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EU-Taiwan Relations in the WTO: The Question of International Status

Paper for presentation, first draft, without language corrections

Fourth Conference of the European Association for Taiwan Studies

20-22 April 2007

Stockholm, Sweden

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I. Introduction

Since the EU is following a “One China” policy, relations with Taiwan on the formal level are limited to non-political issues such as trade relations, science, culture and education.¹ Given Taiwan’s importance as a trading entity, the EU has an interest in maintaining smooth relations with it. This paper focuses on the EU-Taiwan relations in the framework of the WTO, which fall into the realm of the European Community (EC) and therefore into the first or “Community” pillar of the EU. In the context of economic relations, the question of Taiwan’s status should by principle not interfere with the EC’s agenda.

In reality the actors in the EU, however, do not always succeed in keeping political considerations out of trade relations. Trade relations prove to be difficult given a lack of high level contact, the absence of an EU representation in Taiwan until recently, issues of how to address Taiwanese leaders and how to communicate with its officials without irritating China. On the level of the EU member states exist varying positions with regards to the problematic cross-Strait relations. The European Parliament functions as a sharp critic of the Mainland’s Taiwan policy. The European unity in the area of foreign relations is thus shaken up by unresolved questions, such as the pending discussion over the lifting of the embargo on trade in arms with the PRC, which has a certain impact on the cross-Straits relations. While these issues are formally separated from the EC’s trade agenda, political hiccups concerning Taiwan still tend to have an overall impact on the EU-China relations including the foreign trade relations. Consequently, the institutions responsible for relations with China find themselves constantly in the position of counterbalancing the actions concerning Taiwan of other EU players. In short, despite attempted depoliticization of the Taiwan relations by limiting contact to an economic level, problems surfaced in the triangular relationship between the EU on the one side and Taiwan and China on the other.

¹ European Union (2005), ‘Overview: The EU’s relations with Taiwan’, http://ec.europa.eu/comm/external_relations/taiwan/intro/index.htm, accessed October 2006

On 11 December 2001, the People's Republic of China (PRC) joined the World Trade Organization. A few days later, on 1 January 2002 Taiwan followed. It accessed the WTO under the name of the "Separate Customs Territory Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)".² Both entities are full-fledged and separate members as "governments", since the GATT/WTO agreements do not use the term "states" or "nations" in their accession clause in order to also allow entities without international legal sovereignty but with autonomy in their external commercial relations to accede to the agreements.³ Political disagreement about who is the legitimate authority in a given territory is not supposed to interfere with the agenda of the trade body, which is only concerned with world trade but not with the issue of sovereignty. In other words, the WTO is attempting to create the necessary environment for smooth world trade by giving equal membership on the basis of economic preconditions, and therefore eschews to get entangled in disputes over sovereignty. These circumstances allowed the EU to support the Taiwanese GATT/WTO accession without coming under the suspicion of deviating from its "One China" policy.

The question to be answered in this paper is, under the premise that the EU/EC attempts to use the WTO as a means to depoliticize the Taiwan issue, how successful has it been in doing so? An analysis of the effectiveness of the European strategy towards Taiwan is certainly not possible without taking into account the Taiwanese rationale of its bid for GATT/WTO membership.

What are therefore the objectives of the main actors? The European Union's objectives in supporting Taiwan's GATT/WTO bid are clear: enhancing trade

² WTO (2007), 'Members and Observers',

http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm, accessed March 2007

³ *General Agreement on Tariffs and Trade*, Art. XXXIII; WTO (1995), *Analytical Index: Guide to GATT Law and Practice*, 6th edition, Geneva: WTO, pp. 1017-1018; Neukirchen, Mathias (2004), 'Die Vertretung Chinas und der Status Taiwans im Völkerrecht: Unter besonderer Berücksichtigung der historischen Entwicklung und Haltung der Vereinten Nationen', Bruha, Thomas and Oeter, Stefan (eds.), *Veröffentlichungen aus dem Institut für Internationale Angelegenheiten der Universität Hamburg*, no. 27, pp. 171-172; The principle to accept separate customs territories has been drawn up during the GATT negotiations in 1947, when the status of membership of Burma, Ceylon and Southern Rhodesia, which are now Myanmar, Sri Lanka and Zimbabwe, had to be determined. The United Kingdom declared that they were able to fulfill GATT obligations as separate customs territories and therefore also able to enter the GATT on their own behalf. This decision translated into the GATT articles XXXVI:5 and XXXIII. WTO (1995), pp. 919-920

relations with Taiwan,⁴ but at the same time not irritating China by interacting too overtly with Taiwan. The EU therefore attempts to depoliticize its economic relations with Taiwan. The GATT/WTO is a suitable forum for this endeavor, as it stresses the authority over customs as a precondition for membership and not statehood.

From a Taiwanese perspective, a GATT/WTO membership corresponds with several targets: free trade and the economic benefit associated to it is an end in itself.⁵ At the same time Taiwan's relatively good standing in its interactions with other countries - in comparison to other entities with contested sovereignty - largely stems from its economic success.⁶ Therefore preserving or even enhancing a thriving trade environment is a target that is linked to Taiwan's foreign policy. Finally, being a member of an international organization with membership as universal as the WTO considerably improves the Taiwanese international status.⁷ Apart from Taiwan, the European Communities, which entered the WTO alongside its member states, and the two Chinese Special Administrative Regions Hong Kong and Macao, for which sovereignty does not play a role since they are officially part of China, all WTO members are also members of the United Nations General Assembly and therefore globally recognized as having complete sovereignty.⁸

To proceed in the analysis of the EU's and Taiwan's objectives in the Taiwanese WTO entry first several concepts have to be clarified. Then a comparative analysis of Taiwan's accession process and the time after it had successfully joined the WTO will follow in order to assess the achievements of the EU's strategy to depoliticize its interaction with Taiwan and Taiwan's attempts to use the WTO as a stage to strengthen its position as a legitimate authority over its territory.

