TESTIMONY BEFORE THE HOUSE COMMITTEE ON FOREIGN AFFAIRS

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"*Why Taiwan Matters*"

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Opening Statement

Madam Chairwoman and esteemed committee members, it is my great pleasure to testify today in front of this important congressional committee. The House Committee on Foreign Affairs has, for many years, played a leadership role in directing and supporting U.S. foreign policy. This is particularly true of our nation's interests in North East Asia.

It has been since 2004 that a full congressional hearing on Taiwan has been held on Capitol Hill, and much has changed since then. Regrettably, the United States finds its interests and equities on the island significantly reduced - mostly as a function of the zero-sum policy game played by U.S. policy makers who are attempting to calibrate our interests with Taiwan on the basis of America's China policy.

The U.S. has an enormous interest in seeing Taiwan continue on its present positive trajectory. Over the past 15 years, Taiwan has held four free presidential elections. On two of those occasions, it has seen the peaceful transition of power from one party to another. Taiwan is a dynamic democracy with real power vested in both the executive and legislative branches of government, each working with and restraining the other. The island has two large and highly competitive political parties, offering significant policy choices for its citizens. Taiwan has also become a partner with the United States in combating intellectual property piracy, and it has an established track record on human rights and free media. Taiwan plays a lead role in providing for peace and security in the region by participating in programs such as the Container Security Initiative, and it is also taking on a leadership role by providing disaster relief assistance on a global scale. Taiwan also takes its defense and security priorities seriously, with significant investments in its armed forces when it can get access to modern equipment.

Taiwan's policies and actions clearly reflect and support American foreign policy priorities in Asia - standing in stark contrast to a number of other Asian countries, including China, whose policies and actions frequently run contrary to American interests. Given these important advances for a long-term American friend, it would seem logical that Taiwan would be worthy of robust American support. That has not been the case in the recent past, however, as America's relationship with China has cast a long shadow over U.S. - Taiwan relations.

In January of 2011, the Obama Administration was planning to move forward with sending Deputy United States Trade Representative Demetrius Marantis to Taiwan to re-launch trade dialogue under the Trade and Investment Framework Agreement (TIFA). Those talks had been frozen since 2007 over the lack of U.S. access to Taiwan's beef market. While some issues remained, the USTR had apparently determined – correctly in the US-Taiwan Business Council's view – that it was time to move beyond beef. Mr. Marantis would have been the most senior Obama Administration official to visit Taiwan in years. Unfortunately, however, that meeting did not take place. Instead, new issues surrounding U.S. beef exports have once again derailed the entire U.S.-Taiwan trade relationship.

In the early parts of this year, Taiwan began testing meat for ractopamine. A substance used as an animal feed additive, ractopamine promotes leanness in animals and is used extensively in raising cattle, pigs, and geese. Taiwan has long banned the drug – as do 160 other nations - but it only started testing for it

at the beginning of 2011. Ractopamine residue has since been detected in U.S. beef imported to Taiwan, and the market for U.S. beef exports to the island has contracted.

Other areas of U.S.-Taiwan relations have ground to a halt as well. The Visa Waiver and Extradition Agreement initiatives appear relatively benign, and yet progress is at best proceeding at a snail's pace. If these two initiatives are indeed indefinitely put on hold, or continue to drift without leadership, the Obama Administration will then have only a single instance in which they invested political capital in America's relationship with Taiwan - January 29, 2010 when it notified to Congress several Bush-era defense programs.

If the calculation in January was to push beef aside, with the notion that stalling the relationship over one issue was hurting America's broader interests, how and why has that position changed? Instead of sticking with that new position, the U.S. has doubled down. The situation becomes especially vexing because the beef issue is a red herring. Issues surrounding beef imports affect many of our top trading partnerships in Asia, but only with Taiwan did the U.S. make the decision to suspend our entire trade dialogue over the issue. In relations with Japan and South Korea, we were able to make broad progress while compartmentalizing beef. But doing that takes leadership and ambition for the relationship – in U.S.-Taiwan relations we have neither leadership nor ambition.

The beef issue has now become inexorably intertwined with what remains of our non-defense relationship with Taiwan. Meanwhile, the Administration's appetite for arms sales in the face of Chinese sensitivities hovers at close to zero. There is a small possibility that the Obama Administration will notify to Congress an upgrade of Taiwan's F-16A/B fighters in 2012. However that program may very well be further postponed, caught up in the White House's calculations over Mr. Obama's re-election campaign and his desire to show progress in U.S. - China relations.

Your office, Madam Chairwoman, has raised the issue of Administration violations over the Javits report, and the fact that the U.S. Department of State has not been briefing you on Taiwan after assuring you they would. Senator Lugar has engaged in an exchange with the U.S. Department of State over process violations on arms sales notifications. These Administration actions come with an unwillingness to provide any reasoning for denying Taiwan the ability to submit a Letter of Request (LOR) for F-16s - a platform Taiwan already has in its inventory, and one that's required to provide for Taiwan's national defense.

As we take stock of the past 3-4 years of bilateral relations, and looking forward towards the coming months and into 2012, it will be all too easy to claim that the beef issue was responsible for undermining a better relationship. But this is not the case. The current poor state of the U.S.-Taiwan relationship is not merely the result of disagreements over a parochial agricultural issue. Instead, it is the consequence of a much broader lack of ambition on the part of Washington to promote its relationship with Taiwan. The beef issue is a symptom of a wide-ranging malaise, a condition that is impacting all aspects of our relationship - including defense.

The continued suspension of TIFA talks, and the listless drift of other bilateral "priorities" such as the Visa Waiver and the Extradition Agreement, may very well have heralded the end of what passed for an agenda for U.S.-Taiwan relations - at least until January 2013 when Mr. Obama, or his challenger, will have an opportunity to assess anew how to proceed.

The State of Taiwan's Economy

Taiwan's economy has undergone a dramatic rollercoaster ride since the onset of the global recession. It saw export-driven demand fall off a cliff at the end of 2008/beginning of 2009, with demand for Taiwan-produced goods dropping by as much as 50%. This caused real hardship for swathes of Taiwan industry, and caused a ripple effect for the Taiwan government - which saw growth in unemployment and a drop in tax receipts.

GDP growth collapsed in 2009, only to see a dramatic swing back in 2010 when it reached 6.9% in the fourth quarter. That is certainly a solid performance, albeit a deceleration from the third quarter when the Taiwan economy expanded by 10.7%. Overall Taiwan GDP seems to have bounced back. According to the latest figures, it appears to be settling in to a growth rate of 4% for 2011 - barring any unforeseen global economic shocks. This number does take into consideration the ongoing economic issues in Japan, but does not factor in growing prices for energy - particularly oil.

Supply Chain

We are only now starting to see the medium to long-term impact of the devastating Japanese earthquake, tsunami, and subsequent nuclear disaster. In U.S. papers, we are seeing reports of Toyota's difficulties in providing the latest models due to parts shortages emanating from Japan. While Taiwan is not as heavily integrated in the global auto supply chain as the U.S., it most certainly is in the information technology space, and there we have yet to see the full impact of Japan's troubles.

The trade data to date is inconclusive, but some trends are starting to emerge. First, a slowdown in Japanese demand for Taiwan exports is becoming evident. On the upside, however, Taiwan only sends 6.5% of its total export production to Japan, so the hit is relatively small. The far larger problem is the supply chain disruption.

While Taiwan is known for global IT companies such as Acer and HTC, and for leading system-integrators such as Hon Hai/Foxconn, it has had relatively little success building out a dynamic supplier base for IT components. This is mostly due to poor quality and poor customer service. Therefore, Taiwan's main system-integrators in the IT space are prone to exposure to external shocks, given that they must source components from foreign markets - typically Japan or South Korea. Since Taiwan and Japan have vastly better relations – at all levels – than the island does with Korea, Taiwan companies typically prefer to source from Japan.

While some component factories in Japan were indeed destroyed or damaged due to the quake and tsunami, more and severe disruptions occurred due to irregular electricity and water supplies. Industrial areas in Japan have had to share the electricity in its power grids, which has resulted in slower production in some cases. In other cases – such as where consistent power is essential - production completely halted.

