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**A JOINT SYMPOSIUM:  
CONSOLIDATING TAIWAN'S DEMOCRACY:  
CHALLENGES, OPPORTUNITIES, AND PROSPECTS**

**WEDNESDAY, MARCH 22, 2006**

**12:00-1:30 P.M. – LUNCHEON KEYNOTE ADDRESSES**

**ADDRESS BY DR. JOHN KUAN,  
VICE-CHAIRMAN OF THE KUOMINTANG**

**ADDRESS BY DR. LAI I-CHUNG,  
DIRECTOR OF THE DEMOCRATIC PEOPLE'S PARTY (DPP)**

*Transcript by:  
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DR. RICHARD BUSH: I apologize for interrupting your luncheon conversation, but we need to push on with our program. We're on a very tight schedule. We've had a very full and I think productive morning, and now we come to what I think is a very important part of the program. Much of the discussion and many of the presentations for today are offered by scholars, but we thought it was very important in today's conference to hear from individuals from the political arena, to hear their views on political consolidation in Taiwan. And so we are very pleased to have representatives from both the pan-Blue and pan-Green camp offer their views on this important subject. From the pan-Blue camp we're very honored to have Dr. John Kuan, who is the vice chairman of the Kuomintang. From the pan-Green, Dr. Lai I-Chung, who is the director of China Affairs of the Minjindang, Democratic Progressive Party.

Each of them has played a very important role in their parties. Each of them is a scholar. Each of them will speak for about 20 minutes, and we're very pleased to have them. We'll hear first from Dr. Kuan and then from Dr. Lai.

Dr. Kuan.

DR. JOHN KUAN: Thank you very much, Dr. Bush and my counterparts from the DPP, Dr. Lai, ladies and gentlemen, distinguished guests. I'm very much honored to be invited to participate in this conference, jointly sponsored by three esteemed institutions and attended by so many distinguished scholars. On behalf of the KMT, the opposition party in Taiwan – for the time being – (laughter) – I am pleased to share with you some of my observations and views with regard to the problems of race in Taiwan, Taiwan's democratic developments.

In addition to my oral presentation, I have prepared a lengthy written paper, along with an appendix entitled "Polls and Statistics" for your reference. Actually, the secretary of this conference did not ask me to present a paper. I did it only because I want to remind you that I used to be a scholar – (laughter) – and to quench my thirst for doing some research. As for the appendix, "Polls and Statistics: The Proper Channel to '06," which was handed out on the table, I did it because I'm afraid that too much analysis would confuse the audience how people in Taiwan really feel about our democracy. I think that the polls and the statistics are the pictures of the people's life. They are worth reading. Well, without further ado I'll go to my presentation.

Generally speaking, Taiwan's democratic developments have progressed on a comparatively sound basis. However, the main obstacle of democracy today is the confusion and the conflict of ethnic and national identity in Taiwan. This is a critical issue as well as a cultural and historical problem. Taiwan's situation may be traced back to the Chinese civil war and the Cold War. In essence, the relationship between Taiwan and mainland China has been one nation, two governments, namely the so-called divided countries, like the previous two Germanys, two Vietnams and the contemporary two Koreas.

By the end of the Cold War, most nations recognized mainland China as the sole legitimate government of China and Taiwan as a part of China. Nevertheless, the achievements of the Republic of China in Taiwan, both in terms of economic development and the political structures cannot be easily dismissed. The *New York Times* once quoted that Taiwan was “too big to ignore.” In the early 1990s, when the KMT was in power, Taiwan and the mainland China reached a consensus on different interpretations of One China, which paved the way for cross-Strait peace talks. However, since the DPP assumed power in 2000, cross-Strait relations have been at a standoff because the DPP refuses to honor the so-called 1992 consensus.

For the sake of assuaging suspicions that the DPP’s stance might cause stress on cross-Strait relations, President Chen Shui-bian made his famous pledge, the Five Noes, in his 2000 inauguration speech. He made it abundantly clear that he would not carry out any action to change the status quo with regard to cross-Strait relations. After his re-election in 2004, Chen reassured his pledge.

As we all know, the DPP is a party which pursues Taiwan independence. Since its reign of power, the DPP has repeatedly invoked the political appeals of rectification of the national name, a new constitution of the Republic of Taiwan, and a referendum. At the same time and by the same token, the DPP has made a concerted effort to implement the policy of “desinofication,” trying to distance itself from anything which relates to mainland China. In short, the DPP neither recognizes itself as the Republic of China, nor admits to being Chinese.

Despite the DPP’s efforts, the effect remains that of the inhabitants of Taiwan, only 2 percent are Aborigine and 98 percent are of Han descent, which is the main ethnicity of Chinese immigrants and their descendents from mainland China. The early immigrants were mainly from Fujian and Guangdong. Subsequently the immigrants were from all parts of mainland China. Their languages, spoken and written, are all Chinese. And where there are dialects spoken in Taiwan, communication does not pose a problem since Mandarin is the official language. As a matter of fact, Taiwan does not have a racial or ethnic problem. If there is, it’s an artificial one, one which the DPP created.

