



Chinese Taipei Report

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Macroeconomic Situation

⇒ 2003 – 3.24% growth (lower than 2002)

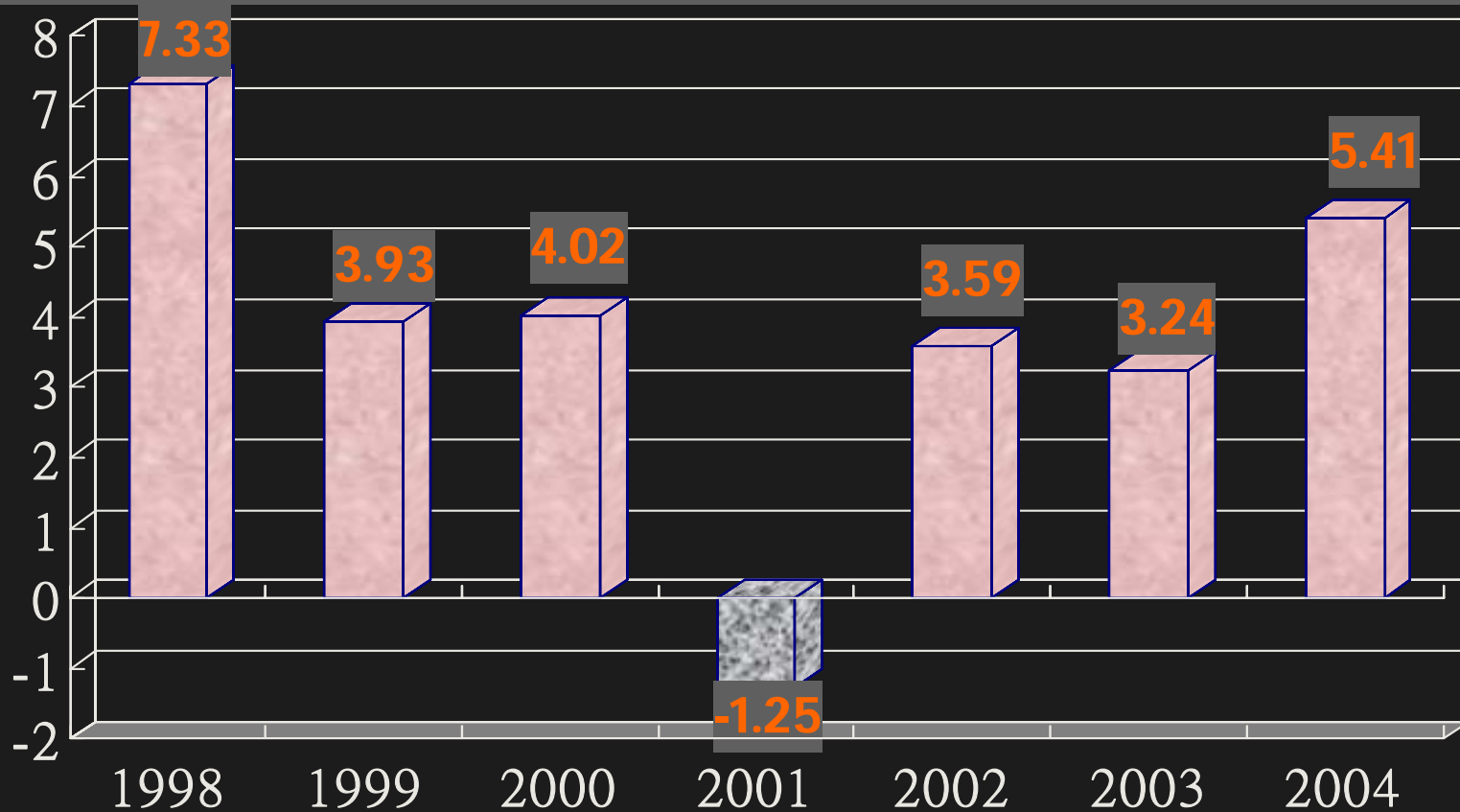
- SARS in the 1st half of year
 - Previous estimates: Before +3.4% v.s. After 2.9%~1.9%
 - Consumption: –1.81% in 2nd quarter.
 - Emergent relief → Government fiscal budget deficit
 - I : 3.53% growth; II: -0.08% growth
- Stronger in 2nd half
 - III: 4.18% growth; IV: 5.17% growth
 - Led by strong export expansion

