

AGREEMENT BETWEEN THE AMERICAN INSTITUTE IN TAIWAN  
AND THE COORDINATION COUNCIL FOR NORTH AMERICAN AFFAIRS  
CONCERNING BEER, WINE AND CIGARETTES

The American Institute in Taiwan (AIT) and the Coordination Council for North American Affairs (CCNAA) agree that the following guidelines regarding the importation, distribution and sale within Taiwan of beer, wine and cigarettes shall be effective January 1, 1987:

I. Definitions

For purposes of this Agreement:

A. The "importer" of U.S. wine, beer and cigarettes shall mean the Taiwan Tobacco and Wine Monopoly Bureau (TTWMB).

B. "Merchandise" shall mean still and sparkling grape based wines (CCCN 2205 and 2206), coolers and other fermented beverages including non-grape based wines (CCCN 2207), cigarettes (CCCN 2402) and beer (CCCN 2203) produced in and exported from the United States and counted for customs statistical purposes as an export from the United States to Taiwan.

C. "Commercial importer" shall mean exclusive and non-exclusive representatives, distributors, subdistributors, agents, wholesalers and licensed retailers, who have a commercial relationship with U.S. suppliers of merchandise.

D. "U.S. suppliers" shall mean producers, export trading companies, brokers and other entities which export merchandise.

E. "Retailer" shall mean an establishment, facility or outlet operated under a valid TTWMB license to sell TTWMB products.

II. Importation Procedures

A. Commercial importers shall be allowed to import into Taiwan, through TTWMB, the merchandise. A commercial importer may purchase from a number of U.S. suppliers of merchandise. A commercial importer shall be responsible for the performance of and shall direct all functions and activities relating to the importation process, including securing an import permit from the Board of Foreign Trade in the name of TTWMB and letters of credit or other payment documents.

B. Upon receipt of the following documents from the commercial importer, TTWMB shall, within three working days, stamp or sign the import permit application properly completed by the commercial importer for each shipment of merchandise, without any restriction on price, quantity, brand or style:

- (1) A valid certificate of registration of profit-seeking

11  
12/12/86

J.A.-C. 12.12.'86

enterprise, issued by the appropriate CCNAA authority to the commercial importer;

(2) a pro forma invoice setting out the brand (and style, if applicable) of the merchandise to be imported in that shipment, quantity of each brand (and each style, if applicable), and price quotation of each brand (and each style, if applicable);

(3) most recent certificate(s) issued by appropriate CCNAA tax authorities, demonstrating that such commercial importer has paid all taxes owed in Taiwan; and

(4) a valid certificate of origin issued by the appropriate state or federal government or semi-government bodies or appropriate chamber of commerce of the United States certifying that all merchandise in that shipment is produced in the United States.

C. As a condition for formal customs entry into Taiwan of the merchandise, the commercial importer shall provide to the customs officials one copy of a receipt issued by TTWMB confirming that the monopoly tax has been paid in full. Such receipt shall be issued upon payment of the tax.

D. All packing, shipping, insurance, inland transportation, warehousing arrangements, and customs clearance relating to any merchandise imported to Taiwan shall be the sole responsibility of the commercial importer.

E. Import of merchandise shall be cleared through customs expeditiously, in accordance with the law and standard procedures and rules.

F. The TTWMB shall complete any inspection within the ten-day period provided for customs inspection under Taiwan law to ensure compliance with:

- (1) The pro forma invoice already submitted to the TTWMB;
- (2) the standards or requirements described in section VII below;
- (3) the certificate of origin already submitted to the TTWMB.

G. Upon application, TTWMB shall promptly authorize on premise establishments to import the merchandise directly from U.S. suppliers and/or to purchase merchandise from commercial importers without being subject to retail markup limits.

11  
12/12/86

A.A.C. 12.12.'86



### III. Monopoly Tax

A. The TTWMB shall collect on behalf of the CCNAA authorities the monopoly tax from the commercial importer for each shipment of merchandise imported to Taiwan in accordance with normal commercial and financial practices in Taiwan. Such monopoly tax shall be in lieu of applicable import duties, harbor construction fees and commodity taxes. Notification to the Ministry of Finance on a confidential basis by commercial importers of the selling price at all stages throughout the marketing process shall meet the requirements of Article 8, paragraph one, subparagraph 16 of the Business Tax Act, and the Value Added Tax (VAT) shall be exempted. No other fees may be charged by the TTWMB in connection with the import in its name of the merchandise.

B. TTWMB shall be indemnified by commercial importers from liabilities not attributable to its willful default or gross negligence arising from the importation of merchandise. For merchandise which has been certified by the insurer to be so damaged as to be unusable, the TTWMB shall, following receipt of such certification, refund the monopoly tax on that merchandise in cash or by bank cashier's check concurrently upon the delivery by the commercial importer to TTWMB of the goods in question.

