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PARTICIPANTS:

Introduction and Moderator:

MIREYA SOLIS
Senior Fellow and Philip Knight Chair in
Japan Studies
Center for Northeast Asian Policy Studies
The Brookings Institution

Featured Speaker:

RICHARD BUSH
Senior Fellow and Director, Center for
Northeast Asian Policy Studies
The Brookings Institution

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P R O C E E D I N G S

MS. SOLIS: Good afternoon, everybody. Welcome. It is a pleasure to have you all here. My name is Mireya Solis. I'm a senior fellow and the Knight Chair in Japan Studies here at Brookings. And my colleague, Dr. Richard Bush, is going to talk about his newly published book, *Uncharted Strait: The Future of China-Taiwan Relations*.

Richard doesn't really need an introduction. He has a very distinguished career. He has been head of the Center for Northeast Asian Policy Studies and senior fellow at Brookings for over a decade. And before that, he was the chairman of the American Institute in Taiwan, and he had done work as well in the National Intelligence Council and the House Foreign Affairs Committee.

Richard is a very prolific writer, and I'm very envious of that, of course. And we have all benefited from the very insightful analyses that he has offered in his books. And to name a few, because the list is indeed very long, for example, *Perils of Proximity: China-Japan Security Relations, Untying the Knot: Making Peace in the Taiwan Strait*, and today he's going to discuss his most recent book.

And before I turn it to Richard for him to present the main findings of his research, I want to tell you about the added bonus that after the event Richard will sign copies of the book for all of you.

So, Richard, the floor is yours.

MR. BUSH: Thank you very much, Mireya, for that kind

introduction. I'd also like to thank my president, Strobe Talbott; my vice president in Foreign Policy, Martin Indyk; other colleagues in Foreign Policy; and the outstanding people in our Communications Division, who help make this possible. My staff at the Center deserves a vote of gratitude, also, because they free up a lot of my time to do books like *Uncharted Strait*. And then it wouldn't have happened without the support of organizations like the Smith Richardson Foundation, the TSMC Foundation, the government of Norway, and so on.

Often Brookings scholars spend their time warning the world about problems that are looming over the horizon, and I've certainly done that with my most recent book -- or previous book, for example, *Perils of Proximity*, about China-Japan interactions in the maritime domain and I'm still living off of that one.

Today, and through *Uncharted Strait*, I want to talk about a dangerous situation that actually got better. And as many of you know, for over a decade, before 2008, relations between China and Taiwan were rather tense and an issue of concern for the United States. Beijing and Taipei were locked in a political and increasingly militarized conflict, and each sought to enlist Washington to restrain the other. It seemed that Taiwan was the only issue over which the United States and China might go to war, and the chances of that happening were not zero. American officials who were part of these dynamics, myself included, but also Ken Lieberthal and my colleague Jeff Bader and others, still remember those times.

But things have changed in the last five years. Tensions between

the two sides of the strait have subsided. The salience of cross-Strait relations has declined relatively in U.S. foreign and security policy, and that's a good thing. Washington has enough external headaches as it is in Asia and elsewhere; that we have one less headache is a good news story.

What is intriguing is how this positive turn of events occurred and whether it will last. And it was to address these questions that I wrote *Uncharted Strait* and I would like today to review my conclusions for you. Now, this is only a summary. To get the full story you have to buy the book and Brookings hopes that you will buy the book, but that's your choice.

So the threshold question today is how did the cross-Strait relationship subside as a point of danger and mutual hostility? In brief, the leaders of China and Taiwan -- Hu Jintao on the Chinese side and Ma Ying-jeou on the Taiwan side -- took risks to stabilize and improve cross-Strait relations. This allowed them to break out of a cycle of mutual fear and provocation that had trapped their predecessors for the previous dozen years. They were prepared to take more responsibility themselves for securing the peace, which meant that the United States in its own interest was not compelled to do so. The risk that each ran was that the other would pocket the concessions and put it in a more vulnerable position, but Mr. Hu and Mr. Ma knew that if they could set their fears aside, the prospects for cooperation were large.

Now, China has not given up its ultimate goal: ending the separation that has existed between the mainland and Taiwan since the communist victory in 1949. Beijing has reduced its sense of urgency concerning

that objective. It focused, however, on the more near-term goal of blocking Taiwan independence and signaled what Taiwan had to gain by rejecting provocative policies. The rhetorical emphasis shifted from “peaceful unification” to what Hu Jintao termed “peaceful development.” For his part, President Ma Ying-jeou argued in his first campaign for president that the island could better preserve its prosperity, freedom, dignity, and security by engaging China rather than provoking it.

Now, the device they used to get started after Ma’s election was the 1992 Consensus, which refers to an understanding the two sides reached, not surprisingly, in 1992. The essence of that was that each side associated itself with the principle of one China, but then took its own interpretation of what that principle meant. The Ma administration to this day asserts that the Republic of China is the one China. China’s formal view is different: that the ROC ceased to exist in 1949. But this difference is ignored for the time being. And setting this aside or ignoring it has allowed the two sides to emphasize expanding economic cooperation and allowed them to avoid contentious and unproductive political arguments.

I think the two sides made significant progress during Ma’s first term in removing obstacles to business and in liberalizing trade and investment. They signed 18 agreements, most of which were economic in nature. Most notably, they concluded an Economic Cooperation Framework Agreement in 2010, and cross-Strait economic relations have broadened and deepened ever since. The result has been, I think, a more peaceful Taiwan Strait and a boon for

U.S. policy towards East Asia. This is a good news story.

Neither side, however, concluded that the dangers of the past had totally disappeared. China worried that Taiwan independence remained a serious threat and the worry that the Democratic Progressive Party, which had associated with Taiwan independence, would regain the presidency in 2012. So it continued its military build-up as a deterrent, particularly in the area of power projection assets. The Ma administration recognized its growing vulnerability and countered by improving relations with the United States. Ma's policies and Hu Jintao's for that matter, calmed Washington's fears of a conflict caused by accident or miscalculation and U.S.-Taiwan relations improved as a result.

