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The Development of Cross-Strait Relationship in a Neo-Functionalism Framework

Zhao Chen

It is a major breakthrough of economic cooperation across Taiwan Strait that Economic Cooperation Framework Agreement (ECFA) came into effect in August, 2010. The author thinks the historic breakthrough has two aspects of significance: one is the two sides are taking a decisive step towards free trade area; the other is the economic relationship across the strait for the first time has had an institutional platform. The signing of ECFA brought people's attention to a logic rhetoric again that is whether the economic integration can lead to political integration and whether economic interaction can promote the two sides to find a new reunion roadmap by breaking the current political structure.

The Functionalism and Neo-functionalism theories which were originated from the European integration experience are the main International Relations theories that expound how economic variables drive political integration. After a half-century's development and evolution, neo-functionalism has replaced functionalism, becoming one of the dominant theories of European integration. Neo-functionalism has an in-depth study on the relationship among several integration variables such as economy, politics and culture. Based on the framework of neo-functionalism, the author intends to give a general account of the development cross the strait for over a decade to analyze how various variables affecting the relations interact, from the perspective of economy and social exchanges impacting on politics, and tries to generate some specific evaluations and forecast.

1. The Neo-functionalism Framework

Functionalism is one of the secrets to the success of European integration to some extent. It believes that integration is not likely to succeed from political phase, because it is too sensitive, but should start from "low politics" to which is not paid attention, i.e. economic and social cooperation, for example, the joint management of resources of scarcity, employment, fluctuation of commodity price, labor standards, or social security. The founding father of functionalism, David Mitrany, argued that any political issue could be disputable while any guiding concrete arrangement may be

inspirable as well as helpful for the confidence and patience improving¹. So it holds that the political powers of member state governments should be gradually eroded, and when functional demands (i.e. economy and social exchanges) grow to a certain degree, a new administrative institution which is beyond the current regime will come into being naturally.

Functionalism theory also includes the theory of ramification, that is cooperation in one technical field will lead to cooperation in other technical fields; one imminent demand causes professional cooperation in one field, and the cooperation will arouse imminent demands of professional cooperation in other fields². Such a phase-by-phase learning process will enlarge the scope of functional cooperation, and therefore lay a solid foundation for a closer regional or international political coalition.

However, Functionalism overstated the one-way impact of economy on politics, and cannot give people a convincing explanation of integration. Neo-functionalism adds more political factors into Functionalism, thinking many factors other than economic and technical factors also affect political integration, for example, the conflicts between political powers such as parties and interest groups, and the attitudes of other political elites. But like Functionalism, Neo-functionalism also stresses the importance of economic factors; emphasizes the role of utility in shaping community, rather than beliefs and recognition; and believes in the vital role of technocrats during integration process³. Agreeing on the theory of ramification of Functionalism, Neo-functionalists further reformed it into the concept of “spillover”. As Ernst B. Haas said, “Earlier decisions, including the ones constituting the Communities, spill over into new functional contexts, involve more and more people, call for more and more inter-bureaucratic contact and consultation, thereby creating their own logic in favor of later decisions, meeting their own logic in favor of later decisions, meeting, in a pro-community direction, the new problems which grow out of the earlier compromises”⁴.

Let us introduce a most representative model of integration process mechanism of Neo-functionalism. This model is Joseph S. Nye’s correction of the neo-functionalists prior to him. He compared

¹ David Mitrany, *A Working Peace System* (Chicago: Quadrangle Books, 1966), p. 28.

² David Mitrany, *A Working Peace System* (Chicago: Quadrangle Books, 1966).

³ Joseph S. Nye, Jr., *Peace in Parts: Integration and Conflict in Regional Organization* (Lanham: University Press of America, 1987), p.53

⁴ Ernst B. Haas, “International Integration: The European and the Universal Process”, *International Organizations*, XV (Autumn 1961), p.372.

several regional integration examples including European Economic Community (EEC), Central American Common Market (CACM) and East African Community (EAC), and drew the common regional integration experiences from both developed areas and developing areas, thus it is rather highly representative. See Figure-1.

This model reflects the Neo-functionalism's essential idea that is political elites are the final decision-makers whether to launch integration, and they will be influenced by interest groups, public opinion and their own inclination. But the members' domestic political wrangles will also be influenced by variables of integration process mechanism.

