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**CENTER FOR NORTHEAST ASIAN POLICY STUDIES**

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RICHARD BUSH (senior fellow, the Brookings Institution): Ladies and gentlemen, thank you again for coming. Before we get started, I'd like to acknowledge a few special friends who have come. All of you are my friends, and I apologize in advance for making invidious distinctions, but I can't resist. First of all, Stanley Roth, who was my boss at a couple of different incarnations, now at the Boeing Corporation; Ms. Bettina Roundey from the office of the vice president -- thank you for coming today; my former deputy and dear friend, Barbara Schrage; Deputy Representative Michael Tsai from TECRO; and my current boss, Jim Steinberg, to whom I have ceded the obligation and privilege of introducing today's speaker.

JAMES STEINBERG (director, Foreign Policy Studies, Brookings Institution): Thank you, Richard.

Let me extend my welcome to all of you, special friends and colleagues alike. It's a really terrific turnout here, and it's well-deserved. I am grateful to Richard for letting me have the honor of introducing Bi-khim Hsiao.

I first met Bi-khim a little over three years ago, under circumstances which I'm not allowed to talk about -- (laughter) -- but are probably the least well-kept secret in U.S.-Taiwan relations. And it's been really a privilege, because Bi-khim represents all the best that we have long, as both Americans and Taiwanese, aspired for Taiwan: a dynamic leader, a thoughtful, very well-educated and experienced thinker for somebody of such relatively young years. Our opportunity to hear from her today, I think, really represents an opportunity to hear about the future of Taiwan.

Bi-khim came to government as an adviser to President Chen when he was first elected three years ago, after a very distinguished academic career with her undergraduate degree from Oberlin, a good place for a national-security-adviser-to-be to come from -- (laughter) -- and an MA from Columbia University, and then, came to work for the DPP during the 1990s as one of their preeminent foreign policy thinkers. Since she's come to government, she's served as an adviser to President Chen on foreign policy issues, and then became one of the youngest elected female legislators in Taiwan, where she has been a powerful force in discussing issues of national strategy.

And one of her particular accomplishments, and I hope she'll have a chance to talk to us a little bit about it, is that Bi-khim has been very involved in trying to take the Taiwan experience of democratization that the DPP so dramatically exemplifies, and to take that experience and practice on to the broader international stage. Bi-khim's efforts had a major role in the creation of the new Democracy Foundation, which was just stood up in Taiwan. And she's been very active in a number of international organizations and groups of NGOs and other liberal, democratic parties around the world, finding a common base and a common voice for Taiwan on this very important issue. And it's something that really represents, as I say, what we all admire best about Taiwan.

So, it's a privilege for us here at Brookings and for all of you to have a chance to hear directly from Bi-khim, straight from Taiwan, to hear about the current political and social issues that are facing the country and Taiwan's future. (Applause.)

HSIAO BI-KHIM: Thank you, Jim, for your very generous introduction, and to Richard for arranging this program today.

Actually, before I came to Washington, I was asked by Michael Tsai here not to come. (Chuckles.) I was urged not to come for fear that the SARS outbreak in Taiwan might cause concern among American friends, who would be reluctant to meet with me. But obviously, with Richard's mobilization efforts here, a lot of friends have showed up, and I'm very grateful for that and this opportunity to share some of my views on the most updated situation in Taiwan.

Richard asked me to talk about the post-SARS, post-WHO and preelection situation in Taiwan. And first of all, I genuinely hope that we are in a sustainable post-SARS period. The recent outbreak of SARS has really tremendously affected not only our daily lives, but I think also the political landscape within Taiwan.

I think I'm going to kind of put my presentation into three general areas. First of all, of course, how SARS has affected us both domestically and also internationally. And then the second will lead us into the area of cross-state relations. I think SARS has certainly had an impact on that economically, but also politically. The third general area -- I know a lot of people have been asking me how we're doing in the election polls. And I've got some good news -- (chuckles) -- good news for us.

First of all, the SARS impact, as I said, has really affected our daily lives. The most obvious thing is we've all become sticker collectors. We have our daily temperatures taken in every major office building we visit, and we get a sticker -- a colored sticker for each day for each office building. So usually, by the end of the day, we end up with five or six different stickers, showing everybody how healthy we are with a normal temperature. (Laughter.) But that's just the regular part. I think, at the height -- at the peak of the outbreak in Taiwan, there was genuine fear among the general public. And, for the first time I was hearing from doctors -- or doctors were telling me that it's the first time they really felt scared and afraid, because of so many unknown factors about SARS and the contagious effect that it would have.

