

THE BROOKINGS INSTITUTION
CENTER FOR NORTHEAST ASIAN POLICY STUDIES

and

THE EPOCH FOUNDATION

**CROSS-STRAIT ECONOMIC AND POLITICAL
RELATIONS AND THE
NEXT AMERICAN ADMINISTRATION**

WELCOME AND KEYNOTE ADDRESS
U.S. FOREIGN POLICY IN THE NEW ADMINISTRATION

*Wednesday, December 3, 2008
Far Eastern Plaza Hotel
Taipei, Republic of China (Taiwan)*

Transcript prepared from an audio recording.

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

Welcome Remarks

Paul S.P. Hsu

President, Epoch Foundation and Chairman and CEO, PHYCOS International Co.

Richard Bush

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

Keynote Address: U.S. Foreign Policy in the New Administration

Strobe Talbott

President, The Brookings Institution

Panel I: Asia Policy under the New U.S. Administration

A view from the United States

Michael Schiffer, Program Officer, Stanley Foundation

A view from Hong Kong

Frank Ching, Senior Columnist, *South China Morning Post*;
CNAPS Advisory Council Member

A view from Japan

Tsuyoshi Sunohara, Senior Staff Diplomatic Writer, International News Department, Nikkei Newspaper

A view from Korea

Wonhyuk Lim, Director, Office for Development Cooperation, Korea Development Institute; CNAPS Visiting Fellow, 2005-2006

A view from Taiwan

Erich Shih, News Anchor/Senior Producer, CTi Television, Inc.;
Visiting Scholar, Peking University School of International Studies; CNAPS Visiting Fellow, 2003-2004

Afternoon Keynote Address

Hon. Vincent Siew, Vice President of the Republic of China

Panel II: Cross Strait Relations Six Months into the Ma Administration

A view from the United States

Richard Bush, Senior Fellow and CNAPS Director, The Brookings Institution

A view from Japan

Tomohiko Taniguchi, Adjunct Professor, Graduate School of System Design and Management, Keio University; CNAPS Visiting Fellow, 2004-2005

A view from across the Taiwan Strait

Richard Weixing Hu, Associate Professor, Department of Politics and Public Administration, University of Hong Kong; CNAPS Visiting Fellow, 2007-2008

A view from Taiwan

Liu Fu-Kuo, Research Fellow, Institute of International Relations, National Chengchi University; CNAPS Visiting Fellow, 2006-2007

Panel III: The Chinese Economy

Recession in the United States and its impact on China

Wing Thye Woo, Senior Fellow, Foreign Policy and Global Economy and Development, The Brookings Institution

China's response to the financial crisis

Xiao Geng, Senior Fellow and Director, Brookings-Tsinghua Center, Beijing; Senior Fellow, John L. Thornton China Center, The Brookings Institution

A case study of the Pearl River Delta

Zhu Wenhui, Senior Fellow, Hong Kong Bauhinia Research Center and Commentator, Phoenix TV; CNAPS Visiting Fellow, 2004-2005

The third plenum of the 17th party congress

Zhang Wei, Visiting Fellow, Global Economy and Development, The Brookings Institution

PROCEEDINGS

ANNOUNCER: Ladies and gentlemen, welcome to the forum on “Cross-Strait Political and Economic Relations and the Next American Administration.” The year 2008 is a year of change. In March, Taiwan witnessed its second transition of national power to another political party. Cross-Strait talks reopened and direct flights took effect in July. In the United States, Democratic presidential candidate Barack Obama decisively won the election in November. However, starting from September, the biggest crisis since the Great Depression had changed the landscape of the world economic system. At this crucial moment, it's our great pleasure to invite experts from around the world to share their observations and perspectives at today's forum.

This forum is organized by the Brookings Center for Northeast Asian Policy Studies and the Epoch Foundation; and sponsored by the Ministry of Foreign Affairs of the Republic of China, the ROC-USA Business Council, the Academic Foundation of Asia Pacific Culture and Economy, the Taiwan Semiconductor Manufacturing Company, Tung-Ho Steel Enterprise Company, and the Delta Foundation. Firstly, let's welcome Mr. Paul Hsu, President of the Epoch Foundation, to make the opening remarks.

PAUL HSU: Ladies and gentlemen—I should say all distinguished guests and participants—it is really my great pleasure and honor to make a brief remark. As you know, we are facing so many changes around the world. The Chinese always say, you know, “*yige jiazi*”—that means 60 years is a circle. If we look at the United States, we look at Taiwan, and we look at the world, in the last 60 years there have been so many, many changes, and so many changes are fundamental. For instance, I was talking to Lester Thurow of MIT not long ago. You know, I said what do you think about the future of the investment bank? He said, “That's the end of it.” Maybe a little exaggerating, but this just shows people are going back to the fundamentals. They're going back to thinking about how to make a new start. Taiwan has a new administration. The United States is about to have a new administration as the election results revealed. So I think this is a great time for us to sit together and listening to all the experts specializing in the Asian affairs assembled by the Brookings Institution. And I hope we will have one day of very fruitful, stimulating discussion.

A brief introduction of Brookings. The Brookings Institution is an independent research organization. And their slogan is, “independent research shaping the future.” I think it is more than appropriate for us to think about independently for the purpose of shaping the future. So we are very, very happy to be able to collaborate with Brookings Institution to have this seminar.

The Brookings Institution was established in 1916 and it is known as an independent, nonpartisan research organization that works to improve the quality of U.S. public policy. Over the years, I think the intent of Brookings is also to improve the public policy of the governments around the world. We are facing tremendous

challenges in Taiwan and North Asia and we have a very distinguished group of experts with us who will be able to share their views in the different sessions. So, according to the program, since we have so many distinguished speakers, I wouldn't want to go on too much, but I think it is important for me to introduce Richard Bush. He is the director of the CNAPS program who will give you a sort of opening remark. Richard?

RICHARD BUSH: Good morning, everyone, I hope everyone is doing well today. Thank you all for coming. We're holding this conference, as Paul Hsu suggested, at a really special time. In the United States, the election of Barack Obama has created a magical moment that allows us to set aside the legacies of the recent past and to recapture what it means to be American. That's the sentiment that you get.

I think there's also a real understanding and even anxiety about the big challenges that President Obama is going to face. Around the world, including East Asia, there's a U.S.-made economic crisis that is slowing growth and raising questions about how bad the crisis will be and what countries of the world can do to cope, either on their own or together. Here, between the two sides of the Taiwan Strait tensions have declined, the barriers are being removed. But on each side, some are asking if the benefits of moderation will be balanced and reciprocal. And recent events in Mumbai remind us that no place on the planet is absolutely safe from individuals who want to inflict terror and death. Now these are some of the issues we're going to be discussing today. When Paul Hsu and I put the program together a few months ago, we didn't know exactly what the world and the region would look like today, but I think we've succeeded in constructing an outstanding program with the helps of some really talented participants.

Today's event reflects the contributions of many individuals and organizations, and I'd like to express on Paul's behalf and mine our profound gratitude to them. First, I would like to thank Paul himself and all the outstanding people at the Epoch Foundation. They've done just a terrific job to put this whole program together and we at Brookings could not have done it without them. And I'd like to particularly like to recognize Josephine Chao and Bruce Cheng who is the chairman of the Epoch Foundation and of the Delta Foundation. I'd like to thank my own staff, particularly Kevin Scott and Aileen Chang, for all the hard work they've done. A number of Americans have come with us on this occasion and we appreciate that very much. We also have today with us a number of alumni of the visiting fellows program of the Center for Northeast Asian Policy Studies and maybe we'll have a chance to meet them and we appreciate that very much.

There are several organizations here in Taiwan that have provided support for this event and we couldn't do it without them. They include the Ministry of Foreign Affairs, the ROC-USA Business Council, the Academic Foundation for Asia-Pacific Culture and Economy, Taiwan Semiconductor Manufacturing Corporation headed by our good friend Morris Chang, the Tung-Ho Steel Enterprise, and the Delta Foundation led by Bruce Cheng.

The last person I'd like to recognize is my boss, Strobe Talbott, who is the president of the Brookings Institution. He has kindly agreed to offer keynote remarks this morning and to frame our discussion. All of you should be lucky to have a boss as intelligent and as good humored as Strobe Talbott. He's just a wonderful person to work for. You probably know, he had a distinguished career as a journalist for many, many years. He then was deputy secretary of state in the Clinton administration. He spent a little bit of time at Yale University and then he and I started at Brookings on July 1, 2002 and it's been a pleasure to work for him ever since. So I give you Strobe Talbott.

STROBE TALBOTT: If you think I'm his boss, you've got another think coming. It is my great honor to be Richard's colleague, and indeed his student. I have learned a lot from him and I will come back to the subject of Richard in just a second. But I do want to echo Richard's sincere thanks to so many of you here, not only for your participation, but in the case of quite a number of you for making this conference and this discussion possible. Of course, I do want to single out Paul Hsu, who has become a good friend of mine as well as a very important friend of the Institution. He is, among other things—and I know there are many ways in which he has helped us do our work around the world and particularly in this region—a member of the international advisory council of the Center for Northeast Asian Policy Studies, CNAPS as we call it, and we're delighted that Frank Ching from Hong Kong, also a member of that board, could be with us today.

CNAPS demonstrates, in the work that it does every day back in Washington and also when it ventures out to this region, the commitment that the Brookings Institution has to this vital region of the world. All of you, I think, know quite a bit about CNAPS. Richard just added a word or two. Just to put a few of my own words to the description, I would just take special pride in the way in which CNAPS allows us to benefit back in Washington from the presence of some particularly bright stars from this part of the world. We have visiting scholars come to us at Brookings and work in our midst as colleagues from Taiwan, Japan, Hong Kong, the People's Republic of China, the Republic of Korea, and Russia. And at a time when, for reasons you all understand, not all institutions are in an expansive mode, we are actually doing some expanding at CNAPS. Starting next August, we're going to be going to a slightly different format. We're going to be having two classes of CNAPS visiting fellows each year and we're going to be bringing additional countries into the CNAPS family, Mongolia and Vietnam.

The last point I would make about CNAPS is that it is well represented in this room, and that is because the Center has been in existence for 11 years. We now have a very substantial alumni body connected with CNAPS. And it has been deeply gratifying to me since Richard brought me out to the region for the first time six years ago, to see the way in which our alumni are keeping in touch with each other, networking and going to some trouble to come to forums like this one. We have about 25 of our CNAPS alumni here today. Now, I do want to get back to the subject of Richard because it is among other things more than a grace note. It's also pertinent to the principal topic on all of our minds in this conference which, of course, is Taiwan. Richard, I think, is

very much looking forward to the change of administrations in Washington for completely nonpartisan reasons. Seventy-eight days from now, he will no longer have to be the brunt of jokes about how we at the Brookings Institution have our very own “Bush administration.” But, Washington, and indeed the world, are going to have Richard Bush as the leading expert on Taiwan for a very, very long time to come. And I'm just hoping that we'll have him in that capacity at Brookings. But who knows? These are uncertain times. But the point I want to make is that the fact that Brookings would have somebody of Richard's quality to lead CNAPS and also to function as an author and a scholar in his own right, is a demonstration of the importance that we at the institution attach to Taiwan to cross-strait relations and to this region.

Now I'm going to move in the direction of my assigned topic which is the foreign policy of the next president of the United States. And I'm going to do that from the perspective of what I call “the three nos.” I have no involvement in the transition, I had no involvement in the campaign, and I will have no post in the next administration. So what you are hearing from me is the private view of someone who is connected, as Paul said in his opening remarks, with a nonpartisan think tank. He stressed that when we call ourselves independent, one of the several things we mean by that is that we are nonpartisan.

I would like to pick up on a point that Richard made and give it a little bit of my own spin. He talked about this being a magical moment for the American people as we have finally come to the end of the longest, most expensive, most populous and sometimes, it would seem, one of the most bitter presidential campaigns in the history of our country. Much, of course, has been made out of the fact that the 44th president of the United States is an African American. But I don't think too much can be made of that fact, which is to say it is extraordinarily important and particularly for one as an American citizen because it is a statement about the capacity of our country and our society to change. And every nation represented in this room here today has, of course, some distinguishing points of national pride. Many nations, including the United States of America, also have some distinguishing points of national shame.

And there is no question what America's great national shame is. It's slavery. You can't get much more shameful than that. And unfortunately while slavery passed into history quite some time ago, it still casts shadow over our society and our identity and our community. And that shadow is racism. Hence, it is really quite extraordinary that a considerable majority of American citizens voted a month ago yesterday to send a black man to the White House. That speaks, I think, volumes about our nation's capacity for building on the best of its philosophical, historical legacy—by which I mean enlightenment values, the Declaration of Independence with its proclamation that all men *and women* (although it doesn't say that) are created equal, our Constitution and our Bill of Rights. And it also marks a point where we have taken a major step, though not a final step, toward putting behind us the continuing stigma of racism.

Now partly because of the stakes involved in this past election, which went far beyond the ethnic identity of the candidate who ultimately won, or went beyond the fact that a woman was for the first time a serious contender for the White House—because of all that was involved in this election, it generated much higher levels of interest and participation than we have seen in our own democratic process in a long time. My good friend, Steve Young, head of the American Institute in Taiwan, with whom I worked in another part of the world some distance from here back in the 1990s, gave a press conference about three weeks ago at which he pointed out that the U.S. voter turnout in this election reached 67 percent, which is terrific by American standards—but not by Taiwanese standards I might add, where you have the voter turnout here in Taiwan that's in the high 70s or even the low 80s. But at least we're moving in the right direction. We're catching up with Taiwan in our function of our democracy.

Now speaking about our democracy, I want to make another point that I think has relevance both to the United States and to Taiwan. Each of us essentially has a two party system. I suspect that many of you in this room at some godawful wee hours of the morning, given the time differences, were watching CNN International or one of the international news networks as the election returns came in and you saw Wolf Blitzer or somebody standing in front of a giant map of the United States and you saw the way in which the colors on the states changed depending whether the electoral votes from those states went to Senator McCain or Senator Obama. And you could see there were only two colors. So I suppose you could say that we in the United States have a “pan-red” and a “pan-blue” party. And the way in which the contest went between those two parties—the red party being the Republican party in our case, the blue party being the Democratic party—was exciting, but it was also quite an exhausting process. And more than just being exhausting in terms of its length and the amount of money that it cost, it was also fiercely contested. It was extremely partisan. And I would even say very polarizing.

Now I'm going to offer my own judgment about one reason why the race turned out the way it did. John McCain is an extraordinarily estimable, very experienced, very capable, descent person and he's proved it many times in his career to be a very fine politician and also a very broad-minded statesman. However, I believe that a major reason why he lost was that he ran a remarkably—and I would say for him, uncharacteristically—divisive and exclusive campaign. That is to say, he went after a narrow or a relatively narrow part of the American electorate. And at the core of that part, of course, was what the Republican party has come to think of as its base.

Now the converse is also true. And that is that one reason that Senator Obama emerged, by a substantial majority, the winner of this election was that he did not run a divisive or exclusive campaign. He ran as a unifier and he sought to broaden well beyond the universe of Americans who identify themselves as Democrats, a constituency that would include Republicans and independents as well. And I think he is already showing some signs—operating from Chicago before he moves to Washington, DC—that he will govern as a unifier as well. He has not only promised to reach out to Republicans for key positions in his administration, he has begun to do so. And, of course, the most dramatic example of that so far is his decision, which I personally applaud, to prevail

upon Bob Gates to remain secretary of defense. And I suspect as the transition process in Chicago continues to announce major figures in the administration, we'll see other Republicans as well.

One reason it's so important that President-elect Obama is doing this is because even though our system in the United States, unlike the parliamentary system known by many countries around the world, doesn't have the technical or constitutional provision for a government of national unity. We need the moral and political equivalent of a government of national unity simply because of the multitude and the magnitude of the problems facing not just the next president, as Richard put it a moment ago, but facing the entire American people and, of course, facing the world as a whole. And I think that it is a credit to the President-elect that he is reaching out to the Republicans. But it's also a credit to the Republicans that they seem to be really quite receptive to that outreach themselves, which is to say key legislators—both in the House of Representatives and in the United States Senate on the Republican side of the aisle, including some legislators who have been really quite partisan in the past—are, at least for the time being, offering to work closely with the new administration as it comes into office.

And I would also pay a compliment here to that other Bush administration, the one that will be leaving office in 78 days, and that is the current president. He has directed his key people, his cabinet members—particularly Secretary Paulson and the Department of the Treasury—to go much further in working with, cooperating with the transition teams from the administration-elect so that there will be, to the extent possible, a seamless handoff from one administration to the next.

Now I want to point out one other thing that is going on in the United States that might have some resonance for our Taiwanese friends. And that is that the Republican party as a whole, leading figures in the Republican party in particular, are studying their recent defeat. And they're doing so in a way that is self-critical and constructive, and not just looking backwards and not just casting blame, but trying to understand why it is that after really several decades of relative Republican dominance of American politics, that seems no longer to be the case. In other words, they are trying to answer the question of how they can remake themselves as a party—not in fundamental ways perhaps, but in ways that will allow them to come into the next series of elections revitalized. And I personally hope that they succeed in that.

I think it would be a good thing for the Republican Party to revitalize itself and good for our own version of democracy in the United States. And that's because at least our form of pluralistic democracy needs a healthy two-party system. And I would just—addressing the Taiwanese in the room—say that let's hope that both of our countries will make progress in that direction, which is to say having a truly vital two-party system. And in the couple of days that I've been here, thanks to Richard and our Taiwanese hosts, I've been able to meet with representatives of both of the principal parties here and I come away with the sense that there is a commitment here in Taiwan to a vibrant two-party system and I hope that that will be accompanied by the kind of

constructive, forward-looking, soul searching here that I see going on in the United States right now.

Let me now turn to the topic that I think I was principally expected to address, which is American foreign policy in the next administration. Let's start with the President himself, even before we get to specific regions of the world. Barack Obama is extraordinary in many ways and one is more than just about anyone can imagine or identify in the public arena, he is literally a child of globalization. As you all know—you all know my country very well—people with black skins or dark skins in the United States call themselves often and are often called African Americans. You can't get more literally African American than Barack Obama and that, I think, is more than a cultural distinction. That is also a signal of where he is coming from, as it were, in his own life, in his own biography and I strongly recommend that those of you who have not read *Dreams from my Father* do so. In fact, if I can go one step further and put in a plug for iTunes, get the audio version of *Dreams from my Father* and listen to it. Listen to Barack Obama read that book and tell his own story.

It is an extraordinary story: a father, of course, who was Kenyan; a mother from Kansas; growing up in Hawaii, which is one of the most heterogeneous—probably the most heterogeneous—of our states in the United States; and, on top of that, living for a formative period in Indonesia as well. I attach some significance to the fact that in the speech which was a smash hit, as it were, that Senator Obama gave in Berlin back in July—although not everybody was sure it would be a smash hit politically in the way it would play back home; by the way he had 200,000 people there listening to him at the park in Berlin—he called himself a citizen of the world. Now he's not the first American politician to do that. Jack Kennedy did it. Ronald Reagan did it appropriately from the podium of the United Nations. But Jack Kennedy and Ronald Reagan waited until they were already elected president before calling themselves a citizen of the world, because the phrase “citizen of the world” not only is partly responsible for Socrates having had to drink hemlock, it also suggests a kind of cosmopolitanism that is not acceptable or at least popular with many in the United States. Yet Barack Obama associated that phrase with himself early on.

