

## 2001 Country Reports on Economic Policy and Trade Practices

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### TAIWAN

#### Key Economic Indicators (Billions of U.S. dollars unless otherwise noted)

	1999	2000	2001	1/
<i>Income, Production and Employment:</i>				
GDP (at current prices)	287.8	309.4	287.0	
Real GDP Growth (percent)	5.4	5.9	-0.4	
GDP by Sector:				
Agriculture	7.4	6.5	5.1	
Manufacturing	76.5	81.6	70.3	
Services	184.9	202.7	194.0	
Government	29.3	31.5	29.3	
Per Capita GDP (US\$)	13,114	13,985	12,877	
Labor Force (000s)	9,668	9,784	9,830	
Unemployment Rate (percent)	2.9	3.0	4.6	
<i>Money and Prices (annual percentage growth):</i>				
Money Supply (M2)	8.3	6.7	6.3	
Consumer Price Inflation	0.2	1.3	0.4	
Exchange Rate (NT\$/US\$) 2/				
Official	32.23	31.34	33.8	
<i>Balance of Payments and Trade: 3/</i>				
Total Exports FOB 4/	121.6	148.3	126.2	
Exports to U.S. CV 5/	35.2	40.5	33.3	
Total Imports CIF 4/	110.7	140.0	113.2	
Imports from U.S. FAS 5/	19.1	24.4	18.7	
Trade Balance 4/	10.9	8.3	13.0	
Trade Balance with U.S. 5/	-16.1	-16.1	-14.6	
External Debt	38.6	34.7	30.0	
Fiscal Deficit/GDP (pct)	1.1	4.1	4.1	
Current Account Surplus/GDP (pct)	3.3	2.9	4.2	
Gold and Foreign Exchange Reserves	111.1	111.3	111.0	
Aid from U.S. 6/	0	0	0	
Aid from Other Countries	0	0	0	

1/ 2001 figures are estimated based on data from the Directorate General of Budget, Accounting and Statistics (DGBAS), or extrapolated from data available as of June 2001.

2/ An average of month-end exchange rate figures for each year.

3/ Merchandise trade only. Taiwan service trade statistics are not broken out by country.

4/ Taiwan Ministry of Finance (MOF) figures for merchandise trade.

5/ Sources: U.S. Department of Commerce and U.S. Census Bureau; exports FAS, imports customs basis; 2001 figures are estimates based on data available through August. Taiwan MOF figures for merchandise exports (FOB) to and imports (CIF) from the United States were (US\$ billions): (1999) 30.9/19.7, (2000) 34.8/25.1, (2001) 28.6/19.2.

6/ Aid disbursements stopped in 1965.

7/ Figures in the table and the following text disagreeing with those in the previous reports are mainly due to later revisions by DGBAS.

### *1. General Policy Framework*

In 2001, Taiwan suffered from economic recession for the first time in five decades. Taiwan authorities in August estimated the real GDP reversed from six percent growth in 2000 to a decline of 0.37 percent in 2001. The September 11 terrorist attacks in New York and Washington, D. C. will likely drive the 2001 economic decline even deeper given that exports account for nearly half of the island's GDP. Per capita GDP will, therefore, decline from nearly US\$14,000 in 2000 to below \$13,000 in 2001. Unemployment rose from below three percent two years ago to exceed five percent in August 2001. Taiwan's foreign exchange reserves as of August 2001 totaled \$113 billion, the fourth largest in the world (after Japan, the People's Republic of China, and Hong Kong). Prices remained stable, rising 1.3 percent in 2000 and 0.3 percent in the first eight months of 2001.

Industrial growth is now concentrated in semiconductors, electronic components, and information technology (IT) industries. Almost all new major investments in the past two years went to these industries, which accounted for 35-40 percent of Taiwan's total exports. Rising labor and land costs have long led many manufacturers in labor intensive industries to move offshore, mainly to Southeast Asia and mainland China. Services accounted for 65.5 percent of GDP in 2000, up 1.2 percentage points from 1999. Merchandise exports fell from nearly half of GDP in 2000 to 44 percent in 2001 due to weak world demand for electronic goods.

