Four-Year National Development Plan (2013-2016) and Plan for National Development in 2013

Briefing

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I. Background

- 1.Since 1953, the Council for Economic Planning and Development (CEPD) has successively implemented fifteen medium-term national development plans. The latest such plan, the 16th, was drawn up by the CEPD to follow on from the completion of the Third-Term Plan for National Development in the New Century (2009~2012) at the end of last year.
- 2.As part of government reorganization, the CEPD and the Research, Development and Evaluation Commission (RDEC) are to be combined into the National Development Council (NDC), and as decided at the first meeting of the NDC Preparatory Group on March 22, 2011, the CEPD's National Development Plan and the RDEC's Policy Implementation Plan are to be combined into the National Development Plan.
- 3. The Four-Year National Development Plan (2013-2016) and the Plan for National Development in 2013 were drawn up to manifest the President's philosophy of national governance and the Premier's administrative guidelines, setting out concrete visions, goals and policy measures for national development during 2013 to 2016.
- 4. The plan was approved at the CEPD's 1,443th Council Meeting on December 17, 2012, and at the 3,329th Meeting of the Executive Yuan on December 27, 2012, and was officially launched in January 2013.

President's philosophy of national governance
Premier's administrative guidelines

 Anticipating international trends
 Grasping internal issues



- Conducting related research
- Convening conferences of experts
- ♦ Submission to CEPD council meeting
- ◆ Submission to Executive Yuan meeting

Four-Year National Development Plan (2013-2016)

- Unveiling national development vision
- Setting out overall goals and policy measures for the next four years

Plan for National Development in 2013

 Mapping out the first-year implementation plan, with setting of macroeconomic targets and realistically attainable work programs

Division of tasks

- Analyzing internal and external situations and issues: CEPD
- Formulating development visions and goals: CEPD
- Major policy pillars: CEPD conferring with 21 Cabinet agencies on the composition of plan contents.

II. Subjective and Objective Situation Analysis 1. Anticipating International Trends

(1) The global economy can be expected to grow moderately

- Global Insight has projected that the global economy will grow at an average rate of 3.5% over the next four years, and will continue to exhibit a double-track growth situation with emerging economies expanding faster than advanced economies.
- The overall growth momentum of advanced economies will stay weak, while emerging economies will continue to be the main driving force of global economic growth.
- Uncertainty factors: The European debt crisis dragging on without solution, high fiscal deficit and unemployment problems in advanced economies, and fluctuations in the international supply and demand of energy and food.



(2) Main international development trends

Economic power of emerging economies continuously increasing

Asia-Pacific systematized economic and trade integration speeding up

Population structure aging

Challenges and business opportunities of the green economy

- Accelerating urbanization and industrialization, spurring consumer market demand, and pushing up global economic growth.
- Emerging economy MNCs actively positioning globally, and rising as world-class enterprises.
- **Two main trends of Asia-Pacific economic integration:**
 - The US-led Trans-Pacific Partnership (TPP), with 11 countries formally participating in talks as of December 2012.
 - Mainland China actively participating in ASEAN's Regional Comprehensive Economic Partnership (RCEP), with announcement of formal commencement of talks in November 2012.
- Mainland China, Japan and Korea to launch 1st round of FTA talks in early 2013.
- Shrinking labor force, and potential fall in economic growth.
 Increasing spending on medical care and social welfare, and changing pattern of social consumption.
- Increasingly strict international environmental protection rules.
- Continuing development of energy conservation, resource recycling, and other green technologies, and potentially huge business opportunities for green industries.

2. Grasping Internal Issues

Need to raise economic growth vitality





economic growth.

With too little investment in R&D and an inadequate level of innovation, service industry's contribution to economic growth is not commensurate with its share of GDP. Manufacturing is excessively concentrated in the ICT sector, and its rates of value added are too low.

• Exports provide the main driving force of growth, with comparatively inadequate propulsion coming from consumption and investment.

Export markets are over-concentrated in mainland China, and export

products over-concentrated in intermediate goods. Terms of trade are

continuously deteriorating, causing real income growth to lag below

Need to create employment opportunities



The triangular-trade ratio of goods ordered from Taiwan and made overseas is too high, causing weakening in the correlation of economic growth with employment and pay.

Need to improve income distribution



Employee income share is in a long-term declining trend, with the income distribution gap growing.

Need to strengthen environmental governance



Although the results of energy saving and carbon reduction are gradually improving, per capita CO₂ emissions are still higher than in most OECD countries.

III. The Visions and Goals of National Development

1. The Visions of National Development

Prosperity

Creating a prosperous Taiwan, with the transformation and upgrading of the industrial structure, and the international alignment of regulatory systems, to become a global innovation center and logistics hub.

