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CRS Report for Congress

Security Implications of Taiwan's Presidential Election of March 2008

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Summary

This CRS Report analyzes the security implications of Taiwan's presidential election of March 22, 2008. This analysis draws in part from direct information gained through a visit to Taiwan to observe the election and to discuss views with a number of interlocutors, including those advising or aligned with President Chen Shui-bian and President-elect Ma Ying-jeou. This CRS Report will discuss the results of Taiwan's presidential election and symbolic yet sensitive referendums on U.N. membership, outlook for Taiwan's stability and policies, implications for U.S. security interests, and options for U.S. policymakers in a window of opportunity. This report will not be updated.

The United States positioned two aircraft carriers near Taiwan. Thus, there was U.S. relief when the referendums, as targets of the People's Republic of China (PRC)'s condemnation, failed to be valid. Kuomintang (KMT) candidate Ma Ying-jeou won with a surprising and solid margin of victory (17 percent; 2.2 million votes), against Democratic Progressive Party (DPP) candidate Frank Hsieh.

The near-term outlook for Taiwan's future is positive for stability and in policy-making on defense. However, in the longer term, the question of Taiwan's identity and sovereignty as separate from the PRC remains unsettled. Moreover, the People's Liberation Army (PLA) has continued to build up its forces that threaten Taiwan, raising the issue of whether the military balance already has shifted to favor the PRC.

The results of March 22 sapped the PRC's alarmist warnings about the election and referendums, although it might still warn about instability until the inauguration on May 20 while Chen is still president. Nevertheless, cross-strait tension is greatly reduced. Chen is effectively weakened and concentrating on the transition. Ma is less provocative towards Beijing than Chen. Ma gives pro-U.S. assurances. There is future uncertainty, however, as the KMT could choose to accommodate Beijing, challenge Beijing, or seek a bipartisan consensus on national security.

In one view, there is an opportunity to turn U.S. attention from managing the cross-strait situation to more urgent priorities that require the PRC's improved cooperation, such as dealing with nuclear proliferation in North Korea and Iran, the crisis in Darfur in Sudan, repression in Burma, the crackdown in Tibet, etc. Alternatively, a window of opportunity is presented for the first time in years to take steps to sustain U.S. interests in security and stability in the Taiwan Strait. Considerations include whether to counter perceptions in Beijing of "co-management" with Washington and rising expectations about U.S. concessions to PRC demands, notions denied by the Administration. An issue for policymakers is what approach to take in a window of opportunity. U.S. policymakers have various options to: continue the existing approach; engage with president-elect Ma (including a possible U.S. visit before his inauguration); strengthen ties for Taiwan's military, political, and economic security (including a possible consideration of its request for F-16C/D fighters); promote a new cross-strait dialogue; and conduct a strategic review of policy toward Taiwan.

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This CRS Report analyzes the security implications of Taiwan's presidential election of March 22, 2008, including the implications for U.S. assessments, security interests, and options for policymakers in Congress and the Bush Administration. This analysis draws in part from direct information gained through a visit to Taiwan to observe the election and to discuss views with a number of interlocutors, including those advising or aligned with President Chen Shui-bian and President-elect Ma Ying-jeou. This CRS Report will discuss the results of Taiwan's presidential election and symbolic yet sensitive referendums on U.N. membership, outlook for Taiwan's policies, implications for U.S. security interests in Taiwan, and options for U.S. policymakers presented with a window of opportunity. For details on U.S. arms sales, Taiwan's missile program, a possible withdrawal of missiles by the People's Liberation Army (PLA), Taiwan's defense budgets, etc. mentioned below, see CRS Report RL30957, *Taiwan: Major U.S. Arms Sales Since 1990*, by Shirley Kan.

Other relevant reports on the election and U.S. policy toward Taiwan are: CRS Report RS22853, *Taiwan's 2008 Presidential Election*, by Kerry Dumbaugh, CRS Report RL30341, *China/Taiwan: Evolution of the "One China" Policy — Key Statements from Washington, Beijing, and Taipei*, by Shirley Kan, and CRS Report RL33510, *Taiwan: Recent Developments and U.S. Policy Choices*, by Kerry Dumbaugh.

Presidential Election and Referendums

Relief at Results

Days before Taiwan's presidential election on March 22, 2008, in a sign of U.S. anxiety about peace and stability, the Defense Department had two aircraft carriers (including the *Kitty Hawk* returning from its base in Japan for decommissioning) "responsibly positioned" east of Taiwan to respond to any "provocative situation."[1] Perhaps more so than the election, two referendums on Taiwan's membership in the United Nations (U.N.) were of crucial concern to U.S. policymakers. Partly to turn out more supporters for legislative and presidential elections in January and March 2008, the ruling Democratic Progressive Party (DPP) proposed a referendum on whether to join the U.N. as "Taiwan." For political cover, the opposition Nationalist Party, or Kuomintang (KMT), reluctantly followed with its proposed referendum on whether to "rejoin" the U.N. using Taiwan's formal name of "Republic of China (ROC)" or another name (for membership that the ROC lost in 1971). The People's Republic of China (PRC) issued strident warnings about even the symbolic

[1] As stated by an unnamed Defense Department official to *Reuters*, March 19, 2008.

referendums as nonetheless a step for Taiwan's "*de jure* independence." Agreeing with Beijing, the Bush Administration harbored concerns about the DPP's referendum as proposed in June 2007 by Chen Shui-bian, the President of the ROC since 2000. Washington perceived President Chen's referendum as the latest in a series of provocative moves to change the "status quo" that have vexed the Bush Administration.

