"THE SECOND CHEN ADMINISTRATION: A CRISIS IN THE MAKING?"

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MICHAEL SWAINE: (In progress) – turning out on this, I guess, one of the first truly summer-like days for Washington. Yes, as long as we have air conditioning, you'll come. Thanks for coming.

Today we have a very interesting event. We want to give some presentations and discuss the issue of the second Chen Shui-bian administration in Taiwan

MR. SWAINE: I think it's pretty reliable at this point that we're going to be having a second administration. And to discuss the different implications of that fact, we've put together an excellent panel today with the co-sponsorship of the four organizations the panelists are affiliated with, and let me just go down briefly and make introductions and then we'll get into it.

On my far right all of you know Richard Bush. Richard is currently at the Brookings Institution. He's director of the Center for Northeast Asian Policy Studies and is the Michael H. Armacost chair in Foreign Policy Studies and has a very illustrious background, as you all know, in the American Institute in Taiwan and before that in the NIC, in the U.S. government, and in Congress. Richard is going to be speaking on Chen Shui-bian's future agenda and its implications for cross-strait diplomatic and economic relations.

And following Richard will be Bonnie, to my immediate right: Bonnie Glaser. Bonnie is a senior associate at CSIS and a senior associate also with the Pacific Forum at CSIS based in Honolulu, Hawaii. She is well known to all of you I am sure, as a very astute observer of U.S.-China relations ,Chinese foreign policy and U.S. policy towards China. And Bonnie will be commenting on China's May 17th statement – the statement by the Taiwan Affairs office of the Chinese government on the Taiwan situation and more broadly Beijing's reaction to Chen Shui-bian's inaugural speech and some comments also on future Chinese policy towards Taiwan.

Thirdly is Alan Romberg. Alan also I am sure is well known to all of you. He is a senior associate and director of the East Asian program at the Henry L. Stimson Center. Alan has a long list of illustrious accomplishments in and out of government, including principal deputy director of the State Department's policy planning staff, and also he was a director of research and studies at the U.S. Institute of Peace. Alan will be speaking on the U.S. reaction to Chen's inaugural speech and the broader implications– for U.S. policy of a second Chen Shui-bian administration.

And I will be bringing up cleanup. I will be the last speaker focusing on the military and security implications as I see them, of a second Chen Shui-bian administration. Pardon me. My name's Michael Swaine and I'm a senior associate here at the Carnegie Endowment for International Peace. So with that by way of introduction,

let's start with Richard. And we basically have all agreed about 15 minutes each and then we will open it up to question and answer.

Richard?

RICHARD BUSH: Thank you very much, Michael. Can everybody hear me? Okay. I'd like to thank Carnegie for providing the venue today and for providing this very nice lunch and we couldn't have done it without your sort of crack staff.

I had the pleasure to attend Chen Shui-bian's inauguration. I was there as part of a delegation of scholars and experts. Bonnie and Alan were in that same group, also Nat Bellocchi and David Laux, who, along with me, are former chairmen of AIT. Nat, David, and I were known as the three amigos and we were fortunate to have a place to sit under a plastic sheeting, so we were able to stay dry through the rainstorm that preceded and continued during the inaugural ceremony.

I think President Chen's inaugural address is an authoritative starting point for assessing his future agenda, which is my assigned topic. It had three interrelated themes: island-wide unity, constitutional revision, and cross-strait relations. I'll address each of those themes, but do so in reverse order.

On cross-strait relations, President Chen sought to do three things. First of all, he tried rhetorically to reassure the PRC and the United States about his intentions. He reaffirmed by reference the promises and principles of his first inaugural. These include the so-called five no's, or – (sibu yimeiyou): that he wouldn't declare independence, change the national title, insert this two-state theory into the constitution, promote a referendum to change the status quo regarding independence or reunification, or abolish the national unification guidelines or council.

He had other rhetorical reassurances. The people of the two sides of the strait, he said, share a common heritage. Economic and other types of interaction between Taiwan and China are important. Any unilateral changes in the Taiwan Straits status quo should be avoided. Mr. Chen didn't rule out any future cross-strait outcome for Taiwan and made particular reference to the European model of integration. And finally he stated his appreciation that the PRC could not relinquish its insistence on the one-China principle.

Having offered these reassurances, President Chen also restated a number of longstanding elements of Taiwan policy. The Republic of China was a fact and he was obligated to defend its sovereignty. Taiwan's membership in international society was a fact and he continued to seek international space. A peaceful process free of threats was essential. Any cross-strait outcome had to be acceptable to the people of Taiwan.

President Chen also had some qualifications to his positive statements. In his mind, his reaffirmation-by-reference of the five no's no doubt included the condition that he had stated in his first inaugural: quote, "as long as the CCP regime has no intention to use military force," unquote. Chen did not say the phrase one country on each side, but

he did equate China and Taiwan to the PRC and the ROC. He stressed that if there was to be no unilateral change in the status quo, both sides – not just Taiwan – needed to work together to guarantee it.

Chen then offered a proposal for improving cross-strait relations. First, he would establish a committee for cross-strait peace and development on which would be represented various political parties and social sectors in order to draft consensus guidelines for cross-strait peace and development. He urged that Beijing foster an environment of peace, development, and freedom of choice and create channels to resume cross-strait dialogue and communication, and specifically a peace and stability framework. He proposed the expansion and liberalization of nongovernmental interactions so that Taiwan and China could together meet the challenge of globalization. He called for the opening of the three links. These ideas are consistent with Chen's preelection proposals for peace and stability framework, which incidentally also included the idea of military confidence-building measures.

Turning to the second issue, constitutional revision, President Chen reaffirmed his objective to reengineer Taiwan's constitutional order so that it better accorded with the contemporary needs of Taiwan. The goal, he said, was to enhance good governance and administrative efficiency and to ensure a solid foundation for the democratic rule of law. He reiterated the specific issues of the DPP's revision agenda: whether to have five yuan or three, whether to have a presidential or parliamentary system, whether to elect the president by relative or absolute majority, how to change the Legislative Yuan, whether to retain the national assembly, et cetera. On the issue of the national assembly he signaled his strong preference that it be abolished and that referendum be used to approve subsequent constitutional provisions.

On the other hand, Mr. Chen proposed explicitly that issues related to national sovereignty, territory, and the subject of unification and independence be excluded from this next exercise because he said, quote, "consensus has yet to be reached," unquote, on these matters. Concerning process, President Chen said there would be a constitutional reform commission that included members of the ruling and opposition parties, legal experts, scholars, and representatives of various walks of life and that this body would forge, quote, "the highest level of social consensus on the scope and procedure of constitutional reform." Thereafter, the rules of the current constitution will be followed. That is, the Legislative Yuan would have to assemble a forum of at least three-fourths of its members and then three-fourths of the legislators assembled would have to approve proposed amendments. A new national assembly would then be elected to vote on the new charter. This process Chen hopes would be completed by the time he leaves office.

Now, clearly this proposal represents a shift from President Chen's ideas during the campaign. Then, he proposed changing the referendum law so that it could be used to approve this round of constitutional revision, and he forecast no role for the Legislative Yuan and National Assembly, or seemed not to because, he charged, the existing process unjustly frustrated the popular will. Now, he's prepared to use the existing process, but the thrust of his proposal is that referendum would be used in future exercises.

On substance, President Chen suggested during the campaign that a new constitution might well address the territorial scope of the Republic of China and would explicitly exclude the Chinese mainland. Now he proposes that issue should not be addressed. That's not to say that it could not be addressed in future revisions.

Let me mention as an aside that Taiwan badly needs political reform. The political system has some serious constitutional and other defects that need fixing. It's a system that in my view gives too much power to small minorities. Moving to electing the president by absolute majority and electing legislators from single member districts might produce a system that better reflects mainstream views. But there are other defects, such as insufficient controls of conflicts of interest, that President Chen's proposals do not address.

