

**US THINKTANKS' VIEWS ON
TAIWAN AND CROSS-STRAIT RELATIONS**
Selected Reports, 2008–2011

**Edited by
CHEN WENSHOU**



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陳文壽 ◎ 選編



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Strengthening Freedom in Asia

A Twenty-First-Century Agenda for the U.S.-Taiwan Partnership

Dan Blumenthal Randall Schriver

Introduction

The United States has an interest in a free, democratic, prosperous, and strong Taiwan. For decades, the United States and the Republic of China (ROC) have worked closely together to help Taiwan become a thriving democracy, a development that has advanced American interests in Asia and the Pacific Rim. The success of the U.S. - ROC partnership is evident in Taiwan's remarkable political and economic development: in mere decades, Taiwan has moved from poverty to prosperity and from autocracy to democracy.

Current trends, however, are unfavorable to Taiwan, and consequently, they pose challenges to U.S. interests. China's growing power has provided Beijing with the resources to alter the balance of military power across the Taiwan Strait, upsetting the dynamic equilibrium that has prevented the outbreak of major cross-Strait conflict for more than fifty years. Seeing Taiwan's growing national identity as a threat, the People's Republic of China (PRC) has worked to isolate Taiwan internationally. Taiwan's growing international isolation has, in turn, created pressures in Taiwan to respond by declaring its de facto sovereignty more openly, eliciting further threatening responses from China.

As this dynamic has unfolded, relations between Washington and Taipei have soured. Washington has not found the proper balance among trying to pursue common interests with Beijing, secure Taiwan's freedom and international profile, and pursue bilateral interests with Taiwan. Beijing has successfully pressured Washington to further its agenda of squeezing the island. Taipei has responded by increasing its emphasis on its sovereignty.

Allowing this dynamic to continue is inimical to U.S. interests. A broken dialogue increases the likelihood that what is now a dangerous situation will develop into an even more dangerous

crisis. To break this cycle, America should reinvigorate a positive bilateral agenda with Taiwan, capitalizing on Taiwan's many strengths to expand its participation in the regional and international arenas. The United States can help Taiwan reorient its foreign policy to accentuate its role as a peaceful, vibrant member of the international community. This approach would stabilize the Taiwan Strait and help secure American interests in a prosperous, stable, and free Asia—all within the existing U. S. cross – Strait policy framework.

Why Taiwan Matters

Over the past decades, the Asia – Pacific region has been marked by rapid trade liberalization, democratization, and prosperity. Taiwan is one of the prime examples of the region's success. It is a vibrant, free society with an economy that has become central to the functioning of the global high tech market. Alongside this transformation, and particularly since 9/11, Taiwan has contributed to international security and development, including international counterproliferation and counter – narcotics efforts, the promotion of democracy, and the provision of humanitarian relief.

Taiwan's valuable role in the international community remains hidden to most casual observers. Many think of Taiwan as a small place with a limited impact on our interests. But with a population of 23 million (larger than treaty ally Australia), a GDP ranking twenty – first in the world (well ahead of Asian economic powerhouses such as Hong Kong and Singapore), and geography that positions it along major commercial routes (the Port of Kaohsiung handles more containers per year than any single port in Japan or South Korea), Taiwan is, by most objective standards, a major player. ^[1]

For the United States, the bilateral trading relationship alone argues for greater attention to the U. S. – Taiwan relationship. Such Taiwanese companies as Asustek Computer, Quanta, Foxconn, and Taiwan Semiconductor Manufacturing Company are global industry leaders and have become crucial suppliers to U. S. titans like Apple, Dell, Hewlett – Packard, and Qualcomm. The revenues of Taiwan's top twenty – five technology companies surpass MYM122 billion a year, and the production value of communications equipment made by Taiwanese companies exceeded MYM30 billion in 2006. Dell and Hewlett – Packard alone source tens of billions of dollars in computer components from Taiwan. Taiwanese companies have captured over 80 percent of both the wireless and DSL modem markets and 70 percent of the PDA manufacturing market. ^[2]

Already the world's biggest producer of computer components, Taiwan is moving rapidly into the production of telecommunications equipment. Foxconn and Quanta produced millions of iPhones for Apple, building upon relationships forged by their inclusion in the production chains

for Apple notebook computers and iPods. ^[3] Taiwanese companies have proven themselves extremely adaptable in a complex market in which many firms have difficulty keeping pace with the rapid rate of product evolution. In short, Taiwan is a crossroad of the global supply chain.

