

CRS Report for Congress

Taiwan: Recent Developments and U.S. Policy Choices

Updated May 23, 2008

Kerry Dumbaugh
Specialist in Asian Affairs
Foreign Affairs, Defense, and Trade Division



Prepared for Members and
Committees of Congress

Taiwan: Recent Developments and U.S. Policy Choices

Summary

In a large turnout on March 22, 2008, voters in Taiwan elected as president Mr. Ma Ying-jeou of the Nationalist (KMT) Party. Mr. Ma out-pollled rival candidate Frank Hsieh, of the pro-independence Democratic Progressive Party (DPP), by a 2.2 million vote margin of 58% to 42%. Coming on the heels of the KMT's sweeping victory in January's legislative elections, the result appears to be a further repudiation of Taiwan President Chen Shui-bian's eight-year record of governance. President-elect Ma, who began his tenure on May 20, 2008, has promised to improve Taiwan's economic performance, to improve Taiwan's damaged relations with the People's Republic of China (PRC), and to address any annoyances in Taiwan-U.S. relations arising from the Chen Administration.

U.S.-Taiwan relations have undergone other important changes, sparked in part by the increasing complexity and unpredictability of Taiwan's democratic political environment. Throughout his tenure, Taiwan President Chen Shui-bian, a member of the Democratic Progressive Party (DPP), disavowed key concepts long embraced by the formerly ruling Nationalist Party (KMT) — the “status quo” that there is only one China and Taiwan is part of it — and instead adopted the more provocative position that Taiwan already “is an independent, sovereign country.” Taiwan's relations with the United States suffered under these conditions, and the People's Republic of China (PRC), which claims that Taiwan is a province of China, objected strongly to President Chen's policies.

The continued success in 2008 of Taiwan's democratic development is a welcome validation of U.S. goals and values. It also further emphasizes the unique and delicate challenge for U.S. policy that Taiwan poses: our ninth largest trading partner with a vibrant and free democratic government on an island claimed by the PRC, with which the United States has no diplomatic relations but does have defense commitments, and whose independence from China U.S. officials have said they do not support. (For background on the highly nuanced and complex U.S. policy on this issue, see CRS Report RL30341, *China/Taiwan: Evolution of the “One China” Policy — Key Statements from Washington, Beijing, and Taipei*, by Shirley Kan.) Under the new KMT government, then, the United States will be faced with challenges familiar from past years, including decisions on new arms sales; how to accommodate requests for visits to the United States by Ma and other senior Taiwan officials; the level of U.S. relations with the Ma government; whether to pursue closer economic ties; and what role, if any, Washington should play in cross-strait relations.

The 110th Congress has been concerned with bolstering U.S. support for Taiwan and helping to improve Taiwan's international position. Relevant legislation includes: H.R. 2764 (P.L. 110-161); H.R. 1390; H.R. 3912/S. 1565; H.Con.Res. 73; H.Con.Res. 136; H.Con.Res. 137; H.Con.Res. 170; H.Con.Res. 250; S.Con.Res. 48; and S.Con.Res. 60. This report will be updated as events warrant.

Contents

Most Recent Developments	1
Background and Analysis	1
Taiwan Democratization: Challenges for U.S. Policy	2
Political Pluralization	2
Split Government, Competing Ideologies	3
Key Current Issues in Taiwan	4
March 2008 Presidential Election: Change in Direction	4
January 2008 Legislative Elections	5
Bid for and Referendum on U.N. Membership	6
Taiwan Independence Rhetoric	7
The “Four Wants”	8
State-Run Enterprise Name Changes	8
Corruption Scandals	9
U.S. Arms Sales to Taiwan and Taiwan Defense Budget	9
Taiwan-Mainland Relations	11
Cross-Strait Developments in the Chen Administration	11
Private-Sector Exchanges	12
Economic and Trade Issues	12
Taiwan’s World Trade Organization (WTO) Accession	13
Policy Trends in the George W. Bush Administration	13
Initial Tilt Toward Taiwan	13
Taiwan the “Unhelpful”	14
Implications for U.S. Policy	15
Legislation	17
Chronology	19
For Additional Reading	22

Taiwan: Recent Developments and U.S. Policy Choices

Most Recent Developments

May 26-31, 2008 — KMT Chairman Wu Poh-hsiung will visit China and meet with PRC Party Secretary Hu Jintao at the latter's invitation. It will be the highest-level contact between the two sides of the Taiwan Strait.

May 20, 2008 — Ma Ying-jeou was inaugurated President of Taiwan.

May 19, 2008 — Tsai Ing-wen, considered a moderate in the DPP Party and a former Vice-Premier, was elected chairwoman of the Party. The same day, the WHO for the 12th year running rejected Taiwan's bid for observer status.

March 22, 2008 — KMT candidate Ma Ying-jeou was elected as Taiwan's next president by a margin of 58% to 42% over the DPP rival ticket, Frank Hsieh.

Background and Analysis

Once a U.S. World War II ally, the Republic of China (ROC) government, now located on Taiwan, remains a key U.S. foreign policy issue. With sovereignty over the island also claimed by the People's Republic of China (PRC), official U.S. relations with Taiwan became a necessary casualty of the 1979 American decision to establish diplomatic relations with the communist PRC government as the sole legitimate government of all China. Since then, absent diplomatic relations, the United States still has maintained economic and security relationships with Taiwan, including the sale of defensive military weapons and services.¹ But continuing political transformations in both the PRC and Taiwan since 1979 mean that U.S. policymakers are facing more difficult policy choices in relations with each government.

This report focuses on current developments in Taiwan, analyzing how those developments are affecting choices the United States makes about its policy toward Taiwan specifically and toward the PRC more broadly. Other CRS reports provide more details about the myriad historical complexities of Taiwan's current situation in U.S. policy, such as: historical background about how the ROC on Taiwan went from a U.S. ally to a government with no diplomatic U.S. relations, including the

¹ U.S. weapons sales to Taiwan are governed by Section 2 and Section 3(b) of the Taiwan Relations Act, P.L. 96-8: 22 U.S.C., Chapter 48, Sections 3301-3316.

fundamentals governing U.S. policy toward Taiwan today (CRS Report RS22388, *Taiwan's Political Status: Historical Background and Ongoing Implications*, by Kerry Dumbaugh); the increase in U.S.-Taiwan tensions since 2001 (CRS Report RL33684, *Underlying Strains in U.S.-Taiwan Political Relations*, by Kerry Dumbaugh); and the subtle and complicated permutations of the “one-China” policy over three decades and its role in U.S. policy (CRS Report RL30341, *China/Taiwan: Evolution of the “One China” Policy — Key Statements from Washington, Beijing, and Taipei*, by Shirley A. Kan). Readers who wish to skip background information in this report can turn directly to “Key Current Issues in Taiwan,” on page four.

Taiwan Democratization: Challenges for U.S. Policy

Ironically, one of the key challenges for U.S. Taiwan policy has become Taiwan’s own political liberalization and democratization since 1979. Under the strongly authoritarian rule (and martial law) of the long-ruling Nationalist Party (KMT), Taiwan’s political decisions from 1949 to 1979 were predictable, closely aligned with U.S. interests, and clearly dependent on U.S. support. But several decades of political reform and democratic development have made Taiwan politics today both more pluralistic and more unpredictable.

