



# **Chinese Taipei Report**

## **---- PF02004 ----**

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# Macroeconomic Situation

⇒ 2003 – 3.24% growth (lower than 2002)

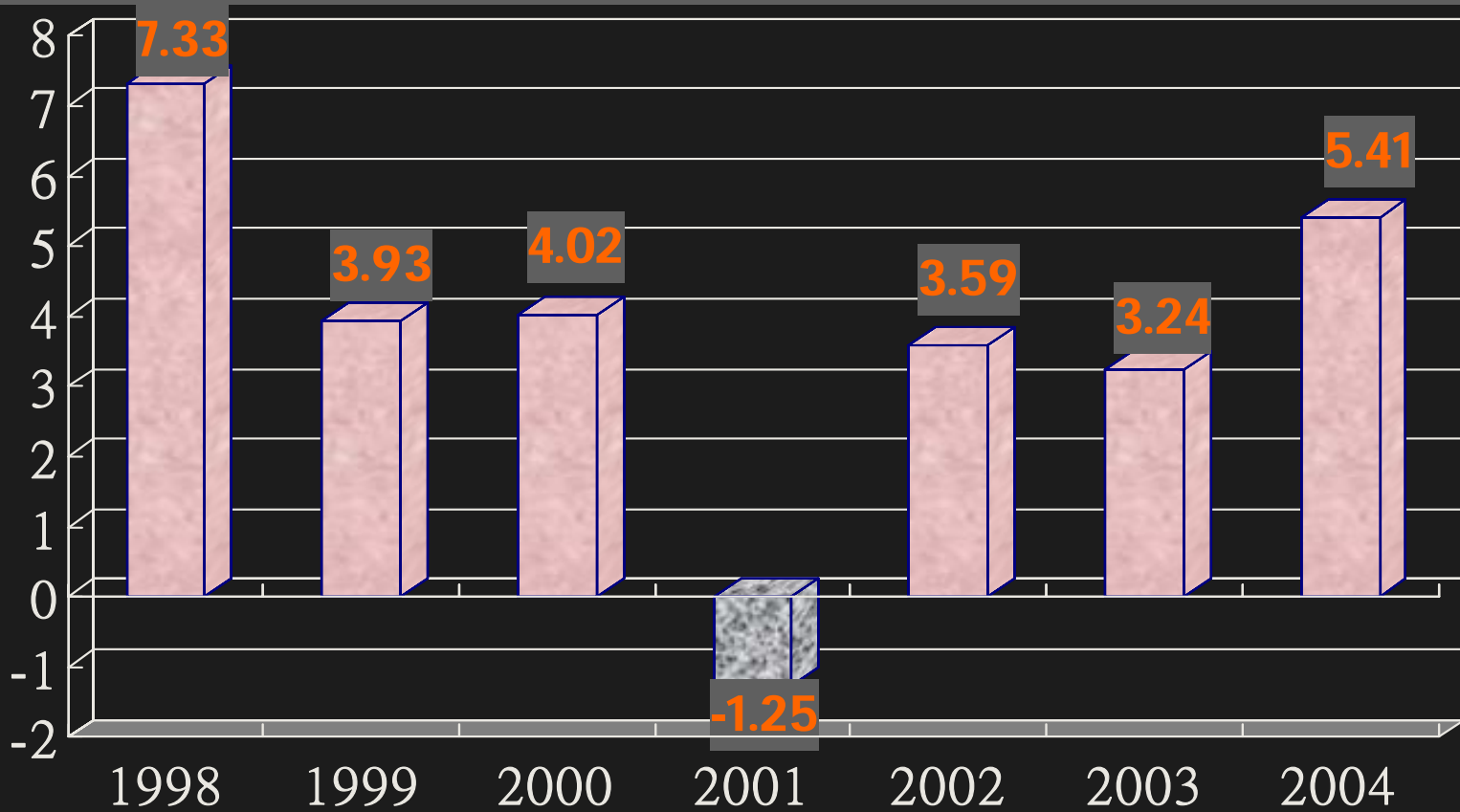
- SARS in the 1<sup>st</sup> half of year
  - Previous estimates: Before +3.4% v.s. After 2.9%~1.9%
  - Consumption: –1.81% in 2<sup>nd</sup> quarter.
  - Emergent relief → Government fiscal budget deficit
  - I : 3.53% growth; II: -0.08% growth
- Stronger in 2nd half
  - III: 4.18% growth; IV: 5.17%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

