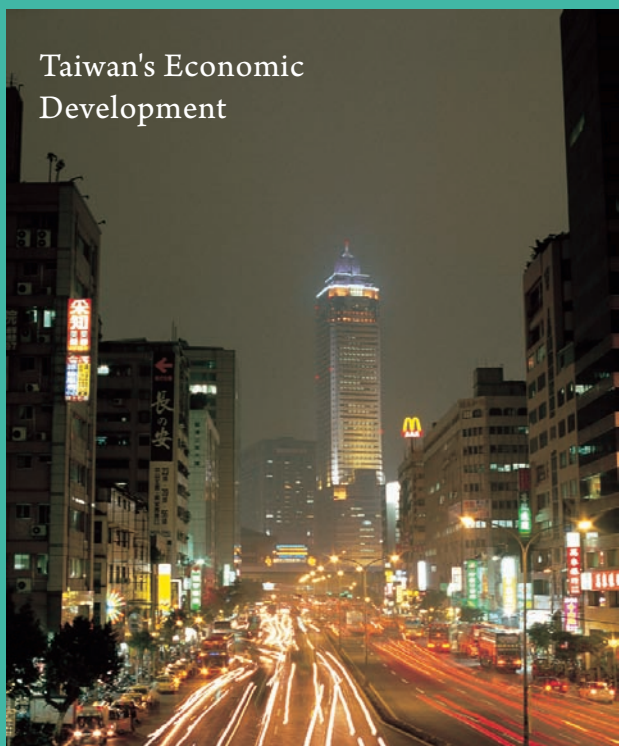


Economic Development
R.O.C. (Taiwan)
2015

Economic Development R.O.C. (Taiwan)



Taiwan's Economic Development

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Geographical Position and Natural Resources



Strategically located in the middle of a chain of islands stretching from Japan in the north to the Philippines in the south, and only 160 kilometers off the southeastern coast of Mainland China, Taiwan is a natural gateway to East Asia. It has an area of 36,009 square kilometers, roughly equal to the size of the Netherlands. At mid-2014, its population stood

at 23.46 million. With 648 persons per square kilometer, Taiwan is one of the most densely populated areas in the world.

Three-quarters of the land is mountainous, with a spine-like ridge of steep mountains extending from north to south. About 60% of the land is forested, but forest resources are minimally exploited because of limited accessibility and


environmental concerns. Even though only one-quarter of the land is arable, the subtropical climate permits multi-cropping of rice and growing of fruit and vegetables all year round. However, agricultural production accounted for only 1.9% of gross domestic product (GDP) in 2014.

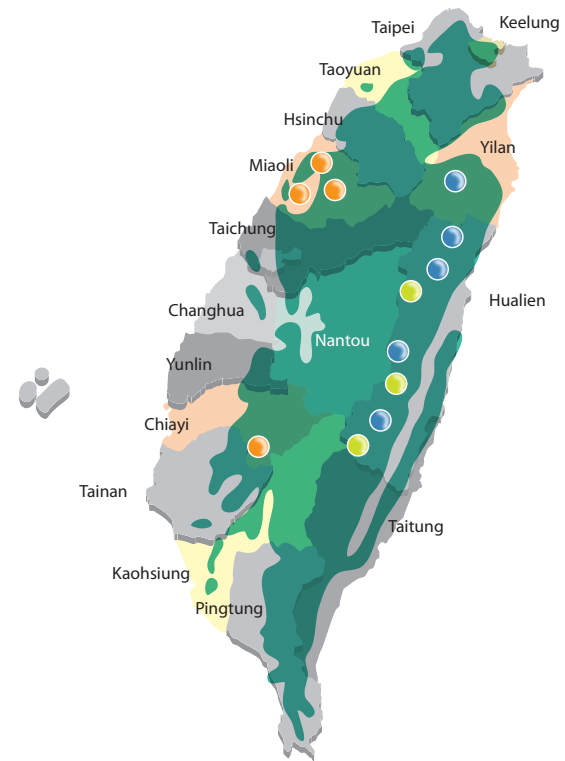
Although Taiwan does have deposits of coal, limestone, marble, dolomite, and natural gas, it is not richly endowed by nature. Indeed, more than 98% of its energy needs are met by imports, and its rapid industrialization also relied heavily on imports of raw materials. However, Taiwan has an ample supply of human resources, the effective cultivation of which has been the key to the successful development of the economy.

POPULATION & NATURAL RESOURCES (2014)

TOTAL AREA	36,009	Km ²
TOTAL POPULATION (mid-year)	2,346	10,000 Persons
POPULATION DENSITY	648	Persons/Km ²

MINERAL PRODUCTION(2014)

 NATURAL GAS	386,548	kcal/m3
 MARBLE	20,567,635	metric tonnes
 DOLOMITE	22,195	metric tonnes



Economic Development Success

Occupying an area roughly the same size as the Netherlands and with only four-thousandths of the global population, over the past 60-plus years, Taiwan has achieved a remarkable record of rapid economic growth, stable prices and equitable income distribution, thanks to the joint endeavors of its people and government matched by well-tailored economic development strategies. This has come to be known around the world as the “Taiwan experience.” Between 1952 and 2014, Taiwan's per capita GDP rose from US\$208 to US\$22,635; its GDP increased from US\$1.677 billion to US\$529.587 billion; and its foreign trade expanded from US\$303 million to US\$587.71 billion; Taiwan is the world's 20th largest exporter, and the 18th largest importer. In the course of its development over the past 60-plus years, Taiwan has successfully transformed from an agricultural society to a



key player in the global ICT industry. In 2014, Taiwan was a global top-three supplier of 24 industrial products and the world's number one supplier of 6 including, foundry service, IC packaging and testing, high grade bicycles, fiberglass fabric, functional textiles and green algae, highlighting Taiwan's vital role in the global technology supply chain.

The economic power attained by Taiwan is also demonstrated in its outward foreign direct investment (FDI). As of year-end 2014,

Taiwanese investment in Mainland China added up to US\$144.0 billion, making it the main source of foreign investment in the mainland. At the same time, Taiwanese FDI in ASEAN countries amounted to more than US\$84.7 billion, with Taiwan ranking as the third biggest foreign investor in Thailand and the fourth biggest in Vietnam. According to UNCTAD's World Investment Report 2015, the stock of outward FDI from Taiwan reached US\$258.8 billion at the end of 2014, up 5.3 percent year on year, ranking 20th in the world and 5th in Asia behind Hong Kong, Japan, Mainland China and Singapore. Taiwan has become one of Asia's main providers of FDI, with investment reaching worldwide.

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At the end of 2014, the stock of outward FDI from Taiwan:

up **5.3%** **20th** in the world **5th** in Asia

Sources: Directorate-General of Budget, Accounting and Statistics (DGBAS), Executive Yuan, ROC; Ministry of Economic Affairs (MOEA), Industrial Technology Information Service (ITIS) Program.

Taiwan's Main Economic Indicators: Comparison of 1952 and 2014

	1952	2014	Average Annual Growth Rate (%)
Population (mid-year, million persons)	8.05	23.42	1.7
GDP (US\$ million, at current prices)	1,677	529,587	9.7
GDP (NT\$ billion, at constant prices)	163	15,497	7.6 (Economic growth rate)
Per capita GDP (US\$)	208	22,635	7.9
Agriculture's share of GDP (%)	32.2	1.88	—
Industry's share of GDP (%)	19.7	34.09	—
Services' share of GDP (%)	48.1	64.03	—
Merchandise exports (US\$ million)	116	313,696	13.6
Merchandise imports (US\$ million)	187	274,026	12.5
Foreign exchange reserves (US\$ billion)	10	418.98	6.2

Data source: Executive Yuan, Directorate General of Budget, Accounting and Statistics, August 2015, Statistical Abstract of National Income, Ministry of Finance trade statistics enquiry.

In 2014 Taiwan ranked Top 3 in the world for 24 products (not including overseas production)

Ranking 1 st in the world		Ranking 2 nd in the world		Ranking 3 rd in the world	
Item	Global Market Share(%)	Item	Global Market Share(%)	Item	Global Market Share(%)
Foundry service	68.54	Portable Navigation Device (PND)	48.67	Small/Medium TFT-LCD panel	22.19
IC packaging and testing	50.50	IC Substrate	25.70	Touch panel	16.30
Green algae*	49.30	Electrodeposited copper foil	25.38	Ball screw and lead screw	15.00
High grade bicycles *	44.00	Large TFT-LCD panel	21.85	Acrylonitrile Butadiene Styrene (ABS) *	14.20
Fiberglass fabric	32.60	Electric wheelchairs/ Electric Mobility Scooter *	21.40	Thermoplastic Elastomer (TPE) *	7.70
Functional textiles	28.18	C-Si Solar Cell *	21.30	Nylon fibers*	7.59
		IC design	19.90	β-carotene *	4.36
		Printed circuit board (PCB)	16.70	OLED panel	3.79
				Polyester *	2.81
				Wireless local area network products (WLAN)	0.80

Note: Global market share calculated by output value, **** calculated by production volume
Data source: MOEA ITIS program

Strategies of Economic Development

A very important factor behind Taiwan's economic success has been pragmatic and flexible government policies - especially the promotion of social and political stability and the adoption of an outward-looking development strategy. Whenever new development problems and challenges have arisen, timely, market-friendly policy initiatives have been undertaken to cope with them. In summary, Taiwan's economic development can be divided into seven stages:

The 1950s: Pursuit of Stability and Self-sufficiency

In the 1950s, top priority was given to economic stability and food production. The major tasks were to effectively utilize U.S. economic aid for development, and to make use of tariffs and import controls in fostering the development of domestic industry. A land reform program was introduced to encourage food production, stabilize food prices, and promote social stability. At the same time, the development of labor-

intensive import substituting industries was encouraged in order to lessen dependence on imports and the need for foreign exchange.

The 1960s: Expanding Exports of Light Industry

In the 1960s, emphasis was placed on promoting labor-intensive and export-oriented industries to take advantage of low-cost labor and tap the potential of international markets. Toward that end, the government actively introduced reforms in foreign exchange administration and taxation, enacted the Statute for the Encouragement of Investment, and, in 1966, established Taiwan's first export processing zone. Spurred by the vibrant development of the world economy, Taiwan's exports increased rapidly, becoming the locomotive of its economic growth.

The 1970s: Developing Basic and Heavy Industries

By the end of the 1960s, rapid export expansion



had stimulated strong domestic demand for machinery, equipment, and intermediate materials. Moreover, after a number of years of industrialization, Taiwan's industrial technology was more advanced, and conducive to a higher level of basic and heavy industry development. Hence, in the 1970s, the government actively carried out the Ten Major Construction Projects to augment railway, airport, port, electricity and other basic infrastructure, and vigorously promoted the development of the petrochemical, steel, and other capital-intensive import-

substitution intermediate industries. This strategy enabled Taiwan to effectively reduce its reliance on the foreign supply of intermediate products and to speedily upgrade its industry.

The 1980s: Economic Liberalization and Technology-Intensive Development

In the early 1980s the economy began to reap the benefits of trade-promotion policies, and an increasing surplus was recorded in foreign trade. To address growing imbalances in the economy, the government adopted economic liberalization and internationalization as new guiding principles for Taiwan's further development, and endeavored to bring market forces into full play. At the same time, Taiwan began to tap its ample capital resources to develop capital and technology-intensive industries such as electronics, information, and machinery.

