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Economic Development R.O.C. (Taiwan)

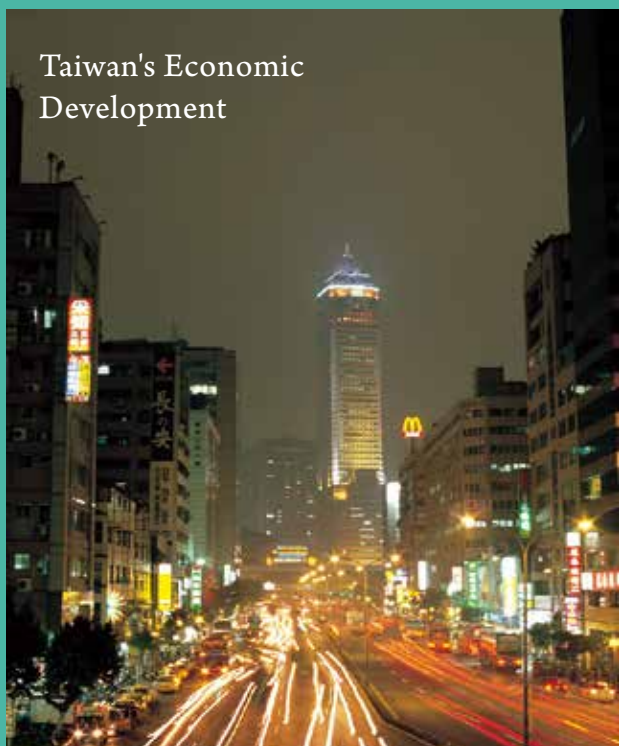


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Taiwan's Economic Development

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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 2017) of 23.57 million people, giving an average density of 651

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 2017 accounted for only 1.7% of GDP.

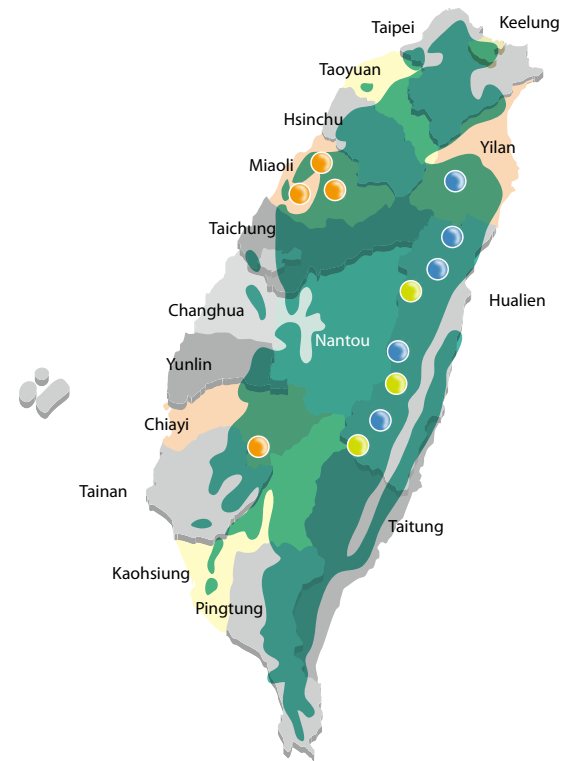
Taiwan also produces lime, marble, dolomite, and natural gas but reserves are meager. Currently about 98% of Taiwan's energy needs relies on imports. Taiwan also relies on imports for raw materials needed for rapid industrialization. By comparison, Taiwan's plentiful human resources have become the country's 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 (2017)

Total Area	36,197	km ²
Total Population	23.57	million people
Population Density	651	persons/ km ²

Mining (2017)

● Natural Gas	265,702	km ³
● Marble	15,675,146	mt
● Dolomite	13,357	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 2017, the per capita GDP rose from US\$208 to US\$24,381. The GDP rose from US\$1.677 billion to US\$572.8 billion. Overall trade increased from US\$303 million to US\$576.5 billion, making Taiwan the 18th biggest exporter and the 19th biggest 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 2017, Taiwan had 22



products ranking among the top three in the world market, and five products that were ranked No. 1, which were in the markets for semiconductor foundry, IC packaging and testing, green algae, high-end bicycles, and glass fiber cloth, and continued to play 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 2017,

Taiwan had invested some US\$173.8 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\$92.5 billion in ASEAN countries (Thailand, Malaysia, Philippines, Indonesia, Singapore, Vietnam, Cambodia), making it the third-biggest and fourth-biggest foreign investor in Thailand and Vietnam respectively. According to the UNCTAD World Investment Report 2018, by the end of 2017, Taiwan's outward FDI stock had reached US\$321.4 billion, representing a growth of 1.04% over 2016, making Taiwan the 17th biggest foreign investor worldwide and 6th biggest in Asia, behind Hong Kong, Japan, mainland China, Singapore and Korea. Taiwan is one of Asia's major foreign investors with investments all over the world.

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By the end of 2017, Taiwan foreign investment

had grown **1.04%** (compared with the end of 2016).

Global ranking: No. **17** Asia ranking: No. **6**

Important Taiwan Economic Indicators 1952 vs 2017

	1952	2017	Annual Average Growth (%)
Population (mid, million)	8.05	23.52	1.7
GDP (US\$1million; current)	1,677	572,767	9.4
GDP (NT\$1billion;fixed price)	163	16,335	7.4
Per capita GDP (US\$)	208	24,318	7.6
Agricultural production, % of GDP	32.2	1.7	—
Industrial production, % of GDP	19.7	35.4	—
Service industry, % of GDP	48.1	62.9	—
Exports (US\$1million)	116	317,249	12.9
Imports (US\$1million)	187	259,266	11.8
Foreign exchange reserves (US\$100million)	100	4,515	6.0

Source: National Income Statistical Summary, Directorate-General of Budget, Accounting and Statistics (DGBAS), Executive Yuan, August 2018; Ministry of Finance trade statistics query; Central Bank of the Republic of China statistical database.

2017 Taiwan Products in Global Top Three 22 Products (domestically produced only)

No. 1		No. 2		No. 3	
Item	Global Market Share(%)	Market share (%)	Global Market Share(%)	Item	Global Market Share(%)
Semi-conductor Foundry	69.52	Portable Navigation Device (PND)	45.00	TFT-LCD Panel (<10")	27.39
IC Packaging and Testing	48.70	Assistive Device (Electric Scooter & Electric Wheelchair)*	25.24	TFT-LCD Panel (>10")	22.86
Green Algae*	48.35	IC Substrate	23.20	Acrylonitrile-butadiene-styrene (ABS) *	15.95
High-end Bicycles*	29.31	Copper Clad Laminate (CCL)*	18.00	Ball Screw	13.00
Glass Fiber Cloth	24.78	IC Design	17.42	Thermoplastic Elastomer (TPE)*	8.30
		Printed Circuit Boards	11.90	Nylon Fibers*	6.00
		Silicon Solar Cell*	11.20	Beta -carotene*	4.51
				Polyester Filament*	2.10
				OLED Panels	2.53
				Wireless Local Area Network (WLAN)	0.70

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, April 2018.

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 the 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.

1970s: Development of Basic and Heavy Industries

At the end of the 1960s, exports were growing

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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-intensive and technology-intensive industries such as electric power, IT, and machinery.

1990s: Promoting the Asia-Pacific Regional Operations Center and Developing 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". 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

Strategies of Economic Development (*continued*)

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: Promoting the Knowledge Economy and Aligning Domestic and International Trade System

In 2000 the government began to elucidate the three major concepts of "knowledge economy", "sustainable environment", and "just society". In addition to aggressively investing in human resources, research and innovation, distributional channels and logistics, 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..

2010-2018: Promoting Economic Innovation and Implementing Structural Reforms

Facing the new global trend of escalating trade and economic conflicts, new orders that have not yet been established, and the paradigm shift caused by the digital trends such as Artificial Intelligence and Blockchain, the government has strived to build a new economic model for sustainable development based on the core values of "innovation, employment, and equitable distribution" and the two major strategies of "accelerating investments in Taiwan" and

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“implementing structural reforms”. In this new model for economic development, innovation will provide the momentum for growth, while job creation is the priority and goal; this is also to be done alongside with equitable distribution of resources and environmental sustainability. With regards to strengthening investments in Taiwan, the government has strived to tackle the 5 major shortages concerning water, electricity, land, human resources, and talents in industry and build a better environment for investment; in addition, the government has launched the “5+2” Innovative Industries Plan along with the “Digital Country and Innovative Economic Development Program” to accelerate industrial innovation and reshape Taiwan’s global competitiveness. The government has also been actively promoting

the Forward-Looking Infrastructure Development Program, laying the foundations for national development and striving to meet the needs of new industries, technologies, and lifestyles over the next three decades. As for structural reforms, the government will accelerate financial and economic legal reforms, loosen laws and regulations regarding recruitment and employment of foreign professionals and innovation in the financial markets, and pursue rationalization of the taxation system. As for the expansion of international cooperation, the government is actively promoting the New Southbound Policy and stepping up the pursuit of forging economic and trade alliances in order to elevate the scope and diversity of Taiwan’s external economy.



