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The Implications of the UK's Accession to the CPTPP

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After the UK's referendum on June 23, 2016, approving Brexit, the UK engaged in post-Brexit economic and trade negotiations with the European Union while actively pursuing the establishment of free trade agreements (FTAs) with other nations. A focal point in this endeavor was the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). After formally submitting its accession application on February 1, 2021, the UK successfully signed the 'Accession Protocol of the UK to the CPTPP' with CPTPP members on July 16, 2023. This marks the UK as the first new member to join the CPTPP after the expansion negotiations.

The content of the 'Accession Protocol of the UK to the CPTPP' indicates that the UK has largely accepted the norms outlined in the CPTPP, with negotiations focused on specific provisions within certain chapters. Regarding the highly scrutinized principle of tariff reduction, existing members have the prerogative to choose between a regular or accelerated tariff reduction for new members. The longer the delay in negotiations for new members, the shorter the buffering period for industries affected. As for the UK's market access commitment to existing CPTPP members, it is set at a high standard, with a final rate of 98.98% for all UK products reducing to zero tariffs, and the longest tariff reduction period spanning 21 years.

Further examination of the market access of British industrial products reveals that upon the implementation of the CPTPP, 94.31% of industrial products in the UK will immediately eliminate to zero tariffs. The only exception is the transportation equipment category, with a lower immediate zero-tariff rate (77.69%) compared to the overall average. Additionally, except for agricultural products, the UK has implemented differentiated tariff reductions for general chemicals (such as proteins) with Australia and transportation equipment (such as tractors and buses) with Japan. This underscores the CPTPP's stance on

new members, emphasizing a ‘full and fast’ approach, where the vast majority of products must have zero tariffs in place at the effective date, and the items eligible for phased tariff reductions are relatively limited.

The negotiation outcomes from the UK indicate that the government has implemented the commitments outlined in the ‘UK Accession to CPTPP: The UK’s Strategic Approach,’ published in June 2021. This includes the assurance that CPTPP will align with UK legal standards and arrangements, while excluding sensitive issues related to the National Health Service (NHS). The accession to CPTPP is expected to assist the UK in reducing trade barriers within the CPTPP region, creating additional market opportunities for British companies. This move aligns with market trends, fostering the development of supply chains and value chains for trade and investment.

Taiwan officially submitted its application to join the CPTPP on September 22, 2021. Understanding the process of the UK’s accession to the CPTPP, as well as the post-accession market access conditions, can provide valuable insights for Taiwan as it considers and advances its own application to join the CPTPP.

From the aforementioned analysis, it is evident that the CPTPP is a large-scale FTA characterized by high quality and stringent standards. If Taiwan successfully progresses to the negotiation stage of the CPTPP, Taiwan not only needs to prepare for ‘immediate liberalization with almost no exceptions’ but must also recognize that the CPTPP has become a battleground in the geopolitical competition between Taiwan and Mainland China.

Despite Taiwan’s favorable economic and trade conditions, the strong opposition from Mainland China to Taiwan’s accession has prevented Taiwan from receiving official support from CPTPP member states. The road for Taiwan to join the CPTPP in the future is expected to be more challenging and protracted compared to the UK’s experience, and it will require concerted efforts from the entire population.

Under Geopolitical Pressures: The New Dynamics of Cross-Strait Economic and Trade Relations

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Due to linguistic and cultural affinities, mainland China has emerged as the premier choice for Taiwanese businesses in their overseas strategic positioning. Facilitated by the trade-stimulating effects of investments, cross-strait economic exchanges have progressively intensified, giving rise to a delineated division of labor model characterized by Taiwan managing order acquisition, China spearheading production, and subsequent exportation targeting the European and American markets. In 1990, China (including Hong Kong) constituted approximately 12.7% of Taiwan's global export share, a figure that surged to 41.8% by 2010. Despite experiencing a marginal decline by 2022, this proportion remains notably substantial at 38.8%.

However, the long-standing division of labor model across the Taiwan Strait has undergone changes due to factors such as the diminishing impact of investment-driven trade, the economic rise of mainland China, regional economic integration, and geopolitical considerations between the United States and China. Firstly, the operations of Taiwanese businesses in mainland China have gradually shifted towards localization, leading to a transformation of the supply chain for intermediate materials and components from being imported from Taiwan to being supplied locally. Secondly, with the enhancement of manufacturing capabilities in mainland China and the effects of reduced tariffs resulting from the China-ASEAN Free Trade Agreement and the China-Korea Free Trade Agreement, traditional Taiwanese industrial products face intense competition in the mainland Chinese market. Consequently, Taiwan's exports to mainland China have become more concentrated in areas of advantage, particularly in sectors such as semiconductors and ICT, which enjoy zero tariffs.

