

TAIWAN'S ECONOMIC SITUATION AND OUTLOOK

November 2012

Council for Economic Planning and Development
Executive Yuan

WELCOME TO C.E.P.D.

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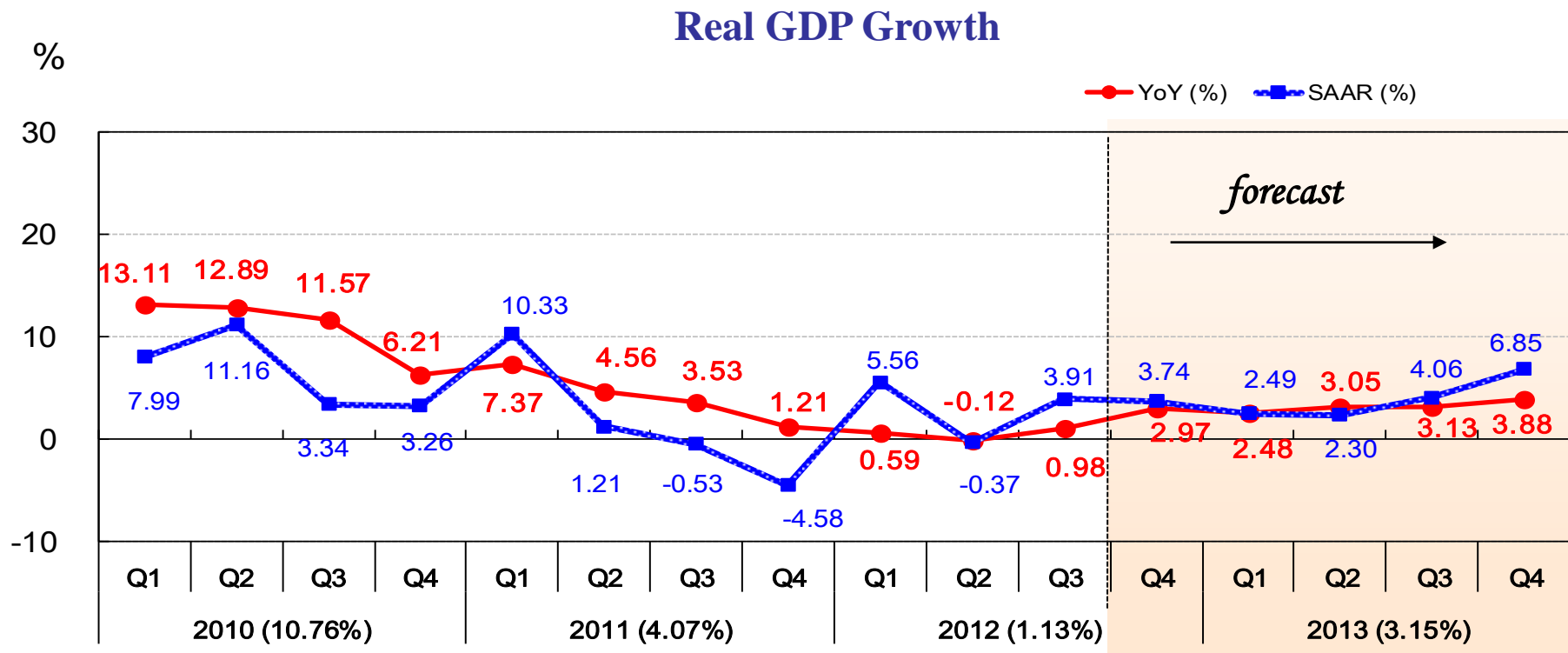
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I. CURRENT DOMESTIC SITUATION

Economic Growth

⇒ In Q3 2012, Taiwan's real exports of goods and services increased by just 1.77% as external demand remained weak. With downcast consumer sentiment curbing private consumption, GDP increased by 0.98% from the same quarter of 2011.

⇒ The quarter's seasonally adjusted annual rate (saar) of real GDP growth was 3.91%.

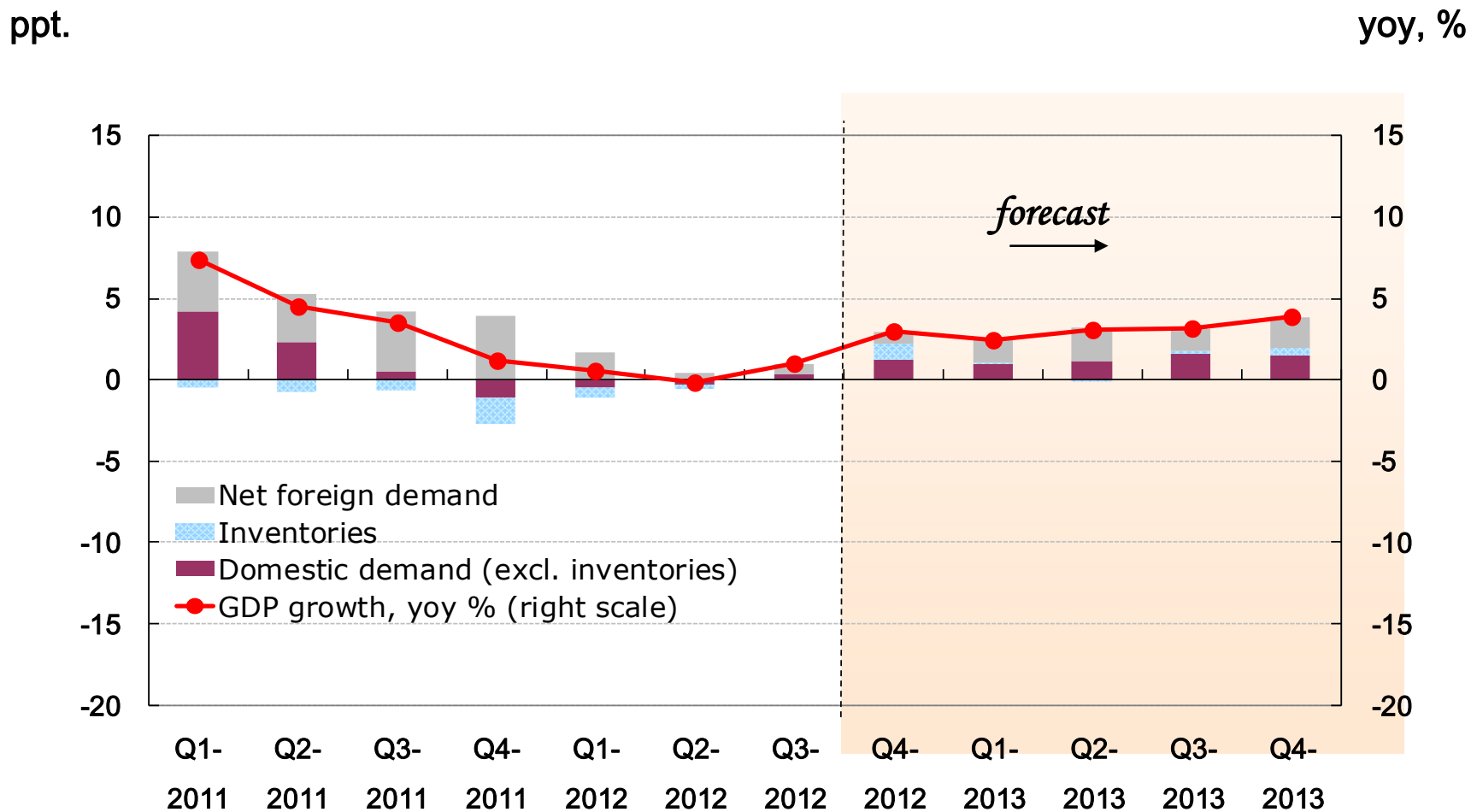


Note: The DGBAS also revised the 2011 and 2010 national accounts.

Source: Directorate-General of Budget, Accounting, and Statistics (DGBAS), Nov. 2012.

I. CURRENT DOMESTIC SITUATION

Contributions to GDP Growth (in percentage points)

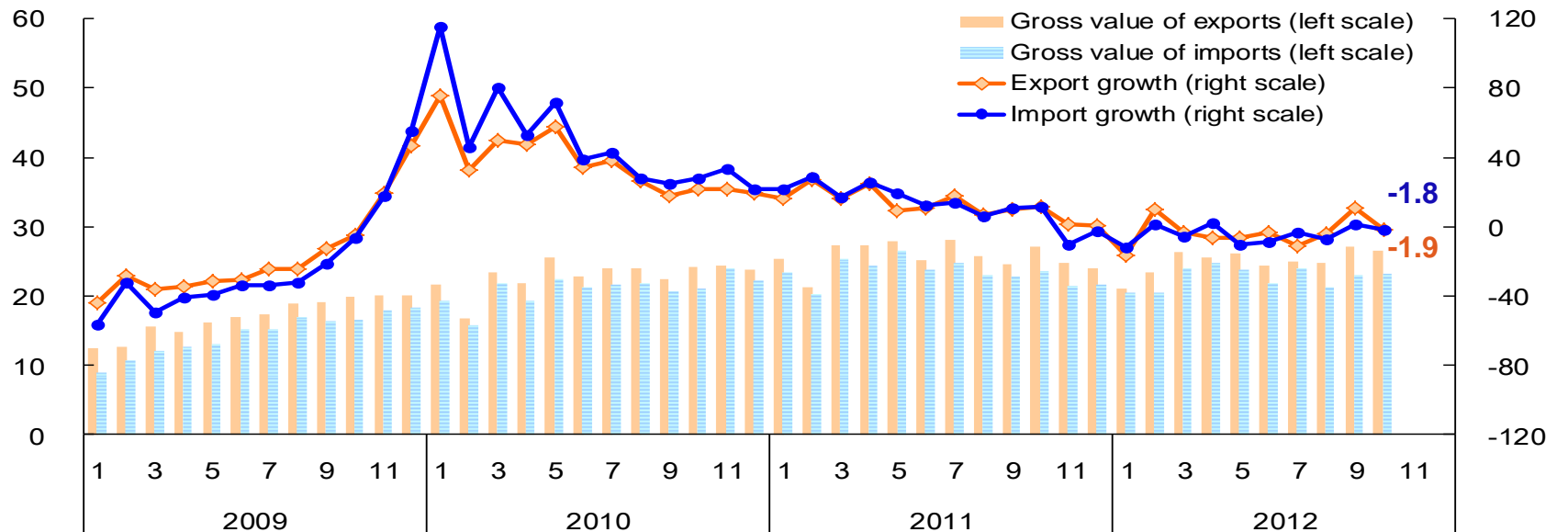


I. CURRENT DOMESTIC SITUATION

Foreign Trade

- ⇒ In October 2012, exports declined by 1.9% year on year, mainly due to decreased export of ICT and electronic products. Imports decreased 1.8%, with most of the decrease in chemical materials. The month's foreign trade yielded a balance of US\$32.6 billion in Taiwan's favor.
- ⇒ In the first ten months of 2012, exports fell 3.7% and imports 4.7% compared with the corresponding period of the previous year.

US\$ billion



Note: Trade data are adjusted according to the United Nations IMTS Compilers Manual (2004). Total exports include “exports” and “re-exports,” and total imports include “imports” and “re-imports.”

Source: Ministry of Finance, Nov. 2012

I. CURRENT DOMESTIC SITUATION

Major trade partners

⇒ China (including Hong Kong) and ASEAN have become increasingly important trade partners to Taiwan since 2000.

⇒ Japan has remained Taiwan's largest supplier of imports, despite a narrowing share.

