

## U.S.-Taiwan Initiative on 21st Century Trade and Asia Pacific Industrial Chain Restructuring<sup>1</sup> US dominance, Taiwan's Compliance and China's Response

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### ABSTRACT

The first batch of agreements under the "U.S.-Taiwan Initiative on 21st Century Trade" will come into effect in December 2024, including five topics: "trade facilitation", "good legal practices", "internal regulations in the service industry", "anti-corruption", and "small and medium-sized enterprises". The seven topics that will be negotiated in the future include labor, environment, agriculture, digital trade, etc. The Chinese government has always adhered to the One China principle, and Taiwan is an inseparable part of China. However, Due to the global trade chaos caused by Trump's "reciprocal tariffs" as well as the huge uncertainty of the results of "reciprocal tariffs" between the United States and other countries in 2025, combined with his governing style, the shortcomings of the initiative, and the need for geopolitical games and alternative solutions, the initiative may move towards two extremes: being substantially abandoned or passively returning. If it can be retained, the U.S.-Taiwan Initiative on 21st Century Trade, as a framework for economic and trade cooperation between the US and Taiwan, will also deepen bilateral economic relations and reconstruct the Asia Pacific industrial chain. Therefore, China's response is also crucial, and attention should be paid to both, with a focus on quickly achieving equal openness and establishing a community with a shared future for mankind, and working together with Taiwan compatriots to promote the great rejuvenation of the Chinese nation..

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### Preface

"U.S.-Taiwan Initiative on 21st Century Trade (hereinafter referred to as the 'Initiative')," began negotiations on June 1, 2022, held the first negotiation meeting in New York, U.S. in November of the same year, and the 2nd meeting was held in Taipei in January 2023. The negotiation window between the U.S. and Taiwan is the American Institute in Taiwan (AIT) and the "Executive Yuan Trade Negotiation Office." The first batch of agreements between Taiwan and the U.S. were signed on June 1, 2023, at the AIT headquarters, with Taipei Representative to the U.S. Hsiao Mei-chin and AIT Executive Director Lan Ying representing both sides. The content includes "trade facilitation," "a sound legal environment," "internal regulations of the service sector," "anti-corruption," and "small and medium-sized enterprises" as 5 topics, and negotiations on 7 topics including labor, environment, agriculture, and digital trade followed. On June 21, the U.S. House of Representatives passed the bill orally, and on July 18, the so-called "U.S.-Taiwan 21st Century Trade Initiative First Batch Agreement Implementation Act" was passed by the U.S. Senate in a "unanimous passage" manner. After the "bill" was officially sent to the Congress, it was submitted to President Biden for signing. While the Taiwan legislative body completed

the review of the first batch of agreements of the "U.S.-Taiwan 21st Century Trade Initiative" by the end of July. In August 2024, the U.S. USTR obtained authorization from Biden and confirmed with the U.S. Congress that the regulations of both sides were in place. On December 10, after two and a half years, the first batch of agreements of the "Initiative" officially took effect.

China opposes any of its diplomatic partner countries negotiating with Taiwan on agreements that imply sovereignty or have an official nature. This position is consistent and clear. China opposes any form of official exchanges and military contacts between the U.S. and Taiwan, firmly safeguarding national sovereignty and territorial integrity. China supports enhanced exchanges and cooperation between compatriots on both sides of the Taiwan Strait, but resolutely opposes U.S.-Taiwan trade negotiations, a stance that has been immediately clarified by the Taiwan Affairs Office and the Ministry of Foreign Affairs. On May 26, 2023, Minister of Commerce Wang Wentao also criticized the Phase One agreement and U.S.-Taiwan cooperation surrounding semiconductors [1].

Post-World War II, global value chain collaboration gradually formed a tripartite division of "North America-Asia-Europe," with the United States (Mexico, Canada), Germany (United Kingdom, France), and China (Japan, South Korea) at the core. It reduced trade barriers, lowered transportation costs, created

job opportunities, and brought economic growth to developing countries. The industrial chain in the Asia-Pacific region has been rapidly developing in accordance with the laws of market competition, with countries participating based on their own comparative advantages, and their status in the global value chain system is increasingly rising. In 2021, the economic output of the Asia-Pacific region reached about two-thirds of the global total, and the total volume of goods and services trade accounted for nearly half of the global total.

However, affected by objective factors such as the China-US trade war, the COVID-19 pandemic, and the Russia-Ukraine conflict, the global economy and industrial chain have been severely impacted. Various anti-globalization trends have emerged, unilateralism and trade protectionism are rampant, and geopolitical factors intertwined with economic shifts continually challenge economic cooperation in the Asia-Pacific region. Especially since Trump, through Biden, and then Trump again, the United States has implemented the 'Indo-Pacific' strategy and pursued high-tech industry 'decoupling' from China, continuously suppressing and containing China. On January 20, 2025, on his first day in office, Trump signed the 'America First Trade Policy' memorandum, following the main approach of pursuing supply chain security and revitalizing the manufacturing industry. Specifically, it includes focusing on the trade deficit, investigating the sources of the trade deficit, analyzing risks and impacts, and proposing measures such as global supplementary tariffs; establishing an external taxation bureau to design and coordinate tariffs and foreign levies, potentially as a balance to domestic tax reduction policies. On one hand, Trump advocates 'America First,' strongly insisting that the United States is the strongest country. He confronts China, which aims to surpass the U.S., but does not want a war over Taiwan and China. Trump once stated, 'If Taiwan is invaded, sorry, there will be a 150%-200% tariff.' On the other hand, he is also aware that the U.S. absolutely cannot lose to China, outwardly showing a tough stance toward China, while America's first-strategy is concealed. He does not want to lose in the great-power competition with China and will never take weak actions [2].

In August 2025, Trump's forced implementation of "reciprocal tariffs" led to chaos in global trade. Starting from July 7, Trump sent tariff letters to 22 countries including Japan and South Korea, with rates ranging from 25% to 40%. Brazil and Canada were subject to 50%, 35% tariffs, respectively, while the EU and Mexico faced 30% tariffs. Countries that did not receive tariff letters were subject to a 15% or 20% "uniform tariff," which would take effect from August 1. In addition, new tariffs on copper and pharmaceuticals imported into the US were introduced. As the deadline approached, trade agreements were reached between the US and the UK, US and Vietnam, and the US and Indonesia. A trade agreement with India may also be reached. However, the US-Japan, US-South Korea, and other parties were frustrated, and the EU's stance became more firm. Reciprocal tariffs are actually reconstructing the economic and trade order after World War II, pursuing broader trade balance and benefit sharing. If the US economy improves starting from July 2025, it means the strategy is effective. It may be imitated by European countries with large trade deficits, leading to a complete reshaping of the global trade order. Especially, developing countries will be forced to impose zero tariffs on all US goods, while goods entering the US will be subject to tariffs of 20% to 50%. All developing countries will have to pay for the US dollar's dominance: the US dollar appreciation brought about by the dollar's dominance, the decline in competitiveness, will be partially offset by the asymmetric tariff rules of the US and other countries. However, the huge uncertainty of the bilateral

negotiation results with multiple countries, combined with his governing style, the inherent defects of IPEF, and the needs of geopolitical competition and alternative solutions, IPEF may move towards two extremes: being substantially abandoned or passively returning.

The "U.S.-Taiwan 21st Century Trade Initiative" fully exposes America's desire to advance Taiwan's 'shift from China to the U.S.' By deepening U.S.-Taiwan economic relations, the goal is to incorporate Taiwan into the so-called 'democratic economic camp' led by the United States. The U.S. uses this 'initiative' to strengthen economic ties with Taiwan, undoubtedly placing an important piece in its regional strategy, aiming to further consolidate its influence and strategic interests in the Western Pacific. However, under the principle of 'America First,' it is difficult for the U.S. to achieve its expected goals [3]. On February 13, 2025, the United States announced a 'reciprocal tariff' plan, specifically hoping that Taiwan would move advanced chip manufacturing to the U.S., facilitating TSMC's investment in Intel's planned spin-off foundry business. Lai Ching-te responded by expanding Taiwan's military procurement from the U.S., reducing the current U.S.-Taiwan trade surplus of up to \$73.9 billion per year, and alleviating U.S. pressure to impose additional tariffs on Taiwan [4]. He proposed the 'Global Semiconductor Democratic Supply Chain Partnership Initiative,' aimed at purchasing more U.S. goods such as oil and natural gas, and even relocating Taiwanese business investments from Mexico to the United States.

For China, Taiwan is part of its core interests, and any attempt to change the status quo in the Taiwan Strait through economic means will touch China's bottom line. The 'initiative' is not only about economic cooperation but also indirectly intensifies the strategic game and geopolitical competition between China and the United States. Of course, as an economic and trade cooperation framework between the United States and Taiwan, the 'initiative' will inevitably deepen U.S.-Taiwan economic relations and industrial chain cooperation, directly affecting trade relations between the mainland and Taiwan. It will change the demand for mainland goods in the Taiwanese market, challenge the competitiveness of mainland products in Taiwan, and place higher demands on the mainland's technological innovation and intellectual property protection. Therefore, China's response is crucial, and attention should be focused on both. Priority should be given to quickly achieving equivalent openness and building a community with a shared future for mankind, strengthening mechanisms such as the 'Belt and Road,' BRICS, and the Shanghai Cooperation Organization, and working together with the people of Taiwan to strive for the great rejuvenation of the Chinese nation.

### **Taiwan in the Reconstruction of the Asia-Pacific Industrial Chain**

The United States is leveraging Japan, South Korea, and Taiwan's dependence on American technology as a coercive tool, using allied cooperation to disrupt the existing transnational industrial chains in the Asia-Pacific region, and thereby build a set of global industrial chains that exclude China. This has entered a substantive operational phase. Such abnormal restructuring is likely to generate significant spillover effects, causing the tightly-knit regional division of labor and cooperation among other related industries to loosen. As the trend of global industrial chain restructuring becomes increasingly apparent, the process of integration in the Asia-Pacific region has attracted considerable attention, with various forces intensifying their strategic competition over the path of regional economic cooperation and industrial chain restructuring.

