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**CROSS-STRAIT RELATIONS AND  
IMPLICATIONS FOR NORTHEAST ASIA:  
VIEWS FROM THE REGION**

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## PROCEEDINGS

LIU FU-KUO: Distinguished guests, ladies, and gentlemen, I'm pleased to welcome you to this IIR-Brookings forum. We are so delighted that you have this wonderful opportunity to welcome the delegation from Washington, DC, led by Richard Bush from the Brookings Institution. But before we proceed, let me invite Professor Lin Bih-jaw, vice president of our university, to make welcome remarks and also to introduce National Chengchi University to our distinguished guests.

LIN BIH-JAW: Thank you Fu-kuo and also Dr. Bush and also so many distinguished fellows from Brookings, and also students and faculty members from this university.

When I first met Richard, years ago, I said we have always beautiful weather and you should come to visit Taipei. We don't feel this is winter, actually it's early spring perhaps in a way. I'm so happy on behalf of our university to welcome the delegation from Brookings led by our very, very good friend Dr. Bush.

This is one of the events initiated and organized by Brookings. There are many, many aspects for us to learn and this university in particular has had a very long relationship with Brookings. The university celebrates its 20<sup>th</sup> anniversary. It was established in 1927 in China. Because of the civil war we moved to Taipei. So, altogether we have 82 years of history and certainly we still have a long way to go. We are very proud this university is the most internationalized university here in Taiwan. Our foreign student body is the largest in Taiwan. We are very proud of that, having that record, and we have so many academic programs teaching in English, everything in English. And I am very happy to tell you that Professor Paul Hsu on our faculty, and this college is the flagship college of National Chengchi University.

Finally, I would just like to tell Richard that the IIR, cosponsor of this event, begins very, very early cooperations with Brookings. I still remember that my first visit to Brookings in 1982 and the scholar I met, probably our young students probably could not remember his name, but the people who have read his books, Professor Doak Barnett. And that visit was actually one week before the announcement of the August 17<sup>th</sup> joint communiqué. I still remember when I went back to Taipei on the airplane I read newspaper and the text of the communiqué. Right, but before my visit we already had close contact and after, of course, even more contact and cooperation. IIR at this university—and in fact most of my colleagues here—and also in Taiwan the policy community regards Brookings not only as a source of inspirations but also as a source of guidance, knowledge, and also for innovation in policy-making—and that's very important, policy innovation.

So, today with that I will end my words of welcome to you all and as I told so many colleagues at this university, Brookings and National Chengchi University carry that academic torch and that academic torch is very important for us, not only to light-up

policy community but to make our policy making even better and more, I would say, compatible with this information age.

Thank you very much for bringing the delegation to our campus and, well, needless to say to Fu-kuo, for the hard work and also good work you have done for the university and for Brookings. And for every Brookings Visiting Fellow—again welcome to campus and we are looking forward to hearing your insightful views on cross-strait, Asia Pacific and again on behalf of the university, welcome, thank you very much indeed.

RICHARD BUSH: Vice President Lin, Dr. Paul Hsu, former Ambassador Joseph Wu, ladies and gentlemen, it's a great pleasure for me to be here and to introduce this program. I've been to this university a number of times. It's always a pleasure to come back here. I think that this will be a rather special occasion.

The Center for Northeast Asian Policy Studies, which I direct, is a special program at Brookings and it has links with a variety of institutions in East Asia. The most important activity in our program is to bring visiting scholars, visiting fellows to Brookings for a midcareer sabbatical and we've had a couple of visiting fellows from IIR actually—Liu Fu-kuo is the most recent one of them—and they make an important contribution to the work of Brookings and we hope that we make an important contribution to their careers. Some of our Visiting Fellows are the stars of today's program and I'll explain why.

One of the most significant developments of this year, 2008, is the initiative that your President Ma Ying-jeou has taken to try to reduce tensions and normalize relations with mainland China, and nobody knows where that effort will lead. It may work out to stabilize cross-strait relations, it may not work out. It remains to be seen. But this is a development that is important for this entire region and each country and place in the region has views on this development. And the purpose of our session today is to introduce you to the views of different places in the region about this initiative by President Ma Ying-jeou.

We deeply appreciate the opportunity to bring this program to you today and we deeply appreciate the efforts of Dr. Liu Fu-kuo and the hard work of him and his colleagues to make this possible. So, without further ado, why don't we get started? I'm going to sit down.

The first presentation is by my good friend, Dr. Richard Hu Weixing from the University of Hong Kong and in order to start to frame the issue he's going to offer the perspective of how mainland China is viewing development in cross strait relations over the last six months. Richard?

RICHARD WEIXING HU: Thank you, Richard. And thank you for everybody being here today to listen to this panel. I was chosen to present the mainland's perspective about cross-strait relations and implications for Northeast Asia.

Well, I think, yesterday we spent the whole day on the cross-strait relations. Well, today we are focused on the implications for Northeast Asia, making it relevant for this institute. Now, this is cross-strait relations obviously very important for Northeast Asian security and stability and I think this issue needs to be viewed from different angles. If you look at this issue just from cross-strait interaction, yesterday I made remarks that this is an issue that can be put into the framework of “one China, two Taiwans” and I will later elaborate on my idea further.

And another angle to look at this issue—obviously from the mainland perspective is international dimension of Taiwan issues. And some of the mainland scholars studying this issue and opinions about this issue for last eight years, this issue was very much internationalized which means that Beijing views the international forces as trying to constrain Taiwan independence. And now we are coming to the point how to de-internationalize this issue which means how to gradually phase out international forces and put cross-strait relations on a course of its own.

Another angle today is the regional perspective. I think from the regional perspective, obviously everybody in the region is concerned and my colleagues will agree with me that this is an important issue for regional stability. The cross-strait relationship is both the cause and effect of regional stability. So, if we look at the future projection of cross-strait relations we will find that the two sides, in the six months since Ma Ying-jeou was inaugurated, have come to the point of looking at how we can further consolidate, and move this relationship further. We already have had two summit meetings of the SEF and ARATS leaders, one in Beijing and one in Taipei, so we already made substantial progress on that issue.

Now, the future depends on how we can further institutionalize this relationship because from a mainland perspective the underlying risk of Taiwan moving toward de jure independence has been reduced. But after the two sides have some tentative agreements signed, the rest of the problem is how we can further internalize these agreements, translate the agreements into further actions, institutionalize the dialogue channels, and put the relationship on a more solid basis. And this is where we see the phenomenon that the mainland has to deal with—“one China, two Taiwans.”

“One China, two Taiwans” means that now the mainland has to deal not just with the KMT and the pan-Blue but also has to deal with the Green camp. The Taiwan society is divided on cross-strait relations, especially about the future of the relationship and the political future. And the other Taiwan—not just represented by the DPP—but in my view the other Taiwan also refers to the majority of the Taiwanese populace who have never been to the mainland. According to mainland statistics, there are six million Taiwanese citizens have the mainland entry permits so about six million people have traveled there.

Last year four million persons traveled to mainland but if you look at the statistics further you will find there are a lot of people traveled many times, three or four times, that make up the number. Majority of Taiwanese population have never been to the

mainland so they don't understand what is going on. So, there are different images of mainland in Taiwanese society. So, how to reach the other Taiwan also means how to reach those people who have never been to mainland. They have very little knowledge about what is going on, how fast the mainland is being developed. So, this is I think a challenge for the mainland's future Taiwan policies. I think President Hu Jintao is very open-minded to think about future and hopefully the two sides the leaders getting more pragmatic and can use our political wisdom to find a way to solve a hard political problem.

Now, this brings me to another point about where cross-strait relations fit in into the regional East Asian architecture. As everybody knows, in East Asia there are different region building projects or initiatives. Some of these projects are overlapping, some of them are maybe competitors in terms of their membership and in terms of mandate and so we are now in a very critical stage of regional architecture building. So, this is a challenge for the Chinese leaders and where they should focus on and which project they should put more effort in.

But this is also a bigger problem for future Taiwan and how Taiwan will find a place in the future regional architecture or regional community building. And this is, I consider, part of the Taiwan's international status problem and this is something, I think, down the road, that the two sides have to address. And I have already seen the on the Taiwan side, there is a need especially from the business community, and yesterday Vice President Vincent Siew also echoed that Taiwan need to find a place in future East Asian economic community building. So, what is the solution for that?

