TAIWAN

TRADE SUMMARY

The U.S. goods trade deficit with Taiwan was $11.0 billion in 2008, a decrease of $921 million from $12.0 billion in 2007. U.S. goods exports in 2008 were $25.3 billion, down 3.9 percent from the previous year. Corresponding U.S. imports from Taiwan were $36.3 billion, down 5.1 percent. Taiwan is currently the 13th largest export market for U.S. goods.

U.S. exports of private commercial services (*i.e.*, excluding military and government) to Taiwan were $7.0 billion in 2007 (latest data available), and U.S. imports were $7.2 billion. Sales of services in Taiwan by majority U.S.-owned affiliates were $7.8 billion in 2006 (latest data available), while sales of services in the United States by majority Taiwan-owned firms were $3.3 billion.

The stock of U.S. foreign direct investment (FDI) in Taiwan was $16.4 billion in 2007 (latest data available), the same as 2006. U.S. FDI in Taiwan is concentrated largely in the finance/insurance, manufacturing, and wholesale trade sectors.

IMPORT POLICIES

Tariffs

Taiwan comprehensively revised its tariff schedule in 2006, and continuing unilateral improvement to its tariff structure on finished goods and raw materials, has pushed down the average nominal tariff rate on imported goods to 5.56 percent in 2008 from 5.6 percent in 2006.

In order to stabilize commodity prices in Taiwan, the Executive Yuan implemented temporary tariff cuts on seven bulk imports including wheat, flour, and flour of soybean and corn until February 5, 2009. In addition, Taiwan implemented additional temporary measures to cover all other types of durum wheat, tomatoes preserved other than by vinegar or acetic acid, sesame seeds, milk and cream in powder form, and butter.

Taiwan is working to enact legislation outlining a new version of its tariff schedule to meet the World Customs Organization's Harmonized System requirements. Taiwan estimates it needs to reclassify goods in more than 11 percent of its tariff lines. U.S. industry continues to request that Taiwan lower tariffs on many goods, including large motorcycles, wine, canned soups, cookies (sweet biscuits), savory snack foods, vegetable juices, potato and potato products, table grapes, apples, fresh vegetables, and citrus products.

When Taiwan became a WTO Member in January 2002, Taiwan implemented tariff-rate quotas (TRQs) on small passenger cars, three categories of fish and fish products, and a number of agricultural products. On January 1, 2007, in accordance with its WTO commitments, Taiwan made additional tariff cuts and increased TRQ amounts on these products. For example, the commodity tax on passenger cars with engine displacement of over 2000cc dropped from 35 percent to 30 percent, and this rate will remain in place until 2011. Also by 2011, Taiwan has committed to eliminate TRQs on small passenger cars.

Taiwan maintains Special Safeguards (SSGs) for a number of agricultural products covered by TRQs. SSGs, permitted under Article 5 of the WTO Agreement on Agriculture, allow Taiwan to impose additional duties when import quantities exceed SSG trigger volumes or import prices fall below SSG trigger prices. Because Taiwan did not previously import many of these products, SSG trigger volumes are relatively low. Over the last few years, Taiwan has imposed safeguard provisions on poultry imports several times, and SSGs have also been triggered on several other products, including types of offal. Imports of affected products usually continue despite safeguard tariffs.

Taiwan has eliminated more that 99 percent of its import controls, but 87 product categories still face import restrictions, up from 71 product categories in 2007. Of these categories, 24 require import permits from the Board of Foreign Trade and 63 are prohibited. Most of the permit-required categories are related to public sanitation and national defense concerns and include ammunition and some agricultural products.

Agricultural and Fish Products

Before it became a WTO Member, Taiwan banned or restricted imports of 42 agricultural and fish items. In January 2002, Taiwan liberalized imports of 18 of these agricultural and fish categories and implemented TRQs on the remaining 24 items. On January 1, 2005, Taiwan eliminated TRQs on a number of products of interest to the United States, including chicken meat, poultry offal, and pork bellies and offal.

