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The Comparative Advantages of "the Economic Zone on the West Shore of the Taiwan Strait" among the Southeast Coast Cities of China and its Development Strategies

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The Comparative Advantages of “the Economic Zone of Western Side of Taiwan Strait” among the Southeast Coast Cities of China and its Development Strategies

Ziye Na, Yifeng Yao

Keywords: The Economic Zone on the West Shore of the Taiwan Strait, Comparative Advantages, Development Strategies, territory cohesion

JEL codes: R58 - Regional Development Planning and Policy

Abstract: Through the analysis of the absolute advantages and disadvantages of the Economic Zone of West Side of Taiwan Strait (WSEZ) in the aspects of economy and industry, the urban development and connections, the infrastructure, intelligence, endowments, and the attractiveness to Taiwan, the paper pointed out the situation of WSEZ is developing within both industrialization and post-industrialization background, thus both strategies should be utilized and the comparative advantages could be enhanced following some principles.

1. Introduction

1.1 Origin of the “Economic Zone of Western Side of Taiwan Strait”

The “Economic Zone of Western Side of Taiwan Strait” (WSEZ) is a concept proposed by government of Fujian Province in 2004 and got the approval by the Chinese national government in 2009. As it is named, it locates at the southeast coast of China facing Taiwan, and it is defined as an area which oversteps the provincial administrative boundaries, contains 20 prefectural level cities (the whole Fujian Province, 3 municipalities of Zhejiang Province, 4 municipalities of Jiangxi Province and 4 municipalities of Guangdong Province – Fig. 3), and embraces about 273,603 km² land area with around 88.42 million population, which is about 2.81% of the whole China area and 6.5% of its population respectively (China city statistical yearbook, 2011).

It has been an area with more political attention than the economic one. Since 1949

when the People's Republic of China was found even until the late 1990s, this area especially its main body - Fujian Province, has not been attached much attention in the national development strategies because of the unstable relationship with Taiwan – before 1980s, it was even considered as a war frontier. Turning point occurred in the beginning of 1980s, when two of the Prefectural-Level Cities in this region - Xiamen and Shantou were designated as the first set of 5 Special Economic Zones of China basing on the Open Up Policy which was set in 1978. With the preferential policies, these two cities have made dramatic developments, meanwhile a few medium size cities around them became prosperous due to the spontaneous development of light industry. But generally speaking, these firstly developed cities seemed not powerful enough to energize the whole region, and with few national investment on infrastructures (railway & highway), few industries development guidelines and not so efficient organizations, the whole region fell much far behind than the other eastern and coastal parts in the aspects of economy, society and urban development.

Aiming to change this backward situation, the concept of “Economic Zone of Western Side of Taiwan Strait” was firstly proposed in 2004 by Government of Fujian Province. In 2006, it was taken into consideration by the National 11th 5-year Economic and Social Plan and got approved in 2009. In 2011, its Development Plan and Regional Spatial Plan were authorized by the Central Government.

1.2 Destinations and Strategies in Authorized Planning

In the definitive documents, this area was considered as “an important opportunity for the development of Fujian Province, a significant measure for optimizing the economic layout of the coast of China and a strategic disposition for promoting the unification of Mainland China and Taiwan” (The state council, 2009) and we could glance obviously not only the economic but also the political purports. Furthermore, there are four core destinations of its strategy (National Development and Reform Commission, 2011):

- a) The pioneer stage of Taiwan-Mainland cooperation and the abutment of the transfer of Taiwan's industry.

- b) A new integrated gateway which serves for the surrounding areas.
- c) A new advanced manufacturing industry base along the eastern coast.
- d) An important national destination of the natural and cultural tour.

In the spatial aspect, an integrated cooperation area which covers both sides of Taiwan strait is expected. Basing on the pole-axis theory, the spatial network with “one belt, four axes, dual poles and multiple cores” is proposed (Fig.1). The “one belt” is composited by the relative developed cities along the strait; “four axes” refers to the axes that extend the development from the coastal cities to the hinterland; “dual poles” are planned as the metropolis of Fuzhou and the metropolitan area of Xiamen-Zhangzhou- Quanzhou; while the “multiple cores” refers to the sub-core cities in the hinterland. In the aspect of sector allocation, the industrial clusters would be allocated along the development belt, especially 4 industrial base are expected – city of Fuzhou and Quanzhou as the modern manufacturing bases, city of Putian as Port-neighboring petrochemical base, while city of Xiamen as the high-tech industry base; and the airports and other transport hubs are designed on the dual pole, supporting their development of the modern service (The coordinating plan of urban agglomeration on the west shore of Taiwan strait, 2008).

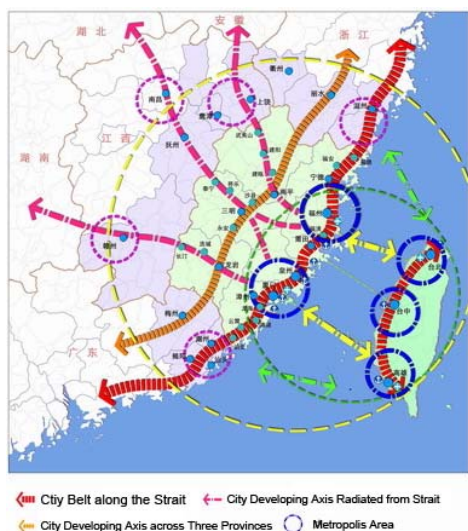


Fig. 1: the spatial structure of the WSEZ

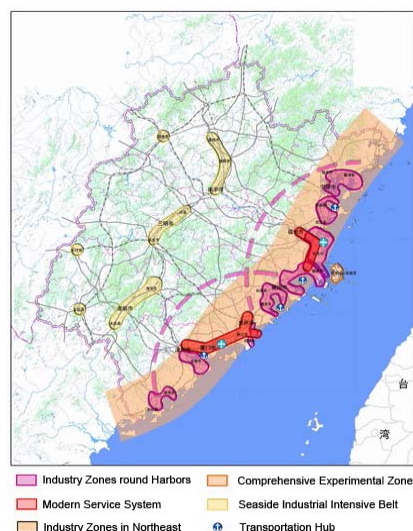


Fig. 2: The sector allocation of WSEZ

Source: The coordinating plan of urban agglomeration on the west shore of Taiwan strait, 2008

