

THE WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET

*IT 012*

INCOMING

DATE RECEIVED: DECEMBER 28, 1990

NAME OF CORRESPONDENT: THE HONORABLE DAVID M. KENNEDY

SUBJECT: URGES THE ACCEPTANCE OF TAIWAN'S APPLICATION  
TO BECOME A MEMBER OF THE GENERAL AGREEMENT  
ON TARIFFS AND TRADE

ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACTION		DISPOSITION		
		ACT CODE	DATE YY/MM/DD	TYPE RESP	C D	COMPLETED YY/MM/DD
U.S. TRADE REPRESENTATIVE, OFFICE OF		<del>RAR</del> ORG	91 01 02 <del>90/12/28</del>	PC		91, 01, 22 LJ
REFERRAL NOTE:						
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REFERRAL NOTE:						

COMMENTS: \_\_\_\_\_  
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ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: 4690 \_\_\_\_\_  
MI MAIL USER CODES: (A) \_\_\_\_\_ (B) \_\_\_\_\_ (C) \_\_\_\_\_

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*ACTION CODES:          *DISPOSITION          *OUTGOING          *
*                      *                      *CORRESPONDENCE:  *
*A-APPROPRIATE ACTION  *A-ANSWERED          *TYPE RESP=INITIALS *
*C-COMMENT/RECOM       *B-NON-SPEC-REFERRAL *          OF SIGNER   *
*D-DRAFT RESPONSE      *C-COMPLETED        *          CODE = A   *
*F-FURNISH FACT SHEET  *S-SUSPENDED        *COMPLETED = DATE OF *
*I-INFO COPY/NO ACT NEC*          *          OUTGOING *
*R-DIRECT REPLY W/COPY *          *          *
*S-FOR-SIGNATURE       *          *          *
*X-INTERIM REPLY       *          *          *
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REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE  
(ROOM 75, OEOB) EXT-2590  
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING  
LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS  
MANAGEMENT.

200975

USA-ROC ECONOMIC COUNCIL  
P. O. Box 517  
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USTR

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December 27, 1990

President George Bush  
The White House  
Washington DC 20500

Dear Mr. President,

Thank you for your very nice letter of October 31, 1990 on the occasion of the Fourteenth Annual Joint Business Conference of the USA-ROC Economic Council and your very kind words to me on my retirement as Chairman. My wife and I are most grateful.

May I take this occasion to give you my views on an issue of importance to our Council, and to the United States.

Of the top twenty trading economies in the world, Taiwan is the only one which is not a member of the General Agreement on Tariffs and Trade (GATT). Of all the nations in East Asia, Taiwan is the only significant non-Communist economy which is not a member of the GATT. In short, Taiwan is the largest trading entity outside of the GATT, the "Club" of International Traders, and its absence is increasingly a major anomaly which needs to be corrected.

Taiwan has earned a place at the GATT table. It is the world's 13th largest trading economy and the US' 5th largest trading partner. It has the world's second largest foreign exchange reserves and has become the biggest or one of the biggest foreign investors in the Philippines, Thailand, Malaysia and Indonesia. Taiwan is providing significant financial or economic aid to areas of importance to the United States, such as Costa Rica, Panama, the Philippines, the Dominican Republic and Eastern Europe. Taiwan is committed to the principles of a market economy and a democratic political system. And Taiwan supports the goals of the Uruguay Round.

Taiwan has made substantial progress over the last four years in allowing greater market access, in reducing tariffs, in liberalizing its financial markets, in

opening up its service sector, and in protecting intellectual property rights. The US has borne the main burden of persuading or negotiating with Taiwan to make these changes. GATT provides the much needed multilateral forum for moving Taiwan the rest of the way. The time has come, not only for the trading world to benefit from the contribution that Taiwan can make to the GATT community, but also for Taiwan to be under international trade discipline.

For their part, Taiwan has chosen the least objectional name possible to the PRC for its accession to the GATT - the "Customs Territory of Taiwan, Penghu, Kinmen and Matsu". For other GATT members, it has been made clear by UN precedent, that voting for GATT membership for an entity does not imply diplomatic recognition of that entity. Moreover, Taiwan has also walked the extra mile by agreeing to come into GATT as a developed nation, even though this imposes a much more rigorous discipline upon them than entering under developing nation status.

