

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

Liu, Yu-Chen | Analyst, The Regional Development Study Center

Lin, Lien-Ting | Analyst, The Regional Development Study Center

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.

©Chung-Hua Institution for Economic Research 2023