

## **Mainland China and Taiwan's Strategies for Overcoming the Middle/High Income Trap: Domestic Consensus-Building and the Foundations of Cross-Strait Interactions**

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**Abstract :** The recent discovery of the High-Income Trap phenomena and the established Middle-Income Trap literature have identified the similarity of the structural challenges that both Mainland China and Taiwan have been facing since the simultaneous growth slowdown from the 2000s. Mainland China and Taiwan's ineffectiveness in productivity growth weakened their overall competitiveness in Global Value Chains. With the subsequent decline of industrial profitability, social compression from late development persists and jeopardises the social cohesion. From Ma Ying-jeou's '633' promise and Tsai Ing-wen's '5+2' industrial framework to Mainland China's 11th to 14th Five-Year Plans, leaderships across the Strait have been striving to constitute new models for inclusive and sustainable development through policy responses. This study argues that social consensuses that have been constructed by the domestic political processes define the feasibility of the reform strategies, which further construct the conditions for Cross-Strait interactions. Based on the existing literature of New Institutional Economics, Middle/High Income Trap, and Compressed Development, this study adopts a Historical Institutionalist analytical framework to identify how the historical path-dependency contributes to the contemporary growth constraints in both economies and the political difficulty on navigating the institutional and Organisational change. It continues by tracing the political process of economic reform to examine the sustainability and resilience of the manifested social consensus that had empowered the proposed policy frameworks. Afterwards, it examines how the political outcomes in such a simultaneous process shared by both Mainland China and Taiwan construct the social, economic, institutional, and political foundations of contemporary Cross-Strait engagement.

**Keywords :** historical institutionalism, political economy, cross-strait relations, high/middle income trap

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