⁴ European Union (2005)

⁵ Guo, Jiann-Jong (2006), 'How to expand Taiwan's Business and Economic Relations through the WTO', *Taiwan Thinktank*, http://www.taiwanthinktank.org/ttt/servlet/OpenBlock?Template=Article&lan=en&category_id=26&article_id=158, accessed November 2006

⁶ Pegg, Scott (1998), *International Society and the De Facto State*, Aldershot: Ashgate, pp. 186-187

⁷ See for example Chou, Yujen (1992), 'Economic Dependence and Changes in Taiwan's Trade Policy, 1984-89', *Issues & Studies*, vol. 28, no. 1, p. 118: "To break through its international economic and political isolation, Taipei has been planning to return to the GATT."

⁸ United Nations, 'List of Member States', <http://www.un.org/members/list.shtml>, accessed March 2007

II. Conceptual Framework

Apart from their common interest in better trade relations, the strategies of the two main actors of this analysis, the EC and Taiwan, are to a certain extent divergent. Whereas for Taiwan sovereignty is one of the main issues in its participation which results in a politicization of contents in the WTO, the EU/EC is interested in the depoliticizing effects on sovereignty of the WTO. The crucial focal point of the two strategies is the concept of sovereignty. Its underlying notions deserve some consideration in the first place, in order to better define the concepts of politicization and depoliticization.

Sovereignty

Stephen Krasner's is useful for our purposes of defining Taiwan's problematic international status. It will serve as the basis of this analysis. Krasner distinguishes domestic sovereignty (legitimacy of a final source of authority within the state), interdependence sovereignty (effective incoming border control to prevent international influences in the domestic area), Westphalian sovereignty (exclusion of external actors from domestic authority structures), and international legal sovereignty (international recognition by a sufficient number of other states on the basis of characteristics such as fixed territory, people, government).⁹ Given the rapid proliferation of international or regional regimes and organizations over the last decades¹⁰, Krasner also ponders the possibility of states to voluntarily "give up" sovereignty in certain issue areas and to join an international organization.¹¹ In an international organization it is not one single state anymore which decides about its own policy, instead a community of states cooperates in the policy-making on transnational issues. The affinity of states towards this kind of sovereignty sharing,

⁹ Krasner, Stephen D. (1999), *Sovereignty: Organized Hypocrisy*, Princeton: Princeton University Press, especially Chapter One: Sovereignty and Its Discontents, pp. 3-42

¹⁰ Rittberger, Volker, and Zangl, Bernhard (2003), 'Internationale Organisationen - Politik und Geschichte: Europäische und weltweite internationale Zusammenschlüsse', Benz, Arthur et al. (eds.), *Grundwissen Politik*, no. 10, 3rd edition, Opladen: Leske und Budrich, pp. 84-87

¹¹ Krasner, p. 26

where decisions are necessarily a compromise and cannot reflect to a full extent the wishes of one government as it would be the case on the national level should be denominated participatory sovereignty for this analysis. All five notions of sovereignty will be further contemplated in the following.

International legal sovereignty. On the basis of the criteria territory and the possession of an autonomous government states decide whether they are ready to recognize other entities as equal. Apart from these basic preconditions, other criteria can be added, which allows evolution of the concept and gives room for sometimes inconsistent application. Recognition is in that sense often a political decision of, for instance, supporting one government and opposing another.¹² In the case of Taiwan, when the recognition of a majority of states switched to the People's Republic of China, the territorial confines of state remained stable while in the eyes of the world the legitimate government switched from the Kuomintang government in Taipei to the Communist government in Beijing.¹³ In the early 1990s the rethoric of the Taiwanese government changed¹⁴, instead of claiming to be the legitimate government over the whole Chinese territory there is now a general tendency of advocating a Taiwan independent from China among Taiwanese leaders. Strongly depending on which party is in power, this struggle for recognition is more or less pronounced. To accomplish secession or to find any alternative solution to the conflict across the Taiwan Strait, Taiwan will, however, need the consent of the PRC. Acceptance by the former sovereign is a crucial element in the creation of new states.¹⁵ As the WTO also awards separate customs territories with membership, international legal sovereignty is not a precondition for joining the trade organization. These rules make the WTO rather an exception among international organizations.

Domestic sovereignty. Domestic sovereignty means that the final source of legitimate authority lies within the state. In the case of Taiwan's relatively young democracy, the

¹² Krasner, pp. 14-20

¹³ *ibid.*, p. 14

¹⁴ Information Division (1999), 'Taipei Economic and Cultural Office in New York, Views on Cross-Taiwan Strait Ties: Lee Teng Hui', 9 July, <http://www.taipei.org/press/Lee-view.htm>, accessed February 2007: It was the first time that Lee Teng-hui spoke about a "special state-to-state relationship" in an interview, implying that Taiwan and the PRC are two distinct states on one territory.

¹⁵ Pegg, p. 226

final source of legitimacy is Taiwan's people which votes for its government.¹⁶ At least theoretically, if the Taiwanese population had been against WTO accession, the government could not have succeeded in its accession process.

