



The US-ROC (Taiwan) Business Council

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IMPORTANT NOTICE TO ALL MEMBERS!

COUNCIL LAUNCHES WEEKLY E-MAIL TAIWAN BUSINESS BULLETIN!

Starting today, the Council intends to produce a weekly "Taiwan Business Bulletin," which will be distributed only, repeat only, by E-mail. **If you wish to receive this, please notify us by FAX: 202-331-8985 or E-mail: Council@usa-roc.org.** While this first edition is being sent to you by FAX, for you to get an idea of the type of publication it will be, subsequent editions, for cost reasons, will be sent by E-mail only. We plan to continue to send our Monthly FAX Update by FAX, but it will be devoted more to an interpretation of developments that affect the business environment with Taiwan and it will not repeat information contained in the weekly "Business Bulletin". We are interested in your comments on, and suggestions for, the new publication.

TAIWAN: WEEKLY BUSINESS BULLETIN

For the Week April 15-22, 1998

INTERNATIONAL TRADE

Taiwan-European Union Trade Consultations: Annual trade Taiwan -EU consultations opened in Taipei Tuesday (4/21). The EU agenda includes market opening, tariffs (alcoholic beverages and small cars), commercial piracy, financial service market deregulation, investment promotion and bilateral industrial and technological cooperation. Taiwan is concerned about EU anti-dumping duties on fax machines, bicycles, car hi-fi's, machine screws, synthetic fiber and MSG. The two sides have yet to agree on Taiwan's WTO accession terms.

US-Taiwan IPR Consultations: Four-days of trade consultations between the US and Taiwan began Tuesday (4/14) in Taipei. Steve Jui-lung Chen, Director General of the Board of Foreign Trade (BOFT), and USTR representative David Burns were lead negotiators. The US complained that Taiwan failed to adequately investigate commercial piracy or stop pirated exports, charges which could place Taiwan on the "Special 301" watch list. The decision is to be made by US Trade Representative Charlene Barshefsky on April 30, 1998. (The Ministry of Economic Affairs unveiled its "1998 Action Plan for Intellectual Property Rights Protection" the previous week (4/6) in hopes of warding off Special 301 watch listing.) Wednesday (4/15) Taiwan suggested an exchange of customs monitoring data with the US to bolster crackdowns on IPR infringements. Economics Minister Wang Chih-kang said Taiwan would ban firms with a record of IPR violations from investing overseas.

DRAM and SRAM Dumping: Friday (4/10) BOFT's Steve Chen warned that the US and the European Union are likely to charge Taiwan with dumping computer DRAM chips. BOFT is monitoring DRAM production and plans an early-warning system to alert manufacturers to potential dumping liabilities. Economics Minister Wang Chih-kang said Sunday (4/12) that Taiwan will help local firms appeal to the US Court of International Trade to reverse ITC anti-dumping duties on Taiwan-made SRAM chips. (The ITC formally published its ruling Thursday 4/16.) Wang said that under Taiwan law, after-tax bonuses are not viewed as wages -- a reason for apparent lower production costs in Taiwan.

Intel Chip Counterfeiting Ring Cracked: Five suspects involved in an Intel microchips counterfeiting ring were released on bail on Saturday (4/18) after being questioned by prosecutors. The five were only "downstream processors" according to police, who are continuing to investigate "upstream" masterminds who are suspected of hiding overseas. One of the suspects told police the fake chips were airshipped to Hong Kong. National Police said Thursday (4/16) they had confiscated NT\$100 million (US\$3.03 million) in chips. Intel notified Police earlier this year that large numbers of Pentium II 233 CPUs, relabeled in Taiwan as Pentium 266 or Pentium II 300s, had been seized by customs agents around the world.

FINANCE

C.F. Koo Donates \$10 Million to University of Penn: University of Pennsylvania's Wharton School announced it received a US\$10 million donation from businessman and elder statesman C.F. Koo and sons, Chester and Leslie. Koo received the Wharton Dean's Medal in 1991. In 1992, Koo, received an honorary U/Penn law degree. His sons both received their MBAs from Wharton. The Koo family has also endowed two professorships at Wharton.

Taiwan International Mercantile Exchange Launched: Taiwan International Mercantile Exchange(TAIMEX) Chairman H.T. Lin, said Thursday (4/16) that TAIMEX is committed to establishing an "effective and fair futures exchange in Taiwan which will market a variety of new products and promote the globalization of the local futures market." Taiwan's first futures exchange will open after the "Futures Transactions Tax" bill passes the legislature in May.

