

TAIWAN

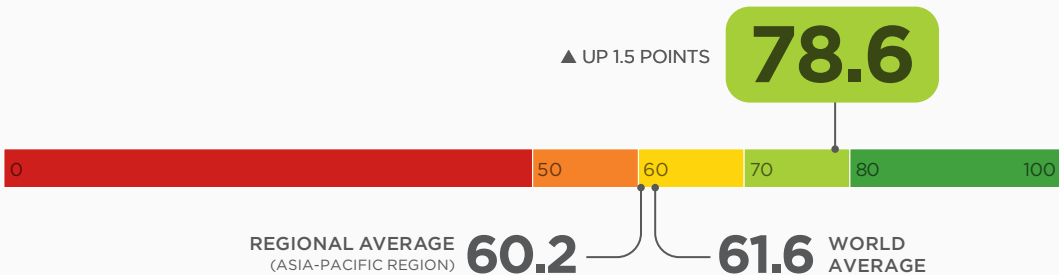
Taiwan's economic freedom score is 78.6, making its economy the 6th freest in the 2021 *Index*. Its overall score has increased by 1.5 points, primarily because of an improvement in **government integrity**. Taiwan is ranked 4th among 40 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

This year, Taiwan's economy turned in its best performance in the 27-year history of the *Index*, inching closer to the ranks of the free than ever before. The main problem holding Taiwan back from the top economic freedom category remains the continuing relative lack of labor freedom. Despite the possibility of further damage to productivity and flexibility for workers, the government increased the minimum wage again in 2020.

IMPACT OF COVID-19: As of December 1, 2020, seven deaths had been attributed to the pandemic in Taiwan, and the economy was not expected to experience any growth for the year.

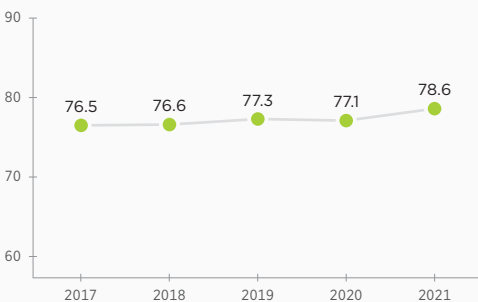


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +4.4

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
23.6 million

GDP (PPP):
\$1.3 trillion
2.7% growth in 2019
5-year compound annual growth 2.5%
\$55,527 per capita

