United States General Accounting Office

GAO

Report to the Ranking Minority Member Committee on Agriculture, House of Representatives

November 1993

HIGH-VALUE PRODUCT EXPORTS

Good Potential Exists for More Trade With Taiwan, Malaysia, and Indonesia

GAO/GGD-94-62

GAO

United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-255592

November 19, 1993

The Honorable Pat Roberts
Ranking Minority Member
Committee on Agriculture
House of Representatives

Dear Mr. Roberts:

East Asia[1] holds good potential for increased imports of high-value agricultural products (HVP).[2] As incomes rise and urbanization proceeds in this region, the demand for easily prepared convenience food is likely to grow, and consumption is expected to shift away from lower-value unprocessed commodities to higher-value processed products.

As requested, in this report we discuss (1) the potential for increased exports of U.S. agricultural HVPs to Taiwan, Malaysia, and Indonesia; (2) any factors that may limit the growth of U.S. HVP exports to these markets; (3) the market development activities needed to be competitive in these markets and the approaches used by U.S. companies; and (4) any assistance needed from the U.S. government to enhance the competitiveness of U.S. businesses in Taiwan, Malaysia, and Indonesia.

In order to address these objectives, we analyzed world trade flows to these three markets and interviewed, among others, in-country importers, retailers, host government representatives, and officials in the U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS) in Malaysia and Indonesia, and representatives from the American Institute in Taiwan[3] (AIT) in Taipei. In addition, to learn about the market development activities of U.S. exporters, we conducted telephone surveys with 44 U.S.-based exporters and followed up these interviews with 2 discussion panels comprised of 12 of the exporters we surveyed. A more

[1]East Asia includes China, Hong Kong, Indonesia, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan, and Thailand. (A map of the area is presented in app. I.)

[2]Agricultural products can be classified into three major product groups: bulk, intermediate, and consumer oriented. The latter two categories are often grouped together and labeled as high-value products. Intermediate products are principally semiprocessed products such as wheat flour and vegetable oils. Consumer-oriented products require little or no additional processing for consumption, such as vegetables, fruits, and snack foods.

[3]On January 1, 1979, the United States changed its diplomatic recognition of China from Taipei, Taiwan, to Beijing, China. Since then, U.S. commercial and cultural interaction with the people of Taiwan has been facilitated through the American Institute in Taiwan, a nongovernmental entity. A counterpart organization, the Coordination Council for North American Affairs, has been created by Taiwan and is headquartered in Taipei.

detailed discussion of our scope and methodology is presented in appendix V.

Results in Brief

Taiwan, Malaysia, and Indonesia hold good potential for increased U.S. exports of HVPs. Demand for HVPs has grown due to a rise in incomes, an expanding middle class, a growing preference for western-style foods, and an increase in the number of women in the workplace. Moreover, between 1988 and 1992, U.S. exports of consumer-oriented HVPs to Taiwan and Indonesia increased at a significantly higher rate than exports of intermediate or bulk products. During this same time period, U.S. exports of both consumer-oriented and intermediate HVPs to Malaysia outperformed U.S. bulk exports. (Throughout this report, figures are based on value, not volume.)

However, several factors, such as high tariffs, nontariff trade barriers, (e.g., requirements for getting import licenses), and local and third-country competition could limit U.S. HVP exports to these three markets. While the governments of Malaysia and Indonesia, and Taiwan authorities, have made efforts to reduce their overall tariff levels, import tariffs in these markets remain high on many agricultural products, particularly HVPs. In addition, although Indonesia does not produce many goods that are competitive with U.S. HVPs, local processing industries in Taiwan and Malaysia produce goods that rival U.S. products.

Trade experts[4] in Taiwan, Malaysia, and Indonesia, and U.S. exporters we surveyed, stated that U.S. companies lack a strong commitment to exporting. They noted that commitment to exporting is key to success in these three markets and can be demonstrated through several marketing activities such as developing an export strategy, conducting market research, and adapting products for specific markets. We found that only 5 of the 44 exporters we talked to had well-developed export strategies. In addition, 68 percent of these exporters did not conduct extensive market research before or after entering these markets. While most of the U.S. exporters in our survey are adapting their products in some way for these markets, the extent to which they tailor their products varies. Finally, trade experts in these three markets noted that commitment to exporting can be demonstrated by establishing a local presence, developing a promotion plan, and/or providing after-trade servicing.

[4]The trade experts we interviewed in Taiwan, Malaysia, and Indonesia include in-country importers, retailers, distributors, and wholesalers; and representatives from market research firms, and trade associations.

Exporters suggested that the U.S. government could help them gain greater market share by (1) providing more practical and product-specific market information and (2) working with foreign countries to lower high tariffs and remove nontariff barriers on HVPs.

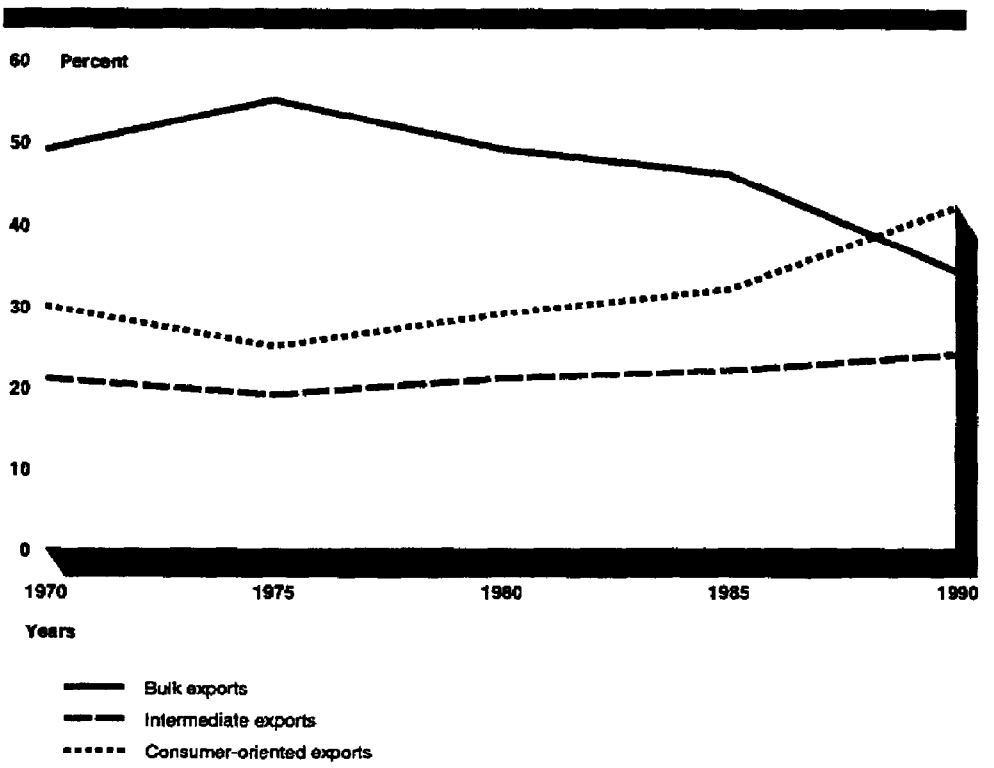
Background

U.S. domestic demand for agricultural goods is expected to grow slowly over the next 15 years, leaving foreign markets as the key to increased U.S. agricultural sales. Farm exports not only bring vital jobs and income to thousands of rural communities, but also stimulate business activity for the rest of the economy.

Although global demand for imported food products has risen significantly over the last 20 years, the United States has not maintained its share of this growing market. U.S. market share of world agricultural trade dropped from a high of 22 percent in 1980 to a low of 13 percent in 1986. In 1990, U.S. market share stood at 19 percent.

The composition of world agricultural trade is also changing. Bulk commodity trade, which once dominated international agricultural trade, greatly diminished in importance throughout the 1980s and continued to decline in 1990. For example, by 1987, consumer-oriented products had overtaken bulk commodities to become the largest of the three market segments that constitute global agricultural trade. By 1990, consumer-oriented goods had risen to account for over 42 percent of total world trade, while bulk commodities had fallen to a 34-percent share of global agricultural trade (see fig. 1). In addition, while the value of world trade in bulk products declined by 5 percent from 1983 to 1990, the value of consumer-oriented HVP exports increased by nearly 80 percent during this same time period.

