

Managing ECFA's Ideational Transformative Power in Cross-Strait Relations:
An Exploration Using the Functionalist Model of Integration and Two-Level Game Theory

by

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Abstract

This thesis utilizes Robert Putnam's two-level game theory to shed light on why, despite steady improvement of low political interactions between China and Taiwan, the functionalist spillover into cross-Strait high politics has yet to occur. In this context, this thesis examines how the recently signed Economic Cooperation Framework Agreement (ECFA) can be managed to initiate an ideational (attitudinal) shift within the Taiwanese population towards cross-Strait integration. The thesis demonstrates that ECFA's ideational transformative power is premised on its capacity to generate concrete benefits for the population *and* the extent to which these benefits fulfill the expectations that the population has come to hold towards ECFA. It also shows the importance of effective communication from Taiwanese elites to the Taiwanese population in building reasonable expectations about ECFA.

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Dedication

To my parents, whose support have made dreams into realities

1. Introduction

When the Kuomintang (KMT) took office in 2008, there was growing optimism for the improvement of cross-Strait relations between China (PRC) and Taiwan. For the optimists, the signing of the Economic Cooperation Framework Agreement (ECFA or the Agreement) represented an important first step. Observers of ECFA have pointed to the benefits associated with it, including but not limited to possible economic revenues for Taiwan,¹ the geoeconomic importance of the Agreement in preventing Taiwan from facing trade marginalization,² increasing cross-Strait cultural interactions through the deregulation of tourism policies,³ or the foundation for Beijing and Taipei to engage in further discussions. The diversity of these explanations indicates that ECFA is not merely conceived as another economic agreement. Rather, it is also insinuated as an enterprise which can provide the momentum for further cross-Strait interactions that extend beyond rudimentary socio-economic relationships. Focusing on this latter but under-conceptualized prospect, this thesis integrates the functionalist model of integration with Robert Putnam's two-level game theory to show the necessary preconditions for ECFA to serve as a catalyst for diffusing the attitudinal divisions within the population towards cross-Strait integration.⁴ It will be shown that, without building reasonable expectations about what ECFA can do through effective cross-Level⁵ communication, the Agreement's ideational transformative power will be limited at best.

¹ Hung-Mao Tien and Chen-Yuan Tung, "Taiwan in 2010," *Asian Survey* 51, no. 1 (January/February 2011): 81-83

² Daniel H. Rosen and Zhi Wang, "Deepening China-Taiwan Relations through the Economic Cooperation Framework Agreement," *Peterson Institute of International Economics* (June 2011): 1-3

³ Tien and Tung, *Taiwan in 2010*, 79.

⁴ Hereinafter, the capacity to diffuse attitudinal divisions within the population towards cross-Strait integration will be abbreviated as "ideational transformative power".

⁵ The phrase "cross-Level" can technically refer to the interactions between Level I (national) representatives and various Level II (domestic) constituents such as legislators, interest groups, or the population. The L is capitalized in "cross-Level" to follow Putnam's decision to capitalize "Level". However, given the present focus, unless otherwise stipulated the use of "cross-Level interactions" (or similar variations) specifically refers to interactions between Taiwanese elites and the Taiwanese population.

The present examination will unfold as follows. The first section will show the significance of the present research and provide a theoretical overview. The second section will discuss the methodology and possible constraints. The third section will integrate the functionalist model of integration with Putnam's two-level game theory. In substantive terms, the following propositions will be advanced in this pivotal section: (1) In a discussion of sustainable cross-Strait integration, the robustness of Level II support is foundational; (2) The population, as one of the most important Level II stakeholders, should be situated as a centre of analysis in an examination of ECFA's ideational transformative power; (3) With the help of a five-part model that simulates all possible outcomes associated with ECFA, it will be shown that simply generating economic revenues for "Taiwan" is insufficient for initiating an attitudinal shift towards cross-Strait integration. Rather, the key is how these revenues translate into concrete benefits for the population, *and* how these benefits match up with the expectations that the population has come to hold towards ECFA; and (4) The significance of cross-Level interactions is twofold. They are instrumentally important because they rectify the information asymmetry between Taiwanese elites and the Taiwanese population in ECFA-related issues, thus reducing the possibility for the population to demand rectification in ways that might be disruptive to amicable cross-Strait relations. Cross-Level interactions are also important in serving as a symbolic confidence-building measure in signaling that ECFA-related issues (or subsequent cross-Strait economic discussions) are to be dealt through transparent and accountable protocols. Finally, the last section will address two possible objections.

2. Literature Review and Research Significance

The significance of the current project can be justified on three fronts. First, the signing of ECFA in June 2010 has generated a series of domestic debates over ECFA and the means

through which it was ratified. The lack of consensus over cross-Strait affairs within Taiwan has been well-documented. These cleavages are motivated by an amalgamation of economic reasons (for example, whether cross-Strait integration is beneficial) and ideational reasons (for example, “China-phobia”⁶ and issues pertaining to the protection of Taiwanese sovereignty or identity⁷). As Wu Yu-shan observes, the discourse on whether Taiwan should pursue closer economic relations with China has been dominated by the “economic-security” dilemma.⁸ Specifically, security-conscious individuals argue that increasing cross-Strait economic interactions is detrimental to Taiwan’s security, whereas economic-conscious individuals emphasize the importance of economic payoffs. In fact, certain frameworks have attempted to bridge this dichotomy by contending that sustained economic growth for Taiwan and increasing cross-Strait (economic) interdependence through the construction of a cross-Strait (economic) community actually serve to fortify Taiwan’s security.⁹

Suffice to say, this is a protracted debate which has also manifested at the societal level. As revealed by a public opinion poll conducted by TVBS, a prominent news station in Taiwan, 55% of the population supports the use of a referendum to determine whether the Agreement is to be signed, whereas only 30% of the population opposes.¹⁰ Likewise, in response to the Taichung Talks in December 2010 which produced a statement of intent regarding ECFA, the

⁶ This is a phenomenon that will be elaborated on later. In Shelley Rigger’s observation, a particular generation in Taiwan is especially inclined to reject anything related to China (culturally and politically) due the historical scars left behind by the KMT authoritarian rule and the KMT-forced sinification project during this period.

⁷ For discussions on the issues associated with Taiwan’s identity problem, see Lowell Dittmer, “Taiwan and the Issue of National Identity,” *Asian Survey*, Vol. 44, no. 4 (July/August 2004): 475-483; Mily Min-Tzu Kao, “The Referendum Phenomenon in Taiwan: Solidification of Taiwan Consciousness?” *Asian Survey*, Vol. 44, no. 4 (July/August 2004): 591-613; Yu-shan Wu, “Taiwanese Nationalism and Its Implications: Testing the Worst-Case Scenario,” *Asian Survey*, Vol. 44, No. 4 (July/August 2004): 614-625.

⁸ Yu-shan Wu, “Taiwan’s Domestic Politics and Cross-Strait Relations,” *The China Journal*, no. 53 (2005): 40.

⁹ Yachung Chang, *Quan qiu hua yu liang an tong he* (translation: *Globalization and Integration across the Taiwan Strait*) (Taipei: Linking, 2003).

¹⁰ TVBS, “ECFA Referendum Public Opinion Poll,” *TVBS Poll Center*, 31 May, 2010, http://www1.tvbs.com.tw/FILE_DB/DL_DB/doshouldo/201006/doshouldo-20100601201132.pdf (accessed April 27th, 2011).

Democratic Progressive Party (DPP) was able to mobilize (by its estimate) 100, 000 protesters on December 20.¹¹ These figures not only show the lack of consensus towards the prospect of closer cross-Strait economic ties (for example, ECFA), but also a fundamental division in the way in which democratic process and delegation of responsibility are understood by the Taiwanese population. The curiosity is this: while the KMT government is democratically elected and commands approximately 70% of the seats in the legislature, whether it has the legitimacy to ratify ECFA without “formal consultation” with the public remains a point of contention. Especially for the security-conscious individuals, the worry is that decisions regarding ECFA¹² or cross-Strait economic relations are being moved away from normal politics into a form of “special politics” that is framed as necessary and inevitable – that is, the “securitization” of ECFA or cross-Strait economic relations.¹³

Consequently, another layer of difficulty has been introduced to the discussions regarding ECFA and cross-Strait affairs: ECFA is not just exclusively discussed under the rubric of cross-Strait relations, as discussions about ECFA or cross-Strait economic affairs also become an issue of Taiwan’s democratic accountability – or lack thereof. Therefore, the model proposed here departs from, but does not necessarily refute, the economic-conscious frameworks which stake progressive cross-Strait relations on structural (economic) interdependence between China and

¹¹ Thomas B. Gold, “Taiwan in 2009: Eroding Landslide,” *Asian Survey* 50, no. 1 (January/February 2010): 69

¹² Since ECFA has already been ratified in June 2010, “discussions or decisions related to ECFA” (or similar variations hereinafter) also refers to post-ratification decisions or discussions regarding ECFA. These include but are not limited to issues such as how the revenues are managed, or how the administration might communicate with the population regarding what to expect from ECFA.

¹³ According to the Copenhagen School, ‘securitization’ refers to the process in which an issue is framed as a special kind of politics – one which is not governed by the normal bargaining of the political sphere. In the context of the KMT’s domination of the legislature, the worry for these individuals is the lack of institutional bargaining space and accountability over ECFA-related decisions. Note that the present examination is not positing that ECFA *has* been securitized per se, but that the dynamics of securitization is particularly salient in illustrating the concerns of those who oppose the signing of ECFA without a referendum. For detailed discussions on the concept of ‘securitization’, see Barry Buzan, Ole Waever and Jaap de Wilde, *Security: A New Framework for Analysis* (Boulder, Co: Lynne Rienner, 1998); Ole Waever, “Securitization and Desecuritization,” *On Security*. ed. R. Lipschutz (New York: Columbia University Press, 1995), 46-86.

Taiwan, or even the Level I confidence-building effect that cross-Strait economic interactions might engender. The logic of these explanations would hold that the transformative power of ECFA resides in the Agreement's capacity to provide the institutional foundation for "game-changing" cross-Strait economic relations. Instead, the present analysis focuses on ECFA's ideational transformative power through the fulfillment of expectations surrounding ECFA and effective cross-Level interactions, which in turn constitute the beginning of a domestic confidence-building project that helps to diffuse the recalcitrant cleavages which have crystallized around cross-Strait issues. The relationship between Level I and Level II confidence-building is therefore co-constitutive – that without Level II confidence-building, Level I confidence-building remains frail and incomplete.¹⁴ In the context of cross-Strait relations, therefore, ECFA is not just an economic and/ or security issue as per the traditional "economic-security" debate. It is also a high-profile, discursive issue that, with appropriate Level II management, represents a critical opportunity¹⁵ for initiating game-changing ideational shifts that are necessary for further Level I integration.¹⁶

Second, in academic terms, perhaps with the notable exception of neorealism, much of international relations theory has attempted to capture the interconnectedness of domestic and international politics. For example, as noted by John Ikenberry, theorists such as Tilly, McNeal, Zolberg, or Hintze "have theorized about how countries [and their domestic institutional

¹⁴ See Appendix 1 for a visual representation of (1) the relationship between Level I integration and Level II confidence-building (2) how the present examination departs from current discourses.

¹⁵ For relevant discussions on the importance of a catalyst or a 'critical juncture' in regional integration, see Joseph Nye, "Patterns and Catalysts in Regional Integration," *International Organization* Vol. 19, no. 4 (1965): 882; Kent Calder and Min Ye, "Regionalism and Critical Junctures: Explaining the 'Organization Gap' in Northeast Asia," *Journal of East Asian Studies* 4 (2004): 191-226.

¹⁶ For examples wherein Level I interactions are conceptualized as (Level II) management problems, see Abram Chayes and Antonia Handler Chayes, "On Compliance," *International Organization* Vol. 47, no. 2 (Spring 1993): 193-195. In their article, Chayes and Chayes suggest that a state's compliance towards Level I agreements depends on its capacity to institutionalize a set of Level II regimes to help the state fulfill its Level I obligations.

practices] are affected when they are surrounded by hostile neighbours”.¹⁷ In the same vein, Robert Putnam’s two-level game theory attempts to portray the ways in which domestic and international politics can influence each other in the diplomatic context. In Putnam’s observation of Germany’s decision to ratify the proposal at the Bonn Summit in 1978:

Officials in the Chancellor's Office and the Economics Ministry, as well as in the Social Democratic party and the trade unions, had argued privately...that further stimulus was domestically desirable, particularly in view of the approaching 1980 elections. However, they had little hope of overcoming the opposition of the Finance Ministry, the Free Democratic Party...and the business and banking community...Publicly, Helmut Schmidt posed as reluctant to the end. Only his closest advisors suspected the truth: that the chancellor “let himself be pushed” into a policy that he privately favored, but would have found costly and perhaps impossible to enact without the summit's package deal.¹⁸

This example shows that negotiations happening at Level I can affect Level II decision-making and institutional behavior, especially by altering the distribution of (ministerial) power or the ways in which the situation is perceived. In turn, this shift can impact the way in which the country or its representative behaves at the international or regional level, for the size of Level II “win-sets” can determine whether the Level I agreement is to be ratified or not.

