

# All Economics Is Political: ECFA Front and Center

Alan D. Romberg

Following the brouhaha over Taiwan arms sales and President Obama's White House meeting with the Dalai Lama that was the focus of our last essay,<sup>1</sup> Beijing and Washington worked their way back toward "normalcy." In what was clearly a carefully orchestrated set of moves,<sup>2</sup> senior American officials publicly reiterated long-standing policy toward Taiwan (and Tibet), including reaffirming the "one China" policy and support for cross-Strait efforts to reduce friction, while Beijing announced that President Hu Jintao would attend the mid-April nuclear security summit in Washington and made clear the PRC would participate in UN Security Council efforts to craft an Iran sanctions resolution. Presidents Obama and Hu spoke by telephone on April 2, the result of which was described by Beijing as "a new and important consensus on U.S.-China relations and other matters of common concern," including agreement "to respect each other's core interests, appropriately handle disputes and sensitive issues and increase dialogue and cooperation in all areas."<sup>3</sup>

Although the two presidents did not directly discuss the controversy over China's foreign exchange policy, almost immediately after they spoke, the Treasury Department announced it was putting off a decision on whether China was manipulating its currency, and Secretary Geithner traveled to Beijing. The issue was far from settled, however, and when the two presidents met 10 days later on the margins of the nuclear security summit, although Hu put forth a five-point proposal for improving bilateral relations,<sup>4</sup> Iran and currency issues reportedly took up the bulk of the conversation.<sup>5</sup>

Meanwhile, the transpacific controversy seemed to have no impact on cross-Strait relations, and Taipei and Beijing began to close in on signing an Economic Cooperation Framework Agreement (ECFA) by May or June. Not all was smooth sailing, however. The two sides did not hold their second meeting of experts until late March, several weeks later than they had originally planned. Moreover, the meeting ended abruptly after a day and a half amid reports that obstacles had been encountered. That said, there was no sign of a fundamental breakdown and indications were that progress had been made even if final agreement was still not within reach. Among other things, the PRC was making obvious efforts to win over public opinion on the island through increasing clarity over what requirements it would *not* levy on Taiwan under ECFA.

Taiwan's economy continued to show signs of significant improvement, though through most of the period President Ma's political

fortunes did not. DPP Chair Tsai Ing-wen's personal standing rose within the party as well as among the general public, but perceptions of the DPP as a whole, as well as of the KMT, continued to lag. Moreover, there were obvious tensions within both the Blue and Green camps that drove them to strive hard for intra-party unity in the run-up to the crucial municipality elections slated for November 27, 2010. As each side struggled to forge internal consensus, the prospects for those elections remained very much up in the air. Meanwhile, after months of maneuvering, the DPP and the administration finally agreed to a televised ECFA debate between Ma and Tsai on April 25. Most polls indicated Ma "won" that encounter by a substantial margin. There were also initial indications that Ma's overall support rate may have turned around somewhat as a result of the debate, and support for ECFA also seemed to get a boost.

## Moving toward ECFA

### *Second Round of Taiwan-PRC Expert-level Talks*

While the domestic controversy heated up within Taiwan over ECFA (discussed below), Taipei and Beijing haltingly made their way back to the negotiating table for a second round of experts talks, which finally convened outside Taipei for two days at the end of March and beginning of April. Although last fall the PRC had hesitated to move ahead with negotiations on an agreement that might not be fully "reciprocal," it became increasingly clear that the proposed umbrella trade accord was integral to the Mainland's long-term strategy toward Taiwan.<sup>6</sup>

As a result, in the run-up to the expert-level talks, Beijing not only signaled that it was giving high priority to ECFA,<sup>7</sup> but it took stands that reinforced Ma Ying-jeou's positions. For one thing, it agreed that ECFA would be a strictly economic arrangement and not a political one ("两岸商签经济合作框架协议是一个经济议题").<sup>8</sup> Beijing also became increasingly explicit in saying that it would not seek to increase the range of agricultural products exported to Taiwan, supporting Ma's insistence that ECFA would not lead to greater imports of such products from the PRC.<sup>9</sup> As Hu Jintao put it in a meeting with business leaders in Fujian, "We will try our best in everything that will benefit the Taiwan compatriots, and we will honor our words. . . . During the [ECFA] negotiation process, we will put into full consideration the interests of Taiwan compatriots, especially those of farmers."<sup>10</sup>

These promises became even more direct over the next two months. PRC Premier Wen Jiabao expanded on them during his Internet chat with the public via Xinhua,<sup>11</sup> and the chief economic director of the PRC Ministry of Agriculture let it be known not only that Beijing would not press to open Taiwan's agricultural markets, but that the PRC would open its own markets wider to Taiwan's farm products, protect the intellectual property rights of those products, and strengthen regulation of the Mainland market.<sup>12</sup>

As the experts were convening for their second round of talks at the end of March, and with May increasingly identified at that point as the looming target date for signing, TAO Director Wang Yi spelled out five “concessions” the Mainland would make in regard to the “early harvest” lists, that is, those products identified in the agreement for early tariff reductions:

- the amount and proportion of mainland China’s items on the early harvest list will be fewer or lower than those of Taiwan;
- in choosing Taiwan products that will receive tax reduction, mainland China will do its best to benefit Taiwan’s small- and medium-sized enterprises as well as those at the grassroots;
- in asking for tax reduction from Taiwan, mainland China will do its best not to affect Taiwan’s weak industries;
- mainland China will not request that it be allowed to export more agricultural items to Taiwan; and
- mainland China has no intention of exporting laborers to Taiwan.<sup>13</sup>

Still, the delay in convening the second round of experts talks, the last-minute deletion of some key items from the agenda of those talks (such as the entire financial sector<sup>14</sup>), and the abrupt end of the talks all suggested that the negotiations were not proving to be easy. Thus, even though ARATS chairman Chen Yunlin identified negotiation of ECFA as one of the Mainland’s two major cross-Strait goals for 2010 (the other being discussion of issues on culture, education, health care, and news service),<sup>15</sup> the projected date of signing appeared to be slipping from May to June.<sup>16</sup>

Characterizations of the experts talks’ outcome varied sharply, in part depending on the political leanings of the spokesman or the media outlet reporting on them.<sup>17</sup> But the bottom-line impression that emerged was that progress had in fact been made, although much work remained to be done.<sup>18</sup>

The Mainland may also have been given an incentive to work even harder to ensure ECFA’s success, in the form of DPP Chair Tsai Ing-wen’s recent statement that, if there is no referendum before signature and ECFA goes into effect in June as anticipated, and if the DPP regains the presidency in 2012, the DPP government would unilaterally suspend the agreement or make adjustments to it after putting the issue to the people through a referendum. She went further, saying that, if the people voted against ECFA in such a referendum, Taiwan could unilaterally repeal ECFA or reopen negotiations with the Mainland, “according to international custom.”<sup>19</sup>

One interesting detail that subsequently came to light perhaps merits a word. Readers may recall that the Ma administration has consistently rejected the notion that Beijing should be asked to commit to allowing Taiwan to negotiate FTAs or FTA-like agreements with other states once ECFA is signed. The administration argues that seeking “permission” from Beijing would imply that the Mainland had a legitimate voice on the subject, which would undermine Taiwan’s sovereignty.<sup>20</sup> Nonetheless, at least one

report coming out of the expert-level negotiation claimed that Taiwan had, in fact, sought to include language on this very topic.

According to the account of an unnamed senior Taiwan official, the Taiwan delegation proposed a provision in the preface that said the next step after ECFA was for Taiwan to participate in Asia-Pacific regional economic cooperation. But the Beijing delegation reportedly strongly objected, saying that this proposal was quite contrary to what Hu Jintao had meant in his December 31, 2008, “six points.” What Hu had suggested, the Mainland side said, was that the creation of a closer cross-Strait economic cooperation mechanism would be conducive to *joint* development by Taiwan and the Mainland of cooperative economic convergence with the region, not that Taiwan should seek closer relations with the region on its own. The senior Taiwan official reportedly claimed that Taipei’s proposed language had “temporarily” been set aside, but that there was a “common understanding” that Taiwan would proceed to seek such cooperation even if it were not written into ECFA.<sup>21</sup> And after the experts meeting, MAC chairwoman Lai Shin-yuan asserted to the legislature that Taiwan would be free to negotiate and sign FTAs without the need for the PRC’s approval: “I believe China [would] dare not say that you (Taiwan) should not sign FTAs after the cross-Strait deal is signed.”<sup>22</sup>

#### *Domestic Struggle over ECFA Moves toward Debate*

Within Taiwan, the name of the game was winning over public opinion. Interestingly, the government and DPP seemed to be targeting somewhat different audiences. The government aimed its efforts primarily at residents of central and southern Taiwan, low- and medium-income households, and small- and medium-sized enterprises (including in agriculture).<sup>23</sup> Convincing farmers and others in southern Taiwan that ECFA not only would not hurt their interests but would help them became a high priority, and Ma continued to engage personally with them.<sup>24</sup>

For its part, the DPP produced a pamphlet aimed at young people—especially professionals and those in white-collar service industries, college graduates, housewives and, like the KMT, owners of small- and medium-sized enterprises.<sup>25</sup> Trying to make common cause with such groups, the DPP charged that ECFA would put at risk the jobs of up to 5.9 million white-collar Taiwan workers.<sup>26</sup>

The DPP also continued to charge that traditional industries would be severely hurt, and their employees pushed out of work. Ma Ying-jeou countered in his early February press conference—the first one devoted solely to promoting ECFA—by highlighting programs to assist those workers and industries that might be negatively affected by ECFA.<sup>27</sup>

DPP Chair Tsai Ing-wen responded to Ma’s press conference with formal written comments. She called his remarks “very disappointing,” and said they showed a “lack of seriousness concerning the issue of the industries affected by ECFA and [a] failure to mention the government’s future plan regarding how to solve this problem.”<sup>28</sup>

Shortly after Ma's press conference, Tsai held her own press event, in which she called for creation of a special Legislative Yuan (LY) oversight committee to include "all party legislators,"<sup>29</sup> threatening to boycott all bills if it was not established.<sup>30</sup> She also called for a DPP study of a "braking mechanism" that would allow Taiwan to unilaterally terminate ECFA if the country were seriously and gravely impacted.<sup>31</sup> (The administration had said some months earlier that it indeed would propose an escape clause.<sup>32</sup>)

In the meantime, the DPP began to focus on process issues, complaining that the Ma administration was not meeting the people's demands for full and complete information on what ECFA would do and how the negative aspects would be dealt with. The party protested the government's "informal" approach to briefing the LY on ECFA, and sought to stymie the proceedings.<sup>33</sup>

The DPP also renewed its call for a debate between Ma Ying-jeou and Tsai Ing-wen. This time, in contrast to the many stylized political *pas de deux* about a debate over the preceding two years,<sup>34</sup> both sides seemed to conclude that it was truly time to engage. Doubtless the publication of polls (from sources other than just the DPP) showing almost 70 percent support for a debate<sup>35</sup> helped persuade the parties to abandon gamesmanship. There was some back and forth on the question of whether it would be a formal "debate," as Tsai insisted on, or a "dialogue," as the president preferred.<sup>36</sup> But in the end the president accepted a debate to be organized by Public Television Service on April 25 on the grounds that debate is "a form of dialogue."<sup>37</sup> It was in this context that in late March the DPP also renewed its push for a referendum on ECFA.<sup>38</sup> Even though a month earlier the Executive Yuan Appeals Committee had upheld the Referendum Review Committee's August 2009 denial of the DPP request to put the issue to a referendum,<sup>39</sup> a new referendum effort was under way sponsored by the Taiwan Solidarity Union (TSU), which the DPP decided to support.<sup>40</sup>

Although Tsai said that a debate with the President was "inevitable," she asserted that, because a trade deal with the Mainland was so important, "sufficient information" should be prepared before such a debate could take place.<sup>41</sup> She also continued to press for an independent LY investigation report about ECFA,<sup>42</sup> citing DPP polling that showed overwhelming public support for legislative oversight.<sup>43</sup>

In light of all of these demands, it was unclear for several days whether Tsai and the DPP were once again laying down "preconditions" for a debate that they knew to be unacceptable to the government. One DPP official seemed to indicate that they were, saying that before the debate could take place, a complete inquiry into the agreement must be held, and its results made public. Indeed, he said that a Ma-Tsai debate would be "meaningless" if the public were not first informed about the agreement's expected negative impact and proposed remedies, which the report was supposed to address.<sup>44</sup> Nonetheless, in the face of warnings by the KMT secretary-general that setting preconditions would put into question the sincerity of Tsai's interest in a debate,<sup>45</sup> the DPP denied it had set any "threshold."<sup>46</sup>

