

RECENT CHANGE OF TAIWAN'S FOREIGN ECONOMIC RELATIONS AND THE NEW CHINESE ECONOMIC ZONE

Chung—hsun Yu

Introduction

Taiwan's foreign economic relations are changing very rapidly. Firstly, Taiwan has developed her foreign trade very rapidly. Particularly, Taiwan's trade with the US has recorded a large sum of export surplus for many years after 1975 of the oil crisis and Taiwan has earned a large sum of dollars from the US.

As a result, Taiwan has become one of the richest country (region) in the world, the thirteenth place in the amount of trade, the third place both in the export surplus and the foreign exchange reserve. However, Taiwan is enlarging her trade markets toward all over the world, particularly to the EC and Asia recently.

Secondly, Taiwan has imported a large sum of foreign capital and it has contributed to the rapid development of Taiwan's economy in the past. However, the imports of foreign capital are decreasing sharply and on the other hand, Taiwan's overseas investment is increasing sharply now.

The amount of Taiwan's overseas investment to the US is the largest, but the investment to Southeast Asia, particularly direct investment to this area is the most important. Taiwan has become the second largest supplier of foreign capital in Asia next after Japan. The existence of overseas Chinese and ethnic Chinese is a very advantageous factor for Taiwan's overseas investment to this area.

Thirdly, economic relations between Taiwan and mainland China, which were almost in the state of perfect stop in the past, are showing a dramatic improvement, though these are not foreign (international) relations, but domestic relations to each of Taiwan and mainland China. In the field of commercial trade, besides indirect trade via the third country (and/or region), particularly via Hongkong, direct trade between Taiwan and mainland China is increasing very rapidly as well. Taiwan's investment to mainland China has also started already via Hongkong.

In the international (in this case, correctly speaking interregional) relations, people's movement is basic one and not only people's movement has already started from Taiwan to mainland China, but also the movement from mainland China to Taiwan has just started recently.

Fourthly, the united economic relations between Taiwan and mainland China, Hongkong, Macau and overseas Chinese and ethnic Chinese in the world are being strengthened and as a result, New Chinese Economic Zone is being formed and developing.

I would like to write about these affairs in more detail in the following.

1. Rapidly changing foreign trade

(1) Toward a rival to the US and Japan

Taiwan is now at a turning point, There are many aspects of the turning point. However, the most important one is that a transition process ascending from peripheral capitalism to center-capitalism has already started. In other words, economic dominance by the center-capitalist countries, such as the US and Japan is weakened and although Taiwan is a capitalist country (region), it becomes much easier for mainland China and Taiwan to establish "One state, Two systems" (socialist = mainland China and capitalist = Taiwan, Hongkong and Macau, two systems within

one state = China).

Taiwan is appearing as a strong rival to the center-capitalist countries, such as the US and Japan, in some fields. Taiwan is now the fourth largest exporting country (region) to the US next after Japan, Canada and West Germany. Moreover, growth rate of the exports to the US in 1987 compared with 1986 was 23.9%. This is a very high speed, especially compared with that of the other three countries (West Germany 7.7%, Canada 4.1% and Japan 3.2%).

As a result, Taiwan is now a subject of strong bashing by the US, as well as the other Asian NIES. Rather, we had better say that the US's bashing is the strongest to Taiwan. The US has declared in January 1988 that GSP, which is applied to developing countries, would not be applied to the Asian NIES any longer since January 1989. It is said that the mostly affected country (region) is Taiwan.

Taiwan's exports to the US were US\$16.3 billion in 1985, US\$19.8 billion in 1986 and US\$24.5 billion in 1987. This is a drastically high rate growth of exports. Although a part of the exports was due to foreign companies in Taiwan, it shows a very big competing power of Taiwan's economy. Taiwan is appearing as a very strong rival country (region) to the US and Japan, especially in the fields of labor-intensive consumer-goods, such as apparel, footwear and so on in the past and after the appreciation of the New Taiwan dollar, in the fields of intermediary-technology goods, such as electronic manufactures, electrical appliances and other capital goods.

