

# **Taiwan and Fujian:**

## **Promoting a Closer Cross-Strait Relationship:**

### **Economic vs. Political Issues**

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#### **Abstract**

*Relationships between Mainland China and Taiwan have been controversial for several decades. As a result of China's opening up process, links between the two have steadily increased. However, over the last six decades, links between China and Taiwan have varied accordingly to the political party in government. Since 2008, with the return of the KMT party to power, talks of an economic agreement accelerated. Furthermore, the development of a special economic zone in Fujian province provides a platform in which cross-strait agreements can be built on. This paper tries to determine whether economic ties would prevail over political issues with ECFA replicating CEPA between Hong Kong and China; which provided a framework for further successful integration in the PRD region.*

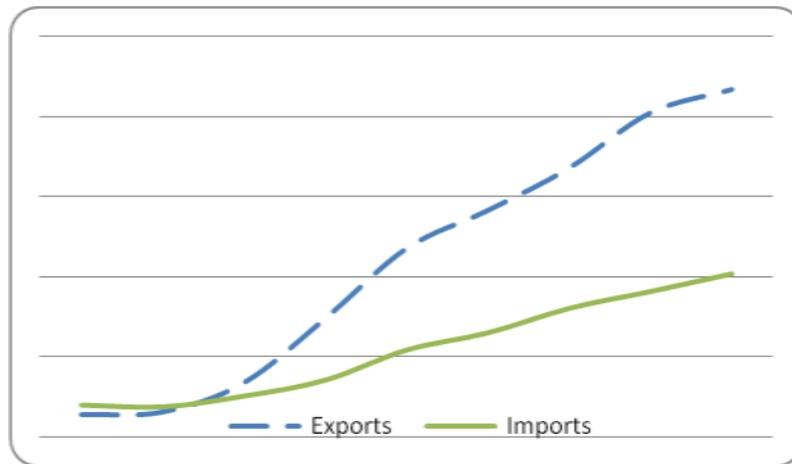
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## **Introduction**

Taiwan and Mainland China have historically been linked, although during the last six decades, it was mostly the differences between them that shaped cross strait relations. However, since the establishment of the People's Republic of China (PRC) and the subsequent relocation of the Kuomintang (KMT) Party led by Chiang Kai Shek to Taiwan in 1949, economic links between the two areas are closer than ever. While political tensions have always existed between the two, since President Ma's election in 2008 these have eased up considerably. The One China Principle under the 1992 Consensus "each with its own interpretation"<sup>1</sup> has helped to maintain peace and stability across both sides of the Taiwan Straits; while opinion polls estimate that the majority of Taiwanese favour status quo over independence or reunification. However, the deepening of economic ties between China and Taiwan is threatening to rock the status quo boat. At the moment, the strategy has been to combine growing economic and business ties while at the same time avoiding the difficult sovereignty topic. Whether growing economic integration will ultimately lead to a closer political integration or to reigniting conflict is a subject of debate.

The last decade posed new challenges for Taiwan. The impressive economic growth of China and the resulting increased links with the Mainland at first generated fears in Taiwan regarding the island's sovereignty. Not only Taiwan grew more dependent on China as a market but also as a main destination for Chinese FDI. In May 2009 China Mobile bought a 12 percent share of Far EasTone Telecommunications, constituting the first Chinese investment in Taiwan since 1949.<sup>2</sup> Trade between the Mainland and Taiwan has been increasing considerably, in particular exports, as can be seen in Figure 1. China constitutes the second largest trading partner for Taiwan, ahead of the US and after Japan (15.25 percent). In terms of exports, China is the number one export destination for Taiwan followed by Hong Kong, the US and Japan (7.96 percent). Regarding imports, China constitutes the third largest import source after Japan and the US as can be seen on Table 1.<sup>3</sup> Cross-strait relations have also been strengthened with transport links—more than 270 annual direct flights now connect Taiwan and Mainland China, without the need for a stop-over in Hong Kong.<sup>4</sup> Direct passenger shipping links were opened on December 15<sup>th</sup> 2008.<sup>5</sup> Finally, agreements regarding postal service were signed on November 4<sup>th</sup> 2008; whereby parcel mailing fees would be reduced by a third.

Figure 1. Annual Imports and Exports from Taiwan to Mainland China, in current NT\$



Source: National Statistics, Republic of China (Taiwan), <http://win.dgbas.gov.tw/dgbas03/bs7/sdds/english/calendar.htm> (accessed September 1st 2009); Exchange rates are as follows, 1 yuan= 4.75 NT\$ = 0.14 US\$, (rates as of September 21<sup>st</sup> 2009)

**Table 1. Taiwan Main Trading Partners**

	<b>Total Trade</b>	<b>Exports</b>	<b>Imports</b>
<b>China</b>	14.66%	18.56%	10.3%
<b>Japan</b>	15.25%	7.96%	23.38%
<b>Hong Kong</b>	9.9%	17.74%	1.15%
<b>United States</b>	14.58%	16%	12.96%

Source: *Taiwan Customs Statistics*, <http://tcs.taiwantrade.com.tw/stap/main.asp?lang=1>, accessed September 15<sup>th</sup> 2009.

