

Executive Summary Backgrounder

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America's Stake in Taiwan

John J. Tkacik, Jr.

Taiwan is one of democratic Asia's most important nations: It has a bigger population than Australia, a larger GDP than Indonesia, and an advanced technology base second only to Japan's. Taiwan is America's eighth largest trading partner and sixth largest agricultural customer. For over a half century, Taiwan has been one of America's important defense and intelligence partners, first as a bulwark against the Sino-Soviet alliance and now as a partner monitoring China's expanding strategic presence in the Pacific.

But this partnership is in peril as Taiwanese politicians and voters sense—rightly or wrongly—that America's commitment to their democracy is wavering. In a vicious circle, an uncertain U.S. commitment undermines Taiwan's consensus on its own defense, which in turn annoys U.S. leaders and policymakers.

Washington must now contemplate how its position in Asia would change if Taiwan were to slip into China's sphere. If Washington intends to maintain America's historic strategy of keeping "Island Asia" out of the hands of "Mainland Asia," it must reassess its policies toward Taiwan and adopt a set of policies that enhances U.S. interests.

Taiwan: Part of China? The central policy question for Washington is whether to accept that Taiwan is "part of China" as Beijing insists or to maintain—as President Ronald Reagan did in 1982—that the people of Taiwan will decide their future relationship with China. The U.S. position

since the end of World War II has been that "as Taiwan... [is] not covered by any existing international disposition, sovereignty over the area is an unsettled question." In 1982, President Reagan reaffirmed this position, and all subsequent U.S. Administrations have affirmed this stance. Yet in recent years, official Washington has averted its gaze whenever Beijing declared its right to retake Taiwan by force.

Taiwan's Strategic Value. Taiwan is a key (albeit unofficial) American defense and intelligence partner in the Pacific astride vital sea lanes. Taiwan's military has been America's second best cash customer (after Saudi Arabia) for defense equipment and services nearly every year for the past 15 years. However, the Pentagon must also face the reality that limiting Taiwan to a purely defensive posture *vis-à-vis* China is horrifically—and needlessly—expensive. An effective strategy requires that Taiwan have the deterrent offensive capacity to inflict serious pain on Chinese military targets.

Would it matter if, through benign neglect or otherwise, Washington acquiesced to Taiwan's absorption by China? China threatens war if Tai-

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wan does not submit, but would Beijing settle for Taiwan? If Beijing's threats of war were successful in breaking Washington's commitments in the Taiwan Strait, what would prevent China from declaring at some point that Japan's continued occupation of the Senkaku Islands means war?

Until Asia's democracies can rest assured that Beijing does not seek military preeminence in the region, U.S. strategists should resume their historic objective of keeping "Island Asia" out of the hands of "Mainland Asia."

Is Taiwan a threat to peace? Given China's myriad territorial claims on India, Japan, South Korea, and its other neighbors, one must ask whether China's war threats would end with Taiwan. Moreover, given China's reliance on international manufacturing supply chains, war is clearly no more in China's interests than it is in America's interests. Colin Powell observed that "whether China chooses peace or coercion to resolve its differences with Taiwan will tell us a great deal about the kind of relationship China seeks not only with its neighbors, but with us." In this sense, Taiwan is a touchstone of America's commitment to democracy in Asia.

Taiwan Defense Cooperation with China? In 2005, a top Taiwan politician and Chinese leader Hu Jintao issued a joint communiqué declaring that "military conflicts shall be effectively avoided so long as there is no possibility that Taiwan moves toward 'Taiwan independence.'" Today, some Taiwan politicians call for a peace agreement with China whereby Taiwan would agree that it is part of an undefined "one China," and they suggest that the U.S. wants this as well. Still others hold that Taiwan does not need to defend itself from China.

With Taiwan's defenses becoming obsolete while China's military modernization accelerates, Taiwan's military can no longer rely on its technological edge to defeat a Chinese attack. Taiwan's 2007 defense budget faces a mid-January deadline for passage in the opposition-dominated legislature

and still faces the prospect of major program cuts. Nonetheless, Taiwan politicians who advocate a defense accommodation with China certainly must see that it would supplant any security relationship with the United States or other Asian democracies.

What the United States Should Do. If the "global expansion of democracy" is indeed a pillar of American foreign policy in Asia, the U.S. should:

- **Counter Beijing's relentless campaign to isolate Taiwan** by strengthening U.S.–Taiwan trade ties with a U.S.–Taiwan free trade agreement and by encouraging other democracies to include Taiwan in international health, transport, nonproliferation, counterterrorist, and humanitarian relief efforts.
- **Lend moral support to Taiwan's democracy.** Admit publicly that America has a stake in the survival of Taiwan as a democracy regardless of China's territorial claims.
- **Bolster Taiwan's offensive military capacities.** The Pentagon should admit that Taiwan's strategy, based purely on defensive systems, is expensive and lacks the deterrence of a second-strike, counterforce capability.

Conclusion. America's strategic position in Asia is approaching a tipping point *vis-à-vis* China. Some believe that America's only interest in Taiwan is to ensure peaceful resolution of the Taiwan issue—a policy in which process trumps outcome. In 1945, President Harry Truman declared a "strong, united and democratic China" to be one of "the most vital interests of the United States." Two out of three is not good enough. Until China is democratic, the most vital U.S. interest must be to maintain America's strategic posture in the Western Pacific, and Taiwan is essential to that strategy.

—John J. Tkacik, Jr., is Senior Research Fellow in China, Taiwan, and Mongolia Policy in the Asian Studies Center at The Heritage Foundation.

Background

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America's Stake in Taiwan

John J. Tkacik, Jr.

The United States and Taiwan have maintained a remarkable security partnership in the Western Pacific for over a half century, but today this partnership is in peril.

In Washington, there is considerable concern and confusion about Taiwan's commitment to its own defense. In Taiwan, a much deeper uncertainty among the citizenry about the Washington–Taipei relationship threatens to undermine their determination to keep democratic Taiwan separate from Communist China. This uncertainty is compounded by the current political turmoil in Taipei surrounding allegations of corruption by members of the president's family. Beijing's relentless campaign to isolate Taiwan internationally and Washington's constant pressure to abjure "independence" have persuaded influential political leaders in Taiwan to seek an accommodation with Beijing that easily could have the effect of placing the island's security in China's hands.

Taiwan's political leaders across the partisan spectrum now must make a decision. One choice will lead to effective disarmament and ultimate union with China. The other will lead to effective deterrence and a potential future beyond Beijing's rule. As Taiwan makes its choice, Washington must contemplate how its position in Asia would look should Taiwan fall firmly into China's hands.

Taiwan: Part of China?

Among Taiwan's moderate politicians, there is hope that Beijing might accept a "one China, differ-

Talking Points

- Taiwan is one of democratic Asia's key nations: It has a bigger population than Australia, a larger GDP than Indonesia, and an advanced technology base second only to Japan's.
- Taiwan is one of America's most important defense and intelligence partners in Asia, but this partnership is in peril as Taiwanese politicians and voters sense—rightly or wrongly—that America's commitment to their democracy is less than firm.
- In a vicious circle, an uncertain U.S. commitment undermines Taiwanese consensus on its own defense, which in turn annoys U.S. leaders and policymakers.
- Washington needs to reaffirm its stake in a democratic Taiwan, separate from Communist China. America has an overall strategic interest in keeping "Island Asia" out of the hands of "Mainland Asia."
- If the U.S. continues to let Taiwan policy drift, it should not be surprised as some Taiwan politicians hint that a security relationship with China may be democratic Taiwan's only future.