The image of a racial or ethnic problem is a political ploy propagated by the DPP for the purpose of legitimizing their status as the master of the Taiwanese by treating “mainlanders” as outsiders. In so doing, it attempts to deviate from Chinese culture and to distort the history of Taiwan. However, people in Taiwan, in many respects, especially culturally, may be considered more Chinese than their compatriots on mainland China. This is attributable to two factors. One, psychologically, Taiwan and mainland China are too close to separate. And, two, the KMT has made a tremendous effort in maintaining and cherishing the Chinese heritage and identity.

Even during the period of Japanese war, the Taiwanese never forsook the efforts to preserve their Chinese identity. Since its founding, the KMT built and maintained a close connection with Taiwan. One of the goals of the anti-Japanese war during the 1930s to 1940s was to recover Taiwan from Japanese colonization. President Franklin D.

Roosevelt was instrumental in assisting the Chinese government to achieve this goal, for which we are deeply grateful.

In democratic politics, political parties will seek their political goal by resorting to methods which would undermine the social fabric and endanger national security. The DPP strategies for creating ethnic conflict and its pursuit of Taiwan independence are a major source of political turmoil and social tension in Taiwan. As a result, the development of democracy is at a standstill. To this effect I would like to make the following points:

One, the DPP's claim that the Taiwanese are not Chinese would inevitably ignite ethnic disputes which would be followed by a national identity crisis. National identity is the foundation of a political structure. Without a solid foundation, how can the structure be sustained? How can you expect the rules of democracy to operate normally? If the DPP continues to exert its political battle cries of a new constitution and a new nation, the national identity crisis in Taiwan will turn into civil strife and the democracy in Taiwan will have little room to exist.

Two, due to its sanctifying the Taiwanese consciousness, the DPP has justified all its wrongdoing, including its incompetence, administration corruption, and just unfair behaviors. Accordingly, the norms of constitutional democracy have been disregarded, the system of checks and balances destroyed, and social justice compromised. This trend could escalate to ethnic nationalism whereby those who do not accept their Taiwanese consciousness because they are aliens will be discriminated. As aliens you will be denied your civil rights, those same rights entitled to and enjoyed by ordinary citizens.

Three, worse yet, under the rhetoric of Taiwanese consciousness, democracy has been used as a tool by the DPP. Democracy itself is no longer viewed as a virtue but as a tool to legitimize its reign and to legalize its power. President Chen Shui-bian is very determined – his belief in democracy – because, according to his words, what he has done, he has done in the name of democracy. However, the effect remains that after Chen assumed power, Taiwan's democracy has consistently regressed. We have seen Taiwan's constitutional foundation weaken, its political system disrupted, and the governmental performance discredited.

Today the effect that we are facing democratic crisis is of grave concern to us. Facing this critical situation, I would like to present the KMT's position and the policy as follows:

One, we define Taiwan's status quo as a divided county with multiparty politics, an open and a plural society but a divisive national identity.

Two, during the KMT's administration, Taiwan's democracy gained remarkable progress, but after the DPP took power in 2000, Taiwan's democracy has noticeably deteriorated.

Three, the main reason for the setback of Taiwan's democracy has been the DPP's policy of separatism, Taiwan independence movement, which has confused ethnic national identity and undermined the constitutional democracy.

Four, we, the KMT, hold that we should avoid using the ethnic problem as a political tool to polarize the political spectrum in Taiwan. Ethnic nationalism, as created by the DPP, is undoubtedly highly destructive. Simply put, without Taiwan independence, status quo can be maintained. With Taiwan independence, status quo will be destroyed, leading to cross-strait confrontation and even war.

Five, the reason we oppose Taiwan independence is because it will lead to imminent and clear danger. The reason we propose an eventual reunification with China is because we have faith. The Chinese should not hate one another. We should not go to war, but rather we should help one another. However, we do not claim an immediate unification. We do not believe that there is a timetable for unification. Actually, there is no emergency and no pressure for unification. We believe that the process and the result of unification are equally important. Accordingly, the process must be peaceful and the result must be democratic.

Six, it is important to note that even those people in Taiwan who do not agree with unification are not ready to go to war with mainland China. Although some people favor Taiwan independence, the majority consistently choose to maintain the status quo. Only those who are eager to manipulate power and politics will try to make trouble on cross-strait relations, jeopardizing the country as a whole.

Seven, while we assume that the United States would help to defend Taiwan's democracy, we are not so naïve as to believe that the United States would extinguish Taiwan's flames simply because irresponsible leaders enjoy playing with fire.

Eight, we firmly believe that under the hatred and antagonism intentionally caused by manipulating ethnic nationalism, Taiwan's democracy will not deepen, let alone consolidate. To make matters worse, the result of ethnic conflict would inevitably lead to cross-strait confrontation in which Taiwan, mainland China and the United States will all suffer bitterly. Among these three victims, Taiwan can afford it the least.

Nine, therefore, the KMT policy is to defend our national identity. We strongly believe that by identifying with and supporting the Republic of China, the common divisor in Taiwan, we can promote ethnic harmony and strengthen democracy and rebuild Taiwan's economy. That is to say we can make great strides and contributions towards a constitution democracy, party politics, accountable politics, clean politics, and liberal human rights, which collectively lead to democratic consolidation.