Thus, there was U.S. relief when the referendums, as targets of U.S. and PRC condemnation, failed to become valid after only 36 percent of voters participated in both the referendums (50 percent participation was required for validity). The KMT had urged voters to boycott the DPP's referendum. Voters said they viewed them as cynical political gimmicks, since it is "impossible" for Taiwan to join the U.N. (The PRC's opposition to Taiwan's membership is backed by veto power at the U.N.)

KMT presidential candidate Ma Ying-jeou won, as expected, but with a surprising and solid margin of victory (17 percent; 2.2 million votes). He won 58.5 percent of the votes, while DPP candidate Frank Hsieh won 41.5 percent. The turnout rate was 76 percent. Ma's inauguration will be on May 20, 2008. With the KMT's victory in the legislative elections on January 12, 2008, it will control both the Legislative Yuan (LY) and Executive Yuan (EY), or Cabinet, in the government.

Upon the smooth and credible counting and announcement of results in the evening of the election, there was a renewed and widespread sense of relief and optimism among a majority of Taiwan's people, although the campaigning elements of the DPP were emotionally upset. As expected, on the Monday after the election, Taiwan's stock market rallied 4 percent higher, after gaining 4.5 percent the previous week with wide expectation of Ma's victory. President Bush immediately issued his personal congratulation to Ma Ying-jeou, calling Taiwan a "beacon of democracy" to Asia and the world.[2] KMT interlocutors were pleased with Bush's prompt and warm message and use of the phrase "beacon of democracy." Indeed, representatives from 28 countries around the world observed Taiwan's election.

Implications for PRC and U.S. Concerns

One implication concerns whether Beijing's assessment of a "highly dangerous period" involving the referendums and legislative and presidential elections in Taiwan was well-founded or alarmist. Concerned about cross-strait stability, the Bush Administration agreed with the PRC's warnings and sought to derail the referendums. The Administration believes that it was correct and effective in managing the cross-strait situation. It escalated its criticism of President Chen Shui-bian's referendum as a unilateral step to change Taiwan's "status," as promptly stated by the State Department's spokesman in June 2007. Then, in August, Deputy Secretary of State John Negroponte opposed the referendum as "a step towards a declaration of independence of Taiwan." Deputy Assistant Secretary of State Thomas Christensen followed with a harsh speech in September that stressed U.S. opposition to this referendum as "an apparent pursuit of name change." While President Bush did not issue a public rebuke as Beijing desired, the most senior

[2] White House, "Statement by the President on Taiwan Election," March 22, 2008.

criticism came from Secretary of State Condoleezza Rice, who called the referendum "provocative" in December.[3] The PRC Foreign Ministry promptly expressed appreciation for the Bush Administration in working together with China against Taiwan.

Critics charged the Administration with agreeing with Beijing's unnecessary over-reaction, with justifying its alarmist case against Taiwan as moving towards *de jure* independence and being the provocative party, with working in concert with Beijing to "co-manage" Taiwan, and with interfering in Taiwan's democracy. Representative Tom Tancredo wrote a letter on August 30, 2007, to Secretary Rice, rebuking Negroponte's comments. Co-chairs of the Senate and House Taiwan Caucuses wrote to President Bush on February 29 and March 5, 2008, expressing concern about the criticisms of Taiwan's referendum by the State Department's officials as "provocative" and "a mistake." They urged the Administration to remain silent for the remainder of Taiwan's presidential campaign, declaring that "the U.S. should not be perceived as taking sides" in Taiwan's democracy.[4] Critics contended that those stances undermined U.S. support for a key friend, fed Beijing's belligerence, exacerbated dangerous miscalculation of weakened U.S. interest in case of a PLA attack, and lacked understanding of Taiwan's democracy. Even if the referendums passed, Taiwan's membership in the U.N. is impossible due to the PRC's opposition in the U.N. Finally, the Administration's stance fostered rising expectations in Beijing that the United States would accede to PRC demands for restricting defense and other support to Taiwan.

Outlook for Taiwan's Stability and Policies

There are a number of alternative futures for Taiwan in the near and longer terms, including scenarios that are conducive to stability and policymaking, and scenarios that would challenge consensus-building and effective governance in Taiwan, with implications for U.S. security interests in stability and deterrence.

Greater Stability:
KMT controls LY and EY; DPP is divided and weak.
KMT stays unified; DPP rebuilds; and stable two-party democracy is sustained.

Greater Instability:
KMT dominates politics and integrates with PRC; DPP's supporters demonstrate.
KMT splits into factions (LY out of control); DPP re-organizes as strong challenge.
KMT splits into factions; DPP stays divided between moderates and hardliners.
Third party is formed that precludes majority rule by any one party.

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[3] State Department, "Daily Press Briefing," June 19, 2007; "Deputy Secretary of State John Negroponte's Interview with Phoenix TV," August 27, 2007; "Deputy Assistant Secretary of State Thomas Christensen's speech to the Defense Industry Conference," September 11, 2007; "Press Conference by Secretary of State Condoleezza Rice," December 21, 2007.

