

Trade doors open as pandemic drags

Written by Taipei Times Editorial
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The Nikkei Asian Review on March 21 reported that Japan is considering expanding membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) at a meeting in Mexico in August, as Tokyo looks to reduce its reliance on China given that the COVID-19 outbreak has resulted in unprecedented supply chain disruptions.

The report said that the Japan-led trade bloc might open up to more Asian economies, such as Taiwan, Thailand, Indonesia and the Philippines. That would be good news for Taiwan, which has long expressed a desire to join the pact, although the meeting could be postponed amid the pandemic.

The pact, renamed CPTPP after the US withdrew from the Trans-Pacific Partnership in 2017, took effect on Dec. 30, 2018, and consists of Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. In 2017, those economies held a combined GDP of US\$10.2 trillion, making up 13.6 percent of the world's GDP, while Taiwan's trade with the bloc accounts for more than a quarter of its external trade, government statistics show.

Taiwan has long sought membership in the CPTPP in expectation that inclusion would help upgrade local industries and curb relocation, as well as accelerate foreign investment in Taiwan. However, trade disputes between the US and China and the pandemic have considerably affected the global economy, as well as prompting many nations to rethink the structure and balance of global supply chains.

In this respect, Taiwan could contribute to the CPTPP based on its experience in transforming its economy and developing well-rounded supply chains.

However, Taiwan's participation is unlikely, as the addition of a new nation requires consensus from all members. Taiwan would first need to file an application and then solicit support from all member economies. The political challenge is more difficult than getting Taiwan's economic and trade environment ready when it comes to negotiating with each member of the trade pact.

This is significant for Japan, because before Taipei can gain Tokyo's support, it would have to

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address the ban on food products from five Japanese prefectures imposed after the 2011 Fukushima Dai-ichi nuclear disaster. Other members might also propose their own terms for Taiwan to win their approval.

In addition to the many unknowns in joining the CPTPP, Taiwan's difficulty in joining the China-backed Regional Comprehensive Economic Partnership due to the peculiarities of cross-strait relations and the lack of progress in reaching bilateral free-trade agreements between Taiwan and many of its trading partners have already created disadvantages for Taiwanese businesses in terms of tariffs, which have weakened the appeal of the nation as a production base.

While US-China trade tensions and the pandemic have led some Taiwanese firms to partially move production out of China, they might be forced to relocate again if the government cannot make substantial progress on either the bilateral or regional trade-pact front.

The pandemic and plunging crude oil prices have tipped the global economy, creating a higher risk of recession than in any other period since the 2008 global financial crisis.

At a time when the CPTPP is likely to open for new members, the government must seize the opportunity and take the necessary action to join the bloc, given that the overall atmosphere is improving for Taiwan's regional and global participation.

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