

Taiwan's Recent Economic Performance and Challenges:

*A Dialogue with the
Official Delegation of the INTA Committee of the
European Parliament*

Office of Trade Negotiations
EXECUTIVE YUAN, TAIWAN
December 20, 2022

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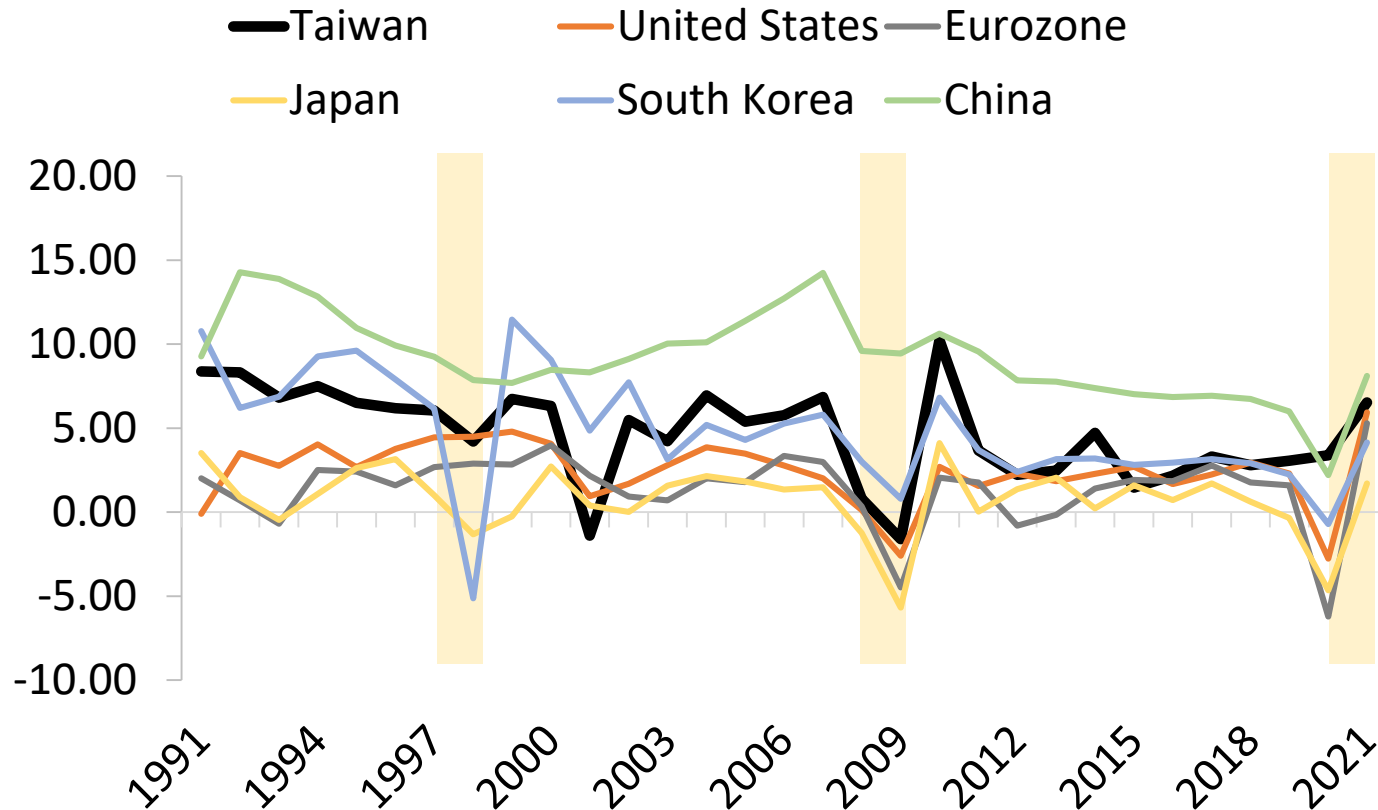
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I. Taiwan's Recent Economic Performance (1/6)

Taiwan's economic performance over the past five years has been exceptional, and its economy has continued to grow despite the U.S.- China trade conflict, the COVID pandemic, and other global developments.