Changes in Two-Way Trade with Major Trading Partners (yoy %)

	Exports					Imports				
	USA	Japan	Europe	China (incl. Hong Kong)	ASEAN 6*	USA	Japan	Middle East	China (incl. Hong Kong)	ASEAN 6*
2002	-2.7	-5.0	-5.9	29.4	7.4	-0.8	5.5	9.8	24.2	3.7
2002 Share	20.2	9.1	13.9	32.1	11.9	16.1	24.2	6.4	8.7	14.7
2003	-3.0	0.5	10.4	23.6	10.5	-6.9	19.6	43.7	30.9	5.2
2004	8.3	11.1	14.7	28.8	33.0	28.2	33.6	34.6	47.7	16.2
2005	1.3	9.4	-0.8	12.2	13.8	-2.8	5.3	36.5	16.2	3.8
2006	11.2	7.9	10.5	14.8	13.8	7.1	0.5	30.1	20.1	10.4
2007	-0.9	-2.2	9.7	12.6	16.7	17.0	-0.8	11.7	11.9	1.7
2008	-4.0	10.2	4.6	-0.8	7.3	-0.7	1.2	39.9	10.2	8.0
2009	-23.5	-17.4	-24.6	-15.9	-21.5	-31.0	-22.1	-42.2	-22.3	-22.8
2010	33.6	24.3	30.1	37.1	37.2	39.8	43.3	39.4	47.1	45.6
2011	15.6	1.3	6.3	8.1	22.7	1.5	0.6	14.7	20.5	13.5
2011 Share	12.2	6.8	10.2	40.7	14.8	10.2	21.7	12.8	15.3	11.8
2012 Jan-Oct	-10.3	1.3	-9.6	-6.4	9.8	-8.7	-9.3	18.4	-5.8	-3.0

*ASEAN 6 refers to Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

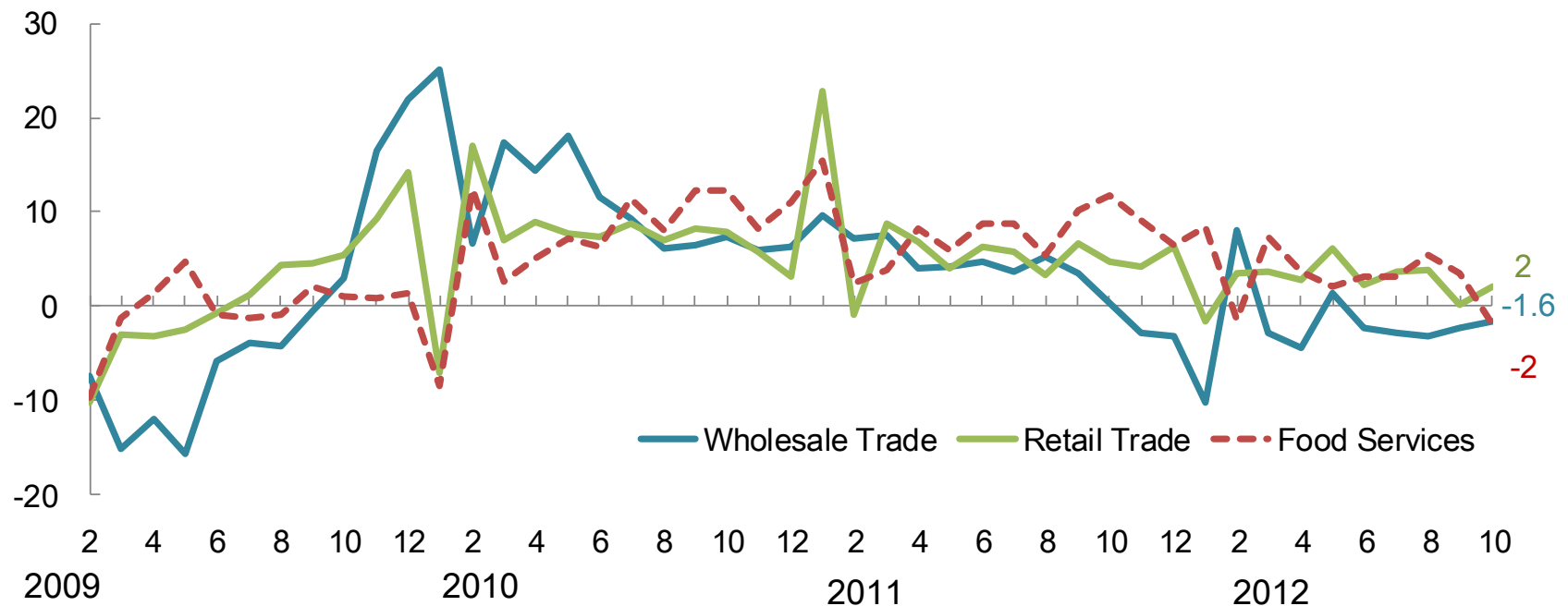
Source: Ministry of Finance.

I. CURRENT DOMESTIC SITUATION

Domestic consumption

- ⇒ In Q3 2012, with domestic consumption weakening due to a lull in stock market activity, rising prices and negative consumer sentiment, private consumption grew by just 0.89% from a year earlier, while government consumption fell by 0.72%.
- ⇒ October 2012 saw slowing sales growth of trade and food services, with a decrease in wholesale trade and food & beverage services partially offset by a rise in retail trade.

yoy, %



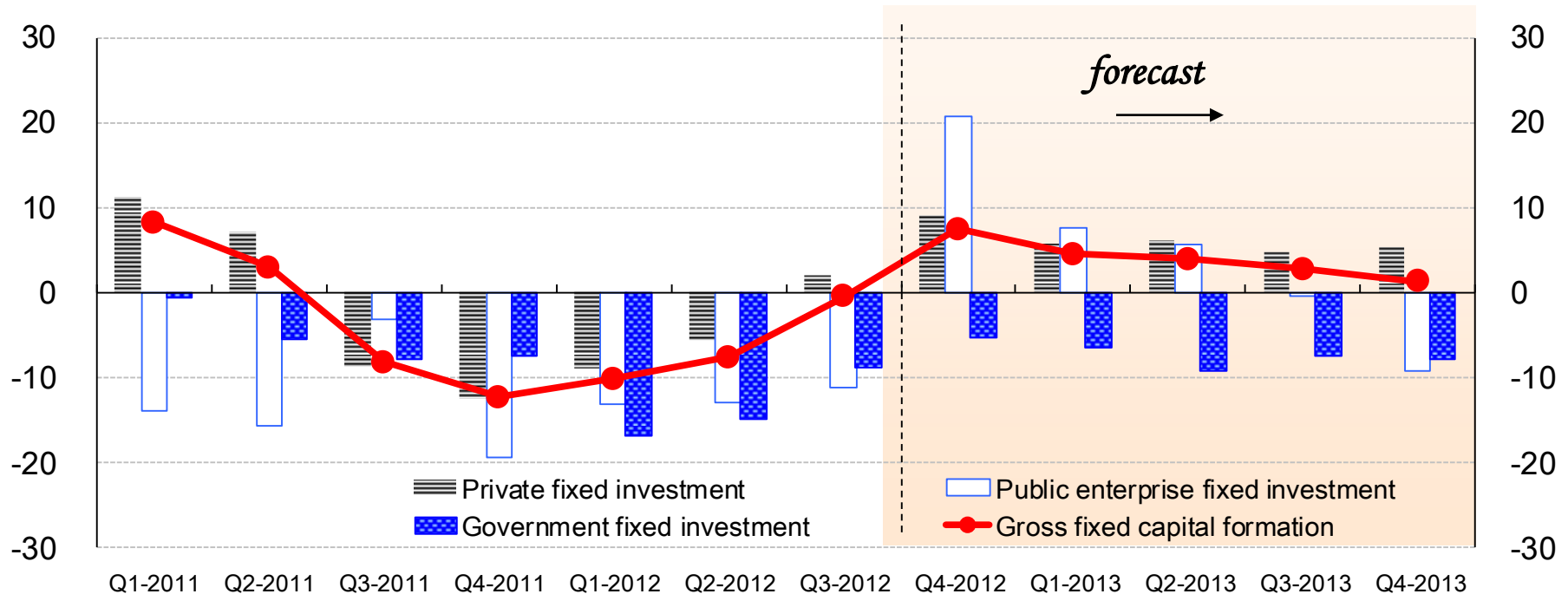
Source: Ministry of Economic Affairs, Nov. 2012.

I. CURRENT DOMESTIC SITUATION

Domestic Investment

- ⇒ In Q3 2012, private fixed investment was up 2.01%, with gross fixed capital formation improving to -0.54% from -7.69%. Gross fixed capital formation for Q1 and Q2 was revised to -10.21% and -7.69%, respectively.
- ⇒ This rise in private fixed investment was mainly generated by new investment in semiconductor production, driven by the successive release of new ICT products.

yoy, %

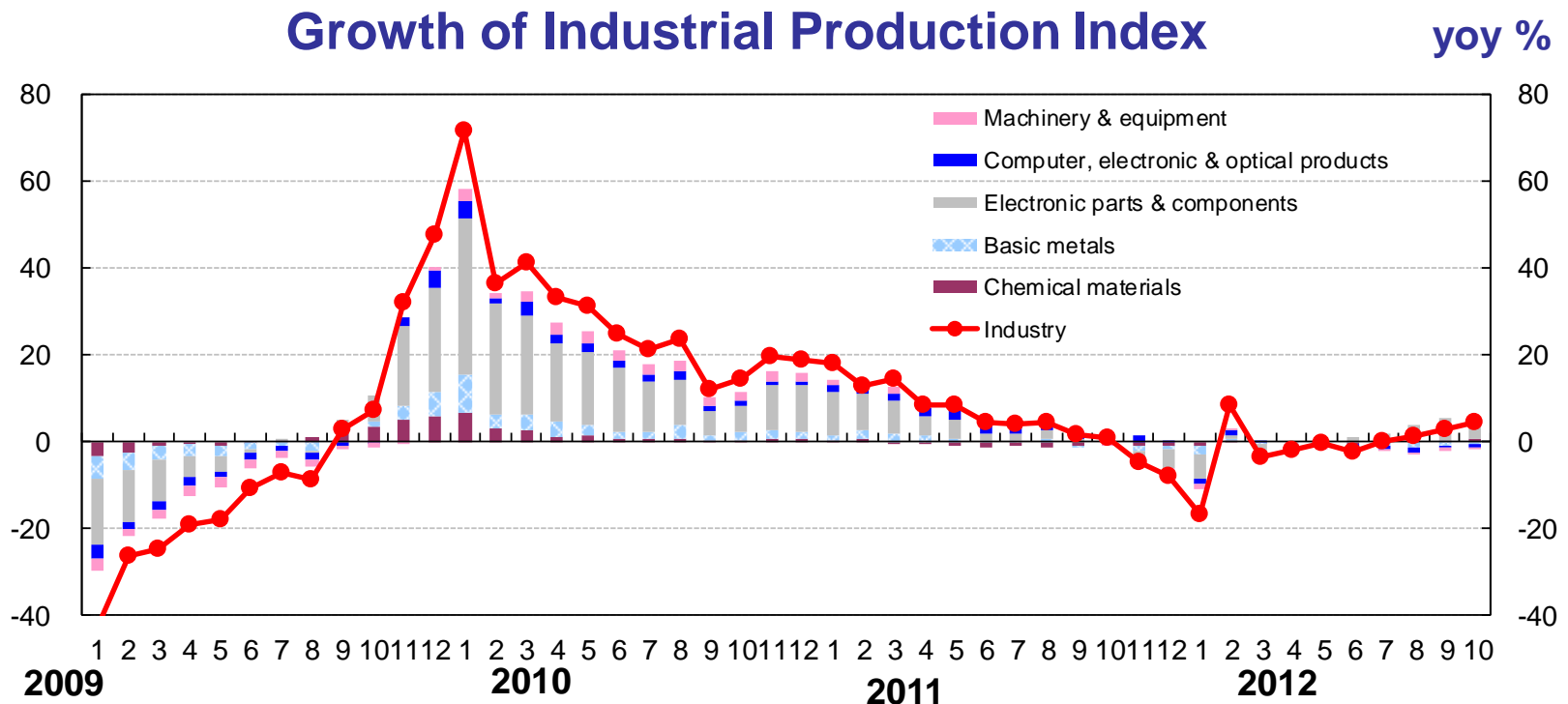


I. CURRENT DOMESTIC SITUATION

Industrial Production

⇒ October's industrial production index showed a year-on-year rise of 4.56%, lifting the January-October average to -0.93%. Manufacturing output increased 4.5% (average -1.11%), and buildings construction increased 20.9% (average 8.23%).