Economic recession has cut into tax revenue and broadened the fiscal deficit, driving up domestic public debt. The central fiscal deficit, jumping from 1.1 percent of GDP in 1999 to 4.1 percent in 2000, is expected to reach five percent in 2002. During the period of 1999-2002, the central government's outstanding debt will double from 14.3 percent to 28.8 percent of GDP. Taiwan's central authorities now rely largely on domestic bonds and bank loans to finance the fiscal gap. National defense is no longer the largest expenditure category. Social welfare replaced national defense as the largest share of public expenditures in 2000 and 2001. Education, science and culture (ESC) is expected to replace social welfare as the largest public expenditure in 2002. The share for ESC expenditure increased from 16 percent in during 1999-2001 to 17 percent in 2002. On the other hand, the share for defense spending dropped from 20 percent in 1999 to 15 percent in 2001 and 14 percent in 2002. The share for social welfare

expenditure, shot up from 11 percent in 1999 to 18 percent in 2000-2001, but is expected to fall to 16.7 percent in 2002. The greatest pressure on the budget now comes from growing demands for improved infrastructure and social welfare spending, including reform of a deficit-plagued national health insurance program initiated in early 1995.

The Working Party for Taiwan's accession to the World Trade Organization (WTO) completed work on all of Taiwan's WTO working party documents in September 2001, and WTO Ministers approved Taiwan's accession agreement in November 2001. As part of the accession process, Taiwan and the United States signed a landmark bilateral WTO agreement in February 1998. The agreement includes both immediate market access and phased-in commitments, and will provide substantially increased access for U.S. goods, services, and agricultural exports to Taiwan. Taiwan is also an active member of the Asia Pacific Economic Cooperation (APEC) forum.

## *2. Exchange Rate Policies*

Taiwan has a floating exchange rate system in which banks set rates independently. The Taiwan authorities, however, control the largest banks authorized to deal in foreign exchange. The Central Bank of China (CBC) intervenes in the foreign exchange market when it feels that speculation or "drastic fluctuations" in the exchange rate may impair normal market adjustments. The CBC uses direct foreign exchange trading by its surrogate banks and public policy statements as its main tools to influence exchange rates. The CBC still limits the use of derivative products denominated in New Taiwan Dollars (NTD).

Trade-related funds flow freely into and out of Taiwan. Most restrictions on capital account flows have been removed since late 1995. Laws restricting repatriation of principal and earnings from direct investment have been lifted. Despite significant easing of previous restrictions on foreign portfolio investment, some limits remain in place.

## *3. Structural Policies*

Twenty-nine state-owned enterprises have been either totally or partially privatized in the past seven years, including nine in 1998, six in 1999, two in 2000, and three in 2001. During the seven-year period, 14 other state-owned companies have been closed. Liberalization efforts have resulted in the break up of state-owned enterprises' monopolies in wireless and fixed line telecommunications, power generation, and gasoline supply. Taiwan will phase out the monopoly in wine and beer production after it accedes to the WTO. State-owned enterprises accounted for 9.3 percent of GDP in mid-2001, down from 9.5 percent a year earlier. Taiwan's Fair Trade Commission (FTC) acts to thwart noncompetitive pricing by state-run monopolies. FTC exemptions granted in 1992 to several state-run monopolies were not renewed in 1997, making such firms subject to anti-monopoly laws.

Taiwan has been lowering tariffs significantly in recent years, both as part of its effort to accede to the WTO as well as to fulfill other policy objectives. Tariff reductions in July 1997

were designed to fulfill commitments made in the Information Technology Agreement and the WTO Agreement on Trade in Civil Aircraft. Taiwan will reduce tariffs on 5,200 import categories when it accedes to the WTO. The average tariff cut will be 32.4 percent. The nominal tariff rate will be lowered from 8.2 percent to 7.08 percent in the first year after its accession to WTO and to 4.15 percent by 2007. Many of the tariff cuts are of specific interest to U.S. industry.

High tariffs and pricing structures on some goods, in particular on some agricultural products, hamper U.S. exports. However, under the bilateral WTO agreement reached in February 1998, Taiwan began to provide quotas for the import of previously banned pork, poultry, and variety meat products, and agreed to phase in tariff cuts on numerous food products upon accession. The Taiwan Tobacco and Wine Monopoly Bureau (TTWMB) has a monopoly on domestic production of cigarettes and alcoholic beverages. As part of its bilateral WTO commitments to the United States, however, Taiwan has pledged to convert an existing monopoly tax on these products into excise taxes and import tariffs, and also to gradually open the markets after Taiwan accedes to the WTO.

#### *4. Debt Management Policies*

Taiwan's outstanding long and short-term external debt as of March 2001 totaled \$32.3 billion, equivalent to 11 percent of GDP. Taiwan's outstanding external public debt was \$28 billion, compared to gold and foreign exchange reserves of \$113 billion. Taiwan publishes the debt service ratio for the public sector only, with the ratio nearly zero. Debt service payment figures for the private sector are not available.

