

Taiwan: Issues for U.S. Policymakers

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October XX, 2020

Overview

Taiwan, or the Republic of China (ROC), is a country in East Asia located off the southeast coast of the People's Republic of China (PRC) and separated from the mainland by the 110-mile-wide Taiwan Strait. After the country's occupation by Imperial Japanese forces during WWII, the island fell under the control of the ROC which succeeded the Qing Dynasty in China in 1911. Following the ROC's defeat in the Chinese Civil War by the Chinese Communist Party (CCP) in 1949, the ROC fled to Taiwan and continued to claim to be the legitimate China on the world stage and in the United Nations until the late 1970s.

The recognition of the PRC as the legitimate China by both the United States and the UN in the late 1970s and the cutting of formal diplomatic ties with Taiwan left the country in a gray diplomatic area. Since then the PRC has sought to enforce a "one China principle," which asserts that Taiwan is part of China. The U.S. maintains its own "one-China policy" based on U.S.-PRC joint communiques sent between 1972 and 1982 and the "Six Assurances" made by President Ronald Reagan in 1982. The U.S. "one-China policy" recognizes the PRC as the "sole legal government of China," acknowledges but does not affirm, "the Chinese position that there is but one China and Taiwan is part of China"; and commits to maintaining only unofficial relations with Taiwan.

The U.S., and particularly Congress, continues to maintain close unofficial ties with Taiwan through the Taiwan Relations Act (TRA) of 1979, arms sales, and a robust trading relationship. In 1987, Taiwan began the transition from a brutal dictatorship to a stable multi-party democracy and held their 7th consecutive free and fair election in January 2020.

Leading up to 2020, Taiwan has experienced a rising set of challenges to its continued prosperity and security spurred by friction in the U.S.-China relationship, increased military provocations from the People's Liberation Army (PLA), efforts by the Chinese Communist Party to isolate Taiwan from the world stage and international organizations, and a stalled economy from the pandemic. Despite these challenges, a bright spot for Taiwan has been the positive press it has enjoyed in its handling of the coronavirus pandemic and PPE donations to other countries as well as warming relations with Washington.

U.S.-Taiwan Trade Ties

Taiwan maintains an economy that is highly dependent on trade and imports for many essential goods. With a population of over 23 million people, Taiwan is the 22nd largest economy in the world and the 11th largest trading partner for the U.S. (which is an undervalued assessment given that figures do not include production by Taiwan firms that manufacture in China for U.S.

export).¹ Taiwan is also a major player in the semiconductor industry and remains an important partner for both the U.S. and the PRC in semiconductor trade, an area that has experienced increased friction over the past two years with U.S. restrictions on the Chinese semiconductor industry.

Past administrations have been hesitant to engage with Taiwan in FTA talks over concerns regarding a ban on U.S. beef and pork containing ractopamine, among other issues. After removing the ban on ractopamine in U.S. beef imports in 2013 and converting to the import standard of maximum residue limit (MRL) adhered to by other developed nations, Taiwan President Tsai Ing-wen announced in August 2020 that her government would be removing remaining restrictions on ractopamine for imports of U.S. pork and transitioning to the MRL standard. Calls for initiating FTA talks between the U.S. and Taiwan have grown as a result, with Congress in particular exerting pressure on USTR to enter into negotiations. During the 116th Congress, a bipartisan group of over 50 senators and over 160 representatives sent separate letters urging the Administration to initiate free trade talks with Taiwan.

Diplomatic and Security Issues for Taiwan

Relations with China

Under the PRC's "One China Policy," Taiwan is considered part of mainland China and therefore under one sovereignty. This underscores the mainland's fervent desire to "unify" with Taiwan as one nation (despite the CCP never occupying the island of Taiwan). China's 2005 Anti-Secession Law makes this point clearly by stating the state shall, "do its utmost with maximum sincerity to achieve a peaceful unification" with Taiwan. However, in the case that Taiwan formally declares independence or all possibilities for peaceful unification are exhausted, the law states that, "the state shall employ non-peaceful means and other necessary measures to protect China's sovereignty and territorial integrity."

