

(106)020.0105
GPN : 1010602029
ISBN : 978-986-05-4132-8

Economic Development R.O.C. (Taiwan)

2017

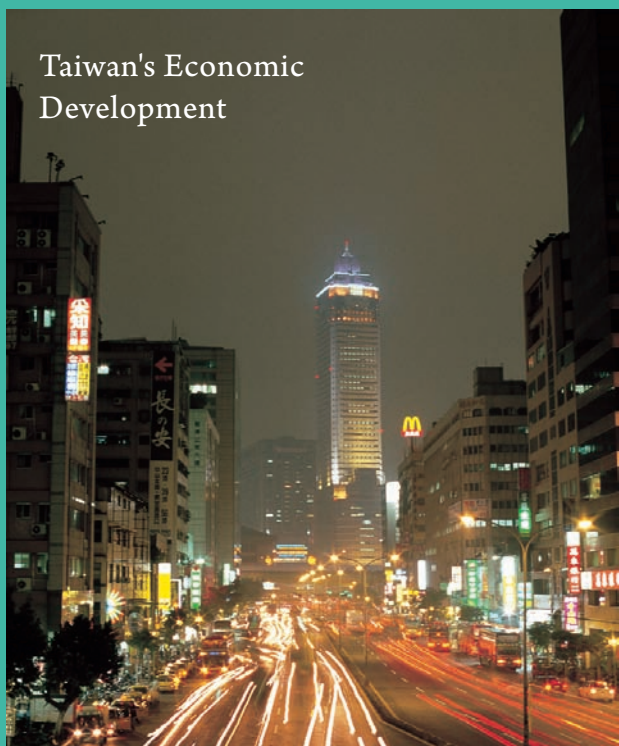


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Taiwan's Economic Development

Contents

Taiwan's Economic Development Course

Geographic Location and Natural Resources	04
Economic Achievements	06
Economic Development Strategy	08

Taiwan's Economic Development Performance

Economic Growth	14
Price Levels	16
Income Distribution	18
Industry Structure	20
External Trade	22
Savings and Investment	24



Taiwan's Economic Development Performance

	Infrastructure Construction	26
	Inward and Outward Foreign Direct Investment	28
	Monetary and Financial Development	30
	Financial Income and Expenditure	32
	Labor and Employment	34
	Education	36
	Technology Development	38
	Social Security	40
	Medium-term national development plans initiated throughout history	42
	Future development and directions	45

Geographic Location and Natural Resources



Taiwan is situated in the center of a chain of Pacific islands stretching from Japan in the north to the Philippines in the south, only some 160 km off the southeast coast of mainland China. Taiwan enjoys a very favorable geographic location and has been rightfully called the "natural gateway to East Asia." Taiwan has an area of 36,197 square km. with a population (as of 2016) of 23.52 million people, giving an average density of 650

persons per square km. and making Taiwan one of the most densely populated places in the world.

Some 75% of the island is composed of mountainous terrain, and a steep mountain chain runs north and south, right through the center of the country. Forests cover 60% of the land, but because of environmental concerns and the difficulty of timber harvesting, forest resources have been minimally exploited, and

cultivated land makes up only 25% of the total land area. Nevertheless, the subtropical climate is quite suitable for agriculture. Paddy rice can be grown and harvested several times a year, fruit and vegetables are produced in abundance. Compared with the highly developed manufacturing and service industries, however, agricultural production in 2016 accounted for only 1.8% of GDP.

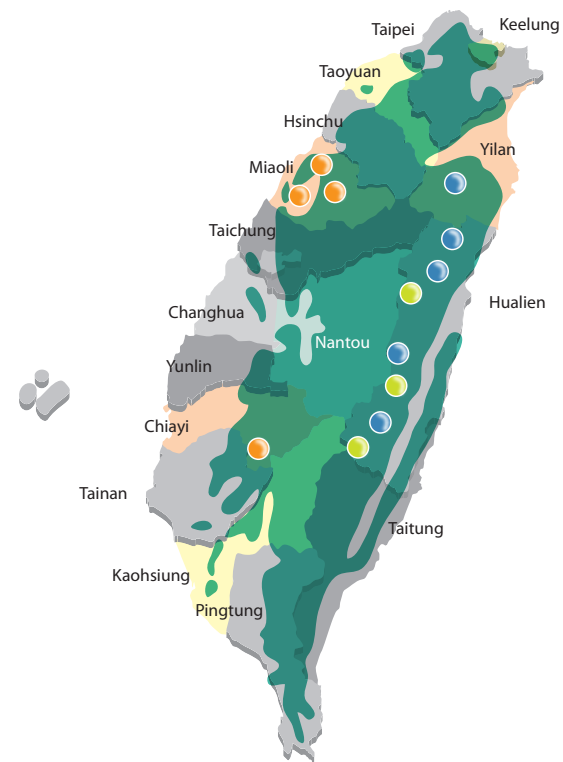
Taiwan also produces lime, marble, dolomite, and natural gas but reserves are meager. Currently about 98% of Taiwan's energy needs relies on imports. Taiwan also relies on imports for raw materials needed for rapid industrialization. By comparison, Taiwan's plentiful human resources have become the country's most valuable resource of all in the course of its economic development and are the key to the success of the "Taiwan experience."

Human and Natural Resources (2016)

Total Area	36,197	km ²
Total Population	23.52	million people
Population Density	650	persons/ km ²

Mining (2016)

● Natural Gas	321,891	km ³
● Marble	15,918,148	mt
● Dolomite	22,005	mt



Economic Achievements

Only 0.3% of the world's population lives in Taiwan, yet over the past sixty years, benefiting from the efforts of both the private and public sector and armed with an appropriate economic development strategy, the economy has grown rapidly, price levels have stabilized, and income is equally distributed--all of which has created what the world has called the "Taiwan experience." Between 1952 and 2016, the per capita GDP rose from US\$208 to US\$22,540. The GDP rose from US\$1.677 billion to US\$529.9 billion. Overall trade increased from US\$303 million to US\$510.9 billion, making Taiwan the 18th biggest exporter and importer in the world.

In the past sixty years of development, Taiwan has successfully transformed itself from an agricultural society into a major player in the global ICT industry. In 2016, Taiwan had 23



products ranking in the top three on the world market, and seven products that were ranked No. 1. These products included those in the semiconductor foundry market, IC packaging and testing, high-end bicycles, glass fiber cloth, green algae, functional textiles, and portable navigation device. Taiwan plays a decisive role in the global science and tech supply chain.

Taiwan's economic strength is also evident in overseas investment. By the end of 2016,

Taiwan had invested some US\$164.6 billion in mainland China, a figure making Taiwan one of mainland China's major sources of overseas investment. By the end of the same year, Taiwan had invested some US\$91.2 billion in ASEAN countries, making it the third-biggest and fourth-biggest foreign investor in Thailand and Vietnam respectively. According to the UNCTAD *World Investment Report 2017*, by the end of 2016, Taiwan's outward FDI stock had reached US\$320.9 billion, representing a growth of 5.9% over 2015, making Taiwan the 20th biggest foreign investor worldwide and 5th biggest in Asia, only second to Hong Kong, Japan, mainland China, and Singapore. Taiwan is one of Asia's major foreign investors with investments all over the world.

Taiwan's Economic Development Course

By the end of 2016, Taiwan foreign investment

had grown **5.9%** (compared with the end of 2015).

Global ranking: No. **20** Asia ranking: No. **5**

Important Taiwan Economic Indicators 1952 vs 2016

	1952	2016	Annual Average Growth (%)
Population (mid, million)	8.05	23.52	1.7
GDP (US\$1million; current)	1,677	529,910	9.4
GDP (NT\$1billion;fixed price)	163	17,119	7.5 Economic Growth Rate
Per capita GDP (US\$)	208	22,540	7.6
Agricultural production, % of GDP	32.2	1.8	—
Industrial production, % of GDP	19.7	35.1	—
Service industry, % of GDP	48.1	63.1	—
Exports (US\$1million)	116	280,321	12.9
Imports (US\$1million)	187	230,568	11.8
Foreign exchange reserves (US\$100million)	100	4,342	6.1

Source: National Income Statistical Summary, Directorate-General of Budget, Accounting and Statistics (DGBAS), Executive Yuan, May 2017; Ministry of Finance trade statistics query; Central Bank of the Republic of China statistical database.

2016 Taiwan Products in Global Top Three 23 Products (domestically produced only)

No. 1		No. 2		No. 3	
Market share (%)	Item	Market share (%)	Item	Market share (%)	Global Market Share(%)
67.85	Semi-conductor Foundry	24.20	IC Substrate	20.97	Large TFT-LCD Panel
51.70	Portable Navigation Device (PND)	23.00	Electric Wheelchair/ Electric Scooter*	20.94	Small and Medium TFT-LCD Panel
48.50	IC Packaging and Testing	22.90	Electrolytic Copper Foil	11.79	Acrylonitrile-butadiene-styrene (ABS) *
48.45	Green Algae*	18.78	IC Design	11.60	Ball Screw
33.36	High-end Bicycles*	15.60	Silicon Solar Cell*	8.50	Thermoplastic Elastomer (TPE)*
31.60	Glass Fiber Cloth	12.80	Printed Circuit Boards	6.30	Nylon Fibers*
25.76	Functional Textiles			4.44	Beta -carotene*
				3.93	OLED Panels
				2.40	Polyester Filament*
				0.70	Wireless Local Area Network (WLAN)

Note: Global market share based on production value estimates; "*" products according to production volume estimates.

Source: Industry & Technology Intelligence Services (ITIS) Project, Ministry of Economic Affairs

Economic Development Strategy

One of the factors in Taiwan's economic development has been the government's adoption of pragmatic, flexible policies aimed at enhancing social and political stability, as well as a foreign trade-oriented growth strategy. In particular, faced with a variety of developmental bottlenecks and challenges, the government has been able to adopt timely and necessary strategic measures to make adjustments in its decisions. Overall, Taiwan's economic development may be divided into the following seven stages:

1950s: Stability and Self-sufficiency

In the 1950s economic stability and food production were the chief goal of administrative policy. As a result, the government actively

utilized U.S. aid programs to foster economic development and used custom duties and import controls to prop up domestic industry. It also implemented land reform to encourage food production, stabilize food prices, and maintain social stability. At the same time the government developed labor-intensive and import-substitution industries in order to lessen a reliance on imports and reduce the demand for foreign exchange.

1960s: Expansion of Light Industry Exports

In the 1960s the development focus shifted to labor-intensive, export-oriented industries to take advantage of Taiwan's inexpensive labor and expand its international markets. As a result, the government actively engaged in a reform of the



foreign exchange and tax system, enacting the Statute for the Encouragement of Investment. In 1966 it also established Taiwan's first Export Processing Zone. Boosted by the thriving world economy, Taiwan's exports experienced a rapid increase and gradually became the engine of the country's overall economic growth.

Taiwan's Economic Development Course

1970s: Development of Basic and Heavy Industries

At the end of the 1960s, exports were growing rapidly and driving demand for machinery equipment and intermediate raw materials. After many years of industrialization, Taiwan industrial technology had reached an advanced stage, one beneficial for the development of high-level basic and heavy industries. As a result, the government actively promoted the Ten New Major Construction Projects program in the 1970s. In addition to improving infrastructure, such as railroads, airports, seaports, and electric power, the government also actively developed import-substitution industries for intermediate goods and capital-intensive industries, such as chemicals

and steel. With such a strategy, Taiwan effectively reduced its dependence on foreign intermediate goods and pushed forward a rapid upgrading of its own industries.

