

**CHAPTER 4**  
**THE US INTERESTS IN TAIWAN AND**  
**FACTORS AFFECTING US TAIWAN POLICY**

The characteristics of US foreign policy towards Taiwan, including the adjustment of policy, can be understood by examining the objectives of the policy as well as analyzing the factors involved in influencing the formulation of policy. The aims of this chapter are to identify the objectives behind the US policy towards Taiwan. This will be accomplished by applying the analytical framework of “National Interest” to determine the goals of foreign policy and to analyze the influential factors which dominated the US foreign policy’s formulation under the Bush administration. This chapter will specifically examine the influence of international environment, by using the “Linkage Politics” as the imperative approach for the study. In order to understand the objective of US policy on Taiwan, defense policy in particular, it is important to clarify the US national interests on Taiwan which have persisted since 1949. Under the Bush administration, there was a changing international environment that altered US interests in Taiwan, and subsequently, gave rise to the change in US policy also. From this point, using the linkage approach is required to analyze new challenges emerging in the international arena which concerned US interests and afterward imitated internal factors, including those who hold the decision-making power, to change Taiwan policy. In this regard, the influence of China was also emphasized as the dominant external factor that

has directly affected the US policy toward Taiwan since 1949, when Taiwan still represented “China,” to present.

### **A. US National Interests on Taiwan**

The United States has maintained a broad national interest in preventing Taiwan from Chinese coercion since 1979. To address the significance of Taiwan, it is necessary to examine the interests of the US on Taiwan, which can be divided into three aspects: economic interest, strategic interest, and political interest.

#### **1. Economic Interest**

##### **1.1 Goods and Investments**

Since Taiwan began to liberalize its domestic economic system, privatizing most state-owned enterprises, demonstrating greater concern for the protection of the environment, and becoming a more advanced industrialized nation in 1986, the US economic interest on Taiwan has rapidly increased. Taiwan has transformed itself from an underdeveloped, agricultural island to an economic power that is a leading producer of high-technology goods. Taiwan has enjoyed Export-Import Bank financing, Overseas Private Investment Corporation guarantees, normal trade relations (NTR) status, and the accession to US markets. At present, Taiwan has become an important trading partner for many states in the US. The US is now Taiwan’s 3<sup>rd</sup> largest trade partner, taking 14% of

Taiwan's exports and supplying 11% of its imports. Taiwan is the United States' 12<sup>th</sup> largest trading partner, its 13<sup>th</sup> largest export market, and its 12<sup>th</sup> largest source of imports. The trade in commercial goods between Taiwan and the United States totaled US\$61.6 billion in 2008. Of that, US exports to Taiwan accounted for US\$25.3 billion, while US imports from Taiwan totaled 36.3 billion, resulting in a US deficit of US\$11 billion.<sup>1</sup> The electronics sector is Taiwan's most important industrial export sector and is the largest recipient of US investment. Agriculturally, although self-sufficient in rice production, Taiwan imports large amounts of wheat, mostly from the United States.<sup>2</sup> With a highly developed maritime trade infrastructure, Taiwan has been logistically emerging as the economic and trade distribution centre in East Asia.

However, as the US economic interest on Taiwan has been enormous, the economic benefit from China has become even more essential. (See table 4.1 – 4.2) Even though the massive and still growing trade deficit with China has often raised domestic criticism in the US, trade deficit from the imports means the American people and also businesses have enjoyed cheap goods from China. This has made the US face dilemma over its Cross-Strait policy as the governments could not entirely bow to Congressional pressure and conduct too much or too long confrontational policy towards China while developing a very supportive policy towards Taiwan. As the US economic interests on both side of the Taiwan Strait have been very immense, the US does not want to see its

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<sup>1</sup> Taipei Economic and Culture Representative Office in the US, "Taiwan-US Relations," <http://www.roc-taiwan.org/US/ct.asp?xItem=11444&CtNode=2297&mp=12&xp1=12> (accessed May 8, 2009).

<sup>2</sup> American Institute in Taiwan, "Taiwan's Economy and U.S.-Taiwan Economic Relations," May 19, 2008, <http://www.ait.org.tw/en/economics/> (accessed June 20, 2008).

economic interest harmed by war. Any conflict could disrupt trade and investment in the region and damage the economies of all countries in the Asia-Pacific region. Billions of dollars in US trade with both side of the Taiwan Strait would be lost as well as millions more in US investments would be in danger.<sup>3</sup>

**Table 4.1**

**US Trade in Goods (Imports, Exports and Trade Balance) with Taiwan**

<b>Year</b>	<b>Exports</b>	<b>Imports</b>	<b>Balance</b>
2001	18,121.7	33,374.3	-15,252.6
2002	18,381.7	32,147.9	-13,766.2
2003	17,447.9	31,599.4	-14,151.5
2004	21,585.2	34,623.6	-13,038.4
2005	21,614.5	34,825.8	-13,211.3
2006	22,709.4	38,211.9	-15,502.5
2007	25,828.7	38,277.6	-12,448.9
2008	24,926.3	36,326.1	-11,399.8

NOTE: All figures are in millions of U.S. dollars, and not seasonally adjusted unless otherwise specified.

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<sup>3</sup> Martin L. Lasater, *The Changing of the Guard: President Clinton and the Security of Taiwan* (Boulder: Westview Press, 1995), p. 222.

**Table 4.2****US Trade in Goods (Imports, Exports and Trade Balance) with China**

<b>Year</b>	<b>Exports</b>	<b>Imports</b>	<b>Balance</b>
2001	19,182.3	102,278.4	-83,096.1
2002	22,127.7	125,192.6	-103,064.9
2003	28,367.9	152,436.1	-124,068.2
2004	34,427.8	196,682.0	-162,254.3
2005	41,192.0	243,470.1	-202,278.1
2006	53,673.0	287,774.4	-234,101.3
2007	62,936.9	321,442.9	-258,506.0
2008	69,732.8	337,772.6	-268,039.8

NOTE: All figures are in millions of U.S. dollars, and not seasonally adjusted unless otherwise specified.

SOURCE: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C. 20233, <http://www.Census.gov/foreign-trade/balance/c5700.html#2008>

## **1.2 Arms Sales**

To the United States, arms sales to Taiwan have been important to American political economy as they concern domestic issues, both political and economic. Politically, they often prompted political battles because there were several US domestic actors involved in arms sales, including Congress, Pentagon, and special interest groups. Congressionally, arms sales reflect the influence of Congress on Taiwan issue as members of Congress always exert a hard line stance on US China policy through US arms sales to Taiwan. Congress often pressured the administration to increase military

support and to approve greater sales of advanced weapons to Taiwan. A large amount of the US arms sales to Taiwan could also highlight the influence of domestic factors, including Congress and the Taiwan lobby, in shaping US Taiwan policy over the external factors, especially US-China relations.

Fiscally, US arms sales to Taiwan have supplied the US defense industry with a valuable market at a time when the industry has been experiencing significant downsizing amid declining defense budgets.<sup>4</sup> As arms sales provide a healthy profit, most of the US administrations want to ensure that American companies get Taiwan's arms business over French enterprises or those of other countries.<sup>5</sup> (See table 4.3)

Moreover, the strategic benefit to the US labor force and also national capital deriving from arms exports has been enormous. Importantly, to the Pentagon, US arms exports are means to lower the per unit cost of weapons for US military modernization. In other words, the US has Taiwan purchase for its military procurement by which it enlarges value of arms sales to high priority of American interests in Taiwan.

