

SEEING STRAIT

The Future of the U.S.-Taiwan Strategic Relationship

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New American
Security

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Cover Photo

This view of Taiwan was compiled from data acquired by LANDSAT 5 and 7 satellites.
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Executive Summary

U.S. policy should seek to shift Taiwanese strategic concerns from hardware prestige to human capital prestige, buttress Taiwan's defensive capabilities with smart investments rather than just expensive ones, and back Taiwan's efforts to integrate more deeply into the international marketplace.

In January, Taiwanese voters took to the polls in one of Asia's most advanced democracies. In the island's third democratic transfer of power, a unified government controlled by the opposition Democratic Progressive Party (DPP) was elected for the first time. Driven by mounting anxiety over the economy, voters seem to have associated the sagging economic outlook with outgoing President Ma Ying-jeou and his Kuomintang Party's (KMT) policies of cross-strait rapprochement. The victorious DPP, while promising to largely maintain the status quo, takes office with a mandate increasingly skeptical of China.

As new American and Taiwanese governments assess their priorities for the coming years, U.S. policy-makers must be aware of the trends at play in Taiwan and their implications for the two countries' strategic and economic relationship. The United States should continue to support Taiwan's defense from conflict or coercion, but that will require a more nuanced approach than occasional boilerplate arms sales. U.S. policy should seek to shift Taiwanese strategic concerns from hardware prestige to human capital prestige, buttress Taiwan's defensive capabilities with smart investments rather than just expensive ones, and — crucially — back Taiwan's efforts to integrate more deeply into the international marketplace. By doing so, Taiwan may be able to improve its deterrence against Chinese threats, get its economy growing again, and achieve greater international visibility than it now enjoys — all without sliding from China-skepticism to China-hostility.



President-Elect Tsai Ing-wen, seen here during a campaign rally, led the Democratic Progressive Party's return to power in Taiwan's 2016 election. Dr. Tsai and her party are taking power just as economic and political headwinds spell trouble for cross-strait relations. (Ulet Ifansasti/Getty)

Taiwan's Continued Significance

A Leading, Liberal Asian Economy

Despite its relatively small size — particularly in a continent of demographic giants such as China, India, and Indonesia — Taiwan has a long history of robust, sustained economic success in Asia. Alongside Singapore, Hong Kong, and South Korea, Taiwan was dubbed one of the region's "Asian Tigers" as it enjoyed exceptionally high rates of economic growth from the 1960s through the 1990s. Indeed, by the 1990s it had already reached developed-world levels of physical and human capital. Though the 1997 Asian financial crisis brought the "Asian economic miracle" narrative to an end, Taiwan weathered it much better than most of its neighbors thanks to the tremendous investments it had made in its workforce and relative sectoral diversity.¹

From the 1960s through the political reform period of the 1980s and 1990s, Taiwan benefitted from aggressive education and industrial policy. The autonomously governed island achieved universal primary education in 1965, well ahead of most other developing economies at the time.² Emphasizing widespread technological learning alongside physical capital investment, Taiwan then grew its labor force and became more competitive on the world stage.³ Unlike the other so-called Asian Tigers, it pursued relatively less top-down, heavy-handed sectoral change. The now-robust electronics manufacturing and IT industries certainly received government support, but development efforts in human

capital were also intended to be far-reaching and able to benefit industries of all varieties. As a result, while the tech industry grew dramatically, productivity in more traditional sectors such as textiles saw substantial improvement as well.⁴ Even in the midst of the Asian financial turmoil of the 1990s, Taiwan managed to emerge as a highly competitive, advanced economy buoyed by the education and productivity of its workforce.