1.3 The Background of the Competitions among Chinese Regions

According to Fang (2011), in the economic layout of current China, there are 15

formalized city agglomerations and 8 emerging ones¹, among which the Jing-jing-ji Region (Beijing), the Yangtze River Delta (Shanghai) and the Pearl River Delta (Guangzhou, Hongkong, etc.) are the most developed ones. In the national spatial strategy, the 3 most developed regions targets on the world-class city agglomerations, while the WSEZ which is in between them is designed as one of the city agglomerations in the south, aiming at “serving for the unification of China and Taiwan”.

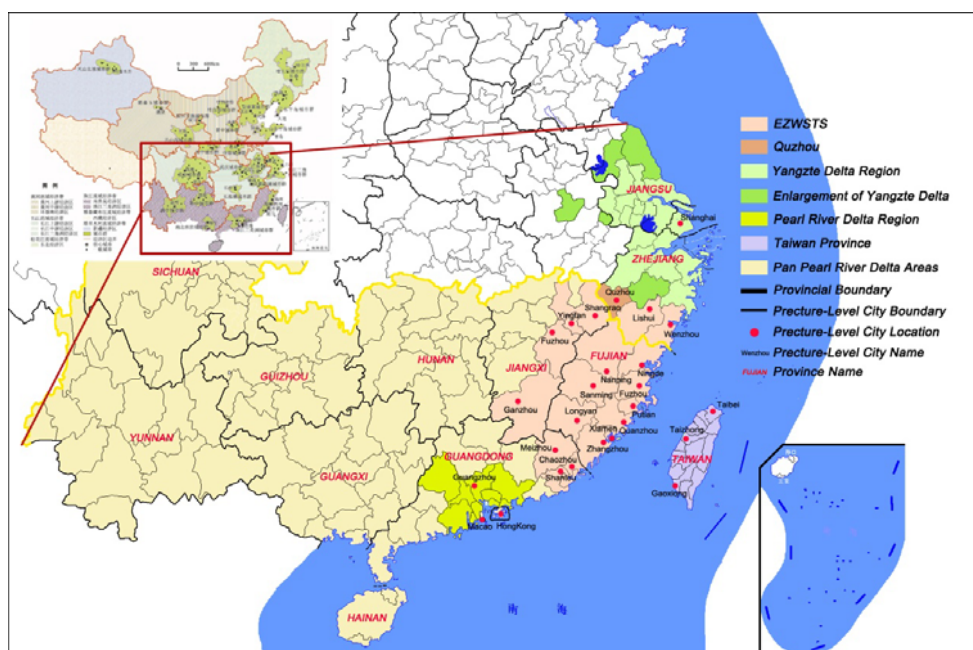


Fig.3: The city agglomerations of current China (Source: Fang, 2011) and the location of Yangtze River Delta, WSEZ and Pearl River Delta (Source: draw by the authors)

Actually the WSEZ has been confronting difficult situation in the regional competition because it locates in between the most developed regions. On one hand, it tends to be carved up by the 2 regions and become their hinterland – in 2003, Province of Guangdong proposed the “Pan Pearl River Delta Region” (light yellow area in Fig.3) which has included WSEZ as its hinterland; meanwhile, the Yangtze

¹ The criteria to define a city agglomeration in the book are: 1, there are at least 3 metropolis and at least 1 especially large/ super large city as the core in the city agglomeration; 2, more than 20 million population in the agglomeration; 3, urbanization rate excess 50% and the output value of service industry takes more than 70% GDP in the metropolises; 4, GDP per capital excess \$3000, and the density of output excess \$ 0.8 million/km² (Fang, 2011).

River Delta has enlarged its territory from 16 cities to 22 cities² in 2010. It is obvious that the periphery cities of WSEZ have been strived by the 2 Delta regions. On the other hand, because the resources flow towards the 2 developed regions in the competition, the main part of WSEZ tends to be peripherized and be abandoned. Thus in this research, we concern its advantages compared with the 2 Delta Regions³.

Table 1: The basic information of 3 regions (Source: organized by the authors)

	Area (thousand KM ²)	Provinces and municipality	Cities	Population (million)	Rate of Urbanization	GDP (Billion Dollar)	GDP Per Capital (Dollar)
WSEZ	273,6	Fujian Guangdong Jiangxi Zhejiang	20 Prefecture- Level Cities	88,42	52%	399,40	4637
Yangtze River Delta Region	109,6	Zhejiang Jiangsu Shanghai	15 Prefecture- Level Cities + Shanghai	71,87	74%	1108,54	10689
Pearl River Delta Region	54,7	Guangdong	9 Prefecture- Level Cities	56,16	83%	593,37	10894

1.4 Theoretical Framework

As a backwards region that is going through the industrialization, WSEZ represents disadvantages in lots of aspects in the competitions with the 2 developed regions. But the development strategy of a territory actually depends on its comparative advantages, in other words, it depends on its more efficient sectors. About this competitiveness, Camagni (2003) has pointed out “at least in the case of advanced

² In the Economic Coordination meeting of Yangtze River Delta, City of Jiaxing, 2010, the committee added 6 cities as their coordination territory.