Westphalian sovereignty. Westphalian sovereignty depicts the principle of nonintervention by one state in internal affairs of another state. The legitimate authority lies within the state and is free of external influence.¹⁷ Through coercion or invitation other states can gain importance. When a state voluntarily joins an international organization, it gives up by invitation some amount of its Westphalian sovereignty. Despite its lack of international legal sovereignty Taiwan could join the WTO because of the WTO's particular membership criteria. But when it entered the trade organization Taiwan gave up parts of its Westphalian sovereignty.¹⁸ This view can be challenged by the idea that the decision-making in many international organizations bases on unanimity, hence every state retains vetopower and cannot be forced to accept decisions that go against its interests. This argument will be analysed in more detail below.

Interdependence sovereignty. In Krasner's definition of interdependence sovereignty, he actually refers to sovereignty *from* interdependence. In other words, interdependence sovereignty is the ability of a state to control everything that transgresses its borders and thereby to exclude anything that could cause harm to the state. The concept is thus closely associated with a notion of threat. Krasner observes that, although globalization is not the only root of a loss of interdependence sovereignty, in a globalized world it becomes increasingly difficult to shut away one's country from international threats. In some instances international cooperation has become necessary in order to contain such threats¹⁹, and creates an interest of states to participate in international organizations as subsumed below in the last meaning of sovereignty as participatory sovereignty. While Westphalian sovereignty means the

¹⁶ Krasner, pp. 11-12

¹⁷ Krasner, pp. 20-25

¹⁸ *ibid.*, p. 4

¹⁹ The World Health Organization can serve as an example for such an international organization. It tries to counteract to epidemics, such as the Severe Acute Respiratory Syndrome (SARS), which due to an interdependent world spread quickly over borders and which cannot be stopped by the action of one government alone.

absence of other governments' influence in domestic politics, interdependence sovereignty refers to influences derived from globalization.

Participatory sovereignty. While interdependence sovereignty describes the desire of states to solve their problems on their own, which becomes ever more difficult in a globalized world, the concept of participatory sovereignty goes in the diametrically opposite direction. States have an interest in being among the decisive actors that shape today's world. Thus they are ready to renounce parts of their Westphalian sovereignty in order to participate in a shared decision-making on the international level. This logic is also applied by institutionalist theory which tries to analyze why states invest resources to establish and maintain international institutions. Institutions are providing information that helps to maximize utility, hence they create more transparency. Furthermore international institutions are based on reciprocity and ensure that gains are divided more equally.²⁰

Membership in the WTO is giving room to freer trade, with the perspective of adding to Taiwan's economic success. The added value of economic gains through freer trade and of being part of the decision-making that shapes world trade is therefore an end in itself for Taiwan. The participation in the WTO is also a means to further increase Taiwan's economic success and therefore its economic clout which may result in an even better political standing. A Taiwanese participation in the WTO was also favored by the EU, since for reaching the goals of the WTO, namely free trade, or at least freer trade, by an elimination of trade restrictions²¹ on a global level, participation of all states is necessary to make it a truly global regime, with a global positive output. Free trade according to established rules will also enhance the welfare gains of the EU. The prospect of freer trade with Taiwan, which already is an important trading entity, constitutes a special incentive in letting Taiwan participate, which is expected to lead to economic gains.²²

²⁰ Keohane, Robert O. and Martin, Lisa L. (1995), 'The Promise of Institutional Theory', *International Security*, vol. 20, no. 1, pp. 40-46

²¹ Meade, James (1987), 'A Proposal for an International Commercial Union', *World Economy*, vol. 10, no. 4, December, pp. 399-407, reproduced from 1942; Bagwell, Kyle and Staiger, Robert W. (2002), 'The Theory of Trade Agreements', *The Economics of the World Trading System*, Cambridge, MA and London: MIT Press, pp. 13-41, especially pp. 13-14 on the purpose of trade agreements

²² Hoekman, Bernard (2002), 'The WTO: Functions and Basic Principles', Hoekman, Bernard et al. (eds.), *Development, Trade, and the WTO: A Handbook*, Washington DC: The World Bank, pp. 41-49:

Theoretically a state does not need to give up its sovereignty in international organizations that base on intergovernmental and not supranational decision-making. The decision-making in an intergovernmental system relies in principle on finding compromise between all participating governments. However, in practice the application of this principle displays certain weaknesses. The first limitation is that participants with a lesser political clout, such as developing countries, often find it hard to influence international negotiations to their own benefit.²³ Second, unanimity and consensus might be in the core rules of an organization, the practical application, however, can differ from the underlying principles. In the WTO consensus is in practice understood as the absence of formal objection rather than a pronounced consent. This gives quite some leeway to the chairman in negotiations, who can towards the end of a negotiation simply proceed by declaring that consensus has been reached. Without inviting further discussion, which in return might lead to critical remarks or new requests, the chairman prevents a prolongation of the negotiations, when he perceives it as unnecessary or as possibly limiting the outcomes.²⁴ These caveats show that despite the system of consent of all participating governments, the latter are not always in the position to make their view matter in negotiations in the framework of international organizations.

