

Taiwan-China ECFA now faces performance test

Written by Taiwan News Editorial
Friday, 20 August 2010 09:43

The rubber-stamp passage by the Legislative Yuan of the "Cross-Strait Economic Cooperation Framework Agreement" with the authoritarian People's Republic of China will not end the controversy over the pact.

President Ma Ying-jeou and senior officials of his rightist Chinese Nationalist Party (Kuomintang) government have succeeded in making the disputed pact an accomplished fact despite sharp criticism and street and legislative protests by the opposition Democratic Progressive Party and a wide range of labor, environmental, consumer and civic groups over its potential negative impacts on agriculture, traditional or domestic-market oriented industries, domestic employment and wages, democratic transparency and accountability and Taiwan's economic and political autonomy.

Given the KMT's overwhelming majority in the 113-seat Legislative Yuan, the ruling party had no difficulty in evading substantive public debate or legislative oversight over the pact, which was signed in Chongqing, China June 29 by Taipei's Strait Exchange Foundation Chairman Chiang Ping-kun and Beijing's Association for Relations Across the Taiwan Strait Chairman Chen Yunlin and rubber-stamped by the KMT-controlled legislature Tuesday.

The Ma government has consistently touted the anticipated boost from the ECFA in Taiwan's exports to the PRC and real GDP growth rates, attracting foreign and PRC investment and reducing the threat of Taiwan's "marginalization" from East Asian economic integration based on Beijing's "goodwill" refraining from impeding Taiwan from signing free trade agreements with other countries.

Indeed, the KMT now aims to turn the tables on the DPP by presenting ECFA as a major achievement during the campaign for the Nov. 27 municipality mayoral elections, while Ma himself declared in a KMT party congress earlier this month, that critics of the pact "treat the people as the enemy."

Nevertheless, whether the ECFA will be a political asset or liability for Ma and the KMT in the November polls and the next presidential and legislative elections in 2012 will rest less on gross domestic product growth figures than on the more fundamental question of whether the majority of Taiwan's 23 million people perceive their everyday living standards and quality as having improved or worsened in the wake of the pact's implementation next year.

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Ma's credibility in economic policy is already shaky since his "633" core campaign promise of over six percent annual economic growth has obviously floundered. Even if optimistic official forecasts for 8.24 percent expansion in real GDP this year and 4.64 percent growth next year are realized, the Taiwan economy will have grown by only 2.85 percent annually during his first term.

This figure is both less than half of Ma's promise and far short of the 4.40 percent pace achieved during the preceding Democratic Progressive Party administration which Ma charged with "wasting eight years."

Moreover, Ma's first two years in office saw an unprecedented jump in unemployment and drops in real wages that have contributed to the expansion of the income inequality gap between the top one-fifth income earning households and the bottom 20 percent expanded from 7.52 times in 2007 to a record 8.22 times last year or from 5.98 times to 6.34 times if government transfer and welfare payments are considered.

Indeed, the implementation of ECFA will show whether advocates of market liberalization were correct in their view that deeper economic integration with the PRC will enhance Taiwan's global competitiveness and open a new "golden decade" or confirm the fears of Taiwan-centric economists that closer links with the authoritarian PRC actually undermines Taiwan's economic dynamism and worsens living conditions, including wages, employment, income and wealth equity and environmental standards and human and political rights.

Make or break time

It is important to note that the ECFA controversy was never a zero-sum issue of either signing an ECFA or other comprehensive economic agreement with the PRC or never signing any trade or investment pact with China.

Instead, at issue has been the content of overall government economic strategy, the conduct of the negotiations and the lack of dialogue with society, the grave shortcomings in the negotiation process and the final text of the actual ECFA and the stubborn refusal by the KMT to submit

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this deeply flawed pact for ratification by the Taiwan people through national citizen referendum.

Indeed, critics warn that the cross-strait ECFA may well boost nominal total export value and spur GDP growth, but is likely to channel Taiwan's economic activities in the wrong direction of expanding export-oriented, capital, energy and pollution intensive industries and exacerbate social and spatial income and wealth inequality, impede Taiwan's already long delayed transition to a low carbon, energy efficient and high-value added industrial base and worsen pollution and living quality.

The Ma government is gambling that mountains of official propaganda and the promised cornucopia of ECFA benefits will divert the attention of the majority of voters from its economic risks, social and environmental costs and political price tag.

However, if ECFA fails to pass the people-oriented performance tests of boosting employment and wages and equity, Ma will have no cause to complain when Taiwan voters present their own "account due" notices in 2012.

Source: [Taiwan News Online - Editorial 2010/08/20](#)