

## SECTION 3: TAIWAN

### Introduction

The continued growth of cross-Strait trade and investment and the pursuit of cross-Strait trade agreements under President Ma Ying-jeou are raising public concern in Taiwan, including concern about uneven competition from mainland Chinese firms and exports and Taiwan's vulnerability to Chinese influence and economic coercion. Cross-Strait relations continue to deepen, but negotiations slowed in the past year due to a student-led protest movement that challenged the existing cross-Strait negotiation framework and ratification process. To counterbalance its economic dependence on China and increase its global competitiveness, Taiwan continued its longstanding efforts to diversify its trading partners through bilateral and multilateral trade agreements and to reinvigorate its economic relationship with the United States.

The United States and Taiwan raised the visibility of their relationship with the first visit of a U.S. Cabinet-level official since 2000 and a meeting under the bilateral Trade and Investment Framework Agreement that yielded positive yet limited steps forward for U.S. firms. In an effort to address the threat posed to Taiwan by China's military modernization, the United States and Taiwan maintain a strong but low-profile security partnership through military-to-military exchanges and arms sales.

This section—based on a June 2014 Commission hearing on cross-Strait and U.S.-Taiwan economic and security developments, briefings by nongovernmental experts on Taiwan throughout 2014, and staff research and analysis—examines Taiwan economic issues; cross-Strait political relations; Taiwan's international engagement; Taiwan military and security issues; and U.S.-Taiwan relations. This section concludes with a discussion of the implications of these developments for the United States.

### Taiwan Economic Issues

#### *Cross-Strait Trade and Investment*

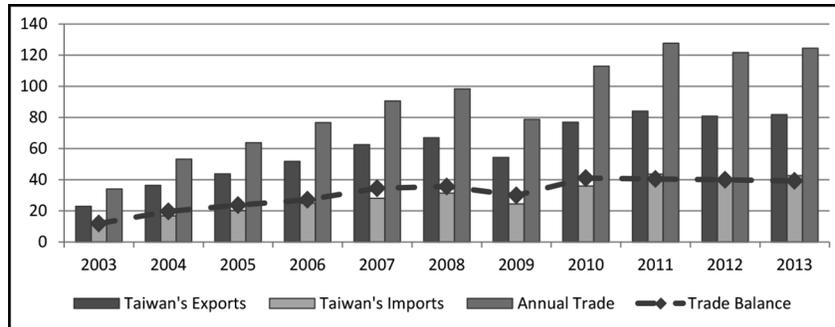
China is Taiwan's largest trading partner,\* largest export market, and largest source of imports. In 2013, annual cross-Strait trade reached \$124.4 billion, a nearly 27 percent increase since 2008 (see Figure 1). This expansion continued through the first seven months of 2014, growing 4.1 percent when compared with the same period last year. Taiwan's exports to China largely drive this relationship. They composed nearly two-thirds of total bilateral trade and accounted for Taiwan's \$39.2 billion trade surplus with

---

\*China became Taiwan's largest trading partner in 2005. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSC/>.

China in 2013. This year, China, for the first time, surpassed Japan to become Taiwan's largest source of imports.<sup>1</sup>

**Figure 1: Cross-Strait Trade, 2003–2013**  
(US\$ billions)



Source: Bureau of Foreign Trade (Taiwan).

Approximately 45 percent of the world's microchip\* output is exported to China for both domestic consumption and as components and other products for export.<sup>2</sup> Taiwan, the world's largest semiconductor manufacturer, has tapped into this market, supplying 31 percent of China's total imports of semiconductors in 2013.<sup>3</sup> Taiwan firms generally manufacture microchips and other semiconductor-related products in Taiwan for assembly and testing in China.<sup>4</sup>

Microchips are Taiwan's largest export to and largest import from China (see Table 1).<sup>5</sup> In 2013, semiconductor-related exports, including microchips, semiconductors, and printed circuit boards, made up three of the top five exports to China and accounted for nearly a quarter of Taiwan's total global exports of these products.<sup>6</sup> Microchips and semiconductors continued to dominate Taiwan's exports to China in 2014. A comparison of the first seven months of 2014 to the same period last year shows that semiconductor exports increased 21 percent and microchip exports increased 17 percent.<sup>7</sup>

**Table 1: Taiwan's Major Exports and Imports to China**  
(US\$ billions)

Top Taiwan Exports to China		
Product	2013	2014 (January–July)
Microchips	13.1	8.6
Liquid crystal display (LCD) products	12.4	6.1
Semiconductors	3.6	2.4
Cyclic hydrocarbons	3.4	1.9
Printed circuit boards	2.3	1.3

\* Semiconductor products such as microchips and printed circuits are incorporated into a wide range of modern electronics such as cellular telephones, computers, cars, military systems, and planes. Semiconductor Industry Association, "SIA Infographic." <http://www.semiconductors.org/clientuploads/Comms/sia-new-11-gr.pdf>.

**Table 1: Taiwan's Major Exports and Imports to China—Continued**

(US\$ billions)

<b>Top Taiwan Imports from China</b>		
<i>Product</i>	<i>2013</i>	<i>2014 (January–July)</i>
Microchips	5.4	3.7
Cellular telephones	3.2	1.7
Flat-rolled stainless steel	1.5	1.2
Electronic computers	2.0	1.1
Chemical elements for use in electronics	1.2	0.9

\* Re-export and re-import figures are included.

*Note:* Listed in order of largest amount based on 2014 figures.*Source:* Bureau of Foreign Trade (Taiwan).

The concentration of Taiwan's exports to China contrasts with the diversity of Taiwan's imports from China. Taiwan's imports of cellular telephones and electronic computers, the second and third largest imports, reflect China's dominance in manufacturing.<sup>8</sup> A 2013 Bank of America-Merrill Lynch report shows China assembled 70.6 percent of all the world's cellular telephones and 90.6 percent of all the personal computers produced in 2011.<sup>9</sup> Taiwan's imports of cellular telephones from China increased nearly 15 percent since 2012 to reach \$3.2 billion in 2013.<sup>10</sup>

Imports from China pose stiff competition for Taiwan's domestic industries, particularly steel manufacturers. Since 2009, Taiwan's imports of flat-rolled stainless steel from China have grown 1,257 percent and now account for nearly three-quarters of Taiwan's total stainless steel imports.<sup>11</sup> Tariff reductions by Taiwan and oversupply in China have driven down prices for mainland steel over the last five years.<sup>12</sup> Competition from these imports has forced some smaller Taiwan producers into bankruptcy, and the combined impact of Chinese and Korean steel imports led to a 30 percent decrease in production by Taiwan's top two stainless steel firms.<sup>13</sup> (For more information on overcapacity in China's steel sector, see Chapter 1, Section 1, "Year in Review: Economics and Trade.")

China is the leading recipient of Taiwan's foreign direct investment (FDI) as Taiwan's firms seek to take advantage of China's enormous market, relatively low labor costs, geographic proximity, and close historical, cultural, and linguistic ties. Taiwan's annual FDI to China reached a peak of \$14.6 billion in 2010 and has since tapered down to \$9.2 billion in 2013 (see Table 2). Contributing to this decline are lower profit margins as labor costs rose and as reduced demand from China for Taiwan manufactured goods cut exports.<sup>14</sup> Despite the decline, China accounted for 64 percent of Taiwan's total outward FDI in the first eight months of 2014.<sup>15</sup> Of this \$6.5 billion of investment, the leading recipients were financial and insurance (18.2 percent), wholesale and retail trade (13.0 percent), electronic parts and components manufacturing (10.7 percent), and chemical material manufacturing (10.1 percent).<sup>16</sup> This concentration in manufacturing reflects the cross-Strait production cluster, where Taiwan firms export components for assembly in China. In 2014, financial and insurance sector investment became the largest recipient sector due to greater market access and broader easing of

restrictions in China while manufacturing sector investment costs rose.<sup>17</sup>

**Table 2: Cross-Strait FDI Flows, 2009–2014**  
(US\$ millions)

	2009	2010	2011	2012	2013	January– August 2014
<b>Taiwan's FDI to China</b>	\$7,143	\$14,618	\$14,377	\$12,792	\$9,190	\$6,484
<b>China's FDI to Taiwan</b>	\$37	\$94	\$52	\$332	\$349	\$239

*Source:* Ministry of Economic Affairs, Overseas Chinese and Foreign Investment Commission (Taiwan).

Although restricted, Chinese FDI in Taiwan is growing rapidly.<sup>18</sup> Since 2010, Chinese FDI has grown nearly 300 percent from \$94 million to \$349 million in 2013 due to the loosening of investment caps and regulations\* on mainland investment into Taiwan under President Ma.<sup>19</sup> From June 2009 to August 2014, Chinese investment by value is concentrated in wholesale and retail trade (24.4 percent), banking services (18 percent), harbor port services (12.6 percent), and electronics parts and components manufacturing (10.4 percent).<sup>20</sup>

### ***Cross-Strait Economic Agreements***

Since President Ma's first term in office began in 2008, Taiwan and China have signed 21 agreements to broaden the cross-Strait economic relationship and deepen cross-Strait ties (see Table 3). The two most important of these agreements are the Economic Cooperation Framework Agreement (ECFA), signed in June 2010, and the follow-on Cross-Strait Services Trade Agreement (CSSTA).<sup>†</sup> The ECFA provides the foundation for future economic integration and lays out a roadmap for four subsequent agreements concerning investment protection, trade in goods, trade in services, and dispute settlement. ECFA has opened up cross-Strait trade, but critics argue that gains from ECFA and CSSTA largely benefit a few, large Taiwan firms at the expense of small and medium-sized enterprises.<sup>‡</sup><sup>21</sup>

\*For example, in March 2012, Taiwan loosened mainland investment caps originally set at a 10 percent stake in local firms and 50 percent in joint ventures in Taiwan's semiconductor, liquid crystal display, integrated circuit assembly and testing, microelectronics production equipment, and metal tool manufacturing sectors. Although, loosened, Taiwan government approval is still required for all investments, and controlling stakes or appointing managers in mainland investments is still prohibited. PWC, *Chapter 4: The Bigger Picture—China's Impact on the Semiconductor Industry 2012 Update*, September 2012. <http://www.pwc.com/gx/en/technology/chinas-impact-on-semiconductor-industry/assets/pwc-china-semicon-2012-chp4-pdf.pdf>.

<sup>†</sup>For more information on the ECFA and CSSTA, see U.S.-China Economic and Security Review Commission, Chapter 3, Section 2, "Taiwan," *2013 Annual Report to Congress*, November 2013, pp. 329–330.

<sup>‡</sup>In June 2010, President Ma and Dr. Tsai Ing-wen, then Chairwoman of Taiwan's main opposition party, the Democratic Progressive Party, weighed the benefits and risks of ECFA in a high-profile, televised policy debate. This was the first-ever televised debate on a major policy issue between the leaders of Taiwan's ruling party and the major opposition party outside of a presidential election.

**Table 3: Cross-Strait Agreements, 2008–2014**

Year	Agreement
2008	<ul style="list-style-type: none"> <li>• Cross-Strait Agreement Signed Between Straits Exchange Foundation (SEF) and Association for Relations Across the Taiwan Strait (ARATS) Concerning Mainland Tourists Traveling to Taiwan</li> <li>• SEF–ARATS Minutes of Talks on Cross-Strait Charter Flights</li> <li>• Cross-Strait Postal Service Agreement</li> <li>• Cross-Strait Air Transport Agreement</li> <li>• Cross-Strait Sea Transport Agreement</li> <li>• Cross-Strait Food Safety Agreement</li> </ul>
2009	<ul style="list-style-type: none"> <li>• Agreement on Joint Cross-Strait Crime-fighting and Mutual Judicial Assistance</li> <li>• Cross-Strait Financial Cooperation Agreement</li> <li>• Cross-Strait Air Transport Supplementary Agreement</li> <li>• Cross-Strait Agreement on Cooperation of Agricultural Product Quarantine and Inspection</li> <li>• Cross-Strait Agreement on Cooperation in Respect of Fishing Crew Affairs</li> <li>• Cross-Strait Agreement on Cooperation in Respect of Standards, Metrology, Inspection and Accreditation</li> </ul>
2010	<ul style="list-style-type: none"> <li>• Cross-Straits Economic Cooperation Framework Agreement</li> <li>• Cross-Strait Agreement on Intellectual Property Right Protection and Cooperation</li> <li>• Cross-Strait Agreement on Medical and Health Cooperation</li> </ul>
2011	<ul style="list-style-type: none"> <li>• Cross-Strait Agreement on Nuclear Power Safety and Cooperation</li> </ul>
2012	<ul style="list-style-type: none"> <li>• Cross-Strait Agreement on Investment Protection and Promotions</li> <li>• Cross-Strait Customs Cooperation Agreement</li> </ul>
2013	<ul style="list-style-type: none"> <li>• Cross-Straits Service Trade Agreement</li> </ul>
2014	<ul style="list-style-type: none"> <li>• Cross-Strait Collaboration Agreement on Seismological Monitoring</li> <li>• Cross-Strait Collaboration Agreement on Meteorology</li> </ul>

*Source:* Mainland Affairs Council (Taiwan).

The ECFA provided an early harvest program to reduce tariffs in both countries.\* President Ma highlighted the benefits of the program in April 2014, claiming Taiwan’s firms had saved over \$1 billion in customs duties.<sup>22</sup> However, the ultimate effects of the ECFA remain controversial. One report by the Legislative Yuan, Taiwan’s legislature, in 2012 found “a reverse effect on cross-strait trade” that instead boosted the share of China-made products in Taiwan. The report noted that market share of Taiwan’s early harvest products in China eroded for five consecutive years and raised public concern on the benefits of additional economic agreements with China.<sup>23</sup>

The CSSTA, signed in June 2013, would eliminate investment restrictions and other barriers across 80 service industries in China and 63 service industries in Taiwan. Taiwan’s service sector is already an important driver of Taiwan’s economy, accounting for 70 percent of its gross domestic product (GDP) and nearly 60 percent of its workforce.<sup>24</sup> This sector could benefit from a deal opening up China’s banking and financial industries to both investment and

\*An “early harvest” program allows negotiators in trade talks to lower trade barriers immediately to certain goods and services even before the final agreement on the entire agreement is reached.

imports of services.<sup>25</sup> Taiwan's financial and retail-related services compose roughly 25 percent of GDP and would gain advantages from liberalization through the ability to establish sub-branches in parts of China and greater access to the renminbi service platform.<sup>26</sup> But Taiwan's legislature has yet to ratify the agreement in the face of political and public opposition. Opponents of the CSSTA fear the agreement creates unfair competition for local firms and moves Taiwan closer toward political unification with the Mainland.

Trade agreements under ECFA—such as the Early Harvest Program and CSSTA—generally foster uneven competition between Taiwan's small and medium-sized enterprises and large, state-owned Chinese firms, according to JoAnn Fan, a visiting fellow at The Brookings Institution who testified at the Commission's June hearing.<sup>27</sup> The trade gains are usually limited to a few beneficiaries while most firms and workers “appear to be left without substantial recourses or trade adjustment compensations.”<sup>28</sup> For example, opening up the cross-Strait tourism sector would pit over 3,000 Taiwan small and medium-sized firms against three Chinese state-owned firms. Chinese and Hong Kong firms retain a near monopoly on Chinese tourists traveling to Taiwan, providing complete service for Chinese tourists—from travel agents to airline travel to hotel operators and tour bus companies.<sup>29</sup> Therefore, small Taiwan firms are unlikely to reap the expected benefits of opening up this sector in either Taiwan or China.

In March 2014, the Taiwan public launched massive protests, known as the Sunflower Movement, and pushed Taiwan's legislature to delay ratification of the CSSTA (see “The Sunflower Movement” later in this section). The protesters highlighted their concerns in a public statement:

*Regardless of the political division between pro-unification with China and those pro-independence for Taiwan, this trade agreement will allow large capital to devour the majority of small peasants, laborers and small businesses, not to mention the difficulties the future generation of Taiwan will face.<sup>30</sup>*

These protests played a large role in temporarily postponing cross-Strait negotiations and pushing the Legislative Yuan to implement an oversight mechanism on cross-Strait agreements and delay CSSTA ratification.<sup>31</sup> President Ma has since revitalized cross-Strait negotiations with the restart of discussions over a potential goods trade agreement in September, but it is unclear how successful these on-going negotiations will be given Taiwan citizens' strong opposition to the CSSTA.<sup>32</sup>

### ***Economic Security Issues Arising from Expanding Cross-Strait Ties***

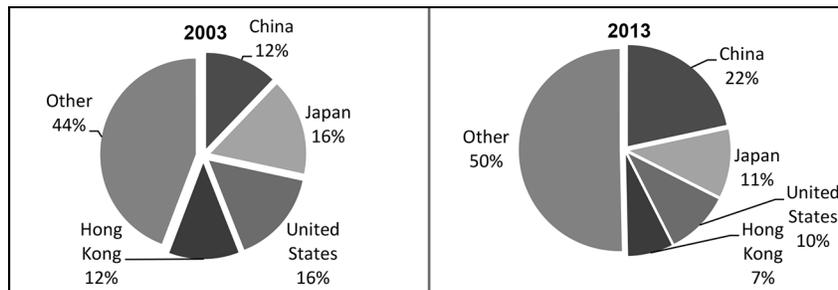
Cross-Strait economic integration presents numerous opportunities and risks for Taiwan. Large Taiwan firms have taken advantage of expanding market access in China and lower tariffs on goods exported to China to create advantageous production clusters.<sup>33</sup> For example, Hon Hai Precision Industry Company has successfully capitalized on China's relatively low-cost, skilled labor to become the world's largest electronics manufacturer and Apple Cor-

poration's main manufacturing partner.<sup>34</sup> In addition, Taiwan Semiconductor Manufacturing Company, the world's largest semiconductor manufacturer, benefits from lower tariffs as it exports its products to China for final assembly and testing and gains easy access into its customers' various electronic products' supply chains in China.<sup>35</sup>

At the same time, however, this integration has opened up sectors in Taiwan to greater mainland competition and raised Taiwan's vulnerability to China's political and economic coercion. A May 2014 investigation by *CommonWealth* magazine found that despite overall growth of Taiwan's exports to China, the market share of these early harvest products in China has declined.<sup>36</sup> Taiwan's steel sector, one of the expected beneficiaries of ECFA's Early Harvest Program, has faced significant financial losses from competition with Chinese firms that offered stainless steel at 30 percent lower prices.<sup>37</sup> The rapid growth of cheap, flat-rolled stainless steel imports from China spurred Taiwan to impose emergency, temporary antidumping measures in August 2013.<sup>38</sup>

As Taiwan's reliance on China as a trading partner has increased from 12 percent of annual trade in 2003 to 22 percent in 2013, its overall share of trade with its other major trading partners has necessarily decreased (see Figure 2). Demand from China accounts for approximately 26 percent of Taiwan's total exports, and China is now the largest source of Taiwan's imports at 17 percent, according to figures for the first seven months of 2014.<sup>39</sup> As China's economy slows and production costs in China rise, this dependency creates potential risks to Taiwan's export-dependent economic growth and returns on foreign investment in China.

**Figure 2: Comparison of Taiwan's Largest Trading Partners, 2003 and 2013**



Source: Bureau of Foreign Trade (Taiwan).