• **Around the Game of Reconstructing the Asia-Pacific Industrial Chain**  
 Under the changing situation, Europe, America, and Japan redefine global localization, turning the global supply chain into a local one. Their supply chain management mindset shifts from cost considerations of Just in Time (JIT) to risk control of Just in Case (JIC) [5]. This leads to a trend of localization, shortening, and decentralization in the global value chain. Therefore, outside of the United States and the European Union, Asia's attractiveness is no longer as strong as before. Canada, Mexico, and other places are gradually standing out under risk considerations. However, the layout of enterprises in multiple countries will increase costs, and attention will be paid to regional cooperation, establishing more cooperation and harmonious industrial chains [6]. In addition to the independent decisions of enterprises, many countries and regions in Europe and America also list the construction of "parallel supply chain systems" as an important policy goal; more than 50 bilateral and multilateral free trade agreements led by RCEP and CPTPP are reconstructing the industrial chain in the Asia-Pacific region, which is bound to have a huge impact on economic cooperation in the Asia-Pacific region, the adjustment and reconstruction of the global industrial chain [7]. It will also have a negative impact on the current industrial chain and supply chain status, as well as exports, in Asia and Taiwan [8].

For China, facing the extreme suppression from the United States, the rational choice is to maintain strategic composure, and through the practical advancement of the new development

pattern of dual circulation, form a new development model with self-reliance and internal and external interaction [9]. Further deepen the opening-up, strive to promote economic cooperation with countries in the Asia-Pacific region, and take more effective measures to enhance the attractiveness to the Asia-Pacific. Such as striving to promote regional cooperation in the Asia-Pacific through the implementation and content upgrade of the Regional Comprehensive Economic Partnership Agreement (RCEP) and the China-ASEAN Free Trade Area 3.0. China-ASEAN trade shows strong resilience and development momentum, the integration and interconnection of standards and regulations continue to expand, effectively promoting regional economic integration and the stability and smoothness of the global industrial chain and supply chain, the mutual cooperation in emerging fields continues to strengthen, effectively promoting regional trade facilitation and inclusive development, injecting new momentum into the global and regional economic recovery. At the same time, due to the RCEP's help to the supply chain status and exports of member countries, while Taiwan has not joined, it has become a warning for its future export competition.

**The US-Taiwan 21st Century Trade Initiative as a Substitute for the "Indo-Pacific Economic Framework"**

In May 2023, the "Indo-Pacific Economic Framework" (IPEF) led by the United States also reached a supply chain agreement, which has had adverse effects on China in terms of high-end technology supply disruptions, reduction of investment in China, and fluctuations in the energy and mineral supply chain, thereby affecting China's exports.

**Table 1: Comparison of the Indo-Pacific Economic Framework and the U.S.-Taiwan 21st Century Trade Initiative**

	Indo-Pacific Economic Framework		U.S.-Taiwan 21st Century Trade Initiative
Pillar	Content	Topic	Content
Trade	Seeking to establish inclusive, free, and fair trade commitments with high standards, including collaboration in the digital economy. This encompasses labor, environment, digital economy, agriculture, transparency and sound regulatory practices, competition, inclusivity, trade facilitation, technical assistance, and economic development.	Trade Facilitation	Discussing how to promote trade facilitation in the most effective manner. (1) Enhancing information disclosure and transparency; (2) Simplifying border procedures; (3) Digital measures; (4) Paperless trade and pre-approval of customs documents; (5) Streamlining the clearance process for perishable goods; (6) Goods release, goods return, and express deliveries; (7) Protecting trader information; (8) Customs cooperation.
	Ensure free and fair trade that contributes to sustainable and inclusive growth. In "Strengthening the Role of Workers," invest in the necessary training and development to secure a sufficient number of skilled workers in critical supply chains, advancing workers' and communities' access to labor rights based on the ILO Declaration.	Labor	Promote the safeguarding of internationally recognized labor rights, including the elimination of forced labor in global supply chains. Increase opportunities for workers to voice their opinions in trade policy-making. Discuss the role and responsibilities of businesses in assisting with the protection of labor rights. Develop more inclusive trade policies to create greater opportunities and advance gender equality.
	To advance inclusive digital trade by fostering an environment of trust and confidence in the digital economy, addressing discriminatory practices, and promoting reliable and secure cross-border data flows. This will facilitate dependable and secure cross-border data flows, an inclusive and sustainable digital economy, and the responsible development and utilization of emerging technologies.	Digital trade	Seeks to create a favorable environment for workers, consumers, entrepreneurs, and small and medium-sized enterprises. Shared principles include: (1) building consumer trust in the digital economy; (2) promoting access to information; (3) facilitating the use of digital technologies; (4) establishing resilient and secure digital infrastructure; (5) addressing discriminatory practices in the digital economy; and (6) fostering cooperation in competition policies.
Supply chains	Enhance the transparency, diversity, security, and sustainability of the supply chain. Ensure the controllability of key raw materials, processed materials, semiconductors, critical minerals, and clean energy technologies.	State owned enterprises	Seek solutions to their practices that do not comply with market rules. Adopt specific regulations to ensure that relevant government controlled businesses operate according to market mechanisms, are fairly regulated, and will not accept non-commercial aid that distorts trade.

	It will benefit workers, including the adoption, maintenance, and implementation of domestic laws that recognize internationally acknowledged labor rights based on the “Declaration on Fundamental Principles and Rights at Work (ILO Declaration),” aiming to establish a fair competitive environment (level playing field) for business and workers, as well as a just economy.	<b>Small and medium-sized enterprises</b>	Facilitate their business development. The relevant content includes: (1) cooperation in identifying and overcoming trade barriers; (2) Pay attention to trade facilitation and information sharing; (3) Share best practices; (4) Joint efforts to promote and support small and medium-sized enterprise trade activities, including assisting small and medium-sized enterprises owned by women or vulnerable groups in doing business.
	In the “agriculture” sector, advance food security and sustainable agricultural practices in a manner consistent with the WTO’s Agriculture Agreement, avoid undue prohibitions or restrictions on the import and export of food and agricultural products, and strengthen the resilience and connectivity of food and agricultural supply chains.	<b>Agriculture</b>	Seeks regulations that can promote agricultural trade through scientific, risk-based decision-making, and transparent and comprehensive regulatory practices. Establish a cooperative mechanism for production practices such as food security and innovative technologies to improve agricultural productivity, reduce land, water, and fuel use, and contribute to climate adaptation and resilience.
<b>Clean energy and infrastructure</b>	Accelerate the development and application of clean energy technologies. Deepen technological cooperation and mobilize funds. By strengthening development support and technological cooperation towards sustainable and durable infrastructure, we aim to enhance competitiveness and connectivity.	<b>environmental issues</b>	Seeking to deepen cooperation on trade and environmental issues, including promoting green enterprises, green employment, and carbonization of economic zones. Promote environmental protection issues such as natural resource conservation, and address urgent environmental challenges such as illegal, unreported, and unregulated fishing, as well as illegal trade in wildlife and plants. Exchange information on trade and environment related issues.
	In terms of “cooperation, inclusive cooperation, and transparency”, promote information sharing, civil society, and business among member states NGO □ Collaboration and cooperation among stakeholders such as economic and labor groups.	<b>Standards</b>	Seek cooperation on standard issues, covering standards, technical regulations, compliance evaluation procedures, and trade barriers.
<b>Taxation and anti-corruption</b>	Explore the establishment of an effective and robust tax system, as well as systems to prevent money laundering and bribery. Promote a fair economy. Explore the shared knowledge and ability enhancement assistance system.	<b>Anti-corruption</b>	To prevent and combat bribery and other forms of corruption, we are committed to adopting strong and effective anti-corruption standards. Including the following clauses: tax exemptions for excluding bribery; Establish measures to recover the proceeds of corruption crimes; Establish measures to deny safe havens for foreign public officials involved in corruption crimes.
	Through innovative and strengthened implementation of anti-corruption and tax measures, countries will seek to improve the investment environment and promote commercial, trade, and investment flows between economies. Support the second pillar of the Inclusive Framework for Tax Source Erosion and Benefit Transfer (BEPS) in relation to taxation issues associated with economic digitization.	<b>Good legal practice</b>	Seeks to establish regulations based on the principles of good governance and compliance with the law, using the principles of completeness and transparency. The relevant principles include: (1) providing real-time network information about regulations and the process of formulating regulations; (2) Provide sufficient time for communication with the public, offer meaningful opportunities for comments, and consider opinions from all parties involved; (3) Make regulatory decisions based on the best information, science, and evidence. In terms of the service industry, the WTO Service Industry Island Regulations Joint Initiative is used as the basis for negotiations to standardize the relevant qualification standards and procedures for service industry applications, as well as the requirements for license issuance procedures.
	In “capacity building and technological innovation”, we promote capacity building, the development of innovative methods, technical support, the sharing of experience and best practices, technological innovation and its application, and cooperation between the civil sector and stakeholders.	<b>Non market policies and practices</b>	US-Taiwan’s cooperation to counter third-party adoption of nonmarket policies and practices.

**Source:** Compiled according to the text of the Indo-Pacific Economic Framework and information from the Office of Trade and Economic Negotiations of the Taiwan authorities.

In addition, the IPEF, the Americas Partnership for Economic Prosperity (APEP) with the United States, the “B3W,” and the “Global Gateway” proposed by the European Union are also important links in responding to the Belt and Road Initiative in the infrastructure field.

**Table 2: Contains the Negotiation Content of the Latest Trade Agreements, Including the United States.**

Domain	IPEF four pillars of the negotiations (Pillars 2-4 agreed and trade still negotiated)	APEP (Americas Partnership for Economic Prosperity) Four key areas (Before the negotiation begins)	U.S.-Taiwan Initiative on 21st Century Trade (Part of the agreement is completed)
Trade facilitation	Pillar-1 (trade)	Regional competitiveness	Chapter 2 reaches an agreement The standardized chapter is being negotiated
Good rules and regulations Domestic restrictions on the service	Pillar-1 (trade)	Regional competitiveness	Chapter 3 reaches an agreement Chapter 4: Agreement Non-market policy and practice chapters are being negotiated
Digital trade	Pillar-1 (trade)	Inclusive and sustainable investment	In the negotiations
work	Pillar-1 (trade)	toughness Shared prosperity	In the negotiations
environment	Pillar-1 (trade)	toughness	In the negotiations
competition policy	Pillar-1 (trade)	Regional Competitiveness	State-owned enterprise chapter negotiations
Supply chain agreement	Pillar II (Supply Chain Agreement)	Toughness	There are no separate chapters available
Energy · Decarbonization	Pillar 3 (Clean economy)	containment	Sustainable investment environment chapter in the negotiation
Tax, corruption prevention	Pillar 4 (just economy)	Shared Prosperity	Chapter 5 reaches an agreement
minor enterprises	No scheduled independent chapters are available	Toughness	Chapter 6 reaches an agreement

**Note:** For the main negotiation content, APEP refers to the four areas published by the White House. The US and Taiwan initiatives have been collated according to the provisions and summary published by the USTR.