(2) Intensifying competition within Asia

The US's share in the Taiwan's exports was very high in the past. For example, it was 44.2%, nearly a half in 1987. It was 38.7% in South Korea and 36.0% in Japan in the same year. However, Taiwan's exports to the US are decreasing sharply and those to Western Europe have become the second place. At the same time, Taiwan's exports to Japan and other Asian

countries (regions) are increasing very rapidly. This is due to the Taiwan's diversification of trade markets. Particularly, mutual trade among Asian NIES is under progress. The amount of the mutual trade among Asian NIES in Jan.—Apr. 1988 was US\$6.457 billion, a 44% increase compared with the same period of the previous year. It was estimated that the sum would exceed by 20 billion at the end of 1988.

As a result, a trade conference by the ministries concerned of Taiwan and South Korea was held at Seoul recently and they agreed that the target sum of the mutual trade would be US\$2 billion in 1988 (US\$1.17 billion in 1987) and US\$3 billion in 1989. Trade Promotion Bureaus in Hongkong and Singapore dispatched a large trade and investment mission to Taiwan in the spring of 1988 respectively and Hongkong concluded consultant-contracts with the local companies in Taiwan so as to enlarge the market.

Taiwan is also planning to enlarge the organizations of trade representatives in South Korea, Hongkong and Singapore. A considerable portion of Taiwan's exports to Hongkong is reexported to mainland China and Southeast Asia. On the other hand, the trade conflict between Taiwan and South Korea over the export of South Korean cars to Taiwan is being intensified. Taiwan's trade competition in Asia will be intensified, particularly with the US, Japan and South Korea.

(3) Rapidly changing trade surplus

In 1988, Taiwan's surplus of international balance is decreasing very rapidly. In Jan.—Mar., it was only US\$10.5 billion, a 70% decrease compared with the same period of the previous year. Especially, the growth rate of exports is going down very rapidly. On the other hand, the growth rate of imports is accelerating the speed. Adjustment of foreign exchange rate was also successful. The NT dollar was required to appreciate the rate. Within only a year of 1987, the exchange rate has gone up suddenly from

the rate of US\$1 being equal to NT\$35.5 up to NT\$28.5, the highest increase rate of nearly 20%. As a result, the exports to the US have decreased and the imports increased sharply. Particularly, an import boom of the products has begun, due to the appreciation of the NT dollar and the reduction of tariff rates by an average of 50% since February 1988. In Jan.—Mar. 1988, Taiwan's imports from the US increased nearly to 2.4 times compared with the same period of the previous year. This is a 135% rate of growth per month compared with the same period of the previous year.

The US trade with the four Asian NIES (or four dragons of South Korea, Taiwan, Hongkong and Singapore) was US\$61.2 billion of imports and US\$23.5 billion of exports in 1987. The US showed a large trade deficit. It was only with Taiwan that the US export increase had realized the improvement of trade balance. However, Taiwan's recent increase of imports from the US is largely due to the import increase of gold. Taiwan started a large quantity of gold import suddenly from November 1987. In that month, Taiwan bought US\$238 million of gold, which accounted for 96.7% of the total US gold exports.

In December 1987, Taiwan imported US\$323 million of gold, in Jan.—Feb. 1988 US\$476 million, between November 1987 and March 1988, more than US\$2 billion. In Mar.—Apr. 1988, the central bank of Taiwan bought gold from the US and other countries with a high speed of more than a million troy ounce a year. As a result, as of the end of April 1988, Taiwan's gold reserve has reached 12.3 million troy ounces (US\$5.5 billion) which is 2.2 times of the same period of the previous year.

Taiwan is a region where people's propensity to hold gold is very strong as the same as mainland China. Therefore, including the volume held by private persons and organizations, Taiwan's total volume of gold is about a thousand ton (32 million troy ounces or more than US\$14.3 billion). As of the end of June 1988, the volume of gold held by private persons and

organizations was one thousand two hundred tons in Japan. Including golden tenders and accessories, it was more than two thousand tons and adding the volume held by the government, it was less than three thousand tons. Taiwan's total population is less than one-sixth of the Japanese total population. Taiwan's volume of gold is very large, especially compared with that of Japan.

