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# Cross-Strait Relations and Regional Integration: A Review of the Ma Ying-jeou Era (2008–2016)

Tung-chieh TSAI and Tony Tai-ting LIU

**Abstract:** Despite the signing of the Economic Cooperation Framework Agreement (ECFA) between mainland China and Taiwan in 2010, Taiwan's future status in the field of Asian regional integration remains unclear. While Taiwan remains outside the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP), China's rise and continued expansion in regional integration put increasing pressure on Taiwan to confront its political differences with China. This paper discusses the interconnection between regional integration and cross-Strait relations and seeks to address the implications such linkage entails. The authors note the exploitation of a two-pronged strategy by Beijing to pressure Taipei into confronting the political problem between China and Taiwan. In addition, the authors assess Taiwan's performance in terms of its progress in the establishment of preferential trade agreements (PTAs) from 2008 to 2016 under the Ma Ying-jeou (Ma Yingjiu) administration and identify the hurdles and prospects for Taiwan's future integration efforts. This paper concludes with a brief consideration of Taiwan's New Southward Policy.

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**Keywords:** China, Taiwan, Cross-Strait Relations, Regional Integration, Asia Pacific, ECFA

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## Introduction

With the signing of the Economic Cooperation Framework Agreement (ECFA) between Taiwan and China in 2010, the international community was hopeful that Taiwan could once again utilise its role as a strategic hub in Asia by connecting trade in the region and serving as a window to the Greater China market. For Taiwan, the ECFA serves as an entry pass to plug into the fast-moving regional integration process within Asia, a phenomenon that has long been beyond the reach of the island nation. Taiwan's reinforced relationship with the Chinese economy through the ECFA is expected to bring many untapped economic opportunities. Consequently, numerous observers anticipate that Taiwan will thus become an attractive partner for international cooperation.

Nevertheless, under the omnipresent structure of delicate cross-Strait relations, that is to say the political differences that separate Taiwan and China, regional integration for Taiwan cannot be considered without taking into account the role of China. In this article<sup>1</sup>, the authors review the advancements Taiwan has made in the process of regional integration over the past eight years (2008–2016) under the Ma Ying-jeou (馬英九, Ma Yingjiu) administration and examine how the China factor has played out to curtail further progress since 2013. Specifically, the authors note the exploitation of a two-pronged strategy by Beijing to pressure Taipei into confronting the political divide between China and Taiwan. The discussion is carried out in four parts: first, the authors provide an overview of recent developments in regional integration in the Asia Pacific area and Taiwan's corresponding status; then they address Taiwan's former status in regional integration and the high hopes for the ECFA following political change on the island in 2008. In the third section, the authors assess the performance of the Ma Ying-jeou government in relation to regional integration. Finally, they conclude with some reflections on the Ma government and considerations for the prospects of Taiwan's advancement in regional integration in the near future.

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## The Current State of Asia-Pacific Integration: The TPP, RCEP, and other Subregional Initiatives

While the term “regional integration” harbours several different dimensions, its economic definition has perhaps been most strongly endorsed by Asian countries in recent years. Since the Asian Financial Crisis of 1997, countries in the Asia Pacific region have moved rapidly towards the establishment of region-wide free trade. Largely spurred on by Western interventions through the International Monetary Fund (IMF), which many observers have deemed as doing more harm than good, Asia’s leaders gathered in Malaysia in 1997 to convene the first ASEAN Plus Three (APT) Summit between the Association of Southeast Asian Nations and the three East Asian nations of China, Japan, and South Korea. Since then, various strategies for achieving integration in the Asia Pacific region, a phenomenon that entails not only active deliberations but also great power competition, have been proposed. Following the US return to Asia in 2009 – the Barack Obama administration’s strategy to shift its foreign policy focus from the Middle East and Europe to Asia – competition among Asian nations in the area of Asia Pacific regional integration reached an unprecedented level. This section briefly observes the main integration initiatives in the Asia Pacific and the corresponding status of Taiwan in the proposals.

### The Trans-Pacific Partnership

In November 2009 at the annual APEC summit, the US Trade Representative (USTR) announced the participation of the United States in the expansion of the Trans-Pacific Strategic Economic Partnership Agreement (TPSEP or P4) to create the Trans-Pacific Partnership (TPP). The announcement brought instant global attention to the previously low-profiled “Pacific Four” (P4) agreement, a mini economic partnership agreement established between Brunei, Chile, Singapore and New Zealand. In the face of China’s rise and Asia’s economic prosperity, Washington anticipated the establishment of the TPP as a way to assuage America’s economic decline by strengthening trade relations with Asia (Tsai and Liu 2013: 550). After several years of negotiations, the TPP was finally signed in New Zealand in February 2016 by 12 states: the original P4 countries plus the United States, Australia, Peru, Vietnam, Malaysia, Mexico, Canada, and Japan.