In effect, I think, both Beijing and Taipei have pursued hedging strategies. Ma has engaged China where it benefits Taiwan, mainly economic issues; deflected Beijing on things like political talks and a peace accord; and preserved a good relationship with the United States to help guard against the worst. China has created incentives for Taiwan to eschew provocative behavior. It has left no doubt about its long-term objective. And it has also built up its military power and sought to limit the U.S. role in cross-Strait relations.

Now, to be sure, not everyone on Taiwan and in China was happy about this train of events. On Taiwan, the opposition parties and some media charged that politically Ma's agreements with Beijing were undermining the island's sovereignty and benefiting only large companies while leaving everyone else worse off. Some in China felt that cross-Strait talks needed to move beyond the relatively easy economic issues into political and security matters; that China

had made all the concessions and it was time for Taiwan to do so. Yet the result of the 2012 election, where Ma ended up winning a comfortable victory and the Kuomintang maintained its control of the legislature, seemed to suggest that the public was comfortable with the direction of his policies. Indeed, I think that these results and other polling suggests that about 55 percent of the Taiwan public basically supports these policies while around 45 percent are skeptical or outright opposed. The fact remains that when it comes to China, Taiwan is a pretty divided society.

So far, so good, at least from the perspective of the Ma administration, the Chinese leadership, and the United States. But the trends of the last four-plus years do raise more questions about what this means for the future and answers to these questions form the core of *Uncharted Strait*.

Question one is do closer cross-Strait relations mean that the unification of the two, more or less on Beijing's terms, is around the corner? My simple answer is no. And in the book I distinguish between resolving the fundamental dispute, something that's lasted for over 60 years now, and stabilizing cross-Strait relations. And I think what we have seen is stabilization, not inevitable movement to resolution. Now, if the two sides do well in stabilization maybe it will move towards some kind of final outcome. If, on the other hand, they do badly in stabilization, then it becomes harder.

Question two flows from this transitional nature of stabilization. You know, has other side so far negotiated in a way that forecloses its preferred option when it comes to resolving the fundamental dispute, however and

whenever that's done? Again, my basic answer is no. I think each side has been careful in the way they've negotiated about near-term issues so as not to mortgage long-term ones. And if you want some detail I can deal with it in Q&A.

Question three, what is likely to happen in Ma Ying-jeou's second term and what we might call Xi Jinping's first term? Now, my estimate here is that further stabilization will be modest at best and there may be none at all. Neither side will admit that, of course, and there does remain substantial work to be done on the economic side. The ECFA, Economic Cooperation Framework Agreement, set forth an agenda for follow-on agreements, one concerning investment protection has been completed; three remain: trade in goods, trade in services, and dispute settlement. These are not easy because they all involved domestic interests in each society. There may be agreements to be made in the cultural and educational area, but here, again, there are differences and you bump up against political issues.

The big question is whether the two sides will be able to move beyond economic and cultural matters, as difficult as they may be, into political and security talks. China's already hinted fairly broadly that it wants to go there and Hu Jintao and his work report to the 18th Party Congress said that Beijing hopes that "the two sides will jointly explore cross-Strait political relations and make reasonable arrangements for them under the special condition that the country is yet to be reunified." He also reiterated the PRC's suggestion for cross-Strait CBMs and a peace agreement. I personally think that Taiwan politics, Taiwan domestic politics remain a serious obstacle to any of these initiatives.

And twice in the last 18 months we have seen hints from the Ma government that such talks might occur at some point in the future.

The public reaction has been swift, strong, and negative. A segment of the mass media and the opposition parties have raised all kinds of dire questions about the consequences of any outcome. It also questioned President Ma's motivation. So if this is the reaction when there's hint that talks might occur, imagine how the public would feel if talks actually began.

I think there's another serious obstacle to political and security talks and that is there remains serious conceptual differences between the two sides, specifically over whether Taiwan is a sovereign entity for purposes of cross-Strait relations and the island's international role. Essentially this is the issue of the Republic of China. And there's a broad consensus on the island that the Republic of China is important. China's is that the ROC does not exist. That's a pretty fundamental disagreement.

As I suggested, the two sides have been able to achieve progress so far because they have glossed over the issue of the ROC through the device of the 1992 Consensus. Beijing's rationale seems to be that economic and cultural matters are non-political, so it is unnecessary to end the current ambiguity on Taiwan's political status. The strong implication of Beijing's definition of the One-China Principle is that for political and security issues, which involve the character and nature of the state, there will need to be a more explicit definition of what the One-China Principle means for Taiwan. This, frankly, has been treacherous ground for the Taipei government since the early 1990s

because it fears that China's definition will render it into ultimately a subordinate position. Taiwan would be only too happy if Beijing were willing to use the 1992 Consensus as the basis for political and security talks. I would be only too happy for Beijing to do so. But Beijing has not yet signaled that this will be possible.

That's the concerns with respect to political talks. The issue of the ROC also applies to something like a peace accord in the security realm. Even if this sovereignty issue could be addressed in a mutually acceptable way, it's not clear that a peace accord would be mutually beneficial. The basic bargain that has been discussed, and which my friend Phil Saunders here has written extensively and well about, is that Taiwan would renounce independence and Beijing would renounce the use of force. There are some questions of definition here. I would also note that these are commitments in the area of intentions. And one also has to think about whether the two sides would be willing or should be willing to make commitments on restraints in the area of capabilities. I'm skeptical that China would be so willing. I hope that I'm wrong. I also suspect that China might try to get Taiwan to restrain its capabilities, particularly arms sales from the United States. The logic would be we have a peace accord, we have peace, why do you need the weapons of war?

So it seems that the sort of peace accord that Beijing would accept, and I may be wrong here, would not really enhance Taiwan's security. The same is probably true of any confidence-building measures that China would entertain. Beijing and Taipei may yet surprise me, but I remain skeptical that political and security negotiations are likely in the short term. Preliminary

dialogue or Track II discussions may happen.

So for the rest of Ma's term, I guess my main estimate would be that most likely is either a very incremental change in the stabilization of cross-Strait relations; more likely is a -- much less likely is a reversal of the momentum of the last four years; and even less likely is some kind of sort of fundamental change, either a military attack or Taiwan return to provocations or a rush to unification.

