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REMINISCENCES OF THREE DECADES OF U.S. – R.O.C. RELATIONS 1967-1996

A CNAPS Roundtable Luncheon with

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[INTRODUCTION AND Q&A PRODUCED FROM A TAPE RECORDING]

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PROCEEDINGS

DR. RICHARD BUSH: Thank you again for coming. I was very pleased several months ago when a certain journalist, who shall remain nameless, was operating under deep background -- but his first name begins with N and his last name begins with F.

[Laughter]

DR. BUSH: He came to me and said that Dr. Chien had completed his memoirs, he was going to be in Washington and he might like to give a talk about them, and would Brookings be interested and I said sure, we'd be delighted and honored.

And we are honored because Fred has been a very important figure in the history of the relations between the United States and the Republic of China. He's had a career of government service for more than 40 years. Actually, his memoirs are only about half complete, two volumes out of a planned four, and they only go up to 1988 so far. We hope that there will be an English-language edition. But I think that for anybody who is interested in this relationship, this will be a critically important resource.

I think it's also fair to say that Fred is not simply an eyewitness to history. I think that if we go back and look at the history of the relationship between our two countries, and there are many people who have participated, we all understand that Fred was a key actor and shaper of that relationship and in particular critical moments he played an important role. And I think that at times of difficulties, it was Fred and people like Fred who worked very hard to make sure that the relationship was restored and rebuilt. I'm thinking of 1978, 1979, 1982, times like that.

So it was no surprise to me in the fall of 2001 that it was Fred Chien who was asked by President Chen Shui-bian to come to the United States on behalf of the government of the Republic of China and present a check for $1 million. I think it was to the United States on behalf of the people of Taiwan as a gift to the United States after the tragedy of 9/11.

So I think that he is a special eyewitness to the history of the relations between our two countries, and it's a special opportunity for us today to hear him speak. Dr. Chien?

SPEECH SCRIPT *by* DR. FREDERICK CHIEN

Reminiscences of Three Decades of
U.S. – R.O.C. Relations
1967-1996

Content:

Opening

I am so delighted to be back to the Brookings Institution. This visit brings back many happy memories of my close association with the institution under the brilliant leadership of Dr. Bruce MacLaury, when I was posted in Washington, DC between 1983-1988. I would like to avail myself of this wonderful opportunity, thanks to the kind invitation of the Honorable Richard Bush, to share with you some of the observations I retained during my long period of service in our government, attempting to improve the United States and the Republic of China relationship.

Introduction

After the government of the Republic of China moved to Taiwan in 1949, the United States Government took a wait-and-see attitude, waiting for the dust to settle. When the Korean War broke out in 1950, the United States began to provide military and economic aid to the government of the R.O.C. In December 1954 a Mutual Defense Treaty was signed in Washington, DC, making the two countries allies once again. In the ensuing years, the U.S. government extended assistance and support in various fields. And, I must state that we in Taiwan owe a lot of what we received from the United States in those years.

Inception of Policy Change

The fundamental U.S. policy of containment with respect to the People's Republic of China and the support of the R.O.C. in our economic development and defense buildup started to be challenged in the mid 1960s. First, the academic community produced many publications that questioned the wisdom of the U.S. Government continuing to ignore the vast population of China. This was followed by editorial columns and news articles asserting that the U.S. Government should move closer to the People's Republic. Finally,

in 1967, the Chairman of the Senate Foreign Relations Committee, Senator J. William Fulbright, held a series of public hearings advocating a change in U.S.- China policy.

In October 1967, the Republican Party presidential candidate, Richard M. Nixon, wrote an article in *Foreign Affairs* suggesting that the United States could not forever isolate the one billion people in China.

Following his election in November 1968, President Nixon decided to halt the Warsaw talks between the U.S. and the P.R.C. and to promote a direct dialogue between the leaders of both sides. In March 1969, there was the Damansky Island border clash between the P.R.C. and the U.S.S.R., and President Nixon warned the Soviet Union that the U.S. would not stand idly by and allow the Russians to attack the Chinese.

These gradual changes on the part of the United States were noted with grave concern by officials of the R.O.C. Ambassador S.K. Chow wrote to me on March 5, 1970, lamenting the U.S. policy change which reflected "a shift in the fundamental attitude of the highest authority of the White House." He commented that "all the commitments and assurances the U.S. made should not be taken too seriously," and that we should constantly keep our vigilance.

The main causes of the U.S. policy change were the war in Vietnam and the emerging conflicts between the U.S.S.R. and the P.R.C. U.S. policy makers discerned that because of the U.S.S.R.-P.R.C. conflicts, the U.S. had a good chance of extricating itself from the Vietnam debacle.

