



IN SEATTLE, CLINTON SHOULD CHAMPION ASIAN-AMERICAN FREE TRADE, GROWTH, AND JOBS

INTRODUCTION

President Bill Clinton will have an important opportunity to create American jobs by increasing trans-Pacific trade when he goes to Seattle, Washington, as chairman of the November 17-20 annual meeting of the Asia-Pacific Economic Cooperation (APEC) forum. For the first time since APEC was founded in 1989, leaders of twelve of the forum's fifteen members will gather in Seattle. APEC members account for 60 percent of the world's gross domestic product (GDP) and 40 percent of the world's trade.¹ They purchase over half of the United States' annual exports, and support about 5.3 million American jobs. More trade in this thriving, populous region cannot help but benefit America. By setting free trade as APEC's goal, and establishing specific targets to liberalize its members' trade, Clinton can enhance the prosperity and security of Americans and Asians into the next century.

It is important for America to seize this opportunity while it is available. APEC is being challenged by proposals from such countries as Malaysia that would create trade blocs and divide Asia from America. After four years of meetings, APEC lacks a central purpose and has done almost nothing to expand Pacific trade. APEC needs a free trade purpose that will help invigorate and strengthen all the economies that encircle the Pacific. APEC can also serve as a free trade alternative if failure to produce a new trade agreement by the December 15 deadline dooms the General Agreement on Tariffs and Trade (GATT) negotiations. A new GATT agreement could add \$120 billion to annual global income, of which \$35 billion will go to Americans. If an agreement cannot be reached, an APEC alternative will show that the world need not resign itself to being deprived of this prosperity.

Americans have an additional stake in APEC's potential as a vehicle for Asian-American free trade. Five of the top ten U.S. trading partners are in APEC, and in 1992, APEC members purchased at least \$266.5 billion of U.S. goods and services. This trade, and the jobs it

¹ APEC's members include Australia, Brunei, Canada, China, Hong Kong, Indonesia, Japan, Malaysia, New Zealand, the Philippines, the Republic of China, Singapore, South Korea, Thailand, and the United States.

creates, could increase greatly if trade barriers were eliminated. Also, by fostering a free trade alliance within APEC, Washington has an opportunity to promote linkages between the North American Free Trade Agreement (NAFTA) and a developing free trade area in Southeast Asia that will put greater pressure on the European Community to lower trade barriers.

Freer trade will benefit Asians, whose economic growth increasingly is being driven by expanding trade within Asia. Greater trade opportunities also will help offset political fallout of the economic decentralization reform programs now underway in such countries as Japan, the Philippines, and South Korea, where reform is likely to lead to lower trade barriers. By promoting freer trade within APEC, the U.S. can help Asian economic reformers and increase opportunities for American business. In short, everyone benefits.

At the APEC meeting in Seattle, President Clinton should declare that the long-term goal of American diplomacy in Asia is to lead the entire Pacific community toward freer trade. Clinton, however, must demonstrate that America, too, will abide by free trade rules. Therefore, his first priority should be to obtain U.S. congressional approval of the NAFTA. He must then assure Asians that the NAFTA is not intended as, and will not become, a closed trading bloc. Clinton must promise to end American agricultural subsidies and quotas that are barriers to Asian exports. He should also abandon his commitment to "manage" trade with Japan, which undermines America's traditional free trade leadership. Specifically, when in Seattle, Clinton should:

- ✓ **Tell Asia's leaders that America's highest priority in Asia is to promote free trade as a means of increasing prosperity throughout the Pacific, supporting democracy and economic reform in Asia, and promoting peace in the entire Far East.**
- ✓ **Challenge the gathered APEC leaders to create within a generation a free trade alliance that will link the members of APEC and the members of an expanded NAFTA.**
- ✓ **Call on such Asian nations as Japan and Korea to join the U.S. in liberalizing their agricultural markets in order to help complete the current round of the GATT negotiations by their December 15 deadline.**
- ✓ **Ask China's President Jiang Zemin to end China's opposition to Taiwan's participation in multilateral organizations like the GATT, and to help end North Korea's nuclear weapons program.**

