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Testimony Before the
House Foreign Affairs Committee October 4, 2011

Chairwoman Ros-Lehtinen, Ranking Member Berman, Members of the Committee, thank you for inviting me to appear before you today. I appreciate the opportunity to discuss recent economic, political, and military developments in our enduring and wide-ranging relationship with Taiwan, review changes in the cross-Strait relationship, and discuss the implications of those developments for the United States.

A major theme of American statecraft will be designing and promoting a set of policies that reflect Asia's increasing prominence in global politics and economics while simultaneously continuing to play an engaged role in other regions. Today, we are working to rebalance America's foreign policy toward Asia. As we do this, the choices we make will have lasting consequences for global security and prosperity.

As the long shadow of 9/11 recedes, we are witnessing the re-emergence of the Asia-Pacific as a key theater of global politics and economics. Home to China and India, the region boasts almost half of the world's population, is home to key drivers of the global economy, and is increasingly central to international efforts to address the most pressing global challenges, from climate change to nuclear nonproliferation. From the perspective of the United States, the region is a center of gravity for U.S. security and prosperity. Northeast Asia hosts over 50,000 U.S. military personnel and dozens of bases, and some of America's most reliable and dynamic partners and allies. Free markets in Asia also provide the United States with unprecedented opportunities for investment, trade, and access to cutting-edge technology. As Asia rises, so too must America's role in it.

An important part of this turn to Asia is maintaining a robust and multidimensional unofficial relationship with Taiwan and, consistent with this interest is the United States' strong and enduring commitment to the maintenance of peace and stability across the Taiwan Strait.

Despite the tremendous opportunities in Asia, the region faces both enduring and emerging challenges ranging from the South China Sea territorial disputes to North Korea's nuclear weapons program to transnational challenges like proliferation and natural disasters -- all of which could pose significant risks to our interests in the region. Despite the improvement in cross-Strait relations, the Taiwan Strait still poses a significant risk for instability and conflict in Asia. It is critical for the United States to work with our allies and partners in the region to address and meet these significant challenges, and to encourage efforts that defuse tension and increase confidence across the Taiwan Strait. The United States' role in Asia will be judged by how we address these challenges.

From day one of this Administration, we have employed a multifaceted strategy to articulate a vision and chart a pathway to realize the Asia pivot in American foreign policy. There are six key elements in this approach: 1) Strengthen our bilateral security alliances to maintain peace, security, and prosperity in Asia. Strong alliances complement the region's multilateral institutions and help create a context for regional security and prosperity. 2) Build enduring and results-oriented multilateral institutions, essential to addressing transnational challenges and creating more integrated rules of the road. 3) Work to develop deeper and more consequential relationships with emerging powers like India, Indonesia, China, Vietnam, and Singapore. 4) Pursue a free, open, fair and transparent economic agenda in Asia. 5) Modernize our defense force posture in Asia to one that is more geographically distributed, politically sustainable and operationally resilient. And 6) Promote democratic values and human rights.

Ultimately, the success of our strategy of rebalancing U.S. foreign policy towards Asia requires advancing, maintaining and strengthening our policies and actions in each of these six areas.

An important component to realizing the goals in this strategy is our coherent approach to unofficial relations with Taiwan. Building a more robust and diversified relationship with Taiwan is reflective of our broader approach to the Asia-Pacific; this relationship also advances many of our economic and security interests in the region. In particular, our management of U.S.-Taiwan relations will have a great impact on the way our partners view us across the Asia-Pacific region.

For more than thirty years, the Taiwan Relations Act (TRA) and the three U.S.-China Joint Communiqués have served as the bipartisan foundation for our "one China" policy, which has guided our relations with Taiwan and the People's Republic of China (PRC). Our policy is based on a few simple principles. We insist that cross-Strait differences be resolved peacefully and according to the wishes of the people on both sides of the Strait. We do not support Taiwan independence. We are opposed to unilateral attempts by either side to change the status quo. We welcome efforts on both sides to engage in a dialogue that reduces tensions and increases contacts across the Strait. And we are committed to preserving the peace and stability in the Taiwan Strait that has prevailed in recent years.

As part of our commitments under the TRA, we continue to provide Taiwan defensive military systems based on its needs and following our longstanding policy -- dating back to the earliest days of the Taiwan Relations Act -- that we make decisions about arms sales without advance consultation with the PRC.

We have recently demonstrated our resolve to fully live up to that commitment by notifying a new package of \$5.85 billion in arms, equipment and training for Taiwan. This is matched by the \$6.4 billion in sales to Taiwan in 2010 that bring us to a total of over \$12 billion in sales in a two-year period -- more than any comparable two-year period since the passage of the TRA.