Taiwan Industrial Bank Launched: Former ChinaTrust Commercial Bank President Lo Ching-ming has been named president of the new Taiwan Industrial Bank(TIB). Samuel Shieh, former Governor of the Central Bank of China, will be the TIB Board Chairman. TIB opened its "preparatory office" Friday (4/10) and announced it will apply to the Bureau of Monetary Affairs in June. Subscribers for shares in the new bank, capitalized at NT\$23 billion, include Taiwan Cement Co., China Steel Co. and 170 private individuals.

Central Bank Delegation to the US: Central Bank Deputy Governor Shea Jia-dong is leading a ten-person financial delegation to Washington, New York and Chicago April 12-23. The visit coincides with the joint board meeting of the IMF/World Bank in Washington April 13. The delegation met Treasury Undersecretary Summers Wednesday (4/15) to ask for US support for Taiwan's US-dollar bond sale proposal to help countries hit by the financial crisis. Shea also visits the Federal Reserve, the American Enterprise Institute, the U.S.-Taiwan Chamber of Commerce, the New York American Institute of Banking and Chicago University to discuss the and Taiwan's proposal that China join in hosting a conference on the crisis. **The US-ROC (Taiwan) Business Council hosted a very successful seminar with the delegation at the ANA Hotel in Washington, DC, on Wed., April 15.**

Taiwan Forex Reserves Pulled out of Japanese Banks: CBC's Shea Jia-dong said Saturday (4/4) that because of recent drops in the Yen and problems in Japanese securities firms, Taiwan has pulled its foreign exchange reserves out of Japanese banks and brokerage houses. The Central Bank maintains correspondent relationships with about 80 banks worldwide, including nine Japanese. Of Taiwan's \$84 billion foreign exchange reserves, over 60% are in US dollar instruments, 10% in Japanese yen, and 20% in DMarks. Taiwan will continue to keep its Yen assets in non-Japanese banks in Japan.

INDUSTRY

Ford Motors Studying Taiwan Sites: Ford Motor Co. is considering a \$300 million regional auto parts warehousing center for Asia and given Taiwan's strong domestic auto market and central location, Taiwan has an edge over Thailand, CEPD Vice Chairman Schive Chi said Monday (4/20). Chi said Ford VP Ronald Goldsberry recently surveyed three sites in Taiwan. Ford Lio Ho Taiwan, Ltd. declined to confirm the report.

1998 Taiwan Growth Estimates Revised downward to 5.95%: Chung-hua Institute for Economic Research (CIER) said Friday



(4/17) sluggish 1st quarter export figures has led it to reestimate Taiwan's projected growth for 1998 at 5.95% percent. The previous estimate was 6.37% -7.1%. Stable raw material and petroleum prices kept 1st quarter inflation at 1.55%, but inflation for the year may be as high as 2.72%, up from 0.9% in 1997.

Aviation Safety Measures: Friday (4/10) the Ministry of Transportation and Communications announced a series of aviation safety measures to be in place by the end of May. Airlines will verify the identities of all passengers at check-in. Airlines not complying will be fined up to NT\$3 million. Other measures include a cabin ban on wireless electronic appliances, cell phones and CD players.

The Civil Aeronautics Administration (CAA) instructed all airlines to submit their flight safety inspection plans prior to April 20 and implement them within three months. CAA plans to field safety inspection teams composed of defense ministry, R&D Commission officials and aviation experts. The teams begin safety inspections in August.

EVA Airways and America West sign Code Sharing Agreement: EVA Airways vice president K. W. Nieh announced Friday (4/17) that EVA had signed a code-sharing agreement with America West Airlines effective June 1 which allows EVA to extend its code on America West routes from Los Angeles and San Francisco to Las Vegas and Phoenix. The arrangement follows the 1997 US-Taiwan "open skies" agreement which deregulates pricing, routing and scheduling.

Thursday (4/16) EVA Air announced six weekly flights on a new route from Kaohsiung to Saigon (Ho Chi Minh City) starting June 11.

Conference on CO2 Emissions: A national conference will be held in May to review Taiwan's energy policy and cutting greenhouse gases, the economic ministry said Tuesday (4/7). While Taiwan is not a member of the "United Nations Framework Convention on Climate Change," it hopes to be included in UN climate discussions. At a preparatory conference last week, economist Liang Chi-yuan suggested Taiwan impose tax on carbon dioxide emissions. Dr. Wu Tsai-yi of the Taiwan Research Institute proposed that the government encourage growth in technology-intensive industries from the present 39% of Taiwan's industrial output to 54% by 2010.

Chinese Petroleum to Privatize Non Refining Operations: Chinese Petroleum Corp. chairman Chen Chao-wei, announced Friday (4/18) that CPC will privatize all non-refining businesses including security, transportation and filling station operations, with combined annual "potential business value" of about NT\$10 billion (US\$305 million). CPC-operated ocean-going oil and LNG tankers cost the company NT\$9 billion (US\$274 million) a year, and CPC operates 300 tanker trucks generating annual revenues of several billion NT dollars. CPC plans a franchise system for its filling station business which now loses money.