Cross-border claims by Taiwan's banks as of March 2001 totaled \$49.3 billion. Of the total claims, 36 percent went to nations in Latin America and the Caribbean Area, which maintain diplomatic relations with Taiwan. The credit is mainly used to build industrial zones and foster development of small and medium enterprises. 1.3 percent went to international institutions, including the Asian Development Bank (ADB), one of the two multilateral development banks in which Taiwan has membership. Taiwan is also a member of the Central American Bank for Economic Integration (CABEI). The ADB, CABEI, the European Bank for Reconstruction and Development (EBRD), and a number of other international organizations have all floated bonds in Taiwan.

#### *5. Significant Barriers to U.S. Exports*

Accession to the WTO by Taiwan will open markets for many U.S. goods and services. Currently, of some 10,344 official import product categories, 1,006 are "regulated" and require approval from relevant authorities based on the qualifications of the importer, the origin of the good, or other factors. Another 130 categories require import permits from the Board of Foreign Trade. Imports of 252 categories are "restricted," including ammunitions and some agricultural products. These items can only be imported under special circumstances, and are thus

effectively banned. Eighty-six percent of the import categories are completely exempt from any controls.

**Financial:** Taiwan continues to steadily liberalize its financial sector. Taiwan enacted a Futures Exchange Law in March 1997; a futures market was established in July 1998. The Securities and Exchange Law was amended in May 1997 to remove restrictions on the employment of foreigners by securities firms, effective upon Taiwan's accession to the WTO. Taiwan removed the foreign ownership limit on companies listed on the Taiwan Stock Exchange and OTC Market in late 2000, with a few exceptions for designated industries. For qualified foreign institutional investors, restrictions on capital flows have been removed, although they are still subject to limits on portfolio investment. Foreign individual investors are subject to some limits on their portfolio investment and restrictions on their capital flows.

**Banking:** In June 1997 the annual limit on a company's nontrade outward (or inward) remittances was raised from \$20 million to \$50 million. Inward/outward remittances unrelated to trade by individuals are subject to an annual limit of \$5 million. There are no limits on trade-related remittances. NTD-related derivative contracts may not exceed one-third of a bank's foreign exchange position. To stabilize the foreign exchange market in the wake of regional financial turmoil, the CBC closed the non-deliverable forward (NDF) market to domestic corporations in May 1998; the NDF market remains open to foreign companies.

**Legal:** Foreign lawyers may not operate legal practices in Taiwan but may set up consulting firms or work with local law firms. Qualified foreign attorneys may, as consultants to Taiwan law firms, provide legal advice to their employers only. Legislation was passed in May 1998 to permit the eventual establishment of foreign legal partnerships either upon accession to the WTO, or upon implementation of the new lawyer's law, whichever comes first.

**Insurance:** In May 1997, the financial authorities announced that principle insurance companies would be allowed to set some premium rates and policy clauses without prior approval from regulators. Insurance companies are still required to report such rates and clauses. In July 1995, Taiwan removed a prohibition against mutual insurance companies; as of late 1999, however, authorities had not issued implementing regulations on supervision of such companies.

**Transportation:** The United States and Taiwan have had an Open Skies Agreement in effect since February of 1997. An amendment to the Highway Law allowing branches of U.S. ocean and airfreight carriers to truck containers and cargo in Taiwan went into effect on November 1, 1997. Taiwan also permitted foreign firms to operate car leasing in November 1997.

**Telecommunications:** Taiwan's authorities issued three new fixed line licenses to private consortia in March 2000. Taiwan's private fixed-line telecommunication companies commenced services in August 2001. Taiwan liberalized the submarine cable lease market in August 2000. A U.S.-based submarine cable firm, Asia Global Crossing Taiwan Inc., started cable lease services in August 2001. Two other submarine cable firms are also expected to receive their operation licenses in the first quarter of 2002 and another one is in the application process. The international simple resale (ISR) market was opened in July 2001; seven out of 15 firms that

applied for permits were awarded them. Qualified firms are expected to commence services by late 2001. Taiwan is scheduled to open the third generation (3 G) cellular phone market in late 2001. Under the bilateral WTO agreement signed in February 1998, the state-owned Chunghwa Telecom began to lower its excessively high interconnection fees previously imposed on private mobile service providers. This phased process is ongoing, but Chunghwa continues to engage in pricing practices which appear designed to unfairly subsidize its mobile operations with its fixed line services. Taiwan regulators have begun to address such unfair trading practices. In October 1998 Taiwan's legislature passed a revised Telecom Law. It raised the 20 percent limit on foreign ownership of a telecom firm to 60 percent by allowing a combination of direct and indirect ownership. And, further amendment on the Telecom Law to be considered by the legislature in late 2001 will permit direct foreign ownership to 49 percent. The aggregate of foreign ownership, including direct and indirect, will remain at 60 percent.