As a result, today Taiwan enjoys a highly developed economy with standards of living one would expect to see in Western Europe or North America. Driven by advanced services, electronics, machinery, and petrochemicals, the island's GDP per capita is \$46,000, higher than Canada's and just behind that of Germany.⁵ Distribution of wealth is remarkably equitable, certainly for emerging economies and compellingly so among advanced ones.⁶ Only 1.5 percent of Taiwan's population lies below the poverty line — one-tenth as many per capita as the United States.⁷

Its historic stature as a tech hub has allowed Taiwan to punch substantially above its weight in international trade, particularly with other advanced Pacific economies. The island is home to some of the world's most influential electronics brands, such as Acer, HTC, and Asustek. Taiwan is one of the world's leading producers of semiconductors, and tends to compete only with much larger such industries in the United States and Japan.⁸ While mainland China's own domestic industry

In U.S. Trade, Taiwan Punches Far Above Its Weight

RANK	COUNTRY	TOTAL TRADE	POPULATION
7	United Kingdom	\$7.6 billion	64.1 million
8	France	\$5.5 billion	66.6 million
9	Taiwan	\$5.4 billion	23.4 million
10	India	\$5.2 billion	1.3 billion
11	Italy	\$4.4 billion	61.9 million

Table Source: U.S. Census Bureau (January 2016); and CIA World Factbook (July 2015 estimate)

is moving toward more high-tech manufacturing — and with it, bringing economic headwinds for Taiwan’s robust but far smaller economy — Taiwan still enjoys a privileged status among advanced economy trading partners. In 2015 it was among the United States’ top ten such partners, despite having a far smaller population than others on the list, such as China, Japan, India, and Mexico, and ranked ahead of some large emerging markets like Brazil.⁹

A Strategic and Political Environment in Flux

The economic and strategic stability that has defined Taiwan’s Pacific existence these last several years appears to be approaching a period of revision. While closer cross-strait ties brought more trade, tourism, and investment to Taiwan from the world’s second-largest economy, it also exposed the island to China’s vulnerabilities. As the economy of China becomes increasingly wobbly, hitching Taiwan’s economic future to it looks less like prudent planning and more like a liability. Even before the People’s Republic encountered this period of market turbulence, many in Taiwan began to feel that China was transitioning from a low-tech complementary trading partner into a higher-tech competitor. Combined with Taiwan’s 2015 GDP growth coming in at one-quarter of initial estimates for the year, many Taiwanese approach cross-strait issues with a growing sense of economic anxiety.¹⁰

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There is little reason to believe cross-strait politics will provide the sense of stability that may now be receding from cross-strait economics. Though former President Ma Ying-jeou did much to normalize relations between Taiwan and the mainland, the internal calculus of the Chinese Communist Party’s ruling circles is still as opaque as ever. If anything, divining the intentions of the Chinese authorities may be getting more difficult as President Xi Jinping continues to consolidate power around him. Though the November 2015 meeting and handshake between Presidents Xi and Ma was an unprecedented event, it was unlikely to have had lasting significance beyond a tactical burst of diplomacy by the Chinese at a time of growing geopolitical and economic

headwinds. The meeting was likely orchestrated with some coercion at its core — signaling to the soon-to-be-elected Tsai Ing-wen and her administration what China saw as acceptable bounds of behavior.¹¹

While Dr. Tsai has promised to largely maintain the cross-strait status quo, her more China-skeptic DPP appears keen to at least tinker at its edges. Dr. Tsai and her party have avoided explicitly embracing the 1992 Consensus, and some DPP members have openly rejected it.¹² Indeed, while campaigning, Dr. Tsai promised to seek “international space” and pursue the Trans-Pacific Partnership (TPP) as a way to hedge against being consumed by China’s economic and diplomatic heft.¹³ So far China has taken a wait-and-see approach to the prospect of a new DPP-led administration, but should one side interpret the actions of the other as provocation, each has dangerously strong political incentives to confront the other.