APEC AT A CROSSROADS

The Asia-Pacific Economic Cooperation forum is at a crossroads. In its fifth year of existence, APEC must decide if it will remain a loose organization dedicated to ill-defined "cooperation," and dependent on group consensus, or whether it will become an association that directly assists the economic growth of its members. So far, APEC members have been unwilling to face potential disagreements among themselves or to undertake trade reforms that would threaten politically important domestic constituencies. Australia, which played a major role in creating APEC, originally envisioned a broad purpose: to support the existing GATT multilateral trade negotiations and to explore other areas of regional economic cooperation.² Australia and the members of the Association of Southeast Asian Nations³ also wanted APEC to counter potential protectionist blocs in the European Community (EC) and North America. Washington supported APEC on the condition that the new organization

would push for expanded trade and investment, and would not become another large international bureaucracy⁴.

APEC's first ministerial meeting was held in Canberra, Australia, in November 1989. By its third ministerial meeting in November 1991, in Seoul, Korea, APEC had created ten working groups to pursue cooperation in the areas of: trade promotion, collection of trade data, investment and technology transfer, human resource development, energy, marine resource conservation, telecommunications, fisheries, transportation, and tourism. The meeting in Seoul also saw inclusion of China, Hong Kong, and Taiwan, making APEC the only organization to include as members all three Chinas. At APEC's fourth meeting, in Bangkok, Thailand, in September 1992, the body decided to create a small secretariat with an initial budget of \$2 million; it opened in Singapore last February.

At the Bangkok meeting, Washington and Canberra pressured APEC to decide its future, and to play a greater role in reducing trade barriers. In response, an Eminent Persons Group was established to study APEC's future. Also at the Bangkok meeting, then-Secretary of State Lawrence Eagleburger urged consideration of agreements to promote greater investment, protect intellectual property rights, coordinate customs procedures, and to create mechanisms to settle trade disputes. Last February, Australian Prime Minister Paul Keating echoed many of Eagleburger's suggestions, and went a step further by calling for "an integrated market... of 2 billion people producing half the world's output, bound together by harmonized trade rules, harmonized standards and certification, and an agreed way of settling disputes between members."⁵

Central to deliberations in Seattle over APEC's future will be the report of the APEC Eminent Persons Group, chaired by C. Fred Bergsten, Director of the Washington-based Institute for International Economics. The Eminent Persons Group recommends that APEC allow itself until 1996 to set a timetable to achieve free trade, and pursue an immediate program of trade liberalization that could build on the GATT, harmonize product standards, and cooperate to improve infrastructure. The report will also suggest that government ministries increase their role in APEC, that the number of APEC working groups be reduced, and that leadership summits be scheduled every three years.⁶

All of Asia, however, does not support an aggressive role for APEC. For example, trade experts in Tokyo note that powerful groups in Japan's trade and foreign affairs ministries fear that free trade will diminish their own influence and disrupt Japan's economy.⁷ Within the Association of Southeast Asian Nations (ASEAN), there is reluctance to allow APEC to become a forum for rapid trade liberalization because protected manufacturing and agricultural constituencies oppose removal of tariffs and non-tariff barriers.

2 Geoff Kitney, "PM calls for Asian regional body," *Australian Financial Review*, February 1, 1989, p. 3.

3 Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

4 Thomas J. Timmons, "America's Role in Promoting Pacific Economic Cooperation," Heritage Foundation Asian Studies Center *Background* No. 100, March 15, 1990, pp. 4, 6.

5 "Australia, Trade and Asia: The Quiet Revolution In The Australian Economy," an address by the Prime Minister Mr. Paul Keating at a "Fair Day's Trade" conference at the Sydney Institute, 8 February, 1993.

6 "Summary of APEC Panel Report," *KYODO* (Tokyo), October 22, 1993, in *FBIS-East Asia*, October 25, 1993, p. 1.

