

# Policy Analysis

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Routing


## *Taiwan's Defense Budget How Taipei's Free Riding Risks War*

by Justin Logan and Ted Galen Carpenter

### Executive Summary

Taiwan spends far too little on its own defense, in large part because the Taiwanese believe the United States is their ultimate protector. The Taiwan legislature's six-year delay and severe downsizing of a budget to pay for weapons systems that Washington has offered the island since 2001 is only one piece of evidence of Taiwan's free riding. Although Taiwan recently approved roughly US\$300 million of the original budget of about \$18 billion, the underlying problem remains: even with the new appropriation, Taiwan's overall investment in defense—approximately 2.6 percent of GDP—is woefully inadequate, given the ongoing tensions with mainland China. America is now in the unenviable position of having an implicit commitment to defend a fellow democracy that seems largely uninterested in defending itself.

Taiwan's political leaders are creating the worst possible combination: the provocative cross-strait policy of President Chen Shui-bian and the opposition-dominated legislature's irre-

sponsible policy on defense spending. That is a blueprint for disaster. The People's Republic of China has already deployed nearly 1,000 ballistic missiles across the strait from Taiwan, and Beijing's military modernization program appears to be oriented toward credibly threatening military action if Taipei's moves toward independence continue. A bold cross-strait policy coupled with inadequate defense spending virtually invites a PRC challenge at some point. And America would be caught in the middle.

It would be dubious enough for the United States to risk war with an emerging great power like China to defend a small client state, even if that state were making a serious effort to provide for its own defense. It would be even worse to incur that risk on behalf of a client state that is not willing to make a robust defense effort. To minimize the risk of a disastrous conflict, America should promptly terminate any implied defense commitment to Taiwan.

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## **Introduction: Washington's Ambiguous Security Commitment to Taiwan**

The extent of Washington's obligation to provide Taiwan security is not entirely clear. Taiwan's ardent supporters in the United States argue that the Taiwan Relations Act, which Congress passed when Jimmy Carter's administration switched U.S. diplomatic relations from Taipei to Beijing in 1979, contains an ironclad U.S. commitment to defend the island if the People's Republic of China ever uses military force in an effort to achieve reunification.<sup>1</sup> In testimony before the House International Relations Committee in February 2004, political science professor John Copper typified that view, stating simply that "the TRA commits the United States to defend Taiwan against any military threat."<sup>2</sup>

The reality is more complex. The TRA merely asserts that "efforts to determine the future of Taiwan by other than peaceful means" would be "a threat to the peace and security of the Western Pacific area and of grave concern to the United States."<sup>3</sup> It further directs the chief executive to "inform the Congress promptly of any threat to the security or the social and economic system of the people of Taiwan and any danger to the interests of the United States arising therefrom. The President and the Congress shall determine, in accordance with constitutional processes, appropriate action by the United States in response to any such danger."<sup>4</sup>

Such provisions imply, at most, a vague and conditional defense obligation. Similarly, it is a leap to say that the provision of the TRA pledging the United States to sell defensive arms to Taiwan represents a firm commitment to defend the island with U.S. military forces. Those are entirely separable issues. Washington could adopt a policy of extensive arms sales to Taiwan but not shield the island with the U.S. military. Conversely, some future American administration might scale back

arms sales in an effort to placate Beijing, while making it clear to the PRC that the United States would intervene militarily if Chinese forces attacked Taiwan.

Indeed, the problem with the TRA is that it can be interpreted in a multitude of ways. Over the decades, a succession of U.S. administrations has pursued a policy of "strategic ambiguity"—at times quite deliberately—to keep both Taipei and Beijing guessing about what the United States would actually do in response to a military crisis in the Taiwan Strait. U.S. policymakers hoped that ambiguity would cut in America's favor—with China believing that the United States would intervene to protect Taiwan, and Taiwan questioning whether Washington would save it—thereby inducing caution on both sides. Over time, the perceptions have begun to reverse, with China increasingly believing that America's commitment is in question and with Taiwan relatively more certain of protection from Washington—a situation that has invited risk taking on both sides. Successive American administrations have failed to recognize this reality, and ambiguity remains a feature of the Bush administration's policy.

## **Mixed Signals from the Bush Administration**

President George W. Bush's initial foray into Taiwanese politics seemed to eschew ambiguity, however. In an April 2001 television interview, the president was asked whether the United States had an obligation to defend Taiwan from a Chinese attack. The president replied, "Yes we do, and the Chinese must understand that." Would the United States respond "with the full force of the American military?" the reporter pressed. "Whatever it took to help Taiwan defend herself," Bush replied.<sup>5</sup>

Those comments came on the heels of the largest arms sale to Taiwan since 1992, when the United States approved the sale of F-16 fighters to the island.<sup>6</sup> Although the April 2001 package did not include the Arleigh-

Burke class destroyers equipped with the Aegis radar system, the weapon system that most concerned Beijing, it did signal the Bush administration's intention to continue selling sophisticated arms to Taiwan. Moreover, for the first time the sale included submarines—something Beijing regarded as almost as provocative as the Aegis system. Submarines, conceded Holmes Liao, a military analyst at the Taiwan Research Institute, were “potentially an offensive weapon.”<sup>7</sup> Under the TRA, the United States was supposed to sell only defensive weapons to Taiwan.

