

# THE TAIWAN RELATIONS ACT: THE NEXT TWENTY-FIVE YEARS

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## HEARING BEFORE THE COMMITTEE ON INTERNATIONAL RELATIONS HOUSE OF REPRESENTATIVES ONE HUNDRED EIGHTH CONGRESS

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## **THE TAIWAN RELATIONS ACT: THE NEXT TWENTY-FIVE YEARS**

**WEDNESDAY, APRIL 21, 2004**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON INTERNATIONAL RELATIONS,  
*Washington, DC.*

The Committee met, pursuant to call, at 10:36 a.m. in Room 2172, Rayburn House Office Building, Hon. Henry J. Hyde (Chairman of the Committee) presiding.

Chairman HYDE. The Committee will come to order.

Without objection, Mr. Chandler will be assigned to the Subcommittee on the Middle East and Central Asia and the Subcommittee on International Terrorism, Nonproliferation and Human Rights.

Good morning, and welcome to the Full Committee hearing on "The Taiwan Relations Act: The Next Twenty-Five Years." The Taiwan Relations Act, which marked its 25th anniversary on April 10, has stood the test of time as one of the landmark pieces of congressional legislation dealing with international relations. As one of a small group of Members remaining in the House who were actually serving at the time of the TRA's creation, I remember well the dilemma that faced Congress at that time. President Carter's decision to move forward with the formalization of official relations with the People's Republic of China, which included meeting Beijing's demand that this Republic sever all diplomatic ties with an old ally, was a cause of great consternation for many in Congress. How could one engage fully with a rising power which ruled the world's largest population without at the same time casting aside an old friend, something which the American people and their representatives found to be unacceptable and even repugnant?

The dilemma caused by the break in diplomatic relations between Washington and Taipei, a break which according to opinion polls was opposed by a majority of the American people who responded at the time, was further complicated by the wording of the Shanghai Communique of 1972. This document, agreed to by President Nixon and Chinese Communist Party Chairman Mao stated that:

"All Chinese on either side of the Taiwan Strait maintain that there is but one China and that Taiwan is a part of China. The United States does not challenge that position."

What was the way out of this dilemma? The way was found through the genius of the Taiwan Relations Act. The act clearly stated in the opening paragraphs the intention . . .

“To make clear that the United States’ decision to establish diplomatic relations with the People’s Republic of China rests upon the expectation that the future of Taiwan will be determined by peaceful means.”

Many of the great congressional leaders, such as Senator Barry Goldwater, who met the challenge to ensure there would be no use of force in the Taiwan Strait and that the future of Taiwan would only be determined with the express consent of the people of Taiwan, have passed into history.

However, we are fortunate to have with us today one of those original leaders. Let me break precedent by recognizing former Congressman Lester Wolf of New York, who as Chairman of the Asia Subcommittee of the then House Committee on Foreign Affairs, played an instrumental role in moving the TRA forward to its final passage. Mr. Wolf, when we look at the peace and prosperity which has blossomed across the Taiwan Strait in the past quarter century, it is clear we owe you and your fellow Members an expression of thanks for taking the lead on the implementation of the Taiwan Relations Act.

Where is Lester? There you are. You have white hair now, Lester. [Applause.]

Under the security umbrella provided by the Taiwan Relations Act, the people of Taiwan have been able to move forward dramatically in the past 25 years. The act “by making available to Taiwan such defense articles and defense services in such quantity as may be necessary,” assured that the people of Taiwan did not have to live in fear that a Bamboo Curtain would suddenly descend upon them through proactive military action.

With that energetic drive for which the Chinese people are famous throughout the world unfettered, the people of Taiwan have produced an economic miracle which, through the presence of over 300,000 Taiwan entrepreneurs and their families, is now being transplanted across the Taiwan Strait to the Chinese Mainland. We can only hope that over time the democratic fruits of Taiwan’s miraculous evolution can be transplanted to the Mainland as well.

One should not underestimate the dangers implicit in the present state of cross-Strait relations, a situation which is fraught with the potential for miscalculation. The continued build-up of missiles in areas of the People’s Republic of China adjacent to the Taiwan Strait, with the number now approaching 500, can only be interpreted as a form of coercion, which the TRA stipulates would be “a cause of grave concern to the United States.”

One purpose of this hearing is to determine whether the current package of defensive weapons made available to Taiwan, given the escalating arms build-up on the other side of the Strait, is sufficient to meet Taipei’s defensive needs, or whether supplementary provisions are required.

The Taiwan Relations Act has proven to be a source of stability in what is fast becoming the world’s most economically vibrant region. The maintenance of the status quo, until there is a peaceful evolution of conditions is extremely vital. As President Bush famously noted, we “oppose actions to unilaterally change the status quo” by either side.

The current situation is in a delicate balance, which is in the interest of all to maintain. The interests and welfare of the people of Taiwan would not be served by any sudden altering of the balance if the result is an increased likelihood of the use of force.

I do not want to leave you all here today with the impression that I am a pessimist when it comes to the ultimate resolution of cross-Strait relations. As I noted in remarks at Tsing Hua University in Beijing in December 2002:

“After many years and great struggle, the people of Taiwan have established a stable and vibrant democracy . . . I can well remember when such a thing was prophesied to be an impossibility, when the perceived wisdom was the democracy and Chinese culture could never be combined, that both would forever be foreign to each other. The Taiwan’s experience has demonstrated that that view is simply mistaken. . . . Taiwan’s attainment of real democracy has established a deep and enduring bond between it and the United States.”

This has significance for the people on both sides of the Taiwan Strait. Chinese people on the Mainland people are moving increasingly away from a centrally controlled economy to one based upon free market forces, a system with deep roots in America. It is my hope that Taiwan will serve as a lighthouse for democracy off the Chinese coast which will beam a democratic political system into China as well.

As I told Chinese leaders in Shanghai during my visit there, it is my hope that, over the next 25 years, the expanding commercial, cultural and family ties brought about by the ever increasing Taiwanese business community in the Shanghai area will serve to greatly alleviate those political differences which seem of such paramount importance at the present time.

Given enough time, perhaps the 100 years that Chairman Mao once promised for dealing with the Taiwan issue, there can be genuine reconciliation by the people on both sides of the Taiwan Strait. Then the Taiwan Relations Act would have served the best interests of not only the people of Taiwan, but the people in the East Asian region as a whole.

I now turn to my friend and colleague, Tom Lantos, the Ranking Democratic Member, for his opening remarks.

[The prepared statement of Mr. Hyde follows:]

PREPARED STATEMENT OF THE HONORABLE HENRY J. HYDE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS, AND CHAIRMAN, COMMITTEE ON INTERNATIONAL RELATIONS

Good morning, and welcome to the Full Committee Hearing on “The Taiwan Relations Act: The Next Twenty-Five Years.”

The Taiwan Relations Act, which marked its twenty-fifth anniversary of enactment on April 10th, has stood the test of time as one of the landmark pieces of Congressional legislation dealing with international relations. As one of a small group of Members remaining in the House who were actually serving at the time of the TRA’s creation, I remember well the dilemma that faced the Congress at the time. President Carter’s decision to move forward with the formalization of official relations with the People’s Republic of China, which included meeting Beijing’s demand that this Republic sever all diplomatic ties with an old ally, was a cause of great consternation for many in the Congress. How could one engage fully with a rising power, which ruled the world’s largest population, without at the same time casting

aside an old friend, something which the American people and their representatives found to be unacceptable and even repugnant?

The dilemma caused by the break in diplomatic relations between Washington and Taipei—a break which, according to opinion polls, was opposed by a majority of the American people who responded at the time—was further complicated by the wording of the Shanghai Communique of 1972. This document, agreed to by President Richard Nixon and Chinese Communist Party Chairman Mao, stated that “all Chinese on either side of the Taiwan Strait maintain that there is but one China and that Taiwan is a part of China. The United States does not challenge that position.”

What was the way out of this dilemma? The way was found through the genius of the Taiwan Relations Act. The Act clearly stated in its opening paragraphs the intention “to make clear that the United States decision to establish diplomatic relations with the People’s Republic of China rests upon the expectation that the future of Taiwan will be determined by peaceful means.”

Many of the great Congressional leaders, such as Senator Barry Goldwater, who met the challenge to ensure that there would be no use of force in the Taiwan Strait and that the future of Taiwan would only be determined with the express consent of the people of Taiwan, have passed into history. However, we are fortunate to have with us today one of those original leaders. Let me recognize former Congressman Lester Wolf of New York, who as Chairman of the Asia Subcommittee of the then-House Committee on Foreign Affairs, played an instrumental role in moving the TRA forward to its final passage. Mr. Wolf, when we look at the peace and prosperity which has blossomed across the Taiwan Strait in the past quarter century, it is clear that we owe you and your fellow Members an expression of thanks for taking the lead on the implementation of the Taiwan Relations Act.

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However, one, should not underestimate the dangers implicit in the present state of cross-Strait relations, a situation which is fraught with the potential for miscalculation. The continued build-up of missiles in areas of the People’s Republic of China adjacent to the Taiwan Strait, with the number now approaching five hundred, can only be interpreted as a form of coercion, which the TRA stipulates would be “a cause of grave concern to the United States.” One purpose of this hearing is to examine whether the current package of defensive weapons made available to Taiwan, given the escalating arms build-up on the other side of the Taiwan Strait, is sufficient to meet Taipei’s defensive needs, or whether supplementary provisions are required.

The Taiwan Relations Act has proven to be a source of stability in what is fast becoming the world’s most economically vibrant region. The maintenance of the status quo, until there is a peaceful evolution of conditions, is extremely vital. As President Bush famously noted, we “oppose actions to unilaterally change the status quo” by either side. The current situation is in a delicate balance, which it is in the interest of all to maintain. The interest and welfare of the people of Taiwan would not be served by any sudden altering of that balance if the result is an increased likelihood of the use of force.

I do not want to leave you all here today with the impression that I am a pessimist when it comes to the ultimate resolution of cross-Strait relations. As I noted in remarks at Qinghua University in Beijing in December 2002, “after many years and great struggle, the people on Taiwan have established a stable and vibrant democracy. . . . I can well remember when such a thing was prophesied to be an impossibility, when the received wisdom was that democracy and Chinese culture could never be combined, that both would forever be foreign to each other. But Taiwan’s experience has demonstrated that that view was simply mistaken and without merit. . . . Taiwan’s attainment of real democracy has established a deep and enduring bond between it and the United States.”

And this has significance for the people on both sides of the Taiwan Strait. Chinese people on the Mainland are moving increasingly away from a centrally controlled economy to one based upon free market forces, a system with deep roots in



America. It is my hope that Taiwan will serve as a lighthouse for democracy off the Chinese coast which will beam a democratic political system into China as well.

As I told Chinese leaders in Shanghai during my visit there, it is my hope that, over the next twenty-five years, the expanding commercial, cultural and family ties brought about by the ever-increasing Taiwanese business community in the Shanghai area will serve to greatly alleviate those political differences which seem of such paramount importance at the present time. Given enough time—perhaps the one hundred years that Chairman Mao once promised for dealing with the Taiwan issue—there can be genuine reconciliation by the people on both sides of the Taiwan Strait. And then the Taiwan Relations Act will have served the best interests of not only the people of Taiwan but of the people in the East Asian region as a whole.

I now turn to my friend and colleague, Tom Lantos, the Ranking Democratic Member, for his opening remarks.

Mr. LANTOS. Thank you very much, Mr. Chairman. Let me first join you in commending our distinguished former colleague, Lester Wolf, for his major contributions to this effort.

Mr. Chairman, I want to thank you and commend you for calling today's hearing to mark the 25th anniversary of the Taiwan Relations Act. Today's hearing is an exceptional opportunity to understand the ongoing relevance of this critically important law and to discuss the future of relations between the United States and Taiwan.

Mr. Chairman, Congress asserted a new and more aggressive role in the conduct of United States foreign policy when it approved the Taiwan Relations Act of 1979. Profoundly dissatisfied with the perceived abandonment of Taiwan, Congress demanded that the Taiwan Relations Act provide for Taiwan's security and explicitly reject any effort to resolve the cross-Strait relationship through other than peaceful means.

A quarter of a century later, history has shown that Congress acted wisely in this unprecedented display of legislative assertiveness by acting to ensure Taiwan's defensive capabilities and its access to the international economy. The Taiwan Relations Act gave Taiwan's people enough space to pursue political evolution in Taiwan and the rapid development of Taiwan's economy.

In 1979, Taiwan's people were ruled by an authoritarian regime which squashed the media, prevented the development of political alternatives and denied basic human rights. Twenty-five years later, Taiwan has become a fully developed democracy complete with hard-fought elections, narrow margins of victory, demands for recounts, all hallmarks of a true democracy.

Under the cover of the Taiwan Relations Act, Taiwan's gross domestic product has increased tenfold between 1979 and 2002. Two-way trade between Taiwan and the United States has grown from \$7 billion to over \$65 billion during that same period.

The Taiwan Relations Act has ensured that our Nation has provided Taiwan with sufficient military hardware and know-how to defend itself. We have also sent aircraft carriers into the Taiwan Strait and shown other appropriate support at opportune moments to make it clear that the United States would not let Taiwan fend for itself in a time of conflict.

In short, Mr. Chairman, the Taiwan Relations Act has effectively provided an institutional framework and a legal basis for a strong political, security and economic relationship between the United States and Taiwan. It has proven to be enormously flexible and durable as a law, which has prevented various Administrations,

should they be tempted, from selling out Taiwan and its people due to pressure from Mainland China.

As we look at the next quarter century of challenges facing the Asia Pacific Region, the United States must redouble its efforts to build closer ties to Taiwan while at the same time maintaining a mutually productive relationship with the PRC.

The United States and other nations must acknowledge the fact that there is a tremendous rise in Taiwan national consciousness among average Taiwanese, and we must find ways to accommodate a stronger role for Taiwan on the international stage.

Unfortunately, this Administration has paid mere lip service to winning Taiwan's entry into the World Health Organization. Sustained concerted efforts by the Department of State and the White House are essential in convincing other nations to join us in supporting Taiwan's WHO bid and Taiwan's participation in other international organizations and fora.

We must also speak plainly to the Chinese leadership in Beijing. They must understand that from an American perspective any settlement between China and Taiwan must be arrived at through peaceful means without coercion and with the full support of the people of Taiwan.

I wish to repeat this, Mr. Chairman, because I think this is at the core of the soundness of our future relationship with both China and the PRC. From an American perspective, any settlement between China and Taiwan must be arrived at through peaceful means, without coercion and with the full support of the people of Taiwan.

To ensure that the Taiwanese people are not forced into an unwise deal with Beijing, the United States must continue to support Taiwan's legitimate defense needs, and the leadership of Taiwan must devote adequate financial resources to defending their nation.

If Beijing is serious about building bridges to the people of Taiwan and finding a mutually acceptable solution to the cross-Strait dilemma, it will have to offer a better deal than the people of Hong Kong received. As we have seen over recent weeks, the one country/two systems model means that Beijing calls the shots on Hong Kong's political development.

Mr. Chairman, now that Taiwan's people have won a robust democracy and their human rights after years of struggle, they will not surrender their hard fought freedoms to win peace with Beijing.

Mr. Chairman, when President Lee Teng-hui wished to give a speech at his alma mater, Cornell University, it was my great honor to win passage of a resolution demanding that the State Department grant him a visa.

The Administration went ballistic when my resolution was first introduced, but I want to pay tribute to my colleagues on this Committee who unanimously approved my resolution, and I want to pay tribute to all of my colleagues who served at that time, both political parties in this body, because the House of Representatives unanimously approved the resolution. We won that battle.

Mr. Chairman, it was a great pleasure to see the next generation of Taiwan's leadership, President Chen, when he was in New York last fall. It is my fondest hope that both you and I will have the

honor of greeting President Chen in Washington in the foreseeable future.

Mr. Chairman, under the umbrella of the Taiwan Relations Act, the United States and Taiwan have brought the democracy to 25 million people. We secured their economic future, and we prevented them from facing hostile military threats. This, Mr. Chairman, is an amazing achievement.

I yield back.

Chairman HYDE. Thank you, Mr. Lantos.

Mr. Leach is recognized for 5 minutes.

Mr. LEACH. Thank you, Mr. Chairman. I also want to pay my respects to Lester Wolf for leading the effort in passage of the Taiwan Relations Act and also for becoming the leading historian of that act.

As a Member of Congress at that time, I am frankly proud of a small provision in that act that I authored relating to human rights and implicitly the democratization process for which, as Mr. Lantos has noted, extraordinary strides have been taken.

As an American citizen, we are all very proud of how Taiwan has achieved a political democracy, as well as probably more than any developing society in the world, an economic democracy to boot.

As demonstrated again last month by its closely contested presidential election, Taiwan is now a vibrant, multiparty democracy, and the miracle of Taiwan's peaceful transition is of great significance not only to the 23 million citizens of the Island, but also to the billion residents of the Mainland who have yet to enjoy the political freedom many Taiwanese now take for granted.

As symbolized by the Taiwan Relations Act, the government and citizens of the United States have an enormous vested interest in peaceful relations between Taipei and Beijing. All Americans strongly identify with Taiwan's democratic journey, and we join in celebrating the fact that the people of Taiwan now enjoy such a full measure of human freedom.

More broadly, we are acutely conscious that the twentieth century was the bloodiest century in world history. It has witnessed wars related to traditional ethnic hatreds, desire for conquest. It has always witnessed wars related to contrasting views of human nature and social organization. Hence, it is in the vital interest of all parties that peaceful solutions to political differences be the framework for future discourse between the parties.

In an American historical context, there is an assumption that the precepts of self-determination and independence are interlinked, but for the sake of peace and security for Taiwan and the broader Asia Pacific region, there would appear to be no credible option except to recognize that these precepts are divorced on one place on the planet, that being Taiwan.

Taiwan can have de facto self-determination, meaning the ability of a people to determine their own fate through democratic means, only if it does not attempt to be recognized with a jury sovereignty by the international community.

While clarity of national identity is psychologically attractive, there is clearly greater security for the Taiwanese people in political ambiguity. There is nothing to be gained by steps toward inde-

pendence if they participate in a catastrophic and unwinnable conflict between the Mainland and the Island.

Hence, as we make it clear to China that the United States is steadfastly committed to ensuring that the status of Taiwan not be altered by the use of force, we also have an obligation not to entice Taiwan through ill-chosen rhetoric of “ours” or “theirs” into a sovereignty clash with China.

Substantial Taiwanese self-determination is clearly possible only if sovereign national identity is not loudly trumpeted. Together with our historical one China policy, the Taiwan Relations Act has made an enduring contribution to ensuring peace and stability in the Taiwan Strait and provides a sturdy framework to ensure Taiwan’s security.

From a congressional perspective, the United States must continue to oppose any attempt by either side to unilaterally change the status quo in the Taiwan Strait. Likewise, both sides should restrain from actions or statements that increase tension or make dialogue more difficult to achieve.

As one who is a firm believer in the power of people to people and cultural relations to bring societies together and world affairs, I believe that rather than setting deadlines for unification seeking to isolate Taiwan or continuing a counterproductive military build-up, Beijing would be well advised to emphasize the soft power of culture and economics in its relationship with the Island.

Granting scholarships, for instance, to Taiwanese students is likely to yield far greater dividends than misdirected investments and threatening missile systems. Coupled with progressive political evolution in Beijing, the increasing cultural and economic intertwining of China and Taiwan should lead over time to mutually acceptable accommodations.

In any regard, there should be no doubt that Congress stands together with the Administration in common determination to fulfill U.S. obligations under the Taiwan Relations Act. As we celebrate this act and with it the strong bonds of friendship between the United States and Taiwan, the people of Taiwan can count on the United States to maintain a steady and constructive policy toward peace in East Asia and the Taiwan Strait area.

Thank you, Mr. Chairman.

Chairman HYDE. The gentleman from New York, Mr. Ackerman?

Mr. ACKERMAN. Thank you, Mr. Chairman. I want to congratulate you and Ranking Member Lantos for scheduling today’s hearing commemorating 25 years of the Taiwan Relations Act. It is certainly worthy of an examination of where U.S. policy, United States-Taiwan policy, is going from here. It is very definitely required.

I, too, want to acknowledge our good friend, Lester Wolf, whose former district I have great pleasure in representing and who preceded me as well as one of the Chairs of the Asia Subcommittee, and thank him and acknowledge him for the great work that he did in shaping the Taiwan Relations Act.

Mr. Chairman, for 25 years, the TRA has contributed mightily to the peace and stability of the Taiwan Strait. Its clarity of purpose as the framer of the United States-Taiwan relations and its singular role in shaping our relationship with the People’s Republic of

China has few equals in terms of foreign policy legislation produced by the U.S. Congress.

Under the TRA, Taiwan, and I daresay the PRC, have each prospered and are in vastly different places from what they were when the TRA was enacted. Three years ago, March 2001, when the President of the United States said he will do “whatever it takes” to defend Taiwan, he undermined in a single breath 25 years of carefully constructed peace and stability.

Where the TRA had been clear about the defensive nature of United States arms sales to Taiwan and the necessity to resolve the dispute through peaceful means, confusion was now the order of the day.

How far could supporters of Taiwanese independence go? If the President will do whatever it takes, will this embolden the Taiwanese to push the independence envelope? Would China invade as advertised? Would the United States really go to war to defend Taiwan regardless of how the conflict started? Would China really risk war to stop Taiwanese independence?

While the President’s statement did the most damage, he is not entirely to blame. There are plenty of others in Washington who think that we should simply ignore what is obviously a clear red line for the PRC, but the PRC is not blameless here and shares significant responsibility for the current state of affairs.

Their attempts at voter intimidation have backfired, and their belligerent rhetoric, continued missile build-up in the Fujian Province and refusal to denounce the use of force in resolving the issue have only worsened an already unstable situation.

This state of affairs poses enormous risk for the United States and, frankly, few benefits, so when President Chen visited here last December our President changed course again and tried to undo the damage he had done by rejecting

“. . . comments and actions by Taiwan’s President Chen. President Bush said they indicate he may be willing to make decisions unilaterally to change the status quo, which we oppose.”

I guess this means we are back to the one China policy.

Mr. Chairman, while the President zigzags back and forth looking for his China policy, we are still left with a fundamental problem. The people of Taiwan increasingly and realistically see themselves as a separate entity from the Mainland and are less and less likely to accept the same deal that their brethren in Hong Kong got.

Similarly, the PRC is no less committed to the reunification with Taiwan than it was 25 years ago. In fact, as the most recent Defense Department report on the Chinese military notes:

“Preparing for a potential conflict in the Taiwan Strait is the primary driver for China’s military modernization.”

With Taiwan unlikely to accept sovereignty exercised by Beijing, with Beijing unwilling to accept anything but sovereignty over Taipei, I think this argues for the status quo at least as it was before March 2001 when the President muddied the waters.

Thank you, Mr. Chairman, and I look forward to hearing from our witnesses.

Chairman HYDE. Thank you, sir.

Mr. Burton of Indiana?

Mr. BURTON. Thank you, Mr. Chairman.

I was never a big fan of the Taiwan Relations Act. I always felt like the people of free China—that is what I call Taiwan—deserved better treatment than was given in the Taiwan Relations Act. I understand that it may have been helpful in staving off a military conflict, so there may be some positives in that act, but I also think there are a lot of negatives.

One of the negatives that really bothers me is regardless of who is the President of Taiwan, it seems to me unseemly that he cannot visit the United States as a Head of State, and he has to come in almost under the cover of darkness into places like New York after he gets a visa, and Members of Congress cannot meet with him in the capital of the United States, our capital. We have to go to New York or someplace else. That just seems to me unseemly because that is a democracy, and we should be happy they are a democracy and treat them as a democracy.

Now, Chairman Hyde said that Taiwan is a lighthouse of democracy, but right across the Taiwan Strait there are still 10 million—that is more people than there are in Indiana—people in slave labor camps. The human rights violations in China are legion. They are still harvesting spleens and livers and kidneys from live prisoners to sell in the world market to people who are suffering from health problems, and yet we continue to pat them on the back and say they are our good buddies.

President Carter pushed very hard for the Taiwan Relations Act, and I know that it was well intended, but there are still a lot of problems with it, one of which is that we ought to recognize their Head of State and treat him or her, whoever it is who is elected to that position, as a Head of State.

Now, as far as rattling sabres and talking about peaceful reunification, Ranking Member Lantos just said there should be no coercion in the attempt to reunify Taiwan with Mainland China or Communist China. They have 500 missiles pointed at Taiwan, and they rattle their sabres quite frequently.

It seems to me that we ought to be speaking very loudly and with one voice and saying look, if you want peace and you want good relationships with the United States—incidentally, they have a \$123 billion trade surplus with us right now, and we are losing a lot of jobs to Communist China.

If they want to continue to have the greatest market in the world, we ought to say look, you are going to have to start withdrawing those missiles and moving back from the possibility of a confrontation with Taiwan and maybe the United States and take a long, hard look at the success of Taiwan and the freedoms in Taiwan.

Now, I have questions about the last election that took place in Taiwan, but that is something of a different nature that I will talk about when we get to the question and answer session. I do not think I would feel good about leaving this hearing today without saying that Communist China is Communist China. Everybody

keeps talking about it being the People's Republic of China. The people do not have any say in that government.

It is a communist dictatorship with horrible human rights violations, with people in slave labor camps making tennis shoes for the United States of America and the rest of the world. People are mistreated constantly. We all remember Tiananmen Square. At the same time, right across the Taiwan Strait we have freedom and democracy, although they have some problems right now with that last election.

It seems to me we ought to be illuminating that for the people of America and the world. We ought to say that Communist China is Communist China and that they ought to model their government and their institutions after free democratic principles like they have on Taiwan.

Also, if I had my way I would alter the Taiwan Relations Act to allow the Head of State from Taiwan (free China in my opinion), to be able to visit the United States as a Head of State and discuss problems directly with our President.

With that, Mr. Chairman, I appreciate the opportunity to vent my spleen and express my opinions. Thank you very much. I yield back.

Chairman HYDE. Thank you, Mr. Burton.

The Chair will entertain one more opening statement, and then we will get to our witnesses. If anyone else has an opening statement, without objection it will be made a part of the record in full, but the final opening statement is Mr. Rohrabacher for 5 minutes.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman.

Let me just state very clearly that until there are free elections, opposition parties and free press and freedom of speech on the Mainland of China, the communist government should butt out of Taiwan's affairs. They have enough reform to do under their own domain. That should take up their time and their effort as compared to the time and effort that they now are using to try to intimidate Taiwan.

The threat to peace in the Pacific is not too much democracy and independence in Taiwan, but the dictatorship and militarism in Beijing. The people of Taiwan will determine through a democratic process whether or not they want to be part of a government controlled from Beijing.

At this point, let me know that President Chen is the only democratically elected President of any Chinese government, and perhaps he should move to Beijing and take over residence there because what they have in Beijing is not an elected government, thus is not a legitimate government in the eyes of the people of the United States of America.

We believe that the powers of government flow from the consent of the governed. That is what gives the legitimacy. At this point, the people of Taiwan, who are threatening no one, are asking just for the right to have democratic government that they choose in Taiwan, and it looks like the people who hold power in Beijing are basically threatening the peace unless these people are subdued and intimidated and come under their rule.

That is not going to happen. The people of the United States are on the side of those people who believe in democracy. We may have

economic ties with the Mainland, but that should not fool the government into thinking that we will acquiesce to any act of violence to subdue the people of Taiwan and to destroy their freedom.

Let me note that when the Mainland rattles its sabres, which it is doing today and has been doing with putting the missiles on the coastline, it is very difficult to hear the sabres rattle when the chains of slavery are overpowering that sound of the sabres rattling because the chains of slavery on the Mainland have not subsided.