1980s: Promotion of Economic Liberalization and Development of Technology-intensive Industries

In the early 1980s, driven by a successful foreign trade strategy, Taiwan's trade surplus continued to expand, increasingly creating a serious economic imbalance. As a result, the government adopted a program of economic liberalization and globalization as a new economic development axis to rectify imbalances through the effective working of market mechanisms. At the same

time, Taiwan began to utilize abundant capital to develop capital- and technology-intensive industries such as electric power, IT, and machinery.

1990s: Promoting the Asia-Pacific Regional Operations Center and the Development of the IT Industry

Although an increase in wages can lead to the outsourcing of labor-intensive industries, a reliance on highly qualified manpower and specialized industrial clusters in the booming development of the IT industry smoothly transformed and upgraded Taiwan industry from that of the "umbrella kingdom" and "toy kingdom" of the past into an "IT kingdom."

Strategies of Economic Development (*continued*)

In 1993 Taiwan IT products like monitors, motherboards, and scanners, accounted for over 50% of the global market, making Taiwan the world's No. 1 producer. In 1995 the value of Taiwan's IT hardware products leaped to No. 3 in the world, becoming an indispensable link in the hi-tech industry global division of labor. In addition, in order to strengthen Taiwan's planning & management status and industrial standards, in 1995 the government actively pushed forward the Development Plan for Taiwan to Become an Asian-Pacific Regional Operations Center, to develop into a manufacturing, transshipment and professional services operations center.

2000s: Promotion of the Knowledge Economy and Gearing Up to the International Trade

System

In 2000 the government began to elucidate the three major concepts of a "knowledge (economy), a "sustainable" (environment), and a "just" (society). In addition to aggressively investing in human resources, research and innovation, world trade channels, and the living environment, the government also developed the semi-conductor, image display, biotechnology, and digital content industries in order to raise industrial innovation capabilities and the quality of national life. On January 1, 2002, Taiwan formally became a member of WTO and then step by step put in place a trade system consistent with international practices, repositioning the core strengths of the Taiwan economy. During this period the Taiwan economy had to face the Internet

bubble, the SARS crisis and a whole host of other obstacles but the government adopted appropriate policy responses and was able to minimize the impact. This was especially true in 2008 when the financial tsunami swept across the globe. The government acted in time with the "Economic Stimulus Act of 2008 in Response to the Economy," issued consumer vouchers and expanded public works, key elements in Taiwan's ability to once again weather the crisis.

2010-2017: Promote Economic Innovation and Implement Structural Reforms

To overcome global post-financial-crisis economic stagnation, the government has strived to build a new economic model for sustainable development based on the core

Taiwan's Economic Development Course

values of innovation, employment, and equitable distribution. Notably, export and domestic demand will serve as twin engines of growth, while employing the two major strategies of strengthening investments in Taiwan and implementing structural reforms. In the New Model for Economic Development, innovation will provide the momentum for growth; while job creation is the priority for growth; this pursues economic growth as well as equitable distribution. With regard to boosting domestic investment, the government has launched the “5+2” Industrial Innovation Program addressing the digital economy; technological innovation in the service, cultural, and creative industries; chip design and pioneering semiconductor technologies; and the lifestyle industries, with the goal of reshaping

Taiwan’s global competitiveness. In addition to this, the government has also been actively promoting the Forward-Looking Infrastructure Development Program, laying the foundations of the next three decades of national development and striving to meet the needs of new industries, technologies, and lifestyles. As for structural reforms, the government will accelerate financial and economic legal reforms, promoting innovation in the financial markets and pursuing rationalization of the taxation system. In addition to all this, the government is working to expand international cooperation, actively promoting the New Southbound Policy and stepping up pursuit of economic and trade alliances in order to elevate the scope and diversity of the external economy.



Economic Development Strategy (continued)

1950s



Stability and Self-sufficiency

- Postwar reconstruction, initial implementation of First Economic Development Plan in 1953
- Implementation of land reform, encouragement for agricultural production, maintenance of economic stability
- Development of labor-intensive, import substitution industries to decrease trade deficit

1960s



Expansion of Light Industry Exports

- Encouragement for savings, investment, and exports
- Development of new agricultural products
- Development of export-oriented industries, establishment of export processing zones

1970s



Development of Basic and Heavy Industries

- Promotion of the "Ten New Major Construction Projects", improvement of infrastructure
- Creation of intermediate goods industry
- Development of basic and heavy industries

1980s



Promotion of Economic Liberalization and Development of Technology-intensive Industries

- Creation of the Hsinchu Science Park
- Improvement of industrial structure, increase in R&D expenditures
- Focused efforts on economic liberalization and globalization
- Increase in domestic demand, improvement in balance of trade

1990s



Promoting the Asia-Pacific Regional Operations Center and the Development of the IT Industry

- Promoting the “Six-year National Development Program”
- Use of the BOT (build-operate-transfer) approach to encourage the public to participate in public construction
- Promotion of telecom liberalization
- Promotion of Taiwan industrial transformation, development into an “IT kingdom”
- Development of Taiwan into an Asian-Pacific Regional Operations Center

2000s



Promotion of Knowledge Economy and Gearing Up to the International Trade System

- Elucidation of the three major concepts of “knowledge” (economy), “sustainability” (environment), “and “justice” (society)
- Development of semiconductors, OLED controllers, biotechnology, and digital content industries
- Joining the WTO, consistency of the trade system with international practices

2010-2017



Promote Economic Innovation and Implement Structural Reforms

- Building a new economic model for sustainable development based on the core values of “innovation, employment and equitable distribution”
- Promotion of the “5+2” Industrial Innovation Program, invigoration of local economies, creation of employment opportunities
- Promote the “Forward-looking Infrastructure Development Program” to fulfill the needs of national development over the next 30 years
- The launch of the “New Southbound Policy,” elevating the scope and diversity of Taiwan's external economy
- Signing of Economic Cooperation Agreements with key trading partners

Economic Growth



Between 1952 and 2016 the Taiwan economy grew at an average rate of 7.5%, one of the highest rates for any country in the world in the postwar-WWII era.

-1950s: Following WWII, Taiwan actively pursued a reconstruction program in which the government adopted a policy of "growing industry with agriculture and developing agriculture with industry." This policy promoted land reform to accelerate agricultural production and also fostered labor-intensive light industry to forge a foundation for industrial development so that the Taiwan economy could take off. The average growth rate during this period reached 8.7%.

-1960s: With a foundation for industrial development now fairly well established, the government went on to develop the export

industry and in 1966 created the first Export Processing Zone, driving economic growth through export expansion. This period saw an average growth rate of 9.8%.

-1970s: Despite experiencing two separate oil crises (between 1974 and 1979 economic growth was 2.7% and 8.8% respectively), with the government's active development of heavy chemical industry and the expansion of public investment, the economy remained solid and expanded. The average growth rate during this period was 10.8%.

-1980s: The government pushed forward with financial liberalization, trade liberalization and state-owned enterprise privatization, actively loosening regulations and restrictions, and in 1980 established the first Science and Industrial Park, after which industry began gradually

to develop in a high-tech direction. Taiwan's average economic growth rate during these years was 8.5%.

-1990s: During this decade the Taiwan economy gradually entered the mature phase, and by 1992 the per capita GDP broke through the US\$10,000 level. To meet public expectations of an increase in quality of life, the government actively promoted MRT, auto expressways and environmental protection construction with investment in public works, while it simultaneously improved the economic health of the country. Despite the Asian Financial Crisis, the Taiwan economy grew at an average rate of 6.6%.

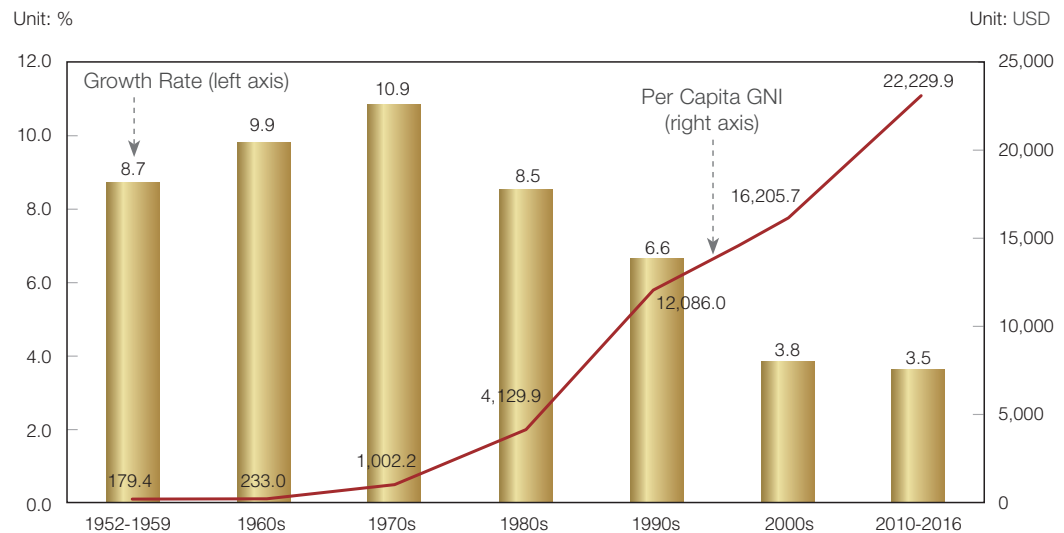
-2000s: Because of the 2001 global IT industry bubble, the 9/11 terrorist attack against the US, the SARS epidemic, and the global financial

Taiwan's Economic Development Performance

tsunami of 2008, economic growth in Taiwan slowed. The annual average growth rate during this period was 3.8%.

-2010 to 2016: In 2010 the economy quickly recovered, and the growth rate hit 10.6%. Nevertheless, the systemic risk of the global financial crisis was not yet completely eliminated, and the economy was impacted in 2011 and 2012 by the mushrooming European debt crisis, the US debt crisis, and the slowdown of economic growth in the developing countries. Overall economic growth slowed and the growth rate was 3.8% and 2.1% respectively. Since 2013 the economy has experienced a moderate recovery, and the average growth rate was 2.1% between 2013 and 2016.

Economic Growth Rate (%) and Per Capita GNI



Source: DGBAS, Executive Yuan.

Price Levels



Taiwan is one of the few countries in the world able to focus both on strong economic growth and stability of commodity prices. With the exception of two oil crises, price fluctuations have remained quite moderate in Taiwan since the 1960s.

-1960s – 1980s

The growth rates of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI)

averaged 6.4% and 4.6% respectively. During this time, the first (1973-1974) and second (1979-1980) energy crises led to an average rate of increase of the CPI and WPI to 21.1% and 24.7%. If we ignore the effects of the oil crises, the corresponding rates of increase were just 4.1% and 1.5%, making Taiwan one of the world's most stable countries in terms of prices.

-1990s

Taiwan worked hard to liberalize and globalize its economy, plus as China and other countries with low labor costs entered the global production system, manufacturing costs remained low, helping commodity prices steady. The mean rate of increase of the CPI and WPI were just 2.9% and 0.3% respectively.

