



Ties that Bind

U.S.-Taiwan Relations and Peace and Prosperity in East Asia

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Introduction and summary

The United States, China, and Taiwan share one common interest in this new century—peace and prosperity in East Asia—but also one common divide—the 20th century legacy of political and military competition frozen in time across the Taiwan Strait. The Cold War in East Asia is long over, of course, replaced in the late 20th century by fast-growing economic ties that now bind the United States, China, and Taiwan in a complex web of prosperity and competition. Yet the political and military standoff remains even though Taiwan is now a prosperous democracy, China a rising capitalist but still authoritarian power, and the United States now, as then, the guardian of stability in East Asia and the Western Pacific.

How that one common interest of peace and prosperity plays out against this still volatile political and military divide will determine whether a Pax Americana holds well into the 21st century. China's continuing military buildup, highlighted most recently in the Department of Defense report titled "Military and Security Developments Involving the People's Republic of China," demonstrates the dangers of miscalculation by all three parties.¹ Yet recent steps at further economic integration between China and Taiwan—and how these positive steps might help weave the Taiwan economy more directly into the fabric of East and Southeast Asian trade and finance—offer the promise of further regional peace and prosperity.

Make no mistake: Taiwan and China are registering remarkable strides toward stabilizing cross-Strait relations in the wake of Taiwanese President Ma Ying-jeou's election victory two years ago, which returned his Nationalist Party to power on the promise to improve Taiwan-China relations across the board. Before that 2008 election, cross-Strait relations were sliding toward potential conflict, particularly after China's passage of the 2005 Anti-Secession Law, which formalized China's policy of using "non-peaceful means" in the event of a formal declaration of independence by Taiwan.² Correspondingly, U.S.-Taiwan relations had deteriorated over Taiwan's increasingly assertive independence under former President Chen Shui-bian.

Ma moved swiftly to promote better interactions with China through expanded economic ties and people-to-people exchanges. Since 2008, Taipei and Beijing have signed 12 agreements that expanded tourism, direct travel, postal and shipping routes, and financial and investment ties. In June 2010, representatives from Taiwan and China inked the much debated and controversial Economic Cooperation Framework Agreement, or ECFA, which lowers and eliminates tariffs, facilitates greater cross-Strait investment, and liberalizes financial services. The agreement was approved by Taiwan's legislature in August.

Yet as economic reconciliation moves apace, many uncertainties remain. For one, it is still unclear whether increased economic normalization will lead to a meaningful political reconciliation and under what circumstances. Ma has taken the political question off the table in the near term, repeating his oft-stated strategy of “economics first, politics later; easy first, difficult later.” He says his administration will “leave the decisions [on sovereignty] to future generations.” This construct may prove too simple, however, as a number of recent social and demographic trends compound the gravitational pull of economic interdependence and are already shaping the political landscape.

How the political developments unfold will determine how the still bristling military standoff across the Strait eventually is resolved. Currently, China's military modernization is growing at record pace and its leadership shows no indication that it plans to renounce the use of force in the Strait. China continues to spend heavily on its military capabilities vis-à-vis Taiwan and the United States and is “capable of increasingly sophisticated military action against Taiwan,” according to the Department of Defense report.

How should U.S. policymakers handle this dynamic mix of issues? How can they make the most of the opportunities presented by the rapprochement and how can they best hedge against the many uncertainties that remain?

The answer lies first in a sober and forward-looking assessment of the U.S.-Taiwan partnership. Unlike the U.S.-China relationship, the scale of which has expanded to include a global agenda, or the Taiwan-China relationship, which has moved forward quickly on economic and social ties, the U.S.-Taiwan agenda has been stagnant. It is still driven primarily by the common defense interests forged in the height of the Cold War. Although the two sides maintain steady ties across an array of issues—economic, social, educational, and defense—the United States and Taiwan have yet to create a meaningful affirmative agenda for a new age of globalized threats and opportunities.

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China's rise makes the delay of doing so even more consequential. The United States has maintained a durable and productive relationship with Taiwan for more than 50 years but it is now time for the United States and Taiwan to modernize and deepen their relationship.

Fortunately, the Taiwan Relations Act of 1979 continues to offer a useful and durable framework in which to make the relationship more comprehensive. Under the TRA, the United States maintains substantive relations with the island and cooperates on issues ranging from trade and security to health and education. The act provides a firm foundation on which to expand the U.S.-Taiwan agenda to include greater cooperation on global challenges—for example, on climate security.

