

TAIWAN BRAIN TRUST

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China's Pledge to Make Concessions (讓利) on ECFA – Domestic and International Effects

Recently the timetable of Taiwan's Ma Ying-jeou Administration for signing an Economic Cooperation Framework Agreement (ECFA) with China has been affected by some subtle developments. Members of the Ma government, which had previously been criticized at home for showing little interest in explaining government policies to the public, went on an information drive in the countryside after the Lunar New Year. But the Ma government's campaign to communicate its policies still adopted a top-

down approach. Kicking off in constituencies where the ruling KMT has its political base, the campaign drew controversy because it was combined with lotteries and raffles organized by the district offices of KMT lawmakers. Despite all that the Ma government declared that ECFA would be put on the agenda of the fifth meeting between Chen Yunlin, chairman of China's Association for Relations Across the Taiwan Straits (ARATS), and Chiang Pin-kung, chairman of Taiwan's Straits Exchange Foundation (SEF), in May and that it would be formally signed in June. When questioned in the legislature by opposition lawmakers Premier Wu Den-yih and Mainland Affairs Council (MAC) Chairwoman Lai Shin-yuan gave guarantees that the text of ECFA would not contain political terms such as "one country, two systems" or "peaceful unification" or else they would step down. At the same time some 50 civic groups opposing the lack of transparency regarding the ECFA process, including the opposition Democratic Progressive Party (DPP) and the Taiwan Solidarity Union (TSU), took a mass "anti-ECFA" pledge to promote a signature drive for a referendum on the economic pact.

Furthermore Chinese leaders have recently rolled out another soft propaganda ECFA campaign directed at Taiwan. Meeting with Taiwanese investors during a visit to Zhangzhou in Fujian Province before the Lunar New Year, Chinese President Hu Jintao had the following to say about the planned agreement: "We will fully take into account the interests of our Taiwanese compatriots, in particular those

of our farming brothers in Taiwan. We need to get this great endeavor done.” In an online talk with netizens on xinhuanet.com on Feb. 27, Chinese Premier Wen Jiabao said that ECFA would consider the different size of the two economies across the Taiwan Strait. He clearly stated that “the mainland could sacrifice some of its interests” in the ECFA negotiations for the sake of Taiwan's small and medium sized enterprises and the general public, in particular farmers. On March 4, ARATS Chairman Chen said that Taiwan and China would likely sign ECFA in May or June.

But as to what “sacrificing interests” embodied he brushed away the question vaguely saying that “The two sides have their respective concerns which must be negotiated by experts from both sides.” On March 5 Wang Yi, director of the Taiwan Affairs Office under the Chinese State Council, summarily described the ECFA process as “equal and mutually beneficial, reasonable and fair” and that with a demonstration of goodwill the deal could be easily done. He also said these were the guiding principles of China's policy toward Taiwan.

As China marked the fifth anniversary of the passage of the Anti Secession Law on March 14, Wen reiterated before the National People's Congress that China would “sacrifice interests” to Taiwan including tariffs reductions and exemptions and approving the implementation of early harvest lists. Wen went on to compare the two sides of the Taiwan Strait to “brothers.” He hinted at future unification when urging that the 5,000-year Chinese culture shall not be abandoned because of the politics of the past 50 years. In response the Ma government said that it would describe the ECFA process as “equal and mutually beneficial negotiations between the two sides of the Taiwan Strait in the best interests of Taiwan” and not use the wording “sacrificing interests.” Meanwhile Legislative Yuan President Wang Jin-pyng of the KMT noted that generally speaking

Taiwanese society is worried that ECFA will cause Taiwan to lose its de facto sovereignty and that the government ought to dispel these misgivings. Wang also urged the government to reconsider its opposition to establishing a cross-strait monitoring task force in the legislature. The DPP for its part criticized the Ma government for deliberately scheduling the signing of ECFA in June when the Legislative Yuan is in recess in order to circumvent parliamentary oversight and let the pact take effect automatically.

Concession on ECFA will cover only the Taiwanese farming interests that Hu promised to look after.

ECFA debate
has become
even more

controversial since China said it would make concessions “by sacrificing interests” to Taiwan. Taiwan Brain Trust expects the promised concessions to have the following negative effects for Taiwan both at home and abroad:

Concessions? Taiwan to Trade Political Status for Chinese Concessions

ECFA Process Gaining Speed

Thanks to cooperation between the KMT and the Chinese Communist Party (CCP) the signing of ECFA is drawing closer quickly. Chinese leaders Hu and Wen have both signaled that China is ready to make concessions by “sacrificing some of its interests,” while Taiwan Affairs Office head Wang coining the catchphrase that the ECFA process is “equal and mutually beneficial, reasonable and fair, with a show of goodwill, we will get there.” Ma has also said that he hopes that ECFA can be signed in May or June, thus giving the lie to his earlier statements that the government had no timetable. With the Ma government and the Chinese government stepping up their pace, the ECFA topic quickly gained ground. It is highly likely that the pact will be discussed in May and signed in June as scheduled by the two sides.

Concessions Likely to Cover Only Farm Products

Overall official Chinese statements on the so-called concessions smack of being specifically targeted at Taiwanese farmers. They are meant as a direct response to the two principles that Ma stated in a bid to win support for ECFA among the Taiwanese people, namely no further market opening to Chinese farm products and no market opening to Chinese workers. But we fear that the scope of China's "concessions" will cover only Taiwanese farmers.