Macroeconomic Situation

⇒ 2004 – 5.42% growth

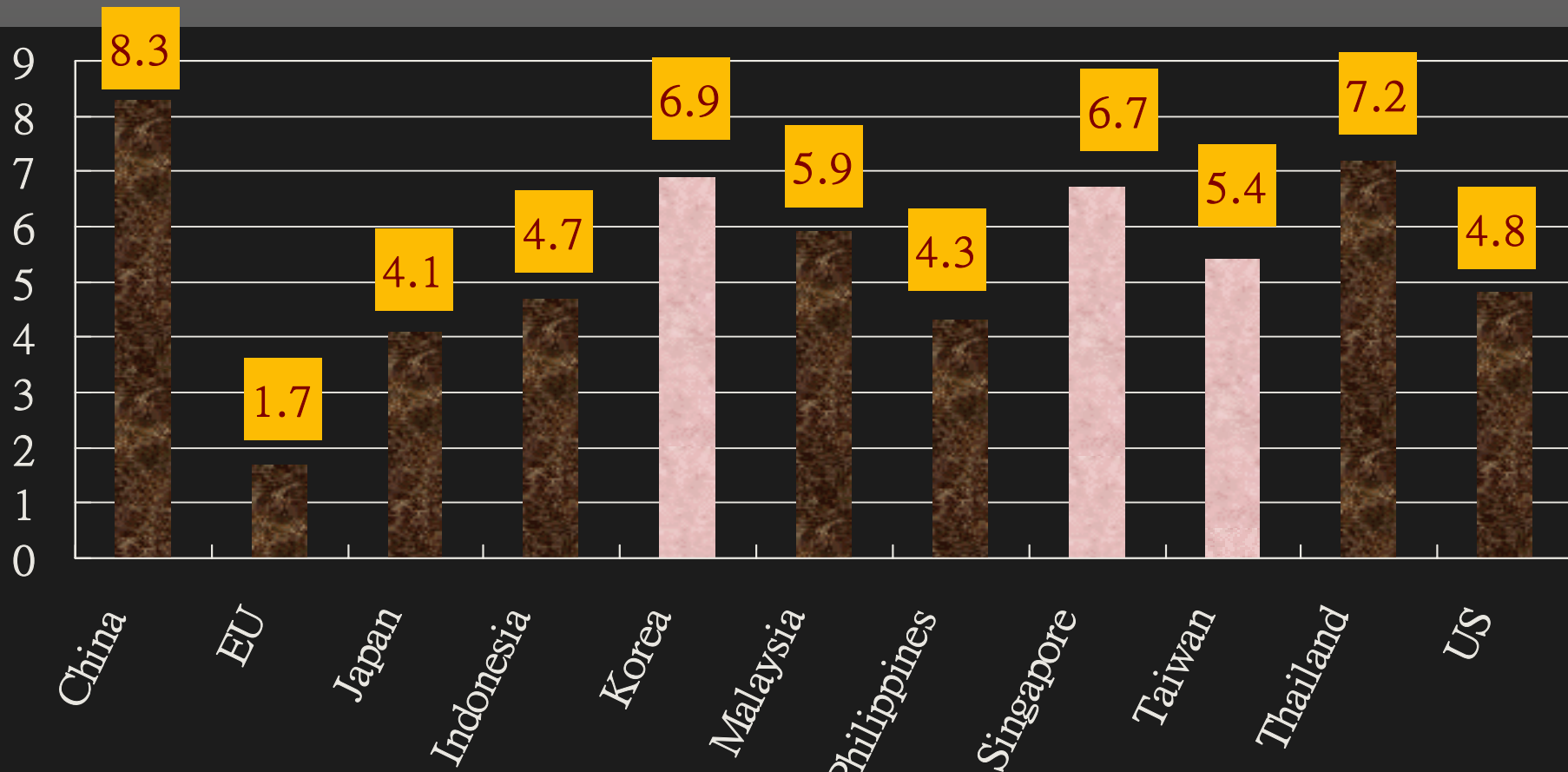
- Recovery of world economy
- Export expansion & domestic demand
- Private investment – 23% increase
 - High-speed railway
 - Sixth naphtha cracking plant
 - Photonics & telecom industry
- Export – 17% increase
- Import – 23% increase (rising oil & material prices)

