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# Occasional Paper

CHUNG-HUA INSTITUTION FOR ECONOMIC RESEARCH

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**This paper is intended to provide economic information and stimulate further research. Any opinions expressed within are solely those of the authors and not those of the Chung-Hua Institution for Economic Research.**





## **Occasional Paper**

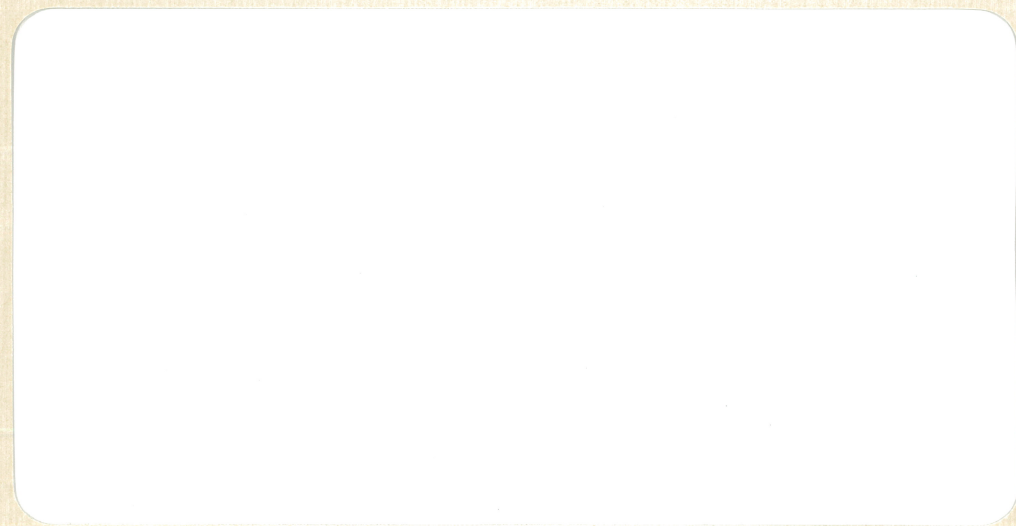


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**A Study of Economic Interdependence  
between Taiwan and Mainland China**

by  
**Charng Kao**

***No.9209***

***November 1992***







# **A Study of Economic Interdependence between Taiwan and Mainland China**

**Charng Kao\***

## **I. Introduction**

During the 1980s, there was a rapid increase in economic exchanges between Taiwan and mainland China. This change was due in part to the mainland's policy of economic reform and its plan for building its economy through opening up the country to outside interests, which it adopted in the late 1970s. It was also due to the adoption of the more moderate stance regarding Taiwan which has gradually been advanced since 1980.

Essentially, in view of the economic and political aims, the Beijing authorities have encouraged bilateral trade between the two sides and have made great efforts to

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attract Taiwanese enterprises to invest in the mainland. The stance adopted by the Taiwanese authorities in response to mainland China's policies has been predictable in that they practiced a series of measures, refusing to "compromise, negotiate, or have contact with" the Chinese Communist Party in the beginning, and relaxing restrictions step by step later on. From the viewpoint of Taiwan, economic interchanges between the two sides have developed quickly because, for one thing, Hong Kong as a transfer port provides convenience and, for another, some economic and noneconomic factors such as removal of exchange controls, NT appreciation, labor cost increases, an increasing labor movement and so on, urged Taiwanese small and medium-sized enterprises to invest overseas. Due to the geographical advantages, less expensive labor and the national emotion, Taiwanese enterprises preferred to invest in mainland China.

In the past years, academic circles, the media, and business circles have raised different suggestions for the development of economic relations between the two sides of the Taiwan Straits. Furthermore, in the last year, there have been great changes including the international situation, trend of events in the mainland and socio-economic environment changing in Taiwan. The current conditions and development trend of economic relations across the Taiwan Straits is thus now a problem which everybody should be concerned with.

This paper is to investigate the current condition, problems and developing prospects of economic exchanges between the two sides of the Taiwan Straits.



Hopefully, the findings of this study will contribute to a better understanding of the issues concerning the economic relationship between the two sides. The article consists of six sections. Except the introduction and concluding remarks, Section 2 analyzes the nature and development trend of bilateral indirect trade between the two sides. Section 3 discusses the commodity structure of exports and imports across the Taiwan Straits. Section 4 goes further into the analysis of the degree of dependence on each other of Taiwan and the mainland. Section 5 provides a superficial view of the prospects of economic relationships between Taiwan and mainland China.

## **II. General Characteristics of the Indirect Trade**

Because no official commercial relations exist between mainland China and Taiwan, the bulk of the trade carried out between them takes the form of indirect trade through other countries or regions. Such trade is known as "triangular trade", it should be noted here that the trade spoken of hereafter is all indirect trade through Hong Kong. In addition to via Hong Kong, there is indirect trade between mainland and Taiwan through Japan, Singapore, Guam and other third parties, and also the so-called "minor trade" that takes place in coastal mainland ports is direct trade between the two sides. Accordingly, the indirect trade routed via Hong Kong is estimated to account for about

three fourths of the current total trade between Taiwan and mainland China.<sup>1</sup>

Table 1 shows the development of indirect trade between Taiwan and mainland China over the period of 1979-1991. We found that trade between them was only marginal before the mainland authorities shifted to the policy of economic reform and openly started calling for exchanges with Taiwan. There were only some minor purchases of mainland products by Taiwanese official organizations in Hong Kong and some purchases of Taiwan products by mainland trade corporations in the colony. Even in the biggest year for trade, 1978, Taiwan's indirect exports to mainland China were only worth US\$50,000. While indirect imports were US\$47 million.

Starting at the end of 1970s, Beijing began to propose greater exchanges toward Taiwan. This change in policy was due to a major policy shift on the mainland, as revealed in the December 1978 third plenary session of the 11th Central Committee of the Communist Party. Specifically, the Party shifted the emphasis in its activities to economic construction and began major reforms. The positive attitude to Taiwan appeared as a part of all this.

A look at the figures for trade via Hong Kong, as shown in Table 1, reveals that such trade has grown rapidly since 1979. The year 1979 marked the start of a new

<sup>1</sup> For more details, see Charng Kao, T. T. Yen et al (1992), A Study on the Economic Relations between Taiwan and Mainland China: Current Situation and Prospective. Chung-Hua Institution for Economic Research.



phase in economic relations between the two sides. The total value of trade between the two sides via Hong Kong reached US\$76 million in 1979, a considerable increase over the level of the previous year. After this, trade between the mainland and Taiwan grew rapidly and steadily, reaching a total value of US\$ 5,808 million in 1991.

As a result of the above developments, Taiwan and the mainland have been rapidly rising in importance to each other as trade partners. Whereas the volume of Taiwan trade of US\$ 47 million in 1978 corresponded to just 0.2 percent of the total imports and exports of mainland China and correspondingly 0.2 percent for Taiwan, in 1980 this increased to 0.8 percent for both parties -- still minor, but proportionally four times greater. By 1991, with total imports and exports reaching US\$ 5,808 million, the proportions were up to 4.2 percent of the total trade of the mainland and 4 percent of that of Taiwan, with Taiwan now in sixth place among Beijing's trade partners and the mainland standing in fifth place among Taiwan's.

