

Chapter Seven:

A Fieldwork Research on Southern China Sub-regional Economic Zone

Introduction:

Is it true that SC SREZ is the most dynamic case among three case studies in this research? What is its significance in the research of SREZs? This chapter is a follow-up research of the previous chapter, aiming to look deeper down in details about how SC SREZ operates in reality. From the last chapter, SC SREZ is understood as “an unbalanced triangle” with strong economic relations between Taiwan-SC and Hong Kong-SC sides but very little connection between the Taiwan-Hong Kong side. However, such unbalanced relations do not seem to affect the growth of SC SREZ. Why is that? Moreover, the literature and historical reviews from last chapter have shown that the two main participants (i.e. China and Taiwan) are long-term political rivals. If political complexity was one of the factors that held back TRADP’s progress, why does not it project the same effect on SC SREZ.

Since there is yet no applicable theory for East Asia integration, it is hoped that sub-regional cooperation can be an alternative solution. From last two cases, SIJORI and TRADP, we can see that the progress of sub-regional cooperation could be affected greatly by micro-regionalisation and micro-regionalism. Therefore it is essential to explore deeper into the input of sub-regional cooperation in the SC SREZ case from different levels, and see how its output is

affected by these two forces.

This chapter is designed to explore micro-regionalisation and micro-regionalism at different levels. It has been explained in Chapter Three that interviews could better describe the complicated and dynamic process of transnational sub-regional cooperation. Thus, this fieldwork takes a two-phase interview method: pre-probe interview and in-depth interview, with the anticipation that the findings can help to explain SC SREZ's progression and its relation to regional integration.

It is very likely that in some cases, the reality lies in one's memory but is not recorded in the history. For example, Liu, Zhen-tao, Professor and Director of Institute of Taiwan Studies of Tsinghua University, was Director of Economic Bureau, Taiwan Affairs Office of the State Council, Beijing. He was the one who directly handled the setting of the SC SREZ. His decision along with his consideration at that time, in a degree, would well present the dynamics of how micro-regionalism was sustained by the central government. In other words, with carefully selection of the interviewees, in-depth interview could be a good method for data-collection too. Therefore, in this thesis, I defined five groups of people worth meeting: first, government officials who directly engaged in SC SREZ's matters. Second, business leaders. To be more precise, it has to be those who have engaged in SC SREZ for more than 20 year. In addition, their companies should have 100 people or more. Third, business consultants. Four: scholars whose research falls in this area. Five, businessmen's spouses. This is an interesting experience happened when conducting pre-probe interview. The

husbands appeared be extremely cautious and refused to communicate, while the wives, without any pressure, actively told me everything that their husbands were not willing to tell. For example, although I might not have the chance to talk to C.E.O., his wife offered even better information.

It is hoped the following questions can be answered and the fundamental concept about transnational sub-regional cooperation will be clarified:

1. Is the SC SREZ still growing?
2. Is it the bottom up force or the top down force that boost the SREZ to expand its scale?
3. Does the statement that economic cooperation can generate the cooperation in politics and security also apply in the SC SREZ?
4. Have the involved three sides, especially China and Taiwan, reduced conflicts with each other after working together in the SC SREZ?

It is believed that only through observing what is happening in SC SREZ can we have confidence drawing a conclusion that SC SREZ has solved the dilemma which SIJORI and TRADP were unable to overcome, and become a potential model for East Asian integration. Therefore, in order to answer the questions mentioned above, a fieldwork research was designed to explore the SC SREZ case by looking at its operation details in three different levels, from bottom to the top-- the most local city level, to the provincial city level, and then to the highest central Capital level. The research was conducted through a list of questions asked in the pre-probe interview and in-depth interviews to examine how micro-regionalisation and micro-regionalism work alongside each other or

against each other at each level of the SC SREZ.

The discovery from the pre-probe interview and the in-depth interviews help to reveal participants' foreseeable interests and hidden risks, and to understand the tangled relations between the forces of micro-regionalisation and micro-regionalism in SC SREZ.

The SC SREZ embraces participants include Taiwan, Hong Kong and Guangdong Province. In this chapter, the fieldwork research is designed to focus on the micro-regionalisation and micro-regionalism between Taiwan, Hong Kong and Guangdong Province. As what was mentioned in the last chapter, the closeness in terms of culture backgrounds, geographical proximity and the blood connection have created the intensive economic activities between Hong Kong and Guangdong Province. However, as for Taiwan, most Taiwanese Business capitals seem to be drawn towards Guangdong Province. What is even more surprising is that rather than investing in the provincial capital Guangzhou, Taiwanese Businessmen choose to develop a nameless city Dongguang and turned it into the most important stronghold for traditional industries.

The central question of this thesis is that whether or not transnational sub-regional cooperation can bypass the political conflicts, generate spill-over effect. The SC SREZ is a good supporting example to explore the extent of transnational sub-regional cooperation and answer the question, as its scale and ongoing progress are both suitable to give an overall picture of the sub-regional cooperation in the East Asia Pacific. Therefore, the first task of this chapter is to

prove that SC SREZ is the most influential case worthy of doing further fieldwork research in the East Asia Pacific. The structure of this chapter is as follows: the first section will examine the economic power of China on a global and regional scale. The second section will discuss the great interdependency between China and Taiwan/Hong Kong and to give evidences that SC SREZ plays a significant role in sustaining China, Taiwan, and Hong Kong's economic development. The third section is to give a brief history about how SC SREZ has come into being and the current formal/informal agreements between the participants. The fourth section is to explore the force of micro-regionalisation and micro-regionalism in different scale of cities. Finally, the last section is to analyse both positive and negative influences that the SC SREZ has brought up and the limitations of SC SREZ's development. .

The Value of SC SREZ

There are many sub-regional cooperation examples in the East Asia Pacific. What is so special about SC SREZ? Why is it worth a deliberate field research in this thesis? As explained previously in Chapter One and Chapter Three, SIJORI, TRADP and SC SREZ are the most significant representatives in each sub-region. However, from literature and historical review, it shows that SC SREZ is the only ongoing sub-regional cooperation at the present time. As for SIJORI, it was considered the pioneer carrying out sub-regional cooperation. With clear micro-regionalism and micro-regionalisation working consciously together, SIJORI have progressed smoothly since it was initiated. Yet, the self-content reason and the small-scale nature have limited its development. As for TRADP,

with micro-regionalism and micro-regionalism working poorly alongside each other, it could not even achieve the basic cooperation goals set out for the programme by the advocator UNDP. In other words, SC SREZ is the only sub-regional cooperation project among all three cases studied in the thesis which has the potential to achieve expansion in terms of geography, economics, and politics. Such expansion generated by spill over effect may be seen as the basis for future East Asian integration.

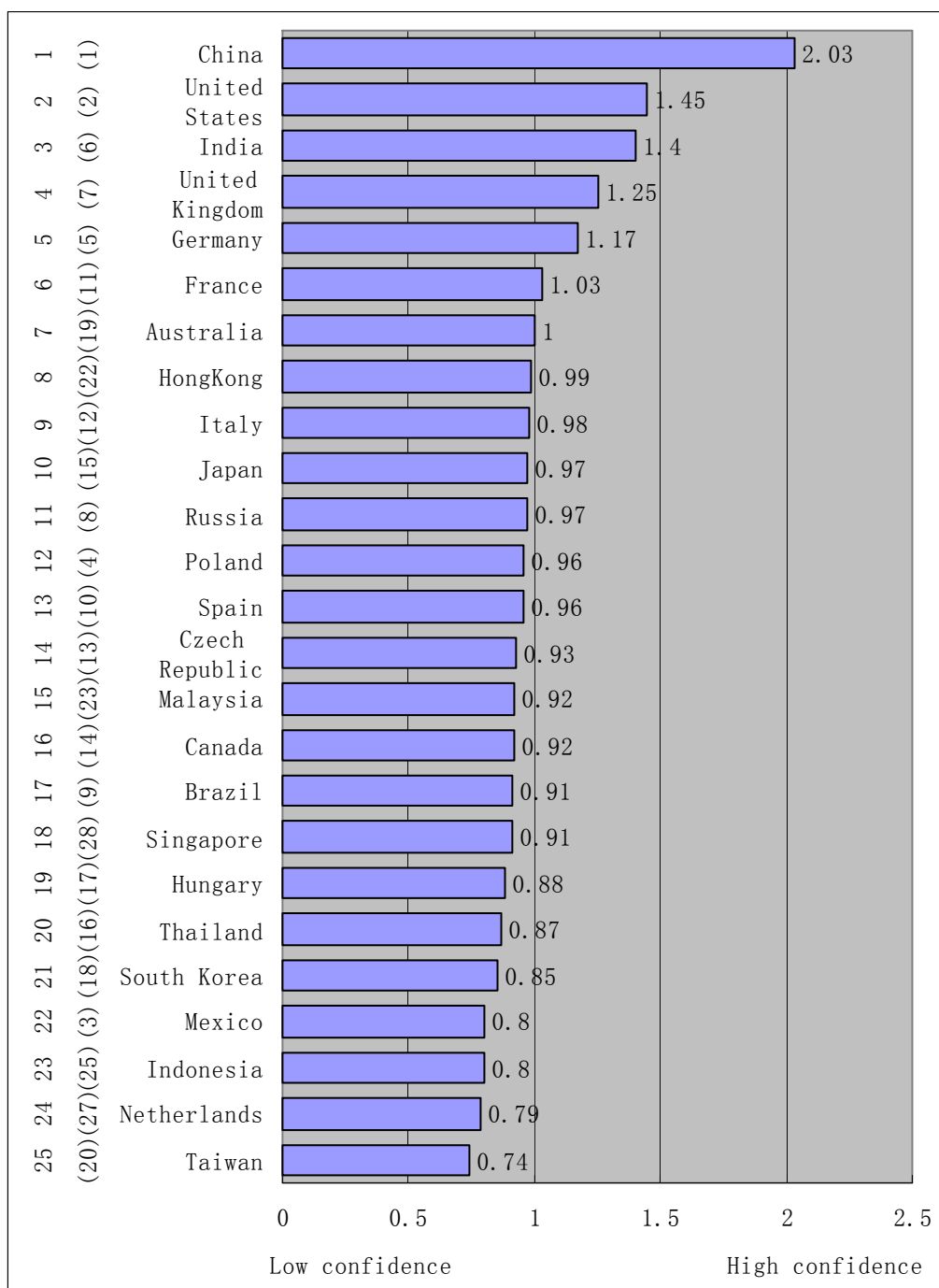
In order to obtain a full picture of what is happening in SC SREZ, a pre-probe interview, with a list of questions; and in-depth interviews were conducted to gather the first hand information which would be helpful in terms of building up an accurate model for East Asian integration process. In addition to visiting government officials and scholars, I also got in touch with business leaders invested in SC SREZ. These so-called “business leaders” in my definition should meet at least two of following characters: they were active in Taiwan Businessmen Association, engaged in SC SREZ investment for more than ten years, or their employees in SC SREZ were more than 100 people.

The first step of the fieldwork research is to understand the participants’ economic power, especially China, in the East Asia Pacific. “China’s economic rise” is not just an imaginary guessing or a groundless extrapolation. Scholars have been monitoring the rapid progress of China’s economy and believe its ebb and flow will seriously affect the regional and global economic market (Wu, 2006). Keidel (2008) also points out that by the year of 2035, China’s economy will surpass that of USA and become twice of its size. As a result, China would

definitely increase its regional and global influence in terms of commercial, institutional, and military leadership. Such assurance is not only seen in academic research but also reflected in profit-seeking businesses. In A.T. Kearney's 2004 annual report about the foreign direct invest confidence, China has been credited the world number one for two successive years (Figure 7). In fact, the two other SC SREZ members Hong Kong and Taiwan are also on the world top 25 list for two successive years¹.

¹ Early 2000s is the peak time that SC SREZ shows rampant development. Therefore, Figure 7.1 a 2004 annual report is quoted in this section for the purpose of giving an idea about the world FDI Confidence Index. Since it is not the main research focus of this thesis, I will not keep tracking every year's report. However, for those who are interested in further analysis specifically on this issue can refer to the latest report from A.T. Kearney's annual report.

Figure 7: FDI Confidence Index. Top 25, October 2004.



Source: A.T. Kearney, 2004:7

If we look at more recent research report, China, Hong Kong and Taiwan have also shown strong economic competitiveness on the world stage. In the survey of 2007-2008 and 2006-2007 Global competitiveness, carried out by the 2007 World Economic Forum, these three SC SREZ participants are all on the world top 35 list (Table 7.1). Hong Kong has the best ranking among three SC SREZ members while Taiwan has taken the second place (See Table 7.1 for the actual rankings). In other words, no matter from the academic research or the industrial survey, it cannot be denied that the participants of SC SREZ do play a decisive role in the world economic system.

Table 7.1: Global Competitiveness Index Rankings and 2006-2007 Comparisons²

Country/Economy	Rank	Score	GCI 2007-2008 rank	
			(among countries)	2006GCI 2006-2007 rank
United States	1	5.67	1	1
Switzerland	2	5.62	2	4
Denmark	3	5.55	3	3
Sweden	4	5.54	4	9
Germany	5	5.51	5	7
Finland	6	5.49	6	6
Singapore	7	5.45	7	8

² This table is provided as background information. Those who are interested in further analysis on this issue can refer to The Global Competitiveness Report, World Economic Forum, for the latest ranking.