There is every bit as much of a dictatorship today as there ever was in the political arena, so I hope that the people in Beijing get the message. This is not the time and never will be the time for those people to try to intimidate the people of Taiwan until they themselves have reformed the system under their control.

Thank you very much, Mr. Chairman.

Chairman HYDE. I would like to welcome James Kelly. Mr. Kelly was confirmed as the Assistant Secretary of State for East Asian and Pacific Affairs on April 26, 2001. Prior to becoming Assistant Secretary of State, Mr. Kelly was President of the Pacific Forum Center for Strategic and International Studies of Honolulu.

Mr. Kelly previously served in government as Special Assistant for National Security Affairs to President Reagan and as Senior Director for Asian Affairs, National Security Council.

He is a graduate of the U.S. Naval Academy and the National War College. He also earned an MBA from Harvard University. Welcome, Mr. Kelly.

I would also like to welcome Peter Rodman, Assistant Secretary of Defense for International Security Affairs. Prior to his appointment in 2001, Mr. Rodman served as Director of National Security Programs at the Nixon Center.

During the Reagan and first Bush Administrations, Mr. Rodman served as Director of the State Department Policy Planning Staff, Deputy Assistant and Special Assistant to the President for National Security Affairs and National Security Counselor.

Mr. Rodman received degrees from Harvard College and Oxford University. He also earned a Law Degree from Harvard. Welcome, Mr. Rodman.

We are honored to have you both appear before the Committee today.

Mr. Kelly, if you will proceed with a 5-minute summary of your statement? Your full statement will be made a part of the record. Thank you.

Would you put your microphone on?

**STATEMENT OF THE HONORABLE JAMES A. KELLY, ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE**

Mr. KELLY. Thank you very much, Mr. Chairman. It is a pleasure and an honor to appear before the Full Committee today. I welcome the opportunity to provide an overview of United States policy toward Taiwan, an assessment of cross-Strait relations and the challenges that lie ahead.

As you note, my written statement, which is quite long, has been submitted for the record.



This month, sir, we mark the 25th anniversary of the Taiwan Relations Act. The TRA, along with the three communiques and our one China policy, form the foundation for the complex political and security interplay among China, Taiwan and the United States. This is a unique situation with sensitive and sometimes contradictory elements.

Looking back over the last 3 decades, I think we can congratulate ourselves on crafting a policy that has been critical to maintaining peace and stability in the western Pacific while also helping to ensure Taiwan's prosperity and security.

Without denying the challenges and the difficulties that remain, I can confidently report that because of the leadership of seven U.S. Presidents and the active participation of the Congress, our relations with both China and Taiwan—economic, political, cultural and social—are far closer and deeper than most would have ever predicted.

Our policy has made vital contributions easing tensions between Taiwan and the PRC, creating the environment in which cross-Strait people-to-people exchanges and cross-Strait trade are flourishing and creating, we hope, the necessary conditions for peaceful resolution of cross-Strait differences.

It is useful to reiterate the core principles of our policy, Mr. Chairman. First, the United States remains committed to our one China policy based on the three Joint Communiques and the Taiwan Relations Act.

Second, the United States does not support Taiwan independence, and it opposes unilateral moves that would change the status quo as we define it. For Beijing, this means no use of force or threat to use force against Taiwan. For Taipei, it means exercising prudence in managing all aspects of cross-Strait relations. For both sides, it means no statements or actions that would unilaterally alter Taiwan's status.

The United States will continue the sale of appropriate defensive military equipment to Taiwan in accordance with the Taiwan Relations Act. In viewing any use of force against Taiwan with grave concern, we will maintain the capacity of the United States to resist any resort to force or other forms of coercion against Taiwan.

Because the possibility for the United States to become involved in a cross-Strait conflict is very real, the President knows that American lives are potentially at risk. Our one China policy reflects our abiding commitment to preserve peace in the Taiwan Strait so long as there are irreconcilable differences.

We applaud the success of democracy in Taiwan and the dedication of Taiwan's people to the rule of law. The recent tightly and bitterly contested presidential election was a testament to Taiwan's vibrant democracy. I would observe that predictions, many by PRC officials, of street violence and post election chaos were essentially wrong and another tribute to the maturity and judgment of Taiwan's people.

Realistically, any unilateral move toward independence will, in our view, avail Taiwan of nothing it does not already enjoy in terms of freedom, autonomy, prosperity and security. Such measures could carry the potential for a military response from the PRC, a dangerous, objectionable and foolish response if such a

thing were done by China, that could destroy much of what Taiwan has built, and it would damage China too, of course. We in the United States see these risks clearly and trust they are well understood by President Chen Shui-bian and others in Taiwan.

The United States is not a direct participant in the dispute between the PRC and Taiwan, but we have strong interests in doing all we can to create an environment conducive to peaceful resolution. We believe both sides desire and need good relations with one another.

The United States will continue to urge Beijing and Taipei to pursue dialogue as soon as possible through any available channels without preconditions. It is also time the two sides begin exploring measures that reduce the chance for miscalculation and improve communications in the event of a crisis.

I will leave to my prepared statement, sir, further comments about the remarkable economic partnership of Taiwan and the United States and the cross-Straits economic developments that are also important.

Thank you very much, sir.

[The prepared statement of Mr. Kelly follows:]

PREPARED STATEMENT OF THE HONORABLE JAMES A. KELLY, ASSISTANT SECRETARY,  
BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. Chairman, it is a pleasure to appear before you and the other members of the Committee today. I welcome the opportunity to provide an overview of U.S. policy toward Taiwan, as well as the Administration's assessment of relations across the Taiwan Strait, the current situation in Taiwan, and the challenges that lie ahead.

This month we mark the 25th anniversary of the Taiwan Relations Act. The TRA, along with the three U.S. China Joint Communiqués and our one China policy, form the foundation for the complex political and security interplay among China, Taiwan and the United States.

Looking back over the past three decades, I think we can congratulate ourselves on crafting a policy that has been THE key to maintaining peace and stability in the western Pacific while helping to ensure Taiwan's prosperity and security. Without denying the challenges and difficulties that remain, I can confidently report that because of the leadership of seven U.S. Presidents and active participation of the Congress, our relations with both China and Taiwan—economic, political, cultural, and social—are far closer and deeper than most would have ever predicted.

Equally important, our policy and the TRA have made vital contributions to easing tensions between Taiwan and the PRC and creating the environment in which cross-Strait people-to-people exchanges and cross-Strait trade are flourishing and creating, we hope, the necessary conditions for peaceful resolution of cross-Strait differences.

#### CORE PRINCIPLES

It is useful to reiterate the core principles of our policy:

- The United States remains committed to a our China policy based on the three Joint Communiqués and the Taiwan Relations Act;
- The U.S. does not support independence for Taiwan or unilateral moves that would change the status quo as we define it;
- For Beijing, this means no use of force or threat to use force against Taiwan. For Taipei, it means exercising prudence in managing all aspects of cross-Strait relations. For both sides, it means no statements or actions that would unilaterally alter Taiwan's status;
- The U.S. will continue the sale of appropriate defensive military equipment to Taiwan in accordance with the Taiwan Relations Act; and
- Viewing any use of force against Taiwan with grave concern, we will maintain the capacity of the United States to resist any resort to force or other forms of coercion against Taiwan.

Our foremost concern is maintaining peace and stability in order to advance U.S. interests, spare the region the dangers of war, safeguard Taiwan's democracy, and promote China's constructive integration into the global community as well as the spread of personal freedom in China. Because the possibility for the United States to become involved in a cross-Strait conflict is very real, the President knows that American lives are potentially at risk. Our one-China policy reflects our abiding commitment to preserve peace in the Taiwan Strait so long as there are irreconcilable differences.

"STATUS QUO" MESSAGE AIMED AT BOTH SIDES

The President's message on December 9 of last year during PRC Premier Wen Jiabao's visit reiterated the U.S. Government's opposition to any unilateral moves by either China or Taiwan to change the status quo. This message was directed to both sides.

The President and the senior leadership of this administration consistently make clear to Chinese leaders that the United States will fulfill its obligations to help Taiwan defend itself, as mandated in the Taiwan Relations Act. At the same time we have very real concerns that our efforts at deterring Chinese coercion might fail if Beijing ever becomes convinced Taiwan is embarked on a course toward independence and permanent separation from China, and concludes that Taiwan must be stopped in these efforts.

DEMOCRACY IN TAIWAN

The 2004 presidential election was a testament to Taiwan's vibrant democracy. More than eighty percent of eligible Taiwan voters turned out to participate in a free and fair selection of their next President. Although the margin of victory was razor-thin—only one-fifth of one percent—and the attempted assassination of President Chen and Vice President Lu marred the election campaign's final days, the people of Taiwan behaved well and with restraint. We are confident that both sides will use the established legal mechanisms to resolve any questions about the outcome of the election. This matter is Taiwan's internal affair.

We applaud the success of democracy in Taiwan and the dedication of Taiwan's people to the rule of law. This position is consistent with the deeply held values of the American people. Taiwan is a most complex and, in some ways, inconsistent polity. Its economic participation in the mainland Chinese economy is at an unprecedented level, yet it is now undeniable that Taiwan identity has emerged as a political and social issue on the island that figures in election campaigns. However, reliable polling also consistently demonstrates that a clear majority of Taiwan residents prefer the continuation of the status quo to either independence or reunification. The U.S. strongly supports Taiwan's democracy, including the right of its people to elect their leaders and make the full range of decisions about their security, economy, foreign relations, and other issues. But we do not support Taiwan independence. A unilateral move toward independence will avail Taiwan of nothing it does not already enjoy in terms of democratic freedom, autonomy, prosperity and security. Realistically, such moves carry the potential for a response from the PRC—a dangerous, objectionable and foolish response—that could destroy much of what Taiwan has built and crush its hopes for the future. It would damage China, too. We, in the United States, see these risks clearly and trust they are well understood by President Chen Shui-bian and others in Taiwan.

While strongly opposing the use of force by the PRC, we must also acknowledge with a sober mind what the PRC leaders have repeatedly conveyed about China's capabilities and intentions. The PRC refuses to renounce the use of force regarding Taiwan despite our consistent representations stating they should do so. PRC leaders state in explicit terms that China considers Taiwan's future a "vital national interest" and that the PRC would take military action in the event Taiwan declares independence. While we strongly disagree with the PRC's approach, and see military coercion as counter-productive to China's stated intent to seek a peaceful outcome, it would be irresponsible of us and of Taiwan's leaders to treat these statements as empty threats.

What is more, PRC military modernization and the increasing threat to Taiwan indicate to us that Beijing is preparing itself to react in just such a possibility. We encourage the people of Taiwan to regard this threat equally seriously. We look to President Chen to exercise the kind of responsible, democratic and restrained leadership that will be necessary to ensure a peaceful and prosperous future for Taiwan.

There are uncomfortable realities, yet they are facts with which we must grapple. As Taiwan proceeds with efforts to deepen democracy, we will speak clearly and bluntly if we feel as though those efforts carry the potential to adversely impact

U.S. security interests or have the potential to undermine Taiwan's own security. There are limitations with respect to what the United States will support as Taiwan considers possible changes to its constitution. We are uncertain about the means being discussed for changing the constitution. We do not favor if we are unclear in our expectations or obfuscate where those limitations are. The President's policy regarding our opposition to unilateral changes to the status quo will be reinforced in this dialogue with Taiwan about its political evolution.

Taiwan is a success story for democracy in Asia and around the world. We feel strongly that others can benefit from knowing more about Taiwan's achievements. We will explore with our friends in Taiwan how they may be able to promote their story to a global audience, and how we can help to make Taiwan's instructive example available to all countries that are attempting to institute democratic reforms. We can only do this, Taiwan can only do this if it avoids unilateral steps that risk destroying all that it has accomplished.

#### THE UNITED STATES AND CROSS-STRAIT DIFFERENCES

The United States is not a direct participant in the dispute between the PRC and Taiwan, but we have a strong interest in doing all we can to create an environment that is conducive to a peaceful resolution. Resuming the dialogue between the two sides is an important first step. A large part of that effort consists of our promoting a strong bilateral relationship between the United States and the PRC, and a strong unofficial relationship between the United States and Taiwan. We desire and need good relations with both, and believe this positions us best to assist the two sides in getting to the negotiating table on mutually agreeable terms. Indeed, we believe both sides desire and need good relations with one another.

The process of cross-Straits dialogue and contact has moved fitfully over the last 15 years. In the late 1980s, the prospects for cross-Straits reconciliation and dialogue began to take shape with the lifting of martial law in Taiwan and the opening up of the mainland Chinese economy and society. The Nationalist government on Taiwan not only lifted the ban on visits to the Mainland for family reunions, but also allowed the distribution and publication of PRC books and initiated discussion on future cross-Straits trade and investment links.

The 1990s ushered in a decade of incremental consensus-building. Both sides agreed in 1992 that there was one China, but left each side free to express their interpretation of the concept. This ambiguity and decision to reserve differences cleared the way in 1993 for the first high-level meeting in Singapore between heads of the two private intermediary organizations—Taiwan's Straits Exchange Foundation ("SEF") and the PRC's Association for Relations Across the Taiwan Strait ("ARATS").

Lower-level talks continued on a fairly regular basis until they were suspended by Beijing in 1995 after President Lee Teng-hui visited the U.S. The Lee visit prompted China to overreact and launch missile tests and military exercises along the Taiwan Strait. The United States responded quickly to the impending crisis, emphasizing our deep concern to Beijing in diplomatic channels and directing the movement of two aircraft carrier battle groups into the waters off Taiwan. Beijing's heavy-handed response was one factor that helped secure Lee's win in Taiwan's first presidential election by universal suffrage in 1996.

Unofficial exchanges resumed in 1997 through informal meetings between personnel of the two sides' unofficial representative organizations. Direct SEF-ARATS contacts resumed in April 1998, and the SEF Chairman Koo Chen-fu visited the Mainland in October 1998. Koo and ARATS chairman Wang Daohan agreed to further dialogue on political, economic, and other issues, and Wang agreed to make a return visit to Taiwan. His visit, however, was cancelled following statements made by President Lee to the Voice of Germany radio on July 9, 1999 that relations between the PRC and Taiwan should be conducted as "state-to-state" or at least as "special state-to-state relations." ARATS immediately rejected Lee's statement and called it a serious violation of the "1992 consensus."

In March 2000, Democratic Progressive Party candidate Chen Shui-bian became the first opposition party candidate to win the presidency. His victory resulted in the first-ever transition of the presidential office from one political party to another, validating Taiwan's democratic political system. During his May 20, 2000 inauguration, President Chen called for resuming the cross-Straits dialogue without any preconditions. President Chen stated that such talks should be conducted on the basis of the 'spirit of 1992'. He also pledged (1) not to declare independence; (2) not to change Taiwan's official designation as the Republic of China; (3) not to insert the 'state-to-state' theory into Taiwan's constitution; and (4) no plebiscite or referendum on sovereignty issues. He also agreed not to abolish the Guidelines for National Re-

unification and the National Unification Council. The PRC, however, has insisted that President Chen must recognize the 'one China principle' before official talks can resume.

Despite the differences between Taiwan and the PRC, unofficial contact between the two sides has grown significantly. Taiwan continues to relax restrictions on unofficial contacts with the PRC, and cross-Strait interaction has mushroomed. In January 2001, Taiwan formally allowed the 'three mini-links' (direct trade, travel, and postal links) from two small islands very close to the mainland to Fujian Province. The following year, President Chen defined the status quo as being "one country on each side of the Taiwan Strait", once again sparking criticism from Beijing and his domestic opponents.

Our position continues to be embodied in the so-called "six assurances" offered to Taiwan by President Reagan. We will neither seek to mediate between the P.R.C. and Taiwan, nor will we exert pressure on Taiwan to come to the bargaining table. Of course, the United States is also committed to make available defensive arms and defensive services to Taiwan in order to help Taiwan meet its self-defense needs. We believe a secure and self-confident Taiwan is a Taiwan that is more capable of engaging in political interaction and dialogue with the PRC, and we expect Taiwan will not interpret our support as a blank check to resist such dialogue.

In the final analysis, the Taiwan issue is for people on both sides of the Strait to resolve. This is the only way a peaceful and durable solution can be found and it is a vital element in guaranteeing long-term peace and stability in East Asia. Taiwan faces many challenges in the years ahead, and recurring crises with Beijing can only interfere with the central tasks of promoting democracy, ensuring economic growth, advancing the popular welfare, and enabling Taiwan's security. Beijing likewise faces daunting challenges in overcoming poverty and backwardness, establishing the rule of law, and beginning a process of political reform and opening up. China would gain nothing from a conflict. It would undermine a historic transformation through which China has become a respected member of the international community. War in the Strait would be a disaster for both sides and set them back decades, and undermine everything they and others in the region have worked so hard to achieve. We continue to urge Beijing and Taipei to pursue dialogue as soon as possible through any available channels, without preconditions.

In the absence of a political dialogue, we encourage the two sides to increase bilateral interactions of every sort. Clearly, there would be economic benefits for both sides by proceeding with direct aviation and shipping links. The increasing people-to-people contacts may also ease tensions. It is also time that the two sides begin exploring confidence building measures that reduce the chance for military miscalculation and accidents, and improve the quality of communications in the event of a crisis. Any such mutual reassurance mechanisms should be truly mutual, and not a one-way pass for the other side.

#### U.S. TAIWAN SECURITY RELATIONSHIP

The United States is committed to make available defensive arms and defensive services to Taiwan in order to help Taiwan meet its self-defense needs. A secure Taiwan is more capable of engaging in political interaction and dialogue with the PRC. The United States has provided Taiwan with a significant quantity of defensive weapons over the last twenty-five years, and during that challenging period has been Taiwan's most reliable—and often only—supplier of weapons.

The PRC has explicitly committed itself publicly and in exchanges with the United States over the last 25 years to a fundamental policy "to strive for a peaceful resolution to the Taiwan question." If the PRC meets its obligations, and its words are matched by a military posture that bolsters and supports peaceful approaches to Taiwan, it follows logically that Taiwan's defense requirements will change. However, the post-1999 PRC program of military modernization, including deployment of a steadily growing number of short range ballistic missiles (SRBM) targeted on Taiwan, undermines confidence in China's commitment to deal with the cross-Strait situation peacefully and requires a measured response on our part, under the TRA, to provide appropriate defensive military equipment to Taiwan. China's missile deployments against Taiwan are increasing by 50–75 missiles per year. As Secretary Powell stated last month during a public speech, "China's military build-up opposite Taiwan is destabilizing. We urge a posture more conducive to the peaceful resolution of existing disputes."

Taiwan's implementation of the National Defense Law and the revised Ministry of National Defense Organization Law, which brought Taiwan's military command and administrative structures clearly under civilian control, was a signal achievement long sought by the United States. We continue to urge the full implementation

of civilian control over the military and the development of civilian expertise on security and military affairs.

After years of steadily declining budgets, Taiwan's political leadership has stated that they are committed to spending more on defense. Over the past 10 years, Taiwan's defense budget as a percentage of GDP has dropped from 4.75% to 2.6%. Taiwan's FY04 defense budget is NT\$260.00 billion (US\$7.62 billion). This is up from NT\$251.5 billion in 2003. However it still does not allow purchase of "big-ticket" items approved by the U.S. for sale to Taiwan since 2001.

Recent major acquisitions that Taiwan has made include the purchase of four KIDD-class destroyers in 2003. These destroyers will fill gaps in the Taiwan Navy's fleet air defense and Anti-Submarine Warfare (ASW) capabilities. The destroyers are being refurbished now and will be delivered to Taiwan in 2005.

We also just notified Congress last month of a possible sale to Taiwan of two long-planned Ultra High Frequency long range Early Warning Radar systems. The estimated cost of these radars is US\$1.776 billion. The radars will give Taiwan early warning and detection of ballistic and cruise missiles, as well as aircraft. These systems will be a vital component of Taiwan's air and missile defense architecture.

Taiwan's Ministry of National Defense is engaged now in the process of developing a special budget request that will enable Taiwan to acquire priority capabilities in missile defense and Anti Submarine Warfare ("ASW").

Taiwan's political and military leaders have formally recognized Taiwan's military needs to reform, moving away from a military dominated by ground forces to one that emphasizes jointness and is better suited to the task of defending against the PLA's increasingly modern air and sea forces. In support of Taiwan's efforts the United States is engaged in a range of interactions with Taiwan's defense and military leadership consistent with the framework of U.S. policy, focused on acquisition of priority capabilities in areas such as Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance ("C4ISR"), air/missile defense, anti-submarine warfare (ASW), and other planning and training exchanges. Our security assistance policy and arms sales to Taiwan are helping Taiwan build and maintain a self-defense capability that is flexible, joint, responsive to civilian control, and sufficient to meet the threat from Beijing.

It is important to note that our security relationship is not limited exclusively to ensuring the security of Taiwan. Taiwan is a strong partner in war on terror, which contributes in a very direct way to U.S. and global security. We hope to conclude the Container Security Initiative agreement with Taiwan soon. We also deeply appreciate the immediate and heartfelt response of the people and the government of Taiwan after the attacks of September 11 and the contributions of Taiwan to reconstruction of Afghanistan and Iraq.

#### TAIWAN IN INTERNATIONAL ORGANIZATIONS

The United States continues to be a strong supporter of Taiwan's participation in international organizations, either as a member, when possible, or in an appropriate form when membership is not possible. We actively support observer status for Taiwan in the World Health Organization ("WHO").

We want to find a way forward for Taiwan's participation in the World Health Assembly that will receive broad support among WHO Member States. In order for this effort to succeed, the focus has to be on the importance of including Taiwan as part of global efforts to safeguard public health. In that regard, we encourage Taiwan's efforts as an active player and a responsible member of the international community on health issues. During the past three years, we have worked intensively with Taiwan representatives in Washington, Taiwan, and Geneva in order to advance the goal of participation by Taiwan in the WHO. We have held annual strategy meetings, most recently in early April 2004, to hear Taiwan's plans and to work together with Taiwan on how best to advance Taiwan's legitimate interest in contributing to the work of the WHO. Taiwan's problem obtaining observer status is certainly not due to a lack of U.S. commitment.

We hope the PRC will adopt a more constructive view and will join in an effort that shows genuine compassion for the people of Taiwan. Although WHO observership explicitly does not require statehood and several WHO observers are not nations, the PRC has actively lobbied to block even the placement of consideration of Taiwan's observership on the World Health Assembly agenda. This is a mistake that only alienates the people of Taiwan. The question of Taiwan's participation in the WHO deserves a full vetting by the international community, and Taiwan can certainly count on the United States to vote in favor of including the Taiwan observership issue on the World Health Assembly agenda should the issue come to a vote. We hope to move beyond that question, and look forward to sup-

porting an appropriate resolution, and ultimately voting in favor of Taiwan's candidacy for observership.

#### TAIWAN: A GLOBAL ECONOMIC PLAYER

In recent decades, Taiwan has successfully weathered an enormous economic transition. Fifty years ago, the island was primarily agricultural. By the 1970's, it had become a major exporter of labor-intensive goods such as shoes, textiles, and plastics. Today, Taiwan is a world leader in information technology products and its economy is increasingly oriented towards knowledge-based services. Taiwan's economic growth is an area which has brought the two sides of the Strait closer together and has made Taiwan a major economic player on the world stage.

During the past twenty years, per capita GNP in Taiwan has grown from about \$7400 in 1980 to an estimated \$13,000 today. Entrepreneurial talent, coupled with forward-looking government programs, have enabled hi-tech industries to emerge, placing Taiwan companies in the top rung of semiconductor producers and information technology product manufacturers. The majority of the world's notebook computers, for example, are made by Taiwan firms—an industry that did not even exist 15 years ago. Taiwan is the world's third largest holder of foreign currency reserves, America's eighth largest trading partner, and the world's seventeenth largest economy. The island has achieved its economic stature despite few natural resources and a relatively small domestic market. High levels of education and a dedicated work force have been among the major drivers of Taiwan's impressive economic development.

#### DEVELOPMENT OF THE CROSS-STRAIT ECONOMIC BOOM

Despite the outbreak of SARS and ongoing political tensions, China became Taiwan's top trading partner in 2003, even without the presence of direct cross-strait transportation. Japan and the U.S. dropped to second and third place, respectively. Trade between Taiwan and China reached \$46 billion last year, up nearly 25% over 2002. Almost one-quarter of Taiwan's exports went to China, while PRC imports made up 8.6% of Taiwan's total imports. Taiwan's trade surplus with the PRC grew by 13.4% last year.

The PRC is also the number one destination for investment by Taiwan businesspeople. Taiwan's Ministry of Economic Affairs approved \$35 billion of Mainland investments between 1991 and 2003. Most private analysts believe the actual figure to be around \$70 billion when undeclared projects are included along with money flows from Taiwan investments channeled through third locations. In 2003, Taiwan approved investment of \$4.59 billion in the PRC. Estimates of the number of Taiwan citizens living full-time in the PRC run from 500,000 to as many as one million.

These robust cross-strait economic ties began less than two decades ago. From 1949 until 1987, Taiwan had banned trade, investment, transportation and communications with the PRC. Beginning in 1987, Taiwan residents were allowed to visit the PRC in increasing numbers, and to invest so long as they went through a third location such as Hong Kong. As wage and land costs in Taiwan were soaring, labor-intensive Taiwan industries such as textiles, footwear, and plastics began departing the island for cheaper labor and land in the PRC and ASEAN countries. Much of Taiwan's investment in the PRC reflects the normal cycle of business transition, from import substitution to export-led growth, from labor-intensive products to more capital- and technology-intensive goods, and from doing all operations in Taiwan to moving production off-shore to take advantage of an increasingly global economy. The advantages to Taiwan businesses of working in China were obvious, given the low cost labor, land and other inputs that have also attracted other foreign investors. Linguistic and cultural affinities gave Taiwan businessmen immediate advantages compared with non-Chinese investors, while for its part, the PRC welcomed its "Taiwan compatriots" to invest and trade in the mainland.

Taiwan's trade with and investment in the PRC soared, although it is difficult to calculate exact figures because people, goods, and finance flow across the Strait indirectly, because both sides keep different statistics, and because a proportion of Taiwan investment in the PRC continues to go unreported. Whatever the exact figures may be, the trend has been clear. According to Taiwan statistics, two-way trade reached \$25.8 billion in 1999. Only \$4.5 billion of that was imports to Taiwan from the PRC, since Taiwan has restricted imports from the mainland. In the mid-1990s, Taiwan launched its "no haste, be patient" and "go south" investment policies aimed at slowing the flood of Taiwan investment in the PRC and directing it elsewhere. Despite these policies, the rate of growth of Taiwan's investment in Southeast Asia slowed steadily, and there was an increase on average of 23% per year in realized

investment in the PRC in the mid-to-late 1990s. Approximately 40% of Taiwan's outward investment is now in the PRC.

#### THE THREE LINKS

Taiwan and China have yet to establish the "Three Links"—direct trade, transportation, and postal services across the Taiwan Strait—although as the cross-Strait economic relationship grows, the economic incentives to establish direct links will grow. In 2001, the "mini links" were created to allow travel and trade between Taiwan's offshore islands of Kinmen and Matsu and China's Fujian Province. Activity via the "mini links" has grown rapidly, but it remains a small part of overall trade. In early 2003, Taiwan permitted its air carriers to ferry Chinese New Year passengers back and forth across the Strait by way of "indirect charter flights" that touched down briefly in Hong Kong or Macau. Taiwan and China did not repeat the charter flights during the 2004 Chinese New Year, in part because the two sides could not agree on the terms for meetings to discuss how PRC carriers might also participate.