Rice

Upon accession to the WTO in 2002, Taiwan committed to lifting the ban on rice importation and opened up a quota of 144,720 metric tons on a brown rice basis under the special treatment regime. Taiwan shifted its rice importation regime from a special treatment to a tariff-rate quota regime starting in 2003. After the United States and other WTO members raised objections to its original method of quota allocation, Taiwan subsequently agreed that the government import quota would be allocated based on a country-specific quota regime, with the U.S. quota accounting for 64,634 metric tons. Since 2007, U.S. exporters have raised concerns that Taiwan's ceiling price mechanism has disrupted Taiwan's tendering process for procurement of U.S. rice, because the system has failed to keep pace with market conditions. The ceiling price over the past year has been routinely lower than those bid by U.S. exporters, causing tenders to fail. Taiwan did not fill its 2007 country-specific quota for rice and delayed scheduling of its purchases in 2008. Taiwan has provided numerous arguments for not filling the 2007 quota and for delaying the 2008 tender schedule. These ranged from not wanting to affect world rice prices during a global food crisis, to having insufficient funds to purchase rice, to pointing out unusually high prices of California medium grain rice that exceed domestic wholesale prices. Also, Taiwan's mandatory destination testing of U.S. long grain rice for the biotechnology Liberty Link trait has led to trade uncertainty and resulted in a failed tender on December 30, 2008.

Wood Products

Taiwan recently revised its building codes in line with international practices, and on October 31st, 2008, the Construction and Planning Agency of the Ministry of the Interior announced long-awaited companion fire codes for wood frame construction. U.S. industry believes the new codes will allow builders to obtain insurance for construction and further encourage wood use in construction. Fire codes for heavy timber were not included in this announcement. However, those interested in using heavy timber in construction can apply to the Taiwan authorities for fire resistance testing, though this option is prohibitively costly.

Automobiles and Motorcycles

On November 1, 2007, the Ministry of Transportation and Communications (MOTC) opened most expressways to large motorcycles with engine displacement of 550cc or more, and asked the Directorate General of Highways to further study the feasibility of opening highways to those motorcycles. The deadline of the study will be in November 2009. The tariff on small automobiles is 30 percent, that of motorcycles between 250cc to 500cc-displacement is 18 percent, and that of above-500cc-displacement motorcycles is 20 percent.

STANDARDS, TESTING, LABELING, AND CERTIFICATION

Over 70 percent of the standards established by Taiwan's Bureau of Standards, Metrology & Inspection (BSMI) have been harmonized to some extent with international standards, and BSMI is continuing to harmonize existing standards with international standards. Taiwan's Chinese National Standards, which are based on International Electro-Technical Commission (IEC) standards, provide rules and guidelines for products, processes and services.

Automobiles

Before 2004, Taiwan's market was open to vehicles that met either the North American Federal Motor Vehicle Safety Standards or the United Nations Economic Commission for Europe (ECE) vehicle safety standards. In 2004, however, the MOTC decided to continue using only the ECE standards and type approval regime in order to harmonize Taiwan with the majority of its trading partners. Non-passenger vehicles must already meet regulations based on ECE standards to be sold in Taiwan, and ECE standards will be in force for all vehicles by January 2013. For non-ECE vehicles, Taiwan offers an alternative certification method through its Automotive Research and Testing Center (ARTC) or thirty other testing centers worldwide, none of which are in the United States. The ARTC certification process, however, is expensive, and manufacturers complain that ARTC lacks sufficient test facilities and technical capabilities to conduct the needed tests.

Organics

In 2007, Taiwan promulgated new "Imported Organic Agricultural Product and Organic Agricultural Processed Products" regulations, which are planned to be implemented on January 29, 2009. However, according to the Council of Agriculture’s (COA) latest notification on January 22, 2009, products manufactured before January 31, 2009 will be exempt from the new labeling requirements and can continue to be sold in Taiwan until July 31, 2009. According to the new labeling requirements, the product packaging must be labeled with a non-duplicative "serial" number approved by the COA on a batch basis for every organic product shipment to Taiwan. The multi-step applications for the COA’s approval will impede the flow of organic trade and could compromise the quality of products because of extended delays. The United States has notified Taiwan of the trade concerns through the WTO comment process and through official meetings with COA. The COA is currently reviewing the United States Department of Agriculture’s (USDA) National Organic Program proposal which, if approved, would enable U.S. organic products to continue to be sold in Taiwan without further certification.

