

# Cross-strait relationship and community building in East Asia

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# Cross-strait relationship and community building in East Asia

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## Introduction

This paper will analyze the politics of cross-Strait economic relations in the context of East Asian stability and prosperity. Emphasis will be placed on the impacts of the Economic Cooperation Framework Agreement (ECFA) between Taiwan and Mainland China. The authors argue that ECFA is not just an economic agreement. It has far-reaching effects on re-directing Taiwan to the global trend of the economic division of labor. Normalization of cross-Strait relations will alleviate the pressures of direct conflict in one of East Asia's most dangerous waters. Civilian interactions across the Taiwan Strait will expand its influences on continuous development in Mainland China, and form bottom-up forces to promote community-building in East Asia. The authors acknowledge the fact that politics are still at the forefront of such a unique relationship, but political prudence and moderation on both sides of the Taiwan Strait will contribute to the long-term peace and security in the formation of an East Asian community.

## ECFA and its Impacts on Cross-Strait Interaction

On June 30, 2010, Taiwan and China signed a historical trade agreement of ECFA. The precondition of a free trade deal with China is returning to the political consensus reached in 1992. The spirit of the Ma administration is to evade the sensitive sovereignty issue and return to the 1992 consensus of "one China with separate interpretations". The status quo across the Taiwan Strait, in Ma's words, is the Three No's—no unification, no independence, and no use of military force. With these Three No's, Ma plans to put Taiwan back to the pre-1995 period when Taiwan enjoyed high economic growth, political stability, moderate cross-Strait relations, a strong national defense, and enhanced international status.<sup>1</sup> In his inaugural address and follow-up talks, Ma elaborated on his "three no's policy" and deemphasized the sovereignty issue in breaking the ice across the Taiwan Straits.<sup>2</sup>

The political foundation of status quo and 1992 consensus thus fit in a grey area between unification and independence. Based on gradualism and moderation, Ma's political maneuvering provides a breathing space for Taiwan to embrace globalization and re-engage China under the common ground of peaceful development and shared cultural heritage. However, the breathing space for Taiwan is short and limited. The unfolding of talks on economic integration and a trade deal stimulate more domestic as well as external shocks.

The top priority of Ma's first term in office is to institutionalize the economic relationship with China. The realization of Ma's pragmatism and engagement policies with China is the

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<sup>1</sup> Keynote Address presented at the Conference of "Confidence Building Measures: Successful Cases and Implications for the Taiwan Straits", January 16, 2008.

<sup>2</sup> Office of the President, "President Ma's Inaugural Address," (May 20, 2008), at <<http://www.president.gov.tw/en/>> (accessed January 3, 2010). ; "President Ma's New Year's Day Message," *Taiwan News* (January 1, 2010), at <[http://www.etaiwanews.com/etn/news\\_content.php?id=1145660](http://www.etaiwanews.com/etn/news_content.php?id=1145660)> (accessed February 1, 2010).

ECFA. As indicated by Ma and his administration, the significance of the trade deal could be demonstrated from multiple angles. First, the ECFA is a major step for Taiwan in overcoming economic isolation, as it heads off the threat of economic marginalization. Second, the ECFA is a major step forward for the two sides of the Taiwan Strait in economic reciprocity and cooperation. Under a systematized framework, the agreement will help Taiwan generate more business opportunities and increase the number of jobs here. Third, among the list of early harvest, the Taiwanese government attaches special attention to traditional manufacturing industries, agriculture, and service sectors. Agreements on the protection on intellectual property rights are also signed concurrently. Fourth, the trade agreement is just the beginning step for cross-Strait economic cooperation. The ECFA constitutes a major step in hastening economic integration in Asia. Taiwan has a strong chance of becoming a springboard for international companies seeking to enter the mainland market. Plans like the Operation Center for Foreign and Taiwanese Enterprises could be implemented under the ECFA framework.<sup>3</sup>