President Chen's third theme was island-wide unity, and here he went beyond the victorious politician's usual appeal to the opposition to set aside the confrontation of the campaign and get on with the business of governing. He stressed the more fundamental theme of Taiwan identity. As he put it, quote, "we must seek to establish a civil society to create an identity with this land and a common memory if we are to transcend the limitation of ethnicity, lineage, language, and culture and to build a new and unified sense of shared destiny." Taiwan, he said, was a multiethnic society and members of all ethnic groups had been victims in the past, but all were part of, quote, "the new Taiwan family." All, he claimed, had a shared sense of belonging however short or long their connection with Taiwan. All possessed a sense of shared destiny.

Now, as I was listening to this part of the speech in translation, I leaned over to Nat Bellocchi and said, "This sounds like Li Teng-hui." And in fact those of you who have followed politics in the 1990s will recall President Li pushing the same ideas: that the people of Taiwan were, as he put it, a Gemeinschaft – a collectivity that shared a common destiny, and you'll recall that during the 1998 Taipei mayoral election he referred to Ma Ying, the KMT candidate who hailed from Hunan and was born in Hong Kong, as a "new Taiwan person."

Now, what are the implications of President Chen's proposals? The first is that with respect to constitutional revision and cross-strait relations, he's managed to skillfully put the ball, I think, in Beijing's court. To continue the tennis metaphor, he has hit the ball right at Beijing's feet so that it doesn't know whether to reply with a forehand or a backhand. Recall that the PRC had regarded Chen's proposals for a new constitution to be approved by a referendum as the functional equivalent of a declaration of independence. For Beijing, both process – referendum – and content – sovereignty issues – had to be opposed. President Chen's current proposal follows the existing process and it fences off sovereignty issues, but it does promise the most significant overhaul of the ROC structure since 1928 and he's indicated that future revisions should be approved by a referendum and may, by implication, include sovereignty issues.

So President Chen has effectively moved the debate and done so with American concurrence. For the past year, he has carried the burden of proving that he was not the one unilaterally changing the status quo. Now he seems to have shifted that burden to Beijing, and Bonnie will offer her views on whether the PRC is happy with the shift.

Concerning President Chen's specific proposals on cross-strait relations, notice again how he is shifting the ground. He implicitly reaffirmed the national unification and the national unification guidelines, but he also proposed a cross-strait peace and development committee and cross-strait peace and development guidelines. Again this poses a challenge to Beijing. If it sees these proposals as an emerging negative trend, when and how should it respond?

Now, there was some optimism at the time of the inauguration that cross-strait progress was actually possible. People pointed to the overlap between things that President Chen had proposed, such as military confidence-building measures, and the seven points in the PRC Taiwan Affairs Office statement of May 17th. Randy Shriver last week noted the same positive overlap. The May 17th statement has some other interesting features, such as not mentioning the formula of one country, two systems.

Personally, I am not so optimistic that progress is possible. I look to the Taiwan Affairs Office statement's requirement that President Chen abandon independence and stop separatist activities and recall the expansive way in which Beijing defines those terms. Beijing made a similar demand four years ago – a demand that was very difficult for Chen Shui-bian to meet. I think Beijing missed a golden opportunity then and four years of stalemate resulted. I fear that the same thing or worse will happen in the next four years. I hope I'm wrong. I know that there was at least one occasion -- in 1998 -- when preconditions were set aside in order to resume contacts. We shall see.

A third implication is that the greater unity on Taiwan for which President Chen called is a significant precondition for fulfilling the other two objectives. Constitutional revision is easier or perhaps just possible if there's a broad agreement, and the problems to be addressed have broad consensus. Conduct of cross-strait relations is more feasible if there's a consensus on how to do so. And the reality on Taiwan today is that the people do not possess a sense of shared destiny, as President Chen appealed for. Opinion is divided on the fundamental issue of how to cope with the reality of an increasingly powerful China and lots of less fundamental issues such as the 2004 electoral process.

When it comes to constitutional revision, the bottom line, it seems to me, is whether President Chen can encourage at least 169 members of the Legislative Yuan – that's three-quarters of 225 – to show up to vote on amendments and then get three-quarters of those who show up to vote yes. So President Chen is going to have to make constitutional revision palatable to a broad spectrum of forces if he is going to make headway on his agenda.

A related matter is the Legislative Yuan election in December. This remains an important factor in defining the balance of power in Taiwan. If the pan-green can win a

majority, then it has greater flexibility to carry out President Chen's program. If the pan-blue on the other hand can do a good job of mobilizing its constituency, then continued stalemate is more likely. Now that President Chen has pledged to follow the existing process and constitutional revision, the LY election is not quite as significant as it was before, but it is still important.

Finally, it's worth observing that any assessment of the implications of President Chen's proposals depends on how credible they are. If one takes him at his word, as I do and as the U.S. government does, then a more positive projection is perhaps warranted. If one has no confidence in what he says, which is the attitude that I expect Bonnie to ascribe to Beijing, then a more pessimistic forecast is in order.

It's clear that President Chen had to cope with conflicting pressures as he wrote his inaugural address and as he charted his agenda for the next four years. There were pressures from the United States and pressures from the base of his party. Some in the pan-green camp now believe that he's made an unprincipled retreat. Others think that his carefully crafted language – what he said and what he did not say – was consistent with their fundamental goals. Those pressures will continue. Issues will arise and depending on how they are resolved, these could dilute Mr. Chen's inaugural commitments. The process of operationalizing the principles he stated on May 20th will be complex and highly political, but his address on May 20th does set the framework for the future.

Thank you very much.

(Applause.)

MR. SWAINE: Thank you very much, Richard. Bonnie?

BONNIE GLASER: Thank you. Thank you all for coming today, and to the Carnegie Endowment for helping to put together this session. I am going to focus my remarks on China's policy and provide an analysis in that context of the Taiwan Affairs Office May 17th statement on Taiwan.

First, let me kind of offer a summary judgment. China's Taiwan policy is being hotly debated and is still evolving. I think we're going to see a continuing evolution certainly until after the Legislative Yuan elections in Taiwan later this year and the U.S. presidential elections in November, but it's my judgment that the trend is toward the adoption of a tougher stance along with new tactics to keep Chen Shui-bian off balance, to constrain Taiwan independence and to begin to try to seize the initiative in the cross-strait agenda as Chen Shui-bian begins his second term.

Following the March 20th elections, there was kind of an eerie silence from China, I think reflective of the fact that the Chinese had hoped for and predicted that Lien Chan would win and then this was followed by some scholarly commentaries – criticism of Chen and that drumbeat built up to the May 17th statement.

Subsequent to that, after the inauguration we've seen a pretty consistent, very high volume, strident tone from China criticizing Chen directly and warning the United States to take very seriously Chen's agenda. I think that the Chinese are particularly alarmed by the fact that Washington has praised President Chen's inaugural address saying that it was constructive and responsible. Some U.S. officials have said it was statesmanlike. I think there's nothing that the Chinese could disagree with more than President Chen being portrayed as a statesman. And then of course that was followed by Annette Lu's transit here and some of the things that she said, particularly calling for the title of the Republic of China to be renamed Taiwan Republic of China, and I'm sure we're going to hear even more strident criticism from China in the future.

And then the whole issue of arms sales, of course, has become very prominent with the discussion in the Legislative Yuan and the agreement by Chen's cabinet to pursue this special budget. And so it's with this background that I want to look a little bit more closely at the May 17th statement and offer my views.

