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TAIWAN'S ELECTIONS AND WHAT THEY MEAN

SESSION THREE: LUNCH REMARKS

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Session Two: What The Elections Say about Taiwan Politics

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RICHARD BUSH: Ladies and gentlemen, why don't we go ahead and get started? We have a bit of a time squeeze here for lunch, so if I could call this part of our meeting to order, both here in Saul-Zilkha and also in Somers. If I could have your attention, please; thank you very much. We're very pleased to have two people speak to us at lunch, one representing the Kuomintang and one representing the DPP.

To begin, I'd like to sort of go back to a conference that the Freeman Chair of CSIS held almost precisely eight years ago today. It was on the 2000 election. It was when Gerrit Gong was the holder of the Freeman Chair. An American official spoke at that session and, among other things, he said: "I don't know how the KMT will survive this defeat and what role it and its members will play in Taiwan's future politics. Those questions will be answered in the weeks and months ahead, but I would observe that the KMT has responded to disaster several times in the past and remade itself to adjust to a new environment. My point is that the KMT has proved to be a resilient organization that has talented people in its ranks. It still has a majority in the legislature and a strong presence at local levels. I do not think we should count it out."

It happens that I was the person who made those remarks, but I don't quote myself to tout my predictive powers. I do it to frame my introduction to today's two speakers.

Dr. Ho Szu-yin, who is the Director of the Department of Overseas Affairs of the Central Committee of the Kuomintang, is one of the talented people in the Kuomintang's ranks who contributed so much to this iteration of the Kuomintang's remaking itself to adjust to a new environment and to the victory that the Kuomintang achieved.

I don't think we can count the DPP out. It, too, is a resilient organization, and it will address the challenges of the political demography and political geography that we heard about this morning. It, too, has talented people in its ranks and Mike Fonte, who is the Washington liaison of the DPP, knows a lot of those people and I think will be able to speak to how they're viewing the situation.

So, without further ado, I would like to call first on Ho Szu-yin to offer a few remarks, and then we'll turn to Mike. Thank you very much.

(Applause)

HO SZU-YIN: Thank you, Richard, for your very kind introduction. Washington is always the most interesting place for me to visit in the United States. I just arrived yesterday morning and if I stutter somehow in my presentation, blame it on my jet lag; don't blame it on my lack of clear policy thinking.

I'm going to talk about three things: One is party politics in Taiwan; secondly, how the KMT thinks about foreign policy conduct; thirdly, what we need to do

in cross-strait relations. For topic number two and number three, I'm not going to talk about the interdependent decisions that may be made in Washington, D.C. or in Beijing. I'm just going to talk about what the KMT administration can do in these two regards.

First of all, party politics in Taiwan. Most recently, we pay very, very close attention to what may come out from the DPP's reorganization effort. This attention is based on a widely held belief in the policy circles that we—we being the KMT—must have a viable democracy to strengthen our national security, and a viable democracy won't be obtained without a viable opposition party. Thus, we believe that the future of the Democratic Progressive Party would be extremely important to Taiwan's future.

This is the very reason why after the election, or actually at his victory speech, Ma spent three long paragraphs in providing reconciliation toward the DPP. He mentioned that he complimented the DPP's past contribution to democracy. He also said that Frank Hsieh, albeit a competitor in the election, is a very respectable statesman. He also said that whatever policy is provided during the campaign by the DPP, he will take those policies, DPP policies into consideration. Thus, the DPP's reform would be very important in our belief to Taiwan's future.

I want to provide a couple of points regarding the DPP reform, though I understand that it might not be appropriate for me to talk about that. You may know that I joined the KMT now for four and a half years, and through the years, I witnessed and I worked very hard for two presidential campaigns, 2004 and 2008, to area-wide elections, again 2004 and 2008, one county magistrate election in 2005 and the Kaohsiung-Taipei in the city mayoral election in 2006. I feel very privileged to be a participant-observer in Taiwan politics. So when I talk about the DPP, my perspective is not necessarily from a political scientist perspective.

The DPP will have some difficult time in reforming itself for two things. One is, how is the DPP going to define its ideology? Will it move toward one extreme of the ideological spectrum or will it move toward the center?

If it moves toward the extreme, on the reunification-Taiwan independence spectrum, then the question will become, how could the DPP design a policy program—or should I say a visible policy program—that is a fit with that ideological Taiwan independence position? If the DPP moves toward the center, how would it distinguish itself from the KMT which is securely located in the center?

I talked to some of my friends and students who are avid DPP supporters, and they all told me that right now they are thinking about a center to left program with a strong emphasis on a social safety net, and this is their basic idea. But then again, as I said, an ideological movement by the new DPP leadership will be very important for Taiwan's future.

