▲ Mr. Wang Jiann-Chyuan

# 2025 Global Trade Trends Seminar:

## Positioning Taiwan as the Best Strategic Partner for U.S. Reindustrialization

On March 19, 2025, the Kaohsiung Office of Taiwan's Bureau of Foreign Trade hosted a seminar that attracted over a hundred participants from diverse industries and age groups. **The event focused on the impact of Trump's latest policies on Taiwan and China.** Ms. Lu Hui-Chu, Director of the Kaohsiung Office of the Bureau, stated in her opening remarks that while Taiwan benefited during Trump's first term, it now faces challenges from U.S. tariffs alongside other nations under Trump's second term. To support Taiwanese firms in overseas deployment, she said the Ministry of Economic Affairs has prioritized markets such as the U.S., Germany, the Philippines, and Japan, with efforts including establishing industrial parks to build full supply chains, setting up trade service centers in the U.S., and forming service group in the U.S., Canada and Southeast Asia to assist Taiwanese firms looking to invest but pressured by the impact of tariffs.

The keynote speaker, **Vice President Mr. Wang Jiann-Chyuan of the Chung-Hua Institution for Economic Research (Taiwan), was invited to addressed four topics: the impact of Trump's latest policies on Taiwanese industries and corporate running; geopolitical shifts and China's economic decline; global and Taiwanese economic outlooks; strategies for coping and investment.** The following outlines his talk, breaking down into four aspects.

### ◆ U.S. Economy Outlook: Short-term Gain but Long-term Pain

Trump's tariffs will drive up consumer prices and the dollar exchange rate has begun to weaken. Debt levels are rising. High-income consumers earning USD 100,000 annually have started to cut back on luxury spending, favoring affordable and essential daily supplies instead. The U.S. economic growth rate is projected to drop from 2.72% last year to 1.91% this year. These phenomena have led to **increasing concerns about an impending recession of the U.S. economy.**

## ◆ Relatively Less Impact on Taiwan's Fasteners & Hand Tools, While China Shock 2.0 Poses a Bigger Challenge

Taiwan's overseas investment focus has shifted from China to the U.S., with the proportion of export to the U.S. doubling from 13% to 25% over the five years from Trump's first to second term. Last year, Taiwan recorded a trade surplus of USD 73.9 billion with the United States, making it the sixth-largest contributor to the U.S. trade deficit. This trade imbalance provided Trump with sufficient justification to impose tariffs targeting specific Taiwanese industries.

Taiwan is the fifth-largest exporter of steel to the United States. **The 25% tariffs imposed by Trump on steel and aluminum industries has a more significant impact on Taiwan's conventional industries, including steel and aluminum,** compared to its technology sector, which is protected under the Information Technology Agreement (ITA). However, Wang Jiann-Chyuan assessed that **the impact of tariffs on Taiwan's fastener and hand tool industries is relatively lower because U.S. manufacturers find it less cost-effective to produce these items domestically and will continue to import from Taiwan.**

Although Taiwan's fastener and hand tool industries are relatively less impacted by the tariffs, they will face intense competition from China. This situation mirrors the "China Shock 1.0" experienced back in 2002 when Taiwan and China both joined the WTO. At that time, China's advantages in labor costs and low taxes caused the U.S. to lose over 2 million jobs in industries like textiles, apparel, and toys. **Fast-forwarding to 2025, with weak domestic demand and a collapsing real estate market, China is focusing heavily on exports, leading to overproduction in nearly all sectors. This has resulted in aggressive dumping of Chinese products like steel, cement, EVs, and solar panels into global markets—a phenomenon referred to as "China Shock 2.0." Taiwanese and Chinese suppliers will be competing fiercely in third-country markets and this will reflect in industries like fasteners and hand tools.** Wang Jiann-Chyuan pointed out that retaining irreplaceable competitiveness is key to surviving this wave of supply chain restructuring, stating metaphorically, "You will know who's swimming naked only when the tide goes out."

Economically, Taiwan maintained an average inflation rate of just 1% over the past 30 years. However, due to rising energy costs that the Taiwanese government can no longer afford, the country's inflation is now edging closer to 1.5%-2%. Meanwhile, Taiwan's economic growth rate is projected to drop from 4.28% last year to 2.65% this year.

## ◆ There is at Least a Decade Long of Economic Decline Waiting for China

Compared to Japan with a per capita income of USD 50,000 during its asset price bubble, China's current per capita income stands at only USD 13,000. Additionally, local government debt in China amounts to USD 12 trillion—60% of its GDP which is valued at USD 20 trillion. China's economic growth rate is expected to decline from 4.97% last year to 4.21% this year. Nobel laureate Paul Krugman remarked that while China's economic downturn may not mirror Japan's 30-year decline, "it could be even worse." Wang Jiann-Chyuan quoted the general consensus of industry players, suggesting that **although China might be able to avoid going down as much as Japan, it will likely face a recession lasting at least 10-15 years.**

## ◆ Taiwan Must Diversify Beyond Semiconductors — Propelling Re-transformation of Conventional Industries

Wang Jiann-Chyuan warned that with both the U.S. economy slowing down and China's economy faltering, Taiwanese businesses must brace for impact as conventional industries face multiple high-risk challenges. He is illustrating a **"Conventional Industry Re-transformation" tactic** for Taiwan. The strategy is conceptualized as such that despite efforts by Trump to bring manufacturing back to the U.S., there remains a lack of sufficient component suppliers and distribution networks within the U.S. Taiwan has the world's most complete fastener and automotive component supply chain which makes it literally indispensable for U.S. reindustrialization efforts. He advocated for Taiwan to position itself as the United States' best partner in reindustrialization by creating Taiwan's value for the U.S., thereby gaining leverage in trade negotiations with Trump.

To that end, he emphasized that Taiwan's conventional industries must embrace digitization and cross-sector collaboration. On one hand, fastener companies must accelerate their digital transformation; on the other hand, they need to collaborate with other industry players to form and integrate into a supply chain. In February, a press report stated that, in addition to catering to the automotive market, Spec Products Corp is tapping into the semiconductor equipment sector, supplying anti-loosening screws to major wafer foundry clients — the end clients for semiconductor equipment companies. These screws meet high specifications and have good prices. Although the current sales scale is small, growth has been rapid. This exemplifies collaboration between the fastener industry and other sectors. Through such partnerships, the fastener industry can become part of the massive semiconductor supply chain. By meeting the high standards of the semiconductor industry, Taiwanese fastener companies can up their technical capabilities. Beyond their first transformation (digitalization), they can achieve a second upgrade by venturing into cross-sector collaborations and adopting a team-based strategy.

Therefore, **Taiwan cannot rely solely on semiconductors for its future growth. By leveraging the world's most complete fastener supply chain and fostering collaborations between the fastener industry and high-end sectors like the high-tech industry, Taiwan can elevate product value-add and build an industry cluster that position it as the best partner in U.S. reindustrialization efforts—a strategic move highly beneficial under the "America First" agenda.** ■