In addition to concern about over-dependence on a potential adversary, Taiwan worries that direct cross-Strait links could speed the "hollowing out" of Taiwan's economy and create problems of unemployment in Taiwan. While Taiwan's concerns about overdependence and hollowing out cannot be dismissed, these issues need to be seen in the broader context of global interdependence. Cross-Strait trade is not occurring in a vacuum, and both sides are connected to world trade. Even though approximately 25% of Taiwan's exports go to the PRC, most of those goods end up re-exported from China to developed country markets.

For example, if the PRC were to adopt economic sanctions against Taiwan business due to a cross-Strait political crisis, much of the damage would fall on China itself, not just Taiwan. According to one 1997 study by a Taiwan's Chung-hua Institute for Economic Research, if Taiwan's exports to China were disrupted by one dollar, China's exports produced by Taiwan invested companies would decline by five dollars. The negative impact on regional and global supplies, particularly in IT products where Taiwan continues to be a world leader, would be devastating. These factors may have been one reason why in 1995–1996, when cross-Strait tensions erupted and the PRC launched missile tests, China did not match its military threats with economic sanctions against Taiwan businesses. As a corollary, predictions that Taiwan businessmen invested in the mainland would pressure their government to make political concessions to China in 1995–1996 and 1999–2000 have also not proven correct, although some did urge their political leaders in Taipei to be cautious.

#### THE GLOBAL IT HIGHWAY RUNS ACROSS THE STRAIT

The IT global supply chain offers important insight into the relationship between globalization and cross-Strait trade. The PRC surpassed both Japan and Taiwan to become the world's second largest information hardware producer in 2002, after the United States. Much of this was due to the steady migration of Taiwan industrial investment across the Strait. Taiwan is now second only to Japan as a source of total imports to the PRC, with a 12% share. Nearly three quarters of those imports from Taiwan to the PRC are production inputs for assembly and processing that are then re-exported. While China now ranks as a major player in global IT production, according to numerous private estimates, more than 50% of Mainland China's information technology production is generated in facilities run by Taiwan companies. Thus, China's production in the IT sector depends on Taiwan, not the other way around. Taiwan's foreign direct investment could be said to be an important component of China's economic development and political stability.

#### TAIWAN'S ECONOMIC FUTURE

Economic relations with the PRC, which have been steadily liberalized in recent years, also will be a major factor in Taiwan's economic prospects. Diversification of foreign direct investment is always a prudent practice, as is a realistic attitude toward China's economic potential. With these principles in mind, Taiwan investment in the PRC can be a "win-win-win" solution for Taiwan, the PRC and the world economy as a whole. The island's role in world trade is even more critical for Taiwan's future overall competitiveness. Taiwan has emerged as a ranking international economy and an industrial powerhouse. As one of the Asian tigers, it has benefited from good policy, sound economic fundamentals, a good educational system, an outstanding workforce, and the suppleness of Taiwan's industrial structure, which is dominated by small- and medium-sized firms. Today, Taiwan's leaders are looking to new sectors such as biotechnology, optoelectronics, and nanotechnology as



areas where Taiwan can maintain its world-class reputation and create new opportunities for growth. Taiwan's Challenge 2008 National Development Plan calls for an additional USD \$16 billion, over six years, beyond existing commitments to improve infrastructure, facilitate R&D, and create new jobs.

In order for the Challenge Plan to succeed, Taiwan will have to address both international and domestic market factors. It needs to continue with reform of the financial system, improve the investment climate, and continue to implement WTO accession commitments. Taiwan's record of IPR piracy and protectionism for domestic producers and service providers in recent years has left much to be desired. In an increasingly knowledge-based economy, Taiwan will have to do more to protect intellectual property. Taiwan also needs to do more to enhance its attractiveness as a destination for more foreign direct investment. Such changes will position Taiwan to continue to play a major role in the international economy as well as to be an important economic partner of the United States.

#### OUR ECONOMIC PARTNERSHIP

Today, Taiwan is the eighth largest trade partner of the United States. Taiwan bought \$17.48 billion in U.S. goods in 2003, while the U.S. imported \$25.9 billion from Taiwan last year. It is our sixth largest market for agricultural products, and ninth largest export market overall. We continue to encourage Taiwan to improve its protection for intellectual property, through strengthening both law and law enforcement, improve market access and transparency for rice imports, meet its multilateral and bilateral commitments on pharmaceuticals, and firmly establish an open market for telecommunications services. Taiwan has taken encouraging steps on IPR enforcement in the past year. While more remains to be done in all these areas, we hope Taiwan will continue and strengthen its efforts. This will in turn brighten prospects for stronger U.S.-Taiwan economic ties under our existing Trade and Investment Framework Agreement, and, if appropriate, future consideration of a possible Free Trade Agreement.

#### CONCLUSION

The Taiwan Relations Act has been a tremendous success, and we endeavor to make sure that success is sustained in the future. We have built a strong unofficial relationship with Taiwan that emanates from a foundation of shared values and mutual interests. Our interactions with Taiwan are to our mutual benefit in the economic sphere, in bilateral security interests, and global security. Taiwan is a good friend to the United States, as we are to Taiwan. As such, Taiwan can count on sustained US support as it addresses its many important challenges. This very much includes Taiwan's efforts to develop its democracy. And we expect Taiwan to respect our interests in stability embodied in the Taiwan Relations Act. On that basis of mutual acknowledgement of and respect for our interests, the road ahead is promising.

Thank you.

Chairman HYDE. Thank you, Mr. Kelly.

Before we ask Mr. Rodman to make his presentation, while we have been praising Lester Wolf, justifiably so, a colleague who deserves equal recognition is in the audience, and that is former Congressman Ben Gilman, who was Chairman of this Committee and served with Lester Wolf and was a co-author or architect of that legislation.

It is easy to find both of you in the crowd. I just look for white hair. Congratulations, and thank you, Ben. [Applause.]

And now Mr. Rodman.

#### **STATEMENT OF THE HONORABLE PETER W. RODMAN, ASSISTANT SECRETARY FOR INTERNATIONAL SECURITY AFFAIRS, U.S. DEPARTMENT OF DEFENSE**

Mr. RODMAN. Thank you, Mr. Chairman, Mr. Ranking Member, Members of the Committee. I, too, congratulate you on holding this hearing. It is a timely hearing.

We have just had this close election in Taiwan. We have just had a trip by Vice President Cheney to China, and this is an opportune

moment to take a close look at this important cornerstone of United States security policy in East Asia.

Many things have changed in the last 25 years. Not only the end of the cold war, but dramatic changes in both China and Taiwan. The overall framework of our policy has endured, and I agree with other comments this morning that the overall framework of our policy has proven its value. The TRA is a crucial pillar of that policy.

As Mr. Kelly mentioned, this framework consists of commitments we have made to both sides—the three communiques and of course the commitment expressed in the TRA. We encourage a peaceful resolution of that conflict. We do not support independence. We oppose unilateral steps by either side that would change the status of Taiwan.

I work now for the Department of Defense, and it is our job to pay particular attention to—and we cannot stress too strongly this country's opposition to—the use or threat of force. We consider that maintaining a deterrent balance of power in the Strait is a contribution both to stability and to the incentive for a peaceful solution.

The Department of Defense maintains an active dialogue with our friends on Taiwan, on their defense, their security. It is a dialogue not only on hardware. It is a dialogue on what their priorities should be, on doctrine, on training, on the importance of jointness and on other things that are the means by which we can support their ability to defend themselves.

My prepared statement discusses a number of obstacles and problems and challenges that Taiwan faces. Some of them are external constraints. Some of them are internal problems in Taiwan. We hope that in our dialogue with the Taiwanese we are able to help them. In fact, our bottom line is that these challenges, while serious, are surmountable.

Now, at the end of my prepared statement I made a few additional comments on why our opposition to the use of force is so important to our policy. This has been a common factor in the policies of every American President, every American Administration since the beginning.

I will mention just one reason why the use of force by China would be of enormous significance—because it would tell the world a great deal about China, about the nature of this growing, emerging power.

We all know that China is an emerging economic powerhouse, and its economic power is enabling it to accelerate a military modernization that is certainly threatening to Taiwan. What kind of China will we see that emerges? Will it be a China that continues to integrate peacefully into the international system, or will it be a China that uses force, that resorts easily to the use of force to settle a dispute?

That is a pretty fundamental question for all of China's neighbors, not only Taiwan, and certainly for us. That is why a peaceful resolution of the Taiwan problem remains so crucial not only to the people of Taiwan and China, but to the international order.

The TRA has embodied this consistent U.S. policy for 25 successful years, and we are confident that it will continue to play a positive role in the period ahead.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Rodman follows:]

PREPARED STATEMENT OF THE HONORABLE PETER W. RODMAN, ASSISTANT SECRETARY FOR INTERNATIONAL SECURITY AFFAIRS, U.S. DEPARTMENT OF DEFENSE

Mr. Chairman, Mr. Ranking Member, and Members of the Committee.

I congratulate you for holding this hearing addressing the Taiwan Relations Act—the Next Twenty-Five Years. In light of the recent presidential elections in Taiwan and Vice President Cheney’s visit to China, this is an opportune time to take a close look at this important cornerstone of U.S. security policy in East Asia.

Twenty-five years ago, on January 1, 1979, the United States normalized relations with the People’s Republic of China, terminated governmental relations with the governing authorities on Taiwan, and enacted the Taiwan Relations Act (TRA). Many changes that have occurred since then—the end of the Cold War as well as dramatic changes both on Taiwan and in China—but the framework of our overall policy has endured. This has underpinned both peace in the Taiwan Strait and a thriving democracy on Taiwan. As we look forward to the next twenty-five years, the TRA remains a crucial pillar of that policy.

The TRA requires essentially two things from the United States Government: that we assist Taiwan in its defense, and that we ourselves retain the capacity to resist the use of force against Taiwan. I would like to explain how we approach these obligations.

U.S. SUPPORT FOR TAIWAN’S DEFENSE:

The United States Government actively engages with Taiwan to meet our commitments under the TRA. We closely monitor the security situation in the Strait, making available defense articles and services to Taiwan to ensure it can maintain a sufficient self-defense capability. We also work with Taiwan on a series of other initiatives to help Taiwan address shortcomings in its military readiness, and we maintain our own capabilities to assist in the defense of Taiwan if required.

Specifically, the TRA stipulates that “the United States will 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.” The TRA states that “the 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, in accordance with procedures established by law.” The TRA further asserts that “such determination of Taiwan’s defense needs shall include review by United States military authorities in connection with recommendations to the President and Congress.” Section 2 (b) states:

It is the policy of the United States . . . to consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States; to provide Taiwan with arms of a defensive character; and 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.

The United States takes these obligations very seriously. The President’s *National Security Strategy*, published in September 2002, calls for “building a balance of power that favors freedom.” 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.

The United States remains committed to its undertakings toward Beijing—its commitment to the “Three Communiqués” of 1972, 1979, and 1982, and to our One-China policy. We encourage a peaceful resolution of the dispute, and oppose unilateral steps by either side that would change the status of Taiwan. But, especially for the Department of Defense (DoD), we cannot stress too strongly this country’s opposition to the use or threat of force. We consider that maintenance of a deterrent balance of power in the Strait is a contribution both to stability and to the incentive for a peaceful solution.

This has been a bipartisan commitment. As President Clinton put it in February 2000, we “will continue to reject the use of force as a means to resolve the Taiwan

question. We will also continue to make absolutely clear that the issues between Beijing and Taiwan must be resolved peacefully and with the consent of the people of Taiwan.”

#### TAIWAN’S CHALLENGES:

##### *PRC Military Modernization*

As it enters the 21st century, Taiwan faces significant challenges. China is growing into an economic powerhouse, and its new-found economic strength has enabled it to launch an ambitious military modernization. The PRC is steadily amassing greater military power which could be used to coerce or intimidate Taiwan into a political settlement on its (Beijing’s) terms. The PRC’s ambitious military modernization, and deployments across the Strait opposite Taiwan, raise concern about its declared preference for resolving differences with Taiwan through peaceful means. This modernization is aimed at improving China’s force options against Taiwan, and at deterring, countering, or complicating U.S. military intervention. It is focused on exploiting vulnerabilities in Taiwan’s national and operational-level command and control system, its integrated air defense system, and its reliance on sea lanes of communication for sustenance. As China seeks to provide its leadership with credible options for the use of force, Taiwan’s relative military strength will decline unless it makes significant investments in defense.

##### *Taiwan’s Isolation*

As China accelerates its force modernization, Taiwan remains isolated, especially in the area of security cooperation. In the international community, the United States stands almost alone in its willingness to assist in the security of Taiwan. Taipei’s isolation limits its choices on procurement and force modernization. Taiwan’s isolation also constrains its ability to exploit technological, organizational, and doctrinal aspects of today’s global military transformation. Finally, its isolation creates uncertainties with regard to procurement of foreign weapon systems, which in turn complicates development of a long-term, coherent force modernization strategy.

#### OTHER CHALLENGES

Taiwan faces internal challenges in this respect as well. The difficulties it has encountered in fostering a national consensus over defense strategy, its highly charged partisan political competition, and Service parochialism, all complicate Taiwan’s force modernization. Over the last ten years, Taiwan’s defense budget has shrunk in real terms and as a proportion of its gross domestic product (GDP). We have made clear to our friends on Taiwan that we expect them to reverse this defense budget decline. Though our commitments to Taiwan are enduring, the American people and both the Executive Branch and Congress expect the people of Taiwan to make their own appropriate commitment to their freedom and security.

#### OVERCOMING CHALLENGES:

These challenges are serious, but they are not insurmountable. The U.S. defense relationship with Taiwan seeks to reverse the negative trends in its ability to defend itself, thereby decreasing the prospects that U.S. military intervention would be necessary in a crisis. The goal is to strengthen deterrence, and to reinforce the prospects for a peaceful and just solution. For deterrence to be effective, we must be prepared to swiftly defeat any PRC use of force.

The United States maintains an active dialogue with Taiwan’s defense authorities to better understand their current capabilities and future requirements, and to assist Taiwan in improving its defense.

Since 1997, DoD has conducted more than a dozen studies, reports, assessments, and surveys that have evaluated Taiwan’s legitimate defense needs. Armed with a solid base of knowledge and consistent with our legal obligations under the TRA, the U.S. is assisting Taiwan to create a professional, civilian-controlled defense establishment that is modern, joint, and able to function effectively should it be required to defend itself. Though a variety of forums and channels, DoD is supporting Taiwan in developing an integrated national security strategy; joint doctrine, and integrated capabilities for training, employing, and sustaining joint forces.

The U.S.-Taiwan defense dialogue has succeeded in focusing attention on critical steps that must be taken in order to enhance Taiwan’s defense in the next three to five years. Taiwan has taken positive steps to modernize its C4ISR system and undercut the political and military utility of the PRC’s most effective means of coercion—its growing arsenal of increasingly accurate and lethal conventional ballistic missiles and ever more capable submarine force. Taiwan has invested in passive defense systems, streamlined its military force, addressed pilot shortages, and drafted

and implemented a detailed plan for the recruitment and retention of civilian personnel.

While modernizing its force in a focused manner, Taiwan must redouble its efforts. Reversing the decline in its defense budgets should be a priority. We expect Taiwan to go forward with its plan to pass a "Special Budget" this summer to fund essential missile defense and anti-submarine warfare systems and programs. We urge all political parties in Taiwan to support this essential measure. We also believe that Taiwan should devote more resources to readiness, including personnel management and training. Taiwan should further strengthen its strategy and force planning processes, and develop the means to identify and correct deficiencies. We also recommend that Taiwan enhance interoperability among its Services.

#### CHINA AND U.S.-TAIWAN RELATIONS:

Our defense cooperation with Taiwan is consistent with our TRA obligations and reflects the serious security challenges posed by Beijing's rapid military build-up across the Strait. The People's Liberation Army's growing sophistication, including its efforts to complicate U.S. intervention, calls for more cooperation between the United States and Taiwan to improve Taiwan's ability to defend itself and reduce the danger to U.S. forces should China's actions impose a crisis upon us. We have available a wide range of security assistance tools that are consistent with the unofficial nature of our relations with Taiwan.

The President's *National Security Strategy* report stated this Administration's goal of a constructive relationship with a changing China. But it also stated, with candor, some basic questions that remain unanswered about the path that China will follow in both its internal evolution and its military policies. The answers to these questions will be of central importance to the future of the Taiwan issue and of the TRA.

The United States has consistently made clear, since President Nixon's historic breakthrough, that we would accept any solution freely agreed to by the parties on both sides of the Taiwan Strait. We have also been clear that we oppose unilateral efforts by either the PRC or Taiwan to change the status quo. In short, we are not the obstacle to resolution. But the United States has also consistently made clear, through every Administration since then, that a Chinese attempt to use force would inevitably involve the United States.

There are a number of reasons why this is true:

- First, whether an alliance or the careful articulation of the TRA, American words and the spirit behind them have a wider meaning. America's allies and others who rely on us will be watching how we live up to our commitments.
- Second, China knows that an attempt at forcible subjugation of the people on Taiwan would not only fracture the basis of the US-China relationship as spelled out in the Three Communiqués. It would also be judged around the world to be a rejection of international standards that champion peaceful solutions.
- Thus, how China conducts itself in dealing with Taiwan will tell the world a great deal about how China—a rapidly emerging power—will use its growing strength. Will China continue on its peaceful course of integrating into the international system? Or will it resort readily to its growing military strength to resolve disputes? This basic question accounts for the harsh international reaction to Chinese missile launches during a Taiwan Strait mini-crisis in 1995–96. It remains an important question in the minds of all China's neighbors.

#### CONCLUSION:

Mr. Chairman, Mr. Ranking Member, and Members of the Committee:

This is why a peaceful resolution of the Taiwan problem remains so crucial not only to the peoples of China and Taiwan, but to the international order. The Taiwan Relations Act has embodied this consistent U.S. policy for 25 successful years. The TRA, we are confident, will play the same positive role in the coming period.

Thank you.

Chairman HYDE. Thank you, Mr. Rodman.

Now we will entertain questions. Mr. Lantos?

Mr. LANTOS. Thank you very much, Mr. Chairman.

We are dealing with an unusually delicate and complex diplomatic issue. It has national defense ramifications, economic rami-

fications, political ramifications. I think as much of us have stated, the Taiwan Relations Act has done a remarkable job over a quarter century, and we have every intention of continuing the basic policies.

I would like to focus on one aspect, and I would like both of our guests to respond as candidly and as fully as they are capable.

I believe in the field of international relations, symbolism is very important. I believe that the symbolic aspects of our handling of our relations with Taiwan are arcane, unacceptable, inappropriate and humiliating to us, as well as to our friends in Taiwan.

We do not wish to move fast with dramatic changes in the military or other arenas. We understand the importance of preserving peace in the region. I for the life of me cannot understand the continued insistence of this Administration on truly absurd diplomatic policies such as denying the President of Taiwan the right to visit Washington, DC, the right to meet with Members of Congress here in our Nation's capital.

The government in Beijing has its own priorities and its own goals. We do not need to embrace those goals. I find it humiliating when we make clumsy attempts to do so, so I would like to ask both of our guests what their view is, what the government's view is, of modifying after 25 years these diplomatic insults to our friends in Taiwan.

Things evolve. Russia attends NATO partnership meetings at NATO Headquarters. We are moving hopefully toward a resolution of the Cyprus dilemma, but in this case there is an attempt to freeze a situation which may have been justified 25 years ago in perpetuity, ad nauseam and ad infinitum.

I find it humiliating that Members of Congress have to get on a plane to go to New York to meet with the President of Taiwan. I do not think the PRC should have the right to tell Members of the United States Congress where we can meet with the leader of Taiwan. This is an absurdity, and I would be grateful if the two of you could respond.

Mr. KELLY. Mr. Lantos, the point I would make is that yes, practices of 25 years or any length of time always need to be particularly examined, but in changing long-established policies that have been supported by many Presidents, signals and messages are sent not from the past, but in current terms.

It is far from clear to me, at a time of anger by many Taiwan citizens against what they properly view as pressures from the Mainland, these tendencies which can have dangerous implications that may not be fully recognized might well be impacted by a decision and a choice by a U.S. Administration to change a long-standing policy.

The success of the TRA is because it has not been changed and because it has served so well through a variety of circumstances over the years, sir, and I think any changes of that sort would have to be very carefully made.

Mr. LANTOS. Mr. Secretary, I am not suggesting a hasty change in policy. We have had 25 years to view this policy. As I look at my colleagues across the board here, several of us had several meetings with the President of Taiwan outside of Washington. I think this is absurd. This allows Beijing to make policy for Mem-

bers of the United States Congress as to where they may have the opportunity of meeting with the head of a very friendly government.

I was in Taiwan the first time in the early 1960s when Taiwan was a destitute police state. Taiwan has achieved what we hope to achieve globally, to see the economy prosper and to have a full-fledged democracy evolve. This is a multiparty society with free media. We should be honoring the head of such an entity.

When a previous Administration—not yours—denied the visa to the democratically elected President of Taiwan and I read that on the front page of the New York Times, I went through the roof because that is not the country I came to. I came to a country which believes in its principles, and when the Congress defied the Administration and the President of Taiwan did go to Cornell, his alma mater, the world continued spinning, and no World War III erupted.

I just do not buy, Mr. Secretary, with all due respect, your statement that long-established policies need to be viewed as sacrosanct forever. That is an absurdity. Many of us on this Committee and in this House feel that some symbolic gesture recognizing the enormous progress politically in Taiwan needs to be made by this Administration.

I do not think anybody this side of insanity would argue that if the President of Taiwan is allowed to visit Washington war would break out. We had this nonsense when the previous President visited Cornell, and nothing happened. I would be prepared to make a very generous bet with you that if congressmen can meet with the President of Taiwan in Washington, nothing will change. Nothing will happen.

Mr. KELLY. Mr. Lantos, in 1995, sir, missiles flew from China in the direction of Taiwan, and the United States took action to direct the movement of at least two carrier battle groups in the direction of Taiwan. Tensions dramatically increased.

Second, sir, policies are not considered and continued simply because, as you suggest, they are considered sacrosanct. They are continued only because of the reasons and the messages that a change would convey.

Third, sir, reception of a governmental leader in the United States constitutes a recognition that goes way beyond celebrating a democratic process and would compromise the one China policy, our one China policy that has marked our relations with Taiwan and the PRC since 1979.

Mr. LANTOS. Mr. Rodman?

Mr. RODMAN. I would just say a couple of things. One is that it is clearly a unique situation, with all its anomalies.

I am sure there is nothing comparable in diplomatic history to what happened on January 1, 1979, when we “derecognized” a country and yet simultaneously established the basis for de facto relations with it on a continuing basis, including in the defense field. The anomalies are obvious, and there they are.

The second point I would make is the last couple of years have been particularly complicated. There has been a degree of tension that strengthens the arguments for caution. It makes it harder to

advocate dramatic changes or even other kinds of changes in even symbolic things. I think that is how we have conducted ourselves.

Mr. LANTOS. Thank you, Mr. Chairman.

Chairman HYDE. Mr. Leach?

Mr. LEACH. Without disagreeing with anything my distinguished colleague just said, I want to just emphasize the big picture for a moment. We are here to celebrate an act of the United States Congress that is 25 years old. I think it is worth celebrating.

It is worth celebrating because if we look at today's situation, over five Administrations the United States Congress and the United States Executive have conducted a fully consistent foreign policy. The foreign policy has been consistent, although, as Secretary Rodman notes, there are anomalies in the philosophical underpinnings of it.

In this consistent foreign policy, the world has been made more secure. The region has been made more secure. At this very moment, the United States of America has never had warmer relations with Taiwan nor better relations with the Mainland. Part of it relates to a series of U.S. policy actions precipitated under President Nixon, but followed through by his successor, Mr. Ford and Mr. Carter, and then made even more consistent under the Administrations that have followed.

I think the emphasis today should be on what has gone right, not what has gone wrong, because in the pattern of the last part of the twentieth century, the China-United States situation could have been stunningly different, and the world could be far more unsettling than it is.

I want to simply suggest the big picture is very positive. I also want to go beyond that because there are always management nuances to big pictures. I believe the Secretary of State and the Secretary of Defense are managing the Taiwan relationship very well today and that as much as I have to agree with my distinguished colleagues that it is bizarre that there is such sensitivity to certain visitation issues, the big picture is all positive.

I want to thank the two of you for being part of what has made America more secure in relationships with China. It is very impressive. In terms of our friendship with Taiwan, it has never been deeper. Thank you.

Chairman HYDE. Mr. Ackerman?

Mr. ACKERMAN. Thank you, Mr. Chairman. I want to thank Mr. Leach for that.

I am still in a state of confusion as to where we are and where we are going and what our policy is and how the President's statement, shifting and changing though it is, is helping bring stability and peace to the region as Secretary Kelly had said we need to do.

When the President said we will do all that it takes, what does that mean? It seems to be a very clear and concise statement. Does it include we are willing to go to war with China if Taiwan overplays its hand and makes more unilateral moves toward independence or declares independence?

The President is saying we will do all that it takes. Does that mean the Commander in Chief is putting on his I am ready to go to war with China uniform, or am I reading that as a wardrobe malfunction, or is it just a vocabulary malfunction?



Mr. Kelly?

Mr. KELLY. Mr. Ackerman, it is not my undertaking to extrapolate from the words of the President. What the President says has a meaning at the time he says it to those listeners. You may have heard one thing. I may have heard another. The fact is the sum of the President's statements has made very clear to the PRC that we are serious about our defense responsibilities under the Taiwan Relations Act, and we intend to fulfill these to the extent necessary.

At the same time, as I noted in the principles of our policy, which are the President's policy, we oppose actions that would unilaterally alter Taiwan's status and so the fact is this has been a very consistent policy, and I think it is much more consistent than your question suggests.

Mr. ACKERMAN. I appreciate your observation, but let me suggest that it is not important to what I heard the President say or important what you heard the President say. It is more important what the Taiwanese heard the President say. Did they hear the President say that no matter what they do the President will stand with them? Is that what they heard? Is that some of the recent activity in Taiwan?

Mr. KELLY. If they heard that, Mr. Ackerman, they misunderstood, and we have had plenty of chances and plenty of direct communications with Taiwan authorities to make clear.

Mr. ACKERMAN. Subsequent to that, but a lot of water went under the bridge before that happened, and a lot of people in the heat of a political campaign over in Taiwan said things that some read as less than bilateral moves.

To me, it would seem clear when the President says we will do whatever it takes to defend Taiwan, I do not know how much clearer a signal that is until the President stood next to the Premier of China and said something very different. That put all the caveats in it.

I am not sure which our policy is anymore. I am sure on different days if I read one or read the other I could come to a different conclusion.

Mr. KELLY. I think our policy is——

Mr. ACKERMAN. If Taiwan declared independence, would we go to war with China?

Mr. KELLY. Decisions of war and peace are made by the President with consultation with the Congress, and so it is certainly not possible for me to give you my personal opinion about that.

All I stated, Mr. Ackerman, is our policy and our desire to make that very clear, and I think the President's own remarks have made his policy very clear. This hearing, Mr. Ackerman, provides a chance for a better understanding in Taiwan.

We have media with us, and I do not believe it is the United States networks, so a lot of people in Taiwan who have the ability to see and make up their own minds can form their own judgment.

Mr. ACKERMAN. I am sure this clarified the President's statement in their minds tremendously.

Mr. Rodman?

Mr. RODMAN. Just quickly. Thank you, Mr. Chairman. I read the President's remarks of 3 years ago as a reaffirmation of the Taiwan

Relations Act. The Taiwan Relations Act leaves certain things unexplicit, leaves a certain ambiguity, but it was a bipartisan endorsement by this Congress of the principle that the use of force by China would encounter—

Mr. ACKERMAN. Does the Taiwan Relations Act not say that we will provide for Taiwan's defense? It does not say that we will go to war.