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ing interpretations” formula for ties across the Taiwan Strait, which would not challenge Beijing’s claim that Taiwan is part of the People’s Republic of China (PRC) but would allow Taipei to interpret “one China” as something quite different.¹ However, Taiwan’s politicians cannot decide on which interpretation would best keep Taiwan out of Beijing’s hands. Some say that “one China” is the old Republic of China, while others say that “one China” is merely a “historic, cultural and geographic term within which are two sovereign, independent, mutually non-subordinate states.”² Taiwan’s current President Chen Shui-bian eschews any suggestion at all that Taiwan is part of China.³

Washington still hints obliquely that it does not recognize China’s sovereignty over the island, as demonstrated by President Ronald Reagan’s pledge to Taiwan President Chiang Ching-kuo in 1982.⁴ Yet in recent years, official Washington has fallen into the habit of averting its gaze whenever Beijing declares its right to retake Taiwan by force.⁵ This has led pro-China politicians in Taiwan’s opposition parties to proffer their visions of a new era of peace across the Taiwan Strait buttressed by an interim agreement with China that would exchange Taiwan’s recognition that it is legally part of China for Beijing’s pledge not to launch a military attack against the island.⁶

1. For a discussion of the recent debate in Taiwan over this issue, see Jane Rickards, “Chen and Ma Fail to Agree on China,” *The China Post*, April 4, 2006, at www.chinapost.com.tw/backissue/detail.asp?ID=79762&GRP=A (January 4, 2007).
2. The earliest iteration of this formula came in 1993 in response to Jiang Zemin’s statement at the Seattle APEC summit that “Taiwan is a province of the People’s Republic of China.” See Chen Fengxing, “Jiang Bingkun: Liangan shi liangge zhuquan guojia; qianghua Woguo zhengce wei ‘yi yige Zhongguo wei zhixiangde jieduanxingde liangge Zhongguo zhengci’” (P.K. Chiang: There are two sovereign nations on either shore, stresses our country’s policy as ‘an interim two China policy with one China as the aim’), *United Daily News* (Taipei), November 20, 1993, p. 1. See also Wang Jinghong, “Taibei burong biansun, Beijing peng ying dingzi, shuangfang dou shi you junbei erlai, Zhonggong fan guixian zi zhengzhi, Wo ti fanji wei hu quanyi” (Taipei won’t tolerate insults, Beijing hits hard nail, both sides came prepared, we launch counterstrike to protect interests), *United Daily News*, November 24, 1993, p. 2.
3. President Chen’s most recent comments are reported in Cai Huizhen, “Bian: Taiwan shi Taiwan, Zhongguo shi Zhongguo” (Chen Shui-Bian says “Taiwan is Taiwan, China is China”), *China Times* (Taipei), September 29, 2006, p. 1.
4. The U.S. position that “As Taiwan and the Pescadores are not covered by any existing international disposition, sovereignty over the area is an unsettled question subject to future international resolution” has persisted since the end of World War II. See hearings, *United States Security Agreements and Commitments Abroad*, Subcommittee on United States Security Agreements and Commitments Abroad, Committee on Foreign Relations, U.S. Senate, 91st Cong., 2d Sess., Part 4, p. 948. On July 14, 1982, President Reagan gave “six assurances” to Taiwan’s leader, including that “the U.S. has not altered its position regarding sovereignty over Taiwan.” See Paul Wolfowitz, Assistant Secretary of State for East Asian Affairs, testimony in hearing, *Taiwan Communique and Separation of Powers*, Committee on the Judiciary, U.S. Senate, March 10, 1983. Wolfowitz said that “it is important to bear in mind some things that we did not agree to in the [communiqué].... We have not changed our longstanding position on the issue of sovereignty over Taiwan.” For further information on the six assurances, see Larry M. Wortzel, Ph.D., “Why the Administration Should Reaffirm the ‘Six Assurances’ to Taiwan,” *Heritage Foundation Backgrounder* No. 1352, March 16, 2000, at www.heritage.org/Research/AsiaandthePacific/BG1352.cfm.
5. The U.S. Department of State reacted to China’s Anti-Secession Law of March 14, 2005, as follows: “The decision by the Chinese leaders to have the National People’s Congress adopt an anti-secession law today is—it’s unfortunate. It really does not serve the cause of peace and stability on the Taiwan Strait and for that reason we believe it to be unhelpful. As we noted before, it runs counter to the relatively positive, the recent warming trends that we’ve seen in cross-strait relations.” U.S. Department of State, daily press briefing, March 14, 2005, at www.state.gov/r/pa/prs/dpb/2005/43404.htm (January 4, 2007). On May 17, 2004, China vowed to “crush” any attempt by Taiwan President Chen Shui-bian to pursue a policy that Beijing considers a move toward independence; the U.S. State Department spokesman said the statement was “unhelpful” but then emphasized the “constructive” portions of the statement and said that “we would urge Beijing to focus on those positive elements that talk about how the two sides can move relations forward.” U.S. Department of State, daily press briefing, audio recording, at www.state.gov/documents/organization/32649.aspx (January 4, 2007).
6. See also Flora Wang, “Pan-Greens Blast Ma over Proposed Pact with China,” *Taipei Times*, October 25, 2006, p. 3, at www.taipeitimes.com/News/taiwan/archives/2006/10/25/200333277 (January 4, 2007).

But Taiwan's debate over the interpretation of "one China" is moot: China rejects any interpretation that suggests anything less than Beijing's complete sovereignty over Taiwan. Meanwhile, the fact that most of the international community proclaims that it "does not support Taiwan independence" (as if Taiwan were not already independent) is portrayed by Taiwan's pro-China politicians as tacit international consent to China's demands.

Taiwan's Strategic Value

A political union of Taiwan with China would be contrary to U.S. interests. Taiwan is a crucial element in the geostrategic structure of the Asia-Pacific region as the magnitude of China's military might catches up with its economic and trade power. Taiwan is democratic Asia's third largest trading power. Its population is slightly larger than Australia's. If Taiwan were a member of the 10-nation Association of Southeast Asian Nations, it would be ASEAN's biggest economy and largest military spender.

In other words, Taiwan is a significant Asia-Pacific power in its own right. This means that America's stake in Taiwan has far-reaching economic, political, military, and strategic dimensions.

Economic. Taiwan is America's eighth largest trading partner and sixth largest agricultural trading partner, with bilateral trade expected to exceed \$60 billion in 2006. Additionally, Taiwanese companies have invested some \$200 billion in China over the past two decades and, largely at the behest

of foreign customers, assemble a significant amount of their export products in plants in China.

Taiwan is America's second largest supplier of semiconductors and fifth largest supplier of advanced technology products (ATP, which include optoelectronics, computer systems, and information systems) after China, Mexico, Japan, and South Korea.⁷ Taiwanese-owned firms are said to control over 70 percent of China's ATP production,⁸ which accounted for \$52 billion in ATP exports to the United States in the first nine months of 2006. In 2005, China outpaced the United States as the top global exporter of information technology products.⁹

China's sudden emergence as a global ATP powerhouse is a direct result of massive foreign investment, especially from Taiwan, but also from Europe, Japan, South Korea, and the United States. This is not because of any cost difference between Chinese facilities and Taiwanese facilities. Manufacturing microchips costs 7 percent more in China than in Taiwan—clear evidence that economic factors are not driving the migration of Taiwan ATP-manufacturing to China.

Predatory Chinese government policies are driving the migration of advanced technology away from Taiwan (and from the United States, for that matter).¹⁰ Ultimately, leading-edge research, development, and design functions are drifting away from the U.S., and the United States will soon confront the erosion of the basic institutional and human infrastructure necessary to sustain world

7. See U.S. Census Bureau, "U.S. Trade in Advanced Technology Products—Information & Communications," November 9, 2006, at www.census.gov/foreign-trade/statistics/product/atp/2006/09/atpctry/atpg04.html (January 4, 2007).

8. See Michael S. Chase, Kevin L. Pollpeter, and James C. Mulvenon, *Shanghai'd? The Economic and Political Implications of the Flow of Information Technology and Investment Across the Taiwan Strait*, RAND Corporation Technical Report No. 133, July 2004, p. 64, at www.rand.org/pubs/technical_reports/2005/RAND_TR133.pdf (January 4, 2007). This seems to be the accepted wisdom today. However, the figure may be based on statistics gathered in 2000 by Taiwan's Market Intelligence Center under the nonprofit Institute for Information Industry. In 2000, Taiwan firms accounted for 73 percent of China's entire output of information technology products. See China Economic News Service (Taipei), "Mainland China to Replace Taiwan as World's 3rd Largest IT Supplier," November 6, 2000, and "IT Hardware Production Gap Widens Across Taiwan Strait," June 5, 2002.

9. Organization for Economic Cooperation and Development, "OECD Finds That China Is Biggest Exporter of Information Technology Goods in 2004, Surpassing US and EU," December 12, 2005, at www.oecd.org/document/8/0,2340,en_2825_495656_35833096_1_1_1_1,00.html (January 4, 2007).

10. Defense Science Board Task Force, *High Performance Microchip Supply*, U.S. Department of Defense, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, February 2005, p. 30, at www.acq.osd.mil/dsb/reports/2005-02-HPMS_Report_Final.pdf (January 4, 2007).

leadership in nanoelectronics.¹¹ A major factor in this challenge has been the inability of the Taiwan and U.S. governments to advocate effectively for their citizens who come under tremendous pressures and threats from the Chinese government to make advanced technology investments in China rather than import Taiwanese or American ATP for China-based customers.¹²

There are also indications that the Pentagon has become alarmed at the rapid migration of advanced computing technologies to China and the increasing U.S. reliance on Chinese-manufactured PCs and notebook computers because of the possibility that those machines might be compromised by maliciously designed microcircuits.¹³

Taiwan's economy is already overexposed in China. China is now Taiwan's largest primary export market, which means that Taiwan's export performance is centered on primary exports of components that are assembled in China for re-export to third countries. About 500,000 Taiwanese businessmen and families reside in China.¹⁴

Exploiting this phenomenon, the Chinese government regularly pressures Taiwanese businesses in China to be attentive to Beijing's—not Taipei's—political goals. In October 2006, Ambassador Stephen Young, director of the American Institute in Taiwan, observed that the “United States is certainly not interested in neglecting our economic relationship or seeing Taiwan marginalized in East Asia, or globally.”¹⁵ Indeed, it is not in America's interests at all. As a matter of national security, the

United States should be extremely wary of encouraging its eighth largest trading partner and one of its major sources of advanced technology products to fall under the control of a potential military superpower and peer competitor in Asia.