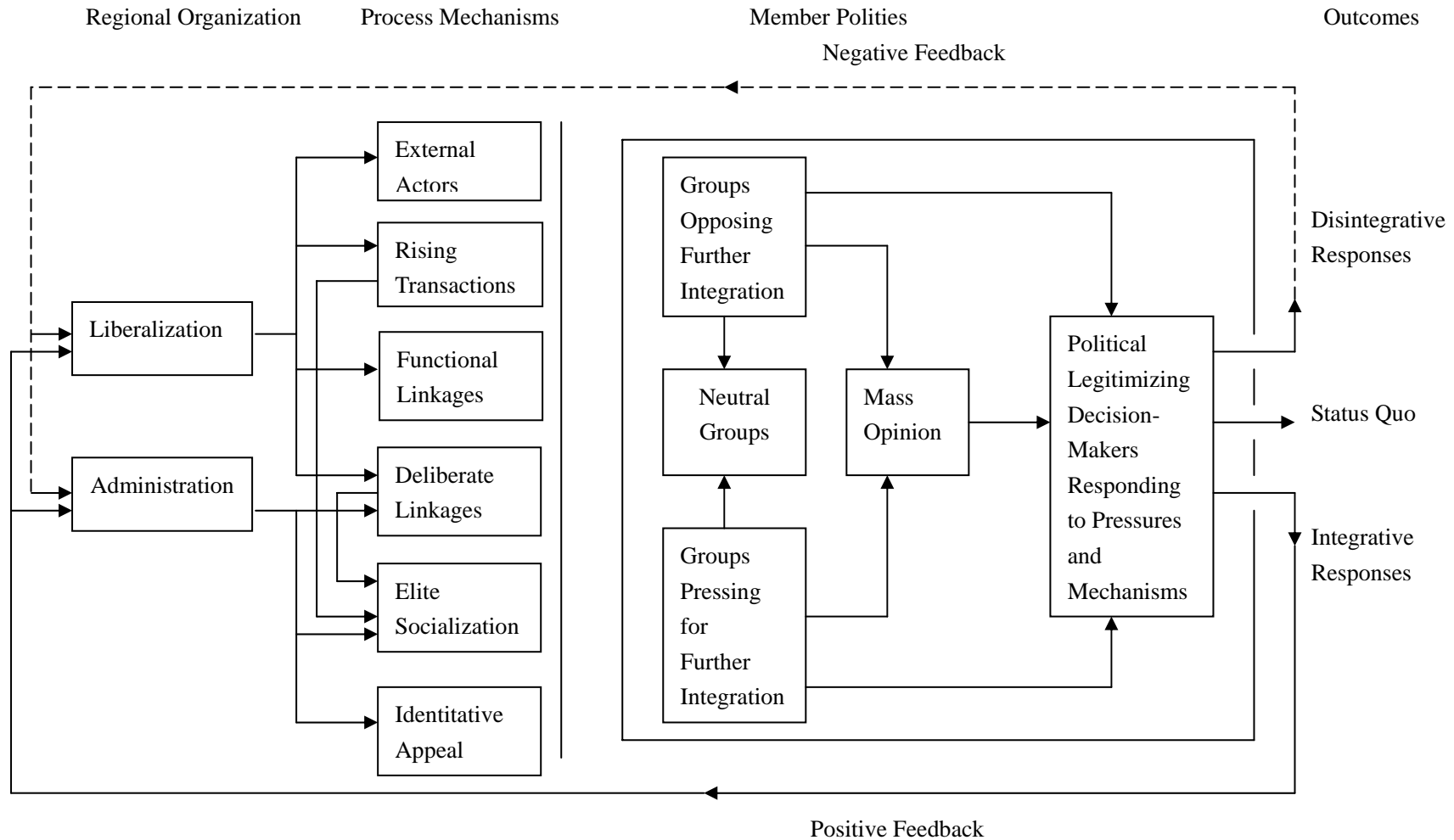
This model is designed on the premise of the existence of the current regional organizations (referring to regional economic organizations such as EEC, CACM, ECA). In integration process mechanism, economic factors which are influenced by economy liberalization are external factors, functional linkages, exchange increase and deliberate linkages. Functional linkages refers to the cooperation in trade and technology, rising transactions refers to the increase of people-to-people exchanges in social dimension, and deliberate linkages raised by Joseph Nye refers that if state leaders, regional institutions personnel and interest groups want to form a union based on the problem to be addressed, "problems are deliberately linked together into package deals, not because of political and ideological projections and political feasibilities"⁵. Such deliberate linkages or accentuate spill-over are more effective than pure functional linkage. Neo-functionalists did not pay much attention to external factors before Nye, he thinks foreign countries, international organizations and NGOs all had a great influence on integration. For instance, US and Economic Commission for Latin America and the Caribbean (ECLA) played an indispensable role in the forming of CACM. ⁶

Affected by the established regional organizations, political variables include elite socialization and ideological-indentitive appeal. Elite socialization is a unique concept. It refers to the socialization of political leaders, which means they may cultivate a continuous cooperation attachment by regularly attending the regional

⁵ Joseph S. Nye, Jr., *Peace in Parts: Integration and Conflict in Regional Organization* (Lanham: University Press of America, 1987), p.68.