In the following months, the U.S. Government relaxed restrictions on trade with China and traveling to China. The U.S. also gradually reduced military cooperation with the R.O.C.

In January 1971, Senator Mike Gravel of Alaska advocated recognition of the P.R.C. and he was followed by Senator George McGovern. In March 1971, Senator McGovern declared that the U.S. should switch diplomatic recognition to the P.R.C. and support the P.R.C.'s replacement of the R.O.C. in the United Nations.

Indeed, in October 1971, when the U.N. General Assembly held its 26th general session, the U.S.- sponsored "Important Question Variation" Resolution was defeated by a vote of 55-59. The P.R.C. then replaced the R.O.C. in the U.N. One of the major reasons for the setback was that when the General Assembly was voting on the various draft resolutions, Henry Kissinger, the National Security Advisor to President Nixon, was actually visiting Beijing, making arrangements for President Nixon's visit to China. Most nations believed that 'the writing was on the wall' and that the U.S. had changed its China policy.

The Shanghai Communiqué and De-recognition

Henry Kissinger went to Beijing by way of Islamabad, Pakistan on July 9, 1971, as arranged by President Yahya Khan. He held lengthy discussions with Premier Chou En-Lai and decided that President Nixon would visit China in the spring of 1972. We were kept completely in the dark. And when President Nixon made the announcement from the White House on July 15, 1971 we were shocked and made strong protests both in Taipei and Washington. I commented to the then U.S. Ambassador Walter McConaughy that the U.N. General Assembly would be in session in two months time and that this major departure from U.S. traditional policy was bound to have the most serious repercussions on the 'Chinese Representation Issue.' The Ambassador did not respond but from the sad expression on his face, I could read that the drastic move had shocked him as much as it had shocked us.

Two months before President Nixon's visit, Deputy Premier Chiang Ching-Kuo had a two-hours long conversation with Ambassador McConaughy. I interpreted for them. During the conversation, Deputy Premier Chiang mentioned that, according to the intelligence information available to him, the P.R.C. was trying to isolate us politically and suffocate us economically. He said that the basic tactics the P.R.C. employed towards the U.S. were five-fold: 1) to be friendly to the American people; 2) during President Nixon's visit, to adopt a conciliatory disposition in private meetings and a strong stance in public; 3) to fully support African-Americans in their demand for equal rights; 4) to ship marijuana to the western hemisphere to be smuggled into the United States for sale, the proceeds of which could then be used to finance African-Americans and other 'progressive people'; and, 5) if President Nixon were to be re-elected, additional pressure would be exerted on him regarding the future of Taiwan.

The day before President Nixon traveled to China, Henry Kissinger met with our Ambassador James Shen and repeatedly requested us not to make any immediate comments during and at the completion of the visit. A senior U.S. official would be dispatched to Taipei to brief us and Kissinger himself would meet with Ambassador Shen again as soon as he returned to Washington. Kissinger said the P.R.C. would be most pleased to see the U.S. and the R.O.C. using acrimonious language to attack each other.

The most important discussion during the visit took place on February 22, 1972, between President Nixon and Premier Chou. It lasted for almost four hours. President Nixon outlined his basic positions regarding Taiwan: 1) the U.S. accepted the principle of one China, with Taiwan being a part of China; the U.S. would not mention that the status of Taiwan was undecided; 2) the U.S. would never support any form of Taiwan independence; never in the past, not now, nor in the future; 3) in the future, when the U.S. influence in Taiwan has decreased, it would see to it that Japan would not be a replacement; 4) the U.S. supported the use of peaceful means in solving the question of Taiwan, and would not support Taiwan's return to the Mainland by use of force; and, 5) the U.S. would seek to "normalize" relations with the P.R.C.

The signing of the Shanghai Communiqué more or less followed the above principles. In Taipei, we were preparing for different scenarios, the worst being the establishment of diplomatic ties between the U.S. and P.R.C.

We did not respond to the signing of the Shanghai Communiqué as requested by Kissinger. The following day a simple statement was made to the effect that the government of the R.O.C. would consider null and void any agreements, published or unpublished, which might affect the rights and interests of the Government and people of the R.O.C.

On March 2, 1972, Marshall Green, the Assistant Secretary of State for Far Eastern Affairs, came to Taipei to brief our leaders. He mentioned that, in spite of the absence of diplomatic relations, many relevant issues could be discussed and resolved. This was a new diplomatic formula, very similar to what the U.S. was doing with Algeria.

