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Taiwan

Market Development Reports

Taipei City Profile

2006

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Report Highlights:

With a GDP of US\$353 billion in 2006, Taiwan will continue to be a stable but dynamic export market for US agricultural products. Taipei is the champion of Taiwan's highly liberalized, globalized, and transparent trade environment. High growth in the convenience store and hypermarket sectors provide exciting opportunities for new U.S. products. Driving trends of this industry include shopping convenience, high emphasis on nutrition, health, and safety, new customer services, and increasing product variety, particularly for private labels.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Taipei ATO [TW2]
[TW]

I. TAIPEI – GATEWAY TO TAIWAN

Taiwan's bustling capital city is surrounded by lushly forested mountain ranges, sandwiched between the Xindian River to the south and the Danshui River to the north. Taipei is by far the largest city in Taiwan, home to nearly 2.6 million city residents and 3.7 million in the greater metropolitan area, making it the largest and most economically important to Taiwan. Taipei has experienced heavy cultural influences from Mainland China, Japan, and indigenous Taiwanese minority groups; although the official language is Mandarin Chinese, Hakka, and southern Fukian dialects are also spoken. Taipei's vibrant blend of traditional culture and cosmopolitan lifestyle makes the city a thriving metropolitan hotbed. Unlike southwest Taiwan, where most agriculture production and processing centers are located, Taipei is the financial, investment, trading, and technological center of Taiwan. With agricultural imports totaling US\$9.3 billion in 2006, Taiwan will continue to be a stable but dynamic export market for US agricultural products.



1. Premier International Destination

One of Asia's famed "Four Little Dragons," Taiwan's high economic growth rate and rapid levels of industrialization has thrust Taipei onto the main stage of the international business community. Since the 1960s, Taiwan has rapidly transformed from an agrarian based economy to a high-performing, technology-based, service-driven economy. As of 2005, the service sector composed 70% of Taiwan's GDP. As a result, Taipei is home base for local industries, internationally competitive high-tech products, high-quality human resources, a large capital market, and extensive global trade networks.

Home to Taiwan's largest international airport, Taiwan Taoyuan International, most foreign businesspersons, dignitaries, and tourists pass through Taipei. A major tourism hub, Taipei arguably offers the best of Taiwan's culture, food, nightlife, and leisure. Among the main attractions are the National Palace Museum, home to an astonishing range of ancient Taiwan and Chinese artworks and artifacts, the grandiose Chiang Kai-Shek and Sun Yat sen Memorial Halls, lively Buddhist and Daoist temples, and Taipei 101, currently the world's tallest building at 508 meters. Taipei hosts numerous upscale dining establishments and a solid community of 5- and 6-star hotels. Perhaps the best feature, Taipei's tourist industry serves as a launching point to the island's other scenic destinations.



Within one hour of Taipei, one can relax at hot springs resorts of Beitou and Wulai, day hike at heavily forested Yangmingshan Mountain national park, and peruse traditional Taiwan trinkets of the old streets lining the banks of Danshui. Taipei Main Station, located in the heart of Taipei, carries tourists and residents daily by train to a host of popular Taiwan destinations. A new high-speed bullet train, scheduled to open late 2006, will further enable quick and convenient island travel.

2. Political Background



Source: Taipei City Government website: www.gio.gov.tw

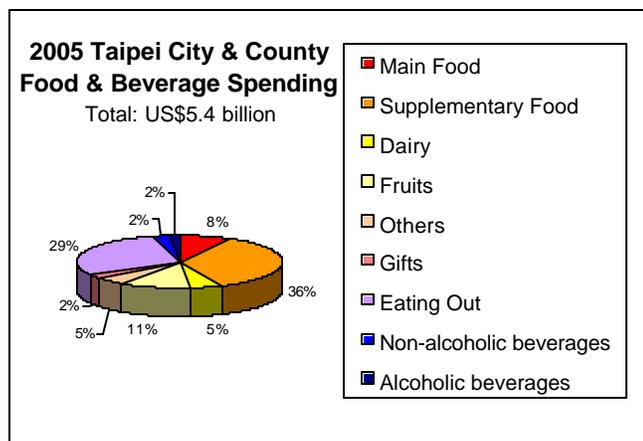
A basic understanding of Taiwan's complex political history is necessary to conduct trade to this important export market. At its earliest, Taiwan was populated by Austronesian natives, first colonized by the Dutch, followed Spain in the 17th century. During that time, a large flux of Han immigrants immigrated to Taiwan from south China. However, China ceded the island to Japan after the Sino-Japanese War of 1895. It was returned to China in 1945 after Japan's defeat in World War II.

