

TAIWAN

TRADE AGREEMENTS

The United States and Taiwan have had in place a Trade and Investment Framework Agreement (TIFA), signed by the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office in the United States (TECRO) since 1994. This Agreement is an important mechanism for discussing a broad range of trade and investment issues between the United States and Taiwan. Meetings of the TIFA Council are typically co-led by a Deputy United States Trade Representative and Taiwan's Deputy Minister of Economic Affairs, under the auspices of AIT and TECRO. The last TIFA Council meeting was held virtually on June 29, 2021.

In addition to engagement under the TIFA, the United States and Taiwan, under the auspices of AIT and TECRO, announced the launch of the United States–Taiwan Initiative on 21st-Century Trade on June 1, 2022. The U.S.–Taiwan Initiative on 21st-Century Trade is intended to develop concrete ways to deepen the economic and trade relationship between the two economies, advance mutual trade priorities based on shared values, and promote innovation and inclusive economic growth for workers and businesses. On June 1, 2023, the two sides signed the first agreement under the U.S.-Taiwan Initiative on 21st-Century Trade. This agreement includes important commitments and outcomes in the areas of customs administration and trade facilitation, good regulatory practices, services domestic regulation, anticorruption, and small and medium-sized enterprises. The agreement entered into force on December 9, 2024. Shortly after the signing of the first agreement under this trade initiative, the two sides began negotiating the remaining trade areas set forth in the negotiating mandate. These negotiations included in-person negotiating rounds and virtual meetings in 2023 and 2024 focused on the areas of agriculture, environment, labor, and dispute settlement.

IMPORT POLICIES

Tariffs and Taxes

Tariffs

Taiwan's average Most-Favored-Nation (MFN) applied tariff rate was 6.5 percent in 2023 (latest data available). The average MFN applied tariff rate was 16.6 percent for agricultural products and 4.8 percent for industrial products in 2023 (latest data available). Taiwan has bound 100 percent of its tariff lines at the World Trade Organization (WTO), with an average WTO bound tariff rate of 6.8 percent.

Taiwan maintained tariff-rate quotas (TRQs) on multiple products when it became a WTO Member in January 2002, and then phased several of them out over the years. However, many TRQs on agricultural products remain in place today. Agricultural TRQs cover 16 products, including rice, peanuts, bananas, and pineapples.

Taiwan has recourse to special safeguards (SSGs) for agricultural products covered by TRQs. SSGs, which are 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 previously did not import many of these products, its SSG trigger volumes are relatively low. As of December 31, 2024, Taiwan had recourse to an SSG for 3 agricultural product categories: red beans, pomelos, and dried orange day lilies.

Taxes

Taiwan taxes rice wine for cooking (*mijiu* labeled for cooking) at a lower rate than that applied to alcoholic products consumed as beverages, even though cooking *mijiu* can be consumed as an alcoholic beverage. The United States and other trading partners continue to express their concerns to the Taiwan authorities that steps should be taken to ensure that imported alcoholic beverages are not taxed at a higher rate than domestically produced alcoholic beverages, including cooking *mijiu* that can be consumed as an alcoholic beverage.

Non-Tariff Barriers

Quantitative Restrictions

In certain years, the Taiwan authorities have rejected bids from U.S. rice exporters under its country-specific quota (CSQ) regime, arguing that high U.S. prices exceeded Taiwan's ceiling price. Taiwan's ceiling price mechanism is not made public, raising concerns that prices are arbitrarily set lower than the levels bid by U.S. exporters, causing the tenders to fail. In 2022, Taiwan filled only 61 percent (39,355 metric tons) of the U.S. CSQ for rice with the remainder (25,279 metric tons) released to global tender, the biggest shortfall since 2014 given fluctuations in rice prices. In 2023 and 2024, Taiwan filled 100 percent of the CSQ for U.S. rice, totaling 64,634 metric tons in each year. Nevertheless, U.S. Government and industry concerns over rice market access persist.

Customs Barriers

Taiwan requires that genetically engineered (GE) and non-GE raw materials, such as corn and soybeans, enter under separate tariff lines. The GE products are evaluated by regulatory authorities in comparison to their non-GE counterparts and have been found to be as safe as their non-GE counterparts. Once approved, they are comingled with the non-GE products in the agricultural supply chain. There is no scientific or technical basis for Taiwan's separate tariff lines for GE and non-GE raw materials.

Inspections

U.S. stakeholders have expressed concern that the Taiwan authorities have conducted inspections targeting establishments in Taiwan handling U.S. pork, including importers, distributors, and food service establishments, without justification. The Taiwan authorities have returned to these establishments frequently, disrupting the establishments' normal business operations and thereby discouraging them from purchasing U.S. pork.