Furthermore, this dependency may provide additional leverage to China as it seeks to tie Taiwan closer to China and make progress on its long-term goal of unification with Taiwan. Taiwan is "facing a turning point" in cross-Strait relations, according to former U.S. Secretary of State Hillary Clinton. She warned of Taiwan's vulnerability from its increased reliance on China and linked Taiwan's greater economic dependency with political dependency. "Every time you make a decision, whether it is in a trade agreement or on flight routes, you must take a prudent view of the expected results and whether there may be unintended consequences," Secretary Clinton warned.<sup>40</sup>

### ***Chinese Influence in Taiwan's Media***

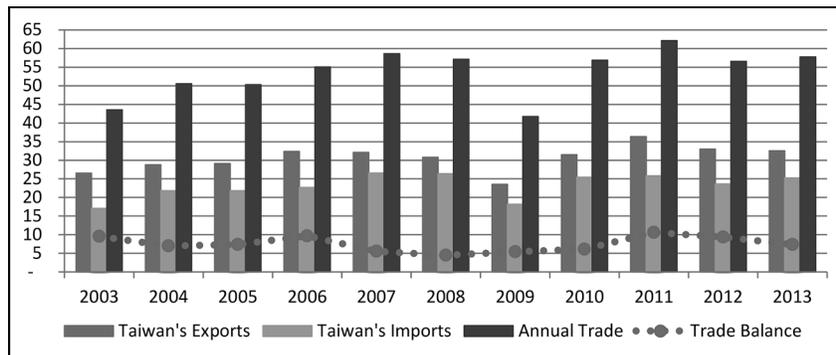
Potential investment in the publishing and media sector by high-profile Taiwan businesspersons who favor unification and/or have commercial interests in China continues to raise public concern in Taiwan about increasing Chinese influence on Taiwan's media.\* Furthermore, although Chinese investment in this sector is tightly regulated, Chien-Jung Hsu, adjunct research associate at Monash University in Melbourne, Australia, found China has stepped up its efforts to influence Taiwan's media directly. China does so by encouraging the purchase of Taiwan's media outlets by pro-China Taiwan businesspersons, pressuring Taiwan media owners to censor by offering or restricting mainland sales and investment opportunities, and purchasing increasing numbers of advertisements to influence public opinion.<sup>41</sup> Reporters Without Borders' *2014 World Press Freedom Index* emphasized this concern. "China's growing economic weight is allowing it to extend its influence over the media in Hong Kong, Macau, and Taiwan, which had been largely spared political censorship until recently."<sup>42</sup>

### ***Developments in U.S.-Taiwan Economic Relations***

The United States and Taiwan maintain a robust economic relationship. The United States continues to be Taiwan's largest foreign investor and is Taiwan's third-largest trading partner, accounting for 10 percent of Taiwan's global trade in 2013.<sup>43</sup> For the United States, Taiwan is its 12th largest trading partner, composing 1.7 percent of total U.S. trade in the first seven months of 2014.<sup>44</sup>

Annual bilateral trade reached \$57.3 billion in 2013 and continued to grow during the first seven months of 2014 (see Figure 3). Bilateral trade figures during this period grew 6.0 percent over the same period in 2013.<sup>45</sup> Taiwan maintained a \$7.4 billion trade surplus with the United States in 2013.<sup>46</sup> This surplus had been shrinking since 2011.<sup>47</sup>

**Figure 3: U.S.-Taiwan Trade, 2003-2013**  
(US\$ billions)



Source: Bureau of Foreign Trade (Taiwan).

\*For a recent example of a pro-China Taiwan businessperson's attempted acquisition of a Taiwan media outlet, see U.S.-China Economic and Security Review Commission, Chapter 3, Section 2, "Taiwan," *2013 Annual Report to Congress*, November 2013.

These trade flows, specifically Taiwan's exports to the United States, are more diversified than Taiwan's trade to China but similarly reflect the importance of the semiconductor industry to Taiwan's economy. Taiwan exports to the United States are mainly composed of manufactured parts and accessories and cover a relatively wide range of sectors including cellular telephones, motor vehicle parts and accessories, and office machine parts and accessories (see Table 4). By contrast, Taiwan's imports from the United States are dominated by semiconductor-related equipment, agriculture, and arms sales. Arms sales have constituted an important component of trade, with deliveries of U.S. arms to Taiwan amounting to \$3.0 billion from 2008 to 2011.<sup>48</sup> For more information, see "Developments in U.S.-Taiwan Military and Security Relations" later in this section.

**Table 4: Taiwan's Major Exports and Imports to the United States**  
(US\$ billions)

<b>Top Taiwan Exports to the United States</b>		
<i>Product</i>	<i>2013</i>	<i>2014 (January–July)</i>
Cellular telephones	2.6	1.4
Tractor and special purpose motor vehicle parts and accessories	1.5	0.9
Fasteners	1.3	0.8
Office machines parts and accessories	1.4	0.8
Microchips	1.4	0.8
<b>Top Taiwan Imports from the United States</b>		
<i>Product</i>	<i>2013</i>	<i>2014 (January–July)</i>
Semiconductor, microchip, and LCD manufacturing machines	3.1	1.9
Microchips	2.5	1.6
Miscellaneous	1.7	1.3
Petroleum and coal oils and oil products	0.9	0.6
Helicopters, satellites, and spacecraft launch vehicles	0.1	0.6
Iron and steel waste and scrap	1.1	0.6
Soy beans	0.6	0.5

\* Re-export and re-import figures are included.

Note: Listed in order of largest amount based on 2014 figures.

Source: Bureau of Foreign Trade (Taiwan).

Taiwan's largest U.S. import is the machinery to make semiconductors and liquid crystal display (LCD) products. Taiwan's imports of this machinery totaled \$3.1 billion in 2013, accounting for 26 percent of Taiwan's total import market of this machinery.<sup>49</sup> According to figures from the industry association SEMI, Taiwan's billions of dollars of investment in the last two years makes it the single largest semiconductor equipment market in the world.<sup>50</sup> This investment partly accounts for the 20 percent increase between 2012 and 2013 of Taiwan's imports of these machines, though growth slowed in the first seven months of 2014.<sup>51</sup>

Taiwan is also a major importer of U.S. agricultural goods, constituting the seventh largest U.S. agricultural export market in 2013.<sup>52</sup> In particular, soybeans have become a major export to Taiwan as Taiwan's demand for soybean meal for livestock feed grows. According to AgroChart's *2014 Annual Report*, the United States has once again become the largest supplier of soybeans to Taiwan and accounts for roughly 50 percent of Taiwan's import market. U.S. soybeans are favored over South American competitors partly due to their superior protein quality.<sup>53</sup> In 2013, soybeans were the sixth largest import from the United States at \$615 million. Demand in the first seven months of 2014 grew 36 percent in comparison to the same period last year.<sup>54</sup>

Despite the recent growth spurt in bilateral trade this year, U.S.-Taiwan economic relations have been largely unchanged since 2008. Annual bilateral trade grew only 1 percent from 2008 to 2013.<sup>55</sup> President Ma has sought to reinvigorate these ties by enacting trade liberalization policies and opening new bilateral trade talks. The American Chamber of Commerce in Taipei's *2014 White Paper* found that Taiwan's government has made significant progress in the last year on improving its business climate. Of the 103 suggestions for improving the business climate in its *2013 White Paper*, the organization noted resolution of six of the issues raised and satisfactory progress on 21 others.<sup>56</sup>

President Ma also hopes to establish a free trade agreement (FTA) or bilateral investment agreement with the United States but faces obstacles as a result of disputes over pork imports, pharmaceutical intellectual property rights, and private-equity investment regulations. In November 2013, former Taiwan vice president Vincent Siew led a large trade delegation of senior Taiwan industry leaders to the United States in support of enhancing the U.S.-Taiwan economic relationship.<sup>57</sup> This trip led to millions of dollars of investment in the United States and elevated U.S.-Taiwan economic and business relations within U.S. government policy.<sup>58</sup> More specifically, Hon Hai announced a \$30 million investment in a high-tech manufacturing facility in Pennsylvania and a \$10 million research and development fund at Carnegie Mellon University.<sup>59</sup>

President Ma has made significant efforts to revitalize the Trade and Investment Framework Agreement (TIFA) negotiations. The U.S.-Taiwan TIFA is an annual, high-level forum on economics and trade for trade dispute resolution, trade promotion, and investment cooperation. The TIFA talks were suspended in 2007 due to the dis-

pute over Taiwan's ban on importing U.S. beef\* and did not resume until the issue was partially resolved in 2013.†<sup>60</sup> In April 2014, the United States and Taiwan held their eighth TIFA meeting and noted progress on easing restrictions on cross-border data transfer in the financial sector and addressing the concerns of pharmaceutical firms regarding intellectual property rights.‡

However, future progress may be constrained by Congressional demands for the removal of Taiwan's restrictions on U.S. pork imports and additional improvement in pharmaceutical and private-equity disputes.<sup>61</sup> Although some progress has been made in the pharmaceutical and private-equity sectors, Taiwan's ability to reduce barriers on pork is hampered by its politically powerful domestic pork industry and aversion by Taiwan's citizens to the use of ractopamine in pork production.<sup>62</sup> Until this row is resolved, progress on advancing the U.S.-Taiwan economic relationship through trade agreements likely will remain limited.

### ***Diversification of Trading Partners***

Taiwan's export-oriented economy requires the expansion of economic ties with the Asia Pacific region to maintain its competitiveness as one of the world's largest suppliers of electronic products and components.<sup>63</sup> Taiwan's exports are a critical driver of its economic growth, accounting for 62 percent of GDP. Taiwan's international status and strong opposition from China limit its ability to negotiate FTAs or other trade liberalization accords, thereby placing its companies at a disadvantage.<sup>64</sup> For example, the FTA between South Korea, Taiwan's main economic competitor, and the United States eliminates tariffs for specific Korean imports and thereby provides Korean firms with a 2.5 to 10 percent price advantage over competitors in Taiwan.<sup>65</sup> Despite this disadvantage, Taiwan's GDP grew 2.1 percent in 2013 and is expected to grow 3.4 percent in 2014.<sup>66</sup>

Taiwan has placed a high priority on joining bilateral and regional trade agreements, but the government achieved little success in the past year. In 2013, Taiwan signed FTAs with New Zealand, the first country without official diplomatic ties with Taiwan to do so, and with Singapore. Although these agreements represent a step toward enhancing Taiwan's export competitiveness, trade

\*Taiwan banned imports of U.S. beef because Taiwan citizens were concerned over insufficient safeguards to prevent mad cow disease and U.S. farmers' use of ractopamine, a controversial feed additive that promotes leanness in meat. Ractopamine is widely used in U.S. pork and beef production, but Taiwan, the European Union, and China have banned the use of ractopamine based on health and safety concerns. J.R., "Gored," *Banyan Asia (Economist blog)*, March 8, 2012. <http://www.economist.com/blogs/banyan/2012/03/taiwan-america-and-meat-wars>; Shirley Kan and Wayne Morrison, *U.S.-Taiwan Relationship: Overview of Policy Issues* (Congressional Research Service, April 22, 2014), pp. 34–36.

†The issue was partially resolved when the Taiwan government established a maximum residue limit for ractopamine in beef in September 2012, allowing U.S. beef exports greater access to Taiwan. In 2013, the U.S. became Taiwan's largest beef supplier by value. Cleo Fu and Emily Scott, "U.S. Beef Exports to Taiwan Realize 2013 as Record Year," *USDA Foreign Agricultural Service*, March 31, 2014. [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/U.S.%20Beef%20Exports%20to%20Taiwan%20Realize%202013%20as%20Record%20%20Year\\_Taipei\\_Taiwan\\_3-31-2014.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/U.S.%20Beef%20Exports%20to%20Taiwan%20Realize%202013%20as%20Record%20%20Year_Taipei_Taiwan_3-31-2014.pdf).

‡Taiwan agreed to allow financial institutions to store their data on servers outside of Taiwan and has made progress in clarifying investment regulations in the private equity sector. In exchange, the United States agreed to allow imports of Taiwan guava and orchids. "U.S. Secures Pledges on Data Transfers, Pharmaceuticals from Taiwan," *China Trade Extra*, April 18, 2014. <http://chinatradeextra.com/201404182468024/China-Trade-Extra-General/Daily-News/us-secures-pledges-on-data-transfers-pharmaceuticals-from-taiwan/menu-id-428.html>.

with these two countries constitutes a relatively small share of Taiwan's overall trade.<sup>67</sup> Singapore is Taiwan's fifth largest trading partner, with roughly 5 percent of total trade, and New Zealand is the 38th largest, with one-fifth of a percent of total trade.<sup>68</sup>

Taiwan is in various stages of negotiating FTAs with Australia, Brunei, Chile, India, Indonesia, Israel, Japan, Malaysia, Paraguay, Peru, the Philippines, and Vietnam.<sup>69</sup> Taiwan already has conducted feasibility studies on the economic impact of proposed FTAs with India, Indonesia, and Malaysia.<sup>70</sup> Taiwan and the Philippines are currently in the process of conducting a similar study.<sup>71</sup> Details about the status of the other negotiations are limited due in part to China's opposition to such agreements.<sup>72</sup>

In April, Taiwan's then Economic Minister Chang Chia-juch said that many countries shelved their FTA negotiations with Taiwan for the rest of this year due to concern that Taiwan public opposition to the ratification of the CSSTA would similarly occur with any future negotiated FTA with Taiwan.<sup>73</sup> Although a potential factor, countries seem more concerned over China's opposition than that of the Taiwan public. In August, Chinese Ambassador to Malaysia Huang Huikang openly expressed China's opposition to a proposed Taiwan-Malaysia FTA, likely discouraging both Malaysia and other potential partners from upsetting one of their largest trading partners.<sup>74</sup> Former Indian Prime Minister P.V. Narasimha Rao highlighted this concern and said, "Establishing a relationship with Taiwan should not spoil our relationship with [China], which is far more important than [Taiwan] to the Indian establishment."<sup>75</sup>

Beyond bilateral FTAs, Taiwan seeks to join the two major Asian regional trade agreements currently under negotiation, the Regional Comprehensive Economic Partnership (RCEP) and the Trans-Pacific Partnership (TPP).<sup>\*</sup> The RCEP<sup>†</sup> is a proposed free trade agreement between the Association of Southeast Asian Nations (ASEAN)<sup>‡</sup> and six other Asian countries<sup>§</sup> that would encompass over half of Taiwan's annual trade.<sup>76</sup> Taiwan has also expressed interest in joining the TPP as a way to counterbalance its economic dependence on mainland China. The TPP is a free trade agreement under negotiation among 12 countries that together purchase 32 percent of Taiwan's total exports.<sup>77</sup> Taiwan's government has made significant efforts to become a party to the negotiations by lobbying current participants and amending over 900 laws and regulations.<sup>78</sup> Mr. Rupert Hammond-Chambers, president of the

<sup>\*</sup>The countries negotiating the TPP are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. Alexander Bernard and Paul J. Leaf, "The U.S., TPP and Taiwan," *The National Interest*, April 24, 2014. <http://nationalinterest.org/feature/the-us-tpp-taiwan-10300>. "TPP Talks Made Progress, Barring Thorny Issues," *Jiji Press* (Japan), July 13, 2014. <http://the-japan-news.com/news/article/0001421519>.

<sup>†</sup>Launched in November 2012, the RCEP seeks to broadly liberalize trade in goods and services, encourage investment, establish a dispute settlement mechanism, and foster economic and technical cooperation. Rohit Sinha and Geethanjali Nataraj, "Regional Comprehensive Economic Partnership (RCEP): Issues and Way Forward," *Diplomat*, July 30, 2013. <http://thediplomat.com/2013/07/regional-comprehensive-economic-partnership-rcep-issues-and-way-forward/>.

<sup>‡</sup>ASEAN is composed of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. ASEAN, "ASEAN Member States." <http://www.asean.org/asean/asean-member-states>.

<sup>§</sup>Participants in the RCEP negotiations are ASEAN, Australia, China, India, Japan, New Zealand, and South Korea. Rohit Sinha and Geethanjali Nataraj, "Regional Comprehensive Economic Partnership (RCEP): Issues and Way Forward," *Diplomat*, July 30, 2013. <http://thediplomat.com/2013/07/regional-comprehensive-economic-partnership-rcep-issues-and-way-forward/>.

U.S.-Taiwan Business Council, highlighted President Ma's efforts in his testimony to the Commission. "We are seeing a degree of unilateral reform within Taiwan that frankly we haven't seen since the WTO [World Trade Organization] accession days in the 1990s," he said.<sup>79</sup>

## **Cross-Strait Political Relations**

### ***The Sunflower Movement***

Cross-Strait relations reached a potential turning point in 2014 as protesters occupied Taiwan's legislative chamber for 23 days in opposition to the CSSTA. The grassroots protest movement, later called the Sunflower Movement, ignited a public debate in Taiwan about the agreement, delayed its ratification, and temporarily postponed negotiations of other cross-Strait agreements. Looking ahead, the Taiwan public's concerns about the impact of cross-Strait relations on Taiwan's economy and political autonomy, as well as continued civic activism in Taiwan, could force the Taiwan and Chinese governments to change the way they have approached the relationship during the previous six years of cross-Strait rapprochement.<sup>80</sup>

The Sunflower Movement was sparked when Kuomintang (KMT) legislator and convener of the Legislative Yuan's Internal Administration Committee Chang Ching-chung announced the CSSTA would be put to a vote—despite Taiwan's legislature having failed to conduct a review of the agreement, as the KMT and the Democratic Progressive Party (DPP), Taiwan's main opposition party, had previously agreed.<sup>81</sup> Prior to this announcement, KMT and DPP legislators were locked in a dispute over the procedure for the review.<sup>82</sup> Mr. Chang's announcement led protesters, mostly comprised of university students, to occupy the legislative chamber on the evening of March 18, 2014 and to remain there until April 10. During the occupation, on March 30, more than 100,000 people demonstrated outside Taiwan's presidential office.<sup>83</sup>

The protesters asserted the Ma Administration negotiated the CSSTA in an opaque manner, failed to properly evaluate the impact on Taiwan's industries, and tried to force it through the legislature without a review. They expressed concerns the agreement will negatively impact Taiwan's small and medium-sized enterprises, hurt employment opportunities in Taiwan, and increase China's influence over Taiwan.<sup>84</sup> They also raised concerns regarding the potential for the agreement to open opportunities for large numbers of Chinese citizens to emigrate to Taiwan.<sup>85</sup> Although the DPP shared some of the Sunflower Movement's concerns about the CSSTA, the DPP did not organize the movement.<sup>86</sup>

The Ma Administration argued Taiwan must ratify the agreement to increase its economic competitiveness and to avoid falling further behind South Korea in the number of FTAs it has signed. The Administration also warned that the dispute over the CSSTA will hurt Taiwan's credibility in trade negotiations with other countries.<sup>87</sup>

The unease voiced by the Sunflower Movement represents broader public concern in Taiwan about cross-Strait relations and Taiwan's growing economic dependence on China.<sup>88</sup> The movement re-

flects a resurgence of civic activism in Taiwan. Over the previous two years, mass protests and other forms of activism by Taiwan civil society organizations occurred in response to a range of issues.<sup>89</sup> The leaders of the Sunflower Movement had been involved in several civil society organizations and social movements beginning in 2008.<sup>90</sup>

The occupation of Taiwan's legislative chamber ended after legislative speaker Wang Jin-pyng, a member of the KMT, promised that the legislature would create an oversight mechanism for cross-strait agreements before Taiwan legislators meet to discuss the CSSTA.<sup>91</sup> Taiwan's legislature has made little progress since then toward passing an oversight bill.

