

5 Taiwan (Republic of China)

Introduction

Taiwan, formerly known as Formosa, is an island about 145 km off the coast of China in the west Pacific Ocean, south of Japan and north of the Philippines (see Figure 5.1). Taiwanese jurisdiction includes numerous islets and the archipelagos of Penghu, Kinmen and Matsu. Including the outlying islands, Taiwan's total land area is approximately 36,000 km² (slightly smaller than the Netherlands, slightly larger than Massachusetts). The island itself is just under 400 km long and 145 km wide. Over 70 percent of Taiwan is mountainous with five major mountain chains running through the centre of the island. In fact, there are 286 mountains over 3,000 m in Taiwan, with the highest being Yushan (Jade Mountain) at just under 4,000 m.

Early history

The island was originally inhabited by Malayo-Polynesian Aboriginal peoples from Southeast Asia. There were sporadic visits of people from China from the 7th century on; however, prior to the arrival of the Dutch, there were no permanent settlements on the island, only stateless Austronesian groups. Tonio Andrade, whose book is the most authoritative history on this period, describes Taiwan in 1600 as "a wild land, inhabited by headhunters and visited mainly by pirates and fishermen" (Andrade, 2010).

Taiwan was "discovered" by Portuguese sailors in the early 1500s; they named it Formosa meaning "beautiful island." In the early 1600s, the Dutch East India Company set up a trading post on the Penghu Islands off Taiwan's southwest coast, but China's Ming government stepped in and pursued the Dutch until they left the island. Undeterred, the Dutch returned in 1624 and established Fort Zeelandia on the coast of southwestern Taiwan, now part of the city of Tainan. Fort Zeelandia soon became an important trading colony and transit site. The Dutch East India Company employed Chinese people to farm rice and sugarcane, which along with tea, deer hide and other products were exported. The Dutch retained control of a significant portion of southwestern Taiwan until 1662. In 1642, the Dutch pushed out the Spanish, who had established a small colony on the northern part of the island 16 years earlier. During the 17th century, in the central west part of Taiwan, an alliance was formed among Taiwanese Aboriginal peoples. Known as the Kingdom of Middage, the alliance ruled about 27 villages.

In China, the Manchus brought an end to the Ming dynasty in 1644 (see Chapter 2). Ming loyalists led by Zheng Chenggong, better known by his Romanized Dutch name *Koxinga*, laid siege to Fort Zeelandia on April 30, 1661, and within a year had driven the Dutch out of Taiwan. With Koxinga came tens of thousands of mainland Chinese who would remain in Taiwan.

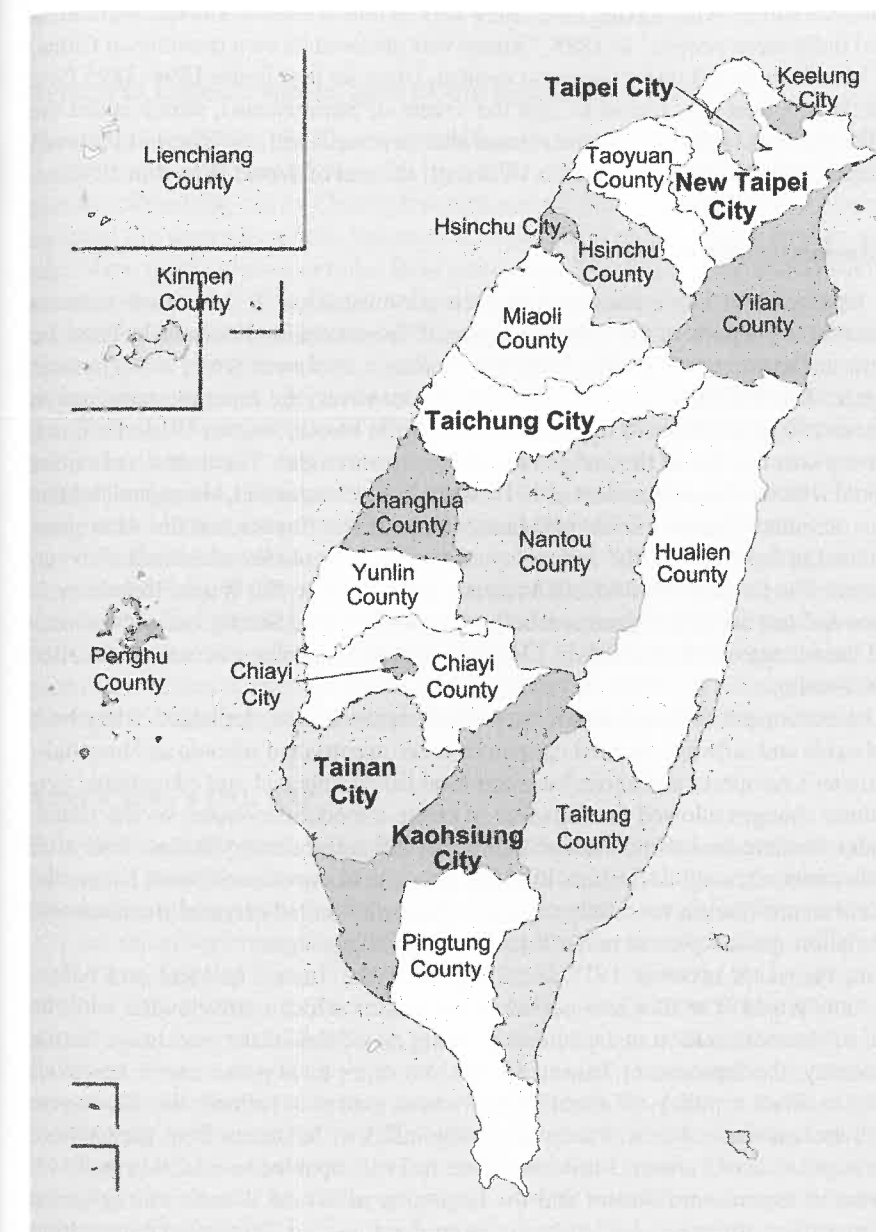


Figure 5.1 Map of Taiwan.

More Chinese followed, resulting in a population boom that allowed for increased development of the island. Koxinga himself died soon after the Dutch exodus. His son and grandson initially ruled the island, but in 1683, the Qing (Manchu) government took over and made Taiwan part of Fujian province. Once that was established, however, the Qing paid little attention to the island. In fact, the Qing left the indigenous areas entirely alone, putting over

half the island outside of Qing jurisdiction, until the 1871 Mudan Incident in which 54 shipwrecked Ryukyuan sailors who, having made their way inland to central Taiwan, were massacred by local indigenous people.¹ In 1885, Taiwan was declared its own province of China, but a decade later Taiwan fell under Japanese control. Upon its loss in the 1894–1895 First Sino-Japanese War, China was forced to sign the Treaty of Shimonoseki, which ceded the Pescadores Islands, the Liaodong Peninsula (soon after reversed) and the island of Formosa (Taiwan) to Japan. Japan ruled Taiwan from 1895 until the end of World War II in 1945.