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<sup>4</sup> John P. McClaran, "US Arms Sales to Taiwan: Implications for the Future of the Sino-US Relationship," *Asian Survey* 40, no.4 (July/August 2000): 622-640.

<sup>5</sup> Lasater, p. 224.

**Table 4.3**  
**Leading Purchasers of U.S. Defense Articles and Services,**  
**Total Values of Asia Deliveries Concluded**  
(in current U.S. dollars, rounded to nearest 10 million or 10<sup>th</sup> of a billion)

Asia Agreements 2000-2003	Asia Agreements 2004-2007	Asia Agreements 2007
1. Taiwan \$4.0 billion	1. Taiwan \$4.3 billion	1. South Korea \$1.0 billion
2. South Korea \$2.5 billion	2. South Korea \$2.8 billion	2. Taiwan \$790 million
3. Japan \$1.8 billion	3. Japan \$2.3 billion	3. Japan \$670 million
4. Australia \$1.0 billion	4. Australia \$1.7 billion	4. Australia \$590 million
5. Singapore \$1.0 billion	5. Singapore \$950 million	5. Singapore \$170 million

Source: Richard F. Grimmett, "U.S. Arms Sales: Agreements with and Deliveries to Major Clients, 2000-2007," RL 34768 (Washington D.C.: Congressional Research Service, November 26, 2008) <http://fas.org/sgp/crs/weapons/RL34768.pdf>.

## 2. Strategic Interest

In the cold war period, the US used Taiwan as a potential base of operations in the Western Pacific which provided a strategic asset US military planners found compelling.<sup>6</sup> Moreover, since the enactment of the TRA, specifying the US to defend Taiwan and to provide Taiwan defense weapons and services, the US has enjoyed maintaining troops and other militaries articles in Taiwan as a part of US military presence in the East Asia region. Consequently, the end of Cold War created the shift of US strategic focus from

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<sup>6</sup> Martin L. Lasater, *U.S. Interests in the New Taiwan* (Oxford: Westview Press, 1993), pp. 210-211.

Europe to East Asia, in recognition of East Asia's growing economic importance and the strategic vitality of China, Taiwan has become a crucial strategic asset serving American interests in Asia.

In the post-Cold War period, the major objectives of US strategy for the East Asia-Pacific region are to bolster peace and stability, to maintain access to regional markets, to ensure freedom of navigation, and to maintain a balance of power in Asia, or in other words, to prevent the rise of any hostile hegemony in Asia.<sup>7</sup> In order to achieve these goals, American military presence in the region is the most influential instrument. The US arms sales to Taiwan have been perceived as a symbol of US military ties to Taiwan indicating a US military presence in the Asia Pacific region, which the US believes is in accordance with the pursuit of its national interests. On the one hand, they would strengthen US hegemony in Asia, and on the other hands they would help prevent major conflict or limit tension to the degree that would not jeopardize the US economic interest, especially unnecessary conflict between the US and China over the Taiwan issue.

Taiwan is considered vital for an adequate balance of power in East Asia between the US and China in particular.<sup>8</sup> Moreover, the Taiwan Strait which separates Taiwan from the Chinese mainland connects the South China Sea to East China Sea in the

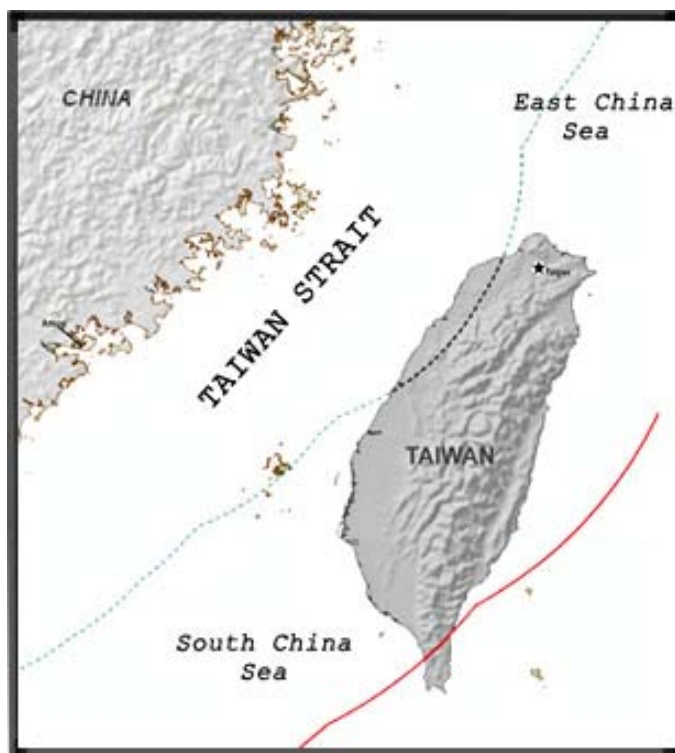
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<sup>7</sup> Hans Binnendijk, "U.S. Strategic Objectives in East Asia," National Defense University, [http://www.ndu.edu/inss/Strforum/SF\\_68/forum68.html](http://www.ndu.edu/inss/Strforum/SF_68/forum68.html) (accessed January 2, 2009).

<sup>8</sup> The United States perceived that there were three Asian Pacific nations which possessed the potential of becoming such a hegemon in the post-Cold War era: Russia, Japan, and China. Since the US could not deny great power status to these countries, especially China, a central US strategic objective is to find ways to counterbalance the power and influence of these countries. According to Lasater, "U.S. Interests," p. 218.

Northeast. Taiwan therefore commands the East Asian waterways and also the Chinese domestic waterway linkage South China Sea to East China Sea. (See figure 1) These waterways are the most strategic waterways in the world and witness the competing strategic interest of the United States.<sup>9</sup> Taiwanese independence, therefore, is important to US in order to prevent China from hindering the US's entry into this imperative maritime passage.

**Figure 1**  
**Map of Taiwan Strait**



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<sup>9</sup> Subhash Kapila, "Taiwan: Strategic Significance in East Asia Security Calculus," South Asia Analysis Group, [http://www.saag.org/common/uploaded\\_files/paper1759.html](http://www.saag.org/common/uploaded_files/paper1759.html) (accessed January 25, 2009).

### 3. Political Interest

According to Steven Goldstein, director of Harvard University's Taiwan Studies Workshop, US support of Taiwan has been seen as the measure of American credibility in its commitment in Asia since the late 1940s.<sup>10</sup> The US Taiwan policy directly affects the credibility of US commitments to other potentially destabilizing regional or global issue, as well as, its necessary to express loyalty to long-time allies.<sup>11</sup> Moreover, in the post-Cold War era—after the Gulf War in 1991 in particular, the United States no longer faces challenges with superior or even equal conventional military power creating the US as the world's sole superpower, in which the strength of the US commitment to Taiwan also confirms the other countries about US dominance in Asia. However, in concern of China's rising power, there is possibility for the United States and China to contend for supremacy in Asia; therefore, the Taiwan issue would become the main arena for the contest. The Taiwan issue has been also regarded as an indicator of whether the Asian region would fall under the Chinese sphere of influence.