7 Interviews by the author, Tokyo, October 5, 7, 1993.

Competing Subgroup: EAEC

Malaysian Prime Minister Mohammed Mahathir has refused to attend the November leaders' meeting because he fears that APEC may overshadow his nationalistic alternative. In late 1990 Mahathir proposed that Japan lead an East Asian Economic Group trade bloc that would exclude Australia, Canada, New Zealand, and the U.S. Only China supported this proposal.⁸ Opposition from the U.S. and Indonesia prompted Malaysia to cut back its proposal to a less formal organization—the East Asian Economic Caucus (EAEC)—that would seek Asian views on economic cooperation. Japan now supports the EAEC. However, some of Tokyo's trade and foreign affairs bureaucrats favor a Mahathir-style Asian trade bloc if the GATT breaks down.⁹ The Bush Administration opposed the EAEC, arguing that it could later become a trade bloc that would exclude the U.S. and create barriers to U.S. exports. The Clinton Administration, however, has dropped U.S. opposition to the EAEC, provided that it remains an informal caucus that does not undermine APEC. At its last ministerial summit in July, ASEAN endorsed the EAEC's informal ties with APEC. The EAEC's future role, however, remains unclear.

WHY AMERICA NEEDS FREE TRADE WITH APEC

To increase economic growth and create jobs, the U.S. must seek freer trade with APEC—which collectively is America's largest trading partner. In 1992, total two-way merchandise trade with APEC was \$534 billion, compared to \$348 billion with East Asia, \$265 billion with Canada and Mexico, and \$227 billion with Europe. In 1992, the U.S. exported \$220 billion in goods to APEC countries while it imported \$314 billion, for a \$94 billion trade deficit. However, after subtracting the 1992 U.S. service trade surplus of \$22 billion with Japan, Canada, and Australia, the U.S. trade deficit with APEC falls to \$72 billion.¹⁰

More important, U.S. exports to APEC countries are growing and creating more American jobs. The Department of Commerce calculates that every \$1 billion of exports supports 20,000 jobs. This means that U.S. merchandise exports to APEC now support 4.4 million U.S. jobs. The number of U.S. jobs supported by APEC increases to 5.3 million when service exports to Australia, Canada, and Japan are counted. The true figure certainly is higher, but difficult to calculate because the U.S. government does not separate out service exports to other APEC members. In 1992, merchandise and service exports to APEC increased by 6.1 percent, creating over 300,000 new jobs. Every one percent increase in total exports to APEC adds 53,300 jobs to the American economy—a compelling incentive to expand trade with APEC.

An added reason to seek free trade with APEC is the success of its Asian members, who possess some of the fastest growing economies in the world. During the 1980s, inter-Asian trade doubled while inter-Asian investment increased fourfold. By the year 2000, a billion Asians will be purchasing consumers, and about 400 million of them may be as wealthy as middle-class Westerners.¹¹ In 1992 China's economy grew 14 percent, double the rate of

8 "Minister Welcomes China's Support for EAEG," BERNAMA, June 6, 1991, in *FBIS-East Asia*, June 6, 1991, p. 27.

9 Interviews by the author, Tokyo, October 5, 7, 1993.

10 For service trade numbers, see: John A. Sondheimer and Sylvia E. Bargas, "U.S. International Sales and Purchases of Private Services," *Department of Commerce, Survey of Current Business*, September, 1993, p. 120; Harry Freeman, "There Is No U.S. Trade Deficit," *The International Economy*, July/August 1993, p. 40.

1991. Taiwan's economy grew by 6.7 percent, while those of the six states of ASEAN grew by 4.7 percent. These figures compare favorably with Japan's 1992 growth rate of 1.5 percent and 2.1 percent for the U.S. Asia's dynamism is also reflected by the fact that five of America's top ten trading partners are in APEC: Canada (no. 1); Japan (no. 2); Republic of China (no. 6); Republic of Korea (no. 7); and China (no. 9). Singapore, similar to Chicago in size and population, is America's eleventh largest trading partner.

INCREASING TRADE SUPPORTS, ASIAN DEMOCRACY, AND FREE MARKET REFORMS

In Asia today there are increasing opportunities for Washington to stress the dependent relationship between economic growth, democracy, and free trade. Each builds upon and reinforces the other's strength. Asian countries such as Japan and Korea, which rely on policies of active state intervention to control and protect markets, are realizing the inefficiencies these policies create. It is becoming increasingly apparent throughout the region that domestic deregulation and decreasing trade barriers promote efficiency and greater competitiveness. These reforms are resulting in calls to eliminate corruption and increase consumer choice. Freer trade helps this trend. Some examples include:

Japan. Asia's most successful example of economic success through political-business-bureaucratic collusion is beginning to crumble. Elections last July saw the 38-year reign of the Liberal Democratic Party ended by a new coalition government at least rhetorically committed to broad deregulation and decentralization of bureaucratic power. Pressure from Washington—but more important, public anger over the role of political bribery in allocating government construction contracts—may lead to a real opening of Japan's construction sector foreign business. Moreover, Japanese public demand for cheaper consumer goods is allowing discount stores to challenge a tightly controlled retail market, which has led to increased demand for such foreign products as American personal computers.¹²

Korea. To tackle corruption and make the Korean economy more competitive, the new government of President Kim Young Sam is committed to a five-year "New Economy" program that aims to reduce government "guidance" to the private sector, make government regulations more clear and predictable, and remove informal barriers to trade. In August, Kim began reforming Korea's financial sector by ending black market bank accounts that had long facilitated corruption. This will likely be followed by other reforms to reduce government control over the financial sector, plus increase opportunities for foreign banks and investors. To reduce the size of government, Kim also is committed to privatizing many state-controlled corporations, which will increase opportunities for foreign investors.

The Philippines. President Fidel Ramos has proposed a "Philippines 2000" program to improve his country's economic performance and competitiveness—which has long lagged behind the Philippines' ASEAN neighbors. To reform what he calls an "undemocratic economy," Ramos plans to dismantle monopolies like the phone company, and end govern-

11 "A billion consumers," *The Economist*, October 30, 1993, p. 1.

12 Walt Shill, "Lessons of the Japanese Mavericks," *The Wall Street Journal*, November 1, 1993, p. A16; David P. Hamilton, "NEC May Lose Market Share to U.S. Rivals," *The Wall Street Journal*, November 2, 1993, p. A9.

ment protection of other long-sheltered enterprises such as power and agriculture. To promote foreign investment, Ramos also wants to remove trade barriers. While Ramos's program is already facing stiff opposition from industries which are accustomed to protection, its success likely will mean greater opportunities for foreign investors.

AFTA. To increase trade in Southeast Asia, the members of ASEAN decided in 1991 to form an ASEAN Free Trade Area (AFTA). AFTA's goal is to create by the year 2008 a single market in ASEAN which currently comprises 330 million people and a \$300 billion combined GDP. Due to opposition from private industries that want continued protection, a plan to reduce tariffs to 5 percent was delayed by one year, and is now scheduled to begin in 1994.¹³ However, ASEAN has not yet addressed the issue of non-tariff barriers, which are even greater obstacles to trade. If successful, AFTA will increase trade in ASEAN, and this in turn will increase trade and investment opportunities for U.S. business.

Success for these Asian economic reformers, however, is not assured. Especially in Japan and Korea, trade and commerce bureaucracies are sure to oppose reforms that reduce their powers.¹⁴ Key to defeating these vested bureaucratic interests is economic performance. The prosperity that is certain to result from increased trade generates its own momentum. This momentum is a boost to such significant economic reforms as the complete dismantling of trade barriers. Thus, the trade reforms that ASEAN aims to set in place through AFTA represent a major step toward genuinely free markets for the entire region.

APEC AND AMERICAN FREE TRADE LEADERSHIP IN ASIA

Bill Clinton will enjoy a sorely needed chance to increase American trade and jobs when he acts as chairman of the November 17-20 APEC annual meeting in Seattle. However, before the APEC meeting, the President must choose between two contradictory trade policies his Administration is now following.

On the one hand, Clinton supports freer trade through passage of the NAFTA, a completion of the GATT talks, and an active American role in APEC. Such policies are forward-looking and exemplify the presidential leadership that Americans expect. By helping to lead APEC toward free trade, Clinton can help assure future generations of Americans and Asians that they will have access to each others' growing markets. The resulting increase in trade will boost economic growth throughout the Pacific, and multiply political support for Asian economic reforms that is sure to generate even more opportunities for trade and investment. Greater prosperity will also increase Asian confidence in democracy, a fact demonstrated by South Korea's and Taiwan's post World War II rags-to-representative government progress. By encouraging popular government and economic reform, the U.S. also will reduce the potential for political conflict, thus contributing to peace in Asia.