Since the introduction of the TPP in 2009, Taiwan has shown a strong interest in participating in negotiations. China's absence from the TPP has been an important driving force for Taiwan's interest in the initiative. In addition, noting the TPP as an extension of APEC, Taiwan has also observed the potential benefits of its APEC membership status in its quest to participate in TPP negotiations (Wu Fucheng 2016). Nonetheless, various issues continue to challenge Taiwan's aspiration to join the TPP. International politics proves to be a major barrier. As Singapore prime minister, Lee Hsien Loong, pointed out, "The participation of Taiwan in the TPP will depend on China, as other countries in the TPP need to manage their relations with China" (*Aseanup.com* 2016). Although the Taiwan government is eager to gain TPP membership, as in Japan and Canada the TPP has generated widespread debate within Taiwan about the impact of liberalisation on the local agricultural industry, the environment, and intellectual property rights, to the extent that a consensus on TPP membership has yet to be reached on the island. Meanwhile, the United States has not yet responded directly to Taiwan's expression of interest in the TPP. Many observers point to the unresolved issue of US beef and pork exports to Taiwan as a key obstacle (Chang Jing-wen 2015; Dai 2015).

## Regional Comprehensive Economic Partnership

In 1997, in the midst of the Asian Financial Crisis, the ASEAN member countries and China, Japan, and South Korea joined hands to establish the ASEAN Plus Three (APT). The APT was conceived by member states as the dominant model for Asian regional integration in the future. In 2005, the APT expanded to include six members outside the ASEAN with the participation of Australia, New Zealand, and India. Currently, the 16 member states of ASEAN Plus Six serve as the foundation for the Regional Comprehensive Economic Partnership (RCEP), a regional integration initiative advocated by ASEAN in 2012. Although discussions abound for the establishment of ASEAN Plus Eight following the participation of the United States and Russia at the Sixth East Asia Summit in 2011 (Bobowski 2016: 48–50), such a development has not materialised into region-wide economic cooperation. As of February 2016, the member states of the RCEP had conducted 11 rounds of negotiations.

Noting the RCEP as an alternative to the TPP, Taiwan has also expressed a strong interest in participating in the initiative. While some observers view the RCEP as a China-led counter proposal to the TPP (Hung and Liu 2012; Chang, Gordon 2015; Morimoto 2016), Taiwan finds no contradiction in potentially participating in both initiatives, following in the footsteps of countries that are already party to both RCEP and TPP negotiations, such as Singapore, Malaysia, Vietnam, Brunei, Australia, and New Zealand. In particular, following the conclusion of the ECFA and the ensuing détente across the Strait, Taiwan has repeatedly made clear to China its interest in RCEP membership. However, as Bonnie Glaser (2013: 28) observed, nothing substantive has been agreed upon since honorary Kuomintang (中國國民黨, *Zhongguo guomindang*, KMT) chairman Wu Poh-hsiung (吳伯雄, Wu Boxiong) directly communicated Taiwan's desire to join the RCEP to mainland Chinese President Xi Jinping in June 2013. In 2014, the deputy minister of Taiwan's Mainland Affairs Council (大陸委員會, *Dalu weiyuanhui*, MAC), Steve Lin (林祖嘉, Lin Zujia), issued a statement calling for China and Taiwan to "jointly study" the potential for further economic cooperation for the larger goal of regional integration (Wang 2014). However, Beijing has yet to respond to the request.

## China–Japan–Korea Free Trade Area

In 1999, in a separate breakfast meeting hosted during the APT summit in Manila, Chinese Prime Minister Zhu Rongji met with his Japanese and South Korean counterparts, Keizo Obuchi and Kim Dae-jung, respectively, for discussions on pushing forward cooperation in East Asia. The informal summit in the Philippines eventually became the precursor of the China–Japan–South Korea trilateral summit held alongside the annual APT summit. After the organisation of several rounds of talks through the APT framework, in 2008, the leaders of China, Japan, and South Korea conducted the first trilateral summit independent of the APT and began the process of institutionalising the interface.

In terms of regional integration, the commencement of trilateral cooperation in 1999 also established an improved atmosphere for economic advancement. At the annual APT summit in 2001, Chinese Prime Minister Zhu officially proposed the idea of establishing a Northeast Asia free trade area consisting of China, Japan, and South

Korea (Lee 2014: 172). With the three nations' adoption of The Action Strategy on Trilateral Cooperation, in 2004, interest in the establishment of a China–Japan–Korea Free Trade Area (CJKFTA) picked up. A formal Joint Study Committee was launched in May 2010, concluding its work in a Joint Study Report in December 2011. Since the launch of negotiations in 2013, five rounds have been carried out.

