

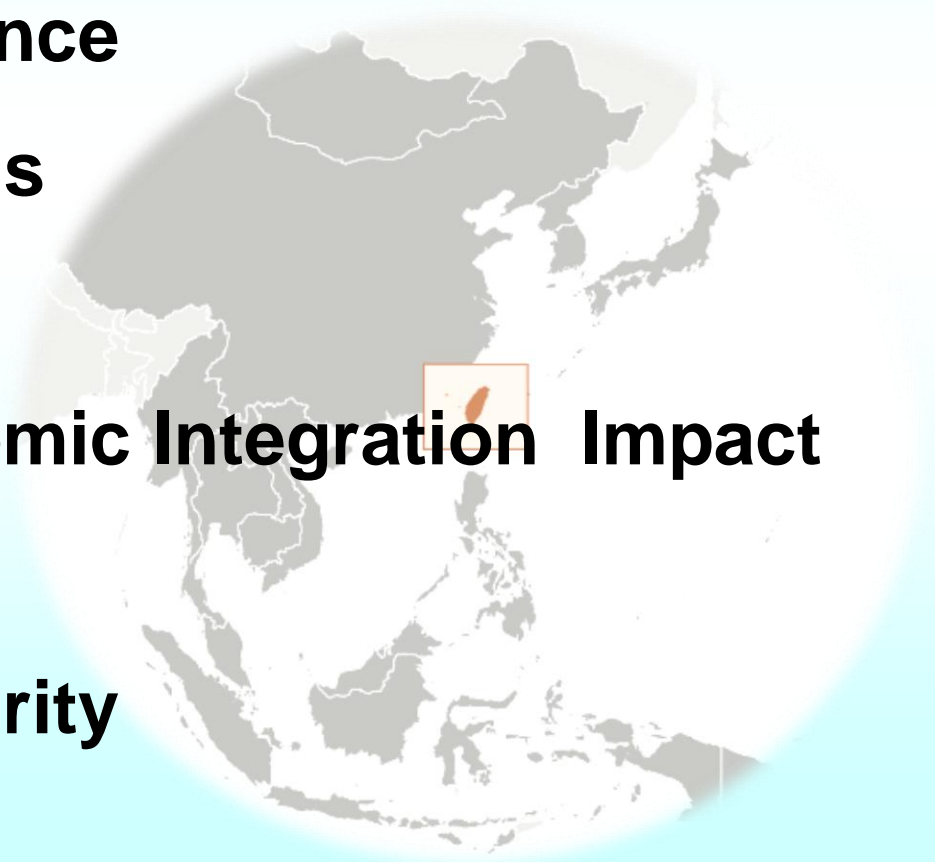
The Economy of Taiwan



**International Cooperation Department ,MOEA
October , 2013**

Structure

1. Introduction
2. Stages of development
3. Economic Performance
4. Cross-Strait relations
5. Function of MOEA
6. The Regional Economic Integration Impact on Taiwan
7. Nuclear Power Security
8. Q and A



Taiwan Profile(2012)



Area	36,191 km ²
Population	23.3 million
GDP per capita income	US\$ 21,035 (2012)
GDP growth rate	1.26% (2012)
Unemployment rate	4.24% (2012)
Inflation rate (CPI)	1.93% (2012)
Total trade value	US\$ 571.5 billion
Reserves of foreign exchange and gold	US\$ 403.2 billion

Small Yet Big



Taiwan As No. 1

1971~1980	1981~1990	1991~1999	2000~2004	2005~2006	2007~2008	2009~2012
<ul style="list-style-type: none"> • Decoration • Ship dismantling • Footwear • Electric fans 	<ul style="list-style-type: none"> • Gourmet powder • Umbrella • Hat • Tennis rackets • Bicycle • ABS resin • Mini electronics • Sewing machines • Yachts • Monitors 	<ul style="list-style-type: none"> • Scanners • Mother boards • Notebook • Computers • IC packaging • Wafer foundry 	<ul style="list-style-type: none"> • Hub • Record Optical Disk • Mother Board • Foundry • Notebook PC • SOHO Router • LCD Monitor • WLAN • Cable Modem • DSL Modem • Optical Disk Driver • IC Packaging • Glass Fiber • Network Interface Card • ABS Copolymer • Switch • CDT Monitor 	<ul style="list-style-type: none"> • PDA • Servers (System & Pure MB) • Mother Board • IP Phones • Notebook PC • SOHO Router • LCD Monitor • WLAN • WLAN NIC • SOHO Routers • DSL Modem • VoIP Routers • Blank Optical Disks • IC Packaging • LAN Switches • IC Foundry • Mask ROM • ABS Copolymer • Switch • Diving Suits 	<ul style="list-style-type: none"> • Netbook • Mother Board • WLAN NIC • Servers (System & Pure MB) • Notebook PC • DSL CPE • Cable CPE • LCD Monitor • PDA • IP Phone • CDT Monitor • Large Size LCD Panel • VoIP Routers • VoIP TA 	<ul style="list-style-type: none"> • Notebook PC • Netbook • Mother Board • LCD Monitor • CDT Monitor • WLAN NIC • Digital Subscriber Line (DSL) • Cable Modem • IP Phone • VoIP Gateway

Taiwan's High-Tech Manufacturing Industry-1

➤ Features

- ✓ Neither too expensive nor too cheap !!
- ✓ You pay only **a percentage of Japanese price**, but get almost **equal quality** !!

