



EVALUATING U.S. POLICY ON TAIWAN ON THE 35TH ANNIVERSARY OF THE TAIWAN RELATIONS ACT

WRITTEN TESTIMONY TO THE
U.S. SENATE FOREIGN RELATIONS COMMITTEE
SUBCOMMITTEE ON EAST ASIAN AND PACIFIC AFFAIRS

BY

ABRAHAM M. DENMARK
VICE PRESIDENT FOR POLITICAL AND SECURITY AFFAIRS

APRIL 3, 2014

Seattle and Washington, D.C.

INTRODUCTION

Mr. Chairman and other members of the subcommittee, thank you for the opportunity to testify on the important issue of U.S.-Taiwan relations and the 35th anniversary of the Taiwan Relations Act (TRA). I would like to thank you, Mr. Chairman, for your leadership and strong support for U.S.-Taiwan relations, as well as robust U.S. economic and strategic engagement in the Asia-Pacific as we rebalance toward the region. As a resident of Silver Spring, it is a special privilege to be here with you today. I would also like to thank the subcommittee for holding a hearing on the TRA—the Senate’s first in 15 years.

My institution, The National Bureau of Asian Research, was founded twenty-five years ago in the memory of Senator Henry M. Jackson. Senator Jackson voted in favor of the Taiwan Relations Act in 1979, as did a bipartisan group of 85 Senators that included our current Vice President, Bill Bradley, Bob Dole, Barry Goldwater, Jessie Helms, Daniel Inouye, Ted Kennedy, and Sam Nunn.

The TRA has enjoyed robust bipartisan support ever since, through six administrations. This support naturally flows from the TRA’s strategic significance to American interests and its value as the foundation for U.S. relations with Taiwan—one of our nation’s key strategic partners in the Asia-Pacific.

STRATEGIC IMPORTANCE OF THE TRA

The Taiwan Relations Act was one of the most consequential foreign policy acts of Congress during the Cold War. It established six features of American foreign and national security policy that remain highly relevant today, asserting the following U.S. policies:

1. to preserve and promote extensive, close, and friendly commercial, cultural, and other relations between the people of the United States and the people on Taiwan, as well as the people on the China mainland and all other peoples of the Western Pacific area;
2. to declare that peace and stability in the area are in the political, security, and economic interests of the United States, and are matters of international concern;
3. to make clear that the United States’ decision to establish diplomatic relations with the People’s Republic of China [PRC] rests upon the expectation that the future of Taiwan will be determined by peaceful means;
4. to consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States;

5. to provide Taiwan with arms of a defensive character; and
6. 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.

Combined with the three U.S.-PRC Joint Communiqués and the “Six Assurances,” the TRA constitutes the bipartisan foundation for our “one China” policy. America’s approach to Taiwan and the PRC has proven to be remarkably consistent. We insist that cross-Strait differences be resolved peacefully and according to the wishes of the people on both sides of the Strait. We do not support Taiwan independence and are opposed to unilateral attempts by either side to change the status quo. We welcome efforts on both sides to engage in a dialogue that reduces tensions and increases contacts across the Strait. And we are committed to preserving peace and stability in the Taiwan Strait. As part of our commitments under the TRA, we continue to provide Taiwan with defensive military systems based on its needs and, following our longstanding policy, make decisions about arms sales without advance consultation with the PRC.

It is important to note that, as much as it may try, China cannot “reinterpret” U.S. policies toward Taiwan. As you may recall, after a meeting in the Pentagon between Secretary of Defense Chuck Hagel and Chinese Minister of Defense General Chang Wanquan in 2013 a Chinese military spokesman stated that the U.S. had agreed to establish a joint task force on the issue of arms sales. More recently, China’s Foreign Ministry misrepresented discussions between President Obama and President Xi to suggest the U.S. policy toward Taiwan had changed. In both cases, U.S. officials clarified that U.S. policies regarding Taiwan had not changed.

These policies have enabled Taiwan to prosper in every sense of the word. The TRA has been instrumental in preserving stability in the Taiwan Strait (and, as a result, the region more broadly), fostering the growth of a robust democracy as well as one of the world’s most vibrant cultures and innovative economies, and preserving American presence and influence in the region. The TRA has also provided the strategic environment in which Taiwan and the PRC have been able to nurture stronger political and economic ties in recent years.

