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Subcommittee on Asia and the Pacific**

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Thank you Mr. Chairman and members of the Subcommittee for giving me the opportunity today to discuss our strong unofficial relationship with Taiwan.

The story of Taiwan is, of course, an impressive one. The people on Taiwan have built a prosperous, free, and orderly society with strong institutions, worthy of emulation and envy. Before I go any further, I would like to offer my sincere condolences to everyone in Taiwan that was affected by the recent earthquake, especially the families of those who lost their lives or were injured. The American people stand with the people on Taiwan during this difficult time.

Last month's free and fair elections were yet another victory for Taiwan's vibrant democracy. These elections not only represent Taiwan's third peaceful transition of presidential power and the first transfer of power in its legislature, but will also lead to the inauguration of Taiwan's first female president.

In this Administration, we have worked to strengthen and deepen the bonds between the people of the United States and Taiwan and to build a comprehensive, durable, and mutually beneficial partnership. As one of Taiwan's strongest partners, we are working side-by-side to increase our mutual economic prosperity, tackle global challenges, and ensure effective security to support continued stability and dynamism for Taiwan and the region.

On trade issues, Taiwan has developed a well-earned reputation for having a diversified economy that has built its prosperity on the openness of the global trade system. Just seven years ago, this island of 23 million people was our 15<sup>th</sup> largest export partner. Now, Taiwan has grown to become our **ninth**-largest overall trading partner and our **seventh**-largest destination for agricultural exports. In 2015, our two-way trade in goods with Taiwan exceeded \$66 billion, which is a 4.5 percent increase from 2013. The United States has also moved up to be Taiwan's **second**-largest trading partner in the last year.

At the same time, Taiwan has also expressed an interest in further deepening its integration into the regional economy through trade and investment. We have been working closely through the U.S.-Taiwan Trade and Investment Framework Agreement (TIFA) talks to accelerate Taiwan's economic reform efforts, resolve longstanding trade issues, and press Taiwan to implement food safety regulations based on science and consistent with international standards. At the recent TIFA talks in October 2015, we discussed a broad range of issues including Taiwan's investment climate, intellectual property, medical devices and pharmaceuticals, and agricultural issues.

Our close trade links also reflect a growing investment relationship. In 2014, investment from Taiwan ranked 29<sup>th</sup> in total stock of foreign direct investment (FDI) with \$9.9 billion. According to data from the Bureau of Economic Analysis, as of 2013, companies from Taiwan employed more than 12,000 workers in the United States with total worker compensation of almost a billion dollars. Moreover, Taiwan has repeatedly sent one of the largest delegations to our SelectUSA Investment Summit, showing continued active interest in the U.S. market. This investment relationship continues to produce more profitable opportunities for Taiwan businesses which, in turn, have created good-paying jobs for American workers.

Aside from these business links, people-to-people ties between the United States and Taiwan continue to grow. Travel for business and pleasure from Taiwan to the United States jumped 35 percent in 2013 alone, after Taiwan became a member of the U.S. Visa Waiver Program in November 2012. We expect these numbers to expand further as the U.S. and Taiwan finalize an agreement to facilitate more business travel through a trusted traveler program.

And let's not forget about the tens of thousands of students that Taiwan sends to the United States to receive a high-quality education. Last year, Taiwan was our **seventh** largest source of international students, higher than Japan, the UK, or Germany. In 2014, students from Taiwan contributed almost a billion dollars to the U.S. economy.

Even outside of the traditional classroom, through the Fulbright Program and the International Visitor Leadership Program (IVLP), young professionals and rising scholars from the United States and Taiwan collaborate on research and exchange best practices on a range of topics including environmental protection, government accountability, and preventing trafficking in persons. Furthermore, some of the

prominent alumni from these programs have included Taiwan's current and previous presidents.

The United States remains committed to supporting Taiwan's confidence and dignity through increased participation in the international community and enhanced security. We continue to support Taiwan's membership in organizations that do not require statehood and to urge meaningful participation in those that do.

At a time when pressure to squeeze Taiwan out of international organizations is growing, we are finding new ways for Taiwan to earn the dignity and respect that its contributions to global challenges merit. In 2015, as a member of the counter-ISIL coalition, Taiwan worked together with the United States to deliver 350 prefabricated homes for displaced families in northern Iraq.

Last June, the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office in the United States (TECRO) signed an MOU creating the Global Cooperation and Training Framework, or GCTF – a vehicle for the United States to help showcase Taiwan's strengths and expertise by addressing global and regional concerns. The idea is simple: the United States and Taiwan conduct training programs for experts from throughout the region to assist them with building their own capacities to tackle issues where Taiwan has proven experience and advantages. These include, but are not limited to, women's rights, democratization, global health, and energy security. At the same time, we remain just as committed to Taiwan's meaningful participation in organizations like Interpol, ICAO, WHO, and UNFCCC. We will match Taiwan's growth and innovation with equally innovative approaches to the relationship that highlight Taiwan's contributions to the global community.

On the security front, the United States makes available to Taiwan defense articles and services necessary to enable Taiwan to maintain a sufficient self-defense, which is consistent with our responsibilities under the Taiwan Relations Act. During the Obama administration, we have notified Congress of over \$14 billion in arms sales to Taiwan.

Our efforts at supporting Taiwan's self-defense capabilities extend beyond arms sales. We support Taiwan's capacity-building efforts through visits, maintenance programs, and exchanges. Over the last few years, we have nearly doubled the number of our annual security cooperation events, further enabling Taiwan to strengthen its self-defense capabilities.

Due, in part, to these stepped up contacts and strong U.S. partnership, Taipei has gained more confidence in its engagements with Beijing. In recent years, the two sides have pursued constructive dialogue to reach agreements on economic and people-to-people exchanges that promote peace and stability across the Taiwan Strait. Last November, we welcomed the meeting between leaders on both sides of the Taiwan Strait and the historic improvement in cross-Strait relations that it symbolized. Our long-held belief is that cross-Strait differences can and should be resolved peacefully in a manner, pace, and scope acceptable to people on both sides of the Strait.

The United States remains committed to our one-China policy, based on the Three Joint Communiques and the Taiwan Relations Act, a policy that has remained consistent over several decades and over many administrations. The United States has an abiding interest in cross-Strait peace and stability. We will continue to call on both sides to engage in dialogue on the basis of dignity and respect after Taiwan's new administration takes office in May.

During the current transition period, we remain in close contact with the present administration and the incoming administration to encourage both parties to work constructively to ensure a smooth transition and continue to promote peace and stability in the region. We look forward to working with Taiwan's new president and leaders from all parties to further strengthen the unofficial relationship between the United States and the people on Taiwan.

In conclusion, we have developed a vital partnership with Taiwan that is filled with many opportunities for cooperation in the future. We are committed to ensuring that this relationship, built upon the strong foundation of the Taiwan Relations Act, will continue to thrive as we find new innovative ways to deepen our unofficial ties. Taiwan has earned a great deal of respect in the international community, and we will continue to showcase the strengths and benefits of Taiwan's role and contributions in global efforts. The innovative spirit, democratic dynamism, and courageous vision of the people on Taiwan make us proud to be their friend and partner.

Mr. Chairman and Members of the Subcommittee, I would like to thank you again for inviting me to join you today. I am happy to answer any questions.