

**GENERAL AGREEMENT  
ON TARIFFS AND TRADE**

**RESTRICTED**

**Spec(94)39**

**4 October 1994**

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**ACCESSION OF CHINESE TAIPEI**

**Special Exchange Agreement**

The draft Special Exchange Agreement between Chinese Taipei and the CONTRACTING PARTIES and the World Trade Organization, circulated informally at the last meeting of the Working Party, is reproduced hereunder.

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**SPECIAL EXCHANGE AGREEMENT BETWEEN THE GOVERNMENT OF THE  
SEPARATE CUSTOMS TERRITORY OF TAIWAN, PENGHU, KINMEN AND  
MATSU (HEREINAFTER KNOWN AS "CHINESE TAIPEI") AND THE  
CONTRACTING PARTIES TO THE GENERAL AGREEMENT ON  
TARIFFS AND TRADE/WTO**

Whereas paragraph 6 of Article XV of the General Agreement on Tariffs and Trade, 1947 (hereinafter referred to as the "General Agreement") provides that any contracting party which is not a member of the International Monetary Fund (hereinafter referred to as the "Fund") shall, within a time to be determined by the CONTRACTING PARTIES after consultation with the Fund, become a member of the Fund, or, failing that, enter into a special exchange agreement with the CONTRACTING PARTIES:

Whereas paragraph 7 of the said Article provides that such special exchange agreement shall provide to the satisfaction of the CONTRACTING PARTIES that the objective of the General Agreement will not be frustrated as a result of action in exchange matters by the contracting party in question, and taking into account that the terms of such an agreement shall not impose obligations inconsistent with those imposed by the Fund;

Whereas the Government of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (hereinafter referred to as "Chinese Taipei") desires to accede to the General Agreement and to the World Trade Organization (hereinafter referred to as the "WTO")<sup>1</sup>;

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<sup>1</sup>References in this text to the GATT, 1947, WTO, CONTRACTING PARTIES, contracting parties to the GATT, and members of the WTO may require further adjustment to reflect the status of Chinese Taipei's application for accession at the time the WTO enters into force.

**THE CONTRACTING PARTIES/WTO**

and

The Government of Chinese Taipei, acting through its representative duly authorized for this purpose,

Hereby agree as follows:

**Article I**

**ORDERLY EXCHANGE ARRANGEMENTS**

1. The Government of Chinese Taipei shall collaborate with the CONTRACTING PARTIES/WTO to promote exchange rates which reflect underlying economic fundamentals, to maintain orderly exchange arrangements with other contracting parties to the General Agreement/members of the WTO, to avoid competitive exchange alterations, and to assist, in accordance with Articles II and III of this Agreement, in the elimination of restrictions on the making of international payments and transfers within the multilateral system, and to promote international trade and investment.

2. Recognizing that the essential purpose of the international monetary system is to provide a framework that facilitates the exchange of goods, services, and capital among countries, and that helps sustain non-inflationary economic growth, the Government of Chinese Taipei undertakes to assure orderly exchange arrangements and to promote a stable system of exchange rates. In particular, the Government of Chinese Taipei shall:

- (i) Endeavour to direct its economic and financial policies toward the objective of fostering sustained, non-inflationary economic growth with macroeconomic stability;
- (ii) Permit exchange rates to reflect underlying economic and financial conditions;
- (iii) Avoid manipulating exchange rates or the international monetary system in order to prevent effective balance-of-payments adjustment or to gain an unfair competitive advantage over other contracting parties/members; and
- (iv) Follow exchange policies compatible with the undertakings under this Article.

**Article II**

**AVOIDANCE OF RESTRICTIONS ON CURRENT PAYMENTS AND  
MULTIPLE CURRENCY PRACTICES**

1. The Government of Chinese Taipei shall not, without the approval of the CONTRACTING PARTIES/WTO, impose restrictions on the making of payments and transfers related to current account transactions.

2. The Government of Chinese Taipei shall not engage in, nor permit its Ministry of Finance, Central Bank, Stabilization Fund, or other agency, to engage in any discriminatory currency arrangements or multiple currency practices except as approved by the CONTRACTING PARTIES/WTO.

3. Exchange contracts which involve the currency of any contracting party/member or Chinese Taipei and which are contrary to the exchange control regulations of that contracting party/member

or Chinese Taipei maintained or imposed consistently with the Articles of Agreement of the Fund or with the provisions of a special exchange agreement entered into pursuant to paragraph 6 of Article XV of the General Agreement or this Agreement, shall be unenforceable in the territories of Chinese Taipei or in the territories of any contracting party/member.

