

# **The World's Most Successful Economic Minister:** **"Control Of The Pandemic Brought Us Back To** **A Normal Life"**

A high level of readiness, quick response and meticulous and decisive management have enabled Taiwan to overcome the corona crisis admirably ■ Taiwan's Minister of Economy since June, Wang Mei Hua, has played a significant part in this success ■ "In a crisis we must effectively coordinate between all bodies in the country"

By Dafna Maor

With nine deaths and 937 patients in Corona, Taiwan is one of the most successful countries in dealing with the plague, which has so far claimed the lives of nearly 2.5 million people worldwide. Last week, Taiwan's health minister said that the government was considering lifting the ban on foreigners as early as March, two months after the sky closed following the advent of the British variant of the virus. The entry of foreigners will be permitted subject to the isolation of 14 days in the hotel or a private home, if it is owned by visitors.

Taiwan's success in suppressing the epidemic is particularly striking due to its proximity to China, the source of the deadly plague, which employs hundreds of thousands of Taiwanese and maintains urban aviation ties with Taiwan. In addition to its success on the health front, Taiwan enjoyed another success in 2020 - economically. It is one of the few countries in the world that grew last year and did not suffer from a recession. According to government estimates, the economy grew by 3% in 2020, more than even China.

"The Government Research Institute estimates that growth in 2021 will be 4%," said Wang Mei Hua, Taiwan's Minister of Economy since June 2020, in an interview recently held over Webex.

The success in halting the epidemic stems from a high level of readiness, which some attribute to Taiwan's bitter past experience in dealing with the SARS outbreak, but also from careful and decisive management and a quick response, after authorities learned of the existence of early cases in China. "The important thing was to control the epidemic. The experience we gained with SARS in 2003 was very important. It made us act very early. Once you control the plague, you can lead a normal life," Wang said.

**Similarities to Israel - until you reach Corona**

The rapid response included tests and isolation for incoming passengers, travel restrictions, rapid opening of testing centers and the obligation to wear a mask in public buildings. Taiwan was already a national control center for the treatment of epidemics, established in the wake of the SARS epidemic, which coordinated the curbing the epidemic.

All this is being done while Taiwan is facing not-so-simple geopolitical conditions. This was reflected last weekend, when Taiwan twice launched fighter jets at Chinese planes training in an area of Taiwan-controlled islands in the South China Sea, a disputed area between the two countries.

Taiwan has a population of 23 million, living in the shadow of neighboring China, which claims sovereignty over Taiwan - which as a result leads them to suffer from official non-recognition by most countries, including Israel. Like Israel, a security threat hovers over its existence, it has a distinct entrance gates that they control, its population is educated, it has a technological export industry, it suffers from a shortage of natural resources - and it is a democracy that has run a national universal health system. But in dealing with the corona, health and economic, it is difficult to find similarities between it and Israel.

After the quick and decisive response, Taiwan recovered quickly and returned to a good routine as early as the third quarter. Private consumption jumped 5.2% last year, compared with 2019 - the fastest pace in the last decade. Taiwan's exports, a key growth engine, jumped the last two quarters of 2020 to a new high, with an increase of 29.7% in November, the largest since May 2010.

**"All branches of technology need our components"**

**What enabled Taiwan to recover economically so quickly, other than the rapid response to the epidemic itself, which you noted was critical?**

Wang: "Because we do not have natural resources, like you, we invest in technological development. We have a concentration of industries in many sectors: from textiles, machinery and chemicals, to chips and information and communication technology (ICT).

"When the plague hit the world, many countries went into quarantine and were economically damaged. It negatively affected our industry - orders from textile and mechanical equipment factories ceased. On the other hand, the information, communications and chip industries enjoyed rising demand for computers, servers and electronics. .

"In the second half of the year, global demand for traditional industrial products also resumed. That's how we got to good performance. But again, the most important thing is to control the plague."

**"Success can be attributed to good coordination"**

23 million Taiwanese, 98.4% of the population, received vouchers worth 3,000 Taiwan dollars (106 US dollars) to spend on restaurants and large businesses, each being required to invest \$ 1,000 in his pocket as a serious fee, thus dividing the cost between the government and consumers. The move propelled the Taiwanese retail sector's monthly revenue to an all-time high between July and November 2020. According to the National Development Council, the plan contributed \$ 100 billion (\$ 3.6 billion) to domestic economic output. 21.5 million residents received paper vouchers and 1.8 million electronically.

**Despite curbing the epidemic, the government has intervened to support the economy, including tens of billions of dollars in rescue packages for industry and consumers. How did you prefer the assistance?**

"In the first half of the year the industry was adversely affected by the decline in orders from abroad. We provided rescue packages and loans to the industry, to allow it to continue producing without interruption. For industries that were weak in the epidemic we provided rescue packages so they could maintain their businesses.

"We supported local consumption with the help of vouchers. The control of the plague made it possible to keep consumption above water. This is a circle that strengthens itself. We continue to provide incentives this year as well. Some of the sectors are still adversely affected by closures, such as tourism."

