
THE NEW ASPECTS OF THE PRC-TAIWAN AND THE PRC-ASEAN INTERACTION: THE ECONOMIC COMPONENT

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Abstract

The new challenges to the Taiwan Cross-Strait equilibrium observed in the beginning of the second decade of the XXI century are the principle item of the article. The differences between Kuomintang's and opposing it Democratic Progressive Party's (DPP) visions of Taiwan's future foreign policy are also reflected. The core issue is a potential possibility to speak about peaceful reunification of Chinese people or the political ambitions of the parties are the obstacle for the process of integration started. Today strengthening of economic ties can become a bridge that will connect the mainland China and Taiwan island with the simultaneous PRC seeking to become the link between the North-East Asia and South-East Asia. Thus, Beijing is looking for the ways of strengthening the relations with ASEAN – organization, which became the core of Asian integration.

Key words: Taiwan, the PRC, the Cross-Straits Economic Collaboration Frame Agreement, the Kuomintang, the Democratic Progressive Party, the Cross-Strait Relations, ASEAN, CAFTA.

Introduction

Today the geopolitical accents obviously shift from the Western hemisphere to the Eastern hemisphere. Several most dynamically developing economies are situated at the Asia-Pacific region (APR). Among them are the People's Republic of China (PRC), the Republic of China (ROC) and such integration entity as the Association of South-East Asia Nations (ASEAN). The relationships between the mentioned actors are developing in a specific geopolitical environment of the Asia-Pacific region.

The scientists consider the term "region" to be the category of modern scientific discourse. According to the N. Mezhevich's definition the term "region" means the geographically united entity that is characterized by the specific ethnographic, confessional, social and cultural composition and by the special type of the elite's and society political management (Mezhevich, N. M., 2006). Nevertheless, the definition given is mostly generalized. Depending on the basic factors, which lay in the foundation of the one or another definition, the political scientists introduce territorial, economic, social-economic, institutional and other approaches in the process of determining, what is the "region". In the present article the Asian-Pacific region characterization is based on the geopolitical systematic approach. According to this approach the "region" is the complex of international subsystem elements with the specifically interacting poles of power, nodal contradictions and the institutional superstructure. The out-system actors' national interests are also taken into account in the article. It should be mentioned. that the states within the region naturally wish to defend their national interests and rights, trying to provide themselves with the strong support of global powers. These global powers, in their turn, perceive their South-Asian partners' territories as the footholds for their global interests realizing.

Research Context

The Asia-Pacific region is the geographical and political complex of states with the similar cultural and historical roots. Nevertheless, all the APR elements have their own economic and social peculiarities that give the birth to the deep discrepancies between the countries.

Taking into the account the variety of the APR's states, it seems to be more rational to make the systematic analysis of this geopolitical environment as the entity, composed by such subregions as North–East Asia, South-East Asia, South Asia and Southern Part of the Pacific Ocean.

Theoretical Framework and Methodology

The subregional entity of the South-East Asia is not less controversial than the whole APR. In case of taking the systematic geopolitical approach as the basis of the analysis, South Asia may be considered as the international relations' subsystem, composed of 11 states as the elements of the system. The representative of the Northern Illinois University' Center for Southeast Asian Studies (USA), Professor Clark D. Neher, in his book "Southeast Asia: Crossroads of the World" has perceived the South-East Asia region as the unity of 11 nations such as Brunei, Myanmar, Cambodia, Laos, Malaysia, Philippines, Singapore, Indonesia, East Timor, Thailand and Vietnam (Neher, C.D., 2010). In this geopolitical environment the poles of power hasn't been formed yet. Thus, the distinctive feature of the subregion is the specific security architecture, which is greatly influenced by the external powers such as the PRC and the USA. The numerous states' integration groups such as ASEAN, ASEAN Regional Forum etc. mould the structural superstructure. Nevertheless, the atmosphere of the competitiveness and the strategic rebalancing within the region in the latest decades increases the tension degree and makes the region one of the hottest spots in the world in the nearest future. The wide range of factors turns the South East Asia region into the explosive platform for foreign policy conducting. Among such factors are: firstly, the threat for the PRC strategic maritime transit routes security by the Malacca Strait; secondly, reformation of the USA foreign policy priorities; thirdly, Washington's involving Singapore, Philippines and Thailand as the crucial components of the Island Chain Strategy which implies surrounding China by sea.

Result

The current relationships between the continental China and Taiwan cardinally differ from how they are perceived to be among the western society due to the war between the forces of Communist Party of China and the Kuomintang. The CNN correspondent Sophia Yan in her article introduced the term "frenemies" for the Beijing-Taipei ties characterization (Yan, S., 2015). Today the "irreconcilable foes" laid the strong foundation for the further large-scale economic and humanitarian integration. Nevertheless, the way of reconciliation is paved with the obstacles that couldn't be neglected.

