

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.