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

PANEL TWO

CROSS-STRAIT RELATIONS SIX MONTHS INTO
THE MA ADMINISTRATION

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Richard Bush

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Michael Schiffer, Program Officer, Stanley Foundation

A view from Hong Kong

Frank Ching, Senior Columnist, *South China Morning Post*;
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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

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Erich Shih, News Anchor/Senior Producer, CTi Television, Inc.;
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Zhang Wei, Visiting Fellow, Global Economy and Development, The Brookings Institution

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 apparatus.

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)