GDP annual growth rate by selected countries (%)



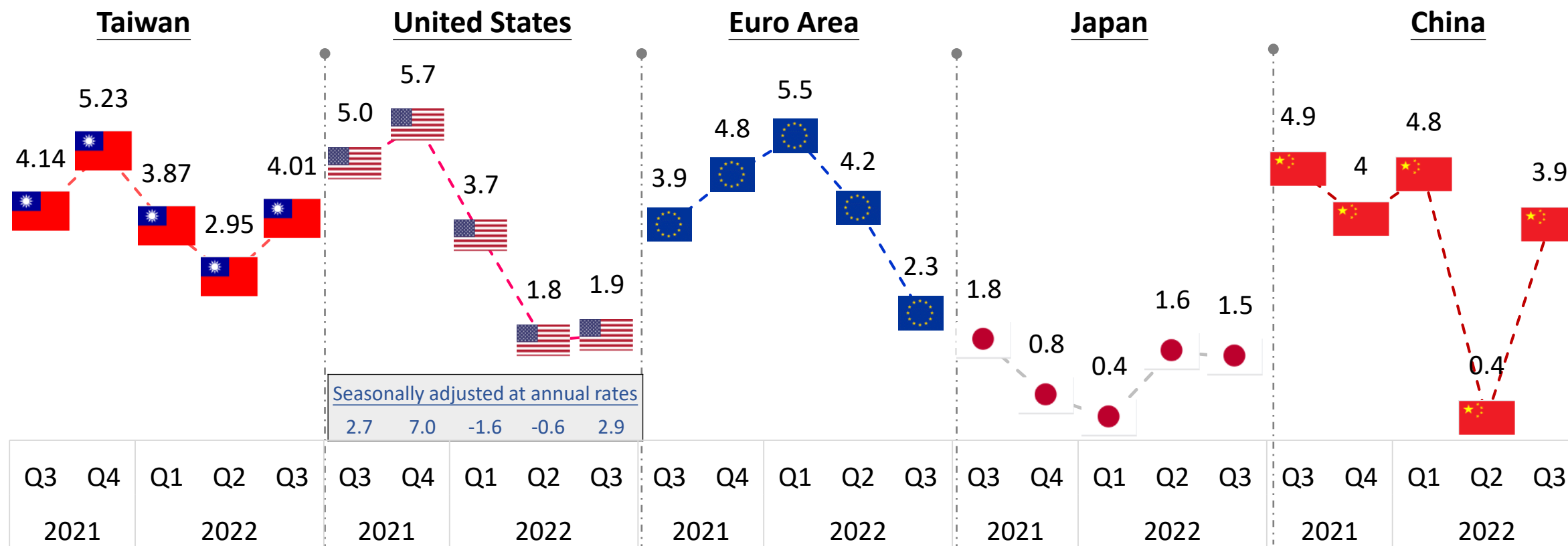
Economic performance in recent turmoil years
- by selected countries (%)

	1997	1998	2008	2009	2020	2021
World	3.64	2.46	1.73	-1.78	-3.18	5.91
United States	4.45	4.48	0.12	-2.60	-2.77	5.95
Eurozone	2.69	2.89	0.34	-4.47	-6.20	5.28
Japan	1.01	-1.32	-1.25	-5.67	-4.56	1.71
South Korea	6.17	-5.13	3.01	0.79	-0.71	4.15
Taiwan	6.05	4.20	0.80	-1.61	3.39	6.53
China	9.25	7.86	9.59	9.44	2.21	8.11

I. Taiwan's Recent Economic Performance (2/6)

Taiwan's economic performance has remained steady in 2022.

