

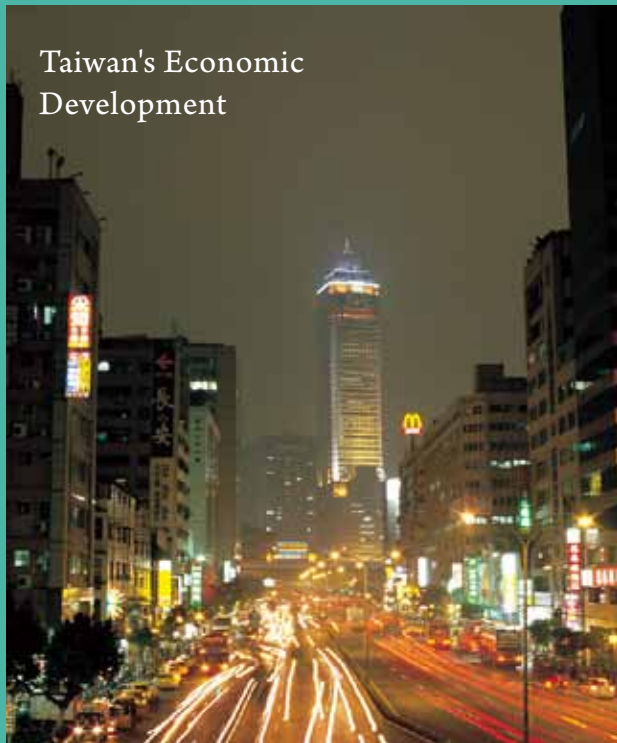
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Economic Development R.O.C. (Taiwan)



COUNCIL FOR ECONOMIC PLANNING AND DEVELOPMENT
EXECUTIVE YUAN, REPUBLIC OF CHINA (TAIWAN)

Economic Development R.O.C. (Taiwan)



Taiwan's Economic Development

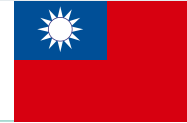
Contents

Taiwan's Economic Development Course

Geographic Features and Natural Resources	04
Economic Development Success	06
Strategies of Economic Development	08

Taiwan's Economic Development Performance

Economic Growth	14
Price Change	16
Income Distribution	18
Production Structure	20
Trade	22
Saving and Investment	24



Taiwan's Economic Development Performance

	Infrastructural Development	26
	Inward and Outward Foreign Direct Investment	28
	Monetary and Financial Development	30
	Public Finance	32
	Labor Force and Employment	34
	Education	36
	Science and Technology	38
	Social Security	40
	Mid-term National Development Plans 1953~2016	42
	Future Development Directions	45

Geographic Features and Natural Resources

Strategically located in the middle of a chain of islands stretching from Japan in the north to the Philippines in the south, and only 160 kilometers off the southeastern coast of the Chinese mainland, the island of Taiwan is a natural gateway to East Asia. Taiwan occupies an area of only 36,193 square kilometers. At mid-2012, its population stood at 23.27 million. With 643 persons per square kilometer, Taiwan



is one of the most densely populated areas in the world.

Three-quarters of the land is mountainous, with a spine-like ridge of steep mountains extending from north to south. About 60% of the land is forested, but forest resources are minimally exploited because of limited accessibility and environmental concerns. Even though only one-quarter of the land is arable, the subtropical climate permits multi-cropping of rice and growing of fruit and vegetables all year round. However, agricultural production accounted for only 1.9% of gross domestic product (GDP) in 2012.

Although Taiwan does have deposits of coal, limestone, marble, dolomite, and natural gas, it is not richly endowed by nature. Indeed, more than 90% of its energy needs are met








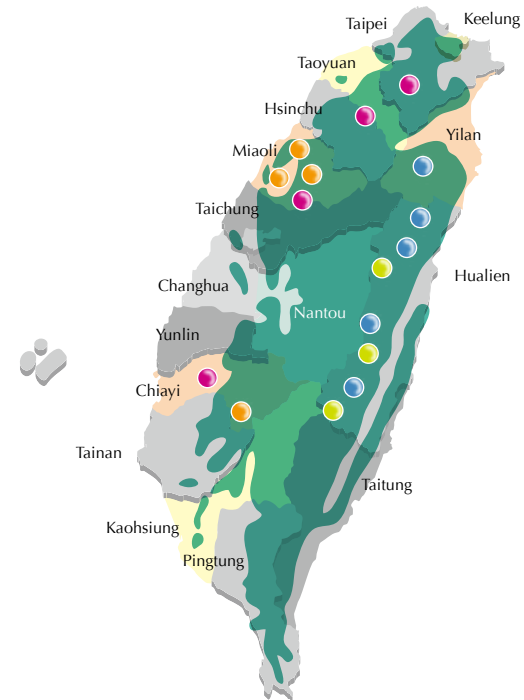
by imports, and its rapid industrialization also has relied heavily on imports of raw materials. However, Taiwan has an ample supply of human resources, the effective cultivation of which has been the key to the successful development of the economy.

POPULATION & NATURAL RESOURCES (2012)

TOTAL AREA	36,193	Km ²
TOTAL POPULATION (mid-year)	23,268	1,000 Persons
POPULATION DENSITY	643	Persons/Km ²

RESERVES

 COAL	103	Million M.T.
 NATURAL GAS	6	Billion M ³
 MARBLE	297	Billion M.T.
 DOLOMITE	110	Million M.T.
 FOREST	357	Million M ³



Economic Development Success

Occupying an area roughly the same size as the Netherlands and with only four-thousandths of the global population, Taiwan over the past six decades has achieved a remarkable record of rapid economic growth, stable prices and equitable income distribution, thanks to the joint endeavors of its people and government matched by well tailored economic development strategies. This has come to be known around the world as the “Taiwan experience.” Between 1952 and 2012, Taiwan's per capita GDP rose from US\$213 to US\$20,386; its GDP increased from US\$1.7 billion to US\$474.3 billion; and its foreign trade expanded from US\$303 million to US\$572 billion, the world's 17th largest exporter, with the 18th largest imports.

In the course of its development over the

past six decades, Taiwan has successfully transformed from an agricultural society to a key player in the global ICT industry. In 2012, Taiwan was a global top-three supplier of 35 industrial products and the world's number one supplier of 20, including, notebook computers, tablet PCs, cable TV customer premises equipment, motherboards, golf club heads, optical discs, DSL terminal equipment, LCD cams, foundry service, and wireless LAN products, highlighting Taiwan's vital role in the global technological supply chain.

The economic power attained by Taiwan is also demonstrated in its outward foreign direct investment (FDI). As of year-end 2012, Taiwanese investment in mainland China added up to US\$126.1 billion, making it the main source of foreign investment in the mainland.

At the same time, Taiwanese FDI in ASEAN countries amounted to more than US\$80.3 billion, with Taiwan ranking as the second biggest foreign investor in Vietnam and the third biggest in Thailand. According to UNCTAD's World Investment Report 2013, the stock of outward FDI from Taiwan reached US\$226.1 billion at the end of 2012, up 6.1 percent year on year. Ranking 21st in the world and 5th in Asia behind Hong Kong, Japan, mainland China and Singapore, Taiwan has become one of Asia's main providers of FDI, with its investment tentacles reaching worldwide.

Taiwan's Economic Development Course

At the end of 2012, the stock of outward FDI from Taiwan:

up **6.1%** **21st** in the world **5th** in Asia

Taiwan's Main Economic Indicators : Comparison of 1952 and 2012

	1952	2012	Average Annual Growth Rate (%)
Population (mid-year, million persons)	8.05	23.31	1.8
GDP (US\$ million, at current prices)	1,711	474,269	9.7
GDP (NT\$ billion, at constant prices)	226	14,989	7.3 (Economic growth rate)
Per capita GDP (US\$)	213	20,386	7.8
Agriculture's share of GDP (%)	32.2	1.9	—
Industry's share of GDP (%)	19.7	28.95	—
Services' share of GDP (%)	48.1	69.15	—
Merchandise Exports (US\$ million)	116	301,180	13.8
Merchandise Imports (US\$ million)	187	270,472	12.7
Foreign exchange reserves (US\$ billion)	100	403.17	6.2

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

Products of which Taiwan was the World's Largest Supplier in 2012 (20 products)

Products (Including Offshore Production)	Taiwan's Global Market Share (%)
Notebook PCs (including netbooks)	89.0
Tablet PCs	87.8
Cable CPE	86.0
Motherboards	84.5
Golf heads	80.1
Optical discs	77.0
DSL CPE	68.0
LCD monitors	67.8
Foundry	67.8
WLAN	66.9
PND	64.0
Glass fiber	60.7
IC packaging and testing	55.3
Servers	54.6
Desktop PCs	45.7
Secondary battery pack assembly	43.0
Digital cameras	41.2
PCBs	27.6
ABS	27.3
Instant noodles	23.3

Strategies of Economic Development

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

The 1950s: In Pursuit of Stability and Self-sufficiency

In the 1950s, top priority was given to economic stabilization and food production. The major tasks were to effectively utilize U.S. economic aid for development, and to make use of tariffs and import controls in fostering the development of domestic industry. A land reform program was introduced to encourage food production,

stabilize food prices, and promote social stability. At the same time, the development of labor-intensive import substituting industries was encouraged in order to lessen dependence on imports and the need for foreign exchange.

The 1960s: Expanding Exports of Light Industry

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



The 1970s: Developing Basic and Heavy Industries

By the end of the 1960s, rapid export expansion has stimulated strong domestic demand for machinery, equipment, and intermediate materials. Moreover, after many years of industrialization, Taiwan's industrial technology was more advanced, and favorable to a higher level of basic and heavy industry development. Hence, in the 1970s, the government actively

Taiwan's Economic Development Course

carried out the Ten Major Development Projects to augment railway, airport, port, electricity and other basic infrastructure, and vigorously promoted the development of the petrochemical, steel, and other capital-intensive import-substitution intermediate industries. This strategy enabled Taiwan to effectively reduce its reliance on the foreign supply of intermediate products and to speedily upgrade its industrial structure.

The 1980s: Economic Liberalization and Technology-Intensive Development

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

capital resources to develop such capital- and technology-intensive industries as electronics, information, and machinery.