Political. Taiwan is a poster child for democracy in Asia. Unlike the democratic revolutions in the Philippines, South Korea, and Latin America during the 1980s and the Indonesian experience in the 1990s, Taiwan's evolution was nonviolent. In 1991–1992, after 15 years of insistent encouragement from the U.S. Congress and executive branch, Taiwan made a peaceful, constitutional transition from a one-party dictatorship to a fully representative democracy, and in 1996, it held its first free presidential elections. With democracy came the abolition of press censorship and realization of full freedoms of assembly, speech, and labor—all of which have resulted in a rather colorful and vibrant political culture.

Taiwan's democratization is an American success story. The new culture of democracy in Taiwan has perforce opened the island's political debate to the vocal advocacy of a number of issues that distress Americans, not the least of which is the debate about the island's future. It is a culture that American diplomats and policymakers can view as a major accomplishment in the “global expansion of democracy.”¹⁶

Because of America's peculiar relationship with Taiwan, embodied in the Taiwan Relations Act of 1979, Taiwan is seen throughout East Asia—

11. For a full discussion of this danger, see *ibid.*, pp. 29–31.

12. Several sources discuss this problem. See Harry Harding, “Chinese Checks,” *The Wall Street Journal*, October 24, 2006, p. A18; Evelyn Iritani, “Trade Petition Targets China's Auto Market; The U.S., Europe and Canada File a Complaint over Beijing's Import Duties on Car Parts,” *The Los Angeles Times*, September 16, 2006, at www.latimes.com/business/la-fi-china16sep16,1,5191056.story (January 4, 2007); and Karan K. Bhatia, Deputy U.S. Trade Representative, in U.S. Department of State, Bureau of International Information Programs, “China Urged to Assume Greater Role in Global Trade,” January 25, 2006, at usinfo.state.gov/usinfo/Archive/2006/Jan/25-274934.html (January 4, 2007).

13. Defense Science Board Task Force, *High Performance Microchip Supply*, pp. 5–15.

14. “More than half a million Taiwanese businessmen and their families are estimated to live and work on the mainland.” See Embassy of the People's Republic of China in India, “Mainland, Taiwan Agree to Renew Flights,” November 20, 2005, at www.chinaembassy.org.in/eng/zgbd/t222241.htm (January 4, 2007). See also Ing-wen Tsai, Ph.D., “A New Era in Cross-Strait Relations? Taiwan and China in the WTO,” Heritage Foundation *Lecture No. 726*, January 14, 2002, at www.heritage.org/Research/TradeandForeignAid/upload/3781_1.pdf.

15. “Press Conference, Stephen M. Young, Director, American Institute in Taiwan, American Cultural Center, Taipei, October 26, 2006,” at www.ait.org.tw/en/news/officialtext/viewer.aspx?id=2006102702 (January 9, 2007).

including Beijing—as the measure of America’s commitment to democratic Asia against the pressures of undemocratic China. All Asia understands (whether they admit it or not) that Taiwanese do not seek a political union with China¹⁷ and that U.S. support for Taiwan has enabled Taiwan to preserve its identity separate from the Beijing regime.

However, Asians now see authoritarian China as the emerging power in the region and democratic America as the receding one. Most share former Secretary of State Colin Powell’s concern: “Whether China chooses peace or coercion to resolve its differences with Taiwan will tell us a great deal about the kind of relationship China seeks not only with its neighbors, but with us.”¹⁸ They fear that timorousness in the face of Beijing’s threats will only encourage Beijing to adopt in the future the same preemptory posture in the region that it exhibits now in the Taiwan Strait.

International trepidation in the face of China’s threats to Taiwan also leads Beijing to expend a great amount of money on developing a military force that it believes will give the U.S. a face-saving excuse (i.e., avoiding war) for not intervening in a Taiwan conflict. Indeed, the received wisdom of classical China’s supreme strategist, Sun Tzu, avers

that “to fight and conquer in all your battles is not supreme excellence; supreme excellence consists in breaking the enemy’s resistance without fighting.”¹⁹ Hence, after the Taiwan problem resolves itself, China will have a modern military force that can be used elsewhere.

Many American policymakers and academics view China as an unstoppable force of nature. During an intense grilling by the House International Relations Committee on May 10, 2006, Deputy Secretary of State Robert Zoellick said:

But we have to be very careful, you see. And this is the balance, is that we want to be supportive of Taiwan, while we are not encouraging those that try to move toward independence. Because I am being very clear: Independence means war. And that means American soldiers.²⁰

Zoellick’s sentiments are valid and understandable, but the “independence means war” formulation is a purely Chinese invention, designed as a threat and not as a postulate of immutable fact.²¹ Avoiding war is a reasonable concern, but modern war-avoidance theory centers on the proposition that democracies do not make war on each other, but rather are themselves the targets of aggression.²²

16. “The third pillar of security is our commitment to the global expansion of democracy.” See George W. Bush, “President Bush Discusses Iraq Policy at Whitehall Palace in London,” Office of the White House Press Secretary, November 19, 2003, at www.whitehouse.gov/news/releases/2003/11/20031119-1.html (January 4, 2007).
17. A November 2006 opinion survey showed that 62 percent of Taiwan’s people support formal Taiwan independence and 54 percent would support it “even if Beijing does not allow” it. Only 16 percent opposed independence. See news release, “Taiwan Xianggang, Aomen, Chongji minzhong wenhua yu guojia rentong guoji bijiao diaocha’ 2006” (An international comparison survey of Taiwan, Hong Kong, Macau, Ryukyu people, and their cultural and national identities, 2006), National Taiwan Chengchi University, Election Research Center November 27, 2006, at www.esc.nccu.edu.tw/newchinese/news/2006newsletter.pdf (January 4, 2007). For an English-language summary of the report, see Central News Agency (Taiwan), “Latest Poll Shows More People Support Independence,” November 30, 2006, at www.cna.com.tw/eng/cepread.php?id=200611300011&pt=10&LArr=200611300007 (January 4, 2007).
18. See Colin L. Powell, “Remarks at Asia Society Annual Dinner,” New York, June 10, 2002, at www.state.gov/secretary/former/powell/remarks/2002/10983.htm (January 4, 2007).
19. Sunzi Bingfa, III.2.
20. Robert Zoellick, in hearing, *A Resurgent China: Responsible Stakeholder or Robust Rival?* Committee on International Relations, U.S. House of Representatives, 109th Cong., 2nd Sess., May 10, 2006, p. 44, at www.internationalrelations.house.gov/109/27477.pdf (January 4, 2007).
21. Chinese military leaders first adopted this phrase when the election of pro-independence presidential candidate Chen Shui-bian seemed possible in March 2000. See “Zhang Wannian: Taidu Yiweizhe Zhanheng; Fenlie meiyou heping; Baiwan Xiongshi Yanzhen Yidai” (Zhang Wannian: Taiwan independence means war; no peace in separation; a million brave troops await the order), *Hong Kong Commercial Daily*, March 6, 2000, at www.pdf.sznews.com/hkcd/2000/0306/newsfile/n1-2.htm (January 4, 2007).

An international system that makes peace the highest priority is “at the mercy of the most ruthless, since there [is] a maximum incentive to mollify the most aggressive state and to accept its demands, even when they [are] unreasonable.” The result inevitably is “massive instability and insecurity”²³

Such a model predicts that China will be relentless in threatening war as a way to get what it wants from influential forces in the U.S. and other nations that value peace more than they value Taiwan. Given how much China has enmeshed itself in the international manufacturing supply chain, war is clearly no more in the interests of the Chinese Communist Party’s leadership—for the time being, at least—than it is in U.S. interests. One reasonable U.S. counterresponse could be to present China with a calculus showing that military action against Taiwan would cause the regime in Beijing far greater pain than would leaving Taiwan alone— independent or not independent.

Of course, for this response to be effective, Beijing must believe that Washington is prepared to sanction China severely for military action. In addition, if Washington were to suggest that the United States would likely recognize the *de jure* independence of an invaded Taiwan, Beijing would be faced with an even more unpalatable conundrum: How could it be sure that threatening military action against Taiwan would not itself ultimately result in an internationally recognized independent Taiwan?

