

The United States-Taiwan Trade and Investment: Brief Overview

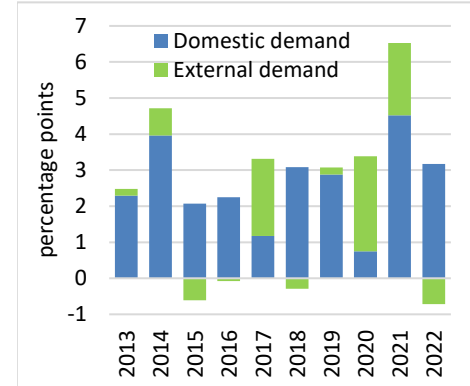
[Sarah Krulikowski](#) and [Karen Thome](#), Office of Economics

Taiwan has long been a key partner of the United States in the Indo-Pacific region with deep commercial ties. In 2022, the United States and Taiwan announced the U.S.-Taiwan Initiative on 21st-Century Trade (the Initiative), which aims to grow economic and trade linkages between the two economies.¹ The first agreement under the Initiative was signed in June 2023.² This EBOT provides a brief background on Taiwan’s economy and an overview of U.S.-Taiwan bilateral trade and investment over the last decade, in the leadup to the implementation of agreements under the Initiative.

Macroeconomic context. Taiwan is the world’s 21st largest economy,³ classified as “high-income” by the World Bank.⁴ Taiwan’s economy grew at an average rate of 3.2 percent per year during 2013-2022, largely driven by domestic demand (figure 1). By 2022, Taiwan’s gross domestic product (GDP) reached \$760.5 billion, up from \$512.9 billion in 2013. Based on IMF forecasts, Taiwan’s growth is expected to slow to 2.2 percent average in 2023-25, largely due to sluggish growth in 2023, driven by weak domestic capital investment amid weak global demand for goods.⁵

The manufacturing sector accounted for approximately 34 percent of Taiwan's GDP in 2022, followed by wholesale and retail trade, real estate and residential services, finance and insurance, and other sectors. Taiwan plays a particularly prominent role in global

Figure 1 Taiwan: Contributions to Economic Growth Rate



Source: [Official Statistics \(Taiwan\)](#), accessed November 14, 2023.

Figure 2 U.S.-Taiwan Merchandise Trade, billions of dollars



Source: [U.S. Census Bureau](#), accessed November 6, 2023.

semiconductor manufacturing, producing around 92 percent of the world’s most advanced semiconductors.⁶

Recent Developments in U.S.-Taiwan Trade. Taiwan was the United States’ 10th-largest trading partner in goods and services over the last decade, except for 2019, when its ranking improved to 9th place.⁷ In 2022, U.S. goods and services trade with Taiwan totaled \$160.8 billion (up nearly 20 percent from \$134.3 billion in 2021) with a trade deficit of \$50.2 billion.

¹ USTR, [U.S.-Taiwan Initiative on 21st-Century Trade: Negotiating Mandate](#), August 17, 2022.

² The agreement contains provisions on customs and trade facilitation, good regulatory practices, services domestic regulation, and anticorruption. USTR, [Statement from USTR Spokesperson](#), June 1, 2023.

³ This ranking is based on data for 2022. Unless stated otherwise, the macroeconomic data source is IMF, [World Economic Outlook Database](#), accessed November 14, 2023.

⁴ Effective July 1, 2023, high-income economies are those with a Gross National Income per capita of \$13,846 or more. World Bank, [World Bank Country and Lending Groups](#), accessed November 14, 2023.

⁵ [Official Statistics \(Taiwan\)](#), accessed May 20, 2024; IMF, [Regional Economic Outlook](#), October 2023.

⁶ Advanced semiconductors are smaller (with node sizes below 10 nanometers), faster, and more efficient; uses include cellphones, artificial intelligence, and cloud computing. SIA/BCG, [Strengthening the Global Semiconductor Supply Chain in an Uncertain Era](#), April 2021, 5. Also see Jones and Krulikowski, [Taiwan – The Silicon Island](#), February 2024 and Jones et al., [U.S. Exposure to the Taiwanese Semiconductor Industry](#), March 2024.

