



AMERICAN INSTITUTE IN TAIWAN

• 1700 N. Moore St.
17th Floor
Arlington, Virginia 22209

October 24, 1979

Konsin C. Shah, Representative
Coordination Council for North
American Affairs
5161 River Road
Washington, DC 20016

Dear Mr. Shah:

I have the honor to refer to recent discussions concerning our bilateral trade. During those discussions, it was noted that as a result of the Tokyo Round trade negotiations, reductions in United States tariffs are expected that will benefit exports from Taiwan, and it was agreed that in consideration of these concessions, measures will be implemented in Taiwan that will benefit exports from the United States. This letter describes these reciprocal actions more fully.

It is understood that among the Tokyo Round concessions to be made by the United States and to be implemented domestically on a non-discriminatory basis will be included certain tariff concessions which have been discussed among us and which are included in the United States' Schedule XX deposited with the GATT, a copy of which has been furnished to your delegation. Those tariff concessions enumerated in Annex I to this letter will also be implemented in the United States on a non-discriminatory basis. We understand that those items contained in the U.S. Schedule XX for which exports from Taiwan constituted ten percent or more of total U.S. imports in 1976, as well as all articles described in Annex I to this letter, have been considered in establishing the initial bilateral balance. It is further understood that the implementation in the United States of tariff concessions referred to in this letter will begin on January 1, 1980, in accordance with the staging

schedules enumerated in Annex I to the United States' Schedule XX and as described in Annex I to this letter.

In consideration of the implementation of the above action, we understand that all tariff and non-tariff measure concessions previously offered affecting trade with the United States will continue in effect in Taiwan, and any concessions not yet implemented, with the exception of those items subject to deferred staging as enumerated in Annex II, will be implemented as of January 1, 1980 in Taiwan. We note with satisfaction that the concessions concerning apples and automobiles have already been implemented.

With regard to tariff measures referred to in this letter, both sides shall have the same rights a GATT Contracting Party would have with respect to articles bound in the GATT for which it becomes or ceases to be a principal or substantial supplier.

We further understand that obligations substantially the same as those applicable to developing countries set forth in certain non-tariff agreements concluded in the Tokyo Round will be observed in Taiwan, i.e., the agreements on subsidies and countervailing measures, customs valuation, licensing, government procurement, and technical barriers to trade as well as the provisions likely to be set forth in an agreement on commercial counterfeiting to be concluded. We expect that the benefits of several non-tariff agreements concluded in the Tokyo Round, i.e., the agreements on subsidies and countervailing measures, customs valuation, licensing, government procurement, and technical barriers to trade as well as benefits likely to be set forth in an agreement on commercial counterfeiting to be concluded, will be extended in the United States to exports from Taiwan.

It is understood that none of these concessions will be nullified or impaired by actions which would be inconsistent with the provisions of the General Agreement on Tariffs and Trade or the agreements referred to above. We believe that these assurances reflect commitments appropriate to Taiwan's stage of development.

We understand that discussions between the two sides will continue at a mutually convenient date, aimed at defining bilateral obligations and an appropriate

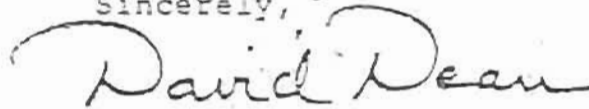
dispute settlement mechanism for matters falling within the purview of those non-tariff agreements enumerated above.

We are confident that amicable adjustments will be made if necessary to ensure that the bilateral undertakings described in this exchange of letters remain appropriately balanced.

Every effort will be made to consult through appropriate channels on any trade matters, including those covered by this letter.

It is further understood that both sides will consider favorably incorporating matters covered by this letter into other arrangements at an appropriate time.

Sincerely,

A handwritten signature in cursive script that reads "David Dean". The signature is written in dark ink and is positioned above the typed name and title.