Following the framework advanced by Kenneth Shepsle and Barry Weingast,¹⁹ Putnam defines Level II “win-sets” as the set of Level I agreements that wins support from Level II constituents.²⁰ The larger the overlap between win-sets of various Level II constituents (including legislators, interest groups, public opinion), the more likely it is for Level I negotiators to find a common ground on which Level I agreements stand.²¹ As such, if the

¹⁷ John G. Ikenberry, “The Intertwining of Domestic and International Politics,” *Polity* 29, no. 2 (1996): 294-295.

¹⁸ Robert Putnam, “Diplomacy and Domestic Politics: The Logic of Two-Level Games,” *International Organization* 42, no. 3 (1988): 428-429.

¹⁹ Kenneth A. Shepsle and Barry R. Weingast, “The Institutional Foundations of Committee Power,” *American Political Science Review* 81 (March 1987): 85-104.

²⁰ Putnam, *Two-Level Game*, 437.

²¹ *Ibid*, 438-439.

objective of the Level I negotiators is to ratify the international agreement, *usually*²² the strategy is to increase the win-set overlap at Level II by demonstrating – especially to the marginal supporters – how the agreement will work to the advantage of the Level II constituents. Indeed, as Putnam acutely notes, “the requirement that any Level I agreement must, in the end, be ratified at Level II imposes a crucial theoretical link between the two levels”.²³

Putnam’s insights on two-level game theory have motivated a series of subsequent elaborations. For example, Helen Milner examines how the interaction between various Level II constituents can determine when international cooperation is possible and to what extent.²⁴ Yet, ECFA presents an interesting case study because the analytical objective is no longer about the impact that cross-Level interactions have on ratification. Rather, the analytical objective is how cross-Level interactions contribute towards the *ex post facto* legitimization of ECFA’s ratification. However, the concepts of two-level game and win-sets remain salient because the larger the population’s win-set is, the more likely it is for Level I integration attempts (ECFA) to sustain without interruptions from Level II. This is primarily due to the diminished possibility for the population to seek redress in instances of dissatisfaction – be it through elections or by imposing pressure onto other Level II constituents. As such, the present examination can be seen as an extension of the two-level game theory with a different analytical focus.

Finally, and perhaps most importantly, tense cross-Strait relations has always been one of the security flashpoints in Northeast Asia. As explained by Yoshinobu Yamamoto, the idea of functionalist integration is to “firstly cultivate better relations in areas such as economics and the environment” (low politics), and then “[move] into better security relations and identity

²² There are exceptional situations wherein divisiveness and small Level II win-set overlap in fact becomes advantageous in Level I negotiations. This possibility will be addressed at the end of the examination.

²³ *Ibid*, 436.

²⁴ Helen Milner, *Interests, Institutions and Information: Domestic Politics and International Relations* (Princeton University Press, 1997).

formation” (high politics).²⁵ Given the conflict of interests, asymmetry of actor capacities, and ideational cleavages left behind by historical tragedies, Yamamoto makes the prognosis that the functionalist model of integration is promising within the context of Northeast Asia.²⁶

While Yamamoto is speaking of regional integration and not just bilateral relations, the underlying functionalist logic is nevertheless interesting given the fact that cross-Strait relations are characterized by conflict of interests, absolute asymmetry of capacities, and historical cleavages. From the policy standpoint, the Ma Ying-jeou administration has also followed the policy of “first economics then politics” in cross-Strait affairs, which is fundamentally premised on the functionalist logic. Yet, as Chu Yun-han shows, the acceleration of cross-Strait economic interactions *alone* has not ameliorated the demographic division within Taiwan towards cross-Strait affairs.²⁷ With empirical support, Chu’s analysis suggests that the explanatory power of the functionalist model (in its unelaborated form) is limited in cross-Strait affairs – namely, why the functionalist spillover has yet to occur is left unaddressed. In this respect, by emphasizing the importance of Level II confidence-building to support Level I integration, this thesis’ contribution is twofold: (1) it qualifies the explanatory power of the functionalist model within the context of cross-Strait relations, and (2) using Putnam’s two-level game theory, it expands on the functionalist model by analyzing the necessary Level II conditions for ECFA to initiate the functionalist “spillover”.

3. Methodology and Possible Constraints

Conceived broadly, there are three potential methodological constraints which confront the present analysis. First, detractors may point to the difficulties associated with analyzing

²⁵ Yoshinobu Yamamoto, “Institutionalizing Northeast Asia: Challenges and opportunities,” *Institutionalizing Northeast Asia: Regional Steps Towards Global Governance* (Tokyo: UNU Press, 2008), 33.

²⁶ *Ibid.*

²⁷ Yun-han Chu, “Taiwan’s National Identity Politics and the Prospect of Cross-Strait Relations,” *Asian Survey* 44 no. 4 (2004): 510-511.

ECFA's transformative power, since the effect of the Agreement is still in its formative stages. But by integrating the functionalist model and Putnam's two-level game theory, one can still engage in a meaningful discussion of the institutional barriers which obstruct ECFA's transformative capacity. In other words, the present discussion is not an empirical observation of ECFA's transformative power as of this moment, but rather a conceptual analysis of how relevant institutions in Taiwan are geared towards cross-Level communication and attitudinal transformation. Second, a related concern is the availability of relevant statistics. The public opinion polls used in this study come from media reports as well as the Election Study Center at National Chengchi University. Statistics from the former can be subject to limited sample sizes (usually around ~1000) or the lack of academic credentials, though the methodology is generally sound. On the other hand, statistics from the latter deal with larger sample size (usually around ~12, 000)²⁸ and studies are carried out by academics. The way by which the current study tries to offset the aforementioned limitations is to use statistics from different sources in tandem where available, thereby reducing the negative effect as much as possible.

Finally, one might suggest that this essay's application of Putnam's two-level game is incomplete if it only focuses on Level I interactions between Chinese elites (CE) and Taiwanese elites (TE), and Level II interactions between TE and the Taiwanese domestic constituents (TD) – in particular, the Taiwanese population. Specifically, the two-level logic would require a comprehensive examination of the web of interactions between TE, CE, TD, and Chinese domestic constituents (CD), including CE↔TE, TE↔TD, CD↔TD, CE↔CD, CE↔TD, and TE↔CD (see Appendix 2 for a visual representation). Given the enormity of the overall project relative to the limitations of the current endeavour, the decision to focus on CE↔TE and

²⁸ Elections Study Center, National Chengchi University, "Data Collection Methodology," Trends in Core Political Attitudes Among Taiwanese, <http://esc.nccu.edu.tw/english/modules/tinyd2/content/method.pdf> (accessed April 27th, 2011).

TE↔TD is a necessity. Likewise, detractors might point out that merely focusing on the population can be potentially problematic because domestic constituents at Level II can include a variety of actors or institutions including “parties, social classes, interest groups...legislators, and even public opinion and elections”.²⁹ Yet, this decision can be justified because the population is one of the most important stakeholders in a discussion of cross-Strait integration, and because of the inextricable links between the population and other Level II constituents – for example, the electoral connection between the legislature and the population. In many respects, therefore, the present examination is a conceptual analysis, which can be understood as a precursor to a more comprehensive and possibly empirical study of cross-Strait relations and ECFA.

4. The Functionalist Model of Integration and the Two-Level Game Theory

4.1 An Analytical Springboard – the EEC and the ECFA

There have been attempts to contextualize the functionalist model of integration through a comparative analysis of the European integration and cross-Strait relations. Cal Clark offers one of the more well-formulated studies that analyzes the possibilities and difficulties associated with this comparison. With respect to the EU experience, Clark begins by maintaining the difference between low politics (socio-economic communication) and high politics (decisions to integrate and discussions of sovereignty). Clark comments that a complex balance between “social communications of low politics and elite strategies or institutionalization of high politics” was one of the keys to the EU success story.³⁰ The idea is that “far-sighted elites” would seize momentum generated by low political interactions and advance agendas that favour integration at the high political level.

²⁹ Putnam, *Two-Level Game*, 432.

³⁰ Cal Clark, “Does European Integration Provide a Model for Moderating Cross-Strait Relations?” *Asian Affairs* 29, no. 4 (2003): 198.

The creation of the European Economic Community (EEC) which promoted “trade, tourism, student exchanges, and other forms of social communications among European nation”³¹ played an instrumental role in initiating the European integration process. By facilitating social communications, the EEC helped to catalyze a series of attitudinal changes within the population, and the outcome was a “growing sense of supra-national identity and a widespread willingness to entrust broader responsibilities to supranational institutions”.³² More precisely, while the EEC started out as an economic-minded institution, it initiated a spillover process in which attitudinal change within the European population towards its neighbours and supra-nationalism became the bedrock for integration. One of the key insights that Clark provides is that successful functionalist integration is largely premised on the spillover from low politics to high politics, a process which an economic institution such as EEC can initiate. The functionalist model of integration therefore presupposes the existence of a “tipping point” at which low political interactions spills into high politics. Granted, this “tipping point” may not separate low and high politics in a dichotomous manner, as the process can be implicit and gradual. However, the concept of “tipping point” is still of theoretical utility because it provides a focal point at which one can examine how cross-Level interactions foster the spillover.

The ECFA differs substantially from the EEC because the former is only a framework agreement – not a formal free trade agreement (FTA),³³ much less an institution that resembles a community as in the case of the EEC. Furthermore, the cross-Strait situation is quite different from post-war Europe, including but not limited to dissimilarities such as the number of actors involved, the degree and nature of US involvement, and the power distribution between the

³¹ Ibid, 197-198.

³² Ronald A. Inglehart, *The Silent Revolution: Changing Values and Political Styles among Western Publics* (Princeton: Princeton University Press, 1977), 362.

³³ Tien and Tung, *Taiwan in 2010*, 81.

actors. Despite these differences, Clark's conceptual model is nevertheless useful in putting the cross-Strait situation and alleged transformative power of ECFA into perspective. If anything, the recent EU turmoil brought about by the decline of Level II support shows that sustainable Level I integration is fundamentally premised on the fostering *and* sustaining of Level II support. In an elaborate conceptualization of cross-Strait relations or ECFA, therefore, discussions of domestic politics and cross-Level communication are foundational.

4.2 Low Politics between China and Taiwan

Despite the tense political relationship between China and Taiwan, developments of low politics and social communications have steadily increased since the late 1980s. There is a rich body of literature on the economic relationship between China and Taiwan, but for brevity only the general picture will be presented. It is true that Lee Deng Hui and Chen Shui Bian have implemented restrictive policies such as Jieji Yongren (No Haste, Be Patient)³⁴ and Youxiao Kaifang, Jiji Guanli (Effective Liberalization, Active Regulations)³⁵ to prevent the Taiwanese economy from hollowing out. Yet, as Appendix 3 shows, bilateral trade between China has gone from approximately \$2,500 million US in 1987 to approximately \$43,000 million US in 2004. This upward trend of bilateral trade continues: In a report published by the Mainland Affairs Council of Taiwan, the estimated value of bilateral trade in the first eleven months of 2010 is \$110.36 billion US – which is a 42.1% increase compared to the same time in 2009.³⁶ On the other hand, investments from Taiwan to China have shifted away from simple assembly work to “upstream heavy production and more capital-intensive or high-tech production”.³⁷ By 2005,

³⁴ Douglas B. Fuller, “The Cross-Strait Economic Relationship's Impact on Development in Taiwan and China: Adversaries and Partners,” *Asian Survey*, 48, No. 2 (2008): 241.

³⁵ *Ibid*, 244.

³⁶ Mainland Affairs Council, “Cross-Strait Economic Statistics Monthly: No. 216,” Statistics on Economic Exchanges, <http://www.mac.gov.tw/lp.asp?ctNode=5934&CtUnit=4152&BaseDSD=7&mp=3> (accessed April 27th, 2011).

