The Role of the United States in Cross-Strait Economic Integration


Chen-Dong Tso
Professor
Department of Political Science
National Taiwan University
Given its groundbreaking nature, the process of cross-strait economic integration no doubt creates political backlash. Most of the backlash occurs within Taiwan but some of it outside Taiwan. The U.S.-Taiwan economic relation is one arena that is most likely subject to the backlash. The reason is simple but paradoxical. For one thing, economic integration across the Taiwan Strait naturally leads to political rapprochement, which is the ultimate goal of U.S. support for Taiwan but also can be used to reduce legitimacy of U.S. support. For the other, a strong cross-strait economic tie enhances Taiwan’s competitiveness, which can be a powerful driver for U.S. investment in, and consequently trade with, Taiwan. Furthermore, if cross-strait economic integration has strong impact on U.S.-Taiwan relation, one can hardly imagine that the U.S. would stand still without any response. How the U.S. responds can be conceived in two opposite directions. In one direction, the U.S. could exert its strong influence over Taiwan to slow down the process without changing its approach trade relation with Taiwan. In the opposite one, the U.S. may choose to boost its trade relation with Taiwan in parallel to reap the dividend of cross-strait economic integration. Last, how the U.S. responds would have impact on Taiwan in its dealing with cross-strait relation. All in all, the chain effect created by the U.S. and Taiwan should be considered as reaction to a developing FTA between mainland China and Taiwan. This paper traces the role of the U.S. in these dimensions as laid out above. Before the analysis sections, the following one introduces the literatures on FTA proliferation.

**Theorizing on FTA proliferation**

In the booming field of regionalism study, much has been written about forces driving countries to run into free trade agreement (FTA). Within a broad range of theory-building endeavors, how to explain FTA diffusion has taken the central stage of theoretical inquiries amid the rapid spread of FTAs at global scope. Regarding the question on FTA formation, the term “domino effect” is pivotal to subsequent theoretical works. As coined by Richard Baldwin, the domino effect highlights the demand posed by the export sector for FTAs to counter the disadvantage placed by pre-existing FTAs countries that their competitors signed earlier. Underlying the Baldwinian domino effect is an economic model in which incumbent firms lobby not for obtaining pure gain, but for compensating pure loss. By this logic, the trade diversion effect of a FTA on the signing country’s major trading partners is critical to pushing over the domino.

Studies on economic integration process in Europe vindicate the working of a domino effect by which non European Community (EC) members rush into EC for inclusion after feeling the negative impact of the increasingly integrated EC. Furthermore, Chen and Joshi pinpoint two effects a pre-existing FTA may have on subsequent FTAs, namely, the loss-sharing effect and the concession-erosion effect. The loss-sharing effect portrays the situation where a country may share loss in home profit in a potential FTA through a pre-existing FTA with another partner. The concession-erosion effect, in turn, argues that a country may see its concession

---

obtained from a potential FTA partner erode if this partner has in place a pre-existing FTA with another country. With the two effects at work, it is predicted that the party with pre-existing FTAs has stronger incentive to join in a potential FTA whereas the one without has less incentive to do so.4

As much as FTAs are formed for economic and political reasons, they can be proliferated for both reasons. However, unlike the economic accounts that are relatively clear-cut as laid out above, the political accounts for FTA proliferation tend to be elusive and derived indirectly from political implications of pre-established FTAs. First, a potential FTA may create economic dependence of a junior member upon the superior one by having the former benefit from a FTA more than the latter. As a result, the junior partner becomes much more vulnerable to disruption of this FTA than the superior one.5 With this picture in mind, a strong political cause may drive the abovementioned junior partner or the superior partner’s political foe to form another FTA in the aim of offsetting the unwanted strategic effect of the first FTA.