Our policy, consistent across six different U.S. administrations, both Democratic and Republican, has helped foster Taiwan's prosperity and democratic development while also bolstering cross-Strait and regional stability. While contributing in important ways to the security of Taiwan, our approach has also allowed Taiwan to nurture constructive relations with the PRC in recent years. This approach has led to greater people-to-people exchanges, expanding cross-Strait trade and investment, and enhancing prospects for peaceful engagement across the Taiwan Strait. A peaceful future for cross-Strait relations is central to the stability and prosperity of the entire region and is therefore of vital importance to the United States.

Although some have recently suggested that our effort to build a “positive, cooperative, and comprehensive” relationship would come at the expense of our relations with Taiwan, we categorically reject this assertion -- and our track record confirms this. Positive and constructive relations with China are not only consistent with our robust and diverse relationship with Taiwan, they are also mutually supporting. In fact, since the beginning of this Administration, we have not only improved relations with both China and Taiwan, but this approach has also contributed to historic levels of cross-Strait stability.

U.S.-Taiwan Relations

Although the U.S.-Taiwan relationship is, by definition, unofficial, it has multiple dimensions including political, economic, and security, as well as people-to-people ties. The expanding nature of each of these elements of our relationship is a testament to the bonds that we have built with the people of Taiwan over the last several decades. This relationship is bolstered by regular consultations at senior levels by both civilian and military representatives, and we are actively exploring ways to raise the level of our meetings with Taiwan. As an example, Deputy Secretary of State Thomas Nides met with Taiwan’s Vice Foreign Minister on the margins of the recent Pacific Islands Forum in Auckland, New Zealand, and Assistant Secretary of Commerce Suresh Kumar visited Taiwan last month. As host of the Asia-Pacific Economic Cooperation (APEC), we will welcome a senior-level Taiwan delegation to Hawaii. We have been working closely with the Chinese Taipei delegation to APEC during the U.S. host year, including in planning for the private sector-led APEC CEO summit. We are also encouraged by Taiwan’s efforts to expand ties with other key Asian partners, including Japan, India, Singapore and the Philippines.

The foundation of our political ties with Taiwan is our common values and shared belief in democracy, and Americans have been deeply impressed by Taiwan’s open, exuberant democratic polity and society. This will be on display again as the voters on Taiwan go to the polls in January and exercise their right to determine the future course of their society. This will mark the fifth direct presidential election since 1996. We, as Americans, are excited about this process, because it highlights one of the key values that we share with the people on Taiwan. We do not believe any one party or leader on Taiwan has a monopoly on effective management of the relationship, and we do not take sides in the elections. We will work closely with whatever leadership emerges from Taiwan’s free and fair elections to build on our enduring commitment to Taiwan’s people, its prosperity, and peace.

Our commercial ties with Taiwan are especially strong because Taiwan today is one of our most important economic partners. The United States is the largest foreign investor in Taiwan, with cumulative stock of direct investments of over \$21 billion. With the world's 19th-largest economy, Taiwan is our 9th-largest trading partner, larger than Italy or India, with trade amounting to nearly \$62 billion last year. U.S. exports to Taiwan grew by 41 percent in 2010, and two-way trade grew by 32 percent. News of Taiwan signing letters of intent for \$5 billion in U.S. wheat, corn and soybeans earlier this month is yet another indication of the importance of the U.S.-Taiwan trade relationship. Taiwan is our 6th largest export market for food and agricultural products and, on a per capita basis, is second only to Canada in the consumption of U.S. agricultural products.

The United States and Taiwan, through our counterpart representative organizations, signed a Trade and Investment Framework Agreement (TIFA) in 1994. The TIFA is our main channel for bilateral trade consultations, and through the TIFA we have been able to resolve many difficult trade issues and deepen our economic cooperation. We have had many successes, including our work together in the area of enforcement of intellectual property rights, where Taiwan has made great strides. Unfortunately, Taiwan has taken a series of actions in recent years on agricultural trade issues that have damaged its credibility as a reliable trading partner and have proved to be a serious impediment to the TIFA process. There are a number of issues, including and beyond agriculture, which if resolved, will support employment growth and greater prosperity in both economies. We look forward to reinvigorating the U.S.-Taiwan economic agenda, reducing trade barriers, and increasing U.S.-Taiwan trade and investment ties.