Industrial and Home Appliance Products

Taiwan accepts testing by National Institute of Standards and Technology-designated laboratories in the United States for information technology equipment as described in the Asia-Pacific Economic Cooperation (APEC) Telecom Mutual Recognition Arrangement implemented by the United States and

Taiwan (with respect to Phase I) on March 16, 1999. Under Taiwan's Commodity Inspection Act, industrial and home-appliance products, such as air-conditioning and refrigeration equipment, must meet safety and Electromagnetic Compatibility (EMC) testing requirements before clearing customs. Taiwan's Bureau of Standards, Metrology, and Inspection (BSMI) requires U.S.-produced electrical home appliances imported into Taiwan to comply with Taiwan's IEC-based safety standards. This requirement forces American National Standard Institute or Underwriters Laboratories-certified products to undergo duplicative and expensive safety testing by IEC-consistent laboratories. In addition, products must be completely re-tested by IEC-consistent laboratories after even minor design changes.

Since 2006, BSMI has regulated levels of lead, mercury, hexavalent chromium, polybrominated biphenyls, and polybrominated biphenyl ether in electro-technical products. Such products must pass BSMI-required product testing or production-site inspection. In addition to existing EMC and safety requirements, television receivers must be able to receive over-the-air digital television broadcast signals.

Sanitary and Phytosanitary (SPS) Measures

Beef and Beef Products

Taiwan allows the import from the United States of deboned beef from animals less than 30 months of age, but requires that tissues listed by the World Health Organization for Animal Health (OIE) as Specified Risk Materials appropriate for removal from animals over 30 months of age are removed from animals less than 30 months of age as well. Ruminant and non-ruminant products intended for use in animal feed and pet food, such as tallow (including protein-free tallow), lard, poultry, and porcine meal, are banned due to Bovine Spongiform Encephalopathy (BSE) related concerns. Limited exceptions for pet food have been approved after a thorough case-by-case review or plant clearance process. Taiwan does not maintain a BSE-related import suspension on U.S.-origin protein-free tallow for human consumption.

The United States has continued to engage Taiwan intensively to request that imports of U.S. beef and beef products (and non-ruminant products subject to the BSE-related suspensions) be resumed consistent with OIE guidelines and the May 2007 OIE classification of the United States as controlled-risk for BSE. Taiwan indicates it has completed its regulatory review after finalizing a report on the risk assessment study and conducting a second on-site visit to U.S. beef slaughter and processing facilities by the Department of Health (DOH) and experts on its BSE Risk Advisory Committee. A similar, independent risk assessment on beef products for animal feeding conducted by COA and its review committee has also been conducted, but the rule-making process has still not been completed. With the scientific review and technical work complete, it appears that the only step that remains is a final decision and the necessary administrative procedures to expand access.

Market Access for U.S. Pork and Pork Products

While Taiwan accepts meat and poultry imports from plants approved by the USDA Food Safety Inspection Service, the United States is concerned about the future of U.S. pork exports to Taiwan. Due to the opposition of Taiwan’s domestic pork industry, Taiwan has delayed implementation of the draft Codex Alimentarius (Codex) Maximum Residue Limit (MRL) for ractopamine (a growth promotant), notwithstanding the fact that Taiwan has notified the WTO (in G/SPS/N/TPKM/114) that it planned to adopt the draft Codex MRL of 10 parts per billion (ppb), and Taiwanese officials have acknowledged that there is no health risk due to trace amounts of chemical in U.S. pork. Pork exports have dropped significantly due to the need to source pork from animals not treated with ractopamine and there is concern that all U.S. pork exports could be banned. The United States raised this priority issue in the

October 2008 WTO SPS Committee meeting and urged Taiwan to adopt of the 10 ppb MRL that Taiwan notified to the WTO in August 2007.