# Macroeconomic Situation

⇒ 2004 – 5.42% growth

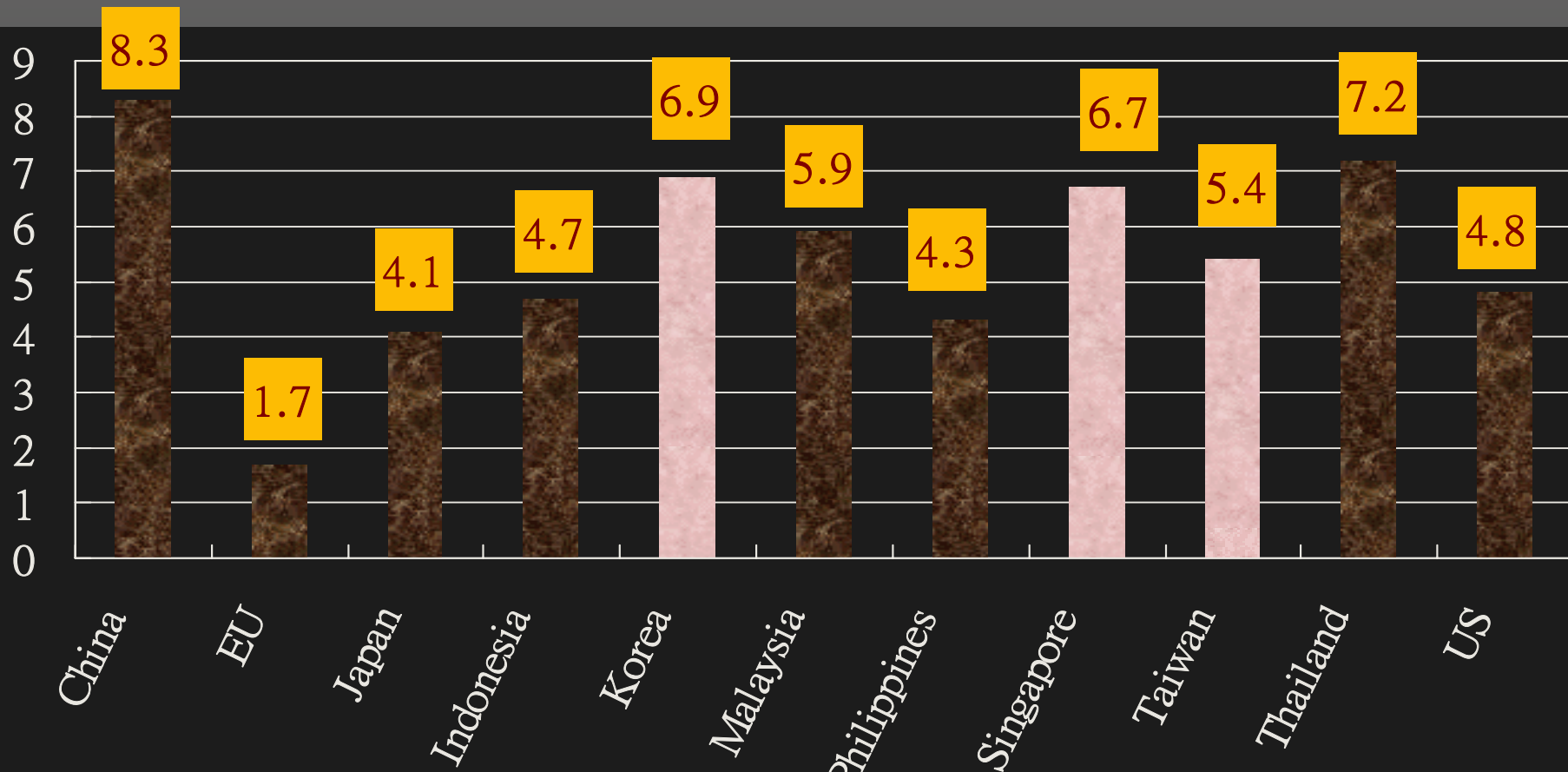
- Recovery of world economy
- Export expansion & domestic demand
- Private investment – 23% increase
  - High-speed railway
  - Sixth naphtha cracking plant
  - Photonics & telecom industry
- Export – 17% increase
- Import – 23% increase (rising oil & material prices)

