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**Transforming Borders and Anxious Integration:
Societal Inclusion in Taiwan**

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Abstract

The socioeconomic interaction across the Taiwan Strait started in the late 1980s has resulted in recently years a situation in which Taiwan's economy has been increasingly integrated into the enormous Chinese market, while the societal reactions to this integration however show ambivalent features. This paper will use the scale approach in the border studies to show that the change of borderlines and political boundaries are historically contingent, which are a results of social, political and discursive construction. We will show that the societal response to the economic integration across Taiwan Strait has been evolved in divergent directions in due course.

Economically, Taiwanese investments in China have increased rapidly, which have changed from targeting at export to domestic consumer service markets and from traditional to high tech industries. Socially, along with the change of economic borderline was the increase of Taiwanese emigration to mainland China. Some of those people now tend to become local residents and live with Chinese middle-class neighborhoods, which is very different from the situation at the initial stage when Taiwanese business people lived in the enclave community that was isolated from local people. The social borders have been shrinking. Nevertheless, the paper concludes that although the socio-economic borderlines have been shortening, most of the current studies show that Taiwanese identity still prevails. This paper suspects that it is because the discursive power on Taiwanese identity is still dominant and the Chinese identity lacks of institutional support. Moreover, as the Chinese economy has kept rising, along with its rising cultural and discursive power, Taiwanese society now has generated a sense of anxiety that comes along with its lacking of economic dynamism in recent years.

1, Introduction

This paper is about the transformation of borderlines between Taiwan and China as Taiwanese economy has been deeply integrated into the Greater China region, defined as the socioeconomic region of China, Taiwan and Hong Kong, in which China emerges as a super power in the world economy in recent years. China has changed from being a poor and underdeveloped country to a giant market power in the world within just about three decades; which in consequence has altered the socioeconomic power relations among the parties involved within the region. Along with this sea change has been the massive flow of people from Taiwan to China to seek for business opportunity and for the new type of life style. The massive movements of people and capital across borders in consequence have transformed the borderlines set up in the cold war atmosphere (Hsing, 1997; Wang, 2001; Chang, 2006; Deng, 2009). Now, more and more Taiwanese periodically work and live in urban China, immerse themselves into the rising middle class residential areas, which occurs especially in the prosperous cities of Eastern coastal provinces. In addition, some of them may send their children to local schools in China to seek for future opportunity in the rising economy.

Indeed, the rising economic might of China has changed the power and social relations between the two parties across the Taiwan Strait. First of all, due to the rise of Chinese domestic market, now Taiwanese firms have changed their production mainly for export to now targeted at the domestic market; this has induced the Taiwanese investments from mainly based on manufacturing to extend to service industries. Most of all, Taiwanese economy now depends much

more on the Chinese counterpart for its current and future economic prosperity. It was estimated that Taiwanese investments in China was secondary only to Hong Kong and Macau until the early 2000s. Most of these investments were in the traditional industries and concentrated in Guangdong areas. Until the early 2000s, China accounted for over 42% of Taiwanese total approved outward investments (MOEA, 2005). Since then, the major commodity export markets from Taiwan have rapidly shifted from the U.S. to China (via Hong Kong). Now, Taiwanese investments in China composed the largest share as high as 62.8% during 1991-2013 combined, and the areas of investments have spread to all areas of China, especially the Yangtze River Delta Area (Mainland Affairs Council, 2013).

Secondly, as more and more Taiwanese people live in urban China, some of them become rooted in Chinese soil and choose to stay there as residents (Lin, et al., forthcoming). The borderlines between Taiwanese and Chinese seem to become very blur. Different from the situation in the 1990s when Chinese bride chose to marry Taiwanese man and to say in Taiwan, now more and more Taiwanese males work in China, get married and stay (Deng, 2009). The situation has been in the rising as many Taiwanese sought their job opportunities in China. It seems that social inclusion has followed the economic integration to become a new tendency.

In addition to the above phenomena, an even more delicate and complicate issue is the identity matter: Taiwanese or Chinese? Will those who stay in China for a long time identify themselves as Chinese instead of Taiwanese? That this issue is particularly interesting is because Taiwanese consciousness has been in

rising due to the democratization process since the 1980s, through which Chinese identity has been in declining (Wu 2005; Keng, et al, 2006). However, concurrent with this rising Taiwanese consciousness has been the increase of economic integration across the Taiwan Strait. The divergent political and economic tendencies trigger the tension among people on the island on the issue of national identity. In the pre-democratization era, the Chinese identity prevailed due to the Kuomintang Party's Chinese origin; in the process of democratization, the Taiwanese identity prevailed; now, as the economic integration proceeds rapidly, a new wave of identity conflict is emerging along with the social inclusion phenomenon mentioned above.

