

The 57th Annual Conference of the American Association of Chinese Studies
October 9 – 11, 2015, Houston, Texas

**Opportunities and Pitfalls of Cross-Strait Economic Integration:
Taiwan after the ECFA**

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I. Introduction

Over the last two decades, there has been a global trend to sign regional economic integration agreements (EIAs) among economies, which include free trade agreements, regional trade agreements, economic partnership agreements, preferential trade agreements etc. As of January 2015, 604 EIAs were registered with the World Trade Organization (WTO) and 398 EIAs were still in effect. Except very few economies, almost all WTO members are very proactive to negotiate and sign regional EIAs since 1990s.

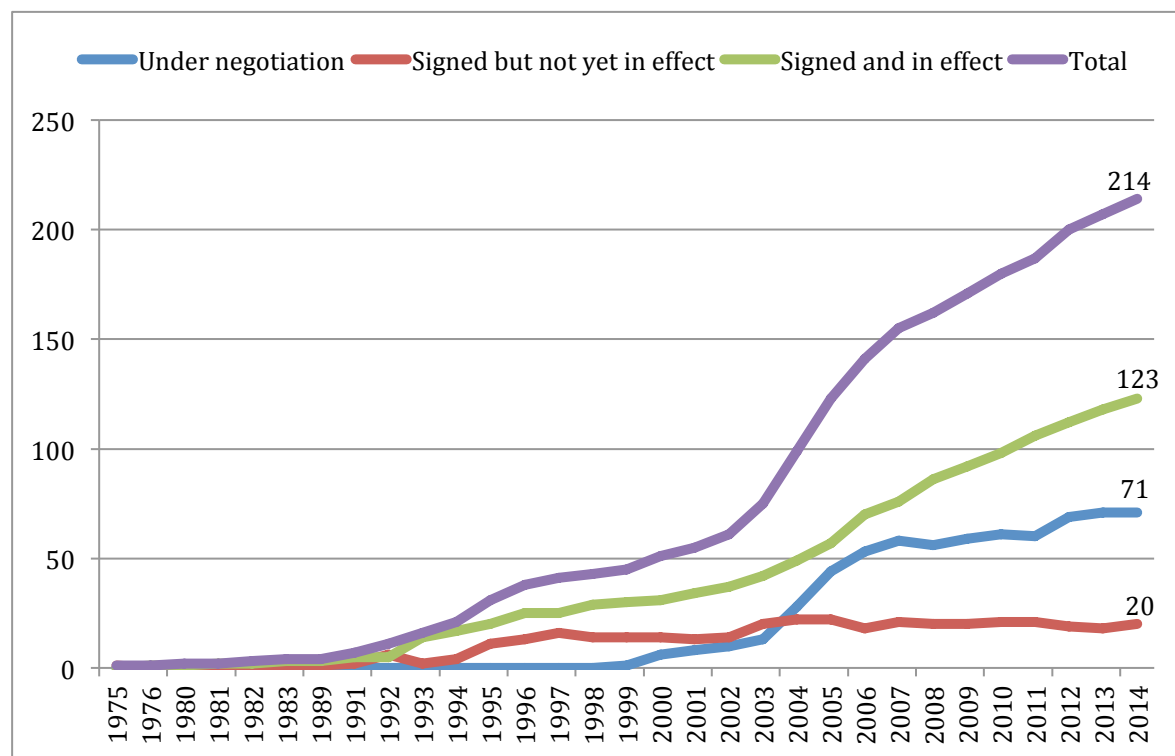
Most economies have two major goals in promoting and signing EIAs: economic development and security. (World Trade Organization 2003; Feridhanusetyawan 2005; Schiff and Winters 2003) For instance, Mansfield and Pevehouse (2000) attempt to identify empirically the role of EIAs in ameliorating conflict. They find that, on average, the likelihood that a pair of states will see the outbreak of a militarized interstate dispute declines by around 50 percent if both belong to the same RTA.

In addition, globalization has evolved beyond global integration of commodity and service trade to labor, capital and technology flow across national borders as well as social policy, environmental policy, competition policy, product and quarantine standards. Nowadays, major contents of EIAs include many issues beyond the current WTO regulations, which can be called WTO-plus issues (Crawford and Fiorentino 2005; World Bank 2005).

In particular, the Asian economic integration regime has been developing exponentially after 2000s, and even accelerating after 2008. According to the statistics of the Asia Development Bank, the number of signed and effective Asian EIAs increased dramatically from 47 in 2001 to 143 in 2014. In average, 5.8 EIAs came in effective annually during the period of the Democratic Progressive Party (DPP) administration between 2000 and 2007; 6.7 EIAs were in effective annually during the period of the Kuomintang (KMT) administration between 2008 and 2014. Furthermore, according to WTO's statistics, Taiwan's main economic competitor Korea has signed 15 EIAs by end-2014, including its major EIAs with the Association of Southeast Asian Nations (ASEAN), India, the European Union (EU), the United States of America (USA) and

Australia. In early 2015, Korea and China have signed their EIA, which was expected to be effective by early 2016. (See Figure 1)

Figure 1. Trend of Asian Economic Integration Agreements: 1975-2014



Source: Asian Development Bank (2015).

However, because of Chinese political obstruction, Taiwan has been excluded from participation in or negotiations of major EIAs in Asia. 16 economies (comprising 27.7% of world trade) are negotiating the Regional Comprehensive Economic Partnership agreement (RCEP), including 10 ASEAN economies, China, Japan, Korea, Australia, New Zealand and India. Moreover, 12 economies led by the USA (comprising 25.3% of world trade) were negotiating the Trans-Pacific Strategic Economic Partnership Agreement (TPP). Taiwan has not taken part in either of these two major trading agreements.

By end-2007, Taiwan has signed EIAs with Taiwan's five diplomatic allies, which accounted for only 0.2% of Taiwan's external trade and has little positive effect on Taiwan's overall economic welfare. This has caused grave concerns of economic marginalization and thus less global competitiveness of Taiwan. As a result, President Ma Ying-jeou proposed Taiwan to sign a comprehensive economic cooperation

agreement with China to simultaneously increase Taiwan's economic welfare and gain China's goodwill to remove its political obstruction against Taiwan's participation in the Asian economic integration regime.

In such context, on his first international press conference after assuming office in May 2008, President Ma pointed out that, if Taiwan could not join the East Asian economic integration agreements, the economy of Taiwan would be marginalized in the future. Therefore, in February 2009, President Ma proposed a Cross-Strait Economic Cooperation Framework Agreement (ECFA) to avoid the economy of Taiwan being marginalized by using the ECFA as a pathway to join the East Asian economic integration regime. After one year of negotiation, the ECFA was signed on June 29, 2010. Negotiations for four follow-up agreements had begun in the early 2011, including trade in goods, trade in services, investment and dispute settlement mechanism.

This paper would like to elaborate the evolution, analyze the effect and discuss the predicament of cross-Strait economic integration during the period of the Ma Ying-jeou administration in sections 2, 3 and 4. Particularly, this paper will focus on the effect of the ECFA in section 3 and elaborate why the Taiwan public oppose to the cross-Strait trade agreement in services (CSTAS) in section 4. Conclusion and implication will follow in section 5.

II. The Evolution of Cross-Strait Economic Integration

Over the last 7 years, the Ma Ying-jeou administration has adopted more opening policy on cross-Strait economic integration, including lifting some restrictions on Taiwan's investments to China, opening regular Chinese tourists to Taiwan, opening Chinese investments to Taiwan. Particularly, both sides across the Taiwan Strait institutionalized economic exchange and promoted economic cooperation through bilateral negotiations. As of September 2015, Taiwan and China have signed 23 economic and cooperation agreements and continue negotiations on several issues such as a trade agreement in goods and an agreement to establish representative offices in each side. Table 1 is the list of cross-Strait agreements between 2008 and 2015.