**Source:** According to the data released by USTR, Department of Commerce and White House.

The current situation of the Indo-Pacific Economic Framework is uncertain, and the smooth operation of global and Asia-Pacific industrial and supply chains has been severely impacted. Enhancing the resilience and stability of industrial and supply chains, and promoting steady and substantial progress in regional growth have become the common desire and interest of the Asia-Pacific region. The Asia-Pacific should give full play to the role of cooperation platforms such as APEC, strengthen supply chain resilience, and inject strong momentum into the sustainable development of the Asia-Pacific economy through exchanges [10]. This includes promoting the facilitation of trade and investment, driving innovation to tap into growth potential, strengthening the connectivity of logistics infrastructure, and advancing digital and green transformation.

### U.S.-led Reconfiguration of Small Chess Pieces: U.S.-Taiwan 21st Century Trade Initiative

As early as 2007, Taiwan demanded the signing of a free trade agreement with the United States through the Trade and Investment Framework Agreement platform. It was not until 13 years later, in 2020, that the Tsai Ing-wen administration submitted the “imported pork” pledge, and the US-Taiwan trade agreement finally began to take shape. In 2022, as Taiwan failed to join the IPEF, the United States substituted the “US-Taiwan 21st Century Trade Initiative” as compensation. The Democratic Progressive Party, of course, was overjoyed and immediately launched negotiations on June 1, 2022, reaching the first batch of agreements in nearly three years.

- **Main Content**

The “Initiative” signed on June 1, 2023, includes a preface and 8 chapters. In two meetings held in November 2022 and January 2023, the two sides focused on negotiations on 5 topics, including “trade facilitation,” “a sound legal and regulatory environment,” “internal regulations of the service sector,” “anti-corruption,” and “small and medium-sized enterprises.” However, relatively complex issues were not reflected, and the 7 items to be negotiated later include labor, environment, agriculture, and digital trade, among others.

**Table 3: The First Batch of Agreements Between the U.S. and Taiwan Covers Five Major Topics.**

Name	Content
Trade facilitation	Simplifies general customs clearance and import/export trade processes, reduces the time and monetary costs of engaging in trade, and provides emergency measures for humanitarian aid clearance, enhancing supply chain efficiency and resilience.
Good legal practice	Enhances transparency and public participation in the formulation of regulations, creates a high-level market rule of law system, and drives more opportunities for trade, capital, and technological exchanges.
Anti-corruption	The market mechanism can avoid the threat of government corruption and fraud, and be more fair and efficient, enhancing the confidence of business operations.
The regulations of the service industry in Taiwan island	Ensure that the operational regulations for service providers are fair, reasonable, and transparent, facilitating the administrative licensing process for Taiwanese service providers to apply for services in the United States.
Small and medium-sized enterprise	Cooperation provides more resources for small and medium-sized enterprises, enhances business opportunities for businesses to enter the US market, and promotes channels for minority groups and female entrepreneurs to participate in trade.

**Source:** Compiled according to the first batch of agreements of the “U.S.-Taiwan 21st Century Trade Initiative”

Regarding the launch of the ‘initiative’ in 2022, the ‘Taiwan authorities’ responded positively, stating that the agreement is ‘not only the most structurally complete trade agreement signed between the US and Taiwan since 1979, but also an important milestone, demonstrating that Taiwan’s trade standards meet high international standards,’ and ‘highlighting the international attention and recognition of Taiwan’s economy and trade.’ They also indicated that they would actively cooperate with the US ‘Indo-Pacific strategy’ [11].

Similarly, former U.S. Trade Representative Tai Chi described it as “an achievement,” representing an important step to strengthen the economic relationship between the U.S. and Taiwan. The Office of the U.S. Trade Representative claimed that this is “an important step to strengthen the economic relationship between the U.S. and Taiwan,” through relevant provisions, U.S. companies will be able to introduce more products to Taiwan and increase investment and economic opportunities in both markets.

The Taiwan authorities are attempting to use the signing of this initiative as a stepping stone to negotiate a comprehensive U.S.-Taiwan FTA with the United States, continuously integrating into U.S.-led industrial and value chains, stubbornly adhering to a ‘rely on the U.S. to resist China’ approach, enhancing their position in the U.S. ‘anti-China containment’ strategy, and increasing dependence on Taiwan’s high-tech industry. For example, in Article 8 of the initiative regarding labor negotiations, both sides express support for protecting internationally recognized labor rights in the global supply chain; in the standards field, the U.S. and Taiwan strengthen their economic and trade relations by reducing the resilience of the ‘triangular trade’ model, which has a significant impact on the U.S.-led establishment of ‘China-free’ supply chains for key industries and on lowering cross-strait economic dependence [12]. However, the initiative’s references to establishing a ‘Trade Facilitation Committee’ and a single window for international trade do not include key elements such as tariff concessions and the removal of non-tariff barriers, so whether the U.S. and Taiwan can move toward a true ‘FTA’ remains to be seen.

In the “Initiative” agreement, the U.S. emphasizes American supply chain security and the interests of labor and small and medium-sized enterprises, while the “Taiwan authorities” view it as a breakthrough for whether they can participate in the IPEF [13].

What the U.S. calls supply chain security is actually to encourage Taiwan semiconductor companies to invest in the U.S., helping the U.S. build a complete semiconductor industry chain, while also suppressing the development of the semiconductor industry in mainland China.

• **Cross-Strait Resolute Opposition**

The Chinese Ministry of Foreign Affairs pointed out that the U.S. side should stop any form of official exchanges with Taiwan, must not sign agreements with Taiwan that carry implications of sovereignty or official status, and must not send any wrong signals to ‘Taiwan independence’ separatist forces under the guise of economic and trade matters. The Taiwan Affairs Office also stated that the Democratic Progressive Party (DPP) authorities, in order to gain U.S. support for their political self-interest, disregard the interests of enterprises and the public on the island, engaging in acts of ‘selling out Taiwan for personal gain’ and cobbling together so-called achievements in U.S.-Taiwan relations, which will inevitably face opposition and condemnation from discerning people in Taiwan. China will take all necessary measures to firmly respond to any attempts by external forces to interfere in China’s internal affairs and undermine peace and stability in the Taiwan Strait [14]. The Taiwan Affairs Office further pointed out that the DPP authorities, seeking political self-interest, do not hesitate to sell out the interests of domestic enterprises and the public on the island.

Within the island, former “Premier” Chen Chong stated in 2023 that the U.S. has frequently referred to the Taiwanese side as a “non-NATO ally” in recent years. Since this is the case, a truly equivalent free trade agreement should be signed, not just a trade initiative that is like a placebo. Zeng Zhichao, Deputy Secretary-General of the Chinese Economic and Financial Association, said that from the content of the trade initiative, its actual benefit to Taiwan is extremely limited and does not help alleviate Taiwan’s economic and trade difficulties.

The data shows that 30% of Taiwan’s non-agricultural products exported to the US do not enjoy zero tariffs, and more than 60% of agricultural products exported to the US do not enjoy zero tariffs. The content of the “initiative” mainly aims to improve administrative efficiency, does not involve issues of tariffs and

market liberalization, tax matters, has no effect of avoiding double taxation, is not a truly reciprocal free trade agreement, nor does it have the function of investment guarantee, is still far from the expectations of the Taiwan side for an FTA, and cannot be compared with the CPTPP. What the Taiwan side has always wanted is a reduction in tariffs and market opening.

**Table 4: Comparison of IPEF with the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the US-Mexico-Canada Trade Agreement (USMCA).**

Theme	IPEF	CPTPP	USMCA
Trade facilitation	trade	Chapter 5 Customs affairs and trade facilitation; Chapter 8 Technical Barriers to Trade	Chapter 7: Customs Administration and Trade Facilitation
Good legal work	—	Chapter 25, Regulatory Consistency	Chapter 28: Good Regulatory Practice
Anti-corruption	Tax revenue and anti-corruption	Chapter 26: Transparency and Fighting Corruption	Chapter 27 Against corruption
minor enterprises	—	Chapter 22: Competitiveness and Business Promotion; Chapter 24: Small and Medium-sized Enterprises	Chapter 21 Competition Policy; Chapter 25 Small, Medium and Small Enterprises
agriculture	—	Chapter 7: Sanitary and phytosanitary measures	Chapter 9. Health and phytosanitary measures
standard	trade	—	Chapter 11: Technical barriers to Trade
Digital trade	trade	Chapter 10 Cross-border trade in services; Chapter 13 Electronic communications; Chapter 14 E-commerce	Chapter 15 Cross-border Trade in Services; Chapter 18 Electronic Communications; Chapter 19 Digital Trade
work	trade	Chapter 19 of Labor	Chapter 23 of Labor
environment	trade	Chapter 20: The Environment	Chapter 24: The Environment
government business enterprises	—	Chapter 17: State-owned Enterprises	Chapter 22 State-owned enterprises and established monopoly enterprises
Non-market policies and practices	trade	—	Chapter 10 Trade remedies; Chapter 32 Exceptions and General Provisions; Chapter 33 Macroeconomic Policies and Exchange Rate Matters

**Source:** According to the Indo Pacific economic framework, CPTPP, USMCA protocol text and related data collation.

What Taiwan needs most are ‘Free Trade Agreements (FTAs)’ and measures to avoid double taxation, which can provide significant support to its industries. Moreover, the five topics mainly pertain to systems and procedures, and they do not clarify the specific benefits to Taiwanese SMEs over the next five years, nor any supporting policies, let alone an assessment of potential losses [15]. However, in November 2024, Taiwan’s application to join the CPTPP was once again shelved. Bilateral trade agreements (BTA) or FTAs in Taiwan’s trade negotiations with the United States remain a distant prospect.

• **Changes of Taiwan in the Asia-Pacific Supply Chain**

In recent years, influenced by global factors such as the China-US trade war, the COVID-19 pandemic, and the Russia-Ukraine conflict, Taiwanese enterprises have faced challenges in trade investment, multinational production, and business operations. With the continuous intensification of the United States’ ‘strategic competition’ with China and the upgrading and implementation of the ‘Indo-Pacific’ strategy, Taiwan’s importance in the US’s ‘contain China’ strategy has also been steadily increasing, making it a regional focal point that could potentially trigger direct military conflict between China and the US [16].