**How did the ministry you head coordinate activities with the Ministry of Health and other government bodies?**

"We are responsible for the development of the industry. At the beginning of the epidemic government established a command center for the treatment of plague, designed to coordinate the office. One of the first things we did was management, production and export of protective equipment to medical teams and masks. Taiwan produces and exports to Western countries masks that are expensive and high-quality. The cheap surgical masks are imported from China. With the outbreak of the plague, we decided not to rely on imports from China, so we started a process in which we stopped the export of masks from Taiwan, and increased production output for the benefit of the local population, to provide all residents with masks.

"It was a big challenge. We coordinated between all the players in the mask industry: machine makers, mask factories and raw material makers - like the middle layer in the mask, which is supposed to block the virus. Within 45 days we produced more than 90 mask making machines. After the production, it had to be distributed efficiently and at a reasonable price. We did it with advanced technological means. The ministry also asked the companies to produce protective equipment for the health system workers."

**Are coordination and solidarity something that characterizes Taiwan and its culture?**

"Coordination is important everywhere. Success can certainly be attributed to good coordination. I am not sure it is a cultural or a national characteristic, but in our country we know that we must coordinate between ministries and bodies to reach the goal in a crisis. This is the government's approach. Our office has a very good relationship with the industry. We understand how to operate it and use our capabilities."

Wang admits that not everything went smoothly. "By and large, our story is positive. We have to adapt and adjust the policy from time to time according to the situation. But we strive for excellence in the policy against the plague. For example, there were companies that complained that they were banned from exporting masks. Once we had enough masks for local use, we were able to send masks to families abroad or to customers of export companies."

"The closure of the borders at the beginning of the year also provoked anger. We claimed that it harmed trade-economy relations. But after discussions with the Foreign Ministry, we decided that the top priority is to curb the plague, before the economy."

**"They are responsible for the software, we are for the hardware"**

In corona revealed the critical importance of the Taiwanese semiconductor industry, specializing in the production of chips being developed by companies in other countries worldwide. Due to declining demand for cars, the world's major automakers have halted their orders for the chips needed in cars.

With the recovery of demand for cars in the world, automakers have found that they have to wait in a long line - because of the rising demand for electronics. Manufacturers such as Volkswagen, Ford, Nissan and Fiat have had to shut down production lines and reduce output due to a shortage of components. Manufacturers have reportedly appealed to the Taiwanese government to help them advance as production lines at local factories of manufacturing giants TSMC and United Microelectronics.

**Taiwan is a powerhouse of chip manufacturing. In what other areas of technology do you see an opportunity and potential for future growth?**

"Because the epidemic is still here, there is a high demand for electronics, and our chip and technology sectors are booming. In January 2021, our exports grew, and so did 2020. The synergy between the sectors in Taiwan, technology in general and chips in particular, strengthens the foundations of the economy."

"The electric car industry is an opportunity for Taiwan's economy - because of our skills in electricity and electronics. These are products that need many components, and we have the advantages that allow us to participate in the supply chain of electric cars."

"A lot of international corporations come to Taiwan because of our manufacturing capabilities. They bring the software, and we bring the hardware - it's a powerful combination that can

establish new product development. Electric cars, AI and the Internet of Things (IoT) – they all need hardware and software.

"Another area that Taiwan is developing is green energy, especially solar and offshore wind. Because we are a very small country, we attract many European companies to invest in Taiwan and local industries, such as offshore wind turbines.

"We have a good foundation in other areas as well, such as pharma and biotechnology, but this industry is not known for original developments. We are more involved in generics, and cooperation with other countries."

### **Taiwanese manufacturers return home - from China**

**The US-China trade war led by Donald Trump is a key factor in your economic success. Taiwan's trade surplus with the US doubled between 2018 and 2020, to \$ 30 billion. Do you think the momentum will continue as the reins of the United States are passed to President Joe Biden?**

"The trade war between China and the United States has made many countries realize that Taiwan is a good partner in technological development. Because we are a democratic society that respects human rights, acts transparently and has good infrastructure and good human resources - we have a good basis for cooperation with other countries. Success in the plague has also improved our global profile.

"Exports to the United States have increased greatly because of the trade war. The US had security concerns about many products from China. Many of the Taiwanese companies that manufactured in China, moved the factories from China to Taiwan to manufacture here, and export directly to the US. Following this trend we have launched a program that will make it easier for Taiwanese companies to transfer their investments to Taiwan. There are all the benefits to the industry here - it's the best destination for them to move to.

"In 2019-2020, we were able to move \$ 40 billion in investments from Taiwanese companies from China to here. This is a move we have not seen in the last 20-30 years. This program will last for three years. All the most important companies have returned home, and now we are attracting companies from the second tier. "

### **"Production Squad - This is Our Business Model"**

Wang is pleased with the progress of Taiwan's economy. "We are lucky, the chip industry has been leading Taiwan for 30 years. It is focused on manufacturing, and improving it. But the chip companies are also collaborating with international companies to develop advanced processes. The chip supply chain is complex - research and development, integrated circuit design, manufacturing and packaging. There is also a production of high quality materials, and of equipment for factories.

"Each link in the chain specializes in companies from other countries. Taiwan has chosen to focus on the production link, and cooperate with other companies and countries. This is our business model."