Table 1. List of Cross-Strait Agreements: 2008-2015

Date	Agreement
2008/6/13	1. Minutes of Talks on Cross-Strait Charter Flights
	2. Agreement Concerning Mainland Tourists Traveling to Taiwan
2008/11/4	3. Food Safety Agreement
	4. Postal Service Agreement
	5. Sea Transport Agreement
	6. Air Transport Agreement
2009/4/26	7. Air Transport Supplementary Agreement
	8. Financial Cooperation Agreement
	9. Joint Crime-Fighting and Judicial Mutual Assistance Agreement
	10. Agreement on the Cooperation in Respect of Fishing Crew Affairs
2009/12/23	11. Arrangement on Cooperation of Agricultural Product Quarantine and Inspection
	12. Agreement on Cooperation in Respect of Standards, Metrology, Inspection and Accreditation
2010/6/29	13. Agreement on Intellectual Property Right Protection and Cooperation
	14. Economic Cooperation Framework Agreement
2010/12/21	15. Cooperation Agreement on Medicine and Public Health Affairs
2011/10/20	16. Nuclear Power Safety Cooperation Agreement
2012/8/9	17. Bilateral Investment Protection and Promotion Agreement
	18. Common Declaration on the Protection of Personal Freedom and Safety under the "Cross-Strait Bilateral Investment Protection and Promotion Agreement"
2013/6/21	19. Cross-Strait Agreement on Trade in Services
2014/2/27	20. Collaboration Agreement on Seismological Monitoring
	21. Collaboration Agreement on Meteorology
2015/8/25	22. Collaboration Agreement on Flight Safety and Airworthiness
	23. Agreement on the Avoidance of Double Taxation and Enhancement of Tax Cooperation

Source: Straits Exchange Foundation (2015).

The milestone agreement signed between Taiwan and China during Ma's presidency was the Economic Cooperation Framework Agreement (ECFA) of June 29,

2010. The ECFA is a framework agreement comprising three aspects, namely early harvest program, future agenda of issues for negotiations and the mechanism for bilateral cooperation and negotiation across the Taiwan Strait. First, the tariff of goods on the early harvest list will be reduced to zero within three years but the reduction should comply with the rules of origin, which require the ratio of the added value of goods entitled to zero tariff should range from 40 to 50%. Second, negotiations for the four follow-up agreements should begin within six months after the ECFA has come into effect. Third, both governments agreed to set up a Cross-Strait Economic Cooperation Committee for handling, and negotiations of, follow-up matters of the ECFA and relevant issues of cross-strait economic cooperation.

For the early harvest list of goods for trading, the extent of openness shown by China and Taiwan was asymmetric. Under the early harvest program, China has offered tariff concessions for 539 Taiwanese export products, which amounted to USD13.84 billion in 2010 (representing 16.1% of the total export value from Taiwan to China). In which, China proactively offered 18 items of agricultural and fishery products for tariff concessions, while Taiwan would not liberalize any item of agricultural and fishery products in this agreement. Taiwan has offered tariff concessions for 267 Chinese export products, which amounted to USD 2.86 billion (representing 10.5% of the total import value from China to Taiwan). In addition, while Taiwan recorded an annual trade surplus of approximately USD 40 billion with China in recent years prior to 2010, Taiwan continued to unilaterally restrict 2,249 items of Chinese export products to Taiwan, an act that violated the most-favored-nation requirements of the WTO.

In comparison, the ASEAN has no unilateral restrictions on Chinese imports or violations against the WTO requirements. In addition, the ASEAN has no significant trade imbalance with China. Under the ASEAN-China early harvest program, China offered tariff concessions for 593 ASEAN products, which accounted for 1.7% of the export value of the ASEAN to China, whereas the ASEAN offered tariff concessions for 400 Chinese products, which accounted for 2.1% of the export value of China to the ASEAN. In short, the ASEAN and China have relatively balanced reciprocity in their early harvest program.

In the early harvest list of trade in services, China agreed to open markets in 11 service sectors for Taiwan, including three sectors in financial services and eight sectors in non-financial services. The items of Taiwanese services permitted by China included the extension of the period of validity of the temporary licenses of accountants from half a year to one year, the provision of services by wholly-owned software service sector, science and engineering research and development, the provision of conference services, the provision of professional design services, the exemption of the import quota restriction on the Chinese-speaking Taiwanese movies, the establishment of hospitals in the form of joint-venture, cooperative business or sole proprietorship, investment in the aircraft maintenance sector in China, the permission to form conglomerates by Taiwanese insurance companies, the provisions of concessions and facilitations to operation projects in the banking sector and the provision of facilitations to the securities and futures sector.

Taiwan agreed to open markets in 9 service sectors for China, including one sector in financial services and eight sectors in non-financial services. The items of Chinese services permitted by Taiwan included research and development services, conference services, collaboration in exhibitions, services in specialty design, the permission to broadcast 10 Chinese-speaking Chinese movies in Taiwan, brokerage services, sports and leisure services, computer positioning systems in the airfreight service sector, preferential treatments on setting up bank branches. (See Table 2)

Table 2. The Early Harvest List under the ECFA between Taiwan and China

	Items of agricultural products	Items of trade in goods	Items of trade in services
Items received by Taiwan	18 items	Petrochemical product: 88 items Conveyance: 50 items Mechanical product: 107 items Textile product: 136 items Other product: 140 items	Banking: 1 item (6 breakdowns) Securities and Futures: 1 item (3 breakdowns) Insurance: 1 item Non-financial service sector: 8 items

	Total: 18 items	Total: 521 items	Total: 11 items
Items granted by Taiwan	--	Petrochemical product: 42 items Conveyance: 17 items Mechanical product: 69 items Textile product: 22 items Other products: 117 items	Banking: 1 item Non-financial service sector: 8 items
	Total: 0 item	Total: 267 items	Total: 9 items

Source: Ministry of Economic Affairs (2012).

The Ministry of Economic Affairs of Taiwan entrusted the Chung-hua Institution for Economic Research (CIER) to carry out an assessment on the economic effect of the ECFA.¹ The conclusions are:

1. The signing of the ECFA by China and Taiwan would result in a 1.65% increase in the cumulative economic growth rate of Taiwan under the hypotheses that the restricted agricultural and industrial products would remain at 2,249 items, agricultural and industrial products entitled to tariff concession would be liberalized and all goods from China would be entitled to zero tariff;
2. The signing of ECFA by China and Taiwan would result in a 1.72% increase in the cumulative economic growth rate of Taiwan under the hypotheses that the restricted agricultural products would remain at 875 items, import controls on other industrial products are dropped and those products would be liberalized and all goods from China would be entitled to zero tariff. (Chung-hua Institution for Economic Research 2009)

As pointed out by the assessment report prepared by the CIER, the ECFA may increase the production of the following industries: chemicals, plastics and rubber

¹ The CIER adopted the computable general equilibrium model to analyze the economic effect of the ECFA prior to the implementation of the agreement. By contrast, we may analyze the post-ECFA effect based upon the gravity model.

industry (approximately 14.6%), machinery industry (approximately 14.0 to 14.3%), textile industry (approximately 15.7 to 15.8%), steel industry (approximately 7.7 to 7.9%) and petroleum and coal products industry (approximately 7.7 to 7.8%). However, the ECFA may decrease the production of the following industries: electrical and electronic products industry (decrease approximately 7.2%), other conveyance industry (decrease approximately 3.5 to 3.6%) and wood products industry (decrease approximately 4.0%).

For the effect on employment, the CIER adopted the computable general equilibrium model to link the above simulated result of each industry and the general equilibrium model of Taiwan including input-output tables for 161 sectors in Taiwan in 2007 and the information was updated to 2008 based on the overall growth rate. It was evaluated that the ECFA could help increase the total number of employed persons in Taiwan by around 257,000 to 263,000. In addition, the CIER used the simple regression model to estimate that the amount of foreign direct investment (FDI) inflow to Taiwan would increase by USD 8.9 billion in seven years after the signing of the ECFA.²

Two days after the signing of the ECFA, President Ma held a press conference on July 1, 2010, indicating that the ECFA represented a new chance for Taiwanese economic development and expressing the vision that the ECFA could help Taiwan join the East Asian economic integration regime. The ECFA could improve the competitiveness of Taiwan's exports to China, lead to more domestic investment in Taiwan and attract more FDI to Taiwan. Taiwan would be very likely to become the stepping-stone for corporations around the globe to enter the Chinese market. (Office of President 2010)

As the expectation of President Ma on the effect of the ECFA has exceeded the evaluation of the CIER, therefore, a comprehensive evaluation on the effect of cross-strait economic integration in general and the ECFA in particular will be discussed in the third section.

III. The Effect of Cross-Strait Economic Integration

² According to Liu (2008), the formation and implementation of regional trading agreements is an important determinant of FDI inflow in some cases for China.