Still, several days later, the DPP spokesman again insisted that the government should provide the DPP with relevant information about ECFA before any debate so that Tsai would have time to prepare for it.<sup>47</sup> Ma responded that “once it will not affect subsequent talks,” the government would inform the public of the results of the negotiations so as not to give the impression of conducting closed-door operations.<sup>48</sup> With the “early harvest” lists not having been formally exchanged yet, however, the administration continued to assert the necessity of maintaining confidentiality at the current stage, on the grounds that “it would put Taiwan at a disadvantage if we unilaterally revealed our ‘early harvest’ list at this moment.”<sup>49</sup>

Despite all of this uncertainty and positioning, in fact the two sides agreed to the terms of the debate as the cross-Strait expert-level talks were coming to a close. The DPP still persisted in calling on the government to clarify its position and respond to public concerns, but it avoided characterizing its demands as preconditions. A party spokesman put it this way: “We hope the government will provide us with the same information they have, so neither of us has to waste too much time focusing on statistics.”<sup>50</sup> The Presidential Office responded by challenging Tsai Ing-wen to spell out her alternative to ECFA: What other approach would permit Taiwan to deal effectively with the increasing isolation faced by Taiwan as regional economic integration takes place without it?<sup>51</sup>

With so much at stake, both sides set about making serious preparations for the debate. The DPP set up a task force to prepare for the encounter<sup>52</sup> and Ma conducted sessions with teams of advisors led by Vice President Vincent Siew.<sup>53</sup> Early on, both sides began to sharpen the themes they would emphasize in the debate.<sup>54</sup> In particular, Tsai and the DPP focused on the harm ECFA would do to Taiwan’s economy and the havoc it would wreak for Taiwan workers—and demanded to know how the administration would deal with that. And Ma and his spokesmen challenged the DPP to explain what feasible alternative there was to ECFA.

Each side sought to respond to the issues raised by the other. The government announced new efforts to explore market opportunities in the Mainland that could specifically offset ECFA’s negative impact on a number of traditional Taiwan industries.<sup>55</sup> Moreover, it declared it would adopt a series of measures to create 115,000 new jobs starting from June.<sup>56</sup> And the DPP proposed that trade issues with the Mainland be negotiated one by one, rather than under the rubric of an overarching umbrella accord.<sup>57</sup>

In response to DPP arguments that Taiwan should negotiate FTAs with others at the same time it was negotiating with Beijing, in addition to pointing out that this would not pass muster with Beijing (and, hence, with would-be FTA counterparts), Taiwan’s chief ECFA negotiator reiterated that he had told his PRC counterparts Taiwan planned to push ahead with FTAs with other countries once ECFA was concluded. Although he would not identify countries by name, he said that some trading partners had already indicated they would be willing to sign an FTA with Taiwan once “cross-Strait political tensions diminish.”<sup>58</sup>

On the DPP charge that massive numbers of white-collar workers could lose their jobs, the administration insisted that, except for some very limited categories of senior managers who are allowed to work in all foreign-invested companies, no PRC white-collar workers or professionals would be permitted to enter Taiwan to work. Moreover, it was expected that the limited number of senior managers who would be admitted would contribute real benefits, creating not only higher-value added investment and production but also more job opportunities.<sup>59</sup>

In the event, these themes were replayed several times during the debate itself. Moreover, Ma seemed to score points with the public by highlighting the fact that the DPP caucus in the legislature had either not shown up for briefings, or had attended only to disrupt the sessions rather than asking hard questions of the officials who appeared as one might have anticipated. And post-debate polls showed Ma had proven more persuasive.<sup>60</sup>

The debate was not the sole vehicle for carrying out this argument, of course. As this article was approaching publication, the DPP was preparing to participate in a large-scale anti-ECFA mass movement to be held in early June.<sup>61</sup>

## Island Politics

Although there are serious economic policy issues at stake in ECFA, the handling of the proposed agreement by both the administration and the opposition is intimately bound up with Taiwan's domestic politics, especially with the end-of-year special municipality elections and the 2012 presidential election. But ECFA is not the only issue on Taiwan's domestic political agenda.

As the DPP seemed to gain some momentum through victories in LY elections held from December through February,<sup>62</sup> the party began preliminary work to produce a 10-year policy document that it hopes to issue at the time of its next plenary, in August 2010.<sup>63</sup> Reports indicate that party chair Tsai Ing-wen began to talk about such a document in summer 2009, but that there has been resistance within the DPP to at least some parts of it. Of particular importance for our discussion here is the fact that the party evidently remains quite divided on the question of policy toward the PRC.<sup>64</sup> Even as recently as January 2010, Tsai tried to push the issue aside, writing:

Many people have also asked me why the DPP has not issued a China policy. My response is to ask whether our society is truly ready for one. Has Taiwan been able to figure out where it stands in this world? This is not simply a question of the world image China has imposed on Taiwan. Taiwan cannot deal with the temporary nature of the relationship with China and forget how to face today's globalization challenges.<sup>65</sup>

Nonetheless, as one conservative paper commented editorially: "If the DPP cannot formulate a theory on Taiwan's status and develop a China policy based on that, Tsai's

meeting with Ma would be pointless.”<sup>66</sup> Whether the DPP agrees with this assessment or not—and surely the answer is “not”—it appears to feel the need to produce a vision around which it can rally support rather than only engaging in negativism.<sup>67</sup> Although the vast bulk of the 10-year “platform” will reportedly be focused on domestic issues,<sup>68</sup> there was also to be a section on cross-Strait policy. A draft was produced, but its tone and content were disputed, and it was reportedly sent back for revision.<sup>69</sup> It would appear, however, that even this second effort failed, because in early April the DPP suddenly let it be known that, while there will be something in the 10-year plan on cross-Strait economic relations, with regard to Taiwan’s status and overall relations with the Mainland, the 1999 resolution on the subject is an enduring document that needs no further amplification.<sup>70</sup>

Nonetheless, the apparent sense that the party needs to do more than say “no” on China policy led Tsai to announce that the DPP “does not rule out the possibility of entering into direct and substantial dialogue” with the Mainland as long as no preconditions are imposed.<sup>71</sup> Charging that the KMT’s strategy was to approach the world through Beijing—which could eventually cost Taiwan its sovereignty and strip people of their right to decide the country’s future—Tsai said the DPP’s strategy of gradually developing relations with the Mainland would take into consideration national sovereignty, national security, and economic security. The DPP’s willingness to engage with the Mainland on an equal basis, she said, was to prevent the KMT from dominating communication across the Strait and with the international community. (One well-placed Taiwan expert on the Mainland immediately rejected the proposal, saying any dialogue must be based on the “one China” principle, a principle that the DPP rejects.<sup>72</sup>)

In response to some criticism from within the DPP that such an approach needed to be approved through the party’s formal decision-making mechanism,<sup>73</sup> and from pro-Green media that dialogue with the Mainland would require the party to give up its position that Taiwan is a sovereign state,<sup>74</sup> the party spokesman claimed this was not a change. In any case, as the head of the DPP International Department noted, the time was not ripe for direct exchanges, so interacting through think-tank scholars and others would be a practical approach for now.<sup>75</sup>

In the midst of this activity, as considerable jockeying was going on within the DPP over the question of the party’s standard-bearers in the five November municipality elections, Tsai Ing-wen announced she would seek reelection as party chair. She had apparently been mulling whether she should run in one of the end-of-year elections, and had been under some pressure from within the party to do so as one of the obvious “stars” they can field.

But one presumes that there has been a substantial amount of intra-party maneuvering, including whatever led to former premier Su Tseng-chang’s announcement that he would run for mayor of Taipei City “if” the DPP needs him to do so.<sup>76</sup> Su had been a popular magistrate in Taipei County, now elevated to special municipal status under the name of “New Taipei,” and his chances of winning there were rated as good,

certainly far higher than any other DPP contender. His chances were generally not seen as high in Taipei City, where he was apparently choosing to run.

This created several lines of speculation. One was that Su did not want to be “trapped” by his pledge to serve out his term if elected and so he wanted to avoid being tied down by winning “New Taipei.” Thus, the speculation ran, if Su lost to incumbent Hau Lung-bin in Taipei City, he would have done his service to the party by running, but he would still be free to run for president in 2012.

Another was that Su would easily win in New Taipei over the weak incumbent. But once it became clear that the incumbent would not run, and that the popular vice premier, Chu Li-luan, would seek the KMT nomination instead,<sup>77</sup> Su’s chances were seen as having diminished, and a loss in his former bailiwick would be devastating to his presidential ambitions.

Not all theories about Su’s choice were quite this cynical. Some observers suggested that, given his great success in Taipei County (now “New Taipei”), a win by Su in Taipei City would demonstrate his broad appeal to voters. And, indeed, although many political experts point out that Taipei City is a very “Blue” community, various polls show Su well within striking distance of Hau Lung-bin.<sup>78</sup> Again, if Su were to lose, but in the process fared better than previous DPP challengers, he would be well positioned to vie for the DPP presidential nomination in 2012. Moreover, if he were to win, despite his pledge to serve out his term, many people believe that a movement to draft him as the presidential nominee would suffice to excuse him from living up to that pledge.

One assumes Su’s decision wasn’t the only factor at work in Tsai’s deliberations—there has been a complicated competition for the party’s nomination in a couple of key races in the south, where the DPP, if it can maintain unity, is highly favored to win.<sup>79</sup> Strong party leadership at the center could help maintain that unity. As Tsai put it, “This is my only choice if I want to help the DPP’s central command be in good, stable shape for the coming elections.”<sup>80</sup>

On the other hand, Tsai’s statement about seeking reelection as party chair two weeks after Su’s announcement suggests his decision was very much a consideration. As she put it, Tsai had to change her mind, in order to deal appropriately with a number of “uncertain factors” related to the party’s preparations for the year-end municipality elections. Although she was still being urged to run for elective office,<sup>81</sup> she dismissed the idea, observing that “the question of me being a candidate for Taipei City is a non-issue”—meaning Su had already staked out that territory—and “as for Xinbei city, it’s too big for me to manage effectively, and I’m not interested in it.”<sup>82</sup>

Meanwhile, the KMT was also busy trying to get its house in order. Especially in light of the poor pan-Blue turnout in LY elections, the KMT sought to generate greater backing from its supporters. The party announced a project called “2010 Deep Plowing”

(2010 深耕專案), under which full-time party workers at the county and city level were recruited to personally visit party members in their jurisdictions. The goal was to reach at least 80 percent of all members, over 700,000 people.<sup>83</sup>

The party also sought to impose discipline on KMT LY members. One goal was to rein in members, especially some of those elected “at large,” who had a tendency to speak freely rather than toeing the party line. Another aim was to “deconflict” the intentions of potential candidates for the year-end elections, getting some to gracefully end their candidacies in favor of others, so as to consolidate party support behind a single contender in each race instead of splitting the vote as happened in several LY contests. Both of these jobs fell largely to King Pu-tung, the KMT Secretary-General.<sup>84</sup>

Throughout the period, the administration also sought to improve the image of its governance. For example, it was clear that attention was being paid to reversing the administration’s poor reputation for responding to emergencies, especially given the lingering effects from Typhoon Morakot in August 2009. Although there was apparently some success on that score,<sup>85</sup> the seeming slowness with which Ma was alerted by his national security team to the sinking of a South Korean naval vessel while he was traveling in the South Pacific in late March did not help the effort to project competence.<sup>86</sup>

As we have noted in earlier essays,<sup>87</sup> it is logical to assume that as Taiwan’s economy continues to recover—now universally anticipated—Ma’s fortunes will recover with it. But so far that has not proven to be the case.