Although Taiwan enjoys an abundance of trade with China, Japan, and South Korea, the island nation is not a member of the CJKFTA negotiations. Aside from the ECFA with China, Taiwan has not established any other trade agreements with Japan or South Korea. However, in 2011, Taiwan and Japan concluded a bilateral investment agreement. Considering that Taiwan and Japan share a strong unofficial relationship, it is possible that trade and other functional cooperation may be consolidated in the future.

## Where is Taiwan within Integration? Political Change and High Hopes for the ECFA

Although the Asia Pacific region has advanced quickly towards economic integration over the past decade, Taiwan, the 22nd largest economy according to IMF (2016) statistics (based on gross domestic produce (GDP) adjusted for purchasing power parity (PPP)), remains sidelined from the process. Noting the fact that Taiwan belongs to the group of four Asian tiger economies whose growth in the 1980s was commonly referred to as the “Asian economic miracle,” the island nation's poor record in integration is bewildering. Since joining the Asia-Pacific Economic Cooperation (APEC) forum in 1991 and before its change of government in 2008, Taiwan had concluded just four free trade agreements (FTA), all of which were with diplomatic allies in Central America. In a sense, as one of the key drivers of Asia's economic boom before 1990, Taiwan's current economic status can be deemed a “miracle” in itself as the island continues to be outside integration in the Asia Pacific region.

Nonetheless, leaving out the possibilities for self-seclusion, politics – most notably the often uneasy relationship between Taiwan and China – plays a major role in hindering Taiwan's efforts to participate in regional integration. Taiwan, as Beijing has long claimed, is not recognised as a state or a legal political entity, and hence does not have the status and capacity to participate in an international com-

munity largely founded upon sovereignty. With the retreat of the Nationalist KMT army to Taiwan and the proclamation of the People's Republic of China in Beijing in 1949, the Beijing government's persistence that it should be recognised internationally as the sole legal China (the One China principle) has persisted in its treatment of Taiwan on the international stage, which culminated with the ousting of the Republic of China (Taiwan) from the United Nations in 1971. A simple survey of completed FTAs from around the world suggests that sovereignty is not only a necessity for parties to the agreement, but also almost a precondition for commencing negotiations. As such, the de-recognition of Taiwan has left Taipei in a vulnerable position in terms of the competition to establish FTAs within the Asia Pacific region, while China, with its economic and political rise since the 1990s, remains at the heart of integration in Asia.

Following a switch in ruling party in 2008, the new Nationalist (KMT) government sought to "rectify" Taiwan's abysmal record in regional integration by seeking political reconciliation with China and an end to diplomatic competition across the Taiwan Strait. Headed by calls for a "diplomatic truce" (外交休兵, *waijiao xiubing*) and "flexible diplomacy" (活路外交, *huolu waijiao*), the newly incumbent president, Ma Ying-jeou, hoped to improve Taiwan's foreign relations, and economic relations, by setting aside the political differences between Taipei and Beijing in order to focus on the potential for functional cooperation across the Strait. In 2009, Ma further summed up his diplomatic aspirations in a 16-character phrase that encourages both Taiwan and China to "confront reality, establish mutual trust, set aside disputes, and jointly establish a win-win situation" (正視現實、建立互信、擱置爭議、共創雙贏, *zhengshi xianshi, jianli huxin, gezhi zhengyi, gongchuang shuangying*) (Lee 2010: 72). The goodwill expressed by Taipei under the Ma government was eventually echoed by Beijing and established the foundation for increased interaction and cooperation between Taiwan and China.

Politically, Taipei and Beijing agreed to conform to the ambiguous notion of the "92 Consensus" (九二共識, *jiu er gongshi*), an "agreement" reached between Taiwan and China at the 1992 Koo-Wang summit between Straits Exchange Foundation (SEF) chairman Koo Chen-fu and Association for Relations Across the Taiwan Straits (ARATS) chairman Wang Daohan. At the meeting, the two sides agreed to recognise the fact that there is only one China in the world,

but yet leave space for interpretation as to the official representative of the Chinese state. The “agreement to not agree” sat well with Taipei’s new policy of setting aside political differences, and in turn led to the completion of the “three links” (三通, *san tong*: postal, transportation, and trade links) and functional cooperation across the Strait in the areas of tourism, education, combating criminality, and food safety. In terms of economic exchange, in 2010, after five rounds of meetings between SEF chairman Chiang Pin-kung (江丙坤, Jiang Bingkun) and ARATS chairman Chen Yunlin (陈云林) – the so-called “Chiang–Chen Talks” which were the successor of the Koo–Wang Talks that broke off in 1999 due to political tensions, Taiwan and China agreed on the ECFA. This was conceived with the aim of removing barriers between the signatories and realising the full economic potential of the free movement of goods across the Taiwan Strait. Currently, under the ECFA, Taiwan and China have concluded an early harvest agreement that allows 539 products to be traded across the Strait with reduced tariff barriers, while negotiations for a formal goods trade agreement continue. In addition, Taiwan has also concluded agreements in service trade and investment with China.