I think that diplomatic truce perhaps the two sides have a good start, you know two sides understand each other and if they behave in a way of reciprocal courtesy to avoid further conflict, I think that is good. And also APEC is a good place to see the both sides, especially the mainland, show some good will. But how to bring this to other issues? Next year's WHA / WHO is a test case for the two sides, but down the road how mainland side uses more creativity to bring Taiwan in or allow Taiwan to have some space in regional community, that is another challenge. If it works out well, I think that is a positive message for the cross-strait relations. In my view, since this is still a working process from the mainland's side, this is something not completely under China's control. It is the collective project of the East Asian countries.

And so, the convenient way from Beijing's perspective, or a backdoor way, is to bring Taiwan in is through some bilateral FTAs. Mainland and Hong Kong have the so-called CEPA arrangement and if Taiwan and mainland can sign similar arrangements not called CEPA, this kind of creates a backdoor way to bring Taiwan into regional economic institutions. Another way in my view is the name, the title, of Taiwan in the international community. To work out a model for this is another solution for the regional integration process.

But this is very preliminary a lot of discussion is needed and I think the two sides really need to get down to business, to talk. From the mainland's perspective,

this is not just give and take, this is something you need to negotiate and you can not just open dialogue and make some statements and demands and this will be given. So, I think to maintain the good dialogue channel is very important.

Now we have track one. Track one is SEF and ARATS, and track two is the party to party. And now you even have track three. Track three is actually government officials, government officials like the health officials of the mainland health ministry. So, if this dialogue is further institutionalized and worked out and then it will be a good way to move forward. I will stop here to give my colleagues a chance to talk.

RICHARD BUSH: Thank you very much Professor Hu. We now turn to Korea and my good friend Professor Jae Ho Chung who is a professor of international relations and director of the Institute of China Studies at Seoul National University. Professor Chung.

JAE HO CHUNG: Thank you, Richard. I think overall the improvement of cross-strait relations can produce positive effects for Northeast Asia in general and also for the Korean peninsula. Of course, for me, these efforts across the strait can continue without interruption. Yesterday's conference addressed a lot of challenges on that. But from Korea's perspective, I would say there are at least potentially four effects of the improvement of cross-strait relations for the Korean peninsula: three positive effects and one uncertain.

First, the restoration of predictability and stability across the Taiwan Strait may relieve the new Obama administration of the job of managing tension across the strait, thereby allowing it focus more on the more imminent issue of the North Korean nuclear problem. The absence of cross-strait tension may also provide the time for Sino-U.S. cooperation and the resolution of this intricate issue of the North Korean conundrum. While we all know that North Korea is not the number one issue on the new administration's agenda, but nevertheless restoring the stability in cross-strait relations U.S. and China can obviously devote more energy and time to other issues in the region.

Second, during the Roh Moo-hyun administration from 2003 to 2008, one of the agonizing dilemmas for the South Korean government concerned the so-called Taiwan contingency. If something serious should go down in the Taiwan Strait, what should South Korea do? Whether to side with the United States as an ally, or just remain silent because of its high-stakes economic relationship with China. As I understand, President Ma Ying-jeou said that for years to come there won't be a war across the Taiwan Strait. That's good news for the South Korean government because we don't have that dilemma for the time being.

Third, yesterday Vice President Vincent Siew came and gave a speech, in his comments on strengthening ties with other countries in the region he mentioned the U.S., Japan, E.U., some major countries of Southeast Asia, but he didn't mention Korea. So, Korea passing is still going on in Taiwan and I understand the residue of the Korea-China diplomatic normalization are still lingering in Taiwan but I think it is high time to

put that behind. Korea and Taiwan are trading partners, the number four and number five trading partner to each other. And also what is often neglected in Taipei is that during the negotiations for normalization in 1992, the South Korean government did its best to retain the designation of its office in Taipei as a “mission.” We still maintain the name of “mission” in Taipei which is highest non-government designation. It is Korea’s “mission” in Taipei. We don’t use an opaque name like center or institute, so that should be recognized. And with the improvements of cross-strait relations I think the room for non-governmental cooperation between Seoul and Taipei wide and that should be recognized.

Finally, one uncertain effect. That is, in the last ten years, when cross-strait relations were good, inter-Korean relations were not so good. When inter-Korean relations were good, cross-strait relations were not so good. I’m not quite sure whether this inverse relationship will continue. Now, cross-strait relations are improving rapidly but inter-Korean relations getting worse and worse. I hope this improvement in cross-strait relations can have a contagious effect for Korean peninsula. I’ll stop there.

RICHARD BUSH: Thank you very much Professor Chung. Russia is an actor in East Asia, so it is appropriate that we have a Russian view. To give us that is Dr. Alexander Lukin, who is the director of the Center for East Asian and SCO Studies at the Moscow State Institute of International Relations. Dr. Lukin.

ALEXANDER LUKIN: Thank you. I’ll begin with Russia’s initial position, which is very short actually. Russia recognizes officially the existence of only one China. And it recognizes the government of the People’s Republic of China as the sole legitimate representative of China, including Taiwan. And this principled position is part of every treaty between Russia and China—I mean mainland China—and recently it became part of the main Russian treaty with the People’s Republic of China, the Treaty of Good Neighborliness, Friendship, and Cooperation of 2001.

While supporting peaceful resolution of the Taiwanese problem, Russia does not support ideas of Taiwan independence, the concept of “one China, one Taiwan,” or the concept of “two Chinas.” And it does not support Taiwan’s membership in international organizations in which only sovereign states can be members. So, this is the short position and while discussing it yesterday with representatives from our representative office in Taiwan we thought that this was clearly not enough for seven minutes.

[Laughter]

So, I should probably say something else and to say something else I would say that, in my view, the key idea here is that Russia supports peaceful resolution of the problem. And as you probably know, that actually this position that I have described has been there for a long time, since 1949, and even in the worst times of Russian-Chinese relations, for example in late 1960s, it does not change. Also, there were some ideas for change, some suggestions, but finally it does not change. And in the beginning of the 1990s, when Russia became separated—or liberated itself from itself, as



we say; we have in Russia very strange national holiday which is called independence, Russian Independence Day, but it is hard to say independence of whom.

Even at that strange time there were some bizarre attempts to establish a de facto political relationship with Taiwan but they actually failed, and finally President Yeltsin issued a decree, the Russia-Taiwan Relations Act in the year 1992 which basically made our relations with Taiwan similar to relations of most other countries with Taiwan. And according to this decree, our Russian representative office was opened in Taiwan and Taiwan's representative office was opened in Russia as a non-government organization. It's called Moscow-Taipei Committee and there is a Representative Office of the Moscow-Taipei Committee, Representative Office for the Taipei-Moscow Economic and Cultural Coordination Commission in Moscow.

So, as I said, it's interesting that Russia always stresses its idea that any kind of conflict in the Taiwan Strait should be approached peacefully. And during periods of tension in the strait, in the 1990s for example, several times the Russian Foreign Ministry came out and stressed that during this conflict period that Russia is for peace and would prefer peace. And I think this position is understandable because Russian foreign policy is becoming more and more pragmatic and China, I mean mainland China, is becoming a very important Russian trading partner. Last year it became the second largest Russian trading partner. Taiwan is not that important as a trading partner but it's still a trading partner of Russia. And, of course, in the Russian interests and the interest of Russian development is to avoid any kind of conflict in this area, any kind of problems for both sides of the strait.

And in view of this position, it is quite understandable that the latest changes of Taiwan's foreign policy and Taiwan's approach to the mainland, which followed some internal political changes in Taiwan, are seen quite favorably in Russia. Of course, Russia thinks that the Taiwanese problem and the way of solving it is an internal problem of China, but any tendencies toward more cooperation between mainland China and Taiwan can only be seen favorably from Russia. Because, again from the pragmatic point of view, I can only say that Russia wants to develop all kinds of relationship, non-government relations, with Taiwan and it would be easier if the situation is peaceful.

I think, yesterday when the Taiwanese Vice President spoke at our meeting, he said that—at least I understand from his words that—of course, the United States is the key country which can secure Taiwanese interests but he also stressed the importance of development of relationship with European countries and I think Russia is one of the European countries. So, the Russian position can play some role.

From that point of view I think that what may be important for Taiwan is the level of Russia's interest in peaceful situations, in peace around Taiwan, and to make this level higher or deeper it is important to develop trade and cooperation. Here, I can say that not enough has been done, clearly, because if we compare Russian trade with Taiwan and Russian trade with China, Russian trade with mainland China is growing

very fast about 25 percent to 30 percent a year. As I said, China became Russia's second trading partner. Last year trade was about \$48 billion, compared to trade with Taiwan which was less than \$3 billion a year. Of course, with Taiwan it's just peanuts and it's not very important.

