

The China-Taiwan Conflict: Ethics vs. Economics

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Introduction

For decades, the conflict in the Taiwan Strait between China and Taiwan had remained a serious threat to the stability of the Asia-Pacific region and world peace. Since the government of the Republic of China was forced to retreat to the island of Taiwan after the Communist takeover of mainland China, the relationship between Taipei and Beijing has been almost uniformly hostile. For many years, each claimed to be the legitimate government of all of China and battled over control of small islands between Taiwan and the mainland. Their respective militaries continue to view each other with great suspicion and hostility.

Even today, when trade, business, and unofficial contracts between the two sides are rapidly expanding, Beijing still refuses to renounce the use of force against Taiwan. In recent years, both sides of the Strait have been experiencing major internal changes. The face of Taiwan's government has changed as a more pro-independence party is in charge. In China, the country is going through major economic growth with its capitalist economy which creates problems for a communist country.

In addition, it is unclear whether Taiwan is an independent nation (as the Taiwanese government would like to believe), or a part of China (as the mainland would like to believe). This is a great source of tension in the region, and cross-strait relations are strained with very little progress towards a peaceful resolution. Ambiguity is employed as a diplomatic strategy, with both sides using vague and careful language such as "one country, two systems" to avoid angering each other.

Background on China

China is the third largest country in the world after Russia and Canada, but is the most populous country in the world with over 1.2 billion people. The Capital of China is Beijing. As a communist society, the country is controlled under a one party system, the Chinese Communist Party. Even though the country has a communist political system, the country deployed a capitalist style economy. The country went through two economic revolutions and has not looked back since. Over the past few years, the economy of China has been expanding at an astounding rate in the low teens.



Figure 1: Map of China¹

¹ "China Map." CountryReports.org. 2004 Edition.
<http://www.countryreports.org/maps/maps.asp?countryid=51&countryName=China>

Background on Taiwan

Taiwan, officially known as Republic of China, is a small island off the coast of China, separated only by the Taiwan Strait. The Capital of Taiwan is Taipei. Unlike its counterpart, it is a multi-party democratic society and allows elections to take place. Among its 22 million people, more than 18 million people are descendants from mainland China.² Even though Taiwan has become the 14th largest economy in the world, it had been struggling to keep up with the expansion its counterpart has been enjoying. In terms of language and culture, it is practically the same as the mainland Chinese.



Figure 2: Map of Taiwan³

² "Background Note: Taiwan." *Bureau of East Asian and Pacific Affairs*. U.S. Department of State. November 2004. <http://www.state.gov/r/pa/ei/bgn/35855.htm>

³ "Taiwan Map." *CountryReports.org*. 2004 Edition. <http://www.countryreports.org/maps/maps.asp?countryid=266&countryName=Taiwan>

Historical Overview of Taiwan's Occupation

The history of Taiwan's occupation is long and complex. The Taiwanese aboriginals originally occupied the island, but were forced into the hills in the early 1400s when people from Mainland China, which was controlled by Mongolia at the time, began immigrating to Taiwan.

In 1626, Spain discovered Taiwan and ruled it as a colony. Less than 20 years later, the Dutch invaded and defeated the Spaniards. The Dutch ruled for about 20 years, until 1661 when the last general of the Ming dynasty was defeated in mainland China by the Chin dynasty. He fled with his troops to Taiwan with the hope of establishing a military base to retaliate. He defeated the Dutch in the process. However, the general died shortly after, and his troops were defeated in 1662, forever ending the Ming dynasty.

Because Taiwan was far from Beijing, the Chin emperor had little interest in ruling Taiwan, so Taiwan continued essentially under its own rule until 1894. At this time, the Japanese defeated China in the China-Japan war. China ceded Taiwan to Japan, just as it had given up Hong Kong to Britain in 1844.

In 1945, after Japan was defeated in World War Two, they retreated from all occupied territories including Taiwan. The island fell under Chinese rule by default, but many feel that Taiwan should have become independent at this point. The democratic KMT party was ruling China at the time, and so Taiwan officially became part of the Republic of China.

A few years later, in 1949, the democratic KMT party was defeated by Mao Zedong's communist party in a civil war. The mainland became known as the People's Republic of China. The KMT escaped to Taiwan hoping to retaliate, just as the Ming dynasty had done 300 years earlier. The retaliation never eventuated.

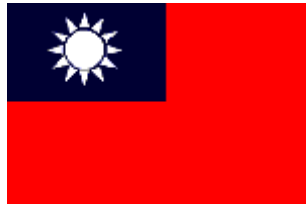


Figure 3: Current Flag of Taiwan (Flag of Republic of China)

In 2000, the KMT were defeated for the first time in a Taiwanese democratic election by the Democratic Progressive Party, or DPP, who favor independence from China. The communist mainland government, however, are adamant that this will not happen.

Guideline for National Reunification

On May 1, 1991, President Lee Tung-hui created a three-phase process, Guideline for National Reunification, in hopes to achieve unification with mainland. The Guidelines state that China's unification should be achieved in three phases: a short-term phase of exchanges and reciprocity, a medium-term phase of mutual trust and cooperation, and a long-term phase of consultation and unification. ⁴

Initially, the relations are in the short-term phase. During this stage, it is hoped that neither side will deny the other's existence as a political entity; and that both sides will

⁴ "Guidelines for National Unification." http://www.taiwaninfo.org/info/yb96/f_html/ch07_2.html

expand non-official, people-to-people contacts. It is also hoped that the Chinese communist authorities will renounce the use of force against Taiwan, and allow Taiwan enough room to maneuver in the world community.

