1. External Situation and Internal Issues

External Situation

◎ **Sluggish global economic growth :** 2017-2020 average global economic growth will be 3.6%, below the 2000-2008 average of 4.3%. It remains to be seen if the Trump administration can lead the global economy out of this new mediocre predicament.

◎ **Slow world trade growth:** 2017-2020 average global trade growth rate will be 4.10%, just 60% of the 2000-2008 average of 6.83%.

Internal Issues

◎ **Shortage of manpower and talent:** population aging ; talent loss

◎ **Investment stimulation and industrial upgrading:** With re-industrialization in Europe and North America and the rise of China's autonomous supply chain, industrial transformation is urgently required.

◎ **Salary level and income distribution:** Employee remuneration as a percentage of GDP continues to fall. Attention needs to be paid to issues regarding low salaries for young people and wealth concentration.

Global Economic Risk

◎ **Anti-globalization wave**

◎ **Spillover effect of China's structural reforms**

◎ **Worries over end of quantitative easing monetary policy**

2. Development Strategy

Core Ideas

- Innovation
- Employment
- Distribution

New economic model for sustainable development

Strategy

All-out effort to reinvigorate the domestic economy

- ◆ Stimulate investment in Taiwan
- ◆ Implement structural reform

Ensure social security and justice

- ◆ Enhance social security
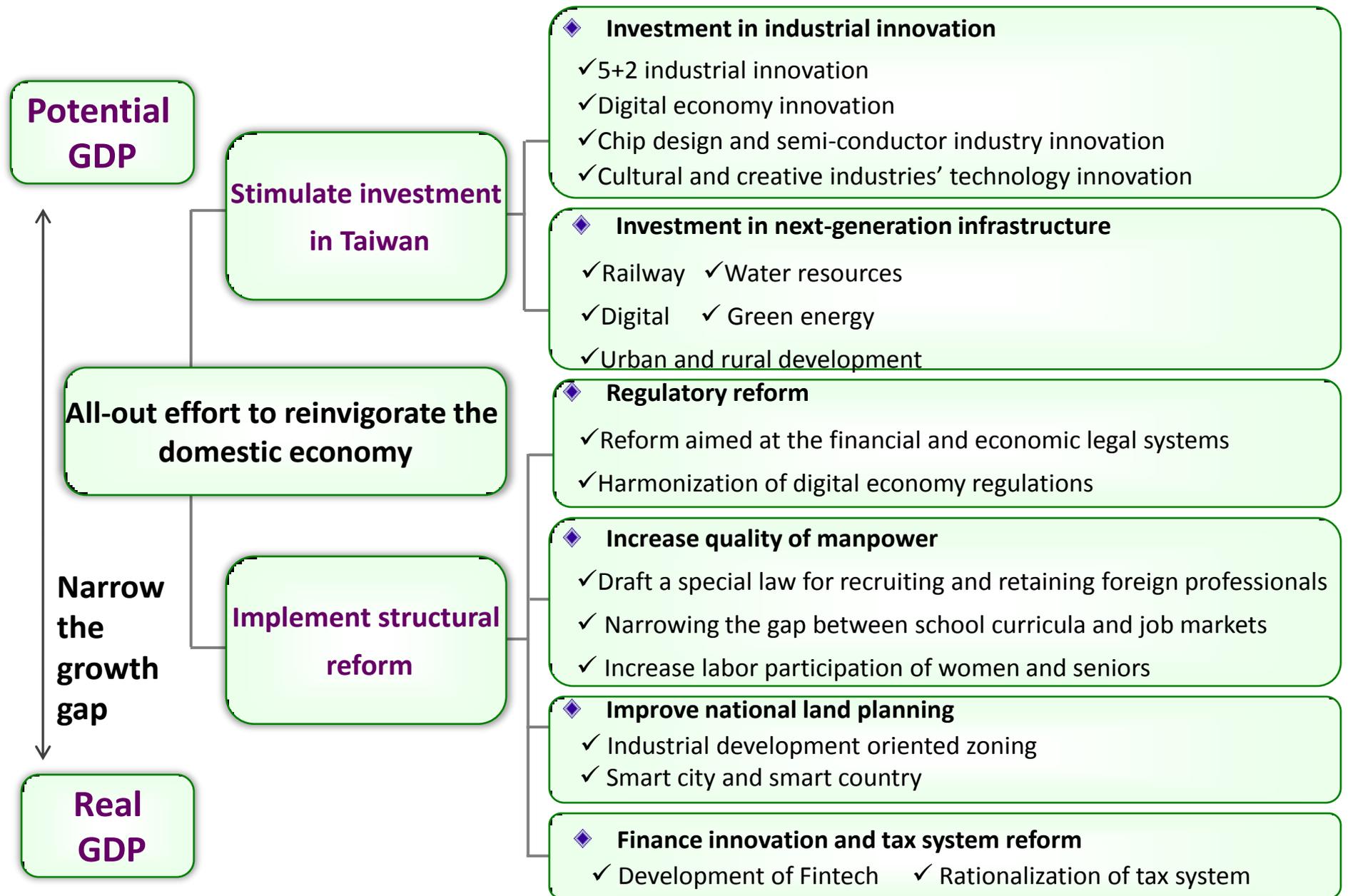- ◆ Promote transitional justice