Figure 1: Distribution of World Agricultural Exports, by Value, of Bulk, Intermediate, and Consumer-Oriented Products, 1970-90



Note: Bulk exports include commodities such as bulk oilseeds, unmanufactured tobacco, cotton, raw sugar, and tropical products such as green coffee and cocoa.

Intermediate exports are primarily semiprocessed products in the intermediate stage of the production chain, and include products such as wheat flour, feeds, oilseed meals, yeasts, wool, refined sugar, and live animals.

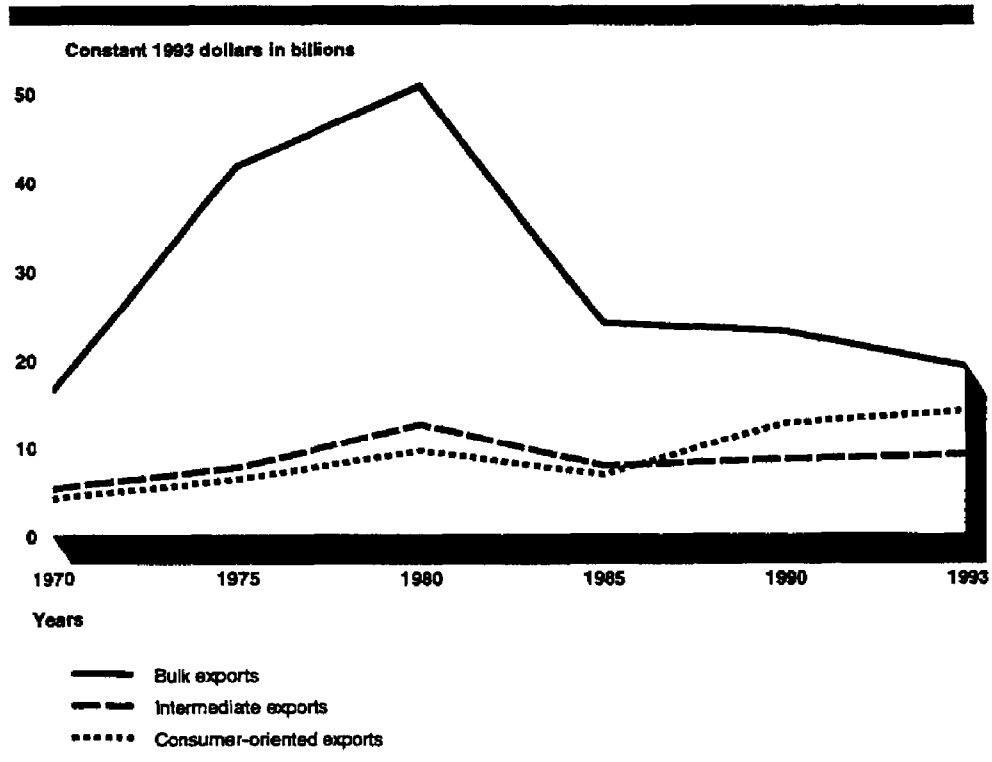
Consumer-oriented exports include products that require little or no additional processing for consumption, such as fruits, vegetables, and meat. Cigarettes and distilled liquors are not classified as agricultural products.

Source: Food and Agriculture Organization of the United Nations.

The value of U.S. agricultural exports of HVPs has also grown. In 1992, 54 percent of U.S. agricultural exports were high-value products, compared with 47 percent in 1986. Moreover, while the value of U.S. bulk exports has declined, the value of consumer-oriented exports has increased. For example, in 1980, the United States exported about $51 billion in bulk products, in constant dollars, compared to approximately $19 billion in 1993. On the other hand, the value of U.S.

consumer-oriented exports increased from $10 billion, in constant dollars, to $14.5 billion during the same time period. (See fig. 2.)

Figure 2: Value of U.S. Agricultural Exports of Bulk, Intermediate, and Consumer-Oriented Products, 1970-93



Note 1: Bulk exports include commodities such as bulk oilseeds, unmanufactured tobacco, cotton, raw sugar, and tropical products such as green coffee and cocoa.

Intermediate exports are primarily semiprocessed products in the intermediate stage of the production chain, and include products such as wheat flour, feeds, oilseed meals, yeast, wool, refined sugar, and live animals.

Consumer-oriented exports include products that require little or no additional processing for consumption, such as fruits, vegetables, and meat. Cigarettes and distilled liquors are not classified as agricultural products.

Note 2: Figures are in 1993 dollars. Deflator used is the implicit price deflator for gross domestic product. 1993 data projected by the Trade and Economics Information Division of FAS, USDA.

Source: FAS, Trade and Economics Information Division, USDA.

Good Potential for Increased U.S. HVP Exports to East Asia

During the 1990s, consumers in East Asia are likely to demand more HVPs as their incomes grow and dietary patterns change. In East Asian markets with relatively high annual per capita incomes (over $6,000), notably Taiwan and South Korea, growth in consumption of basic foodstuffs is slowing, while demand for processed and fast foods is rising rapidly. For East Asian countries that have expanding populations and high levels of economic growth, such as Malaysia and Indonesia, future demand is likely to be stronger for processed goods rather than bulk.

Although the United States exports more bulk goods in value than HVPs to Taiwan and Indonesia,[5] U.S. HVP exports are increasing at a faster rate than bulk exports to these two Asian markets. For example, between 1988 and 1992, U.S. HVP exports to Taiwan increased about $151 million, a 35 percent increase, while U.S. bulk exports increased approximately $85 million, only a 7 percent increase. Moreover, exports of U.S. HVPs to Indonesia grew about $31 million, an 82 percent increase, compared to about $87 million, a 47 percent increase for bulk products. Finally, U.S. HVP exports to Malaysia increased about $43 million, a 97 percent increase, while bulk exports grew approximately $24 million,[6] an increase of about 44 percent.[7] (For more information on each of these markets, see apps. II, III, and IV.)

Of the two categories of HVPs, intermediate and consumer-oriented, most trade experts believe the real growth will be in consumer-oriented HVP export sales, such as fresh and processed meats, and vegetables and fruit. Between 1988 and 1992, U.S. exports of consumer-oriented goods increased 113 percent to Indonesia, 96 percent to Taiwan, and 93 percent to Malaysia.

The increase in per capita income, as discussed in appendixes II, III, and IV, is the primary reason for the change in Taiwan, Malaysian, and Indonesian diets, as well as those in other East Asian markets. Consumers in these markets are becoming less reliant on food grains and are consuming more red meat, fish, poultry, dairy products, fruits, and vegetables. In addition, they have been exposed to western food through

[5]Malaysia imports more HVPs in value than bulk products from the United States. In 1992, 53 percent of Malaysian agricultural imports from the United States were HVPs.

[6]These figures are not corrected for inflation.

[7]U.S. exports of HVPs to Malaysia and Indonesia may be significantly undervalued due to transshipments through Singapore. For example, a recent report from the Agricultural Trade Office (ATO) in Singapore noted that 23 to 47 percent of Singapore imports of certain products, such as meats, fruits, vegetables, and sugars, are reexported to Malaysia.

travel abroad and promotional activities. This exposure has encouraged the growth of fast-food restaurants that serve western meals, as well as an increase in the number of supermarkets and convenience stores.

The demand for processed foods is also a result of more women entering the workforce, which has led to less time for preparing meals at home. In Indonesia, between 1980 and 1989, the percentage of employed working-age women rose from 32 to 46 percent.

Factors That May Limit U.S. HVPs to These Markets

Despite the apparent opportunities for increased U.S. HVP exports to Taiwan, Malaysia, and Indonesia, trade barriers, such as high tariffs, and nontariff barriers, such as import licensing, may hinder opportunities for U.S. HVP exports to these markets. In addition, competition from local processing industries in Taiwan and Malaysia, and from other exporting countries, may limit U.S. exports to these East Asian markets.