This paper focuses on two different issues regarding the strengthening of links between the two areas. The first one is regarding the signing of an agreement between Mainland China and Taiwan, which has been subject to both debate and speculation on either side of the

Taiwan Strait. This agreement between the two areas brought to the negotiation table sensitive issues such as sovereignty, nationality and independence, which have been at the forefront of Taiwan's history for the last six decades. The second issue refers to a less debated but nevertheless significant policy development, namely the creation of the Economic Zone on the West Coast of the Taiwan Straits (EZWCTS)<sup>6</sup> in the province of Fujian, directly opposite Taiwan, with special incentives in order to promote integration between the two areas. In addition, the growth of the Pearl River Delta and the economic integration with Hong Kong will be referred to in order to draw conclusions and recommendations for Taiwan and China. This paper will argue that, as in the case of the Pearl River Delta, which underpinned Hong Kong and China growing ties, the EZWCTS can be a much more effective factor in propelling growing economic ties, which ultimately will be a good thing whether reunification or independence is the final outcome. Moreover, the advantage of the EZWCTS over the EFCA lies in its less confrontational and more low-key approach, not having been debated by politicians or the media in Taiwan.

### **Rocking the boat: the creation of a Free Trade Area**

In June 2010 the Economic Cooperation Framework Agreement (ECFA) between China and Taiwan was signed. Whether this agreement was the beginning of the end of China-Taiwan tensions has been widely debated. However, although this agreement will undoubtedly strengthen economic links between the two, it has also been a source of tension in itself and many are even questioning Beijing's true intentions. The agreement was signed in June 2010 in the Chinese city of Chongqing by Chiang Pin-kung, Chairman of the Straits Exchange Foundation (SEF) and Chen Yunlin, president of the Association for Relations Across the Taiwan Strait (ARATS). ECFA specifies goods and services that both countries can trade with tax reductions or tax-exemptions. It will come into effect in 2011 and 539 goods of Taiwanese origin will be able to trade at preferential tax rates, while 267 goods of Chinese origin will receive the same preferential treatment. It is worth noting that the negotiations have been conducted by ARATS-SEF, which are nominally non-governmental organisations. Since their creation in 1991 and 1990 respectively, they have been key for conducting negotiations between mainland China and Taiwan and a diplomatically effective way of avoiding issues surrounding either government's position or legitimacy. These two organisations were responsible for the talks resulting in the 1992 Consensus. Back in 1998,

however, as a result of Taiwan shifting towards independence and away from the 1992 Consensus, talks were halted. The election of President Chen Shui-bian of the Democratic Progressive Party (DPP) in 2000 put a further strain on bilateral negotiations, which continued until the election in 2008 of President Ma of the Kuomintang (KMT). It was then that ARATS-SEF talks resumed. Shortly afterwards, Chen Yunlin, president of ARATS, visited Taiwan becoming the highest ranking mainland official to visit Taiwan since 1949. In the same year, Zhang Ming-qing, vice president of ARATS, also visited the island, returning in 2010 as well.

On the one hand, the KMT wanted to strengthen ties with Mainland China by signing an agreement such as the Closer Economic Partnership Agreement (CEPA) signed in 2003 between Hong Kong and China. As a result of CEPA, Hong Kong obtained better access to the Mainland market and at the same time this agreement provided the Mainland with new business opportunities. Further, the remarkable growth of the Pearl River Delta (PRD)<sup>7</sup> in the province of Guangdong, neighbouring Hong Kong, provided a springboard for the success of CEPA and a deeper integration between the two areas, as will be seen later in this paper. Many in Taiwan objected to a CEPA-type of agreement, as they believed it would imply that Taiwan was agreeing to the ‘one China principle’ - and would give Taiwan a status of Special Administrative Zone of China, such as Hong Kong or Macau.<sup>8</sup> Therefore, while the KMT advocated for this type of agreement, the DPP favoured the establishment of a Free Trade Area (FTA) instead. Given that FTAs are signed between sovereign countries, they argued this would suit Taiwan better than a CEPA- type of agreement.

Following the KMT’s municipal election victory in 2005, leaders of both the KMT and the Chinese Communist Party met—for the first time in over five decades—and reaffirmed the acceptance of the “One China, two interpretations” concept of the 1992 Consensus for conducting negotiations. With the return to power of the KMT in 2008 following national elections, talks with the Mainland resumed. As already mentioned, that same year, Chen Yunlin, President of ARATS and China’s top negotiator on Taiwan, visited the country, which was met with protest by the DPP and other pro-independence groups. Discussion of the ECFA (originally called the Comprehensive Economic Cooperation Agreement, or CECA) began in late February 2009 and public debate on its instrumentation followed. The name CECA was ultimately changed as it was deemed too similar to CEPA, and according to pro-independence groups reflected adversely on Taiwan’s sovereignty claims. The term

“framework” was therefore adopted. The ECFA is therefore the main axis in which cross-strait relations will be moving forward. In August 2009 Taiwan’s Ministry of Economic Affairs (MOEA) released a report estimating that an ECFA with China would have a 1.7% growth impact on GDP as well as providing an estimated US\$8.9 billion in FDI within seven years.<sup>9</sup> In order to diffuse tensions with pro-independence groups over a special free trade agreement with China, the government of Ma has announced that similar agreements are under discussion between Taiwan and other countries, such as Singapore.