But subsequent comments from President Bush and other administration officials have suggested that Washington is less categorical about defending Taiwan—especially if Taiwanese leaders take actions that are perceived as provoking Beijing.<sup>8</sup> President Bush noticeably changed the tone of America's Taiwan policy during a visit by PRC premier Wen Jiabao in December 2003. With Wen at his side, Bush stated that the United States opposed “any unilateral action by either China or Taiwan to change the status quo.” Making it clear that his warning was directed primarily to Taipei rather than Beijing, he added that “the comments and actions made by the leader of Taiwan [Chen Shui-bian] indicate that he may be willing to make decisions unilaterally, to change the status quo, which we oppose.” The president went even further, allowing Wen to characterize U.S. policy as one of “opposition to Taiwan independence.”<sup>9</sup>

There were further indications in the autumn of 2004 that Washington's support for Taipei was in some doubt. In a media interview during his trip to East Asia in October, Secretary of State Colin Powell explicitly embraced China's goal of eventually reunifying Taiwan with the mainland. That goal, the secretary said, was one that “all parties are seeking.” His statement was astonishing, and it ignored the wishes of millions of Taiwanese who regard reunification as anathema and consider Taiwan a wholly separate society.<sup>10</sup>

But the secretary offered even more startlingly pro-Beijing remarks. Powell stressed that Washington had made it clear to all par-

ties “that the United States does not support independence for Taiwan. It would be inconsistent with our One China Policy.” He then made that point even more explicit. “There is only one China. Taiwan is not independent. It does not enjoy sovereignty as a nation.” “Independence movements or those who speak out for independence in Taiwan will find no support from the United States,” he added.<sup>11</sup>

In 2006 and again in 2007, the Bush administration issued statements criticizing Chen Shui-bian for taking new actions that implied unilateral changes in the status quo.<sup>12</sup> Recent incidents include Taipei's decision to rename various state corporations to substitute “Taiwan” for “China” as well as Chen's brazen comment that “Taiwan will say yes to independence.”<sup>13</sup> As President Chen stated in the so-called four wants and one without speech, “Taiwan wants independence. Taiwan wants to change its name, Taiwan wants a new constitution, Taiwan wants development.”<sup>14</sup>

As Taiwan's 2008 presidential election campaign heated up, the ruling Democratic Progressive Party proposed a referendum on whether Taipei should seek UN membership under the name “Taiwan,” a sure-fire provocation that the State Department denounced immediately, invoking the One China policy and encouraging Chen to “exercise leadership by rejecting” the referendum.<sup>15</sup>

More recently, during a visit to Washington, DPP presidential candidate Frank Hsieh declined to pledge to uphold the “four noes” policy of his predecessor: that the Taiwanese government would not declare independence, change its name from “Republic of China,” revise the constitution to introduce the doctrine of state-to-state relations, or promote a referendum on independence.<sup>16</sup> A comprehensive DPP-led de-Sinification program is in high gear, despite repeated expressions of disapproval from Washington—and repeated warnings from Beijing that moves toward de jure independence would mean war.

Despite criticism of Taiwan from Washington, the United States would be inclined to

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respond militarily to a PRC attack on Taiwan. There are, however, three factors that could inhibit Washington's doing so. The first is if Taiwan provoked such an attack by being too bold in asserting independence. The second is if Taiwan failed to build and maintain a defense force capable of preventing a rapid conquest by Beijing before U.S. forces could arrive on the scene. The third factor, related to the second, is if the PRC's military power grows to the point that a U.S. intervention would be extremely perilous and the outcome uncertain. Taiwan's current policies increase the first two dangers, and the third one is growing independently of anything Washington or Taipei might do.

### **Political Stalemate and the Special Defense Budget**

Partisan political bickering has convulsed Taiwan since the election of the DP's Chen Shui-bian as president in 2000. Although the DPP controls the presidency, the alliance of the Kuomintang Party (KMT) and the People First Party (PFP)—the Pan Blue coalition—has continued to control the Legislative Yuan (LY), Taiwan's national legislature. Chen's proposed "special defense budget" for the purchase of the military hardware first offered by the United States in 2001 became a prominent casualty of that political stalemate.

Indeed, it took Chen's government until early 2004 to even put the special budget before the LY, largely because of wrangling between military and civilian officials. The reception from the Pan Blue majority has been unrelentingly hostile. Even though the government repeatedly scaled back the original figure (reducing it in stages from \$18.5 billion to a mere \$10.3 billion), prospects for passage barely budged. The Pan Blue coalition blocked a vote on the measure more than 60 times. It took until December 2006 for the majority even to agree to send the proposal to the budgetary committee for consideration.<sup>17</sup>