For example, the Office of the U.S. Trade Representative (USTR) noted that Taiwan's import tariffs remain excessively high on most agricultural products despite repeated U.S. requests for their removal or reduction. Fresh fruit and processed agricultural products often face import duties of up to 40 to 50 percent ad valorem.[8]

Taiwan also maintains an import licensing system. Many agricultural goods can only be imported with prior approval by Taiwan agricultural authorities. In addition, quarantine requirements block imports of certain plant and animal products. Products subject to prior approval or quarantine restrictions include, among others, chicken (fresh and frozen), certain cuts of pork, and peanuts.

According to USTR, Malaysian import duties average about 20 percent ad valorem on most agricultural HVPs. Moreover, differential tariffs present additional barriers for some U.S. exporters. For example, Australia and New Zealand receive a preferential tariff rate of 15 percent on some canned fruit items, due to their former commonwealth status with Malaysia. Other trading partners, including the United States, are subject to a 30 percent duty. Malaysia also bans imports of chilled or frozen chicken to protect its domestic poultry industry.

[8]An ad valorem rate is an import duty rate expressed as a percentage of the imported commodity's value.

Additionally, Indonesian import duties of 30 percent continue to be an impediment to market expansion for many U.S. HVPs, including meats, wines, and frozen french fries. Moreover, some items, such as dairy products and beverages containing alcohol, can be imported only by designated importers.

In addition to these specific barriers, U.S. exporters often face strong local and third-country competition. For example, Taiwan's food industry is well developed and produces primarily for its domestic market. Foods processed in Taiwan include dairy products, canned goods, frozen foods, and bakery goods. Malaysia has a small but fast-expanding food processing industry that produces goods for domestic and export markets. The Malaysian government is supporting this sector by providing incentives to food processors and manufacturers in the form of import duty exemptions for raw ingredients and tax incentives to encourage investment in infrastructure development. On the other hand, Indonesia's food processing industry is still in a relatively early stage of development and is currently characterized by lesser-quality and lower-cost products than U.S. HVPs.

The United States also faces stiff competition from other exporting countries, such as Australia, New Zealand, and the European Community, particularly in the consumer-oriented food market. While the United States holds a greater market share for consumer-oriented HVPs in Taiwan (about 30 percent), U.S. competitors maintain a larger market share than the United States for these products in Malaysia and Indonesia. For example, in 1991, the United States held only 9 percent of the consumer-oriented market in Malaysia, compared to almost 17 percent for Australia. Similarly, the United States held 12 percent of the Indonesian market in 1991 compared to about 20 percent for Australia. (See table II.2 in app. II, table III.2 in app. III, and table IV.2 in app. IV for more data on world market shares in these three markets.)

The larger market shares enjoyed by Australian and New Zealand exporters can be partially explained by the natural advantage they obtain through their geographic proximity to East Asia. Also, Asian importers and retailers, and U.S. exporters, pointed out that Australian and New Zealand producers have small domestic markets; they therefore depend on export markets to a much greater extent than U.S. exporters and are more "aggressive" in pursuing market development. According to Asian importers and retailers, these competitors aggressively engage in market

promotion activities and competitive pricing, and pay more attention to market trends and after-trade servicing.

U.S. Companies Lack Strong Commitment to Exporting

Trade experts in these three markets, and U.S. exporters we surveyed, told us that U.S. companies lack a strong commitment to exporting.[9] Trade experts in Taiwan, Malaysia, and Indonesia stated that commitment to exporting is critical for success in these markets and can be demonstrated through several marketing activities, such as developing an export strategy, conducting market research, and adapting products for specific markets. In addition, commitment to exporting can be demonstrated by establishing a local presence, developing a promotion plan, and/or providing after-trade servicing.

Most of the U.S. exporters we surveyed conducted only some of these activities. In addition, several exporters said that because of the large U.S. market for agricultural products, U.S. companies have not been forced to pursue export markets, but instead view overseas markets as residual markets.

Few Surveyed U.S. Companies Had Well-Developed Export Strategies

An export strategy includes elements such as identifying a niche market, conducting extensive market research, establishing a local presence, and implementing a long-term marketing plan. Ten exporters we surveyed told us that they did not have an export strategy. The remaining exporters described their export development activities in these three markets, and, in our judgment, only five had strategies embodying all, or most, of the elements cited above.[10]

For example, one well-developed export strategy was described by a marketing manager from a multinational corporation selling canned vegetables to Taiwan. He explained that his company's export strategy was based on developing strong brand loyalty in Taiwan for one high-quality product and then "trading on" that brand loyalty when introducing other products into the Taiwan market. This goal was accomplished through several marketing steps, including identifying a

[9]In the wood products industry of another East Asian market, Japan, U.S. companies have generally not demonstrated a commitment to exporting. For example, they have not shown commitment to establishing long-term business relationships, providing adequate after-sales servicing, or tailoring their products for the Japanese customer. See Agricultural Marketing: Export Opportunities for Wood Products in Japan Call for Customer Focus (GAO/RCED-93-137, May 19, 1993).

[10]We found no relationship between the size of the company (based on annual company sales) and its export strategy.

niche market for a vegetable consumed on a daily basis in Taiwan and for which his company had a superior product based on a patented seed. Also, his company was a large producer of the vegetable and therefore could capture economies of scale in production and compete on the basis of price and quality.

In addition, his company determined through market research that although the older generation in Taiwan traditionally consumed this product daily, younger consumers did not. Therefore, in order to ensure long-term demand, his company initiated an advertising program stressing alternative ways in which the vegetable could be used in daily cooking. For example, the company worked with a recognized cooking expert in Taiwan to conduct food and cooking shows and cooking demonstrations.

Finally, in order to establish local presence and help control distribution of its products, this company formed a joint venture in Taiwan and also opened its own sales office in Taiwan.

However, most of the exporters we spoke with did not have well-developed export strategies. For example, 10 exporters said that their companies had no export strategy for East Asia in general or these markets in particular. One of these exporters noted that his company does not have experience developing export strategies, while another said his company's policy is to react to whatever export situation presents itself.

In addition, although working with a local distributor is important to success in these markets, 11 exporters told us that identifying and maintaining a good relationship with Asian distributors was the primary component of their export strategies. Several of these exporters said they rely exclusively on local distributors to determine the extent to which their products are promoted in-country. Local distributors promote products from a number of companies, including products of U.S. competitors.

U.S. Exporters Surveyed Do Not Conduct Extensive Market Research

Trade experts in Taiwan, Malaysia, and Indonesia said that many U.S. exporters do not conduct sufficient market research before entering these markets. These trade experts explained that market research is needed to identify issues such as market potential, consumer preferences, foreign competition, and distribution channels. They suggested that market research can be done in a variety of ways, including having exporters visit

the market, hiring a market research firm, and/or selecting an experienced local importer who is familiar with the market.

We found that 30 of the 44 exporters in our survey did not conduct extensive market research prior to or after entering these markets.[11] For example, 11 exporters told us that they conducted little or no market research before entering these markets. Ten other exporters left responsibility for market research up to their distributors. Four exporters decided to enter one or more of these markets only after a local Asian distributor contacted them and expressed an interest in selling their product. Several other exporters told us that their market research consisted primarily of secondary information supplied by trade associations and/or U.S. cooperators.

U.S. Companies Adapt Their Products to Varying Degrees

According to the trade experts in these three markets, exporters should not rely on selling the same product overseas that they sell domestically. Exporters should adapt their products to satisfy different consumer tastes, product size and packaging, and religious laws and legal requirements. For example, East Asians prefer less salty and sweeter products than American consumers. In addition, all meat products consumed in Malaysia and Indonesia must be certified as "halal."[12]

Although most of the exporters included in our survey did not have well-developed export strategies nor conduct extensive market research, about three-fourths of the exporters told us that they tailor their products in some way for the Taiwan, Malaysian, and Indonesian markets. However, the extent to which they adapt their products varies. The following are examples of such tailoring.