Maximum Residue Limits (MRLs)

Taiwan accepts Codex or U.S. pesticide residue standards on a provisional basis for a limited number of already recognized chemicals used on imported fruits and vegetables. However, Taiwan's unwillingness to recognize international MRLs for new chemical/product combinations, coupled with a slow and cumbersome approval process, has resulted in a backlog of over 1,500 MRL applications. Taiwan's inability to keep pace with requests to establish new MRLs has resulted in the rejection of various U.S. agricultural shipments including wheat, barley, strawberries, and corn, and is creating a significant level of uncertainty in the U.S. agricultural industry as a whole. To avoid this disruption of trade, the United States has petitioned Taiwan on several occasions to continue to enforce a 1999 agreement between the United States and Taiwan that ensures that Taiwan will reference Codex as well as U.S. MRLs, in the absence of Codex tolerances.

In response to trading partner concerns, Taiwan recently established a priority list of 218 MRLs. The Taiwan DOH will review applications for these high-priority MRLs over the next two to three years in an effort to reduce the backlog for establishing pesticide tolerances. While the United States generally supports the DOH's strategy to establish and quickly review two MRL priority lists (top 30 list in July 2007 and the top 218 list in July 2008), progress has been slow. DOH has approved only one MRL since the establishment of the top 30 list. Furthermore, these lists contain only a small portion of the MRLs that are approved for use in the United States as well as by Codex. EPA has provided data packets for all pesticides on the two priority lists.

Finally, the United States continues to be concerned that some Taiwan plant and animal quarantine measures are not necessarily based on science and are more trade restrictive than necessary to ensure health and safety.

Melamine

As a result of China's Fall 2008 melamine-contamination scandal involving adulterated dairy products, the DOH initially set a 2.5 parts per million (ppm) tolerance level for melamine presence in foods. Due to consumer concerns, DOH quickly withdrew the 2.5 ppm tolerance and instituted a "non-detectable" tolerance policy. Taiwan designated three sensitive product categories: milk powder, infant formula and creamers. Taiwan is using the most sensitive testing equipment available, making the 0.05ppm detection limit adopted for these tests the de facto tolerance for melamine. For other foods the de facto tolerance is 2.5 ppm. As a result, in September 2008, Taiwan indefinitely suspended all Chinese-made dairy, protein products, protein derivatives, and other products. U.S. milk powder, infant formula, and creamers were also scrutinized with test report requirements, but U.S. industry has not reported any adverse impact on exports.

Alcoholic Beverage Products

Taiwan has no ingredient-labeling requirements for alcoholic beverages, though beverages must include a warning label stating that excessive drinking is harmful to one's health. Since January 1, 2008, alcohol product manufacturers and importers must comply with the Hygiene Standards for Alcohol Products on antiseptics, colorants, and additives, or face penalties of up to $90,900. Importers of alcoholic beverages can submit home country documentation of sanitary inspection or safety assurances issued by alcohol product inspection officials or professional alcohol associations as an alternative to customs-clearance product inspection.

Agricultural Biotechnology Products

The current Taiwan agricultural biotechnology regulations are only applied to soybeans, corn and products of soybean and corn. No bioengineered soybeans or corn may be produced, processed, prepared, packed, and imported or exported unless they are registered and approved by the DOH Food Safety Bureau. Taiwan has approved 18 of the most widely commercialized bioengineered corn and soybean events.

At present, Taiwan only regulates corn and soybeans and their products derived from recombinant-DNA. According to Taiwan's current biotechnology regulations, prior market approval for biotech soybean and corn imports is required for food, feed, or processing use. In May 2008, Taiwan implemented registration for stacked events. While no disruptions to trade have resulted from Taiwan's biotechnology regulations, newly registered stack events have added to the growing number of products entering the regulatory approval pipeline. This increase in applications, combined with resource constraints in the domestic regulatory infrastructure, may lead to approval delays.

Labeling of Biotechnology Food

Taiwan requires labels on foods containing biotechnology corn or soybeans. All food products containing 5 percent or more bioengineered soybean or corn ingredients by weight must be labeled as "Genetically Modified (GM)" or "Containing Genetically Modified." Highly processed food items (items with no proteins or DNA) do not require GM labels.

Pharmaceuticals and Medical Devices

Taiwan has identified both the medical device and pharmaceutical sectors as priorities for development, resulting in Taiwan agencies sometimes appearing to favor the interests of local companies over foreign firms.