I think there is a reason we can make this comparison, not only with trade. For example, if we compare Taiwanese and mainland China's trade with other countries, with the United States for example, we can understand why Taiwan is important for those countries, for the United States. The relative importance of Taiwan and mainland China in terms of trade for the United States, for example, is incomparable compared with Russia, so there was a reason for that.

I remember I was one of the first Soviet citizens who came to Taiwan in the 1990s. At that time I was the member of the Moscow City Council and we organized a delegation of a group of members of Moscow City Council who came to Taiwan. And then, the first thing we were trying to explain to Taiwanese people here is that what Russia really wants is that we cannot establish political ties and that we should proceed slowly by first establishing a solid trade and cooperation base in a non-government sphere. But at that time the Taiwanese government was interested in only in political ties while Russia was interested in developing economic ties. Also, Taiwan at that time wanted to catch some kind of high level Russian official, invite him here to Taiwan, and present it as if it was an official visit. Economic projects—basically most of them failed.

So, of course now Taiwan's position and Taiwan's political position is completely changed but we don't see many results in development of the sphere of trade and cultural cooperation. So, after almost two decades after my first visit, I still stress that we need a solid trade and economic basis for developing our relations. Very few people in Russia know where Taiwan is, some tend to actually to mix it up with Thailand for example. So, at the same time, more and more people know about mainland China now because we have huge tourism flows, and we had last year and the year before that the year of China in Russia and the year of Russia in China with hundreds of various projects. So, the image of mainland China improved, according to opinion polls significantly, from like 20 percent approval to 40 percent or 50 percent approval. Of course, we cannot even ask the question about Taiwan because in the mass public very few people would know what it is. So, that's why I stress this again—both sides should make more efforts to develop cooperation in economic cooperation, trade and cultural cooperation.

Russia is now more active politically and economically, we're quite a stable country. If you look around Taiwan, Russia's trade, not only with China, is growing. Russian-Japanese trade is growing, it's growing very fast, even faster than Russian-Chinese trade. Russian-South Korean trade is also growing very fast. Russian-Japanese trade is more than \$30 billion a year. Russian Korean trade is also growing quite fast. So, I think that here we are losing an opportunity, a good opportunity. There is no reason why our trade with Taiwan should be just \$3 billion. Thank you very much.

RICHARD BUSH: Thank you very much Dr. Lukin. Let's turn now to Japan. And for a Japanese view, my colleague Masahiro Matsumura, who is a professor of international politics at St. Andrews University in Osaka.

MASAHIRO MATSUMURA: Thank you for kind introduction. Seen from Japan, the current cross-strait relations are characterized by growing uncertainty amidst relative calm of regional international relations. The uncertainty is being aggravated by increasingly confused Taiwan domestic politics and compounded by the on-going global financial/economic crisis which originated in the United States. Certainly, everyone knows that the current state of affairs may possibly produce a great impact on the regional power balance but we can neither estimate the magnitude of the impact nor even predict the direction of it, either positive or negative, in light of the stability of cross-strait relations.

It seems that major powers have only made marginal adjustments—including Tokyo, which has implemented over the last several years some military measure at the tactical and operational levels through R&D and weapon acquisition and organizational change. At this point Tokyo has adopted a wait-and-see approach without making any strategic decisions. The top political leaders under the divided Diet are simply unable to make any big decision and the nation as a whole appears to think of national purposes, interests, and geostrategic choices.

In the run-up process of the March 2008 Taiwan presidential election, Japanese academics and analysts produced various assessments of cross-strait relations. Yet since the inception of the Ma administration, Ma Ying-jeou's administration, there has been no further discussion in Japan on that issue, as demonstrated by the fact that there has been no significant analysis and news reports except those on the on-going story of Taiwan domestic politics and the meeting in November of the two cross-strait committees. Thus it is important to grasp the Japanese discussion in the run-up process of the March Presidential election on the future of Taiwan when considering recent evolution of Japan's Taiwan policy.

The Japanese discussion earlier this year, particularly that which involved the public, emphasized the vital strategic importance of Taiwan to Japan's national security. Taiwan is located just on the Japan's major southbound sea lines of communication and the PRC's control over the sea lines is simply not acceptable for Japan. However, this means that Japan's calculation demands just the freedom of navigation on the north side of Taiwan, not the de jure independence of a Republic of Taiwan. In addition, Taiwan occupies the number four position among the Japanese major trading partners after the PRC, U.S., and South Korea and therefore Taiwan's continued prospect as a democracy and free market is a significant factor for Japan's economic and commercial interests.

Thus, other things being equal, it is in Japan's best interest to see an independent Taiwan—even without considering historical, ideological, and even emotional attachments to the island. In reality, however, the Japanese government has

consistently taken a kind of neutral if not indifferent position in international law on the Taiwan status.

Taiwan was part of the Japanese Empire, from 1895 to 1945 and Japan gave up its sovereign rights over the Taiwan in 1952 with the conclusion of the San Francisco Peace Treaty. It is a long-held official Japanese government position that it does not have anything to say about who possesses Taiwan on the grounds that it gave up the sovereign rights and then that it must not support one country's sovereign claim over the island denying another's claim. Such a statement of inaction is surely in contravention of its obligation under the peace treaty. Since the treaty does not stipulate which country obtained Taiwan it does not belong to any country or any people, neither the People's Republic of China, nor the Republic of China on Taiwan, nor even the Taiwanese people. Taiwan's status can be determined unequivocally only by a second San Francisco Peace Conference or the equivalent of it. So, the 1972 joint communiqué between Japan and PRC stipulates that Japan fully understand and respects the PRC's sovereign claim on Taiwan—but only understands and respects. In other words, Japan has never recognized that Taiwan is part of the PRC's territory.

So, there is a seemingly insidious conflict between the Japan's strategic interests regarding Taiwan on the one hand and its official international law position on the other hand. In order to comprehend the nature of this dilemma it is necessary to realize that Japan has taken two basic approaches to cross-strait relations.

The first approach is that Japan shall pass the buck, stay out of the conflict as much as possible, and provide at most logistical and intelligence support for U.S. military operations. The second way is that Japan shall balance power by throwing its weight behind the U.S. against the PRC. The first approach, the buck-passing, is most ideal because Tokyo does not have to deal with the dilemma on its own and can free-ride on the cross-strait status quo in which the freedom of navigation in the vicinity of Taiwan and free trade with it are ensured. Yet this approach makes sense when and only when the U.S. is willing to and capable of using military power for the maintenance of the status quo. This assumption has become somewhat questionable over the last decade and may even be getting increasingly more questionable in the foreseeable future due to the on-going financial economic crisis which may hamper U.S. willingness to intervene in support of Taiwan, or may weaken U.S. military power.

The second approach, I'll say balancing power, involves a significant risk for Japan because using military power would lead to major confrontation with the PRC. Yet seeing how the Japanese defense policy has developed over the last decade it is obvious that the policy has slowly but steadily shifted toward the second approach. At the present we can see the mixture of the first and second approaches in which the second element, which is balancing power, is becoming more conspicuous.

In the first approach Japan provides the U.S. with logistical and intelligence support exclusively from the Japanese territorial space. In contrast, the second approach includes support even from the high seas and airspace as long as

Japanese forces are not around in the combat zone or as long as the support does not constitute an integral part of the U.S. operations.

In 1996, Japan and the United States agreed to bilateral guidelines for defense cooperation and in 1999 Japan enacted the “Areas Surrounding Japan Law” which authorized military action in accordance with the second approach. It is obvious, at least to me, that the bilateral guidelines are surely aimed at the PRC although the Japanese government has never stated and will never state its real intentions and objectives in that way. Certainly the “areas surrounding Japan” is not a Gibraltar concept but only a factional one and the North Korean crisis since the 1990s regionally necessitates such a guideline. Yet the same guidelines are easily applied to a cross-strait contingency as they are.

In February 2005, the U.S. and Japan concluded a joint declaration that openly treated Taiwan as a “common security concern,” a major step in advancing the second approach. It was reported that Japan, not the United States, took the initiative to include this phrase in the joint declaration. But this move, of course, should not be exaggerated because Japan has become proactive in logistical and intelligence support, not in combat missions. But given the parameters of the cross-strait status quo, Japan’s Taiwan policy could be reasonably stable with the maximum adjustment through buck passing and balancing power resulting in the changing mixture of these two elements.

