

Shifts in Taiwan's Export Structure Amid Geopolitics and the AI Wave

Huang, Chian-Fang | Analyst, The Third Research Division, CIER

The global economic and trade environment has changed rapidly in recent years. Rapid advances in artificial intelligence, the U.S.-China technology competition, and supply chain restructuring continue to reshape Taiwan's export markets and product mix. Taiwan's exports reached a record high in 2025, with the United States surpassing China for the first time to become Taiwan's largest export market. Exports to the United States continued to grow rapidly in the first half of 2026, underscoring the United States' role as a major source of end-market demand for Taiwan. However, China remains Taiwan's largest source of imports, while Taiwan's exports to China continue to grow. This indicates that supply chain ties between Taiwan and China remain extensive. As U.S. market demand expands and Chinese supply chain linkages persist, Taiwan's exports are gradually developing a dual-axis structure centered on "Chinese supply chains and the U.S. market."

By product category, export growth in recent years has been highly concentrated in information, communications, and audiovisual products and in electronic components. Together, these two categories accounted for over 70% of Taiwan's exports in 2025 and continued to grow rapidly in the first half of 2026. This reflects rising demand for generative AI, high-performance computing, and cloud services, which has fueled demand for semiconductors, AI servers, and related electronic products. In contrast, traditional export products such as base metals, plastics, and rubber recorded relatively weak growth. This shows that the current export expansion does not reflect a broad-based recovery across industries but a pronounced AI-driven structural divergence.

Notably, AI-driven demand has gradually expanded beyond semiconductors, servers, and information and communications equipment to encompass data center power systems and supporting infrastructure. Rising global investment in data centers and semiconductor fabrication plants has further increased demand for transformers, power distribution equipment, electrical control systems, and related products. As a result, exports of electrical machinery and equipment have accelerated markedly in recent years. This trend shows that AI is not only directly driving Taiwan's exports of



electronics and information and communications products, but also generating new sources of export growth through investment in data centers and energy infrastructure.

Overall, the transformation of Taiwan's export structure has been driven by both AI development and geopolitical realignment. On the one hand, AI has strengthened Taiwan's advantages in the semiconductor, server, and information and communications technology supply chains. On the other hand, supply chain de-risking and expanding U.S. demand have further concentrated Taiwan's exports in the U.S. market. While this structure helps sustain export growth, it also increases Taiwan's exposure to a single market and the business cycles of specific industries. This structure also heightens economic and trade policy risks involving tariffs, rules of origin, and changes to industrial footprints.

Future policy should therefore focus on two areas. First, Taiwan should continue diversifying its export markets. While deepening industrial cooperation with the United States, it should accelerate its expansion into Europe, Southeast Asia, and other emerging markets. Taiwan should leverage its supply chain strengths in semiconductors, AI servers, and critical components to reduce market concentration risks. Second, Taiwan should capitalize on the expansion of AI demand from core computing to supporting infrastructure. It should strengthen linkages among the ICT, power equipment, and energy technology industries, help more sectors enter the AI infrastructure supply chain, and expand the benefits of AI-based growth across industries through technological upgrading and talent development. Overall, Taiwan's export policy should not only consolidate its strengths in AI supply chains, but also promote market diversification and extend industrial value chains. These efforts would enhance the resilience of Taiwan's export structure and strengthen its long-term growth momentum.