Sustainability

Making a sustainable Taiwan, where the economy and environment coexist in harmony, levels of culture and knowledge continuously deepen and accumulate, and national development is sustained in perpetuity.

Happy Taiwan

attaining

prosperity,

harmony and

sustainability

Harmony

 Building a harmonious Taiwan, manifesting the core values of tolerance, caring and justice, and with the fruits of the economy truly shared by all of the people.

2. Policy Planning Concepts

In face of the high uncertainties in the international economic situation, and potential downside risks, the planning of macroeconomic goals needs to dispense with the pursuit of quantity and instead focus on the raising of quality. Accordingly, the government will set its sights on speeding up adjustment of the industrial structure, and ensuring that economic growth bears greater inclusivity and sustainability.



Issues Faced

Planning Ideals

Balanced

growth

Inclusive

growth

Green growth

Policy Directions

Vision

Happy Taiwan attaining

sustaina

prosperity, harmony and ability

All-round development — realizing the golden decade

➢ Vigorous economy

➤Just society

- Clean & competent government
- Prime culture & education
- Sustainable environment
- Comprehensive development
- ≻Cross-strait peace
- ➤International amity

All-out effort to rouse the economy - raising economic driving force

- >Industrial innovation
- **≻**Export expansion
- ➤Talent fostering
- ➢Investment promotion
- ➤Government efficiency



- Expectancy of moderate growth of the global economy
- Emerging economies continuing to increase economic power
- Asia-Pacific systematized economic & trade integration accelerating
- Population structure aging
- Green economy challenges and business opportunities

Internal issues

- Economic growth vitality needs raising
- Industrial structure needs transforming and upgrading
- Job opportunities need creating
- Income distribution needs improving
- Environmental governance needs strengthening





3. The Setting of Targets

(1) Taiwan's economic outlook Domestic and international institutions forecast Taiwan's economic growth rate in 2013 at 2.7% to 4.0%, with consumer price index(CPI) increase rate at 1.27% to 2.0%. For the 4 years from 2013 to 2016, the economic growth rate is forecast to average from 4.37% to 4.46%, with consumer price inflation averaging from 1.83% to 2.0%.

Unit: %

Forecasting Institution and Date of Forecast		2013			2013-2016		
		Economic growth rate	CPI increase	Unemploy- ment rate	Economic growth rate	CPI increase	Unemploy- ment rate
Domestic institutions							
DGBAS	(Nov. 23)	3.15	1.27	—			
Taiwan Research Institute	(Dec. 14)	3.57	1.37	4.28			
CIER	(Dec. 12)	3.60	1.57	4.26			
NTU-Cathay research team	(Dec. 12)	3.88	—	_			
Academia Sinica	(Dec. 18)	3.05	1.40	4.29			
TIER	(Nov. 6)	3.42	1.34	—			
Yuanta-Polaris Research Institute	(Dec. 26)	3.48	1.41	_			
International institutions							
World Bank	(Dec. 19)	4.0	_	—	—	—	-
EIU	(Dec. 3)	2.7	2.0	—	—	—	—
Global Insight	(Dec. 15)	3.3	1.5	4.00	4.37	1.83	3.53
IMF	(Oct 9)	3.9	2.0	4.30	4.46	2.00	4.15
ADB	(Oct. 3)	3.8	1.8	—	—	—	_

Source: Each institution cited.

(2) Main macroeconomic targets

The main macroeconomic targets set for 2013 and for 2013-2016 are as shown below:

Unit: %

Item	National Plan Targets			
Item	2013	2013-2016		
Economic growth rate	3.8	4.5		
CPI increase	Not above 2	Not above 2		
Unemployment rate	4.1	3.9 (2016)		

a. Mid-term Plan (2013-2016)

Policy frame: Responding to subjective and objective conditions and challenges at home and abroad; adhering to the governing ideal of creating a prosperous, harmonious and sustainable Taiwan as enunciated in the Golden Decade National Vision; working all out to implement the Economic Power-up Plan, the Free Economic Demonstration Zone plan, and other plans, programs and projects; and through innovation, opening and structural adjustment, along with stepped up institutional adjustment and regulatory loosening, striving to raise Taiwan's economic growth potential, and ensure the greater inclusivity and sustainability of Taiwan's economy.

- Target for average annual economic growth rate set at 4.5%.
- Economic growth sources: Total factor productivity to contribute 60.44%, capital accumulation to contribute 26.89%, and labor input to contribute 12.67%.
- Target for CPI increase rate set at not above 2%.
- The unemployment rate in 2016 at 3.9% (an employment growth rate of 1.0%, and a labor force participation rate of 58.7%).