Cross-Strait economic integration has expanding and deepening very rapidly in last 7 years. Taiwan's approved direct investments to China was below USD 10 billion before 2008 and the share of Taiwan's direct investments to China to its total outward direct investments was mostly below 70% (except 71.1% in 2005), while the figure of Taiwan's directly investments to China jumped to above USD 10 billion in 2008, USD 14.6 billion in 2010, USD 14.4 billion in 2011, USD 12.8 billion in 2012, and USD 10.3 billion in 2014. Between 2008 and the first half of 2015, Taiwan's overall cumulative investments in China was USD 148.9 billion while during the period of Ma's presidency from 2008 to June 2015 Taiwan's cumulative direct investments in China was USD 84.0 billion, consisting 56.4% of Taiwan's overall cumulative investments in China.

In comparison, Taiwan opened to Chinese direct investments in June 2009. As of mid-2015, Taiwan opened 97% of items in manufacturing industries for Chinese investments while 51% of items in service sector and public works. In 2014, China's annual outward direct investments were as high as USD 103 billion and its cumulative amount increased to USD 646.3 billion. However, as of June 2015, China's cumulative direct investments in Taiwan were merely USD 1.2 billion, comparing to USD 148.9 billion of Taiwan's cumulative direct investments in China. That is, even with President Ma's opening policy to China's investments, Taiwan's asymmetrical flow of capital (and talents associated with such investments) to China has been continuing to deteriorate over time. (See Table 3)

Table 3. Mutual Direct Investments across the Taiwan Strait

Unit: USD 100 Million

	Taiwan's investments in China	China's investments in Taiwan
2008	106.9	n.a.
2009	71.4	0.38
2010	146.2	0.94
2011	143.8	0.44
2012	127.9	3.28
2013	91.9	3.61

2014	102.8	3.35
2015/1H	49.3	0.46
2008-2015/1H	840.2	12.46
Cumulative	1,488.8	12.46

Source: Mainland Affairs Council (2015).

According to China's statistics of customs, cross-Strait trade increased from USD 124.5 billion in 2007 to USD 198.6 billion in 2014. Furthermore, the number of cross-Strait visits of people increased dramatically from 4.9 million (of which, 4.6 million from Taiwan) in 2007 to 9.3 million (of which, 5.4 million from Taiwan) in 2014. Particularly, Chinese tourists to Taiwan inflated from 82 thousand in 2007 to 3.3 million in 2014. It was supposed that Taiwan's economy should benefit from the expenditure of Chinese tourists in Taiwan. According to the estimation of Taiwan's Tourism Bureau, Chinese tourists have cumulatively contributed USD 18 billion to Taiwan's income of foreign exchange from 2008 to 2014. (Tourism Bureau 2015)

The most prominent achievement claimed by President Ma is the signing of the ECFA. President Ma asserted that the ECFA would bring four categories of benefits to Taiwan as mentioned in last section: improving the competitiveness of Taiwan's exports to China, increasing Taiwan's domestic investment, attracting more FDI to Taiwan, and helping Taiwan join the East Asian economic integration regime. The following analysis will scrutinize the effect of the ECFA from these four dimensions.

A. Improving the competitiveness of Taiwan's exports to China

The ECFA has become effective for four and half years since 2011. Several Taiwanese manufacturing products listed in the early harvest program saw a rapid increase in their exports to China in 2011. Nevertheless, according to the overall trading data in 2011-2013, ECFA did not apparently improve the competitiveness of Taiwan's exports to China. In 2011, Taiwan's overall exports to China increased by 8.0% while exports of the ECFA early harvest program increased by 9.9%, slightly better than the former. In 2012, Taiwan's overall exports to China increased by 5.8% while exports of the ECFA early harvest program increased by only 2.3%. In the first half of 2013,

Taiwan's overall exports to China increased by 36.8% while exports of the ECFA early harvest program increased by only 13.3%. The figures of Taiwan's exports to China for these three years did not show the effect expected by the Ma administration.³ (See Table 4)

Table 4. The Effect of ECFA Early Harvest Program: 2011-2013

Unit: USD 100 million; %

	2011		2012		2013(1 st Half)	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
Taiwan's exports to China	1,249.0	8.8	1,321.9	5.8	800.4	36.8
Early harvest program	198.5	9.9	203.1	2.3	110.7	13.3

Source: Bureau of Foreign Trade (2013).

If we judge the competitiveness of each country's exports to China by comparing each country's share of Chinese import market, the ECFA did not bring apparent improvement of competitiveness to Taiwan's exports to China. The market share of Taiwan in the import market of China steadily declined from 12.9% in 2002 to 8.3% in 2010. Since the implementation of the ECFA early harvest program in 2011, the market share of Taiwan further dropped to 7.2% in 2011 and maintained at 7.3% in 2012. It increased slightly to 8.0% in 2013 and then declined to 7.8% in 2014.

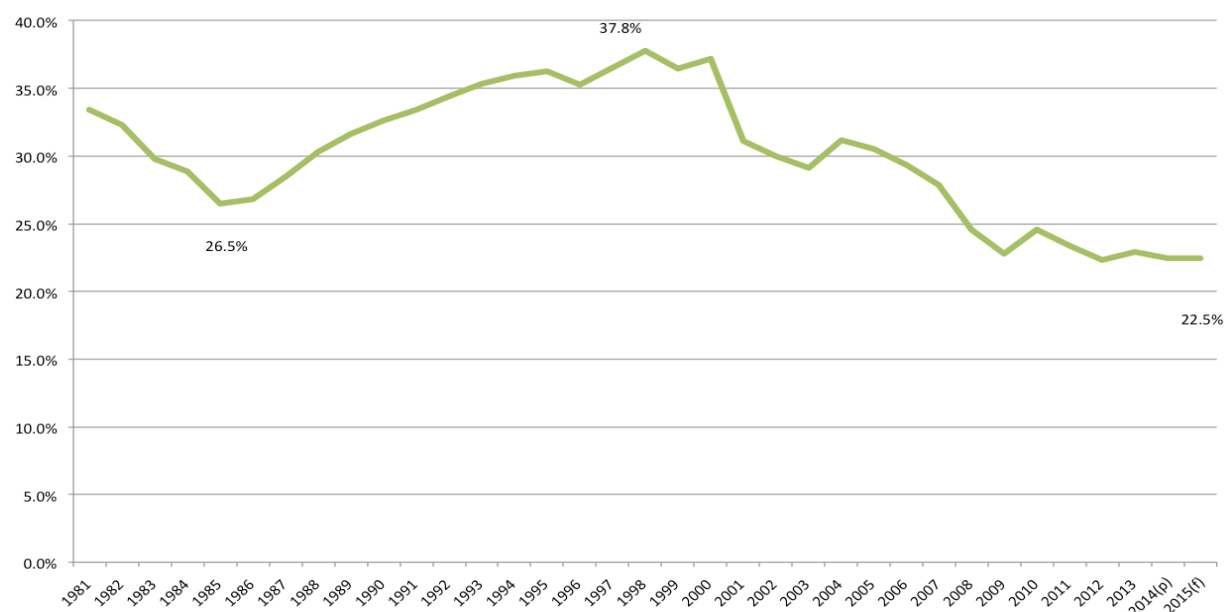
B. Increasing Taiwan's domestic investment

After the ECFA was effective, Taiwan's real investment rate continued to decline. In the 1980s, Taiwan's average real investment rate (fixed capital formation divided by gross domestic product) was 29.8%; in the 1990s, it was 35.4%. During the 8 years of the Chen Shui-bian administration, Taiwan's average real investment rate was 30.8%. In the first 7 years of the Ma Ying-jeou administration, Taiwan's average real investment rate was 23.3%, declining from 24.6% in 2010 to 22.5% in 2014, second lowest since

³ After September 2013, the Taiwan government no longer used Chinese figures of customs for Taiwan's exports to China as the evidence of ECFA effect; instead, the Taiwan government used Taiwanese figures, which was roughly half of Chinese statistics. The Taiwan government no longer published Chinese figures of customs and I thus have no access to the updated data to assess the effect of the ECFA early harvest program.

1981 and just higher than 22.3% in 2012, the lowest since 1981. (See Figure 2)

Figure 2. Taiwan's Real Investment Rate: 1981 to 2015



Year	1981-1989	1990-1999	2000-2007	2008-2014	2015
Real investment rate (%)	29.8	35.4	30.8	23.3	22.5

Note: The figure of 2015 is projected by the Taiwan government.

Source: National Statistics (2015).