-2000s

Affected by rises in raw materials costs around

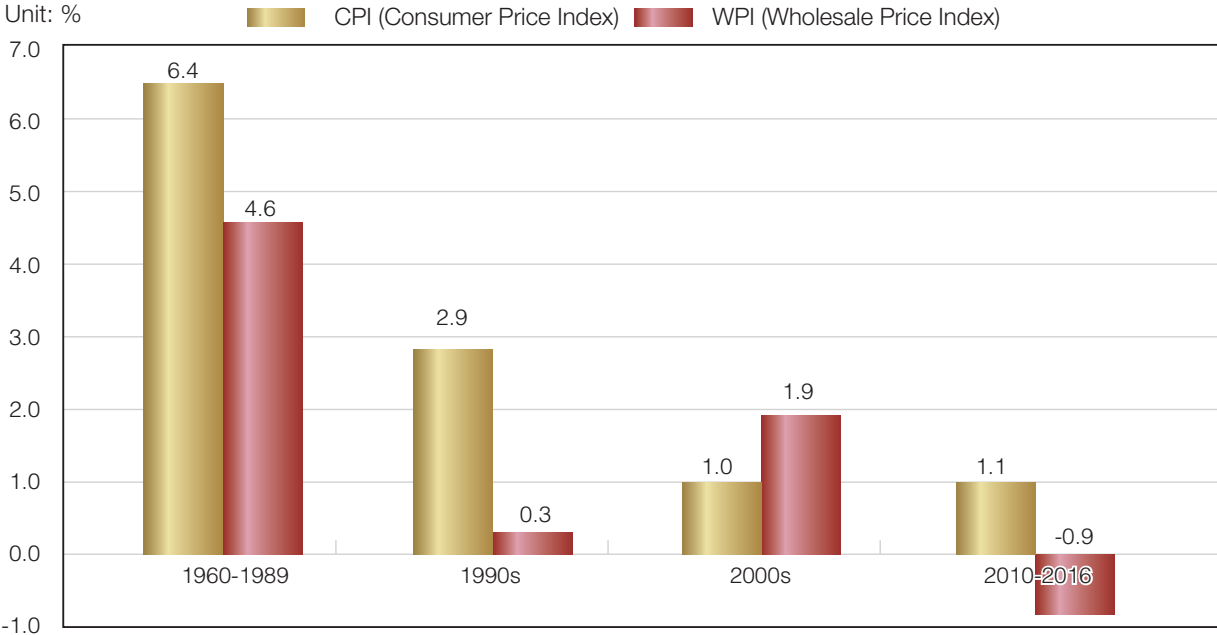
the globe, the rate of increase of the WPI averaged 1.9%. In contrast, the CPI averaged zero growth in 2001 and negative growth in 2002 and 2003 due to the collapse of the global tech bubble in 2000. Though the CPI growth rate jumped to 3.5% in 2008 due to rising international crude oil and raw materials prices, the government was able to adopt a number of stabilization measures, lowering the mean annual rate of increase to just 1.0%.

-2010 to 2016

Since 2010, commodity prices have continued to remain steady, with the CPI increasing by 1.1% on average, far lower than that of Hong Kong (3.8%), Singapore (2.1%), and South Korea (1.9%).

Taiwan's Economic Development Performance

CPI and WPI Increase Rates



Source: DGBAS, Executive Yuan.

Income Distribution

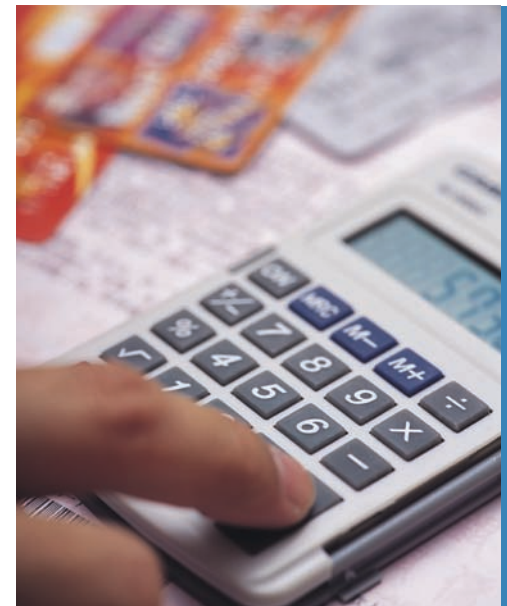
Taiwan's economy has grown rapidly over the past half century, and the mean gross national income (GNI) per capita has also grown substantially. In 1952, this figure was a mere US\$208, but it passed the US\$1,000 mark in 1976, and reached US\$10,000 in 1992. In 2011 it broke the US\$20,000 barrier, rising to US\$23,284 in 2016. Remarkably, despite such rapid economic growth, Taiwan has also been able to maintain a fair distribution of income; indeed, Taiwan has among the fairest mean income distribution structures in the world, with the top 20% of household earning an average of just 6.08 times that of the bottom 20% in 2016.

- 1950s to 1970s: The per capita GNI increased sharply from US\$208 in 1952 to US\$1,951 in 1979. But with land reform, compulsory education and tax reform policies, the income distribution continued to improve, with the income ratio between the top and bottom 20% dropping from 5.33 in 1964 to 4.34 in 1979.

- 1980s to 1990s: With economic growth and

changes in industry structure, the household income gap gradually grew, with the average income gap between the top and bottom 20% differing by a factor of approximately 5.3.

- Since 2000, Taiwan's high-tech industry has seen vigorous development, and labor-intensive industries have relocated overseas in significant numbers. As a result, the income distribution worsened, with the ratio between the top and bottom 20% climbing to 6.39. In response, the government launched a number of social welfare measures, and as a result the ratio fell to 5.98 in 2007. Affected by the global financial crisis of 2008, the ratio rose to 6.34 in 2009. In recent years, the government has launched measures to improve income distribution, including measures to improve tax fairness and to care for the disadvantaged, and has monitored international trends with the aim of increasing the income of households in the lower bracket and strengthening the redistributive effects of transfer payments, in order to keep improving

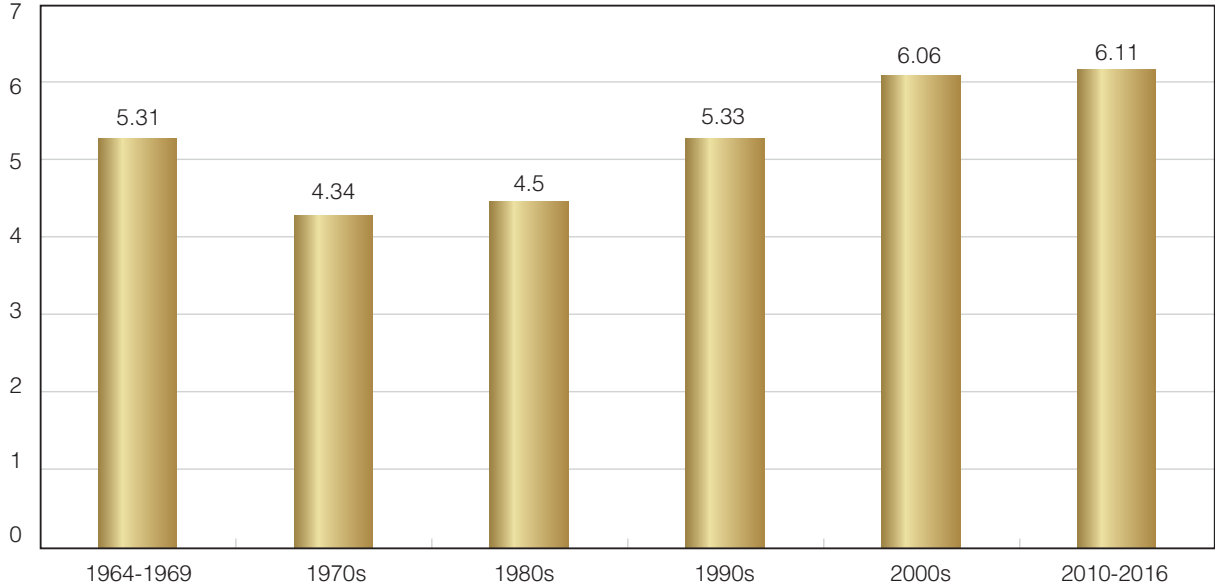


income distribution in Taiwan. Over the past six years, the income distribution gap has shown a falling trend, the ratio dropping to 6.06 in 2015, and rising to 6.08 in 2016.

Taiwan's Economic Development Performance

Income Distribution (Ratio of Top 20% over Bottom 20%)

Unit: Multiple



Source: DGBAS, Executive Yuan.

Industry Structure

Over the past 60 years, Taiwan has completely readjusted its industrial structure, accomplishing in a short time what many developed countries have required a century or two to achieve. Following World War II, Taiwan has quickly transformed from an agrarian economy into a modern knowledge economy driven by the high-tech and professional service industries.

Agriculture was the driving force of economic growth in the early phase of Taiwan's economic development. In 1952, 56.1% of the total working population were engaged in agriculture, and agriculture accounted for 32.1% of Taiwan's gross domestic product. After the government adopted a strategy of fostering industry with agriculture and developing agriculture with industry. Following the swift development of the industrial sector, which subsequently drove the development of the service industry, the importance of

agriculture fell year by year. In 2016, agriculture accounted for only 5.0% of the total employed population and just 1.8% of GDP.

The rapid industrialization of the economy is an important symbol of Taiwan's economy. In the early 1950s, Taiwan's industries consisted mainly of primary industries such as agriculture and forestry. In the 1960s, the government established export processing zones, using inexpensive labor and policy incentives to attract overseas capital and technologies, and labor-intensive light industries such as textile, umbrella and shoe manufacturing burgeoned rapidly. In the 1970s, the government launched the Ten Major Construction Projects, establishing a foundation for heavy industries such as petrochemical, steel and shipbuilding. Since the 1980s, the structure of the manufacturing industry has rapidly developed toward high tech, and Taiwan has become a global manufacturing base for the



information and communications technologies (ICT) industry. In 2016, Taiwan enjoyed a global market share of 67.85% for semiconductor foundry output and 48.5% for integrated circuit (IC) packaging and testing, both first in the world.

Taiwan's service industry started developing vigorously in the mid-1980s as the people's standard of living increased. In 2016, the service industry accounted for 63.1% of GDP. To speed up the upgrading of the service industry, the government has pushed for

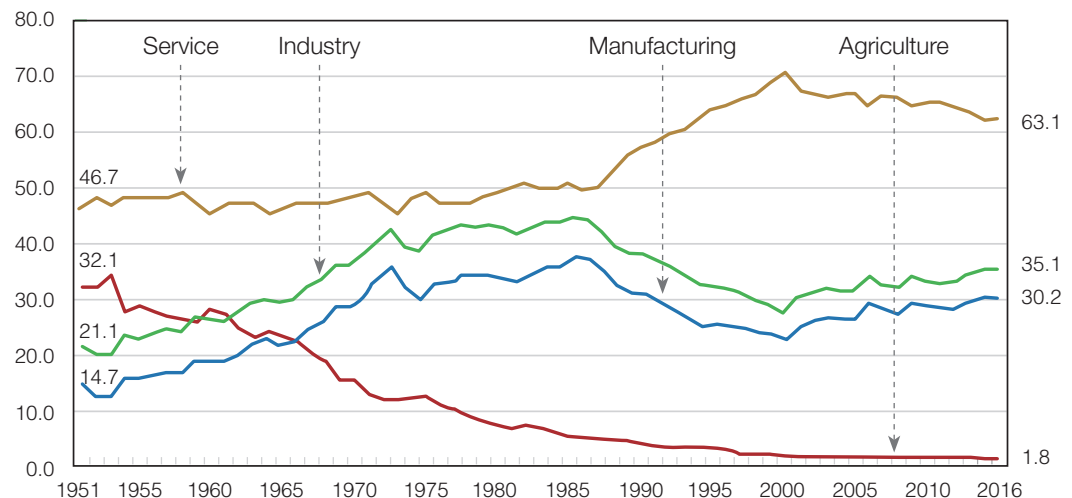
Taiwan's Economic Development Performance

greater internationalization and technologization in the service industry, utilizing Taiwan's advantages in talent, creativity, location and ICT to advance the development of modern service industries such as finance, ICT, patents, and boosting the added value of traditional service industries such as tourism, culture and leisure industry.