Furthermore, the trade tensions between the United States and China in 2018, coupled with a series of economic coercive measures imposed by mainland China against Taiwan since 2021, including the prohibition of imports such as

pineapples, sugar apples, wax apples, and grouper, as well as the initiation of trade barrier investigations into 2,455 Taiwanese products, have heightened risks in the mainland Chinese market. These developments have accelerated the erosion of the cross-strait division of labor model. Since 2018, traditional industries such as chemicals and rubber, machinery, and textiles have shown a trend of diversifying their exports from the mainland Chinese market to other markets.

On April 12, 2023, the Chinese Ministry of Commerce issued a public announcement initiating a trade barrier investigation into 2,455 Taiwanese products. Mainland China contends that Taiwan's unilateral restrictions on the importation of relevant products are inconsistent with the World Trade Organization's "non-discrimination principle," "general elimination of quantitative restrictions principle," and the provisions of Article 2 of the Economic Cooperation Framework Agreement (ECFA) concerning the "gradually reducing or eliminating tariff and non-tariff barriers to trade in a substantial majority of goods between the two parties." China further threatens to suspend or partially suspend tariff preferences granted to Taiwanese products under the ECFA.

Due to the close interdependence of cross-strait supply chains, a comprehensive termination of the Economic Cooperation Framework Agreement (ECFA) by mainland China would not only harm the Chinese economy but could also be unlikely. In recent years, China's economic performance has been subpar, leading international credit rating agency Fitch Ratings to revise its 2023 economic growth rate forecast for China from 5.6% to 4.8%. Therefore, the possibility of a complete cessation of the ECFA by mainland China is deemed low, and it is more plausible that targeted trade measures, such as anti-dumping actions, may be implemented on specific products.

However, given the lack of mutual political trust across the strait, it is anticipated that mainland China will continue to raise issues related to sanctions on Taiwanese products under different pretexts, posing long-term pressure on Taiwan. Additionally, while mainland China has postponed its trade barrier investigation on Taiwanese products to January 12, 2024, the possibility of an

earlier release of investigation results cannot be ruled out. Therefore, domestic industries should remain vigilant to the dynamic developments of China's relevant measures, proactively diversify export markets, and mitigate potential risks.

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U.S.-China Regional Cooperation: Strategies and Progress

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Since 2017, the United States has repeatedly imposed punitive tariffs on imports from China. Following the inauguration of President Biden, the focus shifted to national security considerations. Various measures such as export controls and investment restrictions were implemented, and concerted actions were taken with allies to mitigate the potential risks associated with China's rise. In response, China has also put forward countermeasures. Within the context of the economic and trade strategies proposed by each side, distinct economic and trade blocs centered around the U.S. and China have subtly emerged.

The United States is forming alliances to establish global standards

In May 2022, the United States, in collaboration with 13 member countries, established the Indo-Pacific Economic Framework (IPEF). This framework not only avoids the traditional market access model involving tariff reductions but also allows the United States to maintain its leadership role in shaping global standards. The members reached a Supply Chain Agreement in May 2023, marking the first successful negotiation outcome under the IPEF.

Alliance for a Reliable U.S. Supply Chain

The text of the IPEF Supply Chain Agreement announced on September 7, 2023, reveals significant measures. These include members actively promoting the production and logistics of key products among themselves. Additionally, they will enhance collaboration through investment, financial assistance, upgrading, and constructing both tangible and intangible infrastructure conditions. Moreover, an IPEF Supply Chain Crisis Response Network will be established to address potential crises in the supply chain.

Alliance on U.S. Export Control Measures

To block the potential leakage of advanced technologies within the supply chain, the Export Administration Regulations (EAR) are crucial measures. One of the most well-known aspects is the U.S. restriction on supplying certain

advanced computing chips, components, semiconductor equipment, and related technologies to mainland China. Subsequently, to prevent loopholes in enforcement, there has been a concerted effort to persuade key allies in the semiconductor supply chain, namely Japan and the Netherlands, to cooperate in implementing export controls.

Alliance for U.S. Access to Critical Minerals

On June 14, 2022, the United States, along with partners such as Australia, Canada, Japan, South Korea, and the European Union, announced the establishment of the Minerals Security Partnership (MSP). The participating members are expanding. The aim is to ensure access to critical minerals that meet environmental, social, and governance (ESG) standards amid the rapid development of industries such as clean energy.

Mainland China linking with emerging nations to counterbalance Western influence

For many years, the BRICS nations maintained the same membership, but when China assumed the presidency of the BRICS in 2022, an expansion process was initiated. This year, the BRICS nations invited six new members to join, expanding to become "BRICS+," aiming to increase global influence. They also raised the issue of establishing a more equitable payment system that does not favor wealthy countries and proposed the initiative to organize a common currency.