³⁷ Clark, *European Integration*, 202.

Taiwanese Foreign Direct Investment (FDI) in China has reached \$50 billion,³⁸ surpassing countries such as Singapore, Great Britain, and Germany.³⁹ Indeed, one can see that despite various regulatory efforts, cross-Strait economic relations have grown substantially over the past few decades.

On the socio-cultural dimension, the 1987 decision by Chiang Ching-Kuo to allow Taiwanese residents to visit relatives in China on a humanitarian basis sparked a series of social and cultural exchanges between Taiwan and China.⁴⁰ For example, this wave of Taiwanese individuals who sought to reunite with their lost relatives and rediscover their roots engaged in what Murray Rubinstein refers to as “temple politics”, a practice in which temples in Taiwan “adopt” older ones in Fujian.⁴¹ Moreover, there has been a significant improvement of scholarly exchanges since 1996 (refer to Appendices 4 and 5). In the context of ECFA, observers have pointed out that one of the advantages of the Agreement is that it creates opportunities for cross-Strait tourism. Tourist exchanges not only generate economic revenues for Taiwan, but also help to project Taiwan’s cultural soft power onto Chinese tourists, thereby facilitating a form of cultural exchanges that is meant to be apolitical (or low political) in nature. Thus, in the past few decades, cross-Strait socio-economic exchanges have actually developed without significant interruptions.

4.3 The Disconnect between Low Politics and High Politics in Cross-Strait Relations

Yet, success in cross-Strait low politics has not translated into success in cross-Strait high politics. Clark points out that while China and Taiwan both see economic and social interactions

³⁸ If anything, Fuller does note that this number is severely underestimated because most of Taiwan’s investments are made indirectly through Hong Kong.

³⁹ Fuller, *Economic Relationship*, 243.

⁴⁰ Winberg Chai, “Relations between the Chinese Mainland and Taiwan,” *Asian Affairs*, 26, no. 2, (1999): 71.

⁴¹ Murray Rubinstein, “Taiwan Experience in Fujien: A Case Study of Socio-Religious and Economic Relations between the R.O.C. and P.R.C.,” paper presented at the 13th International Conference on Asian Affairs, St. John's University, 1995.

as beneficial (even if for completely different reasons), the spillover from low politics to high politics has not been successful because both sides are upholding highly entrenched principles when it comes to high political issues.⁴² Specifically, issues of sovereignty or Taiwan's status in the international system continue to pose vexatious problems that prevent the spillover process. For example, despite increasing low political interactions during 1990-1999, Lee Deng Hui's visit to Cornell University in 1995 and his endorsement of the "special state-to-state relations" between China and Taiwan in this period were interpreted by the Chinese Communist Party (CCP) as disguised attempts for Taiwanese independence. Lee's maneuvers were ultimately met by PRC missile tests and, in retrospect, these developments caused serious setbacks to cross-Strait high political interactions.

Perhaps the most illustrative example come from Chen Shui Bian's constantly changing policy stance towards cross-Strait relations. When Chen took office in 2000, there were worries that cross-Strait relations may drastically deteriorate because of Chen's pro-independence background. In this context, Chen was under considerable pressure to take a more moderate and tactful stance towards cross-Strait relations, especially as a means of maintaining friendly US-Taiwan relations. As a result, the advancement of the "Four No's" in which Chen and the DPP promised not to declare formal independence can be understood as Chen's way of preserving the status quo. Yet, in 2002, Chen drastically changed his moderate position by remarking that "Taiwan is not a part of another country, nor a local government or province of another country. In other words, Taiwan and China are countries on either side [of the Taiwan Strait]. We must be clear about this".⁴³ This aggressive announcement was accompanied by his comment that Taiwan's international status should be determined through a "defensive referendum" because

⁴² Clark, *European Integration*, 207-212.

⁴³ Monique Chu, "Analysts Mull the Results of Chen's Pronouncement," *Taipei Times*, 4 August 2002.

self-determination is a basic human right.⁴⁴ These status-duo-denying developments represented interfering ruptures that effectively prevented the spillover from low politics to high politics. In turn, Chen's decisions can be understood as political strategies to appease domestic allies, including the pro-independence factions within the DPP, his tacit allies from Taiwan Solidarity Union (TSU), especially in consideration of the 2002/ 2003 mayoral elections for Taipei and Kaohsiung.⁴⁵ Indeed, in light of the Chen administration's political deadlocks against the 'Pan-Blue'⁴⁶ coalition, maintaining support from within the 'Pan-Green' coalition became one of the foremost priorities for Chen. Therefore, Chen's policy shifts, which ultimately resulted in the stalling of high political cross-Strait relations until the end of his term in 2008, were heavily driven by domestic reasons.

As seen in the case of Chen, the divisiveness within the Taiwanese population's attitude towards cross-Strait relations has continued to incentivize decision-makers who are against further integration to advance aggressive policies that undermine cross-Strait high politics because these policies can engender domestic political payoffs. In his analysis, Putnam maintains that "any key player at the international table who is dissatisfied with the outcome may upset the game board, and conversely, any leader who fails to satisfy his fellow players at the domestic table risks being evicted from his seat".⁴⁷ Chen's decision to shift from the moderate "Four-No's" to a more aggressive stance in 2002 was not only an expression of dissatisfaction towards the Level I game. It was also a strategic maneuver to ensure support from relevant domestic constituents at Level II, for this maneuver helped to unite the Pan-Green. The "all-in", risk-seeking strategy was especially appealing to China because he was facing declining public

⁴⁴ Clark, *European Integration*, 209.

⁴⁵ Clark, *European Integration*, 212.

⁴⁶ 'Pan-Blue' refers to the oppositional coalition between the KMT and the People's First Party (which is made up by ex-KMTs) towards the 'Pan-Green' coalition made of the DPP and the TSU.

⁴⁷ Putnam, *Two-Level Game*, 434.

support and the detrimental effects of DPP factionalism during this period. His re-election in 2004 not only consolidated his continual capacity to represent Taiwan at Level I, but is also a testament to the fact that there is a significant cohort of Taiwanese citizens who to various degrees are sympathetic towards the independence movement – even if the citizens hold different timelines and methods in the interpretation of “Taiwanese independence” or the prospect of further cross-Strait integration. Therefore, it follows that the cultivation of the functionalist tipping point at Level I would necessarily be premised on the rectification of the divisiveness within the Taiwanese population towards cross-Strait integration.

4.4 A Dangerous Mirage: ECFA and Domestic Approval?

The KMT administration appears to have overestimated the population’s support for ECFA. In light of DPP challenges towards the legitimacy of ECFA, the KMT administration has often responded by claiming that ECFA is supported by the majority of the population. For example, in a speech delivered on August 5, 2010, Minister of the Mainland Affairs Council Lai Shin-Yuan claimed that throughout the two years leading up to the signing of ECFA in June 2010, public opinion polls commissioned by the Mainland Affairs Council have shown “consistently high level of public support for institutionalized cross-Strait negotiations”.⁴⁸ With respect to ECFA, Lai comments that in a survey conducted in July 2010, 63.1% of the population has shown a supportive attitude towards its signing.⁴⁹ As such, she puts forward the idea that the population is relatively unified in support of ECFA’s signing. Yet, public opinion polls commissioned by the media suggest otherwise. For example, in a poll conducted by The Liberty Times after the ECFA Debate in April 2010, only 28.02% of the respondents supported the signing of ECFA, whereas 35.77% of the respondents opposed the signing of ECFA, with

⁴⁸ Mainland Affairs Council, “President Ma Ying-jeou's Mainland Policy - Turning the Threat of War into Peace and Prosperity,” <http://www.mac.gov.tw/public/MMO/RPIR/book498.pdf> (accessed April 27th, 2011).

⁴⁹ Ibid.

36.21% of the respondents abstaining from the survey.⁵⁰ Likewise, in a poll conducted by TVBS during the same period, 41% of the respondents supported the signing of ECFA, 33% opposed, and 26% abstained from the survey.⁵¹ While these statistics diverge in terms of whether the approval rate is relatively higher in comparison to the disapproval rate or not, they do serve to undermine Lai's assessment that the majority of the population consistently supports ECFA. At best, considering the number of individuals who abstained from the surveys, the population appears to have adopted a provisional "wait-and-see" stance towards ECFA.

Given the fact that the Taiwanese population has become increasingly driven by non-committed rationalism, one key aspect to ECFA's ideational transformative power is a clarification of how ECFA's signing is consistent with the non-committed rationalist calculus. Lynn White observes that the only consensus within the Taiwanese population is to give primacy to "concrete benefits over abstract identity symbols [or ideational commitments] of any kind".⁵² Therefore, non-committed rationalism is a pragmatist ethos that prioritizes concrete material interests over commitments to national or ethnic identities – especially if the latter comes into conflict with the former. As Shelley Rigger notes, younger Taiwanese have become increasingly apathetic towards politics, but not necessarily democracy, instead opting to view political issues through non-committed rationalist lenses.⁵³

The effects of pragmatic rationalism have manifested in the population's attitude towards the unification-independence question. As the Election Study Center at Chengchi University reports, in 2009 35.1% of the surveyed individuals preferred the preservation of the status quo

⁵⁰ The Liberty Times, "Post-Debate Shows Higher Disapproval than Approval for the Signing of ECFA," <http://www.libertytimes.com.tw/2010/new/apr/26/today-t1.htm> (accessed April 27, 2011).

⁵¹ TVBS, "Post-Debate Public Opinion Poll on ECFA," *TVBS Poll Center*, 25 April, 2010, http://www.tvbs.com.tw/FILE_DB/DL_DB/yijung/201004/yijung-20100426095221.pdf (accessed April 27th, 2011).

⁵² Lynn T. White, "Taiwan's External Relations: Identity vs. Security," *The International Relations of Northeast Asia*. ed. Samuel S. Kim. (Lanham, MD: Roman and Littlefield, 2004), 307.

⁵³ Shelley Rigger, *Taiwan's Rising Rationalism: Generations, Politics, and 'Taiwanese Nationalism'* (East-West Center Washington December, 2006), 53.

and wished to decide on the unification-independence question later.⁵⁴ This number increased to 36.2% in 2010.⁵⁵ In the same survey, 26.2% of the surveyed individuals preferred the preservation of the status quo indefinitely in 2009, and this number slightly decreased to 25.5% in 2010.⁵⁶ These statistics⁵⁷ not only show that the signing of ECFA has yet to facilitate a significant attitudinal change towards the unification-independence question, but also highlights the pragmatist lens through which the majority of the population views cross-Strait affairs. The prevailing preference to maintain the status quo signifies a risk-averse, “wait-and-see” attitude driven by the lack of confidence towards cross-Strait relations. Thus, despite slogans such as “only economics, neither politics nor self-degradation to Taiwan’s international status”, or “helping the people conduct business” on the Official Website of ECFA,⁵⁸ it remains unclear as to who the beneficiaries of ECFA are. This is problematic because Taiwan has been suffering from growing socio-economic inequalities, which are major barriers to domestic cohesion and, by extension, the ideational shift towards the unification-independence question.

In this respect, ECFA is caught in an awkward situation: the public support for it (if at all) is provisional, and to date it has yet to generate any significant attitudinal changes within the population towards cross-Strait integration. Yet, ECFA’s reversal is also out of the question, especially since the Agreement does generate economic revenues for Taiwan. Disproval from the business community and Beijing, and the fact that the party which makes the decision to reverse ECFA is going to shoulder the blame for economic woes, make the cost for reversing ECFA unbearably high. As such, the reversal of ECFA is neither a tenable nor cost-beneficial option.

⁵⁴ Elections Study Center, National Chengchi University, “Changes in the Unification-Independence Stances of Taiwanese,” Trends in Core Political Attitudes Among Taiwanese <http://esc.nccu.edu.tw/english/modules/tinyd2/content/tonduID.htm> (accessed April 27th, 2011).

⁵⁵ Ibid.

⁵⁶ Ibid.

⁵⁷ Refer to Appendix 6 for the overall trend since 1994.

⁵⁸ Official Website of ECFA, “Home Page,” <http://www.ecfa.org.tw/index.aspx> (accessed April 27th, 2011).

Yet, rather than viewing the situation that ECFA is in as an inescapable paradox, a better interpretation is that ECFA's maximum potentials are currently being wasted. With appropriate management, the provisional "wait-and-see" stance held by the population can also be translated into stable support for ECFA or further cross-Strait integration. A deeper understanding of the nature of ECFA's ideational transformative power is therefore necessary.

