

## 台灣的 WTO 策略

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### 中文摘要

台灣獲得 WTO 會籍迄今已近兩年。現在是個評估台灣執行入會承諾的好時機。此外，最近 WTO 的發展和區域整合的全球趨勢也為本文提供一些值得思考的重要變數，這些變數包括二〇〇三年坎昆部長級會議挫敗後 WTO 體系所面臨的挑戰以及台灣因週遭經濟體形成數個整合的協定而感受到被冷落。

本文首先回顧台灣在 WTO 入會過程所做的努力，進而討論台灣成為 WTO 會員國後對 WTO 活動所爭取的策略，終而建議台灣應如何因應坎昆會議失敗後的挑戰。

#### A. 避免在區域整合潮流中被邊緣化

儘管台灣力圖與他國簽訂 FTA，但是台灣迄今僅在二〇〇三年八月完成與其少數僅存卻離台灣遙遠的友邦巴拿馬的 FTA 協商。此一突破並不意味著台灣能繼續尋求這類雙邊機制來確保其貿易利益。事實上，台灣致力於簽署 FTA 並非始於近期，可追溯到西雅圖部長級會議。然而，在過去數年，台灣所積極接近的經濟體如美、日、韓都對台灣的 FTA 協商建議反應冷淡。

中共已警告 WTO 成員勿與台灣進行 WTO 協商。北京宣稱台灣是以個別關稅領域入會，因此無權與國家進行任何形式的 FTA，因為 GATT 第二十四條規定 WTO 成員國才能簽訂 FTA。儘管中共所提的公開理由荒謬，但是中共所傳遞出的訊息極為明白，對那些有意與台灣簽訂 FTA 的經濟體感受到莫名的壓力。在這種情況下，除非台灣能更加努力否則只有那些官方承認台灣的國家才會有意與台灣談 FTA。結果並無助於經濟利益，因為台灣的所有邦交國皆非台灣的主要貿易夥伴。



# Taiwan's Approach to WTO

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Key words : Taiwan, WTO, FTA, PRC

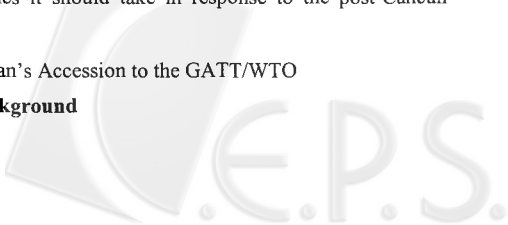
## I. Introduction

The topic of "Taiwan's Approaches to WTO" has recurred several times in past conferences held by NCCU College of International Affairs. This paper revisiting this subject, however, should not be deemed repetition. After all, it has been almost two years since Taiwan acquired its membership of the WTO. There is now a good opportunity to review Taiwan's implementation of its accession commitments. In addition, recent development in WTO and the global trend of regional integration also provide this paper some important variables to consider, including the setback faced by the WTO system this year (2003) in Cancun Ministerial Conference and the concern felt by Taiwan about being left out by several integration agreements formed by economies around it.

This paper first reviews Taiwan's efforts in its WTO accession process, then discusses the approaches it has taken in WTO activities since it became a member, and at last suggests the approaches it should take in response to the post-Cancun challenges.

## II. Taiwan's Accession to the GATT/WTO

### A. Background



Taiwan is an economy heavily dependent upon external trade. About 50% of its GDP is attributed to exports<sup>1</sup>. However, its trade relation has been limited to the nature of bilateral for quite a long time. 20 years ago (1983), its 45% exports even went to one single economy, *i.e.*, United States.<sup>2</sup> Although its efforts in diversifying export market have reduced the degree of geographical concentration for its external trade and thereby avoided over influence by any single economy, it still suffered great disadvantages for no access to multilateral protection.

The more competitive Taiwan became, the more GATT members would “graduate” Taiwan from Generalized System of Preference (GSP) and expect Taiwan to observe the GATT rules in practice. Although Taiwan might not mind assuming more obligations, it would be quite unfair in Taiwan’s view if there was no favor in return for the obligations it was requested to assume. Taiwan wished to be entitled to either tariffs concession or any other favorable treatment usually available to GATT Contracting Parties. Such wish in reality was not easy to come true. Due to its international status,<sup>3</sup> Taiwan often lacked of the leverage to bargain for such favor. Sometimes, it even found no access to official channel of communication with its trading partners when there was trade friction. The above inequality

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<sup>1</sup> Statistics of Ministry of Economic Affairs, <http://www.moca.gov.tw/~meco/stat/four/b-1.htm> (visited on Oct. 9, 2003).

<sup>2</sup> Statistics of the Board of Foreign Trade, MOEA, <http://www.trade.gov.tw/> (visited on Oct. 9, 2003).

<sup>3</sup> Among more than one hundred trading partners, there are less than thirty countries Taiwan has diplomatic ties with. None of its major trading partners recognizes it officially.

seriously jeopardized its trade opportunities and affected its economic interests. Taiwan believed it must be changed.<sup>4</sup>

Against such background, Taiwan submitted its formal application for accession to the GATT in 1990. In order to avoid any possible block from China (PRC) based on political concern, Taiwan opted to apply as a customs territory, *i.e.*, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, rather than as the "Republic of China" it usually insisted to be called. Despite Taiwan's compromise on its claim of statehood, the PRC opposed severely Taiwan's attempt to rejoin the GATT and therefore the establishment of a Working Party on Taiwan's accession was delayed until late 1992. Ironically, the ROC was one of the 23 founding members of the GATT. Although it withdrew shortly in 1950 after the National government receded from mainland China to Taiwan, it obtained an observer status in 1965. Unfortunately, it lost such status in 1971 when the Contracting Parties decided to take a similar position as the UN did in ousting ROC.<sup>5</sup>

In order to overcome China's political shadow, Taiwan realized that it had to double its efforts both in compliance with multilateral rules and offers of market opening. The cost might be high, but the benefits derived from its reentry into the GATT seemed worthy of it. The principles of "MFN" and "National Treatment" embodied in the GATT would allow Taiwanese exports to compete with those from other economies on a level playing field. Moreover, Taiwan could have resort to formal consultations with the authorities of its trading partners or even bring such partners to a formal disputes settlement procedure

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<sup>4</sup> ROC's Reentry into GATT, China Post, May 7, 1988, at 4.

<sup>5</sup> GATT Doc. SR. 27/1, at 1-3 (Nov. 19, 1971).

within a multilateral framework for any trade friction or dispute with the partners. In fact, the dispute settlement mechanism has become even more effective and afforded a better resolution scheme since the WTO was established. Reentry to the multilateral system also meant that comprehensive trade and economic information about its trading partners could be available to itself, not mentioning the opportunities to participate in multilateral rules-making as well as rounds of negotiations for market access. Such opportunities ensure Taiwan's trade interests to be taken into account.