Following the end of the occupation of the legislative chamber, Taiwan and China postponed a meeting, originally scheduled for April 2014, during which the two sides had planned to continue negotiating a goods trade agreement.<sup>92</sup> They also planned to discuss a dispute resolution mechanism and the establishment of representative offices, among other areas of cooperation.<sup>93</sup> The two sides resumed negotiations in September 2014.<sup>94</sup> However, even if other cross-strait agreements are signed, the legislature is unlikely to discuss their ratification until it passes a cross-strait oversight bill.

If enough time passes without the ratification of the CSSTA, Beijing may conclude cross-strait cooperation agreements are no longer meeting its objectives and pursue a more destabilizing, unilateral approach to Taiwan. However, for the time being, Beijing has chosen to increase its efforts to win "hearts and minds" in Taiwan. After the end of the occupation of Taiwan's legislative chamber, the Chinese government sought to present an image of openness, humility, and respect toward the needs and desires of the people of Taiwan and to focus on "the grassroots" of Taiwan society. President Xi's statements during his meeting in May 2014 with chairman of Taiwan's People First Party James Soong reflected Beijing's intent to show it is aware of and willing to address the ways in which cross-strait economic integration may not be benefiting certain groups in Taiwan.<sup>95</sup> During the visit to Taiwan in June 2014 by the director of the Taiwan Affairs Office (TAO)\* Zhang Zhijun, the first ever visit to Taiwan by a TAO director, in addition to meeting with his counterpart Mainland Affairs Council (MAC)† Minister Wang Yu-chi, Director Zhang met with members of a Taiwan aboriginal group, religious leaders, farmers, and small businesses. He also met with students but not with the Sunflower Movement's student leaders, who had requested to meet with him.<sup>96</sup> Protesters gathered at several locations along Director Zhang's route. Moreover, due to confrontations between protesters and police, he canceled three events that he was to attend at the end of the visit.<sup>97</sup>

During the trip, Director Zhang said, "We know that Taiwan people cherish very much the social system and the life style they have chosen. . . . We in mainland China respect what Taiwanese people have chosen."<sup>98</sup> While Director Zhang's statements in Taiwan were

\*TAO is an agency within China's State Council that is responsible for overseeing China's cross-strait policies.

†MAC is a cabinet-level agency in Taiwan's executive branch that is responsible for overseeing Taiwan's cross-strait policies.

conciliatory, the Chinese government's actions and statements regarding Hong Kong, such as its 2014 white paper on the "one country, two systems" policy, undermine its efforts to create a favorable image for itself among the Taiwan public. Witnesses testified to the Commission that people in Taiwan closely follow developments in Hong Kong.<sup>99</sup> In August 2014, after the Chinese government announced its decision to rule out the open nomination of candidates for Hong Kong's chief executive, Wu Jieh-min, a researcher at Taiwan's Academia Sinica, said the decision "should serve as a red flag for Taiwan that Beijing could also break its promises to Taiwan no matter how rosy cross-strait ties appear right now."<sup>100</sup> In September 2014, the student association of Taiwan's National Tsing Hua University created an Internet-based petition to express support for university students in Hong Kong who organized a boycott of classes to protest the Chinese government's decision.<sup>101</sup> Approximately a week later, protesters gathered in the lobby of the Hong Kong Economic, Trade, and Cultural Office in Taipei to express their opposition to the Hong Kong police's use of pepper spray and tear gas against protesters in Hong Kong and to voice their support for democracy in Hong Kong.<sup>102</sup> Reflecting public sentiment, the Taipei Economic and Cultural Office in New York, Taiwan's New York representative office, in early October stated, "The protests [in Hong Kong] clearly show that the so-called 'one country, two systems' formula does not work and that Beijing has failed to keep its promises. We empathize with the people of Hong Kong and their demands for true democratic elections."<sup>103</sup> At the time of writing of this Report, the situation in Hong Kong continues to develop. (For more information about developments in Hong Kong and the connection between Hong Kong and Taiwan, see Chapter 3, Section 4, "Hong Kong.")

### ***Negotiations and Meetings***

Several weeks prior to the Sunflower Movement, Taiwan's semi-official Straits Exchange Foundation (SEF) and its Chinese counterpart, the Association for Relations Across the Taiwan Strait (ARATS),\* signed two agreements on cooperation in the areas of earthquake monitoring and meteorology.<sup>104</sup> These agreements reflect a continuation of President Ma's focus on cross-Straits economic and other areas of cooperation rather than issues of sovereignty and security. President Ma has pursued this approach to cross-Straits relations since he was first elected in 2008 based on the Taiwan public's continued aversion to political talks due to its concern that such talks might move the sides closer to unification.

Furthermore, Taiwan and China reached a milestone in cross-Straits relations by holding the first formal talks between the heads of MAC and TAO since Taiwan and China split in 1949 following the Chinese civil war. At the meeting—held in February 2014 in

\* SEF and ARATS facilitate cross-Straits negotiations in the absence of formal ties between the governments of Taiwan and China. Although SEF and ARATS are semiofficial organizations, they receive direction from their respective governments. Richard Bush, director of the Brookings Institution's Center for East Asia Policy Studies, explains, "Representatives of SEF and ARATS may open their joint meetings and then attend to preserve the fiction that these are not governmental interactions, but the individuals who are conducting the negotiations are officials from the relevant government agencies." Richard C. Bush, *Uncharted Strait: The Future of China-Taiwan Relations* (Washington, DC: The Brookings Institution Press, 2013), p. 59.

Nanjing, China—MAC Minister Wang and TAO Director Zhang agreed to create a mechanism that, according to Minister Wang, will allow direct communication between the heads of the agencies, their assistants, and their deputies.<sup>105</sup> Prior to the meeting, communication between the two agencies took place at the working level; however, top-level officials could not directly contact one another. According to a TAO spokesperson, during the meeting Director Zhang said he hopes the mechanism will “eliminate and reduce misjudgment, misunderstanding, and various kinds of interference.”<sup>106</sup>

In addition to enhancing communication, Taiwan and China took an important step toward an agreement on opening representative offices on each side’s territory. One major point of disagreement concerned whether personnel from these offices will be able to visit their own citizens who have been detained by the other government. The Taiwan government insisted its representatives in China should have this right, but the Chinese government was initially reluctant to agree.<sup>107</sup> After the MAC–TAO meeting in Nanjing, during which the two sides discussed the issue but could not come to an agreement, Minister Wang explained that Beijing was concerned a Taiwan representative office would resemble a diplomatic facility in its functions.<sup>108</sup> However, China subsequently conceded to Taiwan on this point, and, in March 2014, Minister Wang announced that SEF and ARATS agreed that representative offices should have the right to conduct visits to their detained citizens.<sup>109</sup> The two sides are still negotiating a final agreement on representative offices.

In 2014, leaders of the Chinese Communist Party (CCP) continued to meet with Taiwan politicians from the pan-blue\* coalition during these politicians’ visits to China. Prior to People First Party Chairman Soong’s visit to China, honorary chairman of the KMT Lien Chan also visited China and met with President and CCP General Secretary Xi. This inter-party dialogue has served as a forum for communication between Taiwan and China since Mr. Lien and Mr. Soong met with then President Hu Jintao in China in 2005. DPP legislators have criticized these exchanges for their lack of legislative oversight and for being outside of Taiwan’s democratic structure.<sup>110</sup>

### **Taiwan’s International Engagement**

China’s insistence on the “one China principle” precludes any country or international organization from simultaneously recognizing China and Taiwan, thereby restricting Taiwan’s full participation in the international community. For example, Taiwan is unable to participate in the International Court of Justice, the International Maritime Organization, the World Intellectual Property Organization, the International Criminal Police Organization, and the International Atomic Energy Agency.<sup>111</sup> The Taiwan government also continues to be excluded from the United Nations Framework Convention on Climate Change.<sup>112</sup> A joint study by the World Bank and Columbia University found that “Taiwan may be the place on Earth most vulnerable to natural hazards.”<sup>113</sup>

\*The pan-blue coalition refers to the KMT, the People First Party, and the New Party.

Nevertheless, Taiwan pursues greater international space by maintaining its official diplomatic relations with 22 countries,\* expanding its participation in international organizations through creative diplomacy, and strengthening economic partnerships with countries other than China.

The U.S. government supports Taiwan's efforts to expand its international engagement and has played a key role in Taiwan's entry into or retaining of a seat in international organizations, including the Asia Pacific Economic Cooperation forum, the World Trade Organization, and the Asian Development Bank.<sup>114</sup> In October 2013, Deputy Assistant Secretary of State Kin Moy said that "with [U.S.] support, Taiwan has participated as an observer in the World Health Organization, or 'WHO,' Assembly for four consecutive years."<sup>115</sup> In 2014, Taiwan was invited again to participate as an observer in the World Health Assembly.<sup>116</sup>

In 2008, China and Taiwan reached a tacit understanding—or what President Ma unilaterally declared to be a "diplomatic truce"—to stop poaching each other's diplomatic partners in order to maintain positive momentum in the cross-Strait relationship.<sup>117</sup> The truce appears to still be in place despite The Gambia's severing of diplomatic relations with Taiwan in November 2013. Beijing has not established diplomatic ties with The Gambia since the decision, and no public evidence exists to suggest China enticed or pressured the West African country to break diplomatic relations with Taiwan. Taiwan's Foreign Minister stated that The Gambia's decision was related to Taiwan's refusal to grant the country additional financial aid that it had requested.<sup>118</sup> The Gambian president may have mistakenly calculated China would establish diplomatic relations with The Gambia after it split with Taiwan or that China would provide The Gambia with aid or other benefits exceeding what Taiwan provided, even without diplomatic relations. Such a calculation could explain the president's willingness to cut ties with a country which former Gambian Foreign Minister Sidi Sanneh described on his blog as the president's "most important diplomatic partner."<sup>119</sup>

The cross-Strait diplomatic truce has enabled Taiwan to retain most of its diplomatic partners during President Ma's tenure. However, should cross-Strait relations sour, Taiwan may find it difficult to maintain some of these relationships. According to Zhang Zhexin, a research fellow at the Shanghai Institute for International Studies, Beijing has rejected overtures from at least five countries with diplomatic relations with Taiwan since President Ma's election in 2008. Moreover, the lack of diplomatic relations with these countries has not prevented them from engaging in extensive business activity with China, including Chinese companies exploring investment projects in Nicaragua and Honduras.<sup>120</sup> Some of their governments also are increasing contact with the Chinese government. For example, in November 2013, the government of São Tomé and Príncipe and the Chinese government agreed to

---

\*The following countries have official diplomatic relations with Taiwan: Belize, Burkina Faso, the Dominican Republic, El Salvador, Guatemala, Haiti, the Holy See, Honduras, Kiribati, the Marshall Islands, Nauru, Nicaragua, Palau, Panama, Paraguay, Saint Christopher and Nevis, Saint Lucia, Saint Vincent and the Grenadines, São Tomé and Príncipe, Solomon Islands, Swaziland, and Tuvalu.

open a Chinese trade office in the Central African country. Then, in June 2014, the president of São Tomé and Príncipe visited China in what he said was an effort to seek investment in a deep-water harbor and to support his country's economic development.<sup>121</sup>

## **Taiwan Military and Security Issues**

### ***Cross-Strait Military Balance***

Although relations between the governments of Taiwan and China have improved dramatically since 2008, China's military modernization continues to focus on improving its ability to conduct military operations against Taiwan and to deter, delay, and deny any U.S. intervention in a cross-Strait conflict. Over the last decade, the balance of military power across the Taiwan Strait has shifted. China's military now appears to possess an increasing advantage over Taiwan's military. Moreover, the increased range and capabilities of China's power projection platforms have largely negated Taiwan's historic geographic advantages in a cross-Strait conflict.

In contrast to this assessment, Ian Easton, research fellow at the Project 2049 Institute, testified to the Commission that there has not been "a fundamental shift in the cross-Strait military balance. Rather, the situation remains fluid and dynamic."<sup>122</sup> He explained internal PLA documents and technical studies indicate the PLA believes it is unable to gain air superiority over Taiwan with its current precision strike capabilities. In addition, he asserted Taiwan so far has countered the PLA's strike capabilities with targeted investments in missile defense and radars, infrastructure hardening, rapid runway repair capabilities, and military training. Many of Taiwan's improvements in these areas have been supported or enabled by the United States.<sup>123</sup>

Notwithstanding pessimistic PLA assessments of China's capabilities and areas of excellence within the Taiwan military, the Commission assesses the expanding number and increasing effectiveness of China's military assets points to an increasing military advantage for China over Taiwan. China currently has approximately 2,100 combat aircraft and 280 naval ships available for a Taiwan conflict, as well as overlapping air and missile defense coverage over most of Taiwan. About 600 of China's combat aircraft and 90 of China's submarines and surface ships are modern. China continues to expand its fleet of modern platforms rapidly while regularly upgrading legacy platforms with new weapon systems as they become available. By comparison, Taiwan has approximately 410 combat aircraft and 90 naval combatants.<sup>124</sup> Fewer than 330 of Taiwan's combat aircraft and about 25 of Taiwan's surface ships are modern.<sup>125</sup> Taiwan has not acquired a modern combat aircraft or naval combatant since the mid-2000s. For a definition of modern combat aircraft and naval combatants, see Chapter 2, Section 2, "China's Military Modernization."

Moreover, China's vast arsenal of short-range ballistic missiles and cruise missiles would provide it with a crucial advantage in a conflict with Taiwan. William Murray, associate research professor at the U.S. Naval War College, testified to the Commission that a Chinese short-range ballistic missile attack on Taiwan's air bases

likely would render the runways temporarily unusable and prevent the Taiwan Air Force from taking off during the early hours of a conflict. Follow-on short-range ballistic missile and cruise missile attacks then could destroy aircraft that were stuck on the runways. In addition, a surprise short-range ballistic missile attack on Taiwan's naval ports while ships were still moored could destroy many of the Taiwan Navy's destroyers and frigates. Those Taiwan surface combatants already at sea during the attack then would be vulnerable to strikes by China's large number of sea-, air-, and land-based antiship cruise missiles.<sup>126</sup> Furthermore, short-range ballistic missile and cruise missile strikes against Taiwan's command and control infrastructure would hamper the Taiwan military's ability to coordinate its response to a PLA attack.<sup>127</sup>

Mr. Murray testified about the challenge Taiwan faces in defending against China's short-range ballistic missiles. He said:

*In 2002 China had 350 [short-range ballistic missiles] with an estimated accuracy, or Circular Error Probable (CEP), of approximately 300 meters. By 2012, China had over 1,100 missiles deployed to units opposite Taiwan, with CEPs on the order of 20 meters. This level of accuracy, increased inventory, and the targeting flexibility provided by multiple types of warheads means that [short-range ballistic missiles] now provide China new options against Taiwan.*<sup>128</sup>

Mr. Murray added that Taiwan's Patriot missile defense systems are costly and "will likely stop no more than 323 of the ... short-range ballistic missiles China could fire. This arms race between Chinese [short-range ballistic missiles] and Taiwan's Patriot interceptors is thus one Taiwan cannot win, and cannot afford to continue."<sup>129</sup>

Beyond their utility during a cross-Strait conflict, China's large and diverse inventory of short-range ballistic missiles also provides China with "significant psychological coercive value," according to Mark Stokes, executive director of the Project 2049 Institute.<sup>130</sup> Mr. Stokes testified to the Commission in 2010 that "every citizen of Taiwan lives within seven minutes of destruction, and they know that."<sup>131</sup>

A combination of factors has led to the shift in the cross-Strait balance of power, including China's large defense budget and annual increases in defense spending for more than 20 years, Taiwan's smaller defense budget and decreases in defense spending, and Taiwan's limited ability to acquire platforms and weapon systems on the global market.

- Cross-Strait defense spending trends since 2001 have dramatically shifted in China's favor. The officially reported budget gap between Taiwan and China in 2014 totaled more than \$120 billion.<sup>132</sup> For more information on China's defense spending, see Chapter 2, Section 2, "China's Military Modernization."
- Taiwan's defense budget as a percentage of GDP has decreased from 3.8 percent in 1994 to 2 percent in 2014.<sup>133</sup> This decline is due largely to political gridlock in Taiwan and competing

budget priorities. Furthermore, President Ma during the first six years of his tenure has had little incentive to increase the defense budget. Improved cross-Strait relations have reduced the Taiwan public's perceptions of the threat posed by China to Taiwan,<sup>134</sup> and domestic and social welfare issues have become more salient as Taiwan's economy attempts to recover from the global financial crisis and its workforce ages.