- Eleven exporters we interviewed said that their companies reformulate their products for these three markets, as well as to the Asian markets as a whole. Two of these exporters commented that because East Asian consumers prefer less salty foods than Americans, they reduced the level of salt in their snack foods. One exporter produces sweeter-tasting cereals for East Asian consumers, while another removes the preservatives and adds more water to its juice concentrates.

[11]We found no difference among small-, medium-, and large-sized companies as to whether they conducted market research before entering Taiwan, Malaysian, and Indonesian markets.

[12]Halal certification requires that all meat products must originate from a slaughterhouse that follows Islamic slaughtering practices. For Malaysia, these facilities also must be inspected and approved by in-country Malaysian religious authorities. Other food items that contain any animal products must be clearly marked.

- Eleven company officials stated that they modify the size of the packaging and/or the way in which the shipment is packaged to satisfy differences among countries, such as climatic differences (tropical temperatures) and the need for stronger packaging to preserve agricultural goods transported over a long distance. A few companies ship smaller individual food portions (such as snack and canned foods) to satisfy the tendency of East Asian customers to consume smaller portions.
- Eight exporters told us that they only change their product labels. These changes include relabeling the product in the local language and "co-dating" the labels by including the date the good was produced and the expiration date of the product.

Other Marketing Steps That Demonstrate Commitment to Exporting

Trade experts in Taiwan, Malaysia, and Indonesia also stated that commitment to exporting can be demonstrated through the following activities or techniques.

- Establishing a local presence. Personal trading relationships are important to succeed in Asian markets. Exporters should visit the market often to establish their presence and demonstrate their interest in serving the market. Exporters may also establish market presence by hiring a local agent or establishing a branch office. They also noted that although success in these markets depends on close business relationships between exporters and importers, U.S. exporters are often more interested in making quick sales and moving in and out of markets.
- Developing a promotion plan. Exporters should emphasize product promotion to increase importer, retailer, and consumer awareness of particular products. Exporters may also need to provide assistance on how to prepare and store the imported goods. Finally, exporters should work with their importer, retailer, and/or distributor to advertise and market their products.
- Providing after-trade servicing. Exporters should maintain an after-sales presence in the export market to help ensure that the product is effectively marketed and distributed in-country. Trade experts noted that while U.S. competitors often continue to work with their distributors after their goods enter these markets, U.S. exporters are not as actively involved with their distributors in after-sales services.

U.S. Exporters Want Better Information From FAS and a Reduction of Tariffs and Nontariff Barriers

U.S. exporters we surveyed believed the U.S. government could help them gain greater market share in Taiwan, Malaysia, and Indonesia by improving FAS market information and by continuing to negotiate for lower import tariffs and fewer nontariff barriers in these three East Asian markets.

FAS is responsible for expanding foreign markets for U.S. agricultural products through market development, agricultural trade reporting, and trade policy work. FAS' market development activities are similar in these three markets. These activities include sponsoring trade shows, conducting supermarket and menu promotions, responding to requests for market information from U.S. exporters, and disseminating trade leads. In addition, agricultural attache officers in Malaysia and Indonesia, and AIT representatives, help administer USDA's Market Promotion Program (MPP).[13] In 1992, USDA budgeted $10.6 million in MPP funds for Taiwan, $1.6 million for Malaysia, and $690,000 for Indonesia.

While the range of market development activities is similar in the three markets, attache officials in Malaysia and Indonesia, and AIT representatives, told us that the activities themselves are geared toward the particular characteristics of each market. For example, FAS market development activities take into account the level of sophistication in each market, such as the country's distribution system, the number and type of supermarkets, the availability of cold and frozen storage, and the number of western-style hotels and restaurants.

Although Australian and New Zealand trade officials are not responsible for commodity and product reporting, FAS attache officers in Malaysia and Indonesia, and AIT representatives, spend about 40 percent of their time on agricultural trade reporting.[14]

In October 1991, FAS began reevaluating its reporting requirements to accommodate reporting needs within FAS and in the international market place. Specifically, FAS' goal was to reduce the number of required reports in response to overseas staff reductions, and to allow attache officers

[13]In 1990, the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624), (FACT Act) established MPP to replace the Targeted Export Assistance program. MPP helps finance overseas promotional activities for U.S. agricultural products. Like its predecessor, MPP was created to develop, maintain, and expand U.S. agricultural exports. Total worldwide MPP funding for fiscal year 1993 was $147.7 million.

[14]In December 1993, FAS is planning to open an ATO in Taiwan. ATO offices differ from attache posts in that they focus primarily on market development activities and are not required to conduct other activities required of attache posts, such as product reporting and trade policy work.

more time to report on current issues in their country, such as specific market opportunities. By September 1993, worldwide commodity reporting had been reduced by an estimated 18 staff years. However, this number may be offset by 11 new proposed reports, equivalent to 13 staff years. According to an FAS official, the new reports cover high-value products, and about 60 percent will be required of FAS offices in developed countries, such as Japan.

Most of the exporters we surveyed do not use FAS reports when planning their market development activities. For example, although 24 of the 44 exporters we spoke with receive some published information from FAS (such as attache reports, FAS magazines, or trade leads), only 2 said they receive the reports on a regular basis. Ten use FAS reports to obtain background information, but only one said these reports have been "very useful."

Moreover, 17 exporters said they have never received FAS reports and/or FAS information. Half of these exporters were not aware that FAS publishes market information reports.

The number of reports submitted in 1992 by U.S. agricultural representatives in Taiwan, Malaysia, and Indonesia ranged from 85 in Malaysia to 102 in Taiwan. While the HVP market is growing at a faster rate than the bulk market in all three markets, attache officers in Indonesia, and AIT representatives in Taiwan, report primarily on bulk commodities. For example, in 1992

- 14 percent of FAS/Indonesia reports focused on HVPs, compared to 59 percent on bulk products; and
- 25 percent of AIT/Taiwan reports were on HVPs, compared to 53 percent on bulk products.[15]

Many bulk product reports do not address market development opportunities for U.S. exports; instead they provide information on products that compete worldwide with similar U.S. exports. Likewise, although FAS/Malaysia reports more on HVPs than bulk products, 50 percent of all its reports focus on Malaysian oilseeds products that compete with U.S. vegetable oils in the world market. They do not address market promotion opportunities for U.S. oilseed products in Malaysia.

[15]Most of the remaining reports for Indonesia and Taiwan contain information on both HVP and bulk products.

About a third of the exporters told us they want more practical and detailed market data from FAS on specific HVPs. Suggestions from company representatives on the kind of information needed include

- specific data on market trends, product lines, and the potential of a given product in a given market;
- material to help U.S. companies penetrate markets, such as information on phytosanitary standards (animal and plant health standards);
- information on competitors and what they are selling in these markets; and
- data on new and emerging markets, and HVPs in demand.

Finally, 11 exporters suggested that the U.S. government should continue to negotiate for lower import tariffs and fewer nontariff barriers in these 3 East Asian markets. Several exporters want the U.S. government to push for standardized international label requirements and food ingredient regulations. For example, one exporter noted that some food ingredients, such as additives and preservatives, which are approved by the United States, are not accepted by the Indonesian and Malaysian governments.

Conclusions

Markets in East Asia, such as Taiwan, Malaysia, and Indonesia, hold good potential for increased imports of agricultural HVPs. Exporters believe that better information from FAS and a reduction in tariffs and nontariff barriers could help them gain greater market share in these economies. However, increased demand for HVPs and improved access to these three markets will not necessarily ensure the competitive success of these exports. Because, as is generally recognized, many U.S. companies are not committed to exporting, they may not be able to compete effectively if tariffs are lowered and nontariff barriers are removed. On the other hand, foreign competitors, which are more reliant on export markets for their success and which appear to be more committed to foreign market development, may be in a better position to seize the opportunity and gain greater market share.

Agency Comments

We discussed a draft of this report with FAS officials, including the Assistant Administrator, Commodity and Marketing Programs, on November 4, 1993. FAS generally agreed with the report's overall message but disagreed with some of our characterizations of FAS product reporting. In addition, they noted that we did not discuss FAS' Cooperator or MPP programs for market development.