Question four, counterfactually, what would have happened if the DPP had won the presidential election last January? My estimate here, and it's only a guess, is that the momentum of cross-Strait relations that had built up during Ma's term would have probably reversed. One reason would be that Beijing might have estimated that whatever Dr. Tsai Ing-wen, the candidate of the DPP, said publicly, that she was really intent on Taiwan independence. And Beijing would have crafted its policy accordingly. I don't necessarily agree with the assessment, but we've seen that logic work before.

Second and related, China has said over and over that it would only deal with a Taiwan leader who opposed independence and adhered to the 1992 Consensus. And that probably would have been very hard for a President Tsai Ing-wen to do.

Question five, is there nothing that Beijing and Taipei can do in Ma's second term in the fairly likely prospect of a stall in cross-Strait relations? I don't think so. In fact, there is a lot to be done. As I've noted, there remains an agenda in the economic and cultural sphere. Moreover, I think it will be very

important that the two sides consolidate the impressive gains of Ma's first term. It is very important that the two sides implement well the agreements they have reached. Doing so on matters where the mutual benefit is fairly clear will build reciprocal confidence generally and improve the prospects for future movement. If either side or both does a bad job at implementing existing agreements, then there will be reluctance to make new ones.

And a key indicator, I think, here is the agreement from June 2010 on the protection of intellectual property. This is very important for the leading Taiwan companies and they have to see good implementation on the PRC side.

Question six, and here I move into a more speculative vein, do the trends of the last four-plus years indicate that Taiwan is no longer vulnerable to China? Here I don't think so. And we need to think a little bit about how China is pursuing its objectives towards Taiwan and how those might change.

I find it useful here to distinguish analytically between two different modes of interaction. The first is what I call the paradigm of mutual persuasion. And in this paradigm each side knows its goals, knows what it wishes to achieve or preserve. Each side needs to communicate clearly what it needs in its interaction from the other. Each needs to have a clear understanding of the other's goals and to avoid misunderstanding and, if possible, to accommodate the needs of the other side. Each requires a coherent and relatively unified formulation of its position.

Clearly mutual persuasion involves exploring points of substantial overlap and convergence and it requires each side to protect its political flanks at

home and to coordinate politics and negotiations. In short, this is a shared approach of negotiation, persuasion, incrementalism, and mutual adjustment. And I would argue that this is the approach that the two sides have followed since Ma Ying-jeou took office in May of 2008. It's certainly in Taiwan's interest that mutual persuasion continues. I would argue it's in the U.S. interest and China's interest as well.

The second paradigm is what I call power asymmetry. And here, hypothetically, China would exploit the growing power gap between it and Taiwan -- economic, diplomatic, military, and so on -- by pressuring Taiwan to accept a resolution of the fundamental dispute or lesser commitments more or less on Beijing's terms. As we know, pressure and intimidation are ways that the CCP conducts its domestic rule and we've seen this approach on display recently in China's interaction with its neighbors. As Foreign Minister Yang Jiechi famously put it in July 2010, regarding Southeast Asian criticism of China's increasing its assertiveness, "China is a big country and other countries are small countries, and that's just a fact." (Laughter)

The implication, of course, is that small countries should not cross big countries, and we see this theme, also, from time to time concerning cross-Strait relations. And I found one influential PRC scholar who put the matter rather bluntly. He said or he wrote, "The severe asymmetrical balance of power between mainland China and Taiwan is a fact that no one can change. Moreover, this problem will continue to increase, a situation that Taiwan needs to handle pragmatically and calmly." We can speculate on what the scholar means

by “pragmatically and calmly.”

Now, why should Beijing decide to shift its paradigm? First of all, it might do so if it decided that a future Taiwan government was moving towards de jure independence and would likely do so if it could not get Washington to restrain Taipei, as it has sought to do in the past. But let’s assume purely for purposes of discussion that the KMT remains in power. Why then might Beijing decide to shift to a strategy of pressure and intimidation? This would happen, I speculate, if Beijing became impatient and decided that Taiwan would never move from the status quo to unification. We’ve seen hints of that impatience in Chinese suspicions that President Ma’s true objective was “peaceful separation” with a Two-Chinas or One-China/One-Taiwan character. Now, I actually don’t think that China will lose patience in the foreseeable future, for the rest of President Ma’s second term perhaps.

I believe that PRC officials who are responsible for the conduct of cross-Strait relations are realistic about the views of the Taiwan public and the limits that that places on the Taipei government. To be frank, however, I don’t know what new thinking Xi Jinping may have concerning Taiwan policy. We’ll find out as he accumulates power and authority. And it’s impossible to know whether Beijing’s patience will last indefinitely, but no one should assume that it will.

Note that when I talk about a Chinese strategy of pressure and intimidation I don’t really mean the use of force or even the threat of force. In a situation of growing power asymmetry the stronger power doesn’t really need to

act overtly to compel the weaker power. In the Taiwan case, Beijing may believe, rightly or wrongly, that the very fact that Taiwan is quite dependent on the mainland economically and believe that the mere existence of the PLA's increasingly robust military capabilities will be sufficient to secure Taiwan's submission more or less on China's terms.

Obviously a pressure strategy would create great dilemmas for Taiwan nor would it be in the interests of the United States. It has been Washington's "abiding interest" that the dispute between China and Taiwan be resolved peacefully. If we unpack this word "peacefully" it probably means both without violence and voluntary on Taiwan's part. For Beijing to achieve its Taiwan goals through pressure and intimidation might well be non-violent, satisfying the first element, but it would probably not be voluntary. I would also argue that this kind of outcome is not really in China's interest because it would only increase unhappiness and resentment in Taiwan, and that's a situation that would be difficult for Beijing to handle.

So this distinction between mutual persuasion on the one hand and power asymmetry on the other leads to question seven: Are there things that Taiwan can do to reduce the prospects that China would resort to pressure and intimidation? The following types of self-strengthening, if you will, come to mind.

Economically Taiwan might sustain the island's competitiveness by shifting to a knowledge-based economy and by liberalizing its economic ties with all major trading partners, not just China. This will require eliminating some

protectionist barriers, but the structural adjustment of doing so will work to Taiwan's benefit. And, in fact, I think this clearly the policy of the Ma administration.