Throughout his campaign, he talked a great deal about foreign policy. And his mantra, the formula that he kept using, was to talk about common humanity and common security. He, as you know, spent some time in Chicago as a community organizer. That was a phrase and a profession that was actually used against him for partisan purposes during the campaign. But I think that he thinks—now that is assuming the role of commander in chief, diplomat in chief of the United States—he thinks of the American presidency as being a kind of community organizer job. Which is to say, helping the other members of the international community to organize itself in a way so that global problems can be addressed with global solutions.

Let me just say a word that'll bring us a little closer to where we are right now geographically. Governing an interdependent world is going to require being more creative and imaginative than we have been in the past about recognizing the diversity

not just of nations and their composition, but what kind of nations make up this international community of ours? And that, I think relates in a way that I hope my own country will think about Taiwan; and not just think about Taiwan, but also to think about its interest and its aspirations. The status of Taiwan, of course, is in many ways unique in the eyes of much of the rest of the world, and I would even say anomalous. And it's unique and anomalous in a way that is I'm sure uncomfortable for many people who live here; they wish it were otherwise. Nonetheless, Taiwan is still very much part of the international community and it has extremely important contributions to make to that community.

And I've learned a bit more about what some of those contributions can be during my relatively short time here, but since I've had a chance to visit in the past, also in the presence of Richard Bush, I do have a sense of the way in which—just to take one example which I know is on many people's minds—Taiwan could contribute significantly, just as it has already contributed to the WTO and to APEC, it could contribute to the World Health Assembly taking advantage of its strength in medicine and public health.

In the couple of days that I've been here, I've added to my own vocabulary a new phrase, and I like the sound of that phrase. It's "international space." I believe that that concept of an international space, including room for Taiwan to make its own contribution, is a concept that will have broad and practical support in the next U.S. administration. I say that for reasons having to do with the global outlook and global background of the president-elect himself, but also the team that he is assembling. The secretary of state-designate, Hillary Rodham Clinton, is somebody I have know for 37 years—since 1971—and I know her to be somebody of very, very broad views about the world and how it ought to work and how it ought to work to the maximum extent possible on the basis of consensual arrangements and partnerships. Now, as we get below the level of Cabinet we move into an area of speculation which is now the number one indoor—maybe outdoor—sport in Washington about who else is going to be in the administration. I think it is not a total waste of time to speculate about Richard's and my friend, and friend of many of you here in this room who was with Richard and me when we came to Taiwan five years ago, and that's Jim Steinberg. I would not be at all surprised if, in a matter of days perhaps, Jim will be announced as an important figure in the next administration.

In fact, the list could go on. The list of people one speculates about—and it's only speculating—includes the name of Jeff Bader as well. In fact, at some point my capacity as the president of Brookings, I get to be a little depressed about this since I suspect that Brookings is going to be making a major donation of talent to the next administration. Leaving aside the name game, which we've already started to play in lobbies of this and in other hotels over the last couple of days, the point I want to make is that all the people I know of who are going to make up the foreign policy and the national security team of the next administration are committed to the principles of pragmatic multilateralism. And by the way, they are not alone in that—it's not just the administration. Pragmatic multilateralism is back after a period when there was all too

much fashionability to unilateralism from the United States, partly because unilateralism is widely regarded as having failed, but also because there is a widespread and bipartisan sense in the United States that (a) America needs to refurbish its image in the eyes of the world, and (b) America needs all the help that it can get from partners and allies in international institutions in order to address the daunting agenda that we have in front of us.

As I move to close, and then I'd be happy to have some discussion if time permits, I do want to say a word about your region. Richard is going to address the subject more deeply and far more expertly than I this afternoon. And any question that you put to me that I either can't answer, I defer to him. And if I answer it wrong, I'm sure he will correct me. But the point that Richard has made on a couple of other occasions, which I very much agree with, should actually come as good news to not just Taiwanese, but to others from this part of the world. And that is that your region really did not figure very much in our election campaign of 2008, which of course, started back in 2006. Now why do I say that's good news? Because, in general, when a country or a region figures prominently in an American election, it isn't good. It's because that region or country is seen as in some way problematic or troublesome to the United States. Now there is, of course, one very prominent and important exception here in East Asia, and that is North Korea. That subject did come up and should have come up and will continue to come up in American politics. But, generally speaking, the United States right now is understandably quite preoccupied with a very large swath of real estate that covers much of the Middle East and now, of course, South Asia as well, which gives the United States government yet another reason—not that it needed another reason—to hope for and work for stability in this region and that, of course, includes and indeed many ways depends upon the stabilization of cross-Strait relations.

The United States has an interest in the stability and continuing stabilization of the cross-Strait relationship for reasons that have not just to do with its own interest, but also the interest of its friends and allies and partners in this region as well. But, Richard and my other colleagues and what I have heard from your President, President Ma, shortly after I got here was that he, too, sees that interest as being very, very important and very much part of his agenda as the chief executive of your country and that is all to the good. And I would put it in the context of what I think is a general rule about U.S.-Taiwan relations and that is that that relationship is strongest when—in addition to sharing values and institutions like those of democracy—we also share basic strategic interests.

The final point I would make before closing is that I know that while there was a lot of excitement around the world—I would even say in many parts of the world, as we saw on television the night of the election, euphoria about the outcome of the American election—there are also some doubts, some anxieties, some misgivings and some uncertainties in a number of capitals around the world, including in East Asia. And in particular there is perhaps on a quadrennial or perhaps an every-eight-year basis, always some concern about how different the next American administration is going to be from the previous one and particularly if it's an administration that comes in on a

slogan of change will some of those changes be unwelcome and unhelpful in other parts of the world.

On this point I would like to be as reassuring as I possibly can and I would like to echo the reassurance that Steve Young conveyed in his press conference three weeks ago when he reminded an audience here in Taipei that there have been five presidential transitions since that very difficult year for Taiwan, which was 1979. There have been three Republican administrations that have come in -- Ronald Reagan's, Bush Sr., Bush Jr., and of course one Democratic administration, Bill Clinton's. Yet throughout that period, despite those five transitions—which sometimes saw a conservative Republican replacing a liberal Democrat and vice versa—the fundamentals of U.S. policy toward Taiwan remained intact throughout. And the fundamentals of that relationship are very well known to you and I guess you could call them the three yeses: one China, the adherence to the three communiqués, and, very crucially, adherence to the Taiwan Relations Act. And what that means overall is an American commitment to peace, security, stability and a non-confrontational approach to the quandaries that I've heard so much about and learned so much about in the last couple of days.

And now we're entering, of course, another transition and while it's true and was politically successful that the winner in our presidential election ran on the slogan, “change we can believe in,” you can be sure that where Taiwan is concerned he will govern and conduct American policy towards this region on the slogan continuity you can count on. Thank you very much.

I'm slightly blinded by the lights, but I think I can see hands if anybody would like to make a comment, correct me where I'm wrong or ask a question. I think it's appropriate to begin with Paul. Yes, Paul.

MR. HSU: I think the last couple of days where we spent time together, you made a notion that it is important for Taiwan not to have the mindset of being isolated. In other words, when you made that statement, you know, I was thinking there are many ways to build up our own mindset in Taiwan and there are other things that are external limitations. So could you elaborate on that and the second question is related to it is when Mr. Obama formally becomes the U.S. president, he has many concerns about U.S. foreign policy regarding the current challenges and problems, notably in the Middle East, South Asia and Obama probably needs help from many, many countries in the practical multilateralism concept. Now what can Taiwan do in that regard? Those are the two questions.

MR. TALBOTT: Well, on the first question, I want to put in context for those of you—which is virtually everybody in the room, almost everybody in the room—who weren't in on the earlier conversation—what led me to suggest in one meeting that we had that I hoped there would be a “fourth no”—and that is no isolation. And in making that comment I was not promulgating some brilliant insight, not to mention that I certainly wasn't doing what is a very bad American habit that I hope we collectively get over and that is lecturing to others about how to run their countries, what aspirations to

have. I was reacting to objective data and information that I had heard. I am still basically, by profession—even though I've wandered away from that profession—I'm still basically a journalist and I see an opportunity when I travel abroad to ask questions and listen carefully to the answers. And in the several days that I've been here I have asked a number of questions about where the trends are with regard to the number of foreigners including Americans here in Taiwan, how vigorous at expanding our exchange programs in both directions we have been, how much traffic is coming through the Taipei airport and that kind of thing. And the answers that I got suggested that the trends are downward and that strikes me as not good news because I think Taiwan is most likely to benefit from globalization, economically and otherwise, to the extents that it interacts more and more with the rest of the world. Now I could have been misinformed in this area. You know, most of the people in the room could correct me on this and if the statistics are correct, then I would like to understand better why the trends are in that direction.

And to put the point I'm making in terms of a hope and indeed an interpretation of something that I've heard from those in the leadership of the country, there seems to be an awareness that there is some risk of isolation. Not total isolation, but in that direction and it's important to reverse that trend. So I would say that would be a good thing and that all relates to my attempt at an answer to your second question. I think Taiwan can contribute by having the strongest possible economy in what is a horrendously difficult international economic environment, mobilizing the extraordinary discipline, proficiency, skill, innovation, and experience of its private sector so that Taiwan is one of the stronger economies in the world—which, of course, is why the Taiwanese economies associated with APEC—and can be part of the engine that lifts the world out of this international recession, or worse, that we face. And I noted Richard's rather wry remark that this international financial crisis has “Made in the U.S.A.” stamped on it. And we as Americans have to be very cognizant of that.

But it is very, very difficult for me to imagine the great challenge of the 21st century—which is making sure that globalization benefits an increasing number of people and that the number of people who feel like winners in the process of globalization outnumber those who feel like losers and the ratio constantly shifts in favor of winners—we're not going to meet that challenge if we don't get out of this current financial crisis. I would say that's probably number one.

But the other point is one that I made here, which is that as Taiwan's leadership and people—who, of course, are inextricably bound together by your democratic process—confront the ongoing dilemma and test of your ingenuity, your patience and your persistence in managing the cross-Strait relationship, you do so in a way that keeps this region at peace, for your sake and everybody else's. And that will be a contribution to world peace.

Yes. Mr. C.Y. Wang?

QUESTION: Strobe, as you said, we can make a lot of contributions to the WTO or health care and these kinds of things. I'm representing all the manufacturing

industries in Taiwan. For the business community, you talk about we don't need to worry about isolation. But for business community, the FTA is really important. If the United States is not really helping us to sign FTAs with all the countries with which we are making trade now, for business people here, I believe this is isolation. So can you elaborate maybe on that?

MR. TALBOTT: Are you asking this question a little bit in the context of the way in which protectionism played in the American election?

QUESTION: I don't like to say that, but –

MR. TALBOTT: Well, you know, we Yanks, we're just hopelessly blunt on these things. But I would ask the question in the context of the perfectionist issue in the American election and I would take a stab at answering it. FTAs in general are in trouble in the Congress right now. You know that. All of them.

QUESTION: I heard about that, but anyhow for business people here, we are very worried about these things. If we cannot have FTA with the United States, with most of the trading partners around the world, the industry here in Taiwan will face very serious problems.

MR. TALBOTT: Well, I am going to leave to the economic panel a little later in the program a specific discussion of that because I don't feel able to contribute usefully to it and when Richard addresses, in far greater detail and with more knowledge, the U.S.-Taiwan relationship this afternoon I suspect he will touch upon that at least in the discussion.

But let me speak about the issue of trade in general. I, as an American citizen, do have some concern that one of—let me put it positively. Among the hopes I have for President-elect Obama is that he will find a way of transcending what he and other Democrats felt was the political necessity of striking themes that sounded protectionist to many in the United States and around the world during the campaign as he moves from being a candidate to being president. I have some confidence that he will do that for several reasons. First of all, to echo something I said before, if you read *The Audacity of Hope*, which is his second book, he talks about globalization there and he talks about trade in a way that is far from protectionism. It was the opposite of protectionism.

Now what I think he will certainly do is be a bit more demanding than the current administration has been about making sure that trade agreements are multidimensional, that they address issues like child labor, human rights, environmental concerns and that kind of thing. But I would be unpleasantly surprised, to put it mildly, if he were to roll back free trade agreements that already exist. Certainly if he were to try to pull on the thread of the sweater that is the North American Free Trade Area or that kind of thing, I would be astonished if he were to do that. And I think he will work very, very hard to maybe refine the way in which we, the United States, and our trading partners pursue free trade areas.

But he will not go backwards. And one reason for that—and I have heard not former Senator Obama himself, but people who I know are going to be working with him on these issues—talking the following terms. We are at a perilous point internationally with the freeze up of the credit markets and the fall of the other markets. Everybody is talking about 1929, 1930. And everybody remembers the Smoot-Hawley Act. And the Smoot-Hawley tariffs, it is often said, put the “great” in the Great Depression, which, in turn, contributed not just to a breakdown of the global economy, but a breakdown in global peace and led us right into World War II. And that lesson is very, very much in the minds of the entire economic team and the foreign policy and national security team that you’ve seen unveiled in the last week. On the specifics of U.S.-Taiwan trade, I’ll leave that to others who are more knowledgeable.

Yes, my distant cousin—Ambassador Talbott!

QUESTION: Ambassador Talbott, it’s good to see you again since our time in Washington. My name is Marlene Talbott. I’m the Ambassador of Honduras in Taiwan. I have a question. As Honduras is one of the few countries that recognize Taiwan—it gives full diplomatic recognition to Taiwan—we contribute a lot to the stability and good relation in the Strait. What do you think of our contributions in Taiwan?

MR. TALBOTT: I think it is the right and responsibility of every country in the world to make its own decisions for its own reasons on how it is going to conduct its diplomatic relations, with whom it is going to have full diplomatic relationships. In the case of most countries around the world, that’s not something that experienced, highly placed policy makers spend a lot of time worrying about. They just have the sort of the attitude of the United Nations, which is: it’s universal and everybody has relations with everybody else. There is a big exception to that and we’re right in the middle of it right here. And it’s a subject that has loomed large in every conversation I’ve had about Taiwan since I’ve started coming here back before 1979 as a journalist.

And the United States government, back at the time of the Carter Administration, made a decision which it took great pains to make and then to explain and has explained since. And former President Carter himself has been here to explain it to a not entirely satisfied and somewhat skeptical Taiwanese audience since then. But there’s no going back on that decision of which you have seen on the part of the Carter Administration itself, and all of the U.S. presidencies that have followed including the several that Richard Bush was part of, a major effort in the United States government to make the best of an extremely complicated situation and to do so for the benefit of all—notably including for the benefit of Taiwan. But your government made a different decision and I’m delighted to see you here.

We haven’t figured out exactly what our family connection is. We need to go back maybe 150 years, but we’ll work on that another time. the lady there and then the gentlemen here and that will be it.

QUESTION: My name is Tomi Lee. I'm with Institute of International Relations at National Chengchi University here in Taipei. I'm very grateful to listen to your presentations and give us a very broad idea about the next administration's general foreign policy. And I heard a few key words. The first one is pragmatic multilateralism and then common humanity and common security issues. And then you talked about his African-American heritage and we think that's more cultural diversity or mutual respect on these cultural issues here. So I would like to ask your further comments about this pragmatic multilateralism. I heard yesterday from TV from Hillary Clinton. She mentioned that the world needs the U.S. and the U.S. needs the world to accomplish a lot of issues in U.S. foreign policies. And so I assume that is the format for U.S. foreign policy in the next few years. I think the pragmatic multilateralism is very important here and the issue just mentioned is common humanity and common security issues.

And I have a question here about this. If U.S. is going to be a community organizer, using your word, to deal with all this common humanity issues, I was just wondering given the different values and the priorities of great powers and regional powers, for instance, China. They are still holding different attitudes about power relations in the international community and certain common humanitarian issues across the borders. I don't know what do you expect or is there any expectations or is there any advice you can give us what in terms of dealing with regional powers, relations with regional powers and the U.S. great goal of achieving common humanity here? And this is first question.

The second one: given that you also mentioned this cultural diversity will be more emphasized in the future, probably at a personal level of Obama's concern here. And so do you expect that the U.S. government will have a new perspective on Islamic cultural issues and that that might lead to another kind of antiterrorism policy?

MR. TALBOTT: Well that's a rich menu you've given me. I think I heard perhaps four questions embedded there and let me say a word from each. I'll start with the issue of People's Republic of China, and as with everything I'm saying, I'm just giving one student of the world's impression, which is no doubt imperfect and certainly will not be perfectly expressed.

Paul mentioned a significance of 60 years. My life has met the standard, which is to say I'm beyond 60 years old and have been around for a while and also have traveled around this part of the world for a while and first went to China with Dr. Kissinger in 1974. And remembering as vividly as I do what China was like in 1974, I can tell you that I never ever expected to see China evolve as dramatically and as positively as it has in the intervening decades. Like all countries, the People's Republic of China is a work in progress. That is certainly true of our country, and we all have further progress to make. But I think the bottom line, if you want me to oversimplify a bit, on China is that it has gone from being an extreme and very cruel totalitarian state and a closed society whose only export was revolution, to being in a very real sense and a positive sense a status quo power. Bob Zoellick coined the phrase and I think the

Chinese have even picked up on it of being a “responsible stakeholder” at least as a way of describing the all way countries including the major powers—in fact, especially including major powers—could see themselves, and what they need to be responsible stakeholders in is a rule-based international order, a rule-based international order that depends on treaties and agreements and conceptual arrangements for the good of all.

And that goes to the issue of the approach of the Obama administration and what I think will distinguish it from at least the first term—I want to be careful here—the *first term* of the Bush administration. President Bush, when he came into office almost eight years ago, was much more unilateralist than any of his predecessors and much more inclined to adopt the posture of being a boss rather than being a leader. And there is an important distinction being a boss and a leader. And among other things a leader is somebody who is able to get people to follow him or her because they want to and because they see it in their interest and I think that concept of leadership is being restored in Washington. There's been progress in that direction in the second Bush Administration. There will be more progress in that direction in the Obama Administration which leads me to Secretary-designate Clinton.

She has a background which suits her very well for the State Department. Her constituency in the Senate is New York state, which includes New York City, which is arguably the most globalized and cosmopolitan city on the planet. She has dealt with numerous foreign policy issues because they have so much resonance and impact in New York and in the Senate. She has travelled widely. I travelled with her when I was in the State Department in the 1990s and she was First Lady, but she was not just a ceremonial First Lady. She got very involved in the substance of policy. She helped get President Clinton interested in South Asia and make a trip out to South Asia, and there are lots of other examples. And she believes that effective U.S. leadership in the international community depends on having a universally recognized preference for using soft power—we all know what soft power means, because Joe Nye has been here the way he has been everywhere else to talk about it—but always with hard power as an option as well. And I think her background on the Senate Armed Services Committee is relevant in that respect.

And the team of Secretary Clinton and General Jones in the NSC and Bob Gates in the Pentagon is going to be a terrific in those terms. The United States, generally speaking—and this goes to your point about diversity—has to do a better job of listening in the way it conducts its diplomacy. There is a little too much of the tendency in the part of Uncle Sam to kind of strive forth through the world and say, okay folks, this is how we're going to do it. And there needs to be more receptivity to others explaining their perspective, the differences that they see as pertinent to their interests and I think that she and Senator Obama have already spoken to that and will do a better job of listening.