But in political language, people ask me, has that helped us or has it hurt us in our domestic political standing. I just want to say that I think we've lost some points, but we've also gained some points. I'm talking about this from a DPP perspective in the domestic context.

We gained some points in the sense that, the control of SARS in the earlier phases, when it was imported from Hong Kong and China, was internationally recognized to the extent that, even Americans were sent to Taiwan from other countries for treatment, not for SARS, but for other issues.

But the real problem initiated with the hospital within Taipei City. And Ma Ying-jeou, Mayor Ma Ying-jeou, now probably one of the most popular politicians in Taiwan, his ability to handle a crisis situation was -- it really came under question during this period. And as things show today in Taiwan, about 90 percent of all of our SARS cases are related to hospitals, and most of these hospital cases are traced back to one single hospital, the Hoping Hospital in Taipei City. The failure to report the cases at an early stage, and the failure of the city government, the Health Bureau, as well as the hospital itself, which is a city hospital, a city government-run hospital, has, I think, to some extent damaged Ma Ying-jeou's standing, who in the past has been very popular for

his charisma and charm, but has never really confronted a real crisis. But he's not the candidate we're running against right now in the next election. So, it has hurt the KMT a little, but really not tremendously.

But I think another thing that hurts the KMT, that is a plus point for us, was some other KMT mayors, refusing to let SARS patients into their cities, including the mayor of Hsinchu, who blocked ambulances from going into his city -- or hospitals in his city. These gestures have had damaging effects on the opposition party.

But we have also been hurt. Our initial inability to distribute adequate medical equipment to all of the hospitals around the city following the initial outbreak was severely criticized. We lost a health minister -- well, our health minister stepped down and was replaced, and so was our director general of the CDC.

And so in this particular scenario, all the parties were damaged to some extent, so we can say it turned out pretty much even. During the height of the SARS outbreak, our polls or President Chen's approval rating was at its lowest point ever. But now that things have come under control, we have managed to bring things back to the pre-SARS period. The current polls show that we are about even in terms of expectations for voting behavior in the presidential race; it's about 50-50 right now.

Economically, I think this has also hurt us. But relative to the other countries in Asia that have been affected, specifically Singapore and Hong Kong, Taiwan does not rely as much on foreign tourism as the other countries do. We do rely, however, on international business and travel, and that dimension has certainly been affected.

General consumer confidence has been affected. People are reluctant to go to department stores. But, obviously, now all the department stores measure your temperature as well, so you get a sticker for all the department stores you visit that day. That's kind of the general domestic situation.

But I think what's really of concern is also the cross-strait dimension, which is the second part of my presentation. First of all, of course, cross-strait trade and travel have been significantly affected. Taiwan has imposed a mandatory quarantine policy for all the Taiwanese business people returning from China or Hong Kong. This 10-day quarantine, or mandatory quarantine policy, puts our people into military bases in Taiwan upon their return. And it doesn't sound very nice, but it has helped with early detection of cases and preventing these cases from transferring into the general public.

But of course, this also affects the urge of people or the desire of people to travel to mainland China. Our travel and tourism industry has been seriously affected. This is not domestic tourism, but groups going to China for summer vacation or pre-summer visits, these have all been affected. And flights, our airlines are hurt significantly. And even though it looks like things are coming under control, we don't see a dramatic surge or a return of all these tourists and visitors going to mainland China.

China's early cover-up of the epidemic has also damaged the Taiwanese people's faith or goodwill attitude towards mainland China. The export of the disease to Taiwan, of course, has been widely criticized. Our vice president has launched a name rectification campaign, wanting to call SARS "Chinese pneumonia." (Laughter.) Now, this term is used by a lot of people, including the vice president, but so far it's not an official term that our government and health officials are using right now. But I think this just reflects the general feeling about SARS and the feeling that Taiwan has suffered from Chinese actions.