- Taiwan does not have the expertise and experience to design and produce certain weapon systems, and in many cases it has been unable to procure these systems from other countries. Aside from the United States, no country has been willing to sell major platforms and weapon systems to Taiwan since the early 1990s due to pressure from the Chinese government.<sup>135</sup>

Keenly aware of the threat posed by China's military modernization, Taiwan is attempting to expand and upgrade its military capabilities with a combination of domestic production and acquisition from the United States. Major domestic programs under development or recently completed include the following:

- *Air-to-Ground Cruise Missiles*: In January 2014, the Taiwan Air Force introduced a new domestically-produced air-to-ground cruise missile, called the Wan Chien. Taiwan has already upgraded over half of its Indigenous Defense Fighters to be capable of carrying the missile. In a cross-Strait military conflict, Taiwan could use the Wan Chien to attack military targets on China, including runways, missile bases, and radar installations.<sup>136</sup>
- *Antiship Cruise Missiles*: In February 2014, Taiwan media reported the country will begin to produce a supersonic long-range antiship cruise missile that eventually will be deployed to land-based mobile launchers along Taiwan's coast.<sup>137</sup> The new missile will complement Taiwan's existing land-based fixed and mobile antiship cruise missile units, which are equipped with an earlier version of the missile, as well as Taiwan's extensive inventory of sea-based antiship cruise missiles. The land-based variant of the missile will be more survivable and lethal than its naval predecessor, providing Taiwan military commanders with increased operational flexibility and enhancing Taiwan's ability to target the PLA's amphibious ships during a Chinese invasion of Taiwan.<sup>138</sup>
- *Missile Corvette*: In March 2014, the Taiwan Navy received the first ship in a new class of catamaran-style missile corvette from Taiwan's Lung Teh Shipbuilding Company.<sup>139</sup> Taiwan may build as many as 12 of these ships.<sup>140</sup> The new corvette has better range, endurance, and sea-keeping ability than Taiwan's current patrol ships, and it will be armed with long-range antiship cruise missiles. The ship will provide the Taiwan Navy with greater survivability, due to the ship's stealth features, and lethality in a potential cross-Strait conflict as well as increase the Taiwan Navy's ability to patrol the East and South China seas.<sup>141</sup>

- *Unmanned Aerial Vehicles (UAVs)*: Taiwan is said to be developing its first UAV capable of carrying munitions. This UAV also will have stealth capability, according to a Taiwan official.<sup>142</sup> The Taiwan Army already has 32 UAVs designed for intelligence, surveillance, and reconnaissance (ISR) missions that are based on Taiwan's southeastern coast. Taiwan reportedly is considering establishing a second UAV base in southwestern Taiwan.<sup>143</sup>

Select military equipment Taiwan is acquiring or pursuing from the United States includes the following:

- *P-3C Orion Maritime Patrol Aircraft*: In late 2013, Taiwan received the first four of 12 P-3C Orion maritime patrol aircraft that it agreed to purchase from the United States in 2007. Taiwan is scheduled to receive five more in 2014 and the remaining aircraft in 2015.<sup>144</sup> Taiwan incorporated the P-3C into the command post and field training portions of the 2014 Han Kuang military exercise.<sup>145</sup> The aircraft will supplement and ultimately replace Taiwan's aging S-2T maritime patrol aircraft. The P-3C will increase the capability and endurance of the military's fixed-wing maritime patrol aircraft force, improving Taiwan's ability to perform antisubmarine warfare and ISR.
- *Apache Attack Helicopters*: In November 2013, Taiwan received the first six of 30 AH-64E Apache helicopters that it agreed to purchase from the United States in 2010.<sup>146</sup> As of September 2014, Taiwan had received 18 more helicopters, with the six remaining helicopters scheduled to be delivered by the end of 2014.<sup>147</sup> These helicopters are armed with a chain gun and can also carry air-to-air or air-to-ground missiles or rockets.<sup>148</sup> Taiwan likely would use these helicopters to counter a PLA invasion force that was approaching or had already landed on Taiwan territory.<sup>149</sup>
- *Fighters*: In October 2012, the United States awarded Lockheed Martin a \$1.85 billion contract to begin performing a mid-life upgrade on Taiwan's existing fleet of 145 F-16 A/B fighter aircraft. The upgrades are scheduled to occur from 2017 to 2021 in groups of about 24 aircraft.<sup>150</sup> In March 2014, the U.S. Air Force cancelled the budget for the Combat Avionics Programmed Extension Suite upgrade for 300 of its own F-16 fighters in the Department of Defense's (DoD's) 2015 budget request.\* Although Taiwan and the United States apparently plan to move forward with the mid-life upgrade program, the cost of upgrading each Taiwan F-16 almost certainly will increase without cost sharing with the U.S. Air Force.<sup>151</sup> Even with the scheduled upgrade to Taiwan's F-16 A/Bs, in August 2014, the deputy director general of the Department of Strategic Planning in Taiwan's Ministry of National Defense indi-

\*As of October 2014, Congress has not yet passed a National Defense Authorization Act for Fiscal Year 2015. To date, the National Defense Authorization Act for Fiscal Year 2015 (H.R. 4435) passed by the U.S. House of Representatives would require the Secretary of the Air Force to provide a report to the House and Senate Armed Services Committees on the effects of canceling the Combat Avionics Programmed Extension Suite program.

cated Taiwan is still considering procuring F-16 C/Ds from the United States.<sup>152</sup>

- *OLIVER HAZARD PERRY-Class Guided-Missile Frigates:* In April 2014, the U.S. House of Representatives passed H.R. 3470, a bill authorizing the sale of four decommissioned and unarmed PERRY-class frigates to Taiwan. Taiwan subsequently announced it would only purchase two of the ships if they are made available, due in part to budget constraints.<sup>153</sup> After being fitted with Taiwan weapon systems, these two ships would supplement the eight PERRY-class frigates already serving in the Taiwan Navy and help to offset the planned retirement over the next few years of Taiwan's eight KNOX-class frigates, which specialize in antisubmarine warfare.<sup>154</sup> While the U.S. Senate has yet to consider H.R. 3470, in November 2013, the Senate Foreign Relations Committee did approve S. 1683, a related bill that awaits consideration on the Senate floor.<sup>155</sup>
- *Submarines:* In 2001, the United States approved Taiwan's request to purchase diesel-electric submarines via the foreign military sales process. However, the sale has stalled for a number of reasons on both sides. These include partisan political gridlock in Taiwan's legislature, delays in Taiwan's commitment of funds, and disagreements between Washington and Taipei over costs. Furthermore, the United States has not built a diesel-electric submarine since the 1950s or operated one since 1990. In late 2014, the Taiwan media reported the Taiwan Ministry of Defense has decided to pursue an indigenous submarine program. The ministry's spokesperson said Taiwan would prefer to procure new U.S. submarines but due to the stalling of the procurement process Taiwan will "pursue both foreign procurement and domestic building plans in tandem." He added, "We welcome the US and other free, democratic countries to collaborate with us to advance our indigenous submarine-building program."<sup>156</sup> The U.S. government has not said whether it will authorize the transfer of technology to an indigenous submarine program in Taiwan. Taiwan's current fleet of four submarines includes two former U.S. boats that were built in the 1940s and transferred to Taiwan in the 1970s.

### ***Taiwan Defense Policy and Reform***

As explained to the Commission by Mr. Easton, "even more important than advanced weapons are the investments Taiwan is making into high quality military personnel."<sup>157</sup> Taiwan originally planned to complete its transition to an all-volunteer force by the end of 2014, but due to low recruitment rates it pushed the completion date to 2017.<sup>158</sup> In addition to recruitment challenges, the establishment of an all-volunteer force has been more expensive than expected, and Taiwan has had to divert funds from other portions of the defense budget, including operations and investments, to ease the rising personnel costs.<sup>159</sup> Taiwan also has sought to offset some of the rising costs resulting from the recruitment and reten-

tion of an all-volunteer force by downsizing its active duty force. Taiwan aims to shrink the active duty force from 275,000 to 215,000 troops by the end of 2014<sup>160</sup> and to as few as 170,000 troops by 2019.<sup>161</sup>

Moreover, the all-volunteer force transition could adversely impact Taiwan's reserve force, which presently consists of over 2.6 million personnel and is tasked to help defend against a PLA invasion and to support disaster relief efforts.<sup>162</sup> Previously, Taiwan conscripts performed one year of active duty service before becoming reservists. Under current Taiwan law, men born after 1994 are required to undergo four months of active-duty service, a length of time that critics assert is inadequate to prepare them to be effective soldiers.<sup>163</sup> At the end of four months, the conscripts enter Taiwan's reserve system. Reservists participate in military training every two years and in military exercises every year.<sup>164</sup>

### ***Taiwan Military Training and Activities***

The Taiwan military routinely conducts a range of exercises to maintain combat readiness; test and improve its capabilities and war plans; integrate new weapons systems; and demonstrate to the Taiwan public, China, and the United States that it has a credible deterrent capability. In some exercises, Taiwan also seeks to assert its territorial claims and demonstrate freedom of navigation. Major Taiwan military exercises and activities in late 2013 and 2014 included the following:

- *Humanitarian Assistance/Disaster Relief to the Philippines:* In November 2013, the Taiwan military provided humanitarian assistance/disaster relief to the Philippines following Typhoon Haiyan. Taiwan Air Force C-130 cargo aircraft and a Taiwan Navy amphibious ship delivered relief supplies and equipment to the Philippines. This marked the first visit by a Taiwan Navy ship to the Philippines in 10 years.<sup>165</sup> The relief supplies and equipment which the Taiwan military transported to the Philippines were donated by Taiwan nongovernmental organizations and were valued at approximately \$8.25 million.\*<sup>166</sup>
- *ADIZ Exercise:* In February 2014, Taiwan's Coast Guard, Navy, and Air Force carried out combined drills and patrols in the area of the East China Sea where its Air Defense Identification Zone (ADIZ) overlaps with the ADIZ announced by China in November 2013. (For a discussion of the ADIZ, see Chapter 2, Section 1, "Year in Review: Security and Foreign Affairs.") According to official Taiwan press, the exercise demonstrated that "Taiwan is pursuing its own national interests despite China's announcement . . . of a new ADIZ that heightened tensions in the region." Exercise participants included

\*The Taiwan government made a monetary donation of \$921,000 to relief efforts. The Chinese government donated \$100,000 in cash and \$1.4 million worth of relief supplies. Ministry of Foreign Affairs (Taiwan), "Love and Empathy Transcend Boundaries: Relief Aid Extended by the Republic of China to the Philippines in Wake of Typhoon Haiyan." <http://www.mofa.gov.tw/Upload/WebArchive/1304/8cdc1037-5708-4eb2-8f82-c33d8c006c6f.PDF>; Jane Perlez, "China Increases Aid to Philippines," *New York Times*, November 14, 2013. [http://www.nytimes.com/2013/11/15/world/asia/chinese-aid-to-philippines.html?\\_r=0](http://www.nytimes.com/2013/11/15/world/asia/chinese-aid-to-philippines.html?_r=0).

two coast guard vessels, two navy frigates, an antisubmarine aircraft, a helicopter, and two fighter aircraft.<sup>167</sup>

- *South China Sea Landing Exercise*: In April 2014, the Taiwan Navy and Marine Corps conducted an amphibious landing to re-take control of Itu Aba (also known as Taiping Island),\* an island in the Spratly Islands (see Figure 4), from a notional enemy force in the Taiwan military's largest exercise in the South China Sea since 2000. Exercise participants included two marine companies, 20 amphibious assault vehicles, and multiple advanced frigates, amphibious ships, and coast guard personnel.<sup>168</sup> In addition to increasing the number of its military exercises in the South China Sea, Taiwan is upgrading its military and civilian infrastructure on Taiwan-controlled islands in the region. Taiwan is expanding the wharf on Itu Aba, currently only capable of accommodating small ships, to enable larger ships to dock there. Taiwan also is renovating the island's runway, including upgrading its drainage system and lights. These projects are expected to be completed by the end of 2015.<sup>169</sup>

---

\*Taiwan and China have almost identical claims in the South China Sea. Both Taiwan and China claim to have historic and legal rights in the South China Sea and they illustrate their claims with the nine-dash line. (For further discussion of China's sovereignty claims, see Chapter 3, Section 1, "China and Asia's Evolving Security Architecture.") According to Taiwan academics, in recent years, unnamed U.S. officials have expressed concern that Taiwan and China might cooperate on the issue of territorial disputes in the South China Sea. Although, on several occasions, the Chinese government has proposed that Taiwan and China cooperate on this issue, the Taiwan government has refused to cooperate with China. Chou Yi-ling and Maia Huang, "MAC Sees No Room for Cross-Strait Cooperation on Territorial Issues," Central News Agency (Taiwan), May 15, 2014. <http://focustaiwan.tw/news/acs/201405150040.aspx>; J. Michael Cole, "Taiwan-China Ties in South China Sea Concern US," *Taipei Times*, June 6, 2012. <http://www.taipetimes.com/News/front/archives/2012/06/06/2003534621>; and Peter Dutton, "Three Disputes and Three Objectives: China and the South China Sea," *Naval War College Review* 64:4 (Autumn 2011): 44–45.

**Figure 4: South China Sea**

Source: New York Times, "Territorial Claims in South China Sea." <http://www.nytimes.com/interactive/2012/05/31/world/asia/Territorial-Claims-in-South-China-Sea.html>. Adapted by the U.S.-China Economic and Security Review Commission. Locations of various features are not exact.

- *Han Kuang*: In May 2014, the Taiwan military held the command post component of its annual Han Kuang exercise, Taiwan's only national-level joint exercise. This year's command post exercise focused on defending against a simulated PLA full-scale invasion of Taiwan that included attacks against Taiwan's east coast launched from China's new aircraft carrier, the *Liaoning*. Taiwan conducted the field training component of Han Kuang in September.<sup>170</sup> According to Taiwan officials, the exercise included Taiwan's largest maritime live-fire drill in 10 years.<sup>171</sup> Typically, a team of around 50 U.S. military personnel observes the Han Kuang exercise from various sites throughout Taiwan. The observation teams include senior retired military officers, mid-level active duty or reserve officers, mid-level civilian analysts, and contractors.<sup>172</sup>
- *Response to PLA Flights through Taiwan's ADIZ*: On August 25, 2014, the Taiwan Air Force deployed fighter aircraft to follow PLA surveillance aircraft that entered Taiwan's ADIZ multiple times on their flights to and from the South China Sea. These are highly unusual actions for PLA aircraft, which historically have avoided flying through Taiwan's ADIZ.<sup>173</sup> According to J. Michael Cole, editor-in-chief of *Thinking Taiwan*,

PLA aircraft may have entered Taiwan's ADIZ to "to gauge Taiwan's surveillance capabilities and response mechanism. Chinese electronic surveillance aircraft last year committed similar intrusions near Okinawa and close to the disputed Senkaku/Diaoyu islets in the East China Sea to—it is speculated—evaluate Tokyo's ability to respond (Japan's response was to scramble F-15 aircraft). Soon thereafter, China declared its controversial ADIZ over the East China Sea. Some analysts believe that China is drawing up plans to establish an ADIZ in the South China Sea, though Beijing has yet to give any concrete indication that it intends to do so."<sup>174</sup>

### ***Computer Network Defense***

In addition to China's conventional military forces, China's computer network operation capabilities also pose a major threat to Taiwan. According to the Taiwan Ministry of National Defense's 2013 *National Defense Report*, "Once a conflict arises, these operations will enable [China] to cripple our command, control and logistics network, which will affect the normal operation of the [Taiwan] Armed Forces' information systems, and delay its contingency response time."<sup>175</sup>

To address the cyber threat from China, the Taiwan military is attempting to enhance information security awareness through increased education, inspections, and exercises. It also plans to bolster the cyber defense of its command, control, communications, and information platforms.<sup>176</sup> These measures supplement the steps Taiwan has taken in recent years in this area, which include increasing spending on cyberwarfare capabilities, establishing an additional cyberwarfare unit within the Ministry of National Defense, and building a facility for cyber defense training against simulated attacks on critical infrastructure.<sup>177</sup>

### ***Cross-Strait Espionage***

The counterintelligence risks to Taiwan and U.S. military information and equipment in Taiwan are increasing as cross-Strait ties expand and Chinese citizens visit Taiwan in greater numbers. China now has greater access to Taiwan and better opportunities to conduct intelligence operations against Taiwan citizens both in Taiwan and China. In 2013, nearly three million Chinese tourists visited Taiwan, up from around 300,000 in 2008.<sup>178</sup>

In the last two years, Taiwan has arrested at least eight former or active military officers, including one flag officer, for suspected espionage.<sup>179</sup> In April 2014, a former Taiwan Air Force major was found guilty and sentenced to 20 years in prison for providing the Chinese government with classified information related to Taiwan's E-2K airborne early warning aircraft, a U.S. system which Northrop Grumman first delivered to Taiwan in 2005.<sup>180</sup> In addition to gathering strategic, operational, tactical, and technical intelligence, these activities are intended to demoralize the Taiwan military and public and increase concerns in the U.S. government and military about the security of defense information and technology provided to Taiwan.

The Taiwan military is implementing measures to counter Chinese intelligence activities. These measures include enhancing security at military bases, heightening awareness among the military of espionage threats, and requiring some military personnel to take more polygraph tests.<sup>181</sup> For example, in 2012 the Taiwan Ministry of National Defense instituted a policy to require ministry personnel posted overseas, including attachés and procurement officials, to return to Taiwan once a year for a polygraph test.<sup>182</sup>

The counterintelligence threat to Taiwan is not limited to military personnel; it also extends to civilian researchers. In 2014, Chinese and Taiwan media reported Chen Kun-shan, the former director of the Center for Space and Remote Sensing Research at Taiwan's National Central University and a top expert on remote sensing technology, had defected to China and taken a position with the State Key Laboratory of Remote Sensing Science at Beijing Normal University.<sup>183</sup> Taiwan media reported that an anonymous source within Taiwan's intelligence community said Dr. Chen's former position would have given him access to classified information about the Taiwan military and Taiwan's methods for analyzing intelligence about China.<sup>184</sup> He also would have been familiar with Taiwan's remote sensing technology. In China, Dr. Chen may contribute to Chinese research projects that have applications for the PLA.<sup>185</sup>

Although U.S. media reporting tends to focus on China's intelligence successes against Taiwan, Mr. Easton testified that Taiwan has an impressive track record of espionage against China:

*Since 2004, China has suffered from dozens of Taiwanese espionage cases. Taiwan's agents have included the leadership of China's Air Force Command Academy, a Central Committee member, and more. Recent examples of success include Taiwan's ability to collect detailed information on China's anti-ship ballistic missiles, drones, and airbases. Taiwan also obtained timely forewarning of China's intention to declare an air defense identification zone over the East China Sea in November 2013. This allowed the [Taiwan] National Security Council to call an emergency meeting and deliberate in advance of Beijing's declaration.*<sup>186</sup>

## **U.S.-Taiwan Relations**

### ***Developments in U.S.-Taiwan Political Relations***

April 10, 2014 marked the 35th anniversary of the passage of the Taiwan Relations Act. Leading up to the anniversary, U.S. and Taiwan government officials praised the state of bilateral relations, saying the relationship is the strongest it has been in over three decades.<sup>187</sup> U.S. Environmental Protection Agency Administrator Gina McCarthy's visit to Taiwan in April, the first by a Cabinet-level official since June 2000, reflects this positive momentum in U.S.-Taiwan relations.<sup>188</sup> In a speech at National Taiwan University, she spoke about U.S.-Taiwan collaboration and Taiwan's leadership on environmental issues.<sup>189</sup> The U.S. and Taiwan governments have co-hosted meetings involving participants from around the world on topics such as port sustainability, electronic waste,

and environmental information.<sup>190</sup> U.S. cabinet-level visits to Taiwan help to strengthen ties between high-level U.S. and Taiwan officials, reinforce the bilateral partnership, and express U.S. support to Taiwan.\*

Although the relationship has recovered from a period of heightened tension and weakened trust from 2002 to 2008, some analysts point out there is still much room for improvement.<sup>191</sup> Mr. Hammond-Chambers, in his testimony to the Commission, described the relationship as “adrift” and “underwhelming” due to the lack of “significant goals and objectives.”<sup>192</sup> Mr. Hammond-Chambers and Vincent Wei-cheng Wang, professor at the University of Richmond, testified that the U.S. government probably has been complacent regarding Taiwan because it assumes the warming of cross-Strait relations and greater economic engagement will lead to lasting peace in the Taiwan Strait.<sup>193</sup> Dr. Wang cautioned that even though the United States and Taiwan “share common values, commercial interests and [a] historical relationship,” the two sides must constantly “cultivate and manage” the relationship.<sup>194</sup>

#### ***Developments in U.S.-Taiwan Military and Security Relations***

Taiwan continues to be one of the largest buyers of U.S. arms in the world. From 2008 to 2011, Taiwan agreed to purchase approximately \$18.3 billion of U.S. arms.<sup>195</sup> However, the U.S. government has not authorized a major arms sale to Taiwan since 2011,† leading some analysts to question whether the United States is doing enough to make defense articles available to Taiwan. Randall Shriver, president and chief executive officer of the Project 2049 Institute, testified to Congress that “[the Obama Administration] needs bolder and more visible measures to fulfill U.S. obligations to Taiwan consistent with notification requirements under the Arms Export Control Act.”<sup>196</sup>

David Firestein, vice president for the Strategic Trust-Building Initiative at the EastWest Institute, testified to the Commission that U.S. policy toward Taiwan is falling short of its goal of enhancing Taiwan’s security. He said:

*It is fair to say that U.S. policies, as implemented, do not seem to be able to keep pace with events in the region, particularly the rapid and well-documented development of China’s military capabilities. To put it in simple terms, the United States is selling arms to Taiwan at an arithmetic pace, while China’s military capabilities are developing at something closer to a geometric trajectory. On these terms, this is a game that the United States and Taiwan cannot win.*<sup>197</sup>

\* Administrator McCarthy was originally scheduled to visit Taiwan, in addition to China, in December 2013, but she postponed the Taiwan portion of her trip for unknown reasons. Shirley Kan and Wayne Morrison, *U.S.-Taiwan Relationship: Overview of Policy Issues* (Congressional Research Service, April 22, 2014), p. 16.