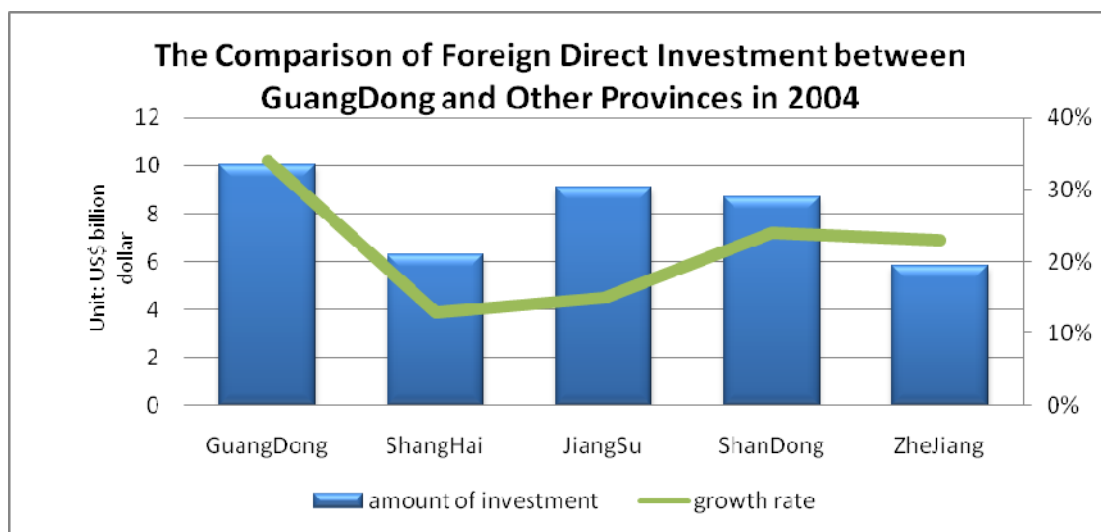
Japan	8	5.43	8	5
United Kingdom	9	5.41	9	2
Netherlands	10	5.40	10	11
Korea	11	5.40	11	23
Hong Kong SAR	12	5.37	12	10
Canada	13	5.34	13	12
Taiwan, China	14	5.25	14	13
Austria	15	5.23	15	18
Norway	16	5.20	16	17
Israel	17	5.20	17	14
France	18	5.18	18	15
Australia	19	5.17	19	16
Belgium	20	5.10	20	24
Malaysia	21	5.10	21	19
Ireland	22	5.03	22	22
Iceland	23	5.02	23	20
New Zealand	24	4.98	24	21
Luxembourg	25	4.88	25	25
Chile	26	4.77	26	27
Estonia	27	4.74	27	26
Thailand	28	4.70	28	28
Spain	29	4.66	29	29
Kuwait	30	4.66	30	30
Qatar	31	4.63	31	32
Tunisia	32	4.59	32	33

Czech Republic	33	4.58	33	31
China	34	4.57	34	35
Saudi Arabia	35	4.55	n/a	n/a

Source: The Global Competitiveness Report 2007-2008, 2007 World Economic Forum

As mentioned earlier, China has won the world number one place for two successive years in the 2004 foreign direct invest confidence survey (Figure 7.1). What worth noting is that instead of suffusing equally throughout the Mainland, foreign direct investments mostly gathered up in certain provinces. Guangdong was the province that attracted the most foreign direct investment. In 2004, US \$100.12 billion dollars of foreign investment was drawn to Guangdong province with the growth rate of 34.1% (Chart 7.1). By the end of 2004, 166 out of world top 500 enterprises had set up 492 headquarters/branches in Guangdong Province (Investment Guide to Guangdong, Department of Foreign Trade and Economic Cooperation of Guangdong, 2005:10). And the cumulative foreign direct investment in Guangdong Province had reached US \$1505 billion dollars. This not only made it the province with the most foreign investment, but also made up a quarter of the total foreign investment that China had attracted (Investment Guide to Guangdong, Department of Foreign Trade and Economic Cooperation of Guangdong, 2005:8). In short, the importance of Guangdong Province in terms of drawing power is beyond description.

Chart 7.1



Source: Investment Guide to Guangdong, Department of Foreign Trade and Economic Cooperation of Guangdong, 2005, p8 Unit: US\$ billion dollar

Chart 7.1 is formulated according to the latest official data provided by the Department of Foreign Trade and Economic Cooperation of Guangdong. According to it, Guangdong Province, Shanghai city, Jiangsu Province, Shandong Province, and Zhejiang Province are the major economies that have drawn the most of the foreign direct investment into China; they also make the most of the gross domestic product in China (2008 China Statistical Abstract, p26). From graph below, it reveals an obvious upwards growth tendency that the gross regional product of these 5 economies in 2007 is at least twice of that in 2001.

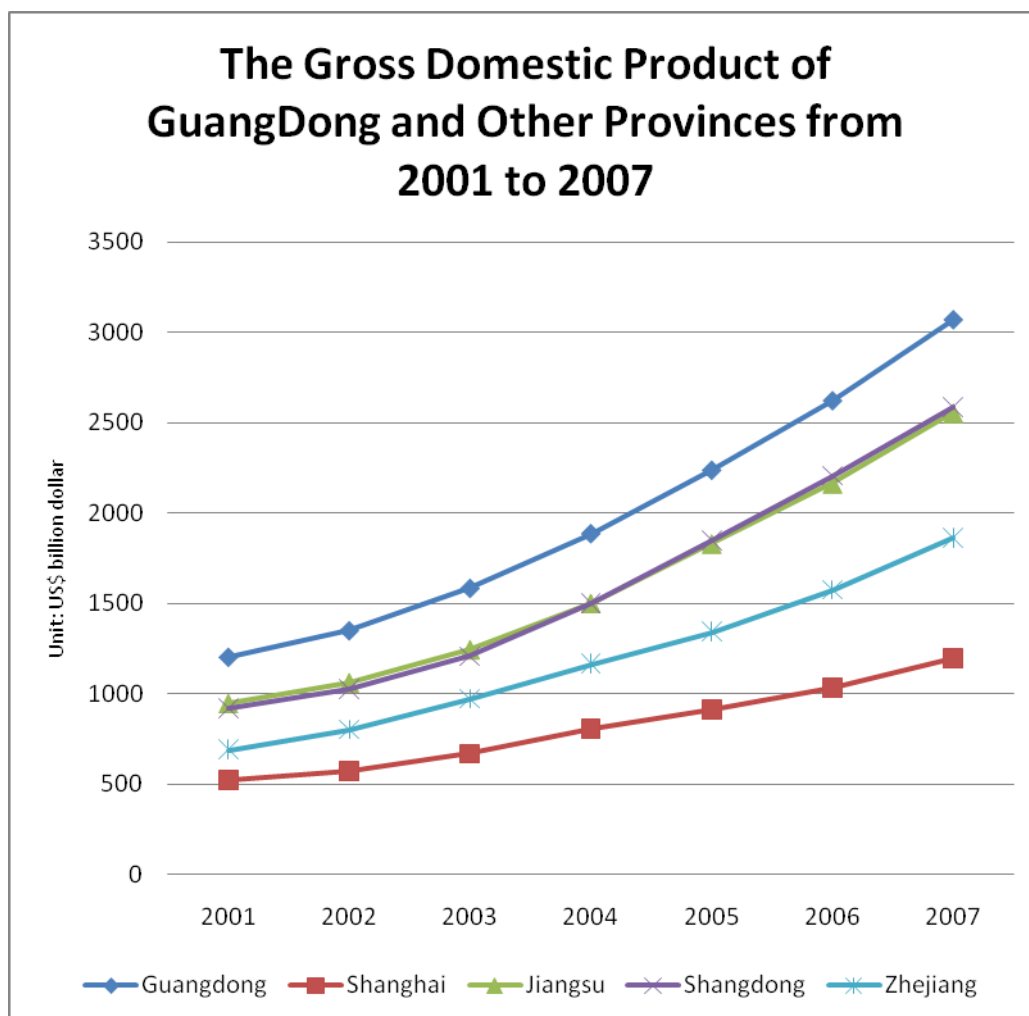
Table 7.2: The Gross Domestic Product of Guangdong Province (2001-2007)

Year	2001	2002	2003	2004	2005	2006	2007
Area							
Guangdong Province	1203.93	1350.24	1584.46	1886.46	2236.65	2620.45	3067.37
Shanghai City	521.01	574.10	669.42	807.28	915.42	1036.64	1200.12
Jiangsu Province	945.68	1060.69	1244.29	1500.36	1830.57	2164.51	2556.01
Shangdong Province	919.50	1027.55	1207.81	1502.18	1851.69	2207.74	2588.77
Zhejiang Province	689.83	800.37	970.50	1164.87	1343.79	1574.25	1863.84

Source: 2008 China Statistical Abstract, p26

Unit: billion RMB

Graph 7.1



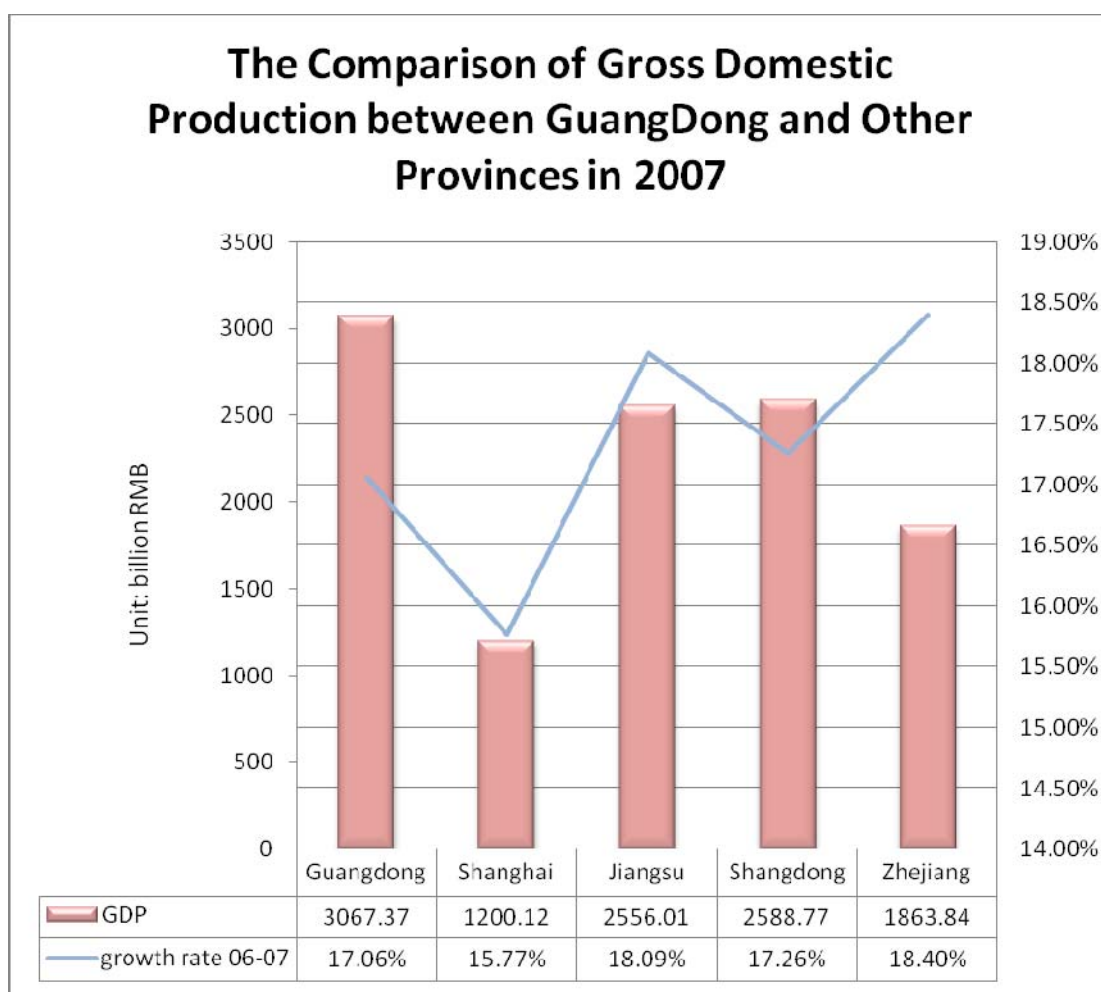
Source: 2008 China Statistical Abstract, p26

Unit: billion RMB

Also, what worth noting is that Guangdong Province is not only well-reputed in attracting foreign direct investment among this five economies; its gross domestic product is also most outstanding. In comparison to the other four economies which have attracted major foreign direct investment in Chart 7.1 above (i.e. Shanghai City, Jiangsu Province, Shangdong Province, and Zhejiang Province), Guangdong Province has never lost its first place on the best regional gross domestic product chart (See Graph 7.1). If taking the first (i.e.

Guangdong) and the last (i.e. Shanghai) on the Graph 7.1 as the examples for comparison, from 2001 to 2007, the gross domestic product of Guangdong is always more than twice of that of Shanghai (refer to Table 7.2 above). In fact, with two- digit growth rate, the gross domestic product of Guangdong Province has defeated all other provinces and won the first place for 28 years from 1979-2007 (Investment Guide to Guangdong, Department of Foreign Trade and Economic Cooperation of Guangdong, 2005:6; 2008 China Statistical Abstract, 2008:26). And Chart 7.2 below is the latest analysis for reference.