The 1990s: Promoting Taiwan as an Asia-Pacific Operations Center and Developing

the IT Industry

Although rising wages forced labor-intensive industries to move offshore, Taiwan's high-quality human resources and comprehensive industrial clusters furnished prime conditions for the booming development of the IT industry. This enabled Taiwan to smoothly transform and upgrade from "umbrella and toy kingdom" to become "IT kingdom". In 1993, Taiwan became the world's top producer of many IT products, supplying more than half of the global market for monitors, motherboards and image scanners. In 1995, Taiwan's IT industry became the world's third-biggest producer of IT hardware, and played an indispensable role in the global high-tech industry division of labor. Also in 1995, the government launched the Asia-Pacific Regional Operations Center (APROC) plan in a drive to enhance Taiwan's global logistics position and industrial level by developing it into an operations hub for manufacturing, transshipment and specialist services.

The 2000s: Promoting the knowledge economy and linking to the international trade system

In 2000, the government unveiled a new vision for pursuing knowledge-based, sustainable and just economic development, involving all-out investment in human resources, R&D innovation, logistics channels and the living environment, and focus on developing the semiconductor, image display, biotechnology, and digital content industries, with a view to raising the innovation capabilities of domestic industry and enhancing the people's quality of life. Moreover, on January 1, 2002, Taiwan was formally admitted to the WTO, opening a new phase in the gradual alignment with the international trade system and the repositioning of the core competitive advantages of Taiwan's economy. At that time, Taiwan faced the dot-com bubble, the SARS crisis and other blows but the government's effective counter measures brought their negative impact down to a minimum. In particular, in

Strategies of Economic Development (*continued*)

response to the global financial crisis that broke in 2008, the government promoted the Economic Stimulus Package, issued consumer vouchers and expanded public infrastructure construction, policies that were key in allowing Taiwan once again to come through a crisis unscathed.

2010-2015: Industrial Reform and Global Linkage

The government sets its sights on equipping Taiwan to grasp the opportunities of an era of change and strengthening the nuts and bolts of Taiwan's economy, by launching the Golden Decade National Vision Plan. The plan's core strategy is to draw on the three key driving forces of innovation, openness, and structural adjustment to create the growth path of a golden decade for Taiwan. In pursuit of the overall goals of prosperity, harmony, and sustainability, it sets out 31 main axes of policy implementation to achieve the eight main visions of a vigorous economy, a just society,

clean and competent government, prime culture and education, a sustainable environment, comprehensive development, cross-strait peace, and international amity, in an all-out effort to drive national power on an upward trajectory. At the same time, the government is also endeavoring to boost the driving forces of economic growth in the four main spheres of promoting investment, bolstering infrastructure, reforming industry, and connecting with the world.

1. In terms of promoting investment, the three main strategies are feeling the pulse (grasping the policy needs of domestic industry), acting proactively (targeting key technology companies for business solicitation), and implementing deep cultivation (follow-up, registration and provision of needed assistance). In order to boost foreign direct investment, the government actively solicits cases with potential investors and provides foreign companies with customized investment services. In addition, the government also

encourages overseas Taiwanese business to reinvest in Taiwan so as to increase local employment opportunities and creates a freer and more efficient environment for doing business by lowering inheritance and business taxes and carrying out financial deregulation. The government further expands public investment and promotes programs of Productivity 4.0 and Big Data to multiply investment power as well.

2. Actions for bolstering infrastructure include implementation of the i-Taiwan 12 Projects and the economic revitalization package of expanded investment in public works, with the aim of creating a prime investment and living environment; through the Project for Cross-Field Value-Adding in Public Infrastructure Financial Planning, integrated development plans internalize external benefits, increase plan self-liquidation, inject public construction funds and raise future operating funds, to achieve the objective of reducing the

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government's fiscal burden.

3. With respect to industrial reform, the government has targeted for active promotion of six major emerging industries, ten key service industries, and the Traditional Industry Reform Program. The government is also implementing Productivity 4.0 Program, Measures to Consolidate and Bolster Economic Structure, and ide@Taiwan 2020 (Creative Taiwan) to accelerate industry's digitization and intelligentization, and furthermore, to drive the upgrading of industry. Specially, the government is building a new export model with emphasis on both goods and services and changing export strategy from the price competition to value creating, and from marketing products to marketing values. In addition, the government is accumulating the momentum for the future economic growth by encouraging innovation and entrepreneurship, effectively using Taiwan's advantages in whole complete supply chains and industry clusters,

and grasping the opportunities offered by the Internet of Things, so as to assist innovative and global potential startups to grow rapidly.

4. The enhancement of Taiwan's global linkage is being pursued through the substantial improvement of cross-strait relations, including the signing of the Cross-Straits Economic Cooperation Framework Agreement (ECFA), the Cross-Straits Investment Protection and Promotion Agreement, and the Cross-Straits Agreement on Trade in Services, and the continuation of ECFA follow-up negotiations; and, at the same time, actively joining in regional integration, signing the ANZTEC economic cooperation agreement with New Zealand, and ASTEP with Singapore, and actively pursuing the negotiation and signing of economic cooperation agreements (ECAs) with major trade partners, to create favorable conditions for joining the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP).



Strategies of Economic Development (*continued*)

1950s



Pursuit of Stability and Self-sufficiency

- Introducing economic planning in 1953, after the completion of postwar rehabilitation
- Implementing a land-reform program, stimulating agricultural production, and promoting economic stability
- Developing labor-intensive import-substituting industries to reduce the trade deficit

1960s



Expanding Exports of Light Industry

- Encouraging saving, investment, and exports
- Introducing new agricultural products
- Developing export-oriented industries and establishing export-processing zones

1970s



Developing Basic and Heavy Industries

- Implementing the Ten Major Construction Projects and improving infrastructure
- Establishing intermediate-goods industries
- Developing basic and heavy industries

1980s



Economic Liberalization and Technology-intensive Development

- Establishing Hsinchu Science-based Industrial Park
- Restructuring industrial production and expanding R&D spending
- Pursuing economic liberalization and internationalization
- Expanding domestic demand to improve the trade imbalance

1990s



Promoting Taiwan as APROC and Developing the IT Industry

- Implementing the Six-Year National Development Plan to bolster infrastructure
- Using the BOT approach to encourage the private sector to participate in public construction
- Promoting telecommunications liberalization
- Promoting Taiwan's industrial transformation, and developing into a top manufacturer of IT products
- Developing Taiwan into an Asia-Pacific Regional Operations Center (APROC)

2000s



Promoting the knowledge economy and linking to the international trade system

- Announcing the main concepts of “knowledge-based, sustainable and just” , making every effort to invest in human resources, R&D innovation, logistics and the living environment
- Developing the semi-conductor, image display, bio-tech and digital content industries
- Joining the WTO, linking Taiwan's trade system to the world

2010-2015



Industrial Reform and Global Linkage

- Launching the Golden Decade National Vision, an across the board effort to increase national power
- Expediting industry upgrading and transformation, adopting new export strategies
- Encouraging innovation and entrepreneurship and implementing Productivity 4.0 and ide@Taiwan 2020 (Creative Taiwan) to boost economic vitality
- Implementing Measures to Consolidate and Bolster Economic Structure to accelerate economic recovery
- Sign ECAs with major trading partners

Economic Growth



From 1952 to 2014, Taiwan achieved an average annual economic growth rate of 7.6%, one of the fastest growth rates of any country after the Second World War.

-1950s: After World War II, Taiwan actively set to work on post-war reconstruction. The government adopted a policy of “promoting agriculture to foster industry and utilizing industry to develop agriculture,” carrying out land reform to boost agricultural production and fostering labor-intensive light industries to lay a basis for industrial development. These strategies helped spur the rapid take-off of Taiwan's economy, with the economic growth rate averaging 8.7% per annum during this period.

-1960s: With solid foundations for industrial development already in place, the government turned its focus to developing export industries, and in 1966 set up Taiwan's first export-

processing zone, pursuing a policy of export expansion as a means of spurring economic growth. During this period, the average annual economic growth rate reached 9.9%.

-1970s: Despite the impact of the two oil crises, which pulled down the economic growth rates in 1974 and 1979 to 2.67% and 8.83 % respectively, the government put great energy into developing heavy and chemical industries and expanding infrastructure investment. These efforts enabled the economy to maintain a robust rate of expansion, with the economic growth rate averaging 10.9% during this period.

-1980s: The government took active steps to loosen economic controls and protection, carrying out policies for the liberalization of finance and trade and the privatization of state-owned enterprises; and with the establishment of the first science-based industrial park in 1980,

industry began a trend of gradual development toward a science and technology orientation. During this period, Taiwan's economy grew 8.5% annually.

-1990s: As Taiwan's economy advanced steadily into the mature stage of development, per capita GNP broke above the US\$10,000 level in 1992. To satisfy the people's expectation for improving quality of life, the government set about an active program of investment in mass transit, freeway and expressway, environmental protection, and other public construction projects, while striving to enhance the fundamentals of the economy. During this period, despite the impact of the Asian financial storm, Taiwan's economy still grew 6.6% annually.

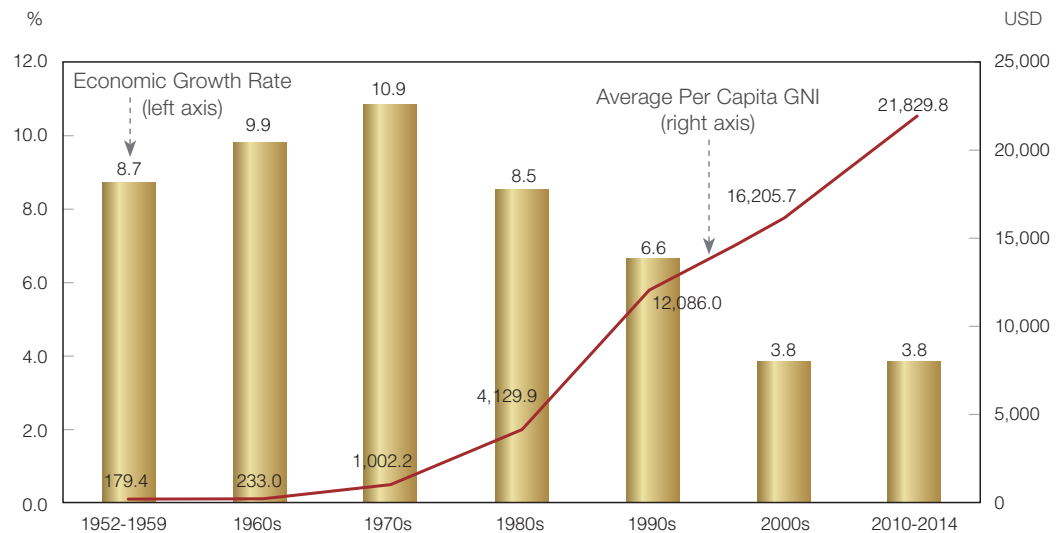
-2000s: Despite having to contend successively with the bursting of the dotcom bubble and the September 11 terrorist attacks on the US

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in 2001, the SARS epidemic in 2003, and the global financial tsunami in 2008, each of which had a dampening effect on economic growth, Taiwan was able to achieve an average economic growth rate of 3.8% during this period.

-2010 to 2014: Taiwan's economy recovered quickly to post a growth rate of 10.63% in 2010. However, in the next two years, the lingering shadow of systemic risk following the global financial crisis, the spread of the Eurozone debt crisis, the impact of the US debit crisis, and the slowing growth of emerging countries had a sapping effect on overall growth, reducing economic growth to 3.8% in 2011 and 2.06% in 2012; 2013-2014, the economy maintained a moderate recovery, with the economic growth rate up to 3.0%.