³ We studied about the traditionally defined territories of the 2 Delta Regions, but not the enlarged ones. Thus the Yangtze River Delta region includes 16 cities of Shanghai, Nanjing, Suzhou, Yangzhou, Zhenjiang, Taizhou, Wuxi, Changzhou, Nantong, Hangzhou, Ningbo, Jiaxing, Huzhuo, Zhoushan, Shaoxing, Taizhou. And the Pearl River Delta includes 9 prefectural level cities of Guangzhou, Shenzhen, Zhuhai, Foshan, Jiangmen, Dongguan, Zhongshan, Huizhou and Zhaoqing.

countries, the endowment of natural resources and relative availability of traditional factors like labor and capital play a minor role”, while “What really count nowadays are two processes: in an macroeconomic approach, increasing returns linked to cumulative development processes and the agglomeration of activities; in a microeconomic and microterritorial approach, the specific advantages strategically created by the single firms, territorial synergies and co-operation capability enhanced by an imaginative and pro-active public administration, externalities provided by local and national governments, the specificities historically built by a territorial culture”. And in this case, it seems the WSEZ needs to carry out the traditional approaches such as Specialisation, Geographical proximity and clustering, and at the same time forest the advantages of new approaches such as Relational proximity, Collective learning and Community governance.

The paper examined the absolute advantages and disadvantages of WSEZ in the aspects of economy and industry, the urban development and connections, the infrastructure, intelligence, endowments, and the attractiveness to Taiwan, and try to pick out the comparative advantages basing on the scheme above and make comments on the current strategies.

2. The Absolute Advantages and Disadvantages compared with the Two Delta Regions

2.1 Economy and Industry

2.1.1 Economy and Growth Performance

During the 1990s, when regions of Yangtze river Delta and Pearl river Delta have started their industrializations and have became the economic engines of the whole China, the economic growth in WSEZ also went up steadily and presented a little bit higher growth rate than the national one, reaching its peak (GPD growth rate and amount account for the whole country) at 1999. Since then its gaps towards the 2 Delta regions and the national level have been widen (Fig.4). We especially concern its GDP and growth performance since 2004 when the concept of WSEZ was

proposed. From Fig.5 we could observe that although its GDP amount has been dramatically increased, it still fell behind the amount of 2 delta regions, and more importantly, its growth rates were slower than theirs except 2009. And this situation could cause the wideness of their gaps.

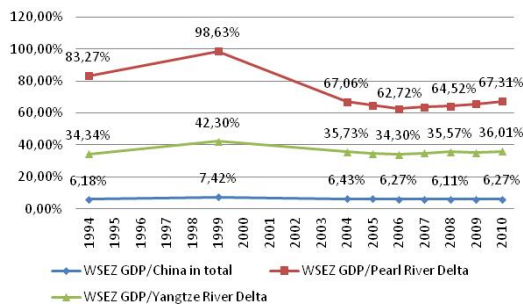


Fig.4: The amount of GDP of WSEZ account for the national and 2 delta regions ones

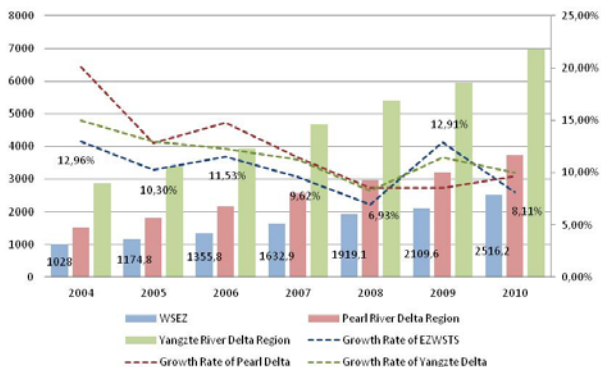


Fig 5: The GDP amounts and growth rates of WSEZ, Yangtze river delta and Pearl river delta

Source: China city statistical yearbook, 2005 – 2011, draw by the authors

Reviewing their GDP per capital, we would notice its disparities with the 2 Delta regions have been narrowed during the recent 8 years, while its disparities with the Chinese average have been enlarged (Fig.6), which implied China as a whole has more dynamic in increasing GDP pre capital. From Fig.7, we find the trend of growth rates of 2 Delta regions seemed similar, while the growth rate of WSEZ seemed opposite with them, and it implied the strong competition relationship among the three regions.

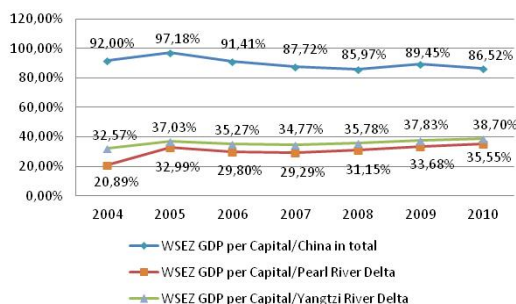


Fig.6: The GDP per capital of WSEZ account for the national and 2 delta regions ones

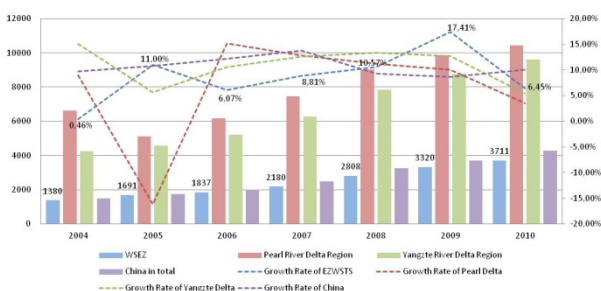


Fig.7: GDP per capital and growth rates of WSEZ, Yangtze river delta, Pearl river delta and China