Although the ECFA was finally signed, it has been not free of criticisms and issues such as the uneven number of goods exempt from tax—which is favourable to Taiwan—has raised suspicions about China’s true intentions (i.e.: China trying to charm Taiwan). The municipal elections of November 2010 will provide a better assessment of the support for this agreement and are likely to shape the remainder of President Ma’s term in office. While both China and the KMT are banking on economic factors to take precedence over political ones, one has to wonder whether the avoidance of sovereignty issues and the maintenance of the status quo can be achieved in the long-run, particularly in such a high profile agreement that has captured so much media and public interest. In addition, it would be interesting to see the long run viability of ECFA if the KMT were to lose the elections.

### **Fujian Special Zone: a less politically charged alternative.**

Back in 2005, as Taiwan’s former President Chen Shui-bian hardened his policy against China, China’s President Hu Jintao travelled to Fujian to support the development of the Economic Zone on the West Coast of the Taiwan Strait (EZWCTS). The EZWCTS includes 21 prefecture cities in four provinces<sup>10</sup>, with its core on the coastal area extending from Fuzhou to Xiamen, directly opposite Taiwan Island (see Map in Appendix 1). The plan was originally proposed by Fujian in 2004 and, shortly after President Hu’s visit, it was approved by the Central Government and included in the 11<sup>th</sup> Five-Year Plan (2006-10). Further, in May 2009 the Chinese State Council approved a plan to accelerate the development of the EZWCTS as part of the development of Fujian province by promoting it to national development strategy status.<sup>11</sup>

Fujian province is situated 120 kilometres across the Taiwan Straits, between the Yangtze River Delta<sup>12</sup> to the north and the Pearl River Delta to the south. Significantly, Taiwan and

Fujian share the same dialect, culture and customs. Moreover, it is estimated that over 80 percent of Taiwan's inhabitants have ancestral homes in Fujian province, dating from the large migration flows to the island during the Qing Dynasty (between 1616 and 1911). Due to language, cultural and historical links between Taiwan and Fujian, as well as its geographical proximity, Fujian was one of the first Chinese provinces where Taiwanese businessmen ventured after Xiamen was made into a Special Economic Zone in 1980. However, although Fujian had a head start, while both Deltas became major regional economic zones, Fujian remains one of the weak links along the coast of China. Its mountainous and hilly geography, lack of good infrastructure or direct links with Taiwan and bureaucratic corruption, determined investors relocated to other coastal areas. Given the close links between both sides of the Strait, with the right development plans and incentives, the potential for growth could be significant.

So far, however, Fujian has received far less FDI from Taiwan than any other of the Chinese coastal provinces (see FDI data in Appendix 5). It is estimated that the coastal provinces of Guangdong, Jiangsu, Fujian, Zhejiang, Hebei and Shandong account for over 90 percent of Taiwanese investment in China. It is interesting to note, however, that the distribution of FDI among the Chinese provinces changed over the last decade. While in 1998 most of Taiwanese FDI into China was destined to the province of Guangdong (47 percent) and only 23 percent went to Jiangsu; by 2008 this had been reversed and while Guangdong received only 17 percent of FDI, Jiangsu received 48 percent. Both Shanghai and Zhejiang provinces increased their FDI shares (from 16 to 19% and 5 to 7% respectively) while the province of Fujian was the only one to remain unchanged at 9% of Taiwanese FDI.

However, the Chinese Government expects that the development of the EZWCTS will change this and business with Taiwan will develop as a result. As already mentioned both bureaucratic corruption and lack of infrastructure were key factors in initial investment from Taiwan relocating to other areas. The key issue for the success of the EZWCTS is whether Taiwanese firms invest in the economic zone and for this, incentives in the forms of technology parks and infrastructure need to be promoted in Fujian province.

An interesting fact is that although the GDP of Fujian province lags behind all the other provinces in either the YRD or the PRD in absolute terms (see Appendix 3)—with Guangdong's GDP over three times that of Fujian; the rate of GDP growth in the province of Fujian has been higher than other provinces in the last couple of years. Back in 2003/2004,

while GDP growth was above 20 percent for Shanghai and Jiangsu (and 19 percent for Guangdong); Fujian GDP growth in Fujian was only 15 percent. By 2006/2007, however, GDP growth in Fujian was the highest among those five provinces with almost a 22% increase (see Appendix 4). Therefore, although with a much lower GDP than the provinces of the PRD and the YRD, Fujian's economy has been steadily growing over the last couple of years.

