such suspicion sufficiently.

Another misperception is that FTA with U.S. or other major trading partners are much less important for Taiwan than cross-strait economic relation. It is true that cross-strait economic relation takes a large share of Taiwan external trade relation. However, in this globalized world no country can sustain a vibrant economy solely relying on connection to another single one country. Singapore would not be as it is today were it to be permitted connection only to Malaysia. Moreover, without trade agreements with major trading partners, Taiwan's market share in major markets continue to decline. It is the worst among all industrializing countries in Asia. Ironically, Taiwan's market share even decline despite that trade with China continues to increase as a proportion in Taiwan's overall trade<sup>21</sup>. In other words, trade in all directions is vital to Taiwan's economy prosperity.

The other misperception is that Taiwan can reap the fruit of FTA by lowering its trade barrier unilaterally without FTA. It is true that Taiwan might have some efficiency gain through unilateral open-door. However, the fact that Taiwan is not the least free economy in the region means that Taiwan's export has been deterred by some trading partners whose trading barrier are lifted only for their FTA partners. The research finding published by East West Center demonstrates how much Taiwan would suffer without being party to either of the emerging trading blocs.

That being said, there is also domestic constraint that may impede Taiwan's joining TPP. Among them, the first and probably the most constraint is a lack of momentum. Since 2002, there has been no major trading agreement Taiwan is able to take part in. Thus it becomes a situation where no rewards for liberalization and no new market to compensate the suffering sector shall a sector is further open to foreign competition. In addition, the industrial structure has a role to play. In the domestic economy, small and medium sized enterprise take the lion's share of the manufacture sector and the small firms tend to fall victims to fast liberalization programs. It requires detailed planning on the part of the government and long term engagement with these firms to come to an open-up program. With no visible reward, such an effort is hard to expect from the government. Last but not least, the fragmented regulatory structure in which the entire service industry is spread across numerous government agencies and each agency is not endowed with enough authority to push the sectors within its jurisdiction to be internationalized. Each of the impediments should and could be treated separately. But as I see it, lack of momentum is the key. Nothing can bring home this point more than ECFA negotiation, in which

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<sup>21</sup> Bih-Jane Liu (劉碧珍), "Trade Liberalization, Regional Economic Integration, and Taiwan's Economic Development (貿易自由化, 區域經濟整合與台灣經濟發展)," keynote speech given at Research Center for International Organization and Trade Law, National Cheng-Chi University (政大國際經貿組織暨法律研究中心), June 7, 2011, [http://www.tradelaw.nccu.edu.tw/research.files/20110607\\_NCCU.pdf](http://www.tradelaw.nccu.edu.tw/research.files/20110607_NCCU.pdf)

in face of a clear reward and the entire government machine is mobilized to put in place a right balance between visible winners and possible losers.

TPP is all too obvious a strong incentive for Taiwan to liberalize itself. The beef issue solved in Legislative Yuan in July illustrates the attraction of TPP quite well. However, what is important is not only how Taiwan views TPP but also how other APEC members view TPP, especially the larger economies like China, Indonesia, and Russia. As the East West Center report shows, Taiwan would suffer the most shall there be two separate trading groups across the Pacific Ocean.

But how should China see this? As mentioned earlier, there has not been a consensus in China on how to deal with TPP. Based on my research, I argue that joining TPP is in China's interest and the interests of both China and Taiwan would converge on joining TPP. First, as a member of APEC China shall be benefited by joining TPP. East Asia has seen enough talks shops and much less venue for doing real things. TPP offers the chance to do real things over the platform of APEC and most of the members in APEC view it positively. As a leading force in promoting regional cooperation in East Asia, China would make her case of leadership more persuasive by joining TPP. Second, joining TPP offer strong momentum to push economic reform in China. Such a reform is not only expected by the general public in China but also becomes necessary to sustain the current course of economic growth. Third, China will be able to seize a better position in the race to re-opening multilateral negotiation by joining TPP. In the past 30 years, China has been benefited from joining existing institutions rather than staying away from it. The sooner the better the chance to participate in rule-making.

Furthermore, Taiwan's joining TPP is in line with China's interest for two reasons. First, joining TPP can inject Taiwan with a greater willingness to liberalize its economic relation with China. In the past decade, liberalizing external economic relation in general has been overwhelmed and deterred by concern over any side effect of liberalizing economic relation with China. Such a concern continued to have strong foothold in Taiwan even after the two sides signed ECFA. If, under sufficient inducement, Taiwan is determined to trade liberalization, especially in the "behind-the-border" model of liberalization as TPP prescribes, it is hard to imagine Taiwan can keep most of the existing restrictions over cross-strait economic relations. In other words, the by-product of Taiwan's further trade liberalization is to bring the two sides economically closer.

Secondly, TPP can decrease rampant protectionist tendency and anti-China sentiment in Taiwan. As mentioned earlier, due to a lack of liberalization momentum for so long, the tendency of looking for government protection has been rampant in a wide spectrum of the society. More than often, the segments that require government protection the most are those that are less advantaged and suffered from market opening. We have term called "three middles," that is, small and medium enterprises, middle and southern part of Taiwan, and middle and low

income household. Historically, Taiwan independence movement finds many supporters within this group of people and KMT's return to power strengthens such connection even more. Shall this group of people can be engaged effectively in an all-out liberalization schemes, the protectionist tendency and the accompanying anti-China sentiment could be constrained significantly.

In light of the above analysis, I believe that the sides across Taiwan Strait should find converging interest in joining TPP and TPP could offer an opportunity for the two sides to harmonize their path on trade regionalism that has been diverging for more than a decade.

List of Interviewees (by alphabetical order of interviewees' last name):

Claude Barfield, Resident Scholar, American Enterprise Institute

Richard Bush, Director, Center for Northeast Asian Policy Studies, Brookings Institution

Ian F. Fergusson, Specialist in International Trade and Finance, Congressional Research Service

L. Gordon Flake, Executive Director, Mansfield Foundation

Matthew P. Goodman, William E. Simon Chair in Political Economy, Center for Strategic and International Studies

Ellen Frost, Visiting Fellow, Peterson Institute for International Economics

Daniel J. Ikenson, Director, Herbert A. Stiefel Center for Trade Policy Studies, Cato Institute

Philip I Levy, Adjunct Professor, School of Public and International Affairs, Columbia University

Michael F. Martin, Analyst in Asian Trade and Finance, Congressional Research Service

Wayne Morrison, Specialist in Asian Trade and Finance, Congressional Research Service

Jeffrey J. Schott, Senior Fellow, Peterson Institute for International Economics

Derek Scissors, Senior Research Fellow, Heritage Foundation

Robert Shutter, Professor, Elliott School of International Affairs, George Washington University

Mireya Solis, Philip Knight Chair in Japan Studies, Brookings Institution

Bruce Vaughn, Specialist in Asian Affairs, Congressional Research Service

Brock Williams, Analyst in International Trade and Finance, Congressional Research Service