WORLD TRADE ORGANIZATION

RESTRICTED

WT/ACC/SPEC/TPKM/5/Rev.1
22 July 1999

(99-3081)

Working Party on the Accession of Chinese Taipei

Original: English

ACCESSION OF CHINESE TAIPEI

Communication from Chinese Taipei

Revision

The following communication has been received from the Representation of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (hereinafter referred to as Chinese Taipei) regarding the revised proposed tariff rate quota regime, the proposed rice quota regime and the special safeguard applied by Chinese Taipei.

Proposed Tariff Rate Quota (TRQ) Regime
in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu

A. TARIFF QUOTA ADMINISTRATION

1. TERMS OF TRADE

Tariff Rate Quota (TRQ) allocation certificates, as import licences, would be in compliance with the Agreement on Import Licensing Procedures. All commercial terms of trade, including product specifications, origin, pricing, packaging, etc. would be at the sole determination of the parties engaged in the transaction. Partial shipments against a single allocation will be permitted. Traders would be allowed to import any product or mixture of products subject to the same TRQ as noted in the tariff schedule. All products imported under the TRQ could be distributed freely within Chinese Taipei without further trade-based restrictions. Allocation certificates will be freely transferable and tradable, and certificate holders could have certificates reissued to combine or divide allocations.

2. APPLICATION

In addition, all applications for allocation of TRQ quantities would be submitted to the Ministry of Finance (MOF). Any enterprise registered as an importer/exporter in Chinese Taipei would be eligible to apply for certificates under each of the quota allocation systems. Any domestic or foreign enterprise, including sole-proprietorship, meeting the requirements [1] to register as an importer/exporter in Chinese Taipei. Specific conditions for applying for a TRQ allocation would be published in the official journal sixty days in advance of the start of the application period. The application period for initial allocations should be closed by 30 November of the previous year, unless the timing of accession necessitated a change in schedule for the first year. The application period for reallocations of unused quotas would be closed by 1 September. The MOF would grant allocations and publish and notify the names of recipients and allocations within two weeks of the close of the application period for the purpose of transfer.

3. CONSULTATION MECHANISM

With a view to maintaining a transparent and open TRQ administration system, upon request from any WTO Member, Chinese Taipei would consult with the Member on administration of TRQ to ensure that the quota would be allocated in a transparent, equitable, and non-discriminatory manner and the quota would be fully utilized.

4. ALLOCATION

The allocation of tariff quotas would be made as follows:

<u>SYSTEM 1</u>: for quotas of chicken meat, pork offal, poultry offal, deer velvet, fresh pears (excluding European pears), bananas, and pork belly

<u>Initial distribution of allocations</u> For the first two years initial allocation certificates would be issued on a first-come, first-served basis. Allocations would be established for commercially viable shipping quantities, but a ceiling of no more than 20 per cent of the total in-quota quantity would be established

[1] Any enterprise including sole proprietorships, interested in importing and/or exporting and having included in its profit-seeking enterprise registration certificate export/import or buying/selling as a business item, would be permitted to register as an importer/exporter. Registration as a profit-seeking enterprise required maintenance of an address in Chinese Taipei, but did not impose minimum investment or similar requirements.

in advance and published as part of the allocation notification procedures. Allocation certificates would be valid for product arriving between 1 January and 1 September. The date of arrival would be defined in accordance with Article 5 of the implementing regulations of the Customs Law of Chinese Taipei as currently in place. Upon request and proof of signed contract before 1 September, MOF would automatically extend the validity date of the certificate to cover products arriving on or before 31 December.

Reallocation of unused allocations In any year, if the holder of a quota allocation certificate had not contracted for import of the holder's total allocation by 1 September, the unused portion of the allocation would be reallocated on a first-come, first-served basis. The date of re-issue would be no later than 15 September. The re-issued allocation certificates would be valid for products arriving on or before 31 December.

Distribution of allocations after the first two years In each year after the first two years in which allocations were made under System 1, applicants for an allocation of the quota would receive an allocation at least as large as the average of the amount actually imported by the applicant in the prior two years. Any remaining quota amounts or increases in the quota amount would be allocated on a first-come, first-served basis.

Associated Fees Any and all fees, charges, deposits, duties, etc. associated with the allocation process would be made explicit in the advance public notification process, and with the exception of ordinary customs duties, would commensurate with the cost of the services rendered. A performance bond would be required to ensure complete utilization of the allocations. The bond would be returned to the applicant after the applicant imports its allocation before its allocation certificate expires. The bond will not be set at a level which could deter full utilization of the TRQ, or limited to the form of cash, or otherwise restrict trade.

