



CONGRESSIONAL
BRIEFING SERIES



How Congress Can Shape a Future for Taiwan

BY NAIYU KUO AND RACHEL BERNSTEIN
THE NATIONAL BUREAU OF ASIAN RESEARCH

Following the diplomatic switch in 1979 from recognizing the Republic of China (hereafter Taiwan) to the People's Republic of China (hereafter China), the passage of the Taiwan Relations Act grounded U.S. relations with Taiwan and gave Congress an outsized role in developing U.S. policy toward the island. In recent years, the passage of several laws has underscored the leading role of Congress in bolstering U.S.-Taiwan relations and expanding Taiwan's participation in the international community.

Throughout the course of the 118th Congress, the status of Taiwan and prospect for conflict will affect U.S. interests in the Indo-Pacific and permeate the global stage, simultaneously raising the stakes for how the United States and Congress act and react. This brief elaborates on three critical domains where Congress can play a role in shaping Taiwan's future and concludes by considering policy options.

Critical Domains

Diplomacy. Following the election of President Tsai Ing-wen in 2016, China ramped up the use of political coercion against Taiwan with the goal of excluding its presence on the international stage and squeezing its diplomatic space. In the past seven years, nine countries have switched diplomatic recognition from Taiwan to China in response to intensifying pressure from Beijing. Additionally, China has effectively blocked Taiwan's participation in international organizations and dialogues, such as the World Health Organization and the International Civil Aviation Organization. These trends will continue and intensify as Taiwan heads into a presidential election year, particularly if the current ruling party, the Democratic Progressive Party, prevails.

China's coercive diplomacy toward Taiwan also threatens the interests and security of the United States and its allies and partners around the globe. Taiwan is often the testing ground for China's disinformation, targeted economic coercion, and gray-zone operations, and other countries can learn valuable lessons from its experiences in combating

these efforts. However, as China attempts to silence Taiwan internationally, these lessons have become increasingly difficult to share.

Defense. While the United States and Taiwan have both stressed the need to strengthen Taiwan's self-defense capabilities, at times the two partners are not in complete alignment on the optimal defense strategy and weapons, particularly the synergy between conventional and asymmetric capabilities. The United States has pushed for Taiwan to invest in asymmetric capabilities to bolster deterrence of the People's Liberation Army (PLA), while Taiwan continues to favor expensive conventional capabilities over asymmetric ones. Moreover, although the 2023 Consolidated Appropriations Act authorized up to \$2 billion for Foreign Military Financing loans to Taiwan in 2023, the Tsai government has indicated that it does not plan to make use of the loan assistance, indicating Washington's and Taipei's divergent approaches to strengthening Taiwan's defense capabilities.

In terms of potential wartime scenarios across the Taiwan Strait, much attention and congressional funding have been given to a potential full-scale amphibious invasion by the PLA. However, China could conduct other military operations against Taiwan that would undermine security and stability

in the Indo-Pacific. China, for example, could employ firepower strike or naval and air blockade operations independently or in combination with other operations against Taiwan to achieve its political objectives. Such actions would severely disrupt the global supply chain, given that almost half the global container fleet passed through the Taiwan Strait in 2022, according to a Bloomberg report.

Trade. Despite increasing tensions and China's coercive behavior, Taiwan and China are closely linked economically. Taiwan's largest trading partner is China, which accounted for 25.2% of Taiwan's total trade in 2021, according to data from the International Trade Administration. The United States is currently Taiwan's second-largest trade partner, accounting for 12.6% of its total trade. This economic dependence leaves Taiwan vulnerable to Chinese economic coercion and united front tactics. In the past several years, China has placed import bans on Taiwan's pineapples, beer, and seafood, among other products, to retaliate and protest specific actions.

To increase its resilience in the coming years, Taiwan will need to diversify its economic relations away from China and further engage with other countries. The ongoing negotiations for the U.S.-Taiwan Initiative on 21st Century Trade could help Taiwan increase its investment in the United

Key congressional committees such as the House Select Committee on China, House Armed Services Committee, and the Senate Armed Services Committee could invite lawmakers to participate in unclassified war games focused specifically on firepower strike operations and air, naval, and information blockades.

States and strengthen bilateral economic relations. Taiwan is the only top-ten trading partner with which the United States does not have a double tax agreement. This void will hinder the ability of small and medium-sized Taiwanese businesses, in addition to large companies like Taiwan Semiconductor Manufacturing Company, to invest, operate, and succeed in the United States.

Options for Congress

The 118th Congress has a key role to play in further enhancing U.S.-Taiwan relations and boosting Taiwan's capabilities to safeguard its democracy. First, organizing multinational congressional delegations to Taiwan would help facilitate engagement between Taiwan and the international community, while simultaneously mitigating the risk that other countries might perceive in traveling to Taiwan. Countries such as Japan and Australia in the Indo-Pacific, or the Czech Republic or Lithuania in Europe, are potential candidates for leading or participating in congressional delegations.

Second, key congressional committees such as the House Select Committee on China, House Armed Services Committee, and the Senate Armed Services Committee could invite lawmakers to participate in unclassified war games focused specifically on firepower strike operations and air, naval, and information blockades. Such war games would enable both Congress and the public to better understand the

risks of conflict short of invasion in the Taiwan Strait.

Third, given U.S. budget constraints, combined with Taiwan's announcement that it will not utilize Foreign Military Financing loans, Congress could consider offering grants up to a designated amount that match Taiwan's own investment in priority defense needs, such as asymmetric capabilities. This would encourage Taiwan to invest in areas deemed critical to the United States, while ensuring that it remains responsible for setting the agenda for its own defense.

Finally, the congressional resolution CAN23093 put forth on March 2 is a strong first step to establishing a double tax agreement with Taiwan. Ultimately this will require a formal treaty approved by the Senate and submitted by the president. While this process could take some time, key committees of jurisdiction could begin by raising this issue in hearings to better understand the benefits of such an agreement for the people of the United States and Taiwan. ∞

Naiyu Kuo is an Intern with Congressional Affairs at the National Bureau of Asian Research.

Rachel Bernstein is a Senior Project Manager with the Political and Security Affairs group at the National Bureau of Asian Research.

The views expressed are those of the authors.

Page 1: Pixabay. Page 2: Brendan Hoffman/Getty Images.