Building on the strong foundation provided by the semiconductor industry, the government encourages industrial innovation through increasing local, future, and global linkages. It has selected five major innovative spheres of industry—namely the “Asia Silicon Valley Development Plan,” “smart machinery,” “green energy technologies,” “biomedical industry,” and “national defense”—along with two main sustainable development industries—“new agriculture” and the “circular economy”—which will serve as the core drivers of Taiwan's next-generation industrial growth.

Percentage of GDP by Output of Major Industries

Unit: %



Note: GDP figures do not include statistical errors

Source: DGBAS, Executive Yuan.

External Trade



Surrounded by ocean, Taiwan is constantly looking overseas for development opportunities. Expanding trade relations with other countries has historically been an important motivator driving Taiwan's economic growth. Since the 1960s, the government has been continually enhancing export competitiveness. In 2016, Taiwan's total trade value reached US\$510.9 billion, ranked 18th in the world.

In the early 1960s, most of Taiwan's exports were processed agricultural goods. As a result of constantly increasing industrialization, industrial products have accounted for over 90% of total exports since 2001. Of these, the proportion of exported electronic, electrical, ICT and audio-video products increased to 47.3% in 2016. As for imports, given Taiwan's lack of natural resources, agricultural and industrial raw materials have long been the most significant import categories. In 2016, agricultural and industrial raw materials made up 66.4% of imports, while capital equipment and imports of consumer products came to 18.5% and 13.7% respectively.

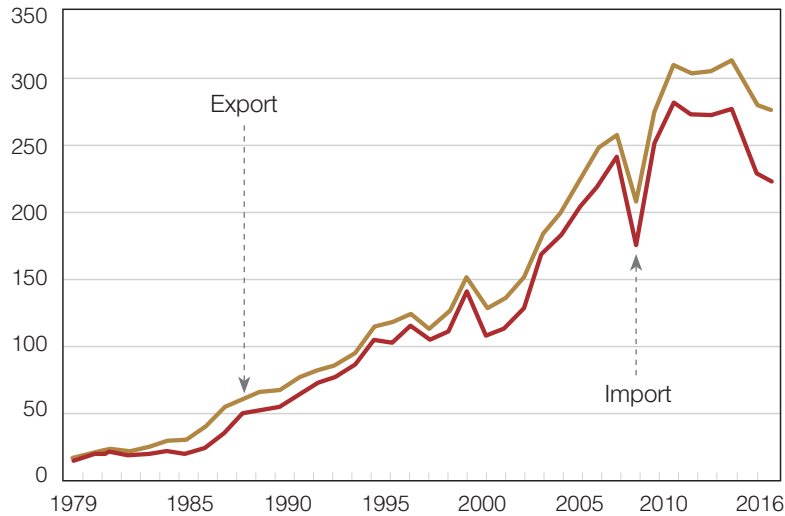
As globalization accelerated development and Taiwanese businesses became increasingly

distributed around the world, there were significant changes to Taiwan's trading partners. Regarding exports, prior to 1999 the US had long been Taiwan's largest market, but following the gradual tightening of cross-strait economic and trade relations, China (including Hong Kong) replaced the US to become Taiwan's largest export market, accounting for 40.1% of Taiwan's total exports in 2016. As for imports, before 1994 the US and Japan together accounted for over half of Taiwan's total imports, but by 2016, they had shrunk to 30.0%. Over the same period, imports from China (including Hong Kong) and the ASEAN countries grew from 4.0% and 10.3% to 19.7% and 11.8% respectively.

Taiwan's Economic Development Performance

Import and Export Values

Unit: US\$ Billion



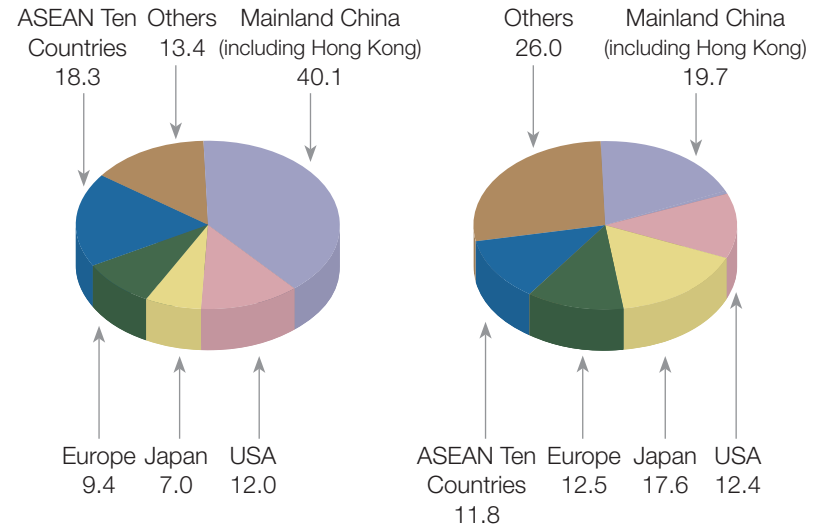
Source: Ministry of Finance

Trading Partner (2016)

Unit: %

Export

Import



Source: Ministry of Finance

Savings and Investment



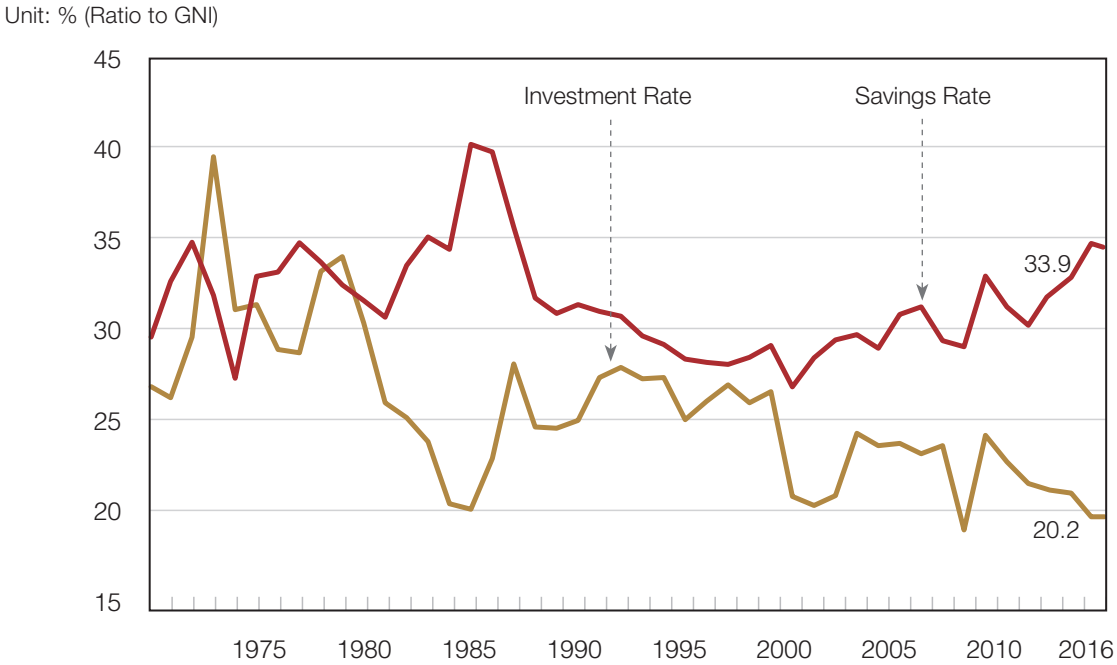
In the 1960s and 1970s, Taiwan's economy experienced a virtuous cycle characterized by high savings rates, high investment rates, and high economic growth. Starting in the 1960s, the government encouraged its citizens to save in order to accelerate capital formation, and instituted tax breaks to encourage investment and boost the economy's growth potential. Savings and investment rates in Taiwan rose from under 20% in the early 1960s to an average of 31.9% and 30.4% respectively in the 1970s. In the early 1980s, the second energy crisis led to a lack of investment willingness in the private sector, and as public investment fell substantially, excess savings continued to grow until 1986, when it reached its peak of 20.1% of GNI. To address the economic imbalance, the government actively pursued a policy of economic liberalization. The subsequent jump in value of the NT dollar and steady reduction

of import tariffs spurred rapid growth in private consumption, and the savings rate fell from a peak of 40.3% to an average of 29.8% in the 1990s. At that time, the government launched the Six-Year National Development Plan to expand public investment, and the investment rate climbed from a low point of 20.2% back up to an average of 26.6% in the 1990s. As a result, the average excess savings rate dropped to about 3.2%. In the early 2000s, hit by the global dot-com bubble, the 911 terrorist attacks and the SARS outbreak, private investment willingness was dampened in Taiwan, with the excess savings rate reaching 9.2% in 2003. Subsequently, as the government took vigorous action to improve the investment environment, the excess savings rate fell back down to an average of 6.5% between 2004 and 2008. In 2009, influenced by the global financial crisis, the investment

rate fell to 19.3%, and the excess savings rate climbed to 10%. In 2010, the economy started to recover, the investment rate bouncing up to 24.2%. The excess savings rate also fell year by year, remaining below 9% for three consecutive years. Since 2013, the investment rate has stayed over 21%, the savings rate about 31%, and the excess savings rate around 9%. During 2013-2016, the investment rate has stayed over 21%, the savings rate about 33%, and the excess savings rate around 12%. The government has dedicated in improving the investment environment and actively finding solutions to the shortage of factors of production, as well as implementing the "5+2" Industrial Innovation Program and the Forward-looking Infrastructure Development Program in order to encourage private sector investment and promote economic growth.

Taiwan's Economic Development Performance

Savings and Investment



Source: DGBAS, Executive Yuan.