The quite guarded statements by Taiwan Economics Minister Shih Yen-shiang in the legislature regarding the early harvest lists also mean that the Ministry of Economic Affairs (MOEA) does not dare to be optimistic about the scope of the concessions, and that it concluded after an evaluation that they will cover only the Taiwanese farming interests that Hu promised to look after. It is feared that in negotiations on non-agricultural items such as immediate tariff reductions and exemptions for industrial products, market entry for

Taiwan's financial services industry at better conditions than WTO terms, and Taiwan's early harvest list, China will insist on the basic principles stated by Wang, namely an "equal and mutually beneficial, reasonable and fair" process.

Inclusion of Investment Guarantees, IP Rights Protection Doubtful

Ma once said that ECFA would cover three main areas: First, tariff reductions and exemptions; second, investment guarantees; third, intellectual property rights protection. But as Economics Minister Shih and Wang Mei-hua, director-general of the Intellectual Property Office under the MOEA, have revealed, the pact will only cover the following: Taiwan will seek to get intellectual property rights protection into the ECFA framework and will demand negotiations on the issue

at the fifth Chiang-Chen talks. But they also admitted that IP rights are not likely to make it into the early harvest list. This shows that the inclusion in ECFA of investment guarantees and IP rights protection, which matter most to Taiwan, might only be Ma's wishful thinking. And China will obviously not agree to the Ma government's idea of including a termination clause in the pact. It is highly likely that the conclusion and signing of agreements on investment guarantees and IP rights protection under ECFA will eventually be shelved for some obscure reasons just like the cross-strait taxation agreement that was originally supposed to be signed at the 4th Chiang-Chen talks.

Cementing Ma's Pro-China Course, Narrowing Taiwan's Options for the Future

Since Hu made his six point proposition to Taiwan in late 2008 China has wanted to copy the model of its Comprehensive Economic Cooperation Agreement (CEPA) with Hong Kong, which uses economic integration to make

the former British colony completely dependent on China. Beijing has sped up efforts to use the same approach to achieve its goal of turning Taiwan into its economic satellite. Agriculture is, of course, far from being China's main focus of attention regarding Taiwan. The pledged concessions mean not more than that China does not want the secondary agricultural issues to impede ECFA negotiations. Beijing hopes that the deal will be done and dusted before Taiwan's year-end municipality elections. Or else the agreement could be postponed and become an election topic in the municipal elections or even in the presidential election in 2012.

Trading Taiwan's Sovereignty for Chinese Concessions?

Ma's approval ratings are plummeting and that he must use an ECFA to divert attention from his policy failures.

China's political goals show that all that Beijing wants is using ECFA to thoroughly lock up the Ma government to ensure a continued pro-China course, to make Taiwan economically dependent and to narrow the future development options for the Taiwanese economy. These are also the Taiwan people's deepest concerns regarding ECFA and the biggest source of public distrust in the Ma government. As a result of hasty cross-strait exchanges, Taiwan will be forced to trade in its political status for continued economic interests in the not too distant future. Beijing and the Ma government are singing the same tune, using the mention of concessions to woo public support. Yet considering the goals of China's united front tactics toward Taiwan this is not more than a skillfully packaged political ruse.

ECFA and Taiwan's footnote in history

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Op-ed in the Taipei Times

Monday, Mar 15, 2010, Page 8

Last year, President Ma Ying-jeou promised to explain the economic cooperation framework agreement (ECFA) to the public. Unfortunately, he has failed to change his top-down approach to policy explanation, and even used public funds in combination with lottery prizes to promote the policy in pan-blue strongholds.

Premier Wu Den-yih and Mainland Affairs Council (MAC) Chairwoman Lai Shin-yuan have guaranteed that an ECFA will not contain any political references, most notably to unification, and the leadership in Beijing has launched its own charm offensive by offering benefits to Taiwanese farmers. It goes without saying that the Chinese Nationalist Party (KMT) and the Chinese Communist Party (CCP) will not be so naive as to make any political references in an ECFA. The thing that is most likely to hurt Taiwan is how Beijing uses the agreement in its international manipulations

once it has been signed.

For example, look at how China used the joint statement signed by US President Barack Obama and Chinese President Hu Jintao during Obama's visit last year. The statements about respecting the integrity of Chinese sovereignty and territory have been used by Beijing to score political points over the past few months as Obama announced US arms sales to Taiwan and met with the Dalai Lama. Although US has repeatedly said that the statement in the joint declaration only applies to Tibet and Xinjiang, not Taiwan, Beijing frequently mentions the joint declaration together with the three Sino-US joint communiques, effectively treating it as a de facto fourth communique.

Beijing first said it would break off military exchanges with US to protest the US sale of arms to Taiwan, but then agreed to a visit earlier this month by US Deputy Secretary of State James Steinberg and Jeffrey Bader, senior director for Asian affairs at the US National Security Council. US wanted to discuss Iran, North Korea and the second meeting of the US-China Strategic Economic Dialogue, but in the six meetings held, 90 percent of the time was spent discussing US arms sales to Taiwan. Chinese foreign affairs officials from Dai Bingguo, a state councilor with responsibility for foreign affairs, to Foreign Minister Yang Jiechi accused US of violating the joint statement by selling arms to Taiwan, while US officials kept their silence in order to win Beijing's cooperation on other issues.

Beijing is well aware that Ma's approval ratings are plummeting and that he must use an ECFA to divert attention from his policy failures. Indeed, they are using this to their advantage as with US eagerness to gain Chinese cooperation in the resolution of sticky foreign affairs issues. This is precisely why China is now giving Ma a helping hand by offering benefits to Taiwanese farmers.

Even if the ECFA does not include any politically sensitive