Political tensions between Taiwan and Mainland China began in 1949. After losing China's Civil War to the Communists, the Kuomintang Nationalists (KMT) withdrew to Taiwan and established the Republic of China (ROC). The People's Republic of China (PRC) was also founded in 1949, unwavering in its resolution not to recognize Taiwan as a separate country. Until the 1970s, the ROC was recognized as the only legitimate government of China by the United Nations and advanced Western nations.

The turning point came in October 1971 when the UN passed **Resolution 2958**, expelling the ROC from the UN and replacing the "China" seat with the PRC. In 1979, the United States ended formal diplomatic relations with ROC to establish them with the PRC. To avoid cutting all ties with Taiwan, U.S. Congress passed the **1979 Taiwan Relations Act**, making provisions for quasi-diplomatic relations, a de facto embassy (the American Institute in Taiwan, or AIT), and defense provisions for Taiwan's security, including arms sales. Currently, the U.S. adopts a **One China policy**, although different from that of the PRC. Although the U.S. "acknowledges" the PRC's position regarding Taiwan, the U.S. has declared that it "will not accept Chinese sovereignty over Taiwan" as part of the Six Assurances offered to Taiwan in 1982. Taiwan held its first direct democratic election in 1996. In 2006, the U.S. continues to trade with the entity of Taiwan, despite maintaining a carefully balanced status quo with the PRC.

II. RETAIL SECTOR

Taipei is the champion of Taiwan's highly liberalized, globalized, and transparent trade environment. High growth in the convenience store and hypermarket sectors provide exciting opportunities for new U.S. products. Driving trends of this industry include shopping convenience, high emphasis on nutrition, health, and safety, new customer services, and increasing product variety, particularly for private labels.



Source: Taipei City Statistical Yearbook 2005

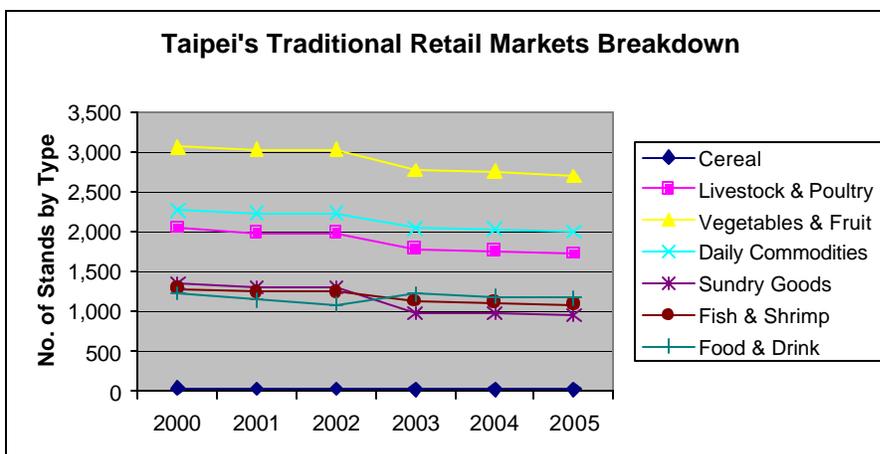
According to Taipei City City Hall statistics, consumption expenditures for Taipei residents on food and beverages averaged 20% of total consumption income for 2005. Taipei's low Engel's Coefficient - the proportion spent on food of the total consumption expenses - reflects a high standard of living, especially compared with Beijing (32%) and Seoul (28%). Taipei residents face tight living spaces and busy work schedules, resulting in a plethora of high quality restaurants and cafes.