[4] Senators Tim Johnson and James Inhofe, letter to President Bush, February 29, 2008; Representatives Shelley Berkley, Steve Chabot, and Dana Rohrabacher, letter to President Bush, March 5, 2008. The fourth co-chair, Representative Robert Wexler, did not sign.

Mature Democracy but Declining DPP

The near-term outlook for Taiwan's future is positive for stability and progress in policy-making, including policies on defense that previously faced partisan bickering in Taiwan's polarized political environment. The March 2008 presidential election was Taiwan's fourth direct, democratic presidential election held without disastrous problems since such elections began in 1996. A mature democracy, Taiwan is experiencing its second democratic turnover in power (from the KMT to the DPP in 2000, and from DPP to the KMT in 2008). At a meeting with visiting former Senator Frank Murkowski two days before the election on March 22, President Chen reversed his remarks that threw doubt on a smooth transfer of power and promised to support a peaceful and constitutional transition. The election results were not close nor contested, as some in Taiwan thought. With the large margin of Ma's victory, the DPP was resigned to its defeat in the presidential election, and no major protests or rioting occurred in the streets. Hsieh promptly offered his concession, and DPP leaders talked of reflection and reform. With Ma as president, the KMT will solidly dominate both the LY and EY (Cabinet) with power to push through policies, in contrast to the gridlock of the past eight years of divided government in which the KMT controlled the LY and DPP controlled the EY. Ma is seen as a unifying leader, in contrast to the divisive politics of Chen.

The prospects for the DPP as a viable opposition to check KMT power in policymaking is uncertain, although the DPP remains potentially powerful. The DPP's dramatic defeat in this presidential election was the latest in a declining trend in its political power over at least the last three years.[5] Moreover, the DPP that previously presented politicians younger than the traditional KMT politicians ("old guard") has found it a challenge to pass on leadership to a new generation. Ironically, the DPP's current leadership who rose in power in the 1980s lost to Ma, who represents the next generation of leadership in the KMT and attracts younger voters. The DPP has failed to adjust to regain greater support among centrist voters who cared about effective governance (particularly in the north of the island and among younger voters), despite electoral losses, President Chen's unpopularity, and the demise of the Taiwan Solidarity Union (TSU) (the DPP's hardline ally in the "Pan-Green" coalition). A DPP official, who also was one of the moderate incumbent legislators attacked as a "pro-China bandit" in the DPP's own primary for the legislative elections in January 2008, warned on the morning of the presidential election on March 22 that a defeat for DPP candidate Frank Hsieh would prompt a

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[5] In December 2005, the DPP suffered major setbacks in the local county- and city-level elections, giving up seats in the north to the KMT and retreating to its base in the south. In November 2006, President Chen and his wife were accused of embezzling public funds, while Chen received immunity while serving as president. (The KMT's Ma Ying-jeou also was accused of corruption in use of public funds as mayor of Taipei.) In December 2006, the KMT's candidate for mayor of Taipei, Hau Lung-bin, beat the DPP's candidate, Frank Hsieh, by 13 percent. Even in the southern city of Kaohsiung, the DPP's candidate won by only 0.1 percent. In its primary to select legislative candidates in May 2007, DPP extremists attacked moderate DPP legislators as "bandits" and "pro-China," including incumbent legislators favorable to the U.S.-Taiwan relationship. Then, in the crucial legislative elections in January 2008, the DPP again suffered a humiliating defeat, winning 27 out of 113 seats (24 percent), while the KMT won 81 seats (72 percent).

purge of moderates inside the DPP. Nonetheless, if, instead of remaining divided and weak, the DPP is able to regroup and rejuvenate to attract more support, then a stronger opposition would be conducive to a stable two-party democracy in Taiwan. Despite its troubles, the DPP still commands at least 40 percent of votes.

In any case, checks and balances plus the politics of moderation have been institutionalized in Taiwan, favoring U.S. interests in stability and security. Both the DPP and KMT presidential candidates moved towards centrist positions concerning Taiwan's policies and identity. Both Ma and Hsieh presented moderate positions of their respective parties, including the common objectives of stronger defense, closer economic ties with the PRC, and repairing the relationship with the United States. Taiwan's voters demonstrated once again that they support moderate policies, without veering to extreme directions (such as declaring independence or surrendering Taiwan's status). Based on polling data over the years, a majority of Taiwan's people consistently prefer the status quo (Taiwan's current *de facto* status without unification or independence).[6]

Separate Identity and Military Imbalance

However, in the longer term for Taiwan (for both the DPP and KMT), the question of Taiwan's identity and sovereignty as separate from that of the PRC remains unresolved. Some question whether there is any "status quo." This situation will continue to challenge U.S. management of peace and stability in the Taiwan Strait. Even though the current situation is stable and tensions are reduced with Beijing less alarmist about Taiwan, the PRC's insecurity about the Taiwan question is unlikely to disappear. Taiwan's democratic model poses a threat to the PRC's Communist regime. Taipei's government, whether under the KMT or DPP, claims sovereign status. (U.S. policy states that Taiwan's status is unsettled.) The PLA has continued to build up its forces that threaten Taiwan, raising the question of whether the military balance already has shifted to favor the PRC. Although the election is over, the potential remains for instability in the longer term. Moreover, while Taiwan's people have shown that they will not undertake extreme acts to upset peace and prosperity, the PRC does not have the moderating factor of a democratic system to restrain its decisions. Finally, there remain concerns about PRC misperceptions and changing dynamics in the relationships among the United States, PRC, and Taiwan. Aside from the PLA buildup, the PRC also has become the largest economic partner of Taiwan, surpassing the past U.S. role. Looking across the strait, Taiwan faces both a military threat and economic dependence or coercion.