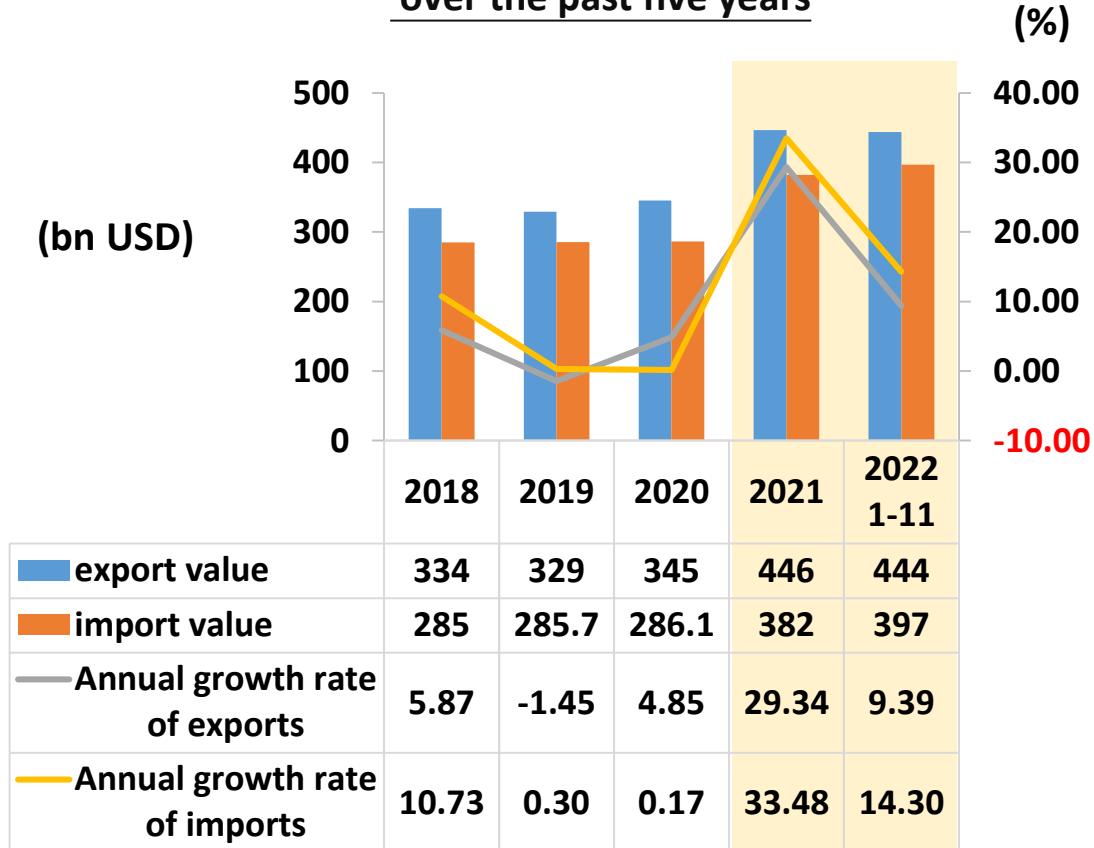
Economic Growth Rates by Countries in the Last Five Quarters (Year-to-Year)



I. Taiwan's Recent Economic Performance (3/6)

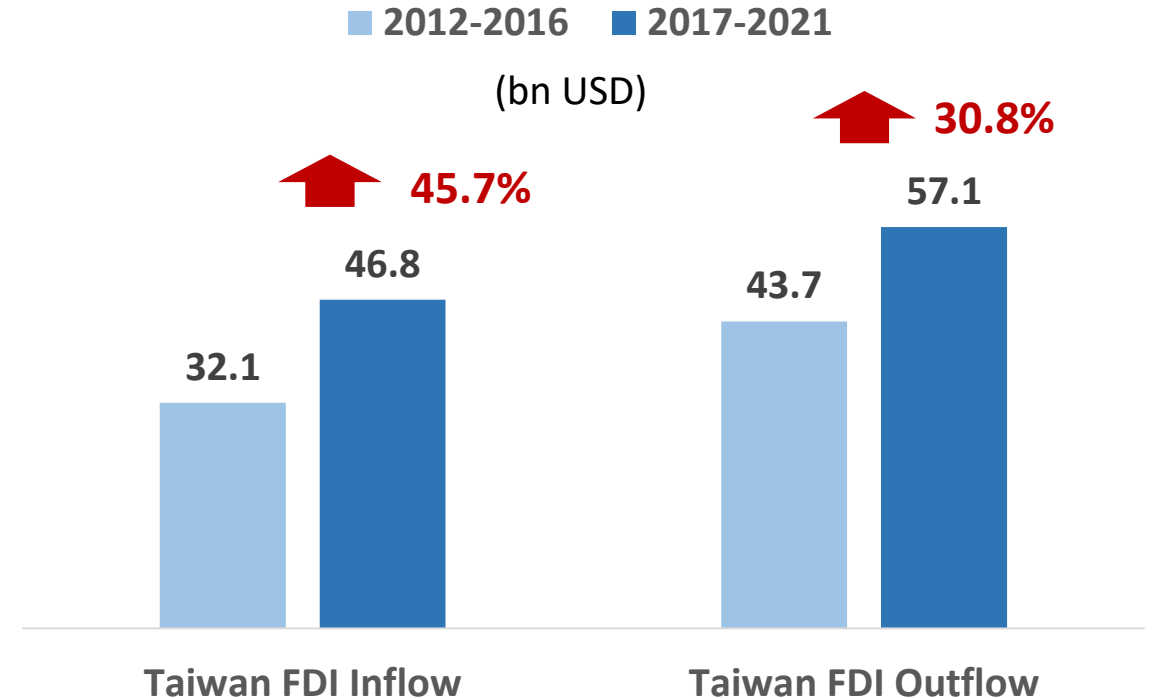
Taiwan's import/export performance has been steady in recent years, and has grown even stronger since 2021.

