

# China Report

<http://chr.sagepub.com/>

---

## Taiwan–US Relations: Close but Uncertain

Tuan Y. Cheng

*China Report* 2013 49: 371

DOI: 10.1177/0009445513506634

The online version of this article can be found at:

<http://chr.sagepub.com/content/49/4/371>

---

Published by:



<http://www.sagepublications.com>

On behalf of:

Institute of Chinese Studies

**Additional services and information for *China Report* can be found at:**

**Email Alerts:** <http://chr.sagepub.com/cgi/alerts>

**Subscriptions:** <http://chr.sagepub.com/subscriptions>

**Reprints:** <http://www.sagepub.com/journalsReprints.nav>

**Permissions:** <http://www.sagepub.com/journalsPermissions.nav>

**Citations:** <http://chr.sagepub.com/content/49/4/371.refs.html>

>> [Version of Record](#) - Jan 19, 2014

[What is This?](#)

# *Taiwan–US Relations: Close but Uncertain*

**Tuan Y. Cheng**

Research Fellow Institute of International Relations  
National Chengchi University

*Taiwan's engagement with China has complicated its relations with the United States, even though Washington supports Taipei's engagement policy. Various American domestic actors are suspicious of Taiwan's new relations with China and raise their concerns. Some question Taiwan's loyalty and consistency, and some call for change of American policy toward Taiwan including arms sales. They are also displeased with Taiwan's actions on the Diaoyutai Islands disputes. Indeed, it is extremely difficult for a small power like Taiwan to manage the relations with two great powers, especially when they are in competition. The purpose of the article is to analyse how Taiwan keeps up its traditional ties with the United States and attempts to deal with the issues raised by the uncertainties in the relationship.*

**Keywords:** United States, Taiwan, Cross-Strait relations, Ma Ying-jeou, Diaoyutai Islands

## INTRODUCTION

*Former Vice President* Lien Chan, Taiwan's top envoy to the Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting, met with US Secretary of State Hillary Clinton at the summit held at Vladivostok, Russia, on 9 September 2012 (AIT 2012). The meeting was significant in that it was the highest-level talks between Taiwan (Republic of China) and the United States in the last 20 years. Moreover, the talks resulted in the resumption of the bilateral trade talks under the Trade and Investment Framework Agreement (TIFA), which was signed in 1994, as a framework for Taiwan–US dialogue on trade-related issues in the absence of diplomatic relations. The TIFA was suspended since 2007, mainly due to the controversies over ban on imports of American beef containing the leanness-enhancing drug ractopamine. In July 2012, Taiwan's Parliament – the Legislative Yuan – passed an amendment of the

---

CHINA REPORT 49 : 4 (2013): 371–384

**SAGE Publications** Los Angeles/London/New Delhi/Singapore/Washington DC  
DOI: 10.1177/0009445513506634

Food Safety Act to make it possible to import the American beef into Taiwan. The Lien–Clinton meeting finally ended the deadlock and paved the way for the re-opening of the economic talks between the two countries.

When Ma Ying-jeou was elected as the president in 2008, many expected that the Taiwan–US relations would greatly improve. The past eight years of Chen Shui-bian from 2000 to 2008, which were filled with tension with Beijing and brawling with Washington, appeared to be coming to an end. The Harvard-educated Ma was supposed to recover the traditional close ties with the United States and regain American support for the island. However, as it turned out, the relations did not move forward as far as was anticipated. Taipei and Washington felt more comfortable getting along with each other, but the relations did not substantially improve. The high-level communication between the two sides was restored but that was not helpful in building up mutual assurance. The visits from high-level US officials and Congressman to Taiwan were still few.

Undoubtedly, the United States remains the most important country for Taiwan. It is the only country that could provide security support to Taiwan in the event of Chinese military threat. The United States continues to sell defensive arms to Taiwan in accordance with the Taiwan Relations Act (TRA). Economically, the United States is Taiwan's third largest trading partner Taiwan, with bilateral trade having reached US\$ 62.1 billion in 2011 (Bureau of Foreign Trade 2011: Value of Exports & Imports by Country, p. 1). It is also the largest foreign investor in Taiwan, with cumulative stock of direct investments of over US\$21 billion. Culturally it is the country receiving the largest number of Taiwan students going abroad, and Taiwan is the fifth-largest source of foreign students in the United States, with 27,000 students in 2010. In addition, the United States has long been a strong and vocal supporter of Taiwan's meaningful participation in international organizations and activities (Campbell 2011: 6–7).

Nevertheless, American influence in Taiwan is no longer as dominant as before. Washington has increasingly become hesitant in selling advanced weaponry to Taiwan due to the concerns of Chinese opposition. Washington enters its sixth year of deliberation over whether to sell Taiwan the F-16 C/D, which is seen as an outdated weapon system. American trade with Taiwan has dropped substantially, ranking third after China and Japan. Prior to 2002, the United States was Taiwan's top trading partner; a position held for more than four decades. In 2002, American trade constituted 18.3 per cent of Taiwan's total foreign trade but its proportion decreased to 10.5 per cent in 2011. In terms of foreign tourists visiting Taiwan, Americans made 412,000 visits in 2011, trailing behind Mainland Chinese (1.7 million visits), Japanese (1.3 million), Southeast Asian countries (1.1 million) and Hong Kong and Macao (8,18,000) (Tourist Bureau, Taiwan 2011).