Meanwhile, in Washington, the Bush administration rebuffed a new request from

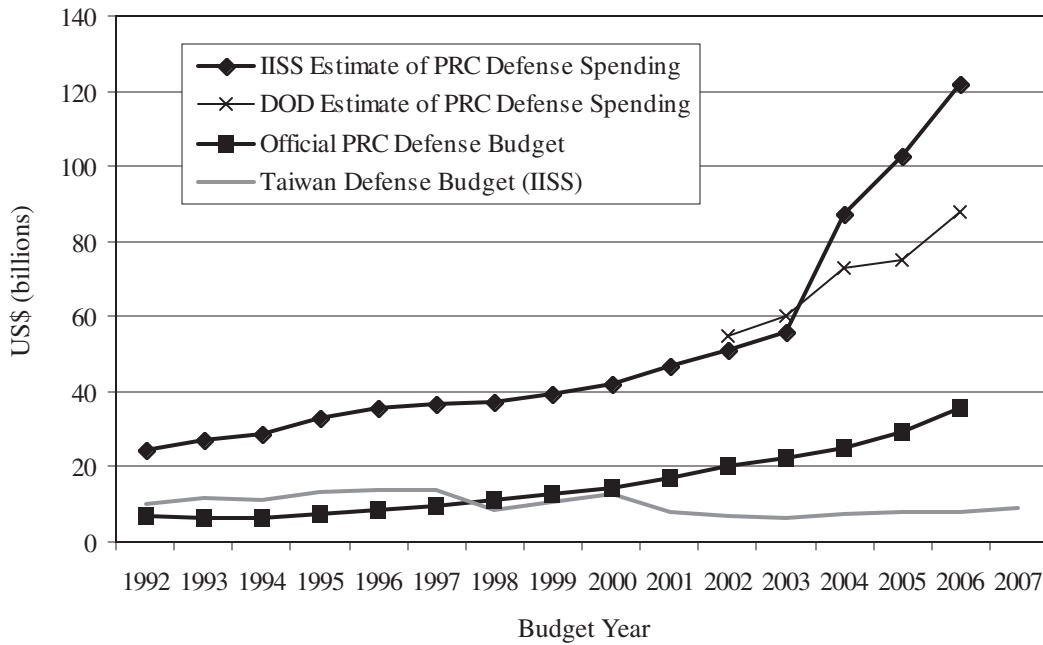
Taiwan to purchase 66 F-16 fighters, reportedly as punishment for Taiwan's failure to pass the special budget.<sup>18</sup> That is a disturbing development. For the American administration to play politics with Taiwan's defense spending would be as foolish as it is for Taiwan's government to do so; Taiwan's qualitative military advantage over China is dwindling along every metric. The U.S. government should not be positioning itself as the arbiter of which Taiwanese defense needs are most pressing.

In 2007 the Chen administration abandoned the strategy of asking for a separate special defense budget. Instead, it has folded funding for at least some of the weapons purchases into the regular defense budget—boosting that proposed budget from roughly 2.2 percent of GDP to approximately 2.8 percent. When the Pan Blues appeared to balk once again, Chen and his allies shaved down the proposed budget to roughly 2.6 percent of GDP. Still, the Pan Blues continued to drag their feet, delaying passage of the bill until June. Even when the measure finally passed, it contained funding for the purchase of only the 12 P-3C anti-submarine aircraft, upgrades of Taiwan's existing PAC-2 missile defense system, and feasibility studies for both the PAC-3 batteries and diesel submarines.<sup>19</sup>

The Pan Blues cite two reasons for stymieing the purchase of the weapons systems Washington has offered. First, they charge that the cost is excessive and diverts needed funds from domestic priorities. Second, they argue that such a military buildup will make Chen's administration even bolder in taking actions that might provoke Beijing and exacerbate tensions across the Taiwan Strait. There are also hints that at least some Pan Blues believe that whatever Taiwan does in the defense arena is largely irrelevant, that the island's security is entirely dependent on America's willingness to deter a PRC attack. Therefore, in their judgment, the items in the U.S. arms package are both wasteful and destabilizing.<sup>20</sup>

That view is wrongheaded. The KMT should recognize that no matter what happens—and no matter what its ultimate goal may be as regards reunification—an anemic

**Figure 1**  
**PRC and Taiwan Defense Spending, 1992–2006**



Sources: Official defense budget of the People’s Republic of China, the International Institute for Strategic Studies’ *The Military Balance*, and the Defense Department’s *Military Power of the People’s Republic of China* reports.

defense posture is going to place Taiwan in a less favorable diplomatic situation. Allowing its military spending to atrophy invites risk taking on the part of China. Also, even if the United States were to intervene, it would take several days for the U.S. Navy to deploy from Guam or, less likely, Japan. As the gap between China’s and Taiwan’s spending widens, China could inflict an increasingly high amount of damage on Taiwan during that window, potentially undermining the political will in Taiwan to continue fighting while awaiting outside intervention. A robust, capable posture is the most prudent course for Taiwan, regardless of party, politics, or ideology.

### **The Special Budget Debacle Is Only a Symptom of a Much Larger Problem**

The focus in the United States has been largely on the wrangling over the special budget, but it is Taiwan’s overall defense spending

and its attitudes on defense that should be of greatest concern. The shrinking of the special budget was a symptom of a larger phenomenon of relative atrophy in Taiwan’s defense spending. Taiwan’s overall spending on the defense essentials of procurement, operations, training, and personnel shrank, in real terms, by more than 50 percent between 1993 and 2005.<sup>21</sup> Taiwan’s regular defense budget has plunged to an anemic 2.2 percent of GDP,<sup>22</sup> buoyed to only 2.6 percent of GDP by the new appropriation. Figure 1<sup>23</sup> shows Taiwan’s remarkably small defense budget against estimates of the larger and growing budget of the PRC. Even so, Taiwan officials voice relief at the passage of the 2007 budget, sounding as if they feel the defense spending issue has been resolved and it is appropriate to move on to other matters.<sup>24</sup>

It is not time to move on to other matters; a massive disparity in defense capacity remains. Taiwan’s defense spending, combined with other recent decisions on defense policy, reflects what Bernard D. Cole of the

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National War College has described as “a widespread lack of concern about Taiwan’s defense requirements in comparison to domestic economic, social, and environmental policies.” Cole pointed out that several senior Taiwan military officers and civilian officials in Taipei had “baldly stated” to him that there is no need to spend more on defense if “(a) one does not credit the PRC threat to employ military force, or (b) the United States is certain to intervene in the event of such an attack.”<sup>25</sup>