But clouding these positive prospects is Bill Clinton's advocacy of "managed trade" policies that seek to enforce specific "targets" of U.S. goods Japan must import. Such policies threaten to empower American trade bureaucrats at a time when such highly regulated

13 Yang Razali Kassim, "ASEAN Private Sector Faulted for AFTA Delay", *Business Times (Singapore)*, October 2-3, 1993, p.1, in *FBIS-East Asia*, October 5, 1993, p. 37.

14 Karel van Wolferen, "Japan's Non-Revolution," *Foreign Affairs*, September/October 1993, p. 57; Steve Glain, "South Korea's Cutting Edge Is Dulled," *The Wall Street Journal*, August 10, 1993, P. A9.

countries as Japan and Korea are trying to reduce the power of their status-quo bureaucrats. By managing trade with larger economies like Japan, and perhaps Korea, Clinton threatens to deny trade opportunities to smaller economies like Australia and New Zealand. Earlier this year, Japan was able to obtain wide Asian opposition to Clinton's managed trade policies. By promoting such division between Asians and Americans, Clinton only strengthens Malaysia and other potential advocates of a Far Eastern trade zone that excludes America.

Ultimately, Bill Clinton must choose which vision will dominate his trade policy: free trade or managed trade. Clinton's words too often have contradicted his actions, but in Seattle he has a chance to set the record straight and significantly advance America's Asian interests. Clinton should offer a free trade vision for APEC. He should:

- ✓ **Tell Asia's leaders that America's highest priority in Asia is to promote free trade as a means of increasing prosperity throughout the Pacific, supporting democracy and economic reform in Asia, and promoting peace in the entire Far East.**

Clinton should tell Asia's leaders that while America will continue to support increased political and economic freedom in Asia, it will never impose its system on others. Instead, Clinton should state that by promoting freer trade, America will be assisting such Asian states as the Republics of China and Korea, which have already taken large steps toward greater political and economic freedom. To support his words with

AN AGENDA FOR APEC: ELIMINATING TRADE BARRIERS TO INCREASE TRADE AND JOBS

Note: All export/import amounts are for 1992 merchandise trade and are in billions of U.S. dollars.

UNITED STATES	Exports to APEC	220.11
	Imports from APEC	314.23
	Total U.S. Jobs	4.402million

U.S. Trade Barriers: Export Enhancement Program farm subsidies that displace farm exports from other countries; quotas on textile and farm goods; Super 301 provision of the 1988 trade law that mandates retaliation against unfair traders; government-mandated buy-American policies; policies that seek to manage trade.

AUSTRALIA	U.S. Exports	8.87
	U.S. Imports	3.68
	U.S. Jobs	177,400

Australian Trade Barriers: Lack of intellectual property rights (IPR) protection; restricted foreign production of television and radio commercials; bounties on shipbuilding, computers, robots, and machine tools; discriminatory sales tax on foreign vegetable and fruit juices.

BRUNEI	U.S. Exports	1.7
	U.S. Imports	.03
	U.S. Jobs	34,000

Bruneian Trade Barriers: No major trade access issues pending with the U.S.

CANADA	U.S. Exports	90.59
	U.S. Imports	98.63
	U.S. Jobs	1.811million

Canadian trade barriers: Restrictive practices inconsistent with GATT rules by provincial liquor boards; Import restrictions on foreign dairy products; Quotas restricting import of foreign poultry products; tax provisions that discourage advertising in foreign broadcasts and periodicals; trade remedy laws slow and often restrict foreign access to Canadian markets.

CHINA	U.S. Exports	7.41
	U.S. Imports	25.72
	U.S. Jobs	148,200

Chinese Trade Barriers: High tariffs on many commercial goods; the use of licensing, standards, testing and labeling as trade barriers; the use of indirect export subsidies on energy, raw materials, and labor supplies; lack of intellectual property rights protection; restriction of foreign bank operations; lack of trade transparency; neglect of the rapid growth of smuggling in South China.

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deeds, Clinton should offer to abandon his policy of "managed trade" if other APEC leaders join him in promoting free trade between Asia and America.