Political Pluralization. Taiwan’s political liberalization began in the mid-1980s, when the KMT first permitted formation of opposition parties (1986), including the Democratic Progressive Party (DPP), a party whose platform advocated Taiwan independence from China. The KMT government also ended martial law (in 1987), and for the first time opened government positions to native “Taiwanese” — the 85% of the island’s population who predated the influx of the two million “mainlanders” fleeing communist forces. Members of Taiwan’s legislature in the 1980s, elected on mainland China over 40 years earlier, were asked to retire, and a new, streamlined legislature was elected in 1992. In 1996, Taiwan held its first direct presidential election, which was won by KMT leader Lee Teng-hui, himself a native Taiwanese. During his presidency, Lee increasingly distanced himself from his party’s long-standing position that there was only “one China” and that Taiwan was part of it. This posed complications for one of the fundamental tenets on which U.S. relations with the PRC were based — the statement that “The United States acknowledges that all Chinese on either side of the Taiwan Strait maintain that there is but one China and that Taiwan is a part of China.”²

The uninterrupted KMT dynasty on Taiwan finally was broken on March 18, 2000, when DPP candidate Chen Shui-bian won the presidency with only 39% of the popular vote. The victory was a stunning defeat for the KMT and its unbroken 50-year tenure in power. By the narrowest of margins, President Chen was elected to a second (and final) term in March 2004, winning by only 29,518 votes out of a reported 13.25 million votes cast. The KMT fall from its former political dominance

² This particular quote is from the 1972 Shanghai Communique issued at the conclusion of President Richard Nixon’s landmark trip to China. A somewhat vaguer formulation — “The [United States] acknowledges the Chinese position that there is but one China and Taiwan is part of China.” — was part of the 1979 communique normalizing U.S. relations with the PRC.

was compounded in two subsequent legislative elections in December 2001 and December 2004, when the struggling party saw its majority of 115 seats in the 225-member Legislative Yuan (LY) cut drastically — to just 89 seats in 2007.³

Split Government, Competing Ideologies. With Chen Shui-bian and the DPP's "Pan-Green" coalition in control of the presidency since 2000, the KMT nevertheless has managed to retain the barest control of Taiwan's legislature by cobbling together a working "Pan-Blue" coalition of 113 from its own remnants: 79 KMT members and 34 members of a new faction that broke from the main KMT party, the People First Party (PFP).⁴ Since the two opposing coalitions have different political ideologies and roughly equal political strength, this split government has created significant gridlock in Taiwan's political arena since 2000 and thus difficult political realities for U.S. policymakers.

The membership of the DPP-led "Pan-Green" coalition, to which incumbent president Chen Shui-bian belongs, is largely native Taiwanese and is closely identified with advocating Taiwan independence — an eventuality which Beijing has stated it will "bear any cost" to prevent. Chen, himself a native Taiwanese, has performed a continuing and uneven balancing act between the radical base of his party — avid independence advocates — and the more cautious in the Taiwan electorate who may wish for independence but who believe that antagonizing the PRC is not in Taiwan's interests. For a while, Chen and his advisors attempted to finesse this contradiction by proclaiming a "new Taiwan identity" and emphasizing maintenance of the "status quo" — which they define as Taiwan's de facto sovereignty and statehood. While this strategy met with a certain amount of success, the political nuances ultimately have satisfied neither Chen's "deep Green" political base nor the more moderate in the Taiwan polity. Bush Administration officials have grown increasingly concerned over the complications that the more assertive components of Chen's strategy create for U.S. policy toward China and Taiwan.⁵

On the other side of Taiwan's political spectrum is the KMT's opposition "Pan-Blue Coalition." The KMT historically is a party of mainlanders that fled to Taiwan from China in 1949. It is politically conservative and strongly anti-communist. Although it is credited with engineering Taiwan's vibrant economic growth and transformation during its 50-year rule on the island, the KMT's inability to offer a

³ Elections for Taiwan's Legislative Yuan (LY) are held every three years. But due to legislative reforms enacted in the past several years, the next LY elections, scheduled for December 2007, will be for a new body half the size of the former (from 225 to 113 seats) whose members will serve for four years.

⁴ The "Pan-Green" is the popular name of the DPP's political union with a like-minded minority party, the Taiwan Solidarity Union (TSU), which itself emerged from the December 2004 LY elections with 12 seats. The two "color" coalitions were so named because of their respective party colors.

⁵ In September 2005, for example, at the U.S.-Taiwan Business Council-Defense Industry Conference 2005, Edward Ross, Director of the U.S. Defense Department's Defense Security Cooperation Agency, strongly criticized Taiwan's politicization of security issues, saying it was reasonable to question why the United States should invest in Taiwan's self-defense if Taiwan itself were not willing to invest in it.

clear and creative vision for Taiwan's future in the 21st century ultimately made it vulnerable to the DPP political challenge in the 2000 election.⁶ Since then, the KMT has portrayed itself as a more responsible steward than the DPP for Taiwan's future. It criticizes the DPP's posture toward Beijing as unnecessarily confrontational and promises to replace it with a policy of engagement. Many KMT members have criticized the DPP's "new Taiwan identity" emphasis as an attempt to question KMT political legitimacy and as a dangerous provocation to ethnic divisions. The party also gets political mileage out of portraying Chen as insufficiently attentive to the needs of Taiwan's business community — as in the economic disadvantages Taiwan business interests continue to face due to Taiwan's restrictions on contacts with mainland China.

This legislative-executive split in Taiwan's government has created unique political problems. U.S. policymakers generally have found these political processes difficult to oppose because they are democratic but also, for the same reason, difficult to rely on for support of U.S. interests. Domestically, the relatively even strength of the Taiwan two coalitions has resulted in years of effective political gridlock. The KMT/PPF legislative coalition since 2002 has been able to block or modify most of the DPP's policy initiatives, while President Chen has proven adept at counter-offensive in the public debate by offering controversial initiatives that potentially could affect Taiwan's political status.

Key Current Issues in Taiwan

March 2008 Presidential Election: Change in Direction

In a large turnout on March 22, 2008, voters in Taiwan elected as president Mr. Ma Ying-jeou of the Nationalist (KMT) Party. Mr. Ma out-pollied rival candidate Frank Hsieh, of the pro-independence Democratic Progressive Party (DPP), by a 2.2 million vote margin of 58% to 42%.⁷ Coming on the heels of the KMT's sweeping victory in January's legislative elections (see below), the result appears to be a further repudiation of DPP leader and Taiwan President Chen Shui-bian's eight-year record of emphasizing a pro-independence political agenda at the expense of economic issues.

While many had expected a KMT victory, the size of the party's winning margin (2.2 million votes) was a surprise to most outside observers and even to some in the party itself. Emphasizing a platform of economic improvement and better relations with the PRC and the United States, Mr. Ma did respectably even in southern and rural districts heavily dominated by the DPP in the past. President-elect Ma, who will begin his tenure on May 20, 2008, has promised to improve Taiwan's economic performance, to improve Taiwan's damaged relations with the People's Republic of

⁶ The traditional KMT policy held that there was only one China, that Taiwan was part of China, and that one day Taiwan would re-take the mainland and China would be reunified.

⁷ See CRS Report RS22853, *Taiwan's 2008 President Election*, by Kerry Dumbaugh.

China (PRC), and to address any annoyances in Taiwan-U.S. relations arising from the Chen Administration.

Voters also failed to pass a controversial referendum, a high priority for President Chen, asking whether Taiwan should apply for U.N. membership under the name "Taiwan." This referendum and a KMT alternative each failed to reach the threshold of 50% of the electorate turnout that was required for the measures even to be placed in contention for passage. Beijing had considered Chen's referendum in particular to be tantamount to a public poll on independence — a prospect the PRC has threatened to prevent by force if necessary. The referendum also had been problematic for the United States, which had called Chen's proposal "provocative."

