



**Renewing Assurances: Strengthening U.S.-
Taiwan Ties**

**Subcommittee on Asia and the Pacific
House Foreign Affairs Committee**

June 15, 2017

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Introduction

Taiwan remains a critical global partner for the United States. It is currently our 10th largest trading partner, ahead of India and other strategically important countries, and it serves as a critical node in the defense and security architecture of the U.S. across Asia.

Taiwan's population of 23.5 million people is roughly the same as Australia, but the island sits on a land mass equivalent to 0.47% of that of Australia. In the absence of any significant natural resources, other than its people, Taiwan has built an economy surpassing US\$474 billion in annual GDP, and foreign currency reserves surpassing US\$440 billion. Taiwan was still receiving U.S. foreign aid in the early 1950s, but has since flourished as it opened its markets and its political system.

By any measure, Taiwan is a poster-child example of the success of post-World War II U.S. foreign policy and its support for the building of flourishing free market democracies. Taiwan is worthy of significant investment by the United States, not just to support the island but as a representation of America's sustained commitment to the region.

In April 1979, the U.S. Congress passed the Taiwan Relations Act (TRA), embedding U.S. policy towards Taiwan into law and providing the framework for future support. Meanwhile, it also set important boundaries for behavior by the People's Republic of China (PRC) after the U.S. switch in diplomatic recognition earlier that year.

Since 2005, however, the U.S.-Taiwan relationship has been on a steady decline. Successive Republican and Democratic administrations have downgraded the bar of support for the island in the face of an increasingly aggressive and hegemonic PRC.

The PRC campaign to undermine support for Taiwan continues apace, with a focus on linking China's behavior on non-Taiwan matters – such as North Korea – to the willingness of the U.S. to curb its support for Taiwan in areas critical to Taiwan's ongoing welfare, such as arms sales and expanded trade relations.

As the PRC's economic and military power grows, the United States is increasingly challenged to assess whether it is willing to maintain its ongoing interest with Taiwan or if it will abdicate that leadership role in the hopes of moderating China's behavior in other areas of national interest.

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Trade & Economic Ties

The U.S. is Taiwan's second largest trading partner behind only China, and the two have approximately US\$66 billion in annual two-way trade. A strong and economically prosperous Taiwan is in the interests of the United States, and should be a core pillar of American support for the island.

The US-Taiwan Business Council (USTBC) believes that U.S. trade with Taiwan is mutually beneficial, despite the consistent trade deficit in goods in favor of Taiwan that has persisted for the last 30 years. Taiwan plays a tremendously important role both as a market for U.S.-made goods and as a manufacturing and innovation partner for U.S. businesses. Goods and services trade with Taiwan – along with extensive investments by Taiwan businesses in the U.S. – generally promotes economic growth in the United States and supports U.S. jobs across the country and in many industries. USTBC also believes that Taiwan is well placed to partner with the Trump Administration in exploring and partnering on new bilateral trade initiatives, including possibly signing a Fair Trade Agreement (FTA).

Taiwan's economy has flourished, particularly since the 1980s, by positioning itself as a partner in manufacturing products with high quality and low cost. Our bilateral economic relations are primarily underpinned by Taiwan's partnership with the U.S. in the development and production of information technology (IT) products, with the intellectual property for these products typically held by a third party.

For example, Apple's primary production partner for its iPhones is Foxconn, a Taiwan company with large manufacturing investments both in China and across the globe. Its production prowess allows for Apple to produce, on a large scale, millions of devices that support its operating systems and applications. The device itself typically accounts for less than 20% of the final consumer price, with the remaining 80%+ going to the holders of the internal intellectual property. This arrangement has benefited all parties, and has created considerable wealth and productivity gains in both the U.S. and Taiwan.

However, Taiwan's economy is currently at a crossroads. The tight operating margins of such contract manufacturing has placed considerable pressure on Taiwan industry to innovate, to invest more in research and development, and for the government of Taiwan to improve the start-up environment for entrepreneurs. Taiwan's rapid pace of development has now slowed as companies have matured. In addition, the emergence of new, innovative Taiwan businesses has also slowed dramatically.

