

US analysts urge Washington to pay attention to ECFA

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While the Economic Cooperation Framework Agreement (ECFA) will have modest global economic effects, the geo-economic implications are significant enough to demand strategic attention from the US, two US international economists said in a recent study.

Daniel Rosen and Zhi Wang of the Washington-based Peterson Institute for International Economics wrote that the ECFA underscores the importance of securing US economic engagement of the first order in Asia.

“The economic cooperation framework agreement with China will fundamentally change the game between Taiwan and China and hence affect the regional economy and even the transpacific tempo for the US,” they said in the report, *Deepening China-Taiwan Relations Through the Economic Cooperation Framework Agreement*.

US engagement in Asian economic integration is important, they wrote, and Taipei and Washington could add to the balance in geoeconomic momentum centered on China by reinvigorating their trade and investment framework agreement (TIFA) talks, and by considering other opportunities for transpacific bridge-building that includes the US.

Taiwan’s experience in negotiating serious trade liberalization is more limited than most other Asian economies, and Beijing’s political motives may lead it to restrain its trade negotiators from pushing for maximum benefits in ECFA talks, they said.

If Taiwan wants to capitalize on the ECFA to build more economic links, it will need to quickly develop its negotiating skills and then ratify and implement its external commitments at home, Rosen and Zhi wrote.

The political challenges that Taiwan’s leaders face at home should be good news, they wrote, because it is a common aspect of more advanced democracies and such political challenges are something Beijing’s officials are not constrained by.

By implementing an ECFA along the lines of the China-ASEAN agreement, Taiwan would increase its 2020 GDP by about 4.5 percent, or US\$21 billion, they wrote.

However, they also concluded that other agreements in the region will be negotiated that will impose costs on Taiwan.

“So the net effect of ECFA for Taiwan would be some 5.3 percent improvement in GDP by 2020,” they wrote. “We also argue that this is a conservative projection.”

The net results of the ECFA are positive for China, but not so much for Taiwan in value terms and as a share of GDP, they wrote. For other economies in the region, they said, the impact of ECFA will be modest, while in some cases positive.

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