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# RSIS COMMENTARIES

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## Taiwan-Philippines Diplomatic Row: Should Manila Blink First?

By Julius Cesar I. Trajano

### Synopsis

*Tensions between Taiwan and the Philippines have been escalating since the killing of a Taiwanese fisherman by Philippine coast guards. Following the rejection of Manila's apology, Taipei immediately launched two waves of sanctions. As the Philippines' key interests are at stake due to the intensity of the sanctions, Taiwan seems to have the upper hand in the current diplomatic row.*

### Commentary

Taiwan has imposed diplomatic and economic sanctions on the Philippines and rejected Philippine President Benigno Aquino's apology after the crew of a Philippine Coast Guard vessel shot dead a Taiwanese fisherman in the Bashi Channel where the exclusive economic zones (EEZ) of Taiwan and the Philippines overlap. Besides formal apology, Taipei also insisted Manila offer compensation, apprehend the killer and launch joint fishery talks.

The failure of Manila to meet the aforesaid demands prompted Taipei to flex its muscles by suspending the hiring of new overseas Filipino workers (OFWs), imposing travel ban, conducting naval drills in the disputed area, and recalling Taiwan's de facto envoy to Manila, among others.

### Formally apologise or else...

The Philippine government has only two options. It is fully aware of the implications of each option.

The first option is to fulfil the four demands, including a public apology. It will instantly defuse the current tensions. Taiwan-Philippines relationship will be back to its normal track. However, this kind of compromise might undermine the Philippines' sovereignty over its exclusive economic zone in the Bashi Channel. It might also significantly decrease the morale of the crew of the Philippine Navy and Philippine Coast Guard who are religiously guarding the country's maritime domain.

In the context of increasing tensions in the South China Sea, when Manila made a compromise at the height of its naval stand-off with Beijing in 2012, it lost its de-facto control over the Scarborough Shoal. Manila does not want that to happen again and 'yield' its control over its EEZ in the Bashi Channel if it is going to make compromises anew. Meanwhile, Taipei would want to appear tough and uncompromising in any diplomatic and maritime disputes.

The second option is to ignore the sanctions and all of the demands, which will further escalate the diplomatic row. But Taiwan knows the Philippines' Achilles' heel. Aside from freezing the hiring of Filipino workers, the most drastic sanction that Taipei could adopt to press Manila is the deportation of all of the 87,000 Filipinos working in Taiwan. It must be noted that despite having stellar economic growth rate, the Philippines has the highest unemployment rate (7%) in Southeast Asia and 10% of its GDP comes from remittances of overseas Filipino workers.

Taiwan's President Ma Ying-jeou's uncompromising nationalist stance is not difficult to fathom as his approval rating has fallen in his second term to 21%. Meanwhile, President Aquino can afford to take 'unpopular' decision, i.e., to issue a public apology, as he has a huge political capital as evidenced by his 72% popularity rating.

The mechanism that Manila is going to use to address the row is extremely critical. Is it going to use the media? Clearly, Manila took the middle way, i.e., apologising behind closed doors in order to save face. For Taiwan, however, it may want to see President Aquino himself making the apology. The silence initially observed by Manila after the fatal incident should also be put in the proper context. First, it intended not to further escalate the crisis. Second, it was concentrating on the recently held mid-term elections.

### **Key interests at stake**

One compelling reason why Manila should take radical steps to appease Taipei is the interests of OFWs in Taiwan. President Aquino has to balance between defending the Philippines' territorial integrity and ensuring the safety and job security of OFWs in Taiwan. Undeniably, the interests of OFWs must be his top priority.

While the Philippines does not have political ties with Taiwan due to One-China policy, their economic relations have been vibrant and facilitated by the Manila Economic and Cultural Office in Taipei and the Taipei Economic and Cultural Office in Manila.

Taiwan is the Philippines' fourth largest source of remittances from Asia. In 2012, Filipinos working in Taiwan remitted \$168 million. Taiwan's suspension of hiring OFWs could have a net effect on the amount of remittances to be received by the Philippine economy this year.

The travel ban could adversely affect one of the Philippines' sunshine industries—tourism sector. Taiwan was the fifth largest source of foreign tourists (216,511) last year.

Undoubtedly, the economic sanctions imposed by Taipei could disrupt the burgeoning trade and investment ties between the two economies. In 2012, Taiwan was the Philippines' ninth biggest trading partner and eighth largest source of foreign investments. Philippine exports to Taiwan amounted to \$1.9 billion while Taiwan-Philippine bilateral trade volume reached \$10.9 billion.

More importantly, the last thing that the Philippines should do is to create more 'enemies.' The rising tensions in the South China Sea and China's perceived aggressiveness have already consumed much of the Philippines' diplomatic resources and attention. Currently, Manila recently raised the stakes in its maritime dispute with China by submitting it to the International Tribunal on the Law of the Sea.

### **Defusing the tensions**

With regard to Taipei's demand for the punishment of the alleged killer of the fisherman, it is imperative for Manila to conduct an impartial and transparent investigation. It is necessary that the investigation should be jointly conducted with Taiwan because if it is just a unilateral investigation and the results of it would be unsatisfactory for Taiwan, then it is futile.

Manila could also consider Taipei's demand to conduct fishery talks. If successful, it may lead to joint management of marine resources in the disputed area which could serve as a confidence-building measure between the two economies. However, since any formal fishery agreement will violate the One-China policy, it should be done in an informal manner.

To prevent similar incidents to occur again, Taipei and Manila could hold joint border patrol operations instead of the highly provocative naval drills and unilateral maritime law enforcement patrols.

It is in the best interests of both Taiwan and the Philippines, the two neighbouring democracies and close allies of the US, to cool tensions. But in this row, Taipei seems to have the upper hand given the intensity of its economic sanctions and Manila's key interests. The Philippines may be likely to blink first.

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