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Sent: Friday, November 11, 2011 6:20 PM
To: H
Subject: Interesting article

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OP-ED CONTRIBUTOR

To Save Our Economy, Ditch Taiwan

By PAUL V. KANE

Published: November 11, 2011

Washington

WITH a single bold act, President Obama could correct the country's course, help assure his re-election, and preserve our children's future.

He needs to redefine America's mindset about national security away from the old defense mentality that American power derives predominantly from our military might, rather than from the strength, agility and competitiveness of our economy. He should make it clear that today American jobs and wealth matter more than military prowess.

As Adm. Mike Mullen, then chairman of the Joint Chiefs of Staff, declared last year, "The most significant threat to our national security is our debt."

There are dozens of initiatives President Obama could undertake to strengthen our economic security. Here is one: He should enter into closed-door negotiations with Chinese leaders to write off the \$1.14 trillion of American debt currently held by China in exchange for a deal to end American military assistance and arms sales to Taiwan and terminate the current United States-Taiwan defense arrangement by 2015.

This would be a most precious prize to the cautious men in Beijing, one they would give dearly to achieve. After all, our relationship with Taiwan, as revised in 1979, is a vestige of the cold war.

Today, America has little strategic interest in Taiwan, which is gradually integrating with China economically by investing in and forming joint ventures with mainland Chinese firms. The island's absorption into mainland China is inevitable.

But the status quo is dangerous; if Taiwanese nationalist politicians decided to declare independence or if Beijing's hawks tired of waiting for integration and moved to take Taiwan by force, America could suddenly be drawn into a multitrillion-dollar war.

There will be "China hawks" who denounce any deal on Taiwan as American capitulation, but their fear of a Red China menacing Asia is anachronistic. Portraying the United States as a democratic Athens threatened by China's autocratic Sparta makes for sensational imagery, but nothing could be further from reality.

The battle today is between competing balance sheets, and it is fought in board rooms; it is not a geopolitical struggle to militarily or ideologically "dominate" the Pacific.

In fact, China and the United States have interlocking economic interests. China's greatest military asset is actually the United States Navy, which keeps the sea lanes safe for China's resources and products to flow freely.

China would want a deal on Taiwan for several reasons. First, Taiwan is Beijing's unspoken but hard-to-hide top priority for symbolic and strategic reasons; only access to water and energy mean more to Chinese leaders.

Second, a deal would open a clearer path for the gradual, orderly integration of Taiwan into China.

Third, it would undermine hard-line militarists who use the Taiwan issue to stoke nationalist flames, sideline pro-Western technocrats and extract larger military budgets. And finally, it would save China the considerable sums it has been spending on a vast military buildup.

Jeffrey Lewis, an East Asia expert at the Monterey Institute of International Studies, estimated that one-fourth to one-third of China's defense spending goes to forces in the vicinity of Taiwan - at a cost of \$30 billion to \$50 billion a year. A deal for the resolution of Taiwan's status could save China \$500 billion in defense spending by 2020 and allow Beijing to break even by 2030, while reducing America's debt and serving our broader economic interests.

The Chinese leadership would be startled - for a change - if the United States were to adopt such a savvy negotiating posture. Beyond reducing our debt, a Taiwan deal could pressure Beijing to end its political and economic support for pariah states like Iran, North Korea and Syria and to exert a moderating influence over an unstable Pakistan. It would be a game changer.

The deal would eliminate almost 10 percent of our national debt without raising taxes or cutting spending; it would redirect American foreign policy away from dated cold-war-era entanglements and toward our contemporary economic and strategic interests; and it would eliminate the risk of involvement in a costly war with China.

Critics will call this proposal impractical, even absurd. They will say it doesn't have a prayer of passing Congress, and doesn't acknowledge political realities. They might be right - today.

But by pursuing this agenda, Mr. Obama would change the calculus and political reality. And Congress should see a deal with China as an opportunity to make itself credible again.

Debt is not in itself bad, when managed, but today's unsustainable debt will suffocate our economy, our democracy and our children's futures.

By tackling the issue of Taiwan, Mr. Obama could address much of what ails him today, sending a message of bold foreign policy thinking and fiscal responsibility that would benefit every citizen and be understood by every voter.

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