Analysts attributed the DPP loss in part to its failure to make the kind of centrist adjustments to public sentiment that the KMT had made in recent years, instead staying close to the pro-independence interests of its core supporters. In the wake of effectively having been crushed in two electoral outings in 2008, the party now is facing a period of reassessment and re-building as it considers how to broaden its electoral appeal and maintain its vitality in the face of KMT dominance.⁸ The Party's choice on May 19, 2008, of a new, moderate Party Chairwoman, Tsai Ing-wen, suggests that it is trying to make these adjustments to broaden its base.

January 2008 Legislative Elections

The KMT's presidential victory was preceded on January 12, 2008, by a sweeping victory in which it swamped the DPP, in elections for the Legislative Yuan, the national legislature. The DPP won only 27 seats in the new 113-member body, while the opposition KMT Party gained a hefty majority with 81 seats. Five additional seats went to independent and smaller party candidates who are expected to side often with KMT positions. The results appear to be a repudiation of DPP leader and Taiwan President Chen Shui-bian's emphasis of a radical pro-independence agenda at the expense of domestic economic issues. Having won the presidency as well, the KMT will assume solid control of the government in May 2008.

The 2008 legislative elections were the first held under new electoral rules adopted in 2005 under an amendment to Taiwan's constitution. The new rules halved the size of the legislature to 113 members from its former size of 225 and increased the term of office from three years to four. The new rules also instituted a new single-member district system employing two ballots for voters, similar to systems used in Germany and Japan: one to be cast for a candidate and one to be cast for a political party. As demonstrated by the January 2008 electoral results, the new system appears to favor larger, well-organized parties and to put smaller parties and fringe elements at a disadvantage.

⁸ Frank Hsieh himself cited the need for a thorough party reassessment, saying "we must let the sound of reform ring out." (Reuters, "Taiwan's DPP chairman quits after election defeat," March 26, 2008.) See also a statement to this effect by Shelley Rigger, "Taiwan ruling party to retool after another defeat," *Reuters*, March 24, 2008.

The PFP and TSU, the former coalition partners of the two major parties, the DPP and KMT, were effectively wiped out under the new electoral rules, suggesting the end, at least temporarily, of Pan-Blue/Pan-Green coalition politics. Five seats were gained by independent and smaller party candidates, all of whom are expected to side with KMT positions. While a KMT legislative victory was expected under the new electoral rules, the wide margin surprised most analysts and dealt a serious blow to DPP aspirations to win the March 22, 2008 presidential election. President Chen Shui-bian stepped down as head of the DPP party, saying he took full responsibility for his party's loss. He is term-limited as Taiwan's president and will be stepping down in May 2008.

Bid for and Referendum on U.N. Membership

The DPP referendum on U.N. membership that failed to pass on March 22, 2008, reflected a change in tactics by Taiwan. After years of unsuccessful attempts (including on May 19, 2008) to win observer status in the United Nations and its affiliate bodies, particularly the World Health Organization (WHO), the Taiwan government in 2007 submitted an application for full membership in WHO under its formal name, the "Republic of China." This effort failed.⁹ By late May 2007, President Chen had begun to argue that Taiwan should apply to these U.N. agencies under the name "Taiwan," and on June 18, 2007, Chen announced that he would hold an island-wide referendum on this subject in conjunction with Taiwan's presidential election in March 2008. The KMT proposed its own alternative measure (see above), and urged its supporters to boycott the DPP version. As noted above, both versions failed to receive the percentage of voter participation needed to pass.

Taiwan's bid to participate in the United Nations is controversial, and vigorously opposed by China, because it suggests that Taiwan is a sovereign state separate from the mainland. While there is some support in Congress for Taiwan's U.N. membership,¹⁰ U.S. officials, on record as supporting Taiwan's membership in organizations "where state-hood is not an issue,"¹¹ have been unusually blunt and outspoken in opposition to Taiwan's current U.N. application efforts. A strong succession of U.S. statements in 2007 includes:

- **June 19, 2007:** "We do not support Taiwan's membership in international organizations that require statehood [for membership].... This would include a referendum on whether to apply to the United Nations under 'Taiwan'." (State Department spokesman Sean McCormack reacting to President Chen's U.N. referendum announcement.)
- **August 27, 2007:** "...We strongly support Taiwan's democracy.... But when it comes to this issue of a referendum as to whether or not Taiwan

⁹ On May 14, 2007, WHO's annual assembly meeting voted 148-17 not to consider Taiwan's new application.

¹⁰ Resolutions introduced in the 110th Congress in support of Taiwan's U.N. bid include H.Con.Res. 73 and H.Con.Res. 250.

¹¹ A State Department spokesman, in response to a press question at the State Department press briefing of March 20, 2002.

joins the United Nations in the name of Taiwan, we do have great concerns. We oppose ... that kind of a referendum because we see that as a step towards the declaration — towards a declaration of independence of Taiwan, towards an alteration of the status quo.” (Deputy Secretary of State John Negroponte, in an interview with Hong Kong’s Phoenix TV.)

- **August 30, 2007:** “We are very supportive of Taiwan on many many fronts.... However, membership in the United Nations requires statehood. Taiwan, or the Republic of China, is not at this point a state in the international community. The position of the United States government is that the ROC ... is an issue undecided, and it has been left undecided ... for many, many years.” (Dennis Wilder, National Security Council Senior Director for Asian Affairs, at a White House press briefing on the President’s September APEC trip.)
- **September 11, 2007:** “... we do not support Taiwan’s membership in international organizations that require statehood and therefore would not support such a [U.N.] referendum ... [the referendum’s supporters] do not take seriously Taiwan’s commitments to the United States and the international community [and] are willing to ignore the security interests of Taiwan’s most steadfast friend ... we do not like having to express publicly our disagreement with the Chen Administration ... [and] I can assure you that we would not have done so had we not exhausted every private opportunity through consistent, unmistakable, and authoritative messages over an extended period of time.” (Deputy Assistant Secretary of State Thomas J. Christensen, in a speech at the U.S.-Taiwan Defense Industry Conference.)
- **December 11, 2007:** “...the referendum...isn’t going to accomplish anything in changing Taiwan’s status. All it does is cause trouble.” (AIT Chairman Raymond F. Burghardt, Press Roundtable, Taipei.)

Beijing argues that since Taiwan is not a state but a part of China it cannot be separately admitted to U.N. entities for which sovereign status is a pre-requisite for membership. In the past, Taiwan authorities maintained that its “observer status” in U.N. bodies such as WHO would be an apolitical solution since other non-sovereign entities, like the Holy See and the Palestine Liberation Organization, have been given such status. In 2004, the 108th Congress enacted legislation (P.L. 108-28) requiring the Secretary of State to seek Taiwan’s observer status in WHO at every annual WHA meeting.¹²

Taiwan Independence Rhetoric

For U.S. policymakers in the Bush Administration, President Chen Shui-bian’s unpredictable political style had become problematic for U.S.-Taiwan relations and for the White House’s view of the Taiwan government. This is a change from the early months of the Chen Administration, when initial U.S. concern over the new government’s strong pro-independence stand was eased by President Chen’s moderate tone, his apparent openness to engagement with China, and his repeated public pledges — the so-called “five-noes” — that during his tenure he would not

¹² The bill, S. 2092, was enacted as P.L. 108-235.

declare independence, change Taiwan's official name, or take other controversial actions that would be confrontational to Beijing and problematic for Washington.