In terms of political symbolism, the US has regarded Taiwan as a distinct political and democratic entity, sharing the same values as the other democracies of the world and has expected Taiwan to be an influential alternative model to the Communist political model of China. US policy envisions Taiwan to be an inspiration and reminder of

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<sup>10</sup> Douglas H. Paal, Steven Goldstein and Robert Sutter, "The Taiwan Relations Act at 30: Does the U.S.-Taiwan Relationship Need Rebalancing?," Carnegie Endowment for International Peace, April 6, 2009, [http://www.carnegieendowment.org/files/0406\\_transcript\\_tra\\_30.pdf](http://www.carnegieendowment.org/files/0406_transcript_tra_30.pdf) (accessed May 20, 2009).

<sup>11</sup> Michael D. Swaine, "Trouble in Taiwan," *Foreign Affairs* 83, no. 2 (March/April 2004): 39-49.

democracy for the over one billion Chinese on the mainland. Hence, it is in American interest to prevent Taiwan from Chinese coercion in order to maintain peace and stability in the Asia-Pacific region and preserve US credibility about its commitment to democratic principles and also US supremacy in the region<sup>12</sup>

## **B. Factors Affecting US Taiwan Policy**

To understand the formulation of US foreign policy towards Taiwan, it is vital to examine the influential factors affecting the policy. With regard to Rosenau's linkage politics, the factors that might influence the US policy can be divided into two categories: internal factors—which are President Bush, the influence of neo-conservatives, the role of Congress, Taiwan lobby; and external factors—which are the attacks of terrorism, the rise of China, Taiwan domestic politics, China-Taiwan relations.

### **1. Internal Factors**

Generally, the United States foreign policy is affected by the interaction among domestic actors and international influence. The prominent foreign policy that confirmed the linkage between the two factors was the US approach to Taiwan in which China was a crucial international factor that caused changes in shaping Taiwan policy and the

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<sup>12</sup> Kerry Dumbaugh, "Taiwan-U.S. Political Relations: New Strains and Changes," RL 33684 (Washington D.C.: Congressional Research Service, October 10, 2006), <http://fpc.state.gov/documents/organization/74903.pdf> (accessed December 10, 2008).

balance of power in US domestic politics. In regard to domestic actors, the US Taiwan policy formulation was normally fought over by various groups, including executive branch actors such as the president, the president's top advisers, the National Security Council (NSC), the National Economic Council (NEC), and the bureaucracy on one hand and legislative branch such as the Congress and a multiplicity of special interest groups on the other. The trend of Taiwan policy in each administration could also reflected the balance of power in US domestic politics. The Bush's presidency had been distinguished by the unitary executive theory that the president controls the entire executive branch and the role of Congress had been weaken after the September 11 terrorist attacks.

### **1.1 The President**

As the chief executive of the United States, the president is the head of the executive branch of the government. The Constitution provides the president with a number of powers in foreign affairs allowing the president to enjoy preeminence in foreign policy.<sup>13</sup> The president is the most important foreign policy maker and most major initiatives in foreign policy originate with him, based on the assumption that the president must advance the American interests and values around the world.<sup>14</sup> Moreover, the president has both constitutionally centered and evolved foreign policy powers set by precedent. When it comes to dealing with Congress, the president has a strong constitutionally based tool, the veto power, to halt congressional initiatives that run

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<sup>13</sup> Daniel S. Papp, *American Foreign Policy: History, Politics and Policy* (New Jersey: Pearson Education, 2005), p. 244.

<sup>14</sup> Lee H. Hamilton, "The Making of US Foreign Policy: The Roles of the President and Congress over Four Decades," in *Rivals for Power: Presidential-Congressional Relations*, ed. James A. Thurber (Lanham, MD: Rowman & Littlefield, 2005), pp. 267-287.

contrary to presidential preferences. In this case, Congress has to gather a two-thirds majority in both chambers to override a veto.

In regard to the analysis of the formulation of the US foreign policy, there are two extreme approaches which should be considered. First, a *presidential model* in which global decisions are left exclusively to the president and his or her top advisers—an “imperial president,” and second, a *legislative model* in which these decisions would be left primarily to members of Congress—an “imperial Congress.”<sup>15</sup>

Under the Bush administration, the role and power of the president appeared to correspond to a presidential model. The Bush’s presidency was distinguished by the theory of unitary executive which is the idea that the executive branch of the United States should be free from congressional meddling in matters of foreign policy, especially in a time of war.<sup>16</sup> The president tends to have the greatest power in foreign policy during times of national crisis or war of which the terrorist attacks of September 11, 2001 and the following war against terrorism are perfect examples. After the national trauma over 9/11, the Americans formed a consensus in back of the president even though such a consensus was not always apparent earlier in the American century when the national interest came under attack.<sup>17</sup> Furthermore, unlike the other wars, the war on terror was unique as it was waged against a global network of terror cells with no clearly defined

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<sup>15</sup> Papp, pp. 241-248.

<sup>16</sup> Justin Ervin and Zachary Alden Smith, *Globalization: A Reference Handbook* (California: ABC-CLIO, 2008), p. 96.

<sup>17</sup> Demetrios Caraley, *September 11, Terrorist Attacks, and US Foreign Policy* (New York: Academy of Political Science, 2002), pp. 20-22.

enemy or endpoint to the conflict; therefore, there is no clearly defined endpoint to the expanded power of the presidency.

It can be assumed that the 9/11 incident had made the role of President Bush in foreign policy more significant, comparing to the time before the attacks. In order to be the effective leader or actor in foreign policy, the president must make foreign policy a priority. Before the terrorist attacks, the focus of President Bush's agenda had been on domestic affairs, not international issues. However the attacks on September 11 forced Bush to change his attention, from domestic to foreign issues. Consequently President Bush was demanding international cooperation in counter terrorism, while trying to maintain good relations with members of Congress in order to sustain his support at home.<sup>18</sup> In regard to this thesis, President Bush effectively used presidential power to minimize Congressional pressure on Taiwan policy in order to accommodate China in exchange of China's cooperation.

## **1.2 Influence of Neo-Conservatives**

The guiding political philosophy of the Bush administration was labeled neo-conservative, which referred to the political movement, ideology, and the public policy goals of "new conservatives" in the United States. But in the context of US foreign policy, neo-conservative had another, narrower, definition as pro-interventionism with hawkish views on foreign policy. Supporters also defined it as advocating the use of

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<sup>18</sup> Hamilton.

military force, unilaterally if necessary, to replace autocratic regimes with democratic ones.<sup>19</sup>

It was argued that President Bush himself could not fairly be called a neo-conservative according to his background and his belief which indicated that he was much more of a traditional Republican than a neo-con.<sup>20</sup> Moreover, President Bush's early foreign policy confrontation with China was handled without the strident suggested by some neo-conservatives.<sup>21</sup>

Nonetheless, since President Bush's top advisers—such as Dick Cheney, Donald Rumsfeld, Lewis Libby, Paul Wolfowitz, Richard Armitage, Richard Perle—had been chosen from the membership of the Project for a New American Century (PNAC), the foreign policy initiatives of think tanks associated with neo-conservatism, it was argued that the characteristics of the Bush administration's foreign policy was influenced by neo-cons. Because to Bush, all politics are personal and the bond is loyalty, trust and mutual responsibility between him, his advisers in the inner circle, key Congressional players, as well as foreign leaders. These people would not have much influence on Bush unless they become part of the loyalty circle.<sup>22</sup> As a result, the president's top advisers in the inner circle had played the dominant role in shaping foreign policy.