We made some changes to the report on the basis of FAS comments on product reporting. We agree that other FAS market development activities are not discussed in this report. We have discussed them in other reports.[16] The purpose of this report was not to evaluate FAS market development programs in Taiwan, Malaysia, and Indonesia, but rather to identify the market development activities of U.S. exporters, and exporter views on additional ways in which FAS could help them become more competitive in these markets.

As agreed with you, unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days from the date of this letter. At that time, we will send copies to the Secretary of Agriculture, appropriate congressional committees, and interested Members of Congress. We also plan to send copies to the U.S. exporters that participated in our survey and other interested parties. We will make copies available to others upon request.

[16]See U.S. Department of Agriculture: Improvements Needed in Foreign Agricultural Service Management (GAO/T-GGD-94-56, Nov. 10, 1993); International Trade: Changes Needed to Improve Effectiveness of the Market Promotion Program (GAO/GGD-93-125, July 7, 1993); and International Trade: Review of Effectiveness of FAS Cooperator Market Development Program (GAO/NSIAD-87-89, March 17, 1993).

Please contact either Allan I. Mendelowitz on (202) 512-4812, or John W. Harman on (202) 512-5129, if you have any questions concerning this report. The major contributors to this report are listed in appendix VI.

Sincerely yours,

Allan I. Mendelowitz,
Managing Director,
International Trade, Finance,
and Competitiveness
General Government Division

John W. Harman
Director, Food &
Agriculture Issues
Resources, Community,
and Economic
Development Division

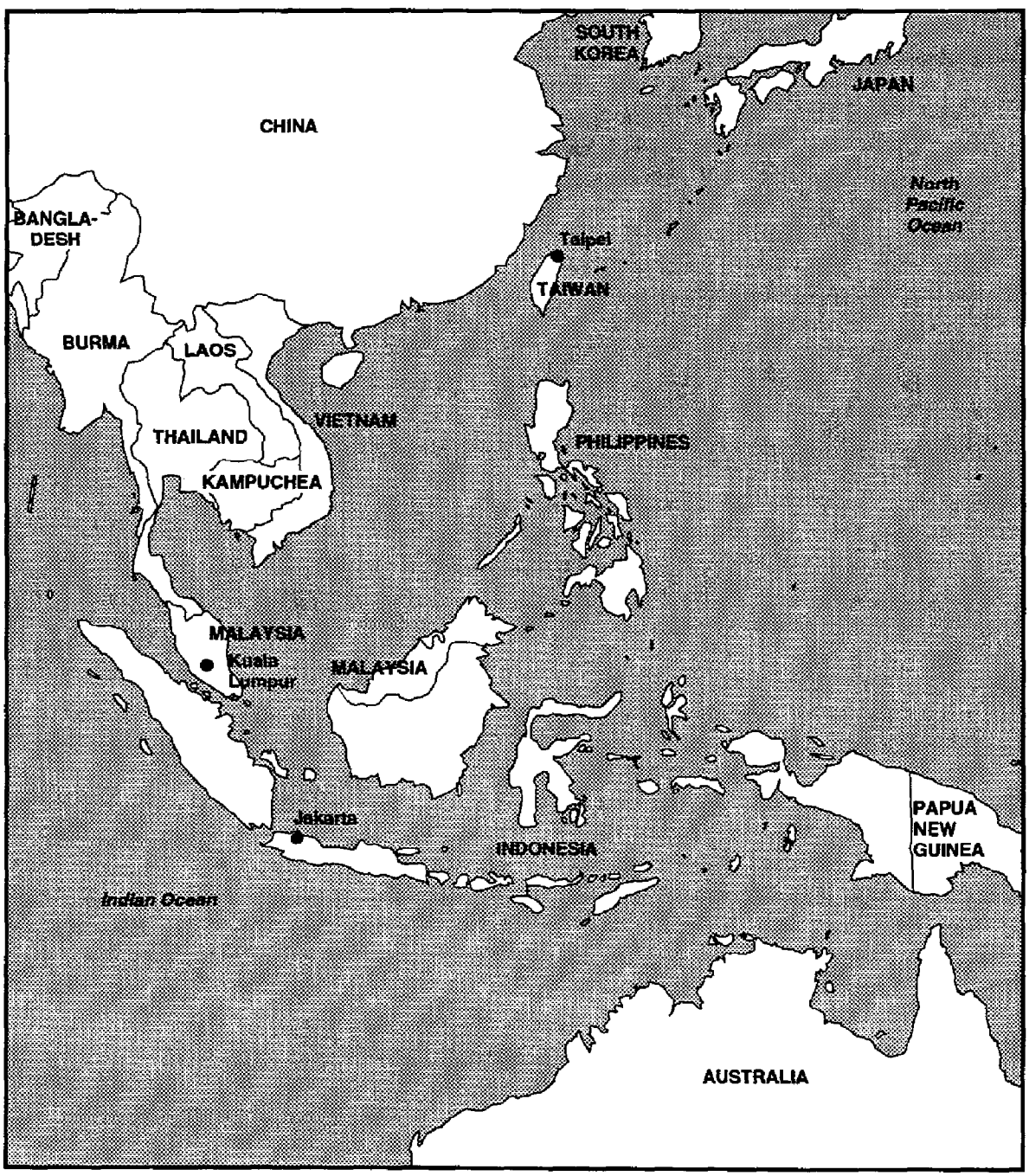
Contents

Figures

Abbreviations

AIT	America Institute in Taiwan
ATO	Agricultural Trade Office
FAS	Foreign Agricultural Service
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HVP	High-Value Product
MPP	Market Promotion Program
USDA	U.S. Department of Agriculture
USTR	U.S. Trade Representative

Map of East Asia



Summary of Taiwan's Market

Located approximately 200 miles off the southern coast of mainland China, Taiwan has a population of 21 million people (primarily Chinese) living on an island about the size of West Virginia. It has the second highest population density in the world, with most of the island's inhabitants concentrated on only 25 percent of its land area. Taipei is the capital and economic center of Taiwan.

Over the last 30 years, Taiwan's economic growth rate averaged nearly 9 percent annually in real terms. Despite a recession that affected most of the world, Taiwan's economy grew 6.5 percent in 1992. Continued economic growth is expected, due to export increases, heavy investment in infrastructure projects, and strong consumer demand. Taiwan's real per capita gross domestic product (GDP) in 1992 reached $8,680, up from $7,760 in 1990. It is estimated to reach $9,117 in 1993.

Over the past 3 decades, Taiwan has changed from an agricultural to an industrial economy and developed into a major international trading power.[1] Foreign trade has been the key to Taiwan's rapid growth, with the nominal dollar value of its total trade increasing tenfold in the 1970s and threefold in the 1980s. About 95 percent of Taiwan's exports are industrial goods, with major exports including electronics and textiles. Raw materials and capital goods account for more than 70 percent of Taiwan's imports. Taiwan also imports about 92 percent of its energy needs.

Taiwan presently imports a wide range of food and agricultural products. In 1990, Taiwan imported agricultural goods valued at $4.1 billion.

Market Situation and Outlook for U.S. Agricultural Exports

In 1992, Taiwan was the fifth largest market in the world for U.S. agricultural products, with U.S. agricultural sales valued at $1.9 billion in nominal dollars. Although Taiwan has traditionally imported U.S. bulk and intermediate agricultural products, consumer-oriented high-value products (HVP) have increased greatly during the past 5 years. As data in table II.1 indicate, the dollar value of U.S. consumer-oriented exports to Taiwan grew 96 percent during 1988-1992, compared to a 7 percent increase in U.S. bulk commodity exports.

[1]Taiwan made a formal application to sign the General Agreement on Tariffs and Trade (GATT) on January 1, 1990. Taiwan has informally agreed to apply as a developed economy, to "bind" all tariffs by establishing maximum tariff levels, and to conform to GATT rules on nontariff barriers.