Currently, Taiwan’s expansion of international trade and economic relations can be divided into four paths: First, signing free trade agreements or bilateral trade agreements, such as after joining the WTO, negotiating with Singapore and New Zealand but not signing the agreements; Taiwan and the United Kingdom started new trade negotiations in November 2024 focusing on investment and green energy to expand the ‘Enhanced Trade Partnership Agreement’ signed in 2024. Second, multilateral regional economic agreements, such as the 2021 application to join the CPTPP, which had still not been successful by November 2024. Third, economic cooperation agreements (ECAs), such as the Cross-Strait Economic Cooperation Framework Agreement (ECFA) and the ‘U.S.-Taiwan 21st Century Trade Initiative’; after the Taiwan-Japan Economic Partnership Committee (EPC) held its first meeting in 2014, tax agreements were signed to avoid double taxation, among others. The Taiwan-Japan EPC was suspended after 2015 but resumed in 2022, and in October 2024, they discussed an early formation of an Economic Partnership Agreement (EPA), clarifying the plan to continue detailed negotiations. Fourth, traditional single-function agreements, such as investment protection agreements, tax agreements, digital trade agreements, and information technology agreements [17]. Facing global changes, Taiwanese companies face a dilemma: the supply chain has developed

in mainland China for more than twenty years, so the cost and risk of relocation are very high; however, staying in China could make them the target of U.S. sanctions in the worst-case scenario [18]. Therefore, companies are implementing diversified strategies and preparing in two ways to enhance supply chain resilience and arbitrage between the two industrial chain systems amid U.S.-China decoupling [2].

Taiwan's exports mainly include mechanical and electrical products, integrated circuit chips, steel, scrap metal, plastics, rubber, chemical products, agricultural products, etc. Among them, integrated circuit exports account for nearly 40% of Taiwan's total foreign exports. Taiwan's export markets are mainly concentrated in mainland China, the United States, Hong Kong, China, Japan, Singapore, South Korea, Vietnam, Malaysia, Germany, the Philippines, Thailand, and so on.

Taiwan's total exports in 2024 reached 475.073 billion US dollars, an increase of 9.9% year-on-year; imports were 394.465 billion US dollars, an increase of 12.2% year-on-year. Among them, exports to the mainland and Hong Kong, Japan, and Europe decreased by 1.1%, 17.8%, and 8.6% year-on-year, respectively, while exports to the United States, ASEAN, and South Korea increased by 46.1%, 15.1%, and 14.2% year-on-year. Excluding Europe and the Middle East, Taiwan's imports from the mainland and Hong Kong, ASEAN, Japan, the United States, and South Korea all increased year-on-year.

The United States was once Taiwan's largest export market,

accounting for 48% of Taiwan's total exports at one point. From 2017 to 2023, Taiwan's export trade with the U.S. more than doubled, with the U.S. share of Taiwan's export market rising from 11.7% to 17.6%. Despite the U.S. imposing an additional 21% 'reciprocal tariff' on Taiwan, trade between the U.S. and Taiwan still grew from January to April 2025, demonstrating strong resilience. Within 48 hours of the Trump administration announcing reciprocal tariffs, Taiwan's Executive Yuan announced an industry support policy worth 88 billion TWD. On April 11, Cheng Li-chun, Deputy Premier of the Executive Yuan and Taiwan's Office of Trade Negotiations representative Yang Jennie conducted remote consultations with the U.S. Afterward, face-to-face negotiations were held in Washington on May 1 and June 25, and on July 8, they met with the U.S. negotiating team in Washington to exchange views on key issues and reached agreement to continue negotiations.

The US-Taiwan trade structure is also quietly changing. In terms of exports, the product structure of Taiwan to the US is becoming increasingly diversified, no longer limited to traditional labor-intensive products. High-tech products, with their innovation and technological leadership advantages, are occupying an increasingly important position in Taiwan's exports to the US. Agricultural products have achieved significant growth in exports to the US, benefiting from Taiwan's precision agriculture and quality assurance. These changes not only demonstrate the upgrading and transformation of Taiwan's industrial structure but also reflect the continuous demand of the US market for high-quality, high-value-added products.

**Table 5: Production Ratios of Early Taiwan's Export Orders in Various Places**

National /Region	2017	2018	2019	Based on 2017 as 100
	Percentage points change from 2017			
Taiwan	46.5	47.6	47.4	0.9
Mainland (including Hong Kong)	48.2	46.9	44.8	-3.4
ASEAN	1.6	1.6	1.9	0.3
Other Asian regions	1.8	2.2	1.7	-0.1
America	1.2	0.9	2	0.8
Europe	0.5	0.7	1.2	0.7
Other regions	0.2	0.2	0.8	0.6
Total	100	100	100	-

**Source:** Taiwan "Ministry of Economic Affairs" overseas production situation survey of export orders.

In terms of imports, the United States' imports from Taiwan also show a trend of diversification. Electronic products, especially high-tech products such as semiconductors and integrated circuits, have always been an important part of the United States' imports from Taiwan. These products occupy a key position in the global supply chain and are crucial for maintaining the competitiveness of the United States' high-tech industry. Manufacturing products such as machinery and equipment also occupy a place in Taiwan's imports to the United States, reflecting the United States' dependence on Taiwan's supply chain. The effectiveness of the "initiative" not only promotes the growth of trade volume between the two sides but also drives the optimization of their trade structure at a deeper level.

In 2024, Taiwan's trade surplus with the United States and ASEAN amounted to \$64.882 billion and \$38.515 billion respectively, while trade with Japan, South Korea, Europe, and the Middle East showed a deficit [19]. Mainland China and HongKong remain the largest sources of Taiwan's trade surplus. Taiwan's export dependence on the mainland reached a historical peak of 43.9% in 2020. By early 2024, it had dropped to 30.8%, with the United States replacing the mainland as Taiwan's largest export market. Taiwanese investment in the mainland has drastically declined, accounting for less than 10% of Taiwan's total investment outside the island, creating a dangerous trend of the U.S. and Taiwan jointly promoting economic "decoupling" across the Taiwan Strait [20]. Particularly, Taiwan's semiconductor industry, a model of supply chain resilience, provides a complete end-to-end service chain—from over 200 IC design companies upstream, around 10 wafer foundries in the midstream, to over 30 IC packaging and testing companies downstream—enabling semiconductor production to reach its highest efficiency, a feat few places in the world can match currently [21]. However, due to a large number of China-based enterprises moving their procurement orders, manufacturing capabilities, and

operations out of China, Taiwan's supply chain companies may shift to other parts of Asia or to regions like Mexico in South America.

Investment-wise, Taiwanese businesses have shown a significant growth trend outside of the mainland, according to Taiwan's statistics, reaching 14.96 billion US dollars in 2022 and 23.58 billion US dollars in 2023, with year-on-year increases of 18.8% and 136.7% respectively. In recent years, TSMC has invested a total of 65 billion US dollars in the United States chip industry, plus 5 billion US dollars in investment by Global Wafers in the US chip industry. Taiwanese businesses have also continued to increase their investments in Southeast Asia, Japan, Europe, Mexico, and South America. In 2022, Taiwan invested 5.27 billion US dollars in the New Southbound policy areas. In 2022, the Biden administration released its "National Security Strategy Report of the United States." The report mentions "Taiwan" seven times, while Trump's identical report in 2017 only appeared three times. The Indo-Pacific strategy is an important geopolitical strategy for both Trump and Biden's administrations to contain and suppress China. The "Indo-Pacific Strategy Report" of the United States also involves many aspects such as political, military, security, economic, social, and cultural issues. The United States, in order to forcibly promote the transfer of supply chains and industrial chains in the Asia-Pacific region, is willing to force high-tech companies like TSMC to close their research and development centers and production facilities in Taiwan and instead invest in building factories in the United States [22]. The "initiative" will have an even greater impact on trade and investment between the mainland and Taiwan [3].

**Table 6: Main Content of IPEF "Supply Chain Agreement"**

Classification	Content	Notes
whole	The IPEF Supply Chain Agreement consists of 27 articles and a total of 25 pages of English text. Divided into four parts: Part A (definitions), Part B (forming a robust IPEF supply chain), Part C (exceptions and general terms), and Part D (final terms).	There are no provisions related to market access and dispute resolution, such as tariff reduction.
Part A	Composed solely of Article 1 (Definition).	
Part B	Including: Article 3 (Actions taken to strengthen the IPEF supply chain), Article 6 (IPEF Supply Chain Committee (Note 1)), Article 7 (IPEF Supply Chain Crisis Response Network (Note 2)), Article 8 (IPEF Labor Rights Advisory Committee (Note 3)), Article 9 (Application System for Infringement of Labor Rights in Inherent Facilities), Article 10 (Identification of Important Areas and Goods), Article 11 (Monitoring and Response to IPEF Supply Chain Vulnerability), etc.	<ol style="list-style-type: none"> <li>1. It covers Article 2 (Cooperation for IPEF Supply Chain Strengthening) to Article 12 (Response to Supply Chain Interruptions), and includes many important provisions of supply chain agreements.</li> <li>2. From the very beginning, developing country members of IPEF have hoped to expand regional investment through IPEF's program. Investment provisions have been added to Article 2: Strengthening Cooperation in IPEF Supply Chain, paragraphs 2 and 3, Article 3: Actions to Strengthen IPEF Supply Chain, paragraph 2, and Article 4: Promoting Transparency in IPEF Supply Chain, paragraph 1.</li> <li>3. But for the formation of a strong IPEF supply chain, it requires IPEF member countries to implement it independently, rather than being obligated.</li> </ol>
Part C	The objects are Article 13 (Confidentiality) to Article 19 (Agreement), including Article 14 (Disclosure of Information), Article 15 (Security Exceptions), Article 18 (WTO Obligations), etc.	<ol style="list-style-type: none"> <li>1. IPEF member countries will establish action groups based on important areas and commodities proposed by at least three countries. We will determine important fields and products such as semiconductors and batteries, and make adjustments while discussing with domestic enterprises regarding their selection.</li> <li>2. Each member state may exchange information and engage in prior consultations with two or more other member states that may choose areas or commodities of interest to their own country.</li> </ol>
Part D	Covering Article 20 (Contact) to Article 27 (General Review), including Article 21 (Effectiveness), Article 23 (Withdrawal), Article 24 (Amendment), Article 25 (Franchise), etc.	<ol style="list-style-type: none"> <li>1. The IPEF Supply Chain Agreement will come into effect 30 days after at least 5 of the 14 member countries entrust their ratification documents to the principal. After the sixth member state, the delegation shall come into effect 30 days after the date of the country's authorization and approval.</li> <li>2. Member states may withdraw at any time by written notice to the trustee after 3 years from the effective date of the IPEF supply chain agreement. The withdrawal will take effect 6 months after receiving the withdrawal notice.</li> </ol>

