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CENTER FOR NORTHEAST ASIAN POLICY STUDIES

UNTYING THE KNOT: MAKING PEACE IN THE TAIWAN STRAIT

A Discussion with Richard Bush
Monday, September 12, 2005

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[TRANSCRIPT PRODUCED FROM A TAPE RECORDING]

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PROCEEDINGS

DR. HUANG: Welcome, and thank all of you for coming to this event.

We all know Dr. Richard Bush who, in my view, is one of the most knowledgeable and well-respected scholars on the Taiwan issue. That he is the most knowledgeable is self-evident--just look at the books and articles and papers he has published, and we all have learned a great deal from them. He is well-respected, in my view, not only because he has long years of service in the U.S. government, but also because he really cares about Taiwan, cares about peace and stability across the Taiwan Strait, and cares about how to find a way to eventually solve the Taiwan issue peacefully. Because of that, in my view, his analysis of the Taiwan issue is very objective and very thorough and very fair. I believe all of us, including myself, have learned a great deal from his writings and his studies on this issue, and we'll continue to learn.

So it is my great honor to introduce Dr. Richard Bush.

[Applause]

DR. BUSH: Thank you very much. Good morning to you all. Thank you for coming. I'd like to thank my friends in the communications department for arranging this event. They always do a terrific job. And thank my colleagues at CNAPS for their assistance, and particularly thank my good friend and colleague here at Brookings, Dr. Jing Huang. Dr. Huang is helping Brookings build up its capacity on the study of China, and we're very lucky to have him.

I have been at Brookings for a little over three years. *Untying the Knot* is my first book here. I wrote it in order to try and better understand why this problem, the Taiwan Strait issue, is so hard to solve. You might think that it wouldn't be, since the people involved are all ethnic Chinese, with the exception of several hundred thousand aborigines, and there is just an immense amount of economic convergence going on. And yet, on the political front and the security front, it can be quite hostile.

You'll note I said the "Taiwan Strait issue" and not the "Taiwan issue," or the "Taiwan problem." When I was a diplomat working as the chairman of the American Institute in Taiwan, one of my Taiwan counterparts said, "Don't say 'the Taiwan issue.'" We're not an issue. We're not a problem. We're Taiwan. We're constructive. So I said, okay, I'll say "Taiwan Strait issue"; is that okay? And he said that's fine.

This business with words applies to the title to my book, too, the trouble you can get into. The phrase "Untying the Knot" is drawn from a Chinese expression that he, or she, who tied the knot should be the one to untie it. So that seemed like an interesting title to use for a book like this. Not too long after it was published, I was down with my parents in Texas and my mother had a copy of the book on her coffee table. And a friend of theirs was there and he happened to be a family lawyer who handled divorce cases. And he said, "What's this about? Is it about divorce? You know, tying the knot, untying the knot."

[Laughter]

DR. BUSH: As I said, this is an issue that's a paradox, because on the one hand you do have a number of reasons why you'd think that it would be easy to solve. The main one is the convergence that's going on economically. Since the mid-1980s there's been a significant growing interdependence between Taiwan and the mainland as Taiwan's internationalized companies see the Chinese mainland as their answer to remaining globally competitive. They have made at this point probably over $100 billion worth of investment in mainland operations. With that has flowed a lot of trade; with that has flowed a movement of people, and a lot of social and economic intercourse.

At the same time, as I said, there's a lot of political hostility. This would be, I think, a question of intellectual curiosity only if it were not so dangerous a situation, for this is one of those disputes that one can plausibly imagine might erupt in military conflict. And in fact, there have been times when the U.S. government has worried that it might erupt in conflict.

There was a point in the summer of 1999, when I was still with the American Institute in Taiwan, when then-President Lee Teng-hui made some remarks about the status of Taiwan that had China very upset. China then began to fly its fighter aircraft rather aggressively in the Taiwan Strait, and Taiwan flew its aircraft in the Strait rather aggressively in response, and nobody intended that there be a fight, but one could see some kind of accident occurring. I was sent to Taiwan to express our concern. Colleagues of mine were sent to Beijing. A few months later, there was an election in Taiwan and it appeared that perhaps the Democratic Progressive Party, which had in its charter the objective of Taiwan independence, might in fact win. I was sent again to clarify the position of the U.S. government about that election and the policies of whoever might win.

In fact, Chen Shui-bian, the candidate of that party, did win, and I was sent, along with a former congressman boss of mine. I accumulated a lot of frequent flyer miles during that period, which, when I came to Brookings, I was legally allowed to bring with me.

And so this is not an issue of purely academic interest. And it, again, raises the question why is it so hard. If one wanted to solve it, what would you have to do? Even if one wanted to just keep it stable, what's going on here? If one wanted to prevent this from becoming a crisis, what's going on here that you have to know about? Because if you don't understand the nature of the problem, at some point you're going to screw it up.

I would note for the academics in the audience that this is a really interesting example, a really interesting test, of the debate between realists and neo-liberals— which is more important in determining outcomes in international relations, economic relations or contests for power? It, in a way, also parallels a similar dynamic between the United States and China.

In my book, "Untying the Knot," I explore first the hypothesis that what is going on here is simply a clash of goals, that China's goal—that is, the completion of the unification of China, an objective unfulfilled since the 1940s—is quite different from the goals that Taiwan's leaders have pursued from the 1990s and that Taiwan's leaders, Lee Teng-hui and Chen Shui-bian, have

in effect been pursuing—what you might call mutually—the permanent separation of Taiwan from China. Chinese leaders would say that what Taiwan's leaders have been pursuing is Taiwan independence.

Now, I take a different view of what Taiwan's leaders have been about. It's a fairly complicated argument. I explain it in some detail. It's a very good sleep aid—I urge you to buy the book. But let me give you the short answer to it.

What is going on, I think, here is that the two leaders are in some way talking past each other, or they're talking about different approaches to national unification, or different issues in national unification. China has talked consistently about its approach, one country/two systems, in which you have a central government which remains the exclusive sovereign and you have entities—Hong Kong, Macao, and, Beijing hopes, Taiwan—which would become special administrative regions which have a high degree of autonomy, which run a lot of their own affairs, but which do not possess sovereignty, which have a kind of home rule. And that is, in one way or another, what Beijing has consistently offered Taiwan.