Table II.1: U.S. Exports of Selected Agricultural Products to Taiwan, 1988-92

Dollars in thousands[a]

Product	1988	1989	1990	1991	1992	1988-92 % change
Bulk commodities total[b]	$1,231,769	$1,308,266	$1,231,219	$1,390,574	$1,316,712	7%
Wheat	128,345	134,203	110,898	108,993	118,806	
Coarse grains	469,345	543,781	543,472	633,086	592,908	
Soybeans	491,782	447,177	411,327	466,818	454,244	
Cotton	78,773	68,351	114,923	100,926	86,509	
Tobacco	55,378	110,000	45,298	76,747	59,698	
Intermediate HVP total[b]	$236,071	$221,794	$179,617	$202,814	$201,432	-15
Other vegetable oils	1,250	2,027	1,344	1,655	2,764	
Feeds & fodders (excl. pet food)	20,744	22,167	20,773	21,267	27,845	
Hides & skins	169,760	126,531	113,883	129,038	121,033	
Animal fats	8,085	10,527	3,511	2,303	5,178	
Sugars, sweeteners, & beverage bases	4,553	9,956	14,237	7,472	9,764	
Consumer-oriented HVP total[b]	$193,331	$222,896	$246,930	$303,534	$378,833	96
Snack foods (excl. nuts)	10,024	11,976	15,193	17,801	23,500	
Red meats, fresh/chilled/frozen	12,937	30,795	14,500	19,502	22,168	
Dairy products	5,435	8,188	5,390	60,951	38,112	
Fresh fruit	76,131	74,655	102,835	87,893	152,762	
Fresh vegetables	3,982	4,312	5,939	5,469	5,028	
Processed fruit & vegetables	25,883	28,925	33,266	34,383	40,039	
Fruit & vegetable juices	9,460	8,387	7,843	7,043	11,140	
Tree nuts	17,393	18,884	14,782	19,340	24,132	
Wine & beer	3,671	5,477	8,923	8,578	9,709	
Pet foods	2,798	2,512	6,003	6,790	9,705	
Agricultural total[b]	**$1,661,171**	**$1,752,956**	**$1,657,766**	**$1,896,922**	**$1,896,977**	**14%**

[a]Export values have not been adjusted for inflation. Prices for U.S. agricultural exports fell at an annualized rate of 2.3 percent per year from 1989 to 1992.

[b]Specific products cited under bulk commodities and intermediate HVPs are the top five U.S. exports in those categories. Specific products listed under consumer-oriented HVPs are the top 10 U.S. consumer-oriented exports. Figures for agricultural totals include all U.S. bulk commodities, intermediate, and consumer-oriented exports from 1988 to 1992.

Source: U.S. Bureau of the Census data. Analysis by Trade and Economic Information Division, Foreign Agricultural Service (FAS), U.S. Department of Agriculture (USDA).

Moreover, a recent FAS trade analysis ranked Taiwan as the fifth best market prospect worldwide for consumer-oriented products. Several factors have created a greater demand for these goods, such as rising incomes, changes in the population's age structure, a greater demand for western-style foods, and more women in the workforce. (Women constitute about one-third of the workforce.) Restaurants and fast-food businesses have increased dramatically due to the rise in two-income families. Competitive import prices have also led to more consumer-oriented imports. Finally, Taiwan's policy to downsize agricultural production in order to meet only domestic demand for essential commodities is likely to encourage greater imports of consumer-oriented foods.

Specifically, Taiwan's frozen, fresh, and canned food markets hold great potential for U.S. exporters. Although the frozen food market is still developing, the outlook for increased consumption of these goods is promising. Taiwan consumers are buying more frozen goods, such as corn, mixed vegetables, and fruit. About 44 percent of frozen foods are purchased in supermarkets, with the rest of these foods purchased in convenience and grocery stores.

Because of the variety and quality of U.S. fruit, U.S. exporters are also in a good position to benefit from growth in Taiwan's fresh fruit market. Taiwan's major imports of fresh fruit include apples and grapes. In addition, sugar plums, cherries, and stone fruits are gaining greater acceptance by Taiwan's consumers.

Currently, the U.S. share of Taiwan's canned food import market is more than 60 percent, including products such as meats, fish, vegetables, and fruits. Imports of these goods are likely to increase as Taiwan consumers buy more ready-to-eat products.

The United States is presently the leading supplier of intermediate and consumer-oriented goods to Taiwan. As data indicate in table II.2, the U.S. share of the consumer-oriented market increased from about 26 percent in 1987 to over 31 percent in 1990.

Table II.2: Sources of Taiwan (Estimated) Imports of Agricultural Products by Processing Stage and Major Markets, 1987-90

Percent

Processing stage and market	1987	1988	1989	1990
Bulk commodities				
Australia	3.25	3.95	3.56	3.86
India	3.09	0.04	0.08	1.73
Malaysia	3.22	6.16	2.21	1.70
Thailand	3.30	4.49	2.52	2.36
United States	61.48	63.13	66.09	72.14
Intermediate HVPs				
Australia	17.01	17.21	20.37	13.21
Canada	8.19	8.47	6.54	8.82
Japan	9.41	10.03	11.66	13.33
Thailand	4.15	4.60	6.46	8.18
United States	27.50	26.40	24.01	19.33
Consumer-oriented HVPs				
Australia	23.45	20.32	17.34	16.62
EC-12	18.70	18.39	18.87	17.18
Japan	8.31	8.19	8.40	8.91
New Zealand	7.90	7.56	9.55	8.19
United States	25.60	30.41	29.47	31.13

Legend

EC-12 = Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom.

Source: United Nations calendar year trade data. Analysis by Trade and Economic Information Division, FAS, USDA.

Summary of Malaysia's Market

Located in Southeast Asia, Malaysia shares common borders with Indonesia, Singapore, Thailand, and Brunei. Malaysia is a multi-ethnic society with a population of over 18 million people. Its urban population is over 7 million and is growing at nearly twice the rate of its overall population. More than 1.5 million residents live in Kuala Lumpur, Malaysia's capital and largest city. Islam is the country's state religion.

Malaysia has one of the fastest-growing economies in the world. During the past 5 years, its real GDP grew at an average annual rate of over 8 percent, and its per capita GDP increased from $2,406 in 1990, to $2,701 in 1992. Malaysia's 1993 per capita GDP is estimated at $2,859. Although Malaysia's agricultural sector remains a major force in Malaysia's economy, agricultural output contributes only 16 percent to the country's overall GDP, compared to 45 percent for the country's service sector and 30 percent for its manufacturing industry.

Malaysia remains an important commodity producer. Six commodities, including petroleum, palm oil, rubber, tin, timber, and cocoa, account for 45 percent of Malaysia's exports. Malaysia also produces and exports, among other products, pork, poultry, and tropical fruits and vegetables.

Despite its agricultural resources, Malaysia must import nearly all of its wheat, cotton, dairy products, corn, and soybeans. Malaysia also imports significant quantities of fruit, vegetables, beef, and processed food products.

Market Situation and Outlook for U.S. Agricultural Exports

The value of U.S. agricultural exports to Malaysia has risen dramatically in recent years, increasing in nominal dollars from $99 million in 1988, to $166.6 million in 1992.[1] Although U.S. exports of bulk commodities increased each year during 1988-92, the percentage gain in bulk exports has not matched the gains in intermediate and consumer-oriented HVP exports. As data in table III.1 indicate, the dollar value of U.S. intermediate exports to Malaysia increased 105 percent, and consumer-oriented exports rose 93 percent during 1988-1992, compared to a 44 percent increase in the value of U.S. bulk commodity exports.

[1]Because a significant portion of goods exported to Malaysia are transshipped through Singapore and are reported as imports by Singapore, the size of the Malaysian import market may be considerably understated.

