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Panelists:

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PANEL 2: CROSS-STRAIT POLITICAL AND SECURITY ISSUES:

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P R O C E E D I N G S

RICHARD BUSH: Ladies and gentlemen, if I could ask you to get any liquids that you want and then take your seat. I think we should get started. We have a little bit of a time pressure this morning.

I'm Richard Bush. I'm the director of the Center for Northeast Asian Policy Studies at Brookings, and it's my pleasure, along with Chris Johnson, to welcome you to our joint symposium today on China-Taiwan-United States relations. We're now almost at the five-year point of Ma Ying-jeou's presidency. We're about at the two-month point of Xi Jinping's total assumption of his various positions that add up to being the paramount leader. And so this seemed like a good time to assess where cross-strait relations and the American role are. We've assembled three good panels on various aspects of these issues, and I think we're going to have a really good discussion.

Before I sort of leave the stage I want to express my appreciation to the people who really made this happen, and that's the staff of two organizations. Kevin Scott and Aileen Chang on my staff and at the Freeman Chair, Nicole White did yeoperson's duty to help pull this all together. And Chris and I appreciate their efforts very much. So without further adieu, Chris.

CHRISTOPHER JOHNSON: Thank you, Richard. I'll just be very brief. Thank you all for coming. We really appreciate folks coming out and I think the turnout in the room is a good indicator that we picked a good topic today and that there's very strong continuing interest in cross-strait relations.

When I first talked to Richard about doing this we both agreed that with all of the other many issues that are kind of circulating and are the focus of attention in the region these days with the various island disputes and now again with North Korea and so on, we both sort of felt that it would be a helpful time to take a little step back and look at U.S.-Taiwan-China triangular relations and to get a sense of where it's all going now that we've had a complete turnover in all the respective leaderships and are moving forward and all of the key teams moving ahead.

So without further adieu what I'd like to do is welcome our first panel to come up and we'll get started on a very fruitful discussion. Thank you again for coming and we'll get going here. Thanks.

Okay. Well, let me just do a brief introduction of our speakers today and we will get things kicked off here.

We're going to ask Yun Sun to come up and kick us off with a

discussion of China. She's a visiting fellow jointly appointed by the Brookings John L. Thornton Center and the Africa Growth Initiative, and she's focusing on China's relations with Africa and U.S.-China cooperation on the continent. In 2011, she was a visiting fellow with the Brookings Center for Northeast Asia Policy Studies where she focused on analysis of China's national security decision-making system. So that's why we've asked her to come and talk to us today. She was previously a visiting fellow with the East Asia Program at the Stimson Center, and prior to that she was a China analyst for the International Crisis Group's Northeast Asia Project based in Beijing. Her expertise is in Chinese domestic and foreign policy and U.S.-China relations, and she served in a bunch of very prestigious past appointments.

Secondly, we're going to have Emerson Niou, a professor of Political Science at Duke University come and talk to us about Taiwan. He's the co-author of *Balance of Power*, which was published by Cambridge University Press in 1989, and has a series of other recent publications that you can see from his biography in your packet.

And then we're going to ask Tom Mann to come up and bat cleanup and try to explain our own mess here in Washington to us. And he is the W. Averell Harriman chair and senior fellow in Government Studies at the Brookings Institution. And between 1987 and 1999, he was director of Governmental Studies at Brookings. And before that he was executive director of the American Political Science Association. He has taught at Princeton, Johns Hopkins, Georgetown, the University of Virginia, and a few other very prestigious institutions. So we are very honored to have him with us today, and we're looking forward to a good discussion.

So without further adieu, I'm going to ask Yun Sun to come up and kick us off. Thank you.

YUN SUN: Thank you very much, Chris, for the gracious introduction and thanks to Brookings CNAPS and CSIS for inviting me here today.

My talk is going to focus on two aspects of the Chinese new leader. One is domestic politics -- what are the new things that Xi Jinping has delivered so far? And then I'm going to focus on the foreign policy front -- what are the new developments that we have observed as he is taking over the power as the top Chinese leader? So it has been almost six months since Xi Jinping was elected the general secretary of the Chinese Communist Party at the 18th Party Congress, and more than a month since his inauguration as China's new president. Given his personal background as a princeling his experience during the Cultural Revolution and his record of gradually rising to the highest office in China through climbing the bureaucratic ladder, people have had great hopes for him to

bring changes to the existing system. The expectation was heightened and strengthened by the senior level scandals before the end of the Hu Jintao administration in 2011 and 2012, so there was an ensuring perception that the Chinese Communist Party regime has come to a point that it has to adapt and change.

The Chinese have an old saying that a new official must start his reign with something new, so perhaps we could start with an examination of the new things Xi Jinping has created in the domestic politics. So most importantly Xi Jinping has strived to create a new style of government that is low profile, frugal, pragmatic, and pro the people. Right after the 18th Party Congress, Xi Jinping took the first official inspection tour to Shenzhen in Guangdong province in December. For the trip, and like his predecessors, Xi Jinping ordered that there would be no red carpets, no extravagant banquets, no massive security preparations, and no traffic control during his visit. For the Chinese people who are used to the long speeches of the top leaders, extensive all-coming ceremonies, including children presenting flowers, massive traffic due to the road blockage, Xi's new style sends a tacit but powerful message of major differences between him and the previous generations of leaders.

Secondly, Xi has made anticorruption a top priority for his government. This echoes people's resentment and frustration of the epidemic of corruption of the government officials across the country. Xi made a famous vow to strike both the flies and tigers, referring to corrupted officials both on the grassroots level and on the senior level, and there have been several dozens of officials removed, investigated, and arrested for corruption since Xi took office. A large percentage of these officials, they are at the municipal level or the department level in the essential government bureaucracy in terms of their ranking, so the highest case was the deputy party secretary of the Sichuan province. Li Chuncheng who was also an alternate member of the Central Committee of the Chinese Communist Party. So that is to say the anticorruption campaign under Xi has reached some senior level people but it has not reached the top level. So some people will argue that this corruption is not genuine or not meaningful unless it really targets and deals with corruption on the top level, but the scale and the results of his anticorruption campaign still is rather unprecedented in the Chinese domestic politics.

As a part of the anticorruption campaign, Xi made frugality a primary requirement for the government officials. As the government bans fancy banquets and extravagant high-priced traditional Chinese liquor, high-end restaurants and the liquor industry in China are taking a major hit. For example, the high-end restaurant industry in Beijing in general has seen the first negative growth in decades and some of the restaurants even have experienced a loss as high as 50 percent. And hotels, such as Shangri-La, which I'm sure many of you have stayed there, resorted to developing new menus to cater to the new reality,

offering a $15 per person lunch option to the government agencies. But still, so far it has not attracted a lot of businesses.

Since taking office, Xi has inspected several PLA segments inside China. In December last year, he inspected Guangzhou military region, which is under the army. In February, he visited an air force base in western China, and earlier this month he visited the PLA naval force base in Zhangjiang of Hunan province. So, some argue that these trips were aimed at consolidating his control of the Chinese military. However, a key message that Xi Jinping has sent throughout these visits is that the Chinese military must be ready for combat, which is rather interesting. And given the challenging external environment that China faces in its periphery, people in China generally see this as an emphasis -- the new leader's emphasis on the military preparedness for the worst-case scenario.

So these new policies by Xi Jinping have been relatively well received by the general public in China. People seem to accept that Xi has created a new governing style, distinguishing himself from the previous generations of leaders. The expectation is genuine and high for him to address some of the most critical problems facing the Chinese people, such as high housing prices, pollution, and the corruption issue. And so far, people do not seem to be disappointed already. The relatively clean record of Xi's family members, the good image of his wife, all contributed to this positive outlook.

As for whether Xi will bring major changes to the system, such as political democratization, there are critics questioning whether Xi is only making cosmetic changes to the system, rather than addressing the core issue. The first controversy he had experienced was *Southern Weekly*, which is a Chinese publication from Guangzhou. It was *Southern Weekly's* New Year's edition calling for constitutionalism and how the censorship by the Department of Propaganda distorted the original story, hindering their freedom of information and free press. The Guangdong government was able to mediate a compromise in the end between the Southern Weekly and the Department of Propaganda, but Xi himself didn't seem to have played a major role in the resolution of this controversy.

Then following the controversial issue there were rampant hopes that Xi might signal bigger changes by releasing Li Xiaobo by readdressing the Tiananmen events of 1989, or even by the abolishment of the notorious re-education through labor program in China. But so far none of these have happened.

In my personal views, these are unlikely to happen in the near future because today's Chinese politics are characterized with different political factions, collective decision-making, and the wide existence of interest groups and

political conservativism. So despite Xi Jinping's new style and his seemingly stronger powerbase compared to his predecessor, Xi, by himself, is still subject to the various constraints inside China. Especially as a new leader of the party, he could hardly afford to alienate either the leftists or rightists since the very beginning. In addition, in the near future, Xi Jinping also has more pressing tasks to tackle.

On the foreign policy front there are some more interesting developments. First of all, on the relationship with the United States, China seems to be more cooperative and conciliatory than before, but I'll listen to the expert advice from Chris. After the tense and contentious past three or four years, China, according to the people that I know inside China, China has come to the realization that such a confrontational posture is neither sustainable nor conducive to China's national interest. So therefore, since the beginning of the new Xi administration, Beijing has been eager to turn a new page of the U.S.-China relations, or in Xi's own words, to build a new type of big power relations.

Understanding that China would need to deliver something concrete to open the new page, China has chosen to be more cooperative on a key concern of the United States in northeast Asia, which is North Korea. In the most recent round of nuclear tests and the rhetorical provocations by Pyongyang, China has moderately adjusted its policy, lending support to the U.N. Security Council resolution and putting more pressure on Pyongyang than before. It is reported that China cut crude oil supplies to North Korea in February, possibly as a punishment for its nuclear test. Authorities in Beijing also issued warnings to several North Korean banks to operate within their permitted limits inside China. Although we are suspicious that these were more tactical moves aimed at building a better U.S.-China relation rather than representing a strategic shift of China's fundamental position on North Korea, still they would nevertheless turn out to be helpful to manage the tension on the Korean Peninsula.

On a similar case of the Iran nuclear issue, China's action has also been promising. In 2012, China's crude imports from Iran dropped by 21 percent, compared with the previous year, so although we probably will never get Chinese officials to acknowledge that China was actually complying to the U.S. sanctions of Iran for its nuclear program, nevertheless, the end result does reinforce Washington's policy targets.

The aspiration for a new page of the U.S-China relations was also conspicuous during Secretary of State John Kerry's visit to Beijing last week. Many in China have blamed the problems of U.S.-China relations in the past three to four years on the positions and styles of the former Secretary of State Hillary Clinton, and therefore, there was a hope that a more moderate and pragmatic John Kerry would be good news for China. And indeed, the conclusion in Beijing is that he is.

For Chinese foreign policy analysts, the U.S. rebalancing to Asia had been mostly about an enhanced military deployment in China's immediate periphery and surprising China's expanding geopolitical influence. So therefore, when Kerry emphasized U.S. economic leadership, competitiveness, and TPP, it was particularly comforting and reassuring for China. So *Global Times*, the famous government mouthpiece, openly claimed that U.S. adjustment of its China policy eases China's anxiety about its external strategic environment in the past few years. For Beijing, a new era of improved U.S-China relations seems to have begun.

Another interesting development of Xi's foreign policy is the emphasis on the developing countries and its neighbors. So for his first overseas visit, Xi visited Russia, three African countries, and attended the BRIC summit in South Africa. So as usual, Xi brought packages of infrastructure projects, and unusually China committed to the establishment of a BRIC Development Bank modeled after the China Development Bank. The choices of destinations actually reviewed the international quagmire that China is in. In the past 10 years, so basically the 10 years during the Hu Jintao administration witnessed unprecedented growth of the Chinese economy, but it was also accompanied and paralleled foreign policy challenges. So as many Chinese analysts observed, China's actual environment did not improve as the result of China's rise. Instead, it has worsened. China has become richer but less respected. It has more transactions with the world than ever but also less friends.

So therefore, Xi's trip to Russia, to Africa, and the BRIC summit, genuinely reflects China's strategic moves to break away from this predicament. It seeks to reconsolidate friendship with Russia also antagonized by the West, with Africa to reinforce China's developing country's identity and a solidarity with the developing world and with emerging economies such as BRIC's nation to align for their collective power. China learned the lesson that it is yet to be strong enough to challenge the existing international order alone. Alignment with other rising powers, like in the case of BRICS, and reinforcing its friendship base among developing countries would be a new emphasis of China's foreign policy and Xi Jinping in the foreseeable future. Thank you. *(Applause)*

MR. JOHNSON: Fantastic. Thank you so much. That's a great way to kick off. Emerson, please.

EMERSON NIOU: Good morning everyone. I have prepared some slides to share with you.

The theme today I'm going to talk about is the China factor in Taiwanese politics. I'm going to focus on three aspects of this question. Actually, I will focus mainly on the first one -- the views in Taiwan and how Taiwan should approach and engage China. And the second one is fairly easy --

what do Taiwanese want? Taiwanese want security, prosperity, and dignity. So that's easy to answer. The third one I'm going to ask for your help, because either I will run out of time before I get to that or because you are more experienced than I am in that area. All right, so let's move on.

To talk about the main views in Taiwan I use survey data. Why? Because Taiwan is a democracy. We need to know what the people want. So probably you won't hear me talking about what Ma Ying-jeou thinks. I don't know, but I can tell you what Taiwanese voters think they want. And I've been doing surveys on this topic since 2003, and I have six survey datasets and they are open to the public. So we can talk about how you can obtain this data later. All right. Let's move on.

First, some softball questions. We asked Taiwanese how do you like Americans -- not Americans -- do you think the United States, Japan, China? All right. So sure, on average, Taiwanese feel the warmest toward the United States, Japan second, and China last. But we can extract more information from these questions. We can find out how much -- like, who ranked the USA first -- A means America, right -- who ranked USA first, China second, Japan last? Who ranked America first, Japan second, and China last? So we can have preference rankings given these three scores. So, well, you can see that the USA is ranked at the top by many responders, and Japan -- China -- well, we can take a look at these more aggregate statistics.

But here you can see that X means the United States. Use the United States as an example. Twenty-eight percent of the respondents ranked the United States at the top, but the U.S. shared the first position with every other country. And about 10 percent ranked the U.S. at the bottom. And you can see that in Taiwan, among these three countries, China is ranked at the bottom by more than 50 percent of the responders. So at least in Taiwan among these three countries, Taiwanese feel the least warmest towards China and the most warmest toward the United States.

And also, we all know that Taiwan and China have very strong ties, but just to give you some statistics. I think this is amazing. More than 40 percent of eligible voters in Taiwan have visited China. Many of them, about 20 percent of them have visited China more than three times. And since 2003, the increase is about 10 to 15 percent increase of visits, and also, how many people in your family are doing business in China? Sixteen percent. That's a huge number. Among the eligible voters, about one-sixth of them have family members doing business in China. Let's say a rough estimate is one million businessmen in China. Each person's income affects a whole household's livelihood. On average, that's about three votes. So that's three million votes, and Taiwan has about 12 million eligible voters. That's a quarter of the eligible votes related to personal business, employment in China. So that's a huge number.

The statistics I obtained from the Statistics Bureau show you the trade between China and Taiwan, just amazing. Last year it hit $169 billion. To give you a reference point, the U.S. and Germany's total trade last year was only less than that -- 158 billion. The largest economy and the fourth largest economy, total trade between then is 158. But the trade between Taiwan and China is 169. 132 means Taiwan's export to China and 32 means China's export to Taiwan. So you can see that Taiwan's economy really depends on China. More than 20 percent of Taiwan's exports go to China and only about 4 percent of China's exports go to Taiwan.

So, of course, you ask Taiwanese do they worry about the strong trade relation with China? So we say some people believe that if Taiwan's economy overly depends on China, then China might use its economic leverage to cause Taiwan to make political concessions. Do you agree with this view? Two-thirds of them agree. They have this worry. This economic leverage can be used for political purpose. But then you ask them do you want to trade more with China? Fifty-five percent, 56 percent say yeah, we need to trade even more with China. So, on the one hand they worry about China using this economic leverage. On the other hand, they feel the necessity to expand trade further with China. That's like a conundrum for a small power. It's like they don't want to be coerced but sometimes they just have to do it.

When we talk about Taiwan, Taiwan independence, this issue is unavoidable, but we know that most people in Taiwan want to maintain the status quo. But that's fine then, under what conditions they will move away from the status quo? According to other statistics, surveys, they show you 90 percent of Taiwanese want to maintain the status quo. All right. Let's ask them under what condition you will move away from the status quo towards independence and towards unification. So some hypothetical questions.

So if a declaration of independence by Taiwan will cause China to attack Taiwan -- in Chinese it's (speaking in Chinese) -- do you favor -- that might be the closest translation I can come up with -- favor Taiwan independence? So the majority of them don't favor Taiwan independence if it means war. But if you ask them if a declaration of independence by Taiwan will not cause China to attack Taiwan do you favor independence, then 70 percent say yes; let's go for it. So you can see the switch. So those missiles deploy along the Fujian province. They take home points. Say, God, those missiles really work. Clearly, they deter a lot of Taiwanese.

So we can use these two questions to divide the respondents into mainly three categories -- those who answer yes to both questions -- at any cost I will support independence. And no-yes means I will only support independence if there is no war. So they are conditional. We don't want war, but if there's no

war then I'm willing to support it. And these respondents, they do not accept independence at any cost. They don't care whether it means war or no war. So we can divide -- classify respondents into those three groups.

So you can see that a lot of respondents have conditional preferences in that category. Since 2003-2012, we conducted six surveys. You can see that those in the middle group, those who have conditional preferences, stay fairly constant. But what happened the last two years? Because clearly those who said no decreased. Those who said yes increased by at least 5 or 6 percentage points. Remember, yes means those strong independence supporters. Only if no war is the conditional independent supporters. No means they don't support independence. And we can do the same to the respondents by asking them other questions on unification. That is hypothetically again if there is a significant difference between Taiwan and Mainland China, political economics and social conditions, do you favor unification? Big difference. No. Seventy-seven percent say no, we don't want unification that way. But if you ask them, hey, if the two sides, the political economics and social conditions become more similar do you favor unification, then more respondents favor unification. But still, under no condition they will want unification is more than a majority now. Fifty-four percent of the respondents say under no condition we will support unification.