Taiwan internal economic studies further strengthened its determination for such bid. Various economic studies conducted at different stages constantly showed positive gains for Taiwan's accession to the GATT/WTO. Among them, a study of the Council for Economic Planning and Development under the Executive Yuan (CEPD) conducted at the final stage of Taiwan's accession, based on the assumption that Taiwan would have acceded to the WTO in 2000, and fully implemented its WTO commitments by 2005, predicted that WTO accession would have brought additional growth in GNP of 7.14% accumulated over the period between 1996 and 2005, or added 2 billion US dollars to national income.<sup>6</sup> It also forecast that for the same period, total exports and imports would have accumulated an additional 12.89% and 15.77%, over what would have been expected in the absence of WTO accession. Overall economic welfare would have increased by 2.6 billion US dollars. The structural unemployment rate was projected to be around a target level of 3% in 2005, as the industrial structure

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<sup>6</sup> Statistics of the Council for Economic Planning and Development, <http://www.cepd.gov.tw>.

and the labor force adapted to the post-accession economic environment.

These forecast figures may need updated given that Taiwan did not become a WTO member until 2002 and Taiwan faced its very first recession in 2001 along with the downturn of a global economy. Taiwan's GDP growth rate fell to an unprecedented minus 1.91% and the unemployment rate rocketed to a record high of 4.57%. Fortunately, the situation became stable in the first year after its accession (2002), the GDP growth rate returned to 3.5%. The above prediction nevertheless provided a general indication of the benefits accompanied with the GATT/WTO membership in an economic term. It also rebutted some irrational allegations that the pursuit of GATT/WTO membership by Taiwanese authorities was purely politically motivated and no economic benefits would accrue to Taiwan from such membership. Some of these allegations came from domestic vested interests. It was understandable that increase of imports put great pressure of competition upon them, but it was also generally believed that such competition would stimulate them to upgrade their equipment and management and to improve their products and services.

## **B. Overview of Stages in Taiwan's Accession**

As mentioned above, Taiwan filed its application for accession to the GATT in January 1990 and a Working Party was at last established in 1992 to review its application. Taiwan initially planned to accede to the GATT prior to the conclusion of the Uruguay Round so that it could avoid the hassle of negotiating commitments other than those for trade in goods. Such plan did not work out because Contracting Party expected

highly from this matured and sophisticated economy and before Taiwan could meet such expectation, especially in the agricultural side, the Uruguay Round concluded. Following the establishment of the WTO in 1995, Taiwan's application process was transferred to the WTO.

The subjects of its accession negotiation therefore extended to services and IPRs in addition to goods. Even for goods itself, the disciplines need to be complied with turned to be very complicated as compared to the original provisions of GATT. A very comprehensive agreement emerged dealing with the agriculture sector and consequently made Taiwan's negotiation for this sensitive sector more difficult than it ever imagined. Moreover, major members even expected Taiwan to sign the plurilateral trade agreements, namely, the Agreements on Government Procurement and on Trade in Civil Aircraft. The multilateral review of Taiwan's trade regime held in the Working Party meetings as well as bilateral negotiations aimed at Taiwan's market opening for both goods and services doubtless became more complicated than they were under the GATT setting.

In February 1997, Taiwan finalized its market access negotiation with Japan.<sup>7</sup> A year later, it completed the toughest market access negotiations with both the United States and E.U.<sup>8</sup> Given that it already concluded the bilateral with these

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<sup>7</sup> Taiwan Central News Agency, *Japan, Taiwan Strike WTO Accord*, Feb. 4, 1997.

<sup>8</sup> United States Trade Representative, *Press Release: the United States and Taiwan Conclude Comprehensive Market Access Agreement*, February 20, 1998; Directorate General I of the European Commission, *Press Release: European Union and Taiwan Conclude Bilateral Market Access Negotiations*, July 23, 1998.



leading players, it made a perfect sense for Taiwan to complete its accession process prior to the start of a new round of negotiations, which had been expected to be launched in the Seattle Ministerial Conference at the end of 1999. In order to achieve such goal, Taiwan strived very hard to win each possible support. However, it was just too much for WTO to bear at that moment. External fierce attack upon WTO from environmental protection groups, labor right groups, etc. and internal conflicts among members in the selection of the new Secretariat General made WTO vulnerable and unable to push such extreme by allowing Taiwan to accede before China. Taiwan kept advocating that its accession was separate and independent from China's and the Chair's statement in 1992 that "the Council should examine the report of Working Party on China and adopt the Protocol for the PRC's accession before examining the report and adopting the Protocol for Chinese Taipei"<sup>9</sup> was simply views of some contracting parties. Despite Taiwan's efforts, in mid-1999 when Taiwan was so ready for the adoption of its Working Party Report, which could at least close the gate for further bilateral requests that made Taiwan a moving target, an informal Working Party meeting was held and gave Taiwan's attempt a blow. Certain economies with almost no trade relations showed up in the meeting and blocked any motion for adoption by repeating the language of 1992 Chair's statement. Taiwan tried to rebut the objection by arguing that the adoption of its Working Party Report in the WP meeting did not require immediate follow-up action of the Council and therefore 1992 Chair Statement, which only referred to the Council's action, need not apply. Unfortunately, no explanation could break the

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<sup>9</sup> GATT Doc. C/M/259 at 3-4 (1992).

stony wall at that time because the timing could not be worse. Shortly before the WP meeting, China just shut the door of negotiation with the United States after its embassy was accidentally bombed in Yugoslavia. The relation between the U.S. and China was down to an unprecedented low point, which made the U.S. reluctant to show any further active support to Taiwan's pursuit by risking its already fragile relationship with China.

Six months later, the Seattle meeting fell apart and seriously affected the momentum of WTO. Despite that prior to Seattle, China already completed its bilateral negotiations with both the United States and Canada,<sup>10</sup> China's accession still had important outstanding issues, such as the drafting of Working Party Report and Protocol. While China's accession could not be wrapped up shortly, Taiwan's accession process on the surface appeared to be idle. No Working Party meeting was ever held for Taiwan's accession during a period of two years starting from August 1999 to August 2001. Taiwan's pace of legislative change in response to its accession commitments also slowed down because the ruling party no long controlled the majority of the Congress after the Presidential election in 2000. However, below the surface, alert at China's increased hostility towards its newly elected President, a figure long disfavored by China, Taiwan's new government started to study and seek views from major players in WTO of possible alternatives to such endless waiting and constructive solutions to possible political obstacles, e.g. the wording of its accession documents that might relate to its nomenclature.

