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Backgrounder

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A "SUPER 301" TRADE RULING: TOO EARLY FOR SEOUL AND TAIPEI

INTRODUCTION

They are two of the "miracle" economies of the post-World War II era. Politically divided, densely populated, and lacking vital natural resources, the Republic of Korea (ROK) and the Republic of China (ROC) on Taiwan nonetheless are recognized throughout the world as examples of how capitalism creates economic growth and leads to the establishment of democratic institutions and basic freedoms.

United States aid and support have played a large role in creating the environment that has made such growth possible. From 1949 to 1965, Washington provided approximately $1.76 billion in economic assistance to Taipei; no aid has been given since then. The U.S. has provided $6 billion to Seoul. The stability needed for growth, meanwhile, in part has been created by such U.S. strategic investments as the 1954 U.S.-ROK Mutual Defense Treaty, the 1954 Mutual Security Treaty with the ROC until 1979, and the Taiwan Relations Act since that year.

Worrying Americans. Today, however, ROK and ROC economic success is worrying many Americans; particularly bothersome are the trade surpluses with the U.S. Of the $31.5 billion in last year's U.S.-ROK trade, Korea ran a $8.9 billion surplus. Of the $36.9 billion U.S.-ROC trade last year, the ROC ran a $12.7 billion surplus.

Arguing that Korean and Chinese success has come at the expense of the U.S., many Americans want a so-called "leveling of the playing field" with Taipei and Seoul. By this they mean that so far Taipei and Seoul have not been playing by the rules of free trade, that ROK and ROC markets are closed to many American products although U.S. markets remain open, and that American complaints too often fall on deaf ears in Taipei and Seoul.

Dealing with Unfair Practices. In an attempt to correct the trade imbalance, Congress last year passed the Omnibus Trade and Competitiveness Act. Of the myriad provisions in the complex trade law, the most renowned is Section 301 – or "Super 301" as it has come to be known because it identifies "priority" countries that have established "systematic" barriers to U.S. exports. It establishes procedures for dealing with unfair "priority" foreign trade practices through trade retaliation. Section 301 requires U.S. Trade Representative (USTR) Carla A. Hills to designate by May 30 those foreign countries that have erected barriers to U.S. exporters. Mandatory investigations are to be launched against each identified barrier and unfair trade practice by June 20. Simultaneously, the USTR is to open talks with the ostensibly offending nation for the removal of those barriers. If agreement is reached within three years, the investigation will be dropped. If not, retaliatory measures may be taken against the target country.

The 1988 Act, meanwhile, specifically focuses attention on Japan, requiring the USTR to initiate a Section 301 investigation of alleged Japanese barriers to U.S. architectural, engineering, construction and consulting services.

Possible Targets. Although the USTR has not yet indicated which countries will be named, it published on April 28 *A National Trade Estimate on Foreign Trade Barriers*, which charged 34 countries with blocking the import of certain American products. The ROK and the ROC were high on that list, making them possible targets of Super 301 action.

Listing Seoul and Taipei in the Super 301 report would be a serious mistake, sending the wrong signals at the wrong time to the wrong countries. Not only are both the ROK and ROC extraordinary examples of free-market economies, but both also are fledgling democracies. In 1986, Taipei ended more than three decades of martial law and called for free elections. In the following year, Seoul's leaders announced political reforms, including presidential and national assembly elections.

Encouraging Partnership. This kind of democratic progress requires American encouragement and support. For the past four decades, Washington has tried to foster democracy and economic prosperity in Asia, developing its relations with Taipei and Seoul from one of patronage to partnership. Designating these countries as "unfair traders" would undercut such support. And it could fuel anti-Americanism, especially in Korea.

The fear of a Super 301 listing has prompted Seoul and Taipei to mount public diplomacy campaigns not only in the U.S. but also at home. Officials in Seoul and Taipei are worried about domestic political problems that could result because of Super 301 listing. Says one Chinese official: "Our constituencies will react very adversely. To the guy on the street, we Chinese have tried to do so much to settle the problems with the U.S. We know there is more to do, but this U.S. impatience is hard for the average Chinese to understand."

