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**A5-0367/2001**

18 October 2001

## REPORT

on the proposal for a Council decision establishing the Community position within the Ministerial Conference set up by the Agreement establishing the World Trade Organization on the accession of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) to the World Trade Organization  
(COM(2001) 518 – C5-0488/2001 – 2001/0216(CNS))

Committee on Industry, External Trade, Research and Energy

Rapporteur: Per Gahrton

### ***Symbols for procedures***

- \* Consultation procedure  
*majority of the votes cast*
- \*\*I Cooperation procedure (first reading)  
*majority of the votes cast*
- \*\*II Cooperation procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\* Assent procedure  
*majority of Parliament's component Members except in cases  
covered by Articles 105, 107, 161 and 300 of the EC Treaty and  
Article 7 of the EU Treaty*
- \*\*\*I Codecision procedure (first reading)  
*majority of the votes cast*
- \*\*\*II Codecision procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\*III Codecision procedure (third reading)  
*majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission)

### ***Amendments to a legislative text***

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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## PROCEDURAL PAGE

By letter of 12 October 2001, the Council consulted Parliament, pursuant to the first subparagraph of Article 300(3) of the EC Treaty, on the proposal for a Council decision establishing the Community position within the Ministerial Conference set up by the Agreement establishing the World Trade Organization on the accession of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) to the World Trade Organization (COM(2001) 518 – C5-0000/2001 – 2001/0216(CNS)).

At the sitting of 22 October 2001 the President of Parliament will announce that she has referred the proposal to the Committee on Industry, External Trade, Research and Energy as the committee responsible (C5-0488/2001).

The Committee on Industry, External Trade, Research and Energy appointed Per Gahrton rapporteur at its meeting of 10 October 2001.

It considered the draft Council decision and the draft report at its meeting of 16 October.

At that meeting it adopted the draft legislative resolution unanimously.

The following were present for the vote: Carlos Westendorp y Cabeza, chairman; Nuala Ahern, vice-chairman; Peter Michael Mombaur, vice-chairman; Per Gahrton, rapporteur; Felipe Camisón Asensio (for Jaime Valdivielso de Cué), Concepció Ferrer, Francesco Fiori (for Umberto Scapagnini), Neena Gill (for Glyn Ford), Alfred Gomolka (for Werner Langen), Michel Hansenne, Rolf Linkohr, Caroline Lucas, Eryl Margaret McNally, Erika Mann, Elly Plooi-j-van Gorsel, John Purvis, Mechtild Rothe, Jacques Santer (for Paul Rübig), Konrad K. Schwaiger, Claude Turmes and W.G. van Velzen.

The report was tabled on 18 October 2001.

## DRAFT LEGISLATIVE RESOLUTION

**European Parliament legislative resolution on the proposal for a Council decision establishing the Community position within the Ministerial Conference set up by the Agreement establishing the World Trade Organization on the accession of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) to the World Trade Organization (COM(2001) 518 – C5-0488/2001 – 2001/0216(CNS))**

### **(Consultation procedure)**

*The European Parliament,*

- having regard to the proposal for a Council decision (COM(2001)518<sup>1</sup>),
  - having regard to Articles 37, 44, 47, 55, 71, 80(2), 95, 133 and 308 of the EC Treaty,
  - having been consulted by the Council pursuant to the first subparagraph of Article 300(3) of the EC Treaty (C5-0488//2001),
  - having regard to Rule 67 and Rule 97(7) of its Rules of Procedure,
  - having regard to the report of the Committee on Industry, External Trade, Research and Energy (A5-0367/2001),
1. Approves the Community position;
  2. Instructs its President to convey Parliament's position to the Council and Commission, and to the governments and parliaments of the Member States.

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<sup>1</sup> Not yet published in the Official Journal.