Politically Taiwan could well do with reforming the political system so it does a better job of addressing the real challenges that Taiwan faces, especially vis-à-vis China rather than focusing on rather superficial issues. That's just my personal point of view. And I would conclude, also, that the mass media as an actor in the political system could play a more constructive role.

Also politically Taiwan might foster a clearer sense internally of exactly what it means to say that Taiwan or the ROC is a sovereign entity. Ma Ying-jeou, I think, understands what that means, but I'm not sure how deep the understanding goes beyond him.

Diplomatically Taiwan can ensure that its relationship with the United States, among other major powers, is strong and positive.

Militarily Taiwan might consider enhancing the deterrent capabilities of Taiwan's armed forces in ways that raise the costs and uncertainty for Beijing if it were ever to mount an intimidation campaign. And here I associate myself with officials in the Obama administration who, in the words of one official, believe that "lasting security cannot be achieved simply by purchasing limited numbers of advanced weapon systems. Taiwan must also devote greater attention to asymmetric concepts and technologies in order to maximize Taiwan's enduring strengths and advantages."

Now, none of these forms of self-strengthening will be easy,

particularly in a divided polity, but they are areas where a broader and deeper Taiwan consensus will buoy Taiwan's psychological confidence and reduce the chances that Beijing would undertake pressure and intimidation in the first place. For Taiwan to remain divided and forego the opportunity for self-strengthening only increases the island's vulnerability.

My final question, question eight, what are the implications of all of this for the United States? Now, you may have seen a policy brief of mine that Brookings decimated recently, so I'll just refer you to that and summarize its conclusions. The first conclusion is that the stabilization that we have seen has only gone partway; it could stall. And those Americans who fear that Taiwan in some way has sort of gone over to the dark side, the PRC side, and "abandoned America" should have their fears allayed.

Second, I think it would be unwise for the United States to "abandon Taiwan" for the sake of its relationship with China, and I have several reasons for thinking so. They're not unique for me. First of all, Taiwan has often been the main source of tension between the United States and China, but it's not the only one. We have frictions right now over maritime East Asia and North Korea, so conceding to Beijing on our security relationship with Taiwan wouldn't necessarily foster a China that was friendlier to the United States.

Second, U.S. allies and partners -- Japan, the ROK, others -- have much at stake in Washington's approach to Taiwan. Simply put, a United States that would abandon Taiwan could abandon them, too. I realize the situations are different, but the inference will be drawn.

Third, whatever China says, I think that U.S. arms are actually not the reason that Beijing has been unable to bring Taiwan into the embrace of the "motherland." More to the point, China has never been able to persuade Taiwan's government and public to accept one country, two systems. If China were to make an offer that was actually to Taiwan's liking, Taipei would not refuse that offer because of U.S. arms sales.

Fourth, there have been some points in the past when the U.S. has acted in ways that placed Taiwan in a vulnerable position. Most or all of these occurred before the people of Taiwan had much say in their future as they clearly do now. I hope that we won't repeat this unfortunate history.

Finally, in my view, how the United States as the established great power on the one hand and the reviving China on the other cope with each other will be played out over the next few decades in a series of test cases. North Korea, maritime East Asia, Iran, global economy, climate change are a few of them; Taiwan's another. Should the United States concede to China on Taiwan, the lessons that Beijing would learn about the long-term intentions of the United States would likely discourage its moderation and accommodation in other issues, like North Korea. Continuity of U.S. policy towards Taiwan will not guarantee that China's actions in other areas will support the status quo, but it increases the likelihood that it will.

Conversely, a China that addresses the Taiwan problem with creativity and due regard to the views of the island's people says something positive about what kind of great power China will be. A more aggressive

approach, one that relies on pressure and intimidation, signals reason for concern about its broader intentions. So in that regard, Taiwan is the canary in the East Asian coal mine.

Thank you very much for your attention. I think I'll stop here and we'll move to the Q&A part of the discussion.

MS. SOLIS: Thank you very much, Richard, for such an excellent presentation. (Applause)

So as we open the floor for questions from the audience there are going to be some microphones going around, so please wait until you get the microphone and please identify yourself. And we appreciate it if you ask a very concise question so that everybody has a chance to ask their own question. Thank you very much.

So you're going to field the questions, Richard, right?

MR. BUSH: Yes. Richard in the back.

MR. SHIN: Richard Shin with Economists Incorporated. I have a short two-part question.

One is how does China's and Taiwan's relations with neighbors, for example territorial disputes with Japan, North Korean issues, and the U.S. involvement, how important is that for the future relations between China and Taiwan?

And the second is you mentioned that, the Chinese could offer something that's very appeasing or pleasing to the Taiwanese and that might be -- you know, that might show what type of country China would become. What

would that offer include and what kind of economic or political incentives could China offer that will change Taiwanese people's mind?

MR. BUSH: On the first question, both are good questions, on the first one I think the key here is that neither China nor Taiwan acts with respect to neighbors in ways that the other feels is threatening to their interests. So if Taiwan, for example, were to pursue a relationship with Japan that suggested some kind of broad containment strategy regionally against China, that would not go over well. I don't think Taiwan's going to do that. I don't think Japan would accept it. But that, hypothetically, is, I think, the answer to your question.

On your second question I accept that this is a really tough challenge for Beijing. The sweet spot between China's objective of national unification and Taiwan's adherence to the idea that it's sovereign entity seems to lie in political unions that are composed of sovereign entities, and we've seen some in history. They usually fall under the category of confederation. And, in fact, the Kuomintang in 2001, I think, floated the idea of confederation. It was not universally popular within the party and Beijing rejected it out of hand, but conceptually that seems to be the area.

Now, clearly these are very -- these types of political unions are very hard to construct. They're even harder to maintain. And so it would require people who are wiser than I in both China and Taiwan to come up with a good solution, but that seems to be where some promise would lie.

Take that question there. Actually I think I'm going to stand up because I can see better.

MR. CHEN: Hi. Chen Weihua from *China Daily*.