The ongoing financial economic crisis has brought about great uncertainty. Should the U.S. debilitate abruptly and become far less willing and capable to intervene in a cross-strait contingency, Japan will face alternatives. In such a case, Tokyo would either have to take care of Taiwan independently, which requires Tokyo to considerably beef up its military muscles while lifting the self-imposed constitutional constraint, or Tokyo can take an accommodationalist approach to China and broker peace over cross-strait relations, especially if Tokyo is unwilling or incapable to intervene in cross-strait military conflict.

Lastly, not least, should the current financial economic crisis significantly lower the PRC’s domestic stability and thereby make it less threatening to Taiwan, Japan will certainly follow the current approach combining the buck passing and balancing power. How the current financial economic crisis will turn out is simply beyond the scope of my presentation today but uncertainty over cross-strait relations is growing quietly; cross-strait relations appear stable but are in fact very fragile. I think that’s the good summary of the Japanese perspective. Thank you.

RICHARD BUSH: Thank you very much. We’ll now move closer to Taiwan and make a stop in Hong Kong. And for that we turn to James Tang from the University of Hong Kong. James.

JAMES TANG: Thank you, Richard. People in Hong Kong are really Ma Ying-jeou supporters. He was born in Hong Kong even though I think he claims he was “made in Taiwan.” I still remember when he was elected as mayor. I took a group of

students to Taipei in part for visiting various party officers and meeting scholars and officials. And we were trying to arrange extracurricular activities for the students and we had a list of possible activities for students and 99 percent of our female students at that point had as number one, go and watch *Xiao Ma Ge paobu*: watch Mr. Ma jogging. This is how popular he was.

Of course, more seriously, another reason why I think people in Hong Kong welcomed the election of Ma Ying-jeou is the fact that the majority of people, if you look at opinion polls in Hong Kong, were basically *tongpai*—unification supporters. We, my colleagues at the University of Hong Kong, release regular polling about Hong Kong people's opinion and impressions of the handlings of Taiwan and the latest figure is about 80 percent of the people in Hong Kong would disagree with the independence of Taiwan.

But perhaps interestingly, at least for some of you here and to me also, in Hong Kong there is consistently over 10 percent of people in Hong Kong who actually say Taiwan should become independent. So this is I think interesting thing for most of you when you think about people in Hong Kong. But overall majority, overwhelming majority, of Hong Kong people are pro-unification.

Further, I think there is really a lot of support for Ma Ying-jeou also because of what he brought to cross-strait relations: predictability in cross-strait relations, resumption of the dialogue which, of course, is important for Hong Kong because if there is conflict across the strait or very high level tensions this would really undermine the economic progress and development in the region as a whole and real military confrontations from Hong Kong's perspective would be disastrous. And so we have, I think, very positive responses at the governmental level. This is the first time in the Hong Kong's annual policy address delivered by the Chief Executive, and previously under the British the Governor of Hong Kong annually, this is the first time we have actually specific remarks on Taiwan, very sort of trying to be proactive. And, of course, we also have senior level dialogue, if that is the way to put that, with our chief executive and the Jiang-Chen meeting, which is really not a summit but a meeting. And the Hong Kong Trade Development Council actually is opening its office here in Taipei—I think tomorrow will be the session for the opening of the office in Taipei. So there are a lot of activities and interests, which is really a far cry from what happened earlier.

I still remember that the University of Hong Kong was really at the eye of some sort of teacup storm when Mayor Ma was mayor and was trying to visit Hong Kong. And I think that was first time in his career to visit Hong Kong, earlier was because of his personal link and background and interest in Hong Kong. I still remember when we went to Hong Kong and gave a talk and many senior government officials all turned up at that particular public lecture. But then afterwards I think we had problems, the Hong Kong government has been very cautious about the relationship with Taiwan.

Of course this is not new, even under the British since 1950 January, at that time we still, of course, maintained a consulate at Tamsui. But for a long time Hong

Kong government under the British also were very cautious. Of course the way they handled or managed things was different, directed more by London who was sensitive to China's position, Beijing's position. Whereas with Hong Kong, after 1997, of course, government officials were very mindful of the watchful eye from Beijing and the Taiwan Affairs Office and all that. So I think they tend to be overcautious and will not try to risk creating any trouble, perhaps not only for Hong Kong but for, you know, Hong Kong's relations with Beijing.

Now, so we have always sort of major developments, commitment to increase interactions and cooperation with Taiwan, opening office and all that. And obviously one thing that I think a lot of people were asking is what actually is the impact of the three links across the strait for Hong Kong. The Hong Kong government I think has basically suggested that this is a wonderful thing. But there are a lot of people who are sort of, you know, what will happen to all this traffic now via Hong Kong; Cathay Pacific, you know, is it going to really suffer a great deal? All these people who are serving coffee in the airport, and buses, logistics, and everything. Hong Kong government official bodies like TDC, of course, have put up a brave face in public. Suggested that well, you know, there will be some impact on some of this traffic but with cross-strait relations improve more stable political environment lead to economic activity and interaction there will be far more opportunities for Hong Kong, particularly in financial management and some of these other services.

So what really is the impact, I think people are still sort of looking at it from different perspectives. And the official account I think is basically is pretty optimistic and I am not an economist so I try to pick up something from the private sector instead of the public, instead of government sources in terms of analyzing and providing a picture. And, for example, the Hang Seng Bank in Hong Kong has quite a good report on the economic impact of the improvement of cross-strait relations on Hong Kong. And they estimate total losses to Hong Kong in the worst case scenario with the three links will be probably between 0.3 to 0.5 percentage points if we use the year 2007. So it would appear it will be relatively minor if we look at that kind of figures, private sector estimates. I think it's actually because business people are very smart. Even with these kind of structural problems that everything has been channeled through Hong Kong, if you look at global trade and investment and everything that happens in the last ten years, there has been tremendous growth, and Taiwan business people have maximized the opportunities and minimized the costs as far as possible.

So, for example, we have 2.2 million visitors coming to Hong Kong and of course the majority of them just touchdown and go to mainland so they spend minimum time and minimum money in Hong Kong. So what we are talking about, even though in Hong Kong statistics over 2.2 million came to Hong Kong from Taiwan in 2007—that is quite a significant number 7.9 percent of the total of visitors from abroad, but there were one million so-called “same day visitors” so they were not really visitors to Hong Kong. So you take them away, the actual number of people who actually visited Hong Kong were only about 3.5 percent of Hong Kong's total visitors. And similarly, I think if you look at other areas like investment, Taiwan is the second largest source of FDI in Hong

Kong and the amount of gain has really increased very significantly from 1998's \$9.4 billion, to \$33.7 billion in 2006.

So actually it's quite stable. But a lot of people say that we have underestimated how much total investment there is. Because Taiwan of course you know again a lot of smart business people and then they moved their money around for tax reasons and also some other places. So again, but I don't want to belabor all that, but if you look at figures on investment, figures on trade, logistics, really they are probably not as significant as most people think, even though they are still reasonably significant.

But what I would like to talk about is really the longer term issues and people feel that perhaps if all this trade and economic investment disappears for Hong Kong economically it will not make a huge dent. The worry from Hong Kong's perspective, where it is most under threat it is not merely a Taiwan issue but, overall, what is Hong Kong's role as a middleman in terms of mainland China's economic development and particularly in this case of Taiwan. And so, of course, there are all these other suggestions and TDC for example has identified various areas where Hong Kong can still be helpful managing finances, investments. There are areas where Hong Kong can play a role in commercializing technology, applied technology, IT centers, and all that. And then they also said, well there is also a lot of scope which is happening anyway in cultural industries, in movies. Now, you think about business people in Hong Kong might be financing a movie project in Taiwan or actually they might be joint ventures and directors, Ang Lee you know, will make a movie and, you know, the cast would be, you know, Chinese actors and actresses from all over the Chinese world and money might come from different sources and the production team is also multinational in a way. So it is really partly globalization issues but partly what culturally defined bringing together people who are sort of in the Chinese cultural world. And then the TDC also suggested that there are things Hong Kong and Taiwan can work together on like fashion world, often in terms of clothing but also all these other trendy things.