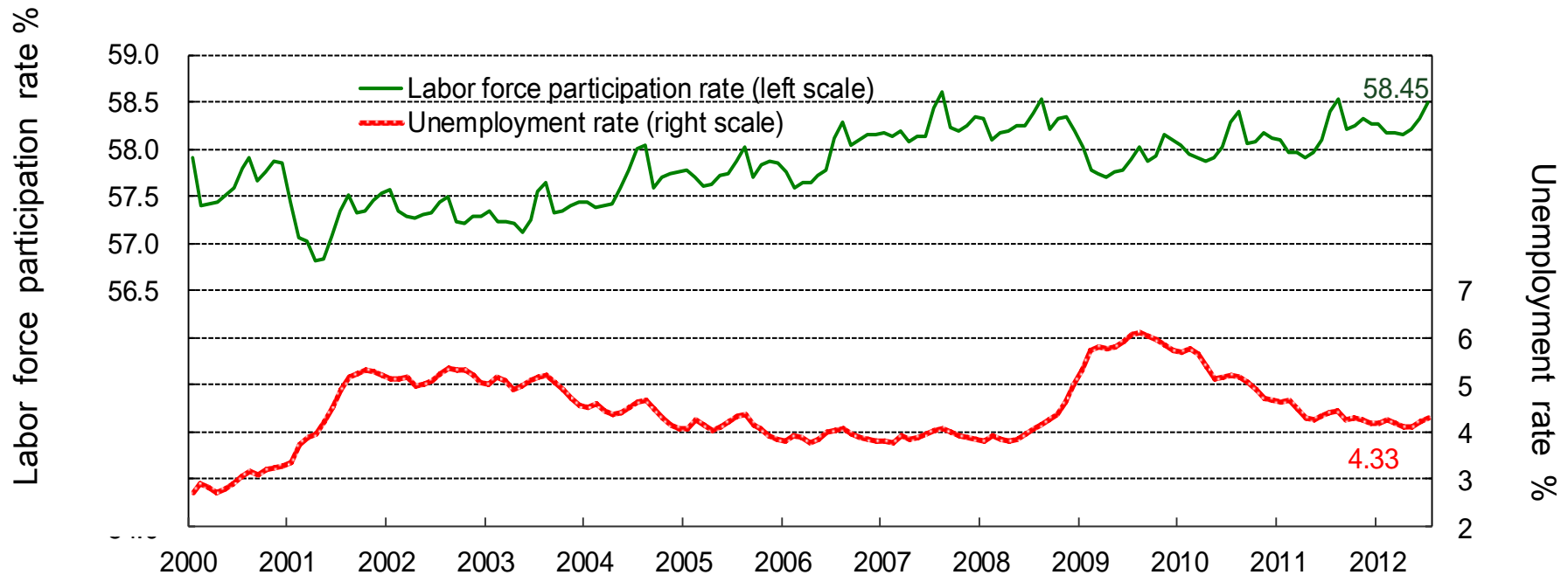
⇒ The industrial production index showed a year-on-year rise, mainly due to increasing production of electronic parts and components, spurred by the release of new mobile devices.



I. CURRENT DOMESTIC SITUATION

Unemployment Rate and Labor Force Participation Rate

- ⇒ In October 2012, the unemployment rate stood at 4.33% (averaging 4.24% from January to October), up 0.01 of a percentage point from the previous month, and 0.03 of a percentage point higher than a year earlier. The seasonally adjusted unemployment rate was 4.30% (average 4.23%).
- ⇒ The labor force participation rate increased by 0.06 of a percentage point from the previous month to 58.45%, up 0.19 of a percentage point from a year earlier.

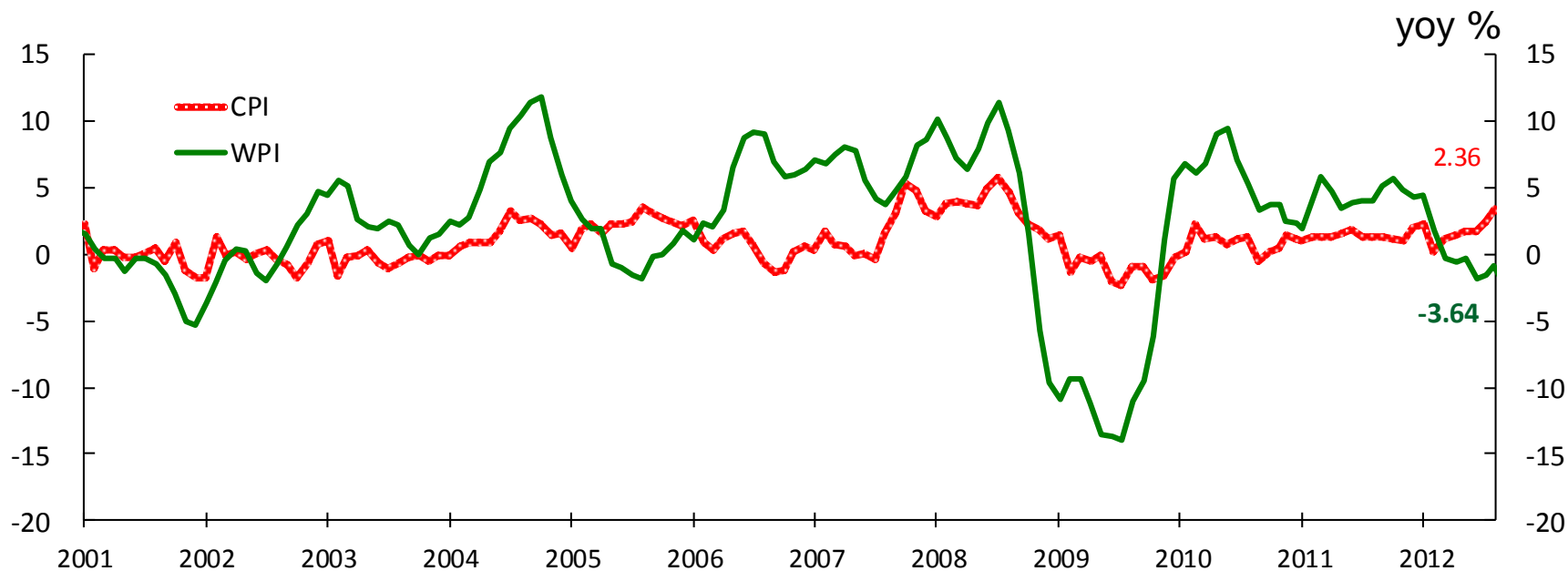


Source: DGBAS, Nov. 2012.

I. CURRENT DOMESTIC SITUATION

Prices

- ⇒ In October 2012, Taiwan's CPI increased by 2.36% from the same month last year. The most significant changes in CPI components were increases in the prices of vegetables and fruits. Core prices (excluding fruits, vegetables, fish, shellfish and energy prices) increased 1.06%.
- ⇒ The WPI in October fell by 3.64% year on year, due mainly to the decreasing prices of basic metals and chemical materials.

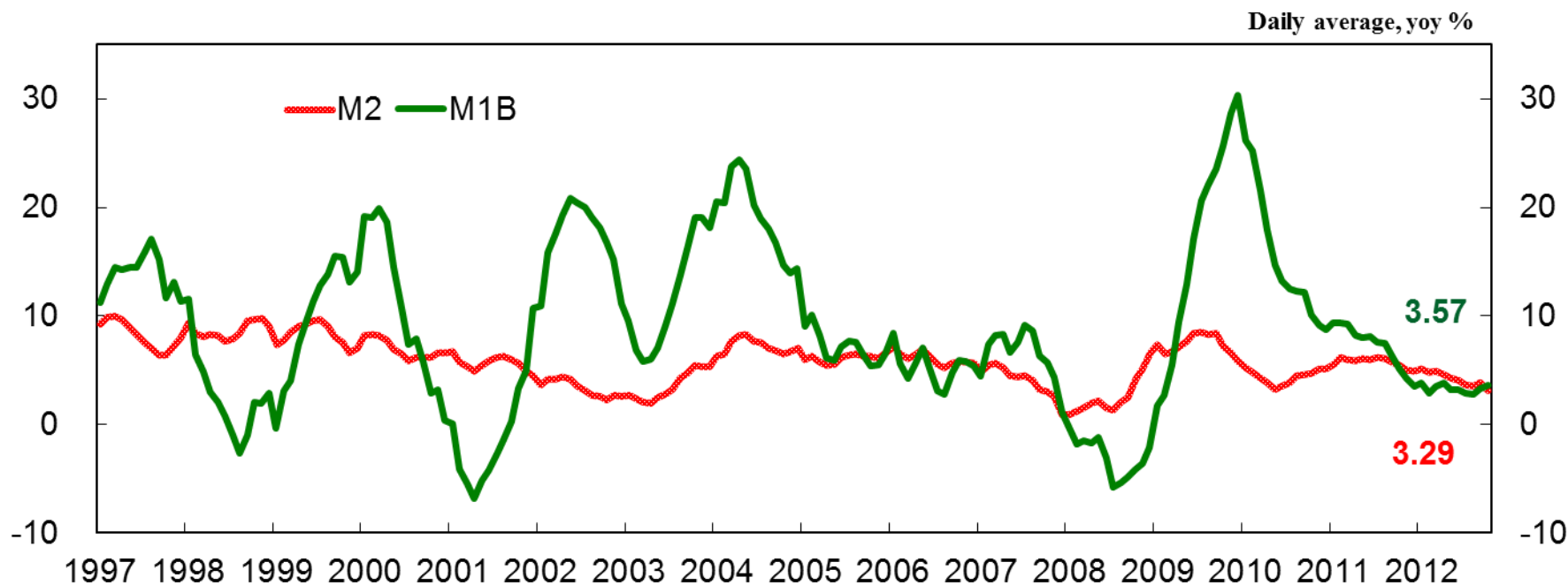


Source: DGBAS, Nov. 2012.

I. CURRENT DOMESTIC SITUATION

Money Supply

- ⇒ In October 2012, the annual growth rate of M1B increased to 3.57%, mainly due to a lower base effect as a result of a significant shift from demand deposits to time deposits last October.
- ⇒ The annual growth rate of M2 declined to 3.29%, mainly due to a re-allocation of funds towards non-deposit products such as insurance and mutual funds.



Note: The definition of M2 was changed in January 2012 to exclude structured products issued by banks.

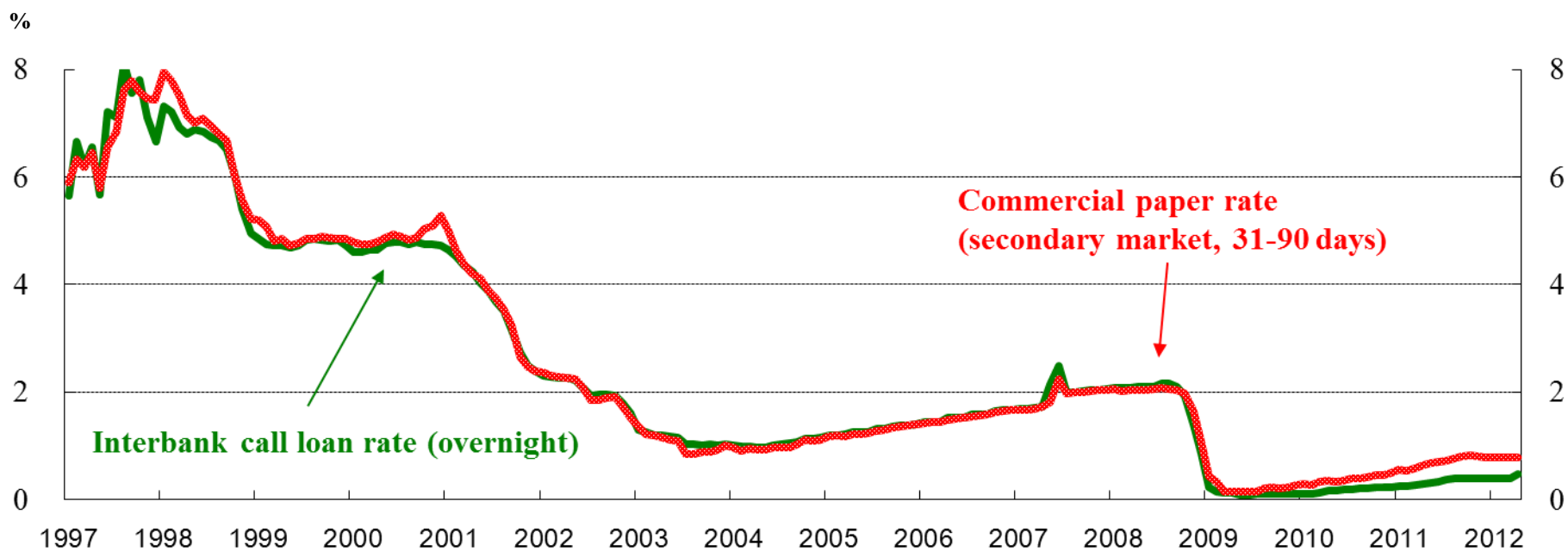
This historical data revision was retrospective to January 2001.