And Taiwanese business investors are rethinking, their strategy of putting all their investment in mainland China, and certain other Southeast Asian countries are utilizing that opportunity to lobby for a diversification of manufacturing investment projects. Some projects have been postponed. Some of the investment plans have been postponed. And unless we have absolute confidence that things are fully under control in China, I think this process will be held back for some time.

In numbers, in official numbers it looks like it's under control in mainland China, and I do genuinely believe that the problem has been resolved to a certain extent but not fully. Just as of two weeks ago, we still had Taiwanese businessmen coming back from areas or provinces in China that show "zero" on official records, but developing symptoms of SARS within three days upon their return. And fortunately, because these individuals were on military bases in mandatory quarantine, we were able to detect the problem and contain it at an early stage. So, obviously, this problem still exists, and we haven't seen a surge of confidence level, even though China or Beijing has been lifted from the travel ban advisory.

But I think the most significant effect that SARS has had on Taiwan in the cross-strait context -- has been the WHO fiasco. All of you are friends of Taiwan or observers of Taiwan and you know that we've been launching this annual campaign for Taiwan's participation in the World Health Organization. The annual General Assembly has usually become a platform for such campaigns and calls for Taiwan's inclusion. And this may happen to come at a time in which Taiwan was really suffering from the SARS epidemic. So from a gains perspective, we certainly did feel we had greater international sympathy for our inclusion and participation, and for the first time since Taiwan was expelled from the United Nations, we did have WHO experts visiting Taiwan, even though they really came much later than we had hoped for, but they have been in Taiwan.

I didn't expect that we would really succeed this year, but we did certainly expect to make significant strides. But I think China -- the way China behaved in the entire process has had a tremendous negative impact on cross-strait relations. A number of things had happened. First of all, of course, Wu Yi, who led the Chinese delegation to the WHA made a false claim that the Chinese government had been helping Taiwan combat SARS: that was obviously seen through negative lenses among the general Taiwan public.

Most of you probably don't see this here in Washington, but in Taiwan, an image that has been really hitting on us has been Sha Zukang, the Chinese rep in Geneva -- some statements and remarks that he has made. He was with Wu Yi in the delegation, and he was asked by Taiwanese reporters to comment on, you know, the feelings of the Taiwanese people, and "Have you taken

those into consideration?" And he turns around and says that they've been rejected -- you know, referring to the Taiwanese people. Then he takes two more steps and turns around again, with a snarl on his face -- and we see this image, a vivid image -- and he says, "Shei li nimen?"; you know, "Who cares about you?"

This is at the height of when people in Taiwan are very much fearful of SARS and there is some tension about where this came from and the rectification on the name "Chinese pneumonia." His remarks were not only played in the media, but also on the Internet. And our young Internet users in Taiwan are sending it around to their friends. I don't know how many mailing lists I'm on, but I got at least 10 -- from 10 different sources -- copies of the image of Sha Zukang's attitude. So this has certainly had a negative impact on the people in Taiwan.

Image counts in politics; it's extremely important. I was talking about the real, concrete substance -- substantive effects, like in travel and in trade and the economy. But in terms of public perception, at the end of May, we did a poll asking people if they favored tighter restrictions on investment in mainland China. And it showed 64 percent of the population in favor of tighter restrictions on cross-strait trade. Now these figures are compared to 47 percent at the end of April. So within a month's time, a majority of the population does favor tighter restrictions on cross-strait interaction.

Also at the end of May, we asked people if they thought China was, in general, friendly or hostile to us. Those believing that China is very friendly or somewhat friendly was about 7 percent, and those believing China is a little hostile to Taiwan is 24 percent, while those who see China as very hostile in 50 percent. So over 70 percent of the people have this really negative impression. That is, compared to previous polls we've done, really, really extraordinarily high.

This is what has come about in cross-strait relations. But I just want to say that when we look at cross-strait relations we often get caught up in the sensation or the current events. And the past two months have been a low point for us in cross-strait relations. But I think in the long run our policy remains quite consistent, our policy of gradually opening up. We have temporary restrictions on cross-strait travel and interaction, but I think, in the longer run, we'll see this as a low point.

But whether or not this low point is sustainable going into fall, when real election campaigning starts, I think it's also up to China to decide what kind of attitude they want to demonstrate. And I think Sha Zukang and Wu Yi's behavior has certainly added at least three public opinion percentage points in our favor, and I think the Chinese need to know that.