The overall characteristics of the indirect trade between Taiwan and the mainland China can generally be summarized into the following four points. Firstly, the rapid increase of total trade between the two sides was mainly due to a sharp growth in exports from Taiwan to the mainland which began in the early 1980s. According to the trade statistics, as shown in Table 1, the mainland's exports to Taiwan increased from US\$ 55 million in 1979 to US\$ 1,129 million, which was a 21-fold increase, or a 29 percent annual growth rate over 1979-1991. While during the same

period the mainland imports from Taiwan increased from US\$ 21 million to US\$ 4,679 million, revealing a 223-fold increase, or a 60 percent annual growth rate.

Secondly, it transformed from one-way to two-way trade. Up until 1979, the export of goods from the mainland to Taiwan accounted for the bulk of the total between the two sides. However, since 1980 the reverse trend has taken hold and large quantities of products made in Taiwan have been exported to mainland China. The reason for this shifting of predominantly one-way flow of trade lies with the various different policies which have been adopted from time to time by both sides. In particular, Taipei has imposed various controls on imports from the mainland, leading to a rate of increase for goods imported from the mainland lower than that of exports. However, the restrictions imposed by Taipei have been gradually relaxed since 1985. A look at the figures for trade, as shown in Table 1, reveals that there exists a gradual changeover from one-way to two-way trade.

Thirdly, up until 1979, the mainland enjoyed a surplus in trade with Taiwan, but this changed to a deficit in 1980. The mainland continued to record large deficits in trade proper since 1980, and the trade imbalance is getting larger. As shown in Table 1, the trade balance was about US\$ 160 million in 1980, and increased to US\$ 870 million in 1985; and above all, it broke through US\$ 3 billion in 1991. As a result of this persisting imbalance, the mainland has accumulated a trade deficit of US\$ 13.5 billion over 1979-1991. It has been pointed out that some of this trade imbalance is due



to the restrictions on imports by the Taiwanese side, but basically it is due to the lack of competitive products in the mainland.

Fourthly, over 1979-1991, there were "three ups and three downs" in trade between Taiwan and mainland China. As shown in Table 1, the first cycle happened in 1979-1983. The trade volume increased from US\$ 76 million in 1979 to US\$ 466 million, and then decreased to US\$264 million. The second cycle occurred during 1984-1986. The trade volume increased from US\$ 552 million in 1984 to US\$ 1,103 million in 1985, and then decreased as US\$ 955 million in 1986. The third cycle occurred from 1987 to now. The total value of trade increased from US\$ 1,515 million of 1987 to US\$ 5,808 million of 1991. Essentially, the trade volumes experienced steady growth during 1987-1991, but the growth rates of 1989 and 1990 were clearly slower than the first two years.

Obviously, the trade fluctuations were related to the policies adopted by mainland China, and Taiwan as well. For instance, during 1982-1983 and in 1986, the indirect exports from Taiwan to the mainland decreased considerably. These reductions can be attributed to the changes in mainland China's economic policies. Due to the problems of over-prosperity in the domestic economy and the trade deficit, the mainland carried out deflationary policies which were accompanied by a tighter control of overseas trade and reduction in imports.

On the other hand, a six-fold increase in the total value of trade between the two

sides was recorded during 1979-1981. The main reasons for this sharp increase can be attributed to two factors: a) Products made in Taiwan were imported free of duty into the mainland during the three years, and b) Taipei's substantial relaxation of restrictions.

### **III. Changes of Commodity Structure**

The indirect trade between Taiwan and mainland China has shown rapid development over these years. It provided not only rapid growth in total value but also significant changes in commodity structure. Table 2 reveals the main products for trade between the two sides of selected years from 1979 onwards. We found that the main products exported by Taiwan to the mainland did not change much. With commodities of SITC 2-digit classification code numbers 65, 58, 77, 72, 76, these usually were included in top 10 most important products since 1979. And, it is worth noting that SITC codes 72, 61, 89, 64, 78, 74 became more and more important in terms of sharing total exports from Taiwan to the mainland. Furthermore, we found Taiwanese products exported to the mainland experienced some diversification. As shown in Table 2, the proportion of the value of the top 10 commodities to the total exports decreased from 97.6 percent in 1979 to 79 percent in 1991.



Table 3 further provides the structure of the top 20 commodities exported by Taiwan to the mainland through Hong Kong from 1989-1991. In 1991, for example, the main products include: fabrics; woven synthetic textile materials; knitted or crocheted fabrics; yarn, synthetic fibers and polyester fibers; polystyrene and its copolymers in primary forms; polyvinyl chloride in the form of plates; sheets, strip or foil, leather; parts of footwear; television picture tubes, cathode ray tubes and parts; apparatus and equipment for T.V.s; broadcasting cordless telephones; parts fittings, trimmings and accessories, machines and mechanical appliances for the rubber and artificial plastic material industries; and, machinery for preparing, tanning or working hides, skins or leather. The sum of the top 20 commodities was US\$2,437 billion which amounted to 52.1 percent of total indirect exports from Taiwan to the mainland in 1991.

With regard to indirect imports by Taiwan from the mainland, Table 2 shows that using 2-digit SITC Codes, the 10 groups of commodities changed insignificantly over 1979-1990. Commodities such as SITC Codes 29, 65, 03, 05 have usually been the more important imports. But as to their structure, the relative proportion to the total value of indirect imports of each group changed significantly since 1979. Meanwhile, the sum of the top 10 commodities imported from the mainland accounted for 68.2 percent of the total indirect import value in 1990, while the percentage was 98.5 percent in 1979. This state of affairs showed that the commodities imported from

the mainland China has gradually diversified.

Table 4 reports the top 20 commodities imported from mainland China from 1989 to 1991. For instance, in 1991, the main imports included plants and parts of trees, bushes, shrubs or other plants which are used primarily in perfumery, pharmacy areas (SITC 29240), or cigarettes (SITC 12220); skins and other parts of birds, with their feathers or down (SITC 29196); fabrics, woven of discontinuous synthetic fibre mixed mainly or solely with cotton (SITC 65341); cotton yarn (SITC 65130, 65131); yarn of discontinuous synthetic fibre mixed mainly or solely with cotton (SITC 65166); pull-overs, slip-overs and jumpers, knitted or crocheted of synthetic fibre (SITC 84513), and shirts (SITC 84621).

As shown in Table 4, commodities such as edible nuts (SITC 05779), toys (SITC 89423), electrical apparatus (SITC 77210), ferro-silicon (SITC 67162), and parts of footwear of any material except metal and asbestos (SITC 61250) are all industrial materials or semi-manufactured goods are becoming more important in terms of their shares. The sum of the top 20 items imported from the mainland reached US\$ 460.6 million in 1991 which made up 40.8 percent of the total indirect imports.

It's worth noticing that the top 20 items shown in Table 4 weren't allowed to be imported from mainland except commodities SITC 29240, 29196, 03410, 27821. The remaining 16 items took the place of other traditional imports and became the main commodities imported from the Mainland China. In 1991, the sum of these 16 items

of imports reached US\$280 million which accounted for 24.7 percent of the total value of indirect imports.

To sum up the above analysis, we found that compared to 1979, where the mainland imported chiefly artificial fiber from Taiwan and Taiwan's imports from the mainland consisted largely of Chinese herb medicines and souvenir and specialty goods such as tea, both sides are now exporting and importing a wider variety of commodities, totaling more than 10,000 different items at the present time. In general, the mainland previously mostly exported primary products, but in recent years has been increasing its exports of finished goods. As well, Taiwan's exports to the Mainland are overwhelmingly of finished products.