Source: Central Bank of China (Taiwan).

I. CURRENT DOMESTIC SITUATION

Short-term Interest Rates

- ⇒ In October 2012, interest rates remained at low levels, with the commercial paper rate at 0.78%, down from 0.79% in September, and the interbank rate at 0.388%, down from 0.389% in September.
- ⇒ Against the backdrop of global economic uncertainties and a domestic economic slowdown, yet with inflation concerns still in sight, the CBC decided to keep interest rates unchanged in October 2012. In the future, the CBC will continue to closely monitor the evolution of economic conditions.



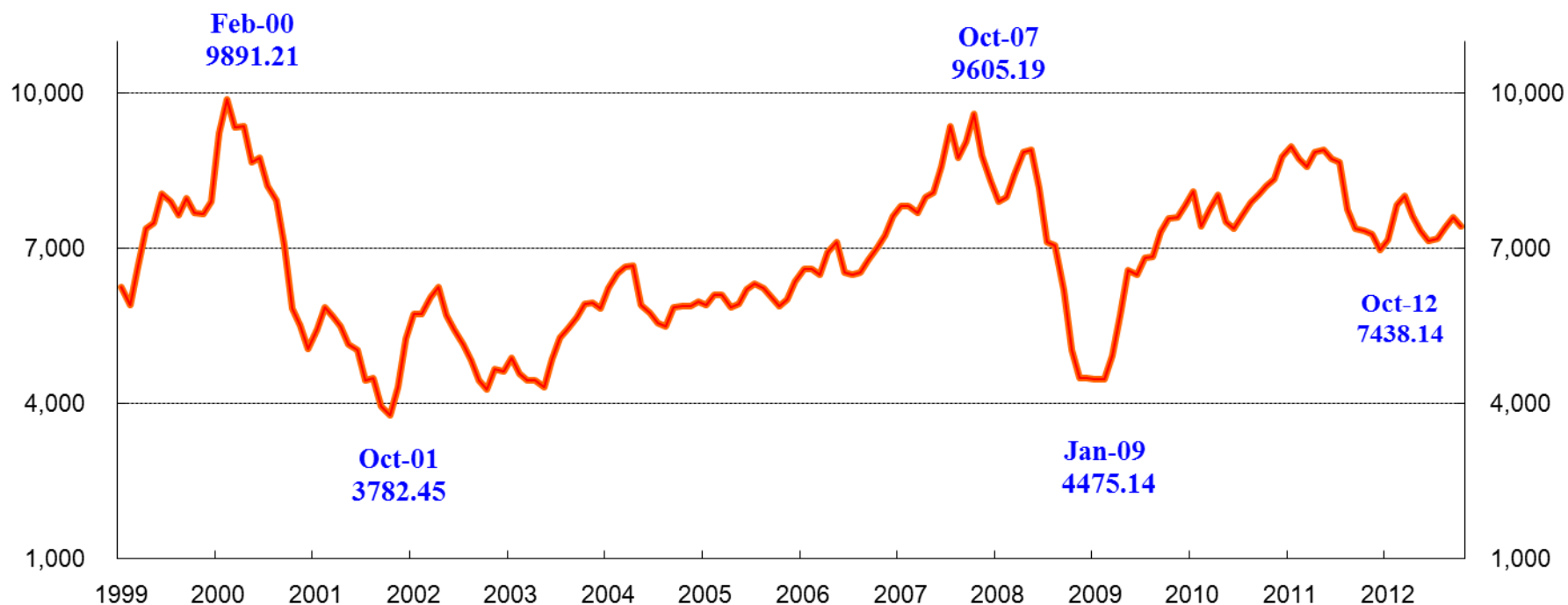
Source: Central Bank of China (Taiwan).

I. CURRENT DOMESTIC SITUATION

Stock Price

- ⇒ In October 2012, the average closing level of Taiwan's stock exchange index was 7,438.14, down 2.26% from September.
- ⇒ Although the countdown has begun for the imposition of a capital gains tax on stock transactions, calls for a delay and even abolition of the new tax are reverberating in the market.

Taiwan Stock Exchange Index

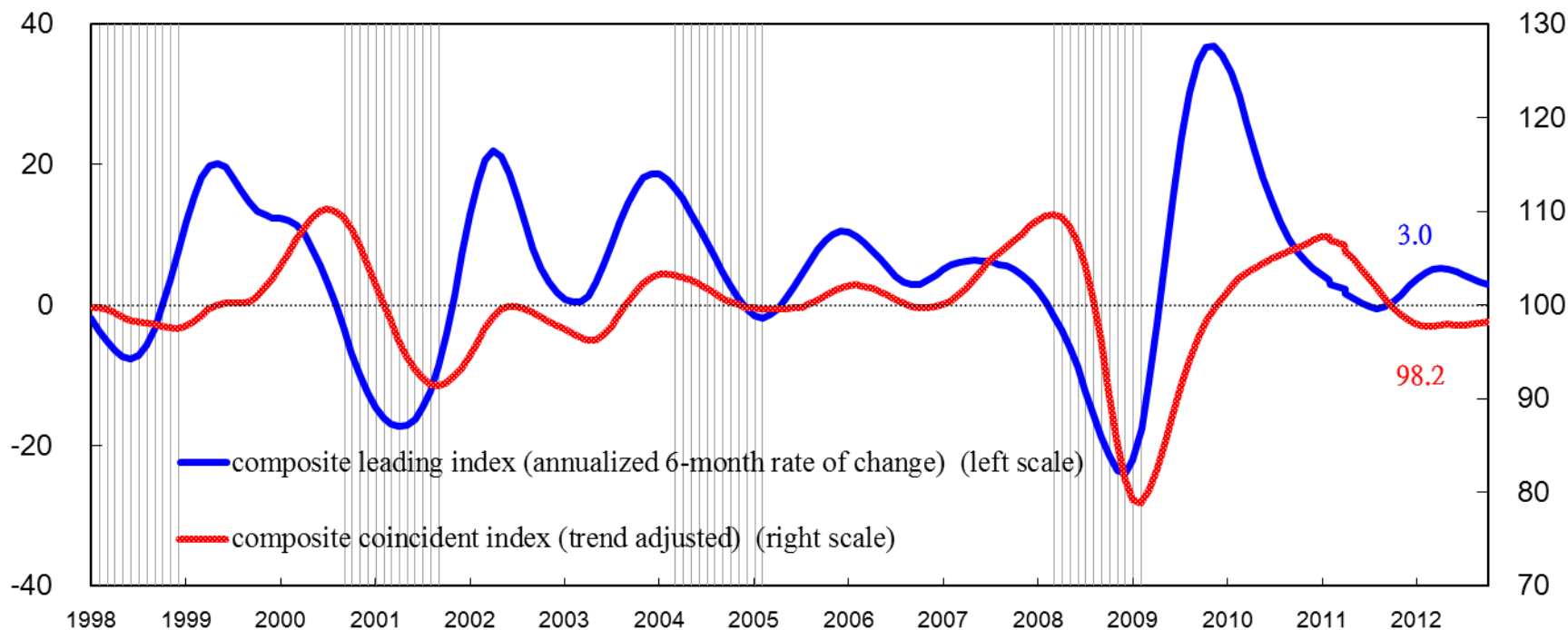


Source: Taiwan Stock Exchange.

I. CURRENT DOMESTIC SITUATION

Taiwan Business Indicators

- ⇒ In October 2012, Taiwan Business Indicators showed the domestic economy was departed from slowdown, but economic activity was still weak.
- ⇒ The annualized six-month rate of change of the leading index was 3.0%, down by 0.37 of a percentage point from September 2012, while the trend-adjusted coincident index increased by 0.2% to 98.2.



Note: The shaded areas represent recessions.

Source: Council for Economic Planning and Development (CEPD).

I. CURRENT DOMESTIC SITUATION

Monitoring Indicators

⇒ The total score of the monitoring indicators in October 2012 was down by 2 points to 18, but the overall monitoring indicator still flashed the "yellow-blue" transitional signal for the second consecutive month.

	2011				2012											
	9	10	11	12	1	2	3	4	5	6	7	8	9	10		
Total	Light															
	Score	21	19	16	14	13	15	14	14	15	15	16	15	20 _r	18	
Monetary Aggregates M1B															3.6	
Direct and Indirect Finance															4.3	
Stock Price Index															1.3	
Industrial Production Index															3.4	
Nonagricultural Employment															1.28	
Customs-Cleared Exports																-5.1
Imports of Machineries and Electrical Equipments																-11.8
Manufacturing Sales																-1.7 _p
Sales Index of Wholesale, Retail and Food Services																1.9

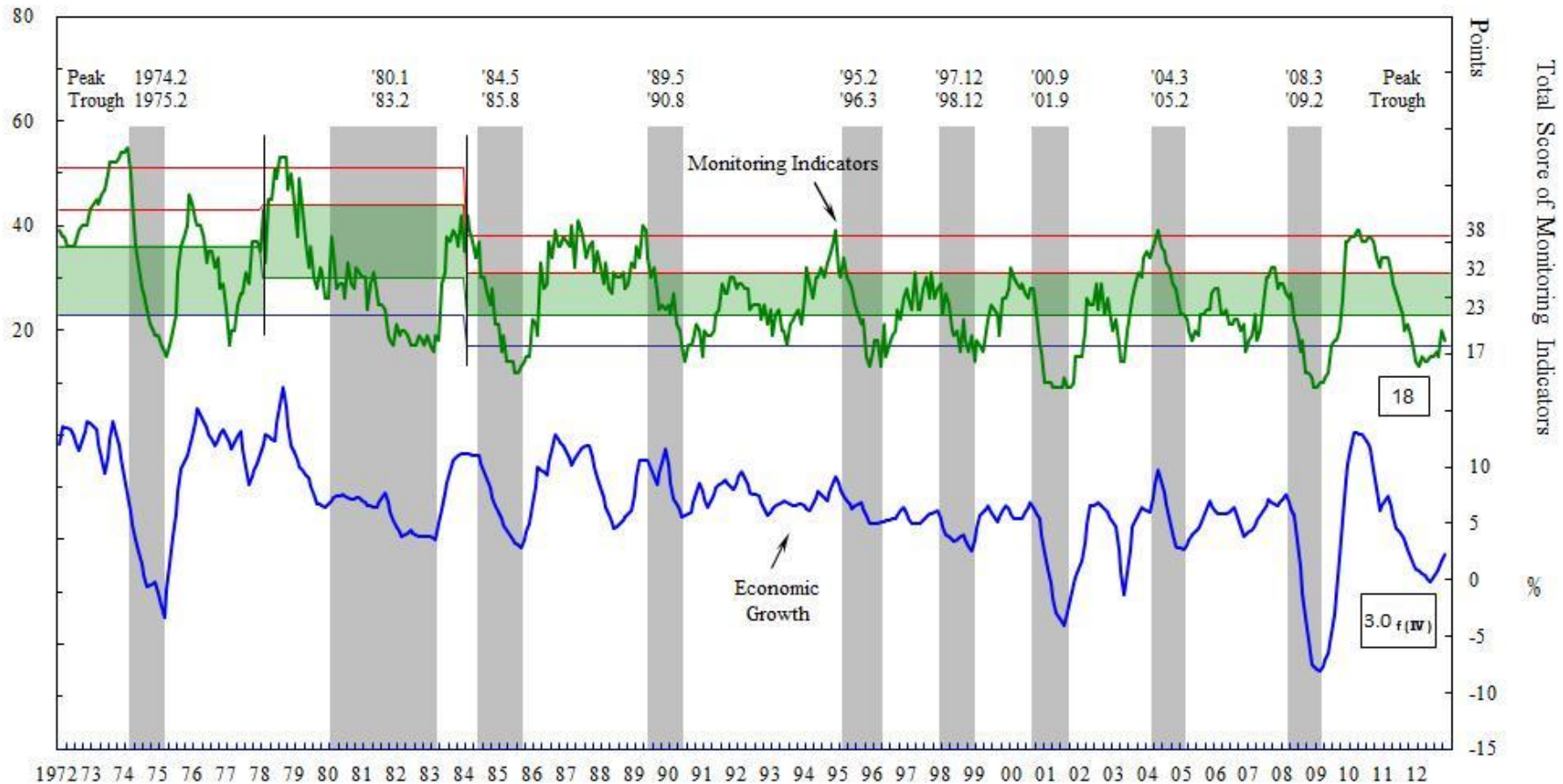
● Booming ● Transitional ● Stable ● Transitional ● Sluggish