Economic Development Strategy (*continued*)

1950s



Stability and Self-sufficiency

- Post-war reconstruction, initial implementation of the First Economic Development Plan in 1953
- Implementing land reform, encouraging agricultural production, and maintaining economic stability
- Development of labor-intensive, import substitution industries to reduce trade deficit

1960s



Expansion of Light Industry Exports

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

1970s



Development of Basic and Heavy Industries

- Promoting the “Ten New Major Construction Projects” and improving 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
- Improving industrial structure and increasing R&D expenditures
- Focused efforts on economic liberalization and globalization
- Increase in domestic demand and 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”
- Applying the BOT (build-operate-transfer) approach to encourage the private sector to participate in public construction
- Promoting telecom liberalization
- Promoting Taiwan’ s industrial transformation to become an "IT Nation"
- Transforming Taiwan into an Asian-Pacific Regional Operations Center

2000s



Promoting the Knowledge Economy and Aligning Domestic and International Trade System

- Elucidating the three major concepts of "knowledge economy" , "sustainable environment" , and "just society"
- Development of semiconductors, OLED controllers, biotechnology, and digital content industries
- Joining the WTO and aligning domestic and international trade system

2010-2018



Promoting Economic Innovation and Implementing Structural Reforms

- Building a new economic model for sustainable development based on the core values of "innovation employment and equitable distribution"
- Promoting the "5+2" Innovative Industries Plan to invigorate local economies and create employment opportunities
- Promoting the "Digital Nation and Innovative Economic Development Program"
- Promoting the "Forward-looking Infrastructure Development Program" to fulfill the needs of national development over the next 30 years
- Launching the "New Southbound Policy" and signing Economic Cooperation Agreements (ECA) with key trading partners to elevate the scope and diversity of Taiwan's external economy

Economic Growth



Between 1952 and 2017, Taiwan transformed rapidly from an agricultural society to an industrialized country, becoming one of the countries with the fastest economic growth in the post-World War II (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 Taiwan economy could take off. The average growth rate during this period reached 8.7%.

-1960s: With a well-established foundation for

industrial development, 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 simultaneously improved the economic health of the country. Despite the Asian Financial Crisis, the Taiwan

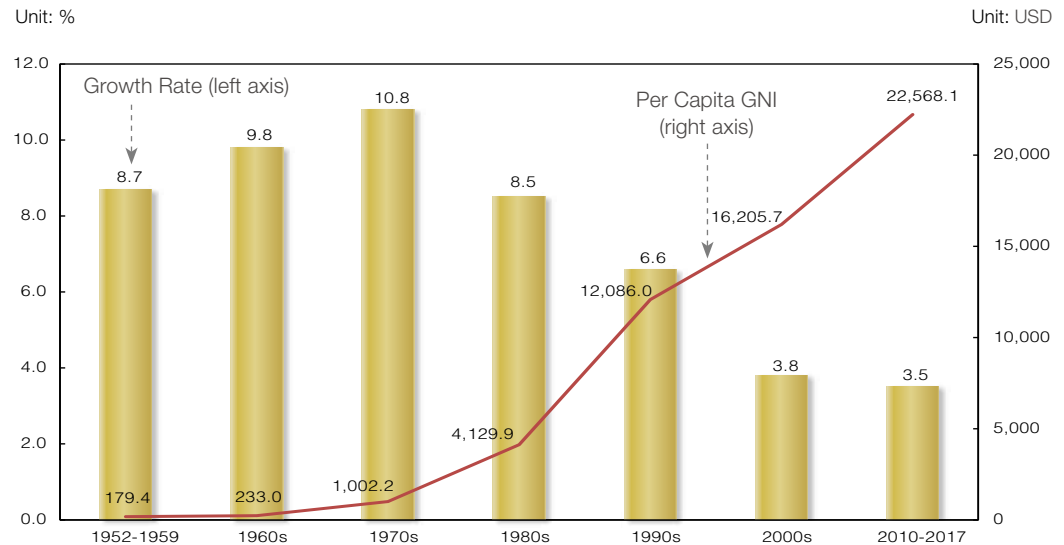
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economy grew at an average rate of 6.6%.

-2000s: Because of the 2001 global IT industry bubble, the 9/11 terrorist attack in the US, the SARS epidemic, and the 2008 global financial crisis, the pace of economic growth in Taiwan slowed down. The annual average growth rate during this period was 3.8%.

-2010 to 2017: In 2010 the economy quickly recovered, and the growth rate hit 10.6%. However, 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, leading to the slowdown of overall economic growth momentum. The average economic growth rate between 2010 and 2017 was 3.5%.

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 achieve both on strong economic growth and steady price levels. With the exception of two oil crises, prices have remained quite stable without significant fluctuations 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 period, the average growth rates of the CPI and WPI once rose to 21.1% and 24.7%, because of the first (1973-1974) and second (1979-1980) energy crises. If we take out 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 price levels.

-1990s

As China and other countries with low labor costs entered the global production system, Taiwan was working hard to liberalize and globalize its economy. Both led to low manufacturing costs, helping maintain steady price levels. The average growth rates of the CPI and WPI during this period were just 2.9% and 0.3% respectively.

-2000s

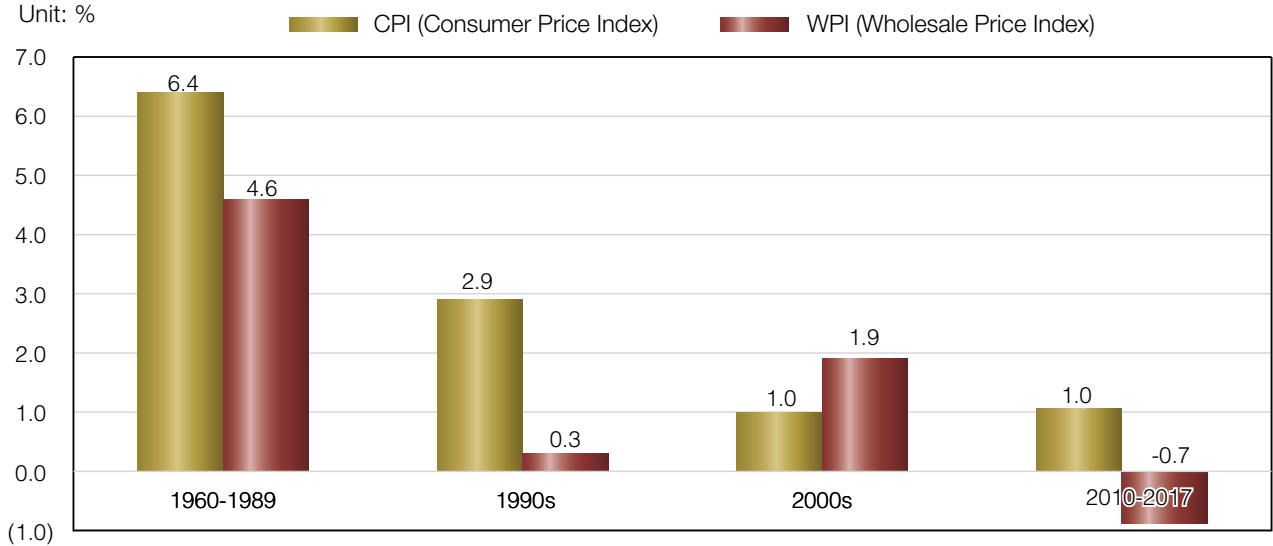
Affected by rising raw materials costs around the globe, the growth rates of the WPI averaged 1.9%. In contrast, the CPI showed zero growth in 2001 and negative growth in 2002 and 2003 due to the collapse of the global tech bubble in 2000. The growth rate of CPI jumped to 3.5% in 2008 due to rising international crude oil and raw materials prices. However, the government was able to adopt a number of stabilization measures, helping lower the average growth rate of the CPI to just 1.0%.

-2010 to 2017

Since 2010, price levels have remained steady. The average growth rate of the CPI over the period 1.0%, far lower than that of Hong Kong (3.4%), Singapore (1.9%), and South Korea (1.9%).

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CPI and WPI Increase Rates



Source: DGBAS, Executive Yuan

Income Distribution

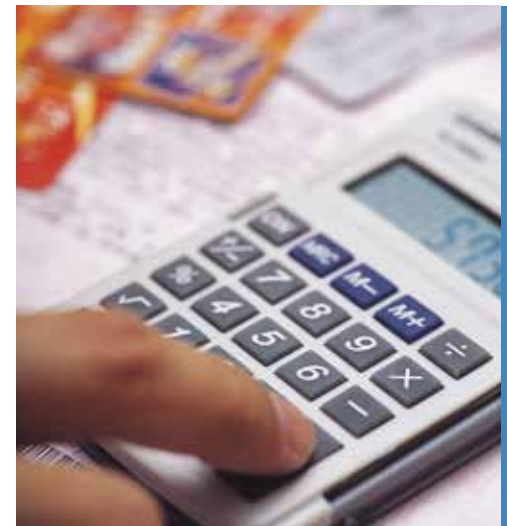
Taiwan's economy has grown rapidly over the past half century, and the average per capita gross national income (GNI) has also grown substantially. In 1952, this figure was a mere US\$208, but it passed the US\$1,000 mark in 1976, and reached US\$10,000 in 1992. In 2011, it broke the US\$20,000 barrier, and continued to rise to US\$24,984 in 2017. Remarkably, despite such rapid economic growth, Taiwan has also been able to maintain a equitable distribution of income, with the ratio between the average household earning of the top 20% group and the bottom 20% group was merely 6.07 in 2017, which is lower than that of Japan (6.43), Hong Kong (21.2), and the US (16.5), and has become a relatively equitable country in the world.

– 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 ratio of the top 20% income to the bottom 20%

dropping from 5.33 in 1964 to 4.34 in 1979.

