

# CRS Report for Congress

## Taiwan: Recent Developments and U.S. Policy Choices

Updated August 5, 2008

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



Prepared for Members and  
Committees of Congress

## Report Documentation Page

*Form Approved  
OMB No. 0704-0188*

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

1. REPORT DATE <b>05 AUG 2008</b>	2. REPORT TYPE <b>N/A</b>	3. DATES COVERED <b>-</b>	
4. TITLE AND SUBTITLE <b>Taiwan: Recent Developments and U.S. Policy Choices</b>		5a. CONTRACT NUMBER	
		5b. GRANT NUMBER	
		5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)		5d. PROJECT NUMBER	
		5e. TASK NUMBER	
		5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Congressional Research Service Library of Congress 101 Independence Ave, SE Washington, DC 20540-7500</b>		8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)		10. SPONSOR/MONITOR'S ACRONYM(S)	
		11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release, distribution unlimited</b>			
13. SUPPLEMENTARY NOTES <b>The original document contains color images.</b>			
14. ABSTRACT			
15. SUBJECT TERMS			
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>	<b>SAR</b>
			18. NUMBER OF PAGES <b>22</b>
			19a. NAME OF RESPONSIBLE PERSON

# Taiwan: Recent Developments and U.S. Policy Choices

## Summary

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

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

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

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

## Contents

Most Recent Developments .....	1
Background and Analysis .....	1
Taiwan Democratization: Challenges for U.S. Policy .....	2
Political Pluralization .....	2
Split Government, Competing Ideologies .....	3
Key Current Issues in Taiwan .....	4
Change in Political Direction .....	4
March 2008 President Election .....	4
January 2008 Legislative Elections .....	5
Resumption of Cross-Strait Talks .....	6
Bid for and Referendum on U.N. Membership .....	8
U.S. Arms Sales to Taiwan and Taiwan Defense Budget .....	9
Economic and Trade Issues .....	10
Policy Trends in the George W. Bush Administration .....	11
Initial Tilt Toward Taiwan .....	11
Taiwan the “Unhelpful” .....	12
Implications for U.S. Policy .....	13
Legislation .....	15
Chronology .....	17
For Additional Reading .....	19

# Taiwan: Recent Developments and U.S. Policy Choices

## Most Recent Developments

July 17, 2008 — Taiwan's cabinet announced it would revise regulations limiting investment by Taiwan companies in China, and that new measures would be put into place August 1. Preliminary reports said that the current investment cap would be abolished for some companies and raised to 60% of net worth for other companies.

July 16, 2008 — President Ma Ying-jeou said negotiation of FTAs would be less divisive if it used the name it used when applying to the WTO — “separate customs territory of Taiwan, Penghu, Kinmen, and Matsu.”

July 15, 2008 — Five former Taiwan ministers in the Chen administration were indicted for allegedly misusing special expense accounts: Justice Minister Shih Mao-lin; Education Minister Tu Cheng-sheng; Interior Minister Lee Yi-yang; Examination Minister Li Chia-cheng; and Civil Service Minister Chu Wu-hsien. Three former ministers were cleared: Foreign Minister James Huang; Economics Minister Steve Chen; and MAC Chair Tsai Ing-wen.

May 29, 2008 — Taiwan and China agreed to resume talks on cross-strait issues, including visits by PRC citizens to Taiwan and regular direct charter flights.

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

## Background and Analysis

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

---

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

policymakers are facing more difficult policy choices in relations with each government.

This report focuses on current developments in Taiwan, analyzing how those developments are affecting choices the United States makes about its policy toward Taiwan specifically and toward the PRC more broadly. Other CRS reports provide more details about the myriad historical complexities of Taiwan's current situation in U.S. policy, such as: historical background about how the ROC on Taiwan went from a U.S. ally to a government with no diplomatic U.S. relations, including the fundamentals governing U.S. policy toward Taiwan today (CRS Report RS22388, *Taiwan's Political Status: Historical Background and Ongoing Implications*, by Kerry Dumbaugh); the increase in U.S.-Taiwan tensions since 2001 (CRS Report RL33684, *Underlying Strains in U.S.-Taiwan Political Relations*, by Kerry Dumbaugh); and the subtle and complicated permutations of the "one-China" policy over three decades and its role in U.S. policy (CRS Report RL30341, *China/Taiwan: Evolution of the "One China" Policy — Key Statements from Washington, Beijing, and Taipei*, by Shirley A. Kan). Readers wishing to skip general background and context-setting information can go directly to the "Key Issues" section of this report.

