

Nancy Bernkopf Tucker
Professor of History, Georgetown University and the Edmund A. Walsh School of
Foreign Service
Senior Scholar, Woodrow Wilson International Center for Scholars
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Hearing: Why Taiwan Matters
House Committee on Foreign Affairs

Testimony

US relations with Taiwan rarely merit special attention from the US government executive branch, the US Congress or the American public. In fact, for many years the level of knowledge about and awareness of developments in Taiwan among Americans has been regrettably low. The House Foreign Affairs Committee is making an important contribution to US diplomacy by holding these hearings to examine the US-Taiwan relationship, US policy and the future of both. I want to thank Chairman Ileana Ros-Lehtinen, Representative Howard Berman and the committee for the opportunity to be here today.

As the title of these proceedings suggests Taiwan matters. Taiwan is an economic dynamo vital to a society such as ours that increasingly depends on advanced technology. It has better market access in China than the US, allowing it to facilitate US trade and investment. Taiwan is a thriving democracy with a functioning two party system, high voter turnout and a boisterous legislature. It has a lively, though not always responsible, free press. Taiwan's democracy, nurtured by the US for decades, serves as an inspiration to others in Asia, and, it is hoped, as a model for China. Its largely transparent and stable society, which adheres to the rule of law, makes it an important base of operations for US companies. Taiwan, moreover, remains critical strategically. Crucial sea lanes of supply and communication pass near Taiwan's shores. Japan in particular depends on these trade routes. Freedom of navigation for the US navy similarly relies on unencumbered passage.

Taiwan also is the one point of friction that could lead to a military conflict between the US and China. Its future will say a lot about China and the United States. It serves as a predictor of China's behavior toward, and intentions in, Asia and beyond. Coercion or military threats from an impatient rising China would signal a decision by Beijing to give up its long standing policy of peaceful development. We should note that at present there is little reason to believe Beijing seeks to alter a negotiation strategy that produced 15 cross-Strait agreements before the end of 2010, including a milestone Economic Cooperation Framework Agreement (ECFA). China no longer warns Taiwan, as it did in the so-called "three ifs" policy of 2000, that delaying unification could lead to war, and accepts economic and political demands from Taiwan that it would have shunned in the past. But China has continued to deploy missiles, currently numbering roughly 1,500, to threaten Taiwan despite the significantly improved relations between the two sides of the Strait. It retains the 2005 Anti-Secession Law which provides a legal justification, under certain circumstances, for attacking Taiwan. Should China change course from a

peaceful and patient approach back to a more aggressive one, the US response will be a widely watched indicator of the credibility of US commitments. American friends and allies are not always happy about the US-Taiwan connection, but they would be alarmed if Washington simply jettisoned Taiwan in the face of Chinese aggression.

The rise of China has, of course, been the big story in East Asia. Its economic growth, military modernization and greater international participation make it a force Washington and the global community must respect. American officials have increasingly sought Chinese cooperation on issues ranging from climate change to nuclear proliferation.

But China's growing power can be both seductive and frightening. It must not distract Americans from basic principles and long-standing relationships. It would be a mistake to become so enthralled with, or so anxious about, China that it appears acceptable to sacrifice Taiwan for better relations. Some members of Congress have publicly and privately, sometimes directly to Chinese leaders, declared that arms sales ought to stop. Not only does this feed Chinese illusions, but it also undermines morale in Taiwan.

Appeasing China would not make good policy. China must be taken seriously and its Taiwan imperative understood. Indeed, the US does have a One China policy. It faces clear risks by supporting Taiwan. Nevertheless, Taiwan matters too much to be abandoned.

