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**COMMENTARY: TAIWAN NEEDS AMERICA MORE THAN EVER**

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It's now been more than 16 months since Washington and Taipei last held a high-level meeting on economic matters. Given that Taiwan is America's eighth-largest trading partner, and plays a huge role in the global-technology supply chain, that long hiatus speaks volumes about the problems currently bedeviling relations.

While it's been the Bush administration's unhappiness with President Chen Shui-bian's controversial decision to hold a referendum on China's missile threat that has captured the headlines, there are also a host of other bilateral issues in urgent need of resolution. To put U.S.-Taiwan ties back on track, President Chen needs to improve communications, fix outstanding bilateral economic issues, and put Taiwan back on a firm defense and security footing.

The long lack of dialogue on economic matters stems in part from Taiwan having one of the world's highest piracy and counterfeiting levels. That's why the island has been on the U.S. Trade Representative's Special 301 Priority Watch List since 2001, carrying with it the threat of possible trade sanctions.

But that could soon change. Pending revisions to Taiwan's copyright law, coupled with sustained improvements in enforcing intellectual-property rights, should be enough to get Taiwan taken off the Priority Watch List. And if the Chen administration can push through compromises on other crucial trade issues, such as market access for rice imports, that should open the door for a resumption of high-level economic dialogue.

Once those discussions resume, high on the agenda should be the issue of a Free Trade Agreement (FTA) with the U.S., which is vital to the island's economic future. Because China's pressure on other countries not to negotiate with the island presents a major obstacle to Taiwan's participation, it is in danger of being left behind as countries throughout the region engage in bilateral and regional multilateral FTAs. A U.S.-Taiwan FTA could overcome this by providing a precedent for other countries, such as Japan, to follow suit.

Nor are economic issues the only area where President Chen needs to take action if he wants to improve relations with Washington. The perennial problem of U.S. arms sales to Taiwan also needs addressing. In April 2001, U.S. President George W. Bush made two very important and positive decisions. First, he released a robust package of arms systems that Taiwan had requested. Second, he did away with the annual process of reviewing arms requests from Taiwan, which had become a focal point for tension in Sino-U.S. relations every year. As a result, the backlog of arms requests from Taiwan disappeared, and the process of reviewing future requests has become less public, removing a previous flashpoint in Sino-U.S. relations.

But Taiwan has yet to respond sufficiently to these important decisions. Instead, it has dragged its feet on coming up with the money to pay for the arms it had requested, frustrating the Bush administration and aggravating the belief that President Chen is writing political checks he's not prepared to pay for with stronger security commitments.

That too could change, if President Chen presses ahead with the defense special budget -- a dedicated piece of legislation that would provide funds for many of the arms systems released by the U.S. -- and insist on its passage this year. Nevertheless, that should be only the start of a more robust defense commitment. This fall, he also needs to consider submitting a 2005 defense budget that would increase military spending by 6-



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7% over 2004, and push for similar increases throughout the rest of his second term in office. Only then can Taiwan begin to compensate for the continual reductions in its defense budget throughout the past decade, and get back on track to funding its future defense needs.

President Chen also needs to continue the process of enhancing civilian supervision of defense matters, which has already seen the Legislative Yuan, Taiwan's parliament, taking on a greater oversight role. That's important because it gives politicians and the public a greater understanding of what's at stake, and just how much needs to be done to address the growing imbalance created by the Mainland's vast investment in its own military capabilities. Taiwan urgently needs a greater public debate on security issues and the very real choices that it has before it.

In the political arena, President Chen has made plain his wish to focus on constitutional reform during his second term. There are few who would question the need to overhaul a constitution that dates back to the days when Chiang Kai-shek controlled all of China, especially one that causes considerable confusion by failing, for instance, to clearly distinguish the powers of the executive from those of the legislature. But despite the powerful case for reform, there's a danger that the issue -- if mishandled -- could heighten tensions with the U.S. and conceivably even lead to war with China. President Bush has been very clear in his opposition to either side unilaterally changing the status quo across the Taiwan Strait, and America looks to President Chen to handle the issue in a manner consistent with this. That includes, for instance, avoiding any attempt to change Taiwan's official name as the Republic of China.

Unless President Chen works on improving the relationship with Washington, he may not only fail to accomplish his ambitious plans for domestic reform, but also runs the risk of driving America further into the hands of Beijing. Taiwan has a strong friend in the U.S., but to succeed during his second term, President Chen needs to acknowledge America's increasing frustration with the island, and invest his political capital in substantively improving all aspects of the relationship.

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