Taiwan consistently has rejected that idea, and with a broad consensus across parties. And as I read it, Taiwan has always taken the position that we possess sovereignty—we're not going to be like Hong Kong—and that the Republic of China has existed, and if there's going to be unification, it has to be on those terms. Now, this gets wrapped up in very arcane debates, it gets expressed in very complex language, but I think ultimately it comes down to this.

And so the difference, I think, is over this issue of the legal status of the Taiwan government. The debate becomes—in a way, it's not whether Taiwan is a part of China, but how Taiwan is a part of China. Or more precisely, whether the ROC government, or how the ROC government is a part of the Chinese state. The unfortunate thing, I think, is that China has been misperceiving Taiwan's opposition on the "how" question as a kind of separatism or secessionism, and that creates the basis for a dangerous situation.

So having looked at this background, I then explore in more detail what's the nature of the problem. For the purposes of analysis, I distinguish between a couple of substantive issues and then what I call several aggravating factors.

The two substantive issues are what I call sovereignty and security. Sovereignty is really an extension of what I've just been talking about, and that is the legal character of the Taiwan government and whether there can be a national union that preserves Taiwan's claim that it is a sovereign entity, whether sovereignty can be shared or whether there can be a China with dual sovereignties. Now, obviously, there have been examples of national unions composed of sovereign entities. That's how the United States started out. That's what the European Union is. These are not easy entities to construct. They're very difficult to maintain. But they do exist.

And in fact, if one looks at ideas that have been put forward by political leaders on Taiwan, one finds that they have proposed this sort of approach. Both Lien Chen, the honorary chairman of the Kuomintang, and even Chen Shui-bian, the president of Taiwan, have been talking along these lines. There is an understanding that China is there, there is an understanding

of a need to think about approaches to national unions that would fit Taiwan's interests. China has so far rejected these approaches. One hopes at some point that they would be more open to discuss them. I do have some concern that Beijing might fear discussing them because it may feel that it goes to the nature of political power within the communist system itself, that discussion of shared sovereignty or dual sovereignty calls into question, or might be seen to call into question, the legitimacy of the Communist Party itself.

The second issue is what I call security, and that is the growing militarization of this dispute. China is modernizing its armed forces gradually but systematically. As a result, Taiwan is growing less secure. China is modernizing its military because it fears political initiatives that Taiwan might take that would fundamentally challenge China's interest. Taiwan is in certain respects taking steps to make itself more militarily capable, but as we know, there are a number of other steps that it is not taking, that it probably should be taking, to make itself more secure. This is creating what scholars call a security dilemma, and it is also deepening serious mutual mistrust between the two sides. And it creates a fundamental question. If one were to try and solve this problem, how would one cope with the arms on both sides? China's not going to stop increasing its military power even if there were some kind of substantive resolution to this dispute.

Those are the two substantive issues. Then there are four aggravating factors. These are, briefly, first of all politics on each side. And let me sort of run through that. In Taiwan, I think that this has three elements. First of all, the formation of Taiwanese identity, and this was created in an ironic sort of way through decades of Kuomintang repression. And as a result of that oppression, people on Taiwan came to think of themselves as a separate people. They came to mistrust outsiders. They came to fear traitors in their midst. And so they, at least some of them, came to worry very much about actions of new outsiders, China.

Now obviously this is a complicated issue today. Some in Taiwan still feel themselves very strongly to be Chinese. Many feel themselves as both Chinese and Taiwanese. They have a kind of mixed or ambiguous identity. People's sense of identity varies over time. Sometimes the Chinese sense of identity is stronger; sometimes the sense of Taiwanese identity is stronger. I think it varies according to circumstances. It can vary according to generation. But the important thing is that this sense of identity does affect the freedom of action of any politician, any leader who would try to negotiate any kind of solution to the Taiwan Strait issue.

Second, politics matters in that you have in power today a party that for many years was the opposition party in an authoritarian system. It did not have the opportunity to learn how to rule, and that has a whole bunch of consequences, and it has suffered ever since it came into power as a result of that.

Third, although Taiwan has the formal institutions of democracy, it is in some respects a dysfunctional democratic system. And it is sometimes not able to make the decisions that it needs to make for the best interests of the people. Witness the gridlock that is occurring concerning the special budget on arms. So why does this matter in terms of untying the knot? It constrains the choices of leaders who might have to negotiate any kind of solution.

The second aggravating factor are decision-making systems in both systems. These tend to be centralized, they tend to be stove-piped, they tend to sometimes misperceive and miscalculate. And so you sometimes get distorted decisions on both sides that can complicate the efforts of leaders to deal constructively and wisely with these very complicated cross-strait issues.

The third aggravating factor is the leverage game that is played in the international system. Each side is competing to increase its number of diplomatic partners and reduce the number that the other has. Taiwan is trying to expand its international space and Beijing is trying to restrict it. This is a game that goes on all the time. It's a zero-sum game. How does this affect the effort to negotiate any kind of settlement? It means it has the impact of undermining any trust that is built up in negotiations. Negotiation is an effort to build win-win solutions. But that is very difficult if you have a zero-sum game going on at the same time.

Part of this leverage game is the effort to compete for the favor of the United States. This is a game that has gone on for a number of decades. Taiwan has played this game with the Congress; both play it with the executive branch. The impact it has is that it's sometimes hard to negotiate seriously if you think that the United States can solve your problems for you.

So that's the problem. That's the nature of the problem as I see it. I've summarized a very complicated situation in just a few minutes and not very well. And, as a late professor of mine once said, so what?

If you're a policymaker looking at what to do about it, you try and do a couple of things. First of all, you look at the substantive issues and see where the middle ground is. What can you do to try and find the overlap where the two sides could both achieve their objectives? One version of this that we have seen repeated a number of times is, well, let's just figure out what each side fears and deal with that. And so Beijing fears that Taiwan is going to declare independence and Taiwan fears that Beijing is going to use force, and so each will make a pledge that the other is not going to do what the other side fears.

What I've been looking at is somewhat different. It's more the issue of sovereignty and it's the issue of long-term security.

