

**Joint Statement for the Record of  
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U.S.-China Economic & Security Review Commission  
Before the House Committee on International Relations  
Hearing on The Taiwan Relations Act: The Next Twenty-Five Years**

**April 21, 2004**

Mr. Chairman and Members of the Committee –

Thank you for the opportunity to submit testimony for the record on the important and timely subject of the Taiwan Relations Act.

The Committee is well aware of the significant events in the Taiwan Strait over the past few months, and the growing tensions between the two sides. Beginning with Taiwan President Chen Shui-bian's announcement late last year that Taiwan would hold a national referendum as part of its March 2004 presidential balloting, and culminating in the dramatic reelection of President Chen last month, the state of cross-Strait relations appears to be entering a new era, one that will require new thinking by the Administration and the Congress.

This past December and February our Commission held public hearings that explored both the economic and security aspects of cross-Strait relations and China's military modernization efforts. Members of our Commission traveled to the region last month and had a chance to talk with high-level observers of the cross-Strait situation in Tokyo, Hong Kong and Taipei. We also commissioned a study of China's acquisition and integration of foreign weapons systems, which is published on our website. The annual Department of Defense report on the cross-Strait military balance, the 2003 Council on Foreign Relations study of China's military capabilities, and published reports of the U.S. Naval War College on China's growing submarine warfare capability offer additional useful perspectives.

China's modern military arsenal includes a small but increasingly sophisticated missile force that is of direct strategic concern. In the Western Pacific theater, it is estimated that China has deployed some five hundred short-range ballistic missiles that directly threaten Taiwan and longer-range conventional missiles that could threaten Japan and our forces deployed in the region. China's advanced naval and air weapons systems – including surface ships, submarines, anti-ship missiles, and advanced fighter aircraft – have been significantly enhanced by infusions of foreign military technology, co-production assistance and direct purchases, mainly from Russia. China's military capabilities increasingly appear to be shaped to fit a Taiwan conflict scenario and to target U.S. air and naval forces that could become involved.

*We conclude that China is steadily building its capacity to deter Taiwan from taking steps that the PRC deems unacceptable movements toward independence or consolidation of Taiwan's separate existence, to coerce Taiwan into an accommodation, and, ultimately, to have a viable option to settle the Taiwan issue by force of arms if necessary. A significant component of its military modernization strategy is to develop sufficient capabilities to deter U.S. military involvement in any cross-Strait conflict.*

The United States cannot wish away this capacity. We cannot assume China will stay its hand because it has too much at stake economically to risk military conflict over Taiwan. In our view, we should not think of the 2008 Beijing Olympics as an insurance policy against Chinese coercion of Taiwan.

We can certainly hope that the economic benefits China gains from Taiwan investment and trade; the growing production and supply linkages among China, Japan, other Asian economies and the United States; the significant value to China of strong economic relations with the United States; and China's own desire to be seen by the world as a power that is "peacefully rising" will constrain China from using

military force. Hopes, or even reasonable expectations, do not, however, provide a defense of vital U.S. interests. This is why it is more important now than ever before for the United States to uphold its key obligations under the Taiwan Relations Act (TRA) [22 USC 48], notably “to maintain the capacity 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.”

Under the TRA, the additional U.S. responsibility to assist Taiwan’s military preparedness is set out clearly. The law requires the United States to “make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.” Notably, it further requires that both “[t]he President and the Congress shall determine the nature and quantity of such defense articles and services based solely upon their judgment of the needs of Taiwan.” Thus, the TRA sets out a unique joint role in the formulation of Taiwan policy for the Congress and Administration, including on arms transfers decisions, demonstrating Congress’ deep and abiding concerns regarding U.S. policy in this area.

Despite the TRA’s provisions, we believe that the Congress and Administration are not adequately coordinating in this area and that there are other operational impediments to the United States’ ability to fulfill its important obligations to Taiwan.

In addition to providing vital defense support for Taiwan against PRC military threats, the TRA further requires U.S. policy to support the “social” and “economic” system of Taiwan. This is an area of commitment the United States needs to be more alert to given current developments.

There are a number of key trends developing across the Strait that call for a reevaluation of how we implement our Taiwan policy. First, there are two paradoxical trends: on the one hand, indirect cross-Strait economic ties continue to grow with large flows of investment in the mainland by Taiwan businesses and a stream of exports from Taiwan to feed production platforms. On the other hand we see a deterioration in the cross-Strait political situation, with both Beijing and Taipei hardening in their positions.

There is also the PRC’s coordinated campaign to continue to “marginalize” Taiwan in the region, both politically and economically. Taiwan is being shut out of regional groupings such as the ASEAN Plus One or ASEAN Plus Three (China-Japan-South Korea) forums and unable to participate in regional trade arrangements like the Bangkok Agreement or the China-ASEAN framework agreement on a free trade area. Further, Taiwan has been unable to find regional economies willing to engage in bilateral free trade arrangements, due largely to PRC political pressure.