The May 17th statement has been described as containing the five "absolutely nots" and the seven "bright futures." I'm not going to list all of them as I'm sure you've read it but I'll highlight what I see as important about them. First, importantly, this statement was issued by both the party central committee and the state council, which is somewhat unusual. Of course the Taiwan Affairs Office is really under both the party and the state. It's one entity. TAO statements are not usually issued in the name of the party, however, so this makes it a rather important and authoritative statement.

It was issued only a few days prior to Chen's inauguration speech, not far enough in advance to have an impact on Chen's inauguration speech. That would have, of course, required at least several weeks, but it certainly was intended to signal that China's assessment of Chen is firm. China's determination is set in concrete that he is seeking to achieve independence. Whereas after his election in 2000 the Chinese had been willing to have a policy of listening to his words and watching his deeds, now they are very focused on watching his deeds and won't believe anything that he's says.

The Chinese expected that Chen would tone down some of his language and positions in the inauguration speech, in part, if not completely, to appease the United States. But China is unalterably convinced that Chen is seeking to legally separate Taiwan from the mainland, and so setting out this statement prior to his inauguration speech was important.

To my mind, nothing that President Chen could have said in that inauguration speech short of embracing the one-China principle, or returning to the 1992 consensus, would have satisfied Beijing, so it's not surprising that they criticized it and did not find really anything in it that they see as pointing in the direction of creating the potential for improved relations.

The statement was in my mind aimed at many different audiences, and let me just tick off some of those. It was in part aimed at warning the pro-independence forces on

Taiwan that they have gone too far already and shouldn't push the envelope any further. It was also aimed, I think, at the more moderate forces on Taiwan as part of the continuing united front policy to win over those groups who favor better cross-strait relations and possible compromise with Beijing.

The May 17th statement also had a domestic audience. The Chinese leadership does not want to be seen as too soft on Taiwan, and it contained a lot of hard, tough language for those people who have been critical of the leadership as being too soft. At the same time, for moderates who have been pressing the leadership to do more concrete and tangible things – to reach out to the people of Taiwan, to win over the hearts and minds of the Taiwan people – it did provide some concrete examples of some of the things that China's willing to do if Chen were willing to accept the one-China principle.

And then finally, another audience of this statement I would say is the United States, signaling that China is not going to compromise on one-China but it is willing to be creative and foster improves cross-strait ties if Taipei accepts one-China. Washington has been urging China to show more flexibility just as it's been urging Taipei to take a more positive approach to create a better atmosphere in cross-strait relations. At the same time, this statement is signaling Washington to do more to reign in President Chen and stop Taiwan independence lest the situation get out of control.

In some ways this document seems almost a consensus document that accommodates both hard-line and soft-line positions. Some of the hard-line features of it, for example, is that cross-strait relations are described as being in a grave state. Taiwan independence and safeguarding peace and stability in the Taiwan Strait are identified as the most pressing tasks and the statement warns that Taiwan independence will be crushed thoroughly at any cost.

And of course, at the end of the statement two separate paths are presented for those in power in Taiwan: pull back from the brink of the precipice or meet your own destruction by playing with the fire. As for the soft-line – the seven bright futures – most of the carrots that are proposed have been presented to Taiwan before. It is not new for Beijing to offer closer economic cooperation, for example, or greater international space for Taiwan. But what people in Taipei certainly pointed out to us when we were there for the inauguration and had discussions about this May 17 statement, it is significant that these carrots are now being offered to the DPP, whereas in the past they had been offered to the KMT. So this really represents kind of a comprehensive statement of putting together many of the things that have been offered before.

There are, however, some new things, and Richard referred to one of them that I think is particularly interesting, and that is the establishment of a mechanism of mutual trust in the military field. If you go back and look at President Chen's 2000 inaugural address, this is something that he had originally proposed; the terminology is the same. What's behind it and whether anything could proceed in the future without Taiwan completely accepting the one-China principle is uncertain, but in the past I have found people in Beijing to be reluctant to talk about the idea of confidence-building measures

because they believe that it would bestow sovereignty and recognition on Taiwan; it would acknowledge that Taiwan is indeed a separate state -- not that all confidence-building measures have been pursued between sovereign states, but for the most part they have.

And there has also been, I think, great reluctance to take any measures in the military sphere that would enable Taiwan to feel more secure, because indeed China and the PLA have gone out of their way to make Taiwan feel insecure. So it's hard to know whether this is just rhetoric, but that's something I plan on probing more in my next visit to China. One of my projects is focused on the prospects for cross-strait confidence-building measures.

I think the bottom line of this May 17th statement is that progress is contingent upon Taipei's acceptance of one-China. In my view, it really is a very tough statement by China, and I found it actually rather surprising that all of the people we spoke to in the Taiwan government, scholars, and then subsequently since I've returned portrayed this document as a sign of PRC goodwill and a harbinger of a trend toward eased cross-strait tension.

There's great focus in Taiwan on the seven bright futures. In fact, one person described the beginning and the end of the statement as representative of Jiang Zemin's tough line and characterized the seven initiatives as Hu Jintao's ideas. The assumption is that Hu Jintao advocates a more moderate policy toward Taiwan than Jiang.This is obviously way too simple. That is not the way Chinese decision-making works, and I'm also somewhat skeptical of the notion that Hu Jintao is a real moderate on Taiwan. I haven't seen any convincing evidence that his policy would be very different if he were completely in control of it and Jiang Zemin were out of the picture.

To be sure, it certainly is positive that the Taiwan Affairs Office statement did not mention one country-two systems, but to my mind this is a consequence of Beijing's recognition that the majority of the people on Taiwan object to one country-two systems, so including it in the seven bright futures would have been counterproductive. I don't think that means they're backing away from it, although I would certainly offer a caveat: there has been an interesting discussion in the Chinese – mostly in the pro-Beijing Hong Kong media that suggests that one country-two systems might be outdated. It was the right policy under Deng Xiaoping and under Jiang Zemin, but the in the new circumstances in which China should keep in step with the times, that maybe other alternatives should be considered.

There was an interesting article carried by Ta Kung Pao (ph) right after Chen Shui-bian's reelection in which a Taiwan scholar from the mainland explicitly criticized one country-two systems. So that's interesting. It provides food for thought and is worth following, but nevertheless I don't think that this particular statement by the Taiwan Affairs Office suggests that China is backing away from that particular formula.

If there is a silver lining in the May 17th statement, I think it's the absence of Qian Qichen's third sentence that has defined China's stance toward Taiwan in recent years. Qian had stated that there's only one China in the world and Taiwan and the mainland are part of one-China, and the third sentence had referred to sovereignty as being indivisible. Well, this is absent from the May 17th statement. It is hard to say whether this indicates that there might be any room for discussion of shared sovereignty in the future, but again, this is something that's worth following in the future.

As far as China's future and evolving policy towards Taiwan, I think that assessment of the situation in Taiwan and the debate over China's policy toward Taiwan will likely continue, as I said, certainly through the end of this year when elections wil take place in the United States and in Taiwan. And the outcome of these two elections will better enable Beijing to ascertain the effectiveness of both the internal and the external checks on Taiwan independence.

There is apparently growing pressure for tougher measures toward Taiwan including the use of military force, and I say apparently because this is based, I think, really on a reading of the Chinese media, a reading of Chinese chatrooms, and statements by mainland scholars which I certainly heard when I was in China, both in January and even more forcefully when I was there in April. We don't really know if it's true that there's a lot of domestic pressure on the leadership – we don't really fully understand, I think, China's public and elite opinion and how they influence foreign policy decision-making in China.

I was reading an article this morning from a Hong Kong publication – not from the pro-Beijing press. There was an interesting sentence: "Data of various kinds show that an overwhelming majority of over 95 percent of the mainland masses believe that Taiwan is already engaged in de facto independence and that the mainland should take more hard-line measures including direct military action to cope with the current Taiwan situation." Such reporting provides the sense that there is more pressure on the leadership, but "data of various kinds" is somewhat vague. I haven't seen any real hard evidence.

