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WHY TAIWAN MATTERS

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HOUSE OF REPRESENTATIVES

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WHY TAIWAN MATTERS

THURSDAY, JUNE 16, 2011

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10 o'clock a.m. in room 2172, Rayburn House Office Building, Hon. Ileana Ros-Lehtinen (chairman of the committee) presiding.

Chairman ROS-LEHTINEN. The committee will come to order.

After recognizing myself and the ranking member, Mr. Berman, for 7 minutes each for our opening statements, I will recognize the chairman and the ranking member of the Subcommittee on Asia and the Pacific for 3 minutes each for their opening remarks.

We will then hear from our witnesses, and I would ask that you summarize your prepared statements in 5 minutes each before we move to questions and answers from the members under the 5-minute rule.

Without objection, your prepared statements will be made part of the record; and members may have 5 days to insert statements and questions for the record subject to the length limitation of the rules.

The chair now recognizes herself for 7 minutes.

Today's hearing is entitled ″Why Taiwan Matters.″ The answer simply is that Taiwan matters because people matter. I do not mean "people" in that false use as in the "People's Republic of China." I refer to people as in "We, the People."

Taiwan has taken the "We, the People" principles of democracy—human rights, freedom of religion, and a free market economy—and transplanted them firmly into East Asian soil. Taiwan has belied those critics who asserted that a Confucian-based, hierarchical society is ill-suited for the tenets of Jeffersonian democracy. Taiwan offers the audacity of hope—do you like that phrase, Mr. Berman—to the survivors of the Tiananmen Square massacre.

Taiwan inspires all victims of Beijing's totalitarian oppression that they need not be faint of heart. It is for this very reason, this shining example of liberty, that the cynical old men who still rule in Beijing are so fearful of Taiwan. It is for this very reason that they strive to eliminate this beacon of democracy. And it is for this very reason that Congress, through the Taiwan Relations Act, must strive to help preserve a Taiwan that reflects the aspirations of its people.

This hearing is especially timely and necessary because it has come to my attention that there is a new spirit of appeasement in the air. Some in Washington policy circles are suggesting that the

time has come to recognize the reality of a rising China and to cut our ties to Taiwan. This would be a terrible mistake which would have far-reaching ramifications on how the U.S. treats its democratic allies, its friends.

Turning to Taiwan's round of free elections early next year, it should be perfectly clear: The people of Taiwan must be able to choose their leaders and influence their future, free from outside bullying or coercion. I have heard that some Communist cronies in Beijing even recently urged the people of Taiwan to "choose the right person" in the upcoming elections—or else. This naysayer would seem to be subscribing to Chairman Mao's old dictum that "political power rose out of the barrel of a gun." To the Communist leaders in Beijing I say this: The ballot box is mightier than the gun's barrel.

I have news for the naysayers on Taiwan policy as well: The United States is a Pacific power and plans to remain so for this century and beyond. The commitments made in the Taiwan Relations Act have remained unchanged for over 30 years and still hold true today. The pledges in the six assurances given by President Ronald Reagan to Taiwan, including the one not to set a date for termination of arm sales to Taiwan, remain as firm today as they were back in 1982.

With over 1,600 missiles pointed directly across the Taiwan Strait, Taiwan needs the means to defend itself from threats and intimidation. Taiwan needs the next generation of F–16 fighters now in order to protect its skies. With CIA Director—and incoming Defense Secretary—Leon Panetta recently telling our Senate colleagues that China is preparing for "potential contingencies" that may involve Taiwan, there is a clear and present danger of sending Beijing the wrong signal. To avoid any misinterpretation about congressional commitment to Taiwan security and its survival, I will soon introduce legislation to enhance the Taiwan Relations Act.

I would like to add a final word of caution for our friends regarding Taiwan. The American Chamber of Commerce in Taipei in its annual white paper cautioned Taiwan against an overreliance on trade with China and urged a diversification of Taiwan's overseas markets. I, too, cautioned last year and repeat here today that Beijing's pursuit of ever-deepening trade ties with Taiwan could prove to be a Trojan horse. Beijing's game plan seems to be that economic integration will lead inevitably to political integration. The people of Taiwan must be vigilant in remembering that all that glitters is not gold.

The challenges in the 32 years since the enactment of the Taiwan Relations Act have been many, and they remain so today. But we in Washington, as in Taiwan, give due diligence to the challenges at hand. We can look forward to the continuation of the vibrant democracy and the free market economy enjoyed by the people of Taiwan.

Before recognizing the ranking member for his opening remarks, I would like to note the presence in our audience today of our former colleague, Congressman Lester Wolff of New York. Lester, will you stand?

He was chairman of this committee's Asia and the Pacific Subcommittee during the crucial period of the late 1970s. Congressman

Wolff played a leadership role in the framing and legislative enactment of the Taiwan Relations Act.

I would like to note the presence also of the Formosa Foundation Student Ambassadors with whom I will meet later on today. If you could stand, young student leaders, thank you. Thank you for being with us.

Now I am pleased to turn to my good friend, the ranking member, Mr. Berman, for his opening remarks.

[The prepared statement of Chairman Ros-Lehtinen follows:]

CHAIRMAN ILEANA ROS-LEHTINEN
Opening Statement
Committee on Foreign Affairs Hearing, "Why Taiwan Matters"
June 16, 2011

Today's hearing is titled, "Why Taiwan Matters." The answer simply is that Taiwan matters because people matter. I do not mean "people" as in "People's Republic of China." I refer to "people" as in "We, the People."

Taiwan has taken the "We, the People" principles of democracy, human rights, freedom of religion, and a free market economy, and transplanted them firmly into East Asian soil. Taiwan has belied those critics who asserted that a Confucian-based, hierarchical society is ill-suited for the tenets of Jeffersonian democracy. Taiwan offers the audacity of hope to those survivors of the Tiananmen Square massacre.

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This hearing is especially timely and necessary because it has come to my attention that there is a new spirit of appeasement in the air. Some in Washington policy circles are suggesting that the time has come to recognize the reality of a rising China, and to cut our ties to Taiwan. This would be a terrible mistake which would have far-reaching ramifications about how the U.S. treats its democratic allies; its friends.

Turning to Taiwan's round of free elections early next year, it should be perfectly clear: the people of Taiwan must be able to choose their leaders and influence their future, free from outside bullying or coercion. I have heard that some communist cronies in Beijing even recently urged the people of Taiwan to "choose the right person" in the upcoming elections – or else. These naysayers would seem to be subscribing to Chairman Mao's old dictum that "political power grows out of the barrel of a gun." To the communist leaders in Beijing I say this: the ballot box is mightier than the gun's barrel.

And I have news for the naysayers on Taiwan policy as well: the United States is a Pacific power and plans to remain so for this century and beyond. The commitments made in the Taiwan Relations Act have remained unchanged for over thirty years and still hold true today. The pledges in the Six Assurances given by President Ronald Reagan to Taiwan, including the one "not to set a date for termination of arms sales to Taiwan" remain as firm today as they were back in 1982.

With over sixteen hundred missiles pointed directly across the Taiwan Strait, Taiwan needs the means to defend itself from threats and intimidation. Taiwan needs the next generation of F-16 fighters now in order to protect its skies. With CIA Director (and incoming Defense Secretary) Leon Panetta recently telling our Senate colleagues that China is preparing for "potential contingencies" that may involve Taiwan, there is the clear and present danger of sending Beijing the wrong signal. To avoid any misinterpretation about Congressional commitment to Taiwan's security and its survival, I will soon introduce legislation to enhance the Taiwan Relations Act.

I would like to add a final word of caution for our friends, regarding Taiwan. The American Chamber of Commerce in Taipei, in its annual white paper, cautioned Taiwan against an overreliance on trade with China, and urged a diversification of Taiwan's overseas markets. I too cautioned last year, and repeat here today, that Beijing's pursuit of ever-deepening trade ties with Taiwan could prove to be a Trojan horse. Beijing's game plan seems to be that economic integration will lead inevitably to political integration. The people of Taiwan must be vigilant in remembering that all that glitters is not gold.

The challenges in the 32 years since the enactment of the Taiwan Relations Act have been many, and they remain so today. But we in Washington and in Taipei give due diligence to the challenges at hand. We can look forward to the continuation of the vibrant democracy and free market economy enjoyed by the people of Taiwan.

Before recognizing the Ranking Member for his opening remarks, I would like to note the presence in our audience today of former Congressman Lester Wolff of New York. He was Chairman of this Committee's Asia and the Pacific Subcommittee during the crucial period of the late 1970s. Congressman Wolff played a leadership role in the framing and legislative enactment of the Taiwan Relations Act. I would also like to note the presence of the Formosa Foundation Student Ambassadors, with whom I will meet later today.

And now I turn to Ranking Member Berman for his opening remarks.

Mr. BERMAN. Well, thank you very much, Madam Chairman; and I am very glad you are having this hearing.

Seeing Lester Wolff, former Congressman Wolff, in the audience is good in many respects, one of which is it makes me feel like I just got here.

Taiwan is a flourishing multiparty democracy of 23 million people with a vibrant free market economy. It is the ninth biggest trading partner of the United States, ahead of much bigger countries like Brazil and India, and has been a consistent advocate for trade liberalization in the WTO and APEC.

Over the past 60 years, the U.S.-Taiwan relationship has undergone dramatic changes, but Taiwan's development into a robust and lively democracy, as the chair so eloquently pointed out, underpins the strong U.S.-Taiwan friendship we enjoy today.

Our relationship with Taiwan was initially defined by a shared strategic purpose of containing the spread of communism in Asia. With the end of the Cold War, Taiwan's political evolution from authoritarianism to one of the strongest democratic systems in Asia has transformed the U.S.-Taiwan relationship from one based essentially on shared interest to one based on shared values. The Taiwan Relations Act of 1979 is the cornerstone of the relationship between our two nations. It has been instrumental in maintaining peace and security across the Taiwan Straits and in Asia.

One of the main obligations of the United States under that legislation is to make available to Taiwan defensive arms so that Taiwan is able to maintain a sufficient self-defense capability. Last year's Defense Department report to Congress on the Chinese military stated that China's military buildup opposite Taiwan is continuing and that the balance of cross-strait military forces continues to shift in China's favor.

In addition, another DoD assessment of Taiwan's air defense status concluded that, while Taiwan has nearly 400 combat aircraft in service, "far fewer of these are operationally capable."

Taiwan urgently needs new tactical fighters. I encourage the administration to work closely with Congress in meeting our obligations pursuant to the TRA and provide Taiwan with the weapons it requires, including F–16 fighters.

While the cross-strait security situation remains tenuous, it is encouraging to see that stronger economic and cultural ties have developed between Taiwan and China in recent years. There are now more than 350 direct flights between Taiwan and the mainland, and last year over 1.6 million tourists from China visited Taiwan. The two sides also signed a landmark trade agreement last year that lowered and eliminated tariffs on hundreds of commodities.

These examples are part of a positive trend that has strengthened relations between Taiwan and China, and it would benefit both Taiwan and Beijing to take additional steps to build cross-strait trust and cooperation.

Three years ago when he took office, Taiwan's President initiated a policy of rapprochement with the mainland, declaring, "no unification, no independence, and no use of force."

China could have responded in kind by forswearing the use of military force to bring about reunification and reducing their mili-

tary threat against Taiwan. Instead, they increased their missile deployment targeting in Taiwan. If China won't take steps to reduce this military threat even after all of Taiwan's efforts at rapprochement, can we expect that China ever will renounce the use of force?

Taiwan's political, economic, and social transformation over the past 60 years has demonstrated that a state can be thoroughly Chinese, modern, and democratic. Taiwan's example is an inspiration for other countries in Asia and throughout the world that linger under the control of one person or one party. And next year's election in Taiwan, its fifth direct Presidential election, will be another sign of the political maturity of the Taiwanese people and a signal to Beijing that a change in relations between Taiwan and China cannot be imposed by the mainland.

For many years, I have been a staunch supporter of the people of Taiwan; and I will continue to foster efforts here in Congress to demonstrate our country's continued strong support for Taiwan. I look forward to the testimony of our expert witnesses this morning and in hearing their views on how to further strengthen ties between the United States and Taiwan.

And, Madam Chairman, I yield back yield back the balance of my time.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Berman. Thank you for that opening statement.

Mr. Manzullo, the chairman of the appropriate subcommittee, is recognized.

Mr. MANZULLO. Thank you, Madam Chairman, for calling this important hearing today regarding our relationship with Taiwan.

We have enjoyed a long and fruitful relationship with the Taiwanese, and it goes without saying that Taiwan has always mattered, now and into the future.

The U.S. and Taiwan share common goals that ensure an economically vibrant and peaceful Asia based on respect for intellectual property rights, human rights, domestic principles, and adherence to the rule of law. Taiwan is a success story in promoting universal freedoms and advancing democracy and trade. The people of Taiwan have shown true leadership in developing their country through their economy, raising standards of living, and adhering to a democratic system of governance.

Economics and trade have played a key role in delicately balancing our relationship between the People's Republic of China and Taiwan. Taiwan's success and economic prowess in the 1970s influenced the leadership of mainland China to consider and ultimately implement economic reforms. Taiwan therefore serves as a beacon of reform but, just as importantly, as a beacon of democracy in a continent that has very few democracies.

As a major innovator and producer of information technology, Taiwan is a pioneer in high-tech goods and has successfully moved up the value chain in manufacturing.

Taiwan is also America's ninth largest trading partner and thirteenth largest export market for U.S. agricultural products. Taiwan imports a wide variety of electronics, optical, precision instruments, information and communications products, transportation equipment, machinery, and electrical products from the United States.

Needless to say, this is an important export market for American manufacturers.

Maintaining peace across the Taiwan Strait must be the priority for the U.S. and all countries in the broader Asia-Pacific region. The Taiwan Relations Act governs America's relationship with Taiwan, and as chairman of the Subcommittee on Asia and the Pacific, I believe the TRA must continue to play a central role in the future.

Providing Taiwan with the means to defend itself is a cornerstone of a stable cross-strait policy. The economic prosperity and livelihood of people in the region and in the United States depend on a stable and peaceful cross-strait relationship. Taiwan embraces our democratic values and world view and has consistently remained a staunch supporter and friend. The friendship between our two peoples has stood the test of time, and it will into the future.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Manzullo.

Mr. Faleomavaega is recognized as the ranking member of the Subcommittee on Asia and the Pacific.

Mr. FALEOMAVAEGA. Thank you, Madam Chair and our ranking member, for calling this hearing. I think it could not be more appropriately stated: Why Taiwan Matters.

Madam Chair, since 1979, the U.S. policy regarding Taiwan has remained unchanged. The Joint Communiqué, together with the Taiwan Relations Act, are the foundation of our policy which acknowledges that one China position on both sides of the straits and implies, as Republican President Ronald Reagan once said, and I quote, "the Taiwan question is a matter for the Chinese people on both sides of the Taiwan Straits to resolve."

Whether Democrat or Republican, every U.S. President since 1979 has stood by this assertion. In fact, the Taiwan Relations Act states that it is the policy of the United States, and I quote, "to preserve and promote extensive, close, and friendly commercial, cultural, and other relations between the people of the United States and the people of Taiwan, as well as the people on the China mainland."

For the sake of our U.S. troops, I also support this policy; and I believe we should do everything we can to make sure this policy works so that U.S. troops are not called upon to resolve any unnecessary conflict between Taipei and Beijing.

And, as you noted earlier, also, Madam Chair, I do want to also note the contribution, the tremendous contribution of the former chairman of the Asia Pacific Subcommittee, my good friend and colleague, Congressman Lester Wolff, for his outstanding contributions and one of the critical forces who brought about the passage of the Taiwan Relations Act. Very much appreciate his presence here with us.

On a personal note, Madam Chair, I want to commend President Ma for his leadership in reducing tensions in the cross-straits. I also support President Ma's efforts to call upon the United States to sell the Government of Taiwan all the F–16 C/Ds it requires in accordance with the Taiwan Relations Act which requires the United States, and I quote, "to provide Taiwan with arms of a defensive character, in order to maintain the capacity of the United

States to resist any resort to force or the forms of coercion that would jeopardize the security of the social and economic system of the people of Taiwan."

Given that Beijing has some 1,400 missiles aimed at Taiwan, I add my voice to those calling upon the Obama administration to authorize armed sales to Taiwan as a primary military deterrence.

Having said this, Madam Chair, I also want to note that since President Ma took office Taiwan has participated as an observer at the World Health Assembly. There are now 307 direct flights from the cities in Taiwan every week. There has been a relaxation of China-bound investments, more visas, more mainland tourists, and more exchange in many other areas. Taiwan and China also inked the Economic Cooperation Framework Agreement last summer, and trade between China and Taiwan now totals over $110 billion a year.

So I commend both Beijing and Taipei for their efforts in trying to bring about a peaceful resolution to some of the issues that they now are confronted with.

And with that, Madam Chair, I know my time is up; and I yield back.

Chairman ROS-LEHTINEN. Thank you so much.

I would like to yield 1 minute to the members who would like to speak.

Mr. Chabot, the subcommittee chair on the Middle East and South Asia is recognized.

Mr. CHABOT. Thank you, Madam Chairman, for holding this very important hearing. I want to commend you for doing so.

Taiwan is a long-time friend and loyal democratic ally of the United States, and your convening a hearing entitled Why Taiwan Matters couldn't be more appropriate.

As one of the founding co-chairs of the congressional Taiwan Caucus and having visited that nation many times, I can say with some authority that the freedom-loving Taiwanese people know you to be a great friend and a true champion of democracy.

I am sorry the administration did not find it convenient to send a witness this morning. There always seems to be time for an elaborate arrival ceremony or a State dinner for visiting Communist leaders from Beijing, but when our democratic ally Taiwan is being discussed, time on the schedule seems to get a little tight.

We do, however, have a great panel of witnesses.

One final comment. The fact that former President Chen Shui-bian, a strong ally of the United States, still occupies a jail cell is of great concern. To me, there is the scent of the criminalization of politics, and it smacks of third worldism. Taiwan is much better than that; and, as a very strong ally of Taiwan, I would like to see this addressed.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Chabot.

Mr. Connolly of Virginia.

Mr. CONNOLLY. Thank you, Madam Chairman, and thank you for holding this hearing.

You know, the U.S. relationship with Taiwan is a multifaceted one and a very important one. Our policy with regard to the defensive capabilities of Taiwan should not surprise anybody. It is clearly outlined in the Taiwan Relations Act of 1979, which states it is

the policy of the United States Government to provide Taiwan with arms of a defensive character.

Moreover, the three Joint Communiqués between the U.S. and the People's Republic of China and the six assurances to Taipei offered by President Reagan add additional context to the U.S.-Taiwan relationship. It is important that the United States show strength and fortitude in this relationship as it pursues other relationships that are also important in the region.

With that, I yield back. Thank you, Madam Chair.

Chairman ROS-LEHTINEN. Thank you very much.

Mr. Burton, the Subcommittee on Europe and Eurasia chairman.

Mr. BURTON. I won't add too much to what has already been said. Taiwan is a great friend and always has been.

My colleague from Ohio mentioned that the Chinese Communist leader got the red carpet treatment at the White House treatment and said we ought to show some attention to Taiwan. You know, one of the things that really bothers me is that they can't even get off the plane. The President of Taiwan comes to the United States, and I am down there in Florida to meet him, and he can't get off the plane. That is a disgrace.

When we want to talk about diplomacy with Taiwan, one of our great trading partners and great friends, we can't get people in the administration or any administration to go over there and talk to them. They can't come here to sit down and talk to us, in many cases. That is just not right, and we need to change that, and that is one of the questions I will be asking our panel.

Chairman ROS-LEHTINEN. Thank you, Mr. Burton.

Mr. Higgins of New York.

Mr. HIGGINS. Thank you, Madam Chair.

I, too, look forward to the expert testimony of our panel here. Taiwan is a very important nation of over 23 million people, a dynamic economy which has experienced some slow growth in the last several years. So I look forward to the testimony and exploring ways and opportunities the United States can benefit from a strategic partnership with Taiwan.

Thank you.

Chairman ROS-LEHTINEN. Thank you, sir.

Mr. Royce is recognized, the chairman of the Subcommittee on Terrorism, Nonproliferation, and Trade.

Mr. ROYCE. Thank you, Madam Chairman.

I think what really strikes us is it has just been a mere few decades since Taiwan has gone from poverty to prosperity and from autocracy to democracy. I think Taiwanese Americans are rightfully proud about what has happened here. Taiwan is truly a responsible stakeholder today. It is a long-time friend to the United States.

It is a friend that faces some serious challenges. One is that China's rapid militarization and continued belligerent actions in the South China Sea are a serious cause for concern to Taiwan, to all of Asia, and to us.

I think another observation is, since the 1990s, China has warned Asian nations not to sign free trade agreements with Taiwan. So you have numerous global FTAs out of the region already in place. There are about 100 of them in East Asia. And they are

steadily undermining Taiwan's international competitiveness through trade and investment discrimination.

So what can we do? Well, one of the issues that the American Chamber of Commerce in Taipei called for were closer trade relations between U.S. and Taiwan to strengthen that bilateral relationship and we could move forward on our Trade and Investment Framework Agreement agenda with Taiwan. It is something we should look at today. I would hope our witnesses would comment on it.

And I thank you very much, Madam Chairman, for holding this hearing.

Chairman ROS-LEHTINEN. Thank you very much, Chairman Royce.

And now the chair is pleased to welcome our witnesses.

First, I am happy to introduce a fellow south Floridian as a panel member. I don't know how she got to be a panel member.

June Teufel Dreyer is a professor of political science at the University of Miami. Go 'Canes. Professor Dreyer's extensive research has focused on Chinese and cross-strait politics, as well as on defense issues involving both Taiwan and China. Among the many books she has authored is the "Chinese Political System: Modernization and Tradition." Thank you for the inscription.

Professor Dreyer is a former commissioner of the congressionally established United States Economic and Security Review Commission. She is also a member of the International Institute of Strategic Studies in London and earned her doctorate from Harvard University.

Welcome, Professor.

Next, I would like to welcome Randall Schriver. I did not see you at the beginning or would have said hello. I apologize.

Randy is one of the five founding partners of Armitage International. Mr. Schriver is also the CEO and president of the Project 2049 Institute, a nonprofit research organization dedicated to the study of security in Asia.

He previously served as Deputy Assistant Secretary of State for East Asian and Pacific Affairs, with the responsibility of Taiwan, China, and Hong Kong during the first George W. Bush administration. Prior to that, he worked for 4 years in the Office of the Secretary of Defense, where his responsibility included the day-to-day management of U.S. relations with the People's Liberation Army and the bilateral security and military relationships with Taiwan.

Randy served his country as an active duty Navy intelligence officer between 1989 and 1991. Mr. Schriver holds a master's degree in public policy from Harvard University and received a bachelor's in history from Williams College.

We are glad to have you with us, Mr. Schriver.

We now have one of the world's foremost experts on Taiwan's economy here with us today, Mr. Hammond-Chambers, who was born and raised in Scotland before coming to the United States in 1987.

In 1993, he joined The Center for Security Policy, a defense and foreign policy think tank in Washington, DC, as the associate for development. Mr. Hammond-Chambers was elected president of the

U.S.-Taiwan Business Council in November, 2000, after working for the Council since 1994.

He is also a member of both the National Committee on United States-China Relations and the Council of Foreign Relations. He holds a bachelor's degree in history and religion from Denison University.

Welcome, Mr. Hammond-Chambers.

And now, rounding off the panel, we are so pleased to welcome Nancy Bernkopf Tucker, a professor of history at Georgetown University in its School of Foreign Service.

Professor Tucker is a highly regarded American diplomatic historian who specializes in American-East Asian relations, including relations with Taiwan, China, and Hong Kong. In 2007, she received the National Intelligence Medal of Achievement for her contributions as an Assistant Deputy Director of National Intelligence in the Office of the Director of National Intelligence. Previous U.S. Government service dating back to the 1980s included working in both the Office of Chinese Affairs in the Department of State and the U.S. Embassy in Beijing.

The professor's most recent book, published in 2009, is entitled, "Strait Talk: U.S.-Taiwan Relations and the Crisis with China"—I am holding it right now—which examines the Washington, Taipei, Beijing triangular relationship. Her numerous academic essays have appeared in such journals as Foreign Affairs, the Journal of American History, and Political Science Quarterly. Professor Tucker holds a Ph.D. degree from Columbia and is a member of the Council on Foreign Relations.

Good to have you here, Professor.

I kindly remind our witnesses to keep your oral testimony to no more than 5 minutes.

Without objection, the witnesses' written statements will be inserted into the record; and we hope to get through them without any problem before the votes start at 11 o'clock.

So we will begin with you, Professor Dreyer.