The basic principles of the WTO are nondiscrimination, reciprocity, binding and enforceable commitments, transparency and safety valves. When Taiwan, as the important trading entity it was at that time, was not applying these rules, negative economic outputs are expected for its trading partners. See also: Tran, Van Thinh Paul (2007), ex-EU ambassador to the GATT, *interview*, Brussels, Belgium, 22 February

²³ Mbirimi, Ivan (2003), 'Economic Diplomacy for Developing Countries', Bayne, Nicholas and Woolcock, Stephen (eds.), *The New Economic Diplomacy: Decision-Making and Negotiations in International Economic Relations*, Aldershot: Ashgate, pp. 251-259

²⁴ Kuijper, Pieter-Jan (2006), 'The European Union and the World Trade Organization: History and Legal Framework', speech given during the IES Lecture Series *The WTO Doha Round, the EU and the Future of the World Trading System* at the Vrije Universiteit Brussel, Brussels, Belgium, 19 October

Depoliticization vs. Politicization

This chapter analyses the concept of depoliticization with its merits and limitations. The basic idea of depoliticization of external relations, as between the EC/EU and Taiwan, is that relations must not have a recourse to the question of international legal sovereignty. For the EU-Taiwan relations this view refers in practice to the so-called “One China” policy, which entails severe limitations of interaction with the Taiwanese authorities. Due to its economic weight and much pragmatism concerning nomenclatural issues²⁵, the Taiwanese were able to establish informal relations with many countries in the world, although their statehood is only recognized by a handful of countries, which sharply limits their use of diplomatic channels. Despite these limitations, the Taiwanese could build up a far-reaching network of economic and cultural relations. Taiwan’s level of interaction with the rest of the world has increased again considerably since it had reached its lowest point during the 1970s, when Taiwan was ousted of the United Nations and ever more countries switched recognition to the PRC.²⁶ But this partial reintegration in international relations does not solve Taiwan’s problem of its lack of international legal sovereignty, which is paramount for a participation in most international organizations.

The European Union has a vital interest in relations with Taiwan, given the fact of the strong economic interactions with the entity. Due to its adherence to the “One China” policy, the EU has to refrain from interactions that can be categorized as political. This position is related to the concepts of “high” and “low” politics. High politics correspond with security and states’ survival, which is related to sovereignty, whereas a classic example of low politics is economy.²⁷ The relatively far-reaching integration of economic policies on a supranational level in the European Union, contrasted by the Common Foreign and Security Policy which is administered on an

²⁵ Pegg, pp. 183-187

²⁶ Madsen, Robert A. (1999), ‘The Struggle for Sovereignty Between China and Taiwan’, in Stephen Krasner (ed.), *Problematic Sovereignty: Contested Rules and Political Possibilities*, New York: Columbia Press, pp. 150-158

²⁷ Hoffmann, Stanley (1995), ‘Obstinate or Obsolete? France, European Integration, and the Fate of the Nation-State’, Hoffmann, Stanley (ed.), *The European Sisyphus: Essays on Europe, 1964-1994*, p. 79

intergovernmental level can be interpreted in this light. The concept of “high” and “low” politics stipulates that economy is a largely technical issue, hence open to compromise and bargains. Foreign policy, especially foreign security policy, however, tackles problems related to the bare survival of a state which makes cooperation on the basis of compromise and bargains more difficult and the sovereign states, even when working together, have to be the decision-makers, with a right of veto. For the analysis of the WTO the concept equally has some merits. The fact that the WTO’s contracting parties are governments and not states or countries - which opens the door for entities with contested sovereignty such as Taiwan to enter as customs territories – shows the underlying idea that an organization perceived as merely relevant to create economic output should not be concerned with “high” political issues such as sovereignty.

This dichotomy between “high” and “low” politics, however, has come under sharp criticism. Kenneth Waltz notes already in 1979 that “(t)he distinction frequently drawn between matters drawn between high and low politics is misplaced. States use economic means for military and political ends; and military and political means for the achievement of economic interests.”²⁸ Jonathan Kirshner classifies it as a distinction that has emerged in the context of the Cold War, where two superpowers with little economic interaction were engaged in a conflict. These two superpowers did not face budget restraints, or only very late in the case of the Soviet Union, and therefore did not make a link between economy and security, as most other states must.²⁹

But also in the context of “high” and “low” politics within the European Union, the concept has some limitations. In the EU-Taiwan relations, as outlined in the introduction, political considerations sometimes spill over into the economic realm. Furthermore, the empirical part of this paper will show, although the question of sovereignty should be eliminated from the WTO agenda, it still creates problems in Taiwan’s membership.

²⁸ Waltz, Kenneth H. (1979), *Theory of International Politics*, New York: McGraw-Hill, p. 94

²⁹ Kirshner, Jonathan (1998), ‘Political economy in security studies after the cold war’, *Review of International Political Economy*, vol. 5, no. 1, pp. 64-65

Depoliticization for the EU is a process with the aim of artificially creating this distinction between politics and economy. This distinction is realized by attempting to exclude from the EU-Taiwan relations everything that has a reference to sovereignty. All contacts have to take place in the framework of the first pillar. The WTO seems, at first glance, to be a good vehicle for extending contacts and avoiding politicizing economic issues. But while the EU is trying to depoliticize its Taiwan relations, in order not to come in conflict with China and to still be able to exploit the economic relations to the full by establishing a better platform for interactions with Taiwan, Taiwan has a substantial interest in politicizing its participation in the WTO and thus in instrumentalizing the trade body for its struggle for sovereignty. The two approaches are working against each other and hence create mutual limitations.

III. Analysis: Depoliticization of Taiwan's Status Question in the WTO

Due to the recentness of Taiwan's accession to the WTO some of the events leading to Taiwan's WTO membership have still not been historically or politically revisited, literature is therefore deemed to be scarce. I am deeply indebted to some of the experts that were directly or indirectly involved in the process of admitting Taiwan to the WTO and who granted me with the opportunity to do interviews.