C. Attracting more FDI to Taiwan

The ECFA had insignificant effects on the attractiveness of Taiwan for inward FDI, which remained low. After President Ma had taken office, the actual foreign investments in Taiwan dropped by 50.8% to USD 6.7 billion in 2008, and further decreased by 32.4% to USD 4.5 billion in 2009. Although the effect of financial crisis had worn off in 2010, the actual FDI still decreased by 30.1% to USD 3.2 billion, almost half of the average amount of USD 5.65 billion from 2001 to 2007 during the period of the Chen Shui-bian administration. In 2011, the foreign direct investments saw an increase of 37.9% to USD 4.4 billion, which was still an insignificant amount, and continued to slide to USD 3.7 billion in 2014. (See Table 5)

Table 5. FDI in Taiwan: 2000-2014

Unit: US million, %

Time	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Amount	3,349	1,908	2,724	2,983	3,430	11,576	13,602	6,692	4,527	3,163	4,362	4,291	3,641	3,714
Growth rate	n.a.	-43.0	42.8	9.5	15.0	237.5	17.5	-50.8	-32.4	-30.1	37.9	-1.6	-15.1	2.0

Note: The data above is the actual foreign investment amount, not the approved amount.

Source: Investment Commission (2015).

Compared to other economies, according to the *World Investment Report* published by the United Nations, Taiwan attracted merely 0.3% of FDI inflows of the world from 2000 to 2007 during the Chen Shui-bian administration, a percentage higher than that of Macau, Indonesia and Vietnam in Asia. However, there had been a declining trend of the ratio of FDI inflow to Taiwan to the FDI inflow in the world since 2008 and the ratio dropped to -0.1% in 2011. Taiwan attracted only 0.2% of FDI inflows of the world from 2008 to 2012 during the Ma Ying-jeou administration, the lowest among the Four Asian Tigers. Hong Kong, Singapore and Korea accounted for 5.0%, 2.7% and 0.7% of FDI inflows in the world, respectively. Taiwan (0.2%) attracted even lesser FDI than Thailand (0.5%), Indonesia (0.9%), and Vietnam (0.6%), let alone China (7.6%). (See Table 6)

Table 6. The Ratio of FDI Inflows to Asian Economies to That to the World: 2000-2012

	2008	2009	2010	2011	2012	2000-2007	2008-2012
China	6.0%	7.8%	8.1%	7.5%	9.0%	5.6%	7.6%
Hong Kong	3.7%	4.5%	5.9%	5.8%	5.5%	3.3%	5.0%
Korea	0.6%	0.7%	0.7%	0.6%	0.7%	0.6%	0.7%
Macao	0.1%	0.1%	0.2%	0.0%	0.1%	0.1%	0.1%
Taiwan	0.3%	0.2%	0.2%	-0.1%	0.2%	0.3%	0.2%
Indonesia	0.5%	0.4%	1.0%	1.2%	1.5%	0.2%	0.9%
Singapore	0.7%	2.1%	3.8%	3.4%	4.2%	1.7%	2.7%
Thailand	0.5%	0.4%	0.6%	0.5%	0.6%	0.5%	0.5%
Vietnam	0.5%	0.6%	0.6%	0.4%	0.6%	0.2%	0.6%

Source: United Nations (2013).

Observing international capital flows including direct investments (outward direct investments and inward direct investments in Taiwan) and securities investments (assets and liabilities) would indicated that Taiwan was losing its strengths in

international competition rapidly. In the 1990s, the average net annual international investments (net direct investments plus net securities investments) of Taiwan were negative USD 1.98 billion. During the period of the Chen Shui-bian administration from 2000 to 2007, net annual international investments of Taiwan were negative USD 13.23 billion. During the period of President Ma's governance from 2008 to 2014, net annual international investments were negative USD 36.6 billion, representing the most serious outflow of capital in history. The annual capital outflow of Taiwan in 2014 was USD 54.0 billion, the most serious in history. (See Table 7)

Table 7. Net International Investments in Taiwan: 1990-2014

Unit: US hundred million

	1990-1999	2000-2007	2008-2014	2008	2009	2010	2011	2012	2013	2014
Net direct investments (Total)	-202.5	-247.8	-520.0	-48.6	-30.7	-90.8	-147.2	-99.3	-106.9	-97.6
Net securities investments (Total)	4.1	-810.3	-1,502.2	-122.5	-103.3	-206.7	-356.9	-420.9	-288.3	-442.1
Net international investments (Total)	-198.4	-1,058.1	-2,561.7	-171.1	-134.0	-297.5	-504.1	-520.2	-395.2	-539.7
Net international investments (average per annum)	-19.8	-132.3	-366.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Central Bank, Republic of China (2015).

D. Helping Taiwan join the East Asian economic integration regime

With respect to the East Asian economic integration regime, the signing of the ECFA has somewhat helped Taiwan negotiate EIAs with other economies, but not fundamentally improve Taiwan's isolation predicament of East Asian economic integration. Some East Asian countries, as feared by the political pressure from China, were still unwilling to undergo negotiation with Taiwan in respect of EIAs, or hoped that Taiwan could provide unilateral economic benefits.⁴

With China's tacit consent or at least non-objection, Taiwan has signed EIAs with

⁴ Dialogue between the author and an official of a Southeast Asian country in Taiwan on 5 July 2010. A senior official of Australia stationed in Taiwan also told the author on 22 June 2012 that the country was not intended to negotiate with Taiwan in regards with a FTA. The country would negotiate FTA with China first and they could not see the determination of Taiwan to promote trade liberalization. Moreover, a deputy representative of an African country stationed in Taiwan has told the author on 4 July 2010 that they had pressure from China and did not want to undergo FTA negotiation with Taiwan.

New Zealand and Singapore in July and November 2013, respectively. But, the amount of trading between Taiwan and Singapore only accounted for 3.6% of Taiwan's total foreign trade, while the amount of trading between Taiwan and New Zealand accounted for as little as 0.2%. In other words, these two EIAs have very limited contribution to the economic growth of Taiwan and make even less contribution to establish Taiwan as an economic platform in East Asia, as President Ma advocated. Furthermore, Taiwan has neither negotiated EIAs with the USA, Japan or the EU, nor participated in the negotiation of the TPP or RCEP. By mid-2014, Taiwan's tariff-free trade with 8 economies (7 EIAs plus ECFA early harvest program) accounted for only 9.7% of its total trade.

In comparison, according to the calculation of the Taiwan government, by mid-2014, Korea has signed EIAs with 51 economies and its free trade share was 62.7%; Japan has signed EIAs with 15 economies and its free trade share was 18.2%; Singapore has signed EIAs with 60 economies and its free trade share was 86.4%. Even that Taiwan signs a free trade agreement in goods with China in the future, Taiwan's free trade share will be only 17.3%. If all negotiating agreements are completed, Korea's free trade share will be 83.4%, Japan 71.2%, Singapore 87.3%, respectively. (See Table 8)

Table 8. The Free Trade Share of Asian economies by mid-2014

	Korea		Japan		Singapore		Taiwan	
	Economies	Share	Economies	Share	Economies	Share	Economies	Share
Signed	51 (13 FTAs)	62.66%	15 (13 FTAs)	18.21%	60 (22 FTAs)	86.38%	8 (7 FTAs)	9.68%
Effective	47 (9 FTAs)	37.95%	15 (13 FTAs)	18.21%	32 (21 FTAs)	76.69%	8 (7 FTAs)	9.68%
Negotiating	1. Mexico	1.25%	1. Korea	5.68%	1. Canada	0.27%	1. China	17.32%
	2. New Zealand	0.31%	2. Gulf Cooperation Council	11.4%	2. Pakistan	0.14%		
	3. Japan	7.86%	3. Australia	4.18%	3. Ukraine	0.03%		
	4. China, Japan, Korea	28.59%	4. Mongolia	0.02%	4. Mexico	0.43%		
	5. Gulf	11.3%	5. Canada	1.24%	5. TPP	30.04%		

Cooperation Council							
6. RCEP	46.33%	6. Columbia	0.12%				
7. Vietnam	2.61%	7. EU	9.99%				
		8. Japan, China, Korea	25.84%				
		9. RCEP	45.93%				
		10. TPP	27.54%				
Sum (no overlapping)	83.39%	Sum (no overlapping)	71.24%	Sum (no overlapping)	87.25%	Sum (no overlapping)	27.01%

Source: Lin (2014).