– 1980s to 1990s: With a fast growing economy and changing industrial structure, the income gap between the rich and the poor gradually grew, but the ratio of the top 20% income to the bottom 20% stayed at around 5.3 during this period.

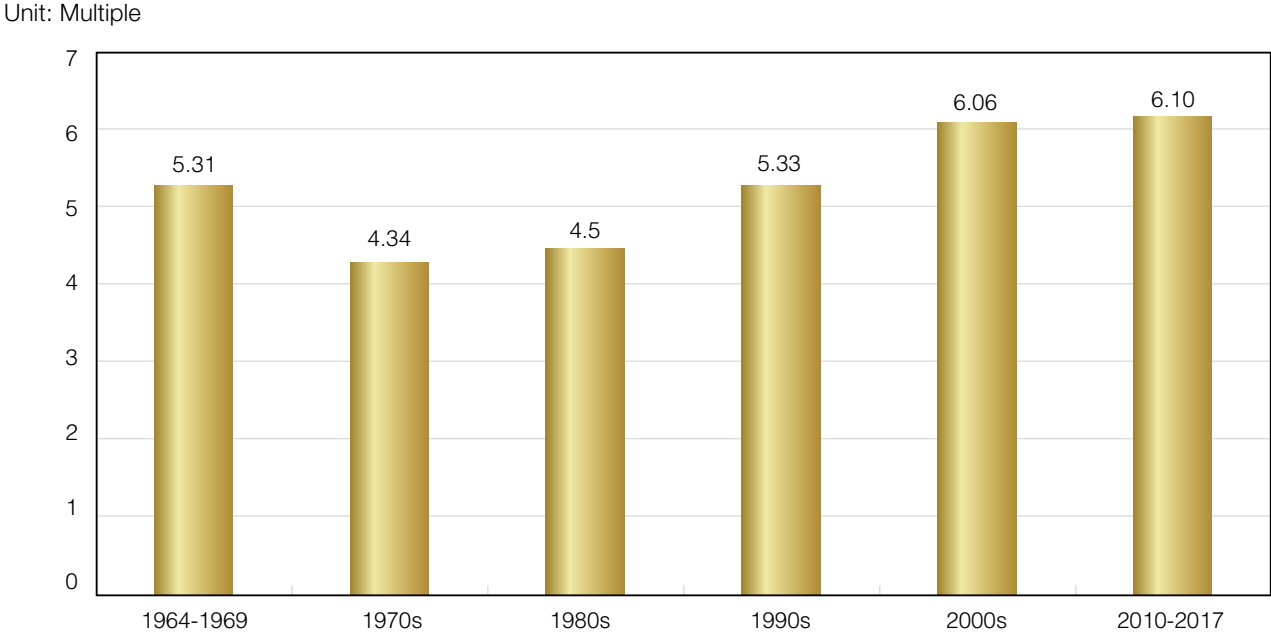
– Since 2000, Taiwan's high-tech industry has seen vigorous development, and labor-intensive industries have relocated overseas in significant numbers. As a result, the income distribution worsened, with the ratio of the top 20% income to the bottom 20% climbing to 6.39. In response, the government launched 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, however, the ratio rose to 6.34 in 2009. In recent years, besides measures to improve tax fairness and care for the disadvantaged, the government, by following international best practices, has launched measures aiming to increase the income of



households in the lowest-income bracket and strengthen the redistributive effects of transfer payments to keep improving income distribution in Taiwan. The ratio dropped to 6.07 in 2017 and averaged 6.10 over 2010 to 2017.

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



Source: DGBAS, Executive Yuan

Industry Structure

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

Agriculture was the driving force of economic growth in the early phase of Taiwan's economic development. In 1952, the share of agriculture in total employment reached 56.1%, and the share of agriculture to GDP was 32.1%. After the government adopted a strategy of "using agriculture to develop industry and industry to promote agriculture", the industrial sector rapidly grew and subsequently drove the development of service industry, leading to the falling role of agriculture. In 2017, agriculture accounted for only 4.9% of the total employment and just 1.7% of GDP.

The rapid industrialization of the economy is an important characteristic of the "Taiwan Experience". 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 shifted toward high-tech industry, and Taiwan has become a global manufacturing base for the information and communications technology (ICT) industry. In 2017, Taiwan enjoyed a global market share of



69.5% for semiconductor foundry and 48.7% for integrated circuit (IC) packaging and testing, both ranking first in the world.

Taiwan's service industry started developing vigorously in the mid-1980s as the people's standard of living increased. In 2017, the service industry accounted for 62.9% of GDP. To speed up the upgrading of service industry, the government has pushed for greater internationalization and technologization in the service industry, utilizing Taiwan's advantages in talent pools, creativity, strategic location and

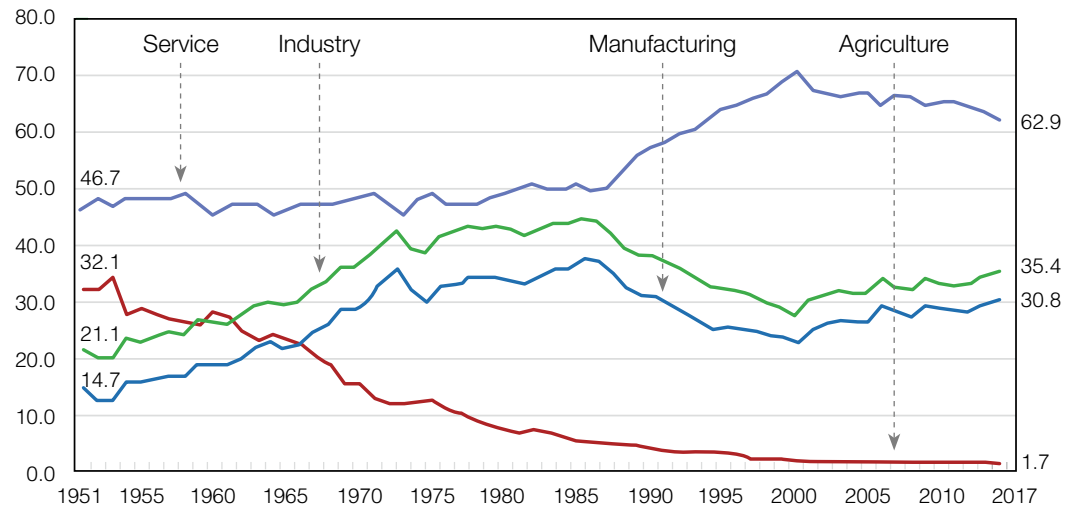
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ICT to advance the development of modern service industries such as finance, ICT and patents, and boosting the added value of traditional service industries such as tourism, culture and leisure industries.

Looking into the future, the government has determined to build on the strong foundation provided by the semiconductor industry to encourage industrial innovation through increasing local, future, and global linkages. It has selected five major innovative industries—namely the “Asia Silicon Valley development plan,” “smart machinery,” “green technologies,” “biomedical industry,” and “national defense”—along with two major industries related to sustainable development—“new agriculture” and “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 continuously enhancing Taiwan's export competitiveness. In 2017, Taiwan's total trade value reached US\$576.5 billion, and import and export values were US\$259.3 billion and US\$317.2 billion,

ranked 19th and 18th in the world respectively. 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 47.8% in 2017. As for imports, given Taiwan's lack of natural resources, agricultural and industrial raw materials have long been the most significant import categories. In 2017, agricultural and industrial raw materials made up 69.1% of imports, while capital equipment and imports of consumer products came to 16.4% and 13.1% respectively.

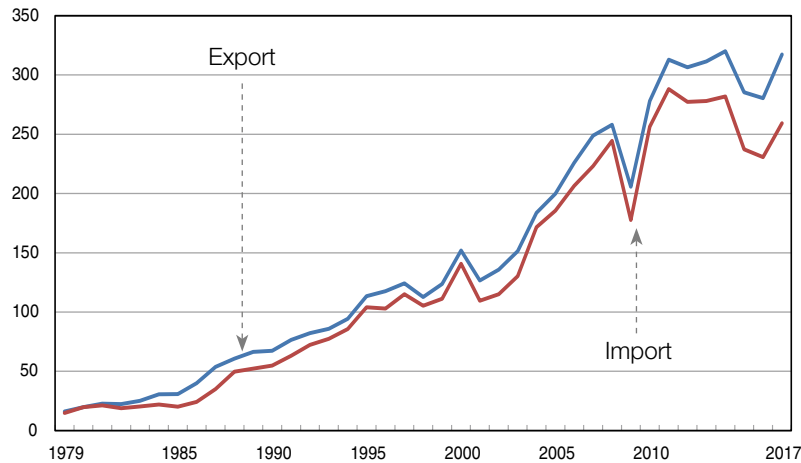
As globalization accelerated development and Taiwanese businesses became increasingly

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 41% of Taiwan's total exports in 2017. As for imports, before 1994 the US and Japan together accounted for over half of Taiwan's total imports, but by 2017, the number had shrunk to 27.8%. Over the same period, imports from China (including Hong Kong) and the ASEAN ten countries grew from 4.0% and 10.3% to 19.9% and 12% respectively.