David Dean
Chairman of the Board
and Managing Director

Coordination Council for North American Affairs
Office in U.S.A.
5161 River Road Washington D.C. 20016

October 24, 1979

Mr. David Dean
Chairman of the Board and
Managing Director
American Institute in Taiwan
1700 North Moore Street
Arlington, Virginia 22209

Dear Mr. Dean:

I have the honor to acknowledge receipt of your letter of today's date, which reads as follows:

"Dear Mr. Shah:

'I have the honor to refer to recent discussions concerning our bilateral trade. During those discussions, it was noted that as a result of the Tokyo Round trade negotiations, reductions in United States tariffs are expected that will benefit exports from Taiwan, and it was agreed that in consideration of these concessions, measures will be implemented in Taiwan that will benefit exports from the United States. This letter describes these reciprocal actions more fully.'

'It is understood that among the Tokyo Round concessions to be made by the United States and to be implemented domestically on a non-discriminatory basis will be included certain tariff concessions which have been discussed among us and which are included in the United States' Schedule XX deposited with the GATT, a copy of which has been furnished to your delegation. Those tariff concessions enumerated in Annex I to this letter will also be implemented in the United States on a non-discriminatory basis. We understand that those items contained in the U. S. Schedule XX for which exports from Taiwan constituted ten percent or more of total U.S. imports in 1976, as well as all articles

described in Annex I to this letter, have been considered in establishing the initial bilateral balance. It is further understood that the implementation in the United States of tariff concessions referred to in this letter will begin on January 1, 1980, in accordance with the staging schedules enumerated in Annex I to the United States' Schedule XX and as described in Annex I to this letter.

In consideration of the implementation of the above action, we understand that all tariff and non-tariff measure concessions previously offered affecting trade with the United States will continue in effect in Taiwan, and any concessions not yet implemented, with the exception of those items subject to deferred staging as enumerated in Annex II, will be implemented as of January 1, 1980 in Taiwan. We note with satisfaction that the concessions concerning apples and automobiles have already been implemented.

With regard to tariff measures referred to in this letter, both sides shall have the same rights a GATT Contracting Party would have with respect to articles bound in the GATT for which it becomes or ceases to be a principal or substantial supplier.

We further understand that obligations substantially the same as those applicable to developing countries set forth in certain non-tariff agreements concluded in the Tokyo Round will be observed in Taiwan, i.e., the agreements on subsidies and countervailing measures, customs valuation, licensing, government procurement, and technical barriers to trade as well as the provisions likely to be set forth in an agreement on commercial counterfeiting to be concluded. We expect that the benefits of several non-tariff agreements concluded in the Tokyo Round, i.e., the agreements on subsidies and countervailing measures, customs valuation, licensing, government procurement, and technical barriers to trade as well as benefits likely to be set forth in an agreement on commercial counterfeiting to be concluded, will be extended in the United States to exports from Taiwan.

'It is understood that none of these concessions will be nullified or impaired by actions which would be inconsistent with the provisions of the General Agreement on Tariffs and Trade or the agreements referred to above. We believe that these assurances reflect commitments appropriate to Taiwan's ~~stage~~ of development.

'We understand that discussions between the two sides will continue at a mutually convenient date, aimed at defining bilateral obligations and an appropriate dispute settlement mechanism for matters falling within the purview of those non-tariff agreements enumerated above.

'We are confident that amicable adjustments will be made, if necessary to ensure that the bilateral undertakings described in this exchange of letters remain appropriately balanced.

'Every effort will be made to consult through appropriate channels on any trade matters, including those covered by this letter.

'It is further understood that both sides will consider favorably incorporating matters covered by this letter into other arrangements at an appropriate time.

Sincerely,

(signed)
David Dean"

I have the honor to inform you that the concessions and measures described in your letter with its Annexes will be implemented in Taiwan.

Accordingly, your letter correctly reflects the understandings reached during the course of recent discussions concerning our bilateral trade.

Sincerely,

Konsin C. Shah
Konsin C. Shah
Representative

Handwritten marks on the right margin, including a large vertical character and other illegible scribbles.

