

## **Accession commitments on Taiwan's WTO participation**

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### **1.0 The Accession Process**

- Taiwan applied to become a GATT member on January 1, 1990, as the “Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu”. On September 29, 1992, the GATT Council established a Working Party to assess Taiwan's application.
- On December 15, 1993, while Taiwan's accession process was underway, the Uruguay Round of GATT negotiations was concluded and the GATT agreements were brought under the institutional framework of the WTO as of January 1, 1995. On December 1<sup>st</sup> of the same year, Taiwan transferred its accession application to the WTO.
- Since Taiwan's application for accession was accepted by the GATT to the present, thirty WTO members in all have requested bilateral market access negotiations with Taiwan. The Working Party examining Taiwan's accession has convened eleven meetings to conduct multilateral negotiations regarding Taiwan's trade regime. The results of those negotiations are reflected in the draft Protocol of Accession, the Working Party Report, the Schedule of Tariff Concessions and the Schedule of Specific Commitments on Services.
- The eleventh session of the Working Party on Taiwan's accession was convened on September 18, 2001, and completed the examination of the above-mentioned accession documents.
- Taiwan's accession was adopted on November 11, 2001, and the Protocol of Accession was signed on the following day during the Fourth WTO Ministerial Conference. Following the formal approval by the Ministerial Conference, Taiwan completed its domestic ratification procedure and formally notified the WTO of the acceptance of the Protocol of Accession on December 2, 2001. Thirty days after the notification reaches the WTO, Taiwan became a WTO member on January 1, 2002.

### **2. The Accession Agreements**

#### **Tariff**

#### **Agricultural and industrial products**

- Before accession, the average levels of tariffs on imports of industrial and agricultural products into Taiwan were 6.03 and 20.02 percent, respectively. Upon accession (2002), the two figures were reduced to 5.78 and 14.01 percent, respectively.
- Following the completion of all the scheduled tariff reductions on the 3,470 industrial and 1,021 agricultural products for which Taiwan has made commitments, the average levels of tariffs applied on industrial and agricultural products will fall further to 4.15 and 12.86 percent, respectively.

### **The Zero-for-Zero Program**

- In accordance with the Zero-for-Zero Program of the Uruguay Round, which forms part of Taiwan's accession package, tariffs applied on the following products will be phased out based on a pre-determined schedule of annual reductions: selected liquors, pharmaceuticals, medical equipment, furniture, paper products, farm equipment, toys, construction equipment, steel, beer and other products.

### **Chemical Harmonization**

- To facilitate the liberalization of trade in chemical products, WTO members have divided chemical products into three major categories and established fixed tariff rates based on these categories under the Chemical Harmonization program. Taiwan agreed to apply this agreement and bind relevant tariff rates as following:
  - Tariff rates on finished chemical products were reduced to 6.5 percent;
  - Tariff rates on intermediate chemical products were reduced to 5.5 percent;
  - Tariff rates on basic chemical products and those with medicinal applications were reduced to 0 percent.

### **Information Technology Agreement (ITA)**

- Taiwan became a signatory to the ITA in March 1997. In accordance with this Agreement, tariffs on the vast majority of equipment and products relating to information technology, telecommunications, electronics, semiconductors, and semiconductor manufacturing equipment were reduced to zero in 2000. Tariffs on the few remaining products relating to information technology were reduced to zero in 2002.

## **Eliminating Non-tariff Barriers to Trade**

### **Agricultural Sector**

- In accordance with its accession commitments, Taiwan has eliminated area restrictions applied to eighteen types of agricultural products including peaches, lemons, apples, grapes, pears, grapefruit and others. Taiwan has also implemented tariff-rate quotas on the twenty-two agricultural and fisheries products formerly subject to import restrictions. In the case of rice, the rice import quota is now 144,720 metric tons (calculated on a brown rice basis) for the year 2002.
- As part of its accession package, Taiwan committed to employing scientific principles and referring to established international standards when establishing food safety and quarantine standards, and when conducting risk assessments and implementing sanitary and phytosanitary measures. Additionally, the process of drafting, implementing, and issuing sanitary and phytosanitary regulations is now to be conducted according to clearly established procedures in full conformity with the principle of transparency; and Taiwan's obligations to notify WTO Members.