Critical Trends Influencing Taiwan’s Future

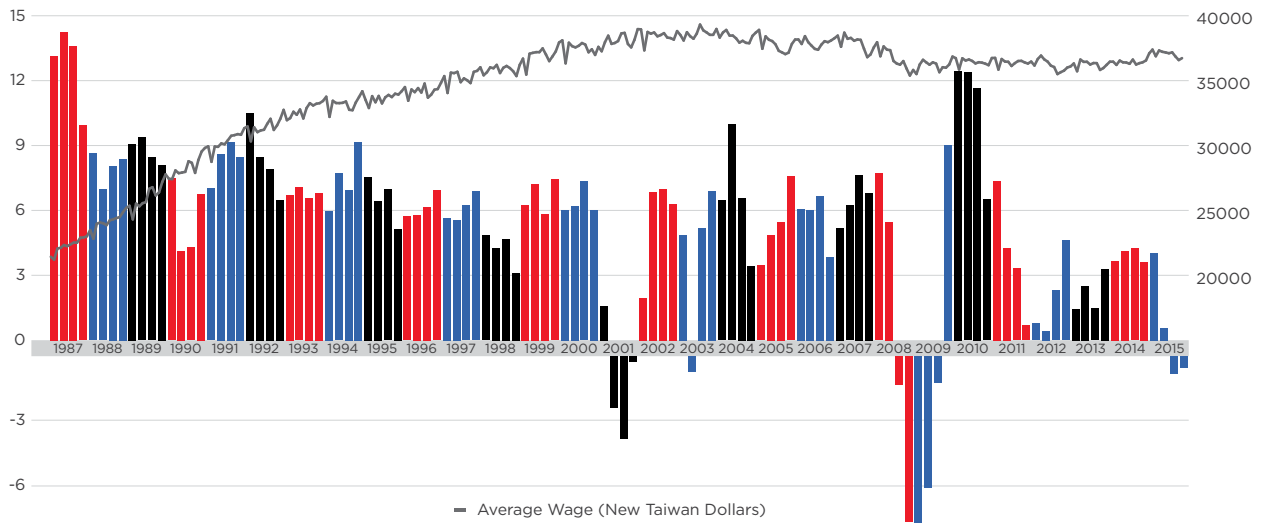
Entanglement of Economic Anxiety and Cross-Strait Relations

As the United States and Taiwan look to chart the future of their bilateral relationship, there are crucial political and economic dynamics underway that each will have to keep in mind. Foremost among those dynamics is the entanglement in recent years of warmer ties with China and growing economic anxiety in Taiwan.

President Ma entered office in 2008 following a period of cross-strait tumult, promising to stabilize a fraught relationship with mainland China. His administration subsequently pursued a number of policies not only to normalize Taiwan’s dealings with China, but to begin building economic and cultural ties that many felt would make conflict less likely. Moreover, though Taiwan had a modern history of considerable economic success, Chinese double-digit growth rates were the envy of Asia. Harnessing that growth for Taiwan was an obvious added benefit to President Ma’s rapprochement.

By many measures, Mr. Ma enjoyed significant success. The number of direct flights between mainland China and Taiwan increased from nearly zero to almost 900 per week.¹⁴ These flights have allowed economic and cultural ties to blossom; 5,000 individual travelers and 5,000 travelers who are part of formal tour groups visit from the mainland every day.¹⁵ As a result, cross-strait trade has grown to \$200 billion per year, or between 25 and 30 percent of the island’s total GDP.

Average Taiwanese Wage and Quarterly GDP Growth, 1987–2015



As GDP growth has gradually declined, average wages have stagnated.

Source: National Statistics, Taiwan

Despite these gains, President Ma's political fortunes soured with the Taiwanese economy. Growth forecasts for 2015 originally projected a robust expansion of 3 to 4 percent, but growth ultimately fell to less than 1 percent.¹⁶ This slowdown laid bare disadvantageous trends that had already been well underway. Taiwan had long been an advanced manufacturing hub and technology center and benefitted from access to raw materials and cheap labor from mainland China. But the same gangbuster growth rates that made China an attractive target for greater interdependence also made it a liability. Rather than give relatively tiny Taiwan an opening to reassert itself in the global marketplace, China's economic slowdown has instead been perceived as imposing its own drag on the Taiwanese economy with which it is now thoroughly interconnected. This cross-strait economic interdependence has shifted in the public's eye, fairly or not, from being a stabilizing force to a liability.