The purpose of this paper is to describe and analyze the process of the transformation of borderlines (economy, social and identity) across the Taiwan Strait, with specially attention is given to the Taiwanese side. Different from most of the existing publications, which mainly deal with observable macro-political and economic issues, this paper is mainly concerning the recent hidden micro-social and economic transformation underlying the most observable surface tendencies. More precisely, if most existing publications on the Cross Strait Relations concern mainly on high politics and macro-economies, this paper is more focused on the micro levels of cross-border production, daily routines of community lives, as well as identity formation and transformation due to the increasing social interactions across borders.

2, Border as a contesting agenda

Borders or Boundaries were initially conceived as manifestation of the territories of states, which are no more than legal lines separating sovereign

jurisdictions (Newman and Passi, 1998: 189; Anderson and O'Dowd, 1999:594). Since the establishment of the Westphalia system in 1648, the modern state system recognized that the nation state is able to exercise its sovereign power – the exclusive right to exercise legitimate violence within the limits of a territory – to allocate resources, endocrine national identity, enforce its surveillance power even against its people's will, and immune from outside interference (Giddens, 1990; Weber, 1978). Borders or boundaries thus tend to be established by international agreements and mutual understanding among states. In addition, borders intimately related to the sovereign nation state which simultaneously unify and separate, include and exclude people.

The ideas that connect border with territory and sovereignty of the state have been challenged in recent years. The challenges mainly come from (1) the globalization process that erodes the sovereign power of the nation state; (2) the social and cultural construction of space that highlights the social boundaries rather than the state boundaries; (3) the construction of local or ethnic identity as opposed to national one that is mediated by narratives and discourses. All the above challenges maintain that borders are products of social construction (Newman and Passi, 1998: 188), which also relate to the issues of geographic scale in which the power of nation state has been de-territorialized and re-territorialized in the age of globalization (Brenner, 1999; Jessop, 2002).

2.1 Globalization and border transformation

Recent discussions on the geographic transformation of contemporary capitalism have found that capitalist territorial organizations are constantly re-configured due to incessantly spatial movements of capital that reconstituted

the geographical landscape (Harvey, 1990; Brenner, 1999). This is especially shown in recent decades when telecommunication revolution has largely shortened the distance between physically separated locations. 'Space of flows' have replaced 'space of places', as Castells (1996) maintains, through which space has been conquered by time and created the effect of 'time and space compression' (Harvey, 1990).

Indeed, current capitalist development has unfolded the animal spirit of capital that constantly seeks to enlarge its market profits. Through which the traditional sovereign power of nation state has been transformed. On the one hand, capital movement seeks to escape its territorial trap to expand to global scale, such as the creation of global production networks or financial transaction via internet (Harvey, 1990; Castells, 1996). The state's power in this situation has been de-territorialized. On the other hand, capital still seeks to have relatively fixed, provisionally stabilized territorial organization on which elements of capital accumulation are easy to find, such as industrial clusters for manufacturing activities (Saxenian, 1994; Maskell, 2005; Malmberg and Maskell, 2002) or global cities for financial capital (Friedmann, 1986; Sassen, 1991; Brenner, 1999). To search for 'spatial fix' is therefore a constant moment of re-territorialization in the current capitalism (Brenner, 1999: 42).

Related to the above spatial reconfiguration of capitalism is the transformation of state power. The de-territorialization process of capital has eroded and relativized the territorial state power, through which the national geographical border is also being reconfigured. Capital movement has gone beyond the state's spatial enclosure and sought to find new spatial fix elsewhere.

Therefore, capital is not placeless and rootless, it is always involved a reconfiguration of territorial infrastructure that is good for capital accumulation in which new re-territorialization process is being proceeded.

The de-territorialization and re-territorialization processes thus involve the creation of a wide range of policy and institutional change to retain or attract capital investment. For advanced countries, the after-Fordist era has eroded the Keynesian Welfare State in favor of the Schumpeterian Workfare State (Jessop, 2002), through which internationalization, flexibility and innovation were the major reconstruction principles as to seek for global competitiveness. For the developing countries, they are able to use the de-territorialization process of capital to reconfigure local infrastructure and new legal regimes to establish 'spatial fix' for capital flows from advanced countries (Wang and Lee, 2007).

Borderlines have been reconfigured and sovereign state power has also being transformed in recent decades. Not like the conventional wisdom that assumes nation states are 'power containers', now they are struggling to reconstruct its containing power against the global power of the market. At the age of neo-liberalism, global market power seems to be dominant, however, the political backfire is always existed and which is an empirical question that we will discuss later.