I was then the counterpart of Mr. Green in our Foreign Ministry. At a luncheon honoring Mr. Green, I asked him point blank, how would he interpret the term 'normalization'? Mr. Green strongly disputed the interpretation made by many people, that normalization meant the establishment of diplomatic relations. He said that many abnormal situations existed between the U.S. and the P.R.C., such as in trade, media coverage, travel, cultural, education, sports, etc. Normalization would improve these situations. It was an endless process. In the following few years I repeated many times what he explained to me. In the end, I found that I was misled. About a dozen years later, in Washington, I tried to ascertain whether his interpretation was intended to mislead us. Mr. Green responded that he was given clear instructions by both President Nixon and Mr. Kissinger that the U.S. would maintain diplomatic relations and the Mutual Defense Treaty with us. From that he had deduced that normalization did not mean the establishment of diplomatic ties with the P.R.C. He added that maybe I was too innocent.

Even though the U.S. assured us both in Taipei and Washington that nothing had changed between us, we could not afford to be overly optimistic. I got permission from my superiors to accelerate our congressional liaison work in Washington. The consulates in various parts of the U.S. were also asked to maintain close contact with congressional delegations in their districts. We initiated a massive invitational program for senators, members of the House and Congressional aides to visit Taiwan. These were educational trips. I would spend at least three to four hours with each one of these visiting delegations, answering each and every question they might wish to ask. We also improved our information activities in the U.S. and I was soon appointed Chief Government Spokesman.

In those days, Americans knew very little about Taiwan or the R.O.C. They often confused Taiwan with Thailand and the R.O.C. with the P.R.C. I attempted to use a soft-sell method to reach the American grassroots populace. We placed attractive, colorful advertisements in leading U.S. media outlets. I went to the U.S. several times to make speeches and to be interviewed by leading U.S. newspapers, televisions stations, and

radio stations. All of my efforts were directed at impressing on the American people that the R.O.C. was indeed a true friend of the U.S.

In those days, as a result of our rapid economic development, our trade activities with the U.S. grew by leaps and bounds. But we began to have a large trade surplus with the U.S. that grew almost every year. To rectify this undesirable situation, we decided to send special procurement missions to the U.S. to purchase agricultural products as well as machinery. These efforts helped us to win many friends in the capitals of various states across the country.

The Taiwan Relations Act and August 17th Joint Communiqué

In retrospect, all of these new moves may have postponed the timetable of U.S. de-recognition of the R.O.C., but the U.S.'s ràpprochement with the P.R.C. was inevitable. Nevertheless, in the ensuing years many other countries, including the P.R.C., started to emulate the measures that I initiated.

Meanwhile, the U.S. Government was not pleased with our activities. Junior State Department officials often told our embassy colleagues that the U.S. was set to normalize relations with the P.R.C. and that what we were doing would jeopardize that move and thus would be counter-productive. One of the most concrete examples of this was when we were bluntly informed that, although we were a friend and ally of the U.S., we would not be welcomed to take part in the U.S. Bicentennial celebrations. As a result of this blunt demarché, Premier Chiang Ching-Kuo asked me to prepare a thorough report on the future development of U.S.-R.O.C. relations and contingency plans for each possible scenario. I spent a lot of time working on the report, which contained ten possible scenarios, with de-recognition, withdrawal of U.S. military personnel and termination of the Mutual Defense Treaty as the worst one. Premier Chiang kept this report handy and on December 16, 1978, in the wee hours of the morning, Ambassador Leonard Unger brought the unwelcome news of the de-recognition to him at his residence. President Chiang told me to act in accordance with our contingency plan.

The most important issue confronting us at the time of the de-recognition was how to rearrange our bilateral relationship thereafter. On December 19, 1972, I met with Ambassador Unger and made six suggestions to the U.S. Government: 1) to protect the Chinese residing in the United States; 2) to safeguard our properties in the U.S.; 3) to refrain from lobbying other friendly government to follow the U.S. lead; 4) to secure the validity of treaties and agreements between us; 5) to set up new offices for continuing all kinds of exchanges (we suggested the name should be 'Republic of China Liaison Office in the United States' as proposed by Senator Edward Kennedy earlier); and, 6) to continue supplying us with defensive weapons as required.

Ambassador Unger readily acceded to points 1) and 3) regarding protecting Chinese residing the U.S. and refraining from lobbying other governments. On points 2) and 4) regarding safeguarding our properties and securing the validity of treaties and

agreements, he asked me to provide a detailed list. On the sixth point regarding supplying us with defensive weapons, he said that the military on both sides had already started discussions. Finally, he cautioned us that the fifth point regarding setting up new representative offices was not possible as the U.S. Government wanted to set up a corporation to deal with future relationships.

This last issue was the main point of disagreement between us when Deputy Secretary of State Warren Christopher came to Taipei for preliminary negotiations as well as during subsequent discussions held in Washington. Basically, the U.S. insisted that future relations had to be between our two peoples and could not have any trace of an official context. We argued that the relationship was so complicated that it could not be dealt with by private corporations.