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Import and Export Values

Unit: US\$ Billion



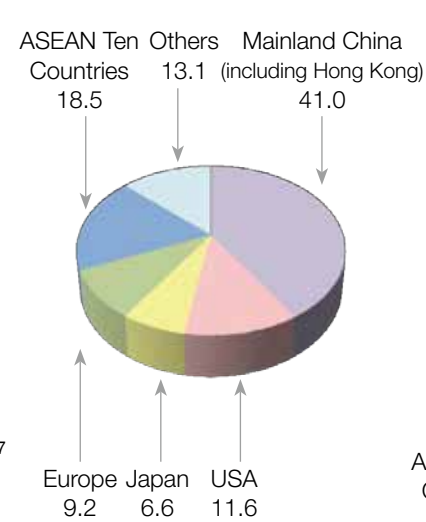
Source: Ministry of Finance

Trading Partner (2017)

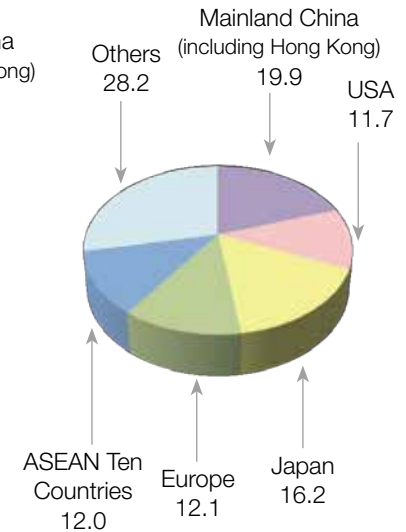
Unit: %

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%.

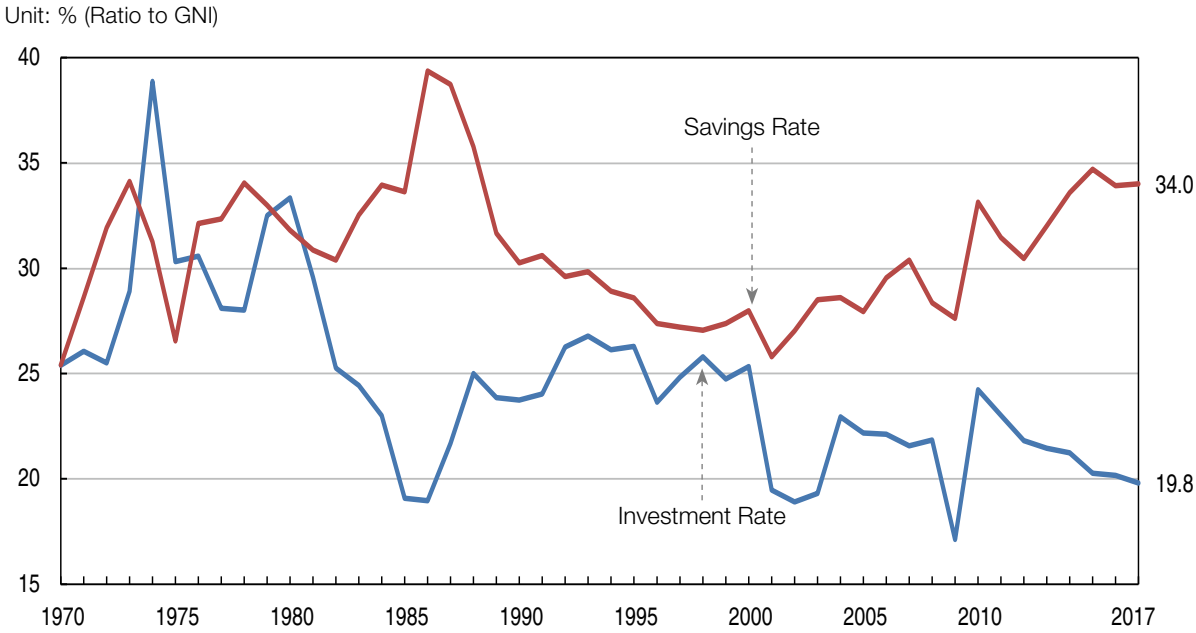
In the early 2000s, hit by the global dot-com bubble, the 911 terrorist attacks and the SARS outbreak, private investment willingness was dampened in Taiwan, with the excess savings rate reaching 9.2% in 2003. From 2004 to 2008, the investment rate increased to above 23%, as the government took vigorous actions to improve the investment environment. In 2009, impacted by the global financial crisis, the investment rate fell to 19.3%, and the excess

savings rate climbed to 10%. In 2010, however, the investment rate bounced up to 24.2%, and the excess savings rate also fell to 8.9%.

Since 2010, the investment rate has fallen year by year and decreased to 19.8% in 2017. In order to boost investment, the Executive Yuan activated the "Inter-ministerial Meetings on Accelerating Investment in Taiwan" in September 2017, to review each key problem influencing industrial development and to dedicate in loosening restrictions and overcoming related obstacles for investment, and actively implemented the "5+2" Innovative Industries Plan and the Forward-looking Infrastructure Development Program to encourage private sector investment and enhance Taiwan's economic growth potential.

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, including national class infrastructures such as freeway, 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 chemical industry, these also included new cities/towns development, and social culture and welfare related infrastructure such as local cultural centers. In the 1980s, Taiwan's national income grew quickly; to enhance Taiwan's national quality of life, the government in 1984 launched the Fourteen Important Construction Projects, including modernizing telecommunications and building the Taipei Metro system, as well as social projects like urban waste management.

In 1991, the Six-Year National Development

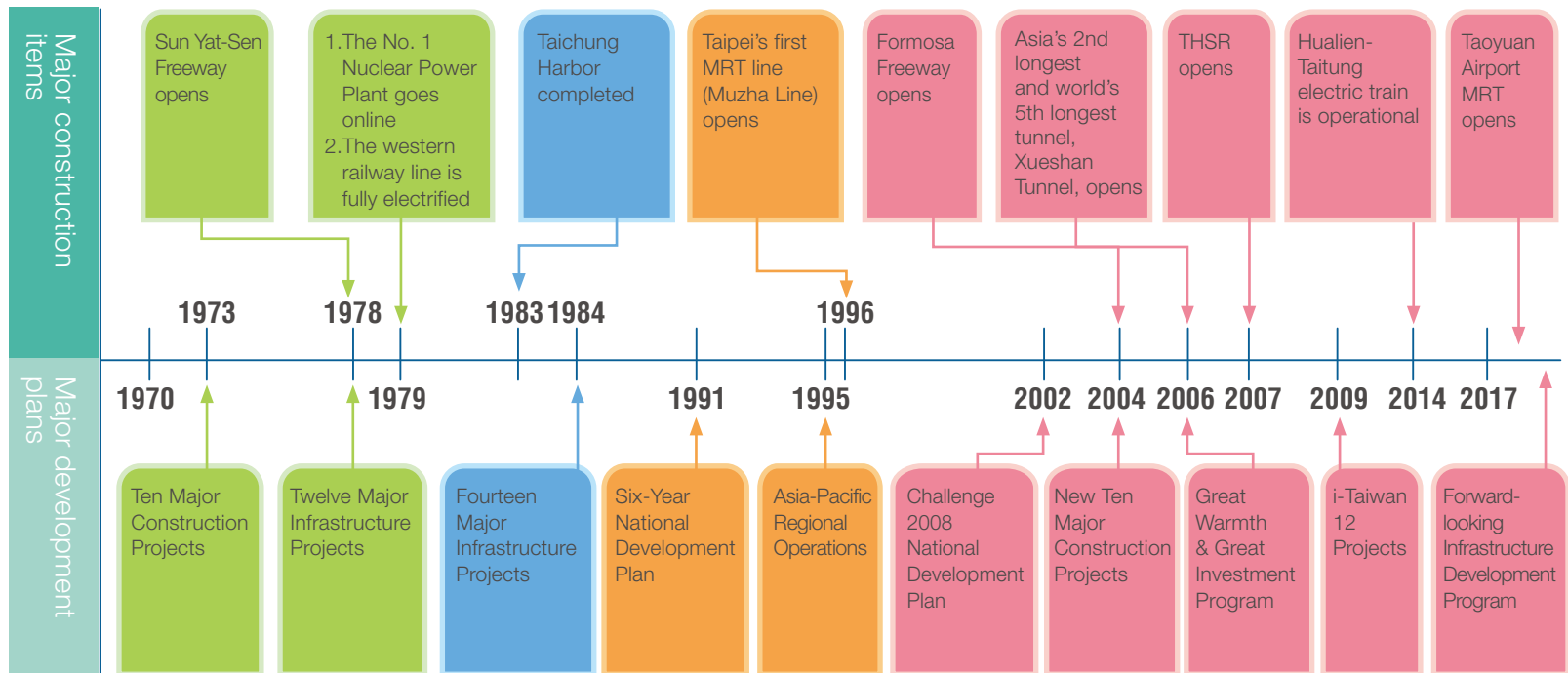
Plan was launched, greatly broadening public construction projects including electrical power, aviation, environmental protection and healthcare. To lighten the fiscal burden, the Statute for Encouragement of Private Participation in Transportation Infrastructure Projects was announced in 1994, encouraging 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.

From 2017, 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, childcare 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 2017: 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. Its figure reached a historic high of US\$9.23 billion in 2016, due to several large-scale cross-border mergers and acquisitions, and dropped back to US\$3.29 billion in 2017.