The ECFA is the realization of such new attempts to bridge the economic momentum through the strategies of innovation and development. Moreover, in order to strengthen Taiwan's economic security under integration, the grand design of the ECFA is to expand its bilateral nature into a global framework of operation. According to Ma, economic globalization will compensate for the negative effects of Taiwan's diplomatic isolation. In addition to the WTO framework of trade liberalization, East Asian countries have signed 58 free trade agreements. The only two exceptions are North Korea and Taiwan.<sup>4</sup> The ECFA thus plays a pivotal role of Taiwan's economic strategies of strengthening the domestic economy, integrating cross-Strait economic relations, and enhancing global logistics and operations. In other words, in order for Taiwan to increase its economic power in the region and to grow its economy, it must not only have this ECFA but also continue to open up to the economic powerhouse off its shores. A stronger economy strengthens Taipei's position in any eventual talks with the mainland.<sup>5</sup>

Ma's flexibility on the identity issue and pragmatism in promoting cross-Strait relations has invited international attention. Reactions from the international community on the current cross-Strait rapprochement are mixed. Director of the American Institute in Taiwan William Stanton indicated that positive interaction between Taipei and Beijing is beneficial to the peace, stability, and prosperity of the region. The US is encouraged by the enhancement of Taiwan-China cooperation as demonstrated in the ECFA framework.<sup>6</sup> Other critics raise the geo-economic implications on the closer interaction between Taiwan and China. As Daniel Rosen and Zhi Wang put it, US economic interests per se erode as Asia draws more tightly

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<sup>3</sup> Office of the President, "President Ma holds press conference to discuss signing of ECFA," (July 1, 2010), at <<http://english.president.gov.tw/Default.aspx?tabid=491&itemid=21920&rmid=2355>> (accessed September 18, 2010); Office of the President, "President Ma attend a conference on ECFA and New Economic Situation," (July 2, 2010), at <<http://www.president.gov.tw/Default.aspx?tabid=131&itemid=21907>> (accessed July 18, 2010).

<sup>4</sup> Mainland Affairs Council, "President Ma Attend a Seminar on Cross-Strait Economic Coordination," (April 17, 2010), at <[http://www.mac.gov.tw/ct.asp?xItem=79285&ctNode=6256&mp=3&xq\\_xCat=2010](http://www.mac.gov.tw/ct.asp?xItem=79285&ctNode=6256&mp=3&xq_xCat=2010)> (accessed November 12, 2010).

<sup>5</sup> Sheridan Prasso, "Taiwan-China Trade agreement: a game changer," *Fortune* (June 29, 2010), at <[http://money.cnn.com/2010/06/29/news/international/china\\_taiwan\\_trade.fortune/index.htm](http://money.cnn.com/2010/06/29/news/international/china_taiwan_trade.fortune/index.htm)> (accessed July 1, 2010).

<sup>6</sup> *Lienhe Bao*, (July 1, 2010).

together without US inclusion. More significant still is the geo-economic, qualitative implication of even long-standing nemeses China and Taiwan drawing together in a free trade pact while the United States watches, unable to ratify already negotiated Asian trade agreements like the US-Korean free trade agreement. Rosen and Wang argue that the geo-economic implications are significant enough to demand strategic attention from the United States and underscore as well as anything the importance of securing US economic engagement of the first order in Asia.<sup>7</sup>

Other scholars argue that the closer cross-Strait relations will change the balance of power in the region and thus put US national interest in an unstable situation. As Robert Sutter indicated, the longstanding notion of US-supported balance in the Taiwan Strait is no longer viable in the face of ever-increasing Chinese influence over Taiwan. China's effectiveness in isolating Taiwan has reached a point where Taiwan is directly seeking China's permission to gain the ability to interact with the WHO. US policy and practice need to take account of what they see as a significant change in the balance of power and influence in cross-Strait relations being perpetuated by Ma's policy of reassurance of and engagement with China.<sup>8</sup>