Ten, with regard to cross-strait relations, we advocate the maintenance of status quo to proceed with peaceful negotiations and carry out the five-point agreements made jointly by Lien Chan and Hu Jintao in May 2005. In so doing, we intend to create a 30-to-50-year cross-strait peaceful mechanism. We believe our position and the policy will

not only serve the interests of people on both sides of the Taiwan Straits but also those of the United States and related countries in the Asia-Pacific region.

Thank you for your attention.

(Applause)

DR. BUSH: Thank you, Dr. Kuan. Dr. Lai?

DR. I-CHUNG LAI: Chairman and distinguished guests, also my colleagues, and on the opposite side, Dr. John Kuan, it is my pleasure to be here and to give my view regarding the democratic consolidation: the challenges, prospects, and the opportunities for Taiwan.

Well, even though I'm paid to be partisan, today I'm going to present my observations rather than the party position. As people just heard, Dr. John Kuan represented the Kuomintang position in which he laid out many of the problems that he claims are mainly the DPP's fault. He claims that the DPP is responsible for all the problems. Of course here I personally would not like to bring up the very nasty partisan politics from Taiwan that people have suffered enough all the way here to the United States and to replay this over again.

What I wanted to do here is to objectively assess the situation, whether beyond the year 2008, how the long-lasting democratic foundation for Taiwan can be firmly established? Of course this represents what I've observed on the Green side about the situation here.

First of all, if we look at the democratic progress in Taiwan, I think there is no question about it; you can say that it's a democratic miracle. Just look at the progress in the last 10 to 15 years. In 1996 we had a presidential election, the real presidential election, and from that point on, all the public servants in Taiwan right now are accountable, or at least "electable," by the people in Taiwan. So that's the first progress and that's very important.

Second, in the year 2000, just four years later, after the consolidation of the electoral system in Taiwan we have a party transition, and it's a peaceful power transition from the KMT that has ruled Taiwan for about 50 years to the opposition at that time; that's the DPP.

Now, the third, four years later in the year 2004, we have further progress. Even though that progress somehow brings us controversy, but this progress brings us the referendum, which is a form of direct democracy. Even though the referendum, according to a different party and different positions – they have different views about it – but the issue is that in the progress, in the discussion about referendum, the referendum in the past was not the political norm in Taiwan because of a common language that

people can talk about, especially this referendum, also later on embraced by not only the DPP but also the KMT. So the two parties together held on through the referendum law.

After the year 2004, and a presidential election in which President Chen won with a razor-thin victory, later on, Lien Chan, the former chair of the KMT and the current chair Ma Ying-jeou, and others all studied referendum as one of the possible political tools to solve the political stand in Taiwan. So in the year 2004, just four years later after the first party transition and the power changeover, the Taiwanese people have been able to use the tool of the referendum as a form of direct democracy. And that is another example of progress for Taiwan.

So that as you see, every four years from 1996 all the way until now, Taiwan sort of makes a quantum leap in associating with those historic presidential elections. And I think in such a short time of apparent democratization that for Taiwan, to move such a great distance, definitely there will be problems. We have all experimented about what problems should be or the problem that has become. Some of them has actually resulted today's democratic paralysis.

The one thing I just would like to mention is that this democratic miracle in Taiwan has been accomplished despite the military threat from China, despite the PRC's continued rejection of the Taiwan democracy, continued rejection to coexist with Taiwan democratization. And this also stands in a way that is characteristic of election-driven democratizations. That is very different from if you look at a democratic progression in other countries that election has been the political norm, and through the election, that apparent democratization is able to process.

So I'll just take one other word from one of my favorite scholars, Dr. Lo Chih-cheng, who cited his boss Dr. Tien Hung-mao in the morning. He said in Tien Hung-mao's statement that democracy is the only game in town. But in my view, I think more precise is that elections are the only game in town, and everybody has to follow the rules and procedures and the calendar set up by the election. This involves all the politicians, parties, and others operating according to those procedures and the calendars set up by the election itself, so that when you start to see the election strategies, the legislative strategies, certain bills that can be passed, how the political debate has been constructed or structured -- if you go to see the individual actors, especially politicians or legislators, they all are somehow related with how they are going to calculate according to their own interests in the election.

So in Taiwan right now, the issue is not whether they should go to democracy, but how effective democracy should be. In that, I will just lay out several issues. Some of them have already been touched upon this morning by several distinguished scholars, but I just want to emphasize them again, because I think those structural issues are very important. Since they are structural, it's not going to just affect DPP, but other parties that may come to power in the future. Of course, I'm still very confident about our party's capability to win elections, but I'm just saying this in an objective way that if another party came to power, I say if those structural factors have not been amended

today, that's going to affect the Taiwan democratization no matter which party is in power.

One of them definitely is about our constitutional defects. We have constitutional issues that basically mean that the same party must control the presidency and the Legislature Yuan in order for the government to function effectively. Otherwise, it is not going to work. So then attribute to the last several years of the party fiascos, if I may say that, attribute to this the personality of President Chen Shui-bian himself. But I just want to alert everybody that when President Chen came to power in the year 2000, the person he appointed premier was not a DPP person. It was a KMT person, the former defense minister Tang Fei, who was invited by President Chen to become the premier. And even Tang Fei himself suffered from a lack of support from his own party. And so that forced President Chen to abandon the idea about so-called Grand Governance through the different persons from different parties.

