THE INFLUENCE OF THE TAIWAN INTERNATIONAL TRADE ENVIRONMENT ON THE TAIPEI WORLD TRADE CENTER

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ABSTRACT

The study of the Taipei World Trade Center on Taiwan was conducted as part of a joint analysis of five World Trade Centers. Other sites studied are those located in Amsterdam, Netherlands in Europe, Curacao, Netherlands Antilles in the Caribbean basin, Portland, Oregon and New York City in the United States. The comparisons and contrasts that were found among the five sites are analyzed in order to arrive at a series of conclusions for this study, including whether or not there are common characteristics that result in a specific set of guidelines that may be applied to the development of future World Trade Centers.

A series of hypothesis were developed to arrive at a set of real estate related properties and amenities considered unique to such developments. One theory suggests that there are specific types of services offered that allow for the realization of premium rents. Specialized services include extensive trade promotion and marketing on behalf of tenants and the provision of computerized trade information and databases. Another theory, supported by the research conducted in Taipei, suggests that the international trade environment present within a particular country can encourage and promote regional economic development. This paper will analyze the Taipei World Trade Center and summarize those characteristics considered essential for a successful World Trade Center development.

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CHAPTER ONE
The World Trade Center as a Real Estate Development Project
In the past, physical and political boundaries influenced the separation of economic markets. The movement of labor and capital between countries was inhibited by these boundaries. Additionally, religious and ideological differences typically influenced the segregation of economic markets. Capital, labor, and goods would move only within a country rather than among countries. Even within the United States, it was often difficult to move goods between regions separated by physical barriers and cultural distinctions.

Today, the movement of goods and services takes place within a "global economy." Economic markets are no longer separated even between countries whose political and cultural differences may be vast. Instead, the trend in recent decades has been towards a closely integrated world economy. Changes in technology, telecommunications, and transportation have led to interconnected economic markets. International competition has become the norm for a wide variety of goods and services. Prices of goods in one country are commonly influenced by prices of the goods in other countries. The historical changes that have occurred over the last several decades combined with the political changes occurring in the former Soviet Union and Eastern Europe, as well as the emergence of the Pacific Rim countries as major industrialized entities, are moving us toward a higher level of international trade.

Developers and owners of real estate have not been left untouched by this trend toward a globalized economy. Foreign ownership of real estate, particularly in the United States, began receiving world-wide attention in the mid-1980's. Similarly, international financial institutions provide much of the short and long term sources of debt and equity capital required for property development. Furthermore, real estate developers have found that many of their new major tenants are engaged in international trade and commerce. Many developers who have observed the
internationalization of the world economy have become interested in promoting international trade within their regions. They have joined business associations whose mission is to promote international development and trade opportunities abroad. This interest has translated into the development of specialized buildings and facilities designated as World Trade Centers and designed specifically to expedite global trade.

In the United States, one typically associates a World Trade Center with the massive twin towers of the New York City office structures. Certainly, in its truest sense, a World Trade Center is a real estate project. However, it is also a marketplace where the work and services associated with international trade may be centralized in one location. The physical composition of a development project that has received an official designation as a World Trade Center from the World Trade Centers Association will be different depending on the needs of the local business community. Many successful World Trade Centers consist of exhibition halls and conference centers, import and export trade marts, Class A commercial office and retail space, and hotels. However, what distinguishes a World Trade Center in a particular market is the range of services and amenities provided that are designed to stimulate and promote international trade. Specialized services can include computerized trade information, translation and language services, educational programs, trade libraries and publications, trade missions and activities, and World Trade Center Clubs. The World Trade Centers Association stands ready to assist developers in the development and operation of a World Trade Center.

The World Trade Centers Association was formed with the objective of facilitating international trade and development through the use of World Trade Centers. Specifically, the World Trade Centers Association has grown since 1968 to become a network of over 240 member organizations in 230 cities worldwide. The Association is
dedicated to several basic goals: to foster increased participation in world trade; to promote international business relationships; to encourage mutual assistance and cooperation among members of the WTCA.

The WTCA aspires to accomplish these objectives through the establishment of a network of World Trade Centers. As defined by the Association, a WTC is comprised of two main components: a building and its tenants, and the trade services provided by the individual WTC management. Both components must meet standards proscribed by the WTCA to allow a designation to be granted and maintained. Therefore, a successful World Trade Center is more than just a complex of exhibition halls, trade and display marts, congress or conference centers, office space and hotel rooms. A successful WTC must also offer specialized services and activities specifically devoted to enhancing international business and trade.

This paper presents the findings of a study of one such World Trade Center and the economic climate of the jurisdiction of its location. Specifically, this paper tries to answer the following questions on the Taipei World Trade Center (TWTC) in Taiwan:

1. As a result of unique services available from the World Trade Centers Association, as well as specific characteristics of the facilities and amenities offered by the Taipei World Trade Center, are tenants willing to pay a rental premium above that charged by landlords in the marketplace as a whole?

2. Is the enhancement of the rental income stream as well as additional income received from the specialized services offered sufficient to compensate the developer/owner for the additional investment necessary to operate the Taipei World Trade Center?

3. Do tenants benefit from "agglomeration economies," that naturally occur from locating adjacent to each other in the Taipei World Trade Center?
4. To what extent has the Taipei World Trade Center been successful in promoting regional economic development in Taipei and international trade throughout Taiwan?

5. Does the affiliation with the World Trade Centers Association provide tangible benefits to both the developers/owners and the tenants of the Taipei World Trade Center?

This paper will concentrate on the four primary participants involved in a World Trade Center development. Each participant has different criteria for measuring the success of a World Trade Center. The developer/owner may measure success in specific economic terms such as return on investment. Perhaps tenants are more likely to be concerned with the services offered by the Taipei World Trade Center or to what extent their revenues will be enhanced by being located near other tenants involved in international trade or services. The Public Sector/Regional Business Community may measure the success of a World Trade Center through the impact on economic development or tax revenue generation in the area. Finally, the fourth group, the World Trade Centers Association measures the success of individual World Trade Centers through the objectives reviewed above.

At the core of this analysis is information provided directly from these primary participants. Extensive interviews were conducted in Taipei with the managers, owners and tenants of the four physical components that comprise the Taipei World Trade Center. Interviews were also conducted with persons knowledgeable of the overall real estate market in Taipei. Other organizations, primarily the China External Trade Development Council (CETRA) and the American Institute on Taiwan provided helpful information on international trade, and economic data that serves as a foundation for this analysis.
This study is organized in five chapters. Chapter two begins with an overview of the development of international trade and the present economic atmosphere in Taiwan. It will review the history of the Taipei World Trade Center and provide a physical description of its four major components. Pertinent information regarding the ownership and capitalization of the main structures is provided along with descriptions of the amenities and services offered by each.

Chapter three is concerned with the performance of the Taipei World Trade Center in its market from the perspective of the primary participants and partners in the development and use of the Taipei World Trade Center. This chapter will also describe the varied types of tenants located in the development and the extent to which they utilize the services and amenities offered. This chapter will also present an overview of the real estate market in Taipei, the rapid physical development that has occurred and development plans for the future.

Chapter four provides a comparative analysis of the performance of the Taipei World Trade Center as compared with four other World Trade Centers. This study was performed in conjunction with similar studies of the World Trade Centers located in Amsterdam, Netherlands, Portland, Oregon, New York City and Curacao, Netherlands Antilles. The comparisons and contrasts that were found among the five sites will be analyzed in order to arrive at a series of conclusions for this study, including whether or not there are common characteristics that result in a specific master plan for a successful World Trade Center.

Finally, Chapter five will summarize the characteristics identified as essential to the success of a World Trade Center development. These criteria will serve as a planning
tool for those developers who are considering the development or designation of a world Trade Center.
CHAPTER TWO

The Taipei World Trade Center and its Origins
Made in Taiwan: The Influence of Trade in Taipei Today

The importance of international trade to the economic well-being of Taiwan is formidable. Nowhere on the island of Taiwan is this more apparent than in its' largest and most prosperous city, Taipei, where the World Trade Center is most appropriately located. The Taipei business week extends into Saturday mornings and retail establishments are open on a daily basis and late into the evening. The Taiwanese business day often lasts well into the night with business dinners or banquets and continuing negotiations at tea houses. Sunday is reserved for leisure activities with families crowding the highways to escape the city and visit the less congested countryside.

Over the past 40 years, Taiwan has emerged as one of the fastest growing countries within the Pacific Rim. Despite formidable domestic problems and difficult foreign relations, the continuing division with mainland China and the lack of "official" recognition by many of its trading partners, Taiwan has emerged as the fifteenth largest trading country in the world. Early on, the Taiwanese government utilized its' unique commitment to a peaceful democratic reform process to foster a business climate that would bring prosperity to its' people. When forced to withdraw from the United Nations in 1971 upon the recognition of Peking as the official government of China, it chose to move forward by adapting to the change and continuing to focus on trade relationships and expanding its economy. Even when the United States, in 1979, followed the United Nations in recognizing mainland China, Taiwan acknowledged the importance of maintaining an economic relationship with the United States. It is this dedication to economic development and the provision of a high standard of living for its' citizens that has helped to distinguish Taiwan as one of the leading international trade markets in the world.
With its global position established as one of the leading trading nations in the world, Taiwan has recently turned its' attention to improving the image of its products. The China External Trade Development Council has launched a new five year "Image Enhancement Plan" that will showcase quality products and award a "Symbol of Excellence" and a cash prize of NT$ 2 million (US$ 80,000) to the five top winning products. This marketing effort is designed to change the "Made in Taiwan" image from that of a cheap and inferior product to one that more accurately reflects the quality of product that is exported from Taiwan today.1

Although international trade occurs throughout the island of Taiwan, the immense concentration of hundreds of exporters in the Taipei World Trade Center (TWTC) provides an excellent microview of the importance of trade to the Taiwan economy. Clearly, the success of the Taipei World Trade Center is due primarily to the pervasive cultural influence of international exporting by its' numerous small manufacturers. The governmental commitment to the success of the TWTC was driven by its' goal to become one of the world's greatest trading nations. This chapter will explain how the TWTC, as a natural outgrowth of the international trade environment that is unique to Taiwan, became one of the best examples of a World Trade Center that exists in the world today.

Introduction to the TWTC

The Taipei World Trade Center was developed as a four-in-one international trade promotion complex by the Taipei World Trade Center Foundation. The Foundation was created by the Republic of China on Taiwan government to oversee the operations of the TWTC complex. It was an outgrowth of the TWTC Working Group and the

1 "Major advance toward Taiwan quality image," The China Post, (Taipei, Taiwan), June 24, 1992, p. 1.
Planning and Construction Committee that worked under the Ministry of Economic Affairs to bring the project to completion.

The TWTC Foundation enlisted the China External Trade Development Council (CETRA) to operate the trade related facilities that are part of the Taipei World Trade Center complex. They also are one of the major tenants in the International Trade Building which is also known as the CETRA Tower. CETRA was founded in 1970 as a non-profit foundation under the auspices of the Taiwan government and the manufacturing and business community to promote the export of Taiwan products on an international basis. Additionally, CETRA conducts an International Trade Institute which is an educational facility offering a post graduate degree in international trade. Through the Institute, seminars and training are provided to local business people who wish to expand their knowledge of international trade practices. CETRA was credited by all those interviewed with the vast success of the international trade and development complex and its operations.

Physical Composition

"The Taipei World Trade Center is a sleek monument to the type of commerce that has driven Taiwan's development. The focus of the city's activity is gravitating toward this business complex, bringing with it a rejuvenation of Taipei's eastern district."2 The Taipei World Trade Center complex is located on a 19 acre (7.7 hectare) site in the south eastern section of the city of Taipei near the Dr. Sun Yat-sen Memorial Hall. The site was a former military base and was one of the few major land parcels of that size available in Taipei. The government decision to locate the complex some distance from the Central Business District was additionally motivated by a desire to spur

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development in that part of the city. The project was conceived in 1980 with construction commencing in 1984 and with the Exhibition Hall completed in late 1985. The CETRA Tower opened in April, 1988, and the International Convention Center and the Grand Hyatt Taipei in late 1989. The total overall investment in the project was approximately US$ 715 million with the Republic of China on Taiwan contributing US$ 415 million which included the purchase of the property from the military. Thus, private development investment in the project is approximately US$ 300 million. The government retains ownership of the land with long term leases in place for the four buildings that comprise the complex.

Exhibition Hall

The Exhibition Hall is the centerpiece of the TWTC occupying 11.6 acres (4.7 hectares) and comprising 61% of the total complex area. The capital investment in the Exhibition Hall totalled NT$3.9 billion (US$ 150 million.) The Exhibition Hall and Convention Center were designed by the American architectural firm of HOK of St. Louis, Missouri. The building is a seven story tall structure comprising 163,000 square meters (1.7 million square feet) with an enormous glass atrium that admits natural light onto the main exhibition floor. The exhibition floor measures 28,000 square meters (300,000 square feet) and can accommodate major exhibitions and shows with up to 1,300 standard size booths. The remaining space which surrounds the outer perimeter floor space of the seven story atrium is occupied by more than 1,000 individual tenants comprising the International Export Trade Mart. The seventh floor, comprising 12,256 square meters (130,000 sq. ft.) of floor space is devoted to an Import Mart occupied mainly by international governmental trade offices and showrooms. Monthly rental, depending on size of the space and length of the lease term, ranges from NT$ 20,000 to 31,000 or US$ 800 - 1,240, approximately. There is one major restaurant which offers a Taiwanese style buffet lunch and a smaller
concession area offering Taiwanese and Western style fast-food. There is also a post office and banking facilities within the building as well as the administrative offices of the CETRA Exhibition Department and the Executive Offices of the Taipei World Trade Center Foundation.