*Components are in terms of percentage changes over 1-year span. All components, except stock price index, have been seasonally adjusted.

Source: CEPD.

I. CURRENT DOMESTIC SITUATION

Monitoring Indicators and Economic Growth



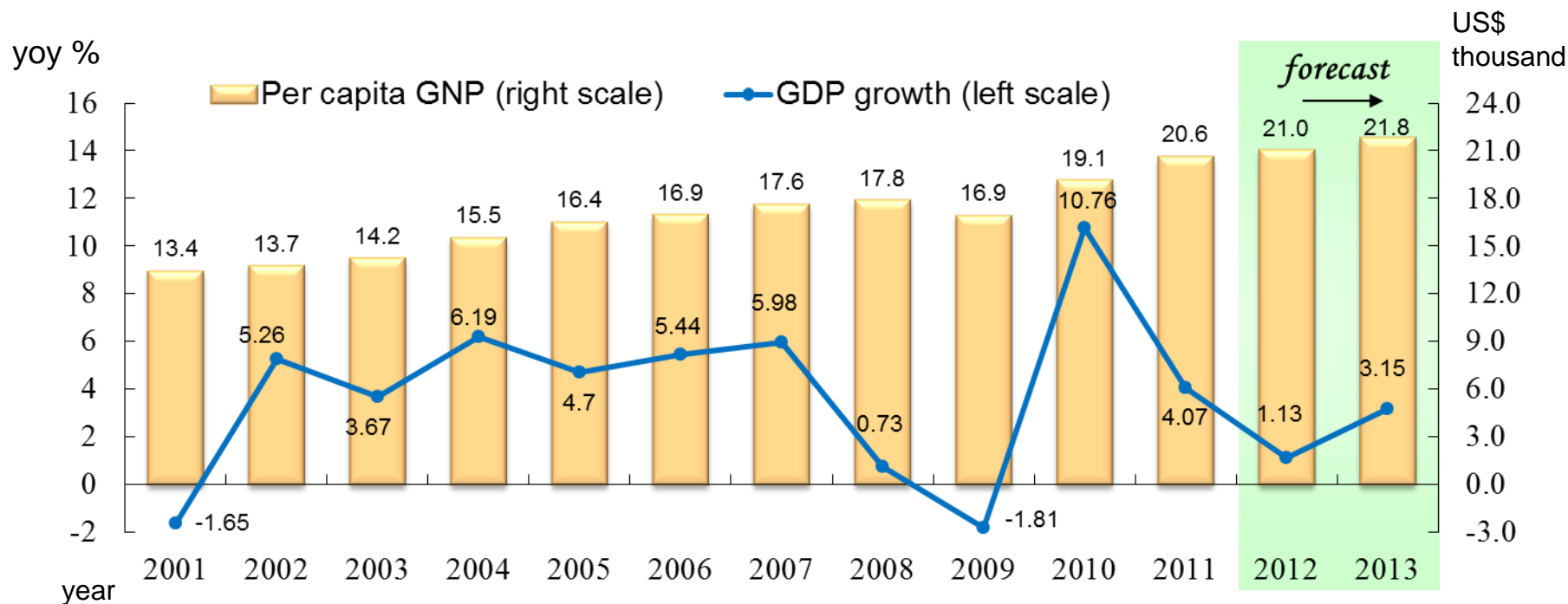
Note: The shaded areas represent recessions.

Source: CEPD.

II. PROSPECTS FOR 2012 and 2013

⇒ Taiwan's economic recovery expected to be weak

- Mainly due to the still highly uncertain outlook for the global economy, the 2012 GDP growth forecast has been revised to 1.13% in the DGBAS's latest estimation, down 0.53 of a percentage point from August's forecast of 1.66%. In 2013, Taiwan's real GDP is forecast to rise by 3.15%.
- Per capita GNP is projected to increase to US\$20,981 in 2012 and US\$21,783 in 2013.

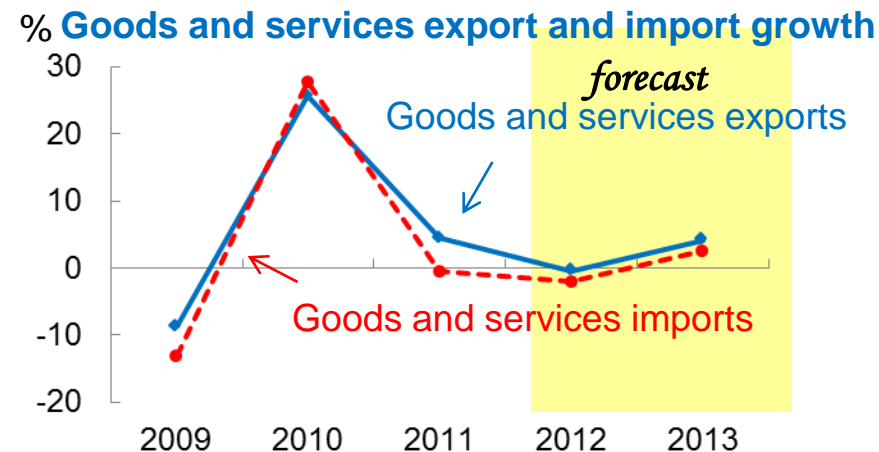


Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), Nov. 23, 2012.

II. PROSPECTS FOR 2012 and 2013

⇒ Export growth expected to contract in 2012 and recover in 2013

- The slowdown of the world economy, together with weakened competitiveness in some domestic industries, have contributed to the contraction of Taiwan's exports in the first three quarters this year. However, with the launch of innovative ICT products such as smartphones and tablet PCs, and the rising demand induced by the upcoming U.S. holiday season and Chinese New Year, Taiwan's exports are expected to return to positive territory in y/y terms in the fourth quarter.
- The global economic outlook for 2013 is still highly uncertain. Nevertheless, there are some positive factors for Taiwan's export sector, such as the improving economic situation in the U.S., the signs that Chinese growth is reviving, the sustained growth of demand for mobile devices, and the increasing capacity created by high-tech industries' active expansion of investment in advanced technologies.
- Goods and services exports are projected to decrease in real terms by 0.37% in 2012 and increase by 4.15% in 2013.
- Goods and services imports are projected to shrink by 2.06% in 2012 and then grow by 2.52% in 2013 on the back of rising demand induced by export and investment.



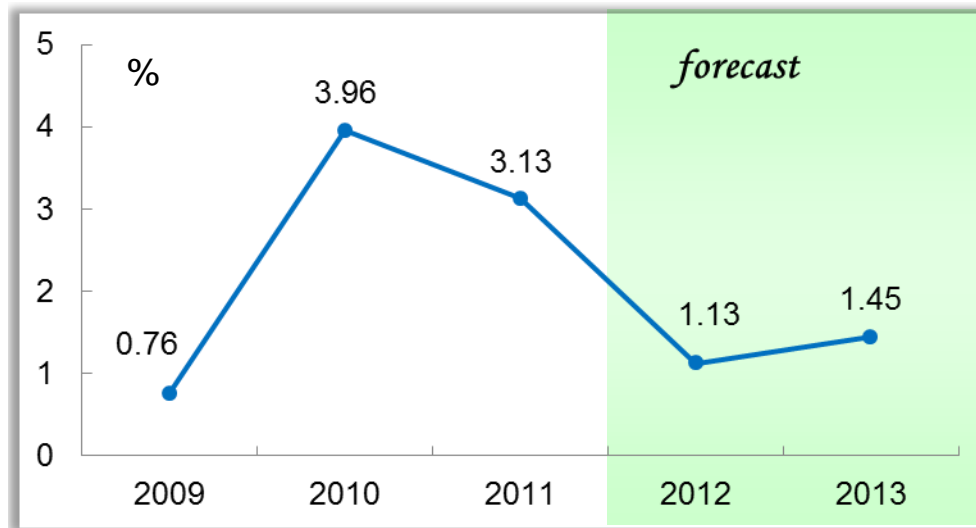
Source: DGBAS, Nov. 23, 2012.

II. PROSPECTS FOR 2012 and 2013

⇒ Private consumption set for slight growth

— The stagnation of real wages, the shrinking trading volume in equity markets, and the increasing job cuts and temporary unpaid leave in some manufacturing industries, have weighed on consumer confidence. Private consumption is projected to rise by 1.13% in 2012 and 1.45% in 2013.

Private consumption growth

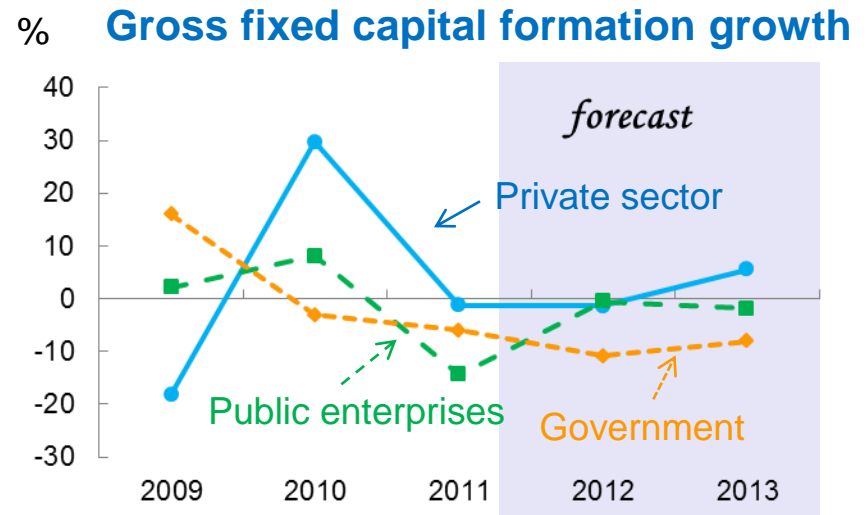


Source: DGBAS, Nov. 23, 2012.