**Pharmaceuticals and Medical Devices:** Taiwan's single payer socialized health care system discriminates against imported drugs by setting prices for leading brand-name products at artificially low levels, while providing artificially high reimbursement prices for locally-made generics. The process by which Taiwan registers and prices new drugs is time-consuming, cumbersome and non-transparent. Global budgeting, planned to begin in mid-2002, is expected to put further stress on U.S. and other research-based pharmaceutical companies. The requirement on foreign pharmaceutical factories to submit pharmaceutical plant validation files has been criticized by industry as onerous. The government agency responsible is seen as unable to process the information adequately. The reimbursement system also fails to account for significant quality differences between different brands of medical devices. In June 2000, Taiwan adopted a new medical device classification analogous to USFDA regulations (21 C.F.R.) to simplify registration procedures. However, Taiwan still subjects certain U.S. medical devices to clinical trials above and beyond those required for approval in the U.S. or EU markets. This testing requirement, combined with annual quotas on the introduction of new products, effectively constrains access of U.S. products to Taiwan's market.

**Movies and Cable TV:** Taiwan eased import restrictions on foreign film prints, increasing the number of prints permitted from 38 to 58 per title in late 1997. The number of theaters in any municipality allowed to show the same foreign film simultaneously also increased from 11 to 18. Effective August 1997, multi-screen theaters are allowed to show a film on up to three screens simultaneously, up from the previous limit of one. Taiwan has pledged to abolish these restrictions upon accession to the WTO. In the cable TV market, concerns remain that the island's two dominant Multi-System Operators (MSOs) collude to inhibit fair competition. Control by the two MSOs of upstream program distribution, for example, has made it difficult for U.S. providers of popular programming to negotiate reasonable fees for their programs. Content providers have also experienced persistent problems with advertising masking by cable broadcasters in violation of their contracts.

**Standards, Testing, Labeling, and Certification:** Taiwan has agreed to bring its laws and practices into conformity with the WTO Agreement on Technical Barriers to Trade as part of its WTO accession. However, Taiwan is not yet in conformity with WTO norms. U.S. agricultural exports are often negatively affected because prior notification of changes to standards, labeling requirements, etc. are not provided with adequate lead-time; changes to standards and other

import requirements are not provided in a WTO language. In addition, concerns exist that U.S. fresh produce and meat imports do not, in all cases, receive national treatment. Industrial products such as air conditioning and refrigeration equipment, electric hand tools, and synthetic rubber gloves must undergo redundant and unnecessary testing requirements, which include destructive testing of samples. For some of these products, Taiwan has adopted and expanded an inspection and certification registration system to eliminate duplicate inspection efforts. Imported autos face stringent noise, emission and fuel efficiency testing requirements. In March 1999, the United States and Taiwan signed a mutual recognition agreement (MRA) designed to eliminate duplicate testing of information technology equipment. Certain Taiwan exports to the United States previously tested for electromagnetic conformity in labs recognized by Taiwan authorities will no longer require duplicate inspections in a U.S. lab. Reciprocal treatment will likewise be accorded similar U.S. products imported into Taiwan. Relevant U.S. agencies and their Taiwan counterparts are jointly implementing operating procedures according to the principles of the MRA, including nominating certified labs for mutual accreditation.

**Investment Barriers:** Taiwan continues to relax investment restrictions in a host of areas, but foreign investment remains prohibited in some industries such as agriculture, broadcasting, and liquor and cigarette production. Fixed line telecommunications were liberalized by March 2001 under Taiwan's WTO commitments. Liquor and cigarette production will be fully liberalized by 2004.

