

Implementing the Resolutions of the Economic Development Advisory Conference

# **Report on the Impact of Taiwan's Accession to the WTO and Policies in Response**

Compiled by the Council for Economic Planning and Development, Executive Yuan

May 21, 2002

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## I. The EDAC Resolutions and Their Implementation Status

### (1) The Genesis of this Course of Action

After many years of effort, Taiwan became the 144<sup>th</sup> member of the World Trade Organization (WTO) on January 1, 2002. Membership of the WTO will have a far-reaching influence on Taiwan's domestic economy and industry. At the Economic Development Advisory Conference (EDAC) convened by President Chen last August, a number of resolutions were reached concerning Taiwan's entry to the WTO<sup>1</sup>. These resolutions, which agencies of the Executive Yuan (the Cabinet) were charged with putting into effect, are aimed at speeding up adjustment of the industrial structure and ensuring more efficient use of resources, so that Taiwan can grasp the opportunities arising from WTO membership to further its economic development.

### (2) Explanation on the Preparation of this Report

- (a) This report is prepared in accordance with the common opinion of the EDAC Industrial Division as follows: "To assess the impact of the WTO and formulate policy responses: the government should submit detailed biannual assessment reports on the positive and negative impacts of the WTO on the industries concerned, on responsive policies and their implementation progress and results, on the state of industrial upgrading, and so on."
- (b) Having completed preparation of the "Overall Report on the Assessment of and Policies in Response to the Impact of WTO Entry on Taiwan's Industries" and "Implementing the EDAC Resolutions: Explanation of the Impact of WTO Entry on Taiwan's Economy, and Policies in Response", the Council for Economic Planning and Development (CEPD) presented these to the Executive Yuan for its reference and consideration on September 26 and November 28, 2001, respectively. Because the above reports were compiled prior to Taiwan's accession to the WTO, and in view of the possible need to respond to questions from the Legislative Yuan and various sections of society, this Council requested the concerned agencies to provide the latest data and newest policy responses for updating last year's report. These have duly been compiled into this "Report on the Impact of Taiwan's Entry to the WTO

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<sup>1</sup> Regarding the EDAC resolutions related to the impact of Taiwan's WTO entry and the policies in response thereto, please refer to "Implementing the EDAC Resolutions – an Explanation of Policies in Response to the Impact of Taiwan's Accession to the WTO" issued by the CEPD on November 28, 2001.

and Policies in Response” and made available for reference.

(c) The CEPD’s follow-up work plan for implementation of the EDAC resolutions is as follows:

- ✧ The Taiwan Institute of Economic Research (TIER) has been commissioned to conduct a quantitative assessment of the post-accession impact of WTO membership, supplemented by an industry-wide questionnaire survey, and to issue a final report at the end of May this year, to serve as a source of reference on the first-stage impact of WTO entry.
- ✧ The CEPD will on a regular basis (once every six months) request all concerned agencies to prepare impact assessment reports, and to review the implementation of all responsive measures and put forward suggestions for their improvement. The first review report is due to be issued in August of this year.

## **II. The Impact of WTO Entry on Taiwan’s Domestic Economy**

### **1. WTO Entry Concessions and Commitments**

Taiwan’s WTO entry concessions and commitments include lowering tariffs, reducing non-tariff barriers, opening up the service sector and government procurement market, and enforcing the protection of intellectual property rights. The main items are as follows:

#### **(1) Lowering tariffs**

- (a) In the first year of WTO membership (2002), the average rate of tariff on agricultural products will be reduced to 14.01% from its pre-entry level of 20.02%, a reduction of 30.02%. From 2003 to 2011, it will be lowered year by year to 12.86%, a further reduction of 8.21%.
- (b) In the first year of WTO membership (2002), the average rate of tariff on industrial products will be reduced to 5.78% from its pre-entry level of 6.03%, a reduction of 4.15%. From 2003 to 2011, it will be lowered year by year to 4.15%, a further reduction of 28.20%.

Figure 1: Agricultural and Industrial Product Tariff Reduction Commitments  
(Year-by-Year Change in Average Nominal Tariff Rate)

Agricultural products (Chapters 1-24)

Industrial products (Chapters 25-97)

All products (Chapters 1-97)

2001 ~ 2011

(2) Reducing controls on agricultural and industrial products

- (a) Prior to WTO entry, import controls or area restrictions were imposed on 41 kinds of agricultural products. After WTO entry, except for the retention of quantitative restrictions on the importation of rice, all other products are either subject to tariff rate quotas (TRQs) or are open to free importation. However, 14 categories of sensitive agricultural products may be subject to special safeguard measures, as a means of reducing sustained adverse impact.
- (b) Prior to WTO entry, the importation of small passenger cars and light commercial vehicles (not exceeding 3.5 tons) was subject to area restrictions. After entry, the area restrictions are replaced by a tariff rate quota system, with progressive market opening year by year. And after entry, area restrictions on motorcycle imports are eliminated.
- (c) After WTO entry, the local content and sourcing requirements applied to the production of automobiles and motorcycles are eliminated.
- (d) Six months after WTO entry, the market will be opened to importation of motorcycles larger than 150cc; and two years after WTO entry, the market will be opened to importation of small diesel passenger vehicles.
- (e) After WTO entry, the automobile commodity tax will be adjusted downward<sup>2</sup>; and the 3% commodity tax offset on locally designed automobile and motorcycle bodies, engines and chassis is eliminated (with no new applications accepted and pre-existing concessions retained for a three-year period.)
- (f) The rates of offset on investment in the purchase and installation of domestically produced or imported automation machinery and equipment are modified to a single uniform rate<sup>3</sup>.

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<sup>2</sup> Prior to WTO entry, the commodity tax was levied on automobiles with a cylinder displacement of 2,001cc to 3,600cc at a rate of 35% and on those of 3,600cc and above at 60%; after entry, the tax is adjusted to a uniform rate of 35%, to be reduced further to 30% in 2007.

<sup>3</sup> Prior to WTO entry, manufacturing and technical service industries could offset investment in locally-made machinery and equipment against business income tax liability for the year at a rate of 20%, while the corresponding rate for imported machinery and equipment was 10%. Because these provisions ran counter to the WTO rules on subsidies and countervailing measures, Taiwan made the commitment to eliminate the disparity in offset rates after WTO entry. In line with this step, the exemption from import duty of domestic non-manufacturing equipment under Chapters 84, 85 and 90

(g) Opening the tobacco and alcohol market:

- i. The monopoly system for tobacco and alcohol is abolished, with imports of tobacco and alcohol products made subject instead to customs duty, tobacco and alcohol tax, and business tax, and locally-produced tobacco and alcohol subject to tobacco and alcohol tax and business tax.
- ii. The existing ad valorem assessment of customs duty on tobacco and alcohol is retained, with the tariff to be lowered in installments in accordance with the formula agreed to at the Uruguay Round negotiations. Spirits are treated as a single category subject to uniform taxation; and the tariff on beer and spirits will be gradually lowered to zero in accordance with the zero for zero program from the Uruguay Round negotiations<sup>4</sup>.

### (3) Opening service-sector markets

Service sectors opened up in stages prior to WTO accession include, among others, legal, accountancy and other professional services, as well as financial, insurance, securities and futures, telecommunications, transportation, educational, and cinematic services. After WTO entry, market-opening measures include: (i) permitting foreign lawyers to practice in Taiwan subject to appropriate limitations; (ii) abolishing limits on the ratio of foreign investment in air-cargo forwarding and air-cargo distribution operations; and (iii) removing the controls on the ratio of local films on screen, the number of screenings of films from a single country, the number of copies of a film that may be imported, and so on, and eliminating the domestic-film support fee levied on foreign films.