U.S. Trade Policy Towards Taiwan

U.S. trade policy toward Taiwan since 2003 has been fraught with tension over the protection of intellectual property (2003-2005), over struggles regarding beef (2007-2012), and over the current issues with pork trade. In each case, U.S. trade negotiators have chosen to sever ongoing trade links over these periods in an attempt to pressure Taiwan into making changes to its economic and trade behavior. There is also a bureaucratic reluctance to move forward on trade initiatives with Taiwan for fear that they may disrupt similar initiatives with the PRC.

The U.S. strategy – an ongoing insistence that for Taiwan to take the next step in trade ties, they must first undertake significant changes – has left U.S.-Taiwan trade ties adrift for a good portion of the past 14 years. These preconditions, however, change as Taiwan goes ahead and addresses them. USTBC is unaware of any other major U.S. trading partner being similarly treated, and regrettably U.S. exporters have been hurt by the under-realized development of this important market.

Since 2013, the U.S. has pressed Taiwan to undertake unilateral action on its pork import regime, specifically the admittance of pork containing the steroid ractopamine. Taiwan's domestic political constraints have prohibited such a

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unilateral concession, and Taiwan has argued for this issue to be addressed in a broader bilateral negotiation. Importantly, Senator Chuck Grassley (R-IA) – a leading advocate for American farmers – recently changed his position from demanding that pork be addressed as a precondition for any FTA negotiations, to arguing that it should be addressed in a broader negotiation with Taiwan. His change in position removes an important impediment in the possible expansion of trade relations between the U.S. and Taiwan. However, past experience suggests that new U.S. preconditions to broader ties may now appear.

USTBC remains committed to maximizing America's commercial relations with Taiwan. While there are a number of outstanding trade issues with the island, we do not support preconditions on the path to broader ties or as an impediment to the launch of Fair Trade Agreement negotiations.

Taiwan can help this process by improving communication and cooperation through an increase in the number of visits to Washington, D.C. by Cabinet members and by sub-Cabinet officials. For many years, Taiwan's trade relationship was underpinned by constant engagement, with many senior economic officials in particular visiting Washington. Those types of visits have largely dried up, however, as both the U.S. and Taiwan became over-focused on China during the 2008-2016 timeframe. In Taiwan, the demands placed on the executive branch by the Taiwan legislature have curbed the enthusiasm of its leadership to undertake foreign travel during ongoing sessions. This is hurting the bilateral relationship, and allows for PRC messaging to dominate U.S. government considerations.

Conversely, the limits on U.S. officials traveling to Taiwan – particularly from the U.S. Department of State and U.S. Department of Defense – inhibit the ability of U.S. government officials and staff to make sound judgements on U.S. policy, and to address the constant drumbeat of China's position as it relates to Taiwan.

Importantly, Taiwan needs to better integrate itself into the Asia Pacific region's ongoing trade liberalization architecture. However, it is likely that any such effort will remain unsuccessful in the absence of U.S. leadership. Asia Pacific countries will not engage with Taiwan in FTA negotiations in the face of PRC objections, unless the U.S. offers leadership and an established framework. It is the USTBC's view that if the U.S. does launch FTA negotiations with Taiwan, we can reasonably expect Japan, Australia, India and some ASEAN countries to follow-suit.

Defense & Security Relations

Taiwan's geographic location is of significant importance to U.S. security, particularly to the maintenance of U.S. interests in the first island chain that runs from Korea down through Japan and Taiwan and into South East Asia.

The Taiwan Relations Act clearly states that the U.S. will remain obligated *"to provide Taiwan with arms of a defensive character."* The U.S. is Taiwan's primary military partner, and retains a close material relationship with the island that covers not only arms sales, but also cooperation on intelligence, training, maintenance, and logistics.

Past U.S. policy, particularly under the Obama Administration, focused significant efforts on the expansion of training and exchanges intended to improve Taiwan's ability to maintain a viable self-defense of the island. This has been an important and commendable development in bilateral defense ties. While it goes mostly unseen, it does have a material impact on the island's defenses.

In instances where U.S. commitments to Taiwan's defense are discreetly carried out, there has been stability and ingenuity in expanding cooperation, but where the commitment is overt – such as with U.S. arms sales under the TRA – there has been significant regression particularly since 2011.

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As of June 15, 2017 we have only seen a single sale of arms to Taiwan – in 2015 -since as far back as September 21, 2011. Since 2008, we have only seen one new platform capability being sold to Taiwan; the upgrade of Taiwan’s legacy F-16 fleet to the F-16V format (bar a new engine).

