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NSC/S PROFILE

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RECEIVED: 23 OCT 90 10

TO: SCOWCROFT

FROM: HEINZ, JOHN

DOC DATE: 15 OCT 90  
SOURCE REF:

KEYWORDS: ISRAEL  
INTL TRADE

TAIWAN  
NCO

*Taiwan - US*

PERSONS:

SUBJECT: LTR VOICE MY CONCERN OVER AN ATTEMPT BY SOME TAIWANESE MACHINE TOOL

ACTION: PREPARE MEMO FOR SCOWCROFT DUE DATE: 26 OCT 90 STATUS: S

STAFF OFFICER: HAASS

LOGREF: 9008426

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FOR ACTION

HAASS

FOR CONCURRENCE

DEAL  
JACKSON  
LAMPLEY  
MELBY

~~WELCH~~

FOR INFO

CHARLES  
GATES  
ROSTOW  
SCOWCROFT

COMMENTS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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8429

# United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

VANDA B. McMURTRY, STAFF DIRECTOR AND CHIEF COUNSEL  
ED MIHALSKI, MINORITY CHIEF OF STAFF

October 15, 1990

Mr. Brent Scowcroft  
Assistant to the President for  
National Security Affairs  
National Security Council  
Old Executive Office Building  
Washington, D.C. 20506

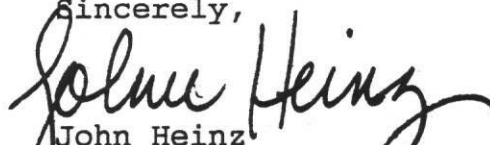
Dear Mr. Scowcroft:

I am writing again to voice my concern over an attempt by some Taiwanese machine tool companies to circumvent the machine tool Voluntary Restraint Agreements (VRAs) that the United States negotiated with Taiwan and Japan in 1986. In this case, Taiwanese machining centers are being shipped to the U.S. through Israel, where minimal components are added so that the machines may qualify as Israeli products under the U.S.-Israeli Free Trade Agreement (FTA). Our government has previously considered this issue and has determined that for VRA purposes these items are Taiwanese and should be counted against that quota.

Now I understand that the Israeli government has suggested that this issue be resolved either through a FTA dispute settlement mechanism or by doubling Taiwan's VRA quota for machining centers. I suggest that neither solution is appropriate. The VRAs were negotiated as a result of a finding by President Reagan that national security was threatened by the high level of machining centers and other classes of machine tools imported from certain countries. Taiwan was one of those countries. This is clearly a national security case and should be resolved as such. Increasing Taiwan's VRA quota would open the door for additional circumvention of the VRAs and would undermine the basic premise under which they were established -- protecting America's national security.

Having made the correct decision initially, I hope you will not now take action that would have the effect of reversing it. In the interest of U.S. national security, these Taiwanese machines shipped from Israel should be counted against Taiwan's VRA quota of 200 machining centers per year.

Sincerely,

  
John Heinz  
United States Senate