As a result, trade surplus with the US is decreasing sharply. It was only US\$531 million in March 1988, a sudden decrease of 60% compared with US\$1.347 billion of the previous month. However, deducting the gold imports, it was only a decrease of more than US\$200 million in March 1988. In the same month, gold was the first place in import items and accounted for 20% of the total imports. Taiwan's trade surplus in Jan. – Apr. 1988 was only US\$2.58 billion, a 2.4 billion decrease compared with the same period of the previous year. About 70% of the decrease was due to the gold imports. In Jan.—May 1988, including gold imports, Taiwan's imports from the US increased to two times of the same period of the previous year.

Taiwan is buying a large quantity of gold in Hongkong and Singapore as well. As a result, Taiwan has gone up to the second largest country (region) of gold holding in Asia next after Japan. However, the US has criticized Taiwan that the latter's increase of imports was only a result of an artificial maneuver of trade balance, so that Taiwan's trade balance was not improved at all in fact. As a result, the central bank of Taiwan has stopped for a while to buy gold officially since the latter part of May 1988. Therefore, while the total US trade deficit increased very little in that month, the US trade deficit with Taiwan has recorded US\$951 million, a 65% increase compared with the previous month.

2. Rapidly increasing overseas investment

(1) Rapidly decreasing foreign investment to Taiwan

Overseas Chinese and foreign investments to Taiwan started since 1952 and by 1986, they reached 3757 cases, US\$5.93011 billion. Annual average was a little bit over US\$169.39 million. In the 1980s, except minus growth of 16.07% and 3.98% in 1981 and 1982 respectively, all years recorded plus growth. They were directed to the fields of chemistry, electronical and electrical appliances, service industry and so on. Overseas Chinese and foreign investments have played a very important role in the Taiwan's economic development or in strengthening of the peripheral capitalism of Taiwan.

Overseas Chinese investment was 1827 cases, less than US\$1.23929 billion and foreign investment was 1930 cases, less than US\$4.69092 billion between 1952 and 1986. The former was 48.6% of the total cases and 22.9% of the total amount and the latter 51.4% and 79.1% respectively. Overseas Chinese investment per case was much less than foreign investment in scale. Overseas Chinese investment was from Hongkong, the US, Japan and so on and foreign investment was from the US, Japan, Hongkong, West Europe and so on.

However, overseas Chinese and foreign investments were only US\$186 million in Jan. – Mar. 1988. This is a very large decrease of 40% compared with US\$310 million in the same period of the previous year. While Japanese investment increased to US\$85 million, by 14%, the US investment decreased to US\$42 million, by minus 69% and Hongkong to US\$21 million, by minus 70%. Among the overseas Chinese and foreign companies invested in Taiwan, there are some who have moved to other cheap-labor countries in Southeast Asia, such as Thailand, Malaysia, the Philippines and so on.

On the other hand, Taiwan's overseas investment is being accelerated.

Taiwan's overseas investment started in 1959. By 1985, the number of the cases invested was only 226 and the amount was less than US\$221.5 million, annual average of less than US\$8.27 million. This was only one twentieth of the total overseas Chinese and foreign investments to Taiwan. This was due to the fact that except a part of public enterprises, most of the Taiwan's private enterprises were small and medium-sized enterprises and many of them had not reached the level of multinational corporations.

Taiwan's investment to the US is the largest. Especially in the 1980s, large-sized direct investment centered in the fields of electronics and electrical appliances is increasing very rapidly so as to avoid trade conflicts and to introduce the most developed high-technology. Here also, we can see that the situation of dependence on the US is changing. The cumulative total of the Taiwan's overseas investment approved by the Taiwan authority in 1959-1986 was less than US\$520 million. About a half of the total is the investment to the US and the next is to Southeast Asia, about 35% of the total. The rest is to West Europe, Middle East, Africa, Central and South America and so on, about 20%.

