

TAIWAN

Economic Freedom Score



World Rank: **14**

Regional Rank: **5**

Small and medium-size enterprises have been the backbone of Taiwan's economic dynamism. The commercial code is well developed, and open-market policies continue to facilitate the free flow of goods and capital. A sound legal framework provides strong protection of property rights and upholds the rule of law.

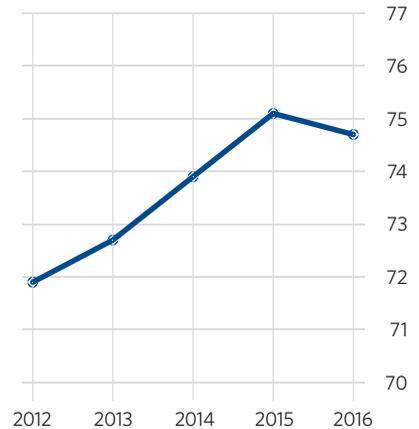
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **74.7 (down 0.4 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **14th**
- Regional Ranking: **5th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom, Business Freedom, and Property Rights**
- Concerns: **Labor Freedom and Management of Public Finance**
- Overall Score Change Since 2012: **+2.8**

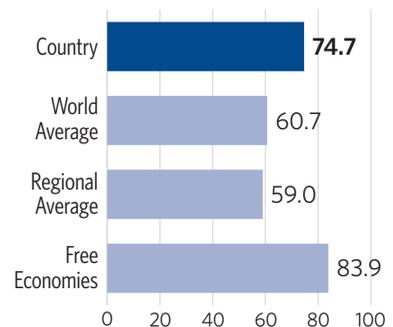
Challenges remain in ensuring Taiwan's long-term economic dynamism, and further efforts to enhance competitiveness are vital to sustain growth in its export-oriented economy. Debates about the proper scope of government in welfare policies continue, and upward pressures on public spending keep the budget in deficit. The rigidity of the labor market and lingering corruption continue to hold back overall economic freedom.

BACKGROUND: Taiwan is a dynamic multi-party democracy, and its economy is one of the richest in Asia. President Ma Ying-jeou has relaxed cross-Strait barriers with the People's Republic of China and negotiated a multi-stage formal economic agreement with Beijing, but these closer relations could be challenged after the 2016 presidential election. Taiwan is excluded from membership in the United Nations, other international organizations, and a variety of free trade arrangements as part of Beijing's efforts to pressure it into unification. Although internal opposition to engaging with China is considerable because of fears that sovereignty will be lost, recent economic arrangements now bind the island closer to the PRC.

Freedom Trend



Country Comparisons



Quick Facts

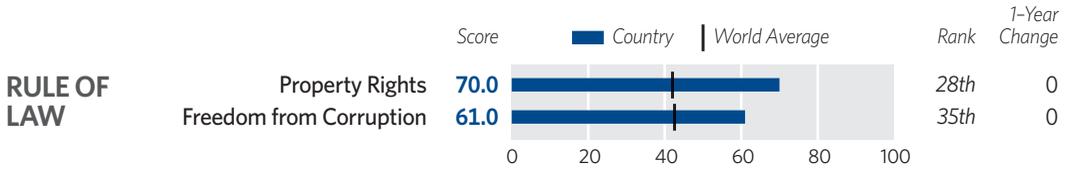
- Population:** 23.4 million
- GDP (PPP):** \$1.1 trillion
- 3.7% growth in 2014
- 5-year compound annual growth 4.5%
- \$45,854 per capita
- Unemployment:** 4.0%
- Inflation (CPI):** 1.2%
- FDI Inflow:** \$2.8 billion
- Public Debt:** 37.6% of GDP

How Do We Measure Economic Freedom?

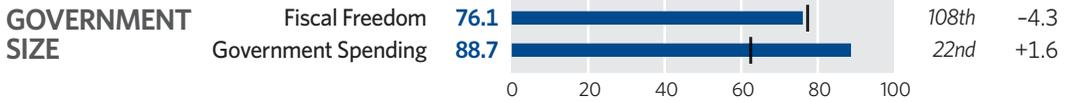
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

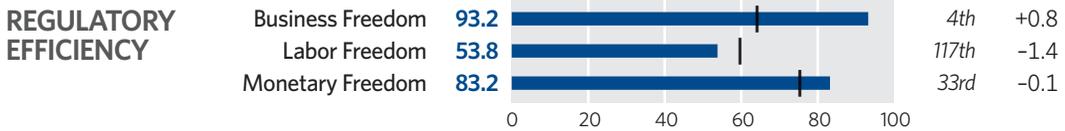
THE TEN ECONOMIC FREEDOMS



Although corruption is much less pervasive now, politics and big business remain closely intertwined. For example, a large Taiwanese food company accused of selling tainted cooking oil allegedly avoided strict safety inspections due to its close connections with politicians. The judiciary is independent, and the court system is free of political interference. Property rights are generally protected, and the judiciary enforces contracts well.



The top personal income tax rate has been increased to 45 percent, and the top corporate tax rate is 17 percent. Other taxes include a value-added tax and an interest tax. The overall tax burden equals 8.7 percent of total domestic income. Government spending amounts to 19.4 percent of GDP. The budget has been in deficit, but public debt has been kept to below 40 percent of total domestic product.



With no minimum capital required, it takes only three procedures to start a company. Simplification of business registration procedures has continued in recent years. Bankruptcy proceedings are fairly easy and straightforward. The labor market lacks flexibility. Prices are largely determined by the market, but the government does influence some prices and controls prices for electricity and pharmaceutical products.



Taiwan's average tariff rate is 1.8 percent. Many agricultural imports face additional barriers. Foreign investment levels in some sectors of the economy, including telecommunications and airlines, are capped. The financial sector offers a wide range of products and services but remains fragmented and susceptible to state interference. Renminbi-denominated financial services have been growing steadily since 2013.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+2.0	Business Freedom	+8.2	Trade Freedom	+11.2
Freedom from Corruption	-29.0	Government Spending	+18.8	Labor Freedom	+7.7	Investment Freedom	+25.0
				Monetary Freedom	-0.2	Financial Freedom	+10.0