With respect to sovereignty, I've given enough hints, I think, as to how that might be addressed. And that is are there national unions that are composed of sovereign entities? And yes, there are. As I've indicated, they're very hard to construct, they're very hard to maintain. They have to be extremely well negotiated. But what I'm thinking of fall under the term "confederation." And in fact, different parties in Taiwan have expressed a positive attitude towards those. It is China that has not, for reasons that we can speculate on.

I would argue, though, that sooner or later the Chinese Communist Party is going to have to address the problem of dual sovereignty, that China is too large a system to be ruled by an exclusive central sovereign, that it will have to look more extensively at the question of sharing power, of sharing sovereignty at lower levels. It will have to address the question of shared sovereignty. And so Taiwan, in a way, is really the thin end of the wedge. It's the first of many

questions of the same sort. And perhaps now is a good time to start thinking about what is really a big and fundamental and unavoidable question.

On the issue of security, there has actually been less thinking about this. Some people have suggested the idea of confidence-building measures. Confidence-building measures, in a way, as they've been used in other places, are more to regulate the behavior of forces in being, not to deal with the levels of forces. Arms control is more what is needed to limit the levels of forces per se. I think if Beijing were to take steps that would reassure Taiwan about its long-term security, Beijing would have to enter into some kind of arms limitation with respect to systems that would pose a direct threat, and these particularly concern ballistic missiles and so on. I think confidence-building measures are necessary, of all sorts. But this also includes American security guarantees to Taiwan. This is a very complicated issue that will have to be very carefully negotiated. But this is the universe of things that would have to be discussed.

Obviously, however, it's one thing to identify these substantive solutions, but you can't stop here. Because remember what I said about the mistrust problem, that the mistrust problem is almost more daunting than the substantive issues. The core of the mistrust problem is that each side is so suspicious of the other that, even if you could have the perfect substantive solution, one side is going to so suspect that the other will cheat, that it's not going to be willing to make the concessions in order to get the substantive deal. It will fear that it's going to be exploited and put in even a worse position. So you have to construct some way to work through this mistrust so that you can get to the substantive deal in the first place.

Now, China's answer to this mistrust problem is to say Chen Shui-bian must accept the One China Principle. We mistrust his intentions.

We think he wants to move towards an independent Taiwan, so he has to accept the One China Principle. President Chen, of course, reads that as a sort of hidden way of defining Taiwan's legal status in a way that totally undercuts Taiwan's position. And so it just increases his mistrust. So I've long believed that in order to break through this mistrust, there needs to be dialogue without pre-conditions; that each side needs to take a chance; and that this dialogue probably needs to—it does need to be—to start privately, but in an authoritative way so that representatives of the two presidents can build slowly, incrementally, the kind of understanding that will allow them to—each leader to believe that there is common ground; that a win-win solution is possible; that public diplomacy is possible; that each is not going to cheat on the other; that a political solution can be found to complement the economic solution and that mutual security can be provided for both.

There actually was a private authoritative dialogue that went on for about five years. Lee Teng-hui appointed a young man who was his personal aide, a man whom he treated like his son.

Jiang Zemin had a variety of people. Towards the end, it was a political representative, who's now the Vice President of China. And they met, and they were able to explain to each other the political dynamics in each place, to alert each other of developments that were coming up. It was a good confidence building measure. And something like that is badly needed now.

It's always been badly needed, but it's certainly needed now. And what I'm talking about—what I'm urging I think is that process be used to drive substance. Most of the time when we talk about negotiations, you think about trying to find a substantive solution in order to drive the negotiating process. But what's really needed is a process mechanism that can drive towards a substantive solution because you need to break through the mistrust problem.

I mentioned also these aggravating factors. Well, those have to be addressed as well because if you don't, they're going to break in and, despite your efforts to break down mistrust; they're going to increase it, because something will happen in the international arena or in the political arena to screw things up.

On the international arena, what I think should happen is early on a diplomatic truce. Let the two sides just say okay we're going to stop competing for diplomatic relations with Nauru. It's just not worth it. And we're going to put—we're going to control our competition for this international organization or that one.

On the political side, this is I think more a Taiwan problem than a China problem. But I think that there needs to be a mechanism within Taiwan to build a consensus at a high level on cross strait policy, where leaders of all the parties come together and agree that it—to place some boundaries on this dispute, not use it for partisanship.

This is very hard to do I know, but I think that in this case, the interests of 23 million people require it.

With respect to the U.S. role, there are often questions about whether the United States should be a mediator, et cetera, et cetera. I believe that actually the role of the United States can only be very limited. Both sides say they would like us to be involved, but actually they would like us to be involved for their own purposes. I'm not sure that we would have political support in this country for a long-term role. I'm not sure that if both sides said at the beginning that they would like us to have a role that they would agree to that over the long term. And truly, we are a party to the dispute, because we arm Taiwan and we have given something of a security guarantee. And so when it comes to negotiating the security issue, we really are a party. And so you can't be a mediator and a party at the same time.

I think what we can do is be kind of an initial catalyst or you might say an intellectual facilitator, helping to get the initial private dialogue going.

So to summarize, the United States might play an intellectual facilitation role at the beginning. Number two, the aggravating factors need to be neutralized as much as possible.

Number three, process has to come first. The process has to drive substance. But on substance, there are—one can imagine ideas for reconciling the core interests of the two sides if they have the political will and creativity to do it.

My take away on all this is that—a couple of take-aways. Number one is that the early concessions are probably hardest for China, and that is changing their views on sovereignty and the role of the Chinese Communist Party and the communist regime in the Chinese state.

The challenge is probably harder for Taiwan towards the end of it because if there were ever some kind of a deal, it's the Taiwan political system that has to accept it. And I didn't go into this before, but the Taiwan political system is one that gives, as it's currently constructed, gives vetoes to fairly small minorities. And so one could imagine that you have a solution that's supported by two-thirds of the people, but still have, you know, a fairly small bloc that opposes it. I don't know where to draw the line of how small a veto there should be. That's not for me to say. But there's a certain point at which too small a veto is too small.

