
Interpreting the ECFA: A New Common Market for Taiwan and Mainland China?

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The ECFA was signed by Taiwan and Mainland China on June 29, 2010. It is Taiwan's new overall national economic policy calling for rapprochement with Mainland China. A primary purpose of this Agreement is to establish a quasi national cross-strait common market within the framework of the WTO as well as to design the legal framework of bilateral economic cooperation. It is a course for the Chinese common market as the final economic integration. By its nature the current ECFA lies somewhat between a free trade agreement and a bilateral trade agreement within the framework of the WTO in the sector of trade in goods. Two parties have agreed on a new model of preferential treatment for goods exported from Taiwan to Mainland China. An agreed Early Harvest for Trade in Goods list is favourable for Taiwan, while an Early Harvest for Trade in Services list is balanced one for both parties. Other principles formulated by the ECFA are related to intellectual property rights and mutual investment. The success and failure of the ECFA will depend largely on the future cross-strait political atmosphere.

Keywords

ECFA, WTO, Early Harvest for Trade, Mutual Investment, Chinese Common Market

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1. Introduction

Scholars from Taiwan, Hong Kong and Mainland China have seen the need for a Chinese economic community or Chinese common market more than twenty years.¹ While justifying intellectually and applauding the merits of the idea, however, government officials in Taiwan and Mainland China were grappling with political turbulence in Taiwan between 2000 and 2008, associated with the pro-independent Democratic Progressive Party (“DPP”)’s years in power. That anomaly ended when Dr. Ma Ying-jeou was elected President of the Republic of China (“ROC”), Taiwan, on March 25, 2008, returning Taiwan to the *Kuomintang* (“KMT”) fold and opening a new era between the government of the ROC of Taiwan and the government of the People’s Republic of China (“PRC”).

However, the timing of his taking oath as President of the ROC was not favorable for Dr. Ma. He was immediately challenged by a global financial crisis, mainly originating in the United States. Moreover, he had to solve a series of problems remaining from the former DPP government, including a continually worsening macro and micro island economy combined with a huge foreign debt, a relatively high rate of unemployment for the young generation and middle aged workers, inflation, stagnant investment and industrial output, and frozen salaries. To overcome such political, economic, and social obstacles the Ma Ying-jeou administration formulated a fresh overall national economic policy calling for cooperation with Mainland China in order to establish a quasi cross-strait common market within the framework of the World Trade Organization (“WTO”) system. The new administration also designed a legal framework for bilateral economic cooperation for a “Chinese common market.”

That blueprint has not proved easy to follow, mainly because of resistance from the opposing party and pro-independence elements in Taiwan, which do not accept political and economic change bringing the island closer to Mainland China. Even though some may recognize that cross-strait economic cooperation would benefit the long term development of Taiwan’s economy, it might further endanger their political stances in future general elections of Taiwan. Even after all these hardship, the new administration had no alternative but to implement the open-door policy toward Mainland China.

The Ma Young-jeou administration has explained reasons for economic cooperation with the Mainland China as follows. First, normalization of economic relations between

¹ See *Scholar Calls for a Mainland-HK-Taiwan Common Market*, available at <http://china.org.cn/English/2001/Feb/7845.htm> (last visited on Mar. 16, 2011).