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<sup>19</sup> Wikipedia, "Neoconservatism," <http://en.wikipedia.org/wiki/Neoconservatism> (accessed January 10, 2009).

<sup>20</sup> Dave Nalle, "Is Bush a Neocon," Blogcritics, <http://blogcritics.org/politics/article/is-bush-a-neocon/> (accessed January 10, 2009).

<sup>21</sup> Wes Vernon, "China Plane Incident Sparks Re-election Drives of Security-minded Senators," <http://archive.newsmax.com/archives/articles/2001/4/6/194726.shtml> (accessed December 21, 2008).

<sup>22</sup> Alexander Moens, *The Foreign Policy of George W. Bush: Value, Strategy and Loyalty* (Hants: Ashgate Publishing, 2004), p. 210.

Moreover, because of President Bush's inexperience in foreign policy, the neo-con intellectuals—his top's advisers—became the most important US foreign policy elite dominating foreign policy formulation. These neo-cons believed that the US should be free from restraint created by the interests of other countries, this idea was expressed clearly in the Bush Doctrine, announced as the National Security Strategy of the United States (NSSUS) on June 1, 2002.

The Bush Doctrine, a new set of foreign policy principles, gave three basic elements of foreign policy as follows:

*First, the US would pursue a strategy of pre-emptive intervention in order to confront the worst threats before they emerge.*

*Second, the US would concentrate on exporting democracy.*

*Third, the US would maintain its military supremacy beyond challenge and limiting rivalries to trade and other pursuits of peace.<sup>23</sup>*

These three elements of the Bush Doctrine: preemptive strike; promotion of democracy; and military supremacy, confirmed the influence of neo-conservatives on foreign policy. Due to the Doctrine, the US would make decisions only to meet American's perceived national interests.

In regard to Taiwan issue, many neo-conservatives were pro-Taiwan and viewed China as a potential threat to the United States. They recognized Taiwan's democratic achievements and sympathized with Taiwan's international situation. Qin Yaqing, the vice president and a professor of International Studies at China Foreign Affairs

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<sup>23</sup> Zhiyuan Cui, "The Bush Doctrine and Neoconservatism: A Chinese Perspective," *Harvard International Law Journal* 46, no. 2 (Summer 2005): 403-410.

University, also said that if the neo-conservatives in the US had a very strong voice inside US policy circles, they could put pressure on China over Taiwan issue. This might be true. China repeatedly expressed concern over the sales of US advanced weapons to Taiwan that might encourage Taiwan to seek for independence, while the Bush administration and its neo-con supporters affirmed that arms sales to Taiwan would keep Taiwan free from Chinese coercion.

The influence of the neo-cons has been also confirmed by the meeting between the US highest-level Defense officials, the US Deputy Secretary of Defense Paul Wolfowitz, and the President of Taiwan's legislative Yuan, discussing an arms deal.<sup>24</sup> Moreover, neo-conservatives in the Bush administration, led by Bush's first term Defense Secretary Donald Rumsfeld, frequently sent representatives to Taiwan to encourage President Chen Shui-bian to move forward with a declaration of independence. According to Lawrence Wilkerson—former Chief of Staff to Secretary of State Colin Powell—in the Congressional Quarterly, June 4, 2007, the White House officials who promoted Taiwanese independence were the same as those who lobbied for the war on Iraq specifically, Rumsfeld, Wolfowitz and John Bolton. Wilkerson asserted that the Department of Defense sent representatives to Taiwan almost every week, stating that “independence is a good thing.” Consequently, President Bush had to ask Rumsfeld himself to stop encouraging Taiwan independence after Powell failed to do it.<sup>25</sup>

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<sup>24</sup> Tim Shorrock, “Neocons Stir China-Taiwan Conflict,” *Antiwar*, <http://www.antiwar.com/ips/shorrock.php?articleid=3018> (accessed February 15, 2009).

<sup>25</sup> Nadia Tsao, “US Neocons ‘Lobbied’ for Independence,” *Taipei Times*, <http://www.taipeitimes.com/News/front/achieves/2007/06/04/2003363740> (accessed February 15, 2009).

Nonetheless, there were claims about the influence of the neo-conservatives might be diminished after the failure of the Iraq war. In Bush's second term, though the several key neo-conservative players remained in their positions, or changed but still in inner circle, leading neo-conservatives—such as Paul Wolfowitz and Richard Perle—had been silenced and disappeared from public view. The focus of US foreign policy during Bush's second term had been on combating proliferation of nuclear weapons and counter-terrorism. The new Secretary of State Condoleezza Rice subsequently proposed using the six nation talks to create a Northeast Asia Multilateral mechanism, in which it needed China to play a crucial role and to become a “responsible stake holder.” Although the neo-cons opposed this idea because they believed that China would earn credibility within the Asia-Pacific region and would use this situation to pressure Washington on the Taiwan issue, the Bush administration finally ignored their arguments.

### **1.3 Bush and Foreign Policy Elite's Perception**

With regard to President Bush and his top advisers as the dominant actors in conducting foreign policy, their perception and ideology were also important factors that need to be considered. Although President Bush was not an absolute neo-conservative, rather a conservative Republican, he shared common perception of China with neo-cons in seeing China as an actual threat to the United States. Furthermore, President Bush had been frequently called the ‘direct heir’ of Reagan's anti-communist doctrine. For that reason, despite being free from neo-conservative influence, President Bush had pursued a broadly confrontational approach towards communist China, by providing a great deal of support for the democratic Taiwan in early time of his first term.

The importance of perception and ideology of actors in foreign policy analysis depends on the role of those actors. If actors play a significant role in the formulation of foreign policy, their perception and ideology will certainly be significant. Under the Bush administration, President Bush and his top advisers in the inner circle had taken control of the entire executive branch and also set the foreign policy agenda; therefore, their ideology and perception, regarding Taiwan and China in particular, were important factors necessary to consider in order to analyze US foreign policy towards Taiwan.

#### **1.4 Role of Congress**

In foreign policy decision-making of the United States, besides the executive branch such as the president, the bureaucracy and the administration, the role of Congress as the most important legislative body can not be ignored, especially on US Taiwan policy. As the President and the administration were exposed to the lobbying of foreign governments concerning bilateral relations, the members of Congress were more subject to the lobbying of domestic interest groups representing competing interests.<sup>26</sup>

Although the Congress is not a diplomatic Institute, it can express its attitudes and opinions. While these options have no legal authority, their ‘soft power’ forces the executive department to pay much attention to them. Through some influential Senators or lobby groups such as the Taiwan Caucus, a pro-Taiwan policy act was proposed.<sup>27</sup>

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<sup>26</sup> Jean A. Garrison, *Making China Policy: From Nixon to G. W. Bush* (Boulder: Lynne Rienner Publisher, 2005), pp. 3-5.

