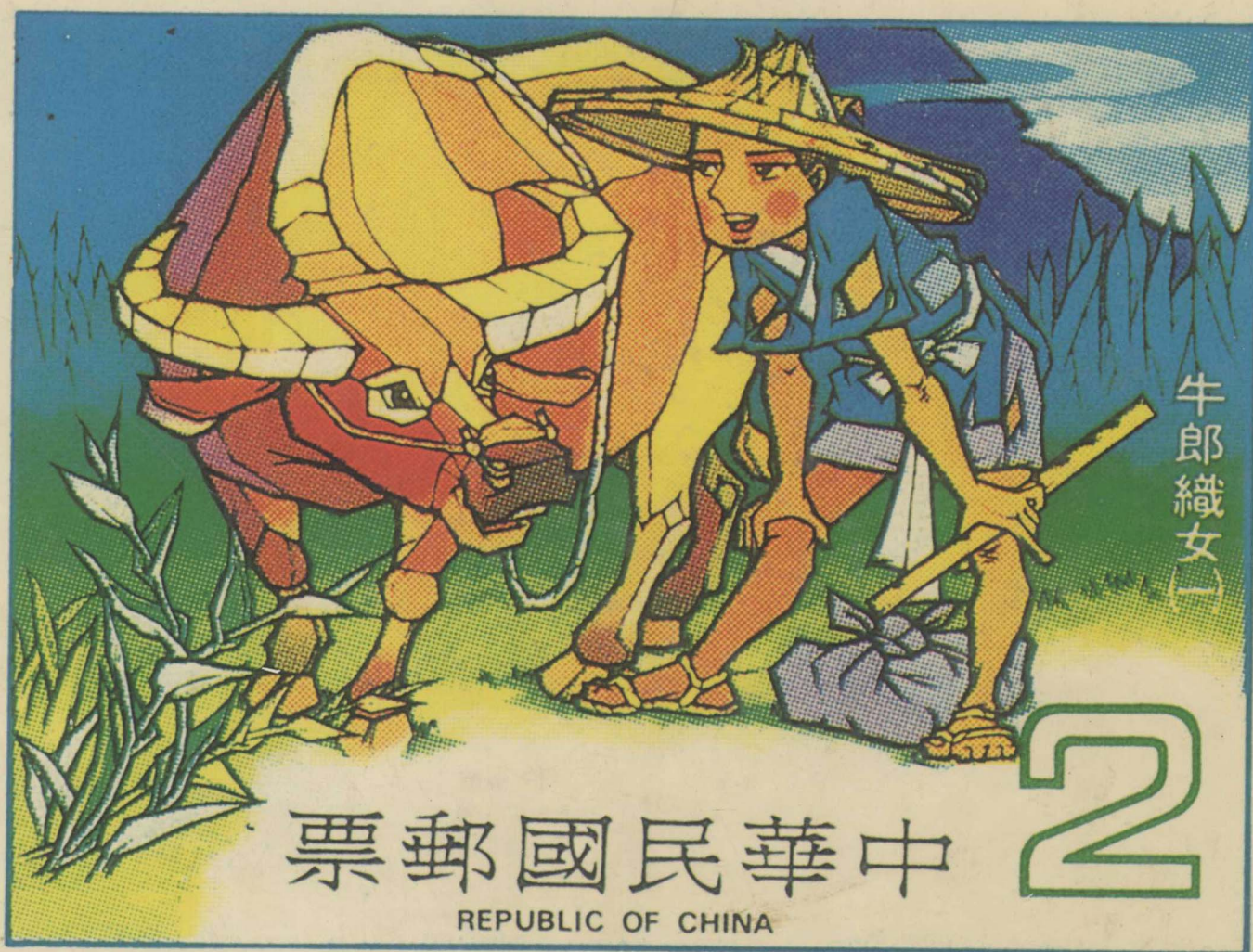


# THE MARKETS OF ASIA/PACIFIC

# TAIWAN



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# **TAIWAN**

***The Asia Pacific Centre***



**Facts On File, Inc.**

**460 Park Avenue South,  
New York, N.Y. 10016**

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## **'THE MARKETS OF ASIA PACIFIC' SERIES**

The series of books under the title 'The Markets of Asia Pacific' is designed to provide an overview of some of the fastest growing and most dynamic markets in the world. The series will be periodically updated: for most countries, every two years.