In fact the US will not jettison Taiwan even though there are benefits to be had by doing so. This is not the first time that prominent Americans, including members of Congress, have suggested withdrawing support from Taiwan. In the 1970s Richard Nixon and Henry Kissinger traded Taiwan for normalization with China, despite their conviction that Taiwan's government could not survive derecognition. Today, by contrast, the US has given long term assurances to Taipei. It is bringing to completion a new \$216 million dollar American Institute in Taiwan (AIT) headquarters in Taipei on land leased for 99 years that Congress authorized in 2000. The US sells Taiwan weapons despite Chinese threats to retaliate (more about this follows), shares intelligence, runs military training programs, observes military exercises and conducts wide ranging bilateral consultations with different military services and civilian officials. The administration has rebuffed Chinese efforts to destabilize US-Taiwan relations with demands for a Taiwan oriented fourth communiqué. It has vigorously challenged claims that Beijing has no missiles threatening Taiwan. It works for greater international participation by Taiwan. And, although dealing with a democratic government in Taipei is not always easy, Washington strongly supports Taiwan's democratic system and provides assistance when it can to strengthen representative institutions.

Nevertheless it can be asked why the US has not done more for Taiwan? Most critically, American officials and the public have been preoccupied with the burdens of massive recessions at home and abroad as well as two wars. At the best of times, the American people are not very interested in foreign affairs, and even less concerned about developments in Asia. Historically Taiwan has only been a US priority in the midst of crises. Improving relations between Taiwan and China suggest that Washington need not

pay much attention. Peace and prosperity on the island of Taiwan and in cross-Strait relations make this a good news story that Washington can safely celebrate and then ignore. Indeed Taiwan itself has sent signals that it requires less support from Washington as cross-Strait reconciliation progresses.

The reality is that without US involvement Taiwan probably cannot sustain the status quo that the overwhelming majority of Taiwan's residents want. Public opinion polls consistently show that Taiwan's people seek economic but not political integration with China. The US has insisted for almost two decades that decisions about Taiwan's future status must have the assent of the people of Taiwan. Were the US to stop arms sales and withdraw, Taiwan's public might not be able to exercise its democratic rights.

What the Obama administration can do

The Obama administration cannot and should not make big changes in Taiwan policy, but it should be more attentive and supportive of Taiwan. President Ma Ying-jeou needs that encouragement to continue productive talks with China without fear of being bullied by Beijing or losing the confidence of Taiwan's citizens. The US government has repeatedly welcomed progress in cross-Strait talks. It also has endorsed Taiwan's democracy and the right of its people to vote for the political party of their choice. By indicating that Washington will work with whatever leadership Taiwan elects it sends a clear message to China about constructive interaction with Taipei. The administration can do some things independently or with Congress to signal continuing US concern about Taiwan.

Arms sales

Although the Obama administration approved \$13 billion in arms sales for Taiwan in the last two years, it, like the George W. Bush administration, has delayed a decision on the most important potential sales: whether to upgrade Taiwan's existing F-16 A/B fighter aircraft, sell F-16 C/Ds or both. Any of these choices will raise Beijing's ire, likely resulting in disruption in some aspects of US-China relations. If the administration determined it would not sell the planes, it would leave Taiwan exposed, lacking a viable deterrent against possible Chinese aggression.

Congress recognized Taiwan's vulnerability in 1980 when it passed the Taiwan Relations Act (TRA) including provisions to bolster Taiwan's security. The TRA made it possible for Taiwan to purchase defensive weapons and said the US would maintain capabilities to resist embargoes, boycotts and use of force. Congress did not assume responsibility for determining what weapons Taiwan requires, although subsequently it mandated regular Pentagon reports on Taiwan's capabilities. Over time the TRA has been interpreted as a pledge that the US will sell Taiwan defensive weapons.

Arms sales have always been controversial, but they have become more so as China has modernized its military and altered the military balance in the Taiwan Strait. Some analysts argue that the inexorable strengthening of Chinese forces means that Taipei

cannot hope to utilize, or even protect, advanced military equipment such as F-16s. Taipei, they believe, should not waste the money to buy them. Washington should not expose itself to punitive responses from China to sell weaponry that will quickly become inadequate.

