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SPECIAL COMMENTARY:
The American Defense Commitment to Taiwan Continues to Deteriorate
March 1, 2011

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America's security relationship with Taiwan is both multi-tiered and comprehensive, and reaches far beyond arms sales to include myriad defense services and exchanges. Such military-to-military networking is vital to Taiwan's ability to keep pace with modern defense training and with current tactical and strategic thinking. Nevertheless, such behind-the-scenes exchanges are merely one component of the security relationship. It is disingenuous to suggest, as some do, that because these exchanges are taking place, the U.S. security commitment is healthy. If other components – such as providing Taiwan with much needed new and modern equipment – are missing, the U.S. commitment remains incomplete.

2010 started off strong on Taiwan defense issues, with the January 29 Congressional notification of 5 separate arms sales programs. While the dollar value for these notifications was high – a combined US\$6.4 billion – the programs themselves were not intrinsically controversial, as the bulk of the money went to Black Hawk utility helicopters and PAC-III missile defense batteries. These notifications represented the final significant parts of President George W. Bush's April 2001 arms package – with the exception of diesel-electric submarines. In August of 2010, a second and much smaller package – less than US\$250 million – of Direct Commercial Sales (DCS) programs were notified to Congress. Once again, these programs were not controversial, and pertained to upgrading the radars on Taiwan's indigenous defense fighters.

Now, for the first time in 10 years, the Obama Administration has the opportunity to move forward and to ask new and important questions about Taiwan's defensive needs and about the future of U.S. security support for Taiwan. To aid with this task, in May 2010 the US-Taiwan Business Council released a report entitled "*The Balance of Air Power in the Taiwan Strait.*" The Council's report makes numerous significant recommendations to those concerned with Taiwan security policy – including to our own political and military leadership – on how to address the growing military imbalance in the Taiwan Strait.

Throughout 2010, numerous other analysts and observers also expressed their opinions on the direction that Taiwan should take on defense going forward. The overall consensus was that Taiwan isn't spending enough on national security. The Council forecasts that Taiwan's direct defense expenditures will reach only 2.16% of GDP in 2011, a figure that rises to 2.73% if you include non-direct defense expenditures. This percentage could even fall below 2% if Taiwan's economic expansion continues to gather steam, falling far short of President Ma Ying-jeou's campaign commitment to spend a minimum of 3% of GDP on Taiwan's defense.

Moreover, the consensus was also that the United States needs to accelerate and de-politicize the political process for evaluating required capabilities for Taiwan, and for notifying to Congress the programs addressing those needs. In November 2010, Taiwan's Ministry of National Defense (MND) released a statement noting that since 2007 they have had to return over US\$1.4 billion to Taiwan's treasury as a consequence of U.S. indecision on arms sales. America's recent inability to offer timely notifications of programs is therefore having a material impact on Taiwan's ability to fund its self defense.



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The U.S.-Taiwan-China Triangular Relationship

Since the election of President Ma in March 2008, the Chinese have been quite open about their strategy toward Taiwan. They are attempting to influence cross-Strait relations with the carrot of cross-Strait commerce (with its foundation in the ECFA) and with the stick of military coercion (with its foundation in the missiles arrayed opposite Taiwan). China has a tremendous advantage over America and Taiwan in this regard, as they have a clear and concise goal of unification with Taiwan.

America has responded twice during this period, with arms sales announcements in October 2008 and in January 2010. However, on both occasions the arms sales notified were originally intended to address the military threat posed by China dating back to before April 2001, and thus came from a background that significantly pre-dated President Ma's tenure.

U.S. policy has remained remarkably consistent from the second term of President Bush's presidency through the first two years of President Barack Obama's term. Both administrations have sought to minimize their Taiwan policy footprint, focusing on positive developments in cross-Strait relations while bypassing inconvenient trends such as the build-up of missiles on the Chinese side of the Taiwan Strait. Doing so decreases the pressure for any U.S. action – such as negotiating our own free trade agreement in response to Taiwan trade liberalization (at the cost of American commercial interests), or improving the quality of arms sold to Taiwan to meet the PRC threat.

