Imagined Economies and the Re-Framing of Trade Policy: The Role of Taiwan’s Political Elites in Discourses of Cross-Strait Trade Policy

By Yuan-Ming Chiao
“The bridge is not supported by one stone or another, but by the line of the arch that they form. Without stones there is no arch.”

Italo Calvino, *Invisible Cities*
Table of Contents

Acknowledgments ............................................................................................................. 5
Preface .................................................................................................................................. 6
List of Tables and Figures ................................................................................................... 9
Abbreviations .....................................................................................................................11
Chapter One: Cross-Strait Relations at a Crossroad ..........................................................12
  1.1 Prologue: Toward a Pacified Straits? ........................................................................12
  1.2 Historic Background of Cross-Strait Relations ....................................................... 14
  1.3 ECFA and the Current Shift in Cross-Strait Relations ............................................. 20
  1.4 Problematic .............................................................................................................. 21
Chapter Two: Literature Review .......................................................................................24
  2.1 Realist Approaches .................................................................................................. 24
  2.2 Regime Theory ....................................................................................................... 26
  2.3 Analyzing Cross-Strait Relations from Dominant IR Perspectives ......................... 27
  2.4 Limits of Problem Solving Approaches ................................................................ 31
  2.5 Transnational and Pluralist Accounts ..................................................................... 32
  2.6 The Role of Political Parties ................................................................................... 36
  2.7 Developmental States and Encounters with Neo-liberalism .................................... 37
  2.8 Ideologies and Identity ............................................................................................ 39
Chapter Three: Theoretical Framework ..........................................................................44
  3.1 Developing an Alternative Approach ....................................................................... 45
  3.2 On Power and the Analysis of Cross-Strait Relations ............................................. 47
  3.3 Critical Approaches towards Hegemony: Capability versus Process ...................... 49
  3.4 Fundamental Concepts of Gramsci’s Hegemony Theory ......................................... 51
  3.5 Internationalizing Hegemony .................................................................................. 54
  3.6 Matrix 1: The Struggle over National Hegemony .................................................... 56
  3.7 Matrix 2: Global Historical Structures .................................................................... 58
  3.8 Discourse and Hegemony ....................................................................................... 60
  3.9 Operationalizing Hegemony — Discourses and Imaginaries ................................... 66
Chapter Four: Methodology ...............................................................................................69
  4.1 Critical Discourse Analysis and the Cultural Political Economy .............................. 71
  4.2 Discursive Selectivity and the Role of Discourse Analysis ...................................... 73
  4.3 Methodological Roadmap ....................................................................................... 76
  4.4 Document Analysis ................................................................................................. 79
  4.5 Helicopter Interviews with Experts ......................................................................... 81
  4.6 Collective Action Frames ........................................................................................ 81
Chapter Five: The Road to a Trade Policy with China ................................................. 86

5.1 Disruption of Hegemony: the Role of Critical Junctures........................................ 86
5.2 The Realignment of U.S. Foreign Trade Policy....................................................... 88
5.3 China’s Market Reforms and New Zonal Strategy ................................................. 90
5.4 Internal Transformation of the KMT-state................................................................ 94

Chapter Six: Imagined Communities: Reconfiguration of Antagonism ...................... 101

6.1 Competing Imaginaries............................................................................................ 101
6.2 Political Transition: The Developmental State Reimagined? ................................. 104
6.3 The Road to the ECFA ............................................................................................. 108
6.4 Framing the ECFA.................................................................................................... 109
6.5 The ECFA as Discursive-Selective Moment ......................................................... 117

Chapter Seven: Bridging the Gap of Imagined Economies ........................................ 123

7.1 Competitiveness and the Imagined Economy: Altering the Zero Sum Game .......... 123
7.2 Positioning the Imaginary: Reconceptualizing Space ............................................. 134
7.3 Perception of Industrial Development Strategy .................................................... 149
7.4 Cultural Industries ................................................................................................... 150
7.5 Popularization of Imaginaries: The Limits of Communicative Strategy ................. 152

Chapter Eight: Bringing the Message Home ................................................................ 161

8.1 Assumptions and the Representation of Social Events .......................................... 162
8.2 Discourses: Trade for Public Consumption ............................................................. 166
8.3 Representation of Social Actors: .............................................................................. 169
8.4 Dealing with Difference: .......................................................................................... 172
8.5 Representation of Space-times: Redefining Sovereignty ......................................... 173
8.6 Beyond Protecting the Home ................................................................................... 174
8.7 Staking Forth "New" Frontiers ................................................................................ 176

Chapter Nine: Conclusion .............................................................................................. 187

Bibliography .................................................................................................................. 195

Appendix 1: German Summary ...................................................................................... 212


Appendix 3: Dong-yin Island (Taiwan) .......................................................................... 220
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My aim was to explore preconceived notions of economic development in Taiwan and how they were subsequently employed as frameworks in reimagining commerce with its much larger neighbor China. While I am solely responsible for the contents of this publication and its limitations, my research would not have reached its fruition without the kindness and support I have received over the years in Germany and beyond.

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Yuan-Ming Chiao
Taipei
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Preface

This work aims to analyze the interaction among political, corporate and intellectual elites in the formulation of trade policy between divided, antagonizing nation states. Drawing specifically upon the political divisions between China (The People's Republic of China, PRC) and Taiwan (The Republic of China, ROC) as a primary case study, it will analyze and evaluate the ways in which transnational actors are able to leverage their influence on trade issues between once hostile states in the absence of formal diplomatic relations. It then traces how these processes are formulated at the national level in order to garner support from society at large.

The paradox of state policy in the cross-Strait\(^1\) political economy over the past three decades is that despite increased economic activity between both sides, national identity has not diminished, but rather remains an important barometer in framing the prospects and limits of policymaking. Previous explanations about divided states have focused on the reasoning behind the division and the normative issue of reuniting the estranged halves. This included examining the spillover effects of economic ties that when institutionalized, resulted in the decrease of political tension, the building of trust and the movement toward emblematic solutions. The problem with such approaches relate not only to the issue of causation, but that terms such as economic and political are taken as given. Research in this vein utilizes culture and ideology as mere descriptive factors without taking their constitutive role with social actors and structure into account.

My research addresses these limitations by considering the crucial role of state and corporate elites in the trade policy arena and how hegemonic discourses play a crucial role in the navigation of interrelated concepts of national identity and economic activity. At first glance it would seem that neoliberalism, defined broadly as economic paradigms dictated by market efficiency as the highest principle, has afforded bridge building between two (albeit varying) developmental capitalisms across the Taiwan Strait. Elites on both sides have something to gain: in Taiwan, the project of institutionalizing the division of labor to its favor acts to prevent marginalization from rapid regional integration and to maintain its position in the

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\(^1\) Cross-Strait relations represents a term generally used throughout this work to describe the interactions between both sides of the Taiwan Strait, mainland China and Taiwan.
global value chain, while adapting to China's increasingly voracious domestic market. In China, the strong gravitational pull of its expanding economic power is strengthened to create institutional linkages not only to give it larger influence on Taiwan's economy, but also to prevent it moving toward de jure political independence. Neo-liberalism would therefore seem to fit the bill for depoliticizing previous Cold War antagonisms and ameliorate popular discourses relating to nationalism and national identity. It does so seemingly by providing actors the customizable ideational concepts needed to push for creating the business environment conducive to growing the cross-Strait economic institutions.

The story is made complex in that neoliberalism and its principles are means to different ends, and those means are context and agent specific with respect to history and space. In accounting for this paradox and how actors have dealt with it through problem definition and trade policy adjustment, I utilize economic imaginaries, a concept that has both constructivist roots (Benedict Anderson’s Imagined Communities) and from the Cultural Political Economy (CPE) devised by Bob Jessop and Ngai-Ling Sum. The most basic definition of the economic imaginary is a discursive field that shapes the conceptualization of economic life. As discourse and structure are dialectical in relation to one another, an economic imaginary represents an analytical concept that maps out ideational shifts concerning economic life and other discursive concepts including national identity. Defining identity in relation to the concept of a fated community has become the overarching project of political parties, elites and civil society in Taiwan. Why these continuing projects are connected with state projects to enforce perception of economic globalization is the basis of this investigation. Specifically, I aim to address the following questions with the regard to the reconceptualization of cross-Strait commerce in Taiwan's statecraft:

- What ideas and practices are selected and drawn upon by political elites in Taiwan to create new economic imaginaries?
- How are these ideas being negotiated and resisted in rebuilding of social relations?
- What are the areas of unevenness and contradictions within the discursive process?

This research utilizes a combined methodological approach toward navigating economic imaginaries, including critical discourse analysis, analysis of collective action frames and the critical junctures that challenge their hegemonic power.
Drawing upon expert interviews, key policy texts from political and intellectual elites, critical discourse analysis demonstrates the linkage between imaginaries and framing actions by revealing the cognitive mapping of the cross-Strait political economy, the dominant discourses that inform them and the ways in which hegemonic ideas are reproduced within the discourse.

Discourses of national competitiveness combined with expanding the reach of Taiwan's economic power through greater institutionalization of cross-Strait ties build upon preexisting conceptualizations of nationalism in which party politics have played an influential role. The Kuomintang administration of Taiwan's recent attempts to depoliticize Taiwanese nationalism in favor of cross-Strait peace have emboldened elite efforts to push the agenda of deregulation, increased trade liberalization and participation in regional economic integration as a new form of sovereignty. The results indicate that the recent encounter between neoliberalism and Taiwanese state policy toward cross-Strait relations is unevenly negotiated by social forces at the national, cross-Strait and international levels.
List of Tables and Figures

Table 1: Key Phases and Events in Cross-Strait Political and Economic Relations
Table 2: The Dialectical Relationship between Languages and other Elements of Social life
Table 3: Distinctions between CPE and CDA Concepts of Imaginaries
Table 4: Major Concepts and Themes within Text Analysis
Table 5: Collective Action Frame: Core Framing Tasks
Table 6: China’s Tariffs for Specific Import Items prior to Early Harvest Program of the ECFA
Table 7: Regional Distribution of Taiwanese Exports
Table 8: FTA Status in Asia by Country (as of January 2013)
Table 9: The ECFA as Discursive-Selective Moment
Table 10: Implementation of Deregulation in Taiwan, 2008-10
Table 11: "From Economic Cooperation to a Sharing of Sovereignty"
Table 12: The Periodization of Taiwanese Capital Investment and its Effects on Production Structure in China

***

Figure 1: Total Value of Taiwanese Exports to China, 2000-10
Figure 2: Domestic Issue Space Axes with Regard to Cross-Strait Relations
Figure 3: Representation of Cross-Strait Interaction Model
Figure 4: Categorization and Differentiation of Theories of Cross-Strait Relations
Figure 5: "The Chi-wan Model of Cross-Strait Relations" (Cheung)
Figure 6: Categories of Forces and Spheres of Activity (Cox)
Figure 7: Discursive-Ideational Approach to Hegemonic Analysis
Figure 8: Empirical Research as a Circular Process
Figure 9: Portian Knowledge Brands and Cluster Identification
Figure 10: Zoning Competitiveness: Industrial Corridor Conceptualization
Figure 11: (Re)producing Spatial Form in Narrative Configuration of Globalization
Figure 12: "Helping the People Do Business Raising Taiwan's competitiveness!!"

Figure 13: "ECFA: Recreating a New Springtime for Agriculture"

Figure 14: "ECFA Q&A (6): Why Sign with Mainland China?"

Figure 15: "Marginalization? Internationalization!!"

Figures 16(a) and 16(b): Elite Representations of Space-Time
Abbreviations

ARATS: Association for Relations Across the Taiwan Strait (China)
ASEAN: Associated South East Asian Nations
CoA: Council of Agriculture (Taiwan)
CCP: Chinese Communist Party
CEPD: Council for Economic Planning and Development (Taiwan)
CIER: Chunghwa Institute for Economic Research (Taiwan)
CLA: Council for Labor Affairs (Taiwan)
CNFI: Chinese National Federation of Industries (Taiwan)
CSCM: Cross-Strait Common Market
CSCMF: Cross-Strait Common Market Foundation (Taiwan)
DPP: Democratic Progressive Party
ECFA: Economic Cooperation Framework Agreement
FAPS: Foundation on Asian-Pacific Peace Studies (Taiwan)
KMT: Kuomintang (Nationalist Party, Taiwan)
MAC: Mainland Affairs Council (Taiwan)
MOEA: Ministry of Economic Affairs (Taiwan)
NPF: National Policy Foundation
PRC: People’s Republic of China
ROC: Republic of China
SEF: Straits Exchange Foundation (Taiwan)
TCF: Taiwan Competitiveness Forum
TIFA: Trade and Investment Framework Agreement
TTT: Taiwan Think Tank
Chapter One: Cross-Strait Relations at a Crossroad

1.1 Prologue: Toward a Pacified Straits?

The dark purple and deep crimson sky before daybreak was wrapped around a fine layer of ocean humidity mixed with gentle wisps of ship diesel. As a passenger aboard the ferry Tai-ma, I glanced at the barren and seemingly lifeless rock we were approaching and realized that I was not the only one peering aimlessly into the sea. A group of recently awaken yet oddly jubilant retirees were snapping up digital photographs of the now fully visible island as bands of light further down the horizon started to bring a bit of life at 4:30am. While Dong-yin Island was certainly not among the top destinations on most domestic travel itineraries in Taiwan, a ferry service transported visitors and residents to the Ma-tsu island group every morning from the northern Taiwanese port of Keelung (see map in Appendix). The ferries bound for this post-Cold War tourist curiosity right off the edge of the Chinese coast begin their eight-hour journeys in the evening arriving the following morning, a distance of 185 nautical kilometers.

In more uncertain times, the only visitors arriving to offshore islands such as Dong-yin were military personnel—young men from Taiwan proper that were deployed here as the first line of defense against a potential Chinese communist invasion. The artillery barrages between “Red China” and “Free China” made the defense of Kinmen and Matsu a principle concern during the height of the Cold War, with successive U.S. leaders pledging their support to Chiang Kai-shek’s Nationalist regime and preventing Mao Tse-tung’s forces from coming ashore to prevent the dominos of global communism from falling in Asia. Today, while the Taiwanese military still maintains a garrison of roughly 5,000 soldiers here, the atmosphere of these border islands has changed. Patriotic murals drawn by schoolchildren that adorn the concrete walls with tanks, combat jets and army lorries seem to be part of an outdoor museum exhibit from a bygone era. Antiquated slogans proclaiming “Long Live the Republic of China!” and the “Reunify China under the Three Principles of the People!”\(^2\) that have long since disappeared on the streets of Taipei,

\(^2\) The Three Principles of the People were formulated by revolutionary leader Sun Yat-sen as the roadmap for creating a modern Chinese nation from Manchu dynastic decay and foreign imperial domination. Sun, who fomented the revolution that overthrew China’s last imperial dynasty in favor of
quaintly adorn the walls of bed and breakfasts facing the ocean. Now, military personnel on the island spend much of their shifts politely warning wandering tourists that they had entered a restricted area, asking if they require assistance finding certain landmarks and reminding them it would also be best if they did not use their cameras in restricted areas. Demilitarization of these former hotspots continues to form peculiar narratives of brave new worlds of tourism. On Kinmen Island, also governed by Taiwan and only one mile off the coast of the Chinese city Xiamen, mainland tour groups visit historical battlegrounds and buy kitchen cleavers molded from the military grade artillery shells once used by Communist forces against the Nationalist armies stationed there. Once stationing 100,000 soldiers during the height of the Cold War, some of Kinmen's old houses and cottages have been restored and renovated into inviting coffeehouses that await tourists and their generous wallets.

Military-civilian relations have since shifted from defending the island’s inhabitants from a communist invasion to more practical tasks. Taxicabs that normally shuttle tourists around on weekends also double as personnel carriers, bringing soldiers from the port to barracks and military checkpoints. One cabbie pointed this out as he drove me past a restricted checkpoint (having obtained clearance by waving his hand authoritatively out his car window at a few soldiers stationed there), asking a stationed conscript to show me the new trails his units were paving in the summer heat. After a brief tour of the surroundings, he pointed toward the ocean indicating the nautical distances of the closest Chinese posts across the Taiwan Strait. We were certainly on the front lines, the northern most point of territory held by Taiwan, but the front lines of what?

Afterwards, I asked the young conscript his plans after being discharged: “I plan to go to the Mainland after my stint here is over," he replied. "I studied finance in graduate school, so it’s going to be useful, especially since so many Taiwanese are commercially involved on the other side.” Congratulating him for the impending conclusion to his days as a conscript, I left the checkpoint with the taxi driver pondering the changing fate of these tiny islands, whether or not they would be forgotten as their relevance in maintaining historical narrative shifted from nostalgia

a republic prescribed nationalism, people’s livelihood and people’s rights, which became a mantra for the first successive political party of the new republic, the Kuomintang (KMT).
to an obscure footnote in some doctorate dissertation. I realized that the story of Dong-yin was also part of the larger story of the two societies separated by the Taiwan Strait, a narrative once defined by war and the unnerving yet delicate balance of an Armageddon that would hopefully never come. It was also strewn with narratives calling for a repudiation of past storylines of national destiny, toward the realization of a separate Taiwanese identity. Above all, it is an unfolding dialectic of identities among imagined communities and the growing integration of their once segregated economies.

1.2 Historic Background of Cross-Strait Relations

“Current Cross-Strait policy draws a conceptual difference from the past, and that difference lies in the fact that we are very aware that current Cross-Strait or mainland policy must be undertaken from within a framework of globalization. Should these policies be implemented without the conceptualization of globalization, it will lead to many complex problems. For example, we want to be economically globalized, but in reality we are not. In fact, we are ever more reliant on the mainland market. So we can see that in the past eight years [2000-8], we have always wanted to avoid China, and as a result, our exports to the mainland are increasing non-stop, to the point that almost all sources of economic growth are coming from these exports to the mainland. This is a dilemma, and how we are to walk away from it requires the collective thinking of all. We absolutely believe that there are other ways of thinking to implement Cross-Strait policies, but in pursuing it, we need to understand which are possible, and we must figure out how this can benefit us within thinking of globalization, and this requires collective discussion and insight.”

Fu Dong-cheng, deputy chairman, Mainland Affairs Council, May 2009

Historic records indicate that interactions between people on mainland China and Taiwan have existed since the 16th century. And while Fu was speaking in terms of modern conceptions of commerce between Taiwan and China, the development of the political economy traversing the body of water separating have long been tied to the historic social migrations that have brought shifted the island's inhabitants from various levels of domination, subjugation and coexistence. These narratives have and continue to play as crucial components of economic imaginaries that help conceptualize political relations between the two shores.

As an island less than 200 kilometers off the coast of southeastern China, the vicissitudes of Taiwan's current 23 million inhabitants has been both tragic and
inspiring in what is collectively imagined as community and the limitations both real and imagined drawn upon those diverse and intertwined aspirations. "Discovered" by Europeans in the 1600s, the island has long been inhabited by diverse aboriginal tribes that share their origins with other Austronesian cultures in the Pacific. Large-scale colonization of the island by Chinese settlers took place after Dutch and Spanish colonial settlements were driven out by the Ming Dynasty (1368-1644) loyalist Zheng Cheng-gong in the 17th century.

Under the Qing Dynasty (1644-1911), the Manchu Empire first adopted policies of restricting immigrant flows and limiting the contact between the Han ethnic population with the island's indigenous peoples. However, following a series of battles with the French in the late 19th century, the Qing empire began to realize the strategic importance of the island in terms of commerce and its geographic location. Efforts to modernize the island's rail and postal infrastructure were implemented ahead of the mainland, while military fortifications were also bolstered.

After the Qing Dynasty formally lost sovereignty over Taiwan as a result of the Sino-Japanese War of 1895, the island was ceded “in perpetuity” to the Japanese in the Treaty of Shimonoseki (Kuijper, 1996: 10). The Japanese, while putting down scattered resistance among the island's inhabitants, developed Taiwan's infrastructure in order to efficiently extract its natural and later human resources for its expanding empire. While Taiwan developed as a Japanese colony, the Chinese dynastic system was overthrown and the Republic of China (hereafter referred to as the ROC) was established in 1912. Wracked by warlordism and later conflicts between Nationalist and Communist factions, the first Asian republic held only tenuous control over a land impoverished by decades of conflict and calamity.

While China was invaded by Japan in 1937 and was subsequently engaged in the Second World War on the side of the Allies in 1941, Japan used Taiwan's raw materials and its populace to fuel its war machine. In 1943, the Allied powers, foreseeing victory concluded the Cairo Declaration amongst themselves, in which Japan would cede control of Taiwan to the ROC following the war. This point was included in the subsequent Potsdam Declaration of 1945, which Japan was forced to accept after its surrender a few months later. However, the subsequent civil war (1945-49) between China's Nationalists (KMT) and Communists (CCP) armies
rendered confusion regarding sovereignty claims over Taiwan that continue to this day.

As KMT forces retreated from the mainland and relocated the Nationalist government to Taiwan in 1949, an invasion of the island under the newly formed People’s Republic of China (hereafter the PRC) seemed imminent. However, with the outbreak of war on the Korean Peninsula, U.S. naval forces were sent to the Taiwan Strait in 1950 to prevent such an invasion. U.S. president Truman stated that the future status of Taiwan “must await the restoration of security in the Pacific, a peace settlement with Japan, or consideration by the United Nations.” (ibid, 12) Because it was yet unclear which side would ultimately represent China (the PRC or ROC), the subsequent Treaty of Peace with Japan of 1951 further complicated the issue of Taiwan by not mentioning which state would exercise sovereignty over the island after the Japanese surrender. The resulting Cold War dynamic blurred any evaluation of Chinese statehood on Taiwan based upon effectiveness, instead grafting the capitalist-communist bipolar power struggle into the Taiwan Straits. Travel and communications were cut-off and commerce with the enemy strictly prohibited.

While Chiang and the KMT vowed to recover the China from Mao and the Communists, such an undertaking was not supported by the U.S, and the regime slowly shifted its priorities to developing the island beyond its military capabilities. The relocation of the surviving Nationalist governing structure of the KMT regime, along with its supporters and dependents to Taiwan filled a power vacuum left after the Japanese withdrew following WWII. Leadership positions in both the state and party were reserved predominantly for mainlanders\(^3\), with the native Taiwanese population effectively excluded from participation. In light of authoritarian rule and often brutal suppression of political opposition, Taiwan's transformation from a frontline outpost in the hegemonic ideological clash between capitalism and communism to a bustling economy linked to increasingly sophisticated technological prowess has made it a success story studied by other national economists aiming to retrace its developmental path.

\(^3\) Also referred to as waishengren, people who moved to Taiwan from mainland China after 1945 until the late 40s and early 50s. In contrast, benshengren refer to mainly ethnic Hoklo and Hakka people who emigrated from China's southern regions and settled the island before 1945.
In the 1980s, profound political changes ended one party rule and has moved Taiwan toward a democracy with spirited debates about the narratives of its complicated past and its uncertain future with China. Since then, cross-strait economic relations have passed through successive phases characterized by confrontation, uncertainty and punctuated stability (Figure 1).

After 1987 when Taiwan lifted its long-standing travel ban on its citizens from visiting China, outward investment from Taiwan toward the mainland have grown steadily despite periods of stalemate and hostility. Commerce, predominantly in the form of Taiwanese investment into China has risen consistently throughout the years (Figure 2). Most recently, in the signing of a trade agreement between the rival states in 2010 seemed to indicate a shift in cross-Strait relations toward a phase of normalization.

Table 1: Key Phases and Events in Cross-Strait Political and Economic Relations

<table>
<thead>
<tr>
<th>Year</th>
<th>Political Relations</th>
<th>Economic Relations and Policy Paradigms</th>
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<tbody>
<tr>
<td>1949-</td>
<td>Military confrontation, with occasional offshore border skirmishes (1954-5, 1958)</td>
<td>Cessation of economic interaction; trade and communications embargo</td>
</tr>
<tr>
<td>1979</td>
<td>U.S. official recognition of the PRC; Taiwan Relations Act enacted by the U.S. Congress</td>
<td>China proposes establishing trade, postal and transportation links with Taiwan</td>
</tr>
<tr>
<td>1987</td>
<td>Lifting of martial law in Taiwan; Relaxation of travel ban to China</td>
<td>Restricted, in-direct trade and investment</td>
</tr>
<tr>
<td>1991</td>
<td>National Unification Guidelines drafted in Taiwan</td>
<td>Act Governing Relations between the People of the Taiwan Area and the Mainland Area</td>
</tr>
<tr>
<td>1992</td>
<td>First semi-official dialogue between SEF and ARATS; tacit agreement on differing interpretations on &quot;One China&quot; (later dubbed &quot;1992 Consensus&quot;)</td>
<td>Taiwan passes &quot;Act Governing Relations between the People of the Taiwan Area and the Mainland Area&quot; to govern cross-strait interactions</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
<td>Details</td>
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<tr>
<td>1996</td>
<td>China conducts military drills in Taiwan Strait; Lee Teng-hui becomes first popularly elected president of Taiwan</td>
<td>“No Haste, Be Patient” investment policy; freezing of APROC project</td>
</tr>
<tr>
<td>1999</td>
<td>“Special state-to-state” controversy; freezing of official dialogue</td>
<td>Taiwan emerges relatively unscathed by Asian Financial Crisis but is devastated by a powerful earthquake in September 1999 that kills more than 2,000.</td>
</tr>
<tr>
<td>2001</td>
<td>China joins WTO with Taiwan following one month later in Jan. 2002</td>
<td>“Active Opening, Effective Management” relaxes previous &quot;No Haste&quot; investment restrictions</td>
</tr>
<tr>
<td>2002</td>
<td>“One Country on Each Side” (of the Taiwan Strait) remarks by Chen Shui-bian</td>
<td>China becomes Taiwan's largest export destination for the first time.</td>
</tr>
<tr>
<td>2005</td>
<td>Anti-Secession Law passed in China; KMT-CCP summit in Beijing</td>
<td>Cross-strait agreement on chartered flights for Lunar New Year holiday reached</td>
</tr>
<tr>
<td>2006</td>
<td>Cross-Strait Economics and Trade Forum held between KMT and CCP representatives</td>
<td>“Active Management, Effective Opening” again increases scrutiny on outbound investment toward China</td>
</tr>
<tr>
<td>2008</td>
<td>Election of Ma Ying-jeou returns KMT to power; resumption of SEF-ARATS dialogue under 1992 Consensus</td>
<td>Three Direct Links, tourism agreements signed</td>
</tr>
<tr>
<td>2010</td>
<td>Signing of the Economic Cooperation Framework Agreement (ECFA)</td>
<td>Dropping of trade tariffs on select items to increase cross-strait commerce</td>
</tr>
</tbody>
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Source: author's compilation

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4 Taiwan joined under the designation “Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.”
Though commercial ties between the Taiwan Strait has continued almost unabated in the past three decades since the ending of martial law in Taiwan, political transitions on the island have complicated commercial activity. With a growing sense of Taiwanese consciousness and cultural separateness from the mainland, trade flows have shifted from fulfilling the unification of markets toward economic policies that consider interaction of economic activity from the standpoint of national security.

Between 1996 and until 2008, two successive administrations in Taiwan viewed cross-Strait relations and economic interaction with increased scrutiny. They not only saw increased dependence on the mainland economy as a structural problem, they sought to distinguish Taiwan as a separate nation state. Beijing, alarmed by the growing currency of national identity in the island's domestic politics moved to isolate Taiwan's diplomatic space while threatening it with military invasion should it move toward formal political independence. Following Beijing's efforts repeated efforts to curtail Taiwan's international standing, President Chen Shui-bian in 2002 declared that "One Country on Each Side" described the political realities of cross-Strait relations. The increasing political tensions however did not greatly discourage Taiwanese investment into China, which continued to accelerate until the Global Financial Crisis six years later.

Figure 1: Total Value of Taiwanese Exports to China (2000-10)
1.3 ECFA and the Current Shift in Cross-Strait Relations

In 2008, Taiwan's second political transition of power brought the KMT back in power with the party vowing to make cross-Strait relations a cornerstone policy. It immediately signaled intentions to return regular negotiations with China under the auspices of the so-called 1992 Consensus, a tacit but ambiguous political agreement in which previous cross-Strait negotiators "agree to disagree" on the "One China principle." By 2009, a series of crucial economic agreements were reached, including a banking memorandum that would allow Taiwanese banks to create branch offices on the mainland, and a much sought after deal by Taiwan in which China began to liberalize the process in which its residents could visit the island.

The Economic Framework Cooperation Agreement (ECFA), signed on June 29, 2010 and becoming effective in 2011, represents the most significant agreement between Taiwan and China since 1949. It was hailed by both governments as a watershed moment in lowering trade barriers and benefiting the livelihood of both societies. The agreement is also a symbolic representation of diplomatic pragmatism, suggesting that the logics of economic globalization had prevailed over the politics of the last two decades. For example, overtly ideological wording of political unification,
under the mainland China's “one country, two systems” principle, was absent from the text of the agreement.

As a trade agreement based upon principles of the World Trade Organization (WTO) the ECFA contains several key characteristics that negotiators from China and Taiwan have included to adapt it to the cross-Strait political context by favoring incremental trade liberalization in order to offset criticisms and accusations from Taiwan that its final goal was a "One China Market." Therein, the agreement also indicates that trade and investment barriers would gradually be reduced and that bilateral investment and trade would be further promoted on an incremental basis.5

The ECFA is symbolically significant as the first bilateral trade agreement signed between WTO members with mutually longstanding sovereignty disputes. It has continued the trend for regional economic integration in Asia as other countries opt to sign their own FTAs to maintain a competitive edge as multilateral approaches have been stalled since the Doha Round (Hsieh, 2011). In Taiwan, the main beneficiaries of the ECFA are industries tied to the petroleum, machinery and textiles. Financial actors in Taiwan were also given the green light to set up banking operations in China after the signing of a bilateral memorandum of understanding in 2009. Beijing, aware that its staunchest, independence-leaning opponents in Taiwan are strongly tied to the agricultural constituencies, agreed to maintain preferential tariffs to 18 Taiwanese agricultural products while agreeing to Taipei’s position on restricting Chinese agricultural imports.

1.4 Problematic

The potential for the ECFA to evolve into more beyond economic matters in the Taiwan Strait signaled a new politicization of imaginaries as conceptual frameworks of actions in conducting relations with China. As the KMT moved to expand its series of cross-Strait agreements, the China-skeptic Democratic Progressive Party (hereafter, DPP) in Taiwan criticized it for moving too quickly and without popular approval, framing the ECFA as the prelude to a “One China market” and a roadmap for accelerating Taiwan’s hollowing out and dependence on the Chinese economy paving the way for unification on Beijing’s terms (Liberty Times, March 30, 2009).

The DPP has also accused the ruling KMT of cozying up to the narrow and short-term interests of big business to the detriment of the local economy. However, despite articulating these positions, the party has stopped short of formulating what future economic relations with China should entail and what role the state should play in regulating investment and trade across the Straits. Economic arguments largely put the DPP in a defensive position. Critics of the DPP have highlighted the fact that outward investment and the proportion of Taiwanese exports destined to China increased in its eight years in power, and that the ECFA would serve as an instrument in balancing these levels (*China Times*, May 15, 2011). It was not until the KMT committed a procedural blunder in the legislature in 2013 that allowed the DPP to begin making inroads to attack economic cooperation with China as a political problem.

The paradox of cross-Strait political economy over the past three decades is that despite increased economic interdependency between both sides, the framing of economic ties to national identity has not stopped, but rather remains an important factor in gauging the acceptability and legitimacy of government policies in normalizing economic activity. In so doing, the focus on so-called spillover effects of economic ties resulting in the decrease of tension, the building of trust and the movement toward political solutions works as the casual explanation. Such approaches not only simplify causal premises, but take terms such as the *economic* and *political* for granted.

This research addresses these limitations by considering the crucial role of elites in the trade policy arena and how hegemonic discourses of neoliberalism are optimally positioned to interrelate concepts of national identity and economic activity. In accounting for this paradox and how said actors have dealt with it through problem definition and collective framing, I begin with most basic definition of the economic imaginary is a discursive field that shapes the conceptualization of economic life. As discourse and structure are dialectical in relation to each other, an economic imaginary represents an analytical concept to map out ideational shifts concerning economic life and national identity. By tracing the imaginaries of elites through critical discourse analysis I show how defining identity in relation to the concept of a fated community has become the overarching project of political parties, elites and
civil society. Why these continuing projects are connected with state projects to enforce perception of economic globalization is the basis of investigation.

In addition to the introductory and concluding chapters, the book is divided into seven subsequent chapters. Chapter Two reviews the literature on cross-Strait relations, but also briefly considers the examples of Germany and Korea, which are often cited as comparisons. It reveals that state centric approaches require more theoretical investigations of power beyond a priori realist categorizations. Chapter Three presents an alternative theoretical framework of cross-Strait relations which utilizes neo-Gramscian concepts of hegemony. By situating Taiwan within the context of historical materialist frameworks of the international political economy, I argue that analysis of power dimensions within hegemony can avoid ahistoricization by considering the role of imaginaries under specific historical and institutional configurations. Chapter Four presents a critical discourse analysis centered methodological framework utilized in the analysis of documents and interviews and its contribution to the Cultural Political Economy (CPE) of Sum and Jessop. Chapters Five and Six provide historical and contextual background to Taiwan's shift from developmental state to a post-developmental multiparty democracy. Chapter Seven provides a background and context to the signing of the ECFA and looks at the core framing tasks of its proponents. Chapter Eight focuses on the discursive strategies used to promote competitiveness among citizens, as well as the representation of social actors and space. Chapter Nine discusses the incorporation of neoliberal ideology into economic imaginaries of political elites and discusses the findings of the critical discourse analysis during the ECFA implementation process.
Chapter Two: Literature Review

This chapter provides an overview of the literature on cross-Strait economic and political relations, as well as the changing state-societal configurations following Taiwan's democratic transition in the 1990s. Existing literature on antagonizing states (see for example Henderson, Lebow and Stoessinger, 1974; Metzler, 1996) overemphasizes the role of the rational state apparatus and its desire for (or inevitability of) unification in explaining relations between divided antagonistic states, including the nature and formation of trade policy. Trade is seen predominantly as a tool for promoting positive political spillovers and/or for maintaining security. Accounting for shifts in trade policy in the Taiwan Strait requires a broad overview of theoretical concepts that account for the institutionalization of state-business relations in the region. The theoretical approaches taken by the literature in terms of state and business relations can be generally grouped into the following four categories: realist, regime-based, pluralist and transnational structuring theories. Also important are theories on political parties, the inter-state capitalist system within the field of IPE and approaches on identities, which I also discuss in this chapter. Before moving specifically to cross-Strait relations, I outline these approaches broadly to draw upon their positivist ontological orientations before considering their limitations.

2.1 Realist Approaches

Classical realism places relations of power among states as central to the international order, whereby industries are ancillary to, and conscripted for the purposes of the rationally acting state: with the view that economic imperatives often playing second fiddle to military prerogatives. It comes as no surprise that realism has imbued the analysis of Cold War ideological antagonisms. For example, literature on South Korea’s economic interactions with North Korea is heavily tied to the unresolved security dimension on the Korean Peninsula (Maretzki, 2005). To this end, economic policy and the role of business is viewed mainly from a realist perspective in which the South Korean state conscripts and utilizes national economic assets as it would an army as a means of securing various short, medium and long-term policy goals toward the North. A major shift occurred with the election of South Korean president Kim Dae-Jung in 1997, with a move from a previous policy of cautious engagement to one of comprehensive engagement (Woo, 2003). The
tentative, ad hoc and erratic interactions between market forces from the South with the isolated North in turn highlights North Korean unwillingness to open its hermitic regime to political and economic reforms. Comprehensive engagement has also been criticized as a failed policy that props up the North Korean regime without modifying its behavior. Smith argues that the North’s ability to successfully filter and insulate aid and foreign investment from South Korea while aiming using the experimental SEZs to develop “enclave capitalism” is a method in which it benefits from the South’s unilateral approach without reciprocation (Smith, 2005). The obstacles and challenges faced by South Korean businesses investing in the North are also attributed to its “widespread ignorance about international trade, capitalism, and market forces.” (Tait, 2003) Kim’s Sunshine Policy, which operated under the logic that if a reclusive and isolated economic North can come to depend on economic benefits through investment, transfer of expertise and adoption of reforms from the South, relations between both sides could be normalized. In some respects, this echoes the causality that economic ties may bring political spillovers, albeit with limitations. As South Korea’s conservatives retook control of the government in 2008, the previous regime’s Sunshine Policy has not been sustained and there are indications that rising military tensions will damage the nascent political and economic ties with North Korea.

With regard to postwar inter-German relations, existing literature places emphasis on the role of economic statecraft exercised in West German chancellor Willy Brandt’s policy of Ostpolitik starting in 1969 (Clemens, 1989; Clay, 2000; Newnham, 2000). Stendt argues that the government not private business pushed the agenda of Ostpolitik, in which the West German government utilized various economic incentives to push for closer dialogue with the USSR (Stendt, 1981). In comparing the role of the state in formulating economic policy toward countries in the Eastern Bloc, Davis sees the key to German success as being tied to a “managed foreign

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7 In March 2010, the South Korean naval vessel Cheonan was sunk with all hands lost near the South’s maritime border with North Korea. North Korea has denied involvement. In November 2011, North Korean forces bombarded South Korean forces stationed on Yeonpyeong Island with artillery, which prompted the South to respond, drawing the greatest escalation of violence in the region since the armistice ending the Korean War in 1953. The decision of North Korean dictator Kim Jong-un to test nuclear weapons have increased tensions and forestall existing diplomatic mechanisms from building on the achievements of the Sunshine Policy.
economic policy” apparatus and institutionalized links to business” whereas U.S. efforts were stratified and hampered by adversarial relations with business (Davis, 1999). Thus, the German trading state through coordination with business through institutional settings was seen as being able to extract domestic economic resources in opening linkages with the USSR and her satellite states.

2.2 Regime Theory

While realism holds fast to the state's self-preservation within systemic anarchy, regime theory's focus on the interdependence among states on a broad spectrum of issues is based on formal and informal relations, including transnational trade and monetary agreements. While it shares realist principles that center the state at the locus of power, with regime theory state actors “are usually seen as organizing the development of rules that govern the behavior of firms and state.” (Cox, 1996). Studies also examine the causality of economic interdependence and peace between states (Polachek, Robst and Chang, 1999; Mansfield and Pollins, 2003; Mansfield and Pevehouse, 2004). Scholars have analyzed Kim's Sunshine Policy toward its northern half came after decades of cross-border confrontation following the end of the Korean War within the regime theory framework. Under the principle of economic investment, tourism and confidence building measures, the policy was aimed at minimizing cross border conflict by facilitating trust-enhancing mechanisms via principles of reciprocity (Yu and Chung, 2001). The government’s policy was to give corporate actors greater latitude in investing in projects in the North (such as the Kaesong Industrial Park).  

While an extensive body of work deals with the economic linkage between China and Taiwan, much thus far largely concentrates on demarcating economic and political interaction. Scholars have focused on analyzing the role of economic ties as a means of normalizing relations between China and Taiwan (Chu, 1999; Zhao, 1999; Chao, 2003; Ho and Leng, 2004; Kastner, 2006; Fuller, 2008). Work by Day and Yao are representative of regime-based approaches and use the EU model of integration as a means of exploring the possibility that economic links might have political

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8 These policies of rapprochement were continued under Kim’s successor president Roh Moo-hyun, but came to an abrupt halt with the power transition in 2007 returned the conservative Grand National Party (GNP) back to power.
spillovers effects (Day and Yao, 2004). In a similar vein, Clark demarcates what he sees as progress on “low politics” (economic and social links) as a separate from the contentious issue of “high politics” of sovereignty disputes (Clark, 2002). Economics, along with cultural and social interaction are seen as major areas of possible cooperation, which bypass thorny ideological questions involving the “One China principle” and Taiwan’s international legal status.

There is a wide consensus within the literature that economic ties between both sides have grown despite heightened political tensions due to Taiwan’s push for greater autonomy after 1996. This supposed logic of “economic inevitability” is clearly indicated in an issue devoted to the prospects of economic and political cooperation after both sides entered the World Trade Organization (WTO), where Fewsmith states:

The two economies [China and Taiwan] were too complementary, the linguistic and cultural comparative advantages of Taiwan business too great, and the desire to cultivate commercial ties for political reasons (mostly on the part of Beijing) too substantial to hamper the growth of investment and trade. (Fewsmith, 2007: 195)

Explanations of inevitability, however, belies the precision to understand power and the structures that generate, maintain and give way to their transmutations into other forms. Some of these limitations are discussed below in the next section.

2.3 Analyzing Cross-Strait Relations from Dominant IR Perspectives

"An analytical framework is necessary if we want to make sense of rapidly unfolding events and delineate possible trends. This means that we need theoretical guidance... Detailed description of events and preoccupation with current policies preclude detached observation and comparative understanding." (Wu, 2000: 408)

The process of accounting for cross-Strait relations has been taken up with greater interest after the 1980s when the static nature of bilateral relations began to thaw with the implementation of ad hoc measures by both China and Taiwan to allow for limited, albeit indirect trade. Theorization that separated the political and economic realms of cross-Strait relations underwent changes in parallel to the collapse of international communism and the resultant burgeoning of global market paradigms. The results have been a combination of regime theory along with tenants of realism to explain the
increased economic interactions on the one hand and the methods employed by the state to regulate them.

Positivist approaches place observable phenomena from a delimited geographical area into theoretical categories of international relations and domestic politics. In categorizing the diverse theoretical approaches to cross-Strait relations, Wu demarcated three levels of analysis: domestic politics (primarily political party systems), international environment (dominant powers in the region, i.e. the U.S., Japan) and cross-Strait interaction.

Domestic politics provides the driving force for the cross-Strait relations, but it also constrains them. The international system constitutes the backdrop against which the cross-strait relations developed. From interaction to domestic politics, and then to international system, one is presented with an increasingly broader picture of cross-Strait relations. (ibid: 409)

Problematisations of cross-Strait relations since the Cold War privilege the ontological assumptions that bind and make valid certain regularities as having explanatory function. A starting point to see how these explanatories operate is Wu's meticulous categorization of cross-Strait relations in order to make sense of the growing complexity of the relations between both sides following rapidly growing economic interaction.