And to show you, this is a big shift because when we started conducting the survey asking these questions, the percentage was 29 percent. Over the last 10 years it increased, almost doubled. They switch from conditional to just no, not even maybe. There's no maybe for a majority of the respondents. Now it's a majority of them. Is this trend reversible? It's easy to deter Taiwan from moving toward independence but it's very difficult to facilitate unification, to win their hearts, to have unification. Let's move on.

That's what they want. But we also asked them -- we said some people believe that China and Taiwan will become united in the future and some people believe that Taiwan will eventually become independent from China. Which position do you agree with more? That is realistically do you think that Taiwan can become independent or the two sides will become united? Your preference is one thing but your estimate, your expectation of what will happen in the future is the other thing. It turns out, know the bottom part first. Still, a majority of respondents say unification is more likely to happen, although a majority of them don't want unification. That's a small power's conundrum. They don't want it but they think it's going to happen anyway. 52.7 percent of the respondents say, hey, unification is more likely to happen. Even those strong independent supporters, more than one-third think unification will happen. Those conditional independent supporters, more than -- about 60 percent think that unification will still happen.

So their preference tells you something, and their expectation sends you a different message. So that's something that China can work on because something is driving the difference between preference and expectation. And we can ignore this. It shows you how politics sometimes are so beautiful. Those independent supporters -- no, people's position on independence. We say, okay, ask them the likelihood that independence can be achieved -- 11 point scale, 0 to 10 -- 10 is the most likely, 0 is the least likely. The green line means those strong independent supporters. Still, most of them don't think. I'm not very optimistic. The Taiwan independence unification issue is the hottest issue in Taiwan, but you ask them is it likely to achieve your goal? No. But they still want to fight about it. Even strong independence supporters don't think independence can be achieved but they still go to the alley and knock down the door of the justice. Anyway, it's politics. Politics is beautiful.

So preference and expectation diverge. I think a lot of studies can be done in that area. What's driving the difference? Some questions just to share with you. Let's go over this.

How to deal with China's military threat. Taiwanese, they say, wow, let's not confront China. Let's take more moderate policies. Let's not have an arms race with China. Very conciliatory. If China withdraws its missiles along the southeast coast, do you favor reduction in arms purchased from the U.S.? Yes. Let's not provoke China.

Do you think our military is capable of defending Taiwan? No. Ninety-one percent don't think Taiwan's national defense is strong enough. Taiwanese voters are just so honest. They don't think Taiwan can withstand.

Do you favor an interim agreement? Yes, 82 percent. You can see they are very -- okay.

This is interesting. Some people believe that Taiwan is already an independent country. Its name is Republic of China and there's no need to seek further independence. Do you agree or disagree with this view? And about three-quarters, yeah. There's a slow increase.

And is the current relation between China and Taiwan peaceful or hostile? I only included this question -- I started in 2011, so only two trends. So in 2012 compared to 2011, more people think the two sides are more peaceful. So overall, Taiwanese think that the current relation between China and Taiwan is peaceful, and Taiwanese are very conciliatory and try not to be confrontational toward China.

And these two questions are also on the survey. If Taiwan declares independence -- the perception -- whether China will attack Taiwan. Still, more

than 60 percent say yes, but there's a slight -- over the years, over the last 10 years there's a decrease, about 10 percent. So actually less -- fewer Taiwanese find China's threat credible now.

And how about the U.S. security commitment to Taiwan? There's a line missing here. So those who answer yes; those who answer don't know. The third line is those who answer no. So still, most Taiwanese think the U.S. will come to help Taiwan.

When I have time I will start to play with this. There's a decrease in this uncertain group. That is, fewer Taiwanese are uncertain about the U.S. security commitment now.

So I'll give you a summary of the empirical findings from the survey. The first is bilateral relations between China and Taiwan are going stronger. It's going stronger but somehow Taiwanese feel still low affinity with China. And Taiwanese are very conciliatory and not confrontational toward China. And most people -- most Taiwanese want to strengthen economic relations with China but meanwhile they also worry that China will use its economic leverage.

The Taiwanese, the majority of them don't want to unite with China but they think unification is more likely. And a lot of respondents have conditional preferences on independence and unification. The last point, the U.S. security commitment becomes more credible in the minds of Taiwanese and China's threat becomes less credible.

That's my presentation. In the Q&A if you have questions about my presentation, don't ask tough questions; instead, help formulate some policy ideas, insights. That's the part I don't have time to get to, although I prepared something. *(Applause)*

THOMAS MANN: My colleagues have been very informative and very optimistic. They've set a high standard for anyone who's supposed to talk about American politics. That is for sure.

The question I'm going to put in all too brief a time with you this morning is can the Obama administration conduct an effective foreign policy, especially in Asia during its second term, in light of America's utterly dysfunctional politics? And the answer, to stay in the spirit of the panel thus far, is yes. Our dysfunctional politics will continue. It is not morning again in America. The 2012 elections did not transform American politics. We do not have the makings of broad bipartisan consensus. No efforts to charm republicans by President Obama will make a damn bit of difference, nor will additional columns by Maureen Dowd. The fact is we, in our domestic politics, have moved

from a permanent campaign to a partisan war, a hot war between the political parties, which begin in a position of intense ideological polarization. But because they're operating at a rough level of parody, meaning either party can win the White House, can take the majority in the House or the Senate, they act inside Congress in a very strategic fashion. That is they legislate not to solve problems but they legislate to gain electoral advantage in the upcoming elections.

We are, in other words, caught in a very unfortunate mismatch between our political parties, which by the way the framers of the U.S. Constitution never anticipated, but which have become parliamentary-like, ideologically polarized internally, homogeneous, and acting in a very sort of oppositional mode -- just what Madison didn't have in mind. He anticipated the differences but fought to design a set of institutions and incentives for people to engage in serious negotiations across the Houses of Congress and across the branches of the executive and legislative branches, yet the parties exist now in a fashion in which the one in the minority acts as a vehemently oppositional party, as a parliamentary party would do. But sadly, they operate in a political system that makes it very difficult for majorities to act.

So a seniority system that constrained policymaking in the past and sometimes brought together agreement between the parties now is a veto point with the routine 60 votes required to get anything done as we just saw in the effort to pass stricter background checks for the purpose of weapons, a very sad outcome. So you've got parties that are parliamentary but a governing system that is a separation of powers where majorities are not able to act. The ingredients for inaction, for gridlock, and for strategic politics -- that's the number one problem facing American today.

The second problem -- and this is the one people don't like to mention in polite company -- is that the parties are not equally implicated. We have what I call asymmetric polarization; that is to say there were times when it was the democratic party who veered off the main stream, the center of -- the median voter, if you will, in the '60s and '70s, but today there is no question that it is the republican party that has become the radical insurgent force in our politics. Ideologically extreme, contemptuous of the inherited policy regime going back all the way to Teddy Roosevelt, scornful of compromise, dismissive of ordinary concerns about facts, evidence of science, and basically not accepting of the legitimacy of its political opposition.

We've lived through an extraordinary period, of manufactured crises of threats of a public default, of an almost mindless debate over fiscal policy that we're now seeing play out. I have to run out to catch a plane at a national airport in a few minutes and I don't know if there are going to be enough air traffic controllers to allow my flight. Now, think about it. We're the greatest country in the world and look at what we're doing. That experience is multiplied

hundreds of times around the government budget, but a simple agreement to set aside that sequester, which was originally conceived as a fallback that would force agreement on a more rational basis, has failed because republicans embrace Grover Norquist's "no new tax" pledge. It's as simple as that. A great country cannot govern by having a "no new tax" pledge, and a party cannot be a constructive participant in policymaking if it embraces that.

Now, that is the sorry truth and the sorry state of our politics. We see some green shoots. Look at what's happening with immigration now, with the Gang of Eight and a serious effort to bring the stakeholders in this debate together. We've got unions working with the Chamber of Commerce, sort of many other -- it's sort of pragmatic reasonable problem-solving politics at its best. Well, why is it happening with immigration but not happening on economic policy or gun control? It's very simple. Republicans are worried about becoming politically marginalized in presidential elections for the foreseeable future because every nonwhite group in America and their share of the electorate is growing with each passing year supports the democratic party. And particularly true with respect to Latinos, it's even more true actually with Asian Americans. And therefore, republicans believe that if they fight a comprehensive immigration reform, they're writing their ticket to political oblivion. So they're giving on this. It's still going to be hard to get through because of the House, but it's a sign at least that under certain circumstances things can be done.

Listen, the reason I'm ending on an optimistic note is twofold. One has to do with the fact that in spite of these dysfunctional politics, we've gotten quite a bit done. We dealt with the financial crisis and a deep economic recession. One way or another, depending on the Fed at times, other times on unified party government, we've managed to take steps after exploring all other alternatives that would actually be constructive and we're frankly doing a lot better than Europe. We've avoided the most mindless of austerity strategies but not without a fight here. And the efforts to pursue such strategies as witnessed by the sequester continue but the fact is sentiment is changing about all of that. The public's interest is in jobs and growth rather than in deficits and debt. Our debt has a good chance of being stabilized -- that is the deficit to debt ratio. The deficits have declined dramatically as the economy begins to increase. There are some republican senators who are tired of playing opposition politics and want to get something done.

So I think there are some green shoots, some opportunities for avoiding the worst of self-destructive steps in economic policy, but it does mean that as we shift to foreign policy that the Obama administration has every interest in one fully exploiting the opportunities that exist in international economic policy, and that's why you see the very aggressive efforts to move ahead in the cross-Pacific agreements as well as in a U.S.-Europe free trade agreement. We know defense cuts are coming. It's inevitable but there's some thinking going on

about how to tailor those to changes in strategy which in my view will not lead to any diminution in the U.S. presence in Asia, which is seen as of paramount importance.

Thirdly, as has been mentioned already, John Kerry, who had relatively little experience in Asia, relative to the rest of the globe, is actually off to a good start and the environment within Asia itself is encouraging.

The final point here is republicans have as many differences within their party as they do with the democrats on matters having to do with aspects of foreign policy, especially in dealing with Asia and China and Taiwan. And therefore, my view is the administration really has the room to conduct a sensible, intelligent, aggressive activist foreign policy in Asia. And that's why I end on the same note as my colleagues. Complications and Taiwan attitudes of what they want and in the changes in China, we've got a mess in our domestic politics, but in spite of that we can carry on and the incentives and the resources, though constrained, are there to get the job done.

I want to thank you for giving me an opportunity to participate, to be here, and beg your forgiveness for having to run off right now to have any chance of making my plane. Let's hope an air traffic controller or two was not furloughed today. Thank you very much. *(Applause)*

MR. JOHNSON: Okay, thank you, Tom. I appreciate it. Good luck. Okay. Now we're going to take some questions for the panel. As usual, with our standard practice here, we're going to have you identify yourself and please do limit your comments to a question. I will enforce that very vigorously.

We're going to start off with Bonnie here up front.

BONNIE GLASER: Thank you. Bonnie Glaser here at CSIS. Emerson, I have two questions for you. There's no free lunch so I'm going to try to draw out some of the policy implications. I'm wondering if you could address the issue of what you think would change the attitudes of the people of Taiwan toward reunification and make them more supportive.

And the second question is you, of course, didn't talk much about President Ma, but as we all know, his poll ratings have been quite low, and I'm wondering if you would speculate on why you think his poll ratings remain as low as they are. Thanks.

DR. NIOU: Can we accumulate more questions? I need to think.

MR. JOHNSON: Here, please.

QUESTION: Hi, Eric Liu with the Free Op Server. My question

is since you talk about the realization of the Taiwanese to expect unification to take place even though they might not want that to happen in a very realistic way, so what are the expectations, the scenario they are thinking about would happen? Or do they have an expectation would China be reformed to a certain extent that they would accept more favorable to a unification? Thank you.

MR. JOHNSON: Do you want to take one more or are you ready to go? Let's take one more right here and then we're going to put you on the spot.

QUESTION: Chenyang Xiao, American University. Again, with Emerson, a very interesting presentation. Just along Bonnie's question but push a little bit harder, that is you basically present what but you didn't answer why. And with the past decades, from today's conference we can see there are three factors -- Taiwan factor, China factor, United States factor. So how do you analyze whether any of those make the situation develop along the lines you just presented? And also, how do you put -- even though you prefer to not talk about Ma Ying-jeou, but how do you put President Ma Ying-jeou into those different categories? What is your analysis of his attitude toward independence or toward unification? Thank you.

DR. NIOU: I have to –

MR. JOHNSON: Time to step up to the plate.

DR. NIOU: You know, on the unification, again, if I use the survey data, actually, younger generations think unification is more likely to happen than the older generation. More educated people actually think unification is more likely to be the outcome. These two variables stand out. It doesn't matter how I try to manipulate the data. So the younger generation, I think they see the reality. It's inescapable. China is such a powerful magnet. It doesn't matter whether they like it or not; they have to find a job in China. It doesn't matter whether they like the Beijing fog; they have to live in Beijing. That's the conundrum, a small potato, a small power that often has to live with.

So unification, to doesn't matter whether they want to or not. They think China is such a powerful player and they don't have a choice. I think it's not something they -- what can China do or Taiwan do in order to win Taiwanese hearts? I think try softball. Try softer approaches. Don't use, like, I don't know, when Chen Chu, the Kaohsiuing City mayor tried to invite Dalai Lama to Kaohsiuing City and the Chinese government ordered Chinese tourists not to visit Kaohsiuing, that drove the hotel owners, restaurant owners just crazy. They want business. China knows how to use economic power to punish, sanction Taiwan, even at such a micro level. And Taiwanese, they feel the coercion already. They feel the coercion. They don't think they can escape from that.

I cannot give you a more insightful policy. It takes time. I think the trend is reversible. If I continue I'm going to really -- China. What has China been doing? Political reforms. What are the political reforms? They only talk about anti-corruption. Corruption comes from somewhere. You cannot just fight the corruption. You have to change your system, but they don't want to deal with it. They say democracy takes time. All right. Show us the time table. Show us the blueprint. They don't even talk about -- they don't even want a discussion of the timetable, the blueprint. You have to give Taiwanese voters some hope. You cannot just show you have dollars, you have money. Come and make money. Dignity. You have to show they you are ready to make some political reforms. I just don't see that at all. That's the part that I think Taiwanese are really turned off.

MR. JOHNSON: Thanks. In the back there.

QUESTION: Jeffrey Lin from Senator Angus King's office.

I was wondering given that you noted that despite Chinese military modernization over the past 10 years that the percentage of Taiwanese who actually believe that China will attack has dropped somehow. And also on a more related note is rising Taiwanese belief or at least consistent Taiwanese belief and U.S. security guarantees sort of account for decreasing Taiwanese defense expenditures and the abolition of conscription? Thank you.

DR. NIOU: I don't have a lot of answers. I'm just showing you some empirical facts. There is, I think, the U.S. security commitment to Taiwan is extremely critical. So you can see there's a slight increase in Taiwanese perception of the credibility of the security commitment of the U.S. And that corresponds to the slight decrease of their perception of the China threat. So these two variables are correlated. So the U.S. security commitment does matter. I don't have anything else to share with you on that.

MR. JOHNSON: Michael.

QUESTION: Mike Fonte. I'm the liaison for the DPP. Thanks for the presentations. I have a policy implication for you, Dr. Niou. You said in your presentation that Taiwanese, the vast majority feel they are already independent under the name Republic of China, and no need to declare independence. That as you know is the DPP's position, right? We're already an independent, sovereign nation. And I think -- I guess my policy implication for you is when you look at the data it's clear where the Taiwanese people stand and I think that it shows that there is no problem in the stability across the strait from the Taiwan side. People want reconciliation, conciliation. They know where they stand. The problem is on the Chinese side.

So my policy implication for that is the next time around in the

presidential election in Taiwan, I hope the United States will stay neutral because the last time, having walked Dr. Tien Hung-mao for visits and listening to various reports from the Financial Times, it's clear the United States said the problem for stability was Tien Hung-mao, DPP. I think your data shows that's not true. So the next time around I hope the United States will stay neutral. Thanks.

MR. JOHNSON: Is there a question in there? Up front here.

QUESTION: Thank you very much. Shanghai Institute for International Studies. I'm a visiting scholar at CSIS. I have a comment to Yun Sun's speech and I have a question to Professor Niou. For Yun Sun's speech, I think you just give us some examples, some shortages about Chinese new leader's domestic politics and foreign policy. But you have no conclusion. I would like to know what implications from your speech to the relations of bilateral cross-strait relations and the trilateral relations between China mainland, Taiwan, and the United States.

And for Professor Niou's presentation, I think learned a lot from your presentation, but I have a short comment about Chinese political reform. Actually, in China now there are many debates. Some scholars put forward that we must increase political reform and some conservatives think that we must keep incremental space -- incremental peace. But I think we can reach a consensus on this issue because reform is a big transition.

I have a question to you. How do you think about the United States factor from public opinion of Taiwan and more closed relations between China mainland and Taiwan? Thank you.

MR. JOHNSON: Yun, why don't you kick off?

MS. SUN: Thank you. Thank you for the great question. As to the cross-strait relations and the U.S.-China-Taiwan trilateral relations, my argument is it is an interaction process. So the reason that I didn't join in concluding this is because a lot of factors are still in flux, and although we could see some signs of China's foreign policy or China's cross-strait policy coming into shape, but still it is subject to a lot of changes and a lot of factors.

For example, one issue that the Chinese media pointed out last week when John Kerry was visiting Beijing is the health or the status of U.S.-China relations very much depends on what the U.S. depends to do and what the U.S. policy is. Of course, the claim unfairly puts the responsibility of the bilateral relations on the shoulders of Washington, but it does reflect some of the reality. What China is going to do depends on what Taiwan is going to do and what Washington is going to do.

For example, one key concern that I have learned in Beijing about Taiwan is, yes, so far in the past five years cross-strait relations have been relatively peaceful and stable, but how about the next election? And what if in the next election the DPP comes to power again and there might be future problems for China again? So I would say that Beijing's policy depends on the variation and the evolution of these factors. Thanks.

DR. NIOU: I think the U.S. plays a tremendously important role, not just the security commitment, although it's ambiguous, but at least it exists. But I think the U.S. security commitment to Taiwan, the U.S. assurance to Taiwan is so critical because on the one hand we want Taiwan to approach China, to reach out to China, but Taiwan is afraid. Taiwan has fear. There's fear inside us. On the one hand we want to reach out but we want to hold onto something really firm when we reach out, and that thing is the United States. If the U.S. is unwilling to give that kind of assurance to Taiwanese, Taiwanese will be very reluctant to reach out to China. That's the role the U.S. can play. It's not like stronger security commitment is no longer needed. It's even more important now because we want to push Taiwan. You want to try to deal with China. But Taiwanese are afraid. So you need to give them some assurance. I think the U.S. plays a very, very important role there -- can really help China facilitate unification. And don't try to say, hey, the U.S. is interfering in domestic politics. No, Taiwan needs that assurance from the U.S.