The purpose of this article is to analyse the Taiwan–US relations in the rapidly changing environment of the Asia-Pacific region and to explore the following questions: With the rise of China, how does Taiwan keep up its traditional ties with the

US and how does the United States respond to Taiwan given its changing relations with China? It starts the analysis from the Ma administration's policies and relations, and then explores a number of current issues concerning both sides and other regional countries. The article concludes that it is an important bilateral relationship but is filled with future uncertainty.

### MA YING-JEOU AND HIS POLICIES

During his eight years in office (2000–2008), President Chen Shui-bian had tense relations with China and strained links with the United States. His increasing pro-independence statements and actions posed serious challenges to both Beijing and Washington. In early 2008, relations across the Taiwan Strait were very tense when the Democratic Progressive Party (DPP), the ruling party, proposed a referendum on UN membership for Taiwan in the upcoming election. If the referendum had been passed, it would have led to direct confrontation between the two sides across the Taiwan Strait. Nevertheless, as the turnout of the election indicated, not only did the referendum fail, the DPP also lost the election. The Kuomintang's (KMT) presidential candidate Ma Ying-jeou was elected on 22 March 2008, in a landslide victory with 58 percent of the vote and garnering 2 million more votes than the DPP candidate Hsieh Chang-ting.

When Ma was in campaign mode, he emphasized the importance of stabilizing relations with China, recovering traditional close ties with the United States and revival of Taiwan economic competitiveness. In order to maintain the status quo in the Taiwan Strait, he proposed the policy of the 'three No's'—no unification, no independence and no use of force—and agreed on the basis of the 1992 Consensus—'one China, respective interpretations'—to resume official dialogues with Beijing. He called for diplomatic truce with Beijing so that neither side needed to engage in the harmful zero-sum diplomatic warfare that would unnecessarily consume a great deal of resources (Dumbaugh 2008: 3).

American reactions to the election were positive. Less than two hours after the results of the election were declared, President George W. Bush issued a congratulatory statement, praising Taiwan and US–Taiwan relations. Bush also called for dialogue between Taiwan and China. 'I believe the election provides a fresh opportunity for both sides to reach out and engage one another in peacefully resolving their differences' (AIT 2008).

Consequently, Taiwan's relations with the United States improved greatly. The two sides restored mutual confidence based on the fact that Ma pledged to be a peace-maker rather than a trouble-maker, and declared that there would be 'no surprise' in Taipei's relationship with the United States. The communication between high-level officials of the two sides increased more than ever which helped mutual understanding

(Lowther 2012). Moreover, Washington felt more confident and relaxed about its future relationship with Taipei. It invested US\$ 170 million, a huge amount, to build the AIT new office compound in Taipei, showing American strong faith in Taiwan and the extent of its support.

Washington strongly supported Taipei's moves toward cross-strait reconciliation. Both Bush and Obama administrations reiterated that the United States would continue to encourage the reduction of tensions and the improvement in the cross-strait relations (Young 2008). Indeed, the fact is that the relations between Taiwan and China have greatly improved since Ma took office; they are in the best phase since the last 60 years.

By focusing on the strategy of 'economy first, politics later' and 'easy things first, difficult things later,' Ma pursued his reconciliation policies toward Mainland China. In June 2008, Taipei and Beijing resumed the first meeting that resulted in the agreements of Cross-Strait Charter Flights and Mainland Tourists Traveling to Taiwan (Mainland Affairs Council 2011). Until June 2013, the two sides have held 9 official level talks and reached 19 agreements, including the Economic Cooperation Framework Agreement (ECFA) in June 2010, which is equivalent to the free trade agreement. Many direct flights across the Taiwan Strait have been launched and currently there are 616 direct flights between the two sides every week. In 2011, over 1.7 million people from Mainland China visited Taiwan including 1.3 million tourists. And the Chinese students have been permitted to pursue various degrees in Taiwan beginning from 2011 – the non-degree exchange students were allowed much earlier.

Meanwhile, Ma's proposed diplomatic truce received positive response from Beijing. Taiwan has been able to maintain its 23 diplomatic allies since 2008. Furthermore, Taiwan has gained additional participation in international organisations. In 2009, Taiwan became a party to the Government Procurement Agreement (GPA) in the World Trade Organisation (WTO) and attended the annual meeting of World Health Assembly (WHA) as an observer in the name of 'Chinese Taipei.'

In short, since Ma took office, he has worked successfully to improve relations with both the United States and China. In fact, it is the first time that Taiwan, as a small power, has been able to maintain good relations simultaneously with two major powers, which has never happened before. It is a great achievement for Ma but also an enormous challenge for Taiwan.

