

## Expectations for the New Government's Overall Economic Policy

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In this presidential election, amidst the competition between the Democratic Progressive Party (DPP), the Kuomintang (KMT), and the People First Party (PFP), Mr. Lai Ching-te of the DPP emerged victorious with around 40% of the votes, becoming the 16th President of Taiwan. Regarding economic policy, President Lai emphasizes the establishment of an "economy that never sleeps." In terms of industrial policy, he continues the six core industries and develops five strategic industries, as well as the protection of Taiwan's sacred mountains. In terms of talent, there is a significant opening to international talent, with increased incentives to attract top talent.

In terms of industrial policy, the five strategic industries include semiconductors, artificial intelligence, defense, security, and communications industries. To transform Taiwan into a smart technology island, there is a proposal to strengthen the national semiconductor strategy and to make Taiwan a leading hub for AI innovation and services in the Indo-Pacific region.

These policies are generally stable and continue the policies of President Tsai Ing-wen, which are commendable. However, the implementation of industrial policies is crucial. In recent years, Taiwan, apart from the semiconductor and electronics industry, has not cultivated other potential industries, resulting in a significant tilt towards high-tech industries. Although the biotech industry seems promising, its overall development, whether in terms of output value, foreign exchange creation, or international visibility, lags far behind the semiconductor industry.

Regarding cross-strait policies, President Lai has put forward "four pillars" of policies, including "strengthening defense deterrence," "enhancing economic security," "establishing partnerships with global democratic countries," and having "stable and principled cross-strait leadership." At the same time, he emphasizes that Taiwan and mainland China are not subordinate to each other, and Taiwan's sovereignty should be decided by its 23 million people.

In terms of cross-strait exchanges and cooperation, Taiwan's industrial development must be based on cross-strait peace. Especially with the recent

trade barrier investigation under the Economic Cooperation Framework Agreement (ECFA), where almost all ECFA early harvest lists, from 12 petrochemical products to machinery, petrochemicals, textiles, etc., are included in the tariff removal, this “Salami Tactics”, or even the cancellation of the entire ECFA, cannot be underestimated in its impact on the industry.

Apart from the 1992 Consensus, seeking other possible alternative solutions to strengthen cross-strait communication, and even facilitating formal communication channels between the two sides under U.S. mediation, Taiwan should also reconsider the opening of domestically non-value-added or low-value-added projects to imports from mainland China as a gesture of goodwill.

Regarding low youth wages, President Lai primarily addresses the issue by raising the minimum wage and implementing welfare measures to alleviate the problem. However, addressing low youth wages cannot rely solely on tax incentives or raising the minimum wage, as this only treats the symptoms rather than the root cause. In the long run, it is necessary to introduce industry policies to loosen the service industry, industrialize, channel excess savings and insurance funds into the service industry, improve business models, expand application scales, and create more high-level job opportunities. This will provide useful opportunities for highly educated young people.

In terms of industrial promotion, the proper planning of the six core industries and five strategic industries, the establishment of KPIs, and regular reviews are essential for implementation. In particular, communicating and dialoguing with society and the people about government achievements is the key to policy implementation. Technological innovation is crucial, but more important is the innovation of thinking systems, including loosening the service industry, setting KPIs for industrialization, setting cross-departmental KPIs, and expanding the number of deputy ministers in the Executive Yuan to solve the thorny issues of cross-departmental coordination, low youth wages, and soaring housing prices. Additionally, utilizing tax incentives to promote digital and green transformations and necessary business automation to address labor shortages are crucial for Taiwan's comprehensive second industrial upgrade and transformation.