As an island, Taiwan's sensitive geographic position makes it particularly vulnerable to the consequences of climate change, and the United States bears significant leadership responsibility in addressing global warming. Washington and Taipei can also increase cooperation on other areas of new and shared interest, such as international development and democracy promotion. Such efforts are made easier by the rapprochement between China and Taiwan, which has enhanced Taiwan's ability to have greater participation in international organizations, such as the World Health Organization, and may open up more opportunities for multi-lateral and bilateral engagement.

The United States and Taiwan should also seek ways to deepen their relationship. In the same way that the United States provides defense articles to help Taiwan sustain sufficient self-defense capabilities and to boost Taiwanese confidence to continue engagement with China, the United States should also strengthen U.S.-Taiwan economic and diplomatic ties. Washington should focus on increasing and improving communication with Taipei and on resolving existing U.S.-Taiwan trade disagreements in order to expand trade relations.

Consistent with the TRA, the United States should continue to provide Taiwan with the necessary means to defend itself. China's softening on Taiwan's participation in international organizations also widens the opportunity for the United States to work with Taiwan to secure greater participation in international forums, such as institutionalizing the island's observer status at the WHO and other multilateral forums.

Each of these steps would provide unique opportunities to advance U.S.-Taiwan relations as well as U.S. interests in the region broadly by helping Taiwan maintain

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its independent political system while deepening its economic relationships with China and all of its neighbors.

In this report, we look at the central role Taiwan will play in determining whether common economic interests continue to converge in East Asia or if instead the political and military divides will come to dominate relations. As we will demonstrate, neither outcome is certain. Much will depend specifically on several sets of policies now being hammered out by and among the leaders of China, Taiwan, and the United States—but with Taiwan in many ways taking the lead.

The pages that follow will examine the economic opportunities presented by the recent rapprochement between Taiwan and China, then turn to the more troubling military aspects of the relations between the two neighbors and the United States. We'll then consider the possible political reconciliation scenarios that could unfold depending on these economic and military dynamics. At the end of each of these sections, we will present U.S. policymakers with some recommendations to help ensure the one common interest of the three—peace and prosperity—is not upended by the one common divide—the continuing military standoff on both sides of the Taiwan Strait.

Economic opportunities

The global financial crisis of 2008 devastated Taiwan's economy. Heavily reliant on high-tech exports, Taiwan's economy contracted 8.4 percent in the fourth quarter of 2008, "basically wiping away the last two and a half years of economic expansion" according to one expert, and experienced an export drop of 32.8 percent in the first six months of 2009, compared with the same period in 2008.³ The island's unemployment rose to 6.4 percent in 2009, the highest since 1978 when employment levels were first recorded.⁴

Then-presidential candidate Ma Ying-jeou ran on the campaign promise that he could pull the economy out of the slump, making what came to be known as the "6-3-3" pledge: 6 percent GDP growth; annual per capita income of US\$30,000; and 3 percent unemployment. As part of his efforts to fulfill the pledge, Ma introduced the Economic Cooperation Framework Agreement in February 2009.

ECFA represents Taipei's efforts to trade its way out of the slump, with the Ma administration arguing that the road must first go through Beijing. The ECFA is an economic accord with China that lowers and eliminates tariffs on hundreds of goods, facilitates greater cross-Strait investment, and liberalizes financial services. It aims "to gradually reduce or eliminate barriers to trade and investment for each other, create a fair trade and investment environment, further advance cross-Strait trade and investment relations by signing the Cross-Straits Economic Cooperation Framework Agreement, and establish a cooperation mechanism beneficial to economic prosperity and development across the Strait."⁵ By signing the ECFA, Taipei essentially hitches its economy to China's economic engine, betting that China's growth rates will continue apace.

ECFA builds upon a decade-long trend of growing cross-Strait commercial transactions. Since Taiwan ended its trade ban with China in 2000, China became the number one market for Taiwanese exports, accounting for more than 40 percent of the island's exports, or about \$80 billion. China also is the number one recipient of Taiwanese nonfinancial foreign direct investment,

attracting \$6.6 billion from Taiwan in 2009, the last year for which complete data was available.⁶ Nonfinancial Taiwanese foreign direct investment in China rose an astonishing 246 percent between 2008 and 2009, indicating that Taiwanese businesses see continued opportunity in China's export strategy, its large pool of cheap labor, and the complementary natures of their two economies.