† The executive branch is only required to notify Congress of arms sales through the foreign military sales process that meet or exceed the following values: \$14 million in major defense equipment, \$50 million in defense articles or services, and \$200 million in design and construction services. Thus, there may have been U.S. arms sales to Taiwan that did not exceed these amounts since 2011. Piin-Fen Kok and David J. Firestein, *Threading the Needle: Proposals for U.S. and Chinese Actions on Arms Sales to Taiwan* (EastWest Institute, September 2013), p. 71. [http://www.ewi.info/sites/default/files/TAS%20Final%20%2528ISSUU%20VERSION%209\\_17\\_2013%2529](http://www.ewi.info/sites/default/files/TAS%20Final%20%2528ISSUU%20VERSION%209_17_2013%2529).

Mr. Firestein also explained that the U.S. executive branch's practice of "bundling" announcements of arms sales to Taiwan creates misperceptions of U.S. policy that could affect U.S. diplomatic efforts. He offered that, "By issuing more frequent, but smaller-scale, notifications, the United States can perhaps mitigate some of the public diplomacy problem without affecting the content of the sales at all. . . . This approach might also sensitize the Chinese—including the Chinese public—to the sales to a greater degree than is the case now with less frequent, larger notifications."<sup>198</sup>

In addition to U.S. arms sales to Taiwan, U.S. training and consultations are a key component of the bilateral security relationship. For example, the U.S. provides training to Taiwan fighter pilots, special operations personnel, and rapid runway repair personnel. Furthermore, members of Taiwan's military study at U.S. military educational institutions.<sup>199</sup>

In an important development, military-to-military contact increased in 2013. In 2013, DoD personnel conducted more than 2,000 visits to Taiwan, compared to approximately 1,500 visits in 2012.\*<sup>200</sup> Nevertheless the U.S. practice of limiting the highest rank of U.S. military personnel who can visit Taiwan to colonels and captains (O6-level) prevents the most senior U.S. officers from gaining firsthand knowledge of the Taiwan military and the operational environment in a potential cross-Strait conflict. Mr. Easton explained to the Commission:

*Our most difficult operational plan calls for the U.S. military to fight shoulder-to-shoulder with Taiwan's military. How can the President of the United States, this or any future president, be assured that we could seamlessly do that if we don't allow our military leaders to go out and see the battlespace firsthand? If you've not been out to the offshore islands, Kinmen, Matsu, Tungyin, Penghus, if you've not seen the 18 invasion beaches on Taiwan's west coast, and if you don't have that personal relationship, I think that's a mistake.*<sup>201</sup>

### **Role of Taiwan in U.S. Rebalance to Asia**

The Obama Administration recognized the importance of the Asia Pacific when it committed to "rebalance" U.S. government attention and resources to the region in 2011. The strategy intends to strengthen U.S. economic, diplomatic, and security relations throughout the Asia Pacific, both bilaterally and multilaterally, with a "whole-of-government" approach to policy implementation. However, some analysts have suggested the Obama Administration has not adequately incorporated Taiwan into the U.S. rebalance to Asia policy, pointing to several important speeches and documents about the rebalance by then Secretary of State Clinton, President Obama, and then National Security Advisor Thomas Donilon.<sup>†</sup><sup>202</sup>

\* DoD personnel conducted nine exchanges with Chinese military personnel in China in 2013. The total number of DoD personnel who participated in these exchanges is unavailable. U.S. Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2014*, June 5, 2014, p. 71.

† However, in a November 2011 speech about the rebalance to Asia policy, then Secretary of State Clinton spoke about Taiwan and cross-Strait relations. She said, "We have a strong relationship with Taiwan, an important security and economic partner, and we applaud the progress that we have seen in cross-Strait relations between China and Taiwan during the past three

The Administration may feel constrained in addressing Taiwan's role in the rebalance policy, particularly regarding military cooperation, by the unofficial nature of U.S.-Taiwan relations and concerns about the impact of openly including Taiwan in the rebalance policy on U.S.-China relations.

According to some analysts, Taiwan could play an important role in the U.S. rebalance to Asia given its geographic position, relatively advanced military capabilities, large and vibrant economy, and robust democracy.<sup>203</sup>

In the military realm, Taiwan's strengths in ISR could support U.S. efforts to promote security and stability in the Asia Pacific. Mr. Stokes and Russell Hsiao, non-resident senior fellow at the Project 2049 Institute, explain:

*Taiwan is uniquely positioned to contribute to regional situational awareness of the air, space, sea and cyber domains. Peacetime air surveillance data can be fused with other sources of information to better understand PLA Air Force tactics and doctrine. Long range [ultra high frequency] early warning radar data could fill a gap in regional space surveillance. The Taiwanese Navy has a firm grasp of the unique undersea geography and hydrological environment of the Western Pacific Ocean. . . . Taiwan's geographic position and willingness to contribute to a regional common operational picture, including maritime domain awareness, air surveillance, and space surveillance and tracking, could be of significant value for both disaster response and military purposes.<sup>204</sup>*

Taiwan and the U.S. military also could cooperate on surveillance for missile defense. In May 2014, Representative Randy Forbes added a provision to the House National Defense Authorization Act for Fiscal Year 2015 requiring the U.S. Missile Defense Agency to evaluate the potential for linking Taiwan's highly advanced early warning radar to U.S. sensor and missile defense systems.<sup>205</sup>

Beyond sharing technical ISR data, the U.S. government could learn from Taiwan's unique insights into China, the PLA, and Chinese cyber operations. As Mr. Easton points out, Taiwan has a "long history of leveraging its close cultural, linguistic, and economic ties to China for collecting traditional human intelligence" and Taiwan's research centers possess "unique expertise and historical experiences—as well as unparalleled access to data."<sup>206</sup>

In the area of China's cyber operations, Taiwan's cybersecurity experts possess in-depth knowledge of Chinese cyber tactics, techniques, and procedures. For more than a decade, Taiwan's information networks have been a major target for Chinese hackers. These hackers have tried new tactics, techniques, and procedures on Taiwan's networks before using them against networks in other countries.<sup>207</sup>

Cooperation with Taiwan on the development of defense technology is another area in which the U.S. military could benefit

---

years and we look forward to continued improvement so there can be peaceful resolution of their differences." Hillary Clinton, "America's Pacific Century" (Honolulu, HI, November 10, 2011).

from Taiwan's strengths. Taiwan has a great deal of expertise in information and communications and cruise missile technology. It also is able to produce these technologies at lower cost than the United States.<sup>208</sup> Mr. Stokes and Mr. Hsiao suggest "Taiwan and the U.S. may find mutually beneficial ways to integrate their efforts including in defense-related R&D and low cost, high quality electronic components that could reduce costs for U.S. weapon systems."<sup>209</sup> This kind of collaboration also could have the benefit of increasing interoperability between U.S. and Taiwan military platforms and systems.

In addition to defense and security, economics and trade are a major part of the rebalance to Asia policy, with the TPP as the central economic policy initiative. Taiwan has made joining the multilateral trade agreement a priority. In April 2014, President Ma told an audience at the Center for Strategic and International Studies that "a TPP with Taiwan's membership would not only assure Taiwan's economic security, but would also help strengthen the economic presence of the U.S. in the Asia Pacific region."<sup>210</sup> Although there are substantial political obstacles in Taiwan and the United States to Taiwan joining the TPP, the U.S. government in 2014 welcomed Taiwan's interest in the TPP.<sup>211</sup>

Finally, in line with another aspect of the rebalance to Asia policy, Taiwan can play a role in the development of democracy and the promotion of universal rights and freedoms in the Asia Pacific. Taiwan is a vibrant democracy in a region with many authoritarian governments. As an example of democratic governance, human rights, freedom of expression, and rule of law to its neighbors, most importantly to China, Taiwan can support positive change in these countries. Highlighting Taiwan's achievements in these areas in official statements could support and augment U.S. efforts to promote democracy and human rights in the region and around the world.<sup>212</sup>

### **Implications for the United States**

The United States and Taiwan maintain a strong relationship built on shared values, commercial interests, and commitment to assist Taiwan's defensive capability. Taiwan's position as a major U.S. trading partner, and its important role in the global hi-tech supply chain, make it vital to U.S. economic interests. Taiwan companies are leaders in the global semiconductor industry and their need for advanced U.S. machinery has made semiconductor, microchip, and LCD manufacturing machines the top U.S. export to Taiwan. In addition, Taiwan's role as a regional leader in democracy, human rights, and environmental protection further strengthens this relationship and provides opportunities for regional partnering.<sup>213</sup>

Six years of cross-Strait rapprochement have been beneficial to the United States by temporarily reducing the likelihood of military conflict, enhancing regional stability and development, and allowing U.S. policymakers to address other priorities in the U.S.-China and U.S.-Taiwan relationships.

However, improved cross-Strait relations have not resolved the fundamental sovereignty issues between Taiwan and China. Deepening economic integration has increased Taiwan's dependence on

China's economy and raised its vulnerability to Chinese economic and political coercion. China could leverage this dependence to advance its goal of unification with Taiwan.

In addition, China's military modernization presents an intense challenge to Taiwan's ability to defend itself and the U.S. military's ability to intervene successfully in a cross-Strait conflict. It also improves China's ability to use the threat of military force to coerce Taiwan into making political concessions. Mr. Easton testified to the Commission that "if the PLA used all the tools at its disposal in a coordinated fashion, it could turn the defense of Taiwan into the democratic world's most stressful military challenge. To put it another way, no other U.S.-friendly democracy faces the level of military threat that Taiwan does."<sup>214</sup>

Taiwan is confronted with the question of how to meet the requirements of national defense while also addressing domestic and social welfare issues. Taiwan is taking steps to enhance its defensive capabilities and increase the quality of its military personnel, but some members of Congress and outside observers have raised questions and concerns about whether Taiwan's defense spending is sufficient to address the threat from China's military modernization.<sup>215</sup>

Separate from questions regarding Taiwan's defense spending, in the 2000s, the question of whether the Taiwan military, government, and public would resist a PLA attack on Taiwan was the subject of much discussion by U.S. analysts. Lieutenant Commander John E. Lee, USN, described the issue as follows: "In a conflict with [China], Taiwan's 'will to fight' is its strategic center of gravity—the source of massed moral strength, whose degradation would have a decisive impact on Taiwan's ability to resist the enemy."<sup>216</sup> Since then there has been little discussion of this issue. However, Mr. Cole has written about Taiwan's will to fight in recent years, and he asserts that "once bombs and missiles, however precise, [begin] raining down on Taiwan, killing family members, friends, and neighbors, most Taiwanese would rally round the flag."<sup>217</sup>

More broadly, Taiwan's role in regional stability extends beyond the Taiwan Strait due to its territorial claims in the East China Sea and the South China Sea. In 2013, Taipei contributed to stability in the East China Sea with the fisheries agreement it signed with the Japanese government. With regard to the South China Sea, Taiwan is pursuing a fisheries agreement with the Philippines that, according to a Taiwan official, the two countries are close to signing.<sup>218</sup> Analysts have proposed Taiwan could also help reduce tension in the South China Sea by clarifying its definition of the nine-dash line, which is the basis for both Taiwan's and China's claims in that area.<sup>219</sup>

### Conclusions

- Under President Ma, cross-Strait economic relations have deepened with the expansion of trade and investment and the signing of numerous economic agreements. However, these agreements face increasing public and political opposition. The Taiwan public's concerns about the effects of cross-Strait economic integration on the country's economy and political autonomy led to

a temporary postponement of cross-Strait negotiations and a push for increased oversight of cross-Strait agreements by Taiwan's legislature.

- Prior to the Sunflower Movement, cross-Strait relations reached a milestone with the first formal talks between the heads of Taiwan's Mainland Affairs Council and China's Taiwan Affairs Office in February 2014. After a temporary postponement following the protests, Taiwan and China restarted trade negotiations in September, but the Taiwan legislature will unlikely ratify any new agreements until it agrees on a formal legislative oversight process for cross-Strait agreements.
- U.S.-Taiwan relations took positive but small steps forward this past year with progress in the bilateral Trade and Investment Framework Agreement (TIFA) talks, the first trip to Taiwan by a Cabinet-level official since 2000, and recent growth in bilateral trade. Remaining obstacles to further progress in the TIFA talks are disputes over pork imports, pharmaceutical intellectual property rights, and private-equity investment regulations.
- The United States and Taiwan continue to engage in a robust but low-profile security partnership, including increased military-to-military contact in 2013. However, the U.S. government has not authorized a major arms sale to Taiwan since 2011, which allows China to further tip the cross-Strait balance of power in its favor.
- Taiwan has expanded its international engagement in recent years, but China continues to restrict Taiwan's participation in most international organizations. Furthermore, Taiwan's discussions with other countries regarding bilateral free trade agreements have reportedly stalled due to those countries' hesitation over China's opposition and questions about Taiwan's ability to ratify any negotiated free trade agreement following strong public opposition to the Cross-Strait Services Trade Agreement.
- Despite the recent cross-Strait rapprochement, the core sovereignty and security issues between Taiwan and China remain unresolved. China's military modernization has significantly increased Beijing's ability to conduct military operations against Taiwan and to deter, delay, and deny any U.S. intervention in a cross-Strait conflict. Taiwan's recent focus on developing innovative and asymmetric military capabilities and continued acquisition of major conventional platforms and weapon systems from the United States have improved Taiwan's military capabilities. However, the cross-Strait balance of power has shifted decidedly in China's favor.

## ENDNOTES FOR SECTION 3

1. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
2. Gordon Orr and Christopher Thomas, "Semiconductors in China: Brave New World or Same Old Story?" McKinsey Insights, August 2014. [http://www.mckinsey.com/insights/high\\_tech\\_telecoms\\_internet/semiconductors\\_in\\_china\\_brave\\_new\\_world\\_or\\_same\\_old\\_story](http://www.mckinsey.com/insights/high_tech_telecoms_internet/semiconductors_in_china_brave_new_world_or_same_old_story).
3. SEMI, "The Power of Taiwan: Taiwan Semiconductor/LED/PV Market," September 2013. <http://www.semi.org/ch/sites/semi.org/files/images/TaiwanMarketInfo2013.pdf>; Huang Chiao-wen and Frances Huang, "Taiwan Remains China's Largest Electronics Supplier," *Central News Agency* (Taiwan), April 3, 2014. <http://focus.taiwan.tw/news/aeco/201404030031.aspx>.
4. Jimmy Goodrich (Director of Global Policy, Information Technology Industry Council), interview with Commission staff, August 27, 2014.
5. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
6. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
7. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
8. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
9. Matt Schiavenza, "China's Dominance in Manufacturing—in One Chart," *Atlantic*, August 5, 2013. <http://www.theatlantic.com/china/archive/2013/08/chinas-dominance-in-manufacturing-in-one-chart/278366/>.
10. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
11. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
12. Mike King, "Taiwan Metal Producers Affected by Overcapacity across the Global Metals Market in 2013," *Companiesandmarkets.com*. June 9, 2014. <http://www.live-pr.com/en/taiwan-metal-producers-affected-by-r1050388259.htm>.
13. Fanny Liu, "Taiwan's China Steel to Focus on Cutting Costs," *Wall Street Journal*, June 17, 2014. <http://online.wsj.com/articles/taiwans-china-steel-to-focus-on-cutting-costs-1403061885>.
14. JoAnn Fan (Visiting Fellow, The Brookings Institution), e-mail interview with Commission staff, August 1, 2014.
15. Ministry of Economic Affairs, Overseas Chinese and Foreign Investment Commission (Taiwan), *Monthly Report* (August 2014). [http://www.moeaic.gov.tw/system\\_external/ctrl?PRO=PubsCateLoad&lang=1](http://www.moeaic.gov.tw/system_external/ctrl?PRO=PubsCateLoad&lang=1).
16. Ministry of Economic Affairs, Overseas Chinese and Foreign Investment Commission (Taiwan), *Monthly Report* (August 2014). [http://www.moeaic.gov.tw/system\\_external/ctrl?PRO=PubsCateLoad&lang=1](http://www.moeaic.gov.tw/system_external/ctrl?PRO=PubsCateLoad&lang=1).
17. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of JoAnn Fan, June 5, 2014.
18. Sarah Mishkin, "Taiwan: Cross-Strait Investment Slowly Picks Up as Political Relations Improve," *Financial Times*, December 11, 2012. <http://www.ft.com/intl/cms/s/2/49e1307a-3afc-11e2-bb32-00144feabdc0.html#axzz3B8GgjhFd>.
19. Ministry of Economic Affairs, Overseas Chinese and Foreign Investment Commission (Taiwan), *Monthly Report* (August 2014). [http://www.moeaic.gov.tw/system\\_external/ctrl?PRO=PubsCateLoad&lang=1](http://www.moeaic.gov.tw/system_external/ctrl?PRO=PubsCateLoad&lang=1).
20. Ministry of Economic Affairs, Overseas Chinese and Foreign Investment Commission (Taiwan), *Monthly Report* (August 2014). [http://www.moeaic.gov.tw/system\\_external/ctrl?PRO=PubsCateLoad&lang=1](http://www.moeaic.gov.tw/system_external/ctrl?PRO=PubsCateLoad&lang=1).
21. Philip Chen, *The Impact of the MOU and the ECFA on the Banking Sector* (Deloitte 2010). [http://www.deloitte.com/assets/Dcom-China/Local%20Assets/Documents/Firmwide/AFF%20thought%20leadership/cn\\_outlook\\_Twthought%20leadersEN\\_150110.pdf](http://www.deloitte.com/assets/Dcom-China/Local%20Assets/Documents/Firmwide/AFF%20thought%20leadership/cn_outlook_Twthought%20leadersEN_150110.pdf); Alan Romberg, "Ma at Mid-term: Challenges for Cross-Strait Relations," *China Leadership Monitor* 33 (Summer 2010). <http://media.hoover.org/sites/default/files/documents/CLM33AR.pdf>; Kerry Brown, Justin Hempson-Jones, and Jessica Pennisi, "The Economic Cooperation Framework Agreement (ECFA)," Chapter 3 in *Investment Across the Taiwan Strait*, Chatham House, November 2010; and U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of JoAnn Fan, June 5, 2014.

22. Adam Tyrsett Kuo, "NT\$42 Bil. Saved Through ECFA Early Harvest List: Ma," *China Post* (Taiwan), April 3, 2014. [http://www.chinapost.com.tw/taiwan/national/national-news/2014/04/03/404352/NT\\$42-bil.htm](http://www.chinapost.com.tw/taiwan/national/national-news/2014/04/03/404352/NT$42-bil.htm).

23. Lee Yu-hsin and Stacy Hsu, "ECFA Benefits Mostly China: Report," *Taipei Times* (Taiwan), October 2, 2012. <http://www.taipeitimes.com/News/taiwan/archives/2012/10/02/2003544180>.

24. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of JoAnn Fan, June 5, 2014; JoAnn Fan, "The Economics of the Cross-Strait Services Agreement," *Diplomat*, April 18, 2014. <http://thediplomat.com/2014/04/the-economics-of-the-cross-strait-services-agreement/>.

25. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of JoAnn Fan, June 5, 2014; Richard Chiou-Yuan Lu, "China, We Fear You," *Foreign Policy*, March 21, 2014. [http://www.foreignpolicy.com/articles/2014/03/21/china\\_we\\_fear\\_you\\_taiwan\\_trade\\_pact\\_essay](http://www.foreignpolicy.com/articles/2014/03/21/china_we_fear_you_taiwan_trade_pact_essay).

26. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of JoAnn Fan, June 5, 2014; JoAnn Fan, "The Economics of the Cross-Strait Services Agreement," *Diplomat*, April 18, 2014. <http://thediplomat.com/2014/04/the-economics-of-the-cross-strait-services-agreement/>.

27. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of JoAnn Fan, June 5, 2014.

28. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of JoAnn Fan, June 5, 2014.

29. Chen Shou-kuo and Y.F. Low, "Taiwan Hoping to Break Monopoly of Chinese, Hong Kong Travel Agents," Central News Agency (Taiwan), June 30, 2014. <http://focustaiwan.tw/news/acs/201406300013.aspx>.

30. Hsiao-Hung Pai, "Taiwan's Protestors Are Fighting for the Very Democracy of the Island," *Guardian*, March 25, 2014. <http://www.theguardian.com/comment/isfree/2014/mar/25/taiwans-protesters-democracy-china-taiwan-strait>.

31. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of Rupert Hammond-Chambers, June 5, 2014.

32. Taipei Times, "Taiwan, China Agree to Not Let Protests Curb Ties: SEF," July 31, 2014. <http://www.taipeitimes.com/News/taiwan/archives/2014/07/31/2003596333>; Lin Miao-jung and Michael Gold, "Taiwan, China to Restart Talks on Goods Free-Trade Agreement," *Reuters*, August 5, 2014. <http://www.reuters.com/article/2014/08/05/us-taiwan-china-trade-idUSKBN0G50Y120140805>; and Yang Shu-min, Milly Lin, and Elaine Hou, "Talks on Goods Trade Pact with China Slated for September 10 (Update)," Central News Agency (Taiwan), August 28, 2014. <http://focus.taiwan.tw/news/acs/201409040038.aspx>.

33. Da-Nien Liu and Hui-Tzu Shihg, *The Transformation of Taiwan's Status within the Production and Supply Chain in Asia* (The Brookings Institution, December 2013). <http://www.brookings.edu/research/opinions/2013/12/04-taiwan-production-supply-chain>; Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.

34. Tam Harbert, "Hon Hai Cornered by Own Success," *Electronics360*, September 19, 2013. <http://electronics360.globalspec.com/article/3066/hon-hai-cornered-by-own-success>; Faith Hung and Michael Gold, "Foxconn to Buy \$390 Million Stake in Taiwan Telecom Operator in 4G Push," *Reuters*, May 27, 2014. <http://news.yahoo.com/foxconn-buy-390-million-stake-taiwan-telecom-operator-071639449-finance.html>; and Jeffrey Wu, "Apple's Expanding Product Lines to Benefit Hon Hai, Largan," Central News Agency (Taiwan), February 3, 2014. <http://focustaiwan.tw/news/aeco/201402030003.aspx>.

35. Da-Nien Liu and Hui-Tzu Shihg, *The Transformation of Taiwan's Status within the Production and Supply Chain in Asia* (The Brookings Institution, December 2013). <http://www.brookings.edu/research/opinions/2013/12/04-taiwan-production-supply-chain>; U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of JoAnn Fan, June 5, 2014.

36. Hsiang-Yi Chang, "The Early Harvest List, 3 Years On," *CommonWealth Magazine*, May 2, 2014. <http://english.cw.com.tw/article.do?action=show&id=14757&offset=0>.

37. Hsiang-Yi Chang, "The Early Harvest List, 3 Years On," *CommonWealth Magazine*, May 2, 2014. <http://english.cw.com.tw/article.do?action=show&id=14757&offset=0>.
38. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>; SteelFirst, "Taiwan Imposes Anti-dumping Duties on Chinese, S Korean Stainless Imports," August 14, 2013. <http://www.steelfirst.com/Article/3243188/Taiwan-imposes-anti-dumping-duties-on-Chinese-S-Korean-stainless-imports.html>.
39. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
40. Taiwan News, "Hillary Clinton Warns against Over-Dependence on China," June 25, 2014. [http://www.taiwannews.com.tw/etn/news\\_content.php?id=2513205](http://www.taiwannews.com.tw/etn/news_content.php?id=2513205).
41. Chien-Jung Hsu, "China's Influence on Taiwan's Media," *Asia Survey* 54:3. (May/June 2014): 515–539.
42. Reporters Without Borders, *World Press Freedom Index 2014* (February 12, 2014), pp. 8, 17. [http://rsf.org/index2014/data/index2014\\_en.pdf](http://rsf.org/index2014/data/index2014_en.pdf).
43. U.S. Department of State, "U.S. Relations with Taiwan," February 12, 2014. <http://www.state.gov/r/pa/ei/bgn/35855.htm>; Office of the United States Trade Representative, "United States and Taiwan Enhance Trade Ties," April 2014. <http://www.ustr.gov/about-us/press-office/press-releases/2014/April/United-States-and-Taiwan-Enhance-Trade-Ties>; and Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
44. U.S. Census Bureau, "Top Trading Partners—July 2014," <https://www.census.gov/foreign-trade/statistics/highlights/topcurmon.html>.
45. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
46. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
47. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
48. Piin-Fen Kok and David J. Firestein, *Threading the Needle: Proposals for U.S. and Chinese Actions on Arms Sales to Taiwan* (EastWest Institute, September 2013), p. 72. [http://www.ewi.info/sites/default/files/TAS%20Final%20%2528ISSUU%20VERSION%209\\_17\\_2013%2529.pdf](http://www.ewi.info/sites/default/files/TAS%20Final%20%2528ISSUU%20VERSION%209_17_2013%2529.pdf).
49. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
50. SEMI, "The Power of Taiwan: Taiwan Semiconductor/LED/PV Market," September 2013. <http://www.semi.org/ch/sites/semi.org/files/images/TaiwanMarketInfo2013.pdf>.
51. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
52. Office of the United States Trade Representative, "Taiwan," May 9, 2014. <http://www.ustr.gov/countries-regions/china/taiwan>.
53. AgroChart, "Taiwan. Oilseeds and Products Annual. Apr 2014," April 2014. <http://www.agrochart.com/en/news/news/010514/taiwan-oilseeds-and-products-annual-apr-2014/>.
54. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
55. Bureau of Foreign Trade (Taiwan), "Trade Statistics." <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
56. American Chamber of Commerce in Taipei, *2014 Taiwan White Paper* 44:6 (June 2014): 5.
57. Ministry of Economic Affairs (Taiwan), "Former VP Vincent Siew Leads Successful High-Level Industry Delegation Visit to the United States," *U.S.-Taiwan Connect*, November 27, 2013. <http://www.ustaiwanconnect.org/Spotlight/Former-VP-Vincent-Siew-Leads-Successful-High-level-Industry-Delegation-Visit-to-the-United-States>; Leaf Chiang and Lilian Wu, "Former Vice President Calls for U.S. Investment Pact," *Central News Agency* (Taiwan), November 19, 2013. [http://www.taiwannews.com/wap/vibo/fm600/content.php?id=2348407&lang=eng\\_news&cate\\_img=logotaiwan.jpg&cate\\_rss=TAIWAN\\_eng](http://www.taiwannews.com/wap/vibo/fm600/content.php?id=2348407&lang=eng_news&cate_img=logotaiwan.jpg&cate_rss=TAIWAN_eng).
58. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of Rupert Hammond-Chambers, June 5, 2014.
59. Ministry of Economic Affairs (Taiwan), "Former VP Vincent Siew Leads Successful High-Level Industry Delegation Visit to the United States," *U.S.-Taiwan Connect*, November 27, 2013. <http://www.ustaiwanconnect.org/Spotlight/Former-VP-Vincent-Siew-Leads-Successful-High-level-Industry-Delegation-Visit-to-the-United-States>.

60. Shirley Kan and Wayne Morrison, *U.S.-Taiwan Relationship: Overview of Policy Issues* (Congressional Research Service, April 22, 2014), pp. 34–36.
61. “U.S. Secures Pledges on Data Transfers, Pharmaceuticals from Taiwan,” *China Trade Extra*, April 18, 2014. <http://chinatradeextra.com/201404182468024/China-Trade-Extra-General/Daily-News/us-secures-pledges-on-data-transfers-pharmaceuticals-from-taiwan/menu-id-428.html>.
62. “U.S. Secures Pledges on Data Transfers, Pharmaceuticals from Taiwan,” *China Trade Extra*, April 18, 2014. <http://chinatradeextra.com/201404182468024/China-Trade-Extra-General/Daily-News/us-secures-pledges-on-data-transfers-pharmaceuticals-from-taiwan/menu-id-428.html>; Office of the United States Trade Representative, “United States and Taiwan Enhance Trade Ties,” April 2014. <http://www.ustr.gov/about-us/press-office/press-releases/2014/April/United-States-and-Taiwan-Enhance-Trade-Ties>; and Tony Liao and Jeffrey Wu, “U.S. Raises Taiwan Pork Issues at WTO Meeting,” *Central News Agency* (Taiwan), September 18, 2014. <http://focustaiwan.tw/news/aeco/201409180031.aspx>.
63. Fanny Liu, “Taiwan’s Export Orders Exceed Expectations,” *Wall Street Journal*, May 20, 2014. <http://online.wsj.com/news/articles/SB10001424052702304422704579573351077620202>.
64. Bonnie S. Glaser, *Taiwan’s Quest for Greater Participation in the International Community* (Center for Strategic and International Studies, November 2013). [http://csis.org/files/publication/131121\\_Glaser\\_TaiwansQuest\\_WEB.pdf](http://csis.org/files/publication/131121_Glaser_TaiwansQuest_WEB.pdf); American Chamber of Commerce in Taipei, *2014 Taiwan White Paper* 44:6 (June 2014): 5.
65. Taipei Economic and Cultural Office, “Taiwan and South Korea, Competitors or Cooperative Partners?” *Taiwan Insights*, November 16, 2012. <http://www.taiwaninsights.com/tag/fta>; Roy Chun Lee, “The Importance of TPP for Taiwan” (Conference on The Trans-Pacific Partnership and Taiwan’s Future Development Strategy, Stanford University, October 11–12, 2013).
66. Directorate General of Budget, Accounting, and Statistics (Taiwan), “GDP: Preliminary Estimation for 2014Q2 and Outlook for 2014–15,” August 15, 2014. <http://eng.stat.gov.tw/ct.asp?xItem=36282&ctNode=2008&mp=5>.
67. Alan Romberg, “Sunshine Heats Up Taiwan Politics, Affects PRC Tactics,” *China Leadership Monitor* 44 (Summer 2014). <http://www.hoover.org/sites/default/files/research/docs/clm44ar.pdf>.
68. Bureau of Foreign Trade (Taiwan), “Trade Statistics.” <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.
69. Mignonne Man-jung Chan, *Taiwan in the Global Economic Landscape* (The Brookings Institution, March 2012). <http://www.brookings.edu/research/opinions/2012/03/12-taiwan-global-economy-chan>; Min-Hua Chiang and Bernard Gerbier, “Cross-Strait Economic Relations: Recent Development and Implications for Taiwan,” *Political Economy of Contemporary Asia* 13:1 (Spring 2013). <http://regulation.revues.org/10177>; “Taiwan Doesn’t Need China’s Consent for FTA with Malaysia: Duh,” *Want China Times* (Taiwan), August 22, 2014. <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20140822000095&cid=1101>; and Ministry of Economic Affairs (Taiwan), “Progress in Launching and Signing of FTAs between Taiwan and Its Primary Trading Partners,” January 7, 2013.
70. Namrata Hasija, “Time India Stopped Looking at Taiwan through Chinese Prism,” *South Asia Monitor*, July 11, 2014. <http://southasiamonitor.org/detail.php?type=sl&nid=8534>; Huang Chiao-wen and Elaine Hou, “Taiwan Doesn’t Need China’s Consent on FTA with Malaysia: Minister,” *Central News Agency* (Taiwan), August 21, 2014. <http://focustaiwan.tw/news/aip/201408210025.aspx>; and Ministry of Economic Affairs (Taiwan), “Progress in Launching and Signing of FTAs between Taiwan and Its Primary Trading Partners,” January 7, 2013.
71. Bernie Magkilat, *PH Not Giving Up FTA with Taiwan* (Philippine Institute for Development Studies, February 16, 2014). <http://www.pids.gov.ph/index4.php?pr=643>.
72. Kong See Hoh, “China against Malaysia-Taiwan FTA,” *Sun Daily* (Malaysia), August 20, 2014. <http://www.thesundaily.my/news/1146202>; Chen Po-ting and Tang Yu-lin, “Taiwan-Australia FTA ‘Not Impeded by Beijing, just Delayed,’” *Want China Times* (Taiwan), October 8, 2014. <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20141008000034&cid=1101>.
73. Central News Agency (Taiwan), “All FTA Talks Shelved over Service Pact Protests: Minister,” *The China Post* (Taiwan), April 22, 2014. <http://www.chinapost.com.tw/taiwan/business/2014/04/22/405923/All-FTA.htm>.
74. Kong See Hoh, “China against Malaysia-Taiwan FTA,” *Sun Daily* (Malaysia), August 20, 2014. <http://www.thesundaily.my/news/1146202>.
75. Namrata Hasija, “Time India Stopped Looking at Taiwan through Chinese Prism,” *South Asia Monitor*, July 11, 2014. <http://southasiamonitor.org/detail.php?type=sl&nid=8534>.

76. Rohit Sinha and Geethanjali Nataraj, "Regional Comprehensive Economic Partnership (RCEP): Issues and Way Forward," *Diplomat*, July 30, 2013. <http://the-diplomat.com/2013/07/regional-comprehensive-economic-partnership-rcep-issues-and-way-forward/>; *Want China Times* (Taiwan), "Taiwan's Exports Will Suffer if Regional Integration Fails," May 15, 2014. <http://www.wantchinatimes.com/news-subclass-cnt.aspx?cid=1701&MainCatID=17&id=20140515000126>.
77. Elaine Hou, "Ties with China Linked to Taiwan's TPP Bid: Official," *Central News Agency* (Taiwan), April 24, 2014. <http://focustaiwan.tw/news/aip/201404240015.aspx>; Kwei-Bo Huang, *Beyond the Cross-Strait Trade in Services Agreement: Seeking a '2014 Consensus' for Taiwan* (The Brookings Institution, April 2014). <http://www.brookings.edu/research/opinions/2014/04/30-taiwan-economic-consensus-huang>; and Alexander Bernard and Paul J. Leaf, "The U.S., TPP and Taiwan," *National Interest*, April 24, 2014. <http://nationalinterest.org/feature/the-us-tpp-taiwan-10300>.
78. Suzie Chen, "Taiwan Aims to Be a Free-Trade Island," *South China Morning Post* (Hong Kong), April 15, 2014. <http://www.scmp.com/comment/letters/article/1482500/taiwan-aims-be-free-trade-island>.
79. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of Rupert Hammond-Chambers, June 5, 2014.
80. Chris Wang, "Sunflower Leaders to Form New Activist Organization," *Taipei Times*, May 19, 2014. <http://www.taipetimes.com/News/front/archives/2014/05/19/2003590698>.
81. J. Michael Cole, *Sunflowers in Springtime: Taiwan's Crisis and the End of an Era in Cross-Strait Cooperation* (Jamestown Foundation, China Brief, April 9, 2014). [http://www.jamestown.org/single/?tx\\_ttnews%5Btt\\_news%5D=42209&no\\_cache=1#.VAnLYPldWSo](http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=42209&no_cache=1#.VAnLYPldWSo).
82. Shih Hsiu-chuan, "DPP Service Pact Review a 'Trick': KMT," *Taipei Times*, March 9, 2014. <http://www.taipetimes.com/News/taiwan/archives/2014/03/09/2003585231>; Loia Lok-sin, "Legislative Review Descends into Chaos," *Taipei Times*, March 13, 2014. <http://www.taipetimes.com/News/front/archives/2014/03/13/2003585519>.
83. Austin Ramzy, "Large Crowds Fill Taipei Streets in Protest over China Trade Bill," *New York Times*, March 30, 2014. <http://sinosphere.blogs.nytimes.com/2014/03/30/large-crowds-fill-taipei-streets-in-protest-over-china-trade-bill/>.
84. J. Michael Cole, *Sunflowers in Springtime: Taiwan's Crisis and the End of an Era in Cross-Strait Cooperation* (Jamestown Foundation, China Brief, April 9, 2014). [http://www.jamestown.org/programs/chinabrief/single/?tx\\_ttnews%5Btt\\_news%5D=42209&tx\\_ttnews%5BbackPid%5D=25&cHash=1dd7324920ebfb85fd56abf50878d5fe#.VEaouPnF-So](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=42209&tx_ttnews%5BbackPid%5D=25&cHash=1dd7324920ebfb85fd56abf50878d5fe#.VEaouPnF-So); Austin Ramzy, "Large Crowds Fill Taipei Streets in Protest over China Trade Bill," *New York Times*, March 30, 2014. <http://sinosphere.blogs.nytimes.com/2014/03/30/large-crowds-fill-taipei-streets-in-protest-over-china-trade-bill/>; Hsiao-Hung Pai, "Taiwan's Protesters Are Fighting for the Very Democracy of the Island," *Guardian*, March 25, 2014. <http://www.theguardian.com/commentisfree/2014/mar/25/taiwans-protesters-democracy-china-taiwan-strait>.
85. Jonathan Kaiman, "Taiwan Protesters to End Occupation of Legislature," *Guardian*, April 8, 2014. <http://www.theguardian.com/world/2014/apr/08/taiwan-protesters-end-occupation-legislature-china-trade>.
86. David Brown and Kevin Scott, "China-Taiwan Relations: A Breakthrough and a Deadlock," *Comparative Connections* 16:1 (May 2014): 5. [http://csis.org/files/publication/1401qchina\\_taiwan\\_0.pdf](http://csis.org/files/publication/1401qchina_taiwan_0.pdf).
87. Office of the President (Taiwan), "President Ma's Remarks on the Cross-Strait Trade in Services Agreement," March 23, 2014. <http://english.president.gov.tw/Default.aspx?tabid=491&itemid=31967&rmid=2355>.
88. Alan Romberg, "Sunshine Heats Up Taiwan Politics, Affects PRC Tactics," *China Leadership Monitor* Summer 2014: 44 (July 2014): 2.
89. J. Michael Cole, "324: Police Brutality or Commensurate Response?" *China Policy Institute Blog*, March 27, 2014. <http://blogs.nottingham.ac.uk/chinapolicyinstitute/2014/03/27/324-police-brutality-or-commensurate-response/>.
90. John Scot Feng, "Activist Profiles: The Leaders of the Sunflower Student Movement," *Central News Agency* (Taiwan), March 31, 2014. <http://focustaiwan.tw/news/aip/201403310016.aspx>.
91. Austin Ramzy, "Concession Offered, Taiwan Group to End Protest of China Trade Pact," *New York Times*, April 7, 2014. <http://www.nytimes.com/2014/04/08/world/asia/concession-offered-taiwan-group-to-end-protest-of-china-trade-pact.html>.
92. Wen Kuei-hsiang and Frances Huang, "Talks on Trade-In-Goods Pact With China Postponed," *Central News Agency* (Taiwan), May 8, 2014. <http://focustaiwan.tw/news/aeco/201405080011.aspx>.