Our security ties with Taiwan are perhaps the most high-profile element of the U.S.-Taiwan relationship. I will leave a detailed discussion of our critical defense and security relationship to my colleagues from DOD, but will stress that, first and foremost, Taiwan must be confident that it has the capacity to resist intimidation and coercion as it continues to engage with the mainland. The United States has bolstered Taiwan's capacity with a supply of carefully selected defense articles and services, consistent with the Taiwan Relations Act and based on a prudent assessment of Taiwan's defensive needs.

We will continue to strongly stand by our commitment to provide Taiwan with those defense articles and defense services necessary to enable Taiwan to maintain a sufficient self-defense capability. Our decision to notify Congress in 2010 and again last month of the approval of arms sales to Taiwan totaling over \$12 billion, on top of the 2008 notification of more than \$6 billion in new defense articles, underscores our commitment to meet the obligations spelled out in the Taiwan Relations Act. For example, in the last two years we have notified to Congress:

- A retrofit package to provide improved combat capability, survivability, and reliability to Taiwan's 145 F-16A/B aircraft, including the advanced Active Electronically Scanned Array (AESA) radar, and other advanced technologies and weapons systems
- An extension of the F-16 Pilot Training Program
- Spare parts for F-5, C-130, and F-16A/B aircraft

- UH-60M Blackhawk Utility Helicopters (60)
- Patriot Advanced Capability-3 (PAC-III) Fire Units, Training Unit, and Missiles
- Multifunctional Information Distribution Systems technical support for Taiwan's command and control system
- *Osprey*-class minehunter ships (2)
- Harpoon Telemetry Training Missiles
- Hughes Air Defense Radar (Direct Commercial Sale)
- Indigenous Defense Fighter (IDF) Radar (Direct Commercial Sale)
- IDF Color Display (Direct Commercial Sale)
- Small Arms (Direct Commercial Sale)

In addition to arms sales, the United States has long had a strong and effective military relationship with Taiwan's defense forces that involves training and high-level meetings, as well as consultations on key security issues. Taiwan, with U.S. assistance, can ensure that it develops a well-trained, motivated, effectively equipped and modernized fighting force that will contribute to the maintenance of peace and to a durable deterrent. With this defensive capability, Taiwan will be able to resist intimidation and coercion and engage with the mainland with continued confidence.

While we continue to bolster Taiwan's confidence and capability on security issues, we have also expressed to the PRC our strong concern over the continued lack of transparency in its military modernization and its rapid build-up of military force across the Strait. It is in the national interest of the United States to build a stronger military relationship with the PRC, but doing so will not come at the expense of our relations with Taiwan; they are not mutually exclusive.

Of particular significance to the U.S.-Taiwan relationship are our strong people-to-people ties. Indeed, the Taiwan Relations Act emphasizes that "it is the policy of the United States...to preserve and promote extensive, close, and friendly commercial, cultural, and other relations between the people of the United States and the people on Taiwan." Because the U.S.-Taiwan relationship is unofficial, nongovernment contact has been an essential avenue for establishing closer connections. Nearly all of the states in the United States have sister-state relationships with Taiwan, and 17 state governments have representative offices in Taiwan to promote business and tourism. Immigration and overseas study have also made major contributions to the U.S.-Taiwan relationship. Hundreds of thousands of people from Taiwan have immigrated to the United States, and among these immigrants are Nobel Prize winners, high-tech pioneers and award-winning actors and directors.

One of the most important factors fostering mutual understanding between the United States and Taiwan is the large number of people from Taiwan who study in the United States. American institutions of higher education have been the first choice of Taiwan students. Taiwan is number one on a per capita basis in the number of students it sends to study in the United States and is the fifth-largest source of foreign students in the United States, with 27,000 students in 2010. As

a result of this long-standing education connection, a high percentage of Taiwan's elite have U.S. college and professional degrees, including both candidates in the presidential election scheduled for next January.

Important New Initiatives

As a further demonstration of our commitment to a strong relationship with Taiwan, over the past year we have made progress on a number of important initiatives.

Taiwan's joining the Visa Waiver Program (VWP) would be an important milestone in the overall relationship that will allow greater numbers of Taiwan travelers to visit the United States, deepen people-to-people ties, and create new business opportunities. Travel between the United States and Taiwan, for business, study, and tourism, has helped to strengthen the bilateral relationship. In 2009 alone, people from Taiwan made over 500,000 trips to the United States, and Americans made nearly 400,000 trips to Taiwan. For that reason, the possibility of Taiwan joining the VWP represents a key opportunity for enhancing travel and contacts. While several steps remain to be completed in the process, we applaud the Taiwan authorities for having undertaken serious and systematic changes so far to their homeland security and immigration systems to comply with the statutory requirements for membership in the VWP. Those reforms not only allow Taiwan to meet VWP requirements, but they also strengthen Taiwan's own border and homeland security.