But then I think to me maybe this kind of thinking is still thinking along the lines of how Hong Kong and Taiwan will work better together now that there are opportunities. But I think the opportunities are much bigger than simple direct economic opportunities, partly because I think in a way Hong Kong and Taiwan share a lot of commonalities and certain dilemmas in dealing with mainland China. Hong Kong, of course, is now part of the mainland system even though it is sort of separate at the same time but still in terms of institutions, identities, I think there is still a matter of interactive process. Hong Kong people sometimes, and cross-strait that may be true, the way we run things and institutions and values might have a positive impact on mainland China but ties to mainland are huge. And Hong Kong is very dependent on the mainland economically and also even politically. What is happening now in Thailand for example—we try to get the Chinese foreign ministry to help Hong Kong to arrange aircraft to bring our people back to Hong Kong.

If Hong Kong could increase its interaction with Taiwan that might create a bigger community, instead of just allowing Hong Kong to be a middleman. There are



tremendous opportunities for Hong Kong and Taiwan to work together. Richard Hu just mentioned different forms of CEPA between the mainland and Taiwan. Obviously it would not be feasible to have some sort of tripartite agreement but strengthening the bilateral relationship between Taiwan and Hong Kong might contribute to the creation of a more stable environment both economically and politically.

Recently, the president of the Asia-Pacific Taiwan Federation of Industry and Commerce was interviewed—this is based in Hong Kong—and he suggested that we need to reorganize, restructure, and redefine Hong Kong’s relations with Taiwan. And I think this is really quite an important point because how the relationship between Taiwan and Hong Kong should move forward perhaps we need to rethink how this happened. And I was reading some stuff about Greater China, that was fashionable I think in the early 1990s, of course, that term is now no longer fashionable. But I think the creation of a community actually has happened culturally and economically and now what is required is better coordination. And I do think there is a simple form or very rigid unified form for a political entity but you know this broader development and interaction of some kind of an area. I know in Taiwan the people who are, you know, sort of pro-unification and think of, you know, some sort of China identity but China can also be a dirty word to some other people here. But I think overall in terms of actual interaction among people with sort of shared cultural heritage and economic interests would be very beneficial to this part of the world and maybe this is time for us to really rethink and redefine and reorganize the relationship between Taiwan and Hong Kong. So I’ll stop here.

RICHARD BUSH: Thank you very much. A couple of speakers have mentioned the divisions in Taiwan over recent developments in cross-strait relations and that’s where we’re going to close. We’re going to offer two Taiwan’s views. So, I’d like to ask first Liu Shih-chung to offer brief comments. Liu Shih-chung is this year a Visiting Fellow at the Brookings Institution. Shih-chung.

LIU SHIH-CHUNG: Thank you Richard. Let me first thank Vice President Lin for your invitation for us to be here and also special thanks to Dr. Hsu for your wonderful meeting yesterday. I am very happy to be here and also to be with some of my old friends including Ambassador Joseph Wu.

Let me try to offer you a relatively different perspective to, hopefully to help our international observers to take a closer, clearer look at what is going on in Taiwan. The perspective that I am going to offer is more from domestic politics because I have a strong feeling that when it comes to cross-strait politics usually domestic politics plays a pivotal role. We have witnessed what happened in the past eight years, former President Chen Shui-bian in early in early years of his presidency kind of adopted a more moderate approach then turned rigid. Now President Ma came to power. He has adopted a policy of what I call ABC, “Anything But Chen,” especially when it comes to Taiwan’s foreign policy as well as cross-strait policy. So my assumption is that how strong or how fragile Taiwan leaders, Taiwan President and leadership are will have a huge impact—not just huge but maybe decisive—impact on government’s overall cross-strait policy.

Let me try to dissect a little bit what's on President Ma's mind. What is the strategic thinking behind his pursuing the major political agendas in the past six months as well as the next six months. And also how has he approached that, in what ways, and what are the pros and cons of that kind of a political agendas and, of course, what are the possible implications for the regions. I think there are at least four main pillars for President Ma's political agendas. I will call this also the theory of a chair with four legs.

The first pillar or first leg for President Ma is to fast track cross-strait normalization or to fast track cross-strait rapprochement. We have seen what happened in the past six months, I don't want to repeat that. But the rationale is to take advantage of his popularity, those mandates that he received from the presidential election. This notion of the 58 percent mandate he received from the election is strongly advocated by the President himself: I have received a mandate so I can introduce a lot of bold initiatives which happen to be completely different from my predecessor's. But still there is the argument, which is on the side of the cons, which is that there are different voices in Taiwan. Given the fact that the approval ratings of President Ma have dropped from 58 percent to 20 some percent. So whether he still has a legitimate mandate to pursue bold policies like he has been trying to do remains very controversial but I just want to point out this fact.

And also there are some concerns from different parts of Taiwan. I concur with what my colleague Hu Weixing described earlier: there this notion which suggests there are "one China, two Taiwans" but I kind of want to revise that to "two Chinas, one Taiwan." There is one PRC, one ROC, and one Taiwan. There are indeed divisions within Taiwan society on the pace and on the way the current administration approaches its cross-strait policy. As some of you have seen in the past couple months during one of the Chinese negotiator's visit to Taiwan. There are different voices from Taiwan and after Mr. Chen Yunlin's visit President Ma needs to admit that and try make even more efforts to try to bridge the gap and try to come up with more domestic consensus in terms of pursuing a cross-strait rapprochement. So in another way it also helps President Ma at this instance because it will help Mr. Ma to tell his Chinese counterparts, see I have another domestic business to take care of so unless you give me some goodwill it will be very difficult for an elected national leader like me to do whatever I want because I need to take into account some different voices from society.

The second pillar for President Ma's strategic thinking is to, of course, to earn strong support and endorsement from the United States, and also from other key allies in the region. And the problem is that, yes, if he does successfully receive one strong endorsement not only from the outgoing Bush administration but also from the upcoming Obama administration in terms of his efforts to reduce the tensions and also in terms of his efforts to forge or stabilize and in some way create initial institutionalization of cross-strait relations. But what are the cons of this second pillar? A lot of people have discussed whether this kind of approach meets the long-term Taiwan national interest. In some ways it does meet a lot of national interests from other countries, especially the United States, that's why the outgoing administration and upcoming administrations all

give President Ma high credit for his effort to push for cross-strait stabilization. But does that meet with the long term interest of Taiwan?

So there is still debate and also there are different voices from Taiwan that say President Ma, for example, has ruled out too many bargaining chips. For example he gave a series of international media interviews and has ruled out, if I remember correctly, the possibilities of two countries on each side of the strait and special state to state relations. He also ruled out possibility of two Chinas and when it comes to his pursuit of a so-called cross-strait diplomatic truce he also ruled out the possibility of dual recognition. So, kind of contradictory with some of his ideas, this might push him into a corner when someday he wants to engage in political negotiations with his Chinese counterpart it leaves him fewer options.

And also one of the concerns from the opposition is that immediately after he took office he pledged that his government will go back to the so-called “1992 consensus” with “one China, individual interpretations” and that kind of a reverses what the DPP government was trying to establish, this so-called Taiwan-centric or reinforcing the so-called Taiwan consciousness. So it gives international society the impression that both sides are going back to one China framework and it seems to most outsiders that things are going smoother under this one China framework. Despite the fact that, of course, President Ma has repeatedly emphasized that he is not going to sell out Taiwan, he is not going to sell out Taiwan’s government, it is a fact that what happened in the past six months are under the framework of one China with individual definitions by each side.

The third pillar, the third leg of this chair is through the goodwill gestures and also the resumption of dialogue and the re-institutionalization of cross-strait functional cooperation. President Ma hopes that his Chinese counterpart can reciprocate some goodwill in the second part of his first year in office—that is, to give more international room to Taiwan. And I recall that President Ma said that the observer status is his number one goal. Taiwan government will try very hard to get observer status in the World Health Assembly next May. But so far—even Vice President Vincent Siew and also President Ma, yesterday when he met with international media—admit that so far the government of Taiwan has not seen any goodwill gestures from Beijing on the question of Taiwan’s bid for the next year’s WHA observer status.

So what will happen if Taiwan does not get it? Will there be some sort of compromise scenarios reached between the CCP and KMT that is mutually accepted by both sides? Can President Ma use that kind of a compromise model to convince and persuade his domestic audience that this is for the interest of Taiwan? We may not be able to get observer status next year but we are making progress and that progress is based on the what he has done past six months so that give it another year maybe next year, next two years we’ll get there.

The fourth pillar, of course, is to strengthen his domestic support given the fact the economy will worsen in the foreseeable future. So President Ma will need to strengthen his fourth pillar, that is to engage in a so-called anti-corruption campaign by

sort of a indicting or detaining some of the corrupt, allegedly corrupt, misconduct by former government officials.