To be sure, neither Seoul nor Taipei has been completely fair when it comes to allowing U.S. goods to compete in their markets. Direct and subtle barriers hobble the efforts of many American firms that try to sell their products and services in the ROK and ROC. Yet, a Super 301 proceeding is not the way to level the playing field for American exporters.

ROK, ROC Cooperation. Much more appropriate would be bilateral negotiations. These already have resolved many U.S. trade concerns. When Washington, for example, demanded that the ROK and ROC liberalize their trade to allow larger imports of American goods and services, Seoul cut tariffs on 800 goods by an average of 40 percent and Taipei halved its tariffs on more than 3,800 products. When Washington pressed Seoul and Taipei to allow their currencies to rise in relation to the U.S. dollar, the two countries complied. As a result, the New Taiwan Dollar has risen 48 percent against American dollar since 1985; in the same period, the South Korean Won has appreciated about 30 percent. These increases make Korean and Chinese goods more expensive for the American consumer.

Instead of using the blunt instrument represented by a Super 301 listing, the Bush Administration should resolve U.S. trade differences with the ROC and ROK in a less confrontational and more constructive manner. The Administration should:

♦ ♦ Announce its preference for patient give-and-take negotiation of contentious trade issues with both Taipei and Seoul. Current bilateral trade talks are working and the ROK and ROC have been responding to many of the U.S. demands.

♦ ♦ Inform Seoul and Taipei that it regards their inclusion into the major International Economic Organizations (IEOs) as important and actively lobby in foreign capitals for their membership. For instance, while Seoul already is a member of the General Agreement on Trade and Tariffs (GATT), it is not a member in the Organization for Economic Cooperation and Development (OECD). And Taipei is a member of neither. If the ROC and ROK were to join these international organizations, the U.S. could seek to avoid confrontation over contentious trade and economic issues by asking that they be addressed within such organizations. There, other countries could join in pressuring the ROC and ROK to open their markets to foreign goods and services.

♦ ♦ Explore the use of a U.S. Free Trade Area (FTA) with Seoul and Taipei that would eliminate trade restrictions and thus avoid future trade tension.

♦ ♦ Insist that Japan open its markets to goods and services from the ROK and ROC, as well as from the U.S. One of the reasons why Taipei and Seoul last year exported $45 billion in goods and services to the U.S. was because they could not easily export to other markets, especially Japan's. In

1988, the ROK had a \$3.9 billion trade deficit with Japan; the ROC had a \$6 billion trade deficit. The U.S. should press Japan to open its market not only to American but also Asian goods to relieve the pressure on Asian nations to export to the relatively accessible American market.

♦ ♦ Attempt to funnel ROC and ROC economic success into U.S.-led international development programs. The Bush Administration, for example, should urge Taipei and Seoul to participate in the new U.S. plan for Third World debt relief and in the Multilateral Assistance Initiative (MAI) for the Philippines. These would increase ROK and ROC markets in the Third World and reduce their reliance on the U.S. as the principal source for their exports.

U.S. TRADE RELATIONS WITH THE REPUBLIC OF CHINA ON TAIWAN

The ROC plays a role in the global economy far greater than its relative physical size and population. Twenty million Chinese on an island the size of New Hampshire traded more than \$110 billion worth of goods in 1988; this makes the ROC the world's thirteenth largest trading nation. It conducts as much international business as such demographic giants as Brazil, India, and Mexico. And Taipei's \$75 billion in foreign exchange reserves is exceeded only by Tokyo's \$90.2 billion.