The US concern on the shift of balance of power and recent escalation of Sino-American confrontation presents the Ma administration with a dilemma of enhancing cross-Strait relations and deepening security alliances with the US. The win-win solution for the three parties is shadowed by the security implication of Taiwanese engagement with a rising China. Ma's administration continues to allege that the supply of arms by the United States to Taiwan increases Taiwan's confidence and sense of security, particularly when Taiwan wants to negotiate with the Chinese mainland in talks on trade and other matters. Ma's calculation is to avoid being labeled as a US agent to contain China through arms sales. At the same time, Ma tries to guarantee to the US that Taiwan will not be a troublemaker, involving the US in the Taiwan Strait if Taiwan provokes a war. Under such strategic considerations, when asked about why Americans should risk so much on behalf of Taiwan, Ma replied that Taiwan will continue to reduce the risks of war. He went on to remark that Taiwan will purchase arms from the US, but will never ask America to fight for Taiwan.<sup>9</sup>

### ***Civilian Interactions and Cross-Strait Relations***

In addition to efforts to achieve political cease of fire and economic institutionalization, social actors form bottom-up dynamics to link grass roots cooperation between the two sides of the Taiwan Strait. In reality, Taiwan's swaying soft power over mainland China exists in many forms. The most powerful one is to be found among the numerous Taiwan-based social

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<sup>7</sup> Rosen and Wang, *op. cit.*, p. 3.

<sup>8</sup> Robert Sutter, "Cross-Strait moderation and United States-policy adjustments needed," *PacNet* 17 (March 5, 2009), at <<http://csis.org/files/media/isis/pubs/pac0917.pdf>> (accessed January 17, 2010); "China, Taiwan and the United States—using cost-benefit analysis to assess future relations", paper presented at 2009 APSA annual meeting, Toronto, Canada, September 3-6, 2009.

<sup>9</sup> Office of the President, "President Ma Ying-jeou's interview with CNN's Christiane Amanpour," (April 30, 2010), at <<http://english.president.gov.tw/Default.aspx?tabid=1269>> (accessed May 18, 2010).

actors acting on their own initiative. They helped shape the image of Taiwan in the eyes of mainland Chinese citizens. They helped their mainland Chinese audiences acquire a better understanding, oftentimes a more sympathetic one, of the people on Taiwan – their sense of history, aspiration for autonomy, and way of life. In so doing, they helped shape the parameters of policy discourse over Beijing's policy toward Taiwan. Many Taiwan-based social actors also served as agents of change as they have facilitated mainland China's political liberalization through the transmission and dissemination of information, ideas and practical knowledge.

In the recent past, a large number of Taiwan-based NGOs, covering a full range of social causes from Buddhism to environment, from philanthropy to consumer rights, from assistance to battered wives to preservation of cultural heritage, and from education for mentally retarded children to campaign against deforestation, have developed extensive networks with their like-minded organizations throughout mainland China.

Taiwan-based religious groups have played a key role in reviving the traditional religions, in particular the Buddhism and Daoism, in mainland China. To begin with, many of the Buddhist and Daoist temples on Taiwan share the same heritage with their counterparts in the mainland. Around 1949, many renowned Buddhist monks and Daoist priests fled out of the mainland and resettled in Taiwan. In many cases, these highly revered religious leaders helped the preservation of precious scrolls, religious teaching as well as the ceremonial rituals while the Cultural Revolution causing great damage to this heritage on the mainland. Starting from the early 1990s, these masters and their pupils were motivated by their manifest destiny to help their brethren on the mainland to recover their lost heritage. They dispatched delegations to rekindle the historical ties and transferred large donations to help their counterparts renovate temples and shrines. Across China, on virtually all the most famous Buddhist shrines in the mainland, from Wutai Mountain to Emei Mountain, the influence of Taiwanese well-wishers and religious organizations is visible.<sup>10</sup> Taiwan-based Buddhist organizations were the principal sponsors of the inaugural meeting of the World Forum on Buddhism. This meeting, which was held in Hangzhou in 2006, was widely regarded as a watershed event signaling the official recognition of the legitimacy of Buddhism by the PRC authority. In 2009, the second World Forum on Buddhism was kicked off in Wuxi (a city near Shanghai) and ended in Taipei with six charter flights carrying the delegates across the Strait.