An important feature of the series is the release for the first time of the banks of market data owned by the Survey Research Group of companies (SRG). SRG is the largest group of market research companies operating in the Asia Pacific region and heavy investment in syndicated research of their own has led to a considerable amount of new market research information now becoming available. Almost all the SRG information published in this series will not be found in any other published source.

Where SRG information exists, it has considerable depth but it covers by no means all the markets of interest. It has therefore been supplemented by key published statistics from elsewhere. The selection of published statistics has been derived from a search of existing data sources. While it is clearly beyond the scope of the series to quote from all sources found, a listing of titles and locations is included as an important feature in each country book.

In setting a style for the series, emphasis has been put on the provision of hard information rather than interpretative discussion. Wherever possible, however, key points of market development are described in the text. In effect, this is designed as a reference series which should provide mostly numeric answers to a range of marketing questions. To facilitate reference an index is provided at the back of the book.

The broad format of each country book is similar but there is some variation in specific content. This is determined by the particular market characteristics of the country and the data that happens to be available.

## **TAIWAN**

This volume draws heavily on a large scale survey conducted by the Survey Research Group company - SRH Ltd. This is the first occasion on which most of

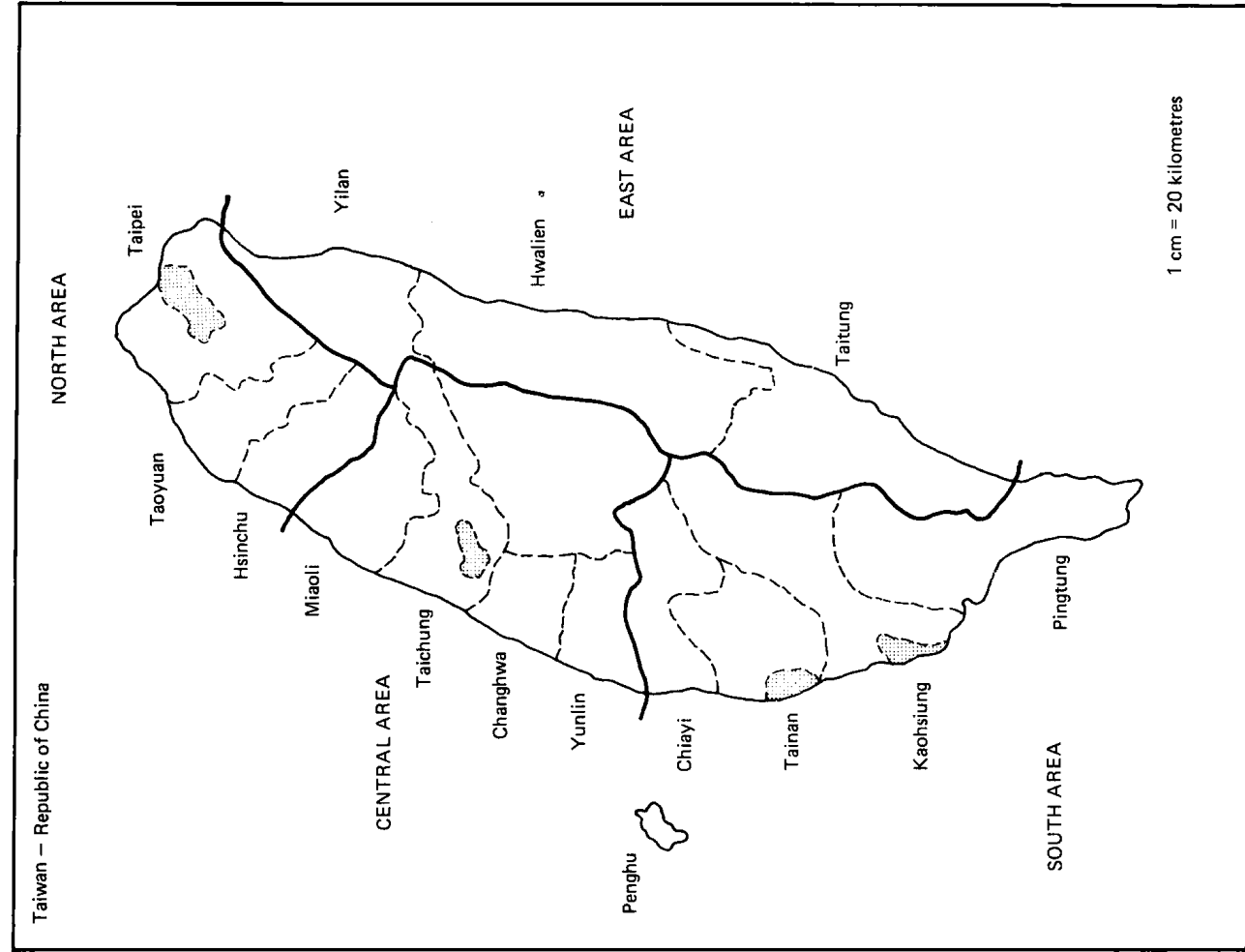
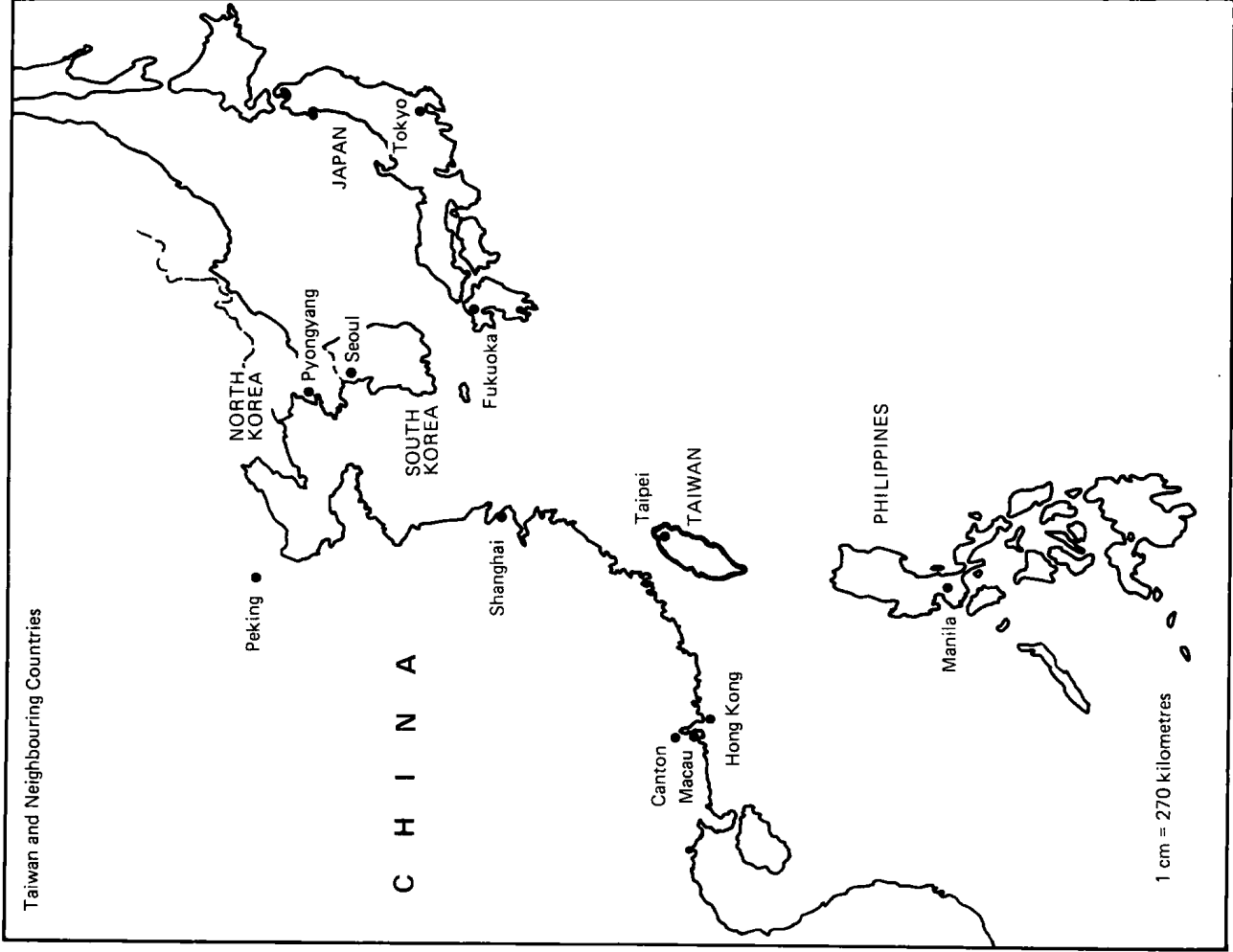
this information has been released for general publication and it provides an overview of the main media and consumer markets as well as background demographic information. We acknowledge the data provided by SRH Ltd and their help in identifying market trends and characteristics. (Since the time of this survey the SRH Taiwan research operations have been consolidated into a new Taiwan based research company - Survey Research Asia Pacific (Taiwan) Ltd).

