

Why Free Economic Pilot Zones?

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Originally, the government of President Ma Ying-jeou intended to pass the Cross-strait Agreement on Trade in Services (CSSTA) by the end of June and the Cross-strait Agreement on Trade in Goods (CSGTA) by year-end. However, the March 18 Sunflower student movement turned these plans into wishful thinking. Nevertheless, still refusing to give up hope, the Ma administration called two extraordinary parliamentary sessions through its parliamentary group, planning to ram the service trade agreement through the legislature. On top of that, it also added the Special Act for Free Economic Pilot Zones (FEPZ special act) to the parliamentary agenda. Even as the whole nation joined disaster relief efforts in the wake of the Kaohsiung gas explosion, the Kuomintang (KMT) parliamentary group insisted on deliberating the FEPZ special act, putting it on the agenda and launching its review. Is the passage of the FEPZ special act more urgently than disaster relief? Why is the Ma government in such a rush?

“Ultimate unification” is at the core of Ma’s thinking and his aspired goal. His strategy remains unchanged, it is still economics first, politics later, which means moving from “economic unity” (economic integration) toward “political unity” (political unification). He employs “Sinicization” in the guise of “internationalization and liberalization” as means and method to complete economic unity in a bid to build a “one China market.” From the Economic Cooperation Framework Agreement (ECFA) between Taiwan and China to the service trade agreement and the ensuing signing of the

trade in goods agreement, all these pacts are concrete measures to build a “one China market.” Why is the government so anxious to review the FEPZ special act although the legislature has yet to adopt and review the service trade agreement and the trade in goods agreement? Is the establishment of free economic zones a matter of such urgency?

Let us examine what the free economic zones that the Ma government plans are about after all. The core ideas behind the free economic zones are touted as follows: internationalization (systemic reforms, catching up internationally), liberalization (market opening, deregulation), foresight (industrial innovation, upgrading and transformation). Based on these core ideas, the government drew up six push strategies (breakthroughs in the regulatory framework, innovative administrative mechanisms) and five major focal points for innovation (mainly high value-added service industries). The six push strategies include: market opening (relaxing licensing requirements and investment restrictions for lawyers, accountants and architects; Chinese investment to be treated like foreign investment); tax competition (in the first three years only half of the salaries of foreign (or Chinese) professionals will be taxed); talent mobility (visa exemption, no [professional] experience required for foreign nationals; business multiple entry permit for Chinese nationals); movement of goods (permission to bring restricted items into pilot zones); land acquisition (diverse ways of land acquisition, simplified review procedures for rezoning and land use); operations services (cases

handled by specially assigned staff at one-stop window, 24-hour customs services year-round). The five major focal points for innovation include financial services, education innovation, smart distribution (use the “store in the front, factory in the back” model to outsource processing tasks, increase the free flow of goods and their added value), international health as well as value-added agriculture.

Such plans and packaging look compelling on the outside but the devil is hidden in the details. In fact, it is “Sinicization” beautifully packaged under the false pretense of “internationalization and liberalization,” since deregulation, systemic reforms and market opening virtually all target China instead of truly aiming to make Taiwan catch up to international standards. Thanks to the free economic zones, the flows of money, people and goods can be completely liberalized between the two sides of the Taiwan Strait. While the government claims that the free economic zones are mainly for the services sector, the “store in the front, factory in the back” model for outsourcing processing tasks will actually also catch agriculture and industry in its dragnet. Presently, imports of more than 2,000 Chinese agricultural and industrial products are still restricted. Even after the signing of the service trade agreement and the trade in goods agreement, World Trade Organization (WTO) rules on free trade agreements (FTA) still allow to partially restrict goods imports (less than 10 percent of all imports).

Nevertheless, in the free economic zones even restricted items can be brought in. The zones clearly throw wide open the backdoor to ECFA, the service trade agreement and the trade in goods agreement. They invite China to enter Taiwan to complete the perfect construct of a “one China market.” Following such a flawless “economic

integration” with China, ultimate unification on the political front will simply fall into place. Even if we see another change of the ruling party in 2016, the situation would be irreversible. I am afraid this is the main reason why the lame duck Ma government is so impatient. For Ma the free economic zones are crucial for achieving his goal of “ultimate unification.” Yet as far as Taiwan is concerned, the zones are nothing else but digging one’s own grave by inviting the wolf in. **BT**

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