ANNEX I

| <u>Tariff item number</u> | <u>Brief product description</u> | <u>Base rate</u> | <u>Concession rate</u> | <u>Staci</u> |
|-----------------------------------|--|--|--|--------------|
| 126.71 | pepper seed | 3c/lb | free | <u>1/</u> |
| x. 138.50a/ | vegetables, fresh chilled or frozen sliced or prepared in size, nes ex frozen kidneybeans | 17.5% | 9% | <u>1/</u> |
| 141.10 | beans, except soybeans in brine or packed in salt | 0.7c/lb | free | <u>1/</u> |
| 141.20 | beans except soybeans prepared or preserved, not in salt or brine | 3c/lb on entire contents of container | 1.5c/lb on entire contents of container | <u>1/</u> |
| 141.30 | cabbage, prepared and preserved | 8.5% | 4% | <u>1/</u> |
| 141.70 | waterchestnuts, in salt, pickled otherwise preserved | 17.5% | 7% | <u>1/</u> |
| . 141.81a/ | other vegetables, prepared or preserved other than packed in salt or brine; ex bamboo shoots in airtight containers; sweet ginger | 17.5% | 9% | <u>1/</u> |
| 145.30 | nuts, edible, nes, not shelled | 2.5c/lb | 1.3c/lb | <u>1/</u> |
| 145.48 | peanuts, shelled or blanched | 7c/lb | 3c/lb | <u>1/</u> |
| . 145.60a/ | nuts, nspf, prepared or preserved other than shelled or blanched ex canned litchi, canned longan | 28% | 14% | <u>1/</u> |

| <u>Tariff item number</u> | <u>Brief product description</u> | <u>Base rate</u> | <u>Concession rate</u> | <u>Staci</u> |
|-----------------------------------|---|----------------------|----------------------------|--------------|
| 147.30 | kumquats, packed in airtight containers | 0.5¢/lb | 0.25¢/lb | <u>1/</u> |
| 148.35 | melons, prepared or preserved | 35% | 17.5% | <u>1/</u> |
| 154.45 | pineapples, candied, crystallized or glaze | 8.5% | 3.4% | <u>2/</u> |
| x. 154.55a/ | fruit, candied, crystallized or glaze, ex prunes, plums, mangoes, kumquats | 10% | 5% | <u>1/</u> |
| 161.15 | cassia; cassia buds, and cassia vera, ground | 1.5¢/lb | free | <u>1/</u> |
| 161.19 | cinnamon and cinnamon chips, ground | 1.5¢/lb | free | <u>1/</u> |
| 182.11 | pastes, hash, puddings, etc, of vegetables and/or meat, fish, nes | 17% | 8% | <u>1/</u> |
| 182.15 | bean cake, bean stick, miso and similar products | 14% | 7% | <u>1/</u> |
| 182.45 | thin soy sauce | 6% | 3% | <u>1/</u> |
| x. 182.98a/ | edible preparations, nspf ex grass jelly, spring rolls, stuffed steamed bread dumplings, prepared watermelon seed | 10% | 5% | <u>1/</u> |
| 184.65 | animal feed, nes, including offals prepared and preserved, inedible | 4% | 2% | <u>1/</u> |

