

Report for the Taiwan Fellowship 2018 on the Project Taiwan in the Politics of U.S.-China Economic Integration

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Research Question

This research project is part of my larger project on the political economy of changing US-China relations from the 1990s to the present. After the Clinton administration delinked human rights consideration on US-China trade in 1994 and the trade between the two countries started to skyrocket, U.S.-China relation was not exactly on a smooth ride. One source of contingencies to the relation is the political and economic development of Taiwan, as well as the political maneuvering of Taiwan officials and Taiwan-linked lobby groups in influencing the political process in Washington. Since the KMT government's move to Taipei in 1949, the KMT government had maintained active and sophisticated connections with US Congress and other political institutions. Taiwan's influence in the US political process was partly attributable to Taiwan's centrality as a manufacturing subcontractor for US brands and retailers covering a wide range of products from labor-intensive to high tech ones. It is noteworthy that Taiwan imported more goods from the US than China until 1997, even when US export to China via Hong Kong was taken into consideration.

Concurrent with the Clinton administration's strategy to push for globalization by embracing China on all fronts was the administration's attempt to restrain U.S.-Taiwan relation, as epitomized by the Taiwan Policy Review 1994 that further limited Taiwan's international participation. Taiwan did manage to balance this unfavorable disposition of the White House with its influence in a more friendly Congress. For example, whereas Clinton was reluctant to grant Taiwan President Lee Teng-hui a visa for his visit to his alma mater Cornell University in 1995, Congress voted overwhelmingly (396 to 0 in the House and 97 to 1 in the Senate) in favor of granting the visa, making the visit possible. Lee's US visit invoked Beijing's fury, which responded with a missile test across the Taiwan Strait in the run-up to Taiwan's first democratic presidential election in 1996. This necessitated the U. S. to send an Aircraft Carrier Strike Group to sail through the Taiwan Strait to affirm its commitment to defending Taiwan.

At the same time, China's opening for U.S.-China free trade after 1994 created a pull for Taiwanese manufacturers to relocate to China to take advantage of its low-cost labor. Since the mid-1990s, one key policy debate in Taiwan is how much the government should allow Taiwanese enterprises to move across the Strait. While some contended such a move should be restricted to prevent Taiwan from becoming economically dependent on China, others argued that Taiwan should pursue closer economic ties with China to guarantee Taiwan's economic well-being and Cross-Strait peace.

With Taiwan developing into a full-fledged democracy whose orientation cannot be fully controlled by either Beijing or Washington, Taiwan became a significant and independent actor helping shape U.S.-China relations, adding uncertainty to the realization of Clinton's

globalist strategy through enthusiastic economic integration with China. Either Taiwan could facilitate U.S.-China integration through its closer economic integration with China, or Taiwan could expand and employ its influence in Washington to defend its autonomy vis-à-vis China, putting a brake on U.S.-China rapprochement.

Despite the significance and agency of Taiwan, most discussion about U.S.-China political economic integration in the 1990s onward tends to regard Taiwan as little more than a sideshow or a distraction from the main theater of Beijing-Washington interaction, with a few recent exceptions. My research is to fill this gap by taking a Taiwan-centered approach to revisit the debate, policy, and action concerning Taiwan-China and Taiwan-U.S. relations, focusing on the impact of democratization and the increasing quest for autonomy in Taiwan on Taiwan-US and Taiwan-China relation. Particular attention will be given to Taiwan's input in Washington's political process that shaped US policy toward Taiwan and China from the 1990s through the 2000s and vice-versa.

Research and other Academic Activities in Taiwan

A large part of my research has been conducted in June through August of 2018, when I was affiliated with the Institute of Sociology at the Academia Sinica as a visiting scholar. I spent most of my time in the archival and library materials housed in the Academia Sinica library system. I also research the materials housed in the American Chamber of Commerce in Taipei. These materials include Taiwan newspaper clippings on Taiwan-US relation from 1991 to the present, Taiwan economic statistics involving Taiwan's interaction with the US and China, reports on Taiwan published by the American Chamber of Commerce in Taipei and its member survey results, as well as books and journal articles related to my topic of research.

Besides my research activities, I also had multiple opportunities to present my preliminary findings and analyses of related research in various scholarly settings. These presentations include two talks at the Institute of Sociology at the Academia Sinica, one talk at the Center for Contemporary China at the National Tsing Hua University, one think tank talk at the New Society for Taiwan, one talk at the New Frontier Foundation, one talk at the Mainland Affairs Council of the Taiwan government, and one talk at the National Security Council of the Taiwan government.

Materials Gathered

Here is a selected list of materials that I have gathered during my research.

- (1) Publications by the American Chamber of Commerce in Taipei. I browsed through all the organization's monthly magazines and copied all relevant articles and statistics involving Taiwan-US-China relations from the 1990s to the present. I particularly copied all annual Taiwan White Paper published by the organization based on member survey and their policy advocacy from 1996 to 2018. It is a valuable source as it contains first-hand assessments by the US business community's of Taiwan business environment and the

geopolitical risks that could affect such an environment. Cross-Strait relation has often been at the center of their assessment, analysis, and advocacy included in the report.

