

MINUTES
AIT - CCNAA TRADE CONSULTATIONS
MARCH 11 - 14, 1991

IMPLEMENTATION OF TRADE ACTION PLAN

AIT expressed appreciation for measures taken by the authorities represented by CCNAA to reduce tariffs, enhance IPR protection, improve access to the insurance market; and for their commitment to liberalize access to banking and securities markets in the territories represented by CCNAA, and reduce non-tariff barriers.

CCNAA reiterated the commitment of the authorities represented by it to a policy of liberalizing and internationalizing the economy in the territories represented by CCNAA.

TARIFFS

AIT expressed its concern for the delay in the 1990 tariff reduction which was stated in the Trade Action Plan. AIT was concerned that this delay could result in a further delay in the 1991 tariff reduction stated in the Trade Action Plan.

CCNAA explained that the delay that occurred at the LY was unexpected. The 1990 tariff reduction bill was presented to the LY in 1990, in accordance with the time-table in the Action Plan.

CCNAA further stated that once the 1990 tariff reduction bill has been passed by the LY, the authorities represented by CCNAA will take into consideration the delayed passage of the bill in drafting the next tariff reduction bill, and the items included in AIT's December 1989 tariff request list.

CCNAA reiterated its target, stated in the Action Plan, to achieve an average nominal tariff rate of 7% and an average effective tariff rate of 3.5% in 1992.

IMPORT LICENSING

CCNAA stated that, once the Trade Act becomes law and other related regulations have been promulgated, the number of items subject to import licensing or other special licensing requirements are expected to be no more than 20% of all items under the CCC Code.

COSMETICS

CCNAA stated that in their present draft, the amendments to the Cosmetics Statute pending in the LY will authorize DOH to exempt the pre-marketing approval for certain non-medicated cosmetics.

Responding to the point made by AIT that U.S. industry would like to have the opportunity to have their views made known to CCNAA regarding products to be exempted from pre-marketing approval requirements, CCNAA stated that such views would be welcome.

CCNAA stated that cosmetic formulae are trade secrets and that the use of "QS" (Quantity Sufficient) designation will be acceptable in lieu of exact quantities for non-medicated cosmetics. The labelling of ingredients will be required if the authority concerned so notifies by public notice in advance.

In response to AIT's enquiries, CCNAA invited AIT's suggestions for alternative methods of authenticating documents required for pre-marketing approval.

TARIFF CLASSIFICATION

AIT alleged that there are discrepancies in the tariff classification by the authorities represented by CCNAA of microwave popcorn and frozen hash brown potatoes. CCNAA stated that there are no discrepancies in such tariff classification.

With respect to frozen hash brown potatoes, CCNAA stated that the 8 digit HS system provides for such classification. With regard to microwave popcorn, CCNAA maintained that this product, being "prepared", should not be classified under Chapter 10 of the HS Code.

CCNAA stated that it would consider AIT's concerns in the next tariff review.

COA IMPORT LICENSING

AIT reiterated its concern regarding COA import licensing requirements, and stated that it would resubmit its March 1990 request list.

CCNAA pointed out that on the basis of such aggregate measurements of agricultural support as PSE, the territories represented by CCNAA rank behind Japan, South Korea, the EC and the U.S., while in terms of market liberalization the territories represented by CCNAA have an index much higher than that of Japan, South Korea or Spain.

AIT challenged CCNAA's explanation regarding PSE calculations and reiterated its concerns regarding Taiwan's commitment and actions to liberalize its agricultural sector both in terms of internal supports and market access.

CODLING MOTH

AIT requested the authorities represented by CCNAA not to change their current import procedures for U.S. apples prior to a technical visit to review U.S. orchard management practices and discuss with U.S. plant health officials regarding various actions and measures taken by the authorities represented by AIT to ensure that shipments of apples from the United States are free of any codling moth.

CCNAA stated that in view of the fact that to date the territories represented by it are still a codling moth-free area, the U.S. should ensure that all U.S. fruits exported to the territories represented by CCNAA are free of any codling moth. CCNAA also stated that it reserves the right to take appropriate actions pursuant to the internationally accepted quarantine practice whenever such action is warranted. CCNAA agreed to give AIT prior notice in regard to such action. CCNAA also agreed to the technical visit proposed by AIT.

POTATOES

CCNAA understood AIT's concern about phytosanitary restrictions on fresh potatoes and stated that additional information from AIT regarding U.S. quarantine measures for the control of golden nematodes would be required for review by the phytosanitary advisory committee of the authorities represented by CCNAA. CCNAA further stated that any change in the phytosanitary measures has to be preceded by an amendment to the Commodity Inspection Law by the LY.

PORK

AIT urged CCNAA to consider implementing a pork testing MOU similar to the recently concluded turkey MOU.