STATEMENT OF MS. JUNE TEUFEL DREYER, PROFESSOR OF POLITICAL SCIENCE AT UNIVERSITY OF MIAMI, SENIOR FELLOW AT FOREIGN POLICY RESEARCH INSTITUTE

Ms. DREYER. Thank you very much for having me here.

I begin my remarks with reference to a recent article entitled Taiwan's Narrowing Options, talking about the inevitability of its absorption into China. My opinion is that this is not in the best interest of the United States, for two major reasons. The first is strategic and the second is that it is a betrayal of the very principles that the United States was founded on. It mocks us to the rest of the world as just another hypocritical state making decisions that negatively affect millions of people, purely on the basis of short-term expediency.

To take the first first, as part of my research into Chinese defense policies, I read Chinese defense journals. These don't circulate in the United States. They are in Chinese. And I find there that Taiwan is not discussed here as terra irredenta, some sacred, long-lost part of China that has to be recouped. No. It is regarded as a springboard for the Chinese military to break out of the island

chains around China and into the open Pacific from which point China can gain control of the sea lanes of communication. And, of course, these are vital to commerce and the transport of energy. They give whoever controls them a stranglehold on whoever does not control them. At present, United States controls them. Are we willing to cede this?

Second, the United States was founded on the principle that human beings have the right to self-determination. It is so stated in our Declaration of Independence; it was reiterated in Woodrow Wilson's Fourteen Points; and, most recently, it was stated emphatically by President Obama when speaking about the Middle East. Yet we explicitly have denied this right to the people of Taiwan. This is a disgrace.

Now this occurs against a background of errors and "misstatements" by members of our administration. This is not a Democratic/Republican thing. This has happened under several administrations.

In 2003, the Department of Defense published a handbook entitled "Taiwan, Province of China." If I had a cell phone, I would be typing OMG. After that, Colin Powell, as Secretary of State, said, "Taiwan is not independent. It is not a sovereign state." Violation of six assurances in Taiwan Relations Act—well, he misspoke.

Most recently, Secretary of Defense Gates said, "We take Chinese sensitivities into account when deciding to sell what weapons Taiwan will get."

This is surreal. We are allowing a country that has insisted it has the right to conquer another country by force to decide what weapons we sell to that country. Think about the absurdity of that statement.

There have also been a couple of articles in a journal that is widely regarded as reflecting official opinion to the effect that the United States should abandon Taiwan. This journal has printed no articles expressing any other point of view. If I am a Taiwanese, what do I think? Taiwan is pretty responsive to China for its economic ties. Yet it is responsible to the United States for its strategic independence. And they realize, if the United States means to abandon them, maybe it is better to bandwagon with China, rather than wait to be conquered by force.

I can see I am running out of time here. I will close with my four recommendations: That is, to reiterate things, representatives have said, sell the F–16 C/Ds to Taiwan; second, reassess Taiwan's legitimate defense needs and what we can do to satisfy them; three, remove the restrictions on high-level visits between our officials and also on the locations they can be held in; and, fourth, issue a strong affirmation of the right of the people of Taiwan to determine their own political future free from pressure by external forces.

Thank you for this opportunity.

[The prepared statement of Ms. Dreyer follows:]

Why Taiwan Matters

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The current state of U.S.-Taiwan relations leaves much to be desired. A recent analysis describes the island's narrowing options, tracing a trajectory toward absorption by China. Given a continuation of current trends, it is difficult to disagree with this conclusion. It is my belief that U.S. actions bear a large measure of responsibility for this drift, and that for two major reasons—first, to ensure its national security and maintain regional peace; and second, to remain true to its own founding beliefs, the United States must make efforts to reverse this drift.

With regard to the first of these factors, the Chinese military has been a focus of my research efforts for the past several decades. In this capacity, I regularly read military journals from the People's Republic of China (PRC) dealing with defense matters. The militant tone of the articles contained therein is striking, as is the way Chinese strategists view Taiwan---not as an end in itself, a terra irredenta that must be possessed, but as a stepping stone for reaching China's larger goals of controlling the regional sea lanes and beyond. Chinese analysts concentrate on the importance of Taiwan to the PRC's strategic future. The inability of the People's Liberation Army (PLA) to break out of the first island chain into the Pacific without first taking Taiwan is standard commentary in Chinese journals. This chain is visualized as an arc running south from the Japanese archipelago to the Philippines, with some strategists projecting its trajectory all the way past the Indonesian archipelago to the British-administered Indian Ocean base at Diego Garcia that is frequently used by U.S. military planes.

Another supposition that is noticeable in the journals is that the PLA navy can attain decisive command of the seas by projecting power eastward from Taiwan. One commentator states that Taiwan is currently a shackle but that, if possessed by the PRC, would be the key to the open ocean. Since the island occupies the mid-section of the first island chain, PRC strategists reason, its capture would cut the chain in two. Chinese fleet and naval aviation units could use Taiwan as a major base. Sea and air combat radii from bases on the island would reach the flanks of Japan and the Philippines. Another analyst visualizes China and Taiwan as forming a T-shaped battlefield position able to defend the PRC against semi-encirclement while at the same time facilitating the Chinese military's breakout from the second island chain that stretches from the Japanese archipelago south to the Marshall and Bonin islands, including the U.S. base at Guam.[1]

Taiwan faces a strategic dilemma: it is principally dependent on China for its economic prosperity while it must principally rely on the United States for its security. The latter is confirmed by the Taiwan Relations Act (TRA) of 1979 and by the six assurances given to Taiwan by President Ronald Reagan in 1982.[2] Meanwhile, a series of "accidents" committed to print and "misstatements" by high-ranking US officials--- sometimes corrected and sometimes not--- have caused Taiwanese to worry about whether Washington intends to keep its promises.

In 2003, for example, the Department of Defense published a book entitled "Taiwan, Province of China." I am told, but have not seen, that a more recent edition does not mention this. In any

case, one must wonder how this happened in the first place. A year later, Secretary of State Colin Powell stated that "There is only one China. Taiwan is not independent. It does not enjoy sovereignty as a nation, and that remains our policy, our firm policy." This was clearly a violation of the six assurances. After a firestorm of criticism, administration spokespersons explained that a jet-lagged Powell had misspoken, that there had been no change in policy, and that the six assurances remained in force. Powell himself appeared to back away from the comments, but never actually retracted them, saying the "the term of art is to have a peaceful resolution of the problem.[3]"

Most recently, Secretary of Defense Robert Gates spoke of taking Chinese sensitivities into account when deciding what weapons to sell Taiwan.[4] Apart from the patent absurdity of allowing one's partner's only enemy the privilege of deciding what weapons one will sell to one's partner, Gates's statement is a clear violation of the Taiwan Relations Act's explicit instructions that the determinants of Taiwan's need for weapons is the sole purview of congress and the administration, [5] as well as of the third of the six assurances. Decisions on weapons sales to Taiwan drag on and, when finally decided, may be of obsolescent versions of the items desired rather than state-of-the art equipment. In tandem with the large increments in the PLA's budget over the past three decades and the stunning improvements in its weaponry that have accompanied them, American actions have eroded the defensive balance of power across the Strait that the TRA obligates the US to maintain. The delay in making a decision on the sale of F- 16 C/Ds is a case in point. Although capable fighters, the F-16 C/Ds would quickly be overwhelmed by the PLA Air Force's indigenously-produced and comparably equipped J-10B and J-11 B fighter variants.[6] Yet the U.S. has still not agreed to the sale. Concerns about the PRC's objections not only contradict the law but are ill-founded: China has made clear again and again that it objects to *all* U.S. arms sales to Taiwan.

To add to Taiwan's anxiety over official waffling and misstatements, a U.S. journal typically described as influential has run articles advocating that the United States, by various means, abandon the island.[7] The journal has published no articles articulating a different point of view, leaving Taiwanese to wonder if its parent organization, widely regarded as reflecting official thinking, is heralding a change of government policy or whether that organization is simply biased in favor of the PRC. If Taiwan is to be abandoned, they reason, perhaps it would be preferable to seek accommodation with the PRC rather than resist its blandishments and risk being coerced into compliance through military force.

This brings us to the second factor that should determine U.S. policy toward Taiwan: the need to remain true to our own principles. To abandon a democratic country to an authoritarian government with an abysmal human rights record is a repudiation of all that the United States stands for. Moreover, this country was founded on the principle of the right to self-determination, as stated in our declaration of independence. The right to self-determination was part of President Woodrow Wilson's Fourteen Points, and was most recently articulated by President Barack Obama on his visit to the Middle East [8] The same principle is integral to the philosophy of Dr. Sun Yat-sen, who is acknowledged by both sides of the Taiwan Strait as the father of the Chinese republic. The right to referendum is explicitly mentioned in the constitution of the Republic of China. Yet, after the PRC in the 2004-2008 period expressed strong opposition to Taiwan holding a referendum on any topic, even on issues unrelated to the

island's political status, the U.S. administration did so as well. It was thus violating its own commitment to self-determination by denying it to other people in order to appease Beijing. Even as the Kuomintang (KMT) government was defying its own constitution to please Beijing.[9]

During People's Liberation Army Chief of Staff Chen Bingde's recent visit to Washington, he was believed to have raised the issue of modifying or eliminating entirely the Taiwan Relations Act. Almost certainly he was told no. I wonder, however, if the general's concern was unnecessary: both the TRA and the six assurances have been ignored by the past several administrations, which simply repeat the mantra about peaceful resolution while their actions nudge Taiwan into an ever closer relationship with China.

These admonitions to peaceful resolution of differences come athwart the Beijing government's absolute refusal to consider meaningful talks except on grounds that give the PRC what it wants. Hence Washington's advice to peacefully resolve differences sends a clear signal to the Taiwan people that they must settle their differences on Beijing's terms. In its zeal to improve relations with China, the administration of President Ma Ying-jeou has sought to avoid taking actions that will antagonize Beijing. Many, if not most of these, have come at the cost of erosions in Taiwan's sovereignty. A number of them are subtle, such as the opening of air routes between the two countries. Direct flights between the two are undoubtedly a convenience to travelers and to commerce. But the Chinese side turned down the Taiwan side's request for flights on lucrative routes like Taipei to Shanghai while agreeing to less traveled destinations like Taipei to Nanchang and Hefei as well as northward routes that pass through ROC air space control zones only, thus emphasizing the domestic character of the routes. And where was the United States when the World Health Organization, acceding to the PRC's request, instructed its members to refer to "Taiwan, province of China"?

There have also been negative repercussions for Taiwan's rule of law. A semi-serious joke circulating in Taiwan states that the country has a bipartisan policy: the KMT and the Chinese Communist Party. As soon as the Ma administration took office, it began to prosecute a large number of office-holders under the previous administration for alleged financial misdeeds. The procedures used were often irregular, leading to a number of protest letters from foreign human rights groups, academics, and public figures. Among the distinguished signatories was the professor at Harvard Law School who had served as Ma's mentor when he was a student there. People have also been arrested for peacefully picketing for the right to a referendum, despite its legality under the constitution. One consequence of the Ma administration's encouragement of Chinese media to buy into Taiwan media has been a diminution in freedom of the press. The independent Paris-based organization Reporters Without Borders downgraded Taiwan from 36th place in 2008, when Ma assumed office, to 59th in 2009, specifically mentioning that "the new ruling party in Taiwan has tried to interfere in state and privately-owned media."[10] Most recently, the organization queried the Taiwan government as to why its television satellite operator, Chunghua Telecom, has refused to continue relaying the signal of New Tang Dynasty Asia Pacific, which broadcasts program critical of China.[11]

Taiwanese concerns are reinforced when administration spokespersons regularly express uncritical praise for the progress that has been made in cross-Strait relations without mentioning the erosion of democracy and freedom on the island.

Ladies and gentlemen, the author of the study mentioned in the opening paragraph of this testimony appears to accept the drift toward Taiwan's absorption as inevitable, and advises that, given Japan's role as the linchpin of the U.S. security presence in the Asia-Pacific, Washington will have to work harder to reassure wary Japanese, as well as other U.S. allies and associates, of the U.S. resolve and ability to hedge against a rising China.[12] I would argue that, if the United States is to keep nudging Taiwan toward absorption with China, there can be no credible reassurances, and that now is the time to halt a drift that is dangerous not only to the security of the Taiwanese but to the United States' interests in the region and to the credibility of the global alliance system.

As a start toward reversing this drift, I would suggest

- the immediate sale of the F-16 C/Ds
- initiation of a complete review of the cross-Strait military balance to assess Taiwan's legitimate defense needs, exclusive of the PRC's desires.
- removal of the restrictions on contacts between high-ranking American and Taiwanese officials and in the places they can be held
- a strong affirmation of the right of the people of Taiwan to determine their own political future, free from pressure by external forces

Thank you for the opportunity to share my views with you. I will be pleased to entertain questions.

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[1]These journals are not in current circulation though are available, untranslated, through the extremely expensive subscription service CNIK (China National Infrastructure Knowledge) online data base. An excellent summary of the articles cited above appears in Toshi Yoshihara and James R. Holmes, *Red Star Over the Pacific: China's Rise and the Challenge to U.S. Maritime Strategy* (Annapolis, Maryland, 2011:Naval Institute Press.

[2] the six assurances are 1. The United States will not set a date for termination of arms sales to Taiwan. 2. The United States will not alter the terms of the Taiwan Relations Act 3. The United States will not consult with China in advance before making decisions about U.S. arms sales to Taiwan. 4. The United States will not mediate between Taiwan and China. 5. the United States will not alter its position about the sovereignty of Taiwan which is that the question is one to be decided peacefully by the Chinese themselves, and will not pressure Taiwan to enter into negotiations with China. 6. The United States will not formally recognize Chinese sovereignty over Taiwan.

[3] CNBC, October 27, 2004.

[4] "We have tried to thread the needle pretty carefully in terms of Taiwan's defensive capabilities, but at the same time being aware of China's sensitivities." http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4830

[5] "The President and the Congress shall determine the nature and quantity of such defense articles and services based *solely* upon their judgment of the needs of Taiwan." Taiwan Relations Act, Section 3 (b). Italics added

[6] According to PLA Air Force expert Richard D. Fisher, the US has the option to equip the new F-16s to a "4th generation plus" level of capability, the most notable feature being an active electronically scanned array (AESA) radar. The J-10B has an AESA radar and is expected to enter production this year. The J-11B is now being produced in three variants with a Chinese-built turbofan--a major significant accomplishment for the PRC's aerospace sector. They could produce 70 of both these fighters in about 3 years. Had we sold Taiwan the new F-16s in 2006 when the request was first made; they would be arriving at about the same time as the PLA's new fighters, and thus would have maintained a technical parity that would have aided deterrence. The Chinese air force already has numerous Su-27s and Su-30s which are superior to the F-16 fighters.

[7] Bruce Gilley, "Not So Dire Straits: How the Finlandization of Taiwan Benefits U.S. Security," *Foreign Policy*, January/February 2010, pp. 44-60; Charles Glaser "Will China's rise Lead to War? Why Realism Does Not Mean Pessimism," *Foreign Policy*, March/April 2011, pp. 80-91.

[8] William Dobson, "The Two Words Obama Didn't Mention," Washington Post, May 19, 2011, http://www.washingtonpost.com/blogs/post-partisan/post/the-two-words-obama-didnt-mention/2011/05/19/AFeSfM7G_blog.htm

[9] Bowing to pressure for a referendum just before an election, the KMT-controlled Legislative Yuan passed a referendum law with so many restrictions as to make the possibility of any initiative passing close to impossible.
[10] http://en.rsf.org/press-freedom-index-2009,1001.html. It rose to 48th a year later, apparently because of a deterioration in other countries' media rather than an improvement in Taiwan's.

[11] http://en.rsf.org/spip.php?page=imprimir_articulo&id_article=40343

[12] Robert Sutter, "Taiwan's Future: Narrowing Straits," NBR Analysis, National Bureau of Asian Research, Seattle Washington. May 2011, p. 22.

Chairman ROS-LEHTINEN. Thank you very much, Professor.

Mr. Schriver, the partner at Armitage International is recognized.

STATEMENT OF MR. RANDALL G. SCHRIVER, PARTNER AT ARMITAGE INTERNATIONAL LLC., PRESIDENT & CEO OF THE PROJECT 2049 INSTITUTE

Mr. SCHRIVER. Good morning. Thank you, Madam Chair, and thank you for the opportunity to testify before the committee today and for having a hearing on this very important topic.

In the interest of time, let me just make four very quick points.

The first point is that, for all the reasons previously articulated, Taiwan is extremely important and extremely important to the United States. We do have a strong and stable relationship with Taiwan. However, I feel as though this administration—and, to be candid, like previous administrations—does not hold high enough aspirations for Taiwan or the U.S.-Taiwan relationship. It is too often seen as merely a subset of U.S.-China relations. It is too often seen as an issue to manage in the context of U.S.-China relations.

That not only relegates Taiwan to this sub-issue category, but it brings opportunity costs. We are losing the opportunities to partner with Taiwan that is a like-minded country in so many ways, and we are losing the opportunity to leverage what Taiwan can bring to bear on so many regional and international challenges.

Second point, there is no doubt in my mind that we have witnessed an improvement in the cross-strait relationship in the last 3 years, and I think some credit is certainly due to President Ma. Credit is also due to the DPP, of course. They started a lot of the economic cross-strait activity on their watch under President Chen Shui-bian. So all the people of Taiwan deserve credit for the good work that has been done to promote cross-strait relations.

The one thing that hasn't changed—and this has already been pointed out, of course—is the dramatic nature of the military build-up opposite Taiwan. I think we need to be very clear on this point. We have a very senior ranking Chinese general coming to the United States and saying there aren't missiles pointed at Taiwan.

We have some U.S. scholars and even former officials saying that China has taken steps to reduce the threat to Taiwan. And this is just false, and this is well-documented in our DoD reports, well documented by objective analysts, and it is an important point. Because, of course, what our law says is that our decisions will be based solely based on the needs of Taiwan. So it is an important point to recognize that this buildup continues unabated.

The third point, I feel as though the response to this buildup on the part of the United States has been insufficient. And, again, I would be candid and say my own administration I served in was not robust enough in response, and that has continued and perhaps gotten worse in the current administration.

There are several platforms and systems under consideration—some have been mentioned here—F–16 C/Ds, submarines, other systems. I would say not only does Taiwan need these systems, not only does our law suggest that they should be made available to Taiwan, I think if they are withheld, not made available, I would seriously call into question whether or not the law is being honored at this point, given the state of the buildup.

And I do fear that there is a growing Chinese influence on our own process and our own decision making. The comment already made quoting Secretary Gates is of great concern when we have six assurances that we still allege to honor and we have a law that says our decisions will be solely based on Taiwan's defense needs.

It looks as though to me that there is growing Chinese influence. We are facing what I sometimes call the "tyranny of the calendar," all these different high-level U.S.-China activities when we can't possibly do a congressional notification for Taiwan in any proximity to those visits. This is not the way that the original architects of the law—it is just such a pleasure to have Congressman Wolff here and those that are still the stewards and the overseers of the law. It is not the way that people intended this to be carried out.

The fourth point is there have been some people calling for reducing or eliminating arms sales, changing the TRA, perhaps abandoning Taiwan. I think this is a very bad idea; and, in fact, I would go in the opposite direction. I applaud your efforts to strengthen the Taiwan Relations Act, but those that are saying we should abandon Taiwan I think are operating on a number of false assumptions, somehow we are going to get better U.S.-China cooperation on North Korea and Iran. Whereas I think China's policies there are driven by her own interests, which are very important strategic interests for China, not a fit of pique over our Taiwan policy.

Some people think that somehow this will help improve the cross-strait relationship, when, in fact, the historical data actually shows our arm sales support cross-strait negotiations. The 150 F–16s sold in 1992 preceded by a mere few months the so-called 1992 Consensus, the agreement reached in Hong Kong.

Even the $6.4 billion package that the Obama administration did in early 2010 preceded by just a few months the ECFA agreement, the economic agreement between the two sides.

So why would we change course now and alter the negotiating environment? I think this is a policy that is successful, and we should continue it.

And I look forward to your questions, Madam Chair, and other committee members.

[The prepared statement of Mr. Schriver follows:]

Testimony of Randall G. Schriver

Founding Partner, Armitage International
President & CEO, the Project 2049 Institute

June 16, 2011

House Committee on Foreign Affairs

Madame Chairwoman and esteemed committee members, I would like to express my appreciation for the opportunity to appear before your committee to talk about the importance of Taiwan as a friend and partner to the United States.

The United States has a strong interest in seeing Taiwan maintain its prosperity, security, and freedoms. We have supported the Republic of China for decades as the citizens there established a thriving democracy – and in doing so, we have simultaneously advanced our own interests in the Asia-Pacific.

American interests in Taiwan range from economic to security to diplomatic. Although commerce is only one aspect of the U.S.-Taiwan relationship, bilateral trade alone argues for greater consideration of Taiwan's importance to American interests. Taiwan is the United States' ninth largest trade partner; 11 percent of the United States' export market goes to Taiwan, surpassing both India and Brazil, and Taiwan's technology companies are some of the most vibrant in the world. Taiwan is home to a population of 23 million, holds the 21st largest GDP in the world, and is geographically situated to handle more shipping containers than any single port in Japan or Korea. By objective standards, Taiwan is clearly an important international friend.

Furthermore, Taiwan has become an exemplary model of a nation that has peacefully and successfully used American diplomacy and aid to transition into a democratic nation capable of providing aid to, and setting an example for, others. Taiwan has become a "responsible stakeholder," firmly committed to international efforts to fight terrorism, poverty, disease, and disaster.

The current U.S.-Taiwan relationship is strong and stable – but it needs to be made a priority. Taiwan's strengths and capabilities need to be maximized to emphasize its role as a peaceful member of the international community. Perpetuating a healthy and growing relationship with Taiwan will help to stabilize cross-Strait relations and secure American interests in Asia.

The Obama Administration, like previous administrations, does not have high enough aspirations for Taiwan. Taiwan is most often seen by members of the administration as an "issue to manage" in the United States and China relationship rather than the very important standalone player that it is. Such a framework not only relegates Taiwan to a sub-issue in U.S.-China bilateral ties, but it also carries huge opportunity costs. Namely, we are losing

many opportunities to partner with Taiwan, and to leverage all Taiwan can bring to bear on regional and international problem solving.

We also implicitly validate China's policies, and thus fail to consistently challenge China's illegitimate, irredentist claims on Taiwan, and fail to challenge their military intimidation and coercion. One often hears expressions of relief from officials in this administration and among the cognoscenti that Taiwan is no longer a "trouble maker." But this fundamentally misses the point. Potential instability in the Taiwan Strait does not emanate from Taiwan's style of democratic governance – the greatest danger comes from the continuing insecurities of the Chinese leadership, Beijing's neuralgia associated with democracy on Taiwan, and a strategy that is fundamentally flawed by an over-reliance on coercion.

The United States should do more to support Taiwan, just as we should seek more from our relationship with Taiwan. We should reject the false zero-sum proposition that our ties with Taiwan will unduly hinder either the U.S.-China relationship, or the cross-Strait relationship.

China and Taiwan have enjoyed many positive developments in the past few years. The signing of the Economic Cooperative Framework Agreement (ECFA), the establishment of direct commercial flights between Taiwan and China, the promotion of tourism in both directions and Taiwan's observership at the World Health Assembly are all indications of increasing rapprochement. Taiwanese president Ma Ying-jeou has made economic and cordial relations with Beijing the cornerstone of his administration, leading cross-Strait relations into its most stable era.

But despite the recent political and economic cooperation between Taiwan and China, the continued military buildup on the Chinese mainland opposite Taiwan and the increased targeting of People's Liberation Army assets directed toward Taiwan is cause for concern. We should be absolutely clear on this point – the Chinese build-up continues unabated. I believe some former U.S. officials and scholars are either misinformed or worse, are willfully engaging in misdirection when they publicly give credit to the Chinese for reducing the military threat to Taiwan. And some Chinese officials have simply been dishonest about their military posture. Objective analysis is important because it remains the legal obligation of this administration to make weapons for self-defense available to our democratic friend Taiwan.

Chinese military modernization has paid off; their power is remarkable and their advantage is constantly growing. Analysts in the United States and Taiwan's Ministry of National Defense say China has more than 1,500 missiles targeted at Taiwan. The PLA has developed and deployed other military capabilities to coerce Taiwan. Ultimately, Chinese military leaders seek capabilities to ensure an attempted invasion of Taiwan would be successful if Beijing ordered the attack. As the 2010 U.S. Quadrennial Defense Review report notes, "China is developing and fielding large numbers of advanced medium-range ballistic and cruise missiles, new attack submarines equipped with advanced weapons, increasingly capable long-range air defense systems, electronic warfare and computer network attack capabilities, advanced fighter aircraft, and counter-space systems."