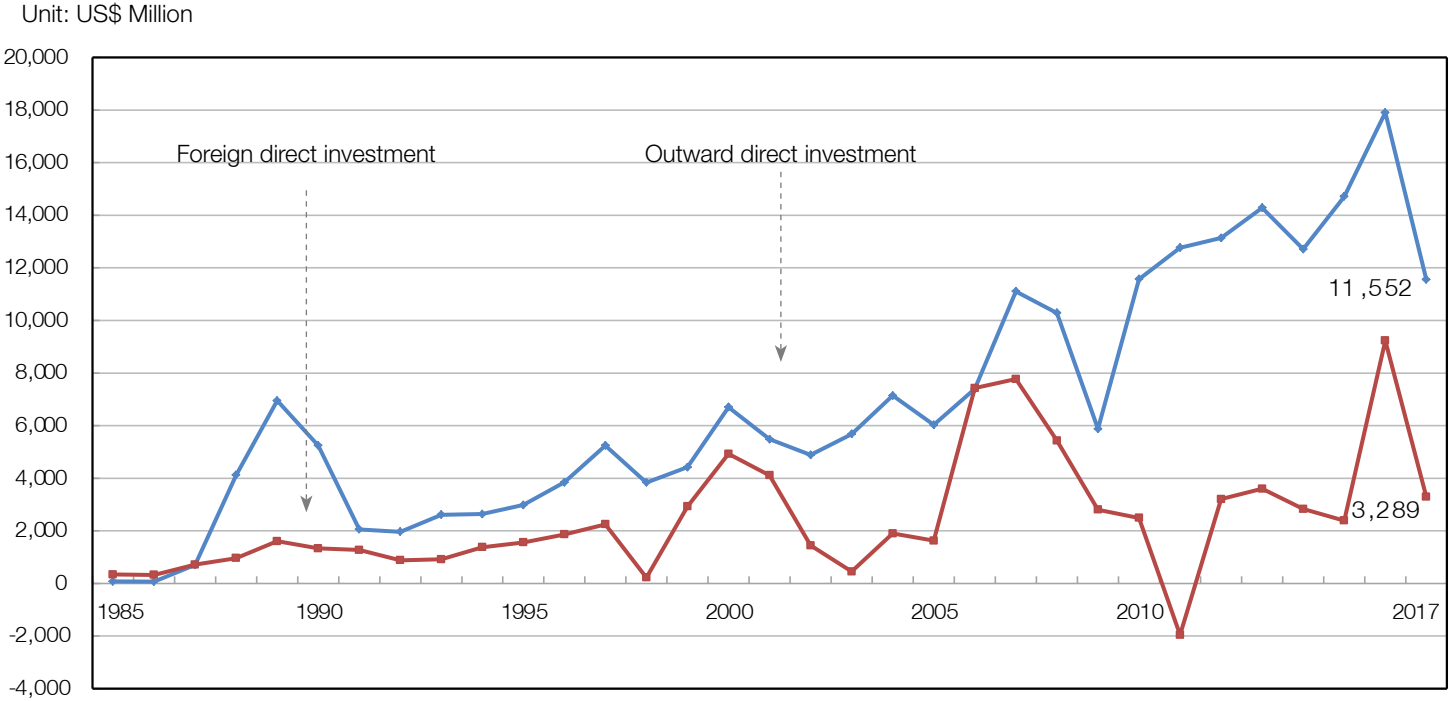
To build a better environment for investment, the Executive Yuan activated the “Inter-ministerial Meetings on Accelerating Investment in Taiwan” in September 2017, to review each key problem influencing industrial development, to dedicate in loosening restrictions and overcoming related obstacles for investment, and to pursue regulatory reforms in line with international norms and standards. Meanwhile, the government also promoted the Act for the Recruitment and Employment of Foreign

Professionals to create a living environment suitable for foreign professionals, and the “5+2” Innovative Industries Plan and the Forward-Looking Infrastructure Development Program, in hope for attracting foreign companies with key technology to invest and recruiting outstanding foreign talents to work in Taiwan.

As for outward FDI, since the late 1980s, the substantial growth of Taiwan's economic prowess and the swift development of its liberalization and internationalization have transformed Taiwan from a capital recipient into one of Asia's major outward investors. Taiwan's outward FDI started to exceed its inward FDI, making it a net exporter of capital. An important achievement was set in 2017 when Taiwan's outward FDI reached a peak of US\$11.55 billion, and its net capital outflow was equal to US\$8.26 billion. From 1985 to 2017, the cumulative outflow of FDI from Taiwan amounted to US\$226 billion.

Taiwan's Economic Development Performance

Inward and Outward Foreign Direct Investment



Source: Central Bank

Monetary and Financial Development



Financial systems play 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 systems. Before the 1980s, the government focused on the stability of the financial systems and enforced a wide range of controls. As economic development matured in and 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.

After the government allowed the new entry of private commercial banks into the banking sector, the number of domestic banks in Taiwan grew from

24 before 1990 to a high of 53 in 2000; however, an excessive number of financial institutions led to a problem of destructive competition. To promote the asset quality and international competitiveness of financial institutions, the government is actively pursuing financial reforms and encouraging bank consolidation, and the number of domestic banks has dropped to 38 as of the end of 2017. In the meantime, the organizational health and structure of banks are becoming more robust, and the Non-Performing Loans (NPL) Ratio of domestic banks has dropped from 11.74% in the first quarter of 2002, to 0.28% as of the end of 2017.

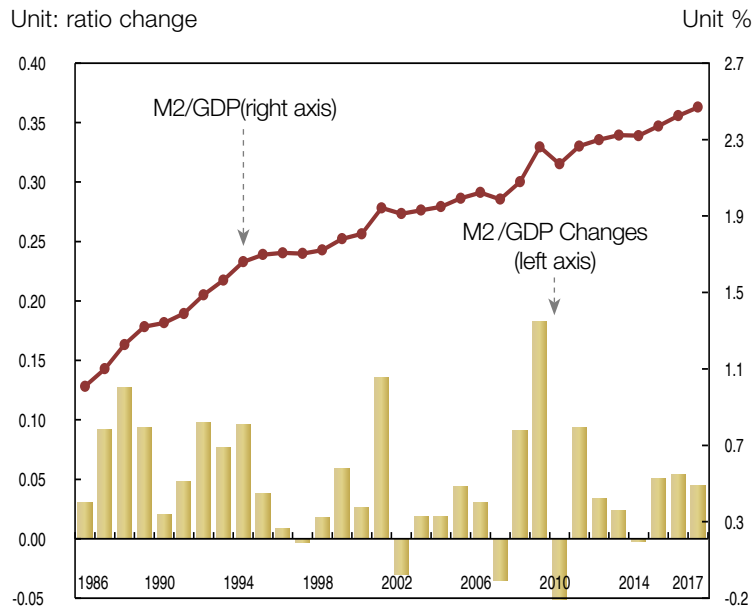
With the respect of financial internalization, the government is actively establishing a regulatory environment aligned to international financial laws and norms, and encouraging financial institutions to develop diverse global services and pursue overseas expansion. Since the government allowed banks to manage OBUs (Overseas Branch Units) at the end

of 1983, a total of 61 OBUs have been established as of the end of 2017, with OBU assets totaling US\$ 202.9 billion. In addition, Taiwan implemented the "Financial Technology Development and Innovative Experimentation Act" in April 2018 to promote innovation in financial technology, becoming the fifth country with regulatory sandbox system following the UK, Singapore, Australia, and Hong Kong, and the first country to enact the system into law.

Looking ahead, the government will continue to consolidate the financial environment and promote green finance to support the economic structure transformation and the development of innovative industries; at the same time, 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.

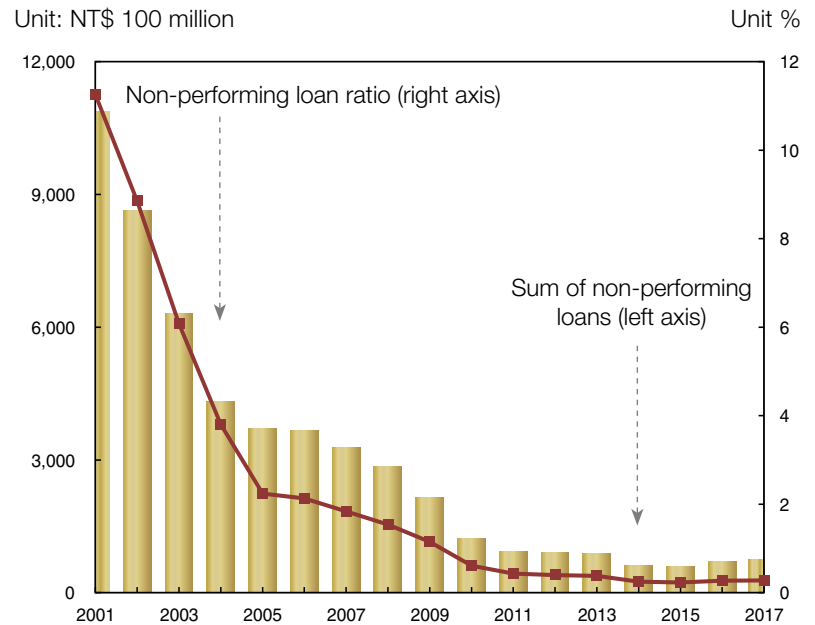
Taiwan's Economic Development Performance

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, Taiwan's financial incomes and expenses were largely maintained at a balanced state. However, the government activated a series of major public infrastructure projects and social welfare programs since 1991, leading to a drastic rising in fiscal deficits. In FY 1992 and FY 1993, government spending amounted to 30% of GDP, and as the growth of financial expenses greatly outstripped 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 tax system reforms in June 1996 to evaluate the structure of fiscal expenditures and issue of the financial deficit, with the purposes of reducing the imbalance between revenues and spending for a more robust taxation system. After that, the central government debt-to-GDP ratio was reduced to 13.6% in FY 1999, while