⁶ Joseph S. Nye, Jr., *Peace in Parts: Integration and Conflict in Regional Organization* (Lanham: University Press of America, 1987), p.59-60.

Figure 1 Revised Neo-Functionalist Process Model



conferences, getting involved in addressing the economic disputes and developing their personal relations⁷. In addition, their appointment in the integration organizations will transfer the risks of political elites unemployment caused by integration and thus reduce their incentives of rejecting integration. The increase of exchanges and deliberative linkages brought by strengthened economic integration will be conducive to elite socialization. Mutual recognition is usually one major reason for leaders to make the decision to establish regional economic organizations. Ideological-Indentitive Appeal means the regional economic organizations will strengthen the ideological appeals to each other once the organizations are established⁸.

Affecting the member's domestic politics, these six variables drive the interest groups to fan the public opinion to sell their ideas and press on the political decision-makers to indirectly influence integration. Besides, the variables of external factors and ideological appeals will play a bigger role by directly affecting public opinions and political elites. The ultimate outcome of members domestic political struggle is to promote integration, hinder integration or maintain the status quo.

2. The Analysis of integration theory model of the factors affecting the cross-Strait relations

Nye's model is to analyze all the factors of each member which are affecting integration. To simplify the model, we will focus on Taiwan's side when we study the cross-strait relations, because the mainland's will of unification in terms of both the government and the people is strong and consistent, and thus it will be regarded as a constant.

⁷ *ibid.*, p.69.

⁸ *ibid.*, p.72.

(I) The variables of integration process mechanism of Taiwan's side
In Figure-1, Nye thinks there are four economic factors affecting the member's domestic politics: functional linkages, rising transactions, deliberative linkages, external factors, and two political factors: elite socialization and ideological appeal. Let us see what connotation these six have and how they function given the specific circumstances within Taiwan island.

2.1 Economic variables

2.1.1 Functional linkages and exchange volume

These two factors are the most active ones in the economic and political relations between the two sides. In 2002, Taiwan's export dependency on the mainland was 25.3 percent, becoming the most dependent region on the mainland market. In 2010, the figure reached to 42 percent, according to Taiwan media⁹. The economic integration has been a rather high level if we use export proportion of each other as the standard.

With the development of economic ties, the social connections between the two sides have been closed, even though the exchange has not reached the balance (The Taiwanese visit the mainland in higher proportion) yet. But the figure is big, especially the number of Taiwanese businesspeople. In addition, the academic, sports and educational exchanges between the two sides have been closer; the academic conferences between the two sides are frequently held and academic mutual visits are common; on sports exchanges, Taiwanese basketball teams even attend the mainland's professional league matches for a long period; on education, recently it has been popular that Taiwanese students go to the mainland to receive education, and even some Taiwanese legislators go to the mainland to study about it. These all demonstrate the enthusiasm of the two sides to know about each other.

⁹ <http://finance.stockstar.com/JL2010110100001457.shtml>

2.1.2 Deliberate linkages

As mentioned earlier, deliberate linkages refer that the government agencies and companies, out of political concerns, deliberately link all the outstanding economic problems to form a package to introduce to the outside.

Before Ma Ying-jeou was elected president, Taiwan's situation was exactly opposite to the positive relations referred in the model. Out of political concerns, Taiwan's authorities did not give policy support to the private companies, nor organize the coalition of industries to invest in the mainland, but rather to set obstacles. In the early 1990's after Lee Teng Hui's administration was forced to start trade relations, Taiwan's Ministry of Economic Affairs introduced the Regulation of the Mainland Investment Management, requiring the Taiwan Companies must obtain the government approval before they invest in the mainland or conduct technical cooperation, and strictly limiting the high-tech industries and the projects regarded as affecting Taiwan's security and economic development to be invested in the mainland. Through the governmental controls, only those uncompetitive and difficult projects of traditional labour-intensive products would be transferred to the mainland with an investment maximum limit. Hence, it was very difficult for big Taiwanese enterprises to invest on the mainland.