The medium phase is characterized by the two sides establishing official communication channels on an equal footing. Direct postal, transport and commercial links will be allowed, and both sides will develop jointly the south-eastern coastal area of the Chinese mainland and then gradually extend the development to other areas to narrow the gap in living standards between the two sides. Both sides will assist each other in international organizations and activities.

In the long-term phase, a bilateral consultative body will be established with a function to "jointly discuss the grand political and economic structure of a unified China, in accordance with the wishes of the people on both sides of the Taiwan Straits." A China that achieves peaceful, democratic unification and prosperous growth will have a substantial stabilizing impact on the Asia-Pacific region in particular and on world peace in general.

“New Flag, New Anthem” Campaign

Even though there were repeated attempts by the Taiwanese government to try to establish better relations with China. A new movement started back in 1994 by opposition leaders wanted to create an “independent” Taiwan. Shortly after, a new

campaign called “New Flag, New Anthem” was launched to search for an independent identity of Taiwan. In this competition, 187 flags were entered.



Figure X: The Four-Hearted Flag (Flag for Independent Taiwan)

The green color symbolizes the natural beauty of the island and the need to protect the environment. The white color represents the original purity of the people on the island, and the desire to preserve this natural beauty. The symbol in the middle depicts four hearts in harmony, representing the four population groups on the island--aborigines, Hakka, Min-nan Taiwanese, and mainlanders.⁵

One Country – Two System

With the exception of defense and foreign affairs, the people of Hong Kong have been allowed to administer their own affairs with a promised high degree of autonomy from the mainland leaders.⁶ Since the handover of Hong Kong in 1997, and Macau in 1999, the “one country, two system” had been deployed successfully. Under this system, Beijing pledges that the regions’ capitalist system and way of life will remain unchanged for 50 years and in theory allow direct elections in the territories as soon as 2007.⁷ In

⁵ “Flags of Taiwan.” <http://www.taiwandc.org/flags.htm>

⁶ “One Country, Two Systems.” <http://www.gov.hk/info/sar5/e12.htm>

⁷ “China meeting sparks HK protests.” BBC News. April, 2, 2004. <http://news.bbc.co.uk/1/hi/world/asia-pacific/3592355.stm>

addition, Hong Kong doesn't have to pay tax to the central government and is allowed to have its own money and independent tariff system.

However, in recent times, there is a breakdown in this structure and Beijing is beginning to worry that those elections would spill over to mainland China and lose control of its territory. As a result, China has been cracking down on the law ahead of elections and handpicked an administration that is loyal to Beijing with less than half of the legislature directly elected.⁸ With China's latest actions, this throws Beijing's commitment to democracy into doubt and sparked many large protests in Hong Kong with hundreds of thousands of people marching down the streets. In a recent poll conducted by the University of Hong Kong in February 2004, only 43 percent of residents trust the government in Beijing, down from 50 percent at the end of December.⁹

China's position of "One Country – Two System" on Taiwan

"Taiwan's current social and economic systems will remain unchanged, its way of life will not change, and its economic and cultural ties with foreign countries will not change." A provision on setting up special administrative region was added to the Constitution of the People's Republic of China passed at the Fifth Session of the National People's Congress in 1982, providing legal basis for accomplishing "one country, two systems".¹⁰

⁸ Bray, Marianne. "Mass Protest in Hong Kong" Cnn.com. July 1st, 2004.
<http://edition.cnn.com/2004/WORLD/asiapcf/07/01/hk.anniversary/>

⁹ Bray, Marianne.

¹⁰ "Policy of 'one country, two systems' on Taiwan." 11/27/2000.
<http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18027.htm>

According to the concept of "one country, two systems", two systems will be practiced within the sovereign state of the People's Republic of China. On the premise of one China, the main body of the country will practice the socialist system, while the existing capitalist system and way of life in Taiwan will remain unchanged for a long period of time.¹¹

In fact, the “One Country, Two System” policy was originally design for Taiwan in hopes of peaceful reunification. However, it was first deployed to Hong Kong when the British handed over back to China. With the system in place in China, it hopes that it can serve as a model for Taiwan in the future.

Taiwan’s position on “One Country – Two System”

In recent time, there are pressures from China to Taiwan to ensure that a “one country, two system” policy would work between these two regions. As seen by the 1991 Guidelines for National Unification, the “One Country – Two System” would not be welcomed and Taiwan believe that it will ultimately undermine Taiwan’s autonomy and independence.¹² In recent poll, an overwhelming amount of Taiwanese believe that the “One Country – Two System” policy would not solve issue between these two entities.