But, I believe, there are several reasons why arms sales to Taiwan should occur. Arms sales provide Taiwan a necessary deterrent, raising the potential cost to Beijing of any belligerent action. Beijing would have to decide whether Taiwan could be successfully intimidated or forced to capitulate before it could receive outside assistance. Arms sales strengthen morale among Taiwan's population. They insure that Taiwan's leaders have the confidence to negotiate with China and that, if cross-Strait relations deteriorate and Chinese military action follows, Taiwan could fight until American forces arrive. Indeed, arms sales have become a symbol of US support for Taiwan making it possible for government leaders to take risks to advance relations with China. But high-value sales, such as that of F-16s, are not just symbolic, they modernize Taiwan's capabilities, saving the lives of pilots endangered by aged and unreliable planes, as they were by obsolete F-5s in the early 1990s. Unless US officials have concluded that Taiwan does not need an air force at all, they must retrofit Taiwan's F-16 A/Bs and sell F-16 C/Ds. To stop at upgrades would actually weaken Taiwan in the near term because without new air craft its air force would shrink precariously. Even in the context of current US financial and employment problems sales of F-16s are important. As in 1992, industry representatives and some members of Congress insist that the F-16 production line could close without Taiwan's purchases, throwing some 11,000 people out of work. Whether or not the production line is threatened, orders for retrofitting 146 planes plus 66 new ones will create jobs.

Congress cannot make arms sales independent of the White House, but it can urge the administration to act quickly. It will have to be persistent and vocal to counter suspicions that members don't really care about Taiwan.

Cabinet level visits

Sending cabinet level officials to Taiwan not only improves communication between Washington and Taipei, it makes US support tangible. High level trips also serve a critical educational function within the government, forcing careful scrutiny of past successes and continuing problems to prepare officials for meetings. There have been no such visits in 11 years because successive administrations preferred to avoid China's wrath.

The US ought to permit high level interaction routinely in Washington as well as Taipei. Prohibitions such as barring Taiwan officials from the Department of State were not the result of agreements with China, but were self-imposed restrictions that have become less and less reasonable. Our thriving economic relations and continued trade disagreements alone call for this sort of high-level exchange.

Visa waiver and extradition

Discussion of extending visa waiver to Taiwan has been in process for a long time. Today more than 100 countries have granted visa waiver to Taiwan. Although it is understandable that the US after 9/11 has been especially cautious about entry into the country, it is also true that Taiwan has been working hard to remedy problems such as passport fraud. At present the Department of State has not even nominated Taiwan for action by the Department of Homeland Security, meaning that the process will continue to advance only very slowly. Similarly it is past time to resolve outstanding issues and finalize an extradition agreement. Cooperation will require Taiwan to harmonize some laws with US codes and deal more seriously with concerns about terrorism, but it can and must be done. Administrative accords such as these demonstrate support and simplify bureaucratic practices for both governments.

What Congress can do

Congress can act independently regarding Taiwan and should encourage the executive branch to resolve problems with Taipei.

Taiwan Relations Act (TRA)

Without changing a word of the TRA, Congress can make it more effective by refreshing its oversight commitment. In the early days after the TRA came into effect uncertainty about Taiwan's survival and nervousness about the likely course of US-China relations encouraged Congress to take an active role in monitoring implementation of the act. Members of both parties who had held hearings about Taiwan and traveled to the island remained visibly involved. Gradually, it became clear that Taiwan would not just endure, but also prosper, and that China would nevertheless build a relationship with the US. Congress, despite the best of intentions, became preoccupied with other issues and other parts of the world. The TRA, meanwhile, appeared to be working smoothly and oversight diminished.

Accelerating the loss of active oversight was the change in Taiwan politics and the weakening of Taiwan's lobbying in the US. Democracy on the island, which the US has nurtured, had an unexpectedly negative impact on Taiwan's relationship with Congress. It meant competing voices sought to influence American officials frequently with contradictory messages. For members who knew little about Taiwan the result was confusion and frustration. At the same time, Taiwan struck a deal with the executive branch regarding lobbying. Taipei gained greater access to officials in exchange for not trying to use Congress to contest administration policy. Some members of Congress did not need prompting to continue interaction with Taiwan, but those who did drifted away.