Limits on foreign equity participation in a number of industries have been progressively relaxed in recent years. For example, permissible participation in shipping companies was raised from 50 to 100 percent. A 33 percent limit on holdings in air cargo forwarders and air cargo ground handling was raised to 50 percent in 1998, but remains unchanged for airlines. An amendment to the Civil Aviation Law that would raise the holding limit to 100 percent on air cargo forwarders is now pending legislative approval. In August 1997, Taiwan raised the cap on foreign investment in independent power projects from 30 percent to 49 percent. In early 1999, Taiwan opened cable and satellite television broadcasting services to foreign investors, subject to a 50 percent ownership limit. In August 2001, Taiwan's authorities proposed an amendment to the Telecom Law raising the foreign ownership limit on wireless and wire-line telecommunications firms from 20 to 60 percent. The government expects legislative passage of the amendment in 2002. In October 1999, Taiwan permitted foreign investment in liquefied natural gas and petroleum gas supply, subject to a 50 percent foreign ownership limit. A 50 percent foreign ownership limit also remains for power generation plants, power transmission or distribution firms, shipping agents, marine cargo forwarders, air-cargo terminals, and air-catering companies. Local content requirements in the automobile and motorcycle industries will be lifted as part of Taiwan's WTO accession. Restrictions on employment of foreign administrative personnel in foreign-invested firms remain in place.

**Procurement Practices:** Taiwan has committed to adhere to the WTO Agreement on Government Procurement as part of its WTO accession. To prepare for this commitment, a new Government Procurement Law (GPL) became effective in mid-1999. This law marks an important first step towards open, fair competition in Taiwan's multi-billion dollar market for public procurement projects. However, given discriminatory practices that continue to exist, in August 2001, a Memorandum of Understanding on Government Procurement between Taiwan

and the United States was signed. Measures referred to in the Understanding, such as a broader definition of suppliers' qualification and establishment of post-award mediation of contract disputes, should improve market mechanisms as well as encourage foreign bidders' participation.

Customs Procedures: Taiwan has amended its laws and regulations to implement the customs-procedure-related WTO agreements, including the Agreement on Customs Valuation, Agreement on Rules of Origin, Agreement on Anti-dumping, Agreement on Subsidies and Countervailing Measures, and Agreement on TRIPS. The customs procedures have, therefore, been streamlined. At times, however, the customs service still uses reference prices that are higher than the import costs reported by importers. This practice will need to be eliminated upon Taiwan's accession to the WTO.

#### *6. Export Subsidies Policies*

Taiwan provides an array of direct and indirect subsidy programs to farmers, ranging from financial assistance to guaranteed purchase prices higher than world prices. It also provides incentives to industrial firms in export processing zones and to firms in designated "emerging industries." Some of these programs may have the effect of subsidizing exports. Taiwan will reduce or eventually eliminate such subsidies as part of its commitments to WTO accession.

#### *7. Protection of U.S. Intellectual Property*

Intellectual property rights (IPR) protection continues to be a problem between the United States and Taiwan due to weaknesses in Taiwan's legal framework and law enforcement. In preparing for WTO accession, Taiwan has taken steps to amend its IPR laws in compliance with the WTO TRIPS requirements. Taiwan is not a party to any major multilateral IPR convention but is expected to soon become a WTO member. WTO ministers approved Taiwan's terms of accession in November 2001, and Taiwan's membership will become effective 30 days after it files the necessary ratification instrument with the WTO's Director-General.

In face of the U.S. concerns on IPR protection, Taiwan's Intellectual Property Office (IPO) has cooperated with police authorities since 2000 to implement an island-wide "K-plan" to crack down on counterfeit goods. In addition to the "K-plan," the authorities also requested that optical media products (CD, CD-ROM, VCD, and DVD) bear source identification (SID) codes and MASK-ROMs bear special markings for tracking production. To protect optical media products, the U.S. requested Taiwan enact an optical disk law to control and curtail illegal manufacturers of optical media goods. In April 2001, the United States put Taiwan on the Special 301 Priority Watch List up from its placement on the Watch List in 2000. This action resulted from increased concern over Taiwan's inadequate progress in enacting optical media legislation, and Taiwan's failure to shut down known copyright pirates and to curtail increasing on-line piracy. An optical disk law was passed by the legislature in October 2001.

Patents: An amendment to the Patent Law was passed by the legislature in October 2001. The bill extends the terms of patent protection to comply with TRIPS. The amendment also decriminalizes the infringement of invention patents.

Copyright: In compliance with TRIPS' requirements, a Copyright Law amendment was recently approved by the Legislative Yuan. The new law will treat "computer programs" as literary works conferring economic rights for a term consisting of the life of the author and fifty years after the author's death. Based on the new WIPO Copyright Treaty, the Intellectual Property Office (IPO) has submitted for Executive Yuan approval new draft amendments of the "copyright law." The amendments, subject to legislative approval, will add the definition of public transmission and add provisions such as technological protection measures and electronic copyright for the management of information to protect copyright in digital web-site world.

