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Before the

**Senate Committee on Foreign Relations
Subcommittee on East Asian and Pacific Affairs**

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**Evaluating U.S. Policy on Taiwan on the
35th Anniversary of the Taiwan Relations Act**

Introduction

Thank you for inviting me to this special subcommittee meeting on Taiwan. Next week is the 35th anniversary of the Taiwan Relations Act (TRA). I wish to commend you, Mr. Chairman, for your leadership and many years of strong interest on behalf of U.S.-Taiwan relations and their role in regional prosperity and stability.

The unofficial U.S.-Taiwan relationship has never been stronger than it is today, and it underscores our firm commitment to the Taiwan Relations Act. Strengthening our relations with Taiwan and our longstanding friendship with the people on Taiwan remains a key element of the U.S. strategic rebalance to the Asia-Pacific. U.S.-Taiwan relations are grounded in history, respect for democracy and human rights, respect for international rules and norms, a growing economic partnership, and enduring security cooperation.

Taiwan's status today as a top 20 world economy is a testimony to the diligence of the people on Taiwan and to the success of the TRA. It is a leading player in regional development, conservation, and assistance efforts – as it confidently engages the People's Republic of China.

The United States has an abiding interest in peace and stability across the Strait. Toward that end, the United States supports and encourages improvements in cross-Strait relations, albeit at a pace acceptable to the people on both sides. Strong United States support for Taiwan autonomy also helps give our friends in

Taiwan the confidence to strengthen their cross-Strait relations, as we have seen in recent years. At the same time, we support Taiwan's effort to participate in the international community in a manner befitting a large economy and modern society with a great deal to contribute.

Economic and Cultural Ties

The United States' substantive and robust unofficial relations with Taiwan have developed markedly under the framework of the TRA over the past 35 years, allowing us to cooperate in a wide range of mutually beneficial areas including energy, the environment, and scientific research, to name a few. Over the past 35 years, Taiwan has grown to be one of the world's largest economies; today Taiwan is our 12th-largest trading partner and a top-10 destination for U.S. agricultural and food exports. There also is significant two-way direct investment that spurs growth in both of our economies, with over \$16 billion of direct investment positions by U.S. firms in Taiwan in 2012 and close to \$8 billion of foreign direct investment from Taiwan in the United States during the same period.

Taiwan was the sixth largest source of international students in the United States through the 2012-2013 academic year. On a proportional basis, Taiwan sends more students to the United States than even mainland China or India. In terms of absolute numbers, Taiwan sends more students to the United States than Japan, Mexico, Turkey, Brazil, or the UK do.

The Visa Waiver Program (VWP), to which Taiwan was admitted in November 2012, has led to increased tourist and business travel from Taiwan. Foreign visitors to the United States generate stateside jobs, and we are pleased that in the eight months after Taiwan joined the VWP Taiwan travel to the United States increased more than 29 percent.

We work cooperatively with Taiwan on many issues of importance to the region and the international community, to include WHO efforts on pandemic prevention, detection and treatment; APEC and WTO efforts to expand trade and investment opportunities; and UN and NGO efforts to promote responsible civil aviation and environmental protection.

We have a very busy and active agenda with Taiwan to discuss substantive areas of cooperation and mutual interests. For example, just recently:

- A Commerce Department Deputy Assistant Secretary participated in an APEC Working Group meeting hosted by Taiwan and then worked with the American Institute in Taiwan (AIT) to promote U.S. exports to Taiwan and encourage more business investment in the United States from Taiwan. Taiwan has been identified as a focus market under the SelectUSA program to promote and facilitate foreign direct investment to the United States. A single Taiwan company is now engaged in a \$2 billion expansion of its petrochemical facilities in the United States, and promotion of the United States as an investment destination could generate several billion more dollars in Taiwan investment in the coming years.
- One of my State Department colleagues participated in a regional meeting of Fulbright Executive Directors, hosted in Taiwan this year, to promote scholarly exchanges, international education, and people-to-people outreach. Taiwan's mature Fulbright program serves as a model of cultural exchange to the region and the world.
- And another State Department colleague met with AIT and Taiwan authorities to discuss Taiwan's meaningful participation in international organizations and Taiwan's ability to contribute to humanitarian assistance and disaster relief efforts in the region. We were pleased in September 2013 to see Taiwan invited to participate in the General Assembly of the International Civil Aviation Organization (ICAO), and we would like to build on that success in a variety of organizations.

We are also very active on the economic and commercial front. In March 2013, we resumed our engagement with Taiwan under our Trade and Investment Framework Agreement (TIFA). Through the TIFA we are addressing a number of U.S. and Taiwan trade and investment concerns, including in the areas of agriculture, intellectual property rights (IPR), investment, pharmaceuticals and medical devices, and technical barriers to trade. We have made progress in this forum since its resumption last year and look forward to a productive TIFA meeting on April 4. We look forward to learning more about Taiwan's economic reforms spurred by President Ma's New Year Address.

The Department of Commerce leads the SelectUSA program that promotes business investment in the United States. For our part, we encourage U.S. state and local governments to include Taiwan among the destinations for their business development missions. Among the factors that are luring corporate leaders in Taiwan to take a close look at the United States as a manufacturing hub or as an

export platform are the strong rule of law and protection for intellectual property rights that we enjoy in the United States; the research and development capabilities of U.S. companies, universities, and laboratories; and the price and supply of natural gas in the United States.

In October 2013, Taiwan sent one of the largest delegations to the SelectUSA Summit organized by the Department of Commerce. In November, Taiwan's former Vice President Vincent Siew led an impressive delegation of Taiwan CEOs to the United States, with over \$2 billion of new or ongoing investments in the United States announced during the visit. We are now looking at how to regularize these kinds of business exchanges.