Currently, the major exports of mainland China to Taiwan are agricultural and industrial, materials such as : crude animal and vegetable materials, n.e.s.; textile yarn, fabrics, made-up articles, n.e.s., and related products. While Taiwan mainly export manufactured goods and semi-manufactured goods to the mainland, namely, textile yarn, synthetic fiber materials and synthetic fiber, fabrics, industrial machinery; artificial resins and plastic materials, and cellulose esters and ethers; electrical machinery apparatus and appliances, n.e.s., and electrical parts thereof. The composition of imports and exports shows that the bilateral trade between Taiwan and the mainland is quite consistent with the principle of comparative advantage. This trade pattern reflects the difference in resource endowments between these two parties on one



hand, and also reflect the difference in economic development stages and industrial structures of the two economies on the other. Furthermore, a look at the commodity structure of trade shows that a mutually complementary vertical division of labor is being established between Taiwan and the mainland.

#### **IV. Trade Interdependence Across the Taiwan Straits**

Theoretically, the degree of dependence can be measured by the following two indicators. The first one is the ratio of Taiwan's commodity exports to the mainland to Taiwan's total commodity exports. The second one is the ratio of commodity imports of Taiwan from the mainland to Taiwan's total commodity imports.

According to Table 1, we found that the proportion of Taiwan's exports to the mainland increased from 0.13 percent in 1979 to 6.14 percent in 1991. And the proportion of Taiwan's imports from the mainland also increased from 0.38 percent to 1.8 percent during the same period. Obviously, Table 1 gives us a clear picture indicating that Taiwan's exports and imports have a gradual dependence on the mainland. Since the degree of dependence increased quickly, we ought to pay attention to its future development.

With the same means, we can estimate the dependence of Mainland China's

commodities exported to Taiwan and imported from Taiwan. The results show that the mainland also has an increasing dependence upon Taiwan's market. The degree of dependence of Mainland China's exports to Taiwan increased from 0.41 percent in 1979 to 1.57 percent in 1991, while in imports the degree of dependence increased from 0.41 percent to 7.34 percent during the same period. As to the exports, Taiwan was more dependent on Mainland China, while in from the import aspect, Mainland China has a slightly higher degree of dependence on Taiwan.

The ratio of total commodity trade to GNP is usually used to measure one country's dependence on the external market. Roughly speaking, due to its island economy features, Taiwan has a higher degree of dependence on trade compared to the Mainland. According to the official statistics, in 1991 the degree of dependence on trade was about 80 percent in Taiwan, and is more crucial to Taiwan's economic growth than to the Mainland. It also implies that the fluctuations in foreign trade would affect Taiwan's economy more seriously. Owing to this fact, and its smaller economic scale, we might conclude that Taiwan will be in an inferior position in the course of the economic interchanges across the Taiwan Straits.

Chang (1989)<sup>2</sup> has employed regression analysis to estimate the impact of mainland China's external economic policy changes on the value of exports from

<sup>2</sup> See Pei-chen Chang (1989), *An analysis of the indirect trade across the Taiwan Straits (1979-1988)* (in Chinese), Economic papers No.126, Chung-Hua Institution for Economic Research, PP.62-65.

Taiwan to the mainland. The result showed that there exists a positive relationship between the policy changes and the indirect exports. The indirect exports from Taiwan to the mainland decreased about 30-40 percent whenever Mainland China adopted a deflationary trade policy. Conversely, Mainland China's preferential treatment such as tax-free status to the Taiwan businessmen induced an increase of Taiwan's exports to the mainland.

The main implication of Chang's study is that to some extent, changes in Mainland China's economic policies will be unfavorable factors causing great fluctuations in the course of economic interchanges between the two sides. As noted earlier, Taiwan was in an inferior position to the two sides' economic interdependence. In this regard, any ups and downs of the two sides' bilateral trade would bring about severe impacts on Taiwan, which might be above the endurance of Taiwan's economy. Therefore, under the condition of being unable to control Mainland China's economic policy, we should note that the higher the degree of dependence on Mainland China is, the more difficult it is for Taiwan to pursue steady economic growth.

The above analyses is mainly based on the aggregate dependence. Now let us take a look at the changes in the degree of dependence of the main items traded between the two sides, based on 2-digit and 3-digit SITC code classification. Table 5 reports that, according to the 2-digit code of SITC commodities, most ratios did not exceed 1 percent before 1985, while after 1986 many items grew more dependent on



the trading. To be specific, many commodities such as edible products and preparations (SITC 09), plastics in non-primary forms (SITC 58), beverages (SITC 11), crude rubber (SITC 23), textile yarn, fabrics and related products (SITC 65), feed-stuff for animals (SITC 08), etc., had their ratios move beyond 20 percent in 1991. Among others, five items (SITC 58, 65, 08, 64 and 61) showed more rapid growth in the shares of the total exports from Taiwan to mainland China and became the top 10 commodities after 1987. We should thus follow their future movements.

With SITC 3-digit code commodities, we found that some items had a dependence on the mainland even higher than that of 2-digit commodities. In 1987, for instance, for rotating electric items and parts thereof (SITC 716) exports, the degree of dependence on the mainland was 64 percent. The ratio of machinery for the manufacture of paper (SITC 725) was also more than 30 percent. Among others, ten items had ratios higher than 10 percent. These ten items have usually been the top 10 in terms of dependence on the mainland since 1985, although their ranks have slightly changed. We also note that most of these 10 commodities belong to the industrial materials and semi-finished products of SITC 6 and SITC 7 such as fabrics, woven man-made fibers (SITC 653), leather (SITC 611), other machinery and equipment specialized for particular industries (SITC 728), textile yarn (SITC 651) and paper and paperboard (SITC 641).

Table 6 provides the degree of dependence of Taiwan's imports on the mainland.

We also found that before 1985 most of the ratios were fairly low. And the top 2 items were fish crustaceans, molluscs and aquatic invertebrates and preparations thereof (SITC 03) and crude animal and vegetable materials, n.e.s. (SITC 29), whose dependence on the mainland was lower than 3.5 percent. However, the degree of dependence of most commodities gradually increased since 1986. For SITC 03 and SITC 29 items, their ratios were greater than 20 percent. In 1987, there were five items whose ratios were over 5 percent, and increased to 8 items in 1989, and 12 items in 1991. Among others, the ratios of apparel and clothing accessories (SITC 84), tobacco and tobacco manufactures (SITC 12), SITC 29, and travel goods, handbags and similar containers (SITC 83) markedly increased and broke through 20 percent range.

With SITC 3-digit code commodities, we found that since 1985 many imports such as crude vegetable material (SITC 292, in which Chinese herbal medicines dominates), fish, fresh, chilled or frozen (SITC 034), vegetables, roots and tubers prepared or preserved, n.e.s., (SITC 056) had a higher dependence on the mainland than others. Besides the degree of dependence of crude animal materials (SITC 291), vegetables, fresh chilled, frozen or simply preserved (SITC 054) and fabrics, woven and fibres (SITC 652, 653, 654) showed markedly increases and broke through the 10 percent level in 1991.