**Source:** Compiled based on the text of the Indo-Pacific Economic Framework Supply Chain Agreement and related materials

However, the United States has long declared that it will not engage in BTA or FTA negotiations, so neither the Indo-Pacific Economic Framework (IPEF) nor the U.S.-Taiwan 21st Century Trade Initiative is an FTA [4]. They cannot bring tariff reductions or market access benefits; they are merely pieces in the reshaping of the Asia-Pacific industrial chain, differing only in scale. It also cannot guarantee that Taiwan can use these initiatives to sign FTAs with other regions or join regional economic organizations such as the CPTPP. A more serious problem is that solely betting on the United States exposes Taiwan to greater risks, especially given the current high U.S. debt. The market worries that any debt default could exacerbate concerns over an already stagnating U.S. economy, which would inevitably have a more severe impact on Taiwan's economy [23]. The "U.S.-Taiwan 21st Century Trade Initiative" and IPEF began negotiations in 2022, reaching agreements in 2024. This is an important part of the U.S. "Indo-Pacific Strategy" in the economic field. However, when Trump took office, IPEF had not formally taken effect [5]. Although IPEF was designed with a three-year clause to prevent a U.S. exit similar to that from the TPP, the global turmoil triggered since Trump 2.0, particularly the withdrawal from the Paris Agreement and the WHO, has made the survival of IPEF a real issue. The fate of the "initiative" may be similar, but the U.S.'s restructuring of the Asia-Pacific industrial chain is unlikely to change. Overall, if the "initiative" takes effect, it will bring an unprecedented diversification of import and export patterns to the U.S. market. For Taiwan, from export growth to foreign investment inflows, from industrial upgrading to a thriving job market, from improving people's living standards to advancing environmental initiatives, and even creating all-around and profound economic impacts, active responses are required.

### Changes in Cross-Strait Economic and Trade Exchanges and Supply Chains

China should draw experience from the "U.S.-Taiwan 21st Century Trade Initiative" and the progress of the Indo-Pacific Economic Framework, adopt a series of policy measures to balance, adjust, and optimize its trade structure, and ensure the maximization of national interests. Focus on rapidly achieving equal openness and establishing a community with a shared future for mankind, deeply participate in global industrial division of labor and cooperation, and promote China's institutionalized opening up and maintain a diversified and stable international economic landscape.

Cross-strait trade, Taiwan's trade with the mainland shows a trend of one increasing while the other decreases. According to the Ministry of Commerce, the total trade volume between the mainland and Taiwan reached 328.34 billion US dollars in 2021, a historical high; it slightly decreased to 319.68 billion US dollars in 2022; in 2023, due to the global trade recession, cross-strait trade showed negative growth, with the total trade volume falling below 300 billion US dollars to 267.84 billion US dollars. Moreover, Taiwan's exports to the mainland have rapidly cooled, while trade with the United States has shown significant growth; in 2024, the total trade volume between the mainland and Taiwan was 292.971 billion US dollars, a year-on-year increase of 9.4%. Among them, the mainland's exports to Taiwan were 75.189 billion US dollars, a year-on-year increase of 9.8%; the mainland's imports from Taiwan were 217.782 billion US dollars, a year-on-year increase of 9.3%. Taiwan's exports to the mainland accounted for 35% of its total exports.

According to the statistics of the Taiwan authorities' financial affairs department, the trade surplus of Taiwan in 2024 was 806.08 billion US dollars. Of this, exports to the mainland and Hong Kong were 1,506.19 billion US dollars, imports were 806.23 billion US dollars, and the trade surplus was 699.96 billion US dollars. From the perspective of product categories exported from Taiwan, "electronic components" were the largest export item to the mainland and Hong Kong, with an export value of 916.28 billion US dollars throughout the year, accounting for 60.8% of the total. The next largest was "information and communication and audio-visual products," with an export value of 217.39 billion US dollars [24].

In December 2023, the Ministry of Commerce of China determined that Taiwan has trade barriers against the mainland, and starting from the New Year's Day of 2024, it suspended the tariff concessions on 12 items under the early harvest list of the ECFA. Subsequently, starting from June 15, it suspended the tariff concessions on 134 items under the early harvest list of the ECFA, many of which are traditional industries heavily reliant on the mainland market, such as petrochemicals, textiles, machinery, and auto parts.

**Table 7: Statistics of Taiwan's Exports to Mainland China and the United States from 2014 to 2021.**

Year	Taiwan's total exports		Export to Mainland			Export to the United States		
	Amount in billion US dollars	Growth Rate/%	Amount in billion US dollars	Percentage/%	Growth Rate/%	Amount in billion US dollars	Percentage/%	Growth Rate/%
2014	3194.1	2.7	847.1	26.5	0.7	350.3	11	7.4
2015	2844.3	-11	732.7	25.8	-13.5	344.5	12.1	-1.7
2016	2791.7	-1.8	737.3	26.4	0.6	334	12	-3.1
2017	3154.9	13	887.5	28.1	20.4	367.7	11.7	10.1
2018	3340.1	5.9	965	28.9	8.7	394.9	11.8	7.4
2019	3291.6	-1.5	917.9	27.9	-4.9	462.5	14.1	17.1
2020	3451.3	4.9	1024.5	29.7	11.6	505.5	14.6	9.3
2021	4463.7	29.3	1259	28.2	22.9	656.9	14.7	29.9

Source: "Important Statistical Data Handbook" of the Executive Yuan of Taiwan, November 30, 2022.

From the perspective of investment, for a long time, the mainland has been the largest and most numerous area for Taiwan businesspeople's overseas investment, once accounting for more than 70% of their total overseas investment. However, the approval data of the "Taiwan authorities" for overseas and mainland investments shows that the overseas investment layout of Taiwan businesspeople has shifted, and investment in the mainland is cooling down.

**Table 8: Statistics of Overseas and Mainland Investments Approved by Taiwanese Businesses**

Approval for foreign investment (excluding mainland China)			increase investment in mainland China		
Year	number of items/item amount/million US dollars		number of items/item	amount/million US dollars	proportion of Taiwan's total external investment/%
2012	321	8099	636	12792	61.2
2013	374	5232	554	9190	63.7
2014	493	7294	497	10276	58.5
2015	462	10931	427	10965	50.1
2016	496	12123	323	9670	44.4
2017	502	11573	580	9248	44.4
2018	638	14295	726	8497	37.3
2019	670	6851	610	4173	37.9
2020	516	11805	475	5906	33.3
2021	404	12599	423	5863	31.8
2022	546	9962	372	5047	33.6

**Source:** Statistics of Taiwan's economic authorities "Investment Review Committee"

In 2020, Taiwanese investment in the Chinese mainland amounted to USD 5.91 billion, only 33.3% of the peak period; in 2021, it was USD 5.86 billion, a decrease of 47% compared to USD 10.97 billion in 2015. Meanwhile, Taiwan's investment share in the United States, Vietnam, and Singapore increased by 6.2%, 6.6%, and 2.7% respectively. In 2022, it was USD 5.05 billion, a decline of 13.9%. In 2023, it dropped sharply to USD 3.04 billion, falling by 39.8%, reducing its proportion of total overseas investment from Taiwan to 12.9%; in 2024, the proportion of Taiwanese investment in the mainland fell below 10% for the first time. In 2024, 7,941 new Taiwanese-funded enterprises were established in the mainland, a year-on-year increase of 1.6%. At the same time, withdrawals and transfers of Taiwanese enterprises in the mainland were relatively common [25]. Beyond purely economic and operational reasons, policies such as Taiwan's New Southbound Policy and the three major investment programs successfully attracted Taiwanese businesses back to the island or guided Taiwanese businesses to invest in New Southbound countries to diversify production bases, achieving significant results. The United States is promoting trade negotiations with Taiwan with the strategic goal of making Taiwan's economy more dependent on the U.S. rather than the mainland. Once Taiwan's economic focus shifts to the U.S., it will only make 'Taiwan independence' activities more rampant. The U.S. intends to set an example for other Western countries to develop official economic cooperation with the Taiwan authorities, further hollowing out the connotation of 'One China.' The Trump administration's Taiwan policy has three points: first, what Trump 2.0 actually means for Taiwan; second, whether U.S. support for Taiwan is conditional; third, whether Trump will use Taiwan as a bargaining chip. In October 2024, Trump stated that if the mainland chooses to use force to take Taiwan, he would impose tariffs of 150% to 200%. On May 12, 2025, U.S. President Trump stated that the results of China-U.S. talks were 'conducive to peace and reunification,' causing high tension in Taiwanese media and authorities. The Taiwan Affairs Office stated that it hopes the international community more widely understands and supports the Chinese

people's just cause against 'Taiwan independence' separatist activities and the pursuit of national reunification. As early as February 13, the U.S. State Department removed the statement that it 'does not support Taiwan independence' from its website and emphasized U.S.-Taiwan cooperation in semiconductors and other key supply chains, claiming that the U.S. 'will support Taiwan joining international organizations where appropriate.' Later, after a meeting in Munich, the foreign ministers of the U.S., Japan, and South Korea also supported Taiwan's participation in international organizations, openly interfering in China's internal affairs for the first time. China expressed strong opposition to this. The U.S. hopes that Taiwan's defense spending will account for more than 5-10% of GDP, while Taiwan responded by raising it to more than 3%. In the Taiwan issue, Trump may adopt more policies challenging the status quo, crossing sensitive red lines, and pressuring China, potentially abandoning Taiwan as a 'chess piece,' or risk extreme actions such as massive arms sales to Taiwan and deploying aircraft carriers to the Taiwan Strait, forcing the Chinese mainland to take military action and affecting the process of Taiwan's recovery and cross-strait reunification. Taiwan's economy faces three main issues: the dominance of the electronics and information industry; continuous changes in import and export markets; and a sharp increase in capital outflow due to geopolitical factors and Taiwanese elections.