So I think those are four major pillars for President Ma. And if everything goes well, if those four pillars remain very solid—or even one of them is collapses, for example WHA bid is gone but still he's got three legs—that will help him to start his re-election bid and also to pursue international status. But the worst case scenario is, of course, if two of the legs or even three of the legs collapse or even shatters. For example, the WHA. That might force President Ma to talk some, engage in some sort of political radicalism with his Chinese counterparts and then cause cross-strait tensions and concerns from the U.S. So they will all affect the first and second pillars that President Ma and his government have been trying to do in past six months. So I think there are different scenarios; we would be naïve to expect that everything will go very well. Mr. Ma needs stronger support domestically and he also needs some good-will response from his Chinese counterparts. Thank you.

RICHARD BUSH: Concluding remarks from Dr. Liu.

LIU FU-KUO: Thank you. I thought Richard should give us a good summary of this to make a conclusion for this meeting, not really to summarize what our distinguished colleagues have said but most importantly as you have just heard from far away Moscow and also Japan, South Korea, and even perhaps the United States expressed the importance or maybe even of the appreciation of this improvement in cross-strait relations. We just heard Shih-chung express great concern from a domestic standpoint. We understand that currently many people are not satisfied with the performance of our President Ma Ying-jeou and also his cross-strait policy, but I think it takes some time to move along. We will continuously monitor of what our government will do.

But most importantly I would push your perspective slightly in the way of Taiwan and we should look around the region as we are talking about the implication for the region and I am so very happy to hear that Japanese, Korean, and Russians and even Weixing representing the Chinese perspective really highlighted that this direction is right for Taiwan because I think we have just faced this threshold this year and we are now testing whatever it may be for Taiwan but I think it is a great challenge for every one of us in Taiwan.

I would not spend much time because Richard just reminded us that we have a Q and A session coming up and I will leave most of the questions to all of you to ask or to make remarks. I will have just two very simple questions which may lead to current status of what exactly Taiwan is now waiting for or preparing for.

The number one question I would like to share with you is, what does Taiwan expect from China? Looking from this particular question we learned that both sides just finish the Chiang-Chen meeting last month already clearly there are maybe more than ten important issues to be discussed for the next Chiang-Chen talk. We

consider this is a increasing importance of the direct dialogues across the Taiwan Strait so perhaps we should be more serious about how we are really waiting for or maybe expect that China can response. So I think the number of issue is that we should really work through these important processes from the non-political issue, step-by-step, and increasing mutual trust because we do not have mutual trust between Taipei and Beijing at this moment. If you talk beyond anything it is really impossible not just about simple political issue even those functional issues will have to be solved through serious discussion.

The second question I would like to share with you, we really need to ask it, what can Taiwan hope for? And I think Shih-chung pointed out quite rightly, I do not have any different opinions from this. But I think we ask quite rightly. We can not just sit here and wait for good gestures by Beijing. We perhaps need to take more proactive actions from the university, from the research institute, and also from many people to start thinking of how exactly we can come up with something that we can really put forward on the table to negotiate with China because apparently they talk about WHA, talk about the UN, talk about other places. We have many voices in our society but we do not have an integrated one. So the number one thing, I believe, is that we need to have integrated consultation and perhaps eventually come up with something that we can really tolerate in our society, we can accept it across the Taiwan Strait and we put forward for this formula then we can go forward step-by-step. I think many, many friends surrounding Taiwan are currently encouraging us to go forward. But I think in every inch forward we have to be very cautious because we are vulnerable at this particular time.

I will share these two questions with you but in the interest of time I will save it for the Q and A. Now let me return back to Richard. Thank you.

RICHARD BUSH: Thank you very much. I would like to thank each of the panelists for their presentations. Now we'll throw it open for questions. If you have a question please identify who it's directed at. Dr. Vorontsov in the back.

QUESTION: Thank you, Richard. Alexander Vorontsov, former CNAPS fellow. Thank you, all participants. I would like to pose one question to our Korean colleague. Korea and China-Taiwan both divided nations so in a sense there is a matter of comparison. And it is to some extent mutually influential and connected to the Northeast Asia region's stability and security and just now we have an interesting case of development in both countries. I think that coincidentally but approximately simultaneously, both in the Republic of Korea and the Republic of China a lot of changes took place. New presidents came to power, and both of them considerably changed their policy toward the other part of the nation. And even Ma Ying-jeou changed the cross-strait situation positively trying to increase the consultations and to decrease tension, trying to reopen dialogue and so on and so forth. This type of effort is supported by all countries and all parties involved.

In the Korea peninsula, unfortunately we can see another situation when due to some practical steps of President Lee Myung-bak's administration inter-Korean

dialogue stopped, inter-Korean relations are deteriorating rapidly, and it has reversed the direction of development. In the Taiwanese case we have the emphasis on good relations, in the Korean case to deteriorating relations.

And if we remember very recently the previous president of Taiwan, Mr. Chen Shui-bian, often was named as a troublemaker in the region and just now Mr. Ma Ying-jeou is a peacemaker in the region. In Korea once again there is a different situation. Before, Mr. Kim Dae-jung, for example, was recognized and he received the Nobel Prize for Peace and he was a peacemaker. And just now Lee Myung-bak maybe, to my regret, has a chance to become the troublemaker in the region. My question is, can the positive development of the situation in the Strait improve to some extent the situation in the Korean peninsula and to moderate maybe some policies of Mr. Lee Myung-bak's policy toward North Korea. Thank you.

JAE HO CHUNG: Thank you for the question. I think you are right. Quite the opposite is happening and I think the former President Chen Shui-bian is now under investigation and brother of former President Roh Moo-hyun is now even being investigated for certain charges. The ABC, anything but Chen Shui-bian, policy is being implemented and I think to a certain extent ABR, anything but Roh Moo-hyun, is being implemented in Korea. So there are a lot of comparative study, comparative research to be done between Taiwan and South Korea.

But your question, going back to your question, that was actually my fourth point in my presentation, whether or not there is going to be a contagious effect. My answer would be in the negative. I do not really think, unlike in the 1980s when there was the democratic transition in Taiwan it immediately had a contagious effect on Korea in 1986-1987, and even on the People Power in the Philippines. There is a contagious effect in terms of political movements in East Asia but I don't think anything would be happening now. I don't think we Koreans look to Taiwan or Taiwanese look to Koreans for such an inspiration for political change. So I don't think a contagious effect will take place in the context that you just refer to.

RICHARD BUSH: If I could just add a comment. I think that the big difference between the two situations is the level of economic interdependence between China and Taiwan is vastly higher than the miniscule amount of interdependence between North and South Korea. Who has the next question? Paul Hsu.

PAUL HSU: Thank you. Well, first of all, I have to say I'm coming from a totally different perspective. I'm teaching at the Cheng-ta in the class of introduction of developing a new business model for the service sector, so I'm always thinking about business models. So I'm thinking about, you know, maybe all this discussion puts too much emphasis on, you know, who is the leader or the leadership issue. Or the rise and fall of power, rise and fall of leaders. So I want to introduce a different concept. I say, okay, borrowing the word of "high ground" in the multilateral relationship, we talk about moral high ground, we can talk about lifestyle high ground, we are talking about perhaps corporate government's high ground, we can talk about all kinds of high ground. In other

words, what I'm trying to say is in the cross-strait relationship, is there anything that we can search for quality of society which can be attractive to another society?

And I'm not saying that Taiwan is greater than other societies, but there is something that we need to search for. For instance lifestyle in Taiwan, for instance a pluralistic society in Taiwan, the right of criticizing each other in Taiwan. When we can put all of this together and see what is needed in the future development of China or what is needed in another society and then we come back to distinguish Taiwan's value and then what I can call soft power of Taiwan whether we can put this in the higher ground and enhance the cross-strait relationship or enhance the relationship with other countries.

One thing, one example, maybe this is too abstract: there is very important phenomenon happening around the world that is the rise of emerging markets. Now whether Taiwan can put herself in a position to play a bigger role in the emerging market is based on Taiwan's economic development, social developments of past 40 years and come up with the real contribution to the emerging market. So I think we should not, you know, restrain ourselves in the political analysis of which leaders and all that which do not have too much expectations. Once every four years we'll have a new leader and we put our energy either against him or for him. I find it rather wasteful. Instead we should devote ourselves on more long term perspective of Taiwan's relationship with other countries.