Officials in Taiwan certainly appear to believe that the latter condition is true. Leading Taiwan expert James Mulvenon admitted in 2005 what had become increasingly apparent: that the leadership in Taipei believes it possesses a “blank check of military support from the United States.”<sup>26</sup> Similarly, Michael McDevitt, a retired rear admiral in the U.S. Navy, argues that the authorities in Taipei “seem to have convinced themselves that they can count on U.S. intervention should China attack, regardless of the circumstances.”<sup>27</sup> Although during the summer of 2007 Taiwan officials sounded more skeptical of U.S. military support than they had two years before, the only way to explain Taiwan’s policy of political provocation and military capitulation is a belief in a U.S. security commitment.<sup>28</sup>

To be sure, the special budget and Taiwan’s overall defense spending have become political footballs in Taiwan, caught up in the struggle for political control between the Pan Blue and Pan Green factions in Taipei. The reason they have been allowed to become political footballs is a belief that, come what may, the United States will act as the ultimate protector of Taiwan’s de facto (and possibly de jure) independence.

Over the past few years, Taiwan’s military advantages have dwindled to a point where the balance may have tipped qualitatively in China’s favor for the first time. Although the Pentagon’s 2007 report on China’s military pointed out that “China does not yet possess the military capability to accomplish with confidence its political objectives on the island, particularly when confronted with the prospect of U.S. intervention,”<sup>29</sup> the balance

of power gets worse for Taiwan each year. Even so, a war game conducted by Taiwan in 2007 concluded that even with no U.S. military participation, Taiwan could repulse an all-out Chinese assault on Taiwan in just two weeks.<sup>30</sup>

Those types of war games are of limited value, however, because of their use for political purposes and the importance of the assumptions that underpin them. If war games conclude that Taiwan is able to defend itself, the government is able to deflect American charges of neglecting its own defense. If war games conclude that Taiwan would be defeated, it is able to ring alarm bells in Taipei for higher defense spending. A pronouncement from Taipei in 2004 warned that simulations of a Chinese attack had concluded that Taiwan would be overrun in 130 hours.<sup>31</sup> The discrepancy between the 2004 and 2007 simulations reflects both the political use of the games and the importance of guiding assumptions in determining outcomes. U.S. analysts generally view the findings with great skepticism and have come to their own conclusions about Taiwan’s perilous position.

Eric McVadon, a retired rear admiral and a leading expert on China’s military, testified in March 2007 that Taiwan is “out-gunned, out-numbered, and out-sized” and that the shift in the military balance is “irreversible.”<sup>32</sup> Michael McDevitt even worries that in the near future the military balance in the Taiwan Strait will “no longer grossly favor the combined capabilities of the United States and Taiwan.”<sup>33</sup>

Such pessimistic military analysis has led McVadon to conclude that the best option for Taiwan (and the United States) is to look for a political solution to the conflict that is ultimately as favorable as possible to Taiwan but avoids the prospect of war.<sup>34</sup> Others have entirely given up hope of maintaining Taiwan’s de facto independence. Lyle Goldstein, a professor at the U.S. Naval War College, suggests that Washington should “begin to play a genuinely constructive role in securing the best possible political deal for Taiwan,” defining a reasonable deal as “one that is substantially

more generous than that given to Hong Kong.<sup>35</sup>

Those suggestions have merit and deserve a larger place in the debate over U.S. Taiwan policy, but they are miles away from the political reality that obtains in Washington. Taiwan has a large, vocal, and influential backing in Congress and spends millions of dollars on Washington lobbyists. Congressional staffers take more outside-funded trips to Taiwan than to any other destination. Further, the Bush administration, distracted by Iraq, has let its China policy (and certainly its Taiwan policy) drift uncontrollably since 2005. Moreover, the mainstream view among foreign policy elites is that—whether by virtue of its democratic nature or because of its importance as a potential tool for denying China a crucial strategic asset (especially preventing China from being able to control the sea-lanes in the western Pacific)—maintaining Taiwan as a de facto separate entity from China is a vital national interest and something worth going to war over.<sup>36</sup>

Whether the U.S. administration facing a cross-strait calamity were Republican or Democrat, hawk or dove, the military and diplomatic leadership would inevitably have to answer the charge that a U.S. refusal to defend Taiwan would call into question America's credibility more broadly. For example, Japan could respond to U.S. acquiescence to Chinese military action by questioning the U.S. commitment to Japan, which could have unpredictable consequences.<sup>37</sup> Whatever the merits or demerits of pledging to defend Taiwan, there would be tremendous pressure in Congress and within any administration for the president to take a forceful stand against China.

The problems highlighted above—political provocations in Taipei and anemic Taiwanese defense spending coupled with a growing PRC military capability—are not getting better, and the military balance in particular is getting much worse—quickly. Washington's policy has not shifted in response to those changing realities, and without increased realism in Washington, a crisis for which the United States is ill-prepared could emerge.

## Evidence of Growing Impatience in Washington

As the democratic dysfunction within Taiwan produces endless bickering over defense spending, Taiwan hands in the Pentagon, White House, and commentariat have become increasingly concerned and vocal about Taiwan's seeming indifference to its own defense. In 2005 the voices of criticism became a chorus. Several very critical speeches and remarks were made by the top echelons of the Bush administration, Congress, and Taiwan experts in the media.