China External Trade Development Council - CETRA

CETRA is the agency responsible for the management and operation of the Exhibition Hall. The CETRA Offices are mainly located on four floors in the International Trade Building which is linked to the Exhibition Hall at the Fourth Floor. The World Trade Centers Association in Taipei is staffed by CETRA employees and is located in the Exhibition Hall. The WTCA exhibit area is comprised of over 3,000 small (1 square meter or 10.76 square feet) glass enclosed display cases which are rented on a one year lease basis by Taiwan manufacturers who wish to display their products, but whose main offices or manufacturing outlets are located elsewhere. The concept promotes a "one-stop-shopping" mall concept for the promotion of international trade products and development.

CETRA is responsible for the production of more than 20 major international trade shows each year such as the COMPUTEX Taipei International Computer Show and two yearly International Gift & Stationary shows. The Gift and Stationary shows are of major benefit to many of the Exhibition Hall occupants who are primarily involved in these businesses. The products included in the Gift & Stationery shows are as diverse as their manufacturers and include seashell novelties, Christmas decorations, engraving plates, trophies, plastic ware, glass ware, artificial flowers, playing cards, address books, name cards, metal and enamel pins and pottery. CETRA is also responsible for leasing the trade floor space which can be divided to accommodate as many as three major shows at a time on an as needed basis. During a one week period in June, there
were three non-CETRA produced shows occupying the space. These included an International Furniture and Home Show, an Environmental Machinery Show and a Vegetarian Food and Health Show with many products for tasting as well as for sale. Although the shows seemed to flow from one into another, it did not seem to cause problems for the exhibitors or the visitors.

CETRA Trade Information Services

At the core of CETRA's operations is the Information Service Department located on the fourth floor of the CETRA Tower and directed by Mr. S. Y. Yuan, the Deputy Director. Mr. Yuan has been with CETRA for 18 years and has been quite active with the World Trade Centers Association activities. Mr. Yuan feels that his department's most important daily activity is the publication of the Traders' Express a Chinese language newspaper that provides information on trade opportunities, commercial development, new products, statistical information and other trade business related items. Additionally, this department of 120 persons publishes numerous quarterly and annual reports including such titles as Product Design and Packaging Magazine, Questions and Answers on International Trade Practices, Foreign Market Survey Report and the Overseas Market Almanac. 3

There are also a number of English language publications including Trade Opportunities in Taiwan which is published weekly and Doing Business with Taiwan which is published annually. All source materials as well as other publications such as trade directories, market survey reports and trade show buyer's guides may be consulted in the CETRA library or are available for purchase in the CETRA Bookstore which is part of the Information Services Department. The bookstore has been open for one year and revenues have exceeded original projections. The estimated revenue

3 Interview with S. Y. Yuan, China External Trade Development Council, Taipei, Taiwan, June 22, 1992.
per month is NT$ 40,000 per ping of area or US$ 540 per square foot of space annualized.

There are 12 computerized in-house data bases of information which are used by the Trade Service Center staff to answer the 48,000 yearly (600 daily) requests for information from local exporters and suppliers on overseas importers and market conditions, and from overseas exporters on ROC importers and domestic manufacturers. The staff also maintains data base information on the following: monthly data on U.S. importers, import/export merchandise and data on ROC manufacturers, ROC, U.S. and Japanese Customs monthly import/export statistics, ROC industrial products, U.S. vendors, economic and trade data on other foreign countries and an index of periodicals and books held in the CETRA library. Additionally, CETRA is linked to several additional information systems including the Data-Star European Manufacturer Data, the Tele-trade News and the World Trade Center Association Network. Additionally, they have direct linkages with the three data libraries located in the cities of Taichung, Tainan and Kaohsiung on Taiwan as well as with their 32 branch offices located in 25 countries throughout the world. Each time a new office is opened, it is Mr. Yuan's responsibility to oversee the installation of data and information systems required in each location. The Information Services staff have most recently been involved in the establishment of new CETRA offices in Moscow, Budapest and Belgrade, each designed to promote trade with Taiwan.

This department has been the number one user of the World Trade Center's NETWORK for the last four years. The major criticism of the service was that its' user span was not broad enough for their purposes. Given the vast international range of CETRA's services, there were other competitors whose products were more comprehensive in scope than NETWORK. Those systems referenced include Easy
Link, Quick Com and France Telecom. Mr. Yuan had met in San Francisco with the NETWORK marketing group who were surveying the difficulties that had been encountered by NETWORK users. He also serves on the World Trade Center Association Committee on Information and Communications which studies the marketing of world trade information services and the planning development of new communications facilities. The committee is also responsible for the development of NETWORK as well as for the public relations activities of the WTCA.

The import/export and trade information services available from this CETRA Department are comprehensive in scope and disseminated in an efficient and orderly manner. The goal of the department is to assist businesses in their evaluation and decision-making processes through the provision of international marketplace information. Mr. Yuan has visited several World Trade Center information services operations throughout the world and feels that those located in Paris, Seoul and Jakarta are comparable to Taipei and provide comprehensive international and local market trade information. Lastly, this department, by contract with the ROC government, will be responsible for the planning of the information services and communications systems for the new World Trade Center in Nankang.

International Trade Building

The International Trade Building is a 34 story office tower occupying 5,181 square meters of land (55,750 sq. ft.) and with a total floor area of 111,792 square meters (1.2 million sq.ft.) and a parking garage in the basement. The capital investment in the project totalled NTS 3 billion (US$ 115 million.) The building is managed by Mr. Jackson C. H. Chao of the TWTC International Trade Building Corporation. The building is also referred to as the CETRA Tower since CETRA is the anchor tenant occupying four floors as well as a joint venture partner in the development. The
building, which was completed in June, 1988 after a 38-month construction period, was designed by Sinotech Engineering Consultants, T.Y.L. Lin & Associates and BES Engineering Corporation. Other tenants in the building include the American Institute in Taiwan which is the equivalent of the American Embassy, banks, international consultants, shipping companies and various companies involved in international trade. Rental per month for floors 4-32 range from NT$ 2200 to NT$ 2900 per ping (36 square feet) or US$ 30 - 42 per square foot of space annually. The building is 90% occupied with Mr. Chao acting as the sole leasing agent. (Please refer to Exhibit 1)

The top two floors of the building are occupied by the World Trade Center Association Club which consists of both Chinese and Western style restaurants and private dining and banquet facilities, a tea lounge, coffee room and bar as well as a business information center and audio-visual room. The Club is available for use by its members only, as well by members of the World Trade Centers Association. The TWTC Club was originally conceived as a club with limited sports facilities, but this idea was discarded since the members preferred to use the club for business entertaining primarily. Over US$2 million was spent on the interior design and furnishings with Mr. Solomon Huang serving as both consultant and General Manager of the Club.

The International Convention Center
The Convention Center is located adjacent to the CETRA Tower, is a six story structure similar in exterior design to the Exhibition Hall, occupies 1.1 hectare of land (2.7 acres) and contains a total floor space of 60,000 square meters (645,600 sq. ft.) The cost of construction was NT$ 2.1 billion (US$ 80 million.) The management of the convention center has been handled directly by the TWTC Foundation since the completion of the building in late 1989. This has created some difficulties in the
marketing of the Center and problems in coordination with the rest of the complex since use of the facility is subject to strict scrutiny by the government authorities. However, as of July 1, 1992 the Convention Center operations will be assumed by CETRA which will lift the regulatory burdens and assist in the cooperative marketing of both facilities. The Convention Center is beautifully designed by western standards with original artwork on the walls and sculptures both inside and outside of the building. There is a small room which holds art treasures from the National Palace Museum which is open to visitors to the Convention Center.

The Center contains numerous meeting rooms which can accommodate up to 3,100 persons. The Plenary Hall is a state of the art convention hall transversing four floors and containing large-screen video projection, computerized lighting, a 6-channel simultaneous interpretation system with earphones and microphones and an integrated voting/conference system. Additionally, the seats of the odd numbered rows convert to tables for use by participants. The Center contains a Taiwanese style restaurant and banquet facilities that can be arranged to meet the individual needs of the users. Rental rates for use of meeting room ranges from NT$ 5,000 to NT$ 34,000 (US$ 200 - US$ 1,360) depending on the size and type of room used and the period of time utilized. The Plenary Hall is rented on the basis of two hour periods per NT$ 80,000 (US$ 3,200), based on a full day of use. (Please refer to Exhibit 2)

The Grand Hyatt Taipei

The Grand Hyatt Taipei was opened in December, 1989 and is considered to be among the top hotels in Taipei. The Hyatt is a 1,000 key hotel which occupies 1.4 hectares or 3.5 acres of land, is 26 stories tall, and cost NT$ 4.8 billion (US$ 185 million) to construct. Although the property is operated by the Hyatt Corporation, it was developed by the Hong Leong Hotel Development Ltd. and financed by the Fung Lung
Group of Singapore. The property is leased for a period of 50 years with additional options extending for an 80 year period. The building was designed by Haigo Shen & Associates with interior design by Hirsch Bedner Associates. The Hyatt is the only major hotel in this part of the city and is often fully booked when major trade shows and conventions are in operation at the World Trade Center. The Hyatt is a full service hotel which contains a business center, florist, five major restaurants including Cantonese, Shanghainese, Japanese, California, Coffee/Buffet, and tea lounge, a privately operated nightclub, conference and banquet facilities, a fitness center and pool, a parking garage and a small shopping mall with mainly designer clothing stores including DKNY and Escada. In addition to serving the hotel guests, the Hyatt's restaurants and banquet facilities do a major business with the local population and are nearly filled on most Saturday evenings. (Please refer to Exhibit 3)

The major problem facing the Hyatt is its location outside of the central business district. According to the Director of Marketing, Mr. John Leslie Gerrard, "but for the activities of the World Trade Center, there would be no hotel located at the site." Additionally, the Hyatt Corporation would not have considered managing the property had there not been long term plans to redevelop the area surrounding the site. Since there is no easily accessible public transportation serving the site, and little business activity in the area, marketing efforts are concentrated on corporate accounts. In order to access the CBD, visitors must take a cab or utilize a limousine or van service which is available from the hotel. The major problem is the constant state of traffic throughout the major arterials leading to the CBD which can lengthen a trip considerably. The traffic problem is further aggravated by the building and infrastructure construction that is taking place on nearly every block surrounding the TWTC complex and throughout the city. (Please refer to Exhibit 4)

Most of the infrastructure and rapid transit construction is part of the ambitious ROC Six-Year National Development Plan whose goals are to increase the annual income of the population, provide the resources for continued industrial growth, promote balanced development throughout Taiwan's provinces and raise the quality of life for the entire population. A new City Hall and government complex is under construction across from the Hyatt Regency. Several new commercial and residential structures in the immediate area have recently been completed or are nearing completion. An elevated rapid transit system is under construction which will link the Hsin Yi Planned area with the downtown Taipei Main Station and connecting to another new rapid transit line for the central business district.5

History of the TWTC

International trade has been the driving force behind the expanding Taiwan economy for the last 35 years. It is this concentration on trade, unique to the cultural spirit of Taiwan, that distinguishes the Taipei World Trade Center from all others. Mr. K.H. Wu, the founder and Deputy chairman of the TWTC, was also the founder of CETRA in 1970. Mr. Wu proposed the concept of a centralized trade promotion organization to the Taiwan government in order to emphasize the importance of exporting to the Taiwanese economy. After visiting the trade marts in Chicago, Dallas and Atlanta, Mr. Wu was convinced that a "market place" for importers and exporters was the key to creating a full service import/export trade organization in Taiwan. Additionally, Mr. Wu attended the WTCA General Assembly in Paris in 1972, and became convinced that the World Trade Center designation would be an important key in the

development of an international trade facility in Taipei. Thereafter, Mr. Wu made his proposal to the Ministry of Economic Affairs which approved the plan five years later.6

The key services to be addressed by the TWTC complex was the organization of international trade shows in Taipei and abroad, the participation by Taiwanese businesses in overseas trade shows and fairs and in trade missions organized by CETRA, the provision of trade information and services, the creation of trade publications and data libraries and subsequently, computerized data bases and information, manufacturing and marketing consulting services and product design and packaging services. The most important element was to provide a forum for the exchange of export and import trade information and products in a centralized location. Additionally, Mr. Wu felt that the complex should be developed by the government with the assistance of the business and manufacturing community. He felt that it was important that the project not be viewed as a real estate development so that the emphasis on trade, rather than investment profit, would be paramount. However, the Taipei City Government receives land rent from each building and will receive additional gross sales income from the operation of the Hyatt Regency. Despite the effort to de-emphasize the projects status as a real estate development, the project is well conceived and appropriately planned.

Prior to the construction of the TWTC four-in-one complex, the Taipei World Trade Center was located at the Shungshan Airport which is the domestic airport located in the northeast quadrant of Taipei. CETRA organized trade shows at the 12,400 square meter (133,400 square foot) Shungshan Exhibition Hall which is now used for local trade shows and for auxiliary space for international trade events. Although the airport is located adjacent to the central business district of Taipei and is readily accessible to

6 Interview with K. H. Wu, China External Trade Development Council, Taipei, Taiwan, June 23, 1992.
most of the business hotels and major corporate headquarters, it was inadequate to serve major international trade shows and fairs.