The semiconductor industry is a good prism with which to look at the situation. Semiconductor manufacturing machinery requires careful calibration and can be severely affected by irregular power and water supplies - as well as by the additional seismic activity. The week of April 4, DRAM companies sent word to their major customers that the supply of DRAM chips will tighten this summer (July) due to the limited supply of blank wafers used to make semiconductors – it appears that the earthquake halted production of approximately one quarter of the global production for such wafers. This tightening will cause a rise in the price of chips. Coupled with other component shortages, it will likely result in overall price hikes for all IT products, as well as a tightening supply for such products into the summer and beyond.

There is a longer-term hit for semiconductors too. Japan supplies some of the world's best semiconductor manufacturing equipment, a large portion of which ends up in Taiwan. Indeed, the Semiconductor Manufacture & Materials International (SEMI) trade group predicts that Taiwan will be the top market for such equipment in 2011. Companies such as Taiwan Semiconductor Manufacturing Company (TSMC) have huge annual capital expenditure budgets, and may see future production affected negatively by the lack of new capacity.

Finally, it is important to continue to track the impact that events in Japan are having on Taiwan IT integrators, which are also seeing component shortages. Taiwan now ranks 6th globally in the World Economic Forum's "Global IT Report," up from 11th in 2010. This trend is likely to continue as Taiwan

further establishes itself as an indispensable cog in the global IT supply chain. Therefore, any disruptions to production in Taiwan will have a global domino effect.

Unemployment & Inflation

Unemployment rose from 4% to 6% during 2008-2009, and for Taiwan this is a considerable increase. The cultural emphasis on the compact between businesses and workers, coupled with restrictive labor laws, make it difficult for companies to lay off workers in difficult times. The peak of 6% unemployment in 2009 has been followed by a gradual reduction to put that figure back under 5%. It is worth pointing out that while Taiwan's unemployment figures appear low, there is significant under-employment in Taiwan. You see it vividly in the north in restaurants and hotels, and in the south in the volumes of street vendors. Taiwan does not utilize its labor force well – a problem I return to below.

On recent trips to Taiwan I have heard a great deal about the potential impact of quantitative easing or QE2. There remains considerable concern that America's loose monetary policy will increase inflationary pressures on Taiwan's economy. While publicly denying any currency manipulation, the Taiwan Central Bank it is in fact highly active and appears to wish to keep inflation to around 2%, and to keep the New Taiwan Dollar exchange rate to around US$1:NT$29. Inflation remains benign at this time, and with unemployment and under-employment a factor, there is little chance of rising wages pushing up inflation. The same cannot be said for food or fuel, although the government does have a track record of subsidizing energy to mitigate against price volatility.

U.S. Businesses in Taiwan

2010 was a good year for multinationals in Taiwan. A recent survey by AmCham Taipei showed that better than 80% of their members had a good or great year. Over 50% or respondents are predicting an even better year in 2011.

The Economic Cooperation Framework Agreement (ECFA) is viewed as good for multinationals in Taiwan, as increased demand from China should directly or indirectly improve their business climate. The cross-Strait movement of people and goods has immeasurably improved since the easing of restrictions, and that has been a boon for U.S. companies. This is true particularly in industries like technology, where the U.S. has high exposure as both a participant in providing parts and services to the supply chain (e.g. in the fabless chip business) and as an end-user of the IT supply chain (such as Apple).

However, U.S. companies in Taiwan are seeing the labor market there getting tighter. Taiwan's labor laws are poor, negatively impacting companies' ability to hire and fire and to seek labor from external markets. The most sensitive example is certainly China, and it is simply not likely that Chinese workers are going to be allowed to work in Taiwan under anything other than specific and narrow areas - for example as the manager of a Chinese bank branch. Exacerbating the labor issue for Taiwan is the low birth rate, which will clearly have a long term impact on growth. In addition, there seems to be little appetite in the government and legislature to augment the population by liberalizing immigration laws and allowing more foreign nationals to immigrate to Taiwan. The short-term politics for increased immigration are poor, particularly in a period of higher unemployment. In addition, the broader issue of "foreigners" coming to Taiwan will certainly resonate with voters in the upcoming elections, some of whom view the influx of mainlanders in the 1940s as an "invasion".

Foreign investors have been supportive of the tax policy changes that have been enacted by the Ma Ying-jeou government. While ECFA has been heralded as an important development in attracting companies to "take another look at Taiwan," the tax reforms that took place in 2010 are often overlooked. Those reforms included a reduction of the corporate tax to 17.5%, making it highly competitive with Taiwan's regional competitors and an attractive marketing tool. On the flip side of the tax coin is Taiwan's regressive income tax rates, which top out at 40% and are seen as a disincentive to national talent retention - persuading those who can move to Taiwan to do so, or to persuade those who can leave to stay. It is arguably the highest rate amongst Taiwan's regional competitors.

Overall, multinationals in Taiwan are looking for ways to expand their business there either through investment in existing operations or through mergers and acquisition activity (M&A). That is a good sign for Taiwan - although Taiwan's regulatory environment makes M&A activity difficult, and therefore the activity is not as active as it could be.

There are other important characteristics of life for multinationals in Taiwan as well, which bode well for the island continuing to draw investments. It is safe, the people are overall kind and friendly, and there are good schools. Since 2008, executives based in Taiwan can also easily reach other important Asian locations as a consequence of normalized flights to China and better inter-model integration with regional airports such as Tokyo's Sendai and Seoul's Gimpo. Executives can travel quickly and easily from downtown Taipei to Songshan airport, where they can catch a direct flight to the local capitol hubs for North East Asia - much like Washington National airport offers convenient connections to New York and Boston. This is very important, as the quality of life issue will continue to positively impact Taiwan's ability to attract businesses.

In the recent AmCham Taipei business survey, 3 issues were most often cited by businesses as the most important improvements since 2008; direct flights, the normalization and liberalization of cross-Strait trade, and the reduction in tensions across the Strait. On the downside, businesses continue to wrestle with archaic regulations and an outdated legal environment for their businesses, and the Taiwan bureaucracy still has a reputation for being slow and unresponsive. Given that Taiwan continues to be viewed as having more potential than where actual gains are realized, it continues to under-perform on growth.

Recommendations for Taiwan

It is essential that Taiwan focus its efforts on its sunrise industries and not on its sunset industries. There remains a danger that Taiwan will take a parochial attitude toward its economic future, and rather than specializing in areas where it has distinct advantages - such as technology, tourism, medicine/treatment - it will continue to nurture its sunset industries such as the textile industry and low end manufacturing of toys and cheap disposable consumer goods. The approach they choose should be reflected in the island's external trade posture, and Taiwan trade officials admit to viewing bilateral and multilateral trade deals as the most effective leverage in dealing with domestic economic interests. I believe that the outcome of the Taiwan-Singapore Free Trade Agreement (FTA) currently being negotiated will tell us a great deal about what Taiwan is prepared to undertake in short term pain in order to realize long-term gains. The exception will be agricultural issues, which won't figure prominently in the Singapore FTA negotiations.

Taiwan also needs to address its currently poor infrastructure. President Ma was elected touting the" *i12 Projects*" as part of his platform – the term refers to 12 prioritized infrastructure projects, including significantly upgraded transportation, urban renewal, environmental protection facilities, etc. Nevertheless, Taiwan has seen little actual progress on this multi-billion dollar infrastructure program since President Ma took office.

Taiwan also needs to get serious about its future energy needs. The recent nuclear disaster in Japan has been used by the anti-nuclear power movement - most prevalent within the Democratic Progressive Party (DPP) - to call for the 4th Nuclear Power Plant at Lungmen to be mothballed. This is unrealistic, as the plant is necessary to address the power needs of Taiwan's growing economy, and it is also counterproductive to Taiwan's environmental goals for its emissions. Taiwan's energy infrastructure, as maintained by Taipower, is indeed woefully underfunded. It is also susceptible to acts of God such as typhoons and earthquakes, and acts of China such as limited missile strikes on key targets – in all cases with the potential of disrupting the energy grid badly. In addition, it relies almost exclusively on outside sources for its energy needs. Taiwan looks to China for coal (a fact that is deeply worrying), gets its Liquid Natural Gas (LNG) from Qatar, and imports its oil from Kuwait. While oil consumption in Taiwan is forecast

to remain basically flat over the next decade, LNG consumption is likely to rise about 50%. Worryingly, Taiwan has no ability to secure its energy supply lines.