The final take away I have is that Taiwan really needs to strengthen itself. It needs to make some choices about its future, and it needs to do so from a position of strength. It is kind of weak in a lot of ways—economically, diplomatically, in terms of its sort of legal identity, militarily, internationally, but especially politically. It's becoming kind of gridlocked. Twenty-three million people have spent too many years having other people make choices for them. It's only been in the last 15 or 20 years that they finally got the right to make some choices for themselves, but they have a system that doesn't always work very well. And they really need a democratic system that works well. Thank you very much.

[Applause]

DR. BUSH: Yes, sir. Go ahead. Oh, here's the mike.

MR. DATTA: Colonel Datta, Foreign Policy Association. I'll take up your first sentence that you said: the knot can't be solved by those who made it.

DR. BUSH: Mm hmm.

MR. DATTA: Have we made or have we made this knot complicated ever since Kuomintang under Chiang Kai-shek took refuge in Taiwan or Formosa? And the People's Republic of China has been ever since claiming this as part of their own. Now, the question arises that, after Henry Kissinger's diplomacy really brought the rapprochement in the U.S.-China relations and China became the fifth Security Council Member, what is the American attitude towards Taiwan at present? What is the strategic importance of the Taiwan Strait for us? And that would really straighten out the knot?—an answer to that question.

DR. BUSH: Well, those are pretty big questions sweeping over about 60 years.

Well, it was the United States that sort of gave the order to Chiang Kai-shek to have his forces sort of take control over Taiwan in 1945. So it wasn't that he sort of snuck there on his own. We were prepared to have the communist forces take the island in 1949-1950, and thought that they would do so. It was Kim Il Sung, who, through his invasion of South Korea changed the situation, and the United States calculation.

I think to come to the later part of your question, you know, there are some Americans who believe that Taiwan has immense strategic value. They see it part of an island chain that might be part of a strategy of containment of an emerging China. That's—as far as I know, that's not U.S. policy. Taiwan is a matter of dispute. It's an issue in U.S.-China relations that we try to manage so that we don't get drawn into a conflict involving two countries that we want to have good relations with.

We're pleased that Taiwan's become a democracy, and we hope that situation can evolve in a way that choices of the people of Taiwan are respected.

The fundamental thing is that we don't want to see this issue resolved by force. And the whole thrust of our diplomacy is to prevent that from happening and to prevent the situation evolving in a direction that force becomes more likely.

Do you want to follow up?

MR. DATTA: Follow up yes.

DR. BUSH: Yeah.

MR. DATTA: Are we in favor of unification of Taiwan with China? That means a policy of One China; that has been clarified further that One China—yes, by peaceful means. But if China tomorrow, as per the latest resolution they have passed in their parliament—if they take by force and that will depend upon how much strategically we value this Taiwan Strait, because I've heard in the—or we got the smell of China being run around Japan, Formosa, India. Is that the main contention of containment of China?

If they make Taiwan a part of China, will we resist?

DR. BUSH: Well, this is Brookings. The State Department is down that way.

[Laughter]

DR. BUSH: The Pentagon is over the river.

MR. DATTA: What's your opinion?

DR. BUSH: Okay. The folks at the State Department will tell you we have a One China policy. They'll also say that, you know, we take no position on outcomes on the Taiwan Strait issue. You know, what we care about is process.

But the key part of the process thing is that we don't want to see this resolved by force. And, you know, President Bush said we'll do whatever it takes to help Taiwan defend itself. You know, it would be his decision on how to do that. The Congress would certainly have views. Any—whatever happened would be—would depend on the circumstances. I—in my book, I describe this as an approach of dual deterrence.

I certainly hope that China starts with a premise in its war planning that we would defend Taiwan. I hope that Taiwan starts with the premise that as it thinks about its political future, it should consult very carefully with the United States, because China's actions might—because its actions might trigger actions by China, which might trigger actions by the United States.

Scott?

MR. HAROLD: Scott Harold, Brookings. Richard, first, let me thank you. I think you've really thought through a lot of the issues that all of us are wondering about and done us a really great service.

I wonder if you would respond to two questions. One, the view that maybe you've constructed the perfect theoretical argument. If all the things you talk about actually could happen, we could actually avoid conflict in the Taiwan Strait. Unfortunately, it seems as if there are so many steps that have to go right that the possibility of it actually happening, turning out that way, seems very minimal and, in fact, one of the things I think a lot of people worry about is that there are really only two possibilities for resolving this situation: one is development of democracy on the mainland; and the other is a militarized outcome.

And secondly, I wonder if you could respond. You obviously or you sounded to me as if you think that a Taiwan that is well armed is a Taiwan that's more likely to negotiate with Beijing because it will feel as if it's negotiating from a position of strength. At the same time, you did mention the security dilemma whereby countries acquiring arms fuel arms races with their neighbors and clearly the stronger Taiwan gets, the stronger Beijing feels it needs to be the stronger Beijing. The more weapons Beijing develops, the more Taiwan needs to develop, and I wonder if you could address that, although I think you've already said something about it with arms limitation. If you could say something—a little bit more.

DR. BUSH: I think we should distinguish a couple of different objectives here. I mean the focus of my book is, if you were going to try and make peace, what's the nature of the problem and how you would go about it.

If you just wanted to stabilize the situation, what would you do? And it may be a different set of tasks. I think some people say that the only way you are going to get peace is if China became democratic. I'm not sure I believe that. Perhaps I'm naive about the leaders in China. I would like to have more hope that they would be creative, either this generation or the next generation in sort of thinking about the desirability of an enduring peace and sort of not wait for democracy to do it.

There's also—there may be some assumptions about sort of democratic peace and that whole line of thinking. I'm not sure that new democracies are any more peaceful than—well, they may be less peaceful than authoritarian or mature democracies.

On the second question, I think that Taiwan needs to be militarily stronger, number one because I think that it needs to—it will negotiate better from a position of strength. Number two,

if there were to be a conflict, I think there's—as a practical matter, it needs to hold on for a couple of weeks so that the United States has time to get there if we chose to come to its defense. You know there is the sort of problem of China arming more, but I'm not sure its—what Taiwan does is that much of a driver.

Steve? And then we'll go to Banning and then Alexander.

MR. SOLARZ: Thank you, Richard for a characteristically thoughtful presentation.

When I was in the Congress and Richard worked for me, I used to say he was the ventriloquist and I was the dummy. But now, alas, I'm on my own.