Maintain peace and stability

- ◆ Maintain cross-strait stability
- ◆ Expand international cooperation

Vision

- Developing a new economic model
- Completing social security net
- Protection of social fairness and justice
- Promotion of regional peace
- Model for global civil society

2. Development Strategy: All-out Effort to Reinvigorate the Domestic Economy

Potential GDP

Stimulate investment in Taiwan

All-out effort to reinvigorate the domestic economy

Narrow the growth gap

Implement structural reform

Real GDP

◈ **Investment in industrial innovation**
- ✓ 5+2 industrial innovation
- ✓ Digital economy innovation
- ✓ Chip design and semi-conductor industry innovation
- ✓ Cultural and creative industries' technology innovation

◈ **Investment in next-generation infrastructure**
- ✓ Railway ✓ Water resources
- ✓ Digital ✓ Green energy
- ✓ Urban and rural development

◈ **Regulatory reform**
- ✓ Reform aimed at the financial and economic legal systems
- ✓ Harmonization of digital economy regulations

◈ **Increase quality of manpower**
- ✓ Draft a special law for recruiting and retaining foreign professionals
- ✓ Narrowing the gap between school curricula and job markets
- ✓ Increase labor participation of women and seniors

◈ **Improve national land planning**
- ✓ Industrial development oriented zoning
- ✓ Smart city and smart country

◈ **Finance innovation and tax system reform**
- ✓ Development of Fintech ✓ Rationalization of tax system

3. Setting Macroeconomic Targets

I. Economic growth rate targets

Unit：%

	2009-2012 average	2013-2016 average	2017-2020 average					
			Baseline (trend estimation)		Positive policy effects		Positive policy effects + Global downside risks	
				2017		2017		2017
GDP growth rate	3.73	2.07	2.37	1.87	3.00	2.50	2.50	2.00
Real growth								
Private Final Consumption	2.18	2.60	2.19	1.74	2.64	2.13	2.49	2.08
Gross Fixed Capital Formation	1.69	2.73	2.61	1.88	4.35	3.33	3.36	2.25
Exports of Goods and Services	5.46	2.64	3.45	3.83	3.94	4.33	2.92	3.23
Imports of Goods and Services	3.14	3.18	3.59	3.85	4.14	4.26	3.30	3.39

＊The estimation of Global downside risks was based on the IMF's 50% confidence interval of its forecast for world GDP growth in the 2016 World Economic Outlook report, which was published in Oct, 2016.

3. Setting Macroeconomic Targets

II. Macroeconomic Targets

	2017	2017-2020 average
Economic growth rate (%)	2.0~2.5	2.5~3.0
Per capita GDP (US$)	23,100~23,300	25,000~26,000
CPI increase rate (%)	No more than 2.0	No more than 2.0
Labor participation rate (%)	58.81~58.93	58.89~59.20
Employment growth rate (%)	0.54~0.75	0.48~0.72
Unemployment rate (%)	3.90~3.93	3.75~3.82

4. Six Main Policy Directions

industrial upgrading and innovative economy

government effectiveness and sound finances

worry-free living and just society

education, culture and diverse ethnic groups

inter-regional balance and sustainable development

national security and International and cross-strait relations