Taiwan's import/export performance over the past five years



Compared to 2012-2016, Taiwan's FDI inflow and outflow over the past five years has continued to gain momentum.

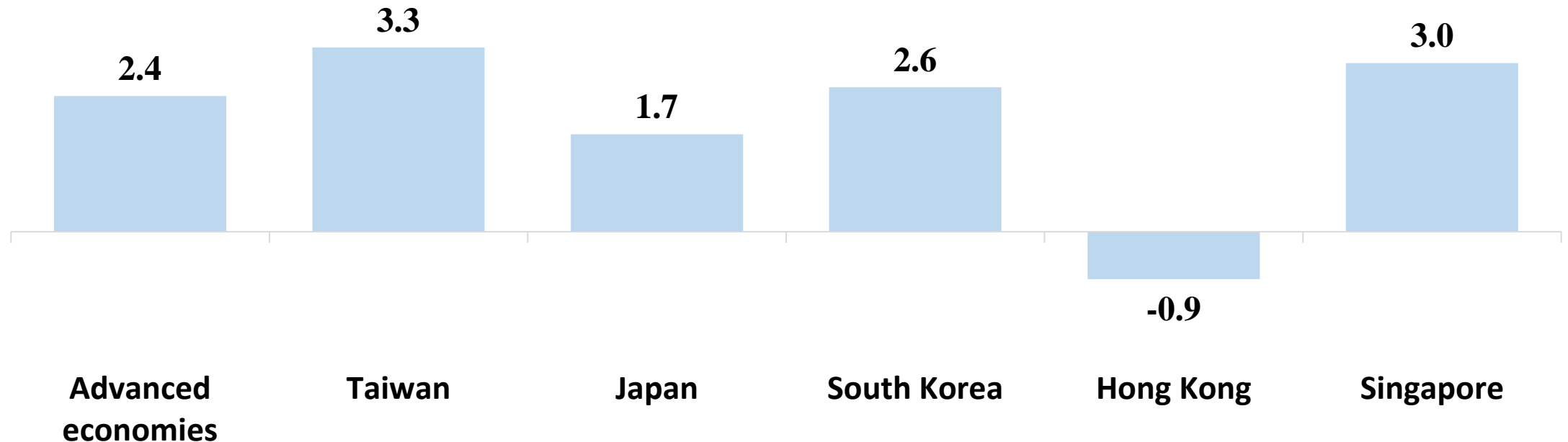
Taiwan's investment performance over the past five years



I. Taiwan's Recent Economic Performance (4/6)

According to the IMF forecast, Taiwan's economic growth rate for 2022 is projected to be around **3.3%**, which is higher than many of its neighboring Asian countries.