GDP growth—1998 - 2004



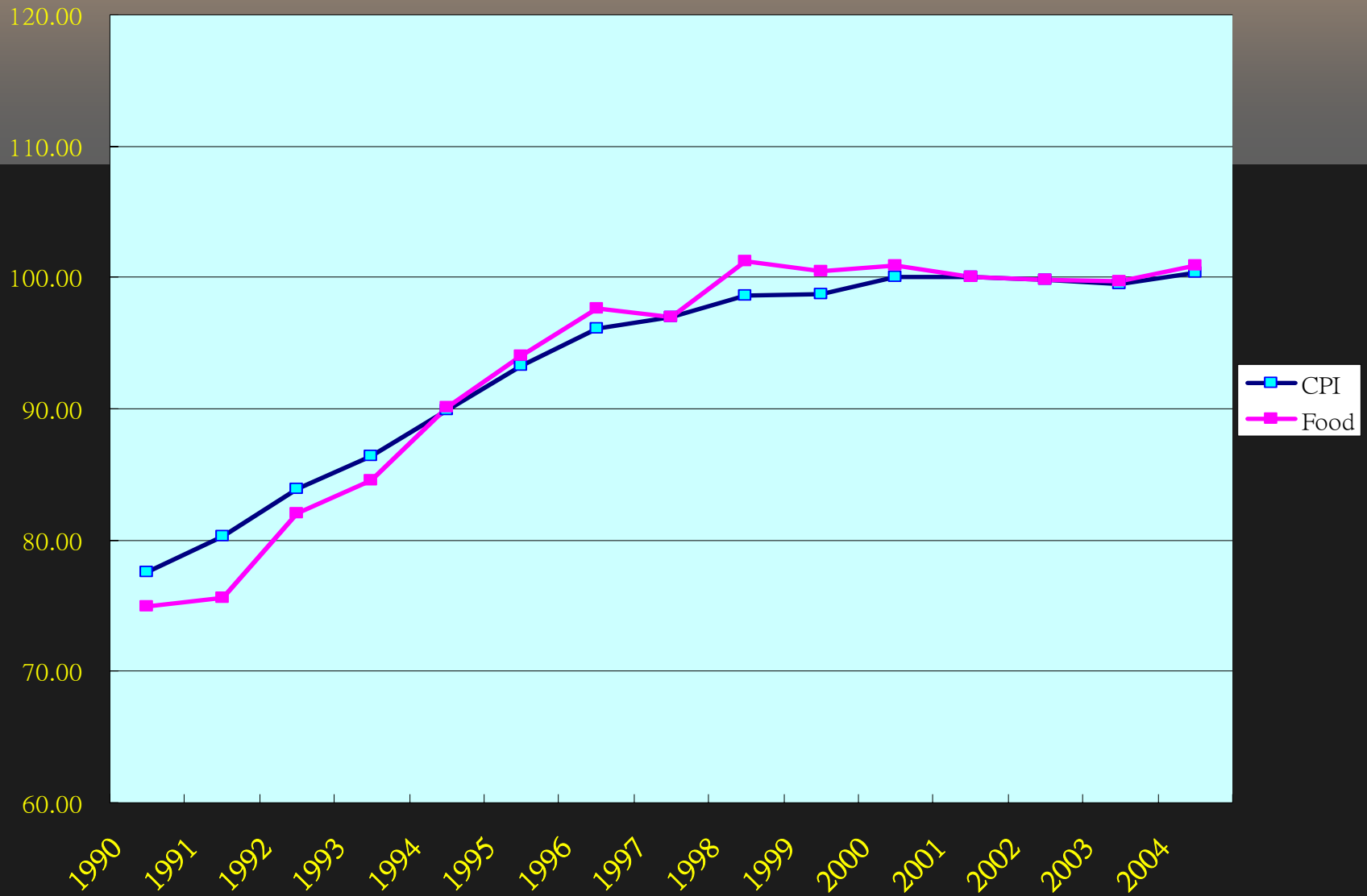
GDP growth in 2004—

International Comparisons



Source: Global Insight, 2004 May.

