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**TAIWAN'S PRESIDENTIAL AND
LEGISLATIVE ELECTIONS:
IMPLICATIONS FOR TAIWAN, THE UNITED STATES, AND
CROSS-STRAIT RELATIONS**

**Panel Two: Lesson from the Past, and
Policy Issues for the New Administration**

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Panel 1: Analysis of the Presidential and Legislative Elections

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Panel 2: Lessons from the Past, and Policy Issues for the New Administration

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Panelists:

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Luncheon Keynote Address:

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Panel 3: Implications for the United States and Cross-Strait Relations

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PROCEEDINGS

NANCY BERNKOPF TUCKER: Okay, this second panel is on lessons from the past and policy issues for the new administration. I'm always glad to hear about lessons from the past, being a historian myself, not enough people talk about the past and its relevance for the future, and I want to just take a couple of seconds before I introduce our panelists to say just a quick word about lessons of the past. It seems to me the most important one that we've seen is that democracy in Taiwan works.

I think if you look back at some past elections we've had, everybody was terribly worried, would people behave themselves, would they accept the results, would somebody in power stay in power even if he didn't win. You didn't hear any of that kind of thing. I think everybody expects Taiwan elections now to work smoothly, and they do, which I think is encouraging and exciting for us all.

I think there were some -- just a couple of other things came to mind in terms of lessons of the past. I think China was extraordinarily quiet. It did try to coerce people, but in a far more civilized fashion than in the past, there wasn't a lot of fire and brimstone around, and so I think we did see change. And historians don't forecast, but I would forecast that China—having learned that their candidate can win even if they're not threatening—may do that on into the future.

I think we also saw -- I think Taiwan will not have the problem of leadership transitions, but as we look at what the policies of this administration may be in its second term, we must not forget that there will be leadership transitions around the region and that 2012 may well be a period of great caution. Chinese leaders don't like to do much before Party congresses, and even, perhaps, a paralysis, but we are going to see elections in South Korea, a sort of election in Hong Kong, Japan's governments rise and fall quickly, and of course we're going to have an election here.

So, it will continue to be a challenging year but perhaps one in which everybody can step back and look at the stabilization of relations. And along those lines it seems to me that the new administration in Taiwan does need, as some people were suggesting in the last panel and I'm sure my colleagues will here, to reach out to those that didn't vote Blue and particularly on economic issues—to do something about economic reform, the wealth gap, and some of the social justice issues which didn't turn the election, but nevertheless are terribly important. There's also a critical issue of saying clearly to China that expectations for what is going to happen in a second Ma administration and cross-Strait relations shouldn't be too high; that China did not win the election for Ma Ying-jeou, that lots of other things were going on.

And then as far as the United States goes, I think there's going to have to be a real active effort to prolong the kind of gains that Taiwan made in the run up to the election, that just because the election season is now over doesn't mean that the United States should not follow through—and, indeed, add to things like visa waiver and high level visits. There are TIFA talks and other things that need to be done and once the attention of the election fades, I hope that the administration will not fade along with it and go back to a distant relationship with Taipei.

Okay, having done my editorial comments, I want to go ahead and introduce briefly our very prestigious panel. We have three very important people and interesting people to hear. First of all, David Huang, who is an associate research fellow of the Institute of European and American Studies at Academia Sinica, an adjunct associate professor in the Graduate Institute of National Development at National Taiwan University. His current research focuses on electoral studies, U.S. and European politics, and comparative regionalism, and many of us in the room know him from the time that he spent on the Mainland Affairs Council and with TECRO here in Washington.

Kao Su-Po is currently the executive director of the 21st Century Foundation, a leading policy think tank in Taiwan. He served in the administration of President Ma Ying-jeou as a minister without portfolio in charge of legal affairs, served in the Taiwan Legislative Yuan, and is a faculty member at Shih Hsin University Law School. So, he's going to be our legal advisor, perhaps.

And, finally, but not least, of course, Douglas Paal, vice president for studies at the Carnegie Endowment for International Peace. And, of course, again, as we most know him, as director of the American Institute in Taiwan, previously on the National Security Council staffs of the Reagan and Bush -- H.W. -- administrations, and there he was director of Asian affairs and then senior director and special assistant to the president.

DAVID HUANG: Well, thank you, Professor Tucker's kind introductions. Ladies and gentlemen, my name is David Huang. I would like to first thank Dr. Richard Bush of the Brookings and Dr. Bonnie Glaser of the CSIS for the kind invitation allowing me to share my ideas and some views about the 2012 election in Taiwan.

I heard something about the Taiwan election results from Professor Chu. I think he already steal some of my line in the following representations, so I will be pretty timid to present my view, but in any case, I will skip the highlights of election results and go directly to the interpretations.

[\[Click here to view David Huang's PowerPoint presentation.\]](#)

So, one quick point about the turnout. I think that it is generally agreed that the 2012 presidential elections is vested with the negative campaign, which leaves no room for policy debate. For example, Ma accused Tsai on the Yu-Chang Genetech case and Chen Shui-bian scandals whereas Tsai accused Ma met a local gangster to fix elections and his improper acceptance of illegal donations of big corporations.

Such negative campaigns tend to depress the turnout, and I think according to voting behavior, this is the case, and this may explain why turnout rates is the lowest one even though the election is considered to be the very close, with should bring more turnout.

Moreover, negative campaigns are more likely to depress turnout of the young voters, first-time voters, and those who do not have strong party IDs, and you know that these

voters tend to be more or less in favor of the DPP.

Given that the number of KMT supporters is larger than the DPP, then selectively depressing the turnout would work for the KMT.

Another popular interpretation of the 2012 elections regard it as a referendum of 1992 Consensus. For example, *United Daily* editorial, in the, I think, the next day of the elections, it stated that the victory -- they said the elections is a victory of economic voters and endorsement of 1992 Consensus. I think there are good reasons to resist such interpretations.