¹¹ “Policy of ‘one country, two systems’ on Taiwan.” 11/27/2000.
<http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18027.htm>

¹² Kim, Shee Poon. “Can The One Country, Two System Work for Taiwan?” http://www.future-china.org/csipf/activity/19990606/mt9906_12.htm

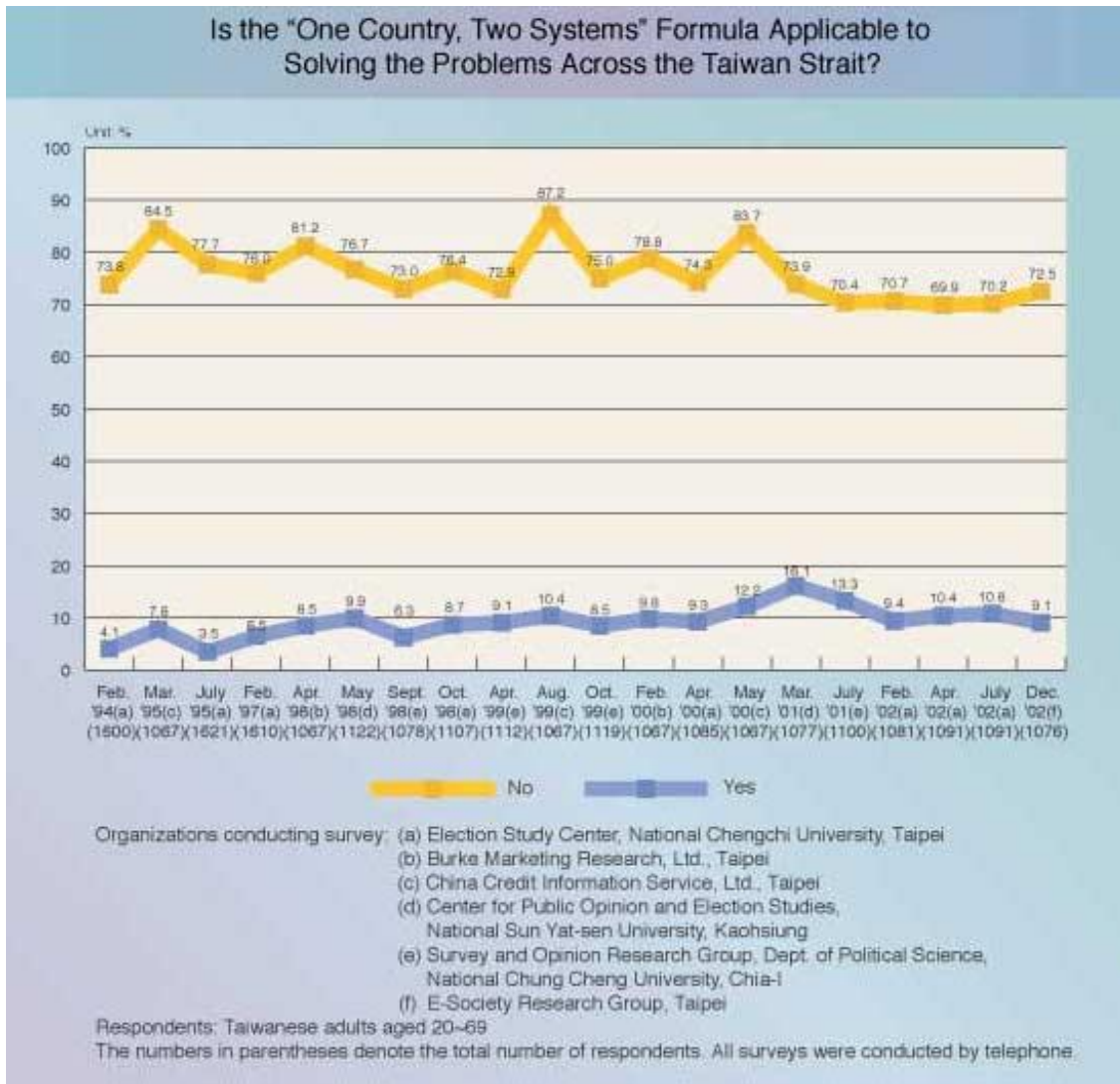


Figure X: Poll about "One Country, Two System"

Arms Deals between Taiwan and United States

For its relative size, Taiwan has one of the largest defense budgets in the world. It has grown significantly since 1985 and now stands at about \$7.6 billion in the year 2003.¹³ In the 1990s, arms transfers to Taiwan have risen dramatically in terms of quality and quantity, from just \$209 million in 1980 to a record high of \$5.7 billion in 1997 (see chart). Taiwan has bought advanced fighter jets, attack helicopters, and numerous

¹³ "The World FactBook: Taiwan." Nov. 2, 2004. Central Intelligence Agency. <http://www.cia.gov/cia/publications/factbook/geos/tw.html#Military>

missiles; future plans include a major tank procurement program and possible participation in a U.S. theater missile defense system.¹⁴

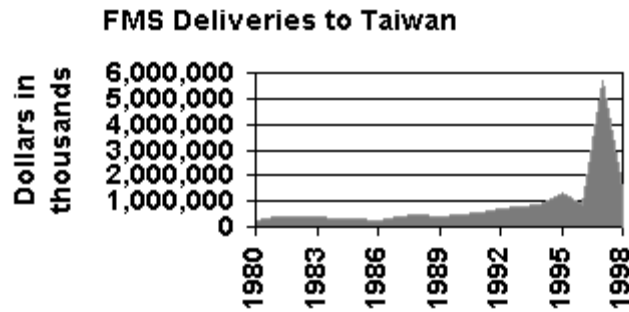


Figure X: Arms Delivery to Taiwan

When Taiwan was able to secure \$18 billion arms deals with the US, the Taiwanese media welcomed the decision, but some were cautious, as there was a fear that it could trigger an arms race with China.¹⁵ Many believe that the buildup is necessary since China currently has more than 600 ballistic missiles aimed at Taiwan.