II. PROSPECTS FOR 2012 and 2013

⇒ Domestic investment picking up growth momentum

- While investment in the DRAM and solar-energy industries is still contracting due to shrinking orders, semiconductor manufacturers with international competitiveness are accelerating the implementation of investment in advanced technologies, and private investment is expected to increase by 9.09% in the fourth quarter of 2012.
- In 2013, there are some favorable factors for domestic investment, such as plans by semiconductor manufacturers with technical advantages to continuously increase investment in advanced technologies, the growth of foreign visitors inducing tourism industry investment, and the government's efforts to rapidly improve the investment environment to draw domestic enterprises back to Taiwan.
- Private fixed investment is projected to decrease by 1.35% in 2012 but to increase by 5.51% in 2013.
- Government fixed investment is expected to decline by 10.8% in 2012 and by 8% in 2013.

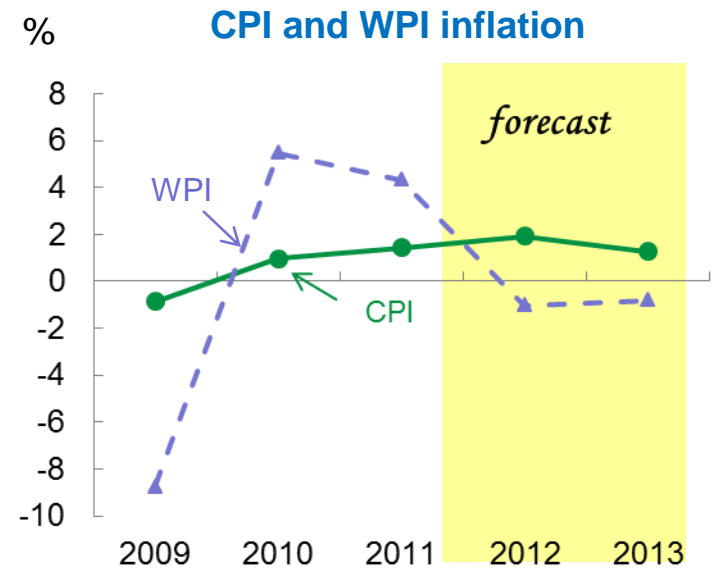


Source: DGBAS, Nov. 23, 2012.

II. PROSPECTS FOR 2012 and 2013

⇒ Inflation rising moderately

— Oil prices are expected to fluctuate in high territory due to a combination of weak demand and renewed geopolitical concerns. Meanwhile, prices of industrial products such as textiles, plastics and basic metals have remained dampened due to the weakness of global demand. The WPI is forecast to decrease by 1.02% in 2012 and 0.82% in 2013.



Source: DGBAS, Nov. 23, 2012.

— Sliding prices of vegetables and fruit due to recent stable weather, plus cancellation of planned electricity price hikes, have put downward pressure on domestic prices. Simultaneously, weak consumer confidence will subdue inflationary pressure. The CPI is forecast to rise by 1.93% in 2012 and 1.27% in 2013.

Forecasts for Taiwan's Economy

	Real GDP (yoy, %)		Consumer Prices (yoy, %)	
	2012 _f	2013 _f	2012 _f	2013 _f
DGBAS (2012.11)	1.13 [1.05]	3.15 [3.09]	1.93 [1.93]	1.27 [1.25]
TIER (2012.11)	1.16 [2.41]	3.42	1.99 [1.84]	1.34
CIER (2012.10)	1.52 [2.36]	3.59 [4.29]	1.97 [1.87]	1.59 [1.87]
Polaris (2012.9)	1.38 [2.50]	3.85	1.98 [1.90]	1.42
IEAS (2012.7)	1.94 [3.81]	-	1.80 [1.16]	-
Global Insight (2012.11)	1.2 [1.5]	3.3 [3.5]	2.0 [2.0]	1.8 [2.0]
EIU (2012.11)	1.3 [1.3]	2.7 [2.5]	2.1 [2.3]	2.0 [2.0]
World Bank (2012.6)	2.6	4.4	-	-
IMF (2012.10)	1.3 [3.6]	3.9 [4.7]	2.5 [1.3]	2.0 [1.8]
ADB (2012.9)	1.7 [3.4]	3.8 [4.6]	1.9 [1.5]	1.8 [1.6]

CIER: Chung-hua Institution for Economic Research, Taipei.

TIER: Taiwan Institute of Economic Research, Taipei.

IEAS: Institute of Economics, Academia Sinica

DGBAS: Directorate-General of Budget, Accounting and Statistics, ROC (Taiwan).

Polaris: Polaris Research Institute.

[] indicates the value of previous forecasts.

III. Conclusion

- With the US “fiscal cliff ” approaching, the debt crisis in Europe still simmering, and geopolitical risk in the Middle East rising, political tensions are weighing on the global economy. It is hard to see it recovering significantly in the near future. However, there are some bright spots such as the improving economic situation in the US and signs that Chinese growth is reviving after a mid-year slump, which are positive factors for the world economy.
- The highly uncertain outlook for the global economy may have an impact on Taiwan’s export sector in the near future. In addition, the stagnation of real wages and the shrinking trading volume in equity markets may subdue private consumption. Nevertheless, Taiwan’s economy seems to be over the worst of its slowdown, with patches of economic data shifting to positive territory, though growth momentum is still weak. Taiwan’s real GDP is forecast to grow by 1.13% in 2012 and 3.15% in 2013.
- In order to strengthen the country’s responses to external influences like the European debt crisis and to improve prospects for long-term growth, premier Sean Chen announced the “Economic Power-Up Plan” in mid-September. The plan will address internal issues such as imbalance in the industrial structure, mismatch between labor supply and demand, and declining exports. These initiatives should ensure that sound progress is kept up toward endowing Taiwan with a vigorous and sustainable new economy.

STATISTICAL ANNEX TABLES

I. Real GDP Growth (Change from a year ago)

	Economic growth	Domestic demand								Net foreign demand		
		Total	Consumption		Gross fixed capital formation				Increase in inventory	Total	Exports of goods & services	Less: Imports of goods & services
			Private	Gov't	Subtotal	Private sector	Public enterprises	Gov't				
2005	4.70	1.83	2.90	0.19	2.66	1.53	14.77	2.82	--	--	7.78	3.16
2006	5.44	0.97	1.49	-0.71	0.07	3.31	-8.61	-11.21	--	--	11.41	4.57
2007	5.98	1.42	2.08	2.09	0.55	1.36	1.57	-4.46	--	--	9.55	2.98
2008	0.73	-2.35	-0.93	0.83	-12.36	-15.58	-1.98	1.18	--	--	0.87	-3.71
2009	-1.81	-3.71	0.76	4.01	-11.25	-18.15	2.14	15.94	--	--	-8.68	-13.10
2010 _r	10.76	9.45	3.96	0.44	21.12	29.76	8.11	-3.10	--	--	25.63	27.70
2011 _r	4.07	0.58	3.13	2.25	-3.10	-1.26	-14.39	-5.93	--	--	4.45	-0.47
2012_f	1.13	0.31	1.13	0.68	-2.77	-1.35	-0.52	-10.80	--	--	-0.37	-2.06
Q1 _r	0.59	-1.33	1.92	2.10	-10.21	-9.10	-13.19	-16.89	--	--	-3.37	-7.23
Q2 _p	-0.12	-0.69	1.61	2.50	-7.69	-5.71	-13.07	-14.92	--	--	-2.54	-4.09
Q3 _f	0.98	0.43	0.89	-0.72	-0.54	2.01	-11.33	-8.93	--	--	1.77	1.22
Q4 _f	2.97	2.81	0.14	-0.69	7.44	9.09	20.63	-5.33	--	--	2.50	2.07
2013_f	3.15	1.82	1.45	0.43	3.01	5.51	-1.91	-8.00	--	--	4.15	2.52
Q1 _f	2.48	1.27	0.49	0.05	4.50	5.77	7.55	-6.64	--	--	3.88	2.50
Q2 _f	3.05	1.28	0.95	0.35	3.88	6.16	5.53	-9.31	--	--	4.49	2.40
Q3 _f	3.13	2.22	1.81	1.54	2.75	4.80	-0.51	-7.62	--	--	3.85	2.76
Q4 _f	3.88	2.46	2.56	-0.22	1.26	5.38	-9.25	-8.00	--	--	4.37	2.43

P = preliminary; f = forecast; r = revised. Source: Directorate-General of Budget, Accounting, and Statistics (DGBAS), Nov. 23, 2012.

STATISTICAL ANNEX TABLES

II. Contributions to GDP Growth (in percentage points)

	Economic growth	Domestic demand								Net foreign demand		
		Total	Consumption		Gross fixed capital formation				Increase in inventory	Total	Exports of goods & services	Less: Imports of goods & services
			Private	Gov't	Subtotal	Private sector	Public enterprises	Gov't				
2005	4.70	1.85	1.81	0.03	0.64	0.28	0.25	0.11	-0.63	2.86	4.86	2.00
2006	5.44	0.95	0.92	-0.09	0.02	0.59	-0.16	-0.42	0.10	4.49	7.34	2.85
2007	5.98	1.34	1.23	0.25	0.12	0.24	0.02	-0.14	-0.27	4.65	6.49	1.85
2008	0.73	-2.11	-0.53	0.10	-2.61	-2.62	-0.03	0.03	0.94	2.84	0.61	-2.23
2009	-1.81	-3.24	0.43	0.46	-2.07	-2.56	0.03	0.45	-2.05	1.42	-6.11	-7.53
2010 _r	10.76	8.07	2.28	0.05	3.51	3.49	0.12	-0.10	2.23	2.69	16.78	14.09
2011 _r	4.07	0.49	1.69	0.25	-0.56	-0.17	-0.22	-0.17	-0.89	3.58	3.30	-0.28
2012_f	1.13	0.25	0.61	0.07	-0.47	-0.18	-0.01	-0.29	0.04	0.88	-0.28	-1.15
Q1 _r	0.59	-1.12	1.07	0.21	-1.75	-1.30	-0.10	-0.34	-0.65	1.71	-2.52	-4.23
Q2 _p	-0.12	-0.57	0.85	0.26	-1.36	-0.78	-0.17	-0.41	-0.32	0.45	-1.94	-2.40
Q3 _f	0.98	0.35	0.48	-0.08	-0.09	0.26	-0.13	-0.23	0.04	0.63	1.29	0.66
Q4 _f	2.97	2.23	0.07	-0.08	1.20	1.02	0.36	-0.17	1.03	0.74	1.85	1.10
2013_f	3.15	1.47	0.78	0.05	0.49	0.70	-0.02	-0.19	0.16	1.68	3.05	1.37
Q1 _f	2.48	1.04	0.27	0.01	0.69	0.75	0.05	-0.11	0.08	1.44	2.79	1.35
Q2 _f	3.05	1.04	0.51	0.04	0.63	0.79	0.06	-0.22	-0.14	2.00	3.35	1.35
Q3 _f	3.13	1.80	0.97	0.17	0.46	0.64	-0.01	-0.18	0.21	1.33	2.84	1.51
Q4 _f	3.88	1.95	1.30	-0.03	0.21	0.64	-0.19	-0.24	0.46	1.93	3.21	1.28

P = preliminary; f = forecast; r = revised. Source: Directorate-General of Budget, Accounting, and Statistics (DGBAS), Nov. 23, 2012.

Thank you

This summary is prepared by the Department of Economic Research of the Council for Economic Planning and Development (CEPD). Quarterly updates can be found on the CEPD's website at <http://www.cepd.gov.tw/encontent>. For inquiries send an e-mail to bci@cepd.gov.tw.

Appendix

The Economic Power-Up Plan

Council for Economic Planning and Development
September 27, 2012

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I. Preface

In response to changes in the international economic environment following the worldwide financial crisis, the Executive Yuan on February 6, 2012 established a task force on policy responses to global economic issues with Minister without Portfolio Kuan Chung-ming serving as its convener and the Council for Economic Planning and Development personnel as its staffers. Following several cross-ministry meetings, the Economic Power-up Plan was formulated.