But U. S. interests extend beyond commerce. Americans should take pride in Taiwan's advancement as a vibrant democracy. While the Taiwanese people themselves created the democratic institutions that flourish today, American diplomacy and aid provided key assistance. Today Taiwan gets high marks from Freedom House and the U. S. State Department for its protection of civil and political liberties and its free and fair elections. Taiwan's successful democratic transition demonstrates that Chinese culture is not inimical to democracy—a powerful answer to those who claim that free institutions and popularly elected governments are the sole preserve of the West. Taiwan's democracy is a beacon to other societies seeking peaceful political liberalization.

Taiwan, formerly a developing economy, has become the kind of entity that Washington hopes for all developing countries to become. It is one of few countries to have graduated from American aid assistance, and it is now an international provider of aid. Taiwan has been one of the world's most successful economies over the past five decades. It has peacefully transformed from authoritarian to democratic. Indeed, among the aid it provides to other nations is democracy promotion assistance. If today there is a "backlash" against democracy promotion, Taiwan is a potentially powerful response. It has become a "responsible stakeholder," doing its best to contribute to global efforts to fight terrorism, proliferation, and infectious diseases, and to provide disaster relief.

If Taiwan is successfully coerced by the PRC into a settlement, against the wishes of Taiwan's 23 million people, Washington would not only lose a valuable international partner, but its interests and regional position would also suffer a severe blow. Regional allies would question the credibility of America's political commitments, as would other young democracies around the world. America's favorable position in Asia is sustained by its alliances and partnerships, and it needs their assistance to keep the region peaceful, prosperous, and free.

A coerced settlement against the wishes of the Taiwanese may carry even greater strategic significance over the long term. Chinese control of Taiwan (and, presumably, the Taiwan Strait) could effectively deny the United States and its allies access to critical sea lanes during conflict. Mainland control of Taiwan would also significantly extend the reach of the People's Liberation Army (PLA) in the Asia – Pacific region.

The Current State of U. S. – Taiwan Relations

Contemporary U. S. – Taiwan relations suffer from neglect and bitter feeling at the highest levels. For its part, since 9/11, Washington has spent the majority of its foreign policy resources

and energy on the war in Iraq, Iranian nuclearization, and North Korean proliferation. The six-party talks in particular have placed further strains on U. S. – Taiwan interactions. Until 2007, Washington's approach to the North Korean threat had been to work with China in persuading Pyongyang to abandon its nuclear aspirations. One consequence of this approach has been pressure on Taipei to avoid any actions that Beijing would view as provocative. Taiwan has thus been viewed as a nuisance—or worse, as a provocateur—rather than as a successful partner. In cases in which Washington has gone so far as to “punish” Taipei, the penalties have rarely produced their intended effects. Approaches that add to Taiwan's humiliation and isolation destabilize the Strait and diminish Washington's influence with Taipei.

The United States and Taiwan currently share no common agenda, thus allowing the relationship to lurch from crisis to crisis. A common agenda could capitalize on and routinize ongoing bilateral cooperation and break the negative cycle. Examples of this negative cycle include Washington's unprecedented delay in responding to Taiwan's request for F-16s, a capability clearly needed as the cross-Strait air balance continues to favor Beijing. Washington has thus become culpable in an eroding military balance across the Strait, sacrificing long-term interests to short-term emotions. Washington must recognize that Taipei will follow policies that its people demand, and, if anything, an approach that adds to Taiwan's isolation further destabilizes the Strait.

On Taiwan's side, internal political divisions and a mixed and ambivalent popular view of the threat from the mainland have stalled military modernization, even as Taiwan faces one of the most complex and lethal military threats in the world. Legislative deadlock has contributed to the American impression that the Taiwanese are more concerned with partisan infighting than genuine security concerns. While deep political divisions are common in young democracies, Taiwan cannot wait to improve its deterrent.

The relationship lacks a strategic framework of the kind America has created with other partners, and it lacks high-level routine dialogue between Taipei and Washington. A lack of authoritative communication is dangerous because Taiwan remains a key flash point for great power conflict. Washington needs the option of communicating at presidential and cabinet levels with counterparts in Taipei to avoid or manage a crisis.

In addition, Taiwan is suffering from Congress's diminishing knowledge of its importance. Historically, Congress has had a deep interest in the bilateral relationship and, through the Taiwan Relations Act, could provide key oversight over Taiwan policy. There is a new generation of members and professional staff in the House and Senate committees overseeing foreign relations and military and homeland security affairs, many of whom have come to their positions as America has been fighting the war on terrorism. Thus, their work has focused on the Middle East, and

many lack deep knowledge of Asia. To make matters more complicated, Taiwan's congressional liaison office has had to compete with a variety of groups that support different interests in Taiwan. This has not helped develop the sort of support Taiwan needs to ensure continued congressional interest. The Taiwanese government can help to remedy this situation by educating a new generation at the staff and member level in the U. S. Congress, setting priorities for its personnel assigned to congressional relations, and coordinating the efforts of private groups active on Taiwan – related issues.