RICHARD BUSH: Does anybody want to offer some suggestions briefly?  
Richard.

RICHARD WEIXING HU: I think Paul's is a very interesting question although it is a very abstract concept but it is very forward looking, it is a 22<sup>nd</sup> century concept. I think that so far the moral high ground or quality of society concept has not appeared or maybe it will in the future. But to use international relations theory in this theory. And this is also something that has puzzled the mainland leaders and scholars and elite people there and how we can re-conceptualize future cross-strait relations. And the moral high ground or lifestyle high ground or whatever depends on the degree of exchange and interdependence we can develop across the strait. And I think that if you read Hu Jintao's Taiwan policy, I think he is pretty forward looking. There is a big difference between his policy and Jiang Zemin's policy. So he tries to move the cross-strait relations to the next stage which is peace and development, *heping fazhan*.

I translate *heping fazhan* as "peace and development," not "peaceful development" because that implies the two sides need quite a long transition period, we need to shelve our disputes and focus on both sides' development and in a peaceful environment. And so Hu Jintao's policy when written down in the 17<sup>th</sup> Party Congress Report he tried to water down any direct reference to *tongyi* - unification. He didn't mention that, he tried to water down that concept because it's too far away. This could be this could still be ultimate goal but so far in the foreseeable future it is not feasible.

So he used a very abstract concept like *shengming gongtongti*, “community of common destiny,” something like that. So I think it is a good concept to ask both sides to look forward, because both sides have imagery problems about the other side and there are three type of images. First, winner-loser imagery. So in these cross-strait relations, who is the winner, who is the loser? If you are focused on the sovereignty issues there will be a winner and a loser. And if you are focusing on non-state actors, then probably there will be a win-win situation to use the IR concepts. The cross-strait relations, I would say both sides especially non-state forces, NGOs, the societal forces, and civil society forces need to be more involved and especially on the mainland side this should be more encouraged to get involved in cross-strait relations so we can construct what we call common public space across the strait so that will dramatically fundamentally transform cross-strait relations. Thank you.

ALEXANDER LUKIN: I was very much interested in this question because it was rather philosophical, so I present some philosophical answer. My comments will be not Russian comments but maybe as a general political scientist, you see also it must be a bit distorted because I am a China expert originally.

Well, I think Taiwan is a great place but its greatness exceeds its own territory because, for example, if we take Taiwan’s economic miracle, it’s very important for the Taiwanese people but it’s important for the world also because now many studies now show that the mainland Chinese people, Deng Xiaoping himself, used the Taiwanese experience. For example, the idea of *xiaokang* was obviously taken from Taiwan, maybe even from the writings of some Taiwanese leaders who used them before.

So it is not only important for the Taiwanese people but it is much more important from the point of view its model is used in such a huge country as China. So now that Taiwan is democratic miracle it’s the only place where Chinese people even live under a democratic model and if it is used in China, this model, it will be also very important for entire humanity, I will say.

So if we compare two missions that Taiwan may choose in the world, one is creating a separate small relatively prosperous and democratic state and if we compare this mission with the mission of, let’s say making the entire China a more decent place in the world, I would prefer the second mission because it is more important for the entire humanity. So from that point of view I would say that Taiwanese soft power, as you say, should be used in China. And from that point of view, of course, more cooperation more knowledge in the mainland about Taiwanese experiences is needed. So I would prefer this mission in Taiwan but of course it is the choice of the Taiwanese people.

RICHARD BUSH: I think that is quite a profound answer. I would only comment that right now Taiwan’s democratic system doesn’t work so well.

[Laughter]



And so, I mean this is part of the evolution of democracy, that they have to be consolidated and perfected. And this is not just a Taiwan problem, it's a South Korean problem perhaps, and an American problem. But a better and more effective Taiwan democracy does then become very appealing to people in China. Let's take another question.

ALEXANDER LUKIN: I just want to say one word: we come from different backgrounds, you see.

[Laughter]

Someone just said that the United States is studying from the some Taiwanese experience but you know for some people it may be not very appealing for other people it may be quite appealing.

RICHARD BUSH: Let me take a question over here. Yes.

QUESTION: J. Michael Cole from the Taipei Times. My question is for Mr. Liu. What do you think will be the domestic implications of President Ma Ying-jeou's announcement yesterday that he would not allow for a visit by the Dalai Lama to Taiwan next year and what do you think this means for the sovereignty of Taiwan?

SHIH-CHUNG LIU: That's a good question. Two parts. First, I would like to go back to Paul's comment a little bit, I hundred percent agree with you. And I also concur with Richard's comments that institutions play a pivotal role in terms of constraining the leadership's mindset. If, from the current administration's concept, the former president or former government is a bad example, then they should capitalize on that and kind of incorporate more societal thinking as you just propose. But because of institutional constraints, there is pressure on the democratic leader, he wants to come up with some score cards. So often times, they also pay attention to those kinds of politics. I'm sure that there is a bottom up approach and through years and years will come out with some result.

The Dalai Lama issues: what President Ma said, if I read today's Taipei Times correctly, there are two phrases. One is that when asked whether Taiwan will welcome his proposed visit next year, President Ma said that he welcomes any kind of spiritual leader from the world, right, but in the second part he said that the timing is inappropriate for his visit next year. My understanding is that, in some way this goes along with these four pillars that I just mentioned to you. He has made tremendous effort to make cross-strait rapprochement in the first six months, the and the next six months happen to one of the most critical moments for him in terms of consolidating his leadership and in terms of pushing forward his re-election bid. So if anything goes wrong he's got some visible, some outcome troubles for example with WHA and also if the Dalai Lama visits Taiwan next summer or autumn for example, who knows what kind of cross-strait relationship will come at that time.

So, first of all, I don't think that is a very good answer to this kind of question. I mean, democracy should be a universal principal, not to mention President Ma is a democratically elected president. I remember that when he was elected he was asked quite the same question, and his response was that he will welcome the Dalai Lama's visit. So there is always this political nuance attached to this question he was asked yesterday. I don't know if that has something to do with his intention to bypass the sovereignty issues after he has becomes president but in many occasions he did re-emphasize one—I'm not defending him but yesterday he did reiterate that he's the president of this country and he won't sell out Taiwan's sovereignty.

So I'm sure it takes both domestic pressures—pressures from society to the national leader—when he tries to force such a vote or to some extent an immediate outcome result of cross-strait rapprochement. I have worked for a president before and I know that the more the president speaks, the more mistakes he will make. So I would suggest maybe he should stop accepting any kind of media interviews for the next couple months, otherwise he's going to continuing making mistakes in terms of responding to media questions.

QUESTION: This question is for Mr. Liu Fu-kuo. You just mentioned that Taiwan cannot just sit there and wait for China's goodwill, and we should think about what we can put on the negotiation table. My question is this, I try to assert that in Taiwan [inaudible] not to mention that Taiwan is currently divided, as China is becoming more and more powerful politically and economically, what bargaining chips does Taiwan have at the negotiation table?

LIU FU-KUO: Thank you for taking up this particular question. My point was trying to suggest that Taiwan at this moment needs to take a more proactive action which we haven't seen from this government. And that was one of the reasons why many people were not happy with the stage the government has taken. But talking about how much we could do and also where is Taiwan's bargaining chip, I can tell that in front of mainland China, Taiwan does not have many bargaining chips. But the important thing is, looking from Beijing's perspective, they're also worrying about something happening because the rest of the country has more problems challenging the Beijing regime.

So they want to stabilize the relationship across the Taiwan Strait, so with such a similar concern shared by two governments I found that we need to take a more proactive action to discuss, negotiate, or even put forward to do the same research together so that we may be able to come up with some common formula for our problem. But I see that it is very difficult at this juncture. Both governments are facing the financial crisis, but I can see that there is a good chance because after the second round of the Chiang-Chen meeting, already cross-strait financial cooperation has been put forward as one of the important items. And I do believe in the next five, six months time there will be some important issue or pressing issue for China and Taiwan to solve together. So maybe some important issue will pop-up and then those government will do something.

But another proactive action from the Taiwan side would refer directly to domestic consensus, because for any solution that is discussed from outside, we need to really have domestic consensus. At least, if not at this moment from political forces within Taiwan but at least from thinkers like us, even if perhaps we have different understanding or preference of our political party, at least we understand that we need to work together, share different views, and understand our differences, then we can perhaps proceed with such formulas. So this is what I can offer to you. But once again thank you for your question.

RICHARD BUSH: Erich.