Japanese administration of Taiwan

Initially, the Japanese met fierce resistance to their administration. It took them years to subdue and control many parts of the island. A group of Taiwanese intellectuals declared the island the Taiwan Democratic Republic, a sovereign nation, and even wrote a Declaration of Independence. Those dreams were quickly crushed, however; the Japanese remained in charge for the next 50 years. After 90 days of resistance from May to August 1914, the Truku indigenous group was the last of the indigenous groups to surrender. The unrest and armed uprisings peaked with the Tapani Incident of 1915, when both Chinese and Aboriginal fighters stormed police stations. Chinese violent resistance stopped after Tapani, but the Aboriginal peoples continued to fight against the Japanese and their harsh policies of assimilation and forced relocation. The October 1930 Musha Incident, also known as the Wushe Rebellion, is the best known and last act of Indigenous rebellion. Three hundred Seediq Indigenous warriors attacked the village of Musha, killing 134 Japanese. The Japanese counterattack killed more than 600 Seediq.

Once the Japanese were fully in control, they began to modernize the island. They built and improved roads and railways, opened up remote areas, constructed schools and hospitals, developed Taiwan's resources and agriculture and established financial and educational systems. All of these changes allowed the Japanese to create a modern economy on the island, and Taiwan soon became the second most economically advanced country in East Asia after Japan itself. However, although less brutal than the Japanese occupation of South Korea, the Japanese in Taiwan nonetheless forcefully suppressed dissent, limited personal freedoms and made the population speak Japanese rather than their native languages.

For Taiwan, the years between 1915 and 1937, after the Tapani Incident and before Japan's entry into World War II, was a period of integration which corresponded with the Taisho period of democratization in Japan and growing anti-colonialism worldwide. In the spirit of democracy, the Japanese in Taiwan allowed for more local government; however, they continued to enact a policy of assimilation, whose goal was to have the Taiwanese see themselves as Japanese subjects. Partly due to the influx of labourers from the Chinese mainland, the population of Taiwan, 3 million people in 1905, doubled to 6 million by 1945.

With the rise in Japanese militarism and the beginning of World War II, this drive for assimilation intensified. Because the Japanese government needed Taiwanese cooperation to make the best use of local resources and personnel, the Taiwanese were strongly encouraged to adopt Japanese ways (clothing, language, Shinto religion) and even to take Japanese names. In 1940, the Taiwanese were encouraged to volunteer for the Japanese army, and, in 1945, a full draft was put in place. An estimated 30,000 young Taiwanese died serving in the Japanese military in World War II.

During the war, Taiwan was the base for Japan's invasion of southern China, and many Taiwanese worked in defence and war-related industries based on the island. As a result, they often fell victim to U.S. bombing attacks targeting oil storage depots and other strategic areas.²

The bombings damaged Taiwan's industrial and agricultural production, with both at under half their pre-war levels by the end of the war.

Return to China's rule as part of the Republic of China

The Republic of China (ROC), which had been established on the Chinese mainland in 1912, assumed control of Taiwan from the Japanese in 1945. When World War II ended, the government of the ROC led by Chiang Kai-shek and the Kuomintang (KMT or Nationalist Party) accepted the surrender of the Japanese in Taiwan and returned the island province to ROC rule. Very quickly, however, the local population was angered by the corrupt and imperious attitude of the KMT officials, whose focus was primarily on the civil war occurring on the mainland and not on governing Taiwan. Private property was seized arbitrarily, and the economy was poorly managed. On February 28, 1947, an anti-government uprising—now referred to as the February 28 Incident/February 28 Massacre—was violently put down by the government's armed forces. Thousands of civilians died, including some of the island's political and academic establishment. This was the lead up to nearly four decades of martial (military rule) law. The massacre marked the beginning of the period of White Terror, in which tens of thousands more Taiwanese would be killed or imprisoned.

While the Nationalists were officially ruling the ROC, Mao Zedong and the Chinese Communist Party (CCP) were gathering support for the revolutionary overthrow of Chiang Kai-shek's government. (The KMT and the CCP had been engaged in a civil war since 1927. See Chapter 2 for details.) The KMT and the CCP had united to fight against Japan, but as soon as the Japanese were defeated and their troops demobilized, Chiang Kai-shek turned his attention to defeating the Communists. The civil war resumed and raged until 1949.

After China's civil war

By 1949, the KMT Nationalist forces led by Chiang Kai-shek were facing defeat by Mao Zedong's Communist forces. Chiang and 1.2 million of his military, political and commercial elite fled to Taiwan, bringing with them many treasures of imperial China.³ Once in Taiwan, they ran the government. The KMT's view was that the island province of Taiwan would be a temporary location for the Government of the ROC, which was the legitimate government of all of China. Concerned about an invasion by the Chinese Communists or some form of domestic subversion, the KMT suppressed all Communist or Taiwanese independence activities. Under martial law, opposition parties were not tolerated, the media was sharply curtailed and individual liberties were limited. Until his death in 1975, Chiang Kai-shek passionately believed that the KMT would one day return to the Chinese mainland and, with the support of the Chinese population, defeat the Communist government. His son Chiang Ching-kuo succeeded his father as premier in 1972 and then as president in 1978, until his death in 1988. Under Chiang Ching-kuo's leadership, Taiwan's economy grew and strengthened. Especially near the end of Chiang Ching-kuo's life, the government became more open and tolerant of dissenting views. Controls on the media and free speech were gradually relaxed, and, in 1987, martial law began to be lifted and opposition parties legalized. Chiang Ching-kuo also groomed a native Taiwanese, Lee Teng-hui, as his successor. Eight years after succeeding Chiang as president in 1988, Lee was elected president in Taiwan's first direct presidential elections in 1996. The first legislative elections took place in 1992. Establishing a critical foundation for economic and social development, the democratization

of Taiwan and centrality of these democratic values would clearly differentiate Taiwan from mainland China in the late 20th century and decades to come.

International recognition of the Republic of China/Taiwan

Once the civil war had ended and the KMT Nationalists had arrived in Taiwan in 1949, under the name of the Republic of China, the KMT insisted it had the right to rule all of China—Taiwan and the mainland. The Communists on the mainland renamed China the People's Republic of China (PRC) and stated that Taiwan was a renegade province of the People's Republic of China; they, the Communist Party, ruled all of China, including Taiwan. This issue of Taiwan's relationship with the People's Republic of China has thereafter dominated Taiwanese politics, international relations and society. Due to disagreements over who represented the Chinese people, the Republic of China or the People's Republic of China, neither was invited to sign the 1952 San Francisco Peace Treaty, which marked the end of the Allied Occupation of Japan. The Japanese government and the ROC instead signed a separate but similar peace treaty, commonly known as the Treaty of Taipei, on the same day the San Francisco Peace Treaty was signed. In the Treaty of Taipei, Japan officially renounced all claims to the island of Taiwan, the Pescadores and the Spratly and Paracel Islands.

For many years after the KMT arrived in Taiwan, most countries sided with the ROC's claim to be the legitimate government of all of China. This was the Cold War, and the West's focus was on combatting communism. The Americans supported any Asian governments that were not Communist. Following suit, many Western nations granted the ROC diplomatic recognition, and Taiwan held the China seat at the United Nations until 1971. (The ROC was one of the founding members of the United Nations.) In 1950, the Korean War broke out. In response, the United States gave military and economic aid to the ROC and moved the U.S. 7th Fleet into the Taiwan Strait to prevent any potential invasion of the ROC by the PRC. The Sino-American Mutual Defense Treaty was signed in December 1954, committing the United States (and the Republic of China in return) to provide aid and military support if under attack. The treaty remained in effect until 1979.