So that's first thing, but basically, all our experience demonstrates that, as was mentioned this morning, that if the president and the majority party in the legislature are from two different parties and apparently the opposition party who held the majority in the Legislative Yuan can continue to veto against all the bills proposed by the premier who is appointed by the president, they don't have to suffer the consequence of reelection as long as they don't go for a no-confidence vote for this premier. I think this problem sort of demonstrates how the democratic paralysis, especially the legislative paralysis in the last several years in Taiwan, shows that we have a divided government. But more important is not that divided government is a problem, but the current constitution in the issue of facing the situation of divided government is unable really to function to solve disputes. So that's the first thing.

If in year 2008 Ma Ying-jeou is elected and becomes president, and the DPP holds a majority in the Legislative Yuan, I think a similar problem will also occur, even though Ma Ying-jeou has made a pledge that he will promote a premier coming from the majority party at that time if that is the DPP. At issue is not that the party is going to abide by the premier – and as we saw in the first experiment in year 2000 when Tang Fei was the premier – it is whether the process that the cross-party consensus, if that can be built or there is an institutional mechanism to get the party or the people in power that can be accountable in the elective responsibilities.

Second thing that is also very important is about identity politics. Here I said identity politics – it is not merely the so-called ethnic tensions. It's not like that. My colleague Dr. John Kuan, whom I respect very much because he has run several very successful campaigns and makes for the DPP all kinds of headache, yeah. Of course, he accused the DPP of manipulating ethnic tensions. But I have to say that the principal issue here is for different ethnic groups, the core difference is that for certain historical events, they have very different and sometimes conflicting historical memories and interpretations. One of the things that Dr. John Kuan just mentioned in his speech regards the interpretation about Taiwan under the Japan occupation period, also that his interpretation definitely reflects one part of it, one sector of Taiwanese society. How

about the other sectors of Taiwanese society, including my own grandfather and his parents? How do they look at this interpretation? Would they agree with it? I would say that basically, many of them would have a very, very different view, and sometimes even conflicting interpretations.

So right now, we are hearing in Taiwan that the different groups coming in, and due to the different historical legacies, they have different interpretations about the history, and sometimes they conflict with each other. How are we able to solve those things? I think that is an issue that we really have to face. Those ethnic tensions or the different interpretations in Taiwan started to create the political dynamics for all kinds of friction among each other. If we are not able to get to some how to really face the reality, that is that different people in a different historically memory, they all have their own merits, they all deserve a place in history – in Taiwan that should be cherished. If we are not able to achieve that, then I have to say that those ethnic identity politics, they will continue to work, even though we have a younger generation. But look at how the problem in South Korea today has developed; I think this is the lesson that we have to learn.

The third thing also has been discussed and touched upon is the media environment in Taiwan. When I say this, it is not that I am complaining that the media does not give preferential coverage to the pan-Green. It is not like that. When I am saying this, it is not that the – I would like to say that the government is doing all that it can to fairly distribute the advertisement to a certain media. Of course the government under the contract, and if under the open and transparent process – how the advertisement should be placed in certain media, I think that is definitely a subject for all of the investigations that you can look at.

But the issue here is that the media – I would say that it is intended to be informational, it's entertaining, but it is also event-creating. I say event-creating in the sense that did not reflect the polarizations of different views in Taiwan, but it tended to drive polarization – not pluralization, but polarization.

In Taiwan if you look at the talk shows in whom our distinguished colleagues, Emile Sheng, he is one of the very famous talk-show attendants and he even has his own show running. If you look at those different talk shows, as Professor Hawang Shioh-duan mentioned earlier, different people from different political orientations tended to watch only the show that suits their own interests. The political commentary in Taiwan and its entertaining character sort of reinforce the stereotype image rather than providing a platform for people of different opinions to be able to communicate with each other.

I participated in some of these shows, and I know how serious it is. I also know that some Taiwanese people have to watch those TV programs in order to have their daily comforts because they needed somebody to say on a daily basis things that they believe.

Some people say that Taiwan has too many TV stations. On an island that has about 23 million people, you tended to create an environment where all of the news are

basically the same because people are facing severe competition. One way to solve this may be to institute a pool coverage system. Only one reporter will cover and event or story, and then the same event will be shown on other TV stations.

This is a way to ensure all of the colleagues in the reporting that they are not going to miss any headlines or the breaking news, and also this way of the adjustment create the one dimension and the so-called “one-dimensionalization” of Taiwan’s news reporting. So that becomes a problem.

So the media here – first of all, it has tended to polarize the opinions; and second of all it becomes some kind of group therapy for certain people so that it is not part of the process to involve the communication for people in different political opinions; rather, it reinforces existing stereotypes.

Of course the third thing is that it has decreased the pluralization; rather, they improved the polarization in Taiwan. So the media environment is also an issue of concern when we talk about democracy in Taiwan.