Second, in face of the fading common threat that once hold an alliance together, the alliance members may form FTAs to redefine and to beef up the weakening alliance.6 Following the same line, subsequent FTAs may arise in response to such alliance-centered FTA in two directions. In one direction, the country of the targeted threat would feel threatened again by the FTA and thus prompted to counteract by forming another FTA. The Japan-Australian FTA is arguably having such threat-creating chain effect.7 In the other direction, the alliance’s leader may be pressured to forge FTA with one follower member within the alliance shall this member’s economic competitor, also a follower member within the same alliance, have obtained a FTA with the leader. The formation of US-Jordan FTA after the US-Israel FTA illustrated such connection quite well.8

Third, political-security concerns may be raised as important issues linked with a proposed FTA for the purpose of domestic mobilization and international negotiation. While such linkage can be either substantial or merely tactical, how the linkage is ingrained in the proposed FTA and whether it leads to cooperation or conflict have a lot to do with the underlying power relation between the linker and the linkee.9 Therefore, security factors can be applied purposely to facilitate formation of a new FTA that neither have enough domestic support nor display complementary interest between negotiating partners.

From a different angle, Mireya Solís and Saori Katada develop a dichotomy between emulation and competition. Underlying this dichotomy is a shift of explanans from domestic forces to external environment for FTA policies. Emulation process

occurs when countries copy FTA policies taken by their socio-cultural peers or leading countries through transnational policy networks. Those FTAs with characteristics of omni-direction and homogeneity are usually products of an emulation process. By contrast, competition process comes along when countries act to counteract FTA policies adopted by their economic and political competitors. In turn, those FTAs with characteristics of selectiveness and heterogeneity are usually products of a competition process.¹⁰

Several accounts have been laid out to explain FTA explosion in East Asia through the lens of the economic-security dichotomy. The economic account attributes the burgeoning free trade agreements to sectoral interest and rule-making competition. In the leading economies, free trade agreements are seen by the business sector as instrumental to bolstering their wide-stretched production network in the region and as effective means to responding to fast-growing integration projects in other regions. Often time, these agreements are more suitable for countries that have complementary industrial structures. However, the domino effect is obviously at work in the case of South Korea, which follows the course of China and Japan in pursuing bilateral FTA with other regional countries that have similar industrial structures.¹¹ Furthermore, Junji Nakagawa stresses on the rule-making orientation of competition that prompts the explosion of FTA in East Asia. Such effort stems from frustration of major East Asian countries with the failure of multilateral process to produce consensual regulation in issues like investment, anti-dumping, and many others. However, a difference in the degree of legalization also features the divide between Japan, Korea, and Singapore on the one hand, and China and ASEAN countries on the other hand.¹²

The political-security account, in turn, places the gravity of explanation in big-power rivalry. For example, John Ravenhill argues for the working of a political domino effect that leads to explosive growth of bilateral FTAs in East Asia. Whereas the slight economic impact of these FTAs and low utilization rate on the part of the business refute the claim of an economic domino effect, the fact that most region-wide projects are initiated by one of the “Plus Three” countries (China, Japan, Korea) with no involvement from the other two indicate a political domino effect.¹³ Such a political domino effect can be further decoded according to the size of members involved. For big powers, a FTA can serve to win over followers for one’s own FTA model and to heighten security alliance, whereas for small powers that are dependent upon a big power a FTA with that power is even more wanted.¹⁴

Nevertheless, Mike Mochizuki argues that the political-security competition has its limit in accounting for the spread of FTA in East Asia. One example is the caution and even reluctance with which US and Japan handle Taiwan’s perseverant FTA request for the strategic purpose of vulnerability reduction and isolation avoidance despite that both countries have long consider Taiwan de facto ally. Another example is the choosing of FTA partners by secondary states, which display the inclination to pursue FTA with all three major powers. By doing so, the secondary states have made the competition dynamics relatively modest.

Overall, as the conceptual anchor for theorizing FTA diffusion, the domino effect establishes its explanatory power on the basis of fear of trade diversion effect. The revised version of political domino effect centers its explanation on leading states’ reaction to competitors’ effort in building leadership. With the two combined, a puzzle occurs as to how a leading state would react if its competitors are not pursuing leadership but taking a followership course to curb trade diversion. In fact, Japan and Korea are considered leaders in Ravenhill’s political domino effect analysis but in the meantime followers to U.S. in security alliance. The concept of political domino effect has difficulty in predicting how China would react if Japan and Korea play a follower’s role by joining an U.S.-led FTA. Given that Japan and Korea are both strong performer in competing for U.S. market, such a case would also bring substantial trade diversion effect over China and therefore put China in a dilemma. To follow suit of Japan and Korea to join the same U.S.-led FTA, China would have to smooth the ill-feeling of being self-dwarfed. On the contrary, China would have to face strong strategic pressure of an FTA-enabled expansion of U.S. alliance.