➤ Figures

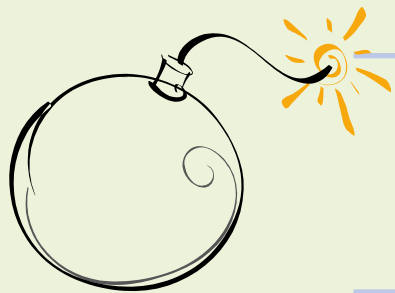
- ✓ Taiwan accounts for **50%** of the world's LCD exports.
- ✓ Taiwan is a leader in **semiconductor, petrochemicals, and machinery.**
- ✓ Taiwan exported US\$301.1 billion worth of goods last year (2012), mostly in
 - Information and Communication Technology Products(33%)
 - Chemicals and Plastics(30%)
 - Machinery(27%)

Taiwan's High-Tech Manufacturing Industry-2

Challenges

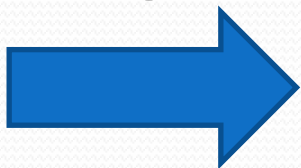
Most of the Taiwan companies remain at the lower rungs of the value-added chain, where profit margins are low and innovation is minimal.

We face shrinking profit margins from the “contract-manufacturing” model .



China has long been the model for low-cost, poor-quality goods, but if China can gain on Taiwan's quality, it would present *a significant threat !!*

Strategies



1. Seek **to make sweeping change** in selected industries, like smart machine tools, innovative textiles, logistics, and telecommunication.
2. Seek **to identify and support high –potential companies** across spectrum of domestic industries.

Economic Miracle of Last Century

How does Taiwan create economic miracles

Since the 1960's, hard work by **small and medium enterprises**, coupled with forward looking government policies, have helped Taiwan's economy to perform brilliantly.

Strategies of import substitution and export expansion have enabled Taiwan to spread its wings and soar. Taiwan has been the world's biggest supplier of many products, creating a strong image for the Made-in-Taiwan label.

Powered by **industrial transition and upgrades**, Taiwan's foreign trade has soared to a series of record levels, **increasing 1,531-fold from 1955 to 2012.**

Stages of development

Era of Import Replacement (1953 ~ 1960) – The Development of Light Industry

Background

Taiwan was facing a shortage of funds, unemployment, trade deficits, lack of technology, shortage of foreign exchange, a small domestic market, and a shortage of capital.

Important Policies

The implementation of export tax rebates, low-interest export loans, foreign exchange and trade reforms; highly restrictive import policy changed to one of encouraging imports.

Target

To replace imports with domestic production to stabilize domestic prices and save on foreign exchange expenditures.

Main Industries Developed

Textiles, cement, glass, fertilizer, food, plywood, bicycles, motorcycles, household appliances, plastic products.

Key Economic Indicators

- The average economic growth rate: 7.7%
- CPI growth rate: 18.51% (1960)
- GDP ratio (1960)
 - Agriculture: 28.5%
 - Manufacturing: 26.9%
 - Services: 44.6%
- Trade Value (1960)
 - Exports: US\$0.164 billion
 - Imports: US\$0.297 billion
 - Trade Balance: -US\$0.133 billion

Stages of development

Era of Export Promotion (1961 ~ 1972) –

The Development of Light Industry

Background

In the 1960s, light industrial goods substituting imports gradually saturated the domestic market, so it became necessary to export these products in order enable Taiwan's industries to develop further.

Important Policies

The implementation of “Regulations to Encourage Investment,” a single exchange rate, export tax rebate, depreciation of the NT dollar, set up export processing zones, export low-interest loans, local content regulation, elimination of plant set-up restrictions.

Targets

To change the passive protectionist policy to a strategy of developing competitiveness and expanding exports, and replacing agricultural and fishery exports with consumer items.

Main Industries Developed

Textiles, plastic products, plywood industry, electronics (assembly).

Key Economic Indicators

- The average economic growth rate: **10.2%**
- CPI growth rate: **3.32%**
- GDP Ratio (1972)
 - Agriculture: **12.2%**
 - Manufacturing: **41.6%**
 - Services: **34.3%**
- Trade Amount (1972)
 - Exports: **US\$2.988 billion**
 - Imports: **US\$2.514 billion**
 - Trade Balance: **US\$0.475 billion**

Era of Import Replacement and Export Expansion (1973~1983)

— The Development of Heavy

Background

The machinery, components and materials needed to feed the rapid expansion of light industry exports still depended on imports, which restricted the development of Taiwan's companies and industries.

Important Policies

Expand scope of export incentives, reduce oil import tariffs and taxes on petroleum products, coordinate petrochemical production and marketing, develop industrial zones, and undertake the Ten Major Construction Projects.

Main Industries Developed

Iron and steel, copper, aluminum and other basic metal industries; shipbuilding; automobiles; motorcycles and other means of transport; plastics; intermediate raw materials required for manmade fibers; ethylene, propylene and other petrochemical industries.

Targets

Replace imports a second time, and develop the production of light industrial capital goods, raw materials, and components.

Key Economic Indicators

- The average economic growth rate: 8.2%
- CPI growth rate: 11.42%
- GDP Ratio (1983)
 - Agriculture: 7.3%
 - Manufacturing: 45.0%
 - Services: 47.8%
- Trade Value (1983)
 - Exports: US\$25.123 billion
 - Imports: US\$20.287 billion
 - Trade Balance: US\$4.836 billion

Era of Liberalization, Internationalization, and Systematization

— The Development of Strategic Industry (1984 ~ 1990)

Background

Long-term foreign trade surplus, surging foreign exchange reserves, and sharp appreciation of the NT dollar in the second half of 1986 weakened export competitiveness. Meanwhile, a nascent labor movement increasing wages, and strength of the environmental protection movement forced traditional industries to shift production overseas.