Another thing is, I can predict that the DPP will see more loss, electoral

loss in the future for one reason. As you know, the DPP's stronghold now is in southern Chiayi for this particular election. The DPP fraction had one in five counties, and all these five counties are mainly agricultural counties.

There is a good reason. The peasants, the farmers do not have that much ideological inclination. Rather, they always support whatever party is in the government. They support the ruling party, and the reason is because in Taiwan's globalization process they are those who are left behind. They need the government subsidy. When Ma comes to power after May 20, I don't think he will delete any subsidy to the farmers. Then you know the farmers tend to support, as I suggested, the ruling party. In this regard, I think that the DPP will face more difficulties.

Then I want to talk a little bit about the KMT side. Of course, now there are a lot of things to be said, but let me emphasize just one thing. Some people, in the morning, asked the question regarding generational change within the KMT, asking about if Mr. Ma can shed the weight of the KMT seniors.

It seems to me these questions are not of particular importance for one reason. The KMT, from the chairman to the members of the Central Standing Committee to the members of the Central Committee to candidates of various elections, were all created by direct membership voting, member voting, general voting within the party.

In the past four and a half years, after I joined the KMT, we did one very important thing which has been lost to outsider. That is, we made it very clear that we have a clean party membership registration list. That is super important. In order to have all these elections, intraparty elections, you must have a clearly defined membership list.

In order to have this clearly defined membership list, we collect party membership fees on the scale of 200 Taiwan dollars, which is 6 U.S. dollars per year. For every 100 dollars we collect from our party members, we have to spend 75 dollars. It makes no business or commercial sense, but it makes tremendous political sense. If we cannot collect a membership fee from any particular member, we know that he or she is nothing but a ghost member, and you cannot count on the ghost members to reflect the public opinion, at least within the party.

In order to collect these membership fees, we contracted the 7-11 company and stores. For every 100 dollars collected, they would have a cut of 40 dollars. So we rely on this mechanism to have a clearly defined membership registration list, and then we can have all these elections, the intraparty elections and the elections, and the elections will be very legitimate. I think this is a very important organizational aspect of the KMT.

Now I want to talk about the foreign policy conduct of the KMT. The foreign policy team of the KMT has many people who are friends to this audience. You know many of them. There are some fundamental beliefs among the KMT's foreign policy team.

The first thing is, we believe that Taiwan is a small state and, as a small state, there is no way—there is no way we can afford to alienate the major powers including the United States, China, and some other medium to major powers. This is our fundamental belief.

The second fundamental belief is, we will not use foreign policy conduct for domestic consumption. The KMT team will decouple domestic political consideration from foreign policy, and this is important because we don't want to force all the major powers, the United States in particular, to make a choice between Taiwan and China. We know that the major powers, any other countries actually, have their national interests. If we do not pay attention to the national interests of other countries, then we believe that other countries won't pay attention to our national interest. So that is very important.

Thirdly, we want to make democracy work, and this is the fundamental reason of our attention to the DPP's reform, future reform effort. Ma said that. Actually, now a lot of people this morning and I also know that a lot of people in Taiwan are concerned about the possibility of one party dominance. Of course, in our campaign slogan, we counter with "one party accountability." But the thing is for any democracy to work, accountability must have some mechanism, and the mechanism has been mentioned by Mr. Ma. In his victory speech, he said that he would respect the opposition party. That is as I just suggested.

He would respect the media. That is he won't tolerate any intervention into a media operation. He will not intervene into the operations of independent government commissions such as the Central Election Commission, and he will cultivate the power, should I say medium voter power, the central power in the society.

He said and this is, I think, very important. He said he will support checks and balances against the ruling party in the society. That is the checks and balances mechanism is not just defined as the checks and balances between various branches of the government. Rather, it is broadly defined as societal forces that are cast some constraints on the one dominant party. That is my party.

So if we can have a very workable democracy, we certainly will have some demonstrated effect in China, and this has been mentioned by my friend, Emerson Niou, earlier this morning. Certainly, we will have a higher moral ground in the international community. Thus, having a democracy, a functioning democracy, will be extremely important for Taiwan's national security.

I'll give you one example. On the day of presidential voting, that was March 22nd, CNN Asia ran two headline stories. The first headline story was China's suppression in Tibet. The second one, Taiwan's voters go to booths. I think this coverage by CNN provides an extremely important element to Taiwan's and to the KMT's design of national security.

Fourthly, we believe that the numbers game, how many countries will recognize Taiwan, would be a very difficult game for us. As you know, many countries who are now recognizing the Republic of China are going to Beijing, are leaning toward Beijing largely for the incentive package provided by Beijing. We have to reconsider the form or the substance of our foreign aid, and Ma has already mentioned two or three days ago that he will refrain from checkbook diplomacy.