As no major libraries, including the Academia Sinica libraries, contain a full set of Taiwan White Paper and the American Chamber of Commerce in Taipei magazine, I established contact with the American Chamber of Commerce and visited their office to research on the complete collection housed there. I have scanned all relevant materials into pdf format for further analysis.

- (2) I made use of the Taiwan newspaper electronic database accessible through the Academia Sinica library system to compile a news database on any debate, policy change, and discussion about Taiwan-US relation and how the US factor is involved in Taiwan-China relation from 1996 to the present.
- (3) I searched through the academic publication database on all works (mostly journal articles) published on Taiwan-US relations in light of Taiwan-China relations and vice versa. I have downloaded a comprehensive set of academic publications published in Taiwan on that topic from 1996 to the present. These publications are mostly not available outside Taiwan. This part of the research is particularly important, as it allows me to get familiarized with the relevant scholarly literature on the topic by Taiwan scholars.
- (4) I made use of the AREMOS Taiwan Economic Statistical Databank System accessible through the Academia Sinica library to download all government statistics on Taiwan's economic linkage with China and Hong Kong through export and import from the 1990s to the present. This data collection will allow me to conduct a detailed mapping of the changing economic relationships across the Taiwan Strait.

Preliminary Analysis and Publication Plan

Upon preliminary reading of the materials I gathered, I attained a few interesting observations. One is that while Taiwan's democratization and Beijing's political pressure on Taiwan since the 1990s generated a lot of concern that Taiwan should not grow too economically dependent on China, Taiwan government's actual policy toward China was not as much shaped by the predisposition of the incumbent party as the alignment and misalignment between Taiwan's and Washington's disposition toward China.

In the 1990s, when US-China economic integration progressed in full force, the Lee Teng-hui government's policy of restraining Taiwan investment in mainland China met with Washington encouragement of closer Taiwan-China economic ties as a force to ensure peace across the Taiwan Strait. While the Taiwan government under Lee did withstand the pressure of cross-strait economic integration, the pressure of Washington and the US business community (via the American Chamber of Commerce in Taipei), and Taiwanese business's interest in moving West to invest in China became too large to resist toward the late 1990s. By 2000 when

the Democratic Progressive Party won the election and started to govern, the US business community resorted to the threat of disinvestment to pressure Taipei to open up Taiwanese investment in China. This pressure, coupled with Taiwanese businesses' eagerness to benefit from the China boom following China's accession to the WTO, managed to induce the Chen Shui-bian government to adopt a policy that started to open direct transportation with China and reduce restriction on investment to China.

This trend of loosening restrictions and regulations on Taiwan investment and trade link with China continued and accelerated in the Ma Ying-jeou administration that came into office in 2008. It culminated in the quasi-free trade agreement between Taiwan and China, i.e., The Economic Cooperation Framework Agreement (ECFA). The continuous pressure of Washington, US businesses, and Taiwanese businesses on closer Taiwan-China economic linkage and the corresponding policies that facilitate such linkage led to a continuous rise in trade and investment flow between the two economies from the 1990s to the 2000s.

However, about 2010, the US business community started to voice concern about Taiwan becoming too close with China at the expense of Taiwan-US business ties. For example, after 2010, the American Chamber of Commerce in Taipei started to voice concern that hasty trade and investment liberalization across the Taiwan Strait would jeopardize Taiwan's economy's viability and pose a threat to Taiwan's security. It also advocated that Taiwan balance its trade and investment ties with China with a Free Trade Agreement with the US. This represents a quite drastic change in disposition on the part of the US business community. After 2010, growth in Taiwan trade and investment flow with China also tapered off. At the same time, Taiwan's trade and investment link with the US rebounded after years of decline.

What my research find is an important turning point of Taiwan-US-China triangular relations at round 2010. Juxtaposing this finding with the findings of my larger project on the political economy of US-China relations, I argue that the changing disposition of Washington and US business communities around 2010 was a result of an intensifying business and geopolitical rivalry between the US and China. These larger global economic and geopolitical shifts, combined with the local resistance to the creeping "China factor" in the Taiwan economy, society, and polity, led to the Sunflower Movement, the change in government in 2012, and the change in Taiwanese government policy toward Cross-Strait economic integration.

I have presented this finding in a panel on Taiwan-US relation in the Heritage Foundation in DC in July 2019. I also plan to incorporate these findings in several publications on shifting US-China relation from the 1990s to the 2000s I am preparing right now. My research in Taiwan during the summer of 2018, supported by the Taiwan Fellowship, is a fruitful one. It allowed me to find the essential materials for filling in a key missing piece in the puzzle of changing US-China relations from the 1990s to the present.