Infrastructure Construction



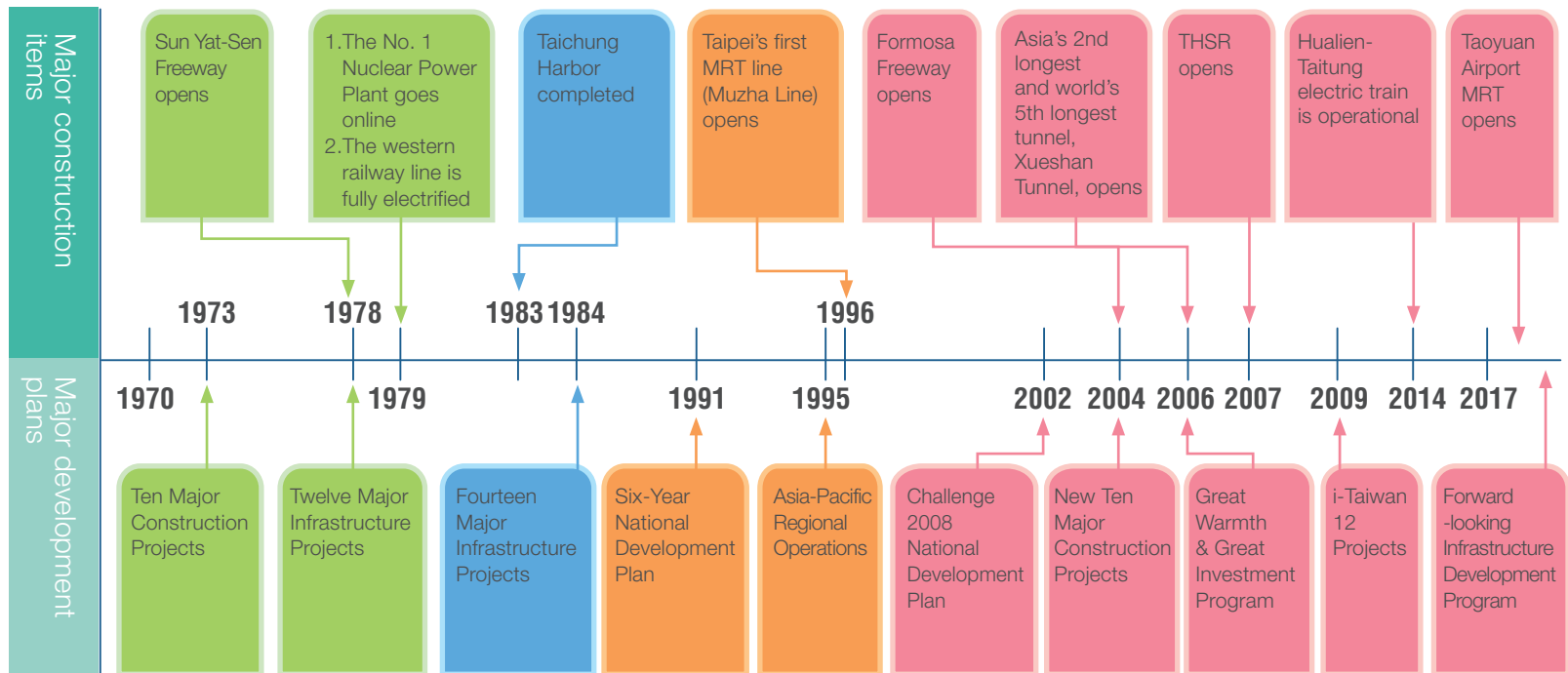
Constant improvement of infrastructure is the surest way to keep Taiwan's economy growing. In 1973, the government launched the Ten Major Construction Projects, which included national class infrastructures such as high-speed rail, railway electrification, and so on, to drive Taiwan economic development transformation. In 1978, the Twelve Major Construction Plans were launched: in addition to hardware construction projects and heavy industry, these also included urban development and social culture and welfare related infrastructure such as local cultural centers. In the 1980s, Taiwan's national income grew quickly. To enhance the quality of life of Taiwan's citizenry, the government in 1984 launched the Fourteen Important Construction Projects, which included modernizing telecommunications and building the Taipei Metro system, as well as social projects like urban waste management and healthcare. In 1991, the Six-Year National Development

Plan was launched, greatly broadening public construction projects including electrical power, aviation, environmental protection and healthcare. To lighten the financial burden, the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects was announced in 1994, encouraging public participation in numerous public construction projects and applying the BOT (Build, Operate, Transfer) model to build the Taiwan High-Speed Rail system. In 2004, the New Ten Major Construction Projects were inaugurated, with public construction investment plans in culture, technology and other concerns of public well-being and national competitiveness. In 2008, Taiwan faced serious challenges as a result of the global financial crisis. Facing this critical period for structural change, it was necessary to strengthen infrastructure to meet long-term development needs. To this end, the government, starting in 2009, launched 12 infrastructure projects,

including the Island-wide Transportation Network, Taoyuan International Aviation City, Intelligent Taiwan, and so on. In response, the government is promoting the Forward-looking Infrastructure Development Program to build a new generation of infrastructure for the nation's future. This program includes funding for eight categories: railway projects to provide safe and fast transportation, water environments to build resilience against climate change, green energy infrastructure to ensure environmental sustainability, digital infrastructure to create a smart and connected nation, urban and rural projects to balance regional development, child care facilities to reverse declining birth rate trends, infrastructure to ensure food safety, and human resources infrastructure to nurture talent and boost employment.

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: The US\$100 million barrier was broken for the first time in 1978. It reached US\$960 million in 1988, averaging US\$130 million annually during this period.

1989 to 2000: The US\$1 billion was broken in 1989. Driven by industrial upgrading and the formation of electronics industry clusters, this figure increased to US\$4.93 billion in 2000.

2001 to 2007: Affected by the bursting of the global IT industry bubble, inward FDI once plummeted from US\$4.11 billion in 2001 to US\$450 million in 2003. After 2005, with multinational corporations 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 2016: Impacted by the global financial crisis and the Euro-zone debt crisis, foreign investment in Taiwan fell to US\$2.49 billion in 2010, and in 2011 showed an unprecedented net outflow of US\$1.96 billion. In 2012, thanks to government efforts to improve the investment environment and relax regulations, foreign investment has gradually warmed up, reaching a historic high of US\$9.23 billion in 2016.

Looking into the future, the government has dedicated in loosening restrictions on the flows of goods, services, money, people and information, promoting regulatory reforms in

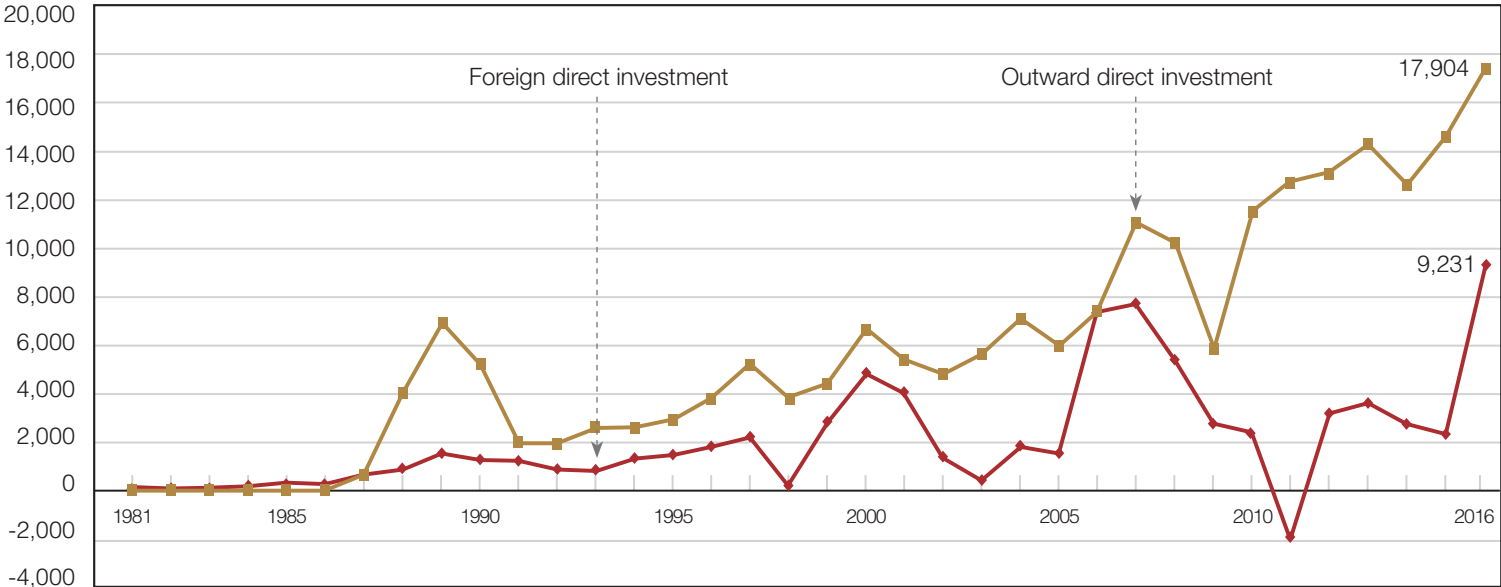
line with international norms and standards, improving the living environment for retaining talents and promoting the "5+2" Industrial Innovation Program to attract foreign investment with key technology and to recruit talents.

As for outward FDI, since the late 1980s, the substantial growth of Taiwan's economic prowess and swift development of its liberalization and internationalization have transformed Taiwan from a capital recipient into one of Asia's chief outward investors. Taiwan's outward FDI exceeds its inward FDI, making it a net exporter of capital. An important achievement was in 2016 when its outward FDI reached a peak of US\$17.9 billion, and its net capital outflow totaled US\$8.67 billion. From 1981 to 2016, the cumulative outflow of FDI from Taiwan totaled US\$214.4 billion.

Taiwan's Economic Development Performance

Inward and Outward Foreign Direct Investment

Unit: US\$ Million



Source: Central Bank

Monetary and Financial Development



Financial system plays a key role in the process of economic development in Taiwan by providing monetary saving services and establishing links to investors. However, changes in the political and economic environment will entail massive transformations in the functions of the financial system. In the 1980s, the government focused on the stability of the financial system and enforced a wide range of controls. As economic development matured after the 1980s, the government began focusing upon the efficiency and performance of financial processes, initiating a series of financial liberalization and globalization policies that include privatization of the banking sector, liberalization of interest rates and foreign currency exchange and encouraging foreign investments into Taiwan's capital market.

When the government privatized the banking sector, the number of banks in Taiwan grew from 24 in 1990 to a high of 53 in 2000. However, this led to an excessive number of financial institutions

and the increase in destructive competition. To promote the asset quality of financial institutions and international competitiveness, the government is actively pursuing financial reforms and encouraging bank consolidation. As of the end of 2016, the number of financial institutions has dropped to 40. Organizational health and structure of banks are becoming more robust. The Non-Performing Loans (NPL) Ratio of domestic banks has dropped from 11.74% in the first quarter of 2002, to 0.27% as of the end of 2016.

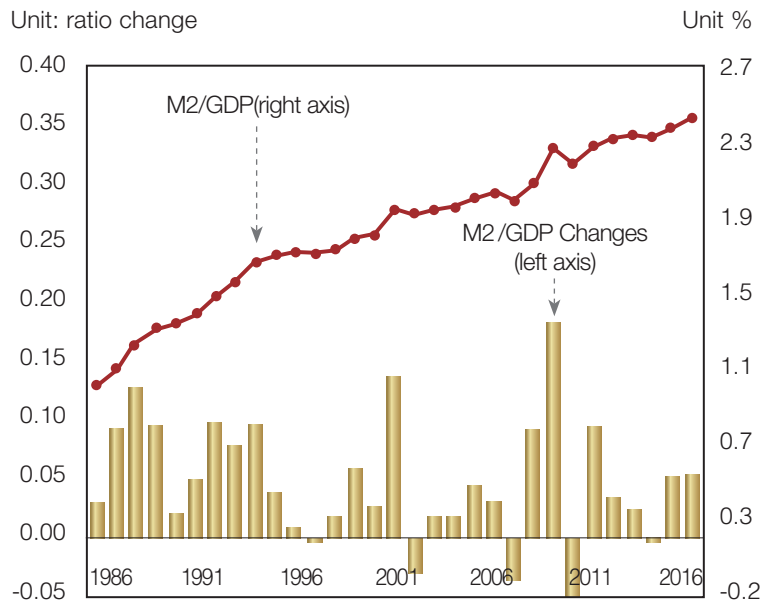
With the respect of financial internalization, the government is actively establishing a regulatory environment aligned to international financial laws and norms, and encouraged financial institutions to develop a diverse selection of global services and pursue overseas expansion. Since banks were permitted to manage OBUs (overseas branch units) at the end of 1983, a total of 62 OBUs have been established as of the end of 2016, with OBU assets totaling US\$ 186 billion. Financial exchange

between Taiwan and Mainland China is also developing rapidly. Both parties signed a "Cross-Strait Financial Cooperation Agreement" as well as memorandum of understanding (MOU) for financial supervision cooperation in 2009. In 2010, both sides then signed a "Cross-Strait Economic Cooperation Framework Agreement" (ECFA), and further allowed domestic banks to handle RMB-related businesses in February 2013 to promote financial liberalization between Taiwan and Mainland China.

Looking ahead, the government will continue to consolidate the financial environment and promote green finance to support the restructuring of the economy and the development of new innovative industries; in consideration of efficiency, safety, fairness and consumer protection, the government will promote inclusive finance, encourage innovation in fintech, and build a digital financial environment to give new momentum to Taiwan's financial services and economic development.