Chart 7.2



Source: 2008 China Statistical Abstract, p26

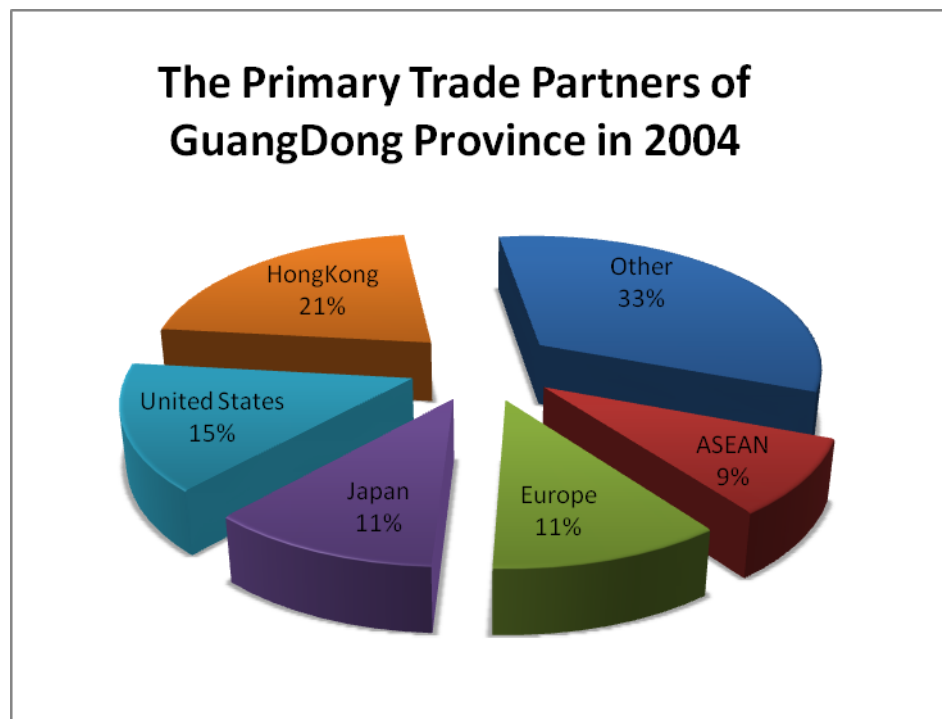
Unit: billion RMB

Therefore, from the data mentioned above, it cannot be denied that Guangdong Province plays an essential role in China's economy, but how does it maintain its powerful economic growth? According to the latest official survey conducted by the Department of Foreign Trade and Economic Cooperation in Guangdong in 2005, foreign trade is the economic lifeline of Guangdong Province. Moreover, it has kept a rapid upward growth rate over the years. For example, in 2004, with the growth rate of 26%, the total volume of foreign trade in Guangdong Province was US\$357.133 billion dollars. That was also 30% of the total national foreign trade volume. Among the total trade volume that Guangdong province had earned in 2004, US\$191.558 billion dollars came from its export trade while US\$165.575 billion dollars came from its import trade (Department of Foreign Trade and Economic Cooperation of Guangdong, 2005:7). What is worth mentioning is that the export commodities that Guangdong Province produces are mostly textiles, shoes, clothes, furniture, plastic products and other light industrial products (Department of Foreign Trade and Economic Cooperation of Guangdong, 2005:7). It can be seen as supporting evidence responding to the statement that the existence of SC SREZ is highly related to traditional labour-intensive industries moving their business to Guangdong Province to keep making profits from their export trade (Please refer to Chapter 3 for the SC SREZ backgrounds).

Furthermore, if foreign trade is the economic lifeline of Guangdong

Province, who are its primary trading partners that keep its prosperous economy? According to the latest official research made by the Department of Foreign Trade and Economic Cooperation of Guangdong in 2004, Hong Kong occupied 21% of Guangdong Province's trade volume and was ranked the top among the Province's primary trade partners (Chart 7.3). In fact, the influence of Hong Kong in Guangdong's economy is so prominent and that the Department of Foreign Trade and Economic Cooperation of Guangdong values Hong Kong's capitals and technologies so much that a representative/advisor is assigned to station in Hong Kong, focusing on recruiting Hong Kong businessmen to go investing in Guangdong Province (Chen, 2005; Cheng, 2005; and He, 2005).

Chart 7.3



Source: Investment Guide to Guangdong, Department of Foreign Trade and Economic Cooperation of Guangdong, 2005, p7

It is obvious that Guangdong and Hong Kong have developed an intensive mutual interdependency. Nevertheless, what is the interdependency level between Taiwan and China or between Taiwan and Hong Kong? As mentioned earlier in Chapter Three, the progress of SC SREZ in a way is determined by the dynamics of cross-strait relations. Hence, in order to build up a full understanding of SC SREZ, it is important to look at the background, and the evolution of the sub-regional cooperation between the three involved economies, especially that between Taiwan and China, to find out how heavily the SC SREZ members have been relying on each other.

The process for SC integration has experienced three different stages - from the hostile stage, to testing stage and then to the expanding stage. Progression towards the next stage is highly dependent on the political interaction, mostly between China and Taiwan. Ever since the People's Republic of China has been established on 01 October 1949, and KMT, the previous regime of China, has settled down in Taiwan, the cross-strait relations were kept in an extremely hostile atmosphere reflected in political, economic and military aspects (Shaw, 2003). No official or private communication with each other was allowed except propaganda to capitulate to the commands of the "self-declared the one and the only legal regime" (Su, 2005). "Any kind of contact with the other side could be charged with espionage or treason," said Mr Deng, the lawyer (Deng, 2005). The order of martial law in Taiwan has furthermore strengthened the hostile attitudes against China for the next 40 years until 15 July 1987, when the order was finally lifted (Academia Historica, http://www.drn.gov.tw/www/page/B/page-B-02_a_04.htm).

However, the releasing of the order of martial law did not guarantee a positive process of the cross-strait relations. None of the sides was willing to compromise on two main unsettled political issues: One China Policy and the cross-strait reunification. Who is the legal regime of China? Who is the rebellion party? And what method shall be adopted to seek the reunification? Because of these two national level disputes, the cross-strait communication was restricted to all non-governmental contact and limited issues only. And such stance is believed to be carried out in the next 10 years. The authorities, especially that of Taiwan, had insisted on making no official contact. Thus, the 1992 Consensus was considered as the most important mutual talk as both China and Taiwan have expressed their political stand in a subtle way that was understood and accepted by the other side (Chiu, 2005). Even though no official agreement or endorsement was signed, such mutual understanding is believed to kick off an opportunity for future cross-strait cooperation (Chien, 2005).

The development of Cross-strait relations has dramatically suffered from ups and downs for the pursuing 15 years. Poor understanding of each other and the limited channels for communication has resulted in weak mutual trust. The fact that no direct contact was made between the governments had led to China's serious misunderstandings towards Taiwan, especially during each Presidential election (Yao;. Chien ;.and Chang, 2005). As for Taiwan, since there is no consistent Mainland Policy available to follow, both officials and the people find it extremely difficult to work out administration and investment plans (Wu, 2004: 155-181). In other words, during the times, not only the governments of both

sides were testing each others' bottom line, their people were testing both governments' bottom line as well. In order to cope with the appreciating US dollars and the increasing labour fare, many Taiwan businessmen were willing to take the risk, and illegally set up factories in China just to keep their business running (Cheng and Tsai, 2005).

However, in the recent 20 years, the cross-strait relations have gradually stepped into a new stage of "an expanding relationship" that with more and more exchange in terms of personnel, culture and, commerce, people of China and Taiwan have shared more and more common interests. According to the latest statistics data available from National Tourism Administration of the People's Republic of China, there were only 437,700 Taiwanese visited China in 1988. Nevertheless, by the time of 2007, the number of Taiwanese visitors has increased to 4,627,881. The total number of visitors from Taiwan to China in these 20 years has accumulated to 50,746,693 (see Table 7.3).

Table 7.3: The number of visitors from Taiwan to Mainland China (1988-2008)

Year	The number of visitors from Taiwan to Mainland China
1988	437,700
1989	541,000
1990	948,000
1991	946,632
1992	1,317,770
1993	1,526,969
1994	1,390,215
1995	1,532,309
1996	1,733,897
1997	2,117,576
1998	2,174,602
1999	2,584,648
2000	3,108,677
2001	3,441,500
2002	3,660,600
2003	2,731,900
2004	3,685,300
2005	4,109,200
2006	4,413,470

2007		4,627,881
2008	Jan	308,403
	Feb	392,531
	Mar	344,072
	Apr	406,054
	May	362,594
	Jun	336,554
	Jul	399,116
	Aug	382,072
	Sep	361,284
	Oct	424,167
	Nov	n/a
	Dec	n/a
Total (1988 to Oct 2008)	Total in 2008	3,716,847
		50,746,693

Source: National Tourism Administration Of The People's Republic of China.

<http://www.cnta.com>

Unlike China's open attitudes towards Taiwanese visitors, the Taiwanese authorities still reinforce strict boarder control, allowing only a limited number of Chinese people to visit Taiwan. This is believed to be out of the concerns for

national security (Chang, 2005). From the latest data available from Tawian's Department of Statistics, Ministry of Finance that between 1989-2007, only 2,121,167 people from China were granted permission to enter the territory (see Table 7.4 below).

Table 7.4: The number of visitors from Mainland China to Taiwan (1989-2008)

Year	The number of visitors from Mainland China to Taiwan
1988	n/a
1989	1,261
1990	6,147
1991	10,158
1992	13,022
1993	55,438
1994	19,900
1995	46,176
1996	58,016
1997	72,346
1998	90,626
1999	119,931
2000	134,346
2001	134,345
2002	154,581

2003		137,595
2004		133,790
2005		186,544
2006		274,126
2007		279,751
2008	Jan	20,449
	Feb	23,143
	Mar	16,579
	Apr	18,668
	May	20,089
	Jun	19,792
	Jul	27,393
	Aug	25,686
	Sep	30,240
	Oct	33,036
	Nov	34,053
	Dec	n/a
Total (1988 to Oct 2008)	Total in	
	2008	269,128
		2,197,227

Source: National Tourism Administration Of The People's Republic of China .<http://www.cnta.com>

Such imbalanced phenomenon underwent significant change after the Three Link finally came to exist in December 2008. According to the latest statistics released by National Tourism Administration of the People's Republic of China, the fully open of Three Link, which results in more frequent scheduled flights and easier administrative procedure, has greatly stimulated Chinese tourists to visit Taiwan. During the Chinese New year holidays from 25th-31st January 2009, there were more than 13,000 Chinese tourists entered Taiwan (National Tourism Administration of the People's Republic of China, 2009; Guangzhou News Report, 2009). The number is approximately equal to the total number of all visitors from China in the whole year of 1992. It is believed that Taiwan Businessmen in the SC SREZ have played an important role in changing the political stance of Taiwan towards China which leads to the Three Link successfully came to exist. Sections for further discussion can be found later in this chapter.

As for the cross-strait commerce activities, the trade and investment volume between Taiwan and Mainland China are increasing year by year. For instance, during 1989-2005, the most rampant development time of the SC SREZ, Taiwan has increased its trade to China in terms of project numbers, contract numbers and capitals (see Table 7.5). According to the latest report revealed by Ministry of Commerce of the People's Republic of China on its websites, the total volume between these two economies amounted to US\$1,292.2 billion in 2008, out of which the Taiwan's export to Mainland China

hit US\$1,033.4 billion, while Taiwan's import from Mainland China hit US\$258.8 billion. (see Chart 7.4)

Table 7.5: Taiwan's Trade to China. (1989-2005) Unit: US\$10,000 dollar

Year	Number of Project		The amount of contract		The real Taiwanese capital		The average scale of project	
	Taiwan	The proportion in the whole country %	Taiwan	The proportion in the whole country %	Taiwan	The proportion in the whole country %	The real Taiwanese capital	The amount of contract
1989	539	9.33	43169	7.71	15479	4.56	28.72	80.09
1990	1103	15.17	88997	13.49	22240	6.38	20.16	80.69
1991	1735	13.37	138852	11.59	46641	10.68	26.88	80.03
1992	6430	13.19	554335	9.54	105050	9.54	16.34	86.21
1993	10948	13.12	996487	8.94	313859	11.41	28.67	91.02
1994	6247	13.14	539488	6.53	339104	10.04	54.28	86.36
1995	4847	13.1	584907	6.41	316155	8.43	65.23	120.67
1996	3184	12.97	514098	7.02	347484	8.33	109.13	161.46
1997	3014	14.35	281449	5.52	328939	7.27	109.14	93.38
1998	2970	15	298168	5.72	291521	6.41	98.16	100.39
1999	2499	14.77	337444	8.19	259870	6.45	103.99	135.03
2000	3108	13.91	404189	6.48	229628	5.64	73.88	130.05

2001	4214	16.12	691419	9.99	297994	6.36	70.72	164.08
2002	4853	14.2	674084	8.14	397064	7.53	81.82	138.9
2003	4495	10.94	855787	7.44	337724	6.31	75.13	190.39
2004	4002	9.17	930594	6.06	311749	5.14	77.9	232.53
2005	3907	8.88	1035825	5.48	215171	3.57	55.07	265.12

Source: Foreign Investment Research Department Ministry of Commerce of the People's Republic of China.