The PLA has about 1.25 million personnel in its ground forces, with roughly 400,000 based in the three military regions opposite Taiwan. A new PLA Navy base on Hainan Island provides direct access to vital international sea lanes, and offers the potential for stealthy deployment of submarines into the South China Sea. China bases 490 combat aircraft within unrefueled operational range of Taiwan, and has the airfield capacity to expand that number by hundreds. The PLA is developing the capability to deter Taiwan independence or influence Taiwan to settle the dispute on Beijing's terms while simultaneously attempting to deter, delay, or deny any possible U.S. support for the island in case of conflict. The balance of cross-Strait military forces continues to shift in the mainland's favor.

The United States needs to take bolder steps. The past two administrations' actions in response to China's weapons buildup have been anemic. Although U.S.-Taiwan military cooperation has continued, security assistance over the past decade has slowed. Taiwan is not keeping up with China in terms of military buildup, and we are not being robust enough in our policy to enable them to do so. We have severely neglected the U.S. responsibility to provide arms to Taiwan. Software is crucial for effective defense, but without the necessary hardware, it is simply insufficient.

Last month 45 senators reasserted Taiwan's need for enhanced defense capabilities. With the PRC's security posture opposite Taiwan, as well as their increased provocations in the region, the U.S. is not sufficiently helping Taiwan meet its defense needs. Aircraft upgrades, submarines, and F-16 C/Ds are currently under consideration in Washington. I believe a faithful interpretation of U.S. law demands this administration provide Taiwan with these capabilities. Yet the Obama Administration continues to delay response to Taiwan's requests.

In July 1982, the Reagan Administration promulgated the Six Assurances to Taiwan, agreeing, among other things, not to give prior consultation to China on potential U.S. arms sales to Taiwan. This provided additional assurance to buttress the Taiwan Relations Act (TRA) language which states that U.S. decisions on arms sales will be based solely on analysis of Taiwan's defense needs. I question whether the administration honors this element of the Six Assurances and I question whether or not administration decision-making is consistent with the aforementioned part of the TRA.

We continue to hear that the administration's reluctance on a further arms sales announcement is based primarily on concerns related to China's possible reaction to an announcement, and/or a search for the right timing for an announcement in order to minimize potential disruptions to the U.S.-China bilateral ties. It seems to me that we are increasingly subject to China's influence in our decision-making. And we suffer from a "tyranny of the calendar" where frequent high level visits between U.S. and Chinese officials make the windows smaller and smaller for Congressional notifications. En route to Singapore, Secretary of Defense Gates was quoted as saying "we have tried to thread the needle pretty carefully in terms of Taiwan's defensive capabilities but at the same time being aware of China's sensitivities." Can any of us have confidence that this administration's decisions are based solely on the needs of Taiwan and not based in part on consultations with China and/or a fear of how China might respond to an announcement?

The administration needs to be bolder and more willing to deal with any fallout with China that may stem from an arms sales announcement. An objective review of historical data demonstrate that although the Chinese are angered by the arms sales, their response is predictable and quite limited in terms of any real, harmful impact on U.S.-China ties. The PRC will usually resort to verbal criticism of the arms sale, and postponing some military-to-military activities.

However, there have been few repercussions of arms sales for cross-Strait relations. We can document that cross-Strait breakthroughs often occur after U.S. arms sales to Taiwan are announced. Notably, the so-called '1992 Consensus' occurred shortly after the largest U.S.-Taiwan arms deal up to that point in time was announced. More recently, the Congressional notification of $6.4 billion worth of arms to Taiwan in January 2010 preceded the conclusion of ECFA by a mere few months. Furthermore, ECFA negotiations were not interrupted by the notification. These breakthroughs demonstrate that arms sales give Taiwan the confidence it needs to get to the negotiating table and engage in constructive talks with China. They demonstrate that the United States' military partnership with Taiwan is paying dividends. Why then should policy change? The increasing economic and political cooperation between China and Taiwan is a sign that the United States should remain committed to Taiwan's military needs.

Nonetheless, some prominent former officials, former high ranking military officers, and scholars are now arguing in favor of revising the TRA and reducing (or eliminating) our arms sales to Taiwan. While these views do not represent the mainstream, the arguments are being made by serious, credible people – and we should therefore treat their views with equal seriousness, owing to their stature in the policy or academic community rather than the soundness of their arguments.

Let me state unequivocally that I disagree with the arguments suggesting the TRA should be revised and that we should reduce or eliminate our arms sales to Taiwan. In fact, I believe just the opposite. We should enhance our security assistance to Taiwan. Reducing or eliminating arms sales to Taiwan would put the strategic interests of the United States at risk.

If you review the op-eds, articles and reports that call for changing our policy, they all share a set of assumptions that serve as analytical foundation for the arguments being put forward. And I believe their assumptions are seriously flawed. Taken collectively, there are five assumptions underpinning the arguments in favor of abandoning Taiwan as follows: (1) reducing our commitment to the TRA will enable closer U.S.-China cooperation on a range of important issues; (2) Taiwan is sui generis for China, and accommodation on Taiwan will not engender more assertiveness on China's part elsewhere; (3) Taiwan is not strategically important to the United States; (4) our allies in Asia would respond positively; and (5) the trajectory of current events is not likely to reverse and ending the TRA is conducive to better cross-Strait relations.

There is no evidence to support the assumption that revising the TRA will enable closer U.S.-China cooperation on other issues. There have been suggestions that we could potentially realize closer cooperation with China on issues such as Iran and North Korea. The problem

with this theory is that the Chinese have important, strategic interests related to both Iran and North Korea – and it is those interests that drive China's policy irrespective of positions the United States takes on Taiwan. As Iran's largest trading partner, third largest importer of oil, and largest investor in Iran, it is unlikely that China would cooperate with the U.S. to alienate Iran economically and pursue its own economic sanctions against Iran. China is also unlikely to put more pressure on Pyongyang. Just last week, North Korean officials and Chinese Vice Premier Wang Qishan attended groundbreaking ceremonies for an industrial park on Hwanggumpyong, an island on the Yalu River, and at Rajin for an industrial zone. Are we to believe that China is currently pursuing sub-optimal policies with respect to either Iran or North Korea to demonstrate pique over U.S. relations with Taiwan? It is highly doubtful that concessions on Taiwan will alter the PRC's behavior and garner PRC support for U.S. positions when counter to Beijing's interests.

Second, those arguing to revise the TRA and reduce or eliminate arms sales to Taiwan opine that Taiwan is sui generis. Taiwan is unique, the argument goes, because it is a so-called "core interest" of China, because of the historic legacy associated with an unfinished civil war, and because the most sensitive issues of sovereignty are at play. Therefore, making concessions on Taiwan would leave the Chinese sated, and would not engender more assertive and aggressive Chinese actions elsewhere. However, we once again note serious flaws to this assumption. One need only look at recent events to see that China is already behaving more aggressively in the region where Beijing's often dubious sovereignty claims are at issue. China has acted aggressively toward our ally Japan over the Senkaku Islands, and has steadily been ramping up pressure on our Southeast Asian friends with claims and interests in the South China Sea. Beijing reacted with anger, followed by threats to friends in Southeast Asia after the Obama administration made policy pronouncements related to the South China Sea. And even this week China strengthened its rhetoric on the South China Sea and renewed threats to countries seeking to extract resources from that area. The Chinese behavior in these cases and others lay false the claim that Taiwan is different.

Third, those arguing for abandonment of Taiwan claim that Taiwan is just not that important to the United States. The bulk of this hearing and the first part of my statement focuses precisely on why Taiwan does matter to the United States. But what is equally important to consider is how our interests in the region would be impacted if Taiwan, left undefended, were to be acquired through coercion by China. A coerced settlement could carry even greater strategic significance over the long term. Chinese control of Taiwan and the strait could effectively deny the United States and its allies access to critical sea lanes during times of heightened tensions. Mainland control of Taiwan would also significantly extend the reach of the PLA in the Asia-Pacific region. In other words, even if one is not persuaded of Taiwan's importance to the United States, surely that same person could see the potential harm to our interests if Taiwan is lost to Beijing's control.

Fourth, some are arguing that ending the TRA and reducing or eliminating our arms sales to Taiwan would be welcomed by U.S. allies in the region. The assumption is based on a belief that our allies see our loyalty to Taiwan based on historic affinities and not truly interest-based. Further, the argument goes, our allies would see opportunities for closer cooperation with the United States once we shed ourselves of this anachronism, and could be positioned

to focus more intensely on treaty allies. This assumption is quite naïve and demonstrates little understanding of the views of our allies. Abandoning Taiwan would be received negatively by our allies in Asia. Instead of enabling us to focus more on our other treaty partners, it will project the idea of gradual withdraw from the region, appeasement of China, and a general willingness to abandon friends. This jeopardizes America's future status as a Pacific power if China was able to assert its will with impunity. Regional allies would question the credibility of America's political commitments, as would other young democracies around the world. Furthermore, a weakened TRA would also provide the PRC with extreme leverage over the other nations of Southeast Asia. Revising the TRA is deleterious to both our strategic interests in Asia and the strength of our alliances.

Lastly, the purpose of our arm sales is not just to give Taiwan the ability to defend itself from PRC aggression, but also to give Taiwan the confidence it needs to go to the negotiating table and strike a balance between the goals of mainland and the goals of the 23 million people of Taiwan. Previously cited examples demonstrate that the TRA is working and to change course now would change the nature of negotiations. Can we believe in the fidelity of negotiations if China is, figuratively speaking, holding a gun to the head of Taiwan? We should also be aware that the trend of positive developments in cross-Strait ties could turn. If we reduce support to Taiwan, and a later juncture higher tensions return, there will be an even greater burden on the United States and others to come to Taiwan's defense because of Taipei's diminished capabilities. Further, when militaries fall behind, they tend not to fall behind in a linear fashion. Rather, the challenge will get exponentially harder over time and reversing course becomes a near impossibility. It is clearly in the interests of the U.S. to continue to nurture our partnership with Taiwan. Such a relationship sustains America's favorable position and is necessary to keep the region peaceful, prosperous, and free.

The United States should make the hard decisions that are required for the long term viability of our leadership position in Asia. We should commit to our own legal obligations under the TRA and provide the necessary defense resources in a region where hard power still matters. We should continue to push a robust bilateral agenda for our military relationship with Taiwan – not to provoke the PRC, but to proudly convey that we have high aspirations and expectations for our relationship with Taiwan.

I hope the Obama Administration will share this outlook, and that friends in Congress will as well. Thank you again Madame Chairwoman for the opportunity to participate in your hearing today, and to offer these thoughts.

Chairman ROS-LEHTINEN. Thank you so much.

Next, we will hear from Mr. Hammond-Chambers, the president of the U.S.-Taiwan Business Council. And I would note that in your official biography you have a very cool Robert De Niro goatee. Maybe the Mrs. behind you nixed that one, huh?

STATEMENT OF MR. RUPERT J. HAMMOND–CHAMBERS, PRESIDENT OF THE U.S.–TAIWAN BUSINESS COUNCIL, MEMBER OF NATIONAL COMMITTEE ON UNITED STATES–CHINA RELATIONS

Mr. HAMMOND-CHAMBERS. Very perceptive of you, Madam Chairwoman, yes. She said, "Enough."

Madam Chairman, esteemed committee members, as an immigrant to the United States I want to say what an honor it is to testify in front of this committee. As my good friend Randy likes to point, I am Scottish by birth, but I am American by choice, and I take that with great pride.

I believe that the relationship between the U.S. and Taiwan is suffering significantly from a lack of ambition and a lack of leadership. We have throughout the different areas of policy a lack of leadership on the part of the administration to move forward in areas that would benefit our country.

As you, Madam Chairman, pointed out, Taiwan is a dynamic democracy. We have seen a peaceful transition of power. We have dynamic legislative and executive branches vested with real power. We have an active dual party democracy, respect for human rights, and media. And Taiwan also a serious player on the defense security region when it can get access to equipment, of course.

For many, many reasons—for those reasons and many reasons more, Taiwan stands as a beacon for U.S. Policy in the region and around the world and is deserving of American support.

There are three specific areas in which we are coming up short: Econ, military, and communication.

In the economic area, as mentioned by one of your committee members, the TIFA process is again frozen. We are in the 7th year out of 11 years in which the principal process for negotiating with Taiwan on economic matters is frozen, this time over beef.

In the early part of this year, the administration was preparing to send Demetrios Marantis, the deputy, out to Taiwan. There was another beef issue of ractopamine. That issue undermined efforts to get Mr. Marantis to Taiwan, and again we were thrown back into crisis.

There appears to be no likelihood that this issue will be resolved anytime soon, indeed through at least until the middle of 2012. Beef represents less than 1 percent of bilateral trade relationship, and yet it continues to dominate and to undermine the best intentions and hurt U.S. economic interests.

From an FTA standpoint, Free Trade Agreement, I think it is simple enough to point out that, in the absence of a TIFA, it is difficult to talk about FTA in the absence of fast track and an FTA policy on the part of the administration. It is difficult to see how Taiwan fits there. However, at such time as the President has FTA as part of his policy objectives, we would hope to see Taiwan as a priority.

On the arm sales issue, we have an almost complete breakdown in process as well as consideration of movement forward on capabilities and new capabilities. We have had no new significant programs in the system. We have no new significant programs in the system other than the F–16 A/Bs. They are sitting at State. They have been there since September, 2010. The pricing and availability data is ready to be sent to Taiwan; and the Department of State has offered no reason as to why, in the middle of the bureaucratic process in which a sale is considered, they have sat on the F–16 A/B upgrade for so many months.

The submarine program, too, is at State. The congressional notification could be sent to Capitol Hill after due process at any time and yet we see no movement on that. That issue is of significant interest and importance to Taiwan.

Of course, the issue of the LOR for F–16 C/Ds, Taiwan has been attempting to submit a lateral request for 66 F–16 C/Ds since 2007, and successive administrations have refused to even accept the LOR, bearing in mind, of course, as you and your committee members know, that accepting an LOR isn't an agreement to sell; it is simply an agreement to consider. And yet we find ourselves in a position where even the follow-on sale of additional equipment that Taiwan already has in its inventory is not under consideration.

In process, you, Madam Chairman, have pointed out, issues over the Javits report, Senator Lugar has pointed out issues over due process, prenotification for congressional notification and other areas.

At what point do we challenge the administration's rhetorical claim that they are abiding by the Taiwan Relations Act, following the proper FMS process for arm sales, and involving Congress in Taiwan-related security matters? I believe that time has come.

The recommendations I would make are relaunching TIFA immediately, finish the extradition and visa waiver agreements in 2011, accept an LOR for F–16 C/Ds, notify to Congress at earliest possible opportunity the phase 1 submarine design, notify to Congress as early as possible the F–16 A/B upgrade program, and to restart the sending of Cabinet officers off to Taiwan.

I hope very many, Madam Chairman, that your chair and your committee will look to fill the role of leadership where the administration at present is not. Thank you very much.

[The prepared statement of Mr. Hammond-Chambers follows:]

TESTIMONY BEFORE THE HOUSE COMMITTEE ON FOREIGN AFFAIRS

Rupert J. Hammond-Chambers
President, US-Taiwan Business Council

"Why Taiwan Matters"

June 16, 2011

Opening Statement

Madam Chairwoman and esteemed committee members, it is my great pleasure to testify today in front of this important congressional committee. The House Committee on Foreign Affairs has, for many years, played a leadership role in directing and supporting U.S. foreign policy. This is particularly true of our nation's interests in North East Asia.

It has been since 2004 that a full congressional hearing on Taiwan has been held on Capitol Hill, and much has changed since then. Regrettably, the United States finds its interests and equities on the island significantly reduced - mostly as a function of the zero-sum policy game played by U.S. policy makers who are attempting to calibrate our interests with Taiwan on the basis of America's China policy.

The U.S. has an enormous interest in seeing Taiwan continue on its present positive trajectory. Over the past 15 years, Taiwan has held four free presidential elections. On two of those occasions, it has seen the peaceful transition of power from one party to another. Taiwan is a dynamic democracy with real power vested in both the executive and legislative branches of government, each working with and restraining the other. The island has two large and highly competitive political parties, offering significant policy choices for its citizens. Taiwan has also become a partner with the United States in combating intellectual property piracy, and it has an established track record on human rights and free media. Taiwan plays a lead role in providing for peace and security in the region by participating in programs such as the Container Security Initiative, and it is also taking on a leadership role by providing disaster relief assistance on a global scale. Taiwan also takes its defense and security priorities seriously, with significant investments in its armed forces when it can get access to modern equipment.

Taiwan's policies and actions clearly reflect and support American foreign policy priorities in Asia - standing in stark contrast to a number of other Asian countries, including China, whose policies and actions frequently run contrary to American interests. Given these important advances for a long-term American friend, it would seem logical that Taiwan would be worthy of robust American support. That has not been the case in the recent past, however, as America's relationship with China has cast a long shadow over U.S. - Taiwan relations.

In January of 2011, the Obama Administration was planning to move forward with sending Deputy United States Trade Representative Demetrius Marantis to Taiwan to re-launch trade dialogue under the Trade and Investment Framework Agreement (TIFA). Those talks had been frozen since 2007 over the lack of U.S. access to Taiwan's beef market. While some issues remained, the USTR had apparently determined – correctly in the US-Taiwan Business Council's view – that it was time to move beyond beef. Mr. Marantis would have been the most senior Obama Administration official to visit Taiwan in years. Unfortunately, however, that meeting did not take place. Instead, new issues surrounding U.S. beef exports have once again derailed the entire U.S.-Taiwan trade relationship.

In the early parts of this year, Taiwan began testing meat for ractopamine. A substance used as an animal feed additive, ractopamine promotes leanness in animals and is used extensively in raising cattle, pigs, and geese. Taiwan has long banned the drug – as do 160 other nations - but it only started testing for it

at the beginning of 2011. Ractopamine residue has since been detected in U.S. beef imported to Taiwan, and the market for U.S. beef exports to the island has contracted.

Other areas of U.S.-Taiwan relations have ground to a halt as well. The Visa Waiver and Extradition Agreement initiatives appear relatively benign, and yet progress is at best proceeding at a snail's pace. If these two initiatives are indeed indefinitely put on hold, or continue to drift without leadership, the Obama Administration will then have only a single instance in which they invested political capital in America's relationship with Taiwan - January 29, 2010 when it notified to Congress several Bush-era defense programs.

If the calculation in January was to push beef aside, with the notion that stalling the relationship over one issue was hurting America's broader interests, how and why has that position changed? Instead of sticking with that new position, the U.S. has doubled down. The situation becomes especially vexing because the beef issue is a red herring. Issues surrounding beef imports affect many of our top trading partnerships in Asia, but only with Taiwan did the U.S. make the decision to suspend our entire trade dialogue over the issue. In relations with Japan and South Korea, we were able to make broad progress while compartmentalizing beef. But doing that takes leadership and ambition for the relationship – in U.S.-Taiwan relations we have neither leadership nor ambition.

The beef issue has now become inexorably intertwined with what remains of our non-defense relationship with Taiwan. Meanwhile, the Administration's appetite for arms sales in the face of Chinese sensitivities hovers at close to zero. There is a small possibility that the Obama Administration will notify to Congress an upgrade of Taiwan's F-16A/B fighters in 2012. However that program may very well be further postponed, caught up in the White House's calculations over Mr. Obama's re-election campaign and his desire to show progress in U.S. - China relations.

Your office, Madam Chairwoman, has raised the issue of Administration violations over the Javits report, and the fact that the U.S. Department of State has not been briefing you on Taiwan after assuring you they would. Senator Lugar has engaged in an exchange with the U.S. Department of State over process violations on arms sales notifications. These Administration actions come with an unwillingness to provide any reasoning for denying Taiwan the ability to submit a Letter of Request (LOR) for F-16s - a platform Taiwan already has in its inventory, and one that's required to provide for Taiwan's national defense.

As we take stock of the past 3-4 years of bilateral relations, and looking forward towards the coming months and into 2012, it will be all too easy to claim that the beef issue was responsible for undermining a better relationship. But this is not the case. The current poor state of the U.S.-Taiwan relationship is not merely the result of disagreements over a parochial agricultural issue. Instead, it is the consequence of a much broader lack of ambition on the part of Washington to promote its relationship with Taiwan. The beef issue is a symptom of a wide-ranging malaise, a condition that is impacting all aspects of our relationship - including defense.

The continued suspension of TIFA talks, and the listless drift of other bilateral "priorities" such as the Visa Waiver and the Extradition Agreement, may very well have heralded the end of what passed for an agenda for U.S.-Taiwan relations - at least until January 2013 when Mr. Obama, or his challenger, will have an opportunity to assess anew how to proceed.

The State of Taiwan's Economy

Taiwan's economy has undergone a dramatic rollercoaster ride since the onset of the global recession. It saw export-driven demand fall off a cliff at the end of 2008/beginning of 2009, with demand for Taiwan-produced goods dropping by as much as 50%. This caused real hardship for swathes of Taiwan industry, and caused a ripple effect for the Taiwan government - which saw growth in unemployment and a drop in tax receipts.

GDP growth collapsed in 2009, only to see a dramatic swing back in 2010 when it reached 6.9% in the fourth quarter. That is certainly a solid performance, albeit a deceleration from the third quarter when the Taiwan economy expanded by 10.7%. Overall Taiwan GDP seems to have bounced back. According to the latest figures, it appears to be settling in to a growth rate of 4% for 2011 - barring any unforeseen global economic shocks. This number does take into consideration the ongoing economic issues in Japan, but does not factor in growing prices for energy - particularly oil.

Supply Chain

We are only now starting to see the medium to long-term impact of the devastating Japanese earthquake, tsunami, and subsequent nuclear disaster. In U.S. papers, we are seeing reports of Toyota's difficulties in providing the latest models due to parts shortages emanating from Japan. While Taiwan is not as heavily integrated in the global auto supply chain as the U.S., it most certainly is in the information technology space, and there we have yet to see the full impact of Japan's troubles.

The trade data to date is inconclusive, but some trends are starting to emerge. First, a slowdown in Japanese demand for Taiwan exports is becoming evident. On the upside, however, Taiwan only sends 6.5% of its total export production to Japan, so the hit is relatively small. The far larger problem is the supply chain disruption.

While Taiwan is known for global IT companies such as Acer and HTC, and for leading system-integrators such as Hon Hai/Foxconn, it has had relatively little success building out a dynamic supplier base for IT components. This is mostly due to poor quality and poor customer service. Therefore, Taiwan's main system-integrators in the IT space are prone to exposure to external shocks, given that they must source components from foreign markets - typically Japan or South Korea. Since Taiwan and Japan have vastly better relations – at all levels – than the island does with Korea, Taiwan companies typically prefer to source from Japan.

While some component factories in Japan were indeed destroyed or damaged due to the quake and tsunami, more and severe disruptions occurred due to irregular electricity and water supplies. Industrial areas in Japan have had to share the electricity in its power grids, which has resulted in slower production in some cases. In other cases – such as where consistent power is essential - production completely halted.

The semiconductor industry is a good prism with which to look at the situation. Semiconductor manufacturing machinery requires careful calibration and can be severely affected by irregular power and water supplies - as well as by the additional seismic activity. The week of April 4, DRAM companies sent word to their major customers that the supply of DRAM chips will tighten this summer (July) due to the limited supply of blank wafers used to make semiconductors – it appears that the earthquake halted production of approximately one quarter of the global production for such wafers. This tightening will cause a rise in the price of chips. Coupled with other component shortages, it will likely result in overall price hikes for all IT products, as well as a tightening supply for such products into the summer and beyond.

There is a longer-term hit for semiconductors too. Japan supplies some of the world's best semiconductor manufacturing equipment, a large portion of which ends up in Taiwan. Indeed, the Semiconductor Manufacture & Materials International (SEMI) trade group predicts that Taiwan will be the top market for such equipment in 2011. Companies such as Taiwan Semiconductor Manufacturing Company (TSMC) have huge annual capital expenditure budgets, and may see future production affected negatively by the lack of new capacity.

Finally, it is important to continue to track the impact that events in Japan are having on Taiwan IT integrators, which are also seeing component shortages. Taiwan now ranks 6th globally in the World Economic Forum's "Global IT Report," up from 11th in 2010. This trend is likely to continue as Taiwan

further establishes itself as an indispensable cog in the global IT supply chain. Therefore, any disruptions to production in Taiwan will have a global domino effect.

Unemployment & Inflation

Unemployment rose from 4% to 6% during 2008-2009, and for Taiwan this is a considerable increase. The cultural emphasis on the compact between businesses and workers, coupled with restrictive labor laws, make it difficult for companies to lay off workers in difficult times. The peak of 6% unemployment in 2009 has been followed by a gradual reduction to put that figure back under 5%. It is worth pointing out that while Taiwan's unemployment figures appear low, there is significant under-employment in Taiwan. You see it vividly in the north in restaurants and hotels, and in the south in the volumes of street vendors. Taiwan does not utilize its labor force well – a problem I return to below.