Table III.1: U.S. Exports of Selected Agricultural Products to Malaysia, 1988-92

Dollars in thousands[a]

Product	1988	1989	1990	1991	1992	1988-92 % change
Bulk commodities total[b]	$54,481	$64,441	$69,421	$76,786	$78,707	44%
Wheat	6,317	6,251	7,836	10,950	9,828	
Soybeans	9,812	20,820	16,726	24,267	30,374	
Cotton	7,839	10,670	15,148	9,965	10,351	
Tobacco	15,550	21,210	22,534	27,044	25,516	
Peanuts	1,167	1,151	807	919	1,305	
Intermediate HVP total[b]	$14,657	$14,656	$16,792	$24,055	$30,118	105
Other vegetable oils	1,603	2,837	1,154	2,610	1,890	
Feeds & fodders (excl. pet foods)	3,554	3,924	4,844	8,083	11,029	
Live animals	2,869	2,150	3,604	2,966	3,104	
Hides & skins	0	0	0	13	169	
Sugars, sweeteners, & beverage bases	3,189	2,948	3,627	5,573	8,570	
Consumer-oriented HVP total[b]	$29,913	$31,410	$37,982	$53,461	$57,796	93
Snack foods (excl. nuts)	1,007	1,387	1,762	1,533	2,112	
Breakfast cereals & pancake mix	70	54	935	689	1,561	
Red meats, fresh/chilled/frozen	900	2,039	2,014	2,507	2,894	
Poultry meat	237	249	94	1,108	603	
Dairy products	3,865	502	525	5,591	2,946	
Fresh fruits	11,563	8,857	9,931	11,903	15,850	
Processed fruit & vegetables	5,604	6,700	8,018	8,461	11,221	
Fruit & vegetable juices	1,295	1,119	1,200	1,868	1,541	
Tree nuts	625	1,384	1,662	1,623	3,467	
Pet foods	743	1,457	890	1,908	1,456	
Agricultural total[b]	**$99,051**	**$110,507**	**$124,195**	**$154,302**	**$166,621**	**68%**

[a]Export values have not been adjusted for inflation. Prices for U.S. agricultural exports fell at an annualized rate of 2.3 percent per year from 1989 to 1992.

[b]Specific products cited under bulk commodities and intermediate HVPs are the top five U.S. exports in those categories. Specific products listed under consumer-oriented HVPs are the top 10 U.S. consumer-oriented exports. Figures for agricultural totals include all U.S. bulk commodities, intermediate, and consumer-oriented exports from 1988 to 1992.

Source: U.S. Bureau of the Census data. Analysis by Trade and Economic Information Division, FAS, USDA.

A recent FAS survey rated Malaysia as the 15th best market prospect worldwide for U.S. consumer-oriented goods. Factors such as rising incomes, a growing middle class, an expanding supermarket sector, and the country's cultural diversity have led to a greater demand for HVP imports.

Fresh fruits and processed fruits and vegetables top the list of U.S. consumer-oriented HVPs to Malaysia. Strong export opportunities continue to exist for those products and others, such as frozen french fries and other potato products.

Malaysians are also consuming more meats, poultry, and dairy products. This consumption has triggered a rapid growth in Malaysia's domestic poultry and swine industries, which in turn has generated greater demand for imported feedstuffs like corn and soybeans. However, longer shipping times and higher freight costs place U.S. bulk products, such as wheat, corn, soybeans, and cotton, at a disadvantage to similar products supplied by nearby competitors like Thailand, China, and Australia. As a result, the United States is often a residual supplier of bulk products.

While U.S. exports of HVPs to Malaysia have increased over the last several years, foreign competitors dominate Malaysia's HVP market. As table III.2 shows, in 1991, the United States held only about 9 percent of the Malaysian bulk and consumer-oriented markets. In the same year, the United States held about 7 percent of the intermediate HVP market.

Table III.2: Sources of Malaysia Imports of Agricultural Products by Processing Stage and Major Markets, 1987-91

Percent

Processing stage and market	1987	1988	1989	1990	1991
Bulk commodities					
Argentina	2.57	7.87	0.80	6.82	4.05
Australia	27.25	27.07	21.22	25.63	20.99
China (PRC)	9.39	10.12	10.61	4.76	12.18
Thailand	28.72	19.92	30.72	26.16	25.71
United States	11.08	10.75	6.89	10.71	9.17
Intermediate HVPs					
Australia	16.62	19.19	19.00	20.37	15.57
China (PRC)	16.33	15.60	17.46	16.22	14.81
EC-12	8.39	9.25	16.99	11.97	8.22
Indonesia	11.42	19.97	7.57	4.27	21.06
United States	6.90	5.77	6.36	6.79	6.73
Consumer-oriented HVPs					
Australia	18.62	15.81	14.54	15.23	16.95
China (PRC)	12.55	12.11	12.38	11.56	11.65
EC-12	12.39	13.05	17.23	15.14	15.56
New Zealand	13.41	17.28	16.58	18.24	16.25
United States	10.80	10.48	7.46	8.03	9.09

Legend

EC-12 = Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom.
PRC = People's Republic of China.

Source: United Nations calendar year trade data. Analysis by Trade and Economic Information Division, FAS, USDA.

Summary of Indonesia's Market

The Republic of Indonesia is an archipelago of more than 13,500 islands extending about 3,000 miles along the Equator from the mainland of Southeast Asia to Australia. The fourth most populous nation in the world, Indonesia has a growing population of 186 million people, who are predominantly Muslim. It is estimated that nearly 9 million people live in Jakarta, Indonesia's capital and largest city.

Since 1986, the Government of Indonesia has instituted several economic reforms,[1] including deregulation, to open the Indonesian market to foreign trade and investment. Indonesia's deregulation policies have yielded strong growth, a private sector investment boom, and increased nonpetroleum exports. During the last 4 years, Indonesia's real GDP growth rate has averaged about 6.8 percent annually. The country's real per capita GDP increased from $596 in 1990 to $650 in 1992, and it is estimated to reach $678 for 1993. Although low by regional standards, Indonesia's per capita GDP masks an emerging middle class numbering about 10 million.

In 1991, Indonesia's manufacturing sector contributed 21 percent to the country's GDP, and for the first time exceeded that of agriculture. Indonesia's agricultural sector, however, remains an important component of the Indonesian economy—employing about half of the labor force.

Until 1986, Indonesia mainly exported oil and gas products. However, in 1991, manufacturing and agricultural goods constituted 60 percent of the country's exports. Indonesia's leading agricultural exports include rubber, wood products, palm oil, coffee, fisheries products, and spices. Seventy percent of Indonesia's agricultural imports are bulk products, including cotton, tobacco, and grain and feeds. The primary HVPs imported by Indonesia include red meats, frozen and canned vegetables, dairy products, and food ingredients.

Market Situation and Outlook for U.S. Agricultural Exports

In 1992, the United States exported $342 million in agricultural products to Indonesia.[2] Eighty percent were bulk commodities, consisting primarily of cotton and soybean products. As data in table IV.1 indicate, the nominal

[1]Indonesia has taken a variety of steps to simplify government import regulations and improve the flow of imported goods into Indonesia. For example, in an effort to speed up customs clearance, the Indonesian government in 1985 signed a contract with Société Générale de Surveillance, a Swiss-owned company, to conduct preshipment inspections of export goods destined for Indonesia.

[2]Because a significant portion of goods exported to Indonesia are transshipped through Singapore and are reported as imports by Singapore, the size of the Indonesian import market may be considerably understated.

dollar value of U.S. HVP exports to Indonesia has grown at a faster rate over the last several years than U.S. bulk exports.

