

WORLD TRADE ORGANIZATION

RESTRICTED

WT/ACC/TPKM/14

9 February 1999

(99-0476)

**Working Party on the
Accession of Chinese Taipei**

Original: English

ACCESSION OF CHINESE TAIPEI

Additional Questions and Replies Concerning Domestic Support and Export Subsidies

The following communication has been received from the Representation of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu with the request that it be circulated to members of the Working Party.

Information Concerning Domestic Support and Exports Subsidies (WT/ACC/SPEC/TPKM/4)

General Questions

Question 1.

The AMS information that Chinese Taipei submitted is for crops only. Would Chinese Taipei please confirm that there is no support for the livestock sector that would be included in the AMS calculation? Chinese Taipei must also note that not counting support to the livestock sector in the base period (because there is none) does not mean that support to livestock in future years can be ignored, should such support be instituted.

Answer:

Livestock insurance subsidy is now included in the revised AMS (see document WT/ACC/SPEC/TPKM/4/Rev.2).

Question 2.

There should be consistency in the use of terminology. Could Chinese Taipei ensure that the same terminology is used? For example, if Chinese Taipei chooses to use “Corn (feed)” in Supporting Table DS:4, the same term should be used in Supporting Tables DS:5 and DS:6.

Answer:

The inconsistency has been corrected, as in the revised AMS (WT/ACC/SPEC/TPKM/4/Rev.2).

Question 3.

Chinese Taipei has indicated their willingness to submit updated figures on domestic support. Would Chinese Taipei also be prepared to establish a fix date prior to formal membership of WTO for implementing any reduction commitments on domestic support, in order to allow the technical talks on support levels to be concluded? Taking into account the interaction between domestic support and market access concession, would Chinese Taipei also be ready to implement agreed market access concessions on a MFN basis (most-favoured-nation treatment) from the same date?

Answer:

The base period 1990–1992 is not only for the AMS, but we have also used this for the market access negotiations. Although Chinese Taipei is willing to submit updated figures on domestic support, to facilitate the understanding of the changes, this should not imply that Chinese Taipei is willing or is required to implement any WTO commitments prior to accession.

Question 4.

At the Informal Working Party on 23 July 1998, Chinese Taipei undertook to submit further details as regards the applied support measures in order to enable Members of the WTO to make a judgement as to the relationship between each of the measures applied and the relevant criteria of the Agriculture Agreement. As regards the data on market price support, the following information would be appreciated:

- **What is the aim of the guaranteed purchase price and the contract guaranteed price?**

Answer:

The purposes of the guaranteed purchase and the contract purchase are to raise farmers' income and stabilize the balance of supply and demand.

Question 5.

Which criteria are used for fixing these prices and who fixes them?

Answer:

The COA sets these prices, with the exception of tobacco leaves and wine grapes, which are submitted to the Executive Yuan for approval. The prices are set in the following manner:

Rice (Japonica and Indica): Rice guaranteed price was determined by adding 20 per cent of the production costs as profits to the production costs; this price has been frozen since the second crop of 1993.

Glutinous rice: Purchase price was determined by adding 15 per cent to the purchase price of Japonica.

Feed corn, soybean, sorghum and wheat: Guaranteed price was determined by adding the net profits of rice to the production costs of each; this price has been frozen since 1984.

Tobacco leaves: The contract prices are determined jointly by the farmers and Taiwan Tobacco and Wine Monopoly Bureau. The production costs and quality are taken into account during the price determination process.

Wine grapes: The contract prices were determined jointly by the farmers and Taiwan Tobacco and Wine Monopoly Bureau. The production costs and quality are taken into account during the price determination process.

Question 6.

Are the authorities obliged to buy all products offered by the farmers at those prices or are quantitative limits applicable?

Answer:

No, the authorities are not obliged to buy all products offered by the farmers, with the exception of sugarcane. The farmers are free to decide whether they want to sell their products to the authorities. For Japonica and Indica rice, the planned purchase* quantity is limited to 1,600kg per ha. for the first crop and 1,200kg per ha. for the second crop and the supplementary* purchase quantity is limited to 1,200kg per ha. for the first crop and 800kg per ha. for the second crop. (*The planned purchase and the supplementary purchase are set at different purchase price.)

For glutinous rice, tobacco leaves, wine grapes and wheat, the purchase quantity is determined by the contract. In general, the contract quantity is set at the yields per hectare.