In addition to both sides building their military presence, each would periodically display their military forces. This acts as a constant reminder that neither sides will give up without a fight. Just a few months after the Taiwanese election, China, Taiwan, and the US all conducted military exercises in or around the Taiwan Strait. It was no coincidence that these exercises were scheduled to occur at the same time.

President Chen's Referendum for Independence

¹⁴ "US Arms Client's Profile: Taiwan." <http://www.fas.org/asmp/profiles/taiwan.htm#Country%20Profile>

¹⁵ Lai, Patricia. "Taiwan Media Hails US Arms Package." April, 25, 2001. <http://archives.cnn.com/2001/WORLD/asiapcf/east/04/25/taiwan.arms.media.reax/>

In his May 20, 2000, inaugural speech, President Chen made important announcements on the policy agenda of his administration. He first pointed out that as the popularity elected president of ROC, he must abide by the Constitution; maintain the sovereignty, dignity, and security of the country. In addition, he solemnly declared that so long as China had no intention of using military force against Taiwan, he would not declare independence or change the name of the nation.¹⁶

During President Chen's first presidency, he had been frustrated by the lack of progress with China and slowly began to call out for impence from China. In Aug 2002, he began to backed calls for referendum on independence. While on video conference with Taiwanese living in Japan, he referred China and Taiwan as two countries. In addition, he stated that holding a referendum was "a basic human right that cannot be deprived or restricted" and "Taiwan's future and destiny can only be decided by the 23 million people living on the island."¹⁷

To push this matter further, he addressed this issue again while at a rally with over 200,000 pro-Taiwanese on Oct 25th, 2003. In this rally, he declared "It will be stated in the new constitution that Taiwan is an independent sovereign state which is not a province or special administrative district under another country. Taiwan and China are two countries on each side of the Taiwan Strait." In addition, Vice President Annette Lu said "Taiwan does not belong to China. We must now affirm Taiwan's name and

¹⁶ "Taiwan-China Relation." <http://www.gio.gov.tw/taiwan-website/5-gp/yearbook/chpt06.htm>.

¹⁷ "Taiwan Head Backs Independence Polls." BBC News. Aug. 3, 2002.
<http://news.bbc.co.uk/1/hi/world/asia-pacific/2169788.stm>

Taiwan's new identity through a referendum.”¹⁸ The actions by the Taiwanese leadership stirred up tensions between the two sides. China began to demonstrate its military might and launched missile tests.

New Referendum harder for Independence

On November 23, 2003, with Taiwanese President Chen Shui-bian pushing for referendum legislation towards formal independence, the country's legislature carefully worded a referendum bill that makes it difficult if not impossible to call a vote on the island's independence. The most important part of this referendum was the prevention of any referendum on Taiwan's official name -- the Republic of China -- its national flag, or the definition of its territory.¹⁹ This act was intentional to ease the tension between the two sides as President Chen was pushing the agenda of independence during his campaign for reelection.

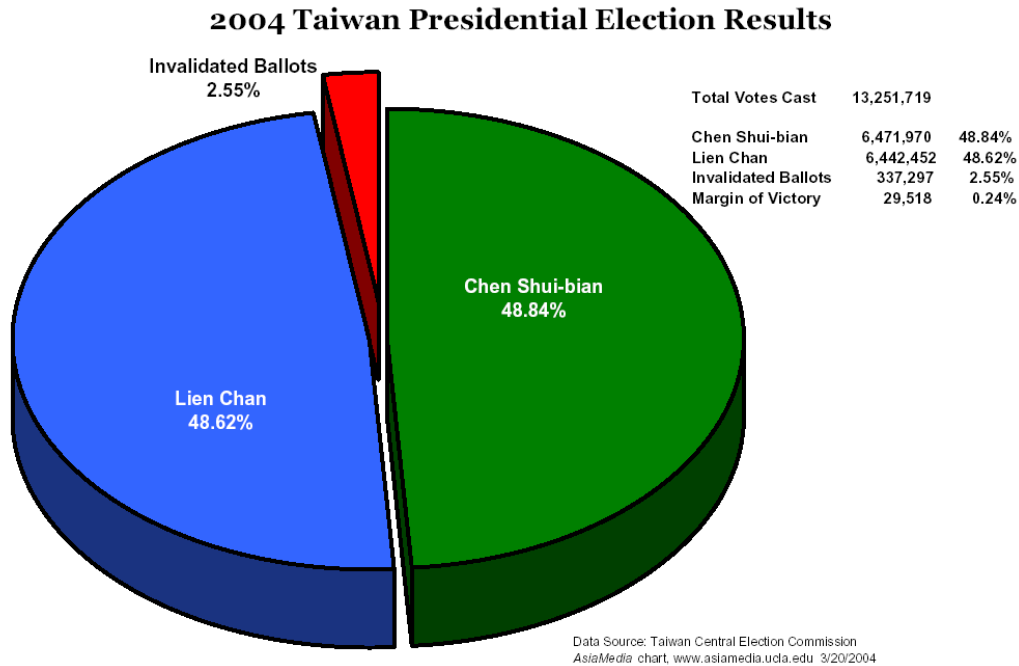
Election of 2004 and Controversy

Like the US elections of 2000, the election of 2004 in Taiwan was a very tight race and with many controversies. On March 21st, 2004, President Chen Shui-ban won his reelection by a slim margin. His opponent, Nationalist Party leader Lien Chan, refused the results and accused the system of foul play with a demand for a recount. Chen won 48.84 percent of the presidential vote, barely edging out Lien, who won 48.62 percent,