For the secondary states, the story looks different in appearance. As Mochizuki argues, they form FTA with all three big powers. But this is the true only for the secondary states as a whole in the group of ASEAN. For individual secondary states, offering a compelling justification is usually necessary to obtain precious time of a big power to establish a one-to-one bilateral FTA to offset the pressure that the big may face to compensate competitors to the requesting secondary state. A justification as such may be to enhance a falling alliance with prominent strategic value or to reap fruits of market broadening that have little or even no price tag attached. As an initiator, a secondary state usually has two choices. One is to prove that a heightened common threat exists for both the secondary state and the big power so that a FTA to glue them both is has high value. With such a direful threat, it is likely that even domestic audience might be so persuaded as to waive concern over economic loss caused by the proposed FTA. The other is for the secondary state to present the FTA as a struggle for survival so that domestic opposition and sectoral interest against market liberalization are delegitimized, thus paving the way for signing a FTA biased toward the big power.

**U.S. concern about Cross-Strait Economic Integration**

The issues of concern to the U.S. with regard to ECFA are two-folded. For one, ECFA is the product of Taiwan’s decision to reduce restriction on Chinese imports and investment. Such effort by itself alone could benefit Taiwan greatly and a more prosperous Taiwan is no doubt in U.S. interest. Daniel Rosen and Nicolas Lardy, 15 Mike M. Mochizuki, “Political-Security Competition and the FTA Movement: Motivations and Consequences,” in Mireya Solís, Barbara Stallings, and Saori Katada eds., Competitive Regionalism: FTA Diffusion in the Pacific Rim, UK; Palgrave Macmillan, 2009, pp. 67
economists at Peterson Institute for International Economics, are famous of holding this view. However, with ECFA signed, Rosen and Wang raised that ECFA could cause a modest trade diversion effect on the U.S., impact on Asia Pacific economic leadership, and bring profound change in cross-strait relations. Rosen and Wang supplemented that the security and political consequence of normalization through ECFA is as deleterious to Taiwan as the previous status quo of being isolated from the regional FTA networks.

Moreover, Rosen and Wang cautioned that the clause of joint industrial cooperation in ECFA should be of concern to the U.S. should ensure that such clause is WTO consistent and precompetitive. This brings up another issue of concern for the U.S., that is, whether ECFA is WTO consistent. In the National Trade Estimate Report, the USTR point out that ECFA has not been notified to WTO in two consecutive years (2011 and 2012). This is placed in the introduction part of the report. However, the issues of ECFA and its notification have both been dropped from the National Trade Estimate Report since 2013.

One other issue raised regards the influence over Taiwan of the United States that has been decreasing. In a context of triangular relationship among the U.S., China, and Taiwan, the decreased U.S. influence is the other side of the coin of China’s increasing economic leverage over Taiwan. The two combined it could make cross-strait relation more violent and volatile. In line of this thinking, the U.S. should endeavor to foster its relation with Taiwan on trade and investment to keep the balance of the triangle relationship.

The above issues are well touched upon in statements by U.S. government officials over the course of cross-strait economic integration. One of the earliest US official statements on cross-strait economic integration appears in 2006. At a time when Taiwan lobbied strongly for US-Taiwan FTA, deputy U.S. trade representative Karan Bhatia expressed the view in his speech American Chamber of Commerce in Taipei that for the sake of US business interest and its own interest, Taiwan should lift ban on cross-strait economic exchange with China, including Taiwan's restrictions on technology transfers and investment in China, travel to Taiwan by Chinese employees of multinational firms, and the absence of direct transportation links between the two sides. Two months later, Bhatia reiterated the same position while questioned about prospect for U.S.-Taiwan FTA in his testimony before the House International Relations Committee.