In response, The mainland continuously encourages and supports Taiwan businesses to invest in the mainland and develop economic and trade relations. The mainland actively assists in resolving difficulties and problems encountered by Taiwan-invested enterprises in their operations in the motherland, promoting cross-strait trade development through tax cuts, fee reductions, and the provision of facilitation measures. After the issuance of the "Opinions of the CPC Central Committee and the State Council on Supporting Fujian to Explore a New Path for the Integrated Development of the Mainland and Taiwan and Building a Demonstration Zone for the Integrated Development of the Mainland and Taiwan," new progress has been made in cross-

strait economic and trade cooperation. The policy support is continuously improved, and various measures are beginning to show results, with the key tasks deployed steadily advancing. A large number of high-quality Taiwan enterprises have gone public in the mainland, with a cumulative total of 65 as of now. The higher the economic dependence of Taiwan on the mainland, the more people in Taiwan will be economically connected with the mainland, and the less resistance there will be when the mainland takes unified actions.

### China's Response for U.S.-Taiwan Initiative on 21st Century Trade

The report of the 20th National Congress of the Communist Party proposes, "We must focus on enhancing the resilience and security level of the industrial chain and supply chain." The game between the "initiative" and China's response strategies will trigger a series of chain reactions in the global trade landscape. Therefore, China must resolutely oppose "building walls and fortresses" and "disconnecting and breaking chains," and must unwaveringly adhere to the correct direction of economic globalization, strive to strengthen and improve the rule-based multilateral trading system centered on the WTO, continue to promote regional cooperation, continuously enhance supply chain resilience, promote a strong and sustainable economic recovery in the Asia-Pacific region, jointly promote the construction of an Asia-Pacific community with openness, inclusiveness, innovative growth, interconnectedness, and win-win cooperation, and promote the better development of the world economy [26].

Due to Trump raising the tariff rate to 145% in April, China-US trade was severely impacted, as the impact of tariffs on the US imports of clothing from China was evident, with imports in May totaling 5.56 billion US dollars, the lowest level since May 2003, 22 years ago. It was lower than the 7.96 billion US dollars in April and had been declining for four consecutive months. US retailers reduced purchases from Chinese factories and turned to import from Vietnam, Bangladesh, India, and other places, such as clothing imports from Mexico in May totaling 2.59 billion US dollars, up 12% year-on-year. At the same time, the US used tariff preferences as bait to force allies to cede economic sovereignty, serving the strategic goal of containing China. For example, the UK and the US "strengthened investment security cooperation" to cut off the industrial ties between the UK and China; Vietnam made concessions, with the US tariff supervisor having "absolute power"; Cambodia and Indonesia were trapped in the dilemma of self-cutting supply chains. On May 12, 2025, the "China-US Geneva Economic and Trade Consultation Joint Statement" was issued, and the first meeting of the China-US economic and trade consultation mechanism was held in London, UK on June 9, where a principle consensus was reached on the framework of measures. However, it is unknown whether it can urge the US to stop implementing the tariff policy that violates WTO rules. China needs to increase nearly 1 trillion yuan in fiscal expenditure to offset most of the growth drag caused by tariffs, such as through state-owned enterprises' profit-sharing to stimulate the economy.

China has consistently adhered to a development strategy driven primarily by domestic demand when responding to external economic challenges. In analyzing the specific impact of the "initiative" on China's economy, we cannot overlook its multidimensional effects on employment, industrial structure, and international competitiveness. China should adjust tariffs on Taiwan and the United States in a targeted manner based on the specific content and impact of the "initiative" to balance bilateral

trade relations. It should further strengthen the formulation and improvement of relevant regulations to address potential legal challenges posed by the "initiative," including but not limited to trade remedy measures, intellectual property protection, and market access. Actively seeking trade cooperation with other countries and regions is also crucial to offset potential negative impacts of the "initiative." The stability and security of the supply chain must never be ignored, especially when facing potential supply chain risks brought by the "initiative." China should implement a series of strong measures to strengthen supply chain management and ensure smooth operation from the source. This includes optimizing supply chain layout to make it more reasonable and efficient; improving supply chain resilience to cope with various external shocks; and ensuring supply chain stability to safeguard steady and sustainable economic operation.

### Actively Engage with International High-Standard Economic and Trade Rules, Steadily Expand Institutional Opening-Up

The current trends in the development of international high-standard economic and trade rules include: international fair competition rules, digital trade rules, international investment rules, and international regulatory cooperation, which are directly related to the effective development of economic globalization. Among them, the main issues involving investment are: including dispute resolution mechanisms between investors and host countries and the formulation of global multilateral investment agreements.

The signing and domestic implementation of the WTO Agreement on Facilitation of Investment for Development (IFD). The severe challenges faced by the global value chain in the post-pandemic era directly affect international investment. The most important task at present is the reconstruction and innovation of international economic and trade rules, as well as the reform and improvement of the global economic governance system. On February 25, 2024, a special ministerial meeting on investment facilitation was held in Abu Dhabi, UAE, where 123 WTO member states signed the Agreement on Investment Facilitation. Wang Wentao, Minister of Commerce of China attended the meeting and made a speech. The agreement will be included in Annex 4 of the Marrakesh Agreement Establishing the World Trade Organization. It also reiterates the participants' support for the agreement to be incorporated into the WTO legal framework and future procedures. The agreement aims to make the global economy more resilient and inclusive by publicly disclosing the investment measures of the parties and simplifying procedures. It will help eliminate investment barriers and promote foreign investment in developing countries. The agreement commits to helping signatory countries promote the attraction of foreign FDI, drive economic growth, enhance productivity, create new job opportunities, and smoothly enter the global supply chain.

The WTO's IFD Agreement will place these countries' domestic reforms under a common international commitment, thereby sending a strong signal to investors that the host country is committed to reforming its investment environment. The Agreement explicitly excludes market access, investment protection, and investor-state dispute settlement mechanisms.

Participants recommended including the "Agreement" in Annex 4 of the "Agreement Establishing the WTO". Although the IFD Agreement is a plurilateral agreement that is only binding on members that accept it, it is open to all WTO members. Participants emphasized that incorporating the Agreement into the WTO Annex

is crucial for its operation, especially for developing countries and least developed country members that most need more sustainable investment flows. The WTO's IFD Agreement will also serve as a key catalyst for international support and regional efforts to facilitate investment.

China promotes international investment development by implementing the "Belt and Road" initiative as a path and focusing on advancing WTO reform [7]. In September 2024, the Ministry of Commerce stated that it will further promote the high-standard implementation of investment facilitation, including: providing detailed explanations of the content of the WTO "Agreement on Investment Facilitation", formulating guidelines for implementation; selecting specific industries and enterprises, comprehensively sorting out all approval items and procedures required for the establishment to dissolution of the industry and enterprise; selecting conditional areas (free trade ports, zones, etc.) for pilot implementation and providing international best practices, exploring implementation experience; and, based on the implementation effect, further improving laws, regulations, and policy documents, and promoting them nationwide.

In addition, the Third Plenary Session of the 20th Central Committee of the Communist Party of China proposed to promote the orderly expansion of opening up in the fields of telecommunications,

the Internet, education, culture, and healthcare. In April 2024, the "Notice on the Pilot Work of Expanding the Opening-up of Value-added Telecommunications Services" was issued. In recent years, China has steadily expanded the scope of opening up telecommunications services, fulfilling the commitment to open 4 out of the 10 value-added telecommunications services at the time of joining the WTO, and has now actively expanded the opening-up to 8 items, canceling the foreign equity restrictions on 4 of them, with the number of foreign enterprises permitted to operate telecommunications businesses in China increasing to 2,220.

- Pilot investment facilitation reform in free trade zones: a series of measures and experiences. Since the 18th National Congress of the Communist Party of China, the central party has creatively established the system of free trade zones (ports), producing a large number of iconic and leading institutional innovation achievements and successfully replicating and promoting them. The 22 free trade zones and Hainan Free Trade Port effectively played the role of a comprehensive reform and experiment platform. Especially in the aspect of investment facilitation reform, significant achievements have been made, providing beneficial reference and reference for national and provincial levels outside the zones.

**Table 9: Free Trade Zone Investment Facilitation Reform Cases**

Number	Region	Content
1	Shanghai	By implementing institutional innovations such as the "approval for non special purpose cosmetics import change to filing", the time for companies to launch their products has been significantly shortened in Free Trade Zone, operating costs have been reduced, and production efficiency has been improved. At the same time, the Shanghai Free Trade Zone actively promotes the internationalization of the renminbi and provides more convenience for foreign investment through financial innovation.
2	Hubei	The Hubei Free Trade Zone has issued the first "nine certificates in one" business license, simplifying the enterprise registration process and improving the level of investment convenience.
3	Henan	The Henan Free Trade Zone has launched the "22 Certificates in One" initiative, further optimizing the business environment and enhancing investment attractiveness.
4	Fujian	The Fujian Free Trade Zone has leveraged its unique advantages to establish functional platforms such as small-scale commodity trading markets with Taiwan, promoting trade and investment facilitation.
5	Xinjiang	The Xinjiang Free Trade Zone utilizes its geographical advantages, strengthens the construction of logistics hubs, and promotes a significant increase in foreign trade import and export volume. Accelerate investment facilitation reform, enhance the level of open economy, and promote high-quality development.
6	Zhejiang	Construction Plan for Bulk Commodity Resource Allocation Hub in China (Zhejiang) Pilot Free Trade Zone, Zhejiang Free Trade Zone
7	Beijing	Beijing

**Source:** Compiled according to information from each free trade zone website

Investment facilitation has become the top priority for global investment policy makers. The universal measures of the 2024 WTO "Investment Facilitation Agreement" require nationwide implementation. Therefore, on September 6, the Ministry of Justice stated that it is studying and revising laws and regulations such as the "Foreign Trade Law" and the "Customs Law" in terms of building a higher-level open economic new system, creating institutional support for a trade power, actively aligning with international high-standard economic and trade rules, expanding independent opening-up, actively responding to the digitalization and greenization trends in trade, promoting regulatory innovation, and creating an institutional environment conducive to the development of new business formats and new models. As the main carrier for pilot implementation, free trade ports and zones need to further realize investment facilitation based on the WTO IFD Agreement's commitment to facilitate, which is meaningful.