In addition, and having drafted a package of policies and investment for the economic zone, there are more than 50 agreements of cooperation between the provincial government of Fujian and national ministries, governmental departments and industrial investors. There are also government plans to build nearly 4,000 km of railway lines in Fujian province in two phases; the first one extending until 2014 and the second one until 2020. This will result in a railway network in the province of a total 5,000 km, enabling the province of Fujian to be connected not only with several inland provinces but also with its neighbouring coastal areas (YRD and PRD).<sup>13</sup> In addition, the province of Fujian has approved the Coast Harbour Layout Plan whereby in 2020 Fujian will have 3 harbours with a container volume of goods for the whole province to achieve 28 million TEUs as part of the plan to convert Fujian into an international port cluster connecting the Mainland and Taiwan.<sup>14</sup> Moreover, the Ministry of Commerce has plans to set up special investment zones for Taiwanese businesses in the province, beginning with the cities of Fuzhou, Xiamen and Quanzhou, which would facilitate investment for Taiwanese businesses. Further, between October 28<sup>th</sup> and November 1<sup>st</sup> 2009, Xiamen hosted the Second Cross Straits Culture and Industry Expo.<sup>15,16</sup> Following the signing of agreements at the end of 2008; transport links increased and investment restrictions began to be gradually lifted. It is estimated that between 2004 and 2008 total investment in the construction of infrastructure was higher than the aggregate for the previous 50 years.

The EZWCTS, however, fulfils different objectives for each of the players involved. If successful, for Taiwanese businessmen this will translate into more business opportunities in the Mainland. For the provincial government of Fujian, the EZWCTS is a means for promoting its economy. On the other hand, for the Central Government, supporting the development of links between Fujian province and Taiwan fits into the long-term strategic goal of relying on economic links to foster reunification. The success of the zone will ultimately depend on the governmental support it receives, as well as the infrastructure,

incentives and transport available vis-à-vis other Chinese provinces or regions such as the PRD or the YRD. Due to its low-key approach to economic integration as well as the significance it has for the Central Government, its potential for growth should not be underestimated.

### **The PRD, Hong Kong and the signing of CEPA**

When China started the process of opening-up, the development strategy followed was the ‘ladder step’ doctrine, whereby different regions were considered different steps of a ladder. The country was divided into three zones, the coastal, central and western. The idea was to develop the coastal areas first—the highest step of the ladder, as these were generally more advanced than the other regions—and then to expand the development to the central and western areas of the country. Four Special Economic Zones (SEZs) were created in August 1980 in the cities of Shenzhen, Zhuhai and Shantou (in the province of Guangdong) and the fourth one, as already mentioned, in the city of Xiamen, in the province of Fujian. These SEZs offered incentives in terms of tax, preferential investment, flexible employment policies, better bureaucracy and infrastructure. The SEZs were created in Guangdong and Fujian because among the coastal areas, those provinces were the least developed.

On April 1984 another 14 coastal cities were also granted special policies and became “coastal open cities.” These were Dalian (Liaoning province), Qinghuangdao (Hebei province), Yantai and Qingdao (Shandong province), Lianyungang and Nantong (Jiangsu province), Ningbo and Wenzhou (Zhejiang province), Fuzhou (Fujian province), Guangzhou and Zhanjiang (Guangdong province), Beihai (Guanxi province) and the municipalities (i.e. with provincial level status) of Tianjin and Shanghai. The opening up continued and in 1985 three Coastal Economic Developmental Zones (CEDZs) were created, the Lower Yangtze Delta, the Xiamen-Zhangzhou-Quanzhou Triangle and the Pearl River Delta in the Province of Guangdong.

The province of Guangdong was the one that benefited the most, with the share of Guangdong’s GDP as a percentage of national GDP almost doubling in twenty years and the city of Shenzhen being transformed from a fishing village to a major manufacturing centre. Exports from Guangdong increased from under 15% to over 40% of total exports in China between 1978 and 1997. While in 1978 Shanghai was the province with largest proportion of

national GDP and Guangdong was number 5; by 1990 Guangdong was at the top with Shanghai at number 10. Further, in 1998, while Guangdong remained at the top with over 9% of national share of GDP; Shanghai was at number 9 – having decreased its share of national GDP from 7.86 in 1978 to 4.47 in 1998.

Within the province of Guangdong growth was not evenly distributed and according to Jianfa et al [2000:19]<sup>17</sup>, the most significant development in the province of Guangdong was the rise of Shenzhen to the detriment of the city of Guangzhou, its capital, that went from a share of 20.90 percent of national income in 1980 to just 13.4 percent in 1995 while Shenzhen increased from 0.59 to 11.82 in that same period. He attributes this to the special economic reforms, open door policy and most importantly, the “Hong Kong factor” that contributed to the dramatic rise of Shenzhen and the relative weakening position of Guangzhou. Despite this relative shift of power in favour of Shenzhen; the process of economic concentration in the PRD area as a whole was accentuated between 1980 and 1995, even before reunification with Hong Kong, with the PRD being the “single growth pole at the provincial level” (Jianfa, et al [2000: 30]).