### Article III

#### CONTROLS OF CAPITAL TRANSFERS

1. The Government of Chinese Taipei undertakes that it shall seek to avoid the imposition of capital controls to address balance-of-payments and macroeconomic objectives. However, the Government of Chinese Taipei may exercise such controls as are necessary to regulate international capital movements, if these movements are destabilizing to the balance of payments or jeopardize macroeconomic stability, so long as the Government of Chinese Taipei does not exercise these controls in a manner which will restrict payments for current transactions or which will unduly delay transfers of funds in settlement of commitments.
2. The Government of Chinese Taipei undertakes that measures affecting capital flows will be in accordance with this Agreement, the General Agreement, and the WTO.
3. If the Government of Chinese Taipei institutes new capital controls or tightens existing capital controls, it shall immediately after instituting or tightening such controls consult with the CONTRACTING PARTIES/WTO.

### Article IV

#### RESTRICTIONS ON PAYMENTS - GENERAL

1. In the event that the Government of Chinese Taipei, with the approval of the CONTRACTING PARTIES/WTO, as provided in Article II, or consistent with consultations with the CONTRACTING PARTIES/WTO, as provided in Article III, as the case may be, imposes a measure to restrict payments and transfers for balance-of-payments and macroeconomic stability purposes, it shall:
  - (a) initiate good faith consultations with the CONTRACTING PARTIES/WTO on economic adjustment measures to address the fundamental underlying economic problems giving rise to the measures; and
  - (b) adopt or maintain economic policies consistent with such consultations.
2. A measure adopted or maintained under Article II of this Agreement shall:
  - (a) avoid unnecessary damage to the commercial, economic or financial interests of another contracting party/member;
  - (b) be temporary and be phased out within a clearly-specified time-frame;
  - (c) be the least burdensome type of action available;
  - (d) be consistent with this Agreement and the economic policies adopted pursuant to paragraph 1(b) of this Article; and
  - (e) be applied on a most-favoured-nation treatment basis.

3. A measure adopted or maintained under Article III of this Agreement shall to the extent practicable conform to the provisions set forth in sub-paragraphs (a) through (e) of paragraph 2 of this Article.

#### Article V

##### FURNISHING OF INFORMATION

1. The Government of Chinese Taipei shall furnish the CONTRACTING PARTIES/WTO with such information within the general scope of section 5 of Article VIII of the Articles of Agreement of the International Monetary Fund as the CONTRACTING PARTIES/WTO may require in order to carry out their/its functions under the General Agreement/WTO.

2. The Government of Chinese Taipei shall be under no obligation to furnish information in such detail that the affairs of individuals or corporations are disclosed. The Government of Chinese Taipei undertakes, however, to furnish the desired information in as detailed and accurate a manner as is practicable.

#### Article VI

##### MISCELLANEOUS PROVISIONS

1. For purposes of this Agreement, the term "Payments for current transactions" means payments which are not for the purpose of transferring capital, as defined by the International Monetary Fund.

2. The CONTRACTING PARTIES/WTO shall at all times have the right to communicate their/its views informally to the Government of Chinese Taipei on any matter arising under this Agreement.

3. Articles XXII and XXIII of the General Agreement/the Understanding on Rules and Procedures Governing the Settlement of Disputes of the WTO apply to disputes arising under this Agreement.<sup>2</sup>

#### Article VII

##### ACCEPTANCE, ENTRY INTO FORCE AND TERMINATION<sup>3</sup>

1. This Agreement shall be signed on behalf of the CONTRACTING PARTIES/WTO by their Chairman and shall be deposited with the Director-General to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade /WTO, who is hereby authorized to register this Agreement.

2. The Government of Chinese Taipei may accept this Agreement by depositing an instrument of acceptance with the Director-General to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade/WTO. The Director-General will inform the CONTRACTING PARTIES/WTO of the date of deposit of such instrument of acceptance.

3. This Agreement shall enter into force 30 days after the Government of Chinese Taipei deposits an instrument of acceptance in accordance with paragraph 2.

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<sup>2</sup> Language to be re-examined, as necessary, to reflect work of the Preparatory Committee in the implementation of the WTO.

<sup>3</sup> See footnote 2.

4. The provisions of this Agreement, entered into pursuant to Article XV of the General Agreement, shall be deemed to be included within that Article and shall constitute an integral part of the Protocol of Accession of the Government of Chinese Taipei to the General Agreement/WTO.

5. This Agreement shall terminate upon the mutual agreement of the Government of Chinese Taipei and the CONTRACTING PARTIES/WTO.

IN WITNESS WHEREOF, the Chairman of the CONTRACTING PARTIES/WTO has signed this Agreement.

DONE at \_\_\_\_\_, this \_\_\_\_\_ th day of \_\_\_\_\_ one thousand nine hundred and \_\_\_\_\_.