But in the final years of his tenure, President Chen pushed the edge of the independence envelope in ways that many U.S. officials judged violated both the spirit and the letter of both his public "five noes" pledges and his private assurances to Washington. These Chen surprises brought repeated admonitions from U.S. officials and caused what some have described as a fatal rupture in White House relations with President Chen's administration.¹³ Among other actions, beginning in 2002 the Chen Administration repeatedly referred to Taiwan as an already independent country and a separate country from China; pushed for "national" referenda on key questions; defined national territory as limited to Taiwan and outlying islands (instead of the traditional full-China definition of the ROC's territory); held an island-wide referendum on aspects of Taiwan's defensive strategy against the PRC; effectively abolished the symbolically important National Unification Council (NUC), in spite of his "five noes" pledges not to do so; and launched efforts to turn Taiwan into a "normal country."¹⁴

The "Four Wants". One source of contention in U.S.-Taiwan relations came on March 4, 2007, when President Chen, addressing a pro-independence audience in Taiwan, reportedly announced that Taiwan "should be independent," without sovereign connection with the PRC. In strong pro-independence rhetoric, President Chen also declared that Taiwan wants four things (quickly dubbed the "four wants" in the press): independence, an official name-change to "Taiwan," a new constitution, and greater economic development. That was followed two days later with a statement by the Chairman of President Chen's party that the president's original "five noes" pledges should be scrapped. A U.S. State Department spokesman reacted to the Chen statement on March 5, 2007, with the following:

President Chen has repeatedly pledged that he would not alter the guarantees in his 2000 inaugural address not to declare independence, change the national title, push for inclusion of sovereignty themes in the constitution, or promote a referendum to change the status quo in regards to the questions of independence and unification.... President Chen's fulfillment of his commitments is a test of leadership, dependability and statesmanship and of his ability to protect Taiwan's interests, its relations with others, and to maintain peace and stability in the Strait. Rhetoric that could raise doubts about these commitments is unhelpful."¹⁵

State-Run Enterprise Name Changes. In August-September 2006, Taiwan's Premier disclosed that the government would be changing the name of Taipei's Chiang Kai-shek International Airport to the "Taiwan Taoyuan International Airport" as a result of a proposal put forward by the Ministry of Transportation and

¹³ From conversations in May and June 2006 with former U.S. government officials.

¹⁴ For further information, see CRS Report RL33684, *Taiwan-U.S. Political Relations: new Strains and Changes*, by Kerry Dumbaugh.

¹⁵ State Department spokesman Sean McCormack's answer to a question during his daily press briefing, March 5, 2007. [<http://www.state.gov/r/pa/prs/dpb/2007/mar/81396.htm>]

Communications.¹⁶ Since then, the government has continued a quiet and intermittent campaign to replace references to “China” with “Taiwan” on Taiwan’s postage stamps and in the names of Taiwan’s state-run entities — such as China Shipbuilding Corporation (changed to CSBC Corp., Taiwan) and Chinese Petroleum Corporation (to “CPC Corp., Taiwan). In a particularly controversial move, on May 19, 2007, the Taiwan government renamed the Chiang Kai-shek Memorial Hall (dedicated to the Republic of China’s late President) as the Taiwan Democracy Memorial Hall — a move that is currently under legislative challenge. The name-change campaign has been criticized by both the KMT opposition party and by former President Lee Teng-hui of the pro-independence Taiwan Solidarity Union (TSU) party. U.S. officials likewise have been critical, with a U.S. State Department spokesman saying on February 9, 2007:

As we have said many times before, we do not support administrative steps by Taiwan authorities that would appear to change Taiwan’s status unilaterally or move towards independence. The United States does not, for instance, support changes in terminology for entities administered by Taiwan authorities.¹⁷

Following the U.S. statement, the Chairman of the DPP Party, Yu Shyi-kun, reportedly said that the United States had no right to meddle in Taiwan’s internal affairs, such as the name-change campaign.¹⁸

Corruption Scandals

Another problem affecting Taiwan’s political processes since 2006 is a number of corruption scandals enveloping the Chen Administration, including allegations about his wife and other members of his family and instances of malfeasance by government officials close to the president. Chen, who could not be indicted as a sitting president, survived three recall initiatives as a result of the scandal — in June, October, and November 2006.¹⁹ Within hours of Chen’s stepping down as president, a spokesman for the Supreme Prosecutor’s Office announced the start of a formal investigation into the corruption charges.²⁰

U.S. Arms Sales to Taiwan and Taiwan Defense Budget

Under the Taiwan Relations Act (P.L. 96-8), the United States is obligated to provide Taiwan with defense articles and services for its self-defense — a

¹⁶ Premier Su Tseng-chang, in “Taiwan pushes for renaming of Chiang Kai-shek Airport,” *Asia Pulse*, September 1, 2006.

¹⁷ State Department spokesman Sean McCormack, at the daily press briefing, February 9, 2007. [<http://www.state.gov/r/pa/prs/dpb/2007/80360.htm>]

¹⁸ DPP Brushes Aside U.S. Objections,” *China Post*, February 12, 2007.

¹⁹ Y. F. Low, “Legislature set to vote on second motion to recall president October 13,” *Central News Agency English News*, September 29, 2006.

²⁰ “Taiwan launches probes into alleged corruption involving former President Chen,” *Thomson Financial News*, May 20, 2008.

relationship to which the PRC has long objected.²¹ U.S. officials began voicing concerns over what they described as weaknesses in Taiwan's self-defense and a lagging pace to Taiwan's arms purchases as far back as 2002. According to a DOD report, Taiwan's self-defense deficiencies include an "opaque military policymaking system; a ground force-centric orientation; and a conservative military leadership culture."²² As the defense budget stalemate in Taiwan continued, some U.S. officials began to question Taiwan's level of commitment to its own defense, implying that perhaps U.S. policy should be reassessed accordingly.²³ Criticism also has come from the Taiwan side, as Taiwan officials periodically have accused the U.S. Navy of deliberately trying to subvert progress on the 2001 diesel-electric submarine sale by over-inflation of estimated construction costs and onerous funding requirements.²⁴

On June 15, 2007, Taiwan's legislature passed a long-delayed national defense budget that for the first time included funds for purchasing some of the U.S. weapons systems offered for sale in 2001. The budget included funds to purchase P-3 Orion anti-submarine reconnaissance; to upgrade the Patriot missile batteries that Taiwan already has; and to provide \$450 million to fund the purchase of F-16 C/D fighters, a request pending before the USG. The budget passage subsequently was followed, on September 12, 2007, by a Pentagon announcement of \$2.2 billion in possible military sales to Taiwan, including 12 surplus Orion P3-C maritime patrol craft and 144 SM-2 Block 3A Standard anti-aircraft missiles, built by Raytheon; and by *Federal Register* publication of a U.S. announcement of a proposed arms sale to Taiwan for upgrade and refurbishment of PATRIOT Advanced Capability-3 (PAC-3) Guided Missiles.²⁵

Concerns about Taiwan defense spending were further eased in December 2007, when Taiwan's legislature passed a 2008 defense budget of \$10.5 billion, which officials said was a 12% increase over the 2007 budget. The new budget included an allocation for three sets of U.S. Patriot III missiles originally approved for sale by President Bush in 2001, as well as \$61.5 million for a feasibility study for the purchase of U.S.-made diesel submarines.

²¹ Details of the sale can be found in a news release by the Defense Security Cooperation Agency at [http://www.dsca.osd.mil/PressReleases/36-b/2007/Taiwan_07-10.pdf].