TECHNICAL BARRIERS TO TRADE / SANITARY AND PHYTOSANITARY BARRIERS

Technical Barriers to Trade

Pork

In January 2021, Taiwan implemented country of origin labeling requirements for a range of pork products, including processed pork products. The relevant measures were notified to the WTO in September 2020. Taiwan's presentation of the labeling requirements to the public as a means to ensure the food safety of U.S. pork products, while simultaneously implementing maximum residue limits (MRLs) for ractopamine in imported pork, inaccurately implied that there is a food safety concern with U.S. pork products, including

pork produced with ractopamine. (For further information, see the Sanitary and Phytosanitary Barriers section.) The United States submitted comments through the USA WTO Technical Barriers to Trade Enquiry Point, raising concerns with these labeling requirements. The United States has raised concerns about the labeling requirements bilaterally with Taiwan, including on the margins of the October 2020 and the February 2021 WTO Committee on Technical Barriers to Trade meetings, the June 2021 TIFA Council meeting, and the 2022 meetings of the TIFA Agriculture Working Group.

Automobiles

Taiwan adopted the United Nations Economic Commission for Europe (UNECE) 1958 Agreement automobile standards when it became a WTO Member in January 2002. In April 2008, Taiwan's Ministry of Transportation and Communications (MOTC) introduced a regulation that allows the importation of a limited number of imported vehicles that are not UNECE-compliant but do comply with U.S. Federal Motor Vehicle Safety Standards (FMVSS), which provides an equivalent level of safety. The MOTC's regulation limited the number of FMVSS-compliant vehicles on the road in Taiwan to 100 units per car model in 2021, and this number was reduced to 75 units per car model in 2023. Some vehicle manufacturers in the United States want to introduce periodically unique new U.S.-made models to stimulate interest in their brands. However, if the vehicles are FMVSS-compliant but not UNECE-compliant, exports of those vehicles cannot exceed the limit set by the MOTC.

Sanitary and Phytosanitary Barriers

Agricultural Biotechnology

Taiwan has banned the use of biotechnology food ingredients and processed food with biotechnology food ingredients in school meals since December 2015. The United States continues to have concerns about the scientific basis for this ban and continues to urge Taiwan to rescind the measure.

Beef and Beef Products

Taiwan banned imports of U.S. beef and beef products following the detection of an animal with bovine spongiform encephalopathy (BSE) in the United States in 2003. In October 2009, the United States and Taiwan reached an agreement on a protocol, signed by AIT and TECRO, to expand market access to fully re-open the Taiwan market to all U.S. beef and beef products for human consumption. However, Taiwan subsequently implemented a number of barriers to U.S. beef and beef products.

On January 1, 2021, Taiwan lifted its ban on imports of U.S. beef and beef products from cattle 30 months of age and older, which had been in place since 2010.

Taiwan has not addressed other longstanding barriers to U.S. beef products. Claiming BSE concerns, Taiwan continues to ban imports of certain U.S. beef products (*e.g.*, ground beef) even though imports of these products are permitted under the 2009 AIT-TECRO beef protocol. Taiwan imposes onerous port-of-entry inspection procedures that are not science-based on certain U.S. beef offal products. The United States continues to urge Taiwan to open its market fully to U.S. beef and beef products based on science, the World Organization for Animal Health (WOAH) guidelines, the United States' negligible risk status for BSE, and the 2009 AIT-TECRO beef protocol.

Animal Byproducts

Taiwan continues to restrict the importation of bovine blood products for animal consumption and bulk shipments of tallow from the United States, citing concerns related to BSE. The WOH guidelines

recognize these commodities as safe-to-trade, regardless of the BSE risk status of the exporting country. The United States continues to urge Taiwan to open its market to U.S. bovine blood products for animal consumption and bulk shipments of U.S. tallow consistent with the WOH guidelines.

Maximum Residue Limits – Beta-Agonists

Taiwan has not implemented Codex Alimentarius Commission (Codex) MRLs for ractopamine in imported beef products other than imported beef muscle (*e.g.*, offal). On January 1, 2021, Taiwan implemented Codex MRLs for ractopamine in imported pork muscle, fat, and liver. Taiwan also implemented an MRL for ractopamine in imported pork kidney that is more restrictive than the Codex MRL. The United States is concerned that the risk assessment for Taiwan's MRLs for imported pork kidney and imported swine offal other than kidney and liver is not based on a realistic exposure scenario. The United States is also concerned that Taiwan's method of testing for ractopamine residue is not aligned with methods of analysis for ractopamine that are identified as suitable for regulatory use by the Joint Food and Agriculture Organization/World Health Organization Expert Committee on Food Additives (JECFA), and could provide inaccurate results. The United States continues to ask that Taiwan align its methods of testing for ractopamine residue with the methods identified as suitable for regulatory use by JECFA.

Apart from ractopamine, Taiwan has not established MRLs for other beta-agonist compounds or provided a rationale to support this policy. The United States continues to urge Taiwan to implement science-based and risk-based MRLs without undue delay and to accept and approve new applications for MRLs for beta-agonists based on science and risk, and in a timely manner.

Maximum Residue Limits – Agrochemicals

The United States has raised concerns with various aspects of Taiwan's process for establishing MRLs for pesticides, such as the limited opportunities for applicants to provide additional information during the review process. The United States will continue to encourage Taiwan to further improve its MRL regulatory system for pesticides.

