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Foreword

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## FOREWORD

The UCLA Pacific Basin Law Journal is pleased to offer a diverse group of articles addressing trade, tax, and intellectual property issues in the pacific rim.

In the first article, Michael Bennett discusses the recent reforms to Taiwan's securities and banking industries as the Taiwanese government attempts to develop the island nation into a primary financial center in the pacific basin. The government has relaxed foreign exchange rules, internationalized the securities market, and permitted foreign banks greater access to the Taiwanese market. Bennett analyzes the impact of these reforms on the government's overall effort to liberalize the financial system. He concludes that although the potential economic power of the island's large foreign exchange reserves is a force to contend with, the recent reforms must be more extensive and sustained in order to transform Taiwan into a major financial center in Asia.

In the next article, Samuel Cohen discusses the territorial coverage of U.S. tax treaties and presents illustrations of how Guam and other U.S. territories can benefit from their inclusion into such treaties. The current tax system in Guam is based on a mirror image of the U.S. Internal Revenue Code, and as such, contains provisions which impose taxes on foreign corporations. However, whereas U.S. tax treaties with foreign nations can reduce tax rates for foreign corporations in the U.S., Guam is unable to negotiate such reductions because its powers are limited by Congress. Thus, Guam is hindered by a tax system that creates adverse economic incentives for foreign investments. In this regard, Cohen argues that U.S. tax treaty benefits should be extended to U.S. territories such as Guam.

The remaining pieces explore a hotly debated issue— intellectual property protection in pacific rim nations. First, Sesto Vecchi and Michael Scown examine the regime of intellectual property rights in Vietnam. Despite the current U.S. trade embargo, American companies can nevertheless obtain intellectual property protection in Vietnam— perhaps a strategic move considering the increasing investor interest in the country coupled with the possibility that the embargo may be relaxed or lifted in the near future. Vecchi and Scown trace

the history of intellectual property rights in Vietnam, examine socialist and developing nation themes, and provide a valuable, up-to-date summary of the law, including a discussion on the intellectual property registration process.

Dru Brenner-Beck examines the ongoing debate over the proper level of intellectual property protection in less developed countries ("LDCs"). After analyzing the conflicting views of developed nations and LDCs, the author suggests that as an LDC's economy grows, it reaches a threshold level of development where stricter standards of intellectual property protection would be in the LDC's best interest. Brenner-Beck discusses this threshold level and highlights the various factors an LDC should consider in deciding whether to implement a rigorous system of intellectual property protection. To illustrate her discussion, the author outlines recent changes in intellectual property law and their effects in LDCs, particularly in Singapore. Finally, the author offers various policy initiatives which developed nations could embrace to encourage increased intellectual property protection by LDCs.

Andrew Ruff examines the influx of gray market imports into the United States as a result of the strong dollar of the 1980s and the success of the GATT in reducing tariffs and promoting multilateral trades. In 1988, the U.S. Supreme Court targeted this flow of trade by restricting these so called "parallel imports." This decision stands in stark contrast to the parallel importing stance adopted by many U.S. trading partners in Europe and Asia. Although the trade deficit may deter managed trade advocates within Congress and the administration from reopening the parallel importing debate, Ruff argues that the U.S. should legalize parallel importing. By examining the distinctions between the U.S. gray market policy and the policies of Asia and the European Economic Community, Ruff criticizes the trademark and economic concerns that underlie U.S. policy and concludes that the legalization of parallel importing is both economically efficient and consistent with the policy objectives of trademark law.

Jean Lin analyzes the 1989 bilateral copyright agreement between the United States and Taiwan. Negotiated after years of U.S. concerns over Taiwanese piracy of intellectual property, the agreement was intended to fill the gap in copyright protection created by Taiwan's unrecognized status and its consequent inability to join international copyright conventions. Lin argues that although the U.S. succeeded in using trade pressures to obtain strict protection terms, the terms exceed international norms, and call for a precipitous

change of existing Taiwanese notions of intellectual property. Lin concludes that the agreement's uncompromising terms and the duress under which it was negotiated not only provoke resentment by Taiwan, but will likely lead to resistance to its implementation.

David Desmond reviews *The Japanese Question: Power and Purpose in a New Era* written by Kenneth Pyle. The book examines the codependent relationship that has existed between the United States and Japan since the end of World War II. In his book, Pyle argues that although the United States initially intended to ensure Japanese dependency by assuming responsibility for Japan's defense and by insisting upon a constitution limiting Japan's use of force, this stance has enabled Japan to become much more than a military threat: Japan has become an economic superpower. Pyle believes this shift in the balance of power threatens the basis of the U.S.-Japan relationship and proposes a broad interpretation of the Japanese constitution which would enable Japan to assume a larger role in the collective security arrangements and exert leadership in the pacific rim.

We trust that you will find this issue to be both stimulating and informative.

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