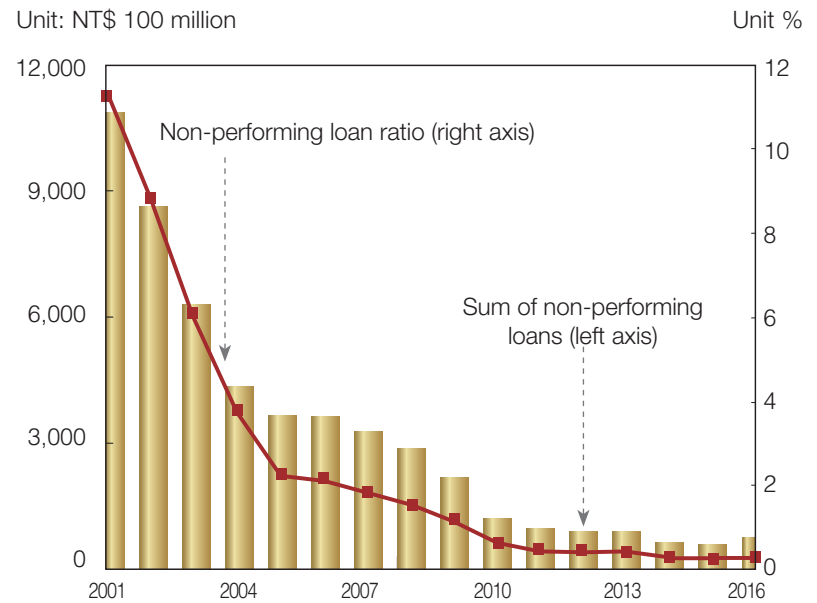
Taiwan's Economic Development Performance

M2/ GDP Changes and Ratio



Note: M2 is based on the daily average
Source: Central Bank

Changes and Trends in The Sum and Ratio of Non-Performing Loans in Domestic Banks



Source: Financial Supervisory Commission

Financial Income and Expenditure



Prior to 1990, financial incomes and expenses in Taiwan were largely maintained at a balanced state. Since 1991, the government activated a series of major public infrastructure construction projects and social welfare programs, leading to a drastic rising in fiscal deficits. In FY 1992 and FY 1993, government spending amounted to 30% of GNP. With the growth of financial expenses greatly outstrip that of financial income, the central government's debt-to-GDP ratio climbed from 10.6% in FY 1992 to 16.6% in FY 1997. Given this, the government began its taxation system reforms in June 1996 to evaluate the structure of fiscal expenditures and issue of the financial deficit for the purposes of reducing the imbalance between revenues and outlays for a more robust taxation system. In FY 1999, the central government debt-to-GDP ratio were reduced to 13.6%. Large increases in tax

receipts also provided a budgetary surplus of NT\$60.9 billion in FY 1998, the first surplus in 10 years.

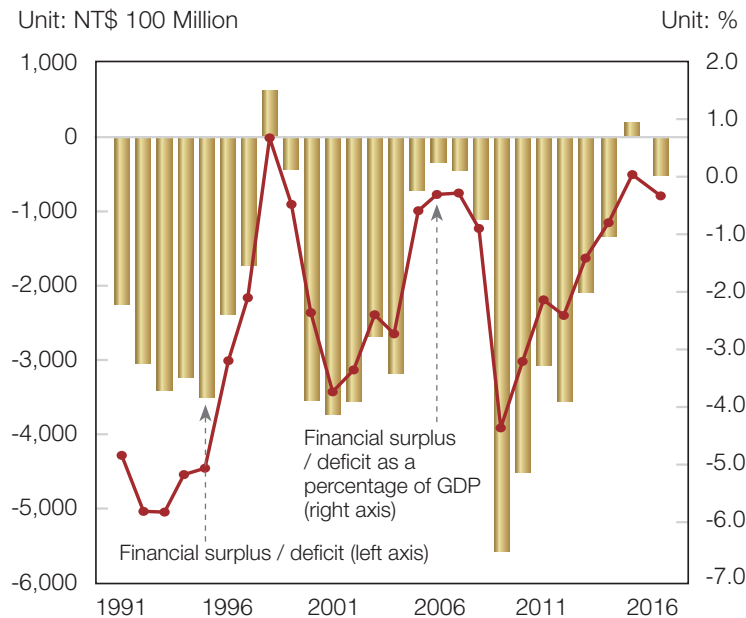
After 1999, slowing growth of financial income and rapid increase in social welfare expenses, which included the rebuilding required after the devastating earthquake of September 21, 1999. In FY 2001, the fiscal deficit reached as high as NT\$ 374.9 billion. After FY 2002, after increasing tax revenues and controlling growth of expenditures, the deficit-to-GDP ratio dropped from 3.7% in FY 2001 to 0.3% in FY 2007. In 2008, however, the government initiated an economic revival program to counter the global financial crisis and allocated a special budget for rebuilding the damages caused by Typhoon Morakot. Decreases in tax revenues and large growths of government expenditure caused the fiscal deficit to rebound to 4.3% of GDP in 2009.

During the same period, the central government debt-to-GDP ratio climbed from 13.6% in 1999 to 31.8% in 2009.

Gradual economic revival and government austerity measures since 2010 helped to achieve some degrees of improvement to government finances. Fiscal deficit-to-GDP ratio reduced from 3.2% in 2010 to 0.8% in 2014, and even attained a financial surplus of 0.1% of the GDP in 2015. This can be mainly attributed to effective controls over national finances. Since 2016, the government has begun to extensively evaluate the effectiveness of utilizing government resources, strengthen debt management measures, implement fiscal discipline, enhance local government fiscal assistance and carry out tax reforms in order to improve fiscal structures.

Taiwan's Economic Development Performance

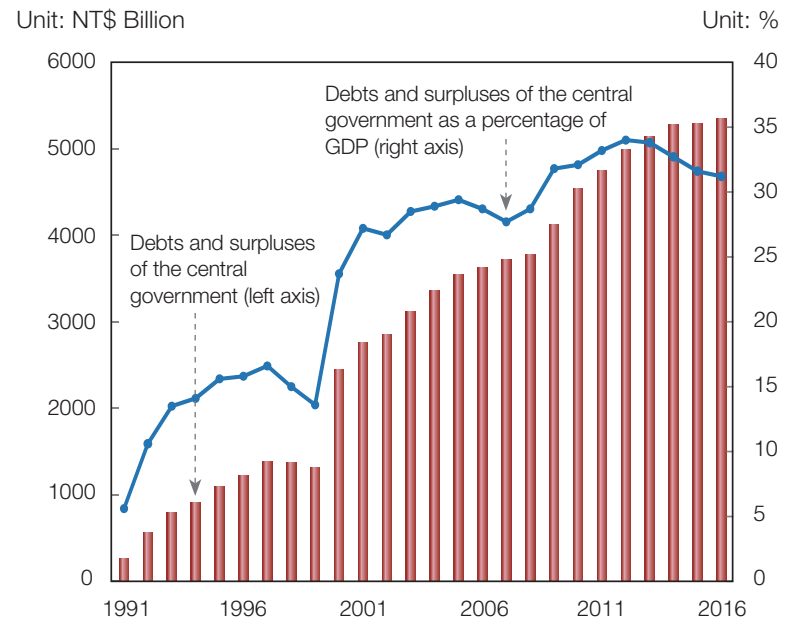
Financial surplus / deficit



Note: 1. Net annual income does not include income from government bonds or credits or surpluses carried over from the previous fiscal year. Net annual expenditure does not include expenses for paying debt principals.
 2. Prior to 2000, the fiscal year for the government was July 1st to June 30th. In 2000, the fiscal year was adjusted to July 1st 1999 to December 31st 2000. Since then, the fiscal year was adjusted to match the calendar year (January 1st to December 31st).

Source: Ministry of Finance

Debts and surpluses of the central government as a percentage of GDP



Note: 1. Debt surpluses does not include external debts
 2. The number of approved accounts were used prior to 2015 (inclusive), while the number of accounts were used for 2016

Source: Ministry of Finance

Labor and Employment



In 1978, the 63.5% of Taiwan's population was above 15 years of age. Given the higher birth rates, this figure rose to 70.3% by 1990 and 85.4% in 2016. However, as youths pursued higher levels of education, labor participation rate dropped from the peak value of 60.9% in 1987 to a historical low of 57.2% in 2001. Since 2002, female labor participation rate rose from 46.6% to 50.8% in 2016, allowing overall labor participation rate to increase to 58.8%. Prior to 1995, unemployment rate in Taiwan tend to fluctuate between 1.5 to 2.0%. In the late 1990s, transformation of the industrial structure caused a sequential increase to unemployment rate, which reached 3.0% in

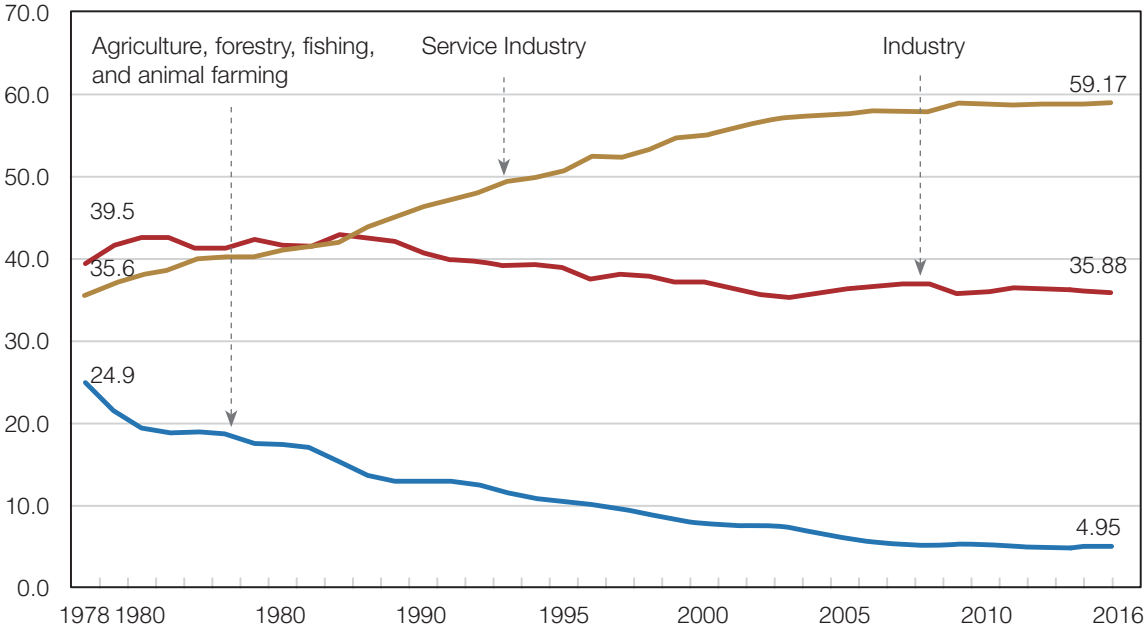
2000. The global dot-com bubble in 2001 led to an economic downturn in Taiwan, causing unemployment rate to undergo structural increase, reaching 5.17% in 2002. The government then initiated measures to facilitate employment, lowering unemployment rate every year until it dropped to 3.91% in 2007. In the second half of 2008, the global financial crisis increased unemployment rate once more to 5.85% in 2009. Since 2010, the government again actively expanded and created employment opportunities, helping to reduce unemployment rate to 3.9% in 2016. Employment structure underwent significant changes as Taiwan progressed from an

agricultural society to an industrial economy. The proportion of people employed in the agricultural sector dropped from 24.9% in 1978 to 4.9% in 2016. For the industrial sector, the proportion rose from 39.5% in 1978 to a peak of 42.8% in 1987 before assuming a generally downward trend, reaching below 40% in 1991. Since 2001, this figure fluctuated between 36% and was 35.9% in 2016. For the service sector, the proportion of people employed rose from 42.0% in 1987 to 59.2% in 2016, showing that the service sector has become the largest source of employment.