But still, we need to design some mechanism to provide foreign aid so that we can have longer reach toward the developing countries, as well as at the same time we won't alienate all these major powers which can be extremely important in any cross-strait dispute. For example, I understand that—and I heard this from the Minister of Foreign Affairs from various capitals—that our foreign aid endangered their peacekeeping efforts in all these less developed countries, and we certainly will take that into consideration in designing our foreign aid program.

Lastly, I want to talk about what we can do in cross-strait relations. As you know, the new KMT administration would like to have a direct flight link across the Taiwan Strait with the lifting of the 40 percent net value investment constraint and, of course, we would like to have more tourists from China and encourage capital coming from China. This provides the general direction to cross-strait relations under the KMT.

But I have to say that in the long run the roadmap is not that clear for one good reason because the cross-strait is actually an accumulation of interdependent decisions not only by Taiwan but also by China as well as the United States. There are some very important variables that simply are not within our control. Or let me put it this way, and again Emerson used the term endogenous. Some variables are exogenously determined. This is a very awkward term but meaning that these simply are beyond our control.

So what are those things that we can do in terms of pursuing a rapprochement with China? Several things. One is, right now we have created a very favorable initial condition for cross-strait development. Ma's stance on Taiwan's independence and on cross-strait relations should be quite familiar to China already. Then many believe that the ball is in China's court. Of course, we would like to see some favorable response to the KMT's stance. Then we will move from there. We will move on from there.

The second thing is what would be the institutional framework for this rapprochement on the part of Taiwan, of course. We all know that there is a KMT-CCP platform for policy views exchange visit since Lien's visit to China. Once the KMT assumes the government, of course, the former channel should be conducted through the Strait Exchange Foundation, and Ma has already said that the SEF would still be the most important channel to have interaction with China. Does that mean the KMT-CCP platform will dwindle? My guess—this is solely my guess—is that it still serves as the platform to exchange ideas, but the negotiations, the concrete negotiations should go

through the SEF.

Secondly, Ma also mentioned that we will need the legislative support in whatever negotiation we have with China. Then what should be the institutional design? Back in 1934, in your country, your Congress enacted what is a very, very important act leading toward a free trade negotiation, and that is the RTAA, the Reciprocal Trade Agreement Act, which moved the power of trade negotiation from the Congress to the president.

Two important features with that RTAA are, one, fast track and, two, up or down voting. That is, you cannot amend the agreement reached between the American executive branch and its foreign counterpart. You must give it yes or no so that other countries would have the incentive to negotiate with the United States.

Following the same logic, we must have our institutional design. That is we must need the authorization from the LY, I think, in the future to conduct a negotiation with China. Once we finish, we complete the negotiation with China, we will bring the agreement back to Taiwan, to the LY. Then, of course, we need more specific procedures for the LY to ratify the agreement. Again, here, ratification does not just take the form of voting up or down. Rather, the ratification has a lot to do with the social atmosphere then, and I believe the LY will reflect the general social atmosphere during that time. This is extremely important.

Without the support of the LY, then the executive branch wouldn't have a very easy time in negotiation on the domestic front, not a cross-strait front. So this is important.

Another thing is regarding the peace accord. The foreign policy team of the KMT has given very serious thought to the contracting parties during the negotiation, as well as to how do we know that the other side, that is the Chinese mainland, would abide by all the terms of the agreement? After all, it is an authoritarian regime and once the leader has a change of mind, then all the terms may not be kept intact.

On the other hand, we also thought that, how does the other side know that we will keep our promises? After all, we are a democracy, and every four years we may have a change of leadership.

Without this mutual trust built a priori of the negotiation, then it will be extremely difficult to have any peace accord in 10, 30, 50, 100 years. It doesn't matter. The point is we must solve this post-a priori monitoring cost of the problem, to borrow some terms from economics.

Again, here, what kind of process or institutional framework can we have to solve these problems involved in the negotiation of a peace accord? We have borrowed teachings from institutional economics, from negotiation handbooks and everything. The point is we don't know yet, to be very frank with you.

We believe that right now the approach is step by step and we want to see up to one step by us, what step the other side takes regarding to our previous step. We just hope that through our repeated interactions, if we can persuade China that the future is very important for cross-strait relations—in the jargon of political science, we say that there will be a long shadow of the future—we believe we can encourage some beneficial reciprocities or more favorable steps from the other side. We are very much hopeful that some virtuous circle can start with Mr. Ma's winning of the election.

Okay, I will conclude here. I thank you very much for your attention. Hopefully, I didn't waste much of your time. Thank you.

(Applause)

DR. BUSH: Rest assured that you didn't waste our time. Now I'd like to call on my old and dear friend, Mike Fonte, for his thoughts.

MICHAEL FONTE: On behalf of the whole DPP family, I'd like to thank Richard, Nancy who was here before—I don't know where she got to—and Charles for this opportunity to speak mostly from my own personal reflections.

