



Research Article

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Enlightenment on building Taiwan strait economic zone by cooperation between Fujian and Taiwan from the European economic integration

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ABSTRACT

The comparative advantages and scale economies of economic integration are recognized widely and practice actively. The European economic integration can be for reference to the construction of Taiwan strait economic zone. Through analyzing the main success experience in European economic integration as well as deficiencies, combined with the challenges in promoting the construction of Taiwan strait economic integration of the cooperation between Fujian and Taiwan, I recommend that strengthening the construction of the institutional framework, the core region, investment environment, supporting policies between Fujian and Taiwan and promoting the formation and development of the Taiwan Strait economic zone comprehensively are very necessary.

Key words: the European Economic Integration; cooperation between Fujian and Taiwan; Taiwan Strait Economic Zone

INTRODUCTION

The model of "Economic Integration" is widely used in the world because of its obvious two strengths called "unique comparative advantages" and "scale economic". Currently there are some famous economic integration organizations, and the European Economic Integration is considered as the most successful model. In 2011, the EU's total population is more than 502 million and GDP is as high as \$ 15.79 trillion, with Per Capita GDP up to \$ 31,548. In a word, the EU has become the organization of the strongest economy and the most successful economic integration. Due to late starting and the influence of cross-strait relations, the process of Taiwan Strait Economic Zone seems slow. In the present situation, the economic of Fujian province is growing rapidly while the level is scarcely higher than other coastal provinces. Honestly speaking, its level is much lower than Taiwan. Meanwhile, the economic structure indicator in Fujian obviously lags behind Taiwan. It is a fact that the agreement of Economic Cooperation Framework Agreement (ECFA for short) weakens the advantage of Fujian Province to Taiwan, however the unique "Wu Yuan" advantages between Fujian and Taiwan make it possible to build the Strait Economic Zone. In 2008, ZhenTao Liu believed that the key of the Haixi building is to circumvent political issues, focus on the economic development etc. [1]. In 2009, ShaoZhen Huang considered there were two models in the Strait Economic Zone: one is functional integration boosts the system integration to promote the establishment of a common market. The other is "Three Stages": Firstly, realizing the normalization of the trade; Secondly, building a common market [2]. In this context, it is necessary to explore effective ways to build Strait Economic Zone between Fujian and Taiwan in order to promote the economic development of both sides, even the whole national economic.

2. Brief introduction of Taiwan Strait Economic Zone

Taiwan Strait Economic Zone is linked by the Taiwan Strait. Fujian Province and Taiwan are its main body as well as covering some partly areas of Zhejiang, Guangdong, Jiangxi Province. With an area of 331,500km, it accounts 3.45% of the country. And the population is 124 million which 9.49% of our country [3]. Strait Economic Zone not only the meeting point and mouth to sea of the Yangtze River Delta and Pearl River Delta, but also is the door of mainland China leading to the western Pacific, more importantly, it plays a vital role in promoting the reunification

of nation. Formally set up in 2004, Strait Economic Zone is made up of Fujian province, the south areas of Zhejiang province, the south-east areas of Jiangxi province and so on, which is totally including 21 cities. Policies like <the plan of the development of the West Coast Economic Zone> issued in 2011 have greatly promoted the growth of the Strait Economic Zone. It is the economy of West Coast Economic zone and Fujian situation as shown in Table 1 and in Chart 1.

Taiwan includes 5 provincial cities with an area of 36,200 square kilometers and a household registration population amounting to 2322.5 million up to 2012. During 2000-2005, because of the Taiwan authorities refusing “Three Links” and “Direct Route”, the economic growth rate in Taiwan is only 3.6%, export growth rate is 8.1%, leaving the four indicators ranking the end of “Four Tigers” and the economic development being negatively affected by these policies. Furthermore, because of the impact of the global financial crisis and Taiwan’s being marginalized in the process of globalization and regional integration, the economic growth rate was only 0.5% in 2008 and 1.1% in 2009[4]. Generally speaking, there is significance of cooperation between Fujian and Taiwan, which also shows broad prospects.

Table1: 2007-2013 Haixi GDP(10 million) and Growth Rate (%)

Haixi	2007	2008	2009	2010	2011	2012	2013
GDP	16307.07	19075.44	21376.44	25409.93	30037.9	32842.22	37128.69
growth	15.2	16.97	10.76	18.89	18.21	9.33	13.05

Note: these data is collected by the Bureau of Statistics in Fujian province, Guangdong province and Jiangxi province, excluding Puning.