C. The monopoly tax shall be assessed at the following rates:

- (1) Wine,  
NT \$119 per liter;
- (2) Wine coolers,  
NT \$45 per liter;
- (3) Beer,  
NT \$30 per liter; and
- (4) Cigarettes,  
NT \$830 per thousand.

### IV. Pricing

A. All prices for each brand or style of the merchandise shall be established solely on the basis of freely competitive market forces in Taiwan. Commercial importers may not be required to provide notification more than ten days in advance to TTWMB of the anticipated retail price at which beer, wine, wine coolers and cigarettes shall be sold or of any changes thereto.

B. CCNAA authorities' regulations shall stipulate the maximum retail margin. Subsequent changes shall be publicized. All regulations shall be applied in a non-discriminatory manner to local products and U.S. merchandise.

C. Except as otherwise provided in the preceding section IV.B, other commercial terms, fees, commissions and price to the

11  
12/12/86

J.F.C. 12.12.'86

retailer shall be determined solely by suppliers and their commercial importers.

V. Warehousing and Distribution

A. Commercial importers shall notify the TTWMB of the location of the warehouses in which imported merchandise is stored within ten days of acquiring the warehouse space.

B. Commercial importers may choose to distribute any merchandise through subdistributors or wholesalers or directly to retailers licensed to deal in such merchandise. No TTWMB licensing or approval may be required for the distributors or wholesalers; provided that if any distributor, subdistributor or wholesaler also engages in the retail of any merchandise, it must also be a retailer licensed to deal in that merchandise.

C. The treatment of imported merchandise sold in duty-free establishments operated by TTWMB shall not, under this Agreement, be any less favorable than accorded such merchandise prior to January 1, 1987.

D. Imported merchandise shall be permitted to be sold at all establishments at which TTWMB products are sold. No additional or separate TTWMB license or authorization may be required for imported merchandise to be sold at these establishments.

VI. Advertising and Promotion

A. Cigarette samples may be restricted to stick by stick distribution.

B. Point of sale promotions including displays, signs, posters, samples, gifts, gifts with brands, leaflets and tastings shall be permitted at each wholesale, distribution, and retail establishment at the place of business given in its certificate of registration of profit-seeking enterprise issued by the appropriate authorities, including on premise establishments.

C. Special promotions shall be permitted but commercial importers may be required to provide 30-day prior notification to the TTWMB of the activity or event planned.

D. Advertisements in magazines and newspapers for beer and wine shall be permitted. Each manufacturer of cigarettes may be limited to 120 advertising placements in magazines during each calendar year.

E. Other sales promotional and advertising activities similar to those conducted by TTWMB may be carried out for imported merchandise.

F. TTWMB may not impose financial limits on the above activities.

⑪  
12/12/86

J.A.C. 12.12. '86



VII. Labeling and Packaging

A. Cigarettes: A health warning shall appear on each pack of cigarettes. The warning shall be in the Chinese language on the side of the package and shall be identical to the text of the TTWMB health warning. The typesize, typeface and format shall be essentially equivalent to the current TTWMB health warning. Date of packaging shall be on the inside foil of each pack of cigarettes in industry accepted nomenclature. The nomenclature key shall be given to CCNAA.

B. Beer: The date on which the product is inserted in its container shall be visible on the bottom of each retail container in industry accepted nomenclature. The nomenclature key shall be given to CCNAA. U.S. firms may ship beer products to Taiwan in their containers as produced in the United States without change.

C. Wine: Retail containers shall be labelled to provide an accurate description of the product.

VIII. Penalties

In the event of suspected noncompliance with these guidelines by commercial importers, TTWMB shall notify in writing the suspected violator of the alleged violation, the time period within which such violation must be corrected or discontinued, and the penalty to be imposed by TTWMB should the violation not be corrected or discontinued within that time period. A determination by TTWMB of any penalty shall be guided by the applicable laws and regulations. CCNAA and AIT shall consult before the imposition of any penalty which has the effect of preventing the importation or distribution of U.S. beer, wine and cigarettes.

IX. Consultations

A. AIT and CCNAA agree to consult promptly at the written request of either party on any matter relating to the sale of U.S. merchandise in Taiwan.

B. CCNAA reserves the right to change the status of TTWMB as well as laws and regulations governing TTWMB whenever it deems appropriate. In the event that the status of TTWMB as described in this Agreement is modified, AIT and CCNAA shall consult prior to such modifications to ensure that the market access provided for under this Agreement is not impaired and that any new laws

11  
12/12/86

A.A.C. 12.12.'86

and regulations in Taiwan shall be applied in a nondiscriminatory manner.

Done, in duplicate, at Washington, D.C. this 12<sup>th</sup> day of December, 1986.



For the American Institute  
in Taiwan  
David Dean, Chairman of the  
Board and Managing Director



For the Coordination Council  
for North American Affairs  
Dr. Fredrick F. Chien,  
Representative