According to Taiwan's Bureau of Foreign Trade, the amount of Taiwanese exports impacted by the FTA between Korea and the EU was NTD 150 billion and that impacted by the FTA between Korea and the US was NTD 350 billion. The total amount of Taiwanese exports impacted reached NTD 500 billion, accounting for 6.2% of the total Taiwanese exports. (Chen 2011) If the EIA among China, Japan and South Korea is entered into effect, the tariff-free export amount of Korea would account for 71.7% of its total exports and 90% of Taiwanese exports will be affected by the FTAs with Korea. (Kao 2012)

President Ma has proposed the vision that Taiwan would join the TPP in the next decade when he was running for president in 2011. However, the expectation of joining TPP in ten years is beyond the tenure of President Ma. In addition, the US government pointed out that, to join TPP, Taiwan must reach a high level of liberalization, covering aspects such as trading, intellectual property rights, service sector, investment, labor and environment and must be determined to comply with free trade agreements with high standards. (Liu 2012) With the rapid development of the East Asian economic integration regime, waiting for a decade will inflict great harm to Taiwan.

To sum up, the overall effect of the ECFA between 2010 and 2015 was not significantly helpful to competitiveness of Taiwan's exports, growth of Taiwan's

domestic investment, attractiveness of Taiwan to foreign direct investment, and major breakthrough of Taiwan's isolation predicament of Asia-Pacific regional economic integration. According to the polls of the Taiwan Indicator Survey Research (TISR), 48.9% of respondents disagreed that the ECFA effective of three years was helpful to Taiwan's economy while only 28.3% agreed. (Taiwan Indicator Survey Research 2013)

It was not successful for the Ma Administration to make major breakthrough for Taiwan's isolation predicament of Asia-Pacific economic integration and thus undermine Taiwan public's confidence to further expand and deepen cross-Strait economic integration. Taiwan and China signed the trade agreement in services on June 21, 2013, but it was not passed yet in the Legislative Yuan for more than two years as of September 2015. Both sides across the Taiwan Strait have been negotiating a free trade agreement in goods for more than 4 years without signs of negotiation completion, not to mention the difficulty for this agreement to be passed in the Legislative Yuan. The following section will analyze the predicament of cross-Strait economic integration.

IV. The Predicament of Cross-Strait Economic Integration

The difficulty of Cross-Strait Trade Agreement in Services (CSTAS) to be passed in the Legislative Yuan highlights the predicament of cross-Strait economic integration. Most people in Taiwan did not support the CSTAS and perceived the costs of the CSTAS bigger than the benefits in terms of economy, security and sovereignty. As a result, most people would not support deepening and expanding of cross-Strait economic integration without sufficient transparency of cross-Strait negotiations and adequate supervision of cross-Strait policy decision-making.

First of all, Taiwan's official assessment on the CSTAS was not complete and comprehensive. Entrusted by the Taiwan government, the CIER stated in its assessment report published in July 2013, the impact of the CSTAS was beneficial to Taiwan's macro-economy, service trade, service industries and employment, but the scale of the impact was insignificant, increasing only 0.025-0.034 percentage to Taiwan's cumulative GDP growth. Nevertheless, the whole assessment report did not analyze the political impact, economic security and economic transformation costs of the CSTAS. In addition,

the signing of the CSTAS could not assure Taiwan that China would no longer obstruct Taiwan’s participation in the Asia-Pacific economic integration regime.⁵

Let us look at opinion polls to understand the perception of Taiwan’s public and thus the predicament of the CSTAS. Taiwan’s Mainland Affairs Council of the Executive Yuan released three polls on the CSTAS after the signing of the CSTAS in June 2013. The net support rating (support rating minus non-support rating) was negative 5.6% (opponents were more than supporters) in September 2013 (already three months after the signing of the ECFA), increasing to 5.3% in December 2013, and then declining to 2.4% in April 2014. That is, the last net support rating of the CSTAS, although positive, was within the range of statistic error. (See Table 9)

Table 9. The Attitude of Taiwan’s Public on the Cross-Strait Trade Agreement in Services: Polls of Mainland Affairs Council

Time	2013/9	2013/12	2014/4
Support	40.1%	45.7%	42.5%
Non-support	45.7%	40.4%	40.1%
Net support	-5.6%	5.3%	2.4%

Note: Net support = “Support” – “Non-support”

Source: Mainland Affairs Council, Executive Yuan, ROC, various news releases.

However, according to opinion polls conducted by Taiwan’s non-official institutions, the non-support rating of the CSTAS was obviously higher than the support rating. According to the TVBS Poll Center, the net support rating of the CSTAS was negative 17% in June 2013; negative 11% in October 2013; negative 7% in March 2014; negative 13% in April 2014, respectively. It was obvious that the share of opponents of the CSTAS to all respondents was much greater than that of supporters by more than 10 percentages. (See Table 10)

Table 10. The Attitude of Taiwan’s Public on the Cross-Strait Trade Agreement in

⁵ The Chung-hua Institution for Economic Research was impromptu entrusted to complete this assessment report in a very short period (about two weeks). Conversation with a researcher of the Chung-hua Economic Research Institute, September 19, 2014.

Services: Polls of TVBS

Time	2013/6	2013/10	2014/3	2014/4
Support	30%	32%	35%	30%
Non-support	47%	43%	42%	43%
Net support	-17%	-11%	-7%	-13%

Note: Net support = “Support” – “Non-support”

Source: TVBS Poll Center, various news releases.

According to the TISR, net support rating of the CSTAS was negative 16.3% in June 2013; negative 12.3% in September 2013; negative 11.7% in March 2014; negative 4.9% in June 2014. In addition, according to the Grassroots Impact Foundation (GRI), the net support rating was negative 12.4% in July 2014. It was as similar as the TVBS polls that the share of opponents of the CSTAS to all respondents was much greater than that of supporters by more than 10 percentages. (See Table 11)

Table 11. The Attitude of Taiwan’s Public on the Cross-Strait Trade Agreement in Services: Polls of TISR and GRI

Time	2013/6	2013/9	2014/3	2014/6	2014/7
Support	31.6%	31.8%	32.8%	38.9%	32.1%
Non-support	47.9%	44.1%	44.5%	43.8%	44.5%
Net support	-16.3%	-12.3%	-11.7%	-4.9%	-12.4%

Note:

1. The poll of July 2014 was conducted by the Grassroots Impact Foundation; the rest were conducted by the TISR.
2. Net support = “Support” – “Non-support”

Source: TISR, various news releases; Grassroots Impact Foundation, news release.

As a matter of fact, Taiwan public’s feeling on the impact of the CSTAS was quite different from the assessment of the Taiwan government. The Taiwan government asserted that the CSTAS would bring only benefits (no costs at all) to Taiwan’s economy while Taiwan public felt that there were some costs for Taiwan’s economy and the costs were even bigger than the benefits for Taiwan’s economy. In addition, from the

perspective of Taiwan public, the CSTAS might produce serious negative impact on Taiwan's security and sovereignty. However, the Taiwan government has not yet effectively responded to Taiwan public's grave concerns on security and sovereignty, but just emphasized the necessity of the CSTAS for Taiwan's economy.

According to the poll conducted by the TVBS in June 2013, 48% of respondents stated that the costs of the CSTAS were bigger than the benefits for Taiwan's economy, while 27% stated the opposite. According to the polls conducted by the Taiwan Indicators Survey Research, 47.4%, 35.8% and 43.2% of respondents stated that the costs of the CSTAS were bigger than the benefits for Taiwan economy in June 2013, March 2014, and June 2014, respectively, while 24.9%, 32.7%, and 34.7% stated the opposite. In addition, 50.0% of respondents stated that the costs of the CSTAS were bigger than the benefits for Taiwan's security and sovereignty, while 21.2% stated the opposite. (See Table 12)

Table 12. The Benefits and Costs of the Cross-Strait Trade Agreement in Services Perceived by Taiwan Public

Institution	TVBS	TISR			
		2013/6	2014/3	2014/3	2014/6
Dimension	Economy	Economy	Economy	Security and sovereignty	Economy
Costs bigger	48%	47.4%	35.8%	50.0%	43.2%
Benefits bigger	27%	24.9%	32.7%	21.2%	34.7%
More or less	n.a.	3.3%	4.9%	3.3%	3.0%
No response	25%	24.4%	26.6%	25.4%	19.1%