¹⁸ Chan, John. "Taiwan's President Outlines Pro-Independence Election Strategy." Nov. 6, 2003. <http://www.wsws.org/articles/2003/nov2003/taiw-n06.shtml>

¹⁹ Culpan, Tim and Pan, Phillip. "Taiwanese Lawmakers Approve Independence Referendum." Washington Post Foreign Services. Nov. 27, 2003. <http://www.washingtonpost.com/wp-dyn/articles/A17088-2003Nov27.html>

the island's election commission said. The margin of victory was only 29,518 votes in a race in which nearly 13 million people, or 80 percent of eligible voters, cast ballots.²⁰



| | | |
|-------------------------------------|---------------|--------------|
| Eligible Voters | 16,507,179 | |
| Total Number of Ballots Distributed | 13,252,490 | |
| Ballots Distributed/Not Cast | 771 | |
| Total Number of Votes Cast | 13,251,719 | |
| Chen Shui-bian | 6,471,970 | 48.84% |
| Lien Chan | 6,442,452 | 48.62% |
| Invalidated Ballots | 337,297 | 2.55% |
| Margin of Victory | 29,518 | 0.24% |

A slightly smaller share of the eligible electorate turned out to vote in this election than in 2000. In 2000, 82.7% of eligible voters cast ballots. This year, 80.3% voted.

Figure X: Taiwan's 2004 Elections Results

²⁰ Pan, Philips. "Taiwanese President Narrowly Reelected." *Washington Post*. March 21, 2004. <http://www.taiwandc.org/wp-2004-04.htm>

Lien had contested heavily on the number of invalidated ballots which was around 330,000, more than 11 times the margin of victory. The number of invalidated ballots was more than 3 times the last two polls that took place.²¹ For the next few days, there were massive protests to contest the elections. The stock market in Taiwan reacted unfavorably and dropped by more than 10% the two days after the election. To make matters worse, Chen's inauguration took place as scheduled in May, prior to the High Courts ruling on the disputed ballots. Meanwhile, the opposition party continued to file lawsuits to overturn and seek new elections, but with no major success.

²¹ "Taiwan Leader Denies Vote-Rigging." *BBC News*. March 23, 2004.

missiles it has targeted at Taiwan and to openly renounce the use of force against us, would you agree that the Government should acquire more advanced anti-missile weapons to strengthen Taiwan's self-defense capabilities?

2. Would you agree that our Government should engage in negotiation with Mainland China on the establishment of a "peace and stability" framework for cross-strait interactions in order to build consensus and for the welfare of the peoples on both sides?

For either referendum to be valid, more than 50% of eligible voters needed to cast ballots. More than seven million votes were cast on both referendum, but this amounted to just over 45% of the potential electorate. Despite the overwhelming support of those casting ballots (over 80% voted "agree"), neither measure passed.²² This was a great sigh of relief for China as they had condemned the referendums. The Beijing government saw this as an attempt precedent for an island-wide vote on independence.

²² "Taiwan Election/Referendum." March 20, 2004. <http://www.asiamedia.ucla.edu/taiwan/>