But, of course, I want to say on behalf of the whole DPP family, like I said, Mr. Hsieh, Mr. Su, the campaign team, Y.Y. Lee, Hsiao Bi-khim my boss, and particularly, of course, the President as well as the Vice President, I want to thank all of you for this opportunity to be here and to thank you also, all of you, literally all of you, for your longstanding support for human rights and democracy in Taiwan. The whole DPP family also extends its regrets that nobody could come, and your humble servant will have to do the honors here.

I want to start by reading from my own translation of Mr. Hsieh's concession speech. Those of you that haven't seen it might want to look on your computers at FrankHsieh.com, and the little video will give you, word for word, his concession speech.

This is my translation: The Taiwanese people have cast their ballots, and their decision is clear. We accept the reality of our defeat and congratulate Mr. Ma Ying-jeou and Mr. Vincent Siew on their victory.

We deeply regret that the Democratic Progressive Party has not met the expectations of our people and, for this, I must and do take the greatest responsibility.

I appeal to all DPP supporters to be calm and serene in the light of this election result because democracy is not simply a question of the end result, but it embraces the whole process. This democratic process inevitably means disputes, discussions, differences, arguments, but we must accept the results of the election and not continue to fight this outcome. We must do so in order for our society to quickly repair

itself so that whatever chasms might have opened as a result of the election process, be closed, and our people thus able to quickly get back to a life of love and trust.

We lost the election, but we have an even more important mission, namely to not allow the embers of democracy our ancestors have handed over to us to go out. We must turn disappointment into strength so that we might preserve Taiwan's democracy.

Those are Mr. Hsieh's words.

The following are my own personal reflections, trying to reflect, I hope, the DPP's position. First and foremost, I believe that democracy was the winner in Taiwan. This, as you know, is the second transfer of political power between parties, the first one in 2000. I think the important thing is this time it's being done fully and properly.

First of all, Mr. Hsieh congratulated Mr. Ma and Mr. Siew on their victory. I think that's an important element that wasn't done before. Mr. Hsieh encouraged DPP supporters to accept the results of the election, to roll up their sleeves, get to work, reflect on what they did, what they did right, what they did wrong, and work to ensure that democracy stays fully alive in Taiwan.

In contrast to the many, what I consider phony, concerns about so-called dirty tricks by the DPP, President Chen has established a taskforce to manage the transition of power, another not unimportant piece of transfer of power.

The Executive Yuan has announced that it will consider itself to be a caretaker cabinet, will freeze the approval of all new legal bills, budgets, and political appointments before May 20th, and will freeze all new policy moves after the Central Election Commission officially announces the election of Mr. Ma and Mr. Siew. It won't happen until March 28th.

President Chen has promised full cooperation with Ma's transition team including Ma's participation in important presidential meetings and even the Hankuang War Games to help the President-elect—rightly so, in my opinion—to gain a grasp of national affairs as soon as possible.

I think this full and proper transfer of power reflects very, very well on Taiwan and reflects another important element which I think has to be underscored here. There are those who believe that Asian values and democracy don't mix, that people from a Chinese cultural context need a managed democracy or democracy with Chinese characteristics. That's my phrase, not somebody else's.

The Taiwan experienced ones know that doesn't have to be true. We can have a real democratic process, a real change of power that doesn't have to be violent, that can be done formally and properly. Thus, Taiwan, it seems to me, stands as a very

good model for Asia. President Bush himself has noted, as I'm sure you all heard: "I congratulate the people of Taiwan on the successful conclusion of their March 22nd presidential election. Once again, Taiwan has demonstrated the strength and vitality of its democracy. I also congratulate Mr. Ma Ying-jeou on his victory."

Taiwan is a beacon of democracy to Asia and to the world. I am confident that the election and the democratic process it represents will advance Taiwan as a prosperous, secure and well-governed society."

There are, however, in my mind, two important caveats to this "Taiwan is a democratic model." It's been mentioned several times here today and elsewhere. The first, of course, is that the DPP must reflect hard on both this overwhelming loss and the loss in January in the Legislative Yuan.

The party must reorganize, get serious about a strategic vision for the next four years that gets it firmly into the running as a serious loyal opposition. Dr. Ho has mentioned that. Others have mentioned that. You cannot have a serious democracy unless you have serious opposition power. That's a checks and balances possibility.

Mr. Hsieh raised four points for his own party to consider as he stepped down from party chairmanship. One, he said, the party must reevaluate its position and must reform in order to win the trust of the people. Since the DPP will soon become an opposition party with nothing, we must truly reform and compete with other opposition parties.

Second, the youth of Taiwan continue to hold high ideals. Thus, it is vital for the DPP to truly take on the path of reform in order to attract youth support. We need to further recruit the younger generation to become part of the DPP. It is important to allow young members to fully participate in the reform of the DPP and to help shape the DPP's future.