Nor does the argument that Taiwan is exceptional in Beijing’s strategic calculations hold water.

If Beijing’s threats of war were successful in breaking Washington’s commitments in the Taiwan Strait, what would prevent China from declaring at some point that Japan’s continued occupation of the Senkaku Islands means war? Would that threat also warrant international timidity?

Is this an exaggeration? On November 13, 2006, the week before Chinese President Hu Jintao visited New Delhi, China’s ambassador to India declared flatly that “In our position, the whole of what you call the state of Arunachal Pradesh is Chinese territory and Tawang (district) is only one place in it and we are claiming all of that—that’s our position.”²⁴ If China can unexpectedly lay a territorial claim on an entire Indian state and India can respond with equanimity (as it did),²⁵ one is tempted to ask just where its limits are.

In this sense, Taiwan is a concrete test of America’s commitment to democracy in Asia.

Military and Intelligence. Taiwan is also an important (albeit unofficial) American defense partner in Asia. Taiwan has a quasi-alliance with the United States by virtue of America’s Taiwan Relations Act (TRA), which articulates a formal defense commitment to Taiwan²⁶ that is arguably as binding now as the defunct U.S.–Republic of China Mutual Defense Treaty was in its time.²⁷ While the TRA is not a formal bilateral commitment—Taiwan has no conditional obligations under the TRA to defend U.S. troops who come under attack in the region—Taiwanese and Ameri-

22. For a short review of war-avoidance theory, see Steven Geoffrey Gieseler, “Debate on the ‘Democratic Peace,’” *American Diplomacy*, March 2004, at www.unc.edu/depts/diplomat/archives_roll/2004_01-03/gieseler_debate/gieseler_debate.html (January 4, 2007).

23. Stephen Richards Graubard, *Kissinger: Portrait of a Mind* (New York: W. W. Norton & Company, 1973), p. 17, citing Henry A. Kissinger, *A World Restored: Metternich, Castlereagh and the Problems of Peace, 1812–1822* (New York: Houghton Mifflin, 1957).

24. Surya Gangadharan, “Arunachal Is Chinese Land: Envoy,” CNN-IBN (India), November 13, 2006, at www.ibnlive.com/news/arunachal-is-chinese-territory-envoy-minces-no-words/26108-3.html (January 4, 2007).

25. Indian Foreign Minister Pranab Mukherjee simply responded that “Arunachal Pradesh is an integral part of India” and suggested that China ought not to be “negotiating through the media.” See Ashok Sharma, “India Rejects China’s Claim to Region,” Associated Press, November 14, 2006.

26. The Taiwan Relations Act of 1979 reads: “It is the policy of the United States 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 of Taiwan.” It also directs that “the President and the Congress shall determine, in accordance with constitutional processes, appropriate action by the United States in response to any such danger.” Public Law 96-8, § 2(b)(6) and § 3(c). See also 22 U.S. Code § 3301.

can defense forces must coordinate their operations in the event of hostilities in the Taiwan Strait.

The United States already gains from Taiwan's surveillance, intelligence, and reconnaissance potential. In recent years, mature and robust cooperation on intelligence collection between the two countries has reportedly been invaluable to the U.S. in processing real-time data on Chinese military operations.

Since the Taiwan Strait missile crisis of March 1996, the U.S. Navy has been collecting hydrographic data in the Taiwan Strait, Bashi Channel (between Taiwan and the Philippines), northern Taiwan, and the deep ocean Ryukyu Trench, which drops off into the Philippine Sea on Taiwan's east coast. Apparently with Taiwan military cooperation, the U.S. Navy utilizes Nowcast, a system for surface and subsea measurements, to produce "range-dependent acoustic propagation profiles, sound channel positions, bottom bounce path profiles, submarine diving depth surveys and undersea terrain studies" in a three-dimensional forecast for U.S. Naval operational movements. During the 1996 crisis, the U.S. Navy found that it had little familiarity with the hydrographic environment of the Taiwan Strait and vowed not to be blindsided in future Taiwan Strait deployments.²⁷ In October 2002, a Chinese intelligence surveillance vessel loitered inside Taiwan territorial waters, apparently developing seabed maps for Chinese submarine operations.²⁹

Over the past several years, the Taiwan press has reported sporadically about intelligence cooperation arrangements between the United States and Taiwan that have been in place for over 20 years, including a "major signals intelligence facility in cooperation with the US National Security Agency (NSA) on Taipei's suburban Yangmingshan Mountain," which is identified as a "data processing center."³⁰

In August 2000, a delegation of Pentagon specialists, advisers, and defense contractors made a low-key visit to Taiwan to review how Taiwan could best deploy a long-range radar system that the United States had approved during an earlier defense consultation session in Washington. The radar system would apparently be linked with U.S. satellite data to provide additional ballistic missile launch warning, perhaps as much as seven minutes, to U.S. national missile defense assets in the Pacific.³¹ Chinese missile launch telemetry processed in Taiwan would presumably be integrated with telemetry from U.S. and Japanese monitors to produce redundant and reliable missile defense battlespace surveillance throughout the Western Pacific Rim. The U.S. Pacific Command will also benefit (if it does not already) from early-warning air and missile defense coverage of mainland China provided by advanced radar stations in Taiwan.³²

The United States enjoys other advantages from its defense relationship with Taiwan. American

27. Article II of the Mutual Defense Treaty says that "the Parties separately and jointly... will maintain and develop their individual and collective capacity to resist armed attack and communist subversive activity directed from without against their territorial integrity and political stability." Article V states that each party will "act to meet the common danger in accordance with its constitutional processes." Mutual Defense Treaty Between the United States of America and the Republic of China, December 2, 1959.

28. Brian Hsu, "Military Needs Better Data on Maritime Conditions," *Taipei Times*, February 18, 2003, p. 4, at www.taipeitimes.com/News/taiwan/archives/2003/02/18/195006 (January 4, 2007).

29. Lyu Zhaolong, "Zhonggong dan [sic, probably "zhan"] Jian chuanyue 'Diyi Daolian' Yi zai Shitan" (PRC Warship penetrates 'First Island Chain' in exploratory move), *China Times*, October 31, 2002; Brian Hsu, "Chinese Spy Ship in Taiwan Waters," *Taipei Times*, November 4, 2002, p. 1, at www.taipeitimes.com/news/2002/11/04/story/0000178256 (January 4, 2007).

30. Wu Chongtao, "Zhanshi Guofang Zazhi: Tai Mei Hezuo dui Zhonggong jinzing Dianzi Qingsou" (Jane's Defense Magazine: Taiwan, US carry out electronic intelligence collection against the PRC), *China Times*, January 29, 2001. See also Brian Hsu, "Taiwan and US Jointly Spying on China: Report," *Taipei Times*, January 30, 2001, p. 3, at www.taipeitimes.com/news/2001/01/30/story/0000071597 (January 4, 2007).

31. "Once linked to the US satellite system codenamed 'Defense Support Project' (DSP), Taiwan would be able to allow up to seven more minutes in advance while its Patriot anti-missile weaponry prepared to intercept any incoming missiles.... Taiwan military plans to set up ground stations over the next five years to plug the island's Patriot systems to the US military satellite system." Agence France-Presse, "US to Share Early-Warning Missile Data with Taiwan," *Taipei Times*, October 8, 2002, p. 3, at www.taipeitimes.com/News/taiwan/archives/2002/10/08/171149 (January 4, 2007).

defense industries benefit from the pay-as-you-go relationship with Taiwan's military, which has been America's second best cash customer (after Saudi Arabia) for defense equipment and services every year for the past 10 years, including \$1.4 billion in deliveries in fiscal year (FY) 2002, \$592 million in FY 2003, and \$962 million in 2004.³³

If Taiwan ever decides to finance the "Big Bang" arms package announced by President George W. Bush in April 2001, the U.S. Administration would be in a position to consider more advanced defense articles and services for Taiwan, including the AEGIS destroyer system.³⁴ There is every indication that the United States would welcome Taiwan's participation in the next-generation Joint Strike Fighter program as a security assistance partner.³⁵ Taiwan should also be in the market for a "gap filler" fighter aircraft as its F-5E/F fleet reaches the end of its service life.³⁶

However, Washington must also face up to the reality that limiting Taiwan to a purely defensive posture *vis-à-vis* China is horrifically—and needlessly—expensive. For example, the Pentagon seems to believe that 380 Patriot PAC-3 missiles, which cost roughly \$3 million per missile launch, are an adequate response to China's 900 short-range bal-

listic missiles (SRBMs), which are estimated to cost China less than \$1 million each to manufacture and deploy. Given a 50 percent kill rate with the PAC-3, Taiwan would spend six times as much to kill an incoming Chinese SRBM as China would spend to produce the SRBM. While fielding a PAC-3 defense shield makes sense for high-value Taiwan targets, the calculus of deterrence also requires that Taiwan develop a limited offensive capacity to inflict serious pain on Chinese targets.³⁷