Taiwan Trade Relations

Trade & Investment Framework Agreement (TIFA)

The Trade & Investment Framework Agreement (TIFA) is presently in its second freeze over the past decade, making it the 4th straight year of no bilateral trade dialogue under this framework. Successive U.S. administrations have frozen the TIFA trade dialogue with Taiwan during 7 of the past 10 years.

In contrast, the U.S. has consummated a Free Trade Agreement (KORUS) with South Korea, which is Taiwan's principal regional competitor. Albeit still not passed by either country's legislature, the trade diverting pressures of KORUS is potentially damaging to both Taiwan and the United States. In the absence of a similar deal with Taiwan, or of any efforts to consummate smaller agreements through TIFA, the trade diverting effects are not being mitigated against.

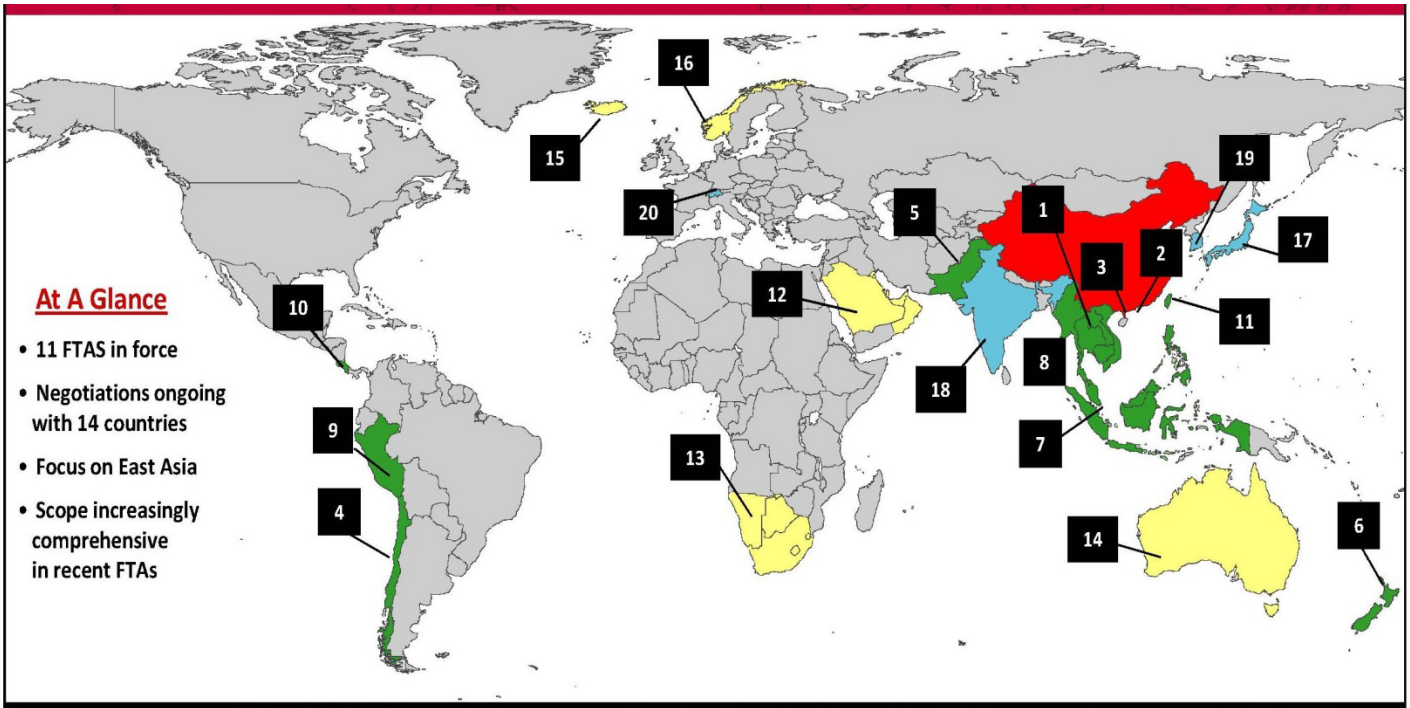
As I mentioned above, the issue of beef exports to Taiwan continues to dominate the bilateral picture. Both sides seem unwilling and/or unable – due to domestic constituencies – to make concessions. President Ma's election calendar and the ramifications of the failure of the 2009 agreement make it impossible for him to make direct changes to beef import rules. In the U.S., USTR is under considerable congressional pressure to extract further concessions for Taiwan prior to re-launching TIFA.

Given this present state of affairs, it appears unlikely that any additional TIFA talks will be held prior to May of 2012, after the Taiwan presidential inauguration.

Likelihood & Desirability of a US-Taiwan Free Trade Agreement

The United States cannot have a comprehensive Asia-wide policy in the absence of an actual Asia trade policy. The Asia Pacific region is the most dynamic free trade arena in the global trading system. It is also crystal clear that the United States is increasingly on the outside looking in to this dynamic - a highly damaging state of affairs that has the U.S. abdicating its traditional leadership role in the region. In fact, both China and the EU are pursuing numerous trade deals in the Asia Pacific.