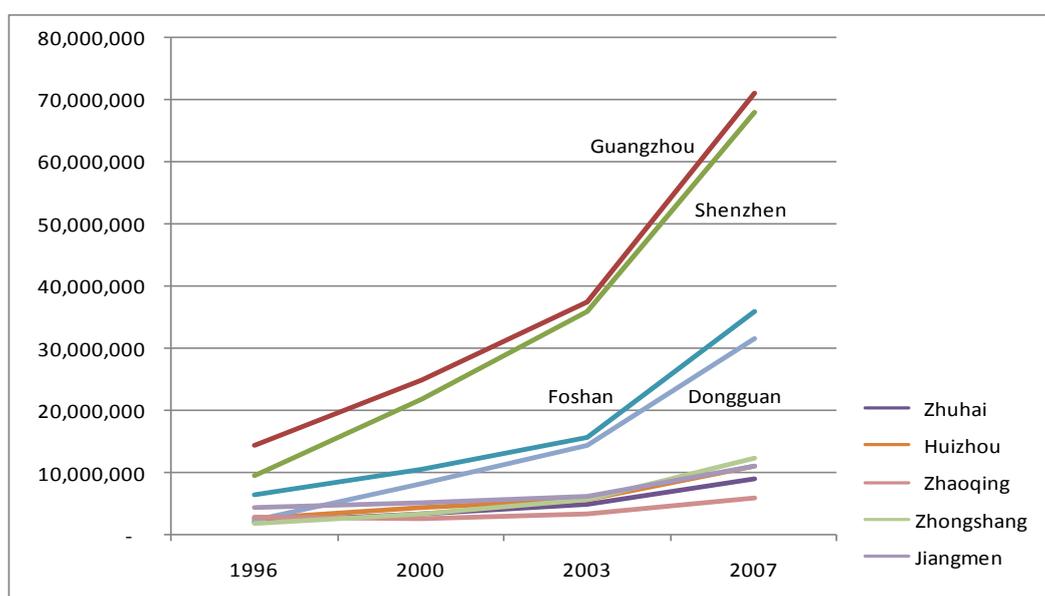
The Pearl River Delta has been described as “the fastest growing portion of the fastest growing province in the fastest growing large economy in the world” (Enright, M. [2007:6]<sup>18</sup>), with four out of the top ten cities in terms of per capita annual average disposable for 2006 located in the PRD (Dongguan, Shenzhen, Guangzhou and Zhongshan) with Dongguan and Shenzhen ranking even ahead of Shanghai and Beijing. With a permanent population of 46.34 million in 2006, the PRD comprises only a 3.5 percent of China’s total population and a 0.4 percent of the land area but accounted for 10.3 percent of GDP and 28.8 percent of total trade in the country—and 82.7 and 96.2 percent of Guangdong’s GDP and total trade respectively (Enright, M. [2007:8]).

After Hong Kong and Macau’s reunification with Mainland China in 1997 and 1999 respectively, integration between the PRD and the two SARs further accelerated. From a GDP of just over US\$8 billion in 1980 to over US\$89 billion in 2000 and to a staggering US\$269.27 billion in 2006; at an average rate of growth of over 16 percent, well above the national 9.8 percent average. In addition, Guangdong’s share of national GDP continued to increase from 9.6 in 1998 to 11.09 in 2001 and a further 11.34 percent in 2006. The Pearl River Delta region, together with the Special Administrative Regions of Hong Kong and Macau became known as the Greater PRD. This enhanced region has become one of the

fastest growing in the world and a leading manufacturing centre, with Hong Kong as a financial, management and information service provider focal point in the region while Macau has transformed into a significant tourism destination in Asia.

In January 2004 the Closer Economic Partnership Agreement (CEPA) between Hong Kong and Mainland China came into effect (it was signed on June 29<sup>th</sup> 2003). The Agreement favoured both sides, as for Mainland China it presented new business opportunities and a way of facilitating China’s further integration with the world markets while for Hong Kong it provided a better access to the Mainland market. CEPA covers three main areas, namely trade in goods, services and investment facilitation. Figure 3 shows the GDP per city in the PRD from before Hong Kong’s reunification with the Mainland in 1996 until 2007. The increase in GDP, particularly after 2003, is significant—especially for Guangzhou and Shenzhen and secondly for Foshan and Dongguan.

**Figure 3.** GDP by city in PRD (in 10,000 yuan) 1996-2007.



Source: China Statistical Yearbook, Guangdong Statistical Yearbook [2008], China Statistics Press.

The remarkable growth of the region and successful reunification with Hong Kong and implementation of CEPA have undoubtedly been underpinned by the development of the Pearl River Delta region in the 1980s. The creation of this region has allowed a flow of investment and a sharing of know-how that preceded political integration and economic agreements. These, in turn, allowed for an even stronger and deeper economic integration.