With regard to terrorism: terrorism, as we were reminded so horribly in Mumbai last week, is going to be with us for a long time. But terrorism is not an ideology and it is not an enemy state. It is an inimical technique or method for advancing

political goals—totally unacceptable. And that is the way to think about it. It's not something that you can declare war against. You can't declare war against an "ism," but you can certainly find both hard power and soft power ways about going collectively as an international community against those groups or perpetrators of terrorism. I think that will be the attitude that the next administration will bring to that subject. This gentlemen had a question as well.

QUESTION: Thank you, Strobe. My name is Shih-chung Liu, I'm currently the CNAPS Visiting Fellow from Taiwan. I'm deeply impressed by your emphasis on building a healthy two party system both in the United States and in Taiwan. I'm sure during this trip you have met both leaders from the opposition and also the ruling party. During my study at Brookings in the past two months I've witnessed the U.S. election campaigns and also the results. I have this deep feeling that the Obama administration, since it's going to be preoccupied with a lot of other areas, in terms of cross-strait relations or Taiwan issues, if it goes a long curved track under the current President Ma administration and stabilization and the reduction of tension continues, that shouldn't be a problem to the Obama administration. And I also agree that both leaders across the Taiwan Strait need more patience and caution and also reciprocal good will in terms of forging constructive cross-trade relations. But the fact is that uncertainties remain in the last couple of months.

My question—I don't want to get involved with the Taiwan politics, but I agree with you and you mentioned specifically this continuity with respect to U.S. policy toward Taiwan: the three communiqués, the Taiwan Relations Act, and also the one China policy and peaceful resolution to future cross-strait issues. But what has happened in Taiwan in the past couple of months along with the current administration's attempt to pursue a cross-trade rapprochement, and also this visit of Chinese negotiators to Taiwan last month, has indicated another crucial principle, especially from the perspective of U.S. policy toward Taiwan. That is the principle of democratic resolution. In addition to peaceful resolution, there should be some sort of a peaceful democratic resolution. I'm sure that President Ma has in his attempt to forge a cross-strait normalization, he is under a lot of both domestic and external pressures. So a couple of hours before he met with the Chinese negotiator, he publicly repeated his campaign pledge that the future of Taiwan should be decided by Taiwan's people. I think that's the bottom line from the past administration and also current administration. So I was just wondering in addition to those continued principles the past five U.S. administrations has advocated when it comes to relations with Taiwan, to what extent do you expect the Obama administration is going to incorporate the principle of democratic resolution? In other words, the respect of Taiwanese people set on the future relationship with China. To what extent do you think this principle should be played in the Obama administration? Thank you.

MR. TALBOTT: Well, if you're not going to get into Taiwanese domestic politics, I assure you I'm not going to either. But, this much I think I can confidently say. One of the many reasons that the U.S.-Taiwan relationship has been, is now, and will continue to be strong is because Taiwan is a democracy and we share that as a value. Any president of the United States—not just the incoming one—is going to operate on

the basis of great respect for the will of the people anywhere, but particularly respect for a democracy. And when Richard was here in May, he hand-delivered a letter from then Senator/Candidate Obama to newly inaugurated President Ma which was quite explicit in congratulating not just President Ma in his victory, but also the Taiwanese people on the election itself. I spoke earlier about countries being works in progress. Democracies are works in progress too. Yours is a relatively young democracy and I say that with admiration, not in any way in a patronizing way. You've been at it for about 20 years. We've been at it for over two centuries and we are still perfecting our democracy, which takes me back to the very first point that I made in these remarks about how America grew up in some very fundamental way 200 years and several decades after the founding of our country. So we're still working on ours. You're still working on yours. And I'm sure that in the mind of President-elect Obama and those advising him, there will be a commitment to the principle of reconciling democracy with peace—not just here, but everywhere. But I think this is the perfect note for me to end on simply to say if you want to pursue this matter further, ask Richard Bush. I agree with everything he will say on the subject and I will be sitting in the audience and listening to him and learning from him when he speaks to you later today. So thanks very much to all of you.

ANNOUNCER: Ladies and gentlemen, now we are taking a 10 minute break. Please enjoy refreshment outside. Our next session will start at 10:40. Thank you.

THE BROOKINGS INSTITUTION
CENTER FOR NORTHEAST ASIAN POLICY STUDIES

and

THE EPOCH FOUNDATION

**CROSS-STRAIT ECONOMIC AND POLITICAL
RELATIONS AND THE
NEXT AMERICAN ADMINISTRATION**

PANEL ONE

ASIA POLICY UNDER THE NEW U.S. ADMINISTRATION

*Wednesday, December 3, 2008
Far Eastern Plaza Hotel
Taipei, Republic of China (Taiwan)*

Transcript prepared from an audio recording.

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

PROCEEDINGS

ANNOUNCER: (In progress) Dr. Richard Bush will chair this panel. Let's welcome Dr. Bush and the panellists.

RICHARD BUSH: Thank you very much. The title of this panel is "Asia Policy under the New U.S. Administration." This is a subject on which there are many questions, and maybe a little bit of anxiety here in this region because there's always a little bit of anxiety when change comes. To address the questions about the policy for the new administration we have a really outstanding panel and since you have their biographical information, I'm not going to spend much time introducing them. I'll just say a little bit about each person and then we'll begin.

To my right is Michael Schiffer with the Stanley Foundation in Iowa. Michael has worked in Washington, D.C., but he has played an important role more recently at the foundation using his position there to help frame discussion in the United States about U.S. policy toward Asia and has performed a really outstanding service. Frank Ching, I think, is known to everybody here. He is one of the most outstanding columnists about issues relating to China, U.S.-China relations, the Taiwan Strait issue and so on, as well as Hong Kong itself. To my left is Tsuyoshi Sunohara, a really good friend of mine from Japan. He works for Nikkei Media and is probably one of the best informed people in Japan about Japanese foreign policy, the U.S.-Japan alliance, and Japanese domestic politics. Sitting to Michael's right is Wonhyuk Lim. Wonhyuk was a visiting fellow at Brookings a couple of years ago. He works for the Korea Development Institute, but knows a lot about many things including inter-Korean relations, U.S.-Korea relations, and so on. And then finally Erich Shih, who was a visiting fellow at Brookings a few more years ago, and is a real expert on U.S.-Taiwan and cross-strait relations. So let's jump right in and start with Michael with some remarks about providing the perspective from the United States. Michael?

MR. SCHIFFER: Well I just want to start off by expressing my thanks to Richard and to CNAPS and Brookings and also the Epoch Foundation for making today's discussion possible. Much appreciated.

I know that everybody here wants to hear specifics about President-elect Obama's policy in and toward Asia. And so I know that I'm bound to disappoint you all right at the outset in telling you that I really can't provide you with many, if any, of the answers to the questions that you're looking for. Usually in my relations with people it takes a little while before I disappoint them, but I figured I would just cut right to the chase here today. The simple fact of the matter and the reason why I can only provide you with limited insight is that, although the transition is now several weeks underway, we don't yet have a new administration. That won't happen until January 20th. And even when we have a new administration, it's going to take time, an awful long time as many of you know, before a new administration is able to staff itself and orient itself, let alone before the administration is able to start articulating its policies with any precision. So

we don't particularly have policy statements in the administration that we can point to either.

Just to give you a sense of comparison for how long this process can take: as some of you may recall, on September 11, 2001—only nine months into the Bush administration—there were two confirmed political appointees with policymaking positions at the Pentagon, Secretary Rumsfeld and Secretary Wolfowitz who had just gotten confirmed one week earlier. So this whole process, even though the formal part of the transition ends on January 20th, actually takes quite a while. And while I suspect that President-elect Obama's team will do better than the Bush administration team did, the larger point remains. And what that essentially means is that we, the United States, we need to impose on our friends for an awful lot of patience over the next period of time as we go through this transition process. It's going to take the new administration a while to sort out the sort of policy detail that I know you all are anxious and looking for.

Now as I think I have something like eight or so minutes left to go here and I don't want to get in trouble with Richard, I thought that perhaps what I might be able to do that would be useful would be to build on some of the comments that Strobe Talbott made earlier and to try to point out some of the foreign policy and national security themes that emerged over the course of the campaign and have emerged during the first two weeks of this transition process, themes that I think you might find useful in thinking about as you consider how the new administration is going to approach the world at large as well as the Asians and the region specifically. And I should stress in highlighting these themes that these are my own personal inferences and speculation. It's based purely on my role as an observer and analyst watching the campaign and the transition process, not based on any particular special inside or insider knowledge.

So, the first theme I'd like to point to is the idea that U.S. national security interests don't change just because an administration changes—even when the campaign slogans change, and even if the change in administrations is across party lines. National interests are or are supposed to be enduring, not subject to changing partisan or ideological interpretation, and not subject to personal acceptance. This is something that Senator, now, President-elect Obama has pointed to in a number of statements he's made over the course of the presidential election process.

And so, for example, I don't think that you'll see in the Obama administration a sort of reflexive ABB—“Anything but Bush”—in Asia the way that you saw ABC—“Anything but Clinton”—in the early days of the Bush administration. Where there is progress and merits being built on them, I suspect that we will see an Obama administration that will see to do so, and in areas where the United States needs to reorient policy and rebalance its national security portfolio, I'm guessing that they will seek to do that as well.

Following from this approach, I think there's a feeling—a bipartisan one as Strobe pointed out—that U.S. policy needs to be guided by pragmatists using all of its national power as appropriate to secure national interests. I think we're going to see a

real functional problem solving orientation for the new administration driven by what works and what is effective in the real world and not by a sense of what ought to work as a matter of theory. And I think you can very much see this pragmatic orientation reflected in the choices that President-elect Obama has made for his cabinet and his national security team in particular.

The third theme that I'd like to point to is that within the President-elect's team I think you can see an appreciation that some of the old categories and ways of thinking about the world and how it works may no longer be helpful or useful or appropriate given the realities of the 21st century globalized world. There are new patterns in the distribution or diffusion of power. There are new challenges and issues, like climate change, where solutions may defy some of the traditional approaches to the national affairs. I find it interesting, if not necessarily significant for example, to know that one of the early foreign policy issues that Senator Obama focused on when he first came to the Senate was the threat of avian flu and pandemics in Southeast Asia and building a more effective regional and international response mechanism.

The fourth theme that I'd like to point to you from President-elect Obama's statements on the campaign trail is an appreciation in U.S. position in the world is best and can most effectively be pursued when we work with our friends and partners. If you go back and read President-elect Obama's campaign statements, there's an emphasis on strengthening bilateral ties and making sure that the United States gets right its relations with key partners in the region—like Japan and South Korea—relationships that have been adrift or gone off track in recent years. At the same time, there's also a deep appreciation of the need to more effectively connect the United States in the emerging multilateral order and multilateral international institutions. This is reflected in making Susan Rice as the ambassador-designate to the United Nations a cabinet-level appointment, which is a tremendously important symbolic move about the importance of the new administration places on U.S. engagement with the international community.

More specifically in Asia, I think there is an understanding that while we don't need to be in every institution, the U.S. can no longer afford to be absent in the creation of a new set of Asian political, economic, and security institutions. So I suspect we will also see a renewed commitment to U.S. participation in regional architecture and institution building efforts.

Even with this emphasis on multilateral ties and multilateral structures, I think that another one of the themes that emerged during the campaign is that it's not particularly helpful to divide the world into “us versus them” and that there will be a new emphasis on finding ways to listen and to talk with others about both similarities and differences. On the campaign trail, for example, Senator Obama was always careful to characterize the U.S.-China relationship as having elements of both cooperation and of competition. In some ways, the approach of Senator Obama on this set of issues is very Asian. It's an attempt to seek harmony in the system: placing emphasis on finding areas of cooperation commonality, where they exist; and seeking to build and expand on them. This approach should not be taken, however, for any naivete or illusion that with some, at

least, real differences don't exist or lack of willingness to take the preparations and be ready if efforts to forge greater cooperation fall short. It's simply—as we saw in the debate during the campaign about when, whether, and how one negotiates with rogue regimes—that the United States should not be afraid to engage with their adversaries diplomatically when it serves our interest to do so in the right way, of course, and with due preparations.

There are very few illusions, for example, about the chances of success when it comes to dealing with the regime like the DPRK on its nuclear weapons programs, but that does not mean that sustained direct diplomacy should not be given every effort. And I'd even offer that in failure, the hand of the United States can be strengthened if the diplomatic effort builds greater legitimacy for the U.S. position and policy and helps us to forge more effective multilateral coalitions to deal with whatever the challenge is that's at hand.

Lastly, one of the clear themes that I think emerged from the campaign is a need for the United States to reinvigorate its own values, to get our own house in order at home as a predicate for being able to pursue a successful foreign policy abroad. That we need to be unified at home, that we need to live up to our own ideas and our own ideals, that we need to address our own economic and fiscal challenges before we take our ideas abroad. That's a brief overview touching on some of the themes that I picked up—obviously a very impressionistic listing and look forward to hearing your thoughts and comments when we turn to the discussion. Thank you.

DR. BUSH: Thank you very much, Michael. You were quite accurate when you emphasized the slowness with which our system moves from one administration to another. But I think that you provided a lot of substance on what one might anticipate when those details emerge. We now turn to Frank Ching.

FRANK CHING: Thanks, Richard. I'd also like to thank Paul Hsu, president of the Epoch Foundation, and Strobe Talbott, president of the Brookings Institution, for making this conference possible. I'm going to make few remarks on U.S.-China relations. I remember talking maybe 15 years ago with the then-president of the Chinese Academy of Social Sciences in Beijing about U.S.-China relations and he said, you know, the relationship is not going to get either very good or very bad. It's not going to become an excellent relationship with no problems and it's not going to become a relationship that cannot be retrieved. And as Michael said, our national interests don't change with elections, so I expect this situation to continue in the Obama administration and I don't think the Chinese leadership is very worried about what President Obama might do even though he talked a lot about change during the campaign, I don't think that he's going to bring any change to the U.S.-China relationship.

Now I know that different presidential candidates have wanted to change U.S. policy and I do remember just one year after normalization, Ronald Reagan said if elected he would change policy and would revive an official relationship with Taiwan. But, of course, after he was elected he had second thoughts, and didn't do that. And Bill

Clinton said he would link China's most favored nation trading status with its human rights performance and he tried to do that for one year and then he said, well, we've come to the end of the usefulness of that policy, and moved on. So I think that the policy presumably is a quite good one because there is no alternative to what has been U.S. policy now for three decades.

Now, I think that China is a little unsure of what Obama means by "change." I had an informal discussion with a Chinese official recently and he said, you know, when China talked about change 30 years ago, it was very clear what China wanted and was going to be reforming and opening up and we've stuck to this change for this 30 years. But when Obama talks about change, we don't really know what he means, what he's going to do.

China was not a campaign issue and I think that was very good because whenever China or Asia is the campaign issue, it's not good for that part of the world. But Obama did say some things about China. One thing I remember him saying one time was that if he was president he would ban all toy imports from China. I don't think that's meant to be taken seriously. But he did talk a number of times about the Chinese currency and he said that China was manipulating the value of its currency in order to gain trade advantages. And I think that he has said this so many times that he probably has to do something about this, but as you know factories are shutting down in China, so I don't think that pressure on China to revalue its currency is going to be effective. It's probably going to be counterproductive. But, Obama wrote a letter to the National Council of Textile Organizations in October where he accused China of "manipulation of its currency's value" and said to that the country had to change its foreign exchange policies. And he promised to use "all diplomatic means at my disposal to induce China to make these changes."

Now, I think it's fortunate that he used the term "all diplomatic means" because diplomatic means can be exhausted without his having to take real actions such as legislation or imposing surcharges on Chinese imports. So he may have left himself enough wiggle room there.

Now, sometimes I think with China preferred John McCain to have won this election. Historically, people think that Republicans are more free-trade and China might get along better with a President McCain, but there are some things that John McCain said during the campaign that I don't think China would have liked. For instance, he talked about setting up a league of democracies and I think a league of democracies would have been seeing us directed against China. So I'm sure that China would have reacted negatively to that. And the former League of Democracies involving in the U.S., Japan, India, Australia as we see, is no more. Taro Aso made it very clear that he's not going to take part in that. And so a new league of democracies, I think, would not have been welcome in China. And then after the Bush Administration came out of its arms sales package, Obama voiced support for this, John McCain went even further and said that it wasn't enough and that the U.S. should have included in that package things like submarines and F-16s. So I think that from that standpoint, Obama

might be a better person—from China's standpoint—might be a better person to win the presidency than McCain.

During the Bush administration, I think there were times when the U.S. tried to put China in its place and I'm wondering whether this might also happen in the Obama administration. Shortly after the Bush administration was formed, the Deputy Secretary of State Richard Armitage was sent to Tokyo, Seoul, and New Delhi to discuss American plans for building and deploying missile defense systems. But very conspicuously, he did not go to China. The trip to China was given to a lower level official, Jim Kelly, the Assistant Secretary of State. And then in 2005, after China proposed a “strategic dialogue” with the United States, the U.S. accepted but refused to call it the “strategic dialogue” because it said the word “strategic” is reserved for allies like Japan and the United States. So while China calls this a “strategic dialogue,” the U.S. calls it a “senior dialogue,” because “strategic” could not be used where China was concerned. And then you remember in 2006 when Hu Jintao went on his first visit to the United States as the President of China, the Chinese wanted to have it be a state visit and the U.S. refused to call it a state visit. I think that these are very small things, but put together it probably is not good for the relationship.

And how would China rank in the Obama administration? We don't really have very many clues to go by as yet. But, you know, after Obama was elected, he received congratulatory messages from leaders around the world including messages from both President Hu Jintao and Prime Minister Wen Jiabao and he started to call back these world leaders, I think, on November the 6th and the first people he called back were American allies and American neighbors like Canada and Mexico, and allies like Australia, Germany, France, South Korea, the U.K., Japan. By the 8th, he got around to calling Hu Jintao and Hu Jintao was among the third batch of people that he called back. Hu Jintao told Obama that the two countries should accommodate each other, especially on their key concerns—sensitive issues like Taiwan—and Obama told Hu Jintao that China was a great country.

But, I don't think Hu Jintao felt snubbed that he wasn't among the first group of countries to call back. At that time there were still other people who had not received phone calls from Obama. I think by the 9th, maybe the Prime Minister of India had not received a phone call. The President of the Philippines had not received a phone call. And I assume they had had their calls back by now. There were some people who never did get a call—the President of Iran congratulated Obama which was quite remarkable—the first time in thirty years that an Iranian leader has congratulated the winner of an American presidential election. And President (inaudible) also said congratulations and I don't think he got a call back probably for the same reasons.

So I hope that the exact order of telephone calls will not be a guide to the Obama administration's order of priorities. Actually many people feel that the Bush administration's China policy has been a very successful policy, one of the few, I guess, components of Bush foreign policy that is successful. And so I think it would be good if the new administration did not change that radically. But I think if the new

administration can deal with China with a sense of respect and China will deal with the new administration with a sense of respect, that that would be conducive to developing the bilateral relationship in a positive direction. Thank you.

DR. BUSH: Thank you very much, Frank. Now we go to Sunohara-san.

TSUYOSHI SUNOHARA: Thank you, Richard. And like my colleagues I'd like to say thank you very much to Mr. Hsu, the Epoch Foundation, and other Taiwanese friends for making great efforts to set up this wonderful event and it's my pleasure and honor to be a part of this event. Thank you very much.