APEC must not reach beyond its economic charter, but Clinton needs also to remind APEC's other members that America will remain militarily engaged in Asia. North Korea's nuclear weapons program is currently the gravest threat to peace in Asia, and Clinton needs to underscore America's determination to work with South Korea and Japan to defend against this threat. But Clinton also should declare that over the long haul free trade is the best way to preserve peace throughout the entire Pacific rim. Freer trade will increase prosperity, diminish economic tensions, and construct a stronger foundation for political cooperation.

- ✓ **Challenge the gathered APEC leaders to create within a generation a free trade alliance that will link the members of APEC to an expanded NAFTA.**

As chairman of the Seattle APEC meeting, Bill Clinton has the opportunity to unite Asia and America behind a common goal: greater prosperity. Clinton should challenge the gathered leaders of APEC to create a single, inclusive, Asian-American free trade alliance within the next generation. This challenge would help demonstrate that the U.S. intends to use the NAFTA as a springboard to expand free trade beyond this hemisphere, not as a European-style exercise in building a trade wall around a particular geographic region. More than anything else, the fear that the NAFTA is indeed America's effort to protect the Western Hemisphere from Asian competition fuels such advocates of an East Asian trade bloc as Malaysia.

To emphasize this point, Clinton also should endorse for membership in APEC such nations as Mexico and Chile, which have already joined the NAFTA or declared their intention to do so. The addition of North and South America's 700 million con-

HONG KONG	U.S. Exports	9.07
	U.S. Imports	9.79
	U.S. Jobs	181,400

Hong Kong's Trade Barriers: Lack of intellectual property protection, especially for computer software and videotapes.

INDONESIA	U.S. Exports	2.77
	U.S. Imports	4.52
	U.S. Jobs	54,400

Indonesian Trade Barriers: Import tariffs ranging from 5 to 40 percent; high duties on foreign automobiles and parts; value-added taxes on processed foreign goods; lack of intellectual property rights protection; various barriers on entry into the service trade; heavy protection on wood products and materials.

JAPAN	U.S. Exports	47.81
	U.S. Imports	98.63
	U.S. Jobs	956,200

Japanese Trade Barriers: Heavy government regulation slows and limits foreign access to a broad range of critical industries; lack of transparency and accountability that affect private sector actions; restrictive import policies on agricultural products, leather and footwear, steel; quantitative restrictions on agricultural and fish products; imposition of strict standards, testing, labeling and certification; lack of intellectual property rights protection; limited market access to foreign financial services; legal restrictions on foreign direct investment; complex distribution and marketing policies; heavy regulations against foreign auto makers and parts distributors.

MALAYSIA	U.S. Exports	4.36
	U.S. Imports	8.29
	U.S. Jobs	87,200

Malaysian Trade Barriers: Discriminatory sales taxes; quantitative restrictions and import licensing; prohibited establishment of foreign insurance companies; limits on foreign bank loans; licensing requirements for foreign architects and engineers.

NEW ZEALAND	U.S. Exports	1.30
	U.S. Imports	1.12
	U.S. Jobs	26,000

New Zealand's Trade Barriers: High tariffs on many raw materials; strict import licensing on agricultural products; inadequate intellectual property rights protection.

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sumers and \$7 trillion GDP to East Asia's two billion consumers and \$4 trillion GDP would create the world's largest free trade area. This trade zone will not only generate growth on both sides of the Pacific, it will place irresistible pressures on the EC to lower its trade barriers and thus move the entire productive international community toward the ultimate goal of global free trade. To help accomplish this objective, Clinton should propose that APEC set specific goals and timetables to lower trade and investment barriers, harmonize customs regulations, protect intellectual property rights, and create mechanisms to quickly settle trade disputes.

- ✓ **Call on Japan and Korea to join the U.S. in liberalizing their agricultural markets in order to help complete the current round of the GATT negotiations by their December 15 deadline.**

Clinton should stress that America wants to complete the Uruguay Round of the GATT negotiations before the December 15 deadline. He should tell APEC's assembled leaders that they will benefit as much as Americans from the \$120 billion in added annual global income that will result from a successful GATT agreement. As such, Clinton should ask Japan and Korea to help assure the GATT's success by opening their agricultural markets. This will increase pressure on France—which is now the largest obstacle to successful completion of the GATT talks—to agree to open its agricultural markets.