And the migration is not limited to money. Approximately a million Taiwanese live in China today. The number of direct flights between the two neighbors stands at nearly 400 per week, up from nearly zero in 2008. Given these trends, components of ECFA are needed and necessary steps to establish much needed regulatory mechanisms and FDI liberalization and protection measures, including intellectual property protection.

For Taiwan, ECFA also serves as a hedge against the island's marginalization from Asia's rapid economic integration. The recently executed Free Trade Area between the Association of Southeast Asian Nations and China (ASEAN+1) takes another big step toward lowering trade barriers in the region, and the ASEAN+3 (ASEAN, China, South Korea, and Japan) and ASEAN+6 (adding Australia, New Zealand, and India) feed into Taiwanese concerns that the island would become a major loser if it does not get in on the game. Indeed, the Asia-Pacific now has 55 free trade agreements and Taiwan is not yet a party to any of them.

The Ma administration presented ECFA in hopes that the agreement would address the biggest obstacle to Taiwan's efforts to secure free trade agreements—China's objections. By pursuing a trade pact with China first, the Ma administration hopes to allay other nations' concerns about Chinese objections to trading with Taiwan. ECFA proponents believe China would find itself in a more problematic position arguing that countries in the region, particularly the emerging markets of ASEAN, should not be allowed to enter a free-trade-like agreement with Taiwan if it is doing so itself.

By addressing the China factor first, ECFA would serve as an important springboard for Taiwan to pursue free trade agreements in the increasingly lucrative Southeast Asian region. Indeed, the plan may be bearing fruit. Taiwan and Singapore recently started talks to enter into a free-trade-style agreement later this year and the Philippines made a similar announcement to explore the feasibility of an agreement.⁷ But it remains unclear whether Beijing will indeed drop its objections as the Ma administration hopes. Beijing has yet to provide any explicit assurances that it in fact will.

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For Beijing, the pact is certainly more than just an economic move. ECFA is a vehicle to create support and political space for Ma's KMT-led government to pursue better cross-Straits relations. Beijing made a number of compromises that disadvantage its bilateral trading position in the short term in order to make ECFA more palatable to the Taiwanese public and to assist the accord's passage through Taiwan's parliament. Taiwanese products make up about 500 of the approximately 750 commodities that will receive tariff cuts, and Beijing agreed to lower its tariffs by 5 percent, compared to Taipei's 2 percent, making the pact more beneficial to Taiwan. These disparities may point to Beijing's belief that the value of ECFA lies not in economic gain but in the potential long-term political payoff.

Taiwanese critics of ECFA point to serious concerns about the trade accord. They argue that ECFA enables Chinese influence on the island to grow via increased Chinese investment (including state-owned enterprises in highly influential sectors such as media), possible trade dependency on China, and potentially severe economic consequences for vulnerable sectors of the Taiwanese economy, among them textiles, home goods, and low-end electronic equipment.⁸ All of these issues underlie the greater apprehension that economic integration with China will start Taiwan down a slippery slope toward unification on China's terms.

Then there are other critics who focus on the manner in which Taipei and Beijing pursued ECFA—behind closed doors, on a significantly abbreviated timeline, and with little consultation with the Taiwanese people. With Taiwan's Nationalist Party holding a large majority in parliament, approval of ECFA passed quickly.

The uptick in Taiwan-China trade comes as the U.S.-Taiwan relationship hit a speed bump created by an array of policy differences. Taiwanese legislation passed in December 2009 limited the import of certain U.S. beef products and imposes cumbersome inspection requirements on the products that are allowed in. The legislation upended a bilateral protocol signed by the United States and Taiwan's executive branch two months earlier to address food safety issues.

Even though beef accounts for less than eight percent of goods traded between the United States and Taiwan, the dispute has had a disproportionately larger impact on the overall trade relationship. Taipei's failure to implement the October trade protocol effectively stalled the Trade and Investment Framework Agreement process through which Taipei and Washington pursue bilateral trade negotiations. The impasse hurt Taipei's efforts to initiate comprehensive U.S.-Taiwan Free Trade Agreement discussions, and only now, three years after the trade dispute over beef first started, have discussions on TIFA resumed.