4.5 Qualifying the Nature of ECFA's (Ideational) Transformative Power

In analyzing China's attempt to use Taishang (Taiwanese business people) as a means of gaining political leverage over Taiwan, Shu Keng and Gunter Schubert have noted the possible correlation between economic standing and attitude towards the unification-independence question. Specifically, pro-independence individuals tend to "highlight the disadvantages of economic interaction with China",⁵⁹ while "those who consider themselves to be losing in economic interaction with China tend to hold a pro-independence stance".⁶⁰ Consequently, Keng and Schubert advance the "straw-person"⁶¹ suggestion that if the PRC offers more economic incentives to the Taiwanese, "more people would arguably move towards pro-unification attitudes".⁶² This is because those "who gain economically from [closer cross-Strait economic ties would logically] support more cross-Strait integration and, arguably, unification".⁶³ Granted, considering the significant amount of non-committed rationalists within the Taiwanese

⁵⁹ Shu Keng, Lu-huei Chen, and Kuan-bo Huang, "Sense, Sensitivity, and Sophistication in Shaping the Future of Cross-Strait Relations," *Issues and Studies* 42:4 (2006): pp. 23-66.

⁶⁰ Shu Keng and Lu-huei Chen, "Cross-Strait Economic Interaction and Taiwan's Political Landscape," *Issues and Studies* 42:6 (2003): 1-27.

⁶¹ In their 2010 article, Keng and Schubert are more interested in analyzing whether the Taishang help China gain political leverage over Taiwan. They do so by using this (straw-person) suggestion to describe Hu Jintao's policies towards Taiwan. However, whether Keng and Schubert endorse the validity or the feasibility of this suggestion is not addressed in the article, nor is it entirely important to the present examination. In the examinations that follow, this (straw-person) suggestion will be a theoretical placeholder for initiating discussions. For the analysis from which Keng and Schubert's suggestion has drawn, see Yu-Shan Wu, "Taiwanese Elections and Cross-Strait Relations: Mainland Policy in Flux," *Asian Survey*, Vol. 39, no. 4 (July/ August, 1999): 565-587.

⁶² Shu Keng and Gunter Schubert, "Agents of Taiwan-China Unification? The Political Roles of Taiwanese Business People in the Process of Cross-Strait Integration," *Asian Survey* 50, no. 2 (2010): 293-294.

⁶³ *Ibid.*

population, it seems intuitive to claim that economic benefits can incentivize these non-committed rationalists into an attitudinal shift towards cross-Strait affairs. Within the context of ECFA, Keng and Schubert's "straw-person" suggestion provides an interesting analytical starting point. Yet, various aspects of this suggestion, including the antecedent conditions necessary for it to hold, must be at once qualified.

To begin with, one of the foremost problems is whether the current economic benefits derived from ECFA can be sustained in the long term, and to what extent. As Liu Shing-Ren observes, the "Early Harvest Program" (EHP)⁶⁴ goods exported from Taiwan to China during the first quarter of 2011 are valued at 492.7 million USD, representing a 21.25% increase from the same period in 2010.⁶⁵ Overall, total exports from Taiwan to China in the first quarter of 2011 are valued at 2.95 billion USD,⁶⁶ which is an increase of 14.3% in comparison to the same period in 2010,⁶⁷ and a 17% increment in comparison to the corresponding period in 2008.⁶⁸ Considering these statistics, Liu comments that ECFA-related policies are beginning to show their value, for the EHP has created new business opportunities for Taiwanese enterprises that were not receiving tariff concessions or exemptions prior to the signing of ECFA. For him, the fact that Taiwan was ranked the sixth most competitive country by the IMD World Competitive Yearbook in 2011⁶⁹ offers a telling testament to ECFA's economic utility.

⁶⁴ The "Early Harvest Program" refers to the list of goods and services that will immediately receive tariff concessions or exemptions under the framework of ECFA. Decidedly, this is one of the foremost and immediate appeals of ECFA from Taiwan's perspective.

⁶⁵ Shing-Ren Liu, "ECFA-Related Policies Starting to Show Their Positive Effects (translated title)," *China Review News*, 12 June 2011, http://www.chinareviewnews.com/doc/1017/2/5/6/101725600_2.html?coluid=137&kindid=4930&docid=101725600&mdate=0612010158 (accessed August 16, 2011).

⁶⁶ *Ibid.*

⁶⁷ Ministry of Finance, Republic of China, "Value of Major Export Commodities to Mainland China & Hong Kong, 2011," http://www.mof.gov.tw/public/Data/statistic/trade/monthly/10003/9031_10003.pdf (accessed August 16, 2011).

⁶⁸ *Ibid.*

⁶⁹ International Institute of for Management Development (IMD) Business School, "The World Competitiveness Scoreboard 2011," <http://www.imd.org/research/publications/wcy/upload/scoreboard.pdf> (accessed August 16, 2011).

Yet, ECFA must be considered to be in its honeymoon stage. This is because China, as an alleged expression of good will, is currently absorbing a trade imbalance through the EHP by making tariff concessions to 539 Taiwanese products while Taiwan has only done so for 267 Chinese products.⁷⁰ In concrete numbers, the export value of EHP goods from Taiwan to China in the first quarter of 2011 is 492.7 million USD, whereas the export value of EHP goods from China to Taiwan during the same period is 70 million USD.⁷¹ Therefore, the trade imbalance between Taiwan and China under the framework of the EHP (and the ECFA) is approximately seven-fold. As Tien and Tong acutely note, while Taiwan is expected to benefit modestly from the trade imbalance for the next three years,⁷² the long-term economic benefits of ECFA can be hard to calculate, as various aspects of the Agreement are still in formation.⁷³ Given these uncertainties, it may be problematic to assume that short-term ECFA-related economic benefits will necessarily translate into long-term benefits to serve as the bedrock for an attitudinal shift towards cross-Strait affairs.

But even if these economic benefits are sustained, the attitudinal trend towards cross-Strait relations in the past ten years suggests that economic incentives at Level I alone do not generate the critical mass necessary to penetrate entrenched high political problems. The possible argument⁷⁴ that holds more economic benefits brought about by ECFA would help cultivate the functionalist spillover is a thinly constructed line of thinking that requires further conceptualization and qualification – namely, what are “economic benefits”, who benefits, and how exactly are these benefits going to help cultivate the spillover tipping point?

⁷⁰ Tien and Tong, *Taiwan in 2010*, 81.

⁷¹ Shing-Ren Liu, “ECFA-Related Policies Starting to Show Their Positive Effects (translated title),” *China Review News*, 12 June 2011, http://www.chinareviewnews.com/doc/1017/2/5/6/101725600_2.html?coluid=137&kindid=4930&docid=101725600&mdate=0612010158 (accessed August 16, 2011).

⁷² In Tien and Tong’s estimation, the trade surplus is valued at approximately \$40 billion USD per year.

⁷³ *Ibid*, 82.

⁷⁴ To be clear, this possible argument is an artificially constructed placeholder intended to spark discussion; it does not refer to Keng and Schubert’s (straw-person) suggestion as noted on Page 19.

As noted earlier, status-quo preservation continues to dominate public opinion as the most favoured option for Taiwan (refer to Appendix 6). For example, as of December 2010 (ECFA was signed in June 2010), 61.4% of the surveyed respondents supported status-quo preservation without presupposing an outcome (“decide at a time” or “indefinitely”), and an additional 25.3% of the surveyed respondents support status-quo preservation while presupposing an outcome (“status-quo, then “independence” or “unification”). Together, these status-quo preferring individuals represent 86.7%⁷⁵ of the Taiwanese population. Yet, this trend represents a puzzling phenomenon when juxtaposed with the extent of cross-Strait economic interactions during the past ten years. In this period, economic interactions between China and Taiwan have also consistently increased despite the shocks introduced by ex-President Chen’s insinuations of secession at various junctures in time. For example, the growth rate in Taiwan’s total export to China has consistently remained above 25% since 2005,⁷⁶ except during 2008 (17.5%) and 2009 (-16.0%)⁷⁷ – though these exceptions might be most appropriately explained as products of the global financial crisis. From the same dataset, it is worthy to note that post-ECFA export growth at the moment (31.3% in 2010 and 25.5% in the first five months of 2011),⁷⁸ while decidedly improved, does not represent a significant departure from pre-ECFA periods.

A key question therefore arises from this juxtaposition: If “more economic benefits” (unqualified to loosely refer to Level I revenues for Taiwan) leads to greater support for

⁷⁵ To avoid a possible contradiction: earlier, it was claimed that the Taiwanese population’s attitude towards cross-Strait affairs is divided. Yet, here it is claimed that these individuals are united in wishing to maintain the status quo. It is worthy to note that these two claims are perfectly compatible because these individuals separated by how and when cross-Strait affairs should develop – and this is the root of the divisiveness, despite the preference for status quo for the time being.

⁷⁶ Department of Statistics, Ministry of Economic Affairs, Republic of China, “Export Growth Rate by Countries in USD (translated title),” http://2k3dmz2.moea.gov.tw/GnWeb/Indicator/wHandIndicator_File.ashx?type=pdf&report_code=DA08Chart DA08 (accessed August 16, 2011).

⁷⁷ Ibid.

⁷⁸ Ibid.

integration and unification, then this logic should expect a gradual shift in the population's attitude to correlate the gradual increase of cross-Strait economic interactions in the past ten years wherein export growth from Taiwan to China matches comparatively with post-ECFA years. However, as shown earlier, empirical evidence suggests that this has not happened. As such, there is good reason to reject the notion that economic revenues brought about by ECFA alone will initiate an attitudinal change within the population towards cross-Strait affairs. To be sure, it is not analytically meaningful to hold the entrenchedness of the high political problems as an explanation of why successful low political interactions have not translated into successful high political interactions. By positing the consequence (entrenchedness) as the causal explanation, not only would one be risking circularity, but this line of argument still does not offer a good explanation as to what helps to cultivate the tipping point.

In other words, one might be right in pointing out that ECFA is game-changing because it provides new platforms which can lead to new ways of conducting cross-Strait economic relations – for example, institutions which aim to protect copyrights in cross-Strait commercial activities. One might also be right in pointing out that the Agreement has tremendous geoeconomic implications by offering Taiwan an opportunity to engage the regional market and avoid marginalization. However, the foregoing analysis shows that economic incentives at Level I alone – though decidedly important in laying the foundation – are insufficient for cultivating the functionalist tipping point.

4.5.1 The Taiwanese Population, not “Taiwan”, as the Analytical Focus

Indeed, as Putnam observes, “domestic determinants of foreign policy and international relations must stress politics”, and national governments attempt to satisfy domestic pressures at

the international level while “minimizing the adverse consequences of foreign development”.⁷⁹ In other words, Level I negotiations are invariably premised on some ex ante expectation that Level II ratification or legitimization will take place, whereas ex ante expectation of Level II rejection could possibly halt Level I negotiations altogether. Granted, one might claim that Level II ratification has already materialized in the case of ECFA because the (KMT-dominated) legislature has given President Ma and his administration the legislative support to continue subsequent ECFA-related negotiations. One might even claim that this legislative support is (procedurally) democratic. As a result, one must concede that procedural ratification at Level II for ECFA is a condition that has already been cleared. However, if the objective is sustainable cross-Strait integration, procedural ratification from the legislature is decidedly insufficient. As earlier analysis of the EEC and ex-President Chen’s electoral strategy during 2002 to 2004 suggests, the ideational transformation within the population is a fundamental key (if not the most fundamental one) to sustainable cross-Strait integration. In an examination of sustainable cross-Strait integration, the legitimization of ECFA to the population is to be situated at as a centre of analysis.

Therefore, Keng and Schubert’s “straw-person” suggestion is correct to hold the “Taiwanese”, instead of “Taiwan”, as the referent object in the argument that economic revenues can lead to greater cross-Strait integration. This move holds analytical merit because it refuses to reduce cross-Strait negotiations to a Level-I-only game, one which might understand cross-Strait relations as a blackbox (China) to blackbox (Taiwan) interaction. Instead, in line with the sentiments expressed thus far, Keng and Schubert’s “straw-person” logic also accounts for the importance of the Level II game – in particular, the attitudinal shift within the Taiwanese population as a key to cross-Strait integration. Indeed, even arguments which justify ECFA

⁷⁹ Putnam, *Two-Level Game*, 436.

through Level I, macro-economics perspectives seem to be premised on an implicit assumption that Level I economic success would somehow (or at least hopefully) translate into Level II economic success.