An ROC with a larger international role contributing to global economic prosperity, political freedom, a clean environment, international security, and public health will advance the interests of Taiwan, the United States, and the international community. At the same time, actively working to increase Taiwan's international presence may help address the substantive concerns shared by many in Taiwan who feel that formal *de jure* independence is the only path to entry into international forums. While Taiwan's future political status is the purview of the citizens of Taiwan, Washington has an interest in seeing that the manner in which those questions are addressed is peaceful, eliciting an interest in Beijing in becoming more creative and flexible.

The overall negative atmosphere in U. S. – Taiwan relations is not solely a product of policy choices. Process matters as well. While there are understandable historical reasons for Washington's self – imposed constraints and limitations on bilateral interactions between the United States and Taiwan, these very same restrictions in the contemporary context have helped to make a bad situation worse.

Elements of a Positive Bilateral Agenda

This section describes areas in which the United States and Taiwan can improve cooperation to the benefit of both. Taipei and Washington can build on success in security cooperation, economic cooperation, international aid and development, and joint efforts at democracy promotion.

Military and Security Issues

No issue in the relationship is more important than a common defense agenda. Taiwan remains a potential international flash point for a great power war. Traditionally, from a military perspective, America has kept the cross – Strait peace by ensuring that any PRC temptations to use force were checked by a strong Taiwan and by maintaining U. S. military capacity to defeat PLA forces in case of a Taiwan contingency.

Beijing's focused military modernization program has resulted in a diverse array of advanced military capabilities, most of which have been deployed across the Strait. As a result, Taiwan

faces the most daunting military challenges in the world, including the most difficult conventional ballistic and land – attack cruise missile, mine warfare, antisubmarine warfare, computer network attack, and information dominance threats.

Beijing has deployed hundreds of ballistic and cruise missiles, fourth – generation fighter aircraft, diesel/electric submarines, and advanced destroyers for use in a Taiwan conflict. In addition, the PLA has developed lethal information warfare, as well as mining, space, and air defense capabilities. The net result is that Beijing has a range of military options to use against Taiwan to coerce it into a political settlement on the mainland's terms. These deployments have shifted the military balance across the Strait in favor of the PRC. In addition, the PRC has made the costs of a U. S. intervention high, increasing its ability to target U. S. carrier battle groups and the multilayered U. S. Command, Control, Communications, Computer, Intelligence, Surveillance and Reconnaissance (C4ISR) system to blind U. S. military forces seeking to gain access to the Strait.

While Taiwan has procured a substantial amount of military equipment such as Kidd Class Destroyers, a C4ISR system, and an air – and – missile defense system, it still has not kept up with the pace of PRC military buildup. Political leaders have not come to a consensus on how best to allocate resources to defense, and defense budgeting has become overly partisan, resulting in frequent legislative gridlock. The Taiwanese military's procurement decisions are closely scrutinized by a free press and an active legislature, and there have been greater calls for and legislation passed requiring more domestic defense production.

Taiwan's transition to democracy has required that its military change dramatically at a rapid pace. The military is now under civilian control and legislative oversight, although the legislature has almost no professional staff knowledgeable about security matters. The military has reorganized itself to become more of a joint force and has established new offices to provide civilian insight, rationalize the strategy – and policymaking processes, and be more transparent and cost-effective in procurement. The military has enacted these changes—the equivalent of America's 1947 National Security Act and 1986 Goldwater – Nichols Act—in the space of three years. Apart from some notable successes, the result has been stultification and decision – making paralysis.

Unfortunately, while in other countries such changes in civil – military relations would be celebrated as an accomplishment of democratic consolidation, neither the United States nor Taiwan has the luxury of waiting for the island to overcome its democratic growing pains. The United States has an interest in Taiwan improving its defense capability in short order.

The United States also has an interest in an environment conducive to Taiwan's acceleration of its force modernization plans and readiness. Washington must do all it can to push Taiwan to

improve its defense capability with the utmost speed. In doing so, the United States has two priorities. First, it must provide the weapons and equipment Taiwan needs to defend itself, and it must work with Taiwan's military to advance and improve its capability rapidly. Second, the United States must prepare itself to help Taiwan resist PRC coercion should U. S. leaders decide to do so. ^[4] Both of these tasks require authoritative and institutionalized dialogue between top military and civilian leaders in Taipei and Washington.