While successive Republican and Democratic administrations have touted high dollar values for arms sales, a closer inspection of the trend lines show a material U.S. commitment in free fall. The Trump Administration has been handed a challenge to assess and deliver on a new range of commitments for Taiwan’s national defense.

Taiwan currently has legitimate requirements for a number of systems, such as:

- New advanced fighters
- Electronic warfare aircraft
- New diesel-electric submarines
- Integrated command and control combat system for air defense
- An anti-ballistic missile defense system
- A remote sensing satellite system (SAR/EO)
- Medium-altitude, long-endurance unmanned aircraft system to gather intelligence as well as deploy air-to-surface missiles
- Modern towed and self-propelled artillery
- A Main Battle Tank

Additionally, the Trump Administration should also consider and implement:

- Mobile Training Teams on six month rotations at brigade level and above for English and advisory missions
- Formal agreement on a shared common operational platform (COP)
- Annual 2+2 meetings (senior DoD & State meeting with their Taiwan counterparts)
- A Joint Work Plan for future bilateral defense relations
- Expanded Taiwan military training in the U.S., to include the Taiwan Army and Navy

As Taiwan seeks to grow its domestic defense industry, it is also in a strong position to add value to America’s industrial partnerships and to expand American defense exports. Therefore, the USTBC recommends that the Trump Administration invite Taiwan to participate at the Tier 2 level of several ongoing service programs. Taiwan turned down the opportunity to participate as a Tier 2 partner for the F-35 program, and lost an opportunity to secure access to the fighter at an early stage while simultaneously integrating Taiwan industry into the fighter’s supply chain. Moving ahead on such participation in the future could be an important strategic action binding the two sides closer together.

Taiwan’s defense spending is presently under 2% of its GDP. This remains unacceptable, and results in underfunding for Taiwan’s military modernization goals and the goal of moving toward an all-volunteer force. As then Deputy Assistant Secretary of Defense Richard Lawless noted in 2005 at a USTBC conference, “*We cannot help defend you, if you cannot defend yourself.*” These words still stand true today as Taiwan continues to underinvest in its own self-defense.

Arms Sales Packaging

In 2008, after an extended freeze in the notification process, the Bush Administration adopted a policy of packaging congressional notifications for arms sales into bundles that were notified together. That packaging process was adopted in an attempt to fulfil U.S. defense commitments to Taiwan in a way that would be less objectionable to China.

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Regrettably, this practice has been maintained since then, to increasingly damaging effect. The bundling of Congressional notifications has placed downward pressure on the willingness of the U.S. to sell arms to Taiwan, while simultaneously complicating Taiwan's ongoing force modernization and budgetary process.

The USTBC recommends that the Trump Administration end the policy of packaging, and return to a regularized process whereby Taiwan would be treated like other security assistance partners all the way from the U.S. accepting Letters of Request (LoRs) for Pricing & Availability (P&A) data through to consulting with and notifying Congress of an intention to sell arms to Taiwan.

China will object to any sale of arms by the United States to Taiwan, irrespective of size, capability, or value. The U.S. leadership is charged with assessing Taiwan's requests for material support based only on the merits of the platform and on the extent to which the sale will support our nation's broader Asia Pacific goals. U.S.-China policy – beyond the growing threat posed by Chinese forces amassed across from Taiwan – should not be a consideration in this area.

The TRA states that “*the United States decision to establish diplomatic relations with the People's Republic of China rests upon the expectation that the future of Taiwan will be determined by peaceful means*” and that “*any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States.*” China's ongoing force modernization directed at invading Taiwan, along with its coercive military posture, therefore undermine the very premise of the 1979 switch in recognition.

Conclusions & Policy Recommendations

U.S. strategic interests in the Asia Pacific remain inexorably intertwined with our support of Taiwan's economy and national security. However, this aspirational goal is being undermined by an orchestrated and coercive PRC policy to weaken U.S. support for the island, and to restrict Taiwan's self-determination.

If the United States continues to rhetorically say the right things but materially fails to act, then Taiwan risks being marginalized globally, and will be forced to interact with China from a weak position. The present trajectory could lead to a crisis in the Taiwan Strait – triggered by China's determination that the overall trilateral balance has tipped squarely in its favor and acting accordingly.