Mr. RODMAN. It says a number of things. It talks, as you know, about provision of defense articles, but it also talks about the grave—what is it? A grave concern of this country if China were to use force. Now, that leaves some things unsaid, but it also leaves some things said, you know, in elegant legislative language.

Chairman HYDE. Mr. Burton of Indiana?

Mr. BURTON. Thank you, Mr. Chairman.

I think the Taiwan Relations Act does have some good points. It also has some shortcomings, as I said in my opening statement.

I think that being a little mysterious about what we might do under certain circumstances is probably not a bad thing because you want to always let the potential opponent know that we might do this, we might do that, so that they cannot make a decision on how to counter whatever effort we might take, so I think from that standpoint the Taiwan Relations Act does have some good points.

I still though, along with my colleague, Congressman Lantos, feel like that we ought to allow the President of Taiwan to visit with the Congress of the United States because we have mutual concerns that ought to be discussed from time to time.

If the Congress can pass a resolution to allow the former President of Taiwan to go to Cornell University, his alma mater, for a commencement speech, it seems to me that if the Congress of the United States feels it is imperative that we discuss certain issues with him regarding defense, economy, economic issues and other things, we ought to be able to do that.

I think that is one thing that ought to be addressed. Maybe you can do it in some kind of nebulous way that would allow the Congress the ability to at their request allow the Head of State of Taiwan to come and visit the United States. I just think that is important, especially in a world like we have today. It has changed over the last 25 years.

Now, I just have about three real quick questions I would like to ask regarding the last election. On March 27, after a 500,000 people rally, President Chen promised that he would establish an independent committee to investigate the gun shooting and the voting irregularities.

So far, to my knowledge, nothing has been done. Could we do anything to accelerate that process? That is the first question. I will ask them all three and then let you answer.

Second, congratulatory messages from both the State Department and the White House emphasize the use of established legal mechanisms to resolve the disputes around Taiwan's presidential elections. If the disputes cannot be resolved before the May 20 inauguration, is it wise for us to send a delegation while everything is still in limbo?

Finally, after the gun shooting on March 19 just before the election I think by 2 days, a national security mechanism was put into

effect that prohibited and stopped thousands and maybe tens of thousands of military personnel to express themselves at the voting place. Since the election was so close, there are some people that feel like this might not have been a real shooting. It might have been something that was done to precipitate that kind of action.

What I would like to find out is were their voting rights deprived of? What is our State Department doing to look into that and to express our concern to the Government of Taiwan?

The fact of the matter is had those people not been put on alert and had they been able to vote, the outcome of the election very well could have been significantly different and so as the one superpower, if you will, in the world today, it seems to me that we, especially since we believe in democracy and free elections, ought to express our concern and talk to them about that.

Those are my three questions, and I would like to hear your answers.

Mr. KELLY. Mr. Burton, all of those are intricate questions involving the internal politics of Taiwan, including, for example, voters' access, as you pointed out, or lack of access. There is not an absentee ballot, for example, in Taiwan.

Our view is essentially these are questions that the people and the institutions of Taiwan are more than capable of resolving for themselves, and our view is that the process is proceeding in which these questions are going to be resolved in a legitimate and appropriate way.

Mr. BURTON. Let me just follow up real quickly. Have we made any inquiries as to the establishment of a commission to look into that shooting and the possible voting irregularities?

It seems to me since we have made such a commitment to help Taiwan in the event of an invasion since they are such a great trading partner, and we have worked with them on a number of other issues, we ought to want to do what we can at least verbally to make sure that the democratic process works well.

Mr. KELLY. There are various disclosures that are coming out regularly within Taiwan, and we watch these all with interest. We have not felt it necessary to criticize or comment or make particular recommendations.

There has been a steady flow of facts, and I think the people in Taiwan are going to be able to make up their own minds, even assuming that the inauguration goes ahead on May 20. This coming December there are going to be elections for the legislative body. This is going to provide another opportunity for the people of Taiwan to make their views known.

There is a system of checks and balances going on there, and it may have differences or strike us as not what we would do.

Chairman HYDE. The gentlelady from California, Ms. Napolitano?

Mrs. NAPOLITANO. Thank you, Mr. Chair.

There are three separate areas that I want to address, and I will do it very quickly. I have had no increase from my area, and I have a large Chinese and Taiwanese constituency, yet I have not heard from them directly. I have heard from others.

There is a question about the family ties that bind both the Taiwanese and the Chinese because there is still that flux. When do

you expect the three links—that is, the postal service, the transport and the trade—which was suspended between Taiwan and China since 1949, to be reinstated, and would this help in addressing and serving as a means for easing the cross-Strait relations or tensions rather?

Mr. KELLY. I do not know, Ms. Napolitano, when the three links will be established. We think it would be a good idea and that it would very much be to the economic benefit of Taiwan and also to the PRC.

There is so much going on across the Straits economically that that would probably enhance it, but I think the details are something that have to be worked out by the parties on both sides of the Straits.

Mrs. NAPOLITANO. But have you noticed or have you heard any dialogue toward addressing those three means of being able to move forward?

Mr. KELLY. There is a lot of talk about it, and there was a lot of talk in the campaign. My guess is that it will be very much front and center here before long, but as of now I could not give you any date when it is likely to occur.

Mrs. NAPOLITANO. The next question is can the evolution of the full-fledged democracy on Taiwan and the clear emergence of a sense of Taiwanese identity meld with the principle of one China, or are they in stark contrast with each other?

Mr. KELLY. There certainly is a degree of contrast. The definition of one China is something that we could go on for much too long for this event. In my testimony, I made the point of our one China, and I really did not define it. I am not sure that I very easily could define it.

I can tell you what it is not. It is not the one China policy or the one China principle that Beijing suggests, and it may not be the definition that some would have in Taiwan, but it does convey a meaning of solidarity of a kind among the people on both sides of the Strait that has been our policy for a very long time.

Mrs. NAPOLITANO. Thank you.

Mr. Rodman, I was listening to your testimony, and I was speaking to the issue of having Taiwan invest in passive defense systems or has invested in passive defense systems.

You are suggesting that they redouble their efforts to increase their budget in order to do a passive—

Mr. RODMAN. Passive defense is one of the things we have encouraged them to do. It means things like protecting their infrastructure, giving themselves the ability to repair infrastructure quickly.

It is part of a defense strategy, given the threat they face. It is one of a number of things that we talk to them about to encourage them to do.

Mrs. NAPOLITANO. Okay, because it seems like we are talking out of both sides of our mouth and saying to the world yes, we support China in doing a one China concept, but yet let us help arm Taiwan so that they can defend themselves, and yet we do not allow their high ranking leader to visit us to sit and talk over the issues that might be able to resolve some of these problems between themselves.

Mr. RODMAN. There are a couple of answers to that. One is that we do have a dialogue with them at many levels in the security field. It is constrained by some of the constraints that we have discussed, but we have a continuing dialogue with them in the defense field discussing priorities, discussing procurement decisions, so we are able to communicate.

Secondly, one of the policy choices we do face as a government in this context is: Do we try to break new ground in the symbolic areas, or do we look to do new things of a practical nature that might be of more benefit addressing particular defense needs? I think we have had more freedom of action to do the latter and to increase what we are doing with them in the defense field.

In other words, it is not a static relationship. It is true that the framework of policy has been steady for 25 years, but the situation on the ground changes. We have a huge military build-up by the Chinese opposite Taiwan. Therefore, to maintain a stable balance it requires us to look at ways to do more with Taiwan to help them more effectively.

As I said, it involves not only hardware issues, but things we can talk to them about and help them with, and in fact over the last several years both in the Clinton Administration and in this Administration we have increased our cooperation with Taiwan and expanded the dialogue with them on defense matters.

Mr. BURTON [presiding]. The gentlelady's time has expired.

Mrs. NAPOLITANO. Thank you.

Mr. BURTON. Mr. Chabot?

Mr. CHABOT. Thank you, Mr. Chairman.

Mr. Secretary, I want to thank you for being here today; as well, Mr. Rodman.

First of all, I spend a lot of time speaking to school groups, and I find that one of the toughest subjects to explain to students is the so-called one China policy, as you have already touched upon here this morning, and our relationship with Taiwan.

We have on one hand a thriving democracy of 23 million people with freedom of speech and religion and free elections and a strong human rights record. Across the Straits we have the world's largest dictatorship with an abysmal human rights record, with little respect for freedom of speech and religious liberty and a long history of threatening the people of Taiwan.

Now, under the one China policy, we do not formally recognize our long-time friends and allies on Taiwan. Instead, we recognize formally the dictatorship that has long worked against American interests.

One of the more troubling aspects of this policy is our rules on high level visits by Taiwanese officials here to the United States. Many Members of this Committee have developed a strong friendship and close working relationship with President Chen, for example, with Vice-President Annette Lu and with many other Taiwanese officials that we have met with both here in the United States and over in Taiwan on many occasions, yet they continue to not be able to visit here in Washington, DC, our Nation's capital, on official visits and have only been able to come to the United States on preapproved transit visits.

I had lunch in the capital a few weeks ago with Mr. Mark Chen, then a legislator. Today, Mr. Chen is Taiwan's new Foreign Minister, basically like our Secretary of State, and can no longer come to our capital on an official visit. Frankly, I think that that policy is kind of silly.

Can you tell me what the Administration's position on high level visits is at present, and do you anticipate any changes in the policy in the near future?

Mr. KELLY. Mr. Chabot, the position on high level visits would suggest an official visit, and in that case they are not welcome.

The possibility, though, of personal travel, of unofficial communications, is very great, although there are signals that would be sent for the President or Vice President of Taiwan to come to Washington, DC.

This is a question, this whole question, as you so very well phrased it, sir, that has faced every President since 1979. Many have noted, as you have, that it is not necessarily logical, but it seems to match with the circumstances, and the implications of making a change to that policy.

As a result, this Administration's policy has followed the consistent policy of the past, which is that the official diplomatic recognition remains with the People's Republic of China, with the capital in Beijing, but that our commitment to the people of Taiwan, as spelled out in the TRA, certainly continues.

Mr. CHABOT. Thank you. I appreciate your response, and I know that this Administration and many previous have dealt with this for some time, but I would strongly urge this Administration to break with previous Administrations and permit high level officials to come here to the United States. After all, we stand for freedom and democracy, and we ought to let them come here.

Let me go to my next question quickly because my time is short. Mr. Secretary, section 3 of the Taiwan Relations Act mandates that:

"The United States will 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."

I note also that a determination of Taiwan's defense needs is under the law to be based solely, and I stress solely, upon the judgment of the President and the Congress of the needs of Taiwan and, again I quote:

". . . shall include review by United States military authorities in connection with recommendations to the President and the Congress."

My question, Mr. Secretary, is do you see any conditions under which the Executive Branch might unilaterally seek to deny Taiwan access to sufficient defense articles and services? If so, what might they be?

Mr. KELLY. This Administration is fully complying with the letter and the spirit of the TRA, and the defense articles and services that Taiwan would need for its defense are going to be made available.

There were numerous items made available a couple years ago for which the financing has not yet materialized. We are a little troubled because the share of Taiwan's GDP for its defense has significantly dropped on a steady basis over the last 10 years or so.

These questions are up to Taiwan to fulfill whether to avail of the choices that the United States makes available to them. Each and all of these items are in full discussion by our military and with the Congress and within the Administration.

Mr. CHABOT. Thank you very much.

Mr. BURTON. Thank you, Mr. Chabot.

Mr. Berman?

Mr. BERMAN. We have some big issues which we are dealing with China on right now.

I might parenthetically point out, Secretary Kelly, that I think by Jim Mann, but *The L.A. Times* had an article recently quoting heavily from I think someone who worked with you on the North Korea issue essentially saying that both the United States and North Korea are slow walking right now for totally opposite reasons, but engaged in an effort to slow down everything while North Korea moves ahead with its nuclear program, in a sense the implication being that at great detriment to our national security interests.

It would be interesting to hear the Administration's response to that article and to those assertions.

Mr. KELLY. May I?

Mr. BERMAN. No, not yet, because I want to at least get to the real question. I could not help, because I was thinking about how important China is to us in this North Korea issue. That article I just read a couple of days ago—I do not know if you have seen it, but it looks like you have—came to mind.

I really want to ask Secretary Rodman. My initial reaction when the President made that comment about we would do whatever—I forget the exact phrase. Whatever it takes. I liked it because I have been concerned for a long time that all this diplomatic, strategic ambiguity could leave a fundamental misimpression in the minds of the Chinese. If they decided to take on the costs and the carnage from an attack on Taiwan, if they thought that the United States might not be there they might do it.

I am curious. What is sort of the state of thinking now about this from our intelligence agencies, if they have time to look at this? What are your thoughts about what China thinks we would do should they undertake that kind of action?

Is there a feeling that there are some elements in the Chinese military, in the Chinese political leadership, that think at the end of the day we are overextended or we have 1,000 different issues, some miscalculated and perhaps irrational action by Taiwan in terms of public statements could be the justification for undertaking that kind of an effort and that in the end we would wag our finger and criticize and make some kinds of protests and perhaps undertake some economic actions, but fundamentally we would not be there to help to resist that attack?

Mr. RODMAN. That is a good question to ask, and it is something we ask ourselves. Without going into particular intelligence reports, I have to say the bottom line is that deterrence should be

as unambiguous as possible. That is the thrust of our policy in many different ways.

You are right about the danger of miscalculation. That just reinforces the first point. Our job is to try and shape the Chinese perceptions, to try to minimize the danger of their miscalculation. At the same time, we want our friends in Taiwan not to be making the situation even more complicated.

The deterrence piece of it is just as you said. It is crucial, and ambiguity is not healthy, I think.

Mr. BERMAN. And what is your calculation about their calculation?

Mr. RODMAN. I think this Administration and its predecessors have done a lot to try to clear up ambiguity. Well, I will speak for this Administration. We have tried, including the President's comment of 3 years ago, to make clear that the use of force would inevitably involve the United States. The Chinese need to understand that. That should be their default position.

Mr. BERMAN. And now if there is any time left if you would like to respond to the slow walking charge?

Mr. KELLY. Thank you, Mr. Berman. We are not slow walking with North Korea, but they are slow walking with us. We are ready to make a deal. We are just not ready to make an unsatisfactory deal that would leave some of their nuclear weapons and some of their nuclear weapons capability still present.

This is a capability that North Korea has sought for some 40 years, and they do not seem to be in a mood to easily give it up. Mr. Berman, we are going to be very consistent, very firm on this. Any time they are ready to move, we are ready to move very quickly.

Mr. BERMAN. But meanwhile, more time means more activity, more work on the fuel rods, more reprocessing, more warheads.

Mr. KELLY. That is a very serious problem and one that we do view with urgency, but we are determined to not slough it over by making an agreement that could be cheered, but will not do the job.

The fact is we are not going to accept now and we are not going to accept any time North Korea as a nuclear weapons state.

Chairman HYDE [presiding]. Whose time was that?

Mr. CHABOT. Mr. Chairman?

Chairman HYDE. Mr. Chabot?

Mr. CHABOT. Mr. Chairman, I would ask unanimous consent to speak out of order here for 15 seconds.

Chairman HYDE. Without objection.

Mr. CHABOT. Thank you, Mr. Chairman. I would just like to ask unanimous consent to insert in the record remarks by Representative C.J. Chen on the 25th anniversary of the Taiwan Relations Act.

Chairman HYDE. Without objection. So ordered.

Mr. CHABOT. Thank you, Mr. Chairman.

Chairman HYDE. Mr. Tancredo?

Mr. TANCREDO. Thank you, Mr. Chairman.

Mr. Secretary and Mr. Rodman, would I be inaccurate or incorrect in an assumption, and that being that most likely in 50 years



from today things will be different in our relationship with both countries, with China, with Communist China, and with Taiwan?

Would I be wrong to think that China does not believe that in 50 years things will be as they are today in terms of their relationship with Taiwan and that that relationship is continually evolving? It is not a static thing. You are shaking your head yes, so it is evolving somewhere, somehow, some way. It is changing.

What would be your best guess as to how it is changing? Which way is it evolving? Is it evolving toward a situation where there is separation to individual countries? Is it evolving into a situation where Taiwan is subsumed entirely by China, which is the only two outcomes I can think of? I do not think China is going to disappear, or the PRC.

If I am right that it is evolving and if I am right that those are only one of two directions that it can go, which one of those directions are we heading?

Mr. KELLY. Mr. Tancredo, I am an optimist. If we look 50 years ahead, this situation is evolving. I am optimistic that the PRC is going to change in that time. It could change in a lot of different ways, and many of them would be bad.

The history of East Asia the last quarter century certainly has been that when there have been an array of bad alternatives and an array of better alternatives, the people of East Asia seem to move in the direction of the better alternatives.

I cannot tell you exactly how it is going to happen, but what I would like to see is that a steady political reform match or begin to match up with the economic changes that have taken place in the PRC and that as a result it will be able to persuade its economic partners across the Strait that it is in their mutual interest to come to some kind of an appropriate accommodation worked out by those sides on an equal basis.

Now, that is looking a long way ahead. That is not the situation we necessarily have now, and it is not the preference of many people on either side, but it is evolving, and it can evolve badly or it can evolve better, and we are going to work very hard to try to make it move generally in the direction of the better outcomes.

Mr. TANCREDO. If we were to take away the obstacle of the United States from this equation, if we were to say that our position would no longer matter, that the PRC could make any decision they wanted to vis-a-vis Taiwan and the United States would not be a factor, just hypothetically of course, would we not assume that they would of course take the position that Taiwan is theirs, and they would take whatever steps necessary to erase any ambiguity in that?

So the only thing that is stopping them from doing that is our policy. It is not because they are looking at some other alternative that makes it better, or is it? I am trying to figure out what from their standpoint could possibly make it good for them to allow this separation to occur where they would say yes, that is in our best interest, the People's Republic.

Frankly, I do not see how the economic developments within the People's Republic ever lead to any sort of political changes. In the history of the world, I have never seen where that kind of thing actually happens.

It happens the other way around where changes in the government create economic opportunity, but I have not seen historically where it happens the other way, so I just do not understand what is ever going to change that situation, I suppose.

Chairman HYDE. The gentleman's time has expired.

Mr. TANCREDO. Thank you, Mr. Chairman.

Chairman HYDE. Mr. Wexler?

Mr. WEXLER. Thank you, Mr. Chairman.

I would hope to inquire of Secretary Kelly where we exactly stand in terms of the World Health Organization in the context of Taiwan, and I would like to take this opportunity to ask your view in terms of the contextual perspective of this relationship.

It seems to me that so much of what we wind up doing in the context of balancing our relationship between or amongst Taiwan and China is a plus and a negative on the ledger. Whenever we do one, we wind up compromising the other in certain instances.

I have had this conversation with the Chinese Government, and it would seem to me that one of the most useful roles we could play is to find those few issues whereby advocating for moderate change we would be enhancing both parties if we could convince both parties that is in fact what we are doing. It would seem to me the World Health Organization is such an opportunity.

My understanding is the Knights of Malta have observer status at the World Health Organization, and not to take anything way from the Knights of Malta. No doubt they are an extremely important international organization, but Taiwan is asking for a really small token in a non-political organization where health is the underlying criteria.

I know essentially what our position has been. I would like to formally ask what are we doing in the context of the next organization, but, maybe more importantly, I am wondering what effort we are undergoing with the Chinese to help persuade them that it is China who ought to be advocating for Taiwan's membership in the World Health Organization. It should not be the United States that leads the charge or Europe.

It ought to be China that does so and that China would benefit not only herself, but her standing in the world and would I think accomplish an enormous amount of good in Taiwan for China's agenda if it reversed itself and played a more progressive role with respect to the World Health Organization.

I was wondering, Mr. Kelly, if you would not mind commenting.

Mr. KELLY. First of all, I agree very much with your remarks. I have had conversations myself with Chinese officials very much along the lines of what you describe, and I share your belief in that.

It would be and it is in China's interest if it were to advance certainly the observer status of Taiwan in the World Health Organization, but that is not the way they are handling it. It is being handled in a very political way, and it is not clear that our work and Taiwan's own efforts are going to be successful.

But, we are going to be back there again, sir, working hard at it. We are going through all of the different options that the Secretary of Health and Human Services, the U.S. rep, will do there.

Mr. WEXLER. Could you share with us what your calculation would be in terms of other countries' support? I do not mean naming this country or that, but in terms of a general level of support where are we?

Mr. KELLY. My view, sir, is it is pretty bad, and it was not made better today because I saw a news account earlier in which the South Korean physician who is the Director General of the World Health Organization was making statements that seemed to very much preempt this Taiwan observer status. I think that is unfortunate.

Mr. WEXLER. And our level to seeing this through? Is it very high? High? Moderate?

Mr. KELLY. It is very high, but our commitment to see things through, especially U.N. organizations like the WHO, is all too frequently, as we saw with the human rights resolution in Geneva, not matched by results with the necessary support that we need to have from other countries.

Mr. WEXLER. Thank you.

Chairman HYDE. Mr. Nick Smith of Michigan?

Mr. SMITH OF MICHIGAN. Mr. Chairman, thank you very much.

I want to follow up on other countries' positions, on the possibility of military conflict between the PRC and Taiwan. War would affect a lot of countries in the world. The economies and the trade of both the Mainland and Taiwan are important, but also the South China Sea is a main trading route.

More countries should have a policy or be involved in this issue. What are their policies? What is the response to the recent action of France's suggestion to sell military equipment to the PRC or their participation in naval exercises right before the last election?

Mr. KELLY. The role of other countries is very much involved, including that our allies in the Asia Pacific who never take their eyes off of us will be very mindful in how we respond particularly to explicit threats as was the case in 1995.

Our credibility is at stake. The economic welfare of the countries in the region is at stake, and they all have views which are frequently shared with us.

Mr. SMITH OF MICHIGAN. Have some of these countries taken public their response to China launching missiles across the Strait?

Mr. KELLY. They all tiptoe around the PRC, Mr. Smith, and there is very little on the public record. There are not profiles in courage in standing up to the PRC around East Asia, but in various ways their message is that an unprovoked attack would be a very, very serious matter that would have to be resisted has been made fairly plain, but it has not been made explicit.

Mr. SMITH OF MICHIGAN. Well, we have done some tiptoeing, too.

Mr. Rodman, any comments?

Mr. RODMAN. I wanted to respond to your comment about the EU arms embargo. As you say, the French are seeking to lift the EU arms embargo on sales to China. I have to say we have some concerns about it, as you would expect.

The Chinese are very sophisticated in their procurement practices. As they go about their modernization, I think they would try to take advantage of advanced technology that they might get from

Europe, and this would rebound to the improvement of their military capabilities. For the United States that is a serious problem.

Mr. SMITH OF MICHIGAN. It is a serious problem, and certainly every country is looking at it, but what I hear you saying, Mr. Secretary, is no country has an official position that might resemble in any way the United States' commitment.

Everybody hopes that war does not happen and that the status quo is somehow maintained, but what is going to happen with the EU and their decisions on weapons?

Mr. KELLY. The EU did make a statement, I believe, from the presidency of the EU within the last week that there was going to be no decision taken on the arms embargo. We view that in a very positive way, but this was a short-term rather than a long-term commitment.

Mr. SMITH OF MICHIGAN. Let me ask you another question. As important as the PRC is in resolving the nuclear situation in North Korea, have they been able to, for lack of a better word, squeeze out of us some concessions in terms of the PRC-Taiwan relations?

Mr. KELLY. No, sir. In fact, at a governmental level they have not been tried, but there has been a lot of whispering around, and I am sure they would be delighted to have us offer something.

We are not going to offer any such thing, and the fact is China tends to act in its interests, and its interests do not involve nuclear weapons in the Korean peninsula so that their help on that has been useful, but it is quite limited and so we are happy for what we have got, but we are not going to trade Taiwan in exchange for any perceived favors on North Korea.

Mr. SMITH OF MICHIGAN. Gentlemen, thank you. Mr. Chairman, thank you.

Chairman HYDE. Ms. Berkley?

Ms. BERKLEY. Thank you, Mr. Chairman.

Good afternoon, gentlemen. Thank you for being here to share your expertise with us.

I wanted to associate myself with the remarks of Mr. Chabot. I had the opportunity to join him on a congressional trip which he led to Taiwan. It was very enlightening, and he was an outstanding leader of our delegation. I share his concerns, and his questions would be my own. We all know there are precious few democracies in the world, and I think it is our responsibility as the greatest democracy to nurture and support those that do exist.

In my opinion, as China becomes stronger both economically and militarily, there will be less inclination on their part to exercise restraint and less need for them to do so.

Let me ask you a question, and forgive me if it was answered while I was in the other room meeting with some constituents. If China were to move aggressively militarily against Taiwan, what would the response of the United States Government be, in your opinion?

Mr. KELLY. The United States would, in accordance with the direction of the Taiwan Relations Act, view any such act as a matter of grave concern, and I think the President's remarks from 3 years ago that have been cited several times here would very much apply.

Chairman HYDE. If the gentlelady will permit, we have five votes pending on the Floor.

Ms. BERKLEY. Can I just ask a few questions, because I may not be able to come back after our votes.

Chairman HYDE. Could you ask them privately, or must we keep the Committee in session when the votes are pending?

Ms. BERKLEY. Mr. Chairman, you are giving me a perplexing decision to make. If I could meet with you personally after this is over, I would appreciate if you gave me your answers in writing, if that would be all right, and then can I submit them for the record?

Chairman HYDE. By all means.

Ms. BERKLEY. Thank you, Mr. Chairman.

Chairman HYDE. We have a second panel of witnesses, a very distinguished panel.

Ms. BERKLEY. Yes.

Chairman HYDE. We have five votes. By my inexpert mathematics, I think it would be about an hour before we reconvene, and so rather than asking the panel to hang around these quarters, let us recess until 1:30, and then let us resume. Then we can get the testimony.

Mr. SMITH OF MICHIGAN. Mr. Chairman, a question from Nick Smith. Is this current panel of witnesses excused then, and will we proceed with the second panel?

Chairman HYDE. I think they are excused. They have paid their dues and then some. We will excuse this panel, but the next panel is not so fortunate.

For 1 hour.

[Whereupon, at 12:27 p.m. the Committee recessed, to reconvene at 1:30 p.m. this same day.]

Chairman HYDE. The Committee will come to order.

I want to welcome this second panel and praise you unstintingly for your patience. Things happen around here that are beyond the control of one or two people, and calling five votes with extended voting time was an imposition on you folks, and I am grateful for your patience.

I would like to welcome William Kristol. He is Editor and Publisher of *The Weekly Standard* and prior to founding *The Standard* was Chief of Staff to Vice President Quayle and to Secretary of Education William Bennett during the Reagan Administration.

Mr. Kristol serves on "The Weekly Panel" of *Fox News Sunday* and is a frequent contributor to the Fox News channel. He earned a doctorate in Political Science from Harvard. Welcome, Mr. Kristol.

I would like to also welcome John Fuh-sheng Hsieh. Mr. Hsieh has written extensively on constitutional choice, democratization and foreign policy. His work has appeared in journals, including *The International Political Science Review*, *Electoral Studies*, *Cambridge Review of International Affairs* and *The Journal of Asian and African Studies*.

Mr. Hsieh earned a Ph.D. from the University of Rochester. He is currently Professor of Political Science and Director of the Center for Asian Studies at the University of South Carolina.

Richard Bush is currently Director of Foreign Policy Studies at The Brookings Institution. Previously, he served as Chairman of the Board and Managing Director of The American Institution in Taiwan. He was National Intelligence Officer for East Asia to the National Intelligence Council. He also served this Committee as Director for Minority Liaison and Director for Committee Liaison.