In the pharmaceutical sector, a continuing concern in Taiwan involves pharmaceutical pricing and management. Through the Trade and Investment Framework Agreement (TIFA) process, the United States has been encouraging Taiwan to adopt a system of actual transaction pricing (ATP) in order to address the significant gap between the amount that the Bureau of National Health Insurance (BNHI) reimburses for a pharmaceutical product and the price actually paid to the provider of that product. This gap distorts pharmaceutical trade and prescription patterns in Taiwan. These distortions are worsened by hospital doctors' ability to both prescribe and dispense pharmaceuticals, which may result in prescribing practices based on monetary factors instead of purely medical considerations. Separating these functions would help to resolve the long term pricing problem.

In addition, Taiwan's lengthy pharmaceutical registration process imposes unnecessary costs and slows market entry for new drugs that have already received regulatory approval in advanced economies. For example, the Taiwan DOH Bureau of Pharmaceutical Affairs (BOPA) requires a company that wants to register a drug for sale in Taiwan to provide Certificates of Pharmaceutical Product (CPP) certifying the drug for sale in two separate markets outside Taiwan. BOPA, however, is considering new registration procedures that would reduce the current requirement to one CPP, which would help speed introduction of new pharmaceuticals, especially U.S.-made drugs, into the Taiwan market.

Through the TIFA process, the United States is encouraging Taiwan's DOH to take action to resolve pharmaceutical pricing and reimbursement problems. The DOH has agreed to set up working groups to study options to bring more transparency and fairness to drug pricing, implementing ATP, and separating dispensing and prescription.

In the medical device sector, a growing area of concern has been Taiwan's ban on imports from China of about 30 medical products. Due to global manufacturing operations, many U.S.-designed medical devices are now produced in China, and the foreign medical device industry has suggested that Taiwan lift import bans for these products. In response, the Ministry of Economic Affairs recently announced that it would conditionally allow limited imports of blood glucose meters made in China.

Improvements have occurred in the registration and approval process for the least risky medical devices in recent years. However, registration and approval procedures for higher risk medical device imports are complex and time consuming, and continue to be the subject of longstanding complaints by U.S. firms. The registration process requires extensive documentation and sometimes arbitrary demands for additional information and redundant testing.

DOH officials are therefore continuing to work with industry to improve the medical device registration process, including issues regarding identical products made in different manufacturing sites within the same quality management system, or with outer packaging changes. In order to make product registration more efficient, the DOH recently adopted more flexible product registration procedures for in-vitro diagnostic medical devices that allow importing companies to follow U.S. or EU procedures, rather than demand extensive documentation and redundant testing for products made in Europe by U.S. companies. Regulations are vague on when local clinical trials are required for the review process or whether industry is allowed to provide additional input in response to questions posed by DOH officials reviewing the clinical trial submissions.

The reimbursement price gap noted above for pharmaceuticals is also an issue for medical devices offered in the Taiwan market. In addition, BNHI pricing criteria currently specifies a single purchase price for all medical devices that treat the same indication. This policy effectively subsidizes lower quality, often domestically-made devices while forcing producers of high-priced, high-value devices (which are often accompanied by additional services such as physician training and technical support) to be reimbursed at an insufficient level. Unless the policy is modified, this may lead to significant market distortion in favor of lower quality products over time.

GOVERNMENT PROCUREMENT

Taiwan is not a signatory to the WTO Agreement on Government Procurement (GPA). Taiwan committed to accede to the GPA as soon as possible after it became a WTO Member, but its accession was stalled due to nomenclature issues. In 2008, those issues were resolved and Taiwan submitted a final offer of coverage in its accession to the GPA in November 2008. The WTO Committee on Government Procurement approved the terms of Taiwan's accession to the GPA in December 2008. The GPA will enter into force for Taiwan after it completes its domestic approval process and submits its instrument of accession to the WTO. Taiwan's government procurement market was valued at more than $18 billion in 2006 and $21 billion in 2007.

In 2001, Taiwan and the United States signed a Memorandum of Understanding on Government Procurement (MOU). The MOU called for Taiwan to implement certain procedural commitments immediately, with others to be implemented upon accession to the GPA.