The central statement of the administration's dissatisfaction was a blistering speech delivered by Edward W. Ross, principal director for security cooperation operations at the Pentagon, on behalf of Richard Lawless, then deputy under secretary of defense for Asia-Pacific affairs. Speaking before the U.S.-Taiwan Business Council's Defense Conference, Ross offered an uncharacteristically blunt assessment of Taiwan's lackadaisical approach to its own security. Ross pointed out that while Taiwan's overall budget had been increasing dramatically, its defense budget as a percentage of GDP had consistently and significantly shrunk. Ross emphasized that

Taiwan's participation [in its own defense] is not optional, nor can it be notional or abstract. For the past ten years, the leaders of Taiwan appear to have calculated U.S. intervention heavily into their resource allocation equation and elected to reduce defense spending despite an ever prosperous and stable economy. And this short-change math does not work.

In closing, Ross warned that "our interests are plentiful and our attention short. We cannot help you if you cannot defend yourself."<sup>38</sup>

Ross's speech was a scathing, unprecedented indictment of Taiwan's mishandling of its defense budget and a significant statement of American dissatisfaction with Taiwan's policy.

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The speech came just days after Rep. Rob Simmons (R-CT) offered his own stark warning to the Taiwanese before the hawkish U.S.-China Economic and Security Review Commission. Using language similar to Ross's, Simmons noted that blocking the special budget "tells the United States—correctly or not—that Taiwan's leadership is not serious about the security of its people or its freedom. . . . Americans will not in good conscience support countries that are unwilling to defend themselves."<sup>39</sup>

Those themes were echoed once again in May 2007, when Stephen Young, the director of the American Institute in Taiwan, the de facto U.S. embassy in Taiwan, announced that the Taiwanese were guilty of "not responding appropriately to this steady buildup of the military across the Taiwan Strait." Even in the face of what is "a fundamental security problem for Taiwan," Young argued, the behavior of the Taiwan government was causing "Taiwan's friends in the United States to question whether our security partner here is serious about maintaining a credible defense."<sup>40</sup>

Even pro-Taiwan stalwarts such as the *Weekly Standard* highlighted the absurdity of Taiwan's position. Writing in October 2005, Max Boot of the Council on Foreign Relations argued that "Taiwan needs to do more to defend itself; given its strategic vulnerability, its defense spending ought to approach the Israeli level, 9.5 percent of GDP."<sup>41</sup> Boot's remark was quite sensible—the fact that it has no chance of becoming reality speaks volumes about Taiwan's approach to its own defense and the assumptions that underpin it.

### **A Curious Defense of Taiwan's Posture**

Still, some analysts seem more interested in provoking China than in pointing out the free riding of ostensible allies. Gary Schmitt and Dan Blumenthal of the American Enterprise Institute penned a lengthy apology for Taiwan's anemic defense spending in September 2005, admitting that although "Taiwan could certainly do more," "Taiwan's

defense burden as a percentage of GDP . . . is still greater than virtually all other American allies." This line of argument says more about the expenditures of other American allies than it does about Taiwan's dedication to its own defense.

Schmitt and Blumenthal closed by proposing thinking about "how to work more closely with Taiwan to address the unprecedented military build-up" going on in China.<sup>42</sup> Blumenthal's contribution to a 2007 book offered one way of doing that: abandoning the One China policy outright, formalizing a defense commitment to Taiwan, and "energetically promot[ing] democracy in China."<sup>43</sup> Such a policy would risk plunging the United States headlong into a conflict with the PRC, an outcome that all responsible analysts should be seeking to prevent.

### **The Worst of All Possible Worlds**

A very disturbing dynamic is developing in Taiwan. Chen's government and most members of the DPP seem determined to consolidate Taiwan's separate political status—even if that means taking measures that Beijing regards as highly provocative. It is not merely a case of a political leadership that seems inclined to take dangerous risks, though. The reality is that the concept of a distinct Taiwanese identity has been growing for many years.<sup>44</sup> Today there is little interest in reunification with the mainland. That is unsurprising, given the mainland's authoritarian political system, but many Taiwanese have no enthusiasm for reunification even if China becomes fully democratic.

If the KMT wins the presidency in 2008, it will likely adopt a less antagonistic policy toward Beijing. But even KMT leaders such as presidential nominee Ma Ying-jeou are emphatic that reunification could take place only with a democratic China and that only the Taiwanese people have the right to determine the island's political future. In a recent survey, more than 79 percent of the Taiwanese



people agreed with the proposition that China should have no say in the ultimate resolution of Taiwan's status.<sup>45</sup> In addition, Ma has recently moved to reform the KMT platform, removing reunification as a formal KMT principle.<sup>46</sup> Whatever vision the KMT may have for solving the problem of Taiwan's status, the party is constrained by strong political support for de facto independence.

Yet even as Taipei adopts ever more assertive policies toward the mainland, it continues to underinvest in defense. From America's standpoint, Taiwan is creating the worst possible combination: the DPP's provocative cross-strait policy married to the KMT's irresponsible policy on defense spending. That is a blueprint for serious trouble. The PRC has already deployed nearly 1,000 ballistic missiles across the strait from Taiwan, and Beijing's military modernization program appears heavily oriented toward credibly threatening military action if Taipei's provocations continue. A bold cross-strait policy coupled with inadequate defense spending virtually invites a PRC challenge at some point. And America would be caught right in the middle.

## The Proper U.S. Response

Washington needs to clarify its policy on Taiwan and prevent its client state from dragging the United States toward a confrontation with China. Most important, a clear distinction should be made between selling arms to Taiwan and giving the island a U.S. security guarantee. Selling weapons to Taiwan is a reasonable course of action. A militarily capable Taiwan makes it less likely that Beijing will contemplate using coercion to pursue its goal of national reunification, since the cost of doing so would be excessively high. That is the essence of a "porcupine" strategy for Taiwan.<sup>47</sup> It also would increase the likelihood that, as the economic ties between Taiwan and the mainland continue to grow, both sides will seek a peaceful resolution to their differences.