Mr. Bush received his Ph.D. and two Master's Degrees from Columbia University. Welcome, Mr. Bush.

Mr. BUSH. Thank you, Mr. Chairman.

Chairman HYDE. Ming Wan is an Associate Professor in the Department of Public and International Affairs at George Mason University, and he has written extensively on Asia and international politics. He has published two books, *Human Rights in Chinese Foreign Relations: Defining and Defending National Interests* and *Japan Between Asia and the West: Economic Power and Strategic Balance*.

Mr. Wan received his Ph.D. from the Government Department at Harvard, and we welcome you, Mr. Wan.

Michael Swaine is currently a senior associate at the Carnegie Endowment. He previously served 12 years at the RAND Corporation where he was a Senior Political Scientist of International Studies and also Research Director of the RAND Center for Asia Pacific Policy.

He received his undergraduate degree from George Washington University and his Ph.D. from Harvard. Welcome, Mr. Swaine.

Mr. SWAINE. Thank you, Mr. Chairman.

Chairman HYDE. We are honored, and I really mean that, to have all of you appear before the Committee today.

Mr. Kristol, will you proceed with a 5-minute or so summary of your statement? The full statement will be made a part of the record.

#### **STATEMENT OF WILLIAM KRISTOL, PH.D., EDITOR, "THE WEEKLY STANDARD"**

Mr. KRISTOL. Thank you, Mr. Chairman. It is good to be here with you. I want to apologize ahead of time for having to speak and run. I have to catch a plane to New York.

I am supposed to give a talk at Columbia University, and it will be a terrible thing, I am sure you agree, Mr. Chairman, for those students not to benefit from my wisdom. I am personally bringing diversity to an Ivy League university. I apologize for any discourtesy to my fellow panelists, too. I look forward to reading their statements.

I will be brief and just make two points. Short-term, there seems to be a consensus among many members on this panel that more could and should be done to recognize Taiwan's democratic progress and that there has been discussion of the failure to receive high level officials from Taiwan in Washington and, for that matter, in the Congress.

I do think that dishonors their democracy and ours, and that is something that could easily be changed. I think the government in Beijing is mature enough not to lose its composure over such a change, contrary to Mr. Kelly's apparent fears that any tiny alter-

nation in the status quo would threaten all kinds of relationships between us and Beijing or between Beijing and Taiwan.

There are other things that could be done, too. A new Taiwanese President, democratically elected, will be inaugurated on May 20. I am sure there will be a congressional delegation going to that inauguration. I think Congress could also encourage the Administration to send a suitably high level delegation.

President Clinton sent, I believe, a former Cabinet level official, not someone currently in government. It would seem appropriate to upgrade that representation in this election and perhaps send a serving Cabinet official to the May 20 inauguration or someone of appropriate stature to recognize the impressive accomplishments of the Taiwanese democracy.

Mr. Wexler mentioned the World Health Organization, and Mr. Kelly said the Bush Administration supports Taiwan's efforts for admission there. I think the Congress could push the Administration to be a little more energetic in expressing that support.

Beijing uses an awful lot of leverage to persuade other countries to vote against even observer status for Taiwan, and we certainly have some leverage we presumably could use to push for what is a minimally just and appropriate status for Taiwan.

Finally, it is not just a matter of us doing favors for Taiwan as if Taiwan were a dependent of ours. Taiwan assists us in many ways. Taiwan last August, on a request from the United States, forced a North Korean freighter to unload dual use chemicals. An American official was quoted as saying:

“We provided the intelligence, and Taiwan stepped up to the plate.”

This was part of the proliferation security initiative, which is so important to the Administration's counterproliferation efforts, efforts that in part are designed to undo some of the damage of proliferation, I might add, from Beijing, yet Taiwan is not recognized by the Bush Administration as a core member of the proliferation security initiative, even though they actually have done more as part of that initiative than most of the governments who are recognized, so there, too, almost a minimal I think sense of decency and obligation would suggest that that should be done, and I think the Congress could encourage the Administration to do that.

I think these kinds of steps are consistent with the Taiwan Relations Act. They are only not being done because people are scared that Beijing will be upset, and that is the truth. It is embarrassing really to act on that basis.

I think if our relations with Beijing are so tenuous that they cannot tolerate the admission of Taiwan to WHO as an observer or a higher level delegation to their presidential inauguration then we have a much deeper problem with Beijing than anyone is willing to admit, and if that is the case accommodating them on these minor symbolic matters with respect to Taiwan will not do any good anyway.

My second point is beyond these short-term efforts, which I hope the Committee and the Congress will encourage, we do have a longer term question about our Taiwan policy and about our China policy.

Your letter of invitation, Mr. Chairman, emphasizes how much things have changed in a way since the Taiwan Relations Act. Our policy has not changed much, and certainly the architecture of our policy we refuse to even consider changing. The one China policy is, of course, ritually incanted or appealed to as this almost religious precept and the three communiques.

This is the only part of the world, I believe, where people seem to pretend to believe that one can conduct a serious policy based on 25 or, in the case of the communiques, 32 year old documents and then pretend that the world has not changed and that our policies do not have to change to react to reality.

It is not simply that this is somehow awkward or intellectually unsatisfying. It ultimately I believe is dangerous, because reality ultimately does have an effect, and to continue to deny it in this way is not helpful.

I do not think we need to make a dramatic change in our policy in the very near future, but I do think it is time to start a serious and open debate. People in government do not feel they can be open and candid, people in the Executive Branch have difficulty being open and candid, certainly to Members of Congress and people on the outside about the one China policy. I do believe it may have been defensible 25 years ago, but now embraces the point of view of Beijing about the future of Taiwan and the Mainland and denies what seems to be an increasing point of view of the people of Taiwan and certainly a point of view that we should recognize and I think honor.

I thank you for the opportunity to appear, and I think it is a very good thing that you are trying to start this broader debate about the longer term questions of our Taiwan and China policies.

[The prepared statement of Mr. Kristol follows:]

PREPARED STATEMENT OF WILLIAM KRISTOL, PH.D., EDITOR, "THE WEEKLY STANDARD"

Thank you for the invitation to appear at today's hearing marking the 25th anniversary of the Taiwan Relations Act (TRA). As members of Congress consider issues relating to China and Taiwan, they might begin by considering something a "senior administration official" said last week about our policy on Israeli settlements and Palestinian refugees. "Eliminating taboos and saying the truth about the situation is, we think, a contribution toward peace. Getting people to face reality in this situation is going to help, not hurt" (*Washington Post*, April 15, 2004).

This statement applies equally to the Taiwan Strait. America's policy toward Taiwan is riddled with taboos. In fact, one such taboo is the virtual prohibition on questioning whether our interests and those of democratic Taiwan are served by the various communiques agreed to by Beijing and Washington since 1972. This reluctance to adjust U.S. policy to reflect changes in the strategic and political situation in the region has also meant that the TRA itself—if I am not mistaken—has never been amended.

Today, and in the coming months, we need an honest and public discussion of what we want to happen and not to happen in China and in Taiwan. We have for many years avoided such a discussion. It has been as if Taiwan's survival as a democracy, and, for that matter China's possible evolution into one, are not proper matters of polite conversation. Instead, we have pretended that there can be an unchanging "status quo," that China is not seriously preparing for military action or other forms of coercion against Taiwan, and that Taiwan's people would be amenable to unification if it were handled well.

Congress passed the Taiwan Relations Act to avert the worst consequences of President Carter's decision in 1978 to break relations with Taipei, withdraw U.S. troops, and abrogate the mutual defense treaty. The TRA established important principles of U.S. policy—chiefly our insistence on a peaceful resolution of Taiwan's fate, our opposition to aggression, including coercive acts such as boycotts or embar-



goes, and a commitment to Taiwan's defense through the provision of defensive arms and the maintenance of America's own ability to resist Chinese aggression against Taiwan. As you know, Congress also established a role for itself in providing for Taiwan's defense needs and in determining any response to a danger that the president is required to report under the Act. The "one China" policy and the strategic ambiguity that came to govern U.S. policy are nowhere to be found in the law's text. Yet, as any observer of U.S. China policy knows, the language of "one China" pervades U.S. policy. It is a mantra that every official must intone on virtually any occasion on which China or Taiwan is discussed.

The "one China" policy began as a way to defer the resolution of Taiwan's fate until better conditions for resolving it prevailed. It purposely left the U.S. neutral about the outcome. Unfortunately, the policy has come to mean denying Taiwanese sovereignty and self-determination. Part of the problem is that the arcane and nuanced language that its advocates believe manages a complicated situation—and deters the non-expert from trying to criticize it—does not reflect the changes that have taken place on both sides of the Strait. It also invites constant pressure for revisions from Beijing. For example, over the past year, Beijing has campaigned to bring about a change in U.S. policy from "not supporting" Taiwan independence to "opposing it." Officially, "not supporting" independence remains U.S. policy. This apparent slight difference is actually important. Not supporting Taiwan's independence is consistent with longstanding policy of not predetermining the outcome of discussions or negotiations between China and Taiwan. Opposing independence appears to settle the matter and might give Beijing reason to believe that the U.S. might not resist China's use of force against Taiwan, or coercive measures designed to bring about a capitulation of sovereignty.

At the same time, independence sentiment on the part of Taiwan's people is neither frivolous nor provocative, but rather the natural manifestation of a process that the U.S. has supported. As my colleague Gary Schmitt wrote recently in the *Wall Street Journal*, "Taiwanese identity has grown in direct relation to the progress of democracy on the island. The people of Taiwan increasingly have come to think of themselves as Taiwanese as they have established themselves over the past decade as a self-governing people." Viewed this way, Taiwan's desirable democratic transformation has an unavoidable implication for U.S. policy on Taiwan—not to tilt *against* independence but toward it.

In short, the "one China" policy expresses neither the situation on the ground in Taiwan, nor U.S. values and interests. No one drafting a new U.S. policy toward Taiwan today would recreate the one the U.S. has pursued since the 1970s and 80s. Ever since its basic premises were set forth, the policy has been under pressure. The reason is obvious: the situation has changed. Taiwan's people have established democracy. More importantly, they no longer claim the mainland or wish to join it. Even the Kuomintang—the Nationalist party—has abandoned its longstanding position regarding unification.

Meanwhile, across the Strait, economic growth has fueled China's military modernization. There are at least 450 missiles pointed at Taiwan, and Beijing is acquiring other capabilities designed to help it take Taiwan, or coerce Taiwan to accept unification on Beijing's terms. China's leaders rely increasingly on nationalism, rather than communism, as the source of legitimacy for the regime. This will become more pronounced if, as predicted, labor unrest, the banking system, and the further collapse of state enterprises become more dire problems.

Future policy on Taiwan should be designed to reflect new realities. In the short term, we can take practical steps that reflect Taiwan's importance as a fellow democracy, maximize its international standing, and improve U.S.-Taiwan defense cooperation.

#### BILATERAL RELATIONS

The U.S. should reduce Taiwan's international isolation by increasing high-level contacts. The number of visits to Taipei and to Washington by senior officials should be increased to the point that it is unremarkable.

The administration must soon decide who will represent the United States at the upcoming inauguration of President Chen for his second term. It would be good to send someone of prestige and importance, especially in light of the administration's handling of the congratulations to President Chen on his re-election. This is a perfect opportunity for the administration to signal Beijing that the future of U.S.-Taiwan relations will be more respectful of Taiwan's democratic character. It would help if Washington sent an administration official of high rank from within the Bush administration. Serving cabinet members have visited Taiwan in the past, but none have visited Taiwan since 1998 when Secretary of Energy Bill Richardson was

trapped in a high-rise hotel during an earthquake. Why shouldn't the Bush administration send a cabinet officer to represent the U.S. at the May inauguration ceremony?

Washington should also change the way it deals with the president of Taiwan. While the visits of Taiwan's presidents have been increasingly dignified, the ad hoc nature of the policy on visits guarantees intense pressure from China and forces the U.S. to devote unreasonable amounts of effort to placating Beijing. It is frankly absurd that a democratically elected president cannot visit senior U.S. officials or even Washington, but general secretaries of the Chinese Communist Party have been to the White House. Taiwanese officials below the level of the president also need to be able to come to the U.S. and speak freely to the American public and the media. The fact that they do not may not be due to any particular policy directive. However, it is undeniably true that Taiwan's international isolation has created ingrained habits—both here and in Taipei—that are extremely unhealthy and even counterproductive insofar as they prevent a frank sharing of views.

#### DEFENSE AND REGIONAL SECURITY

After the 1995 and 1996 missile volleys, the U.S. realized we were ill-prepared to coordinate defense of Taiwan with Taiwan's own defense forces. Since that time, we have improved our preparations. These efforts should be continued, enhanced and made as public as possible to underscore our commitment to Taiwan's defense. Greater openness about the nature and extent of America's commitment to Taiwan's defense would help deter Beijing and dispel ambiguity. Such openness would also benefit the people of the United States who, far from fearing America's overseas commitments, understand the importance of America defending democratic allies.

Furthermore, Taiwan is more than just a dependent. It also cooperates with America's security objectives. Last August, on receiving a request by the U.S., Taiwan forced a North Korean freighter to unload dual use chemicals. According to an American official, "we provided the intelligence and Taiwan stepped up to the plate." In short, Taiwan is helping the Proliferation Security Initiative, an effort the Bush administration launched to stop nuclear proliferation. Taiwan should be allowed to join the core group of the PSI, which just recently added three new members. Incidentally, according to the State Department, the PSI is "an activity, not an organization," so the question of statehood for membership is not an issue. By virtue of its democratic character, its strategic location, and its long history of working with the United States, Taiwan's cooperation in regional security is imperative to U.S. interests. There is no reason that Taiwan should not be recognized not only as a participant in PSI, but also in other multilateral discussions, exercises, and operations among democratic countries in Asia.

U.S. efforts to draw Taiwan into the international community should also include a serious initiative to win Taiwan's admission into the World Health Organization, including sponsoring its nomination for membership. Taiwan's exclusion from the WHO vastly complicated efforts to deal with the spread of SARS. No one has forgotten the callous comment of the Chinese ambassador after Taiwan failed to win admission to the WHO as an observer last year: "The bid is rejected. Who cares about your Taiwan?" The Bush administration has expressed its support for Taiwan's WHO membership. China, however, is uniquely talented at using leverage and threats in international fora, and the WHO is no exception. The U.S. and other sympathetic countries need to meet China's ante and raise it.

Finally, a Free Trade Agreement between the U.S. and Taiwan would fit neatly within U.S. policy to build bilateral trade agreements. The Project for the New American Century held a conference on this idea, and found wide acceptance of the idea within the policy and business communities of both our countries. Politically, the impact would be extremely important.

With regard to China, we need to be quite clear that we expect Beijing not to attack or coerce Taiwan in any way, and that the costs to Beijing of attacking Taiwan would be more than it can bear. We also need to be clear that we look forward to China becoming a democratic country, like Taiwan. Then the people on each side of the Strait can decide their relationship and their future.

When Vice President Cheney visited China last week, he made an impressive speech that spoke about democracy. But the Vice President used one key word that let China know that for now the U.S. does not consider democracy a priority for China. That word is "eventually." Cheney said China's people will "eventually ask why they cannot be trusted with decisions over what to say and what to believe." "Eventually" was used with precision not only in this speech but also in President Bush's widely praised speech establishing democracy as a foreign policy priority to the National Endowment for Democracy last November. America's policy toward

China is insufficiently directed toward democratizing China, and so long as that is true it will be more difficult to help Taiwan's democracy survive.

#### CONCLUSION

Twenty five years ago, Congress checked the Carter administration's policy on Taiwan. At the time, to quote one scholar, Beijing hoped that the U.S. withdrawal of support "would arouse a sufficient sense of vulnerability within the Nationalist government to make it more susceptible to overtures from the mainland." Beijing decided that "[i]f Taiwan would only bow to Beijing's sovereignty, then the Beijing government would promise to concede a very high degree of administrative autonomy to the Taipei authorities." The famous "one country, two systems" formula that China claims to apply in Hong Kong was originally dreamed up with Taiwan in mind.

It didn't work. Congress acted to pass the Taiwan Relations Act and China set its sights on Hong Kong. Since 1997, it has been quite clear that Beijing is not interested in or sincere about respecting autonomy under a "one country, two systems" arrangement.

Don't misunderstand. America's commitment to Taiwan is admirable. No other country could or would do what the United States has done. At the same time, no other country except the U.S. can hurt Taiwan or weaken it as much as the United States can.

The greatest test is still to come. China is very serious about taking Taiwan, and we have not done enough to dissuade it. Taiwan has transformed itself from a dictatorship to a democracy. That momentous change has very likely increased the chances of a conflict in the Taiwan Strait—not because Taiwan is provocative, but because China cannot abide Taiwan's democratic character and the reality that it has become a separate, self-governing people. That is why U.S. clarity and resolve are so important.

A discussion of these and other issues needs to happen now and yield results right away. The Pentagon has estimated that the balance of forces in the Taiwan Strait will begin to tip in Beijing's favor, perhaps as soon as next year. We need above all, therefore to deter any attack or coercion. And we need to rethink policy constraints developed for circumstances decades ago, while confronting greatly changed and still changing conditions in order to develop a new, sustainable policy for security and democracy in Taiwan and China for the present and future.

#### **STATEMENT OF JOHN FUH-SHENG HSIEH, PROFESSOR, DEPARTMENT OF POLITICAL SCIENCE, AND DIRECTOR, CENTER FOR ASIAN STUDIES, UNIVERSITY OF SOUTH CAROLINA**

Mr. HSIEH. Thank you, Mr. Chairman. The past 25 years have witnessed dramatic change in the Western Pacific. China, in the late 1970s, launched economic reform and achieved spectacular economic success thereafter. Taiwan, in the wake of decades of successful economic development, lifted martial law in 1987 and quickly transformed itself into a full-fledged democracy. All these occurred in a peaceful international environment.

Indeed, without peace and stability in the region it is hard to imagine that changes of such magnitude would occur in short order. Many factors contributed to these remarkable changes, of course, but undoubtedly I think the Taiwan Relations Act played a very important role here.

The Taiwan Relations Act conveys the message that the United States commitment to Taiwan and thus to peace, security and stability in the Western Pacific is credible. Since such a commitment is expressed in the form of law passed by the U.S. Congress, it also sets the perimeters for any Administration in handling Taiwan affairs, bringing about consistency and stability in the United States policy toward the cross-Strait relations. These are important ingredients in maintaining order in the region, I believe.

To be sure, the Taiwan Strait is one of the remaining flashpoints with the potential to go to war in the post-cold war period. If not properly managed, a war may break out, which will be detrimental to all parties concerned.

The nature of the conflict between China and Taiwan has changed over the years. In the early days, it was essentially an ideological conflict between Communist China and anticommunist Taiwan. However, things are different right now. On the one hand, China launched economic reform by reintroducing market mechanism, and the Communist ideology gradually lost its salience.

On the other hand, with democratization national identity becomes the dominant cleavage underpinning Taiwan's party configuration. Thus, in Taiwan there are people who believe that Taiwan should be an independent country separated from China for good. There are also those who insist that Taiwan should be unified with the Mainland. There are still others in favor of the status quo, which is neither independence nor unification.

There are thus competing nationalisms in Taiwan. To be sure, there are competing nationalisms across the Taiwan Strait as well since the call for Taiwan independence is in direct contradiction to China's claim that there is but one China with Taiwan being an integral part of it. Such conflicting claims are highly emotional and may turn out to be explosive.

However, I am cautiously optimistic about the prospect for peace and stability across the Taiwan Strait. With the Taiwan Relations Act continuing to provide a credible, consistent and stable commitment to the people of Taiwan, it will dissuade China from taking drastic actions against Taiwan.

After all, economic development is on top of the Chinese leadership's agenda right now, and to develop China's economy a peaceful international environment is imperative. Accordingly, unless China really feels that Taiwan is drifting away, it is doubtful that it will take military action against Taiwan.

As for Taiwan, the majority or close to a majority of the population supports the status quo as shown in various surveys. In this context, it is hard to believe that any Taiwanese leader would risk public support by drastically changing the status quo.

If change means the declaration of independence, then it is very likely that this will lead to a war and the loss of the Chinese market for the Taiwanese businessmen, which will have a devastating effect on the well being of the people of Taiwan, of course.

Given these internal as well as external constraints, it is almost unthinkable that any Taiwanese leader would try to do things very drastically, and so I believe in the foreseeable future Taiwanese leaders will continue to try to maintain the status quo.

The situation between China and Taiwan is certainly delicate, and the Taiwan Relations Act I believe has served the United States national interest by providing an effective mechanism in maintaining peace and stability in the Western Pacific.

[The prepared statement of Mr. Hsieh follows:]

PREPARED STATEMENT OF JOHN FUH-SHENG HSIEH, PROFESSOR, DEPARTMENT OF POLITICAL SCIENCE, AND DIRECTOR, CENTER FOR ASIAN STUDIES, UNIVERSITY OF SOUTH CAROLINA

The past twenty-five years have witnessed dramatic changes in the Western Pacific. China, in the late 1970s, launched economic reform and achieved spectacular economic success thereafter. Taiwan, in the wake of decades of successful economic development, lifted martial law in 1987 and quickly transformed itself into a full-fledged democracy. All these occurred in a peaceful international environment. Indeed, without peace and stability in the region, it is hard to imagine that changes of such magnitude would occur in short order. Many factors contributed to these remarkable changes, of course. But undoubtedly, the Taiwan Relations Act played a very important role therein.

The Taiwan Relations Act conveys the message that the U.S. commitment to Taiwan and thus to peace, security and stability in the Western Pacific is credible. And since such a commitment is expressed in the form of a law passed by the U.S. Congress, it also sets the perimeters for any administration in handling the Taiwan affairs, bringing about consistency and stability in the U.S. policy toward the cross-Taiwan Strait relations. These are important ingredients in maintaining order in the region.

To be sure, the Taiwan Strait is one of the remaining flashpoints with the potential to go to war in the post-Cold War world. If not properly managed, a war may break out, which will be detrimental to all parties concerned.

The nature of the conflict between China and Taiwan has changed over the years. In the early days, it was an ideological conflict between a Communist China and an anticommunist Taiwan. However, things are different lately. On the one hand, China launched economic reform by reintroducing market mechanism. The Communist ideology gradually lost its salience. On the other hand, with democratization, national identity becomes the dominant cleavage underpinning Taiwan's party configuration. Thus, on the island, there are people who believe that Taiwan should be an independent country separated from China for good. There are also those who insist that Taiwan should be unified with the mainland. There are still others who favor the status quo that is neither independence nor unification. So there are competing nationalisms in Taiwan—or competing nationalisms across the Taiwan Strait as well since the call for Taiwan independence is in direct contradiction to China's claim that there is but one China with Taiwan being an integral part of it. Such conflicting claims are highly emotional, and may turn out to be explosive.

However, I am cautiously optimistic about the prospect for peace and stability across the Taiwan Strait. With the Taiwan Relations Act continuing to provide a credible, consistent, and stable commitment to the people of Taiwan, it will dissuade China from taking drastic actions against Taiwan. After all, economic development is on top of the Chinese leadership's agenda now, and to develop China's economy, a peaceful international environment is imperative. Accordingly, unless China really feels that Taiwan is drifting away, it is doubtful that it will take military actions against Taiwan.

As for Taiwan, the majority or close to a majority of the population supports the status quo as shown in various surveys. In this context, it is hard to believe that any Taiwanese leader would risk losing popular support by changing the status quo. If change means the declaration of independence, this will almost surely lead to war and the loss of the Chinese market which will have a devastating effect on the well-being of the people of Taiwan. It is unthinkable that any Taiwanese leader would choose this option and disturb peace and stability in the region.

The situation between China and Taiwan is certainly delicate. The Taiwan Relations Act, I believe, has served the U.S. national interests by providing an effective mechanism in maintaining peace and stability in the Western Pacific.

Chairman HYDE. Thank you, sir.  
Mr. Bush?

**STATEMENT OF RICHARD C. BUSH III, PH.D., DIRECTOR,  
FOREIGN POLICY STUDIES, THE BROOKINGS INSTITUTION**

Mr. BUSH. Thank you very much, Mr. Chairman. Thank you for holding this hearing. Thank you for inviting me to testify. As you indicated, it was my privilege to serve on the staff of this Committee for a dozen years. It was also my privilege to have been

Chairman of the American Institute in Taiwan, which the Taiwan Relations Act created.

I will be brief so you can get to questions. I have one major point and a couple of secondary ones. My major point is as follows. The Taiwan Relations Act is a successful policy tool for the United States because it is based on and reinforced by a strong political commitment.

The act itself is obviously important, but it is the strong, sustained and unified dedication to Taiwan's freedom and democracy by the Executive Branch, and especially the Congress and the American public, that makes the TRA relevant to changing circumstances. It is law and political commitment combined that reassure Taiwan and preserve the peace.

An important way for Congress to demonstrate its political commitment is through regular public oversight of Taiwan policy. Today's hearing is an important step in that regard. Let me confess to you that one thing I learned during my time at the American Institute in Taiwan was that if the Executive Branch knows that the Legislative Branch is paying attention, it is less likely to consider, much less pursue, bad ideas.

More important in my mind, the Congress must conduct a continuing dialogue with senior officials of the Executive Branch on how to operationalize U.S. interests at any point in time and on the steps that are necessary to promote these interests. Interbranch consensus is the best guarantee of sound policy.

A second point. Some may argue that the TRA needs to be changed to convey a clearer message of American resolve to defend Taiwan and for other purposes. I agree that ambiguity regarding our intentions can lead to miscalculation and that the PRC is quite prone to miscalculation.

But it is not just our public declarations, both by the Congress and the President, that shape Chinese intentions, but also what we tell Beijing in private and its independent assessment of what we would do. In this regard, I believe that China understands clearly the United States' commitment to Taiwan's security.

Third, the biggest danger I would see in an effort to revise the TRA would be that the Executive Branch would regard a congressional effort to make the policy prescriptions of the TRA more specific and more binding as a challenge to its constitutional power to conduct foreign policy. It would oppose the effort not because the policy ideas were necessarily bad, but because it saw its power being eroded.

Indeed, that sort of disagreement occurred during the drafting of the TRA. Such interbranch conflict I fear would foster concern on Taiwan, where it would be read as a weakening of the American political commitment. It would also be welcomed in Beijing.

Finally, let me say that because the United States-Taiwan relationship is a partnership, a partnership of democracies, the United States will best honor its TRA obligations if Washington and Taipei work together and maintain good communications. Taipei needs to believe that Washington will be steadfast. Washington needs to be confident that as Taiwan charts its course it will take into account United States security interests as we define them.

Mr. Chairman, that concludes my oral statement. I ask that my written statement be included in the record. Thank you again for the opportunity to join you today.

[The prepared statement of Mr. Bush follows:]

PREPARED STATEMENT OF RICHARD C. BUSH III, PH.D., DIRECTOR, FOREIGN POLICY STUDIES, THE BROOKINGS INSTITUTION

#### KEY POINTS

In passing the Taiwan Relations Act twenty-five years ago, Congress helped fortify a Taiwan that was reeling from the shock of de-recognition and the end of the mutual defense treaty. In the subsequent quarter decade, the TRA has grown in importance as an element of U.S. policy, and as a symbol of American resolve.

The TRA has been effective because it has always been reinforced by a strong and continuing political commitment by the Congress and the American public. It is law and political commitment combined that have helped keep Taiwan secure and free and will do so in the future.

The recent election in Taiwan offered a clear choice to Taiwan voters between the pan-Blue camp, which favors a more conciliatory policy towards China and the pan-Green camp, which emphasized Taiwan identity and reform of the political order. China views President Chen with deep suspicion and believes that his political agenda is tantamount to the permanent separation of Taiwan from China, and therefore a fundamental challenge to Chinese interests. That perception may well be incorrect. Ensuring that Beijing does not over-react will require careful management on all sides.