Prior to the conclusion of the ECFA, many observers lent their support to the idea of a trade agreement between Taiwan and China. For example, at a forum in Taipei, US economist Michael Porter said that there were no practical alternatives to concluding the ECFA (*Taipei Times* 2010). Porter also pointed out that he was confident that Taiwan would be much better off with the ECFA than without it. Furthermore, echoing Porter, Japanese business strategist Kennichi Ohmae also noted the ECFA as “a carefully crafted ‘tonic’ for Taiwan’s continued success” (Lu 2010). Following on from these rosy assessments on the potential benefits of the ECFA, some observers went as far as to envision the possibility for further political reconciliation (Jiang and Hayashi 2015). However, such optimism can only be determined in time (Tso 2013).

## The Scorecard: Assessing Taiwan and Regional Integration under the Ma Ying-jeou Government (2008–2016)

Since the conclusion of the ECFA in 2010, economic exchange between Taiwan and mainland China has steadily increased. According to statistics released by the Mainland Affairs Council, the Taiwan ministry responsible for China affairs, in the eight years under the Ma Ying-jeou administration, Taiwan's trade with China as a proportion of its total trade increased from 21.2 per cent in 2008 to 22.7 per cent in 2015 (MAC 2016a). While export to China began to decline after an initial hike to 30.9 per cent of all Taiwanese exports in 2010, it is important to note that China's exports to Taiwan grew steadily from 2008 to 2015, improving from 15.3 per cent of all Taiwanese imports in 2008 to 19.3 per cent in 2015. As overall trade activities between Taiwan and China advanced under the Ma administration, debates on the effectiveness of Taipei's policies towards China, especially the ECFA, ensued. The widely divergent opinions of supporters and opponents of the ECFA have made the topic difficult to discuss in Taiwan, with some warning against drawing premature conclusions on an agreement that is still in progress (Tan 2010) and others warning against the danger of Taiwan becoming excessively dependent economically on China (Hsu 2014). Now that the Ma era has come to a close, the authors assess Taipei's performance in terms of regional integration, asking the question of whether Taiwan's status in Asia Pacific regional integration increased or not over the past eight years under the Ma Ying-jeou leadership.

### Taiwan Achieved Limited Success in Regional Integration amidst Reconciliation with China

In a sense, if the ECFA is understood as a *de facto* FTA that cleverly circumvents the political sensitivities of cross-Straits relations regardless of changes in the trade balance between Taiwan and China, the framework agreement could be interpreted as a successful step towards reinforcing bilateral trade and a gesture towards political reconciliation. While growth of just 1.5 per cent in Taiwan's overall trade with China over a span of eight years may appear humble, it is important to look beyond the numbers to the spillover effects of the

ECFA to make a balanced assessment of the agreement. Two aspects in particular will be examined: functional cooperation that stemmed from the foundation of the ECFA; and Taiwan’s participation in regional integration.

When the authors looked beyond the trade statistics for the period (see Table 1), which are subject to fluctuation due to a variety of factors, including political tensions, geopolitical conflicts, changes in global outlook among others, and examined the ECFA in more detail, it became apparent that, as its name suggests, it has established an overarching framework for further economic cooperation between Taiwan and China. After realising the first phase of trade liberalisation through the “early harvest” list of tariff concessions through the ECFA in 2010, Taipei and Beijing have gone on to complete negotiations on investment and service trade, and have commenced talks on the reduction of barriers to trade in goods. Thus, it could be argued that the spirit and drive for cooperation encapsulated in the ECFA have spilled over to other related areas. Furthermore, these areas have garnered consideration as a result of expanding economic cooperation between Taiwan and China.

Table 1. Cross-Strait Trade Exchange (2010–2015)

Year	Total Trade Volume (100 million USD)	Rate of Increase (%)
2010	1207.8	39.5
2011	1347.1	11.5
2012	1216.4	-4.6
2013	1243.8	2.3
2014	1301.9	4.7
2015	1154.1	-11.3

Source: Mainland Affairs Council 2016b.