In terms of what to expect in cross-strait relations, first of all, SARS has suspended a lot of the pressure that was on the Taiwan government to open up cross-strait links or direct links. You all know that even though according to our polls, the majority of the public favor tighter restrictions. They don't favor opening up. But the business sector, especially the big business sector, has been putting a lot of pressure on the Taiwan government to enable the direct transportation links. I think the outbreak of SARS has suspended that pressure.

But realistically speaking, President Chen, when he was inaugurated, had wanted to see some breakthroughs. But it doesn't look like it's going to be possible before the next election. And this is not just because of our own play of politics. It also has to do with the Chinese government's calculation of how their gestures or how their dialogue or interaction with us might affect the election result. And our sense is that in the Chinese calculation, they certainly don't want to do anything which they feel would give us any more points, even though obviously their behavior has added to our support in Taiwan.

For example, resuming dialogue with us is, I think, a leverage they feel that they want to withhold until after the election. They wouldn't want to -- at least for the business community in Taiwan -- give them the impression that the DPP would be able to give them that kind of a favor. It's hard for us to expect that, because of China's attitude and of course the low mood or atmosphere we're feeling right now.

But realistically speaking, I think there's one area that we're probably still a little hopeful, if we can manage that politically and if we can overcome some of the public sentiment right now -- is the direct transportation links and cargo. We're not talking about people traveling a lot. I think SARS has really affected that. But if we can manage to at least start talking -- on working levels or in even a more higher levels, on cargo transportation, we think that will help to ease some of the business pressure, but at the same time it would not counter the general public mood in wanting tighter restrictions. So this is something that we are prepared to work towards. But, again, I think it really requires two sides to interact in a positive way on this matter.

In terms of the elections coming up, it's June right now, and elections will be March 20th. And there's still some time. President Chen is not officially a candidate yet; he's still the president of the country. He won't be a candidate until our National Party Congress takes place sometime this fall. And because he's not a candidate now -- I've been asked by a lot of American friends here over the past few days who's going to be our vice presidential candidate. But I just want to say that's not an issue right now because we don't even have a presidential candidate, and you're going to have to wait on that! (Laughs; laughter.) This won't be an issue until towards the end of this year. And the president is the one who will decide on that.

A lot of institutions in Taiwan conduct polls -- a lot of the media, the newspapers, also different political parties. And we trust our own polls. I don't know if you trust our polls, but I'll just tell you what our polls show.

During the peak of SARS and, actually, since Valentine's Day this year, which was the day Lien Chan and James Soong got together this February -- (laughter) -- they were at the peak of their support. And since then, we have been consistently about 5 to 8 points behind the Lien-Soong ticket. And at the peak of the SARS outbreak, we were at our lowest, and that was about 8 to 10 points behind them. But since the end of SARS -- it's not only the end of SARS, but the end of the legislative session, which means that our executives are in a better position to launch a more active defense of their policies. Not just a passive reaction to all the attacks we get in the Legislative Yuan, but a more aggressive counterattack and presentation of our policies.

And as of June 12th and 13th, our polls are about 50-50; or more specifically, 42 to 43, with us in 43. That's what it looks like right now, but there's still a long time before the election and anything can happen. More Sha Zukangs appearing in China will certainly help us, as it has been in the past. But from our perspective it helps the party, but not necessarily the country at large. And that's not something we're praying that will happen. And naturally, we would want a more stable cross-strait scenario. Even though, as I said, it's hard for us to expect more positive breakthroughs, at least we want to ensure that the negative events will not happen leading up to the election period.

We have also over the years observed the Chinese coming to a more realistic and pragmatic calculation or view of Taiwan politics. And I think the Chinese understand that during election season in Taiwan, language will necessarily be a bit sharper than it usually is. And you see, even recently, on the issue of adding Taiwan onto our passports -- our passport, essentially the layout will not change, but we're adding the English name, "Taiwan" onto the cover of our passport. It was a PFP legislator that was pressuring the MOFA, "Let's do it sooner, let's do it sooner." MOFA told us that they would have the new passports ready by September. And here we have members of James Soong's party saying, "That's too late. We've got to do it sooner."

So you have a competition of trying to prove their loyalty to Taiwan, and you might see some of the more provocative language coming out of the other parties, not necessarily simply from the DPP for this -- in this competition to react to the negative images China has presented over the past few months.