### (4) Signing the Agreement on Government Procurement

By becoming a signatory to the Agreement on Government Procurement, Taiwan will open government procurement contracts worth some US\$6~8 billion a year to bidding by firms in other countries that are party to the agreement.

### (5) Other significant opening steps

- (a) Ceasing to levy the Commercial Harbor Construction Dues, and replacing them with commercial port service fees in accordance with the user pays principle.
- (b) Implementing the provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). The three main points of this agreement are: (i) as the governing principle, parties to the agreement should

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of the Customs Import Tariff is rescinded upon accession to the WTO.

<sup>4</sup> The duty on beer will be reduced from its entry-year rate of 5% (in 2002) to zero in 2005; the duty on tequila will be reduced from its entry-year rate of 25% (in 2002) to zero in 2011.

abide by the principles of national treatment and most-favored-nation treatment in protecting intellectual property rights; (ii) intellectual property is categorized into the separate areas of copyright and related rights, trademarks, geographical indications, industrial designs, patents, integrated circuit layout designs, and undisclosed information & trade secrets; and (iii) the enforcement of intellectual property rights encompasses civil, administrative, and criminal proceedings, and related provisional and peripheral measures.

## 2. The Economic Impact of WTO Entry

### (1) The macroeconomic side:

WTO entry will inevitably bring a certain shock effect from market opening. But on the other side, it will also deliver many advantages, especially in allowing barrier-free access to the markets of the other 143 members (including mainland China), expanding external trade, and lowering domestic consumer prices. In the long term, it will enable the more efficient use of domestic resources, raise national competitiveness, and enhance the public welfare.

### (2) The industrial side:

#### (a) Agriculture

Because of the past relatively high degree of protectionism in the agricultural market, the opening of the market will inevitably cause a certain shock. According to research commissioned by the Council of Agriculture, which carried out analysis using an agricultural sector model with base year 2000, it is evident that WTO entry will have a considerable impact on the crop, livestock, and fishery sectors, estimated as follows:

i. Agricultural production: It is estimated that in the first year of WTO membership (2002), the total production value of the farming, animal husbandry and fishery sectors will fall by about NT\$24.7 billion (6.8%), with crop production falling in value by NT\$11.8 billion (7.1%), livestock production by NT\$8.7 billion (8.1%), and fishery production by NT\$4.2 billion (4.6%). In 2004, agricultural output will fall by NT\$38.5 billion (10.6%), with crop production down by NT\$16.8 billion (10.2%), livestock production by NT\$14.6 billion (13.6%), and fishery production by NT\$7.1 billion (7.8%).

ii. Agricultural land use: Given the abovementioned rate of fall in

agricultural output, if we assume that the average production per unit of area remains unchanged, it is estimated that the area under cultivation will diminish by 53,000 hectares in the first year of membership, and in 2004 will be 86,000 hectares less than in the base year 2000.

iii. Agricultural labor force: Given the abovementioned rate of fall in agricultural output, if we assume that labor productivity remains unchanged, it is estimated that in 2002 some 18,000 to 27,000 members of the agricultural labor force will be affected compared with the base year 2000. In 2004, the number of affected agricultural workers will increase to between 20,000 and 46,000. But because of the existing partial employment of agricultural labor, as well as the state of underemployment and hidden unemployment, and given also that the agricultural work force is easily affected by the industrial business climate, the actual impact of WTO entry on the agricultural labor force will depend on to what extent the agricultural workers are willing and able to shift to other occupations and also on how the business climate shapes up. In the short term, it may give rise to structural unemployment; but in the long term, as WTO membership will have a positive macroeconomic effect, it may be that through the development of new farmland-related service industries, such as farm recreation and care services, plus the strengthening of change-of-occupation and second-skill training for agricultural workers, employment opportunities for agricultural workers will actually be increased and the blow of WTO membership lessened.

As far as individual sectors are concerned, the extent of the impact of WTO accession will largely be as follows:

- ◆ Products that are internationally competitive and have potential for expansion of overseas sales: such as flowers and plants, tropical and subtropical fruits, deep-sea fishery products, certain aquaculture products (such as tilapia, pet fish, and aquatic fry and fingerlings), tea leaves, frozen vegetables, fruit juice, condiments, snack foods, and so on.
- ◆ Products that will sustain a relatively heavy impact: such as paddy rice, cane sugar, peanuts, garlic bulbs, dried mushrooms, dried day lily flowers, dried lungngan pulp, persimmons, red beans, coconuts, oriental pears, shaddock, plums, chicken, deer velvet, liquid milk, coastal fishery and aquaculture products, and so on.

(See Addendum 1: “Chart Summary of the Impact of WTO Entry on the Agriculture, Fishery and Animal Husbandry Sectors, and Policies in Response.”)

(b) Industry:

Taiwan’s entry to the WTO will have a relatively light impact on the industrial sector. That is due mainly to the active program of deregulation, tariff reduction, and other trade liberalization measures carried out over the past ten years. On the tariff side, tariff rates on 84% of industrial products are already at 10% or below, with the average nominal tariff rate standing at 6.03%. The commitment to lower that rate to 4.15% in 2011 does not represent a very large reduction. Consequently, WTO accession will not greatly impact industrial products as a whole. On the contrary, thanks to the fruits of liberalization, it could give manufacturers more space for doing trade. But for industries that depend on domestic demand and are relatively uncompetitive in the wider sphere, being faced with intense competition from foreign imports will have a clearly negative impact. For individual sectors, the extent of the impact of WTO entry will largely be as follows:

- ◆ Industries experiencing positive or little impact: such as the electronics and information, machinery, steel, motorcycle, petrochemical, pharmaceutical, plastic products, textile, food, and aerospace industries.
- ◆ Industries experiencing negative impact: such as the automobile, domestic appliance, heavy electric, paper-making, and tobacco and wine industries.

(See Addendum 2 “Chart Summary of the Impact of WTO Entry on the Manufacturing Sector, and Policies in Response” and Appendix B.)

(c) Services

Owing to the implementation of the Asia-Pacific Regional Operations Center (APROC) Plan and the Global Logistics Development Plan in recent years, service industry markets had already been substantially opened prior to WTO accession. After accession, the only sectors to be further opened are legal services, air cargo forwarding, air cargo distribution, and the film industry. The opening of service industry markets is helpful to attracting foreign capital and raising management skills. The sectors for which WTO entry brings a positive effect include insurance, telecommunications, and services related to international logistics management. Those that will experience a shock from market opening include the film industry and a minority of professional services, particularly lawyers.

(2) The government procurement market

- (a) Taiwan will sign the WTO Agreement on Government Procurement, opening the domestic market to government procurement contracts worth some US\$6~8 billion per year. But whether or not foreign goods, services, and construction firms can successfully penetrate Taiwan's market will depend on how competitive and well able to adjust the domestic firms prove to be. Generally speaking, for procurement of goods, because of their relatively mobile nature, it is easier to enter the market to take part in bidding. But for procurement of ordinary kinds of services and construction, there is the innate obstacle that such contracts involve the international movement of personnel and machinery. Nevertheless, foreign competitors still have the possibility of investing in Taiwan or cooperating with a domestic firm.
- (b) As far as Taiwanese firms' penetration of foreign government procurement markets is concerned, because signatories to the Agreement adopt strict discriminatory and exclusionary measures toward non-signatories, domestic firms will be able to avoid discriminatory treatment after Taiwan has completed the signing of the agreement. They will then have favorable access to the signatories' vast government procurement market worth a total of US\$200 billion a year.

