

“Renewing Assurances: Strengthening U.S.-Taiwan Ties”

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My name is Russell Hsiao. I am the Executive Director of the Global Taiwan Institute, a 501(c)(3) think tank dedicated exclusively to Taiwan policy research and public education. The views I express in this testimony are my own.

Thank you, Ranking Member Sherman and Chairman Yoho, for inviting me to testify before the subcommittee. This is truly an honor for me to be a part of this important and timely proceeding with my co-panelists whom I deeply respect.

It has been over a year now since this subcommittee last held a hearing on Taiwan and a lot has happened since then. Per your guidance, I would like to point out three clusters of developments for this subcommittee’s considerations and provide explanations that illustrate their significance for the future of US-Taiwan relations. I hope these observations will help better inform the subcommittee as it deliberates how the United States might improve how we conduct relations with Taiwan under this new environment.

Taiwan

First, across the Pacific in Taiwan, President Tsai Ing-wen’s historic election in the January 2016 election as the government’s first female president sets a positive standard for other democracies worldwide. President Tsai has been in office now for over one year as her administration celebrated its one-year anniversary on May 20. I had the pleasure of being in Taiwan at that time and observed first-hand the people there after an eventful year of both ups and downs in US-Taiwan relations.

In addition to electing a female head of government, Taiwan’s Supreme Court recently issued a landmark ruling that invalidates a civil code provision prohibiting same-sex union, which further

raises Taiwan's profile in the league of progressive and liberal nations. According to the independent watchdog organization Freedom House, which monitors freedom and democracy worldwide, Taiwan ranked third most free in the Asia-Pacific, only behind Australia and Japan in its Freedom in the World 2017 report, and 40th among 211 entities studied in the report. While no democracy is perfect, democratization has had a moderating effect on Taiwan's fractious politics and clearly illustrated in the measured policies of the current ruling government and the Nationalist Party chairperson election last month.

Cross-Strait Relations

Political

On cross-Strait relations, political relations between Taipei and Beijing has cooled since the PRC refuses to deal with the Tsai administration unless she accepts the so-called "1992 consensus," a tacit agreement reached between the two sides 25 years ago in 1992 that agreed that the two sides belonged to One-China and agreed to differ as to their interpretation of its meaning. While formal channels between the People's Republic of China's (PRC) Taiwan Affairs Office and Taiwan's Mainland Affairs Council remain shut after Beijing froze government-to-government dialogue back in June 2016, functional channels for cooperation between different ministries remain open.

As a Chinese-speaking democracy, Taiwan has a unique role to play in China's future. But that role must not come at the expense of the freedom that the people of Taiwan have fought for and now enjoy. The chilling case of the detained human rights activists, Lee Ming-che—who has been in detention since March 19—throws into the sharp relief the impact that China's non-democratic system has for Taiwan and its people—and also for Hong Kong. The 20th anniversary of Hong Kong's retrocession to China will take place on July 1.

While the connection between Taiwan and Hong Kong goes back much farther, a sense of solidarity developed in 2014 after the youth-led protests in Taiwan and Hong Kong. The people of Taiwan are now keenly aware of the suppression of rights and freedoms that the people of Hong Kong face under PRC rule. That bond will likely only grow with time. Indeed, what happens in Hong Kong has a demonstration effect in Taiwan, and what happens in Taiwan has a demonstration effect in Hong Kong.

Military

As the Department of Defense's 2017 *China Military Power Report* indicates, Taiwan remains the People's Liberation Army's (PLA) main "strategic direction,"¹ which refers to one of the geographic areas the Chinese leadership identifies as endowed with strategic importance. Indeed, the Taiwan contingency is the primary driver of PLA defense planning. Towards that end, the PLA is developing anti-access/area denial capabilities to keep adversary forces that might deploy or operate within the western Pacific Ocean in the air, maritime, space, electromagnetic, and

¹ https://www.defense.gov/Portals/1/Documents/pubs/2017_China_Military_Power_Report.PDF

information domains farther at bay. The PLA reportedly has more than 1,500 missiles targeting Taiwan.

Against the backdrop of a growing military imbalance in the Strait, Taiwan is currently embarking on ambitious measures to strengthen its indigenous defense industries and capabilities. The Tsai administration just released a new military strategy through its Quadrennial Defense Review and reformulated its defense strategy to “resolute defense, multi-domain deterrence.” As a percentage of total government spending, Taiwan currently spends up to 15% on defense,² and in March, Taiwan’s Minister of National Defense targeted for military expenditures to rise to the proverbial 3% of gross domestic product in 2018.³ In this context, it is worth at least asking ourselves why the US demands that Taiwan spend an arbitrary 3% of its GDP on defense while expecting less of her other allies and security partners?