*Domestic Politics Dimension* - Vote-Maximization Model (VMM)

Taking the role of political parties and regular elections in Taiwan into account, *issue space* is argued by Wu as consisting of two dimensions that operate on a sliding scale. The first dimension concerns national identity, which is delineated into the preferences of unification with versus independence from China among the population. The second dimension is what Wu terms *interest*, a dichotomy between security versus economic interest. It is assumed that parties are likely to gravitate toward mainstream voter preferences of preserving political 'status quo' vis-à-vis China as well as smooth cross-Strait economic relations. Wu’s main critique with the VMM lies mainly with variable issues in identifying the factors of distribution of identity and interest spectra.
The power asymmetry model is specific in its policy orientation toward maintenance of state sovereignty and autonomy: the lesser power either decides to “band-wagon” its relationship with the hegemon (an alignment of its interests to appease the core interests of the hegemon) over strategies aimed at balancing the unequal power relations (i.e. by means of aligning with other powers) in order to curtail forms of domination. A key revelation Wu makes upon analysis of Moscow’s relationship with 14 separate non-Russian states is the factor of relative economic development between hegemon and small unit—i.e. the greater the disparity between the smaller unit’s economic development over the hegemon, the more likely it would choose to adopt strategies of balancing. Despite the end of the Cold War, the PAM continues to hold analytical sway in terms of the geopolitical positioning of Taiwan, both in terms of state power to minimize Beijing’s coercion on the international plane, but also with respect to national identity. As Taiwan democratized and its society moved away from authoritarianism, cultural distinctiveness (often deployed as "soft power") has served the role to bring the island into the orbit of likeminded nations as a counter to China's increased global clout.
The STT was also developed during the Cold War to evaluate the triangular relations between three states: the United States, the USSR and the PRC. The concept is contingent on three criteria: 1) the context of analysis is centered on three sovereign, rational state actors; 2) bilateral relations between any two of the actors are contingent upon the third actor; 3) the relations among the three actors are also matters of national security for each involved in the triangle. It comes as no surprise that others including Wu have applied STT to assess the rules of the game concerning the Washington-Beijing-Taipei dynamic. As Taiwan remains an "unresolved" issue for Beijing, Washington's role in cross-Strait relations has always been eyed with suspicion, especially if it is seen to be leaning in favor of Taipei. Taiwan's ambiguous international status but important role in regional trade also means it is often caught in the middle of choosing between fostering closer ties with its giant neighbor or maintaining both symbolic and substantive albeit unofficial ties with Washington. From the standpoint of problem solving, analysts are able to base observations of bilateral relations within the triangle in order to draw inferences and to then categorize, predict and anticipate actor behavior.
As a particular research problematic, cross-Strait relations represents attempts to make sense of the political and economic phenomena that had become possible after the Cold War, and the social dimensions driving the increasing interaction between China and Taiwan. New geopolitical alignments following China’s economic opening, and the end of the Cold War are complicating this framework, which has focused on pre-defined actor and calculable actor interests. Despite the geopolitical changes—the “normative pull” of bifurcating the political and the economic is still evident in both policymaking and policy analysis. Wu's intention to place observable phenomena from a delimited geographical area into theoretical categories of international relations and party politics shows that attempts to move beyond existing paradigms are multifaceted, but often subject to the same analytical biases.

2.4 Limits of Problem Solving Approaches

Each of these three explanations of cross-Strait interaction have similar limitations. From the standpoint of the domestic politics, the broader international context is largely subsumed into an issue area within electoral strategy, and its rational choice centered ontology assumes that political parties and voters simultaneously identify and perceive identical concepts of identity and interests. Secondly, and perhaps more crucially is the assumption regarding the identification of policy toward China as purely a dichotomy of unification versus independence preferences with everything in between falling under maintaining the status quo. Additionally, the international and cross-Strait interaction approaches while addressing the presence and consequences of hegemony in the military, political and economic aspects of US-China-Taiwan relations, it does not pinpoint the social relations of within and among these states both affecting change and being constrained by the structures of power governing them. The analogous structure of hegemon and smaller unit along with differing strategies deployed with regard to differences between economic development makes PAT suitable for the cross-Strait context. However, having its historical roots in the Cold War, the changing power dynamics within states as well as the role of non-state actors places limits on its explanatory and prescriptive relevance.

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9 The argument of maintaining the status quo in Taiwanese electoral politics is becoming a semantic battleground, both as a cautionary signal against policy shifts prescribed by political protagonists, but as the result of accumulated changes that need to be maintained.
The STT has a normative dimension in attempting to situate a series of historical phenomenon into a framework that tends to reinforce its overall structure. By privileging the maintenance of a triangular configuration of states under its theoretical lens, STT consequently decontextualizes itself from other levels of analysis. While Wu identifies the weaknesses of interstate approaches being attributed to the failure to examine the role of the domestic context, he does indicate how the power constellations and the differing configurations of local, national and international elites that are influential in affecting and legitimizing policy.

Figure 4: Categorization and Differentiation of Theories of Cross-Strait Relations

Source: Adapted from Wu (2000)

Wu is partially correct in suggesting that a synthesis of approaches that take all these three levels into account is needed. But the problem solving bias is ultimately unresolved since the levels of analysis are still largely interpreted as being independent of another. In hindsight, a glib dismissiveness of the above theoretical contributions to analyzing cross-Strait relations would fail to consider how these models played a key role in charting new conceptualizations once stymied by prevalent political forces.

2.5 Transnational and Pluralist Accounts

State capitalism's rise with the increased presence of business actors and market oriented policies in China shifted theoretical approaches toward weighing the role of
transnational actors and alliances in these disputed areas, along with their complementary and contradictory relationship with the state in trade policy. These theories reflect the rising influence of transnational forces on the one hand, but also the limitations of realist approaches in accounting for the state's seemingly diminished role. The reconfiguration of the state and the dual role of state and capital in rescaling territory has also complicated the dynamics of the fixity of state institutions and restructuring space along various capital configurations (see for instance Murray, 1971; Swyngedouw, 1998; Brenner 1998, 1999; Cameron and Palan, 2004; Lacher, 2006). Due to the heavy interaction of transnational firms (including the taishang\textsuperscript{10} based investments starting in the late 1980s) in China's coastal areas, theorization of the burgeoning cross-Strait political economy has also moved in directions that follow these financial flows, attempting to ascertain, predict and contextualize their movements.

Current research has brought increasing scrutiny to several trends within the political economy of the cross-Strait area, including the structural changes in the global economy in which increasing trade liberalization has made the competition between export led economies in the east Asian and south-east Asian region more intense (see Lloyd 2003; Frost, 2008; Tsai, 2009; Chin & Stubbs 2011). The research is increasingly focused on the volume of Taiwanese foreign direct investment into China (see Dent, 2003; Hsu, 2010; Chevalérias, 2010; Rosen and Wang, 2011) and the relocation of small and medium enterprises (SMEs) from Taiwan to China as businesses move to areas with lower labor costs and regulations (see Hsin, 1998; Chen, 2003; Chase, Pollpeter and Mulvenon, 2004; Fuller, 2005). A critical research focus has become assessing the role of taishang in terms of susceptibility to Chinese state interests, or mobilization of leverage to gain preferential investment agreements and conditions between Taiwan and China. (see for example Leng, 2002, 2005; Tanner, 2007; Tung, 2007; Schubert, 2010).

Transnational capital has fueled the economic, social and (even) the political interactions between Taiwan and China left largely dormant during which authoritarian structures held sway to limit such contacts. Ong’s work on Asian diasporan networks provides insights into a agential-structural framework to analyze

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\textsuperscript{10} A collective term for Taiwanese business entities that do not operate exclusively on the island. It may also be used broadly to describe the individual business owners and managers who operate such firms.
transnational capital in the region where decentralized networks operate in disparate regulatory environments. Her conceptualization of flexible citizenship defines the actions and agency of diasporan Chinese function as "complex maneuvers that subvert reigning notions of the national self and the other in transnational arenas." (Ong 1999: 112) Tai-shan have long tried to bypass the structural constraints against cross-Strait investment placed upon them in order to establish a foothold on the mainland "economic hinterland." Despite strategies of maneuvering (operating through third parties, establishing fictive companies, offshoring their finances to mask the source of their funds, etc.) they are constrained by prerogatives shaped by states and capital markets including (but not limited to) investment volume and value restrictions, non-mutual recognition of local currencies, and restriction of direct transportation links. There are also increasing calls from within societies that transnational capital needs to be held accountable for the displacement of manufacturing jobs. For transnational capital, “citizenship becomes an issue of handling the diverse rules, or 'govern mentality', of host societies...” (ibid: 112-3).

The structural framework that interacts with transnational capital networks carves out uneven geographies both physically and socially. Ong's second concept graduated sovereignty, in which the state makes flexible the management of sovereignty to the dictates of global capital, is thus constitutive of “specific alignments of market rationality, sovereignty, and citizenship.” (Ong 2006: 3). Zones of variable degrees of legal regulation, such as export processing zones (EPZs), special economic zones (SEZs) and the cross-Strait economic zone are representative of a hybrid of a more traditional, national community and a reconceptualization of economic space:

the first, a nationalist imaginary that emphasizes essentialism, territoriality, and the fixity of the modern state, is in tension with the second, a modernist imaginary of entrepreneurial capitalism that celebrates hybridity, deterritorialization, and the mobility of late capitalism. (Ong, 1999: 55)

Much of this literature has developed in light of the prospect for the further deepening of economic ties after the KMT returned to power in 2008. The “Chi-wan” model (a neologism that combines the words China and Taiwan to highlight the sum of their economic productive capabilities) for example, focuses specifically on the key role played by the taishang, their often ambiguous identity and the power of ethnic guan-xi trade networks in bringing further prospects of institutionalized economic ties
between the two sides to fruition, a marked shift from viewing them as agents that destabilize national security. This framework appears to be different from previous accounts in that it centers its analysis on other political players besides the state (namely, local governments and Taiwanese business networks), but the axial dimensions that align business and politics on the one side and culture and institution on the other is symptomatic of the prospective in predefined forms (Cheung, 2010). In other words, while the boundaries of predicted possibility have shifted in terminology, the teleological element of inherent systemic stability remains.

Figure 5: "The Chi-wan Model of Cross-Strait Relations"

Source: Cheung (2010)

The focus on transnational networks and the potential leveraging power of the *taishang* (both as a courted, but often distrusted constituent in Taiwanese party politics) justifies positing a reevaluation of power relation in cross-Strait ties, and a theoretical lens that can account for shifts in these power dynamics. This is not only because their growing political power needs to be evaluated in terms of possible influence on bilateral trade issues, but also because the nature of corporate power and trade policy needs to be specifically analyzed with regards to historical contexts of dominant production processes in which they play an increasingly pivotal role. In other words: how transnational capital networks remap a previous barren region of trade has much to do with evolving imaginaries of what constitutes nationhood, citizenship and sovereignty.
2.6 The Role of Political Parties

While transnational capital networks like the *taishang* have reordered the flow of trade, creating new nodes of economic activity in China's eastern coastline, the process has also involved traditionally influential role of political parties in the realm of ideas and policy formation. While analyses of this topic have tended to look at developed economies, this issue has become more prescient as the opening of national economies to global norms of trade liberalization have become increasingly the center of elections debates. Theories analyze the influence of interest groups and fragmentation within parties due to changing capital-labor structures (Shoch, 2001), while others such as Lake consider the role of the international system and the size of a country as determinants within hegemonic stability theory (Lake, 1993). Others like Milner and Judkins provide important empirical findings that show how political cleavages that reflect a country’s historic socio-economic structure can be organized into ideological divisions (left and right; favoring protectionism and trade liberalization respectively). Here, cleavages based on class and the distributional consequences of the factors of production become sources of a political party’s policy on trade. Trends in protectionism have ebbed with the power of American economic hegemony as well as with trends of globalization (Milner and Judkins, 2004). While class is one aspect of political mobilization on trade policy, another concerns the effects of the framing of international trade issues on voter preferences. Empirical findings suggest that the role of economic experts has substantial mitigating effects on attempts to portray and frame trade liberalization in a negative light (Hiscox, 2006).

Taiwan’s democratization and the extent of the growing influence of its domestic business actors investing in China is a debate centered not only on the scope of this influence, but also its depth. Dent for example interprets expanding “transnational capital linkages” from Taiwanese small and medium enterprises (SMEs) investing in China as a means for Taiwan to gain supply, market access, finance credit and techno-industrial capacity security interests. The resulting risks however leaves the island over-reliant on exports to China, while hollowing out Taiwanese industry as local firms locate cheaper labor, lower operating costs and regulations across the Strait. Other considerations include the growing political clout of Taiwanese firms incentivized by the Chinese government in order to pressure Taiwan's government
into creating policies more conducive to corporate interests. Subsequent lifting of investment caps and liberalized preexisting regulations as a means of state adaptation to global market conditions, is widely interpreted as a challenge of democracy and increasing stakeholders at the cost of an insulated technocratic bureaucracy. This is evidenced by the decision of the DPP government to replace long-standing investment restrictions with a policy of “active liberalization, effective management.” (Dent, 2003: 267-9) And while Chan (2004) and Leng (2005) regard the growing leverage of corporations in deciding the location of factories and R&D centers, the Taiwanese state retains a deciding role of dealmaker between competing cross-Strait municipalities. The taishang therefore represent an ever-crucial stakeholder in cross-Strait ties relative to the changing capacities of the developmental state beyond simplistic all-or-nothing terms.

2.7 Developmental States and Encounters with Neo-liberalism

The literature regarding the context of U.S. economic and political hegemony in Asia during the Cold War (see Arrighi, 1996; Tsai, 1999, 2002; Gills, 2000; Gray, 2011(a,b)) also bears noting as it shapes the realm of possibility for which states, transnational actors and other political hierarchies interplay. The concept of the developmental state itself has become canonized as an idealized form of state directed capitalism which points to successive economic booms in postwar economies, including Taiwan. The debate over the determinants of Taiwan’s transformation from a Japanese colony to a Newly Industrialized Country (NIC) of the “Four Asian Dragons” (which included Hong Kong, Singapore, South Korea) can be primarily categorized into approaches that are either neo-classical economic explanations (The World Bank 1981, 1983, 1987; Young, 1994) or statist ones (Johnson, 1982; Wade, 1990/2004). Neo-classical approaches attribute the success of the economies to several factors including: capital formation, high rates of saving; attraction of foreign direct investment and the promotion of an export industry of manufactured goods. They further point to the importance of a stable, and non-interfering government's role in economic growth. By comparison, statist explanations place emphasis on an proactively interfering government which was able to manage a series of policies that directed the creation and expansion of nascent industries, “picked winners”,
encouraged private innovation and facilitated industrial upgrading through incentive systems.

In critiquing statist explanations of Taiwan’s postwar industrialization, Tsai acknowledges that while the developmental model is successful in analyzing state power and economic growth, it in itself takes the form of state for granted. In turn, he tackles the ahistorical origins of the developmental state regime in Taiwan: what brought it into existence; i.e. what influenced the KMT to change from primarily predatory and rent-seeking behavior to a developmental regime? The move from a predatory regime to a developmentalist one required the enforcement of norms set forth by the postwar dominance of the U.S. While Cheng attributes this shift to party discipline and “lesson learning” after the KMT regrouped in Taiwan and not allowing its expansive party structure to meddle into economic affairs (Cheng, 2001:27), Tsai argues that it was Taiwan’s inclusion within the U.S. led western Pacific alliance which provided the impetus for reforms in the first place and second, privileged and preferential access to the U.S. domestic market (Tsai 2002: 139).

Analyzing how different sectors of developing countries restructure their national economies, Schafer argued that while sectors themselves cannot explain the role of ideological factors, state coercion, and ethnic cleavages, sectors “may be critical in explaining how these influence outcomes, and how their conventional wisdom about their role is often wrong.” (Schafer, 1994: 38). On Taiwan, the KMT has played a prominent role in economic development and creating the island’s leading industrial sectors in which ideology, coercion and ethnicity were interlinking explanatory factors in the party’s ability to reorient the economy from low value agriculture to highly specialized and capital intensive sectors. Prior to democratization, it managed state-business relations through distributional coalitions and cultivation of up and downstream linked SMEs that helped maintain economic growth and activated a sector commanded economy which gradually moved Taiwan from import substitution toward outward oriented industrialization (Cheng, 1990; Cheng and Chu, 2002). Sector management was therefore a key ideological component to broader political paradigms of political authority and the interlinked relationship between sectors, party and state.
In the 1980s, challenges to the developmental state in the form of neo-liberal ideologies cast it as a paradigm increasingly encumbered and unable to meet the crises of capital and the dismantling of the postwar economic order. Financial crises from the region (1989, 1997) have in the past served as moments in which neoliberal programs of structural adjustment were levied on developmental states (notably South Korea) as conditions for financial assistance to save their battered economies (Park, 2002; Hundt, 2005). These programs, often orchestrated by international regulatory agencies such as the International Monetary Fund (IMF), and the World Bank were put into action by a broad coalition of governments, banks and industries as they targeted the "crony capitalism" of developmentalism. While Taiwan's capital controls were credited for keeping its economy from the brunt of the crisis, it nevertheless faces structural challenges brought on by financial deregulation and economic liberalization (see Chu, 2002; Chu and Lee, 2004; Wu, 2007). Neoliberalism also found willing proponents in the region in the area of trade policy as economists and politicians seek to dismantle state controls and engage in trade practices that signal the favorable investment climate of their countries vis-à-vis other rivals (see Moravesik, 2001; Kelley, 2000; Gathii, 2011).

2.8 Ideologies and Identity

The challenge faced by the developmental state also concerns the stability and adaptation of ideology as a means of dominating and expanding the rule of actors upholding or succeeding its structures. Stuart Hall located identity within a semantic field constructed on the basis of common origins shared by persons or groups delimited and naturalized by ideals of solidarity and allegiances. Identification, he argues is an articulatory practice contingent on the discursive work of establishing boundaries vis-à-vis difference. “It requires what is left outside, its constitutive outside, to consolidate the process.” (Hall 1996: 3)

While Laclau (1995: 147) locates identity in “complex and elaborated systems of relations with other groups”, the fragmentary and contingent discursive nature of identity and its relation to the concept of hegemony in the field of international relations can be tied to the “discursive topography by outlining what a number of elements have in common” and “separating a discursive space into at least two diametrically opposed entities” (Herschinger, 2012: 74).
2.8.1 Approaches to Nationalism

A key component in the ideological topography among and within states has been the projects of nationalism. Nationalism has been theorized from a wide-range of approaches. These include: primordial/socio-biological approaches (Shils, 1957; Geertz, 1973; van den Berghe, 1989), instrumentalist approaches (Barth, 1969; Banton, 1983; Hechter, 1988), and modernization theories (Giddens, 1981; Gellner, 1983). Within the modernist school, one can further differentiate between social constructivist, economist and elite/statist explanations of nationalism.

In contrast to the perennial accounting for nationalism, modernist approaches see developments of nationalism corresponding to specific socio-economic conditions (i.e. mass industrialization, delegitimization of religious authority, etc.) and can be divided roughly into three groups. These cannot be taken as very rigid categories, but several key assumptions are distinguishable in each school of thought. Approaches that place emphasis on the proliferation of mass communication following industrialization, urbanization and commercialization interpret the rise of nationalism within the context of the increasing centrality of language and culture in social mobilization (Deutsch, 1957). In contrast, Anderson’s conceptualization of Imagined Communities is centered on a socially constructed nationalism tied to exploring the question: what made the concept of a greater community called the nation-state worth dying for? For Anderson, the national consciousness is a cultural artifact of a specific time and made legitimate through the proliferation of the printed vernacular on the one hand, and a shared sense of continuity on the other.

…what made the new communities imaginable was a half-conscious, but explosive interaction between a system of production and productive relations, a technology of communications and the type of fatality of human linguistic diversity. (Anderson 2006: 46)

While the modernist school of nationalism interprets it as specific to socio-economic conditions that created the opportunity and need for mass communication and increasingly centralized grouping of institutions with sovereign power within a contained territory, perhaps of more relevance to state transformation is the role in which imaginaries of nationalism change or are contested. This would seem to be a crucial area to consider during times of social change and disruption, when a society
undergoes rapid economic and political transformation in which earlier concepts of shared fatality are challenged and alternative imaginaries emerge.

Itzigsohn and vom Hau are not concerned with the historical genealogy of modern nation states, but how conflicts between social movements and state elites contribute to the transformation of nationalism. Their three broader conceptualization of imagined communities as being contested raises the question of how particular ideas of shared community become hegemonic over other alternatives and how official nationalisms tied to the state machinery are challenged. Comprehensive transformation entails the refashioning of alternative national narratives as state ideologies and the complete reorganization of official ideas about the nation. Contained transformation on the other hand depicts a situation of constant contestation between national discourses that cannot achieve the status of hegemonic discourses. Third, a blocked transformation indicates the deliberate exclusion of alternative national narratives from state ideologies, and the absence of ideological negotiation between states and social movements. These three types of nationalism constitute points on a continuum (Itzigsohn and vom Hau, 2005: 195).

Elaborating on nationalism as discourse, Sutherland (2005: 193) adds: “characterizing the nation as a form of Discourse flows from an understanding of reality as constructed, malleable and therefore contingent.” As a country divided by Cold War antagonism between capitalist and communist international bipolar hegemons, identities of the Self and antagonistic Other were bound in Taiwan under anti-communism ideology and became the basis for a postwar nationalism inculcated in museums, school curricula and government cultural programs. The ideological structure of this nation was supported materially by the positioning of Taiwan militarily as an anti-communist stronghold, and subsequently as a participant in the U.S. led postwar capitalist trade system.13

Beyond the prevalence of anti-communism's connection to the inter-state economic dimension led by the U.S., postwar Taiwan was also the site of top-down Nationalist movements to redefine the relationship between state and citizen, a project

13 During postwar reconstruction, non-communist states under the U.S. sphere of influence in Asia were supported militarily and economically. The expansion of control also included the management of economic structures on the conditions of receiving aid (see Tsai 2001 and 2002).
it failed at in a strife-ridden China prior to the outbreak of the Second World War. Prior to its full-scale withdrawal to Taiwan in 1949, mass mobilization during Nationalist rule on China had placed its focus on modernizing the populace through prescribed practices of traditional morality to transform passive subjects into productive and proactive citizens within a modern Chinese nation (Dirlik, 1975). The ideas of national survival were centered on the self-conscious citizen obedient to the idea of the national community above all other group loyalties. The leadership targeted the backwardness within the Chinese people as the antagonism that the movement would eradicate, and not at a precisely defined, external Other. Individual reform, through moral and decorous conduct, was seen as the basis of societal change.

Though Nationalist nation building of a “Free China” as authentication of the legitimate Chinese society countering “Red China” failed to take root and was soundly defeated by internal strife and the ravages of war, it found new life within the confines of Taiwan following the KMT retreat. As postwar economic takeoff stabilized the position of Nationalist rule, bureaucratic deepening allowed the state to utilize the Other ideologically to define the Self with increased precision. Coupled with the geographical divide of the Taiwan Strait, Cold War antagonisms played a prominent role in KMT education and cultural policies of linguistic standardization and erasure of local dialects. State repression under martial law had suppressed and ousted competing visions of social identity, but more critically was that the retreat to Taiwan had the unintentional effect of separating and thereby delimiting territorially the antagonistic Other. State cultural projects to glorify Taiwan as the model Chinese province in its early stages emphasized the island’s role as bastion of tradition (Chun 1994: 56; Chun 2000: 14) and its antithesis to the mainland’s Cultural Revolution.

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14 Dirlik’s analysis shows that Nationalists’ perspectives that did not place social conflict as the basis for social transformation influenced the causality of modernization which placed individual reform as the starting point for a modern societal consciousness: “[the Movement] completely ignored the complex of social interests and loyalties that composed the individual or, at the least, intervened between the individual and the state. It rejected, as signs of selfishness or insufficient moral development, all loyalties and interests that did not contribute to state power...In the Party’s view, since political decline was a consequence of individual degeneration, the improvement of individuals was sufficient to reform the social-political structure.” (Dirlik 1975: 976-7)

15 The process of erasure is defined by Irvine and Gal (2000: 39) as “…ideology, in simplifying the sociolinguistic field, renders some persons or activities (or sociolinguistic phenomena) invisible.”
Democratization on Taiwan has shared a strong link with the identification of Taiwanese identity and the island's "community of fate" separate from China can therefore be seen as a recontextualization of antagonism. The role of national identity in polarizing relations between both sides became most pronounced in the mid-1990s when then president Lee Teng-hui pursued cultural and political policies of promoting Taiwanese identity, which also tied into later policies designed to restrict capital flows from Taiwan to China.

Moving beyond the dominant paradigm of Cross-Strait relations analysis

Positing the frequent question posed by the literature of how trade and economic relations between Taiwan and China have proceeded relatively unhampered while political relations have remained unresolved in terms of long standing questions regarding political sovereignty has been approached from a variety of theoretical perspectives. The literature review indicates the dominant tendency to see this paradox as a result of the continued segmentation of the economic and political realms governing cross-Strait relations, both from a scientific perspective and from objective state practice. While statist explanations have struggled to provide in-depth understandings of the role of ideological changes, identity and ideological approaches lack the component of structural explanations that can account for the ways in which they operate within power structures.

The limitations of the existing literature to adequately posit the ideological domain within structural change point to the need for an alternative paradigm to understand the changing cross-Strait relations in the period under study. The next chapter presents such a framework within critical theory, power analysis and discourse hegemony.
Chapter Three: Theoretical Framework

In the previous chapter, I argued that existing analyses of cross-Strait relations take an ahistorical or essentialist approach that inhibit efforts to sufficiently define or account for power relations or consider the ideological aspects impacting on economic policy formation. These approaches by and large have been influenced by analytical frameworks of the problem solving variety dominant during the Cold War ideological divide between capitalist and communist camps. By taking the postwar period and the rise of the developmental state into account, I propose that Gramscian concepts of hegemony provide a historicized alternative to analyze changing hegemonic constellations in the Taiwan Strait. An approach such as this places greater analytical precision because its premise is aimed at better understanding ideological constructions from a historic perspective. Rather than taking the rise of democratic governance in Taiwan or the reconfiguration of geopolitical power in the region as given, a critical theoretical framework that combines differing levels of analysis (national, cross-Strait and international) while emphasizing their mutually constitutive relationship is presented. This framework shows that cross-Strait trade policy involves the resonance of relevant ideas and powerful nodal actors at each level, and are in turn shaped by antitheses and resistance. This will also be important in analyzing cross-Strait relations in the era of closer economic cooperation while avoiding teleological explanations that draw lines between essentialist notions of culture and institutions, business and politics.

The tendency to focus on the state’s policy in reaction to external determinants such as neoliberalism and the actions of non-state actors in instrumentalizing policy shifts limits detailed accounts on the adaptability of the prevailing political economic orders underpinning external trade policies. How the political economic order is formed and which actors are involved in constructing economic policy, and the role that dominant discourses play in framing such policy formation is often left unexplained or their causal relationships uncharted. I address this gap by focusing on the social relation of forces that actively construct, maintain and redefine relations between antagonizing states by employing a critical perspective that centers heavily on the power constituted in discourse.
Critical theorist Robert Cox linked social and political theory as problematics that are both historically conditioned, capable of transcending their historical origins to make broader propositions (Cox, 1981: 130). As part of the relation of social forces in Taiwan, I identify two sets of factors as being of particular significance to the change in trade policy formation. First, a critical juncture which disrupted the preexisting hegemonic economic and nationalistic discourses and practices of the state and business elites, and second, the existence of two interrelated grand narratives or discourses: shifting concepts of the nation-state, along with shifting concepts of economic relations. These grand narratives are a form of imagined economy, which are related to naturalized worldviews which affect the possibilities in which actors frame and conceptualize their strategic actions.

Together, the framework draws on Gramscian theories of hegemony (Gramsci, 1971; Augelli and Murphy, 1988; Morton, 2007), a framework for analyzing his theories in the international political economy (Cox, 2004; Moore, 2011) and concepts of discourse and discursive power (Lukes, 2005; Fairclough, 2000, 2003, 2012; Hajer, 2006; Sum and Jessop, 2013) to re-examine cross-Strait relations culminating in the negotiation of the ECFA in 2010.

3.1 Developing an Alternative Approach

This chapter is aimed at the development of an alternative theoretical framework that moves beyond a positivist ontological orientation and analyzes how trade policy between China and Taiwan has been a contingent process in which political actors are differently positioned within a discursive field in constant flux in which they have limited control.

Citing rising investment, accelerated relocation of manufacturing, and the increasing influence of Taiwanese business elites on the Chinese mainland, mainstream accounts of trade liberalization naturalized the explanation and logics toward economic integration with China as self-evident trends (Liu, 2010). However, this process often found itself at odds with concurrent discourses of state-led national development. The oft-contradictory aims of Taiwan’s overall foreign trade policy vis-à-vis its measures to redefine trade relations with China need to be considered under this context. Therefore, this framework addresses the process in which power
functions within state-led developmentalism and neoliberal narratives of globalization that has often been overlooked

One way of approaching the interplaying discourses is to reconsider how theoretical models on cross-Strait relations have mostly struggled to account for the changes to the object of analysis. If such an analysis sets out to go beyond dominant normative prescriptions, it becomes clear that ideational factors that shape trade policy cannot merely be taken as a given. A historicized informed approach toward IPE therefore does not merely mean to “add history and stir.” Rather, it should “seek to reveal the understandings of structure present among the agents that are the focus of inquiry.” (Amoore, et al., 2000: 56-7)

An alternative framework is also necessary to reexamine how knowledge systems which privilege technocratic principles of efficient and effective policy are symbolic of the separation of facts and values, pursuant to political goals (Fischer, 2003). The alignment to an argumentative turn to policy analysis questions the normative basis to these divisions (which are often taken as given), and uses multifaceted approaches which show how discursive communication can take the form of “the conceptual reframing of interests in ways that permit consensual agreement or through the reframing of institutional rules and cultural norms governing the play of power.” (Fischer, 1993)

After explaining the implications of neorealist power analysis, I outline my theoretical framework by incorporating the works of critical theorists for discursively based power analysis. Focusing on the role of discourse in the shaping of the changing ideas that govern cross-Strait economic relations, I elaborate on existing interpretations of hegemony by considering the processes in which it is reconsolidated during critical junctures. In Taiwan, the vicissitudes of democratization and post-developmental challenged existing notions of community and economy. These ideas coalesced competing imaginaries of the cross-Strait economy, for which the recent trends of economic liberalization between both sides has embodied, are the byproduct of ideological and discursive struggles to make sense of Taiwan’s relations with the world’s second largest economy.
3.2 On Power and the Analysis of Cross-Strait Relations

As shown in the previous chapter, theorizations of cross-Strait relations have been underpinned predominantly by a realist ontology, which views actors and corresponding interests as existing independently. This is manifested in: 1) the analysis of national interests among competing states; 2) the structure of regional hegemony and the balance of power; and 3) providing a framework for predicting the behavior of states. Ontologically speaking, the power held by states utilized to maintain its interests is unquestioned. By looking at the dimensions of power, one can see that realism only touches upon one of several domains in which it operates.

3.2.1 Power and Ontology

Power and its conceptualization are unquestionably tied to specific ontology and disciplinary positions. In the realist tradition, the exercise of power is overwhelmingly conceptualized as influence over other actors (primarily through states, but later also through dominant international organizations and multinational corporations) by means of military and economic dominance. From the realist standpoint, the international realm is one of anarchy and self-help, in which the state marshals power as a resource for its self-preservation. The realist approach toward international relations therefore takes state sovereignty as given and upholds its sanctity as the means of regulating interaction among states (Burchill, 2001).

Definitions of power in terms of the distributional capabilities of states (Waltz, 1979), and its military, economic and technological capabilities (Gilpin, 1981) are the target of Ashley’s critique of neorealist canon: the specific disciplinary biases of its ontology. He for instance attacks the structuralist reorientation of the school and levels criticisms on unquestioned “commitments” - concepts “prior to science and exempted from scientific criticism” of statism, utilitarianism and positivism (Ashley, 1984: 228). Taking these three commitments as part of the neorealist lore integral to its disciplinary unity, it is possible to tie their recounting in terms of power and to observe its relative under-theorization. Power in the neo-realist framework is reducible to the action of states to affect the behavior of other states in the pursuit of predefined interests. Not only does this view confine power to pre-aggregated, state
actors, it also limits power to be measured by observable forms of influence (ibid, 1984).

3.2.2 The Three Dimensions of Power

In line with Ashley, Lukes' conceptualization of power highlights its complexity and subjective nature:

its definition and any given use of it, once defined, are inextricably tied to a given set of (probably unacknowledged) value-assumptions which predetermine the range of its empirical application (Lukes 2005: 30).

By categorizing power in three different dimensions, Lukes has clarified what neorealist commitments have large ignored, namely, how one chooses to approach the concept of power is in itself a political commitment.

Power in the first dimension is bound to observable phenomena: behavior, decision-making, issues, conflict and interests. This intentional and active conception of power is congruent with positivist ontologies in that the theorization of power focuses on the ability of each actor to exercise influence over another (power over). The second dimension of power is conceived as the ability to control and define the political agenda and to prevent the emergence of opposing values and interests. The capacity for actors to delimit decision-making to non-controversial issues (non-decision making) marks an innovation from the behavioralist first dimension. These interests are assumed to be consciously articulated and observable. (Lukes, 2005: 24)

Lukes goes further in providing a lens into a third, often hidden, dimension of power: the shaping of agential perceptions, cognitions and preferences that prevent the formation of grievances. Different from the two previous conceptions, the third dimension, power exists beyond the controlling or setting of political agendas centered on conflicts or grievances overt or covert. Power can also be exercised to neutralize the perception of grievances and conflict without the knowledge of a potentially aggrieved actor. The exercise of power therefore has a legitimizing role in creating acceptance for a prevailing order. (Lukes, 2005: 38)

Limiting and reducing the discussion to the readily available and comparatively superior military and economic resources of Great Powers in the influencing of the
decisions of adversaries is relatively unhelpful to account for the more recent trends of cross-Strait amenity. Rather than seeking to explore how coercive power merely influences reactions of state actors and subsequently their discourse, attempts should be made to analyze how power influences the conceptualization and diffusion of ideas that work to depoliticize issues such as territorial sovereignty in favor of "economic pragmatism."

The efforts by the Taiwanese government under the administration of Ma Ying-jeou to build public support for closer economic ties with China serves as such an example. Upon reemerging as the ruling party in 2008, the KMT intensified the depoliticization of cross-Strait economic links by attacking the pro-independence stance of the then ruling DPP as having created economic and political uncertainty and threatening the investment climate. The status quo in which the stances of political sovereignty, independence and unification were downplayed or made ambiguous was argued as the most pragmatic approach. Political issues deemed sensitive (territorial sovereignty, Taiwan’s membership in international organizations, and the future of its political autonomy) were bypassed while economic issues were earmarked for fast-track resolution. As a consequence, parties that do not engage in the debate on the terms of economic sovereignty or rational economic logic are accused as having politicized the non-political. Interpreting the proliferation of cross-Strait trade from overarching narratives of nationalism and state power masks the grievances of growing social inequality and the proliferation of neoliberal practices such as urban restructuring and state-led privatization. A multidimensional conceptualization of power, as outlined by Lukes enables one to capture the more hidden dimensions of power used to structure perception and possible action.

In order to better understand the processes behind the dominance of perception and the structuring of possible action, the next section considers conceptualizations of hegemony in order to provide a clearer understanding of its differing definitions, characteristics, and the processes behind its origins, expansion and decline.

3.3 Critical Approaches towards Hegemony: Capability versus Process

In the previous section, I highlighted critiques to neorealist explanation of stability in the international system. Central to this critique was going beyond instrumental
and observable functions of power in structuring behavior. If the stability of a world order cannot be solely explained on the grounds of the overt power of states, what constitutes hegemony and what is a hegemonic order? To approach these questions both theoretically and later methodologically, it is necessary first to consider how hegemony has been conceptualized and the ways in which to identify the limitations to a hegemonic order.

Similar to power, traditional realist conceptualizations of hegemony are linked to the capacity of state power and the instrumentalization of power over other actors — i.e. when one state comes to dominate the international system and exercise leadership thereby aligning the interests of potential rivals to its own. Regime and liberal IR theorists (such as Krasner, 1983; Keohane, 1984) on the other hand have highlighted the importance of international institutions and regimes as a crucial factor in the stability of a world system, thus countering the requirement of a dominant hegemon to maintain the existence a liberal world economy. Following this argumentation, hegemony in effect can "outlive the hegemon" as long as the international institutions brought into being by the hegemon become and are maintained as the dominant norms. These analyses therefore move the emphasis away from the hegemonic subject to the conditions for its continued operation.

The concept of hegemony developed by Italian philosopher Antonio Gramsci brings clearer distinctions between state coercion and more consensual forms of political leadership (Gramsci 1971: 263). His concept of hegemony is based upon more ideological forms of power in which consensus is forged through “organization, the spread of ideas, ideological struggle, and the formation of alliances with other social groups.” (Augelli & Murphy, 1988: 131). In other words, hegemony also structures the nature of the economy by a form of cultural and political leadership that molds, harmonizes and institutionalizes interests of rival and subordinate classes, not in the formation of economic and social policy only, but in daily life. Gramscian hegemony operates across both state and civil society and “…through the state in order to best organize civil society” (Joseph 2002: 31), in which the role of civil society organizations (e.g. schools, religious groups, the mass media, etc.) are integral components to the production and dissemination of a shared belief system.
Civil society thus plays an important role in organizing the relationship of peoples to the political society (Tugal 2009: 33). These ‘organic ideologies’ when linked with the material structure of production are spread through worldviews (Augelli & Murphy, 1988: 19). Yet, the ideology of the ruling class does not merely translate into “common sense”, which becomes a framework for ways of structuring reality and everyday life (ibid, 19-20). This tenuous relationship between diffuse, incoherent worldviews and more structured, and programmatic ideologies is one that deserves more scrutiny and analysis.

3.4 Fundamental Concepts of Gramsci’s Hegemony Theory

A crucial part of Gramsci’s conceptualization is that domination operates beyond overt force and coercion (i.e. one dimensional power, or power over). He locates the subject of hegemony in social forces that dominate the modes of production, both in the material and ideational sense (Gramsci, 1971: 377). Below, I elaborate on concepts within Gramsci’s theory of hegemony that are utilized in the alternative cross-Strait theoretical framework, and how such concepts from an approach that integrates structures, ideas, and institutions.

3.4.1 Hegemony

Gramsci identifies the historic bloc as a coalition of forces that possess not only the means with which to exercise ethical leadership, but is ideally situated to control and direct the production process. Hegemony is manifest in periods of relative social stability in which the historic bloc has consolidated its leadership that primarily favors consent rather than coercion. This includes both material and ideational production (Augelli and Murphy; 1988). Therefore, beyond looking after its own economic interest (i.e. economic-corporatist unity), the historic bloc’s hegemony is cemented by its ability to incorporate diverging interests of rival and subordinate groups within society through institutionalization. Coercion is only employed at a last resort against oppositional groups when hegemony is severely challenged. When hegemony is strong however, subordinate classes often consent to their own domination, sometimes with active consent.
Gramsci’s analysis of state-civil society relations in the context of critical international trends (such as the proliferation of Fordist modes of production) drew key distinctions between western European societies with strong, deeply rooted civil societies versus countries with weaker ones relative to the state apparatus. In cases where civil society is weak and state institutions are dominant, overcoming hegemony is mainly a war of movement, where overtaking the bulwark of state institutions ensures control. In cases where civil society is strongly integrated with the so-called “common-sense” of political leadership, overcoming hegemony necessitates an entrenched and protracted war of position (Morton, 2007). Therefore, a war of position is more of an ideological battle that politicizes structures that secure hegemonic leadership once taken as given.

3.4.2 Hegemony as Process

Gramsci’s writings on the context of Italian popular nationalism in the 19th century (the Risorgimento), and later with respect to the “Southern question” of the 1920s, detailed the emergence of social classes from one of economic relations to that of political power as process (Gramsci 1971: 180-5; Joseph 2002: 35-6; Gündoğan 2008: 53).

He observed that initially, trade and professional groups organized around their own narrow economic interests. To begin with, there is a limited awareness of economic-corporatist unity, albeit one that does not extend beyond these confines in relation to other groups. Subsequently, the economic-corporatist interest acquires political and legal status, which is combined with organization from the state. Consciousness is however still limited to economic-corporatist interests alone. Only when the interests that were once confined to a particular group are transcended, are interests universalized across vast segments of society.

While the historical and political situation of Italy in Gramsci’s time differ in many areas from Taiwan’s relations to mainland China, his insights on class alliances, historical blocs and the role of intellectuals provide a basis for analyzing both the national and international dimensions of hegemony in cross-Strait relations without taking the unified state as given. The extent to which a political society can (or cannot) articulate, harmonize and combine different parts of civil society serves as a
useful theoretical concept in understanding hegemony. Thus, focusing on the broadening of initially narrow corporatist interests and the building of class alliances can be the basis of a historicized analysis of how power operates in hegemonic orders.

3.4.3 Organic Crisis

Gramsci problematized periods of organic crisis, as periods in which social classes become detached from their traditional parties and a violent overthrow of the ruling classes is possible through wars of moment. During these times of crisis, existing inconsistencies within the historical bloc become more apparent as the material reproduction of hegemony is no longer sustainable (Gramsci, 1971: 210). Organic crises are therefore ruptures in which previously universalized and naturalized ideas are contested and challenged. In this sense, they represent a critical juncture that can provide opportunities for social forces to challenge and transform the political and economic system.