Presidential elections always won and lost by many factors including the party friends, candidate qualities, campaign dynamics, and policy stands, as I think Professor Chu just mentioned, a lot of the factors that would influence the election result.

Voters vote for Ma and Tsai for various reasons. The perception of the 1992 Consensus may be only one of them, but poll after poll show that more than 60 percent of the Taiwanese people do not know what is the content of 1992 Consensus. The debate over it simply confused the voter's perception on it.

Most people take it as a cue for stabilities across the Taiwan Strait, and some refused to hear the debate and did not vote at all. Therefore, it would be more accurate to say that Ma's win is an endorsement of the cross-Strait stabilities, where as Tsai failed to convince the people that she can.

But here Beijing served as a veto player in the sense that whatever Tsai proposed need Beijing's approval, at least consent. If you still insist that, and our audience may still think that Ma's win is endorsement of the 1992 Consensus, then take this. One can argue that such an endorsement is, in fact, in decline since 2008 given that 1.4 million less of the Taiwanese people voted for Ma in 2012.

Moreover, despite in the campaign DPP tried to dodge the issue of the 1992 Consensus, adopt the moderate concept of "Taiwan Consensus," declare Taiwan is the ROC, still Taiwan Solidarity Union, TSU, which campaigned against ECFA, against Ma, against 1992 Consensus, managed to win 9 percent of the votes. And such votes for the party list carry a clear message for policy preference, which will be duly noted by Beijing.

Okay, if the so-called peace bonus as a result of the 1992 Consensus continues not to trickle down to the average Taiwanese people, then it would not be surprised that 1992 Consensus be rejected in the future Taiwan elections. In other words, among Taiwanese people, the term 1992 Consensus serves only with instrumental values, which is tied up with the promise of stabilities and the delivery of economic benefits.

Can 2012 election be explained by economic motives? I think it can, to some extent it can. But unlike the electoral behavior in the Western democracy where we usually find it to be a social, topical, and resource-focused voting, the Taiwanese voters seem to embrace the pocketbook in the prospective of voting in 2012.

Even though people do not feel the national economy is in a good shape and maybe people feel that Ma's performance is not up to their expectations, people still vote for continuities and more certain futures against the change and uncertain future of the Tsai government.

So, Tsai campaigned on Ma's incompetence and his records of economic inequalities, hoping that the test of a Ma would win her the presidency, however, during a period of great uncertainties and economic downturns, people may feel that she does not provide convincing policies that would eliminate uncertain futures. If the above analysis is correct, then Tsai could well be defeated simply by the uncertain nature of any challengers.

Given that the 2012 elections, Taiwanese voters are prospective and pocketbook-oriented, it would not be surprising that money pulled the strings. So, you'll see that you have the one party, the KMT, with a massive amount of party assets, and then you have the party with no party asset, relies on the piggy banks, small amount donations, raise only 200 million NT dollars, where as KMT last year reported by the media that the stock market operations make the KMT, through the stock market operations, they earned 2.9 billion NT dollars.

So, you see that there's a lot of differences. Of course, KMT is the incumbent, they have always administrative resources to devote in the elections, but this is not an excuse. This is not the excuse for the DPP defeat, I just want to put you into some perspectives.

The election itself, you have differential resources. And then, this election also shows that Beijing's influence successfully penetrates into the KMT's local party machines. For example, Hualien County Magistrate Fu Kun-chi. Fu Kun-chi, I believe he's no friend of President Ma. He's a very close ally to James Soong, but in the end, he come up to support Ma's campaign is because that he, according to him, is that because Beijing said that the Chinese tourist is critical for -- Chinese tourists are critical for Hualien's economies.

So, I think Beijing's influence is a subtle influence even though Professor Tucker just said that Beijing leadership did not, you know, articulate or use a very strong rhetoric or threat against Taiwanese voters, but the subtle operations seems to work pretty well. Again, that you would see that the CEOs of the big corporations in Taiwan endorse Ma publically, but I think that if you would read their message carefully, I think that most of the big corporation's CEOs seem to say that they endorse 1992 Consensus, try to refrain from endorsing particular candidates.

I think this is following the trend of the businessmen don't like to endorse either side. They would like to, you know, be more neutral, but then this time, obviously, the endorsement of the 1992 Consensus is very important for them to show their flex to Beijing and then make their business in China a lot easier to do.

So, this is generally an interpretation of the election result. Then, if you think that in this way this campaign is more about, you know, economics, and I think in the futures Professor Chu just said the Ma administration will be occupied -- preoccupied with all kind of

economic issues in Taiwan, but if you compare the 10-year party plan of the DPP and the Golden Ten Year national prospect of the KMTs, there are a lot of similarities. On economics, on social issues, on agriculture and environmental and regional policies. There are a lot of similarities between Ma's and Tsai's campaign pledges, which should be sorted out as Ma's policy priorities.

For example, FTA with trade partners: both DPP and KMT agree, we should have more FTAs with our major trade partners. Fair taxations also mentioned in Ma's campaign pledge as well as Tsai's campaign pledge. Affordable housing, income equality, structural reform, SME assistance, promote green technology, industrial innovations, regional balance, food security mechanism. In fact, all these issues are mentioned. If you compare Ma's and Tsai's campaign pledges, it's exactly the same.

So, I think, in fact, this is not a bad idea. I would suggest that, in fact, the triumph of DPP policy simply does not necessarily show the weakness of the KMT. Rather, you would enhance the cross-party cooperations after the elections.

The new administration should also promote more liberalized regime for business with Taiwan, that is to eliminate red tape regulating multinational corporations to do business in foreign expatriate to stay in Taiwan.

