

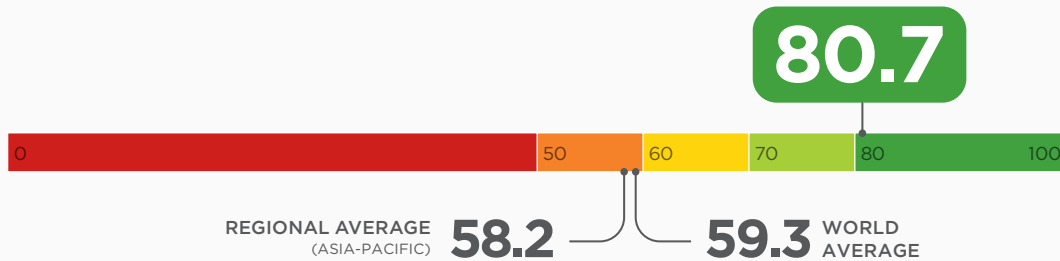


TAIWAN

Taiwan's economic freedom score is 80.7, making its economy the 4th freest in the 2023 *Index*. Its score is 0.6 point higher than last year. The island economy is ranked 2nd out of 39 economies in the Asia-Pacific region.

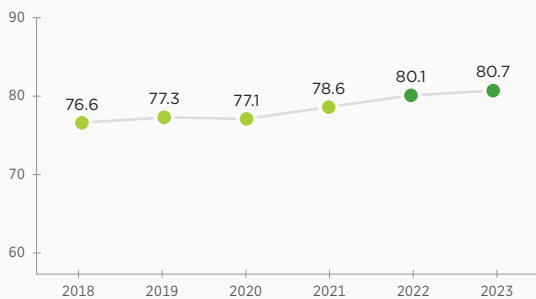
Taiwan's economy is rated "free" in the *Index*. A strong commitment to the rule of law and openness to global commerce have enabled it to become a global leader in economic freedom. The dynamic economy has benefitted from a well-developed institutional framework, a tradition of private-sector entrepreneurial dynamism, and open-market policies that facilitate the free flow of goods and capital.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +6.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
23.4 million

GDP (PPP):
\$1.5 trillion
6.3% growth in 2021
5-year compound annual growth 3.8%
\$62,527 per capita