To sum up, it is clear that for both exports and imports, the degree of dependence of Taiwan's trade on the mainland was not too high except some particular

commodities before 1985. However, along with the rapid growth of economic interchanges between the two sides, the proportion of Taiwan's products exporting to the mainland and imported from the mainland gradually increased. Above all, investing in the mainland had been prevalent over these years, and not only increased the demand for Taiwan-made industrial materials and machinery equipment, but also sold their semi-finished products made in the mainland back to Taiwan. As a result, the two sides' bilateral trade grew quickly and thus added to Taiwan's economic dependence on the mainland.

Comparatively speaking, the degree of mainland China's dependence on Taiwan was lower. As shown in Table 7, all commodities except SITC 29 had a proportion less than 10 percent before 1989. In 1991, there were four items including SITC 29, tobacco and tobacco manufactures (SITC 12), pulp and waste paper (SITC 25), and leather, leather manufactures, n.e.s. and dressed furskins (SITC 61) which had a dependence on Taiwan with more than 10 percent. And these four commodity items were the top 4 in terms of the growth rate of the ratio for these years.

As to imports, the degree of mainland China's dependence on Taiwan also showed notable increases. According to Table 8, we found that, among other 2-digit SITC commodities, travel goods, handbags and similar containers (SITC 83), had the highest dependence. In 1991 its ratio of commodity imports from Taiwan to the total imports was 96.99 percent. Also, there were 3 items including textile yarn, fabrics and



related products (SITC 65), leather, leather manufactures, n.e.s. and dressed furskins (SITC 61) and footwear (SITC 85), showing higher degrees of dependence on Taiwan. Their ratios have gone beyond 30 percent since 1989. It is worth noting that plastics in primary forms (SITC 57) was a new force suddenly coming to the fore. In 1991, its proportion surpassed 33.84 percent. Among others, as shown in Table 8, there were 18 items whose ratios were over 10 percent in 1991.

## **V. Prospects of Economic Relationship**

We anticipate that the scale of the bilateral economic exchanges of Taiwan and the mainland will keep growing in the future. This viewpoint can be supported with the following reasons. Firstly, the political hostility of the two sides has been easing, so that the authorities of Taipei and Beijing can employ policies which are more practical. Secondly, mainland China has undergone broad and deep reforms and liberalization policy, which is favorable to its economic growth, and in turn provides a better investment environment.

As to the situation of mainland China's economy, progress has been made over the past 11 years by adopting the so-called "reform and open" policy, introducing a series of measures including the acceptance of foreign loans and investment capital.

We can note that, under the open door policy, mainland China's trade has expanded rapidly since the early 1980s. According to the official statistics, the trade (in U.S. dollars) has increased an average of 12 percent annually from 1981-1990, while its gross national product (GNP) has grown by 9 percent per year in the same period. As a percentage of GNP, mainland China's trade has risen from about 10 percent in 1980 to 31 percent in 1990.<sup>3</sup> Having been heavily involved in the world economy, mainland China has deepened its dependence on international trade. We believe that the foreign direct investment, international financial loans and the expansion of export trading will be important factors for mainland China's economic growth in the future.

On the other hand, in pace with the reform and economic development, the weak points of the planned economic system are being thoroughly exposed. Under these circumstances, mainland China's "reform and open" policy can't do anything except advance and be carried out. In other words, mainland China can't change its policy of reform and opening to the outside world. In fact, the contents of the Eighth Five-Year Plan which began in 1991 basically reflects the intention of insisting on opening. The plan places more emphasis on embodying the spirit of market mechanisms. In middle January of this year, Deng Xiaoping announced accelerated economic reform during his southern inspection. He also expressed that mainland China will continue to implement

<sup>3</sup> See Charng Kao (1992), Economic reform, open-door policy and the Economic Development of mainland China (in Chinese), paper presented at the conference of Sino-Japan Symposium on Mainland China's Issues, March, Taipei.

the policy of reform and opening to the outside world.

During these years, the authorities in Taipei gradually induced the two sides' indirect trade and firm's investment in mainland China due to reformed regulations. The economic policy toward the mainland has basically become looser and more practical. Last year, Taipei passed 38 proposals to promote exchanges between the two sides of the Taiwan Straits. Fifteen of these related to economic affairs which will be pushed forward by the Executive Yuan. The main substance of these proposals are: to increase items of agricultural and industrial materials as well as semi-finished manufactured products imported from the mainland; to allow all residents in Taiwan to remit money to the mainland through a third region; to permit the banks in Taiwan to set up branches in Hong Kong; and to permit banks to conduct business of so-called "exports in the mainland, and allowing foreign exchange in Taiwan", etc.. These particular measures are favorable not only to develop good interactions between Taiwan and the mainland, but also to expand the two sides' economic exchanges. Because businessmen of Taiwan and Hong Kong investing in the mainland have played an important role in the processing of mainland China's economic growth, we would expect that mainland China's new economic reform at this time will put emphasis on attracting Taiwanese firms' investment. The preceding measures encouraged by Taipei and Beijing authorities will be useful for the expansion of the two sides' economic exchanges in the future.



In all fairness, we are glad to hear that mainland China tends to deepen reform and opening to the outside world. Its 1.2 billion population and market has attracted many foreign enterprises. It goes without saying that Taiwanese businessmen greatly look forward to sharing in mainland China's markets. Essentially, the deepening reforms and broad openings would bring mainland China's economy into a market system, which to some extent implies that the risk of trading with the mainland could be decreased. We suppose that mainland China's policy for encouraging investment has been unchanged, in view of economic benefit and political indications, and there will be more and more Taiwanese enterprises to invest or engage in other kinds of business.

In fact, for realizing the projects initiated in the "Eighth Five Year Plan", the Beijing authorities are doing their best to work out new measures for attracting new foreign direct investment and inducing transfer of advanced technology. Obviously, Taiwanese enterprises are the main targets which will be sought after by mainland China. Since most Taiwanese enterprises are concerned with the market potential, mainland China's attitude towards opening its domestic markets will be the important factor which will dominate the growth pattern of the two sides' economic exchanges. As the plan stated, the Beijing authorities have considered opening domestic markets for Taiwanese businessmen in order to attract more investment and to obtain more advanced technologies. In this context, we need to pay attention to its specific measures and their possible effects.

To summarize the preceding analysis, we are sure that the total value of trade between Taiwan and the mainland will steadily grow in the coming years. With the trend of world economic regionalization and the complementary features of economic resources between both sides, the voice of enhancing the two sides' economic cooperation will become more and more popular. Furthermore, the performance of economic growth in Western countries are not predicted to be strong in the near future. Also, the traditional world markets are not considered as dynamic as before. Therefore, developing the domestic markets of mainland China will become more important as a way for Taiwanese enterprises to create better business performance. Essentially, with regard to the economic exchanges between Taiwan and the mainland, we have no reasons to take a pessimistic view. That is, the economic exchanges between them will continue to grow. We also note that the resource endowments of Taiwan and the mainland have characteristics complementary to each other. It is believed that the closer the two sides' economic relations become, the more economic benefits the two sides will mutually obtain. However, many people in Taiwan worry that the closer relations of the two sides will result in excessive dependence of Taiwan on mainland China's economy. This in turn will be unfavorable for steady economic growth in Taiwan.

Essentially, we can't treat economic relations between Taiwan and the mainland China as a normal international case. First of all, because their political and economic

systems are different. Under a planned economic system mainland China's decision-making economic policies are directed by artificial administration or by the consideration of non-economic factors. Such decision-making models were quite irrational in terms of the viewpoint of market economic theory. Thus, there existed higher uncertainty and risk in economic interchanges with the mainland.