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<sup>10</sup> *Chronicle of Events for China's Accession to WTO*, Nov. 18, 2001  
<http://www.people.com.cn/BIG5/jinji/31/179/20011108/600745.html>

By mid-2001 when China's Working Party Report and Protocol were at the final drafting, the prospect of accession for two sides became much clearer. After China's several unsuccessful attempts at inserting languages into Taiwan's accession documents for claims of China's sovereignty over Taiwan and requesting Members for discrimination against Taiwan for the latter's accession, Taiwan's Administration paid great attention to any move taken by China and sought strong assurance from major WTO members of no acceptance of China's proposal regarding Taiwan's status. This long battle ironically ended when the whole world was shocked by and mourning for the 911 catastrophes. Mexico as the last country holding China in its bilateral negotiation, stroke a compromise with China on September 13, 2003. The USTR was also firmly determined after 911 to conclude these two accession cases as soon as it could and therefore returned to the negotiating table amazingly fast. It was respectively on Sep. 17 and 18 that China's and Taiwan's Working Party Reports were adopted. Later on, in the Doha Ministerial, both economies' accession was approved. With an unprecedented ratification that was prepared long in advance and brought by its delegation to the Doha meeting, China became a WTO member on December 11 of the same year after 30 days of its deposit of the required documents. Taiwan obtained its Congressional approval after the Doha Ministerial and became a WTO member from Jan. 1, 2002.

### **C. Commitments of Accession**

For its WTO accession, Taiwan agreed to reduce tariff rates for a total of 4491 items and open up market access in all eleven services sectors as service negotiation usually categorized. In addition, Taiwan also committed itself to observe all the

disciplines of WTO, including reducing non-tariff barriers, enforcing the protection of intellectual property rights, ensuring all its laws and regulations transparent and in full conformity with the letter and spirit of WTO agreements. It also committed itself to sign Agreements on government procurement and trade on civil aircraft.

#### i. Tariff Reduction

Before becoming a member, Taiwan already joined the WTO Information Technology Agreement and agreed to eliminate tariff for its IT products. Taiwan also agreed to accept the Uruguay Round zero-for-zero proposal to eliminate tariff for another ten groups of products, including pharmaceuticals, already subject to zero tariff in 1995, spirits, furniture, paper products, toys, medical equipment, farm and construction equipment, steel products and beer. Except the latter two, all have been free from tariff since 2002, the first year after its accession. Tariff of steel products will be zero in 2004 while beer in 2005. With regard to the Chemical Tariff Harmonization Agreement, only committed by some two-dozen WTO members, Taiwan included it in its concession package. The overall tariff level after its accession is as follows.

##### 1. Agricultural tariff

In the first year after accession (2002), the average rate of tariff on agricultural products was reduced to 14.01% from the level of 20.02%, a reduction of 30.02%. From 2003 to 2011, it will be further lowered down to 12.86%, which represents another additional 8.21% cut.

##### 2. Industrial Tariff



In the first year after accession (2002), the average rate of tariff on industrial products was reduced to 5.78% from the level of 6.03%, a reduction of 4.15%. From 2003 to 2011, it will be further lowered down to 4.15%, another additional 28.20% cut.

ii. Lessening controls on agricultural and industrial products

Prior to its accession, Taiwan still maintained certain import restriction in some of its sectors, either for their sensitivity, *e.g.*, agricultural sector, or for implementation of certain policy, *e.g.* industrial policy or state monopoly. For its accession, Taiwan agreed to change these measures and observe WTO disciplines.

3. Agricultural products

Import controls and area restrictions imposed on 41 kinds of agricultural products were lifted upon accession and some were replaced with WTO-consistent measures, such as tariff rate quotas (TRQs). The agricultural products subject to TRQ regime include pork belly, chicken meat, animal offal, liquid milk, sugar, and some fruits and vegetables. Fishery products are not characterized as agricultural products in the WTO, but mackerel, carangid, and sprat are also subject to TRQ in Taiwan's final accession package. The item that still has quantitative restriction is rice. However, such quantitative restriction was phased out this year (2003) and subject to a TRQ system under which 65% quota is allocated to the government.

4. Automobiles/motorcycles

(1) Upon accession, area restrictions on imports of small passenger cars and light commercial vehicles (not exceeding 3.5 tons) were replaced with a TRQ system while area restrictions on motorcycle imports were completely eliminated.

(2) Local content and sourcing requirements applied to automobiles and motorcycles were eliminated in 2002.

(3) By mid-2002, motorcycles with engines displacement larger than 150cc were allowed to be imported; from 2004, small diesel passenger vehicles can be imported.

(4) In 2002, commodity tax on automobiles was adjusted to 35% and will be further down to 30% from 2007.<sup>11</sup> The subsidies that the commodity tax rate could be reduced by 3% for any locally made automobile with a locally designed body, engine or chassis (3% reduction for each) for four years and three years for any locally brand-named motorcycle were no longer granted from 2002 for new application. The subsidies granted prior to accession will expire three years after accession.

#### 5. Tobacco and alcohol products

(5) The monopoly system for tobacco and alcohol products was abolished and tobacco and alcohol products started to be subject to normal tax regime in addition to a newly implemented tobacco and alcohol tax and tobacco health charge.

(6) The tariff for tobacco and alcohol products was also reduced as mentioned above. Moreover, the discrimination among spirits in terms of tax treatment was also eliminated.

#### ii. Commitments in Services Trade

Taiwan undertook its liberalization of service sectors long before its accession partially for its initiative of Asia-Pacific Regional Operations Center (APROC) Plan and Global Logistic

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<sup>11</sup> Prior to accession, the commodity tax was levied on automobiles with a cylinder displacement of 2,001cc to 3,600cc at a rate of 35% and on those of 3,600cc and above at 60%.

Development Plan. With the past liberalization efforts, Taiwan was able to meet its trading partners' demand raised in its accession negotiations to include in its services schedule of all eleven sectors as Uruguay Round identified. They are business services, which covers professional services, communication services, construction and related engineering services, distribution services, education services, recreational, cultural sports services, and transport services.