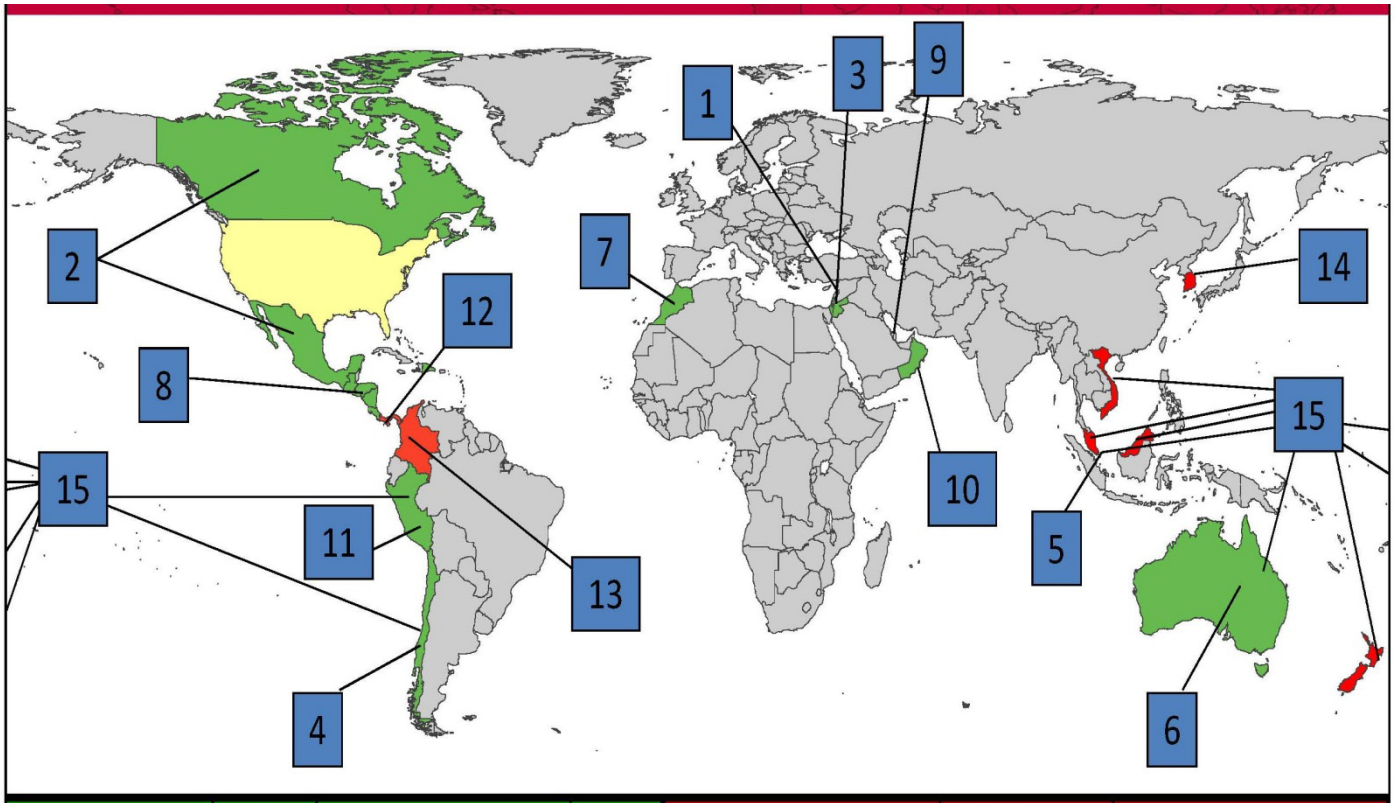
Figure: China Free Trade Agreements



FTAS IN FORCE				FTAS UNDER NEGOTIATION		FTAS PROPOSED	
Agreement	Date in force	Agreement	Date in force	Agreement	Launch Date	Agreement	Proposed
1) Thailand	Oct. 2003	7) Singapore	Jan. 2009	12) GCC (Bahrain, Kuwait, Oman, Qatar, S Arabia, UAE)	Jul 2004	17) East Asia (Aus, ASEAN, Japan, Korea, NZ, India)	Widely discussed since 2003
2) Hong Kong	Jan. 2004	8) ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam)	Jan. 2010	13) SACU (Botswana, Lesotho, Namibia, South Africa, Swaziland)	June 2004	18) India	Study completed Oct. 2008
3) Macau	Jan. 2004	9) Peru	March 2010	14) Australia	May 2005	19) Korea	Feasibility study ongoing
4) Chile	Oct. 2006	10) Costa Rica	April 2010	15) Iceland	April 2007	20) Switzerland	Joint feasibility study completed in 2010
5) Pakistan	July 2007	11) Taiwan	Sept. 2010	16) Norway	Sept 2008		
6) New Zealand	Oct. 2008						

Source: C&M International

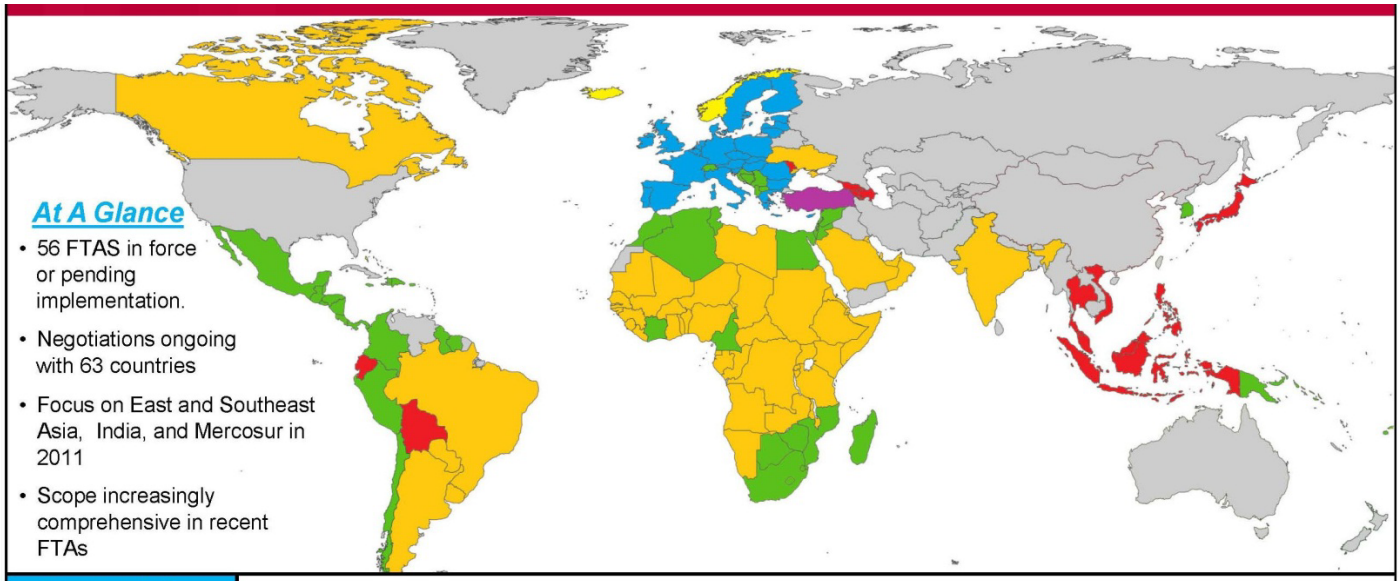
Figure: U.S. Free Trade Agreements



FTAs in Force	Date in force	FTAs in Force	Date in force	FTAs Pending	Launch date, status	Contentious Issues
1) Israel	1985	7) Morocco	2005	12) Panama	2004, pending US ratification	Labor and tax policy issues.
2) NAFTA (Canada, Mexico)	1989/1994	8) CAFTA (Guatemala, Honduras, El Salvador, Nicaragua, DR, Costa Rica)	2006-2009	13) Colombia	2004, pending US ratification	Violence against labor leaders
				14) Korea	2006, pending US ratification	US beef exports
3) Jordan	2001	9) Bahrain	2006	15) Trans-Pacific Partnership (Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam)	2010, under negotiation	Market access schedules
4) Chile	2004	10) Oman	2009			
5) Singapore	2004	11) Peru	2009			
6) Australia	2005					

Source: C&M International

Figure: EU Free Trade Agreements



European Union	Austria – Belgium – Bulgaria – Cyprus – Czech Republic – Denmark – Estonia – Finland – France – Germany – Greece – Hungary – Ireland – Italy – Latvia – Lithuania – Luxembourg – Malta – Netherlands – Poland – Portugal – Romania – Slovakia – Slovenia – Spain – Sweden – United Kingdom
Single Market	Norway – Iceland – Lichtenstein
Customs Union	Andorra – Monaco – San Marino – Turkey
FTAs Concluded / In-Force	Mexico – Chile – Colombia – Peru – Panama – Costa Rica – El Salvador – Guatemala – Nicaragua – Honduras – Morocco – Algeria – Tunisia – Egypt – Jordan – Israel – Occupied Palestinian Territory – Lebanon – Syria – Macedonia – Albania – Serbia – Montenegro – Bosnia-Herzegovina – Croatia – Switzerland – South Africa – Korea – Antigua and Barbuda* – Belize* – Bahamas* – Botswana* – Cameroon* – Cote d'Ivoire* – Dominica* – Dominican Republic* – Fiji* – Grenada* – Guyana* – Haiti* – Jamaica* – Lesotho* – Madagascar* – Mauritius* – Mozambique* – Papua New Guinea* – St. Kitts & Nevis* – St. Lucia* – St. Vincent and the Grenadines* –Seychelles* – Suriname* – Swaziland* – Trinidad & Tobago* – Zimbabwe*
FTAs Under Negotiation	Canada – India – Singapore – Ukraine – Brazil – Argentina – Uruguay – Paraguay – Saudi Arabia – Kuwait – Qatar – United Arab Emirates – Oman – Bahrain – Libya – Cook Island* - Kiribati* - Marshall Islands* – Micronesia* – Nauru* – Samoa* – Solomon* – Timor Leste* – Tonga* – Tuvalu* – Vanuatu* – Angola* – Namibia* – Comoros* – Djibouti* – Eritrea* – Ethiopia* – Malawi* – Sudan* – Zambia* – Burundi* – Kenya* – Rwanda* – Uganda* – Tanzania* – Central African Republic* – Chad* – Congo* – Democratic Republic of Congo* – Equatorial Guinea* – Gabon* – Sao Tome & Principe* – Benin* – Burkina Faso* – Cape Verde* – Gambia* – Ghana* – Guinea* – Guinea-Bissau* – Liberia* – Mali* – Mauritania* – Niger* – Nigeria* – Senegal* – Sierra Leone* – Togo* – Zambia* *Economic Partnership Agreements
FTAs Proposed	Moldova – Armenia – Azerbaijan – Georgia – Japan – Brunei Darussalam – Indonesia – Malaysia – Philippines – Thailand – Vietnam – Ecuador – Bolivia

Source: C&M International

The U.S. has also let US-Taiwan trade relations deteriorate. While trade ties remain robust, America's percentage of Taiwan trade continues to fall - reaching less than 13% in 2011. This comes at a time when Taiwan has consummated the ECFA with China, which contributes to the continued expansion and deepening of the scope of economic relations across the Taiwan Strait. China now absorbs well over 40% of Taiwan's output.