Hearings are a good beginning but genuine oversight requires more.

Economic relations

Although hit hard by the global recession, Taiwan has recovered rapidly and impressively. In part this is because of its economic integration with China which has boosted profits from trade and investment. US-Taiwan economic relations also have hastened recovery and, in turn, have been beneficial to the US. Taiwan today is the 9th largest trade partner of the US with two way trade in 2010 totaling \$57 billion a 50 per cent increase from 2009. American companies sell Taiwan \$25 billion annually in goods and services which supports thousands of American jobs. Despite trade disputes, the 23 million people on the small island of Taiwan provide America with its 6th largest agricultural market. The US is also the largest foreign investor in Taiwan at roughly \$20 billion.

What should be smooth US-Taiwan economic ties, however, have been undermined by politics in both countries. Trade and Investment Framework Agreement (TIFA) talks, set to resume early in 2011 after a three year hiatus, are being held hostage to the sale of certain categories of beef in Taiwan. It is not necessary to rehearse the sad tale of ractopamine here. The core of the dispute does not concern trade *per se* but the ability of governments to work with domestic constituencies for national rather than narrow sectoral interests.

This is one area where Congress can make a major difference. However unfortunate Taiwan's behavior in reaching commitments about beef and then reneging on them, it is unwise to prevent across-the-board economic progress because of restrictions on some varieties of one commodity. There are other important issues caught in the beef controversy, including intellectual property rights, tariff barriers, and pricing of pharmaceuticals. Furthermore, the US should not be increasing Taiwan's dependence on the China market. Congress should facilitate a sensible solution to the beef problem.

A free trade agreement is another difficult issue. Taiwan wants one and many groups in the US favor it. The reality is, however, that Taiwan is not ready to make tough choices about economic liberalization required to negotiate an FTA. Congress, moreover, has significantly delayed approval of FTAs negotiated with other governments. To encourage Taiwan to think in terms of an FTA rather than resolve current trade differences raises expectations while accomplishing little.

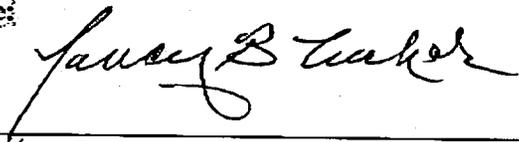
Education

Congress could enhance cooperation with Taiwan in a variety of arenas by educating and advising Legislative Yuan members on administrative and substantive issues. Taiwan may be a thriving democracy but it is a young and inexperienced one. There should be more trips by members of Congress to Taiwan and greater effort put into training programs.

At home, Congress needs to do a better job of educating its members and constituents about why Taiwan matters.

Conclusion

There is nothing inevitable about unification of Taiwan with China or about sustaining US-Taiwan ties. It is now more than sixty years since the Communist armies forced Chiang Kai-shek's Nationalist regime off the Chinese mainland. Taiwan survived political, social and economic repression, security crises with China and the difficult transition from autocracy to democracy. Most recently the challenge has been benefiting from, while also controlling, improved relations with China. Taiwan has been able so far to protect its interests in cross-Strait talks. Although China remains tough on security issues it has conceded ground repeatedly on other questions. Ultimately only Taiwan can defend itself, but it continues to need the US as a counterweight to China's growing power and influence. Simultaneously, the US has a continuing interest in keeping Taiwan stable, peaceful and democratic for its own sake, for the people of Taiwan and as a model to others in East Asia. Congress should more actively promote positive development of US-Taiwan relations.

1. Name:	2. Organization or organizations you are representing:
Nancy Bernkepf Tucker	Georgetown University (my employer but not representing its views)
3. Date of Committee hearing:	
June 16, 2011	
4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?	5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered yes to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.	
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