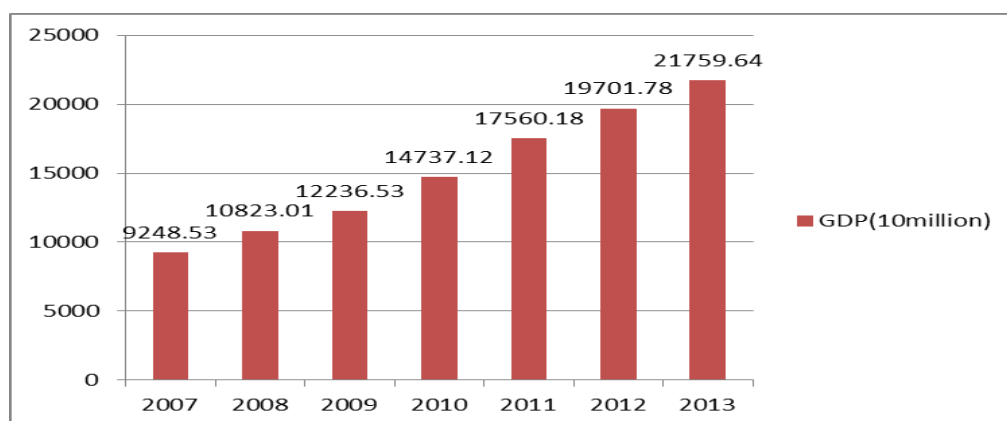


Chart1: 2007-2013 Gross Regional Production in Fujian Province
Note: this data comes from the 2013 Statistical Yearbook of Fujian Province.

3. The European Economic Integration

3.1. The Successful Experience of European Economic Integration

3.1.1. The Continuing and Deepening of Economic Integration

The realization of Economic Integration in Europe is the result of transferring the sovereignty of European countries, including four steps: Customs Union; Single Market; Economic and Monetary Union; Complete Economic Integration. By the end of 1992, the EU had completed 95% of the 282 legislative items in the “White Paper on Improving the Internal Single Market”, which is the symbol of the formation of the European Single Market. In 1993, the Maastricht Treaty came into effect, marking the EU transform from an economic entity to an economic & political entity and forward to the Economic and Monetary Union. The Euro was put into circulation in 2002. In 2011, there were 27 members in the Euro area, achieving a unified currency [5]. So far, the Lisbon Treaty signed in 2007 has been agreed by 27 countries to become a new milestone in European Economic Integration.

3.1.2. The Continuous Development of the Core Countries

Firstly, Paris was occupied twice during the three-time Franco-German War, which became a main obstacle in the EU infancy. In 1963, France and Germany signed a “Friendship and Cooperation Treaty” to promote cooperation between these two countries that was the core strength of the European Economic Integration [6]. Secondly, EU Treaty and the Copenhagen Criteria restrained EU members in the political, economic and legal aspects, thus forming a strong cohesion economic union. Finally, the Euro Area has formed. In 1999, Euro became the sole legal monetary in the euro zone in 2002. Euro not only promotes the tightness of EU members, but also becomes a reserve

currency for countries outside. As shown in Table 2[7], the population, GDP and the ratio of the share of World GDP in euro zone accounted for more than 20%, and compared with the United States and Japan, the import and export was more active in euro ozone in 2006.

Table 2: The Comparison between the Euro Zone and other Economies in 2006

union/country	Population (million)	GDP (trillion euro)	The proportion GDP in the world (%)	The proportion of GDP in exports(%)	The proportion of GDP in imports(%)
Euro Zone	317	8.4	14.6	21.7	20.9
EU (27 states)	494	11.9	21	14.3	15
US	300	11.2	19.7	10.8	16.6
Japan	128	3.5	6.3	16.8	15.3

3.1.3. The Diversity of Regional Policy

EU sets up three kinds of funds, the pre-accession assistance funds mainly used for the accession of Central and Eastern European Countries. The structural funds mainly used for economic development and other issues of backward regions; The cohesion funds mainly used to build infrastructure and environmental protection. The use of these funds is not limited to the economic developed or not, but classified by the level of economic and social development. EU used up to 213 billion Euros for the regional policy directly or indirectly in 2006, which was more than 33% of EU's fiscal expenditure at the same period, and planed to increase to 308 billion in 2007-2013[9]. The regional policies has promoted the Per Capita GDP in Greece to increase by 6.2% while 2.4% in Spain, 6.0% in Portugal, 1.8% in Ireland, and leads to increase of private investment in Greece, Portugal, Spain and Ireland, respectively is 23.2 %, 14.0 %, 4.4 %, 2.7% [7] .