As *CLM* 31 was going to press, we took note of a new poll showing a rise in Ma’s support and trust numbers.<sup>88</sup> But, in fact, that did not portend a trend, and the president’s numbers slipped again in succeeding weeks. At the same time, although the DPP’s numbers did not improve, DPP Chair Tsai Ing-wen’s personal ratings, which had dropped sharply after the street demonstrations late 2008, once again attained levels in excess of 50 percent, well above Ma’s.<sup>89</sup>

In part this may be explained by the fact that, while the economy is growing rapidly (and shrank less in 2009 than most predicted),<sup>90</sup> per capita GNP has reached historical highs,<sup>91</sup> and overall unemployment is dropping, nonetheless the benefits have fallen unevenly upon the population. For example, while overall unemployment dipped to 5.67 percent in March,<sup>92</sup>—a 14-month low<sup>93</sup>—the number of jobless people between ages 45 and 64 rose to new highs in January and again in February before easing off somewhat in March.<sup>94</sup> Moreover, in the last quarter of 2009, the number of long-term unemployed (people jobless for more than 12 months) reached the highest mark since 2004,<sup>95</sup> and it continued to climb in February to another new record high before settling back in March to the still very high January level.<sup>96</sup> In addition, the number of households below the poverty line also hit a record high, reflecting a polarization between Taiwan’s rich and poor in recent years.<sup>97</sup>

During a videoconference with Harvard University in early April, Ma was asked about the disparity between the improving economic situation and the fact that his support rate remained at very low levels. He responded that people elected him because they hoped for change and reform, and his popularity would rebound if he met people's expectations by reviving the economy, carrying out reforms and exhibiting strong leadership.<sup>98</sup> As he put it: "In the future, I certainly will be a strong leader, trying to effect the reforms that are for the good of Taiwan society. I believe if I work harder . . . people will understand the efforts are worth their support."<sup>99</sup> In any case, he said, he was concentrating on doing his job regardless of how he is doing in public opinion polls or even whether he will be reelected or not. As to cross-Strait relations, he said he would stick with the "right policy" toward the Mainland because it would benefit Taiwan, the region, and the world.<sup>100</sup>

Despite Ma's low polling numbers, it is perhaps worth noting that in one mid-March poll that showed dissatisfaction with the president outrunning satisfaction by almost 2:1, respondents to that same poll still said that, two years after the election, by a margin of 4:3 they would vote for the Ma-Siew ticket over the Hsieh-Su ticket if they had it to do all over again.<sup>101</sup>

## Other Aspects of Cross-Strait Relations

### *International Space Issues Make Slow Progress*

As expected, Taiwan was invited for the second year by the World Health Organization (WHO) to send an observer to the World Health Assembly annual meeting in mid-May. In what Taipei interpreted as an improvement in procedures, the invitation from the director-general of WHO to Health Minister Yaung Chih-liang was sent at the same time invitations were sent to other observers, rather than in a delayed manner as in 2009.<sup>102</sup> There was no obvious consultation with Beijing, but it seems rather clear that the Mainland's concurrence was sought and obtained. As last year, this year's invitation was for the 2010 meeting only, so one can expect this to continue on an annual basis, likely without a problem unless a future government in Taipei seems to be pushing the independence envelope. That said, the Ma administration's reported interest in relabeling its WHA observers as representing "the Republic of China" may complicate the picture.<sup>103</sup>

Taiwan has also expressed interest in joining the International Food Safety Authorities Network (INFOSAN), one of the WHO's six communication mechanisms and technical conferences. Recall that in early 2009 Taiwan had been integrated into the International Health Regulations organization (IHR), another WHO information exchange platform.<sup>104</sup> Beijing's level of flexibility on INFOSAN remains to be seen, but this would seem an easy case for the PRC to say "yes."

However, there has been no visible progress on Taiwan's declared priority international goal of participating in two other UN-affiliated bodies, the International

Civil Aviation Organization (ICAO) and the UN Framework Convention on Climate Change (UNFCCC). One senses this is because Beijing is hesitant to see Taiwan's government-affiliated representation increase in "mainstream" UN specialized agencies. That said, there is reason to believe Taipei will make a push for some kind of (non-sovereign) affiliated status with ICAO later in the year, given the important role Taiwan plays in regional aviation matters.

Meanwhile, in late March President Ma Ying-jeou made a seven-day trip to Taiwan's six diplomatic partners in the South Pacific, stopping in Guam to refuel both ways and meeting with AIT Chairman Raymond Burghardt on the return trip.<sup>105</sup> Under the implicit agreement on a "diplomatic truce," the PRC did not react in any noticeable way.

### *Pursuing the Non-economic Agenda*

Finally, with respect to other aspects of direct cross-Strait relations, Beijing announced that it was proceeding with the next session of the "Straits Forum" in June, a gathering based in southern China, which it billed as the "largest non-official cross-Strait forum to date."<sup>106</sup>

The Mainland also proceeded with a series of visits to Taiwan by major PRC municipal and provincial leaders. Although various kinds of cooperation were discussed, many of these delegations also included buying missions. When Shanghai mayor Han Zheng was in Taipei recently, he signed four memoranda of understanding to boost inter-city cooperation in the fields of culture, tourism, environmental conservation, and science and technology.<sup>107</sup> Although some other dignitaries have included visits to southern Taiwan on their itinerary, Mayor Han did not, which caused some consternation among local business luminaries.<sup>108</sup> They may have been reassured, however, by the well-publicized visit of Fujian's governor to the south several weeks later, along with a large business group.<sup>109</sup>

"Unofficial" tourism offices were also established on the two sides in early May, with the Taiwan office in Beijing headed by the former deputy chief of the Executive Yuan department in charge of tourism policy.<sup>110</sup>

Beijing has, of course, had an active program of interacting on a civilian level with all sorts of individuals and groups from Taiwan, including prominent members of the DPP. But the PLA has generally taken a hard line toward the Green camp. Therefore it was striking, at least to this observer, that a retired PLA major general, after attending the Taipei meeting last November that left so many Mainland participants frustrated,<sup>111</sup> came away saying that members of the pan-Green camp were "more rational" than he imagined. Moreover, according to one report, the PLA has started to engage in exchanges with those "rational" pan-Green people.<sup>112</sup> This may be a matter of trying to lay a foundation to deal with an uncertain political future in Taiwan, and especially to develop channels of communication with more pro-Green people in central and southern Taiwan. So it would make sense. But it was certainly different from what one often hears from the

PLA. Moreover, the Director General of Taiwan's National Security Bureau told the LY that, of the 30-plus military exercises conducted by the PLA in 2009, 23, or roughly 70 percent, were aimed at Taiwan.<sup>113</sup> So, the PLA's vigilance against Taiwan independence has not slackened.

Thinking past ECFA, referring back to Wang Yi's early April interview with *Yazhou Zhoukan* in which he addressed the list of Beijing's priority interests in cross-Strait relations,<sup>114</sup> the TAO director amplified on the benefits of cultural exchange, the area he identified as the second priority after economics: "As the people on the two sides of the Strait are from the same root and use the same language, so increased exchanges are conducive to cultural and national identity (民族認同) across the Strait." That there may be a ready audience for this—although not necessarily one that will translate into the political identification that Beijing ultimately hopes for—is seen in the result of recent polling by the Global Views Survey Research Center. While the poll showed that fully two-thirds of respondents did not support unification—even eventually and even if the two sides had "similar conditions"—some 80 percent agreed that they were part of the "Chinese ethnicity," or what has also been called the "Chinese nation" (中華民族).<sup>115</sup>

## Conclusion

Just as in many ways all politics is based on economics, what recent developments across the Strait and within Taiwan demonstrate is that all economics is political. How Taiwan will eventually settle its internal disputes over ECFA will not only play out over the next few months, but over the next several years, as the anticipated agreement affects realities and perceptions in Taiwan and the fortunes of the various political actors. Naturally, this will all have much to do with the future course of cross-Strait relations.

Beijing will have a lot to say about that, not so much in terms of words as in the actions it takes—or doesn't take. This will include what is done in the area of trade and investment, but it will also go well beyond that. We will continue to address those issues in future essays in this series.

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## Notes

<sup>1</sup> Alan D. Romberg, "2010: The Winter of PRC Discontent," *China Leadership Monitor*, no. 31, Winter 2010.

<sup>2</sup> These steps included: a trip by Deputy Secretary of State James Steinberg and NSC Senior Director for Asia Jeffrey Bader to Beijing in early March; statements reaffirming U.S. policy by Steinberg ("Foreign policy priorities of the Obama administration" [transcript], Atlantic Council of the United States, March 15, 2010, <http://www.acus.org/event/james-steinberg-foreign-policy-priorities-obama-administration/transcript>) and President Obama when accepting the new Chinese ambassador's credentials and in a brief private meeting afterward ("Statement by Press Secretary Robert Gibbs on China," White House, March 29, 2010, <http://www.whitehouse.gov/the-press-office/statement-press-secretary-robert-gibbs-china>); a visit by the PRC vice foreign minister to Washington; and the hour-long phone conversation between Presidents Obama and Hu about a variety of issues. Although none of the U.S. statements contained any change of American policy, they were welcomed by Beijing as "positive," paving the way

for the PRC decision to engage on an Iran sanctions resolution at the United Nations and for the announcement that President Hu would come to the mid-April nuclear security summit in Washington where he would meet with Mr. Obama.

<sup>3</sup> Anthony Kuhn, “Nuclear security summit may bring U.S., China closer,” National Public Radio *Morning Edition*, April 9, 2010, <http://www.npr.org/templates/story/story.php?storyId=125753857>. This language, used by Vice Foreign Minister Cui Tiankai in briefing the press, was basically drawn from the November 17, 2009, joint statement issued when President Obama was in Beijing (<http://www.whitehouse.gov/the-press-office/us-china-joint-statement>).

<sup>4</sup> The five points Hu put forth were:

- Persistently stick to the right direction of bilateral ties and take concrete steps to establish a partnership to deal with common challenges;
- Respect each other’s core interests and major concerns—“This is the key to the healthy and stable development of bilateral ties”;
- Maintain exchanges at different levels, including at the summit level;
- Deepen practical cooperation (including in such areas as economics and trade, counter-terrorism, energy, environment, law enforcement, civil aviation, and high-speed trains and infrastructure);
- Strengthen communication and coordination on major international and regional issues (including strengthening macroeconomic policy coordination and cooperation with the framework of the G-20). (Li Xianzhi [ed.], “Hu presents 5-point proposal for boosting China-U.S. ties,” Xinhua, April 12, 2010.)

<sup>5</sup> Conversation with PRC official.

<sup>6</sup> In his work report to the National People’s Congress in early March, Premier Wen Jiabao observed that Beijing would maintain “the principle of developing cross-Straits relations and promoting peaceful reunification of the motherland, firmly embrace the theme of peaceful development of cross-Straits relations and constantly create new conditions for it.” ECFA was listed among the policies that would create such conditions. (“Report on the Work of the Government delivered at the Third Session of the Eleventh National People’s Congress on March 5, 2010, Wen Jiabao, Premier of the State Council, Xinhua, March 15, 2010, [http://news.xinhuanet.com/english2010/china/2010-03/15/c\\_13211657\\_15.htm](http://news.xinhuanet.com/english2010/china/2010-03/15/c_13211657_15.htm).)

<sup>7</sup> “Transcript of PRC State Council Taiwan Affairs Office news conference,” TAO, February 10, 2010, translated by OSC, CPP20100210075001. The original Chinese-language transcript is available at [http://www.gwytb.gov.cn/xwfbh/xwfbh0.asp?xwfbh\\_m\\_id=126](http://www.gwytb.gov.cn/xwfbh/xwfbh0.asp?xwfbh_m_id=126).

Taiwan might also have taken comfort about the prospects for continuity of Mainland policy from the comments by Vice President—and putative heir apparent to Hu Jintao—Xi Jinping when he met with former Taiwan foreign minister Fredrick Chien in mid-April. Xi not only expressed the hope for smooth and rapid progress on ECFA, but he also called for the two sides to “constantly enrich the content of cooperation, expand cooperation areas, innovate ways of cooperation and improve the level of cooperation” to benefit people on both sides. (“Xi calls for smooth ECFA negotiations,” Xinhua, April 10, 2010.)

<sup>8</sup> “Transcript of PRC State Council Taiwan Affairs Office news conference,” TAO, February 10, 2010, translated by OSC, CPP20100210075001. The original Chinese-language transcript is available at [http://www.gwytb.gov.cn/xwfbh/xwfbh0.asp?xwfbh\\_m\\_id=126](http://www.gwytb.gov.cn/xwfbh/xwfbh0.asp?xwfbh_m_id=126).