Source: China city statistical yearbook, 2005 – 2011, draw by the authors

2.1.2 Industrial Structure

Slight changes have emerged in the proportion of three sectors GDP took of the total GDP during 2004 and 2010 (Fig.8). When the tertiary sector stayed steadily around 36%, the share of the first sector decreased and the share of the secondary sector correspondingly increased. In Fig.8 we would also notice the portion that the secondary sector contributed to the GDP growth even grew from 59% in 2004 to 68% in 2010. Correspondingly, the tertiary sector, especially the financial services contributes few to whole economy. Take its main part - Fujian Province as example, there are three leading industries and they in together account for around 60% of the secondary sector GDP. They are “equipments manufacturing, mental mining and processing, textile and clothing (Fig.9). All of these obviously demonstrate that this area is going through the process of industrialization, furthermore the industry has been dominated by the labor and capital-intensive manufacturing which are at middle-low industrial chain, thus it caused its less competitive economic performance.

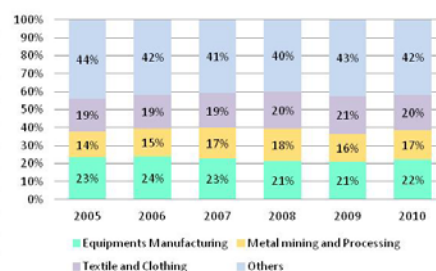


Fig.8: The GDP value of 3 sectors took of the total GDP and the contributions of 3 sectors to GDP growth in WSEZ

Fig.9: The three leading industries contribute to the secondary sector GDP in Fujian Province

Source: The data of sector GDP are taken from the statistical yearbook of Fujian, Zhejiang, Guangdong, Jiangxi Province, 2005 – 2011, and the sector contributions to GDP growth are taken from Ding (2012), draw by the authors

Compared with the 2 Delta regions, the problem would be the insufficient development of the tertiary and the similarity in industrial structure and sectors (Table 2). Except Shanghai has formed the service-oriented economy, most cities of southeast China have been undertaking the industries that were transferred from Hong Kong, Macao and Taiwan, which causes the their industries concentrated on textile and clothing, electronic communication and equipment manufacturing. From the

aspect of the labor structure, WSEZ has much more population working on agriculture. Besides its income per person is even lower than the national average, we consider it has advantage in the number and the cost of potential industrial labors.

Table 2: The GDP composition and labor composition of three sectors of three regions

	Sector structure 2010	Labor structure 2010
WSEZ	11.6: 52.2: 36.3	29.2: 37.4: 33.4
Yangtze River Delta Region	5.0: 53.0: 42.0	18.0: 45.0: 37.0
Pearl River Delta Region	2.3: 47.8: 49.9	13.1: 49.5: 37.4

Source: The sector and labor structure of Yangtze River Delta (Yu, 2010), The sector and labor structure of Pearl River Delta (He, 2011), organized by the authors

2.1.3 Resource Efficiency

The effectiveness of the energy consumption depends mainly on the industrial structure. Although the WSEZ and the two deltas' industrial sectors are similar, we learn from table below that its energy efficiency is less than two Deltas', but higher than the national level. We foresee this gap would be enlarged because the WSEZ is in the process of industrialization while the other two have almost completed it. Together with this challenge, we notice WSEZ is actually rich of the tidal energy, marine wind energy and other kinds of new energy, and we expect these new energies could provide opportunities for this region.

Table 3: The comparison of Resource Efficiency 2009

	Energy Consumption per Unit of GDP (indifference value) Ton standard coal/ 10 thousand RMB	Energy Consumption per Unit of industrial added value Ton standard coal/ 10 thousand RMB	Electricity Consumption per Unit of GDP kwh / 10 thousand RMB
WSEZ (Fujian Province)	0,811	1,150	1032
Yangtze River Delta (Jiangsu, Shanghai & Zhejiang Province)	0,727 – 0,761	0,957 – 1,123	808,49 – 1176,50
Pearl River Delta (Guangdong Province)	0,684	0,809	1002
China as a whole	1,077	-	-

Source: The National Bureau of Statistics of China, 2010

2.2 Urban Development and Spatial Connections

2.2.1 City Structures

Basing on the principal component analysis of the sector compositions of each county-level cities, the city structures of 3 regions were described: the darkest area are the territories characterized by the advanced service, the sub-dark ones are the territories characterized by the general service, the lighter ones are characterized by the industrial activities, while the lightest ones are characterized by the agriculture. We could find the similar core-periphery phenomenon in all of these 3 regions, but the trend of hierarchical network seems stronger in 2 delta regions. But the problem of WSEZ would be: the most developed cities in this region – Xiamen and Fuzhou, only equal to the medium level cities (in the aspect of city scale and economy) in the 2 delta regions, thus they are not powerful enough to energize the economic prosperity for whole region. So the city structure is not really organized and mobilized by the city connections.