On recent trips to Taiwan I have heard a great deal about the potential impact of quantitative easing or QE2. There remains considerable concern that America's loose monetary policy will increase inflationary pressures on Taiwan's economy. While publicly denying any currency manipulation, the Taiwan Central Bank it is in fact highly active and appears to wish to keep inflation to around 2%, and to keep the New Taiwan Dollar exchange rate to around US$1:NT$29. Inflation remains benign at this time, and with unemployment and under-employment a factor, there is little chance of rising wages pushing up inflation. The same cannot be said for food or fuel, although the government does have a track record of subsidizing energy to mitigate against price volatility.

U.S. Businesses in Taiwan

2010 was a good year for multinationals in Taiwan. A recent survey by AmCham Taipei showed that better than 80% of their members had a good or great year. Over 50% or respondents are predicting an even better year in 2011.

The Economic Cooperation Framework Agreement (ECFA) is viewed as good for multinationals in Taiwan, as increased demand from China should directly or indirectly improve their business climate. The cross-Strait movement of people and goods has immeasurably improved since the easing of restrictions, and that has been a boon for U.S. companies. This is true particularly in industries like technology, where the U.S. has high exposure as both a participant in providing parts and services to the supply chain (e.g. in the fabless chip business) and as an end-user of the IT supply chain (such as Apple).

However, U.S. companies in Taiwan are seeing the labor market there getting tighter. Taiwan's labor laws are poor, negatively impacting companies' ability to hire and fire and to seek labor from external markets. The most sensitive example is certainly China, and it is simply not likely that Chinese workers are going to be allowed to work in Taiwan under anything other than specific and narrow areas - for example as the manager of a Chinese bank branch. Exacerbating the labor issue for Taiwan is the low birth rate, which will clearly have a long term impact on growth. In addition, there seems to be little appetite in the government and legislature to augment the population by liberalizing immigration laws and allowing more foreign nationals to immigrate to Taiwan. The short-term politics for increased immigration are poor, particularly in a period of higher unemployment. In addition, the broader issue of "foreigners" coming to Taiwan will certainly resonate with voters in the upcoming elections, some of whom view the influx of mainlanders in the 1940s as an "invasion".

Foreign investors have been supportive of the tax policy changes that have been enacted by the Ma Ying-jeou government. While ECFA has been heralded as an important development in attracting companies to "take another look at Taiwan," the tax reforms that took place in 2010 are often overlooked. Those reforms included a reduction of the corporate tax to 17.5%, making it highly competitive with Taiwan's regional competitors and an attractive marketing tool. On the flip side of the tax coin is Taiwan's regressive income tax rates, which top out at 40% and are seen as a disincentive to national talent retention - persuading those who can move to Taiwan to do so, or to persuade those who can leave to stay. It is arguably the highest rate amongst Taiwan's regional competitors.

Overall, multinationals in Taiwan are looking for ways to expand their business there either through investment in existing operations or through mergers and acquisition activity (M&A). That is a good sign for Taiwan - although Taiwan's regulatory environment makes M&A activity difficult, and therefore the activity is not as active as it could be.

There are other important characteristics of life for multinationals in Taiwan as well, which bode well for the island continuing to draw investments. It is safe, the people are overall kind and friendly, and there are good schools. Since 2008, executives based in Taiwan can also easily reach other important Asian locations as a consequence of normalized flights to China and better inter-model integration with regional airports such as Tokyo's Sendai and Seoul's Gimpo. Executives can travel quickly and easily from downtown Taipei to Songshan airport, where they can catch a direct flight to the local capitol hubs for North East Asia - much like Washington National airport offers convenient connections to New York and Boston. This is very important, as the quality of life issue will continue to positively impact Taiwan's ability to attract businesses.

In the recent AmCham Taipei business survey, 3 issues were most often cited by businesses as the most important improvements since 2008; direct flights, the normalization and liberalization of cross-Strait trade, and the reduction in tensions across the Strait. On the downside, businesses continue to wrestle with archaic regulations and an outdated legal environment for their businesses, and the Taiwan bureaucracy still has a reputation for being slow and unresponsive. Given that Taiwan continues to be viewed as having more potential than where actual gains are realized, it continues to under-perform on growth.

Recommendations for Taiwan

It is essential that Taiwan focus its efforts on its sunrise industries and not on its sunset industries. There remains a danger that Taiwan will take a parochial attitude toward its economic future, and rather than specializing in areas where it has distinct advantages - such as technology, tourism, medicine/treatment - it will continue to nurture its sunset industries such as the textile industry and low end manufacturing of toys and cheap disposable consumer goods. The approach they choose should be reflected in the island's external trade posture, and Taiwan trade officials admit to viewing bilateral and multilateral trade deals as the most effective leverage in dealing with domestic economic interests. I believe that the outcome of the Taiwan-Singapore Free Trade Agreement (FTA) currently being negotiated will tell us a great deal about what Taiwan is prepared to undertake in short term pain in order to realize long-term gains. The exception will be agricultural issues, which won't figure prominently in the Singapore FTA negotiations.

Taiwan also needs to address its currently poor infrastructure. President Ma was elected touting the" *i12 Projects*" as part of his platform – the term refers to 12 prioritized infrastructure projects, including significantly upgraded transportation, urban renewal, environmental protection facilities, etc. Nevertheless, Taiwan has seen little actual progress on this multi-billion dollar infrastructure program since President Ma took office.

Taiwan also needs to get serious about its future energy needs. The recent nuclear disaster in Japan has been used by the anti-nuclear power movement - most prevalent within the Democratic Progressive Party (DPP) - to call for the 4th Nuclear Power Plant at Lungmen to be mothballed. This is unrealistic, as the plant is necessary to address the power needs of Taiwan's growing economy, and it is also counterproductive to Taiwan's environmental goals for its emissions. Taiwan's energy infrastructure, as maintained by Taipower, is indeed woefully underfunded. It is also susceptible to acts of God such as typhoons and earthquakes, and acts of China such as limited missile strikes on key targets – in all cases with the potential of disrupting the energy grid badly. In addition, it relies almost exclusively on outside sources for its energy needs. Taiwan looks to China for coal (a fact that is deeply worrying), gets its Liquid Natural Gas (LNG) from Qatar, and imports its oil from Kuwait. While oil consumption in Taiwan is forecast

to remain basically flat over the next decade, LNG consumption is likely to rise about 50%. Worryingly, Taiwan has no ability to secure its energy supply lines.

Taiwan Trade Relations

Trade & Investment Framework Agreement (TIFA)

The Trade & Investment Framework Agreement (TIFA) is presently in its second freeze over the past decade, making it the 4th straight year of no bilateral trade dialogue under this framework. Successive U.S. administrations have frozen the TIFA trade dialogue with Taiwan during 7 of the past 10 years.

In contrast, the U.S. has consummated a Free Trade Agreement (KORUS) with South Korea, which is Taiwan's principal regional competitor. Albeit still not passed by either country's legislature, the trade diverting pressures of KORUS is potentially damaging to both Taiwan and the United States. In the absence of a similar deal with Taiwan, or of any efforts to consummate smaller agreements through TIFA, the trade diverting effects are not being mitigated against.

As I mentioned above, the issue of beef exports to Taiwan continues to dominate the bilateral picture. Both sides seem unwilling and/or unable – due to domestic constituencies – to make concessions. President Ma's election calendar and the ramifications of the failure of the 2009 agreement make it impossible for him to make direct changes to beef import rules. In the U.S., USTR is under considerable congressional pressure to extract further concessions for Taiwan prior to re-launching TIFA.

Given this present state of affairs, it appears unlikely that any additional TIFA talks will be held prior to May of 2012, after the Taiwan presidential inauguration.

Likelihood & Desirability of a US-Taiwan Free Trade Agreement

The United States cannot have a comprehensive Asia-wide policy in the absence of an actual Asia trade policy. The Asia Pacific region is the most dynamic free trade arena in the global trading system. It is also crystal clear that the United States is increasingly on the outside looking in to this dynamic - a highly damaging state of affairs that has the U.S. abdicating its traditional leadership role in the region. In fact, both China and the EU are pursuing numerous trade deals in the Asia Pacific.

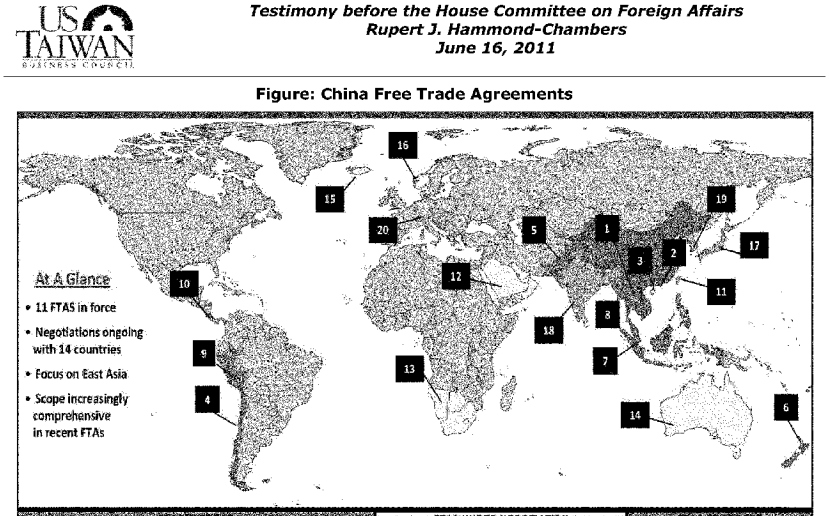


Figure: China Free Trade Agreements

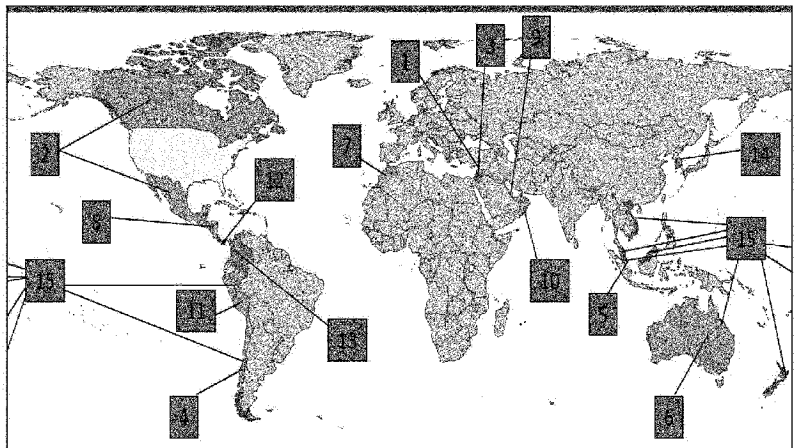
FTAS IN FORCE			
Agreement	Date Signed	Agreement	Date Signed
1) Thailand	Oct. 2005	7) Singapore	Jan. 2009
2) Hong Kong	Jan. 2004	8) ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam)	Jan. 2010
3) Macau	Jan. 2004	9) Peru	March 2010
4) Chile	Oct. 2006	10) Costa Rica	April 2010
5) Pakistan	July 2007	11) Taiwan	Sept. 2010
6) New Zealand	Oct. 2008		

FTAS UNDER NEGOTIATION	
Agreement	Launch Date
12) GCC (Bahrain, Kuwait, Oman, Qatar, S Arabia, UAE)	Jul 2004
13) SACU (Botswana, Lesotho, Namibia, South Africa, Swaziland)	June 2004
14) Australia	May 2005
15) Iceland	April 2007
16) Norway	Sept 2008

FTAS PROPOSED	
Agreement	Proposed
17) East Asia (Aus, ASEAN, Japan, Korea, NZ, India)	Widely discussed since 2003
18) India	Study completed Oct. 2008
19) Korea	Feasibility study ongoing
20) Switzerland	Joint feasibility study completed in 2010

Source: C&M International

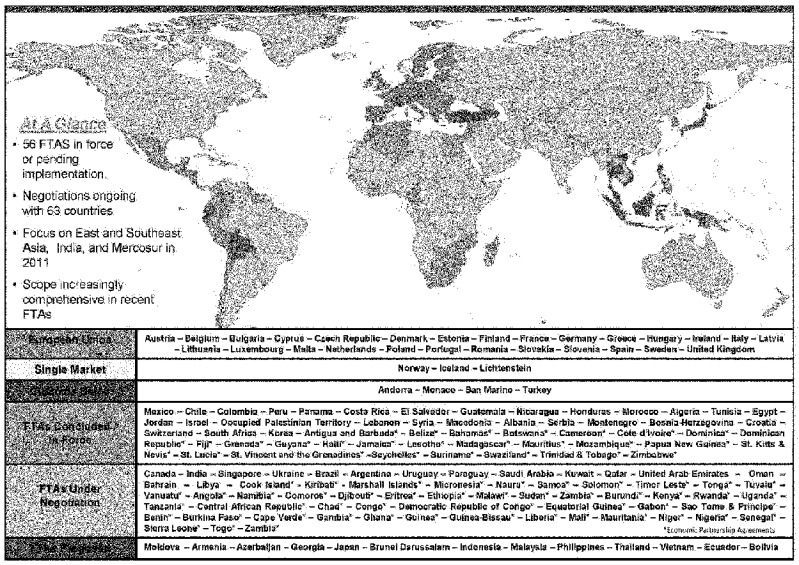
Figure: U.S. Free Trade Agreements



FTAs in Force	Date in force	FTAs in Force	Date in force	FTAs Pending	Launch date status	Contentious Issues
1) Israel	1985	7) Morocco	2005	12) Panama	2004, pending US ratification	Labor and tax policy issues.
2) NAFTA (Canada, Mexico)	1989/1994	8) CAFTA (Guatemala, Honduras, El Salvador, Nicaragua, DR, Costa Rica)	2006-2009	13) Colombia	2004, pending US ratification	Violence against labor leaders.
				14) Korea	2006, pending US ratification	US beef exports
3) Jordan	2001	9) Bahrain	2006			
4) Chile	2004	10) Oman	2009	15) Trans-Pacific Partnership (Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam)	2010, under negotiation	Market access schedules
5) Singapore	2004	11) Peru	2009			
6) Australia	2005					

Source: C&M International

Figure: EU Free Trade Agreements



Source: C&M International

The U.S. has also let US-Taiwan trade relations deteriorate. While trade ties remain robust, America's percentage of Taiwan trade continues to fall - reaching less than 13% in 2011. This comes at a time when Taiwan has consummated the ECFA with China, which contributes to the continued expansion and deepening of the scope of economic relations across the Taiwan Strait. China now absorbs well over 40% of Taiwan's output.

This is a disturbing trend for the United States for two principal reasons. First, Taiwan is America's 9th largest trading partner. Taiwan's economy is worthy of nurturing simply for the volume of U.S. exports that it consumes. Second, Taiwan is a strategic global technology partner – as discussed in parts of this testimony – and the United States has significant interests in ensuring that the global technology supply chain that runs from America's technology clusters in Massachusetts, Texas, Washington, and California continues to grow.

The U.S. government should engage Taiwan in negotiations on ways to broaden and strengthen our bilateral trade relationship. That would ideally be done within the framework of a comprehensive Free Trade Agreement (FTA). However, in the absence of a U.S. trade policy that promotes FTAs, the mechanism that could be used today is the Trade & Investment Framework Agreement (TIFA). TIFA talks - accompanied by building blocks such as agreements on transparency, competitiveness, and services – as

well as bilateral agreements on investments and taxes - would promote an incremental approach that could serve until the U.S. is ready to again pursue FTAs with its key trading partners.

The US-Taiwan Business Council supports the renewal of Trade Promotion Authority (TPA) as the first step toward launching negotiations for a US-Taiwan Free Trade Agreement.

Importance of Taiwan's Regional Integration

Supply chains seek to minimize cost, and yet there can be built-in costs that are created by politics or bureaucratic meddling. If Taiwan's principal competitors - such as Korea - are able to reduce costs in the supply chain, they achieve improved cost structures and therefore improved competitiveness. If Taiwan is unable to break out of its China-imposed trade isolation, Taiwan businesses will be at a significant disadvantage. I think we all understand this point.

While we must all obediently nod to Doha and the benefits of a global multilateral deal, that is simply not in play at this time, and may not be for years. Taiwan must negotiate bilateral and multilateral trade arrangements in support of its equities, in order to ensure parity and equal market access. If it does not, trade opportunities will be diverted away from Taiwan businesses. Having Taiwan participate in the growing networks of FTAs that are taking shape in Asia is a key to Taiwan's future economic security.

As the ECFA ramps up, Taiwan is likely to become increasingly dependent on China. This is of concern both as an economic competitiveness issue as well as a political issue. Taiwan must attempt to break out of its isolation, as well as address the implications of further integration – will China become the sole dynamic in Taiwan's trade posture?

In the end, I believe Taiwan will make concessions, even on agricultural issues, to secure regional FTAs as a means to counteract the China influence.

Economic Cooperation Framework Agreement (ECFA)

The Economic Cooperation Framework Agreement (ECFA) had its roots in the vision of Taiwan Vice President Vincent Siew, who envisaged a Cross-Strait Common Market that would act as a platform for sustained relations. Since June 2008, President Ma's government has pursued a policy of normalizing and liberalizing cross-Strait trade.

Yet the Ma Administration has been careful to position the ECFA not as a policy unto itself but as a component of a broader global trade policy. Indeed, the Ma government has been reaching out to other Asia Pacific trading partners to engage in trade liberalization discussions. This has included Singapore, Japan, and India - all of whom have articulated varying degrees of support for liberalized trade ties with Taiwan. Indeed, Taiwan and Singapore will likely consummate their bilateral free trade agreement by the end of 2011.

ECFA allows for the normalization and liberalization of cross-Strait trade with significant macroeconomic benefits to Taiwan. Should the DPP find itself back in charge, it also removes a major issue for them to have to deal with in regards to its relationship with China – the ECFA clarifies the economic relationship, and reduces the domestic pressure on the party to accommodate China in negotiations on all issues. A majority of Taiwan citizens support closer economic ties with China, but a small percentage also supports closer political and military ties. Because the ECFA is already a done deal, that removes the economic constituency in support of closer ties. Therefore, the DPP can build a broader base of support for the rest of its China policy.

If the Democratic Progressive Party (DPP) wins in 2012, it has floated the idea of holding a referendum on the ECFA. This has been described to me as a tactical play to the DPP's core base, to show their concern over the manner in which ECFA was executed. But at a practical level, the DPP leadership will be

comforted in the knowledge that the barrier to reversal is so high that no overturn referendum result is likely. It is a political play with no real chance of success.

The DPP candidate for President - Dr. Tsai Ing-wen - is a populist on economic matters, and would likely move strongly on issues such as nuclear power, heavy industry development, or on projects such as Kuokuang Technology Company's controversial petrochemical plant. She would be likely to focus on social welfare issues rather than Taiwan's economic picture, and this could impact Taiwan's growth and development.

With cross-Strait negotiations on economic issues already ongoing under Ma, I would expect the DPP to hold a brief review of "China policy" and then attempt to continue the ongoing negotiations. It is unlikely to be the DPP that seeks to extract leverage out of such a change in government. Instead, it will be China that will likely place significant pressure for deliverables on the DPP, in exchange for continuing their present policies. In this scenario it is difficult to see the DPP able to accommodate China, and the cross-Strait situation would likely deteriorate. Any future trade developments would depend on the manner in which the negotiations fail. If they fail due to Chinese objections to a DPP government, it would depend on how Washington behaves and what position the U.S. chooses in any attempt to put the dialogue back on track. (This is also a broader issue, as the U.S. would likely be dealing with an overall deterioration in China's attitude toward Taiwan.)

If Ma is re-elected, it is unlikely that the negotiations will fail or stall. If they run into difficulties, it is merely a question of re-defining what "success" means in the context of these talks. What is more likely is a less ambitious agreement, where issues under contention are simply left out.

I don't believe that international investors will be soured on Taiwan if the talks fail or stall. But if the failure comes as part of a broader breakdown in cross-Strait relations, then rising tensions is likely to sour businesses and capital markets on Taiwan.

As noted above, Taiwan must continue to focus on reforming its labor market. It must also refine its intellectual property rights (IPR), its tax regime, and upgrade its infrastructure. If not addressed, all of these factors would negatively impact Taiwan's growth ceiling and its attractiveness as an investment destination. In fairness, Taiwan has made great strides in the protection of IPR since the early part of the last decade. This is an ongoing process, as violators are creative in their approach. Nevertheless, an improving IPR environment in Taiwan and a degenerating environment in China can be used effectively by Taiwan to attract high-end investment - such as research and development – while having low-end marginal manufacturing placed in China.

After the present round of ECFA negotiations is complete, I expect a smaller more nuanced focus on areas that will add to what's already been accomplished. In addition, China is likely to push harder for increased investment levels in areas such as property or direct investment levels in certain sectors. This will present a challenge for the Taiwan government, as these demands will move China from being a passive investor to one that has more operational control over Taiwan businesses. As with all areas of engagement, further strides in the economic arena will get tougher as the low hanging fruit is consumed and China's demands rise.

Also, we do not know much about the incoming Chinese leadership and its attitudes toward ECFA and present Taiwan policy. We know that President Hu and his colleagues have embarked on this new course, but Xi Jinping and those who make decisions with him may choose a more confrontational approach. Certainly if the DPP is elected, China is likely to place heavy conditions on a continuation of economic negotiations.

Taiwan Overreliance on China

Recently, we have seen the dramatic impact that supply chain disruptions can have on global economic activity; The Icelandic volcano eruption that disrupted Atlantic and European air traffic in 2010, the Chinese freeze in rare earth shipments to Japan, and more recently Japan's earthquake and tsunami. In each instance the effects were both economic and political.

China's actions toward Japan on rare earth exports certainly drew out Japan's vulnerability to such supply chain disruptions. But it hurt China as well, by tarnishing its image. Markets are adjusting to the tightening, and new sources of materials are being established. However, the incident heightened global concerns about China's behavior and how reliable it is as a commercial partner.

It is not good policy – economic or other – to place too many eggs in one basket, particularly when that basket belongs to the country that most threatens your way of life. Nevertheless, Taiwan's geographic proximity to China, and the commonality of language and society, makes Taiwan investments in the Mainland attractive. This is coupled with a distinct lack of imagination on the part of Taiwan industry, an attitude that is only slowly changing. The government traditionally does a poor job of educating its companies regarding other possible locations for investment, and it does not offer support for venturing further afield. Recently, the Chairwoman of the Council for Economic Planning and Development (CEPD), Christina Liu, has embarked on a global sales mission, both to sell countries on Taiwan as well as to sell Taiwan companies on new markets. This is a good, albeit small, step in the right direction.

One of the best examples for Taiwan of a successful strategy is India. India bears watching, as it continues to assert itself in Asia, showing a refreshing attitude toward promoting its own interests in the face of Chinese opposition. This should also open some commercial opportunities for Taiwan, as well as opening the possibility of a Free Trade Agreement with India. In this instance, I would be surprised if it had a heavy agricultural component.

Yet Taiwan is hooked on China trade and investment. It is seeing tremendous growth in the market, and that will continue to fuel positive attitudes. But China has been moving toward state champions and state controlled capitalism – encouraging its State Owned Enterprises (SOE). Therefore a strong case can be made that Taiwan's companies should, for their own good as well as for the good of Taiwan, seek other markets in which to set up manufacturing and where to sell their goods.

I differ from many analysts when looking at the present trends, as I see significant difficulties ahead. I believe that Chinese pressure to address political and military issues with Taiwan will force Ma into decisions that do not enjoy the support of the Taiwan people.

In Taiwan, poll after poll notes that greater than 90% of the population supports the status quo, i.e. de-facto independence for Taiwan. The views regarding Taiwan's future on the two sides of the Taiwan Strait could not be any more different.

Communicating & Prioritizing U.S. Interests with Taiwan

In the 1990s, the Bush and Clinton administrations sent economic cabinet officers to the island to expand and deepen our strategic economic dialogue with Taiwan. This policy reaped important benefits as US-Taiwan trade expanded and as the quality of communication from the White House to Taipei increased. The policy was broadly understood to have been successful and to be in support of the interests of the United States.

By 2002, however, the Bush Administration had scrapped this policy. The U.S. does not send economic cabinet officers to Taiwan to promote U.S. commercial interests, despite the island being America's 13th largest foreign export market. That error is compounded by the freezing of our Trade & Investment Framework Agreement (TIFA) talks over beef. The fact that America and Taiwan experienced a poor

bilateral relationship during the last decade is not surprising, given the low level of communication that took place and the lack of leadership on bilateral visits. The issue of poor communication has now become a substantial and serious problem for bilateral ties.

In 2005, then Assistant Secretary of State Christopher Hill made the decision to re-organize the American Institute in Taiwan (AIT) and turn the Chairman's post – based in Washington, D.C. - into a non-executive post. The intent was to ensure that there wasn't a conflict in the chain of command between the Taipei based Director of AIT and the D.C. based Chairman of AIT. However, the result has compounded the lack of leadership issue that permeates the inter-agency process.