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

Although rising wages forced labor-intensive industries to move offshore, Taiwan's high-quality human resources and comprehensive industrial clusters furnished prime conditions for the booming development of the IT industry. This enabled Taiwan to smoothly transform and upgrade from ascendancy in the manufacture of umbrellas and toys to ascendancy in the manufacture of IT products. In 1993, it became the world's top producer of many IT products, supplying more than half of the global market for monitors, motherboards and image scanners. In 1995, Taiwan's IT industry became the world's third-biggest producer of IT hardware, and

played an indispensable role in the global high-tech industry division of labor. Also in 1995, the government launched the Asia-Pacific Regional Operations Center (APROC) plan in a drive to enhance Taiwan's global logistics position and industrial level by developing it into an operations hub for manufacturing, transshipment and specialist services.

2000~2012: Industrial Remodeling and Global Linkage

In 2000, the government unveiled a new vision for pursuing knowledge-based, sustainable and just economic development, involving all-out investment in human resources, R&D innovation, logistics channels and the living environment, and focus on developing the semiconductor, image display, biotechnology, and digital content industries, with a view to raising the innovative capabilities of domestic industry and enhancing the people's quality of life. And on January 1,

Strategies of Economic Development (*continued*)

2002, Taiwan was formally admitted as a member of the WTO, opening a new phase in the gradual international alignment of its economic and trade systems and the repositioning of the core competitive advantages of the Taiwan economy. In the wake of the 2008 global financial crisis, the government set its sights on equipping Taiwan to grasp the opportunities of an era of change, and strengthening the nuts and bolts of Taiwan's economy, by launching the Golden Decade National Vision Plan. The plan's core strategy is to draw on the three key driving forces of innovation, openness, and structural adjustment, to create the growth path of a golden decade for Taiwan. In pursuit of the overall goals of prosperity, harmony, and sustainability, it sets out 31 main axes of policy implementation to achieve the eight main visions of a vigorous economy, a just society, clean and competent government, prime culture and education, a sustainable environment, comprehensive development,

cross-strait peace, and international amity, in an all-out effort to set national power on an upward trajectory. At the same time, the government is also endeavoring to boost the driving forces of economic growth in the four main spheres of promoting investment, bolstering infrastructure, remodeling industry, and connecting with the world.

1. Actions for promoting investment include cutting inheritance and gift taxes from 50% to 10%, reducing business income tax from 25% to 17%, and loosening economic and financial regulation, to create a freer and more efficient business environment; expanding international investment promotion, and strengthening encouragement for overseas Taiwanese businesses to invest back in Taiwan, with particular targeting of overseas Taiwanese firms that meet such criteria as having international sales of own brands or occupying a key place in international supply

chains, and providing them with a supply of the human resources they need, information on land availability, and other assistance, as a means of boosting domestic investment and increasing job opportunities; and at the same time, launching Free Economic Pilot Zones (FEPZs), with existing free trade zones as their hubs, and featuring substantial easing of all kinds of restrictions on the movement of goods, personnel, money, information and knowledge, to create a competitive investment environment.

2. Actions for bolstering infrastructure include implementation of the i-Taiwan 12 Projects and Economic Revitalization Policy-Project to Expand Investment in Public Works, with the aim of creating a prime investment and living environment; and the active creation of new ways of financing public works, by activating public assets and other such means, to source funds for major national construction projects.

Taiwan's Economic Development Course

3. For industrial remodeling, the government has targeted the active promotion of six major emerging industries (including biotechnology, and travel & tourism), four emerging intelligent industries (including cloud computing and smart electric vehicles), and ten key service industries (including international medicine and urban renewal), and has set the focal strategy of promoting “three sector four izations” (manufacturing industry servicization, service industry technologization and internationalization, and traditional industry featurization), as means of driving a new leap upward for Taiwan’s industry; and is also implementing the Project for the Renewal of Traditional Industries, to inject new elements of innovative high value, safety assurance, and eco-friendliness as growth drivers of traditional industries.

4. The enhancement of Taiwan’s global linkage is being pursued through the substantial

improvement of cross-strait relations, yielding such gains as the opening of direct cross-strait transport, the signing of the cross-strait Economic Cooperation Framework Agreement (ECFA), the Cross-Strait Investment Protection and Promotion Agreement, and the Cross-Strait Agreement on Trade in Services, and the continuation of ECFA follow-up negotiations; and at the same time, by actively joining regional integration, signing the ANZTEC economic cooperation agreement with New Zealand, and actively pursuing the negotiation and signing of economic cooperation agreements with major trade partners, to create favorable conditions for joining the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP).



Strategies of Economic Development (*continued*)

1950s



In Pursuit of Stability and Self-sufficiency

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

1960s



Expanding Exports of Light Industry

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

1970s



Developing Basic and Heavy Industries

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

Taiwan's Economic Development Course

1980s



Economic Liberalization and Technology-intensive Development

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

1990s



Promoting Taiwan as APROC and Developing the IT Industry

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

2000-2012



Industrial Remodeling and Global Linkage

- Implementing the Golden Decade National Vision Plan, with 31 main sets of measures for achieving the 8 visions of a vigorous economy, a just society, clean and competent government, prime culture and education, a sustainable environment, comprehensive development, cross-strait peace, and international amity, to create a golden decade of prosperity, harmony, and sustainability
- Promoting investment, reducing inheritance, gift and business taxes, and loosening economic and financial regulation; strengthening encouragement of overseas Taiwanese businesses to invest back in Taiwan; and launching Free Economic Pilot Zones (FEPZs), to create a competitive investment environment
- Bolstering infrastructure through implementation of the i-Taiwan 12 Projects and Economic Revitalization Policy-Project to Expand Investment in Public Works; also adopting innovative methods of financing public works, and activating public assets, to raise funding for major national development projects
- Promoting industrial remodeling by developing six major emerging industries, emphasizing the "3 sector 4 izations" strategy (manufacturing servicization, service industry technologization and internationalization, and traditional industry featurization), and promoting the renewal of traditional industries
- Stepping up global linkage; signing ECFA, investment protection and promotion, service trade, and other agreements with mainland China; pressing to join regional economic integration; and vigorously pursuing negotiation and signing of economic cooperation agreements with major trade partners

Economic Growth

From 1952 to 2012, Taiwan achieved an average annual economic growth rate of 7.3%, one of the fastest growth tracks of any country after the Second World War.

-1950s: After World War II, Taiwan actively set to work on post-war reconstruction. The government adopted a policy of “promoting agriculture to foster industry and utilizing industry to develop agriculture,” carrying out land reform to boost agricultural production and fostering labor-intensive light industries to lay a basis for industrial development. These strategies helped spur the rapid take-off of Taiwan's economy, with the economic growth rate averaging 8.4% per annum during this period.

-1960s: With solid foundations for industrial development already in place, the government turned its focus to developing export industries,

and in 1966 set up Taiwan's first export-processing zone, pursuing a policy of export expansion as a means of spurring economic growth. During this period, the average annual economic growth rate reached 9.0%.

-1970s: Despite the impact of the two oil crises, which pulled down the economic growth rates in 1974 and 1979 to 1.86% and 8.01% respectively, the government put great energy into developing heavy and chemical industries and expanding infrastructure investment. These efforts enabled the economy to maintain a robust rate of expansion, with the economic growth rate averaging 10.1% during this period.

-1980s: The government took active steps to loosen controls and protection in the economy, carrying out policies for the liberalization of finance and trade and the privatization of state-

owned enterprises. And with the establishment of the first science-based industrial park in 1980, industry entered a trend of gradual development toward science and technology orientation. During this period, Taiwan's economy grew 7.7% annually.

-1990s: As Taiwan's economy advanced steadily into the mature stage of development, per capita GNP broke above the US\$10,000 level in 1992.



Taiwan's Economic Development Performance

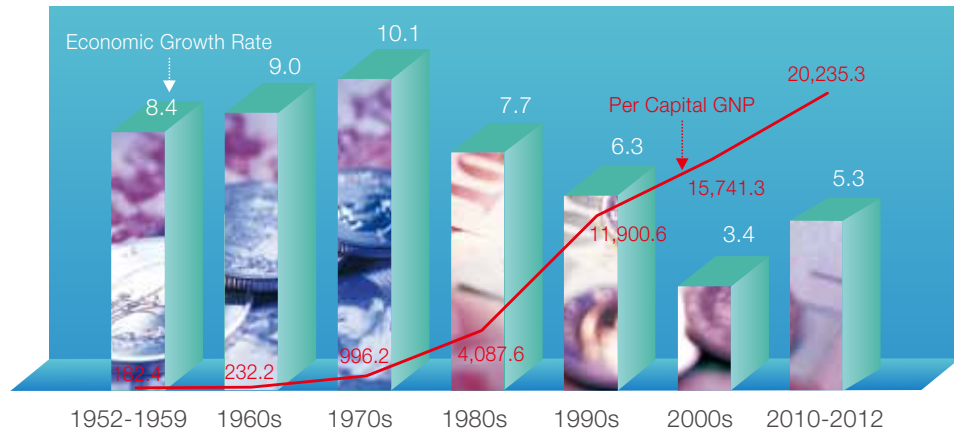
To satisfy the people's expectation for improving quality of life, the government set about an active program of investment in mass transit, freeway and expressway, environmental protection, and other such public construction projects, while striving to enhance the fundamental constitution of the economy. During this period, despite the impact of the Asian financial storm, Taiwan's economy still grew 6.3% annually.

-2000 to 2009: Despite having to contend successively with the bursting of the dotcom bubble and the September 11 terrorist attacks on the US in 2001, the SARS epidemic in 2003, and the global financial tsunami in 2008, each of which had a dampening effect on economic growth, Taiwan was able to achieve an average economic growth rate of 3.4% during this period.

-2010 to 2012: Taiwan's economy recovered

Economic Growth Rate & Per Capital GNP

Annual rate of increase (%) ; US\$



Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

quickly to post a growth rate of 10.76% in 2010. But in the next two years, the spread of the eurozone debt crisis, the weaker than expected recovery of the US economy, and the slowing

growth of emerging countries had a sapping effect on growth force as a whole, reducing economic growth to 4.07% in 2011 and 1.32% in 2012.

Price Change

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

From the 1960s to the 1980s, the consumer price index (CPI) and the wholesale price index (WPI) recorded average annual rises of 6.4% and 4.6%, respectively. During the two energy crises (1973-74 and 1979-80), the CPI and WPI increased at average annual rates of 21.1% and 24.7%, respectively. Excluding these two oil-shock periods, the average annual increases of the two indexes were only 4.1% and 1.5%, respectively, marking Taiwan out as one of the world's most price-stable countries.