In sum, on economic grounds, there are overwhelming reasons why Taiwan should be in the GATT.

There are other reasons why I recommend the US take a stronger position now than it has in the past in supporting Taiwan's application to join the GATT. US business firms are facing an increasingly tough competitive environment in Taiwan, especially from European firms. US influence in Taiwan is not what it used to be. I think the psychological impetus of a strong US supportive position on Taiwan's GATT application would be helpful to US business. With billions of dollars worth of major projects coming up in Taiwan's new 6-year economic plan, including nuclear power plants, new or expanded rapid transit systems, ports, airfields, telecommunication systems and environmental protection projects, this is important.

I think it is important to US objectives towards the PRC that Taiwan, as an alternative economic and social system dedicated to a market economy and political democracy, continue to be healthy and prosperous and increasingly integrated into the international economy. The leaders in Beijing get many of their ideas for economic and other reforms from observing what works in Taiwan, Hong Kong, Singapore, South Korea and other rapidly developing Asian economies.

As you know better than anyone, we should do what is in the US national interest when it is right. The PRC's position in the middle east crisis has been established with its absence on the recent UN vote. The PRC's future position on middle east issues will be governed by the PRC's interests in the middle east, not by anything the US does for Taiwan.

Finally, the question is, what is right? It is right that Taiwan be in the GATT. It is not right that Taiwan continue to be excluded. If the US is to continue to be a world leader, we must take the lead on issues that are right. If we move to support Taiwan's application to the GATT, the other trading nations will join us. If we continue to hold back, the others will continue to hold back.

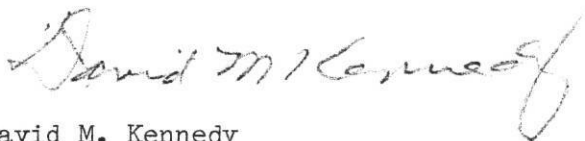
Mr. President, Taiwan applied a year ago for entry to the GATT. While the US has supported its application, our support has been lukewarm and we have held back from pressing for Taiwan's immediate entry and done nothing to help establish a GATT Working Group on Taiwan. Meanwhile, a Working Group has been considering

the PRC application for some time. I strongly recommend that you take the steps necessary to support the entry of Taiwan into the GATT as soon as possible.

Mr. President, as Chairman of the USA-ROC Economic Council, I have not gotten involved in a major issue like this since the Taiwan Relations Act in 1979. In my 14 years as Chairman I have felt it important that the Council stick to business. But this is a major economic issue with significant business implications. I think that it is right, and that it is in the US' and the world's interest that Taiwan be in the GATT soon.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "David M. Kennedy". The signature is written in dark ink and is positioned above the typed name and title.

David M. Kennedy  
Chairman

THE UNITED STATES TRADE REPRESENTATIVE  
Executive Office of the President  
Washington, D.C. 20508

January 22, 1991

Mr. David M. Kennedy  
Chairman of the Board  
USA-ROC Economic Council  
P.O. Box 517  
Crystal Lake, Illinois 60014

Dear Mr. Kennedy:

I appreciate very much your note of December 28, 1990, and your sending me copies of your letters to the President and Secretary Baker concerning the application by Taiwan for accession to the General Agreement on Tariffs and Trade (GATT). You are correct that I share your views on the benefit to U.S. bilateral and multilateral trade goals of Taiwan's application. It presents us with a unique opportunity to bring under GATT discipline one of the last major market-price based trading entities outside the GATT system, and to strengthen the role of the GATT in Pacific Rim trading. Your thoughtful and comprehensive letter to the President persuasively supports this point of view.

It is clear that Taiwan has tried to avoid political controversy by applying as the Customs Territory of Taiwan, Penghu, Kinmen and Matsu. Nevertheless, the objection of the People's Republic of China (PRC) to the consideration of Taiwan's request has delayed the initiation of actual accession negotiations with Taiwan, as contracting parties reflect on the application and on how it can be addressed in light of the political issues raised by the PRC.

I continue to believe that the eventual accession of Taiwan to the GATT will greatly benefit U.S. commercial and trade policy interests, and the international trading system as a whole. We will work with other GATT contracting parties to address the problems that face eventual initiation of the GATT review of Taiwan's request, and we appreciate your continued support for our efforts.

Sincerely,

/s/

Carla A. Hills

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