While over the past 35 years the relationship between Taiwan and the United States has evolved and deepened, and cross-Strait dynamics have changed dramatically, the continued relevance and importance of the TRA is a testament to the wisdom and foresight of those who wrote and approved it in 1979.

CURRENT STATUS OF U.S.-TAIWAN RELATIONS

While some in 1979 worried that the TRA represented the end of U.S.-Taiwan relations, the reality has been the opposite. Indeed, since 1979, U.S.-Taiwan relations have flourished. As the TRA makes abundantly clear, the United States has an abiding interest in maintaining peace and stability across the Taiwan Strait, values robust engagement with Taiwan, and sees a Taiwan that is able to defend itself as firmly within American interests.

Relations between the U.S. and Taiwan are founded upon common interests in regional stability, shared commitments to the principles of economic and political liberalism, and a mutual support for international law. Taiwan's open politics and its exuberant democracy are remarkable, and are regularly put on display through open elections and the exercise of an independent judiciary and media. Most recently, popular protests in Taiwan against a proposed services agreement with the PRC have served both as a reminder of the importance of free speech and peaceful assembly, as well as the vital need for the rule of law.

Contacts between the U.S. government and the governing authorities on Taiwan are robust, as senior-level officials from both sides meet regularly. Taiwan was America's 12th-largest trading partner in 2013, with two-way trade surpassing \$63 billion. In October 2013, Taiwan sent one of the largest delegations to the SelectUSA Summit hosted 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, announcing over \$2 billion of new or ongoing investments in the United States. The economic relationship hit a major milestone in March 2013 when talks under our Trade and Investment Framework Agreement (TIFA) were restarted after a six-year hiatus. While pork and beef remain difficult issues, our bilateral economic relationship encompasses a far broader set of industries and services.

Taiwan is also a major security cooperation partner for the United States. Since 2009, the Executive Branch has notified Congress of over \$12 billion in new defense articles and services for Taiwan—making Taiwan our top foreign military sales customer in Asia and one of the largest worldwide. In particular, the U.S. has worked with Taiwan to enhance its ability to conduct humanitarian assistance and disaster relief (HA/DR) operations, which has recently been included as a core mission of Taiwan's Armed Forces. Taiwan has attended the MAHANI PAHILI exercise in Hawaii for the last five years, and the Hawaii National Guard is expanding its HA/DR relationship with Taiwan. Since 1997, the U.S. Air Force has also trained Taiwan's F-16 fighter pilots at Luke Air Force Base in Arizona.

The U.S. policy to rebalance toward the Asia-Pacific has been significantly beneficial to Taiwan's sense of security and confidence. This policy has reaffirmed America's commitment to sustain its influence and power in the region, and has reassured its allies and partners in the Asia-Pacific of America's continued presence and engagement. Overall, U.S. policy objectives for Taiwan—sustaining its ability to defend itself, deepening its economic and political engagement with the global economy, and expanding its diplomatic space—are fully compatible with Taiwan's own interests.

In recent years, the TRA has also enabled Taiwan to emerge as an important player in regional geopolitics. With its successful transition to a democratic form of government and its embrace of economic liberalism as a stable path for sustainable development, Taiwan has become a model for the entire region. Moreover, its international behavior exemplifies that of a responsible stakeholder—from contributing to international disaster responses in Japan and the Philippines to demonstrating a responsible approach to addressing maritime disputes through its East China Sea Peace Initiative. This initiative has not only demonstrated a roadmap for peaceful engagement, it has also enabled Taiwan to responsibly manage maritime incidents with Japan and the Philippines.

CURRENT STATE OF CROSS-STRAIT RELATIONS

Today, relations between Taipei and Beijing are generally very positive. Due to the policy decisions of the leadership on both sides, Taiwan and the PRC have since 2008 decided to reduce cross-strait tensions and focus on building economic and cultural ties. They were able to pursue such a rapprochement due to their mutual acceptance of the "1992 Consensus," in which both sides recognized that there is only one China but agreed to differ on its definition. The results have been extraordinary—almost 3 million mainland Chinese visited Taiwan in 2013, up from just 300,000 in 2008. Cross-strait trade has risen by more than 50% since 2008, to \$197 billion in 2013. Most recently, in February 2014, the heads of Taiwan's Mainland Affairs Council and China's Taiwan Affairs Office met for talks, representing the first formal meeting between ministers in their government capacities since the end of the Chinese Civil War in 1949.

