TAIWAN'S ECONOMY IN 2024: MODERATE ECONOMIC EXPANSION AMID US-CHINA RIVALRY

CHIANG Min-Hua

EAI Background Brief No. 1818

Taiwan's economy is estimated to have grown by 4.3% in 2024, a significant rebound from 1.1% in 2023, driven by a booming information and communications technology export sector, which expanded nearly 60%. Despite escalating US-China tensions, Taiwan remained resilient, benefitting from production relocations from China back to Taiwan due to the trade war. This shift reinforced Taiwan's role as a global semiconductor leader. Taiwan Semiconductor Manufacturing Company maintained its dominance, expanding its two-nanometre production. However, the economy's heavy dependence on semiconductors heightened concerns over income inequality and economic concentration. At the same time, US restrictions contributed to slight declines in electronic component exports. Strengthening ties with the United States and ASEAN while reducing reliance on China became a key focus to enhancing long-term economic stability.

(Click on the link to read the above in Chinese, French and Spanish)

Date of Publication: 27 February 2025

***Chinese*:**

2024 年台湾经济：美中竞争下的适度经济扩张

预计台湾经济在 2024 年增长了 4.3%，这相较于 2023 年的 1.1%是一个显著反弹，其推动力来自蓬勃发展的信息和通信技术出口行业，该行业增长了近 60%。尽管美中紧张局势升级，台湾依然表现出韧性，因为受益于因贸易战而从中国迁回台湾的生产活动。这一转变强化了台湾作为全球半导体领导者的角色。台湾积体电路制造公司（台积电）保持了主导地位，扩大了两纳米制程生产。然而，经济对半导体的高度依赖加剧了对收入不平等和经济集中的担忧。同时，美国的限制导致电子元件出口略有下降。加强与美国和东盟的联系，同时减少对中国的依赖，成为增强长期经济稳定的关键。

***French*:**

L'ÉCONOMIE DE TAIWAN EN 2024: EXPANSION ÉCONOMIQUE MODÉRÉE DANS UN CONTEXTE DE RIVALITÉ USA-CHINE

L'économie de Taiwan aurait progressé de 4,3 % en 2024, un rebond significatif par rapport aux 1,1 % de 2023, grâce à un secteur exportateur des technologies de l'information et de la communication en plein essor, avec une expansion de près de 60 %. Malgré l'escalade des tensions entre les États-Unis et la Chine, l'île est resté résiliente, bénéficiant des relocalisations de production depuis la Chine à cause de la guerre commerciale. Ces évolutions ont renforcé le rôle de Taiwan en tant que leader mondial des semi-conducteurs. Taiwan Semiconductor Manufacturing Company a consolidé sa domination en élargissant sa production de puces de deux nanomètres. Cependant, la forte dépendance de l'économie aux semi-conducteurs a accru les inquiétudes concernant les inégalités de revenus et la concentration économique. Parallèlement, les restrictions américaines ont contribué à de légères baisses des exportations de composants électroniques. Renforcer les liens avec les États-Unis et l'ASEAN tout en réduisant la dépendance à la Chine est devenu un objectif clé pour renforcer la stabilité économique à long terme.

***Spanish*:**

LA ECONOMÍA DE TAIWÁN EN 2024: EXPANSIÓN ECONÓMICA MODERADA EN MEDIO DE LA RIVALIDAD ENTRE EE.UU. Y CHINA

Se estima que la economía de Taiwán creció un 4.3% en 2024, un repunte significativo desde el 1.1% en 2023, impulsado por un sector de exportación de tecnología de la información y comunicaciones en auge, que se expandió casi un 60%. A pesar de las crecientes tensiones entre EE.UU. y China, Taiwán se mantuvo resiliente, beneficiándose de la reubicación de producción de China de regreso a Taiwán debido a la guerra comercial. Este cambio reforzó el papel de Taiwán como líder mundial en semiconductores. La Compañía de Manufactura de Semiconductores de Taiwán mantuvo su dominio, ampliando su producción de dos nanómetros. Sin embargo, la fuerte dependencia de la economía en los semiconductores aumentó las preocupaciones sobre la desigualdad de ingresos y la concentración económica. Al mismo tiempo, las restricciones de EE.UU. contribuyeron a ligeras caídas en las exportaciones de componentes electrónicos. Fortalecer los lazos con Estados Unidos y la ASEAN mientras se reduce la dependencia de China se convirtió en un enfoque clave para mejorar la estabilidad económica a largo plazo.

Executive Summary

1. Despite the escalating military threat from China after President Lai Ching-te's inauguration in May 2024, Taiwan's economy in 2024 is expected to grow by 4.3%, surpassing several key East Asian economies, thanks to its robust merchandise exports.

2. Taiwan's export growth mainly stems from the shifting global ICT (information and communication technology) industry supply chain due to the US-China rivalry.

3. ICT goods exports growth is driven by relocating the export platform from China to Taiwan, after the United States' higher tariffs on Chinese goods in 2018.

4. Taiwan's latest official statistics show that the United States has become its second-largest export destination, accounting for 23% of Taiwan's total exports in 2024, up from 15% in 2020, with ICT goods as the main export items.

5. In comparison, China and Hong Kong's shares in Taiwan's total exports, primarily key components for the final assembly, shrank from 44% to 32% during the same period. US export control measures further cut Taiwan's exports of advanced chips to Chinese companies for assembling their high-tech electronic devices.

6. These measures have also slashed Taiwan's investment in China's semiconductor industry. In 2024, Taiwan's investment in China's electronic parts and components manufacturing dipped to US$2 million, a stark contrast to the US$12.6 billion invested in the United States and less than half of Taiwan's outward foreign direct investment in the same industry in Singapore.

7. Taiwan's trade and investment shift away from China could reduce China's economic leverage over Taiwan. US export control measures could also retard China's technological advancement, potentially delaying its ability to match Taiwan's level of technology.

8. The US perception of a "China threat" and the related policy initiatives to counter China's rise are likely to continue in Trump's second term. Taiwan's investment in and trade with China could become more distant in the foreseeable future.

9. The deteriorating cross-strait economic relations are not solely due to US policy shifts. China's subdued economy and bans on certain agricultural imports only increase business risks, making it less attractive for Taiwan's market-oriented investments in China and driving Taiwanese investors away.

10. Taiwan's economic growth is likely to continue in the coming years despite the ongoing US-China rivalry. The artificial intelligence boom, with its demand for high-performing chips, is likely to enhance Taiwan's manufacturing strength, positioning it to capture a significant share of global orders for advanced chips.