Foreign Relations & Diplomatic Space

Despite Taipei’s measured approach to cross-Strait relations, which is based on three pillars: 1) the ROC Constitution, 2) Act Governing Relations between the People of the Taiwan Area and the Mainland Area; and 3) the spirit of the 1992 meeting and subsequent negotiations, Beijing began unilaterally peeling off Taiwan’s diplomatic allies and force other nations to degrade its unofficial relations with Taiwan.

Indeed, Beijing fired the first salvo that ignited the resumption of cross-Strait tension only one month after Tsai Ing-wen was elected president. In February 2016, the PRC decided to resume diplomatic ties with Gambia, which had broke diplomatic relations with Taiwan back in 2013; in December 2016, the small African nation of São Tomé and Príncipe switched diplomatic recognition over to the PRC, and in January 2017, Nigeria announced that it was demoting ties with Taiwan by forcing Taipei to move its representative office from Abuja to Lagos. There are signs that Beijing is enticing other countries to follow suit and indications are that other countries may be on the fence.

Panama’s announcement on June 12 that it has switched diplomatic relations to the People’s Republic of China is the latest in a series of escalatory steps in Beijing’s enhanced pressure tactics against Taiwan that include economic, military, and also diplomatic coercion.

Panama had reportedly sought to establish diplomatic relations with the PRC since as early as 2008 but was told by PRC diplomats to “remain calm.” It was only a matter of time before Beijing pulled the trigger despite the Tsai administration’s pledge to maintain the “status quo” in cross-Strait relations. Considering the public support for the Tsai government’s cross-Strait approach, rather than delegitimize the government in the eyes of its people—which is Beijing’s probable intent—its actions will likely be counter-productive and fuel greater public angst and animosity towards the PRC.

² <http://www.taipeitimes.com/News/taiwan/archives/2017/03/05/2003666171>

³ <https://www.bloomberg.com/politics/articles/2017-03-16/taiwan-plans-military-spending-increase-to-counter-rising-china>

Taiwan's informal ties with countries like the United States, Japan, and India are now more important than ever as Beijing squeezes Taiwan's international and diplomatic space further. Specifically, more efforts need to be made to upgrade Taiwan's ability to engage the international community by including Taiwan in bilateral and multilateral exchanges to offset Beijing's coercive full-court press on Taiwan's international space.

While Beijing's pressure tactics weighs heavily on Taiwan's international space, there are significant improvements in Taiwan's unofficial relations with key economic and security partners besides the United States throughout the region that militate against these blows. Two stands out in particular: Japan and India.

Most notably, in January 2017, Tokyo changed the name of its *de facto* embassy in Taiwan from the Interchange Association, Japan to the Japan-Taiwan Exchange Association. In March 2017, the Senior Vice Minister of Internal Affairs and Communications visited Taiwan—the most senior government official to visit the island since the two sides severed diplomatic ties in 1972. Building off the positive momentum of the previous Ma administration's East China Peace Initiative, Taiwan and Japan have held multiple maritime dialogues. With New Delhi, the India-Taiwan Parliamentary Friendship Forum was formed by members of the lower house of India's bicameral parliament in December 2016 to facilitate high-level parliamentary exchanges between India and Taiwan.

Taiwan's New Southbound Policy

The Tsai government has also reinvigorated a long-standing policy to diversify its economic outreach, which is currently heavily concentrated in China, to the growing markets in the Indo-Pacific. Through an all-of-government approach, Taiwan is attempting to forge closer economic links as well as deepen people-to-people ties with 18 countries in Southeast Asia, South Asia and Australasia. The new plan is the natural outgrowth of demographic trends on the island, as more children are born of mixed marriages, and just as the United States looked towards Asia in the former administration's pivot/rebalance strategy, Taiwan is also looking south to capitalize on the growing markets and strategic importance of the region.

While the new plan is still in its infancy, the preliminary assessment appears to be fairly successful as Taiwan has been able to off-set the 18% drop in tourists from China with more tourists from Southeast Asia.⁴ Moreover, the growing markets in the region have been receptive to the prospect of additional investments and trade with Taiwan, and the Taiwan government are creating the safety net mechanism to encourage the backbone of its economy, its small and medium enterprises, to take the necessary risks of doing business in the region.

