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Taiwan - GATT

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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

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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.

X Let me elaborate on this technical point. I think it is important that Taiwan enter GATT as a full contracting party and as a developed economy. This means entering GATT before or at the same time as the People's Republic of China (PRC). If Taiwan were to enter after the PRC, as the PRC desires, and on their terms as a subordinate entity of the ROC, then Taiwan would have to enter as a developing economy like the PRC. This would impose less rigorous discipline on Taiwan and would be much less desirable from the point of view of the US and other advanced industrialized nations.

X It is also timely, in the light of growing international trade tensions, that Taiwan be a member of the GATT.

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.

X ~~Finally~~, 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.

X I know that we have held back from being more strongly supportive of Taiwan's GATT application because of our concern over the possible PRC reaction, especially during the mid-east crisis. But in my experience there is never a "good" time to be supportive of Taiwan. When US-PRC relations are good we worry about rocking the boat; when US-PRC relations are bad we worry that doing something for Taiwan will be "the last straw".

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 absention 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,

David M. Kennedy
Chairman