Important Policies

Development of high-tech, high added-value and low-power strategic industries; establishment of Science-Based Industrial Park to develop high-tech industry; enterprises encouraged to strengthen R&D and to improve productivity, quality and international competitiveness.

Main Industries Developed

Industries with market potential; those with large add-on effects; high value-added, technology-intensive, low energy, low-polluting industries: e.g., ITC, precision instruments, metals, and biotechnology.

Targets

Develop strategic industries and enhance export competitiveness.

Key Economic Indicators

- The average economic growth rate: 8.8%
- CPI growth rate: 1.55%
- GDP Ratio (1990)
 - Agriculture: 4.2%
 - Manufacturing: 41.2%
 - Services: 54.6%
- Trade Value (1990)
 - Exports: US\$67.214 billion
 - Imports: US\$54.716 billion
 - Trade Balance: US\$ 12.498 billion

Era of High-tech Industries (1991~2000)

Promotion of Ten Major Emerging Industries

Background

Taiwan's traditional industries continued to relocate overseas, while the competition from newly developing nations increased.

Important Policies

Statute for upgrading industries to replace investment incentives; strengthen guidance on technical R&D; promotion of automation and personnel training; upgrade quality; develop more industrial zones.

Targets

Upgrade industry and strengthen our international competitiveness.

Main Industries Developed

Communications, IT, consumer electronics, semiconductors, precision instruments and automation equipment, aerospace, advanced materials, chemicals, biotechnology and pharmaceuticals, healthcare, and pollution prevention.

Key Economic Indicators

- The average economic growth rate: 6.5%
- CPI growth rate: 2.59%
- GDP Ratio (2000)
 - Agriculture: 2.0%
 - Manufacturing: 29.1%
 - Services: 68.9%
- Trade Value (2000)
 - Exports: US\$151.950 billion
 - Imports: US\$140.732 billion
 - Trade Balance: US\$11.218 billion

Knowledge-Based Economy (2000 ~ present)

– The Development of Knowledge-Based Industry

Background

International competition becomes more intense due to globalization, development of knowledge-based economy, and the acceleration of regional economic integration.

Important Policies

Implemented the knowledge-based economy development project, global logistics development plan, Challenge 2008: National Development Plan, New Ten Major Construction Projects, Guidelines and Action Plans for Service Industry Development, etc.

Main Industries Developed

The “two trillion double-star industries” (semiconductors, visual displays, digital content, and bio-technology)

Targets

Promote knowledge-based economic activities and create an environment conducive to the development of knowledge-based industries.

Key Economic Indicators

- The average economic growth rate: 3.88% (2001~2012)
- The average CPI growth rate: 1.07% (2001~2012)
- GDP Ratio (2012)
 - Agriculture: 1.8%
 - Manufacturing: 24.6%
 - Services: 73.6%
- Trade Value (2012)
 - Exports: US\$301.1 billion
 - Imports: US\$270.4 billion
 - Total Trade Value :US\$571.4 billion
 - Trade Balance: US\$30.7 billion

Stages of development

The Development of Taiwan Economy and Trade

**Export
Expansion
Policy
(light industry)**



1950s **Import Replacement
Policy
(light industry)**



**Era of Import
Replacement and
Export Expansion
(heavy industry)**

1970s

2000 ~ present
**Globalized operations
(developing knowledge-
based economy)**



1980s

**Liberalization,
Internationalization, and
Systematization Policies
(strategic industries, Hsinchu
Science Park)**

1990s

**Era of high-tech
industry
(10 major emerging
industries)**



Stages of development

Competitive Ranking

18th

The world's largest trading country

- Ranked by WTO

11th

The world's most competitive country

- Ranked by IMD (International Institute for Management Development, a non profit business school located in Lausanne, Switzerland)'s 2013 report