Although the political reunification issues of Hong Kong and Macau and Mainland China are not comparable to those between Taiwan and China; it is worth remembering the apprehension with which many in Hong Kong approached the 1997 handover. Fears of corruption and mass-migration to Hong Kong were rife, with opinion polls showing half the people in Hong Kong believed Hong Kong would become highly corrupted and only 20 percent of the people in Hong Kong considered there was nothing to worry about. By 2003, when CEPA was signed, people in Hong Kong had realised that increased economic ties and tourism had had a positive outcome. By 2005 it was estimated that over half a million Hong Kong residents had relocated to Mainland China, while back in 1990 there were fewer than 50,000. Economic and tourist links have soared, with over a quarter million people crossing the Hong Kong-China border every day. The economic integration of Hong Kong and the PRD region has transformed Hong Kong from a manufacturing centre into an international financial and service hub.

### **Final comments**

Economic integration per se is not going to be the panacea for resolving six decades of sovereignty issues between China and Taiwan. However, it can be a stepping-stone in the long process of re-establishing economic, cultural and historical links that may eventually lead to one or the other outcome in a peaceful way.

As mentioned in the paper, at the moment, there are two crucial issues in shaping economic relations across the Taiwan Straits, the signing of an agreement between Taiwan and China and the development of Fujian province. While the creation of EFCA is quite high profile, and being debated by politicians, the media and the public, the EZWCTS is a much more low-key and less confrontational approach. Nevertheless, its impact must not be underestimated as, if successful, it can help underpin EFCA—or any other trade agreement in place. As it has been mentioned for the case of Hong Kong, the successful creation of the PRD region contributed not only to the significant growth of the region but also to increasing trade flows between the PRD and Hong Kong. This, in turn, resulted in dramatic changes – in the case of Hong Kong from a manufacturing centre to an international service hub and in the case of many cities in the PRD (like Shenzhen) from villages with no more than several tens of thousands of inhabitants to manufacturing centres with tens of millions of people. In addition, this economic integration between the PRD and Hong Kong favoured a more successful political reunification between Hong Kong and Mainland China, and underpinned

the signing of CEPA, which contributed to further growth in the region. In the case of Taiwan and China, the decision by the Chinese government to upgrade the development of Fujian province to national policy status highlights the significance the government is attending to the EZWCTS. The government has also been promoting investment by Taiwanese firms and investing in infrastructure in the province. Although Fujian province has a lower GDP level than other neighbouring provinces belonging to either the PRD or the YRD, the province has been growing relatively more than others. Further, and provided, provided the right incentives and governmental support are in place, the EZWCTS could reap the benefits of its proximity to Taiwan.

China and Taiwan are sometimes referred to as being “part of the same family”. Indeed, they are like an old couple who has been separated for years; leading separate lives but without marriage dissolution (One China Principle). Over the years they consider – and sometimes even threatening - with either divorce (independence) or getting back together (reunification). In the end, they maintain a civilised separation by avoiding the discussion of thorny issues (status quo and 1992 Consensus). At some point maintaining the status quo might no longer be possible, and in that case a decision needs to be made - divorce or getting back together. With fears, unresolved issues and suspicions deeply ingrained, beginning by “seeing each other again” (encouraging links in the way of ECFA or EZWCTS) might be the most prudent way of overcoming these initial obstacles. Once the process of getting to know each other again is under way, and each gets reacquainted with the other, both as they used to be as well as the new version of themselves shaped by time and experience, they will both be in a much better situation to make a final decision. A deepening of economic links, in this sense, will definitely rock the boat of the status quo but it is a boat that needs rocking, one way or the other. The development of the economic zone in Fujian province, together with the ECFA agreement can provide a solid foundation for long-term relations between China and Taiwan. Whether reunification or independence follows is hard to venture but re-establishing historical, cultural and economic links between the two is a necessary condition for achieving a peaceful and respectful outcome either way.

## APPENDIX 1

### MAP OF TAIWAN, FUJIAN PROVINCE AND MAIN CITIES IN EZWCTS



Source: [http://encarta.msn.com/map\\_701510630/fujian.html](http://encarta.msn.com/map_701510630/fujian.html) (accessed July 20th 2009)

## APPENDIX 2

### TAIWAN GDP DATA, 2000-2008, in constant 2001 prices and in million of NT\$

	GDP	Agriculture	Industry	Services
2000	10,081,059	186,459	2,945,182	6,949,418
2001	9,862,183	182,826	2,724,049	6,955,308
2002	10,319,445	191,498	2,922,597	7,205,350
2003	10,680,631	191,376	3,039,564	7,449,691
2004	11,337,829	183,541	3,311,296	7,842,992
2005	11,809,552	168,737	3,521,318	8,119,497
2006	12,376,337	179,002	3,759,289	8,438,046
2007	13,082,183	175,604	4,109,287	8,797,292
2008	13,089,718	173,060	4,059,663	8,856,995