UNEMPLOYMENT:
3.7%

INFLATION (CPI):
0.5%

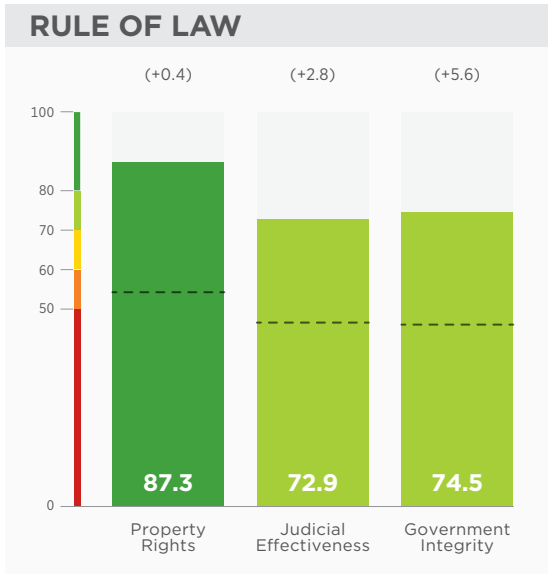
FDI INFLOW:
\$8.2 billion

PUBLIC DEBT:
28.2% of GDP

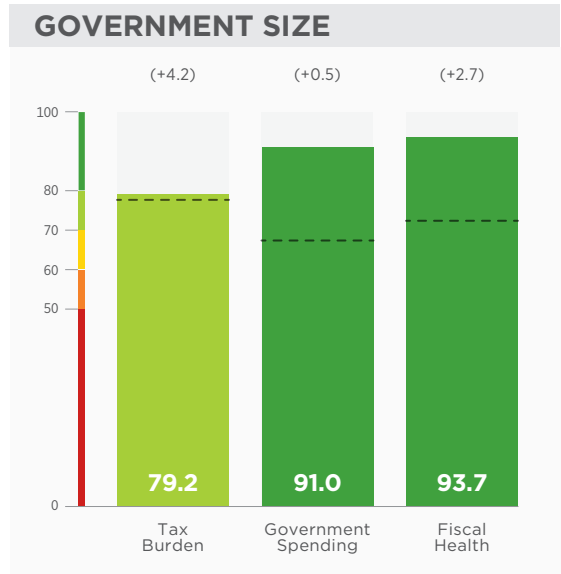
2019 data unless otherwise noted. Data compiled as of September 2020

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 (DPP) returned to power when Tsai Ing-wen was elected president in 2016. Amid 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 threaten both the country's long-term political autonomy and its ability to maintain 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.

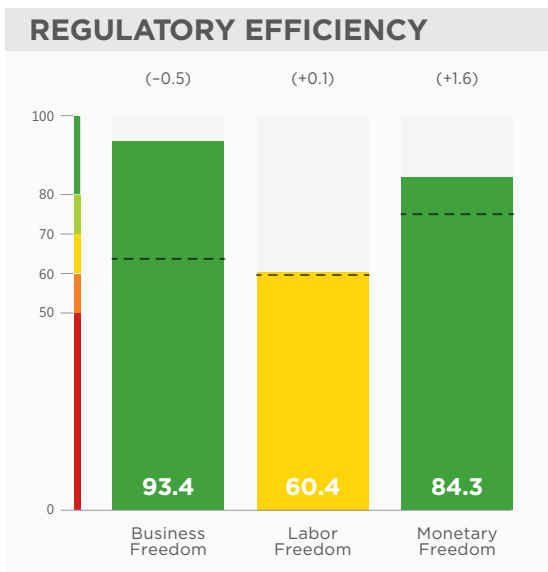
12 ECONOMIC FREEDOMS | TAIWAN



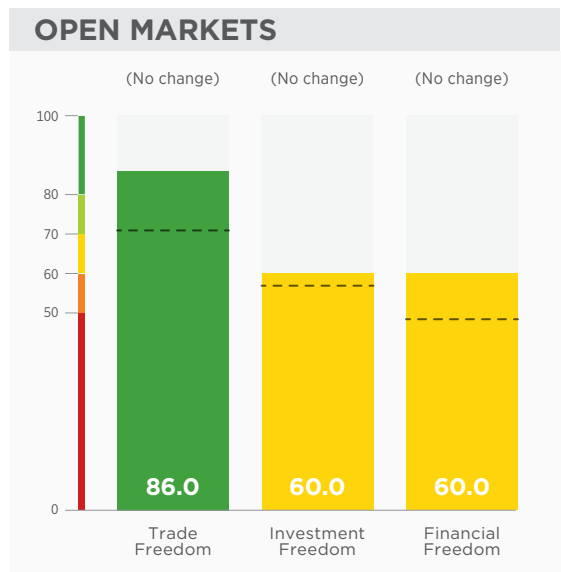
Interests in property are protected, and the system for recording mortgages and liens is reliable. Enforcement of contracts is strong. The judiciary is independent, and the court system is largely free of political interference. Taiwan has implemented laws, regulations, and penalties to combat corruption, including in public procurement. While corruption is much less prevalent today, it remains a problem, especially because 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 8.9 percent of total domestic income. Government spending has amounted to 17.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.7 percent of GDP. Public debt is equivalent to 28.2 percent of GDP.



The level of business freedom in Taiwan is among the highest in the world, surpassing a score of 90 every year since 2013. The labor force is shrinking due to the aging of the population, and there is a shortage of blue-collar manufacturing workers. Among other subsidies, the government funds research and development grants to encourage its high-tech industry firms to forge partnerships with foreign companies.



Taiwan has six preferential trade agreements in force. The trade-weighted average tariff rate is 2.0 percent, and 380 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 continues to evolve and expand, and the stock market is open to foreign participation.