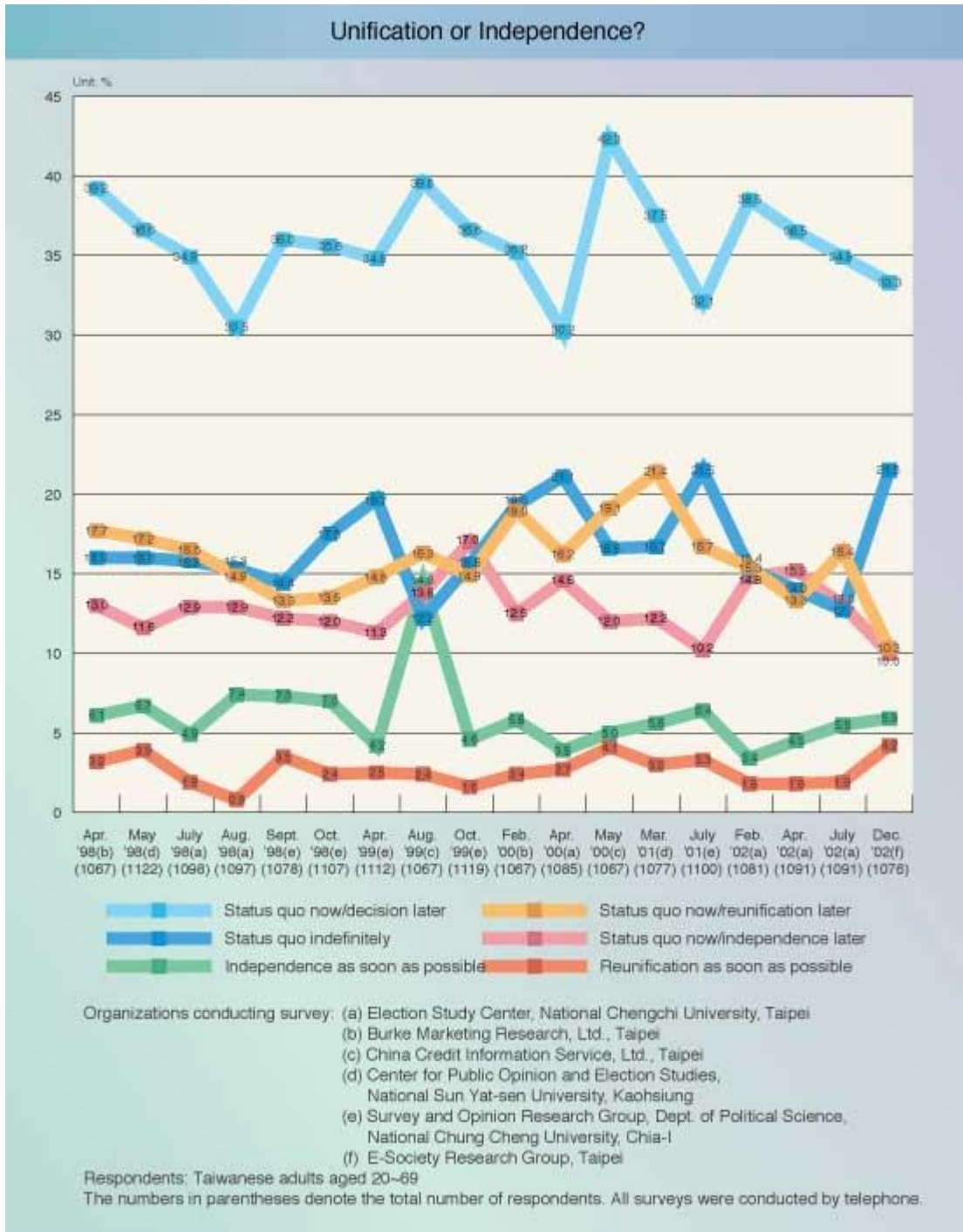


Figure X: Opinion by Taiwanese on Unification or Independence

Communication Across the Taiwan Strait

Comparing the first half between years 2003 and 2004, mails to China decreased 19.14% to 5,146,727 while mails from China increased 10.69% to 3,917,879. Even with the

increase in mail from the mainland, mail originating from Taiwan still outnumbered the number of pieces from China. Since 1991, there is a steady average of about 15 million pieces of letter delivery between China and Taiwan.²³ To date, over 186 million pieces of mail have been exchanged by the two sides.

According to Chunghwu Telecommunications in Taiwan, the number of telephone calls to China gained 33.8% to 160,063,132 calls, with a total of 688,143,002 minutes during the first seven months of 2004, while calls from China only increased 0.3% to 107,092,877 calls, with a total of 298,538,175 minutes from January to July in 2004. The average time per call to and from Mainland China was 4.3 and 2.8 minutes respectively. Since 1991, the number of phone calls and minutes between the two areas has been increasing steadily at about 20%.²⁴

Tourist Visits between Taiwan and China

According to the China Travel yearbook and the China Monthly Statistics, in the first seven months of 2004, the total number of Taiwanese tourists visiting China totaled 2.05 million, which is an increase of 56.2% when compared to the same period in 2003. Since 1988, there have been a cumulative total of 32.25 million persons visiting mainland China.²⁵

²³ Table 17: "Indirect Letter Delivery between Taiwan and Mainland China." Mainland Affairs Council. July, 2004. <http://www.chinabiz.org.tw/maz/Eco-Month/143-2004-07/143-17.xls>

²⁴ Table 18: "Indirect Telephone Communication between Taiwan and Mainland China." Mainland Affairs Council. July, 2004. <http://www.chinabiz.org.tw/maz/Eco-Month/143-2004-07/143-18.xls>

²⁵ Table 19: "Number of Taiwan People Applied for Mainland China Travelling Visa." Mainland Affairs Council. July, 2004. <http://www.chinabiz.org.tw/maz/Eco-Month/143-2004-07/143-19.xls>

On the reverse side, there have been fewer visits by mainland Chinese to Taiwan. Since Taiwan was more protective on visitor policy on the fear that many people will defect, it restrict the number of visitors. According to the Borough of Entry and Exit of ROC, since 1988, there have only been a cumulative total of about 1.1 million visitors from China to Taiwan.²⁶

Commerce between China and Taiwan

Even though the two countries have continued hostilities toward each other, direct commerce has exploded the past 15 years. In the past two years, the growth is even more explosive with growth rates in the thirty to forty percent range. In 2003, trade between the two countries reached \$46 billion annually. However, the flow of activity shifts toward exportations of good from Taiwan to China, with nearly three-quarters of total trade. Over this period of time, China has become the largest trading partner for Taiwan. This clearly illustrates that China is opening its doors more than the Taiwanese government.

²⁶ Table 20: “Personal Entry and Departure between Taiwan and Mainland China.” Mainland Affairs Council. July, 2004. <http://www.chinabiz.org.tw/maz/Eco-Month/143-2004-07/143-20.xls>