New CPC Oil Refinery in Taoyuan: Chinese Petroleum announced Tuesday (4/7) it will invest NT\$9 billion in an oil refinery in Taoyuan to produce gasoline, diesel oil and liquid petroleum gas. CPC hopes the new refinery will ease transport bottlenecks which now hamper movement of petroleum products from its refinery in South Taiwan. The new refinery will begin operation in 2001.

Taipei' s Eastern Multimedia in Cable TV Deal with US West: Eastern Multimedia Corp. Chairman Wang Ling-lin announced Thursday (4/16) an agreement with Tom Parun, president of US West Asian operations to upgrade cable TV service in Taiwan.

CKS Airport Mass Rapid Transit Contracts: The transport ministry has delayed its decision on the Taipei- CKS Airport MRT line until May. Reviews of documents from the five major Taiwan bidders were held April 15 and 20, but the proposals varied too widely.

Australian-NZ Milk Cheap after WTO: 100,000 tons of cheaper whole milk from Australia and New Zealand will be allowed into Taiwan after the ROC enters the World Trade Organization said Chen Bao-ji, director of the Animal Industry Department under the Council of Agriculture Friday (4/17). Production costs of high-quality milk in both Australia and New Zealand are 30-40% lower than in Taiwan. Chen said Taiwan now produces 330,000 tons of milk a year.

DEFENSE

No Chinese veto of U.S. Arms Sales to Taiwan: Senior State Dept. official John Holum told journalists in Washington Tuesday



(4/7) that Taiwan press reports about his statements (3/26) in Beijing on arms sales to Taiwan were wrong. "I think the simplest way to say it is there's been no change in our approach on arms sales to Taiwan; that the Taiwan Relations Act, as well as the three communiqués, are the basis of our relationship," said Holum. He added "certainly, there was no intimation that this is something that would involve pre-notification or pre-clearance with China."

The 1998 US-Taiwan military procurement conference will be held in Washington in May and the Taiwan press reports Taiwan has a wish list of about \$3 billion in arms purchases including 21 AH-1W and 13 OH-58D helicopters.

Senator Jesse Helms (R/NC) and 11 other Senators wrote to President Clinton the previous week asking the U.S. not to make any concessions to Beijing on the deployment of anti-missile systems in the Asia-Pacific region.

Taiwan to Build 8-12 Submarines: Taiwan's defense ministry confirmed Monday (4/6) that the Navy and the Chungshan Institute of Science and Technology are reviewing indigenous production of 8-12 attack submarines. MND sources added that Taiwan had little experience in noise reduction and submarine fire control systems, indicating these were areas where Taiwan would need foreign help.

Military Procurement Scandal: Major General Chien Fan-ping, director of the System Manufacturing Center at the Chungshan Institute of Science and Technology, was arrested by the military procurator Sunday (4/5) for accepting kickbacks from companies which sold CIST machine tooling for missiles and other arms. Chien is the second general arrested for corruption in two months.

Taiwan Military Exercise "Han Kuang 14": The defense ministry announced 4/13 that the 1998 combined arms military exercise "Han Kuang 14" will be staged off Taiwan's east coast May 11-14. The exercise will focus on air defense, electronic warfare, and command/control. It will commence with a computer simulation, followed by live fire maneuvers.

CROSS STRAITS

Preliminary Taiwan-China Talks to Resume April 22: Taiwan has announced it is sending a Strait Exchange Foundation (SEF) delegation to China. Newly appointed (SEF) Deputy Secretary General Jan Jyh-horng will lead the team in Beijing Wednesday (4/22). The Chinese suspended talks between the unofficial SEF and its mainland counterpart in June 1995 after President Lee's visit to Cornell University, but Chinese President Jiang Zemin agreed to reopen contacts last November. The two sides had reached an impasse when neither would propose an agenda or accept a meeting without first seeing the other side's agenda. China finally agreed to a meeting to discuss an agenda for a future visit by President Lee's unofficial emissary, Dr. Koo Chen-foo.

In another sign of improved relations, 16 senior editors from China's state-run media arrived in Taipei Friday (4/17). The Chinese group is headed by Xie Hong, deputy editor-in-chief of *People's Daily*, China's main newspaper.

Taiwan Explores Confidence-Building Measures with China: Premier Siew said Saturday (4/18) that Taiwan hopes to exchange information on military exercises with China. This "would reduce hostility and maintain stability cross the strait and in the Asia-Pacific region," Siew said.