First of all, the Taiwan people's public mind is hindering from the economic mutual penetration of two China's economics. The opponents to the Taiwan's economic rapprochement movement towards the PRC are lead by the Democratic Progressive Party (DPP). Nowadays the DPP had become the main Kuomintang antagonist. The Kuomintang, in its turn, acts as the advocate of the inter-China rapprochement.

The second obstacle is the Washington tactics of balancing between the two banks of Taiwan Strait. That is why the extraordinary political and economic co-operation between mainland and Republic of China may lead to the intercept of strategic initiative by Beijing that is an unacceptable scenario for Washington. After all, the inter-Chinese economic collaboration may turn into bridge that will connect both Taiwan Strait sides.

In 2012 the general commodity turnover between the PRC and Taiwan reached \$121,6

billion. Excluding the trade with Hong-Kong the Taiwan exports account \$80,7 billion and the PRC exports account \$40,9 (UN Comtrade Database). The PRC is the Taiwan's top trade partner since 2007 (Balakin, V.I., 2013). Mainland China is also the Taiwan's largest investment recipient. The Taiwan's investment part in PRC's economy accounts 57,1 billion in 2012, while the continental China invested only 135 million in the island's development. It should be said that the trade dynamics corresponds the political elites' interaction dynamics. The trade turnover was only \$914 million in 1998 (excluding Hong-Kong) that was 10 times less than the same period turnover between Taiwan and Japan. In 2012 the inter-Chinas' trade has 4,25 times outrun the Taiwan- Japan trade (UN Comtrade Database). Speaking about investment flows, it should be mentioned that till 2009 the PRC was not involved in any serious Taiwan investment project. In 1980s Taiwan became the investment's donor for mainland China that helped the China's renewed economic system to maintain its sustainable development. Since the first decade of XXI century the reverse tendencies can be observed as the mainland China turned into the financially-capable enough power to invest to the Taiwan's infrastructure (Rustembekova, K., 2008).

As it was mentioned before, Kuomintang and the CPC at the end of the first decade of XXI century started moving towards the economic background for the bilateral relations advancing. The former Taiwan's President Chen Shui-bian (2000-2008), who was also occupying a post of the DPP head, was standing on the grounds of island's independence and sovereignty acknowledgement. But the aggressive methods chosen to conduct such a policy conditioned some recession of Taiwan's economy.

In its turn, during the presidency of the Kuomintang leader, Ma Ying-jeou (2008-2012), the great step towards the inter-China relations improvement was made. In July 2010 the parties signed the Cross-Straits Economic Collaboration Frame Agreement (ECFA) (Cross-Straits Economic Cooperation Framework Agreement, 16 October 2024) between the governments of the PRC and the Republic of China, and in 2013 the Cross-Strait Service Trade Agreement (CSSTA) (Cross-Straits Economic Cooperation Framework Agreement, 18 October 2024) was also concluded. The ECFA implementation is provided by the Taiwan's Straits Exchange Foundation and the PRC's Association for Relations Across the Taiwan Straits. The two organizations are functioning since the early 1990s (Verchenko, A.L., 2012). The Agreement provides the measures, directed to the decline and eliminating of the tariff and nontariff limits on commodity and service trade. The Agreement came into force on January 1, 2011 (Verchenko, A.L., 2012). The PRC and Taiwan estimated it as the tipping point that will be followed by new phase of economic interaction. It should be said that 14 co-operational Agreements were previously functioning.

Thus, the issue is, whether the ECFA and economic relations improvement are the political rhetoric or the necessary step. After all, the PRC's economy is powerful enough to be dependent on the financial advantages that are brought by the signed Agreement. Nevertheless, the Taiwan's companies may become source of high-tech imports to the mainland China.

Speaking about Taiwan it should be said that the island's economy is export-oriented. The 2008 global economic crises affected Taiwan's economy in a negative way that has lead to the production downturn, exports decline and boost of unemployment. Thus, the ECFA signing aided Taipei to maintain the basic economic indexes. Also Beijing organized several purchases of Taiwan goods, while the island suffered its exports rate sharp decline.

So, Taiwan gets the range of benefits from the co-operation with the mainland.

The first is the growth of economy, forecasted by the Central Institute of Taiwan's economic research. The scientists say that the inter-China trade tariffs rate lowering will lead to the 1,65-1,75% economic growth, 2,83% GDP growth and 2,6% employment growth due to the ECFA. More than 11 000 corporations, involved into petrochemical, metallurgical, textile, automobile industries, will benefit from the ECFA too.