In the U.S. government, those responsible for making decisions on Taiwan matters are almost invariably also responsible for China. This is particularly true in the State Department's Office of East Asia & Pacific Affairs, where the downgrading of the AIT Chairman's slot leaves the Deputy Assistant Secretary of State for China & Taiwan solely responsible for representing Taiwan issues. The result is that any and every Taiwan decision made is made through the lens of China, which dominates so much of our nation's external narrative. In the past, an executive level chairman of AIT could represent U.S. interests with Taiwan, free of any obligation to calculate the potential impact on U.S. - China relations. There is a great need to put this type of independent thinking back into the U.S. inter-agency system.

The U.S. has significant economic, strategic, and military equities embedded in its bilateral relationship with Taiwan. Yet the manner in which we formulate Taiwan policy and execute it leaves the relationship lacking leadership and a voice.

- The U.S. should immediately start arranging for periodic, at a minimum annual, cabinet level visits to Taiwan
- The TIFA dialogue should be re-launched so that the United States Trade Representative's Office (USTR) can re-engage at a sub-cabinet level
- The Chairman of the American Institute in Taiwan should again be a full time, executive level position

Defense & the F-16 Sale

With the signing of the Economic Cooperative Framework Agreement (ECFA), we have further evidence that rapprochement between Taiwan and China continues. Though not as meaningful as advocates would have us believe, nor as harmful as critics suggest, the ECFA is nonetheless a significant economic and political milestone. ECFA also comes on the heels of other positive developments between Taiwan and China, which include the establishment of direct commercial flights, increased tourism in both directions, and an agreement from Beijing to allow Taiwan observer status in the World Health Assembly.

Yet, curiously, when it comes to the Chinese military buildup opposite Taiwan, there has been no progress. Quite to the contrary, the aggressive People's Liberation Army (PLA) buildup has continued unabated. In the area of ballistic missiles alone, analysts estimate approximately 1,500 missiles are arrayed against the people of Taiwan. Why have we not seen even a modest, symbolic step on China's part, commensurate with improvements in the economic and political spheres, to reduce the military intimidation it imposes on the people of Taiwan? Understanding why the buildup continues can inform policy decisions that the Obama Administration must face.

There are four possible explanations for the continuing Chinese military buildup.

- The first is that China's fundamental approach to Taiwan - carrots and sticks - has not changed. Further, Beijing has no intent whatsoever to diminish the tools of intimidation and coercion in which so much investment has been made. Beijing's leaders understand sentiments in Taiwan better than we often give them credit. And the fact remains that in the absence of a military threat, the people of Taiwan would likely support independence over the so-called status quo. Taiwan's

own Mainland Affairs Council's polling suggests that the number of people in Taiwan who support "status quo now, and Taiwan independence later" represent a majority and has continued to grow. Thus, Chinese leaders are forced to conclude that they must retain the military threat to keep Taiwan in check.

- The second possible explanation is that the civilian leaders in China are unwilling (or perhaps even unable) to challenge PLA leadership. Many China analysts note the growing strains in civil-military relations in China. Some of the most sensitive issues between military and civilian leadership relate to the PLA budget and justification for its continued growth. Were the PLA to acquiesce on Taiwan, it knows its resources could be threatened. It is plausible that Chinese civilian leaders are choosing not to have this fight with the PLA.

- The third possible explanation is that the military buildup opposite Taiwan is really aimed at priorities well beyond Taiwan, and that the capabilities designed to threaten Taiwan have other uses, perhaps even against U.S. treaty allies such as Japan.

- Finally, a fourth possible explanation is that China might be willing to pull back missiles and reduce the threat - but it is waiting for the right time and the right deal to do so.

The first three explanations are not mutually exclusive, and may provide a mutually reinforcing rationale for the continued buildup. Yet for the fourth possible explanation to be true, the first three must all be overcome. In short, there are strong forces at play that may prevent Chinese civilian leaders from saying "Let's make a deal."

Why does this matter to the United States? If the PLA military buildup opposite Taiwan continues apace, the need to provide Taiwan with weapons for self-defense also continues. This should be manageable if Washington doesn't lose its nerve. The U.S. approach over the course of many years has been to make weapons available to Taiwan so that Taipei's leaders have the confidence to go to the negotiating table with Beijing. This approach is paying off (see ECFA and other recent developments), but some would now have us abandon this approach just when benefits are being reaped. Taiwan's President Ma Ying-jeou understands this dynamic very well, and has consistently asked the U.S. to make more modern weapons available to Taiwan.

The question becomes if Washington understand this. Either through willful misdirection or through naiveté, some in the U.S. have recently advocated reduced arms sales to Taiwan because they "believe" China is pulling back. Others believe that China will soon reduce the threat to Taiwan, so the U.S. shouldn't incite China with further arms sales. In addition, the Obama Administration appears to be altering this approach to Taiwan and to the Asia-Pacific region as a whole, an approach that has served our interests well.

In fact, the Obama Administration has gone to great lengths to deny that a Taiwan arms-sales freeze is in place, perhaps protesting a bit too much. For example, why does the administration continue the fiction that Taiwan has not formally requested more F-16 fighters?

It is important that the Obama Administration understand what is driving China's military buildup and why there is strong rationale for the PLA's threatening posture opposite Taiwan. It also is important that the Administration understand the U.S. role in supporting long-term peace and stability in the Taiwan Strait. Even after ECFA, a strong and capable Taiwan remains a key ingredient to security in the region.

In a recent statement from Taiwan, the Ministry of National Defense (MND) has noted that its out-year defense budgets will contain less money for programs such as the F-16 C/Ds and submarines. This is a practical approach addressing limited funds, and the year-on-year requirement to return unused program

funds to the Taiwan treasury – this has become necessary in the past as a consequence of U.S. political delays.

When it comes to the F-16 C/Ds, the MND has had to return over US$1.5 billion to the Taiwan treasury as a consequence of the program not moving forward. That is money that could have been used for force modernization or the move to an all-volunteer force. So practically, it makes sense that program money would be reduced and resources would be focused on areas more under Taiwan's control.

However, if the programs are indeed given a green light, MND can return to the legislature and secure any additional funding required to move the programs forward.

F-16 C/D

Effective air defense is a crucial component if Taiwan is to mount a viable defense of the island. Taiwan's current air defenses comprise 18 fighter squadrons with a nominal strength of 387 combat aircraft of U.S., French, and indigenous origins: 145 F-16A/Bs, 126 F-CK-1A/Bs, 56 Mirage 2000-5s, and 60 F-5E/Fs.

However, Taiwan will be experiencing a significant decline in its air defense capability over the next several years due to the impending retirement of its obsolete F-5s, the potential withdrawal of up to a squadron of its F-16A/Bs in an upgrade program, and the likely mothballing of its high-operational-cost Mirage 2000 fleet. This will result in a serious shortfall of modern fighters, which could have a profound and enduring impact on the qualitative edge that Taiwan's air defense forces have traditionally relied on to deter Chinese aggression. See the below chart that illustrates the decline in numbers of aircraft over time.

The fighter gap, if not bridged in a timely manner, could permanently solidify the already tilting cross-Strait air power balance in favor of China. Such a state of military imbalance would then undermine deterrence, and could expose Taiwan to political extortion backed by military intimidation, just when improving relations between Taipei and Beijing are expected to bring the two sides closer to a sustainable dialogue.

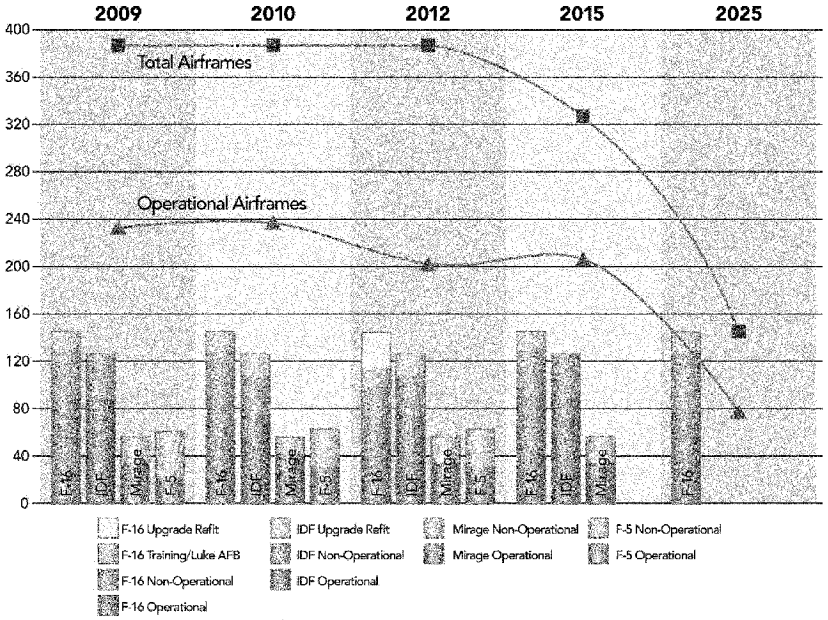
Taiwan's pressing combat aircraft requirement can best be met with the acquisition of F-16C/D Block 50/52 fighters from the United States. Yet since 2006, the U.S. Government has repeatedly put off a decision on whether to sell the fighters to Taiwan. It is imperative to deal quickly with the growing cross-Strait fighter imbalance, so that deliveries to Taiwan may begin by 2014. That is when the fighter shortfall is expected to fully materialize, upon the scheduled retirement of Taiwan's current F-5s. Taiwan can further strengthen its air defense capabilities by investing intelligently in mid-life update programs for its F-16A/B and F-CK-1A/B indigenous fighters.

In the event of a conflict with China, a modernized and capable Taiwan air force could play a critical and constructive role in supporting the United States. It would appear that a promising approach towards defeating a Chinese anti-access strategy would be to force the PLA to diffuse its forces and capabilities by placing widely dispersed stress on the anti-access "fence" in search of weak links. Modernized and coalition-ready forces - such as the one represented by a Taiwan air force using modern equipment - could add to the cumulative strain on Chinese strategy and PLA concepts of operations, thereby supporting U.S. operations. Conversely, an absence of credible Taiwan airpower would accentuate U.S. vulnerabilities and negatively influence U.S. power-projection in the Pacific.

The U.S. can assist Taiwan in implementing measures in support of its air defense, to help strengthen deterrence and thereby to help maintain peace and stability in the Taiwan Strait. At a more strategic level, helping Taiwan improve its air and overall defense capability will also help reinforce the positive steps that Taipei has taken in lowering cross-Strait tensions and in significantly improving and expanding economic and other ties with Beijing. A stronger and more secure Taiwan can be expected to be more confident in its political dialogue with China, which could ultimately lead to a peaceful resolution to the situation in the

Taiwan Strait. Such an outcome would certainly support the goal of peace and stability in the region, and would serve the national interest of the United States.

Figure: Taiwan's Declining Fighter Force



Source: US-Taiwan Business Council

Likely PRC Response to an F-16 Sale

On a recent trip to Asia, Secretary of Defense Robert Gates stated that "China's sensitivities" was a consideration on arms sales to Taiwan. This is an important admission by a very senior member of Mr. Obama's national security team, in effect stating that the Taiwan Relations Act (TRA) was not the only consideration in deciding whether to provide Taiwan with weapons to mount an effective self-defense. This runs contrary to the law of the land. As the TRA notes, *"The President and the Congress shall determine the nature and quantity of such defense articles and services based solely upon their judgment of the needs of Taiwan, in accordance with procedures established by law."*

It seems that concern over China's reaction to the sale of F-16 C/Ds – what China terms a "red line" - has spooked the U.S. government into not moving forward on this issue. Clearly, Chinese sensitivities are

holding up an important Taiwan modernization program. That said, there is a compelling case for the idea that China's reaction to a U.S. sale of F-16s to Taiwan, whatever that reaction may be, will be carefully calibrated and will not damage U.S.-China relations in the long-term.

Why does China oppose arms sales to Taiwan in the first place? The reason seems to be rooted more in Beijing's fundamental positions regarding sovereignty, rather than purely for military reasons. They accuse the U.S. of "violating" the three Communiqués, say that arms sales encourage Taiwan independence sentiment, and so forth. But China never acknowledges why arms sales are carried out in the first place, why the U.S. asserts that arms sales do not contradict the three Communiqués (or the 1982 Communiqué in particular), nor do they acknowledge the linkage between their military posture and U.S. arms sales.

From Beijing's perspective, are F-16s any different than other arms sales, and if so why? The U.S. sold Taiwan F-16 A/Bs in 1992/1993, and Taiwan is merely pursuing a follow-on purchase to replace its aging F-5s. F-16 A/Bs are long out of production, and F-16 C/D Block 50/52 is the only and least capable airframe that is available to replace the obsolete F-5s. Taiwan is not known to even be pursuing F-16 Block 60s, or to be making any movement towards requesting the F-35.

Is Beijing's position based on a belief that additional F-16s would constitute a significant and destabilizing quantum leap in Taiwan's military capabilities, or that F-16s would be "offensive" weapons? If so, it implies a disconnect with some observers, who argue that additional F-16s would offer only marginal additional capability for Taiwan due to airbase survivability concerns. And from an operational perspective, it does not make sense for Taiwan to risk pilots and airframes to penetrate an increasingly capable air defense network to go after targets deep inside China. An offensive role for the new F-16s seems unlikely, as that role would instead be shouldered by Taiwan's increasingly robust arsenal of Hsiung Feng IIEs - if that option should be required. Maritime interdiction, flying under air defense radar coverage, and defense counter air would be the primary F-16 missions, missions that require a number of serviceable and modern airframes.

If China is not that concerned about the military aspects of additional F-16s, then their concern must be principally political. The question becomes why F-16s would be any different, from a political perspective, than any other arms sale. Would Beijing react any differently to the U.S. approving an upgrade of existing F-16s, or to the sale of artillery, tanks, additional munitions, a submarine design program, and so on? It's unlikely. The only issue on the table right now is F-16-related - naturally, this is where Beijing focuses its efforts. If they thought submarines would go forward, it is likely that they would react similarly.

With the foregoing in mind, we have to ask how Beijing would express its displeasure following the release of additional F-16s to Taiwan. In the past, China has threatened to "sanction" U.S. companies participating as a contractor in a Taiwan program. However, following through with such a threat would be highly problematic for China. First, the U.S. government would likely take a very strong line on such an action, possibly including a referral to the World Trade Organization (WTO) for sanctions and possibly imposing unilateral sanctions of its own. Second, China continues to view relations with key U.S. defense and aerospace companies as instrumental to China's ongoing economic development. Third, there is no evidence that China has ever followed through on such threats – most recently after the January 2010 arms package was released. Indeed, each of the companies in question at the time all saw their commercial interests in China expand in the two quarters following the announcements.

Another potential action in retaliation would be to approve nuclear–related or missile-related sales by Chinese companies to Iran or North Korea. But if that happened and evidence existed, then those Chinese companies would face sanctions, if not UN sanctions. In addition, China would likely face further actions from other countries concerned about proliferation, i.e. Israel, EU, Japan, etc.

China could also consider deploying more missiles opposite Taiwan, or punish Taiwan economically. But in fact, China is already expanding its missile infrastructure without any arms sales being made. Additionally, there is no evidence in the past of China punishing Taiwan due to U.S. arms sales. In fact, some of the most significant breakthroughs in cross-Strait relations have taken place in the immediate aftermath of major arms sales – for example in 1992 after the sale of 150 F-16s, and in 2008 after the sale of Apache, PAC-III, and several other systems.

The U.S. Treasury might be concerned that China would stop buying T-Bills or sell off U.S. assets from their present portfolio in retaliation for the U.S. selling F-16s to Taiwan. But yet again, this type of action would run contrary to Chinese core interests. The risk of financial volatility would be too high, and any such actions might damage the global markets that China relies on for economic growth.

In the end, the most likely course of action from China would be a further freeze in military-to-military relations. China will take this step not because they believe it to be of great significance to them, but because they believe it to be of significance to America.

So in short, why all the hand wringing? It would run contrary to China's interest to overreact if the U.S. sells F-16s to Taiwan. The U.S. has exercised excessive restraint and has given Beijing ample opportunities to reduce its military posture opposite Taiwan, offering China the opportunity to provide clear evidence of its commitment to the peaceful resolution of differences in the Taiwan Strait. Yet China has not taken that opportunity. The continued U.S. freeze on arms sales risks legitimizing China's reliance on military coercion to settle disputes.

Chairman ROS-LEHTINEN. Thank you very much, sir.

Professor Tucker, thank you.

STATEMENT OF MS. NANCY BERNKOPF TUCKER, PROFESSOR, SCHOOL OF FOREIGN SERVICE, GEORGETOWN UNIVERSITY

Ms. TUCKER. Thank you.

U.S. relations with Taiwan rarely merit special attention from the U.S. Government, the Congress, or the American people. In fact, for many years, the level of knowledge about and awareness of developments in Taiwan has been regrettably low. The House Foreign Affairs committee is making an important contribution by holding these hearings; and I want to thank the chairman, the ranking minority member, and the committee for the opportunity to be here.

I am told if I knew more about sports I would understand the value of being the cleanup player here, and I will try to do that.

We have already heard why Taiwan matters to the U.S.—its democracy, its highly developed economy, and its security profile.

I want to underscore three points about security.

First, the Taiwan Straits is the only place in the world where two nuclear armed great powers could go to war, if not by intent then by miscalculation, misunderstanding, or accident.

Secondly, Taiwan's geostrategic position astride the sea lanes of supply and communication are critical to Japan and for the U.S. Navy's freedom of navigation.

Third, Taiwan is a test of China's intentions and behavior. It can alert us to continued patience or mounting aggressiveness. It is also a test of U.S. reliability and credibility.

However frightening or seductive China is, appeasing it by sacrificing Taiwan would not be good policy. But I believe the U.S. will not abandon Taiwan, despite Chinese threats and the potential benefits involved.

The administration continues to build on policy inherited from George Bush, Bill Clinton, and their predecessors when it makes arm sales, shares intelligence, trains the military, observes military exercises, and conducts wide-ranging bilateral consultations with military and civilian officials; when it rebuffs Chinese efforts to destabilize U.S.-Taiwan relations with demands for a fourth communiqué on Taiwan and false claims that Beijing has no missiles threatening Taiwan, that Congress is eager to revise the Taiwan Relations Act, and that Secretary of State Clinton accepted that Taiwan is a part of China.

The administration strongly supports peaceful resolution of the cross-strait stalemate but only with the assent of the people of Taiwan. It encourages Taiwan's democratic system, which, I think, is particularly important since reports suggest that China is already interfering with the January elections.

And, finally, as a visible symbol of U.S. friendship for Taiwan, it is completing construction of a new American Institute in Taiwan headquarters on land that we have leased for 99 years.

But I believe government can and should do more.

First, it should, as others have said, sell the F–16 C/D and upgrade F–16 A/Bs despite China's likely retaliation. They are vital

for defense, for the confidence to negotiate, and admittedly as a tangible indicator of U.S. support.

The government should resume Cabinet-level visits that are important symbolically but also improve communication and because I know from my own government service that they educate officials who have to prepare for the trips. It should grant better access to the U.S. Government for higher-level Taiwan officials and approve visa waiver and extradition policies.

I also want to say something specifically about Congress, and I join the chairman in this with the audacity of hope to recommend to the Congress that it should restore active oversight of Taiwan affairs. That was notable after passage of the TRA but has been minimal more recently.

Secondly, I believe it should intervene to neutralize political debate and facilitate settlement of the beef controversy so that we can get TIFA talks going.

Thirdly, it should assist development of Taiwan's legislature and its other democratic institutions.

And, fourthly, it should educate the U.S. public and its own Members of Congress about why Taiwan matters.

In conclusion, sustaining U.S.-Taiwan ties will not be easy, but it is essential. There is nothing inevitable about the course of Taiwan-China relations. Options remain open. It would be a serious mistake to appease China and abandon Taiwan. The challenge is benefiting from, while also controlling, improved relations with Beijing. Only Taiwan can defend itself, but it needs the United States as a counterweight to China's growing power and influence.

The U.S. wants Taiwan stable, peaceful, and democratic for the people of Taiwan, as a model to others in East Asia, and as an assurance of U.S. credibility and dependability. Congress can and should serve the U.S. national interest by more actively promoting positive development of U.S.-Taiwan relations.

Thank you.

[The prepared statement of Ms. Tucker follows:]

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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.

Chairman ROS-LEHTINEN. Thank you so much. Excellent testimony from all of our witnesses.

As we all know, Taiwan is a full member of the Asia Pacific Economic Cooperation, APEC, and this forum is a very important one internationally. The United States will host the next APEC summit in Honolulu this November, and I strongly encourage the Obama administration to invite Taiwan's President to the Honolulu APEC summit along with the leaders of the other APEC countries, and we hope that that happens.

I wanted to ask our panelists about arm sales. There has been an unwillingness since January, 2010, by the administration to notify Congress regarding any foreign military sales to Taiwan. This has resulted in an ongoing neglect of Taiwan and a growing disregard for U.S. obligations under the TRA, the Taiwan Relations Act.

Has China established any so-called "red lines" with respect to potential U.S. defense transfers to Taiwan? And, if so, what are they? And at present what do you think are the most pressing needs of Taiwan's military that can and should be met by the United States through the foreign military sales process? Is it the F–16s, the diesel submarines, et cetera?

We will begin down the line. Thank you.

Ms. DREYER. Yes, I think the F–16s would be a very important symbolic gesture. It is just that the F–16, even in its C/D version, is not going to be any match for new fourth-generation, fifth-generation Chinese planes coming on line. I would therefore very seriously suggest that we get busy with the submarine sales as well.

I am sorry. There was another question you had there.

Chairman ROS-LEHTINEN. It was if China has established any red lines with respect to——

Ms. DREYER. Thank you.

The problem is that China lets us know it has these red lines, but does not tell us what the red lines are. This fits in with a very clever propaganda that it uses on its own people that U.S. scholar Perry Link has referred to as "the anaconda in the chandelier." In other words, there is something up there looking at you in the light fixture, and every so often it moves and you wince in terror, but it never lets you know what it is. And this induces on the part of the United States something that you might call a preemptive cringe and——

Chairman ROS-LEHTINEN. Thank you.

Ms. DREYER [continuing]. It works every time.

Chairman ROS-LEHTINEN. Thank you.

Mr. Schriver.

Mr. SCHRIVER. I agree with everything Professor Dreyer just said.

I have from time to time heard the Chinese describe the F–16 C/D sale as a red line, but—Professor Dreyer is absolutely correct—they don't describe exactly what that means, what they might do in response. Threats they have made in the past about arm sales have not been realized. There were threats of sanctions against U.S. companies. The last time, there was a $6.4 billion package notified. None of those companies that had commercial sales ongoing in Beijing were affected whatsoever. And we shouldn't put these things in China's face to challenge them: Will you really do something this time?

But I think it speaks to the point we should not hold these notifications so long, sit on them so that pressure grows and grows and China starts to believe that, hey, we can influence their decision making, and we can threaten them with so-called red lines. And it has really warped our process. We should do these as a matter of routine course, based on objectives, analysis of the military balance, and just explain it that way.

Chairman ROS-LEHTINEN. Thank you very much.

Professor Tucker.

Ms. TUCKER. I think I would underline what Randy just said. There have been Chinese red lines. There are Chinese red lines. There are rumors today that China could perhaps tolerate the upgrades if we divide that into small packages, but the C/Ds are unacceptable.

I also think that there will always be red lines, but we have crossed them before. Who would have thought that they could sit back and tolerate a DPP President of Taiwan? So there have been a number of things that have happened, and China has had to deal with it, and I think that this is not that big an issue that we are likely to be severely punished for it.

As far as which sales, my own sense is that the aircraft are the most important. Unless we have made a decision that Taiwan does not need an air force, they have to have those planes. Their F–5s are falling out of the sky. F–16s are in serious trouble. They are about to retire the Mirage because they are too expensive to keep up. So I think aircraft should be the first priority.

Chairman ROS-LEHTINEN. Thank you.

Mr. Hammond-Chambers.

Mr. HAMMOND-CHAMBERS. Yes, ma'am.

On the red lines again, as you point out, it is China's position that it is a red line. It is not our position that it is a red line, of course. I think that is essential.

We have an FMS process here in the United States that works for our foreign military partners. We should use it in respect to Taiwan and regularize and normalize the armed sales process, which is not regularized and normalized at the moment.

We have allowed China to start influencing the process, and I think the nonacceptance of the LOR for the F–16s is an example of that. It is the F–16s today, and then it is whatever comes tomorrow. It will be less than the F–16s. The Chinese will attempt to incrementally walk down our commitment to a point where it is negligible and then they have free run.