For example, at the eighth round of Chiang–Chen Talks in 2012, Taiwan and China agreed on customs cooperation (see Table 2). Such cooperation takes into account the importance of coordination in anti-trafficking operations and communications following the potential expansion of cross-Strait trade under the ECFA. However, it should also be noted that, while the ECFA was under negotiation following Ma’s election to president in 2008, discussion on issues as

Table 2. Outcomes of SEF-ARATS Talks (2008–2016)

Round	Date	Location	Agreements Reached
1	June 2008	Beijing	Minutes of Talks on Cross-Strait Charter Flights; Cross-Strait Agreement concerning Mainland Tourists Traveling to Taiwan
2	November 2008	Taipei	Cross-Strait Food Safety Agreement; Cross-Strait Air Transport Agreement; Cross-Strait Sea Transport Agreement; Cross-Strait Postal Service Agreement
3	April 2009	Nanjing	Cross-Strait Agreement on Joint Crime-Fighting and Judicial Mutual Assistance; Cross-Strait Financial Cooperation Agreement; Supplementary Agreement on Cross-Strait Air Transport
4	December 2009	Taizhong	Cross-Strait Agreement on Cooperation of Agricultural Product Quarantine and Inspection; Cross-Strait Agreement on Cooperation in respect of Standards, Metrology, Inspection and Accreditation; Cross-Strait Agreement on Cooperation in respect of Fishing Crew Affairs
5	June 2010	Chongqing	Cross-Strait Economic Cooperation Framework Agreement; Cross-Strait Agreement on Intellectual Property Rights Protection and Cooperation
6	December 2010	Taipei	Cross-Strait Agreement on Medical and Health Cooperation
7	October 2011	Tianjin	Cross-Strait Nuclear Power Safety Cooperation Agreement
8	August 2012	Taipei	Cross-Strait Investment Protection and Promotion Agreement; Cross-Strait Customs Cooperation Agreement
9	March 2013	Taipei	Cross-Strait Agreement on Trade in Services
10	February 2014	Nanjing	Cross-Strait Cooperation Agreement on Meteorology; Cross-Strait Agreement on Seismological Monitoring
11	August 2015	Fuzhou	Cross-Strait Collaboration Agreement on Flight Safety and Airworthiness; Cross-Strait Agreement on Avoidance of Double Taxation and Enhancement of Tax Cooperation

Source: Mainland Affairs Council 2016d.

far ranging as protection of intellectual property rights, financial cooperation, agricultural and animal inspection, and air and maritime shipping was ongoing. By the end of 2015, the Ma government had concluded 23 cooperation treaties with China and had significantly improved the institutional structure governing interactions across the Strait (Mainland Affairs Council 2016c). In such a respect, Taiwan became more closely integrated with China under the Ma Ying-jeou administration, which in turn could be said to move the island state closer to the process of regional integration in the Asia Pacific, evidenced by Taipei's commencement of FTA studies and talks with the likes of Singapore, New Zealand, the Philippines, Indonesia, and India.

Following the completion of the ECFA, Taiwan began making headway towards regional integration via trade agreements. In 2013, Taiwan concluded the New Zealand–Taiwan Economic Cooperation Agreement (ANZTEC) and the Singapore–Taiwan Economic Partnership Agreement (ASTEP). While New Zealand is only the 39th largest export market for Taiwan and Singapore, although Taiwan's fourth largest export market (Bureau of Foreign Trade 2016), is significantly smaller than the United States and Japan, the completion of ANZTEC and ASTEP nonetheless represents a possible breakthrough in Taiwan's foreign economic relations. Besides the 2010 ECFA, Taiwan had not signed any trade agreements since the completion of the FTA with El Salvador and Honduras in May 2007. Even before any economic benefits have been taken into account, the signing of ANZTEC and ASTEP has boosted Taiwan's confidence in terms of its long-awaited entry into the Asian integration process. Since 2013, Taiwan has completed joint studies with Indonesia, the Philippines and India on the possibility of establishing economic partnership agreements (see Table 3).

However, if the definition of regional integration is taken as involvement in multilateral economic institutions or negotiations, Taiwan continues to be left out of the process. Despite repeated expressions of interest to participate in both the TPP and the RCEP, Taiwan has neither achieved observer status nor ascended to negotiations. In terms of the TPP, while Washington has not ruled out the possibility of Taiwan becoming a member of the TPP in the near future, it has also not supported Taiwan's aspiration openly. Regarding the RCEP, meanwhile, Beijing has yet to respond directly to Tai-

bei's expressions of interest. In short, despite the completion of trade agreements with Singapore and New Zealand and joint studies on potential cooperation with several other states, Taiwan continues to be shut out from the process of regional integration, a process that is gaining speed and leaving Taiwan further behind.

