

Overcoming Difficulties from the Epidemic Together

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I. Introduction

It has now been two years since the global outbreak of the COVID-19 pandemic in early 2020. New variants are still emerging, affecting everything from national economies to daily life in every corner of the world. During the height of the pandemic, Taiwan mitigated its economic impact by acting preventively and introducing several stimulus and relief measures in order to assist struggling industries and individuals. In addition, the government has recognized that the pandemic has given rise to a unique opportunity to promote industrial transformation. By taking full advantage of global economic recovery and industrial transformation, Taiwan will be able to improve its resilience and national competitiveness.

Due to the hard work of the government, industries, and the people, Taiwan has been recognized internationally for its outstanding response to COVID-19. Nikkei Asia ranked Taiwan first in its COVID-19 Recovery Index in January 2022. Despite a flagging global economy, Taiwan has continued to perform well, to which some have referred to as a second economic miracle. In 2021, Taiwan saw an economic growth rate of 6.45%, the highest in 11 years. Furthermore, GDP per capita reached US\$33,004, marking the first time it has exceeded US\$30,000. Taiwan has continued to receive international praise, rising to 8th in both the IMD World Competitiveness rankings and the IMD World Digital Competitiveness rankings. The Big Three credit rating agencies have all upgraded Taiwan's credit rating and outlook. Moreover, Taiwan was ranked as the fourth-best investment destination in a recent report by the Business Environment Risk Intelligence (BERI). These accomplishments are thanks to everyone's hard work during the pandemic and are truly commendable.

II. Global Economic Impact of COVID-19

Since the beginning of 2020, COVID-19 has caused illness and death throughout the world. Normal economic activity came to a halt, causing not just a huge blow worldwide, but a scale of economic recession even greater than that of the global financial crisis. After vaccines became available in 2021, many countries rolled out vaccination plans. This, in combination with economic stimulus plans in major economies, helped economies slowly begin to recover; however, speed of recovery varied greatly due to differences in vaccination rates and financial capacities. Therefore, while advanced economies saw great expansion, low- and middle-income countries continued to face pressure due to COVID-19.

By early 2022, expanded vaccination availability has lent greater hope to full global economic recovery. However, the spread of the Omicron variant, supply chain bottlenecks, unrelenting inflation, tighter monetary and fiscal policies, extreme climate events, and frequent geopolitical crises all remain uncertain variables affecting the future global economy. According to the forecasts of major economic institutions, global economic growth in 2022 is expected to be slower than that of 2021 but will remain over 4%.

III. Government Relief Packages to Aid Impacted Industries and Individuals

In February 2020, the Taiwanese government introduced the Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens, a measure aimed at mitigating the impact of COVID-19 on industry and individual livelihoods. Thereafter, relief packages 1.0, 2.0, and 3.0 were gradually rolled out in order to provide lenient, fast, and simple cash distribution and loan provision. As of March 2, 2022, relief packages 1.0-3.0 have distributed over NT\$146.5 billion in cash, financed approximately NT\$3.5 trillion in loans, and provided relief to a total of 13.76 million individuals and enterprises. Overall,

these measures have helped both industry and individuals, aiding a wide range of populations from vulnerable families to entrepreneurs.

Taiwan experienced an outbreak of COVID-19 starting around mid-May 2021. This rapid increase in local cases resulted in the CDC raising the COVID-19 epidemic alert to Level 3. Following this outbreak, the government rolled out relief package 4.0 in order to provide expedited assistance to individuals and the disadvantaged, bolster industry, and increase loan availability to stabilize financial flows. By providing a range of options, the government hoped to provide the greatest amount of relief in the shortest time possible as to support individuals and industry through the outbreak. As of March 2, 2022, the relief packages 4.0 have disbursed NT\$176.24 billion in cash to 9.811 million people. Furthermore, approximately NT\$1.8 trillion in financing has been approved, and more than 10.526 million households, enterprises and business owners have been assisted in reducing the rent and electricity burden.

IV. One Stimulus after Another, Revitalizing Domestic Demand

In order to quickly revitalize stagnant domestic demand, particularly in those industries most affected by the pandemic such as retail, food and drink, tourism, and the arts and culture, Taiwan has actively promoted stimulus programs. The first such program issued "Triple Stimulus Vouchers" in 2020, and in light of the new outbreak in 2021, this program was expanded to issue the "Quintuple Stimulus Vouchers." The Quintuple Stimulus Vouchers were not only worth more, but could be claimed and used digitally. The goal was for the vouchers to be easy to claim, simple to use, and effective in stimulating the economy. To this end, the Quintuple Stimulus Vouchers also saw the release of a digital voucher identification mark to help businesses verify digital voucher users. Ultimately, increased domestic demand resulting from these measures is estimated to create NT\$200 billion in revenue.