Economic Growth Rate (%) and Average Per Capita GNI (USD)



Data source: Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan)

Prices



Taiwan is one of the few countries that have been able to balance emphasis on both high economic growth and price stability. Except for during the two international oil crises, Taiwan's price fluctuations have been kept at a moderate level since the 1960s.

– From the 1960s to the 1980s, the consumer price index (CPI) and the wholesale price index (WPI) recorded average annual rises of 6.4%

and 4.6%, respectively. During the two energy crises (1973-74 and 1979-80), the CPI and WPI increased at average annual rates of 21.1% and 24.7%, respectively. Excluding these two oil-shock periods, the average annual increases of the two indexes were only 4.1% and 1.5%, respectively, marking Taiwan out as one of the world's most price-stable countries.

– In the 1990s, the active liberalization and internationalization of Taiwan's economy, plus the entry of Mainland China and other low labor-cost countries into the global production system, enabled production costs to be kept relatively low and prices to be kept at a steady level. During this decade, Taiwan's CPI and WPI rose by only 2.9% and 0.3%, respectively, per annum.

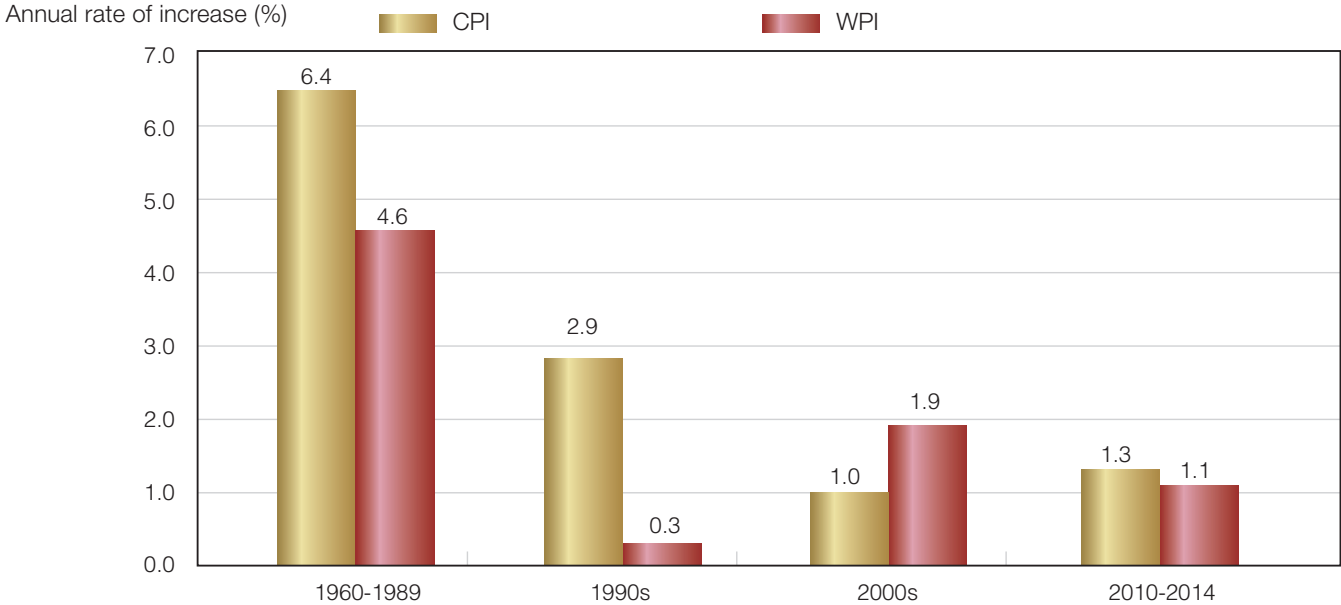
– In the 2000s, affected by the rise in

international raw materials prices, the WPI increased an average of 1.9% while, under the impact of the bursting of the global IT industry bubble in 2000, CPI growth was zero in 2001, and had negative growth in 2002 and 2003; in 2008, affected by increases in international petroleum and raw materials prices, it climbed up to 3.5% at one time; however, it was brought down after the government adopted various stabilization measures and grew by just 1% on average.

– 2010 to 2014, prices have remained stable since 2010, with the WPI increasing an average of 1.1%; the CPI has increased an average of 1.3%, significantly lower than Hong Kong (4.1%), Singapore (3.2 %) and the ROK (2.4%).

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Price Index Fluctuation



Source: Directorate General of Budget, Accounting and Statistics, R.O.C (Taiwan)

Income Distribution

Thanks to its rapid economic growth over more than half a century, Taiwan's average per capita GNI soared from US\$208 in 1952 to break above US\$1,000 in 1976, pass the US\$10,000 mark in 1992, and top US\$20,000 for the first time in 2011, reaching US\$23,298 in 2014. A particular distinction of Taiwan's racing growth is that it has been achieved with equal emphasis on fair income distribution. Currently, Taiwan has one of the fairest spreads of income distribution of any country in the world. In 2014, the highest quintile of income was just 6.05 times the lowest, a far smaller gap than the United States' 15.90 (2013) and Hong Kong's 20.70(2011), and less than Japan's 6.12 (2013).

– From the 1950s to the 1970s, while per capita GNI shot up from US\$208 in 1952 to US\$1,943 in 1979, the implementation of land reform, compulsory education, tax reform, and other such policies ensured that income distribution continued to improve, with the gap between the top and bottom quintiles of income falling from

5.33 in 1964 to 4.34 in 1979.

– From the 1980s to the 1990s, changes in economic growth and the industrial structure were reflected in a gradual widening of the income gap, though it still largely stayed at around 5.3 through the 1990s.

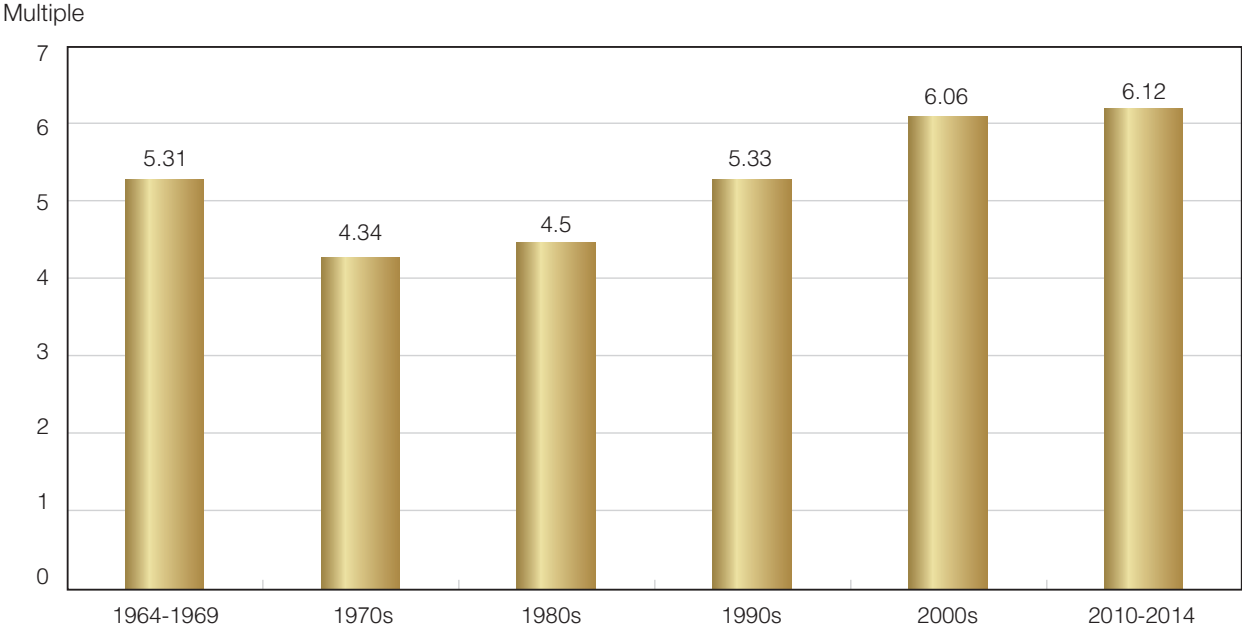
– After 2000, the booming development of Taiwan's high-tech industries and the offshore migration of many labor-intensive industries caused a deterioration of income distribution, with the top-to-bottom-quintile income gap rising to 6.39 in 2001. Thereafter, the government's timely introduction of various social welfare measures helped pull it back down to 5.98 in 2007, though the effects of the global financial tsunami in 2008 caused the income gap to widen to 6.34 in 2009. With the government working actively in recent years to enhance tax justice and strengthen care for the disadvantaged, along with other measures with the objectives of "increasing the income of the lowest income households and strengthening



the re-distribution effect of transfer expenditure," Taiwan's income distribution has continued to improve for six consecutive years, with the gap falling to 6.05 in 2014.

Taiwan's Economic Development Performance

Income Distribution (Quintile of Income)



Source: Directorate-General of Budget, Accounting, and Statistics, Executive Yuan, R.O.C. (Taiwan)

Industry Structure

Over the past 60 years, Taiwan has completed, in a remarkably short timespan, a process that took advanced industrial countries one to two centuries to achieve, undergoing swift transformation from a post-war agricultural economy to a knowledge economy led by high-tech and specialized service industries.

Agriculture was the main driving force of Taiwan's economic growth in the early stage. In 1952, the agricultural sector generated 56.1% of Taiwan's employment, and 32.1% of its GDP. After the government adopted a policy of "promoting agriculture to foster industry and utilizing industry to develop agriculture," the industrial sector developed rapidly and agriculture's relative importance in the economy dwindled year by year. In 2014, agricultural sector employment accounted for only 4.95% of Taiwan's employment and just 1.88% of GDP.

The rapid industrialization of the economy is a main hallmark of the Taiwan experience. In the early 1950s, Taiwan's industry was limited mainly to the primary processing of agricultural and forest products. In the 1960s, the government began to set up export processing zones, utilizing low-cost labor and policy incentives to attract foreign capital and technology, and thereby spurring the speedy emergence of textile, umbrella, shoe and other labor-intensive light industries. In the 1970s, the government implemented the Ten Major Construction Projects to lay a foundation for the petrochemical, steel, shipbuilding and other heavy industries. Since the 1980s, Taiwan's manufacturing industry has seen a speedy transformation toward a high-tech orientation, with its ICT industry gaining global renown. In 2014, Taiwan was the world's number one supplier of wafer foundry contract



manufacturing services and IC packaging & testing, with global output value shares of 68.54% and 50.50%, respectively.