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Recommendations to U.S. economic policymakers

U.S. policymakers have been reluctant to begin FTA discussions with Taiwan for some time. Yet the ECFA deal between China and Taiwan should give Washington good reason to revisit its position. Expanding its trade relationship with Taiwan would fit with the Obama administration's stance that "open, fair trading environments are good for U.S. firms, good for the United States and good for the global economy."⁹ More importantly, a revitalized trade relationship would help ensure in a nonconfrontational manner that Beijing does not gain undue leverage over the economy or the people of Taiwan.

Initiating discussions on the Taiwan FTA now also would put the United States in a better position to encourage other countries to consider expanded trade relations with Taiwan. Though the current political environment in the United States may pose a serious challenge to this idea, the potential strategic and economic payoff make the option worth pursuing.

Military challenges

Despite all the improvements in cross-Strait economic relations, the security trends in the Strait continue to pose a major challenge. The U.S. Department of Defense's 2010 "Military and Security Developments Involving the People's Republic of China" report found that notwithstanding "positive public statements about the Taiwan Strait situation from top leaders in Beijing following the election of Taiwan President Ma Ying-jeou, there have been no signs that Beijing's military dispositions opposite Taiwan have changed significantly."

Indeed, military developments surrounding Taiwan—the continual Chinese military buildup aimed at Taiwan, bellicose messages coming from Beijing in reaction to the U.S. arms sales to Taiwan, and Taiwan's repeated requests for American F-16C/D fighter jets—are out of step with the steady economic progress and more recent conciliatory political tone between the two sides.

The People's Liberation Army continues its military modernization vis-à-vis Taiwan with two discernible goals: to deter Taiwan's movement toward *de jure* independence in the near term and to make the Strait amenable for unification by force if necessary in the long term. As part of the short-term strategy, the PLA deploys short-range ballistic missiles on China's coast and enhanced amphibious warfare capabilities while also investing in significant anti-access and aerial-denial technologies, specifically its submarine fleet and anti-ship ballistic missile systems, aimed at deterring any U.S. effort to defend Taiwan in the event of a Chinese invasion.

The PLA's modernization is a cause for concern for U.S. policymakers, especially in the context of Taiwan, because the opaque and rapid modernization is rapidly changing the military balance across the Strait. More worryingly, neither the PLA nor China's authoritarian leaders have renounced the use of force in the Strait despite easing of tensions, and the Taiwanese Deputy Minister of Defense Andrew Yang reported that China could have 1,900 missiles aimed at Taiwan by the end of the year.¹⁰

Taiwan's military planners recognize the shift that is occurring and are taking steps to adjust to the new security reality. Officials in Taiwan say they no longer seek to compete militarily with China but rather to ensure China cannot coerce the island. This strategic shift is readily apparent in Taiwan's first ever Quadrennial Defense Review, released in 2009 by Taiwan's Ministry of National Defense. The QDR acknowledges the "changing strategic environment," and commits Taiwan to creating a so-called "'Hard ROC' defense" focused on:

- Bolstering defense and credible deterrence by toughening critical infrastructure and building asymmetric capabilities
- Planning defense transformation, including shifting to a "small but smart and strong" all-volunteer force, and streamlining crisis response and decision-making mechanisms
- Fiscal sustainability of the defense budget
- Developing and modernizing joint warfighting capabilities

Taiwan is now gearing its military strategy toward deterring an attack and is researching high-end asymmetric capabilities to raise the costs of any potential Chinese military operation aimed at Taiwan or the actual deployment of military forces on its shores. Taiwan is also keen to purchase U.S. F-16 C/D fighter jets, making multiple requests since 2006. Taiwan officials argue that the warplanes could serve the dual purposes of defending against PLA forces attempting a coastal invasion and for taking out missile launch sites across the Strait in Fujian province, thereby undermining the possibility of a missile attack on Taiwan.

The Taiwan Relations Act commits the United States to sell defensive arms to Taiwan, which the United States has done without interruption since formal de-recognition of the island in 1979. Though the treaty does not legally obligate the United States to come to Taiwan's defense in the face of a conflict, it does state that the United States shall "consider 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." Beijing consistently objects to the terms of the TRA and regularly denounces U.S. military ties with Taipei.

U.S. arms sales to Taiwan remain one of the most challenging aspects in the U.S.-China relationship. The Chinese responded furiously to the Obama administration's announcement in January that it would sell Taiwan \$6.4 billion worth of arms (not including the requested F-16 C/Ds). Chinese leaders called in U.S.