3.4.4. Passive Revolution

Not all challenges to hegemony come about through a political rupture or organic crisis. Interruptions and disruptions to hegemony can also transpire through a slow and gradual transformation process (Gramsci and Forgacs, 1988). In turn a rupture does not necessarily bring about a transformation of hegemony. Political elites may also be able to utilize opportunities opened by the organic crisis or rupture to subsume challengers and reestablish hegemony — albeit within newly configured elite formations, the basis for a passive revolution. Rather than relying on the active consent of social groups through ethical leadership, passive consent is achieved by the fraudulent ideological control over civil society (Augelli & Murphy, 1988: 22-3). Furthermore, social actors within the ruling classes can influence subordinate classes to consent to their own domination:

The traditional ruling class, which has numerous trained cadres, changes men and programmes and, with greater speed than is achieved by the subordinate classes, reabsorbs the control that was slipping from its grasp. Perhaps it may take sacrifices, and expose itself to an uncertain future by demagogic promises; but it retains power, reinforces it for the time being, and uses it to crush its adversary and disperse his leading cadres. (Gramsci, 1971: 210-11)
3.4.5 Organic Intellectuals

Another key concept in Gramsci’s theorization of hegemony is the role attributed to organic intellectuals. In contrast with traditional or more generic conceptualizations of intellectuals confined or seen as autonomous and independent from civil society, the organic variants are actors that actively articulate the ideas, worldviews and “common sense” of an existing hegemony or an alternative/counterhegemonic one. They represent therefore the agents within a historic bloc that facilitate leadership through consent: the creation of organic coalitions based upon perception of common interests (Augelli & Murphy, 1988: 18-22). The power of this type of intellectual in organizing and forming social class hegemony lies in the fact that they “do not simply produce ideas, they also concretize and articulate strategies in complex and often contradictory ways, which is possible because of their proximity to the most powerful forces in society.” (Bieler and Morton 2008: 121)

3.5 Internationalizing Hegemony

While Gramsci’s theorization of hegemony was predominantly national in context, his ideas have been applied to understand hegemonic orders in international relations (see for example Augelli and Murphy, 1988; Gill, 1990; Scherrer, 2001; Morton, 2007). Cox, in arguing that neo-realist approaches have tended to marginalize the role of social forces and the normative and institutional aspects of the world order, has sought to decenter state power as the sole explanatory factor (Cox, 2004: 21). Instead of viewing hegemony resting upon the dominance by a powerful state alone, Cox equates stability in the world order with a concept of hegemony that is based on:

[…] a coherent conjunction or fit between a configuration of material power, the prevalent collective image of world order (including certain norms) and a set of institutions which administer the order with a certain semblance of universality (i.e. not just as the overt instruments of a particular state’s dominance). (ibid: 26)

3.5.1 Categories of Forces and Spheres of Activity

For Cox, global hegemony (or a world order) is a fit between a particular configuration of forces, namely, ideas, institutions, and material capabilities (Cox
Crucial in the Coxian approach toward IPE is the independent role afforded to ideas as part of a historical structure. This configuration of forces is applied at three levels or spheres of activity, in which:

(1) the organization of production, more particularly with regard to the *social forces* engendered by the production process; (2) *forms of state* as derived from a study of state/society complexes; and (3) *world orders*, i.e. the particular configuration of forces which successfully define the problematic of war or peace for the ensemble of states.” (Cox 2004, 24)

Cox represents the framework of categories of forces and spheres of activity through two heuristic matrices:

**Figure 6: Categories of Forces and Spheres of Activity**

In contrast to ahistorical theoretical frameworks, Cox’s framework provides an alternative means with which to contextualize and analyze events and chart the progression and expansion of hegemony. In doing so, hegemony is delimited and analyzed through historical contextualization of social forces and the ideas that both shape (and are shaped) by the experiencing of material life and formation of institutions.

In the categories of forces matrix (Figure 6, left), ideas are linked with both material capabilities and institutions. Ideas are not determined by material conditions and institutions, on the contrary, human actors “form institutions”, “experience material life”, develop ideas about social, political and economic phenomena and act
upon these ideas (Berry 2007: 13). Cox utilizes two forms of ideational phenomena: ideas as “intersubjective understandings” (which can be likened to Gramsci’s idea of “common sense”) and ideas as agent/collective-specific:

Specific social groups tend to involve a collective mentality, that is, a typical way of perceiving and interpreting the world that provides orientations to action for members of the group. The term rationalities is used here to designate such coherently worked out patterns of thought, which correspond to practices in a specific social context…Rationalities are the interpretative structures of thought and mental rules for making decisions that are characteristic of specific social groups. (Cox, 1987: 25)

Spheres of activity (Figure 6, right) are built upon the rationalities of social forces that are interlinked with specific forms of state and world orders. In the following section, using the approach developed by Moore, I briefly outline Cox’s concepts in the context of the struggle over national hegemony (designated Matrix 1) and changes in the international configuration of forces (designated Matrix 2).

3.6 Matrix 1: The Struggle over National Hegemony

As Moore argues in her accounting of the encroachment of neoliberalism in South Korea following the 1997 Asian financial crisis, “the formation of hegemonic historical blocs requires national alignment to international elites’ expansive ideologies and a kind of convergence of relations of production that are supportive of a ‘global’ mode of production.” (Moore, 2011: 55)

During postwar reconstruction, non-communist states under the U.S. sphere of influence in Asia were supported militarily and economically in order to prop up an anti-communist buffer zone: a world order interlinking specific forms of state and social forces. These postwar economies with the help of massive economic and military aid combined with political support of authoritarian regimes and trade access shaped the creation of developmental states — establishing and completing a struggle over national hegemony. With the changing structure of the international division of labor prompted by the expansion of neoliberalism and the end of the Cold War, a reconfiguration of hegemony at the national and international levels ensured the maintenance of capitalist accumulation. In South Korea, hegemony of neo-liberal ideas that led to a massive restructuring of its post-crisis economy allowed the
entrenchment of institutionalization of structural reforms pushed by institutions such as the World Bank and IMF. By linking the concepts of ideational, institutional and structural factors, Moore demonstrates how hegemony can be seen as the formation of control over national contexts of development, mutually constitutive to a particular world order. In the national context, material capabilities, institutions and ideas form the basis for alignment with larger world orders.

3.6.1 Material capabilities represent the technological and institutional aspects used to harness and transform natural resources. The regulation of material capacities represents the infrastructure of society and has the potential of maintaining a particular mode of production and economic model (Moore, 2011: 11). With relation to hegemony, material capabilities ensure that a particular form of shared meaning remains relatively unchallenged from potential instability. In periods of organic crisis, control and recourse to material capabilities is a determinant to either a reorganization of elite domination (passive revolution) or a transformation from below.

3.6.2 Institutions represent the combination of the material capacities mentioned above along with ideational power. Institutions are building blocks of ideological edifices of society. They have several important functions that include the reproduction of knowledge, the merging of ideas within and across social groups and the minimization of the use force in the maintenance of social control.

3.6.3 Ideas represent a crucial part of maintaining a common worldview that has the potential of enjoining disparate social groups. They provide the concepts for propagation of particular ideologies. In moments of hegemony, ideas of social systems and the functioning of those systems including expected social roles of the actors within them are largely unchallenged and accepted universally. However, hegemony is vulnerable to the extent in which periods of structural change and unrest challenge the efficacy and legitimacy of ideologies and the institutions that serve to perpetuate them.

The U.S.’s commitment to defending Taiwan against China and subsequently shaping its economic structure to fit into the overall capitalist trade bloc in the postwar period serves as an example of harmonization of international and national interests, setting into motion the conditions for Taiwan’s development into an export-based economy directed by state directed capitalism. The KMT developmental state
which ensured economic stability and social cohesion was centrally administered and legitimised through the capability to maintain economic growth through industrial reform and the creation of a competitive export economy. A set of ideas concerning the role of the state in regulating industrial and trade policy thus became synonymous with ways in which economic policy was conceptualised.

3.7 Matrix 2: Global Historical Structures

Social forces and particular forms of state interlink hegemony at the national context and larger regional and world orders. Together, they harmonise potential gulfs between local ideas and institutions at the periphery with that of the hegemonic core. For South Korea's post crisis restructuring, neoliberal-dominant worldviews were furthered by the state apparatus of organizations that advocated the dismantling of regulations for investment and privileged state-corporatist structure.

In Taiwan, the potential market opportunities generated by the prospect of cross-Strait political stability also increased the currency of both national and global actors who sought to increase the role of capital development on both sides of the Taiwan Strait. They were uniquely positioned during the global financial crisis of 2008 to push for liberalization of trade, relaxation of tariffs and normalization of investment between China and Taiwan.

3.7.1 Social forces at the national level emerge as articulatory agents for specific modes of economic development. They include, but are not limited to, actors within and across political parties, think tanks and corporate associations that advocate a particular strategy and policy, but also forces diametrically opposed to such forms of development. In the realm of the cross-Strait political economy (but also in other contexts), these social forces include organic intellectuals that have invested resources, manpower and trade networks in cross-Strait business activities. These actors have increasing influence and methods in which they have articulated their voice on the state’s economic and trade policy toward China (Leng, 2005, Tanner, 2007) and redefine conceptual frameworks of politics and economic relations, as will be discussed later.

3.7.2 Forms of state and civil society/state complexes help explain how global hegemonic struggles play out in a national context. Cox identifies two important
tendencies in this regard: first, the supremacy of international capital over national capital, and secondly, the internationalization of the state itself (Cox 2004, 38). As Moore writes:

"[t]he locus of transformation from traditional norms and practices of governments and civil societies, to international competition and internationalization occurs throughout the development process within particular forms of state and power relations that emerge therefrom." (Moore, 2011: 17-8).

Taiwan's democratization and the rise of powerful transnational business interests have served to realign the developmental state. The diffuse identities (local, national, regional, class, among others) emerging from the post-authoritarian political landscape have merged unevenly with the rise of a cross-Strait political economy.

3.7.3 World orders represent periodizations within the history of capitalism in which there are common forms of state and the spreading of specific production norms that were instrumental in the expansion or destruction of global hegemonies. Cox outlines provides the examples of British imperialism in the 19th century and the post-WWII Pax Americana as examples in which social forces shaped by production relations offer an explanation for the rise and fall of global hegemony (Cox 2004: 27-8).

Cox's framework and Moore's elaboration of its national and global contexts provide tools for analyzing the changes in the domestic and world order (i.e. the shift in hegemony), which led to the deepening of trade relationships between Taiwan and China despite ongoing and unresolved political tensions between the rival states. By re-historicizing hegemony, Cox's concept of the interaction between ideas, institutions and material capabilities takes account of the role of human agency and ideas in the creation of and challenges to hegemony i.e. human ideas shape the formation of institutions but once established such institutions can also shape ideas. This framework thus provides the means of interpreting the historical context in which social forces and particular ideas structure the hegemonic capabilities of capitalism at the national and international levels.

Pressures to liberalize trade, privatize state enterprises as well as the pull of China’s economic power were conditions in which this configuration of power was challenged, and thus also the ideas, institutions and material capabilities that supported the developmental state paradigm. The position taken by social forces
including Taiwanese corporations, business elites with investments and assets in China, to influence political parties to pressure the state to liberalize its decades of trade barriers and restrictions occurred only after continuing internationalization of production processes that include a cross-Strait division of labor in various industries. While ideas concerning economic growth through a competitive export economy still dominate, a shift in the world order (demonstrated by Taiwan’s tilting from the U.S. to the Chinese economy) mean that ideas have stemmed from the structural conditions cross-Strait economy: i.e. business groups want the state to act as facilitator in their efforts to optimizing the growth in accordance to a specific cross-Strait division of labor.

The implementation of the ECFA, and the recent actions of the state indicate that dominant ideas of globalization advanced by these social forces have permeated the governance of cross-Strait economic relations, but to what extent are these ideas hegemonic? The next section explains the process in which hegemony can be operationalized through the concept of imaginaries.

3.8 Discourse and Hegemony

While Gramsci’s theory of hegemony historicizes power relations and development of his ideas on worldviews and ideology provide important insights on the ideational aspects of hegemony, discursive analysis of how hegemony is constructed and power is exercised remains underdeveloped in the field of international relations and international political economy. In arguing for needed attention concerning the dialectic relation of ideas as material social processes, Bieler and Morton provide a historical-materialist understanding of structural change that offers an alternative to determinism (Bieler and Morton 2008: 117). Their focus on Gramsci’s conceptualization of ideology as “historically produced through ceaseless struggle” (ibid: 119) provides a key linkage between the concepts of hegemony and the universalized worldviews of the ruling class, which when naturalized and taken up uncritically becomes associated with common sense.

The relationship between the ideology of intellectuals representing the dominant classes and common sense are not straightforward and are often conflated. Moreover, the relationship between dominant ideology and common sense is by no means a
given. Ideology has both a materialistic and idealistic component, in which historical philosophies and worldviews “spread only insofar as they are ‘organic ideologies’ in the material structure of production, that is, insofar as they correspond to existing contradictions and social struggles.” (Augelli & Murphy, 1988: 19) On the other hand, Gramsci characterized common sense in contrast to philosophy as: “diffuse, uncoordinated features of a generic form of thought common to a particular period and a particular popular environment.” (Gramsci 1971: 330) Common sense is therefore both:

the product of competing philosophies of the moment, but also the result of the fragmentary, incoherent sedimentation of the historical philosophies which follow each other in succession within the specific cultural environment of the social group considered. (Augelli & Murphy, 1988: 20)

Social forces therefore play a crucial role in the ideological development and structuring of Gramscian common sense into Coxian collective rationalities and intersubjectivities.

In order to understand this process, one needs a theoretical lens that connects the discursive processes through which meaning and knowledge are structured, reproduced, become dominant, and through which perceptions, cognitions and preferences are formed or subverted. The discursive-ideational approach, which borrows from Cox and Moore's conceptual frameworks of Gramsci, focuses on the confluence and interaction among ideas and social forces at both the national and regional-global levels in the cross-Strait political economy.

Figure 7: Discursive-Ideational Approach to Hegemonic Analysis
A key component in the approach pertains to the role of discourse in structuring power in a relational sense. Michel Foucault conceptualized power as not limited to the coercive powers of institutions that are used oppressively against individuals and groups (i.e. "power over"). Understood relationally, power is located between members of society, including between individuals and institutions (Foucault, 1994: 337). In this sense, interpretations of relational power have the following characteristics: 1) power exists at various sites and localities; 2) power is not only hierarchical, repressive and controlled by a dominant class, it can be mobilized as resistance and can flow in multiple directions; and, 3) where power is exercised, “points of resistance” are also present (Foucault 1978, 1994, 2003). Under these precepts, language and discourse are not mere instruments in the exercise of power, but also act to constrict and shape how agents structure ideas, institutions and action. Relational power is exercised through discursive formations of everyday life — thus constituting the “micro power” that permeates all reaches of society. In Stoddart's analysis of Foucault, “the production and circulation of discourses are simultaneously mechanisms for social power” and therefore those mechanisms must be utilized in order to exercise it (Stoddart, 2007: 205). As with Lukes’ third dimension of power, discourse has the ability to constrain and challenge exercises of social power.

According to Hajer, who draws heavily on Foucault, such discursive formations consist of specific ensembles “of ideas, concepts, and categorizations that [are] produced, reproduced, and transformed in a particular set of practices and through which meaning is given to physical and social realities.” (Hajer, 1995: 44) Such discourses can be analyzed in order to reveal how language and social practices structure knowledge to creates subjects and domination, and manufacturing of consent for leadership and hegemony.

The theoretical work of post-Marxists Laclau and Mouffe further develops Foucauldian concepts of power and discourse and links them to Gramscian notions of hegemony. Hegemony as “a political type of relation” exists not in a “determinable location within a topography of the social” but rather constitutes “points of condensation of a number of social relations.” (Laclau and Mouffe, 1985: 139). In addition, they see hegemony as being constituted by means of discursive articulation rather than through materiality or material forces, very much in contrast with Cox. Political struggles therefore, involve conflicts over the discourses that shape
“common sense” and thus the identity of different groups (ibid, 183). For them, discourse is therefore the means through which society is organized into a structured totality.

3.8.1 Discourse and Social Practice

For Foucault, meaning is the interconnection among axes of knowledge, power and ethics (Foucault, 1994). He was concerned with how knowledge of our own creation produces subjectivities and how power constitutes relationships of domination and subjugation. Drawing upon this, discourse and social structures form a dialectical relationship: on the one hand, discourse is shaped and constrained by social structure, on the other hand, discourse is socially constitutive. As Fairclough and Wodak argue: “[discourse] constitutes situations, objects of knowledge, and the social identities of and relationships between people and groups of people. It is constitutive both in the sense that it helps to sustain and reproduce the social status quo, and in the sense that is contributes to transforming it.” (Fairclough and Wodak, 1997: 258).

Building on the assumption of a dialectical relationship between language and other elements of social life by extrapolating from Foucault's three axes, Fairclough approaches this relationship by looking at the interrelated relation between certain genres, discourses and styles16 (Fairclough 2003: 28-9). But diverging slightly from Foucault, Fairclough believes that "control over things", "action on others" and the "moral subject" are dialectical in that they internalize one another. He describes the relationships as:

- Discourses as representational meanings are enacted in genres as actionable meanings
- Discourses are inculcated in styles (meanings of identification)
- Action and identities (genres and styles) are represented in discourses (representational meanings)

For instance, justifying economic liberalization can be interpreted as a discourse of competitiveness, a particular way of presenting one aspect of the activities of adhering

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16 Genres are particular ways of (inter)acting linguistically while discourses are the particular ways of representing some part of the world, be it physical, social, psychological, etc. Fairclough argues that texts have a crucial role in creating social identities, and this is where style, the discoursal aspect of particular ways of being is a resource drawn upon for self-identification.
and adapting to social norms, with language structuring how the discourse is to be enacted in narratives made up of genres (such as reporting, political argumentation, and public hearings) with it "suggesting" associated ways for people to identify themselves within specific roles in these frameworks, or associated styles. Dialectically, therefore, certain discourses are internalized in genres and styles. And on the other hand, genres and styles are based on particular representations drawn from particular discourses. An important component to critical discourse analysis is that language is a form of social practice tied to specific historical contexts (Table 2). Social practices in turn are the means in which social relations are continually reproduced and contested.

Table 2: The Dialectical Relationship between Languages and Other Elements of Social Life

<table>
<thead>
<tr>
<th>Level of social organization</th>
<th>Corresponding semiotic element</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social structures</td>
<td>Languages</td>
</tr>
<tr>
<td>Social practices</td>
<td>Orders of discourse</td>
</tr>
<tr>
<td>Social events</td>
<td>Texts</td>
</tr>
</tbody>
</table>

Source: Haig, 2008 adapted from Fairclough, 2003

Fairclough includes social practices, as well as language and other forms of semiosis (such as body language and visual images) within his concept of discourse. By social practices Fairclough means “a relatively stabilized form of social activity” (2001:1) that "define ways of acting." (Fairclough 2003: 25) He uses the examples of family meals, medical consultations, etc., but this could also include practices related to economic policies such as free trade. McGuire for example, argues that the discourse of free trade are a set of discursive practices that are produced and reproduced through processes such as trade negotiations and agreements, as well as through the academic journals and think tanks that promote the benefits of trade liberalization (McGuire, 2013: 48).  

Like Laclau and Mouffe (1985), Fairclough makes the connection between discourse and hegemony, whereby “a particular social

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17 McGuire draws on Hajer (1995: 44-49) rather than Fairclough (2001), but the concepts of practices as part of discourses is similar.
structuring of semiotic difference may become hegemonic”, or in other words, “become part of the legitimizing common sense which sustains relations of domination” (Fairclough 2001: 2).

The interrelated nature of discourse and economic policy is not only tied to specific conceptualization of economic domains, such as the developmental state. Discourse in relation to policy also represents particular “technologies of thought” and ways of knowing (Rose and Miller 1990: 5). Authorities seek to shape and normalize knowledge and policy production through specific mechanisms (ibid, 6). Technologies of government not only require a social ordering of knowledge through technical and policy discourse (which include statistics, calculation, and evaluation methods, specific vocabularies, terminologies, etc.). Like Fairclough’s concept of social practices, these specific mechanisms shape the cognitive frameworks to diverse groups of actors involved in policy formation and other governmental practices. Economic policies and programs are therefore not merely the instrumentalization or application of these particular technologies to a field (i.e. the national economy). The realization of a planned or imagined political program involves a complex process of evaluation, contestation and debate in which operationalization is dependent on the formulation of specific categories and techniques (ibid: 14).

Another useful insight from Fairclough (ibid: 3) is that discourses include not only “representations of how things are and have been” but also “imaginaries”, which he defines as “representations of how things might or could or should be.” The concept of "social imaginaries" (Thompson 1984: 6) is useful for making the connection between language (as discourse) and ideology and how this shapes social practice and policy. This can help reveal the socially constructed nature of economic interests and policies and how they are reproduced.

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17 These technologies and ordering principles also draw upon the transition of imaginaries to deontic systems.

19 Discourses can include ideas and draw on ideology. Discourses can affect ideological positions. See also Benford and Snow (2000: 613, footnote no. 2).
3.9 Operationalizing Hegemony — Discourses and Imaginaries

Building on discursive dimensions of power, the following section considers how discourse and concepts of imaginary can serve as a framework for operationalizing hegemony, including identifying the processes through which hegemony is constituted, challenged and reproduced. Specifically, I consider the role of discourse and how crisis situations create disruptions to accepted knowledge systems and social practices, which present the possibilities for re-articulation of meaning and reorganization or social practices.

Gramsci identified the historic bloc as a coalition of actors that possess not only the means and capabilities to control and direct the production process, but one that is also ideally situated to exercise ethical leadership with consent rather than coercion alone (Gramsci 1971: 263). Beyond looking after its own economic interest, the historic bloc’s primacy is derived through its ability to incorporate and institutionalize interests of rival and subordinate groups within society.

The strength of ideological structures that hold the historic bloc together is not the configuration of a monolithically and hierarchically positioned worldview instrumentally diffused as common sense. Rather, Gramsci distinguished worldviews as organic ideologies tied to the material structure of production versus common sense: “…the diffuse, uncoordinated features of a generic form of thought common to a particular period and a particular popular environment.” (ibid: 330)

The stabilization of the historic bloc is directly related to three interrelated aspects. The first is the economic system of production that distributes costs and benefits to various actors. The second is the institutional capacity in which actors are organized which include political parties, industrial associations and other elements of civil society. Finally, the third aspect is the ideological and discursive structures that provide cultural, symbolic and ideational guidelines to various practices and organizations (Levy and Egan, 2007: 810).

3.9.1 Conceptualizing the Imaginary as Discourse

The concept of imaginaries is useful to pinpoint how language and ideology shapes social practice and policy. Such an approach can help us understand how social
forces within nation-states frame internal and external policies based upon collective frames of identity and reveal the aspirational and socially constructed nature of economic interests and policies (imagined economies).

The imaginary is situated in language and semiosis: the creation of meaning through attaching a particular signification to a particular sign. Social actors

…imagine possible social practices and networks of social practices, possible syntheses of activities, subjects, social relations, instruments, objects, space-times, values, forms of consciousness. (Fairclough, 2001:1).

Social imaginaries can form the basis of collective consciousness. The nation, for example, can be seen as an “imagined community”. An imagined community in the Andersonian sense is different from an actual community in that it is not based on everyday face-to-face interaction between its members. Rather it is a socially constructed community in which people who might never meet each other in reality perceive themselves as part of an imagined group.

Along these lines, imaginaries can be defined as the deliberative, interpretive and strategic discursive forms that connect various ideological concepts with the material structure of production. As such, they differ from the results of collective acts of imagination (i.e. Anderson’s “imagined communities”) in that performative aspects of the imaginary motivate and guide collective action toward goals still unrealized (Fairclough 2012: 108). Imaginaries therefore form the discursive basis of strategies for collective action. As semiotic systems, they “guide collective calculation about that world” by means of delimiting complexity (Jessop 2011: 5). Economic imaginaries provide sets of beliefs and meanings which form the basis for economic policies, strategies for action and state projects, in which specifically defined economic activities are identified, privileged and stabilized (ibid: 6).

In times and locations of weakened hegemony in which dominant worldviews lose salience, certain imaginaries have a wider scope for generating paths toward crisis resolution or recovery. During these times particular imaginaries may become more relevant and legitimate than others, leading to the operationalization of their frameworks for action — the process of sedimentation. The opposing process to sedimentation is politicization, in which naturalized knowledge, semiotic systems and material factors are called into question and directly challenged (ibid, 6). The process
of politicization does not entail the wholesale creation of opposing, stand-alone discourses. Rather, discourses (e.g. political argumentation) are often appropriated and re-contextualized for particular contexts and time frames. Within this process, Fairclough notes, “…certain arguments come to be recurrent and come to achieve the relative durability and stability we associate with practices and discourses.” (Fairclough, 2012: 83)

Hegemonic processes in which the alignment of material, institutional and discursive aspects of historic blocs can be analyzed through the concurrent processes of sedimentation and politicization and how they shape the frameworks for action. In Taiwan, alignment of these factors have proved most stable during the Cold War in which alignment of global modes of production and ideologies were adapted to national contexts. While discursive challenges to the dominant imaginary occurred during democratization, subsequent historic blocs have utilized sedimented economic systems of distribution to build legitimacy. As I will show following Chapter Four, politicization and challenges to hegemony are partially a recontextualization of identity that are structured upon existing and changing knowledge contexts.

In this way, a critical approach toward cross-Strait relations does not assume pre-given, structurally inscribed national identities associated with particular national interests, let alone pre-given forms of nation-states. Instead, its main objective is to examine the efforts by social actors to construct and enact identities and associated ideas which are aligned to particular imaginaries. In the analysis of imaginaries, how these identities correspond to objective locations of ‘the nation’ in a specific space-time is relevant in uncovering the domination of political elites in expanding capital accumulation in the Taiwan Strait.
Chapter Four: Methodology

Having elaborated on an alternative theoretical framework for cross-Strait political economies, in this chapter I narrow and differentiate the field of critical discourse analysis and substantiate my reasons for utilizing Fairclough’s framework, which emphasizes the dialectic relations between language and social structure. Next, I situate critical discourse analysis within the field of cultural political economy as developed by Sum and Jessop, highlighting their differences with regard to imaginaries. Finally, I elaborate on the methods regarding text selection and the aspect of analysis which guided the analysis and interpretation of said texts through collective action frames, and argumentative/narrative analysis.

An alternative approach to cross-Strait economic interaction is based on overcoming several limitations to predominantly realist IR theory. I presented how Gramsci's concepts concerning hegemony present a dynamic framework for the building of alliances and how ideas of Cox can analyze these historical moments in terms of broader world orders that involve specific configurations of forces. Building on Cox's historical structures and Moore's matrices, I consider how social forces and ideas of economic development are shaped through discourses, and that dominant ideas of economic policy are configured depending on historical contexts and the position of actors to make sense of their world through imaginaries.

Discourse analysis has diverse roots that can be traced to the fields of rhetoric, linguistics, anthropology, philosophy, cognitive sciences, sociolinguistics, literary studies, among others. We can broadly locate three such approaches: 1) discourse analysis that focuses primarily on linguistic features of texts; 2) approaches that are centered on the socio-historic context and thereby also the change of discourse over time; and 3) the analysis of strategic communication choices of discourse.²⁰

²⁰ Wodak and Meyer list seven commonalities in approaches to discourse analysis, including properties of ‘naturally occurring’ language use by real language users; the units of analysis that go beyond isolated words and sentences (texts, discourses, speech acts, etc); looking beyond sentence grammar to emphasize action and interaction; extension of analysis to consider the non-verbal aspects of interaction and communication; the focus on strategies; analysis of the contexts of language use; and analysis of text grammar and language use including argumentation, speech acts, etc. (Wodak and Meyer, 2008: 1-2)
Within discourse analysis, the focus can be broad depending on the research agenda. According to Howarth, discourse analysts examine:

the ways in which structures of meaning make possible certain forms of conduct. In doing so, s/he tries to understand how the discourse which structure the activities of social agents are produced, how they function, and how they are changed. (Howarth, 2000: 115)

The analysis of discourse can also be an investigation in dealing with how relations of power and domination are (re)produced through specific types of discourse (political discourse for example), including the possibilities for resistance and counter-hegemonies (van Dijk, 1997: 11).

Fairclough sees discourse analysis as a three-part process that considers the text itself, the process of text production and how it is received, and the social-historical contexts that affect these processes. Each of these processes corresponds with a different kind of analysis. For example, a strictly performed text analysis can provide description of the occurrences of nominalization (a representation of an active agent without human action); the choice of relying on passive verbs (which does not clearly indicate the agents involved in the action); the usage of metaphors such as "upgrading" to clarify and align certain objects with other processes. Social analysis of texts used in specific context, rather than focusing on its grammatical structure, may involve an entirely different scope in considering the ideological effects in texts and the means in which they are enacted, as well as how these processes can change over time. One way to consider historical change is to consider larger networks of social practice, what Fairclough terms orders of discourse, and the involvement of social actors in shaping the control of linguistic variation within social relations.

Such an analysis of texts does not ignore the role of social agents in their strategies of enacting ideologies in discourse and the ways in which they connect meaning through semantic relations. The external relations of texts through intertextuality and assumptions provides avenues into considering how hegemony and ideology operate within social practices.

All forms of fellowship, community and solidarity depend upon meanings which are shared and can be taken as given, and no form of social communication or interaction is conceivable without some such 'common ground'. On the other hand, the capacity to exercise social power, domination and hegemony includes the capacity to shape to some significant degree the
nature and content of this 'common ground', which makes implicitness and assumptions an important issue with respect to ideology. (Fairclough, 2003: 55)

Common ground can easily be conflated with mutual understanding when it comes to the processing of discourse and its shorthand forms. It can be more precisely defined as the interpretive role of actors while communicating to evaluate statements in terms of their cognitive relevance, consistency and accuracy (Hajer 2006: 69). Applying discourse analysis to map the selection of discourses used by actors to structure their understandings of world can allow us to see how "discourse, cognition, strategic behavior and institutional patterns interrelate and political change occurs" (ibid, 68). A key concern of critical discourse analysis (CDA) concerns the development of a theory of language that can analyze the enactment of power, domination and exploitation, while subjecting the analysis for the critique of these systems of power and their reproduction.

4.1 Critical Discourse Analysis and the Cultural Political Economy

Discourse analysis is therefore a critical component in mapping the process of semiosis: the source of how actors make sense of the world. Charting semiosis by human agents and its dialectical relation with social structure is the cultural political economy (CPE) approach that Jessop and Sum employ to explore the processes of discursive and structural interaction. They consider this approach a careful navigation that avoids hard economic determinism on the one hand (the "structuralist Scylla") and constructivist reductionism ("the constructivist Charybdis"). In defining imaginaries as loosely defined "semiotic ensembles" (or meaning systems) that frame individual experience, they argue that semiosis and structuration are dialectically related moments:

in so far as the social is grounded in discursively constituted and meaningful action, it is also semiotic; and, in so far as semiosis is realized in/through social relations with distinctive emergent properties, it is social. (Sum and Jessop, 2013: 155)

As the creative products resulting from semiotic and material practices, imaginaries are said to have performative power as they identify, privilege and stabilize some economic activities ("the economy") from the totality of economic relations (the "actually existing economy"), perhaps at the expense of others. There are constraints
resulting from the dialectical relations between semiosis and structuration that delimit
the creative possibilities of imaginaries just as the *feasibility* and *relevancy* of some
imaginaries outweigh alternative ways of ordering lived experience. Jessop and Sum
elaborate that the “evolutionary mechanism” that make construals to sedimented
practices involves a process of variation, selection and retention, where:

There is continuing variation in discourses as actors intentionally or
unintentionally redefine the sites, subjects and stakes of action and articulate
innovate strategies, projects and visions. While most of this variation is
arbitrary and short-lived, lacking long-term consequences for overall social
dynamics, some semiotic innovations are selected. This occurs because they
resonate discursively with other actors and social forces and/or because they
are discursively reinforced through various structural mechanisms.” (ibid,
161-2)

The processes that shape an imaginary therefore include:

- **Variation**: in discourse and practices, adaptations to specific circumstances
  including new challenges/crises, other semiotic and material causes
- **Selection**: of particular discourses for interpretation/legitimizing
  actions/representation of social phenomenon
- **Retention**: of resonant discourses due to greater range of sites
  (horizontal/vertical) means greater potential for effective institutionalization
  and integration
- **Reinforcement**: Material and discursive mechanisms can strengthen
  appropriate genres, discourses and styles while filtering out alternatives
- **Selective recruitment, inculcation, and retention**: by relevant social groups,
  organizations, institutions, etc.

The selection of these innovations are related to what Hajer terms *discursive affinity,*
which explains how disparate ideas (for example morality, economic regulation,
scientific argument) can work in concert in conceptualizing the world despite their
different origins (Hajer, 2006: 71).

Related to the CPE imaginary, Hajer also employs the term "storyline" to consider
how actors develop ways of understanding of complex issues through narrative
processes that fix a beginning, middle and end to something. He argues that while
there is an *assumption* of mutual understanding of what is sent and how the intended
receiver interprets that message or cue, such a starting point of coherence or full
understanding should not be taken as a given. (ibid, 2006: 69). Part of what makes
critical discourse analysis so important is determining the factors that hold storylines
together, and making them resonate more or less effectively with competing alternatives in relation to social structure.

Discourse analysis can therefore be used to uncover the production of meaning, social practices and power relationships that constitute these frames, revealing how actors enact imaginaries through (re)production of social representations that sustain dominance. A CPE inspired ideology critique with a CDA methodological framework would:

- Explore how semiosis works in the sense of complexity reduction;
- Identify the social imaginaries (i.e. economic imaginaries) and their form and content;
- Consider their constraints in securing domination/whose interests are served;
- Distinguishing the cases in which these effects are motivated and/or where they are effects of sedimented meaning

4.2 Discursive Selectivity and the Role of Discourse Analysis

CDA can draw upon the above notions of variation, selection and retention by considering what processes are involved in making some imaginaries more resonant than others in terms of these semiotic innovations. Compatible with the dialectical relations between discourse and social structures is the notion that imaginaries are selected and retained through agency, and the structural mechanisms that constrain the availability of strategies at their disposal.

A key distinction made by theorists Norman and Isabella Fairclough about imaginaries in contrast to the conceptualizations under CPE has to do with how imaginaries draw their performative power. The Faircloughs draw clearer categorizations between imaginaries as discursive representations of the present and those that function as future projects and visions.

CPE seems to talk of ‘economic imaginaries’ or ‘imagined economies’ as designating both alternative, competing representations of the actually existing economy, and future visions or projects, competing for selection and retention, and eventually capable of more-or-less shaping the actual world. We argue for a clear distinction between these two types of representations…imaginaries, as future visions, capable of guiding action, are assigned to the goal premise,
while semiotic representations of the actual world are assigned to the _circumstantial_ premise. (Fairclough and Fairclough, 2012: 103-4)

Table 3: Distinctions between CPE and CDA Concepts of Imaginaries

<table>
<thead>
<tr>
<th>Imaginaries proposed by Sum and Jessop (2013)</th>
<th>Imaginaries proposed by Fairclough and Fairclough (2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic imaginary as a one of an infinite representation of the <em>actually existing economy</em></td>
<td>Imaginaries as future visions or projects that will shape the actual world</td>
</tr>
<tr>
<td>Functions as <em>circumstantial</em> premise</td>
<td>Functions as <em>goal</em> premise</td>
</tr>
<tr>
<td>Deontic system that create system of rights, duties, obligations, and authority</td>
<td>No deontic powers unless acted upon as an institutional reality</td>
</tr>
</tbody>
</table>

Source: Compiled from Sum and Jessop (2013: 165-5) and Fairclough and Fairclough (2012: 103-4, 108)

The performative power of imaginaries as representations of a "future possible world" (in contrast to one that is a representation of the actually existing one) lies in how visions of a future world can in fact work to generate structural possibilities and constraints.

The ‘performative’ power of an ‘imaginary’ has to do with whether or not, in practical reasoning over action, in relevant contexts (having to do with persons, settings, procedures, etc.—which themselves must have the appropriate status functions), the ‘imaginary’ is collectively recognized as (institutional) fact (e.g. enshrined in new regulations, laws, discourses and genres, etc.), generating a deontic system, and thus enabling and constraining human action. (Fairclough 2012: 108)

CDA thus provides one avenue in operationalizing the processes in which semiosis functions through imaginaries oriented toward future visions and goals. And while the Faircloughs use practical reasoning and argument analysis as a basis of highlighting the processes of selection and retention of semiotic innovations, framing and the analysis of storylines are also possibilities for such a research paradigm as both are concerned with the explanation of social orders partly in terms with how discourse establishes and maintains relations of power.

4.2.1 Imaginaries and Framing

Imaginaries can also form the discursive basis of strategies for collective action in the form of framing, paving the way for deontic systems mentioned above. As
“semiotic systems that frame individual subjects’ lived experience of an inordinately complex word,” imaginaries can “guide collective calculation about that world” (Jessop 2011: 5). Economic imaginaries, for example, can provide sets of beliefs and meanings which form the basis for economic policies, strategies for action and state projects, in which specifically defined economic activities are identified, privileged and stabilized (ibid: 6). As grand narratives or larger orders of discourse that shape perceptions about what is possible (and also desirable), imaginaries provide sets of beliefs and meanings which form the basis for policies, broader strategies and justification for action.

The process in which such discourses become hegemonic involves what Hajer refers to as discourse structuration and discourse institutionalization (Hajer, 2006: 70). Discourse structuration is said to occur when a particular discourse becomes the predominant way that a group of social actors conceptualize their reality. Discourse institutionalization is defined as the organizational and institutional arrangements that are made when enough people buy into or are convinced by a particular structuration of discourse, or conceptualization of the world.

With respect to this research objective, I look at what its authors draw upon in terms of justification and argumentation, along with their circumstantial, problematizations of their social surroundings and whether these concepts originate from larger orders of discourse. There are different levels of such discourses, and they are relevant at different times and spaces. For example, trade policy with China can draw upon very specific framing of concepts for strategic deployment in broadening support for a particular standpoint or position. Whether it is defined as a “master frame” or imaginaries, both function at an abstract level — they can provide the cognitive material for framing action, and they can consist of more “naturalized” forms that structure logics and modes of thinking (i.e. what is a nation, what is economic policy, etc.).

As the structuring of actor participation in the practice of envisioning an imagined economy, discourse inculcates the storylines, narratives and properties that originate from different worldviews (i.e. ideas of national body politic, economic rationalities, etc.) which form the basis of new imaginaries depending on the interactions of these ideas and social forces. To explore the workings of this process, I utilize a CDA
developed by Fairclough. By subsequently supplementing CDA with frame analysis, the linkages between worldviews and imaginaries can be more precisely defined in terms of variation, selection and retention of storylines and narratives that whether their influence can be defined as hegemonic.

4.3 Methodological Roadmap

Drawing upon Wodak and Meyer, my research design corresponds to a circular principle involving a process of interdependent acts of operationalization and interpretation.

Figure 8: Empirical Research as a Circular Process

Source: from Wodak and Meyer (2008: 24)

1) Theory to Operationalization: The initial step involves the conceptualization of key theoretical concepts, relations and assumptions. For the current undertaking, I focus on power, ideology and the role of language beyond its manifestations in discourse — my focus is on how these are operationalized into imaginaries that serve as framing strategies from envisioning economic policies as precursor to particular political project, to cognitive (re)structuring of everyday life.
2) **Operationalization to Discourse/text:** I then elaborate on methodological procedures and instruments to map out the changes in discourse and the power relations among competing imaginaries that operate across the Taiwan Strait. Detailed below, these include devising a critical discourse analysis that is influenced by theoretical concepts of Gramsci and Cox. In addition, it clarifies conceptual gaps which are not necessarily ontological between imaginaries and collective action frames.

3) **Discourse and interpretation:** The selection of information from the corpus is completed using a variation of Fairclough’s Critical Discourse Analysis. After coding for concepts which concern the major genres, discourses and styles that correspond with the research question, a structural analysis of major texts. Interdiscursivity, as a level of analysis bridges linguistic analysis and social analysis of specific social events and practices, is completed within the confines of frame analysis to consider the particular mixing of genres, discourses and styles and how they are articulated in a text.

4) **Interpretation and return to theoretical assumptions:** In the final stage, findings drawn from the analysis are discussed with initial theoretical assumptions on hegemony, power and ideology and collective action frames.

The social problem under investigation involves charting the change of discourse in the construction of new imaginaries of economy in Taiwan vis-à-vis China. The emblematic issue of the ECFA as both a historically symbolic and unprecedented political event in terms of trade and diplomatic policy shifts, also involved a series of broader conceptual shifts in imagining trade with a increasingly antagonized "Other". The contested nature of economic imaginaries and how they are established involve struggles over their definition, efficacy and legitimacy in terms of national interests, but also in terms of evaluating the state's role in economic planning and development in times of uncertainty. Because it involves understanding how the social problem arose and how this related to the organization of social life, an analysis on imaginaries would focus on tracing the processes within discourse to chart how actors link the ECFA implementation with future economic imaginaries while also considering how they perceive and represent resistance/obstacles against its realization.
The network of practices within the social problem of economic imaginaries include (but are not limited) to: forecasting national economic development in relation to processes of globalization; creating regulatory frameworks to define, institutionalize and facilitate the cross-Strait economic flows; establishing benchmarks and indicators for measuring “progress” on processes of liberalization and normalization - including the harmonizing of these measurements with international practices. Outside the confines of policy circles, policymaking and implementation, the network of practices includes engagement with civil society, for example in the form of consensus building among allies, discrediting and blunting criticisms not limited to oppositional forces, but also generating ideas on the limits of democratic governance and debate, the prioritization of specific forms of expert knowledge (“competition gurus”) and the implications for a post-ECFA Taiwanese economic society.

The cross-Strait political economy is increasingly becoming a narrative of inevitability as actor utilized story lines bring simplicity to make sense of complex processes: cross-Strait rapprochement (depending on how it unfolds, who or what gets in the way) will lead to changes that are parallel, for example, to economic globalization. While this is one of many narratives, which include but are not limited to reconfiguration of industrial value chains, the restructuring of life across the Strait, the commodification of culture (in popular forms such as tourism but also knowledge forms), the dominant narrative of the ECFA's potential and perceived impacts, has been the main area of contention. The unresolved nature of sovereignty disputes between China and Taiwan is thus also analyzed in terms of interests it may serve.

Discourses and the imaginaries they form are porous and subject to competing visions, worldviews and ideologies under certain conditions. Nationalism in Taiwan has shifted from identification of state symbols tied to modernizing China toward island-centered language groups, ethnic studies and local collective memories. These cluster together (or create ambivalent combinations) and interact unevenly with changing discourses of the national economy. The combinations of imaginaries are simultaneously incorporating, negating and coopting strands of competing discourses. Discourse analysis allows for the investigation of hegemonic struggles that seek to universalize imaginaries.
4.4 Document Analysis

Document analysis of the ECFA for this research focused on two main stages. The initial phase involved (re)covering the contents of main actor positions and chronology of events within the popular media which covers the time span of February 2009 until the televised debates between president Ma Ying-jeou and DPP chairwoman Tsai Ing-wen in April 2010. As an unfolding emblematic event, press coverage of the ECFA negotiations, analysis of impact and political debates surrounding its merits and controversies grew. Along with the transcripts from the public forums (March to May 2009) and the nationally televised debate, opinion editorials that were fielded on ruling coalition papers (including the *United Daily News*, the *China Times*, the state sponsored *Central News Agency* and the KMT party publication, the *Central Daily News*) formed the corpus of the initial analysis of structuring concepts, ideas and categorizations.