3th

The world's best environment for business

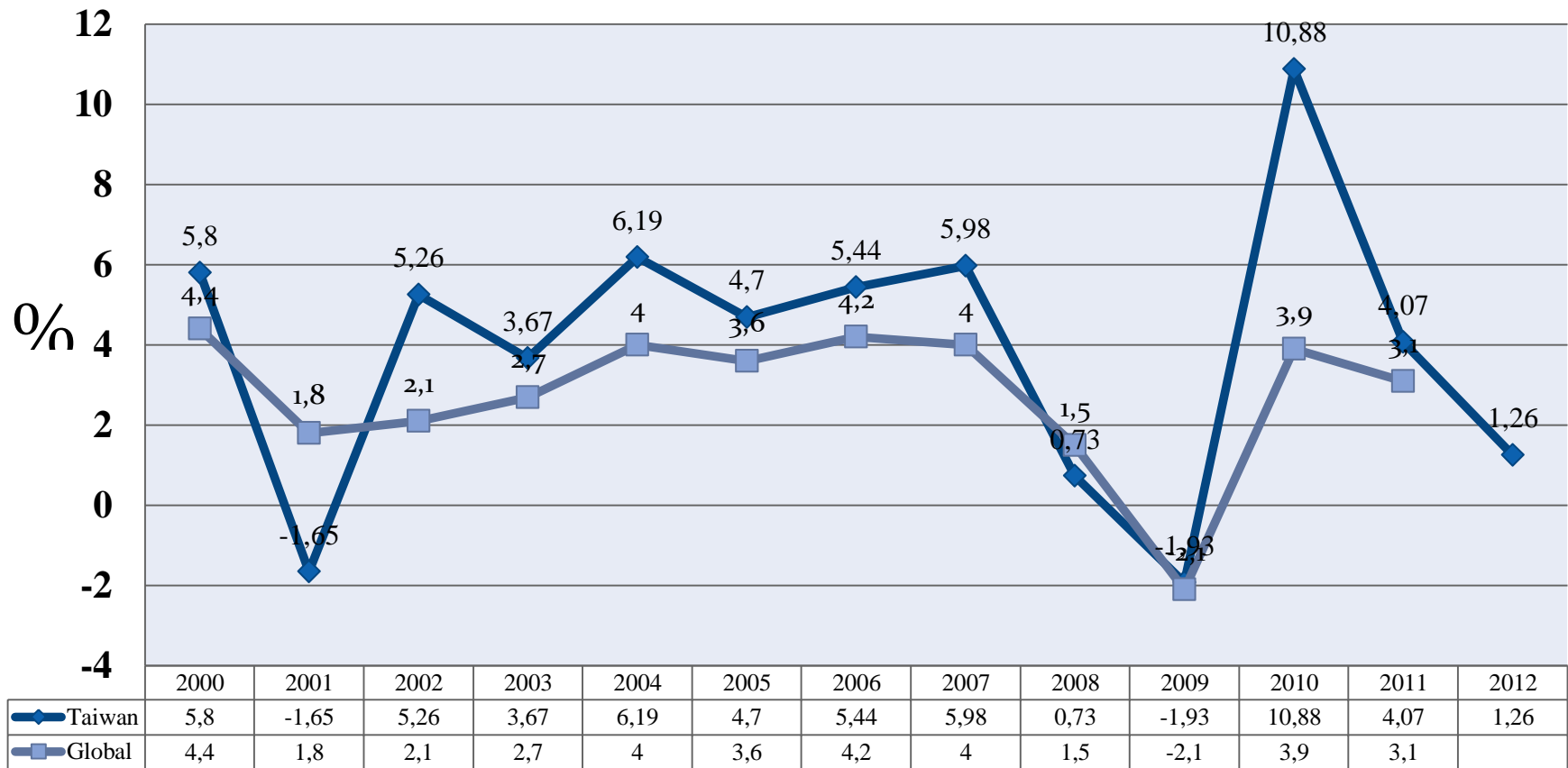
- Ranked by BERI(Business Environment Risk Intelligence)'s 2013 report

12th

The world's most competitive country

- Ranked by WEF(World Economic Forum)'s 2012 report

Economic Growth Rate

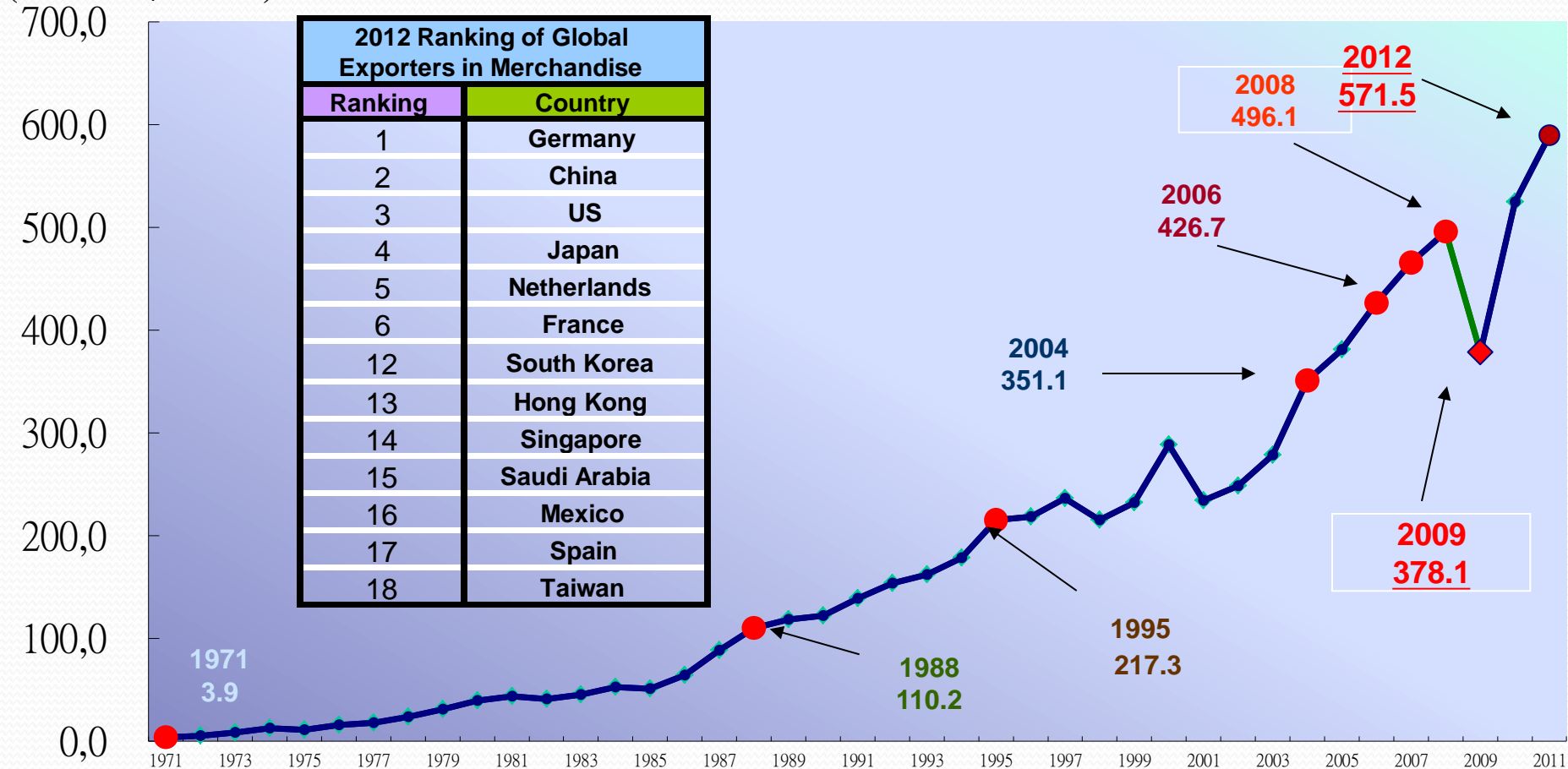


This year(2013), the figure would be estimated at 3.5%.