Secondly, since the end of 1990 Taiwan is the important actor of the East-Asian integration

processes (Balakin, V.I., 2013). After the Asian Finance Crisis 1997-1998 Taiwan's co-operation with the South-East Asian and North-East Asian countries shifted the co-operation with the USA and the EU from the top position. Taiwan now is no more the marginal state due to the deep integration with Asian countries, especially with the Asian core state – China. In this context it should be noted that the Taiwan's companies, operating in the PRC, obtained the great opportunity to widen their collaboration with ASEAN countries after the China-ASEAN Free Trade Zone was established in 2010.

The third case is the access of Taiwan's businesses to the 11 mainland's service branches, at the same time rendering China the access to the 9 Taiwan's ones.

Nevertheless, the changes in Taiwan's political establishment threatened the implementation of the ECFA positions. The DPP blamed Ma Ying-jeou for the "selling the motherland to the communists" and announced its intention to boycott the Agreement implementing for next 10 years (Verchenko, A.L., 2012). The main Ma Ying-jeou opposition's concern was the possible scenario of the island's independence loss because of the focusing on the economic co-operation with Beijing. The opposition also guesses that the Chinese cheap goods and labour force inflows will negatively influence the Taiwan's economic development.

The DPP's head Tsai Ing-wen initially criticized the ECFA and called it the "poison in the sugar cover" and demanded the referendum holding, but during the pre-election period in 2011 announced, that she would continue the Kuomintang foreign policy course, although would manage to achieve the Agreement's revision in a democratic way. In the DPP new "10 years platform" it was said that the Party will not initiate the Agreement abolition (Verchenko, A.L., 2012). Thus, the further normalization of bilateral relations seems to be possible, even after Tsai Ing-wen has overtaken the presidential post in May 2016. The USA also influence the situation as Washington doesn't want the Taiwan-PRC confrontation, observed during the Chen Shui-bian presidency (2000-2008), to repeat. Such antagonism obliges the US to be involved into the conflict and choose the only one side to support that is not preferable for the White House.

Discussion

The Association of South-East Asia Nations (ASEAN) was founded in 1967 and is the intergovernmental organization, composed of 10 states: Indonesia, Malaysia, Singapore, Philippines, Thailand, Brunei, Cambodia, Laos, Myanmar and Vietnam. Today the ASEAN is also the integration group that is most dynamically developing and has the prominent prospective of economic rates growth in future.

The China-ASEAN economic relations have strong economic background, that promotes the intensive development of the nowadays' relationships. Before the Asian financial crisis (1997-1998) Japan was the crucial partner for the Association states. Nevertheless, in 1998 Tokyo didn't manage to provide the ASEAN countries with necessary support. The South-Asia countries lost the great part of Foreign Direct Investments which created the economic vacuum at the region. This vacuum was filled in with the Chinese economic and financial activity. Moreover, the PRC managed to react operatively and show itself as a trustful partner for the ASEAN countries. In the difficult period of financial crisis Beijing didn't devalued Yuan and provided the ASEAN states with \$1 billion at the most critical moment. At the same time, China didn't make any demand of their political transformation (Khodova, S.S., 2014).

Speaking about the regionalism in South-East Asia, the researchers consider the internationalization and interpenetration of the national economies, thus, taking into the account the PRC economic interests at the South-East Asia. The first and the crucial issue for Beijing is the guaranteeing of unstoppable petroleum supplies through the Malacca Strait that will secure the Chinese economy sustainable development. The second issue is Yuan turning into the region reserve currency in this way providing the high mobility level for goods and labour resources, predominantly

Chinese, avoiding the currency exchange losses. Also it should be taking into consideration the China's interest in the ASEAN investments attracting. In 2012 Taiwan and Singapore were the main PRC's investment-donors.

Despite the declarations of peaceful foreign policy conduction, China is involved into several territorial conflicts with the ASEAN countries. Nevertheless, some kind of paradox appears: Beijing manages to develop intensive trade and investment ties with its geopolitical foes, and the same economic interest is observed from the opponents' side.

Estimating the level of the PRC and the ASEAN economies interpenetration today, it should be mentioned about the "Overseas Chinese" factor. Different sources give different numbers, nevertheless, today from about 20 to 30 million Chinese live and successfully conduct their entrepreneurship in ASEAN states. The considerable amount of economic actives of the region appears to be under their control: e.g. 65% in Malaysia, 70% in Indonesia, 90% in Thailand (Khodova, S.S., 2014).

Thus, today ASEAN's entity is the third largest trade partner of China, which in its turn, is the first largest trade partner for ASEAN (Irshad, M.S., Qi, X.).