Taiwan policy took a hazardous turn with the language included by the Obama Administration in its November 17, 2009 US-China Joint Statement.¹ The statement appears to show the U.S. moving toward support for China's interpretation of its core interests in Taiwan, seemingly telegraphing its willingness to moderate legacy Taiwan support and cede more control to China in the dynamics and direction of cross-Strait affairs.

While the January 29, 2010 arms sales came after this statement, that package was actually a holdover from the Bush Administration. The notifications for the 2010 package were already ready, and should have been sent to Congress, in the spring of 2008. Two years into Mr. Obama's term in office, we have yet to see a single material action that suggests U.S. willingness to make China pay a real cost for its aggressive cross-Strait military posture.

At the conclusion of Chinese President Hu Jintao's January 2011 trip to the U.S., the Obama Administration stated that America's interests and its relations with Taiwan had not been sacrificed. This was perhaps in response to criticism of the 2009 statement and the extent to which it emboldened China. However – to use a football analogy – you cannot leave your defense on the field the whole game. China is playing relentless offense on Taiwan, and at some point the U.S. has to step up and make it pay for its actions. We appear to be doing that in response to China's actions in the South China Sea and on Chinese support for North Korea, but on Taiwan policy we are only playing defense.

Economic Cooperation Framework Agreement (ECFA)

China's military build-up on their side of the Taiwan Strait is inherently destabilizing, affecting both Taiwan's future and American's cross-Strait equities. Yet that fact continues to be lost in the praise heaped on cross-Strait economic normalization and liberalization.

¹ "U.S.-China Joint Statement" November 17, 2009. Office of the Press Secretary, White House. www.whitehouse.gov/the-press-office/us-china-joint-statement.



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In the January 19, 2011 U.S.-China Joint Statement, the U.S. lauded the ECFA between China and Taiwan.² But President Obama made no mention of China's military build-up and the growing cross-Strait military imbalance. Nor does the 2011 Joint Statement cover any aspect of the Chinese threat of force – or at least the threat of some kind of military action against Taiwan to deter independence aspirations and, ultimately, to bring about a coerced settlement or even unification.

The US-Taiwan Business Council welcomes the ECFA and the resulting normalization and liberalization of cross-Strait trade. This is a hugely important development, and President Ma deserves considerable praise for the courage he has shown on this issue. That said, however, it is not acceptable to point to the ECFA as the only dynamic aspect of today's cross-Strait environment. China's military investments are having a huge impact on the cross-Strait status quo. America must be as outspoken in our opposition to China's strategy of military coercion as we are in our support of the ECFA and other positive trends.

Robert Gates Visits China and Hu Jintao Visits America

January 2011 began with two important visits, as U.S. Secretary of Defense Robert Gates traveled to China and Chinese President Hu Jintao was hosted in Washington, D.C. on a state visit – a spectacle typically reserved for America's most important friends and partners.

China clearly craved this official state visit by President Hu. With his tenure drawing to a close, the visit highlighted Hu's legacy and presented him to the Chinese people as holding equal stature to the U.S. President. Through that somewhat simplistic prism, we might ask how the U.S. fared, given the leverage Chinese demands created for Mr. Obama's team. How was that leverage applied, and to what extent were American equities advanced by Hu's visit? It is a question to which we do not yet have an answer. On the issue of Taiwan, however, China pushed hard trying to make further advances on their 2009 gains – it was China applying leverage, not the U.S. doing so.

Conversely, the Chinese could not have appeared any more nonchalant over Secretary Gates' trip to China for the resumption of military-to-military talks. Gates' visit was overshadowed by the concurrent public unwrapping of China's J-20, a rumored 5th generation fighter/bomber that many – including Mr. Gates – argued was more blueprint than actual test platform.