93. Yin Chun-chie and Christie Chen, "Cross-Strait Talks Unaffected by Sunflower Movement: SEF Head," Central News Agency (Taiwan), July 29, 2014. <http://focustaiwan.tw/news/acs/201407290036.aspx>.

94. Yang Shu-min, Milly Lin, and Elaine Hou, "Talks on Goods Trade Pact with China Slated for September 10 (Update)," Central News Agency (Taiwan), August 28, 2014. <http://focustaiwan.tw/news/acs/201409040038.aspx>.

95. Lawrence Chung, "We're Listening, Xi Jinping Says to Taiwan," May 8, 2014, *South China Morning Post* (Hong Kong). <http://www.scmp.com/news/china/article/1507001/were-listening-xi-jinping-says-taiwan>; Jenny W. Hsu, "China Official Makes Rare Cross-Strait Trip in Effort to Forge Ties With Taiwan," *Wall Street Journal*, June 26, 2014. <http://online.wsj.com/articles/china-aims-ease-tensions-with-taiwanese-1403706355?cb=logged0.7325867088511586>.

96. Jenny W. Hsu, "China Official Makes Rare Cross-Strait Trip in Effort to Forge Ties with Taiwan," *Wall Street Journal*, June 26, 2014. <http://online.wsj.com/articles/china-aims-ease-tensions-with-taiwanese-1403706355?cb=logged0.7325867088511586>; Chen Binhua, Liu Gang, and Chen Jun, "One Step Across 65 Years. Cross-Strait Relations Enters a New Situation. A Look Back at Taiwan Affairs Office Director Zhang Zhijun's First Visit to Taiwan," Xinhua (Chinese edition), June 29, 2014. [http://news.xinhuanet.com/tw/2014-06/29/c\\_126686539.htm](http://news.xinhuanet.com/tw/2014-06/29/c_126686539.htm).

97. Jenny W. Hsu, "China Official Cancels Appearances after Protests in Taiwan," *Wall Street Journal*, June 29, 2014. <http://online.wsj.com/articles/china-official-cancels-appearances-after-protests-in-taiwan-1403938722>; Reuters, "Mainland Official Zhang Zhijun Shrugs off Violent Protests During Taiwan Visit," *South China Morning Post* (Hong Kong), July 1, 2014. <http://www.scmp.com/news/china/article/1544241/mainland-official-zhang-zhijun-shrugs-violent-protests-during-taiwan>.

98. Faith Hung, "China Official Met by Protests, Says Respects Taiwan's Choices," Reuters, June 27, 2014. <http://www.reuters.com/article/2014/06/27/us-china-taiwan-idUSKBN0F209K20140627>.

99. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of JoAnn Fan, June 5, 2014; U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of Rupert Hammond-Chambers, June 5, 2014.

100. Jenny W. Hsu, "Taiwan Groups See Red Flag in Hong Kong Election Ruling," *Wall Street Journal*, August 31, 2014. <http://online.wsj.com/articles/taiwan-groups-see-red-flag-in-hong-kong-election-ruling-1409509200>.

101. National Tsing Hua University Student Association, "Support Hong Kong's Student Movement. Campus Democracy Joint Action." <https://sites.google.com/site/hongkongstudentprotest/home?previewAsViewer=1>.

102. Liu Chien-pang and Lilian Wu, "Taiwanese Civic Groups End Protest outside Hong Kong Office," Central News Agency (Taiwan), September 29, 2014. <http://focustaiwan.tw/news/aip/201409290027.aspx>.

103. James Yu, "Taiwan's Perspective," *New York Times*, October 8, 2014. <http://www.nytimes.com/2014/10/09/opinion/taiwans-perspective.html?ref=opinion&r=0>.

104. Mainland Affairs Council (Taiwan), "Cross-Strait Agreements." <http://www.mac.gov.tw/ct.asp?xItem=67145&CtNode=57110&mp=1>. Staff translation.

105. Zhai Sijia, "Wang Yu-chi: Cross-Strait Official Contact Is More Institutionalized," Central News Agency (Taiwan), February 11, 2014. <http://www.cna.com.tw/news/aip/201402110427-1.aspx>. Staff translation.

106. "Ma Xiaoguang Reads Zhang-Wang Meeting Consensus, Major Initiatives," *China Review News* (Hong Kong), February 12, 2014. <http://hk.crntt.com/crn-webapp/doc/docDetailCNML.jsp?coluid=7&kindid=0&docid=103017269>. Staff translation.

107. Mainland Affairs Council (Taiwan), "Heads of Competent Authorities for Cross-Strait Affairs Successfully Hold First Meeting, Setting an Important Milestone for the Benign Development, Pragmatism and Progress of Cross-Strait Relations," February 11, 2014. <http://www.mac.gov.tw/ct.asp?xItem=107565&ctNode=6337&mp=3>. Staff translation; Chen Binhua, Zhang Zhanpeng, Ji Xianghui, "Zhang Zhijun and Wang Yuchi Meet and Reach Positive Consensus," Xinhua (Chinese edition), February 11, 2014. [http://news.xinhuanet.com/tw/2014-02/11/c\\_119288847.htm](http://news.xinhuanet.com/tw/2014-02/11/c_119288847.htm). Staff translation.

108. Zhai Sijia, "Wang Yu-chi: Zhang Zhijun Plans to Visit during the First Half of the Year," Central News Agency (Taiwan), February 17, 2014. <http://www.cna.com.tw/news/acn/201402170294-1.aspx>. Staff translation.

109. "Wang Yu-chi: The Two Sides of the Strait Reach Consensus on Humanitarian Visits for Reciprocal Institutions," *Radio Taiwan International*, March 27, 2014. <http://news.rti.org.tw/news/detail?recordId=96576>. Staff translation.

110. Chris Wang, "DPP Lawmakers Criticize Wu-Xi Meeting," *Taipei Times*, June 14, 2013. <http://www.taipeitimes.com/News/front/archives/2013/06/14/2003564750>.

111. Sigrid Winkler, *Taiwan's UN Dilemma: To Be or Not to Be* (The Brookings Institution, June 2012). <http://www.brookings.edu/research/opinions/2012/06/20-taiwan-un-winkler>; Steve Charnovitz, "Taiwan's WTO Membership and Its International Implications," George Washington University Law School, 2006. [http://scholarship.law.gwu.edu/cgi/viewcontent.cgi?article=1436&context=faculty\\_publications](http://scholarship.law.gwu.edu/cgi/viewcontent.cgi?article=1436&context=faculty_publications); Taipei Times, "Interpol Non-Membership Causing Fugitive Problems," February 10, 2007. <http://www.taipetimes.com/News/taiwan/archives/2007/02/10/20033v484v00>; U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of Rupert Hammond-Chambers, June 5, 2014; and Bonnie S. Glaser, *Taiwan's Quest for Greater Participation in the International Community* (Center for Strategic and International Studies, November 2013). [http://csis.org/files/publication/131121\\_Glaser\\_TaiwansQuest\\_WEB.pdf](http://csis.org/files/publication/131121_Glaser_TaiwansQuest_WEB.pdf).
112. Kent Wang, "Taiwan and the UN Climate Change Framework," *Diplomat*, December 6, 2013. <http://thediplomat.com/2013/12/taiwan-and-the-un-climate-change-framework/>.
113. The Earth Institute at Columbia University, "Risk Analysis Reports over Half of World's Population Exposed to One or More Major Natural Hazards," March 29, 2005. <http://www.earth.columbia.edu/news/2005/story03-29-05.html>.
114. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of Vincent Wei-cheng Wang, June 5, 2014.
115. Kin Moy, "Trends in the U.S.-Taiwan Relationship" (Cross-Strait Developments in 2013: New Trends and Prospects, Washington, DC, October 3, 2013).
116. *Taipei Times*, "Taiwan Invited to WHA as Observer," April 16, 2014. <http://www.taipetimes.com/News/front/archives/2014/04/16/2003588134>.
117. *China Post* (Taiwan), "President-Elect Ma Calls for 'Diplomatic Truce' with China," May 11, 2008. <http://www.chinapost.com.tw/taiwan/china-taiwan-relations/2008/05/11/155861/p1/President-elect-Ma.htm>; Office of the President (Taiwan), "Viable Diplomacy." <http://www.president.gov.tw/Default.aspx?tabid=1077>. Staff translation.
118. Angela Tsai and Scully Hsiao, "Gambian Aid Request Linked to Broken Ties with Taiwan: Minister," Central News Agency (Taiwan), November 25, 2013. <http://focustaiwan.tw/search/201311250017.aspx?q=gambia>.
119. Sidi Sanneh, "Banjul-Taipei Diplomatic Rupture," *Sidi Sanneh* (Blog), November 14, 2013. <http://sidisanneh.blogspot.com/2013/11/banjul-taipei-diplomatic-rupture.html>.
120. Lucy Hornby and Luc Cohen, "No Ties? No Problem as China Courts Taiwan's Remaining Allies," Reuters, August 6, 2013. <http://www.reuters.com/article/2013/08/06/us-china-centralamerica-idUSBRE97514C20130806>.
121. Reuters, "China to Open Mission with Tiny Sao Tome, Despite Its Taiwan Links," November 14, 2013. <http://www.reuters.com/article/2013/11/14/us-china-saotome-idUSBRE9AD0CJ20131114>; Hsieh Chia-chen and Lilian Wu, "Taiwan Perturbed by Sao Tome and Principe President's Visit to China," Central News Agency (Taiwan), June 6, 2014. <http://focustaiwan.tw/news/aip/201406060014.aspx>.
122. U.S.-Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of Ian Easton, June 5, 2014.
123. U.S.-Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of Ian Easton, June 5, 2014.
124. U.S. Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2014*, June 2014, pp. 77–78.
125. International Institute for Strategic Studies, *Military Balance 2014* (London, UK: Routledge, 2014), pp. 281–282.
126. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of William Murray, June 5, 2014.
127. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of William Murray, June 5, 2014; Dennis M. Gormley, Andrew S. Erickson, and Jingdong Yuan, *A Low-Visibility Force Multiplier: Assessing China's Cruise Missile Ambitions* (Washington, DC: National Defense University Press, April 2014), p. 81.
128. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of William Murray, June 5, 2014.

129. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of William Murray, June 5, 2014.

130. U.S.-China Economic and Security Review Commission, *Hearing on China's Emergent Military Aerospace and Commercial Aviation Capabilities*, testimony of Mark Stokes, May 20, 2010.

131. U.S.-China Economic and Security Review Commission, *Hearing on Taiwan-China: Recent Economic, Political and Military Developments across the Strait and Implications for the United States*, testimony of Mark Stokes, March 10, 2010.

132. Jeremy Page, "China Raises Defense Spending 12.2% for 2014," *Wall Street Journal*, March 5, 2014. <http://online.wsj.com/news/articles/SB10001424052702304732804579421021045941010>; Shirley Kan, *Taiwan: Major U.S. Arms Sales since 1990* (Congressional Research Service, June 13, 2014), p. 34.

133. Shirley Kan, *Taiwan: Major U.S. Arms Sales since 1990* (Congressional Research Service, June 13, 2014), p. 34.

134. Mainland Affairs Council (Taiwan), "Public Opinion on Cross-Strait Relations in the Republic of China: Beijing's Hostility toward ROC," March 22, 2013. <http://www.mac.gov.tw/public/Attachment/392314564819.gif>.

135. Oliver Bräuner, "How Europe Shies from Taiwan," *Diplomat*, March 20, 2012. <http://thediplomat.com/2012/03/how-europe-shies-from-taiwan/>.

136. J. Michael Cole, "Taiwan Unveils 'Wan Chien' Air-To-Ground Cruise Missile," *Diplomat*, January 17, 2014. <http://thediplomat.com/2014/01/taiwan-unveils-wan-chien-air-to-ground-cruise-missile/>; Gavin Phipps, "Taiwan Unveils Upgraded IDF, Wan Chien Stand-Off Missile," *Jane's*, January 15, 2014. <http://www.janes.com/article/32443/taiwan-unveils-upgraded-idf-wan-chien-stand-off-missile>.

137. Zhu Ming, "Locked on to the Liaoning, Extended-Range Hsiung-Feng 3 Missile to Begin Production," *Storm Media Group* (Taiwan), February 23, 2014. <http://www.stormmediagroup.com/opencms/investigate/detail/28b23ab6-9b73-11e3-ae7e-ef2804cba5a1/?uuid=28b23ab6-9b73-11e3-ae7e-ef2804cba5a1Open>; J. Michael Cole, "Taiwan Unveils Road-Mobile 'Carrier Killer' Launcher," *Diplomat*, August 16, 2013. <http://thediplomat.com/2013/08/taiwan-unveils-road-mobile-carrier-killer-launcher/>.

138. J. Michael Cole, "Taiwan Unveils Road-Mobile 'Carrier Killer' Launcher," *Diplomat*, August 16, 2013. <http://thediplomat.com/2013/08/taiwan-unveils-road-mobile-carrier-killer-launcher/>.

139. Ridzwan Rahmat, "Taiwan Launches First 'Carrier Killer' Stealth Missile Corvette," March 13, 2014. <http://www.janes.com/article/35351/taiwan-launches-first-carrier-killer-stealth-missile-corvette>.

140. Claudia Liu and Jay Chen, "Taiwan's First 'Aircraft Carrier Killer' Delivered," Central News Agency (Taiwan), March 14, 2014. <http://focustaiwan.tw/news/aip/201403140004.aspx>.

141. James Holmes, "Taiwan's Navy Gets Stealthy," *Diplomat*, April 30, 2012. <http://thediplomat.com/2012/04/30/taiwan%E2%80%99s-navy-gets-stealthy/>; J. Michael Cole, "'Carrier Killer' Program Goes Ahead," *Taipei Times*, April 28, 2012. <http://www.taipetimes.com/News/taiwan/archives/2012/04/28/2003531472>.

142. Claudia Liu and Sofia Wu, "Taiwan Developing Weapons Capable UAV," Central News Agency (Taiwan), December 6, 2013. <http://focustaiwan.tw/news/aip/201312060012.aspx>.

143. Luo Tianbin, "Taiwan's UAVs Conduct Reconnaissance on China," *Liberty Times* (Taiwan), July 13, 2014. <http://news.ltn.com.tw/news/politics/paper/795567>. Staff translation; Zackary Keck, "Taiwan's Using Drones to Spy on China," *Diplomat*, July 13, 2014. <http://thediplomat.com/2014/07/taiwans-using-drones-to-spy-on-china/>.

144. Tang Pei-chun and Jeffrey Wu, "U.S. Delivery of P-3C Aircraft to Taiwan on Schedule: Military," Central News Agency (Taiwan), February 5, 2014. <http://focustaiwan.tw/news/aip/201402050027.aspx>.

145. Rich Chang, "Han Kuang War Games to Focus on Invasion: Ministry," *Taipei Times*, April 23, 2014. <http://www.taipetimes.com/News/taiwan/archives/2014/04/23/2003588694>; Gavin Phipps, "Taiwan Debuts New Kit at 'Han Kuang' Drills," *Jane's*, September 19, 2014. <http://www.janes.com/article/43297/taiwan-debuts-new-kit-at-han-kuang-drills>.

146. U.S.-Taiwan Business Council, *Defense and Security Report: Annual Review 2012* (U.S.-Taiwan Business Council, January 1, 2013), p. 22; "First Six AH-64E Apache Attack Helicopters Arrive," *Taipei Times*, November 5, 2013. <http://www.taipetimes.com/News/taiwan/archives/2013/11/05/2003576198>.

147. "First Six AH-64E Apache Attack Helicopters Arrive," *Taipei Times*, November 5, 2013. <http://www.taipetimes.com/News/taiwan/archives/2013/11/05/2003576198>; Army Technology.com, "Taiwanese Army Receives Third Apache Batch from US," March 20, 2014. <http://www.army-technology.com/news/newstaiwanese-army-receives->

*third-apache-batch-from-us-4200309*; and Central News Agency (Taiwan), "Test Flights of Six More Apache Helicopters in Taiwan," August 31, 2014. <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20140831000022&cid=1101>.

148. J. Michael Cole, "Taiwan Showcases AH-64E Apache Guardian Helicopters," *Diplomat*, December 14, 2013. <http://thediplomat.com/2013/12/taiwan-showcases-ah-64e-apache-guardian-helicopters/>.

149. Zhu Ming, "Han Kuang Simulation. European Bison Attacks Taipei," *Storm Media Group* (Taiwan), May 23, 2014. <http://www.stormmediagroup.com/opencms/news/detail/814ad916-e26f-11e3-9580-ef2804cba5a1?uuid=814ad916-e26f-11e3-9580-ef2804cba5a1>. Staff translation; J. Michael Cole, "Taiwan Showcases AH-64E Apache Guardian Helicopters," *Diplomat*, December 14, 2013. <http://thediplomat.com/2013/12/taiwan-showcases-ah-64e-apache-guardian-helicopters/>.

150. Shirley Kan, *Taiwan: Major U.S. Arms Sales since 1990* (Congressional Research Service, March 14, 2013), p. 25.

151. Wendell Minnick and Aaron Mehta, "Taiwan Faces Tough Choices after US Cancels F-16 Upgrade," *Defense News*, March 8, 2014. <http://www.defensenews.com/article/20140308/DEFREG03/303080020/Taiwan-Faces-Tough-Choices-After-US-Cancels-F-16-Upgrade>; Chen Jiaqi and Wang Jionghua, "U.S. Cuts Military Budget. It is Feared Taiwan's F-16's Will be Hard to Upgrade," *Apple Daily* (Taiwan), March 10, 2014. <http://www.appledaily.com.tw/appledaily/article/international/20140310/35690353/>. Staff translation.

152. Kelven Huang and Elizabeth Hsu, "Taiwan Still Hoping to Buy F-35 Fighters from U.S.: Defense Official," Central News Agency (Taiwan), August 19, 2014. <http://focustaiwan.tw/news/aip/201408190034.aspx>.

153. Aries Poon, Eva Dou, and Fanny Liu, "Taiwan Cuts Back Order for Second-hand U.S. Warships: Budget Concerns Trump Fears of China's Growing Military Clout," *Wall Street Journal*, April 15, 2014. <http://online.wsj.com/news/articles/SB10001424052702303887804579501254256746972>.

154. Rogge Chen and Jay Chen, "Taiwan to Buy Two U.S. Frigates," Central News Agency (Taiwan), May 20, 2013. <http://focustaiwan.tw/news/aip/201305200036.aspx>; Wendell Minnick, "Taiwan Looks to Buy Two Perry Class Frigates from U.S.," *Defense News*, March 16, 2012. <http://minnickarticles.blogspot.com/2012/10/taiwan-looks-to-buy-2-perry-class.html>.

155. "A Bill To Provide for the Transfer of Naval Vessels to Certain Foreign Recipients, And for Other Purposes," S. 1683, 113th Congress, 1st Session. November 14, 2013.

156. Jason Pan, "Military Unveils Plan to Construct New Submarines," *Taipei Times*, October 1, 2014. <http://www.taipetimes.com/News/taiwan/archives/2014/10/01/2003601004>.

157. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of Ian Easton, June 5, 2014.