Source: Department of Statistics, Ministry of Economic Affairs, Taiwan, <http://win.dgbas.gov.tw/dgbas03/bs7/sdds/english/calendar.htm>; Exchange rates are as follows, 1 yuan= 4.75 NT\$ = 0.14 US\$, (rates as of September 21<sup>st</sup> 2009)

## APPENDIX 3

### CHINA GDP DATA, selected provinces 2003-2007, in current prices (100 million yuan)

	2003	2004	2005	2006	2007
Shanghai	6,694.23	8,072.83	9,164.1	10,366.37	12,188.85
Jiangsu	12,442.87	15,003.6	18,305.66	21,645.08	25,741.15
Zhejiang	9,705.02	11,648.7	13,437.85	15,742.51	18,780.44
Fujian	4,983.67	5,763.35	6,568.93	7,584.36	9,249.13
Guangdong	15,844.64	18,864.62	22,366.54	26,159.52	31,084.4

Source: China Statistical Yearbook 2008, [http://www.stats.gov.cn/tjsj/ndsj/2008/left\\_.htm](http://www.stats.gov.cn/tjsj/ndsj/2008/left_.htm); Exchange rates are as follows, 1 yuan= 4.75 NT\$ = 0.14 US\$, (rates as of September 21<sup>st</sup> 2009)

## APPENDIX 4

### CHINA GDP DATA, selected provinces, growth rates 2003-2007

	2003/2004	2004/2005	2005/2006	2006/2007
Shanghai	20.59	13.52	13.12	17.58
Jiangsu	20.58	22.01	18.24	18.92
Zhejiang	20.03	15.36	17.15	19.30
Fujian	15.64	13.98	15.46	21.95
Guangdong	19.06	18.56	16.96	18.83

Source: China Statistical Yearbook 2008, [http://www.stats.gov.cn/tjsj/ndsj/2008/left\\_.htm](http://www.stats.gov.cn/tjsj/ndsj/2008/left_.htm); Exchange rates are as follows, 1 yuan= 4.75 NT\$ = 0.14 US\$, (rates as of September 21<sup>st</sup> 2009)

## APPENDIX 5

### TAIWAN FDI IN MAINLAND CHINA BY REGION (in NT\$ 1,000)

	Total	Shanghai	Jiangsu	Zhejiang	Fujian	Guangdong
1998	65,994,560	9,286,110	13,248,694	2,783,348	4,891,092	26,745,555
1999	40,634,922	4,904,325	10,502,939	2,561,909	1,910,436	16,221,598
2000	84,564,736	10,414,033	30,183,361	2,227,399	3,226,908	33,074,883
2001	90,306,035	12,203,808	33,939,070	6,762,378	3,896,253	25,558,437
2002	218,067,765	30,789,034	72,107,443	16,592,631	24,324,969	53,035,550
2003	249,716,218	35,818,724	84,368,857	19,711,917	15,951,213	66,638,540
2004	225,125,957	38,111,838	80,659,953	22,363,219	14,687,936	45,542,523
2005	194,840,326	33,003,848	76,195,068	15,724,876	12,920,022	39,577,612
2006	247,885,263	33,791,434	93,650,157	19,169,468	16,864,650	45,902,545
2007	323,402,613	46,714,719	124,615,126	22,406,408	12,596,765	64,173,077
2008	346,783,782	55,274,715	137,174,663	19,846,904	26,225,530	48,802,849

Source: Department of Statistics, Ministry of Economic Affairs, Taiwan, Exchange rates are as follows, 1 yuan= 4.75 NT\$ = 0.14 US\$, (rates as of September 21<sup>st</sup> 2009)

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<sup>1</sup> This phrase was coined in what is known as the “1992 Consensus”, product of a meeting between representatives of China and Taiwan with the objective of coming to a solution for the “one China principle” issue— as China considers that there is only one China, which includes Mainland China (also Tibet), Hong Kong, Macau and Taiwan. “One China, each with its own interpretation” stems from both China and Taiwan recognizing the existence of only one China but differing on its definition. While for China the PRC is the legitimate representative of China; for Taiwan the ROC is.

<sup>2</sup> “China, Taiwan Make History”, Leslie Norton, *International Trader Asia*, May 4<sup>th</sup> 2009, <http://online.barrons.com/article SB124121796395378761.html> (accessed July 3<sup>rd</sup> 2009)

<sup>3</sup> Imports from Hong Kong are on 17<sup>th</sup> place and total trade with Hong Kong accounts for 9.9%, which puts Hong Kong in 4<sup>th</sup> place in trade with Taiwan (it is the second largest export destination). The top ten products exported by Taiwan are electrical machinery, equipment and parts; optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; plastics and articles of plastic; nuclear reactors, boilers machinery and mechanical appliances; organic chemicals; iron and steel; copper and copper articles; mineral fuels, mineral oils and products of their distillation; man-made filaments; miscellaneous chemical products. The top ten imported products by Taiwan are electrical machinery and equipment and parts; nuclear reactors, boilers machinery and mechanical appliances; iron and steel; optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; mineral fuels, mineral oils and products of their distillation; organic chemicals; miscellaneous chemical products; plastics and plastic articles; salt; vehicles other than railway or tramway rolling-stock, and parts and accessories (*Taiwan Customs Statistics*, <http://tcs.taiwantrade.com.tw/stap/main.asp?lang=1>, accessed September 15<sup>th</sup> 2009).