SYSTEM 2: for quotas of red bean, liquid milk and peanuts

Initial Distribution of allocations The annual quota would be distributed once a year. Allocations would be established for commercially viable shipping quantities, but a ceiling of no more than 20 per cent of the total in-quota quantity would be established in advance and published as part of the allocation notification procedures. Allocations would be made through a competitive process. An applicant would need to bid by mail in order to obtain its allocation. Bids submitted would be arranged in a priority order according to the premium of the bid, which is the amount a bidder is willing to pay for each unit of the allocation it bids for. Quota would be allocated in this order until filled. In situations where some bids offer the same amount of premium and the quota available were not sufficient to fill each of such bids, the quota would be allocated on a *pro rata* basis. Successful bidders for allocations were required to obtain their allocation certificates by paying the non-refundable premium within thirty days. The MOF would re-allocate the allocations of those failing to pay the premium accordingly. Such re-allocation process will commence immediately after a period of twenty-one days for notification.

Reallocation of unused allocations Except otherwise provided for in the preceding paragraph, by 1 September, the unused portion of the allocation, quota would be reallocated through a competitive process. The date of re-issue would be no later than 15 September. The re-issued allocations would be valid for products arriving on or before 31 December.

SYSTEM 3: for quotas of garlic bulbs, dried shiitake, dried day lily, young coconut, betel nuts, pineapples, mangoes, shaddocks, persimmons, dried longans and longan pulp, sugar (private sector), mackerel, carangid, and sardine (herrings).

Initial distribution of allocation The annual quota amount would be divided into one to four segments for distribution. Allocations would be established for commercially viable shipping quantities, but a ceiling of no more than 20 per cent of each segment would be established in advance and published as part of the allocation notification procedures. In addition to the announcement made in the previous year on the number of segments and the quantity of each quota segment to be allocated, announcements would be made again twenty-one days in advance of the start of the application period for each segment. Allocations would be made through a competitive process. An applicant needs to bid by mail in order to obtain its allocation. Bids submitted would be arranged in a priority order according to the premium of the bid, which is the amount a bidder would be willing to pay for each unit of the allocation it bids for. Each segment of the quota would be allocated in this order until filled. In situations where some bids offer the same amount of premium and the segment of quota available were not sufficient to fill each of such bids, the segment of quota would be allocated on a *pro rata* basis. Successful bidders for allocations are required to obtain their allocation certificates by paying the non-refundable premium within thirty days. The MOF would re-allocate the allocations of those failing to pay the premium accordingly. Such re-allocation process would commence immediately after a period of twenty-one days for notification.

Reallocation of unused allocations Except otherwise provided for in the preceding paragraph, by 1 September, the unused portion of the allocation would be reallocated through a competitive process. The date of re-issue would be no later than 15 September. The re-issued allocations would be valid for products arriving on or before 31 December.

Proposed Rice Quota Regime
in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu

A. RICE QUOTA ADMINISTRATION

B. RICE QUOTA ADMINISTRATION

Chinese Taipei will ensure that rice exported practices from central stocks will no longer be prohibited from entering domestic marketing channels for industrial and/ or food use.

Imports of rice for re-export will not count against imports under the quota.

Chinese Taipei will lift its ban on imported rice upon accession to the WTO, and establish a quota equal to access in the current year of the Japan schedule, based on Annex 5, calculated on a brown rice basis. This quota will be increased in equal annual increments, growing to 144,720 metric tons in the year 2000. (Note: If Chinese Taipei should accede to the WTO in 2000, the size of the quota in the first year of access will be 144,720 metric tons.) Any portion of the quota for private trade which is not filled by 31 December will be imported by Chinese Taipei central authorities by 31 March of the subsequent year.

With a view to maintaining a transparent and open rice quota administration system, upon request from any WTO Member, Chinese Taipei would consult with the Member on administration of rice quota to ensure that the quota would be allocated in a transparent, equitable, and non-discriminatory manner and the quota would be fully utilized.

Continuation of the quota beyond 2000, or conversion to a tariff-rate quota, will be subject to the provisions of Annex 5 of the Agreement on Agriculture, in particular paragraphs 3 and 4 thereof. Future quota growth shall be consistent with commitments undertaken by WTO Members with respect to Article 20 of the Agreement on Agriculture.

1. CENTRALIZED IMPORTS

Specification of Imported Rice: Rice imported by the central authorities will be tendered to meet internationally recognized standards for trade in rice.

