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The Taiwan Relations Act at 40: New Opportunities Ahead

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The United States and Taiwan have charted a strong history of trust and cooperation, guided by the 1979 Taiwan Relations Act (TRA). Today, the two nations have more in common than ever before—both share values related to democratic principles, open and free markets, and respect for the rule of law. Over the past four decades, Taiwan has proven to be a reliable and strong partner for America in advancing freedom, opportunity, and prosperity in the region and around the globe.

More can be accomplished, however, as the two partners have more to offer to each other. In particular, the Trump Administration and Congress should continue to advance U.S.–Taiwan economic relations by focusing on (1) pursuing a U.S.–Taiwan free trade agreement, (2) enhancing energy cooperation, and (3) advocating Taiwan’s membership in the three major Washington-based multilateral financial institutions.

The Taiwan Relations Act at 40

This year commemorates the 40th anniversary of the TRA, on which America’s unique and secure relationship with Taiwan has been grounded. The preamble of the TRA stipulates that the act is

to help maintain peace, security, and stability in the Western Pacific and to promote the foreign policy of the United States by authorizing the continuation of commercial, cultural, and other relations between the people of the United States and the people on Taiwan, and for other purposes.¹

The TRA is exceptional in purpose and form. It is the only law to govern nearly every aspect of U.S. relations with a foreign government in the absence of formal diplomatic relations. It sets forth clear policy goals and establishes an institutional framework to meet those objectives. The fact that the TRA has been in force without amendment over the past 40 years is remarkable.

Signed into law on April 10, 1979, the TRA came into existence out of the need for the United States to find a way to protect its significant security and commercial interests in Taiwan in the wake of President Jimmy Carter’s termination of diplomatic relations with Taiwan as well as a mutual defense treaty dating from the 1949 Communist takeover of mainland China. Members of the House of Representatives and Senate from both parties worked together to craft a bill, passing the TRA with a near unanimous vote to set the framework and course for America’s ongoing engagement with Taiwan.

Over the ensuing decades, subsequent Congresses, whether controlled by Democrats or Republicans, repeatedly have sought to bolster the TRA by expressing strong moral and political support for Taiwan and urging successive Administrations to back up America’s commitment to Taiwan with tangible support. Providing policy continuity, the TRA

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has survived the test of time in the face of constant and growing criticism from Beijing.

Not surprisingly, Taiwan's support in Washington has been strong and is getting stronger. Over the past year, Congress has reinforced the TRA by enacting two new laws: the Taiwan Travel Act that encourages official visits between Washington and Taipei "at all levels of government," and the Asia Reassurance Initiative Act that reiterates American support for Taiwan's key role in its Indo-Pacific strategy.

Taiwan: An Enduring Partner for America in the Indo-Pacific Region

The TRA has played an indispensable role in shaping American policy toward Taiwan and U.S. strategy in Asia. The United States has clearly recognized that supporting a Taiwan that is free to make its own decisions, and free from coercion by the People's Republic of China, is in America's vital national security interest. As specified in the preamble of the legislation, the TRA, in fact, is explicit about the connection between Taiwan and the maintenance of "peace, security and stability in the Western Pacific."

In a testament to that unambiguous geopolitical and economic link, Taiwan and the United States have become strong allies sharing powerful commitments to the values of democracy, the rule of law, and free markets. The relationship today is a fruitful partnership that delivers measurable and concrete benefits for Americans and Taiwanese alike.

In his June 2018 speech at the dedication ceremony of the new American Institute in Taiwan office complex, board Chairman James Moriarty summed up succinctly: "As Taiwan has transformed itself into a vibrant democracy and a model for the Indo-Pacific region and beyond, our relationship has grown into a close partnership based on the unshakable foundation of shared values and interests."²

As a country with an impressive record as a constructive member of the world community, despite

efforts by mainland China to isolate and marginalize it, Taiwan is providing a positive example for others of a pathway to development and prosperity based on high degrees of both political and economic freedom.

In its latest edition of *Freedom in the World*, an annual report that assesses political rights and civil liberties around the globe, Freedom House classifies Taiwan as a "free" nation.³ On the economic front, The Heritage Foundation's 25th edition of the *Index of Economic Freedom* now ranks Taiwan as the 10th-freest economy in the world.⁴

Time to Move the TRA Onward and Upward

Taiwan has been a steadfast partner for America, and there is no better way to mark the 40th anniversary of the TRA than to reaffirm the U.S. commitment to Taiwan and enhance it with greater practical engagement, particularly in the area of economic cooperation. As Taiwan has developed into one of Asia's most vibrant market-oriented democracies, its economic relationship with the United States has steadily grown stronger, becoming one of the most important pillars supporting the vital relationship between the two countries.

Yet, more can be done. Particularly, as stipulated by the TRA, the U.S. government should "promote extensive, close, and friendly commercial, cultural, and other relations between the people of the United States and the people on Taiwan." To that end, three initiatives provide significant opportunities for immediate success:

1. Pursuing an open trade partnership agreement. As members of the World Trade Organization, both the U.S. and Taiwan are allowed to negotiate a free trade agreement. The already good U.S.-Taiwan trade and investment relationship would benefit from such an upgrade. The overarching objective of America's strategic economic statecraft in the Indo-Pacific region must be to facilitate the expansion of

1. Taiwan Relations Act, Public Law 96-8, April 10, 1979, <http://www.gpo.gov/fdsys/pkg/STATUTE-93/pdf/STATUTE-93-Pg14.pdf> (accessed March 4, 2019).