(3) Intellectual property rights (IPR) protection

TRIPS prescribes minimum standards for international IPR protection and enforcement. Implementation of the TRIPS commitments will be of great benefit to strengthening Taiwan's IPR protection regime and enforcement of the law. Taiwan has already completed the amendment and enactment of laws related to IPR protection in accordance with TRIPS standards, including the Patent Law, Trademark Law, Copyright Law, Integrated Circuit Layout Protection Law, and Business Secrets Law. These will act to reinforce the concept of IPR protection among the people of Taiwan, and will help encourage local innovation and invention. They will also attract advanced technical and business management information from abroad, and so further upgrade the level of domestic industry.

### III. Policy Response

#### 1. Industrial Policy Response

To counter the potential shock to industry of WTO accession, as well as to strengthen industry's international competitiveness and enable it to grasp the business opportunities arising from WTO membership, the government put into effect a wide range of adjustment measures throughout the nine years of negotiations leading up to accession. These measures helped industry to speed up its transformation and upgrading. After WTO entry, the government will launch a further array of responsive measures as follows:

(a) On the agricultural side, the government has already completed all the preparatory work:

##### i. Short-term measures

###### *Short-term price-stabilization measures*

In the short term after Taiwan's WTO accession, market opening and the expected psychological impact could cause a fall in the prices of farm, fishery and animal husbandry products. To effectively stabilize prices, short-term price stabilization measures have been drawn up to cover 18 kinds of sensitive farm and livestock products and important coastal fishery and aquaculture products that are most likely to be hit by WTO accession.

There are three different sets of short-term price-stabilization measures, tailored to meet the needs of three distinct situations:

- ◆ Where losses are not evident: When prices at the point of production fall to no less than 90% of the direct production cost, measures such as marketing promotion, purchases, assistance with processing, and so on, will be adopted.
- ◆ Where losses are evident: When prices at the point of production fall to between 80% and 90% of the direct production cost, the counter measures taken will include stepped-up purchases, cold storage, the provision of low-interest loans, fallow-field programs, and so on.
- ◆ Where losses are severe: When prices at the point of production fall to less than 80% of the direct production cost, the area of fields left fallow will be increased, a larger volume of second-grade produce will be purchased for discarding, and uncompetitive farmers will be given assistance to find an alternative livelihood.

*The strengthening of various safeguard measures and the provision of import*

*relief and subsidies:*

If, after WTO accession, the market opening or tariff reduction results in a large increase in import volume that harms the domestic farming sector, Taiwan can adopt safeguard measures (SG) in accordance with WTO rules. Import quota controls will be strengthened to maintain import order, with tariff rate quotas implemented for 22 kinds of agricultural products. Special safeguard measures (SSG) can be adopted for the 14 kinds of sensitive agricultural products among them, such as peanuts, oriental pears, etc. In accordance with the provisions of the Regulations Governing Relief and Aid for Major Agricultural Product Damage by Importation, the government can establish an Agricultural Products Import Damage Relief Fund, adopting various relief measures for agricultural products harmed by imports or expected to be so harmed, according to the different extents of the harm. So far, the government has approved the allocation of approximately NT\$30 billion for the fund, and in the future will allocate budgets to supplement the fund year by year according to need.

*The implementation of animal and plant epidemic-prevention quarantine inspection:*

After WTO entry, there will be an increased danger of epidemic disease and pests entering the country with imported goods. Consequently, Taiwan's epidemic-prevention quarantine inspection regime will include such main concrete measures as: strengthening quarantine inspection of agricultural imports from foreign countries and mainland China; strengthening domestic animal and plant epidemic-prevention measures; actively participating in international activities and stepping up technical and information exchanges; conducting R&D on quarantine inspection techniques to help expand foreign sales of agricultural products; setting up an animal and plant epidemic-prevention quarantine inspection system that operates on the basis of WTO/SPS standards; and fully and effectively carrying out animal and plant epidemic-prevention quarantine inspection and food sanitary and safety inspection work. In addition, facilities for export quarantine inspection will be strengthened so as to overcome quarantine inspection barriers to export sales and expand Taiwan's overseas markets.

*The formation of an inter-agency task force on strengthening preventative measures against the smuggling of agricultural and fishery products into Taiwan:*

The Ministry of Finance has invited the Coastguard Administration, Council of Agriculture, and National Police Administration to form an inter-agency task force for strengthening efforts to prevent and counter the smuggling of agricultural products. At the same time, amendments have been made to the Statute for the Punishment of Smuggling and the Implementation Guidelines on the Statute for Encouraging the Public to Inform the Authorities of the Smuggled Importation of Animals and Plants and Their Products, to stiffen the criminal liability and penalties for smuggling agricultural products and to extend monetary rewards for those informing the authorities of such activities.

ii. Mid- to long-term measures

- ✧ Continuing to assist the structural adjustment of the agricultural sector, setting it firmly on a technological and knowledge-based orientation, melding environmental protection and living needs into agricultural transformation policies, making vigorous efforts to upgrade agricultural technology and efficiency, and promoting agricultural strategic alliances and corporatization of operations.
- ✧ Expanding information and Internet use, to reshape agricultural marketing systems.
- ✧ Developing newly-emerging high-tech agriculture, high-potential premium-product agriculture, and recreational agriculture.
- ✧ Actively encouraging the private sector to invest in setting up care facilities in the pleasant environment of farming communities.
- ✧ Substantially adjusting the use of agricultural resources. For agricultural land, this entails the continuation of the Agricultural Land Release Program, with the establishment of an “aggregate control, development permit” agricultural land management mechanism. A substantial volume of water will be diverted from agricultural use to serve more efficient purposes. For manpower leaving the farming and livestock sectors, the government will map out a practical program including such measures as developing new services to make use of agricultural land or to be located in farming communities, and will also organize training and provide counseling for change of occupation, or create new sources of income.

(See Appendix A: Concise Chart of the Impact of WTO Entry on the Agriculture, Fishery and Animal Husbandry Sectors, and Policies in Response; and see also Attachment A.)

(b) For the industrial sector, the government will help firms to pursue rapid industrial upgrading with a five-pronged program of action as follows:

- i. Actively encouraging R&D and innovation. This involves strengthening national science and technology (S&T) research programs and special industrial technology projects, to support the development of strategic emerging industries that promise major benefits but present high risk and need to be nurtured. The government has already drawn up the Executive Yuan Development Fund Plan for Strengthening Investment in Venture Capital Enterprise. Under this plan, the Fund will allocate NT\$30 billion to match NT\$70 billion from the private sector and so create a total fund of NT\$100 billion for investment in domestic or overseas venture capital companies or funds, to spur the development of related new enterprise creation.
- ii. Strengthening the promotion of traditional industry upgrading. This involves implementing various services to guide and assist traditional industries, providing technical and manpower supports, and actively helping traditional industries to raise funding in the financial markets.
- iii. Promoting business restructuring. This involves encouraging firms to orient their development toward expansion of scale and internationalization. Related company management laws and regulations have been amended, and a Corporate Mergers and Acquisitions Law drawn up. Other related steps include pepping up corporate funding channels and actively encouraging domestic and foreign firms to set up operations headquarters in Taiwan.
- iv. Utilizing relief measures under the WTO framework, such as anti-dumping and countervailing duties, import relief, special product safeguards, special textile safeguards, and so on, as well as the establishment of “Trade Relief Firewall Mechanisms” and “Trade Relief Individual Product Early Warning Systems”, to safeguard companies’ rights and interests, and avoid harmful impact on industry.
- v. After the tobacco and alcohol monopoly system is changed, the government will help the Taiwan Tobacco and Wine Monopoly Bureau to actively carry out internal restructuring to become a simple tobacco and alcohol production and marketing enterprise and move toward privatization.