<http://big.nbfet.gov.cn/llyj/detail.phtml?newId=57357&big5=0>

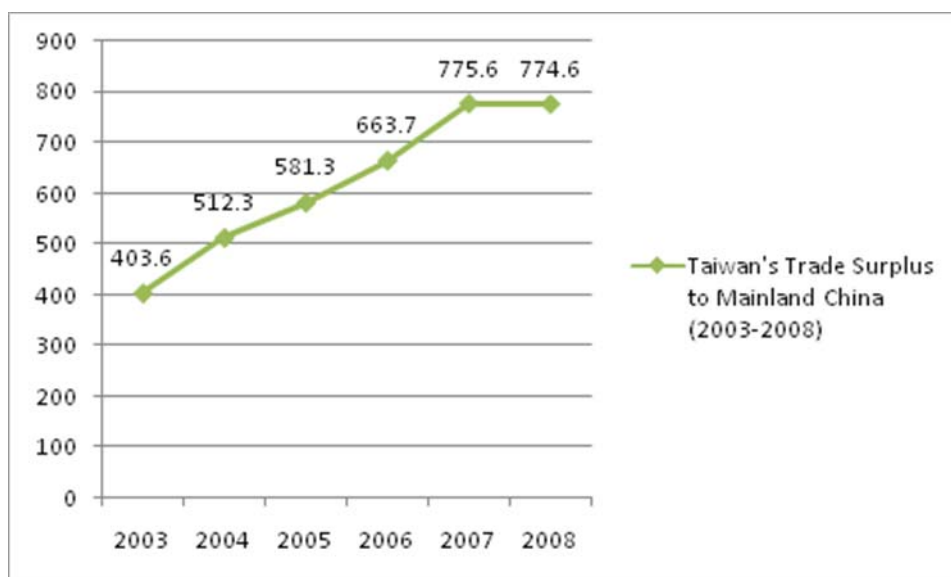
Chart 7.4: The Amount of Trade and Investment between Taiwan and Mainland China (2003-2008)



Source: Ministry of Commerce of the People's Republic of China <http://www.mofcom.gov.cn>

The fact that the total amount of trade and investment between Taiwan and Mainland China in 2008 has doubled since 2003 indicates that the cross-strait economic connection is getting stronger over the years. Interestingly, according to the latest report revealed by Ministry of Commerce of the People’s Republic of China, Taiwan has a sharp trade surplus to China every year from 2003 till 2008 without an exception. The tendency is plotted on Graph 7.2 below.

Graph 7.2: Taiwan’s trade surplus to China from 2003-2008

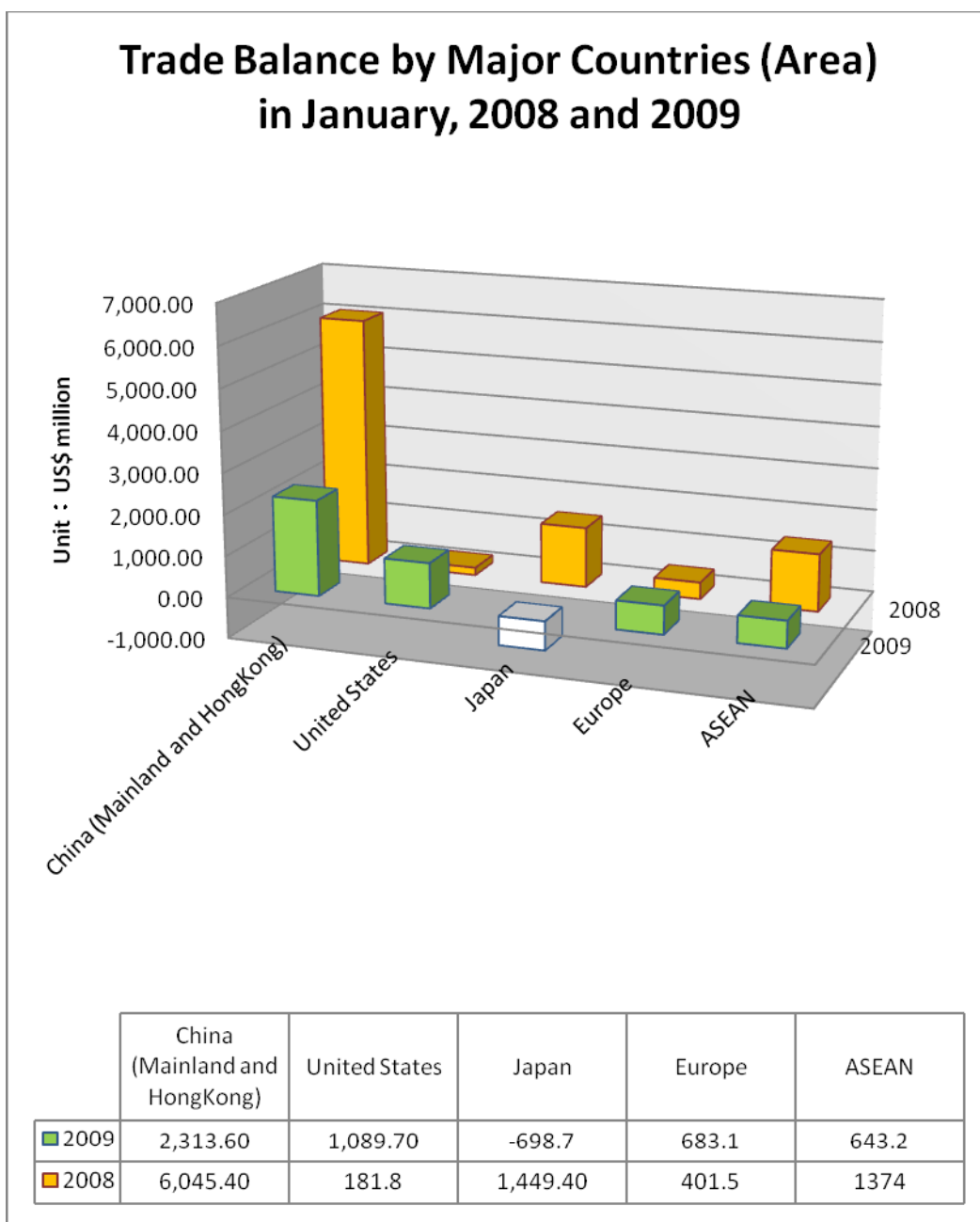


Source: Ministry of Commerce of the People's Republic of China <http://www.mofcom.gov.cn>

Up to now, Mainland China combined with Hong Kong area is Taiwan’s greatest export country (See Chart 7.5). Even though in January 2009, the total export number to these two areas amounted US\$3.71 million dollars represents a decrease of 58.6% compared to the figure for the same month of last year, the number is still nearly two times more than that of the United

states, Taiwan’s second major export country (See Chart 7.6). Moreover, China is also Taiwan’s greatest import country (See Chart 7.7).

Chart 7.5: The Trade Balance by Major Countries in January, 2008 and 2009



Source: Department of Statistics, Ministry of Finance, Taiwan.

<http://www.mof.gov.tw>

Chart 7.6: The Volume of Export by Major Countries (area) in January 2009

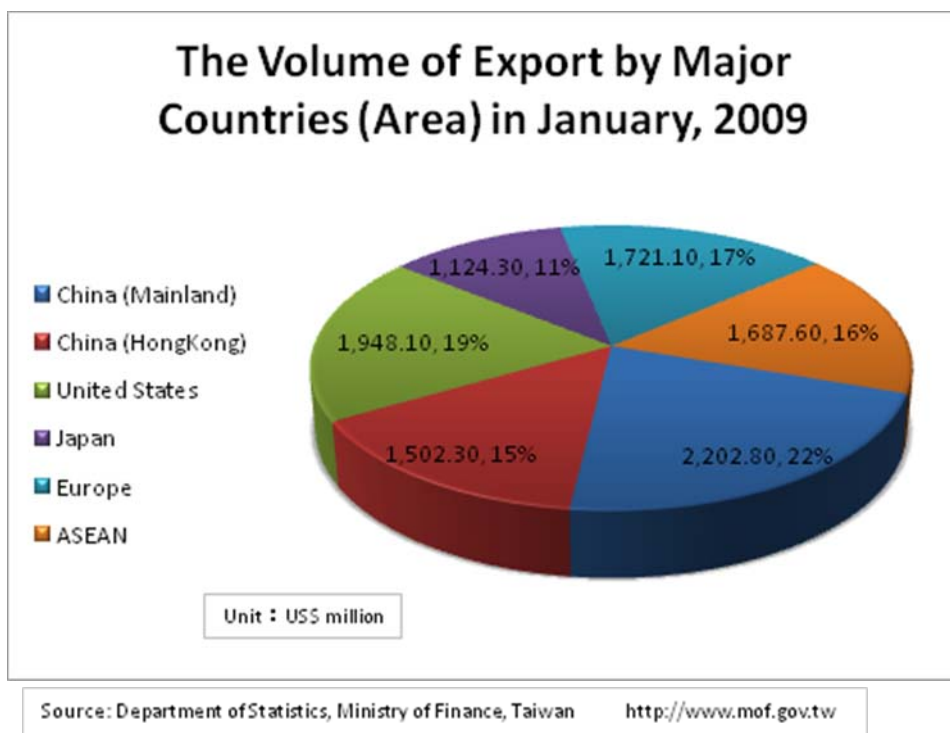
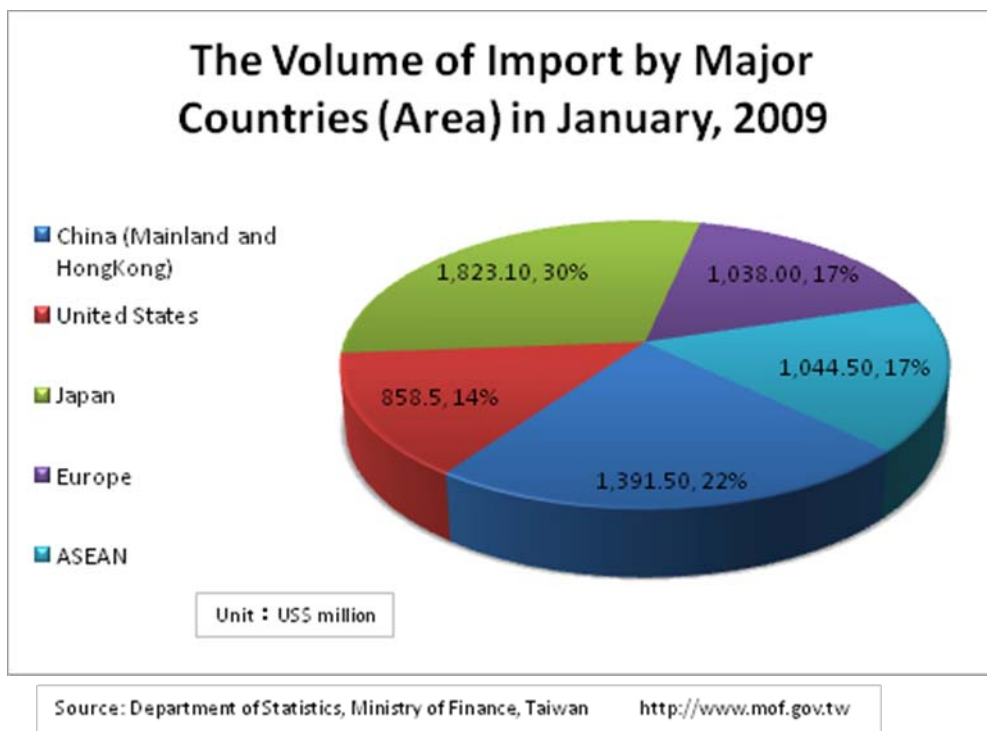


Chart 7.7: The Volume of Import by Major Countries (area) in January 2009



It has been clarified earlier that SC SREZ is the power pushing China's economic development. It has also been demonstrated that Guangdong Province is the lifeline to China's economy. But can such facts infer that Guangdong Province is crucial to Taiwan when China has just been proved above to be its weighting trade partner? Moreover, the fieldwork research in this chapter is designed to focus on the micro-regionalisation and micro-regionalism between Taiwan, Hong Kong and Guangdong Province. What is so significant about Guangdong Province?

Similar to SIJORI, Guangdong is where SC SREZ's physical area. The higher tier, Hong Kong and Taiwan, provide skill, knowledge, capital those "invisible resources" while Guangdong, especially the Pearl River Delta, provide land and labour those "visible resources". In other words, micro-regionalisation and micro-regionalism are mostly gathered especially at Guangdong Province. Thus provincial data is worth studying for the purpose of identifying whether it has generate spill over effect, resulting in expansion in geography, economics or politics after taking part in transnational sub-regional cooperation.

It is based on all the elements above that Guangdong, Hong Kong and Taiwan are therefore considered for further fieldwork research so they can reflect the detailed features of SC SREZ.

Current Formal and Informal Agreements between the SC SREZ members

The discussion in Chapter Three points out that Hong Kong, Taiwan and Guangdong all play different roles in the SC SREZ. Hong Kong and Taiwan, as the high tiers in the sub-regional cooperation, act as the capitals and technologies infuser; while Guangdong, as the low tier, acts as a cheap land and labour provider. In fact, the most active practice of SC SREZ in Guangdong is mainly within the Pearl River Delta region.

The so-called Pearl River Delta region is formed by nine main jurisdictions including Zhaoqing, Jiangmen, Foshan, Guangzhou, Dongguan, Zhongshan, Zhuhai, Shenzhen, and Huizhou (InvestHK, 2005:12-13) (See Map 5.1). During the initial stage of the SC SREZ, the population of the Pearl River Delta is about 67 Million which is 5.6% of the total population in China. However, it produces 9.1% of the national economic output value (Gong, 2001: 93). It is considered the most open area with the best constructed highway network in China.

Map 7.1: The Location of SC SREZ



Source: Directly quoted from InvestHK (2005) *The Greater Pearl River Delta*, p21.

Moreover, due to its natural connection with Hong Kong and Macao in terms of the location and the language, the Pearl River Delta is the area that has taken the best advantages of the foreign investment in light industries and traditional manufacturing industries. Gradually, a coalition is formed: Hong Kong, Macao and the Pearl River Delta are now known as the Greater Pearl River Delta region. And the most influential project for the Greater Pearl River Delta is CEPA. It is also the most important official agreement so far in the SC SREZ (InvestHK, 2005:4-13³).