2. American Institute in Taiwan, "Remarks by Chairman James Moriarty at the Dedication Ceremony of AIT's New Office Complex," June 12, 2018, <https://www.ait.org.tw/remarks-by-chairman-james-moriarty-at-the-dedication-ceremony-of-the-american-institute-in-taiwan-ait-s-new-office-complex/> (accessed March 4, 2019).

3. *Freedom in the World 2019: Democracy in Retreat* (New York: Freedom House, 2019), https://freedomhouse.org/sites/default/files/Feb2019_FH_FITW_2019_Report_ForWeb-compressed.pdf (accessed March 5, 2019).

4. Terry Miller, Anthony B. Kim, and James M. Roberts, *2019 Index of Economic Freedom* (Washington, DC: The Heritage Foundation, 2019), <http://www.heritage.org/index>.

the open trade and investment networks that provide the best chance of creating new opportunities for innovation and greater prosperity.⁵ A bilateral U.S.–Taiwan free trade agreement would be a critical lynchpin for realizing that strategic objective. As a recent American Enterprise Institute research paper pointed out, the first new bilateral trade agreement under the Trump Administration’s “free and open” Indo–Pacific strategy will signal its vision for the region.⁶ A bilateral trade initiative with Taiwan would be a strong statement of America’s determination to support political and economic freedom and stand as an important bulwark against growing Chinese efforts to gain influence.

2. Enhancing energy cooperation at all levels. The United States and Taiwan are well situated to advance energy trade and security as a reliable supplier and a strategic buyer, respectively. Advancing energy cooperation between the countries is a natural and constructive step forward. Given both the demand for energy in Taiwan, and increased production in the U.S., there has been a significant increase in Taiwan’s purchases of U.S. crude oil and petroleum products over the past few years. Taiwan has signed a memorandum of understanding to purchase liquefied natural gas from the U.S. for the next 20 years.⁷ The U.S. and Taiwan should develop a forward-looking bilateral strategic energy trade initiative to ensure a durable energy partnership. Ultimately, such an initiative could be developed into a regional energy architecture involving other countries such as Korea and Japan as well.

3. Supporting Taiwan’s membership in the three major Washington-based multilateral financial institutions—the International Monetary Fund (IMF), the World Bank, and the Inter-American Development Bank. Despite decades of dynamic economic growth and the emergence of a vibrant democracy, and with a population larger than

that of Australia that makes significant contributions to the world, Taiwan remains excluded (at China’s insistence) from many international organizations, including the IMF. As a result, it is unable to fully participate in and contribute its various resources to multilateral development banks, such as the World Bank and the Inter-American Development Bank. In order to become a member of the World Bank, Taiwan must first be admitted to the IMF.⁸ U.S. leadership to convince the nations of the world, including China, that Taiwan has much to contribute on issues of economic development and should no longer be excluded from major dialogues or initiatives in this area would pay big dividends in terms of the bilateral relationship and is the right thing to do for the Taiwanese people.

Conclusion

Taiwan has become one of the principal U.S. partners in addressing an array of global challenges as well as diplomatic opportunities. In his speech to the American Chamber of Commerce in Taipei last year, Deputy Assistant Secretary of State Alex Wong underscored America’s enduring partnership with Taiwan:

The U.S. commitment to Taiwan doesn’t change from administration to administration or from president to president. It doesn’t change with the rise or fall of the fortunes of other powers in the region. It doesn’t change with the emergence of new challenges or new threats. Because our relationship isn’t transactional. Instead, it is undergirded—and animated—by shared and enduring values. The United States has been, is, and always will be Taiwan’s closest friend and partner.⁹

The past 40 years of U.S.–Taiwan relations under the framework of the TRA have been a true partner-

5. Anthony B. Kim, “Advancing Economic Freedom Is the Key to Realizing America’s Indo–Pacific Vision,” Heritage Foundation *Backgrounder* No. 3349, September 14, 2018, https://www.heritage.org/sites/default/files/2018-09/BG3349_3.pdf.

6. Dan Blumenthal and Michael Mazza, “A Golden Opportunity for a U.S.–Taiwan Free Trade Agreement,” The Project 2049 Institute, February 14, 2019, https://www.aei.org/wp-content/uploads/2019/02/US_TW_Trade_Blumenthal_Mazza_P2049_021419.pdf (accessed March 4, 2019).

7. Riley Walters, “A Neglected Partner in Asia: The U.S. Should Strengthen Economic Cooperation with Taiwan,” Heritage Foundation *Backgrounder* No. 3365, November 13, 2018, https://www.heritage.org/sites/default/files/2018-11/BG3365_0.pdf.

8. The World Bank, “Member Countries,” <http://www.worldbank.org/en/about/leadership/members> (accessed March 4, 2019).

9. American Institute in Taiwan, “Remarks by Deputy Assistant Secretary of State Alex Wong at the American Chamber of Commerce in Taipei Hsieh Nien Fan,” March 21, 2018, <https://www.ait.org.tw/remarks-deputy-assistant-secretary-state-alex-wong-american-chamber-commerce-taipei-hsieh-nien-fan/> (accessed March 4, 2019).

ship for freedom. Now is the time to take bold steps to ensure that, in the next 40 years, Taiwan remains a reliable and like-minded ally for America in advancing freedom, opportunity, and prosperity in the Indo-Pacific region and beyond.

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