(See Appendix B: Concise Chart of the Impact of WTO Entry on the Manufacturing Sector, and Policies in Response; and see also Attachments B and C.)

(c) On the service sector side, important responsive measures include:

- i. In conjunction with market opening, speed up financial reform and attract advanced management concepts and know-how to Taiwan, so as to raise the level of service industries.
- ii. Step up the promotion of electronic commerce and development of the goods distribution industry.
- iii. Place emphasis on developing the domestic travel industry, resource recycling, social welfare and care, and other such service sectors.
- iv. Strengthen the training of service industry personnel, to match the needs created by internationalization and market opening. In particular, enhance the training of high-level specialists and basic-level professional service personnel.

(See Attachment D.)

(d) On the government procurement side, in response to the needs for improvement of the government procurement system, greater transparency of government procurement information, rationalization of bidding deadlines, diversification of bid award selection, simplification of government procurement purposes, systemization of appeals, and so on, the government has already drafted a Government Procurement Law, and the Public Construction Commission of the Executive Yuan has set up a website as a unified channel for providing information on government procurement, in order to help business firms to obtain information promptly and efficiently. Also, work has been stepped up on the framing of a Construction Industry Law and related legislation, to improve the industry environment and make the industry more competitive.

(See Attachment E.)

(e) On the IPR protection side, increased efforts will be made to instill the concept of intellectual property rights into the public consciousness; the computerization of patent screening procedures and the training of top-notch screening personnel will be vigorously strengthened; assistance will be given to the better utilization of copyright intermediary organizations; and research on international copyright laws and practice will be stepped up. (See Attachment F.)

## 2. Policy for Strengthening Employment

To prevent WTO accession from exacerbating the unemployment problem, the government has set up an inter-departmental Executive Yuan Task-Force on

Sustainable Employment Promotion, to formulate timely short-term and long-term measures to boost employment based on changes in the employment situation. On April 22, 2002, the Executive Yuan approved the Mid-Term and Long-Term Sustainable Employment Promotion Program, and is currently drawing up Employment Policy Responses to Taiwan's WTO Accession. Meanwhile, in accordance with the EDAC resolutions, the government will continue to work at improving labor conditions and labor relations, reviewing foreign labor policies, and building a complete employment security system.<sup>5</sup>

### 3. Cross-Strait Trade and Economic Adjustment Measures

After WTO accession, cross-strait trade and the cross-strait economy can move forward on a common basis in a steady and orderly manner. On January 16, 2002, the Executive Yuan approved the Implementation Plan for the Adjustment of Cross-Strait Trade and Economic Policies in Line with WTO Accession. In accordance with the resolutions of EDAC, this plan covers the opening of direct trade, the appropriate extension of market opening for the importation of goods from mainland China, the opening of Taiwan's service sector to investment from mainland China, the permitting of direct Taiwanese business investment in the mainland, and the opening of direct remittance and direct postal and communication links, as well as the establishment of a "Cross-Strait Trade and Economic Security Early Warning System" to deal with related national security, industrial risk, and other such matters. Currently, all items of work are being pushed forward actively, with the adjustment measures already carried out as follows:

#### (a) The adjustment of cross-strait merchandise trade

The adjustment of cross-strait merchandise trade includes: the opening of direct cross-strait merchandise trade, the stage-by-stage extension of the list of items permitted to be imported from the mainland, the adjustment of the screening mechanism for merchandise imports from the mainland, and the strengthening of the safeguard mechanisms for such imports. The concrete measures are as follows:

- i. Concerning the opening of direct cross-strait merchandise trade, on February 13 of this year the Ministry of Economic Affairs and the Ministry of Finance announced the amendment of the Regulations Governing the Permission of Trade between the Taiwan and Mainland Areas, the Rules Governing the Handling of Import and Export Foreign Exchange Dealings with the Mainland Area by Banks in the Taiwan Area,

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<sup>5</sup> Please refer to *Assessment of the Impact of WTO Accession on Taiwan's Industry, and Measures in Response*, issued by the Executive Yuan's Council of Labor Affairs in January 2002.

and the Rules Governing the Handling of Remittances to and from the Mainland Area by Financial Institutions in the Taiwan Area. These amendments eliminated the requirement that cross-strait merchandise transactions must be made through a buyer or seller in a third area. They also made adjustments to the screening mechanism for items permitted to be imported from the mainland, and other related subsidiary measures.

- ii. Concerning the extension of the list of agricultural and industrial products permitted to be imported from mainland China, on February 15 of this year the Ministry of Economic Affairs announced the opening of Taiwan's market to the importation of a further 2,058 items from the mainland (including 835 agricultural products and 1,223 industrial products), bringing the total number of items open to importation from the mainland up to 7,700, or 72.6% of all import items. In the future, the authorities concerned will conduct a review of mainland Chinese import items once every six months and continue to push forward the opening policy.
- iii. Concerning the establishment of safeguard mechanisms for merchandise imports from the mainland area, this will include the stepped up employment of WTO safeguard mechanisms, including: general safeguard provisions, countervailing duty and anti-dumping duty provisions, special safeguard measures for agricultural products, a special safeguard mechanism for mainland goods, and so on. In addition, considering that the WTO safeguards might not be fully adequate or may still be difficult to apply (for example, because of the mainland authorities' unwillingness to negotiate with Taiwan), consequently, during the transition period, the authorities responsible for a target industry are empowered within certain limits to apply to the Executive Yuan for permission to temporarily stop imports from the mainland when such imports cause substantial disruption to domestic market order. On February 15, 2002, the Ministry of Economic Affairs announced the amendment of the Rules for Handling Import Relief Cases and the Rules for Handling Textile Import Relief Cases, effective upon announcement.

(b) The opening of cross-strait trade in services

The planned stage-by-stage opening of Taiwan's domestic market to mainland business investment will be carried out on a gradual, step-by-step basis. The

opening will be carried out first in those areas where the issues involved are relatively simple and it will not have an immediate impact on national security. The concrete measures are as follows:

- i. According to Taiwan's schedule of special commitments for WTO accession, the 108 service sector occupations are divided into three categories: those prioritized for opening after accession, those to be considered for opening depending on how the situation develops after accession, and those that for the time being will not be considered for opening. On January 16 of this year, the Executive Yuan announced the list of 58 occupations to be included in the first category for priority opening.
- ii. A bill containing draft amendments of the articles of the Statute Governing Relations Between the People of the Taiwan and Mainland Areas and the corresponding statute for Hong Kong and Macau that impinge on the service-sector occupations listed for opening to indirect investment from mainland China, was presented by the Executive Yuan to the Legislative Yuan for deliberation on March 29 of this year. All related government agencies will follow up actively on carrying out the initial preparatory administrative tasks, and will collaborate with the Legislative Yuan to push forward progress on the amendment of the laws.