2.2 Social and cultural construction of border

Globalization does not create a world of homongenization but rather fragmentization (Agnew, 1994; Castell, 1996). In recent years, the idea of border increasingly tends to refer in a metaphoric sense and does not necessary to the material physical space. It thus refers to social and cultural construction of

boundary between social collectivities through which social distinctions are constructed (Newman and Passi, 1998: 188). For example, many discussions on cross boundaries of class, gender, ethnicity, and nation indicate the emergence of new social construction tendencies by which existing boundaries are contested and new ones are created.

In the urban areas, migrants and local inhabitants may develop differentiate social gatherings and create various spatial organization. In general, ethnic groups tend to use boundaries as a means to construct their own space in order to differentiate 'we' and 'them'. In this case, boundaries are institutionalized into norms that separate groups and communities from each other. However, norms have both constraining and facilitating functions to social actions; therefore, boundaries provide normative rules to regulate interactions between members of social groups; they also enable social exchanges as well. In some specific cases, boundaries may be determined by social sphere and shared by groups across physical state borders. This is especially shown in borderland where communities have been divided by national borderlines but they are unified by the same culture (Newman and Passi, 1998; Brunet-Jailly, 2005).

In contemporary world, borders and boundaries have become concomitant with the aims of various social groups to define and redefine the relations between social and physical space. (Newman and Paasi, 1998: 188). Although some groups tend to have the desire to build spatial turf to maintain homogeneity and exclude others, still other groups may want to include other groups to build melting pot. The social construction of place and border thus indicate power relations and the social struggles involved in the construction

process.

2.3 social constructions of identities

Social construction of border and identity are twin sides of the same coin. The construction of identity depends much on discourses and narratives. As Somers (1994) notes, it is through stories that we come to know and make sense of the social world which constitute our social identity. The construction of a national imagined community is also via the process of narration through which collective identity is constituted (Anderson, 1991). The construction of identity narratives is itself obviously a part of political action, which may relate to power relations in society where the dominant group has much more discursive power in hedging national hegemony. In other words, "in the study of state boundaries, it is important to know whose 'plots' or 'turfs' dominate these identity narratives, what is excluded or included by them and how the representations of 'us' and 'them' are produced and reproduced in various social practices, such as the media, education, etc." (Newman and Paasi, 1998: 196).

Nevertheless, the construction of identity is also a contesting process where various narrations and discourses are struggling for hegemonic status. On the dimension of national identity, the construction relates to 'strategic selectivity' as Jessop (1990:10) notes of state's national project. The state, as Jessop (1990) suggests, is a social relationship and is an institutional ensemble that is opened to political struggle for various interests and advantages. However, as an institutional form, the state is not equally accessible to every interest, it has a 'strategic selectivity' characteristic, because the state 'as a system whose structure and *modus operandi* are more open to some types of political strategy

than others' (Jessop, 1990: 260). The state is thus the site of struggles where strategies are selected and elaborated. The bias inscribed on the terrain of the state is a site of strategic action that can only be understood as a bias relative to specific strategies pursued by specific forces to advance specific interests over a given time horizon. The dominant group that holds the state power will tend to construct 'hegemonic project' to build popular support. This hegemonic project has the 'national popular' characteristics that has 'political, intellectual and moral leadership' which is thus beyond short-term class interest (Jessop, 1990:208).

Jessop's state theory explains why nation states have 'national popular' characteristics; however, he also mentions that 'hegemonic project' may not gain universal support (1990:211). The revival of recent ethno-regional or separationist movements clearly indicates that new national identities are being constructed and which are in conflict with the existing ones. The discursive narration of each 'nation' would legitimate its own territory and establishes its own border, which in consequence reflecting and constructing both its collective and individual consciousness.

In sum, state boundaries are equally social, political and discursive constructs rather than naturalized, physical lines drawing between nation states. As Newman and Passi (1998:187) argue, 'boundaries and their meanings are historically contingent, and they are part of the production and institutionalization of territories and territoriality.' Borderlines can shape and reshaped by market forces; they are equally constructing and being reconstructed by social, cultural and powerful discursive narrations by specific

ethno groups. These different forces are not congruent with each other in the contemporary globalization age, and which can only be studies empirically as well will show in the Taiwanese case as follows.