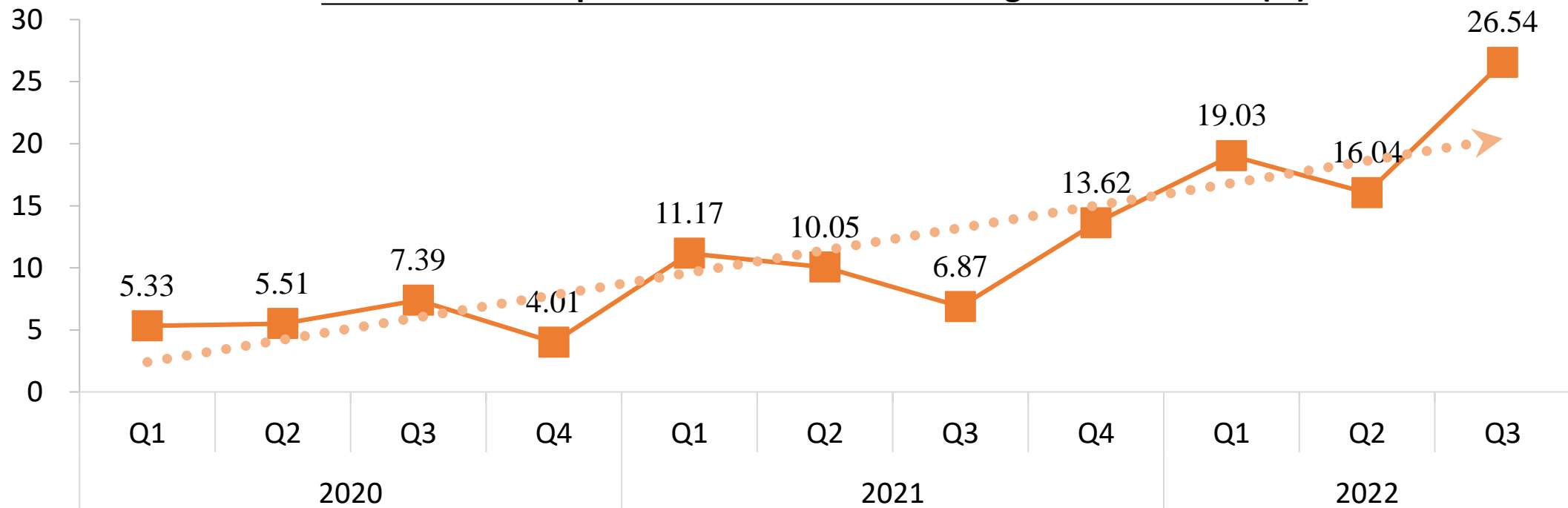
IMF Forecasts of Economic Growth for 2022



I. Taiwan's Recent Economic Performance (5/6)

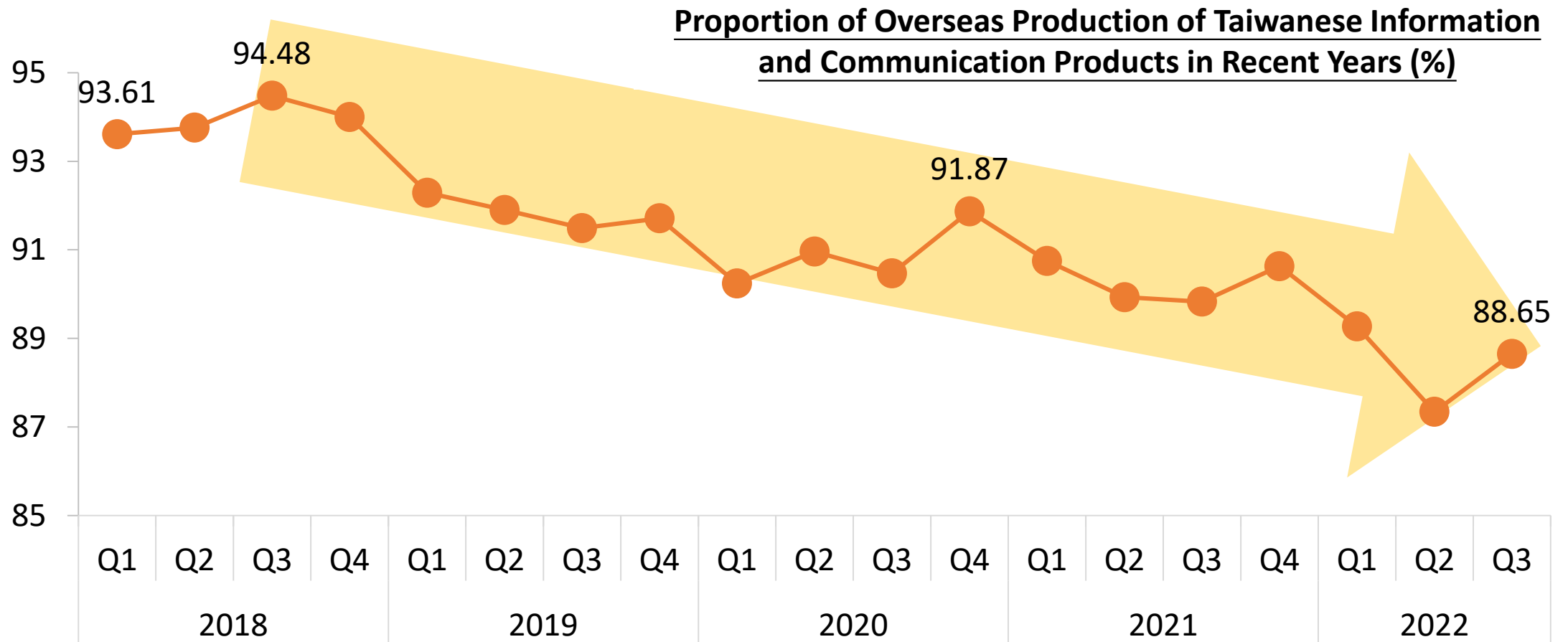
Following a mass exodus over the past 20 years, Taiwan saw a significant return of its manufacturing industry in the past two years, particularly with respect to the computer, electronics and optical sectors. In fact, **the output value during the third quarter of this year increased by 26.54%**, the largest increase since 2020.