QUESTION: Thank you, China News Agency. My question is for Professor Niou. In the survey you show us Taiwanese people who favor independence increase sharply after 2009. Why do the people favor unification decrease significantly also after 2009? How would you interpret this phenomenon? Do you think it is evidence that Ma's administration policy of cross-strait relations is actually helpful for the kinds of hidden independence just as many Chinese people mention? Thank you.

DR. NIOU: I don't think Ma Ying-jeou has any hidden agenda on that issue. He might have a hidden agenda on independence. It's a curious empirical finding. Do I have an explanation? I don't have a good explanation for this. Why in the last two years this surge for at least those who choose not to support unification, even conditionally. The increase in independence is a few percentage increase, but the increase in not supporting unification even conditionally -- over 50 percent, that's alarming. For China, that's alarming. You are losing Taiwan. I hope China does something, otherwise, forget about it.

MR. JOHNSON: Back there.

QUESTION: My name is Gerrit van der Wees, editor of Taiwan Communiqué. I have a question for Yun Sun. You really did an excellent presentation. I really enjoyed that and to see how Xi Jinping is actually changing

the way of doing things in China. You did not touch on the issue of Tibet and East Turkistan. Do you have any indications how Xi Jinping might change policies there? And a corollary to that, isn't the way China deals with Tibet and East Turkistan in a sense a distant mirror of how China could deal with Taiwan if it really had its way in the future?

MS. SUN: Thank you. Thank you. Difficult question. First of all, I would say the Tibet and Xi Jinping issue have been categorized in the category of national security issues for China. And to a great extent not only is the internal instability that these two issues have created inside China but also I'm sure that you are aware that Beijing has always emphasized its interference of the foreign forces in these two issues. So in my studies of China's national security decision-making, those two issues are put in the category of national security and with strong linkage to foreign powers.

As for what Xi Jinping might do differently, so far we have not seen great indication of a major policy change because, well, for one, we know that the conversation or the dialogue between Dalai Lama and the central government has not been resumed. And as for the Shenzhen issue, there is no dialogue between Chinese authority and the weaker groups in exile at all. And so far what we see in China is on one hand the government is putting a great emphasis on the maintenance of the stability through either eschewed apparatus or through security buildup. And on the other hand, Beijing also emphasized I'm sure as you're very well aware, emphasized economic development in the ASEAN minority regions because Beijings do see the economic development as a key solution to the conflicts between the ASEAN minorities and the Hun population and the central government. There seems to be a belief that once these ASEAN minorities become richer, they have a better life, they will be happier with the government in Beijing. And whether that's going to turn out to be true, we don't know, but we will observe with great interest. Thank you.

MR. JOHNSON: Let me just add on that last point. I think this is the problem of expectation in some ways that Xi Jinping faces as the new leader as Yun pointed out in several aspects of her presentation. There was a similar expectation because of his father's relationship with the Dalai Lama and so on that there might be some sort of a breakthrough there, but I think the issue is with all these things that we've just been talking about that he's facing, is he going to be able or willing to spend political capital to try to advance those issues? Probably not in the near term is my opinion. Up here.

QUESTION: Hi, my name is Jan Bates, private citizen. I have a question for Yun Sun. I'd like to know what you think the Xi administration's attitude is to direct election of the chief executive in Hong Kong, whether it will happen; and if so, when? And for Professor Niou, would more evidence of democracy in Hong Kong help allay the fears of the Taiwanese people?

MS. SUN: I have not done much research into the situation in Hong Kong, so I'm sorry, I don't have an answer to your question. Thank you.

DR. NIOU: I'm sorry, more democracy in Hong Kong?

QUESTION: Yeah. That is to say if there was direct election of the chief executive, which the Hong Kong people have been asking for for a long time. Would that make the Taiwanese people feel a little more comfortable if actually democracy would come to China?

DR. NIOU: My personal opinion -- and this is just personal -- I don't think so. I can elaborate on that a little bit. I think the Chinese government, the official line is there's multiparty competition. It's a western idea. It's a blind alley that China doesn't want to venture into. But I want to remind you that the Chinese communists were very good at winning elections. In the '40s, in the guerilla area, after they formed a united front with the Nationalist Government, they couldn't kill the landlords anymore. They have to win support from the peasants. So they introduced secret ballots. So the KNP was defeated by the commoners first by ballots in those areas, so the Communist party won people's hearts before the civil wars. In those, what we call guerilla area, they didn't talk about communism ideology. They talked about anti-Japanese. They talked about democracy. But they knew how to conduct elections fair -- free and fair and democratic elections. But once they gained power, they just changed that just a few years ago in 2007. In their National Assembly, National People's Congress, only those who chose to abstain or vote against had to vote. Those who agreed in favor, they don't have to vote. So that's power. They wanted to become a Communist party member. You have so much power you really could manipulate things. That kind of feeling. It's difficult for them to give away that power. I'm complaining too much. Sorry.

MR. JOHNSON: Right over here.

QUESTION: Mike Masnick, PBS Online News Hour.

In the islands dispute we've seen both Taiwan and China play the Japan card, although in slightly different ways. Every time that there's a burst of Japanese nationalism or an apparent one like the Sunday visits to the shrine, doesn't this tend to push China and Taiwan closer together on things like the island dispute, which is a small nightmare for U.S. policymakers?

DR. NIOU: Sorry, I don't have a direct answer to your question but on the survey I did ask -- I did include some questions on that. So the Taiwanese respondents, they wanted their government, Taiwanese government to take a tough position toward Japan. But they also wanted the Chinese government to take a very tough position against -- towards Japan on the island

dispute issue. So at least on this issue the two sides had to form a united front again. So that's what the survey data shows.

MS. SUN: I would agree with you that Japan's position on the disputed islands does tend to push Beijing and Tibet together on the same front, although I would argue that a few weeks ago when Taiwan reached the fishing agreement with the Japanese government, that was perceived as quite a deviation from that position in Beijing.

MR. JOHNSON: I would just add that I think the Ma administration has been pretty clear that they don't want to be seen as aligned necessarily with the PRC government on the subject.

QUESTION: Brantley Womack, University of Virginia. Emerson, thank you for those wonderful statistics. I'm sure we'll have nightmares about them for a while. And what occurred to me in trying to make sense of the differences between expectations and preferences on unification is that perhaps unification in that question carries a fair amount of baggage as unification meaning melting into the rest of China whereas maybe on the expectation question is seen as convergence versus divergence. And of course, this is the type of question that statisticians don't like because it questions the categories and therefore the compatibility of data. But it seems to me that just in my one personal opinion that that might explain some of the differences between those two answers.

MR. JOHNSON: Well, in the interest of time and to keep things moving along and to give you guys a short break, please join me in thanking the panel. And we'll take a 15-minute break. Thank you. *(Applause)*

(Recess)

BONNIE GLASER: I'm Bonnie Glaser and I'm a senior advisor for Asia and the Freeman Chair for China studies here at CSIS, and I will be moderating the second panel today, which is on cross-strait political and security issues.

Of course, we have heard that Xi Jinping has emphasized really continuity in the cross-strait relationship, but many observers nevertheless are predicting that China might get impatient toward Taiwan. And we've recently heard, I think, comments by President Ma Ying-jeou suggesting, I would say, increasingly explicit language stating, I would say, quite clearly that political dialogue is off the table and that military confidence-building measures will also not be discussed during his second term. So, I think that raises a lot of questions for the future of cross-strait political security issues, and very pleased that we have three excellent speakers on our panel to discuss these issues.

I will just introduce them all together, and then invite them up separately to give their remarks. We'll be hearing first from Professor Zhao Quansheng, who is a professor of international relations and director of the Center for Asian Studies at American University, and many of you may know that he also served as director of the Division of Comparative and Regional Studies there at AU.

And then we will have Dr. Wang Kao-cheng, who is professor of the Graduate Institute of International Affairs and Strategic Studies at Tamkang University. And he is a PhD from University of Pennsylvania, and served as national assemblyman in Taiwan from '96 to 2000 and in 2006.

And then wrapping up we will have Dr. Richard Bush, who of course is a senior fellow at the Brookings Institution and director of its Center for Northeast Asia Policy Studies.

So, I'll ask each of our speakers to please not exceed 15 minutes, and that will leave us plenty of time for Q and A. So, we'll start with you, Dr. Zhao.

ZHAO QUANSHENG: Good morning everybody. I have prepared five points --- talking points here, but Bonnie just said we have 15 minutes. So, three minutes per point.

I would like to make an analysis of the cross-strait political and security issues from Beijing's perspective, but of course it's my own understanding of Beijing's position and the policy. And of course, later we will have more Q and A for more discussion.

First, current status. Second, economic versus political integration. Third, major obstacles. And fourth, Beijing's policy and the response. And finally, future directions. So, those are my five prepared points.

The first one, current status. Over the past decade, particularly after Ma Ying-jeou's --- I mean, over the not really past decade, but since Ma Ying-jeou's regime, the major status of cross-strait relations is that the relationship stabilized. So, we don't really hear some wording or some terms such as “troublemaker” and others.

But nevertheless, there are still --- even though overwhelmingly positive towards Ma Ying-jeou, but there are still ambivalent feelings that economics are pretty smooth, the integration --- but political lags behind. So, wondering what is the first part of one question asked, whether there are hidden agendas or not. So there are some kinds of suspicions as well.

The current status also includes the new policy teams as we can see over the past year. Ma Ying-jeou's second term, and also in Beijing, Xi Jinping and others of the administration. And each side also constructed security, foreign policy, and Taiwan's policy teams. We all understand, for example, Xiong Jujing replaced Wang Yi, and also same thing happened in Taipei. So, we do see each side has new teams working, like (Chinese) replaced (Chinese), among others. All of those kind of new personnel.

But nevertheless, of course the cross-strait relations still are closely monitored and controlled by the top leaders. From Beijing's side is Xi Jinping and (Chinese) and from Taipei's side is Ma Ying-jeou.

Second topic is economic versus political integration. Needless to say, there is much progress in economic integration and the percentage by ICFAR. So, it's much faster in terms of bilateral cross-strait relations in the economic dimension. The other dimensions, such as cultural and education, we also have seen very much progress. I'm not going to give you details, but the --- whether there is a linkage between economic integration and political integration is a huge question mark. As we can see from this morning's --- Emerson's presentation, it's not necessarily so --- at least from public opinion survey in Taipei. So, that's also presented a puzzle that is why this is the case. So this is the second issue I would like to do.

And thirdly is, what are the major obstacles from Beijing's perspective in terms of political and security dimensions? There are four obstacles. First, still domestically --- I mean, inside Taiwan we do see a great pressure from so-called green camp. So, Ma Ying-jeou has to be very much considering this opposition camp. And also, of course, public opinion, others who could not move to fast.

The second obstacle is still identity issues. That issue is not totally solved. We understand (inaudible) has a de-finalization campaign, and even though Ma Ying-jeou made some corrections in that direction, but still the sentiment of parting from mainland China is still there.

And thirdly, of course, I guess Beijing also realized that Beijing's current development, particularly political reform, is far from satisfaction moving towards unification. So I guess that's also clear.

And lastly is the so-called external factors from Beijing's perspective. One, of course, U.S. arms sales to Taiwan and provide security protection. And the other is Japan. Most recently, the diversionary agreement regarding a way to divide Taiwan from mainland China.

Let me move to the fourth question that I prepared. That is,

Beijing's policy and response. In general, my understanding is that comparatively with the Chen Shui-bian regime, Beijing is much less worried about the future independence. However, it's still concerned about the direction.

Therefore, I would say that Beijing preferred to put pressure continued, not --- you know, in terms of, for example, the so-called --- the cease fire of diplomatic war. And the pressure --- even though with that direction, but still in terms of international --- so-called international space, still very limited and less negotiable.

The communication across Taiwan Strait, from my understanding, is pretty much through internal and internal first. There are a lot of dialogues, for example, from (Chinese) and others. But in a way, also sort of informal because even (Chinese) and others is not really --- and (Chinese) --- is not really necessarily representing Ma Ying-jeou fully. So, there are many internal and informal Chinas, and continue for negotiation.

But at the same time, we do see there is potential for institutionalizing for China. For example, now talking about mutually setting up representative offices in Beijing and Taipei. And another possibility --- so now, let me move to --- oh, another policy and response is looking for more opportunities to have cooperation in security and the political dimensions, such as disputing the South China Sea. So there is certainly pressure from Beijing to making Taiwan have a positive reaction along these lines so that there might be either --- most likely an informal style of cooperation in this security dimension. But naturally, there is also much discussion among retired generals and retired diplomats from both sides.

And finally, let me just touch upon the future directions. I would say that from Beijing's perspective, very much of course looking forward to a possible breakthrough during the second Ma regime, and in particular whether he is a new leader. There is a huge question mark that is whether it's possible for the next three, four years there will be a Xi-Ma summit. So, I guess that's the much-hoped breakthrough. But of course, like I said, it's a big question mark because Ma already pledged he's not going to move fast.

And the other directions is to expand bilateral consultation in both international and security affairs. I already mentioned some specific cases, such as the South China Sea dispute. I understand --- and also Diaoyu/Senkaku. I understand every year for the past couple of years there are --- if we can use the term --- that it's the Track 2 or Track ½. That scholars and semi-officials meeting together to discuss those issues.

And needless to say, Beijing is also ready to provide economic continued benefits to Taiwan, so-called the dividend of reform and the economic

growth. And the hope for future potential, if we can watch, that it's the --- what I already mentioned. The institutionalization of cross-strait channels and institutions. That is still under negotiation, but it's likely to happen.

So, overall my sense of that is in general, it's less worried but still concerned that there will be continued pressure from Beijing to move toward not only economic integration, but further a possible breakthrough in political dimension. Thank you. *(Applause)*

MS. GLASER: Thank you, Professor Zhao, and thank you for being succinct and clear. I welcome that, and we'll expect the same from our next speaker, Professor Wang Kao-cheng. You're next.

WANG KAO-CHENG: Okay. Thank you, Bonnie. I feel very honored to be here to present my observations about the future cross-strait relations. I first want to thank Dr. Christopher Johnson and Dr. Richard Bush's invitation to be here.

I will provide a so-called --- Taiwan's perspective on this issue. Also, I think I cannot represent the whole Taiwanese. I can just be an observer from Taiwan to provide my observation on this issue. I will also provide slide documents to express my ideas, so that you can understand what I say more clearly.

My talk will divide into three sections. One is the possibility to have such a talk in the next few years. The second was if this talk --- what are those issues that Taiwan would want to address in the talk? The third part is what I would think is the best strategy to promote that kind of political and secure dialogue across the strait.

First, about the likelihood of talks and the political and security issue in the next few years. My personal feeling is that at least from Taiwan's side --- although China is pushing on that issue --- I think is very few in the next few years, especially in Ma's second term. I got that conclusion based on the following reason. First, I think that most Taiwanese prefer to maintain the status quo, which Professor Emerson alluded and provided empirical data.

I also have simple data, including a poll conducted by Taiwan's minster of affairs consult, recently in the last month. It showed that 86 percent of Taiwanese support maintaining the cross-strait status quo. That means no unification with China and no independence of Taiwan.

So, many people worry about that if there is a cross-strait political negotiation being set, that might represent the beginning of an evolution into a so-called unification negotiation. So you don't worry about that kind of talk. So

given that status, that's why Bonnie just mentioned in a recent interview this month, President Ma said that he thought Taiwanese do not currently regard the cross-strait political dialogue as immediate.

Second, I think there would be a strong opposition from Taiwan's opposition party, DPP, if there is talk settled between the KMD government and Beijing. I think that DPP ideologically oppose the future invocation between China and Taiwan. So, they will consider any of that kind of dialogue. That means the KMD government wants to push towards that end, so that they will strongly oppose that kind of talk.

And DPP currently has 46 in the Yuan, which has totally 113 seats. That means that the DPP has accounted for 35 percent in the Yuan, which constituted a strong opposition force in Taiwan's political stage.

Third, I think the present mind, just present popularity is quite low. According to a survey done by an independent survey company in March, in fact President Ma's trust rate was only 26 percent. Distrust rate was about 56 percent. And also, according to another source of local Taiwan TV station done in January of this year, Ma's approval rate was only about 14 percent. So given that kind of low popularity and approval rate, I think it's very difficult for President Ma to strongly push an issue which is not liked by the opposition parties and most Taiwanese.

So, that's why President Ma said in that interview that in the new future he will still adhere to the principal of economics first and political later in promoting the cross-strait relationship.

First, the political stance of the two sides still diverges substantially. The bottom line is that Beijing considers Taiwan as part of it and does not recognize the existence of a Republic of China that is Taiwan. But on the other hand, Taipei insists that the ROC has still existed after 1949, and includes Taiwan. Given that diversified political position, I think it needs more effort to get a talk to reach a consensus.

Fifth, on the political issue --- I'm sorry, on the security issue. I think that many Taiwanese are skeptical on the effectiveness of the cross-strait security agreement. I think there's two reasons for that. First, the gap of military capability between the two sides is quite large. So, I think that Taiwan lacks a kind of confidence to have a real negotiation on the security arrangement of the two sides.

The second. China is so far still an authoritarian regime. Many Taiwanese worry that if there is a security agreement reached between the two sides, whether China can sincerely honor its commitment to that kind of

securement. So, I think many Taiwanese so far still doubt the effectiveness of a security agreement between the two sides, if it is reached.

So, I think the best of the previous five reasons --- I get a conclusion that President Ma, I think, is subjectively --- he himself is reluctant to promote political dialogue across the straight. And objectively, I think he faced a strong constraint from Taiwan's society and opposition party to conduct that kind of talk.

Secondly, I will discuss --- but if there is talk on the political and security issue, what does Taiwan expect from that kind of dialogue? I think that on the political issues, Taiwan at least will desire two things. First, we would like to have equality of political status across the strait through that of political negotiation. According to --- in fact, according to the ROC constitution, we can accept the so-called One China Principles. That's no question. But we think that the ROC government still exists, and it covers both the Taiwan and mainland China.

So, I think given the One China Principle, we would demand equal footing position versus the mainland --- versus Beijing. So, I think we would have --- we would expect –--- we had better that China at least can admit the existence of the ROC government. And starting from that position, to pursue the future political relations across the strait.