Secondly, the political relation between Taiwan and mainland China is still in a state of hostility. The Beijing authorities frequently posed on different occasions that the main purpose of strengthening the two sides' economic exchanges is to give rise to high degree of dependence of Taiwan's economy on the mainland in order to satisfy its political ends. Therefore, Taiwan authorities advocate that we should possess optimistic but prudent attitudes in pursuing economic interchanges.

Since 1979, the mainland changed its economic policy for Taiwan many times which caused great fluctuations in the total value of trade via Hong Kong between them. The ups and downs in trade also created many Taiwanese bankruptcies. It's difficult for us to investigate whether the main reasons of policy changes are for political or economic considerations. However, we must note that the changing policy didn't accord to economic principles of markets. This implies that its policy changes were unpredictable, and economic exchanges between Taiwan and mainland showed a great uncertainty. In fact, as noted earlier, mainland China is likely to adopt some measures from Taiwan to achieve its political ambition. Hence, we could infer that



great economic dependence of Taiwan's economy on the mainland might be unfavorable for Taiwan's economic development. The economic losses are above our estimation.

Ou Yang et al (1991) estimated the economic effect of indirect trade of the two sides across the Straits on Taiwan's economy.<sup>4</sup> They found that Taiwan industrial products would be induced to increase 2 dollars directly and indirectly by adding exports to the mainland of 1 dollar. That is, the expansion of export from Taiwan to the mainland will generate national products 2 times the same amount as exports in Taiwan. Further, Chung Chin (1991) utilized the data of approved indirect mainland investment provided in May 1991 by the Investment Commission of Ministry of Economic Affairs to estimate the contributions of indirect mainland investment to Taiwan's economy. The results showed that the investment might lead to \$1.045 billion indirect exports from Taiwan to the mainland which amounted to 32 percent of the total indirect export value in 1990. Further, these induced exports would generate output effects among industries and thus promote the gross national product by about \$2.232 billion which would make up 1.4 percent of the total GNP<sup>5</sup> in Taiwan.

The preceding estimates might have some biases,<sup>6</sup> but it can't be denied the

<sup>4</sup> See Cherng-shin Ou Yang, Y. J. Lin and W. S. Chou (1991), Trade-warming system for monitoring Taiwan-China Economic Interdependence and Its Applications (in Chinese).

<sup>5</sup> See Chung Chin (1991), "Macroeconomic Impacts on the Domestic Economy of Recent Taiwanese DFIs toward Mainland China." (in Chinese), paper presented at the conference in Investment Strategies and policy making in relation to mainland China, Taipei, Sept. 1991.

<sup>6</sup> The biases might lie in the under-registered volume of investment and the impractical assumptions

mainland investment did promote the total indirect trade, which in turn would enhance the gross national product in Taiwan. Furthermore, we can predict that the more the enterprises invest in the mainland, the more value of indirect exports and national product we obtain. From this stand-point, if the two sides' economic interchanges keep growing healthily, this will be beneficial to the economic development of the two sides. However, the rapid growth of economic exchanges will result in higher interdependence, which might be unfavorable to Taiwan because of its smaller territory and economic scale compared with the mainland.

Specifically, Taiwan is a mountainous island of 13,900 square miles and has a poor natural resource endowment. The expansion of foreign trade is crucial for its economic growth. As a trade-oriented economy, Taiwan has high degree of dependence on trade and is sensitive to fluctuations in overseas markets. We worry that the more dependence Taiwan has on the mainland, the more impact Taiwan would feel, due to mainland China's regular economic fluctuations and/or policy changes. To decrease the unfavorable impact of the two sides' economic interchanges on Taiwan, we ought to possess a prudent attitude and make plans in advance, especially a plan for dispersing markets abroad. It is even more important that we should take notice of preserving our position and ponder over a way to grow in strength in Taiwan.

such as: overseas capital productivity is 1.2 times its domestic counterpart, and overseas subsidiaries all import from Taiwan.

## VI. Concluding Remarks

Since 1979 onwards, the mainland has implemented a "reform and opening" policy to pursue the target of economic development. Along with these policy changes, the Beijing authorities adjusted their policies toward Taiwan to improve the economic relations between the two sides, and adopted a series of preferential treatments to attract Taiwanese direct investment. From the previous analysis, we found that the economic relationship between the two sides of the Taiwan Straits has consistently developed and substantially improved during the 1980s.

With regard to the development of indirect trade, the sum of Taiwan's exports via Hong Kong to the mainland increased from \$50 thousand in 1978 to \$4,679 million in 1991, accounting for an annual growth rate of 60 percent. During the same time period the sum of Taiwan's imports via Hong Kong from the mainland also increased from \$46.72 million to \$1,129 million, with 26 percent growth per year. Currently, the mainland exports to Taiwan include Chinese herb medicines, corn and cooking oil, marine products, minerals and raw materials for textiles. Meanwhile, goods being exported from Taiwan to the mainland include synthetic fiber materials and products, polystyrene and its copolymers, polyvinyl chloride, electrical machinery, machinery equipment for industries, and so on. This trade pattern not only reflects the differences



in resource endowments between the two sides, but also reflects the differences in economic development stages and industry structures of the two economies.

Along with the rapid development of the two sides, indirect trade and the interdependence between Taiwan and mainland China have gradually increased. In this study, we found that Taiwan's exports had a gradual dependence on the mainland growing from 0.13 percent in 1979 to 6.14 percent in 1991. The corresponding ratios for the mainland China were 0.14 and 7.34, illustrating its dependence on importing from Taiwan. Meanwhile, the proportion imports from the mainland to Taiwan's total imports also increased from 0.38 percent to 1.80 percent during the same period. The corresponding ratios for the mainland were 0.41 and 1.57, showing its export dependence on Taiwan. In general, due to its higher degree of dependence on the international market and smaller economic scale in terms of territory, Taiwan is in an inferior position in the course of rising interdependence. Specifically, if the two sides' economic interchanges stopped for some reason, there would be more harm to Taiwan's economy. Further, we should note that some items of Taiwan's exports and imports have had their dependence on the mainland increase steadily. To some extent the higher dependence provides a more centralized risk, which is unfavorable for Taiwan pursuing stable economic growth.

In the last decade there have been great developments and improvements in the economic relationship between the two sides of the Taiwan Straits. Accompanying the

promotion of contact and exchanges of the non-governmental level (including investment in the mainland by Taiwanese enterprises), trade between Taiwan and the mainland can be expected to develop even further in the future. The strong mutually supplementary nature of the economic relationship is the largest factor behind the growth of trade. Although many obstacles still exist for both sides of the Taiwan Straits, we are optimistic for the development of the economic relationship between them in the coming years. Firstly, from Beijing's position, through trade with Taiwan it is possible for the mainland to acquire machinery equipment and industrial materials indispensable for its economic development. In addition, to economic aims, the mainland has never given up its efforts in promoting the two sides' economic interchanges for the sake of its political ends. As for Taiwan, because of the decrease in the export competitiveness of its goods compared to those of other Asian NIEs, stemming from the sharp appreciation in the value of the NT Dollar over the past few years, the opening up of the market on the mainland and the full supply of the cheap materials required to expand its exports, can be said to be particularly important. Another factor which could be important in Taiwan's future global trade effort is the possibility of setting up on the mainland, albeit indirectly, production lines and second plants. Taking these factors into account, we would like to conclude that the further development of economic relations (trade) between Taiwan and the mainland China should not be pessimistically viewed.