Taipei 2005 Average Food & Beverage Spending per Month (\$US)				
	2002	2003	2004	2005
Main Food Total	\$140	\$140	\$144	\$152
1. Rice & byproducts	\$31	\$30	\$32	\$32
2. Wheat Noodles	\$34	\$34	\$36	\$38
3. Pastry & bakery snacks	\$54	\$56	\$52	\$59
4. Other Grains	\$20	\$20	\$20	\$22
Supplementary Food Total	\$284	\$292	\$304	\$307
1. Meats	\$112	\$114	\$116	\$119
2. Shellfish & aquatic products	\$82	\$84	\$88	\$83
3. Eggs	\$6	\$8	\$8	\$7
4. Oils	\$8	\$8	\$8	\$9
5. Vegetables	\$68	\$70	\$76	\$81
Other Foods	\$418	\$406	\$406	\$421
1. Fruits	\$86	\$84	\$88	\$90
2. Cheese	\$38	\$34	\$32	\$31
3. Tea, coffee, cocoa	\$10	\$12	\$14	\$11
4. Sugar	\$2	\$2	\$2	\$2
5. Other types of food	\$22	\$22	\$20	\$21
6. Outdoor cafeteria expenditures	\$256	\$252	\$254	\$266
Beverages Total	\$36	\$34	\$34	\$37
1. Non-alcoholic beverages	\$26	\$22	\$22	\$25
2. Alcoholic beverages	\$12	\$12	\$12	\$12
Food Total	\$842	\$838	\$854	\$880
Beverages Total	\$36	\$34	\$34	\$37
Grand Total	\$878	\$872	\$888	\$917

According to a Survey of Family Income and Expenditure conducted by Taipei City Hall, the table above outlines Taipei's average food and beverage spending for July through December. Note: this data has been extrapolated by the ATO Taiwan to reflect an average food and beverage spending for a full year, and may not include spending hikes in January-February during the Spring Festival. Although total spending decreased slightly in 2003, overall spending has grown 4% since 2002.

1. Traditional Retail Markets

Shopping trends are shifting away from traditional “wet” markets for fresh produce, meat, and seafood. Since the new millennium, typically steady wet market sales have experienced slight but noticeable decline in Taipei, losing sales to convenience stores and hypermarkets. Especially since the 2003

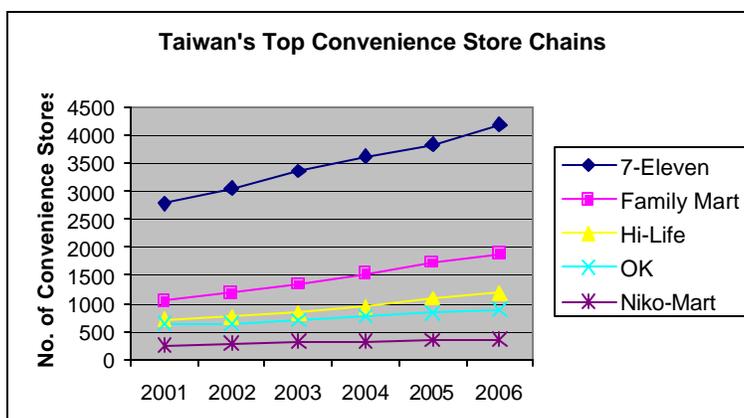


SARS scare, a renewed consumer focus on health and hygiene has strongly influenced shopping decisions. Despite plans to remodel and update these markets, numbers of traditional street stands have decreased by 13% since 2000. Note: these figures include neighborhood markets, night markets, and street vendors.

Source: Taipei City Statistical Yearbook 2005

2. Convenience Stores

Posting a US\$175 million profit for 2005 and averaging nearly a 9% growth rate, the convenience store sector is characterized by fierce competition. According to a survey by AcNielsen, Taiwan has the highest convenience store density in the world, with one store per 2,800 people. In 2006, Taiwan reached 9,000 convenience stores. Aside from basic food and beverages, these stores also offer bill paying services, in-home delivery, and box lunches for working professionals. This chart outlines the outstanding growth achieved by the top five convenience store chains.



