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and

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

KEYNOTE ADDRESS

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

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## **Welcome Remarks**

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**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**

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**Strobe Talbott**

President, The Brookings Institution

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

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*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**

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**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 17<sup>th</sup> party congress*

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

## 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 3<sup>rd</sup>, 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.)