Clinton also should tell Asia's leaders that the U.S. will slash its vast agricultural subsidies and quotas. U.S. subsidies like the Export Enhancement Program (EEP) constitute trade barriers to other agricultural exporters with very low subsidies like Australia and New Zealand. These subsidies should also be ended because they are a burden to U.S. taxpayers; they amount to about \$185 billion a year.

PHILIPPINES	U.S. Exports	2.75
	U.S. Imports	4.35
	U.S. Jobs	55,000

Philippine trade barriers: Tariffs on leather goods, paper products, fabrics and yarn, and agricultural products; quantitative restrictions and import licensing on agricultural products; lack of intellectual property rights protection; foreign bank branches have been prohibited since 1948; limits on foreign ownership, up to 30 percent.

SINGAPORE	U.S. Exports	9.62
	U.S. Imports	11.31
	U.S. Jobs	192,400

Singaporean trade barriers: Lack of personal property rights protection on computer software; patents on pharmaceuticals are not enforced, costing the U.S. nearly \$35 million annually; strict rules limit market access to foreign ventures in areas of engineering, law, and insurance firms.

SOUTH KOREA	U.S. Exports	14.63
	U.S. Imports	16.68
	U.S. Jobs	292,600

South Korean trade barriers: Excessive government regulation; slow and arbitrary customs and quarantine clearance procedures; strict standards, testing, labeling, and certification plagues trade relations; intellectual property rights protection is inadequate; limited access to financial and insurance sectors.

TAIWAN	U.S. Exports	15.25
	U.S. Imports	24.59
	U.S. Jobs	305,000

Taiwanese trade barriers: Excessively high tariffs on agricultural products; discriminating standards slow and limit foreign success in agricultural markets; lack of intellectual property rights in audio and video; restricted access to insurance markets; discrimination of foreign banks branching.

THAILAND	U.S. Exports	3.98
	U.S. Imports	7.52
	U.S. Jobs	79,600

Thai trade barriers: Excessively high tariffs on agricultural products; strict import licensing provisions for foods, raw materials, and industrial products; price checking at customs results often in overtaxation and delays; lack of intellectual property rights protection.

Source: U.S. Department of Commerce; Office of the U.S. Trade Representative; *1993 U.S.-Asia Statistical Handbook*, The Heritage Foundation; Respective foreign embassies.

- ✓ **Ask China's President Jiang Zemin to end China's opposition to Taiwan's participation in multilateral organizations like the GATT, and to help end North Korea's nuclear weapons program.**

Clinton will be meeting separately with Chinese President Jiang Zemin. Clinton should persuade Jiang that Taiwan's full participation in multilateral economic organizations like GATT will benefit both China and the world. The argument is simple, and Beijing already understands it: two-way trade between Taiwan and China reached more than \$14 billion last year, and continues to climb. Indeed, Beijing acknowledged this unassailable economic truth in 1991 when it allowed the compromise that permitted both Taiwan and Hong Kong to join APEC. Clinton should urge China to build upon the reasonableness it displayed in 1991 by removing its objections to Taiwan's membership in such organizations as the GATT, the World Bank, and the United Nations.

A second important issue Clinton must raise with Jiang is North Korea's nuclear weapons program. Clinton should tell Jiang that as North Korea's most important and most powerful friend, China must do its utmost to convince North Korea to end its nuclear weapons program and support United Nations sanctions against North Korea if they become necessary. He should tell Jiang that China's cooperation in ending North Korea's nuclear threat is now the most important litmus test in U.S.-China relations.

CONCLUSION

In a speech delivered in Hong Kong on October 18, Nobel-Prize-winning economist Milton Friedman declared that the world stands poised to begin a second industrial revolution, comparable in magnitude to one that took place over a century ago. What is needed, Friedman says, is for government to open trade and allow greater movement of goods and services.¹⁵

When Bill Clinton goes to Seattle as chairman of the November 17-20 meeting of the forum for Asia-Pacific Economic Cooperation, he can kick-start this second industrial revolution by challenging the gathered leaders of APEC to build a free-trade alliance across the Pacific within a generation.

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15 Milton Friedman, "The Second Industrial Revolution," *Far Eastern Economic Review*, October 28, 1993, p. 23.