We are relatively optimistic. The past three years have been very, very frustrating for us. As a young politician, when I got involved in the DPP 10 years ago, we really wanted to win the election or to end the KMT domination of Taiwan politics because there are so many things we thought we wanted to do. We wanted to change Taiwan, we wanted to make Taiwan better. But we realized, over the past three years, that our hands have been tied. It has been an extremely frustrating period for all of us. We've gotten nothing but public criticism, and it has been very hard. But even despite the very difficult challenges we have been facing, I'll give you a few reasons why we're all so optimistic about the next election.

First of all, we are trying to frame the election in the broader tone of asking the Taiwanese people, "Do you want to move forward? Do you want to have progress, or do you want to go back?" And the pan-blue -- for those of you who don't watch daily politics in Taiwan, pan-blue refers to the KMT and parties that split off from the KMT, specifically, the PFP right now.

Now, the pan-blue nomination of the old candidates certainly helps us in framing this general election strategy. The candidates they have selected are unable to reflect the new thinking and changes, or progress, within Taiwan. They carry a lot of old baggage. And even their campaign tactics -- for example, this year, or earlier this year, they launched a campaign to celebrate the Chiang Ching-kuo period, with big posters on the party headquarters. Maybe they think that's appealing, from their perspective. But for someone of my generation, it doesn't appeal at all. What that means is going back to the old days, when Taiwan was in a much more difficult situation.

An American reporter of a major American newspaper told me that he interviewed senior KMT officials and asked them why they didn't nominate the guy who was most popular within their party; obviously, Ma Ying-jeou -- why they didn't nominate Ma Ying-jeou. And he told me that senior leaders told this American reporter that they felt Ma Ying-jeou was too young to be able to handle national responsibilities. That is the logic they are presenting to justify or to legitimate the Lien-Soong candidacy. This was obviously Lien's and Soong's decision, but I think that also gives us reason to be optimistic. That's the first point.

Secondly, I think it's also related to structural problems within the KMT. You know, they have been blaming all their old KMT problems on a single person, and that's former President Lee. And the assumption within the mainstream, pan-blue folks is that getting rid of Lee Teng-hui has meant the end of "black gold" politics, has meant the end of corruption, has meant a renewal of the pan-blue parties. And as long as they continue to base their assumptions on that, that also prevents them from engaging in deeper structural reforms. And I think it keeps them in a stagnating position, marching in the same place. That is also an issue. But I think it also prevents them from cultivating their younger generations.

Lien and Soong continue to dominate the political landscape for now. And it's hard for us to imagine that a leader who lost in the presidential election and then who had a landslide defeat in the legislative election is still the one they're nominating in the next presidential race. In the DPP, it would mean the stepping-down of the leadership many times. But with this picture, we don't really see opportunities for younger generations within the KMT. We see a single superstar, and that's Ma Ying-jeou. But we don't see a team. I think SARS has also shown that even though Ma Ying-jeou is personally very popular, he doesn't have a strong team that is able to handle serious-not-only-crises situations, but serious policy.

Whereas in the DPP, we've got lots of people in waiting. I think there are at least seven or eight people who have been named as potential vice presidential candidates. And not only the president's generation, which is the defense lawyers' generation in our democracy movement, but we've got other generations. I'm, like, five generations down the line. But relative to that, I think in terms of having a team vis-a-vis a single person, we're in a much better position to run elections not only next year, but four years after that and four years after that. That's another source of our optimism.

In launching our defense or more aggressive counterattack campaign, now that the legislative session is over, we are identifying five major reform areas that the DPP has attempted to push since our coming to government. These areas include, for example, judicial reform. And this is not only a more independent or less political intervention in the judicial system, it also means termination of corruption, "black gold" politics. The recent not only arrest, but also imprisonment of some really high-profile old KMT individuals involved in money politics, I think, has added to our image or strengthened our campaign in that direction.

Another key area has been financial reform: dealing with the NPL problem, or the bad loans in banks, or enabling bad banks to leave the market in a way that would not cause significant public fear of banks falling apart or any kind of financial crisis. And we have proposed what we call in Taiwan the RTC, or our financial reconstruction fund, to allow this process to be carried out, of

cleaning out the bad banks and the bad financial institutions. But this has been blocked in the legislature. Obviously, I mean blocked by the majority parties or the parties that form the majority in the legislature, the pan-blue coalition.