CPI and Food Price



Uncertainties

- ⇒ Rising oil and raw material prices
 - WPI increase -- 4.1%
 - Import price increase -- 6.0%
- ⇒ Post-election dispute
- ⇒ High unemployment rate
- ⇒ Cross-strait relationship

Food System

- ⇒ Price
- ⇒ Consumption
- ⇒ Production
- ⇒ Trade
- ⇒ Processing
- ⇒ Marketing
- ⇒ Policies

Food Consumption & Prices

⇒ 2003—Weakened by

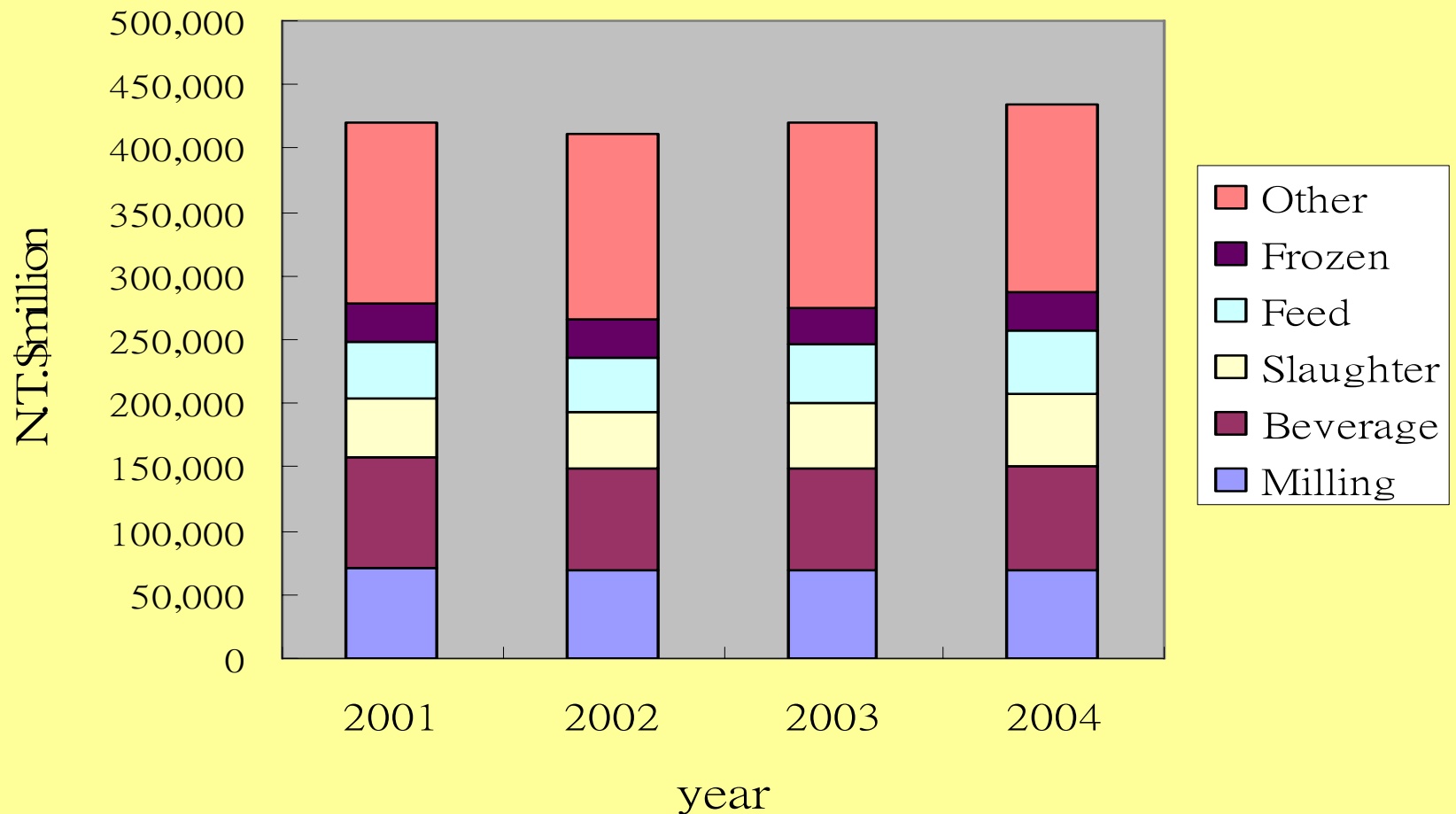
- SARS outbreak
- Pork & chicken - drug residue
- Seafood - rejected by EU for antibiotics

⇒ 2004—Weakened by

- Poultry - Avian flu (H5N2 strain)
- Rice, oranges, etc. - Import competition

Food Processing

2001-2004 Food Industry Output Value



Food processing in 2003 - 2004

⇒ 2003 - 1.9% increase from 2002

- Up: Cooking oil (20%), Feed, Meat
- Down: Frozen, Dehydrated, Rice milling, Tea