A few years ago, at the height of the tension across the Strait, when Chen Shui-bian was pushing for his referenda and independence, so people were really worried. So I asked an official at the State Department and said what are you going to do. He said the worst thing is that the U.S., when Taiwan declares independence, the U.S. will be the first to say the U.S. does not recognize Taiwan independence. And that way no one else in the world will recognize Taiwan and that will diffuse the tension.

So, I mean, the mainlanders now, they like Ma Ying-jeou, but we cannot exclude people like Chen Shui-bian coming back. So what sort of wisdom, do you agree with that saying the U.S. would not recognize Taiwan independence in that sort of scenario or what other wisdom you have? Thank you.

MR. BUSH: When I was working for the U.S. Government I learned through painful experience that it was a really bad idea to answer hypothetical questions. (Laughter) And so that's basically what your question is.

To be honest, what the United States would do in any situation like this, whatever hypothesis you come up with depends very much on the circumstances in which we find ourselves. I also believe that we would be working very hard to ensure that this dangerous step, any sort of dangerous step, would not occur. And I think that's the sort of policy we've pursued in the past. That's what diplomats are for, to sort of reduce the possibility that emergencies happen. I think that's what we're doing right now with the East China Sea and

North Korea.

Back here. Down at the end of the row, the gentleman in the white shirt.

MR. CHATTERJEE: Samar Chatterjee from SAFE Foundation.

You said China may use coercion, threat, and even overt and covert activities to force Taiwan to surrender, and, of course, there is a history on Taiwan -- I'm sorry, on Hong Kong where it was very successful. And given that situation -- and, of course, United States is also good at that kind of thing, you know. The U.S. always does that, so China has a good example in U.S. to do such thing. Given that situation, how long do we have before U.S. would, as the other gentleman pointed out, say that it does not care what happens and China can, through economic blackmail, take over Taiwan?

MR. BUSH: Well, I'm not sure that I accept all the premises that led up to your question. I think this situation, as I read it, is more complicated than that.

What I will say by way of response is that China is less likely to resort to pressure or intimidation if it believes that it still can achieve its goals, that the door to unification has not shut. As long as it has confidence in the future, why should it take risks, especially when it can't be absolutely sure that it will succeed? So it's important, first of all, for each side to reassure the other about its long-term intentions. It's also useful for the two sides to expand the areas of cooperation so that each has stakes in peace and each has stakes in the stable status quo or a more stable status quo. And that's where I think

attention and work should occur and not in speculating a lot about worst cases.

Mike Fonte, back in the back.

MR. FONTE: Thanks, Richard. Mike Fonte. I'm the Washington liaison for the DPP, Democratic Progressive Party.

In your comments and in the book, as far as I've read it anyhow so far, you talk about the sovereignty of the ROC as the pivot point, if I could put it that way, for President Ma being able to talk under the '92 Consensus with the Chinese. You also mentioned in your talk that the preferred options for both sides remain open. It seems to me that the DPP's position is very clear on this: all options have to remain open for the people of Taiwan. For President Ma, I think he's been pretty clear that unification at some future date is his preferred option.

So I guess the question is how can the DPP come to grips with a sovereign ROC, which is obviously the constitution, and continue to keep all options open so that it can have an effective cross-Strait dialogue?

MR. BUSH: That's a good question. I think it's one that the DPP has been struggling with for a long time. It may start with an assessment of which of these options is more likely, which of these options is in the best interest of the broad majority of the people of Taiwan. But this is really a set of choices that they have to struggle with. They're the ones that have to decide where to position their party. I think there are a lot of intelligent people in the DPP. I think that the Taiwan public would be better off with a DPP that can come to its own consensus on how to address the sorts of questions you pose.

There were other questions over here. Nadia?

MS. TSAO: Hi. Nadia Tsao with the *Liberty Times*.

Richard, for a while I think we saw an article published by Brookings on your website urging for one country, two governments from a Chinese scholar. I wonder -- but we haven't heard about it for a while. I wonder, you know, from your knowledge would that still be on the table? And what would be, you know, the attitude from Beijing or Ma's government? Is that a possible solution that both sides can accept? Thank you.

MR. BUSH: Well, I have no idea. I think people in Taiwan have been talking in terms of one country, two governments or one nation, two governments for a long time. The person whose article we published on the website is a scholar. Actually he was a visiting fellow here for a while, so we had -- well, never mind.

And I do think one interesting development has been that some scholars in China, a minority to be sure, have started talking about how the mainland needs to face the issue of the ROC. I think that's a good development because it's, to some extent, a recognition of reality.

In addition, I would say that to approach these issues with verbal formulae -- like one country, two governments; one country, two areas; these sorts of things -- in the end is not particularly helpful because it may suppress more complexity, more substantive complexity than they appear. And I think on both sides there needs to be a lot of homework done to think seriously about these issues of sovereignty and so on, and come up with an approach that's

more of just a new set of words.

Way in the back and then I'll come to Michael. Right there. Okay.

MR. DENG: Thank you, Richard. I have two questions. My name is Deng Quiyu, West China Liberal News Agency.

And the first one, Taiwan's representative to the United States, Mr. King Pu-tsung, said caution dealing with China and strong ties to the United States are problematic for U.S. survival. Let's quote what he said. "We need strong support from the U.S., but we also have to deal cautiously with mainland China because now they are the number one partner of Taiwan. It's a very strategic ambiguity that we have. It is the best shield we have."

So you have that both China and Taiwan have the hedging strategic to each other. Do you agree with what Mr. King's argued?

And second question is DPP lawmaker, (inaudible), said AIT questioned in a closed-door meeting about the attitude and practices with which President Ma has handled the Diaoyutai dispute. Do you think the U.S. Government is happy with what President Ma has handled with the Diaoyutai dispute? Thank you.

MR. BUSH: On the second question I, frankly, don't know what the current U.S. attitude is about Taiwan's policies concerning Diaoyutai. Personally, I think that Ma Ying-jeou's East China Sea Peace Initiative had a lot of overlap with the U.S. position. I do think that the situation of Diaoyutai right now between China and Japan is getting increasingly dangerous. And we've seen, even in the last couple of days, a series of interactions that are pretty

worrisome. For example, the PRC naval vessel locking its fire-controlled radar on a Japanese ship. I think I agree very strongly with our assistant secretary for East Asia, Kurt Campbell, that cooler heads need to prevail here.