In 2002, Taiwan further permitted foreign lawyers to practice in Taiwan as Attorney of Foreign Legal Affairs (AFLA) and to employ or form partnership with local lawyers. With regard to mutual insurance, Taiwan has finally cleared its long-term reservation about it and allowed mutual insurance to set up branches directly without using other incorporation vehicles since 2002. Cap on foreign investment in air-cargo forwarding and air-cargo distribution operations was also lifted in 2002. In audio-visual sector, Taiwan took the following steps in 2002: abolishing the minimum number of local films that are required to be shown on screen; eliminating the limitation on the number of screenings for films from a single country and the number of copies that may be imported for a film; ceasing collection of domestic-film support fee levied on foreign films.

iii. Other Significant Commitments

1. From 2002, the Commercial Harbor Construction Dues were replaced with the commercial port service fees in accordance with the user pays principle to resolve the long controversy over the nature and the WTO-consistency of such levy.

2. From 2002, the protection period for computer software was extended the same level as provided for literary works. Patent issued prior to Jan. 1994 and still effective now have a

term of protection of 20 years from the date of filing for invention patents and 12 years for new design patents.

### III. Approaches to Implementation of its Accession Commitments

In order to implement its accession commitments and make them binding, Taiwan amended its relevant laws and regulations.<sup>12</sup> To assist the possible adjustment in response to the impact caused by its accession, the administration also requested some legal authorization from the legislature, such as appropriation of funding. For both purposes, there were 55 pieces of legislative bills sent to its legislature.<sup>13</sup> With the passage of these bills, Taiwan was finally able to implement its market-access commitments and comply fully with the WTO rules.

Not all the legal changes took place upon accession. Some were before the accession, *e.g.*, the amendments to abolish the requirements of reciprocity in many of its laws and the legal basis of trade restraint on bilateral trade imbalance. Such amendments had more to do with the WTO principles than to do with commercial interest, and thus there was no difficulty at all to put them in effect before accession. Even for those legislative changes that were not suitable for early implementation because

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<sup>12</sup> Although Taiwan is not a common law country, which like the U.S., and U.K., generally does not recognize the direct effect of international agreements, and Taiwan's constitution requires it to respect its international treaties, which some may argue, provides a basis for direct effect, Taiwan's administration decided to incorporate all the necessary WTO disciplines into its laws by amendment or adding new legislation to avoid any dispute of "direct effect".

<sup>13</sup> [http://www.trade.gov.tw/global\\_org/wto/wto\\_index.htm](http://www.trade.gov.tw/global_org/wto/wto_index.htm)



of great local interest involved, proposing their relevant amendment bills to the legislature early in advance was still advisable given the difficulties in predicting the progress of passing a bill of amendments.

Although early proposing a bill of amendments might result in the passage of the bill before accession, it was not necessary for such amendments to take effect before the accession. The usually used legislative technique was for the legislature to authorize the administration the power to decide the effective dates of such amendments. Such technique was widely used in many bills proposed for WTO accession purpose. With such authorization, the Administration could delay the effect of such amendments till Taiwan's accession if the Administration wished and thereby gained great flexibility in its negotiation.

Not only the changes of laws, which require legislative time and therefore have to go before the accession, some of market-opening measures may also need to be implemented before accession, either upon the request of other members or for its own good.

#### **A. Early Implementation**

Early implementation at the first sight seems to be a good idea. The reason that Taiwan was so keen to integrate itself into the world trading system is because Taiwan was fully aware of the benefits trade liberalization could bring to its island economy. In effect, Taiwan undertook some liberalization steps even before its application for accession, e.g., a massive tariff reduction over 1900 imported products in 1990. However, during its negotiation process, Taiwan found that early implementation would create a dilemma for it.

If it had continued the speed of its liberalization, what Taiwan could offer for its accession would become less lucrative to its trading partners. On the other hand, if it had held up its market so that it could have more leverage in the accession negotiation, it might face huge impact upon accession because the opening up of its market would become sudden for lack of longer transition. In addition, Taiwan's GATT/WTO accession was dragged for more than ten years. Continuing holding up the market for so long not only hurt its economy, but also frustrated its trading partners, some of who might even go back to the old track to open Taiwan's market through a bilateral approach.

It was not easy to resolve the above dilemma. Taiwan tried to take an approach in the middle: not to implement all the commitments in advance, but not to hold all of them, either. For tariffs on goods, the administration exercised the discretion allowed in its Customs Law<sup>14</sup> to temporarily reduce the tariff within legal limit for certain products. Such temporary adjustment was renewable and could satisfy some of its trading partners' urgent demand and its economic need.

In services sectors, as mentioned before, Taiwan planned to build an APROC. Accordingly, quite a few services sectors were liberalized. Therefore, it should not be very surprising to find that many commitments in its service schedule reflected Taiwan's status quo prior to accession. In effect, this is also a nature of service negotiations. Unlike negotiation for trade on goods, which start from the existing tariff schedule, service negotiation proceeds with initial offers. When a member proposes its initial offer, it tends not to exceed its current market-opening extent. Unless later on bilateral market access

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<sup>14</sup> Article 66 of the Customs Law (R.O.C.) <http://www.dgoc.gov.tw/1-1-1.htm>

negotiations for service trade can push further liberalization, the initial offer becomes bound and final. That is why some observers criticized that most commitments for service trade made during the Uruguay Round only reflected each Member's status quo at that time. However, Taiwan's situation was not very much the same. It had to negotiate for its accession and therefore tended to accept the other Members' requests for further opening up.

Given its weakness in bargain, which was caused by the nature of accession negotiation, Taiwan made some concessions upon requests, especially in financial, telecommunication and transportation sectors, in addition to its initial offers. For such concessions, Taiwan did not delay the implementation of all of them until accession. Some were implemented after the required regulatory change was in place. The reason for such early implementation was because some of the liberalization could also facilitate its APROC plan.

At the last few years before its accession, in order to conclude its bilateral market access negotiation more effectively, Taiwan also made some early implementation on a country basis. For example, Taiwan granted to some member economies "country quotas" for autos and agricultural imports. Some called such early implementation as "down payment." Such down payment rewarded the members willing to conclude bilateral negotiations with Taiwan promptly without calculating the perfect timing to conclude. At the beginning, Taiwan did not like this "down payment" idea and was concerned about the possible accusation of violation of MFN principle for its country-basis nature. Although Taiwan seemed to take this approach involuntarily, this approach was proved quite useful especially when some members became hesitated to move forward because

they were not sure how long Taiwan's accession process was going to take with the Chinese factor taken into account.

### **B. Impact and Adjustment after Accession**

Taiwan made some early implementation but not all. Therefore, certain degree of impact after accession cannot be avoided. As a matter of fact, some hard adjustment, such as agricultural restructure, just took place after accession. Taiwan entered into the WTO at the time when terrorism as well as regional peace issues occupied all the front pages and global economy was struggling to recover. In the second year after its accession, after the war at Iraq, another blow to the world was SARS wide-spread in Taiwan and some other Asian countries, including China, Hong Kong, and Singapore. It further slowed down Taiwan's economic growth and increased the difficulties Taiwan had for its adjustment for accession. However, Taiwan did not withdraw from its commitments or adopt any protection scheme. The following cases showed how Taiwan abided by its commitments.

