

Subject/Title	On the Wage Stagnation of Taiwan: Trade and FDI Partners under Globalization
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Abstract	<p>The real wage rate in Taiwan has stagnated for more than ten years since 1997. This paper scrutinizes the long-term wage stagnation phenomenon from the aspect of globalization, especially the close relationship with Mainland China in trade and investment. Firstly, we argue that along with economic development, the wage rate will evolve normally from high-growth period to die-down period. And, the opening up of the labor-rich countries like China will accelerate declining speed of wage for the developed countries. However, Taiwan's wage appears to decline even faster than that of other neighboring countries like Korea and Japan. The wage-binding effect is due to closer trade and FDI linkage with China, according to factor price equalization theorem in trade theory. Then, by empirical study upon China's major trade partners, we show that trade and FDI relationship significantly explain the wage-tie to China, and keeping advance in development and better technology can offset the wage-linkage</p>
Keyword(s)	Wage-Binding Effect, Factor Price Equalization, Anchoring Effect, Trade Partner