## EXPLANATORY STATEMENT

### I. Introduction

1. China was one of the 23 signatories of the Final Act of the United Nations Conference on Trade and Employment which was held in 1947 in Havana for the purpose of establishing an International Trade Organisation (ITO). The 'Havana Charter' included a set of rules establishing a multilateral system for international trade based on the principle of non-discrimination. As the Charter was not ratified by the US Congress, the signatories agreed to provisionally apply these rules, which became the well-known General Agreement on Tariffs and Trade (GATT). China signed the GATT on 30 October 1947 and ratified the Protocol of Provisional Application (PPA) on 21 May 1948. China also negotiated tariff concessions with the other contracting parties and took part in the first two rounds of multilateral tariff negotiations which were held in Geneva in 1947 and in Annecy in 1949.
2. On 1 October 1949 the People's Republic of China (PRC) was founded in mainland China. The former regime of Chiang Kai-shek had repaired to the island of Formosa (Taiwan) and the smaller nearby islands of Penghu, Kinmen and Matsu where it continued to call itself the Republic of China (ROC), claiming to be the only legitimate government of the whole of China. Indeed, the ROC occupied 'China's' seat at the UN until 1971. Having lost any control over the mainland, it found it impossible to continue its original rights and obligations under the GATT, mainly the commitments of tariff concessions to contracting parties, since the products involved were exported from the mainland of China. It thus notified the Secretary-General of the United Nations of its decision to withdraw from GATT membership on 6 March 1950.
3. The PRC itself did not show any interest in the work of the GATT at that time, for obvious reasons. Its economic relations with other countries were based on political rather than on economic considerations and were thus incompatible with basic principles of a liberalised trade regime enshrined in the GATT rules. The question of China's membership of GATT remained problematical, but there was no immediate attempt to clarify the situation.
4. The issue was suspended until 1965, when the ROC requested observer status in GATT. The validity of this request was again called into question by Czechoslovakia, which declared that the PRC was the sole lawful government of China. Despite these objections, Taiwan was granted observer status. This admission was regarded by the contracting parties as without prejudice to its position in relation to recognition of the government in question.
5. The Taiwan regime kept its observer status in GATT until 1971, when the United Nations General Assembly decided in its Resolution 2758 (XXVI) to expel the Chiang Kai-shek regime, which had up to this time occupied China's seat in the UN, and to restore the lawful rights of the PRC. In implementing this resolution the GATT, in its capacity as a specialised economic agency of the UN, re-examined its 1965 decision awarding Taiwan observer status. The contracting parties decided to expel the ROC from GATT as well, accepting that it had no legal authority to represent China in that body.

6. On 1 January 1990 Taiwan formally submitted its application for accession to the GATT under Article XXXIII in the name of the customs territory of Taiwan, Penghu, Kinmen and Matsu. This application was strongly opposed by the PRC at first. Later, it no longer rejected outright the principle of Taiwan's accession to the GATT, but set conditions for its accession. The GATT Council decided in September 1992 to establish a working party to examine the application of the 'separate customs territory' of Taiwan, Penghu, Kinmen and Matsu to accede to the GATT under Article XXXIII, and to submit to the Council recommendations which may include a draft protocol of accession. On 18 September 2001, one day after the conclusion of negotiations with the PRC, the negotiations within the working party on the accession of Chinese Taipei were brought to a close. The EU had already concluded its bilateral negotiations in ....
7. Before the EU can officially endorse China's entry at the WTO Ministerial Conference, however, a Council decision approving the terms of accession must be taken. The European Parliament has been consulted in accordance with the first subparagraph of Article 300(3) of the EC Treaty on the proposal for such a decision. This is the first time that Parliament has been consulted on the accession of a third country to the WTO. Given the accession in question and China's importance as the most densely populated country in the world and a key trading power, it was imperative that Parliament be involved in the accession process. Parliament therefore also expects to be consulted with regard to the possible future accession of Russia to the WTO.