Chairman ROS-LEHTINEN. Absolutely. Thank you so much for those answers.

I am pleased to yield to the ranking member, my friend Mr. Berman, for 5 minutes of questions.

Mr. BERMAN. I thank you very much.

Fundamentally, I agree with what both my colleagues have said, and what the witnesses have said on this issue. But let's for a second try to put ourselves out there—the chairman referred to it, in some policy circles, there is a notion that our relationship and our position with Taiwan undercuts our interests, oh, because we want China to do more on currency revaluation, because we want them to be more assertive with North Korea, because we don't want them to backfill on Iran—because, because, because, because and that somehow all of these important concerns aren't being addressed by the Chinese because of Taiwan Relations Act and policies. And that is why people are hesitant to do the sales and all that.

Some of you have touched on that, but I would like to hear you talk, a few of you at least, talk a little more on it.

And I am curious about the extent to which the other panelists agree with Ms. Tucker's point that basically she doesn't doubt, even though it is not always so clearly stated and there is a little bit of ambiguity, that the United States is committed to Taiwan's security; and implicit in that is the Chinese know that the United States is committed. Ms. Tucker didn't say that, but if I am right that that was implied, do you agree with that conclusion?

Why don't you just take the next 3 minutes, any of you who want, to dwell on that?

Ms. DREYER. If I could go first, it seems to me that the United States needs to assert in some meaningful way that it does still mean to protect Taiwan's security. It has to do that by making a gesture, like selling the F–16s.

Mr. BERMAN. Why, because you don't think that we intend to? Or because you don't think China thinks we intend to?

Ms. DREYER. I think some of both. Those are not mutually exclusive.

Mr. BERMAN. So you disagree with Ms. Tucker's——

Ms. DREYER. I am not sure I do disagree with Ms. Tucker. But in any case, I do think the sale must take place in order to show——

Mr. BERMAN. Well, so does she and so do we.

Ms. DREYER. Yes, in order to show our sincerity, because there are two ways that the Taiwan Relations Act could deteriorate.

What China would like us to do, of course, is repudiate it, which is not going to happen. But things often happen by inaction. What seems to be happening now is that the Taiwan Relations Act is eroding through inaction on the part of the United States to live up to its commitments.

Mr. BERMAN. Anybody else?

Mr. SCHRIVER. Congressman Berman, if I could address the first part of your question about what we could expect from China if we changed our policies on Taiwan because I did address this in my statement. I think it is absurd to think that somehow China is currently taking suboptimal positions on North Korea, Iran, currency to show their annoyance about our Taiwan policy or that they would take suboptimal positions in the future as an expression of gratitude if we changed something. These are very important strategic interests for China. And we could go at length about——

Mr. BERMAN. They take their positions——

Mr. SCHRIVER. They are interest-based, and they would not be altered if we changed our positions on Taiwan. The atmosphere might be better. There might be, you know, nicer greetings.

Mr. BERMAN. Apparently the military could meet more frequently.

Mr. SCHRIVER. Well, you know, I ran that program for a long time. It always struck me that if China has ambitions to become a greater military and more powerful, capable military, and they are choosing not to interact with the world's greatest military, who gains and who loses in that equation?

Mr. BERMAN. Some of our military leaders act like we are losing.

Mr. SCHRIVER. I have never understood why we would the ardent suitor in a military relationship with China.

Ms. TUCKER. As a historian, I would have to remind you that talk of abandoning Taiwan is not new. It has happened many times in the past, and there is no doubt that at least for the moment, the U.S.——

Mr. BERMAN. There was a lot of that in the 1950s; wasn't there?

Ms. TUCKER. Absolutely. There was even one Member of Congress who hoped that Taiwan would sink into the sea so we could stop worrying about it.

Mr. BERMAN. Usually, they ask that California to do that, so I am glad——

Chairman ROS-LEHTINEN. The ranking member's time is up. So I am going to cut you off if I could, just because we have so many votes coming up. Save that answer for another question.

Mr. Chabot, the chairman of the Subcommittee on Middle East and South Asia, is recognized.

Mr. CHABOT. Once again, Madam Chair, let me thank you for holding this very important hearing on Taiwan. This is truly a very distinguished panel this morning.

First let me address the issue of restrictions on diplomatic visits by high-ranking Taiwanese officials, something I have always felt was both insulting and counterproductive.

I can remember joining a number of my colleagues, there were 25 Members, approximately, some years ago, and we flew up to New York City one evening after votes to meet with then-President Chen Shui-bian, a great friend of America. We traveled to New York—and I think you were there, Dan, if I am not mistaken—because President Chen could not come to Washington, DC. I can remember the veiled threats from Communist China when former President Lee Teng-Hui, another great friend of the United States, known as the father of Taiwanese democracy, wanted to visit his alma mater, Cornell, Cornell University.

And I vividly remember meeting a Taiwanese legislator, Mark Chen, here in the United States Capitol where he was allowed to visit. And only a few weeks later, we had to travel all of the way up to Baltimore to meet with him because he had become the equivalent of Secretary of State, the foreign minister. And because of his new position, he was no longer welcomed in Washington, DC.

Now, the policy that I just talked about is U.S. policy. That is American policy. That is our Government's policy that says that they can't come here. This is outrageous. This is plain nonsense and ought to be changed.

So I will ask the panel, what are your thoughts on that policy?

Perhaps, Mr. Schriver, you might want to comment as a former State Department official how these restrictions might affect our diplomatic exchanges with the Government of Taiwan if they can't even come here, the President and Vice President, Secretary of State, et cetera, and before I turn it over to the panel, let me also ask a question about arms sales. We already talked a little about that.

I remember when I first came to Congress after the 1994 election, back in 1995, and I was the co-chair of the Congressional Taiwan Caucus for about 10 years, one of the founding members of it, there were a few hundred missiles aimed at Taiwan, and then it increased more. It went to six, seven, eight, nine. My understanding is that the latest number is about 1,600 short- and medium-range ballistic missiles aimed at Taiwan, our friend and our ally.

If you can comment on that and perhaps if you have time, also China's campaign to isolate Taiwan, whether it is the World Health Organization, where they objected to them being there on observer status, or participation at the U.N., or their campaign to try to get those who still recognize Taiwan to rescind that and basically bribing these nations to do so.

So any of these things that I mentioned, I would ask any of the panel members.

Professor, I don't know if you would like to start.

Ms. DREYER. Thank you. I share your concern about the absurdity of not allowing official interaction and visits. We argue under any circumstance that dialogue is good. We dialogue with terrorist leaders. We insist that meeting with the Chinese military is good because we need to understand each other. And yet we deny this to a country we have an alliance with.

As for the World Health Organization, this is one of these things that has been blown out, way out, of proportion as a victory for the current Taiwan administration. The way that Taiwan has been allowed into the WTO is as an observer, which is on the same status as Hong Kong, which is considered part of China. And also, it is worse than Hong Kong because it allows China to agree or disagree to allow Taiwan on an annual basis, which is, of course, a mechanism for behavior compliance.

Thank you.

Ms. TUCKER. If I might, I would say that it has been a principle of American foreign policy that meeting with heads of state from other countries is a vital practice. Summitry was very important during the Cold War. We emphasized it with China. There should be an opportunity for Presidents to talk to each other, get to know each other. George Bush looked into Putin's eyes, and it made all of the difference in the world. I think that Obama meeting Ma Ying-jeou would be a very good thing.

But I also want to go back and underline something about the question of abandonment, and that is that we have talked about but we haven't emphasized the importance of democracy as a bond between the United States and Taiwan. If you were to ask me why the United States will not abandon Taiwan, it is because of the shared democracy that we helped to nurture, that we celebrate. I don't believe that Congress or the administration would abandon a democracy.

Chairman ROS-LEHTINEN. Thank you so much. I hate to cut you off yet again.

Mr. Faleomavaega, the ranking member on the Subcommittee on Asia and the Pacific.

Mr. FALEOMAVAEGA. Thank you, Madam Chair.

I want to commend and thank the distinguished members of the panel for not only their expertise but certainly understanding of the situation in Taiwan.

Taiwan is in a predicament not by choice. I think we all understand historically how this whole thing evolved from the civil war that China was under between Mao Tse-tung and Chiang Kai-shek. And there was a dream that Chaing Kai-shek had to someday want to go back to mainland China and take over from Mao Tse-tung. That is history. Correct me if I am wrong in this respect.

China and its terms as one of the most critical factors of the whole Nixon policy and its efforts, which in my opinion literally changed the course of history, when Henry Kissinger and his efforts that made, that caused the relations between China and the United States very understandable, and Taiwan was one of those issues that to still to this day is still in a form of ambiguity and not really saying for what it is and what it stands for.

Now call it what you may; it looks like a duck, acts like a duck and quacks like a duck. The fact that Taiwan has diplomatic relations with 23 countries, 6 of those countries are South Pacific Island countries.

There has also been a consideration to say that Taiwan and China were conducting checkbook diplomacy to gain the favors and understanding and appreciation of those countries that they recog-

nize for whatever given interest that they have between those two countries and what we have here.

I don't think that this administration is any different from what President Clinton did when he sent two battle groups, naval battle groups, to prove to our friends in China that we mean every bit of the substance of the Taiwan Relations Act, that we will defend Taiwan at all costs.

Now, I don't know, I am not a genius in military strategic matters in terms of the fact that there are 1,400 missiles in mainland China pointing at Taiwan. I really don't know if selling 66 F–16s is going to provide some sense of safety for the lives of some 23 million people living in Taiwan. Well, you say it is for symbolic reasons. But in reality, are we serious about the fact that selling these arms equipment to Taiwan is going to give them the capability of defending itself against China?

I would love a response from our distinguished panel.

Ms. DREYER. I would say that the F–16 is a capable plane without being solely, by itself, able to redress the military balance across the strait. So it will not solve the problem completely, but it will be a step in the correct direction.

Mr. FALEOMAVAEGA. And I believe China also currently has about 100 nuclear-capable submarines all over the world, and I suspect in the Pacific—Asia-Pacific region. And the Chinese are not stupid. Why build an aircraft carrier when you can build a nuclear submarine that is more lethal and more dangerous in its capabilities in terms of really when you talk about serious strategic and military advantage. This is, as it is to any country, is to defend itself.

Ms. DREYER. Sir, it is not an either/or. They are doing both.

Mr. HAMMOND-CHAMBERS. Congressman, again, I would like to echo professor Dreyer's point. It is important to not consider the F–16s simply as the only solution we are proposing. There are two issues I think at play here. The first is getting the process moving again, getting things considered.

At the moment, we are not even considering stuff, and stuff that is supposed to be being considered is frozen in the system. So it is getting the system moving again so that F–16s can be considered. If the decision is no, then the decision is no. But we should at least consider the sale, which we are not doing at the moment. Submarines, an asymmetric capability, can confuse—can make it tougher for the Chinese to calculate on whether or not they should go over to the Taiwan Strait. There are things that we can do in total and ongoing that can improve Taiwan's security.

Mr. FALEOMAVAEGA. Sure, I know my time is running, but there is one thing I want to emphasize again. The One-China policy has not changed from all of the previous administrations, including President Reagan, all of the way down even to this President. The fact that this is one of the ambiguities dealing with the people of Taiwan, and I feel for the 23 million people living in Taiwan and not wanting to know the fact that they are not really being treated as a full sovereign country as a state, but in terms of—I don't know, international laws or whatever it is, and giving this undue recognition, as my friend, Mr. Chabot, was saying, it is how we

treat these officials coming from Taiwan. To me it is unfair. But that is the reality that we are dealing with.

I am sorry, Madam Chair, my time is up. I want to thank the panel for their excellent testimony.

Chairman ROS-LEHTINEN. Thank you so much, Mr. Faleomavaega.

The chairman of the Europe and Eurasia Subcommittee is recognized, Mr. Burton.

Mr. BURTON. Thank you, Madam Chair. I want you to know I really appreciate you holding this hearing. Taiwan has been a great friend to the United States forever. We need to live up to our commitments.

I would just like to answer one of the questions that Mr. Faleomavaega just raised, and that is: Are the F–16s going to be a deterrent if China decides to launch its 1,600 missiles and come across the strait and blow up Taiwan.

No, but what it does do is it shows that we are committed to the Taiwan Relations Act, which also includes defending Taiwan in the event of an attack. Now, if we don't sell them the things that we said we would sell them to protect themselves under the Taiwan Relations Act, it looks like a move toward appeasement. It looks like we are not going to live up to our agreements, so China may say, oh, will if they won't do this, even sell them the weapons to defend themselves, maybe they won't come in and bring the Fifth Fleet in to defend Taiwan if it is necessary. I think it is the Fifth Fleet.

But in any event, I think it is important that we live up to every item in the Taiwan Relations Act, and I think that sends a very strong signal to China.

I really abhor watching the head of China come to the White House, get the red carpet treatment, the handshakes, the dinners and all of the accolades when there are 10 million people in communist gulags and human rights violations are horrible, and forced abortions are—abortions are forced upon people.

I mean, this is not our good buddies. They are our adversaries, and we need to continue to look at them that way. They are in the world. We have to deal with them. I understand all that. But we need to live up to our commitments, and our commitment to Taiwan is very clearly stated in the Taiwan Relations Act. I wish it was more than that, if I had my way.

Now, Madam Chairman, Chairwoman, Chairperson—I still have trouble knowing how to address people—one thing I would really urge the chairman to do and that is to make a copy of all of the statements today, because I thought they were all great, and send them to Secretary Clinton and to the White House and ask them to read those remarks. I am serious because I think that they need to take a hard look at what was said here today and let them know that the Congress of the United States supports the statements that were made.

The last thing that I would like to say is that I am so disappointed that this administration didn't come here today to testify. It shows an absence of concern that is remarkable. We have dealt with Taiwan, not only in foreign policy but in trade and so many ways. We don't treat them the way that they should be treat-

ed, and at the very least, the State Department should have had somebody here to testify and to answer questions today. I think they were afraid to because I don't think they have the answers.

Thank you for having this hearing.

Thank you very much, panelists. I thought you were great. Usually I disagree with two or three panelists, and I jump all over them. But today, I love you all.

I sure hope that you will send these remarks to Hillary.

Chairman ROS-LEHTINEN. Thank you so much, Mr. Burton.

Mr. Connolly of Virginia is recognized.

Mr. CONNOLLY. Thank you, Madam Chairman.

Gosh, I don't know what to say to a panel that is loved, beloved by Dan Burton. Uh-oh. But thank you for your testimony.

Professor Tucker, you were talking a little bit earlier about, you know, abandonment, and Mr. Berman mentioned in the 1950s, certainly there were Members of Congress who said to abandon. But I mean, today, in serious public policy discussions, are you aware of prominent folks in the foreign policy field, in the Congress and in the administration, for example, who have given voice to that worry?

Ms. TUCKER. Unfortunately, yes.

Ambassador Joseph Prueher, our former Ambassador to China, led a study group that included Jim Shinn, a former Pentagon official, and others, who all said it was time to rethink our Taiwan policy. Even Members of Congress——

Mr. CONNOLLY. No, no, my question was the word "abandonment."

Ms. TUCKER. Oh, using that word in particular?

Mr. CONNOLLY. Yes.

Ms. TUCKER. I am not sure.

Mr. CONNOLLY. No. So rethinking policy is one thing; abandonment is quite another. I just wanted to get that on record because no one is talking about that.

With respect to—I mean, the title of this hearing is, "Why Taiwan Matters." Why does Taiwan matter to the United States? Why is it of any critical interest to the United States in the year 2011?

How about you start, Professor Tucker? All wisdom we know in Washington flows from the Georgetown Foreign Service School.

Ms. TUCKER. Absolutely.

I would underline because of its democracy, because it shares our values in a region of the world where we would like to see democracy spread. It is a potential model for China in the future. Also, it is a strategic asset and potentially a strategic problem for us if Taiwan was not there, and we couldn't cooperate with it.

Mr. CONNOLLY. You might also want to say, Professor Tucker, that there is a statutory framework for the relationship that is spelled out in law.

Ms. TUCKER. Yes. And I think China should be reminded that we do take our laws seriously.

Mr. CONNOLLY. And that law, also, does it not, addresses the defense relationship?

Ms. TUCKER. Yes.

Mr. CONNOLLY. Mr. Schriver, you made reference to the F–16s. I think you may have mentioned, or maybe it was Ms. Dreyer, that

the F–16s are not—even if the sale went through tomorrow, unfortunately, they are not going to be—their deterrent—their ability to deter an actual attack, given the capability on the mainland, is limited. Could you expand on that just a little bit?

Mr. SCHRIVER. I would make a couple of comments. Again, nobody talks about the F–16s in complete isolation. There are many things that Taiwan needs to do to enhance its capabilities and its deterrence position, and there are many things the United States can do to support that beyond F–16s, but I would say that the F–16s are part of it.

Number two, a lot of people who say that the F–16s won't help, won't do enough because the posture of China is so overwhelming, they only talk about one scenario, which is the all-out attack scenario. The F–16s are actually quite useful as a multi-role aircraft in a number of contingencies, like the counter blockade, like if there was a battle over one of the offshore islands and as a ground attack capability.

So there are a number of things that the F–16s can do beyond defending that all-out attack. Although it is a piece of the answer for that as well.

Mr. CONNOLLY. That is a very good point you make, that we cannot look at just one scenario and that in other scenarios, the F–16s clearly have value. But what about the current capacity, air fleet capacity of Taiwan? Where are they in their current fleet?

Mr. SCHRIVER. It is an aging fleet. They are still flying F–16s, I believe. Dr. Tucker said they are falling out of the sky. That is literally true. They have Mirage aircraft that they can't support adequately because spare parts and logistics are unavailable. Frankly, the F–16 is getting on itself. It is still very capable aircraft for Taiwan's needs. But if this decision is not made and the F–16 closes, the F–16 line closes, we are either going to have Taiwan with no air force, or we are going to have to consider a more advanced aircraft, like the F–35, which I would be prepared to do, but I suspect that an administration that is already reluctant to sell F–16s is not going to like the idea of an F–35.

Mr. CONNOLLY. I think that is a really good point we can end on: 70 percent of the current air fleet has to be retired. We cannot have Taiwan without some air defense capability, and that means the F–16 decision can't be somehow put off forever.

Thank you, Madam Chair.

Chairman ROS-LEHTINEN. Thank you.

Mr. Rivera of Florida is recognized.

Mr. RIVERA. Thank you, Madam Chair, and I thank the witnesses for their testimony.

I want to start off by letting you all know that I have visited Taiwan on several occasions, and I am familiar with the important issues facing Taiwan and facing our bilateral relations, and also our relations with China. I am particularly familiar with how important Taiwan is to our Nation as an ally. China's large military expansion throughout the past decade, I believe, poses a clear and present danger to Taiwan and the entire region, a threat that may have implications for the United States as well, as has been discussed here today.

This administration, I believe as well, has clearly been pressured by the Chinese to control Taiwan and Taiwan policy in every way possible. I still find it unconscionable how our Government refuses to allow any senior leaders of Taiwan's Government into the United States and into Washington, DC.

China should never, I repeat, never be allowed to dictate our Nation's foreign policy. And our lack of action when it relates to arms sales to Taiwan is a clear sign that the Chinese are pressuring us in order to further China's interests with respect to defense and foreign policy.

As I have previously stated in this committee, it is important for the United States to stand with our allies, and I believe specifically in this case with respect to this hearing that it is important to note that we must deliver those F–16s and the diesel submarines to Taiwan. Because the Chinese military poses a clear threat to the region, it is time that we commit to helping a great friend like Taiwan and act with them in providing them these defense systems that is are critical to their national self-defense.

So let me ask the panel, and I will begin with Professor Tucker, can you just spell it out for us in plain and simple terms, what is the thinking in the West Wing, the National Security Council, what is their thinking? Why won't they help Taiwan and deliver these weapons systems?

Ms. TUCKER. I can't speak for the administration.

Mr. RIVERA. What do you think their thinking is?

Ms. TUCKER. I do believe that the pressure from China is a significant factor, and it shouldn't be, as several people have mentioned. I think there has been over time a sense that Taiwan is not important in comparison to what China can contribute in world affairs. I think that is a problem.

Mr. RIVERA. So they are basically throwing Taiwan under the bus because of the larger interests with China?

Ms. TUCKER. I wouldn't go quite that far. I do think, for instance, that the government spokesmen who intended or perhaps should have been here today, Kurt Campbell and Derek Mitchell, are actually good friends of Taiwan and have promoted policies to help Taiwan in the past. So I wouldn't say that we are throwing them under the bus; but I do think that on a value scale, there is a lot of concern about China's actions in the world.

Mr. RIVERA. Mr. Schriver, you have been in the belly of the beast. You know the process over there in the National Security Council and the State Department at the highest levels. In plain and simple terms, what are they thinking? Why won't they support Taiwan and these weapons system deliveries?

Mr. SCHRIVER. I agree with what Dr. Tucker said. I think there is a growing influence on the part on China on our decision making. But I use this term "the tyranny of the calendar." Our administration seems to always look for the right time to have an arms sales announcement. If you look at our calendar of activities, we have got the strategic and economic dialogue in May. We have got Vice President Biden visiting in July. We have Hu Jintao coming in September for the U.N. General Assembly. We have got—so guess what, there is no right time. And then they have to take into account the congressional schedule, because there are certain days

that are required for a notification. And these things get backed up and backed up, and then the problem gets harder, not easier, because then the Chinese are looking at a much larger package because everything is backed.

So I think they have gotten themselves bollixed up. I think they need to just—I am sorry, there is not a better way to say it. They need to be bolder and more courageous and deal with the Chinese fallout because I think the historical data suggests we can absorb the fallout.

Mr. RIVERA. Well, it seems pretty clear from just the panelists I have heard that this administration is kowtowing to pressure for a variety of reasons from the Chinese; and hopefully they will reconsider those positions and stand by our ally, Taiwan.

I yield back, Madam Chair.

Chairman ROS-LEHTINEN. And batting cleanup for our team, Congressman Wilson of South Carolina.

Mr. WILSON. Thank you, Madam Chair. Thank you for your leadership on this issue. I am very appreciative of all of our witnesses, the recognition of Taiwan as such a significant friend of the United States. And it is particularly important to me, my father served with the Flying Tigers in China in World War II. He was in Kunming and Xiangcheng, too, and he developed a great affection for the people of China.

I have had the privilege and opportunity of visiting Taiwan. What an extraordinary country. What a model of development and opportunity for people in the Far East.

Additionally, I have had the opportunity to visit Beijing-Shanghai, and I had the opportunity to visit with President Jiang Zemin at the Presidential compound. He was somewhat interested to meet me as a Member of Congress. But when it was announced that I was the son of a Flying Tiger, he stopped the meeting and announced something very surprising to the American people, that the American military is revered in China.

And I did go back several years later for the 60th anniversary of VJ Day where monuments were erected to the Flying Tigers, to the American service members who saved millions of Chinese lives.

So my view is that you can be a friend of Taiwan; you can be a friend of the People's Republic. And I am just hoping that each can develop in such a way, particularly as democracy, hopefully, spreads and is developed on the mainland.

With that in mind and that background, since 2006—and this is for any one of you who would like to answer, and I am regretful that there is not a representative from the administration here—since 2006, Taiwan has been trying to submit a formal letter of request to procure new F–16 C/DD fighters to replace aging fighters, as you have discussed. Defense Secretary Robert Gates submitted to Congress in February 2010 an unclassified assessment of Taiwan's air defenses, including its F–16s fighters, which stated that Taiwan faced a diminished ability to deny the PRC air superiority. Why has the Obama administration not acted in regard to Taiwan's need for the new F–16 fighters? When does the President need to make a decision in order to sustain the F–16 production line?

Mr. HAMMOND-CHAMBERS. Thank you, Congressman Wilson.

Just quickly, on the industrial base issue—the U.S.-Taiwan Business Council works closely on this—the line will start to wind down at the end of this year. Lockheed Martin's Fort Worth facility will deliver the last F–16 at the end of 2013, but it requires 2 to 2½ years of lead order time to ensure that the supply chain provides the necessary parts. So for there to be smooth production for any order from Taiwan, the letter of request really needs to be brought into the U.S. Government by the end of 2011 for that to take place.

Mr. WILSON. Thank you. That is very clear. I appreciate that.

For each of you, there has been no comprehensive review of U.S. Policy toward Taiwan since 1994. Many experts believe that a comprehensive U.S. Strategy and policy review is needed to adjust to the new realities of the Taiwan Strait and to sustain U.S. security, political and economic interests in regard to Taiwan and China. Do you think it is now time for a comprehensive policy review?

Ms. DREYER. Sir, that was one of the four recommendations I made. I do hope that it will be more successful than the 1994 policy review, which in my opinion worsened Taiwan's situation rather than helped it because it was that 1994 policy review that restricted the visits. And so a review, you mentioned in light of new realities across the Taiwan Strait, that scares me. So I hope this review would be conducted with Taiwan's best interest in mind rather than the "new realities across the strait." Thank you.