# GDP growth—1998 - 2004



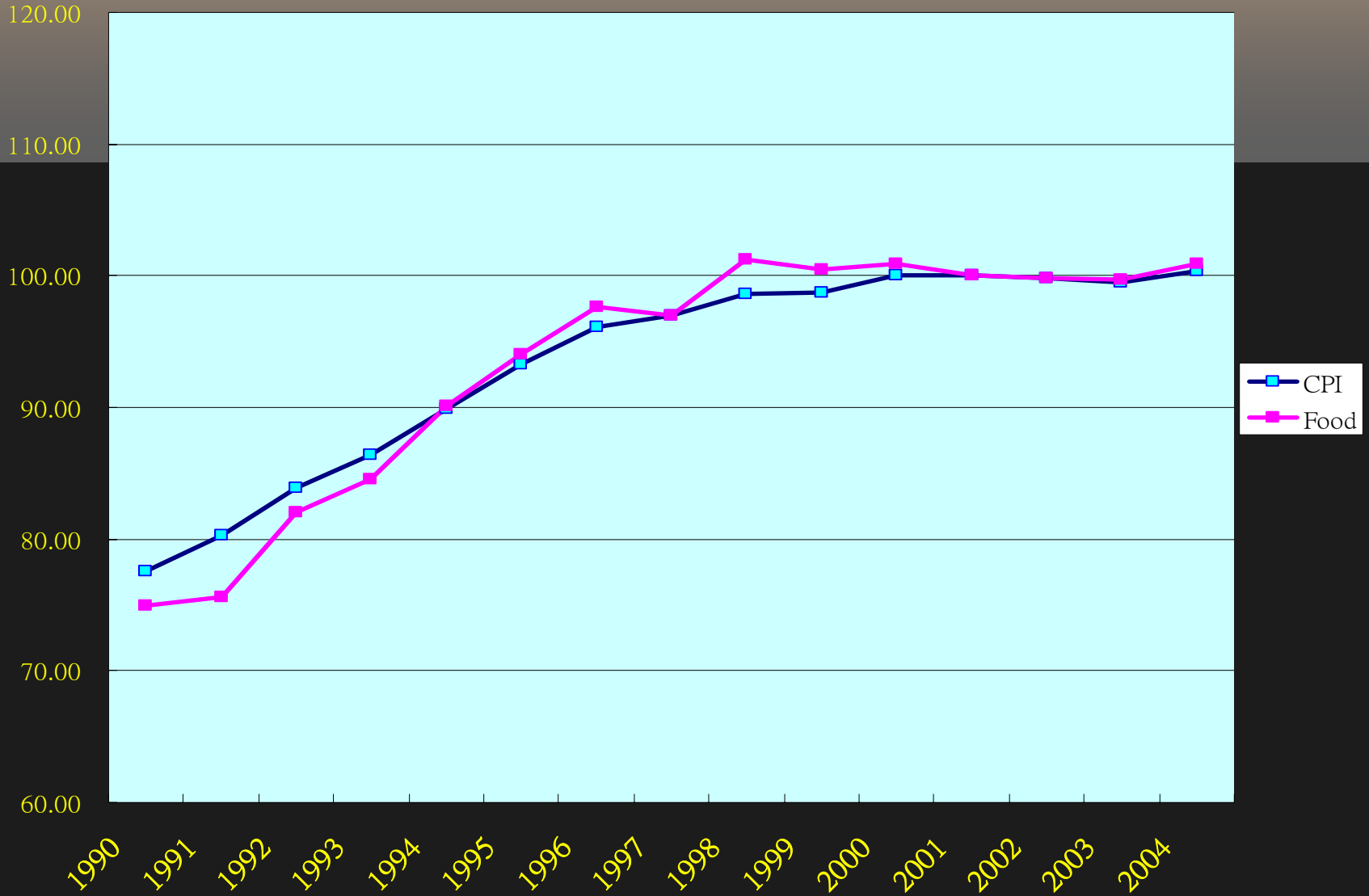
# GDP growth in 2004—

## 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