Many Taiwan procurement contract clauses specifically exclude foreign tenders. In addition, Public Construction Commission-determined terms and conditions for model public procurement projects impose large indirect and unforeseeable liabilities on contractors and thereby prevent U.S. firms from bidding on projects.

EXPORT SUBSIDIES

Taiwan provides incentives to industrial firms in export processing zones and to firms in designated "emerging industries." Taiwan has notified the WTO of these programs and, as part of its WTO accession, committed to amend or abolish any subsidy programs inconsistent with WTO rules. When it became a WTO Member, Taiwan amended relevant laws, such as the Statute for Establishment and Management of Economic Processing Zones and the Statute for Establishment of Scientific Industrial Parks. The United States continues to monitor Taiwan's compliance with the commitments it undertook as part of its WTO accession, including those obligations associated with the Agreement on Subsidies and Countervailing Measures.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

IPR protection continues to be an important issue in the United States-Taiwan trade relationship. The United States recognizes Taiwan’s continuing efforts to improve enforcement of IPR and on January 16, 2009, the Office of the U.S. Trade Representative announced that Taiwan has been removed from the Special 301 Watch List.

However, the United States continues to be concerned with a number of issues, including the availability of counterfeit pharmaceuticals in Taiwan, infringement of copyrighted material on the Internet, illegal textbook copying on and around university campuses, and inadequate protection for the packaging, configuration, and outward appearance of products (trade dress). The U.S. International Intellectual Property Alliance estimates that losses due to IPR copyright piracy in Taiwan cost U.S. industry $327.8 million in 2007. Transshipment of counterfeit products from China is also a problem. Counterfeit goods from Taiwan seized by U.S. Customs dropped from $26.5 million in 2002 to $3.4 million in 2007 and to $1.3 million in the first half of 2008.

Trademark counterfeiting, particularly of clothing and luxury goods, is still a concern. Much of the counterfeit product is reportedly smuggled from China. Rights holders state that Taiwan is both a transshipment point and a market for this counterfeit material. Taiwan Customs and Intellectual Property (IP) police make regular seizures of counterfeit apparel and handbags, but rights holders complain that investigation and prosecution remain hampered due to inadequate resources and personnel and that light sentences issued for convictions do not deter trademark counterfeiters.

Piracy on the Internet, including through unauthorized file sharing of copyright protected material over peer-to-peer networks remains a serious concern for IP enforcement in Taiwan, and the sale of counterfeit goods over the Internet – resulting in part from increased raids on traditional sales venues – is also a concern. Taiwan has made efforts to combat such Internet-related IPR violations, including strengthening cooperation with foreign enforcement agencies and passing an amendment to the Copyright Law in June 2007 that subjects illegal file sharing to a maximum jail term of two years. Also, the authorities are amending the Taiwan Copyright Law to require Internet service providers (ISP) to undertake specific and effective notice-and-takedown actions against online infringers to avoid ISP liability for the infringing activities of users on their networks. The amendments were submitted to the Legislative Yuan in 2008, but have not yet been enacted. To improve Taiwan’s ability to protect IPR on college campuses, Taiwan continued implementing the 2007 Action Plan for Protecting Intellectual Property Rights on School

Campuses to reduce on-line infringement on academic computer networks and combat illegal textbook copying on campuses.

U.S. right holders report that court procedures and delays can constitute impediments to effective IPR enforcement and that penalties for intellectual property infringement are inadequate to deter violators. In addition, Taiwan's judiciary continues to experience difficulties handling technically challenging IPR infringement cases. To improve this situation, Taiwan established a specialized IP court in July 2008, and the United States continues to assist Taiwan to remedy weaknesses in the judicial system by providing training and holding seminars on different criminal enforcement issues.

SERVICES BARRIERS

Banking Services

Foreign banks may set up representative offices, branches, and subsidiaries. To establish a representative office, banks must rank among the world's top 1,000 banks in terms of capital or assets, or have over $300 million in transactions with Taiwan banks and/or enterprises over the past three years. To establish a bank branch, a bank must rank among the world's top 500 banks in terms of capital or assets, or have over $1 billion in transactions with Taiwan banks and/or enterprises over the past three years. The above requirements are waived if the government of the foreign bank's home country has signed a relevant agreement with Taiwan. Taiwan sets a minimum working capital requirement of NT$150 million ($4.6 million) for the first branch and another NT$120 million ($3.7 million) for each additional branch. In addition, a foreign bank's branch in Taiwan is required to maintain net worth above two-thirds of its working capital.