Foreign Trade Volume

Rapid Growth in Trade

(Unit: US\$ billion)



Taiwan Foreign Trade Statistics

Unit: US\$ billion ; %

		year											
items		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Export	value	126.3	135.3	150.6	182.4	198.4	224.0	246.7	255.6	203.7	274.6	308.3	301.1
	growth	-14.8	7.1	11.3	21.1	8.8	12.9	10.1	3.6	-20.3	34.8	12.26	-2.29
Import	value	108.0	113.2	128.0	168.8	182.6	202.7	219.2	240.4	174.4	251.4	281.4	270.4
	growth	-22.9	4.9	13.0	31.8	8.2	11.0	8.2	9.7	-27.5	44.2	12.02	-3.89
Total	value	234.3	248.5	278.6	351.2	381	426.7	465.9	496	378.1	526	589.7	571.5
	growth	#	6%	12%	26%	8%	12%	9%	6%	-24%	39%	12%	-3%

Cross-strait relations

- Since the inauguration of President Ma in May 2008, regular cross-strait negotiations have been resumed.
- To date, **8 rounds of negotiations** have been held, and the two sides have signed **18 formal agreements** on a wide range of issues, such as direct transport, food safety, economic cooperation, and investment protection.



- Most significant among the abovementioned accords is the Economic Cooperation Framework Agreement signed in June 2010.
- The pact not only normalizes and liberalizes trade and economic relations across the strait but also creates a positive environment for attaining mutual benefits and win-win results. In addition, the Investment Protection and Promotion Agreement also has been concluded in 2012.

Cross-strait relations

- **Civil exchanges** across the strait have also significantly grown as bilateral relations have warmed.
- At present, there are **616 direct cross-strait flights** weekly, to and from a total of 49 mainland Chinese airports and 10 Taiwan airports.
- **Over 2.5 million** mainland Chinese tourists visited Taiwan in 2012, making a major increase of 46.9% over the previous year.



Trade and investment in China

- According to the statistics, in 2012, Taiwan's exports to mainland China amounted to **118.7 billion US dollars**, a 4.4% decrease from the previous year, while imports from mainland China reached **43.6 billion US dollar**, a 3.8%down.
- In 2012, Taiwan's export value of **the early harvest items** to mainland China totaled **20.3 billion US dollars**, an increase of 2.31% over the year of 2011.

Taiwan 's trade and investment in Mainland China

US\$ Billions	2008	2009	2010	2011	2012
Investment	9.84	6.05	12.3	13.1	10.9
Exports	99.3	83.9	115.7	124.3	118.7
Imports	32.9	25.7	37.8	45.7	43.6
Total trade	132.2	111.8	153.5	170.0	162.9

Trade and investment in China



80,000+ Taiwan companies on the Mainland.

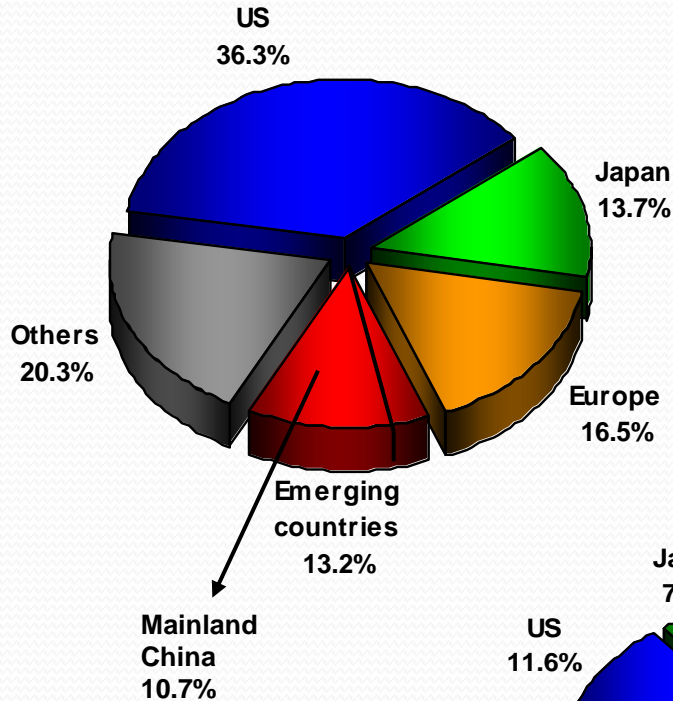
- Bilateral trade has amounted to over **US\$160 Billion last year**
- the export volume is about **3 times** more than import volume.
- The total investment has accumulated over 100 US\$ Billions from 1991~2012. (**US\$124.4 bn**)
- Actually there are over **80,000 Taiwanese investors** in Mainland China