In the 1990s, the active liberalization and

internationalization of Taiwan's economy, plus the entry of mainland China and other low labor-cost countries into the global production system, enabled production costs to be kept relatively low and prices to be kept at a steady level. During this decade, Taiwan's CPI and WPI rose by only 2.9% and 0.3%, respectively, per annum. From 2000 to 2006, the WPI rose at an average annual rate of 2.3% due to the impact of increasing international commodity prices. But with the popping of the global IT industry bubble in 2000, the CPI recorded zero change in 2001, followed by two years of falling prices in 2002 and 2003, and rose by an average of just 0.8% during this period.

During 2007 to 2012, inflation flared up briefly under the impact of rising international crude oil and raw material prices, but the government's

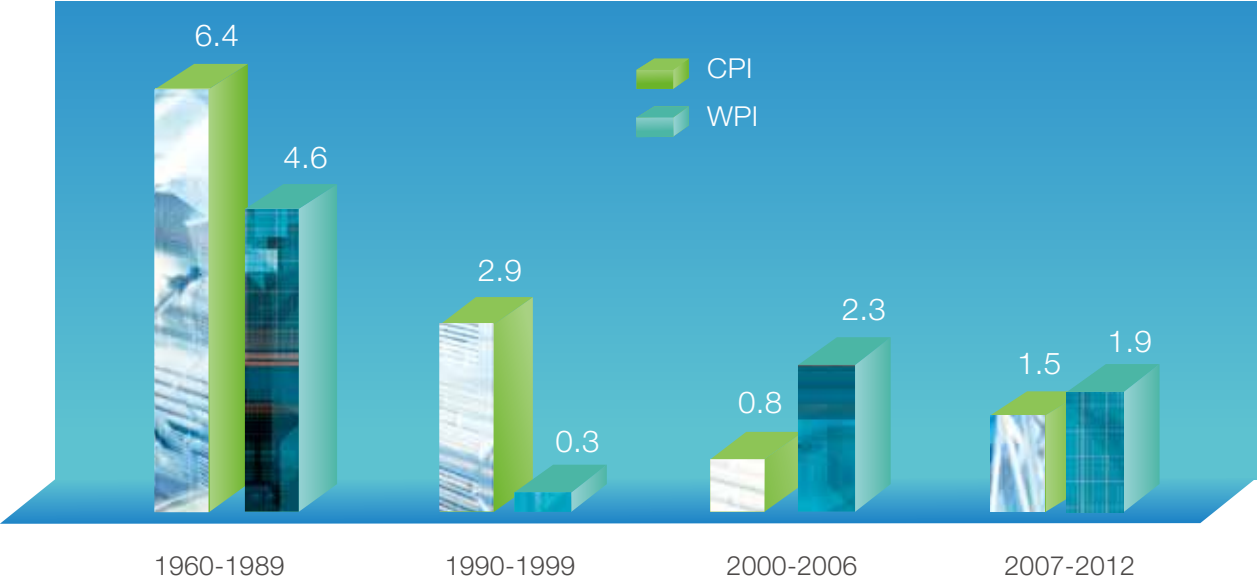


active adoption of various price stabilization measures succeeded in restoring price stability. Over this period, Taiwan's CPI rose on average by 1.5% per year, the lowest of Asia's Four Tigers compared with Hong Kong (3.1%), Singapore (3.6%) and South Korea (3.2%).

Taiwan's Economic Development Performance

Change in Price Indexes

Annual rate of increase (%)



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

Income Distribution

Thanks to its rapid economic growth over more than half a century, Taiwan's per capita GDP soared from US\$158 in 1951 to break above US\$1,000 in 1976, pass the US\$10,000 mark in 1992, and top US\$20,000 in 2011, reaching US\$20,386 in 2012. A particular distinction of Taiwan's racing growth is that it has been achieved with equal emphasis on fair income distribution. Currently, Taiwan has one of the fairest spreads of income distribution of any country in the world. In 2012, the highest quintile of income was just 6.13 times the lowest, a far



smaller gap than the United States' 9.59 (2009) and Singapore's 13.0, and less than Japan's 6.26. From the 1950s to the 1970s, while per capita GDP shot up from US\$213 in 1952 to US\$1,943 in 1979, the implementation of land reform, compulsory education, tax reform, and other such policies ensured that income distribution continued to improve, with the gap between the top and bottom quintiles of income falling from 5.33 in 1964 to 4.34 in 1979.

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

After 2000, the booming development of Taiwan's high-tech industries and the offshore migration of many labor-intensive industries caused a deterioration of income distribution, with the top-

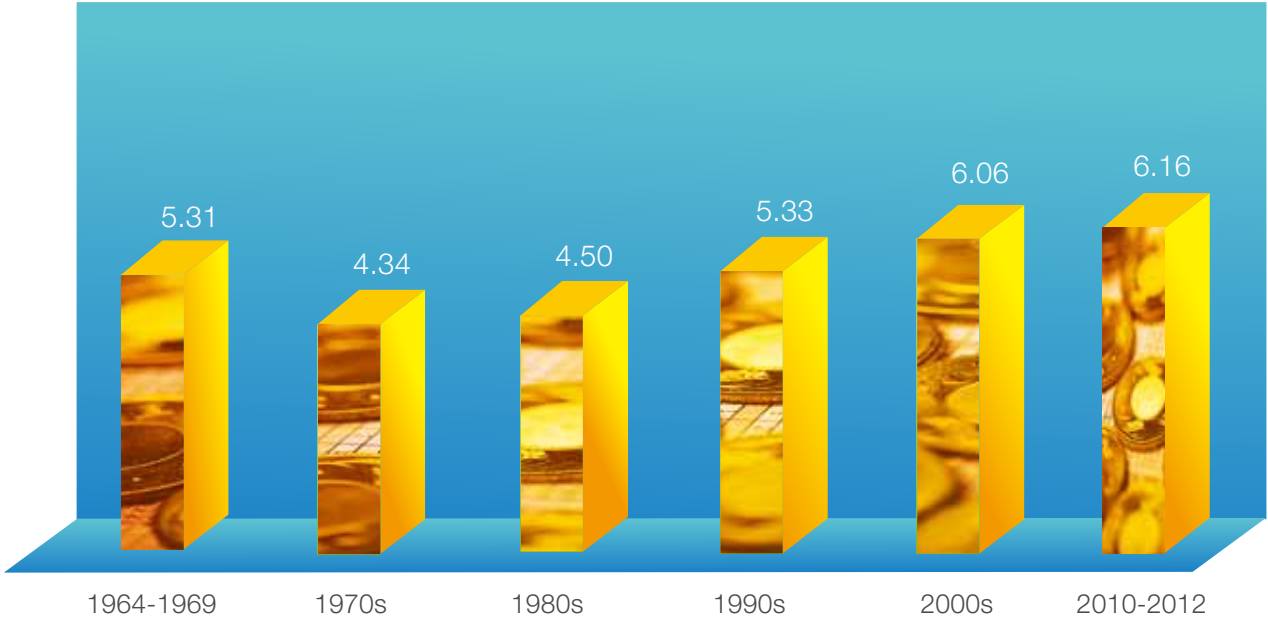


to-bottom-quintile income gap rising to 6.39 in 2001. Thereafter, the government's timely introduction of various social welfare measures helped pull it back down to 5.98 in 2007, though. The effects of the global financial tsunami in 2008 caused the income gap to widen to 6.34 in 2009. But as the government has worked actively in recent years to enhance tax justice and strengthen care for the disadvantaged, along with other measures to improve income distribution, the gap has been nudged down again, to 6.13 in 2012.

Taiwan's Economic Development Performance

Income Distribution

(Ratio of income share of highest 20% to that of lowest 20%)



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

Production Structure

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

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

the economy dwindled year by year. In 2012, the agricultural sector accounted for only 5.0% of Taiwan's employment and 1.9% of GDP.

The rapid industrialization of the economy is a main hallmark of the Taiwan experience. In the early 1950s, Taiwan's industry was limited mainly to the primary processing of agricultural and forest products. In the 1960s, the government began to set up export processing zones, utilizing low-cost labor and policy incentives to attract foreign capital and technology, and thereby spurring the speedy emergence of textile, umbrella, shoe and other labor-intensive light industries. In the 1970s, the government implemented the Ten Major Development Projects to lay a basis for the

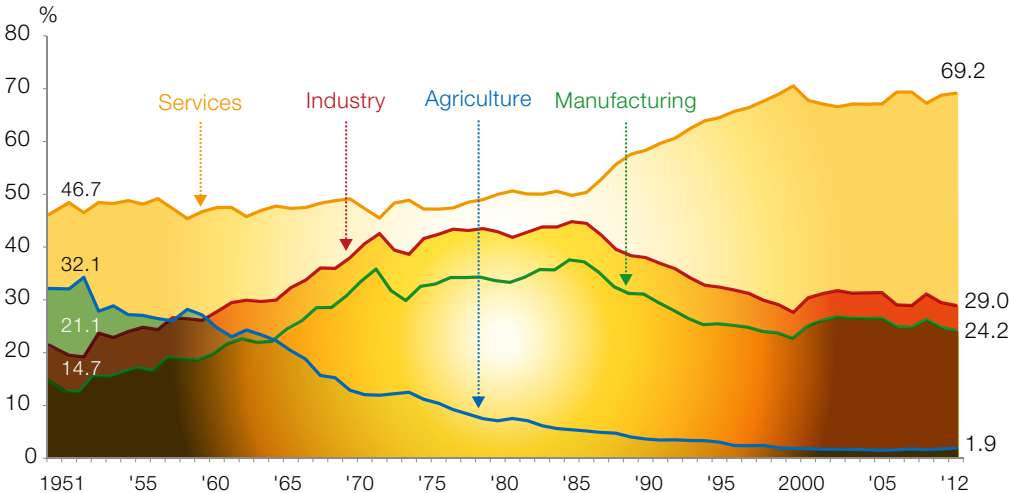
petrochemical, steel, shipbuilding and other heavy industries. Since the 1980s, Taiwan's manufacturing industry has seen a speedy transformation toward high-tech orientation, with its ICT industry gaining global renown. In 2012, the production value of Taiwan's integrated circuit (IC) industry reached NT\$1.63 trillion. Taiwan was the world's number one supplier of wafer foundry services and IC packaging & testing, with global output shares of 67.8% and 55.3%, respectively.