**Appendix A: Concise Chart of the Impact of WTO Entry on the Agriculture,**

## Fishery and Animal Husbandry Sectors, and Policies in Response

### Agriculture

Product	Method of Opening	Extent of Impact	Production and Marketing Adjustment Objectives	Policies in Response
Rice	Quantitative import restriction	Major impact	<ul style="list-style-type: none"> <li>▫ Production side: promote balance in domestic rice supply and demand, raise quality and international competitiveness, assure domestic food security, and maintain sustainable development of production.</li> <li>▫ Marketing side: promote strategic alliances, establish stable channels; conduct R&amp;D on processed uses for domestically produced rice, and the manufacture of rice products with traditional Chinese special characteristics. Expand domestic and overseas markets, to stabilize market prices and domestic rice consumption volume.</li> </ul>	<ul style="list-style-type: none"> <li>▫ Production side: reduce area of paddy cultivation; accompany by production planning, with incentives for crop rotation and leaving fields fallow; encourage growing of superior quality and organic rice; commission management of nursery centers or other appropriate organizations to lower production costs.</li> <li>▫ Marketing side: manage rice imports; establish an early warning system; set up a rice grading and branding system; increase value added of rice products; improve rice marketing channels.</li> <li>▫ Adopt price stabilization measures.</li> </ul>
Cane sugar	Tariff rate quota importation; can adopt special safeguard measures	Major impact	Plan the gradual reduction of domestic production volume, mainly through reduction of production under management of Taiwan Sugar Corp. (Taisugar). No compulsory reduction of area under sugar-cane cultivation. Maintain annual contract signing for sugar cane farms contracted to production for Taisugar, with no sugar-cane farmers being forced to give up their contractual relationship with Taisugar. And continue contracted purchase of sugar cane in accordance with the existing fieldside consignment system.	<ul style="list-style-type: none"> <li>▫ Gradually reduce the area under sugar-cane cultivation by Taisugar and its contracted farmers.</li> <li>▫ Assist farmers to change occupation or implement fallow fielding.</li> <li>▫ Adopt price stabilization measures.</li> </ul>

Vegetables, Miscellaneous Grains, Etc.

Product	Method of Opening	Extent of Impact	Policies in Response	
Shiitake (forest mushrooms)	Tariff rate quota importation; can adopt special safeguard measures	Major impact	<ul style="list-style-type: none"> <li>▫ Increase fresh mushroom production, reduce dried mushroom production.</li> <li>▫ Develop diversified management environment.</li> </ul>	<ul style="list-style-type: none"> <li>▫ Conduct R&amp;D on new and improved products and raise product quality.</li> <li>▫ Reduce production costs, for example by promoting automation, mechanized operations, improved planting techniques, etc.</li> <li>▫ Adjust marketing measures: for example by strategic alliance, setting up a marketing early warning system, establishing brands, increasing product market differentiation, strengthening information systems, improving graded packaging, developing marketing networks, promoting local products, etc.</li> <li>▫ Strengthen epidemic-prevention quarantine inspection measures.</li> <li>▫ Adopt price stabilization measures.</li> </ul>
Garlic			<ul style="list-style-type: none"> <li>▫ Reduce production</li> </ul>	
Dried day lily			<ul style="list-style-type: none"> <li>▫ Reduce production, assist forestation in forest compartment areas.</li> <li>▫ Assist establishment of tourist farms.</li> </ul>	
Peanuts			<ul style="list-style-type: none"> <li>▫ Reduce production, assist growing of green manure in fallow fields.</li> <li>▫ Assist establishment of marketing facilities.</li> </ul>	
Red bean				
Potatoes	Opening to free importation.	Moderately unfavorable	<ul style="list-style-type: none"> <li>▫ Adjust scale of production to appropriate extent.</li> </ul>	<ul style="list-style-type: none"> <li>▫ Conduct R&amp;D on new and improved products and raise product quality.</li> <li>▫ Reduce production costs, for example by promoting automation, mechanized operations, improved planting techniques, etc.</li> <li>▫ Adjust marketing measures: for example by strategic alliance, setting up a marketing early</li> </ul>
Onions			<ul style="list-style-type: none"> <li>▫ Adjust scale of production to appropriate extent.</li> <li>▫ Implement import monitoring.</li> <li>▫ Adjust market orientation, with domestic sales as mainstay and foreign sales as subsidiary.</li> </ul>	

Tea	Free importation <sup>6</sup>	Impact not large, possesses external marketing potential.	<ul style="list-style-type: none"> <li>▫ Adjust scale of production to appropriate extent.</li> <li>▫ Adjust market orientation, with domestic sales as mainstay and foreign sales as subsidiary; and aim to make high-quality tea the main product.</li> </ul>	<p>warning system, establishing brands, increasing product market differentiation, strengthening information systems, improving graded packaging, developing marketing networks, promoting local products, etc.</p> <ul style="list-style-type: none"> <li>▫ Strengthen epidemic-prevention quarantine inspection measures.</li> <li>▫ Adopt price stabilization measures.</li> </ul>
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#### Fruit

Product	Method of Opening	Extent of Impact	Policies in Response	
Betel nuts	Tariff rate quota importation, can adopt special safeguard measures	Major impact	<ul style="list-style-type: none"> <li>▫ Because of betel nuts' harmful impact on the environment and public health, the government does not wish this item to be imported; on the marketing side, it will adopt a policy of no assistance and no encouragement, strengthen efforts to reduce the area under cultivation, assist the forestation of or growing of green manure in abandoned plantations, and crack down on illegal planting.</li> <li>▫ Assist business transformation to specialized gathering of betel-nut topshoots for supply as a vegetable (betel-nut spears).</li> <li>▫ Strengthen epidemic prevention and quarantine inspection measures.</li> </ul>	
Oriental pears			<ul style="list-style-type: none"> <li>▫ Set up external marketing quarantine inspection procedures and facilities, to develop export sales.</li> <li>▫ Assist the setting up of marketing facilities.</li> <li>▫ Adopt price stabilization measures.</li> </ul>	<ul style="list-style-type: none"> <li>▫ Reduce growing area, encourage the abandonment and forestation of uncompetitive orchards or assist in turning them to use for growing green manure.</li> <li>▫ Conduct R&amp;D on new and improved products and raise product quality.</li> </ul>

<sup>6</sup> Prior to WTO accession, tea was already open to free importation, except for the prohibition of tea imports from mainland China.

Shaddock			<ul style="list-style-type: none"> <li>▫ Assist transformation to recreational agriculture.</li> <li>▫ Carry out R&amp;D on processed shaddock products.</li> <li>▫ Adopt price stabilization measures.</li> </ul>	<ul style="list-style-type: none"> <li>▫ Reduce production costs, for example by promoting automation, mechanized operations, improved planting techniques, strengthened disease and pest prevention, etc.</li> <li>▫ Adjust marketing measures: for example by strategic alliance, setting up a marketing early warning system, establishing brands, increasing product market differentiation, strengthening information systems, improving graded packaging, developing marketing networks, promoting local products, etc.</li> <li>▫ Strengthen epidemic-prevention quarantine inspection measures.</li> </ul>
Coconut			<ul style="list-style-type: none"> <li>▫ Assist transformation to recreational agriculture.</li> <li>▫ Adopt price stabilization measures.</li> </ul>	
Persimmons <sup>7</sup>			<ul style="list-style-type: none"> <li>▫ Adopt price stabilization measures.</li> </ul>	
Longans <sup>8</sup>			<ul style="list-style-type: none"> <li>▫ Implement adjustment of production period.</li> </ul>	
Green plums	Free importation <sup>9</sup>		<ul style="list-style-type: none"> <li>▫ Assist transformation to recreational agriculture.</li> </ul>	

Product	Method of Opening	Extent of Impact	Policies in Response
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<sup>7</sup> Fresh persimmons do not bear up well to storage and transportation, so the likelihood of their being imported is small and the market opening will have relatively little impact; but opening the market to importation of dried persimmon will have a large impact on domestic persimmon products.