The US-Taiwan Business Council has a number of policy recommendations for the Trump Administration and the 115th U.S. Congress to consider. The USTBC recommends:

- That the U.S. launches negotiations with Taiwan for a Fair Trade Agreement (FTA) without preconditions
- That the Trump Administration undertakes an assessment of and commitment to the range of new defense capabilities presently being requested by Taiwan
- That the arms programs presently awaiting Congressional notification at the U.S. Department of State – including the 2007 notification for Taiwan's submarine program – be sent to Congress immediately
- That the Trump Administration ends the packaging of Congressional notifications for the sale of arms to Taiwan, returning to a regular, ongoing process
- That Taiwan should be encouraged to send significantly more Cabinet and sub-Cabinet level officials to the U.S. on a regular basis, to expand ties and to improve communication and cooperation
- That the Trump Administration undertakes sustained engagement by Cabinet officers in visiting Taiwan
- That U.S. policy is adjusted to allow for Assistant Secretaries from State and Defense to visit Taiwan.

Appendix

Table 1: Taiwan's Trade Ranking with the United States, 2004-2017

Year	Rank	Percentage of overall U.S. trade
2004	8	2.50%
2005	8	2.20%
2006	9	2.10%
2007	9	2.10%
2008	12	1.80%
2009	10	1.80%
2010	9	1.90%
2011	10	1.80%
2012	11	1.70%
2013	12	1.70%
2014	10	1.70%
2015	9	1.80%
2016	10	1.80%
2017 YTD	10	1.80%

Source: U.S. Census Bureau, *Top Trading Partners*

Table 2: Notified Taiwan Arms Sales Since 1990

Date	Notification	Est. Cost
Jul 1990	Cooperative Logistics Supply Support	0.108
Sep 1990	One C-130H transport aircraft	0.045
Jan 1991	100 MK-46 torpedoes	0.028
Jul 1991	97 SM-1 Standard air defense missiles	0.055
Sep 1991	110 M60A3 tanks	0.119
Nov 1991	Phase III PIP Mod Kits for HAWK air defense systems	0.17
May 1992	Weapons, ammunition, support for 3 leased ships	0.212
May 1992	Supply support arrangement	0.107
Aug 1992	207 SM-1 Standard air defense missiles	0.126
Sep 1992	150 F-16A-B fighters	5.8
Sep 1992	3 Patriot-derived Modified Air Defense System (MADS) fire units	1.3
Sep 1992	12 SH-2F LAMPS anti-submarine helicopters	0.161
Jun 1993	12 C-130H transport aircraft	0.62
Jun 1993	Supply support arrangement	0.156
Jul 1993	38 Harpoon anti-ship missiles	0.068
Jul 1993	Logistics support services for 40 leased T-38 trainers	0.07
Aug 1993	4 E-2T Hawkeye airborne early warning aircraft	0.7
Sep 1993	Logistics support services for MADS	0.175
Nov 1993	150 MK-46 Mod 5 torpedoes	0.054