The United States remains by far the largest investor in Asia, as well as on Taiwan. The number of registered Americans living on Taiwan increased 2.7 percent in 2013 to 67,510 people. The United States remains one of Taiwan travelers' most popular tourist destinations.

In 2013 the United States and Taiwan celebrated 20 years of environmental cooperation, during which time Taiwan made huge strides in reducing pollution and becoming a regional leader in environmental best practices. We are working with Taiwan authorities to identify productive ways for them to share their experiences and lessons learned in this field with countries in the region and beyond.

In addition, we enjoy ongoing and robust exchanges with Taiwan defense and military service leadership personnel.

Security Ties

Consistent with the Taiwan Relations Act and the United States' one China policy including the three communiques, the United States makes available to Taiwan defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability. This long-standing policy contributes to the maintenance of peace and stability across the Taiwan Strait.

The TRA states that peace and stability in the Western Pacific area "are in the political, security, and economic interests of the United States, and are matters of international concern." This is as true today as it was in 1979, if not more so. It also asserts a U.S. policy to "maintain the capacity of the United States to resist

any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan.” The United States is firmly committed to this policy.

As China’s economy and military spending grow, and China continues to carry out military deployments and exercises aimed at Taiwan, it is more important than ever for Taiwan to invest sufficiently in a professional military force that uses asymmetry, innovation, and other defensive advantages to deter potential attempts at coercion or aggression. For its part, the Obama administration has notified to Congress over \$12 billion of sales of defensive equipment and materials to Taiwan. This is a tangible sign of our determination to assist Taiwan in maintaining a sufficient self-defense.

Our security relations with Taiwan are about much more than arms sales. The United States engages in a wide range of consultations and exchanges with Taiwan in order to assist Taiwan armed forces as they seek to maintain, train and equip a capable, effective self-defense capability.

Taiwan does not formally participate in international coalitions or exercises. However, Taiwan uses defensive materials and services provided by the United States to enhance its humanitarian assistance capacity. Taiwan plays an increasingly significant role in disaster relief, such as after the 2008 Sichuan earthquake; after the 2011 earthquake and tsunami in Japan; after Typhoon Haiyan in November 2013 in the Philippines and in Palau; and immediately after the disappearance last month of Malaysia Air 370 when international participants were focusing on searching the South China Sea.

Our support for Taiwan’s security and its defensive needs has given Taipei confidence in its engagements with Beijing, leading Taiwan to sign an unprecedented number of economic and cultural cross-Strait agreements. Soon there will be more than 800 direct flights a week between Taiwan and the mainland, something unthinkable a decade ago. Taiwan’s Mainland Affairs Office Director Wang Yu-chi recently traveled to the mainland for meetings with his PRC counterpart, Director Zhang Zhijun of the PRC’s Taiwan Affairs Office. The United States continues to support these and other cross-Strait dialogues at a pace acceptable to people on both sides of the Strait, and remains committed to supporting Taiwan's ability to engage in such discourse free from coercion.

The United States welcomes Taiwan’s efforts to resolve disputes peacefully, approach territorial and maritime disputes pragmatically, and share resources in

these disputed areas. For example, in 2013 Taiwan reached a fisheries agreement with Japan that allows both sides to fish in the East China Sea, and also resolved a fisheries incident with the Philippines through consultation. These examples serve as a model for the region of Taiwan's ability to peacefully resolve maritime issues through diplomatic means.

International Space for Taiwan

As a top 20 world economy and a WTO and APEC member, Taiwan has a strong role to play in the Asia-Pacific region and worldwide. Taiwan participates in about 60 international organizations as well as hundreds of international NGOs.

We are pleased that since 2009 Taiwan has been invited each year to participate in the World Health Assembly (WHA) as an observer, and we expect Taiwan to participate in next month's WHA as well. We think Taiwan's status at the WHA also should allow for more meaningful participation in the work of the World Health Organization, through greater inclusion in technical and expert meetings, including those related to the Pandemic Influenza Preparedness Framework (PIP) and the International Food Safety Authorities Network (INFOSAN). In September 2013, Taiwan was invited as a guest to the triennial ICAO Assembly in Montreal, and we look forward to Taiwan's expanded participation in ICAO. Through a Taiwan NGO, Taiwan also observes and participates in the United Nations (UN) Framework Convention on Climate Change.

The United States supports Taiwan's membership in international organizations where statehood is not a requirement for membership, and we encourage Taiwan's meaningful participation in other organizations. U.S. goals for supporting Taiwan's participation include: enabling the people on Taiwan to comply with international regulations and safety, addressing trans-border health issues, facilitating international travel, giving and receiving appropriate international assistance and advice, and assisting in capacity-building.

Consistent with this longstanding policy, the State Department encourages the UN, its agencies, and other international organizations to increase Taiwan's meaningful participation in technical and expert meetings. Taiwan has the resources and expertise to play a constructive role in the work of those agencies.

Conclusion

AIT and many U.S. departments and agencies have meaningful, substantive engagements with Taiwan as part of our strong commercial, cultural and other relations. Looking forward, we see increased opportunities for cooperation on issues concerning trade, health, cultural exchanges, and security, and we remain committed to seizing them.

Mr. Chairman and Members of the Committee, I thank you again for the opportunity to appear today to highlight the strength and durability of ties between the people of the United States and the people on Taiwan. Taiwan has earned a respected place in the world. Thanks to the Taiwan Relations Act, over the past 35 years, the United States and Taiwan have enjoyed a firm foundation of friendship that we continue to build today.