Mr. Wu's recommendation to the Taiwanese government was strongly in favor of the multi-element complex. The location of the complex was determined by the government as was the decision regarding the master plan and architectural design issues. The Exhibition Hall was considered to be the most important element for the success of the project. Another element considered critical for success was to have an office complex occupied by CETRA as well as businesses and governmental agencies involved in international trade and export/import promotion such as the American Institute in Taiwan. HOK was selected to design the Exhibition Hall and Convention Center based on their competitive bid quotation, experience in designing trade marts and their willingness to associate with a Taiwanese architectural firm that could learn from their expertise in facility design. Finally, Mr. Wu saw the necessity to include a full service business hotel due to the remote location and the lack of services and amenities in the immediate area of the complex. While the area has undergone rapid change, it will be several years before the Hsin Yi Planned Area will enjoy the same level of services available in the central business district.

Looking Ahead - The Future TWTC

Despite the expertise of the architects and designers, Mr. Wu feels that the exhibition floor space is inadequate to serve the largest international trade shows. This opinion was shared by all those Exhibition Department employees who were interviewed. Despite the fact that the Exhibition Hall is utilized on a daily basis, CETRA officials feel that the size prevents them from competing on an international basis and primarily with the United States and other Pacific Rim locations for large scale international product shows. The consensus opinion was that the exhibition space should have been
three times the amount of space currently available and with additional parking facilities.

As a result, the Taiwan government has approved a preliminary concept plan to erect another world trade complex in the eastern suburb of Nankang located approximately 20 miles from Taipei. Currently, the location is an industrial site that will require a change in use designation (zoning) and the creation of a master plan which is expected to take up to five years to accomplish before construction can begin. The project is under development by the governmental Urban Planning Committee and is expected to take ten years to complete. Preliminary plans are to include all the same elements as contained in the TWTC as well as a major suburban shopping mall and the development of a residential planned community. They also plan to involve the local business, real estate development and financial investment community to a greater extent than in the TWTC project. Decisions regarding the selection of a designer or project composition will be left to the investors in the project.  

The major reason for the selection of a suburban site is the prohibitive cost of land in Taipei, compliance with the Six Year National Development Plan and the difficulty in acquiring land by eminent domain. The major difference in the ownership of property between Taiwan and the United States is that most commercial property is high-rise in nature with individual floors or office suites owned by separate individuals or companies. This is similar in concept to residential condominium ownership. Thus, to purchase a property, the government has to negotiate separately with each owner in order to acquire the property. The concept of leased office space is relatively new to the Taiwanese market, but is gaining favor in Taipei due to the expense involved in

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7 Interview with Tom T. K. Lin and Kwang-Hsun Wei, China External Trade Development Council, Taipei, Taiwan, June 19, 1992.
purchasing land and property. Additionally, long term office leases, i.e. 20 year terms, are not the norm in Taipei. For example, in the CETRA Tower which was one of the first major structures to provide leased space, most leases are for two to five years in duration due to the escalating costs of operating the building. (Please refer to Exhibit 5)
CHAPTER THREE

How the Taipei World Trade Center has Performed in its Market
This chapter will analyze the operation of the Taipei World Trade Center from the point of view of CETRA as owner/manager, the various operators, the tenants/users and the business and development community. Much of the future development of Taiwan and its largest city Taipei will be governed by the Six Year National Development Plan drafted to facilitate the full industrialization of its economy. The Taiwan economic growth rate was 7.2% in 1991 and with the continuing expansion, is expected to remain strong. As you travel through Taipei, and more importantly, through the suburban outreaches, one is struck by the enormous number of commercial and residential buildings under construction. Residential hi-rise apartment buildings are sold to private investors/families through the use of model apartments on the site while the building is being constructed. It is not unusual for a commercial or residential building to be completely pre-sold before completion of construction.

Further, this chapter will explore the impact of the Taipei World Trade Center on the overall economic development activity of the city of Taipei as well as to all of Taiwan. Economic development throughout Taiwan has been influenced by the growth of international trade, the expanding financial services industry, foreign investment, and the increasing appreciation of the New Taiwan (NT) dollar in the world economy. The importance of the Six Year National Development Plan (1991-1996) to the future of Taiwan's economy and social development cannot be overemphasized. The Republic of China on Taiwan government intends to spend approximately US$ 190 billion in public investment to achieve its goals: "raising national income, providing sufficient resources for continuous industrial growth, promoting a balanced regional development and upgrading the quality of life."  

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The Position of the TWTC in the Taipei Market

It is fair to say that there are no other exhibition/conference/hotel centers equal to the TWTC in the Taipei or Taiwan market. All persons interviewed affirmed the fact that the TWTC was eminently successful in the promotion of international export and import trade in the Taiwan market. The success of the operation was generally credited to the CETRA staff and its management whose goal is to aggressively promote Taiwan products throughout the world and to link buyers and sellers of products by the mounting of major exhibitions and trade missions, through their vast computerized information resources, data libraries and publications, manufacturing market consulting services and with their product design and packaging services. The extensive use of these services by the tenants affirms the theory that the centralization of trade services will stimulate economic development throughout the region.

Exhibition Hall

As described in Chapter Two, the centerpiece of the TWTC is the Exhibition Hall which is unique in the Taiwan and Pacific Rim market. In addition to the short term trade shows that provide constant business activity on the main floor Grand Hall, there are over 1,500 individual business tenants that occupy most of the leased space in the building. The concept of the entire structure is centered around the promotion of international trade and the display of products available for export. Floors two through six comprise the Export Mart occupied by Taiwan exporters. Each floor is divided into sections which group businesses into fourteen separate sections by product categories. Nearly half of the second floor houses the World Trade Center Associations information area and the Export Products Display Center. The remaining area of the second floor is devoted to Textiles and Garments with the rest devoted to the Trade Service Information area, conference rooms, cafeteria/restaurant and Exhibition Department offices. The third floor is occupied by businesses whose products are
divided into four categories which include electronics and electrical appliances; electrical machines, light machinery and industrial equipment; sporting and leisure goods, luggage, bags and shoes; furniture, decorative lamps, wood, bamboo and rattan products. The fourth floor sections include hardware and building materials; chemical and petrochemical products, medical and scientific instruments, rubber and plastic products; housewares, cookware and processed foods; transportation equipment. The fifth floor includes two sections for toys and five sections devoted to giftware, jewelry and stationery businesses which is one of the mainstays of the Taiwanese export industries. The sixth floor has one section devoted to computers and peripheral equipment with the major portion of the floor devoted to general merchandise. The seventh floor comprises the Import Mart and is occupied by foreign manufacturers such as Black & Decker Asia Pacific Pte. Ltd, a U.S manufacturer of power and garden tools and household and home improvement products and Fairmont International Corporation, a Norway/Denmark manufacturer of water purifiers and accumulator tanks and wood/leather furniture. The remainder of the floor is occupied by governmental trade organizations such as the State of Arkansas Taipei Office which promotes the import of parking meters, cotton, soybeans, machinery and equipment and the French Chamber of Commerce and Industry in Taipei.

The majority of the products displayed by the Exhibition Hall tenants can be classified as in the "low value-added" category. The products are mass produced by low wage, unskilled labor, and can be easily purchased in large volume and shipped quickly. The competitive advantage for the vast majority of wholesalers is in the cost of labor and manufacturing associated with these products. The Exhibition Hall location allows the tenants to take advantage of the promotion and marketing services provided by CETRA which would be beyond their means on an individual basis. From this standpoint, the benefits of "agglomeration economies" can be affirmed.
Leasing, Occupancy and the Tenants Perspective

Ms. Anna Hsiao, Manager of the Exhibition Department Section 3 is responsible for leasing the 900 showroom/office spaces that comprise the Import and Export Mart. Ms. Hsiao described the facility as "fully occupied" and with no vacancies and a long waiting list for the space. However, a cursory tour through the entire six floors revealed several unoccupied spaces, primarily on the sixth and seventh floors, although the exact amount of space available would be difficult to assess accurately. There were vacant offices that were undergoing tenant improvement construction in anticipation of a new occupant.

Each showroom is leased on a one year basis at approximately US$1,000 per space per month depending on location. (Please refer to Exhibit 6) According to Ms. Hsiao, the turnover rate is quite low and more than 60% of the "exhibitors" have been there for more than five years. Each tenant is responsible for the payment of individual electric utility service as well as for janitorial services. There are several contractors available for cleaning, but each tenant is responsible for their own arrangements. Each showroom appeared to have an average of one to three employees working in the office. Each office operates independently and there does not seem to be much interaction between similar product tenants. The major attraction for exporters leasing showrooms is the proximity to CETRA and the many services that are provided. For those manufacturers requiring systematic information and assistance in trade promotion and development, this is the best possible location in Taipei.

Typical of the tenants located in the Exhibition Hall was Mr. Eugene Y. C. Chiu, Director of Gosow International Co., Ltd., located for the last two years on the sixth floor in the general merchandise area. Mr. Chiu describes his business as primarily in

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10 Interview with Anna Hsiao, China External Trade Development Council, Taipei, Taiwan, June 19, 1992.
the export of giftware, jewelry and stationery, the mainstay of Taiwanese exporting.\textsuperscript{11} The Buyer's Guide to the Export Mart which is published by CETRA lists Gosow International Company's main products as tape dispensers, desk accessories, plastic goods, wooden pens and organizers. This list does little to describe the hundreds of products that are displayed in Gosow's small showroom. Mr. Chiu maintains his office and showroom here rather than at his manufacturing location as do most other exporters not located at the TWTC or in a small storefront in Taipei. There are two women staff members who operate the office, answer the telephone and take care of all the administrative work.

Logically, Gosow International should be located on the fifth floor with the other giftware and stationery dealers. However, Gosow is one of 180 companies on the waiting list for one of those locations. The benefit of the fifth floor location lies in the potential recruitment of customers who may come to do business with other well established giftware and stationery products exporters who are competitors. Here, the benefits of "agglomeration" lie in the competitive aspects of exporting rather than in the cooperative benefits which may be the case in other trade mart locations. Mr. Chiu said that he rarely receives walk-in business except during trade shows that are geared to his product line. He also described difficulty in getting foreign trade show visitors to venture up from the main floor to speak with individual exporters. The Exhibition Department has tried several ways to induce visitors to explore the upper floors of the Exhibition Hall, but very few do so. Indeed, during my several visits there were very few pedestrians walking through the upper floor corridors, although the main floor was filled with visitors to the trade shows in progress. Most of the visitors to Gosow International are regular customers who like to see new items and negotiate prices, or

\textsuperscript{11} Interview with Eugene Y. C. Chiu, Gosow International Co., Ltd., Taipei World Trade Center, Taipei, Taiwan, June 25, 1992.
small and new business people. Although the newcomers may not order immediately, they are a source of future business and always welcome. The Trade Mart concept seems to be particularly well suited for small manufacturers such as Gosow.

Buyers in the market for multimillion dollar purchases of computer software would be likely to deal directly with a specific seller at their corporate location. Such products do not lend themselves to the Trade Mart type of location. However, since Taiwan is one of the leading exporters of inexpensive, mass-produced products, the Export/Import Trade Mart is particularly appropriate for the Taipei World Trade Center.

Mr. Chiu described the rent as comparable to other locations due to the very high cost of land in Taipei. The location is convenient and provides a "little better chance" of securing new and larger orders for available products. However, the initial lease-up period was described as very slow since most Taiwan business people took a cautious wait and see attitude toward the TWTC location. Most of the showrooms remained vacant for the first 2-3 years of operations. However, 70% of the occupants were secured through the recruitment efforts of CETRA staff.

As a former employee of CETRA, Mr. Chiu admits that he was attracted to the location due to his continuing friendship with many CETRA employees. However, having worked for CETRA, he feels that the information that is available regarding exporting opportunities and trade missions should be upgraded more regularly. CETRA spends a tremendous amount of money on marketing and advertising which is good for the exporters. Since most Taiwan businesses are small in scale, they cannot afford to advertise and promote their products individually. Each day there are advertisements in the English language daily newspaper, The China Post promoting the
TWTC and CETRA sponsored shows, trade missions and services. (Please refer to Exhibit 7)

The added value of the location given the high rent is primarily in the exposure achieved through the advertising, promotion and information services of CETRA. Since Mr. Chiu’s business is only three years old and considered new by Taipei standards, he has not participated in any of the CETRA sponsored trade shows or missions as have his competitors. Although this places him at a disadvantage, he feels that eventually his business will grow and allow him to participate.

Although many of the businesses on the fifth floor do business with each other, over the past two-three years there has been a distinct increase in the competitive markets. Where it would have taken seven years to become financially successful, Mr. Chiu now feels that it will take his business ten years to achieve the same level of profitability. Currently, Gosow exports primarily to Western Europe and the Middle East. There is very little trade potential with the United States given the over-saturated market, the current economic recession and the emphasis on American made products. Eastern Europe also has little trade potential due to the difficulty of dealing with constantly changing governments and burdensome regulations and trade barriers. New markets are expected to emerge from the African continent and from South American countries such as Brazil and Argentina. Although Mr. Chiu travels overseas at least once a year, he feels that it would be advantageous to go more often as do his major fifth floor competitors.