Since the mid-1980s, rising national living standards have spurred the booming development of Taiwan's service sector, which accounted for 69.2% of GDP in 2012. To speed up service industry upgrading, the government

Taiwan's Economic Development Performance

is vigorously promoting the technologization and internationalization of service industries, drawing on Taiwan's strengths in human resources, creativity, location, ICT and other areas to boost such traditional service industries as tourism & travel and the culture and leisure industry, while also promoting the development of the financial, insurance, computer and IT, patent, and other modernized service industries.

Gross Domestic Product by Sector



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

Trade

Surrounded by the sea, Taiwan has continuously sought outward development opportunities, seeking to expand trade links with other countries as a main driving force of its economic growth. Since the 1960s, with the government actively implementing export-oriented policies, external trade has grown rapidly. In 2012, Taiwan's total trade amounted to US\$571.65 billion (US\$301.18 billion in exports and US\$270.47 billion in imports), the 18th highest of countries and territories worldwide.

During the early 1960s, Taiwan's exports consisted mainly of processed agricultural products. With the country's level of industrialization continuously rising, the share of industrial goods in exports has stood at 99% since the turn of the century. Within this

category, the share of electronic, electrical and IT products has increased from 15.6% in 1981 to 36.0% in 2012. On the import side, owing to Taiwan's lack of natural resources, agricultural and industrial raw materials have long made up the bulk of imports, accounting for 77.2% of total imports in 2012, followed by capital goods and consumer goods with shares of 13.4% and 9.4%, respectively.

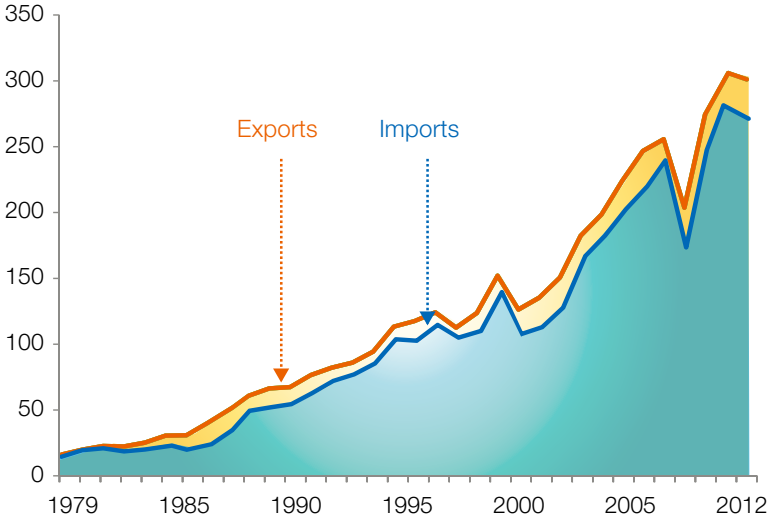
The rapid progress of globalization and the global positioning of Taiwanese businesses have markedly changed the relative status of Taiwan's trade partners. On the export side, the United States had always been Taiwan's largest export market up to 1999, but as cross-strait economic and trade relations have grown steadily closer, mainland China (including Hong Kong) has

already supplanted the U.S. as Taiwan's primary export market, receiving 39.4% of Taiwan's total exports in 2012. On the import side, up to 1994, the U.S. and Japan continuously provided more than half of Taiwan's imports; but 2012, their combined share had fallen to just 26.3%, while the shares from mainland China and ASEAN countries had increased from 2.2% and 10.3% to 16.1% and 11.6%, respectively.

Taiwan's Economic Development Performance

Exports and Imports

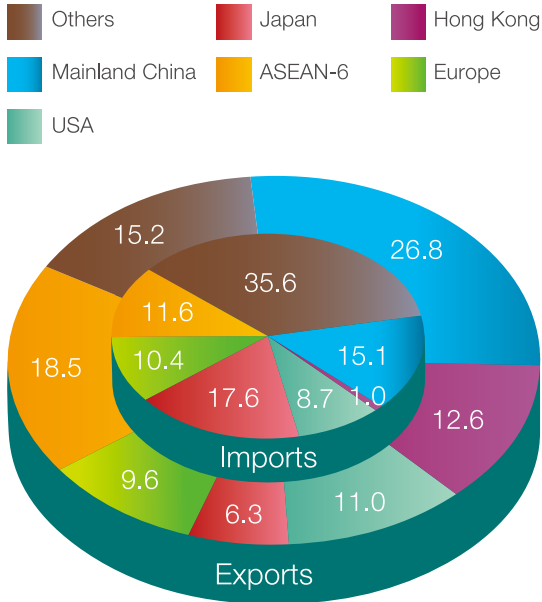
Unit: US\$ billions



Source: Ministry of Finance.

Trading Partners in 2012

Unit: %



Source: Ministry of Finance.

Saving and Investment

In the 1960s and 1970s, Taiwan's economic development displayed an economic virtuous cycle of “high saving rate – high investment rate – high economic growth.” In the 1960s, the government started vigorously encouraging people to save money with a view to accelerating capital formation, while providing tax breaks to encourage investment and raise economic growth potential. Taiwan's saving and investment rates rose from less than 20% in the early 1960s to an average of 30.9% and 29.4%, respectively, in the 1970s.

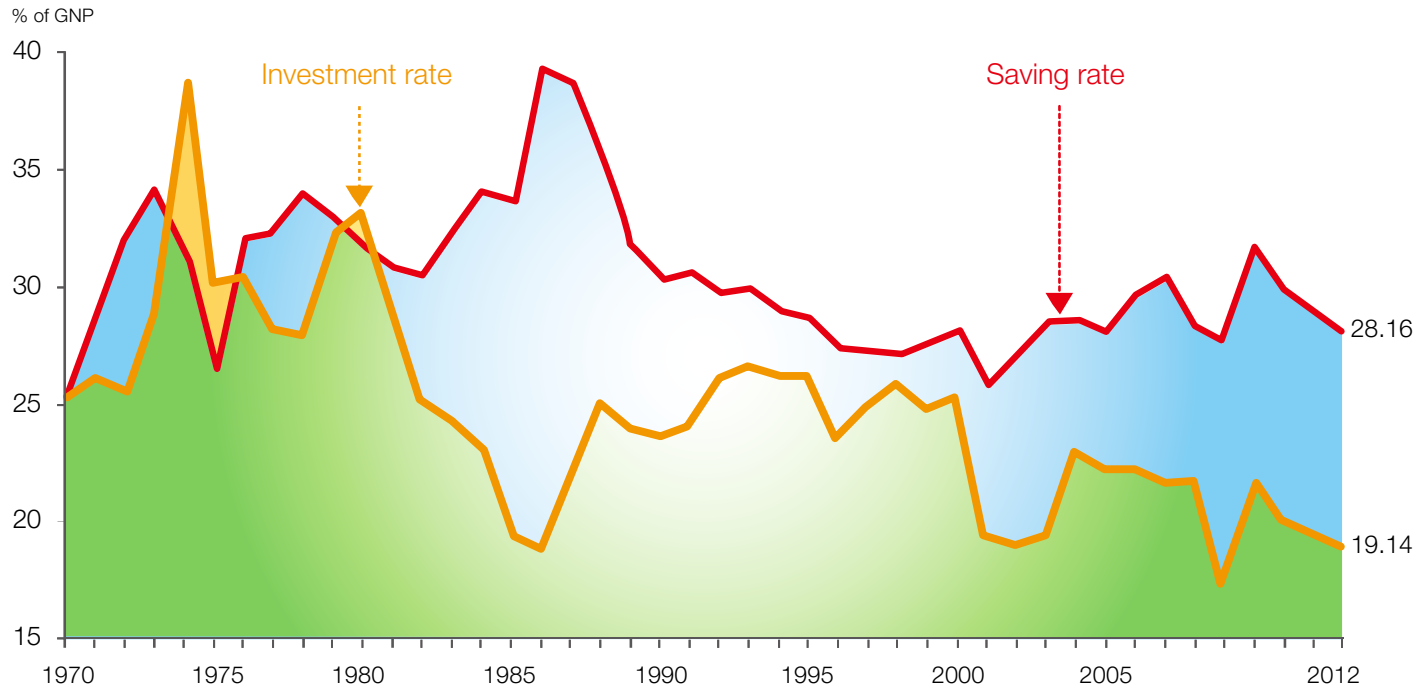
In the early 1980s, with investment willingness in the private sector sagging after the second energy crisis and public investment sharply reduced, excess saving climbed continuously, peaking at 20.4% of GNP in 1986. To correct the imbalance in the economy, the government actively pursued a policy of economic liberalization. The sharp

appreciation of the NT dollar and the steady reduction of import tariffs spurred rapid growth in private consumption, with the saving rate falling from its peak of 39.4% to an average of 28.7% in the 1990s. At the same time, with the government also actively implementing the Six-Year National Development Plan to expand public investment, the investment rate climbed back up from its low of 19.0% to an average of 25.2% in the 1990s. As a result, the excess saving rate fell to around 3.5%. In the early 2000s, private investment willingness in Taiwan was dampened by the effects of the bursting global dotcom bubble, the 911 terrorist attacks, and the spread of the SARS epidemic, with the excess saving rate climbing to 9.2% in 2003. But with the government taking vigorous action to improve the investment environment, the excess saving rate subsided to an average of 6.8%

during 2004 to 2008. In 2009, the impact of the global financial crisis caused Taiwan's investment rate to fall to 17.1%, while the excess saving rate climbed to 10.5%. When the economy recovered in 2010, the investment rate climbed back above 20%, while the saving rate also rose. During 2010 to 2012, the excess saving rate averaged 9.5%. In the future, the government will vigorously strive to draw private capital into investment, so as to bolster the fabric of the economy and build up growth potential.

Taiwan's Economic Development Performance

Saving and Investment



Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan), May 2013.