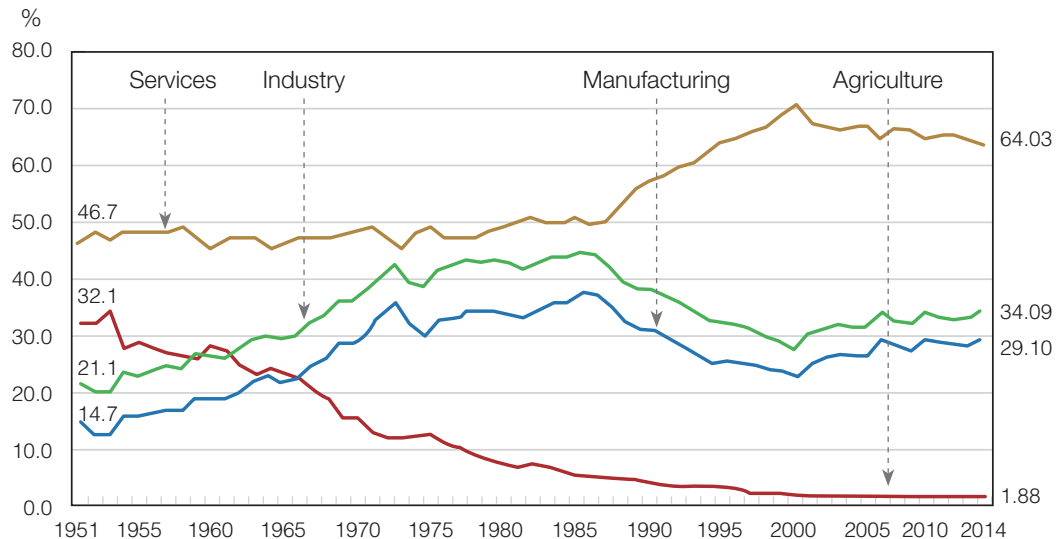
Since the mid-1980s, rising national living standards have spurred the booming development of Taiwan's service sector, which accounted for 64.03% of GDP in 2014. To speed up service industry upgrading, the government is vigorously promoting the technologization and internationalization of service industries, drawing on Taiwan's

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strengths in human resources, creativity, location, ICT and other areas to promote the development of the financial, insurance, computer and IT, patent, and other modernized service industries, while also increasing the added value of the travel, cultural and leisure and other traditional services.

Looking to the future, the government is implementing Productivity 4.0 to foster smart industrial chains, by identifying leading industries such as electronics, precision machinery, textiles, retail, logistics, bio-tech, and fine agriculture to accelerate the digitization and intelligitization of vertical and horizontal industrial chains and introduce key autonomous technology to increase the industrial productivity.

Gross Domestic Product by Sector



Note: GDP does not include statistical discrepancy

Source: Directorate General of Budget, Accounting and Statistics, R.O.C (Taiwan)

Foreign Trade



Surrounded by the sea, Taiwan has continuously sought outward development opportunities, seeking to expand trade links with other countries as a main driving force of its economic growth. Since the 1960s, with the government actively implementing export-oriented policies, external trade has grown rapidly. In 2014, Taiwan's total trade amounted to US\$587.72 billion.

During the early 1960s, Taiwan's exports consisted mainly of processed agricultural products. With the country's level of industrialization continuously rising, the share of industrial goods in exports has stood at 99% since the turn of the century. Within this category, the share of electronic, electrical and IT products increased from 15.6% in 1981 to 39.2% in 2014. On the import side, owing to Taiwan's lack of natural resources, agricultural and industrial raw materials have long made up the bulk of imports, accounting for 74.4% of total imports in 2014, followed by capital equipment and consumer goods with shares of 13.5% and 10.7%, respectively.

The rapid progress of globalization and the global positioning of Taiwanese businesses have markedly changed the relative status of

Taiwan's trade partners. On the export side, the United States had always been Taiwan's largest export market up to 1999, but as cross-straits economic and trade relations have grown steadily closer, Mainland China (including Hong Kong) has supplanted the U.S. as Taiwan's primary export market, receiving 39.7% of Taiwan's total exports in 2014. On the import side, up to 1994, the U.S. and Japan continuously provided more than half of Taiwan's imports; but as of 2014, their combined share had fallen to just 25.2%, while the shares of Mainland China (including Hong Kong) and ASEAN countries had increased from 2.2% and 10.3% to 18.1% and 12.2%, respectively.

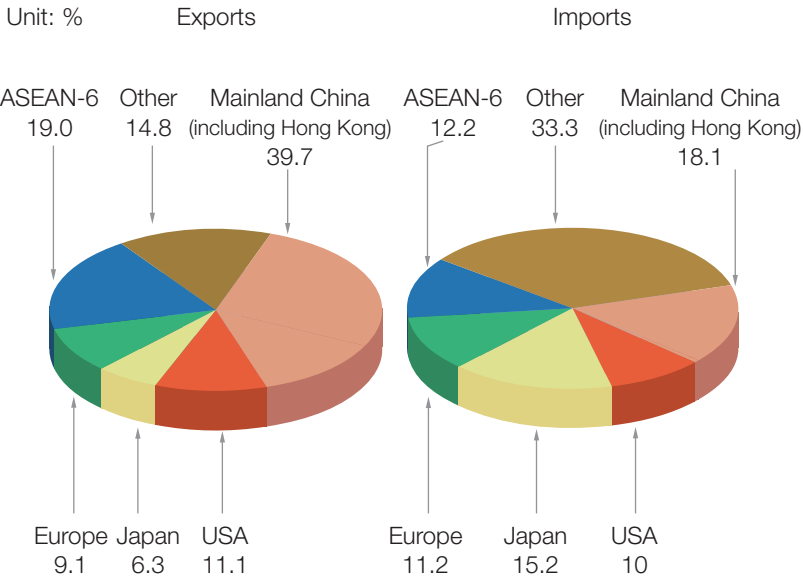
Taiwan's Economic Development Performance

Exports and Imports



Source: Ministry of Finance

Trading Partner in 2014



Source: Ministry of Finance

Saving and Investment



In the 1960s and 1970s, Taiwan's economic development displayed an economic virtuous cycle of “high saving rate – high investment rate – high economic growth.” In the 1960s, the government started vigorously encouraging people to save money with a view to accelerating capital formation, while providing tax breaks to encourage investment and raise economic growth potential. Taiwan's saving and investment rates rose from less than 20% in the early 1960s to an average of 31.9% and 30.4%, respectively, in the 1970s.

In the early 1980s, with investment willingness in the private sector sagging after the second energy crisis and public investment sharply reduced, excess saving climbed continuously, peaking at 20.1% of GNI in 1986. To correct the imbalance in the economy, the government

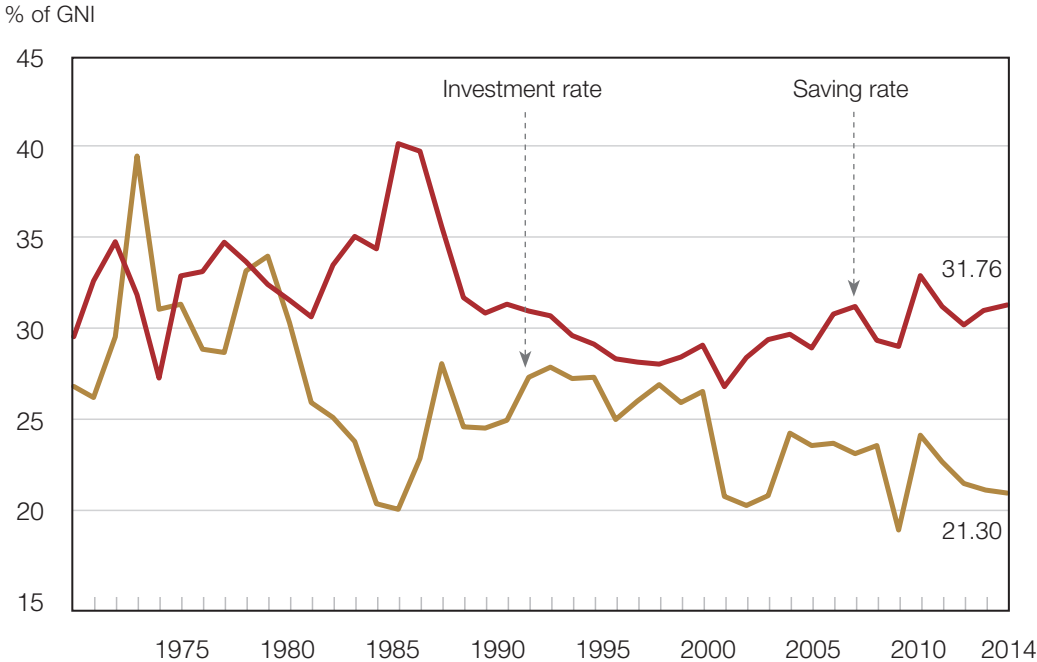
actively pursued a policy of economic liberalization. The sharp appreciation of the NT dollar and the steady reduction of import tariffs spurred rapid growth in private consumption, with the saving rate falling from its peak of 40.3% to an average of 29.8% in the 1990s. At the same time, with the government also actively implementing the Six-Year National Development Plan to expand public investment, the investment rate climbed back up from its low of 20.2% to an average of 26.6% in the 1990s. As a result, the excess saving rate fell to around 3.2%.

In the early 2000s, private investment willingness in Taiwan was successively dampened by the effects of the bursting global dot-com bubble, the 9/11 terrorist attacks, and the spread of the SARS epidemic, with the excess saving rate climbing to 8.6% in 2003. Later on, with the

government taking vigorous action to improve the investment environment, the excess saving rate fell to an average of 6.3% 2004 to 2008. However, in 2009, the impact of the global financial crisis caused Taiwan's investment rate to fall to 19.3%, while the excess saving rate climbed to 10.0%. With the economy recovering from 2010, the investment rate climbed back to 24.2%, while excess saving rate came down year by year, under 9% for three successive years. Since 2013, the investment rate has mainly remained over 21%, the saving rate around 31% and the excess saving rate around 10%. In the future, the government will vigorously strive to promote market liberalization and deregulation and innovative industrial development models to encourage private investment and build up growth potential.

Taiwan's Economic Development Performance

Investment and Saving



Data source: Directorate General of Budget, Accounting and Statistics, R.O.C (Taiwan)

Infrastructure Construction



The continuous augmentation of infrastructure has been key to maintaining the growth of Taiwan's economy. In 1973, the government launched the Ten Major Construction Projects, a set of national infrastructure projects for freeway, Taoyuan International Airport, steel plant, and nuclear power plant construction, railway electrification, and other such projects to drive forward the transformation of the development of Taiwan's economy. This was followed in 1978 by the Twelve Development Projects, which encompassed not only physical infrastructure for such purposes as developing heavy and chemical industries, but also new town development, island-wide culture centers, and other basic social, cultural and welfare infrastructure.