The following part is divided in two sub-sections, first the analysis of the Taiwanese approach to enter into the GATT/WTO and of the underlying EU objectives that were guiding its support of Taiwan's accession, second, looking into the new issues in the EU-Taiwan relations that have arisen due to Taiwan's successful entry into the WTO.

Taiwan's Accession Process to the WTO

The questions to be answered in this first section are regarding the history of Taiwan's entry to the WTO. It is crucial to ask whether Taiwan's unresolved statehood question was an element to hamper its accession, and what were the EC/EU's position and ways to overcome these challenges.

Neither in the GATT nor in the WTO membership is based on the concepts of "countries", "states" or "nations", their contracting parties are "governments"³⁰. Still, it was politically and diplomatically unthinkable to let Taiwan join as an independent party without finding a solution to overcome Mainland Chinese opposition. When the Taiwanese started their lobbying process to become a member of the GATT, their expectations about success of their efforts were limited.³¹ Indeed, staff of the GATT secretariat in Geneva refused to welcome Taiwanese delegations onto their premises,

³⁰ GATT, Art. XXXIII

³¹ Chan, Mignonne, discussion during the visit of the European Union Research Forum (EURF) at the Institute for European Studies (IES) of the Vrije Universiteit Brussel (VUB), Brussels, 13 November 2006

earlier Taiwanese applications to the GATT were dismissed before reception, on the grounds of the entity's imperfect statehood and a desire not to provoke China. But, upon consideration of Taiwan's importance in world trade, European and American diplomats realized that any international trading system should include Taiwan's participation to facilitate its evolution towards a "universal" system. Although disputed, the only solution to overcome Taiwan's problem of contested statehood was to let it join as a separate customs territory. An official meeting between GATT and Taiwanese authorities was unimaginable, thus informal ways for setting up contacts had to be explored. The GATT secretariat, and mainly its Director General Arthur Dunkel, was principally interested in a Taiwanese participation, but had only limited room for maneuver due to Taiwan's precarious status in international relations and its members' positions on the issue. Taiwan filed another application to GATT on 1 January 1990, which was finally received and considerations on how to proceed in Taiwan's case were officially opened.³² However, "Republic of China" was deemed as too contested to serve as a name for the applicant. Its denomination was changed to "Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)", in order to clarify that a GATT/WTO membership would in no way alter Taiwan's international status and to bring the Chinese delegation to accept this development. The Taiwanese government, under strong pressure, was sufficiently pragmatic to accept such changes. For Taiwan the trade-off of becoming a member of the GATT as a milestone in its struggle of becoming readmitted to international organizations was more important than its name. Otherwise, even fiercer opposition of China would have been the most likely outcome, which in return might have influenced Beijing's allies in the GATT to reassess their preferences and follow China's stance, hence vote in opposition to Taiwan's application. Keeping a low

³² See Tran: According to the ex-Ambassador, who also served as European negotiator in Taiwan's accession process, the date of 1 January, one day after the New Year's celebrations, was carefully chosen. As this day was a holiday and the GATT secretariat's staff was not present, the application was received at the front gate without the personnel there being aware of its content. Therefore, for the first time, the letter was not immediately rejected and returned without any discussion, as it had always been the case in earlier Taiwanese attempts to apply to the GATT. Once the application had been received by the GATT, considerations on how to proceed further could be opened. The Director General, Arthur Dunkel, strongly supported by the Europeans and discretely by the Office of the United States Trade Representative, undertook consultations to allow Taiwan to negotiate its accession as a separate customs union.

profile was the only way which most likely would allow success of the Taiwanese membership application to the trade body.³³

It was obvious to the negotiators at that point that an accession of the PRC to the GATT/WTO without Taiwan's accession would be possible, but it clearly was politically not viable to include Taiwan without China. A formula had to be found that would allow the accession of both entities. China had to enter first, and Taiwan could follow immediately after, since its economy and political system were appropriate to fulfill the requirements of the WTO's trade regime.³⁴ This solution was formalized in a GATT Council meeting on 29 September to 1 October 1992:

The Chairman (underlined in original, SW) said that in recent months he had carried out extensive consultations on the subject of establishing a working party to consider the possible accession of Chinese Taipei, known in the GATT as the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu. *All contracting parties acknowledged that there was only one China, as expressed in the United Nations General Assembly Resolution 2758 of 25 October 1971. Many contracting parties, therefore, had agreed with the view of the People's Republic of China (PRC) that Chinese Taipei, as a separate customs territory, should not accede to the GATT before the PRC itself. Some contracting parties had not shared this view. (Italics by SW)*³⁵

On the grounds of Taiwan's economic power, the contracting parties to the GATT, among them the representatives of the EC/EU, considered Taiwan's membership in the trade body was suitable. Increased transparency of Taiwanese economic policy decision-making was the expected result, furthermore Taiwan could be held responsible for breaches of commitments in the WTO Dispute Settlement Body or its respective predecessor.