Ambassador Jon Huntsman immediately following the initial announcement and warned the United States of “serious repercussions.” They followed up the reprimand by cancelling a visit by Secretary of Defense Robert Gates, planned military exchanges that are only now beginning to get back on track, and publishing a list of newly sanctioned American companies involved in the sale.

But the United States cannot allow this kind of response to prevent it from fulfilling its security commitments in the Asia-Pacific, and particularly to Taiwan—a historic partner of the United States and an exemplary model for democratic, pluralistic values in the Asia-Pacific. The arms package is more than just an effort to maintain stability and balance in the region; it stands as an important symbol of America’s alliance credibility in the region and its unwavering security commitment to partners around the world. U.S. arms sales ensure that conflicts in the region are handled peacefully and reduce the likelihood that any one nation can or would get its way from using force or the threat of force. To give in to Chinese pressure would send the wrong signal to Taiwan and other partners in the Asia-Pacific.

Recommendations to U.S. national security policymakers

The United States must continue to monitor the military balance in the Taiwan Strait, but U.S. policy should be oriented toward the larger goal of ensuring that China’s pursuit of its national security interests vis-à-vis Taiwan does not destabilize the Strait or the Asia-Pacific region. Signaling that the United States will continue to uphold its commitments outlined under the Taiwan Relations Act and remain engaged in the region is the best way to do so.

The United States should continue to provide defensive weapons to Taipei as both a symbol of its support of Taiwan’s stabilization efforts and as a means to ensure that Taiwan is prepared for any actions that might occur during the rapprochement. At the same time, U.S. officials should be clear with their counterparts in Beijing that the Chinese military modernization vis-à-vis Taiwan does not serve the advancement of U.S.-China relations nor the rapprochement, and may ultimately hinder the long-term process.

U.S. security policy toward Taiwan should also be tied to the larger regional strategy—one that responds prudently to the growing military capabilities of China. The recent flare-ups in the South China Sea illustrated the importance of

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U.S. engagement in guaranteeing stability, freedom of navigation, and open access to Asia's maritime common. As recommended by the independent panel that evaluated the Pentagon's Quadrennial Defense Review, the U.S. military should conduct a rigorous, in-depth assessment of the ability of current and programmed U.S. forces to fulfill security commitments in the Western Pacific in the face of the military capabilities China possesses or is likely to acquire over the next decade. It should then develop a long-term defense program as well as a strategy for engaging regional allies and for U.S. basing and posture in the Western Pacific that enables U.S. armed forces to maintain a stabilizing influence.

This period of stabilization also offers the United States an important opportunity to work with counterparts in Taiwan to adapt Taiwanese defense strategy and doctrine to meet the challenges of the new security reality in the Strait. Namely, the United States should work with Taiwan to make the island's strategy more innovative and asymmetric, as U.S. Assistant Secretary of Defense Wallace Gregson calls for, by, for example, providing Taiwan such capabilities as theater missile defense.¹¹

As part of this effort, the U.S. policymakers and defense officials should consider whether Taiwan's requests for F-16 C/Ds would advance a move toward a more innovative and asymmetric posture, and whether or not the warplanes would actually play a meaningful role in the defense of Taiwan interests.

Political reconciliation

Though economic reconciliation is moving apace, it remains unclear if, when, and under what circumstances the current economic integration will lead to a meaningful political reconciliation. President Ma at one point stated that any discussions on sovereignty would first require a major change in the security situation, namely China's removal of the more than 1,500 missiles currently pointed at Taiwan. Yet Taiwanese officials since then say they will need time to build trust and an internal consensus at home before moving to a next phase.

Many of these officials said that the short- to medium-term goal of the initiatives is to maintain the status quo, which 80 percent of Taiwanese favor.¹² The endgame, these officials argue, is to buy time for Taiwan and to leave the difficult sovereignty issue open to future generations to deal with as circumstances change.

This may prove to be too simple an approach, however, as a number of trends and developments are already underway that point to further economic and political reconciliation. The “three links”—direct flights, direct postal service and shipping, and direct commercial transactions—are now routine, alongside people-to-people exchanges, notably in the form of tourism. With approximately a million Taiwanese living on the mainland and more than a million Chinese tourists expected to travel through Taiwan each year, an important social shift is already starting—one that may not speak explicitly to the heart of the sovereignty issue but does impact the political conditions surrounding it. The growing economic dependence of Taiwan on China compounds the gravitational pull between the two sides, as do reciprocal high-level (but unofficial) visits across the Strait by party officials and business elites.