During the Cold War, Western countries recognized the ROC, while Communist countries and many in the developing world recognized the PRC. Gradually, more and more nations started recognizing the PRC, realizing it was somewhat absurd that a country as large as the PRC was without representation or recognition. In 1971, Secretary of State Henry Kissinger visited Beijing secretly, and on July 15, 1971, President Richard Nixon announced that he would visit the PRC the next year, shocking Americans and America's allies. These overtures made it clear that in the foreseeable future, the United States would recognize the PRC. Because both the Republic of China and the People's Republic of China stated that there could only be one China—not two Chinas and not one China and one Taiwan—as countries recognized the PRC, they were forced to stop recognizing the ROC. The ROC could have put forward a claim to be recognized as an independent sovereign nation, but it had put itself in a bind by continuing to insist that there was only one China and that it, the ROC, was the legitimate government.

In 1971, the 21st time the UN had voted on the PRC's application, the country was finally admitted into the United Nations. The vote was still divided—76 in favour, 35 opposed and 17 abstentions. In 1972, U.S. President Richard Nixon visited China and signed the Shanghai Communiqué, beginning the normalization of relations between the United States and the PRC. Seven years later, the two countries formally established diplomatic relations.

After this international recognition of the PRC, the ROC gradually moved away from the position that recognition cannot be given to both the PRC and the ROC. It has consistently applied for a seat at the United Nations but has been denied because of PRC opposition. In 1995, the then President Lee Teng-hui offered the United Nations \$1 billion for a seat for the ROC, but this was rejected because the world had succumbed to Beijing's pressure to exclude Taiwan.

In international organizations in which the PRC is a member, such as the Olympics, Taiwan participates under another name, such as Chinese Taipei. Although the Taiwan government disapproves of this name, it can accept it, but this is not the case for the other names approved by the PRC such as Taipei, China or Taiwan, province of China. If those names are used at a meeting that representatives of the Taiwanese government are supposed to attend, they refuse to participate and instead send private sector or non-governmental representation. With regard to Taiwan's participation in other international organizations, the rules can vary. For the World Health Organization (WHO), Taiwan was permitted to participate as an observer from 2009 to 2016, but since 2017, Beijing has blocked the invitation for Taiwan to do so.

During the 2020 coronavirus pandemic, Taiwan was excluded from participating in WHO emergency meetings despite its highly regarded health care system and leading-edge health technologies. The WHO even listed Taiwan's reported coronavirus cases under China's, although the two health care systems are administered by independent health authorities. As the pandemic progressed, Taiwan revealed itself to be one of the most successful countries at containing the virus while managing to maintain the economy and keep life close to normal. Indeed, Taiwan's speedy preparation for the virus and Taiwanese expertise at expanding testing and tracking offered valuable lessons to other countries (see Figure 5.2).

Instead of embassies, Taiwan has established offices around the world to handle all diplomatic, commercial and cultural relations. Similarly, countries without official diplomatic



Figure 5.2 Taiwan's COVID-19 response.



Figure 5.3 Canadian trade office in Taipei.

relations with Taiwan cannot have embassies so they have established offices with a different name. For example, Canada has the Canadian Trade Office in Taipei while the American Institute in Taiwan represents the United States. Countries use different logos from those used in their embassies around the world (see Figure 5.3). The most senior person at the office is called the Head of Mission rather than the Ambassador, and signed agreements are called arrangements instead of the more official Memoranda of Understanding. In April 2020, after the Netherlands decided to change the name of its office from the Netherlands Trade and Investment Office to the Netherlands Office Taipei, the Chinese Embassy in The Hague immediately expressed concern and asked for clarification from the Dutch government. Chinese media and netizens also reacted with talk about boycotting Dutch products or travel to Holland.

Over the years, the number of states officially recognizing the Republic of China has declined. In 2020, only 14 out of 193 United Nation member states recognized the Republic of China: Belize, Eswatini, Guatemala, Haiti, Honduras, the Marshall Islands, Nauru, Nicaragua, Palau, Paraguay, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines and Tuvalu. The Vatican also recognizes Taiwan. Those recognizing the ROC are small countries, primarily Pacific and Caribbean Islands and central American states. The PRC has been actively pursuing those that remain loyal to Taiwan, and Taiwan has been working hard to keep them as diplomatic allies. Since 2017, six countries have switched their recognition from the Republic of China to the People's Republic of China.

Current political structure

Government

The Republic of China (Taiwan) is a unitary state divided into 22 subnational divisions of three different types: special municipalities, cities and counties. The six major Taiwanese cities (New Taipei, Taichung, Kaohsiung, Taipei, Taoyuan and Tainan) fall under the special

municipality classification. Each subnational division has an elected local government with responsibility (or partial responsibility) for a number of areas, including social services, water, transport, public safety and urban planning. Respect for local government is high, and local politicians often move into the national arena.

Power in Taiwan is divided among five different yuan (branches) of government: the Executive Yuan, the Legislative Yuan, the Control Yuan, the Judiciary Yuan and the Examination Yuan. The Executive Yuan is responsible for the creation and implementation of government policy and consists of the premier, vice premier, cabinet ministers, ministers without portfolios and commission chairs. The president appoints all of these positions on the recommendation of the premier. The Legislative Yuan is Taiwan's unicameral legislature, which reviews and enacts legislation. The Control Yuan oversees and audits other government agencies, the Examination Yuan manages the civil service system and the Judicial Yuan oversees the nation's court system.

Head of government and head of state

Taiwan has a semi-presidential system. The president and vice president are directly elected together, and the president serves as Taiwan's head of state. The president selects the premier, who is both the head of government and the president of the Executive Yuan. The president and vice president serve for four years and can serve two terms. Elected in January 2016 and re-elected in January 2020, the current president is Tsai Ing-wen of the Democratic Progressive Party, the first woman to be elected president, the second president from this party, and the first president of partial Aboriginal descent. Tsai was a law professor before holding a series of high-level governmental positions. Her vice president is William Ching-te Lai, who was sworn in on May 2020. He was Taiwan's premier from September 2017 to January 2019, a member of the Legislative Yuan for 11 years and the mayor of the Tainan for 7 years.

Constitution

The Constitution of the Republic of China was promulgated on January 1, 1947. However, it was not until 1987 when martial law was lifted that it truly became the basis for a democratic rule of law-based government. The Constitution has been revised seven times since 1947. The 1991 amendment acknowledged that jurisdiction of the ROC extends only to the land it controls (the island of Taiwan and the Penghu, Kinmen and Matsu Islands). Prior to that, the ROC had claimed jurisdiction over all of China, which would have made holding elections difficult.

Legislature

The Legislative Yuan, or Parliament, is a unicameral legislature with 113 seats. Members serve four-year terms. Since 2012, legislative elections have been run at the same time as the presidential election.

Electoral system and election campaigns

Of Taiwan's 113 seats, 73 are elected through a first-past-the-post system in single-member constituencies, and 34 seats are elected through proportional representation with a 5

percent minimum threshold. The final six seats are Aboriginal seats in two three-member constituencies. Voters cast one ballot for their district and one for the proportional representation seats.