⇒ 2004 - 3.5% increase from 2003

- Better economy and domestic demand
- Inward -looking → Outward-looking
- New joint venture and market expansion in China

Food Production

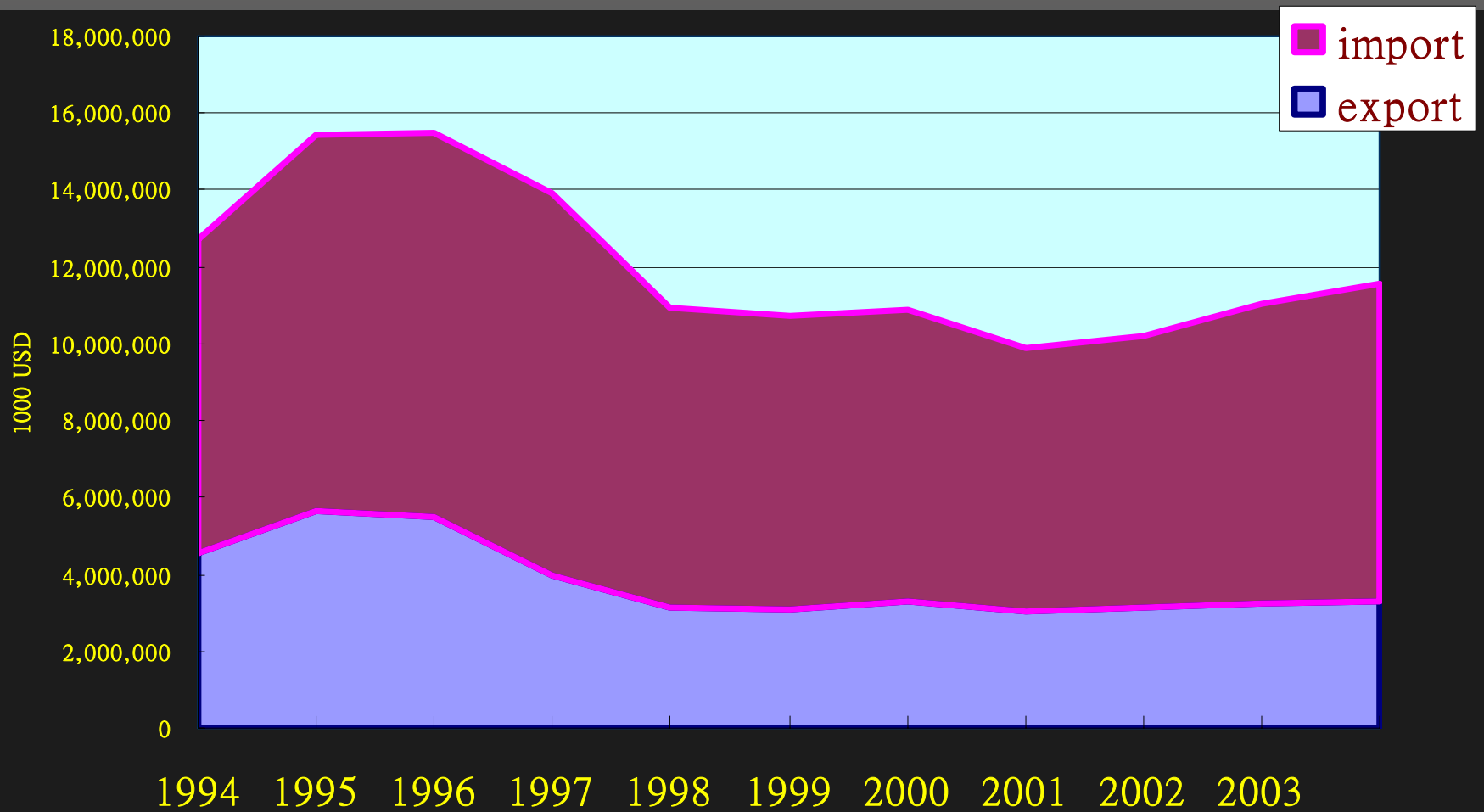
⇒ 2003 -- negative growth

- Severe drought
- Rice - 8%, vegetable - 11%
- Hog and poultry - 2%
- Fishery - 4.4% growth