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

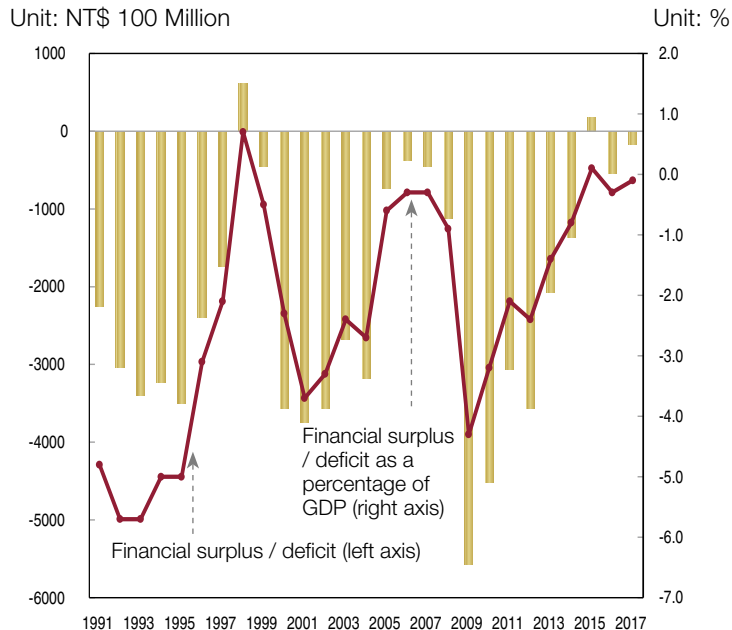
After 1999, with the slowing growth of financial income and rapid increase in social welfare expenses, which included the reconstruction expenditure for the great devastating 921 earthquake in 1999, the fiscal deficit reached as high as NT\$ 374.9 billion in FY 2001. After 2002, with the increasing tax revenues and controlling growth of expenditures, the deficit-to-GDP ratio dropped from 3.7% in FY 2001 to 0.3% in FY 2007. However, in 2008, the government initiated an economic revival program to counter the global financial crisis and allocated a special budget for the reconstruction of Typhoon Morakot; as a result of reduced tax revenues and a significant increase in government expenditure, the fiscal deficit rebounded to 4.3% of GDP in

FY 2009, and meanwhile the central government debt-to-GDP ratio climbed from 13.6% in FY 1999 to 31.8% in FY 2009.

Since 2010, the government finance has gradually improved owing to economic revival and government austerity measures, as a result, the fiscal deficit-to-GDP ratio reduced year by year from 3.2% in FY 2010 to 0.1% in FY 2017, and the central government debt-to-GDP ratio also reduced from 32.1% in FY 2010 to 30.8%. Looking to the future, the government will continue making effort to improve the fiscal structures by means of comprehensively evaluating the effectiveness of utilizing financial resources, strengthening debt supervision, implementing fiscal discipline, enhancing local government financial counseling, and promoting tax reforms.

Taiwan's Economic Development Performance

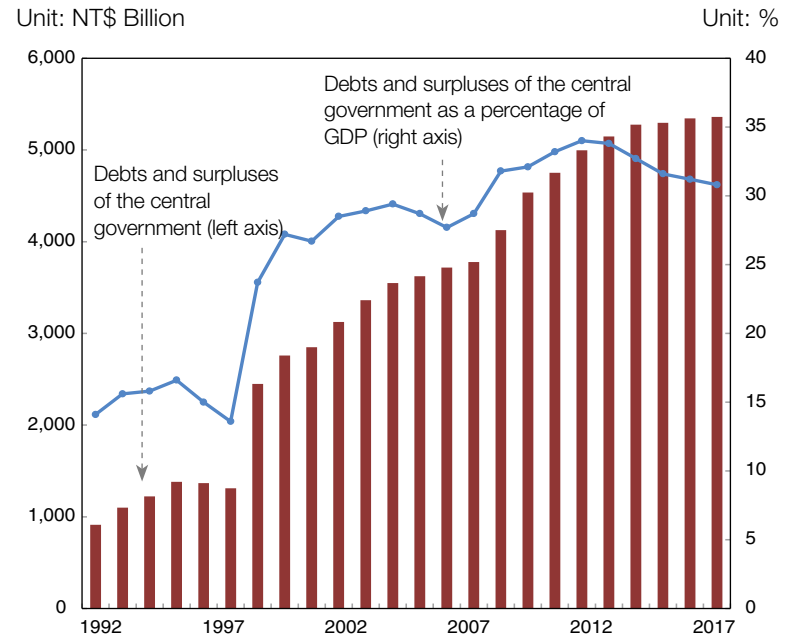
Financial surplus / deficit



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 numbers of approved accounts were used prior to 2016 (inclusive), while the numbers of accounts were used for 2017

Source: Ministry of Finance

Labor and Employment



In 1978, the share of Taiwan's population aged 15 years old and over was 63.5%; given the higher fertility rate, this figure rose year by year to 70.3% in 1990, and even reached to 86.94% in 2017. However, as youths pursued higher levels of education, Taiwan's labor participation rate dropped from the peak value of 60.9% in 1987 to a historical low of 57.2% in 2001; after that, since female labor participation rate rose from 46.6% in 2002 to 50.9% in 2017, it allowed overall labor participation rate to rise again to 58.8% .

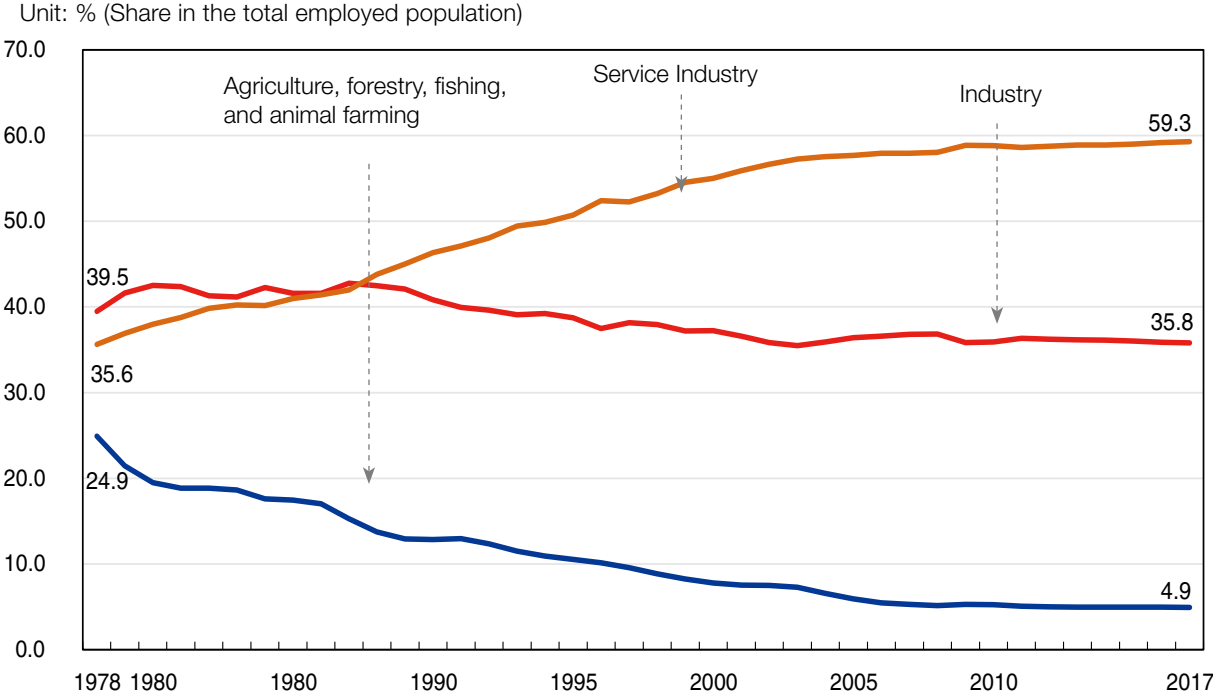
Prior to 1995, Taiwan's unemployment rate tended to fluctuate between 1.5 to 2.0%. After that, the ongoing process of industrial structure transformation caused a sequential increase

to unemployment rate, which reached to 3.0% in 2000. Then the global dot-com bubble in 2001 led to an economic downturn in Taiwan, causing structural unemployment continued to increase, so the unemployment rate rose to 5.2% in 2002. The government then initiated measures to facilitate employment, allowing the unemployment rate to fall year by year until it dropped to 3.9% in 2007. In the second half of 2008, the global financial crisis caused the unemployment rate to increase again, climbing to 5.9% in 2009. Since 2010, the government actively expanded and created employment opportunities, helping to gradually reduce unemployment rate, which dropped to 3.8% in 2017.

As Taiwan progressed from an agricultural society to an industrial economy, its employment structure underwent significant changes. The share of people employed in the agricultural sector dropped from 24.9% in 1978 to 4.9% in 2017. For the industrial sector, the share of people employed rose from 39.5% in 1978 to a peak of 42.8% in 1987, then turned with a generally downward trend, and fell below 40% in 1991; since 2001, this figure fluctuated between 36% and was 35.8% in 2017. For the service sector, the share of people employed rose from 42.0% in 1987 to 59.3% in 2017, showing that the service sector has become the largest source of employment.

Taiwan's Economic Development Performance

Employment Structure



Source: DGBAS, Executive Yuan.