Moreover, there is nothing in various official statements to suggest that Beijing is, in fact, urgently pushing for any sort of political dialogue at this stage, much less reunification. The Taiwan Affairs Office continues to fend off questions about a schedule for military trust building. In response to a question at the TAO press briefing on March 17, the spokesman responded as follows:

As I have said, we maintain that cross-Strait contacts and exchanges on military issues should be held at an appropriate time to discuss the issue of establishing the mechanism for military mutual trust across the Strait. The work in this aspect should start step by step in an orderly manner, with easy issues first and then difficult ones. For example, it can start with the cross-Strait exchange of retired military personnel and related experts and scholars. Last year’s seminar on 60 years across the Strait, held in Taipei, is a good beginning for the work in this aspect, I believe. (Transcript translated by Open Source Center [OSC], CPP20100317046008, Chinese text available at [http://www.gwytb.gov.cn/xwfbh/xwfbh0.asp?xwfbh\\_m\\_id=128](http://www.gwytb.gov.cn/xwfbh/xwfbh0.asp?xwfbh_m_id=128).)

TAO Director Wang Yi has also reiterated that “at present, the mainland does not have a timetable for political talks.” (Mao Feng, “Beijing does not have a timetable for political talks with Taiwan,” exclusive interview with TAO Director Wang Yi on March 26, *Yazhou Zhoukan*, April 4, 2010, No. 13, pp. 14–15,

translated by OSC, CPP20100330710006. The Chinese text of this interview is available at [http://www.dongyangjing.com/bbs\\_disp.cgi?zno=80201&&kno=001&&no=0223](http://www.dongyangjing.com/bbs_disp.cgi?zno=80201&&kno=001&&no=0223).)

What is abundantly clear, however, is that, for Beijing, all cross-Strait relations must be grounded in the principle of “one China.” As we have discussed before, for now—and perhaps for some time to come—the “1992 Consensus” is good enough to cover that. Indeed, as the Taiwan Affairs Office spokesman recently put it, “Opposing ‘Taiwan independence’ and adhering to the ‘1992 Consensus’ is an important [foundation] for both sides of the Taiwan Strait to establish political mutual trust. *The ‘1992 Consensus’ reached by the two sides is indisputable and irreplaceable.*” (“Mainland official calls for opposition to secessionist activities of ‘Taiwan independence’ forces,” Xinhua, March 31, 2010, emphasis added. The spokesman’s statement [“反对‘台独’、坚持‘九二共识’，是两岸双方建立政治互信的重要基础。两岸达成‘九二共识’的过程和全部事实都是很清楚的，无可争辩，也无可取代”] was contained in the TAO press briefing of March 31, 2010, and is available at [http://www.gwytb.gov.cn/xwfbh/xwfbh0.asp?xwfbh\\_m\\_id=129](http://www.gwytb.gov.cn/xwfbh/xwfbh0.asp?xwfbh_m_id=129).)

What is also clear is that Beijing still would like to see Track II activities and meetings begin between retired military officers, in order to lay a foundation for eventual political dialogue. As Wang Yi put it recently: “To resolve political differences, we may as well start with discussions of scholars and experts from the two sides and, then, gradually form a consensus.” (Mao Feng, op. cit.) And in fact, a very senior group of retired Taiwan generals led by the former chief of the General Political Warfare Bureau of Taiwan’s Ministry of National Defense recently visited Beijing. Among others, they met (separately) with Wang Yi and Chairman Jia Qinglin of the National Committee of the Chinese People’s Political Consultative Conference, as well as calling at the PLA Academy of Military Science, National Defense University, and General Political Department. (Wang P’eng-chieh, “A delegation of retired generals led by Hsu Li-nung visits Beijing, urges military mutual trust between the two sides” [“兩岸/許歷農率退休將領訪北京促兩岸軍事互信”] *Central Daily News*, April 6, 2010, translated in summary by OSC, CPP20100407569001. The original story is at [http://www.cdnews.com.tw/cdnews\\_site/docDetail.jsp?coluid=107&docid=101119307](http://www.cdnews.com.tw/cdnews_site/docDetail.jsp?coluid=107&docid=101119307).)

Some PLA officers continue to urge dialogue between not only retired military officers but also active duty personnel. But this is unlikely to meet Taipei’s approval soon. (Wang Lee-chuan and Lee Ch’un, “Mainland Military Side: Need to push forward exchanges between active duty military personnel of two sides” [“中共軍方：應推動兩岸現役軍人交流”], *Lien-ho Pao*, March 6, 2010, translated in summary by OSC, CPP20100307100001. The original article was accessed March 6 at <http://udn.com/NEWS/MAINLAND/MAI2/5457674.shtml>; currently archived at [http://www.fyjs.cn/bbs/htm\\_data?254/1003/239622.html](http://www.fyjs.cn/bbs/htm_data?254/1003/239622.html).)

In the meantime, “*in light of the reality across the Strait and in the order of importance,*” Wang Yi assigned priority to: first, continuing to deepen economic cooperation (focusing on ECFA); second, energetically carrying out cultural and educational exchanges; third, vigorously encouraging people-to-people exchanges; fourth, actively improving and perfecting various policy measure (e.g., allowing Taiwan agricultural produce to retain more profits from the Mainland market); and, fifth, continuously deepening cross-Strait political mutual trust through consultations on an equal footing and adhering to the “correct orientation” in developing cross-Strait relations. (Mao Feng, op. cit.; emphasis added.)

Returning to the question of ECFA, although Beijing agrees with Taipei about the accord’s exclusively economic nature, an example of differences in the way the two sides view the evolution of their overall economic relationship is seen in the fact that Wang Yi identified the goals of ECFA as to push forward normalization, institutionalization, and systemization of cross-Strait economic exchanges. (“Wang Yi: ECFA to include five concessions to Taiwan,” KMT News Network [from Taipei papers], March 31, 2010, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=7846>.) But Taiwan has resisted characterizing ECFA as “normalizing” economic relations. (Lin Shu-yuan, Chang Ming-kun, and Sofia Wu, “Second round of ECFA talks to focus on ‘early harvest’ program,” Central News Agency [CNA], March 29, 2010.)

Moreover, in an example of differences over the even larger issue of how the two sides should interact with one another at this stage, and the degree to which institutionalization of relations is appropriate, in the February 10 TAO press briefing, the spokeswoman indicated that Beijing believed it was “very essential” to establish offices of ARATS and SEF in each other’s territory to “help assist the handling of questions cropping up in contacts between compatriots and properly safeguard the legitimate rights and interests of compatriots across the Strait.” Again, Taipei has indicated that the time is not ripe for this. (Luo Tien-pin,

“Mutually establish official agencies? Ma government inclined to talk about it after 2012,”

(“互設官方機構？馬政府傾向2012後再談”), *Liberty Times*, May 3, 2010, <http://www.libertytimes.com.tw/2010/new/may/3/today-fo1-3.htm>.)

<sup>9</sup> In his February 9 press conference, Ma asserted: “No additional agricultural products have been allowed into Taiwan since I took office [and I] will not allow any new imports of [Chinese] agricultural products in the future.” (Alex Jiang, “President reaches out to farmers, workers on Taiwan-China trade pact,” CNA, February 9, 2010.)

<sup>10</sup> “Hu visits Taiwan businesses on mainland before Festival,” Xinhua (in *China Daily*), February 12, 2010, [http://news.xinhuanet.com/english2010/china/2010-02/13/c\\_13174036.htm](http://news.xinhuanet.com/english2010/china/2010-02/13/c_13174036.htm).

The Mainland has continued to adopt other measures to help Taiwan’s economy outside the context of ECFA. For example, in addition to the numerous buying missions from various provinces and cities, Guangdong announced that it was drafting a set of 18 measures to help Taiwan enterprises establish roots in the province. (T’sang Hung-tz’u, “Guangdong will adopt 18 measures to help Taiwan enterprises lay a foundation,” [“廣東將出台18條 助台商扎根 包括開放台企投資第三產業 在當地加簽台胞證”], *China Times*, April 23, 2010, translated in summary by OSC, CPP20100424100001. The original article is available at <http://news.chinatimes.com/mainland/0,5245,50503409x112010042300487,00.html>.)

<sup>11</sup> Wen said the Mainland would take into full consideration the interests of Taiwan’s small and medium-sized enterprises and the Taiwan public, especially Taiwan farmers. He explained it, however, in largely political, not economic terms: “The reason is very simple: Taiwan compatriots are our brothers.” (“Mainland willing to sacrifice interests in economic pact with Taiwan: Wen,” Xinhua, February 27, 2010, [http://news.xinhuanet.com/english2010/china/2010-02/27/c\\_13190718.htm](http://news.xinhuanet.com/english2010/china/2010-02/27/c_13190718.htm).)

Expressing the view that ECFA would proceed on the basis of “equal consultations, mutual benefit, and accommodation of each other’s concerns,” Wen expanded the defined scope of concessions even further in his NPT press conference, noting that full consideration should be given to the “economic conditions” on both sides. But in the process, he complained that the Taiwan media, in reporting his Internet chat remarks on this subject, had rarely reported his stated (political) reason that the PRC could be so solicitous, i.e., “because we are brothers.” (From the transcript of Wen’s press conference carried in full by Xinhua and translated by OSC, CPP20100315071001. The original Chinese transcript is available at [http://news.xinhuanet.com/politics/2010-03/14/content\\_13171135\\_2.htm](http://news.xinhuanet.com/politics/2010-03/14/content_13171135_2.htm).)

<sup>12</sup> Chen Heng-kuang (ed.), “China to Open Market Wider to Taiwan’s Agricultural Products,” (“台灣農產品擴大進入大陸”), *Central Daily News*, March 1, 2010, [http://www.cdnews.com.tw/cdnews\\_site/docDetail.jsp?coluid=111&docid=101078418](http://www.cdnews.com.tw/cdnews_site/docDetail.jsp?coluid=111&docid=101078418)). Actually, according to Taiwan media, it was not until mid-March that a Mainland official for the first time explicitly said that no additional Mainland agricultural products would enter Taiwan’s market. (“Zheng Lizhong [first deputy director of TAO]: Mainland agricultural products won’t enter Taiwan,” *Lien-ho Pao*, March 18, 2010, translated by KMT News Network, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=7784>; the original article, “鄭立中：大陸農產品不會進台灣,” is available at <http://udn.com/NEWS/MAINLAND/MAI/5482289.shtml>.)

<sup>13</sup> 一、未來早收降稅清單無論是金額還是比例，大陸都會少於或低於台灣。二、大陸選擇對台灣降稅的產品，將盡可能惠及台灣中小企業和基層民眾。三、大陸希望台灣方面降稅的產品，將盡量不影響台灣弱勢產業。四、大陸不會要求台灣進一步擴大大陸農產品入島。五、大陸無意對台灣實施勞務出口，請大家放心。(閻光濤/整理, “經濟協議/王毅：平等協商共贏惠台五利多,” 中央網路報,

[http://www.cdnews.com.tw/cdnews\\_site/docDetail.jsp?coluid=107&docid=101112302](http://www.cdnews.com.tw/cdnews_site/docDetail.jsp?coluid=107&docid=101112302), reporting on Wang’s interview with *Want Daily* (*Wang Pao*; translated in summary by OSC, CPP20100331569001).

We noted in an earlier essay that Mainland economic interests seemed resistant to making too many unreciprocated concessions to Taiwan, and that this contributed to Beijing’s reluctance to put ECFA on the agenda of the fourth SEF-ARATS talks at the end of 2009. (Alan D. Romberg, “Cross-Strait Relations: A Confederacy of Skeptics,” *China Leadership Monitor*, no. 29, Summer 2009, p. 3). Although the PRC eventually decided to proceed anyway, most likely having to compensate Mainland domestic interests along the way, signs persisted that there were still pockets of resistance. One article in the PRC-controlled Hong Kong press in late February, for example, argued that Taiwan could not close its doors to PRC-made products and Mainland workers and apply such “discriminatory trade clauses” for long. (Liu Silu, “Viewpoint: Taiwan also should adjust its opening to the Mainland,” Hong Kong *Wen Wei Po*, February

25, 2010. The original article, “東張西望：台灣也要對大陸適度開放,” is available at <http://paper.wenweipo.com/2010/02/25/PL1002250003.htm>.)