As a Japanese journalist, over the last 20—more than 20 years—I've been observing the U.S.-Japan relationship and alliance, and the U.S. policy toward Asia, as well as the Japanese policy toward the United States. I'd like to tell you something: Japan is a Republican country. And this is widely perceived not only by Japanese, of course, by American friends including Democrats like Strobe or Richard or other people across the Pacific. And I can tell you the reason. The reason why we Japanese—which excludes myself—in general Japanese believe while Republicans are in White House, the U.S.-Japan relationship is good. Ever since Reagan came in, I got some access. Special assistant to Gaston Sigur he told me this secret story. He got an order from President Reagan: hey, Gaston, we need to have a new Asia policy. Give me a memo, just one line. And he said, okay, and he gave a memo: let's focus on Japan for Asia policy. I guess Gaston told this story to a lot of Japanese officials as well as lawmakers. Ever since that time, the Japanese political or policy elite do believe that when Republicans are in the White House, it's okay about the U.S.-Japan relationship.

On the other hand, we do have some problems with some Democratic administrations—say during the Carter administration, President Carter all of a sudden announced to withdraw their forward presence from Korean peninsula. President Clinton actually studied a so-called trading initiative with numerical targets with Japanese counterparts. And also he made that very famous, among Japanese, trip to China which we call “Japan passing” which means without dropping by Tokyo that time. And because of those two combinations, we do believe that when Republicans are in control over U.S. legislative branch or the executive branch, it's okay.

But, now when we have a new democratic administration, we should catch up and we should change our policy. But yet I can tell you Japanese elite still very much obsessed with what I call “Republican-first approach.” On China, as you might remember, during this presidential campaign, we couldn't see a lot of China passing rhetoric or remarks by both candidates, Senator McCain or Senator Obama. And this is lucky for Mr. Obama to inaugurate his days as a president because he has a sort of free hand in terms of the China policy. To look back upon say the 2000 election, Bush called China the “strategic competitor.” Look back on '92 election, Mr. Clinton actually criticized Mr. Bush—senior Bush 41—for his soft posture on China. But Mr. Obama didn't say anything negative publicly. That means, from our Japanese perspective, that he has a free hand in terms of the China policy.

And these two stories, about our Republican-first approach and Barack Obama has a free hand in China policy, actually gives us a huge handicap from our Japanese perspective in terms of how to maintain a very unique and sensitive strategic triangular relationship between Washington, Beijing, and Tokyo.

And having said that, I'd like to tell you that we do have a lot of issues now between Washington and Tokyo in terms of foreign and security policy. As you know, one of them is, of course, North Korean's nuclear problem, but at the same time, we do have a lot of domestic or bilateral issues like realignment of U.S. forces stationed in Japan, or the Okinawa issue, a related issue to this realignment. And also the F-22, whether we can get F-22s from the United States or not. Or how to modernize the nuclear umbrella given the new reality in terms of a security environment in this region. But I don't see any sign—especially on the part of Japan—to get ready to talk vigorously and honestly with our U.S. friends. And this is again reality.

And recently, as you know, Mr. Obama announced that Bob Gates is going to remain as the Secretary of Defense while he also nominated Hillary Clinton to be Secretary of State. This will be interpreted by Japanese kind of as a mixture of some good news and bad news. Good news of course Bob Gates remaining in his seat. He is widely respected, not only by Americans but also by Japanese, and he's deeply committed to the realignment of those U.S. forces in Japan as well as to keeping a strong commitment to the defense of Japan. And again I brought some stories and memos to Japanese officials, in public or off-the-record basis, in which I insisted we should get working to work with Democrats -- especially Hillary Clinton, earlier this year. But a lot of people inside the Japanese government actually criticized me a lot and in the hope that the Hillary would not make it. They are right. Hillary could not make it. But now Hillary can make it as a Secretary of State. So to my surprise, it's too late for the Japanese government to get ready for how to cope with the Clinton—I would say Clintons—not only Hillary, but Bill Clinton.

So we are now carefully watching who is going to be key advisors not only to Hillary Clinton, but also of course to President Obama. Say namely Deputy Secretary of State, Senior Asia Director at the NSC, and also of course, Assistant Secretary of State. As you know, Chris Hill current, acting Secretary of State who is vigorously engaged with North Korea, he is not so popular among Japanese because of his commitment to North Korea. There is a stupid nickname among Japanese about Mr. Hill, I would say I should reveal this. His nickname among Japanese is Kim Jong Hill. This is stupid. I'm telling officials you should not spread out this kind of stupid nickname because he is your counterpart. No matter what policy he's going to do, we should work on it. And we should cooperate together with him. But because of their growing frustration about this posture toward the DPRK, Japanese are very much frustrated, very much unhappy. That's why they are pleasing themselves by ridiculing Chris Hill with such kind of stupid nickname.

And as a conclusion I would say given the political climate right now in Tokyo, we are now killing each other among Japanese. Sometimes some kind American friends also tell me that we Japanese are in the process of self-marginalizing. This means that we are putting aside for the mainstream of the foreign policy arena and that if we tack in that direction, China absolutely would come in. So is this okay with us? Is this okay with the United States? Is this okay with Taiwanese friends? Or South Korean friends? Absolutely not. We should get ready. And we should learn how to work with Hillary Clinton as well as a Democratic president and then what we call bipartisan diplomacy. That is something we have to find out in coming months. I don't say in coming years—in coming weeks or months. The time is running out, but we are still very much behind. We are heavily handicapped in this regard. Thank you very much.

DR. BUSH: Thank you very much. I would just note two anomalies in your excellent presentation. Number one is that Chris Hill is working for George W. Bush who is very much a Republican leading a Republican administration. Number two and more seriously, this idea of Republicans being better than Democrats for Japan, is inconsistent with Michael's idea that national interests are the same across administrations. Maybe we can get to that question. Wonhyuk?

WONHYUK LIM: Thank you, Richard. In my talk I will try to provide a broad context of U.S. foreign policy first and then talk about the new administration's Asia policy as much as I understand it and then move on to Korea policy.

As Strobe and Richard said this morning, in many ways Senator Barack Obama's victory in the 2008 presidential election was a watershed and it marked the end of an era in U.S. domestic politics. In the eyes of many, to quote Judith Warner of the New York Times, this was “an era of unbridled deregulation, wealth-enhancing perks for the already well-off, and miserly indifference to the poor and the middle class; of the recasting of greed as goodness, the equation of bellicose provincialism with patriotism, the reframing of bigotry as small-town decency.” Pretty harsh words. New York Times.

And it also meant a return of those who basically dropped out and tuned out after the assassinations of Martin Luther King and Bobby Kennedy in 1968. And the powerful image we remember from the election day is that of Jesse Jackson's face drenched in tears in Chicago, and the election basically gave a reason to hope again for these people and take pride—a justified pride—in the vision of a nation where people are judged not by the color of their skin, but by the content of their character.

Now at this point, a cynic might say how can you justify such pride when you just gave the world's worst job to a black man? But let's just say, the job has a great upside. Now the international significance of the election may be not as great as the domestic ramifications. But still there's an unmistakable sense of goodwill expressed towards the United States after the election and in spite of the challenges posed by the wars in Iraq and Afghanistan and other threats, this changed international environment and this new emotive connection with the United States gives the new administration a chance to have a new start.

And I think Senator Obama knows that very clearly. As Michael mentioned, they have yet to produce—the administration has yet to take office, so we don't have an official policy statement that we can gauge what the administration's Asia policy is going to be by looking at the campaign platform and documents. And let me try and quote at length, because I think it's worthwhile, from the document titled *Strengthening U.S. Relations with Asia* that came out in August 2008, and I quote, “Our narrow focus on preventing the spread of weapons of mass destruction and prosecuting our war on terrorism have earned us some cooperation, but little admiration. The war in Iraq has lost us goodwill among both allies and adversaries and has distracted our attention in policy initiatives from Asia's issues. Our occupation of Iraq has given a strategic advantage to China in the region with as yet uncertain consequences.” End of the quote.

And as the quotation shows, I think President-elect gets it or at least his advisors get it about what's going on in Asia. And Senator Obama believes that the United States needs to strengthen alliances and partnerships and engage more broadly the regional trend toward multilateralism in order to build confidence, maintain regional stability and security, restore U.S. international prestige, and promote trade and good governance in Asia. I think it's critical to note that the emphasis on combining bilateral alliances and multilateral cooperation is clearly stated in this document, and also the idea of promoting trade and good governance. But note that the phrase is “good governance,” not “democracy.” I think that “good governance” is a much more inclusive term and you can have good governance even if you don't have a competitive election. If a government is responsive to the needs of the people and accountable in some ways, through some mechanism, for its actions, it could have good governance. So it's not a repeat of the Bush administration's aggressive democratic peace theory that's restated here, but rather a much more expansive vision of Asia.

And in the same document, Senator Obama says that the United States will reengage with and listen to our Asian friends after years of giving the region short shrift. So the operative word is reengagement and combination between bilateral alliances and multilateralism, and what's added there is also the idea of sustained, direct, and aggressive diplomacy. This phrase comes up when it describes its policy towards North Korea, but it could be applied to other regions as well. And this has implications for the new administration's policy toward the Korean peninsula. In fact, it almost reads as a sort of breath of fresh air to someone like me who has struggled over the past eight years to try to convince the U.S. colleagues that United States national interest is served by reengaging in Asia and placing itself firmly in the region as a stabilizer and participating actively in multilateral institutional initiatives. So in many ways, the new administration's expected policy toward the Korean peninsula seems in line with this idea of a U.S. and Asia approach.

Now one problem we've been having in Korea over the past month or so is the possible difficulty in coordinating policy between the Obama administration and the current Lee Myung-bak government in Korea, because, in many ways, Sunohara-san said

Japan is a Republican country, but the Lee Myung-bak government's preference was obviously toward the Republican administration, and there's a sense that they have to rework its policy to be in line with the new U.S. administration's policy.

The question at hand is what to do with the summit agreements between Kim Dae Jung and Kim Jong Il in 2000, and Roh Moo-hyun and Kim Jong Il in 2007.

Now the Lee Myung-bak government has tried to differentiate itself from the two previous governments by trying to sort of stay silent on these monumental agreements.

But that has had a very negative effect on inter-Korean relations, because, after all, North Korea is a dictatorship, and the documents that the dictator signs carry a lot of weight in North Korea. And basically, North Korea's political system is made up of the dictator and people who are afraid of their own shadows. So to get things done, you do need some summit-level diplomacy, but the Lee Myung-bak government has been very slow to recognize that, and wait it out until things improve.

Now, there's great uncertainty as to how inter-Korean relations will evolve. But, at the same time, I remain cautiously optimistic because the six-party process is in place and also, as I mentioned, much of the Obama administration seems to understand what needs to be done to solve the North Korea problem, that is, to take a phased and reciprocal approach to denuclearize the Korean peninsula as well as to improve bilateral relations with North Korea. Thank you very much.

(Applause)

ERICH SHIH: I'll try to be as brief as I can. Basically, the overall picture of the Obama administration and its policy toward East Asia, Taiwan, and the People's Republic is not going to change that much from before. Just like Strobe has said earlier, it's an element -- an issue of continuity.

And if the current situation between Taiwan and the People's Republic can be described as all "all quiet on the Strait." And why? We start with the United States. First of all, their short-term to mid-term interests vis-à-vis cross-strait relations is peace and stability. And so far, this policy has been working for the past almost 30 years -- five presidents. And nothing really needs changing in terms of this basic approach. So why fix it, when it's not broken?

Secondly, from the U.S. perspective, of course, is the worldwide financial crisis. And it highlights the interdependence and the necessity for the United States to rely on partners, not only the EU countries, but as well as the People's Republic. And, as we know, tomorrow will be another round of SED security and economic dialogue led by Hank Paulson.

On the other hand, China plays a major facilitating role to the U.S. regional and global issues—regional issues like the Six-Party Talks; and the global issues like global warming, energy issues, and the Iran nuclear issue. And if the United States has no incentive to change its policy and from the PRC's perspective, well, it is also in their interest, at least in the short-term to mid-term, not to drastically change in terms of cross-strait issues or Sino-American and Taiwan relations, because it is in their national interests. What they want has been peaceful development, and the core objective for the People's Republic has been and will continue –to be to maintain and achieve a good relationship with the United States.

From Taiwan's position, of course, given that now it's the Ma administration, what he's pursuing or trying to achieve is peace and economic development. At least this is likely to be the gist until the end of Ma's term in 2012. If in the short-term to mid-term the situation is not going to change much, do we have to worry about that? Probably not, because from, again, for the United States, they have their hands full—the world economic crisis, the sub-prime mortgage crisis, and the Iraq and Afghanistan issues. So cross-strait relations or even East Asian policies are not their highest priorities.

And, of course, added to that is the fact that most of the members of Obama's foreign policy team, from Richard to Jeff Bader and to Jim Steinberg, all from the Brookings Institution, they are all known quantities. We know them and we know what they think. It is generally reliable for us to make projections based on what we know about them. And, of course, when the primary focus for the president is not in East Asia, then that is good, because that means the policy will be run by the experts, starting with Richard, with Jeff Bader, Frank Jannuzi or Jim Steinberg. And if it's not run by the President, chances are the policy toward that particular region is not likely to be messed up.

From the PRC's perspective, of course, why are they going to stay the course? The reason is simple: because they want to stay the course of peaceful development. And also judging from not only what they say, but what they do, there's no obvious outside or inside pressure for them to do otherwise, to act erratically or through out of the blue surprises. And especially President Hu Jintao has honored his side of the bargain so far. Taiwan has no reason to rock the boat, simply because, first of all, that's what President Ma believes in. And secondly, frankly speaking, he has no better choice than pursuing this peace and economic development. Of course, he's betting that a peace dividend will materialize in Zhongnanhai. But, of course, it may take a lot longer than he had expected or all of us expected.

If short terms and long-term, the situation is going to be stable and even predictable, that does not mean there are no problems in the long term, because long-term wise, from the mental divergence in national interests, of course, if the United States has pledged that it will take no position on the outcome as long as both sides agree on the final arrangement.

And the United States has stayed true to its one-China policy, the three communiqués and the Taiwan Relations Act. But what if the United States has to deliver on its promises? What if cross-strait relations reach a stage where that sort of unification is possible? How will the United States react? That's the big question.

And from the PRC's position, of course, they want a peaceful relationship with the United States and good relations with Taiwan. But what if reunification takes forever? What if the separatists or the Chinese term the "splittists" are in power after 2012? How would they act? And so, to wrap things up, Cross-Strait relations right now are stable, yet fragile, and there are some major challenges that can be seen at indicators of what lies ahead. Of course, first of all, it is the WHA issue. And also, this test of Ma's diplomatic truce or diplomatic cease-fire. Can that be maintained? And, of course, it's the economic openness to the People's Republic, will that really bring substantial and concrete benefit to the economy of Taiwan? It remains to be seen.

And, of course, even the financial crisis and China's problem in terms of export, and now we've seen the talks about the depreciation of the RMB. One possibility is if China cannot sustain its growth, people suggest about seven percent or eight percent then it will face problems in terms of internal stability. And if that becomes the case, that can be a major contributing factor to destabilizing the region. So, I'll stop here. Thank you.

(Applause)

DR. BUSH: Thank you very much, Erich. Thank you for your confidence in me, even though it's not clear that it's going to be needed. Thank you to all the panelists.

Now we have about 35 minutes for questions. And I would ask anybody who asks a question to ask a short and concise question. As you can tell, all the panelists are very smart, and so you don't need to ask a long question for them to understand what you're getting at.

(Laughter)

And that will ensure that more people get to ask questions. The gentleman over here had a question. Wait for the mike, please. Please identify yourself.

QUESTION: I'm Maurice Marwood, a local businessman in Taiwan. After having lived here for about almost five years, I've struggled to really understand what the U.S. policy is in Asia, and that's what we're all about here.

And I finally boiled it down to what I would define as two words: deliberate ambiguity, and I think the last two hours have reconfirmed that my definition is not too far off. And I would really like to have you enlighten me if you think it's different from that; and a good policy can be stated in one simple sentence if it's well

understood. And if you choose not to do that, then do have a one-sentence statement as to what you think it ought to be going forward? Thank you very much.

(Applause)

MR. SCHIFFER: You know, I'm not sure I can provide you with one sentence statement on what it ought to be going forward I certainly wouldn't be presumptuous to speak on behalf of the new administration and President-elect, considering that I have no connection with the transition process or with the new administration.

There are few things that are more dangerous than people going around, as some are these days, presenting themselves as being able to speak with authority on behalf of the new administration that's not yet come into being.

I think as a general statement of more than one sentence is -- the statements that Senator Obama made during the course of the campaign, including some very basic fact sheets that the campaign issued, present the case for American interests in the interim -- political, economic, security, cultural and virtually every single dimension - - as being absolutely fundamental to America's role in the world and our position in the world to American security and prosperity.

And so, I think it's as simple as that, that there's a fundamental interest in positive engagement by, with, and from the United States in the region and as what I think drives policy and has driven policy across several administrations. And I'm not sure if there really is much complex or opaque than that or Richard has further thoughts?

DR. BUSH: Well, I would sort of take a shot at it sort of more looking back than looking forward, and then I'll come back to the looking forward part.

And I would say that the fundamentals of U.S. policy since the end of the second world war have been to create an environment in East Asia that has a bias towards peace, stability, and prosperity, creating incentives for others in East Asia to work towards those objectives.

Now how we do that can vary depending on which part of East Asia we're talking about, depending on the problem. We sometimes do that better in some circumstances than others. Vietnam is the example of where our desire to promote peace failed miserably. But I think that that's the desire to create that kind of environment in favor of peace, stability, and prosperity is what we've been about for decades, and I think what you are likely to see going forward is going to be very consistent with that.

DR. BUSH: Liu Shih-chung.

QUESTION: Thank you. I have two short questions, one for Frank and one for Erich.

I believe that campaigns tend to be black and white, and governing tends to be gray. So, I totally agree with Frank that it's too early, and also, Richard, it's too early to guess what kind of policy or what kind of new change that a new administration is going to bring in, in the next couple months.

But I do have a question for Frank and based on your observations, because, Erich said that President Obama would be, in terms of his Asian policy, and people like Jim Steinberg or Jeff Bader or even Richard that got recruited, we will be in good hands.

So usually the outcomes, especially of the China policy, the outcome will be kind of a product of inter-governmental conflict. Now we've seen a lot of this, especially in the first Bush administration with the political struggle between the neocons and the moderates, and also this change during the second Bush administration.

So my question is, we don't want to guess, but how do you evaluate the future in terms of the leadership style or the extent to which a different kind of agency, a different kind of a department might have or bear influence on the Secretary of State, and on President Obama?

My second question is for Erich. I understand your description that this notion of since everything is going well, why not (inaudible). But the question is, it seems to me, that President Ma has made a tremendous effort to try to forge peaceful and stabilized cross-Strait relations. But on the other hand, the Chinese also made some concessions in the case of Paraguay, in the case of sending Chen to Taiwan despite the opposition's protests in terms of agreeing to send Lien Chan to APEC on behalf of President Ma.

But it seems to me that the tempo, on each side and also the goal assumed by each side are not very consistent. So they are more and more worried and concerned about what we have in the upcoming WHA from the Taiwan side. And you also mentioned what kind of an impact that might have on President Ma pursuing a diplomatic truce.

So my question is, based on your current residence in Beijing, what's your feeling about the Chinese reaction to President Ma's approach? I mean, I have heard some suggestions from the Chinese counterparts that President Ma might push too hard—like, okay, I made a lot of concessions. Now it's your turn to give some favors to Taiwan.

How do you see the Chinese reaction to that, and how do you see their cost and benefit calculation at this moment? Thank you.

