

Testimony before the  
House Committee on Foreign Affairs  
Subcommittee on Asia and the Pacific

## **“Reinforcing the U.S.-Taiwan Relationship”**

Tiffany Ma  
Senior Director, BowerGroupAsia  
Nonresident Fellow, the National Bureau of Asian Research

April 17, 2018

Chairman Yoho, Ranking Member Sherman, distinguished members of the Committee, I would like to express my appreciation for the opportunity to appear before the committee today to discuss the prospects for reinforcing U.S.-Taiwan relations, an issue integral to U.S. interests in the Indo-Pacific region.

The U.S.-Taiwan relationship is undoubtedly complex, and under increasing strain from China’s coercive pressures against Taiwan as well as its opposition to U.S. support for Taiwan. Yet, the relationship remains a central component of U.S. policy towards the Indo-Pacific region. The Trump Administration has explicitly reaffirmed the importance of the Taiwan Relations Act (TRA), one of the foundations of the United States’ ‘One-China’ policy, which along with the Three Communiques and the Six Assurances, continues to guide U.S. policy toward Taiwan. The framers of the TRA envisioned the Taiwan Strait as essential to peace, security, and stability in the Western Pacific—a recognition that still rings true today as evident in the strong reaffirmation of U.S. commitments to Taiwan in the 2017 National Security Strategy.

### **U.S.-Taiwan Relations and U.S. Interests in the Indo-Pacific Region**

To begin, the U.S.-Taiwan relationship reinforces key U.S. priorities in the Indo-Pacific region. The Free and Open Indo-Pacific (FOIP) strategy concept emphasizes twin pillars of self-determination, free from external coercion—an essential prerequisite to good governance—and openness in trade and investment, maritime movement, and logistics, which requires meeting the infrastructure gap in the region. The emphasis on freedom from coercion is, of course, directly applicable to concerns about the People’s Republic of China’s (PRC) coercive pressures against Taiwan. Taiwan is an open democracy, with an engaged civil society, robust legal institutions, and transparent system of governance. Taiwan’s openness has not gone unnoticed. The World Bank ranked Taiwan as the fifth in the Asia-Pacific region and 11<sup>th</sup> in the world in terms of ease of doing business, according to its 2017 Doing Business report, and Reporters Without Borders chose Taipei as the location of its first bureau in Asia in 2017.

The U.S.-Taiwan relationship also intersects with other U.S. priorities in the region, including trade and security. The Section 232 investigation led President Trump to impose across-the-board tariffs on steel and aluminum imports. While the primary concern may have been China’s trade practices in these sectors, especially in the broader context of ongoing U.S.-China trade disputes, this action has affected key U.S. allies and friends including Taiwan. In 2017, the U.S. was the

destination for 13 percent of Taiwan's steel exports and 6 percent of aluminum exports, with exports totaling USD 1.3 billion and USD 44 million, respectively. While tariff waivers have been used as incentive for negotiating a broader set of trade issues, Taiwan is still seeking to secure an exemption, which has been granted to Canada, the EU, Australia and South Korea. It remains to be seen if the flexibility on tariffs that President Trump has offered to allies would also extend to an important partner like Taiwan.

In terms of regional security, North Korean belligerence and the advancements in its missile and nuclear programs have been priority preoccupations for top U.S. officials. Taiwan is mindful of the North Korean threat. Its financial institutions were subject to a cyberattack by the infamous North Korean-linked Lazarus group in 2017. Taiwan shares U.S. concerns regarding North Korean nuclear proliferation and has been proactive in working towards compliance with UN sanctions on North Korea, even as a non-UN member. Taiwan has called for its companies to abide by the sanctions and even commenced legal proceedings against citizens suspected of enabling trade with North Korea.

