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NEWS – ECIPE PRESS RELEASE – NEW POLICY BRIEF

More Than Just Chips: What Europe Can Learn from Taiwan's Industrial Strategy

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Brussels, 29 January 2026 - Taiwan is widely regarded as the world's indispensable chipmaker. It accounts for well over half of global foundry manufacturing capacity and nearly all of the most advanced semiconductors. Yet behind this headline dominance lies a deeper story about the foundations of Taiwan's economic success.

Taiwan's competitiveness is not the product of semiconductors alone, but of a broader and highly integrated industrial ecosystem. The semiconductor sector, and TSMC in particular, did not single-handedly transform Taiwan into a developed economy; rather, they helped elevate an already advanced economy into a significantly more prosperous one.

Taiwan had already reached advanced economy income levels in the 1990s, when chips still accounted for only a modest share of national output. Even before semiconductors became the centrepiece of its industrial profile, Taiwan's economic model had long prioritised innovation, especially experimental development closely aligned with production capabilities and market demand. By ensuring that technological advances translated into scalable industrial capacity, this approach created a durable upgrading engine that only strengthened as semiconductors became increasingly central to the economy.

"Taiwan offers Europe a model of industrial strategy, not a one-off semiconductor miracle. The EU cannot, and should not, attempt to replicate Taiwan's unique industrial concentration. But it can replicate the underlying architecture", says Andrea Dugo, co-author of the study.

Crucially, Taiwan's industrial success has been shaped through deliberate, long-term statecraft – evolving from "state-led creation" to "state-enabled upgrading." This shift allowed Taiwan to sustain and operationalise an innovation model grounded in human

capital and talent, science park clustering, trade and global value chain integration, and diversification with technological spillovers. Together, these pillars offer important lessons for Europe.

Instead of relying on familiar instruments – direct firm subsidies or public-sector R&D – Europe should draw on the most transferable elements of Taiwan's industrial recipe: a policy framework that turns private R&D into a sustained engine of national upgrading, cluster-based scaling, and long-term talent development.

The central lesson is clear: **competitiveness is not bought through subsidies alone, it is built through ecosystems that consistently convert technological potential into globally scalable production.**

Publication details: More Than Just Chips: What Europe Can Learn from Taiwan's Industrial Strategy, ECIPE Policy Brief No. 02/2026

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