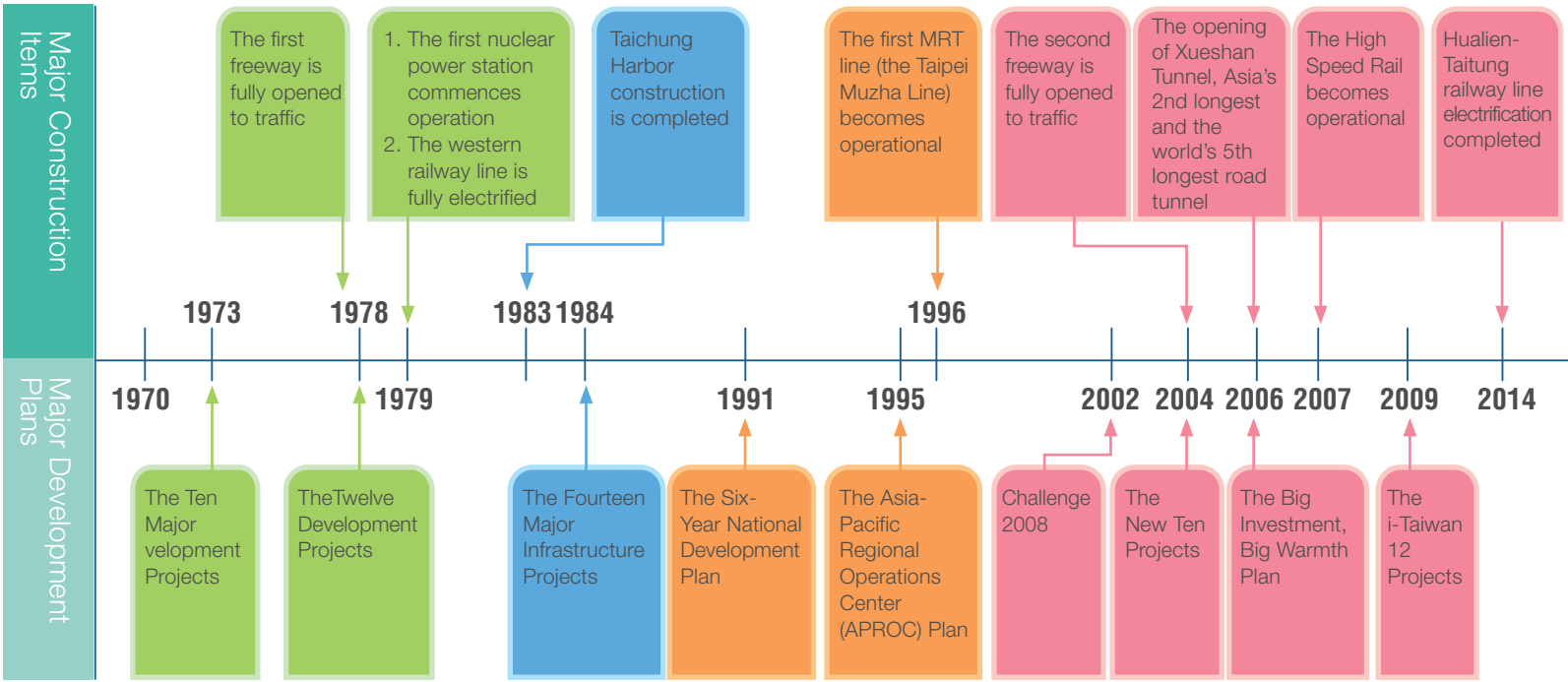
In the 1980s, as Taiwan's national income rose rapidly, the government turned its focus to enhancing national living quality. This formed the main theme of the Fourteen Major Infrastructure Projects launched in 1984, the

components of which included not just purely economic projects such as installing modern telecom infrastructure and building an MRT system in Taipei, but also social infrastructure for such purposes as providing health care and disposing of urban garbage. In 1991, the Six-Year National Development Plan was inaugurated to substantially expand electric power, aviation, environmental protection, medical care, and other public construction. To alleviate its fiscal burden, in 1994 the government announced the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects, which provided incentives for private participation in public infrastructure projects, and under which the Taiwan High Speed Rail (THSR) was constructed with the BOT (build-operate-transfer) mode. In 2004, the government launched the New Ten Projects for investment in cultural, sci-tech and other such infrastructure connected to public welfare and national competitiveness.

In 2008, as it grappled with the severe impact of the global financial crisis, Taiwan confronted a key moment of structural transition. To meet the urgent need to bolster infrastructure required for long-term development, and responding to the intensifying effects of global climate change and the increasing pressure to conserve energy and reduce carbon emissions, the government therefore concentrated public construction resources in plans for the prioritized implementation of the i-Taiwan 12 Projects. Launched in 2009, to be carried out over an 8-year timeframe up to 2016, and calling for investment totaling NT\$3.99 trillion, this initiative mapped out 12 projects for developing a fast and convenient island-wide transport network, including Taoyuan Aerotropolis, building an intelligent Taiwan, developing industrial innovation corridors, planting forests, carrying out flood-prevention work, and others, collectively aimed at driving a new wave of growth for Taiwan's economy.

Taiwan's Economic Development Performance

Taiwan's Major Infrastructure Development



Inward and Outward Foreign Direct Investment



Foreign direct investment (FDI) has played an important role in the process of Taiwan's economic development. The development of Taiwan's inward FDI is explained below:

1958 to 1988: Taiwan's inward FDI broke US\$100 million for the first time in 1978 and climbed to US\$960 million in 1988, averaging US\$130 million annually during this period.

1989 to 2000: After breaking above US\$1 billion in 1989, inward FDI grew strongly under the spurring effect of industrial upgrading and the formation of electronics industry clusters, to reach US\$4.93 billion in 2000.

2001 to 2007: Affected by the bursting of the global IT industry bubble, inward FDI plunged from US\$4.11 billion in 2001 to US\$0.45 billion in 2003. But after 2005, with transnational firms recognizing Taiwan's R&D capabilities and expanding their R&D centers in Taiwan, and with an upsurge of cross-border M&A activity and

private equity fund investment in Taiwan, inward FDI grew strongly again, reaching a historic high of US\$7.77 billion in 2007.

2008 to 2014: The shocks of the global financial tsunami and the eurozone debt crisis affected foreign investment in Taiwan, which fell to US\$2.49 billion in 2010, and turned into an unprecedented net outflow of US\$1.96 billion in 2011. In 2012, boosted by the government's active improvement of the investment environment and loosening of regulation, foreign investment rose again and averaged US\$ 3.25 billion in 2012-2014.

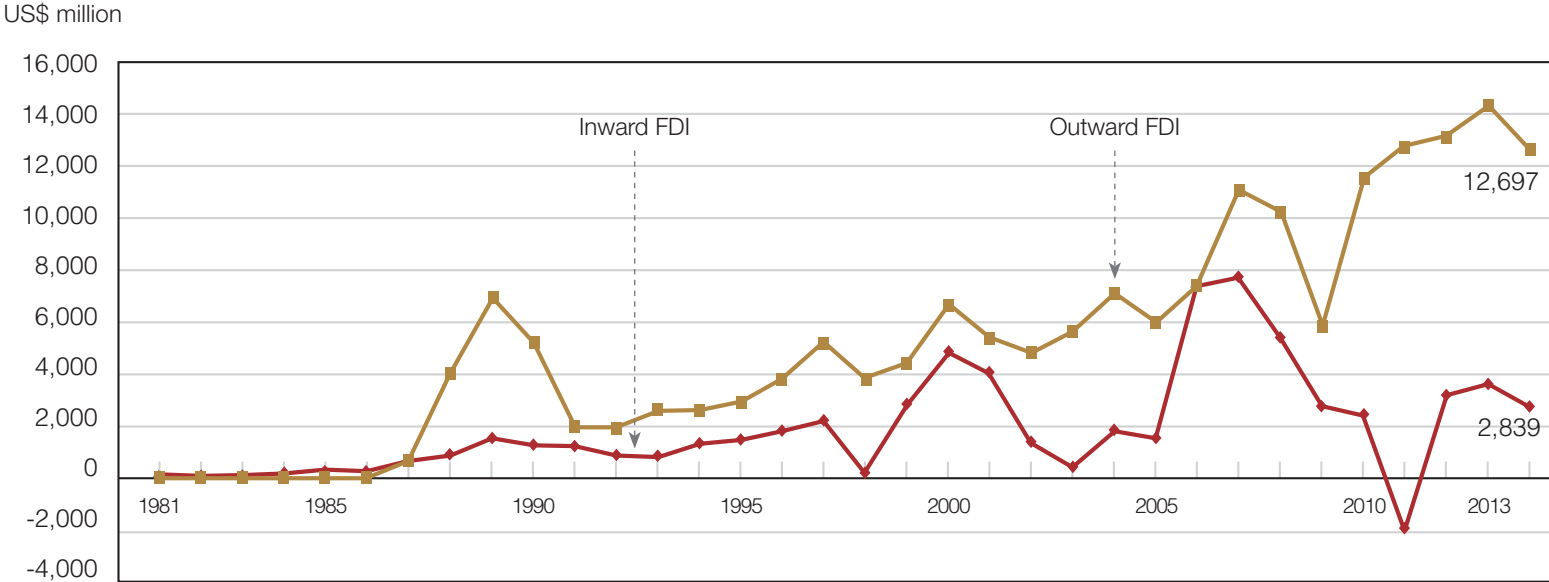
Looking ahead, to build a sound investment environment, the government has been working actively to ease restrictions on the flows of goods, services, personnel, capital and information and to implement domestic deregulation and market opening. Moreover, the Measures to Consolidate and Bolster Economic

Structure were implemented in 2015, aimed at inducing business opportunities in green energy, biomedical, smart city, and large public construction, etc. and attracting overseas investment with key technology to drive a new wave of investment in Taiwan.

In respect of outward FDI, since the late 1980s, Taiwan's burgeoning economic might and the rapid progression of its liberalization and internationalization have transformed it from a capital recipient into one of Asia's main outward investors, with its outward FDI surpassing its inward FDI to turn it into a net exporter of capital. In 1989, Taiwan's outward FDI peaked at US\$7 billion, with the net capital outflow reaching US\$5.35 billion. From 1981 to 2014, the cumulative outflow of FDI from Taiwan amounted to US\$182 billion.

Taiwan's Economic Development Performance

Inward and Outward Foreign Direct Investment



Source: The Central Bank of the Republic of China (Taiwan)

Monetary and Financial Development



In the course of Taiwan's economic development, the financial system has played a vital role as a bridge between savings and investment. However, as the politico-economic environment has changed, the functions of the financial system have also undergone a major transformation. Before the 1980s, the government attached primary importance to the stability of the financial system, and hence imposed a multitude of financial controls. But after the 1980s, as Taiwan entered a mature phase of economic development, the government shifted its focus to financial efficiency, actively implementing a series of financial liberalization and internationalization policies, such as allowing private banks, liberalizing of interest rate and foreign exchange rates, and opening of capital market.

After allowing the establishment of new banks, the number of banks in Taiwan grew from 24 in 1990

to a high of 53 in 2000. To resolve the destructive competition caused by overbanking, the government has sought to raise the international competitiveness of the financial industry by actively promoting bank consolidation to enlarge bank's operating scale. As a result, the number of banks had decreased to 40 and bank structure has also become more sound. The Non-Performing Loans (NPL) Ratio of domestic banks had fallen from a high of 11.74% in the first quarter of 2002, to 0.25% at the end of 2014.

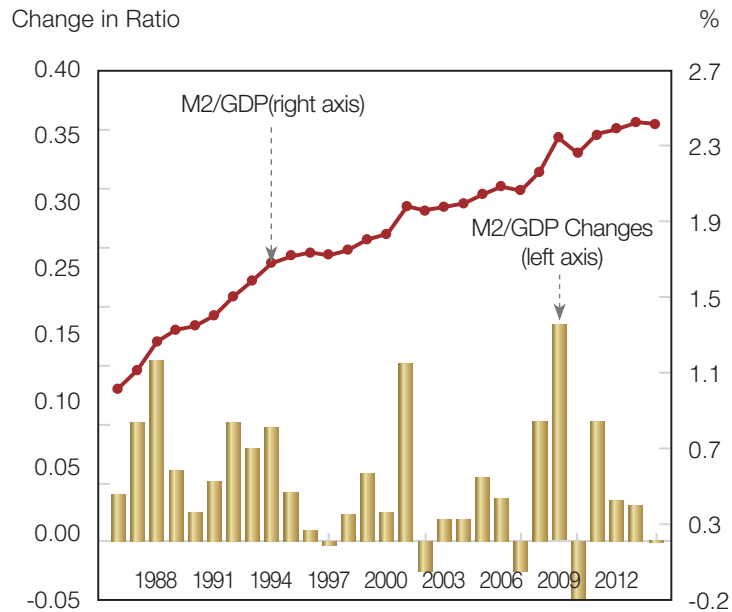
With respect to financial internationalization, the government is actively building a financial regulatory environment in line with international norms and encourages financial institutions to develop diverse international operations and build up an overseas presence. Banks were allowed to operate OBU in 1983 and, as of the end of 2014, 62 banks were operating OBU, with OBU assets totaling US\$183.97

billion. Also, financial exchange with Mainland China has grown rapidly. The two sides signed the Cross-strait Financial Cooperation Agreement and cross-strait financial supervision cooperation MOU in 2009, signed ECFA (Cross-Straits Economic Cooperation Framework Agreement) in 2013. And, in February 2013, domestic banks were allowed to handle RMB-related business, further promoting cross-straits financial liberalization.