Taiwan is also contributing to regional and global security in other tangible ways that reinforce U.S. goals. Notably, it is a member of the Global Coalition to Defeat ISIS, an active contributor to regional humanitarian assistance/disaster relief efforts, and is cooperating with Japan and the Philippines on fisheries management despite competing maritime claims. Taiwan is deepening its cooperation with U.S. allies and partners across Southeast Asia, South Asia, and Australasia through its ambitious New Southbound (NSB) Policy. Launched in 2016, the initiative intends to deepen Taiwan's regional linkages and exchanges and reduce its dependence on the PRC. In 2015, the United States and Taiwan inked the Global Cooperation and Training Framework (GCTF) to leverage Taiwan's strengths and expertise. Under this program, the United States and Taiwan conduct training and capacity building programs to address global challenges such as public health, women's rights, and environmental protection. Indeed, Taiwan's contributions to regional peace and security serve as force multipliers for broader U.S. strategic objectives.

A closer look at the components of the U.S.-Taiwan relationship reinforces Taiwan's importance within the United States' wider Indo-Pacific agenda. For instance, Taiwan is the United States' 10<sup>th</sup> largest trading partner by goods, and the United States is Taiwan's 2<sup>nd</sup> largest trading partner. According to the U.S. Trade Representative office, top U.S. exports to Taiwan include machinery, aircraft, and agriculture; Taiwan is the 7<sup>th</sup> largest market for U.S. food and agricultural products. In addition, Taiwan is an active investor in the United States. It sends large delegations to SelectUSA Investment Summits and Taiwan-based company Foxconn's new Wisconsin facility could employ up to 13,000 people. This U.S. administration has focused on the trade deficit with Taiwan, and Taiwan has taken steps to reduce the surplus, such as importing U.S. liquefied natural gas. However, it is important to recognize that the economic relationship is significant for both parties, across different measures. Looking ahead, future progress requires renewed momentum on the Trade and Investment Framework Agreement (TIFA) talks—currently stalled over the use of ractopamine in U.S. pork products—to lay the foundations for future trade or investment agreements.

The economic ties are buttressed by the strong unofficial relationship. The opening of a new American Institute in Taiwan complex attests to the robustness of the relationship. Citizens of

Taiwan and the United States actively interact through travel, study, and work—the former now facilitated by Taiwan’s inclusion in the prestigious Global Entry program in 2017. The well-received visit of Deputy Assistant Secretary of State Alex Wong to Taipei last month underscored U.S. commitments to Taiwan. Furthermore, support for Taiwan from Congress, most recently highlighted by the unanimous passage of the Taiwan Travel Act (TTA), which provides a platform for elevating U.S.-Taiwan exchanges to much-needed higher levels, remains steadfast.

Another critical dimension of the relationship is defense cooperation. This is underpinned by TRA obligations “to provide Taiwan with arms of a defensive character” and reinforced by shared concerns about the shifting cross-Strait military balance. The centerpiece, and one of the most visible aspects of this cooperation, is U.S. arms sales to Taiwan; however it also includes support on training, such as sending observers to Taiwan’s headline Han Kuang exercises, Taiwan’s transition to an All-Volunteer Force, and maintenance and logistics. The recently approved marketing license is a positive signal of U.S. support for Taiwan’s domestic submarine program. The 2018 U.S. National Defense Authorization Act (NDAA) also called for the consideration of U.S. Navy port calls to Taiwan. U.S.-Taiwan defense cooperation is critical for ensuring Taiwan’s self-defense as Beijing continues to reserve the option of using military force against Taiwan and continues to build up its military for a Taiwan Strait contingency. In response, Taiwan’s military strategy is shifting toward asymmetric defense and layered deterrence, and this provides fruitful ground for the U.S. and Taiwan to address Taiwan’s defense requirements.

### **Challenges to U.S. Interests and the U.S.-Taiwan Relationship**

Through the bonds of the U.S.-Taiwan relationship and its commitments to regional security, the United States holds deep equities in cross-Strait stability. The TRA stated that the future of Taiwan should be determined by “peaceful means” and the U.S. position also affirms that the cross-Strait situation must be determined by people on both sides of the Strait, with the assent of the Taiwan people, and it opposes unilateral changes to the status quo.