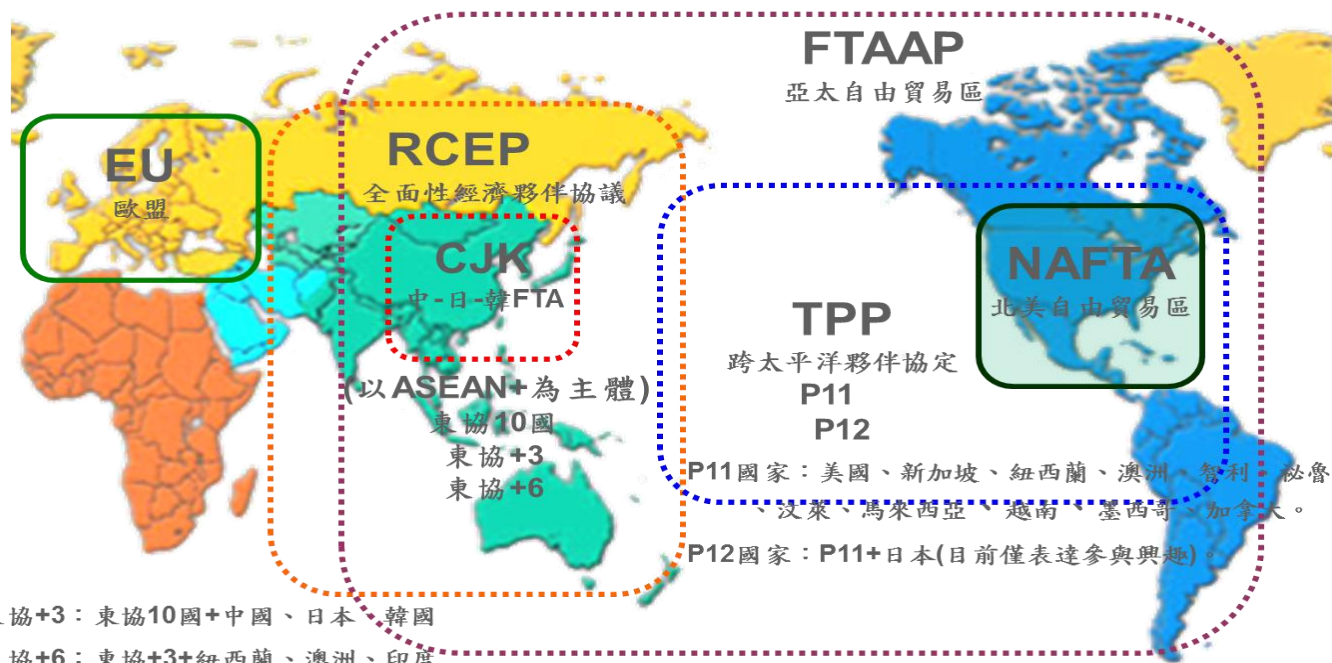
The Economic Power-up Plan is a new policy that incorporates both mid- and long-term measures to optimize the economic structure and initiatives to create growth momentum in the short term.

This plan was formed with the input of industry, business and labor leaders who attended five economic symposiums the Executive Yuan convened in August and September.

II. Background

Regional economic integration's impact on Taiwan's exports deepening

- As of today, a total of 338 free trade agreements (FTA) and economic cooperation agreements (ECA) have taken effect globally, 238 of these in the past decade.
- In recent years, the United States has been promoting the Trans-Pacific Partnership (TPP); mainland China, Japan and South Korea have reached a consensus on launching FTA negotiations; and the Association of Southeast Asian Nations (ASEAN) has recently proposed the Regional Comprehensive Economic Partnership (RCEP).



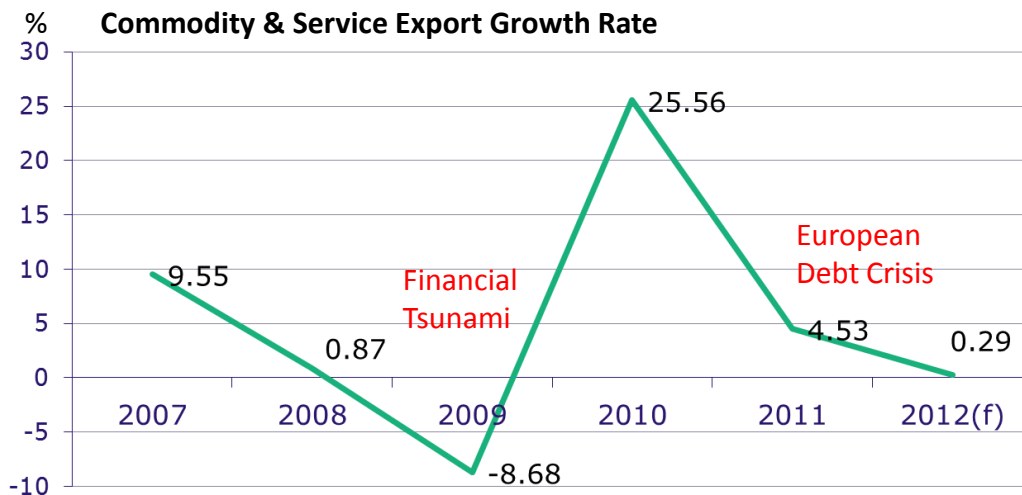
東協+3：東協10國+中國、日本、韓國

東協+6：東協+3+紐西蘭、澳洲、印度

資料來源：IMF, *World Economic Outlook Databases (WEO)*, April 17, 2012。

Export momentum declining

- Since 2000, Taiwanese businesses have increased the proportion of their overseas production. As investment brings trade, upper-stream businesses enjoy growth in exports, but their dependence on the mainland Chinese market has also increased.
- Information and communications technology (ICT) products, which are sensitive to the global economic climate, account for a large proportion of Taiwan's exports. Since 2011, Taiwan's exports have dwindled due to the European debt crisis and global recession.
- In recent years, the growth of Taiwanese businesses' overseas production has slowed. Attracting these businesses back to Taiwan to refocus their industrial supply chains on emerging markets and innovative products should add momentum to Taiwan's exports.

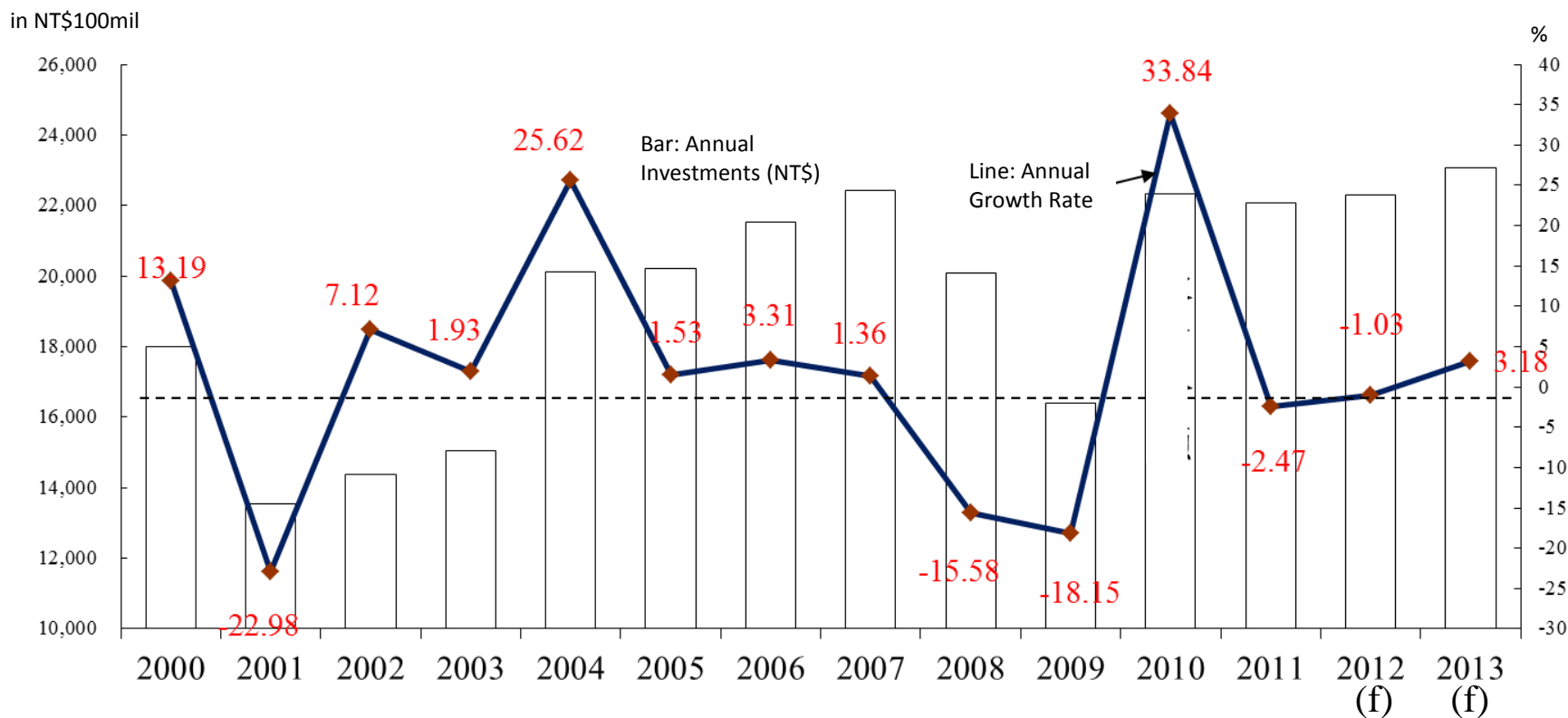


Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan, August 17, 2012



Investment rebounded after the financial crisis but failed to secure momentum

Private Sector Fixed Investment Trends (year-on-year)



Source: National income statistical data and predictions (August 17, 2012), Directorate-General of Budget, Accounting and Statistics, Executive Yuan

III. Outlook

Internal & External Challenges

External

- European debt crisis causing global economic instability
- Economic growth of industrialized countries below expectations
- Economic slowdown in mainland China and other emerging markets
- Regional economic integration affecting exports

Internal

- Imbalanced industry structure
- Over-reliance on certain export markets
- Dislocation of labor demand and supply

Crucial Issues

Economic growth losing momentum

- Insufficient investment
- Export dropoff
- Weak consumption

Response Strategies

Economic Power-Up Plan

- Promote innovative and diverse industries
- Develop new export markets
- Cultivate industry talents
- Spur investments and public construction
- Enhance government efficacy

Economic Power-Up Plan

Initiatives

Targets

Promote innovative and diverse industries

- Implement the Three Industries, Four Reforms program
- Turn SMEs into backbone enterprises
- Accelerate the application of R&D results
- Lift the quality and quantity of tourism
- Spark sustainable growth in Taiwan's financial sector
- Develop top-quality sustainable energy
- Create a "golden corridor" featuring LOHAS agriculture practices

Develop new export markets

- Increase value-added exports and explore emerging markets
- Augment the competitiveness of service exports
- Strive to participate in regional economic integration
- Strengthen intellectual property rights strategy

Economic Power-Up Plan

Initiatives

Targets

Cultivate industry talents

- Improve technical and vocational education to meet industry needs
- Develop industries with value-added HR to strengthen industry-academia training convergence
- Promote strategic distribution of human resources and foster talents specialized in emerging markets
- Adjust labor laws and regulations according to industrial and social trends

Spur investments and public construction

- Attract private-sector investments
- Finance public works creatively
- Facilitate more medium and long-term investment for public works
- Adjust investment regulations in time with industrial trends
- Design model free economic zones

Enhance government efficacy

- Improve government procurement mechanisms
- Implement government budget review mechanisms
- Strengthen regulatory reviews and revise laws to meet changing needs
- Utilize public land and assets
- Push state-owned enterprises to launch major investment projects

IV. Initiatives

1. Promote innovative and diverse industries (1/2)

Implement the Three Industries, Four Reforms program



- Promote industry optimization centered on developing a service-oriented manufacturing industry, an internationalized and high-tech services industry, and a specialty-oriented traditional industry
- Modernize traditional industry, reinvigorating it by way of 50 products over five years