Chipping Potatoes

On occasion, Taiwan rejects shipments of U.S. chipping potatoes due to requirements put in place in 2018 that implemented specific restrictions on sprouting for imported potatoes. Entire shipments have been rejected, even though sprouting does not pose a food safety risk, and potatoes with sprouts were previously removed as part of a normal sorting process prior to 2018. The United States, in coordination with U.S. industry, is engaged in bilateral discussion to resolve this issue.

INTELLECTUAL PROPERTY PROTECTION

In May 2019, Taiwan amended Article 87.1.8 and Article 93 of the Copyright Act to combat the use of illicit streaming devices. However, right holders report that online piracy remains widespread. Additionally, right holders continue to report serious challenges with respect to the unauthorized use of textbooks and copyrighted teaching materials, particularly via on-campus digital platforms. In May 2022, Taiwan further amended the Copyright Act to allow criminal prosecution without a complaint from the right holder for online piracy over the threshold of approximately \$32,800 in damages. However, as of December 31, 2024, the Copyright Act amendments had not been implemented.

Draft amendments to other articles of the Copyright Act, which were sent to the Legislative Yuan (LY) in October 2017 for review, remain pending. While the draft amendments represented progress in some areas,

they also contained potentially overly broad exceptions to copyright protection and obstacles to criminal enforcement, in addition to troubling provisions relating to licensing and the role of collective management organizations. These draft amendments, which were resubmitted to the LY by the Executive Yuan in April 2021, were expected to be resubmitted for the new legislative term.

In June 2022, the LY approved amendments to the National Security Act to establish misappropriation of trade secrets involving the national core key technologies as a violation of national security laws, with both criminal and administrative penalties. The amendments provide that obtaining trade secrets of national core key technologies by theft, embezzlement, fraud, duress, unauthorized reproduction, or by other improper methods, or using or disclosing such trade secrets, can be punished by imprisonment for between 5 years and 12 years. The amendments also authorize the possible imposition of fines ranging from approximately \$164,000 to \$3.28 million.

SERVICES BARRIERS

Financial Services

Based on the “Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation,” issued on August 25, 2023, the three major bureaus of the Financial Supervisory Commission (FSC) – the Banking Bureau (BB), the Insurance Bureau (IB), and the Securities and Futures Bureau (SFB) – issued their own respective self-governing rules for members (financial institutions) to follow, also referred to as the “Self-Regulated Guidelines for Financial Institutions’ Outsourcing Operations Using Cloud Services.” The scope of outsourcing for cloud services includes data processing, document safekeeping, drawing negotiable instruments, back-office support for trade financing, and various customer service activities. While the BB provided a 60-day public comment period for interested parties, including cloud service providers and financial institutions, to review and comment on its trade rules, the IB and the SFB did not provide such a public comment period on their draft rules. Financial holding companies may access and use cloud backup services and third location operational sites, but the FSC continues to emphasize the need to conduct stress tests annually. The FSC issued guidelines stating that all financial institutions that use cloud computing services are responsible for including written agreements with service providers, and for compliance with relevant laws and regulations. Institutions using cloud services are obligated to monitor their service providers and ensure that customer data are processed and stored securely, with backup copies maintained in Taiwan.

INVESTMENT BARRIERS

In Taiwan, no foreign investment is allowed in the manufacturing of certain chemical materials and metals, television and radio programming services, electricity transmission and distribution, and postal activities. Foreign ownership in the telecommunications sector is limited to 49 percent direct ownership. For foreign ownership of telecommunications, combined direct and indirect foreign ownership is limited to 60 percent. The foreign ownership ceiling on airline companies, airport ground handling companies, air cargo terminals, and catering companies is 49 percent, with each individual foreign investor subject to an ownership limit of 25 percent. Foreign investment in Taiwan-flagged merchant shipping services is limited to 50 percent for Taiwan shipping companies operating international routes. Taiwan’s Cable Radio and Television Law limits foreign direct investment in domestic cable television services to 20 percent of the operator’s total issued shares. Foreign investment in satellite television broadcasting services is also restricted to no more than 50 percent.

OTHER BARRIERS

Pharmaceuticals

In the pharmaceuticals sector, although the National Health Insurance Administration (NHIA) has tried to improve engagement with concerned stakeholders, U.S. stakeholders continue to highlight the lack of transparency and predictability with respect to the NHIA's pricing approval procedures, including during renegotiations of managed entry agreements and under recent applications of Health Technology Reassessments. The NHIA shortened the pricing approval timelines effective January 2024 to respond to some concerns raised by stakeholders.

Medical Devices

In Taiwan, self-pay options are available for implanted medical devices and a range of other commonly used medical devices that are not approved for NHIA reimbursement. These medical devices must be issued a self-pay code. According to U.S. stakeholders, the NHIA imposes administrative penalties on hospitals that ask patients to self-pay for devices without a self-pay code. The NHIA began assigning temporary self-pay codes in April 2014, but it also requires a review of new therapeutic procedures for which the medical device is used before a temporary self-pay code can be issued. U.S. stakeholders have raised concerns with these procedures, highlighting that increased transparency and faster issuance of temporary self-pay codes are needed to be responsive to patient demand. U.S. stakeholders voiced the need for greater transparency and stronger good regulatory practices around NHIA's policy decision making.