The TRA has been an admirably flexible and effective instrument of U.S. policy and mechanism for the conduct of U.S.-Taiwan relations. It will remain so if the U.S. political commitment to the island remains strong, and fosters a policy consensus between the Congress and the executive branch.

Because the U.S.-Taiwan relationship is a partnership—a partnership of democracies—the United States will best honor its TRA obligations if Washington and Taipei work together and maintain good communication.

#### INTRODUCTION

Twenty-five years ago this spring, the Congress passed the Taiwan Relations Act (TRA). Members acted because they believed that President Carter struck a bad bargain in establishing relations with the People's Republic of China. They felt that by giving into Chinese demands that he terminate diplomatic relations with Taiwan and end the mutual defense treaty, Carter had left the island profoundly vulnerable. They also were angry that the administration had pursued its China initiative without proper consultation with the Congress. They therefore used the TRA to shore up Taiwan's position and demonstrate their desire to play their proper role in the making of foreign policy.

A lot has changed in a quarter-century. China was relatively weak militarily at the time that Congress worked to fortify Taiwan through the TRA. Now it is steadily modernizing its armed forces and acquiring the ability to project power on its periphery. Several hundred PRC missiles are just one way that the Chinese threaten Taiwan's security.

Twenty-five years ago, Taiwan and China had no economic interaction whatsoever. But as labor costs on Taiwan escalated and China realized that it had to join the global economy to create prosperity and stability at home, Taiwan companies found the mainland to be a good place to re-locate their production facilities. China has received almost \$100 billion in Taiwan investment and has replaced the United States as the island's leading trading partner.

In 1979, Taiwan had an authoritarian system where it was a crime, for example, to advocate the total independence of Taiwan from China. Now Taiwan is a full, and sometimes rambunctious, democracy. The political spectrum is divided among those who favor some accommodation with China, some who are cautious, and others who want outright independence. For Beijing, this democracy creates a fear that Taiwan will slip away and turn its dream of unification into a nightmare.

Does the Taiwan Relations Act have any relevance in 2004, twenty-five years after it was written? I think it does. Although circumstances have changed, the law still reflects a strong political and legal commitment to Taiwan. Because China's military power is growing, the U.S. security role is far more important today than it was in 1979. Because Taiwan is a democracy, Washington's task of balancing political values and security interests is more complex. And because Taiwan is more

complicated, its own actions can shape how America fulfills its TRA commitment. But the TRA still provides sound policy direction to the executive branch.

#### THE TAIWAN ELECTION

The recent presidential election on Taiwan provides a useful context for assessing U.S. interests and the current relevance of the TRA.

The election confirmed that there is a basic parity within the Taiwan electorate. On one side are those who favor a conciliatory policy towards China. These people vote for the pan-Blue coalition made up of the Nationalist Party (Kuomintang, KMT); the People's First Party, and the New Party. The other side is made up of those who are more skeptical about China's intentions and those who favor total and permanent separation. These people favored the pan-Green coalition composed of the Democratic Progressive Party and the Taiwan Solidarity Union. It is important to emphasize, however, that all political forces agree that Taiwan or the Republic of China is a sovereign state, and that China needs to accept that reality.

In winning re-election, President Chen increased his share of the vote from around 40 percent in 2000 to 50 percent this time, a remarkable achievement. This reflects his political skill and that of his party, the continuing growth of Taiwanese identity, and the fact that supporters of former President Lee Teng-hui, who cast their votes for Blue candidates in 2000, cast them for President Chen in 2004.

President Chen exercised his authority under Taiwan's referendum law to call for two so-called defensive referenda, one on missile defense and one on the conduct of cross-Strait relations. These were held on election day, but the results were invalid because less than 50 percent of eligible voters cast ballots. In my view, this does not necessarily mean that the Taiwan public in principle rejected referenda as a mechanism for registering the public will. Rather, most pan-Blue voters declined to vote in the referenda because their leaders judged that President Chen had exceeded his authority in calling them.

As far as I can tell from a distance, this was a clean election. Voters had a clear choice between policy alternatives. Taiwan has an excellent system for casting and counting ballots. No electoral system is perfect, of course. But if there is a recount, I am confident that it would accurately reflect the people's choice.

I do believe that the election and its aftermath have created stresses on Taiwan's institutions. The courts and the election commission are facing unprecedented demands concerning a recount. The police have had to cope with both demonstrations and the need to investigate the shooting of President Chen and Vice President Lu on the day before the election. It remains to be seen how the legislatures, which the pan-Blue barely controls, can perform effectively in a climate of parity and some polarization. And the pan-Blue coalition is facing its own challenge. It was less effective, in my view, in representing its constituency than President Chen was in mobilizing his. It must re-engineer itself if it is going to do a better job of reflecting the interests of the half of the population that supports it.

These stresses on institutions are certainly common in consolidating democracies. I am confident that Taiwan's institutions can cope and improve. But there is work to be done. The Taiwan people have too much at stake. They deserve strong and effective political order.

That Taiwan's democratic institutions are not fully consolidated is one of the reasons that President Chen has advocated constitutional reform and the use of referenda to register the public will. I believe that he will continue to pursue this agenda with determination. But he does face a major obstacle. He wishes to have the draft of a new constitution ratified through a referendum, but the current referendum law does not give him that authority. So he needs to amend that legislation. Hence, the legislative elections at the end of the year are pivotal. If the pan-Blue loses its majority, then it will be easier for President Chen to change the referendum law to allow him to call a referendum to approve a new constitution. If, on the other hand, the pan-Blue is able to retain control and maintains firm opposition, it will be able to block him from carrying out his initiatives.

President Chen's proposal for constitutional revision raises a couple of questions. First of all, will the Taiwan public regard the process that he has laid out to be legitimate, since the current constitution lays out a different one? Second, will China see a new constitution approved by a referendum as a provocative challenge so serious that it demands a strong, even forceful response? Specifically, will China interpret constitutional revision as closing the door forever and completely on unification, which is its fundamental objective? There is, I am afraid, the possibility that China will misinterpret President Chen's intentions and miscalculate in fashioning its response.



## THE CROSS-STRAITS PARADOX

The electoral conflict between the pan-Green and pan-Blue reflects the larger paradox of cross-Strait relations. Economically and socially, Taiwan is being pulled into China's orbit. The island's companies have little choice but to take advantage of the incentives that the mainland has to offer if they are to survive. Globalization dictates that if Taiwan companies—even high-tech companies—are to remain competitive, they must locate some of their activities in the PRC. As former Premier Vincent Siew has asserted, cross-Strait relations are critical to Taiwan's medium- and long-term development. "Taiwan," Siew said, "cannot afford to ignore the immense mainland market."

At the same time, Beijing and Taipei have been at loggerheads over the terms and conditions under which a political reconciliation might take place. The PRC has insisted on its formula of one-country, two systems. First Lee Teng-hui and now Chen Shui-bian have rejected that formula and insisted that Beijing treat their government as an equal, sovereign entity with rights of participation in the international system, and that it renounce the use of force.

To make matters much worse, Beijing has reacted to Lee's and Chen's resistance by building up its military forces to have the ability to counter any move by Taiwan that it would interpret as an irreversible separation, such as (but not confined to) a declaration of independence. According to the estimate of a private, expert panel, "the PLA currently has the ability to undertake intensive, short-duration air, missile, and naval attacks on Taiwan, as well as more prolonged air and naval attacks." Increasingly, it can inflict costs on U.S. forces that might intervene to defend Taiwan. And within a few years, its capabilities will have improved significantly. In one assessment, China can attain in the 2007–2010 time frame three significant power-projection capabilities that are relevant to a Taiwan scenario:

- 1 Attack a wide range of civilian and military targets with as many as 1,000 ballistic missiles and with several hundred medium-range bombers armed with conventional ordinance and cruise missiles;
- 2 Transport one to two divisions by sea and air transport as far as Taiwan;
- 3 Conduct limited air and sea denial operations up to 250 miles from China's continental coastline (that is, keep U.S. forces away from Taiwan).

Which trend will win out? Will growing economic interdependence foster a political accommodation? Or will the PRC's military buildup and a stronger Taiwan identity produce a conflict that may draw in the United States? I do not know the answer to those questions, but I know they are the questions that must be addressed.

It is worth noting that not everyone in Taiwan regards the growing interaction with the mainland to be an unalloyed blessing. The island's growing economic dependence in particular fosters fears about growing PRC leverage in three possible forms. The first is the "hostage effect," the possibility that Beijing might impose economic sanctions on Taiwan to achieve political purposes, or that a significant downturn in an unstable China would automatically hurt Taiwan. The second is the "hollowing out" effect, whereby the economy on the island becomes progressively weaker because manufacturing migrates to the mainland, and simultaneously, China becomes more technologically proficient and economically competitive because of Taiwan help. The third is the "fifth column" effect, in which Taiwan businessmen with a presence in China might promote their interests in ways that are biased in favor of Beijing, or Chinese agents and saboteurs might take advantage of economic and social interaction in order to infiltrate Taiwan. Even if PRC leverage is in fact less than some Taiwan people fear it (as is probably the case), the fact of the fear has become a political reality on the island.

By and large, people on Taiwan understand the importance of China economically to Taiwan's prosperity. Economic interdependence certainly creates an aversion among the Taiwan electorate to a needless provocation that would change the fundamental status quo of cross-Strait relations. The problem, of course, is that there is an intense debate over what aspect of the status quo is fundamental and therefore what should not be changed. Provocation is often in the eye of the party that feels provoked. For example, many in Taiwan believe that it is China undermining what is fundamental about Taiwan through a strategy of economic and political attrition.

I was asked to comment on the political role of the Taiwan business community. This is an interesting issue, both in general and in the recent election in particular. Taiwan businessmen who operate in mainland China are at the center of this paradoxical situation of economic interdependence, political stalemate, and militarization. But I am struck by how limited their role was in the March election. Taiwan companies no doubt were a source of campaign contributions for both camps. Tai-

wan businessmen living and working on the mainland returned in larger numbers to vote, and on balance cast more votes for the pan-Blue than for the pan-Green. A few prominent businessmen made clear their political preferences. Yet the business community as a whole did not seek to steer the electorate in one direction or the other.

Taiwan companies of course depend on peace. The international economic system depends on peace in the Taiwan Strait because Taiwan firms are the middle links in global supply chains. The turmoil created in the IT sector after the September 1999 earthquake on Taiwan provides some indication of how global markets would be shaken by a war. Could Taiwan businessmen who operate in China play a significant, restraining role in a time of growing tension and potential conflict? It is difficult to know. My guess, however, is that they have more influence with their own government than they do with Beijing. Whether they would do so is another question, but I cannot rule it out.

#### U.S. POLICY AND THE TAIWAN RELATIONS ACT

In this situation of economic interdependence, political stalemate, and militarization, a context far different than that twenty-five years ago, how does the United States protect its equities? Is the TRA still relevant?

The United States has a variety of interests concerning Taiwan. Our economic ties with the island are rich and mutually beneficial. The United States supported Taiwan's democratization and has insisted that any arrangement between Beijing and Taipei be acceptable to the Taiwan people. And as I have suggested, a further consolidation of Taiwan's democracy would better ensure that political institutions clearly reflect the people's will.

The United States, I believe, has an interest in Taiwan's participating more fully in international organizations, including those that are confined to states. That in no way violates our one-China policy. We support the PRC as the sole representative of the state called China in those organizations where China is already or might be a member. What Taiwan seeks is participation, which is broader than membership. Taiwan would certainly have a lot to contribute to the work of these institutions. With goodwill and creativity all round, it would be easy to craft a role for Taiwan that was less than membership, such as observership in the World Health Assembly. The practical problem, however, is that goodwill is lacking on China's part. For a variety of reasons, Beijing wants to keep Taiwan out of international organizations as much as possible. It can—and does—exert a lot of influence over the other members of those organizations where the PRC is already present. As long as other countries dance to China's tune, there is little more that the United States can do about PRC dominance. In the process, of course, China alienates the very constituency to which it is supposedly trying to appeal, the Taiwan public.

The United States' abiding interest is that the Taiwan Strait issue be resolved peacefully and without intimidation. It was this interest that the TRA clarified and reinforced. At stake are both the security of the people of Taiwan and their democracy but also American credibility.

The United States also has an interest in a good, mutually beneficial relationship with China. The most important dimension of that relationship is the emerging cooperation between the two countries on key foreign policy issues, such as counterterrorism, South Asia, and Korea.

These various interests are not always mutually consistent. Balancing them requires sound principles and skillful execution. In the current situation, I believe that the proper role for the United States is to work with both Taiwan and China in order to ensure that conflict does not occur through misperception and miscalculation, which is the most likely way it will occur.

Although circumstances have changed in the last quarter decade, I do not believe that revision of the TRA is necessary. The Act has proved to be a remarkably flexible and effective policy instrument. It mandates a policy direction that remains as sound today as it was in 1979. Grounding U.S. policy on the principles of peace, stability, and the free choice of the people of Taiwan will never go out of fashion.

Some will argue that a new context requires that the TRA's policy language be more specific and more binding, in order to ensure Taiwan's security against a China that might use force to achieve its political objectives. I would argue that what has made the TRA successful up until now—and what will make it successful in the future—is the sustained political commitment behind the text, by the Congress and the American public. More than anything else, it is that political commitment that will guarantee that the policy direction of the TRA remains relevant as new conditions emerge.

One way for the Congress to manifest that commitment is to conduct regular, public oversight of Taiwan policy. Based on my own experience at AIT, when the executive branch knows that the legislature is paying attention—through today's hearing, for example—it becomes a powerful check against bad ideas.

More important in my mind, the Congress must conduct a continuing dialogue with senior officials of the executive branch on how to operationalize U.S. interests at any point in time, and on the steps that are necessary to promote those interests. Inter-branch consensus is the best guarantee of sound policy.

The biggest danger I see in an effort to revise the TRA would be that the executive branch would regard a congressional effort to make the policy prescriptions of the TRA more specific and more binding as a challenge to its constitutional power to conduct foreign policy. It would oppose the effort not because the policy ideas were necessarily bad but because it saw its power being stripped. An open conflict over Taiwan policy in the United States would foster profound concern on Taiwan, because it would be read as a weakening of the American political commitment. It would also be welcomed by China.

If good coordination between Congress and the executive branch is the best way to solidify the American commitment to Taiwan's security, good communication between Washington and Taipei will help us better fulfill that commitment. This partnership of democracies and the welfare of the island's twenty-three million people are too important to be hurt by missed signals or divergent assumptions. The institutional mechanism that the TRA established—the American Institute in Taiwan—has generally worked well, in tandem with its Taiwan counterpart, to foster good communication. Yet the experience of the last eighteen months, which culminated in President Bush's statement on December 9, 2003, indicates the need for improvement. And I think it is proper for Members of Congress to be part of the communications between Washington and Taipei.

I was asked to comment on the U.S.-Taiwan security relationship. Taiwan understands in a general way that China's military power is growing and that Taiwan needs to catch up (although some discount the threat because of the mutual interests that come with extensive cross-Strait economic interaction). There is less comprehension of the specifics of the island's defense posture. The fact is that if Taiwan were attacked, and even if the United States made a decision to intervene, the island's armed forces would have to hold on for a few weeks before an American rescue occurred. Thus, Taiwan needs sophisticated military equipment both to deter a PRC attack and to provide strategic endurance should deterrence fail.

The United States has agreed to provide much of what Taiwan needs, but Taiwan's political system has been slow to mobilize and allocate the resources for those weapons systems. I see some sign that a corner has been turned, that priorities are being set, and a funding mechanism will be created. Yet a divided polity may still obstruct decisions that are in the best interests of Taiwan.

Institutional reform (in the areas of command and control, doctrine, personnel, training, logistics, and so on) must accompany procurement advances. Software must improve with hardware. Here too, the progress has been slow, primarily because the challenges are daunting. Yet continuing effort will be required to ensure that, within the limits of Taiwan's resources and the parameters of its democratic system, the armed forces will be strong.

To sum up, in passing the Taiwan Relations Act twenty-five years ago, Congress helped fortify a Taiwan that was reeling from the shock of de-recognition and the end of the mutual defense treaty. In the subsequent quarter decade, the TRA has grown in importance as the framework for U.S. policy, and as a symbol of American resolve. The TRA has been effective because it has always been reinforced by a strong and continuing political commitment by the Congress and the American public. It is the law and this political commitment combined that have helped keep Taiwan secure and free. By sustaining that commitment, by ensuring good communication with our democratic partner, Taiwan, and by minimizing the risks of misperception and miscalculation across the Taiwan Strait, the United States can ensure peace and stability in the future.

Chairman HYDE. Thank you, Mr. Bush.

Without objection, all of the full statements of the witnesses will be made a part of the record.

Mr. Wan?

**STATEMENT OF MING WAN, PH.D., ASSOCIATE PROFESSOR OF  
GOVERNMENT AND POLITICS, GEORGE MASON UNIVERSITY**

Mr. WAN. Mr. Chairman, Members of the Committee, thank you for this opportunity to talk to the Committee about the Taiwan question. It is truly an honor to be here today. Mr. Chairman, I am going to summarize the prepared statement I have submitted to the Committee.

I believe that the United States has an important opportunity to shape future developments in the Taiwan Strait. The U.S. is the world's only super power. More important, the two sides of the Taiwan Strait each want to involve the United States to achieve their respective objectives.

The fact that Taiwan depends on the United States is nothing new. Beijing's efforts to enlist United States support over the Taiwan issue is a new development in relations with the United States and in Taiwan policy. After all, the Chinese Communists spent 2 decades framing the Taiwan issue as China's internal affairs.

Beijing's effort to seek United States support over Taiwan reveals a strong Chinese preference to avoid conflict with the United States. Beijing's actions also reveal its greater empathy on prevention of independence than realization of a unification at present. It would be unrealistic for Beijing to expect that the United States would help it achieve unification.

Since 1972, the United States policy regarding the Taiwan question has been driven by two values, namely peace and democracy, and that should continue to be the case. Peace and democracy ultimately go hand in hand. Peace is most sustainable among democracies. At the same time, the relative weight of each value is not always equal.

It is worth reporting that the trade off between peace and democracy have to be made in United States policy regarding Taiwan in the past. The Taiwan Relations Act should be viewed together with the 1972 Shanghai communique and the 1979 Joint Communique that established a diplomatic relationship with the PRC.

The strategic bargain is because China and the United States played an important role in stabilizing East Asian international relations. While not meant to denounce democracy, the United States-China strategic bargain also contributed to the democratization process across the Taiwan Strait.

The strategic environment that conditioned the Taiwan question has changed fundamentally since the end of the cold war. Taiwan has changed. It has become increasingly clear that the majority of Taiwanese do not want a one China principle or the formula of one country/two systems.

More important, Taiwan has become a full-fledged democracy. The change on the ground in the Taiwan Strait means that the old institutional framework may be inadequate to ensure peace in the Taiwan Strait, and I believe it is time to examine the whole Taiwan policy. A meaningful reassessment of United States policy should include a critical review of both the TRA and also the one China principle articulated in the Joint Communique.

As a foundation for the United States policy toward Taiwan and China, the Taiwan Relations Act has contributed to peace and stability in East Asia. If there is any potential inadequacy in the law,

the law spells out clearly United States obligations to Taiwan, but not Taiwan's obligation to the United States.

It made sense at the end of the 1970s when one would be more concerned about Mainland China taking Taiwan than Taiwan taking risky moves. Now that the objectives of the Government of Taiwan have changed, a moral problem has emerged. Common sense tells us that someone who had obligations to another party, but no reciprocal rights, will end up suffering the consequences of action by the other party.

The United States has supported Taiwan democracy and should continue to do so, but it is my opinion that that does not mean that the United States Government must support unconditionally any particular policy of any particular government in Taiwan.

While democracy should be an important objective for United States policy in the post cold war, it continues to be the case that peace is a value in and of itself, and peace ultimately promotes democracy across the Taiwan Strait and East Asia as a whole.

At the same time that the United States would be advised to spell out its expectations of Taiwan more clearly, the one China principle should also be adjusted. The principle has been unduly constraining for Taiwan. If China continues to insist on the one China principle, it is hard for me to see how the Taiwan dispute will not end up in military conflict eventually.

Looking at the dynamic of the Taiwan Strait, the only conceivable compromise is one China/two governments or one China/two states. Beijing's inflexibility has contributed to Taiwan's move toward independence, which is, of course, the worst possible choice on the list of things the Chinese Government opposes.

It is time for the Chinese Government to adjust its basic goal regarding Taiwan, and I think the United States can play an active role in helping China thinking along that line.

Thank you.

[The prepared statement of Mr. Wan follows:]

PREPARED STATEMENT OF MING WAN, PH.D., ASSOCIATE PROFESSOR OF  
GOVERNMENT AND POLITICS, GEORGE MASON UNIVERSITY

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to talk to the committee about the Taiwan question. It is truly an honor to be here today.

The Taiwan issue has been recognized rightly as complex and potentially explosive. Mainland China and Taiwan have opposing goals regarding the future of Taiwan and have demonstrated willingness to take high risks to achieve their respective objectives.

Beijing sees unification with Taiwan as an all-important national objective for which it would be willing to "pay any price." The People's Republic of China government means it. Chinese officials may differ on how best to achieve unification, but that basic goal is unchallenged. For Mainland Chinese, the Taiwan issue is at the core of Chinese identity. It is about the destiny and aspirations of 1.3 billion people. While hoping for a peaceful solution, the Chinese government has refused to rule out use of force as a last resort to defend what it considers to be China's sovereignty over the island. Although we do not have precise surveys to examine the depth of Chinese public's commitment to unification with Taiwan at all costs, all signs point to a strong public support for unification. In fact, with rising nationalism in China, there is frequent criticism from Chinese citizens, particularly on the Internet, that the government has adopted weak measures to confront what Chinese see as major provocations from the government in Taiwan.

Over the past few years there has been a subtle shift from unification to prevention of independence as the short-term, realistic objective for the Chinese government. That shift has taken place because it is inherently difficult to achieve unifica-

tion under any circumstances. But more important, Beijing knows that with a growing Taiwanese identity and the growing strength of the pro-independence Democratic Progressive Party, there is a decreasing willingness to support unification among Taiwanese. Beijing also knows that it does not have good options to achieve unification. For one thing, the Taiwan Relations Act means that the United States will assist Taiwan's defense if Beijing resorts to force.

Taiwan does not want to unify with the People's Republic of China. That position has been clear from the beginning. What is significant now is a shift of national objectives from eventual unification to independence. Taiwanese nationalism is on the rise. The DPP government both takes advantage of public sentiment and encourages a Taiwanese identity distinct from China in rhetoric and policy. To the government and public in Taiwan, the Taiwan issue is about their survival. It is about the destiny and aspirations of 22.6 million people in Taiwan. And it is about democracy.

Taiwan President Chen Shui-bian and his predecessor Lee Teng-hui have been talking about a Taiwan that is already "independent and sovereign". Chen has promised to hold a referendum on a new constitution in 2006 and implement the new constitution in 2008.

The Beijing government does not trust Chen and sees his plan for a referendum and a new constitution by 2008 as "virtually a timetable for Taiwan's independence" (remarks by a spokesman of the State Council's Taiwan Affairs Office). Once the dust over the election controversy settles, the Chinese government faces a difficult question of what to do with the second-term Chen Shui-bian government. Will the Chinese government swallow hard and restrain the instinct to have a showdown in the Taiwan Strait, as it feels that it has done for the past four years? There is a serious danger that the Chinese government may feel compelled to "pay any price" now to stop Taiwan's movement toward independence. If Beijing decides to take action, it is unlikely to repeat the massive military exercises it staged in 1995-1996, which did not really work as the government recognized privately. There is now a distinct danger that the People's Liberation Army will simply go to war.

The United States has an opportunity to shape future developments in the Taiwan Strait. It is in a pivotal position in the triangle among the U.S., China and Taiwan. The United States is the world's lone superpower and its military power relative to other major powers has increased. More important, the two sides of the Taiwan Strait each want to involve the United States to achieve their respective goals.

The fact that Taiwan depends on the United States for its survival is nothing new. What is new is that the Chen government apparently believes that it can challenge the One China principle that the U.S. government has been upholding since 1972, that it can move toward independence under U.S. protection, and that the United States would have to defend Taiwan's democracy no matter what the Taiwan government does.

The Chen Shui-bian government is not seeking to ensure Taiwan's physical survival, which is not currently threatened, but to "walk Taiwan's path" toward a de jure sovereign nation. Taipei's discussion of threat from the mainland is mainly meant to urge the U.S. government to do more to help deter China. If Taipei really felt threatened, it would not have reduced its defense budget for the past decade and it would have modernized its military more urgently.

Beijing's effort to enlist U.S. support over the Taiwan issue is a new development in its relations with the United States and its Taiwan policy. After all, the Chinese government spent two decades framing the Taiwan issue as China's internal affair and characterizing foreign intervention as one of the justifications for Beijing to use force against Taiwan.

Beijing's effort to seek U.S. support over Taiwan reveals at least three Chinese strategic preferences. First, Beijing's actions reveal a strong Chinese preference to avoid conflict with the United States. China has essentially traded some loss of autonomy for greater security. What Beijing has done is to hand a key to the United States to the puzzle of Taiwan, which gives the Americans some control over how the Taiwan situation plays out. Beijing's thinking appears to be that if the United States does not want to get into a military conflict with China, it has an opportunity to do something to prevent that.

Second, Beijing's actions reveal its greater emphasis on prevention of independence than realization of unification at present. It would be unrealistic for Beijing to believe that it could get the United States to help it achieve unification. Beijing clearly hopes to maintain the status quo even though its missile deployment and military modernization also contribute to the instability of the region.

Third, Chinese actions reveal that Chinese foreign policy is becoming more pragmatic, which suggests that there is room for negotiation and compromise even on the most sensitive issue.

Beijing's greater willingness to "internationalize" the Taiwan issue entails costs. Once internationalized, China cannot control how other major powers will choose to get involved in the issue. A case in point: U.S. arms sales to Taiwan have weakened Beijing's ability to force Taiwan to the negotiation table. At the same time, now that the Chinese government is asking the U.S. government to prevent the Taiwan government from upsetting the status quo, it is more difficult to criticize U.S. arms sales to Taiwan, which have served the goal of preserving the status quo in the Taiwan Strait.

The United States obviously has tremendous stakes in the Taiwan issue including avoiding a conflict with a major nuclear power and preserving its position in East Asia and its reputation as a reliable protector.

What should the United States do about the Taiwan question? As a highly contentious issue and given the grave consequences of any policy shift over Taiwan, it is impossible to make a value-free analysis of the situation. The Taiwan issue is all about values. As mentioned earlier, the Taiwan issue is about the destinies and aspirations of 1.3 billion people in Mainland China and 23 million in Taiwan. The Taiwan issue is also about what the United States stands for.

Since 1972, the U.S. policy regarding the Taiwan question has been driven by two values, namely peace and democracy. And that should continue to be the case. Peace and democracy ultimately go hand-in-hand. Peace is most sustainable among democracies. At the same time, the relative weight of each value is not always equal. Peace should be emphasized sometimes and democracy should be emphasized at others. One must guard against "peace at all costs" or "democracy at all costs." Peace at all costs may lead to appeasement and ironically encourage aggressive behavior that undermines peace. Democracy at all costs may jeopardize peace and create conditions that damage democratization. There is not a ready formula to determine how much a tradeoff one has to make at a given time. It depends on the circumstances, but preserving the delicate balance between these two core values is likely to be a central element of U.S. policy in the Taiwan Strait in the next five years.