QUESTION: Erich Shih with Peking University, and a former CNAPS Fellow. This is a question for all of the panelists and first of all Mr. Shih-chung Liu mentioned the four pillars and its downfalls; and also Fu-kuo Liu mentioned the lack of clearly defined goals for Taiwan's cross-strait relations policy. So the question is, I guess one way we can look at it is that President Ma's cross-strait relations policy does not have enough transparency. And do you think, for all of the panelists, for something as fundamental and as important in Taiwan's case cross-strait relations, do you think public debate is important in terms of bridging the gaps between different opinions and therefore come up with a policy?

SHIH-CHUNG LIU: Great question. I would strongly suggest President Ma to go back to the policy adopted by former President Lee Teng-hui: "no haste, be patient." Right now, what I'm seeing is tempo adopted by two sides but not entirely. My feeling is that the Chinese might feel that President Ma is pushing too hard, like okay you've done good enough the past six months and then you want more in the next two months, like WHO. And for the Chinese decision makers they need more time to digest that and need more time to watch the words and deeds of President Ma.

It is also my understanding that there is intensive debate within the Chinese decision making circle that maybe the Chinese side is making too many concessions to the Ma administration. And given the fact that Ma's approval rating is constantly dropping, perhaps there is a chance that DPP could come back. So, if right now Beijing makes too many concessions, what happens if the DPP comes back three and a half years from now?

But also there is another line of thought in Beijing arguing that we should take this moment, and that the Taiwan government wants to make more concessions, so why don't we cooperate with the Ma administration and establish a framework. So even if the DPP comes back in 2012, 2016 still the DPP will try very hard to dissolve that framework. I think there is still intensive debate going on within Chinese decision making circle.

I would suggest that because there are different system across the strait—one is democratic, the other one is still authoritarian, plus Taiwan's president is democratically elected, he's got four year term re-election pressures. I really don't want to

see President Ma walk down the same path of his predecessors but sometimes it's not something that he can decide. I mean, next year, I mean next summer, he needs to come up with something maybe two pillars or three pillars as the driving force for the start of his re-election bid and for the start of the next local elections in December. I think he has all these political agendas in mind but he needs more cooperation from his Chinese counterparts otherwise he is going to be in big trouble in next summer.

RICHARD BUSH: Joseph Wu.

QUESTION: Thank you very much Richard for coming to Taiwan and it's always very nice to see you here in the Chengchi University family. I think this is an awfully good opportunity for the audience to ask Richard some question but I was very disappointed that nobody asked you any question so I'll do that by asking you one question.

President Ma's popularity has been chipped away by some of the things that he has been doing himself or what the administration has been doing. Just to give you a couple of recent examples: "Cape No. 7" was banned or temporarily banned by the Chinese government and the GIO director said that, well, we'll negotiate with China. And a lot of people in Taiwan were reacting like, what? And yesterday President Ma also said that the timing of the Dalai Lama's visit to Taiwan is inappropriate and actually the international community in Taipei is reacting like, wow. And just a couple of days ago, we saw Chiou I-jen, former secretary general of the National Security Council, appear on television and his hair was shaved and he was handcuffed and actually this is causing some cautions in the Taiwan polity and therefore Ma's popularity drops and this has something to do with his own deeds or the deeds of the Ma administration.

But I think I saw somewhere that you were quoted, I think it's the Taipei Times, that you said that Ma administration needs to handle the sovereignty issue with caution and I hope it's the right quote. And to me those little things cannot compare to those bigger issues like the sovereignty issues. And sovereignty issues indeed it is a very serious issue and what we saw, a lot of people saw, what the Ma administration has been doing in the sovereignty issues with a lot of concerns. And since you mention that Ma needs to handle sovereignty issues with more caution, I hope you can elaborate on that and I'm sure the journalists over here will benefit if they can have a nice quote from you.

RICHARD BUSH: I think because the journalists are waiting on my every word that I'm not going to go beyond what I said. I think it does relate though to the previous question. As I said in my talk yesterday, these issues are too important not to be addressed in a serious way by all the political forces in Taiwan. It's not for me—an outsider—to say what the answer should be and what the tactics should be in addressing them. I just know that they are issues and there is a lot at stake and so they should be treated seriously, but I'm not going to go any further.

The gentleman right here.

QUESTION: It seems like there is a tension between the degree to which Ma Ying-jeou should be pushing or has he pushed too much already, when to step back, and also at the same time to take advantage of this momentum and increase the development of cross-strait ties.

We heard from Hong Kong that there is a need for more specific talk, more negotiations, this isn't going to be a case of give and take and we can't wait for a tit for tat kind of thing, so it sounds like implied favors are not going to be present here. And at the same time we've also heard from Hong Kong that there needs to be a long transition time, some time for both sides to come to terms with increased relations. And then we've also heard from Taiwan that there needs to be an integration of all these different voices from Taiwan making a more uniform kind of platform or request.

And so my questions is if you could let us know who is doing this talking now in Taiwan, are there platforms where the different voices are coming together and trying to develop a uniform kind of request or what kind of things are being brought to the table to the talk with China? And what kind of negotiations are being made? And if there's nothing right now being done, when will that happen, who is setting up these kind of talks? Would this be governmental or nongovernmental organizations? Is there some kind of unified voice or where will that voice come from?

LIU FU-KUO: Thank you for this very profound question. I may not be able to answer you in the few minutes time. But very importantly, as you pointed out, number one, currently our government, as you have observed while you are in Taiwan, there is no single platform encouraging such a domestic consensus across the board. Even now a newspaper has suggested that President Ma Ying-jeou was hoping to see Dr Tsai Ing-wen, chairman of the DPP, but this meeting so far hasn't taken place anywhere in our society.

And I think there is a serious problem that lots of people have not looked into. The serious problem that I see is that DPP, even if there is a chairperson, her leadership is questioned by many others. Unfortunately after losing the election the DPP hasn't really come up with strong leaders to consolidate their opinions. In our democratic society you can agree with something that you cannot really disagree with the certain understanding which should not go beyond the line. Currently, even if Tsai Ing-wen would really like to talk to President Ma, there is some force which rejects the ideas so this is also one of the reasons why I found that there is no clear leader. I personally hope that Tsai Ing-wen can really strengthen her position in the DPP and then take up such an opportunity to talk to President Ma.

Another point I would also like to suggest, as you just mentioned. Look around the region. I found that currently even with the numerous different opinions in Taiwan trying stop or slow down the pace to engage with China. But I found that, as you pointed out, this particular work, momentum across the Taiwan Strait is now taking off. Nobody can really stop this momentum. And I hear from foreign friends, on political,

economic, social, and cultural issues we need to go ahead but the question is how exactly we may be able to manage these in the best interest of Taiwan.

And the third point I would quickly touch upon, perhaps related to Ambassador Joseph Wu's earlier questions, whether this development already shows that Taiwan is now losing sovereignty. And I found this is perhaps a very abstract question to society because every step forward, even policies, would have to be agreed by our legitimate institutions, which means going through our Legislative Yuan to endorse such things. So for agreements agreed upon and signed in the second Chiang-Chen meeting, already we need to them forward in the Legislative Yuan it would have to go through a formal process. I could not really find any possibility that anybody Chen Shui-bian, Ma Ying-jeou, or anybody else is going to sell Taiwan sovereignty, so I do not believe this thing is going to happen.

SHIH-CHUNG LIU: I personally don't think this political talk between the leaders and the opposition party will work. I don't think that is going to help. The issue is for the leaders of the different parties to have dialogue with people. I strongly recommend President Ma to restore his so-called "long stay" and spend a month in the countryside and explain why he missed such efforts in the past six months to sort of engage with China, and use the language the people understand. Politics is about power of persuasion it is not about power of just doing whatever I want.

Also to the DPP, the leader of DPP needs to again dialogue with the people about why they have criticized and played some kind of disruptive role in terms of stopping closer cross-strait interactions. They need to come up with legitimate reasons, new reasons. So I think dialogue with the people is the crucial thing, no matter in what form but sincerity is also very important.

RICHARD BUSH: Thank you very much, we've gone over time but we've had a very substantive discussion. I would like to thank each of the presenters on the panel for stimulating that discussion with your outstanding presentations. I would like to thank the members of the audience for your outstanding questions that produced the dialogue.

Finally, I want to thank National Chengchi University for your hospitality, Liu Fu-kuo for his hard work, Vice President Lin for your support, and Paul Hsu and the Epoch Foundation for all you've done to make our visit successful. The meeting is adjourned, thank you.

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