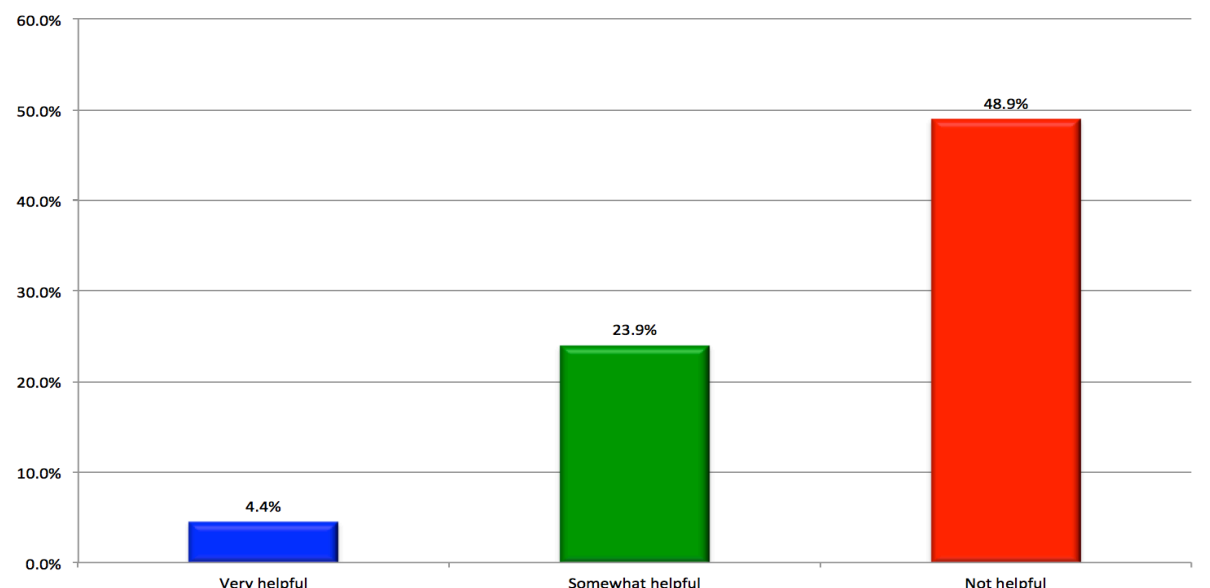
Source: TVBS, news release; Taiwan Indicator Research Survey, news releases.

I speculate there are five major reasons for most of Taiwan public to perceive the costs of the CSTAS bigger than the benefits in terms of economy, security and sovereignty.

A. Taiwan public lost confidence in Ma's promise

Most of Taiwan public lost their confidence in the Ma Ying-jeou administration in fulfilling its promise to bring economic benefits of cross-Strait economic integration to Taiwan. According to the poll survey in June 2013 by the TISR, 48.9% of respondents stated that the ECFA was not helpful for Taiwan's economy, while 28.3% stated the opposite. Because the Ma Ying-jeou administration exaggerated the benefits of the ECFA and the benefits of the CSTAS assessed by the CIER were very trivial (0.025-0.034% of GDP growth contribution to Taiwan), Taiwan public might lost their confidence on the new promise of economic benefits and other spillover effects of the CSTAS conveyed by the Ma administration. (See Figure 3)

Figure 3. The Effect of Cross-Strait Economic Cooperation Framework Agreement Perceived by Taiwanese



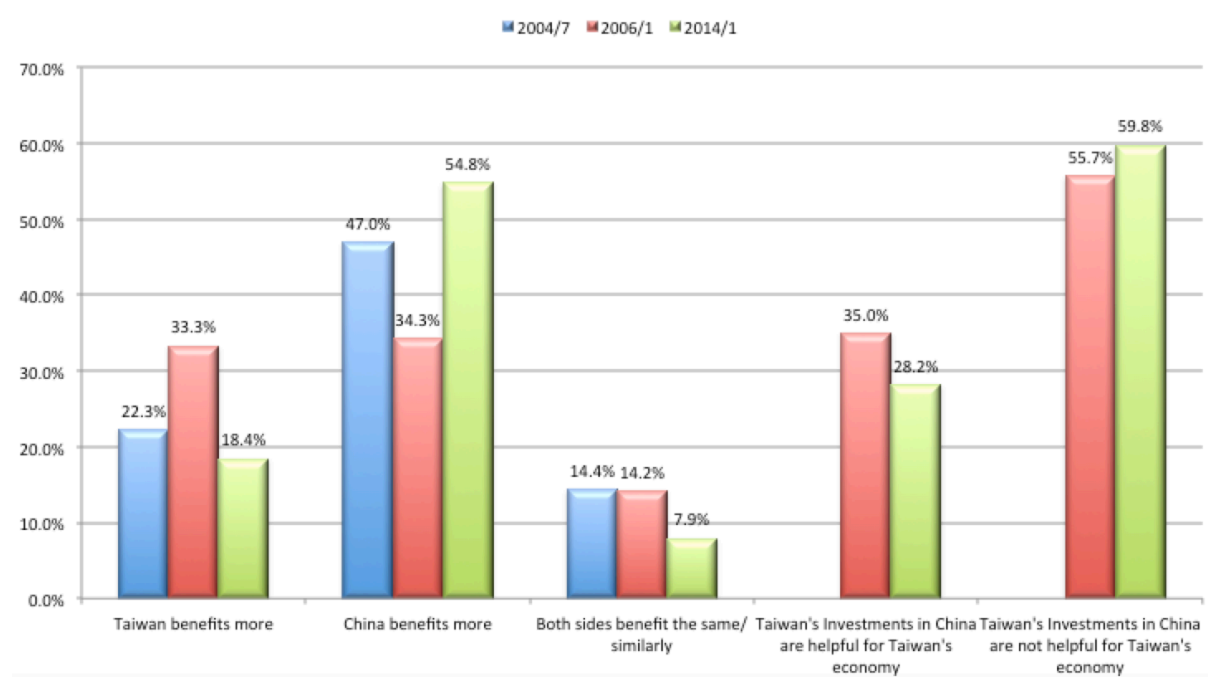
Source: TISR, News Release, June 2013.

B. China benefited more than Taiwan

The Ma administration advocated that opening and facilitation of cross-Strait economic exchange would be in Taiwan's favor and benefit. Nevertheless, most people in Taiwan perceived that China benefited more than Taiwan in cross-Strait economic integration. According to the polls of the TISR, in July 2004 and January 2006, 47% and 34.3% of respondents stated that China benefited more than Taiwan in cross-Strait economic exchange, respectively, while 22.3% and 33.3% stated the opposite. In January

2014 (8 years later), 54.8% (up from 34.3% in 2006) of respondents stated that China benefited more than Taiwan, while only 18.4% (down from 33.3% in 2006) stated the opposite. Furthermore, in January 2006, 55.7% of respondents stated that Taiwan's investments in China were not helpful for Taiwan's economy, while 35% stated the opposite. In January 2014 (8 years later), Taiwan public became more pessimistic with 59.8% of respondents stating that Taiwan's investments in China were not helpful for Taiwan's economy, while only 28.2% stated the opposite. With these poll results, Taiwan public might not be supportive of further deepening cross-strait economic integration. (See Figure 4)

Figure 4. Benefits Distribution between Taiwan and China of Cross-Strait Economic Exchange



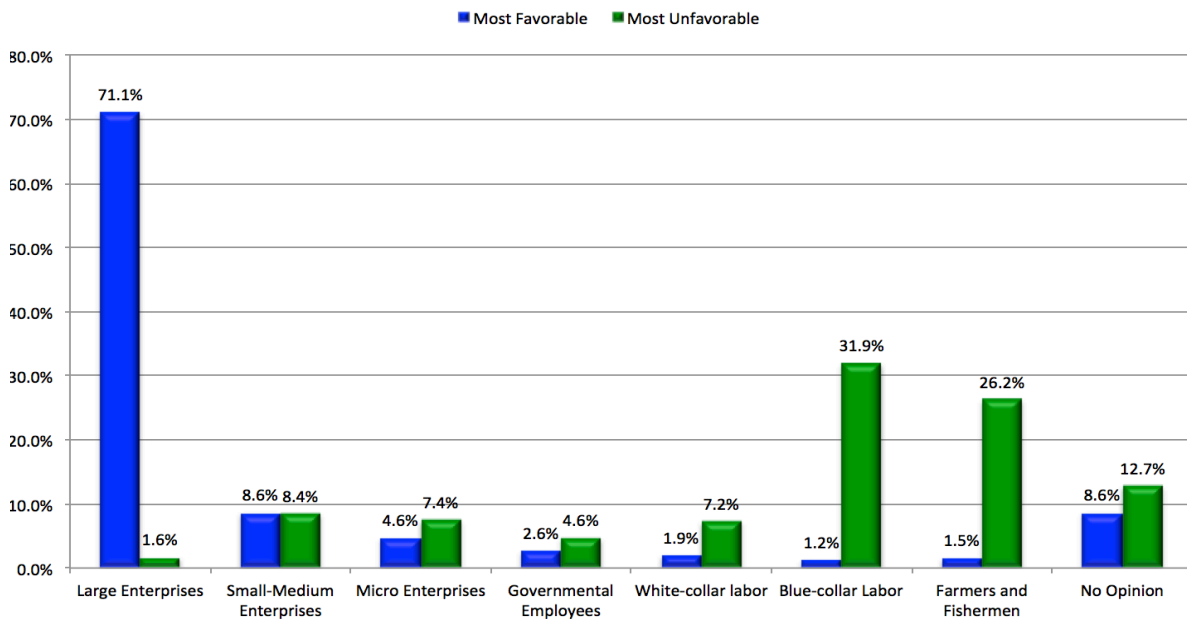
Source: TISR, various News Releases.