(2) Rapidly increasing international investment surplus

Taiwan's overseas investment increased sharply in the 1980s. Particularly, based on the unprecedented holding of a large sum of foreign currency, Taiwan's overseas investment began to increase very rapidly from around 1986. While the growth rate of savings is very high in Taiwan, the growth rate of investment is very low. Therefore, capital liberalization is needed to utilize effectively the inactive capital on the one hand and capital internationalization is also needed to utilize effectively a large sum of foreign currency on the other hand.

As a result, the share of overseas portfolio investment is considerably high. In 1986, Taiwan's overseas investment reached less than US\$300 million, of which direct investment was only US\$57 million. Indirect trust

investment was overwhelmingly large and during about a year from the time when the system had started, the total of the indirect trust investment amounted to US\$246 million. Nevertheless, direct investment in 1986 increased by 37.7% compared with US\$41.33 million in the previous year. This was the largest increase in history, of which US\$45.96 million to the US was the largest direct investment (an increase of 28.7%) and US\$5.81 million to Thailand (122.6%), US\$1.78 million to Indonesia (78%), US\$430 thousand to Singapore (1.5%), US\$70 thousand to the Philippines (zero in the previous year) and US\$2.84 million to the rest of the world(59.8%). Taiwan's overseas direct investment to Southeast Asia increased largely to Thailand, Indonesia and the Philippines, though the sum was not so large respectively. Investments to electronic and electrical products, paper manufactures, plastics, apparel, insurance, services and so forth were of significance.

In July 1987, with the removal of martial law in the political field, the control over foreign exchange was removed and liberalization of trade, mitigation of the regulation over capital import and relaxation of capital export were intended in the economic field. As a result, it has become possible for offices, associations and private persons to send US\$5 million of foreign exchange a year freely. In the beginning, the start was not so quick, because of the fear for loss of the foreign exchange due to the appreciation of NT dollar. However, a large quantity of the overseas investment has begun to accelerate from around the end of 1987. As a result, Taiwan's international investment turned out from receipt excess to payment excess.

In Jan. - Mar. 1988, the total of portfolio investment and direct investment amounted to US\$1.376 billion. This is equal to four times of the sum of the same period of the previous year. Portfolio investment is still large. This is the result that foreign companies engaged in investment

consultation and so forth increased in Taiwan due to the internationalization of securities business.

At the same time, direct investment has increased very rapidly and the payment excess is more than US\$600 million. This is due to the increase of the overseas investment of the labor-intensive industries, whose competitive power is declining because of the appreciation of NT dollar. Particularly, overseas direct investments to Thailand, Malaysia, the Philippines and Indonesia are high in the rate of growth. As the result mentioned above, Taiwan's exports of capital exceeded Taiwan's imports of capital. Taiwan's international balance of investment has changed from the import surplus to the export surplus.

(3) Taiwan is becoming a main capital supplier country (region)
to Southeast Asia

Taiwan's direct investment is increasing to Southeast Asia, where production cost is cheaper than Taiwan and the export of Taiwan's manufactures to the US via Southeast Asia is more favorable than directly from Taiwan. As a result, Taiwan is growing as a very powerful capital supplying country (region) to Southeast Asia. Taiwan's investment to Thailand was the second largest next after that of Japan in 1986. In Malaysia, Taiwan's investment was US\$118.5 million in 1987, twenty-four times of the sum of the previous year and stood third after Japan and Singapore. In case of Singapore, most of the investment was reinvestment. Therefore, in fact, Taiwan's investment was estimated to be the second rank.

In 1988, Taiwan's investment to Southeast Asia was accelerated further. In Thailand, investment of the foreign companies, approved a favorable treatment by the Thai government was 403 cases and exceeded 367 cases of the previous year, the most in history. Among the cases in 1988, Taiwan companies were the most, 141 cases and stood first. However, in the sum of investment, Japan was first, Baht 28 billion and accounted for 36% of the

total of Baht 77.7 billion. In case of Taiwan, her companies were in many cases small and medium-sized enterprises. Therefore, Taiwan's investment was only Baht 6.9 billion (8.9%) and stood third next to the US of Baht 8.4 billion (10.8%).