<sup>14</sup> Two days before the talks were to begin, senior Mainland Affairs Council officials were still talking about banking and other financial services topping the list of services to be negotiated, with senior Financial Supervisory Commission officials set to join the negotiations. (Lin Shu-yuan, Chang Ming-kun and Sofia Wu, “Second round of ECFA talks to focus on ‘early harvest’ program,” CNA, March 29, 2010.) Indeed, before the second round of expert-level talks convened, reports indicated that Taiwan was seeking “super-WTO treatment” for financial services so that local financial institutions could tap the Chinese market effectively, including allowing Taiwan banking branches to undertake renminbi-denominated business immediately and exempting Taiwan insurance firms from existing PRC restrictions on foreign insurance firms (US\$5 billion minimum assets, over 30 years of history, and over two years of history of a representative office in the Mainland). (Philip Liu, “Taiwan seeking super-WTO treatment for entry of China’s financial market,” *Taiwan Economic News*, March 30, 2010.)

Some reports said the last-minute scrapping of discussion of financial services was designed to allow Taiwan to simplify the agenda and facilitate agreement on items with higher priority issues in terms of opening Mainland markets. (Philip Liu, “Taiwan concentrates on merchandise early-harvest list in 2<sup>nd</sup> ECFA talk,” *Taiwan Economic News*, March 31, 2010, [http://cens.com/cens/html/en/news/news\\_inner\\_31765.html](http://cens.com/cens/html/en/news/news_inner_31765.html).) This was described as focusing on “quick, easy and few” issues and suggested the “early harvest” list might be pared down from 500 to 350.

According to at least one report, however, financial services were taken off the agenda because the PRC side was “still in the process of coming together” on the issue. (“Financial services, panels off ECFA early harvest list talks,” *Economic Daily News* [translated by *Taiwan Today*], March 31, 2010, <http://www.taiwantoday.tw/ct.asp?xItem=97205&ctNode=4>.) In any case, Taiwan officials continued to express optimism that financial services would eventually be included in the early harvest list, (Joyce Huang, “Financial services to be on early harvest list: [Financial Supervisory Commission (FSC) chairman Sean] Chen,” *Taipei Times*, April 2, 2010; Hsieh Chun-wei and Fanny Liu, “More talks on financial services to be held before signing ECFA: FSC,” CNA, April 1, 2010). And at the end of April, FSC Chairman Chen said it was “certain” that the financial sector would be on the agenda of the third round of expert-level talks, now scheduled for mid-May. Still, despite the high interest of Taiwan’s financial community in opening representative or branch offices in the Mainland—some 13 financial companies have applied so far for permission to do so—officials acknowledged that the extent to which financial products would be included in the final agreement would depend on the outcome of future negotiations (“Financial sector gearing up for post-ECFA world,” *Economic Daily News* [translated by *Taiwan Today*], April 30, 2010, <http://www.taiwantoday.tw/ct.asp?xItem=101087&ctNode=445>).

On the other hand, there were indications that the long-troubled double taxation agreement might not be signed at the next high-level SEF-ARATS meeting as had been hoped. (Chi Li-chun, “MAC: It will be difficult for the tax agreement to be completed in time for ECFA,” *Economic Daily*, April 30, 2010. The original article, “陸委會：租稅協議趕上ECFA...難,” is available at <http://udn.com/NEWS/MAINLAND/MAII/5568793.shtml>.) This is the agreement that was due for signature at the fourth SEF-ARATS meeting in December, but that was suddenly set aside for “technical reasons.” (Alan D. Romberg, “2010: The Winter of PRC Discontent,” *China Leadership Monitor*, no. 31, Winter 2010, endnote 6.)

<sup>15</sup> Yen Kuang-t’ao (ed.), “Chen Yunlin: ARATS, SEF to focus on two major goals this year,” *Central Daily News*, March 9, 2010 (translated in summary by OSC, CPP20100310569001). The original article, “兩岸/陳雲林：今年兩會商談有兩大規劃,” is available at [http://www.cdnews.com.tw/cdnews\\_site/docDetail.jsp?coluid=107&docid=101088327](http://www.cdnews.com.tw/cdnews_site/docDetail.jsp?coluid=107&docid=101088327).

<sup>16</sup> Philip Liu, “ECFA may be signed in mid-year,” *Taiwan Economic News*, March 5, 2010 (citing a statement by ARATS chairman Chen Yunlin that ECFA might be signed in “May or June”). This was increasingly echoed on the Taiwan side (Elizabeth Hsu, “June good time to sign ECFA: SEF chairman,” CNA, March 9, 2010), including by President Ma himself. (“President Ma makes remarks at 2010 Hsieh Nien Fan banquet of American Chamber of Commerce in Taipei,” Office of the President, March 16, 2010, [http://www.president.gov.tw/en/prog/news\\_release/print.php?id=1105500134](http://www.president.gov.tw/en/prog/news_release/print.php?id=1105500134)).

<sup>17</sup> Taiwan officials expressed satisfaction that “the Taiwanese delegates have achieved what they hoped to achieve and defended what they hoped to defend.” They also continued to express confidence ECFA would

be signed in May or June. (Philip Liu, “Taiwan and China reach major consensus in 2<sup>nd</sup> ECFA talk,” *Taiwan Economic News*, April 2, 2010.) Around the time of the second round of experts talks, there was still some talk of reaching agreement by mid- or late May (“Movement accelerating, ECFA to be signed in mid- or late May” [“動作加快 5月中下旬簽署”], *China Times*, reporting a story from *Wang Pao*, April 1, 2010, <http://news.chinatimes.com/mainland/0,5245,50503221x112010040100491,00.html>). But over time it became clear that June was a more realistic target, and even that was dependent on the next two rounds of experts talks in mid- and late May going smoothly. (Pan Chi-I and Fanny Liu, “ECFA could be signed in June: premier,” *CNA*, May 4, 2010.)

Taiwan media generally seen as “pro-Green” tended to present a “glass half empty” conclusion. (“Taiwan-China ECFA talks fail to produce ‘early harvest’ list,” *Taiwan News*, April 1, 2010; Ko Shu-ling, “Little achieved at ECFA negotiations,” *Taipei Times*, April 2, 2010). More “neutral” or presumed pro-Blue media cast things more in terms of a “glass half full.” (Philip Liu, “Taiwan and China reach major consensus in 2<sup>nd</sup> ECFA talk,” *Taiwan Economic News*, April 2, 2010, [http://cens.com/cens/html/en/news/news\\_inner\\_31801.html](http://cens.com/cens/html/en/news/news_inner_31801.html); “Taipei, Beijing make headway on early harvest,” *Commercial Times* [translated in *Taiwan Today*], April 2, 2010, <http://www.taiwantoday.tw/ct.asp?xItem=97319&ctNode=445>; “Five points of consensus reached in second round of negotiations for a cross-Strait ECFA,” KMT News Network [from *Taipei papers*], <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=7863>.)

For the Mainland’s part, although the PRC negotiator confirmed that there had not been full agreement on the “early harvest” list, Xinhua’s account took an upbeat position, saying that the two sides agreed to hold a third round of expert-level talks “as soon as possible.” (Mu Xuequan, editor, “Cross-Strait economic pact’s expert talks achieve positive results,” *Xinhua*, April 1, 2010.)

<sup>18</sup> According to a summary account drawn from various papers, the two sides reached a five-point consensus (KMT News Network, “Five points of consensus reached in second round of negotiations for a cross-Strait ECFA,” April 2, 2010, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=7863>):

- Early harvest lists would be based on “rapid, easy, few” and focus on industries that are urgent, necessary, and of mutual concern;
- No additional Mainland agricultural products will be allowed into Taiwan;
- Taiwan’s small- and medium-sized enterprises and disadvantaged groups will be safeguarded;
- A preliminary consensus on the ECFA text was reached; and
- Consultations on tentative standards of place of origin should be initiated.

This last point could be relevant to resolving the earlier problem over a double-taxation agreement, but, as noted earlier, it may still prove to be out of reach even by the time of the fifth SEF-ARATS meeting in mid-year. (endnote 14)

A Mainland account added some greater detail on other points of discussion beyond ECFA:

The two sides also discussed other issues. The Taiwan side expressed the hope that the mainland would expand the list of duty-reduced Taiwan farm, fish, and livestock products exported to and sold in the mainland and the mainland side brought it home for study.

With regard to the issue of protecting intellectual property rights, the two sides will accelerate consultation in accordance with the consensus at the fourth round of the ARATS-SEF talks to facilitate the signing of an agreement at the fifth round of the ARATS-SEF talks. In the area of investment security, consultations will start as soon as possible after a cross-Strait ECFA is signed, to strive to reach an agreement. In addition, the cross-Strait ECFA will not involve the issue of lifting restrictions on mainland workers.

The mainland side hoped that consideration would be given to the degree of competitiveness of certain industries of concern to both sides as well as the different sizes of the economies on the two sides of the Taiwan Strait. The Taiwan side indicated that it fully understood the demand of mainland industries. (“Second round of ARATS-SEF experts working talks on cross-Strait ECFA achieve several points of consensus,” *Xinhua* [domestic], April 1, 2010, translated by OSC, CPP20100401062004. Original Chinese story [“两岸ECFA第二次两会专家工作商谈取得多项共识”] is available at [http://news.xinhuanet.com/tw/2010-04/01/c\\_1213215.htm](http://news.xinhuanet.com/tw/2010-04/01/c_1213215.htm).)

- <sup>19</sup> “Tsai Ing-wen: With ECFA, US to be marginalized; If regaining power, DPP may repeal ECFA unilaterally,” KMT News Network (from Taipei papers), April 30, 2010 (<http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=7997>).
- <sup>20</sup> Wang Peng-chieh, “ECFA/If FTAs are not signed then ECFA is annulled? Premier Wu opposes,” *Central Daily News*, February 23, 2010, translated in summary by OSC, CPP20100224569001. The original article, “經濟協議/FTA簽不成ECFA就失效? 吳揆反對,” is available at [http://www.cdnews.com.tw/cdnews\\_site/docDetail.jsp?coluid=107&docid=101072550](http://www.cdnews.com.tw/cdnews_site/docDetail.jsp?coluid=107&docid=101072550).
- <sup>21</sup> Li Chih-te and T’ao Yuan, “Participation in Asia-Pacific economic cooperation: common understanding ‘just do it, don’t write it’,” (“參與亞太經合, 共識「只做不寫」”), *Lien-ho Pao*, April 2, 2010, <http://udn.com/NEWS/NATIONAL/NATS1/5512637.shtml>.
- <sup>22</sup> Liu Cheng-ching and Bear Lee, “Taiwan free to sign FTAs: MAC head,” CNA, April 8, 2010.
- <sup>23</sup> Wang Peng-chieh, “Economic Cooperation Agreement/During March ECFA discussions in villages and towns, Lai Shin-yuan will do her utmost to participate” (“經濟協議/3月ECFA鄉鎮座談 賴幸媛盡量參加”), *Central Daily News*, February 23, 2010, translated in summary by OSC, CPP20100224569001. The original article is available at [http://www.cdnews.com.tw/cdnews\\_site/docDetail.jsp?coluid=107&docid=101072655](http://www.cdnews.com.tw/cdnews_site/docDetail.jsp?coluid=107&docid=101072655). The government’s efforts included producing television commercials and short films, holding public forums, and broadcasting a series of “informational” radio programs in different dialects. “Easy-to-understand” brochures, research documents, and position papers were also being produced. (Chiayi Ho, “ECFA [February 26] talk with MAC Minister Lai Shin-yuan,” *Taiwan Today*, March 12, 2010, <http://www.taiwantoday.tw/ct.asp?xItem=96009&CtNode=427>.)
- <sup>24</sup> “Ma promotes ECFA with China to farmers,” *Taiwan News*, March 15, 2010; “Ma steps up promotion of ECFA,” *China Post*, April 4, 2010.
- <sup>25</sup> “‘What is ECFA’ booklet released” (“「ECFA是什麼東西」小冊子哈燒發送”), DPP News Center, March 30, 2010, [http://www.dpp.org.tw/news\\_content.php?menu\\_sn=7&sub\\_menu=43&sn=4264](http://www.dpp.org.tw/news_content.php?menu_sn=7&sub_menu=43&sn=4264).
- <sup>26</sup> Ko Shu-ling, “ECFA threat to middle class: think tank,” *Taipei Times*, April 11, 2010. Only three days earlier, the DPP had said 3.21 million white-collar jobs would be threatened by ECFA. (“Services sector to face onslaught after ECFA: DPP,” *Taiwan News*, April 8, 2010.) The government rejected the notion that ECFA would threaten jobs of white-collar workers (Chou Yung-chieh and Elizabeth Hsu, “Taiwan remains closed to Chinese white-collar workers: minister,” CNA, April 14, 2010). And in his April 25 debate with Tsai Ing-wen, Ma Ying-jeou sought to ridicule the idea by pressing the DPP chairwoman to explain how the number had jumped so quickly.
- At the same time, Premier Wu Den-yih later acknowledged that in early rounds of ECFA discussions PRC negotiators, “based on” WTO rules, did request opening Taiwan’s market to Mainland accounting, medical, legal, and media broadcast professionals. Taiwan rejected the proposal, he said. However, he added that if in the future Taiwan’s professionals feel the time is ripe for them to expand into the Mainland market, the government would reassess a mutual opening of markets to white-collar professionals. (“Wu sees ECFA inked by mid-June,” *Economic Daily News* [translated in *Taiwan Today*], May 5, 2010, <http://www.taiwantoday.tw/ct.asp?xItem=101646&ctNode=445>.)
- <sup>27</sup> In his February 9, 2010, press conference, Ma announced there would be three types of remedial assistance programs: “rejuvenation” assistance to help industries endangered but not yet harmed; “systematic adjustment” to help industries that have already begun to suffer; and “damage relief” to those already experiencing severe setbacks. He announced that these programs would come to about US\$3 billion over a 10-year period. He also said that there would be no provisions in ECFA regarding Mainland workers coming to Taiwan, and that this was not a subject covered by the World Trade Organization framework. (“President Ma makes case for ECFA,” Office of the President, Republic of China, February 9, 2010, [http://www.president.gov.tw/en/prog/news\\_release/print.php?id=1105500127](http://www.president.gov.tw/en/prog/news_release/print.php?id=1105500127).)
- The Ministry of Economic Affairs later identified those sectors adversely impacted by ECFA as including garments, underwear, sweaters, swimwear, towels, bedding, socks, footwear, suitcases, home appliances, stoneware, ceramics, traditional Chinese herbal medicine, agricultural pesticides, environmental medicines, veterinary medicines, and wood and bamboo products. (“More industries to be affected by ECFA,” *United Daily News* [translated in *Taiwan Today*], March 18, 2010, <http://www.taiwantoday.tw/ct.asp?xItem=96300&ctNode=445>.)