## Taiwan Democratization: Challenges for U.S. Policy

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

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

---

<sup>2</sup> This particular quote is from the 1972 Shanghai Communique issued at the conclusion of President Richard Nixon's landmark trip to China. A somewhat vaguer formulation — "The (continued...)"

The uninterrupted KMT dynasty on Taiwan finally was broken on March 18, 2000, when DPP candidate Chen Shui-bian won the presidency with only 39% of the popular vote. The victory was a stunning defeat for the KMT and its unbroken 50-year tenure in power. By the narrowest of margins, President Chen was elected to a second (and final) term in March 2004, winning by only 29,518 votes out of a reported 13.25 million votes cast. The KMT fall from its former political dominance was compounded in two subsequent legislative elections in December 2001 and December 2004, when the struggling party saw its majority of 115 seats in the 225-member Legislative Yuan (LY) cut drastically — to just 89 seats in 2007.<sup>3</sup>

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

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

---

<sup>2</sup> (...continued)

[United States] acknowledges the Chinese position that there is but one China and Taiwan is part of China." — was part of the 1979 communique normalizing U.S. relations with the PRC.

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

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

<sup>5</sup> In September 2005, for example, at the U.S.-Taiwan Business Council-Defense Industry (continued...)

On the other side of Taiwan's political spectrum was the KMT's opposition "Pan-Blue Coalition." The KMT historically is a party of mainlanders that fled to Taiwan from China in 1949. It is politically conservative and strongly anti-communist. Although it is credited with engineering Taiwan's vibrant economic growth and transformation during its 50-year rule on the island, the KMT's inability to offer a clear and creative vision for Taiwan's future in the 21<sup>st</sup> century ultimately made it vulnerable to the DPP political challenge in the 2000 election.<sup>6</sup> After that, the KMT portrayed itself as a more responsible steward than the DPP for Taiwan's future. It criticized the DPP's posture toward Beijing as unnecessarily confrontational and promised to replace it with a policy of engagement. Many KMT members criticized the DPP's "new Taiwan identity" emphasis as an attempt to question KMT political legitimacy and as a dangerous provocation to ethnic divisions. The party also got political mileage out of portraying Chen as insufficiently attentive to the needs of Taiwan's business community — as in the economic disadvantages Taiwan business interests faced due to Taiwan's restrictions on contacts with mainland China.

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

## Key Current Issues in Taiwan

### Change in Political Direction

**March 2008 President Election.** In a large turnout on March 22, 2008, voters in Taiwan elected as president Mr. Ma Ying-jeou of the Nationalist (KMT) Party. Mr. Ma out-pollied rival candidate Frank Hsieh, of the pro-independence Democratic Progressive Party (DPP), by a 2.2 million vote margin of 58% to 42%.<sup>7</sup> Coming on the heels of the KMT's sweeping victory in January's legislative elections (see below), the result appears to be a further repudiation of DPP leader and Taiwan

---

<sup>5</sup> (...continued)

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

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

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

President Chen Shui-bian's eight-year record of emphasizing a pro-independence political agenda at the expense of economic issues.

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

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

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

**January 2008 Legislative Elections.** The KMT's presidential victory was preceded on January 12, 2008, by a sweeping victory in which it swamped the DPP in elections for the Legislative Yuan, the national legislature. The DPP won only 27 seats in the new 113-member body, while the opposition KMT Party gained a hefty majority with 81 seats. Five additional seats went to independent and smaller party candidates who are expected to side often with KMT positions. Having won the presidency as well, the KMT assumed solid control of the government in May 2008.

The 2008 legislative elections were the first held under new electoral rules adopted in 2005 under an amendment to Taiwan's constitution. The new rules halved the size of the legislature to 113 members from its former size of 225 and increased the term of office from three years to four. The new rules also instituted a new single-member district system employing two ballots for voters, similar to

---

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

systems used in Germany and Japan: one to be cast for a candidate and one to be cast for a political party. As demonstrated by the January 2008 electoral results, the new system appears to favor larger, well-organized parties and to put smaller parties and fringe elements at a disadvantage.