KMT's Policies on National Security

The KMT has fostered skepticism about its commitment to Taiwan's strong self-defense, including concerns about anti-American attacks on U.S. arms sales. As KMT chairman, Ma Ying-jeou was non-committal on Taiwan's defense policy and U.S. arms sales in 2005 and 2006, as shown in a disappointing visit to Washington, DC, in March 2006 that also avoided meetings with Members of Congress. For years, the KMT frustrated U.S. efforts to have Taiwan's LY pass higher defense

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[6] Survey data provided by Taiwan's Mainland Affairs Council (MAC).

budgets and approve U.S. arms sales. Information indicated KMT efforts in the LY hindered progress on U.S. arms programs until the latter part of 2007.

Ma finally issued his defense policy in September 2007.[7] That policy stressed a defensive "Hard ROC" (a pun on rock and ROC standing for "Republic of China"). Ma supported the same goal as the DPP government: increase military spending to 3 percent of GDP. However, Ma's policy has stressed the need to increase the portion of the budget on personnel in order to transition to an all-volunteer, professional military by eliminating conscription in four to six years. There is also discussion in the KMT of reorganizing the military. These announced changes have raised anxiety in the military about upcoming organizational, leadership, and personnel changes, at a time when President Chen already imposed frequent turnover of commanders and shortened the conscription period (now at 12 months) that have challenged military reforms, recruitment and retention, and training. An advisor to Ma estimates that transition to a professional military would cost $2 billion.

Ma's defense policy indicated that he would continue to acquire U.S. weapons in the face of the PLA's modernization and threat toward Taiwan. While his policy did not explicitly discuss a sensitive submarine sale (which has been subject to delays due to KMT concerns since President Bush approved a sale in 2001), other acquired information indicated that Ma's stance was to support the purchase of submarines. His advisors have been divided on the submarine program, but he seems to have sided with supporters. They also look to buy new U.S. fighters and destroyers.

In addition, Ma called for efforts to ensure peace and stability with the PRC:

- withdrawal of the PLA's missiles targeting Taiwan;[8]
- military contacts and confidence building measures with the PLA;
- negotiation of a peace accord with the PRC;
- no possession of nuclear weapons or other weapons of mass destruction.

In February 2008, Ma issued his national security strategy, stressing "soft power."[9] Like the September 2007 defense policy, he stressed the need for deterrence and defense, and opposition to "offensive" weapons. He called for a "Hard ROC" defense by building an integrated defensive capability that would make it impossible to "scare us, blockade us, occupy us, or wear us down." He also repeated his call for ensuring the status quo: his "Three Noes" policy (no negotiation of unification, no attempt to push *de jure* independence, and no cross-strait use of military force).

Again, Ma did not explicitly call for support of submarine procurement, while he did call for buying F-16C/D fighters in that statement on national security.

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[7] Ma Ying-jeou, "A New Military For a Secure and Peaceful Taiwan," September 2, 2007.

[8] A catalyst for this debate among policymakers in Washington and Taipei arose out of the U.S.-PRC summit in Crawford, TX, on October 25, 2002. PRC ruler Jiang Zemin offered in vague terms a freeze or reduction in deployment of missiles targeted at Taiwan, in return for restraint in U.S. arms sales to Taiwan.

[9] Ma Ying-jeou, "A SMART Strategy for National Security," February 26, 2008.

Nonetheless, other acquired information indicates that since the "Hard ROC" defense policy was issued, Ma has focused on maritime capabilities, including greater attention to the navy and shipbuilding. In his campaign literature on defense, presidential candidate Ma supported the use of military procurement as well as commercial procurement to "quickly and reliably acquire advanced weapons from abroad" to face the PRC's military modernization.

At a press conference the day after the election, Ma stated his goals of:[10]

- "peace agreement" after a PLA missile withdrawal to end hostilities;
- more cross-strait economic ties for tourism, transportation, and investments;
- free trade agreements (FTAs) with the United States, Japan, and Singapore;
- membership in the U.N.;
- boycotting the Beijing Olympic games if Tibet's situation worsens;
- "mutual non-denial" (of the co-existence of the ROC and PRC);
- repairing the relationship with the United States;
- restarting quasi-official cross-strait dialogue using Taipei's Strait Exchange Foundation (SEF) and Beijing's Association for Relations Across the Taiwan Strait (ARATS) based on what the KMT now calls the "1992 Consensus," which involved a vague formula for talks called "one China, respective interpretations" ("PRC" for Beijing and "ROC" for Taipei).

KMT's Options on Defense Issues

With President Ma Ying-jeou and control of the LY, the KMT will have various options. Ma declared a "Three Noes" policy: no unification, no independence, and no use of force. Nonetheless, aside from those excluded routes, the KMT could choose approaches of accommodating Beijing, challenging Beijing, and seeking a bipartisan consensus on national security. The KMT might have to resolve internal disputes about its defense policy and ties to Beijing, raising future uncertainty.