Now, the fourth is something that is very new related with external relations. As democracy progresses, in terms of its internal relations, it will become complicated because it brings about people originally not part of the process. New voices are speaking up about how external relations should be conducted.

Different political parties, due to their different social representations and their social support bases, tended to reflect their prosperity in the people and the base that they are representing, so that this is one of the very important elements of democratization. That is, the representation becomes more comprehensive, but also the consequences for policy decisions will become more complicated, and as a result you will be more uncertain, something that other countries had not experienced before in their relations with Taiwan.

The history of Taiwan’s democratization from 1996 to 2004 is characterized by different events. In 1995 – before the 1996 the presidential election – we started to have the missile crisis. Of course – with President Lee Teng-hui – and all of those developments. In 1999 – before the year 2000 election – we had the so-called the special state-to-state relations announcement and all of those external complications associated with it. In the year 2003 – before the 2004 election – of course we had all of the controversy that you all know surrounding the proposal for the referendum

In each presidential election, the year before that we all started to face some very interesting developments; this is not just a DPP problem. I just wanted to remind you that they also happened during the KMT-ruling period, so this is basically bi-partisan – well, probably the cross-party phenomenon, I have to say.

I will not go into blaming those developments or those complications on specific persons because I think the structural factor itself will sort of place the constraints about

the political calculation for each individual politician, and the same constraint – that being placed on President Chen Shui-bian before – that being placed on the Lee Teng-hui before, I think that will also be placing on the future of political leadership of either party where the DPP came to other parties.

We don't know how the population will come out but this structure factor will also affect them, affect them in the sense that if you look at those events in the period that I just mentioned, it seems that Taiwan's democracy becomes the vortex that drives both the United States, China, and probably other countries, to be concerned about how the democratic momentum in Taiwan created it and the implications or the uncertainty regarding the external relations.

The uncertainty in a sense – I have to say that you will create the unpredictability about how you expect the outcome should be. Also, if we tended to do the reactive management about it rather than trying to change the mindset – engage the Taiwan democracy on the outset and try to understand the society in Taiwan – what their wishes should be and instead of imposing one strong version of stability into this process, I think that if we are not able to get rid of those stereotyping that we have in the past, then the problems of uncertainty and the management of the complications will come again and again in the future.

So those are things I think in a democracy that highly affected the current Taiwan political situation and the relationship with external relationship. I think those are the four issues I personally like to lay out.

Our KMT colleague gave a 10 point proposal – but basically those 10 points are mainly that the DPP should be responsible, so the implication is that by replacing the DPP with the KMT, all of the problems will be solved. I tend to disagree with this statement, and I think there are structural factors that both the KMT and the DPP should objectively look at and figure out how to solve.

Of course one of them is, how you are going to do it through some amendment mechanism? Whether that is going to be the constitutional reform process, you are going to do it one by one or you are going to do it in one shot. I think that is the subject of the discussion. But here I just laid out within the DPP how they look at it. Yeah, there are voices within DPP that the constitutional reform, since we had so much complication and so it is so difficult to do – instead of having it done in one shot, probably we should just gradually progress, like during the '90s when we revised the constitution six times.

There are other voices within the DPP who rejected this strategy. They want to do it in one big shot - the Big Bang theory. But their assertion is that it is very difficult to do constitutional reform, and if we are not able to do it in one shot, then probably the next opportunity will be further delayed and even impossible to do. I believe that current – probably in Taiwan democracy, we cannot afford to wait any further.

So those are the two versions of how to do constitutional reform – and the scope or content that should be reformed. Of course this is a discussion within the DPP, and I just lay it out here because we haven't yet come out with a conclusion. So unlike our KMT colleague who believes that replacing the DPP will be the panacea for all, then for us we think the structural problem are more important – how to address them, and especially to work with the KMT. We believe that is also important to get everything to move forward.

Now, before I want to conclude, I would just say that the democracy in Taiwan brings a lot of uncertainty for our foreign friends and people, whether they are in China, the United States, or in other countries. The consequences of democratization are actually more complicated and more uncertain than people expected, and that includes external relations. When I'm talking about external relation, is not just about how the Taiwanese affect the momentum for the Taiwanese independence or not. It is not limited to that.

The issue is that, when the people hear their own voices, and the leaders – no matter which party they had to respond to their own constituency. Those voices definitely will come out and affect Taiwan's international behaviors. Right now everybody is focusing the issue about whether Taiwan independence is going into effect. But of course the DPP has right now said that we are not – we don't have a declared independence and that Taiwan is the Republic of China, the Republic of China is Taiwan, and in order to placate its own constituency we are going to maintain a status quo as it is right now.

But if a political leader who does not have the problem about Taiwan independence or unification comes to power, he may have a very different view regarding, for example, Japan. His view about Japan is that he refuses to accept the normalization of Japan. When he talks about the Diaoyutai issue, he wants to work with China. And effectively, when working with China, you are effectively admitted Taiwan is a part of PRC in that kind of – in that kind of process. And you're bringing yourself into conflict directly with U.S.-Japan alliance. How would that be?