### VARIOUS AMERICAN RESPONSES

It is interesting to note that Taiwan's improved relations with China, not since long, have raised various concerns from some American domestic actors. Many in Washington are critical of Taipei moving closer to Beijing. The first kind of American response is calling for due attention to Taiwan. As Washington has been content with the progress

and stability of the Cross-Strait relations, it has left US–Taiwan relations unattended. It is also probable that because of too many urgent international issues requiring immediate attention, the Obama administration has put Taiwan on the back burner. There has been a lack of initiative to push for stronger ties. ‘Washington has left US–Taiwan relations essentially on autopilot. It’s a convenient response – but extremely shortsighted’ (Lohman and Hammond-Chambers 2010: 1–2). Another report states that the United States needs to do more and do so immediately else Taiwan would move still closer toward China (Hammond-Chambers 2009).

The second set of responses blame Taiwan for ignoring American interests. For example, Professor Robert Sutter, a well-known China expert, avers that Taiwan is moving closer to China, which would reinforce the latter’s ever-growing and deepening influence over Taiwan. The trend of growing Chinese influence is becoming clear after the signing of the ECFA between the two sides (Sutter 2009: 1–2). He blames Taiwan for showing little interest in engagement with the United States while mainly focusing on reassurance and cooperative interaction with China (Sutter 2010: 1–2). He thinks that Taiwan needs to take action and prove itself as a reliable partner to the United States.

The third kind, which is rather radical, calls for abandonment of Taiwan. A group of people mainly comprising scholars and researchers, advocate a major shift in US policy toward Taiwan during the time of reconciliation in Cross-Strait relations. As a defensive realist, Charles Glaser proposes that a major clash might be avoided between the United States and a rising China, if the former abandons Taiwan. He asserts that increasing military capability of China may make Beijing more willing to escalate a Taiwan crisis, which could easily lead to nuclear war. Given such a risk, the United States should consider backing away from its commitment to Taiwan, which is not in American vital interest, and it would remove the most contentious flash point between the United States and China (Glaser 2011: 87–8). He thinks that Washington should make hay while the sun shines for its policy adjustment toward Taiwan, since Cross-Strait relations have been improved over the past few years.

Considering the closer economic relations across the Taiwan Strait after the signing of the ECFA, David Shambaugh claims that ‘the Taiwan issue has essentially been resolved. Game over’. Taiwan does not have any option but to accommodate itself to a ‘one China’ formula (Shambaugh 2010: 224). Viewing a golden opportunity to demilitarise the conflict between the two sides of the Taiwan Strait, Bruce Gilley calls for the Finlandisation of Taiwan that shall benefit US security interests. That is, rather than providing security support as in the past, the United States should allow Taiwan to drift into the People’s Republic of China’s sphere of influence (Gilley 2010: 50). Going a step further, Paul V. Kane proposes using Taiwan as a chip in exchange for American economic interest. Believing it inevitable for Taiwan to be absorbed into China, he thinks that it is good for the United States to end American security support to Taiwan in exchange for a deal to write off American debt to China (Kane 2011).

Undoubtedly, people in Taiwan are shocked to learn about the 'abandonment' proposal advocated by American scholars. It is especially an embarrassment to Ma's administration, since Washington has repeatedly voiced its support and complimented Taiwan's engagement policy towards China. Moreover, Taiwan has never changed its policy towards the United States, and it is fully aware of the importance of the US support for its security and development. It sends the best capable people to Washington to work with American government and continues to be responsive to American public opinion and attitude.

Many in Taipei agree that both Taipei and Washington need to do more to engage with each other (Huang 2012). Good relations are not just for maintaining the status quo but moving forward for closer political and economic ties. As compared to Cross-Straits relations for the last four years that are full of agendas and activities Taiwan-US relations have not generated too many issues or agreements that could excite the bilateral relationship even though the two governments continued to maintain a positive tone in their political rhetoric.

#### AMERICAN ARMS SALES

The improvement of Cross-Strait relations poses a great challenge to American arms sales to Taiwan. Under the Taiwan Relations Act, enacted by the US Congress in 1979, the United States should provide Taiwan with defensive arms and services. But Beijing strongly questions the rationality and validity of American arms sales to Taiwan especially when peaceful development of Cross-Strait relations is in progress. It has reiterated the demand that the United States stops arms sales to Taiwan according to the 17 August 1982 Communique, which requires the United States to gradually reduce the sale of arms to Taiwan until a final resolution.

Taiwan continues to show its interest in procuring advanced arms from the United States, with a bipartisan consensus in domestic politics. There are a number of good reasons for that. First, the military balance in the Taiwan Strait has tilted in favour of China; arms procurements at least could prevent it from further deteriorating. Second, arms procurements could serve as a political link in securing American support. And third, these would allow the Ma administration to feel more confident in engagement with Mainland China and possible future political talks.