Taiwan's Economic Development Performance

Employment Structure

Unit: % (Share in the total employed population)



Source: DGBAS, Executive Yuan.

Education



Due to the lack of natural resources, continuous improvements to the skills and competences of the labor forces have become a crucial element in supporting economic growth. In the 1950s, Taiwan's compulsory education was limited to the 6 years in elementary school. Since 1968, Taiwan began implementing the 9-year compulsory education. The promulgation of the Compulsory Education Act in 1982 formally initiated the nationwide 9-year compulsory education program. In 2014, the 12-year National Education was formally enforced, extending national education

to cover upper secondary education. Large-scale reforms to national compulsory education system has lowered illiteracy from about 10% in 1980 to about 1.3% in 2016. With the arrival of the digital era, digital learning also became a key focus of education policies in Taiwan. In 2016, the penetration of household PC and connected devices were 83.1% and 81.1% respectively. Taiwan's education policies not only focus upon coverage, but also improvement to quality. Private interests were free to establish new universities starting in 1996. In 2001, the proportion of graduates with tertiary education rose to 23%, exceeding those with only primary education (21.2%). The share of the population with tertiary education continued to grow and reached 43.6% in 2016, which is higher than the ratio of people who received secondary education (43.0%), while the share of people who only received primary education dropped to only 11.8%. These figures show that the government has achieved significant results in promoting human resources in Taiwan.

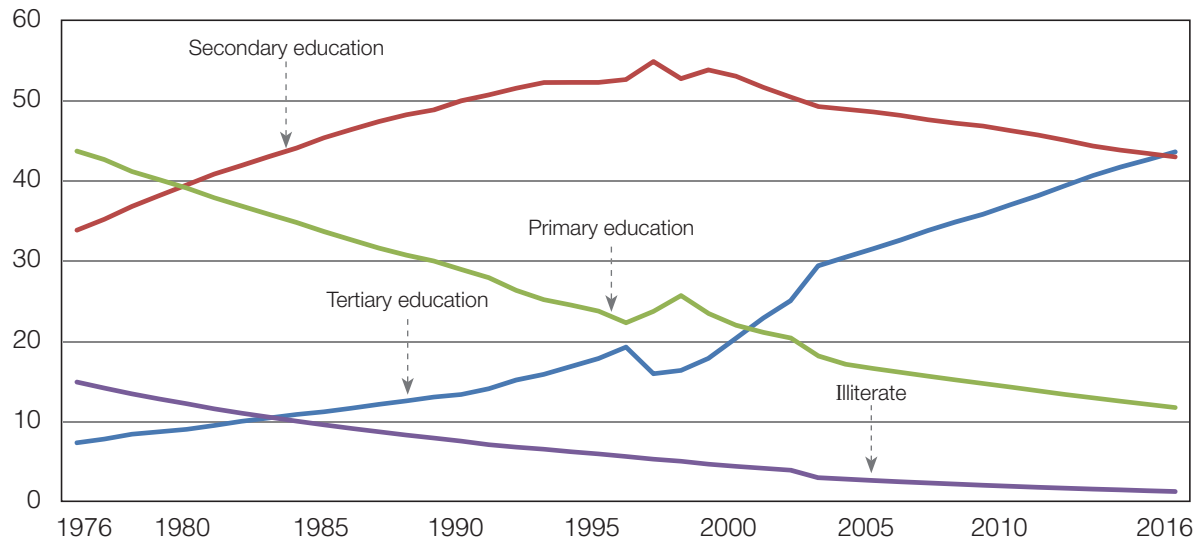
For globalization of education systems, the government has actively encouraged overseas marketing Taiwan's higher education institutions, creating friendly and global campus environments, and promoting advantages of studying in Taiwan to attract overseas students. In 2016, the number of overseas students who received higher education in Taiwan rose to 116,416 individuals, a figure that grew by nearly 4.3 times from 27,023 individuals in 2006, showing that the competitive potential of tertiary education in Taiwan has reached significant improvements.

The popularization and improvement of Taiwan's education allowed the country to build up an excellent pool of human capital and research and development (R&D) capacity. To ensure continuing improvements to Taiwan's most valuable asset of human resource, the government shall extensively revise outdated regulations and pedagogical R&D systems, promoting research innovation and university-industry linkages in tertiary education so as to provide exceptional technical manpower needs in industrial development.

Taiwan's Economic Development Performance

Level of education of people above 15 years of age

Unit: % (share of the total population of those above 15 years of age)



Note: Primary education includes elementary school and home education outside formal school systems. Secondary education includes secondary schools and the first 3 years of study in 5-year vocational colleges. Tertiary education includes universities and the last 2-years of vocational colleges.

Source: Ministry of Education

Technology Development



Technology development is a key factor that drives industry upgrade. Taiwan focused upon labor-intensive industries in the early 1950s to mid-1980s. Production, management, and sales techniques from other countries were introduced, effectively supplementing domestic labor and capital resources and significantly improving the global competitiveness of Taiwan's manufacturing sector. These measures provided perfect foundation for the next phase of industrial upgrades and modernization. The mid-1980s focused on the development of technical and knowledge-intensive industries. Creative capacities in the private sectors continued to expand. Timely guidance provided by the government allowed rapid improvements to Taiwan's technical research and development (R&D) capacities. Key results of Taiwan's technological development in the last 30 years include:

- The proportion of R&D expenses to GDP grew

from 1.0% in 1985 to 3.1% in 2015. Of which, the sum of R&D expenses from private sectors overtook those invested by public agencies and departments in 1993 and continued to make rapid growth. The number of researchers rose from 1.3 per 1,000 individuals in 1985 to 7.8 in 2015. During the same period, Taiwan's global ranking in the Science Citation Index and Engineering Index rose to the 21th and 14th place respectively.

- Total revenues from the 3 major science parks (Hsinchu Science and Industrial Park, Central Taiwan Science Park, and Southern Taiwan Science Park) amounted to NT\$ 2.4 trillion in 2016. Integrated circuits (IC) and optoelectronic industries made up 91.2% of the total revenue of the science parks.

- The proportion of high-tech exports to total from Taiwan rose from 48.5% in 1998 to 62.2% in 2016.

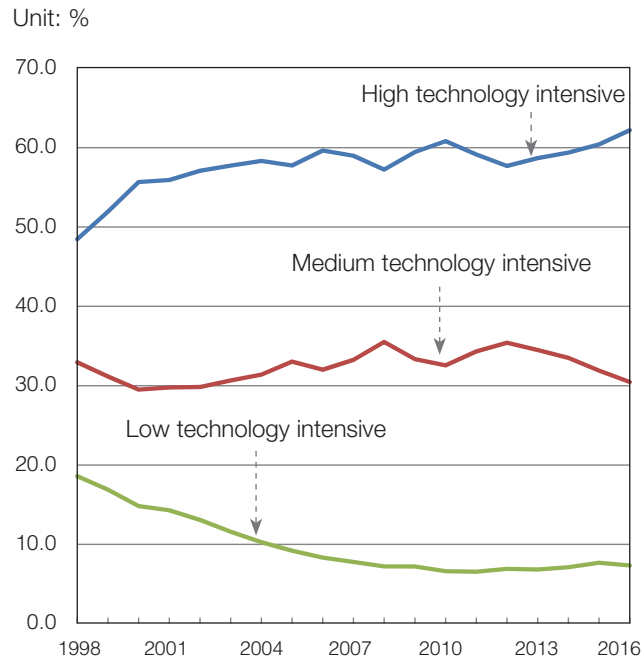
With the advent of digital technologies, industry

is beginning its fourth revolution. The government has been actively promoting the "5+2" Industrial Innovation Program and the Digital Nation and Innovative Economic Development Plan through the establishment of an innovative ecosphere which consists of talents, skills, fields, and industries that will reshape Taiwan's next-generation industries to provide an infinite source of power to drive Taiwan's economy.

The government will also continue to increase national R&D expenses to maintain the country's leading position in technological R&D capacities, research emerging fields of technology to establish world-leading research groups, maximize the benefits of technological innovations in various industries to improve value adding, and employ advanced technologies to create a residential environment that improves happiness amongst fellow citizens.

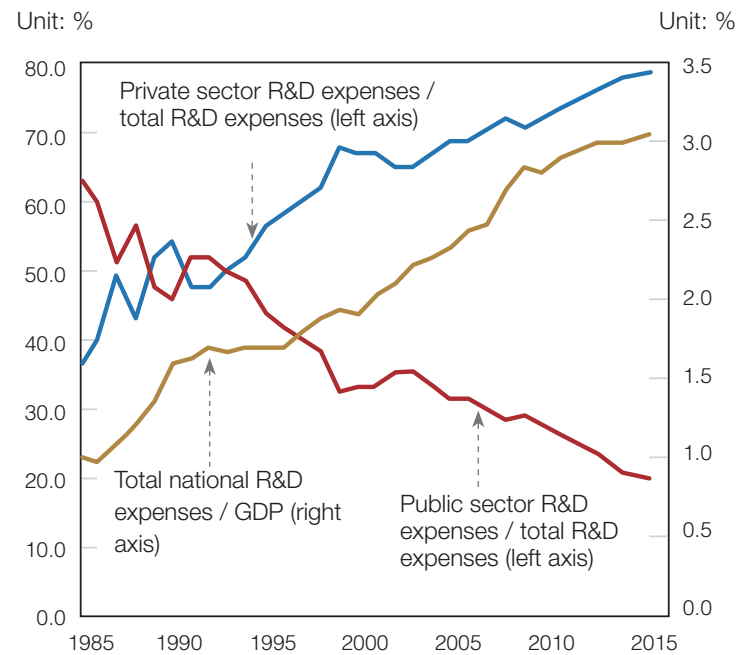
Taiwan's Economic Development Performance

Export structure



Source: Ministry of Finance

Technological R&D expenses



Source: Ministry of Science and Technology

Social Security



Rapid changes to the economy and social structure drastically increased social demands amongst fellow citizens. The government also initiated multiple social welfare and measures to improve the extensiveness of social program coverages as well as continual improvements to the services and overall quality. In the fiscal year of 1970, public social security expenses occupy only 10.0% of total government expenses. By 2016, this figure rose to 30.9% (20.0% for social welfare, 7.6% for employment pensions, and 3.4% for social development and environment protection).

