The Analysis of Taiwan's Participation in CPTPP and RCEP: From the Perspective of SWOT

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Abstract. In recent years, the global economy has been developing towards regionalization. However, in all bilateral or multilateral economic and trade cooperation, Taiwan has been excluded, which has seriously affected Taiwan's export trade and economic growth, and even plunged Taiwan's economy into a crisis of marginalization. Taiwan is an export-oriented economy. The change of international economic situation has a far-reaching impact on its economic development. Joining CPTPP and RCEP is a top priority for Taiwan. This paper examines the entry requirements of CPTPP & RCEP and Taiwan's current economic conditions including various laws and regulations from the perspective of management, and uses SWOT method to analyze the advantages, disadvantages and priorities.

Introduction

In recent years, the global economy has been developing towards regionalization. However, in all bilateral or multilateral economic and trade cooperation, Taiwan has been excluded, which has seriously affected Taiwan's export trade and economic growth, and even plunged Taiwan's economy into a crisis of marginalization. In addition, Taiwan is an export-oriented economy, and changes in the international economic situation have a far-reaching impact on its economic development. In these diverse economic integration organizations, joining CPTPP and RCEP is a top priority for Taiwan. This paper examines the entry requirements of CPTPP & RCEP and Taiwan's current economic conditions including various laws and regulations from the perspective of management, and uses SWOT method to analyze the advantages, disadvantages and priorities. [1]

Issues and Contents of CPTPP and RCEP Agreement

Topics and Contents of CPTPP Agreement

1. CPTPP follows the original TPP agreement in content. In addition to commodity trade, service trade, intellectual property rights, trade relief measures, sanitary and animal, phytosanitary and quarantine measures, technical trade and investment barriers commonly found in general free trade agreements, CPTPP also incorporates emerging trade issues, including labor, competition policy, government procurement, state-owned enterprises, small and medium-sized enterprises, environment, and investment barriers. Regulation consistency and transparency

2. The conditions for CPTPP to enter into force must be approved by six of the 11 members’ congresses. Currently, the countries participating in CPTPP include Australia, Brunei, Chile,
Canada, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam. Taiwan also expressed its intention to join APEC in 2015. [2]

**Topics and Contents of RECP Agreement**

1. RCEP's Trade Negotiation Committee consists of 10 working units, including Goods, Services, Investment, Competition Policy, Intelligent Property Rights, Economic and Technical Cooperation, Legal and Institutional Issues, Electronic Commerce, Government Procurement and Trade Relief Group. Four sub-working groups have been set up under the Goods Trade Working Group, and a sub-working group on telecommunications services and financial services has been added under the Trade Services Working Group. [3]

2. At present, there are 16 members of CEP, including 10 ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam), China, Japan, Korea, New Zealand, Australia and India. In terms of market size, it almost covers the markets of Northeast Asia and Southeast Asia.

**SWOT Analysis of Taiwan's Accession to CPTPP**

**Opportunity**

1. In order to reduce the high dependence on China's economy and trade. China became Taiwan's largest exporter in 2004. Taiwan's accession to CPTPP provides free opportunities to negotiate FTA, thereby enhancing economic and trade exchanges with other Member States.

2. Taiwanese firms that originally invested in CPTPP member countries will gain more advantages, including taxation and routes. For example, Australia, New Zealand, Singapore, Malaysia, Brunei, Vietnam and other countries, Because these countries are also members of RCEP.

3. Accession to CPTPP can open up specific trade opportunities to Central and South America and North America, which can be further strengthened in Taiwan's foreign trade and greatly help Taiwan expand its trade volume.

**Threat**

1. The new members join the CPTPP through the "consensus resolution" system, that is to say, they must obtain the consent of the member states before they can join the CPTPP. At present, only Singapore, New Zealand, Australia and Taiwan have signed economic and trade agreements, so the provisions of consensus resolution have a negative impact on Taiwan's accession.