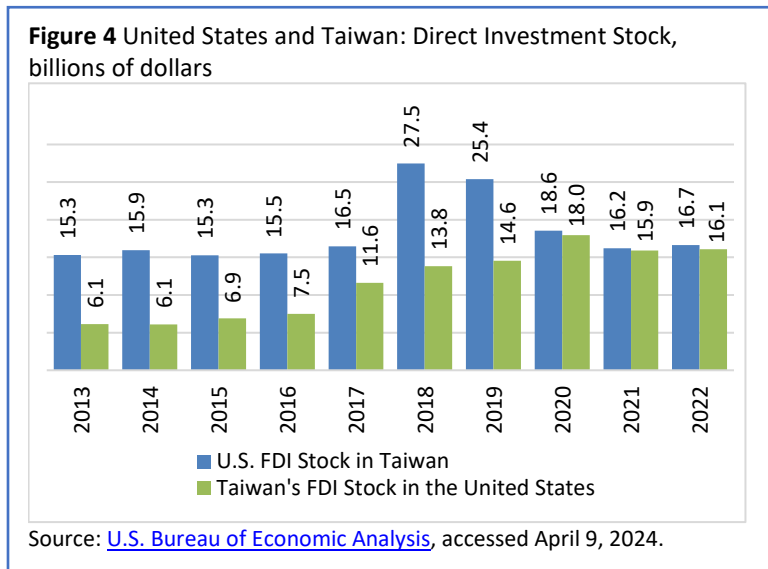
⁷ The European Union is considered as one trading partner in ranking the economies. [USDOC/BEA data \(updated June 6, 2024\)](#), accessed July 17, 2024.

The views expressed solely represent the opinions and professional research of the authors. The content of the EBOT is not meant to represent the views of the U.S. International Trade Commission, any of its individual Commissioners, or the United States government.

U.S. exports to Taiwan increased by 17.0 percent and reached \$55.3 billion, up from \$47.3 billion in 2021. U.S. imports grew by 21.3 percent, reaching \$105.5 billion in 2022, up from \$87.0 billion in 2021.

Merchandise trade (mostly, computer and electronic products such as semiconductors) dominates the overall trade profile, comprising 86.9 percent of total goods and services imports from Taiwan in 2022. The main services exports from the United States to Taiwan included intellectual property, transportation, and travel services in 2022. The services imports by the United States from Taiwan in the same year were dominated by transportation (mainly sea transport), followed by business and travel services.⁸

During 2013-2022, U.S.-Taiwan merchandise trade more than doubled, reaching \$136.0 billion in 2022, primarily driven by growth in U.S. imports from Taiwan (figure 2). Computer and electronic products were consistently the dominant U.S. import from Taiwan during this period.⁹ This product group’s share in total U.S. merchandise imports from Taiwan ranged between 35.8 percent (2015) and 48.3 percent (2022) over the same period and reached \$44.3 billion in 2022, up from \$14.8 billion in 2013 (figure 3). The next largest product group, fabricated metal products, averaged 10.2 percent of the total during 2013-2022. Over the same period, computer and electronic products were the top U.S. merchandise export to Taiwan as well, although with a lower share in total U.S. merchandise exports to Taiwan (20.9 percent average share).



U.S.-Taiwan Foreign Direct Investment Profile and Recent Developments.

The stock of U.S. foreign direct investment (FDI) in Taiwan amounted to \$16.7 billion in 2022 (figure 4), up 2.7 percent from 2021, and 8.8 percent from 2013. In the same period, Taiwan’s FDI stock in the United States more than doubled, rising from \$6.1 billion in 2013 to \$16.1 billion in 2023. Manufacturing (chemicals and computers and electrical products industries) along with depository institutions were the target of the majority of Taiwan’s FDI in the United States in 2022, as well as the main contributors to growth in FDI in the 10-year period ending 2022.¹⁰ In 2022, half of U.S. FDI stock in Taiwan was in computer and electronic products manufacturing, as well as the financial

and insurance sector. In 2018 and 2019, U.S. FDI stock in Taiwan reached its peak, primarily due to increased investments in these two sectors (figure 4).

⁸ Services accounted for 13 percent of total U.S. imports of goods and services from Taiwan in 2022. [USDOC/BEA](#), accessed April 11, 2024.

⁹ Product groups are defined at the NAICS 3-digit level.

¹⁰ FDI data in this section is from [USDOC/BEA](#), accessed April 9, 2024.

The views expressed solely represent the opinions and professional research of the authors. The content of the EBOT is not meant to represent the views of the U.S. International Trade Commission, any of its individual Commissioners, or the United States government.