#### **i. Rice Wine**

Taiwan had planned for the reform its tobacco and alcohol monopoly system for a long time, but such reform was delayed after the reform was linked to the WTO negotiation. There were several times when the news predicted Taiwan would become a WTO Member very soon, some cornering of alcohol stocks then happened, especially those would be very pricy under the new tax system, and caused serious shortage of supply, which then drove the price up. After the early accession news later was proven untrue, those who illegally cornered certainly got nothing from the game, but the damage to the consumer market was already done.

These who cornered did not always lose. At the last time, *i.e.*, in 2001, they seemed to bet on the right side because Taiwan finally completed its accession process. The alcohol product that was subject to the most significant tax increase, rice wine, certainly became the favorite to be cornered.<sup>15</sup> Many shops stocked up a lot of rice wine prior to Taiwan's accession at a lower cost for the stocks were not taxed yet, and sold them out with lucrative profits after Taiwan's accession because the market price for rice wine after Taiwan's accession was driven up by the tax. Despite that Taiwan only treated rice wine without any salt added as spirits subject to high tax and applied a low tax rate (NT\$22/L) to rice wine with salt added, the general public was not used to consumed rice wine with salt even for cooking.

Most unfortunately, the hike on the price of rice wine created a chance for some merchants to sell fake rice wine made by industrial alcohol. Some people died for consuming such fake rice wine and the government was severely criticized. The criticism was quite irrational. It attributed the deaths to the government's weakness to protect its own people in negotiating with the U.S. for the WTO accession. The government did not effectively and forcefully rebut such allegation. It was hard to explain to the general public unfamiliar with the technicality of the WTO rules that rice wine, not only for cooking, but also consumed as drinks by aborigines and low-income people, cannot be clearly distinguished from the other spirits and therefore cannot be subject to different treatment. The government also failed to mention that it never gave up its

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<sup>15</sup> In the first year after accession, the tax for rice wine without salt added was NT\$150/L and in the second year was NT\$185/L. Compared to a bottle of rice wine (0.6L) to be sold at only NT\$24 before accession, such tax burden no doubt is quite heavy.

insistence on treating rice wine separately from the other spirits until Japan lost its WTO case for its separate treatment of “Shochu”, a traditional Japanese wine, which can be used for drinks and cuisine.<sup>16</sup> In other words, it was not because Taiwan’s authorities was weak in negotiation, but because it had to observe WTO rules, including its relevant dispute settlement rulings.

Rice wine is not an important industrial product, but after the above incidents, the pressure on the government to withdraw such tax commitments was very high. Taiwan’s current ruling party was not the majority of the legislature and therefore the administration was more susceptible to the constituencies. However, the government did not suspend the tax treatment it committed on rice wine despite that in order to ease the public anger, it did counsel with the U.S. and E.U. for any possible alternative, which certainly turned out be in vain. From this, Taiwan’s firm determination of performing its obligation without bending its position to domestic pressure was evident.

## ii. Rice

Rice is the most important foodstuff for Taiwan just as most of Asian countries. Taiwan’s production of rice however is unable to reach the scale of economy and thus the cost of its production is pretty high. Despite so, Taiwan’s policy of maintaining its rice farming industry has never changed. The reasons behind such policy are very complicated: in the past mainly for foodstuff security while at the present partly for political consideration. In order to protect such industry from cheap imports, Taiwan did not allow rice imports. On the other

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<sup>16</sup> WT/DS8, 10, 11/R; WT/DS8, 10, 11/AB/R (1996).

hand, it heavily subsidized its rice farmers through the purchase plan so that the rice farmers would not suffer from the price drop caused by oversupply. This regime no doubt had to be changed when Taiwan applied for its entry into the WTO because the justification Taiwan alleged for such import ban could not be supported by any WTO rules.

Although Taiwanese consumption of rice was not like the old days, the agricultural authorities believed that rice farmers were very influential constituencies in politics, and that in addition, to allow imported rice to compete with local rice and thereby to push the price of rice down or fluctuating would seriously affect social stability. With such belief, the administration fought vigorously for its rice's entitlement to the "special treatment" granted by the Agricultural Agreement.<sup>17</sup> It finally succeeded and therefore was allowed maintain quantitative restriction on rice imports for a limited period.

The provisions of the Agreement on Agriculture do not permit special treatment to be extended upon the aforementioned period expires if the country that intends for the application cannot offer more concessions and thereby reach an agreement with its trading partners for such extension.<sup>18</sup> Taiwan saw Japan giving up such quantitative restriction by replacing the rice QR with TRQ in 1999 and realized that after losing such an ally in rice issue, providing more concession in exchange for extension of special treatment might not be feasible. In 2003, Taiwan painfully followed the steps of Japan and replaced its

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<sup>17</sup> Agreement on Agriculture, Annex 5 A.

<sup>18</sup> Paras 3, 5, Agreement on Agriculture, Annex 5 A.

quantitative restriction on rice with TRQ to comply with WTO rules.

The lift of import ban in 2002 for rice and subject rice imports only to quantitative restriction already caused the fluctuation of the price of rice in Taiwan domestic market and raised great concern of the agricultural authorities. To further liberalize its rice market by putting the rice import regime under only tariff measures -- TRQ no doubt has raised even greater concerns. It should not be difficult to imagine those hard and long internal debates behind such decision. However it also showed that Taiwan was very determined to observe all of its international obligations despite of domestic difficulties.

### **C. Difficulties in Trade Relations with the PRC**

The most difficult part for Taiwan to implement its commitments after WTO accession probably is to normalize its trade relations with China (PRC) as well as interact with the latter in the WTO arena as members. No matter whether both sides cross straits can reach some consensus on political issues, Taiwan always thought that trade issues could settle in a more equitable and effective way if both sides could make best use of the WTO platform. Unfortunately, China did not appear to appreciate such thought.

#### **i. Cross-strait trade**

Taiwan has changed its practice of a positive list approach into a negative list approach since 1996 for its regulation of imports from Mainland China. The negative list was also constantly subject to review and thereby shorten. From 2002, after its accession, Taiwan removed significant amount of items on the negative list. Now there are more than 8300 items are



allowed to be imported from China, which represents almost 80% of Taiwan's tariff lines.