Okay, so I'm not saying which one opinion is correct. But opinions that can now be expressed through the democratization process definitely will affect the political leadership's calculations. I mentioned Japan because that is an example that I think – probably some time in the future – Taiwan will have to deal with. In the future if we don't deal with it carefully and we still have our external friends, that's going to further complicate it.

Finally, finally, finally, when we talk about the generational politics in Taiwan, I just want to mention one very important year; that is, in 1987, when Taiwan abolished – well, it's not “cease to function” – it's abolished –martial law. The children born that year will become 20 next year. And those children – I will say that probably they are the children – never experienced any kind of the White Terror experience. They will be

eligible to elect the president of Taiwan in the year 2008. That younger generation will continue to have their view of what the future of Taiwan should be.

To compare with China, in 1989 China had the Tiananmen massacres and then the patriotic education has been imposed on the society from that point on. In year 2007, those children born up to the 1989 Tiananmen massacres will all enter college. So on one hand, you have people born in the atmosphere of freedom that's from Taiwan. But on the other hand, you have a whole generation of Chinese children that have been under a very (inaudible) education. At that time, they also experience the very dramatic and also the miraculous economic growth that Chinese history has never experienced.

How do those two younger future generations interact with each other? I think that's one of the issues that we should deal with. My colleague before me said that, yes, the Taiwanese younger generation does not look at China as hostile. Of course. Why should they? On the other hand, when those two young generations mixed, and they find out that in the principle of democracy, especially about the illegitimacy – how people should have a freedom to choose, there are fundamental differences. How would they be able to solve the problem? Should we have constructed an external environment to control or to manage these coming problems?

So I'm not going to go any further, and thank you very much for listening. I hope that I did not jeopardize your appetite. Thank you.

(Applause)

DR. BUSH: Because I'm the chair of the next session, I can take time away from the next group. We have a lot of time in that session, so I'll do so. If you have a question, please identify yourself, and where you're from. So we'll start with our colleague from the National Democratic Institute.

Q: Thanks. My question is for both of you. First is, to what extent are events in Hong Kong followed in Taiwan, both by yourselves and your colleagues as political leaders, but also by the Taiwanese public? Particularly, what I mean is the position of the mainland on refusing universal suffrage or even any timetable for universal suffrage in Hong Kong. And then, kind of flipping that around, to what extent do you think Beijing takes into account the impact on Taiwanese public opinion of its decisions regarding Hong Kong?

DR. KUAN: Well, I think firstly Hong Kong's status is different because it has no sovereignty because it is a former British colony. So after the recovery of Hong Kong from British rule it has been treated as a special district. So it is – politically speaking, the status is not the same. ROC in Taiwan – we have our sovereignty. Everything is from 1912. Secondly, I think after the recovery of Hong Kong from the British rule, I think people have many thoughts about the future of Hong Kong, especially in terms of democracy. Of course, up to now, Hong Kong still wants more democracy, and we don't see any progress in this regard. I have to say that. But in another respect, in terms of

economic development, I think Hong Kong has been – has been doing very good because there are so many – they have – last year, the tourists from mainland China alone – counting about 50 million people to visit Hong Kong. So Hong Kong's economy is thriving. So I think, to my knowledge, I just want to respond to your question in terms of political positions and economic development. Thank you.

DR. LAI: Thank you. I think regarding the issue of Hong Kong, probably we should pay more attention to what's going to happen next year – when after 1997 – the return of Hong Kong to China – will PRC be able to keep its promises that originally, the head of Hong Kong should be directly elected by the Hong Kong people. The DPP will pay very, very close attention to the development because this happens to associate with something that I am actually doing. It's about the upcoming China policy review with the DPP and, in that process, how we're able to integrate our China policy, in which we also have a Hong Kong angle because we know that strategically Taiwan is very important for Hong Kong, especially Hong Kong democratic activists if they want to get a better deal out of China, that Taiwan consistently to observe its own democracy, and to consistently stress to the Chinese leadership that the development in Hong Kong is important in our assessment about the cross-Strait dialogue or the interactions.

I could not tell you the result of the China policy review because it's still undergoing. It will go out I think probably in the second week of April. But I can assure you that in the China policy review, the DPP is not going to limit itself to simply the cross-Strait economics issue but how Taiwan can play a role in improving the democratization prospect in China, and also the benefit for Hong Kong and Chinese people under the Chinese "One China" rule is also something that we will calculate very carefully.

Q: Michael Colopy.

Two quick questions, one just on Hong Kong: Of course the British from 1942 to 1977 never instituted any of these Western democratic forms that we now wish were there and so I think we have to look at the current dilemma as something that is at least partly hatched by people who claim to be sponsors of democratic process, and we should support Hong Kong's democratic rights by keeping a clear view of how Chinese generally view the history of the Western footprint there.

The second point, though, is a question about the future. It is very – in August I interviewed officials on both sides of the Taiwan Strait including Ma Ying-jeou about the prospects of some century down the road, what some affiliation might look like at some indefinite point because regardless of how we might sympathize with the DPP and you have many sympathizers here, realpolitik seems to suggest that there is no practical prospect of an independent Taiwan under any conceivable scenario that is credible, and that seems to be acknowledged even by people who would like to see independence.