Education



Taiwan is lack of natural resources, and the continuous improvement of the human capital quality has become a crucial element in sustaining its economic growth. In the 1950s, Taiwan's compulsory education was limited to the 6 years in elementary school; since 1968, the government began promoting to extend the compulsory education from 6 to 9 years, and the promulgation of the Compulsory Education Act in 1982 formally initiated the 9-year compulsory education; in 2014, the 12-year National Education was formally enforced, extending compulsory education to cover upper secondary education. The significant

reform to compulsory education has reduced the illiteracy rate from about 10% in the 1980s to 1.2% in 2017. In addition, with the arrival of the digital era, promoting digital learning has become one of the key points of Taiwan's education policy; in terms of Information access, the rate of personal internet access and household connectivity in 2017 were 82.3% and 85.1%, respectively.

Taiwan's education policies not only focus upon coverage, but also improvement to quality. Since private interests were free to establish new universities in 1996, the proportion of graduates with tertiary education rose to 23% in 2011, exceeding those with only primary education (21.2%) for the first time; in 2017, the proportion of the population with tertiary education continued to grow and reached 44.6%, which was higher than the ratio of people who received secondary education (42.6%), while the proportion of people who only received primary education dropped to only 11.6%. These figures show that the government has achieved significant results in promoting human resources in Taiwan.

As for the globalization of education systems, the

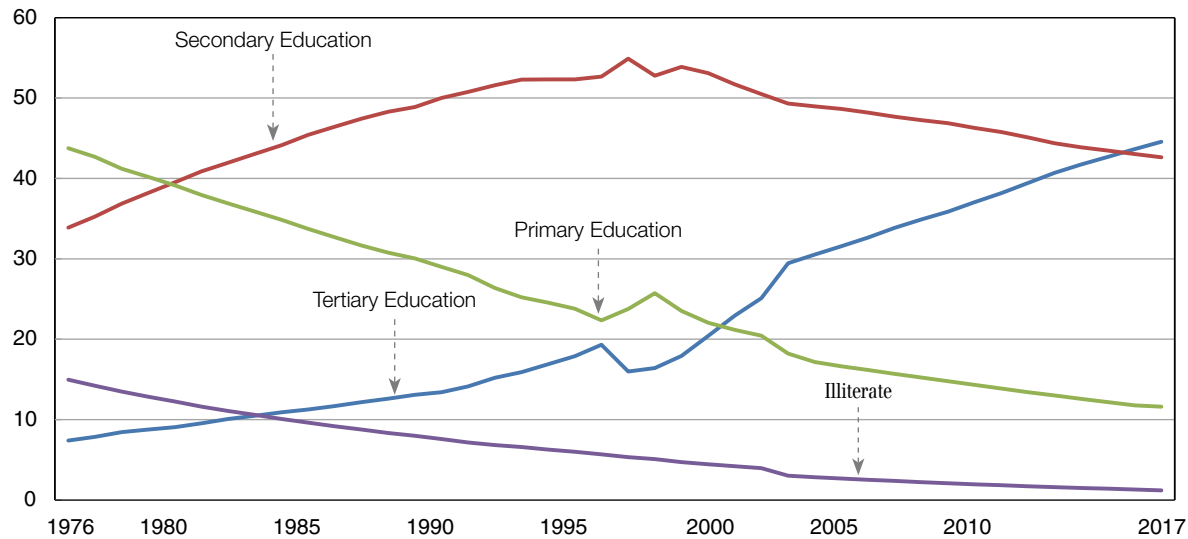
government has actively encouraged overseas marketing Taiwan's higher education institutions, creating friendly and global campus environments, and promoting advantages of studying in Taiwan so as to attract overseas students. In 2017, the number of overseas students who received higher education in Taiwan rose to 117,970 individuals, a figure that grew by nearly 4.4 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 will comprehensively revise outdated regulations and pedagogical R&D systems, and promote 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



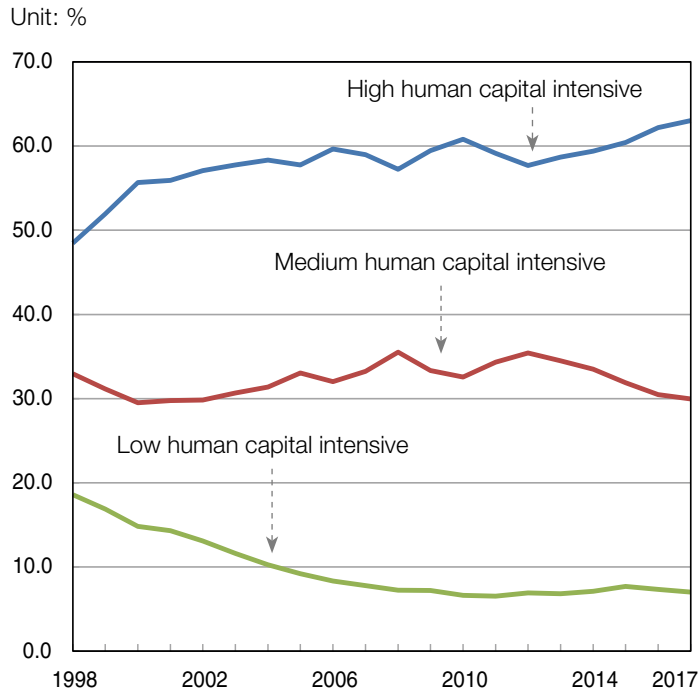
Technology development is a key factor that drives industry upgrade. In the early 1950s to mid-1980s, Taiwan focused upon developing labor-intensive industries; by introducing foreign techniques for production, management and sales, and effectively supplementing domestic labor and capital resources, we significantly improved our global competitiveness of manufacturing industries, and laid a good foundation for the next stage of industrial transformation. After the mid-1980s, Taiwan attached high importance to develop knowledge and technology-intensive industries; based upon the expanding innovative capacities from the private sectors and the timely guidance of government policies, our industries have made great progress in enhancing technological research and development (R&D) capacities. Over the past 30years, the key results accomplished in Taiwan's technology development are as follows:

- The ratio of total national R&D expenses to GDP grew from 1.0% in 1985 to 3.2% in 2016, of which the sum of R&D expenses from private sectors overtook those invested by public agencies and departments in 1993, then continued to make rapid growth afterward. Furthermore, the number of researchers per 1,000 population rose from 1.3 in 1985 to 7.9 in 2016, and our global ranking in the Science Citation Index and Engineering Index rose to the 21th and 16th place respectively in 2016.
- In 2017, the total revenues from Taiwan's 3 major science parks (Hsinchu Science and Industrial Park, Central Taiwan Science Park, and Southern Taiwan Science Park) amounted to NT\$ 2.4615 trillion, and integrated circuits (IC) and optoelectronic industries contributed to 90.5% of this amount.
- The ratio of high human capital intensive product exports to Taiwan's total exports rose from 48.5% in 1998 to 63% in 2017.

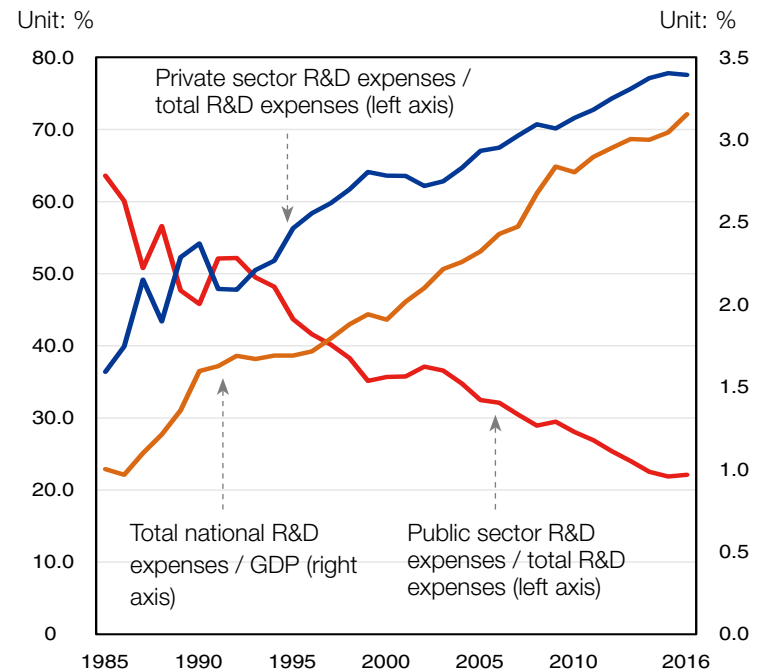
Since the global industry pattern has reversed with the rapid development of digital technologies, the government has been actively promoting the "5+2 Innovative Industries Plan and the Digital Nation and Innovative Economic Development Plan; we make effort to establish an innovative ecosphere consisting of talents, skills, fields, and industries, so as to reshape Taiwan's next-generation industries and provide an infinite power to drive Taiwan's economy. In the meantime, the government will continue to increase national R&D expenses to maintain our leading position in technological R&D capacities, and to develop forward-looking research fields and establish world-leading research groups communities; also, we will endeavor to generate the industrial benefits of technology innovations and improve industrial value added ratio, and to employ advanced technologies to create a happy and safe living environment for our people.

Taiwan's Economic Development Performance

Export structure



Technological R&D expenses



Demographic Structure



In the 1940s and 1950s, due to the postwar baby boom and inflow of a large number of people when the National Government withdrew to Taiwan in 1949, and moreover the mortality rate continued to decline owing to medical and health progress as well as national nutrition improvement, Taiwan's population grew rapidly. After the 1960s, the government actively promoted its population policy and family planning, and the values of the people changed, led to Taiwan's population grow slowly to this day. As of the end of 2017, Taiwan had a population of 23.57 million, up by 31,000 on the previous year and approaching zero population growth.