While in Beijing, Secretary Gates made some comments regarding U.S. security commitments to Taiwan. He said that *"over time if the environment changed and if the relationship between the [sic] China and Taiwan continued to improve and the security environment for Taiwan changed, then perhaps that would create the conditions for reexamining all of this. But that would be an evolutionary and a long-term process, it seems to me. I don't think that's anything that's going to happen anytime soon."*³

It is worth noting that the most important component of Secretary Gates' comments is not the possibility of America's commitment to Taiwan changing, but that *"the security environment for Taiwan"* must change. This is the closest that the Obama Administration has come to actually publicly acknowledging the destabilizing nature of the massive and continually growing military threat that exists on the Chinese side of the Taiwan Strait.

By continuing its build-up of missiles opposite Taiwan, as well as in building up its countless other capabilities, China's military is changing the status quo of the cross-Strait relationship. Successive U.S.

² "U.S.-China Joint Statement" January 19, 2011. Office of the Press Secretary, White House. www.whitehouse.gov/the-press-office/2011/01/19/us-china-joint-statement.

³ "Media Roundtable with Secretary Gates from Beijing, China" January 11, 2011. Embassy of the United States in Beijing. beijing.usembassy-china.org.cn/012511ir.html



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administrations have argued that they "support the status quo," but if so the U.S. should be acting to rectify this imbalance.

Yet the arms sold to Taiwan in 2007, 2008, and 2010 were predicated on a commitment made in 2001, and thus America's response to China's cross-Strait military posture is today a solid decade out of date. China rolls out its J-20 prototype, and America enters the 6th year of deliberation over whether to provide Taiwan with additional F-16s – a platform already in its inventory. There simply is no sense of urgency here, nor seemingly any interest in challenging China's cross-Strait military intentions.

There are surely myriad and various reasons for the surprise appearance of the J-20 while Secretary Gates was visiting China, and we may never know the exact reasoning behind that timing. However, there is no doubt that the incident plays perfectly into China's Taiwan strategy. China is impressing upon both the U.S. and Taiwan that equipping Taiwan to handle cross-Strait military contingencies is increasingly futile, and therefore we should stop doing so. The more risk-averse America becomes in its relationship with China, the more poignant this argument becomes.

To not act forcefully in the face of China's coercive cross-Strait military posture is to invite China to believe that we no longer care enough to act. By not challenging China, the U.S. is also tacitly encouraging Taiwan's perception of eroding U.S. support in the cross-Strait dialogue. Finally, perceived erosion of U.S. support for Taiwan will impact the calculations of the Koreans and Japanese, who will view this as part of a drawn-out withdrawal of U.S. interests in North Asia.

It is worth noting that the U.S. passing on our "private concerns" to the Chinese is a wholly inadequate response to this issue, as the Chinese rightly see such a delivery as passive and of little consequence. In contrast, China can not make its intentions regarding Taiwan any clearer than it is now.

Taiwan Elections

Taiwan will hold a presidential election in March 2012. Whatever the outcome, the Council believes that cross-Strait relations are heading back towards choppy waters. If President Ma is given a second term by the Taiwan people, it is likely to come with a hard push from China for political and military talks. China believes that it has been the more flexible and generous of the two sides through Ma's first term, and will therefore be looking for concessions from him. No matter where President Ma's heart lies, however, he does not have the consensus backing of the Taiwan people that he would need to meet the Chinese demands for political and military concessions. Therefore, this issue will cause friction both within Taiwan as well as in the cross-Strait relationship.

If a DPP candidate is elected president in 2012, Beijing will likely pivot hard toward Washington and demand that America pressure the new president and government to make concessions to Beijing. Such a start for a new Taiwan government would immediately create tensions, irrespective of the DPP's best intentions.