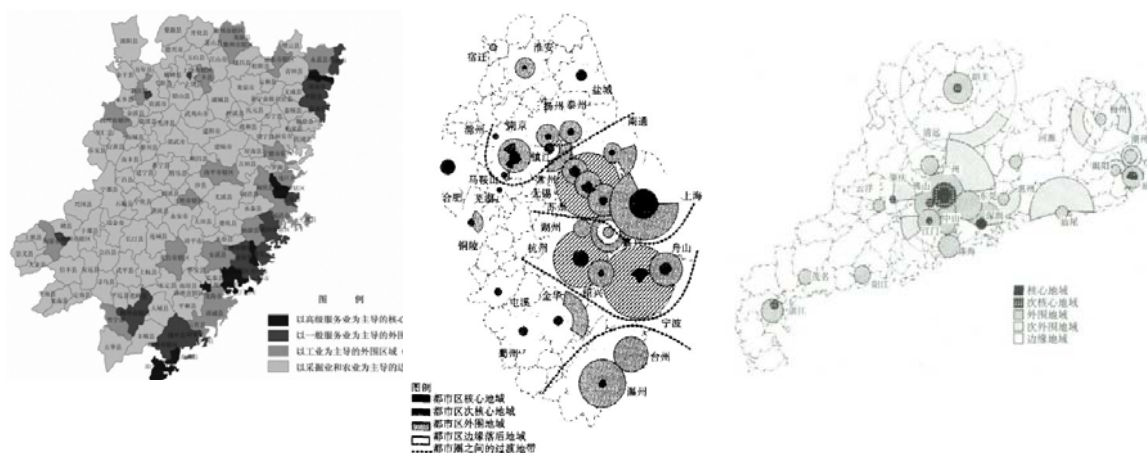


Fig.10: City structure of WSEZ (Wang and etc., 2010)

Fig.11: City structure of Yangtze River Delta (Luo and etc., 2009)

Fig.12: City structure of Pearl River Delta (Yu and etc., 2009)

2.2.2 The Intercity Connections

According to Lin and etc. (2011), the economic connections are mainly happened on the coastal city belt and especially concentrate on the city of Xiamen, while the coastal cities and inland, the cities in different province are not connected. That would bring about 2 negative results: the first one is the cities in the region trend to compete

with each other for similar resource but not cooperate; and the second result is that the administrative and institutional barriers and local protectionism result in the market segmentation and the influent flow of production factors - so far except the guidance documents from central government, there are few formal agreements among cities in this region.

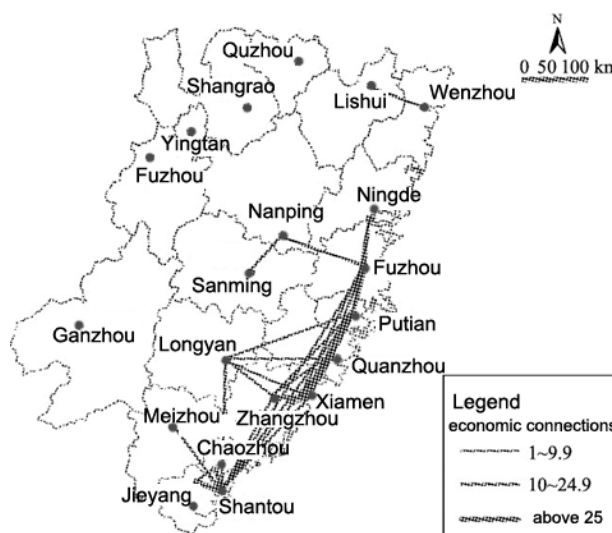


Fig. 13: The economic connections among cities within WSEZ (Lin and etc., 2011)

Oppositely, the two Delta regions have promoted the integration and cooperation both inward and outward for nearly one decade. Although the <Regional Plan of Yangtze River Delta> was issued in 2010, as far back as 2003, all cities in Yangtze river region have signed the intergovernmental agreement across different administrative levels to promote the regional innovation, following the cooperation in the aspects of fund, science, technology, and transportation. As for Pearl River Delta, the cooperations among nine southern China provinces, Hong Kong and Macao have been gradually achieved through the <Pan-PRD Regional Cooperation Framework Agreement> 2004 and CEPA⁴.

2.3 Infrastructures

Because of the mountains in the west and north which increase the complexity of constructing infrastructure and the unstable relationship between both sides of Taiwan

⁴ CEPA: the Closer Economic Partnership Arrangement among Mainland China, Hong Kong and Macao, 2003

Strait, the low level of infrastructure has become the constrains of development of WSEZ. But since 2006, the investment on the highways, waterways, ports, railways and other modern transportation infrastructures has largely increased – the increase rates are around 30% except 2008 (Fig.14) and its traffic conditions have been greatly improved (Fig.15).

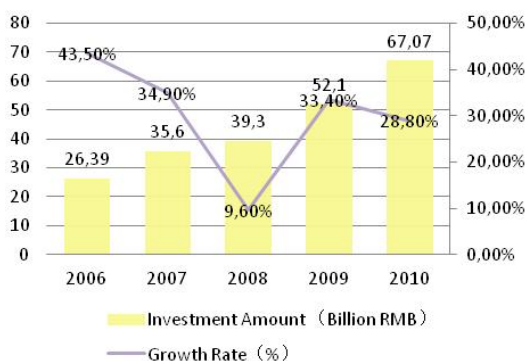


Fig.14: The investments in infrastructure in Fujian Province and the growth rate (Source: the statistical yearbook of Fujian, 2006 - 2010)

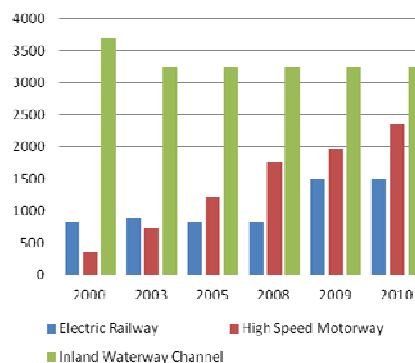


Fig.15: The mileages of the Railway, highway and the inland water channel in Fujian Province (Source: the statistical announcement of Transportation of Fujian 2010)



Fig.16: The current transportation situation of WSEZ



Fig.17: The planned transportation situation of WSEZ

Source: The coordinating plan of urban agglomeration on the west shore of Taiwan strait, 2008

Although its infrastructures have been significantly improved, compared with the two Delta regions, its disparities are much more pronounced than their economic gap, in the aspects of the density of highway and railway and transportation integration process as well as external connection capabilities (seaports, airports) (Table 4).

