TAIWAN IN 2011-2012: CROSS-STRAIT RELATIONS CONTINUE TO DOMINATE

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Executive Summary

1. With the signing of the Economic Cooperation Framework Agreement (ECFA) in June 2010, China has lowered its tariffs on 539 items and Taiwan has done likewise for 267 items since January 2011. In terms of trade in services, China opens up 11 service sectors for Taiwanese investments while Taiwan opens 9 sectors.

2. While the Ma administration claims that ECFA is a means to promote Taiwan’s economic growth, the Democratic Progressive Party (DPP) continues to blame the Kuomintang (KMT) government for its underestimation of the negative impact of the agreement on Taiwan.

3. It is too early to assess the impact of ECFA on Taiwan due to the relatively trivial share of early harvest products on total trade. The short term changes in trade between Taiwan and China are thus more politically symbolic than substantive.

4. Despite these rapidly growing cross-strait economic exchanges, limited progress on the political front has been made. Polls indicate that 66% regard eventual unification as an unnecessary option. Even if the DPP wins the 2012 presidential election, cross-strait economic integration is likely to continue so long as the DPP does not move towards de jure independence.

5. The Obama administration’s decision to sell arms to Taiwan—a partial fulfillment of Taiwan’s request—in September 2011 was enough to draw flak from the Chinese government which vowed retaliation.

6. In spite of the cancellation of pre-scheduled meetings, visits and naval exercises, Beijing seems unwilling to derail Sino-American relations. Reactions were more rhetoric admonitions than actual sanctions.
7. Taiwan will hold its 13th presidential election in January 2012. Ma Ying-jeou (马英九), the Kuomintang candidate (KMT), advocates closer cross-strait relations via ECFA. Tsai Ying-Wen (蔡英文), the DPP candidate, proposes a “Taiwan Consensus” before further cross-strait negotiations are to take place.

8. Tsai’s apparent repudiation of the 1992 Consensus has infuriated Beijing which vows to halt current exchanges if the DPP wins the election. In spite of its reiteration to uphold the 1992 Consensus, Beijing consistently insists that it is not intervening in the 2012 election.

9. James Soong, the presidential candidate for People First Party (PFP), is believed to have split the pan-blue camp and Ma’s supporters, and will risk Ma’s chance of winning. Soong, a critical minority, focuses more on the domestic agenda and blatantly announces that ultimate reunification with China is one of his future choices.

10. The presidency is obviously not a cushy job as severe challenges await the new leader. Pressing social issues like youth unemployment, unequal wealth distribution and a vulnerable agricultural industry need to be addressed. The new leader will also face rising pressure to initiate political talks across the strait amid Beijing’s tougher stance on Taiwan’s independence.