The Taiwanese influence is also highly visible in the revival of Mazu beliefs on the southern coast of China.<sup>11</sup> At least a half of the population in Taiwan believes in Mazu, the Goddess of the Sea, and more than 500 Mazu temples are scattered on the island. Nowadays,

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<sup>10</sup> For instance, on the peak of Emei Mountain in Sichuan Province, a new landmark (a 60-meter tall gold-glided Pu Xian Buddha statue and the surrounding grand plaza) was constructed in 2003 on this arguably one of the most sacred Buddhist sites in China with 100% donation from Taiwan. The whole construction was designed by Lee Tsu-yuan, a well-known Taiwanese architect.

<sup>11</sup> Mazu, the goddess of the sea, is an important religious and spiritual figure for many Taiwanese people. The belief in Mazu originated in Fujian Province and has spread around the overseas Chinese communities following in the footsteps of sea merchants and immigrants. It has become a sort of transnational folk belief with more than 1500 temples and 100 million worshippers worldwide.

each year tens of thousands of followers of Mazu from Taiwan embark on the pilgrimage to the Meizhou Island in Fujian, the birth place of the legendary goddess, to fulfill a sincere wish many had held for decades. Donations totaling in millions of dollars have been channeled to the Meizhou Mazu Temple and other famous Mazu temples on the mainland. The pilgrim by the Taiwanese followers has spurred a visible revival of Mazu belief throughout Fujian and Guangdong Provinces. One of the major Mazu temples in central Taiwan has been invited by the Tianjin Municipal Government to develop a Mazu Cultural Zone, with the expected injection of US\$700 million from Taiwan.

Taiwan-based NGOs have also played an important role of spreading the ideas and practices of civic activities. For instance, Y. C. Wang, the founder of Formosa Plastic Group, Taiwan's largest conglomerate, was repeatedly ranked by China's business magazines as well as internet surveys as the most admirable figure exemplifying corporate philanthropy throughout the Chinese-speaking world. He pledged in 2004 to build 10,000 primary schools in impoverished area of China. His donation of RMB 100 million to the relief operation of the earthquake-struck Sichuan province sparked a wave of discussion on China's cyberspace as it made the stingy donations from some of mainland China's wealthiest business tycoons appear so embarrassing and disgraceful.

Taiwan-based Tzu-chi Foundation<sup>12</sup> has developed to date the most extensive private charity network in mainland China. Tzu-chi, Taiwan's largest Buddhist charity, embarked on its first relief operation and humanitarian work in China around the late 1980s. Since then it has organized the expanding Taiwanese expatriate community around an impressive charity network covering the bulk of mainland China. In 2007, it became the first overseas religious organization that was officially registered with the Chinese authority and licensed to develop a nation-wide organizational network.

Much of the expansion of Taiwan-based NGOs into mainland China takes of the form of bilateral collaboration. A notable example is the creation of Society Entrepreneur and Ecology (SEE). It was founded by a group of successful entrepreneurs from mainland China, Taiwan and Hong Kong. It was born out of an annual forum held in Alashan Desert in Inner Mongolia, China, the major source of "sand-storms" in northeastern China. SEE initiated its environmental protection efforts in Alashan through small businesses that focus on not only the environment but also the indigenous people and their culture. SEE Foundation has inspired a founding group of 100 CEOs from the Chinese-speaking world to channel their resources into building up self-sustainable environmental protection models. Each founding entrepreneur commits RMB 100,000 per year towards the SEE Foundation.<sup>13</sup>

Another model NGO project that has inspired many Chinese environmentalist groups is the New Loulan Project. The project was founded in 2006 by Wender Yang, a Taiwanese

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<sup>12</sup> With offices in over twenty countries, the Tzu Chi Foundation is the largest Buddhist charity organization originating from Taiwan. Its relief operation has been extended to victims of natural disasters and wars in many corners of the world, such as mainland China, Bangladesh, South Africa, Guinea-Bissau, Nepal, Rwanda, Chechnya, Azerbaijan, Outer Mongolia, Ethiopia, northern Thailand, and Cambodia. For more information about Tzu Chi, one can browse its website at: <http://www.tzuchi.org/global/>.