³ InvestHK (2005) *The Greater Pearl River Delta*, Invest Hong Kong of the HKSAR Government.

CEPA has established a platform with the least barriers for Hong Kong and Guangdong to carry out sub-regional cooperation. However, there is no such formal agreement between Guangdong and Taiwan. Instead, during the time when Taiwan was ruled by Democratic Progressive Party, there was only KMT-CPC forum-- an informal “Talk” between China and Taiwan⁴. However, in the course of sub-regional cooperation, will working under the framework of an official agreement make a huge difference to the SREZ members? Moreover, can a formal agreement guarantee a wider cooperation or a deeper integration in the future?

Spots for Interview:

In order to answer all the questions that have been asked, a fieldwork research was designed to explore the SC SREZ case by looking at its operation details in three different city levels, from the local city (i.e. Dongguan), to the provincial city (i.e. Guangzhou), and then to the central cities (i.e. Beijing, Hong Kong, and Taiwan). It aims to examine the wrestling of micro-regionalisation and micro-regionalism in the SC SREZ through interviewing the officials, the businessmen, and scholars in these cities; and then to understand whether these two forces are working together or against each other.

As mentioned earlier, there are 9 cities included in the Pearl River Delta. Yet,

⁴ Please refer to Chapter Three for details.

Dongguan and Guangzhou can be seen as the representative cities in the SC SREZ. The importance of Guangzhou can easily be understood. It is the third largest economy in China after Shanghai and Beijing (InvestHK, 2005:78). Besides being the capital of Guangdong Province, Guangzhou is also the political, administrative and commercial centre of the province (Investment Guide to Guangdong, Department of Foreign Trade and Economic Cooperation of Guangdong, 2005). The HKSAR Government describes it “a leading hub for services in the Pearl River Delta region. In terms of output, Guangzhou’s foremost service sectors are transportation, storage, post and telecommunications, wholesale and retails, trade and catering services. Finance, insurance and real estate are also significant areas. Guangzhou, home of the world-renowned Canton Fair, is also a leading trade and distribution centre in the Chinese Mainland”. Hence, there is no doubt that Guangzhou is a representative city worth visiting for the purpose of exploring the SC SREZ.

Surprisingly, Dongguan was a nameless city before SC SREZ took shape. In Li’s words, Vice-director of Dongguan Taiwan Businessman Association, “it’s a miracle. Taiwan businessmen have infused life-force to this city” (Li, 2005). Dongguan was the first station for Taiwanese businessmen to gather. Even till today, it still has the greatest number of businesses. “We come here to enjoy the cheap land fare and labour force. Guangzhou may have the best infrastructure and other physical conditions in Guangdong; yet; it can’t offer the cheapest land fare and labour force. Besides, China is not a country fully ruled by law. It is ‘personal relations and connections’ rather than lawful principles that make

things happen,” said Chen, Wang, Lai, Chen, and Hsieh (2005). In the pre-probe interview designed for this chapter, all respondents either disagreed or strongly disagreed that the law system in China was transparent and in conformity with the law, and that officials all worked in conformity with a law. They also agreed or strongly agreed that in the course of investing in China, personal relations were more important, and could work more efficiently than laws.

“Personal relations are especially powerful in small cities. The more impoverished the city is, the more likely the officials would ‘cooperate’, in terms of satisfying our need in every aspect, if we offer something in return⁵. Therefore, we decided to create our ideal base. However, this ideal city cannot be too far from other main cities. Otherwise, it would be meaningless if the excess transportation cost cannot be covered by the profit we make” said Shen, the vice-chairman of Dongguan Taiwan Businessman Association (2005).

Under the criteria mentioned above, Dongguan appeared to meet all the requirements. A large group of Taiwan businessmen moved their factories here, and established the Taiwan Businessman Association (TBA). The city is located between Guangzhou and Shenzhen, the most important gateway to the outside. From Donggong, it takes 60 minutes by flight to reach Guangzhou and 45 minutes to reach Shenzhen. Besides, both goods and personnel can easily get access to other cities by car and train too (See Map 7.2). What worth noting is that Dongguang TBA is not only the first TBA in China; it is also the biggest one

⁵ Mr. Shen later agreed the “personal relations and connections” rather than lawful principles that makes things to happen” and “the more impoverished the city is, the more likely the officials would “cooperative” with us in terms of satisfying our need in every aspect when we can offer something nice in return” can be understood as bribing the officials.

to date (Li and Wong; 2005). Therefore, the information gathered in this city would be very helpful in terms of understanding the dynamics of the SC SREZ.

Map 7.2: The Distance between Main SC SREZ Cities in Guangdong Province



Source: Luo, H.J. (2006) “A Study on the Investment Risk in China and Promoting Taiwan Businessmen’s Rights and Interests”.p23.

In addition to visiting the local cities, the fieldwork research also designed to visit the central level governments in Beijing, Hong Kong and Taipei as the interaction between the central and the local governments as well as that between the central governments and the businessmen may affect the progress of SC SREZ. Therefore, it is important to understand the central governments’ stance and to explore how their responding policies stimulate the SC SREZ.

Micro-regionalism vs. Micro-regionalisation.

(1) The Pre-probe interview

The purpose of this section is to explore what is happening in the SC SREZ. How does the force of micro-regionalism and micro-regionalisation work in different city levels in the SC SREZ? Which level in the SC SREZ is more dynamic? What is the key force for the SC SREZ's expansion? Since the forming of a SREZ is mostly driven by the force of businessmen, a pre-probe interview was prepared for the Taiwan Businessmen to take in order to gain a full picture of the past and the present of SC SREZ. Followed by the findings revealed from the pre-probe interview, the deep interview method was conducted to explore the dynamics in different city levels of the SC SREZ.

The list of questions is divided into three main parts:

1. An open question with 13 reference options provided for the pre-probe interview takers to give preferences of the reasons why they are willing to invest in the SC SREZ.
2. 48 questions about their actual operation.
3. 21 questions about how different policies and laws affect their investment in China. Participants can choose from five options: strongly disagree, disagree, no comment, agree, to strongly agree.

17 Taiwan businessmen agreed to take the questions. These participants were either owners or executives of various enterprises. The first common thing among them was that none of them was willing to reveal their personal

information. In addition, “I only care if I can make money here” and “I do not want to be labelled as an activist” were the top two answers when being asked if there was any special concern or worry in mind. Moreover, in the first part of the pre-probe interview, these 17 people were asked to give prioritise the reasons that attracted them to go investing in the SC SREZ. Although it was an open question, 13 possible reasons that were brought up before by other scholars were provided as reference options. They are as follows:

1. cheap labour force;
2. same language;
3. similar cultural backgrounds;
4. cheap land;
5. vast market;
6. good hardware;
7. high labour quality;
8. good infrastructures;
9. convenient transportation;
10. sufficient raw materials;
11. geographically close to Taiwan;
12. higher or lower tier co-operative enterprises moving to China;
13. China government’s preferential investment policies.

Interestingly, all the participants shared similarities in their top five priorities: cheap labour force, same language, cheap land, higher or lower tier co-operative enterprises moving to China, and China government’s preferential investment policies. Moreover, cheap labour force appeared to be the number one

concern for all the participants to start their business in the SC SREZ. Hence, it can be understood that the emergence of SC SREZ was purely for the purpose of seeking the greatest economic interests. No political concern was ever involved in businessmen's decision-making of investing in the SC SREZ. Such findings happened to support scholars' concept of sub-regional cooperation discussed in previous chapters that the emergence a SREZ was a spontaneous process undertaken by non-state actors for the exchange of resources. The main concern for participants was to exploit others' complimentary resources according to self-insufficiency and comparative advantages (Smouts, 1998: 38; Chia and Lee, 1994; and Rosenau, 1995:25-26). In other words, the emergence of SC SREZ was based on traditional understanding and the model of sub-regional cooperation. However, scholars such as Peng (2002: 638) has furthermore pointed out that a SREZ could be a major mean of economic integration as it took less time and costs to establish a sub-regional economic zone than to build up a regional economic bloc. Moreover, "it is capable of keeping East Asia competitive in response to global transformation without high-level political commitment and institutional arrangements", said Peng (2002:638). Therefore, one of the contributions that the SC SREZ fieldwork research could make was to find out whether scholars' words hold true in a real sub-regional cooperation project.

The second part of the pre-probe interviews was for the participants to estimate their current business operation, satisfaction over the sub-regional cooperation, and the relationship with the local people and the governments in both China and Taiwan. 12 out of 17 participants indicated that they were

encouraged or invited by others who had already invested in the SC SREZ. 16 participants admitted they attended TBA's activities on a regular basis. However, the intention was merely for social intercourse. They rarely had business cooperation with other Taiwan businessmen.

Amongst the pre-probe interview takers, 16 participants believed it was more difficult to run the business in China than in Taiwan. 6 participants had even considered to invest in other countries such as Vietnam, India and etc. However, there was no obvious common consensus in how to reduce the investment risk in the SC SREZ. There were 5 sequential questions covering the possible solutions for reducing the investment risk in SC SREZ such as operating a joint venture with other Taiwan businessmen, local enterprises, or enterprises from the third country; or investing on other foreign enterprises. Nevertheless, none of those solutions had gained more than half of the vote.

As for the satisfaction of the sub-regional cooperation and the relationship with the local people and the governments in both China and Taiwan, 15 out of 17 participants claimed they were satisfied with the infrastructures and the public facilities in China. More than half of the participants ticked yes to the questions if they were willing to expand their investment and if they had transfer some professional technologies and equipment to their local factories and employees. In fact, half of all participants asserted that they were willing to expand their investment but only in terms of infusing more capital. Instead of operating the business themselves, they actually preferred to hand over the management to the employees. These results are very interesting contradictions to the following

questions about the satisfaction at the local people and officials.

In fact, all participants answered that they were very much respected by the local people and officials. 12 out of 17 participants even admitted they had received courteous treatment because of their Taiwan businessmen identity. Only 4 participants claimed being discriminated by the local people in their work or during their daily life. Besides, all the participants ticked yes to the questions of if they were interested in getting to know better about the thought of the local people and government officers. Even in a more practical question about if they were willing to carry out culture exchange with the local people or to get involved in the local society outside the working hours, 15 out of 17 participants still ticked yes. However, when being asked if they trusted their local Chinese-nationality employees, none of them ticked yes. Moreover, none of them ticked yes to the questions about if they felt pleased about the leisure time in China, or if they trusted China's medical systems and skills, or if they had confidence in children attending China's educational institutes. In short, Taiwan businessmen engaged in the SC SREZ appeared to have very low satisfaction to the people and the affairs in the area.

These Taiwan businessmen on one hand expressed the desire wanting to know better about the people and the affairs in the SC SREZ; on the other hand, most of them refused to integrate into the society. Another example about the low satisfaction Taiwan businessmen have to the life in the SC SREZ is the contradiction that all of the respondents asserted that they did not trust their Chinese-nationality employees; yet, a high percentage of them would still have

their business managed by their Chinese-nationality employees rather than by their own when talking about expanding the enterprises in the future so that they would not necessarily need to live in the SC SREZ on a long-term basis. Can it be understood as businessmen practically focus only on economic issues related to make the best profit from the investing in the SC SREZ but apart from that, they are not concerned about other issues?

The pre-probe interview then went on asking the 17 participants for their viewpoints on four influential laws enacted by China and Taiwan, which were as follows:

1. Law of the Peoples Republic of China on Protection of Investment by Compatriots from Taiwan, enacted by China;
2. Rules for Implementation of the Law of the Peoples Republic of China on Protection of Investments by Taiwan Compatriots; enacted by China.
3. Cross-strait Peace Promotion Law, enacted by Taiwan;
4. Anti-secession Law, enacted by China.

Interviewees including Liu, China's Ex-Director of Economic Bureau, Taiwan Affairs Office of the State Council; Li, China's Deputy Director of the Economic Department, Provincial Taiwan Affairs Office; Li, Associate Professor of Institute of Taiwan Studies, School of Public Policy and Management, Tsinghua University in Beijing; Huang, Taiwan's Executive Secretary of Investment Commission, Ministry of Economic Affairs; and Lee, Officer of Department of Economic and Trade Service, Straight Exchange Foundation of Taiwan, all claimed that these four laws, with strong economic and political

conviction would have greater influence on Taiwan businessman than on other ordinary people. However, during the pre-probe interview, no participants gave a confirmed yes or no answer to the question that Law of the Peoples Republic of China on Protection of Investment by Compatriots from Taiwan, and Rules for Implementation of the Law of the Peoples Republic of China on Protection of Investments by Taiwan Compatriots were very practical or effective to their investment in SC SREZ. 13 of them claimed they did not know about these two laws while 4 of them ticked “no comment” to the question. Also, 15 participants claimed they did not know about the passage of Cross-strait Peace Promotion Law. Only 2 of them believed it would enhance their investment interests but would not increase the confrontation between the people or the governments across the Taiwan Strait.

The only question that had gathered a common consensus from the participants is that all of them denied that Anti-secession Law had affected their business, profits or life in SC SREZ. This is a notable finding as it was discussed in Chapter Three that some scholars such as Lai (2005: 34) indicated the approving the Anti-Secession Law in March 2005 would change the current cross-strait political relations and might directly or indirectly affect the economic dynamics in the SC SREZ. Nevertheless, these who are engaged in the economic activities in the SC SREZ have given an affirmed answer that such speculation is not true.