For feed corn and sorghum, the purchase limit has been set at 5,000 mt. per hectare since 1987. The actual yield is usually under the limit; where the actual yield per hectare is above the limit, farmers may sell their products to the authorities at the imported price.

For soybean, the purchase limit has been set at 2,500 mt. per hectare since 1989. The actual yield is usually under the limit; where the actual yield per hectare is above the limit, farmers may sell their products to the authorities at the imported price.

Question 7.

What happens with the products bought by the authorities (stocked and sold according to market situation, used for specific purposes, for obligatory export, etc.)?

Answer:

Japonica and Indica rice bought by the authorities are sold to:

- the military at the purchased costs;
- the Taiwan Tobacco and Wine Monopoly Bureau for wine-making at the price of purchased costs;
- feed plants, livestock farming business and aquaculture businesses at 90 per cent of the wholesale price for feed corn;
- aged rice was sold to foreign countries, taking account of the international rice price.

Glutinous rice, wheat, wine grapes and some sorghum are mainly used in wine-making.

Feed corn, soybean and some sorghum are sold at the market price.

Question 8.

How are the selling price applied by the authorities determined?

Answer:

Please refer to the answer to question 7 herein.

Question 9.

Market price has to be supported by border measures which can ensure that the market prices aimed at can be obtained on the market. How can the border measures offered by Chinese Taipei ensure market prices at the level of the administered prices? Could it be more correct to quantify the support as a non-exempt direct payment?

Answer:

For rice, sugar, tobacco and grapes, import control is applied as border measures. There is no import control for feed corn, soybean, sorghum and wheat; therefore, the guaranteed purchase subsidy of feed corn, soybean, sorghum and wheat in Supporting Table DS:5 have been moved to Supporting Table DS:6 as a non-exempt direct payment.

Question 10.

For sugar, the farmers are guaranteed a specific export price which can be higher or lower than the real export price. Will the system be abolished in order to respect any commitments not to grant to export subsidies?

Answer:

Chinese Taipei will provide a response shortly.

Question 11.

We note that no product specific support appears to be provided for dairy or red meat products.

Could Chinese Taipei please confirm that this is in fact the case?

Answer:

Chinese Taipei confirms there is no market price support and non-exempt direct payment for dairy or red meat products; but livestock insurance subsidy is added.

Question 12.

We note that no tax concessions have been reported.

Could Chinese Taipei please advise whether it offers any tax concessions in the area of agriculture?

Answer:

Chinese Taipei does not offer any tax concessions in the area of agriculture. In Chinese Taipei, the average farm income is much lower than the taxable level. The average farm income per household¹ in 1990 – 1992 is NT\$ 116,041. Such an amount of income cannot derive any taxable income after being deducted of the standard tax exemption for 4.57 persons. The standard tax exemption amount is set based on the level of living cost.

Specific Questions**Base period****Question 13.**

We note that Chinese Taipei has chosen 1990-1992 as its base period. Could Chinese Taipei provide domestic support and export subsidy data for the most recent three-year period, 1994/5-1996/7?

Answer:

The AMS for 1993/4 - 1995/6 will be provided shortly. Please note that the revised AMS for 1990-2 is circulated in document WT/ACC/SPEC/TPKM/4/Rev.2.

Question 14.

We note that high levels of support exist for a number of products in the base period.

Could Chinese Taipei provide a general overview of the sorts of changes, if any, which have occurred in the level and type of support provided since that time?

Answer:

The AMS for 1993/94 - 1995/6 will be provided shortly.

Question 15.

According to document WT/ACC/4, domestic support measures should be quantified for a base period which means “normally for each of the last three years”. The Agreement on Agriculture stipulates that the permitted support during any year of the implementation period shall be specified in Part IV of a Member’s Schedule. The implementation period means the six-year period commencing in the year 1995.

Answer:

In document WT/ACC/SPEC/TPKM/4 Chinese Taipei has tried to reconcile these provisions by quantifying the support for the base period 1990, 1991 and has completed a commitment table indicating the annual ceilings for support subject to reduction commitments for the years 1995 to 2000.

¹ Average size of each farm household is 4.57 persons in 1990-1992

Chinese Taipei has no WTO commitments to respect a support ceiling for the period prior to accession to WTO and the period used for quantification of support is not “the last three years”. By definition “the last three years” would be a moving period until a date of accession may be foreseen.