As economic anxiety became tied to a cross-strait rapprochement perceived to be executed entirely by elites and behind closed doors, the Ma administration's mainland policy agenda ground to a halt. After President Ma sought to ratify a new services trade pact in March 2014, opposition came to a head with the appearance of the Sunflower Movement (太陽花學運). The protest group, named in reference to both anger over a perceived lack of transparency and a symbol for hope, galvanized popular opinion. Two hundred demonstrators occupied the floor of the Legislative Yuan until the speaker agreed

to bring greater transparency to trade pact deliberations, and within 12 days 500,000 people rallied on the streets of Taipei.¹⁷ KMT policies seemed to depend on a historic and cultural affinity for a shared "China" that the Republic of China and PRC both claimed, but that affinity seems to be vanishing. Pre-campaign polls found that 90 percent of the population identifies as "Taiwanese" over "Chinese," a number that is even more lopsided among younger voters.¹⁸ Increasingly few Taiwanese people, particularly among the island's youth, have parents or grandparents who came from the mainland.

The DPP has repeatedly asserted that it invested in preserving the cross-strait status quo. That said, the United States should be aware that popular opinion — at least when driven by China-related economic unease — could enable more revisionist policy platforms in the future. Whether that is a trend to be mitigated or harnessed will be an important question for future policymakers both in the United States and Taiwan.

Economic and Geopolitical Hedges

This economic unease (and the skepticism of cross-strait rapprochement it drives) has heavily influenced both campaign platforms and likely policy agendas for the new president and her party's historic legislative majority. Indeed, Dr. Tsai and the DPP are coming to power "just as the era of win-win economic ties between China and Taiwan is coming to a close."¹⁹ Both sides of the strait can and will continue to benefit significantly from trade with

one another, but economic competition and geopolitical tension seem likely to grow.

Indeed, many Taiwanese have experienced a sense of stagnation in recent years and are asking from where future economic growth will come. Consequently, Dr. Tsai and the DPP appear driven to pursue new economic and geopolitical hedges or deepen existing ones. To combat the perception that Taiwan will be swamped by the market influence of its far larger neighbor, interest is growing in alternative economic centers of gravity and broader diplomatic engagement and recognition.

The DPP has made eventual accession to TPP, should it take effect next year, a central plank of their vision for Taiwan and its economic role on the world stage. While a top priority for the new government, it will be a difficult task for the coming years. Countries in which it will face the stiffest opposition to ratification — such as the United States and Japan — will of course first need to overcome domestic political pressures to ensure the pact comes into effect in 2017. Next, before second-round negotiations begin in earnest, Taiwan would need to assemble support from an array of allies both inside and out of TPP as it stands now. Foremost among them would be South Korea, which is rapidly becoming Taiwan's leading economic competitor in mid-sized-country advanced manufacturing.

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Ironically, though Taiwan sees TPP as a way to hedge against Chinese influence, if the cross-strait relationship deteriorates many countries may become less willing to endorse Taiwanese accession to TPP for fear that it would be provocative or destabilizing.²⁰ This is all to say nothing of the substantial economic liberalization that Taiwan would have to pursue domestically, precisely at a time when popular anxiety may be imposing protectionist pressures on its elected leaders. Taiwan's accession to TPP faces several hurdles, but not insurmountable ones. U.S. policymakers will likely play a key role in determining its ultimate feasibility, and should study the geopolitical prerequisites for Taiwanese accession and the strategic implications that could ensue.



Sunflower Movement demonstrators protest a contentious cross-strait trade agreement in March 2014. The movement came to define the economic anxiety and suspicion associated with President Ma's policy of cross-strait rapprochement. (Lam Yik Fei/Getty)

A Renewed Search for International Space

Though TPP may lead Taiwan's search for greater "international space," it will not exclusively define that search. During its campaign, the DPP pledged to increase international visibility for Taiwan. Dr. Tsai and her surrogates most frequently cited establishing economic and trade ties more broadly, increasingly participation in international humanitarian aid and disaster-response activities, and becoming more active in global non-governmental organizations.²¹ The new administration could also be expected to incorporate the similar proposals of its opponent Eric Chu, such as pursuing greater presence in international sport and cultural events — particularly if its preferred routes encounter more pushback than anticipated.