I did have a conversation with a Chinese scholar about a week ago who noted that he saw a tougher policy coming out of Beijing, and it was interesting how he characterized it. He said that in the past, President Li Teng-hui has accused China of being a dog that barks but doesn't bite, and that in the future China is likely to be a dog that doesn't really bark but does bite. And I think what this suggests is increased willingness on the part of China to take actions that really inflict harm on Taiwan's interests. We can certainly see some preliminary signs of this: China's Taiwan Affairs Office spokesman hinted that pro-independence businessmen may in the future be penalized; Mainland authorities have recently refused to grant entry permits to two leaders of large Taiwanese industrial and business groups; and a leading mainland scholar wrote last week that China would consider imposing an economic blockade on Taiwan that would have the result of paralyzing Taiwan's economy within two months. The

Taiwan Affairs spokesman denied that this is actively being considered, but it is noteworthy that people are writing about such things.

I think another sign of a tougher tactic is the discussion of the promulgation of a national reunification law. It is important that the National People's Congress has not yet set in motion the procedural process necessary for enacting such a law, but it is clear that the proposal is being intently debated. This could simply be an effort to counter Chen's efforts to rewrite Taiwan's constitution, or it could be an attempt to provide legal cover for the future use of military force against Taiwan. And I think the jury is still out as to what is driving this and whether or not it is going to happen.

A draft of the unification law is circulating that many of you may have seen. It was written by a scholar in December 2002, and by no means should be taken as reflecting the leadership's opinions or anything like what might be close to a final draft on this issue, but it contains some interesting ideas. There's certainly some tough language, but I just wanted to point to some of the positive language that's used. For example, in this draft, the ROC and the PRC would regard each other as special political regions of their respective countries prior to reunification, and the country that they would eventually form would be called the Federated Republic of China. This would mean in effect that Beijing recognizes the sovereignty of Taiwan, and such a suggestion would certainly be more palatable to the people of Taiwan than the one country-two systems formula that would basically render Taiwan nothing more than a special administrative region.

It's interesting to watch the debate as it unfolds in China. It's hard to judge how much influence people like this scholar writing this draft or other scholars who are all over the Chinese media, TV, and newspapers making their suggestions or providing their analysis. It very important for the United States and for the future of cross-strait stability to understand that debate as we try to assess and correctly predict what China's future policy is going to be toward Taiwan and then maybe ask the question as to how that policy can be further influenced by the policies of the United States and Taiwan as we all seek to head off war in the Taiwan Strait. And as I pose those questions, I'll turn to Alan to answer them. (Laughter.)

(Applause.)

MR. SWAINE: Alan, please elucidate us.

ALAN ROMBERG: I also want to thank Michael Swaine and others here at Carnegie for pulling this together – for suggesting it, and my colleagues Richard and Bonnie and Michael for joining in this, and thank you all. I'm impressed by the quality of this audience as I look around and recognize a large number of people who follow these issues very closely, so I appreciate your willingness to listen.

I'm going to start off with my bottom line in talking about U.S. reactions to what's been going on and possible policy options. While both Beijing and Taipei are

going to try to tilt the playing field in their own favor, and each is going to adhere with some ardor to its own principles, if the United States acts with consistency, purpose, vision, flexibility, and creativity, while we may not be able to bring the situation to a point of reliable stability we can probably influence things enough to avert a crisis. This may seem to place a lot of the burden on Washington when in all justice the main responsibility should rest with Taipei and Beijing, but we can't control them; we can only influence them. What we presumably can do is control ourselves – presumably.

We've been talking already about a variety of things that have happened recently: a series of statements and speeches, the May 17th PRC statement, the May 20th inaugural. There was also a May 24th press conference by the Taiwan Affairs Office, and so the U.S. reaction to all of this I think has been very much in line with Assistant Secretary of State Jim Kelly's April 21st testimony in the House. Basically I will note that he supported, as has the U.S. since, continuing adherence to the position supporting Taiwan's security and prosperity, welcoming a PRC-prudent approach, but caution – caution regarding provocations from either side. And thank you very much, we will be the ones to define what we mean, what a provocation is or what the status quo is.

While Beijing's attacks on the May 20th Chen Shui-bian inaugural address were focused importantly on the lack of any substantive concession on the issues of one-China, the U.S. welcome of that same address was primarily, I believe, related to the pullback, which Richard talked about, related to the proposal for constitutional change both in terms of substance and process, and the avoidance of some of the more provocative slogans used in the past. For example – "yi bian, yi guo"– one country on each side.

I have to say, I think this was clearly a success for U.S. efforts and reflected both the seriousness of our message and the seriousness with which it was received in Taipei. And I would say despite the record the fact is that this success probably even got a reasonably good reception in Beijing. That having been said, concern remains over the proposal for future constitutional change by referendum and the apparent toughening up of Taiwan's line on the three links. I note that while we were in Taiwan we heard that no, no, it's the PRC that has tightened up on the three links, but I don't believe that in fact is the case.

In light of the apparent PRC determination to adopt a proactive posture and to reestablish its credibility on Taiwan independence – and I think these are two key aspects of what we're seeing here – the U.S. must now consider how to shape its own approach, the level of intensity of its involvement, the substance of that involvement, steps in the event of negative developments from either side so as to ensure the most positive outcome that we can achieve.

An issue that some observers have been discussing is what a recent, more assertive PRC role, for example, on Iraq at the United Nations, and as of this morning reports criticizing U.S. inflexibility on North Korea, what that reflects. Does it merely straightforwardly reflect substantive concerns with the U.S. course in these particular areas? Does it foreshadow perhaps a marginal adjustment in how the PRC will carry out

a policy that still relies very heavily on avoiding confrontation with the United States? Does it reflect to some degree a growing PRC angst over U.S. positions regarding Taiwan? Or does it represent a more fundamental shift in PRC foreign policy where it's still cooperative but will have somewhat more distant relations with the United States? And whatever one thinks about this set of possibilities, what are the implications of this for U.S.-Taiwan policy?

I'm not going to try to parse their statements to come to some conclusion, but my own judgment is that it remains fundamentally in the U.S.' national interest, on the one hand to maintain the same level of concern for Taiwan's security and well being as we have, but on the other to continue to maintain the recent level of close cooperation with the PRC on issues ranging from North Korea to non-proliferation to Iraq. I don't see these two objectives as necessarily in conflict, but the way we handle Taiwan will be an important determinant in overall U.S.-PRC relations. The implication of this is that the United States needs to find appropriate ways to ensure that peace and stability are maintained across the strait, although in my judgment, not to be lured by the temptation to mediate between the two sides.

Looking first at what we could do on the Taiwan side, there are of course both negative and positive things we could look at, and there are limits on both parts of that. On the positive side, while the U.S. should not depart from its longstanding practice of only providing defensive weapons needed by Taiwan for its self defense, it has some choices with regard to specific systems and to the terms on which they're provided. This is also true regarding the software contacts and support to Taiwan's military. But I would argue that except in the face of blatant PRC provocation, it's probably detrimental to Taiwan's security to rely too heavily on arms sales as an inducement to good behavior by Taipei. We can push such sales in directions that we feel are most stabilizing, and we should do that, but we have to understand the logic of the PRC argument, that too much in this direction can lead to overconfidence in Taipei and an unwillingness to think constructively about shaping cross-strait relations in positive directions.

At the same time, not only would withholding arms that are actually necessary to Taiwan's defense be destabilizing and possibly contribute to a tragic miscalculation in Beijing, but it would likely lead to a counterproductive political uproar in the United States as well, not only about Taiwan but about overall China policy. So there are real limits in applying arm sales as a governor on Taiwan's behavior.