<sup>8</sup> Dried longgan pulp is suitable for storage and transportation, and its cost of importation from Thailand is very low; therefore, with the adoption of tariff rate quotas as the method of liberalization after WTO accession, the importation of dried longgan will have a serious impact on domestic producers. Prior to WTO accession, Taiwan had no record of importing fresh longans, which have a low unit price and do not stand up well to storage and transportation; therefore, opening the market to free importation of fresh longans after WTO entry will have only a limited impact.

<sup>9</sup> This item was open to free importation prior to WTO accession; after WTO accession, because of the need for gradual tariff reduction, and because domestic production is not competitive with that in mainland China and Southeast Asian countries, foreign sales will be difficult and the impact will be substantial.

Pears	Open to free importation	Moderately unfavorable	<ul style="list-style-type: none"> <li>▫ Adjust production structure: encourage pear orchards in plains and low-altitude areas to switch to food processing; assist those in mid- to high-altitude areas where production conditions are good to become more competitive; abandon and reforest uncompetitive orchards.</li> <li>▫ Establish a certification system for superior domestic fruit.</li> </ul>	<ul style="list-style-type: none"> <li>▫ Conduct R&amp;D on new and improved products and raise product quality.</li> <li>▫ Reduce production costs, for example by promoting automation, mechanized operations, improved planting techniques, strengthened disease and pest prevention, etc.</li> <li>▫ Adjust marketing measures: for example by strategic alliance, setting up a marketing early warning system, establishing brands, increasing product market differentiation, strengthening information systems, improving graded packaging, developing marketing networks, promoting local products, etc.</li> <li>▫ Strengthen epidemic-prevention quarantine inspection measures.</li> </ul>
Pineapples	Tariff rate quota importation; can adopt special safeguard measures	No substantial impact	<ul style="list-style-type: none"> <li>▫ Adopt price stabilization measures.</li> <li>▫ Establish a certification system for superior domestic fruit.</li> <li>▫ Adjust production season.</li> </ul>	
Mangoes			<ul style="list-style-type: none"> <li>▫ Reduce growing area, encourage abandonment and forestation of uncompetitive orchards, or assist in turning them to use in growing green manure.</li> <li>▫ Adjust production season.</li> <li>▫ Establish a certification system for superior domestic fruit.</li> <li>▫ Develop external marketing.</li> </ul>	
Bananas			<ul style="list-style-type: none"> <li>▫ Establish a certification system for superior domestic fruit.</li> <li>▫ Adopt price stabilization measures.</li> <li>▫ Develop external marketing.</li> </ul>	

Guavas			<ul style="list-style-type: none"> <li>▫ Adjust production season.</li> <li>▫ Establish a certification system for superior domestic fruit.</li> <li>▫ Develop external marketing.</li> </ul>	
Oranges			<ul style="list-style-type: none"> <li>▫ Reduce growing area, encourage abandonment and forestation of uncompetitive orchards, or assist in turning them to use in growing green manure.</li> <li>▫ Develop external marketing.</li> </ul>	
Tangerines			<ul style="list-style-type: none"> <li>▫ Reduce growing area, encourage abandonment and forestation of uncompetitive orchards, or assist in turning them to use in growing green manure.</li> <li>▫ Develop external marketing.</li> </ul>	
Lemons			<ul style="list-style-type: none"> <li>▫ Adjust production structure, encouraging abandonment and forestation of uncompetitive orchards.</li> <li>▫ Adjust production season.</li> <li>▫ Develop external marketing.</li> </ul>	
Grapefruit			<ul style="list-style-type: none"> <li>▫ Adjust production structure, encouraging abandonment and forestation of uncompetitive orchards</li> <li>▫ Establish a certification system for superior domestic fruit.</li> <li>▫ Develop external marketing.</li> </ul>	

Peaches			<ul style="list-style-type: none"> <li>▫ Adjust production structure, encouraging abandonment and forestation of uncompetitive orchards</li> <li>▫ Establish a certification system for superior domestic fruit.</li> </ul>	
Apples			<ul style="list-style-type: none"> <li>▫ Reduce growing area, encouraging abandonment and forestation of uncompetitive orchards.</li> <li>▫ Assist transformation to recreational farming.</li> </ul>	
Grapes			<ul style="list-style-type: none"> <li>▫ Adjust production structure.</li> <li>▫ Strengthen adjustment of production season.</li> <li>▫ Establish a certification system for superior domestic fruit.</li> <li>▫ Develop external marketing.</li> </ul>	

Product	Method of Opening	Extent of Impact	Policies in Response	
Litchis	Open to free importation	Competitive	<ul style="list-style-type: none"> <li>▫ Reduce growing area; assist abandonment of orchards and afforestation or growing of green manure.</li> </ul>	<ul style="list-style-type: none"> <li>▫ Conduct R&amp;D on new and improved products and raise product quality.</li> <li>▫ Reduce production costs, for example by promoting automation, mechanized operations, improved labor-saving planting techniques, etc.</li> </ul>
Papayas			<ul style="list-style-type: none"> <li>▫ Orient mainly toward domestic marketing of fresh fruit, and can develop external marketing.</li> </ul>	<ul style="list-style-type: none"> <li>▫ Adjust marketing measures: for example by strategic alliance, setting up a marketing early warning system, establishing brands, increasing product market differentiation, strengthening information systems, improving graded packaging, establishing a certification system for superior domestic fruit, developing marketing networks, promoting local products, etc.</li> <li>▫ Strengthen epidemic-prevention quarantine inspection measures.</li> <li>▫</li> </ul>

## Fisheries

Product	Method of Opening	Extent of Impact	Policies in Response
Aquaculture fisheries	Tariff reduction	Substantial impact	<ul style="list-style-type: none"> <li>▫ Production adjustment measures: develop marine-pen culture, fry and fingerling culture, saltwater fish breeding, recreational breeding, and other kinds of high-technology intensive and competitive breeding and related commercial activities.</li> <li>▫ Marketing adjustment measures: establish product brands, differentiate markets, and develop new marketing channels.</li> <li>▫ Resource adjustment measures: reduce the area of inland fish-farming, develop employment of female workers in fishing communities, and reduce the pressures of putting fish products on the market.</li> </ul>
Coastal fishery	Tariff reduction <sup>10</sup>		<ul style="list-style-type: none"> <li>▫ Production adjustment measures: reduce size of fishing fleet and reduce scale of fishing industry; speed up automation of fishing boat operations; assist the development of the recreational fishing industry; strengthen organization and training of fishermen.</li> <li>▫ Processing and marketing measures: establish product brands, differentiate markets, and develop new marketing channels.</li> <li>▫ Resource replenishment measures: strengthen fishery resources management, protect habitats, reduce pressure of fish-harvesting, and promote sustainable utilization of fishery resources.</li> </ul>

<sup>10</sup> Prior to WTO accession, cuttlefish, mackerel, carangids, and sardines were subject to import controls; after accession, cuttlefish may be freely imported, while importation of mackerel, carangids, and sardines is subject to tariff rate quotas.