China has long resisted the U.S. approach, seeing it as an impediment to Beijing’s long-held goal of cross-Strait unification. China has opposed real or perceived moves in Taiwan towards independence under the auspices of Beijing’s ‘One-China principle.’ President Xi Jinping has linked Taiwan to his visionary ‘China Dream’ for national rejuvenation by 2049, and has called for “both sides of the Strait” to “join hands in realizing the ‘Chinese dream’.” Although Xi describes the two sides as part of the same family, any benevolence intended by this rhetoric does little to mask Beijing’s mounting pressures against Taiwan following the electoral victory of the Democratic Progress Party in 2016.

Despite President Tsai Ing-wen’s pledge to maintain cross-Strait status quo, Beijing has stepped up rhetoric and actions to further isolate Taiwan and undermine its legitimacy. First, the PRC has escalated influence campaigns to delegitimize Taiwan on campuses, among businesses, and in international fora. Second, it has renewed efforts to curb Taiwan’s international space, including pressuring international organizations, such as the International Civil Aviation Organization, to limit Taiwan’s participation, and whittling away at Taiwan’s remaining diplomatic allies, including Panama and Sao Tome and Principe, with some speculation that the Vatican may be next in line. Third, it is undermining the DPP through freezing high-level official cross-Strait dialogue.

At the same time, China has offered inducements to lure young Taiwanese to work in China while cultivating the Taiwanese business community in China to advance Beijing's political agenda in Taiwan. Fourth, Beijing has used unprecedented measures such as unilaterally establishing northbound flights along the M503 flight path that runs close to median line of the Taiwan Strait without consulting Taipei. Last, it has ramped up military intimidations, including by conducting long range patrols off the east coast of Taiwan and by transiting its aircraft carrier Liaoning through the Taiwan Strait. It has also increased exercises focused on Taiwan, including a sudden announcement of a live fire exercise in the Taiwan Strait later this week. These actions and exercises are seen at best as intimidation and at worst as preparations for a military contingency in the Taiwan Strait. In the face of China's increased economic, political, and military coercion, U.S. support for Taiwan is more critical than ever before.

It is clear that China is not only changing, but effectively rewriting the status quo through the use of sharp power in an attempt to force unification upon the people of Taiwan. It is difficult to envision how China's preferred vision for Taiwan's future would serve U.S. interests, especially given the increasingly stark differences between Beijing and Taipei. Taiwan's vibrant democracy stands in contrast with China's authoritarian system, especially following the March 2018 constitutional amendment which paved the way for President Xi's indefinite hold on power. President Tsai has reaffirmed that Taiwan stands willing and ready to "defend the common goal of freedom and openness [and]... go all out to protect the fundamental international order," while China is increasingly seen as a 'revisionist' power that challenges aspects of the free and open regional order.

China's increased coercion against Taiwan has led some observers to debate the costs, if not question the value, of U.S. support for Taiwan. To be sure, viewing U.S. support for Taiwan as a provocation to China is an internalization of Beijing's position, one designed to restrain the United States' own calculus towards Taiwan. Rather, if we put the United States and its interests first—on the basis of longstanding policies, stakes in the region, and value that we ascribe to friends and allies—the question to ask is: why wouldn't we reinforce our relationship with Taiwan?

In a similar vein, this logic dispels the benefits of using Taiwan as a bargaining chip. Concessions to China on Taiwan, in the hopes of reciprocal gains on North Korea or trade issues, do not guarantee favorable outcomes. On the contrary, the United States would certainly stand to lose a close trade and security partner, as well as risk its credibility. Developments in the Taiwan Strait are closely watched by other U.S. allies and friends as they represent a test of American commitments in the region. Anything short of demonstrating U.S. resolve in the face of China's attempts to force unification—much less failing to uphold U.S. commitments to Taiwan or using Taiwan as a pawn—sets dangerous precedents that undermine long term U.S. position in the region. Similarly, Taiwan is not a tool for the U.S. to use to manage relations with China. Playing the "Taiwan card" to force Beijing's hand would put Taipei in a more precarious position in the midst of U.S.-China competition, not to mention undermine the fundamental tenets of the U.S.-Taiwan relationship.

## **Recommendations for Reinforcing U.S.-Taiwan Relations**

By reinforcing the U.S.-Taiwan relationship, we can consequently reinforce long term U.S. interests in the Indo-Pacific.