Tradeoffs between peace and democracy have been made in U.S. policy regarding Taiwan in the past. The Taiwan Relations Act, enacted in 1979, should not be viewed in isolation. Rather, it should be viewed together with the 1972 Shanghai Communiqué signed by President Nixon and Premier Zhou Enlai and the 1979 Joint Communiqué that established diplomatic relations between the U.S. and the PRC. After all, the Taiwan Relations Act would not have been necessary but for the fact that the United States severed diplomatic relations with Taiwan to establish diplomatic relations with Beijing to advance U.S. strategic interests in the strategic triangle with China and the Soviet Union. The Taiwan Relations Act, which focuses on the rights of Taiwan and U.S. obligations to Taiwan, is a balance on the "One China Principle" conditionally pledged by the United States in the two documents.

Peace in East Asia and strategic advantage over the Soviet Union was a dominant concern for the U.S. government through the 1980s. The 1972 Shanghai Communiqué stated the positions of the United States and China separately. The U.S. position began with "peace in Asia and peace in the world" as a principal U.S. objective for improving relations with China. The U.S. side talked about U.S. support for individual freedom, but the big picture is that the U.S. and Chinese sides recognized differences in their political systems and agreed not to intervene in each other's internal affairs.

The strategic bargain between China and the United States at Taiwan's expense played an important role in stabilizing East Asian international relations. While not meant to advance the cause of democracy, the U.S.-China strategic bargain also contributed to the democratization process across the Taiwan Strait.

China's new relationship with the United States enhanced its external security, which was a necessary if not a sufficient condition for allowing Deng Xiaoping to launch economic reform and opening to the outside world. Deng's reform and opening would change the nature of U.S.-China relations. A case in point, while President Nixon and President Reagan did not address China's human rights and democracy directly in their visits to China in 1972 and 1984, Vice President Cheney recently did so frankly on Chinese television. Cheney talked about the need for China to adopt genuine political reform. This positive development in China came more from an improved bilateral relationship than from U.S. pressure.

America's severing of diplomatic relations and continuous protection of Taiwan as well as its concern for human rights in Taiwan combined to contribute to political change in Taiwan. The Taiwan Relations Act makes it clear that "the preservation and enhancement of the human rights of all the people on Taiwan are hereby reaffirmed as objectives of the United States" (Sec. 3301c). This section on human rights, as I read it, implied that the Taiwan government needed to ensure the

human rights of the inhabitants in the island to ensure continuous U.S. support. Democratization necessarily means Taiwanization since a majority of the inhabitants in Taiwan are Taiwanese who had been dominated by mainlanders who moved to Taiwan with the Chinese Nationalist Government at the end of the Chinese Civil War.

The strategic environment that conditioned the Taiwan question has changed fundamentally since the end of the Cold War. The Soviet Union is no more. China has changed. More important, Taiwan has changed. It is becoming increasingly clear that a majority of Taiwanese wants to shape a distinct Taiwanese identity and certainly do not accept the one China principle or Beijing's formula of "one country, two systems." Taiwan has become a full-fledged democracy. As a democracy, some in Taiwan argue that Taiwanese have the legitimate right to determine Taiwan's destiny and the United States should understand this and defend Taiwan.

The change in Taiwan removed the basis for the original American rationale for accepting the one China principle. The 1972 Shanghai Communiqué said clearly, "the United States acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China." The former Kuomintang Government in Taiwan used to acknowledge the one China principle although it considered the Republic of China rather than the People's Republic of China to be the sole legitimate government of China. Now fewer and fewer people in Taiwan consider Taiwan to be a part of China. That necessarily makes the one China principle more a unilateral notion from the Chinese side than an ideal shared across the Taiwan Strait.

The change on the ground in the Taiwan Strait makes it necessary to ask whether the old institutional framework regarding the Taiwan question should be adjusted as well. This is not an academic question. The old institutional framework is no longer adequate to ensure peace in the Taiwan Strait when the Taiwan government is steadily forging a unique Taiwanese identity and legally forming a separate state from China and when the PRC government is preparing to act forcibly to stop that process.

It is time to examine the whole Taiwan policy carefully in light of U.S. values and interests and in light of the changes across the Taiwan Strait. A meaningful reassessment of U.S. policy should include a critical review of both the Taiwan Relations Act and of the one China Principle articulated in the joint communiqués with the PRC government. After all, they are part of the same institutional framework.

As a foundation for the U.S. policy toward Taiwan and China, the Taiwan Relations Act has contributed to peace and stability in East Asia. But the Taiwan Relations Act now also shows some inadequacy. The inadequacy of the legislation lies in the fact that the law spells out clearly U.S. obligations to Taiwan but not Taiwan's obligations to the United States. It made sense in the end of the 1970s when one would be more concerned about Mainland China attacking Taiwan than Taiwan taking risky moves. The Nationalist Government in Taiwan was not seeking independence. Now that the objectives of the government in Taiwan have changed, a serious moral hazard problem has emerged. Common sense tells us that someone who has obligations to another party but no reciprocal rights will end up suffering the consequences of actions by the other party.

It appears that the government in Taiwan has largely brushed aside warnings regarding referendums by the White House in recent months: all the more reasons that any revision of the Taiwan Relations Act should include clear references to U.S. expectations of Taiwan.

The United States has been supporting Taiwan democracy and should continue to do so. But that should not mean that the U.S. government must support unconditionally any particular policy of any particular duly elected government in Taiwan.

While democracy should be an important objective for U.S. policy in the post-Cold War era, a tradeoff between peace and democracy still needs to be maintained. It continues to be the case that peace is a value in and of itself and peace ultimately promotes democracy across the Taiwan Strait and in East Asia as a whole.

Peace in East Asia is important for the United States. The country is engaged in war on terrorism. Terrorists want to destroy the Western way of life, not just democracy. This is a fundamental challenge. The United States needs support from major countries such as China and has received support. On top of that, China is embracing globalization. There are surely disputes in the bilateral relationship, but the two governments can sit down and talk about them as civilized nations.

Peace promotes democracy in China. Based on past experience, perceived external threats and accompanying nationalism have generally jeopardized the prospect of democracy in China by lowering the relative importance of democracy in Chinese debates. So tension over Taiwan will jeopardize the nascent process of political opening in China.



People might argue that China is not becoming more democratic in any case. It is the case that the Chinese government has not shown interest in genuine democratic reform. However, one should recognize the economic forces such as the market economy and the social forces such as the rise of a middle class that are emerging in China. These forces are creating favorable conditions for democracy in China down the line. If one wants to see sustainable democracy in China, the U.S. relationship with China will continue to be critically important, as it has been to date.

At the same time that the U.S. would be advised to spell out its expectations of Taiwan more clearly, the one China principle should also be adjusted. The principle has been unduly constraining for Taiwan. If China continues to insist on the one China principle, it is hard to see how the Taiwan dispute will not end up in military conflict eventually.

Looking at the dynamics of the Taiwan Strait, the only conceivable compromise is "one China, two governments" or "one China, two states." The Chinese government has adamantly opposed these two choices. In the 1972 Shanghai Communiqué, the Chinese government stated that "the Chinese government firmly opposes any activities which aim at the creation of 'one China, one Taiwan,' 'one China, two governments,' 'two Chinas,' 'independent Taiwan' or advocate that 'the status of Taiwan remains to be determined.'" While the Chinese government has shown flexibility in approaches to Taiwan, it has not shown any meaningful flexibility in the basic principle of one China, one province.

Beijing's inflexibility has contributed to Taiwan's move toward independence, which is of course the worst possible choice in the list of things the Chinese government opposes. It is time for the Chinese government to adjust its basic goal regarding Taiwan. Beijing still has some opportunity to shape its relations with Taiwan in a win-win situation since the Taiwanese identity that is emerging is yet to be fully entrenched. Beijing should realize that "one China, two governments" or "one China, two states" based on a shared Chinese identity is far better than an independent Taiwan based on a separate Taiwanese identity. Otherwise, the Chinese government may find itself shortly in a situation where it has to choose between two stark options of an independent Taiwan or a war with the United States. It is not in the U.S. interest to have China in that position either.

The United States should adopt a pro-active policy over Taiwan. It would not be wise to abandon the one China principle unilaterally. But the U.S. could help to steer discussions toward finding compromises between the two sides of the Taiwan Strait. In fact, on the lower level of the Chinese government, some are already exploring alternatives to the old position that "there is only one China in the world, which is the People's Republic of China." It is not possible for new thinking on Taiwan to have traction in China unless influential people in the government feel that they have to rethink about the whole Taiwan issue.

In return for a good faith attempt to discourage Taiwanese independence, the United States should encourage the People's Republic of China to negotiate with the Republic of China as two equal entities without pre-conditions. As a good will gesture, the Chinese government should also be encouraged to stop blocking Taiwan's observer status in certain international organizations such as the World Health Organization. Taiwan needs more international space to avoid feeling cornered.

With a restructure framework of one China, two states, the PRC would prevent a further strengthening of Taiwanese identity, which is the ultimate block to eventual unification, and the Republic of China would gain higher international status and respect.

It will not be easy for the United States to persuade China to relax on the one China principle to engage in a political talk with Taipei on a basis of equality and it will not be easy to dissuade Taiwan from seeking independence in a legal fashion. The alternative will be far more serious, however. Without greater diplomatic effort from the United States, the Taiwan Strait could explode by 2006 or 2008, ruining both peace and democracy in East Asia.

Chairman HYDE. Thank you, Mr. Wan.  
Mr. Swaine?

**STATEMENT OF MICHAEL D. SWAINE, PH.D., SENIOR ASSOCIATE AND CO-DIRECTOR OF THE CHINA PROGRAM, CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE**

Mr. SWAINE. Good afternoon, Mr. Chairman and Members of the Committee. Thank you for this opportunity to speak to you about

United States policy toward Taiwan and China on the occasion of the 25th anniversary of the Taiwan Relations Act.

The peace, stability and prosperity of East Asia and the overall achievement or advancement of America's security interests depend to a great extent on the maintenance of stable, workable, state-to-state relations between the United States and the People's Republic of China. This is still true today, even though the original strategic motivation behind the normalization of United States-China relations—the need to balance against the Soviet Union—no longer exists.

At present, and in my view for the foreseeable future, any workable United States-PRC relationship depends on the maintenance of an understanding that was reached between Beijing and Washington at the time of normalization. This understanding exchanged a United States acknowledgement of the so-called one China position for a PRC commitment to the search for a peaceful means to resolve the Taiwan issue as a first priority.

The Taiwan Relations Act codifies in United States domestic law two of the three central pillars toward both the PRC and Taiwan that derive from this understanding. First, it requires that the Taiwan situation be handled peacefully and indicates that the United States Government will regard with grave concern any use of non-peaceful means to resolve Taiwan's status.

Second, it requires the United States Government to maintain, both directly and indirectly via assistance to Taiwan, a credible military capability to counter a Chinese attack in order to deter Beijing from being tempted to employ force against a diplomatically weakened Taiwan.

These two elements form an essential part of the reason why America's policy toward Taiwan and the PRC has been successful to date in preventing conflict and sustaining a beneficial, if often troubled, Sino-American relationship and in permitting Taiwan society and polity to thrive.

However, the TRA is only part of the reason for this policy's success. A United States commitment to a peaceful solution of the Taiwan problem and to military deterrence in support of that goal could not have succeeded in advancing U.S. interests without an equally strong assurance to the PRC that the United States will not use its superior military power and its defensive oriented assistance to Taiwan to encourage Taiwanese independence or to shield movement by the Island toward independence.

Without such a United States assurance, the PRC leadership could not have tolerated what it views as the challenge to China's claim to sovereign authority over Taiwan that is represented by the TRA. They almost certainly would not have emphasized their desire to pursue a peaceful solution to the Taiwan situation as a top priority.

Therefore, the other element of United States policy, the agreement not to challenge the PRC's one China position, is essential to the maintenance of stability in the Taiwan Strait. This element was provided by the three Sino-American communiques, not the TRA.

Some critics of United States policy argue that democratization in Taiwan and subsequent rejection by the current Taiwan Govern-

ment of the original one China notion and the PRC's military build-up along the Taiwan Strait require a fundamental change in United States policy. They argue that the one China approach should be jettisoned in favor of a policy that recognizes the reality of Taiwan's independence and that relies almost exclusively on military deterrence to prevent a rising PRC from reacting forcibly from such a policy shift.

In support of this position, these critics would turn the TRA into a security guarantee to Taiwan, which it is not, and would provide even greater levels of military assistance to Taipei. They would also negate by word or deed much of the three communiques.

In my view, any effort by the United States to confront the PRC with the so-called reality of an independent Taiwan would destroy the foundations of a Sino-American relationship, throw Asia into turmoil, especially because no Asian state would support such a policy move, and very possibly result in a war with the Chinese.

There is present in my view no realistic alternative to the one China policy combined with the TRA that can provide a more durable basis for stability, for conflict avoidance and for gaining the time that is required for the two sides to moderate their stance and move toward dialogue and a stability including *modus vivendi*.

However, in order to maintain the credibility of the one China policy and overall stability in the Taiwan Strait, I believe that the United States must consider taking a more active role in influencing calculations in both Taipei and Beijing. Specifically, Washington should, in my view, reaffirm unambiguously that a danger of conflict with the PRC does exist over the issue of Taiwan. That is to say the possibility of a use of force and of inadvertent escalation is genuine. Thus, provocations by either side are totally unacceptable.

Second, state clearly either publicly or privately that the United States does not agree with the position of Taiwan's President Chen Shui-bian's government that it has engaged in merely consolidating a long-term status quo of sovereign independence. His position is dangerously misleading to the Taiwan public. For the United States and virtually the entire international community, the sovereign status of Taiwan remains unresolved at best.

Third, communicate clearly that United States support for Taiwan is not unconditional. It requires responsibility and restraint, and efforts to alter the source of sovereignty of the Government of Taiwan by unconstitutional means, something that I believe President Chen threatens to undertake via a referendum on a new constitution, are potentially dangerous and destabilizing.

Third, or fifth actually, pledge that as long as Taiwan exercises restraint, Washington will undertake greater, albeit still limited, efforts to increase Taiwan's international profile.

With regard to the TRA, I believe that the United States Government should consider redefining and delineating more precisely the type of defense assistance that it will provide to Taiwan in the future. Washington should insist that Taiwan acquire greater capabilities to defend itself against specific military actions, especially the possibility of a rapid strike by Beijing designed to achieve success before the United States can lend assistance.

Such a stance would convey to elites in both Taipei and Washington the fact that some types of military capability currently desired by Taipei and by some in the Pentagon and Congress are less critical for Taiwan and that Taiwan must ultimately rely on the United States for its defense in key areas, especially its defense against a sustained amphibious and air attack.

Washington should also unambiguously reject the option of offense strike capabilities for Taiwan. Such capabilities are currently being considered seriously by the Chen Shui-bian government. However, in my view, such capabilities would not increase Taiwan's security and would undermine efforts at controlling escalation in a crisis.

I am almost done, sir.

Toward Beijing, the United States should also assert that the best way for China to lower tensions with Taiwan would be for the People's Liberation Army to reduce its military deployments along the Taiwan Strait as a unilateral indicator of goodwill, as a first step toward a cross-Strait dialogue and with the clear understanding that such actions would be reciprocated in some manner.

Finally, in my view, Washington should undertake more active efforts to advance political reform in China in order to increase China's attractiveness to the Taiwan public and thereby encourage movement toward a cross-Strait dialogue. Concrete initiatives to support the rule of law should be included in this undertaking.

Without a more active effort by the United States to balance deterrence with reassurance and to counter unilateral efforts by either side to alter the status quo, the chances for an eventual conflict in the Taiwan Strait will, in my view, increase significantly over the next several years.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Swaine follows:]

PREPARED STATEMENT OF MICHAEL D. SWAINE, PH.D., SENIOR ASSOCIATE AND CO-DIRECTOR OF THE CHINA PROGRAM, CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

Good morning Mr. Chairman and Members of the Committee. Thank you for this opportunity to speak to you about U.S. policy toward Taiwan and China, on the occasion of the 25th anniversary of the Taiwan Relations Act. I respectfully request that my statement be entered into the record.

The peace, stability, and prosperity of East Asia and the overall advancement of America's security interests depend on the maintenance of stable, workable state-to-state relations between the United States and the People's Republic of China. This is still true today even though the original strategic motivation for the normalization of U.S-China relations—the need to balance against the Soviet Union—no longer exists.

At present, and in my view for the foreseeable future, any workable U.S.-P.R.C. relationship depends on the maintenance of an understanding that was reached between Beijing and Washington at the time of normalization. This understanding exchanged a U.S. acknowledgement of the so-called One China position for a P.R.C. commitment to the search for a peaceful means to resolve the Taiwan issue as a first priority.

The Taiwan Relations Act (TRA) codifies, in U.S. domestic law, two of the three central pillars of policy towards both the P.R.C. and Taiwan that derives from this understanding. First, it requires that the Taiwan situation be handled peacefully, and indicates that the U.S. Government will regard "with grave concern" any use of non-peaceful means to resolve Taiwan's status. Second, it requires the U.S. government to maintain (both directly and indirectly via assistance to Taiwan) a credible military capability to counter a Chinese attack, in order to deter Beijing from being tempted to employ force against a diplomatically weakened Taiwan.

These two elements form an essential part of the reason why America's policy toward Taiwan and the P.R.C. has been successful, to date, in preventing conflict, in sustaining a beneficial—if often troubled—Sino-American relationship; and in permitting Taiwan's society and polity to thrive.

However, the TRA is only part of the reason for this policy success. A U.S. commitment to a peaceful solution of the Taiwan problem—and to military deterrence in support of that goal—could not have succeeded in advancing U.S. interests without an equally strong assurance to the P.R.C. that the U.S. will not use its superior military power and its defensive-oriented assistance to Taiwan to encourage Taiwanese independence, or to shield movement by the island toward independence.

Without such a U.S. assurance, the P.R.C. leadership could not have tolerated what it views as the challenge to China's claim to sovereign authority over Taiwan that the TRA represents. They almost certainly would not have emphasized their desire to pursue a peaceful solution to the Taiwan situation as a top priority.

Therefore, the other important elements of U.S. policy—the agreement not to challenge the P.R.C.'s One China position as well as the expression of the P.R.C.'s priority emphasis on a peaceful resolution to the issue—are essential to the maintenance of stability in the Taiwan Strait. These elements were provided by the three Sino-American communiqués, not the TRA.

Some critics of U.S. policy argue that democratization in Taiwan, the subsequent rejection by the current Taiwan government of the original "One China" notion, and the P.R.C.'s military buildup along the Taiwan Strait require a fundamental change in U.S. policy. They argue that the One China approach should be jettisoned in favor of a policy that recognizes the "reality" of Taiwan's independence and that relies almost exclusively on military deterrence to prevent a rising P.R.C. from reacting forcibly to such a policy shift.

In support of this position, these critics would turn the TRA into a security guarantee to Taiwan (which it is not<sup>1</sup>), and would provide even greater levels of military assistance to Taipei. They would also negate, by word or deed, much of the three communiqués.

In my view, any effort by the United States to confront the P.R.C. with the so-called "reality" of an independent Taiwan would destroy the foundations of a stable Sino-U.S. relationship, throw Asia into turmoil (especially because no Asian state would support such a policy move), and very possibly result in a war with the Chinese. To those who disagree with this assessment, I would ask, can one be confident enough that the Chinese will not respond with force to make it worth the risk of provoking a confrontation with Beijing by unilaterally rejecting the One China policy—given the likely damage that will ensue if a conflict erupts? On the other hand, to those who accept the likelihood of a Chinese use of force in response to such a U.S. policy shift, I would ask, can one be sure enough that the resulting conflict would be quickly terminated, resolved, or contained in ways that preserve essential U.S. and Taiwanese interests? The danger of escalation in such a confrontation would be very real, once conflict begins.

Ultimately, the U.S. position toward Taiwan must balance two policy objectives:

- The need to preserve the credibility of America's word, in this case its commitment to a peaceful, non-coerced solution to a potentially volatile international problem, as well as America's support for a longstanding friend; and
- The need to maintain workable, if not amicable relations with a nuclear power whose long-term stance toward U.S. interests remains unclear, and whose cooperation is essential for the maintenance of many core U.S. interests, including the war on terrorism.

For the United States, both of the above objectives are critical, and, equally important, are not mutually exclusive, as long as the P.R.C. is not resolved to using force against Taiwan.

In fact, China remains committed to a peaceful resolution of the Taiwan imbroglio as a first priority. Chinese military deployments are intended primarily to deter the attainment by Taiwan of *de jure* independence, not to prepare for an inevitable war. But if deterrence fails, China's leaders will almost certainly fight, to ensure their respect among their colleagues and the Chinese populace, and to defend the legitimacy and stability of their government. Moreover, China's leaders would likely fight even they stood a good chance of losing in the first few rounds. For them, to

<sup>1</sup>The TRA mandates that the President and Congress will consult one another to decide upon an appropriate action if the President determines that Taiwan's security, or economic/social systems are threatened. It does not guarantee a U.S. military response.

not fight would mean a certain loss of power; to fight and lose would probably mean that they would survive politically to fight another day.

There is at present no realistic alternative to the One China policy, combined with the TRA, that can provide a more durable basis for stability, for conflict avoidance, and for gaining the time that is required for the two sides to moderate their stance and move toward dialogue and a stability-inducing *modus vivendi*.

However, in order to maintain the credibility of the One China policy and overall stability in the Taiwan Strait, I believe that the United States must consider taking a more active role in influencing calculations in both Taipei and Beijing. Specifically, Washington should, in my view:

- Reaffirm unambiguously that a danger of conflict with the P.R.C. exists over the issue of Taiwan, i.e., the threat of a use of force and of inadvertent escalation is genuine; thus, provocations by either side are totally unacceptable.
- State clearly, either publicly or privately, that the United States does not agree with the position of Taiwan President Chen Shui-bian's government that it is engaged in merely "consolidating" a long-term status quo of sovereign independence. This position is dangerously misleading to the Taiwan public. For the U.S. and virtually the entire international community, the sovereign status of Taiwan remains unresolved at best.
- Communicate clearly that U.S. support for Taiwan is not unconditional—it requires responsibility and restraint—and that efforts to alter the source of sovereignty of the government of Taiwan by unconstitutional means—something that Chen threatens to undertake via a referendum on a new constitution—are potentially dangerous and destabilizing.
- Pledge that, as long as Taiwan exercises restraint, Washington will undertake greater—albeit still limited—efforts to increase Taiwan's international profile.

With regard to the TRA, I believe that the United States government should consider redefining and delimiting more precisely the type of defense assistance that it will provide to Taiwan in the future. Washington should insist that Taiwan acquire greater capabilities to defend itself against *specific* military actions, especially the possibility of a rapid strike by Beijing designed to achieve success before the U.S. can lend assistance. Such a stance would convey to elites in both Taipei and Washington the fact that some types of military capabilities currently desired by Taipei (and by some in the Pentagon and Congress) are less critical for Taiwan, and that Taiwan must ultimately rely on the U.S. for its defense in key areas, especially its defense against a sustained amphibious and air attack.

Washington should also unambiguously reject the option of "offensive" strike capabilities for Taiwan. Such capabilities are currently under serious consideration by the Chen Shui-bian government. However, in my view, they would not increase Taiwan's security, and would undermine efforts at controlling escalation in a crisis.

Toward Beijing, The United States should assert that the best way for China to lower tensions with Taiwan would be for the People's Liberation Army to reduce its military deployments along the Taiwan Strait, as an indicator of good will, as a first step toward a cross-strait dialogue, and with the clear understanding that such actions would be reciprocated in some manner. To reach such an understanding, Washington should undertake direct discussions with Beijing on reducing the military buildup along the Taiwan Strait, in consultation with Taipei.

Finally, in my view, Washington should undertake more active efforts to advance political reform in China, in order to increase China's attractiveness to the Taiwan public and thereby encourage movement toward a cross-strait dialogue. Concrete initiatives to support the rule of law should be included in this undertaking.

Without a more active effort by the United States to balance deterrence with reassurance, and to counter unilateral efforts by either side to alter the status quo, the chances for an eventual conflict in the Taiwan Strait will in my view increase significantly over the next several years.

Thank you Mr. Chairman.

Chairman HYDE. Thank you for a very stimulating presentation, all of you.

We will now entertain questions from our dwindling membership, but I can assure you your statements will be read and will have an important role to play in our hearings.

First, Mr. Engel?

Mr. ENGEL. Thank you, Mr. Chairman.

The only question I would have is for anyone who cares to take a stab at it, and you have all in your testimony really intimated what would happen.

It is clear that American policy has for many years been to try to keep the lid on, to finesse the situation between Taiwan and the PRC. The United States obviously supports the peaceful means of whatever turns out in terms of dialogue and everything else, but I would like to hear specifically what you gentlemen all think that the United States should do if Beijing aggressively moved or began to aggressively move toward Taiwan.

Obviously there are, whether we like it or not, realities. Mr. Swaine, you had mentioned that some people were encouraging independence based on realities, new realities or things that have happened. I do not know if I encourage that, but I do see reality.

Chairman HYDE. Would the gentleman yield?

Mr. ENGEL. Yes, certainly.

Chairman HYDE. It seems to me that there is merit in ambiguity, in not being specific as to what you would do. I mean, both arguments have merits. Predictability is very important to know what is going to happen. On the other hand, sometimes ambiguity is helpful in not knowing and not being confident in assuming we will leap to the defense of Taiwan or we will not.

The overall effort is to maintain the status quo and if there are going to be changes let them internally develop, but if I were an expert, which I am anything but, I would be loathe to answer specifically what we would do if this occurred or that occurred because I think that might create more of a problem than the void it is designed to fill.

That is just my comment. Thank you.

Mr. ENGEL. Well, Mr. Chairman, I agree that our policy has been to keep the status quo, and that would be the desire obviously of all concerned.

We have done it under succeeding Administrations, both Democratic and Republican, but I am wondering if any of the gentlemen would like to take a stab at what should our reaction be if there was an aggressive move from Beijing to Taiwan.

Mr. BUSH. Congressman Engel, let me take a stab. I think that if Beijing unprovoked and aggressively tried to intimidate or coerce Taiwan into submission that we should come to Taiwan's defense; that not only is their safety at stake, but also our credibility as well.

Mr. ENGEL. Anybody else?

Mr. SWAINE. If I could just add? I mean, I think at least the way I look at this problem is that there are two sides to this question. One is the question of the use of force and our prohibition against this. The other is the question of preserving credibility in our support for the idea that we will not back Taiwan independence and that we will not back provocative actions by Taiwan that we think are moving toward independence.

I would say in the situation which we think the Chinese are reacting with military force or about to react with military force to something that we believe Taiwan has done that really crosses the line in our mind and really does clearly indicate that they want to consolidate as they say, fully consolidate independence.

Our first reaction would probably be to get Taiwan not to do that, to get Taiwan to step away from that kind of behavior and not simply to say to the PRC our issue here is simply to deter you militarily.

If the Chinese, on the other hand, leap first and they just deploy force period, I think it is very clear, and I would agree with Richard entirely, that the United States would and should move military force to stop the PRC from doing that.

You have to also put this, as I just said, in this larger context of maintaining the U.S. commitment to both sides of its policy—peaceful solution, not to support independence.

Mr. HSIEH. Yes. I would just add that I have done surveys in Taiwan for many years, and my reading of the popular sentiments in Taiwan is that actually the people who support independence, status-quo, or unification have been very much stabilized in the past several years, so the chances that the kind of scenario Michael just mentioned would take place will be very slim.

I do not believe that any Taiwanese leader would risk losing public support by moving very aggressively toward independence. Indeed, any kind of war would be very devastating to the people of Taiwan. I think any Taiwanese leader would take that scenario into consideration.