Utilizing these sources and the targeted analysis into the texts and interview transcripts, I identified major concepts and their associated assumptions and metaphors:

Table 4: Major Concepts and Themes within Text Analysis

<table>
<thead>
<tr>
<th>Concept</th>
<th>Frequently linked assumptions</th>
<th>Associated metaphors and/or characteristic traits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitiveness</td>
<td>As necessary for economic growth; adhering to &quot;rules of the game&quot;; efficiency and deregulation</td>
<td>Competitiveness rankings, benchmarking and assessment of national strengths and weaknesses; South Korea as competitor; glorification of pre-DPP history/derogation of DPP era politics</td>
</tr>
<tr>
<td>Globalization</td>
<td>As a natural, inevitable, irreversible process</td>
<td>Markets; waves, removal of existing barriers; accelerated time, (a)politicalization of economic integration</td>
</tr>
<tr>
<td>Forms of economic agreements</td>
<td>Conforming to international practice; necessary for economic growth</td>
<td>Frameworks (ASEAN+n), early harvest list, safety-net</td>
</tr>
</tbody>
</table>
Normalizes cross-Strait relations: New phase in historical periodization; gauging the status quo; economic normalization as globalization

ECFA; One China market, peaceful development, regulation of Chinese labor, stability, Cross-Strait Common Market; cross-Strait division of labor ("Chi-wan" model); special economic/experimental zones

Role of political parties: As carriers of ideologies; societal role of party system; connection with body politic

Barriers, obstructions, backward ideologies, self-serving

National identity: Economic strength and ingenuity of populace

Connectivity with globalization, cultural innovation; potential for backwardness (see political parties)

Business interests: Positioning linked to opportunity and attractiveness of infrastructure

Homo economicus, upgrading, relocating, adapting, typology as (non)competitive, traditional, sensitive

The second phase of document analysis followed the signing of the ECFA in June 2010. While the pact went into formal effect in January 2011, the analysis of documents at this phase were crucial in further production of discourses among think tanks, experts and elites in the follow up period. The focus on these discourse coalitions reveals the discursive work involved in rebuilding narratives of development behind imperatives of economic readiness of the nation and citizen. The state role in discourse production shifted from monitoring and assurance posturing toward demonstrating, show-casing and linking the ECFA with broader economic and social projects. At this stage, policy recommendations, government sponsored advertorials, policy papers (white papers), position papers from party and state think tanks were analyzed in terms of linking the conceptions with broader story lines and narratives.

It is important to note that these concepts are not mutually exclusive to one another, as they often are used in concert. Competitiveness, for example, may be employed as justification for a response to globalization, which is made more resonant by appealing to national identity. Political parties may in turn frame competitiveness
differently (here Hajer’s point of not assuming mutual understanding is key), while keeping in mind the audience/recipient’s forehand knowledge of the concept. Metaphors to these concepts aid in their binding to narratives and storylines more conducive to public vernaculars and the simplification of technical issues.

4.5 Helicopter Interviews with Experts

A series of semi-structured, helicopter interviews was conducted in June 2011 focusing on members with expertise and involvement in discourse coalitions on cross-Strait trade relations (see Bibliography—Interviews). The selection of experts was chosen to establish an overview of the policymaking and policy analysis field with regard to the ECFA process. Interview partners included: two former state officials in the ROC diplomatic corps, the then vice-minister of the Mainland Affairs Council, the general secretary of the Chinese National Federation of Industries, members of think tanks associated with the government and ruling parties (Chunghua Institute for Economic Research, the National Policy Foundation, Cross-Strait Common Market Association) and opposition parties (Taiwan Brain Trust), and a professor of economics with expertise in the cross-Strait political economy. These interviews were conducted to obtain data on expert interpretations of current cross-Strait economic prospects in light of the signing of the ECFA.

Expert interviews provided insights into cognitive mapping through deliberative actions including methods of political argumentation (means of justification, de/legitimization of particular ideologies and/or strategies), and framing actions. In addition to understanding the goals of, and motivations for action in pushing a particular political strategy, expert interviews reveal from varying perspectives the circumstances of action and values behind those motivations.

4.6 Collective Action Frames

Imaginaries can be differentiated between those as representations of what actually exists and representation of future visions with no deontic powers. Framing is the enactment of cognitive maps in addressing what needs to change in order to bring the imaginary into being.
Frame analysis is principally concerned with analyzing how an issue is defined and problematized, and the effect this has on broader discussion of the issue and mobilization of action. Here I draw on the work of Benford and Snow (2000) and Gerhards (1995) to examine how issues are problematized, what solutions and strategies are proposed for dealing with this problem, and what rationales for taking action are provided. This can also apply to the deliberative and argumentative aspects of the policy process. Benford and Snow provide a comprehensive overview and assessment of the literature on framing and therefore are used as the basis for explaining the core tasks and processes of framing.

When taken as having the function of a narrative, frames gain strength in that they are more capable of linking processes and connecting themes such as the concepts listed in Table 4. They also function as heuristic maps, providing shortcuts and cognitive coordinates and benchmarks, which serve to weave together seemingly dissonant or incongruous pieces of reality (Benford and Snow 2000: 615). Specifically, the framing of trade policy and narratives that seek to compartmentalize “economics from politics” can be done by examining what Benford and Snow categorize as the diagnostic, prognostic and motivational aspects of collective action frames.

Table 5: Collective Action Frame: Core Framing Tasks

<table>
<thead>
<tr>
<th>Frame typology</th>
<th>Frame function</th>
<th>Questions addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diagnostic/</td>
<td>Understanding the problem, and addressing its causes</td>
<td>What is the problem?</td>
</tr>
<tr>
<td>Circumstances of action</td>
<td></td>
<td>Why is it considered a problem? (threats if problem allowed to continue)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Why is it significant? (individual/collective/social relevance)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Who or what is to blame?</td>
</tr>
<tr>
<td>Prognostic</td>
<td>Identifying strategies and ways to overcome the problem</td>
<td>How should the problem be solved? (goal/solution)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Who should solve it? (addressee)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>What can we/you do about the problem? (strategy/collective action)</td>
</tr>
</tbody>
</table>
Besides linking concepts and ideas together, collective action frames also facilitate social forces in reducing complexity, situating social problems with everyday life and identifying obstacles and opponents as either causing those problems or impeding on a future opportunity or solution. They are also important interpretive frameworks for ordering the possible outcomes for imaginaries, in this case, future economic relations with China which involve foreseeing the institutionalization of trade policy, the liberalization of bilateral capital flows around preexisting structural constraints. Having identified the core framing tasks of the principle agent of discourse production under investigation, I return to the original concepts (Table 4) in order to consider the following questions as they emerge from the texts analyzed:

Table 6: Textual Analysis of Main Narrative Concepts

<table>
<thead>
<tr>
<th>Form of textual analysis</th>
<th>Analytical questions to the text</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social events</strong></td>
<td>What social event, and chain of social events is the text part of? To which social practice or network of social practices can the texts be referred to or is framed within?</td>
</tr>
<tr>
<td><strong>Representations of social actors</strong></td>
<td>How are social actors represented?</td>
</tr>
<tr>
<td><strong>Genre</strong></td>
<td>What genres does the text draw upon? Is the text a mixture of several genres?</td>
</tr>
<tr>
<td><strong>Discourses</strong></td>
<td>What discourses are drawn upon in the text; how are discourses textured? Is there significant mixing of discourses? What features (such as assumptions, metaphors) does the discourses draw</td>
</tr>
</tbody>
</table>
While social actors rely on prognostic, diagnostic and motivational frames, what is left relatively unclear is the relationship between imaginaries and frames. As diffuse forms of knowledge in comparison to frames, imaginaries are the building blocks for more ideologically structured knowledge systems. But as possibility-delimiters, all imaginaries have a built in ideological component that negate and obstruct competing and rival imaginaries. Ideological analysis according to Freeden,

is to categorize, elucidate and decode the ways in which collectivities in fact think about politics, the ways in which they intentionally practice the art of political thinking, and unintentionally express the social patterns which that kind of thinking has developed. That analysis encompasses a span ranging from what is done to what can be done. (Freeden, 2000: 304)

If we take ideologies as past or future oriented traditions embedded a-historically and involve a process of internalizing history (ibid, 306), collective action frames are the "bundled" forms of assumptions, abbreviated narratives and discursive ideological material available (asymmetrically) to social forces. As “political thought practices”, ideologies can promote the effective de-contestation of political concepts by means of prioritization and relativization over previous meanings or meaning systems (ibid, 307).

In order to contextualize the emblematic event of the ECFA, my next task maps the historical processes of economic development in postwar Taiwan with respect to the ideological components that formed the power constellations of the three periods: the authoritarian system under the Chiang Kai-shek and Chiang Ching-kuo (Chapter
Five), the period of democratic consolidation under Lee Teng-hui after 1988, and Chen Shui-bian's deepening of Taiwanese national identity (Chapter 6) in the 2000s.
Chapter Five: The Road to a Trade Policy with China

5.1 Disruption of Hegemony: the Role of Critical Junctures

This chapter elaborates on the external and internal factors, which constituted a critical juncture in Taiwanese trade policy towards mainland China. Providing an overview of the historical context of cross-Strait economic integration between Taiwan and China, it argues that the combination of a shift in U.S. foreign policy in the 1980s, the emergence of China as a regional economic power together with the lifting of martial law in Taiwan constituted a critical juncture that disrupted previously stable institutional structures. The result was the opening up opportunities for powerful actors to systematically redefine Taiwanese nationalism and the way in which trade with China would be perceived. This represents an opening of a once stable postwar hegemony to variation and selection of competing imaginaries of which will be the subject of the next chapter.

Critical junctures can be characterized as situations:

- in which the structural (that is, economic, cultural, ideological, organizational) influences on political action are significantly relaxed for a relatively short period, with two main consequences: the range of plausible choices open to powerful political actors expands substantially and the consequences of their decision for the outcome of interest are potentially much more momentous. (Capoccia and Keleman, 2007: 343).

In other words, such moments provide opportunities for powerful political actors to systematically transform the political and economic system within (often rapidly) changing structural constraints.

The shift in the postwar U.S.-led international trade regime from reciprocity and preferential access to trade liberalization, to balancing of trade to reduce external trade deficits along with China’s transformation towards a market-based economy, pushed the Taiwanese state to adopt neoliberal economic reforms and encourage national competitiveness as a means of attracting investment. It also created the impetus for small and medium Taiwanese firms, and subsequently larger corporations, to look elsewhere for ways to remain competitive in the world export market. These changes took place within the context of new state and civil society dynamics bought
about by dismantling of the authoritarian state and the democratization process in Taiwan. While the KMT party-state sought to maintain control by ensuring economic stability, the combination of these external pressures and internal dynamics produced an "organic crisis" of its ideological legitimacy.

Gramsci described periods of organic crisis, as those times when social classes become detached from their traditional parties and an overthrow of the ruling classes is possible (Gramsci, 1971: 210). The disintegration of the previously stable governing order in Taiwan, once under one party rule since 1945, opened opportunities for subordinate groups to overcome former limitations and build sufficient popular support to challenge (and potentially overthrow) the existing hegemonic order. Social forces that had previously been marginalized found a new voice in a myriad of social movements, while at the same time local capitalists and emerging political factions began to jostle for power and influence. If, however, opportunities to overthrow the existing order are not (or cannot be) fully realized, the dominant class can subsequently take advantage of such periods of unrest to reassert control while building up new forms of hegemony, albeit on the basis of a new configuration of alliances (the aforementioned passive revolution).

In the case of Taiwan, elites of the one party state and associated stakeholders were able to utilize opportunities opened by the critical juncture described above, to shape the emerging democratization process and incorporate many social movements and pressing debates (about the shaping of post-authoritarian society) into totalizing national identity and electoral campaign discourses. The potential revolutionary and transformative alternatives to the predominant developmental state were subsumed in the form of passive revolution in which the political system was reformed enabling the ruling class to retain control - production and capitalist accumulation strategy at large were reconfigured to cement control of the "new" passive revolution. Eventually, corporate actors were able to take advantage of the fluid political situation and their increasing economic clout to redefine the nature of economic relations with China and to justify increased trade despite hostile political relations. This period would thus entail the reframing of Cold War ideological hostilities into a continually nationalized debate over trade relations with China.
5.2 The Realignment of U.S. Foreign Trade Policy

The emergence of a developmental state in Taiwan (and other east Asian states allied with the U.S. postwar order) formed the basis of the passive revolution during the immediate postwar era. With the rise of the U.S. and its attempts to stabilize and maintain its military hegemony in its spheres of influence, it also harnessed power by creating stable economic and political orders. A major component of this order was the creation and maintenance of a U.S.-led multilateral global trading network in Western Europe and East Asia.

U.S. objectives in the region included: 1) creating alliances with political elites in the region that would support and become part of its global trading order and 2) by means of providing military/economic aid and economic developmental expertise, establish modern client states that would institutionalize capitalist social relations thereby integrating East Asia to a network of productive economies capable of consuming U.S. products.21 From the 1960s until the mid-1980s, Taiwan’s export oriented economy had relied on preferential access to the U.S. market as well as its other allied trading partners. This dependency was crucial for the maintenance of Taiwan’s state-centered developmental strategy, allowing the Nationalists to rule relatively unchallenged.

However, during the 1980s, as the politics of neoliberalism reached its heyday, advanced industrialized countries began to dismantle the postwar-Keynesian economic order in favor of policies and institutions that sought to increase the reach of market forces and curb state involvement in the development process. This included liberalization and deregulation of economic transactions within and across national borders and the privatization of many state-owned enterprises, along with the “roll back” of forms of state intervention and “roll forward” of new forms of governance purportedly more suited to a market-driven globalizing economy (Peck and Tickell 2002: 43).

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21 American military and economic aid, which amounted to $3.64 billion dollars from 1953 to 1967 did not flow into KMT coffers without strings attached—they were instrumental in positioning Taiwan within the hierarchy of East Asian industrialization. The U.S. Agency for International Development (AID) participated in day-to-day policy discussions on matters of banking, monetary policy and economic planning on a national scale (Tsai 2002: 140).
The growing dominance of neoliberal ideas changed the hegemonic postwar trade regime that had been based on the principle of reciprocity, where countries agreed to reduce tariffs, quotas and other trade restrictions on items traded between them. In the U.S. the preferential access of East Asian newly industrialized countries (NICs) including Japan, South Korea, and Taiwan was put under increased scrutiny when they started to outcompete manufacturing in the core. Domestic groups calling for protectionism and retaliatory trade measures gained currency as U.S. trade deficits rose, and its share of exports continued to decline. These groups cited long running trade surpluses that these countries maintained over the United States from what they saw as unfair trade practices (Milner 1990: 166). The Plaza Accord of 1985, and the enactment of the Section 301 Trade Policy of the Omnibus Trade and Competitiveness Act of 1988 represented measures taken by the U.S. to stem the flow of foreign imports while aiming to give it greater access to the domestic markets of its competitors.

In Taiwan, increased trade liberalization (reduction of protective tariffs and increasing accessibility to its markets) and currency appreciation had profound effects on the Taiwanese export industry. The appreciation of the local New Taiwan Dollar combined with rising wage levels rendered increasingly untenable the price-competitive model that had sustained Taiwan’s economic growth from the 1960s well up into the 1980s. In order to cut costs and maintain a competitive edge against rising regional economies, local Taiwanese manufacturing firms began to look for cheaper sources of labor, which was abundant in neighboring less-developed countries.

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22 From 1961 onwards, the percentage of Taiwanese exports to the United States increased (to 21% of exports in 1965). Being a part of the western Pacific alliance also meant that when the Vietnam War started to escalate from 1965 to 1969, emerging Taiwanese industries (aluminum, iron, steel, machine parts) were finding ready access to their products; Taiwan exported 12% of its national total to South Vietnam alone in 1967 (Stubbs 2005: 131-2). With a stable and open non-communist, global economic framework for its products, the developmental state was able later to achieve industrial deepening and upgrading, attract foreign direct investment through the establishment of export processing zones. The story of the spectacular growth rates achieved by Taiwan from the 1960s to the 1980s despite the two oil crises and later international diplomatic isolation has become part of a canon of East Asian developmentalism.

23 Pressured by key actors in both agriculture and industry in 1985, the U.S. Congress responded to the relative appreciation of the U.S. dollar by devaluing the currency, which made U.S. exports cheaper. The Plaza Accord was concluded between the governments of France, West Germany, Japan, the United States, and the United Kingdom, to depreciate the U.S. dollar in relation to the Japanese yen and German Mark.
The new constraints imposed by U.S. demands and the proliferation of neoliberal processes also had a profound influence on the strategies adopted by the Taiwanese state in order to maintain its export strengths. These strategies included, upgrading labor-intensive industries, increasing its efforts to attract foreign direct investment, and encouraging industry to diversify into different markets. U.S. pressure on Taiwan resulted in the 1984 ‘internationalization and liberalization’ policy and targets to reduce its trade surplus to a level of 4% of GNP by 1992. In addition, tariff reductions had seen 45% of Taiwanese trade items (3,467 items) reduced on an average of 41.3% in 1988. In 1989, the number of items with an average tariff rate of 20.2% had increased by another 4,700 items. (Dent 2003: 471). Furthermore, the accession process for Taiwan to obtain WTO membership (which began with attempts to become member of the GATT in 1990) created a further impetus for deeper liberalization, trade concessions and giving increased access to the domestic market. Measures to lower protective tariffs and open Taiwan’s domestic markets to U.S. imports had a flow-on effect, culminating in a 1989 plan by the island’s government to liberalize the service sector (banking, insurance, securities, etc.) and attract foreign investment.

5.3 China’s Market Reforms and New Zonal Strategy

The reorientation of U.S. trade policy cannot be considered without taking into account drastic economic and political changes in China. Starting in 1979, China’s reopening to the world through a series of dramatic market reforms instituted by its leader Deng Xiao-ping created new production networks and subsequent cross-Strait power dynamics that were evident through increasing bilateral trade and actions by both states to regulate these economic interactions. Trade and capital increasingly flowed across the Taiwan Strait, despite deep political hostilities and lack of official trade channels between the two governments. One of the major forces driving the change was the result of the Third Plenum of the 11th Central Committee of the CCP in 1979. It provided a framework for “socialist modernization” for four elements of which included: agriculture, industry, national defense and science and technology.
Carrying out the Four Modernizations requires great growth in the productive forces, which in turn requires diverse changes in those aspects of the relations of production and the superstructure not in harmony with the growth of the productive forces, and requires changes in all methods of management, actions and thinking which stand in the way of such growth. Socialist modernization is therefore a profound and extensive revolution. (Spence, 1999: 621-2)

China accelerated its process of modernization by opening up its markets, while utilizing its purchase of machinery from Japan and the West to participate in export-led growth. Thus, China was able to accelerate economic development through foreign investment, a more open market, access to advanced technologies, and new management experience.

The opening up of China's economy saw a conflicting shift from economic developmental ideas centered on Marxist principles towards Western liberal capitalism within its elite. Advocates for reform called for the abandonment of central planning in favor of free market forces, economic sufficiency without bureaucratic interference, the ending of class struggle, partial commodification of the labor force, and an emphasis on technical skill over ideological purity (Ling, 1996: 10). China’s experimentation with capitalist principles suffered a setback following the suppression of the emerging student democracy movement and subsequent Tiananmen Square Massacre of 1989. In its aftermath, hardliner factions within the Party sought to reassert the tenants of central planning, class struggle and ideological purity. However, their resurgence was short-lived as the threat of long-term embargos on international investment into China from Western countries in response to the massacre, led to a elite compromise that would enable the coexistence of both domestic control and international economic development.24

The role of foreign Chinese, Hong Kong and Taiwanese capital played a much more significant role in China following the western embargo in 1989. In response to the pro-democracy crackdowns, OECD economies of the time set up investment and trade embargos against China. As the communist leadership needed to maintain

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24 Ling terms this developmental compromise as the basis for an “Asian corporatism” (AC) model of state development, where party and state exercise macro economic management with micro economic competition between firms, along with formal albeit inactive role for labor (Ling, 1996: 14). He writes: “…AC development rationalizes the collective pursuit of individual self-interest to foster the growth of a thriving middle class. Under these market conditions utilitarian individualism permits the CCP to retain a ‘relational’ hierarchy between market and planning, officials and entrepreneurs, capitalists and proletariat.” (ibid: 16)
foreign investment it offered incentives to overseas Chinese investors including tax breaks, allocated industrial zones, and preferential investment conditions (Hsin 1998: 13).

The increase in Taiwanese investment in response to these incentives was profound. As mentioned earlier, due to rising wage levels and increased cost of production, Taiwanese manufacturers sought to maintain their competitive edge by utilizing comparatively cheaper sources of labor. While south Asian countries were initially a popular destination for direct investment, cultural, linguistic and local considerations (bureaucratic red tape in customs, government corruption, etc.) caused confusion, and discouraged many would be investors from moving production. Market reforms and economic incentives made China a much more attractive destination as well as linguistic and cultural affinity. Despite laws in Taiwan permitting direct investment into China, Taiwanese investment in China increased by 75% from 1989 to the first eight months of 1990, and Chinese-state approval of privately financed Taiwanese investment projects rose by 64% (Hsin 1998, 18).

In order to support the growth of light industries, China began to import large amounts of manufactured goods by drastically reducing tariffs and other trade barriers. A significant amount of these goods, which included textiles, electronic components, television tubes, footwear and mechanical appliances originated from Taiwan. However, as China and Taiwan were technically still at a state of war, no official communication or trade channels existed between the two sides. Therefore most of the trade took place through Hong Kong. Due to its unique political position Hong Kong's trading companies facilitated a form of ‘unofficial’ triangular trade in which commodities could be shipped between overseas markets without entering Hong Kong. In 1981, total trade between Taiwan and China amounted to almost US $460 million. By 1992, bilateral trade amounted to US $10.8 billion, or almost US $15.5 billion if triangular trade is also accounted for (ibid, 20).

The Chinese government also had broader geopolitical motives for instituting market reforms designed to encourage Taiwanese entrepreneurs to set up shop on the mainland. The political designs were hardly furtive: “yi shang wei zheng” (“dominating the political through economic ties”) and “yi min bi guan” (“using civilian linkages to pressure the government”) were slogans used by the PRC’s
leadership, urging the state to exploit its economic resources for political leverage to move Taiwan closer to unification under Beijing’s terms (Tung 2002: 2). In order to institutionalize a regulatory framework conducive to these goals, the “Regulations of the State Council of the PRC for Encouraging Taiwan Compatriots to Invest in the Mainland” (1988) and “The PRC Law on Protection of Investment by Taiwan Compatriots” (1994) were enacted. Provinces and local municipalities often took the initiative to provide tax exemptions, investments, land usage rights and other preferential measures aimed at wooing Taiwanese enterprises — often without approval from the central government. In addition, the establishment of special economic zones (SEZs) in close proximity to former colonial treaty ports (Xiamen, Shantou, Zhuhai) facilitated access to foreign capital and created the necessary flexibility for China’s wooing of Taiwanese investors.

To summarize, Taiwan’s position in the postwar international trade regime was destabilized by two major factors: a) a shift in the United States’ commitment toward multilateral, anti-discriminatory trade practices which increased pressure to liberalize its economy, and b) market reforms in China which created an attractive low-cost environment for Taiwan’s manufacturers seeking to reduce costs due to the impact of currency appreciation and rising wage levels. External factors rather than any internal economic downturn or financial/balance of payments crisis which drove Taiwan’s shift toward neoliberal policies such as deregulation of the financial sector, privatization of state owned enterprises, and liberalization of its trade. 25 As a result of its trade dependency with the United States and its desire to prevent further diplomatic isolation, the Taiwanese state had little room in which to maneuver in terms of currency appreciation and the relaxation of import controls. It was therefore particularly susceptible to external pressures for deregulation of its financial mechanisms and privatization of state/public owned enterprises.

25 Tsai (2001: 363) and others (see for example Haggard and Kaufman 1995; 296) also would argue that an economic downturn did not affect Taiwan’s economic standing in a way that would constitute a crisis situation in which presented an opportunity for a neo-liberal transition. On the contrary, Taiwan’s shift toward deregulation of the financial sector, privatization of state owned enterprises and the liberalization of its trade policies were more or less the result of external pressure (from the United States) and its dependency on its major trading partners to buttress its international profile (joining international organizations such as the WTO).
However, the state’s response to these external factors was further complicated by two critical and interlinked domestic shifts: the gradual dismantling of the authoritarian state with a subsequent democratization process, and the rise of identity politics — specifically, a Taiwanese identity separate from that of China.

5.4 Internal Transformation of the KMT-state

5.4.1 Developmentalism and one-party dominance

Since 1949, the authoritarian state led by the KMT had maintained its power and legitimacy in Taiwan through a combination of martial law and state-led capitalism, which mixed elements of anti-communist ideology with Chinese nationalism. Coupled with the dominance of the state over civil society was the KMT’s ability to curb the political influence of local capitalists. One of the key characteristics of the Asian developmental model adopted by Taiwan was the autonomy of the state bureaucracy for the implementation of industrial and trade policy (see Wade 2004). The state controlled the most productive forces in the development of the economy and prevented private enterprise from transferring their growing economic clout into political power.

The Nationalist state’s relationship with the populace of postwar Taiwan began with misunderstandings and subsequent terror.26 The resettlement of the retreating mainland governing structure of the Nationalist regime, along with its supporters and dependents to Taiwan filled a power vacuum left by the departure of the Japanese. These tensions culminated into the “February 28 Incident” when an island wide uprising prompted a crackdown by the KMT in 1947 in which many Taiwanese intellectuals and elites were killed or imprisoned. The declaration of martial law in 1949 effectively curtailed civil and political rights and kept representative posts with elected officials frozen for decades. After full retreat in 1949, leadership positions in both the state and party were reserved for mainlanders, with the native Taiwanese population effectively excluded from participation. Furthermore, with a weakened civil society that possessed little organizational capacity to offer serious forms of

26 The historical trajectories of Taiwan and China diverged both during the Republican period: Modern China was in a constant state of social and political upheaval, while Taiwan under Japan had become relatively prosperous and assimilated into the Japanese Empire. These factors played a major role in the mutual mistrust of the Chinese mainlanders toward the Taiwanese populace after Japan ceded control of the island following its defeat in WWII.
resistance against it, the émigré Nationalist state successfully cemented its power by
decentering the power of the landed class by instituting land reforms that dramatically
broadened land ownership to the masses. The KMT state subsequently linked the
farmers to party-controlled agricultural associations that facilitated transfers of
agricultural inputs to industries it sought fit for development. In urban areas, the only
legal unions were state sanctioned federations that were also linked to the party-state
apparatus, with the right to strike prohibited under martial law.

The ideology of the state and its overall hegemony on society was also central to
the specific definitions of “productive” and “unproductive” investment to the national
economy, which would become synonymous respectively with what was deemed
“socially profitable” versus “privately profitable.” The industrial policy of the state
was heavily influenced by what Wade and Fields identify as ideological positions in
traditional Chinese philosophy that showed distrust toward private capital and was
subsequently centered on modern Chinese political thought and historical
experience which advocated a mixed economy model whereby the state would control
the commanding heights of the economy by state-owned enterprises (SOEs). Wealth
would primarily be redistributed by the state through profits of these large state-
owned enterprises, while simultaneously private accumulation of wealth in the hands
of the few was to be actively discouraged through tight controls to lending and
financial speculation. As the state acted to exclude the Taiwanese elites from
participating in government, the KMT and managing state owned enterprises, the built
in ideological biases toward private capital created situation whereby:

local capitalists and government officials have coexisted in a relationship of
commensalism, that is, living together but with largely independent roles, as
opposed to a relationship of symbiosis, or living together and acting as an
integral unity, which more accurately describes the hegemonic pact between
Korean bureaucrats and industrialists... (Fields 1996: 86)

Fields sees this relationship of ambivalence between the state bureaucracy and the
private industrialists as one of the key casual links that have prevented the formation
of large trading companies in Taiwan.

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Both authors trace this thought to the political thinking of modern China’s revolutionary
leader Sun Yat-sen that combined principles of socialism and capitalism, which prescribed
the state with the “role of tutelage” for modernizing society.
As mentioned earlier, one of the key characteristics of the Asian developmental model has been the relative autonomy of the state bureaucracy for the implementation of industrial and trade policy. Wade states that the Nationalist state in insulating itself from potential power distribution from outside its apparatus had become like many Leninist states which “need to limit commitment to existing groups.” (Wade, 2004: 253). The lack of a hegemonic linkage between industry and bureaucrats in Taiwan vis-à-vis South Korea, another strong developmental state, could function so long as the state controlled the most productive forces in the development of the economy (through the SOEs), and could prevent private enterprise from transforming their growing economic clout into political power.

From the 1970s on, the KMT faced increasing challenges to its legitimacy from within Taiwanese society and within the party itself.\(^{28}\) The rise of an indigenous movement demanding representation and struggles between reform and conservative factions within the party pushed the KMT leadership to undertake the process of democratization and party reform. Under then president and KMT party leader, Chiang Ching-Kuo the KMT began a slow process of localizing its ranks and positions with native Taiwanese, including the appointment of the first indigenous Taiwanese vice-president, Lee Teng-hui. In 1986, shortly after the establishment of the island’s first opposition party, the DPP, Chiang responded by lifting martial law, which had been in effect for 38 years. These changes were accompanied by relaxation of media restrictions and the end of a ban on travel to China.

5.4.2 Factional Struggles within the KMT

Chiang’s leadership had held the KMT together, but following his death in 1988, the party’s conservative and reform factions began to jostle for control. The party reformists were led by Chiang’s handpicked successor, Lee, a native Taiwanese politician who assumed the presidency and KMT chairmanship following Chiang’s death. The conservative factions consisted predominantly of mainlander elites who

\(^{28}\) Cracks in the edifice of party-state legitimacy became apparent starting in the 1970s. The ROC was expelled from the United Nations in 1971, followed by the even more damaging loss of recognition from the United States in 1979, its staunchest political and economic ally. Domestically, the Nationalist’s claim of irredentism, that the ROC was the legitimate representative of all of China, was thrown into doubt in full public view.
opposed Lee’s democratic reform efforts. They grew increasingly suspicious of his proposals, which seemed to renounce the state’s claim to represent all of China and move Taiwan toward de-facto independence. In order to keep the KMT in power, Lee attempted to outmaneuver the conservative faction while at the same time satisfy the demands of social movements and the opposition for reform.

From 1990 to 1992, the reform faction was able to initiate changes that effectively dismantled the authoritarian structure of the party-state. These measures included instituting direct elections for the national assembly (which had been frozen since 1947), the termination of the “Period of National Mobilization for the Suppression of Communist Rebellion” and the end of martial law by lifting the “Temporary Provisions Effective during the Period of Communist Rebellion”. The removal of these instruments of state terror broadly widened the political field in Taiwan for the first time since the postwar period and gave further impetus for social movements as well as political opposition movements.

The impetus for state transformation in Taiwan resulting from the disintegration of the postwar passive revolution was the intention to maintain the conditions of capital accumulation—this was achieved by means of both economic and political liberalization. In Taiwan, the changing conditions of accumulation strategies of the state and later factional infighting within the KMT resulted in a crisis of hegemony that coincided with island wide political democratization and the spread of neo-liberal policies (privatization of state enterprises, market openness, fiscal austerity).

5.4.3 Civil Society, Social Movements and Identity

Before these reforms were introduced public life and citizenship under the KMT was mobilized under the aegis of anti-communism, state-directed economic development, and state guided Chinese identity.\(^\text{29}\) The imposition of martial law

\(^{29}\) Aside from the dominant and heavy-handed measures taken by the Nationalist government to impose its version of Chinese identity on postwar Taiwan, the diffusion of Chinese cultural homogeneity in what she termed core values and mentality was also crucial in legitimizing its rule. For example, Lung Ying-tai book Big River, Big Sea a historical documentation of the lives of families during and following the Chinese Civil War had been in a bestseller in Taiwan and Hong Kong, also made its way into China. An underlying theme of her social narrative of postwar identity in Taiwan was her coming to grips with her changing perception of the “Chinese Dream”, i.e. the dreams and visions of the Chinese nation that were brought
severely curtailed social mobilization and the expression of political opposition. Instruments such as the “Period of National Mobilization for the Suppression of Communist Rebellion” and “Temporary Provisions Effective during the Period of Communist Rebellion” were used to execute, jail and effectively silence political dissenters. Not until the lifting of martial law in 1986 was the formation of separate political parties legalized.

The aftermath of Chiang’s death resulted in considerable debate over the role of civil society in the process of Taiwan’s democratization and pacing and extent of the retreat of one-party rule. Even before the lifting of martial law, a wave of movements and protest groups had emerged within civil society. The issues addressed by these movements varied greatly, and included consumer protection, environmental/anti-pollution protests, student movements, women’s movement, church protests and human rights for the island’s aboriginal peoples. The number of movements expanded after the lifting of martial law to include labor movements, social welfare movements and significantly, movements that sought to secure the curtailing of KMT control in universities and the military and its monopoly of political power. More conservative party elites were concerned with the pace of democratization and ability of the party to maintain control vis-à-vis the rapidly changing social order clamoring for democracy. Reformers, led by Lee advocated following through with reforms initiated by the late Chiang, as well as opening up the possibility of dialogue with forces in opposition to the KMT.

Analysis of the KMT’s adaptation to this moment of crisis can be grouped roughly into two perspectives. More top-down perspectives emphasized a “controlled process of opening” and preemptory reforms institutionalized by the state to address social grievances and discontent (see Haggard and Kaufman, 1995). They cite the role of factional elements within the party that were receptive to some of the demands from civil society and social movements outmaneuvered more conservative elements within the KMT in order to: a) create a new power base in an increasingly open electoral system and b) marginalize competitors from within the party.

over by the millions of refugees that followed the defeated Nationalists to Taiwan in 1949, a place many of them had never heard of. She sets off by re-narrating the process where the imagined community of “Greater China” shifted to ‘tiny Taiwan.’
More nuanced perspectives point to the tacit cooperation between the reform faction within the KMT and civil society (later oppositional forces) from within Taiwanese society and pro-independence activists from outside of Taiwan (see for example Lynch, 2002 and Ooi, 2009). This viewpoint argues that a coalition between reformist elements from within the state allied themselves with social movements and civil society activists in order to reduce the influences of the mainlander faction within the KMT (Chen, 2011: 122).

Another dimension in the power constellation was the role played by the newly formed DPP, in re-directing the impetus of broader civil society based social movements toward electoral politics, a move that acted in the long run to consolidate the state bureaucracy. As factional differences were increasingly consolidated and procedural forms of democracy formalized, social movement issues and critical debates over the shaping of post martial law society were largely subsumed into questions of Taiwan’s international political status (and its participation in international organizations requiring statehood) and of issues regarding national identity. Social movements that had once been directed in general opposition to KMT rule on a host of diverse issues became subsumed by debates over national identity that did not challenge the state's mode of production or have immediate effects on developmental policy. As Lin writes: “…the relationship between civil society and autonomous social agents was gradually converted into that between political parties and their electorates.” (Lin, 2009: 235)

The alignment of material, and ideational factors shaped the institutional depth of KMT hegemony from the postwar period up until the 1980s. The party used its struggle against communism to legitimize its total control of the state, situating the party-state apparatus following its mainland retreat into the center of economic planning and industrial development of the island. Ethnic cleavages predominated in state-business relations in which the commanding heights of the economy were run by mainland émigré elites who followed Chiang Kai-shek to Taiwan. As a result, the regime was relatively autonomous from the influence of local elites, as its links to private business interests through hierarchical state-sponsored industrial associations allowed a technocratic bureaucracy to formulate developmental policies.
The Taiwanization policies under the Lee administration temporarily consolidated state directed developmentalism by bringing in business elites and refashioning party firms and enterprises under the guise of privatization (but had more to do with the redistribution of power once held by the conservative factions). “The state retreat strengthened the capitalist class. But the capitalist class did not produce the state retreat.” (Tsai 2001: 375)

In conclusion, the pressures of trade liberalization, the opening up of China and the end of martial law on Taiwan led to: 1) an increasing trend of Taiwanese outward investment toward China and difficulties of the state to curb such flows; 2) growing political clout (and scrutiny) of business elites with investments in China and 3) the development of a party-system in which policy debates were increasingly tied to electoral campaign issues that stressed debates over national identity. As a result, Taiwan’s trade policies toward China in the following decade would oscillate along the axis of politicization and de-politicization, national interests vis-à-vis dominant discourses of globalization. It is therefore possible to identify two larger narratives or discursive formation for which the next chapter will focus on: 1) shifting, and at times conflicting concepts of the nation-state or ‘imagined communities’; and 2) shifting concepts of economic relations or imagined economies.
Chapter Six: Imagined Communities: Reconfiguration of Antagonism

6.1 Competing Imaginaries

The collapse of global communism and China’s adoption of market reforms challenged KMT cultural hegemony, serving to de-legitimize previously unchallenged ideas of collective identity. Ideologically, the KMT claim to represent all of China had already been lost with expulsion from the UN in 1971 and took a further blow when the U.S. withdrew recognition in favor of Beijing in 1979. While earlier attempts initiated during the Cultural Reconstruction period (1966-76) moved to solidify the KMT's legitimacy by tentative recognition of the existence and value in indigenous history, efforts under Lee Teng-hui's presidency (1988-2000) attached identity to the notion of a fated community centered on the island itself. These emerging imaginaries of community were instrumentalized in cultural construction led by the state in education policies, narratives of the past (i.e. museums along with other historic monuments and acts of remembering) and the political identity of the citizen (Chang, 2004; Vickers, 2010).

Already under Chiang Ching-kuo, the KMT began to open up the strict adherence to traditional Chinese culture, promoting the island’s culture side by side with organs such as the Council of Cultural Affairs (CCA). Lee reorganized earlier state-run cultural movements such as the Chinese Cultural Renaissance Movement and used them to promote a Taiwanization of the national framework that emphasized an identity of community in which a citizen's provincial origin would not impinge on opportunity and the feeling of communal solidarity and ties with the land. In 1995, the state revised census practices by abolishing the “ancestral origin” entry and replacing it with one’s birthplace which effectively blurred the distinction between second generation mainlanders born in Taiwan. In the same year, Lee used the CCA to launch the Community Construction Movement which aimed to create a deeper connection and belonging between citizen and communal localities by promoting consciousness in environmental, cultural and decision-making issues.

State education policies, once a traditional stronghold for KMT cultural control with its compulsory education and standard textbook system were also reformed.
After Lee’s election popular election in 1996, efforts to bring Taiwanese centered curriculum and research programs (i.e. Taiwanese literature) took greater strides (Chang 2004: 4). In 1997, a newly published junior high school textbook “Getting to Know Taiwan” (considered controversial at the time for its depoliticized stance on Japanese colonial rule) was added as a new subject.

6.1.1 Democratization—New Imaginaries of Community and Economy?

While Taiwan’s democratic transition vociferous and spirited contestations of the island’s identity played out at the ballot box, the material and institutional capabilities sustaining state power were never directly challenged. During his time in office, Lee deftly outmaneuvered hardline factions within the KMT, and transformed the party to adapt and to shape mainstream democratic politics through localization of party personnel. In effect, democratization from above ensured the preservation of the state built upon a new conceptualization of the nation.

In order to consolidate power in this new post-authoritarian political terrain, state-business relations became increasingly intertwined as Lee used the party machinery for the financing of electoral support in increasingly competitive and expensive election campaigns. The traditional party-state historic bloc was reconfigured under which private business elites became a critical component in maintaining the party’s dominance in the state. An important figure in Lee’s faction was Liu Tai-ying, the secretary general of the party who oversaw the infusion of capital from party owned enterprises (POEs) into the financing of key private business actors. KMT-invested enterprises controlled large assets in finance, petrochemicals, synthetic fibers and electronics. Prior to the DPP electoral victory in 2000 and Taiwan’s first transition of power, KMT assets from its POEs ranged from NT$60 to NT$200 billion (Matsumoto 2002, 360). Business elites played a pivotal role in the changing management practices of POEs in which perceptions of corporate image and social responsibility of capital privilege attempted to cleanse narratives of corruption and collusion. "KMT, Inc." with its vast assets in financial holdings became more than just a firm, but also in many rights an industrial planner, international broker and an electoral machine (Fields 2002: 126).

Discourse and economic policy is not only tied to specific conceptualization of economic domains, but also crucial factors in articulating and mapping the nature and
boundaries of this imagined economy between Taiwan and China as frames of collective action for mobilizing support for one possible cross-Strait economic paradigm among other possibilities. As China’s economic opening and Taiwan’s changing role as a capital exporter, Cold War antagonisms based on capitalist/communist divisions became less tenable as China’s market reforms attracted the successive waves of entrepreneurs from Taiwan. Changing imaginaries of community structured policy ideas regarding cross-Strait economic relations.

Initial premises on Taiwan’s economy in relation to China were part of broader state plans to open markets in Asia as part of a state plan to expand the reach of Taiwan's manufacturing, transportation and logistical operations. The state planned to revamp Taiwan as an Asia Pacific Regional Operations Center (APROC) in which China's raw materials could be linked to Taiwan's manufacturing base to offset growing competition in the south Asian region. However, as talks stalled on the “One China” principle, Taiwanese capital investments flowing into China came under greater scrutiny. Increased outflows of Taiwanese investment into China began to form the basis of shifting worldviews relating to cross-Strait economic policies. As the future of reunification stalled and cross-Strait relations deteriorated following Lee’s popular election as president in 1996, skepticism over China shifted from investment/market risk due to opaque regulatory frameworks to national risk based on China’s hardened stance toward Lee. This is evidenced by the shifting perceptions of China initially as a natural economic hinterland for expanding the global presence of indigenous firms, to later economic-nationalism favoring objectively seeing China and its economy as a national security problem. The adoption of the ”No Haste, Be Patient" policies in 1996 placed restrictions to outbound investment to China, while at the same time, capital was encouraged to "Go South"—a state-sponsored plan to use POEs to create favorable manufacturing bases in the Philippines and Indonesia.

30 The appreciation of the local New Taiwan Dollar (NTD) combined with rising wage levels rendered untenable the price-competitive model that had sustained Taiwan’s economic growth from the 1960s well up into the 1980s. In order to cut costs and maintain a competitive edge against rising regional economies, local Taiwanese manufactures began to look for cheaper labor, which was abundant in neighboring less-developed countries (initially Malaysia, Thailand, Indonesia, and the Philippines). Direct Taiwanese investment to these countries rose to nearly US $10 billion between 1986 and 1989 (Hsin 1998, 15).
6.2 Political Transition: The Developmental State Reimagined?

In March 2000, voters in Taiwan elected Chen Shui-bian, a stalwart of the DPP and former mayor of Taipei as president with just under 40% of total votes cast. Chen became the first non-KMT president of Taiwan and his stunning victory dismayed China and was greeted with guarded optimism in the United States. The first political transition of power in Taiwan facilitated by a split KMT ushered in new hopes as well as increasing uncertainty about the DPP's governing abilities after 50 years of uninterrupted KMT rule of the island, but more importantly, the party's pro-independence stance. Seeking to reassure international stakeholders jittery on his open support for Taiwanese independence in the past, Chen proclaimed the "Four Noes" in his inaugural address, in which he promised not to change the official name of the country, declare independence, and continue referring to cross-Strait ties as special state-to-state relations or hold referendums on the issue of independence and unification.