²² The text of the 2002 DOD report is at [<http://www.defenselink.mil/news/Jul2002/d20020712china.pdf>].

²³ In a 2005 speech to the U.S.-Taiwan Business Council-Defense Industry Conference 2005, Ed Ross, Director of DOD's Defense Security Cooperation Agency, strongly criticized Taiwan's foot-dragging on passage of the defense budget, saying it was reasonable in such a situation to question the level of U.S. commitment to Taiwan's self-defense.

²⁴ Minnick, Wendell, "Taiwan claims U.S. Navy is sabotaging SSK plans," in *Jane's Defence Weekly*, February 15, 2005.

²⁵ DOD notice of a proposed Letter of Offer for an arms sale to the Taipei Economic and Cultural Representative Office (Taiwan) for upgrade and refurbishment of PATRIOT Advanced Capability-3 (PAC-3) Guided Missiles. [Transmittal No. 08-10, pursuant to section 36(b)(1) of the Arms Export Control Act.] *Federal Register*, November 20, 2007, p. 65306.

Taiwan-Mainland Relations

Succeeding Taiwan governments since 1987 incrementally have eased long-standing restrictions on contacts with the PRC. The most significant of these decisions occurred on June 14, 2006, when Taiwan and China simultaneously announced that they had reached agreement to allow up to 168 direct annual round-trip charter passenger flights between China and Taiwan, shared evenly between mainland and Taiwan airlines, during four public holidays and for other special occasions.²⁶

In Taiwan, cross-strait policies are under the purview of the Mainland Affairs Council (MAC), a government body, while cross-strait talks are handled by the Straits Exchange Foundation (SEF), a private organization authorized by the government to handle these exchanges. Corresponding bodies in the PRC are the government's Taiwan Affairs Office, while cross-strait talks are handled by the Association for Relations Across the Taiwan Strait (ARATS). Despite substantial and growing economic ties, the two sides have not held official talks since October 14-19, 1998, in Shanghai and Beijing. Further progress stalled in 1999, when then-President Lee Teng-hui declared that such talks should be conducted on an equal, "state to state" basis, which Beijing took as a statement of Taiwan sovereignty. Taiwan's new Ma administration has announced it wants to restart official talks swiftly.

Cross-Strait Developments in the Chen Administration. Although Beijing has adamantly opposed the DPP and its pro-independence statements, both the PRC and Taiwan governments made selected overtures and statements since 2001 that some interpret as positive signs in PRC-Taiwan relations. In January 2001, Taiwan launched what it called the "three mini-links" — for the first time permitting direct transport, commerce, and postal exchanges between two outlying Taiwan islands and the south of China. In October 2001, Taiwan officials announced they would simplify visa application procedures for professionals from the PRC, making it easier for them to reside and work in Taiwan. In November 2001, President Chen urged the PRC to drop its opposition to negotiating with his administration. In May 2002, President Chen announced he would send a DPP delegation to Beijing to establish contacts between the DPP and the Chinese Communist Party.

The PRC also softened its position. On January 24, 2002, PRC Vice-Premier Qian Qichen described pro-independence advocates in the DPP as only an "extremely small number" in the Party, and he invited DPP members to visit the mainland under a "suitable status" — a change in the PRC's policy of not meeting with DPP members. In an interview with Russia's ITAR-TASS news agency on March 14, 2002, the deputy director of the PRC's Taiwan Affairs Office, Zhou Mingwei, suggested that the PRC may be willing to accept the simultaneous representation of both Beijing and Taipei in the United Nations, provided that Taiwan acknowledges the "one-China" principle. Even so, the PRC has continued its missile build-up along the south China coast opposite Taiwan, now deploying about 800 missiles.

²⁶ The four holidays are: Lunar New Year, Tomb Sweeping Day, the Dragon Boat Festival, and the Mid-Autumn Festival.

On January 29, 2005, Taiwan and the PRC launched the first non-stop (although temporary — only during the weeks surrounding the Lunar New Year holiday on February 9, 2005) direct charter flights flown in 55 years between the two adversaries. With the PRC's enactment of the anti-secession law in March 2005, Taiwan officials put a temporary hold on further direct-flight talks. On November 18, 2005, this suspension was lifted, and Taiwan and the PRC reached agreement to offer cross-strait flights for the Lunar New Year from January 20-February 13, 2007.

Private-Sector Exchanges. Meanwhile, unofficial Taiwan-PRC contacts and economic ties have grown increasingly robust in the past decade. Over 13 million visits have taken place from Taiwan to the mainland. Over 250,000 mainland Chinese experts, entrepreneurs, and others have traveled to Taiwan for consultations and exchanges. Exchanges of PRC-Taiwan scholars and experts for consultations on cross-strait and other issues provide, in the view of some Taiwanese officials, an active “second track” for PRC-Taiwan dialogue. Other events in cross-strait relations have included the decision by oil companies in the PRC and Taiwan to explore jointly offshore areas for oil; the start of flights from Taiwan to the mainland with only a short stopover in Macao or Hong Kong; and Taiwan's opening to third-country ships, and selected mainland and Taiwanese ships, to carry cargo to and from designated ports in Taiwan and on the mainland.

Economic and Trade Issues

Taiwan's economy grew rapidly (around 10% a year) in the 1970s and 1980s. Growth declined to around 5-6% a year in the 1990s as the economy matured. During the first years of the 21st century, however, the Taiwan economy experienced a serious slowdown. GDP growth for 2001 contracted by 2.2% — Taiwan's first economic contraction in 26 years. Exports were down 13.6% in the first seven months of 2001, while the unemployment rate hovered at around 5%. Experts blamed these economic difficulties on the global economic downturn, reduced U.S. demand for Taiwan's information technology exports, and the sizeable transfer of the island's manufacturing base to the PRC.

Even with the official restrictions that Taiwan continues to maintain on investment and trade with mainland China, Taiwan businesses are increasingly invested across the strait, although the exact figures remain unclear. Taiwan-China trade has also increased dramatically over the past decade, so that China (along with Hong Kong) now has surpassed the United States as Taiwan's most important trading partner. According to Taiwan's Central News Agency, Taiwan's total bilateral trade with the PRC for the year through November 2007 was U.S.\$92.68 billion — a 15.3% increase year-on-year over 2006.²⁷ Taiwan's exports to the PRC were up 12.6

²⁷ Huang, Luis, “Cross-strait trade up 15.3 percent in 2007,” *Central News Agency English*, January 29, 2008.

percent over 2006, while Taiwan's exports to the United States dropped by 0.9% over the previous year.²⁸

This increasing economic interconnectedness with the PRC put special pressure on the Chen administration to further accommodate the Taiwan business community by easing restrictions on direct travel and investment to the PRC. But such accommodations concern many of the pro-independence political base in Taiwan, who believe that further economic ties to the mainland will erode Taiwan's autonomy and lead to a "hollowing out" of Taiwan's industrial base.²⁹ Thus, each Taiwan decision on economic links with the PRC represents a political compromise.

Taiwan's World Trade Organization (WTO) Accession. After a 12-year application process, Taiwan joined the WTO on January 1, 2002, as "the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu" or, less formally, "Chinese Taipei." In keeping with the PRC's wishes, Taiwan was not admitted to the organization until after the PRC's accession on December 12, 2001, following a 15-year application process. As a result of its WTO membership, Taiwan will have to reduce tariffs and open a number of market sectors to foreign investment, thus setting the stage for new opportunities for U.S. businesses. In addition, mutual membership in the WTO is likely to have a significant impact on PRC-Taiwan economic and trade relations. To be in compliance with their WTO obligations, both Beijing and Taipei will have to reduce long-standing bilateral trade restrictions, setting the stage for direct trade links between the two governments.