4.5.2 Expectational Fulfillment as the Key to ECFA's Ideational Transformative Power

However, despite this acute observation, an aspect that is decidedly amiss in the (straw-person) suggestion is that the key to this ideational shift within the population is not just economic payoffs – rather, the key is how the population's *expected* economic payoff correlates with the actual economic payoffs received by the population. A series of critical events leading up to the signing of ECFA has produced high but unsubstantial expectations about ECFA, which seem to be premised on the vague notion that ECFA will “do Taiwan good”. First, economic performance during the eight years of DPP rule has generally been interpreted as unstable and regressive. The perception might be explained by the declining rate of economic growth and widening socio-economic inequalities under the DPP rule *relative* to the normative expectations of rapid growth rate and egalitarian distribution of wealth that built up from the 1970s to the 1990s.⁸⁰ Another factor was the onset of the 2008 global financial crisis, which further impacted the Taiwanese economy, as exemplified by the decline of Taiwan's annual GDP growth from 6.0% in 2007 to 0.7% in 2008.⁸¹ These two factors helped to create the sense that the economy was suffering, and therefore an overhaul of the status quo was required in order for Taiwan to rebound from these declines.

As such, during the 2008 election, rectification of the economic downturn became a central focus for Ma's electoral campaign. Slogans such as “馬上好” (translation: the economy

⁸⁰ Joseph Wong, “Deepening Democracy in Taiwan,” *Pacific Affairs*, Vol. 76, No. 2 (Summer 2003): 235.

⁸¹ Department of Statistics, Ministry of Economic Affairs, Republic of China, “National GDP Growth by Major Countries (translated title),” http://2k3dmz2.moea.gov.tw/gnweb/Indicator/wHandIndicator_File.ashx?type=pdf&report_code=DA01 (accessed August 16, 2011).

will immediately become better)⁸² or policy promises such as the “633 Economic Plan” (6% GDP growth; raising average income to 30,000 USD; reducing the unemployment rate to less than 3%)⁸³ were deployed by the KMT to capture electoral support. Note that two of these items – the reduction of unemployment rate and the increase of average income – appeal directly to the population’s interests. This means that the designated recipients of economic payoffs are both “Taiwan” and the Taiwanese. Consequently, a layer of high normative expectations held by the population have formed around Ma’s economic policies. Given its high profile, ECFA naturally becomes the most targetable enterprise towards which aspirations and responsibilities of overhauling the status quo are held. Its success (Level I and Level II, economic and expectational) offers a persuasive indication of the benefits associated with cross-Strait economic interactions and provides a compelling reason for the population – or at least for the non-committed rationalists – to gradually abandon the preference for status quo. Conversely, as Robert Sutter notes with respect to cross-Strait developments, when high expectations fall short, disruptive demands for redress are a distinct and dangerous possibility.⁸⁴

Broadly conceived, there are at least five possible outcomes⁸⁵: (1) the economic revenues are achieved, and that the revenues are so abundant that they are sufficient for satisfying the expectations of various Level II constituents, even if intentional cross-Level or cross-constituent communication is absent; (2) the economic revenues are achieved, and expectations are met because of reasonable expectational buildup and/ or effective cross-Level communication; (3) the economic revenues are achieved but the expectations are not met, presumably because of

⁸² This was a play on words deployed by the KMT to capture electoral attention, for 馬 (Ma’s last name) is also the same character used in 馬上好 (immediately becoming better).

⁸³ Now News, “Ma Apologizes for Misunderstandings over his Articulation of the ‘633 Economic Plan’ (translated title),” 5 September 2008, <http://www.nownews.com/2008/09/05/91-2330391.htm> (accessed August 16, 2011).

⁸⁴ Robert Sutter, “Taiwan’s Future: Narrowing Straits,” *The National Bureau of Asian Research (NBR) Analysis*, Vol. 96 (May 2011): 4.

⁸⁵ It must be noted that, depending on various contingencies, there may be further permutations among these five primary categorizations. For brevity, this five-part delineation will be sufficient for the present analysis.

unreasonable expectational buildup and/ or communicative shortcomings; (4) the economic revenues are not achieved, but expectations are met, also presumably because of reasonable expectational buildup and/ or effective cross-Level communication; and (5) the economic revenues are not achieved, and expectations are left unsatisfied. Granted, outcome (1) would be the ideal scenario, since both economic revenues and expectations are achieved at the same time. However, outcome (1) is probably better understood as a theoretical placeholder rather than an actual possibility. This is because revenues generated through ECFA's current configuration cannot be expected to be so abundant, and also because distribution in a liberal socio-economic system will hardly ever satisfy constituents across the board without conscious coordinative or communicative efforts. Therefore, while outcome (1) is logically possible and enticing, it should not be treated as the sole option for dealing with ECFA.

On the other hand, outcomes (2), (3), and (4) offer the most theoretical intrigue because they highlight the importance of two other variables: reasonable expectational buildup and effective cross-Level communication. Outcome (3) points to a situation wherein economic revenues are obtained, but expectations remain unsatisfied. This is a curious situation that might seem counterintuitive at first. However, it can happen in scenarios in which unrealistically high expectations formulate because of inter-party competition or electoral promises, as witnessed during the 2008 Presidential Election. It can also happen in scenarios in which confounding variables such as rapidly rising living costs indirectly adjust the expectations held by the population towards ECFA. In both of these scenarios, even if actual gains derived from ECFA represent improvements in comparison to the past, expectations can remain unsatisfied and transformative momentum can fail to build up. Conversely, outcomes (2) and (4) are premised on reasonable expectational buildup and effective cross-Level communication. While (4) is the most

cost-effective outcome, it may be untenable because of perceived economic regression during the DPP rule and the high expectations that have built up because of Ma or the KMT. Thus, the most realistic outcome appears to be a rough approximation of (2) and (4). And since expectations regarding ECFA are already high, effective cross-Level communication becomes even more important. In what follows, the role effective cross-Level communications play in shaping the approximation of (2) and (4) in the context of ECFA will be elaborated on.

4.5.3 The Disconnect between Expectations and Reality

While preliminary returns from ECFA as reflected in national GDP growth suggest room for optimism, they also invite mixed interpretations regarding sustainability. After the signing of ECFA, annual GDP growth rebounded from -1.9% in 2009 to 10.9% in 2010,⁸⁶ helping to fulfill Ma's electoral promise of 6% GDP growth annually. However, the same data set indicates that GDP growth rate in 2011 is expected to return to moderate levels, as the Ministry of Economic Affairs (MOEA) has projected a 4.9% growth.⁸⁷ While a 4.9% GDP growth is respectable, it is not a drastic improvement (if at all) compared to the past, since annual GDP growth in the latter periods of DPP governance also hovered at around 5.3% (4.7% in 2005; 5.4% in 2006; 6.0% in 2007).⁸⁸ Granted, it may be possible that, after the expiration of ECFA's initial novelty, investors and entrepreneurs have also returned to a "wait-and-see" position in anticipation for subsequent developments. Whether the high GDP growth achieved in 2010 is an anomaly produced by the novelty of ECFA, or whether it will continue to sustain, is a trend that merits further observation.

However, from the population's perspective, national growth has yet to yield the status quo changing improvements that were expected of ECFA in light of Ma's "633 Economic Plan".

⁸⁶ Department of Statistics, Ministry of Economic Affairs, Republic of China, "National GDP Growth by Major Countries (translated title)," http://2k3dmz2.moea.gov.tw/gnweb/Indicator/wHandIndicator_File.ashx?type=pdf&report_code=DA01 (accessed August 16, 2011).

⁸⁷ Ibid.

⁸⁸ Ibid.

First, since reaching a record high of 6.13% in August 2009,⁸⁹ unemployment rate in Taiwan has gradually decreased to 5.21% in 2010 and approximately 4.45%⁹⁰ in the first six months of 2011.⁹¹ While this trend should be recognized as a commendable achievement by the Ma administration, the post-ECFA unemployment rate has yet to reach the coveted 3% as promised by the “633 Plan”. This is an understandable outcome in the aftermath of the global financial crisis in 2008. However, it must be noted that these unemployment rates are still relatively equivalent to the unemployment rate during DPP governance (around 4-5%)⁹² and are certainly not comparable to the pre-DPP unemployment rates (under 3%)⁹³ around which normative expectations of what a “good economy” is have formed. Second, per-person GDP and GNP⁹⁴ in 2011 have both experienced considerable growth. The per-person GDP in 2011 is projected by MOEA to be \$20, 804 USD, representing an 11.9% increase from 2010. On the other hand, the per-person GNP in 2011 is projected by MOEA to be \$21455 USD, which translates into a 12% growth from 2010.⁹⁵ Likewise, while these numbers are commendable, they are still far away from Ma’s promise of \$30, 000 USD in average income. In fact, one might even expect a moderation in the growth rate of per-person GDP and GNP in 2012 to correspond to the moderation of national GDP growth in 2011. Overall, while Taiwan appears to be recovering

⁸⁹ Tien and Tong, *Taiwan in 2010*, 83.

⁹⁰ This number is generated through an average of unemployment rate in the first six months of 2011.

⁹¹ Department of Statistics, Ministry of Economic Affairs, Republic of China, “Labour Force and Employment (translated title),” http://2k3dmz2.moea.gov.tw/GnWeb/Indicator/wHandIndicator_File.ashx?type=pdf&report_code=DF01 (accessed August 16, 2011).

⁹² Ibid.

⁹³ Ibid.

⁹⁴ The Ministry of Economic Affairs (MOEA) deploys per-person GDP and GNP numbers as the official indicators of income level. The average income data has not been made available by MOEA or the Ministry of Finance. There, of course, are potential problems associated with this measure, since high macro-level growth (but with growing socio-economic inequalities) can artificially inflate the actual average income by ordinary citizens. Despite these issues, these indicators will suffice for the present purpose.

⁹⁵ Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Republic of China, “GNP Per Person and Overview of Domestic Economic Conditions (translated title),” www.stat.gov.tw/public/data/dgbas03/bs4/ninews/10008/new10007.pdf (accessed August 16, 2011).

from the 2008 economic downturn, there is still a disconnect between what ECFA is currently capable of and what has been promised to the population.

4.5.4 Managing the Disconnect

There are at least two possible ways to deal with this disconnect: to passively wait for the economic revenues to materialize and fulfill the expectations surrounding ECFA, and/ or to proactively moderate the expectations to match what ECFA is (currently) capable of. These options need not be mutually exclusive and can happen at the same time. The former option is a more passive way of understanding the problem and can depend on a number of unforeseen variables. The latter option, on the other hand, does not necessarily have to imply an absolute elimination of the expectations altogether, since this can have profound electoral costs and is therefore untenable for any political party with aspirations for office. In fact, the strategy that Ma has deployed after his inauguration in May 2008 is to stretch the timeline for achieving the expectation – the “leap of faith” method. Facing growing public scrutiny, in September 2008 Ma claimed that the realization of the “633 Plan” in the “near future” is improbable given the crippling effects of the 2008 global financial crisis. Instead, the new goal is to gradually implement the “633 Plan” by 2016.⁹⁶

Yet, while the deadline has been pushed back, concrete articulations on the sorts of policy directions that might be crafted to implement the said deadline are missing – or at least the population is not receiving these articulations. The problem manifests in the population’s lack of understanding of what ECFA really is. In a poll conducted by The Liberty Times in April 2010, only 20.41% of the surveyed individuals responded that they clearly understand the contents of ECFA, whereas 78.86% of the surveyed individuals responded that they are somewhat or

⁹⁶ Now News, “Ma Apologizes for Misunderstandings over his Articulation of the ‘633 Economic Plan’ (translated title),” 5 September 2008, <http://www.nownews.com/2008/09/05/91-2330391.htm> (accessed August 16, 2011).

completely unclear about the contents of ECFA.⁹⁷ When a significant portion of the population knows so little about an alleged game-changing Agreement, the informational asymmetry and the expectational disconnect not only raise questions of democratic accountability, but also serve to decrease the “win-set” held by the population towards (future) Level I negotiations regarding cross-Strait affairs – including ECFA. Let P denote the original agreement (ECFA), P(N) as future negotiations entailed by P, and Q as subsequent agreements that build on P. The Level II win-set for P is important in providing a reference point around which Level II win-sets regarding P(N) and Q build, for it is reasonable to expect a continuation or spillover effect from P to P(N) or Q. This is especially the case if P(N) and Q are understood as agreements working towards the same end (cross-Strait integration) or natural progressions of P (ECFA being a precursor to a possible FTA). In other words, maintaining a larger Level II win-set for P can be important in cultivating the acceptability and sustainability of P(N) or Q.