Infrastructural Development

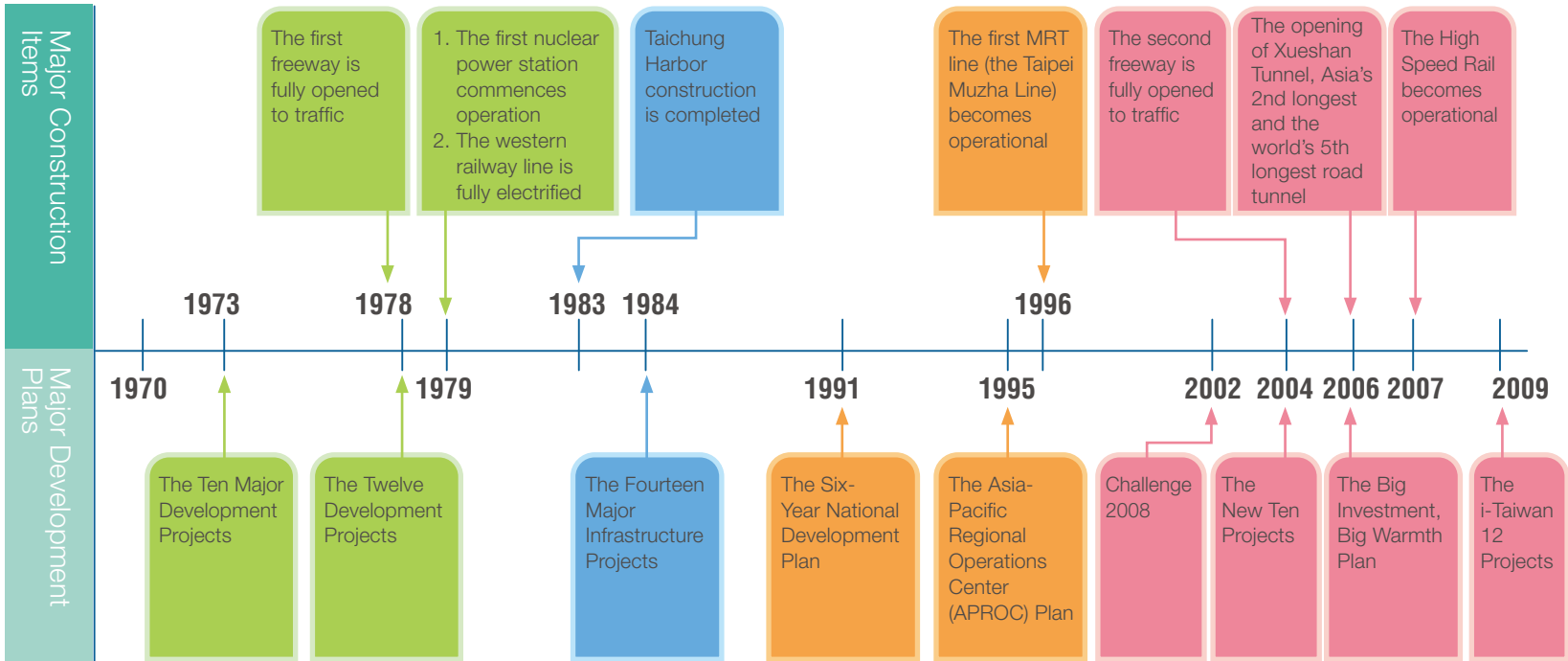
The continuous augmentation of infrastructure has been key to maintaining the growth of Taiwan's economy. In 1973, the government launched the Ten Major Development Projects, a set of national infrastructure projects for freeway, international airport, steel plant, and nuclear power plant construction, railway electrification, and other such works to drive forward the transformational development of Taiwan's economy. This was followed in 1978 by the Twelve Development Projects, which encompassed not only physical infrastructure for such purposes as developing heavy and chemical industries, but also new town development, islandwide culture centers, and other basic social, cultural and welfare infrastructure. In the 1980s, as Taiwan's national income rose rapidly, the government turned its focus to enhancing national living quality. This formed the main theme of the Fourteen Major Infrastructure Projects launched in 1984, the components of

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

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

Taiwan's Economic Development Performance

Taiwan's Major Infrastructure Development



Inward and Outward Foreign Direct Investment

Foreign direct investment (FDI) has played an important role in the process of Taiwan's economic development. The development of Taiwan's inward FDI can be roughly divided into three stages:

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

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

Adjustment period (2001 to 2012): Affected by the bursting of the global IT industry bubble, inward FDI plunged from US\$4.11 billion in 2001 to US\$0.45 billion in 2003. But after 2005, with transnational firms recognizing Taiwan's R&D

capabilities and expanding their R&D centers in Taiwan, and with an upsurge of cross-border M&A activity and private equity fund investment in Taiwan, inward FDI grew strongly again, reaching a historic high of US\$7.77 billion in 2007. However, from 2008, the shocks of the global financial tsunami and the eurozone debt crisis affected foreign investment in Taiwan, which fell to US\$2.49 billion in 2010, and turned into an unprecedented net outflow of US\$1.962 billion in 2011. In 2012, boosted by the government's active improvement of the investment environment and loosening of regulation, foreign investment rose again to US\$3.21 billion.

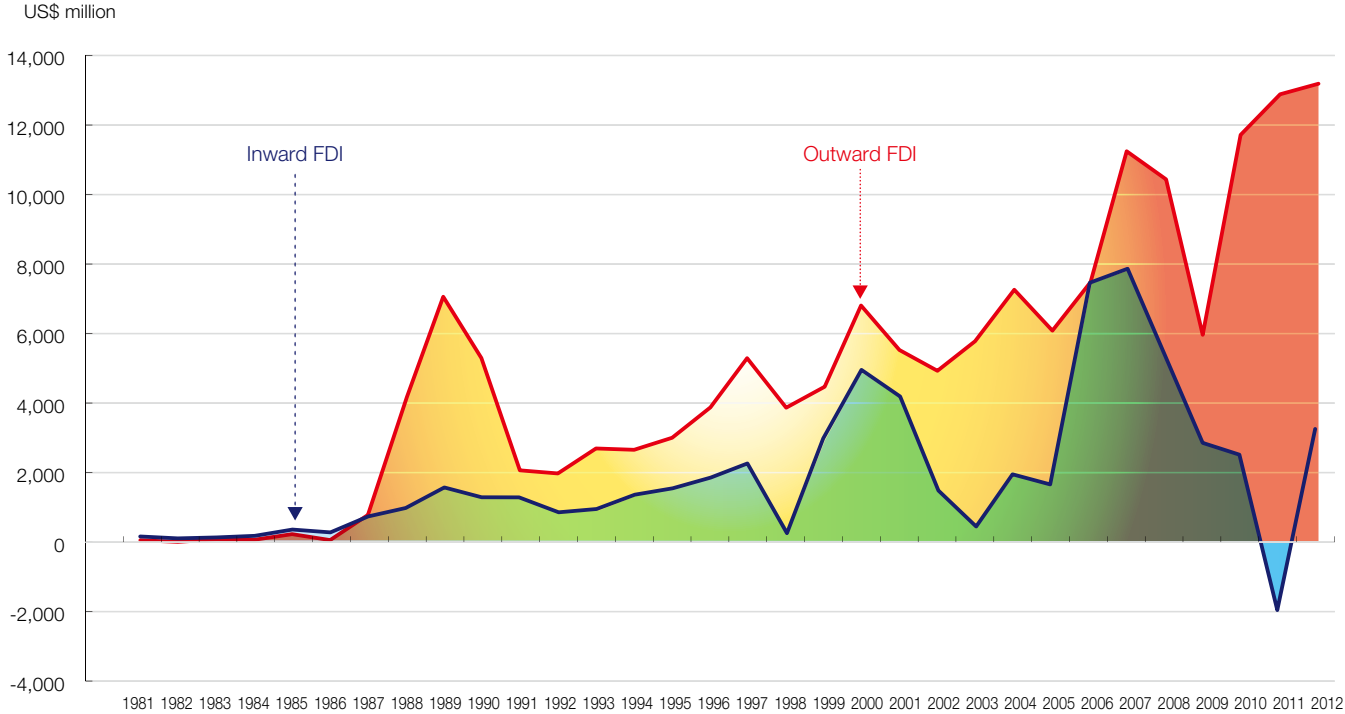
Looking ahead, the cross-strait signing of ECFA will not only promote the stable development of cross-strait economic and trade relations, but can also be expected to continue spurring the return of Taiwanese businesses from overseas

as well as an inflow of foreign investment. In addition, the government's vigorous promotion of Free Economic Pilot Zones, with their substantial easing of restrictions on movements of goods, people, money and information, plus the substantive realization of deregulation and market opening, can be expected to give a further boost to investment in Taiwan.

In respect of outward FDI, since the late 1980s, Taiwan's burgeoning economic might and the rapid progression of its liberalization and internationalization have transformed it from a capital recipient into one of Asia's main outward investors, with its outward FDI surpassing its inward FDI to turn it into a net exporter of capital. In 1989, Taiwan's outward FDI peaked at US\$7 billion, with the net capital outflow reaching US\$5.35 billion. From 1981 to 2012, the cumulative outflow of FDI from Taiwan amounted to US\$154.91 billion.

Taiwan's Economic Development Performance

Inward and Outward Foreign Direct Investment



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

Monetary and Financial Development

In the course of Taiwan's economic development, the financial system has played a vital role as a bridge between savings and investment. However, as the politico-economic environment has changed, the functions of the financial system have also undergone a major transformation. Before the 1980s, the government attached primary importance to the stability of the financial system, and hence imposed a multitude of financial controls. But after the 1980s, as Taiwan entered a mature phase of economic development, the government shifted its focus to financial efficiency, actively pursuing financial liberalization and internationalization, with successive implementation of the following financial reforms:

Banking sector opening: The Banking Act was amended in 1989 to allow applications for the establishment of new banks. Thereafter, the number of banks in Taiwan grew from 24 in 1990 to a high

of 53 in 2000. Since then, as the government has sought to raise the international competitiveness of the financial industry by actively promoting bank consolidation to enlarge banks' operating scale, the number of financial institutions has gradually decreased, with 39 players left in the market at the end of 2012.

Interest rate liberalization: Prior to 1989, bank interest rates were decided by the government. The implementation of interest rate liberalization in 1989 greatly enhanced the efficiency of fund utilization.