Third, the party needs to hold an ad hoc national party congress meeting to allow delegates to fully voice their opinions and work collectively to determine the party's future direction, and amendments need to be made in the DPP's charter and our electoral rules, so new members can participate in the chairperson election in May, thus producing a new leadership which will truly represent a new revitalized DPP.

Fourth, the party must take the role of loyal opposition to serve as a check on the power of the ruling KMT but must also push for good policies for the betterment of Taiwan. We must work together and also seek to further truly complete transitional justice in Taiwan.

The second aspect needs to be underscored, again, as has already been mentioned several times is the accountability factor. How will accountability be real in the Taiwan in which the KMT has 75 percent control of the LY and has the executive branch as well?

It seems to me there are several aspects to this, not the least of which has been spoken about in many contexts, the need for the development of civil society in Taiwan. Instead depending solely on political parties to be a check and a balance, there needs to be development of issue groups as we have here, groups that are looking at specific aspects of policy and focusing on that.

One can only hope that the shift in the way in which the Legislative Yuan members are selected or are voted on will create this accountability. As you all know, I'm sure, in the past, it was multimember districts. You could win with maybe 10 to 12 percent, maybe even less, of the vote and still be a member from that broad district. Now, it's winner take all. Hopefully, that will mean that constituents will be watching carefully what their representative does and will hold that representative accountable.

The other aspect, it seems to me, is that the media must be intent on giving evenhanded, responsible journalist inquiry and investigation so the public can make informed decisions. Not always been true in the past, probably won't always be true in the future. Not true here as well as other places, but I think Taiwan has some specific problems in terms of media coverage that really must be addressed.

One can also hope that Mr. Ma will be scrutinized for his policies in a serious principled way unlike what I consider the scorched earth attacks on President Chen while he was president. For example, Mr. Ma has promised the 6-3-3, right: 6 percent growth of GDP each year, 3 percent unemployment, 3 percent inflation rate. I believe that's correct. Fine ideals and every politician, when he's on the stump or she's on the stump, will make promises. Let's look at those as we go along. Let's hold them accountable.

I must say, parenthetically, my Italian temper gets a little hot when I hear people quote suicide statistics. I know my friend, Norman, whom I've seen here somewhere and Mr. Huang Ching-Lung also mentioned that this morning. I, personally, doubt that the suicide statistics are the result of Chen Shui-bian. I think there's a lot of factors that go into people making that terrible decision.

Who's going to be holding the clicker for Mr. Ma? Good question. How will the promises of golden eggs from the Chinese goose pan out? Who's going to be checking whether extended cross-strait relations really are going to help those farmers and workers particularly in the south?

I think U.S. politicians have the same problem. How are we going to provide for the workers in Ohio who no longer have jobs? FTAs, WTO arrangements haven't quite cut it, have they, for the people of Youngstown? I think a similar problem faces Taiwan and any president of Taiwan. I do think Mr. Hsieh and the DPP generally provided for what Ho Szu-yin suggested was perhaps a broader social safety net. That tends to be the DPP's position, a more social democratic, shall we say, approach to issues like that on the economy.

How will Mr. Ma be able to deliver? Will he be able to deliver on these questions and the accountability question? Issues have been raised too about the realities of governing for Mr. Ma. People here know the party much better than I ever will. But what about the older guard in the party? What about the LY? How will Mr. Ma be able to handle a complicated party much as the DPP is a complicated party?

But democracy was a winner. There's no doubt in my mind and I don't think anybody in the DPP's mind about that, and that's a very, very important statement.

But there's also no doubt in my mind that Taiwan was the winner in this election, and here I want to make a point which I believe really needs to be made. President Chen has taken a lot of flak over the last eight years from many quarters. I think it's very important to recognize—I recognize at least—that his emphasis on Taiwanese identity, his emphasis on this place is our place. We have to be true and loyal here first and foremost. We don't have to be anti-China, but we have to be true to Taiwan. He has built a legacy, I believe, that is a very firm and important legacy for the people of Taiwan. You see that in the statistics about who's Taiwanese and who's Chinese and all those questions.

I think it's much more important to look at what Mr. Ma said during the course of the election and see how I think his policy has shifted from what would have been a traditional KMT policy. In response to Premier Wen Jiabao's statement about the referenda in Taiwan and other issues, Mr. Ma issued a six-point statement. He said, the Republic of China is a democratic country that enjoys sovereignty.

That's certainly been a traditional position of the KMT, but I would say it's been a muted position when party leaders to go to China to talk to the Chinese, understandably, but Mr. Ma firmly reaffirmed this position. And then he said something which is different from his position of not very long ago: the future of Taiwan will be decided by the 23 million Taiwanese people, and we won't allow Chinese interference.

I suggest to you that that position, those two elements of that position, is not very different than the DPP's 1999 resolution on the future of Taiwan.