While these pursuits could create new geopolitical tensions, how Taiwan deals with existing unease over the South China Sea will likely attract more immediate concern from U.S. policymakers. The DPP has traditionally toed roughly the same rhetorical line as the KMT on South China Sea claims: The Republic of China asserts sovereignty over its claims with a historical grounding shared by the People's Republic of China, while calling for a peaceful resolution between all claimants.²² Yet there are some who believe that the DPP's more "natural" ideological predilection would be to begin rolling back Taiwan's commitment to these maritime claims.²³ Unlike the KMT, the DPP does not see Taiwan

as “China,” which may make policies dependent on a shared conception of China with the mainland more tenuous over the medium term.

U.S. policymakers, at times frustrated by Taiwan’s unexpected alignment with Chinese South China Sea claims in contravention of the United Nations Convention on the Law of the Sea (UNCLOS), should watch for signs of daylight between the new government’s position and that of the Chinese. An early indicator may be whether Dr. Tsai’s administration will continue or halt further construction on Taiping Island.

Resources and Prestige in the Military

Another rocky but critical policy environment for the years ahead will be how Taiwan approaches investments in its military capabilities, both in manpower and in hardware. Most urgently, the abolition of conscription and transition to an all-volunteer force (AVF) has been a more difficult undertaking than initially expected. Originally scheduled to be completed in 2015, the AVF has been delayed to 2017 after recruitment and retention efforts fell far below the military’s goals. Indeed, though 2014 and 2015 saw these goals met or exceeded, this was only after they had been halved from 2013.²⁴ That year, though the military initially hoped to recruit 28,000 soldiers, only one-third of that amount eventually signed up. This large shortfall even came after substantial investments in salary increases, retention stipends, and a robust publicity campaign.

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Though resolving inadequate compensation concerns may have been necessary to attract a new generation of talent to an all-volunteer military, it was not sufficient. The prestige of the military as a profession may require substantial resuscitation in the eyes of the modern Taiwanese public. Young soldiers have speculated that the legacy of conscription may have contributed to the armed service being seen as a burden, a box that had to be checked before getting on with their lives rather than a profession to be actively pursued.²⁵ A history of scandals, including torture, espionage, and internal mismanagement, has hindered the military’s ability to be perceived as an elite and distinguished organization.²⁶

Analysts have argued that the Ma administration’s rapprochement may have actually exacerbated this issue, dulling the perceived need for a strong deterrence.²⁷ Whatever the causes, poor recruitment results are so far driving a trend toward a smaller force rather than toward more successful policies for retaining current numbers.

Nonetheless, hopes for a defense investment that brings dividends in economics and prestige played a substantial role in the election campaign. After spending many troubled years attempting to acquire or build a submarine fleet, Taiwan recently restarted its Indigenous Defense Submarines (IDS) program, and it quickly became a litmus test for both the KMT and DPP in demonstrating their commitment to the island’s security. Indeed, the DPP has argued that the biggest obstacle to IDS moving forward was the Ma administration itself and pledged to add new energy to the program upon taking office.²⁸

For a government seeking symbols of both national strength and prestige, submarines are a compelling choice. While certainly a heavy industry undertaking likely to produce at least local economic benefits, submarines appear especially attractive for Taiwan’s specific strategic circumstances. The vessels are already asymmetric assets of the first order, but thanks to the background noise of the littoral seabed beneath the Taiwan Strait, their deployment could be especially stealthy.²⁹ Indeed, defensive submarines would not only be useful in a direct conflict or invasion by mainland China, but also in countering (or at least complicating) a Chinese blockade of Taiwan. The stumbling block is that submarine construction is extremely complex; while Taiwanese shipbuilders have successfully tested their mettle with platforms such as *Kuang Hua* fast-attack missile boats and *Tuo Jiang* missile corvettes, the hull and propulsion technologies required by submersibles are considerably more advanced.