When Taiwan' investment in the mainland had become irresistible, Lee Teng Hui introduced a "going to the south policy", hoping the Taiwanese businesspeople would invest in the Southeast Asia. In 2002, Chen Shui-bian harped on the same old string saying "the mainland will destroy Taiwan, and Taiwan cannot excessively depend on the mainland. Mainland is not Taiwan's only market, and Taiwanese businesspeople should attach importance to the investment

in Southeast Asia”.¹⁰

It is thus clear that before Ma Ying-jeou, Taiwanese authorities worked against the businesspeople. They did not have the deliberate linkages, and on the contrary, they had “the deliberate destruction”, so this variable is minus. During Ma Ying-jeou’s administration, the situation has improved greatly.

2.1.3 External factors

External factors include the international institution and foreign governments, As for Taiwan’s economy and politics, the most influential international institution is the World Trade Organization (WTO), and the most influential foreign government is US government.

After 2002 when the mainland and Taiwan joined the WTO one by one, the two sides must implement their trade activities in the WTO’s norms that were required all the members, for example the most-favored-nation treatment, citizen treatment, tariff bidding and decrease, elimination of quota restriction, fair trade and free competition, deliberation and transparency principles¹¹. However, the trade exchanges between the two sides did not reflect reciprocity and fairness principles. In regard to investment relations, mainly it is the Taiwanese production factors such as people, materials and fund flow to the mainland one-sided, while the mainland cannot set up factories in the island. In regard to trade relations, Taiwan has a series of restrictions against the mainland’s import products. During the eight years of Chen Shui-bian’s ruling, Taiwan authorities stubbornly rejected the “three links” between the two sides, and the trade exchanges can only adopt an indirect model. These discriminatory

¹⁰ Chen Shui-bian: “Walking by our way”, speech in the Annual Conference of Taiwan Business Consortium in Asia, July 29, 2002.

¹¹ Deng Li-juan, “The Analysis on the Trend of Cross Strait Economic and Trade Relations under WTO Framework”, *Taiwan Studies*, vol.1, 2001.

policies of Taiwan authorities are against the WTO's fundamental principles. The reason for Ma Yin-jeou's administration's agreement to sign ECFA is partly because of the WTO's binding. Therefore, WTO plays a positive role in the economic integration process between the mainland and Taiwan.

US is a critical factor in the cross-strait relations. Taiwan is the most important card for the US to contain China. The basic attitude of the US is to keep the status quo, and this conforms to the US national interests most. After Lee Teng Hui visited US and caused the strait crisis, American scholars, after reflection, raised the "interim agreement", suggesting the two sides keep the status quo for 50 years, and US government attached great importance to this suggestion. After George W. Bush came into power, his Deputy Secretary of Defense Paul Wolfowitz summarized the Taiwan strait policy is "one China, two principles". The two principles are: one is not to support Taiwan's independence, and two is to oppose Beijing to address the dispute by force.¹² This will probably be the US basic position in cross-strait relations for a long time in the future.

As for economic integration between the mainland and Taiwan, US is supportive of it from the perspective of reducing the risks of major conflicts cross the strait, ensuring East Asia's regional stability, maintaining the status quo cross the strait. In January 2002, US Assistant Secretary of Commerce William Lash said at US-Taiwan Business Council that In the future Taiwan's main economic challenge is to address the economic relations between Taiwan and the mainland. After the two sides joined WTO, they would be much closer in trade and business, and this would be conducive to their economic stability and development and regional security.¹³ In January 2011, the state secretary Hillary Clinton hailed ECFA signed

¹² Paul Wolfowitz's interview in Singapore with Anthony Yuen, Phoenix Television, <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=3480>

¹³ Taipei: *Chinese Times*, Jan. 25, 2002.

by the two sides and said the US is “encouraged by the greater dialogue and economic cooperation between the mainland and Taiwan, as witnessed by the historic completion of the cross-Strait Economic Cooperation Framework Agreement.”¹⁴

Obama’s administration supported the two sides to establish military mutual trust, but US will be very sensitive when the two sides engage in the political and security topics. Taipei de facto must obtain US approval when it takes any reconciliatory measures with the mainland, or else it is not allowed. Not long ago, some American think tanks are concerned about Taiwan’s retired generals to frequently visit the mainland, and this is one typical demonstration of pressing on Taiwan. Under the backdrops of South China Sea issue and Diaoyu Islands dispute getting intense, US made it clear to Taiwan that the improvement between the mainland and Taiwan is not targeting at any third party, and it does not allow the two sides to join hands to protect China’s sovereignty of South China Sea and Diaoyu Islands.¹⁵

In other words, if integration consultations cover high politics such as security, and if the US wants to find out the limits of “interim agreement”, it will probably hold positions and attitudes that are different from or even opposite to the current policies.