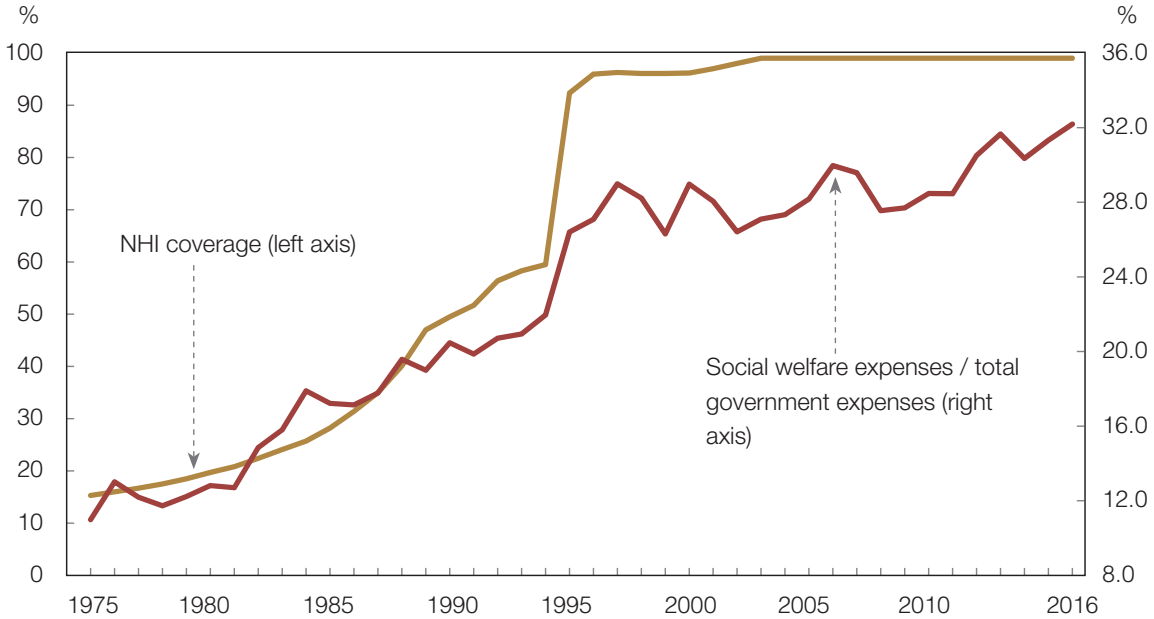
To strengthen the social security network, the government has continued to develop various types of social welfare and measures. The National Health Insurance was released in 1995, including nearly every citizen in the medical insurance system. Unemployment insurance claims were made available on January 1999. The Employment Insurance Act and Labor

Pension Act were promulgated on May 2002 and June 2004 respectively, provide additional safeguards to the rights and interests of fellow employees. The National Pension Program was formally released in October 2008, while Labor Pension entered into force on January 2009, marking a new milestone of Taiwan's social security system and formal establishment of the dual pension and insurance system, ensuring that every citizen is able to enjoy insurance coverage and pension payments after retirement. The new public assistance system was formally initiated in July 2011. The number of underprivileged citizens benefiting from social support rose from 270,000 before the new system was available to 639,000 at the end of March 2016, a figure that was equivalent to 2.7% of the national population (as compared to 1.19% prior to the new system). The second-generation National Health Insurance (NHI) program was initiated in January 2012

to ensure the comprehensiveness of the NHI system. The government also established the National Pension Reform Committee at the Office of the President in May 2016 to develop a sustainable pension system for the general public to achieve intergenerational equity and establish a social security network that could be supported indefinitely. In 2017, the government successively completed pension reform for the civil service and public school faculty, improving the financial sustainability of the pension system. To prepare for the arrival of a hyper-aging society, since 2007 the government has promoted a Ten-Year Plan for Long-term Care. In June 2015, the government stipulated that the Long-Term Care Services Act must strengthen the long-term care services network, and since 2016, the government has further implemented the Long-Term Care 2.0 Plan to establish a high-quality, affordable, and extensive community-based long-term care system.

Taiwan's Economic Development Performance

Social welfare expenses



Source: 1. Ministry of Finance
2. National Health Insurance Administration, Ministry of Health and Welfare

Medium-term national development plans initiated throughout history

Plan	Phase 1 medium-term plan for building Taiwan's economy 1953 to 1956	Phase 2 medium-term plan for building Taiwan's economy 1957 to 1960	Phase 3 medium-term plan for building Taiwan's economy 1961 to 1964	Phase 4 medium-term plan for building Taiwan's economy 1965 to 1968	Phase 5 medium-term plan for building Taiwan's economy 1969 to 1972	Phase 6 medium-term plan for building Taiwan's economy 1973 to 1975
Goals/ Strategies	<ol style="list-style-type: none"> 1. Improve agricultural and industrial production 2. Facilitate economic stability 3. Improve global trade balances 	<ol style="list-style-type: none"> 1. Increase agricultural production 2. Accelerate development of the mining industry 3. Expand the export economy 4. Improve employment opportunities 5. Improve global trade balances 	<ol style="list-style-type: none"> 1. Maintain economic stability 2. Accelerate economic growth 3. Expand the industrial foundation 4. Improve investment environment 	<ol style="list-style-type: none"> 1. Promote economic modernization 2. Maintain economic stability 3. Promote the development of advanced technologies 	<ol style="list-style-type: none"> 1. Maintain the stability of commodity prices 2. Expand exports 3. Expand basic infrastructure 4. Improve industrial structure 5. Promote agricultural modernization 	<ol style="list-style-type: none"> 1. Accelerate industrial modernization 2. Expand basic infrastructure 3. Improve the quality of human resources 4. Expand exports 5. Stabilize commodity prices

Taiwan's Economic Development Performance

Plan	Phase 7* medium-term plan for building Taiwan's economy 1976 to 1981	Phase 8 medium-term plan for building Taiwan's economy 1982 to 1985	Phase 9 medium-term plan for building Taiwan's economy 1986 to 1989	Phase 10 medium-term plan for building Taiwan's economy 1990 to 1993	6-year National Development Plans 1991 to 1996	Cross the Century National Development Plan 1997 to 2000
Goals/ Strategies	<ol style="list-style-type: none"> 1. Improve energy use efficiency 2. Improve industrial structure 3. Improve human resource training 4. Promote balanced economic and social development 5. Complete the Ten Major Infrastructure Projects 	<ol style="list-style-type: none"> 1. Maintain acceptable commodity prices 2. Maintain economic growth 3. Harmonize industrial development 4. Provide ample employment opportunities 5. Reasonable income distribution 6. Homogenize regional development 7. Create a harmonious society and lifestyles 	<ol style="list-style-type: none"> 1. Promote trade liberalization 2. Expand public infrastructure 3. Create a robust taxation and financial system 4. Accelerate modernization of the service sector 5. Actively promote key technological fields 6. Strengthen prevention and remediation of environmental pollution 	<ol style="list-style-type: none"> 1. Basic policies <ol style="list-style-type: none"> (1)Expand public expenditures (2)Improve the comprehensiveness of regulatory laws and implement economic liberalization 2. Key policies and development <ol style="list-style-type: none"> (1)Improve investment environment (2)Promote traffic infrastructure construction (3)Strengthen environmental protection (4)Improve social welfare 	<ol style="list-style-type: none"> 1. Overall goal <ol style="list-style-type: none"> (1)Reestablish economic and social order (2)Attempt to balance overall development 2. Policy goals <ol style="list-style-type: none"> (1)Improve national per capita income (2)Strengthen industrial potential (3)Homogenize regional development (4)Improve quality of life 	<p>Overall goal</p> <ol style="list-style-type: none"> 1. Establish a modernized nation 2. Improve national competitiveness 3. Improve the quality of life of fellow citizens 4. Promote sustainable development

* Revisions to the plan in the next 3 years (1979 to 1981)

Medium-term national development plans initiated throughout history *(continued)*

Plan	National Development Plan for the New Century 2001 to 2004	Phase 2 National Development Plan for the New Century 2005 to 2008	Phase 3 National Development Plan for the New Century 2009 to 2012	National Development Plan 2013 to 2016	National Development Plan 2017 to 2020
Goals/ Strategies	<p>Overall goal</p> <ol style="list-style-type: none"> 1. Establish a green silicon island 2. Knowledge-based economy 3. Sustainable environment 4. Social justice 	<p>Overall goal</p> <ol style="list-style-type: none"> 1. Establish a humanist green silicon island 2. Reduce the output gap 3. Reduce the sustainability gap 4. Reduce the national social welfare gap 	<ol style="list-style-type: none"> 1. Vision Build an advanced nation with dynamic innovation, equitable wealth distribution, social justice, and energy efficient sustainability 2. Main administrative measures <ol style="list-style-type: none"> (1)Accelerate rebuilding and loosening of restrictions; expand added value for the economic (2)Achieve mutual trust and care and expand the value of social capital (3)Promote energy saving and carbon reduction to expand the value of environmental sustainability 	<ol style="list-style-type: none"> 1. Vision Build a prosperous, harmonious, sustainable, and happy Taiwan 2. Main administrative measures <ol style="list-style-type: none"> (1)Overall development measures <ul style="list-style-type: none"> • Implement the Golden Decade National Vision plan (2)Total commitment to the economy <ul style="list-style-type: none"> • Implement The Economic Power Up Plan • Implement Measures to Consolidate and Bolster Economic Structure 	<ol style="list-style-type: none"> 1. Vision <ol style="list-style-type: none"> (1)Building a new economic model (2)Strengthening the social security net (3)Protection of social fairness and justice (4)Promotion of regional peace (5)Model for global civil society 2. Main administrative measures <ol style="list-style-type: none"> (1)Industrial upgrading and innovative economy (2)Worry-free living and just society (3)Balanced regional development and environmental sustainability (4)Government effectiveness and sound finances (5)Education, culture and diverse ethnic groups (6)National security and international and cross-strait relations

Taiwan's Economic Development Performance

Future development and directions

In response to the growing trends of globalization and digitalization, Taiwan is striving toward the development of a sustainable economy through innovation, employment, and distribution. Focusing on two main axes, namely boosting investment in Taiwan and implementing structural reforms, Taiwan will overcome long-standing challenges such as industry offshoring, companies with low profit margins, and wage stagnation, transforming the structure of its economy. In addition, by expanding international collaboration, promoting regional development and propensity, and providing humanitarian assistance, Taiwan's global visibility and autonomy will also increase. With regard to of boosting investment,



the government is currently promoting the “5+2” Industrial Innovation Program and has designated five innovative industries, namely the “Asia Silicon Valley Development Plan,” “smart machinery,” “green energy technologies,”

“biomedical industry,” and “national defense,” as well as two sustainable development industries” new agriculture” and the “circular economy” as the core drivers of growth for Taiwan's next-generation industries. In addition,

Future development and directions (*continued*)

in order to meet the demands of new industries, new technologies, and new lifestyles, the government has actively promoted eight public constructions that are, sustainable and forward-looking, specifically railway development, water environment, green energy, digital infrastructure, urban-rural development, child-care facilities, food safety infrastructure, and human resource infrastructure, investing in Taiwan's future and laying a foundation for Taiwan's competitive advantages in the next generation.

As for implementing structural reforms, the government has actively reviewed existing laws and regulations so as to advance the harmonization of regulations with international

norms and standards, complete digital transformation, and embrace new challenges in the digital era. Additionally, issues regarding the brain drain, improper allocation of land and natural resources, and inefficient utilization of capital have been highlighted, while regulations regarding improving the quality of human resources, national spatial governance and capital allocation have undergone active reform in order to ensure the best use of talent, land, and capital.

Finally, concerning the expansion of international collaboration, the government has vigorously promoted the New Southbound Policy, aimed at deepening economic ties with

New Zealand, Australia, ASEAN member states, and South Asian countries through multifaceted exchanges and collaborations in the medical, agricultural, tourism, cultural, and technological fields. At the same time, the government seek to accelerate the pace of the signing of economic cooperation agreements (ECA) with major trading partners, while also adhering to the principle of practical diplomacy and mutual assistance, dedicating efforts to strengthening friendly relations and actively participating in international organizations to elevate the scope and diversity of the external economy.

Economic Development, R.O.C. (Taiwan) 2017

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

No. 3, Baoqing Rd., Jhongjheng District, 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, R.O.C. (Taiwan)

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Taipei City 104, R.O.C. (Taiwan)

TEL : 886-2-25180207 FAX : 886-22518-0778

■ **Published** : November 2017

■ **Price** : NT\$100.00

■ **ISBN** : 978-986-05-4132-8

■ **GPN** : 1010602029



ISBN : 978-986-05-4132-8
GPN : 1010602029
Price : NT\$100.00