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

## **Resumption of Cross-Strait Talks**

The election of Nationalist Party (KMT) President Ma Ying-jeou has presented a unique opportunity to lay a new framework in Taiwan-PRC relations — one that moves toward cross-strait improvements and new understandings, and away from the more confrontational policies of the past. In the two months between his election and his inauguration on May 20, 2008, Ma spoke of his intentions to begin normalizing cross-strait ties in a “cross-strait common market,” to establish direct air links with the PRC, and to ease other restrictions on cross-strait contacts. He sought to ease tensions with China by pledging adherence to a “three no's” approach: no unification, no independence, and no use of force — a pledge he repeated in his inaugural address. He called for a “diplomatic truce” with China and pledged to stop using “dollar diplomacy” to win foreign country recognition.

After his inauguration, Ma moved quickly to implement his new cross-strait approach. In an unprecedented move, Taiwan in mid-May worked jointly with the PRC in providing disaster relief after the Sichuan earthquake. By late May, Taiwan had accepted a PRC invitation to resume official talks in Beijing for the first time since October 1998.<sup>9</sup> The chairman of the KMT, Wu Poh-hsiung, met with PRC President Hu Jintao on May 28, 2008, the highest-level encounter between the two sides since 1949. Official talks reopened on June 11-12, 2008, resulting in groundbreaking new agreements to allow weekend direct charter flights and boost PRC tourism to Taiwan. Since then, Taiwan has also undertaken several unilateral initiatives, including:

- June 26 — Taiwan announced a number of financial liberalization measures: it will begin allowing conversion of the PRC yuan into

---

<sup>9</sup> The Taiwan and PRC government still do not negotiate directly. In Taiwan, cross-strait talks are handled by the Straits Exchange Foundation (SEF), a private organization authorized by the government to handle these exchanges. The corresponding body in the PRC is the Association for Relations Across the Taiwan Strait (ARATS). The June 13 talks were conducted by these two bodies.

Taiwan dollars; Chinese companies on the Hong Kong stock exchange will be allowed secondary listings on Taiwan's stock exchange; PRC-backed mutual funds will be allowed to invest in Taiwan's stock market; and Taiwan brokerage houses will be allowed to double their investments in PRC counterparts.

- June 30 — Taiwan's Government Information Office announced that two major PRC media outlets would be allowed to station reporters in Taiwan effective immediately.
- July 8 — Taiwan's Ministry of Economics announced it would ease investment restrictions with the PRC in three broad steps over the coming six months: raising the cap on Taiwan companies' investment in the PRC from 40% to 60%; lifting restrictions preventing Taiwan companies in certain sensitive sectors (such as advanced semiconductors) from investing in the PRC; and lifting restrictions preventing PRC companies from investing in Taiwan.

Other Taiwan initiatives appear still to be in the discussion stage. President Ma has suggested that Taiwan be more flexible on the names it uses in its international engagement efforts — suggesting, for instance, that Taiwan's negotiation of Free Trade Agreements (FTAs) would be less divisive if Taiwan used the same name it used when applying to the WTO — “separate customs territory of Taiwan, Penghu, Kinmen, and Matsu.” And Taiwan's SEF chairman, Chiang Pin-kung, was reported as having said he wants to study and promote the creation of a cross-strait comprehensive economic cooperation agreement (CECA) with the PRC.

In spite of this progress, controversies continue to arise, such as an initial tussle, later smoothed over, about the name that the PRC would use to refer to Taiwan during the 2008 Olympic Games.<sup>10</sup> Taiwan's Ministry of National Defense also has said that acquiring submarines — a move directed at the PRC — remains a top priority for Taiwan. Supporters of President Ma's new policies have been critical that the June official talks did not include discussion of direct charter cargo flights or marine cargo. Taiwan officials say these subjects will be on the agenda of the second round of official talks in the weeks after the 2008 Olympics. Opponents of Ma's new policies, on the other hand, have criticized them as proceeding too rapidly. President Ma reportedly has said the talks should be accelerated.<sup>11</sup> Opponents also have leveled other charges, such as that the PRC negotiators at the June 2008 talks were more experienced than their Taiwan counterparts.

---

<sup>10</sup> Reportedly official PRC sources have been using “Zhongguo Taipei” — or “Taipei, China.” A 1989 agreement stipulated that Taiwan be called “Zhonghua Taipei” — or “Chinese Taipei,” a term suggesting a more ambiguous Chinese nationhood. After intervention by the PRC State Council's Taiwan Affairs Office on July 23, 2008, official PRC media have been using the latter formulation in referring to Taiwan.