Source: Taiwan Chain Stores & Franchise Association Yearbook 2005

3. Hypermarkets

Taipei's retail market is led by foreign markets. These stores highlight produce freshness, shopping convenience, product variety, and competitively low prices. Numerous mergers and acquisitions have quickly expanded leading hypermarkets Carrefour (France), Auchan (France), RT-Mart (France & Taiwan joint venture), and Costco (US). As Taiwan's hypermarkets serve about 200,000 residents per store (European stores serve 30,000-50,000), long-term expansion is widely expected. Although Taipei is already a fairly established market, there is much room for growth and

No. of Hypermarkets (2006)		
	Taipei	Rest of Taiwan
Carrefour	15	48
RT-Mart	9	25
Auchan	8	10
Megaful	4	5*
Geant	5	14
Costco	3	4*

Note: *includes stores scheduled to open by December, 2006

expansion is expected into Tainan and Kaohsiung.

Taiwan Hypermarket Sales			
Year	Sales (NT\$ Million)	Sales (US\$ Million)	Growth Rate
2000	\$115.1	\$3.5	9.3%
2001	\$128.1	\$3.9	11.3%
2002	\$141.8	\$4.3	10.1%
2003	\$153.8	\$4.7	8.5%
2004	\$163.8	\$5.0	6.5%
2005	\$178.3	\$5.4	8.9%

Source: Taiwan Ministry of Economics

For more information on HRI Food Service and Retail Sector trends, please refer to Marketing Specialist Amy Hsueh's GAIN reports TW6008 and TW5405.

III. HRI SECTOR

1. Hotel Dining

Part of Taiwan's "Challenge 2008" economic development plan, over NT\$75 billion (US \$2.3 billion) has been invested in developing new sites, tour packages, and increasing the "meeting, incentive, conference, and exhibition" (MICE) industry. Demand for ecotourism, cultural tourism, youth travel, long stay, and medical tourism are all forecasted to increase, driving positive growth for hotel, restaurant, and airline sectors.

2005 Taipei Hotel Restaurants		
Hotel	Income (\$US million)	Restaurants
Grand Hyatt	\$34.7	Chinese, Japanese, Shanghai-style, Contemporary, A-la-carte café, Tea House, 2 bars, cocktail club
Grand Formosa Regent	\$34.5	Chinese, Japanese, Shanghai-style, Western, International buffet, cocktail lounge
Far Eastern Shangri-la	\$25	Chinese, International buffet, Vegetarian, Japanese, High Tea, cocktail lounge
Sheraton	\$23.2	Japanese, Thai, French, International buffet, Pizza kitchen, deli, cocktail lounge
Howard Plaza	\$22.5	French, Japanese, Shanghai-style, Taiwanese, Cantonese, Continental

Source: Taiwan International Tourist Bureau, Ministry of Transportation and Communication

Taipei's international five- and six-star tourist hotels serve as popular venues for hosting not only business colleagues, but also friends and family on holidays, weddings, and birthdays. International chefs of the hotel restaurants aggressively promote a set menu for these occasions, providing an excellent opportunity for introducing and pairing U.S. products.

According to Food Industry Research & Development Institute (FIRDI), Taiwan citizens have increased spending on eating out from 25% to nearly 33% as a share of total food and beverage spending. Consequently, high demand for fast food, ready-to-eat meals, frozen produce, and family-style restaurants also provide opportunities for U.S. agricultural exports.

2. Youth Market

In 2005, the Ministry of Education reported a total of 449,040 students and 28,700 teachers, the bulk of students in high school. For this group, social and weekend outings revolve around trendy shopping areas, spacious and noisy restaurants, and arcades. Note: Taiwan

has three types of high schools – senior high schools, vocational high schools, and junior high school.



Taiwan International Tourist Bureau

Taipei, Taiwan's largest education and cultural center, hosts several famous universities, including National Taiwan University. All universities enjoy excellent locations within Taipei city; student life centers on local restaurants, cafes, snack shops, and street vendors.