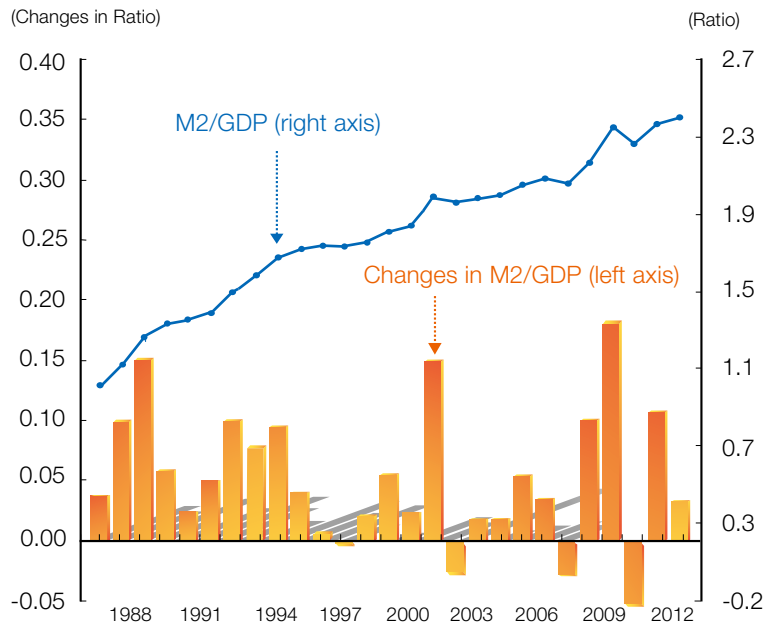
Foreign exchange liberalization: In 1978, the foreign exchange rate system was changed to the floating exchange rate system; and in 1989, the central foreign exchange rate system centered on the U.S. dollar was abolished and the foreign exchange rate was decided by market demand and supply.

Taiwan's financial reforms spurred booming development of the financial industry. Although the

Asian financial storm of 1997 delivered a heavy shock to Taiwan's financial system, causing the non-performing loan (NPL) ratio of domestic banks to climb to a peak of 11.74% in the first quarter of 2002, the government's active measures to improve the fundamental constitution of the banking sector helped slash the NPL ratio to just 0.40% in the end of 2012. Looking ahead, the government's signing of the cross-strait service trade agreement with mainland China in June 2013, plus its active promotion of financial, insurance and other modern service industry exports, can be expected to create positive conditions for expanding the market scale and raising the international competitiveness of Taiwan's financial industry.

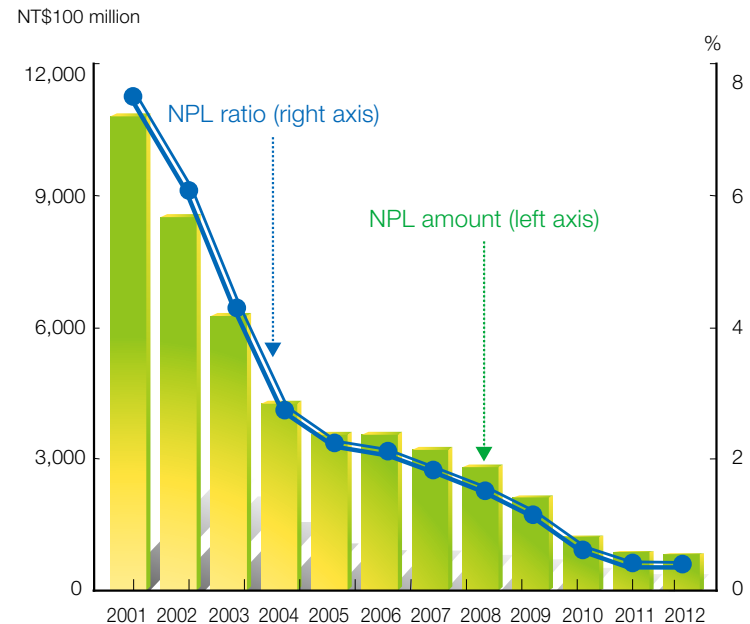
Taiwan's Economic Development Performance

The Ratio of M2/GDP and Its Changes



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

Changes in the Amount and Ratio of Domestic Banks' NPLs



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

Public Finance

Before 1990, Taiwan's public sector largely maintained a balance between revenues and expenditures. However, from 1991 onward, as the government launched a new series of major infrastructure projects and social welfare programs, the fiscal balance turned into a rapidly rising fiscal deficit. In FY 1992 and FY 1993, government spending accounted for 30% of GNP. And with the increase in public expenditures outpacing growth in revenue, the central government's debt-to-GDP ratio climbed from 10.8% in FY 1992 to 16.9% in FY 1997.

In response to this situation, the government in June 1996 introduced a package of fiscal reforms designed to reduce the imbalance between revenues and outlays and to lay the groundwork for a more rational system of taxation and expenditure, which enabled reduction of the central government's debt-to-GDP ratio to 13.9% in FY 1999. And with a big jump in the growth of tax receipts, the government recorded a budgetary surplus of

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

Subsequently, the budget slipped back into deficit, due mainly to sluggish or declining revenue growth and a rapid increase in social welfare spending, including the cost of recovering from the severe earthquake that struck Taiwan on September 21, 1999. Having reached as high as NT\$374.9 billion in FY 2001, the fiscal deficit began to fall again in FY 2002 as revenues increased and expenditure was brought under control, with the deficit-to-GDP ratio decreasing from 3.8% in FY 2001 to 0.4% in FY 2007. However, after the global financial tsunami struck in 2008, public spending increased sharply as the government took active measures to revitalize the economy, with the fiscal deficit climbing to 4.5% of GDP in 2009. At the same time, the central government debt-to-GDP ratio climbed from 13.9% in 1999 to 33.1% in 2009.

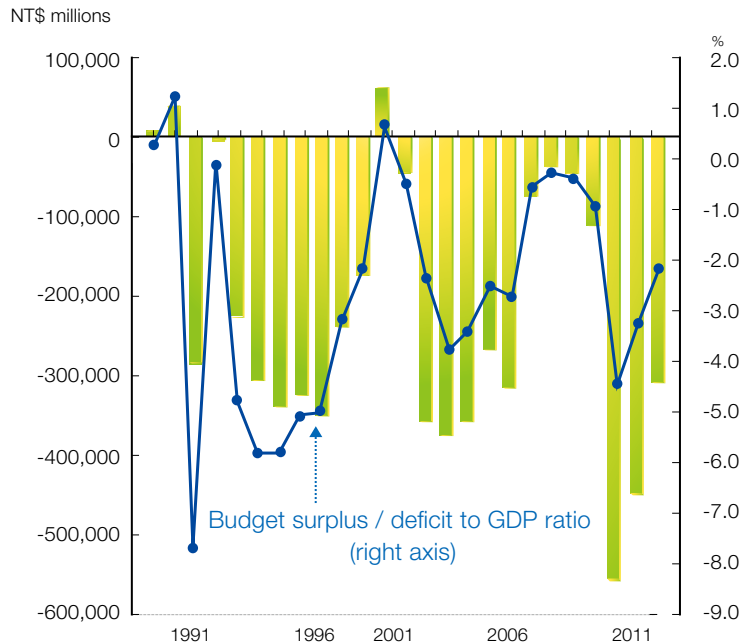
Since 2010, as economic conditions have



gradually recovered and the government has cut spending, the state of public finance has gradually improved, with the fiscal deficit-to-GDP ratio already reduced to 2.5% in 2012. Meanwhile, government outlays on flood management, post-Typhoon Morakot reconstruction and other major national construction projects have caused the central government debt-to-GDP ratio to rise from 33.5% in 2010 to 35.7% in 2012.

Taiwan's Economic Development Performance

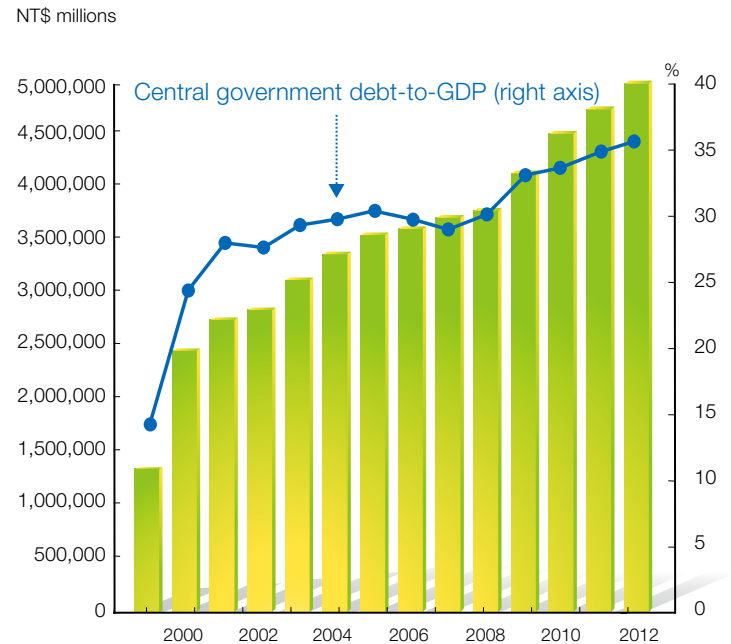
Budget Surplus / Deficit



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

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

Central Government Debt



Notes: 1. Outstanding debt excludes foreign debt.
 2. The figures for FY 2011 and before are audited final accounts, and for FY 2012 are final accounts.

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

Labor Force and Employment

Because of the relatively high birth rate in earlier years, the ratio of Taiwan's population aged 15 and over gradually increased from 51.1% in 1962 to 70.3% in 1990, and reached 84.0% in 2012. But at the same time, because of a conspicuous increase in young people's desire to extend their education, the labor force participation rate fell steadily from its peak of 60.9% in 1987 to an historic low of 57.2% in 2001. Since 2002, the rising labor participation rate for women has driven the overall rate back up, to 58.4% in 2012, with the female labor participation rate topping 50% for the first time, to stand at 50.2%.