Accommodate the PRC. Ma and the KMT are known to desire closer economic integration with the PRC, including his vice presidential running mate's proposal of a "common market" that was attacked by the DPP as surrender to a "one China." The KMT is expected to support direct transportation links, more PRC tourists visiting Taiwan, and greater investments, with optimism that lessened tensions and inter-dependence will foster peace and stability. Supporters say that the issue is not whether to increase economic ties with the PRC, which are already substantial, but whether to normalize them to remove unilateral restrictions faced only by Taiwan's businesses in a competitive global economy. For example, Taiwan's companies are prevented from investing more than 40 percent of net worth in the PRC, and their efforts nonetheless to invest there have come at the expense of further gains for Taiwan's economy. Taiwan's people still travel to the mainland to work, but they have to expend extra money and time to travel indirectly through

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[10] *International Herald Tribune*, *China Post*, and *Lien-ho Bao [United Daily News]*, March 24, 2008.

Hong Kong. Those in the DPP have warned that economic integration will threaten Taiwan's security, including economic and military security. Some also fear the increased potential for PRC coercion and insertion of forces for sabotage in the event of conflict. There is concern in Taiwan about over-dependence on the PRC's economy. The PRC is Taiwan's largest trading partner. Taiwan sends about 40% of exports to mainland China (including Hong Kong). About 1-2 million of Taiwan's citizens live there. Taiwan has invested as much as $300 billion in the PRC.[11] This dependence on the PRC's economy has stoked fears that the KMT would capitulate to Beijing, appease the Communist regime, or negotiate even unification of China, bringing instability to the regional balance of power.

The KMT includes elements that seek much closer and accommodating ties with the PRC and continues to see Taiwan as a part of China, albeit called the "Republic of China." Despite the PRC's adoption in March 2005 of the belligerent "Anti-Secession Law" that triggered concerted criticism in the United States (particularly in Congress) and Europe (which then stopped efforts to end the arms embargo against the PRC), KMT Chairman Lien Chan flew to Beijing for a historic meeting with Communist Party of China's General-Secretary Hu Jintao the very next month.

As for U.S. security assistance, although the KMT reaffirmed continued interest in F-16 fighters, a foreign policy advisor to Ma urged U.S. approval *before* his inauguration. That stance is significant as a reversal of the KMT's position in past years of trying not to give credit for progress in U.S. security ties to the DPP and a signal that the KMT might not want or be able to withstand PRC pressures to forgo F-16C/D fighters under Ma. Since the Bush Administration has refused since 2006 to accept a formal Letter of Request from Taiwan for new F-16 fighters, the new KMT government could stop efforts to submit a request altogether. That advisor had said in September 2007 that if Ma won the election, the KMT might submit a "new list" of arms requests to the United States. The KMT could continue to complicate U.S. arms acquisitions as it had done for years before the run-up to the presidential election, including refusing to approve or freezing the release of defense funds for U.S. weapons acquisition programs. For example, on missile defense, the opposition KMT and People's First Party (PFP) objected to acquiring U.S. PAC-3 missiles for three years, arguing that a referendum in 2004 "vetoed" the proposal. (A referendum on buying more missile defense systems failed to become valid with a lower than 50 percent participation rate.) In December 2007, the KMT-controlled LY decided to fund four sets of PAC-3 missiles but to freeze the funds for two more.

On the question of whether to continue to develop and deploy Taiwan's HF-2E long-range land-attack cruise missiles, a program that brought quiet opposition and then public criticism by the Bush Administration a year ago, the KMT might restrict this program at the military's research and development Chung-Shan Institute for Science and Technology. A defense policy advisor to Ma said that he would restrict the range of the missile for counter-strike against only military targets on the coastal areas of mainland China directly across the strait (to degrade the PLA's sites for command and control, missile attacks, and surface-to-air missiles that threaten

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[11] Data from the American Chamber of Commerce, *Taiwan Business Topics*, February 2008; and Kathrin Hille, "Straitened Times," *Financial Times*, March 26, 2008.

Taiwan's fighters). A foreign policy advisor to Ma has voiced objections to what he called "offensive" weapons in Taiwan's military. Another option is for Taiwan to cancel the HF-2E program and stop deployment. If the KMT negotiates with the PRC on its "withdrawal" of missiles targeting Taiwan, Taiwan's military deployments and missile programs could be subject to PRC demands. The KMT's decision could affect the issue of what U.S. actions to take in response to Taiwan's missile program. Some view that counter-attack capability as destabilizing, and others see tactical utility.

The KMT could distance itself from the United States as well as Japan. There have been concerns that the KMT would shift its strategic orientation to pursue ties with Beijing and Washington with equal distance, or even secure a closer relationship with the PRC than that with the United States and Japan. The KMT has a legacy of fighting Japan in the 1930s and 1940s, whereas DPP leaders and President Chen's Administration forged close ties with Japan. Some are concerned that the KMT would be less pro-Japan than the DPP. The KMT has tended to assert its sovereignty over islands with disputed claims among Japan, Taiwan, and the PRC (called Senkakus by Japan, Tiaoyutai by Taiwan, and Diaoyudao by the PRC). Japan has historical, security, and economic interests in Taiwan due to its status as a Japanese colony from 1895 to 1945 and geographical proximity.