Turn SMEs into backbone enterprises



- Use the strategies of building the base, facilitating growth and selecting elites to develop over 150 high-potential small and medium-sized businesses into Taiwan's "backbone enterprises" over the next three years, spurring NT\$100 billion (US\$3.3 billion) in investment and creating 10,000 jobs
- Refer to the characteristics of Germany's "hidden champions," which are Mittelstand companies (small and medium-sized enterprises) that lead the world in their niche markets

Accelerate the application of R&D results



- Expedite application of R&D results in industry and strengthen industry-academia collaboration, launching a pilot program in the latter
- Focus on 10 fundamental industrial technologies for further development, investing NT\$10 billion (US\$333 million) for R&D within five years in 10 fields, prioritizing chemical engineering, materials engineering and mechanical engineering

Lift the quality and quantity of tourism



- Drive the growth of tourism-related industries and aim to attract 10 million visitors annually by 2016
- Have 400 accommodations meeting star standards for hotels as well as 16 international chain hotels and 750 bed and breakfasts registered in Taiwan by 2013

1. Promote innovative and diverse industries (2/2)

Spark sustainable growth for Taiwan's financial sector

- Develop cross-strait financial services through 10 initiatives
- Build a Taiwan-centric wealth management platform for residents of Taiwan with four major strategies
- Establish a task force to promote a tax system which stimulates financial activities and reduces government expenditures (including future expenditures) without affecting tax revenue
- Amend the Foreign Exchange Control Act to allow qualified financial institutions that are not banks to offer foreign exchange-related services

Develop top-quality sustainable energy

- Develop safe, stable, efficient, clean and sustainable energy resources for industrial development
- Push for an energy tax act
- Upgrade Taiwan's green energy industry; expand green jobs; help green enterprises increase their international competitiveness

Create a "golden corridor" featuring LOHAS agriculture practices

- Develop agricultural settlements with low water consumption
- Improve the efficiency of water resource use to reduce reliance on groundwater
- Encourage contract farming; expand economic scale and improve the manpower structure in order to increase farmers' profits
- Grow import-substitution crops which consume little water to raise the food self-sufficiency ratio
- Integrate political resources to build LOHAS agricultural demonstration areas
- Implement the plans in areas along the high speed railway in Yunlin and Changhua counties first; if they are effective, expand them to other areas that require transformation

2. Develop new export markets (1/2)

Increase value-added exports and explore emerging markets



- Strengthen investigations and research of emerging markets, studying at least 16 cities and 14 products in those markets every year
- Establish strongholds in major business cities of emerging markets which do not have Taiwanese operations
- Select “leader manufacturers” to guide others in developing emerging markets; promote 12 models of success in exploring emerging markets in joint efforts
- Promote various developments of free trade ports

Augment the competitiveness of service exports



- Expand overseas marketing of globally competitive services: help 20 internationally competitive food and beverage enterprises set up shop overseas
- Host 1,000 international conferences and 1,000 exhibitions (including tourism promotions) in Taiwan to generate NT\$90 billion (US\$3 billion) in business opportunities for the exhibition business and peripheral industries; integrate them into the Taiwan tourism calendar

2. Develop new export markets (2/2)

Strive to participate in regional economic integration



- Raise the rank of the International Economic and Trade Strategy Task Force, now to be convened by the Premier, and establish a mechanism for consultations with industry and academia
- Promote the signature of economic cooperation agreements with important trading partners
- Create conditions favorable to joining the TPP by 2020
- Accelerate follow-up negotiations concerning the Cross-Straits Economic Cooperation Framework Agreement (ECFA)

Strengthen intellectual property rights strategy



- Draft a forward-looking program to unleash the value of intellectual property, enhance its protection and construct a comprehensive framework empowering Taiwan to be a leader in intellectual property creation and application in the Asia-Pacific

3. Cultivate industry talents (1/2)

Improve technical and vocational education to meet industry needs



- Continue to reform the technical and vocational education system; implement relevant education policies, turning the system into a cradle of world-class blue-collar professionals
- Introduce industrial resources, expanding the numbers of teachers by 10 percent annually through 2014
- Raise the proportion of teachers with practical vocational experience to 25 percent in vocational high schools and 50 percent in technical colleges
- Motivate students to take off-campus training courses; lift the proportion of technical college students participating in such courses to 30 percent
- Develop a model science and technology university program; subsidize the transformations of eight to 12 institutions into model universities by 2014 and the establishment of industry-academia R&D centers at two to four universities
- Actively promote basic industrial training, involving at least 20 universities of science and technology in the teaching of 10 basic technologies by 2014

Develop industries with value-added HR to strengthen industry-academia training convergence



- Actively promote plans to bridge gap between training offered in school and the knowledge employers require; set three vocational knowledge and two operating ability benchmarks yearly and promote them in at least 50 universities and vocational schools
- Expand the domestic market for value-added human resources
- Strengthen promotion of the young talent cultivation program to lift youth employment
- Encourage the cultivation and training of mid- and high-level managers and personnel
- Promote the participation of at least 20,000 people in industry-academia cooperation

3. Cultivate industry talents (2/2)

Promote strategic distribution of human resources and foster talents specialized in emerging markets



- Cultivate global marketing managers by training 370 talents with foreign language skills and international trading expertise and 4,100 professionals on trade and marketing
- Integrate study grants offered by the Ministry of Economic Affairs, the Ministry of Foreign Affairs and the Ministry of Education to attract outstanding foreign students from key emerging economies to study Chinese or further their education in Taiwan
- Introduce these students to Taiwan's job market after their graduation and waive requirements of prior work experience and limitations on their salaries
- Offer them business internship opportunities and work with the Council of Labor Affairs to relax regulations concerning their work permit applications during their studies in Taiwan

Adjust labor laws and regulations according to industrial and social trends



- Revise labor regulations according to international standards to make Taiwan a friendly environment for overseas professionals
- Relax regulations concerning expatriates' dependents staying in Taiwan
- Strengthen a program that facilitates expats' applications for visas, work permits and permanent residency
- Set up more foreign-language schools
- Reduce barriers to hiring foreign domestic helpers
- Resolve foreigners' issues more proactively
- Continue to examine labor policies and regulations that apply to foreign workers
- Increase manufacturers' foreign laborer quotas on the premise that the businesses increase employment opportunities for domestic workers
- Improve regulations pertaining to work hours and wages with employment security and business competitiveness in mind

4. Spur investments and public construction (1/2)

Attract private-sector investments



- Encourage private investment, with a goal of attracting at least NT\$1 trillion (US\$33.3 billion) per annum; bring in NT\$33.5 billion (US\$1.1 billion) of foreign investment in 2013 and NT\$44 billion (US\$1.5 billion) in 2014
- Promote a NT\$10 billion (US\$333.5 million) program financed by the National Development Fund to direct venture capital companies' investment toward strategic service industries
- Encourage overseas Taiwanese businesses—especially those that occupy key supply chain positions and produce high value-added commodities—to direct their investments back to Taiwan and build international brands

Finance public works creatively



- Promote integrated infrastructure projects to ease government financing; for instance, a self-liquidation ratio of 20-30 percent on 2013 public construction outlays would stretch the NT\$168 billion (US\$5.6 billion) budget for 2013 to NT\$210-240 billion (US\$7-8 billion)
- Raise the self-liquidation ratio of public works by utilizing public-private partnership systems to attract private investments, increasing taxes revenues and promoting cross-business alliances
- Tap into new investment resources from home and abroad, including mainland China
- Promote PFI (private finance initiative) by devising implementation guidelines, selecting categories and cases for demonstration and establishing a consultative taskforce

4. Spur investments and public construction (2/2)

Facilitate more medium and long-term investment for public works →

- Research the feasibility of deregulation to facilitate more medium- and long-term investment in public works
- Study the possibility of injecting capital from government funds or insurance companies into public construction

Adjust investment regulations in time with industrial trends →

- Evaluate regulatory limitations that bar overseas Taiwanese, foreigners and mainland Chinese from investing in Taiwan
- Amend regulations pertaining to investments by foreigners or overseas Taiwanese and simplify application procedures, lessening the requirement of prior approval to a requirement of posterior notification for most cases
- Formulate a private investment stimulus plan to create an environment conducive to investments

Design model free economic zones →

- Create conditions favorable for Taiwan's bid to join the TPP by designating areas as trial zones where market entry and other trade-related regulations will be relaxed
- Offer barrier-free investment environments for diverse industries
- Improve land, labor and capital conditions to create attractive business environments

5. Enhance government efficacy (1/2)

Improve government procurement mechanisms



- Revise the Government Procurement Act, specifically targeting issues of great concern to the industrial sector
- Implement the Public Projects Upgrade Plan to promote sustainable, eco-friendly, energy-efficient and high-quality public works procurement

Implement government budget review mechanisms



- Conduct regular or ad hoc reviews of agencies' operations and plans, the results of which will serve as a reference for determining priority for future resource allocations
- Major cross-agency or interdisciplinary issues shall receive ad hoc reviews from the DGBAS together with the agencies concerned

Strengthen regulation review mechanisms



- Promote a platform for deregulation suggestions; revise regulations to meet the needs of industries
- Examine the feasibility of laws and regulations and expedite reforms that enhance industry structure
- Strengthen the regulatory impact analysis (RIA) system for the formulation of policies that serve as the legal basis for international law and trade negotiations
- Bolster Taiwan's competitiveness in international regulatory competition

5. Enhance government efficacy (2/2)

Utilize public land and assets



- Select idle public land (numbering 900 plots and totaling 203 hectares) and underused national properties (numbering 5,948 plots and totaling 1,551 hectares) to put to good use
- Provide customized management of each site based on a plan to augment the use of national land and properties to develop businesses in collaboration with concerned competent agencies, with the objective of signing five contracts every year to generate total revenue of over NT\$15 billion (US\$500.2 million), with private-sector investments reaching NT\$26 billion (US\$867 million), tax revenues of about NT\$170 billion (US\$5.67 billion) and job opportunities for 15,000 people
- Promote model cases of joint public-private land use and resource sharing between various levels of government and public enterprises


Push state-owned enterprises to launch major investment projects




- China Steel Corp. has developed high value-added steel materials in collaboration with private enterprises. From 2013 through 2017, it is expected to invest NT\$20 billion (US\$667 million) to build highly specialized production lines.
- Taiwan Sugar Corp. estimates it will invest NT\$6.2 billion (US\$206.7 million) between 2012 and 2018 to develop recreational tourism and overhaul Xihu Sugar Factory and the Suantou Sugar Factory Cultural Park, including building hotels and supporting the development of exquisite agriculture.
- Taiwan International Ports Corp., Ltd. is forecast to invest NT\$66 billion (US\$2.2 billion) from 2012 to 2016 in major port infrastructure projects like building international cruise terminals at the ports of Keelung and Kaohsiung, expanding the second phase of the Kaohsiung intercontinental container terminal, and the South Star Land Development project. Taoyuan International Airport Corp. Ltd. is expected to invest NT\$95.3 billion (US\$3.18 billion) between 2012 and 2018 to build the Taoyuan Aerotropolis.

V. Action Plans

On September 5, Premier Sean Chen declared that every project must have an action plan, to be prepared by the agency with chief responsibility for the project with the cooperation of other related agencies, within one month of its launch.



During a September 19 political affairs meeting, Premier Chen instructed that with the exception of the MOEA, other agencies coordinating in the Power-Up Plan must complete their own action plans by October 5.



The CEPD has already compiled the action plans brought forth by various agencies. On September 26, the Executive Yuan's task force for formulating responses to global economic circumstances discussed the action plans for promoting diversity and innovation in industry, development of emerging export markets, and enhancing the efficacy of various levels of government.

VI. Follow-Up

Minister without Portfolio Kuan Chung-ming's task force on responding to the global economy will proactively follow up on the Economic Power-Up Plan and supervise the execution and effectiveness of ministries' action plans through rolling review.

The government believes implementation of the Power-Up Plan will stimulate investment, open export markets and increase employment in the short term and boost the momentum for Taiwan's growth, improve its industrial structure and raise its capacity to cope with economic challenges in the long term.