Unilateral deregulations is one way to encourage FDI. Ma's administration may need to speed up the negotiation over the FTA with major trade partners. Currently we, I think, everybody knows that in this room that we have some progress with the negotiation on FTA with Singapore, but, you know, major trade partner like Japan, United States, and maybe EU should be our focus because Korea already signed an FTA with the United States and the EU, so I think it's very important for Taiwan to do so as well.

It should be declared winners to engage TPP negotiation immediately rather than waiting for or preparing for ten years to join. I think United States government is very, very ambitious to take the leaderships over the TPP negotiations. I believe that by 2012, this year, by the end of 2012, there will be some format of agreement of the TPP between the United States and other eight partners, trade partners. So, Taiwan should try to engage TPP in negotiation as soon as possible rather than preparing it for 10 years.

One way to show Taiwan's determination to negotiate TPP is to follow Japan's example. By showing the intention to resolve the beef disputes with the United States, TIFA talks between the U.S. and Taiwan can also include a content of TPP, potential content of the TPP's format currently under negotiations among the P-9.

There's another important idea in the Ma's campaigns. Free economic demonstration zone is a good start to promote regional liberalization, liberalization among specific regions in Taiwan. But it should not be used as a substitute for Taiwan's global strategy. Trade diversification remains a priority. Ma should waste no time to implement structural reform by promoting balance between the manufacturers and service sector. That's also in the Ma's campaign pledges.

For example, promote high-tech, high value-added traditional industries, strengthen R&D, enhance IPR protections, and most importantly, create a tougher regime to punish illegal technology transfer from Taiwan to elsewhere.

Ma needs to reconcile his promise to raise the basic level of wages and shorten the weekly working hours with his promise to encourage private investment and FDI.

During economic downturns, of course, Ma promised to establish a much better social safety net for poor people and those unemployed, but at the same time he also pledged to improve income equality by reforming the taxation system. But the above policies are also likely to increase tax and spending, which could potentially increase the national debt and tax burdens. If Ma is sincere to deliver this kind of promise, he should work closely with DPP and other opposition parties.

In short, Ma's policies should be domestic-driven and soft. Domestic-driven and soft. Though some solutions may require external help, but Ma could wrongly concede that domestic, especially economic, problems can only be solved by external policies. If that is the case, then China, as usual, could be considered as the savior of Taiwan's economy by Ma. And cross-Strait economic gains may well be Ma's top concerns, and this concern would inevitably force Ma to make concessions with China in other policy areas such as social-cultural framework agreements. These topics will be discussed in the next panels.

On policies where KMT and DPP diverge, perhaps Ma should consult the opposition first before implementing it. After all, DPP still retains 46 percent of the vote shares even though KMT has the majority in the LY and the presidencies, KMT can push its own policies singlehandedly, but the social cost would be very high.

For example, it is about time to consolidate and refine cross-Strait policies rather than venturing into new policy territories, raise expectations among the peoples without delivering it and trickle down the benefits to the average Taiwanese people. That would be a disaster, again, for Ma.

Energy policy regarding nuclear power should be more transparently debated in Taiwan. For DPP I think that it needs to develop a set of coherent policies platform which would mitigate Taiwan's voters' anxiety of the uncertain futures. You need to focus on LY players and in fact the opposition parties. With 40 MPs in the LY the DPP party caucus can initiate its own legislations as well as scrutiny and monitor legislation in a constructive way.

DPP should ensure the KMT policy are properly debated in the civil society and hold KMT responsible for any abuse of human rights.

Thank you. (Applause)

KAO SU-PO: Well, thank you, Professor Tucker, and my colleagues, panelists. I'm very glad and actually it's my pleasure to be here and I want to thank you, Dr. Richard Bush and Bonnie to bring me here in Washington just before the Chinese New Year.

I think first I want to echo that Professor Tucker just mentioned in her introductory remarks that for the people and, I should say, friends concern and care about Taiwan here, we should first report to you that democracy in Taiwan works again.

And the legitimacy of the election process and of the result of people's choice are well accepted. It is on this solid basis that we can look forward to the future policy challenges for the new administrations.

I think before I left for Washington my affiliate institute, that is the 21st Century Foundation, we host a lunch for a group of international delegates who came to observe the elections in Taiwan and actually that group of delegates include our panelists and the moderator of the first panel. According to, actually, their observation and I think all you can hear up to now, many of our panelists, they have a different idea about the reasons for winning and losing of the election.

But they agree on one thing, and actually that also echoes many of the commentaries of domestic or international media, that is, it's a clear win for Ma by his stability and the predictable -- predictability approach over uncertainty. That's the, I think, consensus that no matter what's the interpretation of the winning and losing reasons of the election, but it seems that most people tend to agree and concur on this reason behind various other things. This is a stability approach and wins over uncertainty.

And I think, in other words, there are -- I mean our topic, the title of this panel, it's lessons from the past and the challenge and the policy implication for the future.

I think, in other words, I don't want to explore more about the election itself, but I want to put more emphasis that according to this topic and the stability and predictability approach, I think there are destabilizing factors that we can recognize from the past experience, and therefore we need to deal with those destabilizing factors, and this is actually my understanding of the title of this panel.

And I will try to point out two issues that I think will be most destabilizing factors in the future and which also happen to clearly follow the battle lines of the Blue and the Green camps in the campaign.

I will say two major destabilizing factors as two issues. I think the first issues I should call it distribution issues or the issue of the imbalance of regional development, and this is, I think, most of our friends here are well aware of that's the byproduct of the globalization. And the second destabilizing factor that I want to mention about, actually, I think it's the approach of the opened up society, the approach of -- the issue of an opened up society. And certainly opened up Taiwanese society toward mainland China. This is the second issue I want to talk about.