<sup>11</sup> Wu, Sofia, “Cross-strait talks should be accelerated: president,” *Central News Agency English*, June 15, 2008.

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

## **Bid for and Referendum on U.N. Membership**

The new Ma Administration also has signaled more flexibility than its predecessor on Taiwan's annual United Nations bids. Prior to 2008, Taiwan had been unsuccessful in 15 previous attempts to gain observer status in the United Nations (U.N.), particularly the World Health Organization (WHO). Taiwan's efforts under the DPP Administration of President Chen — which came to include an application both for full U.N. membership as well as for use of either the name "Republic of China" or "Taiwan" — had been of particular concern to both China and the United States. While the Ma Administration has said it plans to apply for U.N. membership again in 2008,<sup>12</sup> President Ma's statements on greater flexibility in cross-strait relations suggest that the application (the details of which reportedly had not been worked out as of the date of this report) may use a less divisive or controversial name and format.

Taiwan's bid to participate in the United Nations is controversial, and vigorously opposed by China, because it suggests that Taiwan is a sovereign state separate from the mainland. While there is some support in Congress for Taiwan's U.N. membership,<sup>13</sup> U.S. officials, on record as supporting Taiwan's membership in organizations "where state-hood is not an issue,"<sup>14</sup> have been unusually blunt and outspoken in opposition to some of Taiwan's past U.N. application efforts. A strong succession of U.S. statements in 2007 includes:

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

---

<sup>12</sup> "Sixteenth time lucky? Taiwan seeks UN spot again," *Reuters*, July 30, 2008.

<sup>13</sup> Resolutions introduced in the 110<sup>th</sup> Congress in support of Taiwan's U.N. bid include H.Con.Res. 73 and H.Con.Res. 250.

<sup>14</sup> A State Department spokesman, in response to a press question at the State Department press briefing of March 20, 2002.

- **August 27, 2007:** “...We strongly support Taiwan’s democracy.... But when it comes to this issue of a referendum as to whether or not Taiwan joins the United Nations in the name of Taiwan, we do have great concerns. We oppose ... that kind of a referendum because we see that as a step towards the declaration — towards a declaration of independence of Taiwan, towards an alteration of the status quo.” (Deputy Secretary of State John Negroponte, in an interview with Hong Kong’s Phoenix TV.)
- **August 30, 2007:** “We are very supportive of Taiwan on many many fronts.... However, membership in the United Nations requires statehood. Taiwan, or the Republic of China, is not at this point a state in the international community. The position of the United States government is that the ROC ... is an issue undecided, and it has been left undecided ... for many, many years.” (Dennis Wilder, National Security Council Senior Director for Asian Affairs, at a White House press briefing on the President’s September APEC trip.)
- **September 11, 2007:** “... we do not support Taiwan’s membership in international organizations that require statehood and therefore would not support such a [U.N.] referendum ... [the referendum’s supporters] do not take seriously Taiwan’s commitments to the United States and the international community [and] are willing to ignore the security interests of Taiwan’s most steadfast friend ... we do not like having to express publicly our disagreement with the Chen Administration ... [and] I can assure you that we would not have done so had we not exhausted every private opportunity through consistent, unmistakable, and authoritative messages over an extended period of time.” (Deputy Assistant Secretary of State Thomas J. Christensen, in a speech at the U.S.-Taiwan Defense Industry Conference.)
- **December 11, 2007:** “...the referendum...isn’t going to accomplish anything in changing Taiwan’s status. All it does is cause trouble.” (AIT Chairman Raymond F. Burghardt, Press Roundtable, Taipei.)

Beijing argues that since Taiwan is not a state but a part of China it cannot be separately admitted to U.N. entities for which sovereign status is a pre-requisite for membership. In the past, Taiwan authorities maintained that its “observer status” in U.N. bodies such as WHO would be an apolitical solution since other non-sovereign entities, like the Holy See and the Palestine Liberation Organization, have been given such status. In 2004, the 108<sup>th</sup> Congress enacted legislation (P.L. 108-235) requiring the Secretary of State to seek Taiwan’s observer status in WHO at every annual WHA meeting.