Taiwan has markedly improved its non-proliferation and export controls in recent years. Working with experts from the U.S. government, Taiwan has enhanced its ability to stop exports of high-technology items to countries of proliferation concern. Through regular dialogue with U.S. officials, and training programs run through the Export Control and Related Border Security (EXBS) program, Taiwan is now taking more effective steps to combat proliferation of sensitive materials and will take additional steps to work more closely with us as a full partner on non-proliferation issues in the next few years. At the same time, Taiwan has consulted closely with the United States as it works to tighten its banking and finance regulations to prohibit transfers that could contribute to the spread of controlled technologies, and we hope to see a final implementation of this process in the near future.

We have worked with Taiwan on strengthening our law enforcement cooperation. To this end, we have been working with Taiwan since late 2010 on a possible agreement on the return of fugitives. This process will necessarily be a complex and lengthy one, but we are confident that we will have measurable progress towards that goal in the coming year.

We are also looking for opportunities to step up visits by more senior officials from the range of federal agencies, from trade and economic affairs to energy, environment and science cooperation to social development. Where we can effectively deploy our senior officials to reaffirm our cooperative interests, we will do so.

Taiwan's Role in the International Community

Through expanded trade and cultural ties with the mainland, the region, and traditional partners like the United States, as well as involvement in international and regional organizations, Taiwan demonstrates that it is an important and responsible member of the international community. The United States has long been a vocal supporter of Taiwan's meaningful participation in international organizations. We have increased both the number and scope of our informal consultations with Taiwan regarding its goals in the international organizations arena.

Additionally, we frequently make our views on this topic clear to all members of the international community, including the PRC. Partly because of U.S. efforts, Taiwan is a member and full participant in key bodies in which statehood is not a requirement for membership, such as the World Trade Organization, the Asian Development Bank, and the Asia-Pacific Economic Cooperation (APEC) forum. We believe that Taiwan should also be able to participate meaningfully in organizations where it cannot be a member, such as the World Health Organization (WHO), the International Civil Aviation Organization (ICAO), the UN Framework Convention on Climate Change (UNFCCC), and other important international bodies, the activities of which have a direct effect on the people of Taiwan. Following more than a decade of efforts, we are gratified that Taiwan has participated in the World Health Assembly as an official observer for the past three years, and we hope that Taiwan will be able to participate in an increased number of relevant WHO technical-level bodies and in expert consultations.

While there has been some important progress on this front, we have also seen UN system agencies and other international organizations affiliated with the UN take further steps to limit Taiwan's participation based on the 1971 General Assembly resolution which expelled Taiwan from the UN. We have consistently objected to any and all administrative barriers that unilaterally determine the political status of Taiwan, and we will continue to do so if this issue arises in the future.

At the same time that Taiwan seeks to enhance its meaningful participation in international organizations, Taiwan has also increased its outreach to the global community through disaster relief and private giving. Following the devastating Haiti earthquake in 2009, Taiwan, with U.S. assistance, sent medical and military specialists and equipment to Haiti to help in the recovery effort. In the wake of the incredible damage caused to Japan in the March 14 earthquake and tsunami, Taiwan private citizens and the authorities donated more than \$150 million to assist victims, along with official assistance in the form of search and rescue resources. Taiwan also worked closely with the American Institute in Taiwan to facilitate the rapid movement of U.S. government staff and their families stationed in Japan in the event that a larger evacuation was needed. Thankfully, it was not, but Taiwan provided flexible and valued assistance to more than 100 Americans, and stands ready to do so again should a similar disaster occur in the region.

Finally, Taiwan donated money to support recovery efforts right here in the United States following heavy flood and tornado damage this past spring. Taiwan's contribution helped

victims in more than ten states get back on with their lives. On behalf of the U.S. Government, I reiterate our deep gratitude for Taiwan's humanitarian assistance.