Moreover, the issue of credibility, which is always a troubling factor in cases of extended

deterrence, would be less prominent. Beijing has good reason to wonder whether U.S. leaders would sacrifice blood and treasure to defend Taiwan—and that skepticism is likely to grow as the PRC's military power grows.<sup>48</sup> Also, a Sino-U.S. war over Taiwan could have global economic consequences that would be felt for decades. The current global economic expansion could be upended—and with it the very international structure that has underpinned U.S. leadership for decades. Would Washington really be willing to risk all of that to prevent Chinese reunification?

Washington should couple its policy of continued arms sales to Taiwan with a clear statement that the United States will not become involved in any armed struggle between Taiwan and the PRC. It would be appropriate for U.S. officials to convey that message privately to Taipei at least a short time before making a public declaration. That would give the Taiwanese some time to realize the gravity of their predicament and adjust their own policies to reflect the impending shift in U.S. policy. Even if Washington made clear that it does not intend to guarantee Taiwan's security, it is by no means certain that China would take military action against the island. A prudent Taiwanese defense posture, coupled with deft diplomacy, could reduce the likelihood even further.

A statement of nonintervention from Washington would put responsibility for Taiwan's defense squarely on the shoulders of the Taiwanese. The root cause of Taiwan's persistent underinvestment in its own defense is the pervasive belief that, despite rhetorical endorsement of strategic ambiguity, the United States would definitely come to Taiwan's assistance in the event of trouble.<sup>49</sup> An explicit withdrawal of the security commitment would disabuse the Taiwanese of that notion. They would then have to make hard decisions both about how much to push the envelope regarding a separatist Taiwanese identity and about how much to spend on the military to discourage China from using force to impose reunification. If Taiwan's leaders and its people are not willing to make a con-

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certed effort on the defense front, they may have to strike the best deal they can in reunification negotiations. Those are all properly matters for the Taiwanese people and government, not Americans, to decide.

From America's standpoint, Taiwan should be considered a peripheral, not a vital, interest.<sup>50</sup> It would be better for the United States and for the cause of liberal democracy if Taiwan were to maintain its de facto independence from China. But not better at any cost. At present, the cost of American policy is a nontrivial chance of an eventual war with China over the island—a war that could cause massive destruction and casualties on all sides and could shake the global economy to its core, jeopardizing the prosperity and relative stability that the current age of globalization has created. It is difficult to imagine how such a scenario would benefit the United States or even Taiwan.

In short, it would be unwise for the United States to risk war with an emerging great power like China to defend a small client state that is merely a peripheral interest. That would be true even if that client state were making a serious effort to provide for its own defense. But Taiwan is not willing to make a serious defense effort. It is time for America to extricate itself from such a potentially disastrous predicament.

## Notes

1. Dan Blumenthal and Randy Scheunemann, "Tense Straits," *National Review Online*, January 27, 2005.
2. John F. Copper, written testimony to the House International Relations Committee, February 6, 2004, [http://www.uscc.gov/hearings/2004hearings/written\\_testimonies/04\\_02\\_06/copper.htm](http://www.uscc.gov/hearings/2004hearings/written_testimonies/04_02_06/copper.htm).
3. For a detailed discussion of the Taiwan Relations Act, see *Legislative History of the Taiwan Relations Act: An Analytic Compilation with Documents on Subsequent Developments*, ed. Lester L. Wolff and David L. Simon (Jamaica, NY: American Association for Chinese Studies, 1982). The text is on pp. 288–95 and the quoted passage is on p. 288.
4. *Ibid.*, p. 289.
5. Quoted in David E. Sanger, "U.S. Would Defend Taiwan, Bush Says," *New York Times*, April 26, 2001.
6. For a full listing of U.S. arms sales to Taiwan since 1990, see Shirley A. Kan, "Taiwan: Major U.S. Arms Sales Since 1990," Congressional Research Service Report RL30957, April 18, 2003.
7. Quoted in Indira A. R. Lakshmanan, "Deal Gets Arms to Taiwan Sooner; Submarines May Prove Bigger Than Aegis," *Boston Globe*, April 25, 2001.
8. For a discussion of the murky and often inconsistent U.S. policy on the Taiwan issue, see Ted Galen Carpenter, *America's Coming War with China: A Collision Course over Taiwan* (New York: Palgrave/Macmillan, 2006), chap. 6.
9. "Bush, Wen Meet at White House: Text of the Chinese and American Leaders' Comments," *WashingtonPost.com*, December 9, 2003.
10. The State Department later "clarified" Powell's comment, saying that the secretary had intended to say "peaceful resolution," not "peaceful reunification"—an unlikely gaffe from an experienced diplomat like Powell.
11. Interview with Anthony Yuen of Phoenix TV, October 25, 2004, transcript, <http://www.state.gov/secretary/rm/37361.htm>.
12. Charles Snyder, "Chen's Weekend Comments Upset U.S.," *Taipei Times*, March 7, 2007.
13. Mac William Bishop and Mure Dickie, "Taiwan Drops 'China' in Identity Move," *Financial Times*, February 12, 2007; and "Taiwan Must 'Go Independent,' Chen Tells FAPA Dinner," *Taipei Times*, March 5, 2007.
14. Quoted in Richard Halloran, "Taiwan Strait Tensions," *Washington Times*, March 11, 2007. The "without" in the speech was hardly conciliatory; Chen announced that Taiwanese politics is "without" questions of left or right; there is only the question of independence or reunification.
15. Sean McCormack, State Department spokesman, comments at Daily Press Briefing, June 19, 2007, transcript, <http://www.state.gov/r/pa/prs/dpb/2007/jun/86611.htm>.
16. Charles Snyder, "Frank Hsieh Takes Tough Line on UN Bid, Cross-Strait Issues in Washington," *Taipei Times*, July 25, 2007.
17. Shih Hsiu-chuan, "Arms Procurement Takes a Small Step," *Taipei Times*, December 30, 2006.
18. Richard Dobson, "U.S. Suspends F-16 Sale to

Taiwan over Budget Delay,” Reuters, October 3, 2006.