Yet there also are centrifugal pressures, in the forms of Taiwanese nationalism, the Chinese military threat, and questions surrounding the sustainability of China's forceful economic growth, that may diminish the pace at which a comprehensive political rapprochement advances. The important question that policymakers in Taiwan, China, and the United States should be examining is how they should work to shape those competing dynamics.

Several different factors will determine how the current rapprochement will proceed. Certain conditions would need to be in place before either side attempted to translate economic progress into explicitly political arrangements, namely those addressing a so-called “peace treaty” or terms of explicit political reconciliation.

First, the current cross-Strait talks would first need to feed a greater sense of security and confidence in Taiwan, defined in both physical and psychological terms. The rapprochement should lead to the removal of the more than 1,500 missiles on China’s shores, which pose an immediate physical threat to the people of Taiwan, accompanied by an explicit statement or effort by Beijing to allay very real Taiwanese fears of a Chinese attack. Recent overtures by the PRC to hold military talks were rebuffed by the Taiwanese on grounds that China has not agreed to remove the missiles.¹³

Second, the rapprochement must benefit the Taiwanese people by bringing them greater economic prosperity, mobility, and stability. Finally, international backing is needed to ensure Taiwan can count on international support.

For China, the cross-Strait rapprochement takes away many of the surprises that previously created tensions under President Chen. So long as this continues, and Beijing feels that the overall trajectory of the cross-Strait relationship is headed away from a formal declaration of independence by Taiwan, then it will likely continue to pursue present economic integration efforts that are overall favorable to Taiwan.

The likelihood that Taipei will begin to discuss sovereignty issues before 2012 is low, given the sensitive political environment in Taiwan today. The Ma administration faces a large challenge before the end of its term from the stiff opposition of the Democratic Progressive Party, which has effectively raised serious concerns among the people of Taiwan about the nature, pace, and implications of the cross-Strait reconciliation process.

U.S.-Taiwan relations

The United States has a vested interest in the current trajectory of cross-Strait negotiations and improved political relations, but Washington should be careful not to push for premature political reconciliation on either side of the Strait. The current level of Taiwanese support for the initiatives is predicated on the people's sense that they are in control of their own future—that the people of Taiwan will determine when they are ready for each step and will have the ultimate say in their final status. Progress is and will remain tentative and fragile despite the groundbreaking ECFA treaty.

There is room, however, for an affirmative U.S. agenda toward Taiwan during this process. The current rapprochement brings with it significant risk that Taiwan's long-term maneuverability and leverage will be constrained, which would have serious implications for U.S. interests in the region. That's why strengthening the U.S.-Taiwan relationship will be key in ensuring that relations between and among the United States, Taiwan, and China grow in a balanced and sustainable manner.

This is especially needed in light of recent changes in the U.S.-China relationship. Over the past two years, the Obama administration worked to create a “positive, cooperative, and comprehensive” relationship with China—one that expands the bilateral agenda to a global scale. Washington and Beijing are now working together regularly on complex transnational challenges such as climate change, international financial regulation, nuclear nonproliferation, and global health. Washington seeks out Beijing's cooperation as a full partner on these issues, and this cooperation has crystallized China's position as one of the most important players in the world.

The same, however, cannot be said about the U.S.-Taiwan relationship, which remains in many ways mired in the past and focused, perhaps myopically, on the defense relationship forged in the Cold War. Aside from a few short-term initiatives such as Taiwan's campaign to enter the U.S. visa-waiver program, and intermittent efforts to expand TIFA, it is unclear what meaningful ties beyond the arms deal will bind the United States and Taiwan together in the future.

The United States and Taiwan should work harder on efforts to elevate and globalize cooperation across a number of shared interests, including, for example, democracy promotion, international development, global health, and climate change. Given the many challenges the United States is facing today—Afghanistan, Iraq, the global economic crisis, and climate change, to name only a few—much of the onus to modernize the bilateral relationship will necessarily fall in the lap of Taiwan.

Two bilateral endeavors could expand and strengthen U.S.-Taiwan relations, the promotion of democracy and tackling several key global challenges. Let's consider each in turn.