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Nov 1993	Weapons, ammunition, and support for 3 leased frigates	0.238
Nov 1993	MK-41 Mod Vertical Launch Systems for ship-based air defense missiles	0.103
Aug 1994	80 AN-ALQ-184 electronic counter measure ECM pods	0.15
Sep 1994	MK-45 Mod 2 gun system	0.021
Mar 1995	6 MK-75 shipboard gun systems, 6 Phalanx Close-In Weapon Systems	0.075
Jun 1995	Supply support arrangement	0.192
May 1996	Improved Mobile Subscriber Equipment communications system	0.188
May 1996	30 TH-67 training helicopters, 30 sets of AN-AVS-6 night vision goggles	0.053
May 1996	465 Stinger missiles, 55 dual-mounted Stinger launcher systems	0.084
Jun 1996	300 M60A3TTS tanks	0.223
Aug 1996	1,299 Stinger surface-to-air missiles, 74 Avenger vehicle mounted guided missile launchers, 96 HMMWVs (High-Mobility Multi-Purpose Wheeled Vehicle)	0.42
Sep 1996	110 MK-46 MOD 5 anti-submarine torpedoes	0.066
Feb 1997	54 Harpoon anti-ship missiles	0.095
May 1997	1,786 TOW 2A anti-armor guided missiles, 114 TOW launchers, 100 HMMWVs	0.081
Jul 1997	21 AH-1W Super Cobra helicopters	0.479
Sep 1997	13 OH-58D Kiowa Warrior Armed Scout helicopters	0.172
Nov 1997	Pilot training and logistics support for F-16 fighters	0.28
Nov 1997	Spare parts for various aircraft	0.14
Jan 1998	3 Knox-class frigates, 1 MK 15 Phalanx Close-In Weapons System	0.3
Jun 1998	28 Pathfinder-Sharpshooter navigation and targeting pods for F-16 fighters	0.16
Aug 1998	58 Harpoon anti-ship missiles	0.101
Aug 1998	61 Dual-mount Stinger surface-to-air missiles	0.18
Aug 1998	131 MK 46 Mod 5AS anti-submarine torpedoes	0.069
Oct 1998	9 CH-47SD Chinook helicopters	0.486
May 1999	240 AGM-114KS Hellfire II air-to-surface missiles	0.023
May 1999	5 AN-VRC-92E SINCGARS radio systems, 5 Intelligence Electronic Warfare systems, 5 HMMWVs	0.064
Jul 1999	Spare parts for F-5E-F, C-130H, F-16A-B, and IDF aircraft	0.15
Jul 1999	2 E-2T Hawkeye 2000E airborne early warning aircraft	0.4
Mar 2000	Modernization of the TPS-43F air defense radar to TPS-75V configuration	0.096
Mar 2000	162 HAWK Intercept guided air defense missiles	0.106
Jun 2000	39 Pathfinder-Sharpshooter navigation and targeting pods for F-16 fighters	0.234
Jun 2000	48 AN-ALQ-184 ECM pods for F-16s	0.122
Sep 2000	146 M109A5 howitzers, 152 SINCGARS radio systems	0.405
Sep 2000	200 AIM-120C AMRAAMs for F-16 fighters	0.15
Sep 2000	71 RGM-84L Harpoon anti-ship missiles	0.24
Sep 2000	Improved Mobile Subscriber Equipment IMSE communication system	0.513
Jul 2001	JTIDS Consoles and Related Equipment and Support	0.725
Sep 2001	AGM-65G Maverick Missiles and Related Equipment and Support	0.018
Oct 2001	Javelin Anti-Tank Missiles and Related Equipment and Support	0.051
Oct 2001	Cooperative Logistics Supply Support Arrangement	0.288
Jun 2002	Air Traffic Control Radar	0.108
Sep 2002	Rebuilt Standard Assault Amphibious Personnel Vehicles	0.25

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Sep 2002	Maintenance of Repairable Material	0.174
Sep 2002	AIM-9M-1/2 Missiles	0.036
Sep 2002	AGM-114M3 HELLFIRE II Air-to-Surface Anti-Armor Missiles	0.06
Oct 2002	TOW-2B missiles	0.018
Nov 2002	KIDD Class Guided Missile Destroyers	0.875
Sep 2003	Multifunctional Information Distribution Systems/Low Volume Terminals	0.775
Mar 2004	Ultra High Frequency long range early warning radars	1.776
Oct 2005	Missiles and Pilot Training Program	0.28
Feb 2007	AMRAAM and Maverick missiles	0.421
Aug 2007	AGM-84L HARPOON Block II missiles	0.125
Sep 2007	SM-2 Block IIIA STANDARD missiles	0.272
Sep 2007	Excess P-3C aircraft	1.96
Nov 2007	PATRIOT Configuration 2 Ground Systems Upgrade	0.939
Oct 2008	30 AH-64D Block III APACHE Longbow Attack Helicopters	2.532
Oct 2008	32 UGM-84L Sub-Launched HARPOON Block II missiles and 2 UTM-84L HARPOON Block II Exercise missiles	0.2
Oct 2008	Upgrade of four E-2T Aircraft to the HAWKEYE 2000 configuration	0.25
Oct 2008	330 PATRIOT Advanced Capability (PAC-3) missiles	3.1
Oct 2008	Spare parts in support of F-5E/F, C-130H, F-16A/B, and Indigenous Defense Fighter IDF aircraft, communication equipment, radar, and other related elements of logistics support	0.334
Oct 2008	182 JAVELIN guided missile rounds and 20 JAVELIN command launch units	0.047
Jan 2010	UH-60M BLACK HAWK helicopters	3.1
Jan 2010	Multifunctional Information Distribution Systems/Low Volume Terminals (MIDS/LVT-1)	0.34
Jan 2010	OSPREY Class Mine Hunting Ships	0.105
Jan 2010	ATM-84L and RTM-84L HARPOON Block II Telemetry missiles	0.037
Jan 2010	PATRIOT Advanced Capability (PAC-3) Firing Units, Training Unit, and Missiles	2.81
Sep 2011	F-16 pilot training program	0.5
Sep 2011	Retrofitting of F-16A/B aircraft	5.3
Sep 2011	Spare parts in support of F-16A/B, F-5E/F, C-130H, and Indigenous Defense Fighter (IDF) aircraft	0.052
Dec 2015	208 Javelin Missiles	0.057
Dec 2015	Block I-92F MANPAD Stinger Missiles and Related Equipment and Support	0.217
Dec 2015	2 Oliver Hazard Perry Class Frigates	0.19
Dec 2015	MIDS/LVT-1 and JTIDS Follow-on Support	0.12
Dec 2015	Taiwan Advanced Tactical Data Link System (TATDLS) and Link-11 Integration	0.075
Dec 2015	36 Assault Amphibious Vehicles (AAVs)	0.375
Dec 2015	TOW 2B Aero RF Missiles, support and training	0.268
Dec 2015	MK 15 Phalanx Block 1B Baseline 2 Close-in Weapons System (CIWS) Guns, Upgrade Kits, Ammunition, and Support	0.416