In November 2024, some members of the Standing Committee of the 14th National People's Congress suggested enhancing alignment with international rules. The State Council's "Several Measures on Piloting Institutional-type Opening-up at Free Trade Zones and Free Trade Ports with Conditions in Alignment with International High-standard Economic and Trade Rules" (State Council Decree No. 9 of 2023) supports the alignment of qualified free trade zones and free trade ports with international high-standard economic and

trade rules, and carries out pilot reforms and opening-up, such as facilitating temporary entry of business personnel and promoting the facilitation of customs clearance.

- Align with international high-standard economic and trade rules, accelerate the reform of investment facilitation in free trade zones. To implement the deployment of the Third Plenary Session of the 20th Central Committee of the Communist Party of China, the strategy for upgrading free trade zones was implemented. In June 2023, pilot programs for aligning with international high-standard economic and trade rules were launched in the Shanghai, Guangdong, Tianjin, Fujian, Beijing free trade zones, and Hainan Free Trade Port. On August 29, 2024, the Sixth Plenary Session of the Central Committee for Comprehensive Deepening of Reform passed the “Opinions on Implementing the Strategy for Upgrading Free Trade Zones.” On September 2, the General Office of the State Council issued opinions on promoting the high-quality development of service trade through high-level opening-up. Actively align with CPTPP, etc., and deepen the reform in the domestic service trade sector [8].

**Table 10: Relevant Contents of State Letter [2024] No. 156, Regarding the Facilitation of Investment in Free Trade Zones.**

Original article number	Pilot measures	Responsibility division	Promotion scope
10	Allow the accompanying spouses and family members of foreign-invested enterprises within the pilot area to enjoy the same entry and temporary stay period as the expert who is transferred internally.	The Ministry of Foreign Affairs, the National Immigration Administration and other relevant departments are responsible for all free trade pilot zones according to their respective responsibilities	all free trade pilot zones
11	For senior management personnel of foreign enterprises planning to establish branches or subsidiaries in pilot areas, the validity period of their temporary entry and stay will be relaxed to 2 years, and accompanying spouses and family members will be allowed to enjoy the same entry and temporary stay period. The relevant departments such as the Ministry of Foreign Affairs and the National Immigration Administration are responsible for their respective roles and responsibilities	Ministry of Foreign Affairs and the National Immigration Administration are responsible for their respective roles and responsibilities	all free trade pilot zones
12	Support pilot areas to improve consumer rights protection systems and prohibit fraudulent and commercial activities that cause harm or potential harm to consumers in online commercial activities.	Relevant departments and units such as the Ministry of Commerce and the State Administration for Market Regulation shall be responsible for their respective duties and responsibilities	all free trade pilot zones
13	If purchasers in pilot areas use a single source method for government procurement, they should explain the reasons for adopting this method when announcing the transaction results.	The Ministry of Finance and the provincial people's governments where the pilot areas are located shall be responsible for their respective roles and responsibilities	all free trade pilot zones
15	Support enterprises, commercial organizations, non-governmental organizations, and other entities in pilot areas to establish voluntary mechanisms to improve environmental performance (including voluntary audits and reporting, implementation of market-based incentives, voluntary sharing of information and expertise, and cooperation between government and social capital), and encourage their participation in the formulation and revision of voluntary mechanism environmental performance evaluation standards.	The Ministry of Ecology and Environment, the Ministry of Natural Resources, the Ministry of Agriculture and Rural Affairs, and the provincial-level people's government where the pilot areas are located shall be responsible according to their respective responsibilities	all free trade pilot zones

16	Support enterprises in pilot areas to voluntarily follow the principles of corporate social responsibility in the environmental field. The relevant principles should be consistent with the international standards and guidelines supported or endorsed by China.	The Ministry of Ecology and Environment and other relevant departments, as well as the provincial-level people's governments where the pilot areas are located, shall be responsible according to their respective responsibilities	all free trade pilot zones
17	Support labor dispute arbitration institutions in pilot areas to standardize and timely provide arbitration awards to parties in written form, and publicly disclose them in accordance with the law.	The Ministry of Human Resources and Social Security is responsible for it.	all free trade pilot zones
23	Pilot areas should allow all transfers related to foreign investors' investments that are truly compliant to be freely remitted and remitted without delay. This type of transfer includes: capital contribution; Profit, dividends, interest, capital gains, royalties, management fees, technical guidance fees, and other expenses; Sell all or part of the investment income, liquidate all or part of the investment income; Payments made under contracts, including loan agreements; Compensation or indemnification obtained in accordance with the law; Funds arising from dispute resolution.	The People's Bank of China and the State Administration of Foreign Exchange are responsible for their respective roles and responsibilities	All China
24	For published patent applications and granted patents involving operating entities in pilot areas, the competent department shall disclose the following information in accordance with relevant regulations: search and examination results (including details or information related to the search of relevant existing technologies); The non confidential response opinion of the patent applicant; Patent and non patent literature citations submitted by patent applicants and relevant third parties.	The China National Intellectual Property Administration is responsible for it.	All China
25	When relevant departments in pilot areas investigate suspected unfair competition behavior, they should provide guidance to the investigated operators. If the operators make relevant commitments and promptly correct, actively eliminate or mitigate the harmful consequences according to their commitments, they shall be given lighter, mitigated or no administrative penalties in accordance with the law.	The China National Intellectual Property Administration is responsible for it.	All China

**Source:** China Government Website

In October 2024, the State Council issued the “Notice on Promoting the Implementation of Pilot Measures for Copying and Spreading the International High-standard Systemic Opening-up of Free Trade Zones (State Letter No. [2024] 156)”, in order to promote the compatibility of rules, regulations, management, and standards in a broader range, and create a transparent, stable, and predictable institutional environment.

Improve the Systems and Mechanisms for High-level Opening-up to the Outside World, and Promote the Transformation of Global Governance

China actively improves RCEP. The RCEP, involving 15 countries including China, Japan, South Korea, and ASEAN, came into effect in January 2022 and has now been in place for 3 years. China uses RCEP to enjoy preferential treatment for Japan, and the proportion of duty-free products for Japan among China's industrial products tariffs has also increased from 8% before the

implementation to 86%. According to Japanese statistics, the tariff reduction on “China’s exports to Japan and South Korea” using RCEP in 2023 was about \$5.6 billion, with higher utilization in agricultural products, seafood, food, textiles, and their products. Japan’s exports to China and South Korea were about \$4.7 billion, and South Korea’s exports to China and Japan were about \$2.8 billion, mainly from textiles, chemicals, and other products from China and South Korea. In terms of utilization, Japan’s exports to South Korea were 22%, and to Thailand were 1%, compared to 15% and 0.2% respectively in 2022, although there has been an increase, it is still relatively low. The reason is that the effective period is short, and the optimal minimum tariff has not been reached, so other FTAs are still being used. Japan’s imports from RCEP member countries other than China and South Korea, except for Vietnam, are almost not used by RCEP now. Instead, the EPA that came into effect before RCEP is frequently used, with Vietnam having signed 4 EPAs including RCEP with Japan. However, from the perspective of reducing tariffs, the benefits of choosing RCEP are minimal, and the Japan-South Korea EPA that came into effect first between Japan and Vietnam is the most commonly used. However, the more upstream the product, the more RCEP is chosen, indicating the application of international engineering division of labor and cumulative principles. It can be speculated that in the case where other EPAs cannot be used, the possibility of using RCEP is very high, and it plays a complementary role to other EPAs.

But RCEP has two issues. One is that the pace of tariff phase-out is slow, and the cumulative and self-declaration systems have not yet reached the level of significantly increasing RCEP usage. There is also no inclusion of the ISDS provisions that allow enterprises to sue governments; it only stipulates that discussions on ISDS will begin within 2 years after the agreement takes effect, and it will undoubtedly progress slowly. It is hoped that in future RCEP negotiations, an agreement can be reached to accelerate the pace of tariff phase-out. The other issue is the low level of liberalization, although it reaches 91% based on varieties, which is higher than the 90% of the China-Korea FTA, it is indeed far behind the 95% above and the 99% above of the CPTPP and AFTA (ASEAN Free Trade Area). Although China has phased out tariffs on certain car parts such as electric vehicle motors in the RCEP, it has excluded whole vehicles and lithium-ion batteries from the tariff reduction scope to protect its domestic auto industry. The exports of whole vehicles from China to South Korea and China’s imports of beef from Japan (chilled, frozen) are not included in the agreement. The level of liberalization is lower than that of other EPA/FTA, and the rules of origin are complex, so RCEP will not be widely used. The liberalization rate of duty-free items, especially cars and agricultural products, should be increased.

It is recommended to further promote the benefits of RCEP, encourage Chinese enterprises to use RCEP, and expand exports. From the perspective of various categories, the RCEP has the advantage of reducing tariff burdens. Among them, Chinese chemical industrial products, textiles and their products, footwear, hats, etc., which originally had a high market share in the Japanese import market, all show such a tendency. For Chinese exporters who did not actively use RCEP in the past year due to a lack of understanding or other reasons, facts speak louder than words. Moreover, promoting the RCEP is also the responsibility of enterprises at all levels, especially the business administration departments, which should increase efforts in publicity and guidance, expand exports, and revitalize the economy.

Secondly, if the usage ratio increases with the reduction in tariffs, the effect will be even greater. The applicable tariff rates in RCEP will also be reduced in stages in the future, so from a long-term perspective, the effect of reducing tariffs in terms of reducing the tariff burden is not small. Statistical departments and commerce departments should increase the frequency of statistics, conduct in-depth analysis, and promptly release the overall situation, existing problems, and improvement measures of our country’s use of RCEP. Considering the procedures for joining CPTPP and the expansion of BRICS, as one of China’s future trade strategies to counter IPEF, etc., in addition to further improving the liberalization and utilization of RCEP, China should consider further strengthening the supply chain by expanding to include India, which is planning to withdraw from RCEP. At the same time, it should actively carry out pilot projects, trying to achieve some positive list to negative list management models in free trade zones and other areas in advance, and enjoy the benefits of the full implementation of RCEP ahead of time.