3, Transformation of borderlines Across the Taiwan Strait

In the year of 1987, the KMT regime lifted the Martial Law which had been implemented since 1950 in Taiwan and officially ended the Civil War with PRC ever since (Wang, 1996). From then on, the KMT regime has begun to loosen its border control: first of all to let Mainlander veterans to visit their families in China, then to allow Taiwanese businesses to invest and tourist to visit China in the early 1990s. In addition, Taiwan recently also began to allow Chinese tourists to visit Taiwan, students to study in universities and capital to invest in Taiwan's market. All in all, the formidable territorial borders established by the Civil War era have been torn down. Now, it is estimated that over one million Taiwanese constantly live in China and the tendency is in the increasing. In contrast, there are also increasing number of Mainland Chinese constantly lives in Taiwan either for marriage or for business purposes. The interactions of Taiwanese and Chinese in the territories of both China and Taiwan have changed the political, economic and social boundaries across the Taiwan Strait. As will be discussed below, while Taiwanese economy has been integrated into the enormous Chinese market; the social and cultural constructions of borderlines and identities in Taiwan have proceeded not in a congruent direction.

3.1 The rescaling of borderlines: economic integration

Taiwanese outward investments to mainland China started in the 1980s when Taiwanese business people used various channels, such as Hong Kong or

Cayman Islands, to indirectly invest in the four special economic regions of China due to the government's official restrictions (Wang, 2001). After lifting the ban of those restrictions in 1993, Taiwanese outward direct investments to China increased rapidly. In general, Taiwanese investments in China can be divided into to four stages: the first stage was in the early 1990s when many traditional small- and medium-sized enterprises (SMEs) and labor intensive industries began to move to the area of the Pearl River Delta to manufacture their products for export. The second stage took place in the late 1990s when many Taiwanese high-tech firms were requested by the big global buyers to relocate their assembly activities to the Yangtze River Delta in order to lower the cost to compete in the world market. Therefore, different from the former stage, the movement of Taiwanese capital in this stage had a higher level of technology. In the third stage, starting around 2005, many Taiwanese consumer service oriented industries began to launch their businesses in the cities of coastal areas in order to take the advantages of the booming domestic market in China. From this stage on, Taiwanese business people began to influence the lifestyle of the emerging Chinese middle class in big cities (Chang, 2006; Tseng, 2011). From 2010s on, Taiwanese investments began to move again to interior provinces, such as Sicuan, Hubei, Henan as labor cost in the coastal areas has kept rising in recent years (Deng, forthcoming).

In total, the electronics component sector is the largest category in the Taiwanese investments in China during 1991-2012. According to the Mainland Affair Council (MAC), it composed 19.7% of the whole investments; the second is computer and related optic-electronics, which was about 13.8% during the same period (MAC, 2013). In other words, the electronics category composed about

33.5% of the total investments. Nevertheless, more and more investments from the service sector also began to follow suit in recent years, such as wholesale, finance, and insurance. From 2010 on, there was over USD 1billion investment each year (ibid).

In terms of investment destination, Jiangsu has replaced Guangdong to become the most favorable investment province for Taiwanese businesses in recent years. It in fact has accumulated most of the capital investments during the whole period of 1991-2012 (ibid). To add Jiangsu, Shanghai and Zhejiang together, the Yangtze River Delta has accumulated most (50%) of the Taiwanese investments (table 1). Nevertheless, because of the movement to interior provinces, Taiwanese investments in Sichuan increased rapidly.

Table 1: Taiwanese Outward Investments in China, by area

Years Rank	2011		2012		1991-2012	
	Area	% of total capital	Area	% of total capital	Area	% of total capital
01	Jiangsu	30.79	Jiangsu	27.0	Jiangsu	33.1
02	Guangdong	15.34	Shanghai	16.8	Guangdong	20.6
03	Shanghai	15.13	Guangdong	11.1	Shanghai	14.8
04	Sichuan	6.45	Fujian	8.6	Fujian	7.0
05	Fujian	6.42	Zhejiang	7.8	Zhejiang	6.6
06	Zhejiang	5.04	Sichuan	6.0	Shandong	2.3

Source: Mainland Affair Council, 2013

The increase of Taiwanese investments in China has transformed the trade relationship between Taiwan and the U.S.A. In fact, China has replaced the U.S.A. to become the largest trade partner for Taiwan in 2002; and the proportion of it has increased year by year. Taiwan's trade dependency rate against China (export to China/ total export) has kept rising since the early 1990s. It rose to 28.4% and

reached in 41.8% in 2010 (MAC, 2013). China now not only is the largest trade partner but also is the largest source of trade surplus. In 2011, Taiwan has trade surplus against China as high as USD 40.3 billion, and has similar surplus against Hong Kong as USD 38.4 billion. Adding these two together, the figure reached at USD 78.7 billion. In the same year, Taiwan gained trade surplus about USD 26.9 billion. It is obvious that Taiwan has gained most of the trade surplus from China as to compensate for its deficit to other areas.