I have many questions, but I'll limit myself only to three.

First, you indicated that it's the policy of the United States to come to the defense of Taiwan if it's attacked by China. But I was under the impression that it was actually somewhat more nuanced and that we had conveyed to Taiwan that our commitment to come to their defense was based on the assumption that they had not provoked the use of force by China as the result of a unilateral declaration of independence by Taiwan. And perhaps you could comment on whether that is, in fact, the case or whether our commitment to defend Taiwan is a commitment which stands regardless of the circumstances which led to the use of force by China.

Secondly, the Chinese seem to have made it fairly clear that if China—if Taiwan, in fact, does declare independence that it will use force against Taiwan. But my impression is that Chen Shui-bian and other Taiwanese leaders have on many occasions referred to Taiwan as a sovereign country as, in effect, an independent country already.

So my question is what would Taiwan have to do or what would the leaders of Taiwan have to do with respect to a declaration of independence that goes beyond what they've already done that would, in fact, lead to a decision by Beijing to use force against Taiwan?

And finally, if you look at the one-country, two-systems formula that's been advanced by China, which I realize is unacceptable on Taiwan, it seems to call for what most people would consider to be a very broad measure of autonomy for Taiwan, even in terms of keeping its own military and social and political system. As you look at China, do you think that the Chinese leaders have advanced that formula out of a genuine commitment to Taiwanese autonomy in which Taiwan would be able to maintain indefinitely its political, social, and economic system and military, or do you think it's a kind of ruse to enable China if Taiwan could somehow be inveigled into accepting the one-country, two-systems formula to establish Beijing's effective hegemony over Taiwan in the same way that it has over Tibet and other provinces within China?

DR. BUSH: Have you got a copy of the book? May I borrow it?

I want to quote the anti-secession law, which I confess I haven't committed to memory. I don't think that I actually said we had a—well, let me sort of mention one thing about Steve

Solarz's questions. I remember a hearing. It must have been 20 years ago, in the House Foreign Affairs Committee. And you asked one of your wonderfully long, complicated questions to your late colleague, Ted Weiss. And do you remember this? I don't remember what it was about and Ted, with a twinkle in his eye, said, you know, I'm really flattered and honored that you would believe that I could even understand the question—

[Laughter]

DR. BUSH: —much less answer it. I don't think I said that we've given a blanket commitment to defend Taiwan, and I think that we understand the sort of blank check problem of doing so. One of the reasons—and even if a sort of definitive conditional commitment is problematic, like, saying we'll defend you if China attacks except if you declare independence. It means that, you know, anything up to a declaration of independence we'll defend you.

Even China has figured out there are lots of things that Taiwan leaders might do that would be a fundamental challenge to their interests that wouldn't be a declaration of independence, but still would be the functional equivalent of it. And that's why they were so alarmed by this idea of a new constitution established through referendum that China was proposing in 2004. And so the sort of fuzziness of the red line has become a real problem. And I think that the challenge of diplomacy has become not only sort of laying out in sort of general rhetoric what our policy is, but supplementing it through active and daily diplomacy, sort of defining what these words mean. I mean the most frequent statement of—or sort of criterion of U.S. policy now is no unilateral change in the status quo by either side. Well, what's the status quo? And what's unilateral? And what's changed? You know, you could ask questions about all of those. Well, no. No unilateral change of the status quo as we define it. And, but you know, it becomes the task of the—of diplomacy to define it at every turn and to maintain the kind of communication.

The problem with the anti-secession law was, to my mind, that it was written so vaguely that, you know, it didn't refer to declaration of independence. Certainly, declaration of independence was included. It could be—was certainly included in it. But a lot of other stuff might be, and I'm not even sure that they know at this point all the things that might trigger use of force. I'm not sure that Chen Shui-bian knows all the things that he might—that he shouldn't do, because they would trigger the use of force. And I'm not sure the United States knows what Chen shouldn't do, because it would trigger the use of force. So it's a very murky area, and very hard to manage.

The formula, the Republic of China as an independent sovereign state, or Taiwan as an independent sovereign state is very interesting. Taking the formula the Republic of China as an independent sovereign state, I went back to try and find the earliest statement of that. And the earliest that I could find was Chiang Kai-shek, whom no one could accuse of being a Taiwan independista. He said it at the time that Taiwan, the ROC, had to leave the United Nations. And it—when he said it, when Chiang Ching-kuo said it, when Lee Teng-hui said it, it had a particular meaning, and that was we're not subordinate to anybody. We're not subordinate to the PRC. And it's related to this idea of sovereignty that, if there's going to be unification of China, we're basically equal to the PRC. And it's sort of a one-China, two-government solution.

Now, I'll admit to you that Taiwan leaders, when they use that formula, are being a little clever. They're playing with that word independent, because it can appeal to the international law specialists, but it can also appeal to folks that both of us know, who have other agendas. But there is a substantive meaning to that that has nothing to do with the Republic of Taiwan.

With respect to one-country, two-systems, I don't know if it's a ruse to impose the kind of rule that China has over Tibet or Xinjiang or places like that. I don't think so.

I would note that one-country, two-systems for Hong Kong is a 50-year deal, and who knows what comes in 2047? I would also note that despite the "high degree of autonomy in Hong Kong," the PRC went to great lengths to craft the system in such a way that it in a sense predetermined the outcome of who would rule by having a sort of selection for the chief executive, by having functional constituencies, by having proportional representation for the geographic constituencies and so on—similar to what Taiwan had before full democratization. And it raises a question. You know, would they try to—if they were to negotiate a similar one-country, two-systems outcome for Taiwan, would they try to get similar sorts of arrangements there as well. I don't know.

I had Banning and then Alexander and then I'll have Mike and then Rick and then back there, John.