I think, returning to the first one, that the distribution issue, or in other words, the imbalance of the regional development. Some economists actually have argued that the

worldwide phenomena of distribution inequality as a byproduct of the globalization, that is the famous saying after the Occupying Wall Street movement, that the 1 percent -- the famous soundbite, that the 1 percent versus the 99 percent.

This distribution inequality actually has a very stunning parallel phenomena of imbalance of regional development, I mean, in Taiwan. One famous economist advanced this theory, it's actually Professor Chu Yun-han's brother, that is Professor Chu Yun-peng. And according to his theory, he said down to the central part of Taiwan, actually the Taichung-Changhua-Nantou areas, are included within the radius of the globalization force, and are by and large benefitting by this process.

But the southern part, that means Yun-Chia-Nan and Kao-Ping, the southern part is generally left out and suffers in this process. Although this actually is a phenomena, it's a worldwide phenomena, it's a global phenomena and a byproduct of globalization, but in Taiwan it is coupling with other things that make this very serious and very difficult to deal with, that is in Taiwan when we talk about globalization, actually, to a very large extent, we actually are talking about further economic integration with mainland China.

So, this coupling with the phenomena of distribution issues becomes very difficult to deal with, especially in Taiwan, because it turns it into a highly political or ideological issue. So this is the first thing I think after this election, actually, the Ma administration needs to deal with this situation. And I think these are well argued issues during the whole campaign, and we should say that, actually, DPP, to some extent, successfully raised up these issues and put it into a political agenda.

So, these are the issues, a relatively domestic one, but I think these are the issues that in the new administrations, that President Ma needs to deal with it in a very technical way and in a very sophisticated way. This is the first thing that I would like to share with our audience, that is the first issue that we need to face in the new administration.

And, let me turn to the second one. The second issue that actually I call it the issue of an opened up society. The second destabilizing factors, we call it the issue of opening up Taiwanese society towards mainland China. There are a lot of examples to demonstrate the difference between the Blue camp and the Green camp on these issues. For example, whether opening up the higher education system toward the students from mainland China in a larger scale, is it a good thing or a bad thing? Whether it is, you know, a platform for building up a common empathy or like other people, some friends in the Green camp, they argue it will be the story of Troy. I think everyone here understands the analogy, the story of Troy. So, this is one example.

And another example is, for example, like the foreign direct investment. Does the foreign direct investment in the high-tech sector say whether Taiwan Semiconductor Manufacturing Company builds up a high-tech, high-end capacity in mainland? Or the other, very similar example, the incoming capital from mainland investing into Taiwan's infrastructure, let's say, like telecom, is it a good thing or a bad thing? Is this a chance for a bond for common interest or a weakness resulting from dependence? This is all arguable. This is arguable. But I

shall very sincerely report to you that in general I do believe that the opened up approach is beneficial to both sides, in terms of real interest as well as common empathy.

This is actually an experiment that Ma's administration implemented in the past few years although in not a very big scale. But he tries to move forward, to open up Taiwan society to mainland China, and I think the good effect of this approach will gradually flourish and appear to many sectors of the society.

But there is a real, I think a real challenge, a real dilemma for this opened up approach. I think after this election we already hear that some of our friends, domestic or -- inside Taiwan or abroad, that they begin to argue that the ultimate trump card of the open-up approach is inspiration and potential pressure of Taiwan's democracy upon mainland China's authoritarian rule.

I really believe that democracy is more desirable and democracy it's safer neighboring another democracy, especially this neighbor is huge.

So, but this also means that Taiwan's democracy is potentially a challenge to the nature of the authoritarian rule in mainland China, and this in turn indicates two things. The first, Taiwan's democracy is attractive so long as it is a unique achievement among Chinese society. The emphasis here is on Chinese, and this means that the '92 Consensus based on the ROC constitution, it's a very useful tool.

And the second indication is the short-term real interest, which is dependent on the good will, dependent on the good will, of the mainland authority may conflict with the long-term strategic interest, which is potentially a challenge to the legitimacy of the mainland authority.

So, this means when we want to talk about the democracy inspiration from Taiwan, actually this would put Taiwan in a dilemma that I think will need to be addressed. Maybe in the second term we have a chance to address it. That is, we need a synthetic strategy that can balance this short-term real interest against this long-term strategic interest.

I think this is the conclusion that I think we want to keep this going for a longer period of time. We need to deal with the two issues that I just mentioned about. The first is the distribution issues, and the second is this synthetic strategy between the short-term real interests and the long-term strategic interest, and this concludes my presentation. Thank you very much. (Applause)

DOUGLAS PAAL: Well, good morning, everyone. I want to start by expressing my thanks to Richard Bush and Bonnie Glaser and Brookings and CSIS for organizing this event. You've brought together, at a time of high interest, a really impressive group of people from the Washington area as well as across from Taiwan and the mainland.

A lot has been said this morning about the election. I want to subscribe entirely to the very fine remarks of our good friend Chu Yun-han's presentation on what has been

observable about the election over the last few weeks and the conclusions he's drawn.

But more importantly I want to, in a personal capacity, express my heartfelt congratulations to the people of Taiwan for a very successfully conducted election campaign and election outcome.

If you look back—most of you have a good memory—if you look back a few years we've had some pretty contentious elections and pretty unhappy outcomes in the view of many voters in Taiwan over the two bullets and what consequences they may or may not have had in 2004. Many people in 2008, at the DPP camp, thought it would be the end of their party if they were defeated in that election, and they were heavily defeated, and yet here we are just having a very vibrant campaign with a multi-party system in the DPP that really resuscitated itself impressively.

The observations on the street, when you saw the election taking place this last weekend, were entirely of a different kind. It was a quiet, a calm, an acceptance, and a participation level that really, I think, is world class and really impressive and deserves full congratulations.