Due to the political situation across the Taiwan Straits, the question of negotiating a Taiwanese GATT membership could not be decided without consultations with Mainland China. After the negotiators of GATT contracting parties interested in a Taiwanese accession to the agreement had found the above described methods to circumvent initial Chinese opposition, the Mainland had no choice but to accept the

³³ Neukirchen, p. 172

³⁴ Tran

³⁵ GATT Council (1992), *Minutes of Meeting*, C/M/259, 27 October, p. 3

formula of “China first, then Taiwan”. However, during the years between the establishment of a GATT working party for Taiwan and the actual Taiwanese entry, China expressed on several occasions its refusal to accept the view that Taiwan was entering as an entity of its own. China requested to formalize Taiwan’s status in the GATT/WTO as customs territory *of* China, as it is the case with Hong Kong and Macao since the late 1990s³⁶, but the GATT/WTO did not follow this interpretation. In the WTO Taiwan is a separate customs territory, the organization is theoretically not concerned with Taiwan’s status relative to China, since its membership is based on its ability to autonomously maintain external trade relations, like it is also the case with Hong Kong and Macao. Contrary to the contracting parties “Hong Kong, China” and “Macao, China”, the attribute “China” is missing in Taiwan’s name in the WTO.³⁷ “Chinese Taipei” is the name Taiwan chose for its accession to the International Olympic Committee, where Taiwan’s and China’s memberships are also separate.³⁸ China’s approach towards Taiwan inside the WTO reveals, however, that the PRC is nevertheless applying the view that Taiwan is part of China, also within the WTO.³⁹

In the WTO ministerial conference in Doha in November 2001, both the Chinese and the Taiwanese accession were decided on, first the Chinese on 10 November⁴⁰, and the following day the Taiwanese, on 11 December⁴¹. The Taiwanese entry itself took place on 1 January 2002, only days after China’s accession on 11 December 2001.

³⁶ See for example: Fincher Hong, Leta (2000), 'China-WTO-Taiwan', *Voice of America*, 7 September, <http://www.fas.org/news/china/2000/prc-000907-roc1.htm>, accessed March 2007; ‘China tells U.S. it will not block Taiwan’s WTO bid’, *CNN*, 6 September 2000, <http://archives.cnn.com/2000/ASIANOW/east/09/05/wto.taiwan.reut/>, accessed November 2006

³⁷ WTO (2007)

³⁸ International Olympic Committee (2007), ‘Chinese Taipei Olympic Committee’, http://www.olympic.org/uk/organisation/noc/noc_uk.asp?noc_initials=TPE, March 2007

³⁹ Cho, Hui-Wan (2005), ‘China-Taiwan Tug of War in the WTO’, *Asian Survey*, vol. 45, no. 5, pp. 745-746: Taiwan’s government has put an import ban on more than 2000 Chinese products on the grounds of national security. China could challenge this ban in the framework of WTO settlement mechanisms, but is reluctant to use these instruments against Taiwan, since it would deviate from its position on the Taiwan question as an internal affair of the PRC.

⁴⁰ World Trade Organization (2001), *Accession of the People’s Republic of China: Decision of 10 November 2001*, WT/L/432, 23 November

⁴¹ World Trade Organization (2001), *Accession of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu: Decision of 11 November 2001*, WT/L/433, 23 November

Questions about status and statehood played a paramount role during the GATT/WTO accession process of Taiwan despite the solely economic nature of the WTO. The fact that China was not a member of the GATT/WTO when the organization took preliminary decisions about Taiwan's entry facilitated Taiwan's accession process. Still, the PRC, even though not yet a member at that time, had the power to exercise pressure on the negotiating parties.

In conclusion, it was the fact that the GATT/WTO is not concerned with sovereignty, but that it is open for all governments with autonomy over external commercial relations in the territory they control, which made a Taiwanese accession to the organization perceived as possible in the first place. This depoliticizing setup of the GATT/WTO served the EC/EU in its efforts to better integrate Taiwan in world trade while trying to resolve China's doubt about European intentions to further engage Taiwan in the world. Furthermore, the emphasis on Taiwan's importance in world trade and therefore the impossibility of leaving it outside a regime that regulates the global economy was a decisive argument for the interested parties. This conception is related to the idea of participatory sovereignty, which stipulates that questions of international legal sovereignty can be put in the background when the emphasis is on the *need* of Taiwan's participation in the trade body despite its contested statehood.

Developments since Taiwan's WTO accession

Despite Taiwan's integration into the WTO, numerous issues relating to Taiwan's status are still unresolved, which leads to the question whether the EU was successful to use the Taiwanese accession to the WTO as a means for depoliticization of the EU-Taiwan relationship. The following section will explore in detail several issues that have been resolved, as well as others that are still pending. While the establishment of the European Economic and Trade Office in Taiwan was a first step to have more direct official contact with the Taiwanese, some questions of how to actually address Taiwanese representatives and limitations of contacts still hamper the relationship. Finally, the unresolved issue of the Taiwanese accession to the WTO's Government Procurement Agreement needs in depth-consideration.

Before Taiwan's accession to the WTO, the EU was not represented in Taiwan. The European Chamber of Commerce Taipei (ECCT) and member states' economic and cultural representations in Taiwan played to a certain extent the role of an intermediary.

Taiwan's status as a WTO member served as a legitimate reason for opening an EC representation in Taiwan. The European Economic and Trade Office (EETO) was established in March 2003 in Taipei. It is under the auspices of the European Commission and has its sole purpose in serving the EU-Taiwan relationship in the framework of the first pillar of the EU. It therefore has a mainly economic focus:

“The move will strengthen relations between the EU and Taiwan in areas such as trade, investment, economic cooperation, research and education.”⁴²

Important emphasis was put on the fact that its status as a trade office allows no reference to a political function. “In line with the EU's ‘one China’ policy, the office

⁴² European Commission (2003), ‘European Commission establishes European Economic and Trade Office in Taiwan’, 10 March, http://ec.europa.eu/comm/external_relations/taiwan/intro/ip03_347.htm, accessed November 2006

will not be engaged in relations of a diplomatic or political nature,”⁴³ as Taiwanese media quoted a press release issued by the European Commission.