| <u>Tariff item number</u> | <u>Brief product description</u> | <u>Base rate</u> | <u>Concession rate</u> | <u>Stages</u> |
|-----------------------------------|---|--|--------------------------------|---------------|
| 206.47 | wooden forks and spoons | 8.5% | 5.3% | <u>1/</u> |
| 222.50 | blinds, shutters, curtains | 20% | 8% | <u>1/</u> |
| 460.35 | geraniol | 7.5% | 3% | <u>3/</u> |
| 493.21 | natural camphor | 2.4¢/ per lb | free | <u>1/</u> |
| 515.64 | stone and articles of stone | 13.5% | 6.9% | <u>1/</u> |
| 545.21 | glass containers | 11¢ per gross | free | <u>2/</u> |
| 545.31 | glass inners for vacuum flasks | 4¢ each plus 20% ad val | 1.6¢ each plus 8% ad val | <u>1/</u> |
| 607.52 new number 606.39 | ferrosilicon | 1¢ per lb on silicon content <u>b/</u> | 1.9% | <u>4/</u> |
| 646.04 | copper thumb tacks | 8% | 3.2% | <u>1/</u> |
| 646.80 | base metal padlocks | 6¢ per doz plus 4% ad val <u>c/</u> | 2.3% | <u>2/</u> |
| 648.57 | hoes and rakes and parts | 7.5% | 3% | <u>2/</u> |
| 649.71 | pens, knives with folds, blades | 25% | 10% | <u>1/</u> |
| 653.85 | iron or steel cast articles | 4% | free | <u>2/</u> |
| 654.1015 new number 654.07 | aluminum cast cooking and kitchen ware | 1.7¢/per lb plus 8.5% ad val <u>d/</u> | 3.9% | <u>2/</u> |

| <u>Tariff item number</u> | <u>Brief product description</u> | <u>Base rate</u> | <u>Concession rate</u> | <u>Staging</u> |
|-----------------------------------|--|----------------------|----------------------------|--|
| 8411 (1) | air pumps, vacuum pumps & turbopumps | 15% | 10% | On Jan 1, 1984 cut 5% |
| 8412 | air conditioning machines, self-contained (1) complete | 45% | 30% | From Jan 1, 1984 to Jan 1, 1985 cut 5% each year |
| 8413 (3) | domestic refrigerators, electrical (a) complete | 35% | 30% | On Jan 1, 1984 cut 5% |
| 8419 (1) | dish washing machines | 45% | 30% | From Jan 1, 1984 to Jan 1, 1985 cut 5% each year |
| 8440 (2) | domestic washing machine (a) electric | 45% | 30% | From Jan 1, 1984 to Jan 1, 1985 cut 5% each year |
| 8462 | ball, roller or needle roller bearings (2) parts (b) steel race for bearings | 30% | 20% | From Jan 1, 1984 to Jan 1, 1985 cut 5% each year |
| 8506 | (2) electric food grinders, food mixers and the like for domestic use | 45% | 35% | From Jan 1, 1984 to Jan 1, 1985 cut 5% each year |

| <u>Tariff item number</u> | <u>Brief product description</u> | <u>Base rate</u> | <u>Concession rate</u> | <u>Staging</u> |
|-----------------------------------|---|----------------------|----------------------------|---|
| 8506 | (3) electro-mechanical domestic appliances, with self contained electric motor, other than electric fans, ventilating fan and vacuum cleaners, electric food grinders, food mixers, juice extractors, floor polisher, meat slicers and the like for domestic use. | 45% | 35% | From Jan 1, 1983 to Jan 1, 1984, cut 5% each year |
| 8512 | electric instantaneous or storage water heaters and immersion heaters (4) other | 50% | 30% | From Jan 1, 1981 to Jan 1, 1984, cut 5% each year |
| 8514 (2) | repeaters, voice telephones | 25% | 15% | From Jan 1, 1983 to Jan 1, 1984, cut 5% each year |
| 8515 (10) | radio facsimile apparatus | 25% | 15% | From Jan 1, 1983 to Jan 1, 1984, cut 5% each year |
| 8521 | semiconductors and cathode ray tubes (2) integrated circuits | 20% | 10% | From Jan 1, 1983 to Jan 1, 1984, cut 5% each year |
| 8521 | (3) other | 20% | 10% | From Jan 1, 1983 to Jan 1, 1984, cut 5% each year |
| 8523 (1) | solely for telecommunication use (a) coaxial cable | 25% | 15% | From Jan 1, 1983 to Jan 1, 1984, cut 5% each year |