Domestically, Chen sought to placate the now in opposition KMT, which despite its historic loss of governing power, still maintained massive financial holdings and business ties and held a parliamentary majority and a state-bureaucracy it had established. Lacking a fully manned administrative team that could govern at a national level, Chen sought to build to build the image multiparty coalition. He resigned his post as chairman of the DPP to lend credence to his statement of being a president of the people. He appointed a former minister of national defense and the KMT affiliated Tang Fei to head the government as premier. But with the legislative branch controlled firmly by the opposition, many of Chen's planned national reforms were blocked thus beginning years of domestic stalemate.

Chen not only found obstruction at home, his olive branches to China were viewed with suspicion, which preferred to adopt a wait and see approach. As the DPP once advocated de jure independence before updating its Charter in 1999, it neither accepted the One China principle nor the 1992 Consensus. He instead chose to work initially with the term "a future One China" when discussing the possible normalization of cross-Strait relations.

Unlike the KMT, which had used the developmental model to cultivate an upper hand in the corporatist nexus between state, party and business for decades, the DPP
found itself in need of support from the business community, many of which believed that the party's ideology would be a calculus of uncertainty to their mainland investment projects. On the eve of his 2000 election victory, a few prominent industry leaders (including the CEO of tech giant Acer, Inc.) publicly endorsed Chen, hoping the new leader would layout new economic paradigms, especially with regard to cross-Strait commerce. What followed was that jostling over visions of national community had given business elites a stronger position to capitalize on discourses national competitiveness (the state should make the island attractive for domestic business to stay rooted) in response to regional economic integration (the state also needs to realize that branching out of the island was inevitable). This has partly to do with the recontextualization of discourses of identity. The concept of imaginaries indicate the ordering of hegemonic processes in Taiwan and the implications for cross-Strait ties: how interwoven and conflicting ideas of collective identity and roadmaps of what a future economic system should be, intersect and diverge.

The DPP furthered the political dimensions of its cultural program to instill greater identification with Taiwan as both a legitimizing strategy to overcome the domestic stalemate and as a response to China's attempt to isolate the island diplomatically. Its cultural program was heavily influenced by KMT practices of using the museum and the classroom to raise national consciousness - this time realigning Taiwan as a member of Asian community of nations while decentering identification with China historically and topographically. "Branding Taiwan" as distinct in nationality, culture and politics to China served therefore to maintain control both in terms of ideologies toward the imagined community, but simultaneously as an attempt to raise consciousness of the island's "cultural capital.". Under the "Challenge 2008" economic plans, the DPP envisioned the development of Taiwan as a "Green Silicon Island" that it hoped would resonate with significant actors on the global scale (Chang, 2004: 35). It envisioned more emphasis on investment to reorient the island's economy from manufacturing with the development of biotechnology and digital content industries.

The government however struggled to push its paradigm as an engine of new productive relations and political power. Under the Chen administration, state-business relations suffered from increasingly contradictory ideological priorities: consolidating a domestic support base following the end of five decades of KMT rule
and appeasing capital interests favoring closer economic ties with China. The alignment of state-business interests that had played a role in Lee’s consolidation of power in Taiwan’s democratization found discursive space in the semiosis of China’s role in economic development.\(^{31}\) Business elites successfully lobbied the China-skeptic government to relax investment caps and ease restrictive cross-Strait travel restrictions, policies that contradicted the DPP’s party line to strengthen de-facto independence. The DPP was presented with a legacy of “a state machinery of political populism and economic neoliberalism.” (Hsu 2009: 305) While it could divert tax revenue to economically neglected southern regions (the DPP’s traditional, rural support base), privatize SOEs and support public-private partnerships on the basis of ethno-populism, the party’s role in forming the institutional basis for economic development depended more on providing land and subsidies for industries to expand their operations in Taiwan than empowering the economically marginalized as the basis of an wholly independent Taiwanese nation. The attempt to bridge the ideological principles of localization was difficult to pair with the conflicting corporate interests that favored expansion outside the island’s confines. The leading hi-tech sectors continued to clamor for the easing of restrictions on China bound investment in which government construction of new science parks outside the northern regions served less the purpose of promoting locally based industrial upgrading than to slow the relocation of capital across the Strait.

Thus, the DPP’s ethno-populism while pivotal in galvanizing support for electoral victories, faced challenges being integrated into broader economic policy that could incorporate diverging interests among domestic and China-oriented capital. Even its cultural policies that sought to rehabilitate and reemphasize local history and identities suppressed under the KMT was challenged by sedimented narratives of national community tied deeper to material and institutional frameworks.\(^{32}\) Even

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\(^{31}\) After losing the presidential election in 2000, factions within the KMT ousted outgoing Lee Teng-hui from the party. The rump of the KMT criticized the “No Haste” policies and increasingly supported state initiatives to promote competitive industries that reflected the inevitable uprooting of manufacturing and the coming of age of service industries (NPF, 2001).

\(^{32}\) Chun argues that DPP ethnic-nationalism “reflect the tacit (unquestioned) importance already built into a generation of KMT cultural indoctrination that attempted to instill the imagination of a shared cultural (ethnic) consciousness as the seminal key to national survival…” (2000: 18) The actions to eradicate and replace Chinese nationalism with Taiwanese centered discourses of a fated community became the mobilization platform from the DPP echelons to its base supporters.
though Chen and his party had popular support under the platform of fighting "KMT, Inc." machine politics initially, the mandate to politicize ethnic discourses that favored distinguishing Taiwanese separateness from China enjoyed less widespread appeal and strengthened ethnic antagonism among the island’s populace. China’s actions to isolate Taiwan on the international stage helped fan the flames of antagonism as a Taiwanese identity and patriotism tied to loving the land galvanized those disenfranchised by the KMT. National identity drew clearer lines of “Chinese as Other.” As Chen moved increasingly toward antagonizing these distinctions, the acts to restore Taiwan’s sovereignty became a largely cosmetic ‘war of movement’ to remove “China” from the names of state owned enterprises, leaving how they operated largely unchanged.

On the eve of his departure from office, Chen's efforts at nation building had bore an odd fruit: the country was deeply polarized along ideological lines of national identity, but it was increasingly an economy dependent on Chinese production. But strife and political scandal had severely discredited the DPP's popular support.  

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33 Stripped of his presidential immunity after leaving office in 2008, Chen was eventually charged and found guilty of corruption and eventually sentenced to 20 years in prison for a series of money laundering cases during his presidency.
6.3 The Road to the ECFA

After a commanding victory in the presidential election in which it received more than 58% of the total vote and secured a dominating 81 seats of the newly redrawn 123-seat national legislature two months earlier, the KMT resumed political leadership in Taiwan after eight years in the opposition. Tapping into existing frustrations over the economy and attributing the Chen administration's focus on national identity issues as the cause of economic stagnation, the KMT's campaign theme "change to save Taiwan" resonated throughout the island - even in DPP strongholds. Following the seismic political sea change, the KMT leadership wasted no time to re-conceptualize the cross-Strait region as an area for global business linkages, thereby recreating a vision for state role in economic development through reconstituted neo-liberalism. During his inaugural speech titled *Taiwan’s Renaissance* in which he lauded Taiwan’s democratic achievements yet simultaneously pointed to the eight years of growing ideological strife, Ma pushed forth an economic agenda and vowed to curb the past policies of his predecessor that had drawn the ire of China and protests from corporate lobbies. He retooled identity to serve a new purpose: as a skill set in a differentiated and competitive global economy. Here, he appealed instead to a “Taiwan Spirit” in lieu of a separate Taiwanese polity founded on traditional values such as “benevolence, righteousness, diligence, honesty, generosity and industriousness”. (Ma, 2008) He also described the destinies of the Republic of China and Taiwan as linked by the constitutional democratic ideals of Sun Yat-sen: a re-envisioning on the one hand of the island’s distinctiveness, and its historical legacy of modern Chinese history on the other. Unlike his two predecessors, Ma pledged to work to improve relations with China under the 1992 Consensus of the “One China” principle, downplaying sovereignty disputes by emphasizing shared values and way of life (i.e. worldviews).\(^{34}\)

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\(^{34}\) The 1992 Consensus operates both discursively and structurally. It functions as a discursive compromise on sovereignty: Taiwan does not have to yield to the one country two systems formula, while for Beijing it blurs cross-Strait relations under a "national" context. Since it leaves the interpretation of One China murky, the consensus has operated as the basis for bilateral parity despite mutual non-recognition. Mainstream ideological conflicts in Taiwan involve (de)linking actions or emblematic events such as the ECFA as evidence that the consensus has produced material benefits or has incurred costs such as Taiwan's political autonomy.
What distinguishes revamped KMT narratives from earlier times is that these official discourses reconcile and harmonize Taiwanese local identity with broader constructions global trade in which China plays an indispensable role. Whereas the government of Chen Shui-bian actively promoted the ethnic cleavages of the nation’s cultural and political landscape, his successor attempted to depoliticize and downplay these divisions, focusing on redefining regions as specific spaces for economic development. By constructing a coherent social world through narratives that simultaneously make sense of economic trends and the agentless phenomenon of globalization, cultural distinctiveness and national identity are re-appropriated as political distinctiveness toward driving economic competitiveness that could be enhanced by closer cross-Strait commercial ties. These underlying assumptions of cultural discourses demonstrate how elites consciously imagine a form of cohesive social unity under the nation that supersedes divergent ideologies.

6.4 Framing the ECFA

The framing of the ECFA by its advocates as an economic solution to offset the perceived marginalization from the global economy translated into the reinterpretation of the dynamics of cross-Strait economic relations. In the context of increasing cross-Strait trade liberalization, the frames utilized by state actors, political parties and elites were instrumental in defining the field of action and deployable strategies. A critical discourse analysis of government policy documents and papers, expert interviews, party policy leaflets and newspaper editorials surrounding the debate over the ECFA revealed narrative elements regarding globalization intermingling with the role of the government in ensuring economic prosperity and the strategic cooperation of industries across the Strait. These concepts are also part of broader collective action frames that provide the basis for evaluating, debating, and critiquing the policy horizon of a particular imagined economy.

6.4.1 Setting Out the Problem: Externalizing Globalization

The diagnostic function of collective action frames is centered on interpreting an issue as a problem that needs to be dealt with by political action. Two strategies in problem diagnosis includes: 1) linking the issue to everyday experience and 2) attaching the issue or problem to a “larger value context” (Gerhards 1995: 229).
Before proposing the ECFA as a possible course of action, stating the problems its supporters aim to solve are crucial because they serve as contextualizing narratives that situate the action. While opponents to greater economic integration with China cite figures that pointed to the island’s accelerating rate of export dependency and outward investment to the China over the past decade, proponents premised globalization as an external phenomenon, which was a systemic barrier to continued prosperity if appropriate action was not taken. Government inaction in the face of a growing network of FTAs and regional economic agreements (i.e. ASEAN) would become a nationwide problem if the export driven economy faces an increasingly un-level playing field. Concluding an economic pact with China to offset isolation and remain competitive among other countries in the region had the effect of decontextualizing sovereignty issues as a means of facing up to the perils of being caught unprepared for globalization.

Problematization began with critiques of earlier cross-Strait economic policies as a form of political interference to commerce. With Lee Teng-hui’s abrupt turn away from developing China as an economic hinterland for Taiwan’s industries in 1996, the idea of the APROC and the Cross-Strait Common Market (CSCM) was put on the backburner. The economic hollowing out debate came in reaction to the steady migration of small and medium enterprises setting up shop in the Chinese light manufacturing industries. While Chen Shui-bian subsequently pursued a more pragmatic policy toward mainland bound investment in which many investment caps were relaxed, he sought to encourage domestic industries to cooperate in developing a Green Silicon Island as a means to prevent Taiwan's I.T. industries from moving their bases of operation (Chung, H.L., 2014: 83). Both leaders sought to work around China, attempting to use government policy to limit the impact of Taiwanese capital flows to China. The reelection of the KMT represented a shift away from these policies, which were increasingly deemed isolationist and backwards, and they gained currency during times of economic uncertainty following the global financial crisis of 2008.

The origins of this new paradigm could be traced to the KMT-CCP summit in 2005 in which the party leaders met for the first time since 1949 and subsequently pledged cooperation on issues relating to trade (Wei, 2013). As the summit took place in the context of Beijing’s enactment of the Anti-Secession Law aimed at
containing Chen Shui-bian’s policies pushing the de-facto independence of Taiwan, the then opposition KMT’s motivations in cooperating with the CCP was viewed suspiciously by the DPP and other pro-independence parties. The summit produced a broad consensus between the KMT and CCP to cooperate on economic fronts. The Taiwanese government denounced the move, reminding the KMT politicians that only the state and not the party had the capacity to conclude formal agreements with foreign powers.

As a result of these meetings, high-ranking members of the KMT resuscitated roadmaps for institutionalizing economic relations with China — envisioning how an imagined economy with China might be built. This included the concept of the CSCM an idea advocated by Vincent Siew in 2001, who became Ma’s running mate and vice-president.\(^{36}\) Ma’s push for cross-Strait amenity harmonized these imaginaries as roadmaps of increasing Taiwan’s competitiveness, and reshaping cross-Strait relations to fit broader narratives of impending regional economic integration in Asia. As these imaginaries became actualized frameworks and agreements, they also increased the resistance from parts of society that accused the KMT for moving Taiwan closer into China’s political and economic sphere.

The KMT’s return to power in 2008 was buoyed by prospects of lifting the sagging economy, and moving cross-Strait relations away from stalemate. In Ma’s presidential campaign, Taiwanese nationalism was attributed to a needless controversy and a backward ideology that had cost the island a decade in terms of economic growth due to earlier measures to halt investment to China. The de-politicization of identity and pragmatism played in tune with voters wary of years of ideological stalemate during the Chen administration and was viewed optimistically in Beijing as a starting point for cooperation and momentum for an economic pact built swiftly during the global financial crisis. Firms from Taiwan's petrochemical, machinery and auto parts industries tried to broaden the argument of overcoming tariffs as ensuring the survival of the national economy as a whole. In the process of building support for ECFA, these industries advocated for a trade pact with China initially drew upon less agential antagonisms and more on abstract arguments such as

\(^{36}\) Siew also served under Lee Teng-hui’s administration as premier and earlier as minister of economic affairs, minister of the Mainland Affairs Council, and chairman of the Council for Economic Planning and Development.
collective marginalization of Taiwan. Aligned with the state, these groups built their arguments behind an external idea of globalization’s competition game in which economic rationality and pragmatism was necessary to overcome the potential threat of economic ostracization. In contrast with the previous two administrations, China was framed as an enabler rather than an obstructionist in national development.37

Table 6: China’s Tariffs for Specific Import Items Prior to Early Harvest Program of the ECFA

<table>
<thead>
<tr>
<th>Tariff rate for Taiwan</th>
<th>Preferential Tariffs for ASEAN members under the ASEAN+1 Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
</tr>
<tr>
<td>Petrochemical products</td>
<td>6.49%</td>
</tr>
<tr>
<td>Machinery products</td>
<td>8.23%</td>
</tr>
<tr>
<td>Motor vehicles and spare parts</td>
<td>14.92%</td>
</tr>
</tbody>
</table>

Source: Zhao, 2010: 9.

These moves by developed countries to seek free trade agreements have in turn played a role in the changing dynamic of Taiwan's perceived place in the global economy. With bilateral and regional agreements proliferating in Asia in lieu of the impasse of multilateral trade agreements, the sustainability of the production model of recent decades which saw Taiwanese enterprises outsourcing production to China due to lower labor costs have been called into question. And because of the global financial crisis and the resultant decrease in demand from the United States, Taiwan’s external trade toward East Asian economies has increased. The acceleration of the globalization of production is also reflected on Taiwan’s industries; its share of exports to Asia increased to 66.3% starting from 2008. A key shift also occurred between 2001 and 2008, when Taiwan’s share of exports toward Hong Kong and

37 Although the state actively seeks to negotiate FTAs with other countries, because of its isolation from international politics, Taiwan has as of yet been unable to sign any bilateral or multilateral trade agreements in which Asia, North America and Europe comprise over 88.7% of its exports.
China increased from 26.6% to 39%. At the same time, exports to the United States and Europe dropped from 22.3% and 15.8%, to 12.0% and 11.7%, respectively.

Table 7: Regional Distribution of Taiwanese Exports

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S.A.</th>
<th>Europe</th>
<th>Asia</th>
<th>ASEAN 6</th>
<th>China/H.K.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>22.3%</td>
<td>15.8%</td>
<td>53.2%</td>
<td>11.9%</td>
<td>26.6%</td>
</tr>
<tr>
<td>2002</td>
<td>20.2%</td>
<td>13.9%</td>
<td>57.7%</td>
<td>11.9%</td>
<td>32.1%</td>
</tr>
<tr>
<td>2003</td>
<td>17.6%</td>
<td>13.8%</td>
<td>60.4%</td>
<td>11.8%</td>
<td>35.7%</td>
</tr>
<tr>
<td>2004</td>
<td>15.8%</td>
<td>13.1%</td>
<td>63.1%</td>
<td>13.0%</td>
<td>38.0%</td>
</tr>
<tr>
<td>2005</td>
<td>14.7%</td>
<td>11.9%</td>
<td>65.0%</td>
<td>13.6%</td>
<td>39.1%</td>
</tr>
<tr>
<td>2006</td>
<td>14.4%</td>
<td>11.7%</td>
<td>65.5%</td>
<td>13.7%</td>
<td>39.8%</td>
</tr>
<tr>
<td>2007</td>
<td>13.0%</td>
<td>11.6%</td>
<td>66.6%</td>
<td>14.5%</td>
<td>40.7%</td>
</tr>
<tr>
<td>2008</td>
<td>12.0%</td>
<td>11.7%</td>
<td>66.3%</td>
<td>15.0%</td>
<td>39.0%</td>
</tr>
</tbody>
</table>

Source: Tsai, 2009: 5.

Under a wave of new regionalism, states are increasingly choosing preferential trade agreements, free trade agreements, customs unions, common markets, economic unions and regional trade agreements. Asianization refers to the growing economic integration of the region, demonstrated by the deepening of economic and industrial interdependency and the rise of China and the conclusion of plurilateral RTAs. Along with the acceleration of ASEAN Plus integrative framework, regional integration has also spread to southern Asia.

Table 8: FTA Status in Asia by Country (as of January 2013)

<table>
<thead>
<tr>
<th>Country</th>
<th>Implemented</th>
<th>Signed</th>
<th>Under Negotiation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>18</td>
<td>2</td>
<td>8</td>
<td>28</td>
</tr>
<tr>
<td>S. Korea</td>
<td>8</td>
<td>2</td>
<td>11</td>
<td>21</td>
</tr>
<tr>
<td>Thailand</td>
<td>11</td>
<td>0</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>China</td>
<td>9</td>
<td>1</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>Malaysia</td>
<td>11</td>
<td>0</td>
<td>5</td>
<td>16</td>
</tr>
</tbody>
</table>
Aside from regional initiatives, North American and European states are also trying to stake a claim in the expanding markets of Asia, aiming to sign free trade agreements to extend their coverage of regional integration. These include:

- Both formal and unofficial talks starting in 2007 concerning a EU-ASEAN free trade agreement. The EU has already signed Partnership and Cooperation Agreements (PCA) with countries within ASEAN, including Singapore, Indonesia and Thailand.

- The active support of the United States for a Free Trade Area of the Asia Pacific (FTAAP), which in 2006 resulted in the Hanoi Declaration as advancing free trade and investment, the leaders at APEC reaffirmed their resolve to revive the stalled Doha Round of World Trade Organization negotiations, and endorsed the Hanoi Action Plan to implement the Busan Roadmap for realizing free and open trade and investment in the region by 2020.

- The United States has also actively supported the Trans-Pacific Strategic Economic Partnership Agreement (TPP), which was initiated by New Zealand, Chile, and Singapore as a vehicle for trans-Pacific economic cooperation, which would increase the economic competitiveness of its members while reducing barriers to trade and investment. The United States entered negotiations with the group since 2008, followed also by Australia, Canada and Mexico among other countries.

Following the impasse between developed and developing countries in the Doha Round of multilateral negotiations on matters such as competition policy, investment liberalization (the so-called "Singapore Issues"), there has been a move by leading

<table>
<thead>
<tr>
<th>Country</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>13</td>
<td>0</td>
<td>6</td>
<td>19</td>
</tr>
<tr>
<td>Indonesia</td>
<td>8</td>
<td>1</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Vietnam</td>
<td>8</td>
<td>0</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Philippines</td>
<td>9</td>
<td>0</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Taiwan</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: author's compilation from external trade ministry websites.
economies to bypass such forums to obtain objectives in others.\textsuperscript{38} For example, the United States under Barack Obama emphasized the need to conclude a series of bilateral free trade agreements (most recently with South Korea in 2011) while simultaneously pursuing negotiations under Trade and Investment Framework Agreements (TIFAs) and other regional initiatives. These are mirrored by actions by the EU's Global Europe Strategy starting in 2006, which prioritizes increasing the competitiveness of European economies through the conclusion of bilateral economic partnership agreements (EPAs). Developed economies have thus shifted their attention to these forums to gain concessions in intellectual property rights, trades in services and public procurement.

While forum shifting has come at a detriment to negotiations for developing countries (especially due to agricultural subsidies of developed economies), on the other hand, it also drives a zero sum game in which other countries scramble to accumulate their own agreements in order to avoid marginalization. These contexts are not only limited to impositions based on top-down hierarchies of power. The perceived acceleration of regional integration may lead countries to follow the actions of others in order "to stay in the game", "remain competitive" and "adhere to international practice." The \textit{self-imposed} efforts to inculcate neoliberalism in order to attract investment may be absent of direct coercion.

In Taiwan, regional and international economic integration were central to the Ma administration's vision to select new emerging industries such as services, cloud computing and green technologies as part of a broader plan to raise the country's economic profile. As the pacing of integration in the region was perceived to accelerate with the conclusion of ASEAN+1 agreements separately with China and South Korea, the fact that 54\% of Taiwanese exports were destined for China (including Hong Kong) and other ASEAN states, the potential fallout from continued isolation began to be voiced Taiwan's industrial exporters. Citing arguments of trade diversion and Taiwan’s exclusion from bilateral and regional trade agreements that neighboring competitors enjoy, government ministries and think tanks began to frame the participation in regional integration processes as the only way forward.

\textsuperscript{38} For a detailed overview of the difference in priorities that have led to forum shifting on the part of developed economies, see Gathii, 2011.
6.4.2 Addressing the Perils of Economic Isolation: "Economic Sovereignty" as the Valve for Sustained Growth

Different from diagnostic contextual building, prognostic function of framing addresses the articulated problem with proposed solutions. From an interpretive policy standpoint, the rhetorical frames from policy-related texts by politicians, policy intellectuals, proponents and opponents can bring the argumentative persuasiveness and necessity of action, what Schon and Rein (1996) termed “the normative leap from is to ought.” The dominant theme of pro-ECFA ratification discourse was the externalization of globalization as a reference point for national competitiveness. Normalizing trade and establishing a free trade zone between the economies of Taiwan and China would not only offset the effects of ASEAN+1 and ASEAN+3, but also create an attractive environment for foreign investors and incentives for Taiwanese multinational firms to return to the island after having relocated operations to China.

Thus, economic sovereignty could be maintained in a period of uncertainty by state policies that would channel the most pressing needs (obtaining lower tariffs for the petrochemical, auto parts and apparel industries) while keeping the gates selectively sealed to prevent competition of cheaper foreign products vulnerable to industries and classes (agriculture, labor). Such arrangements are behind state efforts to harness the transnational flows of capital that have re-shaped the economies on both sides of the Strait. In Taiwan, the state’s actions are part of a plan to shape these flows indirectly. They include re-attracting Taiwanese companies that have set up shop in China to return to their roots by providing institutional frameworks that incentivize sourcing research and development “at home.”

6.4.3 Innovative Symbiosis: Industrial Linkage with China’s Domestic Market

A prominent causal assertion in the pro-ECFA literature and policy papers is reinterpretation by business lobbies of China’s macroeconomic policymaking by redefining it from the world’s factory to the world’s marketplace. The implications of such assertions to policy serve several functions. While turning its focus to the service industries, the state shifts the emphasis in the cross-Strait division of labor in which Taiwanese companies lead in branding and providing the knowledge-base to be springboards into China’s domestic market. First, by acknowledging the
unsustainability of China as a low-cost destination for assembly and export, a reorientation toward a “business model approach” means that the continued interpretation of cross-Strait economic dynamic as trade dependence is equivalent to a failure to adapt to new economic conditions. Second, it creates waypoints from which Taiwan can maintain its position as a technological and innovative beachhead for domestic firms, in which they can utilize the large Chinese market share as a proving ground for developing international brands (oft-cited as the value added for economic integration). Third, in assuming clear divisions of labor, industrial standardization and co-development of new emerging industries, cross-Strait industrial overlaps (i.e. biotech, green energy technology, cultural innovations, tourism) are seen as potential areas of linkage.

Taken together, these frames elucidate the ideas and discourses that aim to structure the imagined economy of increasing cross-Strait integration and create actionable goals for its proponents. Whether these ideas and discourses will dominate the conceptualization of the cross-Strait economy in the long-term depends on their resonance and relevance will hinge on the ability of social forces in their favor to broaden its appeal to rival and opposition groups by building consent, and institutionalizing the production processes which they seek to bring about. Competing discourses of nationalism within Taiwan, however, continue to bring contradictions to this process.

6.5 The ECFA as Discursive-Selective Moment

In considering the social forces involved in the shift from state intervention in industrial policy toward prioritization of neoliberal policies of free trade, one needs to evaluate how cross-strait economies were re-imagined. As Sum and Jessop argue:

[i]mnimaries exist at different sites and scales of action – from individual agents to world society. Social forces will therefore seek to establish one or another imaginary as the hegemonic or dominant frame in particular contexts and/or to develop complementary or sub-hegemonic imaginaries or, again, counter-hegemonic imaginaries that motivate and mobilize resistance. (Sum and Jessop, 2013: 165)

It is useful to consider the CPE’s Four Modes of Social Relations to see the enabling and constraining forces to the scope of agents’ capability and capacity for meaning-
making (semiosis) in dialectic relation to the management of the possible (structuration).

6.5.1 Structurally Inscribed Selectivity are the unevenly, differently constraining and enabling factors on social forces in their pursuit of various projects (ibid, 214). These factors only exist as a result of reproduction through the social practices of social forces. They may result in transformation over time as social forces consciously or unconsciously change the configuration of constraints and enabling factors. Taiwan’s long postwar linkages from US dominated international trade regime was predicated upon a strong interventionist developmental state that dictated industrial policy and recruited a weak corporate sector as junior partners. From the standpoint of Taiwan’s outward oriented economy, institutional legacies enabled the creation of production networks that favor industries able to adapt to those dictates. Constraining factors to developmentalism however include the changing cross-Strait political economy and post-authoritarian institutional arrangements in the management of social group interaction.

6.5.2 Agential Inscribed Selectivity refer to the differing capacity of agents to make strategic choices based upon structural constraints. Different social forces (identity, material interests, etc.) possess variable capacity to take action and to make strategic choices. The power of persuasion, the ability to displace competing social groups through institutional coercion (and at times violence), and by propagating imaginaries are all factors that give agents the possibility of making changes. With democratization and the weakening of state developmentalism, political parties, business actors and organic intellectuals continue to reshape the interaction of cross-Strait societies in which identity and the ability to structure it for various contexts has become ever more crucial. The changing nature of state-business configurations in Taiwan indicate a dynamic process in which structural shifts alter these configurations.

6.5.3 Discursively Inscribed Selectivity: As with structural selectivities, discursive selectivities are also asymmetrical in that there are different opportunities and constraints for what (in terms of genres, discourses and styles) can be articulated and who has the authority to deploy them so to varying degrees of effectiveness. As semiotic resources, they delimit the possible imaginaries for realization and play a role in determining what themes can be stated in a given semantic field (ibid, 215).
Through genre chains of national competitiveness as a means to combat ideas of marginalization (including the ideas linked to it, specific identities and material interests) has been broadened to structure political arguments.

6.5.4 Technologically Inscribed Selectivity relates to Foucaultian concepts of social technologies that create the subject relations and the relations between power and knowledge. These selectivities also delimit the field of action, regulate the conduct and thoughts of agents through dispositives and regimes of truth — acting as a kind of barrier to radical transformation of existing orders (ibid 216-7). Such technologies of subjectivity, relying on expert knowledge, can induce self-regulation so that citizens are increasingly basing their choices on remaining/becoming efficient and competitive in the face of globalization.

Table 9: The ECFA as Discursive-Selective Moment

<table>
<thead>
<tr>
<th>Structurally inscribed selectivity</th>
<th>Agential-inscribed selectivity</th>
<th>Discursively inscribed selectivity</th>
<th>Technologically inscribed selectivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developmental state legacy, rise of Taiwanese firms on the mainland, shift in firm composition and investment, reshaping of state-firm governance</td>
<td>Nodal actors in the cross-Strait at civil and political societies</td>
<td>Genre chains of national competitiveness, articulation between reports, public speeches and debates, policy documents</td>
<td>Knowledge technologies involving competitiveness vis-à-vis competing states, cross-Strait industrial linkage</td>
</tr>
</tbody>
</table>

Source: Adapted from Sum and Jessop (2013: 225).

Not all imaginaries are equal in salience and retentive adaptability: their emergence and realization as actionable strategies are dependent on the interaction among agential, structural, discursive and technological selectivities. Making sense of the world requires more than semiosis or else one reduces everything to discourse. How human agents make sense of the world depends also on non-semiotic factors. They are structured through social practice, which throughout time have become sedimented and are post-discursive to the degree they are naturalized and become part of the constraints and opportunities that asymmetrically constrain and enable actors in semiotic processes. For example, the collective act of imagining a national community on Taiwan is not reducible to semiotic aspects alone, but is also
constrained by non-semiotic features of institutional and organizational logics of geopolitical and economic structures. A discursive-selective moment therefore involves: 1) the various struggles or cooperation over the renewal of systems of meanings that have been de-sedimented through processes of politicization; 2) the problematization of issues by social actors provides new entry points and ways of framing; and 3) the recontextualization of frames shifting to different sites and scales to reinforce or strengthen imaginaries.

Until the 1980s, entrenched ideas about the economy or and its projection into the future in Taiwan were based on the concept of the developmental state, including state governed markets, allocation of recourses for industrial upgrading, etc. (see Dent, 2003; Wade, 2004). Following this critical juncture and the attempted reestablishment of hegemony, a variety of contesting post-developmental discourses can be identified along with more neo-liberal discourses of trade liberalization and privatization.

From 2008, the discursive space of nationalism within the structure of political-economy of cross-Straits favored some imaginaries over others. The significance of the current period of selection is that the state under the KMT played an active role in defining two discursive concepts: economic sovereignty and citizenship. Through ideological/frame analysis, this research utilizes CDA in order to interpret the (un)intentionality of discourse selection to discourse construction. Under the theoretical premise of contestation over imaginaries, the main objective here is to show how ideas over this narrative of coming to terms with globalization was played out in Taiwan through the government’s ECFA promotion strategies and its social actor identifications of difference among subjectivities.

New sets of actors were involved at each stage as nodal agents responded to new crisis symptoms by elaborating new economic imaginaries. During the crisis of developmentalism, dominant hegemonic modes of production were challenged by two forces: shift from authoritarianism to distributional politics based on democracy and the politicization of identity which made variation of meaning-making critical. New forms of identity (ethno-nationalism) advanced by nodal actors create more resonant collective imaginaries. Imaginaries become actualized through actionable moves to frame and institutionalize practices (i.e. becoming an integrated economy).
Nodal actors that have relatively favorable strategic positions to structure ideas, institutions and material capabilities into hegemony by mediating orders of discourse that restrict and extend meanings of the national body politic in relation to representation of globalization. The knowledge produced over time (re)constructs possibilities of prosperity by means of micro-level apparatuses (e.g. reports, presentations, pamphlets) and related governing technologies. These were oriented to creating new subjectivities for individuals and collective actions.

One can see this process in Taiwan’s outward economic policies toward China. Cross-Strait economic realities have been represented by a wide-ranging set of knowledge systems and technologies (statistics, tables and indicators collected by government bureaus) that chart outflows of Taiwanese investment into China, distribution of exports to China vis-à-vis other destinations, tabulate the types of industries involved in investment, and monitor these developments across time. These statistics and other data form the basis of government conclusions relating to cross-Strait economic policies and are used to justify particular policy initiatives. At times, accelerating rates of foreign direct investment into China have been interpreted as a harbinger of overdependence on investment destination that requires correction. At other times, it has been interpreted as a sign of positive economic development. Likewise, political arguments of economic dependency, hollowing out of manufacturing base and brain drain find counterarguments in terms of economic interdependency, upgrading of industries and free-flow of persons.

In analyzing the encounter between neoliberalism in different geographical locations, among differing scales, the realization of specific imaginaries that incorporate discursive and technological selectivities are not merely brought to being by rationalistic and willed actions of actors: i.e. the state’s ruling apparatus incorporates neoliberal ideas to replace and reform existing institutions. Semiotic features such as specific genres, discourses and styles of "neoliberal ideas" exist dialectically with existing structures of sedimented social practice. For example, if we consider the discourse of “competition” in conjunction with the social practices involved behind rankings and benchmarking by bodies such as the IMD and WEF, they are not simply imposed externally to a developmental state "inside." The piecemeal utilization of rankings and benchmarking by social actors in part is their
engagement with specific discourses, but also dependent on the existence of historicized structures that in turn situate these ideas.
Chapter Seven: Bridging the Gap of Imagined Economies

This chapter charts the discursive redefinition of economic competitiveness in Taiwan to meet the political project of institutionalizing increased economic interaction with China. The purpose is to illustrate the recontextualization of nationalism to fit the paradigm of opportunity and pacifying the Taiwan Strait for increased economic interaction and cooperation following the resumption of KMT power in 2008. The first part (7.1-7.2) examines the role of national and transnational actors in constructing the cross-Strait region as an economic imaginary. The changing cross-Strait imaginary has both transnational and national significance, and its resonance is linked with developments in the "actually existing economy" but also on specific discursive selectivities, practices and modes of knowledge.

Economic imaginaries involve constructions of a narrative of lost time, a spatial reorientation strategy to globalization that culminate toward a "globalization through China" narrative. The second part of the chapter (7.3-7.4) addresses the popularization of the linkage discourses by public and private actors that could facilitate Taiwan’s economic vitality and recovery. The imagined economy was contested by opposition forces, but because of discursive practice, formerly counter hegemonic themes were re-appropriated into dominant discourses, making them difficult to assail.

By elaborating on elements within critical discourse analysis, the chapter argues that policymakers have long held viewpoints toward globalization as an agentless force that brings repercussions to the function of capitalism in the state. Mainstream approaches toward globalization have taken this narrative of the decentered state as a given, but see the role of the state as providing the mechanisms for greater privatization and stimulus for competitive behavior. Insofar as national development is concerned, globalization must be responded to in force by collective means. In fact, among the policy circles, to speak of change is to speak of an adaption to the phenomenon of globalization that remolds nationalism.

7.1 Competitiveness and the Imagined Economy: Altering the Zero Sum Game

*Islands like Taiwan flourish in an open economy and wither in a closed one. This has been true throughout history. Therefore, we must open up and deregulate the*
economy to unleash the vitality of the private sector. This will strengthen Taiwan's comparative advantages. Taiwan's enterprises should be encouraged to establish themselves at home, network throughout the Asia-Pacific region, and position themselves globally. Taiwan's labor force must learn to adapt to rapid technological changes and industrial restructuring. Our youth must develop character, a sense of civic duty, global perspectives and lifelong learning capabilities. All forms of political interference in education must be eradicated. In this era of globalization, the government must satisfy the basic needs of the underprivileged and create opportunities for them to develop. While pursuing growth, we must seek environmental sustainability for Taiwan and the rest of the world.

President Ma Ying-jeou, May 2008

Having secured electoral victory in 2008, the KMT began pushed for economic policies that favored trade liberalization and reducing the restrictions on outbound capital toward China and easing regulations on Chinese investment into Taiwan. It is noteworthy that Ma's first inaugural address confers a strong necessity or obligation for Taiwan's labor force, youth and indeed the state to adapt to globalization, while a more conditional modal is conferred onto businesses and their objectives. While the loss of competitiveness at home and the perceived increasing competitiveness of the region became bedrock issues in the Ma administration, its stance has been anything but passive.

Shortly after assuming office, Ma delivered a keynote speech to the Third Wednesday Club (a meeting of government and industry elites regularly convened each month to promote communication between state and business) titled "The Administrative Policy of the New Government." At the meeting he highlighted the government's intention to pursue policies that would allow the Taiwanese banking sector to set up branch operations in China, investment protection and other measures (Tsai, 2009: 2). During the Fourth KMT-CCP Summit in December 2008, members of Beijing's Taiwan Affairs Office confirmed publically that negotiating a cross-Strait economic agreement would be seriously considered. Chinese president Hu Jin-tao officially responded to Ma's earlier statements and proposed that both sides work to develop a cooperative framework tailor made for cross-Strait economic development. During a public interview the following February, Ma referred to this framework as the Economic Cooperation Framework Agreement and stated that it would be a non-political agreement that would not touch issues such as sovereignty, or the question of unification or independence (China Times, Feb. 28, 2009). Agreeing to resume talks
between the SEF and ARATS under the auspices of the 1992 Consensus (hereafter 92C), the two sides concluded several agreements including direct postal, air and maritime links ("Three Direct Links") and opening Taiwan to Chinese tourism (at first limited to groups from specific cities, with a daily cap of 3,000 visitors) after subsequent negotiations in Beijing and Taipei.

Normalization of economic ties with China proceeded frenetically with the government keen on utilizing deregulation to make businesses more competitive internationally while attracting foreign investment. In his National Day speech, Ma stated that economic downturns were "precisely the best time to promote economic reform." (Ma, Oct. 10, 2008) The rationale for such measures of economic and financial deregulation were aimed at carrying out the government's major infrastructure projects, upgrading industry and improving the attractiveness for foreign investment. The Council for Economic Planning and Development (CEPD), tasked with coordinating inter-ministerial and public-private mechanisms for such projects, defined deregulation as:

...[the] reform of the laws governing economic and trade activity so as to reduce barriers to a free economy. It requires the government to actively consider new systems or measures for adjusting the framework of economic activity, improving the quality of regulation, and aligning with international practice. From the macroeconomic perspective, deregulation is a means to reinforce the functions of law underpinning economic activity, to facilitate trade and cross-border investment as a means of promoting integration of Taiwan's industries into global supply chains, and thereby open up new prospects for the economy to prosper. (National Development Council, "The deregulation mechanism." 2013)

As a policy to be implemented with inter-ministerial coordination, an action plan was put forth by the CEPD in July 2008 to initiate deregulation. In a press release, the CEPD’s chairman indicated that deregulation was “always an important point of observation for businesses, trade associations” and that during the 2008 Taiwan Competitiveness Forum cohosted by the de-facto U.S. embassy, the American Institute in Taiwan (AIT), the Chung-hua Institute for Economic Research (CIER), Taiwan Economic Research Institute, stated that:

[to continue to strengthen Taiwan's competitiveness, the government must continue to review the laws to be deregulated in order to achieve international economic standards. This consensus is consistent with the current policy direction of the Executive Yuan. (CEPD press release, July 11th, 2008)
Subsequent meetings of the CEPD aimed to define the rationale, time frame, and scope for state-led deregulation.

7.1.1 Rationalizing Deregulation as Normalization

Deregulation was seen as a means of playing catch-up to an increasingly competitive global business environment, countering the policies of the DPP government, which were characterized as inward looking and detrimental to the investment climate.

Since 2008, three phases of deregulation policy have been implemented. The first phase was conducted under the theme of deregulation and reconstruction. *On the aspect of deregulation, this phase was aimed at addressing the country’s previous closed-door governance and stagnation, which had caused businesses to lose their competitiveness* (my emphasis); on the aspect of reconstruction, the objective was to actively carry out major infrastructure projects to prosper Taiwan’s economy, and then to rebuild the people’s confidence in the government. (NDC, "Background: Deregulation" 2013)

The proposed ways forward included relaxing the regulations on domestic banks to operate in China, allowing Chinese capital investments in manufacturing and improving air and sea cargo linkages, as well as streamlining the entry process for Chinese tourists. Ideas of deregulation to promote competitiveness were legitimated by indicating that government actions were consistent with international practice. CEPD chairman Chen cited that the government needed to approach deregulation in line with the policies of the members of the OECD and APEC. He noted the experience of South Korea's post-Asian financial crisis reforms to secure economic growth through structural adjustments:

South Korea for example, after the 1997 financial crisis began promoting regulatory and structural reforms, the establishment of regulatory reform committee to promote regulatory reform, loosening of a large number of regulations, laying the foundation for its economic growth in recent years. (CEPD press release, July 17th, 2008)

7.1.2 Deregulation: Defining Scope and Direction

In a September 2008 Cabinet meeting, the CEPD laid out its vision of a deregulatory mechanism that comprised of three modes in which government would institutionalize a more publicly accessible means in order to phase in future deregulation.
Regulations and policies to achieve both open the "top-down" and “bottom-up” of the relaxed requirements will determine the operating mechanism in future deregulation. There are three main modes. The first mode includes government actively soliciting and incorporating the work of civil associations regarding suggestions on deregulation. Depending on prioritization, review committees determine subsequent actions to be taken. The second mode is proactive implementation on part of relevant ministers after providing a broader policy field. The CEPD and other agencies solicit experts to implement these forms of deregulation. The third mode is determined by initiatives of ministries themselves based on the concept of governance, in which policy direction and the promotion deregulation plans are completed, followed up with consultations and progress reports. (CEPD press release, September 5th, 2008)

Citing the “importance of the business investment environment,” the government utilized external benchmarking frameworks such as the World Bank’s annual Doing Business report, as well as the APEC’s Ease of Doing Business action plan (NDC, "Reform efforts recognized" 2013). In addition, it created "suggestion platforms" to streamline the uptake of annual position papers of foreign chambers of commerce, including the U.S., EU and Japanese chambers of commerce, as well as the domestic Chinese National Federation of Industries. (NDC, "Suggestion Platforms for Business Associations." 2013)

Table 10: Implementation of Deregulation in Taiwan, 2008-2010

<table>
<thead>
<tr>
<th>Date</th>
<th>Name of Regulation</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 22, 2008</td>
<td>Direction for Review of Work Rules</td>
<td>Work rule review process has to be completed by authority within 14 working days.</td>
</tr>
<tr>
<td>April 29, 2009</td>
<td>Company Act</td>
<td>Liberalized company start ups by removing minimal capital requirements.</td>
</tr>
<tr>
<td>February 5, 2009</td>
<td>Regulations for the Examination and Approval of the Amount of Capital of Companies Applying for Registration</td>
<td>Certification and verification of paid-in capital reduced from previous four days to one day.</td>
</tr>
<tr>
<td>May 27, 2009</td>
<td>Income Tax Act</td>
<td>Introduction of a flat tax rate of 20% for profit-</td>
</tr>
</tbody>
</table>
seeking enterprises to replace dual 15% / 25% system.

| June 15, 2010 | Income Tax Act | Reduced income tax rate for profit seeking enterprises to 17% (retroactively effective in the beginning of 2010) |

Source: author's compilation based on NDC website

7.1.3 Governing from a Distance: Limitations

According to Schoenberger, competitiveness is part of a “discursive strategy that constructs a particular understanding of reality and elicits actions and reactions appropriate to that understanding.” (Schoenberger, 1998: 3) Competitiveness discourses when infused with business and management knowledge systems link the choices of actors in the determination of viability on the basis of merits, qualities and strategies adopted compared to rivals in specific contexts. By taking for granted the inherent fairness of market competition and its impartiality in determining winners and losers, competitiveness can “proceed on a purely technical basis.” (ibid: 5).