The election marks the first of the important thresholds of 2012 that we're going to have to cross electorally. We've got elections coming up through the year, as has been mentioned earlier on the previous panel, in Korea, Malaysia, Russia, a kind of election in China or selection process in China, and our own election, which is going to distract us more and more as the year goes on.

I am not of the school that the election of Ms. Tsai Ing-wen would have somehow put us in a perilous position, but I do think the message of stability and continuity is one that can be welcomed by Taiwan's neighbors and by the United States.

One of the important outcomes after the election, and it was referenced in the earlier panel, was that -- indirectly referenced -- President Ma has offered in the years of his four years or term ahead, to meet every six months or so with the opposition.

Now, I'm sure between now and the first such meeting there will be all kinds of ups and downs politically, but I think the gesture is an appropriate one. When the election result is good for the winner but not overwhelming and when the issues that Taiwan faces are of the nature that they are, that kind of consultative mechanism will be really important to sustaining public support for the challenges that Taiwan faces.

Among the challenges they face are the two parties. We've just had speakers who represent youth in both wings of the KMT and DPP relative to the leadership generally. KMT is long on experience and short on youth if you look at it from a distance. They seem to know that. KMT headquarters was full of young people who were getting involved in the process, lots of 20-somethings and 30-somethings, which augurs well for their future.

The DPP, by contrast, has always been long on youth and short on experience,

and they're going to be short of experience for another few years, but I think they have been very conscientiously trying to develop talent that can put themselves forward in the coming elections, because we will be leaving behind a very veteran generation going into the next four years and cultivating new talent in both parties—not to mention if TSU and PFP find some way to reinvigorate themselves—will be an important challenge as an issue going forward.

Much of the foreign interest in Taiwan's election has focused on the cross-Strait implications, as you all know. I was sort of distressed to see that a number of media outlets, to include Lehrer NewsHour last night, referred to Mr. Ma as the pro-China candidate. Shorthand is inevitable in journalism, but that's a little bit too short. I think Mr. Ma has a different view about China, but it doesn't make him pro-China, and I don't think you would say the same thing about Dr. Tsai being anti-China. I think we need to raise the level of our discourse a little bit even when we're trying to be concise and quick.

They do, however, the new Ma administration and their counterparts they have to work with in the Legislative Yuan, face a lot of issues in the cross-Strait area. Mr. Ma kept his agenda modest for the future and I think it remains modest in the aftermath of the election. He knows that from all that he's said and done, you can sense that he knows there's a constraint on how far he can go with the public. He made it clear with his statement about the possibility of political dialogue with the mainland, that it would be beyond his term in office that any kind of agreement could be reached and that Taiwan is not ready for it.

And then when that time comes, in his view, he stated that Taiwan would need both legislative action and a referendum to support any kind of political agreement with the mainland.

So, I think it's not going to be where the political dialogue is that focuses attention for the next four years, it's going to be on cross-Strait economic and cultural issues.

There is a full agenda that gets down into the weeds very quickly, some of these issues, but they're very important to Taiwan's economic future and to the stability of their obviously ambiguous, complex relationship with the mainland and with their neighbors.

One of the big challenges that Taiwan faces as it tries to deal with economics and the mainland is that the outlook for economic growth and export markets worldwide is clouded by the future of the European Union's internal financial problems. That's been a big market for Chinese products and Taiwan products to China, and then onward to the European market, and the -- I say that I'm on the gloomy side of the forecasters on the outlook for Europe being able to provide a lot of growth to help Taiwan deal with its domestic economic challenges that have been outlined in the campaign and then this morning about inequality and income gap and joblessness and low incomes for students starting out trying to find jobs.

I would add to that that I have my own doubts about the PRC's own economic future over the medium- to longer-term. They have to make a transition which Japan made in a way from the '80s to the '90s when they went from a very high availability of low cost or free investment capacity capital to having to rely more on a consumption-led economy.

China knows it has to move in that direction, it's found it difficult to make that step to consumption-driven economics, but that's in the future and that will change the way Taiwan producers and whether the agricultural or industrial relate to the mainland and the more distant markets.

There's also, as was referenced earlier by Dr. Kao, a need to address the framework and the modalities within which Taiwan will expand its educational and cultural exchanges with the mainland. The current number is something like 1,000 officially registered students and 10,000 informal students from the mainland, for very -- the 10,000 being in Taiwan for short durations and informal programs. That, obviously, has a great capacity to grow, but it will be of social sensitivity, anybody who's read the reports here about Chinese students are taking places in American public universities that local Asian-Americans think they have a right to can understand that in a Taiwan environment with the cross-Strait weight feeling so heavily, that it would be a sensitive political issue and require quite a bit of internal consultation before outcomes can be arrived at.

There is a long list of issues that will be on the agenda for U.S. relations with Taiwan. The administration, in the last months of the campaign, sent over some representatives of the U.S. Trade Representative's Office, USAID, and the Energy Department, and in each case the conversation sort of bumped up against the need to get on with the Trade and Investment Framework Agreement as a step toward ultimately a higher level of trade integration between the U.S. and Taiwan, and greater integration of Taiwan into the regional economic liberalization that's taking place leading up to Trans-Pacific Partnership participation by many neighbors and perhaps even by Taiwan in a decade or so.

To get to that Trade and Investment Framework Agreement we've got a couple of immediate problems, first of which, of course, is the well known one of beef, which is the doors on beef trade have been opened and shut, opened and shut, and they're shut right now. Now that Mr. Ma has this election behind him he doesn't have to cater to quite so many interests, one would hope that he would be able -- have a freer hand to try to lead Taiwan and its political system toward accepting the resumption of a much more liberal trade in beef, and with that, dealing with the ractopamine issue and the trade in pork. If we can get those out of the way, the doors to a TIFA will come, I believe, wide open.

Addressing the internal imbalances in Taiwan is a huge challenge. How you -- I think it was Professor Kao who said this is a phenomenon of global character produced by the politics and economics of globalization, the byproduct of globalization.