<sup>27</sup> Wei Liu and Almond C. Meng, “US Policy toward the Taiwan Strait under the Bush Administration,” All Academic Incorporated, [http://www.allacademic.com/meta/p\\_mla\\_apa\\_researchcitation/0/6/9/1/0/pages69105-9.php](http://www.allacademic.com/meta/p_mla_apa_researchcitation/0/6/9/1/0/pages69105-9.php) (accessed February 20, 2009). See also Sun Zhe, *The Congress and US-China Relations: Cases and Analysis* (Beijing: Shi Shi Publishing House, 2004).

Moreover, members of Congress are very close to the American people as the President can not possibly visit each district of the United States but Congressmen usually do, which made Congress a unique, continuous forum of timely public opinion.<sup>28</sup>

Nevertheless, in normal situations the administration hardly ever opposes the Congressional initiatives on important issue, especially the issues that represent overall American public opinion or are largely supported by interest groups, because the administration does not want to cause trouble for the next election. But in some situations, for the reason of urgency or national security, the President has a strong constitutionally based tool, the veto power to halt congressional initiatives that run contrary to presidential preferences.<sup>29</sup> Under the Bush administration that favored broader authority for the President in foreign policy, the several oppositions between administration and Congress resulted in the administration ignoring a Congressional proposal.

Regarding Taiwan policy, members of Congress had consequently backed supporting Taiwan due to the democracy and US interests in Taiwan. Since the Taiwan Relations Act, passed and overseen by Congress since 1979, specifies a congressional role in decision-making on security assistance for Taiwan, Congress had become the main arena for Taiwan policy debate.<sup>30</sup> However, Congress played an important role in the debate but not in decision, specifically in the Bush administration that President exercised control over decision-making. Although Congress often represented American

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<sup>28</sup> Papp, p. 242.

<sup>29</sup> Ibid., 248.

<sup>30</sup> Zhiqun Zhu, *US-China Relations in the 21<sup>st</sup> Century: Power Transition and Peace* (New York: Routledge, 2006), pp. 98-99.

public opinion; received recognition in the media; and consisted of largely pro-Taiwan Republicans, any congressional initiative that might affect US national interest or US grand strategy would be slighted. For example, after the terrorist attacks the Bush administration had gradually adjusted its Taiwan policy in favor of China in exchange of Chinese cooperation in combating terrorism. Although members of Congress strongly opposed cooperative relations with China because they were concerned about Taiwanese security and considered China a strategic competitor, the administration continued to develop China as a strategic partner. As the US primary goal of national strategic interest after 9/11 incident was to win the war on terrorism and also to resolve nuclear weapons on the Korea peninsular and Iran, the administration recognized the dangers of too much confrontation with China, especially the need to avoid another costly conflict in the Taiwan Strait. Therefore, congressional pressures were left at the margin.

The congressional support for Taiwan was also derived from strategic assets, democracy, and human rights causes in Taiwan that served American interests and values. When the war on terrorism emerged, the strategic assets in Taiwan declined. In that case, the democracy value of Taiwan was relegated to a lower priority in comparison with national strategic interests. The diminished influence of Congress under the Bush administration could be seen as a failure to push Taiwan to gain observer status in the WHO and also to boycott China over the Anti-Secession law that authorizes the use of force to reunify Taiwan. The Bush administration's response to the Anti-Secession Law was quite moderate in spite of opposing opinions, backed by a resolution passed by a 424-4 vote, from the US House of Representatives. The House resolution called the Anti-

Secession Law a matter of 'grave concern' to the US and asked the administration to press this point and the 'growing Chinese military threat to Taiwan in general' in its contacts with Chinese officials.<sup>31</sup>

However, during the meeting between Secretary of State Condoleezza Rice and Chinese President Hu Jintao, Rice only shortly mentioned the Anti-Secession Law with no aggressive character and so did the other high-ranking US officials. This not only illustrated the minor role of Congress but also confirmed the exclusive power of the Bush administration.

### **1.5 Taiwan Lobby**

With regard to of US policy making towards Taiwan, another major factor that had impact on shaping policy was the powerful "Taiwan Lobby." The Taiwan Lobby referred to the network of interests, including representatives of the Taiwanese government and other political-economic leaders in Taiwan, Taiwanese-American organization and their allies, and also Americans who favored Taiwan's independence, especially in Congress.<sup>32</sup> The dominant groups of Taiwan Lobby were Taiwanese-American organizations that were exceptionally well organized in various communities, professional and political groups, particularly in such metro areas as Los Angeles, Northern California, New York and Houston. Several Taiwan-related public policy organizations devoted extensive resources to develop contacts in the Congress and the

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<sup>31</sup> Shi-Chi, p. 90.

<sup>32</sup> Robert G. Sutter, "Congressional Pressures and US-China Policy," *Foreign Service Journal* (May 2005): 25-29.

administration, and also to do the groundwork to prepare new Taiwan-related initiatives and to develop a base of support for them.<sup>33</sup>

In order to promote US relations with Taiwan, more than 110 members of the US Congress established the Congressional Taiwan Caucus in April 2002, which has increased to 130 House members afterward, and also the Senate Taiwan Caucus, established in September 2003, currently possesses 26 Senators.<sup>34</sup> The “Taiwan Lobby” played major roles in drafting Taiwan-related legislation and giving it the necessary political momentum to move through the legislative process. Not all Taiwan-related lobbying benefits the Taiwanese government, US firms consistently hired lobbyist to ask Congress pressure Taiwan on various trade and commercial dispute.<sup>35</sup>

However, some scholars argued that the influence of lobby or organized groups had depended on fluctuating circumstance, including changes in elite and public opinion, international pressures and opportunities, and other factors.<sup>36</sup> Under the Bush administration, Taiwan Lobby succeeded in pushing Congress to pressure the administration on granting “transit stops” in the US with extensive public events in 2001 and also granting a visa to Taiwan’s Defense Minister in 2002 to attend a defense conference in Florida. But after the shift of US grand strategy, due to the 9/11 incident

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<sup>33</sup> Peter Yeo, “US Domestic Politics and the US-Taiwan-PRC Relationship,” Carnegie Endowment for International Peace, [http://www.carnegieendowment.org/files/yeo\\_paper\\_100902.pdf](http://www.carnegieendowment.org/files/yeo_paper_100902.pdf) (accessed February 20, 2009).

<sup>34</sup> Taipei Economic and Culture Representative Office in the US, “Taiwan-US Relations,” <http://www.roc-taiwan.org/US/ct.asp?xItem=11444&CtNode=2297&mp=12&xpl=12> (accessed May 8, 2009).

<sup>35</sup> Ibid.

<sup>36</sup> Sutter.

and also the emergence of Bush-Chen complicated relations, the “Taiwan Lobby” would play a less important role.

Kerry Dumbaugh, a specialist in Asian Affairs, ironically described the decline of the Taiwan Lobby as the result of the development of full democracy and political pluralism in Taiwan, which began the erosion of the organized and unified machine that had once acted on behalf of Taiwan’s interests in the US. As a consequence of political pluralization, there was no longer a single, coordinated “Taiwan” point a view presented to US officials and members of Congress. The lack of a unified Taiwanese message presented to US officials was one of the reasons for the decline of Taiwan Lobby.<sup>37</sup> Nonetheless, there were some arguments concerning the diminishment of the Taiwan Lobby that expressed that the most important reason of the erosion might have come from the delay of purchasing US weapons made available for sale in 2001. As Congress had been particularly active in pressuring US officials to offer greater military support and more advanced weapons sales to support Taiwan’s self-defense, including the major sale of weapon in the Bush administration, Taiwan’s failure to purchase them effectively removed the arms sales issue as an instrument for congressional leverage with executive branch officials on Taiwan matters and affected Congress’s inclination to accommodate the Taiwan Lobby.<sup>38</sup>

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<sup>37</sup> Dumbaugh.