Such phenomenal economic vigor owes much to American generosity, patience, and guidance. For one thing, there are deep personal ties between the two societies. Many of the ROC's leaders, for instance, studied in the U.S., as do over 30,000 university students now. For another thing, from 1949 to 1965, the U.S. gave more than \$1.7 billion in economic aid to the ROC. This helped finance much of the island's initial development, from road construction to farm development. For twelve years until last year, Taipei benefitted from the U.S. Generalized System of Preferences (GSP). GSP fostered trade-driven growth by granting duty-free treatment to approximately 3,000 products from the ROC and 140 other developing countries and territories.

International Subcontractors. U.S. multinational firms also have contributed significantly to the ROC's economic success. The reason: the ROC's low labor costs and high productivity have allowed American companies to produce goods cheaply in the ROC and send them back to the U.S. Says one French trader in Taipei: "You really can't consider Taiwan an exporting nation. Taiwan is simply a collection of international subcontractors serving the American market."[1]

Perhaps the most important contribution that the U.S. has made and continues to make to the ROC is to ensure its military security. For decades, Taiwan feared invasion from the mainland. To deter this, the U.S. gave Taipei

1 "Taiwan's Export Boom to U.S. Owes Much To American Firms," *The Wall Street Journal*, May 27, 1987, p.1.

almost $4 billion and based some 3,700 American troops there, under the terms of the 1954 U.S.-ROC Mutual Security Treaty. Though no U.S. forces remain on Taiwan, the 1979 Taiwan Relations Act (TRA), commits Washington to assist Taipei in maintaining its defense against possible threats from mainland China. Indeed, the TRA – which dictates close U.S. relations with the ROC – is a document unique in American diplomatic history, specifically designed to reaffirm American support for the people on Taiwan.

Primary Export Market. The U.S. and ROC economies have become increasingly intertwined. Between 1985 and 1987, annual U.S. exports to the ROC rose from $4.5 billion to $7.2 billion. In 1988, Taipei was the sixth largest U.S. export market. These exports consist largely of agricultural products and such manufactured goods as electronics, office machines, and automobiles. The U.S. is the ROC's primary export market, as Americans last year purchased more than 40 percent of Taipei's exports. Among U.S. imports from Taipei: footwear, office machines, furniture, electrical equipment, textiles, and apparel.

As U.S.-ROC trade has grown, so too has the bilateral trade deficit. American imports of ROC goods have dwarfed U.S. exports to the island, a development that is predictable when one partner's domestic market is 46 times the size of the other. As it has grown from $5.4 billion in 1982 to its high of $19.2 billion in 1987, the ROC's trade surplus with the U.S. has become a major irritant in Washington-Taipei relations. Last year, however, Taipei's trade surplus with Washington reversed course, dipping to $12.7 billion.

Trade Surpluses and Other Problems with the U.S.

There are several reasons why the ROC's trade surplus is perceived as a problem in the U.S. Principal among these is the perception, accurate to some degree, that Taipei trades unfairly, selling its goods freely in the U.S. while restricting the sale of American goods in the ROC. Compounding the problem is the fact that a quarter of the ROC's $117 billion gross national product derives from exports to America. At a time when Washington seeks to reduce its trade deficit, any nation trading so heavily with the U.S. invites critical attention.

Another problem with the ROC's trade surplus is that Taipei is awash with cash. Where most nations only hold reserves sufficient to cover three months of imports, the ROC's $75 billion in currency reserves would cover nearly three years worth. For a nation as isolated as the ROC, cut off from many international governmental and non-governmental organizations and affiliations, the huge accumulation of financial reserves is seen as an insurance policy.

U.S. objections to the ROC's large holdings of reserves came to a head late last October, when a U.S. Treasury Department report criticized the ROC for "manipulating" the value of its currency to gain trading advantages. According to the report, the ROC bought and sold its reserves to keep its currency cheap in relation to the U.S. dollar, and thus keep their exports to the U.S. inexpensive for American consumers.[2] A follow-up report issued this April 28 noted a 6.5 percent rise in the New Taiwan Dollar against the U.S. dollar since October, yet complained that many of Taipei's efforts to correct the problem, such as "liberalizing the foreign exchange system and reducing capital controls," had not proved effective enough.[3]

Other ROC trading practices also have come under scrutiny. The use of tariff and nontariff barriers, such as licensing regulations, testing and labeling standards, as well as subsidies for exports like rice and sugar, are criticisms Washington with some justification levels at Taipei. The U.S. also wants greater access for American firms in the ROC's banking, insurance, and securities markets.