Table 4: the comparison of infrastructures in WSEZ, Yangtze River Delta and Pearl River Delta

	Density of the Highway 2007	Internal connection
WSEZ	Less than 1km/100km ² It is planned to be 2.7/100km ² in 2012	“Xia-Zhang-Quan” 3-city connections
Yangtze River Delta	4.47km/100km ²	1-hour traffic circle around Shanghai & 3-hour highway network in Yangtze Delta
Pearl River Delta	4.65km/100km ²	Intercity railway system has been started in 2010

Source: The data of density of highway of 2 delta regions are taken from <China statistical yearbook for regional economy>, 2008. And the datum of density of highway of WSEZ is taken form <the plan of Highway in the economic zone of west side of Taiwan strait>, 2007.

2.4 Intelligence

The capabilities of scientific and technological innovation has become an important driving force in economic development. Take Fujian Province as an example, there have been large increase of numbers of researchers, R&D investment and numbers of patents especially since 2004 (Fig.18). But compared with the national situation and the situation of 2 delta regions, we observed the disparities: the share of R&D investment of GDP of WSEZ is even lower than the national level, and the amount of patents has far fell behind the 2 delta regions (Table 5). And it implied that the weak research base, the insufficiency of R&D innovations and the low capability of innovation of WSEZ.

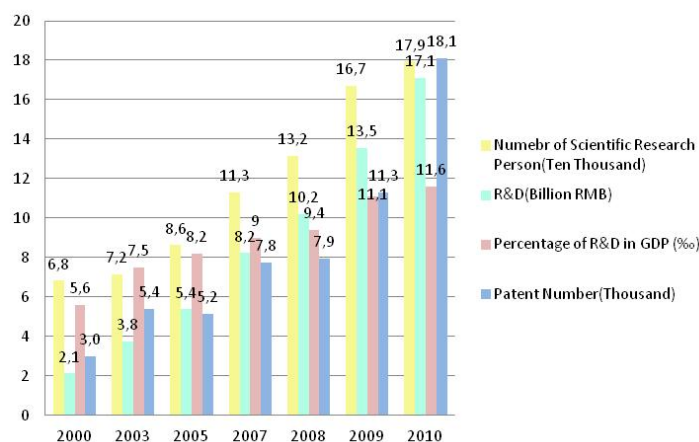


Fig. 18: The scientific and technological level of WSEZ (Source: the statistical yearbook of Fujian, 2001 - 2010)

Table 5: The R&D investment and number of patent in WSEZ, Yangtze River and Pearl River Deltas

	The share of R&D investment of GDP	Patent number (thousand)
China in total	1.76%	1222,0
WSEZ	1.54%	18,1
Yangtze River Delta	2.22%	427,8
Pearl River Delta	1.76%	119,3

Source: China science and technology statistics annual report 2011 & Guangdong Provincial Intellectual Property Office, 2011

2.5 Natural and Cultural Endowments

2.5.1 Natural Endowments

Compared with the 2 Delta regions which are alluvial plain, the WSEZ is inadequate in its hinterland. But due to its specific landscape that is composed by both mountains and seashore, its natural resource endowments have been measured as “ranking the second place among the 5 southeast coastal provinces⁵” (Li and Zhang, 2011). Firstly, Fujian Province has the highest rate of the forest coverage (60%) among Chinese Provinces, this area (especially its inland) is part of China that embraces the richest biodiversity, and it is one of the most important producing areas of forest and agricultural products. Secondly, due to its complex geological structure, this area embraces more than 100 kinds of minerals, metal resources, coals and resource of subterranean heat. Lastly, it contains affluent marine resources: it is not only the important fishery of China; it embraces wonderful deepwater coastal lines which include 6 above- 50thousand-ton ports, and it is 1/6 of the whole Chinese deepwater ports; and it has great potential in tidal energy, marine wind energy, marine oil and natural gas, especially its tidal energy accounts for half of Chinese potential.

2.5.2 Historic, Cultural and Tourism Resources

Compared with the 2 Delta regions that both embrace the single territorial culture, WSEZ includes large area and is separated by mountains, thus it is composed by a

⁵ The measure based on the factors of cultivated land, useable water and forest (Li and Zhang, 2011).

few different but traditional territorial cultures – the Hakkas culture could be recognized in west Fujian, south Jiangxi and north Guangdong, the Teochew culture that covers east Guangdong, the South Fujian culture that share with Taiwan and some Chinese clusters of Southeast Asia counties, and the North Fujian culture, etc. The diversity of cultures may hinder the fostering of the relational capital, but it provide the potential of tourism and the potential of exchange and creation. And this area embraces 6 world heritage⁶, which account for 1/8 of Chinese world heritage, while the 2 delta regions contain 1 respectively.

2.6 The Attractiveness to Taiwan

Taiwan – on one hand, is around 130km – 370km from mainland China across the Taiwan strait; on the other hand, has been a developed district since 1970s due to its export-oriented strategy - played important role in the development & industrial upgrading of the southeast China. Thus it is meaningful to look into their attractiveness to Taiwan.

2.6.1 The Previous Cooperations

The investment from Taiwan could be traced back to 1981, and in the succeeding years until 1991, WSEZ has taken the biggest share of Taiwan investment – for example, Fujian Province took around 46% of the Taiwan investment to mainland China in 1991 (Liu,2009). And that was because the 2 cities which are within WSEZ - Xiamen and Shantou - were the first set of 5 Special Economic Zones of China in 1980s. Since the deepening of the opening up Policies and especially the opening of Pudong, Shanghai 1990, Taiwan investment has turned to the new hot spots of Yangtze Delta region, and Jiangsu Province has been the biggest investment destination since then until now. Figure below shows the top 5 destinations of Taiwan investment to mainland China in recent 11years, and it is obvious that WSEZ has dramatically fallen behind in this aspect. From the distribution map, we could observe the phenomenon of “upwards to the north or downwards to the south” – WSEZ has

⁶ They are Mount Wuyi, Sanqingshan national park, Fujian Tulou, China Danxia (Mount Longhu, Mount Jianglang, Fujian Taining).

lost its advantage of early-development and the proximity. And the reason should not only due to the inadequacies of the infrastructures and the hinterland, but also due to the inadequacies in organizing milieu that contain a relatively complete industrial chain.