## **II. Terms of Chinese Taipei's accession**

8. By becoming a Member of the WTO, Chinese Taipei commits itself to abide by all WTO obligations, unless clearly specified otherwise in the terms of accession. The terms of accession take two basic forms. First there are the schedules of commitments, which set out the full range of market access provisions which Chinese Taipei will be legally bound to grant to WTO Members when it enters the WTO. The schedules cover tariffs and non-tariff measures applicable to agricultural trade and industrial goods (commitments under the GATT), and services (commitments under the General Agreement on Trade in Services, or GATS).
9. Second there are the Protocol and Working Party Report on the accession of Chinese Taipei to the WTO. These documents, which also include legally binding commitments, essentially set out Chinese Taipei's new WTO obligations in all remaining areas of WTO competence (e.g. subsidies, TRIPs, TBT, customs valuation etc.).
10. For the EC, which ensured that the interests of European industries and firms were fully represented, Chinese Taipei's entry will therefore bring about an enormous gain in enforceable rights, with no significant change in our own commitments towards Chinese Taipei. The bilateral negotiations held between European Commission and Chinese Taipei's officials resulted in terms of accession which will substantially benefit those sectors and interests of greatest value to all Member States of the EU, especially large companies. Taking into account that the present WTO regime does not provide for protection against trade-related environmental damage and social distortion, foreseeable increases in EU-Taiwan trade might lead to damage in already vulnerable areas in

Taiwan. The rapporteur strongly recommends periodic sustainable impact studies of the effects of EU-Taiwan trade by the competent EU services, starting with the first one upon Taiwan's entry into the WTO.

11. As the world's 10th biggest trading entity (1998, excluding intra-EU trade), with a real GDP of \$289 bn in 1999, Chinese Taipei will immediately become a key player in the organisation. In 1999, Chinese Taipei was the seventh most important EU supplier and the 17th biggest export market for EU goods. The EU registered a negative trade balance with CT of € 8 120 million. The market access concessions agreed to by CT in the framework of its WTO accession will undoubtedly foster a rebalancing of trade flows. The deal will secure vastly improved access for EU firms to Chinese Taipei's market. Import tariffs and other non-tariff restrictions will be sharply and permanently reduced. Undoubtedly, the effect of this will be a further concentration process of company ownership and less opportunity for Taiwan to decide on its own industrial and social policy, with all its problematic consequences for employment stability, safety nets and regional development.
12. Chinese Taipei will bring its weighted average tariff on industrial goods down to 4.81%. Chinese Taipei offers a comprehensive coverage of 'zero-for-zero' tariff initiatives and its offer on chemicals goes beyond the Uruguay Round harmonisation requirements. It is already participating in the ITA and has actively participated in the negotiations on ITA II. More than two-thirds of tariff reductions on industrial products will be completed on accession. The remainder will be achieved by 2002 with limited exceptions, mostly to 2004 and 2008 (motor vehicles).
13. On services, Chinese Taipei's offer ranks amongst the ten best sets of commitments in the WTO. Chinese Taipei's services schedule comprehensively covers a wide range of sectors including financial, telecommunication, professional, advertising, computer, construction and distribution services. Chinese Taipei will remove foreign equity restrictions in all services sectors except in specific sectors such as telecoms, where European and other foreign companies will nonetheless be able to hold controlling stakes.
14. Chinese Taipei's agricultural offer provides for the opening of sensitive markets such as pork and poultry. In addition, Chinese Taipei has agreed to offer tariff quotas on apples and citrus fruit ahead of accession.

### **III. Recommendation**

15. The Commission submitted the results of the negotiations on the accession of the People's Republic of China to the WTO for approval by the Council, and for the opinion of the European Parliament. The decision to apply for membership of the WTO has been taken by the Taiwanese authorities and is therefore respected by the rapporteur. The democratic changes that have taken place in the nineties in the country nourish hopes that Taiwan will actively participate in a serious reform process of the WTO including democratisation of its decision making and respect for social and environmental aspects dealt with in other multilateral agreements and conventions, once Taiwan has become a member of the WTO.