Political signaling is also a tool to be used. The approach to transits of the United States by Taiwan's leaders, or even visits by some lower-ranking officials, as well as visits to Taiwan by appropriate American officials not only can but should be used in this way. But here again, there are limits, going too far – for example, allowing a Chen Shui-bian visit to Washington would be extremely counterproductive. Seeking to block all transits would go too far the other way, unless the situation had gotten so far out of hand that subtlety was thrown to the wind.

Again, however, one would need to be prepared to handle the political consequences within the United States. Whatever the case, some carefully chosen and conducted senior-level contacts with Taiwan is probably an important element in helping to control the situation. In part, it's a confidence builder, but in part it's necessary to convey tough love messages as needed.

In most events, even though Beijing will know of such contacts, perhaps even should be told, rubbing the PRC's nose in it through high visibility would likely be self-defeating, and Taiwan will need to be held accountable for confidentiality as well if it wants such contacts to continue.

Public statements could also have a role, as they did last winter, but one hopes that such will not be necessary, for they tend to come across as blunt instruments that can convey misleading and unintended messages. Going back but a few years, I believe that Bill Clinton's articulation of the so-called three no's in Beijing in June 1998 is a good example of how unintended messages were conveyed and misread.

With the PRC, it will be important to convey both a sense of credible caution on the one hand, and credible reassurance on the other. The caution will be necessary to ensure that there is no mistaking U.S. determination to avoid and oppose forceful or coercive resolution of cross-strait issues. That said, trying to be too clear about the circumstances under which the United States would or would not come to Taiwan's aid specifically would not be useful in this respect. Such statements could be read by one party or the other as permission slips to act in ways that in fact are contrary to our interests. Strategic ambiguity has served the United States well for several decades and I believe will continue to do so.

The reassurance will be necessary to ensure that the mainland understands that the United States in fact really does not support Taiwan independence, really does oppose unilateral steps leading in that direction, and really will not stand in the way of any outcome peacefully and voluntarily arrived at. I don't think any sensible person who understands this situation expects reunification could possibly occur any time soon, so that's not an operational issue, but the American attitude toward the long term will affect our ability to influence both parties in the meantime.

The other thing we need to try to achieve with the PRC is to get Beijing to adopt positions that appeal to the people in Taiwan, not because we want to promote reunification but because without such an effort on Beijing's part, the likelihood of greater tension over time, and maybe over not such a long period of time, will grow. And whereas reunification or independence is not an issue we should become directly involved with, reduction of tension and avoidance of war is.

Finally, there is the tricky issue of our own military preparedness. We're all aware of the requirement under the Taiwan Relations Act, quote, "to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security or the social or economic system of the people on Taiwan."

But frankly, I'm not as concerned with the legal requirement as I am with the reality of the need to be able to present the president with meaningful options in the event of confrontation. And that's because I believe it is in the strategic interest of the United States. The strategic interest we have in Taiwan is not something that's written into law, as important as law is to Americans. It's that allowing forced or coerced resolution of cross-strait relations is fundamentally against the U.S. strategic national interest.

Michael will look at this in greater detail, but I would argue that in something of a mirror image of the challenge facing the PLA, the more obviously the U.S. prepares to be able to fight a war over Taiwan, the more provocative this will appear in Beijing, and perhaps the more likely therefore to bring war about. That said, I think we can agree that lack of preparedness is not the answer. That might bring about the use of force even more surely.

Perhaps the key here is the overall nature of U.S.-PRC relations and the success we have in conveying our dual message to China. That is, if we are able to be credible regarding the lack of any long-term plan or intention to keep Taiwan separate from the mainland, and especially if the U.S. and PRC are able to adjust to their changing strategic balance, in confidence that we do not see each other as inevitable enemies, then the situation may not deteriorate into open confrontation or conflict.

I think it worth stating here, I believe that PLA not only doesn't need to continue to build up its missiles and other capabilities to deter Taiwan independence, it actually could reduce such forces and continue to have effective deterrence. And ratcheting back of its forces would, I think, be useful, but I think we have to face the reality that that is not likely to happen unless there is a suitable political framework that meets the bottom-line requirements of both Taipei and Beijing, and at the moment that doesn't seem to be within reach.

All of which brings me back to the reality that cross-strait issues are essentially political, not military. I would be prepared to argue there is no military solution, and any attempt to impose one will only create long-term turmoil for all concerned, whoever might emerge with an edge from the initial rounds.

Lest I be scolded for not mentioning economics, let me say I believe that the burgeoning cross-strait economic ties and the extraordinarily strong ties the U.S. maintains with both sides of the strait contribute to attitudes that will be helpful over time, but not only are they not an unalloyed good – we all know the downsides of the arguments – but in the end, politics will trump economics. That is, if any of the three parties felt that its vital, political, and security interests were being threatened, it would act, regardless of the economic consequences.

This is not mission impossible, but it will be difficult and it will require a consistent high-level attention in all three capitals, not just in two. It will require that American leaders, no less than those in Taiwan and the mainland, understand what our

policy really is, why it's that way, what the consequences would be of either deviating from it or allowing it to be sacrificed to other considerations.

The eminent legal theorist Roscoe Pound once wrote, "The law must be stable but it must not stand still." Turning this wisdom on its head and applying it here, one might say, U.S. policy toward Taiwan must not become rigid or fail to account for the rapidly evolving situation, but it must be consistent in terms of its basic principles and goals. If U.S. policy follows such guidelines, I believe we can be successful. If U.S. policy does not, I fear we may encounter severe damage to our interests and to the maintenance of peace and stability.

Thank you.

(Applause.)

MR. SWAINE: Thank you very much, Alan.

Well, we're almost on time. I will try to catch us up a little bit. As I said at the beginning, I would like to address, in looking at a second Chen Shui-bian administration, the military and security aspects of this question. And here there are really, as I see it, two different issues, two different questions.. One is the question of military reform and the restructuring of Taiwan's military and what might happen in a second Chen Shui-bian along those lines.

Military reform, and defense reform has been an issue now in Taiwan for several years. It is proceeding on the basis of legislation that has been passed in defense reform laws. There has been a mixed record of success thus far. It's focused on several very key areas. One is the effort to strengthen civilian oversight over the Taiwan's military, and to, if you will, take the party out of the Taiwan military, which was the Chinese Nationalist Party, the Kuomintang, and to make the entire process of military operation and military decision-making and procurements more transparent and more subject to control by the civilian arm of government.

Reform has also partly to do with streamlining and restructuring the actual force structure of the Taiwanese military itself, and part of that is developing a more integrated and in some ways, to some people's minds, a more realistic national security strategy and defense doctrine for Taiwan. So all of that is sort of one big, big area that is a question: what will happen in that area in a second Chen term?

And the second area, the second big issue is military modernization itself; that is to say, the acquisition and deployment of arms, many from the United States, of course, and the level of interaction with the United States in acquiring greater capabilities. And this relates to a whole range of different issues, which I'll touch on in greater detail.

When I look at these two different sets of questions, there really are four different issues that come out of it that I think will be really important in a second Chen Shui-bian

administration. The first one is army dominance of the Taiwan military. This question – the ground forces in the Taiwan military have historically played a very dominant role in that military for many historical reasons. This question of army dominance affects almost every area of reform and of modernization in my view. It affects the issue of civilian control, the issue of reducing what some people regard as an excessive sympathy towards a one-China perspective within the Taiwan military. It affects the whole question of reordering the force structure of the Taiwan military to place greater emphasis on air force and Navy capabilities as opposed to ground force capabilities. And it also affects the development of a more realistic, if you will, national security strategy that is not so oriented towards ground force and a national security strategy that tries to devise a more unified sense of national identity, which is one big problem in developing a national security strategy. You have to have a unified understanding about what the national identity is. And that is still in the air. And the issue of army dominance and the association of army senior officers with mainlanders and their perspectives of a major factor in that whole process.