表六 兩岸貿易金額之估算

Estimation of Trade between Taiwan and Mainland China

單位(Unit)：百萬美元(US\$million)

| 期間 Period | 臺灣對大陸 出口 A Taiwan Exports Mainland China | 臺灣對香港 出口F.O.B. B1 Taiwan Exports HK (F.O.B.) | 香港自臺灣 進口C.I.F. B2 HK. Imports from Taiwan (C.I.F.) | 臺港統計 差異 B1-B2 Difference between (2) and (3) | 臺灣經香港 轉口輸往大陸 C Transit trade from Taiwan to Mainland China via HK | 臺灣對大陸 出口估計* Estimation of Taiwan Exports to Mainland China | 臺灣自大陸 進口** Taiwan Imports from Mainland China | 臺海兩岸貿 易總額估計 Estimation of Total Indirect Trade between Taiwan and Mainland China |
|--------------|--|---|---|---|---|--|--|---|
| 1984 | - | 2,087.1 | 2,217.5 | -130.4 | 425.5 | 425.5 | 127.8 | 553.3 |
| 1985 | - | 2,539.7 | 2,682.4 | -142.7 | 986.8 | 986.8 | 115.9 | 1,102.7 |
| 1986 | - | 2,921.3 | 3,072.8 | -151.5 | 811.3 | 811.3 | 144.2 | 955.5 |
| 1987 | - | 4,123.3 | 4,275.1 | -151.8 | 1,226.5 | 1,226.5 | 288.9 | 1,515.4 |
| 1988 | - | 5,587.1 | 5,682.4 | -95.3 | 2,242.2 | 2,242.2 | 478.7 | 2,720.9 |
| 1989 | - | 7,042.3 | 6,606.9 | 435.4 | 2,896.5 | 3,331.9 | 586.9 | 3,918.8 |
| 1990 | - | 8,556.2 | 7,439.9 | 1,116.3 | 3,278.3 | 4,394.6 | 765.4 | 5,160.0 |
| 1991 | 0.1 | 12,430.5 | 9,605.0 | 2,825.5 | 4,667.2 | 7,493.5 | 1,125.9 | 8,619.4 |
| 1992 | 1.1 | 15,415.0 | 11,156.3 | 4,258.7 | 6,287.9 | 10,547.6 | 1,119.0 | 11,666.6 |
| 1993 | 16.2 | 18,452.6 | 12,047.2 | 6,405.4 | 7,585.4 | 13,993.1 | 1,103.6 | 15,096.7 |
| 1994 | 131.6 | 21,262.3 | 13,757.7 | 7,504.6 | 8,517.2 | 16,022.5 | 1,858.7 | 17,881.2 |
| 1995 | 376.6 | 26,105.9 | 16,572.6 | 9,533.3 | 9,882.8 | 19,433.8 | 3,091.4 | 22,525.2 |
| 1996 | 623.4 | 26,787.6 | 15,795.1 | 10,992.5 | 9,717.6 | 20,727.3 | 3,059.8 | 23,787.1 |
| 1997 | 626.5 | 28,688.1 | 15,967.6 | 12,720.5 | 9,715.1 | 22,455.2 | 3,915.4 | 26,370.6 |
| 1998 | 834.7 | 24,619.7 | 13,342.9 | 11,276.8 | 8,364.1 | 19,840.9 | 4,110.5 | 23,951.4 |
| 1999 | 2,536.9 | 26,012.1 | 12,875.2 | 13,136.9 | 8,174.9 | 21,312.5 | 4,522.2 | 25,834.7 |
| 2000 | 4,217.5 | 31,336.3 | 15,919.5 | 15,416.8 | 9,593.1 | 25,009.9 | 6,223.3 | 31,233.1 |
| 2001 | 4,745.4 | 26,961.4 | 13,837.0 | 13,124.4 | 8,811.5 | 21,945.7 | 5,902.2 | 27,847.9 |
| 2002 | 9,951.8 | 30,858.5 | 14,920.3 | 15,938.2 | 10,322.6 | 29,465.0 | 7,947.7 | 37,412.5 |
| 2003 | 21,448.1 | 28,373.7 | 16,051.7 | 12,322.0 | 11,789.4 | 35,357.7 | 10,962.0 | 46,319.7 |
| 2004 | | | | | | | | |
| Jan-July | 19,150.1 | 17,403.8 | 11,187.4 | 6,216.4 | 8,077.4 | 25,467.0 | 8,943.8 | 34,410.8 |

註：(B1-B2)為負數時以零計。

資料來源：1. (A)、(B1)為我國海關統計，(B2)、(C)為香港海關統計。

2. ** 1993年以前採香港海關統計；1994年起改採我國海關統計。

3. * 2001年以前本會估算公式為：(B1-B2)+C；國貿局估算公式為：A+(B1-B2)*80%+C。

2002年估算係依修正後之統一公式：A+(B1-B2)*80%+C-r*A。

(上述公式中 r 為已列計於A項，但實際係經香港轉口大陸而重覆列計於C項之比例；2002年以1999年至2002年大陸海關統計廣東地區自台灣進口金額佔全大陸自台灣進口金額之平均比例36%計算)

Note: A negative figure in column (B2-B1) will be treated as zero.

Source: 1. (A) and (B1) are from ROC Customs Statistics, (B2) and (C) are from HK Customs Statistics.

2. ** used HK Customs statistics before 1993; changed to ROC Customs statistics since 1994.

3. * before 2001 used the estimation method of Mainland Affairs Council (MAC) as: (B1-B2)+C.

But since 2002 MAC and Board of Foreign Trade(BOFT) decided to change the formula and switch to A+(B1-B2)*80%+C-r*A.

"r" presents the average ratio of the import from Taiwan in Guangdong to all in China according to China Customs Statistics. Now the "r" is 36% from 1999 to 2002.