In practice, efforts to persuade Taiwan to unify with mainland China have been comprised of carrots and sticks. The carrots—from Beijing's perspective—have consisted of economic opportunity for Taiwanese business and promises of a "one country, two systems" approach similar to the relationship between mainland China and Hong Kong.

With the violation of Hong Kong's autonomy and the fall of "one country, two systems" long before promised by Beijing coupled with increased international scrutiny on Chinese business, both of these carrots have become increasingly unappetizing for Taiwan's government and public. Therefore, China has over the past year resorted to using sticks consisting mainly of international isolation, economic pressure, and military provocation. This has resulted in an increasing number of countries breaking diplomatic ties with Taiwan, Taiwan's isolation from the World Health Organization (WHO) shortly before a worldwide pandemic, reduced tourism from China, military incursions into Taiwan's sovereign airspace, and a drastic buildup of military might along the Taiwan Strait.

¹ Congressional Research Service. *U.S.-Taiwan Trade Relations* (IF10256; January 6, 2020), prepared by Karen M. Sutter.

Deterrence and Rising Tensions

Since the passage of the TRA, the United States has maintained the policy that the question of Taiwan's sovereignty must be decided peacefully between the PRC and Taiwan alone. The U.S. has refrained from conferring diplomatic recognition on Taiwan since, but ties between the two countries have warmed significantly in recent years. This and recent provocations from China have led to a rethinking of the strategic approach to the U.S.-Taiwan defense relationship. The TRA states that it is U.S. policy "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." In other words, the TRA does not obligate the U.S. to defend Taiwan in the event of an attack or armed invasion but does not prohibit U.S. involvement and grants the ability to sell defensive weapons to the island.

This policy is known as strategic ambiguity, and it has been embraced by Washington for decades to maintain smooth relations with Beijing, prompt Taiwan to provide for its own defenses and acquire asymmetric defensive weapons through U.S. arms sales, and avoid provoking a Chinese invasion of Taiwan. However, this policy has created the appearance of weakness in recent years as the PRC's military capability and provocations along the Strait have drastically grown and the capacity for Taiwan or U.S. military assets to deter an attack by China has dwindled by comparison.

There is historical precedence to suggest a sudden Chinese attack on a hard target like Taiwan is not unthinkable. During the Korean War, the PRC felt increasingly threatened by United Nations forces—led by the United States—marching north on the Korean Peninsula and approaching the Chinese border. Fears of Western powers once again invading China (as it endured less than 50 years prior during the Boxer Rebellion where Western European powers suppressed a violent uprising through brutal occupations and looting) were objectively unrealistic but very real to CCP leadership. The U.S. had no intention of drawing another power into the conflict, but ignored signals sent by China that they felt threatened. This resulted in a 'Shock and Awe' approach by the PLA that overwhelmed UN forces through sheer strength in numbers and pushed the allied front back behind the 38th parallel.

In many ways this move was unpredictable from the allied point of view. The U.S. was one of two nuclear powers in the world and commanded a large and well-armed allied force of nations to fight Soviet expansion into Southern Korea, which should have been strong deterrent against Chinese intervention. The Chinese, on the other hand, made a strategic calculation. They traded the lives of hundreds of thousands of soldiers for a small strategic buffer between the West and their own border that exists to this day. The approach worked and the PRC has not forgotten the lessons learned from it.

Should the PRC decide that military action is necessary to claim Taiwan, it will be marked by the same tactics used during the Korean War—immediate and overwhelming force to neutralize the island's defenses as quickly as possible and dissuade any American intervention as too costly. This is not to say that CCP leadership is eager to invade Taiwan. Although General Secretary Xi Jinping has utilized increasingly aggressive tactics towards Taiwan, their preference is to

convince or coerce Taiwan to give into Beijing's demands through nonmilitary means. But should military action be the only viable pathway, significant loss of life will not be a sufficient deterrent against an armed invasion.

Since the start of the new century, the gap between Taiwan's defensive capabilities and the PLA's offensive capabilities has continued to widen exponentially. Some positive steps have been taken by Taiwan recently, including a record-breaking defense budget for FY2021 and an increased focus on acquiring asymmetric defensive weapons over conventional ones. However, major issues remain on Taiwan's defensive posture, not limited to a subpar reserve force, outmatched military power compared to the PLA, and a lack of military coordination between U.S. and Taiwanese commanders (unlike our relationships with South Korea and Japan).