Foreign banking institutions may acquire up to 100 percent of equity in Taiwan banks. Foreign-invested banks in Taiwan are accorded with national treatment, and these banks are subject to a 25 percent ownership limit for each investor, a requirement exactly the same as for Taiwan banks.

Securities Services

Foreign securities firms may set up representative offices, branches, and subsidiaries, and Taiwan securities firms are not subject to any foreign ownership limit. They are subject to minimum capital requirements, including NT$400 million ($12.3 million) for underwriting, NT$400 million ($12.3 million) for trading, and NT$200 million ($6.15 million) for brokerage. The minimum capital requirement increases by NT$30 million ($923,080) for establishing a domestic or offshore branch.

Asset management requires a securities investment trust enterprise (SITE) license and/or securities investment consultant enterprise (SICE) license. SITEs are allowed to organize, sell, and manage mutual funds in Taiwan, and SICEs are permitted to sell and manage overseas mutual funds. Both SITEs and SICEs are not subject to any foreign ownership limit. They are subject to minimum capital requirements, including NT$300 million ($9.23 million) for SITEs and NT$20 million ($615,380) for SICEs, with an ownership limit of 25 percent for each investor (shareholder). A minimum 20 percent of the SITE must be held one or more of the following:

- fund management firms having over three years of experience and currently managing assets above NT$65 billion ($2 billion);

- banks ranking among the world's top 1,000 banks and having three years asset management experience;

- insurance companies with over three years asset management experience, holding assets above NT$8 billion ($246 million);

- securities firms having a minimum paid-in capital of NT$8 billion ($246 million) and engaging in underwriting, trading and brokerage for a minimum of three years; and/or

- financial holding companies whose subsidiaries meet any of the four qualifications.

Insurance Services

Taiwan allows foreign insurance firms to set up representative offices, branches, and subsidiaries. Taiwan also allows foreign insurance firms to merge with or acquire local companies. The minimum capital requirement for an insurance company is NT$2 billion ($615 million), and there is no foreign ownership limit. The minimum working capital for a Taiwan branch of a foreign insurance company is NT$50 million ($1.5 million), and the only entry requirement is a record of sound performance in its home market in the past three years, and no major violations in the past five years. Foreign insurance firms in Taiwan may engage in life, non-life, and re-insurance businesses.

Healthcare Services

Taiwan law permits foreign-invested health care services, such as hospitals and nursing homes, but all types of health care services in Taiwan must be provided by non-profit organizations. The number of foreign persons permitted to serve on the board of directors of a healthcare service provider is limited to no more than one-third of the total members. In addition, one-third of board members must have professional medical qualifications.

Taiwan does not license or recognize chiropractors as legitimate medical practitioners, and allows chiropractors to practice in Taiwan only if they do not advertise their services and make no claims about the results or efficacy of treatments.

Pay Television Services

The Cable Radio and Television Law restricts foreign investment in pay television services to a total equity share of 20 percent for direct investment, or 60 percent for direct plus indirect investment. However, recent, seemingly arbitrary, National Communications Commission (NCC) decisions requesting financial restructuring of local affiliates of foreign-owned cable operators may undermine the ability of foreign cable companies to do business in Taiwan. In addition, continuing caps on monthly cable TV fees are overly restrictive, hamper the Taiwan public's access to more expensive, higher-quality programming, and may reduce the cable industry's incentives to invest in expensive digitalization of Taiwan's largely analog cable system.

Telecommunications Services

To encourage investment and competition, in January 2008, the NCC—established in 2006 to regulate the telecommunications and broadcasting sectors—reduced capital requirements for facilities-based operators from NT$16 billion ($485 million) to NT$6.4 billion ($194 million) for an integrated network operator; from NT$1.2 billion ($36.4 million) to NT$500 million ($15.2 million) for local call service providers in Taipei; and from NT$2 billion ($60.0 million) to NT$800 million ($24.2 million) for both long distance and international call operators. In 2008, the NCC also began accepting and reviewing license applications at any time, rather than on a quarterly basis.