In Thailand, many issues were brought about by the rapid increase of foreign investment, such as the heat competition between Thai and foreign enterprises and so forth. Therefore, it was declared that the favorable conditions for foreign investment would be changed. In the Philippines, where the diplomatic relations were broken off with Taiwan in 1975, Taiwan's investment started in 1986 and was US\$186 million in 1987, twenty-six times of the sum of the previous year. It stood seventh among the foreign investments in the Philippines. However, in Jan. - Mar. 1988, it increased to Peso 2.02 billion (US\$98.5 million) and exceeded the US (Peso 1.19 billion) and Japan (Peso 298 million).

Taiwan's investment to the Philippines has been changing from the short-term investment by relatively small companies to the long-term project investment. The reason why Taiwan's investment to the Philippines has been increasing so rapidly is that in the Philippines, wages and cost of production are so low and at the same time Taiwan's companies can easily get the export quota to the US. In many cases, Taiwan's investing companies have started to cooperate with overseas Chinese and ethnic Chinese companies in the Philippines.

As of the end of 1987, the share of the investment to ASEAN in the cumulative sum of Taiwan's total overseas direct investment accounted for 24%, nearly one fourth. Singapore, Malaysia and so forth sent missions to Taiwan to invite Taiwan's companies and in case of Singapore, it was decided to found a finance company so as to introduce Taiwan's fund to Singapore. In case of Malaysia, construction of "Taiwan Industrial Factories Complex" is now under way so as to introduce Taiwan's

investment to Malaysia. In the Philippines, the local business circle is now in Taiwan fad.

In Thailand, Taiwan's first mission to investigate the investment environments in Thailand was organized and many businessmen joined the mission in August 1987. It was Chatri Sophonpanich, the second son of the founder of Bangkok Bank (the largest commercial bank, not only in Thailand, but also in the whole Southeast Asia) and now the president of the Bank, who organized the mission. Chatri Sophonpanich is an ethnic Chinese and has a Chinese name of You-han Chen (陳有漢).

In the field of capital investment in Southeast Asia, the competition among the US, Japan, Taiwan and South Korea will be much intenser. However, the existence of the overseas Chinese and ethnic Chinese in this region is a favorable factor for Taiwan. Cooperation between Taiwan capital and Southeast Asian overseas and ethnic Chinese capital is also favorable for Taiwan to strengthen indirectly the economic ties between Taiwan and mainland China via Southeast Asia.

(4) Future trend of Taiwan's overseas investment

As to whether Taiwan's overseas investment will increase rapidly or not in the future, we have to examine many factors very carefully. To begin with, there are some positive factors.

(a) While the rate of savings is high in Taiwan, the rate of investment is not so high due to the uncertain future situations. Therefore, overseas investment pressure is very strong. Uncertainty of the future situations is due to the following factors : possibility for Taiwan to return to mainland China, or in other words future possibility of the reunification between Taiwan and mainland China, KMT autocracy, absence of political democracy though it is advancing slowly, various restrictions on the activities of private enterprises by the government which are favorable for the powerful public enterprises, a wide gap in economic power between a

handful of big enterprises on the one hand and countless small and medium-sized enterprises on the other hand, appreciation of the NT dollar, very high speed growth of economy, pollution problem, social unrest brought about by the active labor strikes and frequent farmers' demonstrations and so on.

(b) Trade balance is still in the black and a large sum of foreign currency is still being accumulated. (c) The existence of overseas Chinese and ethnic Chinese centered in Southeast Asia. (d) The necessity of resolution or relaxation of trade conflicts with the US and that of the introduction of high technology to Taiwan. (e) The necessity to secure the low-cost production bases as a result of the relative deterioration of the international power of economic competition due to the appreciation of the NT dollar, rise of wages and so on.