We're having the same problem in this country, as many of you know, CEO's salaries, as their companies go global, keep rising but the pressure on the local employees keeps their incomes down and their benefits limited, and that's not just the U.S., it's just about anybody who's involved with global trade.

And if you're, of course, an entry into globalization, you're a new participant, you see the benefits and you're not likely to want to change your behavior to accommodate people

who have been benefitting from the system for a long time. So, there are different starting points for those who have to negotiate outcomes that are more equitable for both sides.

The demographics are an issue that has been touched upon as well. I don't think there's much Taiwan can do about that. I mean, you can create a number of incentives to help people make a decision to have more children, but as Singapore has shown over and over again, no matter how many schemes you come up with, people seem to want one child when they live in small apartments and have two working parents and having more children is a burden because of the cost of education and the like. I would expect Taiwan would get him to address the costs of education, improve the adequacy of housing, and try to get the income levels up for people who are entering into the workforce. They have been falling and it's a concern. But Taiwan also has to watch out not to let this attention to demographics and economic inequality hurt competitiveness in the long run. That's a tough balance to strike.

Those are the major issues, as I see them. Obviously Taiwan also has, as a final point, Taiwan has a lot of space to occupy in the international world. The International Civil Aviation Organization, the UN Framework on Climate Change, and I would add Taiwan participation in international financial swap mechanisms that are already taking place in East Asia, if that can be arranged in a way that deals with the question of unofficiality, I think it would be very beneficial as we look at a three- to five-year time horizon with potential financial crises awaiting.

Thank you very much. (Applause)

DR. TUCKER: Okay, the floor is now open for questions. As you have seen, there is a roving mic, so please wait for that. Please identify yourself and please don't make any speeches because we don't have much time and we want a lot of questions. I'll start over in the back there.

QUESTION: Thank you. Dong Huiyu with China Review News Agency. My question is for Mr. Paal. The DPP seems to be very angry with what you were talking about in Taiwan before the election. Would you like to clarify your position that you would not interfering in Taiwan's election, but the stability across the Taiwan Strait is beneficial for everyone in this region. Thank you very much.

DR. PAAL: Does anybody want to take this question? (Laughter) I'm sorry, I didn't hear the very end of your question, the Taiwan something is beneficial to the region. What was that?

QUESTION: Across the Taiwan Strait.

DR. PAAL: Oh, across -- well, when I got to Taiwan, shortly after getting off the plane an old friend asked if he could interview me and ask me a few questions that have been asked repeatedly over the last five months, and I answered them in the same way I've been answering them for five months and have written in several articles, all of which are on the website at Carnegie Endowment if you want to have a reference to them.

It just happened that, according to some people who talked to me afterwards, they felt that we had a down news cycle at that point and the candidates weren't saying anything new, there were no new polls, and so something I said that was old got to be the news. It was never intended. It was said in a private -- not in a public setting, not at a speech, it was with a standard media interview, but it got played up in ways that were quite unanticipated.

QUESTION: Joe Bosco, national security consultant. May I ask a question of the moderator? Nancy, you made the point that you thought it would be advisable for the administration to continue the high level visits and contacts that it initiated during the campaign and I wonder if you would envision that going as far as Secretary Clinton attending the inaugural of President Ma? (Laughter)

And a question for Doug. You thought that Ma would not emphasize the political integration issues with China during the second term, but will that be acceptable to Beijing? After all, the Anti-Secession Law talks about exhausting the possibilities of peaceful unification. There couldn't be a more opportune time for that scenario than a Ma second term, and he is, at least perceived by many, perhaps in China, as being pro-China.

DR. TUCKER: Before I turn it over for the real answer, I would just say, I would certainly be delighted if Secretary Clinton wanted to go to Taiwan, and as I started out by saying, I'm a historian and I remember when Dwight Eisenhower, our president, went to Taiwan, and I found in the records evidence that John F. Kennedy was planning to go to Taiwan. So, it would not be totally unprecedented for a very high level American official to go, but I guess I would doubt it.

DR. PAAL: The answer to Nancy's question is -- your question to Nancy is -- would be directly related to how you could answer the question you passed me. I agree with her, I don't think it's going to happen, it's not going to be a factor, but the PRC clearly has different views within its vast official and unofficial commentariat.

Some of the first questions I got from PRC media outlets were, isn't it time now to push ahead, and I was delighted to have the opportunity to respond. It definitely is not the time to push ahead, that the split of the vote in Taiwan shows you there is no clear consensus to go toward a closer political alignment with the PRC or to rupture that and to take risks with something new.

The PRC needs to show additional patience and cannot expect Mr. Ma to violate his promise not to address this during his next term of office and I think it's important for those people interested in Taiwan to express clearly to the PRC at every opportunity that rushing this will have no good outcome. When I say rushing, that doesn't mean the outcome must necessarily be the PRC's outcome, it's just that it's going to take decades to sort out what the people of Taiwan want to know about their future and to see what the future of China brings.

QUESTION: Eric McVadon from the Institute for Foreign Policy Analysis. Doug, I'm surprised you didn't mention arms sales. Are you saving it for the third panel? And, if so,

I'm trying to keep you from having to do that.

DR. PAAL: Well, arms sales were on my talks but I got a two-minute bullet fired at me so I skipped over the arms sales portion.

Obviously, there will be additional arms sales by the United States to Taiwan. What they are, when they are, those are all issues for administration consideration down the road as Taiwan brings its needs to the table with the U.S. But the need for Taiwan to maintain an adequate defense against the still large threat from the PRC is undiminished.