The third major area of reform has been legislative reform. And I'm referring to downsizing or cutting down the number of legislators. If you ask the Taiwanese public what's the source of chaos in Taiwan, they'll tell you it's the legislature, and then probably number two is the media. But I'm not a member of the media; I can't comment on that. But the legislature is -- I have been in awe of the strange things that happen in the Legislative Yuan. (Laughter.) A colleague of mine suggested I should write a book about my observations in the LY and call it, "Surviving the Cuckoo's Nest." (Laughter.)

We've got 225 members right now. And for the size of Taiwan, we're looking in relative terms to other national parliaments, we think that's a bit too many, and our current proposal is 150 seats. And also, altering the electoral districts, or the means of election. You all know we have the system in Taiwan in which we have multiple-member districts. We think the current system does encourage extremism; it encourages people to utilize the legislative platform as a show platform instead of a platform for serious policy debate. We would like to move in the direction of single-seat districts, reflecting what you have over here and in most countries in the world, to encourage our candidates to kind of represent, try to represent the mainstream interests of that district. And also, obviously, districts will have to be a lot smaller.

But this legislative reform package will require constitutional change. Constitutional change then requires three-fourths of the legislature to approve. And obviously that's not possible if the other parties don't join us in agreeing to this campaign. So this is also something we feel has a lot of public support, but is not going to get done by the legislature. And some people have even suggested that we should have a referendum on legislative reform, because, obviously, legislators are not going to vote themselves out of office. We will need to present a package for constitutional reform that has enough public pressure behind it to enable it to happen.

Another area has been governmental structural reform, and that is downsizing and restructuring our government. And this is for the sake of more efficiency, for the sake of more public accountability. But you all know we've got some ministries, for example, the Mongolian-Tibetan Affairs Commission, and this has nothing to do with our ideology or independence, but that commission is just pretty much useless. But you do require some structural changes to readjust the functions of the various ministries. And for example, another proposal has been merging functions of the GIO, our Government Information Office, into MOFA, and instead having a spokesperson for the Executive Yuan. Those are just some examples.

The fifth one has been educational reform. And this is one area we admit we've had some bad policy choices that have nothing to do with opposition antagonism. But in the other four areas, we can conveniently, in political language, blame the opposition parties for being obstructionist, for paralyzing our entire reform effort.

So this election is going to be about reform or anti-reform. It's going to be about making progress in Taiwan or going back to the old days. And our counterattack, it's just beginning, and it has been reflected in the polls.

Of course the DPP also has its own problems, I have to admit, and some of them have been quite obvious over the past three years. For example, coordinating the political and the technical folks in our administration. We've been borrowing expertise from a lot of people with technical expertise, but these are not people who have been in the revolution with the DPP. You know, they don't necessarily share the same political judgment or sensitivity that politicians might have, and there has been a little miscoordination there. But I think after three years, we've managed to improve things.

And I just want to say about the SARS crisis, we have been criticized for the initial kind of inability to get medical supplies to everybody. But if this had happened two or three years ago, I think it could have been worse. I think we're a lot more experienced today in managing these national events and crises than we were three years ago, and this comes with experience, and we're going to tell the people that. We admit we were inexperienced when we came into this government, and it takes a little time to get over these problems, but we are in a much better position now than we were three years ago.

I think another problem or challenge that DPP faces is the big issue in the next election, and that's the economy. Taiwan's economy has not been at its best, but we have managed to get out of the recession that was really hurting us early last year, and public confidence levels are coming back. But whether or not this is sustainable, of course we've got our own domestic economic proposals and projects, some of which have been rejected or opposed by the opposition parties. But, of course, the international conditions really mean a lot for us too. But we've got our fingers crossed for a more sustainable recovery process that will lead into the next election period.

So that's kind of the general outline of what I want to present to you.

I know I'm not going to leave this room today without touching on the referendum, because everyone's asking me about that. I just want to say two things about that.

First of all, I think the referendum issue in Washington and also in Beijing is kind of assumed to directly relate to the issue of Taiwan independence or our sovereignty. But I think this is a very serious misunderstanding of the referendum that we're really talking about in Taiwan right now.