2. Originally, Taiwan could get the support of the United States by joining the TPP through the implementation of the US Obama administration's "return to Asia policy". But with the withdrawal of the trump government, TPP has become more difficult for Taiwan to participate.

3. Due to the opening up of the market, tariff reduction brings about direct import of foreign goods. Some manufacturers without high quality and high technology, including agriculture, fishery, animal husbandry and other projects, are greatly increased the opportunities and pressures of being eliminated in the market by the impact of imported goods.

**Strength**

1. With good economic and trade competitiveness in Taiwan, Looking at the trade data published by the WTO in 2014, Exports rank 20 globally and imports rank 18 globally. It shows that the import and export capacity of the Taiwan is higher than that of countries with many FTAs.

2. High-tech industry is well developed, especially in semiconductor and smart mobile phone parts manufacturing and precision industrial machinery manufacturing occupies a certain position in the global market. At the same time, Taiwan's high-quality products can also enter CPTPP member countries, and have the opportunity to become an international marketing brand.

3. Taiwan has a huge foreign exchange reserve and abundant private capital. After joining CPTPP,
the market of 11 countries can be analyzed to find potential business opportunities and increase investment options.

Weakness

1. According to the "Taiwan White Paper 2015" published by the American Chamber of Commerce in Taipei, it is believed that the Taiwan Government has failed to effectively integrate the communication and coordination between various ministries and associations. It is also pointed out that there is still considerable room for improvement in the communication of information transparency and public policies of the Taiwan Government. [4]

2. CPTPP is a free trade agreement with high standards. Member countries should not only meet all standards and accept all market opening requirements, but also have no room for adjustment. Therefore, it will cause great impact and challenge to Taiwan market which has not yet been fully liberalized. [5]

3. As CPTPP member countries have opened their markets to each other through bilateral FTA, Therefore, when negotiating, Just need to further relax or accelerate the scope and time of the original liberalization, as well as discuss new items, At present, Taiwan has only signed bilateral FTA with New Zealand and Singapore. If Taiwan wants to participate in TPP negotiations in the future, it must start negotiations on a new basis, which will inevitably increase the difficulty of negotiations.

SWOT Analysis of Taiwan's Accession to RCEP

Opportunity

1. In addition to China, Taiwan's foreign investment countries, The top three were the United States (30.35%), Vietnam (15.61%) and Malaysia, Singapore, Indonesia and the Philippines in Southeast Asia (15.32%). [6] Therefore, joining RCEP can not only maintain the original production supply chain network, but also increase investment opportunities to further expand the Asia-Pacific market.

2. Taiwan occupies a place in the supply chain of Asia-Pacific region in mobile phone, electronics, telecommunications, textiles and automotive components industries. Participating in RCEP can strengthen the existing industrial supply chain relationship with RCEP member countries, but also enhance the industrial competitiveness through the comprehensive effect of regional economic integration.

3. Relative to the degree of free trade of TPP member countries, RCEP member countries show clear tariff barriers. After participating in RCEP, It will bring huge business opportunities and economic benefits for manufacturers because of tariff reduction and trade barriers removal.

Threat

1. Because of the "one China" principle, in the face of China-led RCEP, Taiwan's success in joining RCEP is deeply restricted by China, which is also Taiwan's long-standing concern.

2. After the DPP government came into power, cross-strait relations deteriorated day by day. As mentioned above, in the absence of China's tacit consent, even if other Southeast Asian countries are willing to negotiate with Taiwan in economic and trade, China's attitude should also be taken into account, so cross-strait relations become the biggest variable.

3. For a long time, Taiwan and South Korea have been in a highly competitive situation, mainly because of the overlap of the top five export markets between Korea and Taiwan. With the signing of a large number of free trade agreements by South Korea, Taiwan has lagged behind in regional economic integration. If Taiwan does not take relevant measures, it will seriously impact Taiwan's economy.
Strength

1. Taiwan has a good economic and trade capacity, and the investment and trade behavior of ASEAN countries has been uninterrupted. According to the data of Taiwanese foreign investment in 2014, Taiwan is Thailand's third largest foreign investor, Malaysia and Vietnam's fourth largest foreign investor. Taiwan has a certain degree of advantages in the investment and profitability situation in Southeast Asia.