Looking ahead, under the principles of innovation and stability, the government will continue to consolidate the structure of financial institutions, build digital financial environment, and actively assist the financial services industry strengthen financial innovation and internationalization, so as to expand market scale and raise international competitiveness of the financial industry.

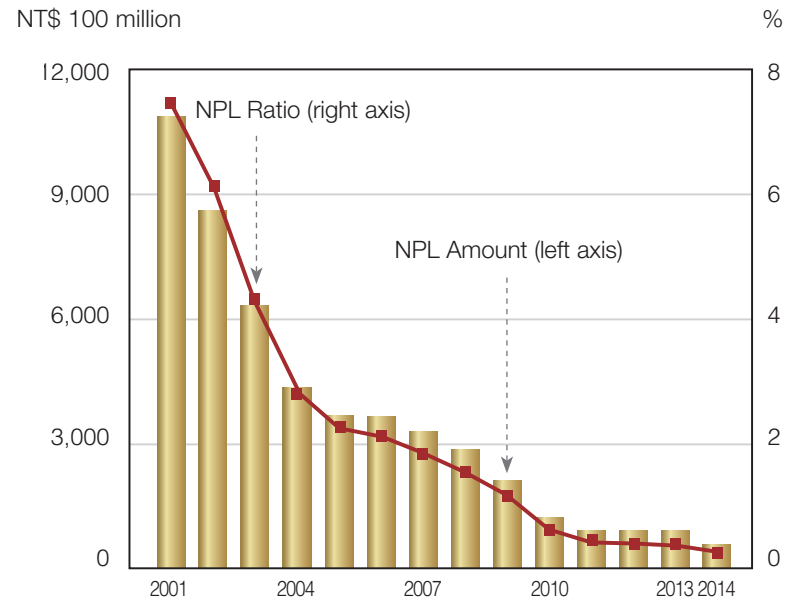
Taiwan's Economic Development Performance

M2/GDP Changes and Ratio



Note: M2 adopts averages of daily figures
 Source: The Central Bank of the Republic of China (Taiwan)

NPL Amount and NPL Ratio of Domestic Banks



Source: Financial Supervisory Commission, R.O.C. (Taiwan)

Public Finance



Before 1990, Taiwan's public sector largely maintained a balance between revenues and expenditures. However, from 1991 onward, as the government launched a new series of major infrastructure projects and social welfare programs, the fiscal balance turned into a rapidly rising fiscal deficit. In FY 1992 and FY 1993, government spending accounted for 30% of GNP. And with the increase in public expenditures outpacing growth in revenue, the central government's debt-to-GDP ratio climbed from 10.8% in FY 1992 to 16.9% in FY 1997. In response to this situation, the government in June 1996 introduced a package of fiscal reforms designed to reduce the imbalance between revenues and outlays and to lay the groundwork for a more rational system of taxation and expenditure, which enabled reduction of the central government's debt-to-GDP ratio to 13.6% in FY 1999. And with a big jump in the growth of tax receipts, the government recorded a budgetary surplus of

NT\$60.9 billion in FY 1998, the first surplus in ten years.

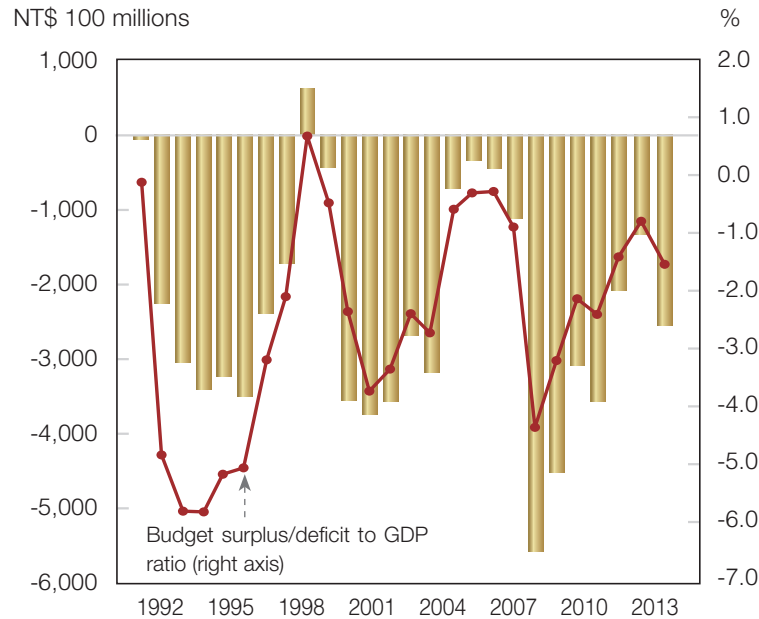
Subsequently, the budget slipped back into deficit, due mainly to sluggish or declining revenue growth and a rapid increase in social welfare spending, including the cost of recovering from the severe earthquake that struck Taiwan on September 21, 1999. Having reached as high as NT\$374.9 billion in FY 2001, the fiscal deficit began to fall again in FY 2002 as revenues increased and expenditure was brought under control, with the deficit-to-GDP ratio decreasing from 3.7% in FY 2001 to 0.3% in FY 2007. However, from 2008, with the government implementing a program to revitalize the economy in response to the global financial crisis and allocating special budget for post-Typhoon Morakot reconstruction, with reduced tax revenues and increased government expenditure, the fiscal deficit climbed to 4.3% of GDP in 2009. At the same time, the central government debt-to-GDP ratio climbed from

13.6% in 1999 to 31.8% in 2009.

Since 2010, as the economic situation has gradually recovered and the government has cut spending, the state of public finance has gradually improved, with the fiscal deficit-to-GDP ratio reduced from 3.2% in 2010 to 0.8% in 2014. Meanwhile, government taking on debt to finance flood management, disaster reconstruction and economic revitalization caused the central government debt-to-GDP ratio to rise from 32.1% in 2010 to 32.9% in 2014. To improve fiscal structure and raise the funds for major policies, in early 2014 the government implemented the Sound Finance Program, actively controlling the scale of government debt, adjusting the structure of government expenditure, diversifying revenue-raising, and establishing a reasonable tax system, to improve the government's fiscal structure.

Taiwan's Economic Development Performance

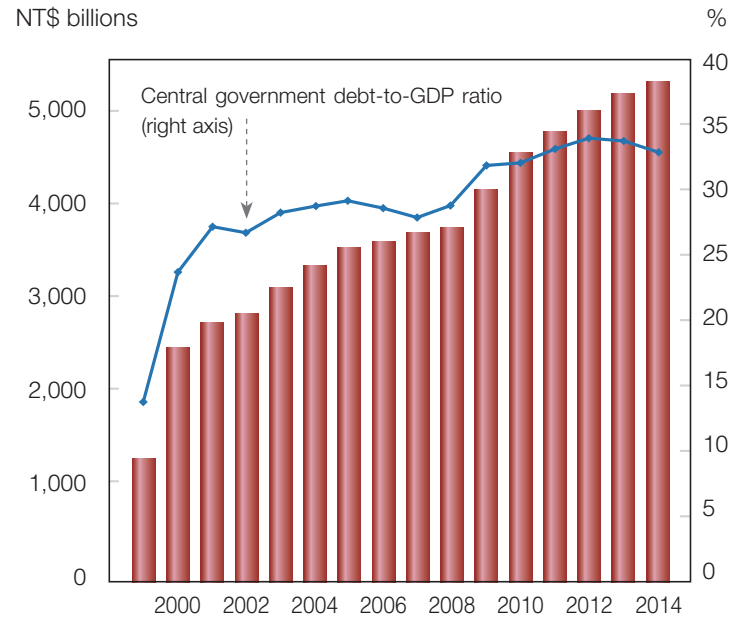
Budget Surplus / Deficit



Notes: 1. Net budget revenue excludes revenue from government bond issuance and borrowing, and surplus from previous fiscal years; net budget expenditure excludes debt principal repayments.
 2. Before 2000, the fiscal year begins July 1 of preceding year and ends June 30. FY 2000 extends from July 1, 1999 to Dec. 31, 2000. Subsequent fiscal years follow the calendar year (from Jan. 1 to Dec. 31).

Source: Ministry of Finance, R.O.C. (Taiwan)

Central Government Debt



Notes: 1. Outstanding debt excludes foreign debt.
 2. The figures for FY 2013 and before are audited final accounts, and for FY 2014 are final accounts.

Source: Ministry of Finance, R.O.C. (Taiwan)

Labor Force and Employment



Because of the relatively high birth rate in earlier years, the ratio of Taiwan's population aged 15 and over gradually increased from 63.5% in 1978 to 70.3% in 1990, and reached 86.0% in 2014. However, at the same time, because of a conspicuous increase in young people's desire to extend their education, the labor force participation rate fell steadily from its peak of 60.9% in 1987 to a historic low of 57.2% in 2001. Since 2002, the rising labor participation rate for women has driven the overall rate back up to 58.5% in 2014, with the female labor participation rate increasing from 46.6% to 50.6%.

Before 1995, Taiwan's unemployment rate largely remained at between 1.5% and 2.0% of the labor force. After the mid-1990s, the effects of

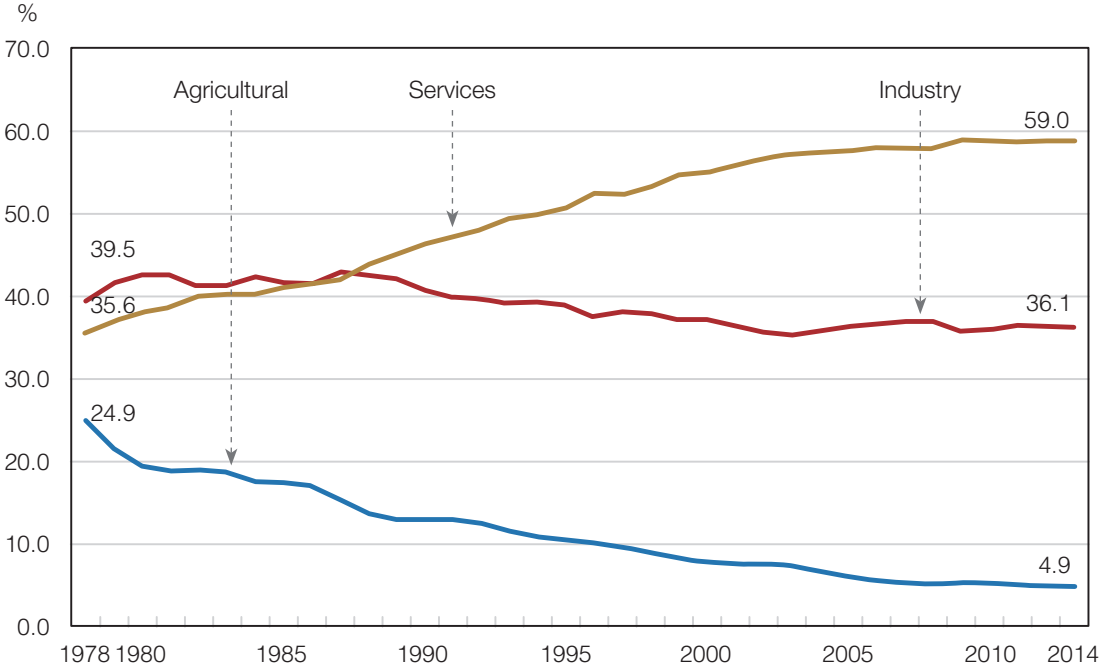
ongoing transformation of the industrial structure caused a rising phase in the unemployment rate, which rose to 3.0% in 2000. When the bursting of the global dotcom bubble caused Taiwan's economy to fall into recession in 2001, structural unemployment rose continuously and the unemployment rate reached 5.17% in 2002. Thereafter, a series of employment promotion measures put into effect by the government helped bring the jobless rate down year by year to 3.91% in 2007. However, in the second half of 2008, the unemployment rate began to shoot up again under the impact of the global financial crisis, peaking at 5.85% in 2009. Since 2010, with the government actively expanding job creation, the unemployment situation has improved year by year, bringing the jobless rate

down to 3.96% in 2014.