In both China and Taiwan there remains a degree of intentional blindness to the ability of the other side to continue to deliver on its expectations. While the Taiwan side grabs hungrily at further economic opportunities in the mainland market, it is a mistake to then contend that the people of Taiwan are ready and willing to cede the political, legal and social gains of the past 20 years - they are not. Indeed, the trends on Taiwan show a population increasingly ensconced in what it means to be Taiwanese. Ma cannot deliver what Beijing expects, therefore the present path of negotiations is fundamentally flawed.

There will surely come a point at which the Chinese will stop making economic concessions to Taiwan if they do not see reciprocity on those issues of significance to them, such as on political and military negotiations



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and agreements. As the Taipei Times points out in a recent editorial "*Taiwanese must acknowledge that Beijing has no responsibility to improve Taiwan's economy. One cannot claim sovereignty and expect other governments to give generously while not asking something in return.*"⁴

The U.S. Defense Commitment to Taiwan in 2011

There are several Taiwan defense policy issues on the radar for the U.S. in 2011. First up is the Obama Administration's submission of its Taiwan airpower assessment to Congress. That classified report, required as a consequence of the *National Defense Authorization Act of 2010*, was due in 2010, yet it is now unlikely to make its way to the Hill until the second quarter of 2011. When the report is finally submitted, however, the assessment will hopefully provide a framework for the U.S. moving forward on important new areas of defense and security cooperation with Taiwan.

Broadly, the most urgent and current matter under consideration by the U.S. is what to do about Taiwan's rapidly aging fighter fleet. The Taiwan Air Force faces numerous challenges and demands on resources due to the complexity and expense of keeping their older airframes airborne. It negatively affects their ability to sortie enough planes to meet Taiwan's security demands, and inhibits Taiwan's ability to field a modern air force with the capabilities required to dissuade Chinese adventurism.

This state of affairs presents several challenges for the Obama Administration. Questions include how to approach upgrading Taiwan's present fighter fleet of F-16 A/Bs and Indigenous Defense Fighters (IDF), and what to do about replacing obsolete and expensive equipment such as its F-5s and Mirage 2000s.

Taiwan is currently undertaking a domestic program to upgrade its IDFs – planes that are adequate but would ideally be used as trainers for a consolidated force of frontline F-16s. The U.S. can be expected to continue to undertake smaller programs to assist Taiwan in upgrading its IDFs and in converting some to trainers.

Taiwan F-16 Upgrade or "Retrofit"

There have been numerous recent press reports on the progress of the "retrofit" of Taiwan's current fleet of 145 F-16A/Bs. The press has speculated that the Obama Administration will announce a formal upgrade program soon, in the period after President Hu's visit to Washington, D.C. From what the Council understands, however, this program is nowhere close to being in that stage of the process. Despite the speculations, it will likely be many months - if not over a year - before an official announcement is made.

Taiwan submitted a request for Price and Availability (P&A) data for this program over 14 months ago, and the completed data has been held at the U.S. Department of State for over 6 months. The review has experienced bureaucratic delays – along with politically motivated delays – which will postpone the delivery of the P&A data to Taiwan to as late as the spring of 2011.

It will take Taiwan a number of months to gather its priorities, including what it feels that it can afford, along with additional time to prepare and submit a Letter of Request (LOR) for a Letter of Acquisition (LOA). Even a best-case scenario does not have the program ready for public notification to the U.S. Congress before the end of 2011 – it will likely be into late March or April 2012 before this program enters a congressional notification window. We will then likely have to deal with additional and arbitrary delays over what represents the "least-worst time" to notify Congress of the sale in the context of our China policy.

⁴ "Great cross-strait misconceptions" March 1, 2011. Taipei Times Editorial.
www.taipeitimes.com/News/editorials/archives/2011/03/01/2003497047.



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Senior Taiwan officials have also expressed their concern that a commitment to the F-16A/B upgrade program at this time could be interpreted by the Obama Administration as Taiwan giving up on acquiring new F-16C/Ds, or that it could otherwise be used as a reason to reject the new fighter sale. The current F-16A/B upgrade program was developed with the assumption that the 66 new F-16C/Ds would also be forthcoming as originally planned. If the new F-16C/D sale should continue to stall indefinitely – or is killed with certainty – the Taiwan Air Force would need to significantly revise and expand the scope of its upgrade plans.