As such, the lack of communication between Level I negotiators and the population in P can have profound ramifications in subsequent ECFA-related discussions (P(N)) or agreements that build on ECFA (Q). Admittedly, Ma’s “leap of faith” method has pushed the deadline to 2016, thereby avoiding immediate pressure for redress in 2008. Yet, the actual pressure remains unrelieved by of the lack of articulations on periodical objectives leading up to 2016. As a result, expectational disconnect and vagueness continue to persist, and the population’s attitude towards ECFA continues to be provisional at best, which can hinder the sustainability or acceptability of P(N) or Q. In concrete examples, P(N) or Q can refer to future negotiations under ECFA’s framework or cross-Strait confidence-building projects to come.

⁹⁷ The Liberty Times, “Post-Debate Shows Higher Disapproval than Approval for the Signing of ECFA,” <http://www.libertytimes.com.tw/2010/new/apr/26/today-t1.htm> (accessed April 27, 2011).

In summation: In order for ECFA to facilitate the attitudinal shift through economic incentives, there are two necessary institutional preconditions. The first is the sustainability of ECFA-related economic benefits – especially if they help to fulfill Ma’s “633 Plan”. Granted, the KMT administration’s control over this is limited, since the sustainability of benefits will depend on the way in which future bilateral negotiations turn out and the well-being of the global financial market. But perhaps more importantly, the second is the existence of clear articulations from relevant authorities as to how the economic revenues are to be managed. This is important in indicating to the non-committed rationalists that (1) ECFA is not just an elite-benefiting enterprise, (2) there is concrete merit associated with pursuing greater interactions with China, which is not necessarily obtainable through risk-averse, status-quo preferring stances.⁹⁸

4.6 The Two-Fold Significance of Cross-Level Communication

To better understand the significance of cross-Level interactions, it is necessary to highlight the demographic divisions towards national identity. Chu notes that 34.7% of the E-Generation (ages 20 to 35) identify themselves as Taiwanese only, compared to 37.9% for the Post-War Babyboomers (ages 36 to 55) and 43.8% for the Pre-War generation (ages above 56).⁹⁹ However, the E-generation and the Babyboomers are more likely to identify themselves as both Taiwanese and Chinese, at 57.7% and 51.7% respectively, whereas only 37.1% of the Pre-War generation upholds both identities.¹⁰⁰ This trend is accompanied by a decrease in the percentage of individuals who endorse the Chinese identity only. In 1993, 33.4% of the surveyed respondents considered themselves as Chinese only, 14.8% during the 1996 Presidential election,

⁹⁸ Perhaps a counterargument can be advanced by pointing out that the attitudinal shift would not take place if the Taiwanese population comes to the conclusion that ECFA can continue to generate benefits with or without the attitudinal shift, or with or without further cross-Strait integration. In other words, the endorsement for status quo remains constant, but expectations for economic benefits increase. As an initial response, the aforementioned problem will invariably depend on the way in which Beijing deals with future negotiations – namely, with the strategic goal to insinuate that benefits can potentially stop if further cross-Strait integration does not take place.

⁹⁹ Chu, *Taiwan’s National Identity Politics*, 502.

¹⁰⁰ *Ibid.*

10.49% during the 2000 Presidential election, and 7.9% during the 2002 Legislative Yuan election.¹⁰¹ In terms of attitude towards the unification-independence question, Chu notes that 32.10% of the Pre-War generation has no opinion, compared to 8.2% and 12.60% for the E-Generations and Babyboomers respectively.¹⁰² Two observations are particularly noteworthy: (1) the emergence of the Taiwanese identity, be it as a part of the dual identity or as a stand-alone identity, and (2) support for the Taiwanese identity – especially the “Taiwanese-only” option – appears to be the strongest in the Pre-War generation, yet a significant cohort of this generation refuses to express opinions towards the unification-independence question.

Various arguments have been advanced to explain these demographic divisions. The first kind is that the emerging Taiwanese identity is a consequence of top-down engineering efforts. For example, Chu and Wu-Rwei-ren conceptualize Lee Deng-hui’s decision to de-emphasize the Chinese culture (de-sinification) as a political strategy of consolidating his control over the KMT while marginalizing opponents within the Party after Chiang Ching-kuo’s death.¹⁰³ The second is that the consolidation of the “Taiwanese consciousness” is due to the (DPP’s) electoral strategy of provoking and “[capitalizing] on social schisms”.¹⁰⁴ The third is that the emergence of the Taiwanese identity is a reaction towards Beijing’s attempt to isolate Taiwan internationally and associated military threats.

But perhaps most interestingly for the present examination, Shelley Rigger argues that differences in national identification can be explained by the fact that individuals from different generations are exposed to different socio-political environments and historical events. In her

¹⁰¹ Ibid, 501.

¹⁰² Ibid, 505.

¹⁰³ Chu, *Taiwan’s National Identity Politics*, 499-502; Wu, Rwei-Ren, “Toward a Pragmatic Nationalism: Democratization and Taiwan’s Passive Revolution,” *Memories of the Future: National Identity Issues and the Search for a new Taiwan*. Ed. Stephane Corcuff (East Gate Book, 2002): 196-218.

¹⁰⁴ Wu, *Worse-Case Scenario*, 618-625.

study, Rigger organizes the Taiwanese population into four categories, but the starkest difference exists between what she refers to as the ‘Second-Generation Taiwanese’¹⁰⁵ (SGT) and the ‘Fourth-Generation Taiwanese’¹⁰⁶ (FGT).¹⁰⁷ She contends that for SGTs, “Taiwanese identity is a reaction against the KMT, its oppressive rule, its lies, and its enforced Chinese identity”.¹⁰⁸ Especially because of the tragic events which transpired during the White Terror period wherein the KMT imposed its authoritarian control over Taiwan through forced sinification projects, SGTs consciously reject anything that is KMT-related or Chinese-related – including the prospect of cross-Strait integration. This is different for FGTs, for being “Taiwanese is a matter of fact, one that does not entail the wholesale denunciation of his [or her] Chinese heritage”.¹⁰⁹

Therefore, there is a subtle but fundamental difference in what being “Taiwanese” means to SGTs and FGTs.¹¹⁰ For SGTs, the Taiwanese identity is an emancipatory symbol with which they break away from the oppressiveness of the KMT authoritarian era. As such, SGTs’ endorsement of the Taiwanese identity tends to be premised on a thick, intricate foundation of socio-historical (and possibly emotional) reasons. From the perspective of cross-Strait integration, this foundation can be much harder to penetrate. For FGTs, on the other hand, the endorsement of “Taiwanese identity” tends to be a natural identification with their birthplace. Consequently, FGTs are more likely to endorse a dual identity – Chinese and Taiwanese – because to them, these identities are not necessarily mutually exclusive. For example, one can be

¹⁰⁵ For Rigger, SGT refers to those who were born between 1931 and 1953 and entered their formative years between 1949 and 1971.

¹⁰⁶ For Rigger, SGT refers to those who were born after 1968 and entered their formative years after 1986.

¹⁰⁷ Rigger, *Taiwan’s Rising Rationalism*, 16.

¹⁰⁸ *Ibid*, 9.

¹⁰⁹ *Ibid*.

¹¹⁰ Decidedly, not all SGTs or FGTs would necessarily conform to Rigger’s model in terms of national identification. Some SGTs may very well be unbothered by historical events, whereas some FGTs can also endorse the Taiwanese identity” as a reaction against KMT authoritarianism. In what follows, a general *tendency* is portrayed.

culturally Chinese and politically Taiwanese.¹¹¹ Following this logic, Rigger contends that FGTs are more likely to welcome closer cross-Strait economic ties or the prospect of pursuing career opportunities in China.

Two implications can be drawn from the foregoing. First, these demographic divisions introduce yet another layer of complexities in an application of Putnam's two-level game theory to the case of ECFA. Even though different frameworks offer different causal explanations for the demographic divisions, the consensus is that the Taiwanese identity will persist in the near future, or that a drastic re-sinification project is unlikely in the foreseeable future. The continual existence of these ideational cleavages shows that the population is a divided enterprise. Conceptually speaking, therefore, it follows that any attempt to apply the two-level game theory to the case of ECFA must in some way or form address this complexity.

As such, and second, since the population is a divided enterprise, the overall significance of cross-Level interactions should also be discussed at two different levels: the instrumental and the symbolic. Admittedly, even though the ideal configuration for cross-Level interaction is constituted by healthy interplay between top-down communications and bottom-up discursive attempts to hold the elites accountable, discussions of cross-Level interactions and expectational buildup in the present examination have primarily been top-down in nature. Yet, these top-down discussions are an important first step because, as demonstrated, information asymmetry between Taiwanese elites and the Taiwanese populations is a symptom of ECFA-related discussions. Instrumentally, top-down efforts to communicate with the population become an important venue for information distribution and, through the rectification of this information asymmetry, could initiate a positive discursive cycle. This in turn helps to neutralize the pressure for redress

¹¹¹ For a more elaborate discussion on this cultural-political disconnect, see T. Y. Wang and I-Chou Liu, "Contending Identities in Taiwan: Implications for Cross-Strait Relations," *Asian Survey*, Vol. 44, no. 4 (July/August 2004): 568-590.

if and when expectations surrounding ECFA are unfulfilled. Particularly for those might be identified as non-committed rationalists, instrumental legitimization of ECFA appears to be an effective option for initiating the attitudinal shift towards the prospects of closer cross-Strait (economic) ties.

However, for individuals who reject cross-Strait interactions because of entrenched SGT ideational reasons such as historical scars, the instrumental means of legitimization would be insufficient. Rigger's conceptualization is important in highlighting the fact that there is a cohort of individuals who are plagued by both China-phobia *and* KMT-phobia. ECFA, being a cross-Strait agreement that was ratified by the KMT, unfortunately inherits the baggage of both phobias. As a poll conducted by TVBS in March 2010 shows, only 24% of the respondents above sixty years old supported the signing of ECFA, whereas 33% opposed.¹¹² The low percentage of sixty-above individuals who support the signing of ECFA, as well as the significant percentage of these individuals who abstained from the survey (approximately 43%), helps to illustrate these individuals' distrust towards KMT's management of ECFA and unwillingness to participate in any KMT-managed cross-Strait affairs because of their experiences during the White Terror. For these individuals, problems of information asymmetry or whether the expectations about ECFA will be fulfilled are hardly the only issues they take with ECFA. In this respect, transparency and willingness to communicate are the key means through which the KMT of today could disinherit the baggage left behind by the authoritarian KMT of the past.

Thus, cross-Level discussions about ECFA are also an important symbolic gesture from the KMT to signal that discussions on ECFA or cross-Strait economic affairs are to be managed

¹¹² TVBS, "Public Opinion before the Second-Round of ECFA Negotiations, March 2010," *TVBS Poll Center*, 29 March 2010, http://www.tvbs.com.tw/FILE_DB/DL_DB/yijung/201004/yijung-20100402100425.pdf (accessed August 17th, 2011).

through transparent protocols. These confidence-building measures help to dismiss the recalcitrant suspicion that ECFA or subsequent cross-Strait economic affairs are being “securitized”. While it is unrealistic to expect these initial measures to fully mend the entrenched ideational cleavages and scars of the past, these measures could represent a good start.

5. Possible Counterarguments

Before ending, two possible objections will be addressed. First, detractors might question why elections cannot perform the same functions that this thesis is attributing to cross-Level communications. Essentially, this counterargument poses the following proposition: if the population is unsatisfied with how the Ma administration has dealt with ECFA, the population can simply seek redress during the upcoming 2012 Presidential and Legislative Yuan election. In other words, voting an administration out of office is a means through which the population communicates with the elites. There are two shortcomings associated with this line of thinking. First, the counterargument proceeds with the fundamental assumption that those who vote for the KMT support the KMT’s ECFA-related policies, whereas those who vote for the DPP do not. Yet, this assumption is problematic because during national or legislative elections, political parties tend to broker lowest common denominating interests to appeal to as many individuals from different backgrounds as possible. The strategy is to design the campaign to make as many policy promises as possible, and to do so in a manner that is as general as possible. Consequently, it is difficult to establish a clean-cut causal connection that voting for KMT necessarily implies that the said voter is supportive of how the KMT is dealing with ECFA, or that voting for the DPP necessarily represents dissatisfaction.