19 USTR, National Trade Estimate Report - Taiwan, 2011 & 2012
20 USTR, National Trade Estimate Report - Taiwan, 2013 & 2014
Immediately after the two sides signed ECFA, the acting deputy spokesman of state department Gordon Duguid expressed welcome to the increased dialogue and interaction between the PRC and Taiwan.24 A month later, the deputy assistant secretary of state in East Asia David Shear reiterated U.S. positive assessment about ECFA as this agreement is in line with U.S. global strategy to promote trade and investment liberalization and hope it brings benefit to American companies. However, Shear notes that President Ma hopes to open the door to FTA talk with other countries after ECFA. Shear reiterates that WTO members are free to sign free trade agreement with each other and Taiwan should be able to that. 25 (A message hinted here is that there is no need to sign ECFA for the sake of opening the door to FTA talk with other countries.)

When the Cross-Strait Agreement on Trade in Service was signed in June 2013, the U.S. did not give any public remark. Nevertheless, the U.S. government expressed its stance on cross-strait relations in general in a number of statements by high-ranking officials when addressing the issue of Taiwan. In October 2013, the deputy assistant secretary of state Kin Moy expresses that improvement in cross-strait relation is very much in U.S. interest as cross-strait stability is essential to U.S. goal of promoting peace and prosperity in the Asia Pacific. He especially pointed out that there is no conflict between developing partnership with China and maintaining a strong unofficial relation with Taiwan.26 In March 14, 2014, Moy testified on cross-strait relations by highlighting a high number of economic and cultural cross-strait agreements signed (the service trade pact included) and the meeting between Taiwan’s Mainland Affairs Council Chairman Wang Yu-Chi and Taiwan Affairs Office Director Zhang Zhijun and considered these the product of Taiwan’s confidence in engagements with mainland China under U.S. support. He further stated that U.S. will continue to support cross-strait dialogue and Taiwan’s ability to engage in such discourse free from coercion.27

Four days after Moy’s testimony on Taiwan Relations Act before House, the anti-service trade pact students occupied the Legislative Yuan and Sunflower Movement broke out. The first U.S. response comes from the State Department Deputy Spokesperson Marie Harf, who replied that the U.S. supports Taiwan’s vibrant democracy, which allows for robust political dialogue on a range of issues. The agreement on cross-strait trade in services is an issue for Taiwan to decide. The U.S. hopes that the discussion can be conducted peacefully and civilly. In addition, the U.S. has welcomed steps taken by both sides on the Taiwan Strait to reduce tensions and improve relations.28 Later, the Assistant Secretary of State Daniel Russel testified that U.S. will continue to support cross-strait dialogues but added that these

are at a pace acceptable to people at on both sides of the Strait.  

However, during the question time of his testimony before Senate International Relations Committee, Daniel Russel urges the Sunflower activists to use their freedom of expression responsibly and behave in a civil and peaceful manner. In addition, Russel added that the United States does not take a view on any particular agreement and that the pace and scope of movement in cross-strait discussion must be one that is in accord with the comfort level and the wishes of the people on both sides of the strait.

In addition to the official statement, there are different opinions voiced out from the American side. David Brown, a professor at Johns Hopkins and board member of American Institute in Taiwan, wrote a letter to Nelson Report to question DPP’s obstructionism in Legislative Yuan. In response, AIT spokesman Mark Zimmer replied in an email that David Brown was expressing his own opinion and that these issues should be resolved civilly and peacefully.

From another angle, the former AIT director William Stanton argued in an interview that he does not see any direct or even indirect connection in seen between what Taiwan does in trade with China and what the US would do to facilitate its trade relations with Taiwan or to support the nation’s joining TPP talks. Similarly, Mark Zimmer responded that Stanton does not speak for the U.S. government and that the U.S. has not changed its stance.

A slight difference between the two responses is that in late April Zimmer added in his reply that U.S. welcomes Taiwan’s interest and that China is not among the 12 countries discussing the trade pact. This echoes the US Department of State senior official for APEC affairs Robert Wang that the U.S. does not see any direct connection between the cross-strait service pact and the TPP and that the U.S. will evaluate anyone who is interested in joining the TPP based on TPP requirement standards.