Estimated Cost in US\$ Billion

Sources: Defense Security Cooperation Agency (www.dsca.mil)
 Kan, Shirley A. "Taiwan: Major U.S. Arms Sales Since 1990" CRS Report RL30957, June 13, 2014

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Fact Check: The Media as a Useful Tool for Chinese Propaganda

- Chronic poor reporting on Taiwan by U.S. and international media is undermining the island. Western media unthinkingly parroting Chinese propaganda is an effective component of China's information warfare strategy.
- The referenced Panama statement actually echoes China's "One-China Principle." This is different and distinct from the U.S. "One-China Policy." The U.S. has never stated that Taiwan is a "breakaway province" – this is the Chinese position. Conflating the two is in China's interests, as part of its ongoing attempts to re-define all "One-China" interpretations to match its own version.
- The article presents only China's position on the Panama development, with no attempt to get the Taiwan government side of the story.
- The last arms sales package to Taiwan was in 2015, not 2016, and it ended a drought of over 4 years since the previous sale.

Excerpts from USA TODAY

What is the 'One China' policy?

June 13, 2017

<https://www.usatoday.com/story/news/2017/06/13/what-is-one-china-policy/102806774/>

Panama cut ties with Taiwan on Tuesday, switching its diplomatic relations to the People's Republic of China and **accepting the "One China" policy**. "The Government of the Republic of Panama recognizes that there is only one China in the world," the joint statement said. "The government of the People's Republic of China is the only legitimate government representing all China, and Taiwan is an inalienable part of the Chinese territory."

...

With Panama's departure from Taiwan's diplomatic cadre, that leaves just 20 or so nations with official, ambassador-level diplomatic ties to the island. **Most nations, including the United States, have accepted the "One China" policy.**

OK, so, what is the One China policy?

The U.S. recognition of a **"One China" policy** stems from 1979, when the U.S. switched diplomatic recognition from Taiwan to the People's Republic of China (PRC). In the 1979 U.S.-PRC Joint Communique, **the United States recognized the communist leadership in Beijing as the sole legal government of China, acknowledging the Chinese position that there is one China and Taiwan is a breakaway province that is part of China.**

"The Taiwan question bears on China's sovereignty and territorial integrity and touches our core interests," Chinese foreign ministry **spokesman Geng Shuang said in January after President Trump questioned the "one China" policy.** "Adherence to the one China principle serves as the political foundation for the **development of China-U.S. ties.** If this foundation is wobbled and weakened, then there is no possibility for the two countries to grow their relations in a sound and steady way and cooperate on key areas."

...

It hasn't always been easy ...

Earlier this year, China and the U.S. had a falling out when **Trump questioned the "One China" policy.** Trump broke with years of diplomatic protocol following his election when he accepted a congratulatory phone call from Taiwan President Tsai Ing-wen and again riled the Chinese when, in an interview with The Wall Street Journal in January, he said: "Everything is under negotiation, including **One China.**" **From the Chinese perspective, that**

policy is non-negotiable.