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

Under the Taiwan Relations Act (P.L. 96-8), the United States is obligated to provide Taiwan with defense articles and services for its self-defense — a relationship to which the PRC has long objected.<sup>15</sup> On June 15, 2007, Taiwan’s legislature passed a long-delayed national defense budget that for the first time

---

<sup>15</sup> Details of the sale can be found in a news release by the Defense Security Cooperation Agency at [[http://www.dsca.osd.mil/PressReleases/36-b/2007/Taiwan\\_07-10.pdf](http://www.dsca.osd.mil/PressReleases/36-b/2007/Taiwan_07-10.pdf)].

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

Concerns about Taiwan defense spending were further eased in December 2007, when Taiwan's legislature passed a 2008 defense budget of \$10.5 billion, which officials said was a 12% increase over the 2007 budget. The new budget included an allocation for three sets of U.S. Patriot III missiles originally approved for sale by President Bush in 2001, as well as funds for P-3C planes, F-16 fighters, and other military equipment. As of August 6, 2008, the Bush White House had not yet acted to approve an F-16 sale to Taiwan, reportedly out of concern for Beijing's sensitivities ahead of the 2008 Olympics Games.<sup>17</sup>

## Economic and Trade Issues

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

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

---

<sup>16</sup> DOD notice of a proposed Letter of Offer for an arms sale to the Taipei Economic and Cultural Representative Office (Taiwan) for upgrade and refurbishment of PATRIOT Advanced Capability-3 (PAC-3) Guided Missiles. [Transmittal No. 08-10, pursuant to section 36(b)(1) of the Arms Export Control Act.] *Federal Register*, November 20, 2007, p. 65306.

<sup>17</sup> For details on Taiwan's arms purchases, see CRS Report RL30957, *Taiwan: Major U.S. Arms Sales Since 1990*, by Shirley Kan.

15.3% increase year-on-year over 2006.<sup>18</sup> Taiwan's exports to the PRC were up 12.6 percent over 2006, while Taiwan's exports to the United States dropped by 0.9% over the previous year.<sup>19</sup>

This increasing economic interconnectedness with the PRC put special pressure on the Chen administration to further accommodate the Taiwan business community by easing restrictions on direct travel and investment to the PRC. But such accommodations concern many of the pro-independence political base in Taiwan, who believe that further economic ties to the mainland will erode Taiwan's autonomy and lead to a "hollowing out" of Taiwan's industrial base.<sup>20</sup> Thus, each Taiwan decision on economic links with the PRC represents a political compromise.

## Policy Trends in the George W. Bush Administration

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

**Initial Tilt Toward Taiwan.** Many observers concluded in 2001 that the newly elected George W. Bush had abandoned the long-standing U.S. policy of "strategic ambiguity" in favor of "strategic clarity" that placed a clearer emphasis on Taiwan's interests and showed less concern for PRC views. In addition to approving a major arms sales package for Taiwan, in an ABC television interview on April 25, 2001, President Bush responded to a question about what Washington would do if Taiwan were attacked by saying that the United States would do "Whatever it took to help Taiwan defend herself." Since Section 3 of the Taiwan Relations Act (TRA) addresses only arms sales and not the use of American military forces in the island's defense, the President's answer caused considerable controversy over whether the United States had changed its policy toward Taiwan's security or was preparing to change its position on Taiwan independence. Although State Department and White House officials, including President Bush, later insisted that the President's statement was consistent with U.S. commitments in the TRA and that there had been no change in U.S. policy, subsequent statements and actions by Bush Administration officials

---

<sup>18</sup> Huang, Luis, "Cross-strait trade up 15.3 percent in 2007," *Central News Agency English*, January 29, 2008.

<sup>19</sup> Wu, Lilian, "Taiwan registers record trade surplus in 2007," *Central News Agency English*, January 8, 2008.

<sup>20</sup> For instance, there are reportedly about 300,000 Taiwan citizens now living and working in Shanghai.

in the following months continued to appear more supportive of Taiwan than those of previous U.S. Administrations.