Taiwan has a capacity for research, development, and manufacture of weapons systems with an offensive capability. The Hsiung Feng III supersonic cruise missile is one example of Taiwan's virtuosity in missile design. It has a range of several hundred miles and can hit targets on China's coast. However, the United States is said to have put considerable pressure on Taiwan not to manufacture the weapon, apparently fearing that it would somehow offend China.³⁸

In December 1999, Kuomintang (KMT) presidential candidate Lien Chan insisted that Taiwan must establish a credible deterrent military force, specifically developing a potential for a long-range ballistic missile force to convince China that it should not dare to attack Taiwan. At the time, Lien

32. Zhang Lifang, "Yujing Leida Shenru Dalu Sanqian li" (Early warning radar can see 3,000 km into mainland), *Central Daily News* (Taipei), April 19, 2000. See also Wang Jionghua, "Changcheng Yujing Leida Suoxiaoxing kezaoqi Zhenze Daodan" (Long-range radar attenuation can give early detection of guided missiles), *Central Daily News*, April 19, 2000; "PAVE PAWS Zaoqi Yijing Leida, Mei Kongjun fandaodan Yujing Hexin Zhuangbei" (PAVE PAWS early-warning radar, core equipment to U.S. anti-missile warning), *China Times*, April 19, 2000; and Lyu Zhaolong, "Huamei Junshou Huiyi Benzhou Dengchang" (US-Taiwan arms sales meeting held here this week), *China Times*, June 7, 2000.

33. The latest figures published by the Pentagon are for 2004. See U.S. Department of Defense, Security Assistance Agency, *Facts Book*, September 2004, at www.dscamill/programs/biz-ops/2004_facts/facts%20book%202004.pdf (January 4, 2007).

34. *Ibid.*

35. Private conversations with U.S. officials. See also Sofia Wu, "Plan to Lease AV8b Fighters Never Got off the Ground: ROC Air Force," *Central News Agency*, March 11, 2002.

36. Taiwan's Ministry of National Defense is seeking F-16C/Ds as the gap filler.

37. These price figures are based on interviews with Administration officials.

38. Wu Mingjie, "Xiongfeng Sanxing feidan Shengji, Liangnian nei fuyi" (Hsiung Feng 3 missile progresses, to be deployed in two years), *China Times*, September 1, 2002. Perhaps two years was optimistic. See Lu Zhaolong, "Tuixiu zhuanjia huiguo, 'Xionsan' yi fei chong tian" (Retired expert brought back, Hsiung Feng 3 finally flies successfully), *China Times*, January 7, 2005, p. A2, and Lu Zhaolong, "Xiongfeng Xunyi Feidan, jijiang liangchang" (Hsiung Feng cruise missile to enter serial production), *China Times*, July 20, 2005. There is evidence that the Hsiung Feng 3 is indeed ready for serial production but that pressure from the United States is preventing it. See DPA, "CSIST 'Successful' in Firing Supersonic Anti-Ship Missile," *Taipei Times*, January 8, 2005, p. 3, at www.taipeitimes.com/News/front/archives/2005/01/08/2003218507 (January 4, 2007), and "Defense Ministry Rejects Missile Deployment Story," *Taipei Times*, August 13, 2005, p. 3, at www.taipeitimes.com/News/front/archives/2005/08/13/2003267544 (January 4, 2007).

said that China's missile threat made it imperative that Taiwan strengthen its anti-missile early warning, target acquisition, and interception capabilities. Further, an effective deterrent force would make it impossible for any foreign country to accept the cost of striking Taiwan. Lien said that Taiwan must develop a "second strike" capability to guarantee national security.³⁹

Geostrategic. There are obvious geographic advantages in having Taiwan as a "virtual ally." Taiwan occupies 13,000 square miles of strategic real estate in what General Douglas MacArthur once called America's "littoral defense line in the western Pacific."⁴⁰ It sits astride the major sea lanes between East Asia and the U.S. West Coast and on Japan's vital sea lanes along the East Asian littoral through the South China Sea to the Middle East. Six decades ago, MacArthur articulated a key tenet of America's security strategy in the Western Pacific: The United States, as the world's preeminent maritime power, must be able to secure the Pacific Ocean against hostile forces and can do that only by keeping "Island Asia" out of the hands of "Mainland Asia."⁴¹

Each day there are roughly 600 to 700 scheduled and chartered international maritime transits of the Taiwan Strait and a comparable number of civilian

air transits.⁴² Beginning in 1999, Chinese People's Liberation Army (PLA) Air Force aircraft made an average of 1,379 sorties per year (nearly four sorties per day) over the Taiwan Strait (but not in eastern Taiwan's Pacific Ocean airspace), while the PLA Navy conducted 6,825 sorties through the strait and five off eastern Taiwan.⁴³

Taiwan's central mountain range is among the highest in East Asia, including Yu Shan (Mount Morrison) at 13,000 feet, and provides upper elevation locations for defense surveillance and monitoring facilities. Its eastern coast drops precipitously into the Ryukyu Trench, which is over three miles deep, an ideal environment for submarine operations. For the three decades following World War II, U.S. military planners considered Taiwan an "unsinkable carrier tender,"⁴⁴ and U.S. planners in the 21st century would undoubtedly blanch at the idea that Taiwan would ever be made available to a major Asian power hostile to the United States.

Taiwan also occupies two strategically significant island reefs in the South China Sea: Pratas (Dongsha) in the northern waters and Itu Aba (Taiping) in the Spratly chain, the largest island in the South China Sea's southern waters. The 15-mile-wide Pratas reef is garrisoned by the Taiwan coast guard

39. "Broad Support for Lien's Long-Range Missile Policy," *Taiwan Weekly Business Bulletin*, December 15, 1999, p. 9.

40. General Douglas MacArthur, "Farewell Address to Congress," April 19, 1951, at www.americanrhetoric.com/speeches/douglasmacarthurfarewelladdress.htm (January 4, 2007).

41. "Under such conditions, the Pacific no longer represents menacing avenues of approach for a prospective invader. It assumes, instead, the friendly aspect of a peaceful lake. Our line of defense is a natural one and can be maintained with a minimum of military effort and expense. It envisions no attack against anyone, nor does it provide the bastions essential for offensive operations, but properly maintained, would be an invincible defense against aggression. The holding of this littoral defense line in the western Pacific is entirely dependent upon holding all segments thereof; for any major breach of that line by an unfriendly power would render vulnerable to determined attack every other major segment. This is a military estimate as to which I have yet to find a military leader who will take exception. For that reason, I have strongly recommended in the past, as a matter of military urgency, that under no circumstances must Formosa fall under Communist control. Such an eventuality would at once threaten the freedom of the Philippines and the loss of Japan and might well force our western frontier back to the coast of California, Oregon and Washington." MacArthur, "Farewell Address to Congress."

42. In the year ending August 15, 2002, a total of 259,086 civilian aircraft transited the Taiwan Air Defense Identification Zone (ADIZ) while 246,015 commercial ships transited the Taiwan Strait and the East Taiwan maritime route. Taiwan Ministry of National Defense, briefing for members of the Trilateral Dialogue Conference, PowerPoint presentation, August 26, 2002, p. 7.

43. *Ibid.* Totals do not include fishing vessels or domestic Taiwanese aircraft.

44. "Unsinkable carrier tender" was MacArthur's sobriquet for Taiwan prior to the Korean War. See William Manchester, *American Caesar*, 1st ed. (New York: Little, Brown and Company, 1978), p. 568.

and a small air force contingent, but their primary duties are manning a weather station and protecting the reef's pristine coral ecology. Itu Aba is also manned by a small Taiwan garrison.⁴⁵

Chinese warships have regularly haunted the waters surrounding Itu Aba since mid-2005, making Taiwan's Ministry of National Defense exceedingly nervous. Its response to the tightening noose around the strategic island was to "avoid war" by replacing its marine garrison with a Taiwanese coast guard detachment.⁴⁶ In December 2005, in an effort to cope with a prospective Chinese harassment of Itu Aba, Taiwan's defense ministry announced plans to build a 1,150-meter runway and a control tower on the island suitable for resupply by C-130 aircraft, but insisted in public that the airstrip was intended for "humanitarian purposes" such as emergency rescue efforts for sick or injured merchant seamen or fishermen who might encounter difficulties in the treacherous waters.⁴⁷ In early 2006, Beijing eventually decided to reassert itself in the Itu Aba area, claiming that it had a "tacit understanding" with Taipei on sovereignty and referring to a 1993 statement from Taiwan's defense ministry that "did not rule out joint development with China" of the island's waters.⁴⁸

China's aggressive presence in the South China Sea, and Itu Aba in particular, clearly warrants the concern of U.S. defense planners. The prospect of a Chinese military occupation of the largest island in the South China Sea should also wonderfully concentrate minds in Tokyo and in capitals on the Southeast Asian littoral. If one assumes that Chinese military occupation of Itu Aba would give Beijing control over international maritime navigation through the South China Sea, Taiwan's occupation of the island helps to maintain a stable balance in the region.