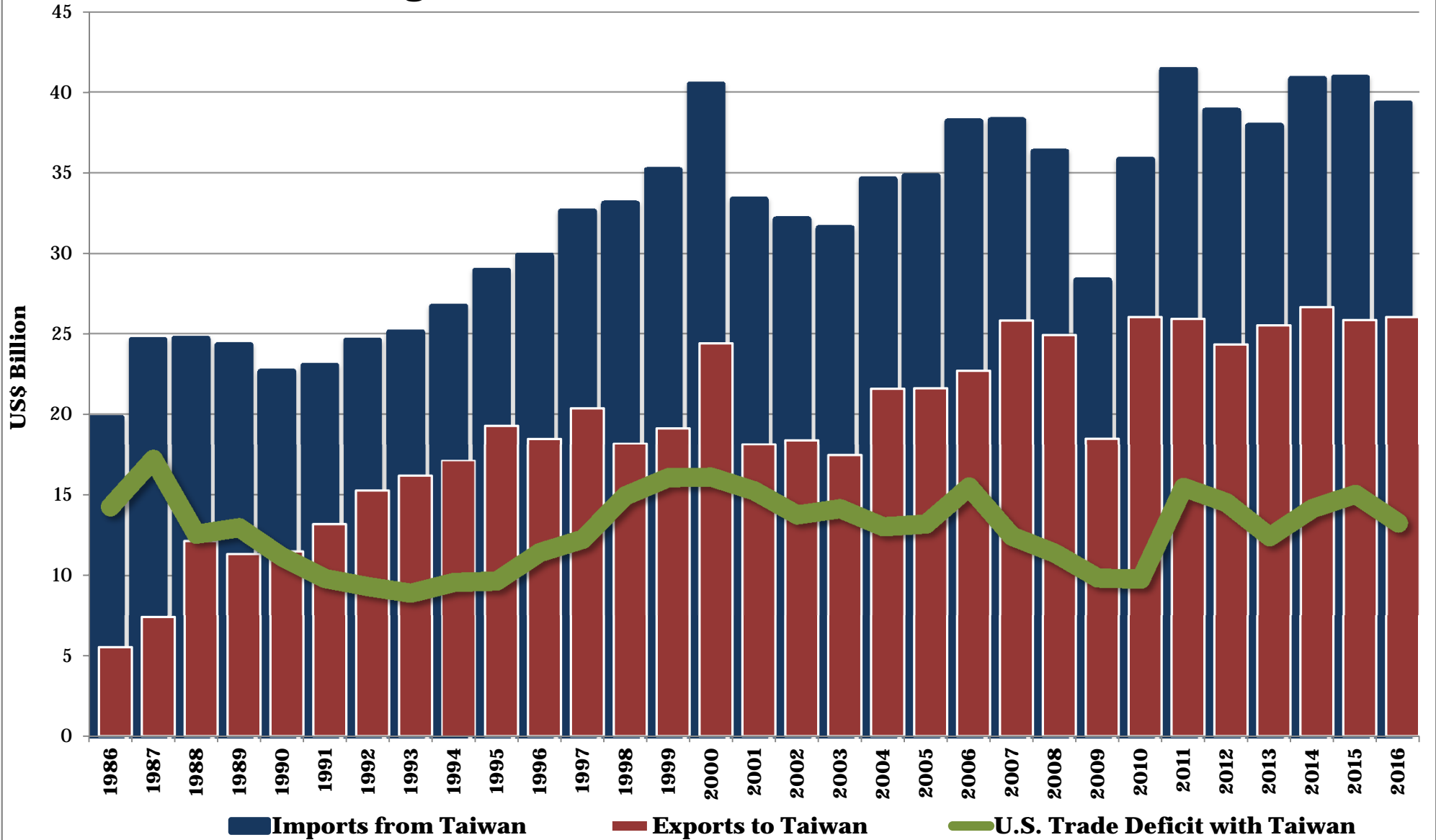
...

The U.S. seems to do a lot of business with Taiwan. What's up with that?