Animal husbandry

Product	Extent of Impact	Accession commitments	Policies in Response
Meat of swine	Substantial impact	<p>Tariff rate quota importation.<sup>11</sup></p> <p>Can adopt special safeguard measures.</p>	<ul style="list-style-type: none"> <li>▫ Production adjustment strategies: (1) selectively breed hogs that can provide distinctive native products, and establish a strategic alliance network for marketing superior black-hog products; (2) strengthen the supply system for semen of superior breeds of hog, and establish a contract production &amp; marketing and integrated management system; (3) implement a hog farm certification and inspection system, strengthen the collection of domestic and overseas production &amp; marketing information, and establish a production &amp; marketing early warning system; (4) strengthen handling of dead hogs and animal farm waste.</li> <li>▫ Marketing adjustment strategies: (1) assist the establishment of superior brands for local pork products; (2) raise the quality of domestically produced fresh pork and improve hygiene in meat markets; (3) assist meat markets toward diversification of management and transformation; (4) establish cooperative sales channels among meat markets and meat merchants.</li> <li>▫ Epidemic prevention and quarantine inspection adjustment strategies: (1) Carry out eradication of and monitoring hogs for major infectious diseases; (2) assist hog farmers to implement self-protective epidemic prevention systems; (3) establish a hog medication residue monitoring system, and strengthen slaughtering hygiene inspection.</li> <li>▫ Adopt price stabilization measures.</li> <li>▫ Develop the domestic and overseas pork product markets, to ensure and expand market demand.</li> </ul>
Domestic fowls	Substantial impact	Open to free importation	<ul style="list-style-type: none"> <li>▫ Promote production adjustment strategy, balance the supply and demand of domestic poultry products, stabilize prices, and raise product quality and industry competitiveness: (1) improve the quality of breeder chickens, and raise the poultry farm survival rate; (2) lower production and marketing costs through strategic alliance (integrated management) systems; (3) promote the establishment of poultry industry public investment; (4) strengthen the poultry production &amp; marketing information early warning system, and stabilize</li> </ul>

<sup>11</sup> Prior to WTO accession, pork and its products with the exception of pork belly and swine offal was open to importation; upon accession, the market will be open to tariff rate quota importation, with complete opening to free importation after 2005.

Chickens, ducks, geese, eggs, parts of domestic poultry <sup>12</sup>			<p>product prices; (5) improve the chicken-egg pricing system, and promote diversification of marketing channels; (6) establish a superior poultry products certification system, and differentiate from market for imported products; (7) establish a zero pollution poultry industry, and upgrade the industry's image.</p> <ul style="list-style-type: none"> <li>▫ Strengthen epidemic prevention and quarantine inspection (testing) measures.</li> <li>▫ Adopt price stabilization measures.</li> <li>▫ Develop the domestic and overseas poultry product markets, to ensure and expand market demand.</li> </ul>
Chicken, other domestic poultry		<p>Tariff rate quota importation.</p> <p>Can adopt special safeguard measures.</p>	
Deer velvet	Substantial impact (on the deer breeding industry)		<ul style="list-style-type: none"> <li>▫ Measures for adjustment of production, to balance the supply and demand of domestic deer velvet, stabilize prices, and raise deer velvet quality and industry competitiveness: (1) Carry out R&amp;D on management methods for deer breeding, and raise the annual harvesting frequency and production volume of deer velvet; (2) establish a classification system for local pasturage quality, and develop pasturage planting management and harvesting techniques, to improve pasturage quality; (3) help deer breeders to sign contracts with farms providing pasturage; (4) strengthen the inspection and prevention regime for deer tuberculosis; (5) carry out R&amp;D on more humane techniques for sawing off deer antlers.</li> <li>▫ Measures for adjustment of marketing functions and increasing sales of deer velvet: (1) Establish local brands, to achieve market differentiation from imported deer velvet; (2) through strategic alliances with government monopoly bureaus, Chinese medicine stores, and so on, strengthen public awareness of the special qualities of local deer velvet and carry out market promotion; (3) establish an early warning system.</li> <li>▫ Adopt price stabilization measures.</li> <li>▫ Strengthen epidemic prevention and quarantine inspection measures.</li> </ul>
Non-dried deer velvet		Tariff rate quota importation.	
Dried deer velvet		Free importation	

<sup>12</sup> Includes: chicken hearts, chicken livers, chicken claws, chicken necks, duck and goose hearts, duck and goose livers, etc.

Cow's milk, sheep's milk			<ul style="list-style-type: none"> <li>▫ Adjustment of the production structure, measures to raise management efficiency: (1) Help dairy farmers to buy and install labor-saving equipment; (2) encourage dairy farm mergers; (3) encourage elimination of poor-quality and unproductive dairy cattle; (4) establish a classification system for local pasturage quality, and develop pasturage planting management and harvesting techniques, to improve pasturage quality; (5) assist the wholesale use of mixed feeds (grain and silage), to improve milk quality, increase milk volume, and reduce feeding costs; (6) improve milk production, storage, collection and transportation facilities, and assist dairy product factories to collect and transport daily, manufacture on the same day, and market the following day, and also strengthen drug residue monitoring, to ensure the quality and optimum freshness of domestic milk supplies; (7) map out accompanying plans for adjustment of agricultural land use, and popularize the growing of high-quality fodder crops; (8) encourage farmers to switch to growing high-quality fodder crops, and help feed farmers and dairy farmers to divide their labor and work together on a contractual basis.</li> </ul>
Liquid milk	Substantial impact	<p>Tariff rate quota importation.</p> <p>Can adopt special safeguard measures.</p>	<ul style="list-style-type: none"> <li>▫ Measures for adjustment of marketing functions and increasing sales of domestically produced milk: (1) strengthen certification, differentiate the markets for fresh and long-life milk; (2) help manufacturers and farmers cooperate to raise the quality of milk, using the HTST sterilization method in the preparation of fresh milk and the UHT method in the preparation of long-life milk; (3) strengthen market consumer surveys and, through strategic alliances, strengthen public awareness of the special qualities of local dairy products and carry out market promotion; (4) set up an early warning system, and draw up a full set of subsidiary measures for the adjustment of cow's milk production and marketing; (5) assist industry groups to set up a dairy industry development fund, for the purpose of stabilizing the industry's development.</li> <li>▫ Strengthen epidemic prevention and quarantine inspection (testing) measures.</li> <li>▫ Adopt price stabilization measures.</li> <li>▫ Research and develop new methods of consumption for domestically produced fresh milk, and promote greater variety in the consumption of domestically produced fresh milk; arrange all kinds</li> </ul>

Other <sup>13</sup>	No major impact	Free importation	of promotional activities, to spur popular consumption trends and to ensure and expand market demand.
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Source of data: Based on WTO series of handbooks compiled by the Council of Agriculture (COA), Executive Yuan in November 2001 (“Information for Farmers on WTO Accession” and “Agricultural Policies in Response to WTO Accession” published on the COA website at <http://www.coa.gov.tw>).

## **Appendix B: Concise Chart of the Impact of WTO Entry on the Manufacturing**

<sup>13</sup> Condensed milk, evaporated milk, edible milk powder, butter and cheese, yogurt, etc.