Now, in his first term, I would argue Chen Shui-bian had very little incentive to take on this issue of army dominance within the Taiwan military. He didn't, in my view, really go after it in a major way, in part I would say because he was distracted by a lot of other things that really put this thing down the priority list for him. It wasn't as urgent in his mind as some of the other issues were confronting him in his first term, most important of which being simply coping with the fact that the government was deadlocked.

Also he lost a major ally in pushing forward with reform and, one might argue, the reduction of army dominance in the departure of Tang Fei from the Chen administration. Tang Fei was a very well respected, very capable senior air force officer who became minister of defense and then -- was chief of staff of the air force, minister of defense, and then became premier. And that really resulted in some significant loss of energy in propelling this effort forward. But now what we've seen in the second term, as far as we've moved into a second term, is that we've already seen some efforts by Chen to try, I think, to alter what has been the historical dominance of the army in personnel in the senior ranks of the military. There looks to be an effort now to replace senior officials in the military with non-army figures, beginning with the selection of Admiral Li Chieh as minister of defense, former navy chief of staff, and former chief of the general staff, and also to select as chief of the general staff, Li Tien Yi who is a senior air force officer.

Now, as a result of Li Chieh's selection, there's already been movement in what people are terming a personnel shakeup in the Taiwan military to begin to bring in people who were close to Li Chieh and who are in many cases navy people into senior positions. And this is still very early in the game so we will see how far this goes in it's development. (Audio break, tape change.)

So as I say, there are now more signs, though, that there is more of a commitment to try and take on this task, I think, by the Chen government in a second term, and we'll

just have to see how far it goes. But it does impinge, as I say, on many areas of defense reform and modernization. I mean, some people really believe that it is absolutely pivotal to moving forward in those areas in any significant way.

A second big issue that I would point to that relates to both modernization and reform is the whole question of the commitment of more money, more funding for modernization acquisition and for carrying out reform. This was actually supported, I think, by the presidential office in the first Chen Shui-bian administration. But he just didn't have a lot of support in increasing the amount of spending on defense. He didn't, I would argue, have much support within the DPP and he didn't have much support within the Legislative Yuan (LY) to bring this about, for a variety of reasons.

There was, I think, and still is, an enormous amount of resistance and suspicion to the idea of allocating huge sums of money for defense modernization in Taiwan, even though that seems very counterintuitive to a lot of people. And the arguments are many, and we don't really have time to go into them in detail but they run the gamut from the acquisition of equipment from the United States that really is not to the best use of Taiwan, it is obsolete equipment in some cases, it is a function of U.S. defense contractors' pressure on Taiwan, it is overpriced, is not effective, we don't need this kind of weaponry anyway because the United States has basically committed itself to defending Taiwan, and the primary purpose of arms sales approvals in political; it sends a signal of closer relations between the United States and Taiwan and you don't necessarily want to go forward and act on those acquisitions.

I mean, those are some of the more cynical perspectives on this. Other ones are simply we can't afford it. I mean, Taiwan's government can't afford to come up with the amount of money that's necessary to acquire significant weapons systems. But what has now happened in the beginning of the second term is that the Chen Shui-bian cabinet has approved in deed a special budget, which has been in the offing now for a couple of years in the form of a draft bill, of 610.8 billion NT dollars, which is about 18.25 billion U.S. dollars. This is a very significant amount of money when you consider that the Taiwan defense budget in each year is under $10 billion (USD) This is to start in 2005 and run over about a 15-year period, however. This is by no means an annual figure. It's aimed at trying to acquire some of the key systems that the United States approved in April of '01, the PAC-3, the Patriot missile defense system; the EP-3, the anti-submarine warfare aircraft, and indeed, submarines.

The cabinet wants to push quickly on this. They want to have a special session of the LY to approve it. It's come about, as I say, because I think Chen Shui-bian had supported it and because the United States has pushed very, very hard for it. However, the bill has to be discussed and approved by the LY, and there already are signs of resistance to approving this defense spending, and not just by the opposition but also by members of the DPP and certainly by members of the Taiwan Solidarity Union, by the other Pan Green ally. The argumentation is that – again, it goes back to some of the questions about U.S. arms sales that I mentioned a minute ago, also issues of it's being pushed through somewhat secretively, there's been not enough discussion. I think there's

a desire to wait until after the LY election and then be able to handle it more effectively, and once you get through the election of the LY and then override perhaps some Pan Blue opposition to it.

And then there is the notion that is emerging in some quarters that the Taiwan government shouldn't really acquire these weapons without getting some kind of quid pro quo from the United States, which is really kind of an interesting observation. And this says volumes about a certain mindset in Taiwan, which is basically that U.S. weapons sales are something we're agreeing to as a favor to the United States, not because we need these weapons but because they've been pushed upon us, and, okay, all right, we'll buy them, but if we do buy them we want certain things from the U.S. in return. And those certain things that have been floated is they want an ironclad commitment to defend Taiwan, by the United States. They want a Chen Shui-bian trip to Washington. They want a U.S.-Taiwan free trade agreement. I mean, you know, sort of the cornerstones of some of the areas where people are pushing for a transformation in the U.S.-Taiwan relationship.

I'm not here saying that this is a representative point of view across the entire Taiwan political spectrum. It's not. It's being propounded by certain individuals, but they are notable, significant political figures in Taiwan and they're not just Pan Blue people, and it reflects a larger phenomenon, as I just said a minute ago, and it's something that I think the United States government can't be too happy about and has been struggling to deal with now for several years. But it reflects the larger problem of the purpose of U.S. arms sales to Taiwan and how they are justified and how they were reached and what kind of decision-making process is used in acquiring those weapons. And I would argue that that system, that process, such as it is, isn't much of a system in the past. It has occurred on the basis of a whole range of different factors, including political calculations, and it has not reflected, in my mind, the operation of an effective, integrated national security strategy on the part of Taiwan.

And that's not entirely something that I would want to just blame the Taiwan government for. They have had to operate a national defense policy on the basis of opportunity. When the United States agrees to sell something, you know, okay, we'll take it. But that has turned into kind of a game where there's been a lot of political pressure played on the Taiwan side as well. And so it is a big issue that I think is still out there for a second Chen Shui-bian government to deal with.

Now, a third element and then I'll – I'm already out of time, virtually, here, and there's nobody here on the panel to tell me that. But – okay, you do it, buddy. The last two points I'll try and cover very briefly that relate to these issues of modernization and reform, and one is the question of looking at what type of force structure is best for Taiwan, and here you've got this whole issue of acquiring offensive capability as an important element of Taiwan's deterrence. Taiwan needs to have the ability to strike the mainland in order to deter the mainland from using force against it.

This is an argument that has been around for some years now. It focuses actually on acquiring largely ballistic missile and cruise missile capabilities by Taiwan along with some aircraft strike capabilities. Now, the acquisition of this kind of capability has been suggested, either directly or indirectly, by very senior Taiwan politicians over the years, particularly in the heat of electoral campaigning because there's a certain resonance to this kind of an argument for offensive weapons, I think, in Taiwan thinking in certain areas. It's been suggested by Chen indirectly because of a way in which he defines Taiwan defense strategy, as he sees it. It's also been stated by people like Lien Chan in the past.