In his speech 'Building National Security for the Republic of China' on 12 May 2011, Ma outlined a three-line defence strategy. The first line of defence is to institutionalise Cross-Strait rapprochement. The second line is to enhance Taiwan's contributions to international development which might give Taiwan a higher moral ground in international politics. The third line is to align Taiwan's defence with diplomacy, especially building up Taiwan's credibility and trust with the United States. On this point, Ma emphasised Taiwan's resolve to maintain a credible deterrent capability and urged the United States to provide F-16 C/D and submarines to Taiwan (Ma 2011).

*China Report* 49, 4 (2013): 371–384

Nevertheless, Beijing has never lessened its opposition to US arms sales to Taiwan, and this has consistently been an irritant in US–China relations. Beijing considers it as a serious violation of Chinese sovereignty and interference in China’s internal affairs. Arms sales would give more impetus to the pro-independence movement and resistance to Chinese efforts for peaceful unification. Moreover, the improvement of Cross-Strait relations since 2008, has made further American arms sales groundless and unjustifiable. In his visit to the United States in 2011, General Chen Bingde, Chief of the General Staff of the People’s Liberation Army, openly declared that US arms sales to Taiwan was one of three major obstacles to the development of military relations between China and the United States (US Department of Defense 2011: 2). He also warned that any future sale of arms to Taiwan would disrupt the relations of the two countries and lead China to cut off military ties with Washington.

Given the possible impact upon Sino–American relations and the growing Cross-Strait rapprochement, Washington appears to be more cautious and concerned about the repercussions of such sales. There is no question that the United States has been eager to maintain military exchanges with China since the links are important to get the necessary information about Chinese military development during the period of rapid change. The Pentagon has often been disturbed over the years by the on-again-off-again nature of unstable relations with China because of arms sales to Taiwan and other complex political issues. The newly improved relations across the Taiwan Strait add additional complexity in the deliberation over the sales. Quite akin to the ‘Abandon-Taiwan Group’, they called for a political bargain with China while agreeing to end arms sales to Taiwan. Some voiced caution for fear of the leak of sensitive American military technology and information to China due to close human contacts between the two sides of the Taiwan Strait. Beijing has invited Taiwan’s retired military officers to visit China in golf tournaments and other exchanges (Dotson 2011: 1–3).

In January 2010, President Obama approved five items of arms sales to Taiwan including the UH-60M Black Hawk utility helicopters and PAC-3 missile defence batteries. Even though the cost involved was high – US\$ 6.4billion – the items involved were not controversial and they were leftovers from the former Bush administration’s arms package of April 2001. The F-16 C/Ds requested by Taiwan were not included. In September 2011, the Obama administration announced the decision to upgrade Taiwan’s 145 F-16 A/B fighter jets at a cost of US\$ 5.3 billion, again a non-controversial package, rather than to sell F-16 C/D. Clearly, the decision signified a political compromise for the Obama administration. The US–Taiwan Business Council, a non-profit association, observed that ‘The arms sold to Taiwan are a solid decade out of date... China rolls out its J-20 (stealth aircraft) prototype, and America enters the 6<sup>th</sup> year of deliberation over whether to provide Taiwan with additional F-16s – a platform already in its inventory’ (Hammond-Chambers 2011: 4). It seems that it would be more difficult for Taiwan to procure advanced weapons for the United States as the Cross-Strait relations improve.



### STRATEGIC REBALANCING IN ASIA BY THE US

The US rebalance towards the Asia-Pacific region has been a major shift in American global strategy and would have significant impact upon the regional security and development. The new strategy emphasises that the United States 'will of necessity rebalance toward the Asia-Pacific region'. The reasons for such a change are clear: 'US economic and security interests are inextricably linked to developments in the arc extending from the Western Pacific and East Asia into the Indian Ocean region and South Asia, creating a mix of evolving challenges and opportunities' (US Department of Defense 2012: 2). Secretary Clinton also notes that as the US combat operations in the Middle East draw to a close, and as the growing importance of Asia is linked to US economic wellbeing, 'the future of politics will be decided in Asia, not Afghanistan or Iraq, and the United States will be right at the center of the action' (Clinton 2011: 1).

It is clear that Taiwan welcomes the United States return to Asia and resuming its leading roles in security and regional relations. It shall be important for maintaining Asian security and stability, especially during the time of rapid changes in regional relations and development. It is believed that the Obama administration is serious about its reassurances and commitments to the region. However, due to the faltering economy and heavy national debt, the endurance and sustainability of the new American Asian strategy is uncertain, since it requires force restructuring and military investment, which entails exorbitant costs. The continuing crisis and conflicts in the Middle East, such as the civil war in Syria, the Iranian nuclear issue and the unsettled political situation in Egypt and Afghanistan might easily distract American attention out of Asia again.