| <u>Tariff item number</u> | <u>Brief product description</u> | <u>Base rate</u> | <u>Concession rate</u> | <u>Staging</u> |
|-----------------------------------|--|----------------------|----------------------------|---|
| 8702 (1) | motor cars (a) sedan, convertible, sports | 75% | 65% | For those with piston displace- ment under/of 2000 c.c., cut 10 on Jan 1, 1980; for those with piston displace- ment over 2000 c.c., cut 5% each year from Jan 1, 1983 to Jan 1, 19 |
| 9205 | other wind musical instruments | 50% | 35% | From Jan 1, 1982 to Jan 1, 1984, cut 5% each year |
| 9206 | percussion musical instruments | 50% | 35% | From Jan 1, 1982 to Jan 1, 1984, cut 5% each year |

ANNEX II

| <u>Tax item number</u> | <u>Brief product description</u> | <u>Base rate</u> | <u>Concession rate</u> | <u>Staging</u> |
|------------------------|---|------------------|------------------------|---|
| 0202 (1) | ex turkeys | 65% | 35% | From Jan 1, 1962 to Jan 1, 1983, cut 5% each year; on Jan 1, 1984, cut 10% |
| 0202 (2) | ex ducks | 75% | 40% | From Jan 1, 1962 to Jan 1, 1982, cut 5% each year; from Jan 1, 1983 to Jan 1, 1984, cut 10% each year |
| 0804 (2) | dried grapes (a) in bulk | NT\$30 kg | NT\$15 kg | From Jan 1, 1962 to Jan 1, 1984, cut NT\$3 each year |
| 0804 (2) | (b) packed in boxes | NT\$33 kg | NT\$17 kg | From Jan 1, 1962 to Jan 1, 1983, cut NT\$3 each year; on Jan 1, 1984, cut NT\$4 |
| 1303 (10) | other vegetable saps & extracts | 45% | 25% | From Jan 1, 1962 to Jan 1, 1984, cut 5% each year |
| 2005 | jams, fruit jellies, marmalades, puree & fruit pastes | 85% | 60% | On Jan 1, 1981, cut 10%; Jan 1, 1982-Jan 1, 1983 cut 5% each year |
| 2006 (1) | fruit, cable and pie, preserved, in bottles or cans | 85% | 45% | On Jan 1, 1980, 10%; Jan 1, 1981-Jan 1, 1982, cut 5% each year; Jan 1, 1983-Jan 1, 1984 cut 10% each year |

| <u>Tariff item number</u> | <u>Brief product description</u> | <u>Base rate</u> | <u>Concession rate</u> | <u>Staging</u> |
|-----------------------------------|--|----------------------|----------------------------|---|
| 2006 (7) | other than fruit, table and pie, preserved, in bottles or cans, ground nuts, roasted, pears, lichees, sugar cane, preparation for use as infant food | 85% | 45% | On Jan 1, 1980, 10%; Jan 1, 1981, Jan 1, 1982, cut 5% each year; Jan 1, 1983-Jan 1984, cut 10% a year |
| 2906 (2) | phenol-alcohol (a) for perfumery purposes | 40% | 25% | From Jan 1, 1980 to Jan 1, 1984, cut 5% each year |
| 2906 (2) | (b) other | 25% | 20% | On Jan 1, 1984 cut 5% |
| 2938 | provitamins and vitamins, natural or reproduced by | 30% | 20% | From Jan 1, 1980 to Jan 1, 1984 cut 5% each year |
| 2942 (5) | Others (for medicinal use) other than opium alkaloids, cannabis indica, cocaine alkaloids, and synthetic narcotics, such as emetine, yohimbine alkaloids, strychnine quinine, ephedrine, caffline, etc | 25% | 20% | On Jan 1, 1984 cut 5% |
| 3003 (1) | antibiotics | 30% | 20% | From Jan 1, 1980 to Jan 1, 1984 cut 5% each year |
| 3003 (2) | sulpha drugs | 30% | 20% | From Jan 1, 1980 to Jan 1, 1984 cut 5% each year |