Most of the remaining information in this book has been derived from Taiwan Government publications. Taiwan is well provided with a wide range of up-to-date statistics from Government Departments and official bodies and our use of these statistics is gratefully acknowledged.

Individual sources used for this volume are referenced in the appropriate chapter.

In producing this book the intention has been to provide hard, statistical information across a range of markets and where possible to include information of our own.

It is proposed to up-date this volume on a two yearly basis. For the interim, the statistics selected should provide the reader with at least a good indication of the main parameters of the markets. Where the latest figures are essential, the reader is invited to refer to The Asia Pacific Centre who will either provide them or indicate the best source.



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# 1 Economic and political background

## THE LAND

Taiwan - familiar to many westerners by the name Formosa - is an island in the Pacific situated 100 miles from the south east coast of mainland China. The island, shaped like a tobacco leaf, is 384 kilometres long and 128 wide at its broadest point. With a total land area of 36,000 square kilometres it is a little larger in size than Massachusetts and Connecticut combined and a little smaller than the Netherlands. As well as the main island there are 13 smaller islands in the Taiwan group and a further 64 in the Penghu group. Taiwan's largest city, its commercial centre and its seat of government is Taipei which is situated in the extreme north.

The country is not well endowed with natural resources. Only 25% of the land is arable and over 60% of this has to be irrigated. Most of the remainder is rugged, mountainous terrain dominated by a spine like ridge of steep mountains running along the East coast. Minerals are scarce although there are some deposits of coal, limestone, marble and dolomite. In 1981, proven reserves of coal were 200 million tons, with 27.5 billion cubic metres of natural gas. Oil reserves are trivial - estimated in 1981 at 124.5 million bbls:- the equivalent of about two weeks of production for Saudi Arabia at its 1980 level.

64% of the land is forested and reserves at 1980 stood at 241 million cubic metres. However, forest resources are limited because of poor accessibility, inferior quality and understocking.

On a somewhat brighter note, the climate is sub-tropical which permits year round farming and usually three crops from a wide range of agricultural products, including rice, sugar cane, sweet potatoes, tea, bananas, pineapples, mushrooms and asparagus.



## HISTORY

The original inhabitants of Taiwan are thought to be of Malay descent. There are still some 150,000 of these aborigines living in the rural mountainous areas. There was large scale Chinese immigration to Taiwan from the seventeenth to nineteenth centuries and in 1887 Taiwan was made a separate province of China. There followed a period of Japanese colonisation from 1895 until the end of the Second World War in 1945.

In 1949 the Chinese Nationalists - the Kuomintang under Chiang Kai-Shek - were defeated on Mainland China and retreated to Taiwan. From Taiwan's point of view the Republic of China is one entity, including the mainland, with the present Central Government in Taiwan and an opposing communist occupation of the mainland.

There has been continuing confrontation of both arms and propaganda since 1949 up until the United States' derecognition of Taiwan in 1979 as part of a rapprochement policy with the People's Republic of China on the mainland. *From that time Peking has made a number of friendly overtures to Taiwan concerning reunification.* These have been viewed with suspicion by the Tawainese government and to date have been emphatically rejected.