So advanced that to put defensive submarines to sea on a practical timeline, Taiwan will likely need foreign technological assistance or manufacturing partners. The recent experience of the Australian navy is a cautionary tale. Its indigenously conceived and built Collins-class submarine eventually required three times as many parts suppliers, three times the production timeline, and twice as many hours for assembly as originally budgeted. In addition to missed deadlines and cost overruns, once completed, the vessels still encountered serious problems. Of the six built by 2009, only one was operationally functional.³⁰ As a part of the competition to expand their fleet, the Australians welcomed Japanese submarine construction bids (alongside the German and ultimately-victorious French bids) after Japan lifted



A domestically-constructed Taiwanese missile corvette launches flares during pre-election military drills in January 2016. Taiwan's shipbuilding successes have prompted some to advocate for domestic submarine construction as well. (Sam Yeh/AFP)

longtime restrictions on arms exports. Sporting a mature submarine-building environment, the Japanese could be persuaded to someday be the foreign manufacturing partner Taiwan seeks. The United States may need to determine whether it prefers a perennially troubled Taiwanese submarine program, a Japanese construction partnership likely facilitated by the United States, or a direct U.S. partnership.

Recommendations for Protecting U.S. and Taiwanese Interests

Taiwan's future will likely not rise and fall with its submarine fleet, but with its economy. The Republic of China's strength — especially while under the U.S. defensive umbrella — has long been at least as much a factor of its economic and political vitality as it has a factor of its hard power. As mainland China continues to develop and modernize, it will grow increasingly impractical to build a Taiwanese military capable of prolonged, direct confrontation with its neighbor across the strait. Taiwan should continue to focus on asymmetric deterrence while turning its attention to its other measures of national power.

U.S. policymakers should prize cross-strait stability but also support an affirmative vision of Taiwan's future. In short, the United States should steer Taiwan away from hostility with its neighbor and toward integration with the region. This will include continued arms sales and improved military capabilities, but with an emphasis on the cheap and asymmetric options Taiwan needs and away from prestige projects that hold little value beyond cross-strait provocation. Most important, however, the United States should help Taiwan find the economic hedges it is now seeking. Though TPP is still far from implementation, if it takes effect as scheduled the United States should wholeheartedly support Taiwan's accession.

Encourage A Practical Focus for Taiwan's Military

IN HARDWARE, PURSUE POTENCY, NOT PRESTIGE

In the event of conflict with China, Taiwan faces threats that will be relatively conventional to counter in nature, if admittedly not in quantity. China's overwhelming conventional ballistic-missile complement threatens not only any target in Taiwan, but many U.S. partners

and assets in the region.³¹ Additionally, large numbers of Chinese aircraft are based within unrefueled bombing range of Taiwan, substantially easing the PLA's logistical burden for launching numerous and frequent offensive sorties against the island.³² Though the PLA Navy is still building out its truly blue-water navy, Chinese warships and amphibious landing craft need only travel 90 miles to reach the destination of most of their war plans and simulations. These capabilities are certainly daunting, but to impose unacceptable costs on Chinese aggression, Taiwanese military power need not be exquisite — only survivable.

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Fundamentally, the United States should use arms sale negotiations to encourage Taiwan toward a cheaper, more contextually appropriate defense strategy. Though a larger or more advanced complement of fighter jets would enable visions of defensive dogfights, Taiwan would get more bang for its buck from concrete. The United States should foster this kind of pragmatic cost-benefit analysis with defense investments like the following:

- **Fund and equip the hardening of critical infrastructure.** Taiwan has some of the most robust and hardened airbases in the Asia-Pacific; the United States should build on this institutional knowledge and encourage the hardening of both military and civilian infrastructure that must remain functional during a cross-strait conflict.³³
- **Sell platforms (and tactical visions) that make use of Taiwan's already formidable geography.** The island's highly mountainous landscape is ideal for embedded, dug-in forces operating anti-ship missiles, long-range guns, and surface-to-air defenses that could withstand tremendous aerial assault and still threaten Chinese naval assets.³⁴
- **Encourage investment in advanced sea mines in particular.** Combined with quickly advancing sea mine capabilities and firsthand knowledge of the beaches most likely to be targeted for amphibious assault, Taiwan has a feasible framework for making a Chinese invasion cost-prohibitive.³⁵

