Taiwan's economic freedom score is 80.1, making its economy the 6th freest in the 2022 Index. Taiwan is ranked 3rd among 39 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

Taiwan is one of the few countries in the world to have experienced continuous economic growth during the past five years. Economic freedom has increased significantly during that period as well. With strong scores across the board boosted by increases in judicial effectiveness and labor freedom, Taiwan has recorded a 3.6-point overall gain of economic freedom since 2017 and has made it over the threshold into the top, "Free" Index category for the first time. Additional improvements in business freedom and financial freedom would propel economic freedom even higher.

**IMPACT OF COVID-19:** As of December 1, 2021, 848 deaths had been attributed to the pandemic in Taiwan, and the government’s response to the crisis ranked 94th among the countries included in this Index in terms of its stringency. The economy continued to grow in 2020, expanding by 3.1 percent.

**BACKGROUND:** Taiwan’s 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. Against the backdrop of the 2019–2020 Hong Kong protests and threats from China, President Tsai secured reelection in a landslide victory in 2020. China’s ongoing attempts to isolate Taiwan diplomatically hinder its economic growth and threaten its presence in overseas markets. Taiwan’s trade-dependent economy is driven by a competitive manufacturing sector that encompasses electronics, machinery, petrochemicals, and information and communication technology products.
Property rights and secured interests are enforced, and the recording system is reliable. Enforcement of contracts is strong. The judiciary is independent, and the court system is largely free from political interference. The government has implemented laws, regulations, and penalties to combat corruption including in public procurement. While corruption is much less prevalent today, it remains a problem, given that politics and big business are closely intertwined.

The top individual income tax rate is 40 percent, and the top corporate tax rate is 20 percent. Other taxes include a value-added tax. The overall tax burden equals 9.0 percent of total domestic income. Government spending has amounted to 17.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.6 percent of GDP. Public debt is equivalent to 33.7 percent of GDP.

Rules promulgated in 2016 that mandated a 60-day public comment period for draft laws and regulations have not been applied consistently. The Middle-Aged and Elderly Employment Promotion Act was passed in 2019 to expand employment opportunities for workers above 45 years of age. The government subsidizes research and development to accelerate industrial transformation that would boost domestic demand and external market expansion.

Taiwan has six preferential trade agreements in force. The trade-weighted average tariff rate is 2.0 percent, and 391 nontariff measures are in effect. Some agricultural imports face additional barriers. A relatively well-developed investment framework facilitates the flow of goods and capital. The financial sector, dominated by banking, has gradually become more competitive and offers a range of financial instruments to investors on market terms.