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**CHINA-TAIWAN-UNITED STATES**  
**RELATIONS**

Keynote Address by Raymond Burghardt:  
An Update on U.S.-Taiwan Relations

*Center for Strategic and International Studies*  
*April 23, 2013*  
*Washington, DC*

[Transcript prepared from an audio recording]

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PANEL 1: DOMESTIC POLICIES AND PERSPECTIVES

**Moderator:**

**CHRISTOPHER JOHNSON**

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PANEL 2: CROSS-STRAIT POLITICAL AND SECURITY ISSUES

**Moderator:**

**BONNIE GLASER**

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**Panelists:**

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**WANG KAO-CHENG**

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**RICHARD BUSH**

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

LUNCH ADDRESS: AN UPDATE ON U.S.-TAIWAN RELATIONS

**RAYMOND BURGHARDT**

Chairman of the Board  
American Institute in Taiwan

PANEL 3: IMPLICATIONS FOR THE UNITED STATES AND CROSS-STRAIT RELATIONS

**Moderator:**

**KEVIN NEALER**

Principal  
The Scowcroft Group

**Panelists:**

**CHOU CHIH-WEI**

Assistant Professor, Department of Global Political Economy  
Tamkang University

**MATTHEW GOODMAN**

William E. Simon Chair in Political Economy  
Center for Strategic and International Studies

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## PROCEEDINGS

CHRISTOPHER 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, Condoleezza 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. BURGARDT: 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 subtly 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 Misetich 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]