On your first question, I had my way of talking about cross-Strait relations and U.S.-Taiwan relations. Ambassador King has his own way. And so I'm not sure there's too much value in trying to disaggregate or sort of see what the degree of agreement and overlap is. I think the most important thing is the reality that the ambassador has suggested is that U.S.-Taiwan relations have improved a lot in the last five years and that's because, implicitly at least, there's a linkage between Taiwan's cross-Strait policies and U.S.-Taiwan relations.

Michael Yahuda?

MR. YAHUDA: Thank you. I'd like to bring you back to the Diaoyu issue or Senkaku, but also the other maritime pressures that are now being exerted by Beijing. And Beijing's position ironically comes from the position that the ROC had in the earlier days.

MR. BUSH: Yes.

MR. YAHUDA: And, at the same time, Beijing has been trying to persuade Taipei to, in some sense, associate itself with China on these matters, and Taipei has resisted that. But with regard to Japan, as I understand it, one of the big issues between them is about settling a fishery agreement that had run out and clearly Taiwanese fisherman would dearly like to have some sort of agreement on that. Do you think that given the hostility between Beijing and Tokyo over this that Taipei would be willing and able to reach such an agreement

with Japan before somehow the tension between China and Japan has been reduced? Wouldn't that be seen by Beijing as, in some senses, a further indication of a move towards independence or desire for independence or something of that kind?

MR. BUSH: My personal understanding is that the Ma administration would very much like to see a new fisheries agreement with Japan, if only to improve the livelihood of fisherman who sail out of I-lan and Chi-lung and places like that. What was I going to say? The negotiations for such a fisheries agreement have gone on for some time, and I think the events of last fall have given new urgency to that. I hope that progress can be made soon because fishing season is coming. But it will be up to the diplomats of both China and Japan -- or Taiwan and Japan to bring this about.

Now, I don't think that Beijing would be unhappy with a Taiwan that entered into such an agreement. Tokyo and Taipei concluded, I think it was fall of 2011, an investment agreement and so agreements in the economic area seem to be okay. I would like to stress again the danger that's in the current situation. I think realistic people understand that resolving the territorial dispute is a long way off and very difficult, whether it's Beijing and Tokyo or Tokyo and Taipei or both of them and Southeast Asian claimants. I think that we understand that some sort of joint development would be a good route for all countries to go because it emphasizes cooperation, but the way countries, particularly China, are operating in the vicinity of the Diaoyutai right now is worrisome. And unless that is brought under control and "cooler heads" prevail,

you can't have any discussion of cooperative approaches.

John Sang.

MR. SANG: Richard, excuse me for not standing up for the benefit of the cameras behind me.

MR. BUSH: No, it's okay. It's fine. It's fine.

MR. SANG: This is basically a question of -- a follow-up question to Michael Fonte's. Talking about China-Taiwan's future, we probably basically can say that the future and the remainder of President Ma's term is visible, at least. It is the future beyond 2016 or 2020 that is interesting.

We all know that the DPP's mainland policy is only for the DPP to decide. But as an experienced scholar, as someone who actually spent a lot of time as part of the U.S. interlocutor in the cross-Strait relations, do you have any advice, anything to say to the DPP for their benefit to maintain the cross-Strait relations once they win an election, either in 2016 or 2020? Thank you. They want to do it in 2016, obviously.

MR. BUSH: Sure. Well, I think the time to start is now. And as I said, there's a lot of homework that needs to be done, both within Taiwan and within the mainland. Part of that Taiwan homework is for the DPP to come to a consensus within itself about how to approach the China issue in a way that will be appealing to the public, but also somehow reassure the mainland that it's objectives are not contrary to China's fundamental interests.

I think it would be useful for Taiwan as a whole, if and when the DPP reaches that internal consensus, that it then seeks to engage the

Kuomintang, the current ruling party, so that there can be a more unified Taiwan position, a Taiwan consensus, if you will. I think Taiwan will be in a strong position.

I think that it would be useful if Beijing did not prejudge the intentions of the DPP and sought, even more than it started to do, to -- well, to engage the DPP not just on an individual level, but on a party level. And that could be beneficial for both sides.

I saw a question right here. Yes, you, the blue tie.

MR. WOMACK: Thank you. Brantly Womack, University of Virginia.

MR. BUSH: Hi. How are you?

MR. WOMACK: Hi. Just following up on a suggestion from the previous question, it seems to me that the relationship, the economic relationship, cross-Strait has been transformed since the 1990s and has, in all likelihood, the context and framing of questions. Questions aren't resolved by greater economic relations, but the framing of questions, the discourse changes. And I'm wondering how the United States can remain relevant to the cross-Strait developments in this direction rather than perhaps simply being the keeper of the keys to the gun cabinet?

MR. BUSH: It's a great question. I guess I would make a few points in response.

First of all, I would pose the possibility that perhaps the returns on cross-Strait economic interaction may be diminishing because perhaps the

Chinese economic model is changing and Taiwan was a real beneficiary of export-led growth relying on essentially cheap labor, abuse of the environment, and local corruption. And if China is moving away from that model, can Taiwan or individual Taiwan companies continue to benefit? Well, some companies will benefit if they seek to market to the Chinese model. But if your economic strategy is in being in the middle of global supply chains, then maybe you have to think about a Plan B. Moreover, as Chinese companies come to prominence, you know, it wouldn't surprise me to know that at least some of them would like to displace the Taiwan partners that they've had and get more of a share of the chain.

Third, I would offer my personal opinion that Taiwan's economic future can't rest solely on liberalizing its relationship with the mainland and putting all of its or most of its eggs in that basket. I really do think that it needs to liberalize and improve economic relations with all its major trading partners. If you look at President Ma's second inaugural address, that was a central theme. And he said, you know, this will be tough and we'll have to give up protectionist barriers in order to make this happen. So I think intellectually he understands it.

Politically, he used some political capital to remove one of those key protectionist barriers: the beef problem with the United States. And so next month, we will have a meeting under the U.S.-Taiwan Trade and Investment Framework Agreement. I hope that that leads to liberalizing steps between our two countries. Taiwan's already started with Japan, and that's good. It is doing FTA-like things with at least Singapore and New Zealand and perhaps others.

