

USA-ROC ECONOMIC COUNCIL

1737 H Street N.W.

Washington, DC 20006

Phone 202/331-8966 - Facsimile 202/331-8985

ASPAR W. WEINBERGER*
Chairman of the Board

DAVID N. LAUX*
resident

UGENE M. KEYS
ecretary/Treasurer

November 7, 1991

irectors:

ILLIAM F. ATKIN*
aker & McKenzie

MORGAN BRASSLER
he Bank of New York

RS. ANNA CHENNAULT
AC International, Inc.

ALKER L. CISLER
verseas Advisory Associates, Inc.

ILLIAM P. CLARK*
ark Company

ALTER J. COOK
niroyal Chemical Company, Inc.

SEPH F. DENNIN
cKenna & Cuneo

ARLETON S. FIORINA*
T&T Network Systems

HN D. HUGHES
linton Electronics Corporation

AMES R. KLEIN
eneral Instrument of Taiwan Ltd.

AUL P. KOENDERMAN
abcock & Wilcox International

HAFRAIX A. LELONG, JR.
niversal Leaf Tobacco Co.

OLF J. LARSON
rumman International, Inc.

RESTON MARTIN
SGP Partners L.P.

HOMAS H. MCGOWAN
aplan, Russin & Vecchi

HN L. MOORE, JR.*
echtel Group, Inc.

OBERT M. MORSE
basco Services International Inc.

OBERT P. PARKER*
cCutchen, Doyle, Brown & Enersen

. A. PEARS
one & Webster Engineering Corporation

ARRY PHILLIPS
ilpatrick & Cody

VIN I. RICHTER
ibbs & Hill, Inc.

DWARD C. SCHMULTS
TE Corporation

OGER TIMM
&S/Sovran Corporation

HOMAS W. TUCKER
eneral Electric Company

LENN TURCOTTE
aty Industries, Inc.

ONARD UNGER
mbassador (retired) (Honorary)

ERRY W. VARGO
BB Combustion Engineering Systems

ATHANIEL D. WOODSON
estinghouse Electric Corporation

OBERT T. YAHNG
aker & McKenzie

President George Bush
The White House
Washington, D.C. 20500

Dear Mr. President,

I am writing to suggest that two small adjustments in our policy toward Taiwan can contribute to improving the domestic U.S. economic situation without unduly affecting our relations with Beijing.

All of us share the Administration's concern about the economy and support your policy to promote economic recovery and job-creation. Taiwan's \$300 billion (U.S.) 6-year National Development Plan (1991-1996) seems to me to offer the biggest opportunity for business for U.S. firms in the world today. About one-third of it -- \$100 billion -- will be in foreign procurement, mostly in fields where the U.S. is strong: transportation, power and energy, telecommunications, and environment.

However, U.S. influence in Taiwan is not what it could be, despite the fact that there is still an enormous reservoir of goodwill for us by the Taiwan people and their government. The rest of the world has "discovered" Taiwan and courts its new wealth. Moreover, Taiwan is pursuing its own efforts to diversify its export markets and become less dependent on the United States. American companies face increasingly tough competition in Taiwan, especially from European firms which are benefiting from strong support of their governments which far surpasses our own. In the past year, several European countries -- France in particular -- have sent important business delegations to Taiwan headed by Cabinet officers who have made strong public statements supporting Taiwan's entry into the GATT, and lobbied for their firms pursuing major project contracts there.

The 29 members of our Board of Directors, 21 members of our Chairman's Circle and 370 member firms of our Council have asked me to write you urging stronger support of the efforts of U.S. business firms in Taiwan. They support two things, particularly:

.../2

Executive Committee

- 1) stronger U.S. support of Taiwan's effort to join the GATT, and
- 2) more travel by higher level officials, especially from U.S. economic agencies (Commerce, USTR, Transportation, Energy) in support of U.S. companies' pursuit of multibillion dollar major project contracts there.

With respect to GATT, American businessmen tell me they want to see a more demonstrative effort by the U.S. to assist Taiwan's entry because adherence to GATT rules by Taiwan will open their markets further thereby increasing the sale of U.S. products there. Moreover, the goodwill engendered by a truly active U.S. effort in support of Taiwan will help U.S. firms pursuing the multi-billion dollar projects in Taiwan being carried out under government auspices.

You have already made a decisive policy statement supporting Taiwan's application to join GATT in your July 19 letter to Senator Baucus. What remains to be done is to pursue that commitment by moving to ensure that a "working party" is established at the December GATT Council meeting to act on Taiwan's application. This is the required GATT procedure but it has not started. A circular cable from you or Secretary Baker to GATT Council members should accomplish that end.

As our 6th largest trading partner, the world's 13th largest trader, holder of the world's largest foreign exchange reserves, and by its progress over the last five years in reducing tariffs and allowing greater market access, Taiwan has earned a place at the GATT table. By applying under the name of the "Customs Territory of Taiwan, Penghu, Kinmen and Matsu" Taiwan has removed the cause for any major political objection from Beijing because they do not use the word "China". Taiwan applied for GATT entry almost two years ago. It is in the U.S.' and the world's interest that Taiwan be a member as soon as possible.

With respect to higher level travel to Taiwan, the French example (Minister of Industry) is the most notable. Italy has also sent their Minister of Public Works and the U.K. and Sweden have sent Under-Secretary level officials leading major trade delegations all in recent months. Germany, the Netherlands, and Belgium are planning to do so soon. Even the Soviet Union recently sent the Governor of their Central Bank to Taiwan. And small countries like Fiji and Papua New Guinea, both of whom also recognize Beijing, have had their Premiers or Foreign Ministers visit Taiwan despite Beijing's complaints.

Meanwhile, U.S. policy has been to allow only one Assistant Secretary level visit per year, usually from the Department of Commerce. This self-imposed restriction not only hurts us in the face of what other countries are doing, but if we continue to follow this outdated policy we risk losing billions of dollars in business to those countries following more common-sense guidelines.

President George Bush
November 7, 1991

.../3

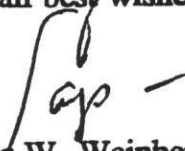
Our Council joins the American Chamber of Commerce in Taipei in recommending a change of U.S. government guidelines on the level of executive branch travel to Taiwan. We believe Cabinet and sub-cabinet level officials of our economic agencies should be able to visit our sixth largest trading partner when the occasion calls for it.

Of course, Beijing will complain about both these moves but in the end will accept them. They complain about other countries sending cabinet officers to Taiwan but do nothing else because they cannot. There is little real cost involved in both gestures but the potential gains for U.S. business in Taiwan are substantial. Moreover, the leadership demonstrated by these actions will help us retain a position of influence in Taipei. Finally, as Carla Hills suggests, doing what is right in this area should help move the PRC to take the steps necessary to advance their own entry into the GATT and to adjust to the hard realities of the international trade environment.

We were very grateful when you authorized two Cabinet members to speak at our USA-ROC business meeting in Salt Lake City in September. Both Ed Derwinski and Secretary Skinner did excellent jobs and their presence was deeply appreciated by everyone and particularly by me. This is an excellent start.

I greatly appreciate your consideration of these matters.

With all best wishes,


Caspar W. Weinberger