	2009-2012 average	2013-2016 average		
GDP growth rate (%)	3.54	4.50		
Growth sources (percentage points)				
Labor input	0.62	0.57		
Capital accumulation	0.78	1.21		
Total factor productivity	2.14	2.72		
Growth sources (contribution percentages)				
Labor input	17.52	12.67		
Capital accumulation	22.03	26.89		
Total factor productivity	60.45	60.44		

Input-side sources of economic growth

b. Annual Plan for 2013

Policy frame: Grasping economic recovery opportunities, strenuously implementing the Economic Power-up Plan, the Project to Strengthen the Promotion of Investment in Taiwan by Overseas Taiwanese Businesses, and other plans, programs and projects, stimulating private investment and revitalizing private consumption confidence, and expanding exports to emerging markets, to optimize the effects of strengthening domestic demand and expanding exports.

- Target for economic growth rate set at 3.8%, which is 0.65 of a percentage point higher than the DGBAS forecast of 3.15%.
- Target for CPI increase rate set at not above 2%.
- The unemployment rate at 4.1% (an employment growth rate of 1.1%, and a labor force participation rate of 58.4%).

	Real growth rate (%)	Contributions to economic growth rate (percentage points)
GDP	3.80 (3.15)	3.80
Domestic demand	3.02 (1.82)	2.45
Private consumption	2.06 (1.45)	1.10
Government consumption	0.36 (0.43)	0.04
Gross fixed investment	6.71 (3.01)	1.09
Private investment	10.25 (5.51)	1.31
Government investment	-8.04 (-8.00)	-0.19
State enterprise investment	-1.99 (-1.91)	-0.02
Increase in inventory		0.21
Net external demand		1.35
Goods & services exports	4.18 (4.15)	3.06
(Less): Goods & services imports	3.16 (2.52)	1.71

Demand-side sources of economic growth in 2013

Notes: Figures in parentheses are forecasts by the DGBAS on Nov. 23, 2012.

IV. Main Axles of National Development Policy



Economic Power-up Plan

- >Promote innovative and diverse industries
- > Develop new export markets
- ➤Cultivate industry talents

Spur investments and public constructionEnhance government efficacy

1. All-round Development: Achieving the Golden Decade National Vision







2. All-out Effort to Rouse the Economy: Executing the Economic Power-up Plan





Policy focuses

Cultivate industry talents

- Carrying out the Program to Narrow Gaps between Schooling, Training, Testing and Employment, and strengthening industry-academia cooperation; implementing the Young Talent Cultivation Initiative, to help young people enhance their employability; and establishing basic standards for occupational skills and occupational capability appraisal, to strengthen industry-schooling-training linkages.
- Putting occupational licensing into a more complete legal framework, conducting special pre-employment, on-the-job, and youth training schemes, and enhancing employment skills; and matchmaking emerging market graduating students with jobs in the enterprise sector.

- Spur investments and public construction
- Actively promoting private investment, attracting foreign firms to invest in Taiwan, and guiding venture investment into strategic service industries.
- Promoting investment in Taiwan by overseas Taiwanese firms, and implementing the Taiwanese Enterprises returning to Invest at Home Program, to encourage benchmark Taiwanese firms to come back to Taiwan; mapping out and implementing the Free Economic Demonstration Zone scheme, and providing land, labor, capital and other production inputs on more favorable terms, to create incentives to attract investment.
- Adopting innovative financial strategies to help raise funding for public works; and actively inducing participation in projects, to draw domestic capital and foreign and mainland Chinese investment into public construction.

Enhance government efficacy

- Cleaning up and reviewing idle state-owned land, vitalizing public land and assets, and developing benchmark public land, to spur regional development and vitalize local economies.
- Developing the Songshan Airport "civil aviation-related industrial corridor;" tasking TIPC with developing Keelung, Kaohsiung and other major international ports into international cruise ship hubs and shape them as all-round value-adding logistics ports; and continuing to expand Taiwan's aviation network, to spur regional and industrial development.

V. Conclusion

The 2013-2016 National Development Plan is **Taiwan's 16th mid-term national development plan, and** the Plan for National Development in 2013 is the first annual plan for its implementation. In the next four years, the government will conduct a national reformation aimed at endowing Taiwan with the means to excel. Following the President's Golden Decade National Vision and the Premier's administrative guidelines, the government will vigorously carry out the Economic Power-up Plan and other plans, programs and projects, to boost Taiwan's economic growth potential, and gradually attain the vision of a happy Taiwan that is prosperous, harmonious and sustainable.