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

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

**Taiwan the "Unhelpful".** Since assuming office, however, the Bush Administration has been reshaping its own policy articulations concerning both Taiwan and the PRC. Administration officials now see smooth U.S.-PRC relations as an important tool in cooperating against terrorism and maintaining stability on the Korean peninsula. As articulated by Vice President Cheney during his visit to Shanghai in April 2004, the White House judges that "the areas of agreement [between the United States and the PRC] are far greater than those areas where we disagree..."<sup>21</sup>

Taiwan's unpredictable and volatile political environment has posed special challenges for this White House balancing act. During Taiwan's presidential and legislative campaigns in 2004, the Administration continued to balance criticisms of the PRC military buildup opposite Taiwan with periodic warnings to the Taiwan government to avoid provocative actions and cautions that U.S. support for Taiwan

---

<sup>21</sup> From the Q & A session with Vice President Cheney following his speech at Fudan University in Shanghai, broadcast by Beijing CCTV in English, found in *FBIS*, April 15, 2004.

is not unconditional.<sup>22</sup> In recent months, the Taiwan government's continued willingness to employ the provocative gesture has heightened the concerns and sharpened the criticism of many U.S. officials about the credibility of President Chen's administration and his past to the U.S. government. The uncharacteristically pointed language directed at Taiwan in the State Department's written statement of March 2, 2006; in its press briefing of June 19, 2007; and in subsequent blunt statements by Deputy Secretary of State John Negroponte (August 27, 2007), NSC Senior Director for Asian Affairs Dennis Wilder (August 30, 2007), and Deputy Assistant Secretary for East Asia Thomas Christensen (September 11, 2007) — all cited elsewhere in this report — reflect these U.S. concerns.<sup>23</sup>

## Implications for U.S. Policy

For much of time since 1979, Taiwan and PRC officials generally maintained that the United States should remain uninvolved in issues concerning Taiwan's political status. That has been changing, and U.S. officials have been under subtle but increasing pressure from both governments to become directly involved in some aspects of cross-strait ties. PRC officials late in 2003 began quietly urging the United States to pressure Chen Shui-bian into shelving plans for an island-wide referendum. In 2004, they pressed U.S. officials to avoid sending the "wrong signals" to Taiwan — defined as those encouraging independence aspirations. Members of the Taiwan government have begun suggesting to U.S. officials that the Taiwan Relations Act needs to be strengthened or reevaluated and have sought U.S. support for Chen's constitutional reform plans.

For U.S. policy, Ma's election presents a huge opportunity to lay a new framework in Taiwan-PRC relations — one that moves toward cross-strait improvements and new understandings, and away from the more confrontational policies of the past. Ma will be faced with multiple delicate balancing acts. He will have to improve cross-strait relations — and Taiwan's economic opportunities on the mainland — while not appearing overly eager to core DPP supporters who worry that he will sell-out Taiwan's interests in pursuit of mainland ties. He also will have to

---

<sup>22</sup> "There are limitations with respect to what the United States will support as Taiwan considers possible changes to its constitution." Testimony of Assistant Secretary of State James A. Kelly before the House International Relations Committee, April 21, 2004.

<sup>23</sup> The March 2, 2006 statement reads in part: "...Our understanding from the authorities in Taiwan was that the action Taiwan took on February 27 [to suspend the National Unification Council] was deliberately designed not to change the status quo, as Chen Shui-bian made clear in his 7-point statement. Abrogating an assurance would be changing the status quo, and that would be contrary to that understanding. We believe the maintenance of Taiwan's assurances is critical to preservation of the status quo. Our firm policy is that there should be no unilateral change in the status quo, as we have said many times." The June 19, 2007 press briefing comment about Taiwan's proposed referendum on joining the United Nations: "...The United States opposes any initiative that appears designed to change Taiwan's status unilaterally. This would include a referendum on whether to apply to the United Nations under the name Taiwan....Such a move would appear to run counter to President Chen's repeated commitments to President Bush and the international community. We urge President Chen to exercise leadership by rejecting such a proposed referendum."

strike a balance between those in the electorate who favor unification with China; those who argue for a strong defense for Taiwan and the continuation of U.S. weapons purchases; and those who urge significant improvements in Taiwan's relations with Beijing.

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

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

In the wake of the election, PRC Premier Wen Jiabao expressed hope that cross-strait talks could resume quickly on the basis of the "1992 consensus."<sup>24</sup> Unfortunately, past experience demonstrates that the PRC often is unable to adopt creative and flexible policy initiatives at times of great tension — as is currently the case in the wake of the crackdown against demonstrations in Tibet — or when there is intense pressure to be seen to be successful — as there is now in the month China is hosting the 2008 Summer Olympics. In addition, some have suggested that Beijing remains concerned about potential controversies that could arise during the remainder of President Chen's term, before Ma takes office on May 20, 2008. For these reasons, many feel that, at least in the short term, Beijing may be unable to make an important overture to the new Taiwan regime.