It seems that Taiwan businessmen who invest in the SC SREZ are ignorant of

the policies or the political stands advocated by the authorities across the Taiwan Strait. Are they meant to keep a distance from the cross-strait political tension? Would such ignorant attitudes towards cross-strait relations affect their business operation in SC SREZ? All pre-probe interview participants claimed that they were very much willing to communicate and exchange opinions with both governments across the strait, but the fact was no consultation from either governments or private sectors was ever involved in their investment in SC SREZ. All the participants declared they had never sought help from the Taiwan authorities. Besides, only 3 among the 17 pre-probe interview takers had turned to Taiwan Affairs Office in China. This is such a great irony to what Mr. Liu, the Ex-Director of Economic Bureau, Taiwan Affairs Office of the State Council, and also the Director of Institute of Taiwan Studies from Tsinghua University emphasised: “Taiwan Affairs Office is the front line offering the best help and protection to Taiwanese” (Liu, 2005). Another irony that can be found is in the next question that all participants also answered no comment to the statement that “The protection and welfare that the China has promised to the investors are trustworthy”. In fact, only 4 out of 17 participants agreed to the statement that “Taiwan Affairs Office could provide great help and protection to my personal safety and my enterprises” while the rest 13 participants put down no comment.

It may appear in the pre-probe interview that the governments are not very much involved in the businessmen’s investment in SC SREZ. But to what extent would political factors affect the economic activities in the SC SREZ? How do these private businessmen estimate the influence that political tension between the governments, either between the local authorities and central governments in

China or between China and Taiwan, would be projected on their investment in the SC SREZ? What are their opinions about how economic connections could change the dynamics of the political relations between China and Taiwan? Surprisingly, the pre-probe interview participants had achieved a 100% consensus on those political economy issues. All the participants strongly agreed to the following statements:

1. The changing of the cross-strait relations would increase/decrease my benefits and development in the SC SREZ”.
2. The stability of the cross-strait relations would affect my will of expanding the investment in the SC SREZ”.
3. The economic relations between China and Taiwan are complementary relations. Taiwan businessmen’s investment in China would promote the economic progression for both China and Taiwan.

Moreover, the pre-probe interview takers also showed a high level of consensus on the following two questions:

1. They agreed or strongly agreed that “China’s development and progression conform to its self-declaration of ‘Peace Rising’, which is contributive to stabilising the cross-strait relations as well as promoting cross-strait cooperation”.
2. They disagreed or strongly disagreed that “China being a developed country would impede Taiwan’s development and status in the international society.”

In fact, these participants, who are heavily involved in sub-regional cooperation in the SC SREZ, believed that Taiwan engaged cross-strait economic

affairs with political ideology; while China on the contrary held “more economic support, less politics involved” attitudes towards Taiwan businessmen investing in China. They also strongly disagreed on the statement that “Taiwan businessmen’s investment in China have boosted its economic development but lowered Taiwan’s economic power”. This comes as a relief and even encouragement to the cross-strait authorities, especially Taiwan: it gives more growing space to the SC SREZ that even they are political rivals but sub-regional cooperation could still bring a win-win result to both parties.

Based on the opinions gathered from the pre-probe interviews, an in-depth interview was then conducted in Dongguang, Guangzhou, Beijing, Hong Kong, and Taipei for further exploration to dig out the reasons that can explain not just what is happening in the SC SREZ but also why it is happening and how it could affect the future development of the sub-regional cooperation.

(2) Examining micro-regionalism and micro-regionalisation in Dongguan.

It was mentioned earlier in this chapter that Dongguang TBA was the first TBA in China. What is worth noting is that the establishment of Dongguang TBA was purely the efforts of private sectors. Although it was neither funded nor advocated by any official department, it was and it is still the greatest and the most active TBA in China. Mr. Li, the Vice-director of Dongguan TBA, points out that there are more than 6,000 Taiwan enterprises in Dongguan and

3,600 of them have joined the TBA. With this significant number of members, Dongguan TBA's has surpassed all other TBAs in scale (Li, 2005). The close relationship that Dongguan TBA manages to keep with the local government is also more significant in comparison to other TBAs. Moreover, the power of personal relations and connections mentioned above is strongly reflected in Dongguan that its TBA members have astonishing political influence. One example is that Mr. Chang. H.W., Chairman of National Taiwan Businessman Service Centre, could make direct contact with Hu, Jing-tao, Premier of China, to express and exchange opinions about cross-strait economic and political affairs.

“The authorities in China used to have a very wrong idea about how Taiwanese feel about them. For example, it is not their political culture to “show off” in the election. The head of China cannot understand 80% of what is said during Taiwan's election is just for catching media's attention. Candidates mean to do something extreme so they can be put under the spotlight and would be known by the people. A very rough but effective trick is to drag in the independency issue. However, those who grab the microphone cannot represent the majority of Taiwanese' feelings about China. Too bad that in the past, China took those extreme politicians' words so seriously that they over-reacted in serious military actions such as missiles targeted at Taiwan to reaffirm their One China stand. This is so unnecessary. All the tension was caused by misunderstanding. Therefore, Taiwan businessmen are a good channel to clarify the real political situation in Taiwan to China,” said Mr. Chang, H.W (2005).

However, is it just China that misunderstands Taiwan? Is there a mutual

misunderstanding between the two regimes? When the politicians in Taiwan condemn that China should not threaten the island with missiles, businessmen have brought up a different opinion that those missiles deployed along the coast are a warning to the United States but not to Taiwan. “If China means to strike Taiwan, they only need one missile,” said Chien (2005) a senior Taiwan businessman in SC SREZ whose family members hold important political positions in Taiwan. Other businessmen also claim that generally speaking, the experiences they have encountered with the officials in China are not quite the same as they have imagined previously when they were in Taiwan.

However, do Taiwanese businessmen succeed in helping the two regimes build up a correct understanding of each other? Other than economic power, do they possess political influence as well? Is it “an alternative track” for cross-strait communication? A significant event is that during Taiwan’s Presidential election, a group of Taiwanese businessmen had publicly held fund raising meal in China to support Ma, Ying-jiu’s Presidential campaign. Such a high profile activity was approved by the authorities in China. These who are very much involved in “political lobbying” share a common character-- most of them are the offspring of those who retreated to Taiwanese during the civil war. They still hold a great affection for China-- their nominal homeland. Therefore, pushing Ma, Ying-jiu, whose political stands are accepted by China on stage on the one hand could achieve their dream of cross-strait unification, and on the other hand could create a peaceful environment beneficial for their wider and deeper economic activities (Yao and Liang, 2005).

It seems like these politically ambitious businessmen have successfully transformed their economic influence into political power. Nevertheless, Keng (2005), during the interview, commented that these Taiwanese businessmen were “hijacked” by China as they were used to manipulate the domestic politics in Taiwan to meet China’s need. In his article he describes it a “symbiosis” relationship that Taiwanese businessmen has actually become the junior partners of the local governments (Keng, 2005: 128). “You cannot be sure if their every single move is with a motive of assimilation or not. Hence, I would rather keep my contact with the officials to the lowest frequency” said Mrs Hsieh, expressing her concerns about the authorities of China (Hsieh, 2005). In fact, other than administrative procedure, most of Taiwan’s businessmen have not had interaction with either side of governments in their process of investing in SC SREZ. Unlike those whose forefathers were from China, this group of Taiwanese businessmen do not have a strong affection for China. Their moving to the SC SREZ is purely for the economic reasons and they are very careful to prevent any possibility of being labelled as either “green businessmen” or “blue businessman” (Chang, Lin, Yeh, Chen, 2005)⁶. “The less politics involved, the more business we can do,” said Sin (2005).

So what is the extent of involvement from the local authorities in the SC SREZ? And what are their expectations of Taiwanese businessmen, given that most of them wishes to keep a safe boundary with the authorities? Li (2005), vice-director of Doungguan TBA pointed out that more than 100 thousand Taiwan businessmen and their families had settled in Dongguan. Their living

⁶ The colour green represents the political stand of seeking Taiwan’s independency while blue represents the political stands of seeking Taiwan’s reunification with china.

issues, especially medical and educational problems, cannot be ignored. However, the procedure of applying to set up Taiwan Businessmen Hospital and Taiwan Businessmen School were more difficult than they could have expected. “Take Taiwan Businessman School as an instance, it took four years for the authorities to approve the proposal. The main argument was that the central government in China had to examine the contents of the materials and the ideology advocated in the textbooks first. It was not just education, it was also politics” said Li, the vice-director of Dongguan TBA (2005).

The low flexibility can be seen on other administrative departments in the governments too. Some Taiwanese businessmen also asserted that except the economic promoting department, most administrative departments in the governments could be quite picky and demanding (Lin, Yeh, Fan, 2005). “Customhouse is the worse one. At least 50 % of Dongguan TBA members had experienced goods detained in the customhouse for no reason,” said Miss Lin (2005). Huang (2005), officer of Economic Department, Dongguan City Taiwan Affairs Office also admitted the fact that different departments worked on their own pace and had very little communications between each other. Hence, one very important task of Taiwan Affairs Office was to co-ordinate and bring reconciliation not only between Taiwanese businessmen and the government departments but also between different government departments.

Chien (2005), one of the earliest who invested in the SC SREZ, analysed the relationship between businessmen and the local governments: “it could not be easier to obtain the land we needed when we first went to the SC SREZ. The area

was so poor that the governments would be glad to approve any land we requested. They gave us all kinds of permission to use the land, and we took the responsibility to work out the infrastructures and create the job opportunities for the local people. In other words, it was our efforts that developed the city. As in return, we enjoyed lots of preferential treatment and free space compared to other foreign investors”.

Nevertheless, those preferential treatment and free space have been reduced over the years after the city became more and more developed. The governments are now looking at more than just short-term economic interests brought in by the traditional industries. They now also consider to control the bad consequence such as power supply shortage, drainage failure, environment pollution which were also brought about by the traditional industries. Besides, different cities are now competing with each others in terms of economic and political influences. The governments are now more interested in recruiting high technology enterprises to upgrade their economic structure. As a result, bureaucracy has been built and entry for Taiwanese businessmen to invest in the area is getting difficult. Such phenomenon is even more oblivious in Guangzhou (Dai, Shaw, Fan, and Shao, 2005).

(3) Examining micro-regionalism and micro-regionalisation in Guangzhou.

Guangzhou is the capital of Guangdong province. If Dongguan TBA is the local representative institute for Dongguan Taiwanese businessmen in the local city,

Taiwanese Business Centre (TBC) created in 2005 would be the highest representative institute for Taiwanese businessmen in China. And the fact that it was established in Guangdong Province but not in other province once again proves the importance of SC SREZ in the history of Taiwanese businessmen investing in China (Chang, 2005). “Our services for Taiwanese businessmen cover greatly not just commerce or trade affairs, but also cultural exchange, information collecting and solving living problems amongst other things,” introduced by Mr. Shen, Director of TBC (2005). In short, there are three main tasks for Guangdong TBC to carry out: firstly, TBC acts as a co-ordinator to bring together all TBAs in Guangdong Province. Secondly, TBC is the correspondent agency to Guangdong Provincial Taiwan Affairs Office. Thirdly, whilst TBAs provide service to their members only; Guangdong TBC is set to serve all Taiwanese businessmen in Guangdong Province. “For example, when the local protectionism in Guangdong has crossed the line and hurt Taiwanese businessmen’s interests, our despondence is to appeal to the central government and express our opinions for their references to amend the policy,” Mr. Lu, the vice executive of TBC explained (2005).

TBC may have set ambitious plans in the first place; nevertheless, it is considered failure in both serving the Taiwanese enterprises and making connection with the governments in China, said Mr. Chen, vice director of Department of Economic and Trade Service, Straight Exchange Foundation (2005). As mentioned earlier, seeking for personal connection to sort out problems usually works more efficiently than following laws and regulations. According to Straight Exchange Foundation (SEF), there are 105 TBAs all over

China. However, Dongguan TBA is the most important one among them all. Dongguan TBA, owning the greatest cluster of Taiwanese businessmen not just in SC SREZ but also in whole China, has developed strong connections with the governments in different governmental levels. It could easily take over Guangzhou TBC's job and work even better than TBC (Chen, 2005).

Is TBC good for nothing? In fact, it works well in terms of being the provincial communication platform for the Guangzhou local government and Guangdong provincial, and Taiwan enterprises. "A very successful achievement they have made is the cooperation of setting up shoe-making vocational schools to create education opportunities for the local youth as well as to provide Taiwan shoe-making enterprises with skilled labour," said Liang (2005), President of Guangdong Province Technician College, Guangzhou Campus. This is a very practical project that Taiwanese businessmen have figured out to support their enterprises. And with all benefits it could bring to the area, the authorities did not wait for long to approve the application (Lu, 2005).

(4) Examining the central level government force in China

Although there is a certain group of businessmen that has turned their economic power into political influence, both the result of the pre-probe interview and the in-depth interviews show a tendency that most Taiwanese businessmen believe the less involvement they have with the authorities and other investors, the less trouble they could get themselves in. It cannot be denied that the Taiwanese

businessmen are very independent in running their enterprises in the SC SREZ. And during the process of SC SREZ development, the local governments hold the attitudes of minimising the official intervention in the operation of the sub-regional cooperation. So what are the guidelines for the governments to follow in coping with sub-regional cooperation in SC SREZ?

Liu, Z..T., Professor and Director of Institute of Taiwan Studies from Tsinghua University and also ex-Director of Economic Bureau, Taiwan Affairs Office of the State Council, addressed that “One China” principle was the one and only principle for the cross-strait economic affairs. “All economic activities in the SC SREZ would be respected as long as they conformed to this principle,” Liu claimed (2005). The economic profits Taiwanese businessmen have made are believed an important force for the local development. In addition to that, economic interdependency could help smooth the cross-strait relations. Therefore, in 1994 the central government enacted an important policy granting Taiwanese enterprises the priority to invest in China while competing with other foreign investors with similar conditions. Such policy has increased the competitiveness of Taiwanese businessmen to become the major beneficiary in the SC SREZ (Li, and Zhang, 2005).