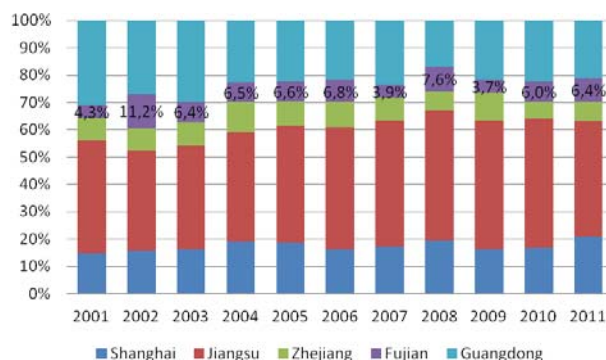


Fig. 19: The evolution of Fujian’s share of Taiwan investment to mainland China in recent 11years

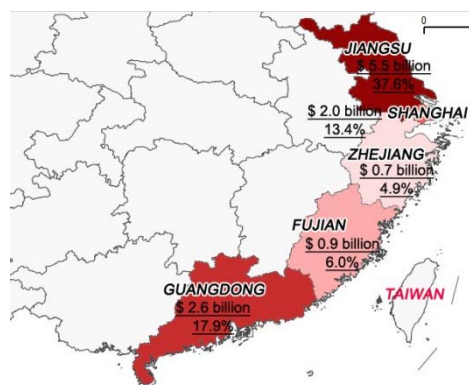


Fig. 20: The distribution of Taiwan investment to mainland China 2010

Source: The department of statistics of Ministry of economic affairs, Taiwan, 2012 and draw by the authors

Worth to be mentioned, among the sectors that Taiwan invested in mainland China, Fujian Province took a considerable share in “Agriculture”, “Motor Vehicles and Parts” (23.62% of the total investment in this sector), “Basic Metal Industries and Fabricated Metal Products” (9.34%) and “Electronic Parts & Components” (5.24%), while the Yangtze River Delta and Pearl River Delta mainly undertook the sector of “Computers, Electronic and Optical Products”. Although most of the Research Centers of Taiwan enterprises have located in the metropolis of the 2 Delta Regions, some are located in the city of Xiamen. And WSEZ, especially its first level cities that embrace Taiwan investments are forming its own industrial milieu basing on the industrial districts.

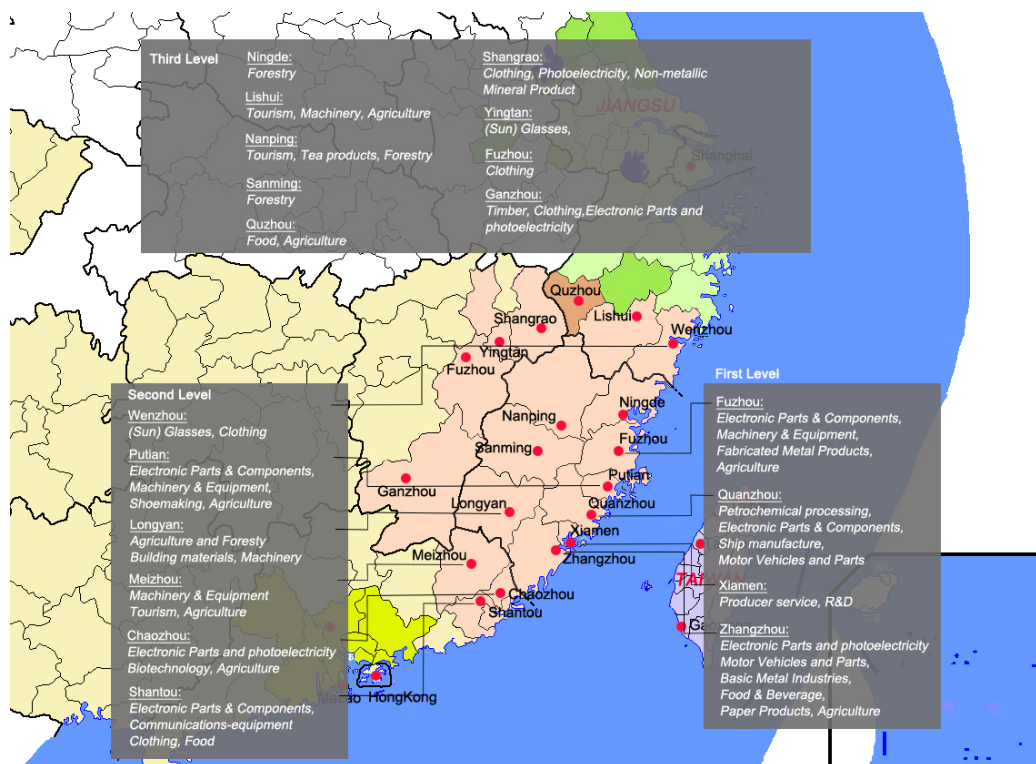


Fig. 21: The main sectors that Taiwan invest in WSEZ cities (Source: organized by the authors)

2.6.2 Geographic and cultural proximity

WSEZ is the part of mainland China that is nearest to Taiwan. Although this proximity would be counteracted by the direct airline connections with 31 mainland cities, WSEZ still benefits the proximity in the aspects of ship and vehicle traffics (the vehicles are ferried to the mainland and with some permission, they could be used within Fujian Province). And it provides the possibility that WSEZ becomes a gateway of population (especially tourists) and good. And more importantly, because 80% of Taiwan population has the origin of Fujian Province (People’s Daily, 2005), Fujian and Taiwan have the ties of blood, and share the same dialect, culture and living habitude. Proximity, not only geographic but also cultural/relational/organisational proximity, is considered as the a necessary precondition for building a common goal, reducing the transaction cost and finally enhancing the territory competitiveness (Camagni, 2003). Although the relational proximity could also be build through the cooperation within the formal law scheme just as the 2 deltas did, WSEZ still has the undeniable advantage.