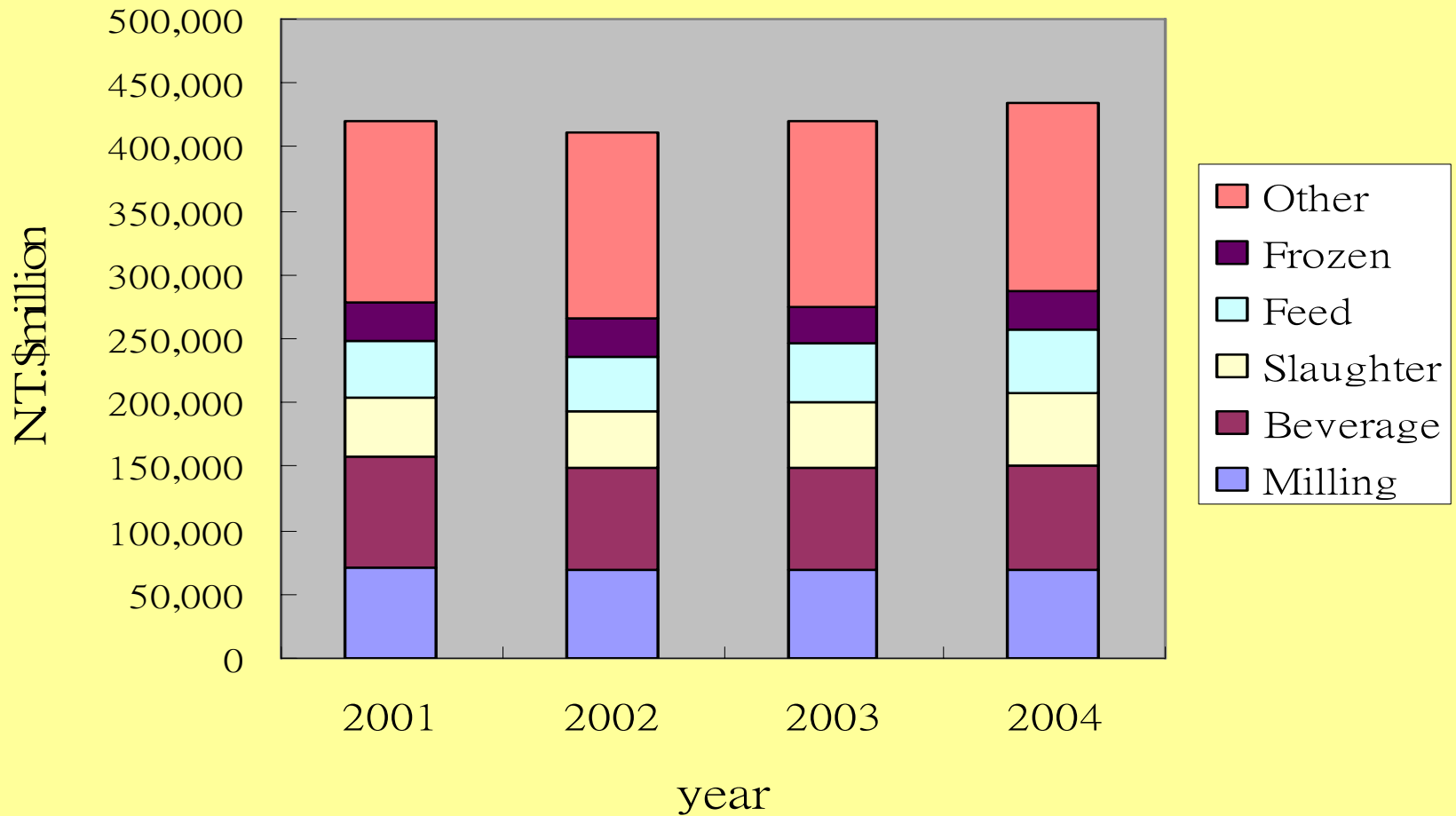
- SARS outbreak
- Pork & chicken - drug residue
- Seafood - rejected by EU for antibiotics