Taipei's Response to Washington's Pressures

Initial efforts by the U.S. and the ROC to manage the bilateral trade imbalance pushed the two governments to the brink of a trade war in 1987. Assistant U.S. Trade Representative Peter Allgeier commented early that year that "the U.S. has to exert strong pressure to obtain even very modest improvements in access" to ROC markets. Taipei even seemed to resist opening its markets further to such products as American-produced turkey parts and chicken livers.[4]

Since 1987, though, Washington and Taipei have worked out many of their differences. The main reason: patience and perseverance at the negotiating table. Moreover, theses successes emboldened Taipei to take a number of dramatic unilateral initiatives. Most trade experts agree, however, that while Taipei has undertaken some initiatives, it still needs to bring down other barriers to U.S. exports. In the past eighteen months, however, the ROC by its own account has:

◆ ◆ Lowered tariffs on 3,862 kinds of imports, with cuts averaging some 50 percent and many items being made duty free.

◆ ◆ Significantly liberalized import restrictions on American mineral and agricultural products. Today, over 98 percent of U.S. agricultural exports to the ROC can now be imported without restriction.

◆ ◆ Greatly eased restrictions on foreign bank operations and allowed nine U.S. insurance companies to set up shop in Taipei and, if they choose, invest up to 40 percent in ROC insurance firms.

◆ ◆ Opened its transportation markets so that U.S. shipping firms can now own and operate port container facilities in the ROC.

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2 U.S. Department of Treasury, "Report to the Congress on International Economic and Exchange Rate Policy," October 15, 1988.
3 U.S. Department of Treasury, "Report to the Congress on International Economic and Exchange Rate Policy," Second Report, April 28, 1989.
4 *Wall Street Journal*, March 16, 1987, p. 19.

◆ ◆ Opened its fast food market to American competition, from McDonald's to Pizza Hut.

◆ ◆ Responded to U.S. pressure and appreciated the value of the New Taiwan Dollar 48 percent since the 1985; then the New Taiwan Dollar traded at 40 to the U.S. dollar, while it now trades at 27 to the U.S. dollar.

◆ ◆ Dispatched "Buy American" missions to the U.S. to encourage American businessmen to promote their products in the ROC.

◆ ◆ Taken strong measures to protect U.S. copyrights and other intellectual property rights, thus strengthening patent protection for pharmaceuticals and chemicals, two previously contentious areas, and for computer software.

◆ ◆ Introduced what Taipei calls a Trade Strengthening Plan that aims at expanding the ROC's domestic demand and consumption; decreasing ROC reliance on the U.S. market; and making the ROC's market more accessible to foreign, in particular American, traders.

The level of bilateral trade between Washington and Taipei in 1988 is still further proof of how the two sides have been moving to resolve their differences. The ROC's trade surplus with the U.S. declined by 34 percent from $19.2 billion in 1987 to $12.7 billion last year. The ROC exported a total of $24.8 billion to the U.S. in 1988, 38.7 percent of its total exports, and $1.6 billion less than its 1987 exports. The most substantive change, though, came in the rise of U.S. exports to the ROC. The ROC bought nearly $5 billion more American goods in 1988 than in 1987, a jump of 63.5 percent.

U.S. TRADE RELATIONS WITH THE REPUBLIC OF KOREA

The 1988 Seoul Olympic Games, and George Bush's February trip to Seoul have reminded Americans of the important U.S. interests that converge on the Korean Peninsula. Many of the leaders of modern-day Korea studied in the U.S., as do 21,000 Korean students today. The 1954 U.S.-ROK Mutual Defense Treaty has been a linchpin for stability in Northeast Asia and thus important to U.S. national security.