While Washington has relaxed some restrictions on defense relations with Taipei and thereby improved the defense dialogue, the relationship is still too inhibited by decades – old limitations. Just as with other security partners, Washington needs to send general and flag officers and their civilian counterparts to Taiwan to assess the security situation, to speak authoritatively with Taiwan's civilian and military leadership, and to reach the highest echelons of power back in Washington. Washington can no longer afford to live by self – imposed restrictions devised in the 1970s to deal with this critical military flash point.

The absence of authoritative dialogue has contributed to the confusion and insufficient prioritization in Taiwan's defense planning. Taiwan's defense establishment has received mixed messages about what to prioritize. Given this situation, Taipei harbors lingering doubts about U. S. willingness to intervene on its behalf. Taipei seems to be planning to fight by itself should the need arise. Washington and Taipei must speak frequently and authoritatively about strategies of deterrence and defense to avoid dangerous miscommunication should a conflict arise.

Taiwan has made clear its broad defense policy: first, deterring China through defense or denial of PRC objectives at a high cost to the PRC; second, internationalizing the cross – Strait issue; and third, avoiding miscalculation and misperception across the strait through dialogue and threat – reduction measures. Taiwan's defense establishment, however, is still debating the best ways to achieve these goals.

Taipei and Washington should devise a joint agenda for Taiwan's defense, one that prioritizes Taiwan's defense investments and effort, leads to a division of labor between Taiwan and the United States, and sets milestones for both countries to meet. The document should be agreed upon by the top political and military leaders in both capitals and should include greater resources to civil and homeland defense in Taiwan. Furthermore, the agenda must move away from discussion of specific systems and toward the creation of specific capabilities, including ways Taiwan can fit into the U. S. military strategy for the region by increasing Taiwan's missile defense and sensor, antisubmarine warfare, and humanitarian and search – and – rescue capabilities. In addition, the United States stands to benefit a great deal from enhancing intelligence – gathering, by using Taiwan's linguistic and cultural advantages.

Taiwan's calls for greater defense – industrial cooperation can also be turned to mutual bi-

lateral advantage. Many of the challenges Taiwan faces are similar to those currently facing the United States. These common tests provide opportunities for cooperation between the two militaries. The cruise missile threat and the antisubmarine warfare problem, for example, have not been met satisfactorily anywhere. The two defense establishments should work together to come up with innovative ways to defend against cruise missiles.

Economics and Trade

The United States and Taiwan can strengthen their economic ties to the benefit of both economies. The two economies already share a strong partnership, but as Taiwan's leadership in computer components and next – generation telecommunications technology indicates, there is much room for further growth.

Taiwan's economic growth over the past decades provides an example for developing countries worldwide. Taiwan is called by many economic observers "a hidden center of the global economy," acting as a middleman between U. S. companies and the mainland's assembly plants in both computer components and telecommunications equipment. Taiwan's success is rooted in a deep bench of high – tech talent fostered by an entrepreneurial culture and company partnerships with leading international technological universities.

The United States thus has significant economic interests in the continued prosperity of Taiwan's high – tech sector. America must also deter any disruption to the flow of commerce through Taiwan—including deterring aggressive action by the PRC. With global computer manufacturing dependent upon Taiwanese components, a PRC attack on Taiwan—or even PRC intimidation and coercion—could potentially shut down the global information technology supply chain for months as manufacturers seek to replace their primary suppliers. It may be nearly impossible to find alternative suppliers with the same skills as Taiwanese businesses. ^[5]

Today, the Taiwanese economy continues to grow at a rate of 4 percent per year. The environment for foreign direct investment is attractive to foreign capital pursuing large investments in Taiwan's technology sector or other avenues of entry into the Chinese economy. The banking industry, in particular, could prove strategically valuable as the Chinese banking sector liberalizes. Foreign investors in the banking industry thus have the opportunity to serve both the Taiwan banking sector and, potentially, many of the 70, 000 Taiwanese companies doing business in the PRC.

Foreign businesses, however, still face a tough regulatory environment. Taiwan slipped in the World Economic Forum's (WEF) Global Competitiveness Index from thirteenth most competitive economy in 2006 to fourteenth in 2007. ^[6] According to both the WEF and the Heritage Foundation/Wall Street Journal Index of Economic Freedom, Taiwan has made much progress but

could benefit from more liberalization in its financial sector. ^[7]The WEF also identifies bureaucratic inefficiency and “political instability”—by which it means partisan gridlock—as key weaknesses. Taiwan shines, however, in education, training, “technological readiness,” business sophistication, and innovation

Another key weakness in the economy includes the lack of awareness in the United States of even greater business opportunities in the Taiwan market. And Taiwan is missing out on major opportunities to become a launch pad into the mainland Chinese market for international businesses. Taiwan can assuage its own concerns about exporting sensitive technologies to the PRC by harmonizing its export control policies with those of the United States and by strengthening its legislative and enforcement mechanisms for safeguarding against illicit third – party tech transfers.