## ⇒ 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

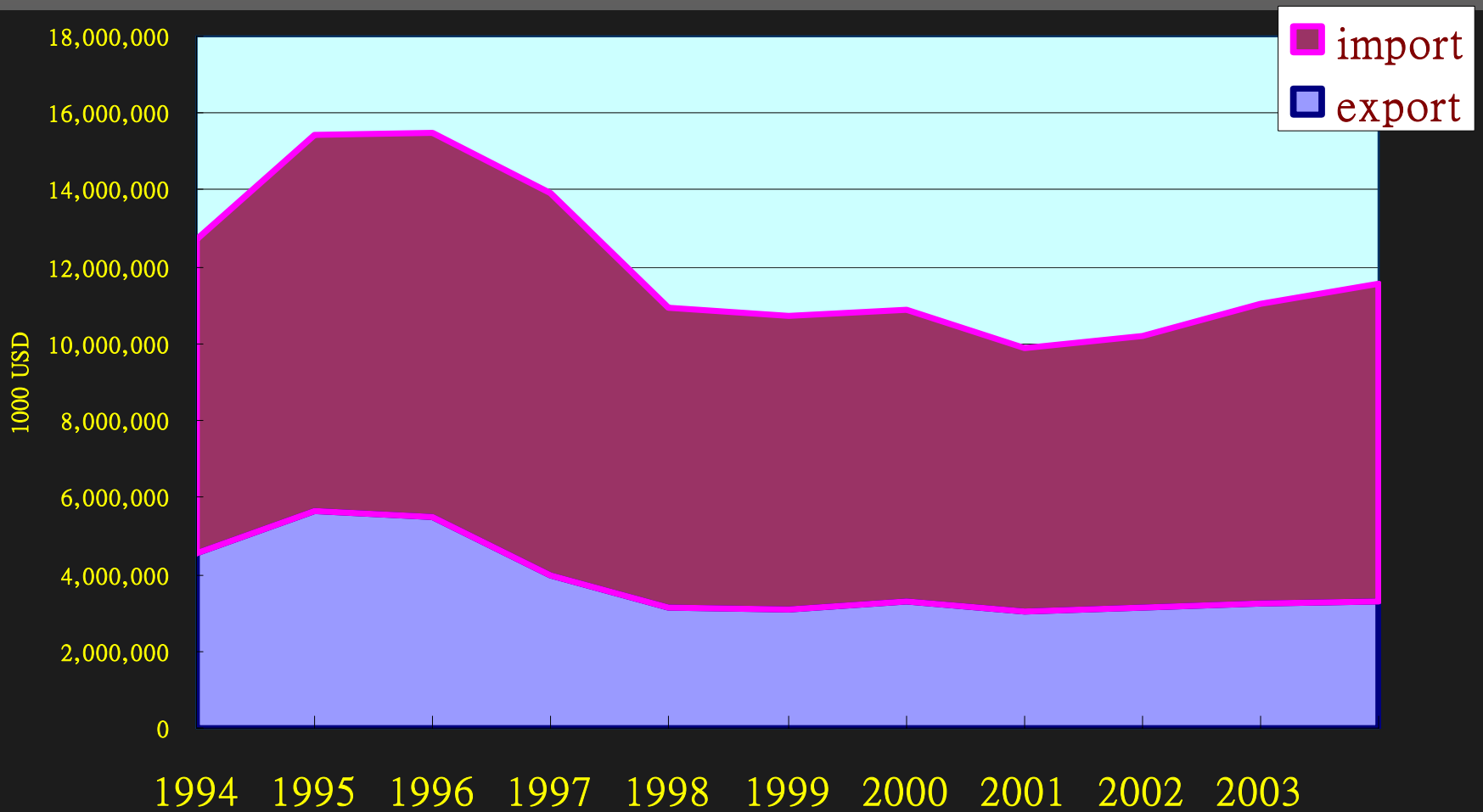
## ⇒ 2003 -- negative growth

- 