So I think we all understand how difficult this is to do in a Taiwan domestic context, but from a long-term perspective it's probably essential.

Gerrit, right here.

MR. VAN DER WEES: I'm Gerrit van der Wees, editor of *Taiwan Communiqué*.

I wanted to follow up on the question of Brant Womack on economic relations between Taiwan and China. Quite a number of people feel that these relations are actually decreasing the possibility for Taiwan to make its own choice in the future. At the end of your presentation you said Taiwan is the canary in the coal mine. The way China acts vis-à-vis Taiwan has very important implications for how it acts in many other situations. China is big, Taiwan is small. And my question is how can the international community reach out to Taiwan better and more than it has done in the past in terms of pulling it into the international community, into the international family of nations?

MR. BUSH: Thanks for the question. A couple of points.

I've always believed that Taiwan has an important role to play in a number of international organizations, particularly ones of a functional sort where Taiwan has a stake. There's something called the International Meteorological Organization. Well, Taiwan has weather just like all the rest of us, and its weather's going to get more extreme. So maybe it would be a good idea if they participated meaningfully in the work of that organization. And you know the list as well as I do.

Second, I would say that trade liberalization agreements, let's call

them FTAs by another name, they are certainly in Taiwan's interest as I sort of understand it. They are probably in the interest of Taiwan's other major trading partners if mutually acceptable deals can be reached. I hope that China does not seek to block those or limit those for political reasons because I think that these initiatives would entail not only Taiwan's dignity, but also its prosperity over the long term, and so they should be accommodated to.

As I think I've suggested, the Obama administration did quite a bit in -- well, starting with the Bush administration, then the Obama administration, to take positive initiatives towards Taiwan. I think that was the right thing to do. I identified some of the ways that Taiwan can strengthen itself to better position itself vis-à-vis China. In some of those areas it may be that the United States could help in a modest way. I mean, Taiwan needs to do it for itself, but if there are ways we can help, then we should.

Now, I'm not sure what kind of advice we can give right now on improving your political system, but otherwise -- that's a joke. (Laughter) But particularly in the economic area, there are probably some ways we can be helpful.

Back there I saw and then I'll come here.

SPEAKER: Thank you. Conrad (inaudible) from the Polish Embassy.

I have such a question. East Asia is now undergoing a profound (inaudible) political changes. One of them is the rise of China, of course, but another one is U.S. election tourist. It means the policy pivot or U.S. (inaudible)

towards Asia. U.S. is reaching out to its traditional partners, like Japan and Thailand; seeking new partners, like Vietnam. Do you think that Taiwan has any role to play in this new U.S. policy in Asia Pacific or in the Pacific in its political dimension or many its economic dimensions, like joining DPP negotiations? Is U.S. policy developing towards Asia a factor also in the cross-Strait relations? Thank you.

MR. BUSH: Thanks for your question. It's one that's on the minds of a lot of people. I think we should be clear that the rebalancing of U.S. priorities is not really a new thing nor is it intended to contain China and block China's revival as a great power. There are Chinese who thing that, I understand, but I think differently.

I think that the purpose of the policy is to, through continued U.S. presence in the region and a fortified U.S. presence in the region, to shape the development of the region in ways that are good for all, including China. I think that Taiwan-China relations can be important in this in giving China opportunities to act in a cooperative vis-à-vis its neighbors rather than how it seems to have done with others. I do think that over the long term the DPP should be an opportunity for Taiwan, something that will help ensure Taiwan's competitiveness over the long term. Whether it's willing to make the choices—that will emerge over the long term as well.

Finally, I would say there's more of a political component to the rebalancing having to do with human rights and democracy. Taiwan is an example of an authoritarian, Leninist political system. It happens to be an

ethically Chinese political system that moved from an authoritarian past to a democratic present quite stably. That's an interesting example for other authoritarian, Leninist, Chinese political system. Obviously Taiwan's democratization and its democratic consolidation was not perfect, but, on the whole, it's done pretty well. And there are lots of people in China who understand the power of the Taiwan example for their own purposes.

Lady right here and then I'll go to the back.

MS. NGUYEN: Thank you. I'm Genie Nguyen with Voice of Vietnamese Americans.

I echo what you just said. And my question actually is that the recent, very successful election in Taiwan shows that it's a successful democracy. And many Chinese from the mainland, many scholars, now have voiced that inspiration to bring democratic society into the mainland. So if we're talking about One China, Nadia has asked if there are two governments, pragmatically, in reality, we're now having two different governing systems. And if we're talking about the dispute of maritime sovereignty in the Asia-Pacific -- Indo-Asia-Pacific Ocean, I think that Taiwan very much would be embarrassed by many other claimants in the area to be leading in the global rule of law, the code of conduct. And I think Taiwan has recently tried to step up to that leadership role.

What do you think the international community can help Taiwan in that position? And in that case, how does the One China with the sovereignty issues in all these islands in the South China Sea come out to be? Thank you.

MR. BUSH: Thanks for your question. I imagine that if there were ever negotiations for a binding code of conduct among the countries concerned in the South China Sea or a binding code of conduct concerning the Senkaku-Diaoyutai that China would probably insist that Taiwan not be at the table of the negotiations, and we understand why that is the case. That's too bad, but it may be the political reality. I do think that a binding code of conduct, both for South China Sea and something similar for East China Sea, is vitally important because of the increasingly dangerous situation.

I think that the way for Taiwan to protect its interests in this regard is through bilateral diplomacy with the countries concerned so that both its ideas and its concerns can become part of the negotiating position of friendly countries. But that's what diplomats do. Even if they face an obstacle directly, they go indirectly to protect their interest.

Right here.

MR. CHEN: Chen Weihua again, *China Daily*.

Yeah, I want to see how much you think the arms sale with Taiwan still makes sense because the last thing for Chinese to do it at the moment, it's the end of the fight, or between -- among the Chinese after the 1940 civil war. But Beijing will forced to probably respond if Taiwan declares independence. That would be the worst scenario. So they would do it anyway, regardless how many F-16s Taiwan has. So how do you -- you said this would serve as a deterrence to raise costs for Beijing. So do you think it still makes sense for Taiwan to buy more F-16s? Thank you.