Moreover, under the “One China” framework, the central government has enacted Law of the Peoples Republic of China on Protection of Investment by Taiwan Compatriots and Rules for Implementation of the Law of the Peoples Republic of China on Protection of Investments by Taiwan Compatriots as the main guidelines for the local governments to follow while coping with

Taiwanese businessmen related issues in the SC SREZ. Liu furthermore emphasised that “One China Principle in cross-strait economic affairs is a principle to be understood but not to be advocated publicly”. In other words, it is the official stand not to drag in political issues but to keep SC SREZ to its economic co-operative nature (Liu, 2005).

In response to the central government, both economic departments in Guangzhou and Dongguan confirmed that under the framework of these main principles, the local governments had sufficient flexibility to make their own decisions on the sub-regional cooperation matters related to Taiwanese businessmen. However, what about the other major participant, Hong Kong? How are the relationships between the Hong Kong government and local governments in the SC SREZ, and between Hong Kong enterprises and Taiwanese enterprises?

(5) Examining the central level government force in Hong Kong

Being one of the most economically liberal economies in the world, the Hong Kong authorities adopt non-interference policy in the SC SREZ project. With the reputation of having the best investing information provided in Asia, Hong Kong Trade Development Council (HKTDC) has limited its role as an information provider and a consultant to the private sectors who are interested in taking part in the SC SREZ. “Instead of directly negotiating with the Chinese authorities, HKTDC gives advices only and refers clients to other departments or even

lawyers to sort out the disputes regarding to investments in the SC SREZ themselves,” said Mr. Cheng (2005), Information Officer of Hong Kong Trade Development Council.

Unlike Hong Kong taking a “sit back” attitude, Guangdong province is more actively in recruiting more Hong Kong businessmen to participate in the sub-regional cooperation in the SC SREZ. In order to provide instant advice, the Department of Foreign Trade and Economic Cooperation of Guangdong even assign a representative, Mr. Chen, L.H. stationing at HKTDC. According to Chen (2005), the intensive economic connection between Hong Kong and Guangdong is not a product pushed by the governments. “It was the geographical proximity and the same cultural backgrounds that made Hong Kong businessman the first and the major cluster participated in the SC SREZ project. Even now, 70%-80% of Guangdong’s FDI still comes from Hong Kong,” said Chen, China Business Advisor Representative, Department of Foreign Trade and Economic Cooperation of Guangdong (2005).

However, would Hong Kong businessmen clash with Taiwanese businessmen in the SC SREZ? The fact is that the nature of Hong Kong enterprises and Taiwanese enterprises are different in the first place. Hong Kong businessmen focus on developing service industries while Taiwanese businessmen concentrate on operating traditional industries. In other words, there is no economic competition or confrontation between Hong Kong businessmen and Taiwan businessmen. For the same reason, there is no cooperation between Hong Kong businessmen and Taiwanese businessmen either (Yao, Guo, Zhang,

and Cheng, 2005).

In addition to that, Wu, Associate professor of Institute of Taiwan Studies, School of Public Policy and Management from Tsinghua University believes that it is a good thing that Hong Kong takes part in CEPA. With Hong Kong's sufficient capital, experienced personnel and high technologies, CEPA can stimulate SC SREZ to becoming an even more competitive project in comparison to other SREZs in China. Taiwanese businessmen can therefore enjoy the benefits as well (Wu, 2005).

(6) Examining the central level government force in Taiwan

Differ from Hong Kong taking a loose control or China promoting SC SREZ, Taiwan seems to be more conservative in embracing the sub-regional cooperation with Guangdong and Fujian. In fact, most Taiwan businessmen revealed in the pre-probe interviews or the in-depth interviews that Taiwan tends to treat SC SREZ as an extended cross-strait political relations rather than simple economic affairs. However, the authorities are also aware of the fact the number of industries moving to China either legally or illegally has been raising with the years. "The government may insist on making no contact with the other side government, but they cannot turn a blind eye to the fact that enterprises keep moving to the SC SREZ. Something must be done to manage it or they would just lose the control over our accurate economic situation in the end," Mr. Xu, , the business consultant addressed (2005).

As a result, the authorities in Taiwan had given three opportunities for those who illegally invested in China to turn themselves in without bearing any legal consequences. “The purpose is to sufficiently control the exact number of businessmen in China so that we can work out plans to take better care of their need,” said Mr. Chen (2005), the Vice Director of the Department of Economic and Trade Service, Strait Exchange Foundation.

Since Taiwan authorities used to make no official contact with China, the Strait Exchanges Foundation in Taiwan was then considered as the special communication channel, dealing especially with Taiwan businessmen investing in China. Many businessmen point out that with deeper and wider involvement in the SC SREZ, they have encountered more disputes with the local people than before (Hsieh, Huang, Fan, Liu, and Chen, 2005). According to SEF’s records, it shows that Taiwanese businessmen indeed have suffered from more trade disputes and personal safety threats now than 10 years ago (See Table 5.6 and Table 5.7 for accurate number). “We do not have an official representative from the government to protect us. But at least we have well-functioned SEF to help us. Even though it is a private organisation, it is accepted and respected by the central government in China. And that makes the difference,” said Mr. Sin (2005).

**Table 7.6: Record of Significant Economic and Trade Dispute Cases Solved
by SEF from 1980 to January 2009**

Year	Type Personal Safety	Property		Total
		Complaints made by Taiwan	Complaints made by Mainland China	
1991	0	13	0	13
1992	2	23	0	25
1993	17	57	4	78
1994	30	40	4	74
1995	41	43	14	98
1996	36	25	9	70
1997	35	22	13	70
1998	64	48	15	127
1999	58	35	3	96
2000	51	31	1	83
2001	67	36	1	104
2002	91	43	1	135
2003	107	32	3	142
2004	124	27	3	154
2005	133	54	5	192
2006	197	85	8	290
2007	249	42	0	291

2008	312	221	9	542
Jan. 2009	15	28	0	43
Total	1629	905	93	2627

Source: Straight Exchange Fund. <http://www.sef.org.tw/>

**Table 7.7: Record of Significant Cases Regarding Taiwan Businessmen
Personal Safety (1991- January 2009)**

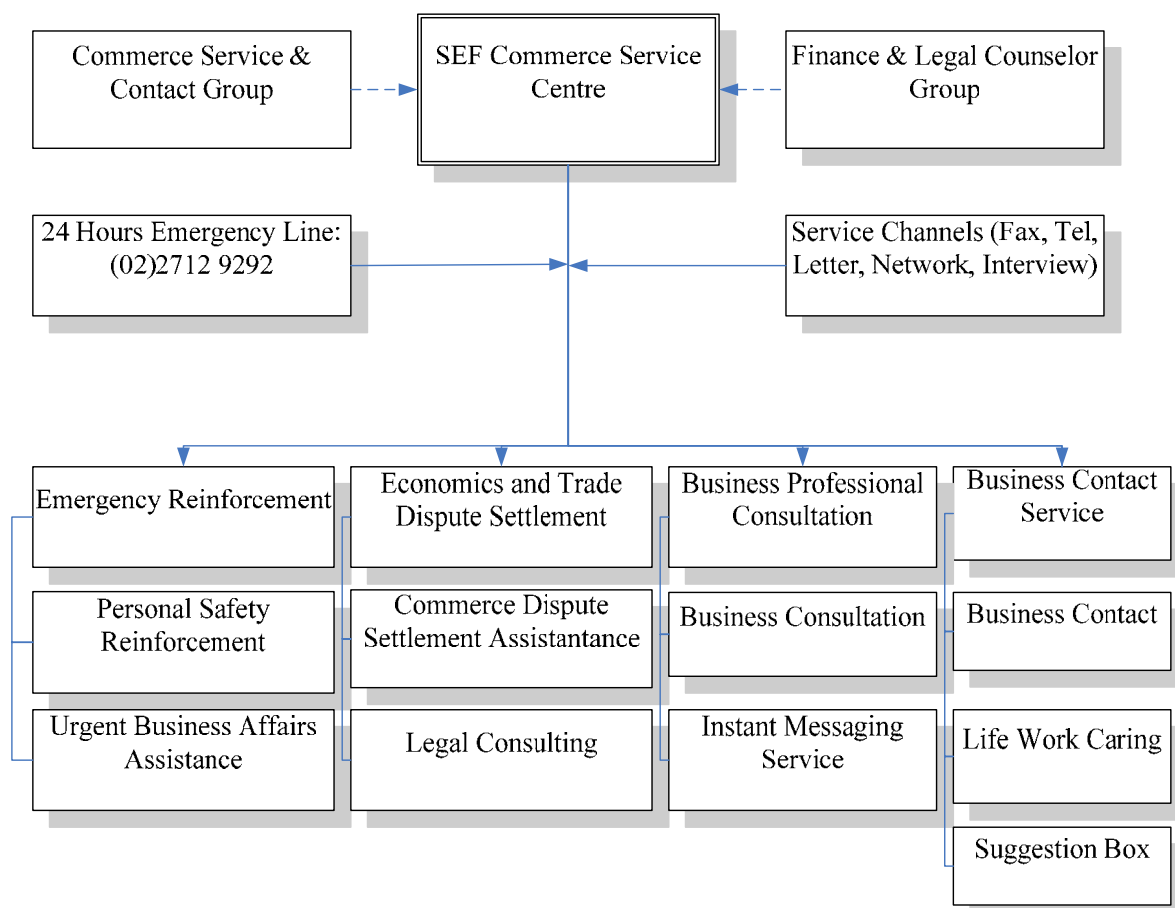
Type Year	Murdered	Death from Accident or Illness	Accidental Injury and Hospitalized	Robbery, Threaten, Harm and Blackmail	Kidnap and False Imprisonment	Illegal Restriction of Personal Freedom	Disappear	Other	Total
1991	0	0	0	0	0	0	0	0	0
1992	0	0	0	0	1	0	0	1	2
1993	1	0	0	9	2	2	1	2	17
1994	5	1	0	13	4	3	3	1	30
1995	6	2	0	14	6	12	1	0	41
1996	2	0	0	1	7	16	7	3	36
1997	5	2	0	5	4	9	9	1	35
1998	13	2	0	6	8	17	12	6	64
1999	9	3	0	12	4	17	11	2	58
2000	6	2	0	5	4	20	14	0	51
2001	5	7	1	5	5	26	15	3	67
2002	5	12	3	3	1	35	26	6	91
2003	7	11	5	7	5	21	34	17	107
2004	8	13	10	2	6	38	37	10	124
2005	10	21	8	5	5	43	24	17	133
2006	10	30	19	7	11	64	19	37	197
2007	3	57	61	4	8	33	31	52	249
2008	4	27	40	12	11	83	56	79	312
Jan. 2009	0	1	0	1	0	4	6	3	15
Total	99	191	147	111	92	443	306	240	1829

Source: Straight Exchange Fund. <http://www.sef.org.tw/>

In order to well-integrate resources from the government and the private sectors, and to provide the best aids to the Taiwan businessmen; SEF has set up a Taiwan Businessmen Centre covering four main matters that Taiwanese

businessmen care about the most: personal safety, commerce dispute, business consultation, and business contact service (See Chart 7.8). Yang comments that with the intensive cross-strait economic activities, SEF has succeeded in being a business financial and legal consulting team for Taiwanese business to invest in China (Yang, 2005: 60-61).