Ma reaffirmed that the KMT policy has always been Taiwan-centric for the benefits of its people, adding that this is why the party has advocated the three noes: no unification, no independence and no "bu" [武]. I have yet to quite understand what "no bu" means. Is it military force? Is it arms? Is it all of the above? Interesting question, I think.

He also said that a return to the United Nations is the aspiration of 23 million people on Taiwan, and the party will continue to work toward that direction. I think these are very important statements that Mr. Ma has made, and it's going to be interesting to see what the Chinese response will be to him.

I thought Professor Huang made an interesting statement this morning

about what I presume was the mutual non-denial position which is, you cover your right eye and look at the problem, I'll cover my left eye and look at the problem, and let's just deal with what's in front of us. Well, let's take a very practical example. I cover my right eye and look at a panda, and I see black spots, right. You cover your left and look at a panda, and you see white spots. But how do we deal with sending the panda from China to Taiwan? Do we have to sign an international treaty about endangered species or is it internal? I mean these are practical, real sovereignty questions, right. They come up. They're real. They're not made up by the DPP.

What about the hedge issue? A far more important issue, I think. U.S. policy towards China is a very complicated, nuanced policy. We want to engage, obviously, but we have a hedge. Taiwan is a very real part of that hedge.

What are the Chinese going to say to Mr. Ma if he wants to negotiate a peace agreement about hedge? No more arms sales? No more arms purchases? No more military contact with the United States? Interesting questions, and I think those are the kinds of contradictions, complications that will come out of the discussions with Mr. Ma and the Chinese.

I wish—and I'm sure the DPP wishes—Mr. Ma well. It's important for Taiwan's future that there be a real democracy that goes forward smoothly for the prosperity of the people of Taiwan and the peace and stability of the region.

I am reminded when I talk about democracy as the victor of the famous, perhaps apocryphal, quote from Ben Franklin. I suppose he came out of Independence Hall as they finished writing up the Constitution and somebody asked him, what do we have here, Mr. Franklin? He said, "A republic, ma'am, if you can keep it."

I think that's the issue before Taiwan today. It's a democracy. It's a real democracy. Work has to be done on all sides to continue to make it a real democracy. Taiwan is also a land full of people proud to be its citizens, wishing to preserve what they have. But will Mr. Ma's mutual non-denial be able to withstand what will surely be a PRC pushback? I hope so.

How will the growing economic ties between the two sides shift on the issue of sovereignty? I don't think anybody knows the answer to that.

Questions abound, but so does my own optimism that the dedicated people I know in the DPP and the many whom I don't know as well in the KMT will keep Taiwan a strong, proud country, a good friend of the United States and a model for its neighbors near and far. Thank you.

(Applause)

DR. BUSH: Thank you very much, Mike. Thank you, Szu-yin. We have about 25 minutes for questions. I'd ask Szu-yin to come up here, so he's available. If

you are in the Somers room and want to ask a question, I ask that you come across the lobby into the other room, so you can be available where the mics are. I give Harvey Feldman the first question.

QUESTION: There is a very practical matter which is going to come up before May 20th and that is the meeting of the World Health Assembly. Last year, for the first time, Taiwan applied for its membership in the World Health Assembly. Taiwan last year applied for membership in the World Health Assembly. The question is what Taiwan will do this year.

So my question wraps around a suggestion. An interesting way of testing the PRC early on, if you wanted to test the PRC early on, would be for Taiwan to retreat and go back from membership to applying for observership and to see what the PRC reaction would be. In that connection, let me mention that the recognized observers at the World Health Assembly include the Red Cross, the Red Crescent, an organization called the Knights of Malta, and the Palestine Liberation Organization.

DR. BUSH: Do you want to direct your question?

MR. FELDMAN: You can direct it either way. This will be a decision within the purview of the Chen Shui-bian government.

MR. FONTE: It's a good question, Harvey. I don't know the real answer to that question. I would hope—would hope—that as part of the transition, there would be real serious discussions between the parties about how to do this. That would be the best outcome in my position. I certainly think, knowing the U.S. position well on this matter, that observership rather than membership would be the goal, would be the ask, and I do agree with you. It's a very important first test for the Chinese leadership of how they will respond to the new environment.

DR. BUSH: Thanks. Who has a question? Eric.

QUESTION: Eric McVadon, the Institute for Foreign Policy Analysis. Richard, you quoted yourself earlier. I think I remember writing a dozen years or so ago, something about both sides of the Strait having uncanny aim in shooting down trial balloons from the other side, about the time I was talking about the Million Man March, too, which people remember but have forgotten that.

I wonder, even though many of these overtures from both sides have been imperfect or ambiguous, if you would agree that we have been too zealous and both sides have been too zealous in shooting them down rather than nurturing the parts that we might find that have promise.