### **Industrial Sector**

- As part of its accession commitments, Taiwan has removed area restrictions on the import of automobiles, replacing them with tariff-rate quotas. Additionally, Taiwan has removed local content requirements on the domestic production of automobiles and eliminated export subsidies in this sector.
- Taiwan will eliminate the import ban on motorcycles over 150cc six months after accession to the WTO. In addition, the import ban on passenger cars equipped with diesel engines will also be eliminated two years after accession to the WTO.

### **Liberalization of Services**

- In accordance with the results of its bilateral accession negotiations with WTO Members, and in line with the four modes of supply of trade in services (cross-border supply, consumption abroad, commercial presence, and presence of natural persons), Taiwan established a set of horizontal commitments (commitments applicable across sectors) as well as a set of sector-specific commitments. Eleven sectors are covered under these sector-specific commitments, which are: business services; communication services; construction and related engineering services; distribution services; education services; environmental services; financial services; health related and social services; tourism and travel-related services; recreational, cultural and sporting services; and transport services.

### **Harbor Construction Dues**

- In order to comply with provisions concerning fees and formalities connected with importation and exportation contained in Article VIII of the GATT 1994, Taiwan has abolished the Harbor Construction Dues and implemented instead a system of Harbor Service Fees since 1 January 2002. Unlike the Harbor Construction Dues (which were levied in accordance with the value of the goods), the Harbor Service Fees are levied in accordance with the principle of recovering the cost of the services provided. All trade requiring the use of a harbor, including domestic trade, is subject to the Harbor Service Fees.

### **Tobacco and Alcohol Products**

- In accordance with its accession agreement, Taiwan has dismantled the monopoly on the manufacture and sale of tobacco and alcohol products in Taiwan and replaced it with a market-based system. The Taiwan Tobacco & Wine Monopoly Bureau (TTWMB) reverted to the status of a normal commercial enterprise and no longer holds monopoly rights over the manufacture and domestic distribution of tobacco and alcohol products, nor does it retain any administrative authority over these two products.
- With the removal of the monopoly on alcohol and tobacco products, imported alcohol and tobacco products are now subject to a customs tariff, a tobacco and alcohol tax, and a business tax. Domestically produced tobacco and alcohol products are subject to the tobacco and alcohol tax, and to the business tax.

### **Government Procurement**

- Taiwan will become a signatory to the WTO Government Procurement Agreement (GPA). In accordance with the GPA, Taiwan will open domestic government procurement contracts, above the certain thresholds, for bidding by contractors from other GPA signatories. Taiwan's annual government procurement market covered by GPA is estimated to be between US\$ 6-8 billion.

### **Intellectual Property Rights**

- Taiwan's accession agreement conforms to the requirements of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Since accession, major improvements to Taiwan's domestic intellectual property protection regime have taken place in the following areas: the protection period for computer software now extends to the same level as that provided for literary works; patents issued prior to January 1994 that are still in effect now have a term of protection of 20 years from the

date of filing for invention patents and 12 years from the date of filing for new design patents; efforts to combat counterfeiting is strengthened; and border enforcement is enhanced.

### **3.The Implications of Taiwan's WTO Accession**

- To insure conformity between its domestic legal system and the requirements of the various WTO agreements, bilateral accession commitments and the related multilateral obligations, Taiwan amended all non-conforming legislation in its domestic legal system and implemented the new laws as of the time of its accession. Changes to Taiwan's domestic legal and economic system in relation to its accession will have an inevitable impact on certain sectors of the economy.