On the other hand, there are some negative factors of the future trend in Taiwan's overseas investment. (a) There are so many small and medium-sized enterprises in Taiwan and few enterprises have reached the level of multinational corporations and export of capital. (b) The possibility to decrease the trade surplus due to the appreciation of the NT dollar, rise of wages and so on. (c) If the politics will be democratized and liberalized and the economic situations will become clearer, domestic investment will increase. (d) Active speculation in real estate and stock market. (e) Unfavorable movements against overseas and ethnic Chinese in the invested countries and regions. (f) The possibility of the improvement of economic relations between Taiwan and mainland China and so on.

As a whole, the positive factors are strong enough for the time being and we can expect that Taiwan's overseas investment will increase. However, in the long run, negative factors, such as the weakness of Taiwan's economy and the possibilities of domestic investment within Taiwan herself and the investment to mainland China, are very strong and

we can not make a decision hastily that Taiwan's investment will increase rapidly in the future.

However, Taiwan has begun to change her past attitude to hold international isolation and moved to active economic diplomacy. Adding to the policies returning to the various international economic organizations and agreements, Taiwan has started "Overseas Economic Cooperation and Development Fund" for developing countries with a fund of US\$1 billion. Taiwan has started the governmental aid together with the private capital investment and as a result, Taiwan has reached the realm of a developed country (region), not only in the field of foreign trade, but also in the field of foreign fund supply.

3. Taiwan and New Chinese Economic Zone

(1) Taiwan's connections with mainland China

A dramatic change is being brought about in the interrelations between Taiwan and mainland China and Taiwan authority is overlooking or passively supporting the expansion of private interchanges. Here, Hongkong's intermediary role is being strengthened in the fields of the movements of people, goods and capital. Taiwan can not miss the South Korean rapid approach to China. The ties between Taiwan and Macau is also being strengthened and the first nonstop ferry boat line has started in September 1988.

As I have already exceeded the restricted number of pages greatly, I will discuss this issue in more detail in another paper someday.

(2) Taiwan and New Chinese Economic Zone

In the past, there was a network of people, goods and capital over the boundaries of nations in the Chinese, overseas and ethnic Chinese economies centered in East and Southeast Asia. And besides Hongkong

and Macau, Taiwan also played an important role there. At that time, mainland China was not included in the network due to her isolation policy. We can call it old Chinese, overseas Chinese and ethnic Chinese Economic Zone (or abbreviating, Old Chinese Economic Zone or Old Chinese Zone).

After the policy change and the promotion of open-door policy in mainland China since 1979, New Chinese Economic Zone (NCEZ) including mainland China is formed and developing. The populations are 1,072.33 million in mainland China, 19.6 million in Taiwan, 5.7 million in Hongkong, 400 thousand in Macau, about 4 million of overseas Chinese (those who have the Chinese nationality), about 20 million of ethnic Chinese (those who have the local nationality) and the total population is about 1,122.33 million. The total population of Taiwan, Hongkong, Macau and overseas and ethnic Chinese is about 50 million. This figure corresponds to the population of medium-sized population countries in the world, such as, for example, Great Britain, France and Italy. Adding overseas Chinese relatives in mainland China (more than 20 million) and overseas Chinese returned to mainland China (more than a million) to the above figure, the total is more than 71 million. This corresponds to the large population countries of the seventh or eighth rank in the world.

NCEZ has two-fold structures. One is the New Chinese Economic Zone in a narrow sense, consisting of the economies of mainland China, Taiwan, Hongkong and Macau. And another is that in a wide sense, including overseas Chinese and ethnic Chinese economies. The former consists of the geographical, territorial areas and the latter is based on the blood relationship, native relationship and the cultural relationship. Overseas Chinese and ethnic Chinese economies in Southeast Asia were very important in the past. However, besides those in Southeast Asia, the overseas Chinese and ethnic Chinese economies in the entire Asia-Pacific region are expanding very rapidly now, particularly due to the increase of Indo-Chinese refugees

(many of them were overseas and ethnic Chinese), the overseas flight of Hongkong Chinese capital (people also) because of her returning issue to mainland China in 1997, the overseas investment of Taiwan's capital and mainland Chinese outflow.