The Obama Administration may elect to delay a decision on the F-16C/D sale by first offering the F-16A/B upgrade to Taiwan. But Taiwan's civilian political leadership, as well as the Taiwan defense establishment, is worried that the U.S. may try to pass this off as a permanent alternative to the sale of new fighters – an entirely legitimate concern. Therefore, Taiwan may actually welcome the delayed program start on the upgrade program to 2013, so as to give itself another year to await the U.S. Government decision on the new F-16C/D sale.

New F-16s

The possible sale of new F-16C/Ds to Taiwan has become an unreasonably problematic issue. President Ma has been outspoken in his desire to see the U.S. commit to selling new F-16s to Taiwan. He recognizes – rightly in the Council's view – that the fighters serve two important functions:

- First, there is a sound military requirement for replacement airframes, a requirement that only more F-16s can fill. Taiwan's air force cannot fulfill its designated role in the absence of a modern airworthy fleet.
- Second, the fighters fill a critical political role in Taiwan's engagement with China. They underscore the magnitude of America's defense and security relationship with Taiwan, and push back on the steady and incremental forward motion of China's coercive military posture. The view that "it is too late for Taiwan" to do anything to correct the military imbalance is simply not true.

We will know more on the issue of new F-16s after the U.S. Department of Defense (DOD) submits to Congress its report on Taiwan air power. As noted above, the report will be classified. However, we can certainly expect some aspects of the report to be made public, as the Administration briefs its findings and outlines the policy direction it argues for in the report.

Nevertheless, the Council remains concerned that this report will have been written from the perspective of what the administration is and is not prepared to do when it comes to supporting Taiwan defense, rather than being based on the actual threat facing Taiwan and the capabilities required to meet it. In the face of the inevitable Chinese objections, it is easier to argue against selling more F-16s to Taiwan – beginning with that premise and then proceeding to write the best rationale for such a policy position.

A recent RAND study argued that there is an overwhelming missile threat to Taiwan's airfields – and by extension to its fighter fleet – and therefore it is futile for the U.S. to sell Taiwan more fighters.⁵ If the DOD makes the case against providing additional F-16s to Taiwan, it is likely that they will use the issue of airfield hardening as a principal hurdle. However, this apparent concern about airfields and hardening is misleading, as the viability of conventional fighter aircraft is certainly not based solely on the vulnerability of fixed runways to ballistic missiles.

⁵ "Shaking the Heavens and Splitting the Earth: Chinese Air Force Employment Concepts in the 21st Century" 2011. RAND Corporation Monograph MG-915-AF, Roger Cliff et al. www.rand.org/pubs/monographs/MG915.html.



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The argument is even more fallacious in the context of Secretary Gates' recent comments in which he openly and actively encouraged Japan to procure more fighters – most notably F-35s. Both Secretary Gates' own department and the U.S. Congress – through the US-China Economic & Security Review Commission – have acknowledged that the missiles of China's 2nd Artillery are a threat not only to Taiwan Air Force assets, but also to U.S. and allied airfields and bases in Korea and Japan. The question becomes whether the U.S. is prepared to be consistent on this issue, or whether China's objections to the sale will result in a different standard for Taiwan than for existing/future U.S. and allied assets in the region.

The Council believes that America, its allies, and its security partners should have as many forward-deployed modern fighters at their disposal in North East Asia as resources will allow. In the event of a Taiwan contingency, does America want to see Taiwan fighters and pilots active in the Taiwan Strait, or is it our stated policy to fill that increasingly large void with U.S. aircraft stationed in the area?

As America ends procurement of F-22s and slows down procurement and deployment of F-35s, it is worth noting that the Taiwan Relations Act states that the U.S. must, "*maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan.*"⁶ Yet when it comes to the Taiwan Strait, we are both curtailing our own capabilities, while depriving Taiwan of the ability to modernize its air force. All the while, China's own military modernization continues apace.