Mainland China actively participates in international alliances

In response to the United States' efforts to contain it, China has proposed measures such as the "Global Development Initiative" and actively seizes any opportunity to engage in international alliances. The aim is to extend the country's experiences and models to other developing nations. China seeks to strengthen international economic and trade links and collaboration in supply chains by actively joining free trade agreements and other economic and trade mechanisms. Despite domestic economic challenges, China allocates substantial resources to expand its influence through the "Belt and Road Initiative" network, aiming to reduce its trade dependence on the United States and Europe within its diplomatic "circle of friends."

Conclusion

The global trade structure is undergoing a transformation, moving towards a new era where the economic ties and cooperation between China and Western economies, along with their respective partner countries, are becoming increasingly intertwined while simultaneously diverging. Therefore, the practical decoupling of technology between the United States and China signifies a new relationship for Taiwanese companies with the Chinese market. As Taiwan's processing and export trade with China wane, cross-strait trade is expected to revert to a more conventional trading pattern. Additionally, amid a more fragmented supply chain landscape, Taiwan, which is primarily oriented towards global economic and trade activities, is likely to face increased operational costs for companies and constraints on operational flexibility and global positioning.

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Key Focus and Models of Regional Cooperation in Emerging Fields

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In recent years, trade protectionism has been on the rise. While countries except the United States remain actively engaged in regional economic integration, the number of signed Free Trade Agreements (FTAs) has decreased. Influenced by ongoing U.S.-China tensions, the COVID-19 pandemic, and international situations like the Ukraine-Russia war, global regional economic integration is experiencing more distinct changes than before.

In response to competition from mainland China, the United States has shifted from actively pursuing trade negotiations with market access model to cooperating with like-minded partners. It aims to align with allies in adapting to the development trends of digitalization and clean energy transformation within industries. Additionally, based on common political and diplomatic interests, there is a concerted effort to counter China. Other countries, while continuing to promote market access in regional economic integration, have recognized the increasing risks to global supply chains caused by changes in the international landscape. They understand that ensuring the security of critical technology supply chains cannot be guaranteed by a single country's efforts alone. Therefore, there is a proactive push for new forms of cooperation agreements that align with economic, trade, and industrial development.

Looking at recent cooperation initiatives promoted by major countries such as the United States, mainland China, the European Union, and Japan, the focus is generally on emerging areas such as digital economy, clean energy, and supply chain resilience. In terms of cooperation models, countries are utilizing methods such as signing memoranda of understanding, establishing partnership relationships, organizing new cooperative initiatives, and deepening cooperation within existing FTA frameworks.

Analyzing the main themes of negotiations for new types of agreements in digital economy, clean energy, and supply chain resilience, along with case studies from various countries, it is evident that these agreements place less

emphasis on issues like tariff reduction, market access, and rules of origin. Instead, the focus is on promoting digitization, energy conservation, carbon reduction, and strengthening the connectivity of supply chains. This shift has become a recent cooperation focus for countries, and the related norms and outcomes will impact the establishment of global economic and trade cooperation networks and rules.

To enhance Taiwan's ability to respond to changes in the international landscape, it is recommended that the government not only closely monitor international economic and trade cooperation trends but also expand research efforts on industrial cooperation issues. This involves analyzing areas, models, and negotiable bargaining chips for collaboration with different partners, aiming to increase the tangible benefits of Taiwan's promotion of new types of international cooperation.

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Analyzing China's Performance in Attracting Foreign Direct Investment

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In the backdrop of the US-China trade war and the COVID-19 pandemic, significant structural changes have occurred in the operations of multinational corporations in China. To circumvent the high US Section 301 tariffs on China, foreign companies engaged in China are actively reconfiguring their investment strategies. They are diversifying their production capabilities to other regions, such as Southeast Asia, and there have been reports of foreign companies divesting from mainland China.

According to data released by China's State Administration of Foreign Exchange, foreign direct investment (FDI) inflows to China amounted to a mere \$4.9 billion in the second quarter of 2023. This reflects a 76% decline from the first quarter and an 87% reduction compared to the same period the previous year. This marks the lowest quarterly FDI inflow into China since 1998. Nevertheless, when scrutinizing the actual FDI utilization figures provided by the Ministry of Commerce, the decline is approximately 10%, underscoring a significant discrepancy between the two data sources.

According to figures published by the Ministry of Commerce, China has consistently increased its annual FDI inflow since 2016, with a more pronounced surge following the US-China trade war and the pandemic. In 2022, China attracted \$189.1 billion in FDI, accounting for 14.6% of the global total and ranking second globally, only behind the United States. A closer look at the sectors garnering the most foreign investment reveals that China's inward FDI in the manufacturing sector has been receding since 2011, owing to escalating production costs, more stringent environmental regulations, labor shortages, and other factors. In recent years, foreign investment in China has primarily been directed towards service industries, the automotive sector, and other industries catering to domestic demand.