Policy Trends in the George W. Bush Administration

When it first assumed office, the Bush Administration articulated policies in Asia that were more supportive of Taiwan and less solicitous of engagement with China than those of previous U.S. Administrations. But since then, although U.S.-PRC relations have remained remarkably smooth, other factors — the PRC's anti-secession law, Taiwan's internal political divisions, and what is viewed as President Chen's more assertive and divisive push for separate political status for Taiwan — have posed growing problems for this U.S. policy approach. In the face of these complications, Bush Administration officials at times are thought to be trying to rein in Chen and are placing more public caveats on U.S. support for Taiwan.

Initial Tilt Toward Taiwan. Many observers concluded in 2001 that the newly elected George W. Bush had abandoned the long-standing U.S. policy of "strategic ambiguity" in favor of "strategic clarity" that placed a clearer emphasis on Taiwan's interests and showed less concern for PRC views. In addition to approving a major arms sales package for Taiwan, in an ABC television interview on April 25,

²⁸ Wu, Lilian, "Taiwan registers record trade surplus in 2007," *Central News Agency English*, January 8, 2008.

²⁹ For instance, there are reportedly about 300,000 Taiwan citizens now living and working in Shanghai.

2001, President Bush responded to a question about what Washington would do if Taiwan were attacked by saying that the United States would do “Whatever it took to help Taiwan defend herself.” Since Section 3 of the Taiwan Relations Act (TRA) addresses only arms sales and not the use of American military forces in the island’s defense, the President’s answer caused considerable controversy over whether the United States had changed its policy toward Taiwan’s security or was preparing to change its position on Taiwan independence. Although State Department and White House officials, including President Bush, later insisted that the President’s statement was consistent with U.S. commitments in the TRA and that there had been no change in U.S. policy, subsequent statements and actions by Bush Administration officials in the following months continued to appear more supportive of Taiwan than those of previous U.S. Administrations.

The Bush Administration’s support for Taiwan was in keeping with growing sentiment in Congress in the late 1990s that the TRA was outdated and that Taiwan’s self-defense capabilities had eroded while the PRC had grown militarily more capable and more hostile to its smaller neighbor. These conclusions were supported by a congressionally mandated annual report, first issued by the Pentagon in February 1999, assessing the military balance in the Taiwan Strait. The 1999 report concluded that in light of improvements in offensive military capabilities, by the year 2005 China will have acquired the ability “to attack Taiwan with air and missile strikes which would degrade key military facilities and damage the island’s economic infrastructure.”

In addition to differences over security issues, the Administration also differed from its predecessors in how it handled requests for U.S. visits by senior Taiwan officials. Whereas earlier U.S. Administrations were either unwilling or forced by congressional pressure to allow Taiwan officials to come to the United States, the Bush Administration was more accommodating. The White House approved a transit stop for new Taiwan President Chen Shui-bian in 2001 during which he visited both New York (previously off-limits) and Houston, attended public functions and meetings, and met with nearly two-dozen Members of Congress. Similar U.S. visits were approved for Taiwan’s Vice-President, Annette Lu, (in early January 2002), and for Taiwan’s Defense Minister, Tang Yao-ming (March 2002), who attended a defense conference in Florida and while there met with U.S. Deputy Secretary of Defense Paul Wolfowitz and U.S. Assistant Secretary of State James Kelly. In late October 2003, the Bush Administration accommodated President Chen with a higher-profile transit visit to New York City — a visit that received wide press coverage in Taiwan.

Taiwan the “Unhelpful”. Since assuming office, however, the Bush Administration has been reshaping its own policy articulations concerning both Taiwan and the PRC. Administration officials now see smooth U.S.-PRC relations as an important tool in cooperating against terrorism and maintaining stability on the Korean peninsula. As articulated by Vice President Cheney during his visit to Shanghai in April 2004, the White House judges that “the areas of agreement

[between the United States and the PRC] are far greater than those areas where we disagree...”³⁰

Taiwan’s unpredictable and volatile political environment has posed special challenges for this White House balancing act. During Taiwan’s presidential and legislative campaigns in 2004, the Administration continued to balance criticisms of the PRC military buildup opposite Taiwan with periodic warnings to the Taiwan government to avoid provocative actions and cautions that U.S. support for Taiwan is not unconditional.³¹ In recent months, the Taiwan government’s continued willingness to employ the provocative gesture has heightened the concerns and sharpened the criticism of many U.S. officials about the credibility of President Chen’s administration and his past to the U.S. government. The uncharacteristically pointed language directed at Taiwan in the State Department’s written statement of March 2, 2006; in its press briefing of June 19, 2007; and in subsequent blunt statements by Deputy Secretary of State John Negroponte (August 27, 2007), NSC Senior Director for Asian Affairs Dennis Wilder (August 30, 2007), and Deputy Assistant Secretary for East Asia Thomas Christensen (September 11, 2007) — all cited elsewhere in this report — reflect these U.S. concerns.³²

Implications for U.S. Policy

For much of the past 27 years, Taiwan and PRC officials generally maintained that the United States should remain uninvolved in issues concerning Taiwan’s political status. That has been changing, and U.S. officials have been under subtle but increasing pressure from both governments to become directly involved in some aspects of cross-strait ties. PRC officials late in 2003 began quietly urging the United States to pressure Chen Shui-bian into shelving plans for an island-wide referendum. In 2004, they pressed U.S. officials to avoid sending the “wrong signals” to Taiwan

³⁰ From the Q & A session with Vice President Cheney following his speech at Fudan University in Shanghai, broadcast by Beijing CCTV in English, found in *FBIS*, April 15, 2004.

³¹ “There are limitations with respect to what the United States will support as Taiwan considers possible changes to its constitution.” Testimony of Assistant Secretary of State James A. Kelly before the House International Relations Committee, April 21, 2004.

³² The March 2, 2006 statement reads in part: “...Our understanding from the authorities in Taiwan was that the action Taiwan took on February 27 [to suspend the National Unification Council] was deliberately designed not to change the status quo, as Chen Shui-bian made clear in his 7-point statement. Abrogating an assurance would be changing the status quo, and that would be contrary to that understanding. We believe the maintenance of Taiwan’s assurances is critical to preservation of the status quo. Our firm policy is that there should be no unilateral change in the status quo, as we have said many times.” The June 19, 2007 press briefing comment about Taiwan’s proposed referendum on joining the United Nations: “...The United States opposes any initiative that appears designed to change Taiwan’s status unilaterally. This would include a referendum on whether to apply to the United Nations under the name Taiwan....Such a move would appear to run counter to President Chen’s repeated commitments to President Bush and the international community. We urge President Chen to exercise leadership by rejecting such a proposed referendum.”

— defined as those encouraging independence aspirations. Members of the Taiwan government have begun suggesting to U.S. officials that the Taiwan Relations Act needs to be strengthened or reevaluated and have sought U.S. support for Chen's constitutional reform plans.

For U.S. policy, Ma's election presents a huge opportunity to lay a new framework in Taiwan-PRC relations — one that moves toward cross-strait improvements and new understandings, and away from the more confrontational policies of the past. Ma will be faced with multiple delicate balancing acts. He will have to improve cross-strait relations — and Taiwan's economic opportunities on the mainland — while not appearing overly eager to core DPP supporters who worry that he will sell-out Taiwan's interests in pursuit of mainland ties. He also will have to strike a balance between those in the electorate who favor unification with China; those who argue for a strong defense for Taiwan and the continuation of U.S. weapons purchases; and those who urge significant improvements in Taiwan's relations with Beijing.

