

*Developmentalism and Pan-Functionalism in Mainland China's Economic Policy toward Taiwan, 1988–2018**

Zhenqing Zheng

Abstract

How has mainland China promoted a large number of economic policy to facilitate the cross-Taiwan Strait economic integration in the past decades? This question informs some critical political-economic ways of thinking that have driven the Taiwan-related policy-making process in the mainland, which nevertheless has not been adequately explained. Based on interviews with policy actors and business people, this paper explores the evolution of the economic policy by empirically identifying two political-economic logics: developmentalism in the policy's economic components and pan-functionalism in its political intentions. Consequently, we are able to discern the driving force behind the unidirectional “integrated development” since 2018, which has evolved from the symbiotic status of developmentalism and pan-functionalism to a strengthened functionalism with developmentalist color fading. This paper not only reveals the driving mechanisms of cross-Strait economic

Zhenqing Zheng is Associate Professor at the School of Public Policy and Management and at the Institute for Taiwan Studies, Tsinghua University, Beijing. Correspondence should be sent to zhenqing@mail.tsinghua.edu.cn.

* The author acknowledges the support of the project grant (No. 15AZZ015) from the National Social Science Foundation of China. The author is deeply indebted to the late Professor Liu Zhentao, the founding dean of the Institute for Taiwan Studies at Tsinghua University, for his guidance during the early development of this article since 2010. Three anonymous reviewers are much appreciated for their helpful comments.

integration from a political-economic perspective but also furthers the discussion of the strengths and weaknesses of Taiwan-related economic policy with a focus on the mainland side.

Along with the economic rise of mainland China during the past decades, close economic ties across the Taiwan Strait have appeared. In the previous 20 years, the trade dependence ratio of Taiwan on the mainland has reached over 30 percent (including goods and services), and Taiwanese investment into the mainland now constitutes more than 50 percent of Taiwan's total outbound investments. Meanwhile, cross-Strait social contacts have greatly increased to the point that there are so many Taiwanese people moving to study, work, and reside in the mainland that political security concerns have been triggered in Taiwan.¹ Scholars have used the phrase "political separation with economic integration" to masterfully characterize the cross-Strait political-economic relations.² However, a critical question needs to be addressed: How has mainland China promoted the cross-Strait economic integration in the context of ingrained political confrontation in past decades? This question informs some critical political-economic ways of thinking that have driven the Taiwan-related policy-making process in the mainland, which nevertheless has not been adequately explained.

In the mainland, the economic policy system set up for Taiwan has been growing vigorously both to adapt to the mainland's economic reform and opening on the one hand, and to respond to Taiwan's political changes on the other hand. Despite deep political disputes between the mainland and Taiwan, the State Council of the People's Republic of China issued an administrative regulation titled the *Provisions of the State Council Concerning the Encouragement of Investment by Taiwan Compatriots* (國務院關於鼓勵台灣同胞投資的規定 *guowuyuan guanyu guli Taiwan tongbao touzi de guiding*, commonly known as the "22 Provisions") in July 1988. This administrative regulation marked the mainland's formal initiation of official economic policy toward Taiwan. Most of the provisions comprising this regulation were legalized and amended in March 1994 to become the *Taiwanese Compatriots Investment Protection Act* (臺灣同胞投資保護法 *Taiwan tongbao touzi baohu fa*, commonly known as the "15 Provisions"). Moreover, they were followed by hundreds of local regulations or rules to attract and manage Taiwanese investment in the following years. After Tsai Ing-wen took power in Taiwan in 2016, the mainland's Taiwan Affairs