For items permitted to be imported, direct trade is allowed between traders cross straits, but the shipment has to be through a third place. The negotiation for direct shipping has not been initiated for Chinese government insisted that Taiwanese authorities had to recognize "one China" policy before both sides could have any talk. Facing such insurmountable hurdle, Taiwan started to set up some offshore zones to accommodate the products directly shipped to Taiwan for re-export, which to certain extent also facilitated Taiwan's pursuit as a regional transshipment center.

With respect to trade in services, Taiwanese authorities have opened up its services market for Mainland China investment, but some investments are required to observe relevant regulations. Outward investment to China in services industry is also permitted except post, telecom, securities, and futures, IC design, and transportation.<sup>19</sup> Banking and insurance industries previously were prohibited to have commercial establishment in Mainland but now are allowed.

Direct currency exchange, two-way direct investment, and movement of business people between Taiwan and China now are permitted by Taiwan's authorities on a phase-by-phase basis and further promote normalization of cross-strait trade.

ii. The Problem of Signing Government Procurement Agreement

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<sup>19</sup> Investment Commission, MOEA website, <http://www.moeaic.gov.tw/>

Despite of Taiwan's efforts in normalizing cross-strait trade, China has not treated Taiwan equally as a WTO member. Wherever there was trade friction, China was inclined to bypass Taiwan's authorities and take actions directly against private parties. Even in the cases where some cooperation was required in order to iron things out, China would still avoid direct contact and use private parties as vehicles to send message to Taiwan's authorities.

Within the WTO framework, there should be no reason for China to treat Taiwan differently from the other Members because of the MFN principle. However, China was still very concerned about the possible political implication for direct contact with Taiwan. As a result, even for notification and consultation procedures mandated by WTO rules, China chose not to observe until there was no way to avoid. For example, in the wake of steel safeguards of the U.S., China limited Taiwan's steel exports to China. Upon Taiwan's continuous requests for consultation, China simply ignored. When it finally responded months later, probably due to its awareness of Taiwan's intention to bring this case to the DSB for loss of patience, it intentionally downgraded Taiwan's permanent mission in its letter by addressing Taiwan Permanent Mission the "trade office". Furthermore, the meeting venue was also selected discreetly in order to keep this very first trade consultation as officious as possible. The venue was finally arranged, not in a place as orthodox as WTO meeting rooms or either side's office, but in a commercial site -- a hotel in Geneva.

The above example clearly demonstrated the difficulties Taiwan encountered in its interaction with China. Such trouble sometimes affects Taiwan's ability to implement its accession commitments. As mentioned before, Taiwan agreed to join the Government Procurement Agreement despite that such joining is

optional for WTO Members. In order to fulfill such commitments, Taiwan needs to take a separate track of accession for GPA because the GPA is a plurilateral agreement, which provides for a separate accession process independently from the WTO. In other words, Taiwan will not become a GPA signatory automatically simply because it has acquired the WTO membership.

When Taiwan became a WTO Member, it almost concluded all of its bilateral market access negotiations for GPA, and therefore it seemed to be quite certain that Taiwan would have joined the GPA in the first GPA Committee meeting of 2002 so to fulfill its obligation provided in its WP Report, *i.e.*, signing the GPA upon its WTO accession.<sup>20</sup> Unfortunately, the development was not as expected. After two years of its accession, Taiwan still cannot join the GPA, not for any market opening insufficiency or failure of its legal regime in conformity with the GPA rules, rather for the issue of nomenclature.

The nomenclature problem arose from the market-opening list Taiwan prepared for GPA accession. Such list provides the names of the government agencies and institutions whose procurement above certain thresholds will be open for foreign participation. The sovereign flavor attached to the names of those ministries and agencies, such as the Presidential Office, Ministry of National Defense, etc. is simply too great for China to swallow despite that China is not a signatory of the GPA yet.

Now Taiwan's entry into the GPA seemed to be at a deadlock and local foreign business communities in Taiwan

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<sup>20</sup> Para. 166 of the WP Report, WTO Doc. WT/MIN(01)/4, 11 November 2001, reprints of the document distributed as WT/ACC/TPKM/18 on 5 October 2001.

started to criticize the government for its failure to observe its accession commitments to open up the government procurement market. However, opening up its government procurement market without becoming a GPA signatory will make its success in joining the GPA even remote. That's exactly the dilemma discussed previously in the section of "Early Implementation".

Whether it is fair to blame Taiwan for such failure of fulfillment may be questionable. However, the real problem is that this case was just the tip of an iceberg. Taiwan continues to receive such annoyance and sometimes substantive blockage from its fourth largest trading partner. How to keep such political and diplomatic interference away from its path of implementing of accession commitments is the challenge for Taiwan.

#### IV. Approaches to its Participation in WTO Multilateral Activities

The pains and difficulties coming along with Taiwan's implementation of its accession commitments may be high, but Taiwan still cherishes this very first formal Membership, which has been a dream for so long. In order to fully realize the benefits of its Membership, Taiwan has made great efforts since its accession in increasing the degree of its participation. Through such active participation, Taiwan hopes not only to play an important role in the WTO, but also to get access or at least receive assistance from some other international organizations that cooperate with the WTO, for any matter that is of Taiwan's own interest.

##### A. Presenting position papers on various issues

Taiwan understands that it will not be much benefited from its participation in the WTO if it is not active enough.

When it was an observer, it saw how a member could easily be marginalized if it was silent, passive or failed to collaborate with the other members with common interest. Therefore, once Taiwan became a Member and could raise its flag without counting on Chairman's discretion for permission to speak, it started to work very hard in preparing for its position papers. Given that such position papers need to be in line with the policies of the Administration and require coordination among agencies sometimes, their drafting usually is conducted by the authorities in the Capital rather than by the mission office in Geneva. The problem is that government officials back in the Capital may not always be charged with the matters related to the WTO. Even if they assume the responsibility of WTO-related matters, they may not have sufficient time to do in-depth research. In order to complement such problems, Taiwan established its first WTO Center in October 2003.

Taiwan has already had quite a few think tanks, which in the past assisted the government in APEC and WTO researches. The newly established WTO Center in effect, for the moment, is still affiliated with one of the think tanks, Chung Hua Institute of Economic Research. The existing think tanks however, seemed unable to effectively transform an academic research into a practical position paper to be presented directly in Geneva or unable to provide solutions promptly to any WTO problems consulted by the government. The newly established WTO Center was designated to remedy such defects. Whether the new WTO Center can recruit enough new brains to contribute to the position papers and policies drafting for the government and help solving urgent WTO issues like practitioners needs to be proved. However, Taiwan at least has

taken its first step in consolidating the government resources in WTO researches.