Mr. Chiu felt that his success as an exporter will depend on his own ability to promote his products to importers. He "can’t depend on relationships for business anymore."12

12 Ibid.
This is certainly true for the vast majority of exporters housed in the Exhibition Hall. Although CETRA does provide the added value that makes this location superior to others and unique to the market, this in and of itself will not insure the success of a business. Exporters have to depend on themselves to utilize the trade information available from the Information Services Department and to develop their own trading partners and sell their own products. In Mr. Chiu's words, "CETRA can't manage everything."13

Taipei International Convention Center

By their own account, Mr. Douglas Chiu, Maintenance Section Chief and Ms. Peggy Chang Pi-jung, Planning Section Chief, describe the operation of the Convention Center as unsuccessful in comparison to the rest of the TWTC complex.14 The management of the two year old center has remained in the hands of the governmental TWTC Foundation. This has resulted in an insufficient budget and overly restrictive operating and leasing policies. For example, the Promotion Budget was fixed at $NT 668,000 ($US 26,720) which was completely inadequate to promote a new facility of the calibre of the Taipei International Convention Center. Applications for use of the facility were extremely lengthy and subject to governmental approval. Additionally, the public was not regularly admitted to the Center and could not use the facility on a short term or small meetings basis. Marketing efforts on an international scale were impossible to accomplish due to the many restrictions placed on users by the governments strict policies.

However, as of July 1, 1992, the operation of this state-of-the-art facility was assumed by CETRA which will be able to manage the Center without the restrictions imposed

13 Ibid.
by the government regulations and use limitations. This arrangement was suggested by Mr. Chiu and Ms. Chang as a means to coordinate both the operations and the promotion of the Center with the international trade activities that take place at the Exhibition Hall. The Hall is utilized on a daily basis, but very few conventions have taken place at the Center. Up to this point, 90% of the shows have been local in origin. Additionally, they have operated at a distinct disadvantage since they have not been able to compete, in price or value, with the Taipei Hyatt Regency for major banquets and small business meetings. This will continue to be an obstacle to their future success, but with a new business plan, an appropriate budget and CETRA's expertise, they feel confident that the Center will grow in reputation and stature over time.

As a Convention Center, there is no other facility in the Taipei market that can compete with the amenities offered. The scale of the facility is such that it can easily accommodate major international shows, congresses and conferences on the site. Most importantly, the computerized translation system, integrated conference/voting system with computerized tabulation and results display available in the Plenary Hall and teleconferencing/satellite access facilities are unique in the market. This center, in combination with the superior accommodations offered by the Grand Hyatt Taipei and the international trade related activities promoted by CETRA, makes for an ideal location for a major international conference.

However, according to Ms. Chang, one of the major obstacles to the future success of the Conference Center is in the promotion of tourism by the ROC government. Most major conference planners prefer to book locations that offer more than superior conference facilities. Locations offering broad based tourist attractions and family oriented activities will induce convention goers to bring along spouse or family. This
results in extra days spent in the location and additional revenue to both the hotel, restaurants and the city. The location of the TWTC is not considered ideal by European and American standards. Accessibility to the site is very difficult due to its' remote location, constant traffic, and lack of tourist oriented amenities in the area. There are few restaurants outside of those at the Hyatt catering to foreign visitors and a cab ride is required to reach the major department stores and the night markets that are unique to Taipei. It is a very difficult "sell" to potential users who expect to find an atmosphere similar to other international locations.

With an increased marketing and promotion budget, the staff hopes to secure business from the European market where major conference halls are smaller in size and are not generally located at the same sites as the exhibition halls. This contrasts with the U.S. market which is considered to be closed due to the competitive nature of the convention business in the U.S. among its own cities and facilities, and particularly with the current state of the U.S. economy and the increasing emphasis on remaining in the American markets.

Many of the infrastructure and development projects proposed by the Six Year National Development Plan will be of help to the efforts of the Convention Center. Accessibility will be greatly improved once the elevated mass transit systems currently under construction are finished and the ongoing commercial and residential construction that is pervasive on every street surrounding the TWTC is completed. However, Taiwan has a long way to go before it can compete as a tourist destination with other more advanced and exotic areas of the Pacific Rim such as Bali. Despite the fact that Taiwan is one of the major manufacturers of textiles, garments and footwear in the world today, apparel is considered an export rather than a local consumer item. Most Pacific Rim tourists, as well as affluent Taiwanese citizens, prefer to shop in the mega-
malls and designer shops of Hong Kong which is a one hour flight from Taiwan. Since CETRA has not traditionally been involved in the promotion of tourism as a component of the trade business, this will be an area where expertise will have to be developed in order for the Convention Center to become competitive. In small countries such as Taiwan, the link between tourism and trade can be a strong one if properly developed and promoted.

Grand Hyatt Taipei

The Grand Hyatt Taipei is considered to be one of the premier, five-star rated hotel properties on the island of Taiwan. It was described by other Westerners as equivalent by Taipei standards to The Plaza Hotel in New York City. Filled with fountains, flowers, antiques and marble, its' public spaces were certainly luxurious by most international measures. However, service and maintenance would likely suggest a classification one star below The Plaza if located in New York City. However, the *Wall Street Journal Guide to Business Travel: Pacific Rim*, who gave the Hyatt its additional "highly recommended" approval, states that the Hyatt "is rapidly emerging as Taipei's standard setter in terms of both service and amenities."\(^{15}\) As a business travel oriented hotel, it has been quite successful in the period of time that it has been open. Despite its' location outside of the central business district, it seems to enjoy quite a following by Westerners and other business travelers. It offers a number of services that make staying there quite easy for a first time traveler doing business in Taipei. They offer a multi-lingual staff, airport and downtown van and limousine transfers, currency exchange, a business center, foreign language newspapers, and user friendly information and assistance. There is also a large spa, exercise facilities and

pool which are generally not available in other hotels in Taipei due to the lack of space. However, Mr. John Leslie Gerrard, Director of Marketing for the Grand Hyatt Taipei indicated that if he could change something within the hotel it would be to enlarge the Oasis Spa. In addition to serving guests, they do a major business with local businessmen. One additional suggestion would be the erection of a pedestrian connector between the Hyatt and the Exhibition Hall which would enhance the attractiveness of the four-in-one complex concept.

There are a few small business hotels within the vicinity of the Hyatt, but none offer the comprehensive services available to foreign travelers in Taipei. I believe that this is the feature that distinguishes the Hyatt from comparable hotels located in the CBD or tourist area of downtown Taipei such as the Lai Lai Sheraton in the Southwest section or the Regent Taipei in the Northwest. The Hyatt's success can be attributed to two factors. The first is their aggressive marketing to corporate accounts. Business is pursued from multinational corporations based throughout the Pacific Rim that will use Hyatt facilities regularly despite location. Secondly, although admittedly not aggressively enough, Hyatt staff works directly with CETRA to pursue customers coming to Taipei to attend the trade shows and missions mounted at the Exhibition Hall. There is a special rate (10% discount off published rate) available for persons attending CETRA exhibitions and shows. The Hyatt marketing staff meets quarterly with both CETRA and the International Convention Center staff to pursue ventures that will be beneficial to all. The Director of Marketing agreed that more could be done to work cooperatively with their neighbors, as well as with the local Tourism Bureau, in order to make Taipei the type of location that would appeal to families of business travelers. Currently, they get very few families traveling with persons who are on

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business trips with the possible exception of the Japanese. This was quite different from other Pacific Rim Hyatt locations where tourism is heavily promoted.

It is also important to note the extensive local business that is generated by the restaurants and banquet facilities located at the Hyatt. These are considered among the best in Taipei and are in constant use by both hotel guests and the general public. This was evident particularly during the weekends where large tables are taken by families who are attracted by the huge buffets that are the norm throughout Taipei restaurants.

One cultural difference that is important to understand in regard to conducting business in Taipei is that negotiations are often undertaken during meals, particularly at dinner rather than at lunch. Business entertaining accounts for the great success of the World Trade Center Club as well as for the many restaurants in the Grand Hyatt. For a Westerner wishing to conduct business, you are expected to participate in dinners and banquets and host them as well. One Western businessman recounted that major business undertakings can often go on for several days with large dinner meetings held each evening. Thus, the importance of the excellence of the cuisine offered and the type and availability of banquet facilities, both small and large, are issues of major importance for hotels, clubs and restaurants who wish to compete for these important dollars. Additionally, most people who live in Taipei eat out regularly, far more often than Westerners. Restaurants are filled to capacity most evenings with groups of people carting along briefcases and shopping bags from their visit to the Sogo or Asiaworld department stores or from their visit to the "night market." The importance of social and business dining is a significant cultural issue that should be addressed by a developer in the planning and programming of a World Trade Center in a Pacific Rim country.
The International Trade Building

At the time of its' opening, the 34-story International Trade Building was the tallest structure in the city of Taipei and one of the few that offered leased space to small international companies. The investors in the building include CETRA, the Communications Bank, the Farmers Bank and China Investment. Mr. Jackson C. H. Chao, the manager of the building since its initial lease-up, stated that the building is 91% occupied.17 This number was confirmed by information provided by the Taipei office of Jones Lang Wootton. (Please refer to Exhibit 8: Jones Lang Wootton Grade A Office Vacancy Charts) It is anticipated that the remaining space will be absorbed by current tenants who need space for expansion.

According to Mr. Ross MacDiarmid, Associate Director of the Taipei office of Jones Lang Wootton, the CETRA Tower, as it is commonly known, was the only new Class A office space to come on the market in 1986.18 Additionally, tenants whose businesses were oriented to international trade were recruited by the TWTC International Trade Building Corporation. They do not use outside brokers, but prefer to secure tenants on their own initiative. Mr. Chao added that tenants normally come to them for space in the building, particularly those companies involved in international trade. The minimum lease term is two years which is typical for the Taiwan market. Leases are not usually written for longer than five year terms due to the escalating land prices and taxes which are normally the responsibility of the landlord and not passed on to the tenant. In addition, tenants must pay for their own fit-up (improvements) and pay an additional management fee of NT$190 - NT$ 380 per ping or US$ 2.50 - US$ 5.00 per square foot of office space. (Please refer to Exhibit 9: Rental Procedures of ITB)

18 Interview with Ross MacDiarmid, Jones Lang Wootton, Taipei, Taiwan, June 23, 1992.
The Tenant's Perspective

In 1978, the United States chose to recognize Beijing as the official government of China. This has caused a strained relationship to exist between Taiwan and the United States, particularly in the area of arms and defense weapons and systems. The Taiwan Relations Act was immediately passed in 1979 in order to continue positive trade relations between Taiwan and the U.S. The Act created the American Institute in Taiwan to replace the American Embassy and to represent the U.S. to the Taiwan government. The AIT Commercial Section carries out the U.S. Department of Commerce activities and serves U.S. firms who do business in Taiwan. For example, they represent major U.S. firms who do business with Taiwan such as IBM, Motorola, AT & T, ITT, and G.E. They will also contact U.S. firms when there are specific needs where U.S. firms may be specialists. For example, several of the major large construction companies such as Bechtel, Parson-Brinkerhof and Kaiser International have been bidders on major projects undertaken as part of the Six Year National Development Plan.

The American Institute in Taiwan has been a tenant in the CETRA Tower since January, 1990. When the building was undergoing construction, AIT officials were approached by CETRA and the Board of Foreign Trade in an effort to secure them as occupants. Although they were told that the 9th floor of the building had been reserved for them, they remained at their old location while efforts to secure their own building were pursued in Washington by their Director. However, after those efforts failed and their then landlord raised their rent 600%, they sought space in the CETRA Tower. At the time, the only available area was on the 32nd floor which had been reserved for the World Trade Center Club, but never utilized. According to Robert H. Strotman, Commercial Officer in charge of Major Projects, the CETRA Tower was their first
choice when faced with relocation. Since this was where others involved in trade center operations were headquartered, this was the most logical place for AIT. Mr. Strotman described his neighbors as "very high quality firms" such as banks and law firms that do business with United States companies.

AIT coordinates on a regular basis with CETRA in securing American firms as participants in trade shows and trade missions. AIT also provides interpreters for American firms on trade missions in Taipei. AIT, in coordination with CETRA and with the Board of Foreign Trade, organizes and stages trade missions between the U.S. and Taiwan to promote business and services. This location makes for a much more efficient work environment for all concerned. The size of the Exhibition Hall and the excellent level of international shows mounted, make it easy for both AIT and CETRA to secure participants and visitors. AIT has been pleased with the services offered by the building management and noted that the Building Committee which has tenant representatives, sets policies and procedures for the operation of the structure. They have been satisfied tenants and feel that the building rent is in line with the building quality given the cost of rental space in Taipei. The availability of on-site parking was also seen as important for AIT since many of their top level staff commute by car and must travel between their other locations.

The Taipei Real Estate Market

The Taiwanese approach to real estate development and ownership is quite different from the United States. Since land is so valuable, land ownership is open to only a

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very few extremely wealthy people and foreign ownership of real estate in legally
prohibited unless it is owner-occupied. This is true throughout the island of Taiwan
and not just in the large cities like Taipei and Kaohsiung. Thus, highrise development
is the norm for commercial, retail and residential property. However, office suites in
major Class A commercial office buildings are often owned by their firms rather than
leased. This would be similar to the ownership of a condominium apartment in the
U.S. It has only been in the last several years that large office suites have been leased
to firms on a long term basis. Most leases in Taipei are short term lasting two to three
years in duration.

