The economies in East Asia are far from homogeneous in terms of levels of economic development, degrees of industrialization, and extent of cultural assimilation. Generally speaking, East Asian economies are much more divergent than were the original ten members of European Union (EU-10) before the enlargement of the economic union into its current form. Hence, the proliferation of regional trading arrangements in East Asia since the 1990s grouped many diverse economies together. But never before has any pair of rival regimes with overlapping claims of sovereignty experienced economic integration as closely as Taiwan and China. Obviously, the developments are interesting not just for the two economies of the Taiwan Strait but also for other countries inside and outside the region.

De facto economic integration through the trade-investment nexus in East Asia has been moving much faster since the 1980s than de jure integration through institutional establishment. If Hong Kong is grouped with China, Taiwan’s trade dependency on China’s markets accounts for nearly 40 percent of its total exports, and outward foreign direct investment has been increasing steadily, with more than 60 percent of capital outflows destined for China. Industrial clusters in the Yangtze River Delta, the Pearl River Delta, and other parts of China were created through foreign invested enterprises, many of them from Taiwan, and have accounted for a substantial percentage of China’s total exports to the world. In regional and global perspectives, those industrial clusters have become part of the global production network, especially in the information and computer technology sectors. The significance of economic integration between Taiwan and China, its resultant industrial clusters in coastal China, and its role in the global supply chain go far beyond the conventional cost–benefit analysis of foreign direct investment in host and home countries. The process bears important policy implications for the economic and security interests of many involved nations.

The signing of the Economic Cooperation Framework Agreement (ECFA) between Taiwan and China in June 2010 may evolve into de jure economic integration in the near future. ECFA is a framework and precedes any eventual free trade agreement (FTA). If China and Taiwan should engage in a formal FTA in the context of the Greater
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China Economic Zone, the economic and political implications would be far more significant than any bilateral trade pacts signed by any East Asia countries. Given the two different socio-political systems across the Taiwan Strait, the extent to which economic integration would affect the economic development in Taiwan is of great concern, not just for the people of Taiwan but also for all who cherish the universal values of freedom and democracy. Will the signing of the ECFA be the end of the beginning of multiple FTAs or the beginning of the end for any trade pacts for Taiwan? To what extent will Taiwan be immune from being marginalized in East Asian economic integration? Various scenarios are currently being debated by scholars from all political spectrums, but few of them can bring in hard evidence or convincing theses on these controversial issues.

This book is a collection of wisdom acquired from scholars in various fields through their long and dedicated research. The authors use their expertise to tackle economic integration in various sectors and to assess the eventual impacts on the overall economy. Their in-depth analyses on each subject offer important lessons for those who are interested in the outcome of economic integration. Though some ongoing developments cannot yet be identified by existing empirical data, the trend of their future prospects is thoroughly analysed. The profound knowledge and research experiences will enable readers to understand the plausible consequences of further economic integration in general and future developments across the Taiwan Strait in particular.

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