Mr. WILSON. Thank you. That relates directly to my next question, and that is: To what extent does uncertainty about U.S. security commitment to Taiwan lead to a broader uncertainty as to America as a security guarantor in East Asia, particularly we think of DPRK?

Ms. TUCKER. I think that is one of the critical issues that we don't hear a lot from other countries in Asia about what we should do, certainly not publicly. But privately, it is my understanding that many of them have said, stand by your promises. We need to rely on you. And if we don't follow through on our promises to Taiwan, I think it will have a very negative effect on a number of friends and allies in the region.

Chairman ROS-LEHTINEN. Thank you so much.

Thank you, Mr. Wilson.

Mr. Payne is recognized. He is the ranking member of the Subcommittee on Africa, Global Health, and Human Rights.

Mr. PAYNE. Thank you very much. Thank you, Madam Chair, first, for calling this very important hearing.

The upcoming elections, I am wondering if anyone wants to try to answer, the Koumintang regime, under the leadership of President Ma Ying-Jeou, has recently charged 17 former opposition officials belonging to the Democratic Progressive Party as violating laws, including the National Archives Act, alleging that they failed to return about 36,000 documents during the DPP administration.

Critics in Canada, Europe, Australia, and the U.S. are concerned about the timing of these announcements, noting that if there were any documents withheld or missing, an alarm should have been gone off during the transition period between the DPP administration and the current government in 2008, not 3 years after the fact and during the current primary season for next year's Presidential

elections. Can anyone here address, in your opinion, the criticism that the judiciary process is being used as a political weapon?

Ms. DREYER. If I can start off with that, yes. That is one excellent example. Not only the, "suddenly missing" 36,000 documents that have been missing for quite some time, but there have also been wholesale indictments of officials of the previous administration. The judiciary has been used in ways that were so irregular that it prompted a series of—I think—five different letters by human rights advocates and others. The signatories included President Ma's former mentor at Harvard Law School, who also expressed his concern. This is something I didn't have time to address in my oral statement, but you will find in the written one. In ways that are very worrisome, the United States' seeming withdraw from support of Taiwan is having very deleterious effects on Taiwan's democracy and its civil liberties.

Mr. SCHRIVER. If I could just add very briefly to that, I think that what is really needed is full transparency and that there is aggressive oversight on the part of the press, aggressive response from the international community when they see things. It is hard to know ground truth. I mean, it certainly looks like there is something that is not consistent with rule of law and that the judiciary has not been used appropriately in certain instances. But I do think that if there is transparency and this is brought out into the daylight, the people of Taiwan will respond the right way, which is to punish that kind of activity. I do have confidence in Taiwan's democracy and that the people will exercise their vote, taking these things into account.

Mr. PAYNE. Thank you very much.

Taiwan, and we all know in comparison to many of the countries in Asia, Taiwan for the most part currently has a pretty decent human rights standard, as I said in comparison. The current President, Ma Ying-Jeou, has contended that he has valued democracy, freedom, and human rights.

Critics of President Ma and the KMT party, however, have criticized the current Taiwanese administration as not doing enough to promote the democratic values and the PRC, and that the judicial reforms in Taiwan have really not been addressed. President Tsai Ing-wen, chairwoman of the opposition Democratic Progressive Party, called for adding human rights in the cross-strait talks and agreements, and for Taiwan to be more vocal of the suppression of democracy within China.

Can any of you provide insight into what democratic factors should be discussed in cross-strait exchanges in negotiations between Taiwan and China?

Ms. DREYER. It seems very difficult for the President of Taiwan, who is constantly being urged to better relations across the strait, to be chiding the People's Republic of China on that. I notice that even when our own Secretary of State, who is in a far more powerful position does that, and innocently—I think she was innocently suggesting that the disputes in the South China Sea be settled in a democratic manner, and incurred the invective of the Chinese Government. So they don't take well to that.

Chairman ROS-LEHTINEN. Thank you so much. I apologize, but our voting series has started.

Thank you, Mr. Payne. Your time is up.

Mr. Royce, I would like to recognize you, so that you can ask your questions.

Mr. ROYCE. Thank you.

The question I asked the panelists originally, if we can go back to that. We have free trade agreements in Asia, about 100 of them. But China has really leaned on its neighbors not to allow Taiwan to engage in any of those. And as a result, that sort of steadily erodes the ability to compete and the ability to be engaged in trade and investment there from the competitiveness standpoint.

What can we do to move forward on our Trade and Investment Framework Agreement? That is an agenda that we have with Taiwan, and how can we use this dialogue to increase the prospect of securing a U.S. free trade agreement with Taiwan in the near future?

Mr. HAMMOND-CHAMBERS. Thank you, Congressman Royce.

On the TIFA, I believe with the present situation with USTR, the USTR really is looking to Mr. Baucus and those who are friendly to the beef community to drive this issue.

But there is no counter in Congress. There is no pressure from other parts of Congress to try and counter the pressure on beef. And as a consequence, the USTR is acting really with the sole guidance of one particular constituency on the Hill.

So I think congressional leadership, pressuring USTR to put beef aside, not to give up on it, but to put it aside and allow the broader relationship to move forward. Of course, the benefit would be senior level USTR officials traveling to Taiwan and the improvement in communication.

And then, of course, the possibility that we could start putting into place some building block agreements that would move us close toward a free trade agreement at such time as the U.S. is ready to start signing FTAs with other trading partners.

Mr. ROYCE. Other ideas? Any commentary?

Ms. TUCKER. I would just add that it is not an entirely bleak picture about Taiwan and its isolation in the region. Since the Economic Cooperation Framework Agreement was signed with China, China has stepped out of the way, and Taiwan is now negotiating with Singapore for a free trade agreement, and there is talk about one, perhaps, with India.

I think the one that Taiwan wants most is with us. As I understand it, that is in your court. I think Congress needs to deal with free trade agreements from a lot of places and move forward because Taiwan is not going to get it if Korea doesn't get it or Panama doesn't get it.

Mr. ROYCE. That is what we are trying to elicit here. Go ahead.

Mr. SCHRIVER. I can't quite resist this question to talk a little broader than Taiwan. Because the hearing is "Why Taiwan Matters," if we don't have a more aggressive trade policy, people are going to start wondering will the United States continue to matter because trade and commerce is the lifeblood of Asia, and we are in the game right now.

Mr. ROYCE. Yes. Over 100 agreements, and we are party to two of them.

Mr. SCHRIVER. Yes. We should do Taiwan, and we should get KORUS done. And we should be much more aggressive. We should be a player rather than a very reluctant observer.

Mr. ROYCE. Thank you. Any other commentary?

If not, Madam Chair, I will yield back so we can go to the vote.

Chairman ROS-LEHTINEN. Thank you, very much, Mr. Royce, because Taiwan matters, but so do our voting percentages. So thank you very much.

With that, the meeting is adjourned.

[Whereupon, at 11:46 a.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

FULL COMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-0128

Ileana Ros-Lehtinen (R-FL), Chairman

June 13, 2011

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held in **Room 2172 of the Rayburn House Office Building (and available live, via the WEBCAST link on the Committee website at http://www.hcfa.house.gov):**

DATE: Thursday, June 16, 2011

TIME: 10:00 a.m.

SUBJECT: Why Taiwan Matters

WITNESSES: Ms. June Teufel Dreyer
Professor of Political Science at University of Miami
Senior Fellow at Foreign Policy Research Institute

Mr. Randall G. Schriver
Partner at Armitage International LLC.
President & CEO of the Project 2049 Institute

Mr. Rupert J. Hammond-Chambers
President of the U.S.-Taiwan Business Council
Member of National Committee on United States-China Relations

Ms. Nancy Bernkopf Tucker
Professor, School of Foreign Service
Georgetown University

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF FULL COMMITTEE HEARING

Day *Thursday* Date *June 16, 2011* Room *2172 Rayburn*

Starting Time *10:00 am* Ending Time *11:45 am*

Recesses [ ] (____to ____) (____to ____) (____to ____) (____to ____) (____to ____) (____to ____)

Presiding Member(s)

Chairman Ileana Ros-Lehtinen

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]

Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

Why Taiwan Matters

COMMITTEE MEMBERS PRESENT:

Attendence Attached

NON-COMMITTEE MEMBERS PRESENT:

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

Rep. Connolly SFR
Rep. Faleomavaega SFR
Rep. Duncan QFR

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *11:45 am*

Jean Carroll, Director of Committee Operations

Hearing/Briefing Title: Why Taiwan Matters

Date: June 16, 2011

Present	Member
X	Ileana Ros-Lehtinen, FL
	Christopher Smith, NJ
X	Dan Burton, IN
	Elton Gallegly, CA
	Dana Rohrabacher, CA
X	Donald Manzullo, IL
X	Edward R. Royce, CA
X	Steve Chabot, OH
	Ron Paul, TX
	Mike Pence, IN
X	Joe Wilson, SC
	Connie Mack, FL
X	Jeff Fortenberry, NE
	Michael McCaul, TX
	Ted Poe, TX
	Gus M. Bilirakis, FL
	Jean Schmidt, OH
	Bill Johnson, OH
X	David Rivera, FL
	Mike Kelly, PA
	Tim Griffin, AK
	Tom Marino, PA
	Jeff Duncan, SC
	Ann Marie Buerkle, NY
X	Renee Ellmers, NC

Present	Member
X	Howard L. Berman, CA
	Gary L. Ackerman, NY
X	Eni F.H. Faleomavaega, AS
	Donald M. Payne, NJ
	Brad Sherman, CA
	Eliot Engel, NY
	Gregory Meeks, NY
	Russ Carnahan, MO
	Albio Sires, NJ
X	Gerry Connolly, VA
	Ted Deutch, FL
	Dennis Cardoza, CA
	Ben Chandler, KY
X	Brian Higgins, NY
	Allyson Schwartz, PA
	Chris Murphy, CT
	Frederica Wilson, FL
	Karen Bass, CA
	William Keating, MA
X	David Cicilline, RI

The Honorable Gerald E. Connolly (VA-11)

HCFA Full Committee Hearing: Why Taiwan Matters
Thursday, June 16
10am

When examining the relationship between the United States and Taiwan there is significant context and history to consider. U.S. policy with regard to the defensive capabilities of Taiwan is clearly outlined in the Taiwan Relations Act (TRA) of 1979, which states that is it the policy of the U.S. "to provide Taiwan with arms of a defensive character." Moreover, the three joint communiqués between the U.S. and the People's Republic of China (PRC), and the "Six Assurances" to Taipei offered by President Reagan, add additional context to the U.S.-Taiwan relationship.

The defensive weapons provision in the TRA has been an irritant in the relationship with Beijing, but this provision is necessary for Taiwan's defense. Despite improving ties between Beijing and Taipei, last year "China [had] over 1,100 conventionally armed short-range ballistic missiles deployed opposite Taiwan."[1] Taiwanese experts estimate the current number of missiles aimed at Taiwan is over 1,600, and will likely reach 1,800 by next year.[2] Last year, consistent with the TRA, the Obama Administration released a $6.4 billion arms package to Taiwan that included Patriot missiles, Black Hawk helicopters, mine hunters and military communications equipment. Taiwan is still waiting for the approval of sixty-six F-16 C/D airplanes, and eight diesel-powered submarines. Due to Taiwan's aging fleet, and future supply line issues with the F-16 C/Ds, I trust the Administration understands the urgency of this situation. After all, the sale of defensive items from the U.S. to Taiwan is codified in our laws and is part of our foreign policy. Surely China, as a country that is working with Pakistan to manufacture 50 JF-17 fighter jets, understands this.[3]

It would be inaccurate to characterize the cross-strait relationship as hostile and rigid, since such a characterization would not do justice to the multi-faceted and deep nature of the relationship. It would be folly for outside observers to believe we can fully encapsulate the interactions and motivations of the people of the PRC and Taiwan in a simple model. Just last December, the Mainland Affairs Council (MAC) issued a poll where the results spoke to the variety of opinions. For example, 63% of respondents said they supported the status quo indefinitely with a decision later on unification or independence; 18% favor the status quo now with independence later; 7 favor the status quo now with unification later; 6% favor independence as soon as possible; and 1% favor unification with the mainland as soon as possible.[4] In other words, the vast majority of Taiwanese prefer the status quo with no drastic change.

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[1] 2010 Report to Congress of the U.S.-China Economic & Security Review Commission, (November 2010) p. 149.
[2] "China 'To Target 1,800 Missiles at Taiwan In 2012,'" *Agence France-Presse* (May 20 2011).
[3] For more information, please see "Pakistan Awaits 50 Jets Made With China: Minister," *Agence France- Presse (May 20 2011).* The article quotes Pakistani Defense Minister Ahmad Mukhtar as saying: "We think there is a good deal [for the JF-17/Thunder aircraft at $20-25 million] as compared to $80 million for the F-16."
[4] Cited in a CRS Memorandum to the House Foreign Affairs Committee, "U.S. Policy Toward Taiwan," (June 14, 2011) p. 2.

The Honorable Gerald E. Connolly (VA-11)

This ambivalence may reflect, for example, the close economic ties between the PRC and Taiwan. Taiwan has 70,000 companies that have invested more than $100 billion in the PRC; moreover, Taiwan has worked with the PRC to facilitate direct flights between the two locations and has seemingly welcomed large tour groups in Taiwan.[5] And Taiwan is reportedly seeking to increase direct flights from 370 to 500 per week.[6] These ties between Beiing and Taipei are welcome but should not mask their differences. Taiwan's respect for democratic values and its robust multiparty elections are important assets not yet emulated by the mainland. Our economic ties are also of great importance; in 2010 total U.S. trade with Taiwan was $61.9 billion, making it the 9th largest U.S. trading partner.[7]

Thank you, Madam Chairman.

[5] Both facts are from Ibid., p. 4.
[6] Ibid., 4.
[7] Ibid., 7.

STATEMENT OF
THE HONORABLE ENI F.H. FALEOMAVAEGA
RANKING MEMBER
SUBCOMMITTEE ON ASIA AND THE PACIFIC

before the
HOUSE COMMITTEE ON FOREIGN AFFAIRS
regarding

"Why Taiwan Matters"

June 16, 2011

Madam Chair, Ranking Member:

Since 1979, U.S. policy regarding Taiwan has remained unchanged. The Joint Communiques, together with the Taiwan Relations Act, are the foundation of our policy which acknowledges the One China position on both sides of the Strait and implies, as Republican President Ronald Reagan once said, that *"the Taiwan question is a matter for the Chinese people on both sides of the Taiwan Strait to resolve."*

Whether Democrat or Republican, every U.S. President since 1979 has stood by this assertion. In fact, the Taiwan Relations Act states that it is the policy of the United States *"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."* For the sake of our U.S. troops, I also support this policy and I believe we should do everything we can to make sure this policy works so that U.S. troops are not called upon to resolve any unnecessary conflict between Taipei and Beijing.

On a personal note, I want to commend President Ma for his leadership in reducing tensions in the Cross Strait. I also support President Ma's efforts to call upon the United States to sell the government of Taiwan all the F-16 C/D it requires, in accordance with the Taiwan Relations Act which requires the U.S. *"to provide Taiwan with arms of a defensive character"* in order *"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."* Given that Beijing has some 1,400 missiles aimed at Taiwan, I add my voice to those calling upon the Obama Administration to authorize arms sales to Taiwan as a primary military deterrent.

Having said this, I also want to note that since President Ma took office, Taiwan has participated as an observer at the World Health Assembly, there are now 370 direct flights from cities in Taiwan to cities in China every week, there has been a relaxation of China-bound

investments, more visas for mainland tourists and more exchange in many others areas. Taiwan and China also inked the Economic Cooperation Framework Agreement (ECFA) last summer, and trade between Taiwan and China now totals over $110 billion per year.

So I commend both Beijing and Taipei for developing healthier cross-strait relations and for advancing regional peace and stability. Like President Ma, I believe that Taiwan and the PRC can co-exist while maintaining their differences and that a win-win situation between Taiwan and the PRC is in the best interest of all of us.

WRITTEN RESPONSES FROM MS. JUNE TEUFEL DREYER, PROFESSOR OF POLITICAL SCIENCE AT UNIVERSITY OF MIAMI, SENIOR FELLOW AT FOREIGN POLICY RESEARCH INSTITUTE, TO QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE JEFF DUNCAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA

Questions/Statement for the Record of the Honorable Jeff Duncan (SC-03)
Committee on Foreign Affairs, U.S. House of Representatives
Hearing: "Why Taiwan Matters"
June 16, 2011

To Entire Panel:

1. In assessing U.S. policy towards Taiwan, we need to assess the importance of Taiwan and its democracy for U.S. interests in the region. Traditionally, the U.S. has held that because of its location astride the sea lanes as well as the fact it is now a lively democracy, it is of strategic interest to the U.S. Can you elaborate on the reasons for continued support for Taiwan?

First, to ensure its national security and maintain regional peace; and second, to remain true to its own founding beliefs, For the first of these, see my answer to question 2 below. As for the second, the need to remain true to our own principles. To abandon a democratic country to an authoritarian government with an abysmal human rights record is a repudiation of all that the United States stands for. Moreover, this country was founded on the principle of the right to self-determination, as stated in our declaration of independence. The right to self-determination was part of President Woodrow Wilson's Fourteen Points, and was most recently articulated by President Barack Obama on his visit to the Middle East.[i] The same principle is integral to the philosophy of Dr. Sun Yat-sen, who is acknowledged by both sides of the Taiwan Strait as the father of the Chinese republic. The right to referendum is explicitly mentioned in the constitution of the Republic of China. Yet, after the PRC in the 2004-2008 period expressed strong opposition to Taiwan holding a referendum on any topic, even on issues unrelated to the island's political status, the U.S. administration did so as well. It was thus violating its own commitment to self-determination by denying it to other people in order to appease Beijing. Even as the Kuomintang (KMT) government was defying its own constitution to please Beijing.[ii]

2. Could you elaborate on the likely consequences for U.S. security if Taiwan were to come under Chinese control, and China had a blue water navy with full access to the Pacific?

The Chinese military has been a focus of my research efforts for the past several decades. In this capacity, I regularly read military journals from the People's Republic of China (PRC) dealing with defense matters. The militant tone of the articles contained therein is striking, as is the way Chinese strategists view Taiwan---not as an end in itself, a terra irredenta that must be possessed, but as a stepping stone for reaching China's larger goals of controlling the regional sea lanes and beyond. Chinese analysts concentrate on the importance of Taiwan to the PRC's strategic future. The inability of the People's Liberation Army (PLA) to break out of the first island chain into the Pacific without first taking Taiwan is standard commentary in Chinese journals. This chain is visualized as an arc running south from the Japanese archipelago to the Philippines, with some strategists projecting its trajectory all the way past the Indonesian archipelago to the British-administered Indian Ocean base at Diego Garcia that is frequently used by U.S. military planes.

Another supposition that is noticeable in the journals is that the PLA navy can attain decisive command of the seas by projecting power eastward from Taiwan. One commentator states that Taiwan is currently a shackle but that, if possessed by the PRC, would be the key to the open ocean. Since the island occupies the mid-section

of the first island chain, PRC strategists reason, its capture would cut the chain in two. Chinese fleet and naval aviation units could use Taiwan as a major base. Sea and air combat radii from bases on the island would reach the flanks of Japan and the Philippines. Another analyst visualizes China and Taiwan as forming a T-shaped battlefield position able to defend the PRC against semi-encirclement while at the same time facilitating the Chinese military's breakout from the second island chain that stretches from the Japanese archipelago south to the Marshall and Bonin islands, including the U.S. base at Guam.[iii]

3. On March 11, 2011, multiple disasters combined with an earthquake and tsunami devastated northeast of Japan and its nuclear power plant. I understand that Taiwan, located on the Ring of Fire of the Pacific Rim, could face frequent earthquakes and potential tsunamis year-round. Possessing three nuclear plants and building a fourth one – all with the help of American companies – Taiwan could face a similar threat from natural disasters in the future. What is Taiwan doing to prepare for a possible threat? Is it prepared in the event that a natural disaster of this magnitude was to occur?

As Representative Duncan mentions, Taiwan has three functional nuclear power plants and a fourth under construction. All are administered by the state-owned electricity provider Taipower. The first three are located in Chinshan and Kuosheng in northern Taiwan, and at Maanshan at the southern tip of the country. Collectively, they have four General Electric-designed boiling water reactors similar in design to those operating at Fukushima and two Westinghouse pressurized water reactors. The three plants were completed in the late 1970s and 1980s, and hence constructed in accordance with higher safety standards than those in force when the Fukushima reactors were built. These include greater redundancy of safeguards such as emergency diesel generators capable of cooling water for the reactors. The fourth plant, begun over the strong protests of anti-nuclear activists---who, however, have advanced no alternative strategy other than vague calls for a green Taiwan----to provide for the nation's growing demand for power. Nuclear Four is located in Yenliao Township, New Taipei City, on the island's northeastern coast. Opponents include local residents, environmental activists, and the opposition Democratic Progressive Party (DPP). The pro-government China Times has been highly critical of the country's nuclear power plant disaster exercises, stating on March 14, for example

No one takes them seriously. No one engages in genuine disaster relief efforts. Frankly, many members of the public merely show up for free lunches. Admittedly, the public has never attached much importance to these exercises. But government agencies have also failed to promote them properly. They have failed to make the public aware of the importance of disaster prevention. They have failed to inculcate disaster prevention awareness.

To be sure, after the Fukushima tragedy, Taiwan's population is apt to be more sensitized to the lurking danger and therefore to take the exercises more seriously. However, no matter how seriously government and citizens take the exercises, the fact remains that, due to the country's high population density, particularly in the Taipei area, there is no feasible way to evacuate the population in the event of disaster.

After Japan's triple disaster, Taiwan president Mao Ying-jeou assured the country that there was no need to cease production at the existing three facilities, and that construction on Nuclear Four would continue. Senior government and Taipower officials issued assurances of the safety of the existing facilities and the design of Nuclear Four. On 17 March, Atomic Energy Council Director-General Tsai Hung-chun pledged that no

nuclear fuel would be loaded into Nuclear Four until after a rigorous inspection of all 66 critical systems. Chinshan nuclear power plant officials stated that their facility, located in the hills off Taiwan's coast, was protected from tsunami waves up to 23 meters (75.5 feet) high. I have no information on tsunami protection for the other two plants, nor for Nuclear Four.

Skeptics are not convinced by these reassurances: They point to design changes that were made without General Electric's permission and the facilities' inability to withstand earthquakes great than 7 on the Richter scale. The epicenter of the devastating 7.6 magnitude earthquake of 21September 1999 fortunately did not occur in the vicinity of the three locations, though one cannot rule out a future one that might. They also worry about fires and human errors. A number of rallies, the largest of which comprised more than 300,000 persons, have called for a total cessation of nuclear power generation. On 30 June 2011, Premier Wu Den-yih stated that the government would gradually push for the development of green energy to make Taiwan a nuclear free country, on condition that the economic development of Taiwan and the livelihood of its people would not be adversely affected. Although this did not satisfy anti-nuclear groups, it is difficult to imagine what else Wu could have said. The country's continued economic prosperity is dependent on the availability of adequate power supplies.

4. How has the Obama Administration adhered to or violated the Taiwan Relations Act and/or the Six Assurances?

The Obama administration has neglected the Taiwan Relations' Act's directive to supply Taiwan with such defensive weapons as needed to maintain a military balance of power across the Taiwan Strait. Most recently, Secretary of Defense Robert Gates spoke of taking Chinese sensitivities into account when deciding what weapons to sell Taiwan.[iv] *Apart from the patent absurdity of allowing one's partner's only enemy the privilege of deciding what weapons one will sell to one's partner, Gates's statement is a clear violation of the Taiwan Relations Act's explicit instructions that the determinants of Taiwan's need for weapons is the sole purview of congress and the administration,*[v] *as well as of the third of the six assurances. Decisions on weapons sales to Taiwan drag on and, when finally decided, may be of obsolescent versions of the items desired rather than state-of-the art equipment. In tandem with the large increments in the PLA's budget over the past three decades and the stunning improvements in its weaponry that have accompanied them, American actions have eroded the defensive balance of power across the Strait that the TRA obligates the US to maintain. The delay in making a decision on the sale of F- 16 C/Ds is a case in point. Although capable fighters, the F-16 C/Ds would quickly be overwhelmed by the PLA Air Force's indigenously-produced and comparably equipped J-10B and J-11 B fighter variants.*[vi] *Yet the U.S. has still not agreed to the sale. Concerns about the PRC's objections not only contradict the law but are ill-founded: China has made clear again and again that it objects to* ***all*** *U.S. arms sales to Taiwan.*

5.To what extent does uncertainty about the U.S. security commitment to Taiwan (as reflected in the Taiwan Relations Act) lead to broader uncertainty about America's role as security guarantor in East Asia?

