

TRADE COMPETITION BETWEEN TAIWAN AND CHINA

CHEN Chien-Hsun

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Executive Summary

1. Trade and investment between China and Taiwan have surged over the past several years in a number of product categories. Cross-Strait investment has also given rise to new industry clusters and comprehensive industry value chains that integrate upstream, midstream and downstream operations.
2. The tariff reductions have helped to boost trade between Taiwan and China, but the share of the Economic Cooperation Framework Agreement's Early Harvest items in total trade is very low.
3. Both Taiwan and China enjoy a competitive advantage in hand tools and miscellaneous articles of base metal, iron and steel, electromechanical equipment, glass and glassware, and musical instruments manufacturing industries in the international markets.
4. China is significantly more internationally competitive in labor-intensive and resource-intensive industries than Taiwan.
5. Investment and trade activities have driven the formation of close collaborative relationships between Taiwanese and Chinese industry.
6. Viewed in terms of cross-Strait division of labor in existing industries between Taiwan and China, the close trading relationship between the two sides is of considerable importance to both Taiwan and China.
7. Taiwan's plastics, textile, iron and steel, hand tools and miscellaneous articles of base metal, optical instruments, musical instruments, chemical products, precious stones and precious metals, glass, shipbuilding and toys and miscellaneous manufactured articles industries enjoy either strong or very strong export competitiveness in the China market.

8. Likewise for China, it is textiles, garment and miscellaneous textiles, footwear, hat and umbrella, stone and ceramic products, articles of iron and steel, hand tools and miscellaneous articles of base metal, machinery, electrical machinery, musical instruments, furniture, toys and miscellaneous manufactured articles.
9. In most industries either Taiwan or China enjoys a significantly higher degree of competitive advantage than the other in international markets, but there are a handful of industries where the two sides are in direct competition.