Indeed, China has become Taiwan's largest outward investment destination, trade partner, source of trade surplus, and the largest market. Taiwan's economy has been gradually integrated into the Chinese market in due course. Moreover, it is also because of Taiwanese's investments in China that the Taiwanese electronics industry has been able to gain its irreplaceable status in the world market which in turn has contributed to China's top exporter on high tech industrial products in the world (Wang, 2011).

The shrinking of political border due to the increasing economic integration and geographical rescaling can be shown in the trend of economic upgrading of Taiwanese investments in China. We can use the example of increasing investments on R&D in electronics industry to show the tendency.

Regarding the upgrading of industrial investments, most of the existing studies have found that the tendency has been changing from traditional to high-tech industries. Recent studies however have found that the tendency has moved upward from manufacturing to R&D segments, especially in the electronics and semiconductor industries (Chen, 2004; Ernst, 2006, 2010). Moreover, different from the former stage where Taiwanese firms were included

into the cross-border innovation networks led by branded global firms, now more and more Taiwanese firms set up R&D laboratories in China and to collaborate with local Chinese firms in China. This cross-border collaboration on R&D, or can be called cross-border innovation networks, may take many forms, ranging from the intra-firm division of labor, inter-firm R&D alliances, or cooperation between firms and R&D institutes across borders.

In fact, a survey-based study conducted by Chen (2004) has shown that Taiwanese electronics firms have already built up their R&D networks since the late 1990s in China. He categorized Taiwanese R&D portfolios across the Taiwan Strait into five types. The first type is related to the division of labor across the Taiwan Strait in which product development is undertaken in Taiwan, while engineering support and manufacturing-related R&D is provided in China. This often entails the de-linking of R&D and manufacturing. The second type is where Taiwanese firms outsource their software development services to China partly because of the cheap cost of software development there. The third type of portfolio involves a tendency for some Taiwanese firms to conduct their basic research in China, which often involves collaboration with local universities and/or research institutes. The fourth type is where some Taiwanese firms keep their upstream (core) R&D segment (or R&D for products at the development stage) in Taiwan, while leaving downstream and non-core parts (or R&D for products at the mature stage) to their subsidiaries in China. The final type is where Taiwanese firms carry out major R&D activities in China for systems-related products, while maintaining the development function for related peripherals, such as the motherboards of handsets in Taiwan (Chen,

2004:345-6).

Wang and Tseng's (forthcoming) recent study on the cross-border IC design industry also found that there are three types of innovation networks: global firm led-, foundry led-, and IC design firm led- innovation networks. In the first type of cross-border innovation network, the global branding PC firm outsourced all design works to Taiwanese key contractors. Taiwanese PC firms thus set up R&D subsidiaries, including embedded software in China to take the advantage of low cost to produce PC for the branding firms. In the second type, which is constructed by Taiwanese foundries (TSMC and UMC), cross-border innovation networks were built due to the motivation in expanding the market share by assisting local Chinese IC design firms as to create new business clients and business partners. The third type is created by large and small Taiwanese IC design firms to fully explore the emerging enormous telecommunication market. Of which the IC design giant MediaTek is especially significant in this category. Wang and Tseng's (forthcoming) also found that the dominant power of the innovation networks is still in the hands of Taiwanese headquarters. In other words, the Taiwanese part has tended to engage in core, process technology and product development R&D activities, whereas the Chinese counterparts have tended to be involved in improving, localization and manufacturing R&D, as well as performing the function of basic research by collaborating with major universities.

In sum, Taiwanese economy has been deeply integrated into the Chinese market, changing from investment mainly on manufacturing to R&D activities; from traditional to high-tech industries. The political border has been

compressed by the shrinking of economic boundaries. The territorialized economy in the former stage had been de-territorialized, and recently re-territorialized into the Chinese soil. This tendency moreover has been speeding up as more and more Taiwanese businesses in the consumer service sector went to China to take the advantage of the booming Chinese domestic market in recent years, which we now turn.

3.2 Reconstitution of social borders: across residential boundaries

Along with the physical and manufacturing investments is the cross boundary mobility of people from Taiwan to Mainland China. The pattern of the social interaction of Taiwanese with local Chinese community has changed along with the ways in which Taiwanese investments occurred in the Chinese market. The general patterns of the transformation can be roughly described as Taiwanese have changed from 'enclave' to 'immersion', from isolation to adaptation in interacting with local society. The social borders have become murky along with the evolution of the economic integration.