MR. CHING: Well, you know, this question of whether policy should be conducted by the experts or directly by the president, I'm not saying that when George W. Bush first became president -- I thought that it would be better if he allowed the experts

to handle China. But subsequently, I think that he personally handled the China issue very well. And I think this is, in part, because he had visited China in the 1970s, when his father was the head of the U.S. liaison office in Beijing. And after he became president, his first visit to Beijing in 2002, he went to the Great Wall, and he said, "Same wall, different country."

I was quite struck by that, because he was in a position to compare China in 2002 with China in the 1970s. He saw the progress that had been made in China. And I think he found that China was moving in the right direction. He wanted to create conditions under which it would continue to be opened up.

Now I'm a little concerned about Obama's understanding of China. I don't know if he's been to China where he's been to. I gather he has a half-brother who lives in Shenzhen; I don't know if he is providing any input. But I think that certainly he will have the right policy advisors in a government to advise him. But I do have a slight concern in that I don't think he has direct personal experience of China.

DR. BUSH: Erich?

MR. SHIH: Answering your question, I think the overall objective of the Beijing regime toward Taiwan and especially toward President Ma is not going to change that much, because the objective has been set -- we want to pursue a peaceful relationship and economic openness. And it's not going to change simply because what Ma does or what Ma doesn't do, or he pushes one thing too far or the other thing not enough.

But I do sense a profound sense of sadness on how the Chinese, especially given the pushing incident of Zhang Mingqing, and also the treatment of Chen Yunlin. And there was a sense of sadness in terms of they don't understand why the Chinese envoy can or should be treated that way.

And that, interestingly, is linked to their assessment of President Ma. And, of course, one fundamental reason that the Chinese, we all know, is determined to deal with Taiwan the way it is, is because they believe Ma has the ability to govern Taiwan. And he has the ability to bridge the gaps and to reduce the intro frictions to a manageable level.

But right now, not only people in Taiwan, but people in the United States, and the people on the mainland are starting to question Ma's ability to achieve all those goals.

This is an open question, and I'm not passing any judgment here, but this is going to play some role in their tactical considerations. I think, of course, if their feelings were hurt by Chen Yunlin's visit and the Zhang Mingqing incident, it may have some impact in terms of their tactical management of how they approach the issue. And, for example, this time when Lien Chan was sent as a leadership delegate to Peru, it is believed that in Beijing that because of the incidents, President Hu had to spend his own

political capital to make sure that his meeting with former Vice President Lien can happen exclusively.

And, of course, they still have high hopes vis-à-vis President Ma, even though they are kind of feeling that the relationship could have been a lot better if Lien Chan was the head of the cross-Strait delegation.

And I believe the Chinese will even suggest that if Lien Chan is the head of the Strait Exchange Foundation then next time maybe it's not Chen Yunlin who comes to Taiwan; maybe it's going to be Zeng Qinghong, the former Vice President of the People's Republic.

So, many things remain to be seen. But one thing is for sure, given the current ups and downs or more ups and downs, we have to make a bold projection into next May. Regarding the WHA issue, it think it's a foregone conclusion that the Chinese will accommodate Taiwan's participation, but in what form and to what extent, of course, remains to be seen.

QUESTION: My name is Charles Huang, I'm Paul Hsu's colleague. I'll be as succinct as I can. This is to Mr. Schiffer. When we talk about the issues, there are more regional, national interests and all that. I'd like to focus more on sort of broader universal issues, like human rights or slavery issue, poverty issues, disease issues. All these are rampant in all parts of world and in Asia.

My question is that would these universal issues be on the new administration's agenda, and what form or shape would that take? And how would that affect the foreign-policy issues of the current government and the Obama administration vis-à-vis Asian nations. Thank you.

Well, I think the question is for Richard and perhaps Michael as well and anyone who would care to jump in. Thank you.

MR. SCHIFFER: I can give you a simple and short answer: yes, those issues are on the agenda of the administration, and I think they are, as Strobe Talbott indicated when he talked about themes of common humanity and common security. And they're issues that the President-elect and several of his senior advisers have thought deeply about and are deeply committed to. So, yes, they're on the agenda.

In terms of the other aspects of the question you asked, what form will it take and what will it mean in terms of relations in the region, I think it's a little too early to be able to tell exactly how it will play out. But clearly it's -- I think it will be part of the agenda. It's an important part of the agenda for the new administration.

DR. BUSH: I would just add that my colleague, Susan Rice, who's been named to be U.S. Ambassador to the United Nations, focused at her time at Brookings before she joined Senator Obama's campaign team on the way in which the problems that

you cite, which are domestic problems, can become the source of international conflict; and on the need to address this and mitigate those as a way of reducing the chances of international conflict and reducing international tensions.

So she certainly is very focused on that, and I think she was the source of the ideas of common humanity and common security in Senator Obama's campaign.

Let's see. I want to move the questions around. Sook-Jong?

QUESTION: My name is Sook-Jong Lee from Korea. I am a former CNAPS Visiting Fellow. Ever since Mr. Obama talked about tough and direct talks with North Korea, big questions arose in the two Koreas. And after Hillary Clinton is nominated as the future Secretary of State, the questions got bigger. Obviously, North Korea is expecting there will be more direct talks and negotiation with the USA maybe early next year, and then they began to press South Korea by cutting and closing down Kaesong and cutting the number of workers in Kaesong Industrial Complex. And it's a very expected tactic of North Korea, trying to bypass and isolate South Korea, that there was a strong signal from USA.

And for South Korea, these former Clinton administration North Korea hands are going to be participate in the next administration, and the South Korean government is worried that the new American government is going to take the driver's seat in dealing with North Korea.

Obviously, the position of our government is that, okay, as long as the USA can bring some breakthrough in order to settle North Korea's nuclear issue permanently, we welcome that kind of move. At the same time, I think our government wants very close consultation with new government and wants to hold our seat as a driver, rather than being a passenger or sitting in the backseat.

So I guess the new government has to satisfy these different expectations from the two Koreas in the Korean peninsula. So far, many American officials have been saying, be patient, we are very slow, and there will be a continuation of the Six-Party Talks.

But I guess you better hurry up, because North Korea is trying to distract the new government by imposing more drastic actions and new governments sometimes tend to, you know, just following the suit of the past government. So I would like to hear some more peaceful approach to deal with the North Korea nuclear issue maybe from Richard and from Michael. Thank you.

DR. BUSH: I guess the one thing that I can say is that when President Lee Myung-bak was in Washington, DC for a special set of circumstances, I was in some meetings that he had. He was in Washington, D.C. for the G20 meetings, but there were other meetings related to the U.S.-ROK relationship. And the theme of those meetings was the importance of close consultation and coordination between our two countries.

And I think that would be taken very seriously. I think there's an understanding of the trends going on in inter-Korean relations and the possible motivations behind it.

And that's all I think that should be said. But, you know, I think if people are sort of realistic and not naïve about what's going on.

QUESTION: Thank you, Tomohiko Taniguchi, former CNAPS fellow. Mine is a very much simple yes or no question. Do you detect in Washington, DC among its policy circles an awareness, growing awareness, that you'd better be prepared for the ultimate collapse of Kim Jong Il's regime?

DR. BUSH: Yes.

(Laughter.)

QUESTION: My name is James Saffron from the Chinese Council of Advanced Studies in Taiwan. My question is that, as we know, Vice President Cheney played a very important role in formulating U.S. policy in the Bush administration.

My question is whether Vice President-elect Joseph Biden is an expert on foreign policy, and what role is he going to play in formulating the U.S. policy, especially East Asia policies. Thank you.

MR. SCHIFFER: I mean, I think the simple reality is that just as before Vice President Cheney became Vice President, there was not appreciation of the extent and degree of role he was going to play, there's not appreciation of the extent and sort of role that a Vice President Biden is going to play in the Obama administration, either. I think that is largely due to the simple fact that all of those issues are still being worked out and are still being discussed amongst the principal players.

I mean, there are two statements that have been made that I can point you to. One is that, you know, there is an acknowledgment that Senator Biden has some unique attributes and competencies that he can bring to the table in dealing with a whole range of foreign-policy and national security issues and that it would be counterproductive for any President or any administration not to want to seek to tap into that expertise and make sure that Senator Biden, as Vice President, is fully involved in the foreign-policy decision-making process of the administration.

On the other hand, there have also been statements to the effect that there is an appreciation that some of the ways in which Vice President Cheney has acted over the past eight years might charitably be described as—my personal opinion—as extra-Constitutional. And those are not exactly precedents and modes of action that an Obama administration, I imagine, will want to see pursued.

And so I think it will be a very interesting balancing act and very interesting question as to how they structure an appropriate role for Senator Biden, given

his expertise and given the tremendous assets that he brings to the table, but doing it in a way that properly reflects the role that the Vice President is supposed to play in our system.

DR. BUSH: I would only say that in recent history there are examples of a constructive role for the Vice President that fall between the role that Vice President Cheney has played and doing nothing at all. I point to Vice President Gore, Vice President George Herbert Walker Bush, Vice President Mondale. And as Michael says, this is an issue that has not yet been worked out. The outcome will be the result of a conversation between President-elect Obama and Vice President-elect Biden. And they'll work on a relationship that they're both comfortable with.

Hiro?

QUESTION: I'm Hiro Matsumura, a former CNAPS Japan fellow. My question goes to Mr. Sunohara and Mr. Lim. Mr. Sunohara, you characterized Japan as a "red state." And, Mr. Lim, you characterized South Korea and the current government as pretty much Republican.

Well, as far as Japan goes, maybe Sunohara-san and myself and other two Japanese representatives maybe (inaudible) in Japan, specifically Japan. You tried to explain with this simile with an anecdotal episode and also the interpersonal relations. I buy that. But don't you think are other structural factors Japan should consider.

Strobe Talbott described that maybe Obama explored pragmatic multilateralism. But in the end, Japan has faced a democratic government, which tried to pursue multilateralism but happened to end in disaster or dysfunction.

And on the other hand, Republicans, except one like Bush which appealed to the very idealistic and on pragmatic unilateralism, most of the time Republicans tried to focus on management of alliances through the hub and spokes system. And then we have a reasonable level of stability in the bilateral alliance relationships.

So that's my hypothesis. But don't you see that any more long-term structural factors why Japan gets constrained to be a seemingly Republican state. And a similar question goes to Mr. Lim. Thank you.

MR. SUNOHARA: One of my best friends in Washington, Kurt Campbell, who is now working for President-elect Obama, he used to say U.S.-Japan relationship is sort of V-shaped. The bottom line, on the working level, it's very close. At the top level, presidential level, Prime Minister level it very much needs more.

But when Bush came in and our former Prime Minister Koizumi came in his office, all of a sudden this relationship reversed. And he said a couple years ago, he's wondering whether this relationship will reverse again after the departure of Mr. Bush

from the White House and after Mr. Koizumi from the Prime Minister position. Actually, after the departure of Mr. Koizumi, it became back this way.

And why? What happened? I mean, because of the good relationship at the highest level between Bush and Koizumi we forgot to maintain, a key high quality of this working relationship between Washington and Tokyo.

And as a consequence of this, what we call the “hollow alliance” all of a sudden appeared in front of us. And, it’s very rare administration, as I pointed out, that your working level as I pointed out, but then-Assistant Secretary of Defense Richard Armitage or his aide Jim Kelly or Torkel Patterson, they all are communicating well with their Japanese counterparts— as are former Ambassador from Japan to Washington Kato Ryozo and former high-ranking officials at MOFA.

But they’re gone. Richard Armitage left his office, and pupil Mike Green left his office. And what happened to us is kind of again a vacuum in the alliance. And so, your question is what, you know, actually pushed this direction of Japan as a Republican country or a “red state” as you call it.

I mean, I think because this very high-quality working relationship pushed us into that direction that in the hope again that when we have a good friendly Republican in control of the White House, it’s okay about U.S.-Japan.

But again, this good working-level relationship is gone now, and we should start again to reestablish the good working-level relationship, not only with Republicans but also the Democrats. And that's what I believe.

DR. BUSH: But to follow up, if there is not a convergence of strategic interests, does it help that much to have friends in both parties?

MR. SUNOHARA: Yeah. I think so. Everybody actually shares my view that we do have common interests: peace and prosperity and stability in this region. And I believe that this common sense is shared by not only Japanese but with Chinese and Taiwanese friends and South Korean friends and Americans. And in this regard, we do believe that we should pursue again what I call bipartisan foreign policy toward the United States, no matter who is in the White House.

But here, again, maybe our Taiwanese friend can share some of my sentiment. In Asia, we do have some special feelings based upon our long-time tradition and history and religion, which I believe we can’t share with some Western people.

And even President Bush and our former Prime Minister Koizumi did say this U.S.-Japan alliance is a value-sharing alliance. I don’t think so. I do believe that this alliance is an interest-sharing alliance. And in this direction, we should go forward.

But too much emphasizing on the value aspects, actually the majority of the Japanese just dislike that. When I give a lecture to the younger students at Waseda University or Rikkyo University, I ask my more than 200 students, do you believe we share some values with the United States? Just 10 out of 200 raised their hands. And this is reality. This is what I'm talking about to my American friends. Okay. We should empathize on interest aspects, and this is what I believe.

DR. BUSH: Wonhyuk?

DR. LIM: I don't think the Republican preference is as deeply engrained in Korea as in Japan. In fact, Syngman Rhee, the first president, had his issues with Eisenhower, who was a Republican president. Park Chung-hee had a very good working relationship with Lyndon Johnson, a Democratic president.

These facts are perhaps not well known outside Korea, and what tends to be emphasized is the tumultuous relationship between Park Chung-hee and Jimmy Carter, and Kim Dae Jung and George W. Bush. But if you actually look at the past 30 years or so, Roh Tae-woo who had a very good working relationship with Bush 41, and Kim Dae Jung had a very good relationship with Clinton, as well as Obuchi and Zhu Rongji.

And I think what drives Korea's relationship with other countries is more interests rather than values. And even after Senator Obama's election, President Lee went out of his way to emphasize the similarities they share. They tend to be both pragmatic and also they tend to also seek change in the two countries.

And, as far as the North Korea policy is concerned, Senator Obama made a floor statement back in February of this year where he said the U.S.- South Korea relationship has been "adrift" in recent years: "At the heart of it has been our respective approaches to North Korea. The Bush administration has been divided within itself on how to deal with Pyongyang, branding it a member of the Axis of Evil and refusing bilateral discussions with it before substantively reversing course. This unsteady approach not only has allowed North Korea to expand its nuclear arsenal, as it has resumed reprocessing of plutonium and tested a nuclear device."

So, I think he understands the context of the North Korea nuclear problem that has been going on for more than 20 years, and I think he will take a phased and reciprocal approach.

Now on the South Korean side, I talked about President Lee's desire to differentiate himself from Kim Dae Jung and Roh Moo-hyun initially, but there was this problem of what to do with the June 15th agreement and the October 4th agreement. And the whole relation he eventually found was to place them within a series of inter-Korean agreements, like the July 4th agreement in 1972 to Korean Basic Agreement in 1991.

And in a speech in front of the National Assembly in the summer, President Lee basically said we are going to uphold these agreements and work with

North Korea to work out the details in implementing these agreements. That actually happened on the day a tourist was killed in the Mt. Kungang area by North Korean soldiers, and the subsequent public backlash pretty much killed the speech. But what is interesting about the speech itself was that President Lee had apparently been briefed of the killing prior to the speech, but still went ahead with it. So that tells something about the president's natural instincts regarding North Korea policy.

DR. BUSH: Thank you very much. I'd like to thank each of the panelists for doing an outstanding job. I'd like to thank all of you for your outstanding questions. I wish we could go on some more, but we have to bring the session to a close. And we will reconvene at 1:15 p.m. for Vice President Siew. Thank you very much. We'll see you in an hour.

(Applause.)

THE BROOKINGS INSTITUTION
CENTER FOR NORTHEAST ASIAN POLICY STUDIES

and

THE EPOCH FOUNDATION

**CROSS-STRAIT ECONOMIC AND POLITICAL
RELATIONS AND THE
NEXT AMERICAN ADMINISTRATION**

KEYNOTE ADDRESS

H.E. VINCENT SIEW
VICE PRESIDENT, REPUBLIC OF CHINA

*Wednesday, December 3, 2008
Far Eastern Plaza Hotel
Taipei, Republic of China (Taiwan)*

Transcript prepared from an audio recording.

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

PROCEEDINGS

ANNOUNCER: Ladies and gentlemen, let's welcome Vice President Siew of the Republic of China.

(Applause.)

RICHARD BUSH: Ladies and gentlemen, it is my great honor to introduce Vice President Siew. It is our great honor to have him speak to us today. I think that having me do an introduction to him is a good definition of the word "superfluous," because Vice President Siew actually needs no introduction. He's very well-known in Taiwan. He's your Vice President, after all.

His full career has been one of service to his country in a variety of ways. He is a good friend of the United States. It is our great privilege to have him speak to us today on the topic of improving cross-Strait relations for regional peace and prosperity. I can't think of a better topic on which to learn from the Vice President.

Vice President Siew.

(Applause.)

VICE PRESIDENT SIEW: Thank you. Thank you, Dr. Richard Bush. And distinguished guests, ladies and gentlemen, please continue to enjoy your dessert. Well, I'm very pleased to take part in this conference to talk about how our government is working and aiming to improve cross-Strait relations for regional peace and prosperity.

It is most heartening to see so many familiar faces from the United States here today. We welcome you to Taipei again.

Your presence firmly underlines the enduring importance of friendship between our two countries. This conference has an important role to play in helping our governments better understand the challenges and opportunities opening up in this region. Your participation and contribution here will undoubtedly bring great value to this process.

I am grateful to the Epoch Foundation and the Brookings Institution for organizing this event so well and with such an impressive lineup of participants.

For the United States, Taiwan, and mainland China, cross-Strait relations have always presented complex issues that are not amenable to easy solutions. That is especially so where cross-Strait relations touch on international strategic and economic interests, as well as questions of national sovereignty.

On Taiwan's part, a responsible government's handling of cross-Strait relations not only must meet its responsibilities of the day to the electorate, but also must take long-term responsibility to history.

For example, for Taiwan, cross-Strait relations concerns strategic issues of our long-term economic development and are also bound up with our national security and identity.

And, of course, as a member of the Asia-Pacific and international community, Taiwan must also consider the effects of cross-Strait relations on regional peace and stability.

Hence, the three main axes of our approach for cross-Strait relations are, first, to seek out an economic strategy that best serves and favors Taiwan; second, to formally safeguard Taiwan's security and identity; and, thirdly, to enhance regional peace and stability.

During our campaign for the presidential election in March of this year, President Ma and I put forward a cross-Strait policy agenda by promoting Cross-Strait reconciliation and exchanges on the basis of the 1992 Consensus and in particular for strengthening cross-Strait economic cooperation. It expressly included opening direct transfer and expediting the admission of mainland tourists to Taiwan and relaxing restrictions on investment between the two sides of the Strait.

This agenda received the support of Taiwan's electorate, and enabled the KMT to regain the reins of government. It is fair to say this election represented the Taiwanese people's choice of the future direction of cross-Strait relations. The people made their choice, and gave their mandates to the policies that our government is now carrying out.

In April of this year, before my inauguration as vice president, I attended the Bo'ao Forum on Hainan island, where I met with Mr. Hu Jintao on April 12. During my discussion with Mr. Hu, I propose that the two sides of the Strait should talk with each other on the basis of present reality, piloting a new future, shelving disputes, and pursuing a win-win scenario.