Government ministries and committees also proposed eight additional voucher types to support industrial recovery. These vouchers were designed to revitalize the economy by stimulating domestic consumption at a point after the epidemic has been brought under control. Local governments have also issued various additional vouchers to attract greater local consumption. In conjunction with these plans, many local businesses have also rolled out similar complementary plans. Many hope these efforts will create a multiplier effect, allowing shattered domestic industries to receive needed assistance and revive the domestic economy.

V. Securing Economic Strength by Transforming and Upgrading Industries

In the post-COVID era, international economies have been subject to rapid changes. To strengthen Taiwan's economic resilience, the government has fully leveraged Taiwan's strength in digital technology and taken advantage of the restructuring of global supply chains to identify and develop six core strategic industries: information and digital industries, cybersecurity industry, precision health industry, green and renewable energy industry, national defense and strategic industries, and strategic stockpile industries. The implementation of the Asia Silicon Valley Development Plan 2.0 is aimed at accelerating innovation, driving the application of AI and 5G into the Internet of Things (IoT), and establishing Taiwan's role as a digital innovator in Asia.

Taiwan's government has continued to strengthen the Strategies for Cultivating & Recruiting Key Talents (Key Talent Cultivation and Recruitment Program (2021-2024)) and promote the Bilingual 2030 policy in order to build Taiwan into an international talent hub. At the same time, Taiwan has introduced the Three Major Programs for Investing in Taiwan to attract investment, accelerate industrial upgrading and transformation, as well as help industries in Taiwan develop innovative, high value-added, smart products. Furthermore, by strengthening the Forward-looking Infrastructure Development Program, Taiwan will be able to create

an ideal environment for industrial development, thereby providing the best support for companies in Taiwan. Ultimately these programs aim to add to Taiwan's mid-term and long-term economic momentum.

VI. Taiwan's Second Economic Miracle: More Resilient in the Face of COVID-19

Taiwan's outstanding containment of COVID-19, in conjunction with appropriate relief and stimulus measures, effectively mitigated the blow of the epidemic. As a result, the economy and employment rates have remained stable. Economic growth in 2020 reached 3.36%, exceeding that of all developed countries. Despite a COVID-19 outbreak in 2021 that curbed domestic consumption growth, strong export performance and domestic investment led the Directorate General of Budget, Accounting and Statistics (DGBAS) to forecast an economic growth of 6.45% for the year, the highest in 11 years. At the same time, foreign trade, investment, production, and national income have continued to perform well. This reflects progress from the restructuring of the domestic economic, especially the increased resiliency in the face of the epidemic. Specific Accomplishments Include:

- (I) Total exports and export orders reached record highs, exceeding US\$440 billion and US\$670 billion respectively; exports showed positive growth for 18 consecutive months, while export orders grew for 22 straight months.
- (II) Total investment from the Three Major Programs for Investing in Taiwan exceeded NT\$1.6 trillion. Funded public construction reached a 14 year high. The investment as a percentage of the GDP experienced a 21-year high.
- (III) The industrial production and manufacturing indexes reached all-time highs with the highest growth rates since 2011.
- (IV) GDP per capita surpassed US\$30,000 for the first time ever. Compared with the 38 countries in the Organization for Economic Cooperation and Development (OECD), Taiwan ranked 8th in terms of purchasing power parity, exceeding Japan, South Korea, the United Kingdom, France, Germany and Australia.

In 2022, exports are expected to expand steadily as the global economy continues to rebound, demand for emerging technology applications remains strong, and new domestic production capacity continues to expand. Strong corporate profits over the past few years have allowed for increases in salary. This, in conjunction with an increase in the minimum wage and nationwide salary increases for military and civil service positions, has helped to drive private consumption momentum. In addition, Taiwan continues to benefit from the expansion of investments by major semiconductor companies, expanded supply chains, and extensive local investment related to the Three Major Programs for Investing in Taiwan. Further economic growth is anticipated to gain momentum from initiatives under the Forward-looking Infrastructure Development Program, the accelerated construction of 5G networks, offshore wind power installations, and solar photovoltaic power installations. As a result, the DGBAS in the Executive Yuan estimates economic growth to exceed 4%.

VII. Conclusion

In the face of COVID-19, the nation came together to contain the spread of the epidemic in Taiwan. Timely and appropriate relief and stimulus plans from the government along with well utilized development opportunities of the post-COVID era allowed Taiwan to experience a second economic miracle. Even in the pandemic's darkest hours, Taiwan has continuously received global praise for successful epidemic and economic achievements. Going forward, Taiwan will continue to build on its past success in epidemic prevention, relief measures, and stimulus plans in order to establish an innovative diversified economy, accelerate the transformation of domestic industries, and increase added value. By strengthening its economic resilience and spurring economic momentum, Taiwan will continue to occupy a key position on the global stage. 🌐