Despite the challenges that Ma faces, many believe that the election results have placed the real burden for an improved Taiwan-PRC situation squarely on Beijing. Having railed against President Chen for eight years while wooing the KMT, the PRC now will be pressed to follow through with creative initiatives with the Ma regime if it is to capitalize on the election results. Rebuffing a new and, at least initially, a more conciliatory Taiwan government could damage the PRC's credibility that it wishes to pursue a peaceful and constructive solution for cross-strait ties. Any perceived PRC reluctance also could serve to revitalize U.S. and congressional opposition to the PRC's Taiwan policy — opposition which has remained muted in recent years in part because of mutual U.S.-PRC problems with Chen.

Observers suggest there are a number of options now for Beijing to make a meaningful gesture toward Taiwan that would not impinge on PRC sovereignty claims. These could include a willingness to invite (or to be willing to discuss inviting) Taiwan to be a “meaningful participant” in the World Health Organization (WHO); an invitation to restart cross-strait talks on a mutually acceptable basis; a halt to petulant posturing against Taiwan in APEC and other multilateral organizations; or a suspension of Taiwan-focused military exercises and other military maneuvers in the strait, among other acts.

In the wake of the election, PRC Premier Wen Jiabao has expressed hope that cross-strait talks can resume quickly on the basis of the “1992 consensus.”³³ Unfortunately, past experience demonstrates that the PRC often is unable to adopt creative and flexible policy initiatives at times of great tension — as is currently the case with the crackdown against demonstrations in Tibet — or when there is intense pressure to be seen to be successful — as there is now in the months leading up to the

³³ Purportedly, the “1992 consensus” was a mutual agreement between the PRC and Taiwan governments on a formula of “one-China, two interpretations.” President Chen during his tenure suggested the agreement was really a “one-China” policy that compromised Taiwan sovereignty.

2008 Summer Olympics in Beijing. In addition, some have suggested that Beijing remains concerned about potential controversies that could arise during the remainder of President Chen's term, before Ma takes office on May 20, 2008. For these reasons, many feel that, at least in the short term, Beijing may be unable to make an important overture to the incoming Taiwan regime.

President-elect Ma has said he will place a high priority on repairing any difficulties in Taiwan's relations with the United States. Still, some observers in the past have expressed concern that the United States may have underestimated the importance of the sea change in KMT thinking that arose from the visits to the PRC by senior KMT officials beginning in 2005.³⁴ Those visits, according to this view, may have given pro-China interests in the KMT a new, alternate vision for Taiwan's future. If this concern is founded, one consequence could be the growing inurement of the KMT to U.S. pressure or interests. For instance, the new Taiwan government could begin to resist U.S. pressure that it increase military spending on the grounds that such expenditures are too high, too confrontational, and may be unnecessary in light of potential improvements in cross-strait interactions. Some worry then that the incoming KMT government, driven in large part by economic imperatives and pressures from the Taiwan business community, quickly could reach an accommodation with Beijing that may damage U.S. regional interests.

In other respects, the continued success in 2008 of Taiwan's democratic development is a welcome validation of U.S. goals and values. It also further emphasizes the unique and delicate challenge for U.S. policy that Taiwan poses: our ninth largest trading partner with a vibrant and free democratic government on an island claimed by the PRC, with which the United States has no diplomatic relations but does have defense commitments, and whose independence from China U.S. officials say they do not support. Under the new KMT government, then, the United States will be faced with challenges familiar from past years, including decisions on: new arms sales; how to accommodate requests for visits to the United States by Ma and other senior Taiwan officials; the level of U.S. relations with the Ma government; whether to pursue closer economic ties; and what role, if any, Washington should play in cross-strait relations.

Legislation

P.L. 110-161 (H.R. 2764)

Consolidated Appropriations Act, 2008. The Act provides \$15 million for democracy and rule of law programs in China, Hong Kong, and Taiwan, provided that money for Taiwan be matched from sources other than the U.S. government; Section 671 (b) of the Act allows the President to waive restrictions on Economic Support Funds for certain countries, including NATO countries, "major non-NATO allies," and Taiwan, listing Taiwan separately. The bill was signed into law on December 26, 2007.

³⁴ This was a view expressed to the author by one U.S. AIT official in Taiwan in 2006.

H.Res. 676 (Ros-Lehtinen)

Resolution that the United States continue to sell defense articles and services to Taiwan “based solely” on Taiwan’s legitimate defense needs. Introduced September 25, 2007, and referred to the House Committee on Foreign Affairs. Passed by voice vote on the suspension calendar on October 2, 2007.

H.Con.Res. 73 (Tancredo)

Expressing the sense of Congress that the United States should resume diplomatic relations with Taiwan. Introduced February 16, 2007, and referred to the House Foreign Affairs Committee.

H.Con.Res. 136 (Chabot)

Expressing the sense of Congress that the United States should lift restrictions on visits by high-level Taiwan officials, including the Taiwan president. Introduced on May 1, 2007, and referred to the House Foreign Affairs Committee. The Committee marked the measure up on June 26, 2007, and passed it by unanimous consent under suspension of the rules. The House passed the measure by voice vote on July 30, 2007, and the measure was referred to the Senate Foreign Relations Committee on August 3, 2007.

H.Con.Res. 137 (Berkley)

Expressing the sense of Congress that the United States should initiate negotiations to enter into a free trade agreement with Taiwan. Introduced on May 1, 2007, and referred to the House Ways and Means Committee.

H.Con.Res. 170 (Tancredo)

Expressing the sense of Congress that the International Olympic Committee should allow Taiwan to participate in the 2008 Beijing Summer Olympics under the name and flag of its own choosing. Introduced June 15, 2007, referred to the House Foreign Affairs Committee.

H.Con.Res. 250 (Garrett)

Supporting Taiwan’s membership in international organizations such as the United Nations. Introduced on November 8, 2007, and referred to the House Foreign Affairs Committee.

H.Con.Res. 278 (Ros-Lehtinen)

A measure supporting Taiwan’s fourth direct presidential election on March 22, 2008. Introduced on December 19, 2007, and referred to the House Foreign Affairs Committee.

H.R. 1390 (Tancredo)

A bill requiring Senate confirmation for the position of Director of the American Institute in Taiwan (AIT). Introduced on March 7, 2007, and referred to the House Committee on Foreign Affairs.

H.R. 3912/S. 1565 (Lantos/Biden)

Naval Vessel Transfer Act of 2007. Among other actions, the bill transfers to TECRO (the Taiwan office in the United States) the OSPREY class minehunter coastal ships ORIOLE (MHC-55) and FALCON (MHC-59). H.R. 3912 was

introduced on October 22, 2007, and referred to the Committee on Foreign Affairs, which held markup on October 23, 2007. The bill is expected to be considered under the suspension calendar. S. 1565 was introduced on June 7, 2007, and referred to the Senate Foreign Relations Committee, which held markup and ordered the bill reported on June 27, 2007. (S.Rept. 110-139). The bill was placed on the Senate calendar on July 31, 2007.

S.Con.Res. 48 (Johnson)

Expressing the sense of Congress that restrictions be lifted on U.S. visits by democratically elected high-level Taiwan officials. The measure was introduced on October 2, 2007, and referred to the Senate Foreign Relations Committee.