protest,” *Liberty Times*, April 7, 2010. The original story, “陸委會非正式報告 綠缺席抗議” is available at <http://www.libertytimes.com.tw/2010/new/apr/7/today-fo5-6.htm>.)

<sup>34</sup> TVBS composed an account of parries and thrusts in this regard since 2008, carried by the KMT News Network in translation as a chart (“DPP’s Response to Proposed Meetings Between President Ma Ying-jeou and Chairperson Tsai Ing-wen,” March 30, 2010, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=7841>). For those interested in somewhat greater discussion of the debate issue, it has been addressed in several previous essays in this series. (“Cross-Strait Relations: ‘Ascend the Heights and Take a Long-term Perspective,’” *China Leadership Monitor*, no. 27, Winter 2009, p. 13; “First the Easy, Now the Hard,” *China Leadership Monitor*, no. 28, Spring 2009, p. 19; and “Cross-Strait Relations: A Confederacy of Skeptics,” *China Leadership Monitor*, no. 29, Summer 2009, pp. 5, 7.)

<sup>35</sup> “Public opinion poll: 67 percent support a debate on ECFA, 48 percent favor Tsai Ing-wen vs. Wu Den-yin” (“本報民調六成七支持辯論ECFA 48%盼蔡英文VS. 吳敦義”), *China Times*, March 23, 2010, <http://news.chinatimes.com/politics/0,5244,50203150x112010032300078,00.html>, presented as a translated chart by KMT News Network, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=114&anum=7804>. One of the interesting data points not translated was that a debate mattered far more to partisans than to neutral respondents. Thus, 92 percent of pan-Green respondents supported a debate, as did 72 percent of pan-Blues. But only 57 percent of independents did.

<sup>36</sup> Y.F. Low, “DPP chairwoman renews call for referendum on ECFA,” CNA, April 9, 2010.

<sup>37</sup> Amy Huang and Sofia Wu, “ECFA debate aims to enhance public understanding: spokesman,” CNA, April 1, 2010. There was also some discussion of Ma’s capacity in that debate—as president, which he preferred (Lee Shu-hua and Bear Lee, “Ma to debate ECFA with DPP head as President: spokesman,” CNA, March 29, 2010), or as party chairman. In the end both sides claimed that they really didn’t care.

<sup>38</sup> Y.F. Low, “Talk of the day—Push for ECFA referendum,” CNA, March 23, 2010.

<sup>39</sup> Shih Hsiu-chuan, “Executive Yuan group upholds referendum rejection,” *Taipei Times*, February 27, 2010. This left the DPP with the option of appealing to the Taipei High Administrative Court within two months, but it did not take such action and is now sponsoring the pending TSU referendum proposal (see endnote 40).

<sup>40</sup> In early May, the Central Election Commission approved the validity of the initial petitions for a new referendum submitted by the Taiwan Solidarity Union (TSU), and passed the issue on to the Executive Yuan Referendum Review Committee for a final chop on whether the proposed language meets the terms of the Referendum Act. If it does, it will then be circulated for the necessary 866,000 signatures. (“Taiwan Central Election Commission approves ECFA referendum request,” *Taiwan News*, May 4, 2010.) The Ma administration, seeking to avoid a delay in LY handling of ECFA this summer even if a referendum petition moves forward, vowed that if a referendum disapproving ECFA is passed after ECFA has been put into place, the government will void the cross-Strait agreement. (Y.F. Low, “ECFA would be scrapped if vetoed in referendum: minister,” CNA, May 5, 2010.)

<sup>41</sup> Lee Shu-hua and Bear Lee, “Opposition leader Tsai Ing-wen: Debate with president inevitable,” CNA, March 24, 2010.

<sup>42</sup> “DPP leader challenges Taiwan President to debate ECFA,” *Taiwan News*, March 24, 2010.

<sup>43</sup> DPP polls have consistently shown that the public wants LY oversight. (“DPP poll: Over 74.1% support legislative oversight in cross strait affairs,” *Democracy & Progress*, DPP Newsletter, February 2010, [http://www.dpp.org.tw/index\\_en/upload/news/20100501104846\\_link.pdf](http://www.dpp.org.tw/index_en/upload/news/20100501104846_link.pdf).) But DPP polls, which some might suspect of political bias, are hardly alone in revealing this view.

<sup>44</sup> FTVN (Formosa Television), “DPP imposes preconditions for ECFA debate,” March 26, 2010, translated by OSC, CPP20100326427002.

<sup>45</sup> “President Ma to debate ECFA with DPP Chairperson Tsai Ing-wen,” KMT News Network (from Taipei papers), March 25, 2010, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=7820>.

<sup>46</sup> Chu Chen-kai and Ch’in Hui-yuan, “Two Ing debate [Ma Ying-jeou and Tsai Ing-wen]—DPP: Absolutely no threshold,” (雙英辯 民進黨: 絕無任何門檻), *China Times*, March 26, 2010, accessed on the publication date at <http://news.chinatimes.com/2009Cti/Common/2009Cti-News-Print/0,5201,110502x112010032600096,00.html>.

<sup>47</sup> “Taiwan DPP renews call for true debate about ECFA with China,” *Taiwan News*, March 30, 2010.

<sup>48</sup> Lee Shu-hua and Lilian Wu, “Officials to report to public on ECFA talks: president,” CNA, March 31, 2010. Mainland officials had early on expressed concern over the pressure in Taiwan for a very public process, since it would limit the flexibility of both sides in the negotiation, making realization of a mutually satisfactory agreement harder. (Interviews in Beijing, January 2010)

In rebutting the need for a referendum, Ma noted that there would be legislative oversight through existing mechanisms, which would suffice. In describing the LY role, he used the exact language of the Statute Governing Relations between the People of the Taiwan Area and the Mainland Area—that the LY must “consider” or “review” (審議) any cross-Strait agreement requiring a change to domestic law. (Yen Kuang-t’ao [ed.], “Ma participates in forum in Yunlin, says cross-Strait agreement to be transparent, open having more good than harm” [“總統雲林座談：經濟協議透明公開 利多於弊”], *Central Daily News*, April 3, 2010, [http://www.cdnews.com.tw/cdnews\\_site/docDetail.jsp?coluid=107&docid=101116737](http://www.cdnews.com.tw/cdnews_site/docDetail.jsp?coluid=107&docid=101116737).)

As we have pointed out before, this would seem to leave unanswered the question of what happens if the DPP succeeds in blocking the LY from “considering” ECFA through parliamentary or other tactics. (Alan D. Romberg, “Cross-Strait Relations: Weathering the Storm,” *China Leadership Monitor*, no. 30, Fall 2009, p. 9.) It used such tactics recently to block discussion of a draft statute on promoting innovative industries, putting forward a list of demands on issues unrelated to the legislation at hand: formation of an LY committee to supervise the government’s plans for ECFA; a referendum on ECFA; no introduction of absentee voting; a ban on students and investments from the PRC; and approval of measures to stimulate the economic development of eastern Taiwan. When the KMT refused to go along, DPP legislators resorted to filibustering. (“Taiwan economic package blocked at Legislature,” *Taiwan News*, March 30, 2010.)

<sup>49</sup> Liu Cheng-ching and Sofia Wu, “ECFA ‘early harvest’ list still in the works: MAC,” CNA, April 8, 2010.

<sup>50</sup> Vincent Y. Chao and Ko Shu-ling, “President, DPP chairperson to hold debate on ECFA,” *Taipei Times*, April 2, 2010. One has to assume a certain level of gamesmanship in this call, as it has long been clear that there is a huge gap between the DPP and the administration on the reliability and meaning of various economic projections.

<sup>51</sup> S.H. Lee and Flor Wang, “Wrangle over ECFA debate between government and DPP,” CNA, April 8, 2010.

<sup>52</sup> Wen Kui-hsiang and Maubo Chang, “Bracing for debate, DPP sets up task force,” CNA, April 2, 2010.

<sup>53</sup> Lee Shu-hua and Fanny Liu, “President prepares for TV debate with DPP chairperson,” CNA, April 23, 2010. Ma’s staff complained that he did not have enough time to prepare properly for the debate (Ko Shu-ling, “Staff complain about Ma’s busy schedule,” *Taipei Times*, April 25, 2010), and on the eve of the debate he canceled all public events so he could focus on last-minute preparations. (Mo Yan-chih, “Ma cancels events to prepare for debate,” *Taipei Times*, April 24, 2010.)

<sup>54</sup> Garfie Li and Elizabeth Hsu, “Ma to focus on Taiwan’s isolation in ECFA debate: spokesman,” CNA, April 3, 2010; Yen Kuang-t’ao (editor), “Ma participates in forum in Yunlin, says cross-Strait agreement to be transparent and open, having more good than harm” (“總統雲林座談：經濟協議透明公開 利多於弊”), *Central Daily News*, April 3, 2010,

[http://www.cdnews.com.tw/cdnews\\_site/docDetail.jsp?coluid=107&docid=101116737](http://www.cdnews.com.tw/cdnews_site/docDetail.jsp?coluid=107&docid=101116737); “President Ma Ying-jeou is putting Taiwan on the same track as China: DPP,” *Taiwan News*, April 4, 2010.

<sup>55</sup> Judy Li, “TAITRA forms taskforce to offset ECFA’s impact on Taiwan,” *Taiwan Economic News*, April 8, 2010, [http://cens.com/cens/html/en/news/news\\_inner\\_31968.html](http://cens.com/cens/html/en/news/news_inner_31968.html).

<sup>56</sup> Hsieh Chun-wei and Bear Lee, “Government set to create 115,000 more jobs,” CNA, April 8, 2010.

<sup>57</sup> “Taiwan should discuss separate issues with China instead of ECFA: DPP,” *Taiwan News*, April 5, 2010.

<sup>58</sup> Vincent Y. Chao, “First televised debate on ECFA ends in disagreement,” *Taipei Times*, April 6, 2010. Malaysia’s trade and industry minister reportedly confirmed his country’s interest in signing an FTA with Taiwan in recent conversations with a cabinet-level counterpart from Taiwan. (“Malaysian minister of trade and industry: Cross-Strait ECFA will aid Taiwan-Malaysia FTA,” [“大馬貿工部長：兩岸ECFA有助台馬FTA”], *Lien-ho Pao*, April 3, 2010, <http://udn.com/NEWS/NATIONAL/NAT3/5514839.shtml>.)

<sup>59</sup> Lee Ming-chung, Wen Kuei-hsiang and Fanny Liu, “Chinese professionals not allowed to work in Taiwan after ECFA: MOEA,” CNA, April 6, 2010.