<sup>13</sup> For more information about SEE, one can browse its website at: <http://see.sina.com.cn/en/xh/ml.html>.

investment banker, who gave up his six-figure Wall Street salary to dedicate himself full time to the revitalization of the Loulan area of Xinjiang, a historical trading post along the Silk Road, where ancient civilization once flourished but where now its native inhabitants' traditional way of life is threatened by the further expansion of the Taklimakan desert. Mr. Yang has turned the motto of thinking globally and acting locally into a reality. He mobilized experts, donors and volunteers from all over Asia. They were attracted to the project by Mr. Yan's successful internet campaign on the dire effects of the invading desert, which are not only imperiling the lives in and round Loulan but also adding to climate change in East Asia.<sup>14</sup>

The project successfully mobilized local commitment of ethnic minorities and communal contribution to combat the invading desert. Outside experts helped the project by analyzing satellite maps in order to monitor the growth and distribution of trees in the area. The project also had experts analyze the local soil and water to determine the prospects for planting. The project sponsors the restoration of ancient sacred sites throughout the region while assisting and encouraging Loulan natives to maintain and rebuild their culture. The Loulan Project is now widely recognized as a model conservation project focusing on the integration and harmony of the indigenous people and their environment.

### ***Normalization of Cross-Strait Relations and East Asian Economic Cooperation.***

As the preceding analyses show, Taiwan's recent efforts to promote more positive cross-strait interaction reflect its attempts to reintegrate itself internationally. Globalization is characterized by several different dimensions. The interplay of global forces and new identity, as reflected in cross-strait relations, create anxieties and uncertainties in Taiwan. The autonomous actions of cross-strait business activities, regardless of state constraints before 2008, are proof of these non-state actors' attempts to promote civilian governance across the Taiwan Strait. ECFA and related policies under Ma Ying-jeou's administration finally provide new angles by which the Taiwanese state can form new alliances to embrace the ever-changing trends of globalization.

ECFA is also a convenient tool for Taiwan to achieve breakthroughs in negotiating bilateral FTAs with other East Asian countries. Due to political obstacles, Taiwan's chances to take part in multi-lateral trade and investment arrangements are seriously limited. Realization of bilateral FTAs with major economies in the Asia Pacific region is a feasible alternative. For instance, on August 5, 2010, Taiwan and Singapore announced that the two sides had agreed to enter into negotiations on a bilateral economic agreement. In contrast to the insistence on using the name Taiwan, which was common during the DPP-led administration, the two sides agreed to launch substantial negotiations under the WTO framework, in which Taiwan uses the title "Chinese Taipei". The Chinese side reiterated the adherence by the Singaporean government to the one-China policy. Mainland China also

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<sup>14</sup> For more information about New Loulan, one can browse its website at: <http://www.newloulan.org/english/index.htm>.

expressed its hope that Taiwan would adhere to the existing common political foundation across the Taiwan Strait

ECFA also paves the way for deepening economic ties with economic partners in East Asia. Many items included in the early harvest list, especially petrochemical and IT products, overlap with Korean export goods to China. ECFA thus serves as a catalyst to facilitate a FTA between Korea and China. On the other hand, substantial progress on a FTA between Korea and China will also hasten the steps for follow-up trade talks between Taiwan and Mainland China. A virtuous circle of win-win situations of economic interdependence could be created.

Normalization of cross-Strait economic relations will help promote the formation of strategic alliances among East Asian economies to explore the Mainland Chinese market. Taiwanese investments, which are the major driver of cross-Strait trade, will continue to be the pillar of economic interaction between the two sides. With respect to the rest of East Asia, Taiwanese firms could serve as partners to explore the Mainland Chinese market collectively. Through semi-official organizations such as TAITRA and KOTRA, joint-efforts of Taiwanese and Korean firms could develop new mechanisms of cooperation to accommodate to the investment environment in China. Taiwanese firms have long-term cooperative relationships with Japanese mother companies. In order to take advantage of recent cross-Strait economic interaction, Japanese companies have accelerated their investments in Taiwan. For instance, FANUC, one of the largest makers of industrial robots in the world, established a new partnership with its Taiwanese partners to manufacture electromechanical machines with the aim of selling them in China. In the case of the automobile industry, the Yulon and CMC groups, together with their mother company Nissan, formed strategic alliances with the Dongfeng and Dongnan groups in China. Kuo-Rui also established a joint effort with Toyota in manufacturing passenger cars in China.<sup>15</sup> In the past, such cooperative cases with Mainland Chinese automakers were carried out even in the grey area of Taiwan's more conservative mainland economic policies. Now the collaborative efforts to develop the Mainland Chinese market are facilitated by the new cross-Strait economic momentum.