Historically, office structures in Taipei were built by merchant builders and resold to a
company. Since most business firms were not in the property management business
and did not understand the level of attention required by the building, properties built
as Class A product deteriorated to Class B status quickly. It would not be unusual for a
commercial office building to move from Class A to Class B in a 10 year period due to
lack of proper maintenance and repair. This situation is improving rapidly as the
Taiwanese development community gains sophistication in asset management and the
trend toward long term leaseholds and away from individual company ownership begins
to shape the market. Approximately 75% of commercial Grade A office space is held
by individual owners and leased primarily to multinational corporations. There is
approximately 52 million square feet of commercial property in Taipei, of which
26% or 13.5 million square feet is classified A, 42% or 21.8 million square feet is Class
B and 32% or 16.6 million square feet is considered Class C.21

21 Ibid.
The soaring economic growth rate throughout the 1980's helped to fuel land speculation in Taipei and drove prices up to some of the most expensive in any Pacific Rim city. Traditionally, properties are not sold by the Taiwanese but remain in families for many generations. Thus, few new development sites become available on the open market. This, in combination with government promulgated land valuation, led to a surge in commercial development during the 1986-1991 period. Almost 10 million square feet of commercial Grade A office space was added during this period leading to a vast oversupply of available office space. During 1989, 2.5 million square feet of space was added in response to demand fueled by the creation of 13 new Taiwanese banking establishments and the expansion of multinational firms including NCR, Union Bank of Switzerland, Northwest Airlines and American Express.\(^{22}\)

The Taiwanese economy soured in 1990 following a worldwide economic retrenchment pushing vacancy rates up to 12.9% in 1990 and growing to 19.6% at the end of 1991.\(^{23}\) Additionally, average Prime Office Investment yields fell from 12% in 1986 to 6% in 1991; capital values increased from US$ 10 per sq. ft. in 1986, up to a high of $62 per sq. ft. in 1989 and leveled off to an average of $42 per sq. ft. over the last two years.\(^{24}\) Office rents followed the same trend as capital values and peaked at approximately US$ 42 per sq. ft. in early 1990 and declined to an average of US$ 32 per square foot on a triple net lease basis. This trend is expected to continue into 1992/1993 despite the strength of the Taiwan economy, 1.5% unemployment rate and increasing average personal income which is projected to be US$9,800 in 1992 up from US$4,000 in 1986.


\(^{23}\) Ibid.

Despite the decrease in property values, commercial office development is continuing with an additional 2.2 million sq. ft. of Grade A office space to be completed in 1992. Of that amount, 780,000 square feet of space will be concentrated on Keelung Road within the Hsin Yi Planned Area and adjacent to the Taipei World Trade Center. Once completed, this will raise the vacancy rate in this sector by 51.6% to 27.5%. (Please refer to Exhibit 8) Although the Taiwanese are keenly aware of the decline in property values that has occurred in major American cities and European capitals over the last several years, the building boom has continued. To some extent, this has been caused by governmental attempts to enforce a more conservative investment atmosphere and curb land speculation. Two specific measures taken in 1992 were the imposition of a "Profit Tax" on land sales and a change in the method of assessing the "Land Value Increment Tax" on the actual sales amount rather than by government formulated appraisal values.25

There was little speculation expressed regarding how the surge in available office space would affect the International Trade Building. All interviewed saw the new space as a positive indication of how well the new development area is doing. They do not see the space as competitive, rather it is viewed as bringing additional business for the TWTC. There was no concern that current office tenants would move to the new space even if lower rents were offered and despite the fact that lease terms are in the two to three year range and thus regularly open to renegotiation. The theme continues that if you are involved in the business of international trade or related services, then the TWTC is the place to be. The major beneficiary of the new office space will be the Grand Hyatt Taipei and it's up-scale restaurants, well managed banquet facilities and private meeting rooms.

The Six Year National Development Plan and its impact on the TWTC

With the extraordinary economic success experienced in Taiwan over the last 40 years, it is not surprising to find the same major problems experienced by countries as they become industrialized. Taipei, as the largest city on Taiwan, offers examples of some of the greatest economic successes as well as its worst problems. Development of transportation systems and infrastructure have not kept pace with the enormous building development that has taken place in Taipei and forced urban sprawl to occur unchecked. Traffic congestion lasts throughout the day and night since the mass transit system which is primarily a bus system, is totally inadequate to serve daily commuters. Most people travel on motor scooters which are then parked along the sidewalks making pedestrian traffic throughout the city akin to that experienced in midtown Manhattan at rush hour. The environmental pollution is among the worst in the world today. In northern Taiwan "only 84% of the 365 days in a given year register below a tolerable pollution count," making air pollution among one of Taiwan's most pressing problems.26 Large families live in small, crowded apartments in large highrise buildings within the city limits since the transportation system does not allow for suburban commuting. New building construction is a lengthy process due to the inadequate supply of skilled labor and heavy equipment. Cultural and educational institutions are inadequate to serve the increasingly more sophisticated and affluent population.

The Six-Year National Development Plan is a "comprehensive forward-looking blueprint for national development"27 that is designed to address the problems generated by an economic development climate that far outpaced the underlying infrastructure. Its goals are to increase the national income and improve quality of

27 Ibid., p.1.
life, provide properly for future industrial growth and promote balanced development throughout the island. The plan proposes hundreds of major construction projects that include high-tech industrial parks, high-speed railway systems and hundreds of new roads, planned unit and mixed-use community developments, conversion of unproductive farmland into communities, sewer systems, nuclear power facilities, harbors, airports, tunnels, bridges, etc. There are a total of 775 proposed capital development projects that are estimated to cost NT$ 8,238.23 billion or US$ 330 billion dollars.28

Although it was the government's intention to have many of these projects underway or completed by 1996, the sheer enormity of the projects proposed and the lack of funds available, makes this an impossible goal to accomplish. However, in Taipei, the mass transit systems are well on their way to being completed and several road, tunnel and bridge projects are also nearly completed. However, the Six-Year Plan was also designed to focus community attention on the many problems that will require changes in the cultural fabric of the Taiwanese people in order to improve the quality of life for all.

The area that surrounds the TWTC has been one of the major beneficiaries of the early projects that preceded the Six-Year Plan. The mass transportation and infrastructure improvements and new residential highrises that are under construction in the area will improve access in the short term. It will also begin to make the southeast quadrant a secondary central business area which will continue to benefit the TWTC for many years to come.

28 Ibid., p.13.
The prosperity and growth that has resulted from the efforts of the Taiwan government to promote international trade and economic development has provided an atmosphere within which a World Trade Center can flourish. The business culture that is endemic to Taiwan makes the promotion of product manufacturing and exporting a top priority. The TWTC is the physical reflection of the importance of international trade to the economic wellbeing of Taiwan and its citizens.

The TWTC is an excellent example of a well planned and properly conceived real estate project that has become a symbol for progress in the city of Taipei. Moreover, the development itself has accomplished the goal of revitalizing its' surroundings by spurring new building projects and much needed infrastructure improvements. Despite the short term problems for the International Trade Building presented by an increase in the vacancy rate for Class A commercial space, in the long run, both tenants and owners will benefit from these improvements and from the additional investment in the Hsin Yi Planned Area.

Beyond real estate issues, the one remaining feature that distinguishes the TWTC and makes it unique, is the management and services provided by CETRA. Not only does CETRA function as an asset and property manager on behalf of its owner, but it stimulates, develops and promotes international trade activity at the highest level possible. It is the strength and experience of the CETRA management team that enables the TWTC to influence macroeconomic issues and development policies affecting its exporters and importers. All these factors work together to allow the TWTC to occupy a position of influence in the world marketplace today.
Chapter Four

A Comparative Analysis of Five World Trade Centers
This study of the Taipei World Trade Center was undertaken in conjunction with similar analyses of four other World Trade Centers. As referenced in Chapter One, included are World Trade Centers located in New York City and Portland, Oregon in the United States, Amsterdam, Netherlands in Europe and Curacao, Netherland Antilles in the Caribbean basin. By analyzing the comparisons and contrasts among the five locations, careful consideration can be given to certain elements that have made these five locations successful World Trade Centers. These elements will be useful in determining common characteristics that may be applicable to the development of future World Trade Centers and evaluating location specific preferences.

Any successful real estate development project begins with proper site and master planning, appropriate design criteria, pro forma analysis and market surveys. Developers, whether public or private, will have a more successful project if the initial steps are well thought out and properly executed. However, this five-site analyses suggests that there are some elements in addition to real estate issues that must be taken into account by developers considering the building or designation of a pre-existing structure as a World Trade Center. Areas of particular importance include the local markets dependency on international trade, affiliation with the World Trade Centers Association, cultural issues, the regional economic development environment and the services provided by individual sites.

The International Trade Environment

Initially, it may be difficult to see how these five sites could lend themselves to an appropriate comparison. To equate the immense four-building complex that comprises the Taipei World Trade Center with the 150,000 square foot building that houses the International Trade Center in Curacao may not seem worthwhile until one considers the fact that both are island economies located off the coasts of major continents. Both
countries have scarce raw materials and high labor costs making the cost of construction in both locations much greater than that of the Amsterdam World Trade Center or that of Portland, Oregon. Both Taipei and Curacao have homogeneous populations who have depended on international trade for their livelihoods for many generations. This is also true in Amsterdam where the Netherlands economy has been trade dependent since the seventeenth century.

Taipei and Curacao have strong relationships with the governmental entities that helped to create them. In Taipei, the government’s Ministry of Economic Affairs (MOEA) was instrumental in securing the land for the project. Additionally, the MOEA guided the project from its conception stage through the design and construction phases. CETRA was chosen by MOEA to manage and control the project since they are the official Taiwan trade promotion organization. Since its inception, CETRA has had tremendous influence on the international trade environment and policies in Taiwan. Similarly, in Curacao, the government is the owner of the International Trade Center and has been directly involved in the shaping of trade policy for that country. In Amsterdam, the World Trade Center site was owned by the City of Amsterdam which was instrumental in assisting the private developers in rezoning the site and had advocated for such a project for many years. However, the World Trade Center in Amsterdam was built without any government financial support and is managed by the developer’s private management company.

The Port of New York Authority was responsible for the creation of the New York World Trade Center, having been so designated due to its function as the agency responsible for the promotion of commerce, transportation and economic development for the Port of New York. As a government agency responsible for a major municipal development, the Port Authority’s responsibilities are similar to that of CETRA in
Taipei and the ITC in Curacao. However, there are vast differences in the promotion of international trade by these three agencies. The Port Authority has little involvement in the promotion of international trade or the development of trade policies by the U.S. Government as compared with CETRA or the ITC in Curacao. Similarly, the Portland World Trade Center has little influence on the development of trade policy in the United States. This study supports the theory that World Trade Centers located in smaller countries tend to have greater involvement in influencing trade policy and procedures that affect international commerce. Managers in Taipei and Curacao have daily contact with their tenants and are regularly exposed to the needs of companies involved in exporting and importing of goods through their country. It is part of their mission to see that the business needs of their constituents are represented to the trade policy makers. Conversely, in Portland and New York, individual tenants are competing for their "market share" on a regional basis with other United States based competitors for available foreign markets.

In large markets like the United States or the emerging European Community, World Trade Centers such as New York, Portland or Amsterdam will have more specialized needs that relate to the individual products produced or services provided in their regions. While individual managers are sensitive to the individual needs of their tenants, the firms are more diverse and find representation by the World Trade Center management to be less important or unnecessary to their business. In the United States, companies are often represented by trade associations whose responsibilities are to speak for the specific international regulatory needs of that industry through lobbying efforts in Washington. In Taiwan, CETRA acts in this capacity not just for their tenants, but for all companies involved in exporting in Taiwan.

Tenant composition in World Trade Centers in smaller countries is more centralized and concentrated than that found in larger countries such as the United States. As
originally conceived, the New York World Trade Center buildings were designed for multinational or major U.S. corporations involved in international trade and that required large floorplates. While this compares initially to the tenant focus of the CETRA Tower in Taipei, it contrasts sharply with the small business offices and trade mart found in the Curacao facility or with the hundreds of export manufacturers located in the Taipei Exhibition Hall. However, while large corporations do continue to be the primary occupants of the space in New York, the focus on international trade related companies has diminished in importance. Additionally, original tenants such as customs brokers relocated to less expensive space in other Manhattan or New Jersey locations since telecommunications and globalization of trade has diminished the need for location near their clients. The Portland World Trade Center provides a similar example. Although built as a three-building commercial office project, it was converted to the Portland World Trade Center in 1988 by its' owner, the Portland General Corporation, parent of Portland General Electric. In addition to housing PGC offices, the complex also accommodates some businesses involved in international trade and shipping, but to a greater extent leases to insurance companies, local consultant, accounting and law firms and government agencies.

Tourism as an Economic Development Tool
At issue to both Curacao and Taiwan, is tourism and the link between tourism and trade business. Both countries have excellent climates although Taiwan is plagued with serious pollution problems in its' large cities, and in-town travel is hampered by unrelenting traffic and poor street signage making it difficult for visitors unfamiliar with the Chinese language. Both countries are surrounded by other countries who are quite successful in tourism promotion. However, both Curacao and Taiwan have had difficulties in promoting tourism abroad. The management of the ITC in Curacao is responsible for tourism promotion and marketing, and trade policy is directly linked to
this strategy. In contrast, CETRA management does not involve itself with the promotion of tourism in Taiwan or Taipei. However, with CETRA assuming the responsibility for the operation of the International Convention Center, the emphasis on tourism required for the successful promotion of the facility will require a combined focus on business and tourism. This will be an important issue for the Grand Hyatt Taipei which will benefit from an expanded focus on Taipei as a tourist destination. Similarly, Curacao must place greater emphasis on upgrading its' nearby hotel facilities in order to compete with its better known Caribbean island South American neighbors.

