

The 38th MAC Advisory Committee Meeting: Highlights of Discussion by Advisory Members *

News Reference Material

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The Mainland Affairs Council (MAC) recently held the 38th Advisory Committee Meeting on the topic of "Mainland China's Economic Situation and the 20th National People's Congress (NPC)." Key statements and discussion points of the participating committee members are as follows:

1. The introductory report presented by the scholars indicated that, due to the impact of policies such as the zero-COVID measures, mainland China's economy growth in Q2 this year was at 0.4%, the second lowest rate in history. International organizations have generally forecast that mainland China will have difficulty achieving a 5.5% economic growth, the target rate for its economy this year. The recent mainland Chinese policies on economic recovery primarily operate through having the banking system provide loans for the real economy; however, the banking sector is already granting massive mortgage loans, supporting the finance of local governments, and giving many other loans in line with the national policy agendas, which, when added together, exert tremendous pressure on its liquidity. Meanwhile, there has been an explosion of bank runs and cases of unfinished buildings in mainland China, reflecting the heightening of systemic financial risks against the mainland Chinese authorities. The scholars urged our government to closely watch relevant indicators of cross-Strait financial, political, and economic risks. Regarding cross-Strait economy and trade, given the leading role and competitive edge of Taiwan's high-tech industry, it is expected that mainland

*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.

China's cross-Strait economic and trade policies will remain dominated by measures that are "benefitting Taiwan." Nevertheless, the government should not rule out the specter of more sanctions on Taiwan's final consumer goods such as agricultural and fishery products; our government should also be vigilant about mainland China's all-out push to develop its high-tech industry, as such effort could one day materialize in its success in manufacturing certain critical parts domestically or setting global standards for emerging technologies and affect Taiwan's industries as a result.

2. Some committee members noted that mainland China has long relied on a loose monetary policy to maintain its economic prosperity, but most of the funds have in fact flowed to the real estate sector, with only a portion being invested in the real industries. Therefore, despite the rosy economic figures on accounts, there is little growth of mainland China's real economy. Mainland China may be faced with a myriad of problems with its economy at the moment, but its unique political and economic system allows it to come up with novel solutions through channeling resources and maintaining flexibility; hence it is forecast that in the lead-up to the 20th NPC, the CCP's guiding principle of "prioritizing stability" will prevent any outbreak of economic or financial crises in mainland China. That said, the above-mentioned issues may still, in the long run, lead to the manifestation of other structural issues in various sectors. (An example is that the local governments in mainland China used to set up city investment companies to convert their debts into hidden debts.) Consequently, in the long term, mainland China's economic performance may continue to be on a downward trajectory.
3. Some committee members pointed out that the Leftist thought (i.e. Marxism) remains the politically-correct school of thought in mainland China; therefore, our government is advised to study and analyze mainland China's economic problems not from the perspectives of the Western economic system but from that of the Leftist thought and from different angles. This change in approach

may give our government a more precise insight into the realities of mainland China.

4. Some committee members analyzed that the increase of cross-Strait trade volume over the past two to three years is primarily the result of Taiwanese businesses exporting intermediate goods to mainland China from Taiwan as some of them have already reshored back to Taiwan but still manufacture from their plants in mainland China. Going forward, however, if the industrial clustering effect of Taiwanese businesses in Vietnam, India, and other countries begins to show, these supply chains may gradually move to Southeast Asia, rendering a decline in the cross-Strait economic and trade interdependence in the long run.
5. Some committee members suggested that, given mainland China's efforts to accelerate economic and trade integration with Taiwan over the past few years, our government should adopt both actual practices and legal tools to implement control and management on the capital, technology, and talent flowing from Taiwan to mainland China. Meanwhile, our government is advised to duly express goodwill in public statements so as to ease cross-Strait tensions.