Table 1 Commodity trade between Taiwan and the mainland via Hong Kong

	from Taiwan to Mainland				from Mainland to Taiwan			
	US\$ million	growth rate %	as % of		US\$ million	growth rate %	as % of	
			Taiwan's total exports	Mainland's total imports			Taiwan's total imports	Mainland's total exports
1979	21	—	0.13	0.14	55	—	0.38	0.41
1980	242	1037.80	1.22	1.24	78	40.65	0.40	0.43
1981	390	61.07	1.73	1.77	76	-2.82	0.36	0.35
1982	208	-46.65	0.94	1.08	89	17.90	0.48	0.40
1983	168	-18.98	0.67	0.79	96	6.77	0.47	0.43
1984	425	152.38	1.40	1.55	127	33.04	0.58	0.49
1985	987	132.13	3.21	2.34	116	-9.16	0.58	0.42
1986	811	-17.91	2.04	1.89	144	24.25	0.60	0.47
1987	1,226	51.27	2.30	2.84	289	100.47	0.83	0.73
1988	2,242	82.81	3.65	4.26	478	65.68	0.95	0.98
1989	2,896	29.18	4.38	4.90	586	22.60	1.12	1.12
1990	3,278	13.18	4.88	6.14	765	30.41	1.40	1.23
1991	4,679	42.74	6.14	7.34	1,129	47.58	1.80	1.57

Source: 1. Transfer Trade Statistics, Statistics Department, Hong Kong Government.  
 2. Monthly Statistics of Exports and Imports, Taiwan Area, ROC.  
 3. China Statistical Yearbook, various years.



Table 2 Main commodities traded between Taiwan and mainland China (by SITC 2-digit)

rank	from Taiwan to Mainland								from Mainland to Taiwan							
	1979		1984		1990		1991		1979		1984		1990		1991	
	SITC code	%	SITC code	%	SITC code	%	SITC code	%	SITC code	%	SITC code	%	SITC code	%	SITC code	%
1	65	81.4	65	54.8	65	39.7	65	38.1	29	82.5	29	42.5	29	16.0	29	14.1
2	76	3.2	77	11.0	58	9.8	58	11.4	05	4.9	03	12.0	84	9.9	65	12.0
3	72	3.0	89	6.6	77	6.8	77	6.1	27	3.2	26	10.9	65	9.1	84	11.0
4	63	2.2	76	5.2	72	6.2	72	6.0	54	2.0	65	10.6	03	7.2	77	7.3
5	51	2.2	75	4.5	89	5.2	61	4.9	26	1.5	27	4.7	77	6.0	89	5.8
6	73	1.6	72	3.7	61	5.1	89	3.5	51	1.4	05	3.7	89	5.5	12	5.5
7	67	1.2	26	2.9	76	4.7	76	2.9	28	1.0	54	2.5	68	3.9	05	4.2
8	58	1.1	58	1.8	64	2.3	64	2.7	82	1.0	68	2.1	05	3.4	76	3.0
9	77	1.0	78	1.1	78	1.8	78	1.7	65	0.6	52	2.0	61	3.4	88	2.8
10	61	0.7	68	1.0	74	1.8	74	1.7	61	0.4	51	1.9	52	3.1	03	2.5
合計	97.6		92.5		83.4		79.0		98.5		92.9		67.5		68.2	

Note: Here and in the Tables below, the definition of 2-digit SITC commodities, see appendix.

Source: Chang Kao and Tzung-Ta Yen(1992), A study on the Economic Relations between Taiwan and the Mainland: Current Situation and Perspectives (in Chinese), Chung-hua Institution for Economic Research, Table 2-3.

Table 3 The top 20 commodities of indirect exports to the mainland from Taiwan

unit: US\$ 1,000

rank	SITC code	commodities	1991		1990		1989	
			amount	share	amount	share	amount	share
1	65315	Fabrics, woven, of continuous synthetic textile materials	496,493	10.61	385,723	11.77	289,833	10.01
2	65732	Textile fabrics impregnated, coated, covered or laminated with preparations of cellulose derivatives or of other artificial plastic materials.	344,616	7.36	239,732	7.31	175,716	6.07
3	65510	Knitted or crocheted fabrics, not elastic nor rubberized, of synthetic fibres.	239,913	5.13	174,580	5.32	118,298	4.08
4	58331	Polystyrene and its copolymers in primary forms.	194,350	4.15	89,127	2.72	82,167	2.84
5	58343	Polyvinyl chloride in the form of plates, sheets, strip, film or foil.	171,677	3.67	127,185	3.88	89,187	3.08
6	65144	Yarn, textured, of continuous polyester fibres	169,907	3.63	84,074	2.56	39,371	1.36
7	61140	Leather of other bovine cattle.	102,319	2.19	67,335	2.05	65,907	2.26
8	61230	Parts of footwear.	94,892	2.03	71,044	2.17	60,576	2.09
9	78539	Parts, n.e.s. of and accessories for the articles falling within heading 785.	78,374	1.67	48,653	1.48	29,871	1.03
10	89949	Parts, fitting, trimmings and accessories of the articles falling within heading 89941 or 89942.	67,067	1.43	51,270	1.56	34,188	1.18
11	72842	Machines and mechanical appliances for the rubber and artificial plastic materials industries, n.e.s.	59,142	1.26	46,780	1.43	77,226	2.67
12	77311	Insulated electric wire, cable bars, strip and the like, whether or not fitted with connectors.	56,785	1.21	48,229	1.47	51,358	1.77
13	76493	Parts, n.e.s. of the apparatus and equipment falling within headings 761, 762, 764.3 and 764.8.	56,636	1.21	53,074	1.62	61,160	2.11
14	65341	Fabrics, woven, of discontinuous synthetic fibres mixed mainly or solely with cotton.	49,650	1.06	40,223	1.23	34,038	1.18
15	72480	Machinery for preparing, tanning, or working hides, skins or leather, and parts thereof, n.e.s.	47,887	1.02	39,397	1.20	48,793	1.68
16	68221	Bars, rods, angles, shapes and sections, wrought, of copper; copper wire.	47,194	1.01	18,017	0.55	17,807	0.61
17	75990	Parts, n.e.s. of and accessories for the machines of heading 7512 or group 752.	43,136	0.92	22,981	0.70	23,813	0.82
18	65148	Yarn of discontinuous synthetic fibres.	40,789	0.87	45,653	1.39	43,696	1.51
19	26652	Synthetic fibres, not carded, combed or otherwise prepared for spinning polyester.	39,801	0.85	24,211	0.74	25,877	0.89
20	58259	Polyurethanes in other forms.	36,860	0.79	26,421	0.81	17,571	0.61

Note: The share is the percentage of Taiwan's total commodity exports to the mainland.

Source: Census and Statistics Department, Hong Kong Government.