To some extent, Taiwan feels that the US balancing toward the Asia-Pacific region is about China. The 2012 US defence strategic guidance identifies China as one country which poses a security threat to the US. 'Over the long term, China's emergence as a regional power will have the potential to affect the US economy and our security in a variety of ways' (US Department of Defense 2012: 2). Moreover, the new strategy is structured and targeted toward China, even though American policy makers continue to claim that the United States welcomes the rise of a peaceful and prosperous China, and it will continue its effort to build a cooperative relationship with China.

It seems that the economy is not the main part of the US' new Asian strategy, even though it includes the Trans-Pacific Partnership (TPP). Being a trading nation, Taiwan cares about economy as well as security. As a matter of fact, most of the Asian countries today take economy as the national priority, and they prefer increased American economic engagement with the region. Only if its economy recovers, the United States would be able to sustain its leadership in Asia. The TPP, which has the potential to become the framework for regional free trade, is in high demand for economic liberalisation but few countries in the region can meet its standard. In this sense, the United States should devise a more practical economic plan *vis-à-vis* Asia than the one in current practice.

Taiwan is not mentioned in America's new Asian strategy for a role in regional security, which has long been the case since the two countries do not have diplomatic ties. However, viewed from Taiwan's side, there would be no problems for the island to fit into American strategic framework. Taiwan's détente with mainland China, which shall be beneficial to regional stability and development, is consistent with American security and economic interests and backed by Washington. There is no need for Taiwan to take extra action in response to American rebalance strategy as it will only make the stable Cross-Strait environment more complicated and difficult to manage. What Taiwan should do is to strengthen its bilateral political and economic relations with the United States.

Nonetheless, Taiwan's low profile approach has been misconceived by some American observers. Uneasy about Taiwan's newly improved relations with China, for example, an American scholar publicly criticized the Ma administration's lack of interest to join the initiatives of the US reengagement in the Asia-Pacific. As he noted,

Taiwan's top priority since 2008, of reassuring China seems to show that Taiwan is less willing to follow others in the Asia-Pacific in solidifying relations with the United States in a period of Chinese assertiveness...At present, Taiwan seems to choose to stand with China, outside the 'hedge'. (Sutter 2010: 2)

### THE DIAOYUTAI ISLANDS DISPUTES

Taiwan's recent response to Japan's nationalisation of the Senkaku Islands evoked subtle reactions from Washington. The islands in question are called the Diaoyutai islands in Taiwan, Senkaku islands in Japan and Diaoyu islands in China. They lay 100 nautical miles northeast of Taiwan, and are claimed as their national territory by Taiwan, Japan and China. At the end of World War II in 1945, the islands were under the US control as part of the captured Japanese island of Okinawa, but have been under Japan's administrative jurisdiction since 1972 when Okinawa was returned to Japan. Both Taiwan and China disputed the handover of control of the islands to Japan and have asserted their sovereignty claims since then. In early 2012, the Governor of Tokyo, Ishihara Shintaro proposed to purchase the islands with private funds and planned to build shelters for Japanese vessels. In order to restrain the reckless act and gain political support in the upcoming election, the Noda government decided to nationalise the islands, and officially signed a deal on September 11 to buy the islands from a private Japanese family, recognised by the Japanese government as the owner. Considering the act of nationalisation highly politicised, provocative and illegal, both Taiwan and China lodged severe protests and did not recognise any unilateral action made by Japan to nationalise the islands.

Prior to Japan's nationalisation of the islands, President Ma proposed a peace initiative on 5 August 2012 to address territorial disputes over the Diaoyutai islands. Under

what he termed 'the East China Sea Peace Initiative,' he urged all parties concerned, to refrain from taking any antagonistic actions, shelve controversies and resolve disputes through peaceful means (Ma 2012). Again on 7 September 2012, Ma made a visit to Pengjia Islet, the part of Taiwan closest to the Diaoyutai islands, and released the implementation guidelines for the peace initiative. The guidelines suggest a two-stage approach, peaceful dialogues and cooperative exploration and development of resources (Ma 2012a). After Japan's nationalisation of the islands, Taiwan reportedly lodged a strong protest and asked its chief representative in Japan to return to Taipei in the shortest possible time. On 25 September, Taiwanese fishermen launched a large-scale protest against Japan and asserted their rights to operate in the waters of the Diaoyutai islands, described as their traditional fishing grounds. Reportedly, about 75 Taiwanese fishing boats, escorted by 10 Coast Guard Administration ships, embarked on a protest voyage to the Diaoyutai (*Taipei Times* 2012).

The US position on the Senkaku/Diaoyutai islands has been ambiguous. The State Department often states that the United States does not take a position on the question of the sovereignty and expect the claimants to resolve the dispute through peaceful means among themselves (US Department of State, *Daily Press Briefing* 2012: 7). However, American high officials frequently indicate that the Senkaku islands are subject to Article 5 of the US-Japan security treaty, which authorises the US to help defend the areas that Japan administers. It is also interesting to see that Washington calls for the concerned parties to resolve disputes and peacefully lower tensions but shows no intention to play a mediating role (Klapper 2012).