President Chen laid out very clearly in his inaugural address -- you're all familiar with the "five no's" - a pledge not to initiate a referendum. Of course, that's conditioned on the PRC not using force against Taiwan. We will not initiate a referendum on the issue of Taiwan independence. And even the fundamentalists in my party have not tried to challenge the parameters on that. The president's five no's policy remains, and that is still the bottom line. And nobody's talking about having a referendum on Taiwan independence or promoting sovereignty.

What we're really talking about, I think, are a number of serious public welfare issues, domestic issues, like the Fourth Nuclear Power Plant and, as I just mentioned, possibly even legislative reform, change of the electoral system and also cutting down the number of legislators.

These issues are not going to get through the normal process, given our political culture in Taiwan and given what we can see in party politics in the next year or in the new few years, even.

So I think what we'd like to see is really a normalization of the concept of a referendum and have them really identify with public policy issues, just like they're seen in the United States. And of course, the referendum takes place in your country on state levels, but you're such a big country, and for Taiwan, we're really talking about the public policy areas. And this is a response to what we see as paralysis in the current system in handling the most significant issues that we have.

But the second thing I want to say is that referendum is a constitutionally sanctioned right in Taiwan. However, we have not had a law regulating or governing referendum. Even though it's a constitutional right, it has no legal basis right now, or at least before we pass a law on referendum.

So if we have a referendum before we pass the law, this referendum will not have any legal binding power. It will be used for consultative purposes. It will be used for mobilizing enough public pressure to enable progress in our country, to overcome the stagnation and paralysis that you all see in our legislature, or to overcome the structural problems we have between the executive and the legislative branch. I just want to put that into perspective when you hear about the word "referendum" again.

And I know I've probably gone over time -- (chuckles) -- but I'll just stop there. Thank you. (Applause.)

MR. BUSH: Thank you very much, Bi-khim, for a candid and comprehensive and illuminating presentation. I'm sure there are lots of questions. I suspect you haven't answered the referendum issue, that people will want to talk about that a little bit more, but I'm sure there are a lot of other issues. So why don't you call on people with questions --

MS. HSIAO: Okay.

MR. BUSH: -- since you know everybody anyway. And please identify yourself before you ask your question.

MS. HSIAO: John?

Q Today -- I'm John Tkacik of the Heritage Foundation. Today I understand that Lin Chia-lung has issued a statement saying that China has already gone beyond, has stepped beyond the red line. And it indicates that perhaps maybe -- or maybe I'm reading it wrong, but he said something -- (off mike) -- you know, they [China -- ed.] stepped over the red line [with Wu Yi's comments -- ed.]. And I wondered: Does this mean that now all bets are off about the five no's?

MS. HSIAO: Well, I'm sorry. I'm not familiar with that statement. I have not seen that, and so I don't think I am ready to comment on that. I just want to say that, you know, the president did reiterate the five noes this year in his New Year address. And it's the general agreement and assumption among DPP leaders that those have laid out the basic parameter.

Q Your legislative colleagues, we talked about the fact that the three links are not desirable because -- not because of offense from Beijing, but because of resources going out of Taiwan. And that's certainly one of the arguments.

(Break in audio.)

MS. HSIAO: Well, this debate has been going on for a long time. The earliest debate, I think, was in '97, a grand debate within the DPP, and in which consensus was made on the line that we still hold, and that is gradual opening up.

And the reason we need gradual opening up is so that we can at the same time allow more time for preparing ourselves in the area of industrial upgrade and in the area of ensuring that the security concerns some people have about the opening-up process are really addressed. I don't think that line has changed. And as I said, the SARS outbreak has temporarily suspended this process, but I think it's a temporary phenomenon.

The DPP support comes from, traditionally speaking, the people in southern Taiwan; it comes from some disadvantaged sectors of society; it comes from the middle class. The core pressure to open up the three links right now is coming from the big businesses, because the current regulation we have on cross-strait trade doesn't really affect the small and medium-size enterprises. You know, they've been investing. They're under the cap; they've been freely able to invest in China.