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

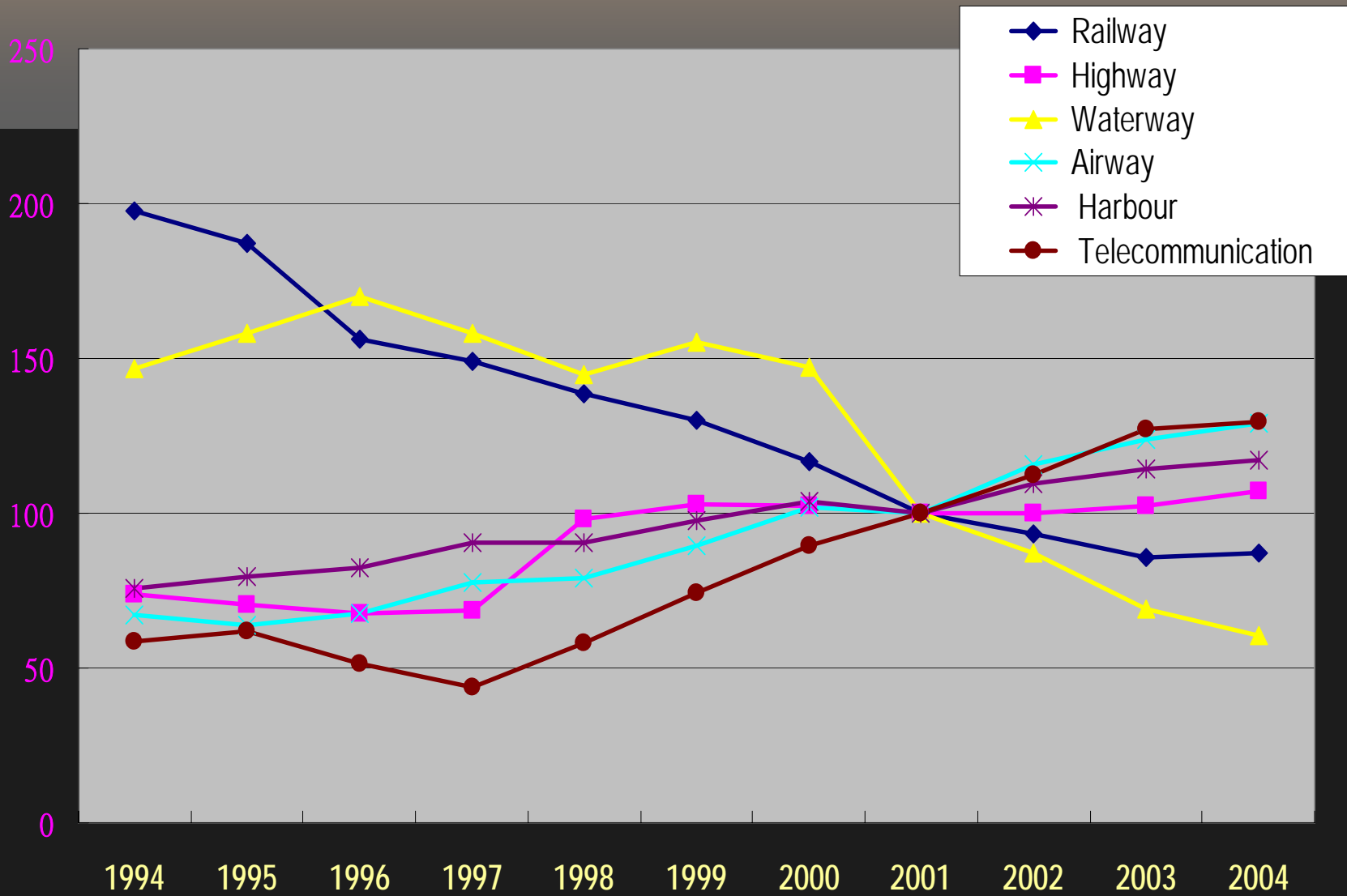
## ⇒ Imports

- 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