This is a disturbing trend for the United States for two principal reasons. First, Taiwan is America's 9th largest trading partner. Taiwan's economy is worthy of nurturing simply for the volume of U.S. exports that it consumes. Second, Taiwan is a strategic global technology partner – as discussed in parts of this testimony – and the United States has significant interests in ensuring that the global technology supply chain that runs from America's technology clusters in Massachusetts, Texas, Washington, and California continues to grow.

The U.S. government should engage Taiwan in negotiations on ways to broaden and strengthen our bilateral trade relationship. That would ideally be done within the framework of a comprehensive Free Trade Agreement (FTA). However, in the absence of a U.S. trade policy that promotes FTAs, the mechanism that could be used today is the Trade & Investment Framework Agreement (TIFA). TIFA talks - accompanied by building blocks such as agreements on transparency, competitiveness, and services – as

well as bilateral agreements on investments and taxes - would promote an incremental approach that could serve until the U.S. is ready to again pursue FTAs with its key trading partners.

The US-Taiwan Business Council supports the renewal of Trade Promotion Authority (TPA) as the first step toward launching negotiations for a US-Taiwan Free Trade Agreement.

Importance of Taiwan's Regional Integration

Supply chains seek to minimize cost, and yet there can be built-in costs that are created by politics or bureaucratic meddling. If Taiwan's principal competitors - such as Korea - are able to reduce costs in the supply chain, they achieve improved cost structures and therefore improved competitiveness. If Taiwan is unable to break out of its China-imposed trade isolation, Taiwan businesses will be at a significant disadvantage. I think we all understand this point.

While we must all obediently nod to Doha and the benefits of a global multilateral deal, that is simply not in play at this time, and may not be for years. Taiwan must negotiate bilateral and multilateral trade arrangements in support of its equities, in order to ensure parity and equal market access. If it does not, trade opportunities will be diverted away from Taiwan businesses. Having Taiwan participate in the growing networks of FTAs that are taking shape in Asia is a key to Taiwan's future economic security.

As the ECFA ramps up, Taiwan is likely to become increasingly dependent on China. This is of concern both as an economic competitiveness issue as well as a political issue. Taiwan must attempt to break out of its isolation, as well as address the implications of further integration – will China become the sole dynamic in Taiwan's trade posture?

In the end, I believe Taiwan will make concessions, even on agricultural issues, to secure regional FTAs as a means to counteract the China influence.

Economic Cooperation Framework Agreement (ECFA)

The Economic Cooperation Framework Agreement (ECFA) had its roots in the vision of Taiwan Vice President Vincent Siew, who envisaged a Cross-Strait Common Market that would act as a platform for sustained relations. Since June 2008, President Ma's government has pursued a policy of normalizing and liberalizing cross-Strait trade.

Yet the Ma Administration has been careful to position the ECFA not as a policy unto itself but as a component of a broader global trade policy. Indeed, the Ma government has been reaching out to other Asia Pacific trading partners to engage in trade liberalization discussions. This has included Singapore, Japan, and India - all of whom have articulated varying degrees of support for liberalized trade ties with Taiwan. Indeed, Taiwan and Singapore will likely consummate their bilateral free trade agreement by the end of 2011.

ECFA allows for the normalization and liberalization of cross-Strait trade with significant macroeconomic benefits to Taiwan. Should the DPP find itself back in charge, it also removes a major issue for them to have to deal with in regards to its relationship with China – the ECFA clarifies the economic relationship, and reduces the domestic pressure on the party to accommodate China in negotiations on all issues. A majority of Taiwan citizens support closer economic ties with China, but a small percentage also supports closer political and military ties. Because the ECFA is already a done deal, that removes the economic constituency in support of closer ties. Therefore, the DPP can build a broader base of support for the rest of its China policy.

If the Democratic Progressive Party (DPP) wins in 2012, it has floated the idea of holding a referendum on the ECFA. This has been described to me as a tactical play to the DPP's core base, to show their concern over the manner in which ECFA was executed. But at a practical level, the DPP leadership will be

comforted in the knowledge that the barrier to reversal is so high that no overturn referendum result is likely. It is a political play with no real chance of success.

The DPP candidate for President - Dr. Tsai Ing-wen - is a populist on economic matters, and would likely move strongly on issues such as nuclear power, heavy industry development, or on projects such as Kuokuang Technology Company's controversial petrochemical plant. She would be likely to focus on social welfare issues rather than Taiwan's economic picture, and this could impact Taiwan's growth and development.

With cross-Strait negotiations on economic issues already ongoing under Ma, I would expect the DPP to hold a brief review of "China policy" and then attempt to continue the ongoing negotiations. It is unlikely to be the DPP that seeks to extract leverage out of such a change in government. Instead, it will be China that will likely place significant pressure for deliverables on the DPP, in exchange for continuing their present policies. In this scenario it is difficult to see the DPP able to accommodate China, and the cross-Strait situation would likely deteriorate. Any future trade developments would depend on the manner in which the negotiations fail. If they fail due to Chinese objections to a DPP government, it would depend on how Washington behaves and what position the U.S. chooses in any attempt to put the dialogue back on track. (This is also a broader issue, as the U.S. would likely be dealing with an overall deterioration in China's attitude toward Taiwan.)

If Ma is re-elected, it is unlikely that the negotiations will fail or stall. If they run into difficulties, it is merely a question of re-defining what "success" means in the context of these talks. What is more likely is a less ambitious agreement, where issues under contention are simply left out.

I don't believe that international investors will be soured on Taiwan if the talks fail or stall. But if the failure comes as part of a broader breakdown in cross-Strait relations, then rising tensions is likely to sour businesses and capital markets on Taiwan.

As noted above, Taiwan must continue to focus on reforming its labor market. It must also refine its intellectual property rights (IPR), its tax regime, and upgrade its infrastructure. If not addressed, all of these factors would negatively impact Taiwan's growth ceiling and its attractiveness as an investment destination. In fairness, Taiwan has made great strides in the protection of IPR since the early part of the last decade. This is an ongoing process, as violators are creative in their approach. Nevertheless, an improving IPR environment in Taiwan and a degenerating environment in China can be used effectively by Taiwan to attract high-end investment - such as research and development – while having low-end marginal manufacturing placed in China.

After the present round of ECFA negotiations is complete, I expect a smaller more nuanced focus on areas that will add to what's already been accomplished. In addition, China is likely to push harder for increased investment levels in areas such as property or direct investment levels in certain sectors. This will present a challenge for the Taiwan government, as these demands will move China from being a passive investor to one that has more operational control over Taiwan businesses. As with all areas of engagement, further strides in the economic arena will get tougher as the low hanging fruit is consumed and China's demands rise.

Also, we do not know much about the incoming Chinese leadership and its attitudes toward ECFA and present Taiwan policy. We know that President Hu and his colleagues have embarked on this new course, but Xi Jinping and those who make decisions with him may choose a more confrontational approach. Certainly if the DPP is elected, China is likely to place heavy conditions on a continuation of economic negotiations.

Taiwan Overreliance on China

Recently, we have seen the dramatic impact that supply chain disruptions can have on global economic activity; The Icelandic volcano eruption that disrupted Atlantic and European air traffic in 2010, the Chinese freeze in rare earth shipments to Japan, and more recently Japan's earthquake and tsunami. In each instance the effects were both economic and political.

China's actions toward Japan on rare earth exports certainly drew out Japan's vulnerability to such supply chain disruptions. But it hurt China as well, by tarnishing its image. Markets are adjusting to the tightening, and new sources of materials are being established. However, the incident heightened global concerns about China's behavior and how reliable it is as a commercial partner.