<sup>60</sup> TVBS asked respondents whom they expected to do better before they saw the debate, and then who they thought had done better in the debate. Beforehand, Tsai led the poll by 28 percent vs. Ma’s 24 percent, with

48 percent having no opinion. In the wake of the debate, 46 percent thought Ma had done better as against 34 percent who thought Tsai had, with the “no opinion” number dropping to 20 percent. Of potentially greater long-term importance, although Ma’s support rate still lagged substantially behind his non-support rate, the former rose from 25 percent before the debate to 30 percent afterward, and his non-support rate dropped from 50 percent to 48 percent, closing that gap by 7 points. Moreover, according to the same poll, support for concluding ECFA rose from 38 percent to 41 percent, while opposition dropped from 36 percent to 33 percent. (TVBS Poll Center, “ECFA—Public opinion poll after the ‘two Ing’ debate,” [“ECFA雙英辯論後民調”], April 25, 2010, [http://www.tvbs.com.tw/FILE\\_DB/DL\\_DB/yijung/201004/yijung-20100426095221.pdf](http://www.tvbs.com.tw/FILE_DB/DL_DB/yijung/201004/yijung-20100426095221.pdf). This poll was translated in part by KMT News Network, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=114&anum=7962>.)

Most other polls showed similar results in terms of who came out on top. A DPP poll showed Tsai came out as somewhat more persuasive (40.2 percent vs. 39.9 percent) (“民進黨公布ECFA辯論後最新民調,” April 26, 2010, [http://www.dpp.org.tw/news\\_content.php?menu\\_sn=7&sub\\_menu=43&sn=4306](http://www.dpp.org.tw/news_content.php?menu_sn=7&sub_menu=43&sn=4306)), but even DPP commentators acknowledged that Ma seemed to have done better. Julian Kuo, a well-respected party strategist, was quoted as saying “I do think that Tsai could have tried to communicate better.” (Vincent Y. Chao, “Punches but no knockout in debate: pundits,” *Taipei Times*, April 28, 2010.) Another DPP LY member thought that given Tsai’s perceived loss to Ma in the debate, her authority could come into question. (“Tsai’s authority in party to be questioned: Huang,” *China Post*, April 28, 2010.)

<sup>61</sup> Wen Kui-hsiang, “Opposing ECFA: Green camp plans to launch a mass movement,” CNA (Domestic), April 7, 2010, translated in summary by OSC, CPP20100408100001. The original article (“反ECFA綠醞釀群眾運動”) is available at <http://www.cna.com.tw/ShowNews/Detail.aspx?pNewsID=201004070344&pType0=aIPL&pTypeSel=0>.

<sup>62</sup> The party built on the gains it had made in the December 2009 LY elections and the January LY by-elections (Romberg, “2010: The Winter of PRC Discontent,” *China Leadership Monitor*, no. 31, Winter 2010, p.1) with victories in three of the four seats at stake in late February. (Mo Yan-chih, Vincent Y. Chao, and Loa Iok-sin, “DPP almost makes another clean sweep,” *Taipei Times*, February 28, 2010.) While the results were discouraging for the KMT and a boost for the DPP, people in both parties cautioned a) that these were in large measure local elections so might not be a reliable indicator about what would happen in more “national” elections, and b) that there was a very low voter turnout, largely due to KMT supporters staying home, something much less likely to occur either in the yearend special municipal elections or presidential election. Therefore, both sides say, one ought not to draw sweeping conclusions based on the outcome in these cases.

<sup>63</sup> K.H. Wen and Flor Wang, “DPP to unveil ‘10-year’ political platform,” CNA, March 13, 2010.

<sup>64</sup> Romberg, “A Confederacy of Skeptics,” *China Leadership Monitor*, no. 29, Summer 2009, pp. 7–9; Romberg, “Cross-Strait Relations: Weathering the Storm,” *China Leadership Monitor*, no. 30, Fall 2009, p. 8.

<sup>65</sup> Tsai Ing-wen, “Taiwan and globalization: An island nation perspective,” *Democracy & Progress*, DPP Newsletter, January 2010, [http://www.dpp.org.tw/index\\_en/upload/news\\_letter/20100210131130\\_data\\_1.pdf](http://www.dpp.org.tw/index_en/upload/news_letter/20100210131130_data_1.pdf).

<sup>66</sup> Maubo Chang, “United Daily News: Tsai not ready for meeting with president,” CNA, February 11, 2010.

<sup>67</sup> In fact, the deputy executive director of the DPP Policy Research and Coordination Committee recently said that the idea of a 10-year political program originated in summer 2009, after the DPP received public feedback that the party was not projecting a clear view of its future national policy and outlook. (Chang Ta-chih, “DPP: Ten-year political platform [program] will not replace the party platform,” [“民進黨：十年政綱非取代黨綱”], *Central Daily News*, April 4, 2010, original story available at [http://www.cdnews.com.tw/cdnews\\_site/docDetail.jsp?coluid=107&docid=101117260](http://www.cdnews.com.tw/cdnews_site/docDetail.jsp?coluid=107&docid=101117260).)

<sup>68</sup> K.H. Wen and Flor Wang, “DPP to unveil ‘10-year’ political platform,” CNA, March 13, 2010. These issues were to include such matters as the economy, population, carbon reduction, government finances, and the development of national territory.

<sup>69</sup> Conversations with DPP members and other well-placed observers, March 2010.

The process will include both consultation among party officials and discussion with the public in the form of “civic forums” where Tsai Ing-wen will preside. (“DPP to start dialogues for its ten-year political

platform next week,” KMT News Network [from Taipei papers], March 25, 2010, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=7819>.) By early April it was reported that four such public sessions had already been scheduled for later that month and early May to discuss the ageing population, environmental threats, economic development in the context of globalization, and “Taiwan’s strategy in the face of the changing international environment.” Suggestions received at those meetings will be passed to the party leadership for further discussion with academics before being incorporated into a final document for issuance in August. Even after the document is issued, party officials say, it will be open to change over time, depending on changing circumstances. (“Taiwan opposition DPP intensifies work on 10-year plan,” *Taiwan News*, April 4, 2010.)

<sup>70</sup> Zou Liyung, “DPP’s ‘10-year political platform’ will not touch on the nation’s status,” (“民進黨稱”十年政綱”不觸及國家定位”), *China Review News*, April 7, 2010. (Original story available at <http://www.chinareviewnews.com/doc/1012/8/1/1/101281133.html?coluid=0&kindid=0&docid=101281133&mdate=0406161934>. A translation of the text and explanation of the 1999 resolution are available at <http://www.taiwandc.org/nws-9920.htm>.)

<sup>71</sup> Y.L. Kao, “Talk of the day—DPP head voices willingness to talk with China,” CNA, May 3, 2010.

<sup>72</sup> “Talks must be based on ‘one China’: Xu [Bodong]” *China Post*, May 4, 2010.

<sup>73</sup> Ko Shu-ling and Vincent Y. Chao, “Lu calls for caution on Tsai’s overture,” *Taipei Times*, May 4, 2010.

<sup>74</sup> Y.F. Low, “Liberty Times: What to talk about under ‘one China principle’?” CNA, May 5, 2010.

<sup>75</sup> Sophia Yeh and Y.L. Kao, “DPP should let its voice be heard by China: chairwoman,” CNA, May 3, 2010.

<sup>76</sup> Sophia Yeh, Wen Kuei-hsiang, and Sofia Wu, “Ex-premier unveils Taipei mayoral bid,” CNA, March 3, 2010.

<sup>77</sup> The vice premier and former magistrate of Taoyuan county only made his intentions publicly known in late March, but the probability of his running was broadly reported well before that. (Lee Shu-hua and Sofia Wu, “Vice premier makes public his election bid: KMT executive,” CNA, March 26, 2010.)

Interestingly in terms of Su’s chances, despite Chu’s popularity, a late February poll showed Su leading Chu by 44 percent vs. 38 percent. (United Daily News public opinion poll, February 23, 2010, translated by KMT News Network, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=114&anum=7671>.)

While in that same poll Tsai Ing-wen trailed Chu by 48 percent vs. 30 percent, strikingly, a UDN poll two weeks later, after Su had already announced his intention to run in Taipei City, showed Tsai and Chu neck and neck in New Taipei at 42 percent each. (“United Daily News public opinion poll, Xinbei City mayoral election,” translated by KMT News Network, March 8, 2010,

<http://www.kmt.org.tw/english/page.aspx?type=article&mnum=114&anum=7731>. Original UDN poll at <http://www.udn.com/2010/3/6/NEWS/NATIONAL/NATS4/5457449.shtml>.)

<sup>78</sup> Some polls did show Hau ahead of Su in the Taipei City race by a substantial margin. A United Daily News poll, for example, showed the incumbent KMT mayor leading Su by 46 percent vs. 37 percent at the time of Su’s announcement. (United Daily News

[http://mag.udn.com/mag/news/storypage.jsp?f\\_MAIN\\_ID=34&f\\_SUB\\_ID=4478&f\\_ART\\_ID=237786](http://mag.udn.com/mag/news/storypage.jsp?f_MAIN_ID=34&f_SUB_ID=4478&f_ART_ID=237786), translated by KMT News Network, March 4, 2010,

<http://www.kmt.org.tw/english/page.aspx?type=article&mnum=114&anum=7711>).

But the TVBS polling center produced an interestingly different result. Having also shown Hau ahead by a margin similar to UDN’s findings (45 percent vs. 38 percent) the day before Su’s announced intention to run, TVBS ran another poll shortly after Su’s announcement. Comparing the results of these two polls reveals a nine-point turnaround in Su’s favor (44 percent vs. 42 percent). Moreover, by a margin of 47 percent vs. 28 percent, TVBS respondents thought Su would be a better mayor. An important factor in the later TVBS results was that, in the follow-up poll after the announcement, independents favored Su by 40 percent vs. 33 percent, and they constituted 41 percent of the respondents. (In that poll, 91 percent of DPP supporters backed Su, while only 77 percent of KMT supporters backed Hau. The TVBS poll originally appeared at [http://www.tvbs.com.tw/FILE\\_DB/DL\\_DB/doshouldo/201003/doshouldo-20100304191637.pdf](http://www.tvbs.com.tw/FILE_DB/DL_DB/doshouldo/201003/doshouldo-20100304191637.pdf) and was translated by KMT News Network, March 4, 2010, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=114&anum=7712>.)

<sup>79</sup> As this article was heading for publication, the popular mayor of Kaohsiung City easily won a public opinion poll that assures she will be the DPP nominee to run for chief executive of the newly combined Kaohsiung City and Kaohsiung County (Wen Kuei-hsiang, Chen Shou-kuo, and Elizabeth Hsu, “Chen Chu wins DPP primary for Kaohsiung mayoral election,” CNA, May 5, 2010). Her main DPP opponent pledged

to back her. The DPP candidate for chief of the newly expanded Tainan municipality was also decided. (Wen Kuei-hsiang and Y.L. Kao, "DPP candidate in Tainan election decided," CNA, May 7, 2010.) This left Taipei City (where Su Tseng-chang will run), Taichung (where the KMT is expected to win handily, so the DPP candidate is not likely to be decisive), and New Taipei. The last is the big unknown, and there is still pressure for Tsai Ing-wen to pick up the mantle there as the best, and perhaps only viable, candidate. ("Chen Chu urges Tsai to run in Xinbei," *China Post*, May 8, 2010.)

<sup>80</sup> Wen Kuei-hsiang and Bear Lee, "DPP chairperson Tsai announces bid to seek reelection," CNA, March 17, 2010.

<sup>81</sup> Vincent Y. Chao, "DPP councilors urge Tsai to join year-end elections," *Taipei Times*, April 8, 2010.

<sup>82</sup> "Tsai Ing-wen tearful over controversy of father's grave," *China Post*, May 5, 2010.

<sup>83</sup> Lee Chia-fei, "KMT deep plowing, plans to personally visit 700,000 party members" ("國民黨深耕擬親訪70萬黨員"), CNA (domestic), March 15, 2010, translated in summary by OSC, CPP20100317100001. The original article is available at [http://www.etaiwannews.com/etn/news\\_content.php?id=1203663&lang=tc\\_news&cate\\_img=257.jpg&cate\\_rss=news\\_PD](http://www.etaiwannews.com/etn/news_content.php?id=1203663&lang=tc_news&cate_img=257.jpg&cate_rss=news_PD).