I do not believe that anyone wants to go to war. Also because Taiwan now has a lot of economic interactions with China, any kind of war would also be very devastating in that respect.

Chairman HYDE. Mr. Tancredo?

Mr. TANCREDO. Thank you, Mr. Chairman.

Gentlemen, can you tell me if you believe that a threat to Taiwan is greater as a result of a destabilized government on the Mainland or not? I mean, is the PRC more likely to act if things internally are coming apart on the Mainland, as opposed to a very stable and progressive situation? More likely to act against Taiwan?

Mr. WAN. That kind of question is very difficult to speculate, but my own feeling is that the Chinese Government is stable and is not to be overly aggressive. I think that is very important and also involves the political legitimacy.

I believe that if the Chinese Government is unstable, there would be tremendous domestic pressure on the government and also from different walks of life, including the military. Having said that, I think in that situation it is hard to believe the Chinese Government would have the ability to make the decision, even though there is increasing political pressure.

Mr. BUSH. Congressman Tancredo, I think an intermediate important variable here, and I agree with Professor Wan, is whether the leaders of Beijing facing this domestic crisis conclude that Taiwan is trying to take advantage of the situation and act in a way, as Michael has suggested, that is very provocative.

That puts them in a very big dilemma, and they might feel that since they are being taken advantage of they have to respond to preserve their credibility.

Mr. TANCREDO. Let us assume for a moment that Taiwan makes no action of any kind in that direction, and it is just for their own self-preservation. Does Taiwan become more alluring as a target?



Mr. BUSH. I think the focus would be very much on dealing with the domestic problem and not on trying to divert attention.

Mr. HSIEH. But I still think it is quite likely that when regime survival is really at stake in China, some of the Chinese Communist leaders would probably try to arouse national sentiments to save the regime.

Mr. TANCREDO. Naturally, yes.

Mr. HSIEH. Probably they would attempt to gain political benefits from that.

Mr. TANCREDO. I do not know, Mr. Swaine, if you want to join in or not.

Mr. SWAINE. I generally agree with what Richard Bush just said.

Mr. TANCREDO. Yes.

Mr. SWAINE. I think it is very unlikely the Chinese would take on yet another challenge in an internal situation of instability and try to deal with the Taiwan situation knowing that the United States would almost certainly react militarily in that kind of context unless it was specifically either in reaction to something Taiwan had done that created instability or Taiwan sought to take advantage of that or if there was an issue that the Taiwan issue was basic to the instability that we are talking about within the Chinese leadership.

Mr. TANCREDO. All right.

Mr. SWAINE. I think that is probably unlikely.

Mr. TANCREDO. I cannot see, Mr. Chairman, if I have time left or not, but if I do then just the last question is do you believe that China is more stable today, the People's Republic is more stable today than it was prior to let us say PNTR?

Do you think the economic activity within China, the economic development in China, has made it a more stable government or less stable? Are we moving toward actually some sort of Jeffersonian democracy breaking out there as a result of all the economic activity, or do we in fact enshrine what we have?

Mr. BUSH. That is a big question. I do not think we are moving toward Jeffersonian democracy by a long shot. I think that the economic growth that is occurring creates winners and losers and that for the people who are employed in better jobs it enhances stability, but there are losers, and we do see evidence of a lot of unrest in various parts of China, demonstrations and protests. For those people, it is not a better situation.

Mr. WAN. If I can add to that? I think the Chinese Government now is clearly more stable than previously, and one indication is the transition from Jiang to Hu has been rather uneventful. I do not see a general democracy emerging in China. It is very clear the Chinese Government has no interest in introducing general democratic reform.

It is important to know what is happening in China as a whole—the social forces, the market economy—and I believe the conditions for a democracy are emerging in China, which is a hopeful sign.

Chairman HYDE. Mr. Berman?

Mr. BERMAN. Thank you, Mr. Chairman.

I am sorry I missed some of the initial testimony. I just came in for Michael Swaine's comments, and I started reading his article.

Why are we not better off now, having made clear to the Chinese that we will do what it takes? In other words, the Chairman raised the benefits of strategic ambiguity, and my reaction was well, it is ambiguous whether there are benefits to strategic ambiguity.

Are we worse off now, from your point of view, with the President having said we will do what it takes and a more clear and direct statement to the Taiwanese leadership, be careful what you are doing; do not push this too far, and a more overt indication of a United States position that says we are not going to look kindly on these kinds of things?

Have both sides, by getting a clear message, perhaps the boundaries are clear in their minds? Is there an argument to be made that that is the case?

Mr. SWAINE. Mr. Berman, I think that you could definitely argue that with both statements by the President, with the statement that he made in March about doing whatever is necessary and the statement that he made this last December 9 about Taiwan's behavior, that we are not worse off under that kind of situation.

The critical element of that, in my view, is when we pledge ourselves to defend Taiwan if it is attacked, we cannot be seen to be communicating the message to Taiwan that whatever they do is okay because no matter how provocative they will be, we will come to your assistance.

There are people in Taiwan, including in government circles, I believe, who think that, who think that China will be sufficiently deterred by United States assurances that it will not use force against Taiwan no matter what it does.

So the question then becomes how do we communicate to Taiwan effectively that there is another half to this equation, which is they have to exercise restraint in this situation? The credibility of that message I think, and you can argue over this, but I am not entirely convinced that we are fully—that we have communicated or that Taiwan, I should say, has fully understood this message from us, particularly the leadership of Taiwan.

Mr. BERMAN. Well, they pulled one of the issues that was supposedly going to be on our referendum off the ballot. The President of Taiwan has made a number of statements, I think I have read, which would indicate he has no intention of declaring Taiwanese independence at least at this point for now.

Mr. SWAINE. If I could?

Mr. BERMAN. Yes.

Mr. SWAINE. As I referred in my statement, the problem is that it is not just a question of formally declaring independence, de jure independence. It is also a question of being able to alter the foundations of the concept of sovereignty within Taiwan itself.

Mr. BERMAN. What if the changes in whatever that constitution was—where did that constitution come from in the 1940s?

Mr. SWAINE. The Republic of China. That was the original constitution that the Republic of China regime had in China before it—

Mr. BERMAN. All right.

Mr. SWAINE. In Mainland China before it went to Taiwan.

Mr. BERMAN. By the way, that was a constitution of sovereignty, right? Does it not mean what are the changes they are making,

and to what extent is this sort of if a tree falls in a forest and no one hears it, is there really any sound?

Whatever the President of Taiwan says, if the United States, the Asian countries and all this say oh, no, no, no, we do not accept that, what has he really accomplished by doing it?

Mr. SWAINE. I think that is an excellent point. It raises the issue in my mind. I mean, there are two sides to Beijing's concerns about this question and to our own concerns. One is the evolution of events on Taiwan in a direction that alters the basis for the political status of the Taiwan state, increases the chances of independence and all of that. The other is the recognition by the international community of what is happening on Taiwan.

Now, you could make the argument that the only realistic course of alternative for us for Beijing is just to ignore Taiwan and just look at the international community's reaction, but in that case you have to then have confidence that Beijing will have confidence that the international community and the United States will draw the line, will very clearly draw the line and say we will never acknowledge the fact unless we agree to this with you, with China, on a redefinition of our original understanding. We will not acknowledge that Taiwan is independent.

The problem is China does not believe this. China thinks it is very possible that after changes occur on Taiwan, you alter the basis of sovereignty of the Taiwan state, you make it virtually impossible to even contemplate the idea of reunification with the Mainland, that Taiwan will turn to the United States and the international community and say look, the reality is Taiwan is independent.

You have to get China to throw out that one China policy, unilaterally get them to do this, and then reality will be fine and we will all be fine. The problem with that is you have to make sure the Chinese are going to buy into that kind of thing.

Mr. BERMAN. The other side of the coin is I would like China to know the way they are behaving toward Hong Kong hurts them in their efforts to ultimately persuade the Taiwanese that some form of reaffiliation with China is in the Taiwanese interest.

I want the Chinese to think that there are consequences to their misconduct in a way. I do not want to give them a free ride. I want each to know sort of there are penalties for going too far.

Mr. BUSH. If I could follow up, Congressman Berman, and it is nice to see you, I think one of the problems that we sometimes lose sight of is that China has never made an offer to Taiwan that Taiwan is going to consider. There are models of unification which Taiwan might have considered or might still consider seriously if they were ever offered, but so far they have not been.

Moreover, I think in the current context there is a danger that China will misperceive what is happening on Taiwan in terms of constitutional revision and see it, as Michael suggests, as foreclosing any chance of unification when in fact maybe it is not.

If the focus of constitutional revision is to make that system work better, that is in the interest of the people of Taiwan. It is probably in our interest. It may be in China's interest as well.

Chairman HYDE. Mr. Rohrabacher?

Mr. ROHRABACHER. Thank you very much, Mr. Chairman.

It seems to me that we are spending an awful lot of time worrying about the sensitivities of some very evil people in Beijing. I mean, these are not admirable human beings as far as I am concerned. They are people who hold power by brute force, not even pretending to have any democratic reform.

Again, as I mentioned earlier, we believe as Americans that a legitimate government derives its just power from the consent of the governed. Why should we be so worried? Is there really a chance? Do you think that China would actually go to war over some referendum in Taiwan? The leaders are that out of touch with reality?

How about it? Is China going to go to war if Taiwan has a referendum of independence? Are they going to launch the missiles and launch the airplanes and the shooting starts, or is there ambiguity on their part as well?

Mr. BUSH. Congressman Rohrabacher, I am not in the minds of the Chinese leaders, so I cannot give you a precise answer, but I do worry that because this is a system that has a capacity to misinterpret and misperceiving there are actions that Taiwan could take that they would perceive as foreclosing forever the possibility of unification, which is a national goal.

Mr. ROHRABACHER. Like I say, all of this sounds like to me that it is sort of reminiscent of the history that I read back, pre World War II history where everybody is, of course, worried about the sensitivity of—

Chairman HYDE. Mr. Rohrabacher, would you yield?

Mr. ROHRABACHER. Yes, I certainly would.

Chairman HYDE. I seem to be mindful of a shortage of troops in the Middle East, and we are hiring commercial employees, and we are talking about we need more troops, and we are extending the tours for reservists.

I am suggesting that a war in Asia at the same time we are tied down in Iraq and Afghanistan and God knows what is next, it just might appeal to somebody in China, and I would not be as confident that nothing like that would happen because we are so powerful.

I think we are in difficulty militarily, and there are limits. I think those would enter the calculus of anybody deciding to go to war.

Mr. ROHRABACHER. I think the Chairman is a very wise man, and I might be a bit brash. However, with that said, let me note that I believe two American nuclear submarines in the Taiwan Straits could take care of any problem that the Chinese would try to send over at least on the surface on the ocean and maybe across in the air as well, and they know that.

What we need to do is what we said we would do, and that is if we are today celebrating the 25th anniversary of the Taiwan Relations Act, we noted in that act that we have a right to provide defensive weapons to Taiwan.

If there is anything that is more demonstrably a defensive weapon, it is an antimissile system. We should proceed at great speed to make sure that the Taiwanese are equipped with an antimissile system, which would then take care of the majority of the threat that the Chairman is referring to, and we could at that time not

worry so much about what is going on in the minds of petty tyrants who hold great power.

I guess, Mr. Chairman, that it just rubs this American the wrong way to see us so concerned about people who are obviously tyrants, people who have made no move at all to permit freedom of speech or freedom of the press or permit opposition parties to exist. There has been no movement in that direction. In fact, they have been moving in the opposite direction since Tiananmen Square.

If we are reassessing things now on this 25th anniversary, I think it should not be to wring our hands and worry about whether or not Beijing is going to have a bad response to like a bad hair day if someone on Taiwan decides they want to have a referendum and permit their people the right to have a free election when instead we should be reaffirming those elements of the Taiwan Relations Act that said the United States will indeed provide Taiwan the means to defend themselves and that we stand up against and unequivocally state that there will be no force used against Taiwan without the United States being involved and helping protect Taiwan. Am I being brash?

Mr. BUSH. No, you are not being brash, Congressman.

Mr. BURTON. He is being brash.

Mr. BUSH. I was not in any way excusing the behavior that I was predicting might happen. I was just trying to explain why it might happen. I think Taiwan needs the ability to defend itself. I think we need to be firm.

You asked me to make my forecast of what they would do, and I am giving you my candid answer.

Mr. SWAINE. If I could just add a word, Mr. Rohrabacher?

In the 1980s, the Chinese Government essentially demilitarized the area along the Taiwan Strait. It did not have any military deployments there, was not engaged in the fairly high level of military improvements, military defense spending.

Beginning in the early 1990s, it began to put significant amounts of money into certain areas of defense, and it did so, I believe, in part not just because of its economic success, but because it saw the situation regarding Taiwan as sliding out of control in its view.

That is to say it wanted to deter the possibility that Taiwan indeed would move toward the most extreme side of the equation toward independence if the United States would support that, and it felt that its exercise or its possession of military capabilities to try and deter that was a prudent thing to do.

Now, it did not pursue this in a terribly deliberate, rapid way until I would argue about 1998–1999. Since that time, it has begun acquiring some very significant capabilities that would in fact give the United States Navy concern, real concern, in its ability to be able to come to the assistance of Taiwan quickly and effectively.

I cannot assume that the United States, by simply deploying a submarine or two in the Taiwan Strait, would force the Chinese to back off on this issue because for them this issue relates to their own legitimacy and stability.

Now, we can make a statement and say we are against the stability of the Chinese Government; therefore, we do not care what happens to you. We will support Taiwan. Fine. The consequences of that is to basically say to the Chinese Government we are will-

ing to put our whole relationship with you on the line on this issue and to bet that you are going to risk your own regime legitimacy and stability on this issue of Taiwan, and you will back down.

If they do not back down, they could very well deploy forces, and they could very significantly complicate our calculations in coming to the assistance of Taiwan. It has become a very real issue with a lot of people who are very seriously looking at this issue in terms of Chinese military build-up.

Now, that is not to say the Chinese are doing this because they have already decided they are going to deploy force. It is all a part of a deterrence game on the part of the Chinese, just as it is with us. We are both trying to deter each other from doing the worst thing, but at the same time we are trying to reassure each other as well.

Now, if we stop reassuring the Chinese about this at all then they have no reason to restrain themselves from deterrence. I mean from using military force on this issue, in my view. Then we are into a real crisis with this because this thing could get out of control. It could escalate.

Chairman HYDE. Thank you.

Mr. BURTON. Could we? I just want to ask one short question.

Chairman HYDE. Go ahead.

Mr. BURTON. To what extent is this recent election in Taiwan sort of a statement that this concern that some of you have expressed about the Taiwanese going to far is really a non-issue?

Essentially, an election that was almost a tie between two parties, one of which is perceived as more interested in doing acts to assert a higher level of independence and less sympathetic to the one China policy, but divided within itself about that it sounds to me within Taiwan itself there is not a consensus that would empower the governing party to take the very provocative actions that you are concerned about. Is that wrong?

Mr. HSIEH. As I mentioned earlier, if you read the survey data done in the past 10 to 15 years, although at the very beginning there was a drastic decline of people supporting unification, and many people moved to the status quo, right now it has been stabilized. The number of people who support the status quo, meaning neither independence nor unification, is always about 50 percent, sometimes a bit more, sometimes a bit less.

That is a very strong stability that you see in the public opinion. It has been very persistent. So I do not really think that any Taiwanese leader would want to do something that may cause them to lose public support. I just do not see that.

Chairman HYDE. I would like to thank the panel. Closure is a popular word around town, and we would like to bring this to a close with profound thanks to all of you. You have made a substantial contribution to a complicated, important subject, and you have added a great deal to our understanding of it. We deeply appreciate it.

Thank you so much. The Committee is adjourned.

[Whereupon, at 2:43 p.m. the Committee was adjourned.]

## A P P E N D I X

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### MATERIAL SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE JAMES A. LEACH, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF IOWA

Thank you, Mr. Chairman. This month marks the 25th Anniversary of the enactment of the Taiwan Relations Act (TRA) and as you pointed out, it is appropriate to acknowledge the leadership of Lester Wolf, who helped shape the legislation and who has subsequently become the world's leading historian on the Act. As one who was a proponent of the Act, I am proud of a small provision I authored relating to human rights and democratization. Impressively, following the leadership of Sun Yat-sen, Taiwan has developed over the past 25 years an extraordinary political democracy and, coupled with it, an opportunity oriented economy.

As demonstrated again last month by its closely contested presidential election, Taiwan is now a vibrant multiparty democracy. The miracle of Taiwan's peaceful democratic transition is of great significance not only to the 23 million citizens of Taiwan, but also to the billion residents of the Chinese mainland who have yet to enjoy the political freedoms many Taiwanese now take for granted.

The government and citizens of the United States have an enormous vested interest in peaceful relations between Taipei and Beijing. All Americans strongly identify with Taiwan's democratic journey and we join in celebrating the fact that the people of Taiwan now enjoy such a full measure of human freedom. More broadly, we are acutely conscious that the 20th century was the bloodiest century in world history. It witnessed wars related to traditional ethnic hatreds and desire for conquest. It also witnessed wars related to contrasting views of human nature and social organization. Hence it is in the vital interests of all parties to recognize that caution should be the watchword. Political pride must not subsume the necessity of rational restraint. Peaceful solutions to political differences are the only reasonable framework of future discourse between the mainland and the people of Taiwan.

In an American historical context there is an assumption that the precepts of self-determination and independence are interlinked. For the sake of peace and security for Taiwan and the broader Asia-Pacific region, there would appear to be no credible option except to recognize that these precepts are juxtaposed on one place on the planet—Taiwan. Taiwan can have de facto self-determination—meaning the ability of a people to determine their own fate through democratic means—only if it does not attempt to be recognized with de jure sovereignty by the international community.

While clarity of national identity is psychologically attractive, there is clearly greater security for the Taiwanese people in political ambiguity. There is nothing to be gained by steps toward independence if they precipitate a catastrophic and unwinnable conflict between the mainland and island.

Hence, as we make it clear to China that the U.S. is steadfastly committed to ensuring that the status of Taiwan not be altered by the use of force, we also have an obligation not to entice Taiwan through ill-chosen rhetoric of "ours" or "theirs" into a sovereignty clash with China. Substantial Taiwanese self-determination is clearly possible only if sovereign nationalist identity is not loudly trumpeted.

Together with our historic "One China" policy, the Taiwan Relations Act has made an enduring contribution to ensuring peace and stability in the Taiwan Strait and provides a sturdy framework to help ensure Taiwan's security. From a Congressional perspective, the U.S. must continue to oppose any attempt by either side to unilaterally change the status quo in the Taiwan Strait. Likewise, both sides should refrain from actions or statements that increase tension or make dialogue more difficult to achieve.

I am a firm believer in the power of people-to-people and cultural relations to bring societies together in world affairs. Rather than setting deadlines for unification, seeking to isolate Taiwan or continuing a counterproductive military buildup, Beijing would be well-advised to emphasize the "soft power" of culture and economics in its relations with Taipei. Granting scholarships, for instance, to Taiwanese students is likely to yield far greater dividends than misdirected investment in threatening missile systems. Coupled with progressive political evolution in Beijing, the increasing cultural and economic intertwining of China and Taiwan is the most credible basis for evolving, mutually acceptable accommodations.

In any regard, there should be no doubt that Congress stands together with the Administration in a common determination to fulfill U.S. obligations under the TRA. As we celebrate this Act and with it the strong bonds of friendship between the United States and Taiwan, the people of Taiwan can count on the United States to maintain a steady and constructive policy toward peace in East Asia and the Taiwan Strait area.

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PREPARED STATEMENT OF THE HONORABLE NICK SMITH, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF MICHIGAN

I want to thank Chairman Hyde for holding this hearing today on the Taiwan Relations Act. I look forward to hearing from our witnesses.

We have all watched the recent events in People's Republic of China (PRC), Hong Kong, and Taiwan with some anxiety. On the one hand, we have feared that the PRC or Taiwan might unilaterally change the status quo. Taiwan and the PRC claim to be part of "China", but they do not share a political system. The PRC is communist, and Taiwan is a democracy. In Hong Kong the PRC has recently demonstrated its reluctance in accepting democracy and the will of the people. Taiwan is a young, but vibrant democracy that just completed another Presidential election. The Taiwanese quite understandably do not want to follow down the path that Hong Kong seems to be taking, where its democratic government is being dismantled by Beijing.

The United States has been committed to defending any attack of Taiwan. In 1954, President Eisenhower signed the Mutual Defense Treaty. This expired in 1979 and in April of that same year, Congress replaced it with a declaration of American policy, the Taiwan Relations Act. The Act declares American interests in the region, our commitment to supporting Taiwan's defensive capacity, and the will of the United States to resist threats to the people of Taiwan.

Recently, the PRC has been building its military capacity directly across the strait from Taiwan. The Department of Defense has reported to Congress that the prime motive for modernizing the People's Liberation Army (PLA) is the possibility of a conflict over Taiwan. This is not a conflict that the Taiwanese would start, and these preparations dangerously escalate the situation in the strait.

The Taiwanese people have watched this buildup and have responded to the implied threat. In the last Taiwanese election, two referenda passed that indicated the public's strong support for building stronger defensive capacities. This is a legitimate response for a people under threat, but the PRC's unfortunate actions raise the stakes for the people of Taiwan and for the United States.

Together, these actions on both sides of the strait have increased instability. This is important to the United States for a variety of reasons. First and foremost, there is the principle. We have always supported the right of the people of Taiwan to govern themselves as they choose. Escalating tensions have the potential to invoke a military confrontation that we avoid being involved in. Second, any escalation is a threat to the world economic system. Both the PRC and Taiwan are important to the world economy as both a source of goods and as markets. And third, the South China Sea, adjacent to any potential battle, is a shipping lane through which a large percentage of the world's international trade takes place. A war would hurt the world economy, and the United States and other countries have a stake in this controversy.

There is an issue that we must raise with our allies. There have been extensive discussions in the European Union at France's instigation about lifting sanctions on weapons sales to the PRC. France has recently participated in naval exercises with the PRC very close to the time of the elections. Weapon purchased could be used not in self-defense, but to threaten a democratic people who wish to live in peace. These sanctions were put in place because of the PRC's threatening posture and human rights violations. I see disturbing parallels with France's decision to lift sanctions on Saddam Hussein, regardless of the implications for regional stability or adherence to international norms.



Again, I would like to thank the Chairman for holding this hearing today. This is a very dangerous situation. It is complicated, and if mishandled it could become quite deadly and costly. We must be careful, but we must protect our values and our interests.

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PREPARED STATEMENT OF THE HONORABLE ROBERT MENENDEZ, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. Chairman, last month President Chen decided to ask the people of Taiwan to express their opinion on an important Taiwanese policy issue through a referendum. This referendum gave the citizens of Taiwan an opportunity to exercise their democratic ideals and principles.

We, here in the United States, face referendums in many state and local elections. Clearly, we believe that, in a democracy, citizens must have a chance to express their own opinions. We even support them when they don't go along with our own politics, as we all saw with the referendum last year in California.

The Taiwanese people should have exactly the same right of expression that we have here in America. The United States should stand up for that right. *Period.*

This Administration often speaks of democracy and unwavering support of democracy around the world. I can't understand, therefore, this Administration's decision to publicly chastise Mr. Chen, the democratically elected president of Taiwan, for his decision to hold a referendum, particularly with Chinese Premier Wen Jiabao, representing a communist dictatorship, at his side.

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PREPARED STATEMENT OF THE HONORABLE SHERROD BROWN, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF OHIO

The Taiwan Relations Act (TRA) marked its twenty-fifth anniversary of enactment on April 10th. The TRA is one of the great legislative successes in foreign affairs in the past 50 years.

It has allowed for the security of the Taiwanese people and seen the development of one of the most successful economies in the world. In the years following the TRA, Taiwan's government has evolved from authoritarian to full fledged democracy.

The TRA has contributed to maintaining peace, security and stability in the Taiwan Strait. It rejects "any resort to force or other forms of coercion" directed toward the people of Taiwan.

Taiwan continues to serve as a beacon for democracy and economic success in Asia. It shows that democracy can exist under the threat of Chinese communism.

It is the foundation for the United States' relationship with Taiwan and the PRC by marking U.S. policy, clearly stating that the United States considers "any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area" and a cause for serious concern.

It ensures the security of Taiwan, by making available such defense articles and defense services in such quantity as may be necessary from the United States to adequately meet Taiwan's defense requirements.

Despite lacking formal diplomatic relations, the Act reaffirms the commitment of the United States the "commercial, cultural and other relations" with the people of Taiwan.

With the presidential elections just behind us, and legislative elections later this year, I would make the case that the democratic and freedom-loving people of Taiwan should continue to determine their own future.

The right of self-determination for the people of Taiwan is critical to the strategic and economic interests of the United States, and to democracy around the world.

The security of America and the rest of the world are best served when as many nations in as many regions of the world practice democracy.

The primary focus of American foreign policy should always be the promotion of democracy—not in the same manner in every country, but with the same goal of encouraging and expanding democratic states around the world.

Trade decisions, diplomatic decisions, and decisions that have global consequences should be made with the objective of promoting the conditions that would lead to the creation of democratic states around the world.

In the past decade, Taiwan has stood as a shining example of the growth of freedom, prosperity, and democracy.

One area we can continue to support Taiwan is through international bodies. We should continue to advocate for Taiwan to be represented in the World Health Orga-

nization (WHO), and today we will consider H.R. 4019, an act encouraging Taiwan's participation in the WHO.

There are even more reasons to support this bill that did not exist even a year ago: SARS and the avian flu outbreaks.

How much more limited would the effect of SARS have been if Taiwan's government had been fully engaged in the work of the World Health Organization? How much more quickly would the disaster have been contained if China had not covered up the outbreak?

Excluding the people of Taiwan from the WHO violates the basic premise of the WHO that "the enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being without distinction of race, religion, political belief, economic or social condition."

On the defense front, I hope the people of Taiwan can count on the support and defense of the United States should China ever consider a military attack, but it is also important for the Taiwanese to take as much responsibility for their own defense as they are able.

I'm concerned that if the people of Taiwan do not take the threat from China seriously enough, it may be too late by the time the United States can respond to a crisis effectively.

The more committed the Taiwanese are to their own defense, the more willing the United States should be to intervene in the event of an attack.

The United States treats Taiwan as an independent country. In business, in military, politically, diplomatically, we treat the Taiwanese as separate from mainland China.

And we aren't the only country to do so. No nation treats Taiwan as though it were a part of China—not even China.

China's economic power is rising, but we should not forget it is a brutal dictatorship with a powerful military.

China's expanding economy relies on free access to America's free market in order to grow.

There is no reason—strategic, economic, or morally—why the United States should back down in the face of China's threats over Taiwan.

I hope that most in the U.S. would say that China relies much more on the United States than we do on China. Appeasing China on the Taiwan issue does not serve America's interests. It does not serve the interests of peace, prosperity, and democracy.

The United States should declare that if we do not support Taiwan independence, neither do we have any ideological opposition to the concept.

Taiwan is a vibrant democracy and with that comes the right of self-determination. Neither the United States nor the People's Republic of China will determine the future of Taiwan—the Taiwanese people will determine their own future.

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JOINT PREPARED STATEMENT OF ROGER W. ROBINSON, JR., CHAIRMAN, AND C. RICHARD D'AMATO, VICE CHAIRMAN, U.S.-CHINA ECONOMIC & SECURITY REVIEW COMMISSION

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 re-evaluation 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.”<sup>1</sup> 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. communiques 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*

<sup>1</sup> FBIS Translation of “Text of Taiwan Affairs Office News Conference on Taiwan Election, More,” CPP20040414000027 Beijing CCTV-4 in Mandarin 14 April 2004.

*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.