## **Conclusion**

The focus of Taiwan's efforts to serve as a positive actor in the formation of an East Asian community should be rooted on political realism and pragmatism. Traditional hard-core realist arguments of the "Finlandization of Taiwan" or "backing away from US support of Taiwan" neglect the crucial function of Taiwan as an alternative model of Chinese development.<sup>16</sup> Such an influence could not be measured from traditional tank-to-tank, jet-to-jet estimations on the balance of power and exchanges of interests. The best way to remove the most obvious and contentious flashpoint<sup>17</sup> is to create a friendly environment for interaction across the Taiwan Strait. Economically speaking, closer economic ties between M

<sup>15</sup> Cheng Lu-lin, "Huanxiang yihou", *Taiwan Sociology*, No. 11 (June 2006), pp.111-174.

<sup>16</sup> Bruce Gilley, "Not so dire straits", *Foreign Affairs*, Jan/Feb, 2010, pp. 44-60; Charles Glaser, "Will China's Rise Lead to War? Why Realism Does Not Mean Pessimism", *Foreign Affairs*, Mar/Apr 2011. Vol. 90, Iss. 2; pg. 80-92

mainland China and Taiwan facilitate economic institutionalization and integration in the East Asian region. Culturally speaking, Taiwan plays a key role in integrating traditional Chinese culture with global elements. The rejuvenation of traditional cultural heritages will also facilitate the emergence of a new East Asian culture based on humanitarian moderation. When Taiwan stops its efforts to enhance its international exposure by being a troublemaker, a political ceasefire could be realized between Taiwan and China. This is the priority set by the current Ma administration to stabilize existing cross-Strait tensions.

The best way to enhance Taiwan's sovereignty is to expand its functions as a regional bridge to China and contributor to global stability and peace. A democratic Taiwan does provide an alternative to the Chinese society, but the Taiwan model may not fit all. In order to achieve the goals of common prosperity and development, four focal points are vital to the future stability:

First of all, symbolic politics matters. Taiwan's return to the "One China Principle" with different interpretations solves the puzzle of "rectification" of the Chinese tradition. Without acknowledging this basic cornerstone of cross-Strait relations, any other proposal to achieve peace and economic interdependence will be invalid. Returning to the one China principle alleviates pressures of direct confrontation. However, it is not an action of pure bandwagoning, or surrendering Taiwan's sovereignty. Such a policy is a practical reflection of the current political momentum on both sides of the Taiwan Strait.

Secondly, mutual trust is the key to long-term peace. The Ma administration in Taiwan has the advantage of winning trust from the other side of the Taiwan Strait. However, such trust will be weakened due to Taiwan's electoral policies and Beijing's suspicions about Ma's intention to lean toward "peaceful independence" instead of "peaceful unification". Beijing also expresses doubts over Ma's capacity to lead Taiwan by coherent Mainland China policies. The opposition DPP camp tries to find a grey area of "peace without unification" by denouncing the one China principle. Closer people-to-people interaction, accelerated by Taiwanese NGOs as indicated earlier, has laid the foundation of mutual understanding. However, such hard-won trust is fragile. Political momentum still leads the direction and scope of such civilian interactions. Rebuilding the trust of political consensus is the key to long-term peace across the Taiwan Strait. It is the responsibility of both Taipei and Beijing.

Thirdly, political prudence will pave the way for East Asian community building. Recent thoughts on abandoning Taiwan in exchange for China's concessions will disturb the existing basic security framework of East Asia. On the other hand, economic cooperation and interdependence could be accelerated by bilateral FTAs. Such efforts are aimed at exploring the mainland Chinese market and creating a community of prosperity and peace. Actions to balance capacities and morality provide a foundation for distinguishing what is desirable and feasible across the Taiwan Strait. Such political prudence will in turn serve as a catalyst for long-term peace and stability in East Asian community building.