U.S.-Taiwan Entanglement on Bilateral Trade Issues

During the Obama administration, a number of high-ranking officials have made statements on U.S.-Taiwan Economic Relations. One of them is the then deputy assistant secretary of state in East Asia David Shear. In the aftermath of ECFA’s signing in June 2010, Shear brought up that the U.S. has no plan to start talk with Taiwan on bilateral FTA. Instead, the U.S. is seeking to deepen bilateral economic cooperation and resolve trade and investment issues through Trade and Investment Framework Agreement (TIFA) process. He pinpointed Taiwan’s accession to the WTO’s Government Procurement Agreement in 2009 and improvement of intellectual

property rights protection as the achievements of U.S.-Taiwan economic cooperation. Shear also highlighted that Taiwan’s restriction on certain U.S. beef and beef product despite a bilateral protocol agreed by both sides complicated U.S.-Taiwan trade relationship. In October 2011, assistant secretary of state Kurt Campbell again stated in his testimony before House of Representative that Taiwan’s action on agriculture issues damaged its credibility as a reliable trading partner and impeded TIFA process. In August 2012, the Assistant Secretary of Commerce Jose W. Fernandez in a visit to Taipei highlighted again U.S. support for Taiwan’s accession to WTO Government Procurement Agreement and improvement of IPR protection as product of U.S.-Taiwan trade relationship. In a testimony before the House Foreign Affairs Committee in March 2014, Moy laid out several new developments in U.S.-Taiwan economic relationship including Taiwan’s contribution to Commerce Department’s Select USA, discussion on bilateral investment agreement through TIFA’s Investment Working Group, and U.S. engagement with Taiwan on the liberalization initiatives spurred by President Ma’s New Year Address. The official statements reflect the endeavor by the two sides (especially Taiwan) to revive U.S.-Taiwan trade relation. U.S.-Taiwan economic relation was almost stalled before mid 2012 due to the beef issue. In July 25, 2012, the Legislative Yuan passed the amendment of Law on Food Sanitation Administration to lift the ban on import of American beef with acceptable volume of Ractopamine. In August, the Assistant Secretary of Commerce Jose W. Fernandez visited Taipei. In September, the U.S. confirmed that an expert meeting would be held soon in preparation for the TIFA meeting. Afterwards, the economics ministry promulgated guidelines to enhance U.S.-Taiwan trade relation to set in train the march from TIFA to TPP. In October the expert meeting was held as planned. Besides, the U.S. Commerce Service signed letter of intent with Taiwan External Trade Development Council on Pacific Bridge Initiative to promote cooperation of small and medium sized enterprises from both

41 Kuang-Tze Wang [王光慈], “Hope for Taiwan’s TPP bid arises; U.S.: look to see invitation in the next dispatch” [台加入 TPP 有譜 美：第二波邀請], United Daily [聯合報], September 12, 2012, A4
42 Li-Shan Liu [劉俐姍], “Guideline on Taiwan-U.S. Economic and Trade Relation will be released” [對美經貿綱領 近期出爐], United Daily [聯合報], September 28, 2012, A6
countries. In March 2013, TIFA was convened after 5 years of stall. During this meeting and after this meeting the two sides released the new statements of joint principles on investment and ICT services, and announced the formation of the working groups on investment and technical barriers to trade. In November 2013 former vice president Vincent Siew led a delegation of business heavyweight to attend Select USA Summit, pumping up the government’s determination to beef up U.S.-Taiwan trade relation to the highest level.

**U.S.-Taiwan Entanglement on TPP**

In March 2011, the then Secretary of State Hillary Clinton revealed U.S. plan to expand TPP. Four months later, Taiwan first expressed its interest in TPP in mid-2011. In July 2011 during a meeting with the visiting U.S. Ambassador to APEC Kurt Tong, the Taiwan’s vice minister of economic affairs Jung-chiou Hwang (黃重球) expressed his government’s strong interest in taking part in TPP negotiation. However, Huang did not receive a warm response as Tong indicated that Taiwan has to be ready first. After the ban on U.S. beef was lifted, the deputy USTR Demetrios Marantis pinpointed 2 conditions for Taiwan’s TPP bid. One is to be a reliable trade partner and the other to meet the high standard of TPP. During his visit to Taipei in August 2012, Fernandez mentioned about Trans-Pacific Partnership and encouraged Taiwan to implement meaningful market liberalization measures with firm resolve and commitment to free market principles as a responsible WTO member, which should make its case as a possible candidate for future trade agreements.