It is not good policy – economic or other – to place too many eggs in one basket, particularly when that basket belongs to the country that most threatens your way of life. Nevertheless, Taiwan's geographic proximity to China, and the commonality of language and society, makes Taiwan investments in the Mainland attractive. This is coupled with a distinct lack of imagination on the part of Taiwan industry, an attitude that is only slowly changing. The government traditionally does a poor job of educating its companies regarding other possible locations for investment, and it does not offer support for venturing further afield. Recently, the Chairwoman of the Council for Economic Planning and Development (CEPD), Christina Liu, has embarked on a global sales mission, both to sell countries on Taiwan as well as to sell Taiwan companies on new markets. This is a good, albeit small, step in the right direction.

One of the best examples for Taiwan of a successful strategy is India. India bears watching, as it continues to assert itself in Asia, showing a refreshing attitude toward promoting its own interests in the face of Chinese opposition. This should also open some commercial opportunities for Taiwan, as well as opening the possibility of a Free Trade Agreement with India. In this instance, I would be surprised if it had a heavy agricultural component.

Yet Taiwan is hooked on China trade and investment. It is seeing tremendous growth in the market, and that will continue to fuel positive attitudes. But China has been moving toward state champions and state controlled capitalism – encouraging its State Owned Enterprises (SOE). Therefore a strong case can be made that Taiwan's companies should, for their own good as well as for the good of Taiwan, seek other markets in which to set up manufacturing and where to sell their goods.

I differ from many analysts when looking at the present trends, as I see significant difficulties ahead. I believe that Chinese pressure to address political and military issues with Taiwan will force Ma into decisions that do not enjoy the support of the Taiwan people.

In Taiwan, poll after poll notes that greater than 90% of the population supports the status quo, i.e. de-facto independence for Taiwan. The views regarding Taiwan's future on the two sides of the Taiwan Strait could not be any more different.

Communicating & Prioritizing U.S. Interests with Taiwan

In the 1990s, the Bush and Clinton administrations sent economic cabinet officers to the island to expand and deepen our strategic economic dialogue with Taiwan. This policy reaped important benefits as US-Taiwan trade expanded and as the quality of communication from the White House to Taipei increased. The policy was broadly understood to have been successful and to be in support of the interests of the United States.

By 2002, however, the Bush Administration had scrapped this policy. The U.S. does not send economic cabinet officers to Taiwan to promote U.S. commercial interests, despite the island being America's 13th largest foreign export market. That error is compounded by the freezing of our Trade & Investment Framework Agreement (TIFA) talks over beef. The fact that America and Taiwan experienced a poor

bilateral relationship during the last decade is not surprising, given the low level of communication that took place and the lack of leadership on bilateral visits. The issue of poor communication has now become a substantial and serious problem for bilateral ties.

In 2005, then Assistant Secretary of State Christopher Hill made the decision to re-organize the American Institute in Taiwan (AIT) and turn the Chairman's post – based in Washington, D.C. - into a non-executive post. The intent was to ensure that there wasn't a conflict in the chain of command between the Taipei based Director of AIT and the D.C. based Chairman of AIT. However, the result has compounded the lack of leadership issue that permeates the inter-agency process.

In the U.S. government, those responsible for making decisions on Taiwan matters are almost invariably also responsible for China. This is particularly true in the State Department's Office of East Asia & Pacific Affairs, where the downgrading of the AIT Chairman's slot leaves the Deputy Assistant Secretary of State for China & Taiwan solely responsible for representing Taiwan issues. The result is that any and every Taiwan decision made is made through the lens of China, which dominates so much of our nation's external narrative. In the past, an executive level chairman of AIT could represent U.S. interests with Taiwan, free of any obligation to calculate the potential impact on U.S. - China relations. There is a great need to put this type of independent thinking back into the U.S. inter-agency system.

The U.S. has significant economic, strategic, and military equities embedded in its bilateral relationship with Taiwan. Yet the manner in which we formulate Taiwan policy and execute it leaves the relationship lacking leadership and a voice.

- The U.S. should immediately start arranging for periodic, at a minimum annual, cabinet level visits to Taiwan
- The TIFA dialogue should be re-launched so that the United States Trade Representative's Office (USTR) can re-engage at a sub-cabinet level
- The Chairman of the American Institute in Taiwan should again be a full time, executive level position

Defense & the F-16 Sale

With the signing of the Economic Cooperative Framework Agreement (ECFA), we have further evidence that rapprochement between Taiwan and China continues. Though not as meaningful as advocates would have us believe, nor as harmful as critics suggest, the ECFA is nonetheless a significant economic and political milestone. ECFA also comes on the heels of other positive developments between Taiwan and China, which include the establishment of direct commercial flights, increased tourism in both directions, and an agreement from Beijing to allow Taiwan observer status in the World Health Assembly.

Yet, curiously, when it comes to the Chinese military buildup opposite Taiwan, there has been no progress. Quite to the contrary, the aggressive People's Liberation Army (PLA) buildup has continued unabated. In the area of ballistic missiles alone, analysts estimate approximately 1,500 missiles are arrayed against the people of Taiwan. Why have we not seen even a modest, symbolic step on China's part, commensurate with improvements in the economic and political spheres, to reduce the military intimidation it imposes on the people of Taiwan? Understanding why the buildup continues can inform policy decisions that the Obama Administration must face.

There are four possible explanations for the continuing Chinese military buildup.

- The first is that China's fundamental approach to Taiwan - carrots and sticks - has not changed. Further, Beijing has no intent whatsoever to diminish the tools of intimidation and coercion in which so much investment has been made. Beijing's leaders understand sentiments in Taiwan better than we often give them credit. And the fact remains that in the absence of a military threat, the people of Taiwan would likely support independence over the so-called status quo. Taiwan's

own Mainland Affairs Council's polling suggests that the number of people in Taiwan who support "status quo now, and Taiwan independence later" represent a majority and has continued to grow. Thus, Chinese leaders are forced to conclude that they must retain the military threat to keep Taiwan in check.

- The second possible explanation is that the civilian leaders in China are unwilling (or perhaps even unable) to challenge PLA leadership. Many China analysts note the growing strains in civil-military relations in China. Some of the most sensitive issues between military and civilian leadership relate to the PLA budget and justification for its continued growth. Were the PLA to acquiesce on Taiwan, it knows its resources could be threatened. It is plausible that Chinese civilian leaders are choosing not to have this fight with the PLA.

- The third possible explanation is that the military buildup opposite Taiwan is really aimed at priorities well beyond Taiwan, and that the capabilities designed to threaten Taiwan have other uses, perhaps even against U.S. treaty allies such as Japan.

- Finally, a fourth possible explanation is that China might be willing to pull back missiles and reduce the threat - but it is waiting for the right time and the right deal to do so.

The first three explanations are not mutually exclusive, and may provide a mutually reinforcing rationale for the continued buildup. Yet for the fourth possible explanation to be true, the first three must all be overcome. In short, there are strong forces at play that may prevent Chinese civilian leaders from saying "Let's make a deal."

Why does this matter to the United States? If the PLA military buildup opposite Taiwan continues apace, the need to provide Taiwan with weapons for self-defense also continues. This should be manageable if Washington doesn't lose its nerve. The U.S. approach over the course of many years has been to make weapons available to Taiwan so that Taipei's leaders have the confidence to go to the negotiating table with Beijing. This approach is paying off (see ECFA and other recent developments), but some would now have us abandon this approach just when benefits are being reaped. Taiwan's President Ma Ying-jeou understands this dynamic very well, and has consistently asked the U.S. to make more modern weapons available to Taiwan.

The question becomes if Washington understand this. Either through willful misdirection or through naiveté, some in the U.S. have recently advocated reduced arms sales to Taiwan because they "believe" China is pulling back. Others believe that China will soon reduce the threat to Taiwan, so the U.S. shouldn't incite China with further arms sales. In addition, the Obama Administration appears to be altering this approach to Taiwan and to the Asia-Pacific region as a whole, an approach that has served our interests well.

