

**U.S. Commercial Service Market Brief**  
*Featuring*  
**Steve Green, Principle Commercial Officer**  
**United States Commercial Service Office at the American Institute in Taiwan**  
**Kaohsiung, China**

***Taiwan Yacht Manufacturing Industry***

*Interviewed by Doug Barry, Senior International Trade Specialist*  
*U.S. Commercial Service, Trade Information Center*  
*Washington, D.C.*

November 23, 2009

Doug Barry: Hello and welcome to the US Commercial Service Market Brief. I'm Doug Barry in Washington. Today we're speaking with (Steve Green) he's the Principle Commercial Officer at the United States Commercial Service Office at the American Institute in Taiwan in Kaohsiung, China. (Steve) welcome to the program.

(Steve Green): Thanks Doug, thanks for the opportunity.

Doug Barry: My pleasure. You know we in the United States now are considering taking to life boats. So, how is it that people in Taiwan are taking to their yachts, doesn't seem quite fair.

(Steve Green): Well Doug it is a great story in Taiwan. Taiwan is the largest yacht manufacturer in Asia. There is more than 20,000 luxury craft constructed on the island now cruising the world's oceans.

Leading trade journals have ranked several of Taiwan's yacht builders in the world's top 20. This year Taiwan is ranked 5th globally in terms of mega yacht construction - that being 80 to 120 feet in length.

In 2008, revenues from Taiwan's yacht manufacturing industry were more than 500 million US dollars. And, in our interviews with industry executives here in Taiwan - it turns out that Taiwan yacht manufacturers imported \$250 million of foreign products roughly half of that industry total revenue.

Now the United States is the largest market for yachts manufactured in Taiwan. In the US about 49% of the yachts manufactured here are purchased. And the US is also the biggest supplier of components used by Taiwan's yacht builders.

Now those component sales are down considerably due to the current financial crisis. But we're expecting demand in 2010 to rebound strongly as the economy recovers.

So, in summary, Taiwan's world class yacht builders have significant and growing market for US exports and there is a strong propensity here for those US products.

Doug Barry: Well (Steve) when you mentioned \$250 million worth of components I think that got our listeners interest. And, I know that we have thousands of component makers there who could service the Taiwanese market. What are the benefits of doing business with the Taiwan yacht industry?

(Steve Green): Well, the benefits are many. One as I mentioned - it's a huge market here yachts are being produced despite the global financial downturn. They are resourcing all kinds of products from the US.

And, of course, the end user buys the yacht, but in the process of constructing the yacht, the yacht builders are sourcing the components both from the US and other parts of the world.

That's where we get to the \$250 million figure of those Taiwan yacht manufacturers sourcing products. And many of those are antidotal conversations indicated come from the US.

And so, we would like to here in Taiwan help those suppliers in the United States do even better with our Taiwan yacht manufacturing friends.

Doug Barry: All right I'm going to try not to say 250 million too often during the few minutes that we have - but there I said it again. I want to know next what are the trends in the manufacturing of yachts in Taiwan, and in particular what about green technology going into these yachts?

(Steve Green): Doug that is a great question; there are several trends going on here in Taiwan. Wanted to start out with some other figures, total revenues here in Taiwan more than doubled from 2003 to 2008.

Now it's interesting to note in the midst of that increase in revenues the number of yachts - the total number of yachts coming out at Taiwan boat yards decreased slightly during that same five year period.

Now what that reflects is Taiwan's recent trend toward building bigger more expensive yachts.

The boat yards here in Kaohsiung now have the technology to build 130 foot yachts. And, they're in the midst of preparing to build 160 foot yachts with different composite

materials. Including steel and also the World Class Fiber Glassed Reinforced Plastics - FRP Technology that already exist.

Now looking to the future several of the Taiwanese firms are leading the global charge to incorporate cutting edge solar electric technology into the pleasure boating industry.

There is several important market driven reasons why Taiwanese yacht builders use imported products. The first and foremost reason is that almost all of Taiwanese yachts are sold to buyers located in the United States or Europe.

Those two regions combined for 75% of total yacht sales from our Taiwanese yacht building manufacturers. By choosing products from these countries of final destination Taiwan manufacturers insure that those same customers maintain and can repair their yachts at a lower cost.