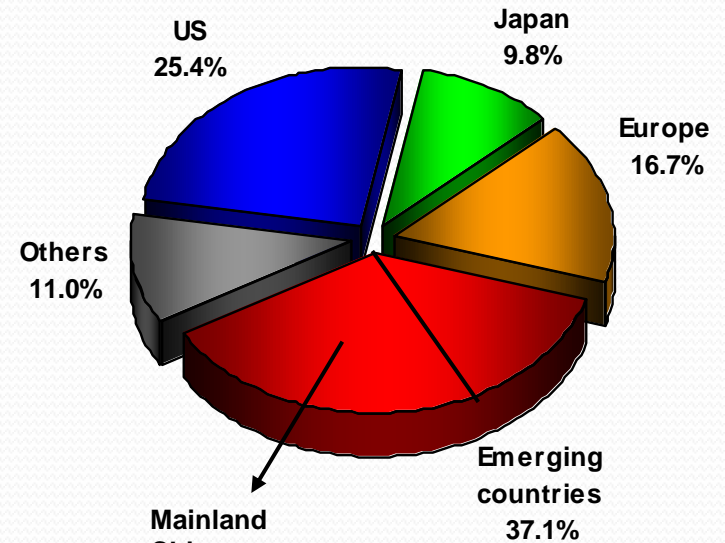
Taiwan is a gateway to Mainland China

Taiwan's major export destinations have shifted to China and emerging markets

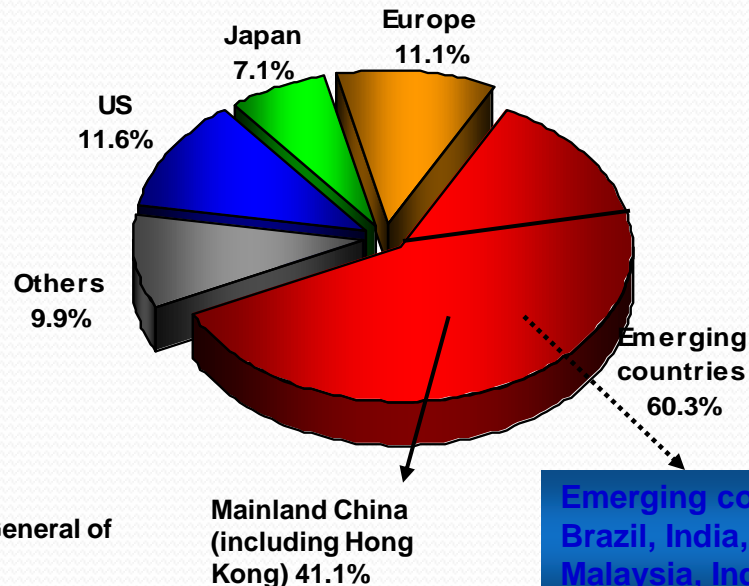
1989
US\$66.3 billion



1999
US\$121.6 billion



2009
US\$203.7 billion

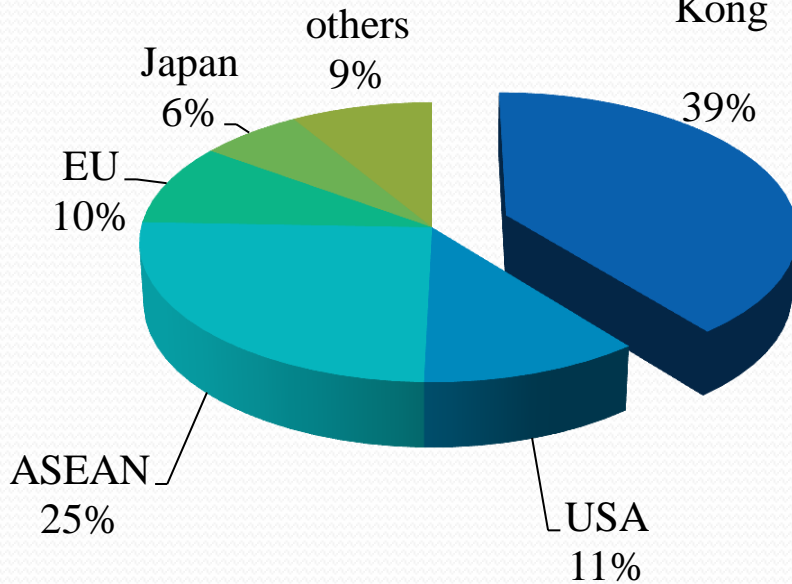


Emerging countries: Mainland China, Russia, Brazil, India, the Middle East, ASEAN (Vietnam, Malaysia, Indonesia)