But that means that we are pursuing a two-state policy. I think we can consider that one special relationship under the One China Principle. That is not a state-to-state relationship, but a special relationship between the two sides on the One China Principle.

Second, I think Taiwan will require that we will have more international space under the One China Principle. Given the development of less --- the few years --- right now, Taiwan is an observer of the WHA. We think that's a good development, but we expect that this model can be applied to more UN special agencies and other international organizations, especially currently. Taiwan government is strongly pursuing participation in the UN FCC and ICAL.

And also, we think if there is a better arrangement that we not just get observer status. If we can grant a formal membership in those organizations, that would be more preferred by the Taiwanese government. Of course, that can be done under the One China Principle.

Regarding the security issues. On the military side, we can accept to create the confidence-building measures across the strait. However, given the gap between the capability of Taiwan and mainland China, we will expect that China may do some initiative to show its kindness to Taiwan, and also give the

Taiwanese confidence to pursue that goal. So, we will require that maybe China at least, you know, reduce its military strength currently against Taiwan. For example, the Taiwanese government has demanded that maybe China can remove its missiles currently against Taiwan before that kind of talk be conducted.

Regarding the CBM. We can accept the usual content of CBM. That is that we can increase the --- include that both sides are increasing its military transparency, sending up communication channels to avoid the extent of conflict and create some restraint measures on each side's military capabilities and activities. And of course, we will pay attention that there should be effective censorship mechanisms to assure that China would adhere to those CBMs reached.

Regarding the peace agreement. I think it's a political arrangement. We think that if there's a talk on that, at least there should be already a strong economic and social base reached across the strait. That is, that we would like to have more engagement in the interaction between the two sides so that the Taiwanese would be more familiar with the mainland China, and also more accepted in mainland.

And if there is a preliminary CBM reached, that would be better. Or at the very least, we think that China should also take the initiative to reduce the military strength against Taiwan before that kind of talk can be conducted. And after that peace agreement is reached, we also hope that there should be effective censorship mechanisms to assure China's adherence to that agreement.

Finally, given those difficult obstacles, my idea --- my opinion is that if we both want to promote that kind of relationship, I think there's several steps that can be considered by both sides. First, I think both sides can start from a Track 2 platform. Second, I think both sides should promote that talk based on the principle of incrementalism, consensus reached by two sides, and equality. Third, I think the PRC should establish communication with the DPP to reduce the domestic obstacles from Taiwan. Fourth, I think the PRC should take extra steps to reduce military deployment against Taiwan before those talks can be conducted. That's my point.

Thank you for your attention, and I welcome your comments. Thank you. *(Applause)*

MS. GLASER: Excellent. We'll turn now to our last speaker, Dr. Richard Bush.

DR. BUSH: Thank you very much, Bonnie. Thank you all for coming. My job is to provide the American perspective on all of this. Of course, the United States is a very pluralistic, even polarized country. And so, it's

impossible to sort of capture the full range of American views in any one session. My good friend Ray Burghardt will give us, I think, a very good reflection of the Administration's point of view. So, what you're going to hear from me is just the views of one humble scholar.

I would like to talk about these issues at really two levels. One is more of a strategic or macro level, and then one is more specifically military level.

I think in broad strategic terms what has happened in the last five years has been a real boon to the United States. If we think back to the situation before 2008, it was one of increasing mutual fear among all three parties in this triangle. I mean, the strongest fear was between China and Taiwan, where each side feared that the other was going to do something that would challenge its fundamental interest, and then it had to take steps to hedge against that and you had kind of a vicious circle. The U.S. fear was that through some kind of miscalculation or excessive action, that the two sides would slip into a conflict that neither wanted. And then, we would be involved.

So, this was not an easy time. There were white knuckles all around. And what happened after --- really, starting in 2005 with some initiatives by President Hu Jintao were some steps taken by the CCB leadership and then by President Ma Ying-jeou that involved a certain amount of risk, at least domestic political risk, but sought to reassure each --- reassure the other and expand on areas of cooperation.

And so far, this has worked well. And as I say, it's good for the United States. This is one less problem we have to worry about on an hour-by-hour basis, and we have plenty of problems around the world and we even have some new problems in Asia. So, this has been good. And based on the implicit linkage that exists between what Taiwan does in cross-strait relations and U.S.-Taiwan relations, our ties with Taiwan have improved over the last four years.

Now, some Americans looking at this situation draw some rather stark conclusions, and they've formed kind of the bookends for the American discussion of this issue. One view is that essentially Taiwan is abandoning the United States. That it is moving towards a strategic choice essentially to bandwagon with China, and to no longer feel that it needs the U.S. security commitment and a strong relationship with the United States. I mean, this is the idea of Finland-ization.

On the other hand, you have people who suggest that Taiwan or, specifically, our security relationship with Taiwan, is becoming, in effect, a strategic liability for the United States. And that our commitments to Taiwan get in the way of a productive relationship with China, and that is the strategic

imperative for the United States so we should find some way to reduce commitments to Taiwan and yield the benefits of that --- accrue. I agree with neither of these views. I think the mainstream view is that there are still very good reasons for the United States to remain committed to Taiwan and to help Taiwan in appropriate ways, and I think that's the dominant view so far.

Now, that's happened to-date. What's likely to happen in the future? We all know what China would probably like to happen. It's that there be movement to discussion of political and security issues, and that there therefore be progress on the road to achieving China's ultimate goal, and that's unification. I'm not saying unification right away, but movement in that direction.

Similarly, we all know what President Ma intends, and that is not too much. He's set a pretty low set of expectations for his second term, things that are do-able and yield some benefit. But he has said pretty explicitly that political talks or talks on political issues are premature. He's not quite clear how a formal peace accord would contribute to Taiwan's security.

I think that President Ma has a good sense of the political constraints that are binding him to sort of limited and cautious action. One is the political environment in Taiwan itself, and Emerson's data I think have only sort of justified that view. Then there's what I think is a conceptual gap between Beijing and Taipei. It's essentially over the status of the Republic of China, which previous speakers have discussed.

So, I think that what we're likely to see for the remainder of President Ma's term is a slowdown in the momentum of cross-strait relations, maybe even some kind of stall. I think there will continue to be progress in the economic area, and maybe the cultural area, but these will probably be more difficult because they affect more domestic interests. I think it remains important that the two sides do a good job of implementing well what they've already agreed to to build confidence for the future.

I think that this situation is fine for the United States. We have always taken the view, I think, that as long as U.S. national security interests are not affected, we're happy for the two sides of the strait to set the pace and scope of cross-strait interaction and I think that a slowdown in momentum does not really affect our national security interests.

There is the lurking question, which Bonnie alluded to, and that is, what if China loses patience? I don't think China will lose patience in the near-term, by which I mean the rest of President Ma's presidency, three more years. As we've heard, the starting point of the Xi Jinping administration is continuity, and I think a realism about what is possible given the current Taiwan political environment. Still, we hear complaints and grousing from scholars, at least, about

Ma's intentions and a lack of seriousness.

The situation becomes more interesting, if I could use that word, if the DPP were to return to power in 2016 or 2020. I hope that Beijing doesn't overreact in that situation. You know, it has learned how to cope with the DPP administration. It has a decent playbook, and the United States is part of that playbook. And I think, you know, the United States from long experience of dealing with political transitions in democratic countries would find ways to adjust as well.

The most pressing question, I think, is whether Beijing loses patience and then resorts as a result to an approach of pressure and intimidation. And Emerson's data is interesting on this, that Taiwan's people don't want unification, at least in the current setting, but they expect it's going to happen. Well, you know, one of the ways it would happen is that if Beijing stepped up the pressure on Taiwan.

I think that this would pose a big challenge for the United States because a Taiwan that submitted to pressure would do so without any violence having occurred, probably, but still it would not be a voluntary choice. So, that would be complicated for us.

Obviously the ultimate forum of pressure and intimidation is military coercion. And so here I'm sort of shifting from the macro to more of the micro. We have seen a PRC military buildup that has continued, and that has changed the threat environment in which Taiwan exists.

Now, one would expect in this situation for Taiwan to acquire capabilities that are, number one, appropriate to this changing threat environment, and number two, also enhance deterrence against hostile action, capabilities that would raise the risks of PRC coercion and complicate any temptation to move in that direction.

The big question is: how to do that? I think we're aware that for a long time there's been a bit of a disconnect between Taiwan and the United States about what capabilities Taiwan really needs, and there's an impression at least from the outside that Taiwan prefers capabilities that make more of a political statement, and the United States prefers capabilities that have a military utility. This isn't a black and white thing. We understand the political value of arms sales, and Taiwan understands military utility, but it's a question of emphasis.

In this regard, I would like to cite a very interesting statement that a Pentagon official, Peter Lavoy, made on this issue in October 2011. And Dr. Lavoy said, lasting security for Taiwan cannot be achieved simply by purchasing limited numbers of advanced weapons systems. Taiwan must also --- and the

word “also” is important --- devote attention to asymmetric concepts and technologies that maximize Taiwan's enduring strengths and advantages.

I think there's some very interesting implications in this statement, but I think I've run out of time. And I will close only by making an advertisement, and that is for another program that Brookings and CSIS are doing together next Monday on the recent --- the quadrennial defense review that Taiwan has just released. I think our discussion will speak to these issues. The program will take place at 2 o'clock at Brookings. This is kind of a home-and-home series *(laughter)*, and we welcome all of you to attend. Please tell your friends. Thank you very much.

MS. GLASER: And for that event we will have the vice defense minister from Taiwan, Andrew Yang. Andrew Yang will be in town for that, so we welcome all of you to join.

So, three very rich presentations and raises, I think, a lot of issues to discuss. I am going restrain myself, but I might jump in later.

So, let's open it up to the floor now for questions and comments. Please wait for the microphone, identify yourself, and be brief so that we can work in as many questions as possible. Right over there.

QUESTION: Ken Meyer. What do the Taiwanese perceive is the United States' motivation with regard to its involvement with Taiwan?

MS. GLASER: All right, we're going to collect a couple of questions and then we'll come back to the panel. Over here?

QUESTION: Hi, (inaudible) for *China Daily*. It seems to me that the problems laid out here, I mean, by Dr. Wang are sort of a temporary obstacle that can be overcome, like communicating with DPP or, you know --- and like missile deployment. You know, that can be done tomorrow if, you know, I think DPP doesn't go the way --- I mean, if the future government doesn't go the way Chen Shui-bian did a decade ago.

My question is really, I mean, how accurately can we today predict things like decades from now? Obviously 40 years ago no one can predict that people in Taiwan and mainland can travel freely. I mean, I think Justin Yifu Lin obviously didn't predict that when he swam across the strait. And also, I think no one imagined that Justin Lin would have made a trip to mainland, in like 2004. So, just in 20, 30 years.

So, we probably can't predict things three, four years from now. But I mean, we are talking --- I mean, no one ---

MS. GLASER: Is there a question?

QUESTION: Yeah. No one is thinking that unification will be achieved in three or four years, but we are talking about something 30 years from now. So, how accurate do you think these predictions should be?

MS. GLASER: Okay. And then we'll take one more and we'll come back to the panel. Over there?

QUESTION: Jeffrey Lin from Senator Angus King's office. I was wondering --- well, going --- I hope this isn't going too deep into the bushes, so to speak, but --- pardon an unintentional pun. But, what level of cooperation between the U.S. and Taiwan would be that it wouldn't necessarily irritate China because --- to a great degree. For example, we've seen in recent arms deals, such as the sale of Apache attack helicopters to Taiwan that China hasn't raised as big a fuss as it did, say, back in 2001 when we sold them KIT-class guided missile destroyers. Thank you.

MS. GLASER: Sorry, my microphone was not --- who would like to start? Okay, Professor Wang?

DR. WANG: Well, Chinese say that the stupid bird flies first, so. I think Taiwan's understanding about Americans as to this --- that there is some in Taiwan that are honestly worried that we're too closed to mainland China, especially on the political and security issues. So, they are worried that that might interfere with --- the way they administer to sell advanced weapons to Taiwan. I would say that's not representative of the whole Taiwanese voice, but just a concern there. That's one thing.

About the future of cross-strait relations, I'm not predicting the 30 or 40 years later. I'm talking about based on the data I get on President Ma's second term. But like I said, that we --- in fact, the world continues the cross-strait economic and cultural engagement. Hope that with the development of that kind of relationship, that both sides, you know, can continue to improve the political relations and find a way to solve that difficulty.

From my understanding, I cannot represent China's attitude, but I would think that given the recent improvement of cross-strait relations, probably I think China will be concerned very much of the U.S. sales of submarines or more advanced jet --- flight to Taiwan. But still, I mean, that given the improvement of cross-strait relations, that we still don't know that kind of development will constrain China's reactions to those sales of weapons. Thank you.

DR. ZHAO: One question about the future directions. And also,

the question about maybe the next 10 years.

We all remember when Nixon and Kissinger visited Beijing, meeting with Mao Zedong. And Mao said to him, you know, we have --- we can wait for 100 years. So, not only 41 years passed. So there are still, in that case --- that's a long time to --- and also, if I recall my own experience, that exactly 30 years ago in San Francisco Asian studies and social Asian --- the first open dialogue cross-strait relations among scholars. That is Professor Chiu Hung-da of University of Maryland and myself in San Francisco. We had that discussion. Later the two articles were published in *Asian Survey* in 1983.

So, if we look at that experience, it's already 30 years past. We are still discussing, you know, relatively along similar lines what would happen and what is each side of position. So, it seems like it will continue, at least from this morning's discussion for number of years, for years.

Nevertheless, I guess from Beijing --- like I mentioned earlier, from Beijing's perspective there is also pressing hope that might be a breakthrough during Ma's second attrition. But of course, like also everybody mentioned here, it's unlikely to happen but there are still hopes.

DR. BUSH: Bonnie, let me speak to the issue of PRC tolerance about arms sales. I mean, ideally Beijing would prefer that we sell nothing to Taiwan, and that we had no security commitment to Taiwan because, in their view, that would improve the chances for successfully negotiating unification on Beijing's terms. Taiwan has a different view of the connection between the security relationship and negotiations, but that's a different issue.

But in the real world, arms sales exist and will continue. It's hard to know what governs Beijing's reaction at any point in time. There are political circumstances that affect its response on each occasion. I think it's fair to say that Beijing objects most to systems that give Taiwan the ability to strike targets on the mainland, such as advanced fighter aircraft and submarines.

MS. GLASER: I would just add one point on the issue of Beijing's policy toward Taiwan. I really think that the most important variable is whether or not the mainland continues to see time on its side.

I think it's very interesting if we, you know, link together some of these issues that were talked about in the first panel and this panel. That the mainland is quite aware of the fact that support for unification and Taiwan has demonstrated in the polls is actually declining. And yet, I don't think it has lost confidence that time is on its side. And I would venture to say that if a DPP president were to come back to power, that China would not instantly conclude that time is not on its side. After all, they survived eight years of a DPP president.

So, it would be interesting to try and tease out this issue of what would make Beijing actually change its assessment that time is on its side. Because I think if they did, that that would be a moment where we would see potential instability in the cross-strait relationship.

So if anybody wants to comment on that, we can do that after we collect a few questions. Over here, Eric Lowe?

QUESTION: Hi, Eric Lowe with the *Fair Observer*. My comment is basically, you know, like the thing about, you know, like --- you just talked about like what would make China lose patience? I think that the only thing that could make China lose its patience is, of course, a DPP president would be one of the things, but not exactly. But I think how the U.S. reacts, I think that's --- even from what the Chinese have been thinking of is more like, you know, Taiwan is part of them already in their estimation. Whereas, anything that can change this kind of thinking would be a threat to their unification.

I think that it's not playing to their hands that the U.S. is not directly involved in the talks or whatever. It's a good sign that we don't see a kind of interference, so I don't think that would be a situation that would lead to a confrontation or something.

MS. GLASER: Okay.

QUESTION: Thank you very much. I have a question to the three professors. I would like to know what's the role of Taiwan in U.S. rebalance to Asia? And is there some changes in U.S. policy to Taiwan after 2010? Thank you.

MS. GLASER: Good question, okay. We'll take one more from the back.

QUESTION: Norman Fu with *China Times*. It's been predicted that if Ma Ying-jeou or Hu Jintao, before, and now Xi Jinping can achieve some kind of accord in the cross-strait they'll both win the Nobel Peace Prize.

So, I would like to submit this question to the panelists. Whether in your belief that Ma or Xi Jingping have that kind of burning desire to win the Nobel Peace Prize? If that's the case, I would like to ask Dr. Bush whether the United States --- I know the U.S. policy. The policies are always, we don't want to get involved because of the failure of the Marshall Mission in the mid-'40s. However, the U.S. has been involved for the past century or so in the Taiwan Strait.

So, my question to Dr. Bush and perhaps even to Ambassador

Burghardt, whether the U.S. would like to serve as a sort of guarantor for the signing of such a peace accord? Just like Clinton did for the Oslo accords between the PLO and the Israelis. That's my question.

MS. GLASER: All right. We'll take that two-finger if it's very short and then we'll come back to the panel.

QUESTION: Gregory Holt from *Radio Free Asia.* Just a follow-up on Norman. China has already two very important persons who have got the Nobel Peace award. One is Dalai Lama, who is outside China. The second one is Liu Xiaobo, who is still in jail.

So my question is, were China and Taiwan eventually to be united as a single nation, can the Chinese leader get the Nobel Peace award by the condition that there are two very important Nobel laureates --- one is sitting outside, one is still in jail? Thank you.

MS. GLASER: I would hope that the goal here is to maintain peace and stability, not win the Nobel Peace Prize, but I'm going to turn the floor over to our panelists who would like to start. Richard?

DR. BUSH: To address Bonnie's question and Eric's about PRC in patients and views of time --- whether time is on its side. I would speculate that maybe it would reassess the situation if it decided that KMT and tensions had changed, that Go Min Dong leaders no longer held out the idea of unification, at least as some sort of ultimate goal. That they were, as Beijing would define it, interested in two Chinas or one China, one Taiwan, and that was all.

On the role of Taiwan in U.S. re-balancing, first of all it is a matter of record that Secretary Clinton, in talking about U.S. policy towards Asia, referred to Taiwan as an economic and security partner. I would phrase it a little bit differently. I think that first of all, Taiwan is, if you will, an implicit beneficiary in the U.S. rebalancing policy because I think the heart of that is to maintain our presence in East Asia --- economic, military, diplomatic, and so on. And I think that contributes to Taiwan's welfare. I think also Taiwan is an implicit contributor to U.S. goals because it believes in peaceful resolution of disputes, following international law, and expanding areas of cooperation.