Since our policy has to be made according to what serves the national interests of the United States, we have to accommodate a policy we are already agreed to, which is

one China. So if you look way down the road, though, assuming that the mainland doesn't democratize, what could there be in terms of a Taiwan-Chinese entity that has a robust autonomy, has its own democracy, but still can invoke a Chinese cultural identity that prevents conflict?

DR. KUAN: As regard to your first question I will give you a quick answer. I think all we want to do is to encourage democratic development in Hong Kong under mainland China. That is our aim. We try – that is why we want to consolidate all democracy so that we can affect the development of democracy on mainland China of course including Hong Kong.

As far as the second question, I think my colleague from the DPP is in a better position to answer your question.

DR. LAI: Yes, in regard to Taiwan independence, you know, I have been ordered to speak by my KMT colleague. Well, I think the issue is that if you look at President Chen Shui-bian and the DPP's position regarding the future of Taiwan, right now we believe the status quo is that the Taiwanese people should be able to decide the future of Taiwan in a free and unthreatened environment. That is also the status quo that the majority of people in Taiwan do support.

I remember one of the polls done by the INPR, and also I think the CEO, he could attest to that, is that over 70 – probably closer to 80 percent in the poll believe that they supported the solution that the future of Taiwan should be decided by the Taiwanese people.

So now the status quo in our belief has shifted from what is the pre-destination – that is independence, unification, or the – whatever it is right now, to what is the process. How are we able to enable people to have that capability in the future should they choose that they are able to freely and effectively choose the future of Taiwan. So this is the status quo we wanted to uphold, and also it is one of the calculations beneath the seizing function (inaudible).

Despite all of the controversy, the issue is how are we able to construct an environment and enable the people that they are not going to be forced to choose a certain option that have been prevented by the existing regulations, especially after the anti-secession law has been passed by China last year that China declared the choice of having independence is not permitted and that they will break it up with non-peaceful means to take away the option. And for us it is important that all options should be open to the table.

For One China, the U.S. policy, of course we respected that, but we also wanted to tell to the world that it is important in a policy – that how to accommodate people's wishes and let the status quo and the engagement about the stability across the Taiwan Strait, that the people in Taiwan, their wishes is part of the solution rather than part of the problem. Thank you.

DR. BUSH: While the chair respects the freedom of speech of the audience, the chair also encourages questions that are on the subject of the conference, which is improving Taiwan's democratic system. I'll take a question here. Right there.

Q: My name is Wayne, Wayne Chang. I am with a group called Global Chinese Alliance for Unification of China. I guess the name itself tells you where I am coming from. (Laughter) I am a Chinese-born, Taiwan-raised, naturalized American citizen.

I guess Dr. Lai, I just want to make a very quick comment on the issue of the premier-selecting issue, Tang Fei did not resign because facing difficulty from his own party; he resigned because Chen Shui-bian announced halting, and he resigned in contest of that. And your comments about not – you know, because that is a failure of practice, so Chen Shui-bian decided to use DPP people as his premier following on, and we all know your government now has five premiers, and four of them are from your own camp. So your argument that saying people selecting people from your own party alliance doesn't seem to work well.

So I guess my first question is would your government be considering electing the majority of the Legislative Yuan representative as the future premier? That is my first question.

My second question is we all know that the economy or the economy situation in Taiwan has been stagnating in the last five years. The GDP per-capita income has stayed about \$13,000. At the same time, one of the problem countries that you identified, Korea, GDP per capita has grown from \$6,000 to more than \$13,000. So I guess my question is does your government have any agenda set for the future two years other than just this new constitution or identity things? Does your government have any plan to expand Taiwan's economy and actually do something good for the people on the island? Thanks.

DR. LAI: I think regarding your first question, of course I am not going to deny. Yes, there are four premiers under the DPP rule issues. And we replace our premier more than anybody else. You know, I was there one day working at the office and found myself surrounded by former premiers. But, yeah, I'm not going to deny that fact, and yes, that also speaks something about the way that we should improve our government capabilities.

But going back to the Tang Fei issue, that is a different one. Well, that you might want to say that Tang Fei resigned due to other reasons, but the whole practices in that time, it is that Tang Fei was in a very difficult situation. He is unable to get to the things that move forward, despite that he is the member of the KMT. So this is the thing that I think we should pay attention to.

Going back to the economic situation, I think probably I would differ a little bit from your assessment. If you look at economic performance with the exception of the

year 2001 where Taiwan did have a negative economic growth, right now Taiwan's economic growth is measured from the year 2004 onwards at about 4 percent, and especially this year, if you look at the estimates, is over 4 percent. Well, 4 percent probably compared with China is not big, but China is 9 percent or something. But in a mature economy, the 4 percent still represents a very significant growth.

On the other hand, people like to compare Taiwan with Korea. Yes, I think that should be more contributed to the Korea capability to really move forward, and I have to congratulate them on that. But I would also like to alert everybody that Korea is able to move and especially from the \$7,000 – the so-called the GDP at that time, that is the number that was calculated when Korea was under the attack of the Asian financial crisis. There is a big drop in Korea at that time and then they were able to bounce back.