Meanwhile the Taiwan economy has - by world standards - been flourishing.

## ECONOMIC DEVELOPMENT

The past 30 years has seen Taiwan move from a predominantly agricultural economy to one that is now very largely industrialised. Furthermore, its plans for the Eighties make it clear that it is aiming for the top industrial league and the fundamental question is whether there may be some overreaching given its need to import most of its energy and the timing of the next developmental burst against a world recessionary period.

Up until 1960 the emphasis was largely on agriculture with particular efforts to raise agricultural productivity and rural living standards. At the same time labour intensive, import-substituting industries were being developed to help

save foreign exchange and provide employment.

The Sixties saw the encouragement of overseas investment in Taiwan in key industries and the growth of export oriented industries which took advantage of abundant low cost labour. In this way Taiwan began to move into world markets although the agricultural sector was not ignored and the export of agricultural products was actively promoted.

With the Seventies came the realisation that a growing shortage of labour required a move to capital intensive rather than labour intensive industries. However, the capital intensive industries tend to be heavy users of energy so after the oil crisis of 1973 the emphasis moved towards technology-intensive industries. The Seventies also saw a planned improvement in the country's infrastructure with large sums being spent on new ports, airports and highways.

The Seventies saw an average real growth in GNP of 10% and although this declined to 8.1% in 1979 and 6.6% in 1980, given the world recessionary situation, this was still a strong performance. At 1980 per capita GNP stood at US\$2,200.

Growth in Gross Domestic Product for the latter part of the Seventies is shown below.

**Table 1 - Growth of Gross Domestic Product**

	Current prices		Constant 1976 prices	
	Amount (NT\$m)	% growth	Amount (NT\$m)	% growth
1976	701,117	20.0	701,117	13.7
1977	816,943	16.5	769,720	9.8
1978	970,269	18.8	872,854	13.4
1979	1,164,073	20.0	940,607	7.8
1980*	1,450,477	24.6	1,004,322	6.8

Source:- Directorate General of Budget, Accounting and Statistics

In 1960, agriculture accounted for 31.6% of Taiwan's GDP with industry - broadly defined - taking only 25.7%. By 1980 industry's share of GDP had risen to 52.2% while agriculture's share had fallen to 7.7%. The following more detailed figures are available for Net Domestic Product.

**Table 2 - Breakdown of Net Domestic Product  
% of NDP**

	1976	1979	1980*
Agriculture	13.4	10.4	9.1
Manufacturing	32.6	34.9	34.3
Electricity, gas, water	2.1	2.4	2.6
Construction	6.7	7.3	7.6
Transport, communication	5.8	6.0	6.4
Commerce and banking	17.1	17.3	18.3
Others	22.4	21.7	21.8

Source:- Directorate General of Budget, Accounting and Statistics

Taiwan's economy relies heavily on trade with exports of goods and services amounting to 53.6% of GDP in 1980, and imports amounting to 56.4%. These levels are among the world's highest. With expansion of government services and improved living standards consumption has been growing in absolute terms. However, as a proportion of GDP, consumption expenditure has declined from 87.3% in 1960 to 66.5% in 1980. Over the same period, capital formation has grown from 20.3% to 36.3%. In 1980 domestic savings accounted for 92% of capital formation

**Table 3 - Expenditure on Gross Domestic Product by year  
(1976 constant prices)**

	1978	1979	1980*
SDP components (NT\$m)			
Private consumption expenditure	422,803	465,947	494,631
Government consumption expenditure	126,576	137,655	148,197
Gross fixed capital formation	229,084	261,378	301,274
Increase in stocks	21,962	46,839	39,100
Exports of goods and services	454,808	478,830	513,507
Less - imports of goods and services	382,379	450,042	492,387
<b>Total</b>	<b>872,854</b>	<b>940,607</b>	<b>1,004,322</b>

Source:- Directorate General of Budget, Accounting and Statistics

With its rapid economic expansion based on cheap energy, ample low cost labour and a world-wide expansion in trade, Taiwan is now facing serious problems for the coming decade. Oil prices have escalated, labour is no longer cheap in