

**TAIWAN-JAPAN RELATION (II):
UNCERTAINTIES AND PROSPECTS**

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Executive Summary

1. Trade and economics are both push and pull factors in shaping Taiwan-Japan relations.
2. As a push force, Taiwanese industries have several advantages that Japanese enterprises need to expand markets in Asia. The Economic Cooperation Framework Agreement is deemed as a solution for Japanese enterprises in bypassing the negative political impacts on bilateral trade relations wrought by a deteriorating Sino-Japanese relation.
3. As a pull factor, for Japan, there are other scenarios, such as the trilateral China-Japan-Korea Free Trade Agreement (FTA), to help redress these negative political impacts. However, inertia of this trilateral mechanism drew Japan and Taiwan closer.
4. Despite the decreasing economic benefits from this trilateral FTA, the three countries recognise that this FTA may be politically and strategically important.
5. The Trans-Pacific Partnership (TPP) as a platform for furthering Taiwan-Japan cooperation is becoming less likely after the new US government under Trump has withdrawn from the TPP.
6. The Trump government has posed great uncertainties to the relations between the United States and Asian countries, and also to Taiwan-Japan relations. It is establishing a new interaction model with China, which now seems a constructive first step.
7. Facing the escalating threats from North Korea and the yet-to-be clarified China-US relations under the Trump administration, Japan is quickly adjusting its moves to promote cooperation and cordial relations with a number of regional and extra-regional countries. Taiwan is one minor partner to Japan.

8. Should Japan ease tensions with China, this Taiwan-Japan grouping would be of little value to Japan. The grouping will sustain if Taiwan thaws its tensions with China. In both scenarios, other regional countries will evaluate their interactions with this Taiwan-Japan grouping based on their own realistic needs.