Supporting Table DS: 1

Question 16.

There is no information about any of the green programmes. Could Chinese Taipei provide a description of each green programme as an attachment? (Information could include the legislation establishing the programme, year of implementation, agency responsible, administration of the programme, and criteria for qualification.)

Answer:

In summary, the Council of Agriculture (COA), a central authority responsible for issues relating to agriculture as provided for in the Statute for Agriculture Development, is in charge of the green programmes. The COA compiles mid-term programmes and submits them to the Executive Yuan for approval. These programmes, essentially policy blueprints and set up objectives the COA intends to achieve. The objectives set out in these programmes will be achieved through annual implementation projects, such as those outlined in the green programmes. The projects are administered by organizations associated with the agricultural sector, ranging from local communities to the central government, such as farmers' associations, research institutes, universities, colleges and government agencies.

To illustrate, the mid-term programmes include the “Programme for Improving the Agricultural Structure and Boosting Farm Income” for fiscal years 1986–1991, the “Integrated Agricultural Adjustment Programme” for fiscal years 1992–1997, and the “Cross-century Construction Plan for the Agriculture Industry 1998-2001”.

Each of these mid-term programmes is comprised of a large number of annual implementation projects. In order to facilitate greater understanding by Members of the characteristics of the projects, we have provided some project descriptions that clearly reflect the project contents in the “general services” category of the green programme (see document WT/ACC/SPEC/TPKM/4/Rev.2). Please refer to Supporting Table DS:1 for descriptions of other categories of the green programme.

Question 17.

It is noted that the total average (1990-1992) value of green support has increased 291 per cent compared to the information submitted in June 1995. Could Chinese Taipei please explain this significant increase? Does it mean additional expenditures were found or does it mean the green box criteria were interpreted differently?

Answer:

The understanding is not completely correct that the total average (1990-1992) value of green support has increased 291 per cent compared to the information submitted in June 1995. The total value of green support in WT/ACC/SPEC/TPKM/4 is NT\$ 11,957.36 million as opposed to NT\$ 6,267 million in the former version submitted in June 1995. Therefore, this is only an increase of 91 per cent and not 291 per cent.

Please note that the total value of green support in the revised AMS (see WT/ACC/SPEC/TPKM/4/Rev.2) is NT\$ 13,149.28 million. Such increase is not due to additional expenditures, but because of technical correction. The numbers are revised for two main reasons. First, some measures are classified differently in order to reflect the correct reading of the criteria. Second, some green support measures were overlooked in the June 1995 version and WT/ACC/SPEC/TPKM/4, and were therefore not included in the former documents. The key measures overlooked are NT\$ 1,632.16 million on “land conservation subsidy” and NT\$ 4,776.50 million on infrastructure (mainly in irrigation and land consolidation), which was provided as NT\$ 968 million in the June 1995 document and NT\$ 3,591.98 million in WT/ACC/SPEC/TPKM/4.

Question 18.

Under General Services, could Chinese Taipei please explain what is the difference between training services: education and training versus extension and advisory services: programmes for practical application of new technologies, etc.?

Answer:

“Education and training services” focus on the education and training of personnel such as producers and specialists; whereas “extension and advisory services” has a technical focus, such as the dissemination of information and the transfer of new information on research results of technologies to producers through various means such as demos, seminars and workshops.

Question 19.

Could Chinese Taipei provide more specific and detailed information about its policies and programmes under the “general services” category of its “green box” support? This would allow us to verify whether programmes under this category are correctly classified. As has been done for other categories of “green box” support.

Answer:

In order to facilitate greater understanding by Members of the characteristics of the projects, we have provided some project descriptions that clearly reflect the project contents in the “general services” category of the green programme (see WT/ACC/SPEC/TPKM/4/Rev.2).

Supporting Table DS: 4

Question 20.

Chinese Taipei submitted AMS information for the period 1990-1992. Could Chinese Taipei also provide AMS information for a more recent period, 1994-1996(7)? This is for transparency purposes and also to provide information on the trend. It is also consistent with the obligation for all WTO Members to submit annual notifications of current AMS.

Answer:

AMS for the period 1993/94 - 1995/96 will be provided shortly.

Question 21.

Could Chinese Taipei provide complete descriptions for items (including food wine grapes)?