DR. HO: All I can say is I hope not in the near future. I believe Ma has been elected and should serve as a good initial condition for the next round of interaction across the Taiwan Strait. The trial balloons have been shot, and I agree with you on that

assessment. Right now, we are just hoping that the other side can pick up all the messages sent or signals sent across the Taiwan Strait in this past election.

MR. FONTE: Again, I want to defend President Chen here. When he first came into office, he made several offers which were shot down immediately. Now people can say he was just grandstanding. They can say a lot of things, but he did make the offers. I think a lot of people that I know feel that his initial attempts to offer some room for dialogue, discussion across the Strait were shot down. He kept getting slammed in the face and then he decided, forget about it, I'm going to turn to a different direction now.

So I hope, I do hope that Mr. Ma's attempts to make a broader, wider set of starting points will work. I think it's in Taiwan's interest and China's interest and the United States's interest. But I do want to keep on the record the fact that President Chen did start with that direction and quickly got the door slammed in his face.

DR. BUSH: I'd only make the comment that if your only arena for communication is public and through the media, you're not going to get very far, that there is a role for diplomats or the functional equivalent. Nadia?

QUESTION: Hi. Nadia Tsao with the *Liberty Times*. I have a question for Dr. Ho. The KMT was able to build up, building the platform with the CCP in the past when you were in the opposition place. I wonder, will this platform continue to work?

There are so many people coming back and forth from KMT in the past years, building their own connection in the mainland. So once you're in power, will you have a control or demand or requirement for these party members because people might hear different voices on your mainland China policies? Who will speak for the President? Who will speak for the KMT? So could you elaborate a little bit on that? Thanks.

DR. HO: Your question has two levels. One is the future, possible future functioning of the platform between the KMT and the CCP. I suggested in my presentation earlier that Ma has already said that the negotiations will be between the SEF and the ARATS [Association for Relations Across the Taiwan Strait]. How useful the KMT-CCP platform will be really not only depends on our decision, but it also depends on China's decision. Whether the Chinese would like to further use this platform is up to them. So that's the question, one level of your question.

The other is control. I heard the term many, many times this morning. All the control talk supposes or presupposes some party discipline, and people are afraid that the party discipline will obtain the current configuration. I do not think that the party discipline is that important. Mostly, party discipline is a term for a parliamentary system. In our system, party discipline is very much like that in the United States. You rely on persuasion. You rely on all kinds of, well, some say it's arm-twisting tactics and

whatever to tell your members that they should fall into line. If they are very adamant, not following your line, I think that it will be that.

You do not talk about control in my understanding of Taiwan politics, but you do talk about persuasion. The power of the purse really is the power of persuasion.

DR. BUSH: Mike Pillsbury and then I'll go back there.

QUESTION: Dr. Ho, is there any chance President Ma could take an idea that President Chen talked about for many years, but he never did, to appoint a civilian Defense Minister? The reason I ask this is I know the people in the KMT foreign policy team, some brilliant people, but I've also read the KMT official defense plan, about 12 pages long and very, very hawkish. You know here in America our Pentagon is often accused, falsely, of having its own foreign policy. You don't want to do this in Taiwan. So is there any chance that there could be a civilian Defense Minister appointed by President Ma?

DR. HO: Well, my answer is simple, Michael. I don't know. I just don't know. Right now, they haven't even, well, there are a lot of rumors regarding the Premier, and we are here. The rumors are here. The Defense Minister is way down here. So I really don't know.

DR. BUSH: Let me introduce another phrase for you to deal with questions like that: "above my pay grade." The lady back there.

MR. FONTE: It's also true, though, at the very end, Michael Tsai has become the Minister of National Defense, and he is a civilian.

QUESTION: Louisa Jones, foreign service officer with the U.S. Department of Commerce. Mr. Ho, you addressed this issue a little bit, but can you talk a bit more about the challenges and opportunities in the cross-strait common market? On the one hand, Taiwan is increasingly shipping out sophisticated industries such as electronics to China, but then there's a lot of repatriation of profits and expansion of the market and so on. So if you can elaborate some more, and I would love to hear from the DPP side as well.

DR. HO: Let me structure my answer in such a way. First of all, we believe, the foreign policy team believes that there is always some undesired risk for any public policy. If there is no such undesired risk and you don't take that policy, then it means inefficiency.

For Taiwan, you just mentioned the electronics industry now moving to China. We believe that this is almost inevitable. Current risk trends in investment, in Taiwan's investment in China simply drive the investments underground. The government simply does not have any statistics whatsoever on the profitability, on the distribution of all these companies, electronics companies.

Thus, we believe we must inject some more transparency. We must be in tune with the investment, and we must have a better understanding of this globalization process if you think that and China really is becoming the world factory. That's one thing.