Officially, the U.S. government does not support independence for Taiwan, a democracy that elects its own president and parliament. U.S. relations with the island are governed by the 1979 Taiwan Relations Act, which outlines the U.S. commitment to help Taiwan maintain its military defense. **Last year, the U.S. approved \$1.8 billion in arms sales to Taipei.**

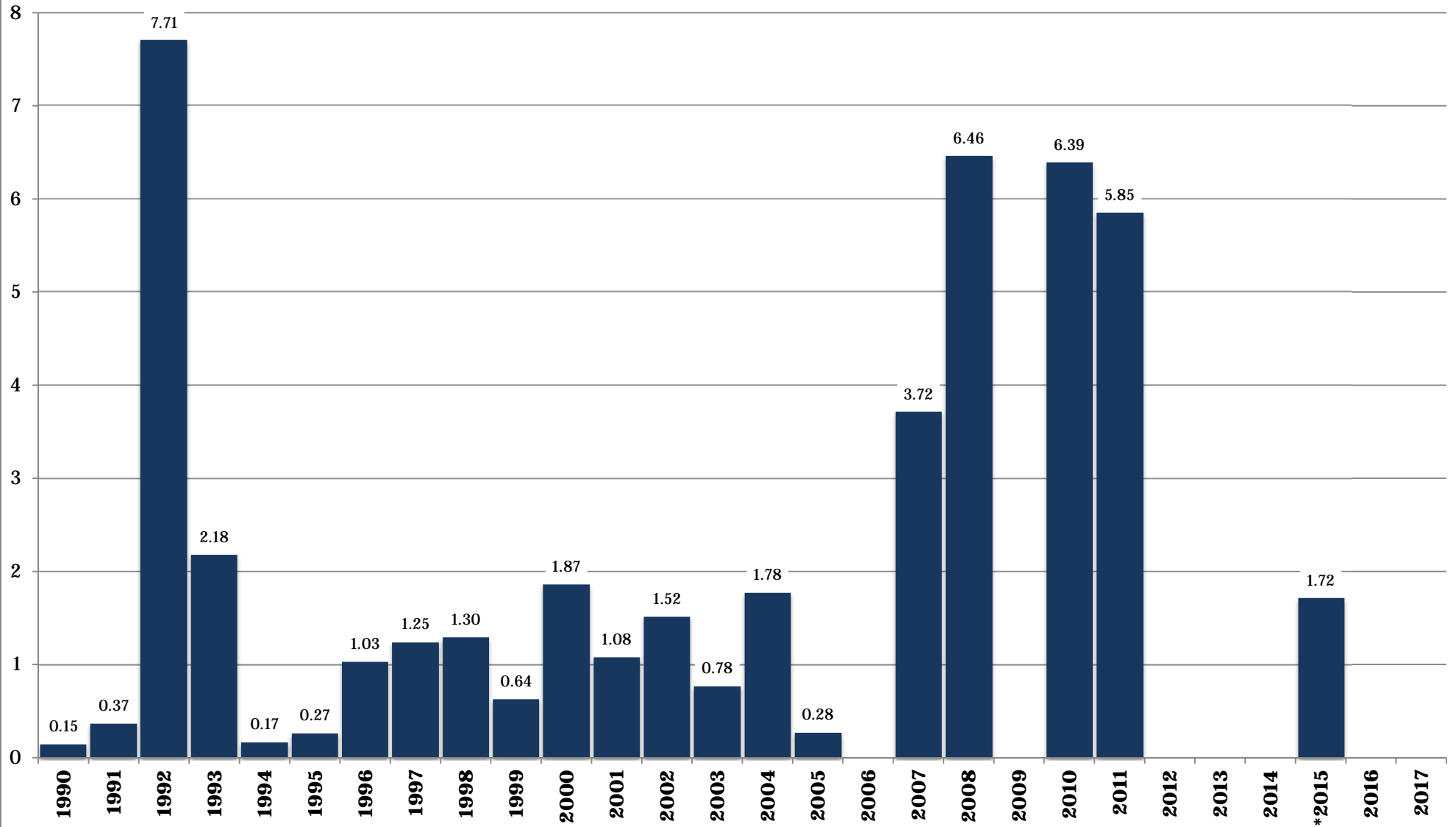
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Figure 1: U.S.-Taiwan Trade, 1986-2016



Source: U.S. Census Bureau, *Exports, Imports and Trade Balance by Country*

Figure 2: Notified Taiwan Arms Sales, 1990-2017 (US\$ Billion)



Sources: Defense Security Cooperation Agency (www.dsca.mil)
Kan, Shirley A. "Taiwan: Major U.S. Arms Sales Since 1990" CRS Report RL30957, June 13, 2014
* The 2015 data does not include the additional DCS case.