3.1.4. The Unique Organization & Coordination Agency

The EU including seven institutions, among which the European Parliament, the European Council and the European Commission are the decision-making bodies in the EU. The first two have legislative power while the latter two have executive authority. First, it emphasizes participation of all countries and the right to share, such as the "Lisbon Treaty" establish the Double Majority Voting System, and the majority not only refers to the majority of EU member states(55%) but also the majority of the number of EU population(65%). Second, sound legal system. Legislative and judicial branches have power over the governments within the EU jurisdiction, which should be obeyed by every member countries unconditionally. The third is a unique mechanism of check and balance between the EU seven major institutions, like the European Commission under the supervision of the European Parliament, all members nominated by the moderation of the European Parliament [8].

3.1.5. The Success of A Single Market

It is as follows: First, achieve the market development in the procurement market, currency market and financial service market, the unification of the member states' national tax system and the coordination on safety and environmental protection laws. Recognize laws and certification systems for each other; Second, mutual recognition of professional qualifications between the EU members, the abolition of border check of passports, and manage to remove the barriers to free movement for persons; Third, the establishment of the European Central Bank in 1998, and the freedom of movement and freedom to pay greatly facilitated by the issuance of euro. By the end of 2011, the proportion of the euro in global foreign exchange reserves was 25.7%, while the US dollar was 61.7%. For 20 years, the EU have accounted for 7% of population in the world and created 20% of the trade in the world.

Table 3: The Economic Indicator in the EU and the Euro Zone

Year	2007		2008		2009		2010(April)		2011	
	EU	Euro Zone	EU	Euro Zone	EU	Euro Zone	EU	Euro Zone	EU	Euro Zone
Deficit Budget	-0.8	-0.6	-2.3	-2	-6.8	-6.3				
Unemployment Rate	7.1	7.5	7	7.5	8.9	9.4	10.1	9.7		
Debt percent in GDP	58.8	66	61.6	69.4	73.6	78.7	79.6	84.7	83.8	88.5

3.2. The Problems of European Economic Integration

There was mainly reflected in: First, there are some problems in the decision-making mechanism of the EU, for example, if the summit conference lead by discussion system couldn't reach a consensus on a issue, this case would be put off to the next reconstruction, difficult to balance fairness and efficiency [9]. Second, as we all know, it is the process of transferring sovereignty voluntarily in European Economic Integration, while this kind voluntary is limited. The Maastricht Treaty and the Lisbon Treaty are outcomes of contradictory compromise. Third, the economy of members newly added is lagging behind, and their cheap labor will impact on the labor of those old members. Fourth, the challenge of the global financial crisis, such as, in 2009, the sovereign debt crisis in Greek broke out and then spread to many European countries, leading to the European debt crisis and making the euro exchange rate against the U.S. dollar tumble about 20%. Table 3 shows the economic situation since 2007 in the EU and the Euro

Zone [10].

4. The main problems and challenges existing cooperation between Fujian and Taiwan

4.1. By the Taiwan policy is too large

During the Chiang Era, FuJian-Taiwan economic cooperation only can just succeed by the help with Singapore and HongKong. During the Li, Chen era, Li Denghui came up with the idea of "two states theory", Chen insisted on developed independent and refused to carry on the "three links" and navigation trade. so the economic between FuJian and Taiwan increased very slowly. In 2001, the percentage of Taiwan's investment amount accounted for the total falling from 13.78% (1995's) to 9%(2001's). the total trade was \$ 4.879 billion in 2005 [11]. During the Ma Ying-Jeou era, Taiwan insisted on the "1992 consensus", and believed that Taiwan belongs to China. Also, Ma signed the ECFA. Although affected by the U.S. financial crisis in 2008, but the total trade between FuJian and Taiwan in 2010 exceeded ten billion dollar mark, reaching \$ 10.389 billion [12].