During the 2012 APEC Summit, President Ma’s special envoy Lien Chan conveyed the government’s strong desire to partake in TPP negotiation in a bilateral meeting with U.S. secretary of state Hilary Clinton. In this meeting, the U.S. confirmed to hold an expert meeting in preparation for the long-awaited meeting of U.S.-Taiwan TIFA. In addition, the U.S. hinted that Taiwan’s participation might be considered in the second dispatch of TPP negotiation.

In October 2013, the deputy assistant secretary of state Kin Moy brought up the

---

49 Kuang-Tze Wang [王光慈], “Hope for Taiwan’s TPP bid arises; U.S.: look to see invitation in the next dispatch” [台加入 TPP 有譜 美：第二波邀請], United Daily [聯合報], September 12, 2012, A4
issue of TPP in a speech and maintained the tone that Taiwan needs to be willing to adopt the high standards and ambitious commitments of TPP. He recognized that Taiwan is working at liberalizing its trade regime with aim to enter TPP and believed that by fully utilizing the TIFA process Taiwan’s move can build confidence with the U.S. But Moy also added that despite that U.S. is developing TPP to include other economies, the existing TPP partners must approve by consensus the addition of new partners.  

Three days later in APEC meeting in Bali, President Ma’s special envoy Vincent Siew held bilateral meeting with U.S. Secretary of State John Kerry to push for a bilateral investment treaty with the aim of moving toward bilateral FTA. Without doubt, TPP is on the top of Siew’s discussion agenda. In appearance, Kerry gave a cold shoulder by responding to neither of the two proposals. However, in December, a USTR spokeswoman expressed in email that U.S. welcome Taiwan’s interest in joining TPP. This is the first time the U.S. government displayed an affirmative attitude toward Taiwan’s TPP bid. In March 2014, Moy testified that U.S. is considering Taiwan’s interest in restarting exploratory talk on bilateral investment agreement and welcome Taiwan’s interest in TPP. However, it is worthwhile noting that in Daniel Russel’s testimony a month later neither Taiwan’s interest in TPP nor the Bilateral Investment Agreement were touched upon.

\[Variation\ in\ Taiwan’s\ Strategy\ to\ Regional\ Integration\]

Before 2011, Taiwan was not very enthusiastic about TPP. During his first two years in office, ROC’s President Ma continued the task inherited from the previous administration to make inroad to U.S.-Taiwan FTA through a building-block approach. When Obama announced his decision to engage in TPP in November 2009, Taiwan did not show compelling interest immediately. In response to media inquiries, the deputy minister of economic affairs Francis Kuo-Hsing Liang (梁國新) mentioned briefly that Taiwan “would” be interested shall there be any chance. Two months later, the chief of Bureau of Foreign Trade Chih-Peng Huang (黃志鵬)

---


52 In AIT’s press release, no single word is given to Siew and Kerry’s talk on BIA, FTA, or TPP. The AIT, “Secretary Kerry’s meeting with Taiwan Representative at APEC,” AIT, October 6, 2013, http://www.aft.org.tw/en/pressrelease-pr1344.html


57 Yu-Ling Liao (廖玉玲) and Hsiu-Hui Su (蘇秀慧), “Chances for FTAAP emerges under Obama effect; Asian countries welcome American participation in TPP dialogue; Taiwan hopes to get in,” [歐巴馬效應亞太自貿區 露曙光 美將積極與泛太平洋夥伴對話 亞洲國家表示歡迎 我爭取加入 TPP] Economic Daily News[經濟日報], November 16, 2009, A2
supplemented that there was no chance at the P4 stage but chances “could” be greater shall P8 be formed.\(^{58}\) In November 2010, Japanese Prime Minister Naoto Kan expressed strong desire to get involved in TPP negotiation. In view of the social unrest and revolting opposition from the agricultural sector stirred by Kan’s announcement, Taiwan turned more cautious.\(^{59}\) The indecisive attitude also reflects an intense debate within the policy circle.\(^{60}\)