- **Encourage Taiwan to look beyond submarines and invest in a more cost-effective maritime defense.** The Australian navy's example should be a cautionary tale; though submarines are certainly asymmetrically effective in the abstract, it is unclear they would be worth both the opportunity cost of diverted research efforts and capital investment better spent elsewhere. Beyond cost is also the danger of destabilization. China would likely greet a renewed or expanded Taiwanese submarine fleet with accusations of troublemaking and could respond forcefully. Australia's decision to build submarines (or acquire them from abroad) did not carry the same risks of geopolitical blowback, and Taiwan has more practical and cost-effective options for maritime defense. If Taiwan's preeminent military concern is staving off invasion long enough for help to arrive, sea mines and conventional munitions are likely a wiser investment.

Concrete, mines, missiles, and mountain-borne gunnery are cheap, asymmetrically effective, and already a part of the cross-strait military paradigm. Building out these capabilities further would not only be a more cost-effective and potent use of U.S. security cooperation, but be unlikely to provoke a deterioration of the strategic status quo. Rather than provide exquisite air power or facilitate an indigenous submarine program, the United States should encourage (and potentially sell) capabilities and platforms more suited to the Republic of China's highly specific needs.

FOCUS ON WARFIGHTERS MORE THAN WEAPONS

Instead, the United States should assist Taiwan in shifting military prestige away from weapons and toward warfighters. Many young Taiwanese do not see a career in the armed forces as a prestigious or desired path. This has helped drive the difficulty Taiwan's military is experiencing as it transitions to an AVF, with recruitment numbers falling far below original goals. The United States has a trove of experience managing the transition from conscription to a professionalized AVF and should lend its expertise to Taiwan so that it can maintain a credible deterrent to Chinese coercion.

- **The United States should consider developing institutional capacity-building partnerships with the Taiwanese military and Ministry of National Defense focused on the transition to an AVF.** The Ministry of Defense Advisors program and the Defense Institutional Reform Initiative serve as

models for embedding subject matter experts inside foreign defense organizations to collaborate on organizational improvements. Though historically focused on building ministerial capacity through fundamental process improvement in relatively weak states, these programs (or a similar one) could prove an ideal platform through which to provide AVF transition support.

- Use Track 1.5 and Track 2 dialogues to further share lessons learned from those who facilitated the United States' own all-volunteer transition.** The considerable turmoil facing the U.S. defense establishment during the 1960s and 1970s offers valuable lessons for Taiwan's own troubled civilian-military relationship. Vietnam-era public discontent, concerns over equity in conscription, and the Army's own issues among draftees eventually gave significant institutional momentum to an all-volunteer transition. Retired civil servants and service members who oversaw the transition would have many insights to offer their Taiwanese counterparts in service now.³⁶
- Focus future potential U.S. engagement, exchange, and training efforts on the novel capabilities an AVF would require — especially social science research.** A professionalized volunteer force requires significant human capital investments that are likely underdeveloped or totally absent in a conscription-based service. The U.S. transition to an all-volunteer force required new recruitment and retention efforts to go far beyond simple questions of salary and pensions to include significant investments in researching marketing and advertising strategies, aptitude testing, education incentives, and professional development and career planning, all in an effort to transform military service from a compulsory experience to an elite and desirable vocation. The United States could tailor institutional support, exchange, or training efforts to emphasize these new lines of effort that are likely foreign to a traditionally conscription-based force, including the quantitative analysis required to constantly test, evaluate, and adjust course as needed.
- Place these warfighter-focused initiatives on the same diplomatic level as conventional arms sales.** U.S. policymakers should use similar protocols for the previously mentioned initiatives that they already employ for traditional arms sales to Taiwan,



Hardened gunnery embedded in Taiwan's mountainous terrain — inspired by this 1960s-era howitzer — could threaten invading naval assets while withstanding significant aerial bombardment. (Alberto Buzzola)

including formal congressional notification. This will signal to Taipei — and Beijing — that Washington views these efforts at warfighter and institutional capacity building as just as important as periodic arms sales.