Challenge the PRC's Demands. Nonetheless, upon winning the election, Ma and the KMT signaled that they will stand up to Beijing. When asked about his priorities, a probable candidate to be Ma's national security advisor said that he would first repair the relationship with the United States and secondarily improve ties with the PRC, placing Washington before Beijing. Ma immediately announced his wish to visit the United States as well as Japan before his inauguration — significantly not the PRC. A KMT interlocutor said that senior KMT officials recently met quietly with retired Japanese admirals known as strong supporters of Taiwan. KMT officials also said that they support Taiwan's military in trying to submit a request to the United States for new F-16C/D fighters (to replace aging F-5 and IDF fighters). After stalling for years, KMT politicians also said that they are now committed to U.S. arms sales, including submarines and Patriot missile defense. However, a KMT politician expressed concerns about the Po Sheng command and control program.

Reasons for the credibility of the KMT's current pro-U.S. assurances include: (1) the KMT would no longer fear giving credit to President Chen for progress in policies or encouraging his pro-independence steps; (2) the second party in the KMT-led "Pan-Blue" coalition, the pro-China PFP, has been eviscerated (with its leader, James Soong, no longer a challenge to Ma); (3) the KMT would now take over the governing responsibility for the country; and (4) the KMT understands that the premise for Taipei to engage in dialogue and other ties with Beijing has been a strong negotiating position that includes self-defense and security links with Washington.

Forge a National Consensus. In any case, whether the KMT accommodates or stands up to the PRC, Taiwan's institutionalized democracy and established separate identity (that the KMT does not deny and Taiwan's people broadly uphold) will challenge the PRC's Communist authoritarian rule. In pursuing alternative approaches, the KMT also has the option of forging a new consensus with

the DPP on national identity and security that have been lacking under Chen. Moreover, the KMT could stop the politicization of the debate over defense issues, a problem the Defense Department has lamented for years. Such steps would result in a more resilient Taiwan to counter coercion or conflict inflicted by Beijing. Alternatively, a new consensus could help the KMT to negotiate ties with the PRC, with closer economic and political integration. U.S. policy has declared support for a resolution of the Taiwan question with the assent of Taiwan's people.

Upon discussions in the days following the election, KMT interlocutors highlighted Ma's goal of reconciliation after the long political fight. However, there was little discussion of forging a new national consensus on national security with the DPP. Some seemed receptive to the possibility, but one KMT leading lawmaker on defense policy dismissed the DPP as "that defeated party." Options for the majority KMT include working meaningfully with DPP lawmakers in the LY, particularly in the Foreign Affairs and Defense Committee. (The newly reorganized committee has 11 KMT legislators, 3 DPP legislators, and 1 independent legislator.) Another option would be to appoint DPP members in major ministries, including the Ministry of National Defense. A sensitive option for Ma would be to grant a presidential pardon of Chen who will lose immunity when he steps down as president. Fighting corruption in defense programs and decision-making could be another step to take.

Implications for U.S. Security Interests

The results of March 22 sapped the PRC's alarmist warnings about the election and referendums, although it might still warn about instability until the inauguration on May 20 while Chen Shui-bian is still president. Nevertheless, cross-strait tension is greatly reduced. Chen is effectively weakened and concentrating on the transition. President-elect Ma and KMT interlocutors give pro-U.S. assurances. As president, Ma is expected to be less provocative towards Beijing than Chen.

In one view, there is opportunity to turn U.S. attention from managing the cross-strait situation to urgent problems that require the PRC's improved cooperation, such as dealing with nuclear proliferation in North Korea and Iran, the crisis in Darfur in Sudan, repression in Burma, the crackdown in Tibet, etc. Alternatively, a window of opportunity is presented for the first time in years to advance U.S. security interests in Taiwan's self-defense, democracy, economy (as the United States' 9th largest trading partner), and role as a responsible global citizen (for example, in weapons nonproliferation).

Objectives for U.S. Interests

Given the results (of the election and referendum) and outlook for Taiwan as discussed above, there are a number of U.S. objectives that might be pursued with renewed vigor to further U.S. interests. U.S. policymakers in the Congress and the Administration might strengthen engagement with the KMT as well as the DPP to shape the outcome of certain clear goals that are consistent with U.S. interests in Taiwan's sustained stability and security. These goals might include:

- reverse delays of past years in upgrading Taiwan's self-defense;
- bolster Taiwan's will to fight in face of PRC coercion or conflict;
- restore Taiwan's confidence in U.S. support and balance in the two relationships with Taipei and Beijing;
- improve Taiwan's critical infrastructure protection, a stated goal of U.S. interests since 2004 for Taiwan to expand its efforts from national defense to national security, by protecting national command centers, telecommunications, energy, water, media, computer networks, etc.;
- strengthen Taiwan's crisis-management and ensure prior consultation with the U.S. in the event of tensions or conflict to secure U.S. escalation control;
- repair Taiwan's weakened efforts to maintain international space;
- improve Taiwan's ties with U.S. allies and friends, including Singapore;
- keep Taiwan separate from PRC control and manipulations;
- promote Taiwan's consensus-building on national security, particularly in de-linking defense questions from political disputes;
- return to a situation with cross-strait dialogue (suspended in 1998);
- support the goal of Taiwan's officials and businesses to maintain U.S.-Taiwan economic ties (e.g., with an FTA) to balance links with the PRC.