Democracy promotion

Joint efforts to strengthen Taiwan's democratic credentials are more crucial as the rapprochement continues. Though Taiwan successfully completed its second democratic transfer of power in 2008—the number often recognized as the threshold for democracy taking hold—challenges remain. Notably, concerns from activists and international human rights groups about the backsliding of rule of law, civil rights, and press freedom on the island have increased significantly under the rule of Ma's Nationalist Party.¹⁴ Questions also have arisen recently about Taiwan's ability to sustain an open and strong multiparty system.¹⁵

Nor is current cross-Strait reconciliation without its critics in Taiwan. Concerns about the pace and lack of transparency of the rapprochement between China's authoritarian leaders and Ma's Kuomintang government negotiators remain. Many Taiwanese are growing apprehensive over issues of Taiwan's sovereignty, economic dependence, and civil rights. Protests on the island and by international human rights groups in the last two years have brought attention to growing concerns over the KMT government's efforts to silence public dissent.¹⁶

U.S. support has played an important historic role in Taiwan's transition to democracy by pushing Taiwan to end authoritarian rule, maintaining U.S.-Taiwan business ties, and reinforcing the island's confidence to implement internal and external policy reform.¹⁷ Taiwan's democratic experience, in turn, proved that liberal democracy can flourish in Asian societies and alongside Confucian values. Taiwan's example helped spark a wave of democratization that swept across Asia and expanded the reach of universal values, such as freedom and human rights.

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Thus it is in the interest of the United States to help preserve and continue advancing democracy in Taiwan. U.S. support of Taiwan's democracy is particularly crucial at a point in which the gravitational pull between Taiwan and China increases because Taiwan may feel inclined to subordinate long-term political development to short-term practical and economic exigencies.

Global challenges

Taiwan is in an opportune place to position itself as a center for global research and scholarship on the major challenges of the 21st century—climate change, energy innovation, pandemics, and international development. Increasing its role on global issues will buttress its indispensability on the global stage, but increased participation in international forums and efforts should come with greater Taiwanese responsibility for the global common good.

International development offers a convenient area to start. Taiwan has offered foreign assistance since the late 1950s. Much of the aid is doled out for strategic purposes, namely to incentivize countries to maintain formal recognition of the island. Yet Taiwan has also offered humanitarian assistance following the earthquake in Haiti and the tsunami in Indonesia in 2005. With the informal diplomatic truce between Presidents Ma and Hu, saving both leaders from continuing in checkbook diplomacy in 2008, Taiwan has greater capacity to channel more funds to international poverty alleviation and humanitarian response. This offers convenient ways in which the United States, Taiwan, and the international community can work together to advance common interests and global common goods.

Taiwan and the United States also share an interest in exploring cooperation on climate security. The security implications of climate change on Taiwan are severe and far-reaching.¹⁸ A small island located in a geologically and geographically sensitive location, Taiwan will be vulnerable to extreme climate-change-related events and will experience secondary impacts including stress on food and energy security, as well as mass migration. The United States, which shares much of the leadership responsibility for finding solutions to climate change challenges, could benefit from the research, scholarship, and support of Taiwan.

Lastly, there has already been progress in the health sector, but more can be done. The cross-Strait efforts paved the way for Taiwan's participation in the World Health Assembly in 2009 as an observer under the name Chinese Taipei, marking the first time Taiwan participated in an U.N.-affiliated institution since 1971. Taiwan participated again in 2010 under the same name. Taiwan's participation and contribution to this important international institution, particularly its economic and scientific prowess, is a benefit to all, and the international community has an interest in seeing this kind of participation institutionalized and expanded to other areas of regional and global concern.

Conclusion

Relations between Taiwan and China are better than at any time since 1979, when the United States ended direct diplomatic relation with Taipei in favor of Beijing. The United States should facilitate the continuing efforts to stabilize the cross-Strait relationship. Though a number of uncertainties remain, including how the rapprochement will proceed after further economic integration and what the full implications of the current trends are on Taiwanese, Chinese, and U.S. interests, the peaceful trajectory has been a welcome shift.

The United States must, however, hedge against downside risks of the rapprochement and work to preserve the mobility, security, and international space of Taiwan while seeking to strengthen the bilateral relationship through expanding areas of shared interest and advancing the state of Taiwan's democracy. Concurrently, as recent events in the South China Sea and the Asia Pacific have shown, the United States must maintain robust and steady engagement in the region and with partners to guarantee stability in the face of tensions and flare-ups.

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