While Amsterdam is also considered to be among the leading tourist destinations in Europe, the World Trade Center has little involvement with the promotion of tourism for the city. This compares with the Port Authority as the manager of the New York World Trade Center which has little need to involve itself in tourism promotion since New York City is one of the major tourist destinations in the world. However, the New York World Trade Center is a major tourist attraction in its own right with its landmark twin 110-story office towers and observation deck visited by tourists throughout the year. The on-site 830-key Vista International Hotel caters mainly to business travelers since it is the only major hotel serving the Wall Street and Battery Park City business districts. Similarly situated is the Grand Hyatt Taipei, where the location as part of a World Trade Center complex governs the clientele as well as the services provided. The World Trade Center Amsterdam intends to build a 600-key first-class business hotel on the site due to the increased demand by their tenants for such a facility. As with any hotel, the location is instrumental in determining the number of rooms, size of the hotel, types of restaurants and banquet facilities required, and the mix of amenities offered.
International Trade Services

Perhaps the key element for consideration in planning for a World Trade Center is the types of services and facilities that are important to prospective tenants and other users of the facilities. While there were as many differences as there were similarities among the services offered by the five World Trade Centers studied, certain features were common among them. These can be grouped into four main areas:

Facilities

While each World Trade Center differed substantially in size and composition of buildings and facilities, there were certain common amenities offered at each location. All sites provided exhibition areas, trade mart or display areas, conference centers and meeting rooms. These differ considerably in size and design as dictated by the needs of the location. For example, the US$ 150 million Exhibition Hall in the TWTC is seven stories tall, houses hundreds of individual exporters and importers in its' trade mart and has a main floor exhibition space measuring 300,000 square feet. This contrasts markedly with the 22,000 square foot exhibition hall and 30,000 square foot trade mart contained in the Curacao International Trade Center. The massive New York project has no on-site conference center or exhibition space given the many options available in the New York market such as Madison Square Garden or the Jacob Javits Center.

Although leased office space was offered by each location studied, the suite size and amenities provided was geared to the individual requirements of the tenants. For example, the four office towers comprising the World Trade Center Amsterdam houses 350 individual firms. However, these firms represent small entrepreneurial companies with 10 or fewer employees. Typically, these are growth companies which will occupy under 5,000 square foot offices. Other occupants are small branch offices of multinational companies who need representational office space.
Information and Business Services

All locations reported the availability of computerized trade data and communications information. Some locations, such as Taipei offered highly sophisticated databases and information retrieval services for their tenants and other clients. All five sites provide access to the World Trade Centers Association’s NETWORK which is a worldwide computerized trade data, information database and messaging system. NETWORK links subscribers at 140 World Trade Centers, and more than 3,000 clients and affiliates who are able to buy and sell products and services through this electronic bulletin board system. CETRA claims to be among the most frequent users of NETWORK since their high volume, low cost export products lend themselves to the type of purchasing available through the NETWORK system.

Business services offered at several locations included short-term secretarial, office and translation services. Again, the extent to which certain services were offered was determined by the demand required at a given site. For example, short term office space was important in Amsterdam where transient business is very much the norm, and in Portland, Oregon where the international executive suite offices have been very successful. However, in Taipei, secretarial or short term computer services were not offered by CETRA, but were available in the World Trade Center Club and at the Grand Hyatt Taipei for guests. Translation services were available at every location surveyed either through the management or through other on-site providers. Many locations provide newspapers and newsletters, libraries, educational materials and bookstores with international trade related information.
Trade Education Seminars and Courses

International trade education was offered at each location. The range of educational services varied by location. For example, in Taipei, short term classes and seminars were offered at the TWTC. However, CETRA also manages a university level international trade degree program at a location outside of Taipei. Education and training programs were also an important element of the services offered by the Portland World Trade Center. Programs ranged from licensing and transportation classes, to a series of seminars on doing business with specific countries. Business breakfasts and luncheons featuring expert speakers were also well attended.

World Trade Center Club

The importance of having a private business club at a specific location depended on the business culture requirements of the particular location. In general, business clubs are very popular throughout Asia and this amenity is an absolute necessity for Pacific Rim World Trade Centers. As described in Chapter Two, the Club at the top of the CETRA Tower is quite opulent and features several types of restaurants, numerous private banquet rooms, business services and special events and programs. Perhaps it is because the restaurants in Taipei do not generally have meeting rooms available or because they are always crowded, but private business clubs are the norm for business entertaining in Taipei and other Asian locations. This may be in contrast to the United States where it is common to entertain business associates in restaurants where private rooms may be reserved as well as in private social clubs. All the other World Trade Center locations did not report the presence of a club as being a crucial element required by tenants. Both Curacao and Amsterdam have clubs, but they are not used regularly by the tenants for business entertaining and have not been successful operations.

29 Interview with Solomon Huang, World Trade Center Club Taipei, Taipei, Taiwan, June 19, 1992.
World Trade Centers Association Affiliation

The importance of the image for certain businesses of locating in the World Trade Center often helped landlords or managers in their leasing efforts and in securing premium rents. This seemed to be true for every location studied. In Taipei, the prestige of locating in the Exhibition Hall for exporters and manufacturers and in the International Trade Building for service firms and government agencies was an important determinant in making the decision to locate there. For the exporters in particular, the ready access to trade information and contacts available through the CETRA services system and the enormous exposure individual firms receive from the promotion and marketing efforts of CETRA add value far beyond what any other Class A office location in Taipei could offer. For those in the CETRA Tower, proximity to their clients and to CETRA services were important site selection criteria. The prestige factor was one that has grown over time since the location outside the central business district was not seen as desirable when the development came on the market. Today, there are waiting lists for certain types of manufacturers who seek locations in the Exhibition Hall Trade Mart.

In each location studied, the project gained its prestige value after its operations had time to gain a foothold in the market. Like Taipei, the Amsterdam World Trade Center was built in an area outside the central business district and has gained in reputation since it provides amenities unavailable in other Amsterdam locations. In addition to the business services, there is on-site parking and immediate access from the highway which are considered to be major locational advantages in that market. Similarly in Curacao, the project is the only large Class A office space on the island and provides immediate and reliable telecommunications access, 24-hour accessibility, on-site parking, and security. However, in Curacao, services such as NETWORK, libraries and trade seminars were not promoted by the ITC management since they
were not seen as cost effective or mandated by tenants. In summary, what creates a prestige address will be different in each location, but it is clear that the services targeted to tenants needs creates the "added value" for each World Trade Center studied.

Conclusions
The similarities and differences presented by this study of five World Trade Center locations helps to establish guidelines that can be used by prospective developers in evaluating a potential site for a World Trade Center development. First and foremost is to realize that a World Trade Center is indeed a real estate development and that adhering to sound real estate practices in the decision making process will benefit the project in the long run. Design preferences, cultural differences, local traditions and the current international trade environment and regulatory atmosphere of the country must be understood prior to undertaking the project.

Many of the hypotheses tested in evaluating the Taipei World Trade Center were supported by the findings, some to a greater extent than others. Rent premiums realized in the CETRA Tower were not as high as those in the Exhibition Hall. Perhaps this is because there is more comparable Class A office space available whereas the Trade Mart in the Exhibition Hall is completely unique in the market. Similarly, hotel room rates charged by the Grand Hyatt Taipei were at the very high end of the local business hotel market.

The marketing and promotion services, trade missions and international trade shows offered by CETRA helps to create additional value for all tenants located at the TWTC. The state of the art information services that are available to a world wide user network also creates additional value in exchange for rent premiums. Additionally, CETRA is
credited with making a significant contribution to the overall economic development of Taiwan.

The theory of "agglomeration economies" realized by tenants from locating adjacent to each other seems to have limited value in Taipei. The greatest benefit comes from the proximity of CETRA as a tenant, the ready accessibility of trade shows and functions and the adjoining conference center and hotel and restaurant accessibility.

The most salient issue revealed by this study was the competitive advantage in the international trade hierarchy enjoyed by locations such as Taipei. World Trade Centers established in locations where the local economy is intricately tied to exporting and is dependent to a great extent on trade will succeed if properly conceived and financially secure. The regulatory environment promoted on Taiwan allows for easy accessibility to importers and promotes the regular interaction between and among other countries. The concentration of trade services in a single location also emerged as an important tenet in several locations. The expertise of the management team as well as the level of the information services offered were also issues in several locations. The higher the level of management expertise, the greater the likelihood of a successful WTC. This was certainly the case in Taipei.

In considering the appropriateness of a specific location in a less industrialized country, it will be important to understand limitations presented by a particular site. This may include inadequate infrastructure and public services, the availability of business hotel facilities, telecommunications and electronic data systems, tourism limitations and political realities presented by protectionist regulatory systems. Taipei is addressing its' problems associated with inadequate infrastructure, serious air pollution problems
and deficient public and visitor services. How these problems are addressed will
determine the long term success of Taipei and other similarly situated locations.
Chapter Five

The Components of a Successful World Trade Center
This final chapter will summarize the common characteristics that are essential to a successful World Trade Center development. However, as noted throughout this study, there will be attributes specific to yet untested locations that may not have been shown by the five centers that are the subject of this analyses. This summary will highlight the salient qualities revealed by the World Trade Centers reviewed for this study. Again, the combination of characteristics appropriate for a certain location will be determined by the international trade environment and economic conditions present in that location. Sound real estate analysis must be undertaken with a view toward these attributes. This summary is meant to be a planning tool or a point of departure for those considering the development or designation of a World Trade Center.

Through the course of this analysis, eight issues have emerged as important in the consideration of a World Trade Center development project. These are as follows:

1. The function of the World Trade Center in the location.
2. Understanding the local Real Estate Environment.
3. Development of specific strategies and tactics for achieving the WTC objectives.
4. Understanding cultural preferences in the location.
5. The expertise of the management team.
7. Financial investment considerations.
8. The importance of the World Trade Center designation.
The Function of the World Trade Center in the Location

Understanding the role that the World Trade Center will play in its' market is one of the most crucial issues facing a prospective developer. The five sites surveyed disclosed two basic roles that can be undertaken by a World Trade Center within its trade climate. The role undertaken by the WTC can concentrate on increasing the local market share or it can focus it's efforts on stimulating international trade activity. However, these are not mutually exclusive goals and the management team can certainly undertake a dual mission by addressing these complementary objectives.

In countries like the United State where the trade environment is large and diversified throughout many regions, a World Trade Center will have to compete with other trade locations for a piece of the international market share available. By concentrating exporters, service businesses, government agencies and trade associations that are involved in foreign commerce, it is possible to increase the share available in a particular region. Thus, a World Trade Center, through centralization of services and trade activities, focuses attention on international trade and increases the market share for the local economy.

In smaller countries or trade locations, the mission of the local WTC may be broader based if trade activity has not been well developed. Here management's goal will be to stimulate international trade for the economic wellbeing of the country in addition to the individual WTC. In emerging countries that are struggling to become industrialized, the mission may be to create a market for international commerce and to introduce the country's products in the international marketplace.
Understanding the Real Estate Environment

Every World Trade Center will exist within a competitive commercial real estate market even though it's services will focus on international trade. Therefore, the World Trade Center designation will not in and of itself insure a financially successful venture and will not offset poor design or improper programming. As with any mixed-use development, how a project is master planned and how the facility mix is determined will be particularly crucial to the success of a World Trade Center. Research must reach beyond the Class A commercial market to sub-markets that include conference centers, exhibit space, retail centers, restaurant and banquet facilities, and hotels. Telecommunications, infrastructure, public transportation and airport accessibility may be additional concerns for a World Trade Center location. A poor judgment call on the facility mix or amenities required may seriously impact the success or profitability of the entire facility. For example, it would be difficult to imagine the Taipei World Trade Center without the Grand Hyatt Taipei on site. Since there are no other hotels available for international business travelers in the vicinity of the TWTC given its remote location, it would have been a serious miscalculation to have omitted a hotel from the planning.

Strategies and Tactics

Moving beyond real estate related issues, it is important to note that effective strategies must be developed in order for the WTC to achieve it's individual objectives. If part of its stated function is to stimulate international trade for the region, then specific tactics must be developed to achieve that goal. For example, CETRA has recently begun a new Symbol of Excellence marketing campaign that is designed to improve the image of products that are "made in Taiwan." This effort goes beyond individual services provided that help their tenant exporters, but is designed to motivate all Taiwan manufacturers to produce higher quality products and to convince international
buyers of that value. Although many of the high level management staff at CETRA have been long term employees, they have the ability to adjust their tactics to the current needs of the market. They are constantly reviewing promotional strategies and making adjustments to their services. The focus is on serving their tenants and clients while developing improved methods for trading on an international basis.

Cultural Preferences
Cultural preferences will play a significant role in the development of services, programming and marketing in a specific World Trade Center location. There is no universal criteria that can be applied since each facility must stand on its own and function within the confines of its cultural limitations. As mentioned throughout this study, the World Trade Center Club has been very successful in Taipei as well as in other Pacific Rim locations. Whereas, in Amsterdam and Curacao, the clubs have failed to attract a following. The importance and popularity of business clubs in the Far East emanates from the cultural interest in group dining and entertaining as part of doing business. Another example may be the popularity of the WTCA's NETWORK in Taipei and in New York where electronic trading between companies is an acceptable mode of exchange. However, this has not been the case in Amsterdam where "face to face" contact is deemed essential to completing a transaction between businesses. A clear understanding of the expectations of future tenants and clients will assist the developer in planning for a mix of amenities appropriate to the location and its culture.