S.Con.Res. 60 (Baucus)

A sense of Congress resolution calling for negotiations on a Free Trade Agreement with Taiwan. Introduced December 18, 2007, and referred to the Senate Finance Committee.

Chronology

- 05/26/08** — KMT Chairman Wu Poh-hsiung will visit China and meet with PRC Party Secretary Hu Jintao at the latter's invitation. It will be the highest-level contact between the two sides of the Taiwan Strait.
- 05/20/08** — Ma Ying-jeou was inaugurated President of Taiwan.
- 05/19/08** — Tsai Ing-wen, considered a moderate in the DPP Party and a former Vice-Premier, was elected chairwoman of the Party.
- 05/19/08** — The same day, the WHO for the 12th year running rejected Taiwan's bid for observer status.
- 03/22/08** — KMT candidate Ma Ying-jeou was elected president of Taiwan, defeating the rival DPP ticket of Frank Hsieh. Ma is scheduled to assume office on May 20, 2008.
- 01/12/08** — Taiwan's legislative elections were held under its newly reorganized system: 428 candidates fighting for membership in the new 113-seat body. The KMT crushed the DPP, winning 81 seats to the DPP's 27.
- 01/07/08** — According to the *International Herald Tribune*, Beijing plans to open a new commercial aviation route through the Taiwan Strait. Taiwan officials said they considered the move a threat to air safety.
- 12/28/07** — Taiwan's High Court acquitted Ma Ying-jeou of corruption charges, upholding the acquittal of a lower court.
- 12/10/07** — The non-profit Committee of 100 released the results of its survey, *Hope and Fear: American and Chinese Attitudes Toward Each*

Other. The poll found that 32% of U.S. citizens think the U.S. military should defend Taiwan against a PRC attack, while 49% of congressional staff thought so.

- 11/20/07** — *The Federal Register* published a U.S. announcement of a proposed arms sale to Taiwan for upgrade and refurbishment of PATRIOT Advanced Capability-3 (PAC-3) Guided Missiles.
- 11/06/07** — Secretary of Defense Robert Gates, visiting in Beijing, reportedly told PRC President Hu Jintao that the United States is “categorically” opposed to any moves by Taiwan towards independence.
- 9/19/07** — For the 15th consecutive year, a U.N. General Assembly Committee (the General Committee) rejected the recommendation that Taiwan’s formal application for U.N. membership be considered at this year’s meeting of (the 62nd) General Assembly.
- 09/17/07** — The *United Evening News* reported that Taiwan’s military had been planning to deploy missiles on the island of Matsu but had suspended the plan due to U.S. pressure.
- 09/16/07** — China’s Taiwan Affairs Office said that Beijing had “made necessary preparations” to “deal with serious conditions” as a result of Taiwan’s U.N. membership bid.
- 09/12/07** — The Pentagon announced \$2.2 billion in possible military sales to Taiwan, including 12 surplus Orion P3-C maritime patrol craft and 144 SM-2 Block 3A Standard anti-aircraft missiles, built by Raytheon.
- 09/10/07** — Taiwan Defense Minister Ko Cheng-heng said that Taiwan had an “urgent and legitimate need” to buy F-16s. Minister Ko made the statement while attending the Sixth U.S.-Taiwan Defense Industry Conference in the United States.
- 08/27/07** — In an interview with Hong Kong Phoenix TV, U.S. Deputy Secretary of State John Negroponte reiterated U.S. opposition to Taiwan’s holding a referendum on U.N. membership.
- 08/06/07** — According to the *United Daily News*, Taiwan wants to buy at least 6 Aegis-equipped U.S. destroyers for more than \$4.6 billion.
- 07/23/07** — The United Nations Legal Affairs Office rejected Taiwan’s application for U.N. membership on the grounds that it violated the agency’s “one China” policy.
- 07/21/07** — President Chen Shui-bian said PRC diplomats would continue to be unrecognized in Taiwan and PRC nationals would not be permitted to attend Taiwan universities.

- 07/20/07** — DPP Presidential candidate Frank Hsieh began a 10-day U.S. visit.
- 07/20/07** — Taiwan announced it had applied for U.N. membership under the name “Taiwan.”
- 07/17/07** — The *Taipei Times* reported that KMT sources said the United States had postponed approval of the sale of 66 F16 C/D fighters to Taiwan because of President Chen’s UN referendum.
- 07/15/07** — Taiwan’s Ma Ying-jeou promised to revise Taiwan’s constitution in 2010 with a “democratic re-engineering project.”
- 06/19/07** — A State Department press spokesman reacted to a question about Taiwan, saying, “We do not support Taiwan’s membership in international organizations that require statehood [for membership], including the United Nations. The United States opposes any initiative that appears designed to change Taiwan’s status unilaterally. This would include a referendum on whether to apply to the United Nations under the name Taiwan....Such a move would appear to run counter to President Chen’s repeated commitments to President Bush and the international community.”
- 06/18/07** — President Chen Shui-bian announced that, in conjunction with elections next year in either January or March, he will hold a referendum on whether Taiwan should join the United Nations under the name “Taiwan.”
- 05/14/07** — WHO rejected Taiwan’s bid for full membership, voting in the World Health Assembly (WHA) 148-17 to strike discussion of the issue at the 2007 annual meeting. The U.S. and Germany, voting no, urged that Taiwan be given “meaningful participation” in the global health system, according to U.S. Health Secretary Michael Leavitt.
- 05/03/07** — St. Lucia reaffirmed that it was severing ties with China to normalize ties with Taiwan. On May 5, China announced it was severing diplomatic relations with St. Lucia.
- 03/20/07** — American Institute in Taiwan (AIT) Director Steve Young, speaking at a dinner to the American Chamber in Taiwan, urged the legislature to pass the arms procurement package, saying the United States was becoming increasingly frustrated with Taiwan’s divisive political partisanship.
- 03/18/07** — Taiwan announced that Joseph Wu, head of the Mainland Affairs Council and a DPP member, would replace David Lee as head of Taiwan’s office in the United States.
- 03/05/07** — A U.S. State Department spokesman criticized President Chen’s “four wants” remarks and said Washington considers Chen’s willingness

to fulfill his earlier pledges not to declare Taiwan independence to be “a test of his leadership, dependability and statesmanship...”

- 03/01/07** — The U.S. Department of Defense notified Congress of plans to sell Taiwan \$421 million in Advanced Medium Range Air-to-Air Missiles (218 AMRAAM) and Maverick missiles (235) as well as spare parts and maintenance equipment.
- 01/17/07** — The PRC’s Taiwan Affairs Office announced that Taiwan-China trade had increased 18.2% in 2006 to top \$100 billion.
- 06/08/06** — The State Department issued a press statement saying the United States attached “profound importance” to President Chen’s renewed public promise to make no changes in the status quo and to exclude any sovereignty measures in a revision of Taiwan’s constitution.
- 06/07/06** — Raymond Burghardt, chairman of the American Institute in Taiwan (AIT), arrived in Taiwan for discussions concerning Taiwan’s political situation.

For Additional Reading

- CRS Report RS22853, *Taiwan’s 2008 Presidential Election*, by Kerry Dumbaugh.
- CRS Report RS22791, *Taiwan’s Legislative Elections, January 2008: Implications for U.S. Policy*, by Kerry Dumbaugh.
- CRS Report RS22388, *Taiwan’s Political Status: Historical Background and Ongoing Implications*, by Kerry Dumbaugh.
- CRS Report RL30957, *Taiwan: Major U.S. Arms Sales Since 1990*, by Shirley Kan.