Annual Growth Rate in Quarterly Output Value of Taiwan's Computers, Electronics and Optical Products Manufacturing in Recent Years (%)



I. Taiwan's Recent Economic Performance (6/6)

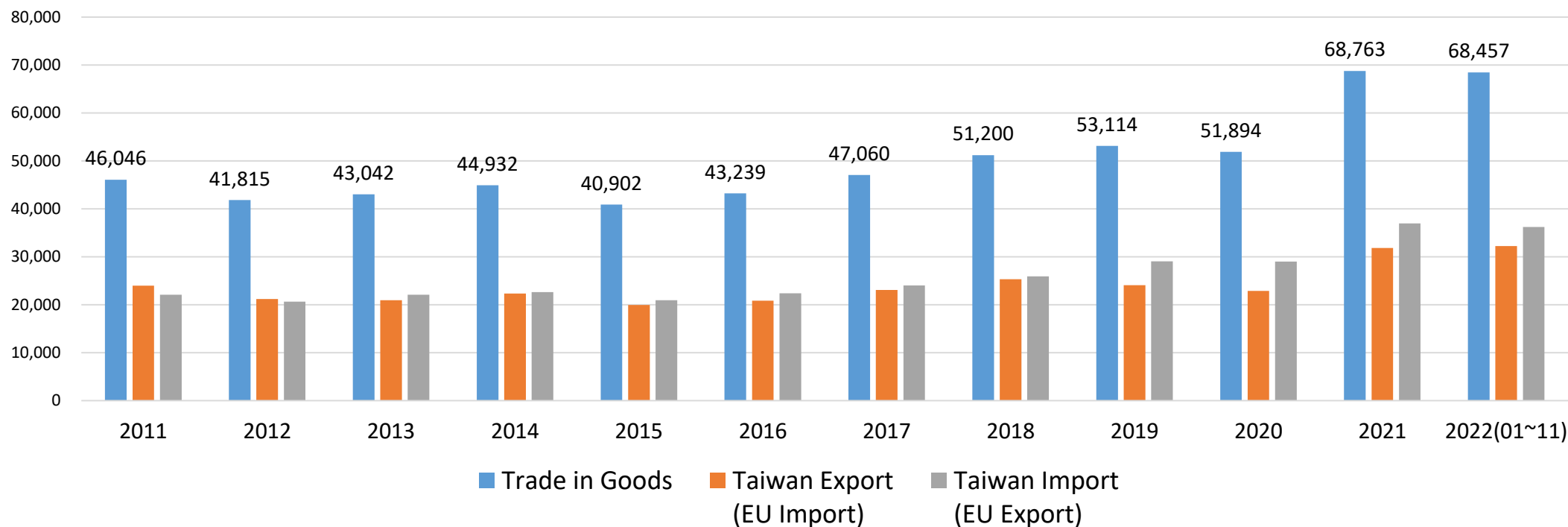
The proportion of overseas production of information and communication products **has also gradually declined** since the third quarter of 2018.