MR. GARRETT: Banning Garrett from the Atlantic Council. Richard, I really appreciate what you've done in this book, which I'm looking forward to reading, and what you've told us today. And I'd like to maybe pick up on where Steve asked in his third question, and suggest two things. One is possibly maybe it's the other way: instead of a ruse to get, you know, to suck in Taiwan and Hong Kong, perhaps is it possible that China is really looking for a face saving; that is, some kind of an agreement that we're all part of one China. Now, let's move on and get about the business of business. And they're not seeking the dominance over the island in some kind of direct fashion or to suck it into something more, but, in fact, maybe is willing to accept a lot less than certainly than Hong Kong. And all my discussions over the years suggest that the idea—certainly, they have not thought of one-country, two-systems as it applies to Hong Kong as applying to China, and that, in fact, it doesn't even mention in the anti-secession law that one-country, two-system formula. They seem to recognize that this does not go down well with Taiwan, but that perhaps they're willing to accept a lot more.

And when you bring up, and I'd like to have you elaborate, because you mention the other ideas of national union. I mean you look at the European Union, which Chen Shui-bian has pointed to as a possible model. From what I understand, the people of the European Union have given up a lot more sovereignty than China is asking Taiwan to give up. I mean on currency and all kinds of matters, the European Union is extremely intrusive into the internal affairs of each member state.

And it seems perhaps, as you said, and I think quite wisely the long-term outcome, some kind of arrangement that the two sides can live with, that meets their national interests might be a lot easier in substance than it is how get there. And I know certainly one Taiwan colleague made

the point, and I'll—I'm very curious if you think this is an apt way of putting it also—that it's the problem of the starting point; that the mainland wants Taiwan to acknowledge you are part of China and trying to get away; and that Taiwan wants the mainland to acknowledge we're an independent entity and we're talking about coming closer and having some kind of a political union of some sort. And so that starting point of who you are and where you're coming from is a much bigger problem than perhaps the actual nature of some long-term permanent settlement of the problem.

DR. BUSH: I can't sort of dispute the reality of the last point. I think that the important thing about the European Union is that it's a process that has gone along and actually Chen uses the term integration, not union. And that emphasizes the process thing.

On, Hong Kong, Taiwan, and one-country, two-systems, I remain to be convinced. We'll see. But nothing can happen as long as they don't talk.

Alexander?

MR. VORONTSOV: Thank you. Alexander Vorontsov, Brookings, CNAPS. Last April, I had the pleasure to graduate from an executive course in Asian Pacific Center for Security Studies in Honolulu, and one gentleman from Pakistan used to begin the floor discussion with lengthy remarks. I myself have three questions and four comments.

Of course, I will—I don't want to follow him. I will restrict myself by one question. But first of all, I would like also to—I express my appreciation for your profound presentation.

DR. BUSH: Thank you.

MR VORONTSOV: —and analysis in depth. And my question is, from your point of view, if you compare the first and the second terms of the Chen Shui-bian administration, did their policy in Cross-Strait relations and their approach to the mainland became more moderate, more affordable for Beijing, and if he has to which extent—

DR. BUSH: To reach what?

MR. VORONTSOV: To which extent—extent. To which level. And can you see some evolution in their approach to cross Cross-Strait relations? Thank you.

DR. BUSH: Okay. Thanks. According to my analysis, President Chen's approach to Cross-Strait relations was fairly moderate in the first two years of his first term. He was hoping that it would be possible to make some progress, perhaps in the political area, certainly in the economic area. It was in his political interest to do so. He thought also, you know, it was certainly the desire of the United States. The possibility of doing that was not so great, though, because China was taking a wait-and-see attitude. And the political situation domestically was rather gridlocked.

By the summer of 2002, he began to look towards the reelection, and he was not in a favorable position. And he had to begin campaigning, and the focus of his efforts was to mobilize his political base, which was number one unhappy with his performance, his moderate performance so far, and was wishing that he would pursue some more radical objectives.

He was also I think frustrated that his goodwill had not been reciprocated by the Chinese side, and so he was less restrained.

So the first—the second half was more shall we say radical than the first half. Mike Fonte. Okay. Dr. Wong.

MR. FONTE: Richard, I just thank you very much. Mike Fonte, Washington Liaison for the DPP. I want you to know I've carried three copies of your book to Taiwan and some of your best friends now have them under their pillows, sleeping soundly I'm sure.

I wonder, in terms of politics as an aggravating factor, how you view the current situation. Now Chairman Ma of the KMT has been specific about opposing Taiwanese independence, following the line that Len and Song both laid out in their visits to China. I see that as a problem. I've encountered a number of fairly angry people at the local level in southern and central Taiwan, as you might expect on this issue. And I wonder how you see the Chairman's position.

Clearly, Chen Shui-bian has made it clear that confederation is one option, but all options have to be open to the future of Taiwan, and it's up to the people of Taiwan to decide which one of those options they are willing to accept. And I wonder if you would explain how you see Mayor Ma's position—or Chairman Ma's position and how that might integrate with both the U.S. position on the question of the people of Taiwan, because Taiwan is a democracy, have a right to ultimate veto power, ultimate say on this issue. Thanks.

DR. BUSH: Do you know how he defines that?

MR. FONTE: No, I don't. That's clearly a question. I don't know how he defines that. I don't know how he's going to define this ongoing issue of connection with China. He's made several statements which, to my mind, are question—I have questions. I don't really have an answer to that question, no.

DR. BUSH: I mean frankly, as we've probably talked about, this is a source of frustration to me because these terms are never defined. You know, independence, unification, status quo, I think I know what they mean, but you have the opinions of the Taiwan people being thrown around or percentages about the opinions of the Taiwan people being thrown around, but it's never clear that they know what they're responding to in terms of definitions.

My fundamental view is that—it's sort of a democratic one—is that, all these questions should be up to the people to decide; number two that people of Taiwan are smart enough to sort of judge their interests and the consequences of this action or that action. Mayor Ma's made, I

guess, a calculation as to the impact of his declared opposition on his—for his political fortunes. We'll see what—how that calculation is borne out. I have no idea what it will be or not.

But I do think that it would—I think it would be in everybody's interest for there to be a conversation in greater depth about the different options that are out there, a substantive conversation about the different options that are out there as opposed to just throwing slogans around. Rick Ruzicka, and then you back there.

MR. RUZICKA: Rick Ruzicka from the American Institute in Taiwan. Richard, thank you for a very lucid description of what's a complex problem, set of problems.