Existing fixed-line operators report that they still face difficulties in negotiating reasonable interconnection arrangements at technically feasible points in the network of the dominant carrier, Chunghwa Telecom (CHT). The Taiwan government maintains a 34 percent ownership share of CHT following partial privatization of the company in 2005 to 2006.

In addition to NT$35 billion ($1.1 billion) of new broadband-network construction ongoing since 2003, the NCC in July 2007 issued six regional licenses to Worldwide Interoperability for Microwave Access (WiMax) operators. Taiwan expects WiMax operators to begin services in 2009, which will help break CHT's monopoly on the telecommunications network.

ELECTRONIC COMMERCE

Over 90 percent of Taiwan’s companies have corporate networks and a network infrastructure and 4.7 million households link their computer to the Internet. According to the Taiwan Institute for Information Industry, Internet sales totaled NT$214 billion ($6.5 billion) in 2007. Taiwan has not joined with the United States in APEC to advocate for a permanent moratorium on taxation of Internet transactions, and the Ministry of Finance imposes business taxes on Internet vendors who sell products for profit and have monthly sales over NT$60,000 ($1,820).

INVESTMENT BARRIERS

Taiwan prohibits or restricts foreign investment in a handful of industries, including agricultural production, public utilities, and postal services. In May 2008, Taiwan removed single-axle truck leasing from the list of sectors in which foreign investment is restricted, but added pesticides. Taiwan has allowed private production of cigarettes since 2004 without any foreign ownership limit, although prior official approval is required. Taiwan-flagged merchant ships are subject to a foreign ownership limit of 50 percent.

The foreign ownership limit on wireless and wire line telecommunications firms is 60 percent, including a direct foreign investment limit of 49 percent. Separate rules exist for Chunghwa Telecom, the legacy carrier still partially owned by the Ministry of Transport and Communications, which controls 97 percent of the fixed line telecommunications market. For Chunghwa Telecom, the cap on direct and indirect investment was raised to 55 percent in December 2007, including a direct foreign investment limit of 49 percent. In January 2003, Taiwan raised the total direct and indirect foreign ownership limit on cable television broadcasting services to 60 percent, including a 20 percent limit on foreign direct investment.

A 49 percent foreign ownership limit remains on satellite television broadcasting services, power transmission and distribution, piped distribution of natural gas, high speed railways, airport ground handling firms, air cargo terminals, air catering companies, and air cargo forwarders. In July 2007, the foreign ownership limit on airline companies was raised from 33 percent to 49.99 percent, with each individual foreign investor subject to an ownership limit of 25 percent.

Portfolio Investment

Foreign portfolio investors are required to register rather than seek advance approval, although since December 2003, the registration can be done through the Internet. Up to 30 percent of funds remitted for purposes of portfolio investment may be held in money market or other similar instruments. Funds for futures trading, however, must be remitted to Taiwan specifically for that purpose and are segregated from funds remitted for equity investment. In June 2007, Taiwan set a cap of NT$300 million on the balance of a foreign investor's NT$ omnibus account resulting from profits gained from futures trading in Taiwan. If the balance exceeds the limit, the foreign investor is required to convert the NT$ into U.S. dollars, with the new balance below $10 million. Except for investors from the People's Republic of China (PRC), offshore foreign portfolio investors may trade in Taiwan's stock market regardless of their size.

In mid-August 2008, Taiwan announced that it will allow China-based qualified domestic institutional investors to engage in portfolio investment in Taiwan after relevant regulations are promulgated, likely before the end of 2008. Such investment, however, will be subject to a PRC-set cap of 3 percent net worth until Taiwan and the PRC sign a cross-Strait memorandum of understanding on this issue.

Since October 2003, foreign hedge funds have been permitted to trade in Taiwan's stock market, but are subject to Taiwan authorities' close surveillance. Foreign individual investors, however, are still subject to an investment limit. Onshore foreign individuals and institutional investors are also subject to annual inward/outward limits of $5 million and $50 million, respectively.