⇒ 2004 -- negative

- Drought continues
- Shadow from Avian flu
- Import competition

Food Imports & Exports



FOOD Policies

- ⇒ Financial Reform— agriculture credit unions
 - New agriculture finance law
 - New institution - National farmer co-op bank
- ⇒ Rice Policy Reform
- ⇒ Marketing and Export Promotion
 - Lack of scale
 - Quarantine issues
- ⇒ Strengthening SPS Measures for Food Safety



Infrastructure

- ⇒ Hardware— quantity
- ⇒ Software—deregulation, privatization

Domestic market

⇒ Consumption (22 million population)

- 43% in the North
- 55% in Central & South

⇒ Production—

- 75% farmland in Central & South
- 75% farmers in Central & South

⇒ North-South corridor

International Market

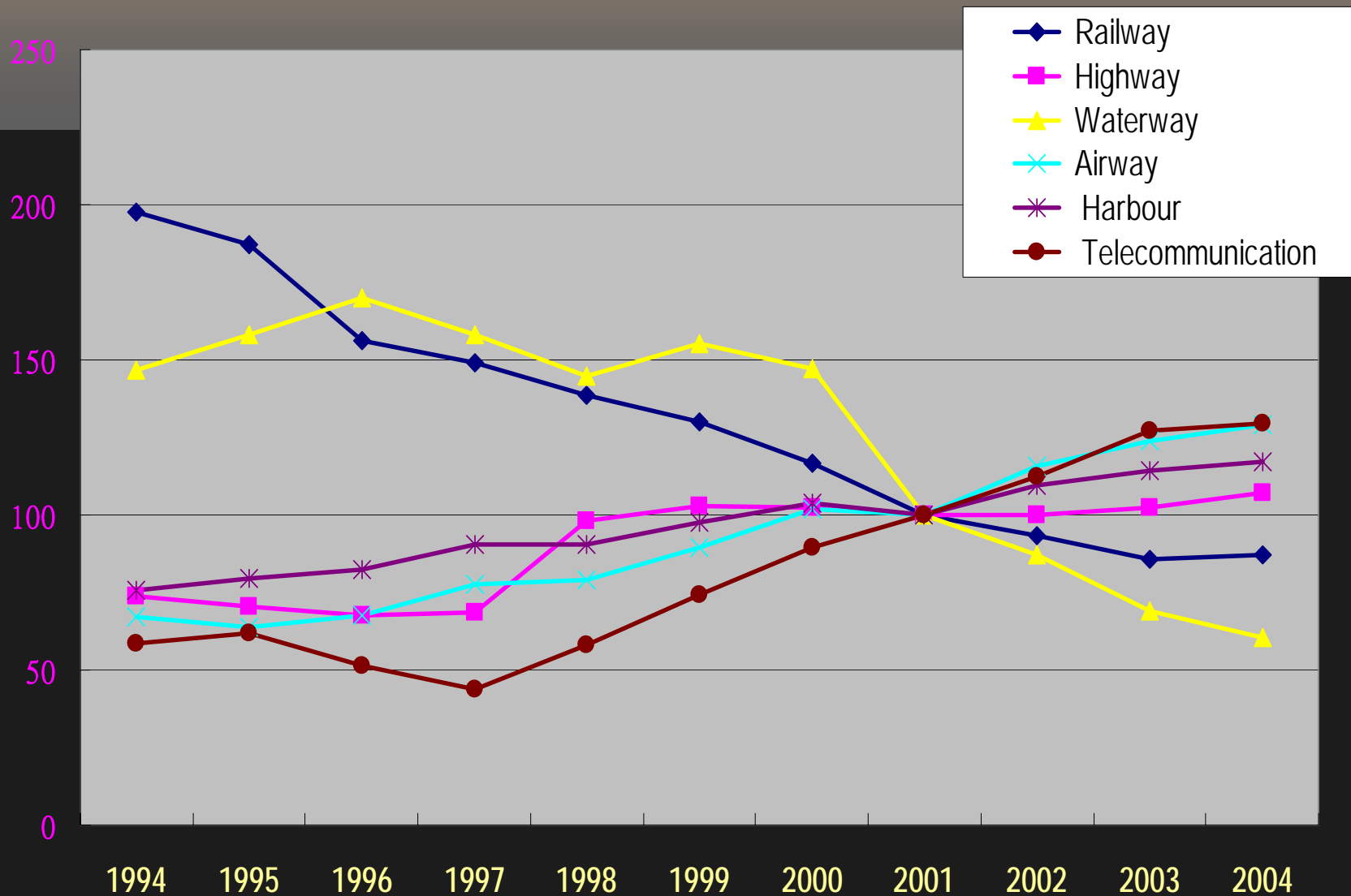
⇒ Imports

- U.S. (33%)
- Australia, Japan, Thailand, China, Malaysia, New Zealand, Indonesia, Canada (3-5%)