2. In the 1990s, in order to alleviate the economic dependence on China, the Taiwanese government proposed a "south-oriented policy". As a result, Taiwan's industry has a dense layout in Southeast Asia, and ASEAN countries have abundant natural and low-cost labor resources. In addition, Taiwan and ASEAN countries have complementary industries. Therefore, if we can make full use of the foundation laid by the "South-Oriented Policy", it will help to stabilize and expand Taiwan's trade with ASEAN countries.

3. After the DPP government came into power, in order to continuously strengthen its cooperation with Southeast Asian countries, it launched the "New South-to-South Policy", seeking new directions and new momentum for Taiwan's economic development in the new stage, and re-positioning Taiwan's role in Asian development.[7]

Weakness

1. The government's attitude is not positive enough. Under the situation of departmentalism, it spends a lot of time in communication and coordination between the ministries and the ministries. It is uncertain about the formulation of economic and trade policies, which makes the progress seriously backward.

2. According to the Guiding Principles and Objectives of RCEP Negotiations, RCEP is open to "other external economic partners", but it is not clear how to define "external economic partners", because Taiwan's international status is not clear, even excluding China's factors, in what name to participate in, will cause another problem.

Conclusion

According to the development trend of global regional economic integration, this paper uses SWOT method to analyze the various impacts of CPTPP & RCEP on Taiwan, and puts forward some suggestions as follow:

Political Aspects. Taiwan could have joined the TPP with the political influence of the United States and Japan, but with the withdrawal agreement of the United States, the strength of its smooth accession was weakened. At the same time, the influence of Chinese factors was relatively increased. Therefore, obtaining China's understanding will be the key to Taiwan's accession to the CPTPP. RCEP appears to be an economic organization dominated by ASEAN countries, in fact, China has a great influence. Whether China agrees to Taiwan's accession or not, cross-strait relations will be the biggest variable in this competition.

On the Economic Side. The total population of CPTPP is 49972.4 million, and the GDP of 11 member countries is 10.11 trillion US dollars, accounting for 25% of Taiwan's total foreign trade exports. RCEP currently has 16 member countries, with a total regional population of about 3.5 billion, accounting for about 48% of the global population. In 2015, the total trade between Taiwan and RCEP member countries reached 293.2 billion US dollars, accounting for 57.6% of Taiwan's total trade. It shows that Taiwan's trade with RCEP is more than twice that of CPTPP, accounting for 82.7% of Taiwan's total trade. These data show the close relationship between Taiwan and CPTPP & RCEP member countries in economic and trade relations. Therefore, Taiwan should actively seek various ways to join CPTPP&RCEP and obtain fair competition business opportunities in market liberalization.

Legal Aspects. In view of the implementation of regional economic integration agreements, Taiwan must re-examine existing laws and regulations, amend and adjust laws that do not conform
to future regional integration agreements, and formulate new laws and policies to guide the upgrading of industries and strengthen international competitiveness, taking into account the actual situation and the new challenges of future business models. And through the support of policies and the protection of laws and regulations, we can reduce the adverse impact of shocks, create a more convenient business environment and create favorable conditions for integration into regional economy.

Before liberalization of the open market, it is necessary to amend relevant laws and regulations and some discriminatory or protective laws. At present, the pace of formulating relevant policies and decrees has been greatly hindered, especially the internal public protests and the interference of the ideology of the legislature. The government should timely guide public opinion, transform external pressure into the driving force of reform, strengthen social dialogue, and publicize the inevitability of liberalization and the pros and cons of gains and losses. To formulate a "industrial adjustment support program in response to trade liberalization" to reduce the impact of regional economic integration after joining, and to improve the social problems further aggravated by uneven distribution after joining.

References