Korea's rapid economic growth over the past three decades is a significant U.S. foreign assistance success story. In 1988, Korea boasted the world's seventeenth largest free market economy, with a GNP of $150 billion, foreign exchange reserves of $15.6 billion and a current account surplus of $14.3 billion, the fourth largest among market economies. The ROK is the seventh largest U.S. trade partner, with the value of U.S.-ROK trade totaling $31.5 billion last year.

This recent success is a sharp reversal from the years when Seoul saw annual trade deficits and significant foreign debt. As recently as 1985, the ROK's foreign debt was $47 billion, some 54 percent of GNP. By contrast, the current U.S. foreign debt is less than one-quarter of one percent of the $5 trillion American GNP. Determined to reverse their country's trade deficit and foreign indebtedness, ROK officials pushed the development of export industries and protected domestic production. While the Koreans have used some market mechanisms to promote economic efficiency, the ROK government's intervention in the economy has been pervasive throughout the post-Korean War era, and restrictions on foreign trade and investment have been common.

The ROK's trade deficit vanished in 1986. A major reason has been America's appetite for Korean goods. In 1987 and 1988, for example, the ROK's overall trade surplus was $6.3 billion and $8.9 billion, respectively, while its trade surplus with the U.S. was approximately $9.9 billion in 1987 and $8.9 billion in 1988. Without its booming sales to the U.S., therefore, the ROK would have a net trade deficit. Last year, Seoul's principal exports to Washington were automobiles, footwear, toys, and electronic devices; U.S. exports to the ROK primarily consisted of machinery, industrial raw materials, scientific products, and lumber.

Trade Surpluses and Other Problems with the U.S.

The ROK's obvious economic health and trade deficits with the U.S. make it a target for U.S trade scrutiny. And, as with the Republic of China, ROK economic gains have made the country ineligible for the benefits under the U.S. Generalized System of Preferences program, which cuts tariffs on goods from developing nations.

The ROK's growth understandably invites comparisons with Japan. However, many Koreans are stung by charges that they are a "new Japan" and believe it unfair to equate their fledgling economic clout with that of an economic superpower. These Koreans complain that the U.S. is making the ROK a scapegoat for U.S. frustration over trade friction with Tokyo. They also find the U.S. likening of Korea to Japan particularly difficult to understand, since ROK trade surpluses with the U.S. have been offset by steady ROK trade deficits with Japan ($5 billion in 1987). Many Koreans furthermore believe that Washington, after generously supporting the ROK through the hard times of the 1950s and 1960s, now ironically is punishing Korea for its success.

Seoul's Barriers. These Koreans have a point – but so do American critics of ROK trade practices. While Korea erects fewer barriers to U.S. exporters than do many other countries, particularly Japan, it still discriminates against many. These barriers have been outlined in the U.S. government's *National Trade Estimate Report on Foreign Trade Barriers*, released this April 28. Among those ROK barriers listed: relatively high tariffs, especially on agricultural products; quantitative restrictions on certain imports, especially on some agricultural commodities; customs practices and procedures that discriminate against imported products, especially spare and replacement parts; and unreasonably tough rules for standards, testing, labeling, and certification of foreign products.

Seoul's Response to Washington's Pressure

Even before the 1988 U.S. Trade Bill was enacted, both the ROK and the U.S. were working to reduce Seoul's trade friction with Washington. For one thing, long-standing bilateral disputes involving cigarette and insurance market access were resolved; limited beef sales were permitted; and there was progress in intellectual property right protection and other issues of concern to the U.S. For another thing, since 1986, the ROK has dispatched a number of industrial and agricultural buying missions to the U.S., the latest of which was in March and purchased $500 million in U.S. goods.