Before some synergy can be expected from the above institutional restructure, Taiwan has already submitted quite a few of requests, submissions, and position papers in different WTO committees, working groups, and councils either formally or informally through the efforts of the bureaucrat alone or cooperation with some domestic academics. Among them, for the Round of Doha Development Agenda, Taiwan has already been submitting position papers on the following issues:

- non-agriculture market access,<sup>21</sup>
- classification for computer and related services,<sup>22</sup>
- negotiation for maritime services,<sup>23</sup>
- relationship between WTO rules and specific trade obligations set out in some MEAs,<sup>24</sup>
- relationship between trade and investment,<sup>25</sup>
- registration of geographical indication issue,<sup>26</sup>
- rules of the anti-dumping agreement,<sup>27</sup> and

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<sup>21</sup> TN/MA/W/19, Add.1, Add.2, Add. 3, 20/12/2002, 16/05/2003, 07/07/2003, 08/07/2003

<sup>22</sup> TN/S/W/10, S/CSC/W/37, 08/01/2003.

<sup>23</sup> TN/S/W/21, 03/03/2003.

<sup>24</sup> TN/TE/W/10, W/11, W/36, respectively of 28/06/2002, 03/10/2002, 03/07/2003.

<sup>25</sup> WT/WGII/W/126-129, 144-145, respectively of 01/07/2002, 16/09/2002.

<sup>26</sup> TN/IP/W/5, 23/10/2002

- improvement of dispute settlement mechanism.

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Some of these submissions are joint position papers, a demonstration of Taiwan's effort in collaboration with the other members having common interest in specific subjects, e.g., joining the developing countries in anti-dumping issues, but affiliating itself with American countries, including U.S. and Australia/New Zealand, and Japan in the registration issue of geographical indications. Moreover, the fact that Taiwan extended its interest to "Singapore issues", especially on investment, also reflected its unique need of multilateral framework on investment due to its lack of sufficient protection of its foreign investment through BITs.

In order to collaborate with Members of common interest, Taiwan also actively took part in a lot of "friends groups", which are informal sub-groups formed for different issues of the current negotiation agenda. With participation in these "friends groups" small-scale and informal meetings, Taiwan was able to grasp the development and backgrounds of many subjects, such as the movement of natural persons, maritime services, anti-dumping issues, etc and have more direct interaction and closer cooperation relationship with members in the "friends groups", which further builds up Taiwan's capacity in relevant areas .

#### **B. Extension its participation to some other relevant international organizations**

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<sup>27</sup> TN/RL/W/18, W/28. W/29, W/28/Rev1, W/32, W/46, W/79,W/83,W/93, W/113, W/118, respectively of 04/10/2002, 15/11/2002, 15/11,2002, 22/11/2002, 25/11/2002, 24/01/2003,19/03/2003, 25/04/2003, 02/05/2003, 06/06//2003, 12/06/2003.

<sup>28</sup> TN/DS/W/25, 27/11/2002; TN/DS/W/36, 22/01/2003.

Taiwan has been isolated from the international community for too long and therefore suffered great disadvantage as discussed before. With its first formal Membership in an important international organization in hand, Taiwan certainly would like to make the best use of it, especially using the WTO as a gateway for it to participate in the other international organization activities, e.g., OECD, IMF, WCO, WIPO, UNCTAD for their frequent dialogues with the WTO. The most common and effortless access Taiwan now has to these relevant organizations is through the relevant briefing, seminar, conference, and training held by these organizations for WTO members.

Another example of extending its participation is Taiwan's presence at the recent steel talks held by the Steel Committee of the OECD, which was aimed at reaching an international agreement on curbing the use of steel subsidies. Such forth-coming agreement is expected to enhance the steel disciplines in WTO.<sup>29</sup> The outcome therefore will affect Taiwan's interest greatly for its steel industry and it is important for Taiwan to secure its participation.

### **C. Participation as a third Party in dispute settlement cases**

In addition to the above regular and routine participation, participation in dispute settlement procedure is another important feature of Taiwan's involvement in WTO activities. The dispute settlement mechanism despite of its imperfection was still commended for its effectiveness in enforcing WTO

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<sup>29</sup> See *Countries Aim to Complete OECD Steel Negotiating Text by April*, INSIDE US TRADE, October 17, 2003 and various reports cited in the same issue.



rules. In effect, Members widely utilized such mechanism in resolving WTO-related trade issues. Taiwan did not have any intention to complain the discrimination it received for the moment, but it had to be ready for any possible complaint against it in the future. In order to accumulate its experience for dispute settlements, it took great advantage of the 3rd- party role provided by the DSU and actively participate in the process as a third party.

In some case, Taiwan not only was present as a passive third party for the purpose of receiving submissions from the disputed parties, but also actively submitted its views, for example, in the US – Subsidies on Upland Cotton Case,<sup>30</sup> Canada – Export of Wheat Case,<sup>31</sup> and US – Steel 201 case.<sup>32</sup> In the last one, Taiwan was so keen to protect the interest of its steel industry and even filed a complaint on its own against the United States regardless that it already provided a third party written submission and made an oral statement in the first hearing of the panel, established for the eight countries' complaints against the U.S. Steel Safeguard.

With such active participation in the dispute settlement procedures, Taiwan was able to be familiar with the procedural aspect of dispute settlement. Moreover, its understanding of various important provisions of the WTO Agreements was also enhanced, which no doubt would better facilitate its fulfillment of its WTO obligations.

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<sup>30</sup> DS/267.

<sup>31</sup> DS/276.

<sup>32</sup> WT/DS/248-259.

## V. The Challenge after Cancun -- Suggestions and Conclusion

The fifth Ministerial Conference in Cancun was designated for mid-term review of Doha Development Agenda Round of negotiation, but it did not turn out well. The meeting fell apart on the first set issues it dealt with, "Singapore issues". The so-called Singapore issues were first brought up in the first WTO Ministerial in Singapore and that is also why they are so called. They include investment, competition, transparency in government procurement, and trade facilitation topics. Despite that the developed countries like E.U. seemed willing to unbundled trade facilitation from the other three issues, developing countries finally decided to reject such possible compromise because they saw too few concessions with respect to agriculture, special and differential treatment.<sup>33</sup>

After the failure of the meeting, up to now, there has been no clear sign when and how the WTO negotiation can be assumed. U.S. and EU already expressed that they would not take the lead to restart the WTO talks.<sup>34</sup> As a matter of fact, upon the collapse of the Cancun, U.S. official indicated that the U.S. would shift its attention and efforts to bilateral or regional liberalization process in order to foster the growth of economy. It is quite understandable how the disappointment at the multilateral process could tilt the balance between multilateral and bilateral liberalization movement toward the latter. However, if major economies are really inclined to pursue FTAs and

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<sup>33</sup> *Cancun Ministerial Collapses over Singapore Issues*, INSIDE U.S. TRADE, (Special Report) Sep. 15, 2003.