In 2010 and the first half of 2011, the government’s public elaboration on regional economic integration is focused on ECFA and economic cooperation agreements (ECA) for which ECFA opens door. In view of this, the hint that TPP will be expanded by Secretary of State Clinton is important for the Ma administration to decide to go for TPP, as noted in previous section. Ma’s “Golden Decade National Vision” campaign platform marks the government’s determination to join TPP in 8 years.\(^{61}\) The change of government orientation is testified by President Ma’s speeches. Before May 2011, he did not mention TPP but only touched upon ECA as the government’s strategy to regional integration.\(^{62}\) By comparison, Ma reiterated 41 times Taiwan’s will to enter TPP in his public remarks between May 2011 and May 2012. The overall picture is made clear in July 16 of 2012 when the Ministry of Economic Affairs announced the first-ever roadmap of Taiwan’s FTA strategy in which ECFA and the two ECAs are prioritized and the “building block” strategy would continue to map out de facto FTAs with major trading partners. The ultimate goal would be to become TPP member by 2020.\(^{63}\)

Between 2011 and 2012, the subsequent negotiation on post-ECFA cross-strait trade agreements went unnoticed. In face of the continued rise of TPP’s persuasion in Taiwan, China sent signals of goodwill to grant support for Taiwan’s bid for regional FTA. In an inconspicuous business exhibition in September 2012, Lizhong Zheng (鄭立中), the vice chairman of Association for Relations Across the Taiwan Strait (ARATS), indicated China’s willingness to help Taiwan join ASEAN FTA on the

---

58 Ming-Chuan Sheng [沈明川], “There could be chance and Taiwan hopes to get in TPP,” [機會不是沒有 我爭取參加 TPP] United Evening News [聯合晚報], January 29, 2010, A2
59 Tze-Rong Shu [舒子榕], “Timothy Chin-Tian Yang: We should not participate in TPP for the name only” [前進 TPP 楊進添：不為參加而參加], United Evening News [聯合晚報], November 11, 2010, A11
60 Ming-Hsian Lee [李明賢], “Technical Issues to be solved” [技術問題待解決], United Daily [聯合報], December 5, 2010, A2
62 In Ma’s 2010 National Day (Oct. 10) address, inking ECAs is considered means to build up Taiwan and placed within the paragraph addressing ROC’s international Status. In May 2011, Ma stated that pursuing ECAs is considered part of the government’s effort on deregulation and liberalization. “President Ma Ying-Jeou’s National Day Address,” Office of the President Republic of China (Taiwan), October 10, 2010, http://english.president.gov.tw/Default.aspx?tabid=491&itemid=22495&rmid=2355&sd=2010/10/10&ed=2010/10/10 ; “President Ma holds press conference to mark third anniversary of his inauguration,” Office of the President Republic of China (Taiwan), May 19, 2011, http://english.president.gov.tw/Default.aspx?tabid=491&itemid=22442&rmid=2355&sd=2011/05/19&ed=2011/05/19
63 Rui-Chih Chiang [江睿智] and An-Nih Lin [林安妮], “Yan-Hsiang Shih: four steps to get integrated into regional economy” [施顏祥：融入區域經濟 四路並進], Economic Daily News [經濟日報], July 16, 2012, A2
basis of One China principle. With the decision to launch negotiation on Regional Economic Partnership Agreement (RCEP) in the 2012 ASEAN summit, Taiwan’s attention on TPP was diverted. In a press conference in December 2012, Taiwan’s economics minister Shih stressed that the government paid equal attention to both TPP and RCEP in spite of the difficulties faced in engaging ASEAN countries. In his 2013 New Year Day’s Address, President Ma placed RCEP at the topmost of a list of three regional integration initiatives (other two being CJK FTA and TPP respectively) of which Taiwan needs to strive for being part. In June 2013, KMT’s honorable chairman Bo-Hsiung Wu conveyed Taiwan’s great eagerness for entry into RCEP during his delegation’s meeting with CCP’s General Secretary Xi Jinping. The bid for RCEP membership was raised again in October 2013 during a bilateral meeting between Xi and President Ma’s envoy Vincent Siew alongside the APEC Summit.