2.2 Political variables

Nye’s integration process model is based on the existence of political regional organizations, but Beijing and Taipei have not reached such a political integration phase. Despite that, the two variables below are

¹⁴ Remarks by U.S. Secretary of State Hilary Clinton on U.S.-China relations at the Inaugural Ambassador Richard C. Holbrooke Lecture at the Council of Foreign Relations, New York, January 14, 2011.
<http://www.theglobeandmail.com/news/world/americas/prepared-text-of-clintons-speech/article1870858/>

¹⁵ Huang Jia-Shu, “Thinking about the Cross Strait Political Negotiation”, Hong Kong: China Review, Dec., 2010.

still significant in that they are reflecting the roots of the political relations stagnation and stasis cross the strait.

2.2.1 Elite Socialization

As introduced earlier, it embodies two sets of meanings: one is that the members leaders can easily foster mutual trust and friendship by meeting each other frequently, and second is they are less likely to hinder integration because they can seek the appointment in the integration institutions.

The cross-strait relationship is special. The hostility against each other has not been eliminated, the leaders of the two sides haven't visited each other, political atmosphere is still intense, and antagonism is more than friendliness. The Democratic Progressive Party (DPP) led by Chen Shui-bian was lack of good will. Since Lien Chan, Taiwan's Honorary Chairman of the Kuomintang and James Soong Chu-yu, chairman of People First Party (PFP) visited the mainland and opened the political communication channels, the elites interaction between the two sides have been improved remarkably. However, even in Ma's administration, keeping the status quo is still the goal of most officials. Ma Ying-jeou modified Kuomintang's statement of "unification is Kuomintang's ultimate goal", and introduced his mainland policy as "no unification, no independence, no use of force".

2.2.2 Ideological Indentitive Appeal

The people cross the strait are of the same blood, but they are quite different in ideology. The mainland is of socialism, and Taiwan is of capitalism. During over four decades of Kuomintang's ruling in Taiwan, the authorities have been distorted and stigmatized Communism and Chinese Communist Party, and therefore, many Taiwanese have a bias and resentment of the mainland political

system. In addition, Taiwan began its political transformation in late 1980's, regarding itself as a "democratic country", where "people have full freedom of speech, association, media, political process is open and all parties freely compete"¹⁶. Their political elites further believe it is Taiwan's institutional advantage, and the mainland cannot be compared with them.

From the analysis of the six variables above we can see the economic variables are mostly positive, reflecting the fact that the functional integration is booming between the two sides, but the two political variables are both negative. The only negative economic variable-deliberate linkages is also related to politics, showing the fact of the difficult political relations cross the strait.

But functional integration in economic and social phases have had a great impact on Taiwan's domestic politics, compelling Taiwanese authorities to make some measures to improve the relations with Beijing. The functional linkages in trade have been increasingly close and frequent. This will not only be beneficial to rectify the Taiwanese bias and misinterpretation of the mainland, but will also urge Taiwanese businesspeople and industry to form interest groups to press the authorities to introduce the policies that encourage integration. In addition, the external factors such as WTO and US also have influence on Taipei's economic and political policies. To comply with the situation, Chen Shui-bian had to adopt the policy of "no haste, be patient" and realize the "mini three links" to be partially open to the mainland's investment in Taiwan. And as a political rhetoric, he mentioned the theory of integration from trade to politics. So anyway, functional integration has played a great role in his changes.

¹⁶ Gao Lang, "Exploring the Conditions and Dilemma of the Cross-Strait Integration with the Integration Theory", *Contending Theories of Cross-Strait Relations*, ed. by Bao Zong-he and Wu Yu-gang, p.68, Taipei: Wu Nan Publisher, 1999.

3. Taiwan's Political actors

While affected by integration process variables, the three actors in a political body---interest groups, public opinion and political decision-makers also kept their original characters. The characters of the three actors in Taiwan are even more obvious. Let us start with the features of interest groups and public opinion, and then the relationship between them and the final decision-makers of whether to carry out integration.