Still, despite this rosy picture, all is not well in the cross-strait relationship. Beijing initially approved of this approach with the expectation that improving cross-strait economic and cultural ties would gradually pull Taiwan more closely into the PRC's orbit, thus enabling eventual unification. Yet trends have so far not borne this out—according to polling in December 2013 by Taiwan's Mainland Affairs Council, 84.6% of the Taiwan people support the status quo for either the short or long term, and 51.9% see Beijing as hostile toward the

Taiwan governing authorities. Political support for unification, therefore, remains minimal amongst Taiwan's population.

Moreover, despite significant warming in relations between Taipei and Beijing, the PRC's investment in military capabilities positioned across from Taiwan has continued unabated, and the People's Liberation Army (PLA) has experienced several years of double-digit annual growth in its budget. Beijing continues to refuse to renounce the use of force to compel unification, and has amassed a force of more than 1,100 ballistic missiles across the Taiwan Strait as part of a layered, multidimensional military capability that remains primarily focused on Taiwan-related contingencies.

Despite the PRC's continued robust investments in the PLA, Taiwan's investment in its own military capabilities has been stagnant for several years. Taiwan's official defense budget for 2013 was \$10.5 billion, a decrease from the previous year. Taiwan spends 2.1% of its GDP on defense—far lower than historic levels and even lower than the 3% pledged by President Ma. Further force reductions are on the horizon, as the Ministry of National Defense has announced its goal to reduce total forces from 215,000 to between 170,000 and 190,000 during the period from 2015 through 2019.

These trends have led to an increasingly unbalanced cross-Strait military dynamic. While Taiwan's defense budget in 2013 was \$10.5 billion, the PRC (according to the International Institute for Strategic Studies) spent 10 times more that year - \$112 billion. By way of acknowledging that direct competition with the PLA is unfeasible, Taiwan's military has begun to pursue innovative, asymmetric strategies to deter a possible Chinese effort to invade, coerce, or attack Taiwan.

STRENGTHENING U.S.-TAIWAN RELATIONS

The Taiwan Relations Act should, along with the three Joint Communiqués and the Six Assurances, continue to serve as the foundation for future engagement, cooperation, and coordination between the U.S. and Taiwan in the economic, political, and security spheres. Such interaction will necessarily be based on the shared interests on both sides to more deeply imbed Taiwan into the global economy, to build its international space, and to enhance Taiwan's ability to defend itself.

To more deeply imbed Taiwan into the global economy, progress should be made in formalizing a bilateral investment agreement with the U.S. and making progress toward bringing Taiwan into the Trans-Pacific Partnership (TPP). While participation in TPP would require the approval of all members, including the United States, such a move would

encourage Taipei to make significant progress in the liberalization of its economy—a process that, while painful in the short-term, would have tremendous benefits for Taiwan over the medium- and long-term. Joining the TPP will not only help Taiwan further integrate itself into the regional economy, it will also help keep Taiwan's economy globally diversified and competitive. While this is a natural economic imperative, it is also a strategic requirement—diversification will dilute the PRC's ability to economically coerce Taiwan in a time of crisis.

International space is also an important issue for future U.S.-Taiwan cooperation. As described by Bonnie Glaser of the Center for Strategic and International Studies, several opportunities exist for Taiwan to expand their meaningful participation in organizations focused on civil aviation, climate change, promoting regional stability and prosperity, and telecommunications. While energy for this expanded profile will need to come from Taipei, Beijing can also play an important role in enabling greater space for Taiwan. For the United States, progress on this issue will mean working with both Taipei and Beijing—as well as other members of key institutions—to identify more opportunities for Taiwan to play a constructive role in organizations where issues of sovereignty do not apply.

On security issues, the U.S. and Taiwan should continue to work closely with one another to enhance Taiwan's ability to defend itself. Taiwan's recent decision to pursue an indigenous submarine capability is a positive development, and American strategists and naval experts should work closely with their counterparts in Taiwan to identify the capabilities necessary to enhance Taiwan's self-defense. Additionally, both sides must recognize that friendship occasionally requires the telling of hard truths. In this case, Washington should be clear with Taipei that Taiwan's flat defense budget is a persistent problem. The budget issue is particularly flummoxing in that both President Ma and the opposition Democratic People's Party (DPP) have publicly endorsed a defense budget at 3% of GDP. If there exists broad political support for such a budget level, why has spending continued to fall short of this benchmark in the face of a rapidly intensifying military challenge from the mainland? Addressing this issue should be a top priority for the U.S. and Taiwan defense establishments.