19. Shih Hsiu-chuan, “Legislature Finally Passes U.S. Arms Budget,” *Taipei Times*, June 16, 2007.

20. Conversations between Ted Galen Carpenter and KMT political figures, Taipei, July 2005.

21. Michael D. Swaine and Roy D. Kamphausen, “Military Modernization in Taiwan,” in *Strategic Asia 2005–2006: Military Modernization in an Age of Uncertainty*, ed. J. Tellis and Michael Wills (Seattle: NBR, 2005), p. 420.

22. International Institute for Strategic Studies, *The Military Balance 2007* (London: Routledge, 2007), p. 373.

23. Official figures for China’s and Taiwan’s military budgets are from IISS’s *The Military Balance*, years 1994–95 through 2007, using the latest edition available for each budget year. (Each issue includes revisions to prior figures.) The figure for Taiwan spending in 2007 is from preliminary media reports, including Jane Rickards, “Taiwan Rejects Most of U.S. Arms Package Offered in 2001,” *Washington Post*, June 16, 2007; Chinmei Sung and Perris Lee, “Taiwan Approves \$50 Billion Budget, Military Spending,” *Bloomberg.com*, June 16, 2007; and Shih, “Legislature Finally Passes U.S. Budget.” Official Chinese figures reflect stated Chinese defense spending calculated at market exchange rates (MER). Department of Defense figures are from the Pentagon’s “Military Power of the People’s Republic of China” reports, available online at <http://www.defenselink.mil/pubs/china.html>. DOD acknowledges ambiguity in the Chinese defense budget and as a result provides a range of figures and speculation. Where a range of figures is given without further explanation, we have used the mean of DOD’s high- and low-end estimates. The “IISS estimate” provided is probably the most accurate, but it requires the most explanation, as its methodology has undergone numerous revisions. Years 1992–94 reflect China’s official budget converted using purchasing power parity (PPP) as opposed to MER currency conversion. Years 1995–2001 use PPP and include “extrabudgetary military expenditures” or materiel that was not included in the official Chinese defense budget but would fit more appropriately under defense spending, since China’s expenditures are opaque and understated. Years 2002–03 include extrabudgetary military expenditures but eschew PPP in favor of MER, whereas for years 2004–06 the figure includes extrabudgetary military expenditures and a combination of PPP and MER to calculate value. (The reemergence of PPP accounts for the sharp rise in 2004–06.) This last method is the most accurate, since it applies the PPP method of calculation

to line items in China’s defense budget where that method is appropriate and MER where it is appropriate. For a further explanation of the MER-PPP question with respect to the People’s Liberation Army budget, see Justin Logan, “The Chinese Defense Budget: Myths and Reality,” *Cato@Liberty*, April 23, 2007, <http://www.cato-at-liberty.org/2007/04/23/the-chinese-defense-budget-myths-and-reality/>. The authors wish to thank Malou Innocent for her research assistance with these figures.

24. Justin Logan, discussions with Taiwan officials, June 2007.

25. Bernard D. Cole, Testimony before the U.S.-China Economic and Security Review Commission, March 29, 2007, [http://www.uscc.gov/hearings/2007hearings/written\\_testimonies/07\\_03\\_29\\_30wrts/07\\_03\\_29\\_30\\_cole\\_statement.pdf](http://www.uscc.gov/hearings/2007hearings/written_testimonies/07_03_29_30wrts/07_03_29_30_cole_statement.pdf).

26. James Mulvenon, “Taiwan Security and the Future of U.S.-Taiwan Defense Cooperation,” remarks at the Heritage Foundation, May 6, 2005.

27. Michael McDevitt, “Taiwan: The Tail That Wags Dogs,” *Asia Policy*, January 2006, p. 91.

28. Logan, discussions with Taiwan officials.

29. U.S. Department of Defense, “Annual Report to Congress on the Military Power of the People’s Republic of China 2007,” p. 33, <http://www.defenselink.mil/pubs/pdfs/070523-China-Military-Power-final.pdf>.

30. Annie Huang, “Taiwan Says It Would Win War with China,” Associated Press, April 24, 2007.

31. Kathrin Hille, “Taiwan Conquest ‘Would Take Days,’” *Financial Times*, August 12, 2004.

32. Eric A. McVadon, testimony before the U.S.-China Economic and Security Review Commission, March 29, 2007, [http://www.uscc.gov/hearings/2007hearings/written\\_testimonies/07\\_03\\_29\\_30wrts/07\\_03\\_29\\_30\\_mcvadon\\_statement.pdf](http://www.uscc.gov/hearings/2007hearings/written_testimonies/07_03_29_30wrts/07_03_29_30_mcvadon_statement.pdf).

