

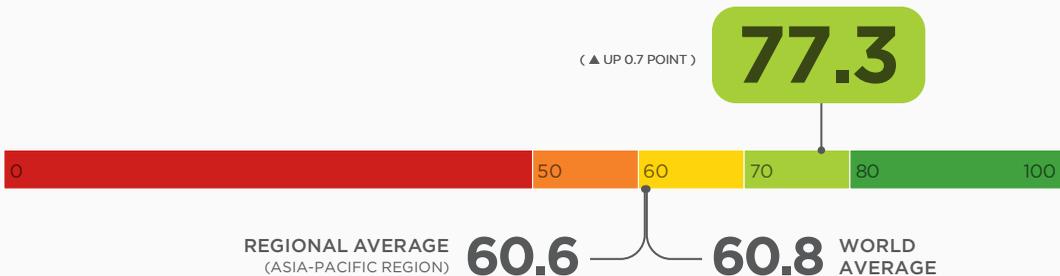
TAIWAN

Taiwan's economic freedom score is 77.3, making its economy the 10th freest in the 2019 *Index*. Its overall score has increased by 0.7 point, with improvements in **labor freedom** and **monetary freedom** outpacing declining scores for **government integrity** and the **tax burden**. Taiwan is ranked 5th among 43 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

A relatively well-developed commercial code and open-market policies that facilitate the flow of goods and capital have made small and medium-size enterprises the backbone of Taiwan's economic expansion. A sound legal framework protects property rights and upholds the rule of law. To achieve its goal of reducing dependence on China by increasing commerce with other Asian countries, Taiwan will need to increase competitiveness and openness by, for example, reducing the state's "strategic" involvement in the export sector and liberalizing regulation of the fragmented financial sector.



ECONOMIC FREEDOM SCORE

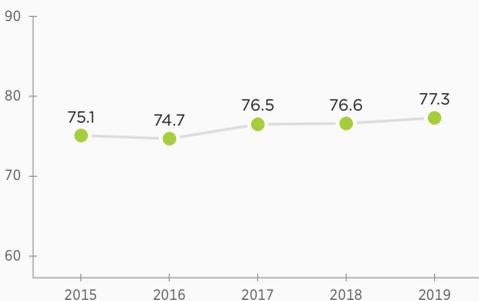


RELATIVE STRENGTHS:
Business Freedom and Fiscal Health

HISTORICAL INDEX SCORE CHANGE (SINCE 1995):
+3.1

CONCERNS:
Investment Freedom and Financial Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
23.6 million

GDP (PPP):
\$1.2 trillion
2.8% growth in 2017
5-year compound annual growth 2.2%
\$50,294 per capita