Second, from a structural standpoint, an electoral victory is not always indicative of the party’s majoritarian support, for deterioration of opposing coalitions and/ or three way

competitions can also propel a party to victory despite the said party's lack of majoritarian support. Seeking to explain Chen Shui-bian's victory in the 2000 Presidential Election, Larry Diamond notes the effects of inner-KMT power struggles and James Soong's subsequent decision to enter the election as an independent candidate.¹¹³ As the former KMT politician who built up strong popularity during his tenure as Taiwan's Provincial Premier, Soong's maneuver effectively divided the KMT electoral base. The unintended consequence was that Chen was able to win the 2000 Election despite only receiving 39.3% of the total vote, compared to Soong's 36.84% and Lien's (the KMT candidate) 23.1%.¹¹⁴

Granted, despite establishing the People's First Party (PFP), Soong has allied with the KMT to form the "Pan-Blue" coalition. Recently, however, the Pan-Blue coalition is showing signs of deterioration because of the KMT-PFP dispute over the upcoming Legislative Election. Whether the DPP will once again become the beneficiary of this rift remains to be seen. However, past electoral patterns in Taiwan suggests that even if the DPP does emerge victorious in the 2012 Elections, one cannot firmly establish whether this means that the population is dissatisfied with the KMT's ECFA-related policies, or whether the DPP victory is merely a consequence of the Pan-Blue split. Given these complexities, electoral outcomes are ineffective at revealing the population's attitude towards a specific issue such as ECFA, and elections therefore fail to constitute as an effective communicative channel for ECFA-related issues.

Another foreseeable objection is that cross-Level discussions over ECFA might in fact deepen the existing ideational cleavages and thus impede cross-Strait integration. The first component of this counterargument is hardly contestable, since not all discussions yield

¹¹³ Larry Diamond, "Anatomy of an Electoral Earthquake: How the KMT lost and the DPP won the 2000 Presidential Election," *Taiwan's Presidential Politics: Democratization and Cross-Strait Relations in the Twenty-First Century*. Ed. Muthiah Alagappa, (Armonk, N.Y.: M. E. Sharpe, 2001): 48-87.

¹¹⁴ Central Election Commission, Republic of China, "Vote Distribution in the 2000 Presidential Election (translated title)," <http://117.56.211.222/vote3.asp?pass1=A2000A0000000000aaa> (accessed August 17, 2011).

consensuses or agreements. However, the issue with this counterargument is its assumption that domestic divisions are necessarily detrimental to cross-Strait integration. As Putnam points out, if the objective for a Level I negotiator is not just ratification but also payoff maximization, a small Level II win-set (namely, with Level II divisions) can sometimes become bargaining leverage. Citing the words of an experienced British diplomat, Putnam notes that “lamenting the domestic constraints under which [the Level I negotiators] must operate is...the natural thing to say at the beginning of a tough negotiation”.¹¹⁵ Specifically, the uncertainty surrounding Level II support presents an opportunity through which astute Level I negotiators pressure their counterparts into making more concessions through declarations such as “I’d like to accept your proposal, but I could never get it accepted at home [unless more incentives are offered]”.¹¹⁶ Therefore, even though in many instances domestic divisions serve as barriers to Level I negotiations, in other instances these divisions can in fact strengthen the bargaining power of the Level I negotiators – provided that the bargaining strategy is managed accordingly. In turn, the alteration of the Level I game (for example, more concessions) constitutes a new playing field for subsequent cross-Level bargaining, which might result in a realignment of various Level II stakeholders. As such, astute management of Level II divisions (especially with the help of Level I negotiations) can be instrumental in the gradual fluidization of Level II divisions.

6. Conclusion

This thesis has integrated the functionalist model of integration and Putnam’s two-level game theory to demonstrate that ECFA presents a discursive problem to be dealt through appropriate management, thereby departing from but not necessarily refuting the traditional “economic-security” debate that has dominated current discourses on cross-Strait economic

¹¹⁵ Putnam, *Two-Level Game*, 440.

¹¹⁶ *Ibid*, 440.

interactions. This analytical integration is motivated by the fact that, despite a steady improvement of cross-Strait low political interactions, empirical evidence suggests that the functionalist spillover has yet to occur. Applying Putnam's two-level game theory to the case of ECFA is therefore an attempt to show the missing element in the functionalist model within the context of cross-Strait affairs. As shown, ECFA's ideational transformative power is premised on (1) effective cross-Level communication between Taiwanese elites and the Taiwanese population, and (2) reasonable expectational buildup about what ECFA is realistically capable of accomplishing for the population. Especially for a divided population which views ECFA and cross-Strait economic affairs through different lenses, the significance of cross-Level communications is twofold. First, by rectifying the information asymmetry between Taiwanese elites and the Taiwanese population, cross-Level communications are instrumentally important in reducing the possibility for disruptive attempts to seek redress if and when ECFA-related expectations are unfulfilled. Second, cross-Level communications are also symbolically important because they represent an opportunity through which the Taiwanese (KMT) elites can dismiss the recalcitrant suspicions that decisions regarding ECFA or cross-Strait economic relations are quietly being "securitized".

The recent EU troubles suggest that Level II confidence-building, as well as healthy interplay between Level I confidence-building and Level II confidence-building, are important elements to sustainable Level I integration. This is a subject which merits serious considerations in light of growing optimism regarding cross-Strait integration – especially as more empirical evidence and academic assessments become available. As well, whether the anticipated signing of the Taiwan-Singapore FTA can serve as a side-payment¹¹⁷ to augment ECFA's ideational

¹¹⁷ In his article, Putnam discusses the effect of side-payments in contributing towards Level II support and the likelihood for Level I agreements to be ratified – refer to Putnam, *Two-Level Game*, 449-450. In the context of

transformative power requires further observation. While the prospect of extensive Level II discursions decidedly invites skepticisms of whether the discursive process would further entrench the ideational cleavages towards cross-Strait affairs, this thesis has shown that Level II divisions are not necessarily detrimental to Level I integration – at least not always. In the hands of the wise and astute, game-breaking crises can also become game-changing opportunities.

ECFA, security-conscious individuals have been quite suspicious of why the KMT only signs ECFA, but not FTAs with other countries. Therefore, the Taiwan-Singapore FTA might be seen as a side-payment which helps to dismiss the aforementioned suspicion and inspire security-conscious individuals or individuals who are endorsing the provisional “wait-and-see” attitude towards the Agreement to support ECFA.

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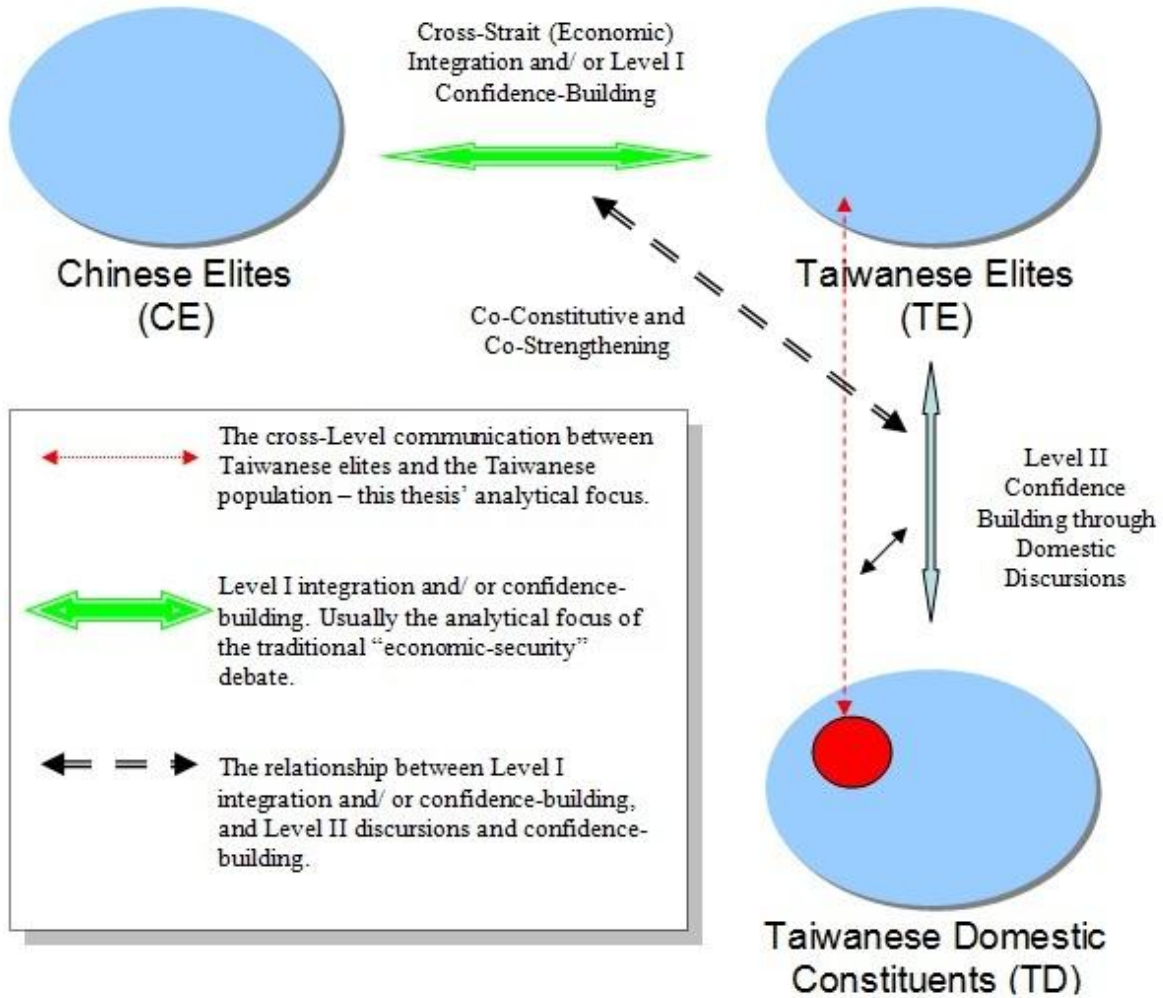
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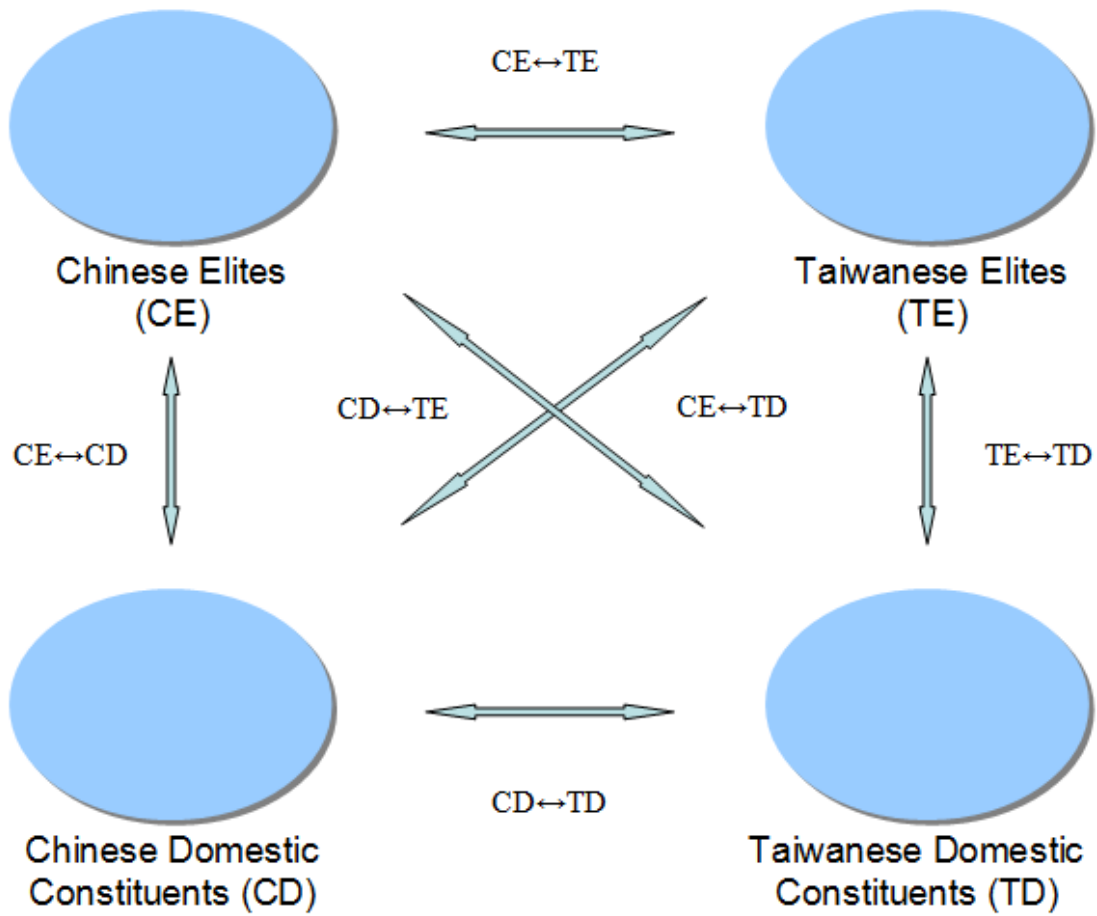
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Appendix 1: A Visual Illustration of this Thesis' Research Focus