Table 3. Current Status of Regional Integration by Taiwan

Time	Partner(s)	Agreement	Status
2003	Panama	Taiwan–Panama Free Trade Agreement	complete
2005	Guatemala	Taiwan–Guatemala Free Trade Agreement	complete
2006	Nicaragua	Taiwan–Nicaragua Free Trade Agreement	complete
2007	El Salvador Honduras	Taiwan–El Salvador and Honduras Free Trade Agreement	complete
2010	China	Economic Cooperation Framework Agreement (ECFA)	complete
2011	Japan	Taiwan–Japan Investment Agreement	complete
2013	New Zealand	New Zealand–Taiwan Economic Cooperation Agreement (ANZTEC)	complete
2013	Singapore	Singapore–Taiwan Economic Partnership Agreement (ASTEP)	complete
2013	United States	Trade and Investment Framework Agreement (TIFA)	under negotiation
2014	Indonesia	Economic Cooperation Agreement	completed initial studies
2014	The Philip-pines	Economic Cooperation Agreement	completed joint studies
2015	India	Economic Cooperation Agreement	completed joint studies
2015	European Union	Economic Cooperation Agreement	under evaluation

Source: Ministry of Economic Affairs 2016.

### Beijing's Shifting Stance and Implications for Taiwan

In retrospect, many observers may argue that the relationship between Taiwan and China improved considerably under the Ma Ying-jeou government, especially in contrast with the preceding Democratic Progressive Party (民主進步黨, *Minzhu jinbu dang*, DPP) govern-

ment, which witnessed a significant retreat in relations across the Strait (Chang 2012; Matsuda 2015: 7–8). While increased interaction in terms of tourism, academic and student exchange, and shipping and trade under the Ma administration should not be denied, an equally important shift in China's attitude towards Taiwan that has slowly built up following leadership change on the mainland should be noted as well. The succession of Xi Jinping as China's president in late 2012 and the implications of this transition of power in Beijing were to have a strong effect on cross-Strait relations.

When observing the development of Taiwan–China relations in recent years, it is important to note that, in 2012, China underwent a leadership transition, while Taiwan retained its incumbent KMT government under President Ma for a second term. Prior to this, reconciliation and high hopes for cooperation between Taipei and Beijing had been evident under the respective administrations of Ma Ying-jeou and Hu Jintao. While David Lampton (2014) and others have convincingly pointed out that decision-making in Beijing has taken on an oligarchic form since the 1990s, one should not downplay the policy changes that occurred after the transition from Hu Jintao to Xi Jinping in China. Prior to ascending to the presidency, Xi, the son of first-generation Chinese Communist Party (CCP) leader Xi Zhongxun (習仲勳), had extensive experience in Fujian Province, China's window onto Taiwan. While there, Xi served in various official capacities, such as the mayor of Xiamen, permanent member of the CCP Fujian Provincial Committee, and governor of Fujian Province. Xi's experience of Taiwan affairs coupled with the gradual reconsolidation of authority in Beijing may have contributed to China's increasingly hard-line stance towards Taiwan since 2012; a phenomenon that had rarely occurred in the late Hu Jintao era.

For example, at a track-two meeting with Taiwan's former vice president, Vincent Siew (蕭萬長, Xiao Wanchang), at the annual APEC summit in Bali in 2013, just one year into office, mainland President Xi expressed his wish to see the political differences separating Taiwan and China be gradually resolved. In Xi's words, "the problems cannot be passed on from generation to generation without end [...] Beijing is willing to make reasonable arrangements under the One-China framework" (*CPC News* 2015). Then, in September 2014, when receiving a visiting group of representatives from peace and pro-unification organisations in Taiwan, Xi once again reiterated the

One-China principle and that “unification across the Strait means an end to political differences, not the reproduction of territory and sovereignty” (Xi 2015). In 2015, the official mouthpiece of the CCP, the *People’s Daily* (人民日报, *Renmin Ribao*), released an article that summarised Xi Jinping’s attitude towards Taiwan in the “five hearts” (五心, *wu xin*) catchphrase: confidence (信心, *xinxin*), patience (耐心, *naixin*), sincerity (誠心, *chengxin*), common will (齊心, *qixin*), and determination (決心, *juexin*) (Li 2015). In short and quite literally, Beijing is confident, patient and determined that the Taiwan problem will be resolved in the not too distant future. Such a determination was not openly expressed by Hu Jintao.