I think the United States has very limited support for this – very limited enthusiasm for this kind of train of thought, but I mention it here because we have a second term now here. The issue remains, I think, salient in certain quarters, and there are individuals now who have entered the Chen government, in particular somebody like Parris Chang (ph), who is the deputy secretary general of the NSC, and has made statements about the need for this kind of thing. He is going to be in a position where he is equal in the NSC in his title to a man named Ke Cheng-hen, who is a very senior advisor to Chen Shui-bian and whose expertise is, in fact, in the defense area as an advisor. And there could very well be some kind of friction between these two figures in trying to develop this approach, although I don't want to ever overestimate the influence of Peres in this whole process. But nonetheless it's something I think that has not been resolved in a second Chen term. My guess is, if I had to, is that I don't think you're going to see a whole lot of movement along this area, though, in a second Chen term. I don't see the factors coming together, gelling together to make this happen.

Now let me just conclude by a couple of comments on the fourth issue area, which is U.S.-Taiwan defense relations, which, again, relate very much to both the reform process and modernization.

We all know – I think most of us or all of us know that the level, the intensity – and Alan's referred to this – that U.S.-Taiwan defense cooperation has increased enormously in the last five years. It began under the Clinton administration – and that's a very important point. It did begin under the Clinton administration and very clearly so. It has been intensified in many ways under the Bush administration. And there is a momentum there, I think, that is driven in part by a very strong sense on the part of the U.S. administration of the need to have a more credible deterrent within Taiwan by Taiwan, and also a desire, in some quarters at least, in the Congress to do more for Taiwan in some quarters with the argument of trying to get Taiwan to acquire capabilities that will give it self sufficiency in its defense, and that this requires a much more extensive level of U.S. assistance in order to get to that level.

And then on the Taiwan side it's of course pushed very strongly because, I would argue, not just of military purposes but also because of the political signals that it sends. And it relates to issues of – as I say, it's a political question but it relates to issues that deal with increasing the level of interoperability, of interaction between U.S. and Taiwan forces to some degree, increasing the level of high-level military-to-military contact

between U.S. militaries, going up to the level, as implied by the recent defense authorization bill section that was passed by the House, of potentially going up to the level of Cabinet level, secretary of Defense level contacts between the U.S. and Taiwan.

Now, the Defense Authorization Act, as I just mentioned, for FY '05 has passed the House. A version of the Senate has been drawn up in committee. The interesting issue about this and about the whole broader question of U.S.-Taiwan defense relations is -- in my view there seems to be a division, if you will, a level of lack of coordination between the Pentagon's position on this and the White House and the State Department's position on this whole issue that is creating, I think increasingly, problems in developing an overall coordinated policy of the type that Alan had talked about.

A second Chen Shui-bian administration, in terms of Taiwan's perspective, from Taiwan's point of view, I don't think is going to assist a resolution of this problem. If anything, you could have more efforts by a second Chen term to try to support efforts which I think are coming out of the Pentagon to increase the level of U.S.-Taiwan defense assistance and defense relationships, but it really is, again, another question that needs to be addressed, in my view, much more directly by the Bush administration. There needs to be a much clearer level of coordination of the political and the military elements of the policy. And in my own view, I think there needs to be a recognition, including among people in the Congress, that Taiwan – a) on the one hand, Taiwan is not a military ally and is not going to have – even some closest U.S. military allies don't have interoperability of military forces. Both from a practical and technical point of view it's an excessive objective to go for, and then from a political point of view of course it is not a wise objective.

And then secondly, I think that there needs to be a recognition that Taiwan, in fact, cannot attain self-sufficiency in its defense. It will not be able to defend itself alone, in my view, or deter the – certainly not deter China on its own. So trying to advance that kind of an objective through an increased U.S.-Taiwan defense relationship, with support from the second Chen government, I think is not a realistic objective. So I think it calls for a much greater need to try and focus on exactly what Taiwan does need to acquire from a very military perspective, within the context of a political environment that is established outside of the Pentagon

And with that I will conclude. Thanks very much. (Applause.)

We have about 15 minutes for question and answer, unless we've answered all your questions, in which case we can adjourn early. Do we have any questions? A lot's been put on the table.

Yes, sir?

Q: My name is Zhengxin Li from World Affairs magazine. Actually, recently there are several things I guess probably worth noticing. One is the U.S. was accused by some DPP members of interfering in Taiwan's internal affairs. And the second probably

was Mr. Jiang Shu-ten (ph) warns us that – in the Heritage Foundation that several years ago if U.S. asked Taiwan to jump and they would ask, how high? And now things are different.

Very recently Douglas Paal was called by a member of the legislature as – (Chinese term). I don't how to translate that but it was very, very harsh. And my question is, is this simply a bad mood between DPP and United States, or it's a reflection of growing differences between the United States and DPP, transcending the strategic interests for each side?

Thank you.

MR. BUSH: I would say that Taiwan, and particularly the DPP, is a very sort of democratic entity. I think that one should expect a lot of opinions from Taiwan, including from the ruling party, about the United States because our influence is so important. I think what's important is the tone that the Presidential Office sets and the Foreign Ministry sets and the Ministry of National Defense sets. And these disagreements are going to be worked out within Taiwan. But I believe the statements you cite are moreatmosphericthan fundamental.

Q: I'm Mike Fonte. I'm the Washington liaison for the DPP. I was struck by Mr. Kelly's presentation on April 21st where he talked about a dialogue without preconditions, and I wonder if there's a link here between the DPP's attempt to talk about equality in the negotiations and the equal-footed language in the May 17th – I don't know how – and Alan's got the history in his head better than me -- but "without preconditions" has been a theme that's come up recently. I don't know how much that's got history to it, but it strikes me as a very important statement and I wonder if you've gotten any reaction either from the Chinese side or – how do you view within the current context?

MR. ROMBERG: I'll start. I think the U.S. position for a long time has been that that should be the case, that dialogue is important and preconditions should not apply. I would go back to what Bonnie said. I don't see any flexibility on the PRC's side with regard to dialogue. Whether there can be more informal contacts or not, I think -- when we were in Taipei I think some of us heard some hope on the part of various people in Taipei that there could be various channels to carry on some kind of communication, but, although from a U.S. point of view it's not new to seek dialogue without preconditions, I don't see anything that's likely to be a real change there.

MR. BUSH: I would agree with that. No preconditions was the point of view of the Clinton administration. I spoke to it publicly.

On the issue of equality, equal footing, my interpretation is that the two sides are talking about two different things; that the PRC, when they talk about equal footing, is talking about the nature of sort of the discussions and negotiations, how the dialogue would take place, and when Taiwan is talking about it, it refers to the status of the

government of Taiwan and whether it is and will be on the same level as or subordinate to the PRC government.

MS. GLASER: I think it's also important to recognize that there's a lot of different levels and types of dialogue that can take place across the strait. We have had the possibility of having industry enterprise representatives from both sides talk about establishment of the three links. That would be one form of dialogue. Another would be the Wang Daohan, Koo Chen-fu kind of dialogue that existed in the past, or the maybe secret dialogue that took place when Lee Teng-hui was in power. I think that the United States certainly is encouraging any kind of dialogue between the two sides of the strait. Even a less public dialogue between the two sides would be welcomed by Washington as well. So far I think Taipei has reached out, to some extent, to try to find people in the PRC to establish that kind of dialogue. I think that Beijing's lack of trust for Chen and his administration has meant that there's been a lot of resistance on the part of Beijing to set up any kind of dedicated channel that might to used to communicate messages. .

That possibility still exists, however. I think right now what we have is scholars from both sides going to the other side of the strait and claiming to be either briefed by their respective governments or tasked by their respective governments. Some even claim that they're envoys of their respective governments. And then of course to some extent you get mixed signals. You get conflicting messages sometimes as well. And I think it's really hard for governments to sort out which messages are accurate.

So for all of those reasons I think that the U.S. is very interested in seeing direct dialogue between the two, not through Washington, and my own sense is that that's not going to happen in the near future, although I'm not quite so pessimistic to say that in the next four years we won't see any dialogue on any of those levels or types that I mentioned.