The Taiwanese political scene includes parties that lean towards being pro-China and see potential unification with China somewhat favourably; these parties are referred to as Blue parties or are considered to be part of a pan-Blue coalition. Parties that favour a more independent Taiwan are referred to as Green or are considered to be part of a pan-Green coalition. Elections are emotional affairs as opinions are very divided. Even families are often split. Approximately one-third of the population identifies themselves as pan-Blue, another third as pan-Green and the remaining third as centrist, although this breakdown is ever-changing. Support for the pan-Blue parties tends to come from mainlanders (those who came to the island after 1949), Taiwanese Aborigines and Hakka people. Blue supporters are prominent in northern and eastern Taiwan. Support for the pan-Green parties is very strong in southern Taiwan and among the young.

Political parties

Launched in 1986, the Democratic Progressive Party (DPP) is one of the two main political parties in Taiwan. The DPP is a centre-left, pan-Green party with a Taiwanese nationalist, strongly anti-Communist focus. Its first president was Chen Shui-bian, a native-born Taiwanese who was elected in 2000, and its second president was Tsai Ing-wen, elected in 2016 with 56 percent of the vote. In the 2016 election, the DPP also gained control of the legislature for the first time, winning 68 of the 113 seats. It held on to its majority in the 2020 election. In 2020, the only other pan-Green party to win any seats was the new State Building Party which won one seat.

The Kuomintang of China (KMT), or Nationalist Party of China, governed China (or most of it) from 1928 to 1949 under Chiang Kai-shek. Upon losing the Chinese Civil War to the Communist Party, Chiang Kai-shek and the KMT fled to Taiwan. The KMT ruled Taiwan from 1949 to 2000, first as a single-party state and then as an elected party, and again from 2008 to 2016. Until the mid-1970s, the KMT was run by mainlanders (those who came from mainland China at the end of the civil war in 1949), and the native Taiwanese population had little voice. The KMT is a conservative pan-Blue political party and is in favour of closer ties with China.

Other much smaller pan-Blue coalition parties include the People First Party and the New Party, but neither won any seats in the 2020 legislative elections. Both these parties have their roots in the KMT, and, although they cooperate as part of the pan-Blue coalition, the parties are also competing for the same voters. In the 2000 presidential election, James Soong, who went on to create the People First Party, ran as an independent and split the Blue vote, resulting in the election of the DPP, the main Green party, for the first time.

The New Power Party was launched in 2014; the party won five seats in the 2016 election and three seats in the 2020 election. Centre left with a focus on civil and political rights, the New Power Party advocates for Taiwanese independence but has kept itself separate from the pan-Green coalition. The New Power Party's roots are in the 2014 Sunflower Movement, which refers to three weeks of huge protests, including the occupation of the legislature, triggered by the passage of a bill on a services trade agreement with China. Protestors were concerned about the lack of transparency around the KMT government's negotiation of the bill with China and

the impact of the bill on Taiwan's economy. Underlying the protests was an enormous distrust of China. The New Power Party was started by numerous Sunflower Movement activists.

The new Taiwan People's Party, created by the mayor of Taipei, won five seats in the 2020 election. Having deliberately chosen turquoise and white as its colours, this party has signalled that it is outside the Green-Blue divide.

Political situation: 1987 to the present

The first elected president in Taiwan was Lee Teng-hui of the KMT party. After having been appointed president in 1988, he served for six years and then ran for election in 1996. Lee was the first native-born Taiwanese to serve as president. Although he was the incumbent and part of the pro-China KMT party, Lee's desire for greater international recognition of Taiwan angered China. In the weeks prior to the election, China amassed 200,000 troops in Fujian province across the Strait from Taiwan and fired missiles near Taiwan's coast in an unsuccessful attempt to intimidate the electorate into choosing one of the more pro-China independent presidential candidates. Nonetheless, Lee won with 54 percent of the vote.

In 2000, Chen Shui-bian of the DPP was elected. This was the first time since 1949 that there was a non-KMT president. The Legislative Yuan, however, was still controlled by the KMT. Chen won with only 39 percent of the vote because the KMT split the vote between two candidates: the official KMT candidate Lien Chan, who had been the vice president under Lee, and James Soong, who ran as an independent. Chen campaigned on a pro-independence platform, but having been elected without a majority of the popular vote and concerned about China's threats that talk of Taiwanese independence would trigger a war, Chen calmed down his rhetoric and adopted a more conciliatory approach for a while. Relations between Taiwan and China settled down but remained tense. In Chen's inauguration speech, he pledged the Four Noes and One Without policy. The Four Noes was a promise that as long as the PRC did not attack Taiwan, President Chen would not declare Taiwanese independence, change the national name from Republic of China to Republic of Taiwan, include "state to state relations" in the constitution or initiate a referendum on Taiwan's political status. The One Without policy was a pledge not to abolish the National Unification Council, whose aim was to promote the reunification of the mainland and the Republic of China. (Nonetheless, the National Unification Council ceased to exist in 2006.) Under Chen, the government did move in a nationalist direction through actions like making the school curriculum more Taiwan-centric, increasing the use of the Taiwanese dialect for official events and printing Taiwan as well as the Republic of China on the front of passports.

In November 2003, Chen announced that a nationwide consultative referendum would be held in March 2004, at the same time as the 2004 presidential election. The referendum asked two questions:

1. The People of Taiwan demand that the Taiwan Strait issue be resolved through peaceful means. Should the Communist Party of China refuse to withdraw the missiles it has targeted at Taiwan and to openly renounce the use of force against us, would you agree that the Government should acquire more advanced anti-missile weapons to strengthen Taiwan's self-defence capabilities?
2. Would you agree that our Government should engage in negotiation with the Communist Party of China on the establishment of a "peace and stability" framework for cross-strait interactions in order to build consensus and for the welfare of the peoples on both sides?

The pan-Blue coalition indicated that, while they were in favour of the proposals, they opposed the referendum, concerned that it could have negative consequences. As a result, the KMT and other parties encouraged their supporters not to vote, so the 50 percent registered voter threshold would not be met. Indeed, although about 92 percent of those who voted were in favour of the proposals, voter turnout was only 45 percent, so the results were invalid.

In the 2004 election, however, Chen Shui-bian was re-elected president by a very narrow margin. Days before the election, Chen and his running mate Annette Lu were reportedly shot at, although the KMT continues to believe that the incident was staged. Soon after Chen finished his second term as president, he was arrested and convicted in 2009 of embezzlement, bribery and money laundering. He was sentenced to 19 years but released on medical parole in 2015. Chen supporters believe that the charges and conviction were politically motivated and engineered by the KMT.