An interesting feature of Taipei's highly educated university students is the rate of international exchange. According to the American Institute in Taiwan (AIT), 2005 alone brought 15,525 students to the U.S. As a result, many Taiwan students return from U.S. universities and graduate institutions demanding American brand names and products. Taiwan students focus intensely on learning English at all scholastic levels, obtaining a tremendous amount of U.S. culture by default. Visiting Taipei, you will assuredly be surprised by the number of near-fluent English speakers. This exposure to western cultures, products, and business practices makes Taipei an excellent location to find business partners interested in further developing the Taiwan market and opportunities in the PRC.

III. SUPPLY ROUTE

1. Keelung Port – Dynamic Free Trade Zone

The island's second largest port to Kaohsiung, is conveniently located to the northeast of Taipei. Keelung is a main international port that handles traffic volume from northern Taiwan and serves as a shipping line to the world. Although Keelung's main business is container operation, operations also involve general cargo and bulk shipping. In order to increase international investment and create employment opportunities, Taiwan established its first Free Trade Zone (FTZ) at Keelung Port in October, 2004. At Keelung, imported goods undergo warehousing, transshipment and value-added operations, while enjoying exemptions from customs tariffs, commodity taxes, business taxes, wine and tobacco taxes, and trade promotion fees.

KEELUNG PORT		
Year	No. of Vessels	Tonnage Handled
2000	9,165	88,336,130
2003	9,119	93,103,938
2005	9,456	99,166,647
TAIPEI / TANSHUEI PORT		
Year	No. of Vessels	Tonnage Handled
2000	389	1,616,775
2003	776	4,921,510
2005	1,706	9,135,295
SU-AO PORT		
Year	No. of Vessels	Tonnage Handled
2000	551	5,639,085
2003	713	5,622,790
2005	654	6,521,862

Source: Directorate General of Customs

Su-Ao and Taipei Ports both help to offset Keelung's tremendous trade volume. Taipei Port was established as an auxiliary port to Keelung, intended to share the general cargo and bulk traffic volume, handle ships and cargos unsuitable for Keelung docking, and to serve as a hub for main shipping lines that operate large container vessels. On the other hand, Su-Ao Port, located 50 nautical miles from Keelung Port, takes in most general cargo and bulk goods.

IV. Markey Entry Tips

- Taipei's HRI businesses do not import directly. Instead, they place orders with local distributors who are able to meet the high demand of small, frequent orders. U.S. businesses should concentrate on establishing relationships with a reliable and efficient importer and distributor. ATO Taipei maintains a list of these importers.
- Maintain a good relationship with business contacts in Taipei. Whether sending short emails, sample products, or inviting counterparts to visit the U.S., developing a strong personal relationship is extremely important to Taiwan businesspersons. Also, these relationships can eventually open doors to increased volume of trade.

V. Contact Information

There are three USDA offices based in Taipei to assist with your agricultural trade/export needs to Taiwan.

The **Agricultural Trade Office (ATO)** works with more than 20 US producer associations represented in the Taiwan market and is constantly developing new marketing activities for Taipei and other key cities in Taiwan. Please contact the ATO for basic market information reports and updates on promotional activities including food shows and buyer missions:

Agricultural Trade Office, Taipei
Rm. 704, 7th Fl., Lotus Bldg.
No. 136 Ren-ai Rd., Section 3
Taipei, Taiwan

Office (P): (886-02)2705-6536
Office (F): (886-02) 2706-4885
Email: ATOTaipei@usda.gov
Website: <http://www.ait.org.tw/en/agriculture/ato/>

The **Agricultural Affairs Office (AAO)** is located in the American Institute of Taiwan and is responsible for reporting and dealing with market access issues. Please contact the AAO for any regulatory or market access type questions:

American Institute in Taiwan
Agricultural Affairs Office
No. 7, Lane 134, Hsin-Yi Rd., Sec. 3
Taipei, Taiwan

Office (P): (886-02)2162-2316
Office (F): (886-02) 2162-2238
Email: AGTaipei@usda.gov
Website: <http://www.ait.org.tw/en/agriculture/ato/>

The AAO also hosts two representatives from USDA's **Animal and Plant Health Inspection Service (APHIS)**. This office deals with bilateral, sanitary and phytosanitary issues related to agricultural trade.

American Institute in Taiwan
Animal and Plant Health Inspection Service
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