

LECTURE

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Forty Years of Taiwan–U.S. Relations: A Partnership for Freedom

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Abstract

Taiwan has weathered regional and global economic downturns and has emerged as competitive as ever. Taiwan is the world's 10th freest economy, recording its highest score ever in The Heritage Foundation's 2019 Index of Economic Freedom. Just as competition strengthened Taiwan's economy, it has strengthened its political institutions, even in the face of intimidation from Beijing. The U.S.–Taiwan trade and investment relationship would benefit from greater strategic focus and clarity, which can best be achieved through a bilateral free trade agreement. Taiwan needs to become a full participant in the international community. Its people have a right to share their ideas and wealth with the rest of the world, and the United States should help to make this happen.

Good afternoon, ladies and gentlemen. My name is Ed Feulner, the Founder and former President of The Heritage Foundation. Thank you for participating in today's timely gathering where we highlight Taiwan's impressive performance in The Heritage Foundation's annual *Index of Economic Freedom*.

We at The Heritage Foundation are pleased to co-host this symposium with Taiwan's Chung-Hua Institution for Economic Research, which I have known and worked with for many years. I must also note that this is a special occasion for me, as over the past 47 years, I have visited this wonderful country more than 120 times, and every time I come here, I am impressed by Taiwan's economic achievements and dynamism.

Taiwan's economy is a model for Asia and beyond. Over the past 25 years, Taiwan has weathered a number of regional and global

KEY POINTS

- Over the past 25 years, Taiwan has weathered a number of regional and global economic downturns resiliently and has emerged from these crises as competitive as ever.
- Taiwan is the world's 10th freest economy, recording its highest score ever in the 2019 *Index of Economic Freedom*.
- Just as competition strengthened Taiwan's economy, it has strengthened its political institutions—even in the face of bluster and intimidation from Beijing.
- The U.S.–Taiwan trade and investment relationship would benefit from greater strategic focus and clarity, which can best be achieved through a bilateral U.S.–Taiwan free trade agreement.
- Policymakers should help Taiwan become a full participant in the international community. Its people have a right to share their ideas and their wealth to the benefit of the rest of the world, and the United States should help to make this happen.

This paper, in its entirety, can be found at <http://report.heritage.org/hl1308>

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economic downturns resiliently and has emerged from these crises as competitive as ever.

As well noted by my Heritage colleagues during the previous session, Taiwan is the world's 10th freest economy, recording its highest score ever in our 2019 *Index*, our 25th edition. What a remarkable degree of economic openness and entrepreneurial competitiveness!

I emphasize that the relationship between Taiwan and the United States has a long and honorable history. Our peoples joined in a common cause and fought to contain the spread of Communism. The success of our alliance in times of adversity demonstrates the value and power of our partnership for freedom.

Over the past 40 years, the official status of our diplomatic relationship has changed, but America's commitment is reflected in the 1979 Taiwan Relations Act, which I was personally and deeply involved in crafting. The TRA was signed into law 40 years ago and stands as America's law today. The spirit and intent of the TRA—to deter Mainland aggression, promote economic freedom, and protect human rights on Taiwan—are as robust today as they were in 1979.

Foundations of Taiwan's Prosperity

You have built prosperity on the solid foundation of thousands of small and medium-sized businesses. These enterprises, sometimes called “an army of ants,” have adapted to Taiwan's changing circumstances and adjusted to fluctuations in international markets.

The strength of this “army” lies with your people. Well-educated, industrious, and entrepreneurial, the people of Taiwan have proven that individual initiative coupled with economic freedom brings prosperity, even to an island that has been diplomatically isolated.

Of course, Taiwan's army of entrepreneurs have not operated in a vacuum. Wise, forward-thinking business leaders and policymakers have pursued a clear vision of Taiwan's economic potential and worked hard, with modest American assistance, to put Taiwan on the path to prosperity. Taiwan's commitment to its high-tech industry and export competitiveness are the results.

Similar vision and leadership are needed today as Taiwan continues to chart a careful course through the current regional and global challenges. So please let me take this opportunity for us to think together how to deepen and advance Taiwan–U.S. relations on key economic policy fronts.

Taiwan's economic growth has been impressive, but your political transformation has been even more so. Few countries in the world can match the scope and rapidity of Taiwan's democratic movement. In just 10 years, from 1986 to 1996, for example, you transformed Taiwan from a society with no lawful political opposition to a nation in which leaders at every level of government are chosen in free and competitive elections. Just as competition strengthened your economy, it has strengthened your political institutions—even in the face of frequent bluster and intimidation from Beijing.

While these accomplishments are well known here in Taiwan, they are not fully appreciated in the United States. Taiwan's economic and political transformations are far more than domestic successes. They have fundamentally altered Taipei's relationship with Beijing, with Washington, and with the world.