Management Team Expertise
Critical to the success of a properly developed World Trade Center is the strength of its management team. The provision of specialized international trade related services by experts differentiates the World Trade Center in it's market. If a World Trade Center
were to be operated as a conventional mixed-use development, it would be perceived as such by the tenant community. Effective management of the differentiated services will be critical to the success of the venture. The specialized services, trade promotion and targeted marketing provide the base for rent premiums and increased profitability.

In Taipei, CETRA sees their role as that of service provider, promoter and trade marketer. Although it is their responsibility to lease and maintain the Exhibition Hall office suites, they do not perceive their role as that of a property manager. From their point of view, their mission is intricately tied to international trade promotion. Thus, the management of the CETRA Tower is the responsibility of a professional real estate manager although CETRA is the anchor tenant and an equity partner in the development. Given a rapidly changing trade environment, CETRA's flexibility and creativity are important qualities that should not be underestimated.

**Government Involvement and Assistance**

Each of the World Trade Centers reviewed received, and in some cases continues to receive some form of government assistance. The form of the support received may be as a financial partner/investor as in Taipei, New York and Curacao, or administrative as in Amsterdam and Portland. On the macroeconomic level, government support of international trade as an important element in the country's economy will be key to the success of a World Trade Center. Trade policy, regulatory requirements, tax incentives and tariffs are areas where government advocacy will be of additional benefit to the operation of the World Trade Center.

On the microeconomic level, administrative assistance can also make a crucial difference. For example, in Amsterdam, without the local government's assistance in the granting of zoning concessions, the project may never have begun. In Curacao,
continued financial subsidies have allowed the project to continue. In Taipei, CETRA is a quasi-governmental agency that grew out of the national governments' Ministry for Economic Affairs. Another form of indirect subsidy is the location of governmental agencies within the World Trade Center which is certainly the case for CETRA which occupies four floors in the CETRA Tower in Taipei and several suites in the Exhibition Hall. The large office suites occupied by state government agencies has helped to make the Portland World Trade Center a success.

Financial Investment Considerations

Given the financial necessities for the development of Class A office product, the presence of a secure equity investor is a prerequisite. This is an absolute requirement for the development of a World Trade Center since there are additional expenses that are peculiar to this product. Generally, World Trade Centers will require marketing and promotion on a greater scale than most real estate developments. Taipei is an excellent example of the ongoing marketing and trade promotions that help to motivate trade for all of Taiwan. Marketing and promotion expenses are a major portion of the CETRA budget, but it is one of the distinguishing features of the Taipei World Trade Center.

Small office tenants and short term leases also present a financial burden on World Trade Centers. In today's market it has been difficult to secure financing for projects without major credit tenants and long term leases that can support the financial structure of the project. The developer's ability to offset losses that may result from short term leases and small or new tenants will be crucial to the initial financing of a new World Trade Center project in the current financial climate.
Developers of World Trade Centers must be sensitive to the fact that they have a product that must be differentiated in the market in order to be successful. In addition to being astute financial investors, they must also be excellent service providers. This has been the direction of real estate development companies over the last several years as overbuilding has forced developers to turn their attention to caring for their tenants as well as their capital investments. For those wishing to develop on foreign soil, the additional element of cultural preferences and differences must not be overlooked. World Trade Center managers must be astute deal makers, marketing and public relations experts, leasing agents and government ambassadors.

The development of a World Trade Center is a unique challenge that requires real estate development expertise at its' highest level. It is a risky venture for even the most well established development company. However, the key to success is in the management of the process and in the understanding of the differences associated with the product in its location. A successful World Trade Center, as evidenced by the excellent example in Taipei, benefits not only the developer and financial investors, but also the tenants, operators and surrounding community. In summary, a successful World Trade Center promotes international trade for the new global community.
EXHIBIT ONE
WAIPEI WORLD TRADE CENTER

INTERNATIONAL TRADE BUILDING

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<th>Company Name</th>
<th>ITB Contractor</th>
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<table>
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<th>Size</th>
<th>pings</th>
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<tbody>
<tr>
<td>Rental</td>
<td>/ping</td>
<td>/ Month (including Advalorem TAX)</td>
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<tr>
<td>Management Fee</td>
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<td>/ ping</td>
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<table>
<thead>
<tr>
<th>Parking Spaces</th>
<th>/ LOT</th>
<th>/ Month (including Advalorem TAX)</th>
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**Rental Rates List**

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<th>A. 3 month's deposits</th>
<th>Amounts</th>
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<tbody>
<tr>
<td>500 500 500 500 1000 500 500 500</td>
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<td></td>
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Payment Items

- A. 3 month's deposits
- B. 2 month's rental
- C. 2 month's revolving fund deposit for decoration
- D. 2 month's deposit for parking space

**Floor Rates**

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<th>Floor</th>
<th>Rate per month (㎡/ping)</th>
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<td>$3900</td>
<td>23</td>
<td>$2500</td>
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<tr>
<td>3</td>
<td>$2900</td>
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<td>$2200</td>
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<tr>
<td>13</td>
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* Rental for each of four corner offices, to an area not exceeding 60 pings, where offices have windows on both sides as a standard, is subject to an extra charge of NT$ 50 per ping.
* The list of rental rates above does not include advalorem tax.
* Memo
台北世界貿易中心國際貿易大樓

租賃坪數價格表

[圖表]

層數 | 月租金（NT/坪） | 層數 | 月租金（NT/坪）
--- | --- | --- | ---
1樓 | $5000 | 14-22樓 | $2300
2樓 | $3900 | 23樓（雙層電梯） | $2500
3樓 | $2900 | 24-31樓 | $2400
4-12樓 | $2200 | 32樓 | $2900
13樓（雙層電梯） | $2400

※原單價層四角辦公室因兩面開窗，位置較佳；如租用四角部份辦公室面積不
超過60坪時，每坪租金增加50元

※上列租金開放加裝隔間

※上列租金有效期：八十一年度
EXHIBIT TWO
**Meeting Room's Rental List**

**Effective from:** 79年11月15日

---

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<th>Area (㎡)</th>
<th>Maximum Capacity</th>
<th>Rental (NT Dollar)</th>
<th>Remarks</th>
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**Remarks:**
1. The rental includes one set of basic audio unit and two microphones (and all the microphones in the Concentric-Table Conference Room).
2. The rate for rehearsal before meeting is given 20% discount.
3. The rental per period applies to all time of the day and holidays.
4. Move in/out period which is within two hours before the meeting will be free of charge; however, half of the rental will be charged when exceeding two hours.

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EXHIBIT THREE
ADDRESS: 2, Sung Shou Road  
Taipei, Taiwan, Republic of China  
Phone: (02) 720-1234  
Telefax: (02) 720-1111  
Telex: 12738 GHYATT  
Sales Office Telefax: (02) 720-1105  
Sales Office Telex: 12707 GHYATT

LOCATION: The Hotel is part of the Taipei World  
Trade Center, in Taipei's fastest grow-  
ning business and entertainment district

TRANSPORTATION  
From Distance Time By  
Airport 55 km 45 minutes Car  
City Centre 3 km 5 minutes Car

ACCOMMODATIONS
- 872 rooms with 2 Presidential Suites, 3 Diplomatic  
Suits, 14 Executive Suites and 37 Tower Suites  
- All rooms have air-conditioning, separate bath/  
shower, colour TV with satellite channels, in-house  
movies, IDD, world time clock, executive bar and  
refrigerator, personal safe, hair dryer, robe/slippers  
- Electricity: 110V/60 cycles  
- Guest elevators: 8  
- Check out time: 12 noon

Regency Club, two floors of exclusive  
accommodation with personalized service.  
two suites, lounge, business centre, conci-  
erge, library, game room, boardroom, complimentary  
continental breakfast, evening cocktails and all day  
tea/coffee service

SERVICES AND FACILITIES
- Airline counters  
- Airport limousine and shuttle  
- Assistant Manager on duty 24 hours  
- Beauty and hair salon  
- Convention/group check-in lounge  
- Express check out  
- Food&Beverage reservation desk  
- Helicopter landing pad  
- Hyatt Business Centre with a full range of business  
and translation services, computers, private offices,  
meeting room, information library and name card  
printing. Open beyond normal office hours  
- Hyatt Florist  
- In-house clinic  
- Laundry and valet with 24-hour service  
- Major credit cards accepted  
- Multi-lingual hotel employees  
- Parking for 600 cars  
- Safety deposit boxes  
- Shopping arcade  
- Tour and travel agent desks

RESTAURANTS AND BARS
- Canton Garden specializes in seafood, shark's  
fin and dim sum  
- Shanghai Court recreates the grandeur of Shanghai  
in the 30's with its haute cuisine  
- Irodori for modern Japanese dining  
- Bel Air offers innovative Californian cuisine  
- Plaza Cafe features all day casual dining and buffets  
- 'Cha' tea lounge for social get-togethers  
- Multi-level Entertainment Centre for different moods  
- Cheers Pub with live music for unwinding  
- Poolside Bar for light snacks and beverages  
- 24-hour In Room Dining

RECREATIONAL FACILITIES
- Oasis Fitness Membership Club offers the fully  
computerized LifeCircuit exercise equipment,  
aerobics studio, massage, steam room, sauna, spa  
pools and health food bar  
- Outdoor pool with landscaped terrace
EXHIBIT FOUR
LEASE AGREEMENT FOR PREMISES OF INTERNATIONAL TRADE BUILDING AT
TAIPEI WORLD TRADE CENTER

This Agreement made on this day, by and between International Trade Building Corp., at Taipei World Trade Center, and (the Lessee) relates to the lease of the Premises mentioned hereunder, for which both parties have agreed to the terms and conditions specified in the following:

Article 1: Location of the Premises

The Lessor shall lease to the Lessee for use as office facilities the following units inside International Trade Building (hereinafter referred to as the "Building") at Taipei World Trade Center, at 333, Keelung Road, Sec. 1, Taipei City. The scope of the use of such Premises shall include the related public facilities:
1) Suite No. ( ) at ( ) Floor (as detailed in Annex 1 "Level Plan.") for a gross floor area of ( ) pings (or M²).
2) Suite No. ( ) at ( ) Floor for a gross floor area of ( ) pings (or M²).
3) Suite No. ( ) at ( ) Floor for a gross floor area of ( ) pings (or M²).
4) Total gross floor area (as indicated in Annex 1 "Level Plan"): ( ) pings, or M².

However, the computation of gross floor area and rental shall be based on Annex 1 "Level Plan."

Article 2:

1) The term of this Lease shall be ( ) years, commencing from to .
2) If the Lessor shall be willing to renew this Agreement two months prior to expiry hereof, it shall give an advance notice to the Lessee, and the Lease Agreement to be renewed
shall be subject to the terms and conditions of the Lessor. In case the Lessee shall fail to complete the execution of the renewed lease agreement within the said prescribed time, it shall be considered that this Agreement is not to be renewed; or if the Lessor shall not issue the said advance notice indicating its intention for renewal of lease agreement, the Lessee shall move out of the Premises on the expiry of the lease, restore the Premises to the original conditions (that is, at the time of letting) and surrender the same to the Lessor in accordance with the provisions under Article 8 hereof, without any pretext for delay nor request for compensation.

3) In case of natural disasters or force majeure or other factors which are not attributable to the fault of the Lessor resulting in total or partial destruction of the leased Premises or this Building during the continuation of this Agreement, to the extent that the said Premises cannot be repaired or rebuilt for continuous use, the Lessor shall give notice to the Lessee for termination or dissolution of this Agreement. In this case, the Lessee shall not request for any compensation from the Lessor. In case part of the Premises can be repaired for continuous use, the rental shall be reduced in proportion to the floor area repaired and available for continuous use. The Lessor may repair all the Premises for continuous lease.

Article 3: Rental and performance bond

1) Rental computation and terms of payment:

Suite No. (      ) at (      ) Floor: the monthly rental is at NT$(         )/ping; for a gross floor space of (         ) pings, the monthly rental is NT$(         ).

Suite No. (      ) at (      ) Floor: the monthly rental is at NT$(         )/ping; for a gross floor space of (         )
pings, the monthly rental is NT$(
).
The above rental amounts make a total of NT$(
)/month.
The rental shall be paid at the interval of two months and payable in five days prior to the commencement of a new period in the amount of NT$(
). VAT on the rental income shall be paid by the Lessee to the Lessor which shall pay such sum to tax collection office. Payment shall be effected by presentation of cashier's cheque indicating Lessee as the drawer and the Lessor as the payee at the time of the execution of the Agreement and 5 days prior to a new period for rental, or by presentation of commercial paper, whereas the Lessor shall issue the invoice upon having collected the payment into account of the Lessor.

2) Upon elapse of the first year of lease of the Premises, the Lessor shall make annual adjustment to the rental rates in accordance with the then prevailing rental rate for identical category of office facilities within the Building set up by the Lessor; provided that such increment in the rental shall not exceed 90% of the difference between the adjusted new rate and the original rate of rental.

3) Performance bond:
   A. Upon execution of this Agreement, Lessee shall pay to the Lessor a performance bond for NT$(
), that is equivalent to three months' rental (excluding the amount of VAT on rental income) in cash, or a cashier's cheque indicating the Lessee as the drawer, for which the Lessor shall issue a receipt.
   B. The performance bond shall ensure that the Lessee shall fulfill the its obligations and responsibility under this Agreement, including payments for rental, default fine, interest for payment in arrears, miscellaneous expenses and compensation for damages. In case the Lessee shall violate provisions hereunder, or fail to pay amounts due,
payment in arrears, refusal to pay, or inadequate amount for payments due, or fail to pay whatever sums due, the Lessor shall have an option to deduct the said amounts from the performance bond as a measure for compensation; whereas the Lessee shall make up for the difference of such performance bond resulting from such deduction in 15 days thereafter.