<sup>4</sup> However, Taiwan is not listed among the Approved Destination Status (ADS) countries. The ADS is a scheme whereby China signs an agreement with another country and in order for Chinese tourist to visit in organised tours.

<sup>5</sup> There are several other examples of closer links between the two areas, promoting not only commercial links but cultural ones as well. The first container ship from Guangzhou (Guangdong Province) and Kaoshiung (Taiwan) sailed on February 2009. On July 30<sup>th</sup> 2009, the first ever Taiwan Cross Straits Rally took place between Xiamen in the Mainland and Taiwan. “Footnote to History: Sailing the Taiwan Strait”, *China Boating Intelligence*, July 31<sup>st</sup> 2009, <http://www.sail-world.com/USA/Footnote-to-History:-sailing-the-Taiwan-Strait/59648>, (accessed July 3<sup>rd</sup> 2009).

<sup>6</sup> It has also become known recently as the Economic Development Zone on the West Bank of the Taiwan Straits, or the West Bank Development Zone.

<sup>7</sup> The PRD comprises 9 prefectures in the province of Guangdong (Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Huizhou, Jiangmen and Zhaoqing) and the Special Administrative Regions of Hong Kong and Macau.

<sup>8</sup> In the case of Hong Kong and Macau, when these former British and Portuguese territories were returned to Chinese sovereignty in 1997 and 1999 respectively, it was done so under the “one

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country- two systems” (OCTS) principle. Under OCTS, Hong Kong and Macau did not become provinces but Special Administrative Regions of China (SAR). While foreign affairs and defence became a responsibility of the central Chinese government, for a period of fifty years the SARs would preserve their autonomy in terms of customs, legal system, police, currency and immigration.

<sup>9</sup> “ECFA with China may push up Taiwan's GDP growth by 1.7 percentage points: MOEA” , *The China Post*, July 30<sup>th</sup> 2009, (<http://www.chinapost.com.tw/taiwan/china-taiwan-relations/2009/07/30/218334/ECFA-with.htm> accessed August 15th 2009).

<sup>10</sup> The prefectures are Xiamen, Fuzhou, Quanzhou, Putian, Zhangzhou, Ningde, Sanming, Longyan, Nanping (Fujian province); Wenzhou, Jinhua, Quzhou, Lishui (Zhejiang province), Shantou, Chaozhou, Meizhou, Jiezhang (Guangdong); Ganzhou, Fuzhou, Yingtan, Shangrao (Jiangxi).

<sup>11</sup> “Economic Zone On The West Coast Of Taiwan Strait”, Zhao Hong & Liang Ruobing, EAI *Background Brief* No. 458, June 18<sup>th</sup> 2009. <http://www.eai.nus.edu.sg/BB458.pdf> (accessed August 30th 2009).

<sup>12</sup> The Yangtze River Delta (YRD) comprises Shanghai, the southern area of Jiangsu province and the northern area of Zhejiang province.

<sup>13</sup> “Economic Zone On The West Coast Of Taiwan Strait”, Zhao Hong & Liang Ruobing, EAI *Background Brief* No. 458, June 18<sup>th</sup> 2009. <http://www.eai.nus.edu.sg/BB458.pdf> (accessed August 30th 2009).

<sup>14</sup> “Fujian Will Have 3 Harbors by 2020”, *Xinhuanet* in Fujian Investment Promotion Portal, May 25<sup>th</sup> 2009, <http://fujian.ciipp.com/en/article-view-792.html> (accessed September 21st 2009).

<sup>15</sup> “Cross-straits Culture Industry Expo in Xiamen”, *China Daily* in Fujian Investment Promotion Portal, August 14<sup>th</sup> 2009, <http://fujian.ciipp.com/en/article-view-24299.html> (accessed September 21st 2009).

<sup>16</sup> Another interesting development worth mentioning is the pilot plan implemented by the province of Fujian to recruit Taiwan graduates from mainland college for working in government-sponsored institutions, whereby they receive the same treatment as mainland graduates in terms of salaries, insurance and child education.

<sup>17</sup> Jianfa, S., Gu, C., Zhen, F. and Wong, K. “Regional Polarization in Guangdong Province in South China”, *Occasional Paper* No 113, Hong Kong Institute of Asia-Pacific Studies, The Chinese University of Hong Kong (1-44), November 2000.

<sup>18</sup> Enright, M. and Associates, “The Greater Pearl River Delta”, *Invest Hong Kong*, The Government of Hong Kong (1-81), 2007.