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

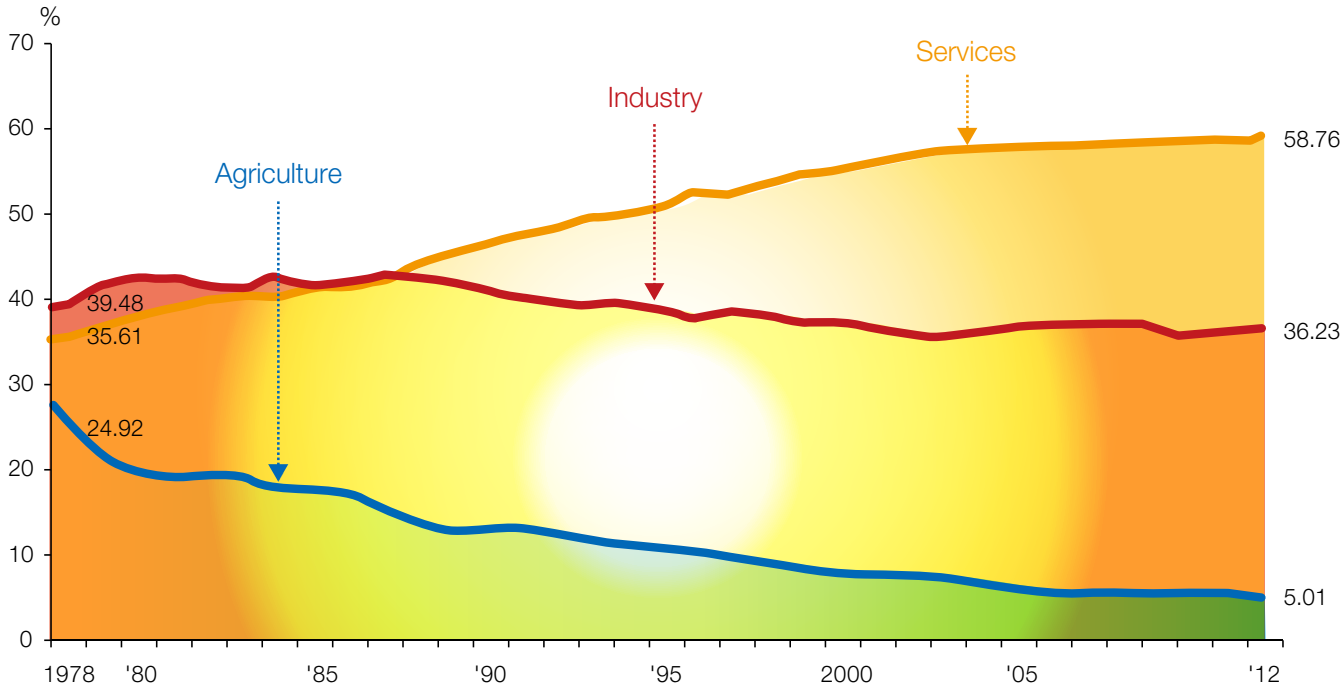
ongoing transformation of the industrial structure caused a rising phase in the unemployment rate, which rose to 3.0% in 2000. When the bursting of the global dotcom bubble caused Taiwan's economy to fall into recession in 2001, structural unemployment rose continuously, and the unemployment rate reached 5.17% in 2002. Thereafter, a series of employment promotion measures put into effect by the government helped bring the jobless rate down year by year to 3.91% in 2007. However, in the second half of 2008, the unemployment rate began to shoot up again under the impact of the global financial crisis, peaking at 5.85% in 2009. Since 2010, with the government actively expanding job creation, the unemployment situation has improved year by year, bringing the jobless rate down to 4.24% in 2012. In addition, from 2001

to 2012, employment grew by an average of 1.1% per year.

As Taiwan has developed from an agricultural society into an industrial economy, dramatic changes have taken place in its employment structure. Agricultural employment fell from 36.7% of total employment in 1970 to 5.0% in 2012, while employment in industry rose from 28.0% to a peak of 42.8% in 1987, before turning into a mostly declining trend, falling below 40% in 1991, fluctuating around 36% since 2001, and standing at 36.2% in 2012. Meanwhile, the service sector's share of total employment has risen steadily, up from 42.0% in 1987 to 58.8% in 2012, as service industries have become Taiwan's main providers of employment.

Taiwan's Economic Development Performance

Employment Structure (%)



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

Education

With its lack of natural resources, the continuous upgrading of manpower quality has been key to maintaining Taiwan's economic growth. In the 1950s, compulsory education in Taiwan was limited to just six years of primary schooling. In 1968, Taiwan began to implement a nine-year national education system, complemented by vigorous efforts to augment classes and schools, enhance teacher training, and raise school attendance rates. In 1982, a nine-year compulsory education system was formally established under the Compulsory School Attendance Act, which helped reduce the illiteracy rate from around 10% in 1980 to just 1.7% in 2012. With the coming of the digital age, the promotion of digital learning has also become a key focus of Taiwan's education policy. In 2012, 86.5% of Taiwan's households

possessed a computer, and the Internet connection rate stood at 83.2%.

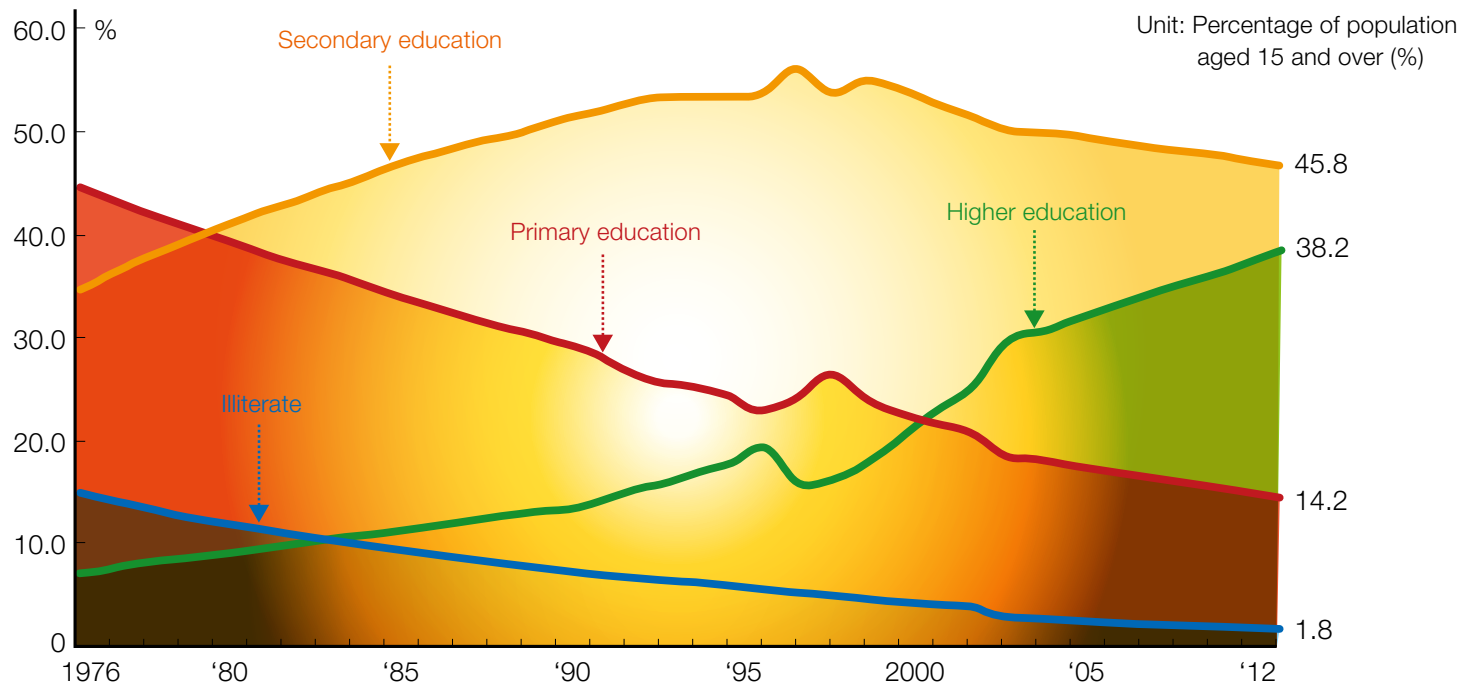
Education policy in Taiwan has focused not only on providing education to all but also on upgrading the quality of education. After the liberalization of university establishment commenced in 1996, the number of universities increased from 67 to 160 in 2012. Meanwhile, the ratio of the population with a college or university degree rose from 19.3% to 40.0%. In 2001, the ratio of the population with a higher education (23%) overtook the ratio of those with only an elementary education (21.2%). Since then, its continuing rise has gradually narrowed the gap between the ratios of the population with higher and secondary educations (at 39.5% and 45.1% in 2012), while the ratio of those with an elementary education has fallen to 13.7%.

This situation reflects the success of government efforts to upgrade Taiwan's human resources.

Thanks to high educational standards and equal educational opportunity, Taiwan has accumulated an impressive stock of human capital and developed a significant capacity for research and development (R&D). To ensure the continuous upgrading of human resources, Taiwan's most precious asset, the government will implement a twelve-year national basic education system starting in 2014. At the same time, the government will actively raise the standard of higher education and promote the internationalization of education, with the aim of making Taiwan into a higher education stronghold in East Asia.

Taiwan's Economic Development Performance

Population Aged 15 and Over by Level of Education



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

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

Science and Technology

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

Total R&D spending rose from only 1.03% of

GDP in 1985 to 3.02% in 2011. Moreover, the private sector overtook the public sector in R&D spending for the first time in 1993, and,



since then, private-sector R&D expenditures have grown much more rapidly than those of the public sector. In addition, the number of research personnel per 1,000 population rose from 1.3 in 1985 to 7.5 in 2011. Meanwhile, Taiwan's world ranking rose from 36th to 16th in the Science Citation Index and from 26th to 9th in the Engineering Index.

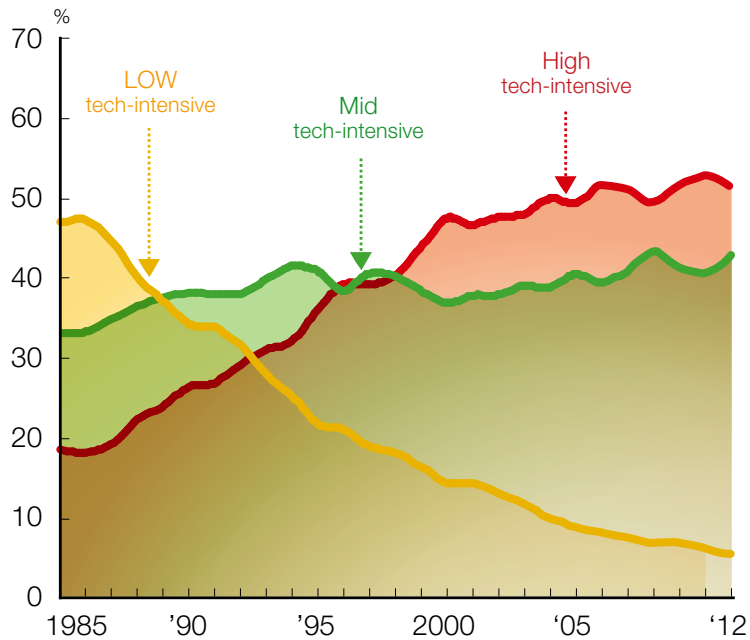
In 2012, Taiwan's three core science parks (the Hsinchu, Central Taiwan, and Southern Taiwan Science Parks) had combined business turnover of nearly NT\$1.9 trillion, with 90.2% of that turnover recorded by firms in the integrated circuit and optoelectronics industries.

