Taiwan and China signed the Economic Co-operation Free Trade Agreement (ECFA) on June 29, 2010. This was ratified by the Taiwanese legislature on August 17, 2010 and is expected to be in effect by September. This is expected to help the Taiwanese economy get further ingrained in the international economic system. The agreement looks at the lifting or reducing of tariffs of about 800 goods and will help Taipei more positively with generating more employment opportunities. Post signing this agreement it appears that Taiwan is working towards gaining its position in the international economic arena. Now that Beijing has recognized it as an economic partner, Taipei can feel comfortable about receiving more acceptances by the world community.

With this agreement the level of tension across the Taiwan Strait has declined to a very large extent. As a result of this change Taiwan will be able to attract more investment and business co-operations. The Taiwanese Vice Premier said "Taiwan has tried not to be left too far behind, which was the reason for its efforts to forge the ECFA with China ". There are predictions, which state that the ECFA has the potential to boost the Taiwanese economy by about 1.7%. If the outcome is positive and benefits the economy then the Kuomintang is hoping to benefit from this in the mayoral elections of 2010.

The other highlight of the agreement is that Beijing has agreed to open 11 service sectors to Taiwanese companies. These will include accounting, aircraft maintenance, banking, insurance and healthcare. This means that Taiwanese banks will be given
permission to operate in China and undertake business transactions involving yuan. But this will be possible only after they have operated on the mainland for a period of 2 years at the least. This will result in Taiwanese companies providing loans to the business houses in yuan. Though there is still speculation whether banks from Taiwan and China will be investing in each other. It also states that the tariffs on approximately 540 Taiwanese goods will be reduced while Taiwan will reduce tariffs on 267 Chinese goods.

The major developments post this development has been the steps undertaken by Singapore and Australia. Singapore has undertaken a study in order to figure out the profitability of investing in Taiwan and Australia has been also thinking on similar lines. Even Hong Kong is moving towards forging better economic ties with Taipei. But there are countries, which are also getting wary of this development. The most prominent is South Korea, which feels that this cooperation will greatly hamper the trade linkages between Seoul and Beijing. The reason for this concern is that both Korea and Taiwan make up 10.2 percent and 8.6 percent of China's imports respectively. Under the ECFA there is an overlap of about 14 products between Taiwan and South Korea. These 14 products are the major items which Seoul exports to Beijing and these make up a total of 60 percent of its exports. This highlights that ECFA is going to effect the overall East Asian Economic integration to a great extent.

The feelings amongst the domestic parties is quite different. The Democratic People’s Party (DPP) feels that the ECFA will only benefit the big business houses while the workers will face bad consequences. On the other hand the ruling Kuomintang (KMT) feels that this will help Taiwan in getting integrated with the Mainland better. The general fear is that once the economies get integrated further Chinese counterparts will be able to use the developed methods of farming which Taiwan employs. Considering the fact that China has better access to the modern technologies in addition to the monetary benefits, the Taiwanese farmers feel that they will lose their edge over the mainland pretty soon. On the other hand Taiwan is deliberating whether integration will provide them with an added bargaining chip in case of any conflicting situation.
To aggravate the fears the recent report by the Pentagon on the military developments of the People’s Republic of China (PRC) has further complicated the situation. The Taiwanese people feel that economic integration can further put them at the mercy of the mainland. It also asserts that the increasing economic integration has done nothing to dissuade Beijing from building military capabilities to keep Taiwan under control. The report highlights that the major focus of the PRC military development is primarily Taiwan. Beijing is preparing militarily to prevent any unilateral declaration of independence from Taiwan.

The positive feelings, which were gaining momentum post signing of the ECFA, appear to be a little faded after the Pentagon report. Though, Taipei knows that this agreement can be used in order to gain international acceptance and thus help in furthering the economic status, security wise it is not profiting Taipei with any relief. Taiwan might be hoping that if the relations with Beijing are positive it might help them in gaining acceptance in international organizations like the World Health Organization (WHO), which it has been working for a very long time, but due to hostile relations with the mainland this has not been possible. After 10 long years of hostile relations Taiwan understands that in order to survive it has to get integrated in the Chinese economy in this era of globalization but the shadow of the 1000 missiles facing the island dampen the overall euphoria of such a historic deal.

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