On the Nobel Peace Prize questions. I have no idea what the Nobel committee would do if there was some kind of grand bargain. On Norman's question having to do with guarantors. First of all, it's quite a hypothetical question, but I guess the threshold issue is, would Beijing –--- which regards this as an internal issue --- want an external party to be a guarantor? The United States or anybody else. I think I doubt that. Thanks.

DR. ZHAO: The question on when Beijing would lose patience. I guess essentially this is just a different format of another kind of question that is, when China would use military force.

This question has been discussed for many years, like I mentioned earlier, even during the era of Deng. I remember at least on one occasion there are sort of four conditions. My own understanding summarizes into eight Chinese characters. That is, (Chinese). That is the first title is Taiwan independence, and second (Chinese) is external forces intervene, and thirdly (Chinese) internal chaos. And then the last, (Chinese) is last for long, long time without any sign of unification.

So, (Chinese) and also there is another one, Soviet Union. You know, different occasion, different --- you know, whether Taiwan would approach Russia. But I guess that's no longer --- because (Chinese) already under control of the United States.

MS. GLASER: Nuclear weapons, which was raised at one time ---

DR. ZHAO: That's right.

MS. GLASER: --- as a potential precipitation of an attack.

DR. ZHAO: So, I guess all of those elements may not --- I guess, except the last one. But my understanding is that as long as the sign is not really moving toward separation, then China still can wait for that. But the question, of course, is judgment. That's one reason.

So, earlier we talked about the Xi-Ma summit and whether that would happen, and also mentioned the Nobel. I guess the obstacle definitely seems like not from the mainland part but is from Ma Ying-jeou. We all understand political constraints and others making Ma very reluctant if it's not impossible to open his own way to meet with mainland China leaders, and that's turned to the question of U.S. position.

I guess just like any external power's status quo would be a preferred situation, you know, including the United States and Japan. But at the same time, I guess both Washington and Tokyo realize that it's not that something they can totally control. Just like the Korean Peninsula. If you ask North Korea or South Korea whether they'd prefer unification, all the major powers may not prefer that, but at the same time they also understand that it's maybe beyond individual major powers' control. It ultimately depends on the cross-strait people, whether they would like to achieve unification.

DR. WANG: Responding to Bonnie's question. I think that China's law passed in 2005, the Inter-Excession Law list strict conditions that either we use military or non-peaceful means to solve the Taiwan issue --- that can be a reference, although it's not a guarantee. But I think it's a reference.

My personal thinking is that as long as, you know, Taiwan's economy relies on China continues to increase --- as long as the United States --- I'm sorry, China can hold a strong military capability to deter Taiwan's movement to a formal interdependence. I think that the China mainland would lose that patience in solving this dispute.

Regarding Taiwan's role in the U.S. strategy, I think we can contribute two things. First, we have to stabilize the cross-strait relationship. I think that's also benefit to U.S. interests in this area. And secondly, through the, you know, excessive interaction between Taiwan and China. We have to change China's, you know, view on political democracy and modernization process.

I think we can contribute partially to change China's development to move toward a more liberal and democratic direction. I think that's Taiwan's role that it can play in U.S. strategies.

MS. GLASER: Yes, I recall President George W. Bush once said that Taiwan is a beacon of democracy. I think we have a few more minutes, if we'd like to take a few more questions. Up front.

QUESTION: Thank you, Bonnie, and thank you to all the panelists. I'd just like to make a short comment on the earlier points.

MS. GLASER: Please introduce yourself. Thank you.

QUESTION: I'm with Taipei Representative Office office. In Professor Zhao's remarks you mentioned that cross-strait may seek more cooperation, maybe in security area. For example, South China Sea or East China Sea. And the last question from previous panels also asks whether China and Taiwan may line up on the East China Sea issue? I would just like to clarify that from the very beginning, Taiwan has taken a very different approach from mainland China's approach, and we are very firm on our sovereignty claim on the East China Sea, or Diaoyutai.

But also, we also believe that we can shift disputes and we also hope that that concerned parties can take a peaceful approach on this issue. Therefore, last August my government proposed an East China Sea peace initiative and recently --- actually, earlier this month we just signed an official agreement with Japan. So, that all shows we have been taking a very different approach from mainland China, and we are firm on the peaceful approach. Thank

you.

MS. GLASER: Okay, thank you. Any more questions? Nadia?

QUESTION: Hi, Nadia Chow with the *Liberty Times.* Richard, I have a question for you. Today you mentioned asymmetric capability, and in your book you said that the U.S. should consider helping Taiwan to develop its missiles. So, I wonder can you elaborate? What do you think, you know? What would you suggest here for the asymmetric capability Taiwan could have?

Some people in Taiwan believe like Frank Hsieh and (inaudible) two weeks ago believe Taiwan is going to face a daunting challenge ahead. Is this strategy a risk and challenge? Some people also believe that Taiwan has a strategic opportunity in the near future. I wonder, well, you know, the panelists. What's your assessment? Thank you.

MS. GLASER: Okay. Well, there's lots of hands. We'll just take one final one, the woman right there.

QUESTION: I'm Sharon Shin, I'm starting my PhD in political science this fall at Stanford where I'll be focusing on China. So, I think Dr. Bush's mentioned there's a theory like in the U.S. Even though it's not, like, mainstream thinking that Taiwan is pursuing further ties with China and trying to alienate itself from the U.S. And on the Taiwan side there's also an abandonment theory because a lot of people think that the U.S. is pursuing further ties with China and it's not to be trusted.

So, could you comment on, say, the Taiwanese leadership's perception of its --- well, or its confidence in the U.S.-Taiwan alliance and whether it actually provides an incentive for it to pursue further ties with the mainland? Thank you.

MS. GLASER: Okay, thank you very much. One additional point that I'd like to throw out, if any of our three panelists would like to comment on. Frank Hsieh from the DPP has been talking about this (Taiwanese) or different interpretations of constitutions, and if anybody could comment on what implication that might have for the cross-strait relationship and whether this might be acceptable to Beijing as a basis for going forward, even though of course other DPP members, including the party chairman, has not yet stated whether this would be acceptable for him and for the party?

All right? So let's --- why don't we start at the other end again. Richard?

DR. BUSH: Just briefly, because we're running out of time. On

the question here about abandonment. The United States has been improving ties with mainland China, you could say, since the 1950s, slowly but surely, and Taiwan has always worried about being abandoned but it never happens. And I think what's important is, you know, what the mainstream view is and what U.S. interests are. I think my perception of the Taiwan leadership's view of this is that it remains convinced that the United States is a very important factor in sort of Taiwan pursuing its own interests and will continue to be so.

On the military question, let me clarify on the issue of missiles. The important thing here for the United States is whether Taiwan's development of missiles remains or is within the parameters of the missile technology control regime. I mean, that's the key variable.

I think that in general, the sorts of capabilities that at least I'm talking about when I use the words “asymmetric” and that its capabilities that make it increasingly difficult or very difficult for the PLA to take the island of Taiwan.

On --- did I get them all? What was your question. Oh. I'll just repeat my --- that I have an allergy towards any attempt to address complex issues with four-character expressions. *(Laughter)*

MS. GLASER: Even (Chinese) *(Laughter)* I won't put you on the spot.

DR. WANG: Okay, I just want to quickly respond to Bonnie's questions. From my understanding, I think that Frank Hsieh's proposal probably cannot replace the so-called '92 Consensus in pursuing the cross-strait relations for two reasons.

First, I think even the DPP has no consensus about that term, and what does that constitution represent? That means 1949 --- the constitution before 1949 made in China, or that constitution amended after 1991 in Taiwan, which has different meaning about the boundary of sovereignty of the ROC.

Secondly, using constitutional consensus to replace the '92 Consensus, from my understanding Beijing has no interest because like the word One China --- the '92 Consensus, at least One China was a different interpretation. But they use the constitutional consensus --- the one channel worth will be wiped out from that phrase. I am afraid that Beijing will consider that, you know, recession from Taiwan's previous position regarding these issues.

So, I think that my personal opinion that it may not, you know, contribute better than the '92 Consensus. Thank you.

DR. ZHAO: Again, starting with Bonnie's question, Frank Hsieh.

My understanding is that Frank Hsieh's statement is not regarded as official DPP position, but DPP actually has tried to dismiss any --- including his so-called private visit to mainland China. So in that case, it may not expect China really taking that seriously because it is a DPP position.

Having said that, anything that departs from the total independence from China --- any individual --- and not to mention, Frank Hsieh's high position under Chen Shui-bian) administration would be welcome. So, I would think it's a positive sign from --- and that's also reflected PRC making an effort to reach out with the DPP and try to reach some understanding.

And the question from --- I forget your name. Yeah. About --- yeah, I think that's a good point. That is, even though both Beijing and Taipei regarded the Diaoyutai/Senkaku as part of Chinese territory, you know, of course when you say Chinese you can say so-called greater China or only Taiwan. But that itself is different from Japan's position, because Japan regarded Senkaku as Japanese sovereignty and position.

So, I think even though you emphasize the difference between Beijing and Taipei --- but to me, fundamentally in terms of sovereignty position, there is overlap. There are similarities.

Don't forget, Ma Ying-jeou's dissertation at Harvard Law School, right? And he made that clear it's not part --- but of course, the East China Sea Peace Proposal is a welcome move in terms of --- as long as that's not a Japanese sovereignty. But having said that, I do think that recently reached fishery agreement Beijing has certain suspicions that --- not necessarily towards Taipei, but rather toward Tokyo. That's an effort from Japan's side to really separate Beijing and Taipei so that the two sides could not have so-called united front facing Japan.

MS. GLASER: Well, thank you. This has been an excellent panel, and before we thank all of our speakers again I'll just mention lunch is in the back. We're going to have Ambassador Raymond Burghardt as our speaker after everybody gets their food and sits down, probably maybe about 15, 20 minutes. So, again, please join me in thanking our speakers. *(Applause)*

MR. JOHNSON: Okay. We're going to go ahead and have our keynote address now, so if we could have folks settle down a little bit. I'm very honored to have with us this afternoon as our keynote speaker, Ambassador Ray Burghardt. Ray, in February 2006, then Secretary of State, Condoleeza Rice, named Ray as Chairman of the Board of Trustees of the American Institute in Taiwan. And that appointment was, of course, reupped under the Obama administration. And AIT, as everyone in this audience, I think, knows as the private entity, of course, established in 1979 to manage

U.S. relations with Taiwan in the absence of former diplomatic ties.

Until very recently, last December, Ray also served at the East-West Center as the Director of Programs there, and the Center's division that organizes dialogue and exchange programs. Prior to his service at AIT, Ray also served as U.S. Ambassador to Vietnam from 2001 to 2004. He was also in Taipei formerly as the Director of the AIT on the Taiwan side from 1999 until 2001, and also served as Consulate General in Shanghai and Deputy Chief of Mission at the U.S. Embassies in Manila and Seoul.

So we're very, very blessed to have Ray here to engage with us, and without any further ado, I'll turn it over to him to give a start. Thanks, Ray. Please welcome him. *(Applause)*

RAYMOND BURGHARDT: Thank you, Chris. Thank you very much to Chris and to Richard Bush from Brookings, to Bonnie Glaser from CSAS for inviting me to speak to this conference, great group of people out there, lots of old friends, people who have come up and introduced themselves to me who knew me in Shanghai, which is great fun, thanks a lot for that.

So I'm going to talk relatively briefly, I'm going to focus on U.S./Taiwan relations as a relationship between the U.S. and Taiwan. I fully expect a lot of questions about things like the state of cross trade relations, but I'll leave time for you to raise all those things in your questions.

I think, as we look at, when I look at U.S./Taiwan relations, I always find myself thinking back to 1979, all the way back to then, when we broke relations with the Republic of China, as we then designated it when we had relations with it, and established our current relationship, as managed by AIT. A model, I might say, that's been followed by many other countries who established relations with PRC. And I think, if you look back to 1979, only then do you really, really get a sense of how remarkably far we have come.

In the early years after 1979, the tendency was to treat Taiwan as an issue, an annoying problem in U.S./Taiwan relations. Frankly, and I think back, myself, to the people who worked on those issues at that time, and what they were thinking, and what they were saying, and the history books have opened up even more about that. Most of the people in the White House in the State Department at that time, they never imagined that we would still be talking about U.S./Taiwan relations in 2013. They certainly never imagined such a close and serious relationship, or that Taiwan would become an important player in the world trader system, an economic power house that required a serious and important relationship.

The Obama administration, building on the work of the Bush administration, has worked very hard to treat our relationship with Taiwan seriously, to treat it on its own merits. I've now worked on Taiwan policy a long time, and never imagined out would be so long, three American administrations, and during the terms of three presidents of Taiwan, all beginning in 1999. I did take a vacation for three years in Vietnam in the middle of that period. But the current national security team in Washington, that's White House, State Department, Defense Department, couldn't have Drew here from the Defense Department to represent, to maintain their interests here.

I would say this team has the greatest, has treated Taiwan with the most genuine interest, with the greatest commitment of time, and a very important point that doesn't get mentioned too often, with the greatest respect that I have seen in all the years I've worked on Taiwan. I give a lot of credit to my friend, Kurt Campbell, our former Assistant Secretary of State, for his leadership in establishing that kind of relationship, and that kind of improvement in our relations with Taiwan. And I'm also, I am confident that we've now institutionalized those channels of close cooperation so that they're going to continue, they will continue under the new members of our national security team.

And I would note that we've made all this progress, which I'm going to describe in some detail, while still doing it within the framework of unofficial relations with Taiwan which was created by the Taiwan Relations Act in 1979, a rather remarkable feat, actually. As Dr. Campbell, Kurt, told our Congress in October 2011, it was actually in the same very important testimony that Richard referred to in talking about Peter Lavoy's comments. Kurt said that we now have regular consultations at senior levels with both civilian and military representatives.

I can add to that we brief our Taiwan friends on our high level meetings with the PRC, we brief them on our overall Asia strategy, they brief us on their various channels of communication with Beijing. I think all of us who worked in Taiwan remember, for years and years, a regular complaint in Taipei that we need more high level interaction between our officials. I can't remember the last time I heard someone make that complaint, it just doesn't come up anymore. We have resumed visits to Taiwan, which Frank would stop during the Chen Shui-bian administration, we have resumed visits to Taiwan by senior officials, that continues.

As most people here know, in the last two years, we had Deputy Secretary of Energy, Poneman; USAID, USAID, Director Shaw; Under Secretary of Commerce Sanchez; Assistant Secretary of State for

Economic and Business Affairs Fernandez; I think I've probably forgotten somebody, they have all visited Taipei. Just last month, we had some slightly lower level state department officials who went to Taipei for the annual meeting there, of the Asia Pacific Counsel of American Chamber of Commerce, an important event, and a sign, also, of importance of Taiwan to the American business community.

This has a gathering of 15 American Chambers of Commerce from across the region, and it was the first time in 21 years that the meeting had been held in Taiwan. I also would note that the flow of senators and congressmen to Taiwan has been very strong, definitely up in the last two years. Just this year, as I recall, we've had delegations led by Senator Inhofe, Senator Murkowski, and by the new Chair of the House of Foreign Affairs Committee, Ed Royce of California.

Other developments, most of these you know about, but just tick them off; U.S. granted visa waiver to Taiwan last year, very big deal, a very important step, it is already facilitating and expanding leisure and business travel from Taiwan to the U.S., American Airlines are adding nonstop flights to Taiwan. Visa waiver will deepen our people to people ties and our very important economic relationship.

And I would just note, achieving visa waiver was not easy, it was really, really tough, and the process started, really, while I was in Taiwan as Director way back, 12 years ago. It required a lot of hard work by people, particularly in Taiwan, including major action, lots of very major action to improve the security of Taiwan's passport. Another big development, last month, we successfully restarted our trade and investment framework agreement talks after a five-year hiatus. I will not talk about beef today.

The Acting U.S. Trade Representative, Demetrios Marantis, led the U.S. delegation that went to Taiwan, they had very good meetings, some people here today, who were there in the delegation. Both sides are committed to broadening and deepening our trade and investment relations, various groups are set up and they're going to start meeting to deal with some of these issues in very concrete and substantial ways. Our military relationship is stronger than ever. The only aspect everybody ever notices about the military relationship is arms sales. But, in reality, it's a lot more than that.

We don't talk about some of the rest a lot, but, I mean, sometimes maybe we should. We have very excellent information exchange, training and, very important, joint assessment and analysis of what Taiwan needs to maintain a sufficient deterrent capability. We have now institutionalized many levels of regular military dialogue and cooperation

from policymakers to military planners, and, frankly, all the way down to noncommissioned officers.

Just, personally, I can say in the past year, I have participated in more military interactions than I can really count and remember, all the way in Washington, in Taipei, at the Pacific Command in Honolulu, and at other locations around the United States. For me -- and especially meetings, planning sessions, table top exercises, you name it. For me, an especially memorable moment was last October to accompany Vice Minister Andrew Young, at the Pentagon for his meeting with Deputy Secretary Ash Carter. Our economic relationship between Taiwan and the United States is really one of the fundamental reasons why we must take Taiwan/U.S. relations seriously, and we must have interaction between certain people at the policy level.

The economic relationship is important for American exports and important for American jobs, things that we're not going to sacrifice, we need to take care of that, and it requires meetings at certain high levels. Taiwan is our 10th largest trading partner, ahead of India or Italy, it is a $26 billion market for U.S. products, and it's growing well. It's number two per capita for food and agricultural products and the 6th largest market for food and agriculture. The U.S. is the largest investor in Taiwan, about $22 billion. I kind of think that's a little low, but that's the figure we put out.

Taiwan investment in the U.S. is about $5 billion, also probably a lower figure than the reality, and the U.S. Commerce Department has actually selected Taiwan as one of the 15 priority target economies where we are actively promoting inbound investment into the U.S. over the next couple years. Right now, actually, some of us know from talking to people, there are some very large projects of Taiwanese investment in the U.S., and U.S. investment in Taiwan that are in the advanced planning stage.

Taiwan was also, I should say, is the 6th largest source of foreign students in the United States, there are about 23,000 Taiwanese students now enrolls in U.S. universities, which is a rather astounding figure considering the size of Taiwan. So, just to wrap it up, it's a rich relationship, very rich relationship, countless interactions every day, state and local officials, private sector, nonprofit organizations, religious organizations, you name it, every imaginable sector of our two societies.

Americans and Taiwanese like to work with each other, they like to do business with each other. In Taiwan, I always interact with our business people whenever I go there, and when they come here, they spend a lot of time with our business people. They don't encounter the kind of serious problems in Taiwan, frankly, that make doing business so difficult in

some nearby places. I won't go into detail, but you can imagine what I'm talking about.