⇒ Exports

- Japan (34%)
- Hong Kong (23%)
- U.S. (10%)
- Vietnam, Korea, China

Volume Index of Transportation



Waterway

- ⇒ Ocean country by nature
- ⇒ National flag vessels declined sharply
 - 50% decrease over one decade
- ⇒ Consequence → National security in war
- ⇒ Causes (by Evergreen tycoon)
 - Govt negligence in shipping policy
 - Policy toward China

Railroad

- ⇒ Decrease from 2 billion to 0.8 billion ton-km
- ⇒ Agro-food accounts for 12%
 - Decline from 2.9 million tons to 1.4 million tons
- ⇒ High-speed railway (US\$14 billion)
 - Largest BOT project globally
 - Largest infrastructure project in Taiwan
 - Completion on Oct 2005

Roads

- ⇒ Increase from **13 billion** ton-km to **18 billion** ton-km
- ⇒ Two main highways – West coast
- ⇒ Third one on the East coast
 - East-West Highway

Airway

- ⇒ 2 main cargo carriers (China and EVA)
- ⇒ Difficulty
 - Cross-strait direct flight
 - 2003/09/25—indirect cargo flight is approved
 - Cut shipping costs by US\$50,000~80,000 per trip
 - No benefit for agro-food sector

Ports and Docking

⇒ 5 international ports

- North—**Keelung**, 2 million TEUs per year (16% of total)
- South—**Kaohsiung**, 8.8 million TEUs per year (73%)
- Fast growth in 2004---5000 TEUs in transshipments

⇒ On 2004/03/18, **Free port** approved

- Attract investment
- Integrate with neighboring industrial zones

⇒ Competition with China's deep-water port

Kaohsiung Port

- ⇒ \$2.7 billion expansion to compete with regional rivals in transshipping
- ⇒ Add 5 container berths capable of handling 15,000 20-foot TEUs, increasing the port's capacity 28% to 11.3 million TEUs

Keelung Port

- ⇒ Second largest BOT project
- ⇒ Alliance w/ Evergreen, Yangming, Wan Hai -- investing US\$ 600 million in container terminal
- ⇒ Seven deepwater container wharf completed by 2014
 - 14.5 meters in depth
 - 2,355 meters in length
 - Cargo ship of 5000 TEU

Utilities

⇒ Electricity

- 65% thermal-based, 17% nuclear
- Capacity grew 4.5% over past 5 years
- Taipower (SOE) provides 80%
- Liberalization in 1994; finalized in 2006
- Nuclear power dispute

⇒ Water & irrigation

- Private investment (irrigation association)
- Lag in investment (weakening ag sector)

IT & Telecom

⇒ WEF's Network Readiness Index

- Taiwan ranks **9th** among 82 countries
- Internet population -- **9 million**
- Penetration -- **40%**

⇒ Internet Infra (Digital Taiwan)

- **Speed:** Broadband network
 - 6 million subscribers in 2007
- **Quality:** IPv6 Info network
 - Three stage to complete in 2007

Privatization ↔ Deregulation

- ⇒ WHY? Global competition
- ⇒ Started in 1989 -- 27 privatizations so far
- ⇒ In 2001: 31 SOE
- ⇒ Lowest priority
 - Utilities: 2
 - Telecom & Transportation: 7
- ⇒ Alignment with market liberalization
 - Chung-Hwa Telecom
 - China Petroleum Corp

Bottleneck in agro-food sector

⇒ Domestic

- Chemical residue control
- Avian flu—Shipping live animals
- Water issue

⇒ International

- Quarantine, SPS
- Competition w/ non-ag commodities
- Import cleaner grains
- Cross-strait direct shipping

Challenges

- ⇒ How to sell shares or enterprise?
- ⇒ Refocus the role of government
- ⇒ Increase efficiency
- ⇒ Global competition
- ⇒ **Strategies--**
 - Open market
 - Abolish unnecessary regulations
 - Lower entry barriers