Over the past year, the PLA has stepped up an aggressive campaign toward Taiwan by staging increasingly provocative live-fire drills in and around the Taiwan Strait and routinely flying fighter jets into Taiwan's sovereign airspace. This has been accompanied by a rapid buildup of PLA forces along the mainland side of the Strait, stationed in a way that is strategically positioned to take some of the small neighboring islands off of Taiwan's coast by force and potentially launch a full-scale invasion. As tensions continue to build towards a possible kinetic conflict, the balance of military power over the Taiwan Strait will continue to be an important issue for U.S. policymakers.

U.S. Policy Recommendations

Initiate free trade talks with Taiwan

USTR should move to immediately initiate free trade talks with Taiwan for both economic and geopolitical reasons. U.S. pork and beef producers would benefit greatly from a market of nearly 24 million new consumers who already prefer their product over other suppliers. American producers are also losing their hold on the Chinese market in the wake of the trade war and both sides are looking to identify new supply chains away from each other. Further, Taiwanese leadership and President Tsai Ing-wen have made significant political sacrifices to eliminate longstanding trade barriers with the U.S.

A U.S.-Taiwan FTA would cement a closer U.S.-Taiwan relationship and bolster American influence in the region. Warming ties have already resulted in increased foreign direct investment by Taiwan in the U.S. and an FTA would accelerate this trend. An added benefit from an FTA framework would be Taiwan's decreased economic reliance on China with business coming to the U.S. or other partners instead. Taiwan is also in talks with other regional neighbors, including Japan and Australia, on bilateral FTAs so the U.S. moving first would greatly assist Taiwan's efforts in stabilizing its economic relationships with its trade partners.

The U.S. should assist Taiwan in gaining representation in international organizations and strengthening its bilateral relationships with the countries

Over the past 40 years, Taiwan has been shut out of an increasing number of international organizations—often under pressure from Beijing—and had its diplomatic ties cut off with

countries from around the world. The U.S. should leverage its economic and diplomatic powers to ensure Taiwan at least maintain an observer status at certain international organizations. Specifically, Taiwan should be readmitted as an observer to organizations like the World Health Assembly (WHA), especially after its immense global public health contributions during the coronavirus pandemic and accurate reporting on the initial spread of the outbreak while China attempted to silence reporting.

The U.S. should also leverage its international leadership to persuade other nations to strengthen their ties with Taiwan by inviting Taiwan to multilateral security and economic dialogues and strengthening ties with Taiwan ourselves. Legislative initiatives that compliment these goals includes the Taiwan Fellowship Act, the Taiwan Symbols of Sovereignty Act, and a bill directing the State Department to develop a strategy to help Taiwan regain observer status at the WHA.

Policymakers should embrace a policy of strategic clarity on the defense of Taiwan

Given the outright aggressiveness shown by the PLA towards Taiwan and the widening gap between the two powers' military capabilities, it's clear that the policy of strategic ambiguity has failed. Policymakers should pivot towards pursuing a policy of strategic clarity in which the U.S. clearly lays out its defense commitments to Taiwan, setting a clear red line over military intervention and signaling to Beijing that any attack on sovereign Taiwan territory will not be tolerated.

Similarly, the U.S. must dedicate more resources to the Western Pacific to assist U.S. and Taiwan forces in reaching a defense threshold that would effectively deter Beijing. This will need to include higher defense budget allocations for the region, increased U.S. naval presence, and speeding up the sales of asymmetric defensive weapons to Taiwan. This approach also requires the U.S. to include Taiwan in regional security dialogues with partners like Japan and Australia to discuss strategic cooperation and implement combined military and disaster relief exercises. Legislative initiatives that help achieve strategic clarity include the Taiwan Invasion Prevention Act and the Taiwan Defense Act.

The time for being coy about our position on Taiwan is over. The U.S. must communicate its red lines clearly to Beijing in order to prevent future conflict and invite our allied neighbors into the effort as well.