President-elect Ma has said he will place a high priority on repairing any difficulties in Taiwan's relations with the United States. Still, some observers in the past have expressed concern that the United States may have underestimated the importance of the sea change in KMT thinking that arose from the visits to the PRC

---

<sup>24</sup> Purportedly, the "1992 consensus" was a mutual agreement between the PRC and Taiwan governments on a formula of "one-China, two interpretations." President Chen during his tenure suggested the agreement was really a "one-China" policy that compromised Taiwan sovereignty.

by senior KMT officials beginning in 2005.<sup>25</sup> Those visits, according to this view, may have given pro-China interests in the KMT a new, alternate vision for Taiwan's future. If this concern is founded, one consequence could be the growing inurement of the KMT to U.S. pressure or interests. For instance, the new Taiwan government could begin to resist U.S. pressure that it increase military spending on the grounds that such expenditures are too high, too confrontational, and may be unnecessary in light of potential improvements in cross-strait interactions. Some worry then that the incoming KMT government, driven in large part by economic imperatives and pressures from the Taiwan business community, quickly could reach an accommodation with Beijing that may damage U.S. regional interests.

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

## Legislation

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

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

### **H.Res. 676 (Ros-Lehtinen)**

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

### **H.Con.Res. 73 (Tancredo)**

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

---

<sup>25</sup> This was a view expressed to the author by one U.S. AIT official in Taiwan in 2006.

**H.Con.Res. 136 (Chabot)**

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

**H.Con.Res. 137 (Berkley)**

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

**H.Con.Res. 170 (Tancredo)**

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

**H.Con.Res. 250 (Garrett)**

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

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

A measure supporting Taiwan's fourth direct presidential election on March 22, 2008. Introduced on December 19, 2007, and referred to the House Foreign Affairs Committee, which held mark-up on February 27, 2008. Passed the House on the suspension calendar on March 5, 2008 by a vote of 409-1. Received in the Senate on March 6 and referred to the Senate Foreign Relations Committee.

**H.R. 1390 (Tancredo)**

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

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

Naval Vessel Transfer Act of 2007. Among other actions, the bill transfers to TECRO (the Taiwan office in the United States) the OSPREY class minehunter coastal ships ORIOLE (MHC-55) and FALCON (MHC-59). H.R. 3912 was introduced on October 22, 2007, and referred to the Committee on Foreign Affairs, which held markup on October 23, 2007. S. 1565 was introduced on June 7, 2007, and referred to the Senate Foreign Relations Committee, which held markup and ordered the bill reported on June 27, 2007. (S.Rept. 110-139). The bill was placed on the Senate calendar on July 31, 2007.

**H.R. 5916 (Berman)**

Security Assistance and Arms Export Control Reform Act of 2008. The bill contains findings that security in the Taiwan strait will benefit from a more intensive

U.S. dialogue with the EU on the beneficial effects of its continued arms embargo against the PRC. Introduced on April 29, 2008, and referred to House Foreign Affairs Committee, which ordered the bill to be reported amended on April 30, 2008 (H.Rept. 110-626). The House passed the bill on the suspension calendar by voice cote on May 15, 2008, and the bill was referred to the Senate Foreign Relations Committee.

**H.R. 6646 (Ros-Lehtinen)**

Requiring the Secretary of State, in consultation with the Secretary of Defense, to provide detailed briefings to Congress on discussions between the United States and Taiwan about any transfer of military equipment or arms sales or on potential arms sales. Introduced on July 29, 2008, and referred to the House Foreign Affairs Committee.

**S.Con.Res. 48 (Johnson)**

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

**S.Con.Res. 60 (Baucus)**

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

## Chronology

- 07/27/08** — Taiwan's Sports Affairs Council (SAC — a cabinet-level council) announced that Minister Without Portfolio Ovid J. L. Tzeng, SAC Minister Tai Hsia-ling, and Education Minister Cheng Jei-Cheng will attend the 2008 Olympic Games at IOC invitation using National Olympic Committee ID cards. In the past, China's protests had led to the issuance of the less prestigious "Guest Card" for Taiwan officials.
- 07/22/08** — Taiwan's SEF chairman, Chiang Pin-kung, was reported as having said he wants to study and promote the creation of a cross-strait comprehensive economic cooperation agreement (CECA).
- 07/17/08** — Taiwan's cabinet announced it would revise regulations limiting investment by Taiwan companies in China, and that new measures would be put into place August 1. Preliminary reports said that the current investment cap would be abolished for some companies and raised to 60% of net worth for other companies.
- 05/26/08** — KMT Chairman Wu Poh-hsiung visited China and met with PRC Party Secretary Hu Jintao at the latter's invitation in the highest-level contact between the two sides of the Taiwan Strait.