MR. SWAINE: Thank you.

In the back there?

Q: Hello, I'm John Turpin from the Japan Information Access Project. And you said that acquiring offensive weapons probably won't be a high priority for Taiwan in this administration, and I'm wondering what you think about the necessity for Taiwan to have those sorts of weapons, or is that something the U.S. would be willing to provide as part of the security agreement? And if that is the case for the U.S., then is that something wise or is that something that might – that eagerness on our part might be something that would unduly threaten the PRC?

MR. SWAINE: I'm not a big fan of offensive weapons for Taiwan, from a whole host of different directions. I think militarily they don't make any sense. The ability of Taiwan to deter the mainland -- effectively be able to deter the mainland from using force on a conventional basis, using conventional weapons, would take a very significant amount of capability by Taiwan, which I don't believe Taiwan could acquire in anything

like a reasonable timeframe, and also a really good capability in intelligence and battle damage assessment, all kinds of different phenomena that go into having a real deterrent, that I just think from a military point of view just makes very little sense.

And I have yet to encounter a serious military analyst of these issues -- and I've tried to ask quite a few of them -- who really thinks that it makes much sense. You can argue that – well, I mean, some people have argued, but, again, they're not military analysts – that Taiwan's only option is an offensive non-conventional weapon capability. Of course there we're going down a whole different road, and there you've got a level of danger – put aside the military technical side of it – that I think is totally unrealistic.

So I don't see the advisability of it. And also, from the point of view of conducting defense of Taiwan, it complicates the ability to control escalation. If Taiwan has its own offensive force capability and the United States also has offensive capabilities, you better be sure that there is incredible amounts of coordination over how to use those two sets of capabilities, and the mainland understands exactly who's doing what, because it opens up, again, a whole problem – that's sort of a lot of detail on it – but there's a problem with escalation control there that I think nobody wants to really go down.

So I don't see it as a terribly advisable course of action, although I see that it has a lot of support within Taiwan. Again, I'm talking about acquiring basically air – cruise missile, ballistic missile, and aircraft strike capabilities. Some people say, well, submarines are offensive weapons and so submarines, you know, come under this rubric. I don't look at submarines in the same way that I necessarily would these other class of capabilities because I don't see submarines as playing into the – well, first of all there is the question of efficacy, and I think the submarine side you could make an argument that they could be effective in some ways. But secondly, they don't have the impact of going on the mainland – going against the mainland, striking the mainland that air launched cruise missiles or ballistic missiles or aircraft would have. So you've got the difference there.

In any event, it's not certainly something that I would be very supportive of.

MR. BUSH: I agree with all of that. I think the best way Taiwan can provide for its security is to have a good relationship with the United States.

On the second part of your question, the longstanding U.S. policy is that Taiwan not have an offensive capability. We spent the '50s, '60s and '70s blocking the ROC military from conducting major operations in the mainland. In 1978, before normalization, President Carter made a pledge to the PRC that our arms sales to Taiwan would be limited and not threatening to China. That really remains U.S. policy, and to act differently would throw out five decades of U.S. policy.

MR. SWAINE: Norman?

Q: Speaking of Mr. Kelly's testimony on April the 21st, when he talked about the status quo of Taiwan he said, it's the status quo as we define it, meaning the United States defining the status quo. And Beijing, just about a week ago, I believe, harshly criticized Mr. Kelly's statement that the U.S. will define the meaning of the status quo, saying that is really interference in China's domestic affairs.

I suppose the three sides – Taipei, Beijing and Washington – has different definitions of the status quo. So in the view of the panelists, whose definition prevails or holds court, and is there some kind of conflict?

MR. BUSH: Norman, I think the only definition that matters is ours – (laughter) – because we're the ones that stated the criteria: no unilateral --

Q: But that's very high-handed.

MR. BUSH: Well, we're the ones who take responsibility for peace and stability in the Taiwan Straits, and that's in everybody's interest.

Q: So the U.S. will act as a sort of an arbitrator in the whole dispute, right?

MR. BUSH: No, we're the guarantor of peace and stability and –

MR. ROMBERG: Norman, for our purposes we will define the status quo, and our policy will be based on that. I don't think that's very complicated. It's also been very clear for several decades that we don't accept either Taipei or Beijing's definition of what the situation is.

Q: Well, your –

MR. ROMBERG: The issue that Jim Kelly was addressing was U.S. policy.

Q: Will your definition of status quo be favorable to Taiwan or to Beijing or to what? Apparently not to Beijing -- that's why they complain. Taiwan has expressed concerns too, telling -- the critics of the Chen Shui-bian government saying, look, the status quo is to be defined by the United States, not by us. So which side is the U.S. taking?

MR. SWAINE: I think the lack of a reply is – we're considering it very strongly, Norman.

I think we've reached the 2:00 point so we really have to conclude. Okay, one last question then. Okay, last question.

Q: Hello?

MR. SWAINE: Yes.

Q: Thank you to offer me this last chance. I will make my question really short. As the title said, "a crisis in the making," but I think that from the speakers I have felt no sense of crisis now, and –

MR. : There's a question mark after that.

Q: (Chuckles.) Yeah. But as far as I know there were a lot of crises between China and the United States in the past, and one of the reasons is a perception gap between us in terms of events each side perceived, and from now I find out there is also a big gap between – a big gap of perception existed between China and the United States, and even the other parties in terms of the May 20th inauguration and the May 17th statement, even the question of status quo you just explained. So my question is, in preventing the occurrence of the crisis, how to reduce or mitigate the perception gaps by each party or especially by our scholars of international relations. Thank you.

MR. ROMBERG: Let me just start. One of the key perception gaps is between Taipei and Beijing. And I want to refer to what Bonnie just said about dialogue, and Mike Fonte's question about dialogue. It seems to me that one critical way of at least reducing perception gaps – it may not bring agreement, but at least reducing perception gaps is to have communication that's reliable, authoritative and frequent. I think without dialogue between the two sides of the strait we don't have that. So I would say that a fundamental way to try to mitigate perception gaps is to have cross-strait dialogue.

MR. BUSH: I agree totally with what Alan says, and I would refer you to Assistant Secretary Kelly's statement where a theme that was running through his remarks was just what you say, the danger of misperception, the danger of miscalculation. And that makes the need for good communications on all sides of the triangle all that more important.

MR. SWAINE: I think what people are seeing is that there needs to be a balanced sense of the need for communication across all the different sides of the triangle to improve the level of contact. And in my view, what's absolutely critical is, from a U.S. perspective, there has to be a continued dialogue with the Chinese and with Taiwan that really conveys a clear and consistent message from the U.S. position. There has been a lot of discussion before the election, the presidential election, that the United States was sending different messages, that there was a lot of inconsistency.

Now, a certain amount of this I think was sort of manipulation, because even when there was a very consistent and very clear message there was a desire not to receive it as a clear and consistent message. But there no way ultimately to get around that because you have maneuvering going on by all sides in this, and so they choose to interpret things the way they would like.

But having a clear public, consistent message with a level of dialogue is, I think, absolutely critical in dealing with this problem, and it means reassurance as well as

warnings to both – in my view, again, from the U.S. perspective, to both China and to Taiwan. And that takes a lot of sort of nuance in the policy – in the United States' policy, and some level of balance that I think the U.S. government doesn't always get right. It tends to tilt in one direction or in the other direction. It has to establish a greater level of balance in that message, because then I think you can get a greater level of confidence on the part of both China and Taiwan that its interests – its ultimate interests are not going to be betrayed, and there you've gone a long way towards, I think, improving the level of communication and reducing these disparities that we're talking about.

Well, thank you all very much for coming and for sticking through the whole time. It's been very interesting.

(Applause.)

(END)