#### **Benefits to Taiwan from its Accession**

- Taiwan enjoys Most Favored Nation and National Treatment status from WTO members, thus ensuring its domestic enterprises an equal opportunity to compete within the international marketplace.
- Taiwan is able to participate directly in the negotiating process of setting future rules for international trade and thus contribute to shaping the international trading system.
- Working through the WTO framework for consultations, negotiations and, as a last resort, having recourse to the WTO Dispute Settlement Mechanism, Taiwan is able to challenge and remove trade barriers existing between other WTO members and itself.
- Taiwan should be able to elevate the level of competitiveness of its domestic industries, facilitate efforts towards job creation, raise the national income, and enhance the ability of its consumers to increase their standard of living.

#### **Opportunities Created by Accession**

##### **Industrial sector**

- Following Taiwan's accession, the cost of imported industrial materials is expected to decrease, thus reducing the cost of production for domestic industries.
- Following Taiwan's accession, decreases in the price level for imported industrial products should help to enhance domestic consumption and stimulate competition among domestic producers. Efficiency in its national economy should improve, as

domestic industries facing direct competition from imported products respond by upgrading their production capabilities.

- Taiwan's leading export sectors such as the electronics and petrochemicals industries have gained better access to significant markets. Having acceded, Taiwan expects to benefit from agreements such as the Zero-for-Zero Program, the Chemical Harmonization program and others, which should reduce or eliminate tariffs affecting its exports. This will enhance the competitiveness of Taiwan's export industries.

### **Agricultural sector**

- Now that Taiwan has acceded to the WTO, we expect to increase exports of those agricultural products where we particularly hold competitive advantage, such as tropical fruits, high quality teas, seedlings, fry, larvae, and embryos of marine species, fish in cages for use in aquaculture, ornamental fish, and processed goods.
- With the MFN treatment that the WTO guarantees our exporters, Taiwan's most competitive agricultural exports can be traded in the international marketplace under more fair, reasonable and transparent conditions than was the case in the past.

### **Services sector**

- The liberalization of the telecommunication services industry covers telecommunications equipment and switching terminals, large-scale telecommunications information management systems, large-scale telecommunications software systems, advertising, and marketing; thus helping these services operate more efficiently.
- Liberalization of financial services allows the domestic financial services industry to globalize its operations.

### **Government procurement**

- By allowing the technology, methods, management and other skills associated with foreign contractors to be eligible in the bidding for and awarding of domestic government contracts, Taiwan will raise domestic technological and engineering standards. This will also strengthen the competitiveness of domestic contractors.
- Taiwan's accession to the GPA will create new opportunities: for domestic and foreign government contractors to work cooperatively, to expand the government

procurement market represented by the GPA, and to create opportunities for domestic contractors to expand their services in foreign markets.

#### **4.The Response to Accession by the Domestic Industry**

##### **Agricultural Sector**

- The relaxation of controls on imports of agricultural products, the reduction of tariffs applied to agricultural imports and the reduction of subsidies provided to the domestic agricultural sector is expected to lead to increases in agricultural imports and present a challenge to those producers that are the least efficient.
- Measures available to aid the domestic agricultural sector during the transition to a more liberal agricultural regime include: establishing an agricultural strategic alliance, adjusting the agricultural structure, increasing processing levels and improving the quality of products, improving efficiency in distribution and marketing, applying special safeguard measures and implementing import injury relief measures.