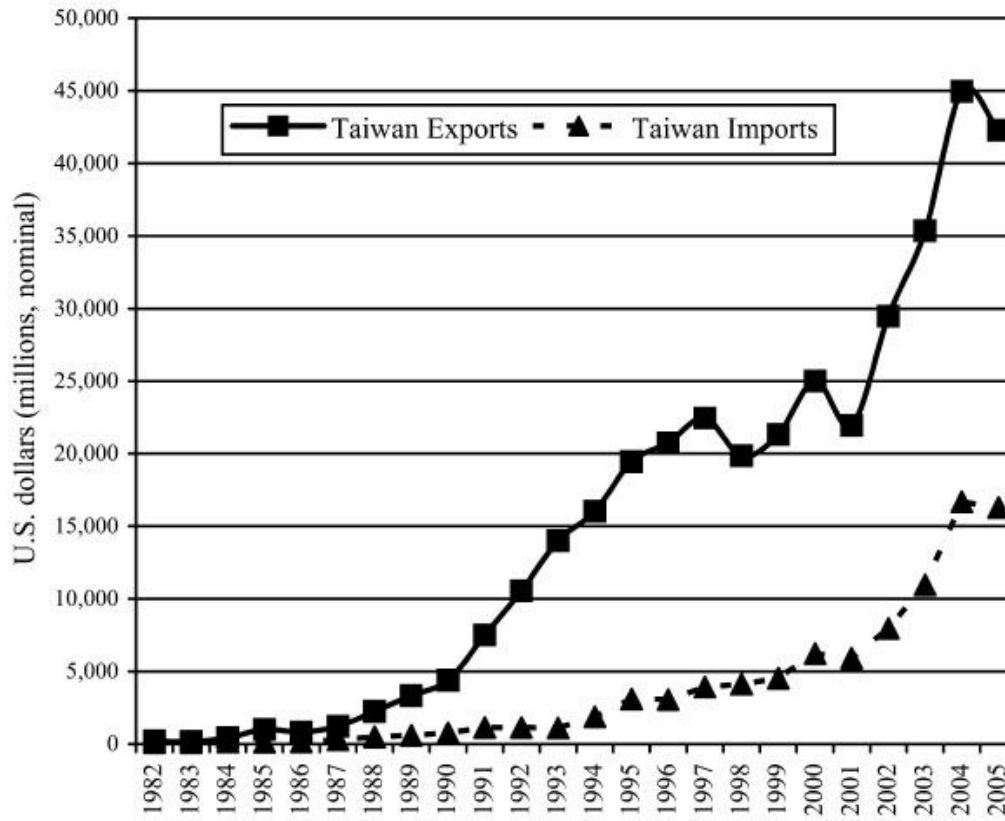


For reasons of brevity, other Level II constituents (for example, legislators or interest groups) have been omitted from this diagram. As well, note that the relationship between (1) the cross-Level communication between Taiwanese elites and the Taiwanese population, and (2) the set of all possible Level II confidence-building measures is also co-constitutive. This is because (1) is a subset of (2), though (1) and (2) can interact with each other.

Appendix 2: Possible Permutations in the Cross-Strait Two-Level Game

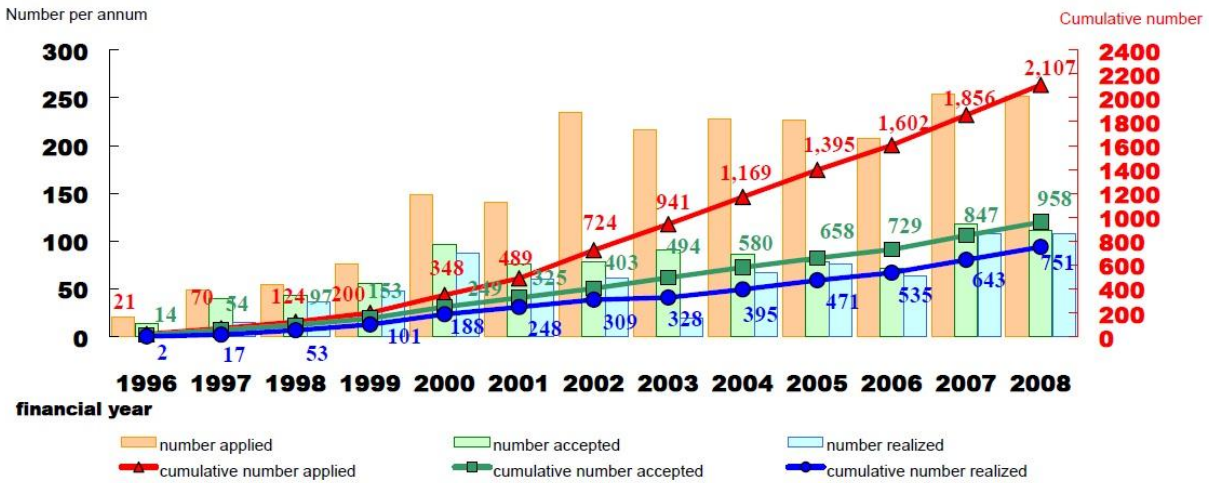


Appendix 3: China-Taiwan Bilateral Trade, 1982-2005



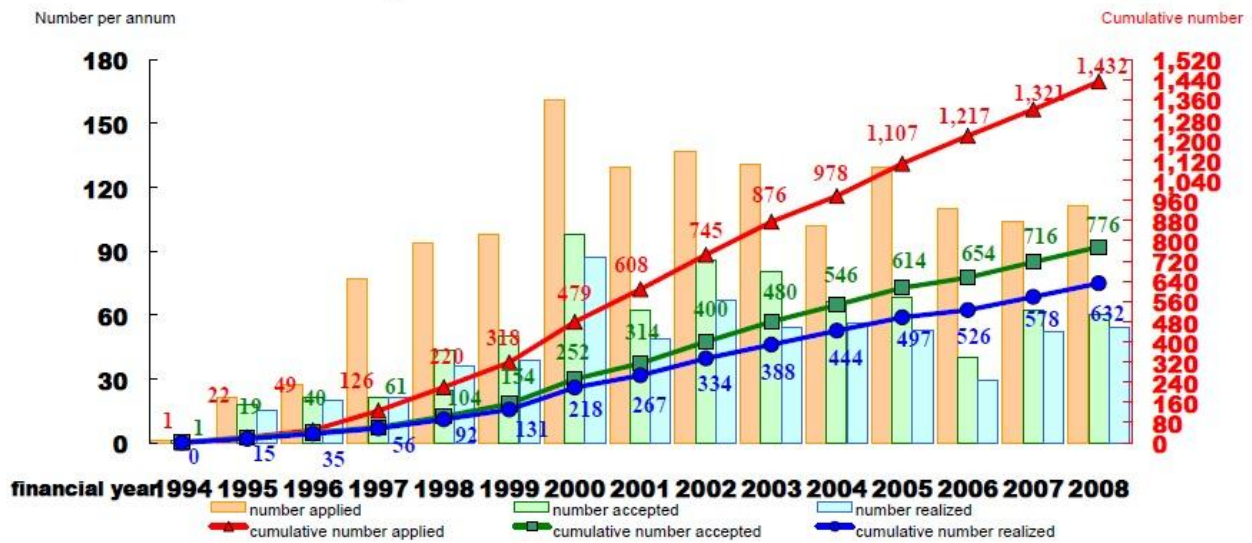
Source: Douglas B. Fuller, "The Cross-Strait Economic Relationship's Impact on Development in Taiwan and China: Adversaries and Partners," *Asian Survey*, 48, No. 2 (2008): 241

Appendix 4: Cross-Strait Graduate Student Exchanges, 1996-2008



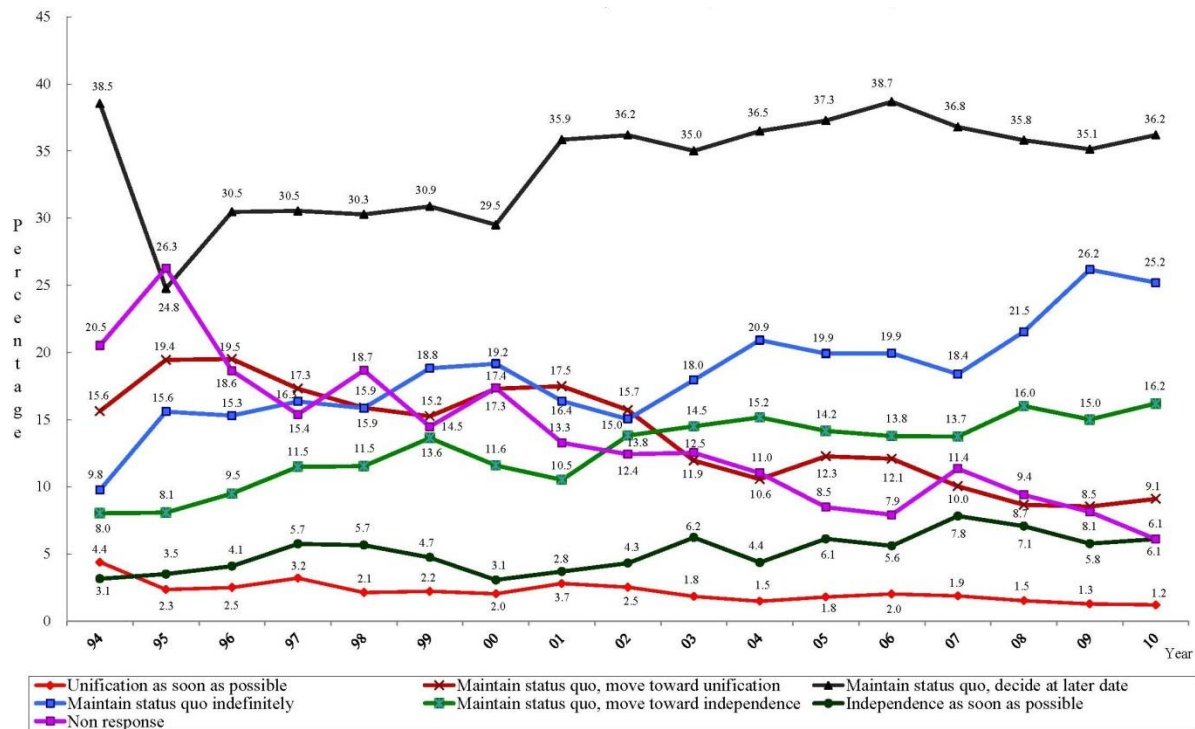
Source: Department of Cultural and Educational Affairs, Mainland Affairs Council, Republic of China. Diagram accessed at: http://www.mac.gov.tw/lp.asp?CtNode=5932&CtUnit=4151&BaseDSD=7&mp=3&xq_xCat=2009

Appendix 5: Cross-Strait Scholar Exchanges, 1996-2008 (Lectures and Researches)



Source: Department of Cultural and Educational Affairs, Mainland Affairs Council, Republic of China. Diagram accessed at: http://www.mac.gov.tw/lp.asp?CtNode=5932&CtUnit=4151&BaseDSD=7&mp=3&xq_xCat=2009

Appendix 6: Changes in the Unification-Independence Stances of Taiwanese as Tracked in Surveys by the Election Study Center, NCCU (1994~2010)



Source: Election Study Center, N.C.C.U., Important Political Attitude Trend Distribution. Diagram accessed at: <http://esc.nccu.edu.tw/english/modules/tinyd2/content/tonduID.htm>