<sup>38</sup> Ibid.

## **2. External Factors**

### **2.1 The Attacks of September 11: The Global War on Terror**

Since the terrorist attacks in New York and Washington D.C. on September 11, 2001, a new consensus seemed to be emerging in the US with regard to the greatest threat to national security. Consequently, the Bush administration launched ‘the global war on terror,’ beginning with the pre-emptive war in Afghanistan to remove al-Qaeda forces and oust the Taliban regime which had control of the country. After that, the US government also claimed that Iraq was an actual threat to the US because Iraq could use its chemical weapons to aid terrorist groups. And in October 2002, a large bipartisan majority in the Congress authorized the president to use force if necessary to disarm Iraq in order to prosecute the war on terror. In March 2003, the US launched the invasion of Iraq to remove Saddam Hussein and established democracy. At the same time the US struggled on with the war on terror, North Korean nuclear proliferation was considered a significant threat to the Asia-Pacific region.

Due to the security concerns over international terrorism, the proliferation of weapons of mass destruction (WMD) and the threat of “rogue states,”<sup>39</sup> the Bush administration found it needed Chinese cooperation and assistance on more global and

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<sup>39</sup> Rogue state is a term applied by some international theorists to states considered threatening to the world’s peace. This means meeting certain criteria, such as being ruled by authoritarian regimes that severely restrict.

regional issues.<sup>40</sup> In the war on terror, the US had sought for cooperation with China in sharing intelligence and in coordinating the interception of suspicious shipments to or from rogue states. On the North Korean nuclear proliferation issue, the Bush administration wanted China to use its leverage over North Korea to resolve the problem which resulted in the multilateral framework through the Six-Party Talks—North Korea, China, Japan, Russia, South Korea, the United States—aimed at denuclearizing North Korea. This multilateral approach happened after the Bush administration failed in effectively handling North Korea nuclear issue either by the “coalition of willing” or by the Proliferation Security Initiative (PSI).<sup>41</sup>

Although the Chen administration had sought to maintain alignment with the Bush administration’s global priorities by providing assistance for relief and reconstruction in Afghanistan and Iraq, it could not balance Chen’s provocative rhetoric towards China. The United States viewed maintaining status quo in Taiwan Strait as best for preserving US national interest because besides gaining China’s cooperation, the US could fully focus on its “war on terror” and on combating the spread of weapons of mass destruction without being concerned about situation in the Taiwan Strait.

## **2.2 The Rise of China and The US-China Relations**

Since the United States had switched its recognition to the PRC in 1979, while still maintaining unofficial relations with Taiwan, the PRC has become the most

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<sup>40</sup> Pan Yining, “China Eyes US-Taiwan Relations: Perception Gap between China and US,” in *Ensuring interests: Dynamic of China-Taiwan Relations and Southeast Asia*, eds. Ho Khai Leong and Hou Kok Chung (Malaysia: Institute of China Studies, 2006), pp. 99-103.

<sup>41</sup>Yang Jiemian, “On New Environments and Missions of the Sino-US Relations,” *Foreign Affairs Journal* no. 79 (March 2006): 8-10.

significant factor influencing US policy formulation towards Taiwan. According to “One China” policy, Taiwan is a renegade province of China. Therefore, for China, any US policy that might encourage Taiwan to move towards independence was not acceptable. China then used everything in its power, military; money; ideas, to deter such an unwelcome possibility. With regard to Taiwan policy, US policymakers mostly considered China the principal factor that had impact on the limitation of US support of Taiwan. US policymakers would weigh the strengths or weakness of China before applying coercive measures against Taiwan, the US-China relations, and also would predict China’s reaction to any policy formulated by the US.

### **2.2.1 Economic Power**

Since the late 1970’s, China had modernized its economic, military and intellectual might through marketization, urbanization, and globalization while it limited political liberalization. China’s economy was also regaining its share of global GDP; according to the International Monetary Fund (IMF), the figure reached 15.4 percent in 2005. Reinforced by globalization and China’s economic policies, China has become an enthusiastic supporter of the existing international economic order and China utilizes its burgeoning economic power to gain political and economic influence internationally.<sup>42</sup> Regarding US-China relations, their economic ties have expanded greatly since China joined the WTO, and despite occasional trade tensions, most US economists and

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<sup>42</sup> David M. Lampton, “The Faces of Chinese Power,” *Foreign Affairs Journal* 86, no. 1 (January/February 2007): 117.

businesspeople considered economic ties as mutually beneficial and rewarding.<sup>43</sup> The US-China trade and two-way investment has grown rapidly. Bilateral trade volume exceeded US\$200 billion in 2005 and surpassed US\$300 billion in 2007. The US had become the largest source of Foreign Direct Investment (FDI) in China, while Chinese enterprises had also invested in the US. Many US trade associations, business and financial organizations were very keen to promote economic relations with China by encouraging China to invest in the US which would create US jobs at factories, spur innovation by US entrepreneurs, support the US economy through taxes and financing, and also raise the standard of living for all Americans.<sup>44</sup>

### **2.2.2 Political Power**

The political power of China in international arena has been significance since 1971 when the PRC gained a seat in the UN with veto power. Moreover China's economic power has also simultaneously increased its political power, especially its bargaining power on the Taiwan issue with other countries, including the US. The success of Chinese pressure could be realized by the delay or cancellation country's arms sales policy with Taiwan. Countries like Israel, Germany, and France, which used to be weapons suppliers to Taiwan, agreed to stop their arms sales as a result of cordial relations with China. Even the United States, the sole major supplier of weapons to Taiwan after the other countries stopped their sales, had frozen its arms deliveries to

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<sup>43</sup> Thomas J. Bickford, "Opportunities, Risks, and the Issue of Taiwan," Foreign Policy in Focus, <http://www.fpif.org/fpiftxt/285> (accessed April 22, 2008).

<sup>44</sup> The Free Library, "Foreign and Trade Interest Groups Lobby Bush for an Investment Treaty with China," <http://www.thefreelibrary.com/Foreign+and+trade+interest+groups+lobby+Bush+for+an+investment+treaty...-a0183496987> (accessed May 28, 2009).

Taiwan in 2008 as consequence of the development of a US-China constructive partnership.