UNEMPLOYMENT:
3.8%

INFLATION (CPI):
0.6%

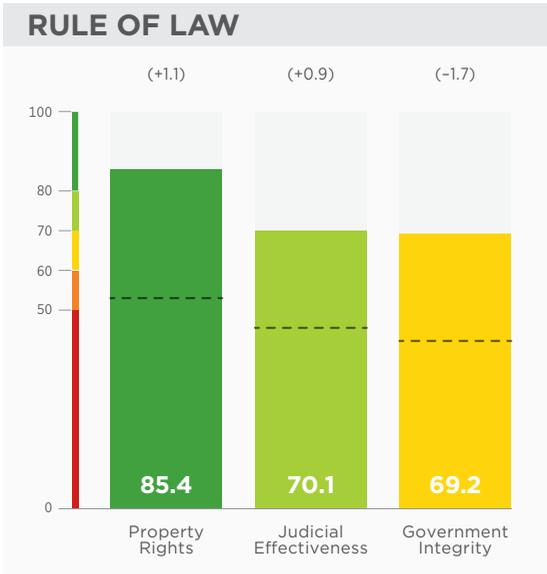
FDI INFLOW:
\$3.3 billion

PUBLIC DEBT:
35.2% of GDP

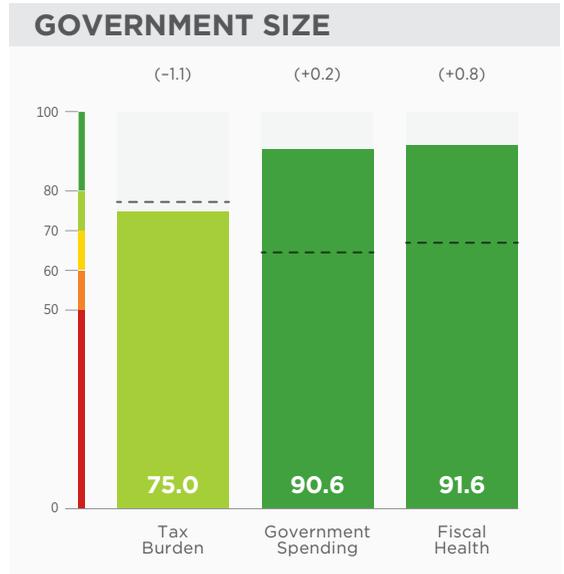
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Taiwan's dynamic multiparty democracy operates under a 1947 constitution that was drawn up originally to include all of China. Its economy is one of the wealthiest in Asia. The Democratic Progressive Party returned to power when Tsai Ing-wen was elected president in 2016. Taiwan relies heavily on its economic relationship with China and has shown resilience in the face of Chinese economic pressure. Taiwan's dynamic capitalist economy is driven largely by industrial manufacturing, especially exports of electronics, machinery, and petrochemicals. Demographic challenges include a low birth rate and a rapidly aging population. China's ongoing attempts to isolate Taiwan diplomatically threaten the country's long-term ability to maintain its presence in overseas markets.

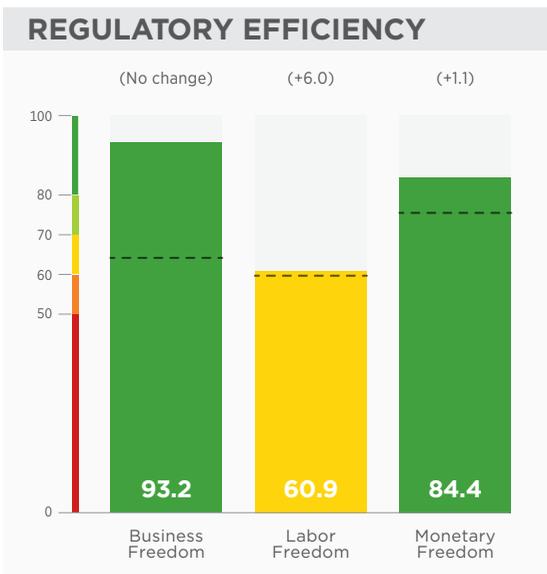
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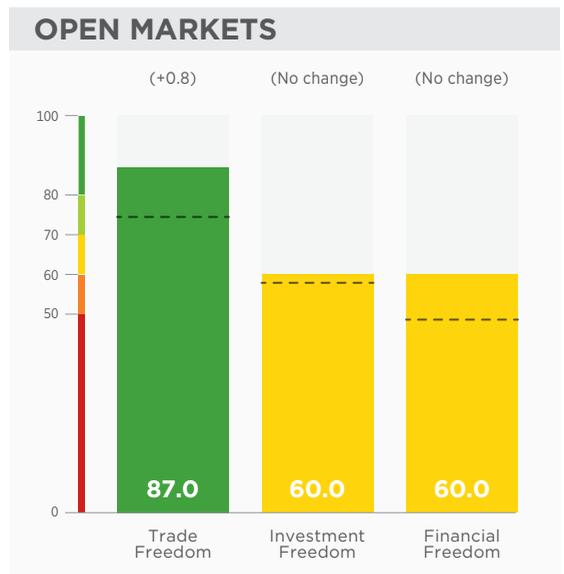
Property rights are generally protected. Enforcement, already strong, was streamlined in 2018. The judiciary is independent, and the court system is largely free of political interference. Corruption is much less prevalent today but remains a problem. Politics and big business are closely intertwined, creating opportunities for malfeasance in government procurement. Former President Ma Ying-jeou was found guilty of misconduct in 2018.



The top personal income tax rate is 45 percent, and the top corporate tax rate has been raised to 20 percent. Other taxes include value-added and interest taxes. The overall tax burden equals 8.9 percent of total domestic income. Over the past three years, government spending has amounted to 17.7 percent of the country's output (GDP), and budget deficits have averaged 1.9 percent of GDP. Public debt is equivalent to 35.2 percent of GDP.



The overall freedom to conduct business is relatively well protected under the transparent regulatory environment. A number of amendments to the Labor Standards Acts have been adopted to increase labor market flexibility. For the most part, prices are market-determined, but the law mandates price controls on electricity and salt, and the government also regulates prices for fuels, rice, and pharmaceutical products.



The combined value of exports and imports is equal to about 115 percent of GDP. The average applied tariff rate is 1.5 percent. As of June 30, 2018, according to the WTO, Taiwan had 363 nontariff measures in force. Some agricultural imports face additional barriers. A relatively well-developed investment framework facilitates the flow of goods and capital. The financial sector continues to evolve, and the stock market is open to foreign participation.