Elsewhere in the Pacific, Taiwan's curious diplomatic footprint in the Pacific offers geostrategic advantage in a different way. In November 2003, Taiwan's establishment of diplomatic relations with the Pacific Island nation of Kiribati led to China's hurried dismantling of an elaborate space tracking station on Kiribati's Tarawa Atoll.⁴⁹

In sum, Taiwan is an important American trading partner, a model democracy, and a critical, albeit unofficial, security ally. Assessing U.S. interests in Taiwan will require reexamining—perhaps behind closed doors and in a confidential way—many long-held but obsolete policy assumptions

45. Wu Mingjie, "Guojun Youxin, Gongjian Pinxian Wo Taipingdao Haiyu" (Taiwan military alarmed—PRC warships regularly appear in Taiwan's Spratly Island waters), *China Times*, July 11, 2005, p. 1.
46. Wu Mingjie, "Lixing Bizhan; Taiping Dao gai Haixunshu Zhushou" (War avoidance is ideal—Spratly Island garrison to be turned over to coast guard), *China Times*, July 11, 2005, p. 2, and Wu Mingjie, "Taipingdao Zhoubian daojiao duo cao zhanling" (Island reefs surrounding Spratly all occupied by China), *China Times*, July 11, 2005, p. 2. See also "Guangzhou Junqu Kongjun, Nanhai Jiandui, Shoudu Shenhai Lianyan" (Guangzhou Military Region air force, South Sea fleet, hold first deep ocean joint military drills), *Shijie Ribao* (New York), June 12, 2003.
47. Wu Mingjie, "Taipingdao jian jichang, taioqi zhuquan zhengyi? Guofangbu, Haixunshu: rendao kaoliang" (Airport construction on Spratly, does it provoke a controversy on sovereignty? Defense ministry and coast guard: humanitarian considerations), *China Times*, December 16, 2005, p. 2, and Central News Agency, "Government Has Plans for Airstrip on Taiping Island," Taipei Representative Office in the U.K. *Taiwan Update* No. 49, December 16, 2005, at www.tro-taiwan.roc.org.uk/dcnsl151205m.htm (January 4, 2007).
48. Neither Itu Aba nor Pratas was formally transferred to China after Japan's defeat in World War II. Itu Aba was French prior to 1939, annexed by Japan in 1941, and finally occupied by Republic of China forces from Taiwan in June 1956. The U.S. Navy operated a radar station on Itu Aba from 1969 to 1971. "Daluo meiti zha Tai tiaozhan Nanhai Chenji; Taiwan fangmian junbei zai Taipingdao jian jichang" (PRC media blasts Taiwan: Challenge to tacit understanding in South China Sea, Taiwan plans airstrip on Taiping), *World Journal* (New York), January 7, 2006, p. A8.
49. A Chinese space tracking station at the eastern end of Tarawa island had its radar dishes aligned northward toward the U.S. Army missile testing base at the Marshall Islands' Kwajalein Atoll, 1,000 km away. See Agence France-Presse, "China Rushes to Pull Down Atoll Satellite Tracker," November 27, 2003, at www.taipeitimes.com/News/taiwan/archives/2003/11/27/2003077400 (January 4, 2007). See also Zhu Jianling, "Zhonggong Shenmi Jidi, Zuyue 15 nian" (PRC had secret 15-year base lease), *China Times*, November 8, 2003, p. 10.

about the benefits of allowing Taiwan to be nudged into the embrace of China.

The Prospect of a Taiwan–China Defense Arrangement

Until recently, the idea that Taiwan would sometime soon be co-opted into a joint security arrangement with China was considered farfetched. Today, a substantial—but still very much a minority—view holds that Taiwan’s defense interests are best served by reaching accommodation with the PRC. This view is represented by the People’s First Party (PFP), which holds 36 seats in the 225-seat Legislative Yuan (LY) and has influence over the KMT party, the leader of the majority Blue Coalition.

On May 12, 2005, Chinese Communist Party General Secretary Hu Jintao and PFP Chairman James Soong (who was very nearly elected president of Taiwan in 2000 and vice-president in 2004) issued a joint news communiqué in Beijing declaring that “Military conflicts shall be effectively avoided so long as there is no possibility that Taiwan moves toward ‘Taiwan independence.’”⁵⁰ At a September 2005 “peace conference” in Shanghai, Soong explained that Hu had given him a commitment not to attack Taiwan and that Taiwan therefore did not need to defend itself from China.⁵¹

Taiwan’s KMT party has suggested that by 2012, Taiwan should negotiate a peace agreement with China under which Taiwan would pledge not to pursue independence in exchange for Beijing’s promise of “no use of armed force” against Taiwan. Under this proposal, negotiations would be held in the framework of the 1992 Consensus, which calls for Taiwan to agree that it is part of an undefined “one China.” Negotiations would begin only after China withdraws all of the 900 short-range ballistic missiles that are aimed at Taiwan.⁵² However, the proposal does not seem to take into account the fact that China’s M-9 and M-11 missiles are mobile and can be redeployed within range of Taiwan with little difficulty.

A Taiwan administration that opens up full air traffic to China, allows unlimited Chinese business visits or tourism on the island, and acquiesces to the hollowing out of the island’s advanced infrastructure as it decamps to the People’s Republic will likely be inclined to seek ways to ease military tensions in the Strait. This would involve negotiating confidence-building measures that would likely include reciprocal goodwill visits by ships of each side’s navy to the other’s ports. One can easily see how this would allow China gradually to assume defense responsibilities in the Taiwan Strait and eventually for the island itself.

50. “Hu Jintao yu Song Chuyu Huitan Dacheng Liuxiang Gongshi” (Hu Jintao and Song Chuyu reach a six-item consensus), *Renmin Wang* (Beijing), May, 12, 2005. See also Xinhua News Agency (Beijing), “No ‘Taiwan Independence,’ No Military Conflicts: Communiqué,” May 12, 2005, at www.news.xinhuanet.com/english/2005-05/12/content_2951496.htm (January 4, 2007).
51. On September 12, 2005, Soong told reporters: “When I visited Beijing in May, China’s President Hu Jintao told me that there would not be any military threat facing Taiwan as long as it does not declare independence.” Later, when asked whether he would encourage his PFP legislators to pass the defense budget in return for direct air links between Taiwan and China, Soong refused to respond. He Shizhong, a PRC Taiwan Affairs official present at the exchange, warned that there was no need for “a certain defense capacity” on Taiwan, and Soong did not contradict him. Agence France-Presse, “Taiwan Opposition Shoots Down Arms Package,” September 13, 2005, at www.defensenews.com/story.php?F=1099478&C=asiapac (February 13, 2006). See also “Song Chuyu: Liangan Bubi Ti Junshi Huxiang Jizhi, Zai Liangan Qingying Luntan Changyi ‘Jianli Jingji Huxin Jizhi’; Jia Qinglin Ti Sidian Hezuo Jianyi” (James Soong: Two sides do not need military mutual confidence mechanism, calls for ‘establishment of economic mutual confidence mechanism,’ Jia Qinglin proposes four point cooperation agreement), *Shijie Ribao*, September 16, 2005, and “Taishang Cu Song Zancheng Jungou huan Zhihang, Dangzhe Guotaiban Guanyuande Mian, Tiwen Jianrui” (Taiwan businessmen urge James Soong to trade arms budget for direct links, slap in face to Taiwan affairs officials, questions sharp), *Shijie Ribao*, September 16, 2005, p. 2.
52. Wang, “Pan-Greens Blast Ma over Proposed Pact with China.” The Pentagon estimates that over 800 such missiles were deployed against Taiwan as of the beginning of 2006 and that the number has been increasing at a rate of 100 per year. See U.S. Department of Defense, Office of the Secretary of Defense, *The Military Power of the People’s Republic of China*, May 23, 2006, pp. 29 and 38, at www.defenselink.mil/pubs/pdfs/China%20Report%202006.pdf (January 4, 2007). Taiwanese officials now say there are 900 missiles. See Max Hirsch, “Joseph Wu Slams China’s Invasion Plans,” *Taipei Times*, November 10, 2006, p. 1, at www.taipetimes.com/News/front/archives/2006/11/10/2003335579 (January 4, 2007).