I think even for the big businesses, we have been gradually opening up that process as well. When we think about opening up the three links, you have to think in political terms. Some of the big businesses are going to be happy, but are farmers in southern Taiwan; some of the workers in the traditional manufacturing sector that have not yet upgraded their skills; or even the industry itself, into new sectors that are not yet facing severe competition from the Chinese labor market? You are talking about a lot of resistance among our traditional supporters, and so it's a serious challenge.

And I think the DPP made a big step forward in agreeing to more opening up. And we have consistently -- I'm not just talking about principles, but even minor things like the mini-three-links, like allowing some major high-tech projects to invest in mainland China. I'm talking about consistently moving in that direction, and even really seriously working on the possibility of direct cargo links. I think this direction has not been affected despite SARS and despite a lot of pressure from our traditional supporters against it. And as I said, 64 percent of our population favors tighter restrictions right now.

Q (ALAN ROMBERG, The Henry L. Stimson Center) What's happened to the assessment on the Three Links that was supposed to be released? It's been finished now for --

MS. HSIAO: Well, I think SARS has put that on hold. And you can ask Tsai Ing-wen when she comes. (Laughs.) (Laughter.)

Nancy?

Q Nancy Bernkopf Tucker, Georgetown University.

I think Richard is right that your answer on the referendum perhaps leaves some of us in Washington not entirely satisfied, but there is concern that referendum is a problem because once you have a referendum law, then referendum can be used in any way. Obviously, it could be structured in a way that would -- I mean, it's a provocative issue. But I assume that the DPP wouldn't either want to or perhaps couldn't do it in order to keep the party peace. So what is the answer to moving forward with something that I think reasonably you could argue that you want public input on certain issues, that this is certainly a red flag, if not a red line, basically?

MS. HSIAO: I can understand the concern among certain people about the whole idea of referendum, because for so many years it has been attached to the single issue of Taiwan independence. So our job and our responsibility is to kind of normalize the idea of referendum in a different context, and that is a public policy context.

But, I just want to tell you that we've got a person that we call Mr. Plebiscite or Mr. Referendum, and that's my colleague Trong Chai who is also in town these days. And he's got a proposal in the Legislative Yen that excludes Taiwan independence or issues of sovereignty from the referendum legislation. I think a lot of people would put him in the fundamentalist category. And so I think that fact helps my argument in saying that most of the people, or the mainstream leaders, of the DPP understand the need for certain parameters or exercise of restraint in avoiding certain significantly sensitive issues. And we are really trying to move it in a different direction.

Rick?

Q Rick Ruzicka from AIT. (Off mike.) [What is the DPP's economic goal 20 years out, and how do you plan to achieve it? -- ed.]

MS. HSIAO: Well, for most politicians they see the next election. They don't see 20 years. I want to say that. And that's the reason why the 20-year blueprint has not been widely discussed, not just in DPP, but in the political picture at large.

But having said that, it's not been widely discussed. I can just say that some individuals that I have spoken to really -- their ideas presented years ago that we still think are very good ideas, like the APROC, the Asia-Pacific Regional Operations Center. And now we're talking about Taiwan as a logistics management center. We also understand that that assumes a normalized trade and travel relationship with mainland China, and that is why we are moving in that direction.

So, a 20-year blueprint does assume more of a regional integration that does include China. It also assumes taking advantage of our geographic location; it assumes taking advantage of Taiwan's logistic management capabilities that we've proved.

Q (Break in audio.) [NADIA TSAO, Liberty Times (Taiwan): Trong Chai told reporters in Washington this morning that American officials are upset over plans to pursue the two referenda in Taiwan. Please describe the American reaction to the referendum issue. – ed.]

MS. HSIAO: Well, I can't reiterate what the American official position is, because I'm not in a position to do so. I can just say that my understanding is that this issue has been debated within Taiwan for many, many years. And as a concerned party in the overall stability of the situation, Americans have closely been watching what has been going on. But again, this issue has been debated for a long time. It's not a surprise that this issue exists.

And another thing I want to say is that President Chen has worked very hard since his inauguration to really ensure smooth communication with Washington. I know for a fact that the communication lines are a lot more open than they had been under the KMT for decades.

Okay? Are we done? Thank you. (Applause.)

MR. BUSH: Thank you very much. Thank you all for coming, and for your questions.

Thank you, Bi-khim, again, for a great presentation.

Enjoy the hot weather. (Laughter.)

(END OF EVENT.)