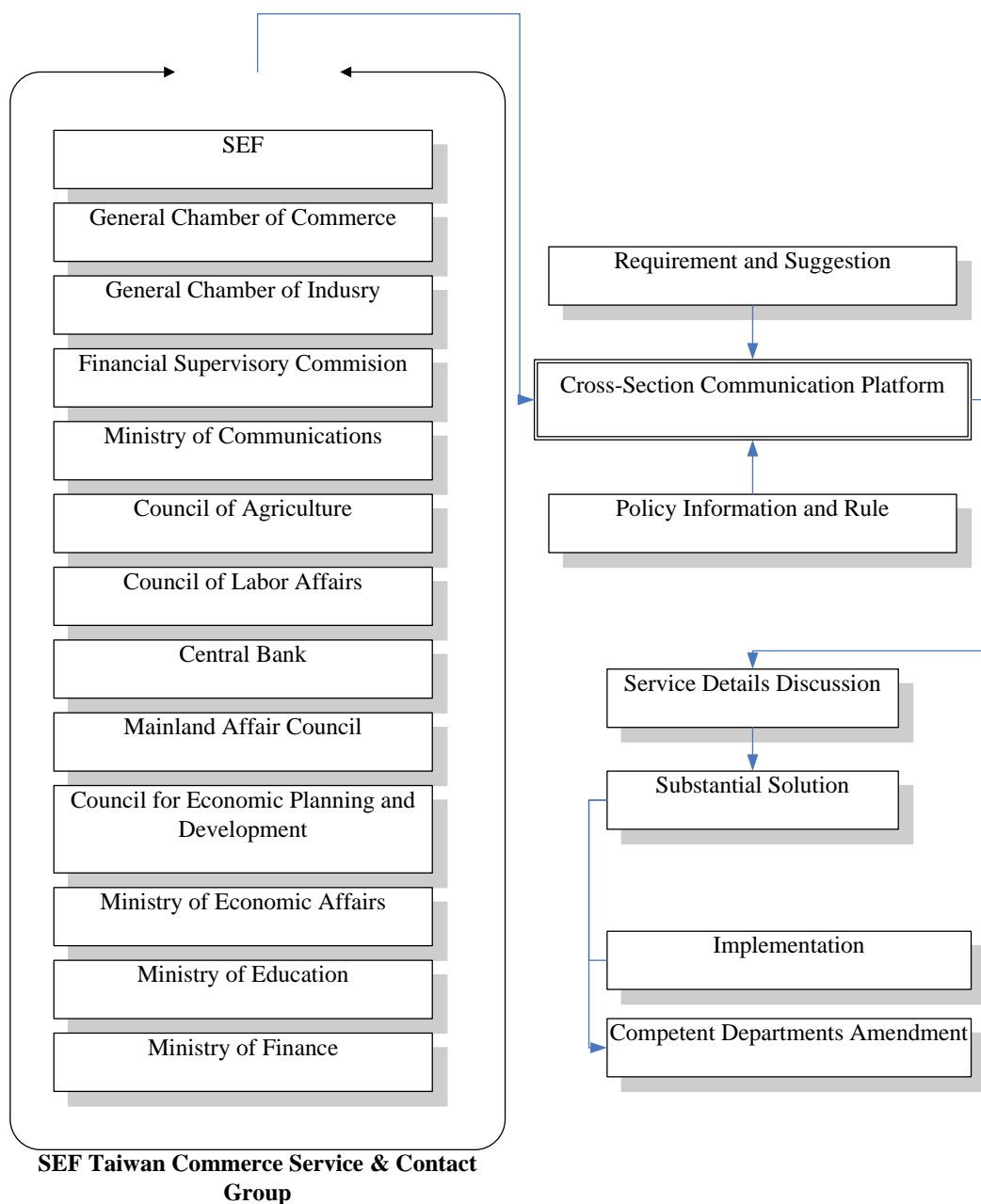
Chart 7.8: The Coverage of SEF Taiwan Businessmen Service Centre



Source: Straight Exchange Fund. <http://www.sef.org.tw/>

However, how can a private organisation be so outstanding in coping with cross-strait affairs? Mr. Huang, C.T (2005)., Executive Secretary Investment Commission of Ministry of Economic Affairs explained that “national security and national interest are always the top concerns for the country. Therefore, it would be difficult for the government to make direct contact with China on behalf of Taiwanese businessmen before two governments have solved the political disagreement. However, we have no problem supporting SEF, our own domestic organisation”. From Chart 7.9 below, it shows that a lot of works that SEF have engaged in need the support from other government departments (See Chart 7.9 below). In other words, SEF may not have an official title but it is backed by the government. “The government has tried its best not to let political disagreement interfere in the cross-strait economic development,” Mr. Huang claimed (2005).

Chart 7.9: The Communication Structure of SEF Taiwan Commerce Service and Contact Group



Source: Straight Exchange Fund. <http://www.sef.org.tw/>

Achievements

With more items included and more specific project planned, CEPA is certainly a great achievement made between Hong Kong and China in the SC SREZ. If CEPA is reflecting a wider and deeper sub-regional cooperation between Hong Kong and China, what achievements have Taiwan and China reached in the SC SREZ? Have the sub-regional cooperation on economic affairs between these two economies changed anything in the cross-strait relations or resulted in any kind of integration? One of the most influential cases is that China authorities used to have a wrong idea about Taiwan's politics and its people's feeling about them. After frequent encounter with Taiwan businessmen, they now have built up a comparatively correct understanding about Taiwan that national leaders even claims they hold an open mind to make contact with "dark green" politicians of Taiwan⁷ .

"This is such a big leap for China, because in the past the Chairman of the country insisted that China will never tolerate any Taiwan independency advocator. We even had a black list forbidding those dark-green Taiwanese businessmen entering China. But now we are ready to win these dark-green businessmen's hearts," said Zhang (2005), Foreign Affair Office, The People's Government of Beijing Municipality.

In addition to that, SC SREZ has resulted in both wider and deeper cooperation between China and Taiwan. The progress of sub-regional

⁷ Green is the colour of DDP flag. It is also considered as an symbol for Taiwan Independency Movement.

cooperation may not directly change the cross-strait relations; however, after the inauguration of President Ma, whose victory over the election was supported by influential SC SREZ Taiwanese businessmen connected to the China's leaders, the cross-strait relations have stepped into a new stage. Cooperation projects such as Three Links, Chinese educational certificate recognition, the cross-strait palace museums exhibition exchange, tourism opened to Chinese, and two pandas given to Taiwan have now moved from idle talk to real work⁸.

Moreover, the first official arrangement has finally come into being-- a more detailed Comprehensive Economic Cooperation Arrangement (CECA) is now taking shape between the two economies. Unlike A in CEPA stands for "Arrangement", A in CECA stands for "Agreement". It implies that there should be less political elements involved (Tan, 2009). Kao (2009) also points out that CECA shall be seen as an economic matter rather than political matter. And the significance is that the two regimes are now under a good atmosphere to work out a "Great Chinese Economic Zone" based on the experiences of SC SREZ to integrate Taiwan, Hong Kong, Macao and Mainland China furthermore on economic cooperation field. Unlike the SC SREZ, which is mainly driven by the private sectors, CECA backed by the governments will be even more powerful (2008 Top 1, 000 Taiwan enterprises in China, 2008:42-44).

More and more Taiwanese businessmen are complaining about the increasing difficulties and the reducing profits of operating in the SC SREZ, is it the development of sub-regional cooperation in this area has reached its

⁸ The word "Chinese" here is referring to the work from China side.

limitation and come to the end? As mentioned earlier, the local government in Guangdong is now under pressure to increase its competitiveness. In order to upgrade the local economic structure, the authorities have now loosened the entry conditions for high technology industries to invest in the area, and on the contrary, reduced the preferential treatment for the Taiwanese businessmen to cut down the number of traditional industries in the area. In other words, SC SREZ has once reached its peak with strong micro-regionalisation but weak micro-regionalism working together.

Due to the over-exploitation, some pre-probe interview respondents have indicated that they are finding it more and more difficult to afford the increasing cost in labour force and land. As a result, they need to move their enterprises further inland or even to another country. In response to enterprises moving away, local governments have labelled this as a “spill-over” effect. “The SC SREZ is now expanding its scale,” said Ye (2005), the Foreign Investment Administration Officer, Department of Foreign Trade and Economic Cooperation of Guangdong Province. Wu (2005), Associate Professor, Institute of Taiwan Studies, School of Public Policy and Management from Tsinghua University, points out that the value of SC SREZ was based on cheap labour force and abundance land. Nevertheless, such factors will not stay forever. The more successful SC SREZ is, the less available these factors will be. In his words: “there will be an end of SC SREZ unless the enterprises seek to upgrade themselves to fit in the big picture of SC SREZ transforming to a higher tier of development”.

Summary:

This fieldwork research is designed to survey the dynamic interaction between micro-regionalism and micro-regionalisation working together or against each other in SC SREZ. This chapter have tried to examine the current practice of SC SREZ and the forces of micro-regionalism and micro-regionalisation working within from different angles. The result of the fieldwork research shows that sub-regional cooperation in Dongguan, with strongest force of micro-regionalisation and weak micro-regionalism, is more dynamic than in other cities such as Guangzhou. It has successfully bypassed political obstacles and furthermore, transformed the economic strength into political power, shaking the central governments. Chiu (2005) believes that economic cooperation cannot overcome the major political conflicts but it can create good foundation for future political negotiation. And from SC SREZ case, it does happen between China and Taiwan.

As for Hong Kong-China relations in the SC SREZ, the most significant achievement is CEPA. In HKSAR Government's words: "with CEPA, the Greater Pearl River Delta region is integrating even faster than it was. The Greater Pearl River Delta region already exhibits a very high degree of integration between market forces, favouring a similar degree of integration in services that have historically run up against restriction on outside firms in the Chinese Mainland" (InvestHK, 2005:13).

Although scholars like Pomfret (1996:207) believe that appropriate government policies are only auxiliary but not necessary in establishing a SREZ, having a formal agreement or arrangement does increase the possibility for the members to work out wider and deeper cooperation in the course of sub-regional cooperation. A good example is that Taiwanese businessmen have been taking parts in the SC SREZ for more than 20 years. Yet, they could not make any official arrangement to boost further cooperation. It was after the inauguration of President Ma that CECA, the first official solid arrangement across the strait, has finally started to take shape. In other words, the governments are required to step in at some points to remove barriers that prevent wider and deeper cooperation. Otherwise, sub-regional cooperation would only stay in the basic economic interests exchanging mode and will not result in the spill over effect.

Is it necessary for the participants of a SREZ to keep a balanced triangle relationship with each other? From the practice of SC SREZ, there is no cooperation or competition between Hong Kong and Taiwan. Nevertheless, it does not affect the progress of SC SREZ. Therefore, it is believed that as long as the higher tier and the lower tier of a SREZ can continuously meet each other's need, the sub-regional cooperation will keep going. Take SC SREZ for instance, it is not a matter that the higher tiers including Hong Kong and Taiwan do not have cooperation or competition with each other because their expectations are not to exploit resources from each other. What really matters is if they can acquire the economic resources they need from Guangdong Province of China, the lower tier in the sub-regional cooperation. The same ideology applies to Guangdong Province as well. Guangdong's only concern is to exchange its

abundant land resource and cheap labour force for foreign capital, high technologies and local development. In other words, SC SREZ has proven that it is not always necessary to be a balanced triangle relationship among all three participants. However, if the higher tier or the lower tier of the SREZ can no longer satisfy each other's need, the sub-regional cooperation will then come to the end. And this is what's happening in SC SREZ at the moment.

Table 7.8-7.13 are the latest economic data collected from the Statistic Bureau of China. These official data show that the economic activities highly concentrate at Pearl River Delta, where micro-regionalisation is considered more dynamic and stronger. However, as addressed in this chapter, with the increasing intervention from the local governments, the economic progress is getting slower with times. This is in accordance to what the businessmen I have interviewed said: it is time to decide whether to start over in a new place, or to give in. If the businessmen decide to move to other places, in government's word, it is not called moving away but expanding to other areas.

Table 7.8 : The Export and Import of Guangdong Province (2007-2010)

Unit: billion
dollar

Economy \ Year	2007	2008	2009	2010 (Jan-May)
Guangdong Province	634.07	683.26	611.12	279.37
Pearl River Delta	600.16	656.73	584.82	267.43
Guangzhou City	63.51	71.60	67.73	35.70
Dongguan City	106.84	113.31	94.14	44.12

Sources: Various years. The Statistic Bureau of China. <http://www.stats.gov.cn/>

Table 7.9: The Export of Guangdong Province (2007-2010)Unit: billion
dollar

Economy \ Year	2007	2008	2009	2010 (Jan-May)
Guangdong Province	369.26	404.10	358.96	157.90
Pearl River Delta	348.66	387.12	341.78	150.29
Guangzhou City	32.45	37.15	32.96	15.96
Dongguan City	60.22	65.54	55.17	24.73

Sources: Various years. The Statistic Bureau of China. <http://www.stats.gov.cn/>**Table 7.10: The Import of Guangdong Province (2007-2010)**Unit: billion
dollar

Economy \ Year	2007	2008	2009	2010 (Jan-May)
Guangdong Province	264.81	279.16	252.16	121.47
Pearl River Delta	251.50	269.61	243.04	117.14
Guangzhou City	31.05	34.45	34.77	19.73
Dongguan City	46.61	47.77	38.97	19.40

Sources: Various years. The Statistic Bureau of China. <http://www.stats.gov.cn/>**Table 7.11: The Export and Import of Guangdong Province with Hong Kong and Taiwan (2007-2010)**Unit: billion
dollar

Economy \ Year	2007	2008	2009	2010 (Jan-May)
Guangdong Province	634.07	683.26	611.12	279.37
Hong Kong	194.36	139.96	119.91	40.58
Taiwan	86.41	43.80	38.58	14.14

Sources: Various years. The Statistic Bureau of China. <http://www.stats.gov.cn/>

Table 7.12: The Export of Guangdong Province with Hong Kong and Taiwan (2007-2010)

Unit: billion dollar

Ecocomy \ Year	2007	2008	2009	2010 (Jan-May)
Guangdong Province	369.26	404.10	358.96	157.90
Hong Kong	129.93	133.85	115.94	38.71
Taiwan	46.54	4.85	4.04	1.49

Sources: Various years. The Statistic Bureau of China. <http://www.stats.gov.cn/>**Table 7.13: The Import of Guangdong Province with Hong Kong and Taiwan (2007-2010)**

Unit: billion dollar

Ecocomy \ Year	2007	2008	2009	2010 (Jan-May)
Guangdong Province	264.81	279.16	252.16	121.47
Hong Kong	64.43	6.10	3.97	1.87
Taiwan	39.87	38.95	34.54	12.66

Sources: Various years. The Statistic Bureau of China. <http://www.stats.gov.cn/>

Scholars have given warnings that SC SREZ is stepping to a new level (2008 Top 1,000 Taiwan enterprises in China, 2008:42-44). The economic data present in the tables above also show the same tendency. Wu (2005), Associate Professor of Institute of Taiwan Studies, School of Public Policy and Management from Tsinghua University, comments that “it is time for investors in SC SREZ to upgrade themselves, engaging in higher technology industries. Otherwise, what loses is not just their economic profit but the competitiveness

of the whole sub-regional economic zone”. However, it will take more than just micro-regionalisation force but also micro-regionalism force to give SC SREZ a new life (2008 Top 1,000 Taiwan enterprises in China, 2008:42-44).