An excellent example, I think, sort of a symbol, really, of the commitment the U.S. has to strong future ties with Taiwan is the new office complex that we are building for AIT, the American Institute in Taiwan, in Taipei's Neihu district. This is going to be a large, modern, and even, I would say, attractive office building. If you look at some of our embassies in other parts of the world, it's not an embassy, it's an office building, I'm being very correct about that, but if you look at what we've built in some other parts of the world, attractive would not be a word that anyone would use.

This also is going to be very environmentally sound, seismically stable, very modern construction materials. I would also say the *feng shui* is perfect, *(Laughter)* it has mountains behind, river in front. I always mention that since I picked the site 12 years ago *(Laughter)*. And it's a big deal, this is a $220 million project. You may have read about a contract dispute that's kind of slowed down some of the work, but other parts of the work still continue, and we still believe it will be completed by early 2015.

For the first time, we're going to have all sections of AIT under one roof. Now we have the commercial and cultural sections separate from the main office on Xinyi Road, they're all going to be together. And then, I think, the real symbolism, this will be the first dedicated office building built by any country in Taipei in at least 30 years, dedicated office building as its representative office. So I think that's a wonderful symbol of the commitment to long standing and important future relationship.

At the core of that relationship is our shared belief in democracy, rule of law, human rights. Profoundly important principals, also, frankly, exactly the kind of principles that I alluded to earlier in talking about how this is a place where people like to do business, where you have rule of law. Americans have deep respect, very deep respect for the extraordinary economic and political progress of the people of Taiwan, I would say against all odds, over the past 34 years, since 1979.

And, for our part, we will stand by the commitments we made to Taiwan 34 years ago. Thank you. *(Applause)*

MR. JOHNSON: Okay. Well, Ambassador Burghardt has very graciously offered to take some questions from the floor, so we're going to start with Bonnie, very eager in the front, and then we'll move on from there. And, again, standard rules, please do identify yourself and keep your remarks short. If we can have a microphone up front?

Just speak loudly, we're broadcasting, I guess, aren't we? We are. Let's see if we can -- just go for it.

MS. GLASER: I understand and appreciate the focus of your talk, which really is on U.S./Taiwan relations, but I hope that I can press you to talk a little bit about U.S. administration perspectives on the Cross-Strait relationship. And I'd like to add a specific element to the question, and that is; there is this narrative that persists on the mainland, as well as in Taiwan, that one of the reasons that President Ma is so reluctant to accelerate the pace of discussions with the mainland on sensitive political issues and military confidence building measures is because the United States really would oppose such an agenda.

So I'd like to give you an opportunity to explain how the U.S. would look at progress in those areas, and the overall perspective on the Cross-Strait developments. Thank you.

MR. BURGHARDT: Thanks, Bonnie. Look, I was in Taiwan as our representative during the Chen Shui-bian era, and when I came back to be the Chairman, he was still there. And I remember very well what it was like to have a lack of dialogue across the Taiwan Strait, a lack of communication, a situation which was very worrisome of the United States for its national security interests. Worrisome, because lack of communication can very easily lead to miscalculation, miscalculation can easily lead to conflict, and conflict can easily lead to the involvement of the United States.

And so ending that situation was a very important accomplishment of the Ma Ying-jeou administration, and one that we very much welcomed, and continue to welcome. The 18 agreements across the Strait provides stability that we welcome, we viewed all of this interaction, all of this integration, this communication as not only in our strategic interest, frankly, it's in our commercial interests also, American companies like it too.

We also have always believed, to answer the second part of your question, we've always maintained the firm belief, and I think that everything that has happened over the last 20 years has reinforced it, is that only the political leaders in Taiwan can judge the topics, the pace, the timing of what they should talk about with the other side. They are the elected political leaders, they're the ones that have to confront their own voters and their own political realities and make those decisions.

I think it would be really wrong for the United States, or any other outside country, to second guess those elected leaders on whether they should take up CBMs now or next year, or which topics or when, I think it's

totally inappropriate, presumptuous, really, for outside countries to suggest to the Taiwan leaders what, when and where they should talk about. And, just to underline, in our, we, under no circumstances, has the U.S. ever discouraged in any way, directly or subtlely or implicitly, in no way have we ever cautioned Taiwan, you don't want to talk about that, you don't want, we would be nervous if you raised that subject. Never, ever.

QUESTION: (Chinese) China Daily. Again, if you look at the relations between China/U.S., Chinese Mainland/Taiwan, everything seems to be possible. So, using your imagination, do you think what it takes for unification to happen finally? Thank you. *(Laughter)*

MR. BURGHARDT: I use my imagination for many things, but that is one that I would not choose to use it for. That would be -- you know, I listen to what Ma Ying-jeou says, and if you look at his remarks, he reiterates the three no's; no unification, no use of military force, and no independence.

Recently, in his remarks to the Stanford University people, I noticed that he reiterated the three knows, and in the question and answer period, he said something which, unfortunately, I don't have the exact line in front of me, and it didn't get much attention, but he talked about how maintaining the status quo was a fundamental principle of his Cross-Strait relations. I'm sorry, I may be mangling the quote, but it was pretty close to that.

So, therefore, it would be, again, I use the word presumptuous for me, or any American official, or even quasi official to try to imagine what would be the scenario for unification. I think all the discussion that's gone on here about the polls, and people's attitudes, and I think all of this is something we all should pay a lot of attention to. I lived in Taiwan a long time, not only as Director, but I was a student in Tai-chung in the mid '70s, and I first visited Taiwan in 1970.

So I think the sense of separate identity is something that's pretty deep seated in Taiwan, it goes back long before Chen Shui-bian, long before (Inaudible). And so, that would be something that would have to be addressed by anyone who contemplated the idea of unification.

QUESTION: My name is Eric Lowe, I'm with the Fair Observer –

MR. BURGHARDT: With what?

QUESTION: The Fair Observer. My question is, when I hear

about you talking about the Taiwan Strait ban, you have almost like a sigh of relief when Ma Ying-jeou took over. In fact, a lot of the media, use know, it was like the United States, China, sort of like having an agreement that kind of tests that he should be because he's for the status quo, no change and independence.

So if there is, in the next election there is a DPP president, is it problematic for the United States to step back into the situation of Chen Shui-bian or basically there is a backwards and forwards situation going on?

MR. BURGHARDT: My personal sort of emotional feeling and reaction, I should say -- actually, it's a mixed feeling. And I guess I'm, again, into talking about personal things, which is not what I'm paid to do. I actually had a lot of affection for Chen, and we had an excellent personal relationship, but, from a policy point of view, it was problematic for the United States, and there's no secret to that, we were quite open about it.

None of us, I think, should draw conclusions that the political leadership of either the KMT or the DPP in the future can be totally predicted from what it's been in the past, we have to judge leaders on their own merits. And the United States believes in democracy, and one of the most fundamental principles of democracy is to accept that there can be alternation of power between political parties. And we accept that and we would work with whomever took office, and we have no intention of interfering in the selection results. So I'll leave it at that.

MR. JOHNSON: At the very back, there.

QUESTION: Gerrit van der Wees, Editor of Taiwan Communiqué. Ray, I'd like to pick up on where you ended your speech, your emphasis on the shared values; democracy, human rights and freedom in Taiwan. Many people in Taiwan do feel that, under the present administration the past four years, democracy and human rights have eroded because of the Europe emotion with China, and that, eventually, that might lead to a situation that, which Bush described this morning, that Taiwan would be pressured into unification and not voluntarily, but by stealth, perhaps. What could the United States do to help Taiwan more to basically make its own decision on its future?

MR. BURGHARDT: Thank you for that tendentious question, Gerard. *(Laughter)* Look, I don't buy the narrative, the scenario that Taiwan's, the human rights situation and democracy has eroded over the last five years. I'm sorry, I don't buy that. In terms of what can the United States do to help Taiwan to be able to, how did you put it, maybe be able to make decisions on its own?

A lot of that has to do with providing deterrence capability, which I alluded to in my talk, and which Richard talked also at some length about that whole subject, making sure Taiwan has the capability so that coercion is more difficult, so that coercion is something that the idea of launching a blockade or an invasion would be something that would be sufficiently challenging and difficult, that that would give pause to someone contemplating such hostility.

Giving Taiwan the capability to defend itself for a sufficient period of time so that the situation could be satisfactorily resolved, all of these are important aspects of giving Taiwan confidence, and being able to negotiate from a position of confidence.

QUESTION: Thank you, Mr. Ambassador. Talking about giving -- John Sand. Talking about giving Taiwan the capability to defend itself, there has been a long standing request for F-16 CDEs.
Mr. Ambassador, how long do we have to wait before we see any movement towards that? Do we have to actually skip it altogether, probably, for Taiwan to request a new generation of fighter jets? Thank you.

MR. BURGHARDT: You weren't listening, John. I talked about how, in our military relationship, included joint assessment and analysis of what Taiwan needs to maintain a sufficient deterrent capability. I'm not going to get into talking about individual weapons systems, but I would note that its sufficient deterrence capability includes high-tech items and low tech items. It includes not only weapons, but how to use them, it includes protective actions you take, how to fix your run ways fast, things like that.

So it doesn't, it even goes beyond weapons, and it includes not only things that you might buy, but it includes things that you might make yourself, indigenous manufactured weapons. And Taiwan's doing better at indigenous manufacture of weapons, it's doing better every year, it's getting pretty impressive, actually, and many of those do have excellent asymmetric capability. So I think people, understandably, people sometimes reduce this whole issue to sort of, kind of obsessive focus on the sale of a particular item.

That's not the best way to look at the issue, it's not the correct way to look at the issue. I sometimes think if China wants to obsessively look at whether or not we sell one particular item, I don't know, maybe that's for the best, but it means they're not paying attention to other things. And I say that only half-jokingly, frankly, but we shouldn't make that mistake.

MR. JOHNSON: In the middle, here.

QUESTION: Thank you, Ambassador. My name is Don Qui with China Daily News Agency. Maybe my question will be easier, it's not on the policy level. I'm just wondering if you have opportunity to have contact with the Chinese new Director of the Taiwan Affairs Office, Zhang Zhijun, or do you have any contact with the Chinese side regarding the Cross-Strait relations after the new Chinese government took office? Thank you.

MR. BURGHARDT: That's a fair question. A major part of my job is not interaction with the Chinese side on these issues. However, it doesn't mean that I'm allergic to that. Once a -- twice a year, at least, I take part in Track II or Track "One and a Half" meetings in which, at one of them, they're always in New York, at one of them, there are Richard Bush, Bonnie Glaser, many other people in the room to take part in these meetings, also, organized by the National Committee on American Foreign Policy, which I'm sure will be glad for this plug.

And (Inaudible) will love me for this, but one of the dialogues every year involves many PRC academics as well as Taiwan academics, American, there are usually some Taiwan officials and some American officials or quasi officials. In the case -- and there's another meeting, which the next one's coming up in early May, very soon, in New York, that meeting always involves officials from the Taiwan Affairs office of the State Counsel.

And I think, once Huang Renwei came to the meeting when he was the Chair of the Office, generally, the representatives are at the deputy level; (Chinese) often led the group, (Chinese), some of the others, so that does afford an excellent opportunity for not only discussion in the group, in the larger meeting, but very often, we have private conversations also.

QUESTION: Mike Misetic of the PBS Online News Hour. Asia is bursting out with various trade agreements, proposed trade agreements, TPP morphing now into something really big, whereas before, it was relatively small. Where does, and you're talking with these folks, where do they see themselves in this swirl of new trade agreements?

MR. BURGHARDT: Right. Taiwan, of course, watches all that with great interest and understandably with a certain amount of frustration. Taiwan, the unfortunate condition that Taiwan has found itself in for decades, of course, is the threat and the reality of marginalization from international organizations and international trade pacts and all kinds of international agreements. Taiwan itself, as it's publicly known, is negotiating a trade agreement with Singapore, another one with New Zealand, some of these seem to be, at least one of those seems to be fairly far advanced.

Taiwan is also doing joint studies with a number of other countries in Southeast Asia in the region on the possibility of such agreements. So they're not inactive, these things are going on. As far as joining larger, sort of multilateral trade agreements like TPP or like the one, what is it, the RCEP, the challenge of those is that they work by consensus, all the countries have to agree to allow in a new partner. Many countries on these issues tend to look over their backs and see what Beijing is thinking. That may not be the way the U.S. operates, but certainly, other countries operate that way.

So that kind of describes the situation. I would say, one thing that I think I can add to that is President Ma particularly sensed his second inaugural speech has been remarkably frank in talking about the protectionist -- these are his words -- the protectionist instincts, the protectionist nature of Taiwan's trade posture and about the need to open up and to make Taiwan, I think he called it a free trade island. So that's a very welcome attitude, and he knows, and everybody in Taiwan, most people in Taiwan know that Taiwan's ability to sign trade agreements bilaterally or multilaterally will be greatly enhanced by that kind of progress toward opening Taiwan's economy.

MR. JOHNSON: In the very back there.

QUESTION: Gregory Ho from Radio Free Asia. Mr. Chairman, just one question. Since Chairman Ma has said Taiwan's internet infrastructure has been hacked a hundred times every day, presumably from the other side of the island, so we agree on expanding the U.S. cyber military capability into Taiwan, and expand or even have stronger cyber military cooperation between the U.S. and Taiwan, so that would make Taiwan have a so-called symmetry of power that deters any further intrusions from the other side. Thank you.

MR. BURGHARDT: This is a topic we do discuss with Taiwan. Taiwan obviously does face a serious cyber threat, that's publicly known, and it's definitely part of our, in talking about the close military cooperation we have with Taiwan, the close dialogue we have on so many subjects, that's definitely one of the subjects.

MR. JOHNSON: Young lady over here.

QUESTION: Chihoka Goethe with the Wilson Center.

MR. BURGHARDT: With what?

QUESTION: The Wilson Center.

MR. BURGHARDT: Okay.

QUESTION: I want to turn to the ongoing territorial dispute and Taiwan's positioning, trying to position itself as a peace broker in the East China Sea. Now, there is a clear difference in the positions that Taiwan has compared to China; will such differences aggravate Cross-Strait relations? And whilst the United States made clear that it remains an observer in the dispute, will the differences between China and Taiwan make it more difficult for the United States to stay on the sidelines?

MR. BURGHARDT: The agreement that Taiwan reached with Japan, I think, was not surprising, I think it was something that really met the interests of both sides in a rather neat way. And it was, I think -- President Ma and Taiwan government, in general, I think, always was pretty clear that they felt that the sovereignty issue could be set aside in an agreement that would deal with the important practical issue of protecting fishing rights. This is a traditional fishing zone of the fishermen from, which county is it, from Yilan County in Taiwan, there's a long history to that.

So it was something that was rather well handled by both sides, it removed one sort of aggravation and irritant in the situation. I think trying to sort of go from that to analyze whether it's going to become an irritant in Cross-Strait relations and then cause problems for U.S./China's relations, I think this is, perhaps, an example of that great Taiwan fascination with over analysis of issues. I really don't think so, I think it's just, that's just extrapolation beyond logic.

I think, I mean, obviously, Beijing expressed some irritation with the agreement, but it wasn't a particularly loud bleat from Beijing, I thought.

MR. JOHNSON: In the back.

QUESTION: Jeffrey Lin from Senator Angus King's office. My question is essentially what's the issue that needs more work to be done in the next four to three years; is it more on the security side or more towards the free trade agreement? That is, U.S./China relations, since those seem to be two big issues to me -- I'm sorry, U.S./Taiwan relations. Sorry about that.

MR. BURGHARDT: Trade and security are both very important issues, we don't choose between them. I think, on the trade side, as I said, we just had our TIFA talks at the deputy minister level, we identified a number of issues, not only involving trade, but also investment. There are classic kinds of issues you get into in trade negotiations, non tariff barriers,

greater access for American pharmaceuticals and medical equipment, opening up agricultural markets to American products a little bit more.

Rick left us, can I ask him? And we want to see progress on those. Taiwan would like to have an investment agreement, that may take some work, but we can, we reached agreement on some investment principles, we're working on that. We do want to make investment between the two sides easier, remove some of the barriers, some of the regulatory barriers. American financial industry had some problems in terms of how the financial regulators in Taiwan sometimes make it a bit rough for insurance companies, for example, to exit the market once they've entered, and so forth.

These are very nuts and bolts kind of things, but important, very important, particularly at the scale of the Taiwan economy, which is a big economy. So those are the kind of issues we're going to work on, and we also, we see that Taiwan's economic autonomy is an important thing also. Taiwan doesn't want to be overly dependent on its relationship with the mainland, that's quite open about that, that's understandable. Enabling Taiwan to have trade agreements, more agreements with us, more agreements with its neighbors, with others, that's something, that's a good thing, and it's something we certainly would like to help.

So that's the trade side, that's very important. The security side, I talked about the improvement of the deterrence capability, we deeply believe, as Ma Ying-jeou has often said publicly and privately that there isn't going to be progress in cross trade relations unless Taiwan feels confidence in its own security. If you want to stop cross strait progress, the fastest way to bring it to a halt would be to remove Taiwan's sense of security and sense of deterrent capability. Beijing is never going to agree with that, never going to accept that logic, but we believe it deeply, as does Taiwan.

MR. JOHNSON: In the very back.

QUESTION: Thanks, Mr. Ambassador for your good talk. (Inaudible) The George Washington University. How much –

MR. BURGHARDT: From George Washington University?

QUESTION: Yes, sir. How much American U.S. Treasury Bills does the governmental pay one on?

MR. BURGHARDT: How much what?

QUESTION: Treasury Bills, TBs.

MR. BURGHARDT: Treasury Bills? Taiwan is number four -- is that right, still number four?

QUESTION: How much.

MR. BURGHARDT: Yeah, it's number -- Taiwan, after China, Japan and Russia, right? It all stands between Korea and Taiwan, but it's number four, number four or five. And it's about $450 billion, I think, in Treasuries or in other -- I think that may include things like Fannie Mae and so forth, but it's in that range. It's a little sort of a half trillion dollars, it's a lot of money. I mean, nobody ever thinks about it or talks about it, but Taiwan's a very big player in that whole field, yeah.

MR. JOHNSON: Thank you very much, Ambassador Burghardt. Please join me in thanking Ambassador Burghardt. (Applause) And we'll go ahead and take a break before setting up the next panel, thank you.