This article underscores the substantial disparities between the statistics

of the Ministry of Commerce and the State Administration of Foreign Exchange, which has become evident since the second quarter of 2022. This is primarily due to the distinct statistical recording principles employed by these two authorities, giving rise to the data mismatches.

By investigating the differences in foreign direct investment statistics between the State Administration of Foreign Exchange and the Ministry of Commerce, it is found that the recent sharp decline in foreign investment inflow into China can primarily be attributed to China's recent interest rate cuts and depreciation of the RMB. Investment opportunities have dwindled, prompting Chinese capital to seek higher returns abroad. Additionally, China's ongoing economic slowdown has reduced foreign investment profitability and reinvestment, elucidating the overall downturn. Consequently, while China's performance in attracting foreign investment in 2023 has not been ideal, it predominantly mirrors the prevailing economic challenges and diminished investment opportunities, rather than multinational companies disinvesting from China due to supply chain realignments.

For Taiwanese enterprises, considering the prolonged US-China tensions and the accelerated global supply chain restructuring, diversified investment strategies have become the emerging trend. Taiwanese enterprises operating in China will need to shift towards a more "Local Production, Local Sales" model. The advantages of manufacturing-focused Taiwanese businesses investing in China will diminish, and only enterprises with highly advanced technological capabilities can sustain operations in mainland China. Taiwanese enterprises must reinforce the application and management of technology to prevent technology leakage and maintain a competitive edge in the Chinese market for sustained long-term operations.

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Impact and Countermeasures of the Increase in Electricity Prices on Industrial Power Conservation for the Year 2022-2023

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In the past two years, the increase in fuel prices has created significant operational pressure for Taiwan Power Company (Taipower). In order to timely reflect reasonable costs and ensure stable power supply, the Ministry of Economic Affairs adjusted electricity prices for industrial users with high voltage and extra-high voltage in July 2022 and April 2023, with increases of 15% and 17%, respectively. These adjustments were higher than the average electricity price adjustment (8.4% and 11%). Despite these adjustments, Taipower still faces substantial losses, and there is an expectation of possible future electricity price increases.

Therefore, this study utilizes a questionnaire survey to investigate the actual electricity costs and operational cost impacts for industrial users in the face of the past two years and future electricity price adjustment policies. It also explores the implementation of relevant energy-saving measures, coping strategies, and expectations or suggestions for government assistance in policy. The analysis aims to understand the impact of electricity price increases on promoting energy conservation and improving energy efficiency, as well as how to assist industries in conserving energy and enhancing energy use efficiency amid rising price pressures.

According to the survey results presented in this article, nearly 40% of the large industrial energy users in our country have electricity costs accounting for over 10% of their operating costs, with 7% of businesses having electricity costs exceeding 40%. Faced with the recent two-year increase in electricity prices, which has raised operational costs, 6% of businesses indicate that a 1-5%

increase in operating costs could potentially lead to company closures or relocations. It is suggested that the government should pay closer attention to this issue and provide relevant guidance programs.

The impact of the two electricity price adjustments in 2022-2023 reveals that, under the pressure of energy cost, the number of businesses taking no measures has decreased. Users are adapting by extending beyond the initial strategy of replacing old equipment, incorporating more energy-saving measures. These measures include reducing equipment operating hours, shifting electricity usage from peak to off-peak hours, adjusting electricity contract capacities, upgrading energy management systems, and outsourcing some production processes. These adaptations aim to mitigate the impact of energy cost on the operational efficiency of enterprises.

To mitigate the impact of rising electricity prices and encourage industrial transformation, this article also conducted a survey on businesses to identify their expectations for future government assistance. The findings indicate that businesses are most hopeful for government support in the form of financial subsidies, energy-saving tax incentives, and information or professional consultation, planning, and diagnostic services related to energy efficiency and carbon reduction. However, in practice, the majority of businesses have not applied for any subsidy measures, suggesting potential issues such as information asymmetry or difficulty in applying for subsidies that could be improved upon.

Furthermore, amidst the pressure of rising electricity prices, it is essential for the government to assist industries in energy conservation and improving energy efficiency. This can be achieved by leveraging fiscal tools or the power of the financial market to support low-carbon transformation. The government can provide low-carbon investment incentives through tax benefits or incentive subsidies for investments in energy-saving equipment. In addition, the government should enhance the provision of relevant energy-saving and carbon reduction technology guidance and consulting services, as well as facilitate activities for the exchange of industrial energy efficiency improvement technologies and information sharing. This approach can help reduce information asymmetry and transaction costs, encouraging more businesses to engage in the transition.

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