

## **The 28<sup>th</sup> MAC Advisory Committee Meeting: Highlights of Discussion by Advisory Members\***

News Reference Material

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The Mainland Affairs Council (MAC) recently held its 28<sup>th</sup> Advisory Committee Meeting on the topic of "Cross-Strait Economic and Trade Relations under Latest Circumstances: Changes and Response Strategies." Key statements and highlights of discussion by the advisory members are as follows:

1. The introductory report presented by the scholars noted that the US-China trade war, US-China tech war, and COVID-19 pandemic have prompted the restructuring of global industrial supply chain and effected changes in cross-Strait economic and trade relations. In the international arena, US President Joe Biden continues to impose sanctions on trade with mainland China, enforce bans on Chinese technology, accelerate its semiconductor development, and strengthen its 5G technology to protect key technology in competitive industries; these measures could potentially usher the world into a future of dual supply chains led by the US and China respectively. In terms of cross-strait relations, mainland China's Taiwan policy remains focused on "opposing independence, promoting unification, and facilitating integration". Meanwhile, mainland China is eyeing Taiwan's talent, know-how, and capital in the technology industry and intensifying efforts to lure them to seek development in mainland China.

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\*The MAC Advisory Committee Meeting is formed by experts and scholars in related fields. The views and opinions expressed in the meetings or excerpted in this article belong solely to the speakers.

2. Mainland China's 14<sup>th</sup> Five Year Plan seeks to actively transform China's industries and achieve technological independence despite incessant natural disasters, a resurgence of the COVID-19 pandemic, and countermeasures from the US-led alliance. To cement its grip on power, the Chinese Communist Party (CCP) may incite nationalist sentiments to shift focus from domestic issues. Under these changing circumstances, Taiwan should fully leverage its democratic values and pivotal role in the key global industry supply chains to find a niche and elevate its strategic position in global industries.

3. Some members noted that, while there is continuity in several areas between the CCP's "13<sup>th</sup> Five-Year Plan" and "14<sup>th</sup> Five-Year Plan," the supreme guiding principle of the plan has shifted from "upholding the principal position of the people" to "upholding the party's overall leadership," indicating a move to strengthen the CCP's policy of "the party in charge of everything" in all aspects. On August 17 this year, the CCP Central Financial and Economic Affairs Commission proposed the policy of "common prosperity," implying that "fair distribution" is now a higher priority to "economic growth." The changes in the thinking of CCP leadership deserve the government's continuous attention and timely response.

4. Some members stated that cross-Strait trade relations can be discussed on two levels. The first is triangular trade interdependence. For example, Taiwan exports intermediate materials to mainland China for assembly, and later ships finished products to other overseas markets. Since mainland China needs parts of electronic products and information, communication, & audio-video products from Taiwan, the relations between the two sides across the Taiwan Strait have little impact on this type of triangular trade. The second type of trade concerns finished products directly exported from Taiwan to mainland China, including agricultural and retail products. This type of trade is an economic leverage

mainland China has often used to manipulate cross-Strait politics in the past. Taiwan's economic and trade exchanges with mainland China still face certain risks; therefore, Taiwan needs to further diversify its external economic and trade structure through strategies such as exploring New Southbound markets, negotiating and signing a Taiwan-US BTA, and joining the CPTPP.

5. Some members noted that a significant part of Taiwan's GDP growth in the past two years came from the return investment by overseas Taiwanese companies and orders transferred out of China as a result of the US-China trade war. However, the US is doubling down on investment in its own supply chain, and Taiwanese businesses could therefore choose the US instead of Taiwan to set up plants and production lines; this could render losses in investment in and export orders from Taiwan. The members suggested that Taiwan should step up dialogue with the US to ensure that the Taiwan-US economic and trade ties are mutually beneficial and create a win-win situation.

6. Some members suggested that the government respond to the current wave of returning Taiwanese businesses by actively providing incentives to attract the return of businesses in emerging tech industries (such as 5G, AI, aerospace engineering, electronics, etc.) rather than passively accepting the return of businesses in existing industries; doing so will contribute to industrial upgrading in Taiwan. With the gradual recovery of global supply chains, Taiwan's export growth may slow down in the second half of the year; meanwhile, as the semiconductor production capacity increases globally, in two years' time, Taiwan's chip industry may not be in as high demand as it is now. Given the risks of declining exports and investment, it is increasingly urgent that the government boost domestic demand. At present, 90% of college students in Taiwan enter the service industry after graduation, making conditions of this industry key to resolving the low-wage problem facing young people. Taiwan should deregulate

industries, bring in capital, and improve business models to drive demand for high-level talent.