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Title:
Comparative Study of Hong Kong’s and Taiwan’s Economic Integrations with Mainland China: A Historical Approach

Abstract:
Since China embarked on its open-door reforms from the late 1970s onwards, a non-institutional economic integration amongst the three Chinese economies, i.e. mainland China, Hong Kong and Taiwan, had given birth to the emergence of Greater China. Due to geographical and cultural proximities and from higher levels of economic development, the latter two economies have been contributing the lion share of enormous foreign direct investment (FDI) to the former. On the one hand, this had resulted in a massive exodus of the manufacturing sector especially from Hong Kong, and with less magnitude, Taiwan. On the other the integration had been driving Hong Kong towards specialization of the services (especially the financial and tourist centre) and Taiwan towards the high-technology industry, whilst the labour-intensive exportables took off in mainland China.

On appearance it is the comparative advantage at play. From the viewpoint of mainstream economics, economic integration across borders will promote the allocative efficiency of resources and thus the well-being of participated economies. The analysis remains, however, static in nature and the gains via exchange of comparative advantages are short-term and once for all. Moreover, it fails to explain over time why and how such comparative advantage had taken shape. By adopting a historical approach in comparing economic developments of Hong Kong and Taiwan before and after the outset of integration, this paper argues that initial conditions of the home economy play significant roles in determining the integration outcome. Furthermore, such conditions as industrial structure, relationship between financial and industrial capitals and business culture, etc. are long shaped by, in addition to the China factor in the case, the politico-economic context fabricated together by factors from historical episodes, globalization, colonial legacies, the government policy and local cultures. #