(Recess)

KEVIN NEALER: Good afternoon. My name's Kevin Nealer. I'm delighted to be introducing our panel today. I noticed that Ray in his concluding question said, "U.S. policy doesn't have to choose between economics and security." Well, this panel has chosen, and we're about the money. I mean just to be clear; the security stuff, that was an interesting 4.5 hours, a nice predicate, but we know what matters in Asia and it's invariably trade and investment -- though my wife, who is a reporter in the region for many years, did admonish me that the most boring line in the history of journalism is "International trade talks continue." So she said, "Try to spice it up."

We're very fortunate in our panel today to have Simon Chair here at CSIS, Matt Goodman, who was responsible for U.S. economic policy in Asia most recently both at the State Department and the National Security Council. Matt was, however, in the unfortunate position. Most new administrations, new entrants in administrations, are able to say for many months, "Well, I don't know what the President's views are on this matter." Matt did not have that opportunity because he had lead responsibility on the Obama Campaign for the Asia Trade Policy papers. So he came in on the first day being responsible.

Professor Chou Chih-wei is with Tamkang University. He has written and lectured extensively on our topic today, on Asian economic architecture, and has regularly consulted with the Taiwan government on these issues. Matt and I were discussing beforehand; we're a little concerned because he also happens to know more about U.S. policy than most American policy speakers would. So we're delighted to have him here today. We welcome you both.

For decades it was fashionable when talking about Asian trade and economic issues to start with the euro centric observation that Asia doesn't exist in the way that Europe does. I suspect that this was code, euro centric code, for the fact that Asia didn't enjoy the advantage of deep, well-established, regional structures and habits of cooperation that we all kidded ourselves to believe would give European economies a certain predictability and limited downside risk. Well, three years into the European crisis, I think there were a great many people in Asia who said, "You know, you're right about that. Asia doesn't exist in the way that Europe exists."

But the intervening event also, as Ambassador Burghardt indicated, is in the last decade we've seen the proliferation of Asian trade relationships of all kinds and indeed all quality. We now see some 233 trade agreements that crisscross the regions. These are of widely variant purpose from what I guess I would argue is the gold standard of the closer economic relationship between Australia and New Zealand and arguably the most extensive FTA anywhere in the world; to others, some of which are vague and kind of aspirational, may have questionable economic and even political incentives. But then there are the larger trans-regional agreements that our colleagues are going to discuss today.

The work we've been asked to do in this panel with our two experts is to look around the region and offer thoughts on what has been described as this noodle bowl of trade deals and help organize our thinking about what they may mean for U.S. and Taiwan interests. I'd ask both of you to start out if we can, and this audience has demonstrated that it is a frightening group of self-starters capable of highly original thought, and I'd like to turn this last session as much into a conversation as is possible. So, Dr. Chou, may I ask you to begin?

CHOU CHIH-WEI: Should I sit or should I –

MR. NEALER: Please, whichever you like.

DR. CHOU: Thank you, Kevin, and ladies and gentlemen, good afternoon. My name is Chou Chih-wei. I am Assistant Professor at Tamkang University in Taiwan, and I really appreciate this opportunity coming here to make a short talk on the regional economic architecture and its political security implications.

So let me just start with a joke that was mentioned this morning that there are 100 years for them to wait for the final implication and it's only 41 years past and we still have 59 years to go. That means for all the politicians, scholars, and practitioners in this particular business, we have a lot more work to do so we can save our jobs, right?

When you think about the regional economic architecture from Taiwan's perspective, we really have to think about what was done by the late President Chiang Ching-kuo a few months before he passed away in the 1980s, and there are two things. First of all, he decided to implement democracy for a lot of reasons and to reinforce the legitimacy of Taiwan's government for two different purposes. Number one, to make sure that Taiwan will be in terms of the system be linked with the Western democracies. That's important for Taiwan to have allies and friends. And the second implication is to make sure that whoever is going to run Taiwan, to rule Taiwan, will have legitimacy to deal with the pressure problem of Mainland China. So that's good; that's very important for Taiwan.

And the second job, the second thing that he has done before he passed away, is to open up to China, which you all know that took place November 2, 1987. Just a few months before he passed away, he instructed his party chief man saying that it is important for the KMT right now to think about a working relationship with China; that's what he said. Therefore, he anticipated that there is going to be an inevitable trend for Taiwan in the future, in the distant future to say the least that Taiwan will have to deal with China one way or the other. So it was probably a very good opportunity while he was still there to open up this window of opportunity for the two previous adversaries to stay engaged with each other.

So that's actually what happened that I'm going to talk about today. So this trade between Taiwan and China from Taiwan's perspective initially was illegal, of course. And it was indirect and also it was one-way traffic between the two. Later on it began much more important with a lot of Taiwanese businessmen under the camouflage of visitors going to China looking for trade opportunity or investment opportunity that's what actually happened. And to a certain extent this trade and investment has become so important that the government will have to deal with it because of the exchange of visits by human beings. And, therefore, there's a requirement on the part of the two-political system to come up with something new to address this overwhelming, ever-increasing traffic between the two. So that's what actually happened.

And now let's think about that was back in 1980s and then starting in the mid-1990s the government in Taiwan under the leadership of Lien Chan as the Premier and also at a time the Minister of Foreign Economic Affairs, Vincent Siew, later on became the Vice President. He proposed the Asia Pacific Regional Operations Center as one of the grand strategies for Taiwan's future. That was proposed in 1993.

However, what happened during that ten-year period as far as cross-Strait relations are concerned? Taiwan was actually going through a different stage of attitude toward China. First of all, which is go slow, be patient,

which means the President, President Lee, somehow realized there is a problem with overdependence on China's market economically speaking. So we want to go slow and be patient.

A few years later in 1996 the leader proposed go-south diplomacy, which is bringing Taiwanese businessmen into Southeast Asia. So Taiwan actually has thought about playing the role of a regional player and then missed that opportunity for political reasons. So all that led to the transition power in the year 2000 and then the eight-year period under President Chen Shui-bian and was clear to everybody.

And with all that as the background, President Ma before running in the election he proposed this idea. We need to find some way somehow to get linked with China. So we have to break this marginalization, this isolation. So the real deal about ECFA at the very beginning, whatever the propaganda may be telling us, the real deal is to break the pressure and also for President Ma to score political mileage in the first place. So that's what actually mattered. That's why the moment Ma took office in the year 2008, in just a few months both sides concluded a few different agreements, the charter flights and so on. And then ECFA talks began and it was finalized June 29, 2010, in Chongqing.

To some extent this laid the groundwork for Ma's second term, especially with the early harvest list that was proposed, which was insisted on by Taiwan, asking China and asking the top leadership in China, saying you've got to approve this; otherwise it's going to be reverse consequence to the cross-Strait relations. Even though some of the demand raised by Taiwan doesn't really work for some interest groups in China for some specific industries; however, China agreed with that, but that's just an early harvest list.

Now the two sides are working on the rest of the real deal, which is trade in goods and trade in service and investment protection. And they are thinking about trying to find a way to promote more economic cooperation. So they set up this committee to deal with a lot of the issues, and they're even thinking about custom corporations on the two sides. So this ECFA deal to some extent is not just about economics -- it brings in money, of course, that's very important -- but it's also very important from Taiwan's perspective to find a way to somehow set up the new regime to deal with China. So that's what actually happened.

So we have this new regime, a set of norms, rules, regulations, and procedures. Think about ECFA for a second. We have a committee, and we have certain procedures. If anyone of the two parties disagrees or dislikes what has been happening as far as ECFA is concerned, then any one party can terminate this agreement. And then by writing their intention to terminate the agreement and the other party will have to respond, and the two have to talk for a certain

period of time. And then even if that conversation cannot lead to a reverse decision, which means whatever happened after termination of the agreement will have to be consulted again by the two parties concerned. So the spirit behind all this is to make sure that as far as trade and economic issues are concerned between the two, we've got to talk. There's no other way. You cannot resort to coercion to say the least.

So this is the first step, what Ma Ying-jeou has been thinking about. I think this might have something to do with his intention to talk to the Japanese government on the fishing issue. This is important not just for the fishing rights for the Elan County, which my wife is from so I know a lot of fishermen. The captain who actually led the group to protest actually is a friend of mine. So it's not just about fishing. Fishing is money; that's important, too. But it has something to do with reinforcing the concept that Taiwan, even though it has everything to be a sovereign state, but without being recognized legally as a sovereign state. Still, Taiwan can play certain roles to be connected with the outside world, not just to China on economic issues, but also to other parts of the world. So that's what President Ma has been doing right now.

So having said that, because of this setting Taiwan going through the process of isolation, being marginalized and all that, and then Taiwan find a way to somehow break it and then be connected with China under ECFA. And while all this happened that ASEAN Plus 1, Plus 3, Plus 6, and also not to mention what APEC has been doing since 1989 proposed by Australian Prime Minister and later on became much more important after Clinton had the first summit meeting in Seattle in 1993. And later on the proposed TPP in which right now we have 12 members talking about this agreement. And we have RCEP, Regional Comprehensive Economic Partnership.

So we have all that and Taiwan has been trying to find a way out. So the next question for me to think about to challenge myself seems like the economic interdependence with China or to put it differently, the overdependence on China's market is inevitable for Taiwan. Then what should the Taiwanese government be doing to deal with the problem that may be coming from this overdependence? If Taiwan cannot stay far away from China, if that's not an option, then what do we do? So there might be several safety valves Taiwan can think about. Any one of those will be helpful for Taiwan.

The number one option that we can think about if we choose the economic safety valve itself, as the Ambassador said earlier that it might be possible, that it might be good for Taiwan to become part of the TPP process. That will certainly help Taiwan to ease the pressure of being overly dependent on the Chinese market, but not to the extent to replace ECFA, but it certainly will help.

And the second possible safety valve for Taiwan is the political safety valve. Right now because economically speaking, Taiwan is very dependent on China and Taiwan is not able to get away. And maybe for some businessmen from Taiwan they prefer not to get away because of the money issue. And just a few days ago, the party chief from Guangxi Province just came to Taiwan to promote more business opportunities for Taiwanese investment. He was saying it is because of ASEAN Plus 1, Plus 3, and all that opportunity because China is opening up to that part of the world. It is certainly the front gate to that big block, so more Taiwanese businessmen will be depending on the Chinese market. So the problem is when Taiwan is overly dependent on China economically speaking, maybe it will somehow smooth out the pressure if Taiwan can be politically linked to the rest of the world.

Well, let me put it differently. Probably a lot of people in this room would prefer not to see a really closely integrated China-Taiwan relationship to the extent that the two finally become politically affiliated with each other. So to prevent that from happening, maybe this will serve Taiwan's interests and this will serve U.S. interests as well to some extent. It is possible to let Taiwan -- well, it goes as it happens, to see how it will actually be interconnected with China economically speaking. However, politically speaking, Taiwan will be able to be linked to the rest of the world.

This is something I like to bring to your attention today. Well, I'm not talking about international space. I'm not talking about recognition. I'm talking about more political connection for Taiwan. And to the extent that if Taiwan can play a certain role, a certain function, maybe this will somehow reduce the possibility that Taiwan will be forced into -- of course, involuntary -- into whatever the future unification proposal later on.

So I'm talking about the second safety valve, which is about political connection with the rest of the world. Of course, when I talk about this, I'm not proposing the independence. But I'm talking about de facto parties patient unless this political connection doesn't really reach the level that in China's perspective whatever Taiwan has been doing in this regard has reached a point that Taiwan may be offering itself to any others as an ally to go against China. As long as we don't reach that, we don't pass that threshold, this political connection for Taiwan with the rest of the world may be just something worthy of our consideration. And that's the second one.

The third one, which is the last one, of the safety valves, is the military aspect, and we talk about that and it was mentioned very clearly. And I think this is certainly very important for Taiwan to continue to have these arms sales in different aspects in different areas as long as the defense capability is sufficient there. So I'm not going to go into detail.

The last point I want to bring to your attention today is about an issue that China is very much concerned, which is Taiwan's identity issue. And we understand that China is now very pleased to see Taiwanese, the majority of the people actually in Taiwan, are not endorsing the idea of one big Chinese family in the near future. So that's an issue for China. However, they don't really appreciate, they don't really understand, or they are not ready to offer to Taiwan at this point a certain perception, which is when we talk about this concept of "one China, different interpretation." I think this slogan actually was proposed in 2002 by a book written by Dr. Su Chi on the '92 consensus. Originally that wasn't the phrase. The original phrase was "one China, common respective interpretation" because I offered that first draft and Dr. Su Chi said oh no, this is respect. Some people don't get the idea about respect, so he used a planned word, saying "different;" "one country, different interpretation." With that expression, we might be able to accommodate everybody's perspectives.

And now I'd like to offer a different, maybe one step further or different, expression to somehow make it clear to not just people in Taiwan and people in the U.S., but also people in China to understand what really happened as far as Taiwan's identity is concerned. Because they don't really appreciate, they can't really understand the feeling of being a master of its own domain like the famous music opera, *Les Miserables*, there's a song called "master of the house." That's important. People in Taiwan want to be able to feel they can run their own destiny. That's important, but they are not able to go forward to enjoy their independence. This is clearly reflected in the public survey.

So the next, the second best choice is find a way for the two people to share this. So I'm proposing here that maybe a different expression such as "one country, shared representation." If this may work anyway in the distant future, maybe the people in Taiwan will be able to feel much more about being the master of at least their part of the big family, so "one country, shared representation." Only by proposing this or advocating this may be there is an opportunity for people in Taiwan after all this economic integration, after all this cultural exchange, a lot of Chinese students coming to Taiwan and vice versa, and a lot of Taiwanese going there just for a ten-day visit, that doesn't help. ECFA was the second round of cross-Strait interaction, the second round, because it opened up a very different aspect. A big bond has been created to link the two together, but it only serves the money issue, the business interest. It doesn't really cultivate the Chinese. That's the problem. And it will never bring Taiwan into the embrace of Beijing's whatever it is unless there's more consensus being built up during this long process of peaceful development. So that's why I'm proposing today a "one country, shared representation." This is something that maybe we can think about for the future.

And having said that on the final note, since there are quite a few perceptional gaps among Beijing, Washington, D.C., and Taipei and vis-à-vis this

triangular relationship, that means we have a lot more work to do so we will not lose our jobs anyway. Thank you. I'll end my presentation on that note. Thank you.

MR. NEALER: Thank you so much for that very rich menu of political economic ideas. Matt, I'm going to ask you to even widen the aperture further and look at some of the regional opportunities from the U.S. perspective.

MATTHEW GOODMAN: Thank you, Kevin. And I can't resist using my standard line about the relationship between economics and the important issues that you discussed earlier today, which is that all of you are interested I think primarily in life and liberty and we do the pursuit of happiness. So there's a reason it was listed third, but it's also a good thing and, hopefully, one that can keep you awake after lunch.

MR. NEALER: Remember, the Founders said happiness or property.

MR. GOODMAN: That's right. So I was asked to talk about regional economic architecture from a U.S. perspective, and I will probably not do that. I'll probably do regional economic architecture from a Matt Goodman perspective, but I will try to channel the U.S. more broadly where I can. And I'll just cover three areas.

First of all, why the United States engages in Asian economic affairs, how we engage in Asian economic affairs, and then actually try to answer the question of what the landscape looks like from here in D.C.

So why we engage: Well, I mean I think Willie Sutton had it right. Why he robbed banks was because that's where the money is. The Asia Pacific, obviously, with $30 trillion of GDP, which is about 55 percent of the world, 45 percent of the world's trade, and the U.S. selling almost a $1 trillion worth of goods every year to the region, which is more than half of what we sell anywhere, it's clear that this is a region that we need to be involved in economically. In her now seminal piece in foreign policy in November 2011, Hillary Clinton when she laid out the pivot, the so-called pivot -- I'm not sure what the current popularity of that term is, but I find it useful because it's short and has sharp consonants in it so I'm going to use it -- she talked about the focus of the previous decade being primarily on the areas of the world in which there were risks, the most risks and dangers, and that the Obama Administration was trying to shift focus towards areas of the world in which there were opportunities. And if you're going to look for opportunities in the world, you're going to look at the Asia Pacific again, and you're going to look at economic issues. And, indeed, when she laid out the elements of the strategy, she had sort of six elements to the pivot strategy, at least a couple of them, one was explicitly about economics, trade, and investment

expansion, and a couple of the others like engaging with multilateral institutions and dealing with emerging powers were implicitly about a lot of economic issues.

So economics is absolutely the critical element of the pivot or rebalancing strategy and really for three reasons beyond the money: One is it's what Asians want. They want the United States engaged on economic issues in the region. They want our military, security, political, and diplomatic presence, but they don't just want that, they want our economic presence. It's what Americans want. I think Americans would not support our continued military engagement in the region if it weren't for the growth in jobs that we're presented from the region. And it locks us into regional affairs in a way that -- particularly through treaty negotiations that we're engaged in which I'll come back to -- it locks us into the region in a way that really nothing other than maybe security alliances really do and by the way at a much cheaper cost. I'm sure Barbara Weisel of TPP negotiations are very high, but in the scheme of things it's actually quite a cheap way to buy some engagement and some love in the region as well by the way.

So how we engage: We do it bilaterally, regionally, and globally. Bilaterally, obviously we have economic relationships with every country of Asia, and I'm not going to talk about every one of them. I'll just talk about Taiwan for a second. I think some of the others are very well known. The U.S.-Taiwan relationship economically is very important. It's a $.5 trillion economy. We have about $90 billion of two-way trade. There's about $20 billion of U.S. investment in Taiwan. But it is also a relationship that's had its challenges and there are a number of outstanding issues that make it difficult, have made it difficult, to deepen and expand the relationship. And I think people are well aware of the ones in the agriculture sector, and so I won't focus on those. There's been some good progress, but I think those still continue to hinder the relationship.

There are issues about regulatory structures and systems and processes in Taiwan that are creating challenges. And I think there's a broader question from Washington's perspective about the deliverability, the ability to deliver on economic progress and on commitments even. And I think that that has been a challenge in the relationship. I think President Ma clearly has demonstrated good intentions and he's made good progress on some of these issues, but that's after a lot of hiccups and stops and starts that have really I think undermined some of the confidence in the relationship here.

But because of the progress that I mentioned, there was resumption of the TIFA talks in mid-March, and I think that's a very significant step. I mean it's kind of amusing because when I used to do trade policy in the U.S. government, a TIFA was considered sort of very much FTA super light. I mean it was basically a short document that was a framing document for having any kind of conversation at all. It's taken on enormous weight I know in Taiwan, and it

does have significance in this context because it does provide the framework for talking about potentially deepening relations. In fact, in the talks last month there was a pretty significant statement on investment relations and agreeing on principles on investment and on ICT, on technical barriers to trade, and so forth. And so there's been some real progress under this, and I think it's very important and a good thing that it's back underway. And I think it will now be a regular part of the relationship, which is good.