In 2013 the general commodity turnover between the PRC and ASEAN reached the point of \$443,5 billion, according to the on-line data of the PRC Ministry of Commerce (Regional Trade). It should be mentioned, that the PRC's role at the ASEAN region differs depending on the country specifically. Myanmar, Laos, Vietnam and Cambodia are the countries which are most dependant on the trade with the PRC.

Generally, China's part was 12,3% of ASEAN's external trade turnover in 2010. The high tempo of the trade boosting is observed: China's part in ASEAN's external trade turnover grew from 4,4% to 13,5% (UN Comtrade Database, 14 October 2024). At the same time the ASEAN-US and the ASEAN-EU trade has shrinking tendency (Zavarukhin, A.V., 2012).

It is worth to say about the export-oriented nature of the ASEAN states and the PRC. The great amount of cheap labour resources is the similar excess production factor in cases of both China and ASEAN. According to the Heckscher–Ohlin economic theorem (Frolova, T.A., 2005) the partner's economics do not complete each other complexly. Nevertheless, the reality shows the other scene. The development of the high-tech interpenetration of the partners' industries is likely to contribute into the deepening of the integration processes at the region (Zavarukhin, A.V., 2012).

As for the Foreign Direct Investments (FDI) exchange between China and ASEAN, some economists note the low level of investments' bilateral inflows: only 7-8% of the general amount. But it should be taken into consideration that the official statistics doesn't include the Hong-Kong investments' inflows and outflows.

Thus, despite the low rate of FDI exchange, the economic background of China-ASEAN co-operation remains strong, being caused by the economic and strategic interests of the sides.

For the PRC the crucial issue is the establishing of its leading positions at Asian region. ASEAN is most likely to become the East-Asia integration core due to the "ASEAN+" mechanisms (Khodova, S.S., 2014). Beijing wishes to see itself as the only link between North-East Asia and South-East Asia (Khodova, S.S., 2014). In case of successful integration between China and ASEAN, the integration accents may shift from South-East Asia to China, that may result in the Yuan turning into the regional currency in scopes of the global transformations of the Jamaica currency system. It is supported by RF researcher M. Osipova that "ASEAN+6" countries – ASEAN countries: the PRC, the Republic of Korea, Japan, Australia, New Zealand and India, – have strong financial system, that may declare their independent Asian currency system in the nearest time (Osipova, M.G., 2010).

The Association and China have made the crucial steps towards the bilateral economic relations improvement. In 2010 The China-ASEAN Investment Collaboration Fund was established in order to maintain China-ASEAN Free Trade Area (CAFTA) functioning. Also all ASEAN states excepting Indonesia are the members of Beijing-initiated Asian Infrastructure Investment Bank since

2013. Thus, China manages to provide the real mechanism of CAFTA functioning.

Despite all the positive factors mentioned above, there are numerous obstacles on the way of China–ASEAN integration. Thus, the professor of the Turin University in Italy, F. Abbate, and the international economics expert, S. Rosina, in their joint article prove that intra-ASEAN trade rates increasing may edge out the ASEAN-China trade (Abbate, F., Rosina, S., 2016). Professor S. Lyuzyanin, researcher of the Moscow State International Relations Institute, additionally to the economic issues suggests that the ASEAN countries may insulate themselves from China because of the threats for their ecological system (Luzyanin, S., 2013).

Thus, it may be supposed that South-Asia track is to be the most prospective direction of the PRC's foreign policy. Obviously, the strong integration ties may become the brake which will slow down the political and territorial conflicts escalation.

Conclusions

Summarizing everything mentioned previously, one can say, that the Asia-Pacific region is the large-scale system of interstates ties full of the multiplied controversies and discrepancies, local conflicts with the complicated supranational superstructure and the high intensity of external powers' involvement into the region's affairs.

The Cross-Strait relations are the most crucial nodal contradiction. Nevertheless, today Taipei and Beijing don't seem to be the arch-enemies. Taipei cannot ignore the benefits, which are brought by the cooperation with China. Taiwan also has to meet the PRC halfway if it wants not to stand aside of the Asian integration processes. That is why both Kuomintang and the DPP are likely to conduct policy that will deepen and strengthen the Cross-Strait relations.

As for the ASEAN-China economic relations, despite the territorial and political conflicts, economic collaboration fastens the partners and reduces the degree of conflict potential. In the case of the Asian integration core shifting from Jakarta (ASEAN headquarters) to Beijing, the post-Cold-War balance will be ruined, causing the reformation the global powers' ties.

Use of AI tools declaration

The author declare they have not used Artificial Intelligence (AI) tools in the creation of this article.

Conflicts of interest

The author declares no conflicts of interest.

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