Answer:

The complete description for vegetables, fruit and ornamental plants was provided in the footnote of Supporting Table DS:4 (document WT/ACC/SPEC/TPKM/4); clearly there is no such item as “food wine grapes”. We apologise for the misprint of “food corn” before “wine grapes”, i.e. they should read as “Vegetables (including food corn)” and “Wine grapes”.

Question 22.

For the sake of transparency and consistency, could Chinese Taipei provide value of production information on a product-specific basis for each separate year rather than as an average for the reporting period? As established in Article 6.4(a)(i), *de minimis* exemptions from Current Total AMS are established on a yearly basis.

Answer:

Value of production on a product-specific basis for each separate year has been provided in Supporting Table DS:4.

Question 23.

Footnote (3) - could Chinese Taipei explain how the average unit price of NT\$4.5/kg for forage crops was estimated (please provide the formula and data source used)?

Answer:

The estimation formula and data source for the calculation of the average unit price of NT\$4.5/kg for forage crops is now provided in footnote (6) of Supporting Table DS:4, as follows:

Value of production of forage crops is calculated on the basis of the planted acreage of forage crops times the yield per ha. of hay (15,000kg) times the estimated average unit price (NT\$4.5/kg). The average unit price of hay is calculated on the basis of production costs surveyed² by the Animal Industry Department of the COA, which include NT\$0.4/kg for fertiliser, NT\$1.0/kg for labour expenses, NT\$1.6/kg for drying and processing, NT\$0.5/kg for transportation, NT\$0.5/kg for storage and distribution, and NT\$0.5/kg for land rent.

Supporting Table DS: 5

Question 24.

Rice - Two footnotes, one in numerical terms and the other in alphabetical terms are shown for rice while reference is made to one; could Chinese Taipei combine them if they say the same thing? Could Chinese Taipei include in Footnote 3 the reason for using the import price of rice in Hong Kong, China as the external reference? Could Chinese Taipei also provide the source of conversion rates of paddy to rice?

² This was an informal survey conducted around 1990 through farmers' associations on farming communities.

Answer:

The labelling of the footnotes is now corrected, i.e. only the numerical terms remain as reference to footnotes.

Footnote (3) is now revised to include the reason for using the import price of rice in Hong Kong, China as the external reference. The reason for using Hong Kong, China price is because Chinese Taipei currently does not import rice from other sources and therefore, no such data exists. Hong Kong, China is the territory closest to Chinese Taipei and rice consumption pattern also closely resembles that in Chinese Taipei.

Footnote (3) is now revised to include the source of conversion rates of paddy to rice. The source is from the "Taiwan Food Bureau".

Question 25.

It is noted that Chinese Taipei has changed the value of the fixed reference prices for several commodities. In the case of soybeans, it is noted that the external reference price declined by 13.4 per cent from 7.64NT\$/kg (as reported in 1995) to 6.62NT\$/kg. The same problem is observed for corn while in the case of sorghum the external reference price was increased. Could Chinese Taipei please clarify the reason for these changes?

Answer:

Local "wholesale price" was used for imports of soybean, feed corn and sorghum at Kaohsiung in the 1995 edition; the information was then provided in DS:5. Since Chinese Taipei is a net importing country, external reference price for soybean, feed corn and sorghum should be revised to "c.i.f. price", according to the WTO Agreement on Agriculture.

In the revised AMS (WT/ACC/SPEC/TPKM/4/Rev.2), Chinese Taipei does not impose border measures on soybean, feed corn and sorghum, therefore the information is now provided in Supporting Table DS:6, in which the local "wholesale price" is provided.

Question 26.

Sugar - There are two types of guaranteed prices, one for domestic sales and the other for export sales. Since the system is specific, any price gap resulting from the difference in guaranteed price and external reference price for export sales constitutes export subsidies (ref. Article 9.1(c) of the Agreement on Agriculture). Could Chinese Taipei please clarify this?

Answer:

Chinese Taipei will provide a response shortly.

Question 27.

We note that the external reference price for rice is based on Hong Kong, China's average c.i.f. rice import price in the 1990-92 period. We presume this is because Chinese Taipei did not import any rice during this period. We note also that the external reference prices for tobacco and wine grapes are based on imports from a single source (Thailand and the United States respectively). Can Chinese Taipei confirm that this is because these countries were the only source of these particular imports.