UNEMPLOYMENT:
3.8%

INFLATION (CPI):
1.8%

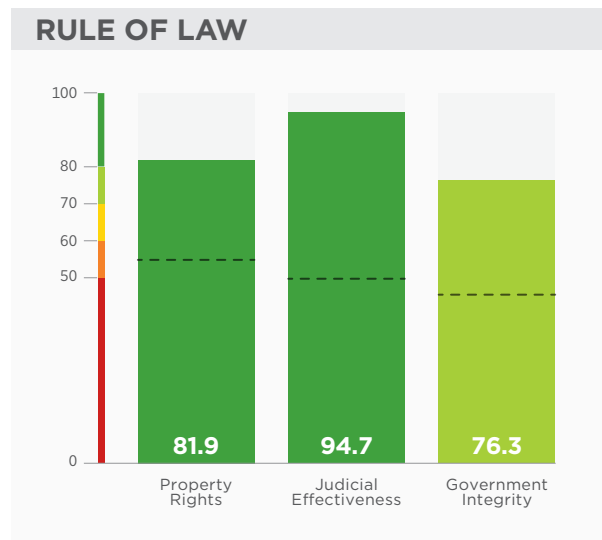
FDI INFLOW:
\$5.4 billion

PUBLIC DEBT:
28.4% of GDP

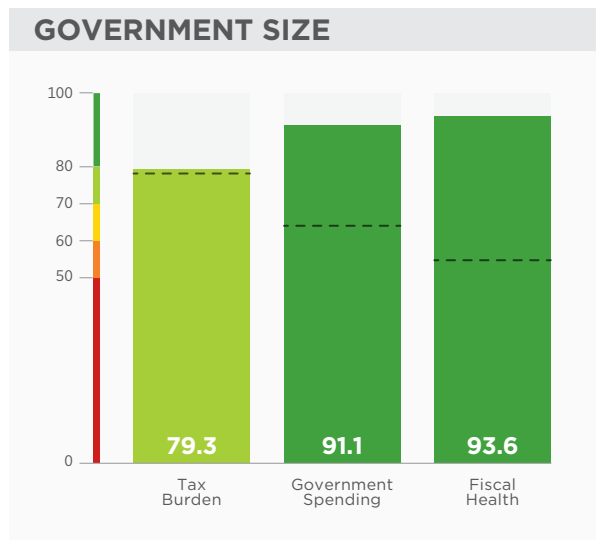
2021 data unless otherwise noted. Data compiled as of September 2022

BACKGROUND: Taiwan's multiparty democracy operates under a 1947 constitution that was intended to include all of China. Its economy is one of Asia's wealthiest. The Democratic Progressive Party returned to power when Tsai Ing-wen was elected president in 2016. In 2020, against the backdrop of the 2019–2020 Hong Kong protests and threats from China, Tsai secured reelection in a landslide victory. 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 communications technology products.

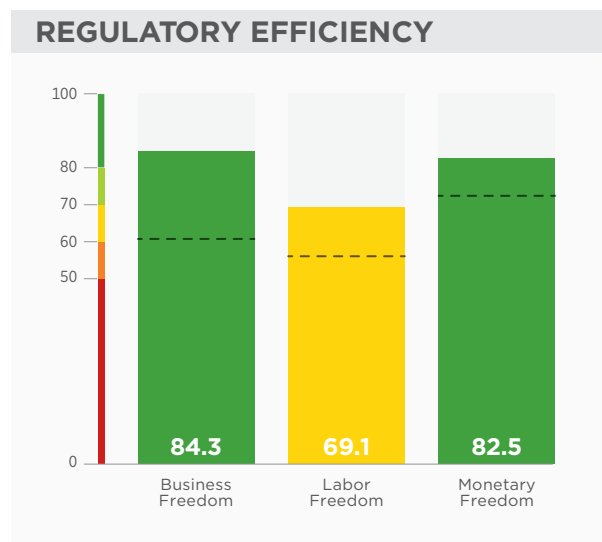
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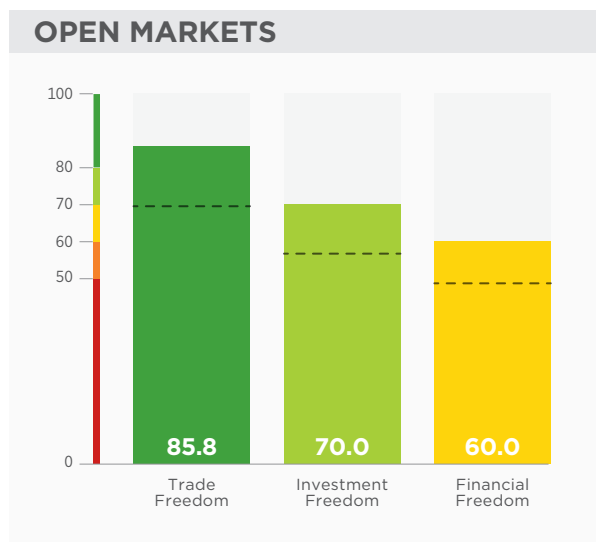
The overall rule of law is well respected in Taiwan. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.



The top individual and corporate tax rates are, respectively, 40 percent and 20 percent. The tax burden equals 8.1 percent of GDP. Three-year government spending and budget balance averages are, respectively, 17.2 percent and -1.7 percent of GDP. Public debt equals 28.4 percent of GDP.



Overall business freedom is well protected under an efficient regulatory environment, and no minimum capital is required to establish a business. The labor market lacks flexibility, and the minimum wage has been rising since 2017. Monetary stability has been well maintained despite inflationary pressure.



The trade-weighted average tariff rate is 2.1 percent, but nontariff barriers add to the cost of trade. Foreign investment is welcome, and the overall investment framework has become more streamlined. The financial sector continues to evolve and provides a wide range of financial services.