<sup>34</sup> *U.S., EU Signal They will not Take Lead to Restart WTO Talks*, INSIDE U.S. TRADE, Vol. 21, No. 41, Oct. 10, 2003.

bypass the WTO, Taiwan's position will become very vulnerable. After all, only multilateral arena can secure Taiwan's trade interest and that is why Taiwan has made such great efforts to participate in the WTO.

**A. To Avoid being Marginalized in the Wave of Regional Integration**

Despite of its efforts, Taiwan has only completed its first FTA negotiation with one of its very few allies far away from it – Panama (August 2003). Such breakthrough does not mean that Taiwan is able to continue to pursue such bilateral approach to secure its trade interest. As a matter of fact, Taiwan's work on FTA was not initiated recently but traced back to the aftermath of Seattle Ministerial Conference. However, during the past several years, the economies it actively approached, the U.S., Japan and Singapore all responded coolly to Taiwan's FTA negotiation proposal.

China already warned WTO members away FTA talks with Taiwan although its argument was very ridiculous. It alleged that Taiwan acceded as a separate customs territories and accordingly had no right to form any FTA, which under GATT: XXIV should be formed between WTO member "nations".<sup>35</sup> Despite of the ridiculousness of its public statement, the message sent by China was crystal clear and the pressure upon the other economies wishing to have FTA tie with Taiwan was overwhelming. Under such circumstance unless Taiwan can make extra efforts, there will be only countries that officially

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<sup>35</sup> Press Release of BOFT, *Rebutting Chinese Allegation that Taiwan is not a country and therefore cannot sign any FTA*, Oct. 25, 2002, <http://www.trade.gov.tw/>

recognize Taiwan willing to have FTA talk with Taiwan. Such consequence does not help at all Taiwan's trade interest because all of its diplomatic allies are not its major trading partners.

How to pull Taiwan out of such possible marginalized situation? To help the multilateral process to regain its momentum, which will be discussed later, certainly is essential. In addition, to be more flexible in its approach to FTAs is also important because even if the WTO process is reactivated, FTAs will still play an irreplaceable role in international trade liberalization, taking into account the enlargement of the EU and the FTAA. Therefore Taiwan cannot avoid marginalization if it is totally left out of such process.

The required flexibility for a FTA negotiation falls in two aspects: Taiwan's appellation and Taiwan's offers for market-opening. Take Panama as an example, it has a diplomatic relation with Taiwan and therefore in its FTA with Taiwan, it is easy and natural to let Taiwan sign as the "Republic of China". However, this may not easy for the other countries.

It is not surprising that Taiwan expects from its counterpart of a FTA due respect of its stathood. After all, Taiwan offers commercial opportunities larger than it affords to other WTO members. Nevertheless, Taiwan should not expect too much political gains from a FTA arrangement. What to be exchanged in such exercise is trade opportunity, not political recognition. Insistence on its official name simply creates an insurmountable hurdle for its success in FTA. Countries willing to enter a FTA with Taiwan but not have any diplomatic ties with it for sure do not wish the FTA arrangement to be attached with any political implication or affect their current diplomatic relations with China. If Taiwan can be content with the

appellation of the separate customs territory for a FTA arrangement, the countries having such arrangement with Taiwan can at least resist China's objection by reference to the WTO arrangement.

The other flexibility is in its offer of bilateral market access. Taiwan just joined the WTO, and it is not hard to imagine its reluctance in further opening up its market, especially the reservation and protection currently in place are what it had fought for so long and paid greatly in exchange during its accession negotiations. Taking also the FTA with Panama for example, most of Taiwan's authorities at the beginning of the talks were very hesitated to move forward from its accession position even with the understanding that the free access is only granted to goods and services from Panama. The reasons are simple. Some authorities are concerned about that the rules of origin may not be implemented effectively to prevent goods and services from other economies from flooding in. Other are concerned about that such opening may be interpreted as its sector's readiness for more competition from abroad, and thereby jeopardizes its defensive position in the new round of trade talks in the WTO. Fortunately, both Panama and Taiwan had very strong political wills to keep the deal float. Moreover, Panama's imports really cannot be deemed any threat to Taiwan's local industries. That is why a deal still can be struck at last. Such hesitation of the authorities however, in the future FTA negotiation with either U.S. or Japan, if there is any, will for sure kill the deals. As a matter of fact, the US already proclaimed that it will not proceed with any FTA talk with Taiwan unless Taiwan further strengthens its enforcement in intellectual property protection. It means that the US wants real economic gains from a FTA instead of symbolic tie.

Taiwan has to realize that only the “jewels of the crown” can entice the other WTO members, especially the major trade players to overcome their fear of Chinese threat and to devote their time and resources a FTA negotiation usually requires. Taiwan’s agricultural sector is sensitive, some of its industrial sector relies on government support for R&D, and some of its services sectors have foreign investment limitation, but they all are “jewels of the crown”, what its major trading partners are interested in. In order to avoid being marginalized in the wave of FTAs, Taiwan has to have the determination to go through the negotiation process ten times painful than it previously went through. Because even with such determination, it may not succeed, how can it still have any hesitation at all?

### **B. To Help to Boost Up the Momentum of the Multilateral Process**

FTA negotiations as mentioned are very time-consuming and especially difficult for an economy like Taiwan, which has very limited experience in this regard and comparably limited resources as opposed to its counterparts, which it expects to be major players in order to maximize its gains from FTAs. Therefore, if the global trend of FTAs can be slowed down and more focus can be shifted back to the WTO liberalization, the crisis of marginalization will be less imminent for Taiwan. Besides, Taiwan has spent more than ten years to acquire its WTO membership, an opportunity that it can officially participate in an international organization that affects its own interest significantly. It will be a pity if such organization fails to function well and serve Taiwan’s interest.

To stimulate the multilateral process is not easy and cannot be achieved by one single economy. However, Taiwan

unlike the other economies heavily depends on such multilateral process to secure its interest. Therefore, it shall at least contribute to the process by advocating the benefits of trade liberalization with its own experience, encouraging developing economies to pursue similar track, and providing any technical assistance required for trade liberalization so to narrow the gap between developed and developing that cause the current deadlock. Taiwan is small and its political status is unique, but neither should prevent Taiwan from playing an active or even leading role in the WTO. Hong Kong, Singapore and New Zealand all provide it with good models to follow.

In order to be advocate of liberalization, Taiwan certainly needs to expedite its liberalization pace and adjusts itself effectively to its post-accession challenges. It will not be easy, but seems to be the only way Taiwan can take.