Trading Partners in 2012

Export

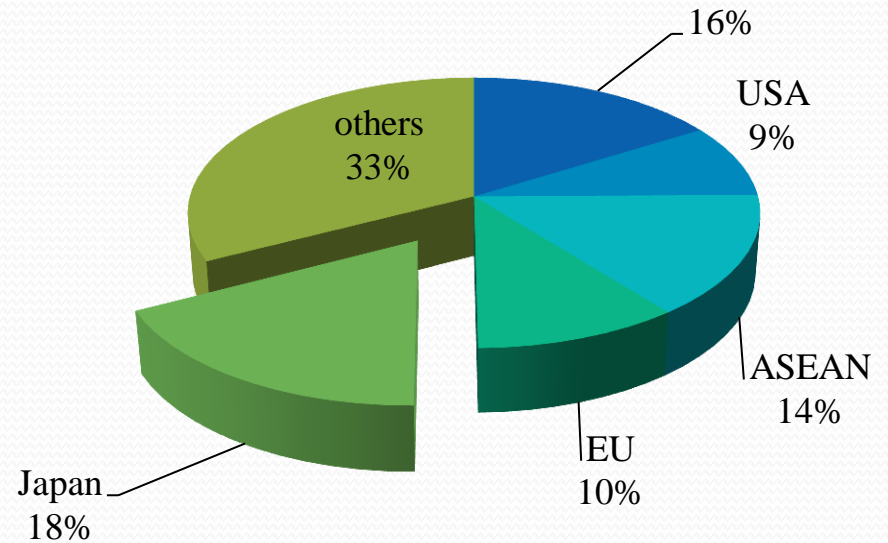
Mainland
China and
Hong
Kong



- Mainland China and Hong Kong
- USA
- ASEAN
- EU
- Japan
- others

Import

Mainland
China and
Hong Kong



- Mainland China and Hong Kong
- USA
- ASEAN
- EU
- Japan
- others

Function of MOEA



Trade and Investment

Invest in Taiwan



Barrier-Free Environment



Global Headquarter



Regional operating hub

Emerging Industry



Green energy



Biotechnology



Healthcare



Cultural and Creative Industries



Cloud Computing



Intelligent Electric Vehicles

Industrial Innovation Act

Industry
Development
Guidelines



Encourages investment in
innovative R&D



Business Income Tax Rate
Reduced from 25% to 17%



Reduced its
business income
tax from 25% to 17%.

Sustainable Energy Policy



Security
Efficiency
Cleanness



High Efficiency, High Value,
Low Emission,
Low Dependence



Renewable energy
Energy conservation
Carbon reduction

SMEs Development



98% of all companies and 78% of total employment

Main Pillar of Economic Growth

SME Credit Guarantee funds

Incubation Centers

One Town, One Product



IPR Protections



Patent and
Trademark
Examination



IPR Police Team

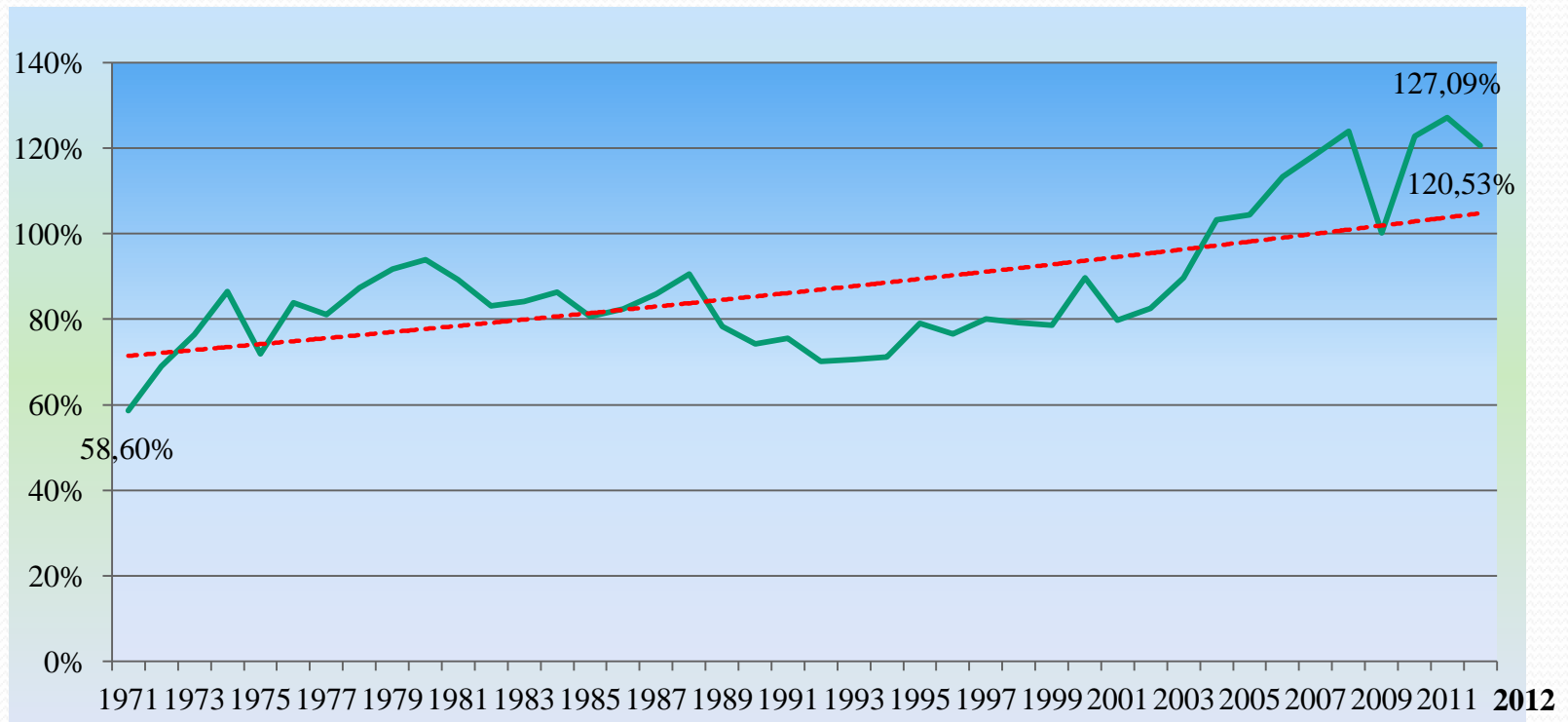


Intellectual
Property Court

Foster a Business-Friendly Investment Environment

Taiwan's trade dependence

1. For a single country, trade dependence represents the combined weight of exports and imports in an economy. This trade-to-GDP ratio is often called the “trade openness” indicator or “trade dependence”.
2. As you see, Taiwan’s trade dependence came from 58.6% in 1971 to 120.53% in 2012, a significant increase.
3. International trade plays a heavy role in Taiwan’s economy.