Combining multilateral and bilateral free trade agreements, the RCEP is used as a complementary measure. The benefits of using RCEP at the beginning of its implementation were not significant, which affected the usage ratio. Therefore, Beijing Customs and others have launched a “Free Trade Agreement” calculator. When enterprises export, as long as they input the product’s customs code, the calculator system will automatically find the most favorable tariff effects for the enterprise among all the agreements that have already taken effect. In the RCEP, it takes more than 10 years for Japan to reduce tariffs to zero on textiles and their products imported from China and South Korea, so the annual reduction in tariff reduction is not significant. Compared to the CPTPP, although the degree of liberalization and tariff reduction in the RCEP is low, many exports from China to Japan and South Korea benefit from the tariff reduction through the use of the RCEP. Considering that the applicable tariff rates in the RCEP will also be reduced phase by phase in the future, and referring to Vietnam’s practice of using the RCEP as a complementary measure for the Japan-Vietnam EPA, etc., from a long-term perspective, we can also promote this calculator nationwide, and the effect of reducing the tariff burden is not small. As the tariffs decrease, if the usage ratio increases, the effect will be greater.

Refer to IPEF and the “Initiative” to accelerate trade agreement negotiations. At the Central Economic Work Conference held in December 2022, General Secretary Xi Jinping pointed out that it is necessary to “steadily expand institutional openness in terms of rules, regulations, management, and standards.” “Actively compare with relevant rules, regulations, management, and standards to deepen domestic reforms in related fields.” The National Development and Reform Commission’s “Strategic Outline for Expanding Domestic Demand (2022-2035)” and the implementation plan for the “14th Five-Year Plan” for expanding domestic demand also emphasize the role of opening up to the outside world in promoting domestic demand. The report of the 20th National Congress also points out: steadily expand institutional openness, maintain a diversified and stable international economic pattern and trade and economic relations, etc.

IPEF is an important part of the US “Indo-Pacific Strategy” in the economic field, with a profound impact on the global map of technological innovation and the layout of industrial chains and supply chains [9]. In addition, the US and Japan, among others, are using it to further develop bilateral defense technology research and development cooperation to counter the threats of hypersonic weapons and space-based strike capabilities, and

improve air combat effectiveness. For example, under the Indo-Pacific Economic Framework, the US and Japan jointly promote the formulation of international standards for key technologies, to dominate the formulation of global digital economic rules. The US and Japan cooperate to establish international standards for “6G” unmanned technology and cross-border data transmission, enhancing their competitiveness in fields such as artificial intelligence, and jointly promote them in the Indo-Pacific region. This has triggered high-tech competition between China and neighboring countries, weakening and reducing China's influence in the surrounding areas.

It is recommended to accelerate negotiations on other trade agreements and promote institutional openness. The US, EU, and Japan coerce ASEAN to use CPTPP, IPEF, and QUAD, etc., to strengthen the encirclement of China, while promoting the liberalization of RCEP and expanding the coordination routes with China's supply chain [10]. ASEAN may be forced to choose one of them, but it is also possible to achieve a balance between the two and advance simultaneously. Therefore, it is necessary to stabilize ASEAN. It has been proven that the promotional effect of trade agreements is far greater than that of temporary activities such as group recruitment. If orders can be easily snatched up, they can also be easily snatched away. These not only have little effect but also easily waste people's money and resources, promote formalism, and damage the business environment and public opinion orientation, resulting in a loss. While accelerating the participation in CPTPP and DEPA negotiations has not been successful for many years. Other bilateral and multilateral negotiations are also at a standstill, which is seriously disconnected from domestic demand, and is in sharp contrast to the international trend, and does not conform to the spirit of institutional openness of the 20th National Congress. The competent department for negotiations should act proactively, listen more to the voices of the business community and academia, come up with a feasible negotiation plan, and not delay the opportunity as the RCEP has been discussed for eight years. Win by reducing the time for tariff concessions, let enterprises have peace of mind, put forward the planning of the four pillars and eight beams of institutional openness, and implement it as soon as possible.

### **Maintaining Cross-Strait Economic and Trade Stability with the Facilitation of Investment as the Core**

In 2023, global foreign direct investment (FDI) slightly decreased by 2%, falling to 1.3 trillion US dollars. In 2024, after excluding some intermediary effects, global FDI flows decreased by more than 10% compared to 2022. The global investment environment in 2025 still faces challenges. Weak growth prospects, economic divergence trends, and other factors are reshaping the FDI model, leading some multinational corporations to adopt a cautious attitude towards overseas expansion. To maintain stable cross-strait economic and trade relations, the following suggestions are proposed.

Digitalization is the key to the effective implementation of investment facilitation. Currently, the World Trade Organization recommends that member states use comprehensive digital investment facilitation measures and continuously promote the use of digital investment facilitation tools in new-generation international agreements. Digital government tools can have a positive impact on attracting FDI. Therefore, the quality of digital investment facilitation tools is continuously rising and the quantity is significantly increasing. China has implemented 36 measures since 2019 to improve the digitalization level of

government services and has formulated 4 policies specifically to strengthen digital government construction. In the future, it should avoid special investment procedures; continuously incorporate investment procedures into all mandatory procedures for establishing enterprises, such as the enterprise registration process, to reduce the burden on enterprises.

Systemic openness requires actively accelerating the alignment of domestic regulations with international practices. It is recommended that all free trade zones and ports, in addition to fully implementing the contents of the WTO's IFD Agreement, achieve greater breakthroughs in the following areas: In the future, the core should be to promote WTO reform and the signing and upgrading of regional trade agreements, including: First, give full play to China's strong desire and realistic ability to lead the global economic and trade rule system, fully align with international standards internally, optimize its own supply chain, and promote reforms such as labor. Externally, improve the leadership of international rules; strengthen multilateral cooperation, consolidate partner relationships; refine cooperation content, and jointly build a new development pattern. Second, focus on key areas to create highlands of systemic openness, actively create a first-class business environment; increase the efforts of systemic openness in emerging fields, green development, etc.; give full play to the “pioneer and trial” role of free trade zones, accelerate the improvement of the internationalization level of standards on key platforms, and actively promote the “going out” of standards [11].

Promote the high-quality development of service trade through high-level opening-up. Accelerate the construction of a trade power. In the process of advancing institutional opening-up, innovate and enhance service trade: First, align with the international high-standard economic and trade rules that have joined, such as RCEP, and those not yet joined, such as CPTPP and IPEF. High-qualityly complete the service trade opening and related rules of commitments such as RCEP, and promote the continuation of negotiations, and complete the accession to CPTPP and DEPA. Second, accelerate the reform of domestic service trade. Refer to the WTO's “Reference Document for Domestic Regulation of Service Trade”, simplify the permit approval procedures, improve the transparency of regulatory policies, standardize the licensing, qualifications, and technical standards in the service sector, reduce the cost of cross-border service trade, and study the certification of service providers.

Conduct exploration in a broader field and at a deeper level. Adhere to high-level opening-up as the guide, and pay attention to the reconstruction of the global industrial chain and international high-standard economic and trade rules. For example, the Indo-Pacific Economic Framework (IPEF) undermines the RCEP partnership, uses investment and digital technology to hinder China-ASEAN cooperation, and challenges China in the power struggle over trade rules such as supply chain relocation, emerging competitive fields, and labor standards. Based on China's strong desire and realistic ability to lead the global economic and trade rule system, it should make use of the achievements of these agreements and plan to reserve a batch of new policies for clauses with transitional periods and soft constraints. China can also improve in terms of tariff reductions, customs supervision, negative list management, personnel exchanges, capital flows, and data flows, and enhance its risk prevention and control capabilities.

Copy and promote the achievements of institutional reform and innovation, realize the institutional opening of free trade zones.

By copying and promoting existing institutional innovation achievements, align with international high-standard economic and trade rules, introduce new technologies to improve the precision of supervision, optimize the business environment, attract foreign investment, and expand opening-up. Promote the development of new trade forms: develop cross-border e-commerce, digital trade, and other new trade forms, expand the scale of trade, improve the quality of trade, and guide foreign investment towards high-tech, high-standard, green, and low-carbon fields. Accelerate the improvement of the level of investment facilitation in free trade zones, the effectiveness of systemic reforms, and the overall enhancement of the quality of an open economy.

In summary, geopolitical conflicts are intensifying, the global economic recovery is weak, and the global industrial and supply chains are continuously restructured. Faced with the "rule advantage" of developed economies like the United States, developing countries are increasingly attaching importance to the right to formulate international economic and trade rules, hoping to establish a more fair, just, and effective global economic governance system. As a major world trading power, the international community hopes that China can play a greater role in promoting international economic and trade rules and the reconstruction and innovation of industrial chains. While the Democratic Progressive Party authorities are intensifying their connections with the US and Western countries to push for the "decoupling and breaking of ties" between the mainland and Taiwan, Taiwan is making money from the mainland while restricting the import of mainland products. Faced with the complex and severe situation, the mainland should promote the innovation of policies and measures for the integration and development of the mainland and Taiwan, implement and refine policies of equal treatment for compatriots and enterprises from Taiwan, and continuously deepen the integration and development of the mainland and Taiwan.

The year 2025 marks the conclusion of the 14th Five-Year Plan and the year for scientifically planning the 15th Five-Year Plan. The external environment remains complex, severe, and uncertain, with several challenges: the US and Europe restraining China's strategy and suppressing our export trade, and how China can achieve a global breakthrough in foreign trade; China's economic structural adjustment and high-quality development; government debt resolution and financial risk prevention; rural revitalization strategy and common prosperity for farmers; zero-carbon pilots (dual-carbon demonstrations) and sustainable economic development; low investment expectations and difficulties faced by the private economy; government debt resolution and equalization of urban and rural public services; reconstruction of government credibility and market fairness and transparency; supply-side structural reforms and the enhancement of new productive forces; relaxation of the 'three great mountains' and boosting the growth momentum of the 'three driving engines,' totaling ten major challenges. However, the fundamental trend of China's economic recovery and long-term positive development will not change. By summarizing the achievements of the past five years, analyzing opportunities and challenges, and responding to unprecedented changes in a century, we aim to address significant, historic, and strategic issues over the next 5-10 years, including growth targets, development models, city-industry integration, ecological development, fiscal and financial matters, employment and income, cadre integrity, domestic consumption and foreign trade, childcare and elderly care, development fairness, and open development. We will develop new productive forces according to local conditions

and continuously improve new forms of production relations. Therefore, the mainland should continue to uphold the concept of 'both sides of the Taiwan Strait are one family,' always respecting, caring for, and benefiting the people of Taiwan; Taiwan should seize the good opportunity presented by the long-term development of the motherland, the realization of Chinese-style modernization, and the great rejuvenation of the Chinese nation, share in the high-quality development achievements of the mainland, jointly achieve a better future, consolidate its position in the Asia-Pacific and even global industrial chains, promote the process of Chinese-style modernization, strengthen the Chinese national economy, and realize national reunification [27-35].

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