Second, as consumers design these larger and more extravagant yachts, larger engines and generators produced outside of Taiwan are required. And the third important market driven reason that Taiwan yacht builders are importing so many products is that their very buyers are consistently demanding higher quality products and technology. For example, high end sound systems that may not be available in Taiwan.

Doug Barry: So (Steve) it sounds like this is the age of the mega yacht. But, as you mentioned some headwinds have been encountered with the downturn in the economy. You mentioned that there is a turnaround at hand. How serious has the crisis been and are you fairly confident that things will be turning around soon?

(Steve Green): Doug, it's true in 2009 yacht owners are down 34 to 40% worldwide compared to 2008. And our yacht building manufacturing friends expect this downturn is definitely going to continue in 2010.

Having said that orders for Taiwan yachts have dropped at a lower rate than that of other countries, and no Taiwanese yacht builders have filed for bankruptcy yet.

And despite the recent financial challenges our commercial service office here in Kaohsiung organized a delegation of these Taiwan yacht builders who attended the recent Fort Lauderdale International Boat Show earlier this month.

Now that delegation we were very proud of it included representative buyers from Horizon Group, Johnston Yacht, (Dalshing) Yacht. These are some of the world leaders in yacht building.

And so while we're facing - and they are facing this financial downturn, they are still investing in going to the leading yacht shows in the world.

In the wake of their experience in Fort Lauderdale, early feedback indicates that they did very well at the shows. One of the companies that we work closely with has received three verbal commitments for yacht orders coming out of the Fort Lauderdale show.

Further, Taiwan's tension for business combined with its healthy dose of optimism also represents a powerful tool for weathering this storm.

I'd like to quote that one of our yacht building friends recently shared with me. It's a Confucius quote and I think it does a good job of capturing the yacht building industries perceptive and philosophy during this current financial crises.

He said, "We keep our spirit and wisdom sharp so that we will be ready when the environment improves". And again we are expecting a slight upturn, antidotal evidence shows that yacht owners continue to come.

So, we at the commercial service will do everything we can to support that optimism.

Doug Barry: And now (Steve) you have covered a think a lot of the opportunities of exploring and taking advantage of this market today rather than waiting. What are some challenges that are unique to Taiwan and doing business there?

(Steve Green): Doug that's a good question I have some good news - more good news. The challenge is to doing business in Taiwan compared to many other markets are few and far between.

In fact most of the US companies we work with in Taiwan find it a very business friendly place. Doing business here is straight forward bank to bank - letters of credit, for example, constitute Taiwan's most important payment vehicle.

On the whole the US companies were helping here in Taiwan find business. Let us know that the trade finance system is efficient and they report no widespread pattern of delinquent payment.

So basically the challenges are few, the opportunities are great. And again our US commercial service team here in Kaohsiung stands ready to help those US exporters do well.

Doug Barry: And other than of course being able to quote Confucius back to these yacht builders what strategies do you recommend in order to connect with them?

(Steve Green): Doug there is just a few strategies I would highlight for doing well with our Taiwan yacht manufacturing friends.

First of all these folks often establish new business relationships with companies that visit them directly to introduce their products technologies or services.

Relationships among the yacht builders here in Kaohsiung, Taiwan are long standing. They're also friendly and close knit.

So what happens is when a company comes and visits one of these yacht builders, all of the yacht builders find out about them.

So trade leads and referrals are obtained easily once that US partner is deemed reliable in addition our commercial service office here in Kaohsiung stands ready to assist any and all US exporters.

And I encourage our listeners to plan a gold key match making visit with us to meet the world's top yacht builders. And enjoy Taiwan's version of southern hospitality in that process. We look forward to working with you.

Doug Barry: (Steve) it sounds like a great opportunity, great time and a great place to come over and have a visit with you. Get in touch with you before you do of course. And we'll give a 1-800 number in a moment where listeners can get in touch with us.

But we want to thank you and your associate (Daphne) for being with us today.

(Steve Green): Thank you Doug, thanks for the opportunity.

Doug Barry: Thanks (Steve). That's (Steve Green) talking to us from Kaohsiung, Taiwan. We hope that you have enjoyed learning a bit about the yacht manufacturing opportunities there.

And that you'll give us a call at 1-800-USATRADE. Or check our website [export.gov](http://export.gov) where there is a link to (Steve)'s email and web pages for his office.

So, thanks again for listening and we hope to hear and see you again soon on another US Commercial Service Market Brief.

Doug Barry from Washington. Thanks for listening.

END