I would throw two questions to China at this point. For years Chinese have said, we cannot restrain our arms build up opposite Taiwan because the DPP might come back. Well, they didn't. This is a testing moment. For years they said we could not expand Taiwan's international space because the DPP might come back. Pocket that, and then China will have lost some leverage. Well, the DPP is not coming back for a while, so it's time for China to be asked the question, what international space and what about reducing the threat to Taiwan?

QUESTION: John Zang with CtiTV of Taiwan. The question is for both Doug and for David. David mentioned that the acceptance or rejection of the '92 Consensus was only one of the factors impacting the outcome of the elections. Doug, you didn't tell us what it was that you said that, you know, aroused the eyebrows of so many people.

My question is, given the kind of change, the kind of coming around in terms of the DPP position on ECFA, do you foresee a day when the DPP attitude towards the '92 Consensus might change? Because, you know, in four years or in eight years when the DPP, you know, fields another candidate, he or she may still have to face the '92 Consensus, you know, being one of the factors or the factor effecting the election outcome, it would not be good for the DPP. So, do you see a day when its attitude towards the '92 Consensus may come around, may change or may soften, for both of you? Thank you.

DR. HUANG: Well, thank you, Mr. Zang's questions. I think I have in my presentation saying that election result should be interpreted by many manufacturers. '92 Consensus, obviously, is the main campaign theme of Ma's campaign. Obviously, Tsai Ing-wen responded directly. Tsai's campaign on social justice, income equalities, and the domestic issues, also the domestic issues, so I think there's no intersections between these two campaigns.

And that's why it's very, very difficult for us to jump into the conclusion that this election is a referendum of the 1992 Consensus.

However, in my presentation I also said that '92 Consensus may be—may be—taken as a cue, you know, heard as a cue by the ordinary people as a stand for some stabilities across the Taiwan Strait.

So, I think the more accurate interpretation, it's more about the stabilities of cross-strait relations rather than the 1992 Consensus. Whatever 1992 Consensus can do, as our panelists said, that serves as a tool, as an instrument to facilitate a cross-Strait negotiation or

cross-Strait dialogues. It does not have any inherent values.

Now, that's a very important distinction. DPP, of course -- Tsai Ing-wen said that she would like to form the Taiwan Consensus after she assumes the office, but then through the democratic process, anything could happen. So I don't know whether in the future that the DPP in the future will accept or not accept Taiwan Consensus, or maybe come up with some other terms. But vitally I think it's very important that for any terms Beijing will serve as veto players, even DPP comes up with some terms, which may be closely resemble the 1992 Consensus, but Beijing may disapprove of them. Then everything falls.

So, this is the situation that I think that we should think about as Doug just said, that it's still very divided in Taiwan, divisive in Taiwan. We have 46 versus 52 percent and on this issue, on the issue toward China, it's quite divisive. And forming a Taiwan Consensus through the democratic procedure seems to be quite a good way to do so.

Of course that now KMT and CCP already find a way to do those will carry on based on this process, based on these premises, but, I mean, for the DPP, they may find another way to get on the negotiation table.

DR. PAAL: The '92 Consensus is a fiction, but it's been a useful fiction. It's permitted things to go forward, and I think one of -- in talking to people after the election in Taipei, several of my contacts said that there was a contradiction in Ms. Tsai's campaign. On the one hand she wanted to replace the '92 Consensus and criticized it, on the other hand, she wanted to maintain the benefits of ECFA, which could not have been achieved without the '92 Consensus, and this -- and because she was unable to construct a characterization of the Taiwan Consensus that would practically replace the one of the '92 Consensus, she was left with a talking point too short in her campaign, in their view.

And I tend to agree with that assessment, but I would leave it to the political scientists who are going to pour over the data and the campaign's ups and downs to see whether that is true, in fact, over time.

QUESTION: Nadia Tsao with the *Liberty Times*. I have two questions. First one is about the dialogue with the opposition party that President Ma proposed. It sounds like too good to be true since it never happened before. What would be the incentive for the two parties to cooperate in the following four years? Instead of, you know, gaining from the other party's failure, why would they would to cooperate?

And the other question is that, DPP might be the most pro-U.S. party in Taiwan. They always emphasize the importance with the U.S., but this time we didn't really see, you know, DPP gain any favor from the U.S. government officially even though U.S. government maintained, you know, claimed to be neutral, but we saw a lot of, you know, other signs that indicated that they prefer Ma to got elected. So, what do you think -- what went wrong with the DPP's policy? Does that mean that the U.S. wants to see DPP be more broad, you know, to open up to China more and take more aggressive steps to reach out to China? Thank you.

DR. HUANG: Well, it all depends on ruling party's mentalities. If you think that elections winner takes all, of course, if you carry the majority you can do whatever you want in the LY and pass any legislations. But I think this would fall into a trap of the opposition parties because opposition party may well hand you a rope and ask you to hang yourself. So, I think the best way for the KMT is to try to consult with the DPP even though on those issues -- especially on those issues, both parties have a divergent views.

I mentioned that, you know, nuclear power plant is the one that would be a potentially divergent issue. Both sides can sit down to debate and maybe to talk. But if you don't talk, of course, you can carry on and then once there's something, some accident happens, then you have to take the full responsibilities.

I think over the years, voters more or less the detest all kind of party struggles based on their political ideologies. I personally believe that the Taiwanese voter would like to have some more, you know, cooperation between the parties, show the people that they can cooperate for the benefit of the common peoples.

What's that second question?

DR. PAAL: U.S. policy toward the DPP.

DR. HUANG: U.S. policy is your specialty. (Laughter.) Well, I think the -- during the election campaign, I think there are a lot of rumors that U.S. officials seems to try to use the other way to influence elections. But then, officially, time after time, that officially that the U.S. government comes out to say that the U.S. would like to maintain a neutral stance and they would like to cooperate with whatever government elected -- whatever party elected is the duly elected government in Taiwan.