Let me ask two questions dealing with economics. How do you view the current economic conditions and integration in terms of leading towards cross strait peace if I can use that as a shorthand, I mean a resolution where both sides come to accept politically a relationship. You've indicated that's going on now in terms of the trade and the investment; the fact that you've got Taiwanese businessmen there creating employment, creating power really by paying wages, by creating wealth, at the same time susceptible to manipulation and blackmail, if you will, by those who wish to do that. How do you view the current situation moving us towards or away from a peaceful solution?

DR. BUSH: Could I just make sure I understand what you meant by the word blackmail?

MR. RUZICKA: Well, I was thinking of the letter that the Chairman of Chi Mei believed he had to write a couple of months ago as one.

DR. BUSH: Mm hmm. Okay.

MR. RUZICKA: But I think there have been elements. I mean maybe blackmail is a harsh word to use, but whatever. And then secondly, what vision of the future in terms of economics do you think is most useful in reaching this goal? I mean is it a common market that Zhou Wenzhong talks about? Is it a common market and a free trade agreement with the United States? Is it Bian Chen's confederation? You know what kind of economic policies going into the future are going to help get to for shorthand peace in the—

DR. BUSH: [Off mike.] First of all, I learned about Cross-Strait economics from Rick Ruzicka when I was AIT.

The interdependence that has occurred between Taiwan and the mainland is obviously good for a lot of people on both sides of the Strait. It's certainly good for Taiwan companies. It's good for sort of communist party leaders both at the center and in localities because it keeps people employed, and, therefore, local society is stable.

I worry some about the migration of jobs from Taiwan to the mainland, and how people on the island will be employed over the long term. That is a problem that all advanced economies face as sorts of jobs move geographically. You know it's a problem that our economy has had to face for a number of decades. And sort of finding ways to create new, high-quality

jobs is a big challenge. And I think some Taiwan companies are doing a good job of creating those at home. I'm not totally convinced that the government is doing a great job in creating the kind of policy environment that will allow that to continue to happen.

A free trade area might facilitate that and it's my understanding that the sort of bilateral trade relationship between our two countries is sort of moving in a direction that might make that happen in the future.

The growing interdependence between China and the mainland does have some political effects. It does create, as I understand it, some anxiety among those on Taiwan who have reason to fear sort of political penetration by China. You know I mentioned I think in my discussion of politics before the fear of outsiders, a fear of political influence; a kind of Fifth Column effect. And I think the people who study this have felt that, by and large, this is not a real problem; that you know the case of Hsu Wen-lung is, you know, probably an exception. But you know this could change. But the fact that there is this anxiety is a reality in and of itself.

China certainly has an interest in keeping this going. And one hopes that they understand that it's not in their interest to appear to be too heavy handed in sort of manipulating the Taiwan political system. They may have been—they may be getting more skillful in terms of sort of opening their sort of fruit market to fruit producers, some of whom are in the DPPP and so on.

But my—in terms of your second question, I don't have sort of a really good answer. I guess I'm a sort of free trader by nature and think that there are a number of pockets of the Taiwan economy that have been protected for too long; and that you know the sooner they're sort of exposed to market competition, the better.

The gentleman in the back, and then I'll come back to you in a second.

MR. LEU: Yeah. George Liu, Central News Agency, Taiwan. Richard, you might already know that the Taipei government is not quite happy with your comment on the decision making strategy—the failure of decision making strategy on both sides of Tai—of the Strait.

DR. BUSH: Mm hmm.

MR. LEU: And a spokesman of the presidential office has said that you are not polite enough by making that kind of a comment.

DR. BUSH: Mm hmm.

MR. LEU: Do you have anything to say about that?

DR. BUSH: No. You know I'll let the section of the book speak for itself, and let people in Taiwan who know their own system better than I do can make up their own minds.

Professor Wong, over here, and then Professor Lynn.

DR. WANG: Yuan-kang Wang, National Chengchi University, Taiwan. First of all, I'd like to commend you on identifying the two most important issues out of the Taiwan question—sovereignty and identity. And they are actually tied together in a knot. And out of those two, I think I would say it's a very lucid, you know, identification of the problem. But out of those two, I personally think that sovereignty is probably the more important issue, the most important issue that deals—that addresses the heart of the problem. And your solution is a confederation, and in your talk you also mention that China, at some point, has to get around to the concept of dual sovereignty, and then—but I think on the issue of sovereignty, Taiwan has been quite creative and actually quite—has come out with all kinds of formulae that you can think of. But it is China that has stuck to one position, although they have shown some flexibility, especially Qian Qichen's definition of one China.

The newest definition of one China; that is there's only one China. Both Taiwan and the mainland are part of this China. And the last one, Chinese sovereignty is indivisible and they hide that word indivisible.

And so I think to really untie this knot this issue of sovereignty really has to be dealt with, and I was wondering do you have anything more substantive or more practical? That is, you mentioned process. That is a good beginning, but is there anything other than process that can help China have a different concept of sovereignty or is it at the end or is there any way out of this? Thank you.

DR. BUSH: Well, I haven't thought about that. I think that—I do know that from time to time, scholars in China have been instructed by more senior levels to study these issues, like confederation and federation, and they've collected a lot of materials and done some analysis, and they'd write reports and they'd send them up, and then nothing happens.

And it's actually good that these studies are done. Perhaps one practical thing that could occur would be that at a certain point—assuming that there could be a process of political discussion, negotiations—at a certain point the leaders of the two sides could create a commission of experts from both sides—you have constitutional experts, political experts, who have studies these issues we know—to get together and in a creative way think about a confederal approach that is suitable for a Chinese setting. I mean most of these approaches have been done in Europe or America and for certain reasons, you know, may not be suitable for a Chinese system. But I'm sure if you put people from China and people from Taiwan together in this situation, they could come up with very creative ideas about how to do it.

And the fact that they would do it would give it greater value than something that I could put in a book. So that's my best idea.

Professor Lim and then we'll come to you.

DR. LIM: Wonhyuk Lim from Korea. I'm a visiting fellow from Korea. I have an observation and a question. When I heard your explanation for the origins of the title of your book, you know, one who tied the knot should untie the knot, I thought the book would be about the U.S. role in solving the Taiwan Strait problem. But I was rather surprised that your

conclusion was that U.S. role in the Taiwan Strait problem would be limited. So that's my observation.