Optical Disc Law: To protect copyrights of works stored on optical discs, Taiwan's legislature passed an optical disc law to control equipment and production management on October 30, 2001. Manufacturers must apply for production licenses and SID codes used in the manufacture of optical discs. Violations will face a maximum three-year jail sentence and a fine of NT\$6.0 million.

Other areas of concern are poor protection for trade dress, such as packaging, configuration, and outward appearance of products, judicial difficulties in handling technical cases, and other judicial delays. The U.S. International Intellectual Property Alliance (IIPA) estimates Taiwan's weak IPR protection caused the U.S. copyright industry to lose US\$557 million in 2000.

## 8. *Workers Rights*

*a. The Right of Association:* In 1995, the Judicial Yuan ruled that the right to organize trade unions was protected by the Constitution. Teachers formed the first association in February of 1999. The Examination Yuan also recognized that civil servants have a right of association in its proposed "civil servant basic law," submitted to the Legislative Yuan in April 2000. Since taking power in May 2000, President Chen Shui-bian's administration has significantly eased restrictions on the right of association by recognizing six new island-wide labor federations, including the Taiwan Confederation of Trade Unions, the Chinese Labor Unions Federation, and the National Trade Union Confederation, etc. The progress of Taiwan democracy over the past decade has largely eased restrictions on association. However, the 2000 Labor Rights Report, produced by the Labor Institute of the National Chengchi University, pointed out that labor not only needs eased restrictions on association, but also increased protection under the law. As of March 2001, some 2.9 million workers, or approximately 30 percent of the 9.8 million-person labor force, belonged to 3,854 registered labor unions.

*b. The Right to Organize and Bargain Collectively:* The Labor Union Law (LUL) still forbids persons employed in administrative or educational agencies of governments at various levels and persons employed in munitions industries to organize labor unions. The settlement of labor disputes law also imposes restrictions making legal strikes difficult, thereby weakening unions'

ability to collectively bargain. At present, Taiwan's unions have only 301 collective agreements with large-scale state-run and leading private enterprises.

*c. Prohibition of Forced or Compulsory Labor:* The Labor Standards Law (LSL) prohibits forced or compulsory labor. Apart from forced prostitution and outside-contract jobs done by foreign workers, there were no reports of these practices.

*d. Minimum Age of Employment of Children:* The Labor Standards Law prohibits forced and bonded child labor and stipulates age 15, after compulsory education required by the law ends, as the minimum age for employment. County and city labor bureaus enforce the minimum age law. Child labor is rare in Taiwan.

*e. Acceptable Conditions of Work:* The Labor Standards Law is rigid and not well enforced in areas such as overtime work and pay and retirement payments. At the end of 2000, the LSL covered 5.7 million of Taiwan's 6.8 million salaried workers. Since 1997, minimum wage has remained at NT\$15,840/per month (or US\$460 at the exchange rate of NT\$34.5 per US dollar); however, actual wage payments in the manufacturing sector have reached NT\$38,792/per month in 2000, more than double the legal minimum wage. However, new contracts for guest workers, which include provision for deductions for formerly free room and board, have effectively lowered pay rates. Under an amendment to the LSL passed in June 2000, and taking effect in January of 2001, maximum working hours are limited to 84 hours every two-weeks, down from 48 hours/per week. Some employers assert that the amendment has increased production costs and forced them to move business offshore. In view of the recent economic slump, the authorities, following the recommendation of the Economic Development Advisory Committee (EDAC), plan to revise the LSL and allow employers more flexibility. The changes could negatively impact working conditions.

*f. Rights in Sectors with U.S. Investment:* U.S. firms and joint ventures generally abide by Taiwan's labor law regulations. In terms of wage and other benefits, worker rights do not vary significantly by industrial sector.

**Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis -- 2000**

(Millions of U.S. Dollars)

Category	Amount
Petroleum	60
Total Manufacturing	3,692
Food & Kindred Products	59
Chemicals & Allied Products	1,483
Primary & Fabricated Metals	60
Industrial Machinery and Equipment	188
Electric & Electronic Equipment	1,454

Transportation Equipment	65	
Other Manufacturing	381	
Wholesale Trade		871
Banking		703
Finance/Insurance/Real Estate		1,972
Services		154
Other Industries		285
TOTAL ALL INDUSTRIES		7,737

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Source: U.S. Department of Commerce, Bureau of Economic Analysis.