The obvious attempt of the Obama and late Bush administration to accommodate China at the expense of Taiwan has pushed not only Taiwan but other Asian states such as Japan into feeling that they should accommodate China as well. Despite Secretary of State Hillary Clinton's welcome words of support for an amicable settlement of South China and East China sea claims, the US appears to be dissociating itself from Asia, in which case these countries, whose economic prosperity already is dependent to a large degree on trade with China, to adjust their policies in accordance with Beijing's wishes.

5. Why has the Obama administration not acted in regard to Taiwan's need for new F-16 fighters? When does the president need to make a decision in order to sustain the F-16 production line?

As stated above, the Obama administration has not acted in regard to Taiwan's need for F-16 C/Ds due to fear of Chinese anger, the clear language of the Taiwan Relations Act and the Six Assurances notwithstanding. The deadline for closing the F-16 C/D production line is the end of 2013, though the deadline could be extended or the plant relocated if future orders come in, as India, for example , is contemplating. Mention should be made of the adverse effects on the US economy of refusal to sell the F-16 C/Ds. Defense industry data indicate that the program would generate more than 16,000 jobs annually over the life of the program and yield almost $768 million in federal tax revenue as well as $593 million to state and local governments in 44 states.[vii] *With an unemployment rate of over nine percent and a faltering economic recovery, these are jobs and revenue that Washington can ill afford to forego.*

   a. What explains Taiwan's recent record of relatively weak defense expenditures? Can the Taiwanese people realistically expect the U.S. to care more about the defense of their island than they do? Is there a credible prospect that Taiwan will meaningfully increase its defense spending over the near term?

Partisan wrangling within Taiwan politics accounted for much of the near-standstill In Taiwan's arms purchases from the US. During Chen Shui-bian's administration, the KMT-dominated Legislative Yuan was in essence denying the executive the authorization to purchase the weapons that the previous KMT administration had requested and that were included in President George W. Bush's generous April 2001 arms package offer. Now, since Washington has been vigorously pushing Taiwan into an accommodation with China that—as mentioned above and in my written submission to the HFAC---is not in America's own best interests, Taipei is hesitant to approve arms purchases that may anger Beijing, undo the process of cross-strait reconciliation, and hence incur the wrath of Washington as well.

In conclusion, the U.S. administration's policy is working against America's own best interests.

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[i] William Dobson, "The Two Words Obama Didn't Mention," Washington Post, May 19, 2011, http://www.washingtonpost.com/blogs/post-partisan/post/the-two-words-obama-didnt-mention/2011/05/19/AFcSfM7G_blog.htm

[ii] Bowing to pressure for a referendum just before an election, the KMT-controlled Legislative Yuan passed a referendum law with so many restrictions as to make the possibility of any initiative passing close to impossible.

[iii] These journals are not in current circulation though are available, untranslated, through the extremely expensive subscription service CNIK (China National Infrastructure Knowledge) online data base. An excellent summary of the articles cited above appears in Toshi Yoshihara and James R. Holmes, *Red Star Over the Pacific: China's Rise and the Challenge to U.S. Maritime Strategy* (Annapolis, Maryland, 2011:Naval Institute Press.

[iv] "We have tried to thread the needle pretty carefully in terms of Taiwan's defensive capabilities, but at the same time being aware of China's sensitivities." http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4830

[v] "The President and the Congress shall determine the nature and quantity of such defense articles and services based *solely* upon their judgment of the needs of Taiwan." Taiwan Relations Act, Section 3 (b). Italics added

[vi] According to PLA Air Force expert Richard D. Fisher, the US has the option to equip the new F-16s to a "4th generation plus" level of capability, the most notable feature being an active electronically scanned array (AESA) radar. The J-10B has an AESA radar and is expected to enter production this year. The J-11B is now being produced in three variants with a Chinese-built turbofan--a major significant accomplishment for the PRC's aerospace sector. They could produce 70 of both these fighters in about 3 years. Had we sold Taiwan the new F-16s in 2006 when the request was first made; they would be arriving at about the same time as the PLA's new fighters, and thus would have maintained a technical parity that would have aided deterrence. The Chinese air force already has numerous Su-27s and Su-30s which are superior to the F-16 fighters.

[vii] Wendell Minnick, "Lockheed Report Touts Taiwan F-16 Sales as Boost to U.S. Economy," *Defense News*, June 27, 20011.

WRITTEN RESPONSES FROM MR. RANDALL G. SCHRIVER, PARTNER AT ARMITAGE INTERNATIONAL LLC., PRESIDENT & CEO OF THE PROJECT 2049 INSTITUTE, TO QUESTIONS SUBMITTED FOR THE RECORD BY THE HONORABLE JEFF DUNCAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA

Questions/Statement for the Record of the Honorable Jeff Duncan (SC-03)
Committee on Foreign Affairs, U.S. House of Representatives
Hearing: "Why Taiwan Matters"
June 16, 2011

Response from Randall Schriver
President & CEO, The Project 2049 Institute
Partner, Armitage International LLC

To Entire Panel:

1. **In assessing U.S. policy towards Taiwan, we need to assess the importance of Taiwan and its democracy for U.S. interests in the region. Traditionally, the U.S. has held that because of its local astride the sea lanes as well as the fact it is now a lively democracy, it is of strategic interest to the U.S. Can you elaborate on the reasons for continued support for Taiwan?**

   The United States has a strong interest in seeing Taiwan maintain its prosperity, security, and freedoms. We have supported the Republic of China for decades as the citizens there worked hard to make Taiwan a thriving democracy – and in doing so, we have simultaneously advanced our own interests in the Asia-Pacific.

   American interests in Taiwan range from economic to security to diplomatic. Although commerce is only one aspect of the U.S.-Taiwan relationship, bilateral trade alone argues for greater consideration of Taiwan's importance to American interests. Taiwan is the United States' ninth largest trade partner; 11 percent of the United States' export market goes to Taiwan, surpassing both India and Brazil, and Taiwan's technology companies are some of the most vibrant in the world. Taiwan is home to a population of 23 million, holds the 21st largest GDP in the world, and is geographically situated to handle more shipping containers than any single port in Japan or Korea. By objective standards, Taiwan is clearly an important international friend.

   Furthermore, Taiwan has become an exemplary model of a nation that has peacefully and successfully used American diplomacy and aid to transition into a democratic nation capable of providing aid to others. Taiwan has become a "responsible stakeholder," firmly committed to international efforts to fight terrorism, poverty, disease, and disaster.

2. **Could you elaborate on the likely consequences for U.S. security if Taiwan were to come under Chinese control, and China had a blue water navy with full access to the Pacific?**

   Chinese control of Taiwan and the strait could effectively deny the United States and its allies access to one of the world's busiest and strategically valuable sea lanes during times of heightened tensions. PRC occupation of Taiwan will afford the People's Liberation Army unobstructed access to the Pacific Ocean and to the second of the so-called 'island chains,' which includes Guam. From the PLA's perspective, this will also broaden the possibilities for deployment and maneuvering, not just in the Pacific, but also out to the East China Sea and South China Sea.

While China's military modernization was driven by the desire to 'reunify' Taiwan, current trends suggest that the naval build up now exceeds the Taiwan contingency. As noted in the "Annual Report on Military and Security Developments Involving the People's Republic of China" published by the Department of Defense in 2010, current trends in China's military capabilities could provide China with a force capable of conducting a range of military operations in Asia well beyond Taiwan. Therefore, while an occupation of Taiwan will inevitably affect Washington's strategic calculus towards Asia, U.S. strategic interests in Asia will still be subject to China's naval expansion in the years to come, regardless of an occupation of Taiwan.

Success in occupying Taiwan may embolden the PRC to seek military solutions in other territorial disputes, creating insecurity among U.S. allies and defense partners in the region. Recent tensions over territorial disputes have led Secretary Clinton to assert that the U.S.-Japan Mutual Defense Treaty covered Tokyo and Beijing's overlapping sovereignty claims in the East China Sea, and that the U.S. is committed to the defense of the Philippines as tensions with China rise in the South China Sea, a region also declared by the secretary to be of national interest to the United States. At a time when U.S. forces are currently forward deployed from Japan to Guam, increased tensions and insecurities bear greater chances for future U.S. military involvement in Asia.

A Chinese blue water navy, coupled with its rapid development of anti-access and area denial capabilities, reinforces its maritime strategy of projecting power from the Pacific to Indian Ocean to support geopolitical aspirations. The PLA's investment in asymmetric capabilities such as the anti-ship ballistic missile and its supporting space-based sensor network further supports its ambitions of becoming a dominant maritime power. Open access to the Pacific will mean that the PLA navy will be able to operate with greater flexibility, and this is also coupled with the capability to complicate the activities of other naval forces in the same waters. Already, there are reports of activities and incursions beyond the first island chain with PLA Navy submarines extending their patrol range as far as Guam. Furthermore, the PLA Navy is shoring up its long distance deployment capabilities with current counter-piracy operations in the Gulf of Aden. The development of a viable PLA carrier strike group will also reinforce its power projection in the Pacific. However, this may lag significantly behind the sea trial of its first aircraft carrier, the refurbished Varyag, as it is uncertain whether China has the anti-submarine warfare capabilities and the advanced integrated weapons and command computer systems to operate an effective strike group.

Given our unique military stake in Asia, a PRC occupied Taiwan along with a blue water capable PLA Navy will alter the strategic environment and warrant a review of contingency planning. Even if one is not persuaded of Taiwan's importance to the United States, surely that same person could see the potential harm to our interests if Taiwan is lost to Beijing's control.

3. **On March 11, 2011, multiple disasters combined with an earthquake and tsunami devastated northeast of Japan and its nuclear power plant. I understand that Taiwan, located on the Ring of Fire of the Pacific Rim, could face frequent earthquakes and potential tsunamis year-round. Possessing three nuclear plants and building a fourth one – all with the help of American companies – Taiwan could face a similar threat from natural disasters in the future. What is Taiwan doing to prepare for a possible threat? Is it prepared in the event that a natural disaster of this magnitude was to occur?**

Taiwan currently has multiple stovepiped systems for warning, command and control, response, and recovery for every type of threat. Since 1999, Taiwan has implemented a range of measures to plan for emergency responses, including the establishment of a central disaster prevention and response council, drafting of national and local level contingency plans, and formation of emergency response command centers at both the national and county/city level. The Ministry of Interior holds the responsibility for earthquakes and typhoons, and the Ministry of Economic Affairs is responsible for floods and critical infrastructure protection.

The National Disaster Prevention and Protection Commission is responsible for policy, planning, and oversight of programs intended to mitigate the effects of natural disasters. Under the Executive Yuan and chaired by the Vice Premier, the commission develops emergency management standard operating procedures. It also manages the national warning system and oversees recovery operations. For warning, the National Science and Technology Center for Disaster Reduction (NSTDR) oversees technology programs to mitigate natural disasters, with the most noteworthy being earthquakes and typhoons. The CWB is the organization responsible for forecasting, surveillance and warning of typhoons that could affect Taiwan.

The National Science and Technology Center for Disaster Reduction (NCDR) evaluates and estimates the potential rainfall distribution brought by an approaching typhoon, and passes potential maps of flooding and debris flow to the Water Resources Agency and the Soil and Water Conservation Bureau for their reference so they can issue advance warning to the appropriate regions.

Taiwan's democratically elected leadership must manage some of the world's most severe and complex security challenges. A vision for national security preparedness beyond military contingencies will help direct additional resources towards meeting critical non-traditional security threats, such as natural disasters. Accounting for less than half of Taiwan's public defense budget, the total Ministry of Interior budget for 2011 is US $4.3 billion (NT $129 billion), with disaster response accounting for a fraction. More and increasingly complex interagency training exercises, assured communications and command and control under the most stressing of situations, and greater investment to "all hazards" technologies and systems would further enhance Taiwan's capacity for emergency management without a prohibitive cost burden for the government. Given Taiwan's unique geography and relationship with a rising military power, the country is looking to solutions that can be applied toward both traditional and non-traditional security challenges.

In the wake of Japan's recent triple disaster, Premier Wu Den-yih and other members of the Executive Yuan have urged government agencies to enforce higher standards and inspections to guarantee public health and safety. Taiwan has been very mindful about the possible contingencies, including destroyed infrastructure, pollution in greater Taipei's primary water source, a contaminated food supply, and a population subject to physical and psychological damage from radiation. Without official membership in the WHO, Taiwan will require the support of partners such as the United States. Taiwan has signed a letter of intent with the United States wherein the National Nuclear Security Administration under the U.S. Department of Energy will assist Taiwan in assessing public health risks and providing technical consultation and assistance in association with public health events, including those associated with radiation events.

4. **How has the Obama Administration adhered to or violated the Taiwan Relations Act and/or the Six Assurances?**

In July 1982, the Reagan Administration promulgated the Six Assurances to Taiwan, agreeing, among other things, not to give prior consultation to China on potential U.S. arms sales to Taiwan and not setting a date for termination of the sales. This provided additional assurance to buttress TRA language which states that U.S. decisions on arms sales will be based solely on assessments of Taiwan's defense needs.
I question whether this Administration honors the Six Assurances and I question whether or not Administration decision-making is consistent with the spirit of the TRA. Early on in the Obama administration, concerns were raised over reported comments by a senior official that the U.S. may consult with China, "in a transparent way," on weapons packages to Taiwan to maintain good relations with China. This would be in direct contradiction to the 82 Communiqué and, fortunately, has not been consistent with statements since.

Yet, this administration, like its immediate predecessor, falls short on legal obligations under the TRA. U.S. responses to Taiwan's defense requirements in the face of China's escalating military buildup have been anemic. Although U.S.-Taiwan military cooperation has continued, security assistance over the past decade has slowed. Taiwan is not keeping up with China in terms of military buildup, and we are not being robust enough in our policy to enable them to do so. Even with assessments from the Department of Defense and Defense Intelligence Agency warning that the cross-Strait military balance continues to tilt in China's favor, there has been little action on Taiwan arms sales. The lack of responses towards Taiwan's real and urgent defense needs severely neglect the U.S. responsibility to make arms available to Taiwan. Software is crucial for effective defense, but without the necessary hardware, it is simply insufficient.

Rather than basing arms sales decisions on assessments of Taiwan's defense requirements, such considerations have become hostage to other priorities in the U.S.-China relationship. While there has rarely been a 'good time' for arms sales in the last 30 years, delays in sales lead to bundling of arms packages – instead of many small ones, we are now facing the prospect of fewer but more significant packages – which are even more diplomatically contentious in the U.S.-China relationship. This cycle renders our current decision making process even more inconsistent with the spirit of the TRA.

Recently, 45 senators reasserted Taiwan's need for enhanced defense capabilities. With the PRC's military posture opposite Taiwan, as well as their increased provocations in the region, the U.S. is not sufficiently helping Taiwan meet its defense needs by objective measures. The decision to move forward with F-16 A/B upgrades, F-16 C/Ds and submarines still remain under consideration in Washington. I believe a faithful interpretation of U.S. law demands this Administration provide Taiwan with these capabilities, particularly given that our own assessments have highlighted Taiwan's needs. Yet there continues to be reports that the Obama Administration is delaying response to Taiwan's requests.

Beyond military utility, sale of platforms such as the advanced F-16 C/D fighters provides a sense of security for the citizens of Taiwan and empowers the island's political leadership with the confidence to continue negotiations with China. Warming cross-Strait relations is a testament to, not despite of, past U.S. commitment to Taiwan's defense and to walk away from TRA obligations will inevitably set back the hard earned progress made to date.

In the long term, the current trajectory of cross-Strait rapprochement, backed by a U.S. commitment to Taiwan's defense requirements, supports the TRA aspiration for the future of Taiwan to be determined by peaceful means.

5. **To what extent does uncertainty about the U.S. security commitment to Taiwan (as reflected in the Taiwan Relations Act) lead to broader uncertainty about America's role as security guarantor in East Asia?**

Some argue that ending the TRA and reducing or eliminating our arms sales to Taiwan would be welcomed by U.S. allies in the region. The assumption is based on a belief that our allies see our loyalty to Taiwan based on historic affinities and not truly interest-based. Further, the argument goes, our allies would see opportunities for closer cooperation with the United States once we shed ourselves of this anachronism, and could be positioned to focus more intensely on treaty allies. This assumption is quite naïve and demonstrates little understanding of the views of our allies.

Abandoning Taiwan would be received negatively by our allies in East Asia, particularly by Japan and South Korea as well as our treaty allies in Southeast Asia. At a time when many of these countries are experiencing tensions with China, exacerbated by the East and South China Seas disputes, uncertainty over the U.S. commitment to Taiwan injects doubts over the U.S. ability to act as a security guarantor in Asia and opens up space for the PRC to hold greater leverage over the other nations of Southeast Asia.

Therefore, instead of enabling us to focus more on our other treaty partners, growing uncertainty about U.S. security commitment to Taiwan will project the idea of gradual withdraw from the region, appeasement of China, and a general willingness to abandon friends. Regional allies would question the credibility of America's political commitments, as would other young democracies around the world.

6. **Why has the Obama Administration not acted in regard to Taiwan's need for new F-16 fighters? When does the President need to make a decision in order to sustain the F-16 production line?**

We continue to hear that the Administration's reluctance on a further arms sales announcement is based primarily on concerns related to China's possible reaction to an announcement, and/or a search for the right timing for an announcement in order to minimize potential disruptions to the US-China bilateral ties. It seems to me we are increasingly subject to China's influence in our decision-making. And we suffer from a "tyranny of the calendar" where frequent high level visits between U.S. and Chinese officials make the windows smaller and smaller for Congressional notifications. Secretary of Defense Gates was quoted earlier this year as saying "we have tried to thread the needle pretty carefully in terms of Taiwan's defensive capabilities but at the same time being aware of China's sensitivities." Can any of us have confidence that this Administration's decisions are based <u>solely</u> on the needs of Taiwan and not based in part on consultations with China and/or a fear of how China might respond to an announcement?

By Taiwan's calendar, it will be ideal for the President to make a decision on the F-16 C/D sale as soon as possible. Facing a mounting fighter gap across the Strait, Taiwan is struggling to maintain a credible air deterrence capability despite the fact that, as another witness Mr. Hammond-Chambers points out, effective air defense is a crucial component of Taiwan's defense. Currently, Taiwan maintains 18 fighter squadrons consisting of U.S. and French fighters and the indigenous defense fighters. However, its air force is facing a significant decline due to the pending retirement of its F-5s, the potential withdrawal of up to a whole squadron of F-16 A/B fighters, and mothballing of its high-operational-cost Mirage 2000 fleet. This will have a significant and enduring erosion effect on the qualitative edge of the Air Force.

We are in a position to help Taiwan bridge this fighter gap with the F-16 A/B upgrades and acquisition of F-16 C/Ds but military aircraft takes several years to produce and deliver. If a decision was to be made soon, we can ensure deliveries of F-16 C/D aircraft by 2014, the critical year that Taiwan's shortfall will be all too evident with the retirement of the obsolete F-5s. In the meantime, we can strengthen the island's air defense capabilities with the upgrades for their F-16 A/B fleet.

The timeline for procurement is under pressure as the F-16 C/D production line, currently sustained by foreign orders as the U.S. Air Force looks to more advanced fighters, is slated for closure in 2013. Egypt's 2010 order for 20 Block 52 F-16 C/D is the last fleet of planes planned to roll out of the Lockheed Martin's Fort Worth, Texas production facility. Given that the process of negotiating a letter of agreement to formalize conditions for the arms sales will likely take at least a year prior to commencing production, the President will need to make a decision by early 2012 to sustain the F-16 production line.

To miss this window and negotiate a re-opening of the F-16 production will be costly for Taiwan and also throws into uncertainty continuing employment for Lockheed Martin's 2,000 employees involved in the F-16 production line in Fort Worth. The aeronautics division is planning to cut 1,500 jobs in the next few months, perhaps a disproportionate number from the Fort Worth headquarters. Lockheed currently has two years' worth of unfulfilled orders for the F-16, a program that has been greatly scaled back. In addition to leaving thousands of Lockheed employees without jobs, closing the production line could potentially leave Taiwan's air force in limbo since the U.S. has no comparable platforms to offer Taiwan. The remaining option would be to make available to Taiwan more advanced fighters, such as the F-35, which will be viewed as more irksome by China and is a less realistic option in the foreseeable future as no requests have been submitted.

7. **What explains Taiwan's recent record of relatively weak defense expenditures? Can the Taiwanese people realistically expect the U.S. to care more about the defense of their island than they do? Is there a credible prospect that Taiwan will meaningfully increase its defense spending over the near term?**

Taiwan is strongly committed to its defense and is undertaking comprehensive force modernization and restructuring. Recent initiatives have included plans for procurements and a plan to transition to an all-volunteer force by 2015. As a result of the latter and its political importance, the increasing demands for personnel expenditure are stretching Taiwan's budgets, possibly at the expense of procurements. Recent media reports that Taiwan postpone some foreign military sale purchases have raised alarms in Washington but, in reality, adjustments to the payment schedule—stretching it out over a longer period of time to free up funds for immediate requirements—is not an unusual practice. Moreover, this does not mean that Taiwan does not intend to secure the $6.4 billion arms package approved last year.

The political pledge from presidents Chen Shui-bian and Ma Ying-jeou to boost defense spending to 3% of the GDP has drawn constant scrutiny over decimal point fluctuations. As a percentage of the GDP, recent administrations have fallen short of the 3% goal. However, looking at defense budgets, as estimated by the Congressional Research Service (CRS), the percentage of GDP trend does not necessarily reflect the pattern of actual expenditure. For example, Taiwan's defense budget peaked at NT$341.1 in 2008 and then declined to NT$318.7 in 2009. Yet, as a percentage of GDP, these account for 2.5% and 2.7%, respectively. The best gauge of Taiwan's defense commitment is looking at its defense budget as a percentage of overall

government spending over the long term. Since 2001, this has remained between 16-20% with a mean of 17.1% (according to CRS figures). In 2011, the defense budget comprised 16.6% of all government spending.

Future increases in Taiwan's defense budget will likely be derived from perceived expenses. Like most countries, Taiwan operates within limited resources and seeks to minimize inefficient allocation. In the past, confirmation of an arms sale has increased defense spending in the years following as payments are disbursed. Since 2007, the government has included purchase of F-16s in its budgeting. While there are recent reports that the special fund for F-16 C/D fighters and submarines has been slashed to $10 million, it is important to note that payments for arms sales are spread across several years and this smaller amount only applies to the 2012 fiscal year. If the sale is approved, the Legislative Yuan would allocate the necessary funding until the payments are complete. There is growing bipartisan support in Taiwan for the F-16s with both presidential candidates in the 2012 elections voicing their support for the sale.

Without a doubt, no one is more serious and cares more about Taiwan's defense than the people of Taiwan who, everyday, are living under the specter of the PLA's 1600 missiles across the Strait. The government understands that defense of the island is of utmost priority and there have been numerous efforts to improve its defense. Taiwan's first QDR in 2009 is seen as an effort to openly demonstrate its commitment to defense modernization and future procurement. It is undertaking revolutionary steps in improving the quality of the military with a transition to all-volunteer force and phasing out the conscription system. Taiwan is acutely aware of the hardware shortages in its defense and, since 2006, has submitted three Letters of Request for F-16 C/Ds and one for F-16 A/B upgrades. Far from being acknowledged—as receipt of the letter would start the exploratory stage of the acquisition process, although this is by no means binding—they have been ignored, with a State Department official recently declaring that no LORs have been received to date.

Throughout this process, Taiwan has vigilantly bolstered its air defense in other ways. In 2009, it invested almost $600 million in an upgrade program for 71 of its Indigenous Defense Fighters to enhance their payloads at extended ranges. The first of these aircraft was delivered at the end of June, 2011, but it is an interim measure and new F-16 C/Ds are needed to replace ageing F-5 and Mirage fighters. In addition, Taiwan has focused on improving the survivability and operational capacity of its aircraft fleet with significant investments in rapid runway repair capabilities.

The United States is Taiwan's primary defense partner as we have long taken an active stake in the defense of Taiwan. The TRA states that any non-peaceful means to determine the future of Taiwan is "a threat to the peace and security of the Western Pacific area and of grave concern to the United States." The same law also obligates us to make available to Taiwan defensive military equipment, but does not require Taiwan to purchase everything we provide. Although Taiwan's efforts at purchasing some U.S. weapons have stalled, not for want of will or effort from Taipei, we should acknowledge the strides it has made in its indigenous production, as well as the country's other efforts to improve the quality of its military, as an unquestionable commitment to its own defense.

[NOTE: Responses were not received from Mr. Rupert J. Hammond-Chambers or Ms. Nancy Bernkopf Tucker to the previous questions prior to printing.]

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