C. If this Agreement shall not be renewed upon its expiry, the Lessee shall vacate and surrender the Premises to the Lessor, settle all the accounts with the Lessor, present receipt for performance bond; whereas the Lessor shall refund the Lessee the performance bond (which does not bear interest) in one week.

D. Default fine:
If the Lessee shall fail to pay the rental, performance bond or the expenses covered in this Agreement on time, or the notes for payment of rental or performance bond are not honored upon maturity, the Lessee shall make it up by cash payment and pay a penalty fine for an amount equivalent to 1% of the over-due payments (including the amount for VAT on rental income) on a daily basis; while the Lessor may terminate this Agreement without giving prior notice to the Lessee, cut off supply of airconditioning service and power and change the door lock of the Premises. In addition to payment for the said penalty fine, the Lessee shall be liable for compensation to the Lessor for the damages so caused and interest for payments in arrears, to which the Lessee shall have no objection.

Article 4: Restrictions on use of the Premises and the related provisions:
For use of the Premises, the Lessee shall observe the following conditions:
1) The purpose of use of the Premises shall be limited to office only. For outer and interior decorations, the Lessee shall observe provisions under "Procedures on Administration of International Trade Building at Taipei World Trade Center" contained in Annex 2. For additional structure, modification, decoration, change of internal fixture or other project items, the Lessee shall submit to the Lessor the program for the work which shall not start until after having obtained a written consent from the Lessor. The Lessee shall pay for all the cost and expenses and shall ensure that such works shall not bring about damage to the existing structure of the Premises.

2) The Lessee shall not have entire or part of the Premises subleased, transferred or lent to any third parties, nor use the same under the name of any third party. In case of the existence of any one of the foregoing circumstances, the Agreement shall automatically become invalid.

3) The Lessee shall use and maintain the Premises as the good and capable manager should do, including the maintenance of the integrity of the existing structures and internal public facilities without the unauthorized changes. In case of damage, the Lessee shall be liable for repairs or compensation. If interior of the Premises needs repairs or improvement, the Lessee shall perform the same at its own cost and expenses; if the Lessee shall request the Lessor for such repairs or improvements, the Lessee shall pay for the cost. In case of any damage to the outer wall, roof, and public facilities, which are not attributable to the faults of the Lessee, the Lessor shall be liable for repairs.

4) The Lessee shall not use the Premises for such purposes as production, manufacturing, or processing of products, nor use the same for dealing in or experiment of any hazardous
items and contrabands; nor bring in the foregoing items, 
or weapons, ammunition, niter, petroleum products, explosives, 
flammable items, contaminants, or other contrabands, or 
for storage of the above items.

5) The Lessee including its employees, visitors, workers for projects shall not perform such misconducts as drunkenness, use of illicit drugs, fist-fighting, stay overnight, food-cooking, nor other law violation activities inside the Premises.

6) No passenger elevator shall be used for transportation of machinery and materials for interior decoration; for which the Lessee shall initiate coordination with the personnel of the management of this Building for setting up the schedule for use of cargo elevator so as to maintain public order. Prior to taking out facilities, equipment/materials and other articles (except small brief case) from the Premises, the Lessee shall issue a notice to the Lessor.

7) The Lessee shall not place claims against the Lessor for any damages caused by third parties. The Lessee shall be severally liable for compensation for damages caused to the Lessor or the Premises which are attributable to its employees, or visitors or the people entering into the premises under permission of the Lessee.

8.1) Upon execution of this Agreement, the Lessee shall present to the Lessor photocopies of corporate license, articles of incorporation, roster of members of board of directors or the shareholders, certificate for registration of profit-seeking business and ID Card of its responsible person.

8.2) In case of changes in the registry of particulars of incorporation due to capital increment or decrease, or change in the name, reorganization, the responsible person,
or members of the board or shareholders, the Lessee shall present to the Lessor a written notice together with photocopies of corporate license and certificate for registration of profit-seeking business; whereas the Lessor may terminate this agreement or give a notice to the Lessee for renewal of this agreement.

9) When necessary, the Lessor may give an advance notice to the Lessee for entering into the Premises for the purpose of inspection on the maintenance of the Premises and tests or repairs on the facilities, whereas the Lessee shall have no pretext for interruption or delay.

10) The Lessor shall not be responsible for compensation for injuries or damages to the Lessee or any third parties caused by the wiring, conduits and fire protection facilities installed by the Lessor in this Building, if the causes of the same are not attributable to the faults of the Lessor.

11) Effective as from the date of occupation of this Building, the Lessor maintains insurance policies covering fire and third party liabilities; whereas the Lessee shall maintain insurance policies covering fire and theft for private properties or things of value. In case of injuries to people and damages to properties which are attributable to the intention or faults of the Lessee during continuation of this agreement, the Lessee shall be solely held responsible. In addition to repairs and compensation to the Lessor for the related damages, the Lessee shall compensate the Lessor for additional insurance premium so caused.

12) In case of outage of city power, the Lessor shall, within shortest time, provide power from stand-by generator to satisfy the minimum requirement for public lighting and normal operation of elevators.

13) If the Premises shall remain un-occupied or no use is made for two months, of which the Lessee fails to give
written notice to the Lessor nor has received consent from the Lessor, the Lessor shall be entitled to terminate this agreement.

14) In case the Lessee is adjudged for bankruptcy, this agreement shall automatically become invalid.

If the Lessee shall fail to observe the requirements under Items 1), 2) or 4) of this Article, this agreement shall become null automatically.

If the Lessee shall fail to observe provisions under Item 1), item 5), or item 6) of Clause 1 this Article and fail to make correction or remedies after having been notified by the Lessor or keep on recurrence, the Lessor shall be entitled to terminate this agreement. If the Lessee shall fail to observe the requirements under Item 3, Clause 1 of this Article and fail to make repairs or compensate the Lessor in five days, the Lessor may terminate this agreement.

The penalty clauses under Article 7 hereof shall also be applicable to the circumstances upon termination of this agreement for causes specified in this Article.

Article 5: Compliance with "Procedures on the Administration of International Trade Building at Taipei World Center"

The Lessee shall observe the requirements under the Procedures (see Annex 2) as well as future addendum or revision, and shall require its employees, visitors and project contractors for compliance with the said Procedures, so as to maintain the interests of the Owner, other lessees and occupants of this Building, as well as maintenance of security, cleanness, serenity and good order.
Article 6: Early termination to the agreement
The Lessee shall not terminate this agreement during its continuation; otherwise, the Lessee shall be liable for settlement of rental prior to surrendering the Premises and payment for the distributed expenses, and shall not claim for refunding of the un-used rental; whereas the Lessor shall be entitled to confiscate the performance bond in its entirety as the default fine, to which the Lessee shall have no objection.

Article 7: Penalty Clauses
1) Except otherwise provided in this agreement, if the Lessee shall fail to fulfil any one of the obligations under this agreement, the Lessor may terminate this agreement without giving prior notice to the Lessee, confiscate performance bond and the unused rental in their entirety as the penalty fine, to which the Lessee shall have no objection. However, if the amount of performance bond shall be inadequate to offset that for compensation, the Lessee shall still be liable for payment for the balance.

2) In case the Lessee shall fail to surrender the Premises to the Lessor upon expiry hereof, or upon termination or dissolution of this agreement, the Lessee shall be liable for a penalty fine for a sum equivalent to 200% of the prevailing rental on a daily basis, commencing from the date ensuing the above-mentioned date, in addition to compensation to the Lessor for other damages resulting from such delay in the said surrender.

3) If the Lessor shall not give a written notice to the Lessee upon having discovered the behaviors or facts of violation of the agreement on the part of the Lessee, it shall not be construed that the Lessor has accepted the behaviors of the Lessee; whereas the Lessee shall not refuse to make
corrections or remedies; while the Lessor may terminate this agreement at later time.

Article 8: Restoration of the Premises prior to surrendering to the Lessor

1) Upon expiry hereof or termination or dissolution of this agreement, the Lessee shall restore the Premises as well as the related facilities to their original conditions prior to surrendering the same to the Lessor. In case of any damages to the Premises or the related facilities, the Lessee shall unconditionally make repairs or compensate the Lessor. In case the Lessee shall fail to restore the said items to their original conditions, the Lessor shall have an option to take necessary actions including the dismantaling the decoration items at the cost and expenses of the Lessee.

2) In case of leftovers at and around the Premises, such as furniture, apparatus or other articles after the Lessee has moved out of the Premises or dissolution of the rights for occupancy, the Lessor shall have a lien on the said items, for which the Lessor shall be authorized to dispose of the same on behalf of the Lessee whereas the Lessee shall be liable for costs involved in the said disposal, to which the Lessee shall have no objection. Notwithstanding, the Lessor is not under any obligation for sales of the items in the process of such disposal. In case such disposal shall bring about cash receipt, the Lessee agrees that such money may be used for offsetting due payments to the Lessor, if any. In any case, the lien possessed by the Lessor shall not affect other rights of the Lessor under laws.
Article 9:
If the Lessee shall fail to occupy or make use of the Premises after execution of the agreement, and fail to pay for the rental due and the building administration expenses for the subsequent period, this agreement shall become null automatically; whereas the Lessor shall be entitled to confiscate the performance bond as a penalty fine, to which the Lessee shall have no objection.

Article 10:
In case the Lessee shall fail to move out of the Premises or surrender the same to the Lessor at expiry hereof, it shall be subject to specific performance.

Article 11:
In case of any disputes arising from this agreement, both parties hereto agree that the case shall be referred to Taipei District Court as the jurisdictional authority in the first instances.

Article 12: Invalidity or non-performance:
In case certain provisions under the articles of this agreement shall be invalid or cannot be performed due to one reason or another, such invalidity or non-performance shall be limited to the related articles or part of the articles, whereas other articles or part of the remaining portion shall remain valid.

Article 13: Notices:
Notices relating to this agreement shall be given to the parties as detailed in the following:
1) Notice to the Lessor shall be delivered to Document Receipt Desk at the Office of the Lessor at this Building.
2) Notice to the Lessee shall be delivered to the Office of the Lessee, or to the address at:

If the Lessee shall refuse to receive the notice, or such notice cannot be delivered for any reasons, the Lessor may stick the notice on the door of the Office of the Lessee and such action shall be deemed as having delivered the notice to the Lessee.

Article 14:

1) The Annexes to this agreement shall be considered as the integral part of the agreement and shall have the same effect as the main body of the agreement. The Lessee agrees that the Lessor may make necessary modification or revision to the annexes hereto from time to time, and such modification or revision shall be deemed as that to the main body of this agreement.

2) This agreement shall be produced in duplicate, plus ( ) copies. The Lessor may request the Lessee to have 2 originals to be attested by Office of Public Notary of Taipei District Court and the fees shall be equally shared between two parties. One each of the attested agreement shall be kept by the Lessor and the Lessee; while ( ) copies shall be kept by

THE LESSOR:

International Trade Building Corp., at Taipei World Trade Center.

Responsible person:
THE LESSEE:

(Full name of the entity)

Responsible person:

I.D. Card No.:

Address:

"This is a true, and believed to be accurate translations of the attached Chinese version of the lease agreement between TWTC International Trade Building Corp. and ... date on the premises located at Rm. 333 Keelung Rd., Sec. 1, Taipei, Taiwan, Republic of China provide; however, the Chinese version of this agreement shall prevail over this translation thereof for any purpose whatever."
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* Rental fees for showrooms not included in the table above are NT$23000 each per month.  
( The fees in the table are subject to 5% VAT )
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<tr>
<td>you</td>
<td>can</td>
</tr>
<tr>
<td>go</td>
<td>to</td>
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<td>one</td>
<td>place?</td>
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78A
EXHIBIT EIGHT
## Grade A Supply by Sector

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| 1992 Total             |                                              |        |          | 300        | 65936      |         |                       |            |

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| 1993 Total             |                                              |        |          | 380        | 34640      |         |                       |            |

* Strata Title Buildings
RENTAL PROCEDURES OF ITB

1. Reservation procedures to ITB
   A. Document
      a. licence by the Ministry of Economic affairs
      b. business registration certificate issued by local government
      c. photocopy of the I.D. card of the man in charge
      d. company charter
      e. list of members of board of director
      f. business TAX list required within half year
   B. Company
   C. One month's deposit

   signing of the reservation paper
   and determine the beginning date
   unit lay-out provided by ITB
   one week
   giving ITB decoration plan

   three days
   facilities section
   approval of the decoration plan
   notification for signing of the leasing contract

2. Contract signing procedure
   company chops
   a. 3 month's deposits
   b. 2 month's rental
   c. 2 month's revolving fund
   d. deposit for decoration

   letter of promise adhere to
   the regulation after moving-in

3. Taking-over procedure
   making appointment with
   ITB's facilities section
   taking over facilities of the rented unit
   decoration
   no violation to ITB's regulations
   moving-in
   return deposit of decoration
   paying electronic bill during decoration
ARTICLES, PAPERS AND REPORTS

Chien, Frederick F. "A View From Taipei." Foreign Affairs, Winter 1991/92.


NEWSPAPERS

INTERVIEWS