Moreover, there has been a gradual de-coupling of Taiwan’s large and growing investments in China from Taiwan, due to the lack of direct transportation links across the Strait. Investors’ interests and more concentrated in the mainland and less in Taiwan – to the point where some observers are asking whether Taiwan is becoming a “portfolio economy” instead of a “production economy.” This has proven true for foreign corporations in Taiwan as well as native Taiwan firms. We have learned that in recent years the number of U.S. regional operational headquarters in Taiwan has declined and offices downgraded to local units.

The key political trend in Taiwan over the past 15 years has been the development of a vibrant democracy with new institutional bases. This is a valuable product of steady U.S. support for Taiwan, giving it the space it needed to develop its social and economic system without coercion from the PRC. The proof of the fundamental strength of that democratic development was last month’s Presidential election in Taiwan, which we were privileged to monitor as part of our trip to the region. The system was sorely tested but appears to have emerged intact and resilient. Should Chen Shui-bian’s narrow victory – one in which he nevertheless received an absolute majority of the votes cast in an election with heavy voter turnout – withstand its legal challenge, it will appear to be vindication for Chen’s campaign that stressed Taiwan’s separate identity and a mandate for his plans for constitutional reform.

While the United States should be proud of its role in helping to develop strong democratic institutions in Taiwan, Beijing appears threatened by these developments. The State Council Taiwan Affairs Office (TAO) has issued stern warnings that the path Chen Shui-bian is laying out for constitutional reform – a referendum in 2006 and a new or amended constitution in 2008 – is tantamount to a “timetable for Taiwan independence.” The TAO reiterated that no progress on cross-Strait issues could be achieved unless and until Taiwan accepted Beijing’s “One China Principle.” The prospects for China letting up on its strategy of isolating Taiwan – by, for example, allowing Taiwan observer status in the World Health Organization, where Taiwan’s active participation is clearly in the greater interest of China and the East Asian region – are dim.

The lack of trust across the Strait is palpable, and it goes both ways. Aside from its campaign of isolating Taiwan, China’s heavy-handed interference in the political process in Hong Kong – discussed later in this testimony – has only reinforced Chen Shui-bian’s argument that the “one country, two systems” formula Beijing employed in Hong Kong and has proposed for cross-Strait unification is totally unacceptable for Taiwan. Chen said in his first inaugural speech in 2000 that he is willing to talk with Beijing about a “future one China.” Beijing has steadfastly rejected the implied premise of Chen’s approach, taking the position that it will only accept cross-Strait talks if Chen agrees as a precondition that there is only “one China” now and that Taiwan is part of it.

Mr. Chairman, in the face of these current difficulties in the Taiwan Strait, we believe the U.S. “One China Policy” – based on the three Sino-U.S. communiqués and the Taiwan Relations Act – is the historic framework for conducting our official relations with Beijing and our unofficial relations with Taiwan. We must remember that this policy is U.S. policy, not Taiwan’s, not China’s. Our policy is emphatically not the same thing as the PRC’s “One China Principle.” The United States has not taken a position on the legal status of Taiwan. The United States acknowledges Beijing’s formulation but does not necessarily embrace – or reject – the PRC’s concept that “there is but one China in the world and Taiwan is part of China.” It is also true that the United States has stated it does not support Taiwan independence, or two Chinas, or one China-one Taiwan – as President Clinton reiterated in Shanghai during his visit there in 1998.

The Taiwan Relations Act has served U.S. interests well over its 25-year history, and we as a government and nation need to remain faithful to it, especially now, when the cross-Strait situation is as complex as it has ever been. The fundamentals must be remembered: our decision to establish diplomatic relations with the PRC “rests upon the expectation that the future of Taiwan will be determined by peaceful means.” This expectation must be declared at every turn.

Given the current economic and political trends in the Strait that we have outlined above – developments that call into question the state of the “status quo” in cross-Strait relations – we believe there is an immediate need for Congress and the Administration to review our policies toward Taiwan and cross-Strait relations and to determine an appropriate role for the United States in reinvigorating cross-Strait dialogue.

*Accordingly, we have recommended that Congress enhance its oversight role in the implementation of the TRA. Executive Branch officials should be invited to consult on intentions and report on actions taken to implement the TRA through the regular committee hearing process of the Congress, thereby allowing for appropriate public debate on these important matters. This should include, at a minimum, an annual report on Taiwan’s request for any military aid and a review of U.S.-Taiwan policy in light of the growing importance of this issue in U.S.-China relations.*

We believe Congress should consider conducting a fresh assessment of existing U.S. policy toward Taiwan, with particular attention to whether all elements of the TRA are being effectively pursued. This should include the coordination of our defense assistance to Taiwan, how U.S. policy can better support Taiwan breaking out of the international isolation the PRC seeks to impose on it, and examine what steps can be taken to help ameliorate Taiwan’s marginalization in the Asian regional economy. Further, we

suggest that Congress consult with the Administration on whether the United States should become more directly engaged in facilitating talks across the Taiwan Strait that could lead to direct trade and transport links and/or other cross-Strait confidence building measures. We will be providing more detailed recommendations on this to Congress in our upcoming Report.

Thank you again for this opportunity to submit testimony for the record.

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