Most importantly, the host of proposed regional economic agreements that has emerged in recent years threatens Taiwan’s continued economic health. China’s activism in working to establish free trade agreements (FTAs) with a number of members of the Association of South East Asian Nations deliberately excludes Taiwan from a potential new regional supply chain. The PRC is also attempting to downgrade the importance of the Asia Pacific Economic Cooperation (APEC), the one Asia – Pacific institution of which Taiwan is a part (and another potentially useful platform for a regional FTA). Similarly, America’s potential conclusion of an FTA with South Korea puts substantial pressure on Taiwanese companies because of the complementarity of the two economies.

If Taiwan skillfully manages its economic policies, it could have an even brighter economic future. Although the current political environment in the United States is hostile to any new FTAs (and surely an FTA with Taiwan would carry additional complications), completing a U. S. – Taiwan FTA should be a shared goal. A U. S. – Taiwan FTA combined with liberalizing Taiwanese investment in the mainland could provide substantial benefits to the U. S. and Taiwanese economies and to mainland companies. Taiwan enjoys a global advantage in producing high – tech components in the computer and telecommunications sectors and has cultural and linguistic advantages in running its lower – tech assembly plants in the PRC. A U. S. – Taiwan FTA would also be consistent with America’s view that Asia’s economic future should be inclusive and focused on general economic welfare, not on the development of exclusive economic and political arrangements.

A U. S. – Taiwan FTA would have bilateral economic and strategic benefits, and it could also provide economic benefits to the region by fostering inter – Asian trade liberalization. U. S. action could have a positive domino effect on other countries, such as Japan, that do not want to see Taiwan excluded from Asian economic arrangements for both economic and political reasons. Some have dismissed an FTA with Taiwan by saying that Taiwan is not “ready” for an FTA, or

by calling it a “political” exercise. Both arguments are tenuous. Taiwan’s economy is ripe for an FTA, as it has improved upon intellectual property protection and many other issues that have caused concern in the past. Moreover, even “political” FTAs can have merit, as the United States has demonstrated in its FTAs with Oman, Jordan, and Morocco, whose economies do not offer the United States nearly as much as does Taiwan’s. Taiwan’s entry into the World Trade Organization has already provided a framework for concluding a bilateral FTA. The United States would not be breaking any new political or legal ground, as Taiwan has already been designated an economic entity for trade purposes. A bilateral FTA is a win – win proposition for both parties.

Nontraditional Security

Taiwan has much to offer the international community in defeating and responding to nontraditional threats such as cyber – attacks, terrorism, weapons trafficking and proliferation, and natural disasters.

At U. S. urging, in 2004, Taiwan created a homeland security office in its Executive Yuan. The office, composed of detailees from across the government, is charged with coordinating homeland defense efforts in case of an enemy attack, including the protection of critical infrastructure and drafting and coordinating continuity – of – government and operations plans. In addition, the office is charged with coordinating Taiwan – wide efforts to deal with transnational threats like proliferation; narco – and human trafficking; and the financing of terror, proliferation, and criminal networks. The Executive Yuan is also in charge of coordinating responses to natural disasters and epidemics such as SARS and avian flu.

Since 9/11, Taiwan has been a real partner in global counterterrorism, counternarcotics, and counterproliferation efforts. Taiwan has implemented all of the counterterrorism measures called for by the post – 9/11 United Nations Security Council Resolution 1373, and, though not allowed to join the Proliferation Security Initiative, Taiwan has contributed nonetheless to that regime’s objectives. Taiwanese security officials have stopped the transit of weapons of mass destruction by foreign governments through Taiwan’s ports. The Port of Kaohsiung is Asia’s fourth – busiest and is a full participant in the Container Security Initiative (earning high marks from the United States for its procedures), and it is becoming fully compliant in the Megaports Initiative to screen ocean – going cargo ships.

Taiwan’s homeland security office currently enjoys only a modest relationship with the U. S. government and, because of Beijing’s pressure, almost no relationship with regional and international players. Improving these links, particularly with the United States, would help ensure Taiwan’s continued status as a center of excellence in counterterrorism, counterproliferation, and