

## Government Contracts Blog

Posted at 10:12 AM on July 6, 2009 by Sheppard Mullin

Country of Origin -

"Made In Taiwan" Will Soon Be TAA Compliant

China Continues to Dawdle

Costa Rica, Peru, and Oman also Recognized

On June 16, 2009, Taiwan (aka Chinese Taipei) took the penultimate step in acceding to the World Trade Organization's Government Procurement Agreement (WTO GPA), which will eventually grant Taiwan "free trade partner" status under the Federal Acquisition Regulation (FAR) and allow companies selling to the U.S. Government to deliver products that are manufactured in Taiwan. The accession process is expected to be complete by July 15, 2009. After that date, and once the FAR is updated accordingly, "Made in Taiwan" will finally be an approved country of origin for products and services delivered to the U.S. Government.

### **Taiwan's Accession Process**

Taiwan's accession to the GPA began in 2002 when Taiwan formally joined the WTO. Shortly thereafter, Taiwan submitted a proposal to accede to the GPA, allowing other foreign countries the opportunity to compete in Taiwan's public procurement market, while simultaneously permitting Taiwan to compete in those same countries' foreign procurement markets – including the much coveted U.S. market, which is valued at more than \$200 billion. In May 2009, Taiwan's legislature approved Taiwan's GPA proposal. And on June 8, 2009, Taiwan's President Ma Ying-jeou formally finalized the accession proposal, forwarding it to the WTO in Geneva for final approval. Taiwan's accession papers were received by the WTO on June 16, 2009, triggering a mandatory 30-day waiting period, after which time the accession will be completed.

Effective July 15, 2009, Taiwan will have formally acceded to the WTO GPA, granting Taiwan access to U.S. procurement markets. For supply or service contracts valued at \$194,000 or more, and for construction contracts valued at \$7,443,000 or more, products or services that are "Made in Taiwan" will soon be considered the same under the Trade Agreements Act (19 U.S.C. §§ 2501-2581) as products or services that are "Made in the U.S.A." (Click [here](#) for our previous discussion on the WTO GPA and the TAA).

### **China's Long Process Continues**

While Taiwan's accession is welcome news, many companies are still eager for updates on China's status. While China is a member of the WTO, it has not yet acceded to the terms of the GPA. China's status remains "in process," as it is currently revising its proposals to the WTO. Many in the international community are frustrated with how slowly China is proceeding through the process – China agreed to proceed "as soon as possible" when it joined the WTO in 2001 but did not present a formal GPA proposal to the WTO until December 2007. This 2007 proposal was considered "disappointing" by many commentators, who encouraged China to revise it promptly. To date, China has not presented an updated revision, although Chinese officials continue to assure the international community that accession to the GPA remains a priority. Exactly when China will complete this process is unclear. However, for the immediate future, "Made in China" remains a "Scarlet Letter" marking for most federal procurements. Perhaps Taiwan's recent steps will spur China to action.

### Other Free Trade Agreements

In addition to the welcome news regarding Taiwan, the FAR was recently amended to recognize a number of other free trade agreements (FTAs) that have been recently approved. *See* 74 Federal Register 28426. Under the new rules, products and services from **Costa Rica, Peru, and Oman** are considered approved "designated countries" under the TAA.

### Conclusion

The recent FTA changes (including Taiwan's pending accession to the WTO GPA) will be implemented under the regulations based on the following TAA dollar thresholds:

Trade Agreement	Supplies	Services	Construction
WTO GPA FTAs (including <b>Taiwan</b> )	\$194,000	\$194,000	\$7,443,000
CAFTA FTA (Central American FTA) (including <b>Costa Rica</b> )	67,826	67,826	7,443,000
<b>Oman</b> FTA	194,000	194,000	8,817,449
<b>Peru</b> FTA	194,000	194,000	7,443,000

Authored by:

[David S. Gallacher](#)  
(202) 218-0033  
[dgallacher@sheppardmullin.com](mailto:dgallacher@sheppardmullin.com)