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TAIWAN, CHINA, AND POLITICS IN THE WORLD TRADE ORGANIZATION: WHY SHOULD FLORIDIANS CARE?

by Bruce Benson

To gain acceptance as a member of the World Trade Organization (WTO), Taiwan (the Republic of China on Taiwan) is rapidly resolving its differences with the United States and other WTO members. Taiwan's entry, however, may be blocked by China (the People's Republic of China [PRC]), a nation that is not even a member of the organization. So what? Floridians have enough to worry about here at home without being concerned over the politics of the WTO, whatever that is! Right? Wrong!

Taiwan, with its 21 million people, was the sixth largest market in the world for U.S. exports in 1995. Of the \$19.3 billion that the Taiwanese spent on U.S. goods, over \$110 million came to Florida. A lot of Florida wages and a lot of dollars spent in Florida grocery stores and malls came into the state through Taiwan. And if (or when) Taiwan

meets the conditions for entry into the WTO, American exports to that island should increase dramatically. After all, because of various trade barriers preventing the importation of U.S. goods, America's 1995 trade deficit with Taiwan was \$9.7 billion. This deficit has shrunk from a high of \$16 billion, however, with a series of trade barrier reductions and increased demand for American goods in the rapidly expanding Taiwanese consumer market. To gain entry into the WTO, Taiwan's remaining trade barriers must be reduced; the trade deficit will then wither with a resulting increased flow of American-made goods.

Floridians should be eager for Taiwan's entry into the WTO—the expanded Taiwanese spending of millions of dollars in our state might solve some of our local problems. But there is another reason as well.

The WTO was the product of the

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latest round of negotiations over the General Agreement on Tariffs and Trade (GATT). Membership in the WTO is supposed to be based on economic criteria, not politics. Members must apply the same tariff and trade regulations to goods and services from all member countries and cannot discriminate against imported goods in favor of domestic industries. Furthermore, existing members already agreed to numerous reductions in trade barriers relative to the pre-WTO period.

In addition to accepting the WTO agreement, new entrants must negotiate directly with each member. So, despite already completing multilateral negotiations with 10 WTO members and moving rapidly toward agreements with several more, Taiwan will still have to satisfy American concerns before it can be accepted. However, there may be an even bigger hurdle for Taiwan's entry into the WTO—China's bully politics.

Many Americans opposed GATT, expecting that it involved political manipulations that would result in the loss of jobs to foreign countries with cheaper labor costs. Taiwan presents an interesting test case. With a per capita income of \$12,439 in 1995, it is no longer one of the "cheap labor" threats to U.S. jobs. Instead, Taiwan is an increasingly lucrative market for U.S. products, a market that will open up even more with WTO status.

But China has also applied for membership in the WTO, and in China, politics are paramount. The Communist government does not want Taiwan to be admitted into the WTO before China, and it is applying great pressure for its demands to be met. When bullies get their way, they have no reason to stop being bullies. In fact, China is far from meeting WTO requirements, and it is dragging its feet on many economic issues as it tries to bully its way in while maintaining many high trade barriers. If the WTO

delays Taiwan's entry to satisfy China, why should China back down on its demands for special economic treatment as well?

Many WTO member countries are anxious to maintain good relations with China, recognizing its population of 1.2 billion as a tremendous potential market. But that potential cannot be realized if China does not eliminate its protectionist policies as Taiwan is doing. In fact, while China can claim the status of America's "sixth-largest trading partner," the flow of goods is predominantly one way—into the U.S. Of the over \$48 billion in total trade, less than \$12 billion was spent by China on American goods.

It is time for the politicians who negotiated GATT and who run the WTO to show that the results really can be good for Americans, and the U.S. government should take the lead. Both Taiwan and China should be invited into the WTO if they agree to the same trade policies that the other developed economies have accepted. If, however, China is granted entry without fully meeting the economic criteria, American jobs will be lost to protected Chinese industries. And if Taiwan's trade barriers remain in place because its entry is delayed to satisfy China's political concerns, American jobs will also be lost.

The World Trade Organization must demonstrate to the American people through this test case with Taiwan that the WTO is about economics and not politics.

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