Disposal of Imported Rice: Imported rice will be accorded no less favourable treatment than rice produced in Chinese Taipei. Imported rice will have full access to normal marketing channels, wholesalers, distributors, and end users. It will be priced at a level which ensures that it enters the domestic market at prices competitive with rice produced in Chinese Taipei. Imported rice will be marketed in a timely fashion so that its quality for table use is not adversely affected by storage time. Imported rice will not be exported as food aid, nor used for livestock feed.

Duties and mark-up: The in-quota duty shall be 0 per cent (zero) for rice in HS chapter 10. The sum of the other fees, charges, and mark-ups on any individual importation and resale shall not exceed NT$23.26/kg for rice and NT$25.59/kg for rice products. If the product does not move onto the domestic market at any given price, Chinese Taipei will re-announce the distribution within two weeks, reducing the price by NT$3/kg or greater to ensure that it is not priced above market clearing levels. The process will be repeated if necessary to move the rice out of central stocks.

2. PRIVATE SECTOR TRADE

Direct Private Sector Trade: Chinese Taipei's quota system for private rice trade will be conducted through direct private-sector importation. The quota system will be operated with the objective of ensuring the quota fills with a minimal level of market distortion and that the imported rice enters Chinese Taipei's domestic wholesale and retail markets on conditions no less favourable than exist for rice produced in Chinese Taipei. Chinese Taipei will increase the market access quota allocated to the private trade by no less than the percentage tendered by WTO Members having recourse to Annex 5, Section A of the Agreement on Agriculture. Chinese Taipei agrees to increase the percentages of private trade to 35 per cent in 2000.

In-Quota Duty and Mark-up: The in-quota duty shall be 0 per cent (zero) for rice in HS chapter 10. The sum of other fees, charges, and mark-ups on any individual importation shall not exceed NT$23.26/kg for rice and NT$25.59/kg for rice products. If the quota is under subscribed after the first announcement, Chinese Taipei will re-announce the allocation within two weeks, reducing the sum of other fees, charges, and mark-ups by NT$3/kg or greater to ensure that they do not restrict imports, nor price imports above market clearing levels. The process will be repeated if necessary. If the initial tender is over subscribed, it will be allocated on a first come, first served basis.

Terms of Trade: Quota allocation certificates will serve as automatic import licences, in compliance with the Agreement on Import Licensing Procedures and consistent with Article XIII of GATT 1994. All commercial terms of trade, including product specifications, origin, pricing, packaging, etc. will be at the sole determination of the parties engaged in the transaction. Partial shipments against a single allocation will be permitted. Traders may import any product or mixture of products subject to the same quota as noted in Chinese Taipei's schedule. All products imported under the quota will be permitted to be distributed freely within Chinese Taipei without further trade-based restrictions. Allocation certificates will be freely transferable and tradable, and certificate holders may have certificates reissued to combine or divide allocations.

Application: All applications for allocation of quota quantities will be submitted to the Council of Agriculture (COA). Specific conditions for applying for the first quota allocation for each year will be published in the official journal sixty days in advance of the start of the application period. The application period for initial allocations shall be closed by 30 September of the previous year, unless the timing of accession necessitates a change in schedule for the first year. The application period for reallocations shall be closed by 1 September. COA will grant allocations and publish and notify the names of recipients and allocation amounts within two weeks of the close of the application period.

Associated Fees: Any and all fees, charges, deposits, duties, etc. associated with the allocation process will be made explicit in the advance public notification process, and with the exception of ordinary customs duties and/or other charges as noted in Chinese Taipei's schedule, will be commensurate with the cost of the services rendered. No special performance or bid bond requirements will be instituted.

Allocation:

Initial distribution of allocations The initial allocation certificates will be issued on a first come, first served basis. Allocations will be established for commercially viable shipping quantities, but a ceiling on the size of any given allocation may be established in advanced and published as part of the allocation notification procedures. Allocation certificates will be valid for product arriving between 1 January and 1 September. The date of arrival shall be defined in accordance with Article 5 of the implementing regulations of the Customs Law of Chinese Taipei as currently in place. Upon request and proof of signed contract before 1 September, COA will automatically extend the validity date of the certificate to cover products arriving on or before 31 December.

Reallocation of unused allocations In any year, if the holder of a quota allocation certificate has not contracted for import of the holder's total allocation by 1 September, the unused portion of the allocation will be reallocated on a first come, first served basis. Reallocation certificates will be valid for 90 days.