

The 47th 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 47th Advisory Committee Meeting on the topic of "Observations on mainland China's Influence on the Global Economy." Key statements and discussion points of the participating committee members are as follows:

1. The introductory report presented by the scholars indicated that recently, mainland China has faced economic, trade, and investment containment by the United States (US) and its allies, prompting it to shift focus to regions including Africa, Central Asia, and Southeast Asia. Mainland China's economic and trade links with member countries of the Regional Comprehensive Economic Partnership (RCEP) are growing stronger, and the mainland Chinese authorities have been promoting the "Belt and Road Initiative" as a way to mitigate the impact of the US-led supply chain decoupling. Meanwhile, mainland China is actively participating in international economic integration by seeking membership in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); it is also expanding political and economic relations with foreign countries through head-of-state and summit diplomacy. However, mainland China has incurred growing resentment and concerns of other countries over its dual strategy of security measures and economic coercion. Furthermore, despite the importance of renminbi (RMB) internationalization being a key strategy in mainland China's efforts to enhance its international status and

* 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.

substantive influence, indicators such as RMB's share as a global payments currency still suggest that RMB internationalization remains insufficient and that the currency is unlikely to replace the US dollar in the short term. Mainland China remains the main recipient market of outbound investment from Taiwan and by Taiwanese companies; therefore, it was recommended that the government actively assist Taiwanese businesses in adapting to the changing economic and trade environment in mainland China and the geopolitical risks from US-China relations.

2. Some committee members analyzed that the poor economic data of mainland China these days have prompted several research institutions to lower their economic growth forecasts for the country; however, due to the low comparison base from last year, mainland China's economy is expected to grow by over 5% this year. Observations on the Russia-Ukraine war seem to indicate that the economic and financial sanctions by the international community had very limited effect on deterring Russia from taking military action, a phenomenon deserving continued and close monitoring. Judging from several events, including mainland China's recent Taiwan policy tone surrounding the peaceful promotion of cross-strait integration, a visit by the US Secretary of State to mainland China, etc., there seems to be a lower likelihood of tensions rising or geopolitical risks intensifying between the US and mainland China.

3. Some committee members reminded that given mainland China's position as a global market and factory and therefore difficult to achieve a full economic decoupling from, the consensus reached at the Group of Seven (G7) Summit was that Western countries should aim to de-risk rather than decouple from mainland China. Future economic and trade exchanges between Western countries and mainland China may be maintained in traditional industries but significantly restricted or blocked in key technology sectors. The US has imposed

economic constraint measures against mainland China to weaken the latter's international influence. The impact of these measures on Taiwan and Taiwanese businesses remains an area worth ongoing attention.

4. Some committee members considered that, since mainland China had already signed free trade agreements with several Southeast Asian members of the RCEP, the bloc's significance for mainland China is more declarative than substantive. The RCEP has served to strengthen interaction with member countries and reduce the impact of US sanctions, provide an environment of institutionalized and periodic conference for negotiations, and lower trade barriers among member countries. However, the worsening economy of mainland China prevents the expansion of future investment in member countries of the RCEP or in the "Belt and Road Initiative," leaving mainland China with less influence going forward.

5. Some committee members noted that mainland China has recently been faced with a systemic crisis due to heavy local debt, supply chain relocation, capital outflows, and a steady depreciation of the RMB. Capital controls limit the utility of the RMB as a financial instrument and a store of value, highlighting the deficiency of the RMB in its inability to serve as a safe-haven currency. Currently, the US dollar continues to lead the world as a unit of account, medium of exchange, and store of value, among other indicators, both in proportion and amount. In the short term, the RMB is unlikely to challenge the dominance of the US dollar.

6. Some committee members observed that the China-European Union Comprehensive Agreement on Investment has been frozen, and the proportion of low-cost goods imported from mainland China by the US has fallen sharply.

Mainland China is losing its original market share in foreign countries and may face hardships in recovering its market position in the future. Despite its active promotion of regional alliances and increasing efforts to attract foreign investment, mainland China faces an overall external situation that continues to deteriorate. Recently, mainland China has stepped up work on infiltrating Southeast Asian countries through digital technology and economic means, so its economic clout in the region should not be overlooked.