| <u>Tariff item number</u> | <u>Brief product description</u> | <u>Base rate</u> | <u>Concession rate</u> | <u>Staging</u> |
|-----------------------------------|---|----------------------|----------------------------|---|
| 3209 (9) | stamping foils (b) of synthetic resin base | 60% | 40% | From Jan 1, 1981 to Jan 1, 1984, cut 5% each year |
| 4801 (2) | (f) other paper- board (including kraft paperboard) | 40% | 30% | From Jan 1, 1981 to Jan 1, 1984, cut 5% each year |
| 6910 | sinks, wash basins, baths and like sanitary fittings | 75% | 45% | From Jan 1, 1981 to Jan 1, 1983, cut 5% each year on Jan 1, 1984, cut 10% |
| 8320 | tube & pipe fittings, of iron or steel | 30% | 25% | On Jan 1, 1984, cut 5% |
| 6338 (2) | (a) sanitary ware, iron, enamelled | 85% | 55% | On Jan 1, 1980, 10%; Jan 1, 1981, Jan 1, 1984, cut 5% each year |
| 8410 (1) | stranded wire, cables, cordage and rope of copper wire | 25% | 20% | On Jan 1, 1984, cut 5% |
| 8315 (1) | welding rods (a) carbon steel | 45% | 30% | From Jan 1, 1981 to Jan 1, 1984, cut 5% each year |
| 8706 (2) | internal combustion piston engines (c) for other motor vehicle use | 45% | 30% | From Jan 1, 1981 to Jan 1, 1984, cut 5% each year |
| 9510 (2) | liquid elevators | 25% | 15% | From Jan 1, 1981 to Jan 1, 1984, cut 5% each year |

| <u>Tariff item number</u> | <u>Brief product description</u> | <u>Base rate</u> | <u>Concession rate</u> | <u>Stac.</u> |
|-----------------------------------|--|----------------------|----------------------------|--------------|
| 696.35 | pneumatic craft | 6% | 2.4% | <u>1/</u> |
| 732.10 | bicycles | \$1.50 each | 60c each | <u>2/</u> |
| 734.51 | badminton equipment and parts | 14% | 5.6% | <u>1/</u> |
| 734.60 | croquet equipment and parts | 8% | 3.2% | <u>2/</u> |
| 737.70 | confetti, paper decorations | 10% | 4% | <u>1/</u> |
| 750.26 | whiskbrooms of broom corn | 20% | 8% | <u>1/</u> |
| 750.35 | feather dusters | 7% | 2.8% | <u>1/</u> |
| 760.65 | billiard chalk and tailors' chalk | 5% | free | <u>1/</u> |
| 771.05 | cellulose acetate waste and scrap | 3.7c/per lb | 1.4c/per lb | <u>3/</u> |
| 791.80 | leather articles, nspf, of reptile leather | 14% | 5.6% | <u>1/</u> |

- a/ A new item number will be established for these products.
 - b/ Will be converted to 2.2% ad valorem
 - c/ Will be converted to 5.7% ad valorem
 - d/ Will be converted to 9.8% ad valorem
-
- 1/ Duty reduction will be in annual stages equivalent to 3 percent ad valorem beginning January 1, 1980, and continuing until the full concessional rate reached.
 - 2/ Duty reduction will be in eight equal annual stages beginning January 1, 1980, with the full concession rate becoming effective on January 1, 1987.
 - 3/ The first stage of reduction shall become effective on the effective date for the United States of the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade, entered into on April 12, 1979. The full concession rate shall become effective upon the expiration of a period of 6 years and 6 months commencing with the effective date of the first stage reduction. The second stage shall become effective upon the expiration of a period of 6 months commencing with the effective date of the first stage. During the full staging period, the amount of reduction from the base rate to the full concession rate shall become effective in 8 equal stages, the last 7 of which shall be annual stages.
 - 4/ This concession will be implemented in one stage on January 1, 1982.