C. Capitalists benefited most and labors suffered most

Even if cross-strait economic integration might bring benefits for Taiwan's overall economy, but it would also bring (adjustment) costs for Taiwan's different sectors and various groups. Most people in Taiwan perceived that these benefits and costs were extremely unequally distributed among various groups in Taiwan. According to the poll

conducted in September 2013 by the DPP, 71.1% of respondents stated that cross-Strait economic exchange would be most favorable to large enterprises, 8.6% small-medium enterprises, 4.6% micro enterprises, smaller than 3% to the rest of groups; by contrast, 31.9% of respondents stated that cross-Strait economic exchange would be most unfavorable to blue-collar labor, 26.2% farmers and fishermen, 8.4% small-medium enterprises, 7.4% micro enterprises, 7.2% white-collar labor, only 1.6% large enterprises. It was quite obvious that Taiwan's labors, farmers and fishermen, and small-medium enterprises would shoulder most costs of cross-Strait economic integration while mainly large enterprises would reap the benefits. Obviously, labors and other losers would oppose further opening of cross-Strait economic exchange. (See Figure 5)

Figure 5. Benefits and Costs Distribution among Taiwan's Various Groups of Cross-Strait Economic Exchange



Source: Democratic Progressive Party, news release.

D. Taiwan public had strong concerns of economic security and sovereignty risks

In terms of economic security and sovereignty risk of cross-Strait economic integration for Taiwan, it would be very difficult to assess the risk in advance. Most studies focus on the impact of the asymmetric economic relationship between China and

Taiwan; specifically, the impact of Taiwan's growing economic dependence on China upon Taiwan's national security (Zhao 2000; Tung 2003; Tanner 2007). Based upon the study on historical cases, Tung (2008) shows that the probability for successful economic sanctions is only 4.6 to 10.4 percent.

In the case of cross-Strait economic relationship, there are different views as to whether China has ever employed economic sanctions to punish Taiwan for its (potential) attempt to move towards independence. Tanner (2007) argued that in the wake of the 2000 presidential election in Taiwan, Beijing turned to more open threats of "punishing" those top Taiwan CEOs who frustrated Beijing by providing public endorsements that proved crucial in helping the DPP candidate Chen Shui-bian's election. China, however, did not follow up on these threats with concrete sanctions.

Beijing at the same time continued to pacify Taiwanese businesses. Led by its leader Hu Jintao, China reiterated that its "policies aiming to protect Taiwanese business people and to promote cross-Strait economic cooperation and Taiwanese investment in China will continue." The principle that "politics will not influence economy" was also emphasized with a view to stabilizing the confidence of Taiwanese business leaders. The Taiwan Affairs Office under China's State Council further "clarified" that China had no intention to block business people who were alleged to support the pan-green camp. Only those who supported Taiwan independence with concrete action were not welcomed.

Insofar as the outcomes of economic sanctions are concerned, Tung (2008: iv) argued, given the cross-Strait enmity, the necessary condition for China's sanctions to be effective in incurring Taiwan's *moderate* concessions is China enjoying a large gap of costs in its favour. Moreover, very little evidence shows that sanctions against Taiwan from China would be successful while much evidence shows China's sanctions would fail in the future. Tung concludes that China has no economic leverage over Taiwan through imposing economic sanctions and Taiwan's vulnerability to China's exploitation of its economic leverage through imposing economic sanctions is almost nonexistent.

However, after 2003, China obviously changed its strategy, using economic

inducements as much as economic sanctions now. Hu’s cross-Strait economic policy, as exemplified by the Economic Cooperation Framework Agreement signed in 2010, is a good example. By using the “carrot” of economic enticements, China hopes that it can manage to blunt Taiwan’s independence movement and lay the foundation for the eventual unification.

It is not only a stake of academic research result (with research limitations) as stated above, but also a stake of Taiwan public’s perception and concerns. With uncertainties and risks ahead for cross-Strait economic integration, Taiwan public might be risk averse. If Taiwan would not depend economically on China in a large degree (currently at around 40%) or Taiwan can join the Asian economic integration regime, then Taiwan people’s concerns on economic security and sovereignty would not be so strong. Most of Taiwan’s people are not afraid of liberalization per se, but have too much stake of cross-Strait economic integration on security and sovereignty. According to polls conducted by the TISR in July 2014, with expected signing of the Korea-China EIA, 67.6% of respondents supported that Taiwan should signed EIAs with other countries even with the impact on some domestic industries. In addition, 50.6% of respondents were concerned that Taiwan’s exports were over-dependent on China and caused Taiwan’s economic and political risks. Finally, if China publically supported Taiwan’s participation in transnational economic cooperation, 44.0% of respondents supported Taiwan to sign the CSTAS while 39.3% stated the opposite. In comparison, GRI’s polls of the same month showed that, without China’s goodwill gesture on Taiwan’s participation in the Asian economic integration regime, 44.5% of respondents did not support the CSTAS while 32.1% supported. (See Table 12)

Table 12. Taiwan Public’s Perception on Cross-Strait Economic Integration: July 2014

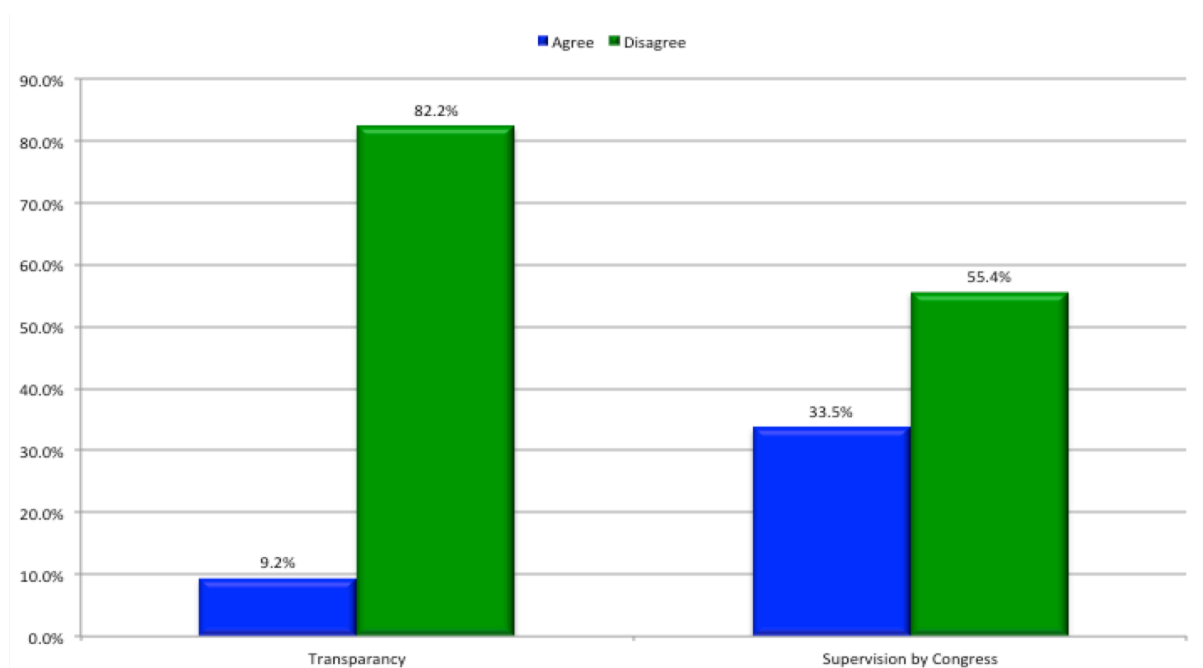
Should Taiwan sign EIAs with other countries, with impact on some domestic industries?	Agree	67.6%
	Disagree	13.2%
Is Taiwan’s export over-dependent on China and causing Taiwan’s economic and political risks?	Agree	50.6%
	Disagree	27.8%
If China publically supports Taiwan’s participation in the transnational economic cooperation, will you support the CSTAS?	Agree	44.0%
	Disagree	39.3%

Source: TISR, news release, July 31, 2014.