Seeking Solutions. More recently, Korea's Economic Planning Board (EPB) announced that the ROK government had approved an "Emergency Import Expansion Plan" to trim Korea's trade surplus with the U.S. The U.S. Commerce Department meanwhile has launched a program with the ROK Ministry of Trade and Industry and the Korea Trade Promotion Corporation (KOTRA), a government agency, to promote increased U.S. exports to Korea. These efforts have begun yielding results: after climbing 27 percent in 1987, U.S. exports to the ROK were up 40 percent in 1988.

On the Korean side, while much remains to be done to open Korean markets fully, vigorous efforts also are being made to expand and open them to imports, especially from the U.S. In a report last December, the ROK Government listed steps to accelerate these efforts.[5] Among them:

♦ ♦ Reduction of tariffs on 2,275 items, including 30 percent reduction on wine imports, 20 percent on tobacco products, and 10 percent on automobiles. According to recent legislation, moreover, the average tariff on 2,677 items will be lowered from the current 18.1 percent to 12.7 percent this year and gradually to 7.9 percent by 1993. The ROK also has reduced tariffs for items such as small-sized passenger cars, fruits, vegetables, beef, and video cassette recorders.

♦ ♦ Appreciation of the Korean Won by 15.7 percent against the U.S. dollar since the end of 1987. The appreciation of the Won makes Korean products more expensive for Americans, and has helped to reduce the ROK's trade surplus with the U.S.

♦ ♦ Lowering of special excise taxes on a variety of consumer goods to help boost domestic consumption and offering low rate loans for imports from Korea's major trading partners, including the U.S. Such steps help limit the increase of the ROK's current account surplus, and especially Korea's trade surplus with the U.S. by increasing the domestic consumption of Koreans.

These and other measures have created favorable prospects for continued growth of market penetration by U.S. exporters.

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5 Embassy of the Republic of Korea, *Market Opening, Tariff-Reduction and Other Trade Liberalization Measures Taken by the Korean government in 1988*, December 1988.

A readiness to allow increasing investment from overseas may also be a sign of Seoul's willingness to begin adhering to the principles of fair play in the international market place and free trade. Indeed, in many countries, a willingness to permit foreign investment often is a precursor to a willingness to allow free trade. U.S. businesses have continued to increase their investments in the ROK, although the current rash of ROK labor strikes may be giving pause to some foreign investors. Korean government approvals of new U.S. investment applications in 1987 totalled $255 million, doubling the previous year's amount; the number grew another $25 million last year. Other signs are promising. Korean Minister of Trade and Industry Han Seung-soo recently told The Heritage Foundation that, while the ROK's trade surplus with the U.S. grew to a peak of $9.5 billion in 1987, it slipped to $8.9 billion in 1988, and is expected to decline by at least 27 percent to about $ 6.5 billion by the end of this year.

Political Problems from Trade Differences with the ROK

If the Bush Administration places the ROK on the Super 301 list, it risks reversing the progress made in reducing some Korean trade barriers. More important, it risks undercutting America's strategic relationship with the ROK by weakening the governing authority of Korean President Roh Tae Woo, and fueling the budding anti-Americanism, especially among students and farmers.

Since 1987, Korea has been moving gingerly toward democracy. America has pushed hard to promote this, and should take care not to set this back by punitive trade action. A multi-party system has emerged in the ROK after years of domination by the ruling Democratic Justice Party. President Roh Tae Woo's ability to govern effectively in this new political environment will depend to a great extent on the perception of confidence given to him by the U.S. It could be difficult for him to show others in the ROK government, especially in the opposition parties in the ROK National Assembly, that he still maintains such confidence if the U.S. were to list the ROK as a Super 301 country, especially after he had made considerable effort to meet most of Washington's trade demands.

Equally important, if the ROK government's efforts to meet American demands on trade were seen as inadequate or useless, popular support among Koreans for the presence of some 40,000 U.S. troops on the Korean Peninsula could diminish.