While issues of arms sales and enhanced planning will continue to be important in U.S.-Taiwan security relations, policy coordination on political-military issues should also be an important part of the bilateral relationship. Taiwan can potentially play a significant role in shaping the security environments of both the East and South China Seas. Beyond setting an example as a responsible regional stakeholder, Taiwan can help clarify the PRC's ambiguous claims in the South China Sea. As proposed by Jeffrey Bader, the former senior

director for East Asian affairs on the National Security Council, Taiwan should clarify whether its claims in the South China Sea are consistent with international law.

Finally, continued cooperation on defense investments and changes to military planning should remain at the center of U.S.-Taiwan military relations. Both sides have a profound interest in enhancing Taiwan's ability to defend itself, and this is a realizable goal if both Washington and Taipei remain committed to pursuing asymmetric and innovative military strategies and translating words on a page into real-world capabilities.

ASSESSING FUTURE CROSS-STRAIT DYNAMICS

As with any democracy, political power in Taiwan will eventually change hands as the result of democratic processes. As former Assistant Secretary of State for East Asia and the Pacific Kurt Campbell stated in 2011, no single party or leader on Taiwan has a monopoly on effective management of cross-Strait relations. The United States should not take sides in this election and commit to working closely with whomever should win future free and fair elections in Taiwan. Yet we do have interests in Taiwan and in the cross-Strait dynamic, and we should make those interests known.

Given that Taiwan's next presidential election will be held in 2016, any prediction about the outcome of that election will be far from reliable. Yet the possibility that the DPP may regain power in Taiwan is a possibility that requires some consideration. There are lingering questions, in Beijing and elsewhere, about the DPP's ability to effectively and reliably manage cross-Strait relations if and when it regains political power in Taipei.

The DPP's future direction remains unclear. DPP officials have recently sought to adjust the Party's approach to cross-Strait relations, and this process is still ongoing. While the United States should refrain from inserting itself into Taiwan's electoral process and should continue to encourage and congratulate Taiwan on its democratic system of governance, the United States does have an interest in seeing that cross-Strait stability and communication are maintained. This need not be the 1992 Consensus, but rather any formulation upon which Beijing and Taipei can continue their peaceful engagement.

China's reaction to a DPP election is also an issue deserving some consideration. There were several reports of attempts by China to influence past elections, though Beijing has certainly learned the lessons of 1996 that attempts at intimidation can backfire. My sense is that China will look to sustain cross-Strait engagement and communication in if the DPP comes back to power, provided that a mutually-acceptable concept for engagement can be found. Yet how Beijing's leaders will ultimately calculate the success of its current

engagement strategy, and how it will weigh that strategy against alternatives, is very unclear.

While relations between Taiwan and the PRC may have improved since 2008, the recent protests in Taipei—as well as the largely symbolic nature of the first round of direct meetings—signal the domestic political limits on the potential for unification and the speed at which progress may occur. Since the cross-Strait rapprochement has been based on pursuing easier issues (economic and cultural engagement) before difficult issues (politics and Taiwan’s official status), the pace of engagement between the two sides may be plateauing.

While Xi Jinping has publicly stated that China supports Taiwan’s “social system and lifestyle,” he has also stated that “the longstanding political division between the two sides will have to be eventually resolved step-by-step as it should not be passed on generation after generation.” Beijing’s assessment of progress toward their goal of unification and Taiwan’s continued structural unwillingness to change its *de facto* status will fundamentally define cross-Strait dynamics over the long-term.

CONCLUSION

For 35 years, the Taiwan Relations Act has been the foundation for a robust, if unofficial, relationship between Washington and Taipei that has grown to include all elements of national power. The human, economic, political, and strategic benefits of the TRA have been tremendous. Preserving and expanding the benefits of the TRA will depend on skilled statecraft from both sides and will be a necessary element in America’s efforts to sustain its power and influence in the Asia-Pacific and to promote economic and political liberalism throughout the region.