With regard to Taiwan, Washington is aware that Taipei does not work with Beijing on the claim of sovereignty over the Diaoyutai islands even though both sides of the Taiwan Strait hold the position that the islands are Chinese territory. Washington did not voice its concerns over Taiwan's fishermen protest activities; however after the event, it did not send senior officials to attend the annual bilateral defence conference held in the US Taiwan's moves were perceived as deviating from American interest in East Asia (Tsao and Hsu 2012: 3). Washington has not given any response to Ma's East China Sea Peace Initiative though some American scholars have shown their interests and support (Kuo 2012). Also, a big surprise to Taipei has been that two US aircraft carrier battle groups were deployed since mid-September 2012 in the Western Pacific, within easy reach of the Diaoyutai islands. What was Washington's intention? A warning to China, a message to Taiwan, showing support to Japan or just a coincidence? (Spitzer 2012).

## BILATERAL ECONOMIC RELATIONS

As indicated in the introduction, Taiwan-US trade relations are still strong but they have been in steady decline for the last decade. The United States was Taiwan's top trading partner in the early years of 2000s with about 18-20 per cent of its total trade;

*China Report* 49, 4 (2013): 371-384

in 2011, it dropped to the third place, after China and Japan, with a share of 10.5 per cent. Ma's coming as the president since 2008, has on the one hand improved bilateral trade relations as many expected; on the other hand he is even criticised by some American officials as 'an unreliable trading partner' due to Taiwan's ban on imports of American beef (Shapiro 2012: 1).

There are some factors attributed to the decline of bilateral trade. First and most importantly, the regional division of labour in manufacturing products has led many Taiwan companies to operate overseas. The most commonly-seen pattern is the trilateral trade among Taiwan, China and the United States; that is, Taiwanese manufacturers produce parts or semi-products, which are then sent to China for assembling with its cheap labour, and export the end products to the United States. Hence, the trade data does not provide a real picture; in fact, the number of export orders for Taiwan, originating from the United States, is much larger than the reported trade activities (Kan and Morrison 2012: 21–4). Second, some Taiwan-made consumer goods exported to the North American market have been gradually replaced by China. In addition, Taiwanese high-tech electronic products confront serious competition from South Korea, which has a free trade agreement with the United States. Third, both the United States and Taiwan have put more efforts into trade relations with China than they have with each other. And fourth, American economy has not recovered since the 2008 world financial tsunami. The slowed-down economy has reduced its capability to absorb exports from overseas including Taiwan.

Nevertheless, the resolution of the beef controversy opened new opportunities for Taipei and Washington to renew the TIFA talks and strengthen the bilateral economic relations. Less than a month after Lien and Clinton talks in the 2012 APEC summit meeting, the United States sent senior APEC official Atul Keshap to Taiwan in late September 2012 to show its willingness for economic talks. An interagency US team is expected to arrive in late 2012 to conduct expert-level talks on a wide range of trade issues. In the meantime, the new Director of the American Institute in Taiwan (AIT), Christopher J. Marut, indicated that his priority tasks were to advance the bilateral trade relationship and expand American exports to Taiwan (Marut 2012). Meanwhile, the US government announced that Taiwan has been officially included in the US Visa Waiver Program, allowing Taiwanese passport holders to travel to US for stay up to 90 days without obtaining a visa (Yeh 2012). The new initiative is believed to benefit both countries since this could increase travel and tourism on both sides and promote economic relations.

While some in Taiwan look forward to resuming the TIFA talks with the United States, some feel uneasy and unsure of the fallout on Taiwan's economy and domestic politics. In terms of past experiences, Washington would press for Taipei for more market liberalisation and less trade regulation in the TIFA talks. According to the 2012 National Trade Estimate Report on foreign trade barriers by the US, Taiwan has been listed in about 15 issue areas needed for negotiation, ranging from tariffs

and import controls to pharmaceuticals and medical devices (Office of US Trade Representative 2012). It is reported that the United States is asking for exports of American pork to Taiwan after the beef issue, which undoubtedly would raise a political storm on the island since hog-raising is big business in Taiwan and pig farmers are politically well-organised and are strongly opposed to any opening from abroad.

In short, it is uncertain as to what will happen after the resumption of the TIFA talks. Taiwan is interested in the reduction of American tariff rates so that it could keep its exports competitive in the US market. However, the United States is more concerned about the trade barriers and market access for American exports to Taiwan. It seems that no easy solution can be reached in the near future.

### CONCLUSIONS

Taiwan used to be a strong American ally and depended on Washington for its foreign and economic relations. Today the United States is still the most important economic and security partner for Taiwan, but no longer as predominant as before. The rise of Chinese economic power, plus close geographical proximity has made it the top trading partner for Taiwan. The massive Chinese military build-up and its rising world power status have made any effort at military preparedness by Taiwan almost indefensible. Under the circumstance, rather than direct confrontation and conflict, Taiwan needs to engage and manage the relations with China and find the ways to live in peace side by side.