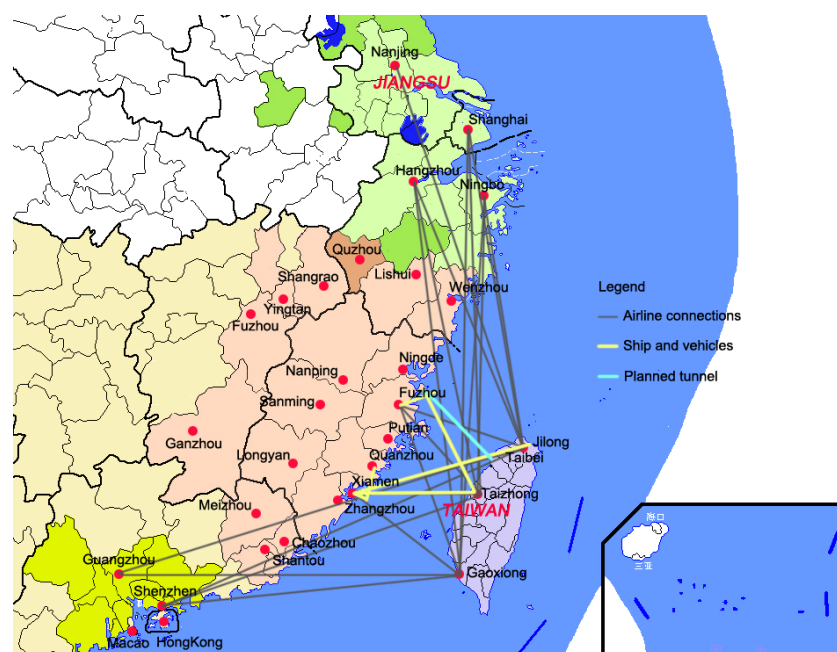


Fig. 22: The airline, ship and vehicle among Taiwan, WSEZ, Yangtze River Delta and Pearl River Delta
(Source: organized by the authors)

2.6.3 The special institutions and policies

In order to develop this backward region, the administrations have also carried out political lobbying for the special policies – “pioneer area for economy, culture and talents cooperation with Taiwan”.

In the economy aspect, the policy “giving priorities and properly releasing restrictions towards Taiwan enterprises in WSEZ” has been defined (The State Council, 2009). The districts specifically target on Taiwan investment have been promoted in every prefectural cities. The “experimental area for insurance reform and development” has been chosen in city of Xiamen in 2010, some financial policies (ex. tariff reduce) and some financial service (ex. currency exchange service) has been firstly started up basing on the “Memorandum of understanding about finance inspection” (2010) and the “Economic Cooperation Framework Agreement (ECFA)” (2010). More importantly, an island which is in charged by city of Fuzhou is approved as a “free port” towards Taiwan in 2009 – free movement of good (tax free within the island), free moment of people (visa free), flattening administration and partly mutual governance.

In the culture aspect, the projects that promote the mutual culture (origin museum,

culture of tea) are strongly supported. The sector of Paper publish, Press, Media, Amusement, Tourism, Creative industry, Cartoon and video games, Exhibition, Advertising and Art are especially open to Taiwan investments, and the cooperation on technology, education and public health would be encouraged. More specifically, WSEZ has carried out positive experiments in students exchange, joint training, mutual authentication of degree etc. And we could foresee these policies would put WSEZ in an advantaged position in competition.

3. The Comparative advantages and the Discussion of the proposed Strategies

3.1 The comparative advantages

Summing up, the WSEZ represents absolute disadvantages in economic strength, economic growth rate, industrial structure, resource efficiency, intercity connections, infrastructures, intelligence and attractiveness to Taiwan investments, but it also has the absolute advantages in natural endowment, transferable labor, and especially in cultural proximity and the special experimental policies towards Taiwan. Because it is a region that is going through the industrialization process, we considered the natural endowment – mountains, marine energies, potential seaports, and the transferable labor as its comparative advantages; meanwhile, it could also compete with the 2 delta regions for the external investments, in this sense, the specificities created by the nature (natural world heritages) and the territorial culture (ex. tea products, and the cultural world heritages), the rational proximity, the preferential policies and the mutual governance model in experimental zones seem much more important.

3.2 Review of the current Strategies

Through the analysis above, the situation of WSEZ could be understood as developing within both industrialization and post-industrialization background. Industrialization is required in order to strengthen itself while the post-industrialization is needed to compete for the external resource. Reviewing its

strategies, we think it is proper to propose a new advanced manufacturing industry base basing on its coastal advantage within the industrialization logic, but importantly, the specialization and the territorial synergies are its essential and prioritizing tasks. And it is also proper to propose an integrated gateway, a pioneer area towards Taiwan and a specific area for tourism and enjoying the nature, but the essential tasks are the protection of the territorial culture, materializing the cultural/ relational proximity (because the relational proximity could also be built by the longtime cooperation within the scheme of law), and detailing the preferential policies and the mutual governance model.

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