3.1 Interest groups

In the school of Neo-functionalism, interest groups refer to mainly the industrial and commercial groups who press on the government to either protect themselves or obtain more economic benefits. Generally speaking, the bigger the company is and the stronger the awareness is, the more competent they are to win over the government.

Due to historical reasons, Taiwanese industry is mainly composed by medium and small companies. During the ruling of Chiang Kai Shek and Chiang Ching-kuo, the government conducted land reforms to destroy the big enterprises and major landlord class. Meanwhile, Kuomintang took the advantage of their power to redistribute all the resources and US aids to control economy by containing the rising of big private companies and supporting government-run companies. As a result, there are no big industrial or commercial groups, but mostly medium and small companies in Taiwan. Not relying on the government financially, Taiwan's medium and small companies mainly rely on individuals' initiatives, and hence establish a social network of families and communities, which becomes the backbone of Taiwan's economy. The major consortiums did not shore up until late 1980's when Kuomintang's regime began to weaken.

As for the trade exchanges with the mainland, it was mainly Taiwanese medium and small companies of labour intensive industry, small capital, low technology and flexible management in 1990's that took the advantage of the mainland's low labour cost and favourable taxation policies to invest in the mainland and sell the products to European and American markets. They often neglected the authority's investment restriction on the mainland, and due to the big quantity and hidden channels, the Taiwan authorities cannot fully control the situation. Therefore, the booming trade ties between the two sides are partly because of Taiwan's industrial structure. Due to the flexibility of Taiwanese medium and small companies, they can break away from the government control and be controlled by the market, "the invisible hand", and thus it has encouraged the fulfilment of functional integration.

However, just because the medium and small companies are the backbones of Taiwan's economy and Taiwan's source of investment in the mainland, Taiwan have not yet formed a potent interest groups to affect politics. On the one hand, these moderate businesspeople haven't been strong enough to associate interest groups to fight for their rights politically to ensure their economic interests through having trade relations with the mainland. On the other hand, they do not have the strong wills on this regard, only caring about making money on the mainland.

Big Taiwanese private companies emerged late, so they only focused on the local market in 1990's, and were unable to consider the export market. Furthermore, Taipei's trade control measures are mainly meant for the big companies. In addition to the government censorship and the economics bans, there were financial limitations, so the big companies did not get involved too much in the trade relations with the mainland. Therefore, they did not have a great impact on the authority's mainland policy.

3.2 Public opinion

The Taiwan issue, in the final analysis, is the issue of “unification or independence”, and this is one of the most important topics in Taiwan’s political life, because it directly relates to Taiwanese self-definition and recognition. Before 1990’s, the Taiwanese people did not have free speech and could not publicize their opinions of the cross-strait relations due to Kuomintang’s repression. After the ban of free speech was lifted, by maneuvering the propaganda machines and taking the advantage of misunderstanding caused by 40-year separation, Lee Teng-hui induced the Taiwanese opinions to deviate from the track of unification.

Because the two sides are of the same blood, and the mainland does not make a commitment to giving up the use of force, most Taiwanese propose to keep the status quo. But the number of the Taiwanese seeking independence has grown since late 1990’s. According to a survey conducted by Taiwan’s Mainland Affairs Council in 1995, over 80 percent of the interviewees hope to maintain the status quo (including permanently maintaining the status quo, keeping the status quo first and then unifying, keeping the status quo first and then independence, keeping the status quo first and then make the decision), 1.9 percent of the respondents want an immediate unification, 7.4 percent want an immediate independence. But in 1998, only 0.8 percent want an immediate unification, compared with still 7.4 percent want an immediate independence.¹⁷

Economically, the call for realizing “the three links” had been dominant. According to a survey conducted by TVBS in May 2002, 70 percent of the people agreed to open direct flights soon, and another survey conducted by China Times in July 2002, 69 percent of

¹⁷ Taipei: Mainland Affairs Council, Survey on the Public Opinion for the Mainland Policy and Cross-Strait Relationship: Incident of Lin Xijuan”, Sep., 1998.

the public supported the direct flights and 55 percent of the people think it helpful for Taiwan's economy.¹⁸

4. Model's outcomes and prediction

We will choose the late period of Chen Shui-bian's term to see the model's outcomes and make some predictions:

4.1 Taiwan's political decision-maker—DPP's administration

Political leaders play a critical role in implementation of integration. They are the final decision-maker whether to promote or hinder integration or maintain the status quo. DPP's rejection of functional integration was in line with its platform. DPP had been a pro-independence party. In its 1991 platform, it claims that Taiwan's sovereignty is independent, not belonging to the People's Republic of China, Taiwan's sovereignty does not cover the mainland, and based on the fact of its sovereignty independence, Taiwan should draft its own constitution and found "Republic of Taiwan". DPP does not recognize one China, nor agrees to have economic or political integration with the mainland. However, Kuomintang holds "National Unification Guidelines" as its fundamental guideline to address the cross strait relations, stressing "one China, different interpretations" the consensus reached in 1992 is its basic mainland policy to resume the dialogues between the two sides. PFP's James Soong Chu-yu raised the "ceiling theory", saying one side is Republic of China and the other side is People's Republic of China, and they both share a "China group". From this we can see DPP's mainland policy is rather unfriendly.

Even though DPP introduced some economic measures conducive to integration, it was more like making gestures. Chen Shui-bian had

¹⁸ Zhou Li-hua, Chen Ling-xiong, "The Analysis and Thinking on the 'Three Links' across the Strait", Taiwan Studies, 2002, vol.3.

many rhetoric such as “integration theory”, “the two sides should establish a peaceful, stable and interactive framework”, but he did not say anything about his commitment of “the three links” when he made during his election campaign. He said that it is not indispensable for Taiwan to integrate with the mainland market; mainland is not the world’s only market, nor the last one; the three links are not the panacea to boost Taiwan’s economy. Taiwan should have a world perspective and prioritize the investment in Taiwan.¹⁹ Chen Shui-bian also advocated to heavily invest in Taiwan or go South. These suggestions are all opposite to his suggestions of “integration theory” and “the two sides should establish a peaceful, stable and interactive framework”. It is because the DPP politicians, from the bottom of their hearts, do not encourage Taiwan to be in the situation that favors unification.

4.2 The restrictions of political decision-makers

After DPP came into power, its basic mainland policy was not exactly in line with its party guidelines, nor did it claim independence. It was even forced to make some adjustment in its economic and political policies. In addition to the mainland threats of force against the independence force, and US preference of maintaining the status quo, the public opinion, the pressure from interest groups, economic functional integration between the two sides and the globalization trend are all the important factors.

4.2.1 Public Opinion

As Taiwan just entered the political transition period, its pan-politicalization atmosphere is strong. All the political parties competed intensively for the ruling power. In election era, public opinions have the final say. To win the election, the candidates have to obey the mainstream opinions. But DPP’s independence did not

¹⁹ *Taiwan Shin Sheng Daily News*, March 31, 2003.

comply with the mainstream public opinions of maintaining Taiwan's status quo, and thus was defeated times to times. In order to win the election, DPP had to adjust their tactic to be in accord with the public opinions. It endorsed Resolution on Taiwan's Future in May 1999, saying "Taiwan, being called as Republic of China according to its constitution, but is not mutually affiliated to the People's Republic of China", and "Taiwan is an independent country with sovereignty, and any changes relating to the status quo of independence has to be decided by referendum of all the Taiwan residents".²⁰ Different from its previous documents, DPP did not mention "Republic of Taiwan", but only recognized the title of "Republic of China". This relieved the voters concerns about the independence, and was beneficial to Chen's election success. Realizing the public opinions, the DPP during its plenary session in 2001 decided to equalize the efficacy of Resolution on Taiwan's Future in 1999 with its 1991 "Independence Platform". It means Taiwan independence force began to be realistic.

4.2.2 Interest Groups

Even though Taiwan's big private companies came into being late, but boosted very fast. After Chen Shui-bian came into power in 2000, Taiwan's economy has been constantly depressing, and the domestic markets has been shrinking, however, the mainland economy was booming, becoming the popular investment destination worldwide. Taiwan's big companies of technology and heavy-industry realized that they would lose their competitive power or even the survival room, if they did not enter the mainland market. As a result, they pushed Taiwan's government, especially on the issue of "the three links". As Chang Yung-fa, the chairman of Evergreen Group said, "the three links" were DPP's commitment when they ran for election, and he suggested the government should put aside the one China issue and directly have consultation with Beijing on "the three links",

²⁰ Taipei: Central News Agency, May 8, 1999.

after which, the two sides could begin the political negotiation.²¹ Wang Yung-ching, the chairman of Formosa Plastic Group also urged the government to immediately open the direct flights between the two sides. He said, in order to promote Taiwan's industry's development, he would like to represent Taiwan to negotiate with Beijing on "the three links".²² The DPP's authorities had to consider their appeals.