The lack of progress on this issue has already resulted in a significantly reduced Taiwan capability in the short term. There is a simple question to consider at this time: is America meeting its obligations under the Taiwan Relations Act to provide Taiwan with the military resources it needs, in order to provide an adequate defense against China's increased military capabilities?

The answer is no.

Taiwan's Domestic Defense Commitment in 2011

In a speech given on August 4, 2008 to the Ministry of Foreign Affairs, Taiwan President Ma said, "*We will demonstrate our determination to defend ourselves by....raising our defense budget to 3% of GDP.*"⁷ But at the same time as Taiwan is having difficulties procuring equipment from the United States, the Ma Administration also continues to move away from its commitment to spend at least 3% of Taiwan's GDP on defense.

Taiwan's Legislative Yuan (LY) recently passed the central government's budget for 2011. After adjustments made by the LY's Foreign & National Defense Committee (FANDAC), the direct defense budget for FY2011 (at NT\$297.10 billion) is equal to only 2.16% of Taiwan's projected GDP for 2011 – nearly 30% below the 3% level that President Ma has repeatedly committed to as part of his national defense policy agenda.

Non-direct defense spending – including dependent housing rehabilitation, base renovation, etc. – is equal to about 26% of direct defense spending. Adding the non-direct defense budget for FY 2011 (at NT\$77.60 billion) to the direct defense spending figure results in a total of NT\$374.70 billion in overall defense-related spending for FY2011. Even added together, however, that figure still does not exceed 2.73% of projected GDP, well short of the "3% of GDP" level.

⁶ "Taiwan Relations Act" January 1, 1979. Public Law 96-8, 96th Congress. www.ait.org.tw/en/taiwan-relations-act.html.

⁷ "The Concept & Strategy of the 'Flexible Diplomacy'" August 4, 2008. Taiwan President Ma Ying-jeou. english.president.gov.tw/Default.aspx?tabid=491&itemid=18917&rmid=2355



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On January 31, 2011 the Directorate General of Budget, Accounting & Statistics (DGBAS) announced that Taiwan's economy grew by 10.47% in 2010, rebounding smartly from a grim 2009 in which the global trading system almost ground to a halt. The DGBAS has also revised up its predicted 2011 growth rate for Taiwan to 5.03%. The projected 2011 defense data is predicated on a smaller GDP number, and therefore – as Taiwan's macroeconomic performance continues to improve – there is a strong likelihood that Taiwan's direct defense budget (excluding non-direct defense spending) will fall below 2% of overall GDP in 2011.

This substantial budget squeeze is taking place during a period when Taiwan's Ministry of National Defense (MND) has to take on significant new commitments. The limited funds available for national defense are being stretched across three main areas: funding the 2007, 2008, and 2010 arms deals, supporting Taiwan's move to a volunteer-based force, and subsidizing MND's increased responsibility for disaster relief:

1. The impetus behind the recent high-value arms deals lies in the Taiwan defense budget impasse of 2004-2007. During that period, the Kuomintang (KMT) blocked several defense budgets submitted to the LY by former President Chen Shui-bian, resulting in significant amounts of lost procurement funding. Taiwan has had to play catch-up since then, and the procurement schedules for almost the entire 2001 arms sales package is now overlapping, rather than being spaced out over a decade. This is placing a tremendous budgetary burden on the MND.
2. The completion date for Taiwan's goal of moving to a volunteer-based force, rather than a conscript one, continues to slip – not as a function of poor planning by the MND but due to a lack of financial resources. This admirable and necessary effort is expensive, and will require a significant monetary investment on the part of the Taiwan government.
3. After the considerable damage wrought by Typhoon Morakot in 2009, the Taiwan government undertook a reorganization of its disaster relief framework. The changes resulted in a vastly expanded role for the Taiwan military, giving it responsibilities for providing both immediate relief and ongoing support during natural disasters like typhoons, flooding, and earthquakes. This has led to shifting procurement priorities for the military as well, and yet the government has mostly failed to provide the new funds needed to augment procurement. Nor has it provided additional resources for actual disaster relief operations – instead, the MND must provide those funds out of its already stretched budget.