Power returned to the KMT when its candidate Ma Ying-jeou won the 2008 and 2012 elections. During the eight years of Ma's presidency, relations between Taiwan and China grew more friendly and cooperative. In this time, Taiwan signed 23 pacts with the mainland, including an Economic Cooperation Framework Agreement (quasi free trade agreement) in 2010, an investment protection pact in 2012 and the controversial (opponents worried about the impact on small- and medium-sized Taiwanese enterprises facing increased competition and feared the impact on free speech of the increased presence of Chinese companies in Taiwanese publishing and media) Cross-Strait Service Trade Agreement in 2013. After these agreements were signed, direct sea links and cargo and passenger flights between Taiwan and the mainland sharply increased, as did the number of destinations in both places to which flights travelled. Now approximately 60,000 flights with a total of 10 million passengers fly between Taiwan and China annually. Partially as a result of increased connections, the number of tourists surged. Chinese companies were permitted to invest in Taiwan and Taiwanese companies in the PRC. Taiwanese students and businesspeople also moved to mainland China, and cross-strait marriages increased. In 2014, the *Taipei Times* reported that approximately 1 million Taiwanese were living in the PRC.

Diplomatic relations between the two countries also relaxed. Significantly, the PRC did not block Taiwan's participation in the World Health Organization between 2009 and 2016 or in the United Nations Civil Aviation Organization meeting in 2013. In 2015, Ma Ying-jeou met Xi Jinping in Singapore, a meeting of party leader to party leader that marked the first time political leaders from Taiwan and the PRC had met since the end of the Chinese Civil War (see Figure 5.4).

However, in 2016, the KMT lost both the presidency and its majority in the legislature. Tsai Ing-wen of the DPP won the presidential election with 56 percent of the vote. The DPP won 68 of the 113 seats in the legislature, the first time the KMT had lost its hold on the legislature. In 2020, Tsai won re-election as president with 57 percent of the vote. This was the biggest election victory since the first presidential elections in 1996. In the 2020 election, the DPP lost seven seats in the legislature but held onto its majority with 61 seats; the KMT won 38 seats and the New Power Party won three seats. Two new centrist parties, the Taiwan People's Party and the Taiwan State Building Party, won five and one seat, respectively. Five independents were also elected.

In 2016, much of the support for Ms. Tsai and the DPP was not related to the China issue but rather to hopes that she would improve life for the average Taiwanese. Youth unemployment has been increasing in Taiwan, and Taipei is an expensive city relative to incomes. However, in 2020, while Tsai and the DPP campaigned on cost of living issues, pension reform, LGBT rights and renewable energy, escalating tensions with China meant this election was much more about the defence of Taiwan's sovereignty and democracy.

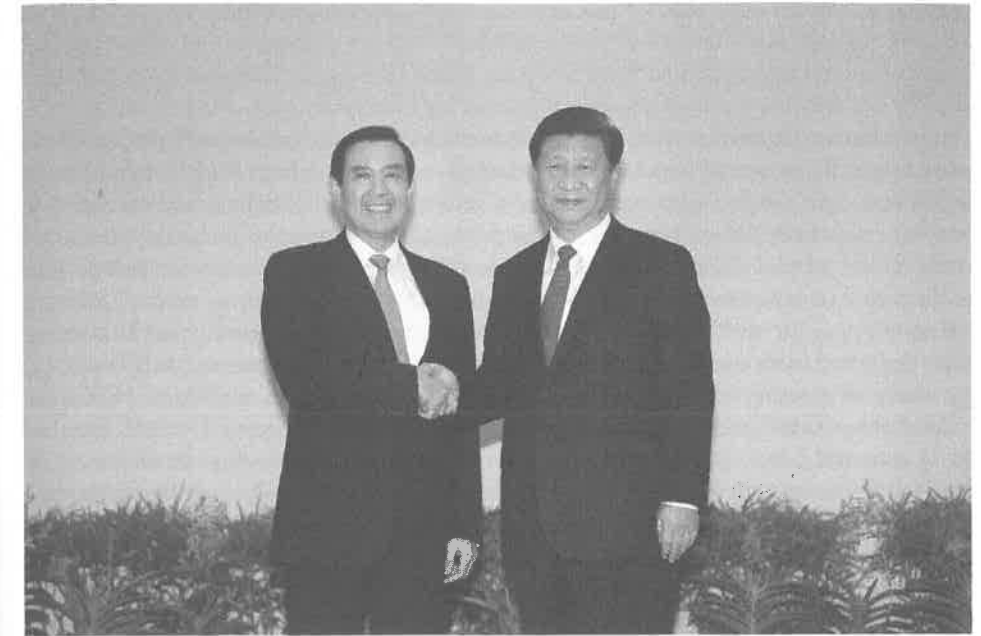


Figure 5.4 Ma Ying-jeou and Xi Jinping meeting on November 7, 2015.

Taiwanese society

Much of Taiwan's current population of 23 million people is descended from people who emigrated from the southern part of the Chinese mainland prior to 1895 when Taiwan was ceded to Japan. These people were referred to as Taiwanese to distinguish them from the Chinese who fled to Taiwan during and after the civil war and were referred to as mainlanders. Taiwan is also home to over 570,000 Aboriginal people. There are 16 officially recognized tribes with a variety of languages and customs. Most live in the eastern half of Taiwan in the mountains.

Prior to the arrival of the mainlanders, the Taiwanese had developed their own culture, much of which survives today in the form of folk arts and festivals. Traditional Chinese religious and cultural festivals no longer celebrated on the Chinese mainland are still celebrated in Taiwan. Taiwan has its own dialect, which is gradually being used more on television and in the legislature. During Chen Shui-bian's presidency, the government de-Sinicised Taiwan by replacing the word China with that of Taiwan in the names of state-owned companies and government agencies (e.g. China Post became Taiwan Post, although this was later reversed under the Ma government and now is called Chunghwa Post as a compromise) or simply eliminating the reference to China (e.g. Chinese Petroleum Corporation became CPC Corporation). Memorials and statues to Chiang Kai-shek were also gradually removed, and the Chiang Kai-shek airport in Taipei was renamed the Taiwan Taoyuan International Airport.

In 1992, 18 percent of the population of Taiwan identified themselves as Taiwanese only, 46 percent identified as Taiwanese and Chinese, while 36 percent identified themselves as only Chinese. By 2019, this breakdown had changed dramatically. A full 58.5 percent identified themselves as Taiwanese, and the percentage identifying as Taiwanese and Chinese

(sometimes referred to as “blue skin, green bones”) had dropped to 34.7 percent, while those identifying as only Chinese was 3.5 percent (Election Study Centre, 2019).

Religion

The main religions followed in Taiwan are Buddhism and Daoism, with over 85 percent of the population practising one or both religions. Most people worship both Buddhist and Daoist gods. Chinese folk religion (a broad term for a variety of spiritual beliefs and practices) is also widely practised. About 4 percent of the population is Christian, including almost all the Indigenous peoples. The Taiwanese worship the spirits of their ancestors and pray to them for help. Many homes and businesses recognize a variety of deities by erecting altars at which people pray for health and fortune and make offerings of food. Throughout Taiwan are temples dedicated to an enormous number of deities. While some temples are only Buddhist, many places of worship include Buddhist, Daoist and folk religious traditions. Numerous festivals honour these gods and deities. At the annual Tomb-Sweeping Festival, families clean up ancestral grave sites, burn incense and make offerings to honour their ancestors. In Ghost Month (the seventh month of the lunar calendar), businesses sell paper facsimiles of a wide variety of items (including cars, houses and computers), which people buy and bring to a temple to burn so that their ancestors are able to use the items in the afterlife. If ancestors are neglected, they may come back and haunt their living relatives.