Recent Cross-Strait Developments

One of the dominant issues affecting peace and stability in the East Asia and Pacific region – especially between the United States and China – is the potential for conflict across the Taiwan Strait. Over the past three years, we have witnessed remarkable progress in cross-Strait relations. In his inaugural address, Taiwan President Ma called on the PRC “to seize this historic opportunity to achieve peace and co-prosperity.” He pledged that there would be “no reunification, no independence, and no war” during his tenure. President Ma also proposed that talks with the PRC resume on the basis of the “1992 consensus,” by which both sides agree that there is only one China, but essentially agree to disagree on what the term “one China” means. At the end of 2008, PRC President Hu responded with a speech in which he called for the conclusion of an agreement on economic cooperation, proposed that the two sides discuss “proper and reasonable” arrangements for Taiwan's participation in international organizations, and raised the prospect of a mechanism to enhance mutual military trust – or what we might call confidence-and security-building mechanisms. Following President Hu's speech, the PRC stopped blocking Taiwan's participation in the WHO's International Health Regulations, allowing the WHO to disseminate health-related information directly to Taiwan authorities instead of having to go through the PRC government. This culminated in the May 2009 decision to let Taiwan participate as an observer in the World Health Assembly.

These overall developments helped produce a generally positive atmosphere for the resumption of semi-official talks between Taiwan's Straits Exchange Foundation (SEF) and the PRC's Association for Relations Across the Taiwan Strait (ARATS). The two sides agreed in broad terms to address the easy, primarily economic issues first, reserving more difficult, political issues for later. SEF and ARATS delegations have met formally six times since 2008 and continue the complicated task of defining closer cooperation between the two sides.

As a result of these talks, the accomplishments have been significant. The two sides have established direct, scheduled flights between Taiwan and the mainland; provided for direct shipping and postal services; established a framework for financial cooperation; and agreed to increase tourism, educational exchanges, and law enforcement cooperation. In 2010, 1.6 million mainlanders visited Taiwan and over two million are expected to visit this year. The two sides are now linked by 558 direct flights per week. Beginning in September of this year, Taiwan accepted 1,000 degree candidates from China in 2011, a number that is expected to increase to 10,000 per year over the next five years. The PRC is now Taiwan's largest trading partner, with cross-Strait trade totaling close to \$152 billion in 2010, according to Taiwan statistics. The two sides signed a landmark Economic Cooperation Framework Agreement (ECFA) in 2010, and talks are continuing under ECFA to further trade and investment liberalization. In fact, the negotiation of two new agreements on investment protection and increased information sharing on nuclear energy safety is in its final stages.

The Obama administration welcomes the increased stability in the Strait and the increase in Taiwan-PRC economic, cultural and people-to-people contacts. The many billions of dollars that Taiwan companies have invested in the mainland and the managerial talent they have provided have played an important role in the PRC's economic performance over the last two decades. Taiwan's trade, investment, and other economic ties with the PRC have also helped the island recover from the 2007-2009 economic downturn. Taiwan's economy grew by nearly 11 percent in 2010 and is expected to grow over 4.5 percent this year.

Despite closer cross-Strait engagement, strong concerns remain in Washington, Taipei and around the region about PRC military modernization and deployments, particularly because the PRC refuses to renounce the possible use of force against Taiwan. PRC leaders have stated explicitly that the PRC would take military action in the event Taiwan were to formally declare independence or to take steps that would irrevocably block unification. The PRC reserves for itself the right to define actions by Taiwan that it would consider grounds for military response. The PRC's unnecessary and counterproductive military build-up across the Strait continues unabated, with estimates of more than 1,400 missiles targeting Taiwan. Although immediate tensions have substantially abated, and there is no clear reason why Beijing should now use force against Taiwan, these and other deployments across from Taiwan contradict Beijing's stated commitment to the peaceful handling of cross-Strait relations. The two sides have now reached a stage of such sustained positive interactions in the cross-Strait relationship that China needs to carefully consider whether its vast military capabilities aimed at Taiwan serve its overarching objective of building greater confidence and trust across the Taiwan Strait.

The Future

The year 2012 promises to be a challenging year. With democratic elections in Taiwan and a leadership transition in Beijing, there will inevitably be a period of uncertainty. In my view, Taiwan's leaders have taken on a tremendous challenge – balancing relations with China and the United States in a way that benefits all parties. The current approach to cross-Strait relations that promotes stability and gradual reconciliation is what the people on Taiwan have come to expect from their elected leaders. Their expectations are mirrored in the international community, which hopes to see continued peace and prosperity across the region. We have always supported improved cross-Strait ties and will continue to do so as long as they meet the criteria that we have established over the past 30 years. Our long-standing, principled, and consistent policy toward Taiwan, matched by pragmatic and cautious management of the cross-Strait relationship, will help ensure that stability and peace are maintained across the Taiwan Strait. I would like to conclude with an important observation. Even as we welcome the recent progress in cross-Strait relations and the possibility of further steps, I have every confidence that Taiwan's future will always be based on a deep and abiding friendship with the American people and a close and strong partnership on all of the issues we have addressed here today.

Thank you for the opportunity to testify today on this important topic. I welcome your questions.