E. Insufficient transparency and inadequate supervision

With Taiwan public's non-confidence in President Ma, unequal gains between Taiwan and China, unequal gains between capitalists and labors in Taiwan, economic security and sovereignty concerns in Taiwan, Taiwan public were quite concerned about sufficient transparency of cross-Strait negotiations and adequate supervision of cross-Strait policy decision-making to safeguard their personal interest as well as Taiwan's national interest. According to the DPP's survey conducted in September 2013, as high as 82.2% of respondents disagreed the sufficient transparency of cross-Strait policy decision-making, while 9.2% agreed; and 55.4% of respondents disagreed the adequate supervision of cross-Strait policy decision-making by Taiwan's Congress, while 33.5% agreed. (See Figure 6)

Figure 6. Taiwan Public's Perception on Transparency and Supervision of Cross-Strait Policy Decision-making



Source: Democratic Progressive Party (2013).

When the KMT and the CCP interacted intimately and often reached consensus in the joint forum of cross-Strait economic cooperation with participation (and influence) of many tycoons of Taiwan and the Ma administration basically followed the KMT-CCP

consensus for cross-Strait negotiations, Taiwan's public were very suspicious about their personal interest and Taiwan's national interest being sacrificed in exchange of Taiwan tycoons' preferential treatments in China. That was why the first and major appeal of Taiwan's Sunflower Student Movement⁶ in the spring of 2014 was to break the black box of cross-Strait policy decision-making and negotiations to safeguard their own interest and Taiwan's sovereignty.

The Sunflower Student Movement was driven by a coalition of students and civic groups occupying the main conference chamber of the Legislative Yuan between March 18 and April 10, 2014. The activists protested the passing of the CSTAS by the ruling party KMT at the legislature without clause-by-clause review. On April 6, Legislative Speaker Wang Jin-pyng promised to postpone review of the trade pact until legislation monitoring all cross-strait agreements has been passed. In response to the April 6th concessions from Speaker Wang, the protesters vacated the Legislative Yuan on April 10.

Nevertheless, the Oversight Act for Agreements Between Taiwan and Mainland has not been reviewed and passed in the Legislative Yuan as of September 2015. Without the passage of the Oversight Act, it would be impossible for any major agreements between Taiwan and China to be passed in the Legislative Yuan, including the CSTAS and a potential trade agreement in goods. That is, cross-Strait economic negotiations and further opening have been stagnated and deadlocked since June 2013. Without resolving the above five issues, it might be very difficult to change the dynamics of political support from Taiwan public in favor of further deepening and expanding cross-Strait economic integration as well as more cross-Strait economic integration agreements.

V. Conclusions and Implications

President Ma advocated that deepening cross-Strait economic integration would bring economic benefits for Taiwan and positive spillover effects for Taiwan's participation in the Asia-Pacific economic integration regime. During Ma's presidency of last 7 more years, Taiwan has adopted more opening policy for cross-Strait economic

⁶ The term "Sunflower Student Movement" referred to the use of sunflowers by the protesters as a symbol of hope as the flower is heliotropic.

integration. In addition, both sides across the Taiwan Strait have signed 23 economic and cooperation agreements to institutionalize and facilitate cross-Strait economic integration.

Nevertheless, most of the expected economic and spillover benefits were not realized and Taiwan public's concerns of economic costs, income distribution, security and sovereignty overwhelmed the political agenda in Taiwan. As a result, most of Taiwan public would not support further deepening and expanding of cross-Strait economic integration without sufficient transparency of cross-Strait negotiations and adequate supervision of cross-Strait policy decision-making. At the end, without passing the Oversight Act for Agreements between Taiwan and Mainland in the Legislative Yuan, cross-Strait negotiation of a free trade agreement in goods and further deepening economic integration have been stagnated since June 2013.

However, Taiwan is facing a fatal crisis, which is evident with historical lowest investment rates in Taiwan, unattractiveness of Taiwan to foreign investments (and talents), and massive capital (and talents) flowing out of Taiwan. Economic exchanges across the Taiwan Strait have been mostly driven by private sectors across the Taiwan Strait, not the governments across the Taiwan Strait. Even the Taiwan government would not further liberalize and facilitate cross-Strait economic exchange, Taiwan's staggering challenge of economic marginalization would not be less; i.e., Taiwan's capital and talents might continue to massively flow out of Taiwan.

By contrast, China is a very important market and production basis for Taiwanese and foreign businesspeople and Chinese talents and capital could be an essential element for Taiwan's economic development. To improve Taiwan's international competitiveness, Taiwan has to maintain equal or preferential access to China's market and production resources compared to other economies and to cautiously open to China's talents and capital to Taiwan. Furthermore, Taiwan has to gain China's (tacit) consent or at least non-objection for Taiwan's participation in the Asia-Pacific economic integration regime.

To maximize opportunities and minimize pitfalls of cross-Strait economic

integration, Taiwan should have adequate comprehensive strategies and policies. With respect to cross-Strait economic integration, the Taiwan government should have three simultaneous policy goals: to create the overall economic benefits significantly bigger than the costs, to adequately subsidize and assist potential losers in Taiwan, and to better address Taiwan public's concerns of security and sovereignty.

To achieve the above three policy goals, strategically speaking, Taiwan should adopt a balance approach of three policies: large-scale economic structural reforms in Taiwan, cross-Strait economic integration, and Taiwan's economic integration with other major economies in Asia-Pacific area. Without large-scale economic structural reforms in Taiwan, Taiwan would lose competitiveness, efficiency, and vitality vis-à-vis other economies in Asia, and Taiwan's capital and talents would continue to flow out. Parenthetically, Taiwan's economic structural reforms should include at least deregulations and liberalizations. Without cross-Strait economic integration, Taiwan might lose equal or preferential access opportunity to China's markets and talents. In addition, without China's tacit consent or non-objection, it will be very difficult for Taiwan to participate in the Asia-Pacific economic integration. Without Taiwan's participation in the Asia-Pacific economic integration, Taiwan public would not feel confident in deepening and expanding cross-Strait economic integration. In addition, without Taiwan's participation in the Asia-Pacific economic integration, the prospect of Taiwan's economy is dismal and Taiwan public would continue to lose their confidence. Therefore, Taiwan should adopt a balance approach to advance these three policies simultaneously.

In terms of concrete policy measures on cross-Strait economic integration, the Taiwan government should

1. provide more comprehensive assessment on the political-economic effect of cross-Strait economic integration,
2. better coordinate various governmental departments in forming an excellent negotiation strategy with China,
3. provide supplementary measures and adjustment assistance for losers in the process of cross-Strait economic integration,
4. proactive communicate and build consensus with Taiwan public and industries

- through public hearings, consensus-building meetings, and opinion polls,
5. be sufficiently transparent in the negotiation process and results,
 6. be adequately supervised by the Legislative Yuan with close briefing on negotiation progress of cross-Strait agreements for leading legislators of both the ruling party and the opposition parties,
 7. regularly review and publicize the effect of the implementation of cross-Strait economic integration and agreements with participation of civic organizations, industrial representatives, experts and scholars.

Finally, in order to reduce the risks and uncertainties of cross-Strait economic integration and provide concrete examples of benefits and costs of cross-Strait economic integration in terms of both economic and political dimensions, Taiwan should take some policy and area experiments in trial bases at incremental paces. If not consolidating sufficient domestic consensus on cross-Strait economic integration policies or agreements through public hearings, Legislative Yuan, or public opinion polls, the Taiwan government might consider Kinmen as an excellent candidate for various trial programs of cross-Strait economic integration.

With opportunities and pitfalls, cross-Strait economic integration is definitely quite challenging and politically sensitive. To overcome this staggering challenge and seize the potential opportunities for Taiwan, it requires competent, delicate, sophisticated and determined leadership in Taiwan.

Acronym

ASEAN	Association of Southeast Asian Nations
CIER	Chung-hua Institution for Economic Research
CSTAS	Cross-Strait Trade Agreement in Service
DPP	Democratic Progressive Party
ECFA	Economic Cooperation Framework Agreement
EIA	economic integration agreement
EU	European Union
FDI	foreign direct investment

GRI	Grassroots Impact Foundation
KMT	Kuomintang
RCEP	Regional Comprehensive Economic Partnership
TISR	Taiwan Indicator Survey Research
TPP	Trans-Pacific Strategic Economic Partnership Agreement
USA	United States of America
WTO	World Trade Organization

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