4.2. Needs to improve the investment environment in Fujian

This was reflected in: First, the West Coast Economic Zone is facing the predicament of the talented person, technology and other resources in the Yangtze River Delta and Pearl River Delta. Meanwhile, the natural environment as well as long-term military strategic position also limit the economic development of Fujian Province [12]. Second, compared with Zhejiang, Guangdong, southern Jiangsu, Shanghai, the government of Fujian Province get more taxes which given by the enterprises. Also there is a contradiction between its short-term investment incentives and long-term expect of Taiwan businessman. Third, GDP in the Golden Triangle which takes "Xia Zhang Quan" as the center is much lower than Shanghai', Guangzhou' and Shenzhen', and the agglomeration and diffusion effect and radiation to the surrounding areas of Fujian area is small, lack of capacity. Fourth, the personnel structure is irrational, lack of technical talents. The figures show that the shortage of qualified personnel needed in Fujian involving 27 key industries or sectors, 80 fields, 192 jobs and 760 professional.

4.3. Industrial Cooperation needs to be heightened

Firstly, the Fujian and Taiwan investment double pattern develops slowly. The foreign investment capacity and the basic conditions of Fujian becomes mature, but due to the limited policy of Taiwan, only 9 fields of Taiwan have opened to Fujian, also provides that land owned shares less than 10% of existing panel factory, the joint venture company newly established ownership shall not exceed 50% [5]. Secondly, investment in Fujian mainly concentrated on processing and manufacturing which is at the end of the value chain, accounting for over 80% of the secondary and tertiary industries, and the lower of core technology industry. For example, the electronic information industry in Fujian, one of the three leading industries almost still in the "order processing", "OEM" manufacturing and processing stages. Finally, industrial technology of Taiwan-funded enterprises is a world leader. However, Industrial Technology of Taiwan-funded enterprises in Fujian for output insufficient.

4.4. Regional Coordination is Poor

It mainly reflected in these parts: First, industries and products in Fujian Province and the surrounding area could not form an effective dislocation development, low horizontal division and vertical division system construction, repetitive construction and industrial identical phenomenon still serious, high speed and high output are the main phenomenon which still exists in Fujian; Second, inter-regional presence disorderly competition and the competition is greater than the cooperation. It cannot achieve effective internal configuration and sharing resources, and reduce the attractiveness of foreign investment of resources, make the small and medium-sized city due to a shortage of resources and the economic develop slowly, and with the metropolitan economy affected directly or indirectly, and lack of development potential. Third, in order to improve the performance, the government guaranteed the tax caused the phenomenon of local protection; Positioned between the cities is not very reasonable and division is not clear.

4.5. The Challenge of Cooperation between Fujian and Taiwan

One hand is the signing of ECFA, which leads to the weakening of the advantages of Fujian Taiwan. According to statistics, in 2011, investment of Taiwan businessmen in the mainland approved which reached a total quantity of 575, with a total investment amount of approximately \$ 13.1 billion. Only \$ 923 million comes from Fujian Province, which accounting for the fifth, not only lower than the central region of Jiangsu (\$ 4.426 billion) and coastal (\$ 2.205 billion), Shanghai (\$ 2.176 billion), but it also lower than the western region of Sichuan (\$ 927 million). On the other hand is the impact of the economic crisis. First, the economic recovery of every countries is slow and unstable when the world entered into Post-crisis era; Second, the economic crisis obviously changed the traditional consumption patterns of light savings and heavy consumption, the U.S. household savings rate up to 6.2% in 2009; Third, Protectionist measures abroad are more frequently which results in increased cost of Chinese exports. It has a huge impact on Fujian which has oriented external trade and low industrial level.

5 Constructing Economic Zone between Fujian and Taiwan Strait

5.1 Deepening economic integration

The long-term goal of building Strait Economic Zone is suitable for positioning for the common market, and its implementation process is divided into several stages. Early, both sides should take ECFA as a starting point. On the one hand, actively implement of the cooperation agreement has been established, to accelerate the realization of "the determined service goods, early harvest" of the project; on the other hand, the government deepens cooperation contents actively and expand the range of products, the simplification of customs procedures, to expand the range and depth of service trade, promote Chinese enterprises to invest in Taiwan. So that the "framework agreement" to the "comprehensive economic cooperation across the Taiwan Straits agreement" CECA forward. In the long term, the establishment of a free trade zone pilot city such as Xiamen, the establishment of coordination organization, to realization of economic cooperation in many areas, direct, two-way, and gradually advancing to the Fujian province and even the whole of the Straits economic zone. Later, establish a common market, to lift the restrictions on the free flow of factors of production.