Taiwan's accession to WTO

The History of Joining WTO

- **The Republic of China was a founding member of GATT in 1948. It withdrawn from this world trade organization in 1950.**
- **Since then, we could only attended the GATT by observer status.**
- **In late 80 of last century, Taiwan became a major trade player in the world, and the government realized the importance of being a member of GATT. (MFN status)**
- **In 1990, Taiwan exerted our full efforts to the accession works.**
- **After 11 years applying for the membership of GATT, Taiwan was finally joined the WTO under the name of Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) on 1 January 2002 .**

Taiwan's accession to WTO

Taiwan has actively participated in WTO activities

- Taiwan has actively participated in the Trade Policy Review (TPR) meetings of other WTO Members since its accession in 2002.
- However, Since the FTAs prevails globally, Taiwan has unable to engage FTAs with her major trading partners. It generates a sense of being marginalized in international trade arena.

RTAs Concluded

1. Panama: Concluded and has been in force on January 1, 2004.
2. Guatemala: Concluded and has been in force on January 1, 2006.
3. Nicaragua: Concluded and has been in force on January 1, 2008.
4. El Salvadore and Honduras: Concluded and has been in force on May 1, 2008.
5. New Zealand(The Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation, ANZTEC) : Sealed in July 10, 2013.

ECFA(The Economic Cooperation Framework Agreement)

ECFA is a preferential trade agreement

- The Cross-Strait Economic Cooperation Framework Agreement (ECFA) is a preferential trade agreement that aims to reduce tariffs and commercial barriers between the two sides. The pact, signed on June 29, 2010, in Chongqing, was the most significant agreement since the two sides split after the Chinese Civil War in 1949.

Early Harvest list

- The "early harvest" list of tariff concessions covers 539 Taiwanese products and 267 mainland Chinese goods. Mainland China will also open markets in 11 service sectors such as banking, securities, insurance, hospitals and accounting. As a nature of framework agreement, the further negotiation is expected to be deployed.

ECFA follow-up negotiations

- Since the seal of ECFA, a series of trade pacts has been concluded. Among them, a pact on direct cross-strait postal, the Intellectual Property Rights Protection Agreement, Investment Protection Agreement, Customs Cooperation Agreement have been sealed.

Trade in Service Agreement

Sealed on June 21,2013

- This Agreement was sealed on June 21,2013. It's main purpose is to provide an institutional foundation for service-business dealings across the Strait and gives a strong boost to such trade as well as two-way investment.

The main objectives

- The main objectives of the agreement are to gradually reduce or eliminate measures that restrict trade in services between the two sides, stimulate the further liberalization and facilitation of trade in services, and continue expanding the breadth and depth of such trade, thereby advancing bilateral cooperation in the field of services.

Trade in Services Agreement

Favorable conditions

- Under this Agreement both signing parties will have more favorable conditions for entry by service businesses into each market. According to the sealed Agreement, the mainland is currently committed to opening 80 designated service businesses to Taiwan, allowing sole investment or heightening the ratio of shareholding to an extent that exceeds the mainland's WTO commitment. Taiwan offered 64 items in trade in services.

Why it is so controversial?

RTAs Still in Progress

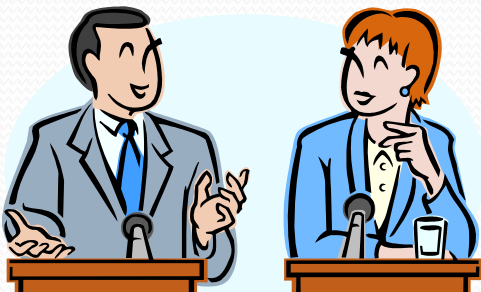
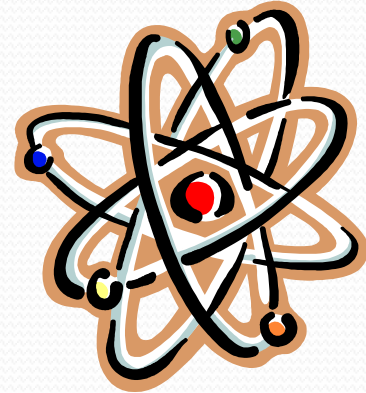
1. **Singapore**: Currently negotiating ECAs
2. **The Philippines, Indonesia, and India** :Currently conducting joint feasibility studies on launching ECA talks.
3. **Japan** : Having signed the “Arrangement for the Mutual Cooperation on the Liberalization, Promotion and Protection of Investment” in 2011.
4. **South Korea** : Starting investment treaty talks in June, 2012.
5. **United States** : Having resumed “Trade and Investment Framework Agreement (TIFA)” talks on March 10th 2013
6. **EU**: Lobbying negotiating of an ECA
7. **TPP**: Setting up a goal of joining TPP within 8 years
8. **RCEP**: Paving the way of joining the regional pact.

The Difficulties

- 1. China's influence**
- 2. Taiwan has long been politically isolated from participation in critical international organizations .**
- 3. Local protectionism prevails. (agricultural sector needed to be convinced)**

Nuclear Security Issue

- With limited natural resources, over **98%** of our energy supply relies on imports.
- After **Japan's Fukushima nuclear disaster**, we pay more attention on nuclear security issue.
- The Executive Yuan has agreed to let the public make the final decision on the construction of **the 4th nuclear power plant** through **referendum**.



- ◆ In order to ensure the safety of nuclear power plant, **rational debate** is exactly what we need.

Conclusion

Taiwan is reinventing itself as

- **A Center of Global Innovation;**
- **A Hub for Regional Trade;**
- **A Global and Regional Operating Base**



Questions