Like the other East Asian countries, Confucianism is a significant part of Taiwanese values (see Chapter 8).

Taiwan's economy

Over the past 50 years, Taiwan's industrial and economic structure has evolved dramatically. In the aftermath of World War II, and the Chinese Civil War, Taiwan became a low-cost manufacturing economy. During their occupation, the Japanese developed Taiwan's physical and economic infrastructure. Although a small, resource-poor island, Taiwan had a good base from which to develop its economy. It began by investing in agriculture, and in the 1950s, Taiwan was producing food and textiles, gradually moving into labour-intensive light industries. By the 1980s, the Taiwanese were finding success in strategic and high-technology industries, particularly semiconductors. Taiwan focussed on expanding exports by using tariffs, import restrictions and the control of foreign exchange to help protect and develop its domestic industries. It followed the capitalist development state model pioneered by Japan and copied by South Korea.

Today, Taiwan's economy consists of 1.4 million small- to medium-sized enterprises (SMEs) (98 percent of the private sector), which employ 80 percent of the labour force. A significant number of these SMEs are high-technology companies in a wide range of sectors. According to media and information firm Thomson Reuters, Taiwan has 13 of the world's leading technology companies (Chou and Kao, 2018). Taiwan's information and communications technology (ICT) sector is one of the largest in the world. Taiwanese ICT plays a major role in global technology supply chains and the country has developed a commanding global market share position for a wide range of ICT high-technology components. In 2014, for example, Taiwan had an 85 percent market share for motherboards and notebook personal computers, 66.5 percent for LCD monitors and 88 percent for wireless LAN (Hsiao, 2015). Taiwan is also dominant in custom IC fabrication, personal navigation devices, IC

testing and packaging and high-end bicycles. With the exceptions of Acer and Foxconn, few of the companies producing these components are well known, as most are SMEs. This specialization in intermediate goods—“Taiwan Inside” as Taiwan's Institute for Information Industry describes it—has served Taiwan well, but the financial margins have declined. As a result, some Taiwanese companies are aiming to develop their own brands and to be at the forefront of high-end, higher value-added products.

In addition to ICT, Taiwan's semiconductor production industry has also been successful, achieving sales of \$4.4 billion in 2017. Taiwan is now the second largest semiconductor foundry (meaning it makes chips for third parties) manufacturer in the world. Although ICT and semiconductors are two of the main sectors contributing to Taiwan's economic growth, Taiwan is also branching out into other sectors such as biotechnology, digital content, Internet of Things (IOT) and artificial intelligence.

Central to Taiwan's present and future economic development are science and technology. Taiwan spends over 3 percent of its GDP on research and development, placing it in the world's top 10 spenders as a percentage of GDP, and the government generously supports and funds applied scientific development. Taiwan is home to three large science-based industrial parks which, with their research and development facilities and access to the talent pool from Taiwan's top universities, are a base for the island's high-technology industry. Hsinchu Science Park in northern Taiwan focuses on semiconductors and optoelectronics but is moving into advanced IC fabrication, high-end medical and IOT devices. The Central Science Park in Taichung specializes in precision machinery, optoelectronics, biotechnology and computers and peripherals. The Southern Taiwan Science Park's areas of specialization are green energy and medical devices. In 2018, revenue from the three science parks was over \$84 billion.

Taiwan also has some real strengths in digital content, including computer animation, digital gaming, e-learning and mobile applications. It is the world capital of Mandarin pop music (Mandopop) and a major production base for high-quality Chinese movies. Taiwan offers the movie industry free speech, rich traditional Chinese culture (much of which was destroyed in China during the Cultural Revolution) and local Taiwanese culture. Taiwan now boasts a number of internationally renowned movie directors such as Ang Lee and Tom Lin.

One of the Tsai government's goals is to become more independent of the Chinese market and strengthen regional connections. Its New Southbound Policy is a market diversification strategy aimed at expanding economic and social connections with Southeast Asia, South Asia, Australia and New Zealand.

ROC/Taiwanese Armed Forces

There are approximately 300,000 members of the ROC Armed Forces and 3.8 million reservists. Taiwan has conscription for men over 18, but the time of mandatory service was significantly reduced from two years to four months in 2013. The option of alternative civilian duties for six months is also possible. Limited conscription has meant that the Taiwanese armed forces are facing a serious shortage of manpower.

The ROC Armed Forces work closely with the U.S. military and depends upon the United States for the purchase of arms. Since President Tsai's election in 2016, Beijing has been increasing military pressure on Taiwan by conducting drills nearby and flying aircraft overhead. China has not ruled out the use of force if Taiwan were to make any move towards independence.

Taiwan-U.S. relations post-1979

In 1979, the United States granted the People's Republic of China full democratic recognition and terminated diplomatic relations with the Republic of China. Shortly thereafter, the U.S. Congress passed the Taiwan Relations Act (TRA), which governed unofficial cultural and commercial ties between the United States and Taiwan going forward. The TRA replaced the Mutual Defense Treaty and obligated the United States to help Taiwan increase its capacity to defend itself if an invasion was threatened by China. The TRA states that the United States would refer to the island's leadership as the governing authorities on Taiwan, rather than as the Republic of China. In 1979, the American Institute in Taiwan became the *de facto* American embassy, and the TRA recognized Taiwan as a sovereign entity.

The United States is Taiwan's main supplier of arms. Over the years, the Americans have sold Taiwan billions of dollars' worth of military equipment, including tanks, frigates, military aircraft, helicopters, missiles, mine-hunting ships and various weapons. Whenever the sale of American military equipment to Taiwan occurs or is even broached, the PRC makes its strong disapproval known. As China's economic importance to the United States has increased, the United States has justified and balanced its obligations, selling weapons to Taiwan while carefully choosing what it sells to offend China as little as possible. In 2011, for example, the Obama administration decided not to sell Taiwan the F16 fighter jets it had requested, instead offering to help Taiwan refurbish the jets it already had.

Some American analysts have suggested that perhaps the United States should rethink the Taiwan Relations Act since the actions it condones upset the Chinese government (Hsiao and Borsoi-Kelly, 2019). President Donald Trump, however, has been extremely pro-Taiwan. While still president-elect, he took a congratulatory phone call from President Tsai, the first time since 1979 that a U.S. president spoke directly to the president of the ROC. The Trump administration has made numerous major arms deals with Taiwan and has increased the presence of American patrol ships in the Taiwan Strait. The Taiwan Travel Act, which encourages engagement between American and Taiwanese officials, was passed in 2018. The following year, the House unanimously passed a non-binding resolution reaffirming America's commitment to Taiwan and the Taiwan Assurance Act, which affirms American support for Taiwan and the United States' commitment to enhancing Taiwan's self-defence capabilities.

Taiwan-China relations

For many years, there was very little contact or communication between Taiwan and the mainland. Because no treaty or agreement was signed when the civil war ended in 1949, the two governments remained in a state of war. Any trade that took place between the two was shipped through a third country. In 1979, after the United States ended its diplomatic ties with the Republic of China, the PRC government believed it now had the advantage in terms of its relationship with the ROC and put forward proposals to develop postal, transportation and trade links between the two. The then President Chiang Ching-kuo, however, refused and gave his "three noes": there would be "no contact, no compromise and no negotiation."

