

The succession and the forward-looking for the economic and trade policies for the new administration

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In responding to the complex and evolving international dynamics, five key aspects of policy considerations need to be included and highlighted for the new administration's pursuit of trade and economic strategy.

First, the "de-risking" from China for the Taiwanese industries should be accelerated through the government's assistance. China has already demonstrated its willingness and ability to "weaponize" economic and trade dependencies. Reducing the space for China to manipulate and exploit these interdependencies would be a priority to reduce Taiwan's potential risks. Particularly, the Cross-Strait Economic Cooperation Framework Agreement (ECFA), a framework agreement signed in 2010 with a limited tariff preference of trade (so called "early-harvest" items), has become one of PRC's tactic to coerce Taiwan. On January 1, 2024, China began to suspend zero tariffs on 12 ECFA petrochemical products, reinstating tariffs ranging from 2% to 10%, and has indicated that it may continue to expand the suspension of ECFA early harvest benefits. The proportion of Taiwanese exports to China by using ECFA benefits has declined to 17% in 2023 from the peak of 33%, and the importance of the agreement will continue to decline in the long run due to the ongoing changes of Taiwan's economic and trade structure. However, in the short term, the export of some ECFA items, such as vinyl acetate, refined copper foil, and glass materials, will remain concentrated in China, highlighting the need for Taiwanese industries to accelerate de-risking. It is recommended that the new administration should provide policy guidance and tangible supports to assist companies wishing to reduce China's share of their exports and to develop alternative markets.

Second, Taiwan needs to consider adopting the three-pronged approach to "Promote, Protect, Partner", similar to the EU and other countries, for enhancing economic security. Recently, the US and EU have set out policies or legal mechanisms in areas of export controls, inbound and outbound

investment screening, cooperation on critical minerals, and enhancing local production capacity in key industries to strengthen their economic security, seeking to mitigate risks to supply chains, critical infrastructure, technology security and leakage and economic coercion. Despite different approaches, the "protect, promote, partner" are core concepts reflected in their strategy, stipulating the aim of promoting their competitiveness and technological edge, protecting their data and our technology, as well as partnering up with like-minded countries.

Standing at the front line of economic security threats, Taiwan has all the reasons to elevate its economic security readiness. Indeed Taiwan has developed a long-standing investment screening mechanism for inbound investments and outbound investments in China, and introduced new measures such as the criminalization of economic espionage in 2022 to prevent the illegal acquisition and infringement of advanced technologies. The overall policy for Taiwan's economic security, however, remains relatively un-defined. Constructing Taiwan's strategy of economic security based on "three Ps" is a policy issue that requires further assessment and attention.

Third, both traditional FTA such as CPTPP or any other innovative bilateral mechanisms are reasonable approaches that Taiwan should consider and explore while enhancing international engagements. Taiwan's current FTA landscape includes only a few agreements, including the Taiwan-Singapore FTA (ASTEP), the Taiwan-New Zealand FTA (ANZTEC), and FTAs with diplomatic allies like Paraguay and Eswatini.

This is the reason for Taiwan to explore and pursue the opportunities to join the CPTPP with a view of expanding equal treatment for Taiwanese products and services. This year, Canada serves as the rotating chair of the CPTPP, and it is anticipated that there will be new progress for new application cases. However, inactively waiting should not be Taiwan's option. The new administration should come up with feasible proposals and present differentiated strategies for CPTPP countries based on their interest with Taiwan and their positions on cross-strait relation.

Furthermore, with increasing opportunities of bilateral cooperation, a "multi-faceted, issue-based" approach should be introduced as the framework for bilateral cooperation. Issues under this framework can include digital trade,

energy security, supply chain information exchange mechanisms, critical mineral partnerships, and countering economic coercion platforms and agreements. Proactively seeking topics of mutual benefit is an aspect that can and should be further focused on in the future.

Finally, Taiwan should continue to work with partners to protect the values of democracy, rule of law, and progressive inclusivity. This can be reflected in maintaining geopolitical stability and peaceful development, opposing the use of economic power to coerce countries and intervene market operations, and emphasizing progressive issues such as labor rights, gender equality, indigenous peoples' rights, and the protection of small and medium-sized enterprises. This is the cornerstone on which Taiwan can bond firmly with the democratic supply chain partners.

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