Table 4 The top 20 commodities of indirect imports from mainland to Taiwan

unit: US\$ 1,000

rank	SITC code	commodities	1991		1990		1989	
			amount	share	amount	share	amount	share
1	29240-1	Plants and parts of trees, bushes, shrubs or other plants, being goods of a kind used primarily in perfumery, in pharmacy.	93,785	8.31	92,198	12.05	84,874	14.46
2	12220	Cigarettes)	61,981	5.49	23,750	3.10	319	0.00
3	29196	Skins and other parts of birds, with their feathers or down.	55,808	4.94	20,997	2.74	47,078	8.02
4	65341	Fabrics, woven, of discontinuous synthetic fibres, mixed mainly or solely with cotton.	32,850	2.91	10,001	1.30	17,933	3.06
5	84513	Jerseys, pull-overs, slip-overs, twinsets, cardigans, bed-jackets and jumpers, knitted or crocheted, of synthetic fibres.	22,793	2.02	12,713	1.66	8,970	1.53
6	03410	Fish, fresh (live or dead) or chilled.	21,722	1.92	51,974	6.79	31,935	5.44
7	65131	Cotton yarn measuring, per single yarn, not more than 14,000 me per kg.	18,674	1.65	11,874	1.55	4,395	0.75
8	05779	Edible nuts, fresh or dried, n.e.s., shelled or not.	18,312	1.62	6,172	0.81	3,669	0.62
9	84621	Shirts, men's and boys, knitted or crocheted, of cotton.	16,108	1.43	6,709	0.88	3,391	0.58
10	65130	Cotton yarn	12,957	1.15	10,040	1.31	2,998	0.51
11	89423	Toys, n.e.s., working models of a kind used for recreational purposes.	11,474	1.02	6,454	0.84	2,712	0.46
12	77210	Electrical apparatus for making and breaking, for protecting and for making connections to or in electrical circuits; switchboards, and control panels, n.e.s., parts.	11,130	0.99	6,106	0.80	1,661	0.28
13	71610	Motors and generators, direct current.	11,012	0.98	8,540	1.12	6,163	1.05
14	65166	Yarn of discontinuous synthetic fibres, mixed mainly or solely with cotton, not put up for retail sale.	10,984	0.97	2,732	0.36	4,457	0.76
15	75990	Parts, n.e.s. of and accessories for the machines of heading 7512 or group 752.	10,883	0.96	13,585	1.77	9,849	1.68
16	89941	Umbrellas and sunshades.	10,565	0.94	7,219	0.94	7,356	1.25
17	67162	Ferro-silicon	10,412	0.92	4,367	0.57	6,698	1.14
18	77118	Other electric transformers	10,054	0.89	3,281	0.43	1,410	0.24
19	27821	Clay, andalusite, kyanite and sillimanite, whether or not calcined.	9,937	0.88	7,971	1.04	8,500	1.45
20	61230	Parts of footwear of any material except metal and asbestos.	9,123	0.81	4,227	0.55	579	0.99

Note: The share is the percentage of Taiwan's total commodity imports from the Mainland.

Source: the same as Table 3.

Table 5 The dependence of Taiwan's commodity exports on the Mainland  
(by SITC 2-digit)

1983		1985		1987		1989		1990		1991	
SITC CODE	share (%)	SITC CODE	share (%)	SITC CODE	share (%)	SITC CODE	share (%)	SITC CODE	share (%)	SITC CODE	share (%)
65	0.55	68	3.61	43	23.46	08	20.08	08	23.81	09	33.57
61	0.10	65	1.69	08	15.79	61	19.72	09	23.77	58	27.64
72	0.09	72	1.43	65	13.79	58	19.00	58	21.64	11	24.56
68	0.09	64	1.30	09	12.99	72	18.24	65	20.79	23	24.55
26	0.08	73	0.78	72	11.71	65	17.37	59	16.67	65	23.63
77	0.08	77	0.60	61	11.24	59	13.97	61	13.48	08	22.17
87	0.07	00	0.52	58	8.54	64	9.18	23	12.76	59	17.33
89	0.06	58	0.42	21	7.44	68	8.39	64	12.19	64	16.91
67	0.05	26	0.41	64	5.78	51	8.04	72	10.13	68	14.54
59	0.05	74	0.41	42	5.56	73	6.48	68	8.42	61	13.34
78	0.05	61	0.33	59	5.50	26	6.18	51	8.33	72	11.89
09	0.05	71	0.32	26	4.79	52	5.71	55	7.82	51	10.32
64	0.05	23	0.32	73	4.64	09	5.19	26	6.26	43	9.88
66	0.05	52	0.30	51	4.43	29	5.13	29	6.14	52	8.60
54	0.05	67	0.28	29	3.46	56	4.75	73	5.02	26	8.50
63	0.05	88	0.28	68	3.37	71	4.20	52	4.92	55	7.97
58	0.04	59	0.26	53	3.04	77	4.12	53	4.42	73	7.66
73	0.04	87	0.24	71	2.98	74	3.94	43	4.31	53	5.95
29	0.04	55	0.22	52	2.63	55	3.90	63	4.29	34	5.18
04	0.03	76	0.19	74	2.60	23	3.35	76	4.04	02	4.77
				23	1.03	53	3.20	87	3.96	63	4.70
						78	3.13	71	3.66	54	4.58
						76	2.85	74	3.51	87	4.57
						67	2.75	77	3.10	76	4.23
						63	2.64	54	3.06	74	4.06
						87	2.57	81	2.68	78	3.98

Note: The share is the percentage of Taiwan's total exports in each commodity that exports to the mainland.

Source: Chang Kao and Tzung-ta Yen (1990), Table 3-5.



Table 6 The dependence of Taiwan's commodity imports on the Mainland  
(by SITC 2-digit)

1983		1985		1987		1989		1990		1991	
SITC CODE	share (%)	SITC CODE	share (%)	SITC CODE	share (%)	SITC CODE	share (%)	SITC CODE	share (%)	SITC CODE	share (%)
29	3.26	03	3.38	29	37.08	29	28.71	03	33.00	84	39.21
03	1.14	29	2.75	03	21.92	03	18.99	84	25.96	12	30.71
05	0.56	05	0.55	65	7.40	84	16.76	29	23.70	29	25.52
27	0.39	27	0.33	05	7.03	83	11.35	12	12.53	83	24.03
54	0.27	65	0.30	27	5.16	05	7.35	83	12.25	05	15.12
82	0.15	54	0.20	84	3.87	65	6.77	61	9.28	03	14.97
84	0.13	07	0.17	82	3.78	82	5.97	05	8.05	42	9.48
65	0.12	26	0.13	61	2.67	27	5.42	57	7.43	65	9.37
07	0.09	82	0.11	42	2.18	61	4.11	65	6.62	85	9.36
26	0.08	52	0.10	54	2.15	85	4.06	85	6.29	81	7.11
22	0.06	85	0.09	07	2.10	42	3.48	27	4.83	61	6.32
59	0.05	59	0.05	52	2.07	52	3.03	82	4.77	82	6.17
52	0.04	42	0.04	83	1.25	54	2.94	42	4.02	27	4.78
28	0.04	68	0.03	59	0.75	89	2.37	81	3.99	88	3.88
09	0.04	61	0.03	26	0.73	81	2.23	54	3.71	54	3.40
53	0.03	53	0.02	53	0.71	07	1.65	63	3.06	89	3.34
51	0.02	51	0.02	68	0.71	26	1.63	52	3.04	52	3.11
61	0.02	28	0.02	81	0.69	63	1.56	89	2.45	63	2.96
68	0.01	08	0.01	51	0.56	66	1.56	66	2.44	66	2.46
						55	1.52	55	1.96	55	2.26
						53	1.36	07	1.87	76	2.20
						69	1.11	68	1.55	69	2.10

Note: The share is the percentage of Taiwan's total imports in each commodity that imports from the Mainland.