II. Taiwan – EU Economic Relations (1/2)

In terms of trade in goods, the EU is Taiwan's 5th largest trading partner, while Taiwan was the EU's 12th in 2021.

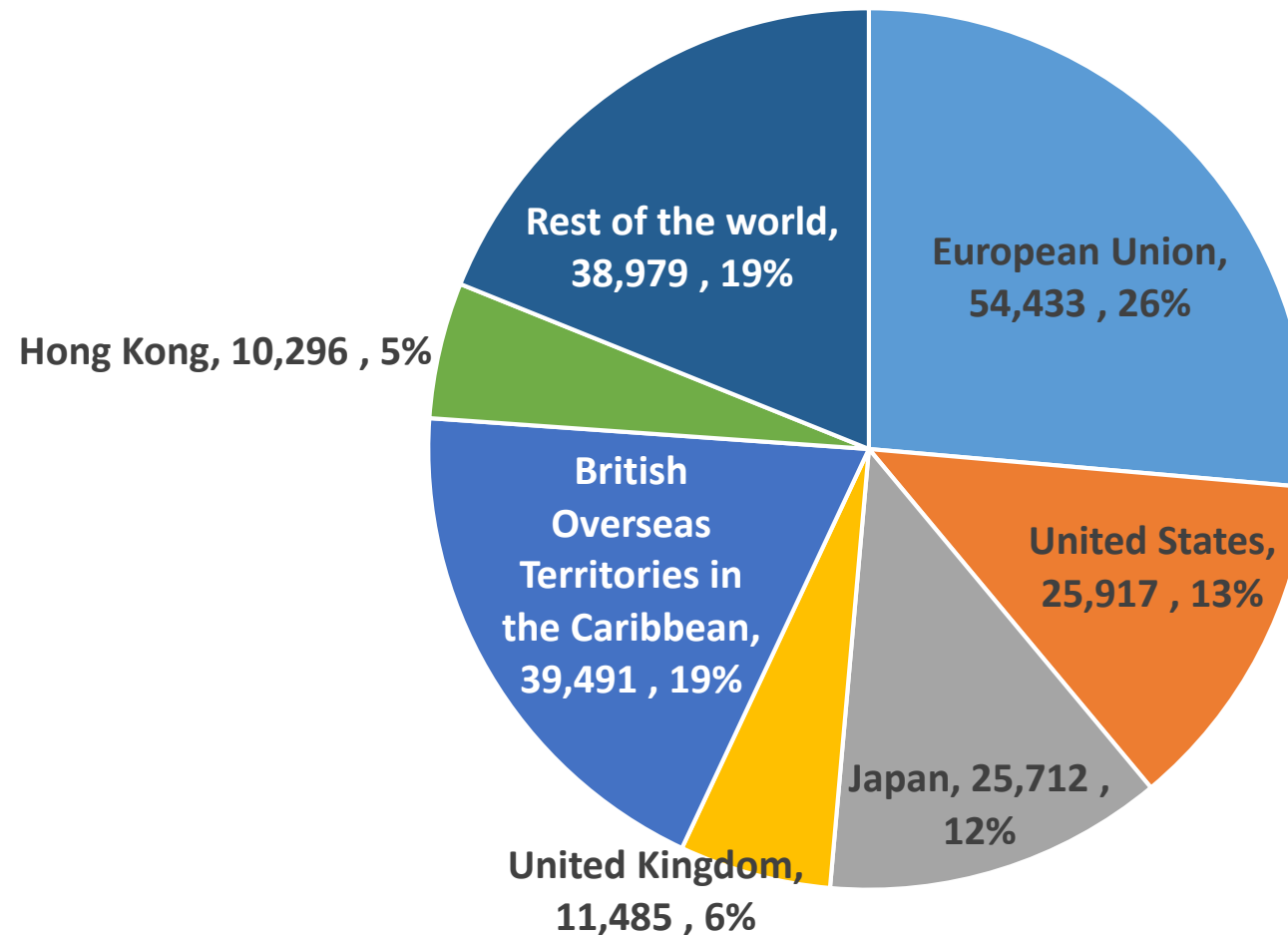
Taiwan – EU Bilateral Trade in Goods
(million US\$)



II. Taiwan – EU Economic Relations (2/2)

The EU is Taiwan's largest source of FDI inflow.