Taiwan's military has degraded over the past several years as a result of gridlock over defense spending. Taiwan's new *Kidd*-class destroyers have been armed with only half of their full complement of air defense missiles, with the other half possibly to be included in future year defense budgets.⁵³ Air force readiness stands at 63 percent mission capable, a peacetime posture that does not reflect tensions in the strait. The Taiwan Army's Cobra helicopters engage in only one live-fire training mission per year.⁵⁴

With Taiwan's defenses already becoming obsolete while China's military modernization continues at an alarming pace, 2005 marked a tipping point in the strait. Taiwan's military can no longer rely on its technological edge to defeat a Chinese attack.⁵⁵ Recently, Taiwan's Legislative Yuan Defense Committee passed to the floor a defense budget of NT\$311,547,768,000 (nearly \$10 billion), raising military spending from 2.4 percent of GDP to 2.85 percent, approving the purchase of 12 P-3 Orion anti-submarine warfare aircraft and a modified version of the Patriot GEM-PAC-2 missile defense system, and allocating a small amount for submarine design. A joint legislative committee failed to reach agreement on the budget by adjournment on December 7. The defense budget faces a mid-January deadline for passage in the opposition-dominated legislature and still faces the prospect of major program cuts.⁵⁶

If Mr. Soong or other politicians with similar views ever come to power advocating a "one

China" framework for Taiwan's security relationship with China, such a framework would certainly have no room for a security relationship with the United States or other Asian democracies.⁵⁷ The KMT also supports a new cooperative relationship with China and often points to American policy statements to justify its policies.⁵⁸ Instead, Taiwan would come under intensified pressure from Beijing to abandon cooperation with Washington as the price for such a relationship. If "one China" politicians were in power, Taipei would likely be no more able to resist such demands than it would be to resist China's demands that Taiwan abandon its attempts to define its own view of "one China."⁵⁹ If Taiwan's government cannot make needed changes in the island's defense posture, Taiwan risks becoming a defense liability.

Without a robust U.S.–Taiwan security relationship—or, worse still, if Taiwan were under the military sway of the PRC—America's strategic position in Asia would be severely weakened. China is already the world's fourth largest economy and is a rising military superpower and peer competitor with the United States for preeminence in the Asia–Pacific region. Hedging America's collective bets on China's future requires a coherent strategy to prevent democratic Taiwan from being forced into a relationship with authoritarian China that the majority of Taiwanese people do not want and then having to implement policies consistent with that strategy.

53. Taiwan defense officials say that SM-2 air defense missiles have a given lifespan, and they plan to stagger procurement in order to avoid having to replace all of the missiles at the same time.

54. Private notes on JINSA flag officers' Taiwan trip, March 6–12, 2005.

55. The Pentagon now assesses that "China's expansion of missile and other military forces opposite Taiwan has continued unabated, with the balance of forces shifting in the mainland's favor." See U.S. Department of Defense, *The Military Power of the People's Republic of China*, p. 3.

56. Conversations with Taiwan legislators.

57. For example, Singapore has elaborate military training programs in Taiwan. See John J. Tkacik, Jr., and Dana Dillon, "China's Quest for Asia," *Policy Review*, No. 134 (December 2005/January 2006), pp. 29–40, at www.policyreview.org/134/dillon.html (January 4, 2007).

58. See, for example, Caroline Hong, "Lien, Paal Discussed China Visit—KMT," *Taipei Times*, April 23, 2005, p. 1, at www.taipeitimes.com/News/front/archives/2005/04/23/2003251569 (January 4, 2007), and Lawrence Chung, "US 'May Be Using Spy Scandal as Warning'; Washington Could Be Playing Up Incident as a Way of Telling Taiwan's Chen to Go Easy on Separatist Remarks, Say Analysts," *Straits Times* (Singapore), September 23, 2004.

What the United States Should Do

Recognizing Taiwan's strategic significance to America's position in Asia, the U.S. Congress included an explicit defense commitment in the Taiwan Relations Act of 1979. At the time, Congress believed that Taiwan's freedom from Chinese control was obviously in America's interests.

As recently as 2004, Assistant Secretary of Defense Peter Rodman pointed out in congressional testimony that President Bush's National Security Strategy calls for "building a balance of power that favors freedom." Mr. Rodman added that "Taiwan's evolution into a true multi-party democracy over the past decade is proof of the importance of America's commitment to Taiwan's defense. It strengthens American resolve to see Taiwan's democracy grow and prosper."⁶⁰ To sustain these interests, the U.S. should:

- **Counter Beijing's relentless campaign to isolate Taiwan economically and politically** by strengthening U.S.–Taiwan trade ties and strongly encouraging allies and other democracies to include Taiwan in international efforts on health, transportation, nonproliferation, counterterrorism, and disaster relief. A U.S. free trade agreement (FTA) with Taiwan would be a good place to start.

Participation—even as an "observer"—in other formal and informal international organizations (e.g., the World Health Organization, International Civil Aviation Organization, and International Maritime Organization); the various

informal nonproliferation groups (e.g., Australia Group on chemical weapons and the Missile Technology Control Regime); and refugee and relief "core groups" would benefit the international community and give Taiwan enhanced international legitimacy. In turn, Taiwan's enhanced legitimacy would provide extra deterrence against China's constant threats of force against Taiwan.

However, the problem is far more complex and requires a more comprehensive solution than simply opposing Beijing's attempts to isolate Taiwan. The first step in rethinking the Taiwan Strait must be to adjust existing policies. To this end, both the Administration and Congress should:

- **Confront Beijing's policy of "independence means war"** with quiet suggestions from Washington that war might just as easily mean independence. Some argue that such a stance would encourage some irresponsible Taiwanese leaders to advocate independence in order to start a war that would lead to diplomatic recognition. Nonetheless, Taiwanese politicians and the Taiwanese people already are effectively restrained by their conviction that any war with China would devastate Taiwan, and no one wants to avoid war in the Taiwan Strait more than the Taiwanese people do.
- **Maintain the "island chain" hedge** against a hostile continental Asian power as a broad strategic goal of the United States. The island chain concept is especially relevant in the context of a

59. An unidentified KMT official reportedly observed that, because the second Hu–Lien meeting would take place so soon before Hu's visit to the United States on April 20, 2006, "it would be worth noting the effect it would have on US–China–Taiwan relations." See Xiao Xucen, "Lian-Ma Mitan; Ma qing Lian zhuanhua Hu Jintao" (In secret meeting—Ma Ying-jeou asks Lien Chan to pass message to Hu Jintao), *China Times*, April 11, 2006. Prior to Lien's departure for China, Taiwan President Chen Shui-bian asked Lien to confirm with Hu that the 1992 Consensus on "one China" meant "One China, each side with its own definition." Lien reportedly said that he would not raise the definition issue with Hu. See "Yi Zhong Ge Biao; Qunian yi ti; Zhuanhua Hu Jintao Lian Zhan bu Jiezha" (One China each defines; already raised last year; Lien Chan won't raise again with Hu Jintao), *China Times*, April 4, 2006, and "Hu Lian bu ti Yi Zhong Ge Biao; Hu Jintao jianchi jiuer gongshi; Lien Zhan qiangdiao jingji" (Lien and Hu do not mention one China separate interpretations, Hu Jintao insists on 92 consensus, Lien Chan places emphasis on economy), *World Journal*, April 16, 2006, at www.worldjournal.com/wj-ch-news.php?nt_seq_id=1341961 (January 4, 2007).

60. Peter W. Rodman, Assistant Secretary of Defense for International Security Affairs, prepared statement in hearings, *The Taiwan Relations Act: The Next Twenty-Five Years*, Committee on International Relations, U.S. House of Representatives, 108th Cong., 2nd Sess., April 21, 2004, p. 23, at www.internationalrelations.house.gov/archives/108/93229.pdf (January 4, 2007).

new, continental Asian naval power seeking unrestricted access to America's sea lines of communication across the Pacific Ocean.

- **Enhance official exchanges.** Defense cooperation is already at a high level, but the Administration should quietly enhance it by lifting the self-imposed ban on visits to the island by flag-rank U.S. military and naval officers. It should encourage visits by Cabinet-level officials, a practice that was common in the Clinton Administration. Senior U.S. State Department officials up to the rank of undersecretary should be able to visit Taiwan without placing undue stress on ties with Beijing.
- **Lend moral support to Taiwan's democracy.** The Administration should cease justifying the U.S. commitment to Taiwan as merely an obligation under the Taiwan Relations Act and instead admit publicly that the United States has a stake in the survival and success of democracy on Taiwan, regardless of China's territorial claims on the island.
- **Encourage diplomatic ties.** The State and Defense Departments and U.S. diplomatic missions abroad should quietly and discreetly encourage the preservation of third-country diplomatic ties with Taiwan, especially in the Pacific, but also with Central American and Caribbean countries where China seeks a more assertive presence, such as Panama, which owns and operates the Panama Canal. Apparently, the State Department does this now on a limited basis.⁶¹
- **Revisit Taiwan's offensive military capacities.** The Pentagon should admit that Taiwan's strategic planning, which is based on purely defensive weapons systems, is horrifically expensive and lacks the deterrent efficiency of a robust

second-strike, counterforce capability. The Pentagon should consult with Taiwan on supplementing its defensive strategy with weapons systems of a "limited offensive capacity" such as JDAMs (Joint Direct Attack Munitions), cruise missiles, HARMs (High-speed Anti-Radiation Missiles), and submarine-launched Harpoons. Quietly encouraging Taiwan to develop an offensive tactical missile force would also give Washington leverage over Beijing's penchant for supplying offensive missiles (and perhaps more) to rogue states from North Korea to Iran.