Competition as a discourse finds resonance with preexisting geopolitical storylines, for example, Taiwan's position within the Four Asian "Mini-Dragon" economies that include South Korea, Singapore and Hong Kong. By framing competition, comparisons can be made on how other countries have taken measures to stay ahead of the game, including financial reforms, creation of competitiveness agencies within government structures, and the formulation of knowledge systems aimed at particular understandings of the circumstances of action.

The ‘path’ metaphor structures movements of the East Asian NIEs and normalizes them as ‘laggards’ (with their own internal hierarchy) moving forward. Accordingly, their future trajectory is seen in terms of development through the promotion of technological innovation and market-friendly institutions. (Sum and Jessop, 2013: 311)

In the earlier example of South Korea's post-crisis deregulation, competition discourse even acts to decontextualize the financial crisis as a means of "laying the foundations for economic growth."
When the discourse of competitiveness emerged in Taiwan in the late 1990s, it served as a basis for gauging the effectiveness of national institutions - a localized interpretation to hegemonic worldviews of neoliberal globalization. At the onset, prominent officials within the developmental state viewed benchmarking and ranking technologies with suspicion (Wu, 2011:14). This encounter between discourses of development and market efficiency therefore indicates the contradictions and discursive struggles in positioning one set of interpretation of rankings over another show the limitation of mediation within social structures. Initially, while government discourses may use international benchmarks as a means of legitimizing their policies on an annual basis, internal ministerial meetings and policy recommendations commissioned by the state showed confusion over ranking technologies, doubts in implementing reforms and inclination to develop indigenous knowledge systems for evaluating economic performance. (Research, Development and Evaluation Commission, 2010: 120-1, 129)

For decades, the steady decline and shift of the island's manufacturing base to China illustrated the structural problems faced by Taiwan. Previous economic imaginaries during the Lee and Chen administrations took these as evidence of a need for the state to enforce regulations, while current ideas saw capital investment to emerging markets as necessary and irreversible trends: the critical task was ensuring and signaling a favorable investment environment and gradually moving toward regularized, two-way cross-Strait capital flows in order to stay ahead of these trends.

Competitiveness reports, rankings and the identification of clusters took on a new role, becoming a component process of evaluating current and past policies as well as framing goals and visions for the future imagined economy. Depicted in white papers, rationalization of policy positions and public utterances by state officials, they are imbued with a combination of managerial and developmental state discourses: 1) helping firms adapt to the new globalized and interdependent competitive situation; 2) “exploiting the competitive advantage associated with the gradual shift to a knowledge based economy.”

As a basis for addressing trade performance, increasing investment in research and development, concepts such as global value chains (GVCs), industrial clusters and "competitiveness through cooperation" (the creation of "win-win" scenarios) act to
recontextualize productive relations by creating equivalences in the national economy, projecting them to the regional economic scale.

Framed as ‘beneficial’ and offering ‘opportunities’, participation in GVCs is said to offer firms and ‘clusters’ access to global markets and chances to ‘climb the technology ladder’. This way of reimagining how Asia might compete within the world market deploys a ‘nodes and links’ metaphor to frame the relations between ‘clusters’ and the ‘global chains’. (Sum and Jessop 2013: 331)

The linkages and symbiotic relationship between units within the value chain have also been used metaphorically to support prioritization of certain industries for preferential treatment among various scales. The Ma administration utilized this metaphor as a form of obfuscating the difference and potential conflicts of interest between small and medium enterprises and large corporations during the ECFA debate, highlighting a shared economic fate. (Supriya et.al, "The ECFA debate transcript", 2010).

The deployment of economic and competition gurus and their corresponding "knowledge brands" are indicative of the incorporation of outside knowledge to meet the needs of local contexts. In equating competitiveness with national productivity, Harvard trained economist Michael Porter laid out three economic goals for Taiwan including: reforming its developmental state ("addressing chronic weaknesses"), moving the economy toward an “innovation driven economy” and stabilizing its economic relations with China. He was invited several times by the government to elaborate on his models which have achieved a strong foothold in economic policymaking circles (Sum and Jessop, 2013: 304; Snowdon and Stonehouse, 2006). As a discursive apparatus, the Portian knowledge brand employs a variety of conceptual tools such as benchmarking indices, economic forecasts and tables that make developing such long-term plans salient with existing narratives. In effect, it bridges the genre of elite business management discourse with government planning and economic policy.

In his 2001 report “The Competitive Advantage of Taiwan” Porter termed "Taiwan’s Malaise" as economic downturn, high unemployment and an uncertain political relationship with China. Infused with competitiveness discourse, Porter's narrative charts Taiwan’s economic performance in terms of GDP in comparison with
other countries, along with the growth rate of GDP in Asia. He further highlights the island’s position in the information technology (IT) sector by indicating the high growth in U.S. patents filed by Taiwanese firms and the consistent growth of U.S. IT sector investment. Using the *Competitiveness Report*, Porter is able to label “chronic weaknesses” by placing Taiwan within the rankings system of other countries. He is then able to use examples of firm strategies (here Dell Computer) or university and state institutions and finally industrial clusters to illustrate the functioning of highly competitive and productive relations of a variety of economic actors both public and private (Porter, 2001).

Porter was again invited to deliver a keynote speech at the *Commonwealth Magazine's Global Leader's Forum* in 2010 in which he drew on earlier themes from his Taiwan centered talk a decade earlier. In arguing for the need to create a long term economic strategy, Porter focused on three themes, including competitiveness, economic strategy and cross-Straits relations.

In recontextualized form, Portian discourses can serve as a form of “governing at a distance” that enables knowledge brands to give agents a means to break away from previous policies in which legitimacy is conferred by business management discourses. Porter accounts for and levels critiques against past policies that faltered on the big picture:

> We can take a different perspective by looking at the past 10 to 15 years of Taiwan’s development. It is certain that recently Taiwan has experienced a serious economic recession which has caused widespread alarm and has resulted in the narrow focus on the short term (for example, only taking account annual developments). (Porter in *Global News Monthly*, 2010)

Based on representations of state conceptualizations and phasing in deregulation as part of an effort to regain public support, hegemonic knowledge brands such as Porter’s cluster model and other discursive apparatuses have found new footholds in Taiwan’s economic policy circles by complementing the state’s economic strategy to utilize deregulatory strategies to bolster emerging industries and clusters.

In identifying shifts in Taiwan’s manufacturing base, Porter has also identified new areas of cooperation for the establishment of viable clusters that can lead to ensure Taiwan’s overall competitiveness. By using indicators of Taiwan’s economic strength (i.e. patent filings are indicative of innovation) and juxtaposing them with
rankings in which Taiwan is a laggard (effectiveness of government institutions, lack of regulatory depth and confidence in the legal framework), Porter’s policy prescriptions points to broadening the reach of the innovation driving sectors (clusters with dense and high end technological infrastructure) with the help of foreign investment and the creation of partnerships with more multinational corporations.

Figure 9: Portian Knowledge Brands and Cluster Identification

Neoliberal narratives in these settings can also be used to justify new policies that are congruent with existing imaginaries. Therefore, depending on the resonance of knowledge systems on state policy, they may serve to legitimize previously conceived imaginaries. Porter's comments offer this endorsement:

Today under new structures, mainland China represents a gigantic economic market. If a new cross-Strait relationship can be created it could offer new opportunities for Taiwan’s economic development. But because both sides have not already established formal frameworks for interaction, Taiwan up to now has been unable to reap real growth from cross-Strait commercial activity...Now is the time to open a new chapter in Taiwan’s history. I
believe the new framework agreement (ECFA) can bring forth several new changes. (Porter in *Global Visions Monthly*, 2010)

Hegemonic knowledge brands can therefore define appropriate roles of government in economic development that resonate with current policy orientations such as deregulation and normalization of cross-Strait relations. As roadmaps, they can structure priorities such as location specific cluster policy versus traditional national industrial policy that influence government spatial planning. They also lend legitimacy to government policies so long as they are complimentary to a broader range of interests that generate economic growth by creating investment friendly regimes.

However, while the government has used international rankings methodologies to bolster its credentials and rally support for its policies, benchmarks have been the subject of conflicted meaning. In a report commissioned by the government in 2010 and conducted by the CIER, the evaluation of national competiveness was not taken as given, despite the weight put behind their policy significance. In addition, the government's actively seeking of endorsement from international experts was met with skepticism, and has formed possibilities for counter-attacks. The visit by the renowned Nobel laureate Paul Krugman, which the government sought to utilize as an endorsement for the ECFA turned into a public relations stalemate on the part of the pro-ECFA media (*Central Daily News*, April 15 and 18, 2009). Intellectuals against the ECFA cited Krugman's mapping of the "hub and spoke" representing core-periphery economic relations as an analogy to China's growing influence and the threat of that influence on Taiwan's ability to maintain its economic and political autonomy (*Liberty Times*, May 24 2009).

Despite the ease in which business discourses purport to meld with economic planning at the outset, hegemonic discourses have been processed and evaluated ambiguously by the state. While Taiwan’s policymakers and political elites are subject to hegemonic discourses of competitiveness, they also evaluate the merits of ranking systems, take into consideration how other countries use international rankings to improve competitiveness and draw up plans for implementing strategies to increase competitiveness.
7.2 Positioning the Imaginary: Reconceptualizing Space

While initial efforts by the government to regulate cross-Strait commerce involved rewriting official narratives on the political economy once deemed a national security risk, and deregulatory measures to ease capital flows, subsequent actions of the state and business elites involved the reconceptualizing the cross-Strait spatial configurations. This section explores how these rationalities have found limited resonance in cross-Strait imaginaries.

7.2.1 The Reordering of Space with the Cross-Strait Common Market

Just as current trends of global economic integration cannot be merely accounted for by shifting from the international commerce among states to the global scale dominated by multinational corporations, the imagined economy does not comprise of the mere extension of capitalist accumulation to areas beyond political sovereignty: the process involves a mediation of discourses across scales. The previous section revealed how competitiveness discourses combined with specific knowledge systems have helped provide the impetus for "something to be done" in the cross-Strait area to meet the requirements for a deregulated economy. This section considers how they have been disseminated and taken up in terms of spatial narratives with respect to Siew's Cross-Strait Common Market blueprint.

On the international level, chambers of commerce from the U.S., EU and Japan have called for cross-Strait reconciliation for the sake of streamlined practices that companies do business. The American Chamber of Commerce in Taipei has also recommended that the Taiwanese government continue its efforts to deregulate, consult members of industry before policy implementation and adhere to rankings from the WEF, among others (AmCham Taipei, 2009). On the geo-political level, neighboring states lauded the Ma administration’s handling of cross-Strait affairs, lending him international credibility for his government’s move to fully stand behind making the cross-Strait region stable and hence, business friendly.

As the government emphasized returning Taiwan onto the path of globalization (as to imply its earlier isolation), it framed policies of deregulation in terms of catching up with lost time and recovering opportunities. These narratives also involved framing and positioning space: locating the geographies of the knowledge based
economy, and resourcing space as a means of efficient nodes of production, transport and linkage. The reconceptualization of land planning recently, as open, dynamic and problem-oriented strategies on differing scales (international, national and local) is indicative of adapting economic planning to meet changing circumstances.

As industrial clusters develop, they will gradually gather greater industrial development momentum, and in due course develop into industrial cluster corridors. This will be advantageous to raising the competitiveness of the clusters and maximizing their synergies. Countries worldwide have been vigorously implementing policies to promote industrial clusters. In face of this trend, Taiwan must continue to increase knowledge investment and manpower cultivation, and meld innovation with creativity in building high value added industrial corridors that seamlessly integrate R&D, innovation and production. (CEPD, 2010:12)

Figure 10: Zoning Competitiveness: Industrial Corridor Conceptualization


The CEPD cites international practice as a legitimizer of the increased segmentation of space to meet the dictates of developmental "momentum." In mapping out the western half of the island as an industrial corridor, the government has increased hierarchical
The state's *Strategic Plan for National Spatial Development* (2010) reconceptualized ideas of immobile socio-territorial infrastructures. Through processes of production, reconfiguration, differentiation and transference, the movement of commodities, capital, people, information is expanded and accelerated across newly topographical domains. These spatialization strategies are, on the one hand, state involvement in political restructuring previous institutional forms that serve to enhance location specific productive forces (Brenner, 1999, 45). On the other, capital has been involved in a complex rescaling and re-territorialization of entrenched infrastructures embedded in cognitive terms. National spatial development is the main objective for making the land a site for international competitiveness.

The basic policy and goal of national spatial development is: under the precondition of giving top priority to land conservation and environmental sustainability, pursuing the objectives of establishing international competitiveness poles and building a creative environment, while paying due attention to the efficiency, effectiveness and social inclusion required for governance and the process of land development. (CEPD, 2010:16)

The discourse also lends support for terms such as "social inclusion", "land conservation" and "environmental sustainability" as preconditions. Nevertheless, they have been largely relegated to passive concepts in which the pursuit of industrial clusters maneuver around.

In conceptualizing the (re)production of spatial forms in narrative configuration of globalization, Cameron and Palan schematize four, simultaneously component phases: spatial form, spatial trajectory, theory of causality and spatial responses (Figure 11).
As a truncated narrative, reconceptualization of space can also be used as basis for juxtaposing present and future forms of spatial reality. In the context of cross-Strait relations, the conceptualization of sovereignty from rigid to \textit{graduated} forms demonstrates degrees of openness or restrictiveness to market logics. In popular discourse, complex issues such as sovereignty (which involve potentially conflicting political and social identities) require a longer adjustment period or time horizon, while economic issues, which are seen as procedural matters run on a different time scale (removal of trade barriers). Spatial equivalence therefore has a means of reifying concepts such as the nation-state and globalization so that the storyline can be spatially conceptualized in history and the present. Narrating spatial change therefore also places the story onto a conceptually flattened field, which compress scalar explanations of power relations.

The driving forces of spatial change, the externalized casual mechanisms that are utilized to explain the shifting or stretching of space, have masked the agents actively involved in the process. For example, regional economic integration in Southeast Asia in the form of ASEAN+1, and other regional free trade agreements has often
been cited as evidence of accelerating globalization. Globalization, whether taken as the process in which national economies are opening up to multinational corporations, international institutions such as the World Bank and the International Monetary Fund, or processes of deregulation, privatization and commodification become external to the ideas, actors, social practices and institutional forms which produce them.

The framing of action in a storyline therefore has a function of giving and/or removing agency, attributing proactivity/passivity, power and vulnerability. Attributing action (or inaction) to agents also delimits the socially prescribed role in which cultural knowledge systems structure the field of action.

Vincent Siew’s model on future cross-Strait economic ties and their normalization, the Cross-Strait Common Market (CSCM), have subsequently served as a blueprint for realizing economic imaginaries from the KMT pro-business perspective, which has also gained credence from China's leaders and academics. As vice president under Ma, Siew has led Taiwan’s economic and business delegations at regional economic forums in the capacity of chairman of the Cross Strait Common Market Foundation. This has allowed him to meet personally with China’s leaders (including Hu Jintao, Li Keqiang and Xi Jinping) without confronting the matter of official titles. As an economic imaginary of its own accord, the CSCM provided a roadmap and framework for structuring possibilities by limiting competing imaginaries and discourses, providing the mutually constitutive accounts of the origin and end point of a spatial narrative are “written” in respect of each other. According to an interview with general secretary of the Cross Strait Common Market Foundation:

It became important to look at the case of other countries, using economic means (such as the lowering of protective barriers of investment/trade) to find a legal institution for settlement of problems. The mainland also supported the notion of an institutional framework to regulate the commerce along the Strait. The main component of ECFA is the idea and also the process of establishing a common market. So ECFA can be seen as the first stage mirroring such a process similar to the European Coal and Steel Community and the EU. None of this touches political problems or issues. (Interview with Chan, National Policy Foundation, 2011)

Mirroring many mainstream narratives of globalization, the CSCM identifies the direction of spatial change (for example from local to national; national to global) and emphasizes these as inevitabilities under trends of a globalized economy. By framing
or placing the state and globalization in a common spatial continuum it allows for space/time movement to be narrated in a less convoluted method.

Discursively, the CSCM aligns and equates the practice of pacifying the Taiwan Strait with the inevitable trends of economic globalization by drawing successful examples of past integration as an incremental, rationalistic and planned endeavor. Citing the European Coal and Steel Community’s genesis and formation to the European Common Market and the European Union, Siew writes: “[t]heir experience tell us that, if we can first succeed in putting aside political issues and seek economic cooperation, then and only then will we be able to establish mutual trust.” The CSCM also re-contextualizes these examples to fit the case for Taiwan and China’s situation. In utilizing the gradual processes of integration at the European level, proponents of ECFA and cross-Strait economic normalization attempt to categorize and prioritize economic issues from political ones (Siew, 2001; 2003).

The CSCM also identifies the roles that agents participate in, in a realizable project without writing the end of the story, leaving room for adjustments. It does this by scripting the role of potential stakeholders as complementing each other harmoniously despite actors pursuing their own economic self-interest. In this sense, Taiwan with its “rich and powerful managerial expertise” could help develop China as a “global operational and logistics center” while China could utilize Taiwan as its platform for reformation and modernization of its state-run and enterprises and domestic sectors, and stimulate its inland domestic economies. The increased relevance of industrial clusters and other technologies render these relationships from previous zero-sum games to advantageous pairings. Self-interest taken as a common sense has therefore allowed the rewriting of previous cross-Strait story lines.

The political antagonism surrounding China and its claims to Taiwan, were viewed as an anachronistic and artificial structural edifice, rewritten to fit the narrative of dealing with globalization: it should not be allowed to get in the way. The imaginary thereby structures the selection of identities based upon economic rationalism, readjusting the difference between Taiwan and China as the different factor endowments with comparative advantages each possesses that support claims to mutual interdependency. It also leaves for the possibility that immutable "cultural
heritage and traditions” will make political integration a possibility in the long term. Orderings of this process are detailed below:

Table 11: "From Economic Cooperation to a Sharing of Sovereignty"

<table>
<thead>
<tr>
<th>Proposed Stages</th>
<th>Main concepts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stage One: Normalization of Economic Relations</strong></td>
<td>“At present, Taiwan has in place the indirect “three links” to mainland China, and the “No Haste, Be Patient” mainland investment policy for Taiwanese investors. These are defensive concepts, however, stemming from a “besieged” mentality. They must be significantly adjusted in order to establish mutual trust and enable normal relations to develop.”</td>
</tr>
<tr>
<td><strong>Stage Two: Economic Coordination</strong></td>
<td>“Once economic relations are normalized and benefits are realized, both sides can then coordinate the development of economic rules and regulations with the aim of harmonizing policies. This step can be useful in reducing the discrepancies and in enlarging those areas that are ready for inclusion in the common market.”</td>
</tr>
<tr>
<td><strong>Stage Three: Comprehensive Economic Integration</strong></td>
<td>Maturation leads to other areas of cooperation: currency unification, labor policies and also political integration based on “exchange of views, drawing on our collective cultural heritage and traditions…”</td>
</tr>
</tbody>
</table>

Author's own rendering based on Siew, 2003 (emphasis my own).

Tying in with existing roadmaps of government deregulation, the stages of the CSCM broadly structure the possible outcomes. Subsequent negotiations in 2008 and agreements concluded between the two governments have aimed to give the imaginary deontic, institutional backing (i.e. the government has already completed the first phase of removing restrictive investment policies). Imaginaries can also structure the discursive responses from opponents, along with the refutation of those critiques. The pro-integration Taiwan Competitiveness Forum (TCF) think tank, utilizes the long process of realizing the CSCM to refute accusations of its agenda to promote political unification.

Recently, the DPP has leveled criticism on Mr. Siew’s long-standing concept of the Cross Strait Common Market. It has threatened voters with a large
scale televised ad campaign implying that the establishment of the CSCM would lead to large amounts of Chinese labor entering Taiwan, which will cause "men unable to find work; women unable to find husbands." They also say that the average wage of Taiwanese laborer would fall to an average of NT$5,000. We believe the pros and cons of the CSCM can be discussed, but any false labeling and acts used to trick voters and even scare them, is something we as economists cannot stand for anymore. We must therefore set the records straight, and let the voters understand the true reality.

… The process from customs union, linked exchange rates, and finally a unified currency, took upwards of fifty years [in the EU]. And in this process, each step needed high levels of communication and negotiation. So long as any [candidate] country opposed a position on liberalization, the process of liberalization was slowed.

…From the experience of the EU, if both sides enter into the common market, it would of course start from an FTA. Whether the subsequent customs union or a linked exchange rate takes place is far off into the future because the renminbi exchange rate itself is not liberalized. This is to say, these future decisions are something that require consensus on Taiwan.

…Finally, we need to mention that within the current international economic system, the speed of globalization is moving quickly, with many countries competing to expand their own exports. Thus, excluding the WTO, individual countries are working hard to sign bilateral FTAs, which currently number close to 300 globally. At the same time, the agreement between ASEAN and China is set to go into force in 2010. At this currently growing pace of change to the international system, how will Taiwan move forward? How will it bring forth the goal of connecting to the world? (Taiwan Competitiveness Forum, March 2008)

In the above text, economists are positioned as experts that have the responsibility to falsify the claims of rivals, which are characterized by their use of scare tactics and fear mongering in an attempt to misinform. The text therefore juxtaposes economic rationality and processes of integration with that of obstructionists and electoral cycles. Voters, being susceptible to threats and tricks are afforded little agency other than participation in a future decision that creates consensus. Another attribute to the argumentation of the protagonist is to mitigate potential fears by referencing international practices: frameworks that may end up similarly to the EU take decades and are subject to careful deliberation among the disputing candidates. This indicates how imaginaries can frame time periods and link them with emotions and appealing to the proper alignment of attitudes (i.e. alarm is understandable because the subject has confused future stages with present circumstances). However the text ends with the "growing pace of change", implying that time will not wait, and the goal of "connecting to the world" has not yet been determined.
Periodization also plays an important part of imagining an economic entity and the political impasses that economic cooperation has set to bypass. Again, narratives used to describe the ECFA implementation process operated by situating the phenomenon as a historic one due to patterns of outdated ideological confrontation.

In a press interview with Shanghai East Asian Institute Director Zhang Nian-chi, linkages are drawn among historical periodization and mindsets, attitudes and thinking. The current period of "peaceful development" is situated between confrontation and future unification ("a long road ahead").

_Feelings of Resistance must first be eliminated:_

I believe cross-Strait relations can be divided into three historical periods. From 1949 to 2008 was one of “peaceful confrontation”: one of mutual confrontation, mutual isolation, mutual separation. Although in the last twenty years there was interaction, it was still under the 'No Haste, Be Patient' policy. So while these sixty years were absent of major war and therefore can be interpreted as a situation of peace, it was peaceful confrontation. Therefore within these 60 years, the habits of the people were one of resistance, antagonism, and the people were used to treating cross-Strait relations within the context of crisis, therefore not the recognition of its opportunities.

After 2008, with the Three Direct Links fully implemented, cross-Strait relations entered a phase of peaceful development. Everybody came to this theme of peaceful development: it wasn’t something forced onto Taiwan from China. Rather, it was mutually consented peace as a mutual development for the cross-Strait roadmap. But this historical moment is in my opinion going to be a long one, and in the goal of peaceful unification, it is the very beginning of a long period. And in this early stage of peaceful development only two years have passed and there are still many problems yet to be addressed. Therefore in this historical time period, we need to work to shape it and pass through it. (*Want Times*, April 18, 2010)

The selection demarcates a period of confrontation and the phase of peaceful development following economic liberalization. The author does not divide governments and their people: the use of "mutual", "everybody" and "the people" connotes an imagined community: a common fate and history, leaving vague what actors brought about confrontation (attribution), and how "everybody" came to the idea of a "mutually consented peace". A closer reading attributes "habits of resistance" as the culprit of not recognizing opportunities, and that the removal of barriers (implementation of the Three Direct Links) hastening the realization of opportunities.
7.2.2 The Role of History and Narrative Plotting

The CSCM also serves as a framework for policies seeking to enhance perceptions of the actually existing economy: cross-Strait commerce led by decades of active private participation and passive government regulation. The salience of imaginaries and their connection to story lines (periodizations) is increased in their connection to explaining the actually existing economy. The perception of a clearly de-lineated cross-Strait division of labor has endured in the discourse despite changes in production relations. Historicization and casual links drawn between taishang investment and China's industrial structure play an important role in shaping future imaginaries. A decade later, while this conceptualization of cross-Strait division of labor has been complicated due to rising production costs, as well as China's strengthened bargaining position in foreign capital selection, the pro-investment narrative has been shifted to emphasize the shifting political economy from away from labor intensive to capital-intensive industries.

Mirroring other major foreign chambers of commerce, the Chinese National Federation of Industries, the largest industrial trade association in Taiwan, released its first white paper of policy recommendations in 2008 along with its first issue dealing specifically with Chinese investment environment in 2010. Beyond recommendations floated to the government to pressure China to make it easier for taishang to do business on the mainland, the document presents the narrative of cross-Strait commerce as one progressively built on symbiosis and mutual strengths along a parallel growth path.
### Table 12: The Periodization of Taiwanese Capital Investment and its Effects on Production Structure in China

<table>
<thead>
<tr>
<th>Period</th>
<th>Taishang investment and changes in production</th>
<th>Evolution of China’s manufacturing industries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stage 1</strong></td>
<td>“The 1990s saw the development in the concentration of taishang-mainland production. Following the increase in mainland bound Taiwanese investment in this period, small and medium sized Taiwanese businesses started to cooperate and invited up and downstream production to participate in corporations, locating in specific locales and indicating the concentration of production.”</td>
<td>“In the mid and late 1980s, light industries with labor intensive production represented the start of the mainland’s move into the southeast coast. It consisted mainly of downstream processing (food, beverage, plastic, rubber, textile, timber, etc.), with lower technical levels and small scales of production.”</td>
</tr>
<tr>
<td><strong>Stage 2</strong></td>
<td>“After 2000, Taiwanese invested industries reached maturation phase. Following the mainland’s WTO accession, its industrialization promoted the acceleration of industrial transformation. Several listed Taiwanese corporations unceasingly increased investment levels, and surrounded production and processing areas, establishing marketing and research divisions which caused the continual upgrading of Taiwanese invested industries in terms of technical and manufacturing level. Following the lead of several renown high tech firms, the establishment of research and development centers in the IC and software industries have entered research, manufacturing and markets along with continual upgrading. Production has also moved from labor intensive toward capital intensive.”</td>
<td>“From the mid to late 1990s, following the second wave of investment, Taiwanese investment in the mainland gradually shifted from traditionally labor intensive type industries to capital and technically intensive ones; investment toward petroleum, electronics, and other capital intensive industries continued to heat up. The example of the petroleum industry shows the mid-range raw material factory supplying the needs of customers, while also investing in downstream industries, creating linkages and an incremental form of development.”</td>
</tr>
<tr>
<td><strong>Stage 3</strong></td>
<td>(remains to be realized as part of economic imaginary)</td>
<td>“After 2000, following large to medium sized Taiwanese corporations increasing investment to the mainland, a frenetic expansion of hi-tech based emerging industries has occurred on the mainland lead by technically intensive production, as well as the shifting of the electronics industry…Taiwan’s eight largest computer manufactures have established up and downstream linkages, bringing about the formation of a system of large corporation centered, specialized division of labor.”</td>
</tr>
</tbody>
</table>

Narrative plotting within imaginaries configures the present with interpretations of the past, while collective action frames implicate the writing of future goals: the third phase of Taiwanese business interaction and its effects on production structure in China which involves a move toward increasingly interdependent systems of production. In contrast to past narratives of Taiwanese investment supporting Chinese development causal links are (un)consciously being drawn to reflect how changing socio-economic structures in China affect the types of Taiwanese investment. Frames are also not wholly future oriented. That is to say, framing of the past which drawn on imaginaries can supply feedback (critiques), or even new "corrective" accounts of the past in accordance to changing circumstantial preferences.

This type of misjudgment [short-term thinking] caused us to lose out…many of our enterprises going there [China] were only manufacturing and not for services. As for services such as banking, securities, insurance, real estate, Hong Kong really excelled whereas Taiwan couldn't do this because we concentrated wholly on manufacturing. So this is why the ECFA is so important: under the structural reforms that China will take under the 12th Five Year Plan and its turning to services — this represents an opportunity for the sector to get a lift and even for us to make inroads. The taishang that are already involved in production and exporting, need to make the appropriate adjustments to cater to the internal market (Interview with Lin at National Policy Foundation, 2011).

The above response highlights two processes: first, how structural and macroeconomic policy in China can alter the perceived role of Taiwanese investors in a regressive manner; second (and also tied to representations of the actually existing economy in China), the diagnostic reframing of why Taiwan's economy has stagnated. Here, stagnation was not attributed to hollowing out of industries, but the shortsightedness of enterprises for focusing primarily on cost cutting measures in production. ECFA and the gradual normalization of ties would change the production-export model of former times to support firmly establishing production into China's market. It also categorized the continuation of business models focusing on lower production costs as laggards in comparison to service oriented industries ready to tap into China's burgeoning internal market.

As mentioned above, the presence of well-positioned imaginaries discursively resonant with the actually existing economy makes it difficult for the realization of alternative frameworks to be conceptualized or even imagined. The issue of the complementary characteristics of China's economy to Taiwan's long-term strategy can
be influenced by differing interpretations of circumstance tied to perceptions of the strategic choices of Taiwanese capital.

In actuality, if you don’t rely on China’s market, Taiwan would have even more opportunities. After interacting with industry figures here, I say bluntly that they aren’t focusing on the long-term. Why? Because they’re always going after the easy money. Easy money consists of several possibilities. First, China’s labor force: since it’s cheap, why would I have to engage in upgrading? Secondly, dependence on government subsidies: we often say, some industries aren’t making profits from the market, but are actually doing so from government coffers. I think the political motives are an impediment for Taiwan’s economic development. (Interview with Chiou, Taiwan Brain Trust, 2011)

Here, it is argued that ideology (the ruling government's leanings toward China) as distinct from economic rationality based on market principles prevents the state from pursuing alternative strategies (looking outside of China as a means of economic development).

From the standpoint of economic rationality, I can’t not support the ECFA. If you believe in free trade then you support it. Their [DPP] logic is that we only want to have trade relations with advanced economies, not lesser developed ones…and based on that interpretation of international trade there would be no trade. We can’t be dependent on China, but if we don’t take the path of China, what is the alternative road? During their eight years in office, the opposition to “Go West” [China] was always chanted, but what about giving the people something to work with? The alternatives didn’t work: Go South [ASEAN], the North American market, etc. The taishang have told us before: we don’t really want to do business there in China, it’s actually pretty risky, but we don’t have much of a choice…The reliance on the Chinese market is a result, but not a means—so from an economic standpoint it’s very hard to oppose the ECFA, but from a political one, you can be opposed to it. (Interview with Hsin, National Taiwan University, 2011)

On the other hand, economic dependency on China can be framed as the natural and inevitable result of globalization, whereas alternatives are interpreted as political deviations from economic principle.

7.2.3 The Role of Variation in Post-Crisis Discourses

In Taiwan, government credibility was severely damaged by the global financial crisis, which quickly eliminated the possibilities of fulfilling optimistic campaign promises for economic growth. Adding to discontent, popular support sank further as
the government struggled in 2009 to respond to provide timely relief for victims of Typhoon Morokat, the worst natural disaster in recent years on the island.  

To regain the initiative and bring the emblematic issue of cross-Strait development back as a cornerstone policy objective, the state began to tout the possibility of economic cooperation with China as the best credible solution to the financial crisis. To emphasize immediacy, it set sights on the implementation of ASEAN+1 as a critical moment in which Taiwanese companies would be pushed to the brink of "closing shop" if Taiwan continued to remain outside the myriad process of regional economic integration.

The financial crisis provided actors novel ways of problematizing issues (recovery from the crisis) and justifying policies not originally linked to them (sustaining cross-Strait cooperation post-crisis). This has lead to a restructuring of possibility — China not only as a stop-gap solution to the crisis, but also as a proving ground to source international brands as a sustainable solution to perceived Asian regional integration and the loss of North American and European markets.

The following editorial that appeared in the Central Daily News indicates how proposed solutions out of the crisis can be structured by the dominant production paradigms. Supporting the continued functioning of the export driven economy is positioned as an imperative because: 1) the state has already exhausted all the measures within its direct control (i.e. promoting domestic stimulus) in order to stimulate economic growth and, 2) previous export destinations are no longer optimal for sustained growth, much less a source for recovery.

_Cross-Strait Cooperation/ Struggle against Taiwan’s Unemployment Trend_

Under the historically unprecedented financial crisis, the government has already taken all possible action, and this deserves the support of the people. However, the force of the financial crisis has still not abated, and Taiwan is still under its waves, with no sign of recovery and the levels of unemployment continue to rise. While the government has resorted to ‘taking measures into its own hands’, it should also consider cooperation with other countries or regions, especially with a economically intertwined mainland, in order to respond to the effects of the financial crisis together.

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39  The typhoon triggered heavy rains in southern Taiwan that killed more than 600 people and caused damage exceeding US$3 billion.
Facing the enormous amount of money allocated to mainland China’s domestic stimulus plan, if Taiwan could open the mainland’s domestic economy, it would surely contribute to economic growth. That is to say, if both sides of the Strait join hands in cooperation, with separately formulated stimulus policies, the effects would be multifarious.

Recently, the mainland has increased its orders from Taiwan’s panel industries. As a result, Chi-mei has sent its furloughed employees back to work; another example is the mainland policy to move electronic consumption to the rural areas. Residents in these areas buying home appliances can receive subsidies, which has caused a sharp increase in demand, positively affecting the Taiwanese industries producing these parts. The recent mainland efforts to move automobile industries to the countryside has also benefited auto component suppliers. These examples prove that if both sides can cooperate to combat the financial crisis, the effectiveness is greater than working independently, and could more rapidly save the employment situation on both sides.

Taiwan is an export oriented economic entity, where changes to global economic circumstances will have a large impact on it. What the government should do is to ensure that the exports continue, as they have in the past, to have a significant contribution to Taiwan’s economic growth. However, as the financial crisis has caused consumer markets to shrink in Europe and America, developing the mainland domestic market will be one of the key determinants in whether Taiwan can remove itself from the waves of the financial crisis. (Central Daily News, March 25th, 2009)

The framing of the financial crisis is curious in that it does not assign blame to the parties that might have caused it — metaphorically, the waves or shockwaves of the crisis are apparent in weakened market demand, and is framed as an opportunity: only through cooperation can the financial crisis be quelled and recovery achieved. Monitoring supply and demand conditions on the ground (here, China's countryside) serves as the starting point for considering possible solutions (i.e. stimulating domestic demand for home appliances).

CNFI framing of the crisis shows how the interpretation of the its impact, including drastic reduction of demand from North American/EU market for Taiwanese products, in turn resonate with goal premises that favor restoring the export-oriented economy:

…Since the 2008 global financial crisis, the global economy has experienced great change, with the demand from European and American markets dropping with no signs of recovery. However, at the same time, the mainland government, through policy adjustments has released the long depressed domestic market, making it the new energy behind global economic growth. In actuality, currently the mainland has a population of 500 million consumers,
and if the current economic structural adjustments continue along with the continued migration of the agrarian population into the cities and townships, secondary industries will concentrate in the creation of urbanization led consumer demand. It is predicted that the mainland could add another 500 million consumers. Under these circumstances it is estimated that by 2025, mainland China will replace the U.S. as the world’s largest economy. (Chinese National Federation of Industries, 2010: 2)

China's domestic market as untapped consumer potential overshadows the glum reports of European and American markets ("no signs of recovery"). This framing of opportunity implies that more scrutiny and monitoring of Chinese structural adjustments in order to unlock the growth potential in the depressed domestic market.

7.3 Perception of Industrial Development Strategy

The financial crisis led to a progressive shifting view of China as primarily a cost-cutting alternative to manufacturing to a site for brand creation geared toward a potentially inexhaustible market. At the same time, the state started to brand the island as a springboard and gateway for global business seeking to capitalize in China.

…In the area of pharmaceuticals, Taiwan can function as a hub for integrating clinical data and facilitating cooperation with health providers in mainland China. European and American businesses may encounter cultural and administrative barriers in mainland China, especially with regard to services, while Taiwanese businesses are not subject to this cultural barrier. Now that the ECFA has been signed, Taiwanese businesses will be less restricted than their foreign counterparts, and will be better able to serve as a bridge by which foreign businesses can enter the mainland Chinese market. (MAC, October 2010)

As a metaphor for the elasticity of production networks, value chains work to constitute the spatial regions in which they traverse. Creating new subjects of power involves not only negotiating the meanings of globalization on the one hand, but also “being constructed” by hegemonic discourses located on higher scales. "Self-zoning" and the reinterpretation of cross-Strait value chains represents the ambiguous redrawing of production pathways.

During the ECFA implementation process, the sites and scales of integration were posited by both Taiwan and China. With the financial crisis and the announcement of China’s 12th Five Year Plan, existing cross-Strait divisions of labor were called into question and reevaluated. Stricter enforcement of labor and environmental
regulations in the eastern coastal regions as well as China’s aim to pump investment and development into its western and central regions were framed an imperative to seek new zones of development.

The Chinese-proposed Haixi Special Economic Zone was designed to further consolidate Taiwanese enterprises investing in China by concentrating them in Fujian province by offering preferential land deals. Opponents and critics, however, framed the Haixi experimental zone as a means of boxing in Taiwanese investment. Noteworthy is that previous value chain and division of labor models favoring the same pattern of ethno-nationalistic chauvinism: Taiwanese services playing a leading role in the development of local brands by sourcing the design, infrastructure and managerial supports. Pro-investment lobbies as well as intellectuals within the ruling party called on the Taiwanese government to actively encourage businesses to establish themselves in the region in order to consolidate the creation of a new production structure that would operate to serve both the Chinese domestic market and the international market:

In the 12th Five-Year Plan, the domestic market will play an increasingly crucial role in the mainland’s economy. To meet this trend, our industrial planning focus should be allowing *taishang* the opportunity to move from traditional OEM models toward developing production/consumption systems and brands. In other words, beyond promoting these emerging regions as manufacturing sectors, we should link the services and develop pathways and regional brands and make these areas the primary market. These areas are not as internationalized as the coastal areas and thus Taiwanese products have a greater chance at establishing brands here. (Presidential Office, 2011: 24)

Proposed zones such as Haixi were also conceptualized simultaneously as areas of buffering and testing the limits of economic liberalization. In terms of buffering, with the zone's proposed preferential rates for investors, they were seen as a staging area to counter the over-extension of production lines (both from China's eastern coastal areas and Taiwan) to China's western and central areas (ibid, 23). From the standpoint of experimentation, zones were proposed as areas with localized authority structures (FAPS, February 8th 2011) and which to extend the ECFA's reach.

### 7.4 Cultural Industries

Beyond the shifting frameworks that developed from changing production models, the advent of direct air links and tourism agreements which greatly increased the
number of Chinese tourists visiting Taiwan, prompted discussions of utilizing the cultural industries of urban cores to promote a new cultural industry. As the development of cultural industries became the basis of earlier DPP policies to "brand Taiwan", under the new paradigm of cross-Strait normalization these existing ideas was seen adaptable to combining industry, technology, services and culture as an industry to facilitate domestic consumption and economic growth.

The basis of the report *Taipei-Shanghai Cooperative Relations* for example, indicates how cross-Strait collaboration can serve to enhance comparative advantage of Taiwan’s industries in order to "utilize dual metropolis industries' division of labor to establish co-prosperous results". (Taipei City Government Research, Development and Evaluation Commission 2009: 108). The foundations of cultural capital combine knowledge systems (the cultural homogenization of history) and economic rationalized roles and identities (Taipei/Taiwan as cultural innovator, Shanghai/China as the consumption area):

Taipei possesses the ideal foundations for developing cultural innovative industries. First, after the KMT relocated to Taiwan, it transferred mainland Chinese culture from provinces north and south, combined with Taiwan’s aboriginal compatriots’ diverse cultures, Hakka culture and other abundant cultural resources. Second, external forces were not involved in the process during the mixing of cultures which allowed the preservation of traditional culture; third, because of the small size of Taiwan’s domestic market, it is natural that it develops the concept of global brands; and while the mainland market is expansive, there is no drive or pressure for innovation. Therefore in the moment where Chinese culture is taking the world by storm, Taipei has the potential and opportunity to rise as a global cultural metropolis. (ibid, 108)

The commodification of cultural narratives and history has operated not only to objectively categorize what can be defined as culturally distinct, but how those distinctions can be marketed. These processes of commodification also involve adapting complex historical narratives into exotic yet palatable (i.e. depoliticized or ideologically neutral) sites of cultural consumption. Not surprisingly, cooperative models downplay the conflicting and competing power relations of potential cultural industrial cooperation. Though the city government's report noted that Shanghai's municipal government having recourse to central government planning that give cultural development areas with abundant labor, and land that have the potential of attracting (thereby poaching) Taiwanese talent:
The cities have different developmental paths. Shanghai emphasizes government incubation, economies of scale and hardware for an overall economic centric development, while Taipei emphasizes human resource development, a system for developing cultural innovation and software, a cultural oriented operation. (ibid, 108)

The deployment of cultural capital as a means of "citizen diplomacy" goes beyond visiting popular historic and natural landmarks, but also involves the cultivation and consciousness of what makes Chinese culture on Taiwan unique with its multicultural heritage and its distinct archipelago cultural history so that citizens embody these qualities in their own encounters with Chinese tourists. This consciousness of cultural knowledge and its embeddedness to citizenship includes: observation of traditional Chinese festivals as a means of representing respect for traditional culture; showing mutual respect and equality for Taiwan's diverse multicultural landscape as a means of presenting a tolerant and respectful Taiwanese society; the reorganization and proliferation of post-Chinese civil war narratives on cross-Strait relations in order to promote rational communication through citizen diplomacy. (FAPS, August 1st, 2011)

The reconceptualization of space and the functions of narrative periodization have been shown to work as wide ranging roadmaps. On the one hand, from competitiveness discourses and hegemonic knowledge brands, strategies for identifying and creating zones of competitiveness and complementariness can be positioned by elites to meet their needs in conceptualizing frames for their political projects. Industrial zoning and deregulation of cross-Strait barriers are also linked to narrative reframing due to these knowledge systems. Narrative frames function to structure mentalities and value systems, which when combined with established imaginaries gives agent recourse to determine future actions. The above section has shown how these discourses have interacted in terms of cross-Strait economic and cultural narratives. In the following section, I show how these discourses have interplayed in the context of the government's political argumentation and discursive moves to sell the ECFA to its citizens.