So, I think that there's always misperceptions in the perception that whether the U.S. government really would like set any fingers or influence the Taiwanese domestic policy -- Taiwanese politics. But I sincerely believe that the U.S. government probably, as a fellow democracy, don't want to interfere with the domestic politics.

The Taiwan side, I think the DPP would like to promote a more cautious approach toward China. That's understandable because you know that it's already -- we have the 41 percent of total export go to China through Hong Kong and include Hong Kong, Macao. Last year we have \$12 billion -- more than 12 billion U.S. dollars investment in China only last year. More than 85 percent of our FDI goes to China.

So, I think, DPP would like to promote a more cautious approach. I think KMT also has such an incentive to do so because you know that you have 16 agreements signed between SEF and ARATS, you have three memorandums signed between SEF and ARATS, but then the implementation seems not up to the standards.

So, I think there both parties have some way to address issues more cautiously, and the worse thing for the KMT, I think, for the Ma's government, is to think that they have the

mandate so they can push forward all kinds of policy they want with China. And Doug just said that would not be wise because -- for Beijing to push forward the political negotiation with Taiwan. And that, I think, is very, very, very bad.

But I think there's another issue that probably you have to think carefully. In Ma's campaign pledge, Ma said that he would like step by step to mutually set up the official representative office in China and in Taiwan. That exchange of the official representative office is quite, you know, a lot of symbolism there.

It reminds me that in Hong Kong, you have -- it's only *Zhonglianban* [Central Liaison Office] in Hong Kong and Macao, that would be very, very easy for China's influence to coordinate within -- in Taiwan. And that would, you know, consolidate Chinese influence in Taiwan elections. And so I said that you probably wouldn't believe that, you know, the southern part of Taiwan, there are a lot of businesses. For example, in Chiayi, you have the orchid flowers, China would like to buy them. You have the sea bass in Kaohsiung, China would like to buy them.

I think there are a lot of penetrations and grassroots interactions between China and Taiwan that ultimately will influence the election results. And I'll just show you two examples, one is the CEOs, another is the Hualien county magistrate.

So, these sort of things that would I think increase Chinese influence in Taiwanese elections, not necessarily through threat, but through a very, very subtle way, influence of Taiwan voter's minds.

DR. KAO: Let me respond to that first question. I think we should distinguish between two things, two levels of cooperation. First, I think the basic step is to agree to have a platform and have dialogue toward each other, and I think most of our friends here remember that there is a debate between President Ma and Chairman Tsai on ECFA.

So, at least don't just talk to your own believers or your own supporters. You have a platform to talk to each other and after this step, then we can talk about, is it possible to reach some consensus despite other disagreements?

So, the first thing is to have this kind of platform to talk to each other and then there is a second level, then we have some consensus despite the disagreement, and I think that President Ma has referred to this, that is, he would like to have a platform to talk to each other in a regular way, so I think this is a basic point to mention.

And also another thing is that it will push the two sides to cooperate. Actually, it's an internal operation or internal rules inside the Legislative Yuan. Actually, because of the inside rules of the Legislative Yuan, it's very consensus driven. That means, if you know, there is a mechanism called *zhengdang xieshan* or *dangtuan xieshan*.

Actually, if you have three members in the Legislative Yuan, you have a full group and actually veto any legislative bills you don't like and prolong it to another several

months until the speakers who want to put forward the frozen legislative bills.

So, this mechanism, actually, in Legislative Yuan in the past, drives many cooperation between political parties. But the problem is, everyone knows we need to cooperate, but no one wants to sincerely say that we need to share the political cost fairly. Everyone wants to say, we want to cooperate, but they want to show to their own supporters that we are very insistent, but they are really, behind doors, they want to cooperate.

So, it's become a very strategic behavior, that is, in fact, they will be compelled to cooperate by the internal operation, the internal rules of the Legislative Yuan, but no one wants to admit it publically. That's the situation.

DR. TUCKER: One final – Yun-han, you want to --

DR. CHU: No, I just want to clarify one point. David mentioned that, you know, the Ma administration during the second term might establish the official representative office on both sides of the Taiwan Strait. I don't think that's an exact correct statement.

I think what has been mentioned by some official is a two-step approach. Number one, some semi-government or government-sponsored trade association, trade promotion association, and industrial association, they might be able to set up a liaison office on each side of the Strait. That would be the first step.

And the possibility that the SEF and ARATS, you know, the two semi-official organizations, I think they might also explore that possibility.

But actually, I wonder, if Beijing really is actually open to the idea because if you have ARATS, you know, the office in Taipei can easily become the target of protests and demonstrations. It might not be, you know, the most fruitful way for a very smooth cross-Strait relationship. So, I don't think that would happen very soon.

DR. TUCKER: Okay, I've been told I can take one more even though the food is getting cold back there. Please.

QUESTION: I'm Tony from Central News Agency Taiwan, and the last question will be for Nancy and Douglas.

What do you think is the American factor that's really essential for Taiwanese to make decision of their leadership such like a visa waiver program or arms sales, even Douglas' commentary on the local media. Do you think really important for Taiwanese to make this decision of their leader based on American factors? Thank you.

DR. PAAL: Well, the polls that were published by *Ziyou Shibao*, as was mentioned earlier, 10 days before the election, seemed to show pretty accurate results and it doesn't appear that there was a big change in that 10-day period. So, I suggest that outside actors didn't have much effect on the outcome of the vote.

DR. TUCKER: Yeah, I would simply add that the United States, I think, plays an important role in terms of demonstrating how a democracy works well. And we've long been a model in Taiwan, and therefore I would say, this should give us some incentive here to do a better job with bipartisanship, which is what we've just been talking about, so that we can continue to be a model.

In any case, I'd like to thank our panelists and ask all of you to do so as well, and Bonnie's going to talk about lunch in just a moment. (Applause)

(Recess)