Conclusion

America's strategic position in Asia is now reaching a tipping point *vis-à-vis* China. In February 2006, the Pentagon's *Quadrennial Defense Review* warned that "of the major and emerging powers, China has the greatest potential to compete militarily with the United States and...over time offset traditional U.S. military advantages absent U.S. counter-strategies." The review then pointedly asserted that "the pace and scope of China's military buildup already puts regional military balances at risk."⁶²

For Taiwan, the balance has already tipped. The Pentagon's 2006 annual report on Chinese military power stated flatly that "China's expansion of missile and other military forces opposite Taiwan has continued unabated, with the balance of forces shifting in the mainland's favor."⁶³

Some believe that America's only interest in Taiwan is to ensure that the Taiwan issue is resolved peacefully, but such a policy reflects the triumph of process over outcome—a woeful shortcoming of American foreign policy thinking. China's rapid modernization is eerily similar to Japan's Meiji Restoration a century ago, and its new ideology of "one China" nationalism resonates with the "one Ger-

61. In a press interview, former Bush Administration National Security Council official Michael Green wondered aloud: "If Washington gets annoyed again, what signals will Taiwan's Central American allies begin picking up from the State Department the next time they are lobbied by Beijing to switch relations?" Presumably, they had been "picking up" sympathetic signals about Taiwan. "The Gambit Behind the NUC's Removal," *Taipei Times*, February 24, 2006, p. 4, at www.taipeitimes.com/News/taiwan/archives/2006/02/24/2003294388 (January 4, 2007).

62. U.S. Department of Defense, *Quadrennial Defense Review Report*, February 6, 2006, p. 29, at www.defenselink.mil/qdr/report/Report20060203.pdf (January 4, 2007).

63. See U.S. Department of Defense, *The Military Power of the People's Republic of China*, p. 5.

man nation” rhetoric heard during the first half of the 20th century. In a totalitarian China, the United States and the Asian democracies now face a similar challenge.

In 1945, President Harry Truman declared that a “strong, united and democratic China” was in “the most vital interests of the United States.”⁶⁴ Two out of three is not good enough. Until China

is democratic, the most vital U.S. interest will be to maintain and strengthen America’s strategic posture in the Western Pacific, and Taiwan is essential to that strategy.

—John J. Tkacik, Jr., is Senior Research Fellow in China, Taiwan, and Mongolia Policy in the Asian Studies Center at The Heritage Foundation.

64. See President Harry Truman’s instructions to General George C. Marshall in U.S. Department of State, *United States Relations with China, with Special Reference to the Period 1944–49* (Washington, D.C.: U.S. Government Printing Office, 1949), p. 133 (emphasis added). This document is also known as the “China White Paper.”

APPENDIX

ITEMS IN TAIWAN'S SPECIAL ARMS PROCUREMENT BUDGET

There is considerable finger-pointing in Taiwan over who is responsible for the interminable delays in processing Taiwan's special arms procurement budget. However, Taiwan's Ministry of National Defense (MND) clearly did not cause any of the delays.

The process began in April 2001, when President Bush approved a number of longstanding arms requests made by Taiwan's KMT-ruled government. That package, called the "Big Bang," included 12 P-3 Orion antisubmarine warfare aircraft, eight diesel electric submarines, and six batteries of upgraded theater ballistic missile defense systems.

To accommodate the enormous costs of several major new weapons systems, the three most expensive programs were originally to have been funded under a special budget separate from the MND's annual budgeting cycle. The MND completed its budgeting work in early April 2004, and the budget was formally submitted to the Legislative Yuan in early June 2004. In November 2006, the legislature's Procedures Committee blocked movement on a new supplemental budget for preliminary expenditures—the 66th time in two and a half years that the committee had blocked funding for the program. At the insistence of the opposition parties, the MND has reincluded these programs in the regular defense budget for 2007.

P-3 Orions. At the time of the April 2001 decision, the Lockheed Martin production line had been dormant, and the Taiwan military had to rethink its procurement preference for new aircraft. The initial intent was to offset the startup costs by linking Taiwan's order with a separate one from South Korea. However, when the U.S. Navy began to review U.S. needs for a multimission maritime aircraft (MMA) based on a Boeing 737 airframe to replace the P-3, both Taiwan and Korea considered plans for a possible MMA buy.

When it became clear that an MMA would not be available for five to 10 years and would be far more expensive than the P-3s, Taiwan requested pricing and availability (P/A) data for the P-3s in early 2003 and managed to get the project into the FY 2004 budget submission. The first pricing data included costs for restarting the P-3C production line. This yielded a price of about \$333 million per plane for a mere 12 aircraft. When the MND finally settled on upgrading mothballed P-3Cs, which brought the price down to under \$60 million, Taiwan's legislature had already begun to dig in its heels against the purchase.

Taiwan's formal letter of request (LOR) for refurbished P-3Cs was issued in early 2004, after the U.S. Navy informed Taiwan that surplus P-3Cs had become available. (Taiwan had previously been working under the assumption that only aging P-3Bs would be available.) The MND worked overtime to rewrite its new budget submission for the legislature.

Patriot Advanced Capability (PAC-3). The MND also delayed submitting an LOR for P/A data on the PAC-3 until April 2003 because it was essentially an unproven weapon system. After the system's effectiveness was demonstrated during Operation Iraqi Freedom, the MND submitted the LOR.⁶⁵ The Pentagon turned around the P/A data in time for Taiwan to finish its budget plan by February 2004.

The MND initially requested six batteries of new PAC-3 systems and an upgrade of the three existing PAC-2+ batteries already in service on Taiwan. Pricing data were delayed until early 2004 as the MND successfully negotiated eliminating research and development cost-sharing from the pricing, thereby significantly reducing the unit cost of the PAC-3 missiles.

65. For more information, see Shirley A. Kan, "Taiwan: Major U.S. Arms Sales Since 1990," Congressional Research Service *Report for Congress*, updated November 9, 2006, at www.fas.org/spg/crs/weapons/RL30957.pdf (January 6, 2007).

Diesel Electric Submarines. On submarines, the key pricing issue was the impasse over the independent cost estimate of more than \$11 billion for eight boats—enough to make anyone choke. Because the U.S. has not made diesel electric subs in over 40 years, the Pentagon was obliged to consult with third countries about producing them for Taiwan. Chinese pressure on these countries obliged the U.S. Navy to outline production proposals for the boats in the United States. There is reliable U.S. reporting that the U.S. Navy wittingly sabotaged Taiwan's efforts to procure modern diesel electric boats from U.S. shipyards by hyperinflating the costs in order to prevent U.S. yards from building anything but nuclear boats.⁶⁶

The high-priced submarine plan prompted 130 of Taiwan's 225 legislators to sign a letter to President Chen Shui-bian in 2002 saying that they would not appropriate funding unless there was significant domestic content or role in the program—a proposal that the Pentagon killed in mid-2004 by ruling out any local industry role in the submarine's design and development. Then the U.S. Navy insisted that the Legislative Yuan appropriate the full \$11 billion *before* issuing an RFP to potential shipyards.⁶⁷

After repeated requests by Taiwan's MND, aided by the threat of a U.S. congressional investigation into the U.S. Navy's management of the Taiwan submarine program, the Pentagon finally agreed in June 2006 to a two-phased approach in which an RFP would first be issued for the submarine design to establish cost for the program before the construction phase would have to be funded. The funding commitment required for Phase 1 is now \$360 million, which is much lower than the \$11 billion originally demanded by the U.S. Navy.

66. *Congress Daily*, April 6, 2006; Vago Muradian, "U.S.–Taiwan Relations; Come Clean on Subs," *Defense News*, February 13, 2006, p. 28; and Wendell Minnick, "Taiwan Claims US Navy Is Sabotaging SSK Plans," *Jane's Defence Weekly*, February 15, 2006, at www4.janes.com/subscribe/jdw/doc_view.jsp (January 8, 2007).

67. The Navy's actions seem quite clearly to have run counter to U.S. defense procurement practices. U.S. federal acquisition regulations require the passing of certain milestones and design reviews before the appropriation of additional funding for construction.