Although EU-Taiwan trade is still on the rise in absolute terms, it has lost importance in comparison to the exchanges with other EU trade partners. From the 9th place in the early 2000s, Taiwan had slipped to the 14th place by 2005 in the ranking of the EU’s largest trade partners.⁴⁴ Taking into account Taiwan’s ranking among the ten most important trade partners before its WTO accession and its gradual decrease of importance in relative terms, the question arises why a European trade office was not established earlier. Clearly, although even in earlier times the EU-Taiwan relationship was mostly limited to an economic relationship, its importance was not enough justification for such a step. Only with Taiwan’s accession to the WTO and by instrumentalizing the depoliticizing function of this international organization the European Commission became confident enough to launch a trade office in Taiwan. Taiwan’s WTO membership changed the EU’s risk perception about the probability of a diplomatic confrontation with China on the issue of having a European representation in Taiwan.

Due to Taiwan’s importance as a trade partner for the EU direct contacts are essential, but it is taken care on the EU side that those contacts cannot be interpreted by the Chinese as an effort to establish diplomatic relations with Taiwan. Therefore the Commission applies self-imposed restrictions in accordance with its interpretation of the “One China” policy on how to maintain contacts with Taiwanese authorities in order not to provoke China. Particularly high-level contacts tend to be avoided or established on an informal basis. Meetings on a working level to discuss technical issues in the framework of co-operations between the EC and Taiwan are conducted on a regular level.

In the ways of how to address Taiwanese representatives, the EU eschews any allusion to sovereignty, as it is in line with the EU’s application of the “One China”

⁴³ Chu, Monique (2003), ‘Euro trade office head finally arrives to take up position’, *Taipei Times*, 11 March, p. 3, <http://www.taipeitimes.com/News/taiwan/archives/2003/03/11/197577>, accessed November 2006

⁴⁴ European Economic and Trade Office (2006), ‘EU-Taiwan: Trade and Investment Factfile 2006’, <http://www.deltwn.ec.europa.eu/eutwfactfile2006.pdf>, accessed January 2007

policy, which clearly states that the EU does not recognize Taiwan as a sovereign state. The European Commission refrains for example from using the expression “president” for currently Chen Shui-bian and addresses him instead as “leader”. Since the European Economic and Trade Office in Taipei does not have a diplomatic function, the highest post is officially denominated as “head of office”. Brian McDonald, who currently occupies the function of the head of office, is according to customs addressed as “ambassador” by his international counterparts as well as by his Taiwanese interlocutors. The Taiwanese, especially under the current government, would like to see that also their head of office in Brussels is, according to the same customs, addressed as “ambassador”, which runs counter to the policy adopted by the EU towards Taiwan.

One of the sore points in the EU-Taiwan relations in the framework of the WTO is the still unresolved issue of the Government Procurement Agreement (GPA). Taiwan committed itself to becoming a member of the plurilateral GPA within one year upon its WTO accession.⁴⁵ Up to now this commitment has not come into effect. The main reason is Beijing’s interference by criticizing that some formulations in Taiwan’s accession agreement contain references to sovereignty, which in the Taiwanese point of view evidently represents a not unintended side effect.⁴⁶

The Government Procurement Agreement is intended to open up the procurement of government projects, such as in infrastructure or services, to foreign bidders. In 1999, Taiwan implemented its Government Procurement Law (GPL) which in large terms resembles the spirit of the WTO Government Procurement Agreement, but gives ample opportunity to discriminate foreign bidders. From some sectors foreign bidders are simply excluded, whereas in other areas foreign tenders have to spend or reinvest a large percentage of the contract value in Taiwan, which means that they have to procure some of the work to local contractors or set up a Taiwanese branch of their own company. Furthermore, in accordance to Taiwan’s GPL tenders have to shoulder

⁴⁵ World Trade Organization (2001), *Report of the Working Party on the Accession of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu*, WT/ACC/TPKM/18, para. 166, 5 October

⁴⁶ European Chamber of Commerce Taipei (2007), *2006-2007 Position Papers*, Taipei: European Chamber of Commerce Taipei, p. 22

large risks once they are awarded with a contract, which is particularly deterrent for foreign companies, when they are not used to Taiwanese business ethics.⁴⁷

There are mainly two constraining factors that slow down the pace of Taiwan's GPA accession. First, local Taiwanese companies are afraid of the impact the GPA might have on their business and exercise pressure on the Taiwanese government not to accede to the agreement. Second, the Taiwanese government had perceived the GPA as an opportunity to improve its standing in the world.⁴⁸ With references to sovereignty in the agreement, it could have solidified its status as the legitimate government of Taiwan, and reached a certain extent of acceptance in the outside world. However, the Chinese authorities, via the intermediary of the Hong Kong government which already is a member of the GPA, suspected these intentions, and started to lobby for a clarification of the meaning for Taiwan concerning several terms in its GPA accession agreement.⁴⁹ With Chinese interference the Taiwanese GPA accession negotiations entered a deadlock.