## Sector, and Policies in Response

Product	Extent of Impact	Policies in Response
The industry as a whole	No substantial impact	<ol style="list-style-type: none"> <li>1. To raise competitiveness:               <ol style="list-style-type: none"> <li>(a) Continue through special technical programs to support the improvement of business management and raise product quality and competitiveness, to assist industrial upgrading.</li> <li>(b) Implement policies to revitalize traditional industries, expand the scale of special assistance, and help military and state-owned enterprises to corporatize their management.</li> </ol> </li> <li>2. To encourage industrial innovation:               <ol style="list-style-type: none"> <li>(a) Implement the Statute for Promoting Industrial Upgrading, support the development of strategic emerging industries that promise major benefits but present high risk and need to be nurtured, and extend support to SMEs as appropriate.</li> <li>(b) Through special technical programs, develop or attract new technology and new products, and infuse academic resources, to help industrial upgrading.</li> <li>(c) Introduce and apply new technology, strengthen industrial design and engineering capacity, develop innovative products, and enhance core competitiveness.</li> </ol> </li> <li>3. To respond to the structural adjustment of industry:               <ol style="list-style-type: none"> <li>(a) Help enterprises with international competitive advantages to globalize operations, and strengthen the provision of related facilities and human resources training.</li> <li>(b) Help industries whose competitiveness is declining to upgrade and transform or move offshore.</li> <li>(c) Promote development of technical services industries, actively cultivate human resources, and set up related facilities.</li> <li>(d) Strengthen cultivation of industrial technicians, and provide training programs tailored to the needs of emerging industries.</li> </ol> </li> <li>4. Utilize the following relief measures under the WTO framework:               <ol style="list-style-type: none"> <li>(a) Anti-dumping and countervailing duties.</li> <li>(b) Import relief.</li> <li>(c) Special safeguard provisions for specific products.</li> <li>(d) Special safeguard provisions for textiles.</li> <li>(e) Set up a “Trade Relief Firewall Mechanism” and a “Trade Relief Individual Product Early Warning System.”</li> </ol> </li> </ol>

Product	Extent of Impact	Policies in Response
Automobile industry	Negative impact	<ol style="list-style-type: none"> <li>1. Adopt tariff duty quotas and lower tariffs year by year, to provide a buffer period.</li> <li>2. Encourage firms to develop toward mass production in order to lower costs.</li> <li>3. Promote integrated division of labor among domestic firms.</li> <li>4. Encourage the manufacture of mass-production models and vehicles with a high own-manufactured content.</li> <li>5. Promote external sales of assembled vehicles and their components through the international marketing channels of vehicle assembly plant technical cooperation partners.</li> <li>6. Strengthen independent development and design capabilities.</li> <li>7. Continue to promote development of key components, such as common engines, safety airbags, and so on, to raise technical standards.</li> <li>8. In conformity with the EPA's vehicle-related environmental protection regulations, encourage manufacturers to develop low-polluting vehicles.</li> </ol>
Domestic appliance industry		<ol style="list-style-type: none"> <li>1. Lower tariffs year by year, to provide a buffer period.</li> <li>2. Assist development of key components, to cater to demand from traditional domestic appliance manufacturers.</li> <li>3. Promote automated production to lower production costs.</li> <li>4. Encourage R&amp;D in high value-added new product areas.</li> </ol>
Heavy electric industry		<ol style="list-style-type: none"> <li>1. Lower tariffs year by year, to provide a buffer period.</li> <li>2. In Government Procurement Agreement talks, press for the listing of key development equipment as reserved items.</li> <li>3. Create a favorable environment for attracting technology and promoting investment.</li> <li>4. Use government-led R&amp;D programs to build up independent technical and testing capabilities.</li> <li>5. In accordance with Article 44 of the Government Procurement Law, list certain heavy electric machinery as [price differential concession ____??] items, and announce at the appropriate time depending on industry demand.</li> </ol>

Paper-making industry		<ol style="list-style-type: none"> <li>1. Strengthen assistance to manufacturers in improvement of manufacturing process, and promote automated production, to lower production costs.</li> <li>2. Help manufacturers to set up sound factory management systems and testing techniques, to improve product quality.</li> </ol>
Electronics and information industry	Positive impact or no significant impact	<ol style="list-style-type: none"> <li>1. Continue to invest in S&amp;T programs to establish leading technologies, and use related grants and assistance to help members of the industry strengthen their R&amp;D to adjust the production structure.</li> <li>2. Continue to collect information on other countries' discrimination against Taiwan's computer products, in preparation for conducting post-accession negotiations with those countries on elimination of such discrimination.</li> </ol>
Steel industry		<ol style="list-style-type: none"> <li>1. The Committee to Study the Structural Rationalization of the Industry, set up by the Steel Association, to examine investing to promote structural rationalization in the steel industry, to reduce senseless and harmful competition, and to investigate the international competitiveness of steel products.</li> <li>2. Open the market to imports of raw materials and semi-finished products from the mainland area to reduce industry costs.</li> </ol>
Motorcycle industry		Strengthen cooperative links among industry members with a view to opening new markets, and establish cooperative relations across the Taiwan Strait.
Petrochemical industry		Help industry members to acquire land for plant construction, to build dedicated-purpose ports, and to connect as needed to supplies of water, power, etc.
Pharmaceutical industry		<ol style="list-style-type: none"> <li>1. Adopt the same screening standards and compliance with GMP specifications for locally produced and imported pharmaceuticals.</li> <li>2. Establish testing laboratories or commissioned testing in Taiwan for imported pharmaceuticals.</li> <li>3. Set reasonable price scales for pharmaceuticals, and label in Chinese.</li> <li>4. Promote strategic alliances.</li> <li>5. Protect intellectual property rights.</li> <li>6. Strengthen international cooperation, joint investment, and mutual recognition of certification, and establish brand image.</li> </ol>
Plastic products industry		<ol style="list-style-type: none"> <li>1. Promote research and development.</li> <li>2. Develop high value-added products.</li> <li>3. Strengthen human resources training.</li> <li>4. Raise management efficiency and competitiveness.</li> <li>5. Plan the provision of land for factory construction in special zones.</li> </ol>

Textile industry		<ol style="list-style-type: none"> <li>1. For textile products that face the future elimination of quota restrictions, strengthen upgrading of technology and product quality, and step up production automation.</li> <li>2. Continue to promote production rationalization and automation, and strategic production and marketing alliances.</li> <li>3. Encourage the development of new synthetic fibers, research into the manufacture of high value-added textile products, and continue to implement programs to enhance textile-product design capabilities.</li> <li>4. Strengthen the expansion of external markets.</li> </ol>
Food industry		<ol style="list-style-type: none"> <li>1. Provide an ample supply of low-priced agricultural raw materials, and further open the market to imports of agricultural raw materials from mainland China, to reduce costs.</li> <li>2. Further rationalize the tariff structure for raw materials and finished products.</li> <li>3. Downwardly adjust the price of sugar to a reasonable level to reduce the cost burden for industry users of sugar, and press for Taiwan Sugar Corporation to step up the speed of change in its operating strategy.</li> <li>4. Integrate the certification (testing) system for domestic food products, and effectively establish a common warranty system to cover production, manufacture, storage, sale, and consumption.</li> <li>5. Develop high-quality, high-value-added products that have a low environmental cost, and highlight the special characteristics of domestic products, to strengthen competitive advantage.</li> <li>6. Assist members of the industry to change their operating strategy, oriented more toward products with a shorter shelf-life and toward market differentiation from imported products.</li> <li>7. Strengthen food product sanitary and safety inspection measures.</li> </ol>
Aerospace industry		<ol style="list-style-type: none"> <li>1. Take advantage of opportunities for cooperation with the military procurement industry, attract technology and cultivate human resources, and obtain product certification to expand external sales.</li> <li>2. Closely monitor follow-up developments pending ratification of the Uruguay Round Agreement on Trade in Civil Aircraft.</li> </ol>

Source of data: Based on Attachment B of this report.