7.5 Popularization of Imaginaries: The Limits of Communicative Strategy

In March 2009, the Taiwanese government began to broaden its campaign to raise public awareness for policies aimed at reducing the threat of economic marginalization by pushing forward the ECFA. President Ma declared later that
month that a “domestic consensus was required before the government could negotiate with China” and that solving the current impasse with China was important in subsequent efforts to further trade liberalization with other trading partners. He reinforced his arguments with forecasts and predictions from the CIER showing the benefits of economic growth and employment that would result from an agreement with China. (*United Daily News*, March 20, 2009) Cabinet ministers also began to meet with members of industry and industrial associations in which state support and strategies regarding vulnerable industries was discussed. Furthermore, CEPD chairman Chen Tian-zhi signaled that China expected the government to ease regulations barring Chinese investment toward the island. He argued that despite these expectations, the fact that Taiwan possessed bargaining chips of its own meant that political coercion could not be used to describe future negotiations with China. (*cnYes.com*, March 20, 2009)

Business elites and government officials discussed the threats of prospects of economic marginalization in a forum organized by Taiwan's APEC chapter called “The Effects of Cross-Strait Economic Integration on the Asian Region.” SEF chairman P.K. Chiang emphasized the need for movement on FTAs to spur increased investment opportunities, while the deputy of the Ministry of Economic Affairs argued that while the number of FTAs indicated a growing trend, even more critical was the proliferation of non-tariff agreements (*CTPECC*, April 2009). The ECFA issue became widely circulated in the news media. One the one hand the government was struggling to define the framework and how it was to be implemented in incremental stages. On the other hand, pro-integrationists conveyed the impending sense of doom if the ECFA remained unsigned and implored action.

7.5.1 Opposition Frames: Against a China-centered Globalization

In response to the state’s plan to promote ECFA, opposition groups led by academics, political parties and members from traditional industries and agriculture framed the economic problems as a threat to the island’s economy. In the forum “Analyzing Current Commerce Policy and the Aftermath of Unemployment” sponsored by the Taiwan Think Tank (TTT), China-skeptic intellectuals likened government policies to "building a house without a blueprint" (*Central News Agency*, March 21, 2009). They framed the ECFA as a "China-centered globalization policy"
The TTT hosted another forum in the south of Taiwan, “Challenges to Taiwan’s Economy, the ECFA as Economic Solution? Tsunami?” which sought to clarify position of stagnant wages with economic principles (wage equilibrium) leading up to the government’s plans to host its own forums. It drew support from opposition leaders, former members of Chen’s government and representatives from agriculture.

They shifted blame to “China-centered” economic policy from year’s past as the reason for wage stagnation and rising unemployment. For the academics, the problem was not the potential marginalization of the export economy or the speed at which the economy grew, rather the stagnation of wages both in the services and manufacturing sectors, and the uneven distribution of wealth. Their attribution of the problem to an external construction of globalization mirrored the representation of official visions/economic imaginary, but singled out over reliance on the Chinese economy as the main culprit for growing social inequality.

Chen Bo-zhi, the head of the TTT (a former vice-premier in Chen Shui-bian's administration) proposed three ways to confront the problem of overreliance on the Chinese economy: 1) cooperation with advanced economies, 2) increasing product differentiation and, 3) proactively developing so-called "non-tradable" industries. He emphasized that Taiwan must push for a knowledge based economy and connect traditional industries with local cultural inputs to raise international competitiveness.

(eTaiwan News Online, March 22, 2009)

Media reports also make several linkages between actors, social events and ideological positions. For instance, the recent fallout of Sino-French relations involving the visit of the Dalai Lama and China’s subsequent withdrawal from Airbus purchases were cited as reasons to be suspicious of economic relations (“Today if Taiwan is overly reliant on China economically what if China decides to punish Taiwan? How will it hold its own?”). The opposition framing of globalization simplified it into two distinct choices: one that builds upon cooperation and linkages with advanced economies or the second that runs through China's whims.

As an emblematic issue, the ECFA was also employed by its opponents to magnify other social antagonisms within Taiwan. Kaohsiung’s mayor Chen Chu expressed unease of closer economic ties by linking the past central-local industrial planning that left the city’s residents (without their approval) with heavily polluting national
industries that “did not hatch eggs, but only left waste”. The mayor creates a semantic link with the threat of a Chinese economy flooding the island with workers, agricultural products and skilled labor ready to obtain qualifications at the cost of domestic labor.

The independence leaning, Taiwan Friends Association (TFA) held a press conference a few days later (“ECFA’s assault on Taiwan’s agriculture and traditional industries”). Press conferences of this genre frame the threats of the “One China Market” as a collusion of Chinese officials and the KMT led government which lead to agreements that have little public support. They called for the wording of the ECFA to be publicized, discussed, debated with legislative oversight and a nationwide referendum to be held on whether it should eventually be signed. Tea growers, towel producers, ceramics makers and other traditional industries were reported to have suffered from the flood of cheaper Chinese goods made by shoddy production values. This continual arrival of cheap products, threats of unemployment to the agricultural sector were linked by representative of local producers to the government’s lack of advisors familiar with traditional industries.

In a nationally televised debate between Ma and the DPP party chairwomen Tsai Ing-wen, the issue of expanding economic ties with China modeled under ECFA was cast as a major turning point in the island’s future, as well as its often ebb and flow relationship with the Chinese mainland. Tsai’s opposition to the ECFA reflected years of protracted ideological debate between the KMT and DPP when she argued that while DPP policy had always been to move toward the world and engage China with the international community, KMT policy was to “walk with China and then together with China toward the world.” She portended that the ramifications of such a trade agreement would cause the greatest redistribution of wealth on Taiwan and that short-term gains for selected few export-driven high-tech and industrial sectors would come at the expense of small and medium enterprises and the nation as a whole. In short, she argued that opening up Taiwan to cheaper Chinese imports would cause devastation to the island’s domestic economy. The Taiwanese economy would also become dependent on China, putting the sovereignty of the nation beyond the purview of its own shores and subject to potential political manipulation by its archrival.
This public debate also coalesced around the path of Taiwan’s autonomy and internationalization, themes linked to both a growing of Taiwanese identity and a popular desire for greater recognition in the international community of nations—and whether a way forward centered on what Ma argued as rational and pragmatic engagement with the Chinese on economic matters, or Tsai’s insistence on cautious cost-benefit analysis if a deal was eventually reached with the Chinese Communist Party (CCP). Despite Tsai’s efforts to frame the debate into the “winners and losers” and of the closed-door nature of the trade negotiations, her efforts had been largely trumped by a vigorous attempt by the president and ruling party to reassert a KMT interpretation of Taiwanese identity in the frame of national interests, which has been a traditionally dominant centerpiece of the DPP’s ideological platform. It was deemed by the KMT that while formal recognition of Taiwan as an independent state remained untenable because of the threat of war with China, a competitive and globally integrated Taiwanese economic entity could serve as a counterbalance against the drawbacks and humiliation associated with current diplomatic isolation.

Public discourse on cross-Strait trade policy reflected the interplay of narratives and the attempts by political parties to anchor beliefs and identities developed therein. The precise method of this anchoring effect is related to the framing of policy issues in the broader context of social meaning. Framing in this context implies an active and contentious process of reality construction, where conceptualizations of identity, culture and ideology are constantly reshaped and defined in the policy process.

In summary, by marshaling national sovereignty and its likely erosion, the anti-ECFA movement concentrated on the circumstantial aspects of framing the issue to generate public mistrust of the island's large neighbor. The ECFA would be opposed in order to prevent the loss of national sovereignty and the checking the KMT's friendliness toward China. The upholding of national sovereignty became the dominant frame in which the opposition mobilized support for action (prevention of an ECFA). But they relied on the reinterpretation of the proponent vision (apocalyptic interpretations of a One-China market) rather than emphasizing their own position (a knowledge based economy with cooperation with advanced countries based on product specialization with mainly non-financial industries). These opposition discursive strategies formed the basis to which the government revamped its political argumentation as a counterattack.
Rising opposition led Ma to conclude that the cabinet although having the big picture of the policy, needed to work harder on communication with traditional industries on conveying the message of economic benefits while simultaneously countering opposition arguments. This included designating an increased role for the MOEA and MAC to publicize the official line and to respond to opposition arguments while ameliorating the population. Plans were drawn for the president, vice-president and premier to make trips to the countryside to speak directly with farmers and industry representatives.

7.5.2 Engaging the Public: Consensus Building or Issue Monitoring?

In order to broaden its message on the ECFA, the government (with the MAC, MOEA and CIER as co-sponsors) scheduled four public discussion forums held separately in the Taipei as well as central, southern and eastern cities in which it invited opposition intellectuals to participate. The structure of the public forums allowed the government to frame the debate by shaping the issues of discussion.

The forums consisted of two main themes and two corresponding discussion questions:

(1) The Need for Strengthening Cross-Strait Economic Cooperation
   i.) "Must Taiwan utilized cross-Strait economic cooperation to overcome the dilemma of marginalization?"
   ii.) "Will the ECFA bring Taiwan economic benefits?"

(2) Confusions on FTAs, CECA, CEPA, ECFA
   i.) "Will economic cooperation lead to permanent unification?"
   ii.) "Will signing the ECFA under WTO principles ensure Taiwan's status and dignity?"

Mainstream media coverage of the forums also function to simplify the positions of participants into supporters and opponents, which has the (un)intended function of decontextualizing the social problems to the immediate emblematic forms. The state run Central News Agency headlined the debates as "Cross-Strait trust and doubts over Taiwan's marginalization". Before indirectly quoting major arguments presented during the event, it summarized the viewpoints of the opposition as:
those with reservations submitted that mainland China has missiles aimed at Taiwan, that cross-Strait trust is thin and that the argument of 'Taiwan's marginalization' was lacking evidence. [They] however indicated it could be supported if China displayed good will. (Central News Agency, March 29, 2009)

The report focused mainly on the positions of Minister of Economic Affairs and the main opponents to the Agreement, former vice-premier Wu Rong-yi and Taiwan's former representative to the WTO, Yan Qin-zhang, who stated that there was a need to conduct analysis into impacts of regional trade agreements, but that a decision to conclude an agreement with China should not be made under haste. Yan further questioned the argument of Taiwan's marginalization due to the island's exclusion from ASEAN, stating that it was questionable to suggest that not obtaining preferential margins for exporters would be detrimental.

MAC vice-chairman Fu Dong-cheng argued that ties to China had to be improved first in order for Taiwan to have the chance to conclude free-trade agreements with other nations. The sense of urgency was conveyed by National Taiwan University Professor Du Zhen-hua who had likely been motivated by former U.S. vice-president Al Gore's rhetorical style in the documentary, An Inconvenient Truth:

Our neighboring competitors are already signing [regional trade agreements]; a majority of their trade is moving in the direction of free trade without tariffs. If Taiwan does not sign them, how will it compete? It is really like a frog being boiled alive: once it discovered it's too hot, it's too late to do anything about it. (ECFA public forum, 2009a)

The government ministries used the forums to frame economic marginalization as the problem and clarify misconceptions that the ECFA was part of a master plan for political unification. These framing techniques rationalize the intention of informing and policing discussion rather than encouraging spirited debate. As a form of issue monitoring and control, the public forums also represented the government's attempts to allay fears about globalization. If globalization's most fearful and dreaded scenario would be tangible and visible, it sought to use the import of Chinese agricultural products, the arrival of Chinese workers and political unification as drawing the limits and hence limiting the implications of signing the ECFA.

Intellectuals favoring liberalization of economic ties repeatedly voiced their criticisms toward the state’s role in pushing the ECFA. Public forums also gave the government an opportunity to solicit suggestions from pro-business academics and
make them part of their collection of discursive tools. During the third scheduled round of the government sponsored public forum in Kaohsiung, Liao Da-qi, a professor of politics at National Sun Yat-sen University, suggested that the government view the ECFA process as a popular social movement. As such, the deepening of communication at the base of society and the usage of colloquial terminology was needed. She pointed to the example of the Early Harvest Program which could be communicated through officials at the local level.

The Minister [of Economic Affairs] mentioned that departments of the Executive Branch are simultaneously pushing the ECFA. I think we need to get the Ministry of the Interior involved, along with borough chiefs, community leaders, and use these channels for communications — because if most people don't understand the ECFA, future implementation will be fraught with restrictions and confusion. Furthermore, the Council for Cultural Affairs should also be added to the promotional efforts, i.e. holding cultural competitions, it might be possible to start understanding how people are thinking. This should be a social movement, it represents an experiment for democracy that goes beyond economic issues and touches on political ones. It requires communications and cannot avoid communication. A deeper involvement within society should generate better results in communication. (ECFA public forum, 2009c)

Further analysis of the content of these criticisms found objectives in building support for the ECFA that were often contradictory. Some can be categorized as strategic action: arguing for increased administrative centralism in handling interdepartmental coordination efforts and unifying its control over information distribution. However, within elite attitudes is the notion that the public is easily misinformed and that information may yield tension between clarity of purpose and oversimplification of issues requiring technical expertise, hence discursive action. These tensions proved increasingly difficult to navigate, especially when forming a consensus through democratic means was increasingly seen as diametrically opposed to the swiftness of action required.

The conflicts of which strategy the government should emphasize are presented in an editorial of the Commercial Times, in which the administration was criticized for jeopardizing optimal negotiation and bargaining conditions with China by publically revealing to the public what items and area of industry the government intended to prioritize in terms of future negotiations. It recommended that “[our] officials must ensure that internal, cross-departmental, outward communications be strictly
reorganized,” (Commercial Times, March 26, 2009) a message contradicting a statement made by the president that forming a consensus domestically depended on affected industries to “stand out and speak up.” (United Daily News, March 20, 2009)

From a discursive standpoint, the government was also criticized for the inflexibility that renders society consensus impossible:

some ministers in the economic and commerce areas have led policy discussions that have sunken to self-consciousness and an intransigent nature. Not only does such an approach preclude the forming of a unified voice in society, but creates more suspicions. It also has caused the current debates in society to become oversimplified as an economic instrumentalization for cross-Strait unification allowing the issue to take on political overtones.

The same criticism lays out the focus for future government communication efforts. The first deals with laying out the scope and context of cross-Strait economic cooperation. The ECFA therefore needed to be cast as one of many rungs of a greater project to increase trade liberalization — people needed to know that it fits within a greater context of trade liberalization and is a necessary starting point. Second, as a framework agreement, its implementation is incremental as with international standards and practice with the possibility of an exit-strategy. Third, the coming of the ASEAN+3 agreement and its potential fallout and effects on deindustrialization needed to be further emphasized as a point of argument. (United Daily News, April 12, 2009)
Chapter Eight: Bringing the Message Home

In the previous chapter, government deregulation and spatial development imbued with discourses and technological selectivities of competitiveness and trade liberalization. The Ma administration framed the ECFA implementation debate as a national issue, one that would shape the island's economic fate among a rapidly integrating Asia-Pacific region. The urgency to move for public support quickened in pace, but also moved toward defining competitiveness within representations of citizenship. The following chapter shows the unevenness of these discourses across identities and the state's attempts to mediate the priorities of readying a nation for trade liberalization and reassuring its citizens that the ECFA would have transformative effects on their lives while addressing the discursive processes of re-contextualizing globalization into the context of cross-Strait relations.

In addition to discussions held with heads of industry and the academic community, government publications began to circulate, describing and contextualizing the ECFA and its policy objectives. These publications took on different genres: some were aimed at target groups (executives, managers) and others toward a broader readership. These included brochures, pamphlets, television advertisements, printed media and other publicized announcements. An analysis and interpretation of text and images draws upon key assumptions, discourses, representations of social actors, space/times and differences in order to better understand elite perceptions of the ideal citizen, and means of building consensus and overcoming resistance.

In *What is the ECFA?* the subject of trade liberalization and the need for Taiwan to conclude trade agreements with other economies was further elaborated. Placed within the quasi-governmental publication genre with the intention of informing business readers, the text blends a series of references from the WTO, quotations from media coverage and think tank reports. Printed in the monthly publication of the semi-official SEF, the article urged readers to adopt a rational mindset at a pivotal historical moment:

Whether or not both sides sign the ECFA critically concerns Taiwan’s future economic development, and it is an issue that has been given a lot of attention from all portions of Taiwanese society. This publication has the need of taking the perspective of economic expertise to tell citizen what this agreement is about and why we have to conclude such an agreement with the
mainland. It offers citizens an expert viewpoint on this problem. (*Straits Business Monthly*, March 2009)

The text *deflects* arguments that such an arrangement relate to sovereignty or implied central government (Beijing) to local government (Taipei) lines of hierarchy. It then makes clear the case of Hong Kong, Macau and China under the CEPA (Closer Economic Partnership Agreement) as a *reassurance* that WTO-oversight is applicable even to agreements within China's jurisdiction. (“it can be observed that an agreement signed between WTO members (RTA) needs to be reported. Even special administrative districts are not excluded.”).

Efforts to deemphasize the importance of the naming of such agreements by listing a whole range of FTAs signed between different countries were also aimed to address arguments from the opposition that the agreement sounded too similar to the pacts signed between Beijing and its special administrative regions.

*It can be seen that whether the name of the agreement is a Closer Economic Relations, Comprehensive Economic Cooperation Agreement or an Economic Partnership Agreement, none imply a relation between a central and local government or are diminishing sovereignty; as long as both sides are in agreement, the actual contents that benefit both sides are a more important factor. (ibid)*

The text draws upon the implementation of trade agreements as common practice among states — it treats ASEAN+1 as a pivotal moment for cross Strait relations. It also refers to negotiations between cross Strait actors within the context of wider global trends: WTO members increasingly moving toward RTAs as a means of bypassing the deadlock following the Doha Round.

### 8.1 Assumptions and the Representation of Social Events

Government texts introducing the ECFA cover the implementation of trade agreements, with many references to the conclusion of trade pacts between the ASEAN community and China, or the impending conclusion of possible trade agreements among other nations. Elements of the social events represented include the forms of activity (negotiation, implementation, deliberation and research on potential impacts) and the objects of these forms of activity (trade agreements, deregulatory policies, institutionalization of cross-Strait commercial activity). While the actors in texts are partially included (investors, bankers, industries, tourists,
consumers, Chinese laborers), some are not (those precariously employed, workers made redundant by trade liberalization). The points of focus here are the objects and activities (trade policy, trade agreements), and not necessarily the social relations of production that constitute them.

8.1.1 Existential Assumptions

Implicit in elite discourses are existential assumptions that globalization represents an irreversible trend in which national economies interact. Texts similar to *What is the ECFA?* describe globalization as a process to be faced whether one likes it or not, implying the futility political resistance. The primary means for interaction is under the auspices of multilateral frameworks (the WTO) but increasingly, the bilateral agreements concluded between countries has sidestepped these forums. States, as an instrument of the collective will of a citizenry exist to exercise policies that benefit their respective economies with free trade is the ideal means in which to face up to globalization. It is also assumed that these are legal and institutionalized forms of negotiation that have no a priori power imbalances.

Assumptions can also reconcile and explain the existence of different viewpoints. While it is taken as given that official discourses present competing visions differently from the ideal, it is important to consider whether these differences are attributed to (supposedly) shared understandings ideologies, specific rationalities or identities which may become intentionally blurred through subsequent framing.
Figure 12: "Helping the People Do Business — Raising Taiwan's Competitiveness!!"

Source: Ministry of Economic Affairs (ROC), 2009a.

8.1.2 Propositional Assumptions

Propositional assumptions present globalization inherently as a process increasingly seen as a progression of market interaction in the forms of bilateral and regional trade agreements, or other forms of cross border trade liberalization. Discourses therefore are imbued with propositional assumptions about regional integration and FTAs as globalization and predictions of increasing globalization that will necessarily include these processes. It is also assumed that each country has specific economic strategies and that export-oriented countries like Taiwan need to expand its number of trade agreements to increase competitiveness.

In Figure 12, propositional assumptions of this process are represented by the image of a pendulum effect of raising industrial competitiveness triggering foreign investment, the global positioning of corporations, and finally leading to economic growth and new employment opportunities. The linkage between competitiveness in exports and an export-oriented economy’s continued economic growth is also assumed. Therefore, if the government enacts the necessary policies, including signing an ECFA with China, economic development can be further sustained, and the integration with other important international trade partners and competitors can be achieved.
8.1.3 Value Assumptions

Value assumptions may range from implicit to explicit forms, but are often assumed within a text. Depoliticizing the ECFA has been a main feature in elite discourses in which ideology is assumed to be a barrier against consensus building and hence economic progress. The more subtle forms of this value assumption begin with the presentation of the ECFA as conforming to economic rationality and that these scientific statements of fact are devoid of politics. Based on economic modeling done by experts and think tanks, regional integration was said to contribute substantially to a nation’s GDP, which would create new employment opportunities. Besides adhering to the viewpoints of economists, there is an implicit assumption that political disagreement (which stems from ideology and is therefore artificial and external to economic science) works against desired trade liberalization.

…through the development of cross-Strait liberalization, Taiwan’s economy will increasingly become dependent on the mainland’s. From a logical standpoint, this of course would be disadvantageous for Taiwan’s autonomy. However, we must recognize that this is an inevitable trend that cannot be blocked even if willed. The only way is to change a disadvantage to an advantage, and the key is using Taiwan and mainland China’s economic market connection and making it a bargaining chip as a link to economic globalization. At the same time, on the flip side, it allows our linkage to economic globalization to become a bargaining chip in linking to mainland China. This will allow Taiwan’s triangulation: channeling economic globalization through Taiwan to mainland China, or at least allowing Taiwan to become an important channel in economic globalization, providing the network of economic globalization in order to maintain its autonomy vis-à-vis mainland China. In actuality, economic globalization’s network is one of interdependence, the key is whether the interdependent partners or parties can construct win-win or multiple wins. In these webs of interdependency, the pursuit of single sided wins is impossible and is the root of tension. (New Life Times, May 20, 2009)

The above text draws upon implicit assumptions relating to globalization (existential); it is a process that will have to be faced whether one likes it or not (propositional); and that rationality in pursuing a course of interdependent relations will be preferable to surface ideology that is unproductive and likely to be fraught with tension and defeat (value). The largest leap in assumption relates to the interdependencies of economic globalization and the creation of win-win scenarios. It is largely assumed that economic prosperity is the end desire, and that concurrently, benefits do not impede on others in accordance to class or other determinants. Wins
are therefore abstracted to imply almost all segments of society. There is mention that liberalization will be advantageous for some industries over others, although those industries that are at a disadvantage are expected to understand the need to adapt to the new rules of the game. The loss of autonomy is taken as given due to the forces of globalization, and this autonomy is ambiguously tied to ideal positions of dignity.

The protagonist viewpoint comes across as pragmatic and rational in trying to realize how ingenuity can mitigate the effects of globalization, including the eroding of autonomy. While the loss of autonomy is inevitable, what one does can be differentiated the viewpoints with the opposition party, which is characterized as overtly political and ideological. Again, the dialogical format of the argument concedes to an inherent logic in oppositional thinking which is matter of fact, and treated with dispassion: globalization will diminish autonomy and increase Taiwan’s economic reliance on China’s economy. This perspective frames what is considered ideological and pragmatic as a binary relationship, leaving little room for a more nuanced position.

8.2 Discourses: Trade for Public Consumption

Discourses can take the form of representing the world through imaginaries. Concurrently, discourses are the enactment of assumptions that operate within the imaginary. The attempt to pamphletize and thereby simplify complex and technical issues into broader, and more relatable categories to the population can be analyzed in the framing of economic processes, views of globalization and cross-Strait relations. For example, expertise and reassurance of certain social groups have a paternalistic role of translation of technical and legalistic terminology of trade agreements into a language for non-specialists on the one hand, but it also rationalizes the process of globalization into the ethos of national-communal pride and body politic toward its market efficiency and adherence to international norms. Discourses can also reinforce the styles of information to be proliferated (i.e. one government publication boasted "Understand the ECFA in 30 minutes.") and the perception of those being informed.

The discourse of reassurance indicates the often-ambiguous interpretation of external globalizations processes require finesse and careful role management. While
narratives may be ambiguous on why there is cutthroat competition (an implicit existential assumption), or why there is an increasing trend toward the signing of regional trade agreements that sidestep the multilateral framework (i.e. why the Doha Round stalled), what is certain and unquestioned is that governments have the responsibility of protecting vulnerable groups and industries while selecting qualified industries to reap the benefits under the Early Harvest Program. Reassurances deflect criticism and promise hope. In Figure 13, the discourse of reassurance is aimed at communicating the government line that local agriculture would be adequately protected from the possible side effects due to trade liberalization.

Figure 13: "ECFA: Recreating a New Springtime for Agriculture"

Source: Council for Agriculture (ROC), 2009

8.2.1 Defining the Topic

Discourses can also represent social issues differently in relation to corresponding genres and styles. There are subtle differences in the government produced pamphlets designed to educate different segments of the population concerning the future of economic ties with China. For example, the Council for Agriculture (COA) uses relatively matter of fact, legalistic definitions to define the ECFA, situating it within international practice as a form of regulating trade:
The ECFA is a trade agreement that fulfills the spirits of the WTO, and it also the legal framework that organizes the future of cross-Strait economic interaction in order to ensure that future cross-Strait interactions are stable and predictable. (Council of Agriculture, 2009; emphasis added)

The pamphlet produced by the Ministry of Finance on the other hand while echoing this form of definition, also elaborates that it includes: “…the preface, goals and the articles of the agreement. As for the details of the agreement, future bilateral agreements will be concluded for trades in goods and services", details which may be deemed irrelevant for other target groups. In the pamphlet prepared by the Council for Labor Affairs (CLA) there is no use of legal terminology, but instead a relating of ECFA to two sides forming up a contract in order to ensure certain guarantees. The conduct between states in negotiating trade agreements is made analogous to ordinary, everyday life:

When doing business, it’s necessary to establish a contract, to ensure guarantees to both parties! With economic cooperation, both sides of the Strait naturally have to sit down and negotiate an agreement they can both agree upon. (Council for Labor Affairs, 2009)

Each governmental department justifies the need for finalizing the trade agreement. For the COA, the question is phrased in the hypothetical (“what if ECFA was not signed”), and depended more on slogans to reinforce government assurances:

President Ma Ying-jeou has repeatedly emphasized that the ECFA has Three Musts and Three Nos. The Three Musts include forming consensus, proceeding step by step, tending to one’s tasks while treating others with respect. The Three Nos are: no to diminishing sovereignty, no to opening Taiwan to mainland labor and no to including additional agricultural products for liberalization. (Council of Agriculture, 2009)

The pamphlets issued by the Executive Yuan, the CLA and the MOF on the other hand use more positive framing of the hypothetical question ("why should the ECFA be pursued?") in order to highlight the potential benefits.

In terms of expression structures, the pamphlets produced by the COA personifies the agricultural industry by showcasing industrious, and proud farmers and their abundant harvests surrounded by an idyllic blue sky. More space is devoted to using the text as a means of countering the false discourse" of opponents (unidentified, but due to time correlation in which the utterances were placed, one can assume it targets the DPP) with the truth and assurances of the new government. The collated false
claims refuted include: reduction of elderly farmer subsidies, opening the labor and agricultural market to mainland workers and products, toward selling out Taiwan, sounding the death knell of the agricultural and traditional industries.

8.2.2 Appealing to Common Sense

The CLA pamphlet is more specific in constructing the link between international trends and national competitiveness of industries. It relies on exhortations to common sense so that the country will not become a laggard in the game to snatch up free trade agreements. Hence, it connects citizens to the national project of economic competitiveness.

Everybody knows the export trade has always been the main economic lifeline of Taiwan. However in the past few years, regional economic integration has taken the international scale by storm, with over 200 countries concluding bilateral free trade agreements among each other. Our competitors, including Singapore and South Korea are signing these trade agreements non-stop in order to receive tariff free provisions on trade in goods and other advantageous economic measures. If we do not catch up to them, we will probably be faced with disadvantageous effects to economic development. (Council for Labor Affairs, 2009; emphasis added)

Excluding the COA pamphlet, editions published by the CLA, MOEA and MOF all cite building an equal playing field for Taiwan’s industry as the motive for signing ECFA, and that the five to 10% tariffs faced by Taiwanese products entering the mainland would make them uncompetitive compared to tariff free conditions effective 2010 following the ASEAN-China free trade agreement.

They also cite the benefits to such an arrangement, and account for the measures taken by the government to compensate adversely effected industries. The CLA cites two commissioned expert studies on the potential benefits to overall employment. In the CIER commissioned study, increased employment was predicted to rise from 257,000 to 263,000 jobs while a study commissioned by the CLA estimated a much more modest increase of 105,000 to 125,000 jobs.

8.3 Representation of Social Actors:

Choices in the representation of social actors determine what role they play in a text's narrative structure. The inclusion and exclusion of social actors and the form in which they are presented as enabled or disempowered indicate the degree in which
they are perceived as participants or spectators. In this excerpt, the interviewee is asked to reflect on the challenges facing Taiwan in a post-ECFA era. His response illustrates several processes of how social actors are represented.

Internally, we have to open ourselves up. After eight years under the DPP, we have become quite conservative and haven’t stepped up to the challenge. For example in the agricultural sector we have restricted imports from China, but in relation to the United States and other countries, it’s impossible to maintain total restrictions. And up to this year, the COA has been preaching the previous conservative line of protecting the country’s farmers. But with relation to the U.S. and Thailand, we can’t continue this policy. Opening up agriculture is something that the government has to confront and convince our farmers. This includes other industries as well. (Interview with Lin, National Policy Foundation, 2011)

In the first portion of the dialogue, economic policy deemed conservative is attributed to party politics (the DPP) which has caused a reluctance to liberalize ("step up to the challenge") but also a persisting problem that shows no sign of immediate change. Farmers are portrayed passively as the object of conservative thinking that has roots from the previous administration — outmoded thinking that must be reformed. The vague mentioning of "other industries" indicates that while the agricultural sector and farmers need to adopt new thinking ("we can't continue this policy"), they are a symbolic representation of identifying what and who needs to change in face of opening up the economy.

As for the external, we should continue exploring possibilities in stabilizing cross-Strait relations and in lieu of that expanding our international space. This isn’t to say that we are lowering ourselves or seeking their permission and approval, but to say that in politics there has to be a certain wisdom and not a veering away from certain realities. Of course we want Taiwan to be independent and to have its own international space, but it’s complicated by the relations we have with China and its 1.3 billion people and its belligerent attitude toward us. While they have been showing a more positive side, we know that it’s connected to their fifth column tactics. (ibid, 2011)

The usage of the collective "we" is more distinct in relationship to external positioning. There is an implied assumption that international space is collectively experienced and its expansion does not come at the cost of some social actors over others. There is also a rhetorical means of expressing the collective will of Taiwan's population to maintain its autonomy from China.

But if you are bent on drawing lines in the sand and don’t take advantage of potential assets, we don’t get anything out of it and it might actually make the
situation worse. The past eight years are evidence of this very fact. How you play this game depends on wise leadership, but also educating our citizens not to use resistance and ignorance to step up to this [China].” (ibid, 2011)

The concluding paragraph represents "you" as separate from the previous collective identity with a distinct and negatively implied ideological stance ("drawing lines in the sand"). Citizens, represented passively, need to be informed through leadership and education about how globalization can be best approached ("how you play this game"). The mention of opponents or those who advocate differing policy paradigms may be present in the text to highlight differences of position, to identify the reason for outcomes (i.e. "foot dragging on the part of the opposition party puts the economy at peril").

Figure 14: "ECFA Q&A (6): Why Sign with Mainland China?"40

![ECFA Q&A (6): Why Sign with Mainland China?](image)


Explicit essentialism in social actor representation also built upon ethnic cleavages and stereotypes. In a controversial promotional campaign that subsequently proved disastrous, the MOEA published a series of comic strips to use "relaxed, lively and easy-to-understand dialogues to clearly explain to people of all ages the main

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40 The text reads: “Mainland China is Taiwan’s largest export destination. If we can sign an agreement with mainland China and get tariff free treatment, we will raise our export competitiveness and stand on equal ground with ASEAN countries. “Fa-sao” the Taiwanese driver says: “We can catch up to ASEAN and become even more competitive than Japan and South Korea.”
meanings behind the ECFA" in which it used to fictional spokespersons to tackle "an already complex and overly politicized issue." (Figure 14) "Yi-ge" is portrayed as an unsophisticated, ethnic Hoklo Taiwanese country bumpkin with a stable job while "Fa-sao" his sophisticated ethnic Hakka counterpart speaks four languages and aside from her managerial position at an import-export firm, keeps tabs on the latest ECFA developments and is also studying for an MBA. While the promotional campaign was blasted and eventually pulled by the government, elite insensitivities demonstrate a particular worldview not only relating to its perceptions on how "policy speak" might be translated, but also shows how citizens are expected to behave in relation to ethnic and occupational background. The narrative of the rational minded Fa-sao patiently explaining the principles of the ECFA and reassures an initially skeptical Yi-ge ("full of hot air, but never really follows through") caricaturizes opposing viewpoints (Ministry of Economic Affairs, July 20, 2009).

Representation of actors can also refer to identification to specific industries based on their position in up, middle or downstream production, or whether they form specific clusters. Texts may also attribute labels such as "vulnerability", "traditional", "service", and "sunset", etc. Industries can be differentiated by size (i.e. small medium enterprises), investment patterns, and their role in future economic activity and perceived strengths and vulnerabilities.

8.4 Dealing with Difference:

On the surface, the texts advocating the ECFA draw a clear difference between the protagonist’s "pragmatic policies", and the opposition’s "overly ideological" stance toward Taiwan’s sovereignty. However, in presenting the case of economic globalization as an inevitably and all-encompassing force, the representation of difference sometimes takes a more nuanced tone. The viewing of the opposition viewpoint as “having reason” is an outward form of dialogical structuring of a debate. However, this often comes with a qualified condition, namely, that the opposition fulfills its role beyond “opposition for the sake of opposition”. Only when there is a consensus of what the issues are (here, framed as economic development within the context of cross-Strait negotiations) can the people be convinced by an opposition party’s role which would give it political space and legitimacy.
As ruling and opposition party positions hardened, differences were polemized and accentuated along the lines of opposition foot-dragging and obstructionism and the ruling party's collusion with China and big business interests. The opposition's calls for a public referendum were seen not as an exercise in democratic governance, but a potentially costly and time-consuming electoral gambit that would slow the process of negotiating a deal with China. Therefore, there is certainly a mutual recognition of different within the party-centered debates, but hardly an openness, acceptance or exploration of difference. Ironically, in an editorial written in the KMT's publication, China was asked to recognize (and perhaps understand) the differences between its society and Taiwan's democratic society after the DPP arranged for a visit by the Dalai Lama and held a public screening for a film concerning Xinjiang dissident Rebiya Kadeer, stoking the PRC's ire:

But we have to tell the mainland: first, Taiwan is a culturally diverse society in which a multitude of opinions arise within it — this is nothing new. Second, the actions of the DPP will not affect the viewpoints that the Taiwanese people have concerning the development of cross-Strait relations: peaceful cross-Strait development remains the mainstream of Taiwan's public opinion. Hopefully, the mainland will not change its stance on cross-Strait normalization just because of the DPP's behavior. (Central Daily News, September 18th 2009)

This returns us to the narrative and indeed existential assumptions over mutual understanding: they can only remain an assumption subject to verification through communication. The editorial board of the Central Daily News may claim to understand that Taiwan and China's societies are different due to Taiwan's democratic society, but does that entail a mutual understanding within Taiwan of what this democracy entails?

8.5 Representation of Space-times: Redefining Sovereignty

Representations of space-times are linked to differences implicit to the assumptions in protagonist and antagonist positions. Spatial-specific discursive ideas may situate different rates of temporal adaptation to change (i.e. the pace of trade liberalization, the prioritization of deregulatory measures). Statements and claims within texts can show contradictions with regard to how the discourses on reassurances are concerned: on the one hand, the process of economic integration requires that the state locate and identify vulnerable regions and sectors in order to protect and adapt them to
impending waves of globalization (to offset potential social antagonisms). On the other, a more universal or global space-time's imperative is actually what everything should be in alignment with. The discursive practice of analogizing the pacing and incremental nature of economic framework agreements with different social actors reveals itself in changing concepts of sovereignty. Political sovereignty, long championed by the DPP and supporters of Taiwan's *de jure* independence from China, has been modulated by state discourses toward one of economic sovereignty in which the antagonisms of previous imaginaries have been re-appropriated: ensuring Taiwan's rightful place in the world economy while appropriate protective measures are taken to prevent Chinese laborers from stepping ashore. In Figure 15, these ideas of sovereignty and joining other nations in regional integration are harmonized.

Figure 15: "Marginalization? Internationalization!!"

Source: Mainland Affairs Council, ROC (2009c).

### 8.6 Beyond Protecting the Home

In April 2009, the Chairwoman of the Mainland Affairs Council (MAC) Lai Xin-yuan declared “Four Guarantees” and protections in signing an ECFA with China that included the areas of employment, exports, *taishang* and traditional industries. She reiterated that such an agreement would not diminish in any way Taiwan’s sovereignty. In identifying past practice with regard to previous coordination efforts in preparation for Taiwan’s WTO accession, she compared the process of identifying
which industries would benefit through increased liberalization and which require more immediate government attention. (Central News Agency, April 5th 2009)

In the first series of televised advertisements aired by the government, protection and assurances were themes emphasized simultaneously with economic benefits. By evoking traditional symbols such as the Taiwanese door god (門神), the official discourse attempts to legitimize strategies with traditional symbolism. It is however important to distinguish beyond legitimization, that the state also seeks to recast tradition to modern contexts (trade liberalization, adhering to international norms and practices). In equating the door god’s role as the “host, protector against evil spirits and protector of the household” the state has used traditional symbols in an attempt to redefine the meaning of popular sovereignty by stating — “only by protecting the people’s right for livelihood will sovereignty really be protected.” (Figure 16b)

In A Winning Strategy for Taiwan also published by the MAC, government discourse took on the format of advertorial by combining the appearance and content of images, news report and editorial (MAC, 2009a). Sovereignty is deemed to have been protected and enhanced through cross-Strait agreements and was argued to have broad support: “According to related surveys, 54 to over 60% of the public believe that current cross-Strait dialogue has not diminished sovereignty.”

Figures 16a (left) and 16b (right): Elite Representations of Space-Time
Elite representations of space-times therefore demonstrate the state's role as protector and gatekeeper, promoting economic growth by trade liberalization but keeping the island safe from its excesses (controlling the valve for cultivating Taiwan in Figure 16a). By combining discourses of reassurance, and traditional folklore associated with controlled opening of Taiwan's economy, political antagonisms have been refashioned. Antagonisms toward China and its government have shifted metaphorically to Chinese workers and products as externalities of globalization. The emphasis of portraying a well protected country ready to meet the challenges of globalization shifted toward reaping the fruits of economic cooperation after the ECFA was signed in 2010. Henceforth, space-time representations shifted toward demonstrating the pact's benefits in multiple contexts once the homeland was protected.

8.7 Staking Forth "New" Frontiers

Unlike the pamphlets that were published by individual ministries a year earlier, the "MIT" (Made in Taiwan) promotional campaign published in Commonwealth Magazine in 2011 were unique in several ways: First, the content utilized longer narratives and profiled agent responses to globalization through case studies instead of focusing on assurances and slogans alone. Secondly, by refocusing on concepts such as innovation the series highlights adaptation to globalization and how the ECFA changes everyday life. Finally, they illustrate how government and business have goals that are mutually reinforcing.

Series One focuses on horticulture, toys and traditional industries and the opportunities that have allowed them to benefit from globalization through the ECFA — a response to initial criticism that the pact disadvantaged so-called sunset industries. In terms of framing, circumstantial premise again places globalization as an irreversible trend in which maneuvering room for economic development depends on innovation. In this way, traditional industries function to ameliorate potential contradictions between the national economy and the global market in that development has to be linked and sourced locally to be sustainable. Traditional
industries are therefore advantaged to succeed, conditional on their ability to exploit Taiwan's cultural and local distinctiveness as a means of entering the Chinese market.

Congruent to earlier imaginaries of developing the economy and local culture as Taiwan's soft power, it is perhaps not surprising that the government has chosen to characterize local agricultural ingenuity as non-threatening ("small and beautiful"), but also a potential market powerhouse. Growing refinement in consumer taste, highly sophisticated production standards and brand identification, along with favorable government policies are harmoniously juxtaposed. Starting from the geographic south of Taiwan the text exemplifies this harmony with the unique orchids harvested by cooperatives. As high-value products traditionally sold for high prices in Japan, reliance on one market has led to its oversaturation and falling prices for the orchids sold there as the narrative goes. One possible solution has been the identification of the massive Chinese market. However barriers to the Chinese market that have hampered the import of Taiwanese orchids which include a 13% value added tax as well as customs inspections that bring delays that hamper the delivery of fresh orchids to Chinese customers. With the advent of the ECFA and the Early Harvest Program, tariff rates for orchids were first slashed to 5% in 2010 and would eventually be eliminated all together in 2011. (MAC, 2011a)

In the central, mountainous tea growing areas, the focus moves to tea drinking and the unique and well-known quality that has been associated with Taiwan's oolong tea. The unfortunate circumstance conveyed in the narrative is that while the quality of Dong-ding teas is self-evident, long-standing trade barriers have made their sale in China less than secure and legal. More recently, oolong tea headed toward the mainland had to make their way through the "Mini-Links" scheme where often they were repackaged and sold wholesale under different labels, or arrived in the wrong port. The ad brings attention to the tea growers who have formed cooperatives catering directly to the mainland market. They are said to have benefited with the implementation of ECFA in that savings from tariffs and swifter transaction will give their products the level playing field needed to gain market access. Connecting the tea to its unique soil conditions, that are not replicable elsewhere, reinforces the underlying message of local ingenuity and branding.
Local ingenuity and conditions aside, the ad infuses the viewpoints from a sociologist that securing intellectual property rights will be the assurance that cross-Strait commerce will be viable and sustainable for traditional industries. This is exemplified by the cultural cooperation within the European Union were implemented to foster an optimal competitive environment among European economies (details or accounts of parallel EU cases are however not detailed within the text).