Answer:

Regarding the external reference price for rice, it is correct that Hong Kong, China average c.i.f. is chosen for Chinese Taipei did not import rice.

Thailand is one of the countries exporting tobacco leaves to Chinese Taipei and amongst the importing countries, its quality of tobacco leaves closely resembles those produced in Chinese Taipei.

Chinese Taipei does not import any wine grapes from other countries. The data on wine grapes from the United States is the only source provided to Chinese Taipei, during bilateral negotiations. Since the quality of United States' wine grapes is better than those produced in Chinese Taipei, the quality adjustment is made as footnote (5) in Supporting Table DS:5.

Supporting Table DS: 6

Question 28.

Could Chinese Taipei provide a list of all crops that are covered under “ornamental plants”?

Answer:

A list of all crops that are covered under "ornamental plants" is now provided under footnote (5) in Supporting Table DS:4. “Ornamental plants” include chrysanthemum, gladiolus, tuberose, dahlia, rose, other cut flowers, bulbs herbaceous flower seeds, nurseries and potted flowers.

Question 29.

Could Chinese Taipei confirm if the Annex to Supporting Table DS: 6 for vegetables fully covers all vegetables? The value of production calculated from this annex is not the same as the value of production presented in Supporting Table DS: 4; could Chinese Taipei clarify this discrepancy?

Answer:

The Annex to Supporting Table DS:6 for vegetables of WT/ACC/SPEC/TPKM/4 did not contain all vegetables covered in Supporting Table DS:4. The vegetables which were not included in the Annex to Supporting Table DS:6 for vegetables are now provided in footnote (1) and reads as follows:

“Other vegetables” refer to carrots, ginger, taros, scallions, onions, leeks, garlic, garlic bulbs, water-chestnuts, strawberries, watermelons, seed watermelons, muskmelons, cantaloupes, other root vegetables and other stem vegetables. These vegetables are not included in the “Contracting Price Marketing Plan for Summer Season Vegetables”.

Supporting Table DS: 7

Question 30.

Could Chinese Taipei provide information about the freight subsidy for sugar?

Answer:

According to the terms of the contract, sugar cane purchase by Taiwan Sugar Corporation (TSC) from farmers is delivered at factory. In order to raise the income of sugar cane farmers, TSC however, collects sugar cane directly at farms. In other words, TSC actually pays for the transportation.

Supporting Table DS: 9**Question 31.**

When a source of data is given, it is also important to have information on the specific document in which the data is found. This allows verification both now and in future years' notifications. Could Chinese Taipei ensure that such information is provided in the revised tables?

Answer:

Whenever possible, Chinese Taipei will use data from published sources, such as data used for "home delivery of fertiliser". Some data are not publicly accessible as these are unpublished and only prepared by State enterprises and agencies for internal reference, such as the data on insurance, urea, machinery, electricity and salt.

Question 32.

Could Chinese Taipei explain the linkage between the Taiwan Fertiliser Company and MOEA?

Answer:

Taiwan Fertiliser Company is one of the State enterprises under the auspices of MOEA.

Question 33.

Home delivery of fertiliser - The information provided suggests that this is a transportation subsidy. Can Chinese Taipei confirm this?

Answer:

Yes, home delivery of fertiliser is a transportation subsidy.

Question 34.

Could Chinese Taipei explain the purpose of salt usage in agriculture and the various uses of the different types of salt? What is the linkage between Taiwan Salt company and MOEA?

Answer:

The different types of salt reflect the different grades of salt. The choice of the salt for agricultural use will be based on cost considerations. Salt is generally used in the preservation of salted vegetables and fruits, for the selection of rice seed and used as an additive to livestock feed. In this regard, the most popular type of salt used in agriculture is washed salt, which is also the least expensive.

Question 35.

We note that Chinese Taipei excludes non-product specific support from the calculation of its current total aggregate measurement of support (supporting table DS:4), claiming it is within *de minimis* levels. We would appreciate the provision of total value of production information so that we can verify this claim.

Answer:

The total value of production for all commodities has been provided in Supporting Table DS:4.

Export Subsidies

Supporting Table ES:1

Question 36.

Could Chinese Taipei please provide a schedule of its export subsidies? Although the covering page to WT/ACC/SPEC/TPKM/4 says that export subsidy information is attached this is not the case.

Answer:

Chinese Taipei confirms export subsidies is bound at zero. We will submit the missing schedule to the Secretariat.