As Taiwan developed from an agricultural society into an industrial economy, dramatic changes have taken place in its employment structure. Agricultural employment fell from 24.9% of total employment in 1978 to 4.9% in 2014, while employment in industry rose from 39.5% in 1978 to a peak of 42.8% in 1987, before turning into a mostly declining trend, falling below 40% in 1991, fluctuating around 36% since 2001, and standing at 36.1% in 2014. Meanwhile, the services sector's share of total employment has risen steadily, up from 42.0% in 1987 to 59.0% in 2014, showing the services industry has become Taiwan's main provider of employment.

Taiwan's Economic Development Performance

Employment Structure



Source: Directorate-General of Budget, Accounting, and Statistics, Executive Yuan, R.O.C. (Taiwan)

Education



With its lack of natural resources, the continuous upgrading of manpower quality has been key to maintaining Taiwan's economic growth. In the 1950s, compulsory education in Taiwan was limited to just six years of primary schooling. In 1968 promotion of nine years of compulsory education began. Following the enactment of the Compulsory School Attendance Act in 1982, the stage of nine years of compulsory education

officially began. In 2014, basic compulsory education was extended to 12 years, to high school level. Major reforms in compulsory education helped reduce the illiteracy rate from around 10% in 1980 to just 1.5% in 2014. With the coming of the digital age, the promotion of digital learning has also become a key focus of Taiwan's education policy. In 2014, 83.4% of Taiwan's households possessed a computer, and the Internet connection rate stood at 83.6%. Education policy in Taiwan has focused not only on providing education to all but also on upgrading the quality of education. The liberalization of university establishment commenced in 1996 and the ratio of the population with a higher education (23%) overtook the ratio of those with only an elementary education (21.2%) for the first time

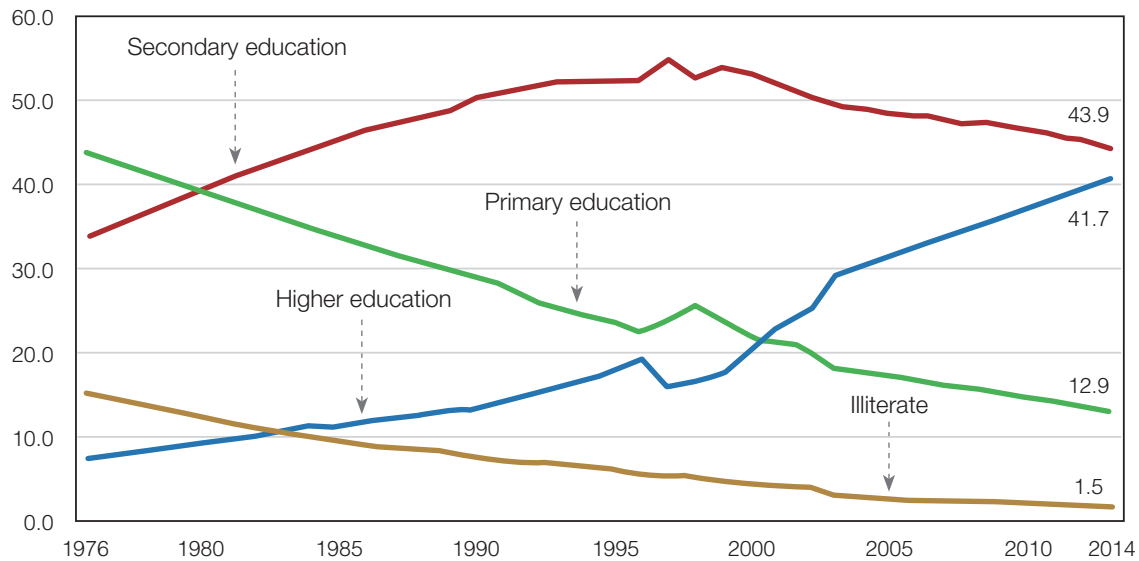
in 2001. Since then, its continuing rise has gradually narrowed the gap between the ratios of the population with higher and secondary educations (at 41.7% and 43.9% in 2014), while the ratio of those with an elementary education has fallen to 12.9%. This situation reflects the success of government efforts to upgrade Taiwan's human resources.

Thanks to the universality and enhancement of education, Taiwan has accumulated impressive human capital and capacity for research and development (R&D). To ensure the continuous upgrading of human resources, in 2015 the government launched the Education Innovation Initiative, drafting forward-looking bills and deregulating education to nurture excellent innovation talent and increase national competitiveness.

Taiwan's Economic Development Performance

Distribution of Educational Attainment of Population Aged 15 and over

% (Percentage of population aged 15 and over)



Note: Primary education includes primary school and "self-taught" education outside the formal school system; secondary education includes high school, vocational school, and the first three years junior college; and higher education includes university and the senior two years of junior college.

Source: Ministry of Education, R.O.C. (Taiwan)

Science and Technology



Science and technology (S&T) development is a key factor in spurring upgrading of industry. During the labor-intensive stage of Taiwan's industrial development, from the early 1950s to the mid-1980s, Taiwan significantly enhanced the international competitiveness of its manufacturing industries by introducing production, managerial, and marketing know-how from abroad and effectively matching them with domestic labor and capital, laying excellent foundations for the next stage of industrial transition. In the technology and knowledge-intensive stage of industrial development after the mid-1980s, with the private sector continuously augmenting its capacity for innovation and the government playing a steering role with well-timed policy initiatives, Taiwan's R&D capabilities in S&T improved tremendously. During the last 30 years, Taiwan's progress in S&T development includes the following major achievements:

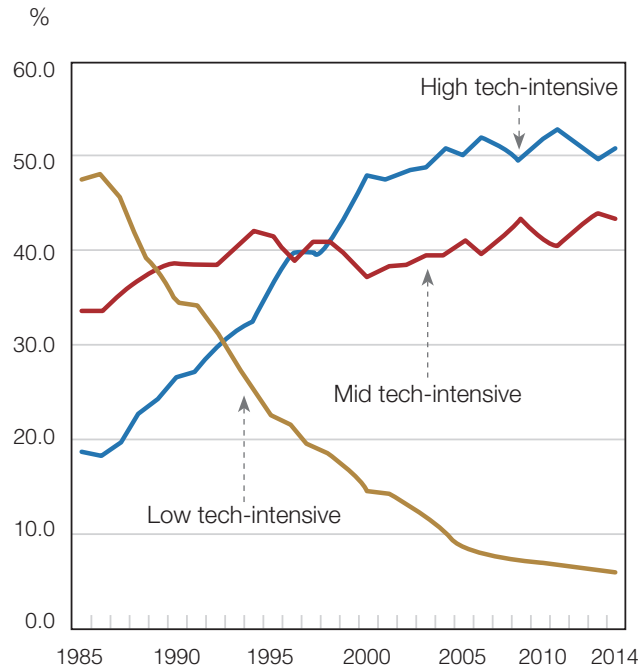
- Total R&D spending rose from only 1.01% of GDP in 1985 to 2.99% in 2013. Moreover, the private sector overtook the public sector in R&D spending for the first time in 1993, and, since then, private-sector R&D expenditures have grown much more rapidly than those of the public sector. In addition, the number of research personnel per 1,000 population rose from 1.3 in 1985 to 7.7 in 2013. Meanwhile, Taiwan's world ranking rose from 36th to 16th in the Science Citation Index and from 26th to 12th in the Engineering Index.
- In 2013, Taiwan's three biggest science parks (the Hsinchu, Central Taiwan, and Southern Taiwan science parks) had combined business turnover of NT\$2.2 trillion, with 91.0% of that turnover recorded by firms in the integrated circuit and optoelectronics industries.
- From 1985 to 2014, high-tech-intensive products' share of total exports increased from

18.8% to 52.2%.

To maintain Taiwan's industrial development advantages, the government is actively promoting Productivity 4.0, speeding up industrial chain vertical and horizontal digitization and intelligentization, to lead Taiwan into an intelligence-intensive industry development stage. At the same time, the government will continue to expand national R&D expenditure, so as to ensure that our S&T innovation capabilities are at the world forefront; will develop forward-looking research fields, with the aim of establishing world-class research communities; and will optimize the industrial benefits of S&T innovation, to raise the value-added rates of industries; at the same time, the government will also apply advanced technologies to create a pleasant and safe living environment for the people.

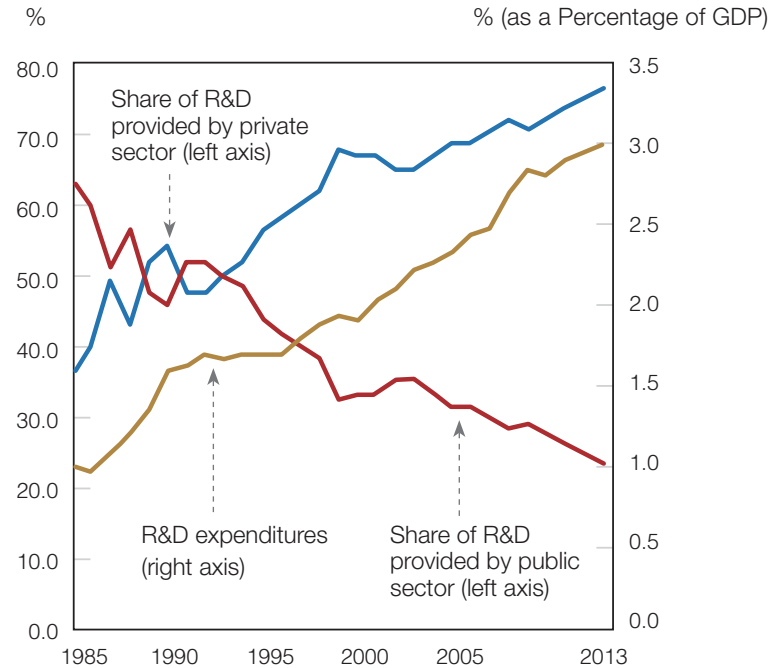
Taiwan's Economic Development Performance

Composition of Export Products



Source: Ministry of Finance, R.O.C (Taiwan)

R&D Expenditures ratio to GDP



Source: Ministry of Science and Technology, R.O.C (Taiwan)

Social Security



In recent years, amid rapid changes in the structure of the economy and society, the people of Taiwan have sharply raised their demands for social welfare provision and the government has responded by adopting multiple measures to gradually expand the coverage of social security; the scope and quality of social welfare services have also continually enhanced. In reflection of this, public spending on social security has risen from 10.0% of total government outlays in FY 1970 to 30.9% in FY 2014 (including 19.6% spent on social welfare, 8.1% on pension & survivors' benefits, and 3.2% on community development & environmental protection).