Table IV.1: U.S. Exports of Selected Agricultural Products to Indonesia, 1988-92

Dollars in thousands[a]

Product	1988	1989	1990	1991	1992	1988-92 % change
Bulk commodities total[b]	$186,341	$200,968	$231,893	$250,340	$273,019	47%
Wheat	23,958	33,894	30,083	1,997	918	
Rice	10,285	7,812	2,216	3,438	2,329	
Soybeans	45,777	36,651	14,103	25,512	54,366	
Cotton	98,058	119,219	177,834	215,384	206,411	
Tobacco	6,724	3,073	7,519	3,838	8,476	
Intermediate HVP total[b]	$24,958	$18,358	$28,617	$30,478	$41,222	65
Soybean meal	0	0	12	3	4,591	
Feeds & fodders (excl. pet foods)	7,348	3,754	10,050	7,701	13,551	
Live animals	9,548	2,900	3,299	3,160	2,758	
Hides & skins	0	42	94	329	2,171	
Sugars, sweeteners, & beverage bases	404	4,215	5,391	9,559	5,387	
Consumer-oriented HVP total[b]	$13,083	$12,098	$11,530	$17,304	$27,855	113
Snack foods (excl. nuts)	175	339	446	296	411	
Red meats, fresh/chilled/frozen	1,206	1,481	2,367	2,843	2,571	
Red meats, prepared/preserved	264	66	413	98	161	
Poultry meat	77	94	223	307	1,003	
Dairy products	4,612	4,566	1,073	1,931	3,118	
Fresh fruits	3	101	2,047	6,319	13,443	
Processed fruit & vegetables	2,104	3,339	2,410	3,227	4,182	
Fruit & vegetable juices	432	254	147	167	262	
Tree nuts	290	278	523	352	424	
Pet foods	293	225	251	282	424	
Agricultural total[b]	**$224,382**	**$231,424**	**$272,040**	**$298,122**	**$342,096**	**52%**

[a]Export values have not been adjusted for inflation. Prices for U.S. agricultural exports fell at an annualized rate of 2.3 percent per year from 1989 to 1992.

[b]Specific products cited under bulk commodities and intermediate HVPs are the top five U.S. exports in those categories. Specific products listed under consumer-oriented HVPs are the top 10 U.S. consumer-oriented exports. Figures for agricultural totals include all U.S. bulk commodities, intermediate, and consumer-oriented exports from 1988 to 1992.

Source: U.S. Bureau of the Census data. Analysis by Trade and Economic Information Division, FAS, USDA.

Although Indonesia is a price-sensitive market demanding mostly basic grocery products, the middle class is beginning to purchase more goods from supermarkets that provide a variety of imported high-value food products. Imported fresh fruit and frozen foods are very popular products, and imported meat products are becoming more common in Indonesian supermarkets. In addition to rising incomes, factors such as continued population growth, a growing ratio of adults to children, and rapid urbanization will continue to stimulate an increasing demand for imported food products.

While U.S. exports of HVPs to Indonesia have increased over the last several years, foreign competitors dominate the HVP market in Indonesia. As table IV.2 shows, the United States held only 12 percent of the consumer-oriented HVP market in 1991, compared to nearly 20 percent for Australia, 18 percent for the European Community, and nearly 15 percent for New Zealand.

Table IV.2: Sources of Indonesia Imports of Agricultural Products by Processing Stage and Major Markets, 1987-91

Percent

Processing stage and market	1987	1988	1989	1990	1991
Bulk commodities					
Argentina	5.60	6.33	0.27	5.19	6.30
Australia	16.46	18.88	18.30	18.20	20.03
China (PRC)	22.33	22.64	13.21	14.77	16.48
United States	21.34	24.02	21.84	21.46	19.34
Vietnam	0.70	0.74	0.50	1.63	5.39
Intermediate HVPs					
China (PRC)	19.35	12.20	12.59	5.28	10.86
EC-12	6.41	10.52	6.65	13.73	10.56
India	0.61	0.81	3.70	8.51	11.92
Thailand	3.34	3.10	1.94	6.69	21.12
United States	6.27	8.18	4.36	10.74	7.11
Consumer-oriented HVPs					
Australia	15.03	11.46	14.94	15.73	19.94
China (PRC)	8.86	7.89	11.00	11.65	9.88
EC-12	25.31	18.78	29.21	22.23	18.23
New Zealand	17.95	21.52	15.38	16.91	14.77
United States	13.68	13.31	11.70	11.72	12.39

Legend

EC-12 = Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom.
PRC = People's Republic of China.

Source: United Nations calendar year trade data. Analysis by Trade and Economic Information Division, FAS, USDA.

Objectives, Scope, and Methodology

At the request of Representative Pat Roberts, the Ranking Minority Member of the House Agriculture Committee, we obtained information on (1) the potential for increased exports of U.S. agricultural HVPs to Indonesia, Malaysia, and Taiwan; (2) any factors that may limit the growth of U.S. HVP exports to these countries; (3) any market development activities needed to be competitive in these markets and the approaches used by U.S. companies; and (4) the assistance needed from the U.S. government to enhance the competitiveness of U.S. businesses in these markets.

We analyzed world trade flows to these three markets and obtained information from officials in the U.S. Departments of Agriculture, State, and Commerce; the Office of the U.S. Trade Representative; the Agency for International Development; the Overseas Private Investment Corporation; the Malaysian, Indonesian, and New Zealand embassies in Washington, D.C.; the American Institute in Taiwan (AIT), Taipei, and Washington, D.C.; the Coordination Council for North American Affairs, New York City; and the American-Indonesian Chamber of Commerce in New York City. We also analyzed USDA's Foreign Agricultural Service's annual marketing and work plans, various market research studies, and host government reports.

To explore the market development activities of U.S. companies exporting HVPs to these three markets, we developed a sample of 44 U.S. exporters. To develop our sample, we gathered names of U.S.-based exporters from FAS attache officers in Malaysia and Indonesia, and AIT representatives; state regional agricultural groups; and the California and Oregon Departments of Agriculture. We also gathered names of U.S. exporters from 10 cooperator groups.[1] In addition, we obtained information for our survey sample from the U.S. Association of Southeast Asian Nations Business Council and the U.S. Feed Grains Council in Washington, D.C.

We conducted a structured telephone survey of 44 U.S.-based companies exporting to one or more of these three Asian markets. We selected a judgmental sample of companies, including companies with annual sales ranging from about $6 million to $22 billion, that are currently exporting to Taiwan, Malaysia, and/or Indonesia. These companies export a wide range of agricultural HVPs, including fresh and processed meats, vegetables and fruit, dairy products, processed grain and feed products, and snack foods. We did not include companies that exported tobacco or distilled spirits.

[1]Cooperators are nonprofit commodity groups that represent U.S. producers, farmers, and farm-related interests or trade associations conducting market development activities in foreign countries. They are funded in part by FAS.

In addition, we held exporter panels in San Francisco and Chicago to discuss with U.S. exporters their market development activities in these three markets. We met with seven U.S. HVP exporters in San Francisco and five exporters in Chicago. These company representatives were chosen from our telephone survey of 44 companies. The companies we surveyed were not a random sample, and therefore statistical projections to the universe of all companies cannot be made.

We also used a consultant, Richard Gilmore, of GIC Agricultural Group, to provide insight into issues in international marketing and to facilitate the exporter panels in San Francisco and Chicago.

Finally, we interviewed 46 importers, retailers, wholesalers, and distributors; representatives from market research firms and agricultural trade associations; and U.S. Cooperators in Taiwan, Malaysia, and Indonesia. In addition, we interviewed FAS attache officials, other U.S. embassy officials, and host government and competitor country officials in Malaysia and Indonesia. We spoke with Taiwan authorities and competitor country representatives in Taiwan. We also met with several officials in FAS' Agricultural Trade Office in Singapore, and four importers and trading company officials in Singapore.[2]

We conducted our work between October 1992 and August 1993 in accordance with generally accepted government auditing standards.

[2]Singapore is often used as a transshipment center for agricultural products exported to Malaysia and Indonesia. The Agricultural Trade Office in Singapore estimates that Singapore reexports approximately 65 percent of its imported consumer-ready products. These reexports are intended mainly for Malaysia, Indonesia, and Brunei.

Major Contributors to This Report

General Government Division, Washington, D.C.	Phillip J. Thomas, Assistant Director Elizabeth Morrison, Evaluator-in-Charge Susan S. Westin, Senior Economist Rona Mendelsohn, Reports Analyst
Resources, Community, and Economic Development Division, Washington, D.C.	Julie Gerkens, Assistant Director Isidro L. Gomez, Staff Evaluator
Far East Office	Priscilla M. Harrison, Regional Assignment Manager Dennis Richards, Senior Evaluator Lisa P. Gardner, Staff Evaluator

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1000
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (301) 258-4066.

PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548

[redacted]

[redacted]