Considerations for Policy

Consideration of U.S. policy options in the relationship with Taiwan would depend on the timing of certain events: the inauguration of Ma Ying-jeou as the new president on May 20, President Bush's attendance at the Olympic Games in Beijing (opening on August 8), and the end of Bush's term on January 20, 2009. KMT officials said that Beijing is unlikely to make negative actions against Ma at the start of his term and has an interest in Ma's ability to show voters that he can gain results for Taiwan in order to sustain KMT rule. New engagement with Taiwan after Ma's inauguration could remove the distaste in the Administration for dealing with current President Chen Shui-bian. President Bush's attendance at the Olympic games could offer leverage and a diplomatic damper for any U.S. initiatives toward Taiwan. Sensitive steps taken near the end of Bush's term could allow the current administration to bear the brunt of Beijing's ire and to preclude a difficult start to the next U.S. president's term in the U.S.-PRC relationship. Lastly, decisions could be delayed until the next U.S. administration.

The Bush Administration's criticism of Taiwan's referendum on membership in the U.N. in addition to the refusal since 2006 of acceptance of a formal request from Taiwan for new F-16C/D fighters have raised concerns that the Administration has given Beijing the perception of "co-management" in handling Taiwan as well as rising expectations that Washington would continue to accede to Beijing's demands, for example, to forgo a sale of F-16s. Thus, one significant consideration for U.S. policymakers is whether to take steps to dispel notions of "co-management" (as Administration officials have firmly denied) and to counter any rising expectations from Beijing.

Window of Opportunity: Policy Options?

Ma Ying-jeou's election presents a window of opportunity in the cross-strait and U.S.-Taiwan relationships. The issue is what options might be pursued by U.S. policymakers in Congress and the Bush Administration to advance U.S. interests. (CRS takes no position on the options discussed here.)

Continue the Existing Approach

One approach in continued management of peace and stability in the Taiwan Strait is for the Administration to "run out the clock" through the end of President Bush's term rather than pursue initiatives with Taiwan that might meet Beijing's ire. In this approach, the lessened cross-strait tension presents an opportunity to focus on other U.S. priorities requiring more robust PRC cooperation.

An alternative would be for the United States to continue its existing policy of resisting policy initiatives through the presidential inauguration on May 20, 2008 (until current President Chen Shui-bian leaves office). New initiatives with Taiwan might be pursued after Ma takes office. The United States could wait until the KMT resolves internal debates and clarifies its national security policy, including decisions on military programs, organization, personnel, leadership, and spending. Those decisions could provide greater certainty about whether the KMT has changed its attitude toward acquisitions of U.S. arms, given its record in the past few years.

Engage with President-elect Ma

A second approach would respond to president-elect Ma with these options:

- Allow Ma Ying-jeou to visit Washington, DC, or another U.S. city before his inauguration. Ma expressed a desire to visit the United States before becoming president (when U.S. policy would deny him a visa and allow only transits). Congress could invite and host Ma. Another option is a video conference with Ma. In August 2005, Co-chairs of the House Taiwan Caucus had written to Ma as the new KMT chairman, in part to invite him to visit. In 2007, the House passed H.Con.Res. 136 to support visits by Taiwan's officials.

- Work with Ma's transition team in ensuring a smooth power transition, as was done for Chen's transition team in 2000.

- Discuss the substance of Ma's inauguration address, including his policy intentions in dealing with the PRC and Taiwan's security, to convey critical near-term and long-term U.S. interests.

- Send a senior delegation to attend Ma's inauguration. (Representative James Leach, then Chairman of the House International Relations Subcommittee on Asia and the Pacific, was the U.S. representative at Chen's second inauguration in 2004.)

Strengthen Ties with Taiwan

A third approach to take (either before or after Ma's inauguration) with comprehensive or certain options would strengthen U.S.-Taiwan relations in military, political, or economic security. However, careful consideration could include the question of whether such steps would seriously risk other U.S. priorities that require PRC cooperation. Policy options include:

- Set positive objectives to achieve in the relationship with Taiwan. While U.S. officials list many goals to pursue with Beijing, they are often at a loss when asked to identify objectives in the relationship with Taipei. Chen's departure could change this U.S. stance.

- Accept Taiwan's formal letter of request for U.S. consideration of whether to sell new F-16C/D fighters. The removal of Chen as a factor in negative U.S.-Taiwan and PRC-Taiwan relations presents a fresh situation for acceptance of the letter. In October 2007, the House passed H.Res. 676 to urge the President to consider security assistance "based solely" upon the legitimate defense needs of Taiwan (citing Section 3(b) of the Taiwan Relations Act (TRA), P.L. 96-8). On March 19, 2008, the Co-Chairs of the Senate Taiwan Caucus, Senators Tim Johnson and James Inhofe wrote a letter to Defense Secretary Robert Gates, offering their "assistance" in his receipt of Taiwan's request.

- Reach out to moderate, pro-U.S. elements of the KMT. Ma Ying-jeou as well as some of his defense and foreign policy advisors are English speakers with familiar ties to the United States. Ma was educated at Harvard University, and his daughters are studying at U.S. universities. U.S. efforts might bolster the long-term influence of such pro-U.S. leaders in the KMT over the influence of pro-PRC ones. U.S. efforts are more likely to succeed if undertaken early, while Ma enjoys the initial "honeymoon" period and before the PRC can influence its allies in the KMT.

- Reach out to the moderate, pro-U.S. elements of the DPP. The DPP's electoral defeats have demoralized its members, particularly the moderates, with feelings of betrayal by Washington. A viable opposition DPP would check the KMT's power.