While China has not resorted to the use of force or intimidation (as in the case of the 1995–1996 Taiwan Strait Crisis) beyond verbal admonitions to resolve its political differences with Taiwan, Beijing has seemingly adopted a two-pronged strategy that seeks to force Taipei to come to terms with the political question of unification. To a great extent, China’s strategy rests on the fact that Taiwan remains largely isolated from regional integration in the Asia Pacific and Beijing has sufficient power to influence Taiwan’s ascension to the process. By assuming the leadership role in regional integration in recent years, as Tony Tai-Ting Liu (2015) pointed out, China has, on the one hand, effectively generated a dilemma for Taiwan’s leadership: the need to confront cross-Strait relations and regional integration together; integration cannot be further advanced without negotiations with China. Meanwhile, on the other hand, Beijing continues to advocate One China as the guiding principle for all dealings with Taiwan on the international stage.

Good recent examples of China’s two-pronged strategy at work can be seen in its attitude towards Taiwan during the One Belt, One Road initiative (formally known as the Silk Road Economic Belt and the 21st-century Maritime Silk Road, 丝绸之路经济带和 21 世纪海上丝绸之路, *Sichou zhi lu jingdai he 21 shiji haishang sichou zhi lu*; simplified to 一带一路, *Yidai yilu*, OBOR) and the establishment of the Asian Infrastructure Investment Bank (AIIB), both of which were proposed in succession by Xi Jinping in late 2013. While the OBOR focuses on strengthening economic cooperation with countries across Eurasia and the AIIB aims to become a global institution dedicated to financial cooperation, the two initiatives are complementary projects undertaken by China to advance its world-power status. In terms of

regional integration, the OBOR seeks to amalgamate regional and subregional processes such as the CJKFTA, the China–ASEAN FTA (CAFTA) and the Shanghai Cooperation Organization (SCO) into a massive cooperation scheme spanning Eurasia. Meanwhile, the AIIB with its emphasis on infrastructure investment is in place to provide financial resources for the construction of roads, highways, railways, and channels that tangibly connect countries in the OBOR (Swaine 2015; He 2015).

Although Taiwan is not disinterested in Beijing’s new proposals and the corresponding economic opportunities these may bring, the island nation has been marginalised by China and can only watch developments from the side lines. Though the New Silk Road strategy was conceived to include all Asian countries, China has yet to extend an invitation to Taiwan to join the OBOR initiative. By implementing its two-pronged strategy, China continues to strengthen cooperation with other Asian countries through OBOR, while making Taiwan’s already feeble status in regional integration even weaker. Furthermore, China’s adamant position vis-à-vis One China is also having a negative impact on Taiwan as it looks to development on the island. On 17 January 2016, the president of the AIIB, Jin Liqun (金立群), boldly rejected Taiwan’s expression of interest to join the AIIB upon its establishment on the grounds that the island “is not sovereign or responsible for the conduct of its international relations” (Wu Xiang-yuan 2016).

In short, despite Taiwan’s success in concluding trade agreements with Singapore and New Zealand in 2013, China’s two-pronged strategy has meant that the island has made little progress towards regional integration beyond further negotiations with China under the ECFA framework. Thus, one might argue that the Ma government’s initial advancements in regional integration tapered off severely after 2013, when China under the newly incumbent Xi Jinping began to step up its pressure against Taiwan having an international presence.

## Conclusion: Reflections on the Ma Ying-jeou Era and the Future Prospects for Taiwan and Regional Integration

Overall, one might argue that cross-Strait relations generally improved under the Ma Ying-jeou administration. Not only were ten-

sions greatly reduced across the Strait, but the recommencement of dialogue through the Straits Exchange Foundation (SEF) and the Association for Relations Across the Taiwan Straits (ARATS) initiated functional cooperation between Taiwan and China that did not necessarily highlight political differences. In addition, the ECFA facilitated trade across the Strait and established the foundation for further cooperation between Taiwan and China in the near future. Although sceptics warn against Taiwan becoming overly economically dependent on the Chinese economy, such claims should be balanced by the increased institutional development and collaboration between Taiwan and China that effectively move the Taiwan Strait towards peace and stability, and away from conflict.

Nevertheless, Taiwan's continued isolation from regional integration processes in the Asia Pacific remains an issue that warrants vigilance. While Taiwan has completed trade agreements with Singapore and New Zealand, and has commenced joint feasibility studies for FTAs with a number of Asian countries, the fact that Taiwan remains outside regional integration movements remained unchanged during the Ma Ying-jeou era. One hope, however, is that the ECFA may serve as a convenient shortcut for Taiwan's future participation in Asian regional integration. With China playing central roles in the RCEP and the CJKFTA, for instance, assuming that trade agreements for goods and services under the ECFA can be completed in the near future, Taiwan may find itself with access to markets that have integrated with China (for example, Southeast Asia). However, current developments in the Asia Pacific seem to be moving rapidly along a trajectory that is unfavourable for Taiwan. While Taiwan continues to negotiate for trade liberalisation under the ECFA, other neighbouring countries are also negotiating for both bilateral and multilateral cooperation agreements, with many moving at a significantly faster pace than the island nation. Although Taiwan may have the advantage of direct access to China – Asia's biggest market – once the ECFA is complete, the politics of cross-Strait relations suggest that the path ahead is full of uncertainties.