DR. BUSH: You're probably also surprised that I said that Kim Il Sung caused this problem.

DR. LIM: My question has to do with the content or definition of sovereignty. As I said, I'm from Korea and in dealing with North Korea, South Korea issues, we talk about confederation, commonwealth, union, federation and all that. And all these different forms of political settlement are nice, but it occurs to me that what's important is the content of sovereignty. And it boils down to the question of how much autonomy each side would have in issues related to security and foreign policy. And you referred to the United States case, EU case and so on, but, you know, U.S. case after the Civil War at least is pretty clear on how much sovereignty or autonomy each state can have in regard to foreign policy and national security. And my question would be in your view what is the realistic content of sovereignty that the two sides in this problem would, you know, possibly agree on?

DR. BUSH: These are very profound questions. The book that I learned the most from in thinking about this was a book by Stephen Krasner of Organized Hypocrisy, and he talks about four types of sovereignty—international, Westphalian, domestic, and interdependence. And I think you've introduced another one, which is more, let's call it security for lack of a better term. But I think that in this particular issue what is at least at the outset most important in the cross strait issue is what he calls the Westphalian sovereignty and the absolute right to rule within the territory under one's own jurisdiction. And you know whether the ROC government can control things within its own territory. We can talk about this some more.

But the issues you raise are also important and would actually come under the security issue and the role of the United States after some settlement, if any, and it's actually very complicated.

So I do cover that. The lady back there?

MS. JUNG: Lee Pi Jung, Fulbright Fellow at the American University. Thank you, Mr. Bush. You offer us insightful ideas for peaceful solutions to the Taiwan issues.

DR. BUSH: Thank you.

MS. JUNG: However, as far as I know, many security specialists argue that separate but peaceful status quo is in the best interest of the United States. So my question for you is: do you think the U.S. has been ready for accepting the peaceful solution? Peaceful reunification?

DR. BUSH: As I suggested before, there are some Americans I'm sure who would prefer preservation of the status quo forever. But that's not U.S. policy.

As I understand U.S. policy, it doesn't matter if there's unification or not. What's important is the process and that if the two sides of the Strait in a peaceful way, in a way that the Taiwan people can accept, because it's a democratic system, can work something out, that's fine.

It's not going to hurt the U.S. strategic interest. But the one thing we don't want is a war. And we've worked very hard to make sure that the probability of war stays low, and we'll continue to do that until there is some sort of solution.

James, I'm sorry. I missed you before.

MR. TANG: Thank you. James Tang , CNAPS Fellow from Hong Kong.

Richard, like the others I, you know, share the views of others that you've done an excellent job. I have two quick questions. One is on the notion of sovereignty again. It seems to me that the—at least from the mainland's point of view—to share sovereignty or some form of sort of, you know, creative sovereignty is on the agenda. I mean even one-country, two-systems is some form of shared sovereignty. But the key seems to be whose sovereignty. Taiwan might be thinking of the creation of different political sort of concept, a different China and sharing sovereignty of that. So I think this is an issue that might need further discussion. But anyway, we might not have enough time today.

The other question is we all I think understand the importance of dialogue and discussions. But under the current circumstances and the political and economic imperatives that you've outlined, what would really lead to a dialogue? What kind of circumstances? Whether we would need another crisis or whether there are other developments that would create the sort of conditions that would make the two sides come together? Thank you.

DR. BUSH: I think on the sovereignty thing this is sort of a definitional or conceptual thing that—it's just a question of interpretation.

On the sort of circumstances under which a dialogue would occur, do you mean the—a restoration of the dialogue between the SEF and ARATS—*Haijihui* and *Haixiehui*—the public meetings?

MR. TANG: It could be public or even private but at least some acceptance that they need to move forward and produce something concrete in dealing with the problem.

DR. BUSH: Well, it—my own personal view is that a restoration of an active communication between the two sides, one part of which is what is usually referred to as dialogue, which is what the *Haijihui* and *Haixiehui* conducted, and it probably has to start with a private authoritative channel between representatives of the two leaders. I mean there are a lot of people who represent themselves as representatives of Hu Jintao and Chen Shui-bian, but that's not what I'm talking about. But these would be people who would come together and each leader would be confident that the people at the table are speaking for the other leader.

And through a process of interaction, a certain amount of trust building, they could sort of build towards more public interaction and the restoration of meetings and so on.

The next major stage I think would be development of a body of principles that the two sides would agree upon to kind of bind the dispute, similar to what Chris Hill is trying to develop between the two Koreas. And then lead further on to a set of functional negotiations on a variety of issues—economic, political, security, and so on.

And that's the sort of thing I have in mind. But I think that it has to be an incremental process. It has to start private and move public. It has to be more general, and then become specific. It has to start with building of trust and then move from there.

MR. YAO: Thank you, Mr. Bush. This is Alvin Yao from the Sigur Center of George Washington University.

As you know, recently China released a lot of good major—friendly majors towards the Taiwanese people instead of negotiating with the Chen Shui-bian government. And in your opinion how do you assess that strategy, especially Chinese-Taiwan policy? Thank you.

DR. BUSH: Well, first of all I think these measures are good for the specific groups which they're intended for. The steps are valuable if they are a bridge leading to some kind of interaction with the government. But if they are designed to kind of go around the government or undermine the government, then I'm not sure they're so valuable.

I mean this is an example of how the sovereignty issue keeps popping up in a lot of different places. If you want to have transportation links, for example, or charter flights, these involve the affairs of government. And at some point, government officials should be able to talk about them. And so it's understandable that the Chen government would want to have its people involved in some sort of way.

It's also understandable that China because for its own political and legal reasons would want to sort of not give the Chen government so much face, and so there's a struggle over how to talk about these issues, and in some cases the two sides have found a way to bridge this gap and preserve the face of each side. In other cases, the desire—the struggle over the sovereignty issue has made it impossible to reach practical compromise and that would benefit the people on each side. So. I've been handed a note that my colleagues here need to rearrange the meeting for another function. So I think we could go on talking for a while, but I apologize to you. Thank you for all your terrific questions. Thank you for coming today. Thank you for your interest in this subject. You've confirmed the value of writing this book, and I hope we can continue our discussions on this issue into the future. Thank you again.

[Applause]