Beijing's Squeeze on International Space

Beijing, however, appears intent on cranking the screw on Taiwan's international space. One opportunity after the other, Beijing authorities have leveraged its effective veto power of telling member countries to block Taiwan's participation in international bodies, even where diplomatic recognition was not a prerequisite. Taiwan was excluded from the International Civil Aviation

⁴ <http://www.dw.com/en/taiwan-reduces-reliance-on-mainland-chinese-tourists/a-37645694>

Organization (ICAO) Conference in September 2016, the International Criminal Police Organization's (Interpol) 85th general assembly in November 2016, and most recently and perhaps egregious violation of decency and respect for human life, Taiwan was not permitted to participate in the World Health Assembly that was held last month. Also, in early May, Taiwanese participants to the intergovernmental dialogue on conflict diamond, Kimberly Process, hosted by Australia was ejected after the Chinese delegates interrupted the proceeding to protest Taiwan observing the dialogue.

United States

Second, we have a new president in the United States. An unorthodox president who has not only shown that he will not be held back by diplomatic conventions, he has also demonstrated a willingness to question policy dogmas, and expressed a penchant for unpredictability.

As president-elect, Trump made an important gesture by taking a congratulatory phone call from President Tsai Ing-wen in December 2016. This is the first time that the leaders of the United States and Taiwan spoke by phone, at least since 1979. For a conversation that lasted no more than 10 minutes and mainly involved an exchange of niceties, the blowback was disproportional and underscores the fragility, as well as complexity, of the US-Taiwan-China relationship.

US "One-China" policy

Flirting with suggestions of a shift in longstanding US 'policy,' Trump stated that "I fully understand the 'one China' policy, but I don't know why we have to be *bound* by a 'one China' policy unless we make a deal with China having to do with other things, including trade." The president-elect was correct. The US "One-China" policy is not law and thus has no binding effect on the executive branch. However, the perception that Trump would be willing to engage in what was perceivably a high-risk gamble gave rise to concerns that even Taiwan's interests may be traded away and used as a so-called "bargaining chip." Yet, on the other hand, the Taiwan Relations Act (TRA) is domestic law and has a binding effect. As the National Security Council senior director for Asia recently noted at a DC conference: "We are very much bound by the Taiwan Relations Act--*bound* to continue supporting Taiwan under that act."⁵

Regional Uncertainty

As the Chairman noted, all of this is occurring against a backdrop of growing regional uncertainty about the current administration's policies, strategy, and priorities.

The administration has identified North Korea's nuclear program as the primary threat in East Asia. In its effort to apply "maximum pressure" on Pyongyang to denuclearize, President Trump is clearly attempting to re-enlist the support of Beijing to use its leverage over North Korea to stop its provocations. Interestingly, experts have noted that while Beijing's leverage over Pyongyang is significant only relative to the United States' and Japan's because the two have little to none. Beijing's actual leverage over Pyongyang is, however, perhaps very little. The fact

⁵ <https://spfusa.org/event/fourth-annual-security-forum-u-s-japan-alliance-foundation-asian-security/>

that North Korea has launched 16 missiles in 10 tests so far in 2017 may be evidence of that lack of leverage.

Therefore, any anticipation of what a tradeoff may bring in terms of actual results must be measured by a dose of realistic expectation in what China *can* and *is* willing to do. While there are no evidence to indicate that the administration is considering such a move, I would simply note as caution for the administration to avoid entertaining this seductive idea that has no legs.

Defense Secretary James Mattis' statement at the Shangri-La Dialogue reaffirming US defense commitments to Taiwan based on the TRA was a step in the right direction. More can and should be done.

China

Third, Beijing is not only not reciprocating Tsai's overtures, it has ratcheted up pressure against Taipei. Rather than talk to Tsai, Xi has focused on courting a weakened opposition, applying economic pressure on Taiwan to stir domestic discontent, and squeezing Taiwan's international space in a full court press to coerce Taipei into submitting to the PRC. The effect has been counterproductive to Beijing's stated aim to resolve the issue peacefully. While its objective remains the same, there have been some interesting developments related to Beijing's approach to Taiwan.

New Approach, Same Strategy, Old Policy

Most notably, there have been a number of interesting appointments in the PRC's Taiwan policy apparatuses over the last year that appears to signal a change in how Beijing may *approach* the Taiwan issue. Two appointments stand out.

