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China, Taiwan Sign Trade Pact Linking Economies

Trade representatives of mainland China and the Republic of China on Taiwan signed a trade deal called the Economic Cooperation Framework Agreement (ECFA) in the Chinese city of Chongqing on June 29, as negotiators on both sides spoke of a new era in ties across the Taiwan Strait.

Chongqing has historical significance because it was General Chiang Kai-shek's provisional capital during his 1937-1945 war with Japan. Chiang's Nationalist government fled the communist-controlled mainland to Taiwan in 1949.



Xinhua, China's state-run news agency, reported that China and Taiwan agreed in the 16-part act to "gradually reduce and remove trade and investment barriers and create a fair environment." That agreement also calls for the two nations to respect each other's intellectual property.

An AP report noted that trade between China and Taiwan already totals \$110 billion annually, and the pact should stimulate an increase in that figure by cutting tariffs on a wide range of products. Taiwanese businesses have expressed a strong desire to invest on the mainland, and the pact will facilitate such investment by formalizing mechanisms for dispute mediation and allowing greater access to new sectors of the Chinese economy, such as banking and insurance.

"This is a critical moment in the development of long-term relations. We should seize the opportunity to work together and build mutual trust," Chiang Pin-kung, chairman of Taiwan's Straits Exchange Foundation, said prior to the signing. His mainland Chinese counterpart, Chen Yunlin, described the ECFA agreement as one of "equal consultation and mutual benefits."

"For Taiwan, this is purely an economic deal, while for China, this is a political move," AP quoted Kao Huei of the National Kinmen Institute of Technology in Taiwan. "Mainland China now sees cross-strait relations at a stage of peaceful development, and the signing of ECFA fits into that narrative. In the long term, what China wants to achieve with peaceful development is peaceful unification with Taiwan."

The relaxation of trade barriers between the two estranged Chinese states has been a key part of Taiwanese President Ma Ying-jeou's Chinese Nationalist Party (Kuomintang) platform since he took office in May 2008. Ma maintained that the trade deal with mainland China is necessary to prevent Taiwan's economic isolation as Beijing has extended commercial ties with other neighboring Asian countries. However, many in Taiwan are still apprehensive about increasing relations with the mainland giant that has in the past threatened to use force to reunite the Republic of China on Taiwan with the communist regime.

AP reported that more than 30,000 Taiwanese protested the ECFA in the nation's capital, Taipei, over the weekend. Members of the island nation's opposition Democratic Progressive Party have criticized Ma for proceeding with the agreement without sufficient public debate and by rejecting calls for holding a national referendum on the agreement. And the *Washington Post* noted that the Democratic



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Progressive Party fears that opening Taiwan's markets to Chinese goods will lead to the island being economically swamped by mainland China. Perhaps the Taiwanese have noted the domination of the U.S. retail market by Chinese-made products.

A *Washington Post* report noted that the trade pact will provide favorable tariffs for more than 500 types of Taiwanese goods being exported to mainland China, while Chinese companies will receive preferential tax breaks on about 260 types of goods. The *Post* report also observed:

The free trade deal is also significant to the United States, which under U.S. law is obligated to provide for Taiwan's defense. U.S. officials have said they view the deal as a sign of improving relations between Beijing and Taipei, and another sign that China appears less likely to use force in an attempt to unite with the island.

U.S. officials, however, have predicted that the trade pact will not remove the issue of U.S. arms sales to Taiwan from a list of problems bedeviling Washington's relations with Beijing. The Obama administration in January announced that it would sell \$6.4 billion of weapons to Taiwan, a move that prompted a withering response from China and a freezing of military ties with the United States.

A report in the *Christian Science Monitor* noted that the trade agreement purposely avoided politics, with officials from both sides insisting that ECFA touches only on economic issues. In fact, the mainland Chinese term for the deal refers only to "two shores," making no mention of China's or Taiwan's official titles (People's Republic of China and Republic of China, respectively), and ECFA was signed by semiofficial representatives, not government officials. The *Monitor* quoted Hu Shiqing, a researcher at the Taiwan Studies Institute of the China Academy of Social Sciences, a communist Chinese government-linked think tank in Beijing, who stated: "Part of ECFA's significance is that each side is telling the other that it wants to solve problems through sincere negotiations instead of by cursing and political warfare."

The *Monitor* report summarized political relations between the two Chinese nations: "So far, there's been no progress on resolving the underlying, six-decade-old sovereignty dispute between the two sides. Today's deal notwithstanding, China and Taiwan still do not formally recognize the other's existence, a mutual snub dating back to China's civil war."

President Ma Ying-jeou's Kuomintang (or Chinese Nationalist Party, abbreviated KMT) is the oldest political party in the Republic of China and the direct successor of the party that Chiang Kai-shek assumed the leadership of after the death of Sun Yat-sen in 1925. Under Chiang's leadership, the KMT was fiercely anti-communist. Chiang only agreed to form an alliance with the Chinese Communists against the Japanese invaders in 1937 after being kidnapped by the Manchurian warlord Zhang Xueliang (who believed that the Japanese represented a greater threat than the Communists) and held hostage until he relented.

Full-scale civil war between the Communists and KMT resumed after the defeat of Japan. While the Communists were armed by the Soviet Union from an enormous stockpile of weapons abandoned by the Japanese in Manchuria, General Chiang's army, which had depended on the purchase of arms from the United States, was cut off.

Chiang's forces were denied weapons through an embargo declared by General George Marshall of the United States. Marshall boasted of having disarmed 39 of Chiang's divisions "with a stroke of his pen." ??Finally in 1949, unable to continue the fight, and with China in economic collapse brought on by the



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communists' destruction of the nation's infrastructure, Chiang Kai-shek led his battered forces across the Formosa Strait to Taiwan and relocated the government of the Republic of China to the island.

It is ironic, therefore, that the Kuomintang (generally regarded as the more "conservative" of Taiwan's major parties) would abandon its historically strong anti-communist position and take the lead in restoring strong economic ties with the mainland. In contrast, the opposition Democratic Progressive Party, which is a member of Liberal International and a founding member of the Council of Asian Liberals and Democrats and is widely classified as "liberal," has promoted Taiwan's status as an independent state and endorses a strong military defense for the nation. Apparently, in Taiwanese politics — as in U.S. politics — labels such as "liberal" and "conservative" are increasingly meaningless.

Mainland China, officially the People's Republic of China, has been ruled by a series of dictatorial communist regimes since 1949. It is the most populous state in the world with over 1.3 billion people. With 2.3 million active troops, China's People's Liberation Army (PLA) is the largest military in the world. Communist China also possesses nuclear weapons.

The Beijing regime considers Taiwan to be its 23rd province and has on occasion threatened to use force to reunite the island nation with the mainland. Though mainland China may presently be putting its saber rattling on hold for the sake of the economic gain to be achieved through trade with Taiwan, residents of the much smaller island nation of 23 million people can enter into closer relations with the communist giant only at their peril — as the leadership of the Democratic Progressive Party has warned.

Photo: China's Association for Relations Across the Taiwan Strait (ARATS) Chairman Chen Yunlin and his counterpart Taiwan's Straits Exchange Foundation (SEF) Chairman Chiang Pin-kung sign documents during a signing ceremony in Chongqing in southwest China's Sichuan province, on June 29, 2010: AP Images



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