<sup>84</sup> Ko Shu-ling, "King attempts to rein in KMT legislators-at-large," *Taipei Times*, March 30, 2010.

<sup>85</sup> "Emergency response system survives trial by earthquake," *United Daily News* (translated in *Taiwan Today*), March 5, 2010, <http://www.taiwantoday.tw/ct.asp?xItem=95497&ctNode=445>.

<sup>86</sup> Deborah Kuo, "China Times: National security system needs overhaul," CNA, April 5, 2010.

<sup>87</sup> Romberg, "Cross-Strait Relations: A Confederacy of Skeptics," *China Leadership Monitor*, no. 29, Summer 2009, p. 22; Romberg, "Cross-Strait Relations: 'Ascend the Heights and Take a Long-term Perspective'," *China Leadership Monitor*, no. 27, Winter 2009, p. 16.

<sup>88</sup> Romberg, "2010: The Winter of PRC Discontent," *China Leadership Monitor*, no. 31, Winter 2010, endnote 2.

<sup>89</sup> A *Lien-ho Pao* poll in early March showed that satisfaction with Ma's performance had slipped from 33 percent in early December to 29 percent in late February, while his dissatisfaction rating remained steady at 49–50 percent. In this same period, Tsai Ing-wen's satisfaction rate rose from 43 percent to 46 percent, while dissatisfaction with her dropped from 24 percent to 20 percent. ("Lien-ho Pao Public Opinion Poll: Ma's support rate at 29%, lowest point since the [August 8, 2009] floods," February 28, 2010, <http://www.udn.com/2010/2/28/NEWS/NATIONAL/NAT4/5444507.shtml>, translated by KMT News Network at <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=114&anum=7693>.)

In late March, TVBS showed Ma's ratings in a similar range: 27 percent satisfied vs. 51 percent dissatisfied. ("馬英九總統當選兩周年滿意度民調" ["Two years after election: President Ma's job approval rating"], March 18, 2010, [http://www.tvbs.com.tw/FILE\\_DB/DL\\_DB/yijung/201003/yijung-20100319184720.pdf](http://www.tvbs.com.tw/FILE_DB/DL_DB/yijung/201003/yijung-20100319184720.pdf), translated by KMT News Network at <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=114&anum=7829>.)

In GVSRC's monthly Taiwan Public Mood Index for March 2010, the "trust index" for Ma stood at 44.1, down 1.5 points from February. It slid again in April to 43.9, which was still slightly above levels registered in November through January. Tsai Ing-wen's March "trust index level," on the other hand, was at 51.9, up 0.7 points from February, and it rose again in April to 53.2. These numbers showed continuing improvement since December 2009 after a year of lingering below 50. (Global Views Survey: "Taiwan Public Mood Index," March 2010, [http://www.gvm.com.tw/gvsrc/201003\\_GVSRC\\_TPMI\\_E.pdf](http://www.gvm.com.tw/gvsrc/201003_GVSRC_TPMI_E.pdf).)

On a somewhat different scale, GVSRC polling showed Ma's mid-March "satisfaction" rating of 23.8 percent rose by almost three points, to 26.6 percent by late April. His dissatisfaction rate dropped in this period from 66 percent to 61.4 percent. Still, his trust level of 38.8 percent dropped to 37.1 percent, although distrust also dropped, from 47.1 percent to 44.7 percent. ("Survey on President Ma Ying-jeou's approval rating," April 21, 2010, [http://www.gvm.com.tw/gvsrc/201004\\_GVSRC\\_others\\_E.pdf](http://www.gvm.com.tw/gvsrc/201004_GVSRC_others_E.pdf).)

<sup>90</sup> "Taiwan economy grows 9.2 percent in Q4," Associated Press in *China Post*, February 22, 2010.

<sup>91</sup> "Taiwan's per capita GNP reaches record-high US\$17,000," *China Times*, February 23, 2010, translated in KMT News Network, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=7659>.

<sup>92</sup> Fanny Liu, "March unemployment rate drops slightly to 5.67%," CNA, April 22, 2010.

<sup>93</sup> "Jobless rate falls to 14-month low," *Liberty Times* (translated in *Taiwan Today*), April 23, 2010.

<sup>94</sup> Fanny Liu, "March unemployment rate drops slightly to 5.67%," CNA, April 22, 2010; Erin Ho and Elizabeth Hsu, "Unemployment rate drops to one-year low," CNA, February 22, 2010; Judy Li, "Taiwan's long-term unemployed hits record 118,000 in February," *Taiwan Economic News*, March 26, 2010. The

drop in long-term unemployed in March, though still at a very high level, was the first decrease in that statistic since May 2009. (“Jobless rate falls to 14-month low,” *Liberty Times* (translated in *Taiwan Today*), April 23, 2010.)

<sup>95</sup> Erin Ho and Elizabeth Hsu, “Unemployment drops to one-year low,” CNA, February 22, 2010.

<sup>96</sup> Judy Li, “Taiwan’s long-term unemployed hits record 118,000 in February,” *Taiwan Economic News*, March 26, 2010. Some observers suggested that one reason economic recovery was not translating into enhanced production or robust increases in employment was that “triangle trade” accounts for an increasing share of trade. That is, firms take the orders in Taiwan from the United States or Europe, but they then produce the goods overseas. (Flor Wang, “Commercial Times: Unemployment remains despite economic recovery,” CNA, February 25, 2010.) This has been cited as one factor in the rise to a six-year high in March of “structural unemployment” (i.e., unemployment due to a mismatch between employer needs and labor force training and skills). It is also one of the issues in contention between proponents and opponents of ECFA. The former point to the large assistance program planned for relatively weak industries and their workers, which we have discussed above, while the latter believe not only that cheap Mainland products will flood the Taiwan market but also that more Taiwan producers will relocate to the Mainland once ECFA is in place, worsening the jobless situation. (Judi Li, “Taiwan’s structural unemployment hits 6-year high,” *Taiwan Economic News*, March 17, 2010, [http://cens.com/cens/html/en/news/news\\_inner\\_31620.html](http://cens.com/cens/html/en/news/news_inner_31620.html).)

<sup>97</sup> Judi Li, “Taiwan sees record number of households below poverty line in Q4 2009,” *Taiwan Economic News*, February 25, 2010, [http://cens.com/cens/html/en/news/news\\_inner\\_31271.html](http://cens.com/cens/html/en/news/news_inner_31271.html). The number of people in those households rose to over 250,000 for the first time ever.

Although the Council of Economic Planning and Development (CEPD) reported a statistical narrowing of the wealth gap in 2009, it ascribed this to special tax and social welfare policies, without which the gap would have continued to widen. It also said that the government would need to “properly address” the adverse impact of ECFA on certain sectors or, despite the “far greater benefit” of the agreement to the economy as a whole, it would both increase unemployment and worsen wealth distribution. (Hsieh Chun-wei and Bear Lee, “2009 wealth gap narrows 1.69 times: CEPD,” CNA, April 20, 2010.)

<sup>98</sup> Alex Jiang and Maubo Chang, “President to boost popularity through reform,” CNA, April 6, 2010.

Ma laid out four “major tasks” for stimulating the economy: reducing unemployment and creating jobs through expanding private investment and consumption; moving forward with energy conservation and carbon reduction; joining regional economic integration; and stimulating further tourism. (Lee Su-hua and Y.L. Kao, “President outlines four tasks for better economy this year,” CNA, April 7, 2010.)

<sup>99</sup> Ko Shu-ling, “Ma to stay the course on cross-strait policies,” *Taipei Times*, April 7, 2010.

<sup>100</sup> Garfie Li and Y.F. Low, “President pledges to turn China ties into assets,” CNA, April 6, 2010.

<sup>101</sup> “馬英九總統當選兩周年滿意度民調” (“Two years after election: President Ma’s job approval rating”), March 18, 2010, [http://www.tvbs.com.tw/FILE\\_DB/DL\\_DB/yijung/201003/yijung-20100319184720.pdf](http://www.tvbs.com.tw/FILE_DB/DL_DB/yijung/201003/yijung-20100319184720.pdf), translated by KMT News Network at

<http://www.kmt.org.tw/english/page.aspx?type=article&mnum=114&anum=7829>.

<sup>102</sup> Maubo Chang, “Health minister to attend World Health Assembly in Geneva,” CNA, March 23, 2010.

<sup>103</sup> M.S. Huang and Flor Wang, “Taiwan given due status in WHA: MOFA official,” CNA, May 6, 2010.

<sup>104</sup> Chen Ching-fang and Sofia Wu, “Taiwan hopeful of joining INFOSAN this year,” CNA, March 24, 2010.

<sup>105</sup> “President Ma meets AIT head in Guam,” *United Daily News* (translated by *Taiwan Today*), March 29, 2010, <http://taiwantoday.tw/ct.asp?xItem=97023&ctNode=413>.

<sup>106</sup> “Chinese mainland, Taiwan to hold Straits Forum in June,” Xinhua, March 31, 2010.

<sup>107</sup> Lin Shen-hsu, Lin Shu-yuan, and Bear Lee, “Mayors of Taipei, Shanghai ink 4 cooperation MOUs,” CNA, April 6, 2010.

<sup>108</sup> “Han Zheng did not visit Kaohsiung: Don’t emphasize the north and slight the south” (“韩正未访高雄勿重北轻南”), Sina.com, April 7, 2010, <http://news.sina.com.cn/c/2010-04-07/194917336635s.shtml>. Han’s decision does not appear to have been an extension of the earlier Mainland boycott of the south in reaction to handling of the Dalai Lama’s visit to Taiwan or the showing of the bio-pic about exiled Uighur leader Rebiya Kadeer. Nonetheless, southern Taiwan business interests are obviously concerned that they are being accorded secondary priority as compared with their northern brethren.

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<sup>109</sup> “Ranking China leader to stay in South for first time in two years,” AFP (in *China Post*), May 6, 2010. This report did not touch on the Dalai Lama or Rebiya Kadeer issues, but said that the reluctance to send high-ranking PRC officials to southern Taiwan emerged after a senior ARATS official was roughed up during his visit to Tainan in 2008.

<sup>110</sup> Huang Ru-p’ing and Bai Te-hua, “First time in sixty years, the Taiwan Cross-Strait Tourism Agency hangs out its shingle in Beijing, a first in official cross-Strait relations” (“六十年 頭一遭 台旅會北京掛牌 兩岸官方首次”), *China Times*, May 5, 2010. <http://gb.chinatimes.com/gate/gb/news.chinatimes.com/mainland/0,5245,50503535x112010050500195,00.html>.

<sup>111</sup> Romberg, “2010: Winter of PRC Discontent,” *China Leadership Monitor*, no. 31, Winter 2010, p. 2.

<sup>112</sup> Ch’i Le-yi and Yang Fen-ying, “PLA retired Major General Pan Zhenqiang says members of pan-green camp more rational than he imagined,” May 28, 2010, translated in summary by OSC, CPP20100319100002. The original article, “解放軍退役少將 潘振強：綠營人士比想像中理性,” is available at <http://n.yam.com/chinatimes/china/201003/20100318355422.html>.

<sup>113</sup> Luo T’ien-pin and Hsu Shao-hsuan, “Over 70 percent of China’s military exercises last year were directed against Taiwan,” *Liberty Times*, March 18, 2010, translated in summary by OSC, CPP20100319100001. The original article (“去年中國軍演 逾7成針對台灣”) is available at <http://www.libertytimes.com.tw/2010/new/mar/18/today-fo1.htm>.

<sup>114</sup> Mao Feng, “Beijing does not have a timetable for political talks with Taiwan,” exclusive interview with TAO Director Wang Yi on March 26, *Yazhou Zhoukan*, April 4, 2010, no. 13, pp. 14–15, translated by OSC, CPP20100330710006. The Chinese text of this interview is available at [http://www.dongyangjing.com/bbs\\_disp.cgi?zno=80201&&kno=001&&no=0223](http://www.dongyangjing.com/bbs_disp.cgi?zno=80201&&kno=001&&no=0223).

<sup>115</sup> Global Views Survey Research Center, “Survey on signing of economic cooperation agreement with other countries, people’s views on unification with China and independence, and President Ma Ying-jeou’s approval rating,” March 23, 2010, [http://www.gvm.com.tw/gvsrc/201003\\_GVSRG\\_others\\_E.pdf](http://www.gvm.com.tw/gvsrc/201003_GVSRG_others_E.pdf).