At the PRC's premier research institution the Chinese Academy of Social Sciences, the Institute of Taiwan Studies' new director Yang Minjie was the former Vice President of CICIR, a Ministry of State Security-affiliated research institution. Yang's expertise is in regional security and notably not a Taiwan-expert. This is a clear departure from his predecessor who was steeped on Taiwan affairs work. The second interesting appointment is that of senior statesmen Dai Bingguo as head of the National Society of Taiwan Studies. A national body, which has more than 40 member organizations, 1,000 individual members, 40 executive council members, and 180 councilors including senior representatives from state-run media, central government offices, various government agencies under the State Council, the Academy of Military Science, and government research centers.

I must stress, however, that these appointments should not be seen to indicate that the PRC has changed its longstanding policy on Taiwan. Policy remains set at the CCP's Leading Taiwan Affairs Leading Small Group headed by Xi Jinping. The all powerful Standing Committee of the CCP Politburo is set to change at the upcoming 19th Party Congress.

19th Party Congress

The CCP is in the process of an important leadership transition that will take place this Fall. The transition will see a wholesale change in the make-up of the Standing Committee of CCP

Politburo and the political sensitivity surrounding the situation is palpable. One plausible explanation for Xi's apparent heavy-handed tactics is perhaps due to a need to appear strong in the face of power jockeying that is inevitably occurring behind closed doors in Zhongnanhai.

East China Sea and South China Sea Linked to Taiwan

Over the past decade, Beijing has been increasingly aggressive over territorial disputes in the East China Sea and South China Sea. In addition to increased military exercises and confrontations with navies and coast guards in the region, Beijing established an Air Defense Identification Zone in the East China Sea in 2013 and there are reasons to think that it may do so for the South China Sea as well. As USPACOM Commander Admiral Harry Harris stated, Beijing is building a "Great Wall of Sand" in the South China Sea. I agree with the Chairman's assessment that these efforts appear to be directed at "boxing Taiwan in."⁶ Indeed, Taiwan remains the primary driver of Chinese defense investments and planning, therefore a Taiwan contingency must remain the focus of United States defense planners.

Economic Coercion

Beijing does not hide the fact that it views its economic relationship with Taiwan and other countries as leverage. One recent manifestation of this coercive strategy is Beijing's control of tourists from the PRC going to Taiwan to apply pressure on Taiwan's economy.

Despite the drop in tourists from China, total number of tourists to Taiwan actually increased 2.4% in 2016. This growth was driven by tourists coming from other Asian countries such as Thailand, Vietnam, the Philippines, Malaysia, Indonesia, Japan, and South Korea.

As noted earlier, Taiwan is not the only target of Beijing's economic coercion. In 2010, Beijing cut off exports of rare-earth minerals to Japan because of disputes over the Senkaku/Diaoyutai Islands. In 2012, Beijing barred the import of bananas from the Philippines after the Scarborough Shoal incident. In 2017, Beijing is applying pressure on South Korea over its deployment of THAAD.

In the face of Beijing's strategy of utilizing all levers of power, the United States should consider all means, as the TRA stipulates, "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."

Conclusion

On balance, President Trump's phone call with Tsai signaled nothing more than that his administration will not be bound unnecessarily to self-restrictive conventions that demean our relationship with a key security partner and democratic ally.

Despite the mainstream view that the Trump administration was going to break from longstanding US policy, his administration ultimately pursued an approach in US-Taiwan relations that hewed closely to a "status quo" that has persisted since 1979—in which two

⁶ <http://www.washingtonexaminer.com/lawmakers-china-gaining-influence-over-us-allies/article/2625597>

legitimate governments co-exists across the Taiwan Strait, based on the Taiwan Relations Act, Six Assurances, and the US “One-China” policy.

While many things have happened, very little has changed.

Although the Strait is currently calmer now after President Trump reaffirmed the status quo by reaffirming the US “One-China” policy in his February phone call with Xi Jinping, it behooves this committee to be aware that while sustaining the status quo may be a viable short-to-medium term proposition, the status quo is not sustainable in the long-term.

The PLA’s unprecedented military buildup, growing economic leverage, diplomatic coercion, and regional uncertainty over US staying power in the region, leaves Taiwan more susceptible to PRC coercion, and thus presents a risk to the peace and stability in the Western Pacific.

While allies and partners could and should do more for their own defense, the urgency of the challenges ahead demands cooperation, and the collective action of our allies and friends in the region. In this context, it is necessary to restore a consistent, high-level, and reliable process in how the United States engages with Taiwan on arms sales that will have the effect of reassuring our friends on Taiwan of US commitment to not only Taiwan but to regional allies and partners.