From 1985 to 2012, high-tech-intensive products' share of total exports increased from 18.8% to 49.7%.

To maintain Taiwan's industrial development advantages, the government will continue to expand national R&D expenditure, so as to ensure that our S&T innovation capabilities are at the world forefront; will develop forward-looking research fields, with the aim of establishing world-class research communities; and will optimize the industrial benefits of S&T innovation, to raise the value-added rates of industries. At the same time, the government will also apply advanced technologies to create a pleasant and safe living environment for the people.

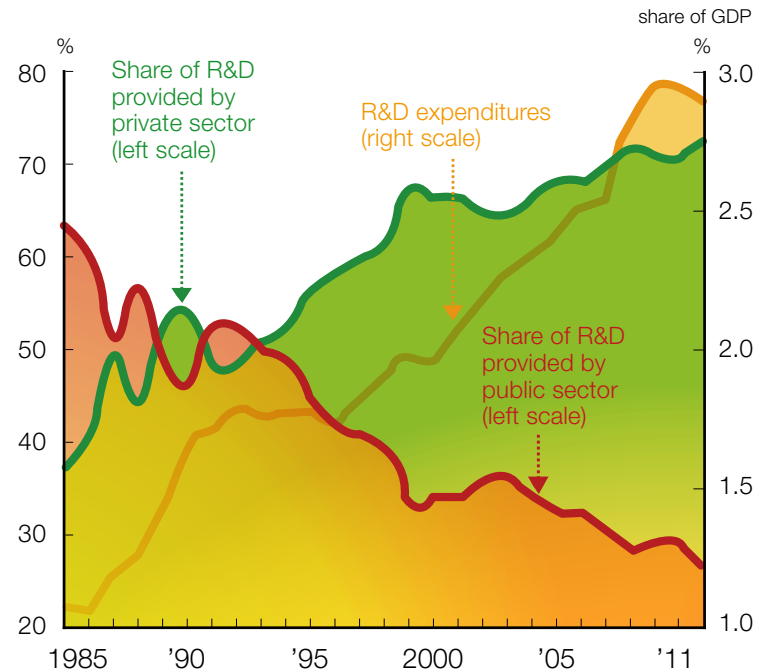
Taiwan's Economic Development Performance

Composition of Export Products



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

R&D Expenditures



Source: 1. National Science Council, Executive Yuan, R.O.C. (Taiwan).
2. Ministry of Finance, R.O.C. (Taiwan).

Social Security

In recent years, amid rapid changes in the structure of the economy and society, the people of Taiwan have sharply raised their demands for social welfare provision. The government has responded by adopting multiple measures to gradually expand the coverage of social security schemes, continuously raising the scope and quality of social welfare services. In reflection of this, public spending on social security has risen from 10.0% of total government outlays in FY 1970 to 32.6% in FY 2012 (including 21.2% spent on social welfare, 8.2% on pension &



survivors' benefits, and 3.2% on community development & environmental protection).

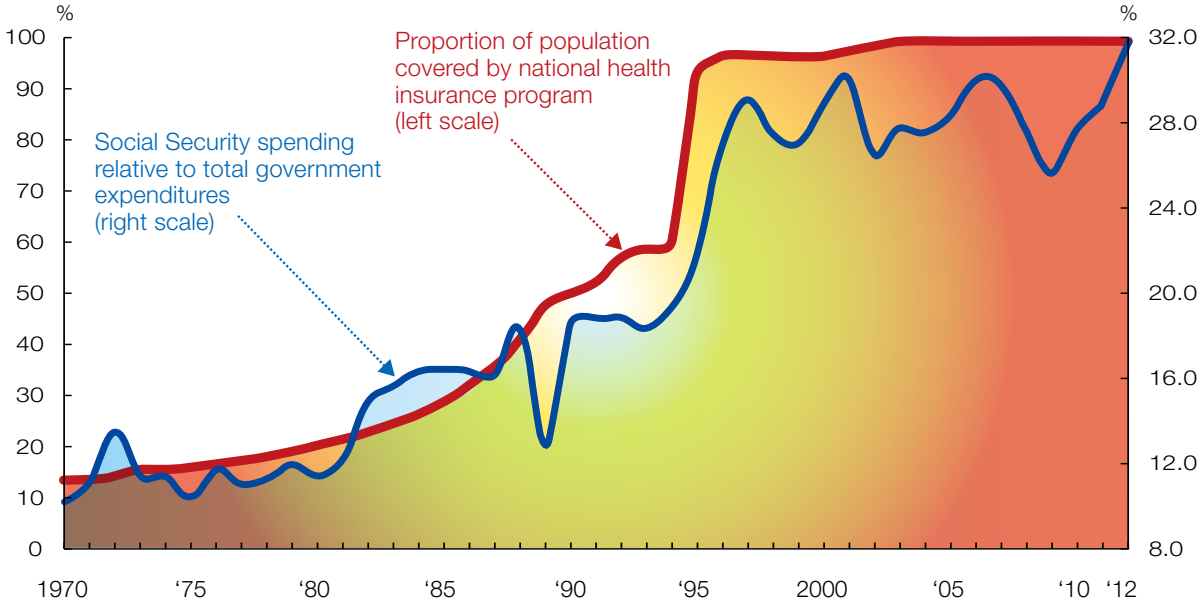
The government has been continuously instituting new measures to strengthen Taiwan's social safety net. In March 1995, it introduced national health insurance (NHI), which now covers almost the entire population; and in January 1999, an unemployment insurance scheme was inaugurated. Labor rights received further protection from the enactment of the Employment Insurance Act in May 2002 and the Labor Pension Act in June 2004. A national pension system was formally launched in October 2008, and the introduction of a revised labor pension system in January 2009 marked a new milestone in the building of a twin pension-insurance system for Taiwan's social safety net. In July 2011, a new social relief system was put into effect, increasing the number of disadvantaged people covered by the



scheme from 270,000 to 656,000 and raising its coverage to 2.81% of the whole population, up from 1.19% before its implementation. In January 2012, the second-generation NHI was initiated, to perfect the NHI system. And in November 2012, the government set up a pension reform task force to work on reform of the labor and public employee pension systems, targeted at achieving generational equity and establishing a long-sustainable social security system, with the process of amending laws for this getting underway in April 2013.

Taiwan's Economic Development Performance

Social Security



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

Mid-term National Development Plans 1953~2016

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

Taiwan's Economic Development Performance

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

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

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

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

Taiwan's Economic Development Performance

Future Development Directions

To keep up with the globalizing world of the 21st century, we will continue to pursue the economic development strategy of strengthening Taiwan, connecting with the Asia-Pacific, and positioning globally. By promoting investment, bolstering public construction, reshaping industry, and linking up with the world, we will do our utmost to enhance the fabric of the economy, and build Taiwan into a global innovation center, an Asia-Pacific economic and trade hub, and an operations headquarters for overseas Taiwanese and multinational enterprises. Through these endeavors, we will seek to create unique and innovative status and value for Taiwan in the global and Asian economic and trade realms. For promoting investment, we will vigorously carry out the Free Economic Pilot Zones (FEPZs) plan. Founded on the core principles of liberalization, internationalization and looking forward, the FEPZs feature substantial loosening of curbs on the flow of goods, people, money,



information and knowledge, nourishing industry development and furthering market opening. In the first stage, FEPZs will be established on the hubs of existing free trade zones in six ports and an airport. Priority will be given to hosting intelligent logistics, international medicine, agricultural value adding, and industrial cooperation. The zones will link up with nearby

industrial parks for off-site processing and other support activities. In the future, other industries that are assessed as having appropriate development potential can also be admitted into the zones. For example, plans are already being made to include financial services in the zones. As well as launching the FEPZs, we will step up efforts to encourage overseas Taiwanese

Future Development Directions *(continued)*

enterprises to invest back in Taiwan, particularly targeting those that meet the criteria of having international sales of own-brand products or occupying key positions in international supply chains. We will lure them back by providing key manpower, information on land availability, and other such assistance, as a means of boosting investment and increasing job opportunities in Taiwan.

For bolstering public construction, we will continue to carry out the i-Taiwan 12 Projects, which include building a fast and convenient islandwide transportation network, redeveloping Kaohsiung port and city, promoting the development of new high-tech industrial clusters in the central region, creating the Taoyuan international aerotropolis, building an intelligent Taiwan, and developing industrial innovation corridors, with the goal of providing an excellent investment and living environment. At the same time, we will actively create new sources of financing for public works, by

activating public assets and other such means of raising project funding, to improve public finances and give benefit back to the people.

For reshaping industry, we will actively promote the so-called “three sector four izations” of traditional industry featurization, manufacturing industry servicization, and service industry technologization and internationalization, to push toward developing a more diverse industrial structure. We will also carry out plans for promoting the renewal of traditional industries, targeting those that possess good profit niches, and helping them increase value added by incorporating industrial design, environmental friendliness, cultural and creative elements, and so forth. And in the service sector, we will strive to tap into Taiwan’s strengths in manpower, creativity, location, ICT, etc., to enhance traditional services such as travel & tourism and culture & leisure, and to expand the export of financial, insurance, computer & IT, patent and other modern

services.

For global linkage, we will loosen regulation across the board, to build a freer and more efficient environment for doing business, and with the aim of making Taiwan into the best gateway to and from Asia-Pacific markets for the world’s business enterprises. We will also keep up active efforts to join in regional integration, continuing to conduct the follow-up negotiations of the cross-strait Economic Cooperation Framework Agreement (ECFA), and pursuing the negotiation and signing of economic cooperation agreements (ECAs) with our main trade partners. By these efforts, we will seek not only to create a favorable environment for the development of our business enterprises, but also to create favorable conditions for our admission to the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP), so that we can grasp market opportunities around the world.

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

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