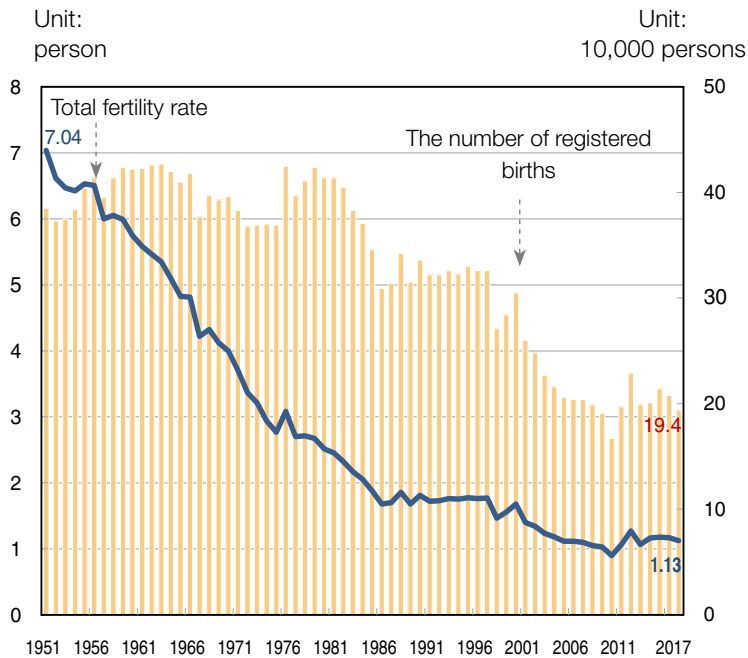
In terms of population age structure, the old-age population in Taiwan continues to grow; Taiwan became an aging society (the proportion of old-age population account for more than 7%) in 1993, and then the proportion of old-age population exceeded 14% making Taiwan a

member of the aged society club. Also, with the phenomena of women choosing late marriage, not to marry, delayed childbearing, never childbearing etc., the total fertility rate has been falling for years and down to 1.13 in 2017. After undergoing demographic structure changes and exacerbation of the phenomena of aging population and declining fertility rates, Taiwan's old-age population (aged 65 and over) exceeded the young-age population (aged 0-14) for the first time in February, 2017. In addition, the proportion of working-age population (aged 15-64) in Taiwan dropped from the peak at 74.2% in 2015 to 73.0% in 2017; however, compared to other countries, Taiwan is still in the demographic dividend era and has relatively ample manpower. Looking to the future population trends, the National Development Council projected that Taiwan's population will turn to negative growth in 2022; Taiwan will become a super-aged society in which those aged 65 years and older account

for 20% in 2026, then the demographic dividend will end in 2027, and the total population will fall below 20 million in 2054. Facing the demographic structure changes characterized by imminent population reduction, aging population and low birthrate, the government has promoted policies such as the "2018-2022 program of measures for responding to the low birthrate", "Taiwan AI Action Plan", "Act for the Recruitment and Employment of Foreign Professionals", "New Economic Immigration Bill (draft)", "Long-term Care Plan 2.0", and "Act for Employment of Middle-aged and Older People (draft)". We hope that those policies would be helpful to increase people's willingness to have children, provide the manpower needed for industrial development, build an age-friendly society, and finally achieve the Cabinet's policy goal for "raising the national birth rate".

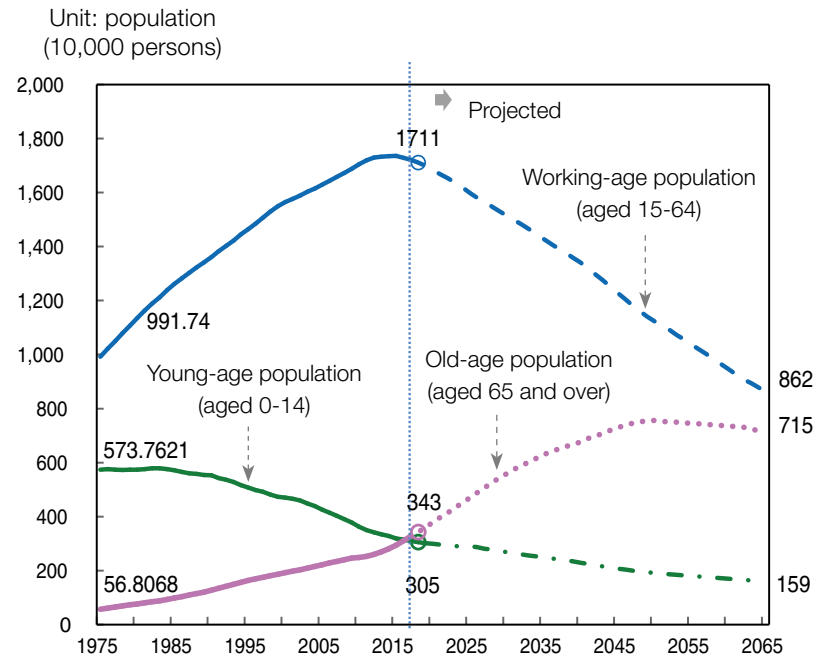
Taiwan's Economic Development Performance

Total fertility rate and the number of registered births



Source: Ministry of the Interior

Trends in population of 3 broad age groups



Source: Population Projections for the Republic of China(Taiwan): 2018-2065, National Development Council, August 2018.

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 	<p>1. Vision</p> <p>Build an advanced nation with dynamic innovation, equitable wealth distribution, social justice, and energy efficient sustainability</p> <p>2. Main administrative measures</p> <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 	<p>1. Vision</p> <p>Build a prosperous, harmonious, sustainable, and happy Taiwan</p> <p>2. Main administrative measures</p> <p>(1) Overall development measures</p> <ul style="list-style-type: none"> • Implement the Golden Decade National Vision plan <p>(2) Total commitment to the economy</p> <ul style="list-style-type: none"> • Implement The Economic Power Up Plan • Implement Measures to Consolidate and Bolster Economic Structure 	<p>1. Vision</p> <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 <p>2. Main administrative measures</p> <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

Important Economic Development Policies for 2018

With the aim of building a better Taiwan, the primary policy objective of the government in 2018 is to improve the economy by making every effort to implement important economic policies, including stimulating wage growth, accelerating investment in Taiwan, continuing to implement the “5+2” Innovative Industries Plan and the Forward-looking Infrastructure Development Program, enhancing the development of startups and digitization, and actively participating in regional economic cooperation, promoting the upgrading and transformation of industry, invigorating the economy and promote stable and healthy economic growth for Taiwan.

1. Stimulating wage growth: The action plan to raise salaries for low-income workers, which includes 10 main strategies and 37 concrete measures, has been formulated and salaries of military personnel, civil servants and teachers have been raised by 3%; the aim



is to set a example for the private sector to emulate so as to increase overall salary levels and stimulate domestic demand to move economic growth towards a positive cycle.
2. Accelerating investment in Taiwan: The “Inter-ministerial Meetings on Accelerating

Investment in Taiwan” is chaired by Premier Lai; every effort is being made to solve the “Five Shortages” (water, electricity, land, talent and manpower) that enterprises face when investing in Taiwan; a whole-new approach is also being taken to loosen

Important Economic Development Policies for 2018 *(continued)*

regulations; following the three principles of “starting from rules or ordinances, then to the enabling statute”, “collecting outside opinion to help inside evaluation”, and “periodically monitoring and assessing”, regulations and directives that are obstacles to economic development are also being loosened to optimize the environment for investing and doing business.

3. Promoting the “5+2” Innovative Industries Plan: The innovative industries plans, including Asia Silicon Valley, smart machinery, green energy technology, bio-medicine, national defense, new agriculture and the circular economy, are being continuously promoted so as to facilitate the transformation and upgrading of industry and increase Taiwan’s international competitiveness.
4. Accelerating the implementation of the Forward-looking Infrastructure Development Program: The promotion of overall forward-looking infrastructure development,

including railways, water environment, green energy, digital infrastructure, urban-rural infrastructure, friendly child rearing space, food safety and talent nurturing programs, is being expanded to lay down the infrastructure needed for next-generation national development.

5. Optimizing the investment environment for startups: The five main strategies, including: “Providing Ample Early-stage Funding for Startups”, “Developing Talent and Adjusting Regulations”, “Building Partnership between Startups and the Government”, “Providing a Variety of Exit Channels for Startups” and “Helping Startups Tap into Global Markets”, are being implemented to facilitate a vigorous development of startups.
6. Building a digital national: Programs such as the Digital Nation and Innovative Economic Development Program, the Taiwan AI Action Plan, and the Financial Development Action Plan are being promoted and related

infrastructure is being improved; STEM (Science, Technology, Engineering, and Mathematics) talent is being nurtured and regulations related to development of the digital economy is being adjusted; at the same time, startups are encouraged to use blockchain and Big Data to develop Artificial Intelligence to drive industrial upgrading and technological innovation.

7. Enhancing regional economic cooperation: The signing of bilateral and multilateral economic and trade cooperation agreements is being promoted and the incorporation into the CPTPP is being pursued; the New Southbound Policy is being promoted to create regional joint benefits; in response to the new US-China trade situation, various measures are being formulated and Taiwanese businesses overseas are being assisted in returning Taiwan for investment or moving their production base.

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