Another thing, it's extremely important and relevant to your question but not assumed in your question, is the security dimension of this investment in China, in the trade with China. The thing is how do we know that China won't use our investment in the Chinese market to leverage against us for political gains? This is where in our discipline, political science, we call this a Hirschman effect. This was first revealed by Professor Albert Hirschman of the University of California-Berkeley. His historical example is Nazi Germany's commercial practice toward the Central and Eastern European countries. Apparently, for Hirschman's argument, there was such a possibility, a very high possibility of political leverage based on investment in the trade patterns.

But, again, we need to know some parameters for this leverage tactic by mainland China, and there are several parameters we really need to address. One is the property rights regime in China, especially when it comes to Taiwan investment. Secondly, we need to know the market structure of any particular industry. Thirdly, we need to know on a microeconomic level the hedging, commercial hedging practices of all these investing companies.

I believe in the future the KMT team will have some in-depth probe into all these parameters. We need to think about Taiwan's security in the light of this globalization process.

MR. FONTE: I concur with what Dr. Ho said. I think that one of the things that also happened in the course of the debate, Mr. Hsieh pushed very hard up against what he called the One China Market. I think it produced some interesting refinements, in my opinion, on the part of Mr. Ma, which is Mr. Hsieh's argument was all those laborers are going to come to Taiwan, all that agricultural produce. As Bacon once said, all those beggars are going to come as well. There won't be anything left for the Taiwanese.

I think Mr. Ma made it very clear that it would be a slow process, a measured process. We'd be careful about what impact it had on Taiwan's own prosperity. So I guess I'd come back to my theme which is I think Taiwan won out of this total election process.

DR. BUSH: Norman, you don't have to put your coat on.

QUESTION: Okay. My name is Norman Fu. I'm with the *China Times* of Taipei. I have a question for Dr. Ho. Before the election, when this Tibetan rebellion was going on, Mr. Ma came out, using very, very strong language condemning Beijing, especially attacking Wen Jiabao, the Premier, by name and in person. So I was quite

shocked not because he launched such attacks but the fact this was an extremely sensitive issue. I understand he was under tremendous pressure from the DPP to take a position. However, was he ill-advised to do something like that?

I wonder whether it was a spur of the moment reaction, which I don't think so, or whether he consulted with his inner circle including people like you before he came out with his statement. The statement, I think, was prepared. He called Wen Jiabao, stupid, self-conceited, all the bad things you can think of. So that, to me, is really not very diplomatic language. I don't know. So, in this connection, sometimes I wonder whether Mr. Ma's mental power leaves something to be desired.

DR. HO: I think that the remarks were largely due to the urgency of that moment. Well, Norman, you mentioned that that was not a diplomatic event, that he was under tremendous electoral pressure.

DR. BUSH: John Zang and then I'll come back to you.

QUESTION: John Zang with CTI TV of Taiwan. I have a question about Mr. Ma's public request to make a visit to the United States. He made that announcement under no pressure at all right after the victory. I want to ask, what is he really trying to get at? Does he really want to come to visit the United States or does he actually want to make it a bargaining chip, being his prospective discussions across the strait? Thank you. Because he seems to have put everybody on the spot, the U.S. and China.

DR. HO: He wants to come, and this is not a bargaining chip concern. He wants to come.

DR. BUSH: The gentleman right here, yes.

QUESTION: Actually, my question was somewhat similar but different. Mr. Ma's desire to have better political and closer economic ties with mainland China on one hand but having a hawkish defense and military policy, at least on paper, on the other hand, is that a hedge against the United States to ensure that there isn't an increase in isolation from the United States because of this movement towards mainland China or is that a legitimate policy?

DR. BUSH: Identify yourself, please.

QUESTION: Steve Rice.

DR. HO: The thing is this. Again, on the part of the foreign policy team, it's a small state. The strategy toward China, a major power, cannot be single dimensional. That is you want to bandwagon or you want to balance. Actually, usually, it's a mix of both, the bandwagoning and the balancing.

For balancing, we need American support, the military and the moral support. For bandwagoning, we need to be more open to China to have increased understanding and mutual trust.

So this is not an either-or question. Rather, it is a question of the right mix. The point is it would be extremely difficult to measure what that right mix would be. Well, in mathematics, you can calculate the equilibrium. Emerson is good at that.

But the point is, in cross-strait relations, in relations with the United States, in these trilateral relations, you must consider some other factors such as timing, such as the kind of behavioral pattern you have toward the other side and the hope that what kind of behavioral pattern the other side will have in response to your behavioral pattern. So that's the kind of thing, I think it is rather. To decide on the right mix really is an art and really depends on the situational constraints and opportunities.

DR. BUSH: Thank you very much. We've consumed our time for this part of the program, and so now we have to migrate back to the Falk Auditorium. You did a great job coming over, and so I'm sure you'll do a great job going back. You know where it is. If you need to stop at the restroom going over, that's fine too. We'll see you back there in just a couple minutes.

(Recess)