Moreover, since China has achieved its economic modernization, the US-China economic and trade relations has rapidly improved and become the basic foundation for the development of US-China political relations. However, China's rapid economic growth also gave rise to negative reactions in the US. A part of the American people, especially those in Congress, perceived China's development as a "potential threat" to the US supremacy in that China was steadily signing trade agreements, oil and gas contracts, scientific and technological cooperation partnerships, and multilateral security agreements with countries around the world, some of which are key US allies. For example, South Korea was exporting more to China than to the United States, while Japan bought more from China than from the United States. Demand from China had played a key role in Japan's economic recovery.<sup>45</sup> Furthermore, China reached out to regions such as Africa, the Americas, and the Middle East to secure the energy and raw materials that its economy requires. In order to obtain access to energy resources and raw materials, China had utilized and expanded relationship with nations such as Iran, Sudan, and Zimbabwe that had received international criticism about objectionable human rights conditions, state sponsorship of terrorism, and other seemingly illegitimate activities.<sup>46</sup> Due to those interactions, China also was criticized for focusing on self interests while

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<sup>45</sup> Dick K. Nanto and Emma Chanlett-Avery, "The Rise of China and its Effect on Taiwan, Japan, and South Korea: US Policy Choices," Federations of American Scientists, <http://fas.org/sgp/crs/row/RL32882.pdf> (accessed March 11, 2009).

<sup>46</sup> Warren I. Cohen, "Chinese Lessons: Nixon, Mao, and the Course of US-Chinese Relations," Review of *Nixon and Mao: the week that changed the world*, by Margaret Macmillan, *Foreign Affairs* 86, no.1 (January/February 2007): 148-154.

dismissing international concerns, for example the US considered China's relationship with Iran the crucial instrument to deal with Iranian nuclear proliferation.

Not only posing challenge to the US hegemony, some US observers viewed that China might also use its economic force to increase its political pressure to isolate Taiwan. In order to ease the US's concerns, China's leaders declared that the developments of China were pursued on the way of "peaceful rise." China's national strategy was designed to continue its fast domestic economic growth, the regime's principal legitimizing factor besides nationalism; attract maximum resources from the international system; and reduce external threats that might deplete its resources. The strategy did not emphasize rapid military growth with a good reason that the fast expansion of the armed force would alarm the outside world and also drain Beijing of badly needed human and material resources.<sup>47</sup>

### **2.2.3 Military Power**

The US policymakers have been greatly concerned that the rise of China may prompt China to use force against Taiwan. Although the rapid military growth was not emphasized on China strategy, the Chinese military budget had been growing at double-digit rates for about 15 years. China acknowledged that the March 1996 deployment of the two US carriers was a strong military signal of US readiness to intervene in a possible war over Taiwan. Since then, Chinese leaders have assumed that a war with Taiwan means a war with the United States. Subsequently China has begun its military modernization in which economic prosperity and generous government funding has

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<sup>47</sup> Lampton, p. 118.

permitted China to enjoy increasing its missiles amphibious capabilities, upgrading its naval and air forces, in order to discourage the US from intervening if a conflict in the Taiwan Strait occurred.<sup>48</sup>

In recent years, China has accumulated a formidable force of ballistic and cruise missiles, advanced strike aircraft, and modern naval combatants with long range and a truly lethal combat power.<sup>49</sup> China has maintained at least 1,300 ballistic missiles pointed at the island and also has increased its joint exercises with other regional actors such as the one with Tajikistan based on a terrorism scenario.<sup>50</sup> These actions might generate different outcomes, relating to US responses. On one hand, China's military modernization has increased the US's anxiety over threats from China. The Bush administration initially came into office viewing China as a strategic competitor that challenged US's world hegemony and then determined to strengthen its alliances in Asia and its commitment to Taiwan defense in an effort to contain the rise of China. On the other hand, the new capabilities of Chinese weapons have made US policymakers evaluate and conclude that the cost of a full-scale conflict with China would be too much. Shortly after assuming office, the Bush administration faced a terrorist attack that dramatically changed the US global strategy including on China and Taiwan.

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<sup>48</sup> Lampton, pp. 118-120.

<sup>49</sup> "US-China Economic and Security Review Commission Annual Reports to Congress," United States-China Economic and Security Review Commission, [http://www.uscc.gov/annual\\_report/2005/05\\_executive\\_summary.htm](http://www.uscc.gov/annual_report/2005/05_executive_summary.htm) (accessed September 10, 2008).

<sup>50</sup> Michael Swaine, et al., "Chinese Military Modernization and Taiwan's Security," Carnegie Endowment for International Peace, <http://www.carnegieendowment.org/events/?fa=eventDetail&id=1037&prog=zgp&proj=zdr1> (accessed July 18, 2009).

Post 9/11, the Bush administration tried so hard to develop a Taiwan policy that posed no or less threat to Chinese interests and also had to stabilize domestic pressures that it saw no advantage of pursuing an engagement with China. However, the Bush administration viewed China as a strategic partner on a whole range of issues, from the North Korean and Iranian nuclear proliferations, to the environment and global warming, to the “global war on terrorism.” As the US developed the strategy of partnership with China, the US relations with Taiwan seemed to be limited to a certain degree. The limitation of US Taiwan policy, including President Bush’s statement “opposing Taiwan independence;” the US block on Taiwan’s bid for UN; the freeze on US arms sales to Taiwan were all the results of Chinese influence on US foreign policy.

### **2.3 Taiwan Domestic Politics**

The shift in US policy towards Taiwan had not arisen from only major external factor such as China but also had been complicated by the state of domestic politics in Taiwan. There was a deeply partisan split between the “blue” parties or pan-Blue, Kuomintang (KMT) and the People’s First Party (PFP)—which favored the status quo and some form of eventual integration with China on a democratic basis, and the “green” parties or pan-Green, President Chen Shui-bian’s Democratic Progressive Party (DPP) and the Taiwan Solidarity Union (TSU)—which favored a separate Taiwanese identity and leant towards eventual independence.<sup>51</sup> The growth of the sense of a unique Taiwanese self-identity and the attempt of promoting de jure Taiwanese independence

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<sup>51</sup> Bickford.

under the Chen administration had certainly affected US policymaking and relations between Taipei and Washington.

### **2.3.1 Chen Shui-bian's Campaign Initiatives**

In the wake of September 11 and the following war on terrorism, the United States viewed cooperative relationship with China as significant, President Chen Shui-bian's campaign initiatives towards independence—especially the referendum idea—had efficiently degenerated US-Taiwan relations. Chen's campaign initiatives were considered as dismissive of US interests, including: Chen's statement of "one side, one country;" and Chen's plans for a referendum relating the constitutional reform. Although the Bush administration had expressed its concern about these movements, President Chen neglected all warnings.

Although US officials had previously shown support for constitutional reform that would make Taiwan's government processes work more effectively, they were concerned more broadly about the revised constitutional issues relating to sovereignty and Taiwan's political status. When President Chen suggested in 2006, after winning the re-election, that it was time to consider whether the territorial boundaries of Taiwan should be addressed in the constitutional reform, the US State Department spokesman immediately reiterated US opposition to unilateral change in the status quo.<sup>52</sup>

### **2.3.2 Volatility in Taiwan's Democratic Environment**

The volatility in Taiwan's democratic institutions and political environment were another factor influencing US policy towards Taiwan. The political divisions on ideology

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<sup>52</sup> Dumbaugh.

and substance in the major party coalitions had been worsening under the Chen administration and Taiwan lacked a unified voice for communicating with the US. Since the “blue” parties opposition coalition had formed a representative office in Washington, saying that the coalition felt cut off from communication with US officials during the first three years of the DPP administration, the communication between the “blue” parties and the “green” parties coalitions appeared to be fallen as they were said to have no interaction except when necessary to consider legislation.<sup>53</sup> Especially, when the leaders of the KMT and PFP met with Chinese leaders and signed agreements with the Chinese Communist Party, the highly partisan politics in Taiwan had been exacerbated as the visits between Taiwan’s opposition coalition leaders and Chinese leaders reflected the warm relations between them while isolating President Chen from China.