These uncertainties were compounded in January 2016, when Taiwan underwent its first party transition since 2008 with the election of DPP presidential candidate Tsai Ing-wen (蔡英文, Cai Yingwen). In contrast to her predecessor, Tsai has expressed hopes of distancing Taiwan from China while searching for alternative eco-

conomic opportunities that do not necessitate crossing paths with Beijing. Tsai's position follows on from a line of argument she presented in an open debate with fellow presidential runner Ma Ying-jeou in 2012, in which she claimed that

the DPP walks towards the world and walks towards China with the world, while the KMT walks towards China and walks towards the world with China. (Taiwan Public Television Service Foundation 2011)

In terms of foreign policy, such a stance has translated into the re-initiation of the "Southward Policy" (南向政策, *Nanxiang zhengce*), a policy that seeks to encourage Taiwanese business people (台商, *taishang*) to perhaps desist from going west to China and to redirect investment and trade to South and Southeast Asia. Corresponding with such a policy turn, the ruling DPP has established the New Southbound Policy Office (新南向政策辦公室, *Xin nanxiang zhengce bangongshi*) and the ASEAN and South Asia Think Tank (東協與南亞研究智庫, *Dongxie yu nanya yanjiu zhiku*). The DPP director for international relations, James Chih-fang Huang (黃志芳, Huang Zhifang), has proclaimed that the new units have been established to promote exchanges and people-to-people interactions with South and Southeast Asia (*The China Post* 2016).

Although it is much too early to draw conclusions about Taiwan's new Southward Policy, in light of recent developments in Asian regional integration, however, it is possible to identify several factors that may potentially affect Taiwan's efforts towards integration. First, China will continue to be the dominant factor in Taiwan's foreign policy, even if the latter pivots southward and seeks to circumvent Beijing's isolation strategy. As Tsai Tung-chieh (2016) points out, the success of the new Southward Policy may rest on the precondition that China "keeps a blind eye" to Taipei's actions. In other words, the politics of cross-Strait relations may once again stand in the way of Taiwan's aspiration to expand its diplomatic frontier; the One-China policy may once again be used by Beijing as a tool to block Taiwan's attempts to expand economic cooperation with India and the ASEAN states however these manifest, whether in the form of bilateral or multilateral trade agreements.

Second, through its Southward Policy Taiwan will also be entering into free-trade rivalries in Southeast Asia that are contiguous with the great power competition in the region. In addition, China, Japan,

South Korea, and India have all already established FTAs with ASEAN and the United States has invested considerable time and energy in strengthening its relationship with ASEAN under Barack Obama's leadership. While not impossible, Taiwan may need to find creative ways to navigate among the powers.

Third, the US position concerning Taiwan is also critical. With the formal establishment of the TPP in February 2016, China's non-involvement in the agreement means that Taiwan may be presented with an opportunity to participate in regional integration in the Asia Pacific without the burden of cross-Strait relations. However, despite Taiwan's repeated expressions of interest to participate in negotiations, the United States has not responded directly to date. Some sceptics note that the reason for US passivity might concern the standstill in negotiations over pork and beef exports to Taiwan, while others caution that the high standards of the TPP may be a reason to avoid the agreement. In addition, as Wei Zi-di (2016) points out, the recently completed TPP agreement also embodies a political nuance that escapes many analyses. Of the 12 current member states of the TPP, two-thirds of the members (Australia, New Zealand, Peru, Chile, Singapore, Vietnam, Burma, and Malaysia) have already concluded bilateral trade agreements with China. Therefore, whether or not Taiwan can avoid the China factor through the TPP remains to be seen.

Finally, one more relevant factor that may influence the fate of Taiwan and its foreign policy is the development of US–China relations. Like Taiwan, the United States is also set to undergo a leadership transition in 2016. While it is difficult to foresee the outcome of the US presidential election and the potential policy changes in the near future, for Taiwan perhaps the most critical question is how Washington and Beijing will establish their relationship once the new US president is inaugurated. Although history suggests that Taiwan can benefit from competition between the United States and China by playing off the great powers, one should not dismiss lightly the possibility that America and China, noting new issues for dialogue and cooperation, may consider options other than conflict in the Taiwan Strait. Even though Taiwan may not be an entirely passive player in great power politics, how much policy space the island nation has to manoeuvre between the powers remains unclear. Thus, Taiwan's success in regional integration in the near future may depend on how well the island balances between the United States and China.

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