At the initial stage of the cross boundary mobility was the owners of SMEs and their cadres. Due to the backwardness of the Chinese urban environment at its initial stage of economic reform, Taiwanese businessmen tended to live in the dorms of the factory and isolated from the Chinese community. They went out from the dorms only in the evening or in the weekend, and sometimes they went to Karaoke Hostess Bars in the cities where they were able to enjoy relaxation and commercial sex (Shen, 2008, forthcoming). There were also many Taiwanese businessmen who built another family by having mistress, or second wife (*er nai*), in the cities where he bought house isolated from local communities and lived

like a family (Xiao, 2011; forthcoming). “Second-wife” is currently the popular name for a Chinese woman involved in a long-term relationship with a married man upon whom she depends financially. This residential isolation continued for some times as Chinese economy continued to grow and local real estate market became booming. Sometimes, Taiwanese businessmen would bring their families with them. This situation continued to the late 1990s (Deng, 2009).

The enclave and isolated residential phenomenon has changed radically around the turn of the new Millennium when Chinese domestic market has nurtured a middle class to emerge. Now a new group of small business owners went to China to open shops such as wedding photos, coffee shops, and food chain stores, etc, in the consumer service industry (Chang, 2006). Different from the former stage when the investments were concentrated on manufacturing, now the new tendency was focused on the domestic consumer service market. Consumer service markets are very different from manufacturing which need to reach the consumers and have to know the local people (Lin, 2012). Also, different from the former stage when the owners (men) moved alone to China, now the new wave was the family oriented. In this new tendency, more and more Taiwanese moved to China and lived into the Chinese urban community and integrated into the Chinese neighborhood (Tseng, 2011).

Along with this process of new investments on consumer service products, now Taiwanese style restaurants and wedding photo-shops are everywhere in China which have influenced the life style of the rising Chinese middle class, i.e., this could be observed clearly in the case of Suzhou where most of Taiwanese ICT firms were concentrated (Chang, 2006). Kunshan city in the Suzhou municipality

was even called as the 'little Taipei' due to its concentration of Taiwanese and shops. 'Taiwan' or 'Taipei' became quality brands in the Chinese market. Moreover, as the income level has increased rapidly in coastal areas of China, more and more Taiwanese sophisticated consumer goods and services also invested in China that have largely affected the life style of the rising middle class.

Similarly, as China becomes more prosperous, many Taiwanese begin to migrate to China, not merely for economic reason but also for life-style purpose –pursuing for a certain cultural imagination of the host countries and enjoyed a privilege live style (Lin, forthcoming). Indeed, in recent years, many Taiwanese moved to prosperous coastal cities in China to enjoy their privilege status which they were not able to enjoy in Taiwan due to the differentiation of commodity price. Some of them also began to move to inner cities where costs of living are much cheaper, and they still could enjoy high standard of living by having much lower living expenses as compared to those in Taiwan.

In contrast to the above life-style phenomenon is the on-going new investments of Taiwanese firms into interior provinces due to the rapid rising of labor cost in coastal areas. Interestingly, now Taiwanese firms are not to build gated factory that isolated from local communities. They instead have to collaborate with local societies in order to recruit local workers. A new type of locally embedded Taiwanese firm has been created which has not been seen in the coastal areas before. Now they have to build good relationship with local community in order that rural people may want to work for the manufacturing firm. The rising labor cost in the coastal areas has dramatically changed the factory-community relations in China now (Deng, forthcoming).

Along with Taiwanese investments in China when male cadres had to work alone in China for a long period of time, more and more cross-border marriages have emerged. In the past, Taiwanese cadres (male) tended to bring their Chinese wives back to Taiwan to apply for Taiwan's citizenship and stay in Taiwan. However, in recent years, as Chinese domestic market has grown rapidly, female partners tend to have more job opportunities in China than in Taiwan. Moreover, due to Taiwan's legal regulations, female Chinese partner has to stay in Taiwan at least for two year in order to find a suitable job. Under this situation, the female Chinese partner thus does not have the motivation to apply for Taiwan's citizenship and even does not have the intention to move to Taiwan. On the contrary, a new tendency has been that Taiwanese male stays with his wife in China to work and stay in China for long!

In sum, along with the Taiwanese investments changing from manufacturing to consumer goods, Taiwanese residency in China has also altered from enclave type to immersion within the local communities. The spatial borders have been broken through which Taiwanese were integrated into local residential areas. Moreover, the Cross-Strait marriages have also changed from uni-directional to bi-directional tendencies. Even more striking tendency was that Taiwanese males are moving with their wives to stay in China, which has created a new wave of residential inclusion and social integration. Indeed, social borders across the Taiwan Strait have been changing in these years, the social distance between Taiwanese and Chinese have been shrinking rapidly. However, whether the change of social borders can be translated into identity transformation is another story which we now turn.

3.3 , The transformation of identity border: Assimilating into Chinese society?