RECOMMENDATIONS: ALTERNATIVES TO USING SUPER 301 AGAINST SEOUL AND TAIPEI

Because Super 301 is a tool designed to punish foreign countries whose markets have barriers to U.S. exports, the Bush Administration should consider a less confrontational approach to resolving its trade differences with Taipei and Seoul. Specifically, it should:

1) Announce its preference for firm but patient negotiation of contentious trade issues with Taipei and Seoul. U.S. firmness has caused both Taipei and

Seoul to work to open their markets. Washington should acknowledge these ROK and ROC efforts to demonstrate that current bilateral negotiations are working.

2) Press for ROC and ROK membership in the major International Economic Organizations (IEOs). Super 301 is an effort by U.S. policy makers to open foreign markets. A more effective means of opening markets is through such multilateral processes as the General Agreement on Tariffs and Trade (GATT) and the Organization for Economic Cooperation and Development (OECD). Neither Seoul nor Taipei is a member of the OECD, and Taipei is not in the GATT. The U.S. should press for ROC and ROK membership in the OECD. The Subcommittee for Asian Affairs of the House Foreign Affairs Committee already has called for ROC and ROK membership in the OECD. Washington also should work for Taipei's and Seoul's inclusion in the GATT.[6] The matter of the name by which the ROC is to be known within the IEOs, though important, can be resolved through compromise and the U.S. should make clear that it expects the ROC to steer a middle course on this issue.

3) Explore the possibility of negotiating Free Trade Area (FTA) agreements with Seoul and Taipei. FTAs are the most effective bilateral means of opening markets and are consistent with the multilateral process in the GATT. Patterned on the current agreements with Canada and Israel, FTAs would eliminate all barriers to trade, creating the most "level playing field" of all. Recent reports, one by the Congressional Research Service and another by the International Trade Commission, both suggested that FTAs with Seoul and Taipei could enhance market opportunities for U.S. companies.[7]

4) Urge Japan to open its markets to goods and services from the ROK and ROC, as well as from the U.S. One of the reasons why Taipei and Seoul exported a total of $45 billion in goods and services to the U.S. last year was because they encountered barriers in other markets, especially Japan's. By opening the world's second largest market to Asian goods, Japan could help Taipei and Seoul reduce their dependance on the American market, and thus reduce their trade surpluses with the U.S.

5) Urge Taipei and Seoul to participate in the Bush Administration's new plan for Third World debt relief. The Third World debt crisis reduces dramatically the ability of the Third World to import goods from industrial countries, like the U.S., ROK, and ROC. Taipei and Seoul, for instance,

6 Andrew B. Brick, "The Case for Taipei's Membership in International Economic Organizations," Heritage Foundation *Backgrounder* No. 82, December 27, 1988.
7 See: Congressional Research Service Report, "Taiwan-U.S. Free Trade Area: Economic Effects and Related Issues," by William H. Cooper, February 9, 1989; "The Pros and Cons of Entering into negotiations on Free Trade Area Agreements with Taiwan, The Republic of Korea, and ASEAN, or the Pacific Rim in General," U.S. International Trade Commission, March 1989.

could begin by actively participating in the Multilateral Assistance Initiative for providing economic assistance to the Philippines.

CONCLUSION

Both Taipei and Seoul realize that neither they nor Washington benefit if the ROC and ROK continue running large trade surpluses with the U.S. To reduce these surpluses, and to meet justifiable American demands that they open their markets to U.S. exporters, the ROC and ROK have reduced tariff and non-tariff barriers to foreign products and have sought to purchase more American goods and services. More, of course, must be done by Seoul and Taipei. But the Super 301 process is not the appropriate way to get this done.

Risking Strategic Relationships. By imposing artificial deadlines and unilaterally dictating trade policy to Taipei and Seoul, both of whom are undergoing political and economic change, Washington risks damaging important strategic relationships in the name of opening markets. Moreover, Super 301 risks halting the significant momentum of recent bilateral negotiations. The Bush Administration should not use the Super 301 provision of the Trade Bill against America's friends and allies, particularly not Taipei and Seoul.

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