33. McDevitt, p. 76.

34. McVadon encourages Taiwan to engage in diplomacy that “demonstrates a genuine concern for the future of China as an open and prosperous nation,” highlighting obliquely to Beijing the disastrous (and possibly unnecessary) costs of military action.

35. Lyle Goldstein, “A Rapidly Changing Military Balance: A National Security Perspective on Richard Bush’s *Untying the Knot*,” *Asia Policy*, July 2006, p. 123. Goldstein also advocates (p. 124) establishing a “more feasible defense perimeter”

in East Asia that would include Japan and the Philippines but not Taiwan.

36. For an example of this view from the political right, see John J. Tkacik Jr., "Strategy Deficit: U.S. Security in the Pacific and the Future of Taiwan," in *Reshaping the Taiwan Strait*, ed. John J. Tkacik Jr. (Washington: Heritage Foundation, 2007), pp. 11–55. Typically, Democratic scholars' writing on the Taiwan issue is more equivocal and murky; for example, Richard C. Bush and Michael E. O'Hanlon of the Brookings Institution argue that Washington should maintain "a clear commitment to ensuring Taiwan's security," even though they admit that mishandling of the Taiwan issue could conceivably lead to war. See Richard C. Bush and Michael E. O'Hanlon, *A War Like No Other: The Truth about China's Challenge to America* (Hoboken, NJ: John Wiley and Sons, 2007), p. 11. The base and strength of the support for Taiwan stems, ultimately, from its importance as a tool of strategic denial of Beijing, but this is often obscured by rhetoric about the virtues of democracy. Denying China the ability to use Taiwan as a base from which to project naval power to secure its energy supplies leaves China supremely vulnerable to a naval campaign that could cut off China's energy supply lines, as did the U.S. campaign against Japan in the years preceding World War II. If China were to develop the ability to secure the sea-lanes through which its oil is transported, the United States would lose one crucial point of military advantage over China.

37. However, McDevitt points out the parallels between the "credibility" question over Taiwan and that in Vietnam, observing that, after the American defeat in Vietnam, "there was no noticeably negative impact on either the U.S. position in Asia or on its credibility in general" (p. 89).

38. Edward R. Ross, remarks at the U.S.-Taiwan Business Council's Defense Industry Conference, September 19, 2005, [http://www.us-taiwan.org/reports/2005\\_sept19\\_edward\\_ross\\_speech.pdf](http://www.us-taiwan.org/reports/2005_sept19_edward_ross_speech.pdf).

39. Rob Simmons, testimony before the U.S.-China Economic and Security Review Commission, September 15, 2005, [http://www.uscc.gov/hearings/2005hearings/transcripts/Sept15/05\\_09\\_15\\_trans.pdf](http://www.uscc.gov/hearings/2005hearings/transcripts/Sept15/05_09_15_trans.pdf).

40. Stephen Young, remarks at the AIT American Cultural Center, May 3, 2007, transcript, <http://www.ait.org.tw/en/news/officialtext/viewer.aspx?id=2007050301>.

41. Max Boot, "Project for a New Chinese Century," *Weekly Standard*, October 10, 2005, <http://www.weeklystandard.com/Content/Public/Articles/000>

[/000/006/149ugqci.asp](http://www.weeklystandard.com/Content/Public/Articles/000/006/149ugqci.asp).

42. Gary J. Schmitt and Dan Blumenthal, "Don't Belittle Taiwan's Effort to Defend Itself," *Wall Street Journal Asia*, September 2, 2005.

43. Daniel Blumenthal, "A Cross-Strait Policy Based on Democracy and Mutual Consent," in *Reshaping the Taiwan Strait*, pp. 93–109.

44. Carpenter, *America's Coming War with China*, chap. 4.

45. Taiwan Thinktank, "Cross-Strait Relations: Two Years after the Pass of China's Anti-Secession Law," Public Opinion Survey, March 9–11, 2007. Document in authors' possession.

46. Justin Logan, discussion with DPP official, Taipei, June 2007. See also Kathrin Hille, "Taiwan's KMT Backs Away from China," *Financial Times*, June 24, 2007.

47. For a discussion of arms sales and the logic of the porcupine strategy, see Ted Galen Carpenter, "Let Taiwan Defend Itself," Cato Institute Policy Analysis no. 313, August 28, 1998, pp. 15–17. The porcupine strategy also reduces the likelihood of military blackmail by the PRC, which may be a more likely scenario than the actual use of military force.

48. A recent analysis suggests that China focuses heavily on two areas that it views as particularly effective in deterring U.S. intervention: the prospect of computer network attacks and its nuclear missile force. The Chinese emphasis on the latter is particularly disturbing; whether it stems from a (likely false) hope that the Chinese nuclear arsenal could deter U.S. intervention or a Chinese willingness to bluff with nuclear missiles, the implications are grave. See James C. Mulvenon et al., *Chinese Responses to U.S. Military Transformation and Implications for the Department of Defense* (Santa Monica, CA: RAND Corporation, 2006), pp. 3, 83–84.

49. During Ted Galen Carpenter's trip to Taiwan in July 2005, that confidence in the certainty of the U.S. defense commitment extended across the political spectrum. Although Taiwan officials were more skeptical during Justin Logan's trip to Taiwan in June 2007, the policy outcomes in Taipei suggest that the Taiwanese strongly believe they have a defense commitment from Washington.

50. For a discussion of vital, secondary, and peripheral interests, see Ted Galen Carpenter, *A Search for Enemies: America's Alliances after the Cold War* (Washington: Cato Institute, 1992), pp. 170–79.

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