I also made four specific proposals of implementing direct cross-Strait transfer, allowing mainland tourists to visit Taiwan, normalizing our economic and trade relations, and restoring the SEF and ARATS negotiating mechanism as quickly as possible. All these proposals drew a very positive response from Mr. Hu Jintao. My discussion with Mr. Hu was extremely candid, friendly, and harmonious. And the consensus of concrete issues.

It was the most positive cross-Strait dialogue in many years, and demonstrated that the two sides of the Strait were entering a new era of concerted

dialogue and problem solution. Our meeting bore weighty historical significance, and it was greeted warmly by the U.S. government.

In his inaugural address on May 20, President Ma stressed that this administration would strive to maintain the status quo in the Taiwan Strait in accordance with the Taiwan people's mainstream wish of no unification, no independence, and no use of force, and under the framework of the Republic of China's constitution.

At the same time, he pledged that he would seek the earliest possible restoration of cross-Strait talks on the basis of the 1992 Consensus. He also reiterated that my Bo'ao proposal to Mr. Hu of present reality, piloting a new future, shelving disputes, and pursuing a win-win scenario would constitute the guiding principle of cross-Strait contacts.

Since Mr. Ma took office as the president in May, his administration has steadily pursued the improvement of the cross-Strait relations in compliance with the basic principles as described. Already much highly encouraging progress has been achieved with cross-Strait talks restored to full activities and apparent (inaudible) of cross-Strait agreements concluded.

This June the SEF Chairman, Chiang Pin-kung, visited mainland China to hold talks in Beijing with his counterpart, ARATS Chairman Chen Yunlin. This was the first formal meeting between the heads of the SEF and the ARATS since 1992 and ended a 10-year gap in meeting since the former SEF and ARATS chairmen Koo Chen-fu and Wang Daohan last met informally in the mainland in 1998.

This first round of revived talks culminated successfully in the signing of two agreements on cross-Strait weekend charter flights and allowing mainland tourists to visit Taiwan. These talks marked a significant step forward in cross-Strait dialogue with the establishment of an institutionalized mechanism for the routine contact of cross-Strait talks on concrete agenda issues.

A month ago, on November 3rd, Mr. Chen Yunlin led a delegation to Taiwan for the second round of Chiang-Chen talks. This also was the highest level visit to Taiwan of official business by a representative of the Beijing authorities and marked a major address toward normal discourse between the two sides of the Strait.

During this visit, the SEF and the ARATS signed four agreements of air transport, sea transport, postal services, and food safety. These agreements will all be beneficial to the development of Taiwan's economy and the interests of the Taiwan people.

The latest public opinion poll conducted by the Mainland Affairs Council shows that nearly 80 percent of the people in Taiwan feel satisfied with the signing of these four agreements. And more than 60 percent consider that this concrete result will have a positive effect on Taiwan's economic development.

On the basis of November talks, the SEF and ARATS will next address such issues as joint crime fighting, expanding cooperation on food safety, and strengthening epidemic prevention and control. After that, they will move on step by step with the discussion of methods concerning cross-Strait financial transactions, the signing of an agreement for protecting Taiwanese investment in the mainland and so on.

I trust it is clear for all to see that Taiwan is pursuing cross-Strait talks in a sound and steady manner, starting off with the most pressing issues concerning our economic and social interests and our people's livelihood. I believe this approach is most practical and aligned with Taiwan's interests.

Needless to say, at the same time, when we pursue cross-Strait talks on technical and operational issues, we also hope to avoid any further heightening of cross-Strait political and military tensions.

When Mr. Ma, President Ma, met with Mr. Chen Yunlin, he made a point of remarking that although the two sides of the Strait had different views on Taiwan's security and international space, he hoped both could actively embrace and expand cooperation on the basis of (inaudible) geography, mutual non-denial, creating benefit for the people, and assuring cross-Strait peace.

Taiwan, for its part, has already made adjustments to its diplomatic and foreign and national defense policies. We have opened, for example, from the past emphasis of economic aid as the main means of value with Beijing to cull international allies. We hope instead that the two sides can coexist peacefully and cooperate with each other in the international realm.

In our national defense policy, we are placing stress primarily on defense capabilities. However, we do still need to maintain the requisite military strength to protect Taiwan's security and identity. Hence, we will continue to purchase essential advanced weaponry from abroad. We do not cringe from war, but in preparing for war, our ultimate goal is the prevention of war.

On the whole, cross-Strait relations are today markedly better than they were during the past eight years. However, there are still many impediments that the two sides need to find solutions to, and for which we also need support from the United States and the international community.

Within Taiwan, it cannot be denied that there is still a substantial proportion of people who remain suspicious of mainland China, and also, therefore, have different opinions on the speed of advancement in cross-Strait relations.

Mr. Chen Yunlin's visit to Taiwan triggered large-scale protests from the opposition parties and members of the general public. Even though public opinion polls show a high level of public support for the six cross-Strait agreements and even though

the issues discussed at the talks were all of a technical, operational, and economic nature, it's still clearly impossible to dispel some people's misgivings to toward mainland China.

Taiwan is a democratic society. In implementing Cross-Strait policy, we will assuredly respect the will of the people and agreements between the two sides of the Strait will be submitted to the Legislative Yuan for review and ratification.

However, even though the ruling party commands a decisive majority in the national legislature, in dealing with issues such as cross-Strait relations that concern Taiwan's long-term development, we still need to strive for a higher consensus of Taiwanese public opinion.

Analysis of misgivings among Taiwan's people concerning cross-Strait relations reveals that such misgivings stem mainly from two causes. In the first place, the public originally had high hopes for the loosening of mainland China, but when they found that the charter flights opening to mainland tourists and the export of agricultural products to the mainland did not bring highly conspicuous benefits, their attitude toward cross-Strait opening took a negative turn.

Our government's policy of cross-Strait opening has the aim of normalizing economic and trade ties between the two sides. With cross-Strait kept abnormally closed off for so long, it is hard to expect our opening policy to produce immediate effects. Moreover, once our economic and trade ties have been normalized, market mechanisms and other forces will also come into play in increasing the development of cross-Strait economic activities. After market and investment opportunities have been opened up, private enterprise will need to seize business opportunities under the market mechanism.

The other more profound main concern of public misgivings toward mainland China is the Taiwanese people's discovery that Beijing has yet to make any concrete display of goodwill toward Taiwan in respect of its threat of armed force against us or its confinement of our international space.

The people can see that Beijing has 1,400 missiles still targeted at Taiwan, and that Beijing has still not made any concessions on Taiwan's wish to participate in the WHA and Asia-Pacific regional integration.

As I see it, only if we solve the latter problem, will we be able to establish a high level of consensus on cross-Strait relations and put in place the essential pillars for long-term mutual trust and peace across the Taiwan Strait.

And to solve this problem, it will not be enough for us just to rely on efforts by the two sides ourselves. But we also need to obtain support from the international community, including the United States.

Taiwan's cross-Strait policy is set in consideration of the whole of our external relations. We understand that if Taiwan wants to have international, economic, and political space, we must maintain conciliatory cross-Strait relations. And a peaceful and stable cross-Strait relationship is also beneficial to the main countries of the East Asia Pacific as well as to global stability.

We further believe that to be a responsible participant in international affairs, we not only must view a peaceful cross-Strait relationship, but also must participate actively in international organizations.

We believe that Taiwan can use its national power to make a greater contribution to the international community. We also believe that Taiwan's participation in the international community will benefit the main countries of the Asia-Pacific, including the United States.

Cross-Strait relations serve as an important link of Taiwan's connection with the world at large, but cross-Strait reconciliation cannot supersede Taiwan's claims to participate in international affairs.

Taiwan's enhancement of its ties with the United States, Japan, Europe, and the main countries of Southeast Asia will have a positive effect on East Asia regional stability. We hope that every country can support Taiwan's participation in the international community, especially participation in such functional international bodies as the WHA.

Given the extent of Taiwan's economic contribution to the global economy, it seems there is no reason to exclude Taiwan from ASEAN's expanding into East Asian regional integration, we hope other countries will also support Taiwan's participation in that integration process.

It is in the interests of the whole world for peace to prevail in the Taiwan Strait. For the sake of preserving the peace, we hope all possible nations can assist us in persuading Beijing to reduce its military threat against Taiwan.

This year's presidential election in the U.S. creates a historical milestone, with Mr. Obama elected to serve as the first African-American leader of the world's richest and most powerful nation. This serves as a great inspiration for all the rest of the world and for establishing the core American values of democracy, liberty, and equality as universal values.

We also look to America's new administration to bring the spirit of democracy, liberty, and equality to bear in its handling of U.S.-Taiwan relations and to help us safeguard the long-term survival of these important values here on Taiwan.

In dealing with international political issues and countering the current financial storm, the United States needs cooperation from key international actors, including mainland China. At such a testing time as this, American strategic interests will be best served by stability and peace in cross-Strait relations.

The improvement of cross-Strait economic and trade relations also matches America's commercial interests, helping the U.S. and Taiwan further strengthen our business collaboration. We hope that the recent positive developments here can help us push forward progress toward a U.S.-Taiwan free trade agreement, among other important economic operation issues.

Our hope is that in the balanced, stable, and peaceful Asia-Pacific environment, the triangle relationship between the U.S., Taiwan, and mainland China can build up from economic cooperation to enhance mutual understanding, reduce mutual conflict of values, and construct a more stable political relationship. If the three sides work together in creating common benefits, it will surely bolster peace and stability and prosperity in the Asia-Pacific region.

Of course, let me once again thank the organizers and everyone who has come to take part in this conference. I wish these proceedings every success and wish you all the best of health. Thank you very much.

(Applause.)

DR. BUSH: Well, we have time for two questions. Thank you, first of all, for that very comprehensive speech. And thank you for taking two questions.

Sasha Lukin, a question from Russia?

QUESTION: Okay. Mr. Vice President, I'm not an expert on Cross-Strait relations, so please excuse my ignorance. As far as I know, according to the 1992 consensus, both sides accepted that Taiwan and mainland China are parts of one country. So could you explain which country is this?

(Laughter.)

QUESTION: Is it the Republic of China or possibly another country?

VICE PRESIDENT SIEW: Our interpretation of the 1992 Consensus is that we are as one China, but this China has been separated. On the mainland it's called the People's Republic of China. On Taiwan we are the Republic of China. That's all.

(Laughter and applause.)

DR. BUSH: We have a Taiwan question, okay Zhu Wenhui.

QUESTION: Zhu Wenhui from Phoenix TV. Actually, I will conduct research on how to improve a Hong Kong-Taiwan economic cooperation mechanism.

Also I was invited to deliver a speech the week after this in Shanghai about ways in the future the cross-Strait economic cooperation mechanism. As you remember, several years ago you raised a proposal on a cross-Strait common market. How do you see this happening in the future?

VICE PRESIDENT SIEW: Thank you. My proposal of creating a so-called developing of both sides of the Strait to form a common market concept is a long-term initiative. It's a long-term package. It is a vision, a proposal that certainly cannot be realized in the immediate near future. But my idea is that, first of all, that both sides would normalize the so-called trade and economic relations.

When I talk about normalizing, it's that we have to take away all these barriers areas and impediments to two-way trade relations and economic relations. When these kind of barriers can be removed and the relation is back to the normal condition, then the next step is that we have to sit down and talk how we can sign a kind of similar to FTA agreement; so it's a bilateral economic cooperation framework.

China has already had that with Hong Kong under the name of CEPA. But certainly, we are different from Hong Kong, so we have to sit down and talk and see what kind of name we can use to have this kind of similar to FTA arrangement. And after that, then we can go further to see whether we can have a kind of a customs unit, something like that.

Then in the last, we can go to the so-called common market application. So this is my timetable or my thinking. But it takes a long time. But at least we have a vision there that it will be easier for both sides to work toward that direction. Thank you.

(Applause.)

DR. BUSH: Mr. Vice President, thank you again for honoring us with your presence here today, for your remarks, and for your personal contribution to the improvement in cross-Strait relations.

(Applause.)

THE BROOKINGS INSTITUTION
CENTER FOR NORTHEAST ASIAN POLICY STUDIES

and

THE EPOCH FOUNDATION

**CROSS-STRAIT ECONOMIC AND POLITICAL
RELATIONS AND THE
NEXT AMERICAN ADMINISTRATION**

PANEL TWO

CROSS-STRAIT RELATIONS SIX MONTHS INTO
THE MA ADMINISTRATION

*Wednesday, December 3, 2008
Far Eastern Plaza Hotel
Taipei, Republic of China (Taiwan)*

Transcript prepared from an audio recording.

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

PROCEEDINGS

LIU FU-KUO: Good afternoon. The afternoon session will start from here. Perhaps I should introduce myself first. My name is Liu Fu-Kuo, I'm currently a Research Fellow at the Institute of International Relations, National Chengchi University.

We are so happy to be part of this very important event here. I welcome you, and once again I would like to thank our dear friend Paul Hsu, and I'd also like to take this opportunity to thank Richard for the cooperation in the past few months as we worked closely together. And I'm so happy that today the program is very solid, and it keeps everybody right on time and also touching upon very important and sensitive policy issues.

In the second session this afternoon what we are going to talk is really the central issue of this conference, cross-Strait relations. And we have learned that this development has taken place so fast, as Vice President Siew just highlighted, in the past six months. And what we are going to do with this particular session is to speak and perhaps to give a little bit of evaluation about how exactly the President Ma Ying-jeou administration has done so far.

We will have an American perspective. We will also have a Hong Kong perspective, perhaps related to China's perspective. And also we have a Japanese perspective. But we are sorry that we originally proposed to have a Chinese perspective, but at this point of time it happens that the speakers from China cannot be with us. So today, our speaker is representing not just a Hong Kong perspective but also a China perspective.

So it is really fruitful, and I hope that right after this fruitful lunch, and you will have the time to catch up with the fast-moving issues we will be pursuing in the next few minutes time. But just looking back six months, Vice President Vince Siew has given us a very good beginning for this session, and I hope that later on we will follow through the order, and myself, I will also speak representing the Taiwan perspective.

I hope that the time will be limited to about 10 minutes for each one of the speakers so that we will have more time for discussion and also engagement from the floor. Richard?

RICHARD BUSH: I'm going to speak from up here. Let me emphasize at the beginning that what I'm about to offer are my own personal views. They really are. I'm speaking only for myself, a humble scholar. This may be difficult for some of you to believe, but it's the truth.

At the outset, I think it's important to identify the nature of the problem that existed between Taiwan and the PRC before Ma Ying-jeou took office. This is complicated, and there are many contending views about this, but, in my opinion, the core of the problem was that despite the reality of economic cooperation between the two

sides and the objective potential for even more cooperation, the leaders on each side believed increasingly that the other side threatened its fundamental interests.

What was important was the belief, whether the belief was true or not. And once each side chose to fear the other's intentions, it then adopted policies based on those fears rather than on hope.

Now, specifically, China feared that Taiwan's leaders were going to take some action that would have the effect of frustrating their goal of unification, and permanently separating Taiwan from China. So Beijing intensified this diplomatic quarantine against Taiwan and continued increasing its military power in order to deter a separation. And it did that latter through the military modernization with a seriousness that was unprecedented.

Taiwan feared that if China continues its military power and diplomatic clout to intimidate it into submission to the point that it would have to give up what it claims to be its sovereign territory. Taiwan's deepening fears led it to strengthen and assert its sense of sovereignty.

China, in a frequent misreading of what was going on, and saw Taiwan's assertions of sovereignty as pushing toward de jure independence. So it even further increased its military power and diplomatic quarantine, and so on and so on.

To complicate matters, some Taiwan leader saw a domestic political advantage in waving the sovereignty flag. You know all about that, so I won't say anything more.

Now the United States came to play a special role in this deteriorating situation. Rather different from what observers in China and Taiwan believe, Washington's main goal, I believe, has always been the preservation of peace and stability in the Taiwan Strait. And the principal danger, as we saw it over the last 10 or 15 years, was that the two sides might inadvertently slip into a conflict through accidental miscalculations. And so the U.S. response was to pursue an approach of dual deterrence or encouraging dual restraint on Beijing and Taipei in order to keep low the possibility of accidental conflict.

So the recent history of cross-Strait relations was a vicious circle of mutual fear. The election of Ma Ying-jeou offered the possibility of a reversal of the vicious circle because he proposed a different approach to addressing Taiwan's China dilemma. In particular, he argued that the best way to ensure Taiwan's prosperity, security, and dignity was to reassure China and to engage China. And, of course, Ma and the KMT were responding to proposals of moderation from Hu Jintao.

Now we all the results of the interaction between the two sides since Ma's inauguration. Vice President Siew has gone over them: the use of the 1992 Consensus,

resumption of semi-official dialogue, signing of six agreements, some good signs on the international front, and the visit of Chen Yunlin last month.

But we know that these achievements are the easy things and that the difficult issues are yet to come. We know that not everyone on Taiwan is happy with these developments.

I'm not going to talk about the details of all of this, but focus more on the broader dynamics of the process underway. And I want to make several points.

First of all, in my opinion, my two adversaries seek to back away from a situation of mutual fear and mutual mistrust, such as we've had in cross-Strait relations. When they want to seek the benefits of cooperation, it's risky to try and do it all at once. There is a natural anxiety that if one makes too big a concession or too many concessions or the wrong concession that the other side will exploit my goodwill and ask for more.

So if the current process is to succeed, it will occur not through some grand bargain, but as the result of a gradual, step-by-step process where Side A's small initiatives do not entail substantial risk, and Side B's small positive response encourages Side A to make even more positive initiatives. In the process, one hopes the two sides will build mutual trust and reduce mutual fear.

Now it seems clear that Beijing and Taipei have embarked on a step-by-step process. It's not so clear that mutual trust is being built, simply because that's hard to gauge in its early days. But one certainly hopes so.

Second, in undertaking an incremental trust building process, it's natural that the two adversaries would begin with the easy issues and work to the hard ones. And, in some respects, it's those easy issues on which the gains of confidence building are most likely. It's there that the risk of problems occurring are smaller and more manageable.

Problems can occur, to be sure. The sovereignty issue, which is the core issue here, can pop up, and Taiwan must be careful to handle the sovereignty issue or set it aside in a way that does not hurt its long-term interest. But that's far better than raising peak issues first than risking the whole process of doing so.

Sooner or later, however, the hard issues must be faced. And I believe, consistent with what the vice president said, that progress on economic issues is not enough to reduce the Taiwan people's fear and bring about significant change in their attitude towards the PRC. That is, because Beijing's diplomatic quarantine and military buildup or what created Taiwan's fears in the first place, Beijing must address it sooner or later.

So if Beijing wishes to win the trust of Taiwan's leaders and Taiwan's people, it is in those areas that it will have to act. But it is in these fields that it can also make significant gains.

Beijing's reluctance to make concessions in these areas appears to have two sources. On the one hand, there seems to be some substantive problems. So far on international space, the PRC has taken a very restrictive approach. For example, when Taiwan took a moderate "meaningful participation" approach to the U.N. this fall, the response from the PRC was that, "taking part in the activities of especially U.N. organizations violates China's sovereignty and territorial integrity and interferes in China's internal affairs."

On security, the PLA seems to believe that the best way to deal with Taiwan is to place its people in a situation of permanent insecurity. Now I sincerely hope that Beijing will change its mind on the substantive concerns and, for example, show flexibility on the WHO and find ways to reduce the Taiwan people's sense of insecurity.