In 1992, a meeting took place between semi-official representatives of the PRC government led by the Chinese Communist Party and the ROC government led by the KMT. Later, the idea that an agreement was reached—later referred to as the 1992 Consensus—was frequently mentioned, although it is clear now that no such agreement was achieved. The 1992

meeting was, however, a new start as both sides sat down and spoke peacefully after decades of hostility. This would pave the way for the beginning of engagement between the two sides.

The PRC and the ROC did not have the same interpretation of the so-called 1992 Consensus. The ROC claimed that the agreement was that "There's only one China, but each side can interpret whether the ROC or the PRC is the legitimate government of this China." The PRC's position was that "There is only one China. Both sides will make efforts together to pursue the unification of China. During non-political and business engagement, the political interpretation of China can be put to the side." When relations were good, the ROC and the PRC had a tacit understanding that they would avoid the topic and allow business and civil engagements to continue. When their relationship was not good, they argued about the 1992 Consensus. Underlying the 1992 Consensus was the KMT agreement not to push for independence, but, even when relations between the CCP and the KMT government in Taiwan were at their best, the two parties did not have the same interpretation of the 1992 Consensus.

Taiwan and China view the island's status in different ways. Beijing asserts that there is only "one China" and that Taiwan is an inviolable part of it. The KMT's long-standing position was that while Taiwan belongs to China, the ROC government is the legitimate governing body of all of China. Focussing on the absence of an agreement on what is meant by China, the DPP argues that, in fact, there is no consensus at all.

Over the decades since the 1992 Consensus meeting, contact between Taiwan and the mainland slowly increased. Incremental change was evident as more family reunions took place, trade and investment increased, more Taiwanese students began studying at Chinese universities, and direct flights between the two countries were allowed during major holidays and later more frequently. However, it was not until President Ma's tenure from 2008 to 2016 that links between Taiwan and the PRC really expanded. In his augural address, Ma stated that during his time as president, there would be no unification, no independence and no use of force. Ma spoke of mutual "nonrecognition and nondenial," meaning that each side refrains from repudiating the other's jurisdiction, as the best foundation for Beijing-Taipei relations. Soon after Ma assumed office cross-strait relations began to warm considerably. Trade and investment boomed; commercial and cargo flights increased dramatically; and students, tourists and businesspeople travelled in large numbers back and forth. Through these softer economic means, the Chinese government made significant progress improving relations with Taiwan's political and corporate leadership, media and general public. Hu Jintao (former general secretary of the Communist Party and president of the PRC) is reported to have said that it is easier and less expensive to "buy Taiwan" than to conquer it militarily.

Tsai Ing-wen was elected president of Taiwan in 2016 and re-elected in 2020. As a member of the DPP, which has a more Taiwanese nationalist and independence leaning outlook than does the KMT, Tsai's election immediately made the PRC nervous. Although Tsai has continually indicated her desire to have stable and positive relations with Beijing and not to implement significant changes to Taiwan's cross-strait policy, she has rejected the 1992 Consensus saying that the Republic of China has never accepted it. Since Tsai's election, tensions between Beijing and Taipei have escalated, and relations have deteriorated. In August 2019, for example, the PRC suspended the solo traveller program, which had allowed mainland tourists to visit Taiwan on their own, not as part of a tour. In the first half of 2019, visitors from the PRC constituted about one-quarter of Taiwan's tourist arrivals, 40 percent of whom were independent travellers. The loss of Chinese tourists through the solo traveller program will clearly have an economic impact on Taiwan unless this loss is compensated by the arrival of tourists from elsewhere. In ending the program in the lead up to the January

2020 presidential and legislative elections, China was likely trying to send Taiwanese voters a message. Since Xi Jinping became General Secretary of the CCP, the PRC has taken an even tougher line toward both its potentially restive regions like Tibet and Xinjiang and towards Taiwan. The election of Tsai has increased China's scrutiny of cross-Straits relations and the pressure China is willing to exert on Taiwan.

In 2018, Taiwan-China bilateral trade was \$150.5 billion. China is Taiwan's largest export destination, receiving close to 40 percent of Taiwanese exports, and its largest source of imports. Additionally, China is the top Taiwanese investment destination. As of September 2017, Taiwanese firms employed 10 million workers in the PRC. (However, the tariffs imposed by the United States on Chinese exports in 2019 appear likely to result in an exodus of Taiwanese companies from China.) There are approximately 400,000 cross-Straits couples, mainly Chinese women and Taiwanese men, and about 300,000 Chinese come to Taiwan annually on medical tourism visits. The number of tourists from China to Taiwan peaked in 2015 at 4.18 million, dropping to 2.7 million in 2018. Since the DPP's election, the Chinese government has pressured its citizens not to visit Taiwan. If they do visit, they are encouraged to visit the cities and counties with KMT mayors.

In November 2019, the Chinese government announced a range of measures to strengthen economic ties between Taiwan and China. Included among them was a measure that permitted Taiwanese companies to invest in airlines and in 5G mobile networks; another measure allowed Taiwanese abroad to seek assistance from Chinese consulates. Additional measures to simplify life for Taiwanese living in China had been announced the previous year, but members of Taiwan's Mainland Affairs Council believed these measures were attempts to influence the then upcoming January 2020 presidential elections. China has actively interfered in Taiwan's elections through aggressive campaigns of disinformation (planting fake news stories by using bots and false social media accounts), cyberattacks and increased control over the Taiwanese media.

As the 2020 presidential election approached, incumbent president Tsai's polling numbers improved. Six months earlier she had been neck-and-neck with her KMT opponent, Han Kuo-yu, but by the week prior to the January 2020 election, Tsai Ing-wen was polling well ahead of him. A significant reason for President Tsai's improved polling numbers appears to be the Communist Party's hard-line response to the 2019 Hong Kong protests, which marred the potential for closer relations between Taiwan and China. As the KMT is seen as pro-China (despite its roots in opposition to the Communist Party), the DPP, which is much more anti-Beijing, has encouraged the Taiwanese public to protect their democracy. As part of its election campaign, the DPP launched a video contrasting the peace of Taiwan with the riots occurring in Hong Kong. On January 11, 2020, Tsai Ing-wen won a second term as Taiwan's president with over 57 percent of the vote, signalling strong support for her tough stance on China. Her victory has increased tensions with Beijing as she continues to refuse to endorse the position that Taiwan and the mainland are part of one China. In response to Tsai's victory, China's top diplomat, State Councillor Wang Yi, said that the principle of "one China," which includes Taiwan, is the international consensus and that reunification is inevitable. Separatists "will be doomed to leave a stink for 10,000 years," Wang said, meaning they will go down in infamy.

China has approximately 2,000 short-, medium- and long-range ballistic missiles deployed along the Taiwan coast that could be used to attack the island. China's military, the People's Liberation Army, conducts military drills in the Taiwan Strait, and fighter jets frequently fly through the Strait as a show of force. In 2005, the PRC passed the Anti-Secession Law, thus formalizing the country's policy that in the event Taiwan declared independence, the PRC

would be willing to use "non-peaceful and other necessary means" in response. In his January 1, 2019, new year speech, China's President Xi Jinping told Taiwan that the objective of any cross-Straits discussions must be unification and that any serious steps towards independence could be met with force. A 2018 U.S. Department of Defense report noted that the People's Liberation Army has "continued to develop and deploy increasingly advanced military capabilities intended to coerce Taiwan, signal Chinese resolve, and gradually improve capabilities for an invasion."