1. Maintain a constant and coherent position on Taiwan. Congress' longstanding support for Taiwan provides a critical bulwark against the fluctuations in U.S.-Taiwan relations as a result of particular administrations' policy needs vis-à-vis China. Going forward, Congress can play an essential role in dispelling any misguided notions about using Taiwan as a bargaining chip or playing the Taiwan card by reaffirming U.S. commitments to Taiwan through related actions, such as through the TTA and recent NDAs. These acts serve as tangible and meaningful responses to China's coercion against Taiwan.
2. Integrate Taiwan into the Free and Open Indo-Pacific strategy. As the administration begins to operationalize the concept, Taiwan is an ideal partner in this endeavor. In particular, we can harness the natural convergences between the FOIP strategy and Taiwan's New Southbound policy in areas of innovation promotion, infrastructure development, and deepening regional economic linkages. In addition, programs under the GCTF, especially on political participation and democracy promotion, can foster good governance to further support political and economic openness in the region. Finally, the FOIP strategy provides an opportunity to reinforce Taiwan's relationship with likeminded democracies. While the revival of the Quadrilateral Security Dialogue between the United States, Japan, Australia and India remains nascent, Taiwan could benefit from future engagements with this group. Such interactions would also provide some reprieve from the pressures that China has placed on Taiwan's international space. More broadly, the U.S. should continue to support these partners, as well as others, in reinforcing their own relationships with Taiwan.
3. Engage in serious efforts to address economic and trade issues. The immediate priority should be ensuring that Taiwan receives exemption status, as a friend of the United States, from the steel and aluminum tariffs. Imposing tariffs on Taiwan sends the wrong message about U.S. treatment of its friends and distracts from other forms of economic cooperation as well as progress on long-standing trade talks. In the medium term, progress on TIFA talks, with attention from the appropriate levels of the U.S. government, would certainly reinforce the economic relationship and help pave the way for a bilateral trade agreement. There is also significant potential for building on the U.S.-Taiwan MOU on intellectual property protection. Taiwan has made tremendous gains in this area and has asked to join as a third party in a U.S. complaint against China's intellectual property theft at the World Trade Organization. Given this U.S. administration's focus on the protection of intellectual property and trade secrets, this could be an area of significant progress in the next few years.
4. Deepen and broaden security cooperation. A priority should be moving toward regularizing, rather than bundling, arms sales, and ensuring that Taiwan receives the same treatment as other security assistance partners. The primary consideration ought to be what we deem to be Taiwan's defensive interests, rather than what is least objectionable to China, as they are certain to object regardless. Resolution on Taiwan's requirements for replacement fighters and submarines would certainly be welcomed. As a related discussion, we should continue to

encourage Taiwan increase its defense budget to meet its own defense requirements. In addition, the United States and Taiwan should expand defense cooperation. This could include Taiwan's participation in future RIMPAC exercises, which has strong support on Capitol Hill; cooperation on cybersecurity, particularly drawing on both Taiwan's experience as a target of cyberattacks originating in China and North Korea as well as President Tsai's priority on boosting Taiwan's informational security as part of national security efforts; and conducting port visits.

5. Regularize meaningful high-level exchanges. Pursuant to the TTA, meaningful high-level exchanges can support progress on economic and trade issues as well as advance security cooperation. It is important that these high level visits have a working purpose, not just symbolic, as they could help to breakthrough some of the key challenges in trade or defense issues.

## **Conclusion**

It is evident that the U.S.-Taiwan relationship continues to serve U.S. interests in promoting a Free and Open Indo-Pacific. The U.S.-Taiwan relationship is built on shared values, meaningful and tangible cooperation, and common strategic interests. On the whole, Taiwan's track record as a reliable partner and friend to the United States stacks up on the side of Washington's assets, not liabilities. As China increases coercive measures to isolate and undermine Taiwan, with the ultimate goal of forcing unification on Beijing's terms, it is crucial that we respond by deepening and reinforcing U.S.-Taiwan relations.

Mr. Chairman, Ranking Member, and the esteemed Committee, thank you again for the opportunity to take part in today's hearing, and I look forward to your questions.