



TAIWAN'S LATEST BONE OF CONTENTION: THE ASIAN INFRASTRUCTURE INVESTMENT BANK

By Shelley Rigger



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A year ago, Taiwan-watchers were riveted by the month-long occupation of the island's legislative chamber by young activists bent on derailing a proposed services trade agreement with the People's Republic of China. Since late last month, the protagonists on each side of that dramatic show-down have been embroiled in a new controversy centered on many of the same issues. While the issues may be similar, however, this year's debate feels desultory compared to last year's lively clash.

At the center of the new dispute is the Asian Infrastructure Investment Bank (AIIB), a PRC-led initiative aimed at financing major projects across the Asian continent. The deadline for declaring one's intention to become a charter member of the bank was March 31; by that date, 52 states, mainly Asian and European, had signaled their desire to join. Many observers saw the rush to sign up as a coup for China, which has played a leading role in the bank's creation. While Washington has been vocally skeptical about the project, a number of US friends and allies were persuaded to sign on. Taiwan's defection to the AIIB left Japan as the only major country in the region to remain on the sidelines with the US.

Despite its rush to join, Taiwan's hopes of becoming a founding member were crushed on April 13 when the PRC announced that its application had been rejected. Beijing said it would welcome a new application – but only after the two sides agree on an appropriate name for Taiwan to use in the bank. Beijing's announcement left the Ma administration – which spent precious political capital to make the application – out in the cold.

Taiwan's decision to seek membership in the AIIB became public just as the clock was running out. The *China Post* opined, "The rush to beat the deadline just minutes before the application closed on midnight March 31 was rather embarrassing, showing how ill-prepared Taiwan was for such an ambitious initiative." Even more embarrassing were inconsistent government statements and sad-looking documents reportedly submitted to Beijing in English, through multiple channels, shorn of official markings. Beijing's rejection topped off the series of unfortunate events.

According to Taiwanese officials, internal government deliberations about the AIIB began months before the buzzer-beating submission. Taiwan's deputy finance minister told the legislature the government has been researching the issue since early this year. Two weeks before the deadline Taiwan's Minister of Finance Chang Sheng-ford said Taipei would be open to joining the AIIB if invited, and former Vice President Vincent Siew reportedly raised the possibility of Taiwan's membership with PRC president Xi Jinping when the two met briefly at the Boao Forum on March 28.

Taiwan's president Ma Ying-jeou made the case for joining the Bank in an interview with the *China Times* published on March 27. He argued that joining the AIIB would enhance Taiwan's international status and image as a peacemaker and humanitarian aid provider. He also said the AIIB could boost Taiwan's chances to join regional trade agreements such as the Regional Comprehensive Economic Partnership (RCEP) and the Trans-Pacific Partnership (TPP). Joining those groups is key to

avoiding political and economic marginalization, a goal President Ma invoked implicitly when he said Taiwan should join the AIIB to avoid being left on the sidelines of a popular initiative.

Given the Ma administration's open interest in the bank, why wait until the last minute to make a formal submission? Three factors likely played into the decision: the U.S., Taiwan's domestic politics, and the "name game."

According to the *South China Morning Post*, a document advising the Ma government to join the bank was completed in mid-March, but Taipei delayed a final decision on the issue in part to allow for talks with the US. Taiwan's foreign minister told legislators that Washington's representative office in Taipei had voiced some concern over Taiwan's decision to seek membership in the AIIB, but that the US now "respects" Taiwan's decision.

The Ma government made its bid for the AIIB knowing it would face resistance from opponents at home. Immediately after the bid was announced, about 300 protesters – many of them veterans of last year's Sunflower movement – converged on Taiwan's presidential office to voice their displeasure. While the protests were small compared to last year, they demonstrated the hair-trigger response many Taiwanese have to even small changes in cross-Strait politics.

Ma's critics object to the AIIB bid on substantive and procedural grounds. The AIIB differs from cross-Strait economic agreements; it is hard to see how it could give the PRC economic leverage over Taiwan. Nonetheless, it will reinforce economic ties between the two sides. And in order to join, Taiwan will have to accept Beijing's terms for participation, including downplaying Taiwan's sovereignty.

Procedurally, the decision rankles because there was little consultation outside the government. The decision was announced in the midst of a closely-watched fight over legislation aimed at increasing transparency and accountability in the government's conduct of cross-Strait affairs – especially signing agreements. It was hard not to find irony in the Ma administration's unveiling of the AIIB decision barely a pretense of legislative oversight. While a letter of intent is far from a finished agreement, the juxtaposition highlighted the limited effect of last year's Sunflower protests on the government's *modus operandi*.

Taiwan's main opposition party, the Democratic Progressive Party, summarized the main objections to the AIIB decision in its statement to the press: "Taiwan is a democratic society, but our president unilaterally made the decision, and it is a 'black box' decision. It blatantly disregards the will of the people and the application was through the TAO. The people of Taiwan will never accept that."

Another factor that delayed Taiwan's application was sensitivity about the submission procedure. Taipei seeks to act in a state-like manner as much as possible, while Beijing pressures Taiwan to behave in ways that reinforce its claim to sovereignty over the island. Two issues – the submission procedure and the name Taiwan will use in the AIIB – thus are especially sensitive.

According to news reports, the Ma administration submitted two versions of the application, one conveyed directly to the AIIB from the Ministry of Finance, the second sent through Taiwan's Mainland Affairs Council to the PRC's Taiwan Affairs Office. A TAO spokesman confirmed on April 1 that the Letter of Intent sent through that office had been received and forwarded to the AIIB organizing body, and that Taiwan would be welcome to join the bank "under the proper name." The letter from the Ministry of Finance was ignored.

Submitting Taiwan's application through the PRC on behalf of Taiwan is one way Beijing can downplay Taiwan's 'stateness.' The name issue is another. Neither its official name – the Republic of China – nor the more-frequently heard "Taiwan" is acceptable to Beijing, which insists that Taiwan's participation in international forums take place under a name that implies the island is subordinate to China. Taipei apparently hoped Beijing would accept its application and negotiate the name issue after the fact, but that was not to be.

Remaining outside the AIIB was likely not a viable choice for Taiwan, which seeks to participate in as many regional and international organizations as possible. Still, the way the decision was made and communicated reinforced the Ma administration's reputation for hasty, top-down decision-making. A DPP spokesperson captured the feeling best: "The administration ambushed all of us." As it turned out, however, the administration was ambushed, too.

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