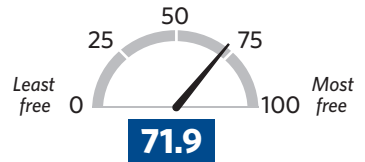


TAIWAN

Economic Freedom Score



World Rank: **18** Regional Rank: **5**

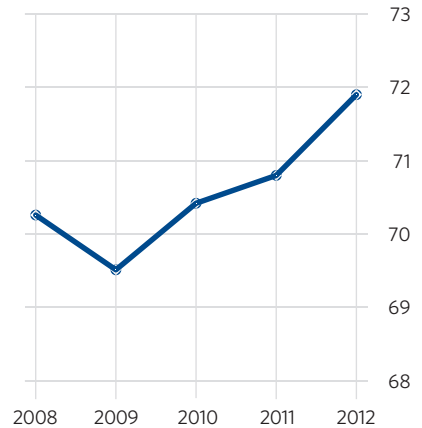
Taiwan's economic freedom score is 71.9, making its economy the 18th freest in the 2012 *Index*. Its score is 1.1 points higher than last year, with improvements in six of the 10 economic freedoms including business freedom and government spending. Taiwan is ranked 5th out of 41 economies in the Asia-Pacific region, and its overall score is higher than the world average.

Taiwan is now one of the world's 20 freest economies. A strong commitment to structural reform 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 legal framework and a tradition of private-sector entrepreneurial dynamism, and open-market policies that facilitate the free flow of goods and capital are firmly institutionalized. The efficient business environment has been further enhanced through the recent implementation of a 17 percent corporate tax rate and the elimination of minimum capital requirements for establishing a company. Taiwan's small and medium-size enterprises are well positioned to compete in the global marketplace.

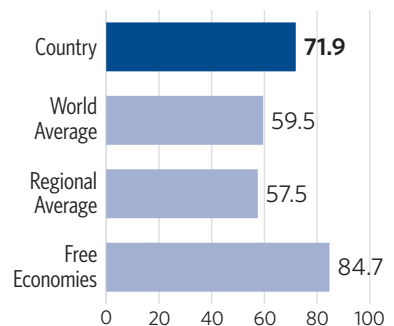
Although the level of state involvement in the economy remains considerable, government spending is under control. Despite some progress, corruption and a rigid labor market continue to restrain Taiwan's overall economic freedom.

BACKGROUND: Taiwan is a dynamic multi-party democracy. President Ma Ying-jeou, elected on a platform that promised a more open economic relationship with China, has moved to relax cross-strait barriers and has negotiated a formal economic agreement with mainland China. The country remains excluded from membership in the United Nations and other international organizations as a result of efforts by Beijing to pressure it into unification with China. Although internal opposition to engaging with China is considerable because of fears that sovereignty will be lost, the trade agreement seems to have encouraged recovery from the financial crisis. With emphasis on services, technology, and elements of manufacturing, Taiwan's economy is one of the richest in Asia.

Freedom Trend



Country Comparisons



Quick Facts

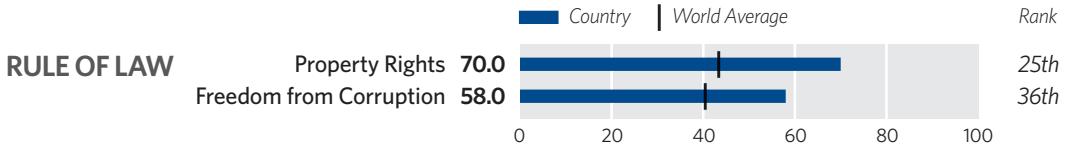
- Population:** 23.3 million
- GDP (PPP):** \$821.8 billion
- 10.8% growth in 2010
- 5-year compound annual growth 4.1%
- \$35,227 per capita
- Unemployment:** 5.2%
- Inflation (CPI):** 1.0%
- FDI Inflow:** \$2.5 billion
- Public Debt:** 38.6% of GDP

How Do We Measure Economic Freedom?

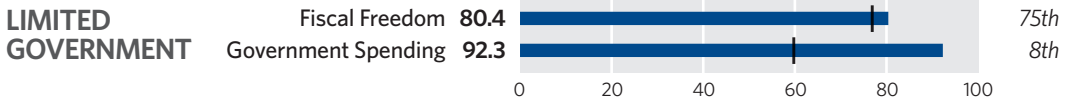
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
Data compiled as of September 2011.

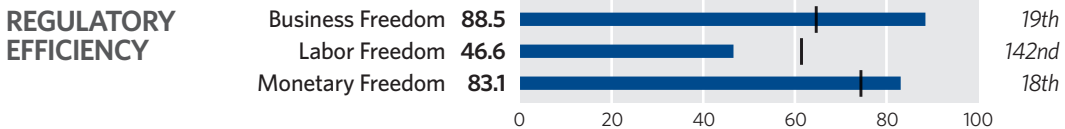
THE TEN ECONOMIC FREEDOMS



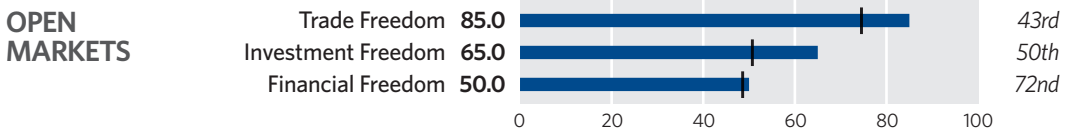
The rule of law is well maintained, and the court system is independent of political interference. Property rights are generally protected, and the judiciary enforces contracts. The legal regime for intellectual property rights has advanced, but there are continuing concerns about counterfeit pharmaceuticals and infringement of copyrighted material. Despite some progress, corruption continues to be a cause for concern.



The top income tax rate is 40 percent, and the top corporate tax rate has been reduced to 17 percent. Other taxes include a value-added tax (VAT) and an interest tax, with the overall tax burden amounting to 8.4 percent of total domestic income. Government spending is equivalent to 16 percent of GDP. The budget balance has fallen into deficit, and public debt has reached approximately 39 percent of GDP.



The overall freedom to conduct business is well protected under the efficient regulatory environment. Simplification of registration procedures has continued in recent years. Bankruptcy proceedings are fairly easy and straightforward. With no minimum capital required for establishing a business, it takes only three procedures to start a company. The labor market lacks flexibility. Monetary stability has been well maintained.



The trade weighted average tariff rate is competitively low at 2.5 percent, but non-tariff barriers add to the cost of trade. Foreign investment is generally welcome, and the overall investment regime has become more transparent and efficient. The financial sector continues to evolve, providing a wide range of financial instruments and services. Government institutions dominate banking, and the foreign bank presence is relatively small.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+2.1	Business Freedom	+3.8	Trade Freedom	-1.2
Freedom from Corruption	+2.0	Government Spending	+2.6	Labor Freedom	+0.5	Investment Freedom	0
				Monetary Freedom	+1.1	Financial Freedom	0