The identity issue is much more complicated as compared to the above two cases, especially when it refers to border of national identity. National identity refers to individual's self perception of national and political belonging. This also relates to the construction of nationalism by ways of narrations and telling stories by specific groups to convey people that they belong to the same nation (Anderson, 1991). The construction of nationalism involves a process of discursive struggle in which different groups contest for hegemonic status. The group that gains the state apparatus has the discursive power and enjoys the hegemonic status.

On the issue of identity, Taiwanese business people or migrants in China faced very awkward situation in recent years (Tseng and Wu, 2011). This relates to the change of national identity in Taiwan after the democratization in the 1980s. Before the 1980s, the national identity constructed by the KMT regime was based on Chinese identity; therefore, in the old KMT regime's rhetoric, Taiwan was attached to the 'Chinese' nation (Wang, 1996). However, after the 1990s, the new KMT regime not only promoted Taiwanese consciousness but also treated it as a legitimate national identity. To use Jessop's (1990: 181) term, the new regime launched a new 'hegemonic project' through which a new national identity was constructed. This new identity has become a hegemonic status after 2000 when the opposition party, the Democratic Progressive Party that promoted Taiwan independence, gained the state power. From then on, an institutional process of 'de-China-lization' and Taiwanization in basic national

education and mass media has been propagated. Taiwanese consciousness now has become a legitimate national identity. This transformation of national identity however has not been progressed smoothly. There were contesting issue in the island revolving around 'Taiwanese' versus 'Chinese', or 'Taiwanese nation' versus 'Chinese nation', which also inevitably gave rise to ethnic conflicts between mainlanders and Taiwanese (Wu, 2005). Some independent advocates regard mainlanders and those who invested in China were renegades of the Taiwan nation; this ethnic tension was intensified in the DPP rule era during 2000 to 2008.

In 2008, the KMT took over the state power again and began to loosen many restrictions set by the former DPP regime on Cross-Strait interactions, including letting Chinese tourists to visit Taiwan, allowing Chinese students to study in Taiwan's universities, and welcoming Chinese capital to invest in Taiwan's certain industries. The radical transformation of social borders created by the state has increased the intensity of social interactions. Before, it was only Taiwanese went to China; now more and more Chinese have the opportunity to visit Taiwan. This transformation of social borders thus raises the contesting issues of national identity again. In this section, we will discuss three groups in China and their transformation: business people, their children who have grown up in China, and Taiwanese students who studied in China.

It is very difficult and politically sensitive to study directly the national identity issue of Taiwanese business people in China, which nevertheless can be studies as social assimilation to be the proxy for identity. One of the most insightful studies on the identity issue is Lin, et, al's., (forthcoming) who breaks

the identity issue into three dimensions of social assimilation: (1) the arrangement of children's education; (2) family's local friends; and (3) the plan of retirement. That says: the higher the possibility in sending children to local school, in making local friends, and in planning to retire in China, the higher the degree for them to be assimilated into Chinese society. They use both quantitative and qualitative data to show very interesting findings.

In terms of sending children to local school, they found, the higher the social status of Taiwanese in China, the more likely they would send their kids to stay with local higher status Chinese. It is because those higher status Taiwanese regard China has better economic opportunity, they want their children to study in China to make friends with local higher status people. Lin, et al., (forthcoming) also finds that 'self-identity' and employment are determinant factors for Taiwanese to make local friends,. That is to say, those who identify themselves as "Chinese" or "both Chinese and Taiwanese" (vs Taiwanese only), and those who work in service industry than in manufacturing sector have a higher propensity to hang around with local Chinese. Finally, regarding to the retirement plan, three factors--self-identity as Chinese, ethnic origin as mainlander, and time span in staying in China--are significant in shaping whether they will retire in China or not.

Combining the above three dimensions together, Lin, et al., (forthcoming) therefore claim that although self-claimed national identity is still important in explaining whether Taiwanese people's decision in identify with the local society, the social class factor indeed matters in explaining how Taiwanese in China decide their children's education and making friends with local friends. It

indicates that, as China grows richer, more Taiwanese would probably maintain stable and friendly working relations with the local Chinese rather stay aloof with them.

The above findings on how class factor influences the transformation of Taiwanese attitude toward China can be also applied to Taiwanese's attitude toward studying in China. Currently, there are two types of Taiwanese students who studied in China: one is the children of Taiwanese business people, the other are those who come from Taiwan to study in universities.