For the European business community, although no exact figures are available, losses due to ever more increasing discrimination in the process of tendering for Taiwanese procurement projects are certainly important, given the value of procurement contracts for big infrastructure projects. Therefore the European Commission as well as the European Chamber of Commerce and Trade are consistently lobbying the Taiwanese government to finalize its accession to the GPA. However, many huge infrastructure projects in the course of Taiwan's development are already finished, and the EU refrains from using WTO legal instruments to challenge Taiwan's non-application of its WTO accession commitments.⁵⁰ This behavior has to be seen in the light of the circumstances: A WTO settlement could take years, whereas at the same time Taiwan can further tighten the openness of its procurement market.

⁴⁷ 'A slow and frustrating pace of change', *Taipei Times*, 11 August 2003, p. 11, <http://www.taipetimes.com/News/biz/archives/2003/08/11/2003063221/print>, accessed January 2007

⁴⁸ Huang, Tiffany and Fu, Jennifer (2007), consultants on the Taiwanese accession to the WTO Government Procurement Agreement, *telephone interview*, Taipei, Taiwan, 29 January

⁴⁹ American Chamber of Commerce in Taipei (2006), '2006 Taiwan White Paper', May, pp. 34-35, http://www.amcham.com.tw/publication_wp.php, accessed September 2006

⁵⁰ Huang and Fu (2007)

Therefore, the EU and other GPA members have repeatedly pushed Taiwan to fulfill its commitments, they are trying to find a technical and pragmatic compromise to overcome the deadlock.⁵¹ In the light of the upcoming presidential elections in Taiwan, where the question whether or not the Taiwanese government should pursue a policy of eventually becoming a sovereign state represents an important political cleavage for the voters, it remains to be seen whether a compromise solution becomes tangible.

The problematic accession to the Government Procurement Agreement makes it obvious that European efforts to exploit the WTO as a means to depoliticize relations with Taiwan have their limits. In the case of the GPA, Taiwan is not sufficiently interested in the genuine benefits of being a contracting party to the agreement in order to drop ulterior motives with regards to using the agreement as way of promoting its sovereignty. This attitude is further accentuated by the strong domestic opposition the government faces from its own business lobby which mobilizes against the GPA. The current Taiwanese government therefore does not feel pressure to refrain from politicizing the issue by trying to use the GPA as a stepping-stone for its sovereignty claims, regardless of the risk of not finding a satisfying solution in the years to come. Finally it is important to note, that the PRC, even without being a member of the GPA, was able to bring Taiwan's accession to the agreement to a hold, merely on the grounds of Taiwan's unresolved status.

In conclusion it is to say that the depoliticization of the EU-Taiwan relationship through Taiwan's accession to the WTO has been a partial success. While some matters such as direct people-to-people contact have been facilitated, other problems such as Taiwan's pending accession to the WTO Government Procurement Agreement are still deadlocked. To claim that the WTO is an international organization only concerned with economic questions and therefore not directly involved in political disputes is too shortsighted.

⁵¹ Huang and Fu (2007)

IV. Conclusion

Depoliticization as attempted by the European Union is limited by the extent to which Taiwan tries to politicize its participation in the World Trade Organization. With the absence of the possibility to strictly separate economy from politics, politicization is easily achieved. Structural deficits in the WTO make the trade body's inherent depoliticizing function vulnerable for politicization.

During the negotiations about Taiwan's entry, Taiwan was more interested in the initial achievement of accessing the trade body, which was rightfully conceived as a possibility to enhance the entity's involvement in international relations. Taiwan had every reason to be overly concerned with nomenclatural issues, since they could have easily led to a deadlock in the negotiations. Moreover, Taiwan had only a limited time window to enter the GATT/WTO, because once China would have become a member without linking it to Taiwanese membership, Taiwan's chances would have shrunk close to zero to ever enter the trade body as long as the cross-Straits conflict has not been solved.

The problem is much more pronounced in the negotiations for the WTO Government Procurement Agreement. Taiwan has only limited interest in the genuine benefits the agreement has to offer in terms of opening up the procurement market. The real incentive in the GPA for Taiwan would be the fact that it implicitly promotes the legitimacy of its government. China therefore perceives parts of the wording in Taiwan's accession agreement to the GPA as a danger to its promotion of the "One China" policy. The European Union is interested in the economic benefits it could draw from a Taiwanese participation in the GPA, but gives ample consideration to the Chinese caveats.

As to people-to-people contacts, Taiwan's participation in the WTO has led to improved possibilities for direct and official exchanges between the entity and the EU, as it has for instance furthered the establishment of a European Economic and Trade Office in Taiwan. Furthermore, Taiwan's WTO membership has opened the

door to direct high-level contacts alongside WTO meetings, such as the ministerial conferences. Finally, it has facilitated the establishment for high-level contacts on the basis of trade problems, whereas high-level meetings had been a strict taboo before Taiwan's accession to the WTO. Even though the trade commissioner so far never had to directly intervene because of relatively well-functioning commercial relations between Taiwan and Europe, it has nevertheless become at least a possibility in the case of major disturbances in the relations.

Concerning nomenclatural issues, the EU maintains its policy of downgrading wordings as not to imply sovereignty. Taiwanese efforts to promote its status at least in the way how their leaders and representatives are addressed are simply ignored. However, this is not a new development, it was already part of the EU's framework for its Taiwan policy before the Taiwanese accession to the WTO.

In general, Taiwan's WTO participation makes the interaction between the EU and Taiwan easier, but the EU has not achieved a total depoliticization of the relationship. The WTO's framework still leaves some leeway for Taiwan's to manifest perseverance in its struggle for sovereignty. In international relations economics and politics mutually reinforce each other, a separation will always be blurred.

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