In fact, the Obama Administration has gone to great lengths to deny that a Taiwan arms-sales freeze is in place, perhaps protesting a bit too much. For example, why does the administration continue the fiction that Taiwan has not formally requested more F-16 fighters?

It is important that the Obama Administration understand what is driving China's military buildup and why there is strong rationale for the PLA's threatening posture opposite Taiwan. It also is important that the Administration understand the U.S. role in supporting long-term peace and stability in the Taiwan Strait. Even after ECFA, a strong and capable Taiwan remains a key ingredient to security in the region.

In a recent statement from Taiwan, the Ministry of National Defense (MND) has noted that its out-year defense budgets will contain less money for programs such as the F-16 C/Ds and submarines. This is a practical approach addressing limited funds, and the year-on-year requirement to return unused program

funds to the Taiwan treasury – this has become necessary in the past as a consequence of U.S. political delays.

When it comes to the F-16 C/Ds, the MND has had to return over US$1.5 billion to the Taiwan treasury as a consequence of the program not moving forward. That is money that could have been used for force modernization or the move to an all-volunteer force. So practically, it makes sense that program money would be reduced and resources would be focused on areas more under Taiwan's control.

However, if the programs are indeed given a green light, MND can return to the legislature and secure any additional funding required to move the programs forward.

F-16 C/D

Effective air defense is a crucial component if Taiwan is to mount a viable defense of the island. Taiwan's current air defenses comprise 18 fighter squadrons with a nominal strength of 387 combat aircraft of U.S., French, and indigenous origins: 145 F-16A/Bs, 126 F-CK-1A/Bs, 56 Mirage 2000-5s, and 60 F-5E/Fs.

However, Taiwan will be experiencing a significant decline in its air defense capability over the next several years due to the impending retirement of its obsolete F-5s, the potential withdrawal of up to a squadron of its F-16A/Bs in an upgrade program, and the likely mothballing of its high-operational-cost Mirage 2000 fleet. This will result in a serious shortfall of modern fighters, which could have a profound and enduring impact on the qualitative edge that Taiwan's air defense forces have traditionally relied on to deter Chinese aggression. See the below chart that illustrates the decline in numbers of aircraft over time.

The fighter gap, if not bridged in a timely manner, could permanently solidify the already tilting cross-Strait air power balance in favor of China. Such a state of military imbalance would then undermine deterrence, and could expose Taiwan to political extortion backed by military intimidation, just when improving relations between Taipei and Beijing are expected to bring the two sides closer to a sustainable dialogue.

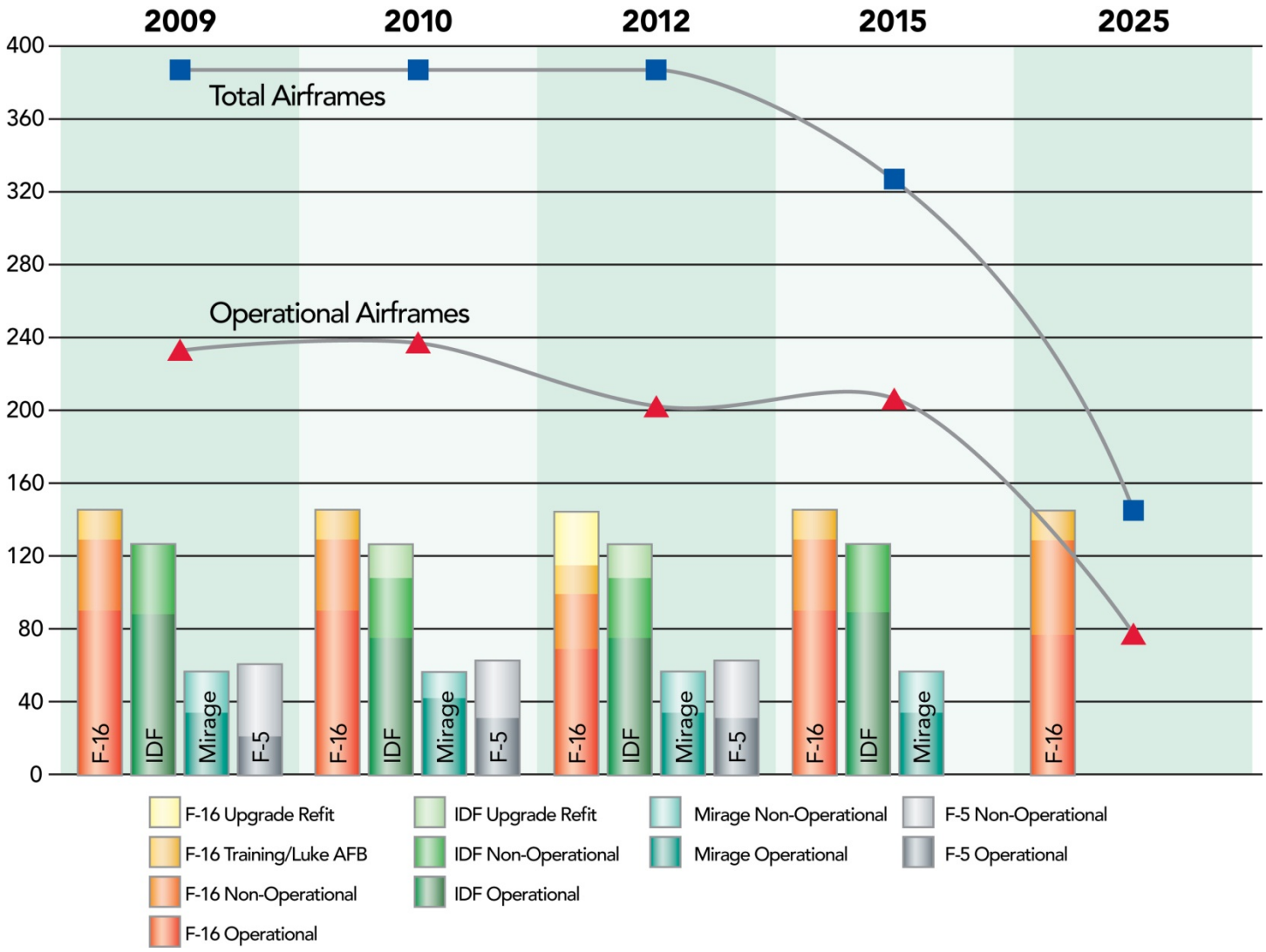
Taiwan's pressing combat aircraft requirement can best be met with the acquisition of F-16C/D Block 50/52 fighters from the United States. Yet since 2006, the U.S. Government has repeatedly put off a decision on whether to sell the fighters to Taiwan. It is imperative to deal quickly with the growing cross-Strait fighter imbalance, so that deliveries to Taiwan may begin by 2014. That is when the fighter shortfall is expected to fully materialize, upon the scheduled retirement of Taiwan's current F-5s. Taiwan can further strengthen its air defense capabilities by investing intelligently in mid-life update programs for its F-16A/B and F-CK-1A/B indigenous fighters.

In the event of a conflict with China, a modernized and capable Taiwan air force could play a critical and constructive role in supporting the United States. It would appear that a promising approach towards defeating a Chinese anti-access strategy would be to force the PLA to diffuse its forces and capabilities by placing widely dispersed stress on the anti-access "fence" in search of weak links. Modernized and coalition-ready forces - such as the one represented by a Taiwan air force using modern equipment - could add to the cumulative strain on Chinese strategy and PLA concepts of operations, thereby supporting U.S. operations. Conversely, an absence of credible Taiwan airpower would accentuate U.S. vulnerabilities and negatively influence U.S. power-projection in the Pacific.

The U.S. can assist Taiwan in implementing measures in support of its air defense, to help strengthen deterrence and thereby to help maintain peace and stability in the Taiwan Strait. At a more strategic level, helping Taiwan improve its air and overall defense capability will also help reinforce the positive steps that Taipei has taken in lowering cross-Strait tensions and in significantly improving and expanding economic and other ties with Beijing. A stronger and more secure Taiwan can be expected to be more confident in its political dialogue with China, which could ultimately lead to a peaceful resolution to the situation in the

Taiwan Strait. Such an outcome would certainly support the goal of peace and stability in the region, and would serve the national interest of the United States.