Source: Charng Kao and Tzung-ta Yen (1992), Table 3-6.

Table 7 The dependence of mainland China's commodity exports on Taiwan  
(by SITC 2-digit)

1983		1985		1987		1989		1991*	
SITC CODE	share (%)	SITC CODE	share (%)	SITC CODE	share (%)	SITC CODE	share (%)	SITC CODE	share (%)
29	13.16	29	10.52	29	15.11	29	16.34	29	25.29
27	2.29	03	8.33	25	4.22	61	9.34	12	22.17
03	1.92	27	1.69	61	4.19	75	5.75	25	10.97
54	1.50	59	1.59	03	2.73	25	4.75	61	10.92
59	1.22	52	1.18	27	2.15	24	4.02	88	5.86
28	0.91	54	1.08	51	2.03	59	3.91	77	5.47
23	0.90	68	0.97	59	1.93	27	3.37	28	4.55
53	0.80	51	0.80	52	1.59	03	3.29	71	4.49
68	0.75	24	0.78	24	1.56	71	3.28	53	4.47
51	0.75	53	0.74	53	1.35	68	2.87	27	4.34
22	0.75	26	0.66	68	1.22	52	2.84	59	3.99
52	0.73	05	0.62	21	1.15	51	2.62	68	3.58
26	0.63	61	0.52	54	1.04	77	2.49	51	3.39
05	0.58	28	0.48	65	0.86	53	2.40	42	3.28
61	0.27	65	0.36	05	0.71	82	2.10	75	3.20
75	0.17	75	0.19	75	0.67	67	2.05	52	3.06
65	0.15	22	0.13	71	0.64	63	2.02	03	2.92
24	0.15	08	0.13	28	0.64	54	1.52	05	2.80
09	0.12	21	0.11	12	0.64	28	1.51	83	2.77
77	0.10	55	0.10	58	0.59	23	1.37	24	2.72
						89	1.33	81	2.31
						05	1.28	23	2.31
						55	1.20	63	2.17
						42	1.19	55	2.16
						66	1.06	82	2.16
								89	2.16

Note: (1) The share is the percentage of mainland China's total imports in each commodity that exports to Taiwan.

(2) The total exports of each commodity in 1991 are estimates.

Source: Charng Kao and Tzung-ta Yen (1992), Table 3-7.

Table 8 The dependence of mainland China's imports on Taiwan  
(by SITC 2-digit)

1983		1985		1987		1989		1991	
SITC CODE	share (%)	SITC CODE	share (%)	SITC CODE	share (%)	SITC CODE	share (%)	SITC CODE	share (%)
65	17.88	85	88.95	83	30.95	83	82.54	83	96.99
84	15.20	65	26.39	65	27.22	61	53.70	65	54.41
89	13.00	83	14.72	85	23.89	85	38.08	61	41.69
77	5.56	77	10.60	61	19.73	65	34.31	85	34.34
61	3.98	89	9.12	09	10.90	89	19.69	57	33.84
83	3.65	84	8.41	89	10.21	84	15.46	09	28.14
63	3.48	73	6.52	84	8.60	58	11.63	89	27.70
82	1.61	81	5.52	81	5.16	77	11.18	84	20.61
66	1.47	61	4.27	29	5.00	62	9.78	11	19.95
69	1.35	55	4.25	77	4.52	03	9.27	62	17.40
62	1.21	82	4.21	88	4.12	81	9.09	69	16.47
09	1.09	63	3.45	08	3.59	69	7.93	64	15.59
85	1.08	64	3.37	58	3.35	76	7.37	88	13.58
73	0.97	88	3.33	43	3.23	64	6.81	77	12.22
76	0.88	69	3.19	76	3.20	09	6.57	29	12.10
78	0.87	62	2.50	82	3.10	08	6.48	68	11.38
29	0.74	68	2.38	69	2.85	63	5.74	43	10.36
88	0.69	03	2.26	62	2.65	72	5.72	53	10.20
74	0.39	75	2.18	72	2.29	73	5.22	82	9.49
54	0.37	71	2.04	59	2.08	53	5.05	76	8.78
		76	1.79	63	1.96	75	4.66	59	8.19
		66	1.59	55	1.91	59	4.39	03	8.14
		74	1.58	73	1.90	88	4.16	78	7.87
		72	1.54	64	1.64	68	3.50	73	7.11
		00	1.41	71	1.61	78	3.26	63	6.85
		29	1.17	75	1.47	82	3.08	75	6.80
		58	1.05	53	1.40	66	2.74	52	6.61
				26	1.22	74	2.61	23	5.62
				74	1.08	71	2.44	72	5.08

Note: (1) The share is the percentage of mainland China's total imports in each commodity that imports from Taiwan.

(2) The total imports of each commodity in 1991 are estimates.

Source: Charng Kao and Tzung-ta Yen (1992), Table 3-8.

Appendix Classification of commodities by 2-digit code, SITC

CODE	COMMODITIES
00	Live animals chiefly for food
03	Fish, crustaceans and molluscs, and preparations thereof.
04	Cereals and cereal preparations
05	Vegetables and fruit
07	Coffee, tea, cocoa,spices, and manufactures thereof
08	Feeding stuff for animals
09	Miscellaneous edible products and preparations
12	Tabacco and tabacco manufactures
21	Hides, skins and furskins, raw
22	Oil seeds and oleagious fruit
23	Crude rubber
24	Cork and wood
25	Pulp and waste paper
26	Textile fibres and their wastes
27	Crude fertilizers and crude minerals
28	Metalliferous ores and metal scrap
29	Crude animal and vegetable materials, n.e.s.
42	Fixed vegetable oils and fats
43	Animal and vegetable oils and fats, processed, and waxes of animal or vegetable origin.
51	Organic chemicals
52	Inorganic chemicals
53	Dyeing, tanning and colouring materials
54	Medicinal and pharmaceutical products
55	Essential oils and perfume materials; toilet, polishing and cleansing preparations.
56	Fertilizers, manufactured
58	Artificial resins and plastic materials, and cellulose esters and ethers
59	Chemical materials and products,n.e.s.
61	Leather, leather manufactures, n.e.s.,and dressed furskins.
62	Rubber manufactures, n.e.s.
63	Cork and wood manufacturrs
64	Paper, paperboard, and articles of paper pulp, of paper or of paperboard
65	Textile yarn, fabrics, made-up articles, n.e.s., and related products
66	Non-metallic mineral manufactures, n.e.s.
67	Iron and steel
68	Non-ferrous metals
69	Manufactures of metal, n.e.s.
71	Power generating machinery and equipment
72	Machinery specialized for particular industries
73	Metalworking machinery
74	General industrial machinery and equipment, n.e.s. and machine parts, n.e.s.
75	Office machines and automatic data processing equipment
76	Telecommunications and sound recording and reproccuing apparatus and equipment
77	Electrical machinery, apparatus and appliances,n.e.s., and electrical parts thereof.
78	Road vehicles
81	Sanitary; plumbing, heating and lighting fixtures and fittings, n.e.s.
82	Furniture and parts thereof
83	Travel goods, handbags and similar containers
84	Articles of apparel and clothing accessories
85	Footwear
87	Professional, scientific and controlling instruments and apparatus, n.e.s.
88	Photographic apparatus, equipment and (156*) supplies and optical goods n.e.s., watches and clocks
89	Miscellaneous manufactured articles, n.e.s.





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