**Brief Contents**

**Chapter 1. Introduction** ................................................................. 1
1.1 Background ............................................................. 1
1.2 Motivation ............................................................. 3
1.3 Research Questions and Frameworks ......................................... 4

**Chapter 2. The Effects of Outsourcing on Unemployment and Changes in Relative Wages** .................................................. 8
2.1 Debating Issues ......................................................... 8
2.2 Literatures Survey □ Are These Due to Outsourcing? ................. 11
   2.2.1 Technological Progress/Changes .................................. 11
   2.2.2 International Trade/Outsourcing .................................. 12
   2.2.3 Basic Story of Feenstra and Hanson (1995) .................... 14
   2.2.4 Model Assumptions and Derivation of Feenstra and Hanson(1995) ... 15
2.3 Implications, Cases of Taiwan And Findings .......................... 20
   2.3.1 Implications ...................................................... 20
   2.3.2 Cases of Taiwan and Findings .................................. 21
2.4 Concluding Remarks ................................................... 36
   2.4.1 Summary .......................................................... 36
   2.4.2 Policy Implications .............................................. 38

**Chapter 3. Outsourcing and Economic Periphery** ........................... 39
3.1 Debating Issues ......................................................... 39
3.2 Different Concerns Between Two Alliances □ Periphery or Not? ........ 40
3.3 Literatures Survey ..................................................... 43
   3.3.1 Basic Story of Krugman and Venables (1995) ................. 44
   3.3.2 Assumptions and Derivation of Krugman and Venables(1995)Model ... 46
   3.3.3 Economic Implications .......................................... 54
   3.3.3.1 Overall Economic Structure of Taiwan and Mainland China ........ 54
   3.3.3.2 Policy Implications through Data Simulations .................. 57
   3.3.3.3 Other Factors Considered .................................... 63
3.4 Concluding Remarks ................................................... 67
Chapter 4. Conclusions and Suggestions ........................................... 68
4.1 Conclusions and Suggestions ................................................... 68
4.2 Limitation and Further Research .............................................. 71

References ................................................................. 73

List of Tables

Chapter 2
Table 2.1 Trends of Unemployment Rate ........................................ 9
Table 2.2 Percentage of Outsourcing Inputs, 1989-2004 ...................... 24
Table 2.3 Manufacturing Employment Share in Total Employment .......... 25
Table 2.4 Shares of Skilled and Unskilled Employees in Manufacturing to Total Employees in Manufacturing .......................... 27
Table 2.5 Wage Shares of Skilled and Unskilled Employees in Manufacturing to Total Wage Bill in Manufacturing ....................... 28
Table 2.6 Shares of Skilled and Unskilled Employees in Electric & Electronic Related to Total Employees in Electric & Electronic Related ................................. 29
Table 2.7 Wage Shares of Skilled and Unskilled Employees in Electric & Electronic Related to Total Wage Bill in Electric & Electronic Related ................................. 30
Table 2.8 Occupational Distributions and Changes Within Manufacturing By Year (According to Berman, Bound and Griliches, 1994) ........................................ 34
Table 2.9 Occupational Distributions and Changes Within Manufacturing By Year (According to Wang 2000) ........................................ 35

Chapter 3
Table 3.1 Simulation Parameters of Figure 3.2 ................................. 50
Table 3.2 Simulation Parameters of Figure 3.3 ................................. 51
Table 3.3 Simulation Parameters of Figure 3.4 ................................. 52
Table 3.4 Structure of Domestic Production ................................... 55
Table 3.5 Percentage of Labor Forces Devote into Each Sector ............... 55
Table 3.6 Flight Time between Cross-Strait Travels ........................... 57
Table 3.7 Simulated Total Traveling Time if Pan-KMT Assertions Are Correct ................................................................. 59
Table 3.8 Simulated Total Traveling Time if Pan-DPP Assertions Are Correct ................................................................. 61
Table 3.9 Simulated Total Traveling Time in a Middle Opinion .............. 62
List of Figures

Chapter 1
Figure 1.1 Research Framework of Chapter 2 ......................... 6
Figure 1.2 Research Framework of Chapter 3 ......................... 7

Chapter 2
Figure 2.1 Equalization of Production Cost .......................... 16
Figure 2.2 Change in Relative Demand for Skilled workers .......... 19
Figure 2.3 Percentage of Outsourcing Input .......................... 24
Figure 2.4 Percentage of Outsourcing Input from Mainland China .... 24
Figure 2.5 Manufacturing Employment Share in Total Employment .... 26
Figure 2.6 Shares of Skilled and Unskilled Employees in Manufacturing to Total ... 27
Employees in Manufacturing
Figure 2.7 Wage Shares of Skilled and Unskilled Employees in Manufacturing ... 28
to Total Wage Bill in Manufacturing
Figure 2.8 Shares of Skilled and Unskilled Employees in Electric & Electronic ... 30
Related to Total Employees in Electric & Electronic Related
Figure 2.9 Wage Shares of Skilled and Unskilled Employees in Electric & Electronic ... 31
Related to Total Wage Bill in Electric & Electronic Related

Chapter 3
Figure 3.1 Zero Profit Loci For North and South ..................... 49
Figure 3.2 Transportation Cost =3 ........................................ 50
Figure 3.3 Transportation Cost =2 ........................................ 51
Figure 3.4 Trade Cost =1.5 ................................................. 52
Figure 3.5 Pan-KMT Recognition of Economic and Trade Environment ........ 58
Figure 3.6 Pan-DPP Recognition of Economic and Trade Environment ........ 60
Figure 3.7 A Middle Recognition of Economic and Trade environment .......... 62

Appendix
Appendix I □ An Extraction: The Pan-KMT Industrial White Paper .......... 76
Appendix II □ An Extraction: The Evaluation Report of Cross-Strait Direct Navigation 83