There is no question that Taiwan's engagement with China has complicated her relations with the United States even though Washington has shown its support for the engagement policy. But, as discussed earlier, various American domestic actors are suspicious of Taiwan's new relations with China and raise their concerns. Some question Taiwan's loyalty and consistency, and some call for change of American policy toward Taiwan including arms sales. They are also displeased with Taiwan's actions on the Diaoyutai Islands disputes. Meanwhile, American Congressmen, especially from the Midwest farming region, were infuriated by Taiwan's ban on imports of American beef.

Indeed, it is extremely difficult for a small power like Taiwan to manage its relations with two great powers, especially when they are in tense competition. It requires sufficient communication, highly skilful manoeuvres, common interest sharing and a lot of good fortune. Taiwan has been successful in maintaining credible working relations with both the United States and China since 2008, undoubtedly a great accomplishment. But two questions loom large: how long will Taiwan be able to walk the tightrope and how Taiwan could continue to maintain close ties with the United States? Given the complex US-China relations and the easy-to-change American foreign policies, this shall be a great challenge for Taiwan.

## REFERENCES

- American Institute in Taiwan (AIT). 2012. 'Secretary Clinton's Meeting with Taiwan Representative at APEC,' *Press Releases*, PR-1246E, 10 September, <http://www.ait.org.tw/en/pressrelease-pr1246.html> (accessed on 17 August 2013).
- . 2008. 'US Statements on Taiwan Presidential Election,' *Official Texts*, OT-0802E, 25 March, <http://www.ait.org.tw/en/officialtext-ot0802.html> (accessed on 28 June 2013).
- Bureau of Foreign Trade. 2011. 'Trade Statistics: Value of Exports & Imports by Country,' Ministry of Economic Affairs, Republic of China, <http://cus93.trade.org.tw/ENGLISH/FSCE> (accessed on 28 June 2013).
- Campbell, Kurt M. 2011. 'Kurt M. Campbell Assistant Secretary, Bureau of East Asian and Pacific Affairs Testimony before the House of Foreign Affairs Committee, Washington, DC October 4, 2011,' American Institute in Taiwan, *Official Texts*, OT-1116E, 5 October, <http://www.ait.org.tw/en/officialtext-ot1116.html> (accessed on 28 June 2013).
- Clinton, Hillary R. 2011. 'America's Pacific Century,' *Foreign Policy*, November 2011, [http://www.foreignpolicy.com/articles/2011/10/11/americas\\_pacific\\_century](http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century) (accessed on 17 August 2013).
- Dotson, John. 2011. 'Retired Taiwan Officer Exchanges Offer Insight into a Modern "United Front",' The Jamestown Foundation, *China Brief*, Vol. 11, No 19, 14 October, 13–17.
- Dumbaugh, Kerry. 2008. 'Taiwan's 2008 Presidential Election,' *CRS Report for Congress*, Congressional Research Service, The Library of Congress, USA., 2 April, 1–6.
- Gilley, Bruce. 2010. 'Not So Dire Straits,' *Foreign Affairs*, Volume 89, No. 1, January–February, 44–60.
- Glaser, Charles. 2011. 'Will China's Rise Lead to War?' *Foreign Affairs*, Volume 90, No. 2, March–April, 80–91.
- Hammond-Chambers, Rupert. 2011. 'The American Defense Commitment to Taiwan Continues to Deteriorate,' The US–Taiwan Business Council, *Occasional Paper Series*, 1 March.
- . 2009. 'President's Report: The US–Taiwan Business Council & US–Taiwan Relations – 2009,' *US Taiwan Business Council*, 31 December, [http://www.US-Taiwan.org/reports/2009\\_december\\_31\\_state\\_of\\_the\\_council.pdf](http://www.US-Taiwan.org/reports/2009_december_31_state_of_the_council.pdf) (accessed on 17 August 2013).
- Huang, Alexander Chieh-cheng. 2012. 'Improve Sound US–Taiwan Relations,' *Prospect Foundation, Newsletter 2012 No. 19*, October.
- Kan, Shirley A. and Wayne M. Morrison. 2012. *US–Taiwan Relationship: Overview of Policy Issues*, Congressional Research Service, US Congress, 15 June, 21–23.
- Kane, Paul V. 2011. 'To Save Our Economy, Ditch Taiwan,' *New York Times*, 10 November 2011, [http://www.nytimes.com/2011/11/11/opinion/to-save-our-economy-ditch-taiwan.html?\\_r=0](http://www.nytimes.com/2011/11/11/opinion/to-save-our-economy-ditch-taiwan.html?_r=0) (accessed on 17 August 2013).
- Klapper, Bradley. 2012. 'US Seeks Calm over Asian Disputes; Won't Mediate,' *The Asahi Shimbun*, 29 September 2012, [http://ajw.asahi.com/article/special/isles\\_dispute/AJ201209290040](http://ajw.asahi.com/article/special/isles_dispute/AJ201209290040) (accessed on 17 August 2013).
- Kuo, Grace. 2012. 'Support Grows for East China Sea Peace Initiative,' *Taiwan Today*, 13 September, <http://taiwantoday.tw/ct.asp?xItem196184&ctNode=413> (accessed on 17 August 2013).
- Lohman, Walter and Hammond-Chambers, Rupert. 2010. 'Shore Up US–Taiwan Relations Now as Two-China Tensions Have Abated,' *Investor's Business Daily*, 6 October, <http://www.heritage.org/research/commentary/2010/10/shore-up-US-Taiwan-relations-now-as-two-china-tensions-have-abated> (accessed on 17 August 2013).
- Lowther, William. 2012. 'US–Taiwan Relations Remain Robust: Burghardt,' *Taipei Times*, 14 July, <http://www.taipetimes.com/News/front/archives/2012/07/14/2003537694/2> (accessed on 17 August 2013).
- Ma, Ying-jeou. 2012a. 'President Ma Attends Activities Commemorating the 60<sup>th</sup> Anniversary of the Sino-Japanese Peace Treaty,' *News Releases*, Office of the President, Republic of China (Taiwan), 5 August.
- . 2012b. 'President Ma Visits Pengjia Islet,' *News Releases*, Office of the President, Republic of China (Taiwan), 7 September.