MR. BUSH: Let me talk about arms sales in general. I've been disappointed, frankly, that China's military build-up continued even after Ma Ying-jeou became Taiwan's president because he clearly wanted to reassure Beijing that his policies would not threaten Taiwan's fundamental interests. And it was the fact that China perceived that Lee Teng-hui's policies and Chen Shui-bian's policies would threaten China's interests that brought about the build-up in the first place. So if Taiwan's intentions or (inaudible) are changed, then you would expect perhaps that the military build-up would be reduced as well.

Now, there are some signs that it may have been. There were perhaps some factors that prevented China from adjusting right away to Ma Ying-jeou coming into office. But acquiring military capabilities to deter what you fear, as China acquired military capabilities to deter Taiwan independence, can also be used to compel what you want, you know, if the power asymmetry is great enough, particularly in a situation of uncertainty about China's long-term intentions.

I'm not sure Taiwan can assume that its vulnerability has disappeared. So just as it hopes for the best, it still needs to plan for the worst or it needs to work out a mutually acceptable arrangement for mutual restraint. Now, that's easy for me to say; it's very hard to do. Perhaps in Ma's second term we will see some new thinking on this, I don't know. But I think that Taiwan cannot -- you know, it still needs to maintain a certain level of military strength in order, as I said, to complicate Beijing's own calculation and perhaps increase the risk a little bit of some kind of adventure, but we'll see.

A question way in the back. Sorry, I skipped you. Right behind you there.

MR. LAI: Thank you, Richard. My name is Alex Lai from Taiwan *United Daily News*. I have a question about your book.

In the summary, you mention about Taiwan should do some kind of political reform rather than, you know, dealing with some superficial problem. I'm wondering what kind of political reform are you referring to? Thank you.

MR. BUSH: Okay. There are a number of things and Taiwan scholars and U.S. scholars have sort of devoted some thought to this over the years. I think one institution that could be improved in the way it operates is the legislature. Now, I understand when I say this that our legislature is no good example right now for anybody to copy. (Laughter) But I think that we see there some of the same sort of polarization that we see in the U.S. Congress. We see a focus on scandals. We see an emphasis on distributing government benefits as opposed to taking tough decisions, making tough choices between one set of priorities and another. And there are a lot of institutional ways that the Legislative Yuan could be improved and so I hope that that will occur.

One of the specific mechanisms is something called the Consultative Committee, which you probably have heard of. That seems to give a lot of power to small parties at the expense of large parties.

I think there's also important reforms that could occur in the mass media. I say this with apologies to my friends in the Taiwan media, but I think the focus of a lot of the media's political reportings just ignores the fundamental

challenges that Taiwan faces and it's not really serving the public well. So that's where I would put some emphasis.

Mike and then Richard, and then we'll wrap it up.

MR. FONTE: Richard, in your remarks I believe you said that it was KMT in 2001 that suggested confederation. And my understanding it was Chen Shui-bian actually offered the idea of confederation and talked about a possible future One China. And I think it's important to underscore that fact because, to put it not so diplomatically, he got kicked in the teeth for those suggestions by the Chinese side and things went downhill from there, some due to his own efforts no doubt.

So I guess the question is how do you go forward from offering confederation at that time to what I thought you said now, that that might be a possible out? Because if you want to retain the sovereign autonomy of the ROC -- which is, again, if I understand what you're driving at -- I believe the DPP could say that clearly if it really means that, that is the autonomy of the current entity that is the ROC. So I wonder whether you had any further comments on the confederation configuration.

MR. BUSH: It's a little bit late in the afternoon to get into a theological discussion. (Laughter) But you are correct that in I think it was December 2000, Chen Shui-bian talked about a step-by-step process of integration, cultural, economic, and maybe political. And what he had in mind, I think, was Western Europe. I think it was July 2001 that Lien Chan, at that time the party chairman and the presidential candidate for the Kuomintang in 2000,

offered the confederation idea, which, you know, there's a difference between that and integration to an extent, and then it was pulled back

I guess my main argument would be that now is not the time to talk about formulae for resolving the fundamental dispute, which is what these ideas are about. I talked about confederation because I guess it was Richard asked me the question. I think that it's much more important in this stage to do a good job on efforts that are less than addressing the fundamental dispute, partly because they may capture opportunities for cooperation that are out there to be seized. That's particularly true in the economic area—that it's been hard enough to do so-called easy issues and we're moving into the hard issues. Discussion of integration or confederation, all of this, those are really, really hard. And so I think at this stage somebody should be working on this sort of thing, but it shouldn't be the center of policy-making.

So, Richard, the last question? Right back there.

MR. SHIN: My question was just essentially the follow-up on the confederation issue, but now that you asked that question I want to twist it a little bit.

MR. BUSH: Okay.

MR. SHIN: Could there be some kind of economic integration that could occur before any kind of political integration? So that is, you're going to have a common currency, some kind of a centralized banking system, a One Front China against trade with other countries, you know, while maintaining political autonomy. And would that be the first step towards some type of

integration between the two?

MR. BUSH: Well, that's certainly what's sort of, I think, in the thinking of some people. Former Vice President Vincent Siew talked about a common market, and I think the sort of using -- a certain amount of using Western Europe as a reference point. I think that the more you go down that road, and China and Taiwan have only just started down that road, the more you get into the differences in governance between the two systems. And this has nothing to do with the sovereignty issue, although that's involved. But just how the state relates to the economy, you know, protections against corruption and all of that. And that -- there's a gap there that I'm sure that people on both sides, particularly Taiwan, are aware of and they would want to see a lot of reform in the way China conducts its own governance before they went down that road.

Just because you have economic integration doesn't mean you have political integration. I think the people who've studied Western Europe understand and have concluded that there's nothing inevitable about what happened in Western Europe. There's nothing inevitable that would happen about a closely, more integrated China and Taiwan.

With that, I think we'll bring this to a close. I'll be out there to sign books for anybody who wants to buy one.

Thank you, Mireya, for convening the program. Thank you all for your great questions. (Applause)

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