But I think that ultimately President Ma has said it best when he said in his inaugural that, "Only if Taiwan opens to the world will the world embrace Taiwan." And so I think that's literally what he said, and I think that's the right spirit in which I think the U.S. is looking for further progress in some of these difficult issues.

I'm going to come back to other ways we work with Taiwan, but let me just move on quickly to the -- regionally, of course, we engage in a number of different ways, but primarily we're focused in terms of economic engagement at the regional level at the moment in two areas: One, APEC, the Asia Pacific Economic Cooperation Forum that we helped found in the late '80s and elevated to the leaders' level in 1993. And APEC while it's -- I often call it the Rodney Dangerfield of U.S. foreign policy and maybe there's some people here old enough to remember Rodney Dangerfield's line so I can still use that -- but it actually is quite -- it gets a lot of good stuff done. In fact, that was our slogan when we hosted APEC in 2011: Get Stuff Done, and actually it was something a little cruder than that, but we reduced it to Get Stuff Done for the purpose of the PG ratings that we're trying to aspire to. But it's been useful as an incubator for trade and investment, liberalization across the region. And so, for example, again in our host year in 2011, we agreed with Taiwan's strong support, agreed on a set of liberalization measures in the environmental goods and services space, and this was something that the Doha, the WTO, had been struggling with for many years. And APEC rolled up its sleeves and went out and got an agreement to lower tariffs on environmental goods below 5 percent by 2015 with a specific path to agreeing on what those products were and then moving forward to reduce tariffs. So it's done some very useful things, and I think still plays a very important part of the architecture maligned as it often is.

And then obviously the other one is TPP; that's the other regional engagement with the addition of Japan, which is an enormous significant inflection point in a lot of things, in Japan's history, in U.S.-Japan relations, and then certainly in the development of TPP. This grouping of countries, 12 economies across the Asia Pacific, has a combined GDP of something like $27 trillion, about 40 percent of the world economy and a third of world trade. And as you know, the aspiration is to reach as the leader said, "A comprehensive next-generation regional agreement that liberalizes trade and investment and addresses new and traditional trade issues and 21st century challenges." And this is clearly

the most important economic issue that we're pursuing really anywhere in the world, but certainly in Asia, and it's been a hard slough over the last couple of years since it started in 2010.

The leaders have set the goal of October in Bali for agreement in principle on the text of the agreement. Most people think that's not going to be reached. I think there's a chance it might. I'm not going to stand up here and predict exactly when it's going to be reached, but I would say that there's more progress than I think meets the eye and still some tough issues on intellectual property, on state-owned enterprises, on environmental issues, investment issues. But I do think it's making progress. And I think with a real commitment from the United States and, frankly, even the addition of Japan, that net I think is a good thing for TPP's momentum, although it will obviously be challenging to absorb such a large and complex economy into the group.

A couple of myths about TPP that I like to try to dispel: I mean one again that it's not working. I think the problem with these trade negotiations is that it is well, like your headline, trade talks continue. I mean they do continue, and you don't know much about what's actually going on behind the scenes until the very end. So it really is sort of darkest before the dawn and then all of a sudden you realize there's actually quite a substantial amount of work that's been done and there's this very powerful set of commitments that's been made if it works. And I do think I'm on the relatively optimistic side, but admit that there's a substantial risk that it won't work. But I do think it might well work and if it does, it's going to surprise everybody and it's going to be a huge thing for the region and for us economically and strategically.

And the other big myth is, of course, that it's designed to contain China, which really I know is an on-again, off-again held view in many quarters in Beijing, but really doesn't sort of make sense. I mean a trade agreement can't contain anyone. And the objective is actually precisely the opposite of what that implies, which is that it implies the objective of TPP is to exclude China. In fact, it's designed to pull China into a system of rules that the U.S. and the other parties to TPP feel need to be updated to deal with the realities of the 21st century trade regime. And so it is very much designed to ultimately pull China in.

And then one more thing that I would say about -- actually two more things -- about the regional engagement: One is Taiwan and TPP. So theoretically Taiwan is an eligible member for TPP membership. It's a member of APEC, and TPP was born out of the rib of APEC. And every one of the 21 economies, including Taiwan, is theoretically eligible for membership. You have to be accepted into the group by all of the existing members, and you have to demonstrate that you're willing to aspire to the same set of high-standard commitments that the current group is aspiring to. So far Taiwan has expressed interest, but not really a demonstrated commitment to reaching those high

standards. So there haven't been, as far as I'm aware, serious conversations about bringing Taiwan in. But I think it would be a very good thing for everyone involved if ultimately Taiwan were to aspire to join and were able to join at that high level of commitment. So, again, it's something that I think is possible.

And then one more thing about the regional engagement: We do not engage or have not engaged yet, the United States, in one of the major other forums of the regional architecture in Asia, which is the East Asia Summit. We've not engaged on economic issues and that's been deliberate because of a desire to really focus that forum on the key security-related issues in the regions where there was this sort of gap in the architecture at certainly the leaders' level. And so the focus has been on those issues.

When I was doing this stuff inside the government, I stuck to that party line that we shouldn't pursue economic issues in the EAS. Now that I'm on the outside, I would say actually that I think we should. I think we should engage more on the economic issues. There is an aspiration to talk about trade and financial issues in the EAS, and I think the U.S. could bring a lot to that conversation and could help to shape it constructively. But I also understand the realities of all the other strains on what the U.S. is trying to do in the region. Still I think we could creatively find a way to engage more on those issues.

Finally, at a global level: People forget that we actually do a lot of Asian economic work at the global level, obviously in the WTO, but also in the G-20 where half the -- well, if you count literally 20 around the table, it's actually more like 57 if you count the EU and various invited guests. But of the core 20, half of those countries are Asia Pacific countries if you include the United States and Canada and Mexico. So we actually do a lot of work on growth on financial stability and other things and that's often neglected as an important forum for dealing with Asian economic issues, but it is very much a part of the story.

So just finally just the sort of D.C. view: I think of all this, some of that's implicit in what I just said, but I think of the sort of New Yorker map of the world, the New Yorker view of the world, when I think about our view -- now I really am dating myself except it's been replicated so many times it's been franchised out. I think from Washington's perspective when you look at the regional architecture, you're looking first and foremost at APEC and TPP somewhere in sort of the foreground and then looking at this RCEP, the Regional Comprehensive Economic Partnership, which the U.S. is not a party to, but it's very much a part of the landscape, again bringing together 16 of the 18 members of the East Asia Summit, all but the U.S. and Russia.

And I think this often gets misunderstood as well. I think that actually RCEP is not an unhealthy thing for the United States. It helps create a healthy competition between these different approaches. And actually even in

economic terms, there's been some pretty significant econometric work done on these agreements. And Peter Petrie, in particular, has done econometric analyses in which he shows that the RCEP could generate, if it led to total liberalization of border measures among the 16 members where the border barriers are still relatively high, it could generate annual global income gains of as much as $600 plus billion, per year annual global income gains. Whereas TPP might generate only more like I think it's $300 or so, again because most of the benefit in terms of the welfare gains would be more directly from RCEP in removing these higher barriers in that grouping of countries and sorry, by 2025. I didn't say 2025 is the year by which he estimates these gains would be accruing. But he also importantly shows that if these two agreements can ultimately be brought together in some way -- and he isn't very specific about how that would exactly happen; we're doing a little work on that here at CSIS -- but if these two things could be brought together into an APEC vision of a free trade area of the Asia Pacific, that could generate as much as $1.9 trillion in annual global income gains by 2025, which is real money.

Meanwhile, out there on the horizon you've got the Korea-Japan-China FTA, which has now had a first actual round of talks last month, although I'm not sure there was much concrete resolve there. But this is a significant development and something that I think is worth watching. Again, I don't think it's zero-sum with TPP or RCEP in principle and may even be a possible way of bridging those two other bigger, broader, tracks. There's talk of doing more rounds of that this year. But I'm not sure given the stuff you guys were talking about earlier today, and that is the sort of security tensions in the region, I'm not sure how fast that's going to progress.

And then you have all this 233 other bilateral arrangements and much of that strikes us from Washington as more strategic than it is economic in terms of the actual economic bang for the buck in a lot of those agreements. But to the extent it does increase trade and it does increase economic welfare, that's a good thing for the United States even if we're not a party to the agreement.

So looking at all this, it's messy and it is a noodle bowl, but somehow -- I mean first of all it's inevitable because there is no single answer that's going to bring all of these countries and economies together in the near future to one big, happy, economic arrangement for a variety reasons. And I think at some level it actually works. There is a kind of a healthy interplay between these different organizations that keeps everybody on their toes and I think helps produce better outcomes. I'll stop there.

MR. NEALER: Well, my thanks to both of you. You've set the table elegantly for questions. You know what moderators always do. They have a couple of framing questions out of fear that no one is going to have a point of view in the audience. I've seen you at work. I have no such fear, and I'm not

going to waste a moment on personal dignity. Let me go ahead, and again, the same rules as before. Please identify yourselves.

QUESTION: Hi, my name is Eric Lowe. I'm with the *Fair Observer*. My question would be to Mr. Goodman. I don't know what phrase you're talking about with the Rodney Dangerfield situation. The only thing I heard about is like "I got no respect." That's the one I heard of.

My question is that you talk about like the TPP thing. The problem is that since China is the most important country in the region, for not inviting them over into the TPP situation, so is it going to make it very difficult because a lot of countries in the Asia Pacific region trade with China. So that's why they think it's kind of a containment situation. It's almost like you have an Obama situation without Beyonce.

MR. GOODMAN: Hadn't thought of that. I like metaphors, but that one I'll have to chew over. Well, look, I mean I think competition is not the same thing as containment. I mean I think a lot of this is about competition. Every country wants to be more involved in the China market. We do, and everybody in ASEAN in Northeast Asia all want to be engaged economically with China, but they want to compete on a level playing field with high-standard rules. And I think they want to incentivize everybody, including China, to play by those rules. And so I think that's really what this is about.

In terms of inviting China, I mean people don't get invited in the first instance to join TPP. It's an open architecture as part of APEC. Everybody's invited in a sort of general sense, but you have to in a sense apply. You have to say, "We're interested and we'd like to join." Japan -- nobody asked Japan to join. Japan asked to join and said and eventually convinced just this weekend by the way -- if you didn't know, the TPP trade ministers met at the APEC, another useful role for APEC -- at the APEC senior officials meetings. The trade ministers met and they agreed and issued a statement that they all agreed that Japan was ready for entry. We have to still go through our procedures domestically, but we've agreed in principle.

And so Japan has now been in that sense invited in. If China made a decision that it wanted to aspire to join this agreement and to aspire to reach the same high standard of rules, in theory it could join. I think that's not going to happen, so I'm not playing games. I mean I don't think China's going to join anytime soon, but in theory it could and nobody's excluding it from joining.

MR. NEALER: Back here, please.

QUESTION: (Inaudible) from University of Virginia. I also have each a question for the gentlemen, the panelists. To Professor Chou, I can sense

that there's like a rising consensus given to your presentations that in Taiwan there's pressure on Taiwan to break up the isolation and also to kind of diversify its trade ties besides with Mainland China. But I wondered that because I think in reality and whether we can see that for Taiwan, which reaches the ECFA with China and also the Fishery Act Agreement with Japan are contingent on China's possibility and also Japan's pressure on the political tension on territorial disputes.

So I wondered that could you -- I believe that there is some kind of factors in constraining Taiwan's options. For example, like TIFA and TPP, obviously Taiwan has no -- like given the asymmetrical negotiation directly on the U.S., Taiwan cannot really control the progress given that they have to conserve other U.S. reaction. And I think the U.S. has been very clear about the TPP. It has to be under the consensus with other partners. In that kind of situation, Taiwan can be included.

So given these kinds of facts, and to think about the slow movement of Taiwan to approach ASEAN countries to bridge the agreements, could you kind of identify the factors that actually what made Taiwan have a very slow movement. And what would be the Taiwanese Administration to break this kind of ice and to really move on? For the second question to –

MR. NEALER: Well, I'll tell you what, let's -- that was a very substantial question. Let's try to give Dr. Chou the opportunity to respond to that if we can.

DR. CHOU: Thank you. During the 1990s Taiwan wasn't able to find a way to promote its external trade opportunities with other countries because of the pressure from China. And now since Taiwan has hammered out the ECFA deal with China and to a certain extent it actually removed the isolation issue on the part of Taiwan. So that's what I was saying.

And the second question, the second point you mentioned, how come Taiwan has been slow in terms of moving toward ASEAN countries? Well, as the Ambassador said a moment ago, that Taiwan and a few other countries in ASEAN, they have been talking about the possibility of working on moving toward a free trade agreement and so on. And also Taiwan has been talking to Singapore on that particular issue. And I think the politics in Taiwan actually doesn't really drive the politicians to think about this issue on a global scale. They think about the relation with the U.S. and with China mostly for politicians. And they have to clarify it. They have to figure out this first and then it will be easier for Taiwan to actually expand its horizon with others.

And that's also one of the reasons that when Ma was asked during that debate on the ECFA deal and also on other occasions, what would be the potential benefit for Taiwan if we do sign the ECFA? And the official position

the propaganda said on the Taiwanese government said once we sign this with China, we can easily find ways to sign FTAs with others. That's what's been proposed before.

MR. NEALER: And right down here, Dr. Bush.

QUESTION: Thank you very much. Thank you for two great presentations. I'd like to ask Ambassador Chou a set of linked questions that relate to why China's economically attractive to Taiwan. I mean we've heard several different reasons why it is and why it should be. One is as a platform for the production and assembly of goods for advanced markets. Second is an end-market itself, both for Taiwan goods and now with ECFA Taiwan services. And you mentioned another as a backdoor into ASEAN and other markets.

Is this mix changing? What is the policy environment within China towards these different kinds of modes of interaction? And what does a changing mix have to do with or how does it relate to Taiwan's competitiveness and economic autonomy? Thank you.

DR. CHOU: Well, I think under part of the Taiwanese government, there is really not much about the policy guidelines toward the business community as far as how they should be reaching out into the Chinese market. And the example I raised earlier was the party chief from the Guangxi Province coming to Taiwan to lure more local businessmen to begin to explore the opportunity in China because that part of China actually is the front door to ASEAN. And wherever there is business opportunity, there is businessmen going, and that's the driving force behind all this.

What happened in the 1980s the model for Taiwan is to become relatively richer -- I mean it's a labor-intensive, export-oriented, industrial park and later on it was replaced because some of the Samsung industry moving toward China to reap the last possible profit it can actually get. And now the most prevailing, the most obvious, business model is for like Foxconn. It's one of the issues.

And ASEAN hasn't been the target area for Taiwan as a whole, officially hasn't been. It was proposed in 1996, but it wasn't a big success for a lot of reasons. First of all the language barrier and geographical locations, and doing business in China has been considered as much more easy from a business sense.

But nowadays as the rising awareness of this issue and labor issue in China, it become much more difficult for our business to follow the previous model. And that's why Vincent Siew during his meeting with Xi Jinping just a few days ago at the BAO Forum for Asia, he proposed to Xi Jinping saying, we

need a new model for cross-Strait economic cooperation, and we need to explore the common vision across Taiwan Strait. And we also need to jointly find a strategy to address, to deal with, to cope with, the regional economic integration. That's what Vincent Siew proposed to Xi even though his role now is civilian, but that's his interest or area of concentration. It reflected a lot of future possibility, which means from his point of view, Vincent Siew, the former vice president of Taiwan, he has been concerned about the future model for Taiwan's economy to remain successful and prosperous. And in his point of view, he said dealing with those issues jointly with China is probably the best approach for both Beijing and Taipei. And what Xi Jinping responded during this meeting and Xi was saying okay, we understand this is important and we will look into this problem and we will find a pragmatic way and a feasible way for Taiwan to be linked to such a regional economic block. So that remark to some extent reflects that Xi's cautious response toward the request from the former Taiwan vice president.

So this is not a promise, but there is a possibility for the two to move forward. And that's why I said while China so far as far as economic front is concerned, is still very reluctant to bring Taiwan into as an equal partner. They always want to treat Taiwan separately even though we're on an equal basis, but separate just among the two of us. And so this is romance with nobody else involved. So that's a problem. Wherever there's a romance, one of the lovers will have to make it public. We want to make sure there is a guarantor during this process. So for Taiwan it may be okay to have an enduring romance going on indefinitely without getting into a legal bond of marriage unless there's something prearranged before this takes place -- a prenup to some extent -- which is to settle the property before they enter a special political affiliation with each other.

So we want to share representation around the world so that we feel much more comfortable we are part of the family. That's what you are proposing. China has been asking Taiwan to -- Xi Jinping said this, we want you to think about this from one big family. We want Taiwan to jointly work with China on all these economic issues from the viewpoint of one big family. But what kind of proper property Taiwan can actually claim or Taiwan should be entitled to.

So that's the issue that hasn't been addressed. So that's why I say we need to share this representation around the world. That's the first point even though it may be politically sensitive, but it doesn't really cost China much. Imagine one day if Taiwan can have an opportunity to be represented in most of the international organizations and having a liaison office in all capitals, I mean much more political sense. And then this arrangement may not actually jeopardize, may not actually challenge, China's claim as being one of the big sovereign states. It doesn't really produce a next step automatically to say as long as Taiwan has all that, you will become independent automatically. It doesn't guarantee that way, not to mention there's a military pressure there.

Somebody mentioned or a point made earlier why does China switch to coercion, the stick approach? I mean this will become a completely different ball game. So China doesn't want that either; it doesn't serve their interest. It serves nobody's interests. So we have to stick with this peaceful, this carrot approach. So where's the real carrot? Well, where's the real beef for Taiwan? We need to figure out the real beef issue.

MR. NEALER: I am admonished by our host today that we've got some friends who've got travel obligations; hence, we're going to have to -- we were to have cut this session short at 2:30, but I think you'll agree with me this was too good a discussion not to keep going.

I couldn't presume to summarize this, but both in listening to what Ambassador Burghardt said and the comments I've just heard, so many policy options and policy choices are driven by interest failures or interest successes and how adaptive we are to them. So much of what I've heard is adapting to successes, not dealing with failures that certainly on the economic side I'm heartened by it.

Please join me both in thanking our organizers and in thanking our panelists today for an outstanding summary of the issues. Thanks so much.

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