Members of Congress have expressed interest in funding renewed defense training and exchange with Taiwan.³⁷ Targeted people-to-people engagement and training with the United States could not only improve the professionalism and prestige of the island's military, but also its defensive power as measured by the human capital of its forces. A smarter, better-trained, and more committed force would be a more potent counter to Chinese threats and a source of pride for Taiwanese citizens, all without fundamentally disrupting the cross-strait strategic paradigm that exists now.

Provide an Economic Counterweight to China to Avoid an Economic Rejection of China

The narrative of the Taiwanese economy — one of a high-tech manufacturing powerhouse punching far above its weight in the global marketplace — has long been a key part of Taiwanese identity. As mounting economic anxiety has displaced that aspect of what it means to be Taiwanese, China-skepticism has crept back into the island's political discourse. The recent election campaign — rightly or wrongly — linked KMT policies of closer ties to China with Taiwan's sense of economic



Taiwan's high-tech manufacturing sector has been a traditional source of growth. Here, a Gintech Energy Corporation employee handles solar panels at a Chunan photovoltaic plant. (Maurice Tsai/Bloomberg)

malaise and fear that it was becoming consumed by its neighbor's overwhelming size. Without a return to growth and a sense of affirmative identity, Taiwan could become focused on an identity built largely in contrast to China — a development that could bring with it a worrying rise in tensions.

Luckily, if TPP is ratified and goes into effect as planned — though still not a certainty — it could provide Taiwan both the pathways for growth and a form of recognition and international visibility on the world stage. TPP could have profound benefits for the island; exports of goods and services made up 74 percent of Taiwan's GDP in 2012, and five of Taiwan's top ten export destinations are first-round TPP parties.³⁸

U.S. policymakers should support Taiwanese accession to TPP — first quietly and among its partners and countries most likely to be skeptical, and then publicly.

- **Begin building the case for Taiwanese accession in regular talks.** Taiwan joining TPP would represent a significant strategic and economic event, and U.S. partners and allies should not be caught off guard. Behind closed doors, U.S. diplomats and trade negotiators should make the United States' potential interest in Taiwan's accession clear, soliciting feedback and listening to concerns. Should TPP be lucky enough to be ratified and proceed to second-round negotiations, broaching the issue of Taiwanese accession should be no surprise.

- **Reassure skeptical partners, especially those most likely to directly compete with Taiwan.** Countries like Japan or the more analogously sized South Korea, have economies oriented toward the advanced manufacturing that Taiwan aims to boost by joining TPP. The United States must make clear how deeply Taiwan is already embedded into many high-tech Asian supply chains — already composed largely of existing TPP signatories. Further, Taiwan's accession could both grow the overall high-tech manufacturing market while facilitating lucrative supply chain and capital efficiencies that would allow TPP members to better compete with China as it continues to move up the skills value chain. Given such reassurance, TPP members will be more likely to support a competitor's accession and tolerate the geopolitical kerfuffle that comes with greater Taiwanese participation in international organizations.

- **Encourage further economic liberalization ahead of a formal TPP candidacy.** The domestic reforms necessary to be eligible for accession could be politically painful for Taiwan. Its agriculture and pharmaceutical industries, though small, are potent interest groups and the beneficiaries of many protectionist policies. Food and drug regulations, for example, can depart markedly from scientific evidence, following interest groups and sensation-alized public sentiment, and the United States has been at the receiving end of many of these protectionist policies.³⁹ Bilateral trade negotiations with a friendly country eventually seeking to boost Taiwan's accession prospects, such as the United States, could serve as a "safe space" for Taiwan to feel out just how difficult the necessary reforms will be.

That said, Taiwan has a history of fraught trade negotiations with the United States that would have to be overcome for U.S. negotiators to fully endorse Taiwanese accession to TPP. U.S. policymakers should do everything they can to encourage such accession — whether it is helping other TPP signatories or candidates get to yes or finding the most politically palatable way to package liberalization reforms for the Taiwanese public. Success will be critical to ensuring that already-growing cross-strait skepticism does not eventually transform into cross-strait hostility.

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