Figure: Taiwan's Declining Fighter Force



Source: US-Taiwan Business Council

Likely PRC Response to an F-16 Sale

On a recent trip to Asia, Secretary of Defense Robert Gates stated that "China's sensitivities" was a consideration on arms sales to Taiwan. This is an important admission by a very senior member of Mr. Obama's national security team, in effect stating that the Taiwan Relations Act (TRA) was not the only consideration in deciding whether to provide Taiwan with weapons to mount an effective self-defense. This runs contrary to the law of the land. As the TRA notes, "*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.*"

It seems that concern over China's reaction to the sale of F-16 C/Ds – what China terms a "red line" - has spooked the U.S. government into not moving forward on this issue. Clearly, Chinese sensitivities are

holding up an important Taiwan modernization program. That said, there is a compelling case for the idea that China's reaction to a U.S. sale of F-16s to Taiwan, whatever that reaction may be, will be carefully calibrated and will not damage U.S.-China relations in the long-term.

Why does China oppose arms sales to Taiwan in the first place? The reason seems to be rooted more in Beijing's fundamental positions regarding sovereignty, rather than purely for military reasons. They accuse the U.S. of "violating" the three Communiqués, say that arms sales encourage Taiwan independence sentiment, and so forth. But China never acknowledges why arms sales are carried out in the first place, why the U.S. asserts that arms sales do not contradict the three Communiqués (or the 1982 Communiqué in particular), nor do they acknowledge the linkage between their military posture and U.S. arms sales.

From Beijing's perspective, are F-16s any different than other arms sales, and if so why? The U.S. sold Taiwan F-16 A/Bs in 1992/1993, and Taiwan is merely pursuing a follow-on purchase to replace its aging F-5s. F-16 A/Bs are long out of production, and F-16 C/D Block 50/52 is the only and least capable airframe that is available to replace the obsolete F-5s. Taiwan is not known to even be pursuing F-16 Block 60s, or to be making any movement towards requesting the F-35.

Is Beijing's position based on a belief that additional F-16s would constitute a significant and destabilizing quantum leap in Taiwan's military capabilities, or that F-16s would be "offensive" weapons? If so, it implies a disconnect with some observers, who argue that additional F-16s would offer only marginal additional capability for Taiwan due to airbase survivability concerns. And from an operational perspective, it does not make sense for Taiwan to risk pilots and airframes to penetrate an increasingly capable air defense network to go after targets deep inside China. An offensive role for the new F-16s seems unlikely, as that role would instead be shouldered by Taiwan's increasingly robust arsenal of Hsiung Feng IIEs - if that option should be required. Maritime interdiction, flying under air defense radar coverage, and defense counter air would be the primary F-16 missions, missions that require a number of serviceable and modern airframes.

If China is not that concerned about the military aspects of additional F-16s, then their concern must be principally political. The question becomes why F-16s would be any different, from a political perspective, than any other arms sale. Would Beijing react any differently to the U.S. approving an upgrade of existing F-16s, or to the sale of artillery, tanks, additional munitions, a submarine design program, and so on? It's unlikely. The only issue on the table right now is F-16-related - naturally, this is where Beijing focuses its efforts. If they thought submarines would go forward, it is likely that they would react similarly.

With the foregoing in mind, we have to ask how Beijing would express its displeasure following the release of additional F-16s to Taiwan. In the past, China has threatened to "sanction" U.S. companies participating as a contractor in a Taiwan program. However, following through with such a threat would be highly problematic for China. First, the U.S. government would likely take a very strong line on such an action, possibly including a referral to the World Trade Organization (WTO) for sanctions and possibly imposing unilateral sanctions of its own. Second, China continues to view relations with key U.S. defense and aerospace companies as instrumental to China's ongoing economic development. Third, there is no evidence that China has ever followed through on such threats – most recently after the January 2010 arms package was released. Indeed, each of the companies in question at the time all saw their commercial interests in China expand in the two quarters following the announcements.

Another potential action in retaliation would be to approve nuclear–related or missile-related sales by Chinese companies to Iran or North Korea. But if that happened and evidence existed, then those Chinese companies would face sanctions, if not UN sanctions. In addition, China would likely face further actions from other countries concerned about proliferation, i.e. Israel, EU, Japan, etc.

China could also consider deploying more missiles opposite Taiwan, or punish Taiwan economically. But in fact, China is already expanding its missile infrastructure without any arms sales being made. Additionally, there is no evidence in the past of China punishing Taiwan due to U.S. arms sales. In fact, some of the most significant breakthroughs in cross-Strait relations have taken place in the immediate aftermath of major arms sales – for example in 1992 after the sale of 150 F-16s, and in 2008 after the sale of Apache, PAC-III, and several other systems.

The U.S. Treasury might be concerned that China would stop buying T-Bills or sell off U.S. assets from their present portfolio in retaliation for the U.S. selling F-16s to Taiwan. But yet again, this type of action would run contrary to Chinese core interests. The risk of financial volatility would be too high, and any such actions might damage the global markets that China relies on for economic growth.

In the end, the most likely course of action from China would be a further freeze in military-to-military relations. China will take this step not because they believe it to be of great significance to them, but because they believe it to be of significance to America.

So in short, why all the hand wringing? It would run contrary to China's interest to overreact if the U.S. sells F-16s to Taiwan. The U.S. has exercised excessive restraint and has given Beijing ample opportunities to reduce its military posture opposite Taiwan, offering China the opportunity to provide clear evidence of its commitment to the peaceful resolution of differences in the Taiwan Strait. Yet China has not taken that opportunity. The continued U.S. freeze on arms sales risks legitimizing China's reliance on military coercion to settle disputes.

BIOGRAPHY

Rupert J. Hammond-Chambers
President
US-Taiwan Business Council

Mr. Hammond-Chambers was born and raised in Scotland before emigrating to the United States in 1987 and earning a Bachelor of Arts degree at Denison University. As a new graduate in 1991, he worked for Advanced Telecommunication Corporation (ATC), managing a variety of clients with business interests in the Caribbean and Latin America.

In April 1993, he joined The Center for Security Policy, a defense and foreign policy think tank in Washington, D.C., as the Associate for Development. The Center accomplishes its goals by stimulating and informing national and international policy debates, particularly those involving regional, defense, economic, financial, and technology developments that bear upon the security of the United States.

Mr. Hammond-Chambers began working for the US-Taiwan Business Council in October 1994. In March of 1998, he was promoted to Vice President of the Council with additional responsibilities for office management, oversight of the staff, financial bookkeeping and a clear mandate to build out the Council's member/client base.

Mr. Hammond-Chambers was elected President of the Council in November 2000. As the trade relationship between the United States, Taiwan and China continues to evolve, he has worked to develop the Council's role as a strategic partner to its members, with the continuing goal of positioning the Council as a leader in empowering American companies in Asia through value and excellence.

Mr. Hammond-Chambers sits on the Board of the Project2049 Institute, and on the Advisory Boards of Redwood Partners International, The Sabatier Group, and the Pacific Star Fund. He is a Trustee of Fettes College and is a member of the National Committee on United States-China Relations. He is married with two daughters.

Education

1986	Fettes College, Scotland
1991	Bachelor of Arts in History & Religion from Denison University, Ohio

Employment History

1992	Advanced Telecommunications Corporation
1993	Center for Security Policy
1994	US-Taiwan Business Council

United States House of Representatives
Committee on Foreign Affairs

"TRUTH IN TESTIMONY" DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee require the disclosure of the following information. A copy of this form should be attached to your written testimony and will be made publicly available in electronic format, per House Rules.

1. Name:	2. Organization or organizations you are representing:
RUPERT HAMMOND-CHAMBERS	US-TAIWAN BUSINESS COUNCIL

3. Date of Committee hearing:

THURSDAY JUNE 16, 2011

4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?	5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?
☐ Yes ☒ No	☐ Yes ☒ No

6. If you answered yes to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.

7. Signature: Rupert Hammond-Chambers

Please attach a copy of this form to your written testimony.