Nonetheless, after Siew’s meeting with U.S. Secretary of State John Kerry in APEC, the government’s momentum leaned toward TPP once again. In his National Day Address, President Ma praised Siew’s APEC trip as creating necessary preconditions for TPP accession. By contrast, there is no single word on RCEP in this address. In December 2013, President Ma ordered all related ministries to achieve readiness for negotiation in both TPP and RCEP by February 2014. In January 2014, Ma made public his preference for TPP over RCEP for two reasons. One is that political factors involved in TPP accession are simpler than in the case of RCEP accession. The other is that TPP will be open to new members sooner than RCEP. Even though fighting two wars at once is a necessity for Taiwan, it is obvious that Taiwan’s posture swung back to TPP before the outbreak of the Sunflower movement.

---

64 Pei-Jun Huang (黄佩君), “China expresses good will to help Taiwan join ASEAN-led is willing” (鄭立中釋善意助台入東協FTA), Want China Times (旺報), September 1, 2012
65 Li-Shan Liu (劉俐姍), “Minister of Economic Affairs: Taiwan hopes to join RCEP very much” [經長：非常想加入RCEP], United Daily [聯合報], December 7, 2012, AA1
68 Wei Yi (魏瑋), “Xi Jinping: political differences across the Taiwan Strait shall be resolved eventually” [習近平：兩岸政治分歧終需解決], Wenweipo [文匯報], October 7, 2013, http://paper.wenweipo.com/2013/10/07/OG1310070001.htm
70 Ding-Chun Wang (王鼎鈞), “With Taiwan’s economic fate at stake, Ma orders preparation for TPP and RCEP” [攸關台灣經濟生死 馬英九下達TPP、RCEP備戰指令], Nownews [今日新聞網], December 12, 2013, http://www.nownews.com/n/2013/12/12/1051913
71 Yu-Cheng Lai (賴于榛), “Ma gets on the front line to monitor progress in participation in TPP as it is so vital to Taiwan’s economic survival” [加入TPP攸關經濟生死 馬英九親自盯進度], Ettoday (東森新聞雲), January 3, 2014, http://www.ettoday.net/news/20140103/312800.htm
Conclusion

In retrospect, the U.S. attitude toward cross-strait economic integration has changed over time. During the DPP era, the U.S. encouraged Taiwan to normalize cross-strait economic relations. Since the signing of ECFA, the U.S. from time to time displayed concern that Taiwan may place too high expectation on China’s good will through cross-strait economic integration. The Sunflower movement strengthens that concern but also brings a new element, that is, whether the disagreement within the society with regard to cross-strait relation would destabilize or destroy Taiwan’s fledgling democracy.

As far as real actions are concerned, the U.S. seems by and large undisturbed in its dealing with U.S.-Taiwan trade relation by cross-strait economic integration. First, ECFA does not alter U.S. tendency to impose requirement of standard abiding upon Taiwan in trade talk. Instead, this tendency intensified after ECFA as vindicated by U.S. demand for Taiwan to lift ban on U.S. beef and pork. The TIFA talk remains hostage to Taiwan’s ban on U.S. beef until that ban is lifted in July 2012. Second, ECFA and the progress in cross-strait economic integration afterwards do not constitute strong push for the U.S. to strengthen support for Taiwan to make inroad into regional FTA network. Bilateral issues continue to dominate the agenda of U.S-Taiwan trade talk in the post-ECFA period as much as in the pre-ECFA period.

For Taiwan, there are not many options to choose from. The move Taiwan makes is by and large shaped by that taken by the U.S. and to a lesser extent by China. There are three checkpoints, that is, September 2011, January 2013, and October 2013. In September 2011, the possibility of including all APEC members into TPP encouraged Taiwan to make TPP its prioritized goal. However, the initial cold response to Taiwan’s interest lower down Taiwan’s expectation so as not to forsake the bilateral approaches it takes at the time. In January 2013, the hint by China of being a helping force for Taiwan’s bid for FTA with ASEAN and a lack of clear message from the U.S. to support Taiwan’s bid for TPP push Taiwan leaned toward RCEP. In October 2013, the encouraging message from the U.S. and a lack of clear message from China on Taiwan’s bid for RCEP induced Taiwan back to TPP track over RCEP. All the three points illustrate how much Taiwan’s move is shaped by that of the U.S. and that of China.