- Ma, Ying-jeou. 2011. 'President Ma's Remarks at the Videoconference with the Center for Strategic and International Studies,' *News Release*, Office of the President, Republic of China (Taiwan), 12 May.
- Mainland Affairs Council. 2011. *Opening Up, and Guarding the Country: Benefits of the 15 Cross-Strait Agreements* (Taipei, Taiwan: The Executive Yuan, ROC).
- Marut, Christopher J. 2012. 'AIT Director Press Conference October 3, 2012,' *American Institute in Taiwan*, OT-1209E, 3 October.
- Office of the United States Trade Representative. 2012. '2012 National Trade Estimate Report Foreign Trade Barriers: Taiwan,' Executive Office of the President, The United States, 359–365.
- Shambaugh, David. 2010. 'A New China Requires a New US Strategy,' *Current History*, Vol. 109, No. 728, September, 219–226.
- Shapiro, Don. 2012. "Getting Beyond Beef in US–Taiwan Relations," *Brookings, Series: Brookings Northeast Asia Commentary*, Number 57 (February 2012), <http://www.brookings.edu/research/opinions/2012/02/10-beef-taiwan-shapiro> (accessed on 28 June 2013).
- Sutter, Robert G. 2010. 'US Reengagement in the Asia-Pacific Region: Where Does Taiwan Fit?' East – WestCenter, *Asia Pacific Bulletin*, Number 72, 5 October.
- . 2009. 'Cross-Strait Moderation and the United States – Policy Adjustments Needed,' Pacific Forum CRIS, *Pac Net*, Number 17, 5 March 2009, <http://csis.org/files/media/isis/pubs/pac0917.pdf> (accessed on 17 August 2013).
- Taipei Times*. 2012. 'Taiwan, Japan in High-seas Standoff,' 26 September, <http://www.taipetitimes.com/News/front/archives/2012/09/26/2003543677> (accessed on 17 August 2013).
- Tourist Bureau. 2011. 'Yearly Statistics of Foreign Tourists Visiting Taiwan,' Ministry of Transportation and Communication, Republic of China, <http://admin.taiwan.net.tw/public/public.aspx?no=315> (accessed on 17 August 2013).
- Tsao, Nadia and Stacy Hsu. 2012. 'Experts Split on US Defense Snub,' *Taipei Times*, 3 October, <http://www.taipetitimes.com/News/taiwan/archives/2012/10/03/2003544260> (accessed on 17 August 2013).
- US Department of Defense. 2012. 'Sustaining US Global Leadership: Priorities for 21<sup>st</sup> Century Defense,' January, [http://www.defense.gov/news/defense\\_strategic\\_guidance.pdf](http://www.defense.gov/news/defense_strategic_guidance.pdf) (accessed on 17 August 2013).
- . 2011. 'Joint Press Conference with Adm. Mullen and Gen. Chen from the Pentagon,' *News Transcript*, 18 May, <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4824> (accessed on 17 August 2013).
- US Department of State. 2012. *Daily Press Briefing*, 9 July 2012, <http://www.state.gov/r/pa/prs/dpb/2012/07/194761.htm> (accessed on 17 August 2013).
- Yeh, Joseph. 2012. 'US Approves Taiwan Visa Waiver Program,' *China Post*, 3 October, <http://www.chinapost.com.tw/taiwan/foreign-affairs/2012/10/03/356358/US-approves.htm> (accessed on 17 August 2013).
- Young, Stephen M. 2008. 'Looking to the Future, Building on Past Achievements,' American Institute in Taiwan, *Official Text* OT-0818E, 4 December 2008, <http://www.ait.org.tw/en/officialtext-ot0818.html> (accessed on 17 August 2013).