CCNAA pointed out that pork, like beef, is from large size livestock, and, hence, should meet the same requirements as those applied to beef, and that it is difficult at this time without enough records of compliance, to discuss about a procedure (by way of MOU) to regulate pork imports.

FRUIT FROM TERRITORIES REPRESENTED BY CCNAA

CCNAA reiterated its concern regarding U.S. phytosanitary requirements for lychees, mangoes and starfruit. The first two kinds of fruits have since 1986 been exported to Japan, a country known for its stringent quarantine procedures. CCNAA stated that further import restrictions in the form of a

non-quarantine pest -- the cocoa-pod borer -- in addition to the oriental fruit fly constitutes a non-tariff barrier. CCNAA requested the territory represented by AIT to lift its ban on those fruits immediately.

AIT took note of CCNAA's concern, reiterated AIT's phytosanitary concerns pertaining to these products, in line with internationally-accepted practices, cited recent progress that has been made in technical discussions on these issues, and stated that further information would be required from Taiwan before U.S. technical reviews can be completed.

PROPOSED STANDARDS/FOOD SAFETY WORKING GROUP

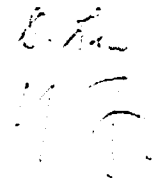
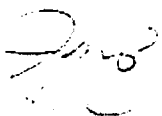
AIT proposed the establishment of an AIT-CCNAA ad hoc standards/food safety working group, under the umbrella of the trade consultations, in order to address and resolve technical issues related to agricultural trade. CCNAA agreed in principle to the formation of such a working group, stating, however, that the words "Standards/Food Safety" in the suggested name of the working group should be changed to "Sanitary/Phytosanitary", that only technical people should be members of such a working group, and that terms of reference should be determined at a subsequent time. CCNAA further stated that the group should be confined to sanitary and phytosanitary matters and function independently of the trade consultations.

Both sides agreed to continue discussions on the scope and terms of reference of the working group and whether it would relate to the trade consultations.

GM CUSTOMS VALUATION

AIT requested explanation of the criteria which Customs Authorities represented by CCNAA would use to evaluate whether the invoice price of imported automobiles will be accepted as the duty-paying value. AIT also requested explanation of the methodology for determining the duty-paying value if Customs Authorities represented by CCNAA determine the invoice price is unacceptable.

CCNAA stated in response that its valuation system prescribed in the Customs Law is consistent with the principles of GATT Valuation Code. CCNAA reiterated that all imported goods including GM automobiles were and would be assessed in accordance with the provisions of the Customs Law without exception. When a case arises in which the Customs Authorities represented by CCNAA determine that the invoice to an importer is not enough to substantiate the bona fide transaction value of a given transaction, CCNAA will determine in that case what



additional documents are needed to persuade it that the price stated in the invoice is the transaction value.

Customs authorities represented by CCNAA offered to meet with AIT to further discuss these matters.

GELATIN CAPSULES

CCNAA stated that the Health Authorities represented by it will issue a product license for gelatin capsules to Parke-Davis within eight weeks of receiving gelatin capsule samples for laboratory analysis if such analysis meets the established specifications.

CCNAA confirmed that any importer (pharmaceutical firm) authorized by Parke-Davis may apply, in accordance with applicable law, for an import permit to import capsules based on the product license that will be issued to Parke-Davis.

PROCESSED TURKEY MEAT

CCNAA stated that the temporary tariff reclassification for processed turkey meat will be extended until a permanent reclassification is enacted by the LY.

ENGINEERING & CONSULTING FEES

CCNAA stated that revenues received by foreign engineering and consulting firms for services other than those defined in Article 8, paragraph 6 of CCNAA's Income Tax Act, will, in appropriate cases, be taxed as technical services at the 3.75 percent rate in accordance with Article 25 of the Income Tax Act.

TELECOMMUNICATIONS

AIT expressed its concerns regarding possible limitations that it heard may be introduced to the liberalization of Taiwan telecommunications market, including a restrictive definition of Type II (competitive) services, any limitations on foreign investment in value-added services, classification of new services, and local content restrictions on telecommunications procurement. AIT requested following consultations on these issues with CCNAA in the summer of 1991 when further information may be available in the amendments to the Telecommunications Act.

CCNAA understood AIT's concerns and stated that since the first draft of the bill to amend the existing Telecommunications Act is not yet completed, it is too early to speculate how the

telecommunication market would be regulated or how the Type II (competitive) services would be defined. At any rate, CCNAA stated that it would convey AIT's concerns to the law committee of the Ministry of Communications which is presently reviewing what amendments should be introduced to the Telecommunications Act. CCNAA further stated that in introducing amendments to the Telecommunication Act, CCNAA would consider AIT's suggestions, liberalization efforts in the telecommunication business in other countries, and the situation of the local industry. CCNAA emphasized, in this connection, that telecommunications liberalization was its established policy, as evidenced by the liberalization of customer premises equipments (CPE), pre-wiring, and etc. in 1990, noting, however, that that the telecommunications industry and services could not be completely liberalized overnight, and that the liberalization of CPE and telecommunications services (Computer I, II, & III) in the territories represented by AIT has taken a few decades to reach where it is today.

