



Asia Research Centre Commentary

Centre for Security Studies

War Studies University

February 22, 2021

Taiwan's Economic Growth in 2020 and Its Relevance to Poland

Łukasz Sarek

In 2020, Taiwan's economy grew by 3,11% last year, a pace which was faster than the one recorded by the PRC for the first time in many years. Taipei's economic success has been mainly due to its extremely successful fight against the COVID-19 epidemic, which has enabled relatively normal economic and social life to continue, coupled with significant foreign demand and rapid export growth. The unfavourable aspects of Taiwan's robust economic growth and increased trade are its economic ties with the PRC and the U.S. government's placement of Taiwan on a list of countries suspected of currency manipulation, which was done despite the significant appreciation of the TWD to the USD last year.

Growth was also positively impacted by an increase in expenses on gross fixed capital formation by the government and public enterprises as well as, albeit to a lesser extent, by private enterprises. Planned Taiwanese direct investment in Europe more than doubled compared to 2019 and it was the best performance in this decade (after an exceptional 2015). Overall, Taiwan's planned ODI increased by 72,3%, indicating that Taiwanese entrepreneurs have the resources to expand overseas.

Consumption and its share in GDP declined slightly, but it was a relatively small decline compared to that of other countries. The number of newly registered enterprises increased and there were far fewer deregistrations than in 2019. As a result, the number of registered

businesses increased. Unemployment rose marginally on an annual basis, with a strong downward trend in the second half of the year. Imports were almost unchanged with a fairly strong decline in the value of shipments from the EU.

Forecasts for Taiwan for this year are optimistic and indicate an even higher real growth rate of 3,83%. Taiwanese enterprises are to increase exports as well as imports and consumption is expected to rise, which is an important and positive trend for Polish enterprises. In 2020, Polish exports to Taiwan grew by 37,8%. In terms of growth dynamics, especially in comparison to exports from other European countries to Taiwan, it is a great result. However, as much as one third of the positive growth was creating by exporting copper cathodes. Most goods exported to Taiwan are means of production or capital goods, while consumer goods have a minor share in the export mix.

Even more important for Polish exporters than the fluctuations in the exchange rate will be the economic growth, domestic demand and Taiwanese exports, as some imports from Poland serve as inputs for Taiwanese manufacturers. Transport costs and the overall logistics situation, as well as potential disruptions in the operations of Polish or Taiwanese companies caused by a pandemic, will also have a significant impact on trade with Taiwan.

A relatively stable situation on the labour market, rising wages, and forecasted growing consumption create favourable conditions for Polish exports of consumer goods. A significant drop in the number of company deregistrations and a dynamic increase in the number of new companies as well as maintenance of sales growth by both manufacturing and service sectors testify to the relatively good condition of Taiwanese companies and lower transaction risk than with partners from countries with worse economic situation. Taiwan's position in Southeast Asia and the fact that the second-largest export market for Taiwan is ASEAN may also be beneficial for Polish companies, which by entering Taiwan have an opportunity to present their offer to partners from other countries.

The good condition of Taiwanese companies has also translated into an increase in foreign investment. The growing interest of Taiwanese investors in the European market and the rapprochement between the EU and Taiwan may also be used by Polish authorities and companies to attract Taiwanese investments to Poland.