Although Taiwan's legal name is still the Republic of China, it increasingly uses the name Taiwan (.tw is its Internet domain) or the Republic of China (Taiwan). The removal of China from Taiwan's official name would anger the PRC, which is largely why Taiwan has not done so. Yet, as Salvatore Babones writes in *Foreign Policy*, "Slowly but inexorably, Taiwan is going its own way" (Babones, 2020). Over 90 percent of the Taiwanese population was born after 1949, and only a tiny number of people were adults when the KMT fled to the island.

The most recent (February 2020) National Chengchi University Taiwan Independence versus Unification Survey asked if Taiwan's citizens supported unification with China, independence or the status quo. Only 1.4 percent indicated support for unification as soon as possible and another 7.5 percent supported maintaining the status quo while moving towards unification. Support for independence as soon as possible was 5.1 percent, while 21.8 percent supported maintain the status quo while moving towards independence. The vast majority—57.6 percent—wanted to keep the status quo indefinitely or keep the status quo and decide at a later date (Election Study Center, 2020).

In the wake of what has occurred in Hong Kong in 2019–2020, anti-China or anti-CCP feelings may have increased. While most people in Taiwan want to be allowed to live their lives in peace, it is clear that Taiwan is not going to choose to become a province of China.

Conclusion

Taiwan's transformation since the end of World War II is one of the most impressive in world history, but the country nonetheless struggles with national uncertainty and profound threats. Over the past four decades, Taiwan shifted from its rural, agrarian roots to contemporary industrial and technological development. "Taiwan Inside"—which refers to the fact that many of the internal components of digital devices are either made in Taiwan or by Taiwanese firms—is an apt symbol for a nation of almost 24 million that has created for itself a central role in the technology-based 21st-century economy.

Taiwan's uncertainty rests on its relationship with the People's Republic of China. For good reason, the Taiwanese watch the political struggles in Hong Kong with trepidation, discovering how weak the "One Country, Two Systems" approach is in practice. Taiwan's leadership understands their vulnerability and knows, with sorrow, that the world community will not likely stand with them in the face of China's assertiveness.

Notes

- 1 Three years later, Japan sent a retaliatory military force to Taiwan that killed 16 aborigines.
- 2 Toward the end of the war, Allied strategists considered an invasion of Taiwan but ultimately decided against it.
- 3 Many of these treasures of imperial China can be seen at the beautiful National Palace Museum in Taipei.

Bibliography

- Andrade, Tonio. 2010. *How Taiwan Became Chinese: Dutch, Spanish, and Han Colonization In the Seventeenth Century*. E-book, New York: Columbia University Press.
- Babones, Salvatore. 2020. "Taiwan Deserves to be a Normal Country", *Foreign Policy*, January 15.
- Chou, Li-fang and Evelyn Kao. 2018. "13 Taiwanese Companies Ranked Among Top 100 Global Tech Leaders", *Focus Taiwan CNA English News*, January 18. <https://focustaiwan.tw/business/201801180009>
- Election Study Center, National Chengchi University. <https://esc.nccu.edu.tw/page1/news.php?class=601>
- Hsiao, Meili. 2015. "Taiwan ICT Outlook and Software", *Institute for Information Industry Presentation*, November 20. <https://www.slideshare.net/agencedunumerique/taiwan-ict-develop-outlook>
- Hsiao, Russel and Marzia Borsoi-Kelly. 2019. "The Taiwan Relations Act at 40: Reaching a New Equilibrium in U.S.-Taiwan Policy", *Foreign Policy Research Institute*, April 8. <https://www.fpri.org/article/2019/04/the-taiwan-relations-act-at-40-reaching-a-new-optimal-equilibrium-in-u-s-taiwan-policy/>
- <https://esc.nccu.edu.tw/course/news.php?Sn=166>
- U.S. Department of Defense. 2018. *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2018*. May, p. 106. <https://media.defense.gov/2018/Aug/16/2001955282/-1/-1/2018-CHINA-MILITARY-POWER-REPORT.PDF>

Further Reading

- Brown, Kerry and Kalley Wu Tzu Hui. 2019. *The Trouble with Taiwan: History, the United States and a Rising China*. Zed Books.
- Liao, Ping-hui and David Der-wei Wang. 2006. *Taiwan Under Japanese Colonial Rule, 1895–1945: History, Culture and Memory*. Columbia University Press.
- Manthorpe, Jonathan. 2008. *Forbidden Nation: A History of Taiwan*. St. Martin's Griffin.
- Rigger, Shelley. 2011. *Why Taiwan Matters: Small Island, Global Powerhouse*. Rowman and Littlefield.
- Roy, Dennis. 2002. *Taiwan: A Political History*. Cornell University Press.
- Tsang, Steve (editor). 2012. *The Vitality of Taiwan: Politics, Economics, Society and Culture*. Palgrave.

6 Hong Kong, Special Administrative Region of the People's Republic of China

Introduction

Hong Kong is located on the south-eastern edge of China. It comprises Hong Kong Island, the Kowloon Peninsula and the New Territories, which stretch from Kowloon to the border with Shenzhen province, and over 200 islands and islets (see Figure 6.1). Hong Kong was under British rule from 1842 to 1997 when it returned to Chinese sovereignty and was renamed the Hong Kong Special Administrative Region (SAR). About three-quarters of the size of the Hawaiian Island of Oahu, Hong Kong has a population of 7.5 million people.

Hong Kong's reputation has been one of a capitalist free market economy with low taxes and minimal government interference in the market. One of the world's most important international financial centres, an international commercial port and an international business hub, Hong Kong has the second highest number of corporate headquarters in the Asia-Pacific region.

History

In the 1780s, the British began selling opium to China, and within 25 years, American and British traders were competing to satisfy the rapidly increasing demand for the drug. Trade between China and Great Britain had grown over the previous century, but it had been one-sided. The British bought tea, silk and porcelain from China, but the Chinese were not interested in buying many items from Britain (this was rooted in a sense of superiority, the belief that China did not need anything from Britain) and so the Chinese were paid instead with silver. Opium was one thing the Chinese would buy and the British were able to produce it cheaply in India, a British colony at the time. Britain flooded China with opium, and much of the population became addicted. The Chinese government passed a series of decrees making the opium trade illegal, but foreign merchants, particularly those of the British East India Company, continued to smuggle it in. Most of the opium came through Canton, present-day Guangzhou, the main port open to foreign traders.

In 1839, the emperor ordered the seizure of all opium in Canton, including that held by foreign governments, and put the imperial Commissioner Lin Tse-hsu in charge of carrying out those orders. Lin detained the British in Canton and confiscated approximately 1,300 tons of opium before publicly destroying them. The Chinese authorities then tried to persuade foreign companies to exchange their opium for tea, but this attempt was unsuccessful, so they raided the Western merchants' part of the city and took all the opium they could find. A blockade of foreign ships was then set up to force them to surrender the opium they carried.