4.2.3 The background of globalization

Under the backdrop of globalization, the DPP authorities could not publicly act against the tide. Globalization requires the free flow of factors, capital and people, but it still continued a series of political obstacles. Consequently it caused the Taiwan people's dissatisfied, and violated the basic principles of WTO. The DPP was also worried that this would not only destroy its own economy, but also aroused dissatisfaction of US and other countries.

4.3 Case study of the cross strait relations during Chen Shui-bian's ruling

In Part II when we studied the situation of the relations cross the strait during the late of Chen Shui-bian's ruling, we divided the relations into economic part and political part, thinking that economic functional integration is operating well, and institutional integration is the trend but with obstacle; political integration haven't started, but Taipei's economic policy tends to adjust. Therefore, when the cross-strait relationship in economical phase grows to a certain degree, it will inevitably enter the political phase. Even though the political relationship is freezing, the efficacy of economic relationship cannot be ignored.

²¹ Taipei: *Commercial Times*, Aug. 17, 2000.

²² Taipei: *Commercial Times*, May 17, 2002.

By adopting the Neo-functionalism framework and studying from the perspectives of economy and politics, we can divide the cross strait relations at that time into three phases. The first one is to realize “the three links”, the second one is to establish a free trade area, and the third one is the cross-strait unification in both economy and politics. The first step is to cease the abnormal relations between the two economies, and resume the normal relations. The second can be regarded as the beginning of integration when economic integration begins to be institutionalized, and politically, the two sides begin to have the common policies. The third step is the economical and political unification of two sides, and it is the ultimate result of integration according to Neo-functionalism.

We can divide the variables of integration into three types: positive, negative or ambiguous, and put them into the three phases. See chart-1.

From the chart we can see, regarding to the issues of “the three links” and the establishment of free trade area, most variables are positive, and the DPP is almost the sole opposition to hinder the realization of “the three links”. But of course, the founding of free trade area is more uncertain than “the three links”.

Chart-1

Integrati on goals	variables			result
	Positive	negative	ambiguous	
“the three links”	Functional linkage, the increase of social exchanges, public opinion, interest groups, WTO’s norms and US	The DPP	Ideological indentitive appeal	Positive
Free trade area	Functional linkage, the increase of social exchanges, interest groups, and WTO’s norms	The DPP	Ideological indentitive appeal, public opinion, US	Rather Positive
unificati on	Functional linkage, the increase of social exchanges, and WTO’s norms	The DPP, the US, Ideological indentitive appeal	Public opinion, interest groups, Kuomintang	Pessimistic

We also can observe that it is rather difficult to realize the unification between the two sides in a short time, considering the current condition. The US will oppose, and Taiwan’s mainstream public opinion is to maintain the status quo, and Taiwan’s interest groups hold different opinions for ideological and security reasons. After Taiwan’s power transition in 2008, as predicted by the model, “the three links” and free trade area are wholesomely or partially addressed.

Conclusion

Integration theory analyzed the process of different polities interacting towards to a community. It can serve as an analytical tool

for the cross-strait relations. Based on the Neo-functionalism's integration process model and listing all the variables of the relations, this article, from the variables and the logic relations, finds out the reason that the two sides politically confronted each other but economically were increasingly interdependent before Ma's victory in 2008. There are two points of conclusions:

1. The DPP's ruling over Taiwan is the most important reason for the political stalemate and shallow economic ties between the two sides. The political decision-maker is most direct in the impact of integration, and its attitude also decides whether integration can be smoothly carried out.
2. The economic integration has had a huge impact on the political relations.

The enhanced trade and social exchanges between the two sides have triggered a series of fallouts in Taiwan. The public supports "the three links", requesting to demolish the political barrier. More importantly, Taiwan's interest groups have shored up, and the enterprises leaders made open remarks to urge the authorities. It can be predicted that the Taiwan's interest groups will be more mature by expressing their wills through the institutional channels such as legislation or election, and the economic integration effect will be more remarkable.

Looking forward, it will be a long process for the two sides to be unified in a peaceful means. Even though the political and economic conditions are not ready for an immediate unification, the two sides can start step by step. According to Functionalism and Neo-functionalism, the two sides can adopt a gradual approach, beginning with "the three links" and actively implementing the ECFA. It might be a realistic path for the economical relations to promote political relations.