But there seems to be another obstacle. Beijing also appears to suffer from an overhang of mistrust. On international space, it appears that if it makes concessions to a Kuomintang administration on observership in the WHO or WHA, for example, a DPP administration will later come to power and use that status as a steppingstone to membership. Similarly, on security, the PLA seems to think that Taiwan independence remains a serious threat, and, as one PLA leader said, "the mission of opposing and curbing secessionist activities remains strenuous."

I believe these fears are exaggerated, but Beijing won't lower its guard because I say it.

This PRC concern about the future of Taiwan politics relates to my third point; that is, obviously, the approaches that Ma Ying-jeou and Hu Jintao have undertaken, and any arrangements negotiated pursuant to those approaches, must have political support. That's obvious in democratic Taiwan, but it's also true in the PRC.

Because this is, by necessity, an incremental process, support must be built incrementally, and it must be sustained as the process goes forward. That requires those who negotiate the agreements to explain clearly why they are valuable and why crucial interests are not being sacrificed in the process.

It also requires those who oppose them to provide clear and convincing critiques. These issues are too important for them not to be addressed seriously.

There is an irony here. If the PRC is too grudging in what it offers a Kuomintang administration, particularly on international space, it will undercut President Ma's argument that the best way to ensure Taiwan's prosperity, security, and dignity was to reassure and engage China. If Beijing is too grudging in what it offers the Kuomintang administration, that administration will lose public support.

Finally, I think that it's not enough that the two sides approach their task incrementally, move from easy issues to hard ones, and do so seriously to cope with problems of domestic support. This process will be more likely to succeed if Beijing and Taipei agree at least informally on what the goal is. Having an objective gives the two sides focus and a sense of purpose. It gives you a way of evaluating the progress.

It seems clear that the goal is not unification—President Ma has made that clear—and there are good reasons for that.

It appears that the two sides have identified another goal worth striving for. The term that Beijing uses most often is “peaceful development” and the mainland people sometimes talk about creating a framework for peaceful development, and there are various terms on the Taiwan side of a similar sort.

My own personal term for this goal is “stabilization.” By that, I mean the creation of an environment for cross-Strait relations that allows the two sides to coexist and cooperate without mutual fear and maximize the opportunities for cooperation.

Stabilization is not the status quo of the past 15 years, because a key feature of the last 15 years was growing mutual fear and distrust. Stabilization is an improvement in that particular status quo. It begins with each side’s declaratory reassurance that it does not intend to challenge the fundamental interests of the other. Stabilization requires reliable channels of communication. It takes substantive forms through broadening and deepening cooperation in a variety of fields and removing obstacles to cooperation. This will occur most obviously and quickly in the economic field, but it also has to expand to international space and security. If it’s successful, stabilization will make cross-Strait relations more predictable and significantly reduce mutual fear.

The road to creating an environment of stability is not an easy one. It requires keeping in mind the initial point of departure and the reason for motion. In this case, it was the poisonous situation of mutual fear in which Taiwan and the PRC existed for over a decade.

It requires incrementalism, moving from simple issues to hard ones. Stabilization is not easy at all because I suspect some political elements on each side of the Strait believe that an environment of mutual fear is more consistent with the identity that they prefer for Taiwan with their political interests. But if the two sides are successful in bringing stabilization about, I have no doubt that it will be in the best interests of the governments and the people from the two sides of the Strait, and I have no doubt that the United States will welcome it. Thank you very much.

(Applause.)

DR. LIU: Thank you very much, Richard, for making our job much easier with this historic and also comprehensive presentation on the current cross-Strait relations. I can see Richard is very cautious about every word used to express what exactly he means, and perhaps this will carry some policy implication, but we can discuss that when we come to the Q&A session. Certainly, he has more. As you all know, he knows quite a lot about our policy and also the importance it represents. So I would encourage you to raise as many questions as possible to ask all the speakers.

The next one I will introduce is Professor Tomohiko Taniguchi, currently a Special Advisor, Board of Central Japan Railways and advisor also to the Ministry of Foreign Affairs. It's very famous in Taiwan, the *Gaimusho*. He is currently also Adjunct Professor in Keio University's Graduate School of System Design and Management. And I think he has a very long CV, but I would encourage you to look through what he is. But I would just select one interesting career in the past. He spent three years at the Ministry of Foreign Affairs as Deputy Press Secretary, Deputy Director General for Public Diplomacy. So this is a very important experience in the past. So, Professor Taniguchi, please.

TOMOHIKO TANIGUCHI: Thank you, Chairman. It's good to be back into the private sector. At the Ministry of Foreign Affairs I was a spokesman, and I had a deal with reporters who didn't speak Japanese, among them most pushy, sometimes, if I may say so, are the people from Taiwan.

(Laughter.)

MR. TANIGUCHI: Because I was closely involved in tracking some of the speeches or policies about Japan's Asia policies or Japan's overall of foreign policies, Richard and others may have been interested having me on this panel, but, as was the case with Richard, I have to make a disclaimer that what I'm going to speak about is solely my own, although I can tell you that I have done quite a bit of interviews with some of your former colleagues. But that is not to say that what I'm going to say represents the Foreign Ministry's view. But I can tell you what Japan's view is going to look like.

Actually, the point I wish to raise about the past six months in regard to the China-Taiwan relationship is not of any complexity, but rather simplicity. It can be summed up by the following four words: so far, so good.

That's the view actually prevalent amongst Tokyo's policy circles, and certainly at the Japanese foreign ministry amongst my former colleagues at deal professionally with both China and Taiwan. As for me and this background of myself, I wish I could give you more beef than to say something like so far, so good. But that's what the reality is.

At the outset, I will say that I'm very glad to be in Taipei. People in Taiwan are amongst the best listeners of the Japanese (inaudible) the Ginza area, which is

the shopping district more posh than elsewhere in Tokyo, with a whole bunch of expensive brand shops, has benefited phenomenally from the exchange from Taiwan. Lately, each and every department store in Tokyo and Osaka has rushed to hire speakers of the Chinese language, if not Taiwanese, indicative also of the good that tourists from Taiwan are doing to the economy, so I must ask you to keep coming to Japan and spending money.

(Laughter.)

MR. TANIGUCHI: The point that I have just casually raised should bear greater relevance than first meets the eye, for it seems to me that in order for any cross-Strait attempt for the rapprochement to be successful, economic stability, at the least, and prosperity if possible on both sides will be of crucial importance.

Only when both sides are confident, economically speaking, and living with one another will the Cross-Strait gain steam as well as substance. So let me say first that the government of Japan will likely be very much mindful of the development on the economic front on both sides of the Strait.

Now there is a growing indication that economic contraction in China is severer than has been assumed thus far. Similarly, "Taiwan, Inc." is losing its customers almost on every front—in the U.S., in China, and in Japan—which one must say is an inevitable outcome of the current economic downturn, as all the developed economies, bar none, are undergoing massive demand contraction.

As the world economy heads for some turbulent waters for a prolonged period, it is advisable that the parties involved in cross-Strait talks remain hopeful and long-term. There should be absolutely no hasty moves seeking shorter-term gains.

It is to be expected also that both parties continue to be risk- and surprise-adverse. Everything else is getting increasingly unpredictable. Under today's circumstances, it will serve no one's interests for the cross-Strait relationship to have surprises, be they good or bad.

I said at the beginning, it is the view of the Japanese government that the cross-Strait development over the past six months has been "so far, so good." Now amidst the worst kind of financial and economic turmoil, that may be as much as we can expect. Don't rush, but remember what's important is that the development goes steadily not necessarily steeply without seeking a giant leap.

Now rewinding back to the late 2004, that was the time when the Japanese foreign ministry first detected from the mainland some hint of willingness towards taking a more conciliatory posture. It was the talks in Beijing about the Anti-Secession Law that started to attract worldwide attention. Unlike the conventional wisdom widely prevalent at the time, it came to be known to the Japanese diplomats that Beijing was attempting to upset the status quo by publicizing, however controversial it might sound, where the red

line should be drawn. By the time the bill was enacted in the spring of the following year, the Japanese MOFA had been convinced after having carefully examined the words and deeds of the top Chinese leaders that Beijing was in no mood for hurry.

Rather, Hu Jintao and his company had by that point decided to spend as much time as would be required, setting up neither roadmap nor a timeline for reunification.

Why Beijing changed the tack four years ago is an open-ended question. Yet, considering that the Beijing leadership had since mentioned at one time or another that a solution for the Taiwan problem is secondary, while pursuing their role in national strategic interests is of primary importance, one can conclude that the economic development within the mainland has gained so much salience that little room is left for the leaders in Beijing to push the envelope on the Taiwan issue.

A détente between Taiwan and China has been long overdue by the time the Ma administration came to power. Since then, over the last six months, it's been taking deeper root to the benefit of East Asian security and stability. The government of Japan is also of a view that that's obviously a positive development only to be encouraged.

Long overdue, the détente process so far has been hardly anything bewildering. Almost all of the initiatives so far taken or about to be implemented are the known familiar items. They're essentially depoliticized economic initiatives to begin with. Consequently, they are the ones both sides will find it relatively easy to swallow and digest.

And yet, the less surprising—in other words, the more boring the initiatives are—the better it would be to set the train in motion in East Asian fashion for more dialogues between Taiwan and China. Again, so far, so good.

Let me again restate here of the importance for all the parties involved, Japan included, to put their respective economic house in order. I say this because the cross-strait initiatives have dealt primarily with economic issues. It is vastly important that economic interactions bear fruit for both sides.

Indeed the Taiwanese public might start doubting whether the rapprochement process is any good, the train is not going to move. And so far, it is my understanding that the number of tourists, for instance, that's coming here from the mainland is less than satisfactory, which is not good news.

To keep the momentum ready, Beijing and Taipei should be able to present to the audience on both sides some policies; in my belief the rapprochement is a process in which two peoples educate and enlighten one another.

To me, the Taiwanese are a restless people and for good reason, because their diplomatic living space is so narrow as to be suffocating. It is, therefore, not difficult to understand their burning desire to have at least an observer status at international bodies, most notably at the World Trade Organization. The Japanese government views the situation and thinks that for the rapprochement process to take hold, it would be the first litmus test whether Beijing will allow the Ma administration to seek and eventually get this status.

The first six months have aimed for easy targets. And act two is about to begin, shifting the focus from the economy to more political, thus the potential for contentious arenas. I for one have a view, though strictly personal, that Beijing will find itself more bifurcated as time goes on. True, given Mr. Ma's proven closeness to Beijing, the CCP may decline to provide him with such rewards as permitting the observer status at the WHO.

Yet, nothing can be taken for granted. They may have the view that they would end up bringing about a wider diplomatic space for the DPP regime that might well eventually replace the Ma administration.

Can there be a bitter crisis in Beijing policy? I think there can be. President Ma can, for instance, address young children, high school pupils, graduate school students, those anxious moms and dads, and the retired generation—all of whom must care a lot about health.

The way out of the WHO stalemate will be for President Ma to essentially speak the way out. It is an attempt to tell his domestic audience of the imperative of Taiwan will be taking part in that organ in one way or another, but more importantly, to rid his Chinese audience of any room for doubt. His speeches will be put into scrutiny in Beijing, but might be able to soften the edge of the CCP apparatchik.

So much and what President Ma can do. As far as the position of the Japanese government is concerned, it's long been the one strongly supportive of the Taiwanese bid for the observer status. Many of us in Japan have long argued that if you leave one single link unconnected, you can no longer be sure as to the overall strength of the chain per se. And the danger is real as to anytime soon we could have an outbreak of a serious pandemic. And who knows? Taiwan could be the epicenter.

So the first six months, the past, act one of the rapprochement drama, has turned out to be an easy card to play. Act two will be to address Taiwan's diplomatic horizons as well as the sovereignty issues. That will be a tough one, but, again, if President Ma can somehow lead Taiwan to playing a role at the WHO, that will lessen the tense emotion on both sides and pave the way for more.

Before closing, may I ask your attention to the kind of changes the PRC has shown to Tokyo of late. As I wonder if some of the drastic changes of wordings, themselves a result of the long bargaining process between the two governments, maybe

somehow pertinent to the changed posture the same country is projecting towards Taiwan.

A case in point here is the joint statement Hu Jintao issued with his counterpart, Japanese Prime Minister Yasuo Fukuda, when the Chinese President was in Tokyo in May this year. Mr. Hu made a departure from looking backward with respect to the bilateral relationship, to forward by saying that the Chinese side positively evaluates Japan's contribution to the peace and stability of the world through peaceful means over more than 60 years since the World War; attaches importance to Japan's position and role in the United Nations; and that he desires Japan to play an even greater constructive role in the international community. That's number one.

He also said that the two countries bear a solemn responsibility for peace, stability, and development of the Asian-Pacific region and the world. That's number two. You may want to say that it was the closest China had ever come to recognizing the need of playing a role as a responsible stakeholder in the management of the regional as well as the world order.

Number three, he also agreed on China and Japan engaging in close cooperation to develop greater understanding and pursuit of basic and universal values that are commonly accepted by the international community. In my view, that was also the closest that China had ever come to embracing "basic and universal values," which is actually a euphemism for democracy, respect for human rights, and so on.

Fourthly, what was not mentioned was of equal importance. For in that joint statement, nothing new was added to Japan's long held position as to its policies toward a China-Taiwan relationship.

All those wordings might be a symbolic departure for Beijing's diplomacy toward its arch-rival, Japan. Again, it's too early to see if that is in any way pertinent to the change in tack Beijing has adopted in its dealings with Taiwan. I've put that fourth, nonetheless, as I thought it would be worthwhile for you. We'll see. Thank you very much.

DR. LIU: Thank you, Professor Taniguchi. Let's quickly move to the third speaker, Professor Richard Hu Weixing, who is now a Professor at the Department of Politics and Public Administration at the University of Hong Kong. He will be representing not just Hong Kong, but also the Chinese perspective. The reason why is because he received his undergraduate studies at Peking University, and then he went to Washington, D.C. pursuing his master's degree at SAIS, Johns Hopkins University, and then went on for a Ph.D. in the University of Maryland. Professor Hu, please, you have a heavy burden, not just Hong Kong, but also China's perspective.

RICHARD WEIXING HU: Thank you, Fu-Kuo. Thank you for your nice introduction. I'm wearing two hats. One is the mainland; the other is Hong Kong. My assigned job is to talk about cross-Strait relations six months into the Ma Ying-jeou

administration from the perspective of across the Taiwan Strait. Now we're in Taiwan, so across the Strait from the mainland perspective.

I have to say this is my interpretation how Beijing will react to Ma Ying-jeou's mainland policies in the last six months. So it's not an official version of how Beijing is talking about this in the last six months. So that's my own interpretation.

Given the time limit, I want to focus on just three points, three issues. First, my interpretation of how Beijing thinks about Ma Ying-jeou over the last six months; and then second, you know, what is Beijing's policy objective in this new administration; and then lastly, looking forward to the problems and the prospects, too.

Now first, my reading from Beijing I think is very positive. In the last six months, we've seen a lot of positive developments in the cross-Strait relations. And cross-Strait relations finally are back on track and becoming more normalized. And, so, there's a positive cycle of development that's started. And so, to use the phrase of the mainland officials, we are now entering into a new phase of peaceful development, *heping fazhan*."

Now the term *heping fazhan*, I think the better translation should be "peace and development," not peaceful development.

So, as Vice President Siew an hour ago has substantiated a lot of the detailed substantive development, I will not repeat those. But just one thing, which is for the first time in 60 years a mainland official, high-ranking official, has set foot on the island of Taiwan. That's very unprecedented, and that's a tremendous new development.

And that has not just symbolic meaning, but also carries a lot of substantive development, which is official launch of the three links, you know. This is something mainland has been championing since 1979, so for almost 30 years. Now finally, both sides agreed to further legalize and substantiate these three big links.

But beyond the Three Links, obviously everybody understands the challenge is more daunting, because not just the link between the two sides through the sea link, air link, and postal service, but the link between the two publics, the link between parts of the two sides is much more difficult.

Now having said that, Beijing would like to give high marks to the Ma administration in handling cross-Strait relations, but my reading is it's high marks with some disappointments. What are the disappointments? First, I think everybody agrees people in the mainland, in the elite and some officials share the belief that disappointment or the expectations gap with the Taiwan public in the Ma Ying-jeou administration's performance, and this is apparently obvious. The sentiment in the mainland is Ma Ying-jeou was elected with a strong mandate, but he did not translate the strong mandate into strong government. So that brings the disappointment about Ma's governing capacity,

and whether he has the capacity to deliver the cross-Strait relations or on the promises he made in the campaign.

And here, people, as Vice President Siew mentioned, the positive benefit from the cross-Strait relations improvement is, to use his word, is insufficient. It's marginal. It's not yet to fully materialize. And I think it's true. You know, there's a reason on both sides, especially, you know, in the Taiwanese society the situation that we are seeing.

And so this brings another anxiety in Beijing, which is because of the government's difficulty here, the Ma administration may demand more concessions from Beijing. And you're already seeing there is more demands on the international space issues, and in Beijing's perspective, it's not something high in the policy agenda. So this is something they're not ready to deal with.

This is my rough impression of both how Beijing, the people in Beijing or elite people think about this last six months. And to use the one scholar's words, it's *liangan guanxi bu pa man, jiu pa duan*, which means, you know, the good news is that as long as we move on, that's good. But we cannot afford another big interruption. If the pace is slow, that's okay.

My second point, is about Beijing's thinking about the future of cross-Strait relations. Here, and also in the States, there's a lot of discussion about technical issues in the cross-Strait interactions, but in Beijing it's very striking. People's discussions are on the big picture and the relatively longer perspective of how the future of cross-Strait relations will be developed.

So there's a lot of discussion of the new era, *liangan guanxi de xin shiqi*, and what is the meaning of the new era? How we can have strategic thinking on the new era. So, obviously, people are not just talking about this four-year and maybe most on the eight-year cycles. Now what is the new thinking? I think there are several points I want to mention.

First, peace and the development. And there's a lot of people who argue that we really are entering into a new phase, which is peace and development. You know, after 1949 we see the liberation by force, and then later on the unification by peaceful means, and then peaceful unification. Now we should phrase this new era as peaceful development.

So the two sides, especially on the mainland, really fundamentally are changing the thinking about how the future cross-Strait relations will go. And I think this new thinking did not just start after Ma is elected. Actually, it started much earlier, since 2005, when the Guogong issued of the joint declaration of the contribution of the future cross-Strait relations.

Now another point is about a lot of people are thinking, talking about now Ma elected, how we can support Ma's administration or the Kuomintang to prevent DPP or other pro-independence forces coming back. So this is another thing people are talking about.

We should really think hard and find a way to institutionalize cross-Strait relations. And thinking we should have further institutionalized dialogue. Track one, track two. Track one is the SEF and ARATS. And then the party platform, and, also, the track three. Now, is government officials to officials. And, also, how is the mainland reaching out to the opposition and sort of society in general? So, this is another point I want to talk about.

Now, looking to the future, since my time is running out, I think now again the cross-Strait relations, enter into a new phase, we are seeing a phenomenon I call "one China, two Taiwans."

(Laughter)

MR. HU: Obviously, the mainland opposes any such solution as two Chinas, or one Taiwan or one China. How does the mainland deal with two Taiwans, and one is the pan-Blue and supporting further development of relations. The other is how to deal with the opposition. And you can see from Chen Yunlin's visit, the other side or the other Taiwan is still resilient and can stage a strong resistance and can be a constraint of future development. So, this is one future problem.