##### **Industrial Sector**

- Taiwan's accession to the WTO is not expected to have much impact on its industry, because Taiwan has been actively promoting trade liberalization over the past ten years. The old rate of import tariffs for 84% of our industrial products was at or under 10%. The previous average nominal tariff rate was 6.03%, and it will reach 4.15% when the implementation period of tariff reductions is completed. Generally speaking, the range of rate reduction is rather moderate, so the impact on industry of Taiwan's accession is actually limited. On the contrary, the trade liberalization policy is based on expectations to bring more trade opportunity for our industry. Accession should benefit competitive and primarily export-oriented industries such as the petrochemical raw materials industry, plastics industry and electronic and information industries; while those industries focusing primarily on the domestic-market, such as the home appliances industry, heavy electric machines industry and paper-mills, may have difficulty facing international competition.
- To ensure Taiwan's industry of sustainable development and competitiveness consistent with WTO rules, the following countermeasures are being implemented: elevating global competitiveness, promoting industry upgrading; enhancing R&D and training of professionals to facilitate industrial structural adjustment; ensuring an environment of fair competition and high efficiency to attract investment and enhance

labor productivity; and applying safeguards, anti-dumping duties and countervailing duties as needed.

### **Services Sector**

- As an island economy, Taiwan's continued economic development is heavily dependent upon expanding its participation in international trade. Presently, the domestic services industry is not only a rapidly growing segment of Taiwan's economy, it is also likely to become a pivotal sector in its future economic growth. Liberalization of the services sector is expected to: attract modern management practices and new technology to the domestic services sector; elevate the quality of Taiwan's services industry; and provide beneficial spill-over effects for other domestic industries. With a few minor exceptions, the vast majority of the commitments Taiwan made in the services schedule of its WTO accession agreement were already implemented prior to accession. As a result, accession is not expected to bring about any significant effects on the domestic services sector.
- Adjustment measures:
  - For the temporary admission of natural persons: Taiwan will create a streamlined visa application procedure for foreign professionals wishing to work there. This process will lead to more effective administration for such measures.
  - Regarding capital mobility: Taiwan's financial markets have historically been very stable, and it is unlikely that accession will negatively affect this trend. With an eye towards the future, the government will continue its policy of ongoing liberalization and promote the expansion of its domestic financial industry.
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### **5) Public Campaign in Taiwan Regarding its WTO Accession**

- Beginning in 1990, the Ministry of Economic Affairs implemented a public education campaign to inform the public and the private sectors of the expected impact that the accession to the General Agreement on Tariffs and Trade (GATT)/WTO would have for the domestic economy. Between November 2000 and March 2001, the Board of Foreign Trade, Ministry of Economic Affairs, together with the Council of Agriculture, the Industrial Development Bureau, the Council of Economic Development and Planning and other related government agencies, conducted more than seventy seminars, hearings and meetings about GATT and WTO matters. These sessions were aimed at consolidating domestic support behind Taiwan's WTO accession, and

at encouraging the public and private sectors to take advantage of the opportunities that are created by accession to the WTO.

- Between August 2001 and September 2001, the Council of Agriculture hosted a total of twenty-eight seminars for individual farming groups throughout the island. These helped to increase understanding among farmers, industry groups and local agricultural groups of the potential impact of accession, and of the adjustment measures available to producers following accession. In addition, from December 2001 to January 2002, the Council of Agriculture co-hosted with local governments a series of one hundred and fifty seminars regarding the countermeasures available for the agricultural sector.
- Between June 1999 and July 2001, the Council of Economic Planning and Development hosted twenty-five seminars and informal meetings for each service industry, to discuss the anticipated impact of accession on those respective sectors.
- During December 1999, the Ministry of Transportation and Communications (MOTC) hosted three informational meetings in northern, central and southern Taiwan, to consider the implications of accession for the domestic tourism industry. Between June 2000 and July 2001, the MOTC hosted four informal meetings to discuss the implications of accession for the air- and ocean-transportation sectors.
- Between June 1997 and December 2001, the Public Construction Commission implemented approximately fifty-three courses to provide education and training to procurement officials on the rules of the GPA.
- In addition to the agencies listed above, a number of other agencies participated in the process of implementing WTO-related public education programs and research activities.
- During the course of implementing this comprehensive public education campaign, the government placed great emphasis on sharing information about the various agreements covered under the WTO framework. Efforts were also directed toward encouraging the private sector to implement measures designed to minimize the impact of our WTO accession.