- 05/20/08** — Ma Ying-jeou was inaugurated President of Taiwan.
- 05/19/08** — Tsai Ing-wen, considered a moderate in the DPP Party and a former Vice-Premier, was elected chairwoman of the Party.
- 05/19/08** — The same day, the WHO for the 12<sup>th</sup> year running rejected Taiwan's bid for observer status.
- 03/22/08** — KMT candidate Ma Ying-jeou was elected president of Taiwan, defeating the rival DPP ticket of Frank Hsieh. Ma is scheduled to assume office on May 20, 2008.
- 01/12/08** — Taiwan's legislative elections were held under its newly reorganized system: 428 candidates fighting for membership in the new 113-seat body. The KMT crushed the DPP, winning 81 seats to the DPP's 27.
- 01/07/08** — According to the *International Herald Tribune*, Beijing plans to open a new commercial aviation route through the Taiwan Strait. Taiwan officials said they considered the move a threat to air safety.
- 12/28/07** — Taiwan's High Court acquitted Ma Ying-jeou of corruption charges, upholding the acquittal of a lower court.
- 11/20/07** — *The Federal Register* published a U.S. announcement of a proposed arms sale to Taiwan for upgrade and refurbishment of PATRIOT Advanced Capability-3 (PAC-3) Guided Missiles.
- 11/06/07** — Secretary of Defense Robert Gates, visiting in Beijing, reportedly told PRC President Hu Jintao that the United States is "categorically" opposed to any moves by Taiwan towards independence.
- 9/19/07** — For the 15<sup>th</sup> consecutive year, a U.N. General Assembly Committee (the General Committee) rejected the recommendation that Taiwan's formal application for U.N. membership be considered at this year's meeting of (the 62<sup>nd</sup>) General Assembly.
- 09/17/07** — The *United Evening News* reported that Taiwan's military had been planning to deploy missiles on the island of Matsu but had suspended the plan due to U.S. pressure.
- 09/16/07** — China's Taiwan Affairs Office said that Beijing had "made necessary preparations" to "deal with serious conditions" as a result of Taiwan's U.N. membership bid.
- 09/12/07** — The Pentagon announced \$2.2 billion in possible military sales to Taiwan, including 12 surplus Orion P3-C maritime patrol craft and 144 SM-2 Block 3A Standard anti-aircraft missiles, built by Raytheon.

- 09/10/07** — Taiwan Defense Minister Ko Cheng-heng said that Taiwan had an “urgent and legitimate need” to buy F-16s. Minister Ko made the statement while attending the Sixth U.S.-Taiwan Defense Industry Conference in the United States.
- 08/27/07** — In an interview with Hong Kong Phoenix TV, U.S. Deputy Secretary of State John Negroponte reiterated U.S. opposition to Taiwan’s holding a referendum on U.N. membership.
- 08/06/07** — According to the *United Daily News*, Taiwan wants to buy at least 6 Aegis-equipped U.S. destroyers for more than \$4.6 billion.
- 07/23/07** — The United Nations Legal Affairs Office rejected Taiwan’s application for U.N. membership on the grounds that it violated the agency’s “one China” policy.
- 07/21/07** — President Chen Shui-bian said PRC diplomats would continue to be unrecognized in Taiwan and PRC nationals would not be permitted to attend Taiwan universities.
- 07/20/07** — Taiwan announced it had applied for U.N. membership under the name “Taiwan.”
- 07/17/07** — The *Taipei Times* reported that KMT sources said the United States had postponed approval of the sale of 66 F16 C/D fighters to Taiwan because of President Chen’s U.N. referendum.

## **For Additional Reading**

CRS Report RS22853, *Taiwan’s 2008 Presidential Election*, by Kerry Dumbaugh.

CRS Report RS22791, *Taiwan’s Legislative Elections, January 2008: Implications for U.S. Policy*, by Kerry Dumbaugh.

CRS Report RS22388, *Taiwan’s Political Status: Historical Background and Ongoing Implications*, by Kerry Dumbaugh.

CRS Report RL30957, *Taiwan: Major U.S. Arms Sales Since 1990*, by Shirley Kan.