Alternatives to a gradual change in policy present equally destabilizing propositions. Yet a fear of even thinking about change could lead to state of paralysis that is equally disruptive in the Taiwan Strait. A one-sided focus on the process has left US interests increasingly susceptible to the vagaries of cross-Strait relations and Beijing’s increasing leverages to coerce its desired political outcome.

Set against the region’s geostrategic uncertainty and increasing pressure on the alliances, the United States needs an integrated approach that leverages diplomatic, military, and economic tools to strengthen relations with Taiwan and maintain its capacity to help Taiwan resist PRC coercion. This integrated approach requires a mix of hard and soft power to strengthen alliances and partnership, reduce uncertainty, and minimize miscalculation by all sides. A clearly stated objective of soft balancing to shore up the sovereignty gap in the Taiwan Strait would ensure lasting peace in the Taiwan Strait. Lastly, strategic accommodation of China, especially over Taiwan, would be a strategic mistake. Outsized expectation of China’s leverage to rein in North Korea could disproportionately lead to a miscalculation of tradeoffs that would seriously damage US credibility with little gains.

Recommendations

The confluence of these factors brings me to my overall recommendation on the urgency for a gradual recalibration of US policy towards Taiwan.

First, especially in the aftermath of the break in diplomatic ties between Taiwan and Panama, I wish to commend Ranking Member Sherman and other distinguished members of this committee for passing the Taiwan Travel Act, which, as the committee rightfully finds, the United States should lift the self-imposed restrictions of high-level visits between officials at all levels of the United States Government, including cabinet-level national security officials, to and from

Taiwan. The current approach of conditioning the execution of US law and policy on Beijing's reaction in effects leads to creeping deference to Beijing's "One-China" principle, and the PRC should not be allowed to dictate how the United States conducts its informal relations with Taiwan.

Second, the Global Cooperation and Training Framework (GCTF), launched in 2015, is a critical mechanism for enhancing Taiwan's international space. It should be expanded and adequately resourced. Functional cooperation with Taiwan in "training programs for experts from throughout the region to assist them with building their own capacities to tackle issues where Taiwan has proven expertise and advantages" are a-political and Taiwan's meaningful participation in the international community must not be allowed to be curtailed by the PRC's calculated politicization of Taiwan's international space.

Third, the PRC massive military buildup across the Strait and its continued refusal to renounce the use of force against Taiwan is a threat to the peace and security of the Western Pacific area. While the United States has managed to deter Beijing from taking destructive military action against Taiwan over the last four decades because the latter has been relatively weak, the risks of this approach inches dangerously close to outweighing its benefits. Greater clarity of U.S. commitments to defend Taiwan is critical for purposes of deterrence and stability. As the PLA grows stronger, a perceived lack of commitment by the United States to defend Taiwan may further embolden Beijing to use force to resolve the Taiwan issue.

Fourth, in the face of Secretary of State Tillerson's comments downplaying basing foreign policy decisions on American values, Congress could reassert the importance of shared values in American foreign policy since "the foundation of US-Taiwan relations is our shared values—our commitment to democracy, civil liberties, and human rights."⁷ It is at least reassuring to note that at his confirmation hearing, the Secretary Tillerson, stated that, "The people of Taiwan are friends of the United States and should not be treated as a bargaining chip. The US commitment to Taiwan is both a legal commitment and a moral imperative."⁸

Fifth, and perhaps most importantly, President Ronald Reagan's Six Assurances are necessary but no longer sufficient. Renewed assurances for Taiwan are needed in this period of growing uncertainty. Much has changed since the Six Assurances and other non-papers were issued back in 1982. In conjunction with the original assurances, renewed assurances could, as former Deputy Assistant Secretary of State for East Asian and Pacific Affairs Randy Schriver wrote, make clear that preserving Taiwan's democracy as an interest of the United States; honor the TRA; not pressure Taiwan into negotiations with the PRC; not support an outcome that does not enjoy the support among the majority of the free people of Taiwan; and not "co-manage" the Taiwan issue with the PRC.⁹

Ranking Member and Mr. Chairman, thank you again for this opportunity.

⁷ <http://docs.house.gov/meetings/FA/FA00/20140314/101903/HHRG-113-FA00-Wstate-MoyK-20140314.pdf>

⁸ <http://focustaiwan.tw/news/aip/201703080019.aspx>

⁹ <http://www.taipeitimes.com/News/editorials/archives/2007/08/22/2003375330/2>