### **2.3.3 Taiwan Corruption Scandals**

One of Taiwan domestic political events that concerned US policymakers was the corruption scandal involving the Chen administration, particularly after April 2006. President Chen was attacked by allegations of corruption, including allegations about members of his family and accusations of malfeasance by government officials close to the President.<sup>54</sup> The problem began in May 2006 when President Chen’s son-in-law, Chao Chienmin, was investigated for allegedly having profited from an insider trading scheme involving the Taiwan Development Corporation. Next the Vice Chairman of the National Science Council was taken into custody on suspicion of a profiteering scandal for awarding of a contract to reduce vibrations from a new high-speed railway line in

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<sup>53</sup> Dumbaugh.

<sup>54</sup> Ibid.

Taiwan County. Moreover, President Chen himself reportedly was accused of spending money inappropriately from secret government accounts and then falsifying receipts to justify the expenditures. And President Chen's wife was also suspected of accepting vouchers from a Taiwan department store in exchange for lobbying. The scandals disgraced Chen's government; there were organized public protests against the corruption scandals reflecting Taiwan's anti-Chen sentiment. The Bush administration was concerned that the increasing violent protests and the extra-judicial measures for addressing the corruption allegations might inhibit the judicial and democratic processes in Taiwan from functioning appropriately. Specifically in this case of alleged official malfeasance, which such an outcome could damage Taiwan's democracy and could be especially problematic for US policy to support Taiwan.<sup>55</sup>

#### **2.4 China-Taiwan Relations**

Although China and Taiwan relations had always been troubled by the issue of Taiwan's political status, and cross-Strait tensions had intensified under the Chen administration, economic and social integration between the mainland and Taiwan continued to deepen. In January 2001, Taiwan and China established the "three-mini-link"—the first time permitting direct transport, commerce, and postal exchanges across the Taiwan Strait—and in October 2001, Taiwan officials announced they would simplify visa application procedures for professionals from the mainland, making it easier for

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<sup>55</sup> Dumbaugh.

them to reside and work in Taiwan.<sup>56</sup> With these new policy changes, more than thirty thousand Taiwanese companies opened manufacturing facilities in Shanghai and more than three hundred thousand Taiwanese were living there by the end of 2001.<sup>57</sup> And in 2003 China became Taiwan's top trading partner instead of the US. Despite the cold diplomatic and political relations, the cross-Strait trade continued to expand and China-Taiwan economic ties became more interdependent in which the Chen administration was very concerned that China would utilize the increasing economic and also financial interdependence to decline Taiwan political movements for independence and even to attempt unification with Taiwan.

Despite the successful economic cooperation between private-sectors, the government's relationship deteriorated under President Chen's campaign initiatives to promote Taiwan independence. In response, China employed every instrument of its national power to deter such movements by Taiwan. Besides the enactment of the Anti-Secession Law, China used its power, as a membership of most major international organizations and receiving diplomatic recognition from the major countries of the world, to prevent Taiwan from entering the international arena, including: blocking Taiwan from gaining observer status in the WHO; preventing the president of Taiwan from attending the annual meetings of the leaders of the 21 member states at the APEC forum; and also pressuring the US to block Taiwan's bid for UN entry in 2007. Moreover, the meetings

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<sup>56</sup> Kerry Dambaugh, "Taiwan: Recent Developments and U.S. Policy Choices," IB 98034 (Washington D.C.: Congressional Research Service, January 24, 2006) <http://www.fas.org/sgp/crs/row/IB98034.pdf> (accessed February 16, 2008).

<sup>57</sup> Robert S. Ross, "Navigating the Taiwan Strait: Deterrence, Escalation Dominance, and US-China Relations," *International Security* 27, no.2 (Fall 2002): 48-85.

between the leaders of Taiwan opposition coalitions and Chinese leaders were seen as Chinese pressure on the government which led to the problem between the Bush and Chen administrations over arms sales.

As the relations between the “blue” parties and China developed, the “blue” parties saw an alternative choice for Taiwan’s future, specifically that the US advanced weapons would not be significant. There were critics in Taiwan about the US pressure on Taiwanese arms purchases asserting that the US had requested Taiwan to increase military spending or take legislative action on the defense budget in which the expenditures were too high and lists of weapons were not reasonable.<sup>58</sup> In this regard, the large number of Taiwanese arms purchases might be unnecessary due to the improvement of cross-Strait relations. As a result, this trend would be broadly impacted by US domestic politics from Congress to the administration.

### **C. Conclusion**

It is clear that international environment greatly influenced US Taiwan policy, especially in the wake of September 11, 2001 that caused a dramatic change in the US global strategy and increased China’s leverage on shaping foreign policy towards Taiwan. When President George W. Bush first came into office, he had pursued a pro-Taiwan policy and a strategically clear position in favor of Taiwan’s defense because of

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<sup>58</sup> Robert L. Suettinger, “Leadership Policy toward Taiwan and the United States in the Wake of Chen Shui-bian’s Reelection,” *China Leadership Monitor* no. 11 (summer 2004), <http://www.hoover.org/publications/clm/issues/2904106.html> (accessed March 10, 2008).

which the US Taiwan policy during the first eight months of Bush's first term was mostly influenced by domestic events, especially the president and his top advisers who took control of the formulation of foreign policy. The leading US policymakers were concerned about the threat of rising Chinese power, therefore they were willing to give greater support for Taiwan. However, after the 9/11 incident, the cooperation of China was required for combating terrorism and also for dealing with the nuclear proliferation issue, according to the new US global strategy. The strategic assets of supporting Taiwan; therefore declined. Although the US Congress was unhappy with the shift of US Taiwan policy, the role and power of Congress had been minimized under the Bush's presidency which was characterized by the unitary executive theory, a vigorous defense of executive privilege. The idea of this theory is the formulation of foreign policy is dominated by the executive branch. As a result, the Bush administration solely had the power to conduct policy in the way it viewed that best served American interests.

In spite of concern regarding the rise of China, the Bush administration sought for engagement rather than confrontation with China as it needed Chinese cooperation in dealing with issues ranging from the anti-terrorism campaigns and the proliferation of weapons of mass destruction, to the longest post-World War II recession beginning in late 2007. The importance of China in the strategic calculation followed by the development of constructive partnership between the US and China dominated US Taiwan policy; therefore, the Bush administration limited its support for Taiwan to the stage that would not irritate China which completely differed with the first eight months of Bush's first term when the administration eager to strengthen its diplomatic and

military ties with Taiwan, even though such ties could undermine US-China relations and also regional stability.

In exchange of having cooperative and comprehensive ties with China, the Bush administration asserted and reiterated that the US did not support any challenges by Taiwan to provoke China and destabilized the cross-Strait status quo. In the wake of September 11<sup>th</sup>, maintaining status quo was considered to best serve the US national interest. According to new goals of US global strategy, to win the war against terrorism and to resolve regional conflicts, the US was aiming to preserve peace and stability in the Asia-Pacific region while the US was projecting the war on terrorism in the Middle East. Therefore, it was important for the US to keep Taiwan issue from being another unnecessary conflict in the Asia-Pacific region.