As to the follow-up consultations, CCNAA stated that it would consider AIT's suggestions.

IPR

CCNAA outlined the steps the authorities represented by CCNAA have taken to improve IPR protection and requested that the territories represented by CCNAA be removed from the Special 301 watchlist. AIT agreed to give CCNAA's request careful consideration.

PATENT AND TRADEMARK LAW

AIT urged CCNAA to consider the suggested changes to the draft amended patent and trademark laws discussed during the February talks, including extending the term of patent protection to 20 years from filing date, limiting compulsory license provisions, and adopting damage calculations based on retail prices of the legitimate product. CCNAA stated that compulsory license limitations, presently under CCNAA's consideration, is already more restrictive than countries like England, Japan and Germany.

CCNAA confirmed that it would adopt the international system of trademark classification after the automation of its trademark registration operation is in place as well as the necessary changes to its trademark law are completed. CCNAA stated that it was considering introducing improvements to the present procedure for providing administrative relief to patent and trademark claims.

SEMICONDUCTOR CHIP LAW

CCNAA requested further information on U.S. experience in enforcing semiconductor chip protection. Both sides agreed that further consultations on these issues would be useful.

COPYRIGHTS

AIT expressed appreciation for CCNAA's efforts to obtain expeditious consideration of the pending copyright law amendments by the LY. AIT also expressed appreciation for CCNAA's efforts to enhance public awareness in the territories represented by it of the importance of strengthened copyright protection.

AIT expressed its concern regarding the growing incidence of pirated software exports from the territories represented by CCNAA. Since no software manufacturer in the territories represented by CCNAA is licensed to produce U.S. copyrighted software, AIT requested that the CCNAA consider establishing a system under which exporters would be required to demonstrate that their software shipments were produced under a valid copyright license.

CCNAA was not in a position to verify the truth of the statement that "no software manufacturer in the territories represented by CCNAA is licensed to produce U.S. copyrighted software", since software licensing is a commercial act entirely outside the sphere of authority of the administration. As regards AIT's request to establish a system whereby exporters would be required to submit copyright licensing certificates to prove the right to produce, CCNAA stated that it would, within the current statutory and regulatory framework, study the feasibility of establishing such a system.

U.S. REGISTRATION REQUIREMENT

CCNAA requested the elimination of the U.S. registration requirement for copyrighted work of the territories represented by CCNAA. AIT agreed to recommend such an amendment to the U.S. copyright law, provided that the authorities represented by CCNAA adopts a Berne consistent copyright law.

CABLE TV LAW

AIT requested that the draft cable TV law provide for a review of the IPR record of applicants for cable TV licenses or license renewals.

CCNAA stated that the draft cable TV law provides that the authorities represented by CCNAA may decline to renew an

operator's license if that operator has been convicted of an IPR violation.

INSURANCE

AIT expressed its appreciation for steps taken by the CCNAA authorities to date to improve access to insurance market in the territories represented by CCNAA for U.S. companies. AIT also urged expeditious passage by the LY of the amendments to the Insurance Law and expressed hope that the implementing regulations will lead to further liberalization of the insurance market in the territories represented by CCNAA.

AIT expressed concern regarding delays in the insurance product approval process by authorities represented by CCNAA. CCNAA pointed out that many problems were the result of deficiencies in U.S. companies' applications. AIT agreed to convey CCNAA's concern to the U.S. industry. AIT urged CCNAA to consider its suggestion for streamlining the process. Both sides agreed that a continuing exchange of views on this issue would be useful.

AIT & CCNAA discussed insurance pricing systems, expanding investment instruments for U.S. insurance companies in the territories represented by CCNAA and Central Reinsurance Corporation.

CCNAA expressed deep concern that the insurance laws of New York State stipulated prohibiting foreign government-owned insurance company from establishing branch office.

GOVERNMENT PROCUREMENT

AIT agreed to provide CCNAA with copies of laws, materials and information pertaining to U.S. government procurement. AIT will make arrangements, upon CCNAA's agreement, for a meeting between CCNAA representatives and AIT procurement experts for AIT to brief CCNAA on U.S. government procurement law and procedure, as well as items procured by the U.S. government. AIT suggested that the CCNAA representatives at this meeting include an expert who can describe the procurement procedures in the territory represented by CCNAA.

CARNET

As requested by CCNAA, AIT explored the possibility of a carnet bilateral agreement with CCNAA. AIT suggested alternative ways for the temporary importation to the territory represented by AIT. CCNAA will review these alternatives, but continued to express its interest in a carnet bilateral agreement, which CCNAA believes would be to the mutual benefit of the exporters from the territories represented by CCNAA and AIT.