The way that Korea is able to bounce back I would attribute greatly to the reform. That is a very painful process within the Korea society in order to restructure the whole economic structure that is also associated with economic policy. And if you remember that you look at the Korea press at that time, that there were many people – laborers, workers, that go on strike, commit suicide, and other things to protest the reform process. That is very painful.

But look at how the three or four years after that the Korea economy is able and the whole environment has been changed and they are able to take off. In Taiwan I have to say that in the last several years, there are various reform proposals – economic reform proposals that have been put forward. Some of them, they have past. For example, like financial regulation reform has been passed, and then as a result the foreign investment in Taiwan started to flood in because they look at the investment environment; at least compared with what we have earlier, it's started to get better.

On the other hand there are other economic measures for the proposal that have not been passed. I am not accusing the opposition for blocking it, but I have to say that the dispute, the so-called green-blue dispute in the Taiwan political process that also extended to whether the economic reform proposals should be planned, and those things have not been discussed on the merit of the economic performance. Going back to the political calculation of blue and green, they are going to gain in this process.

So well, as you said, we can all say that everything seems to be going to the politics and the political, and that is a pity, and I hope that we are able to get it through, especially through the cooperation with DPP and also the KMT.

DR. BUSH: Did you want to – sure, yeah.

DR. KUAN: I would like to point out that talking about democracy, cross-Strait relations, economy and so on and so forth, I want to point out that really Taiwan is a democratic society, a plural society. The lay people do have many options, but I hate to say – but I have to admit that we don't have too much choice; we don't have much choice.

Our position, the KMT position wants to maintain the status quo. The status quo is not a static one; rather, it is a dynamic one because we want to win more time to revitalize our economy, and at the same to consolidate our democracy. I think that both democracy and economy are important. So you cannot focus on one and disregard the others.

So my colleague Dr. Lai reminds us again and again that it is, one, to listen to the people, but I think what is – from my documents, handout to you, those polls and statistics, you can see that what people really want is a good life, a better life. So if we want to listen to the people with a better take-up of the job, don't let them down. I think that we have a saying – an empty sack cannot stand up if we don't have a good economy. And we cannot repute the confidence of our people because I think nowadays is a big gap between the people and the government. If we can't bridge the gap, I think that Taiwan's future is really something which we are not that optimistic. Thank you very much.

DR. BUSH: One final question. You, sir.

Q: My question is directed at Dr. Kuan. I appreciated the point that you made that the KMT is committed to maintaining status quo. Just last week, Assistant Secretary Rodman said that the increase in the number of missiles aiming at Taiwan from zero to 700 is a change of status quo. I wonder if you agree with that. If you do, why does your party continue to block the special budget put forth by the ministry of defense, which could help us to stop that trend?

DR. KUAN: Well, if you are talking about the – the arms sale is a long story, but I want to give a very brief response. First you say – I think both sides are responsible for these across-strait relations. But the point is who defines the status quo? I don't think that it is by Taiwan or by the PRC; I think this it is by the United States. (Laughter) That is true. So that is true – so who defines the status quo? So President Chen Shui-bian, Beijing – unilateral changes – the situation, but the U.S. government says no because your commander in chief of the 7<sup>th</sup> Fleet, Admiral Fallon, said isn't – the Taiwan Strait relation is much better off than that of the last year. So that is the U.S. definition.

Secondly, talking about the arms procurement appeal, I think both procedurally and substantially, they are really very serious problems. I will just remind you, the U.S. government decided to make this arms deal in April 2001, but President Chen Shui-bian did not make the decision until March 1<sup>st</sup>, 2004, only three weeks before the election. So you can see we didn't delay with this process. So Chen Shui-bian used this arms sale, you know, to manipulate to such an extent to his own parties, of his own interests. So we -- the opposition in Taiwan, we think we have been fooled by the DPP government.

And secondly, we think this package – one item is illegal because the referendum vetoed the PAC-3 anti-missile batteries, and another item is highly unreasonable – (chuckles) – because the diesel submarine have no name of a factory, no number series, and the price is so high, is about 1.5 billion for one ship of the submarine, which is two or

three times over the market prices. So we don't think it can be – (chuckles) – it's not reasonable.

So we KMT, we have a (inaudible) arms deal because we do need arms to strengthen our national defense, but we oppose this package because I think the DPP's government has misused this arms purchase for their political games. I can go on and on and make another speech, but I think that that's – I just want a quick answer to your question.

DR. BUSH: Dr. Lai asks for one sentence. I can't refuse him. (Laughter)

DR. LAI: Basically, DPP has done some of the requests that KMT needed, especially if they wanted to remove some of those items from the special budget to the regular budget, we did that. And the issue is that the DPP is ready as long as KMT would like to come work with us to get this passed – just get it passed. Thank you.

DR. BUSH: I would just like to thank both Dr. Kuan very much, Dr. Lai very much for joining us and offering their views. It has made a contribution to our conference. I would now like to invite Jacques and Richard and Mark to join me for the next panel. Don't anybody go away; it's going to be a good one.

MR. LAI: Thank you.

DR. BUSH: Thank you very much.

(Applause)

(END)