Taiwan stands as a shining proof of what free people can achieve in a Chinese society. No longer can anyone say that free-market democracy is inconsistent with Asian or Confucian culture. You have demonstrated to the world that freedom is a stabilizing force; that free enterprise, free association, and free speech lead to entrepreneurship, prosperity, and security.

Challenges to American Interests in Asia

Taiwan's democracy challenges the United States and other nations to reassess their policies toward Beijing. In its policies toward Beijing, the United States seeks to ensure its own security while advancing its economic and political interests.

American interests in Asia require more than soaring rhetoric and frequent meetings. They require action. Moreover, American interests are not well served by a partnership with Beijing, particularly not if that partnership flourishes at the expense of other U.S. allies and not if it undermines the U.S. goal of promoting and protecting freedom and democracy among our allies.

Let's take a step back and consider the following:

- The PRC has continued to threaten Taiwan in military and diplomatic ways.
- The U.S. Congress has found that our security was compromised by commercial transfers of dual-use technologies.

- Meanwhile, the Pentagon has found that China's arsenal of missiles is a much greater threat to Taiwan and the United States than was previously disclosed.

On the economic front, in fact, the challenges that President Donald Trump and his economic team, led by Commerce Secretary Wilbur Ross, Treasury Secretary Steve Mnuchin, and U.S. Trade Representative Ambassador Robert Lighthizer, have set out rest on a series of specific assumptions about the behavior of America's trading partners and the dysfunction of several of those postwar international institutions that have been manipulated by certain participants.

These institutions need to be reformed to continue to be in the interest of the people of the United States. Therefore, President Trump has challenged the international order and in very significant ways. Indeed, Vice President Mike Pence has elaborated details about the Trump Administration's China policy at Washington's Hudson Institute. I urge you read the complete Vice President Pence speech of October 4, 2018.¹

As a congenital optimist, I do believe that progress can be made with regard to the current status of U.S.–China relations. However, I caution all of the participants in today's conference and all of those who deal with these issues on a bilateral or multilateral basis that you should not underestimate the commitment of the Trump Administration leadership, nor of Members of Congress in both political parties, to demand significant changes in the status quo.

Honoring America's Commitment to Taiwan

We at Heritage urge U.S. policymakers to maintain close, secure relations with Taiwan. I believe this is especially important today, when you consider that more than 90 percent of the Members of the U.S. Congress have come to office after the passage of the Taiwan Relations Act.

We also urge policymakers to help Taiwan become a full participant in the international community. The people of Taiwan have a right to share their ideas and their wealth to the benefit of the rest of the world—and the United States should help make this happen.

Today, I have been focusing primarily on key issues of great importance to Taiwan. Back home, I have urged U.S. policymakers to:

- **Honor** the U.S. commitment to Taiwan under the Taiwan Relations Act;
- **Help** Taiwan win the international standing it deserves;
- **Urge** Mainland China to abide by international rules of conduct;
- **Address** the issues of intellectual property theft, subsidizing of SOEs as government-leading investor partners; and
- **Demand** discontinuing the policy of compulsory Communist Party membership on corporate boards of directors.

Beyond these considerations, in my view, the United States needs a policy that recognizes its real partner.

Making a U.S.–Taiwan Free Trade Agreement a Reality

We believe that the U.S.–Taiwan trade and investment relationship would benefit from greater strategic focus and clarity. That could best be achieved by pursuing a bilateral U.S.–Taiwan free trade agreement (FTA).

We believe that the United States and Taiwan must make a bilateral Taiwan–U.S. free trade agreement a reality, not merely a talking point. What a great way of celebrating and upgrading the 40-year-old TRA that will be!

In conclusion, as we continue our journey together, let the experience of our past 40 years be a guide to our future. Let us begin discussions, discover the possible hurdles, negotiate in an open and candid manner, and make a bilateral FTA a reality. Then, truly, the Taiwan–U.S. partnership for freedom will play a more important role in shaping American policy toward China and in securing American interests throughout Asia.

1. See "Remarks by Vice President Pence on the Administration's Policy Toward China," delivered at the Hudson Institute, Washington, DC, October 4, 2018, <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-administrations-policy-toward-china/> (accessed March 6, 2019).

Let us progress together as real partners in this shared endeavor for the good of both of our peoples.

—*Edwin J. Feulner, PhD, is Founder and Former President of The Heritage Foundation. He delivered these remarks at a conference on “Deepening Taiwan–U.S. Economic Relations and Taiwan’s Participation in Regional Economic Integration,” cosponsored by The Heritage Foundation and the Chung-Hua Institution for Economic Research and held in Taipei, Taiwan, on January 31, 2019.*