Taiwan's Accumulated FDI Inflow by October 2022 (million US\$)



III. Taiwan's Challenges and Response (1/7)

1. China's military coercion may pose threats to Taiwan's inbound and outbound FDI.
2. Isolation from economic integration and limited engagements with important trading partners dim domestic confidence in Taiwan's future.
3. China continues to pose threats to Taiwan's cybersecurity.
4. China's recent use of economic coercion is cause for concern for Taiwanese companies.

III. Taiwan's Challenges and Response (2/7)

1. China's military coercion continues to pose threats to Taiwan's inbound and outbound FDI.

- Uncertainties and anxiety over potential military conflict in the Taiwan Strait have caused foreign clients to question Taiwanese companies' supply resilience and to diversify their manufacturing bases.
- The issue of TSMC's investments in the U.S. and Japan has invited heated debates. While some believe that it's part of Taiwanese companies' international strategies and should be encouraged, others regard them as warning signals of hollowing out Taiwan's crucial industries.

III. Taiwan's Challenges and Response (3/7)

2. Isolation from the economic integration and limited engagements with important trading partners dim domestic confidence in Taiwan's future.

- The CPTPP and RCEP have both entered into force. With the stagnation of WTO reforms, more and more countries have focused on FTA negotiations.
- In the Asia-Pacific region, not only Singapore, Australia and New Zealand frequently initiate or join regional trade pacts; India is also actively building up its FTA network and negotiating with the UK, European Union and Gulf Cooperation Council (GCC).

III. Taiwan's Challenges and Response (4/7)

- China continues to oppose Taiwan's efforts to sign FTAs with trading partners and participate in regional economic integration such as the CPTPP. After the U.S.-Taiwan Initiative of 21st Century Trade was announced this June, Beijing also strongly conveyed its opposition.
- Beijing's influence has prompted many countries to set limits on formal official exchanges with Taiwan.

III. Taiwan's Challenges and Response (5/7)

3. China continues to pose threats to Taiwan's cybersecurity.

- China has used its manufactured IT equipment exported to Taiwan to penetrate and pose threats to our national security.
- When U.S. Speaker Nancy Pelosi visited Taiwan in August, some digital displays in Taiwan's railway stations and convenience stores were hacked.

III. Taiwan's Challenges and Response (6/7)

4. China's recent use of economic coercion is cause for concern for Taiwanese companies.

- China frequently leverages its vast market to coerce its trading partners, including Taiwan.
- For example, China has used unfounded claims to ban the importation of Taiwan's pineapples, mangos, sugar apples, and groupers.

III. Taiwan's Challenges and Response (7/7)

1. Emphasizing the importance of stability in the Taiwan Strait to global peace and prosperity
2. Taking a pragmatic approach to help other countries to solve real problems.
3. As to China's economic coercion tactics:
 - Agricultural products: Provide assistance to farmers and fishers to diversify their markets.
 - Semiconductors: Currently almost half of Taiwan's exports to China and Hong Kong are semiconductors or their parts. Therefore, there is less likelihood of economic coercion.

IV. Taiwan's Expectations of the EU - Taiwan Relations

1. After Russia's invasion of Ukraine, the U.S. and the EU have both paid greater attention to the Taiwan Strait and reiterated their support for freedom and democracy.
2. The U.S. has launched negotiations with Taiwan under the U.S.-Taiwan Initiative of 21st Century Trade, which we hope will pave the way to a future bilateral trade agreement (BTA).
3. We believe in the value of a bilateral investment agreement (BIA) between Taiwan and the EU. We welcome your thoughts and suggestions for how to motivate the European Commission to take concrete steps to enhance the EU's institutional relations with Taiwan.

Thank you!
Questions and Dialogue



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