The government has been continuously instituting new measures to strengthen Taiwan's social safety net. In March 1995, it introduced national health insurance (NHI), which now covers almost the entire population; and in

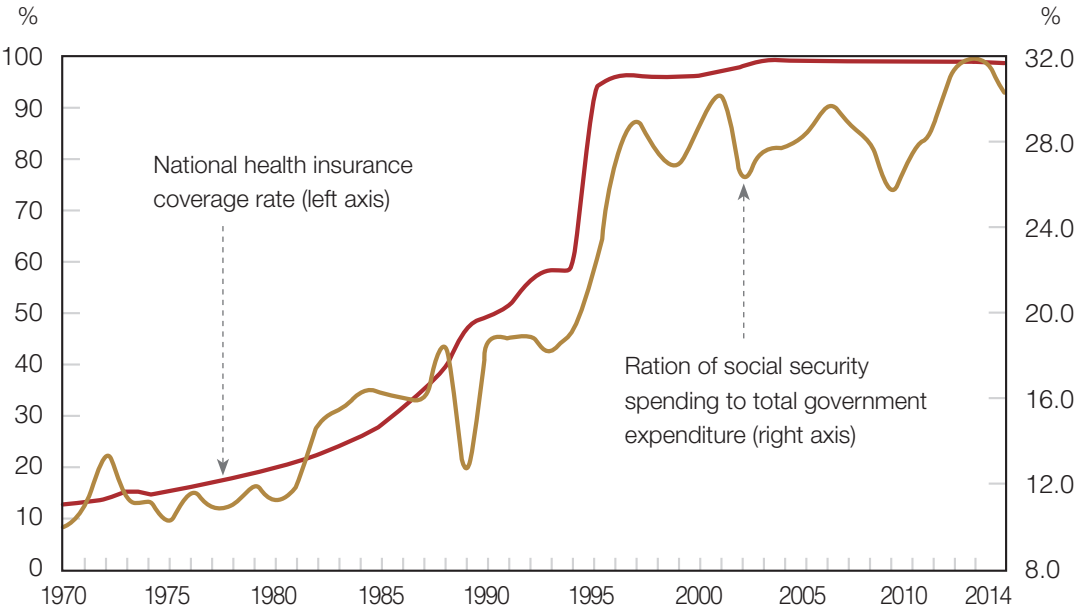
January 1999, an unemployment insurance scheme was inaugurated. Labor rights received further protection from the enactment of the Employment Insurance Act in May 2002 and the Labor Pension Act in June 2004. A national pension system was formally launched in October 2008, and in January 2009 the Labor Insurance Pensioned was implemented, representing a milestone in Taiwan's move towards having a "Dual Pension System," meaning everyone will have pension insurance and everyone will receive a pension after retirement. In July, 2011 the new social relief system was implemented and, as of the end of March 2015, the number of disadvantaged people benefiting was up 661,000 up from 270,000 before the new system was introduced, accounting for 2.82% of Taiwan's population, up on the 1.19% before the new system's implementation. In January 2012

the 2nd generation national health insurance system was launched, making the national health insurance mechanism complete; and in November 2012, the government set up a pension reform task force to work on reform of the labor and public employee pension systems, targeted at achieving generational equity and establishing a sustainable social security system, with the process of amending laws for this getting underway in April 2013.

To cope with the care demand that accompanies the aging of society, since 1998 the government has launched the National Long-term Care 10-year Plan for establishing a long-term care service network, enacted the Long-term Care Services Act, and planned the promotion of long-term care insurance for gradually building a complete long-term care services network.

Taiwan's Economic Development Performance

Social Security Spending



Source: 1. Ministry of Finance, R.O.C. (Taiwan)
2. Bureau of National Health Insurance, R.O.C. (Taiwan)

Mid-term National Development Plans 1953~2016

Plan	1st Medium-Term Plan 1953-1956	2nd Medium-Term Plan 1957-1960	3rd Medium-Term Plan 1961-1964	4th Medium-Term Plan 1965-1968	5th Medium-Term Plan 1969-1972
Goals/ Strategies	<ol style="list-style-type: none"> 1. Step up agricultural and industrial production 2. Promote economic stability 3. Improve the balance-of-payments position 	<ol style="list-style-type: none"> 1. Increase agricultural production 2. Accelerate industrial and mining development 3. Expand export trade 4. Create job opportunities 5. Improve the balance-of-payments position 	<ol style="list-style-type: none"> 1. Maintain economic stability 2. Speed up economic growth 3. Expand the industrial base 4. Improve the investment environment 	<ol style="list-style-type: none"> 1. Foster economic moderization 2. Maintain economic stability 3. Promote the development of high-grade industries 	<ol style="list-style-type: none"> 1. Maintain price stability 2. Expand exports 3. Intensify infrastructural development 4. Upgrade the industrial structure 5. Promote agricultural modernization

Taiwan's Economic Development Performance

Plan	6th Medium-Term Plan 1973-1975	7th Medium-Term Plan* 1976-1981	8th Medium-Term Plan 1982-1985	9th Medium-Term Plan 1986-1989	10th Medium-Term Plan 1990-1993
Goals/ Strategies	<ol style="list-style-type: none"> 1. Accelerate industrial modernization 2. Expand infrastructural development 3. Enhance manpower quality 4. Expand exports 5. Stabilize prices 	<ol style="list-style-type: none"> 1. Raise energy efficiency 2. Improve the industrial structure 3. Strengthen manpower cultivation 4. Promote balanced economic and social development 5. Carry out the Ten Major Development Projects 	<ol style="list-style-type: none"> 1. Maintain reasonable price stability 2. Continue economic growth 3. Harmonize industrial development 4. Provide adequate job opportunities 5. Promote more-equitable income distribution 6. Balance regional development 7. Harmonize social life 	<ol style="list-style-type: none"> 1. Promote trade liberalization 2. Expand public investment 3. Improve the tax and financial systems 4. Speed up the modernization of services 5. Actively develop key technologies 6. Stengthen the control of environment pollution 	<ol style="list-style-type: none"> 1. Basic Policy <ul style="list-style-type: none"> - Expand public expenditure - Improve laws and regulation, and pursue economic liberalization 2. Development emphases <ul style="list-style-type: none"> - Improve the investment environment - Develop transportation infrastructure - Strengthen environmental protection - Augment social welfare

* Plan revised for last 3 years (1979-1981).

Mid-term National Development Plans 1953~2016 (continued)

Plan	Six-Year National Development Plan 1991~1996	Plan for National Development into the Next Century 1997~2000	Plan for National Development in the New Century 2001~2004	Second-Term Plan for National Development in the New Century 2005~2008	Third-Term Plan for National Development in the New Century 2009~2012	National Development Plan 2013-2016
Goals/ Strategies	<p>1. General goals:</p> <ul style="list-style-type: none"> - Rebuild social and economic order - Pursue balanced all-round development <p>2. Policy goals:</p> <ul style="list-style-type: none"> - Raise national income - Boost industrial potential - Promote balanced regional development - Improve the quality of life 	<p>1. General goals:</p> <ul style="list-style-type: none"> - Enhance national modernization - Sharpen national competitiveness - Improve the national quality of life - Promote sustainable development 	<p>1. General goals:</p> <ul style="list-style-type: none"> - Develop Taiwan as a "green silicon island" - Develop a knowledge-based economy - Provide a sustainable environment - Foster a fair and just society 	<p>1. General goals:</p> <ul style="list-style-type: none"> - Develop Taiwan as a "green silicon island" with a rich humanistic culture - Reduce the production gap - Reduce the sustainability gap - Reduce the national welfare gap 	<p>1. Vision:</p> <ul style="list-style-type: none"> - An advanced country of vitality & innovation, common affluence & justice, sustainability & energy conservation <p>2. Main policy themes:</p> <ul style="list-style-type: none"> - Speed up reconstruction and deregulation, to augment the economy's added value - Create mutual trust and caring, to augment the value of social capital - Promote energy saving and carbon reduction, to augment the sustainable value of the environment 	<p>1. Vision:</p> <ul style="list-style-type: none"> - A happy Taiwan that is prosperous, harmonious and sustainable <p>2. Main policy themes:</p> <ul style="list-style-type: none"> - Comprehensive development <ul style="list-style-type: none"> • Implementing the Golden Decade National Vision plan - All-out rousing of the economy <ul style="list-style-type: none"> • Implementing the Economic Power-Up Plan • Implementing Measures to Consolidate and bolster Economic Structure

Taiwan's Economic Development Performance

Future Development Directions

Faced with the globalized 21st Century, we have always upheld the overall economic strategy of “strengthening Taiwan, linking to the Asia-Pacific region, and global deployment,” making every effort to optimize the economic structure and create new generation competitive advantage for Taiwan’s industries, with the aim of standing out in the world trade competition. To boost economic vitality and to adjust economic structure, the government is currently focusing on three aspects of policies: upgrading industries, expanding exports, and promoting investments, in order to generate a virtuous cycle of innovation, investment, and employment, enhance national competitiveness, and shape unique and innovative position and value for Taiwan in Asian and global trade.



In the short term, the primary focuses will be improving investment and promoting export. Incorporation of innovative measures that can be immediately implemented will set the stage for long-term industrial structural

transformation and lay the foundation for new development opportunities. In the medium and long terms, the policies will help turn around the past development model of contract-manufacturing exports with low margins, raise

Future Development Directions *(continued)*

overall industry's value added, and create high-quality employment opportunities via the creation of new models for industries, export and investment.

With respect to upgrading industry, the government is actively promoting the innovative startups, the *ide@Taiwan 2020*, as well as *Productivity 4.0*, through creating an ecosystem of innovative startups and fostering smart industrial chains, so as to transform SMEs into Hidden Champions and to consolidate competitiveness of major industries. The idea is to turn the industrial structure from “competing on price” to “competing on value” and to upgrade the economic development model from the efficiency-driven mode of the past to

the innovation-driven mode of digitization and intelligentization.

In terms of export expansion, systemic integration will be strengthened to turn from the past model of concentrating on intermediate goods in information communications technologies. The government is to promote the services industry to expand the global market, attract services personnel, actively explore domestic business opportunities of emerging markets, and to provide strong financial support, creating a “systemized product and service” dual drive new export model.

In terms of promoting investment, sources of investment funds will be expanded to channel both domestic and overseas private

capital as well as governmental resources into industrial upgrading and export expansion.

The government is to expand budget for public construction and science and technology and to channel foreign and domestic funds and capital to investment in green energy and biotechnology, etc.

Looking to the future, in order to inject endless energy into Taiwan's economy the government will continue to implement various active measures with the aim of creating a “innovation, investment, employment” virtuous cycle to increase our country's competitive advantage and mold unique and innovative position and value for Taiwan in Asian and global trade.

Economic Development, R.O.C. (Taiwan) 2015

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■ **Published** : National Development Council, R.O.C. (Taiwan)

No. 3, Baoqing Rd. Taipei City 100, R.O.C. (Taiwan)

TEL : 886-2-23165300

<http://www.ndc.gov.tw/>

■ **Edition** : First Edition

■ **Sales** :

1. Sanmin Book Co., Ltd. (<http://www.sanmin.com.tw/>)

No. 61, Sec. 1, Chongcing S. Rd., Jhongjheng District,

Taipei City 100, Taiwan (R.O.C.)

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■ **Published** : December 2015

■ **Price** : NT\$100.00

■ **ISBN** : 978-986-04-6893-9

■ **GPN** : 1010402653