Taiwanese governments build four schools (primary and junior high school) in China, they are located in Dongguan, Kunshan, Suzhou and Shanghai separately. These students could still enjoy using the same textbooks as those of their peer in Taiwan, so they could decide to come back to Taiwan to continue their study, although some of the politically sensitive phrases in the textbooks were deleted by the Chinese government. In the past, Taiwanese students had the sense of superiority due to their high socioeconomic status, especially when many of the Taiwanese children lived in gated villas or communities that were isolated from local society (Lin, 2009). However, this sense of superiority has been disappearing in these years due to the rapid economic growth in coastal areas of China where the living standard has come closer to Taiwanese. According to Lin (2009), Taiwanese children in China have much less sense of superiority in the Greater Shanghai area where the degree of globalization has been much greater than that of Taipei, and the living standard is almost the same. Most of those students in high school inclined to stay in China in the future to utilize the opportunity of the rise of China to expand their career. Lin's conclusion is similar

to Lin, et al (forthcoming), both suggest that social class matters in explaining Taiwanese decision to study and to stay in China.

Different from the children of Taiwanese business people who have grown up in China and have to study there, those Taiwanese students who voluntarily chose to study in China were mainly for exploring their career. China began to open its universities for Hong Kong, Macau and Taiwanese residents in 1985, the first Taiwanese students who studied in China was in 1987. In 2005, besides the decision that overseas Chinese paid the same fees as local Chinese students, China also allowed Taiwanese to work in China after their graduation. According to the Chinese statistics, there were 7,346 Taiwanese studies in China till 2012, most of them studied Chinese medicine, business, law and concentrated in Guangdong, Shanghai, Wuhan, and Chengdu.

According to Lin (2010), the major reasons for those students to study in China were: (1) to look forward to the future development; or (2) to enter into the fields that they were not able to study in Taiwan, such as archeology, medicine. Lin (2010) also found that more and more Taiwanese college students tend to stay in China to develop their own careers and to work with their Chinese classmates. Returning to Taiwan is not the priority any longer.

In sum, as China becomes much prosperous than before, more and more Taiwanese tend to accept the ideas to work, to study, and even to retire in China. Along with the shrinking of social borders has been the tendency of social assimilation into Chinese society. The hardcore Taiwanese identity may have been changing and blurring. Although there was state's hegemonic project in building a Taiwan Nation during 2000 to 2008, the tendency seemed not hamper

the social assimilation tendency from occurring. In fact, more and more Taiwanese now are seeking opportunity to work in China, including professional works such architect and cultural workers (Tseng, forthcoming; Chien, forthcoming). They tended to retain their professional pride because they thought that they had better professional training, nevertheless, they still had to use the market expansion opportunity in China to extend their professional careers.

4, Conclusion: anxious integration and search for spatial fix?

The change of Cross-Strait Relation since the late 1980s has radically transformed the borderlines and political and economic boundaries between Taiwan and China. Economically, Taiwanese economy has been rapidly sucked into the enormous Chinese market and depended heavily on it for prosperity. Socially, along with the change of economic borderline was the increase of Taiwanese business people to stay and to work in mainland China. Some of those people now tend to become local residents and lived with Chinese middle-class neighborhoods, which is very different from the situation at the initial stage when Taiwanese business people lived in the enclave community that was isolated from local people. Moreover, more and more Taiwanese business and students choose to use the opportunity of China rising to extend their career. The social borderlines have been shrinking and rescaling.

Nevertheless, the tendencies of social and economic integration between Taiwan and China are not without resistance. The poll on national identity, done by the Election Center of National Chengchi University, has shown that Taiwanese

identity has been in constantly rising (increase from 17.6% in 1992 to 52.4% in 2010) while the Chinese identity has been in contrast in declining. This of course has to do with the democratization process in which Taiwanese identity has been upgraded to the level of national identity. In contrast, the Chinese identity has lost its hegemonic status due to the fact that there is no institutional agents that can legitimate the narration and discourse. Therefore, as the Chinese identity lacks of institutional support, it does not have the discursive power to influence the identity formation.

As a result of the shrinking of borders, and the rise of Taiwanese identity in Taiwan's politics, a sense of anxiety has been in the rising in recent years. Will Taiwan be merged? Will China use the leverage of economic integration to ask for political unification in the future? Moreover, because of the loss of economic dynamism in Taiwan in recent years, more and more young people regard that working in China may become acceptable and inevitable. A sense of anxiety based on the complicated nexus of national identity and economic integration has been generated. This anxiety will continue as the borderlines continue to shrink. In the end, the Taiwanese capital will inevitably seek for 'spatial fix', which in consequence will create pressure to the political regime to stabilize the Cross-Strait relations (i.e. Brenner, 1999). In addition, it can be expected that China will continue to use its economic and social powers to influence Taiwanese society, i.e. Taiwanese business association in China (Keng and Gunter, 2010). However, as long as it has not been able to generate institutional 'discursive power', the sense of anxiety in Taiwan will continue for a certain period of time and the anxiety may generate identity conflict as facing the increasingly integrated economy into the Chinese market.

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