



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.07

Voluntary Report - public distribution

Date: 01/19/2005

GAIN Report Number: TW5002

Taiwan

Trade Policy Monitoring

Changes in Taiwan Tariff Rate Quotas

2005

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Report Highlights:

On January 1, 2005, Taiwan fully liberalized trade in four products, including poultry meat, pork bellies and non-beef offals. Although liberalization should boost U.S. exports, the application of Special Safeguards will increase duties for some products. U.S. exports of chicken and pork products are the most significant items affected by these changes.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Taipei [TW1]
[TW]

Taiwan Ends Tariff Rate Quotas

On January 1, 2005, Taiwan fully liberalized trade in four products, including poultry meat, pork bellies and non-beef offals. For products remaining under TRQ, import rights will continue to be allocated by System 1 (Apply First, Allocate First) and System 2 (Yearly "Dutch Auction" of quota rights) and System 3, a periodic (1-4 times a year) "Dutch Auction" of quota rights. Taiwan's auctions and applications for the 2005 TRQs were successfully completed by the end of November 2004. A table of 2004 TRQs is given on the next page.

TRQ & Special Safeguards

TRQ elimination is expected to result in the implementation of Special Safeguard (SSG) duties that will likely increase applied tariffs for affected products. The specific duty surcharges are calculated according to methodologies outlined in Part III, Article 5 of the WTO Agreement on Agriculture (see http://www.wto.org/english/docs_e/legal_e/14-ag_01_e.htm for specifics). The SSG duties are triggered either by quickly rising import quantities (volume trigger) or by falling domestic market prices (price trigger). When products were imported under the TRQs, they were exempt from SSG tariff rates – and any imports under remaining TRQs are not subject to SSG. Although liberalization will increase duties, the higher SSG duties will, in most cases, merely slow increases in Taiwan imports rather than reduce trade.

Since imports of many products were banned before 2002, the SSG volume triggers are currently very small because of zero or low base period imports. The anticipated surge in imports after liberalization will likely result in SSG surcharges fairly early in 2005. However, as imports level off in 2-4 years, volume triggered SSGs for these products will end and duties should return to pre-SSG levels. Of major U.S. exports, pork and poultry offals will be most affected by volume SSGs.

However, price trigger SSGs, which are based on (usually high) pre-WTO accession base period (1992-94) prices will stay in place indefinitely. Chicken meat is the most significant U.S. product affected, especially since the price trigger is very high for this product. As a result, chicken legs will likely face a 26.67 percent duty in 2005 instead of the 20 percent normal duty. If Taiwan prices were to fall to 40 to 60 percent below the trigger, the surcharge could rise 50 percent leading to a post-SSG duty of 30 percent. Despite the SSG, U.S. poultry meat exports are expected to grow by 40 percent in 2005. For more detailed information on SSG please refer to GAIN Report TW4055.

Remaining TRQs

The TRQs on persimmons and three fishery products (mackerel, carangid and sardine) will be phased out at the end of 2007. It is believed that the lifting of TRQs on mackerel, sardine, and carangid will yield positive results for U.S. exporters, especially for U.S. mackerel, which is competitive in the Taiwan market.

The other TRQs on deer velvet, oriental pear, bananas, red bean, liquid milk, peanuts, garlic, dry forest mushroom, dried day lily, coconut, betel nut, pineapple, mango, shaddock, dry longan, sugar and rice will stay in place indefinitely. High out of quota duties make out of TRQ trade for any of these products unlikely.

Press Reaction

Taiwan media have reported on the end of TRQs without excessive comment. With growing pressure on the Taiwan poultry industry from imports and a recent and widely reported protest against rice imports, agricultural trade liberalization will likely continue to be a controversial issue on Taiwan.

TRQ and SSG: Tariff Rates, Quota Sizes and Liberalization Schedule (Tons)

Allocation Methods	Product Name		2004 TRQ Volume & Tax Rate		Liberalization Date & Tax Rate	
			Tariff Rate	Qty.	Tariff Rate	Date
System 1 Apply First, Allocate First	Pork Belly		12.50%	15,400	12.50%	2005
	Chicken Meat		20.00%	45,990	20.00%	2005
	Pork Offals		15.00%	27,500	15.00%	2005
	Poultry Offals		25.00%	3,672	25.00%	2005
	Deer Velvet		22.50%	5	NA	None
	Oriental Pear		18.00%	9,800	NA	None
	Banana		12.50%	13,338	NA	None
System 2 Auction Once A Year	Red Bean		22.50%	2,500	NA	None
	Liquid Milk		15.00%	21,298	NA	None
	Peanut		25.00%	5,235	NA	None
System 3 Auction 1 to 4 times per year	Garlic	Garlic Bulbs	0.00%	3,520	NA	None
		Other Garlics	22.50%		NA	
	Dry Forest Mushroom		25% or NT\$110/kg which ever higher	288	NA	None
	Dried Day Lily		22.50%	101	NA	None
	Coconut		15% or NT\$0.9/kg which ever higher	10,000	NA	None
	Betel Nut		17.50%	8,824	NA	None
	Pineapple		15.00%	23,870	NA	None
	Mango		25.00%	12,755	NA	None
	Shaddock		25.00%	4,300	NA	None
	Persimmon		25.00%	1,440	25.00%	2008
	Dry Longan		25.00%	330	NA	None
	Sugar	Raw sugar	12.50%	205,000	NA	None
		Refined sugar	17.50%		NA	
	Mackerel		20% or NT\$6.2/kg whichever higher	7,537.5	20% or NT\$6.2/kg whichever higher	2008
	Carangid		25.00%	3,271	25.00%	2008
Sardine		20% or NT\$38.1/kg whichever higher	3,813	20% or NT\$38.1/kg whichever higher	2008	
Rice		0%	144,720	NA	None	

Source: Customs Administration, Ministry of Finance

Notes: * Starting in 2003, the total 144,720 tons TRQ includes both government purchases and private sector imports. Private sector trade for sugar will account for 1% of the annual quota after WTO accession, and increase to 2% in 2004.