- Support Taiwan's bipartisan efforts to gain observership, if not membership, in the World Health Organization (WHO). On April 21 and May 6, 2004, the House and Senate passed H.R. 4019 and S. 2092 in support of Taiwan's efforts to gain observer status in the WHO. In signing S. 2092 into law (P.L. 108-235), President Bush stated support for Taiwan's observer status in the WHO. The next meeting of the WHO's governing body, the World Health Assembly, will start on May 19 (the day before Ma's inauguration) in Geneva.

- Engage with the KMT to more quickly reduce uncertainties and anxieties in the military about changes to personnel, programs, and organization expected under Ma. One option would be to allow Taiwan's defense minister to visit for a conference in September 2008 (as was done in 2002).

- Conduct a meaningful and genuine dialogue with Taiwan's military to establish a new understanding if not agreement about the sensitive HF-2E cruise missile program to remove an irritant in defense ties.

- Allow U.S. naval port visits to Taiwan, particularly after the dispute in November 2007, when the PRC disapproved a number of port calls at Hong Kong by U.S. Navy ships, including two minesweepers in distress seeking to refuel in face of an approaching storm and an aircraft carrier planning on family reunions for Thanksgiving.

- Support Taiwan's senior-level representation at the summit of the APEC (Asian Pacific Economic Cooperation) forum. Although Taiwan is a full member of APEC, its representation has been downgraded due to PRC demands. The next summit will be held in Lima, Peru, in November 2008.

- Support Taiwan's inclusion in the Proliferation Security Initiative (PSI). Taiwan already is a cooperative member of the Container Security Initiative (CSI). As shown by the Defense Department's announcement on March 26, 2008, of Taiwan's own notification to the Pentagon of a mistaken shipment of parts for warheads in U.S. intercontinental ballistic missiles to Taiwan in 2006, it can be considered a responsible weapons nonproliferation partner.

- Engage more meaningfully with Taiwan's government in its relatively new exercises to ensure continuity of government, critical infrastructure protection, and crisis-management. Such engagement could be conducted through comprehensive channels (including Congress, Secret Service, National Security Council, as well as Departments of Homeland Security, Defense, Energy, and Treasury).

- Negotiate an FTA as Taiwan has sought unsuccessfully for years, in recognition of its status as one of the top ten trading partners of the United States and its dominance in the global information technology (IT) industries. S.Con.Res. 60 and H.Con.Res. 137 would urge the start of negotiations with Taiwan on an FTA. Another option would be to pursue an FTA in the services sector, since this sector dominates Taiwan's economy. Senator Baucus had suggested a services FTA with the European Union and Japan.[12]

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[12] Max Baucus, "A Democratic Trade Agenda," *Wall Street Journal*, January 4, 2007.

- Send a Cabinet-level official to visit Taiwan. The Bush Administration has refused to allow Cabinet officers to visit Taiwan, in a reversal of policies pursued by the George H. W. Bush and Clinton Administrations. The last such officer to visit Taiwan was Secretary of Transportation Rodney Slater (in 2000).

Promote Cross-Strait Dialogue

A fourth approach concerns the U.S. role in renewed cross-strait dialogue. For decades, an issue for U.S. policy has been what role the United States should play to ensure a peaceful dialogue across the Taiwan Strait. As part of U.S. policy, President Reagan issued his "Six Assurances" of 1982, including one of no mediation between Taipei and Beijing. Short of whether that policy should change, there are various possible U.S. roles. In one view, the United States should seize this first window of opportunity presented in a decade to effectively ensure a cross-strait dialogue for sustainable peace and stability that would be worthwhile to help prevent a war between two nuclear powers. The United States could also shape the cross-strait dialogue to focus on functional cooperation, rather than premature political integration, national unification, or concessions on Taiwan's security.

In another view, the United States should continue to stay out of any PRC-Taiwan negotiations, beyond a spectator's encouragement of dialogue. Indeed, in his congratulatory message to Ma, President Bush stated that "it falls to Taiwan and Beijing to build the essential foundations for peace and stability by pursuing dialogue through all available means and refraining from unilateral steps that would alter the cross-strait situation." President Bush also called PRC ruler Hu Jintao on March 26, to stress that the election "provides a fresh opportunity for both sides to reach out and engage one another in peacefully resolving their differences." In response, Hu Jintao appeared to state explicitly for the first time that the "1992 Consensus" involved "one China, different interpretations," a point that National Security Advisor Stephen Hadley also noted to the press on that day.[13]

Conduct a Strategic Policy Review

A fifth approach would be for Congress to require a strategic review of policy. There has been no major policy review since 1994, one conducted by the Clinton Administration. Some say that a coherent strategy is needed to sustain U.S. interests in Taiwan, including peace and stability. Others say that the last year of a presidency leaves little time or energy to undertake such a review. A February 2008 report by the Taiwan Policy Working Group chaired by former Bush Administration officials Randy Schriver and Dan Blumenthal offered a comprehensive "common agenda" with Taiwan.[14] An alternative is to forge a strategic approach in coordination with allies in Europe and Asia (e.g., Australia, Japan, South Korea), plus Singapore.

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[13] White House, "Statement by the President on Taiwan Election" and "Statement by the Press Secretary," March 22 and 26, 2008. However, official PRC media reported Hu's remarks on "one China, different interpretations" only in English and not in Chinese.

[14] AEI and Armitage International, "Strengthening Freedom in Asia," February 22, 2008.