158. Rich Chang, "Han Kuang War Games to Focus on Invasion: Ministry," *Taipei Times*, April 23, 2014. <http://www.taipetimes.com/News/taiwan/archives/2014/04/23/2003588694>; Fu S. Mei, "Taiwan's Defense Transformation and Challenges Under Ma Ying-Jeou" (Jamestown Foundation, China Brief, April 22, 2011). [http://www.jamestown.org/programs/chinabrief/single/?tx\\_ttnews%5Btt\\_news%5D=37838&tx\\_ttnews%5BbackPid%5D=25&cHash=183b175e8af7574c0a1645d6c2912560#.VCwYjflDWS0](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=37838&tx_ttnews%5BbackPid%5D=25&cHash=183b175e8af7574c0a1645d6c2912560#.VCwYjflDWS0).

159. U.S.-Taiwan Business Council, *Defense and Security Report: Annual Review 2012* (U.S.-Taiwan Business Council, January 2013), p. 17; Katherine Wei, "Military's Budget Should Favor Weapons over Recruitment: DPP," *China Post* (Taiwan), May 9, 2013; Ministry of National Defense (Taiwan), *National Defense Report*, October 27, 2009. Open Source Center ID: CPP20091027312001.

160. Joseph Yeh, "Plans for Downsizing of Military Not Yet Finalized: MND," *China Post* (Taiwan), May 29, 2014. <http://www.chinapost.com.tw/taiwan/national/national-news/2014/05/29/408853/Plans-for.htm>.

161. Claudia Liu and Jay Chen, "Size of Taiwan's Armed Forces to Be Cut Further," *Central News Agency* (Taiwan), January 20, 2014. <http://focustaiwan.tw/news/aip/201401200030.aspx>.

162. Ministry of National Defense (Taiwan), *National Defense Report 2013*, October 2013, p. 151; Ministry of National Defense (Taiwan), 2013 *Quadrennial Defense Review*, March 2013, p. 59.

163. J. Michael Cole, "Taiwan's All-Volunteer Military 'Vision or Nightmare?'," *Diplomat*, July 9, 2013. <http://thediplomat.com/2013/07/taiwans-all-volunteer-military-vision-or-nightmare/1/>.

164. Ministry of National Defense (Taiwan), *National Defense Report 2013*, October 2013, pp. 152-153.

165. Hsieh Chia-chen and Maia Huang, "Taiwan to Dispatch Navy Vessel to Deliver Supplies to the Philippines," Central News Agency (Taiwan), November 24, 2013. <http://focustaiwan.tw/news/asoc/201311240015.aspx>; Emerson Lim, Pan Chi-i and Y.F. Low, "ROC Naval Ship Reaches Philippines with Relief Supplies," Central News Agency (Taiwan), November 29, 2013. <http://focustaiwan.tw/news/aip/201311290011.aspx>.

166. Ministry of Foreign Affairs (Taiwan), "Love and Empathy Transcend Boundaries: Relief Aid Extended by the Republic of China to the Philippines in Wake of Typhoon Haiyan." <http://www.mofa.gov.tw/Upload/WebArchive/1304/8cdc1037-5708-4eb2-8f82-c33d8c006c6f.PDF>.

167. Kelven Huang and S.C. Chang, "Taiwan Ships, Aircraft Drill inside China's ADIZ in East China Sea," Central News Agency (Taiwan), February 26, 2014. <http://focustaiwan.tw/news/aip/201402260023.aspx>.

168. Gavin Phipps and James Hardy, "Taiwan Holds Biggest Spratly Islands Drill in 15 Years," *Jane's*, April 29, 2014. <http://www.janes.com/article/37245/taiwan-holds-biggest-spratly-islands-drill-in-15-years>; "Seven Military Ships and 20 Amphibious Assault Vehicles Attack Taiping Island. 'Territorial Defense Campaign' Declares Sovereignty," *ettoday.net*, April 28, 2014. <http://www.ettoday.net/news/20140428/351355.htm>. Staff translation; and Zachary Keck, "Taiwan Holds Largest South China Sea Military Drill Since 2000," *Diplomat*, May 7, 2014. <http://thediplomat.com/2014/05/taiwan-holds-largest-south-china-sea-military-drill-since-2000/>.

169. Liu Chien-pang and Christie Chen, "Taiping Island Pier to Be Completed by 2015," Central News Agency (Taiwan), October 6, 2014. <http://focustaiwan.tw/news/aip/201410060007.aspx>; Zachary Keck, "Taiwan Holds Largest South China Sea Military Drill Since 2000," *Diplomat*, May 7, 2014. <http://thediplomat.com/2014/05/taiwan-holds-largest-south-china-sea-military-drill-since-2000/>; Taiwan Area National Freeway Bureau, "Introduction to Nansha Taiping Island Transportation Infrastructure Project." <http://www.freeway.gov.tw/Upload/Html/201471595/page03.html>.

170. Joseph Yeh, "MND to Kick Off War Games with China's First Carrier in Mind," *China Post* (Taiwan), May 19, 2014. <http://www.chinapost.com.tw/taiwan/national/national-news/2014/05/19/408074/MND-to.htm>.

171. Gavin Phipps, "Taiwan Debuts New Kit at 'Han Kuang' Drills," *Jane's*, September 19, 2014. <http://www.janes.com/article/43297/taiwan-debuts-new-kit-at-han-kuang-drills>.

172. Commission staff interview with a member of multiple U.S. Pacific Command observation teams, August 29, 2014.

173. J. Michael Cole, "Chinese Surveillance Aircraft Enter Taiwan's Airspace," *Diplomat*, August 27, 2014. <http://thediplomat.com/2014/08/chinese-surveillance-aircraft-enter-taiwans-airspace/>; Julian Ku, "Dear News Agencies of the World: China Did Not Breach Taiwan's Airspace, Just Its ADIZ," *Opinio Juris* (Blog), August 27, 2014. [http://opiniojuris.org/2014/08/27/dear-news-agencies-world-air-defense-identification-zones-territorial-airspace/?utm\\_source=rss&utm\\_medium=utm\\_campaign=dear-news-agencies-world-air-defense-identification-zones-territorial-airspace](http://opiniojuris.org/2014/08/27/dear-news-agencies-world-air-defense-identification-zones-territorial-airspace/?utm_source=rss&utm_medium=utm_campaign=dear-news-agencies-world-air-defense-identification-zones-territorial-airspace).

174. J. Michael Cole, "Chinese Surveillance Aircraft Enter Taiwan's Airspace," *Diplomat*, August 27, 2014. <http://thediplomat.com/2014/08/chinese-surveillance-aircraft-enter-taiwans-airspace/>.

175. Ministry of National Defense (Taiwan), *National Defense Report 2013*, October 2013, p. 70.

176. Ministry of National Defense (Taiwan), *National Defense Report 2013*, October 2013, p. 70.

177. Lo Tien-pin and Jake Chung, "Defense Ministry Increases Budget for Cyber Warfare," *Taipei Times*, September 3, 2012. <http://www.taipeitimes.com/News/taiwan/archives/2012/09/03/2003541852>; Paul Nash, "Taipei's Cyberwarfare Gambit," *Diplomatic Courier*, November 28, 2012. <http://www.diplomaticcourier.com/news/regions/asia/224-taipei-s-cyberwarfare-gambit>; *China Post* (Taiwan), "Lawmakers to Inspect New Cyber Warfare Unit," May 30, 2013. <http://www.chinapost.com.tw/taiwan/national/national-news/2013/05/30/379919/Lawmakers-to.htm>; and Lin Nansen, "Taiwan Military Cyber Unit Revealed for the First Time to Legislators," BBC (Chinese edition), May 31, 2013. [http://www.bbc.co.uk/zhongwen/trad/china/2013/05/130531\\_tw\\_cyberwar\\_unit\\_byjameslin.shtml](http://www.bbc.co.uk/zhongwen/trad/china/2013/05/130531_tw_cyberwar_unit_byjameslin.shtml). Staff translation.

178. Tourism Bureau (Taiwan), "Visitor Arrivals by Residence, 2013." [http://admin.taiwan.net.tw/statistics/year\\_en.aspx?no=15](http://admin.taiwan.net.tw/statistics/year_en.aspx?no=15); Tourism Bureau (Taiwan), "Visitor Arrivals by Residence, 2008." [http://admin.taiwan.net.tw/statistics/File/200812/table02\\_2008.pdf](http://admin.taiwan.net.tw/statistics/File/200812/table02_2008.pdf).

179. Rich Chang, "Former Lieutenant Guilty of Spying," *Taipei Times*, March 2, 2013. <http://www.taipeitimes.com/News/taiwan/archives/2013/03/02/2003556087>;

J. Michael Cole, "Former Officer Gets 12 Life Terms in China Spy Case," *Taipei Times*, February 7, 2013. <http://www.taipeitimes.com/News/taiwan/archives/2013/02/07/2003554439/1>; United Daily News, "A Reproduction of the Luo Xianzhe Case? High-ranking Navy Officers Suspected of Leaking Secrets to Communist China," February 4, 2013. [http://news.rti.org.tw/index\\_newsContent.aspx?nid=404528](http://news.rti.org.tw/index_newsContent.aspx?nid=404528). Staff translation; *China Post* (Taiwan), "Ex-Air Force Major Given 20 Years for Info Leak," April 29, 2014. <http://www.chinapost.com.tw/taiwan/national/national-news/2014/04/29/406476/Ex-Air-Force.htm>; and Jason Pan, "Retired Colonel Detained on Spying Charges," *Taipei Times*, September 24, 2014. <http://www.taipeitimes.com/News/taiwan/archives/2014/09/24/2003600462>.

180. Agence France-Presse, "Taiwan Air Force Major Jailed for Spying for China," April 28, 2014. <http://www.defensenews.com/article/20140428/DEFREG03/304280015/Taiwan-Air-Force-Major-Jailed-Spying-China>; Pin-Fen Kok and David J. Firestein, *Threading the Needle: Proposals for U.S. and Chinese Actions on Arms Sales to Taiwan* (EastWest Institute, September 2013), p. 76. [http://www.ewi.info/sites/default/files/TAS%20Final%20%2528ISSUU%20VERSION%209\\_17\\_2013%2529.pdf](http://www.ewi.info/sites/default/files/TAS%20Final%20%2528ISSUU%20VERSION%209_17_2013%2529.pdf).

181. Ministry of National Defense (Taiwan), *National Defense Report 2013*, October 2013, pp. 157–158.

182. Lin Nansen, "Taiwan Military Says Overseas Personnel All Pass Polygraph," BBC (Chinese edition), November 5, 2012. [http://www.bbc.co.uk/zhongwen/trad/chinese\\_news/2012/11/121105\\_twchinaspy\\_byjames.shtml](http://www.bbc.co.uk/zhongwen/trad/chinese_news/2012/11/121105_twchinaspy_byjames.shtml). Staff translation.

183. J. Michael Cole, "A Defection to China and the Threat to National Security," *Thinking Taiwan*, May 23, 2014. <http://thinking-taiwan.com/a-defection-to-china/>; *Want China Times* (Taiwan), "Top Taiwanese Scientist Chen Kun-shan Defects to China," May 24, 2014. <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20140524000026&cid=1103>.

184. Zhou Meihong and Luo Tianbin, "Satellite Remote Sensing Expert Quits Position and Joins China," *Liberty Times* (Taiwan), May 23, 2014. <http://news.ltn.vcom.tw/news/focus/paper/781372>. Staff translation.

185. J. Michael Cole, "A Defection to China and the Threat to National Security," *Thinking Taiwan*, May 23, 2014. <http://thinking-taiwan.com/a-defection-to-china/>.

186. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of Ian Easton, June 5, 2014.

187. House Foreign Affairs Committee, *Hearing on the Promise of the Taiwan Relations Act*, testimony of Kin Moy, March 14, 2014; Senate Committee on Foreign Relations Subcommittee on East Asian and Pacific Affairs, *Hearing on Evaluating U.S. Policy on Taiwan on the 35th Anniversary of the Taiwan Relations Act*, testimony of Daniel Russel, April 3, 2014; and Ma Ying-jeou, "A Video Conference with His Excellency President Ma Ying-jeou, Rep. Mario Diaz-Balart, and Dr. Paul Wolfowitz," April 9, 2014. [http://csis.org/files/attachments/140409\\_Ma\\_Videoconference\\_transcript.pdf](http://csis.org/files/attachments/140409_Ma_Videoconference_transcript.pdf).

188. Joseph Yeh, "US EPA Chief Praises ROC's Environmental Protection Successes," *China Post* (Taiwan), April 15, 2014. <http://www.chinapost.com.tw/taiwan/foreign-affairs/2014/04/15/405373/p1/US-EPA.htm>.

189. Gina McCarthy, "Remarks by Administrator Gina McCarthy of the U.S. Environmental Protection Administration" (National Taiwan University, Taipei, Taiwan, April 14, 2014).

190. U.S. Environmental Protection Agency, "Collaboration with Environmental Protection Administration Taiwan (EPAT)." <http://www2.epa.gov/international-cooperation/collaboration-environmental-protection-administration-taiwan-epat#programs>.

191. Kerry Dumbaugh, *Underlying Strains in Taiwan-U.S. Political Relations* (Congressional Research Service, April 20, 2007), p. 7.

192. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of Rupert Hammond-Chambers, June 5, 2014.

193. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of Rupert Hammond-Chambers, June 5, 2014; U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of Vincent Wei-cheng Wang, June 5, 2014.

194. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of Vincent Wei-cheng Wang, June 5, 2014.

195. Ministry of National Defense (Taiwan), "U.S. Agrees to Taiwan F-16A/B Retrofit," September 21, 2011. <http://www.mnd.gov.tw/Publish.aspx?cnid=67&p=49539>.

196. Senate Committee on Foreign Relations Subcommittee on East Asian and Pacific Affairs, *Hearing on Evaluating U.S. Policy on Taiwan on the 35th Anniversary of the Taiwan Relations Act*, written testimony of Randall Schriver, April 3, 2014.

197. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of David Firestein, June 5, 2014.

198. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of David Firestein, June 5, 2014.

199. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of Ian Easton, June 5, 2014.

200. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of Ian Easton, June 5, 2014.

201. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of Ian Easton, June 5, 2014.

202. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of Vincent Wei-cheng Wang, June 5, 2014.

203. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of Ian Easton, June 5, 2014; U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of Vincent Wei-cheng Wang, June 5, 2014; Senate Committee on Foreign Relations Subcommittee on East Asian and Pacific Affairs, *Hearing on Evaluating U.S. Policy on Taiwan on the 35th Anniversary of the Taiwan Relations Act*, written testimony of Randall Schriver, April 3, 2014; and Mark Stokes and Russell Hsiao, "Why U.S. Military Needs Taiwan," *Diplomat*, April 13, 2012. <http://thediplomat.com/2012/04/why-u-s-military-needs-taiwan/1/>.

204. Mark Stokes and Russell Hsiao, "Why U.S. Military Needs Taiwan," *Diplomat*, April 13, 2012. <http://thediplomat.com/2012/04/why-u-s-military-needs-taiwan/1/>.

205. Wendell Minnick, "US Might Tap into Taiwan Early Warning Radar." *Defense News*, May 8, 2014. <http://www.defensenews.com/article/20140508/DEFREG03/305080026/US-Might-Tap-Into-Taiwan-Early-Warning-Radar>.

206. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of Ian Easton, June 5, 2014.

207. Michael Gold, "Taiwan Is a 'Testing Ground' for Chinese Cyber Army," *Reuters*, July 18, 2013. <http://www.reuters.com/article/2013/07/19/net-us-taiwan-cyber-idUSBRE96H1C120130719>.

208. Mark Stokes and Russell Hsiao, "Why U.S. Military Needs Taiwan," *Diplomat*, April 13, 2012. <http://thediplomat.com/2012/04/why-u-s-military-needs-taiwan/1/>; U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of Ian Easton, June 5, 2014.

209. Mark Stokes and Russell Hsiao, "Why U.S. Military Needs Taiwan," *Diplomat*, April 13, 2012. <http://thediplomat.com/2012/04/why-u-s-military-needs-taiwan/1/>.

210. Ma Ying-jeou, "A Video Conference with His Excellency President Ma Ying-jeou, Rep. Mario Diaz-Balart, and Dr. Paul Wolfowitz," April 9, 2014. [http://csis.org/files/attachments/140409\\_Ma\\_Videoconference\\_transcript.pdf](http://csis.org/files/attachments/140409_Ma_Videoconference_transcript.pdf).

211. House Foreign Affairs Committee, *Hearing on the Promise of the Taiwan Relations Act*, testimony of Kin Moy, March 14, 2014; Senate Committee on Foreign Relations Subcommittee on East Asian and Pacific Affairs, *Hearing on Evaluating U.S. Policy on Taiwan on the 35th Anniversary of the Taiwan Relations Act*, testimony of Daniel Russel, April 3, 2014.

212. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, testimony of Vincent Wei-cheng Wang, June 5, 2014.

213. Kin Moy, "Trends in the U.S.-Taiwan Relationship" (Cross-Strait Developments in 2013: New Trends and Prospects, Washington, DC, October 3, 2013).

214. U.S.-China Economic and Security Review Commission, *Hearing on Recent Developments in China's Relations with Taiwan and North Korea*, written testimony of Ian Easton, June 5, 2014.

215. U.S. Senate Armed Services Committee, *Advance Policy Questions for Admiral Samuel Locklear III, Nominee to Be Commander, U.S. Pacific Command*, February 9, 2012. <http://www.gpo.gov/fdsys/pkg/CHRG-112shrg80073/pdf/CHRG-112shrg80073.pdf>; Nick Zahn, "Senator Cornyn: Urgent Action Needed to Bolster Taiwan Defense," *The Daily Signal*, February 12, 2013. <http://dailysignal.com/2013/02/12/senator-cornyn-urgent-action-needed-to-bolster-taiwan-defense/>; Phillip Saunders, "The 2013 Quadrennial Defense Review of the ROC" (Taiwan's Response to an Evolving Security Environment, Washington, DC, April 29, 2013); and Michael Mazza, *Taiwanese Hard Power: Between a ROC and a Hard Place* (American Enterprise Institute, April 2014). [http://www.aei.org/files/2014/04/24/-taiwanese-hard-power-between-a-roc-and-a-hard-place\\_092826925958.pdf](http://www.aei.org/files/2014/04/24/-taiwanese-hard-power-between-a-roc-and-a-hard-place_092826925958.pdf).

216. John E. Lee, *Taiwan's 'Will to Fight' and Implications for U.S. Operations* (Defense Technical Information Center, May 23, 2008), p. 1. <http://www.dtic.mil/dtic/tr/fulltext/u2/a484450.pdf>.

217. J. Michael Cole, "Would Taiwan Fight?" *Diplomat*, September 24, 2012. <http://thediplomat.com/2012/09/would-taiwan-fight/>.

218. Elaine Hou, "Taiwan-Philippine Fisheries Agreement to Be Signed Soon: Official," Central News Agency (Taiwan), July 24, 2014. <http://focustaiwan.tw/news/aip/201407240030.aspx>.

219. Bonnie Glaser, *A Role for Taiwan in Promoting Peace in the South China Sea* (Center for Strategic and International Studies, April 2014). <http://csis.org/publication/role-taiwan-promoting-peace-south-china-sea>; Jeffrey A. Bader, *The U.S. and China's Nine-Dash Line: Ending the Ambiguity* (The Brookings Institution, February 6, 2014). <http://www.brookings.edu/research/opinions/2014/02/06-us-china-nine-dash-line-bader>.