5.2. Strengthening the construction of the central city

First of all, Fujian and Taiwan need to play the leading role, to take the responsibility, to promote the signing of the agreement and the establishment of consultative regional organization, supervision agreement implementation, accelerating the construction of regional traffic network and other infrastructure, and enhancing the ability of radiation Jiangxi, Zhejiang, Guangdong area, coordinating the contradiction between regions, to improve the regional cohesion. Secondly, the east coast of the Strait should promote the construction of Taipei, Kaohsiung, Taichung City three, highlighting its central position between the 20 cities, and enhance the degree of association, to promote the coordination and cooperation between the city. The west side of the Straits in Fujian Golden Triangle and Fuzhou as the center should promote the center city construction, and promote Fuzhou Xiamen as a level two yuan city group, when strengthen the construction of Fuzhou as the center of the Min River Estuary. At the same time, the government should metropolitan Xiamen as the center of the city of Jiulong River estuary area, while promoting the cohesion between regions, enhance the central city radiation function.

5.3. Establishing coordinating mechanism

Therefore, for the Straits Economic Zone, the first implementation is "political and economic separation", to strengthen economic and trade cooperation within the region for the purpose of Cross Straits economic, not political. Secondly, establishing high-level meeting system consists of five parts which need the annual regular meeting to discuss the major issues. Finally, establishing organization composing of members of the five areas as economic development permanent coordination between regions is very important, to deal with daily affairs and give the right of supervision, strengthening trade policy and the implementation of protocol. At the same time, we should promote the exchange between industry associations and enterprises, holding regular conferences or forums to strengthen the exchanges between the city center.

5.4. Promoting industrial cooperation

The two sides can set up special fund in the Strait Economic Zone, to be used only within the region wherever needed such as the construction of infrastructure funds dedicated to transportation network, power grid, power, water conservancy, especially to strengthen the construction of the port, in strengthening regional ties; On the other hand, education fund should be dedicated to the research and training of applied talents, and the establishment of an academic exchange platform for enterprises to upgrade; The last one is industrial capital for industrial transfer and the adjustment of industrial structure, the enterprise production environment pollution etc.. In the industrial cooperation, Taiwan needs to expand areas of cooperation, to relax the policy restrictions, to attract capital into the Fujian Taiwan investment; On the other hand, the need to encourage Taiwanese to invest in service industry, high-tech industry, enhance the core technology industry proportion, increase the output of Fujian industrial technology, and actively with local enterprises in Fujian exchange, joint venture research and development institutions, promote the process of localization, and finally changed to low level Taiwan order production of Fujian state cooperation.

5.5. Improving the investment environment

Facing the challenges of the financial crisis, Fujian province countermeasures are as follows: First, improving the basic construction, which means the main construction of sea and air three-dimensional transport network and optimization of power grid, power, water conservancy and other system, scientific layout, to avoid repeated construction and waste of resources, bring the weakening of Fujian province geographical factors puzzled, the enhanced radiation to the surrounding area. Secondly, adjusting industrial structure, to promote the industrial level of division of labor and the vertical division of labor system, the formation of dislocation development industry, at the same time, Fujian province to vigorously develop the advantage industry, the development of strategic emerging industries, enhance the independent research and development capacity, in the competition and development. Thirdly,

creating good atmosphere with preferential policies, resolutely implement the EIA approval, land, capital, market, and tax incentives for the project, keep the preferential policy continuity and stability. The last is that both sides should jointly cultivate senior talents and strengthen the academic exchange to project introduction, which build talent market system and perfect the relevant personnel policy combined with its way.

CONCLUSION

European economic integration is the world's successful model of regional economic integration, its development experience and problems with the guide and reference for the construction of Strait Economic zone for Fujian and Taiwan. Fujian and Taiwan need to seize the opportunity, face the challenges, Fujian and Taiwan as the core, to strengthen the central city construction; Based on economic construction, setting up the coordination mechanism; Implementation of regional support policy, to promote industrial cooperation, improve the investment environment and enhance competitiveness.

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