

SPECIAL EXCHANGE AGREEMENT  
BETWEEN  
THE SEPARATE CUSTOMS TERRITORY OF  
TAIWAN, PENGHU, KINMEN AND MATSU  
AND  
THE WORLD TRADE ORGANIZATION  
(HEREINAFTER REFERRED TO AS THE "WTO")

Whereas paragraph 6 of Article XV of the General Agreement on Tariffs and Trade 1994 (hereinafter referred to as the General Agreement 1994), provides that any WTO Member which was not a member of the International Monetary Fund (hereinafter referred to as the "Fund") shall, within a time to be determined by the WTO after consultation with the Fund, become a member of the Fund, or, failing that, enter into a special exchange agreement with the WTO;

Whereas paragraph 7 of the said Article provides that such special exchange agreement shall provide to the satisfaction of the WTO that the objective of the General Agreement 1994 will not be frustrated as a result of action in exchange matters by the Member 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 Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (hereinafter referred to as "Chinese Taipei") desires to accede to the Marrakesh Agreement Establishing the World Trade Organization (hereinafter referred to as the "WTO Agreement") in pursuance of Article XII thereof;

The World Trade Organization

and

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

Hereby agree as follows:

## ARTICLE I

Orderly Exchange Arrangements

1. Chinese Taipei shall collaborate with the WTO to promote exchange rates which reflect underlying economic fundamentals, to maintain orderly exchange arrangements with other Members of the WTO, to avoid competitive exchange alterations, and to assist, in accordance with Articles II and III of this Special Exchange 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, Chinese Taipei undertakes to assure orderly exchange arrangements and to promote a stable system of exchange rates. In particular, 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 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. Chinese Taipei shall not, without the approval of the WTO, impose restrictions on the making of payments and transfers related to current account transactions.

2. 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 WTO.

3. Exchange contracts which involve the currency of any Member or Chinese Taipei and which are contrary to the exchange control regulations of that 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 1994 or this Special Exchange Agreement, shall be unenforceable in the territories of Chinese Taipei or in the territories of any Member.

### ARTICLE III

#### Controls of Capital Transfers

1. Chinese Taipei undertakes that it shall seek to avoid the imposition of capital controls to address balance-of-payments and macroeconomic objectives. However, 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 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. Chinese Taipei undertakes that measures affecting capital flows will be in accordance with this Special Exchange Agreement, the General Agreement 1994, and the WTO Agreement.

3. If Chinese Taipei institutes new capital controls or tightens existing capital controls, it shall immediately after instituting or tightening such controls consult with the WTO.

### ARTICLE IV

#### Restrictions on Payments - General

1. In the event that Chinese Taipei, with the approval of the WTO, as provided in Article II, or consistent with consultations with the 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 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 Special Exchange Agreement shall:

(a) avoid unnecessary damage to the commercial, economic or financial interests of another 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 Special Exchange 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 Special Exchange 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. Chinese Taipei shall furnish the 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 WTO may require in order to carry out its functions under the WTO Agreement.

2. Chinese Taipei shall be under no obligation to furnish information in such detail that the affairs of individuals or corporations are disclosed. 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 Special Exchange 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 WTO shall at all times have the right to communicate its views informally to Chinese Taipei on any matter arising under this Agreement.
3. Whenever the WTO consults with the Fund on exchange matters or in other appropriate cases particularly affecting Chinese Taipei, the WTO shall take measures, as are satisfactory to the Fund, to ensure effective presentation of Chinese Taipei's case to the Fund, including, without limitation, the transmission to the Fund of any views communicated by Chinese Taipei to the WTO.
4. The Understanding on Rules and Procedures Governing the Settlement of Disputes of the WTO shall apply to disputes arising under this Agreement.
5. This Agreement shall enter into force on the date of entry into force of the Protocol of Accession of Chinese Taipei to the WTO.