Together, these missions have tipped the scales so that the MND is laboring under tremendous budget shortages.

Given these budgetary difficulties, Taiwan's military will almost certainly have to refocus its force modernization plans, at least in the near term over the next 5 years. That will mean aiming primarily at lower acquisition cost solutions, such as surplus U.S. equipment, mid-life upgrades, and service-life extension programs. New investments will likely be limited to carefully selected priority requirements, such as replacement F-16s and submarines – platforms/systems that will have a material and real impact on Taiwan's ability to provide for its own self defense.

As former Deputy Undersecretary of Defense Richard Lawless noted in a 2005 speech to the US-Taiwan Business Council “*we [America] cannot help defend you [Taiwan], if you cannot defend yourself.*” These words remain true today. But in the absence of meaningful new arms sales commitments from the U.S. side, and absent a dramatic increase in President Ma's budgetary commitment to defense, Taiwan's military modernization over the next five years will have to center around merely assimilating the programs released by George W. Bush in 2001.



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President Ma is responding to China's economic outreach with positive rhetoric and substantive political investment. His administration is devoting resources and investing political capital in keeping the economic engagement with China moving forward. In addition, he is making a constant and personal public case, backed with government resources, to support his policy priorities. On defense, President Ma's rhetoric has been strong – with calls for the U.S. to sell F-16s and submarines, with calls to the military to move as quickly as possible to a volunteer-based force, and with vocal support for the MND's expanded disaster relief responsibility. Nevertheless, the Ma Administration has not backed up those calls by allocating the resources necessary to assist in attaining those goals. The Taiwan military cannot be held accountable for failing to undertake its principal role, not if it remains starved of the resources it needs to accomplish the goals set for it by its civilian leadership.

Conclusion

With the January 2010 arms sales announcement, there appeared to be some attempt by the U.S. to put the disastrous 2009 US-China Joint Statement behind us. That statement was made by President Obama in Beijing, and showed America taking a solid step towards China's view of its "core interests" in regards to cross-Strait sovereignty. However, the Obama Administration has remained opaque in discussing China's aggressive military posture – and its rapidly expanding threat to Taiwan – when what is actually required is clear, consistent, and public attention to the issue in order to prevent miscalculation and tensions from rising again.

The Council has come to the conclusion that China is the only country with a clear strategic game plan for the Taiwan Strait. China is flawlessly executing its policy of economic enticements on the one hand, and military intimidation on the other, with a clear goal of creating a *fait-accomplis* in support of its unification terms.

As *The Diplomat's* Daniel Lynch points out in a recent column, Taiwan's best strategy at this time is to "stall for time and hope for the best".⁸ He makes this assumption because he rightly notes that there is neither the domestic Taiwan appetite to become a North East Asian version of Israel, nor any evidence to suggest that anything other than a tiny percentage of Taiwan's citizens crave unification with China.

So Taiwan is left with few options. It cannot counter its economic dependence on China with strong economic partnerships such as free trade agreements, because China limits Taiwan's ability to engage with trading partners, and the U.S. continues its 4 year long freeze of Trade & Investment Framework Agreement (TIFA) talks. Neither can the island field the national defense platforms to withstand the intimidation, as the U.S. is telegraphing that its appetite is near zero for anything other than mid-life military equipment upgrades and benign platforms such as utility helicopters.

As the U.S. shows increasing angst over selling arms to Taiwan, President Ma and his colleagues have determined that they no longer need stand by their "defense spending at 3% of GDP" commitment, as there is little demand from Washington that they do so.