This provides an ideal transition to consider the doll-making industry in northern Taiwan. The experience of industries cooperating with Mattel to manufacture Barbie dolls in the 1970s and 80s is a useful narrative in that it shows the evolutionary process of innovation. Taiwan "used to be" a location to source cheap manufacturing of high value toys for the American market. While the history of that economic stage is memorialized in places like the Barbie museum, the ad reveals that creative ingenuity allows for maneuver in globalization. With the right expertise, newly conceptualized dolls can be made for the Asian market fueled by the insatiable consumer demands in the mainland. (MAC, 2011b)

Together, Series One links the fate of three geographic regions among different industries to showcase the benefits of wider economic integration in China on the one hand, while using local industrial specialization and ingenuity as an assurance that what is created on the other. Successful examples within these traditional industries possess an entrepreneurial spirit which allows them to see the shifting trade winds and make the appropriate adaptations, whether it involves collective action to enter into new markets or tweaking the conceptual design of a toy to meet changing tastes.

In Series Two of the MIT advertisements, further explanation ties the strategies of industrial cooperation and using contemporary concepts such as Porter's industrial cluster to explain how traditional sectors can benefit from an economic pact with China. The insertion of external knowledge brands into the context of state-industrial cooperation, and the division of labor within value chain productions mediates hegemonic discourses and grafts them on the local conceptual plane.

Porter's concept of industrial clusters is used to describe the pride of Taiwan's answer to California's Silicon Valley: the Hsinchu Technology Park. Industrial clusters are portrayed here as machines ready for combat: the concentration of up and down stream linkages make them ready to compete. The text then shifts back in time,
stating that a phenomenon such as industrial clusters actually existed before technology parks in the form of traditional industries: clusters of interdependent, small and medium enterprises responsible for Taiwan's economic takeoff of the 1960s and 70s.

The small and medium enterprises are shown to belong to the historical collective narrative: combat-ready and poised to adapt to the competition-laden field of globalized economies. The text draws an analogy of SMEs as basic machine parts serving as the backbone for many industries ranging from toys to sophisticated rockets. The machinery parts industry is evoked as representing an important linkage among upstream industries. While soil conditions and horticultural vitality symbolized rootedness to the land not immediately synonymous with the speed requirements of global commerce without reduced tariffs and customs regulations, machine parts exports serve as a metaphorical barometer of national economic performance.

Like the previous advertisement series, the text mentions the ramifications of the ECFA in benefiting the machine parts industry, boasting that it has become the third largest in the world behind Italy since the Early Harvest Program took place. The state of international rivals makes it absolutely necessary to proceed with the incremental negotiations behind the ECFA as well as the possibilities of signing FTAs with other countries. There is no qualification of opposing stances claiming that trade liberalization will damage the livelihood of traditional industries. Getting on board with international trends is the only viable solution. Here the text alludes to two possibilities therein: 1) government support for small and medium enterprises to attract foreign direct investment into local industries to facilitate cooperation and 2) the ability of Taiwanese firms operating on the mainland to upgrade and build their brands in order to compete with foreign firms. The possible contradictions behind supporting local industries in Taiwan while calling for economic cooperation on the mainland to compete with foreign firms is not elaborated on. But the circumstances may be more important than how the state chooses to prioritize its resources (and whether it is merely paying lip service to the champions of yesterday's economic trends): China has replaced the United States in the purchase of machine parts and will require even more components to fuel its growth.
Like in previous cases, the text situates the fisheries industry within discourse of traditional innovation and its distinct characteristics. Whereas the concentration of the machine parts industries was touted as drawing strength from down and upstream linkages, the fisheries industry highlights the unlikely partnership between industry and agriculture, a relationship which the text admits as being historically problematic (i.e. environmental pollution). In using the example of the grouper fisheries and the specialized liquefied natural gas that is supplied by the state owned petroleum company, the metaphor of maintaining and regulating optimal water temperature for the fisheries is employed as a means to indicate how state and industry can work together in finding solutions between competing industries.

Another theme is the division of labor within the fisheries, where location specificity is optimal for different stages within the production of the fish from egg, hatchling to the final product. This specificity of location, added to the technological support provided by the state is offered as a counter to the motivations to relocate to China. What has migrated is the taste for certain Taiwanese seafood based on the consumption pattern of Taiwanese business owners operating in China (it cites that only 30% of production is geared toward domestic consumption, while the remaining 70% is destined for China). (ibid, 2011b)

In Series Three, the advertisements continue to focus on small and medium sized enterprises with a focus on the bicycle industry. Beginning with the effects of the Euro-crisis and how the electronics and computer sectors resorted non-paid leave to maintain their operations, some traditional industries in contrast, were actually confronted with another more "desirable problem": the need to hire workers to keep up with demand and adding work shifts. Like the other texts among the series, SMEs are portrayed as small but resilient. There is a sense of pride attached to the wide range of products that a SME like Alexrims can produce, even though it is not located in a high-tech cluster.

Seeing the Alexrims factory completely lit deep into the night, it is hard to imagine that this is the world's largest bicycle wheel and hub supplier in which the company headquarters is not located in a science park or a crowded metropolitan area, but is in the mountainous regions of Tainan and third least populated district of the city, with a population of only 7000 residents. (MAC, 2011c)
What makes this text similar to other texts in this series of advertisements is the use of visual metaphors to illustrate the linkage of Taiwan to the global market. Whereas SMEs and symbiotic clustering effects were mentioned earlier, this series relies on the image of the "hub and spoke" and the Archimedean lever as the way forward for small and medium enterprises in Taiwan to position themselves globally.

In order to develop this narrative of industries being "rooted in Taiwan", the text includes an excerpted interview the CEO of Alexrims, the manufacturer of a wide range of tire and wheel products. The centrality of local employment outside a hi-tech science park draws attention to the ingenuity of smaller industries with traditional connotations. This showcasing only goes to show that the government touts the ECFA as a solution and opportunity for a variety of different industries and locales. Here, it is argued that local employability does not have to be sacrificed. The CEO says: "When I hire workers, those who reside in Tainan have priority. The company's research and development center and high end products base must also be located in Tainan." The spread also mentions how this manager has drawn an employment map that prioritizes the residential areas within a 30km radius. This is an important strategic and symbolic act of positioning the "rooted in Taiwan" concept before elaborating on the prospects of economic cooperation with China through the ECFA.

Why are small and medium enterprises from Taiwan uniquely positioned to enter the Chinese market? The text makes the case by considering the difficulty of penetrating mature markets for tires and wheel products in Europe, America and Japan, in which the CEO explains has been dominated for fifty to sixty years by multinational corporations who control 80 to 90% of the market share. And mirroring the previous themes, the viability of brand-making in the coastal cities of China can be testified by the insatiable market demand for high-end bicycles, and more environmentally efficient automotive technology. "Companies positioning themselves globally should continue to heed the European, American and Japanese markets, but the rise of mainland China must not be ignored," Chen is quoted as saying. The ECFA has accelerated product delivery time from one week to within two or three days which preserves the brand's reputation.
The final part of the text is devoted to the concept of rootedness and how the indigenous company is also resistant to the possibility of counterfeit products from China:

Alexrim is committed to research and development. Besides the fact that twenty percent of the four hundred employees hold either a masters or doctorate degree, annual investment in research and development represents 30% of the company's income, which is three times higher than the average small and medium enterprise. Most importantly, research and development and high end production is located in Tainan, which greatly reduces the chance of corporate theft. (ibid, 2011c)

The story ends with a hopeful prospect for the entrepreneur and the wage earner alike: Chen can be optimistic by the prospects of further developing the Chinese market under the umbrella of intellectual property rights protections and provisions under the ECFA and aims to purchase surrounding abandoned factories to expand production.

The last segment in the series showcases another sunset industry in the era of globalization, the textiles industry. Rather than weaving a morose picture of falling profits, the text evokes pride by describing the innovative apparel industry and its global reach ranging from famous Italian and French designers, the swim wear of world class athletes and even the tablecloth of U.S. president Obama’s White House office desk.

The difference that can save the textile industries depends on taking the perspective of business and competitiveness and being cognizant of international trends. "Regular politicians" preaching an ideological line against free trade are positioned as perceiving indiscriminately the negative effects of free trade. On the other hand, the textiles example stands out in not placing all bets on China as a reflection of the state's claim that better trade relations with China represent one rung of many to be optimized in order to increase the reach of Taiwan's industries. The metaphor of growth rooted in the island and branching out elsewhere counters earlier discourses on the threat of Taiwan's industrial hollowing out.

[Manager] Lin says that Taiwan’s textile industry’s development was confronted with challenges in the past including the rise in property prices, environmental protection standards and wages, but Libaolong has not invested abroad nor has it migrated toward mainland China. Instead by remaining “rooted in Taiwan” and constructing a “purely domestic firm” which connects
“the stem, leaves and fruit bearing” functions that relies on the upgrading strategy: ‘if advancing in the direction of west and south, why not up?’ According to Lin, ‘upward advancement’ has three meanings: moving toward upstream products, raising product quality and positioning northward. (MAC, 2010d).

The text puts further juxtaposes the global production leaders of polycaproamide: the multinational giant BASF and Taiwan’s Libaolong. According to the text, unlike BASF which has different production strategies in Germany, Belgium the U.S. and China, the domestic firm Libaolong being positioned completely in Taiwan gives it a unique geographic advantage in exploiting markets in mainland China and southeast Asia (citing that shipping costs from Taiwan to mainland coastal areas are 1/3 of the costs from areas within China itself due to direct air links).

Cultural affinity is seen as a strategic advantage that allows Taiwan's firms to thrive in China where foreign multinationals have had difficulty (an example of Sino-Japanese antagonism is mentioned, in which a company with Taiwanese managers served as a work around to the impasse). While the language of business management may be universal, shared but separate culture is seen as having the quality of transcending contradictions in economic dealings with foreign companies arising from different countries.

In summary, the MIT series commissioned by the Mainland Affairs Council to promote ECFA has several component themes:

*Managing locally sourced innovation:* Geographically, the series focuses on areas outside of Taiwan’s northern economic stronghold, Taipei. Attention is given to small and medium firms and traditional industries instead of large firms in the hi-tech or service sectors. In their representation of actors, texts either quote directly or paraphrase the observations of the manager or CEOs. The workers of these firms are mentioned only in passing or in the context of increased or decreased production. Worker agency is therefore centered on economic circumstances alone. While there is mention of opposing viewpoints, these are largely represented without names and held as ideologies of politicians.

*Entrepreneurial spirit:* Small and medium enterprises are portrayed as resilient and specially suited to use local conditions (favorable geographical proximity, local talent or environmental conditions) combined with technical know how to meet the
challenges to globalization -- as a representation and embodiment of the adaptive global citizen. Globalization is both threat and opportunity, and the state’s role is to ensure that businesses have equal access to an increasingly crowded playing field. The soft power of ingenuity and innovation is also expressed in militaristic terms (i.e. “deployment”, “advancing”, etc.) with respect to a competitive market.

**Company showcasing:** The portrayal of firms as part of the body politic is especially linked to the pride of being “made in Taiwan” and “rooted in Taiwan”. Unlike previous government material that emphasized the easing of trade barriers as a catalyst to economic growth, these narratives go beyond stating the assurances that the ECFA will create jobs and opportunities by demonstrating how companies have used it as a platform to expand their operations without moving away from their core values and strengths. "David and Goliath" juxtapositions of SMEs and high-tech, foreign multinationals juggernauts are therefore used to reflect the challenges of these enterprises as an extension of the perceived challenges of the national body politic as a whole.

**Finding the optimal conditions:** While the ECFA serves as the central theme of providing opportunity in the face of the changing dynamics of economic globalization, there are more subtle messages about strategies that make some companies thrive. One is the advantages of being rooted in Taiwan in terms of sourcing innovation. The second is with regard to industrial cooperation and division of labor within industries. The third has to do with product branding — the contribution of local taste as a signal of quality and novelty that is harder to copy or imitate because it is tied to the land and its people.

Together, the advertorial series creates the narrative cohesion of ideal, elite visions of public-private cooperation, with the state acting as the stage and mediator for overall policy while private enterprise assumes the role of rational economic entities deploying their comparative cultural and innovative advantages. It portrays a symbiotic relationship between commercial interests on both sides of the Strait: with Taiwan providing the strength in technological and cultural distinctiveness and China’s burgeoning consumer society providing the purchasing power. Doing business in China is not only a logical commercial decision, it is showcased to be a natural conclusion in the face of increased economic globalization.
Returning to CPE’s Four Modes of Social Relations (from Chapter 6.5), the enabling and constraining forces shaping the scope of state elites and their capability and capacity for meaning-making in dialectic relation to the management of the possible presents a complicated melding of political identity, citizenship and the fate of state-led developmentalism.

The state’s discourses on confronting globalization can be categorized into selectivities of assurances and protection (for groups defined as vulnerable) on the one hand, and “picking the winners”: citizen entrepreneurs ready to confront globalization as opportunity. This discursive rift is irreconcilable so long as ideological constructs identified as “backwardness” remain a barrier to innovation and openness.

As the critical discourse analysis of selected texts have shown, the original objective of broadening public support for the ECFA process as a stepping stone for greater trade liberalization and internationalization of the domestic economy involved economic imaginaries that involved a process of variation, selection and retention.

In terms of variation, financial crisis and perceived economic marginalization brought on by regional trade integration represented a key semiotic moment for new discourses and practices to be developed by the state. In the selection of discourses for legitimizing its actions, state elites also exercised the pooling of discursive technologies of competitiveness and clustering industrial development into specialized zones.

The selection of these discourses also influenced the perceived target of building support and ameliorating possible dissent. Dissenters of increased economic integration with China are either engaged through the lens of lacking the economic knowledge to understand the fate of national destiny with ECFA (thus requiring education) or ideologically blighted by support of political independence. Narratives supporting entrepreneurialism do not however make clean breaks with previous narratives, but rather seek to compliment them by a selective retention of symbols appealing to economic viability and the rational market player. With the reinterpretation of Taiwanese identity as markers of cultural distinctiveness across a field of potential market competitors, the political is subsumed to an economic
sovereignty that envisions the importance of commerce as smoothing over historical tensions across the Taiwan Strait.

The conundrum faced by elite discourses is tied to the selective engagement with the public that emphasized the role of informer, educator and moderator of the field of debate over consultative and mutually deliberative efforts. These include the inability or unwillingness to perceive the distributional priorities of the ECFA as a facilitator of new demographical cleavages and political conflict: that some are more equally positioned than others to reap the gains of cross-Strait economic integration.

As with structural selectivities, this chapter has shown how genres, discourses and styles provide different opportunities and constraints for what can be articulated and who has the authority to deploy them to varying degrees of effectiveness. As semiotic resources, economic imaginaries envisioned by government and business elites delimit the possible imaginaries for realization and play a role in determining what themes can be stated in a given semantic field. Through genre chains of national competitiveness, they gloss over or wholly ignore domestic contradictions and possible political incongruities with the imaginary.
Chapter Nine: Conclusion

Over the past thirty years, the political and economic interactions across the Taiwan Strait have been re-envisioned through the actions first led predominantly by private actors working clandestinely to make greater profits, and later entered the current period in which state actors served as legitimizers of those once illegal actions. Trans-border production networks resulting from the offshoring of manufacturing from Taiwanese based firms were instrumental in laying foundations for highly interconnected economic activity in the region and the mapping of trajectories that would serve as blueprints for future economic imaginaries. These overlapping claims of knowledge continue to structure theoretical arguments and policy positions in Taiwan-China relations.

Are state actors reacting to the outcome of growing market integration in the Straits area or are their imaginaries the driving force for the further entrenchment of transnational capital? In investigating this question, this work has shown that the investment actions of taishang entrepreneurs and transnational firms have motivated the state to monitor, reevaluate and reassess regulations and later redirect its authority in cross-Strait capital flows in reflexive relations attached to the context of larger world orders and the continuum between social forces and ideas.

This work presented the ECFA as an emblematic event with discursive-selective possibilities that afforded the power of state and business interests to frame and ref框架 trade liberalization with China as part of a greater social project of meeting the challenges of economic globalization. It highlighted the discursive strategies of the state to remold the cross-Strait economic zone from an exceptionally volatile area of risk, to a depoliticized space in which norms, continued interaction and implementation of agreements would lay the foundations for the normalization of space. From the standpoint of party politics, it also examined the representation of reconfigured identities that form a social practice of imagining cross-Strait economic relations.

Having taken the ECFA trade liberalization process as an emblematic, discursively selective moment, the following questions were analyzed with regard to the corpus of texts analyzed.
• **When** and **how** does a particular imaginary and related discursive networks gain credence?

Collective action frames are a method to analyze how social actors mobilize and conversely demobilize society in relation to a social problem. Frames are concrete extensions of diffuse imaginaries. They guide action by reducing complexity and providing truncated narratives and storylines that have their basis in imaginaries. Frames reduce complexity by: making clear the present circumstances. They also set out the social problem(s) that require change on the part of the mobilized social forces, and they diagnose the problem(s) by setting goals and by *imagining* desired outcomes as a form of deontic power.

In the context of the ECFA, the discredited DPP government and resulting global financial crisis boosted state, party and business associations' efforts to promote trade liberalization as a solution for Taiwan's problems and a means of ushering in a new era of prosperity. With the election of Ma Ying-jeou as president in 2008, and the return of the KMT to national power, the government positioned its rise to power as a collective and therefore legitimate backing for change.

• **What** contradictions are addressed?

As master frames but contested imaginaries, sedimented nationalism(s) and imaginary nationalism complimented as well as contradicted visions of a post-2008 cross-Strait economy. Framing difference included on the one hand openness and recognition through dialogue on the one hand, along with accentuation, bracketing and suppression of difference on the other (difference in representation). Discursive features within a text indicate how contradictions between ideas of national identity and economic response to globalization are drawn upon through assumptions (existential, propositional and value assumptions) and metaphors.

• **Who is involved in the discursive networks and imaginaries that promote different objects of governance?**

Imaginaries on cross-Strait economies can be separated into two major discursive shifts. Lee Teng-hui’s rebranding of the KMT as a local, Taiwanese party made both his position and those of his ruling alliance nodal actors during Taiwan's democratization, favorably embedded to deploy new objectives of governance. The
collective legitimacy of Lee's popular election as president in 1996 by virtue of nodal positioning also allowed discourse coalitions to structure meaning with greater strength. An important structuring of cross-Strait economic imaginaries up until 2000 was the “No Haste, Be Patient” policy shift aimed to restrict capital flow to China, and to slow down the institutionalization of the cross-Strait division of labor. Easing the pace of economic development with China, promoting investment elsewhere in South Asia resonated in differentiating Taiwan's economic frontiers and served as part of the social practice in re-imagining a developmental state under more ethnic auspices. Chen Shui-bian tentatively eased these policies when coming to power in 2000, although his emphasis on cultural nation building in Taiwan served to further politicize trade with China in terms of national identity. Under the Ma Ying-jeou administration, a discursive move to temper cultural nationalism with economic globalization geared toward the creation of a formalized cross-strait economy was attempted.

This second discursive shift concerns the recontextualizing of state strategies to citizenship and entrepreneurial identity. By emphasizing the success of the developmental state model, the state has recast its role in globalization as a stage-setter and an institution builder for national and foreign enterprises alike. While it champions the narratives of the taishang in remaking the cross-Strait division of labor, it now favors an imaginary of greater economic cooperation especially following the global financial crisis. Larger corporations are now the vanguards for developing international brands, while smaller traditional industries have been called to relocate and refocus their strategies either in moving further inward or repositioning themselves in Taiwan. These process of entrepreneurialization of identity draws upon preexisting modalities of cross-Strait history which are reflected in proposed cultural forms of cooperation.

As a result, the question of national identity has been subject to greater efforts of harmonization with larger narratives of globalization. For one, globalization is a phenomenon that has ambiguous effects on nationalism. While state officials place emphasis on global interdependencies and the inevitable loss of autonomy in an increasingly interlinked economic reality, they have also needed to adapt Taiwan’s growing sense of separateness in novel ways that increase broader alignment (or less active resistance) from the populace.
A critical discourse analysis cannot purport to explain the world merely by looking at specific texts, as the discursive field is but one part of the domain in which human beings make sense of the world. But such an analysis can yield important insights into how actors structure their realities based on the dialectical relation between discourse and structure.

Returning to the circular process of empirical research in which the interpretation of data feeds back toward theoretical assumptions, economic imaginaries reveal the political process of constructing identities. It highlights the sources of power behind assumptions of national identity, the incongruous melding and overlaying of sedimented discourses and the (re) politicization of others. External concepts of benchmarking and competitiveness rankings were utilized to confer legitimacy for the government’s efforts to confront the perceived threat of economic marginalization. The assumptions implicit in situating globalization as an external force also segmented the implementation of the confrontation: with the state and elites at the forefront to promote and protect homegrown industries, with businesses recast as crucial conduits for Taiwan’s economic connectivity.

State actors have confronted the problem of identity as both challenge and opportunity to existing political orders. Recognizing the futility in eliminating Taiwanese identity, they have tried to isolate previous formations of separateness and make them more harmonious to economic relations with China. A key discursive shift has been to label oppositional viewpoints more in line with those social elements (especially social forces aligned with the DPP) as outmoded and increasingly unconscious of new threats to the body politic: marginalization through politicization.

The marginalization discourse is tied with equating all members of Taiwanese society as collectively involved in the process of globalization and whether it can be mitigated. Marginalization is therefore also a “role creating” technology and is strategically linked with discourses of competitiveness. Competitive countries are those states that link themselves with the world; as such they are one step ahead of the game. The competitiveness of countries is also equated to the competitive quality of its industries. Analogous to the national scale, competitive industries must also adapt to new challenges. A key aspect of the government promotion of the ECFA has been the connection of the informed citizen disciplined to the realities of the globalization
process. The discourses reinforce self-recognized inevitabilities that one not resist the processes of change, but embrace them as opportunity.

While prognostic, diagnostic and motivational frames work most effectively in emblematic moments, it is important to realize that economic imaginaries cannot be formed by mere will and motivation. The battle over explaining the circumstances by its very act leaves out alternative explanations that affect the diagnosis of the social problem and how a society confronts it. The double-edged sword of Taiwan’s "unresolved" national question means that while anti-ECFA opponents may continue to draw upon anti-China discourses to mobilize support in opposition to certain neoliberal projects, as history has shown, these antagonisms are subject to cooptation unless they can be made resonant through material and institutional realities.

Many have argued that cross-Strait economic interdependence is the inevitable result of China’s reintegration to the global economy. As Taiwan’s small and medium enterprises first set up operations in mainland China in the late 1980s, the island’s government had been unable to stem the migration of capital investment to support cheaper production and larger economies of scale. Visionary state sector management, which was touted as the main reason for Taiwan’s postwar economic miracle, was put to its greatest test as the state’s ability to direct capital flows and guide industrial upgrading was becoming increasingly linked to an offshore economic dragon.

But institutionalization of the cross-Strait division of labor alone cannot explain the rapprochement between China and Taiwan starting in 2008. Globalization as a process has reconfigured previous Cold War antagonisms, (re)activating a whole set of discursive practices and ideas. The most prominent of these discursive fields that have competed with other objectives of state strategy is nationalism. Democratization in Taiwan shifted China-centric national discourses toward emphasis on local identities for which the state’s subsequent legitimization of official Taiwanese identity has been contested and entrenched in party politics. The efforts of the DPP to strengthen ethnic identity within the state apparatus, through attempted liquidation of KMT party assets, separation of party-state control of the military and media, decentering China geographically and historically in school curricula and bringing the case of Taiwanese separateness to the international stage was fraught with challenges
both within and outside the island. This discursive struggle which the DPP hoped would illicit popular support, was dogged by both organizational and ideological structures that had served the KMT in its fifty years of relatively unchallenged rule — structures that created economic stability and later the basis for an export oriented market economy. The KMT’s return in 2008, however, cannot be interpreted as the inevitable result of the limitations of Taiwanese nationalism.

While the KMT has tried to frame the agreement as a triple-win scenario for national cross-Strait, and international businesses with benefits for the economy as a whole, nationalism was not unambiguously sidelined, but has undergone a facelift: in the high stakes game of global competitiveness, opting out as a nation is not only irrational, it is unthinkable. For advocates of the increased institutionalization of cross-Strait economics as “normalization”, discourses of nationalism blur the contradictions between capital and labor by drawing upon shared narratives of identity. Discourses of differentiation and cultural distinction were given a prominent role as economic resources not only to attract tourism, but as a means of promoting the harmonization of the two societies through increased cultural contact.

With the Sunflower Movement protests and subsequent occupation of Taiwan’s legislature by students in March 2014, the efforts to fast-track cross-Strait economic cooperation have been deeply questioned without legislative oversight. As calls for greater scrutiny of the proposed Trade Services Pact have brought the future status of the Ma administration’s ECFA policies with a big question mark. In December 2014, the DPP soundly defeated the KMT in local elections, taking five of six municipalities — including the capital Taipei. In early 2016, the DPP regained control of national power despite a historic meeting between Ma Ying-jeou and Chinese leader Xi Jinping in Singapore in November 2015, the first between leaders of both sides of Strait since the end of the Chinese Civil War. The public had become tired and mistrustful of cross-Strait deals, no matter what their symbolic value. Yet despite the return of the DPP, Tsai Ing-wen has not repudiated the ECFA, maintaining that her government seeks continuity with China on past agreements that were concluded during the course of the Ma administration.

This returns us back to the importance of framing and the built in limitations inherent in their construction in conceptualizing and mobilizing support, a concurrent
process that also delimits other possibilities and significant factors linked to political priorities that subsume other means of collective action and problem delineations. It also returns us to the assumed

Political transitions on Taiwan have always been scrutinized in their possible repercussions for cross-Strait relations, but what if the proposition was reversed? Can cross-Strait relations cause a political transition of power in Taiwan? While the resurgent social movements springing forth in Taiwan and the DPP’s resurgence are beyond the scope of this investigation, this work would posit that this question again has its roots in the redefining of imaginaries and the positioning of actors that can broaden its scope both structurally and discursively.

For groups that oppose economic liberalization on the grounds that eventuates a “One China Market”, the ECFA and the long list of cross-Strait agreements unwittingly provides the discursive framework to critique the state’s divorce from civil society: secret closed room deals made with scant popular oversight, as well as the uneven distribution of the ECFA’s potential costs and benefits. However, the framing of ECFA as “selling out Taiwan” will become less salient of a political issue if confined to scrutinizing cross-Strait economic liberalization as the source of collective economic insecurity. The less vociferous partisan debate behind recently concluded free trade agreements with New Zealand and Singapore indicate that China’s role as the antagonistic Other in regional economic integration is discursively more salient than the agentless of externalized globalization. While the DPP continues to frame the economic rise of China as an issue of national security, its subsequent actions may not be a breath of fresh air unless new economic imaginaries can be conceptualized.

KMT authored policies of engagement with China seemingly countered the highly ideological measures of the previous government led by the DPP. However, recent efforts to institutionalize cross-Strait economies cannot merely be seen as reversals of policy based on the ideological roadmaps drawn from opposing party platforms. Instead, the road to implementing the ECFA was a process of intertwining discourses of past and present. Narratives draw upon the legacy of the developmental state and an economic discourse of survival that recast the role of the island’s entrepreneurial class.
In the context of increasing cross-Strait trade liberalization, the imaginaries of state actors, political parties and elites are instrumental in defining the field of action and deployable strategies. On the one hand, the re-conceptualization of community and economy occurs as a reconfiguration of hegemonic discourses of collective identity and the antagonized Other. On the other hand, it represents the melding of dominant discourses of globalization with the narratives of successful of postwar industrialization and transition to an export-based economy.

Future analysis of cross-Strait hegemony needs to consider leading sectors and how their fortunes affect the distribution of resources to downstream sectors. But they also need to account for the power of discourse that structure debate, resistance and indeed, the possible. While Taiwan’s current government touts the cross-Strait division of labor as reflecting the island’s shift to a service based economy, restructuring increasingly depends on the sedimenting economic imaginaries of China and the expansion of particular to general interests. What this general interest entails continues to be a matter of debate, and serves as the potential starting point for alternative imaginaries and contestations.
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Appendix 1: German Summary

Die vorliegende Forschungsarbeit hat zum Ziel, das Zusammenspiel der politischen, wirtschaftlichen und intellektuellen Elite bei der Ausgestaltung der Handelspolitik zwischen geteilten, gegensätzlichen Nationalstaaten zu analysieren. Insbesondere anhand der politischen Trennung von China (der Volksrepublik China) und Taiwan (der Republik China) analysiert und bewertet sie, wie transnationale Akteure ihren Einfluss auf Handelsfragen zwischen einst feindlich gesonnenen Staaten in Anbetracht fehlender herkömmlicher, formalisierter diplomatischer Beziehungen geltend machen. Daraufhin wird dargestellt, wie diese Prozesse auf der nationalen Ebene formuliert werden, um ihre gesamtgesellschaftliche Akzeptanz zu erhöhen.

Das Paradoxe an der Wirtschaftspolitik der vergangenen drei Jahrzehnte liegt darin, dass trotz gestiegener wirtschaftlicher Aktivitäten zwischen den beiden Seiten die Bedeutung der nationalen Identität nicht zurückgegangen ist; vielmehr bildet diese einen wichtigen Maßstab, an dem sich die Perspektiven und Grenzen der politischen Gestaltung orientieren. Der Autor erklärt dieses Paradoxon und die Art und Weise, auf die die entsprechenden Akteure mit diesem durch Problemdefinition und der Anpassung der Wirtschaftspolitik umgegangen sind, indem er das Konzept der „economic imaginaries“ (ökonomische Imagination) anwendet, ein diskursives Verfahren, welches die Begriffsbildung des wirtschaftlichen Lebens prägt. Da zwischen Diskurs und Struktur eine dialektische Beziehung besteht, stellt economic imaginaries ein analytisches Konzept dar, um ideelle Verschiebungen in den Bereichen des Wirtschaftslebens und der nationalen Identität zu skizzieren. Im Besonderen zielt der Autor darauf ab, die folgenden Fragen im Hinblick auf eine Neukonzipierung des beiderseitigen Handels in der taiwanesischen Politik zu behandeln:

- Welcher Konzepte und Praktiken bedient sich die politische Elite in Taiwan um neue economic imaginaries zu schaffen?

- Wie werden diese Konzepte zum Umbau sozialer Beziehungen ausgehandelt und welche Widerstände treten dabei auf?

- In welchen Bereichen treten Ungleichmäßigkeiten und Widersprüche im
Die Forschungsarbeit beruht auf einem kombinierten methodologischen Ansatz zum Umgang mit *economic imaginaries*, welcher die kritische Diskursanalyse, die Analyse kollektiver Handlungsrahmen und die Betrachtung kritischer Verbindungspunkte, die ihre Hegemonialmacht in Frage stellt, verbindet. Mit Hilfe von Experteninterviews und zentralen politischen Texten von politischen und intellektuellen Eliten wird anhand der kritischen Diskursanalyse aufgezeigt, welche Verbindungen zwischen *imaginaries* und den jeweiligen Umsetzungsmaßnahmen bestehen. Hierbei werden die ideologischen Konzepte der beiderseitigen Wirtschaftspolitiken, die vorherrschenden Diskurse die diese beeinflussen sowie die Art und Weise, auf die entsprechende hegemonische Ideen innerhalb des Diskurses reproduziert werden, offengelegt.
Appendix 2: Full text of the Economic Cooperation Framework Agreement

Cross-Straits Economic Cooperation Framework Agreement

Preamble

The Straits Exchange Foundation and the Association for Relations Across the Taiwan Straits, adhering to the principles of equality, reciprocity and progressiveness and with a view to strengthening cross-Straits trade and economic relations,

Have agreed, in line with the basic principles of the World Trade Organization (WTO) and in consideration of the economic conditions of the two Parties, to gradually reduce or eliminate barriers to trade and investment for each other, create a fair trade and investment environment, further advance cross-Straits trade and investment relations by signing the Cross-Straits Economic Cooperation Framework Agreement (hereinafter referred to as this Agreement), and establish a cooperation mechanism beneficial to economic prosperity and development across the Straits.

The two Parties have agreed through consultations to the following:

Chapter 1 General Principles

Article 1 Objectives

The objectives of this Agreement are:

1. To strengthen and advance the economic, trade and investment cooperation between the two Parties;

2. To promote further liberalization of trade in goods and services between the two Parties and gradually establish fair, transparent and facilitative investment and investment protection mechanisms;

3. To expand areas of economic cooperation and establish a cooperation mechanism.

Article 2 Cooperation Measures

The two Parties have agreed, in consideration of their economic conditions, to take measures including but not limited to the following, in order to strengthen cross-Straits economic exchange and cooperation:

1. Gradually reducing or eliminating tariff and non-tariff barriers to trade in a substantial majority of goods between the two Parties;

2. Gradually reducing or eliminating restrictions on a large number of sectors in trade in services between the two Parties;

3. Providing investment protection and promoting two-way investment;

4. Promoting trade and investment facilitation and industry exchanges and cooperation.
Chapter 2 Trade and Investment

Article 3 Trade in Goods

1. The two Parties have agreed, on the basis of the Early Harvest for Trade in Goods as stipulated in Article 7 of this Agreement, to conduct consultations on an agreement on trade in goods no later than six months after the entry into force of this Agreement, and expeditiously conclude such consultations.

2. The consultations on the agreement on trade in goods shall include, but not be limited to:

   (1) modalities for tariff reduction or elimination; (2) rules of origin;
   (3) customs procedures;
   (4) non-tariff measures, including but not limited to technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures;
   (5) trade remedy measures, including measures set forth in the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994, the Agreement on Subsidies and Countervailing Measures and the Agreement on Safeguards of the World Trade Organization, and the safeguard measures between the two Parties applicable to the trade in goods between the two Parties.

3. Goods included in the agreement on trade in goods pursuant to this Article shall be divided into three categories: goods subject to immediate tariff elimination, goods subject to phased tariff reduction, and exceptions or others.

4. Either Party may accelerate the implementation of tariff reduction at its discretion on the basis of the commitments to tariff concessions in the agreement on trade in goods.

Article 4 Trade in Services

1. The two Parties have agreed, on the basis of the Early Harvest for Trade in Services as stipulated in Article 8, to conduct consultations on an agreement on trade in services no later than six months after the entry into force of this Agreement, and expeditiously conclude such consultations.

2. The consultations on the agreement on trade in services shall seek to:

   (1) gradually reduce or eliminate restrictions on a large number of sectors in trade in services between the two Parties;
   (2) further increase the breadth and depth of trade in services;
   (3) enhance cooperation in trade in services between the two Parties.

3. Either Party may accelerate the liberalization or elimination of restrictive measures at its discretion on the basis of the commitments to liberalization in the agreement on trade in services.

Article 5 Investment
1. The two Parties have agreed to conduct consultations on the matters referred to in paragraph 2 of this Article within six months after the entry into force of this Agreement, and expeditiously reach an agreement.

2. Such an agreement shall include, but not be limited to, the following:

(1) establishing an investment protection mechanism;
(2) increasing transparency on investment-related regulations;
(3) gradually reducing restrictions on mutual investments between the two Parties;
(4) promoting investment facilitation.

Chapter 3 Economic Cooperation Article 6 Economic Cooperation

1. To enhance and expand the benefits of this Agreement, the two Parties have agreed to strengthen cooperation in areas including, but not limited to, the following:

(1) intellectual property rights protection and cooperation; (2) financial cooperation;
(3) trade promotion and facilitation;
(4) customs cooperation;
(5) e-commerce cooperation;
(6) discussion on the overall arrangements and key areas for industrial cooperation, promotion of cooperation in major projects, and coordination of the resolution of issues that may arise in the course of industrial cooperation between the two Parties;
(7) promotion of small and medium-sized enterprises cooperation between the two Parties, and enhancement of the competitiveness of these enterprises;
(8) promotion of the mutual establishment of offices by economic and trade bodies of the two Parties.

2. The two Parties shall expeditiously conduct consultations on the specific programs and contents of the cooperation matters listed in this Article.

Chapter 4 Early Harvest Article 7 Early Harvest for Trade in Goods

1. To accelerate the realization of the objectives of this Agreement, the two Parties have agreed to implement the Early Harvest Program with respect to the goods listed in Annex I. The Early Harvest Program shall start to be implemented within six months after the entry into force of this Agreement.

2. The Early Harvest Program for trade in goods shall be implemented in accordance with the following rules:

(1) the two Parties shall implement the tariff reductions in accordance with the product list and tariff reduction arrangements under the Early Harvest stipulated in
Annex I, unless their respective non-interim tariff rates generally applied on imports from all other WTO members are lower, in which case such rates shall apply;

(2) the products listed in Annex I of this Agreement shall be subject to the Provisional Rules of Origin stipulated in Annex II. Each Party shall accord preferential tariff treatment to the above-mentioned products that are determined, pursuant to such Rules, as originating in the other Party upon importation;

(3) the provisional trade remedy measures applicable to the products listed in Annex I of this Agreement refer to measures provided for in subparagraph (5) of paragraph 2 of Article 3 of this Agreement. The safeguard measures between the two Parties are specified in Annex III of this Agreement.

3. As of the date of the entry into force of the agreement on trade in goods to be reached by the two Parties pursuant to Article 3 of this Agreement, the Provisional Rules of Origin stipulated in Annex II and the provisional trade remedy measures provided for in subparagraph (3) of paragraph 2 of this Article shall cease to apply.

Article 8 Early Harvest for Trade in Services

1. To accelerate the realization of the objectives of this Agreement, the two Parties have agreed to implement the Early Harvest Program on the sectors and liberalization measures listed in Annex IV. The Early Harvest Program shall be implemented expeditiously after the entry into force of this Agreement.

2. The Early Harvest Program for Trade in Services shall be implemented in accordance with the following rules:

(1) each Party shall, in accordance with the Sectors and Liberalization Measures Under the Early Harvest for Trade in Services in Annex IV, reduce or eliminate the restrictive measures in force affecting the services and service suppliers of the other Party;

(2) the definition of service suppliers stipulated in Annex V applies to the sectors and liberalization measures with respect to trade in services in Annex IV of this Agreement;

(3) as of the date of the entry into force of the agreement on trade in services to be reached by the two Parties pursuant to Article 4 of this Agreement, the definitions of service suppliers stipulated in Annex V of this Agreement shall cease to apply;

(4) in the event that the implementation of the Early Harvest Program for Trade in Services has caused a material adverse impact on the services sectors of one Party, the affected Party may request consultations with the other Party to seek a solution.

Chapter 5 Other Provisions

Article 9 Exceptions

No provision in this Agreement shall be interpreted to prevent either Party from adopting or maintaining exception measures consistent with the rules of the World Trade Organization.

Article 10 Dispute Settlement
1. The two Parties shall engage in consultations on the establishment of appropriate
dispute settlement procedures no later than six months after the entry into force of this
Agreement, and expeditiously reach an agreement in order to settle any dispute
arising from the interpretation, implementation and application of this Agreement.

2. Any dispute over the interpretation, implementation and application of this
Agreement prior to the date the dispute settlement agreement mentioned in paragraph
1 of this Article enters into force shall be resolved through consultations by the two
Parties or in an appropriate manner by the Cross-Straits Economic Cooperation
Committee to be established in accordance with Article 11 of this Agreement.

Article 11 Institutional Arrangements

1. The two Parties shall establish a Cross-Straits Economic Cooperation Committee
(hereinafter referred to as the Committee), which consists of representatives
designated by the two Parties. The Committee shall be responsible for handling
matters relating to this Agreement, including but not limited to:

   (1) concluding consultations necessary for the attainment of the objectives of this
       Agreement;

   (2) monitoring and evaluating the implementation of this Agreement;

   (3) interpreting the provisions of this Agreement;

   (4) notifying important economic and trade information;

   (5) settling any dispute over the interpretation, implementation and application of this
       Agreement in accordance with Article 10 of this Agreement.

2. The Committee may set up working group(s) as needed to handle matters in
specific areas pertaining to this Agreement, under the supervision of the Committee.

3. The Committee will convene a regular meeting on a semi-annual basis and may call
ad hoc meeting(s) when necessary with consent of the two Parties.

4. Matters related to this Agreement shall be communicated through contact persons
designated by the competent authorities of the two Parties.

Article 12 Documentation Formats

The two Parties shall use the agreed documentation formats for communication of
matters arising from this Agreement.

Article 13 Annexes and Subsequent Agreements

All annexes to this Agreement and subsequent agreements signed in accordance with
this Agreement shall be parts of this Agreement.

Article 14 Amendments

Amendments to this Agreement shall be subject to consent through consultations
between, and confirmation in writing by, the two Parties.

Article 15 Entry into Force
After the signing of this Agreement, the two Parties shall complete the relevant procedures respectively and notify each other in writing. This Agreement shall enter into force as of the day following the date that both Parties have received such notification from each other.

Article 16 Termination

1. The Party terminating this Agreement shall notify the other Party in writing. The two Parties shall start consultations within 30 days from the date the termination notice is issued. In case the consultations fail to reach a consensus, this Agreement shall be terminated on the 180th day from the date the termination notice is issued by the notifying Party.

2. Within 30 days from the date of termination of this Agreement, the two Parties shall engage in consultations on issues arising from the termination.

This Agreement is signed in quadruplicate on this 29th day of June [2010] with each Party retaining two copies. The different wording of the corresponding text of this Agreement shall carry the same meaning, and all four copies are equally authentic.


Product List and Tariff Reduction Arrangements Under the Early Harvest for Trade in Goods

Provisional Rules of Origin Applicable to Products Under the Early Harvest for Trade in Goods

Safeguard Measures Between the Two Parties Applicable to Products Under the Early Harvest for Trade in Goods

Sectors and Liberalization Measures Under the Early Harvest for Trade in Services

Definitions of Service Suppliers Applicable to Sectors and Liberalization Measures Under the Early Harvest for Trade in Services

Chairman

Straits Exchange Foundation

President

Association for Relations Across the Taiwan Straits
Appendix 3: Dong-yin Island (Taiwan)

Dong-yin island in relation to the Matsu Island group.

Matsu island group in relation to Taiwan and China.