

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

TA

INCOMING

DATE RECEIVED: FEBRUARY 10, 1989

NAME OF CORRESPONDENT: MR. HENRY H. HSU

SUBJECT: EXPRESSES CONCERN ON THE CURRENT ECONOMIC
SITUATION IN TAIWAN, IN PARTICULAR THE
APPRECIATION OF ITS CURRENCY IN THE PAST 3
YEARS AND APPEALS TO THE PRESIDENT AND HIS *

ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACTION		DISPOSITION	
		ACT CODE	DATE YY/MM/DD	TYPE RESP	C COMPLETED D YY/MM/DD
DEPARTMENT OF STATE		ORG	89/02/10		89/03/10
REFERRAL NOTE:					
U.S. TRADE REPRESENTATIVE, OFFICE OF		RSI	89/02/10		C 89/02/10
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COMMENTS: * ECONOMIC AND FINANCIAL ADVISORS TO TAKE THE
SITUATION INTO CONSIDERATION IN TRADE
NEGOTIATIONS WITH THE TAIWAN GOVERNMENT

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: _____

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.

cc USTR

Tel. 345231-2

會進協業事資僑國民華中
Overseas Chinese Enterprises Association

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Taipei, Taiwan (100)
Republic of China

8903260

89 FEB-16 12:32 PM

January 26, 1989

President Geroge H. W. Bush
White House
Washington D. C.
U.S.A.

Dear Mr President

We are overseas chinese who have returned from various parts of the world to invest in different types of enterprise in the Republic of China on Taiwan. For the past thirty odd years, we have contributed our parts to the economic development of our fatherland. Therefore, we are very much concerned regarding the current economic situation in our country.

In November 1985, the exchange rate between the US Dollar and New Taiwan Dollar was US\$1:NT\$40.12, and today the rate is NT\$27.40. In other words, our currency has appreciated approximately 35% in the last three years. As a result, many of our enterprises which depend on their export business have suffered severely by this drastic change of currency rate. Some small and medium enterprises have been forced to close their business or hovering on the brink of bankruptcy. At the same time, our government continued to liberalize our market and reduce customs tariff. As a result, our trade surplus with the United States had reduced considerably in the past year.

In view of the above, a resolution was unaimously adopted at the 18th General Conference of our Association to appeal to your Excellency and your economic and financial advisors to take this actual situation into consideration in your trade negotiation with our Government.

Tel. 3 4#5 2 3 1-2

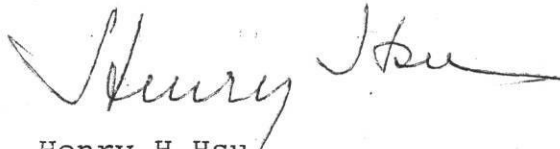
會進協業事資僑國民華中
Overseas Chinese Enterprises Association

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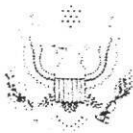
We are sending this appeal to you, Mr President, because we firmly believe there is a long and traditional friendship between the Chinese and American people. We also believe that we share a common goal of striving for freedom and democracy. We certainly cannot forget the generous aid extended to our country by the United States during the early days of our economic take-off that made possible our economic success.

We are confident that you will be kind enough to consider our appeal and we look forward to hearing from you.

Respectfully yours



Henry H Hsu
Chairman



United States Department of State

Assistant Secretary of State
for Economic and Business Affairs

Washington, D.C. 20520

Dear Mr. Hsu:

I am responding on behalf of President Bush to your January 26 letter in which you expressed concern about the impact of the New Taiwan dollar's appreciation against the U.S. Dollar on small and medium-sized enterprises in Taiwan.

As you note, Taiwan has done much to open its market to foreign goods and services. It has also allowed an appreciable rise in the value of the New Taiwan dollar vis-a-vis the U.S. dollar. We welcome these efforts, which contributed to a 40 percent rise in U.S. exports to Taiwan in 1988.

I believe it is in Taiwan's interest to continue this progress, and, as an increasingly important trading economy, to work with us to maintain an open international trading system. Your economy is a dynamic one, with an impressive development record. I have no doubt of Taiwan's ability to remain a successful competitor in world markets.

I realize that exchange rates changes can have a significant impact on individual firms, and assure you that we will keep these concerns in mind in implementing our trade policy. However, if our economies are to continue to enjoy the gains in efficiency and consumer welfare that free trade offers, it is essential that exchange rates reflect underlying economic strength. If they do not, businesses receive the wrong signals, and resources are misallocated.

I appreciate your taking the time to write to the President about your concerns, and to reaffirm the continuing friendship between the people of Taiwan and the people of the United States.

Sincerely,

Eugene J. McAllister

Mr. Henry H. Hsu
Chairman,
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Republic of China.