On the one hand, as the assimilation is going on in the overseas and ethnic Chinese societies, those who have close relationship with mainland China are decreasing. On the other hand, those who have close relationship only with residing countries are increasing. However, the largest portion of them is intermediate people, who have a certain extent of relationships with both countries, mainland China and the residing country.

In the former NCEZ in a narrow sense, Southern Chinese economic zone (namely, consisting of the economic connections among southern provinces in mainland China, Hongkong and Macau) is a core area. Southern provinces in mainland China, particularly Guangdong, Fujian and newly established Hainan, are the native areas of the Chinese in Taiwan, Hongkong and Macau and the overseas Chinese and ethnic Chinese in the world.

In 1980, China's per-capita GNP was around US\$200. China is planning to increase it to four times, around US\$800-1000 by the end of the 20th century and to increase it to four or five times more, around US\$3000-4000 by the end of the first half of the 21st century. As a result, China would reach the level of intermediately developed country. According to China's plan, she will be at the elementary stage of socialism until the end of the first half of the 21st century. But thinking about the future development of Hongkong and the unification of Taiwan with mainland China, the so-called elementary stage of socialism may be extended longer.

Apart from the quality, there are so many goods which China can produce most in the world today. And there is no doubt that such kinds of goods will increase more and more. The existence and development of the

NCEZ will accelerate China's economic development. For example, Guangdong province in mainland China has an intention to be the fifth dragon. Guangdong is planning to increase her per-capita GNP to US\$4000 by 2010 (1980 constant price). This corresponds nearly to Taiwan's current level. Particularly, per-capita GNP in such areas as Shenzhen (深圳), Foshan (佛山), Zhongshan (中山) and Dongguan (東莞) would rise to US\$6000, Hongkong's current level. On the other hand, as mentioned above, China's per-capita GNP would be around US\$1000 by 2000. Guangdong's very rapid economic development is largely due to the investment from Hongkong. Therefore, if the economic relations between Fujian province in mainland China and Taiwan will become much closer, Fujian province can be the sixth dragon someday.

In 1988, China has decided to employ the outward-looking economic development strategy in the coastal, belt-zone area of mainland China. The ties between southern provinces in mainland China and other areas of NCEZ will be expanded to the northern coastal provinces and to the all areas in mainland China. As a result, China may become one of the biggest countries in the world economy within the 21st century at latest. At that time, China may produce many kinds of goods most in the world. And looking from the viewpoint of per-capita GNP, China may become the top country in the 22nd or 23rd century at latest.

Recently, Taiwan is strengthening the economic ties with mainland China, Hongkong, Macau and overseas and ethnic Chinese sharply and as a result, NCEZ is developing very rapidly. It is not only favorable to the economic developments of both mainland China and Taiwan, but also it will supply favorable conditions for the political unification of mainland China and Taiwan. It will be also favorable to the economies of Hongkong, Macau and overseas and ethnic Chinese and at the same time, to the economy as a whole of the overseas and ethnic Chinese residing countries.

In the long run, it will give a large promoting effect on the economic development of East and Southeast Asia and bring about a crust change in the economy as a whole of Asia-Pacific region. Asia-Pacific region has already become the center of gravity in the world economy and the rapid development of NCEZ will accelerate the economic development of Asia-Pacific region.

On the other hand, there exist many possibilities of various conflicts to be severer, not only in the field of economy, but also in the fields of politics, society and others. For example, Chinese people's movement to overseas is increaseing now. In fact, mainland young Chinese are coming to Japan under the name of studying Japanese and Hongkong Chinese are migrating to the US, Australia, Canada and so forth. The conflicts between NCEZ, particularly mainland China, and other foreign countries may become much intenser than those of the current US. The US has the biggest economic power now. However, she has not so many overseas Americans residing and holding very big economic power in the foreign countries.

Note

This paper was written based on the newspapers, journals, books and other materials, published in Taiwan, mainland China, Hongkong and Japan.