In discussing America's concerns with Taiwan, it is also important to convey the message to the right Taiwan constituencies. Passing on U.S. concerns about Taiwan's defense to the MND is preaching to the choir. Instead, America must utilize what high-level contacts it has to pass on these concerns directly to the offices of President Ma Ying-jeou and Premier Wu Den-yih. All politics are local, and Mr. Ma has an election coming up in 14 months. He appears to believe that there is no domestic electoral gain to be had by maintaining a strong position on defense spending. In addition, if the U.S. so blatantly telegraphs to Taiwan that arms sales

⁸ "Searching for Taiwan's Plan B" February 23, 2011. *The Diplomat*, Daniel Lynch. the-diplomat.com/2011/02/23/searching-for-taiwan-s-plan-b/



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are an irritant in its relationship with China – and if Taiwan’s principal guiding bilateral light is avoiding causing “trouble” in America’s relations with China – then Taiwan reducing its military budget makes sense.

Unfortunately, the longer the interval between the U.S. providing Taiwan with needed arms lasts, the louder China’s shrill objections will be when it resumes. That will make new sales after a dormant period increasingly difficult. If the current direction of U.S. defense policy holds, America likely will move away from offering Taiwan new and modern systems and capabilities in response to China’s military investments and political objections. Instead, it will rely on the transfer of older equipment, such as Osprey minesweepers, and on upgrades of present inventory such as F-16A/Bs.

In the event that we see arms sales activity between now and November 2012, it is likely to be a Congressional notification for “retrofitting” some or all of Taiwan’s fleet of F-16A/Bs. However, note again that this notification is many months away from being sent to Congress. It is likely that we will not see such a notification until March or April 2012 at the earliest, certainly not before China’s President Hu attends the APEC Leaders Meeting in Hawaii in November 2011.

The real worry here is that the Obama Administration will see the “retrofit” as America’s primary commitment to Taiwan’s air force modernization. In this scenario, the Obama Administration will give the go-ahead for the “retrofit,” but will deny Taiwan additional F-16C/Ds. It is important to point out that during such a 10-year upgrade program, up to an entire squadron (24) of F-16A/Bs will be pulled from the front line at any one time. In the absence of new F-16s to supplement those being upgraded, such a solution exacerbates Taiwan’s front-line fighter shortage over that period. Therefore, this solution would actually further weaken Taiwan’s air defenses for the duration of the program.

It is also important to note that such a decision would run contrary to US military deployments and priorities as well as to the counsel and support that America is providing to other friends and allies around the world, particularly those confronting similar missile threats. That includes Japan, Korea, and Israel – all of whom are being actively encouraged to modernize their fighter fleets. A decision not to sell additional F-16s to Taiwan can only be rooted in a political unwillingness to confront China about its destabilizing cross-Strait military posture. Candor on this issue would compel the U.S. to respond with increased arms sales and an actual public narrative from America’s leadership on China’s cross-Strait military intentions. But in all likelihood, the U.S. is simply not prepared to challenge China on this issue, and therefore we are tacitly ceding the ground to the Chinese.

The Council believes that tensions in the Taiwan Strait will start to rise in late 2012, irrespective of which party wins Taiwan’s presidential election. Given the lackadaisical treatment of the Taiwan relationship since 2008, the U.S. seems willing to roll the dice and let China and Taiwan get on with it, merely providing periodic rhetorical words of support. On the other hand, China understands all too well the opportunities available at this moment, and it is pressing America and Taiwan hard. President Ma can only hope that America begins to grasp how emboldened China is becoming with regards to Taiwan. Otherwise the potential fallout will be far more severe than the recent scuffles in the South China Sea or the standoff over the Tiaoyutai Islands.

The Taiwan Relations Act is quite specific regarding American policy, considering “*any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States.*”⁹

Unfortunately, right now America doesn’t appear all that concerned.

⁹ “*Taiwan Relations Act*” January 1, 1979. Public Law 96-8, 96th Congress. www.ait.org.tw/en/taiwan-relations-act.html.