Figure X: Estimation of Trade between Taiwan and China

Since 1993, China has been Taiwan's top business destination with the flow of capital being worth about \$67.98 billion in 1999.²⁷ Taiwan, after Hong Kong, is the second largest source of investment to China. In addition, there is an estimated 1 million

²⁷ "China pressures Taiwan to open 2-way trade, transportation." Dec 17, 2003. Kyodo News International, Inc. http://www.findarticles.com/p/articles/mi_m0WDP/is_2003_Dec_22/ai_111501293/print

taishang, workers and businessmen from Taiwan, living fulltime in China. Over the past ten years, this burgeoning community of expatriates has been busy knitting economic ties between the two countries, despite the fierce tension between them.²⁸

With most of the flow going from Taiwan to China, the business community of Taiwan has become a powerful advocate to have improved relationships with China. They believe that these investments are important as they are actively seeking investments to the mainland so that they can gain access to the lower cost labor pool that speaks the same language. These investments would be in serious jeopardy if the conflict between China and Taiwan escalates, and so they do not actively support the Taiwanese independence movement.

China's entry into WTO

After 15 years of resisting its entry, China finally began seeking to become a member of the World Trade Organization(WTO), the international agency that administers multinational trade rules. In September 2001, China completed its accession application and reached a bilateral trade agreement with the last of the original 37 members, Mexico. On November 11, 2001, China's membership to the WTO was formally approved in Doha, Qatar.²⁹

²⁸ Huang, Joyce. "Trade Links". Time Asia. March 15, 2004. Vol 163. No. 10.
<http://www.time.com/time/asia/magazine/printout/0,13675,501040315-598582,00.html>

²⁹ Morrison, Wayne. "China and the World Trade Organization." CRS Report for Congress. November 19, 2001. <http://fpc.state.gov/documents/organization/6560.pdf>

The entry by China would bring reform to the world's most populous nation and open up the huge market to the rest of the world. With its entry, foreign investments will increase dramatically. According to the United Nations Conference on Trade & Development in 2000, foreign companies had parked \$64 billion in Hong Kong in preparation for China's entry into WTO. Foreign companies will now be competing on a more playing field again Chinese companies as custom duties will be reduced.³⁰

Taiwan's entry into WTO

Beijing has insisted that Taiwan could only enter the WTO after China since it considered the island part of its sovereign territory. On January 1, 2002, Taiwan officially became the 144th member of the WTO as the customs territory of "Chinese Taipei." Joining the WTO marked a 12 year quest for the world's 14th largest trading economy in the world.³¹

Even with its entry to the WTO, there were many concerns by the citizens of Taiwan. Most importantly is the concern of unemployment. Before its entry, Taiwan was already one of the more open economies and free trade in Asia, but had some protected sectors like agriculture. With its entry, it would open the floodgates for many labor intensive jobs to be moved to China where it has the same language and culture. Therefore, it could have great impacts on agricultural, industrial and service sectors.³²

³⁰ Tremblay, Jean-Francois. "China and Taiwan set to Enter WTO." *Chemical & Engineering News*. September 24th, 2001. Volume 79 Number 39. Pg 15.

³¹ McMillian, Alex Frew. "Taiwan enters WTO with eye on China." CNN.com. Jan. 1, 2002. <http://archives.cnn.com/2002/BUSINESS/asia/01/01/taiwan.wtoofficial/>

³² Dickie, Mure. "Taiwan Entry to WTO Raises Concerns at Home." *Financial Times*. January 2, 2002. <http://www.globalpolicy.org/soecon/bwi-wto/wto/2002/0102taiwan.htm>

Direct Flight Program between Taiwan and China

Long-standing political disputes have blocked Taiwan and China from signing a pact that would allow direct flights. Taiwan's government has been under increasing pressure from a growing number of Taiwanese businesses that have invested heavily in China to open up direct transport links.

Flights between Taiwan and China waste four hours apiece and a total of \$10 billion on airfare because they are required to make security layovers in Hong Kong or Macao. However, since the Spring Festival of 2002, China has allowed six Taiwanese airlines to fly to and from Shanghai on a trial basis. They will later be allowed to enter Beijing, Guangzhou and Xiamen and shipping between Taiwan's outlying islands.³³

Even though progress was made in 2002, the direct flight program was halted for the year 2003. One of the biggest barriers was allowing Chinese airlines to fly to Taiwan. Another problem was the resistance from Hong Kong since the Taipei-Hong Kong route is one of the most profitable in the world. To resolve this issue, all parties from the three areas got together and will reopen two-way, non-stop cross-strait charter cargo flights and charter passenger flights for the upcoming Chinese New Year holiday, which will run from February 6, 2005 through February 13.³⁴

³³ "China pressures Taiwan to open 2-way trade, transportation." Dec 17, 2003. Kyodo News International, Inc. http://www.findarticles.com/p/articles/mi_m0WDP/is_2003_Dec_22/ai_111501293/print

³⁴ "Direct China Air Links Back on Taiwan Agenda." Central New Agency. Nov. 13, 2004. <http://taiwansecurity.org/CNA/2004/CNA-131104.htm>

Conclusion

The gravity of economies should continue to pull Taiwan and China closer. So it seems that commerce and growing pressure from the international business community could help to stabilize the relationship between China and Taiwan, or at the very least prevent the outbreak of war. China might reserve the right to use force against Taiwan since a war with Taiwan would dislocate China's economy and take away resources needed for sustained growth. It is uncertain if and when Taiwan will be recognized as an independent nation, or if it will become a formal part of China. What is clear, however, is that the policy of 'strategic ambiguity' is likely to continue into the near future.