Another thing is the two sides, I would say there is an expectation gap or you can say there's a quite different policy agendas or policy priorities. For the mainland, start from the easy low hanging fruit, start from economic and trade relations, and then move up to building a mutual trust. And then we can move up to some CBMs, confidence building measures in military affairs and maybe the peace agreement.

But, for Taiwan, there's no such policy priorities, and agenda is domestic politics driven or event driven. So, and I said earlier, a lot of people in the mainland are concerned whether Ma administration can have the capacity to set an agenda to drive the agenda forward; this is something people are very concerned about.

So, down the road, there will be some—I would not say conflict, we'll say there's a difference, and the two sides need to work out for the international space issues and this is something the Ma administration now demands Beijing to make more concession. But, from the mainland's perspective, this is not a give and take. So, they expect Ma administration to talk with Beijing, and then Beijing can release something, and then the two sides can gradually build up mutual trust, but this is not happening yet.

So, I hope maybe next year the WHA and WHO cases, the two sides can work out and then to further build mutual trust in moving the cross-Strait relations forward. Thank you.

(Applause)

DR. LIU: Thank you, Weixing. From your presentation, you have reminded us cross-strait relations for many other countries is just a bit of important policy development. But, for Taiwan, it is very different. It reflects directly into our domestic politics, and we have very different views. That is the reason why you pointed out “one China, two Taiwans.” I’d like to mention Professor Lee Chen-yu,, but he probably has already left. Lately he wrote a piece on the web and he suggested that, currently, the situation here is two Taiwans because we are looking into quite a different posture of China.

But thank you. For you start over with this angle, and in the next 10 minutes, what I’d like to do is really give you sort of the analysis, which I found out in the past six months, I would like to really provide you with kind of evaluation of we’re President Ma is doing good or doing bad.

We are not short of the criticism in our newspapers. Our media friends are so strong and working so hard. They have already provided many people with a very good analysis. What I’d like to do is think through and also maybe come even closer to see President Ma’s policy concept, starting from that point. And I will offer six constructive development and also raise another six potential concerns. I should not like to say negative development.

From very beginning, my understanding is President Ma and also his team realize that, after eight years under the DPP government, many measures and many policy prove that they could not really go very far. So, they come back to the origins, and the number one issue immediately for this government is trying to focus more on improving the cross-Strait relations and putting this as one of the top policy issues.

So, I remember, together with a group of experts, before President Ma’s inauguration, we offered Taiwan’s informal national security strategy, we published it in July, and most of the experts coming together, we thought that, at the time, at that point, the most pressing issue for Taiwan was cross-Strait relations. If you do not highlight cross-Strait relations, your economy will be in serious trouble, your diplomatic relationships cannot really go that far. So, finally, we come to that point, and we understand this is also the same view shared by the current government.

And the second part from the policy thinking is that President Ma also realized the reality. So, he has to reverse the policy order. In the past eight years, you can see foreign policy, perhaps, used to be the top priority for the government, but, now, mainland policy first and foreign policy second. Perhaps, the defense policy comes third. And this is from my observation.

So, for this clear understanding of the international reality, and also Taiwan faces such difficulties, President Ma really made use of the KMT and CCP’s

platform to communicate policy. Weixing has just already touched upon this, and we learn that from the public resources, we know that there are now a number of meetings going on, but really we understand that the KMT and CCP platform supplies very good channels for them to communicate.

So, many questions, perhaps, if you go to this channel, you would get a clear answer whether issue is considered a track 2 or a track 1.5. It is a really useful channel at this moment.

So, let me quickly supply a few points, which I consider looking as an analyst in Taiwan, on this President Ma's performance in the past six months. I found that some of the points, I believe, have been addressed by Richard or other speakers but I would say that the first one and also most important one is resuming formal channels of cross-Strait dialogue.

You have just seen last month's second Chiang-Chen meeting and Chen Yunlin began his briefing in the Grand Hotel suggesting that cross-Strait relations now are moving into institutionalized. So, from now on, every six months we can see our delegation in Beijing, and the following six months we should see China's delegation coming over. So, this is a new development. It is really important. I think Weixing also pointed out quite rightly.

The second point I would also suggest that President Ma tried to strengthen mutual trust with Beijing, by opening up dialogue, even if it is an informal dialogue. Vice President Vincent Siew suggested, he represented the president in April, he traveled to the Bo'ao Asia Forum, and most of them met already and set finalized policy guidelines. So, as you can see, in April, and later in May, we saw KMT chairman Wu Po-hsiung and a delegation crossed over to the other side. There was another round of the Wu-Hu meeting in May.

So, with this informal channel and dialogues, we can see some of the policy message could be really discussed in detailed way. So, then, later in June, we saw that Chiang Pin-kung —this is one of the key point I suggested—under President Ma Ying-jeou, resumed the dialogues across the Taiwan Strait.

And the third point is that I found that the implication President Ma Ying-jeou made to the region, to the world, is that Taiwan now will try very hard to play by rules. In the past, every time travel out of the country, when I am confronted with many other foreign expert friends, they told me that Taiwan is a troublemaker, making lots of difficulty for friends. So, I think one of the strong messages President Ma Ying-jeou currently is sending off is that Taiwan will play by rules.

And, another point I would also like to address is with such kind of pragmatic approach, and, also, looking into the longer-term approach, one problem is when these policy initiative takes place, it really takes time. So, President Ma is the man

to be understood by many people as the person who is really difficult. If he sees something as really complicated, he may look into more long-term possibility.

So, open up lots of possibilities, for Taiwan in an international community. So, many other country, the U.S., Japan, the European Union, and even ASEAN countries are now looking at things much better, unlike the situation in the past. So, I found that this is also very constructive.

And, also, another point, perhaps brought up by Richard already. This is a mutual non-denial. Vice President Vincent Siew also suggested that, because without such ambiguity I think a lot of things cannot really go through.

So, currently, under such a mutual non-denial, that is a reason why you can see walk into this reception hall, and people were suggesting that President Ma arrives, and he did not really say anything. And that already represents something that can be tolerated by keeping a close eye. I found that this is an art across the cross-strait currently shared by two tough leaders.

Let me quickly, move to a final part, potential concerns Because overall those constructive bright-side developments are really encouraging our people. But, of course, there are some of the concern I would also like to bring up to you. Number one is we lack of domestic consensus. That was the reason why when Chen Yunlin arrived there was very serious street violence demonstrated, protests at Chen Yunlin.

The second point is we lack a clear policy discourse. I think many of Taiwanese people present today would have agreed with me that during or maybe before, after Chen Yunlin's visit, public discourse did not really go through clearly. Even some of our expert, do not catch our policy message clearly. So, that is the part that, perhaps, of the government needs to do more.

The third point. Mainland policy is not well coordinated. We are watching our government every day. Media friends always send the most updated information to general people. We understand that coordination should be strengthened and that is exactly one of the challenges for President Ma's administration.

The fourth point. Such a new development across the Taiwan Strait sends a very strong message. But, unfortunately, this message is very strong but unclear to our diplomatic allies. With this diplomatic truce, the thinking is very good, but there is not a clear follow-up. I think we have a lot of issue presenting today. You will agree with me that this is the part that potentially is a concern for the country because while we are sending a strong message and that we want to change our relationship with mainland China, but how exactly we can interpret the policy status clearly to our friends? I think we are not confusing, but we need to send a strong message to them. Also there's a new development, basically, we are discussing among security experts whether Taiwan should really change our defense strategy and also our defense posture.

Fifth, I think currently there is a concern with whether KMT's party line toward mainland China may continue to dominate President Ma's policy, and it is very clear that there are two KMTs, new and old—not just two Taiwans. So, this is one of the concern we, perhaps, need to really work through. I think when President Ma gradually consolidates himself within the government, within the society, this policy guideline will be gradually moved along.

Finally, I would suggest that, currently, perhaps, ask one serious question, many, especially, from the opposition camp, always ask: Is it wishful thinking? On everything, you wait for Beijing's positive response, and, so far, many of you already touched upon the fact that they are not responding at this moment. So, is it wishful thinking?

So, let me quickly conclude by suggesting two very simple questions. That are also the question general people would ask in Taiwan. Number one question: Whether President Ma is going too far, too fast with mainland? And the second question is: Where is the limitation? For mainland policy, where is the limitation?

I would suggest that, not as a conclusion but as a suggestion to answer these two question. I think, most importantly, this is a democratic country. Every new policy would have to go through domestic consensus, which is going through our Legislative Yuan. So, for this reason, I'm not really worried about whether President Ma will go too far. The question is how exactly he can manage this peacefully and fruitfully for Taiwan's best interest.

Thank you very much for your attention.

(Applause)

DR. LIU: So, we would have roughly 15 minutes or so for Q and A. Yes? Please identify yourself.

QUESTION: Thank you. My name is Hans Tang, born in Taiwan, educated and trained in the U.S. I am a venture capitalist working in Shanghai, investing in China.

My questions are twofold. One for Mr. Taniguchi. You mentioned that President Hu Jintao is showing a departure from the past Chinese way of dealing with Japan. How much do you attribute the change to external factors? How much of that is internal in what's happening in China?

Second question is for Mr. Bush. What is the U.S. long-term interest or vision for East Asia? I asked that question in context of the 18 and 19th century, the British Empire viewed a key tenet of its foreign policy or interest as the prevention of

emergence of a power in Europe. So, for the U.S. in East Asia, what is U.S. long-term interest?

DR. LIU: Thank you. I think I will repeat what Richard suggested this morning. Everyone here is very smart.

(Laughter)

DR. LIU: So, because in the interest of time, just ask a concise question so that we can provide more to engage. Taniguchi-san.

MR. TANIGUCHI: The so-called icebreaking trip, in the Chinese term, was conducted by the prime minister, whose name was Shinzo Abe, when he made a visit to Beijing. Before that, the bilateral relationship between Beijing and Tokyo was at its lowest point. Mr. Abe made a difference on that matter. In response, the Chinese had changed their own attitudes towards Japan, culminating in the drastic changes of wordings that I have just introduced.

But, to what extent that was to do with the internal development of China, that's anyone's guess, but I can only say the fact that the Chinese agreed on using such terminologies as I introduced came to me and came to many others at the Ministry of Foreign Affairs as a striking difference from the past. We wanted it to be included in the joint statement, and we very much hoped that it could happen, but when it actually happened, that surprised us very much.

DR. BUSH: Thank you for your question. I would start with what I said this morning, and that is the long-term approach of United States has been to build an environment in East Asia that is conducive to the maintenance of peace and stability and to building prosperity. And to give the countries of East Asia, incentives to move in that direction.

I guess that, in the current era, the big question for that approach is how the United States and others adjust to the revival of China as a great power. You probably know that in the 2002 version of the National Security Strategy of the United States, there was a 21st century version of the 19th century British strategic doctrine to not allow the emergence of a rival in any region of the world. That approach may be no longer politically correct, it may be out of date, it may not be something we can sustain. It's all about speculation.

But I think that the challenge remains, how do you adjust to the revival of China as a great power? It is not inevitable, by any means that China will choose to upset the status quo. How we approach the China challenge will go some way in determining what kind of great power they choose to be.

I'm relatively sort of optimistic that we can do our environment with sort of creating in such a way that leads to – to use the term win-win solution for everybody.

But it will take some work, and it will require the United States to want to do that work. And it's not so much whether we have the capacity to remain a great power; it's whether we have the will.

QUESTION: Wonhyuk Lim from the Korea Development Institute. I'm actually confused by the Vice-President Siew's speech, as well as discussion in this session, so I'd like to ask the panelists to help me out.

Vice-President Siew emphasized the three principles of status quo and no unification, no independence, and no use of force, but then he went on to describe Taiwan's policy, which seems to be sort of non-status-quo-oriented and promoting better cross-strait relations and becoming more proactive in international space.

So, my question is: What is the KMT's idea of a stable equilibrium in terms of cross-Strait relations and Taiwan's status in international space? Is it a state or province or customs territory? And I'd like to ask Richard and I guess Fu-Kuo to answer that.

QUESTION: I'm Masahiro Matsumura. I have a related question. Let me rephrase my question, first of all, you emphasized mutual trust and confidence building measures. The question is: For what? Are these mutual trust and confidence building measures instrumental to something bigger objectives? Is it just preserving status quo or long-term unification? The future of objective will influence how you behave at present, right? So, will you clarify my point that will also answer my previous question. Thank you.

DR. LIU: Okay, let me take on one of those questions. Because I'm not a government official, answering this question, it is really an expert perspective.

I found that, perhaps, there has been not enough discourse, as suggested. On the one hand, these three principles are really laying out the legal perspective for our relationship with mainland China, even if, on the other hand, you have the same Vice President Vincent Siew encouraging more interaction across the Taiwan Strait. That is really laying the groundwork for a closer relationship. But it does not mean that it has already affected these three principles because no independence, no unification, represents that we do not want to change our current legal status. But at the same time, we also need to promote a better relationship across the Taiwan Strait.

As he also pointed out this is a long-term vision. During the campaign, election campaign, he usually used the phrase "common market." That kind of idea, not necessarily in the name of greater China or cross-strait common market but something similar. I think on this part is really promoting functional cooperation. You want to clarify your question?

QUESTION: Yes. In Korea, for instance, the basic agreement between South Korea and North Korea says that the relationship between the two sides is not a

state-to-state relationship, but a special interim relationship that is supposed to work towards reunification. And, in Taiwan, I mean, I can see the DPP's idea, a stable equilibrium or the ultimate end state. Although some people say it may not be realistic, at least they seem to think it would be best for Taiwan to sort of tough it out and declare independence and be a state and join the international community as a state. Now, as for KMT, what is the equivalent end state, where is the sense of stable equilibrium?

DR. LIU: I found fundamentally two Koreas, and, perhaps, Taiwan and China, that the natures are slightly different because we have such a long difficulty to agree upon each other. So, finally, we got to the point that we can agree, disagree with each other. So, we push aside those disagreement, then we move onto something that we can achieve for the time being. But we put those disagreement for the long-term, and unlike in your case.

So, I think this, perhaps, is a near-term possibly, and President Hu Jintao and President Ma Ying-jeou are more pragmatic. They want to move along with something really conducive to the cross-strait relations, so, that is exactly happening, but it does not change any of fundamental structures initially.

DR. BUSH: It's kind of unfair to raise really theological questions after lunch. But let me take a couple of different stabs at your question.

(Laughter)

DR. BUSH: First of all, just for the record, there have been different points of view in Taiwan about the territorial scope of the Republic of China, and there was a tendency from the late 90s to define that very specifically. And, actually, President Ma himself recently went back to the previous position in an interview, saying that the Republic of China includes both Taiwan and the mainland of China.

Now, that doesn't speak necessarily to the long-term goal, but it may be relevant to that issue. But the issue of concern is the territorial scope of the Republic of China. And one can also note that, historically, the goal of the Kuomintang has been the unification of China under certain conditions.

Point three, the Kuomintang and its government holds to the position that the Republic of China is an independent sovereign state or a sovereign state. And that has an impact on the kind of unification that they would pursue. It probably rules out a Hong Kong solution.

The disclaimer about no unification, no independence, no use of force, and maintaining the status quo, all hinges on how you define each of those terms. I think they would say that seeking greater international space, but not seeking membership in governmental international organizations, is not changing the status quo. It's not a way of seeking independence. It's consistent with maintaining and improving the status quo. I hope that that's sufficiently confused you.

(Laughter)

DR. HU: I'd like to answer the question about CBM, about CBM and the implication and what's the mainland's objective on that. I think CBM is applied and invented in military affairs, and it is about how to prevent conflict and then also to build trust between enemies.

Now, apply this to cross-Strait relations, and I think the current mainland policy is to shelve the disputes, build mutual trust, and also stabilize relations moving toward a more peaceful development.

So, one of the objective is build mutual trust. I think this is a code word, and requires some reciprocal actions from both sides. If the mainland wants to release more international space to Taiwan, it expects something in return. So, this is not just one way street, it is, as I said earlier, this is not just a give and take issues, and but the mainland also understand the difficulties here in the divided society on the cross-Strait relations.

So, what people in mainland, scholars, policy analysts, thinking about this, why don't we start with some low-level of confidence building measures. And the low level of confidence building measure is to first, to establish some commonly-accepted code of conduct. So, now in the international space and the two sides have some self-constraints on their behaviors, and that's signaling the willingness to building trust among each other. I think so far, so good.

And, also, this is a good way to avoid conflict, avoid further expansion of conflict. Now, this is just low level of CBMs. Now, moving up, it requires more proactive actions, like preventive diplomacy type of actions.

Now, if that happens, it requires a more institutionalized mechanism on both sides to further strengthen their trust in each other, and we haven't reached that stage yet. At the highest level, it will require more understanding of the relationship, and there's a lot of discussion of mainland. And some scholars even proposed, why can't we have a joint commissions on the cross-Strait relations about the peaceful development of cross-Strait relations? It's kind of idea of expanding *zhengxie* to cross-Strait relations. But that's very remote.

DR. LIU: Thank you. Because we are now running out of time, can I finally take only one question? Sorry. You have been waiting for so long. Thank you.

QUESTION: Thank you. Thank you for taking my question. I'm Charles Huang, and I'm a retired businessman and colleague of Paul Hsu. I want to ask a question in different context. In other words, in the context of being global citizen, and Taiwan is part of that, are there or is there an expectation from the international

community for Taiwan to be contributing to the goal, economy or the well-being of society, beyond the cross-Strait relations?

In other words, if you look at what has happened in the last six months with President Ma, I think his agenda is fairly set on cross-Strait issues. This question is for Mr. Liu and also for colleague from the States and Japan—shouldn't he be focusing on universal issues? There's a poverty issue in Africa, there's disease issues, cholera in Africa, India, and all these areas.

Is there an expectation from the international community that government in Taiwan ought to be contributing, ought to be discussing those issues beyond the very continuous dialogue on cross-Strait relations? That is my question. Thank you.

DR. LIU: Thank you for this very complicated question. I don't believe that I can answer your question in one or two minutes. But I think that you are quite right that, currently, everybody would agree that our government is now really working on the cross-strait centered policy scenario. Everyone of the government officials inside the cabinets are currently thinking of improving cross-Strait relations first, and then something after. And I do believe that as Taiwan is now facing a global challenge, we perhaps need to move much faster.

So, I do hope that, currently, we have seen this second Chiang-Chen meeting. Quickly, in the third round of the Chiang-Chen meeting, cross-Strait financial cooperation make it possible and if we can take that as a kind of a groundwork moving quickly into the region. In this conference we have not really touched upon the regional, economic situation, and I thought that, perhaps, at this point, we would have touched upon regional, financial cooperation and also the mechanism established by Chiang Mai Initiative. We did not really touch upon that, but I catch part of your concept of this question perhaps, we hope cross-strait cooperation can really lead to such a direction for Taiwan in the region. But I cannot really speak more, and I'm sorry that we have occupied coffee time for five, six minutes. So, let me finally maybe take answering this question as a final conclusion.

I know that this session should have a much longer Q and A because we are right in the middle of this issue here in Taiwan. But, of course, we also hope that this issue can be fully discussed with Beijing too, so that, later on, perhaps both sides, as Weixing quite rightly suggested, SEF and ARATS, perhaps should be incorporated into one body. Then we would have half representative from Taiwan, half from China, and then we can really talk about a future of cross-Strait relations.

Once again, thank you for your valuable participation and also contribution. Let me announce the session completed. Thank you.

(Applause)