In the end, the U.S. Congress helped to resolve the dilemma. On March 28 and 29, 1979, the U.S. House and Senate respectively passed Public Law 96-8, dubbed the Taiwan Relations Act. The Taiwan Relation Act stipulates that any non-peaceful means to resolve the Taiwan Question would constitute a threat to the peace and security of the Western Pacific area and would be of grave concern to the United States. It also provides for the United States to supply defensive weapons to Taiwan to maintain an adequate defense capability. Also, Taiwan would have the right to sue or be sued in U.S. courts.

The Taiwan Relations Act went far beyond what the U.S. Government was willing to provide in our new relationship; and the new relationship got off to a rocky start. The United States viewed Taiwan as a spoiler who was attempting to jeopardize the U.S.'s new relations with the P.R.C. On our part, we hoped to continue our relations with the U.S as if the de-recognition had never happened.

In 1981, with the beginning of the Reagan Administration, many people in Taiwan felt that time was finally on our side, as President Reagan said many times during his presidential campaign that the U.S. should not treat an old friend and ally the way President Jimmy Carter did. At the time we were most concerned about our defense capability, since a few years earlier the P.R.C. had launched a punitive military action against Vietnam. Many of our senior officials were publicly urging President Reagan to sell us advanced fighter aircraft, such as the F-16s or F-20s.

But President Reagan had his hands full with both domestic and international issues that were pressing for the new administration's attention. Some improvements were made in our bilateral relations six months after his inauguration. As the number two person in our Foreign Ministry, I was allowed to visit Washington and I held many rounds of serious discussions with many members of Congress and U.S. Government officials. They all cautioned us to have patience and assured us of the genuine goodwill of the new President.

But soon afterwards, in January 1982, President Reagan announced that the U.S. would continue to co-produce with us the F-5E fighter jet; nevertheless, he did not see the need

for us to have other more advanced fighters. We did not know that, as a result of our continued public advocacy for advanced fighters, the P.R.C.'s Premier Zhao Zi-Yang made very strong representation to President Reagan at the North-South Summit in Cancun, Mexico in October 1981. The P.R.C. put pressure on the U.S. to stop all military sales to Taiwan.

Prolonged arguments and negotiations ensued. In the end, the U.S. and P.R.C. decided to conclude a Joint Communiqué, released on August 17, 1982. The Joint Communiqué stated that the P.R.C. would endeavor to use peaceful means in dealing with the Taiwan Question, and that the P.R.C. considered this to be their fundamental policy. On the part of the U.S., it stated that military sales to Taiwan would be gradually reduced both qualitatively and quantitatively and after a period of time, leading to a final solution.

The August 17th Joint Communiqué was received in Taiwan with great dismay and many people felt that even their best American friend, President Reagan, had deserted them. But the Joint Communiqué should be read in its entirety: the reduction of the military sales was contingent on the P.R.C.'s commitment to a peaceful solution to the Taiwan Question. But the people in Taiwan were very jittery as a result of this document. They wanted to undo it, and I was given that mission.

My Tour of Duty in Washington, DC

In the first days of 1983, I left Taipei to take up my duty as Representative of the Coordination Council for North American Affairs. The long title did not make any sense and to put it simply, I was the unofficial Ambassador in the United States. I found the new assignment very tough, as there was a lack of trust on both sides, the morale of our colleagues was low, and we literally had to start things from scratch.

My initial tasks were to build up a mutual trust with all U.S. officials that I had to deal with and to instill a sense of honor in all my colleagues. On the one hand, I checked with the State Department on everything I did. I constantly received invitations from the White House and the Secretary of State, but they always advised me to decline and I complied. I also received a lot of invitations for press and TV talk shows and they also advised against them and again I complied. Soon afterwards, they realized that I was a trustworthy person and their confidence was restored. They then encouraged me to give talks outside of Washington. My name was placed on the speakers' lists of both the Council on Foreign Relations and the World Affairs Council.

In the CCNAA office, I encouraged my colleagues to reach out. Every working day at noontime, one could easily find many of our CCNAA staff members having business lunches with their counterparts in the U.S. Government or Congress. Due credit was given to their good performance. Often, the President and the Premier in Taipei would easily recognize the name of a third secretary in the CCNAA office.

All these efforts allowed for smooth sailing in our bilateral relationship. There were no more mutually acrimonious accusations. Both sides were willing to sit down and dispassionately work out solutions to any conflicting point of views. What was most important was that both of our presidents held the highest regards towards each other. In terms of military sales, advanced next generation military equipment was obtained either through direct sales or transfers of technology, which broke the qualitative limits set by the August 17th Joint Communiqué. I also inserted the cost of living adjustment rule to do away with the quantitative limits.

We had many trade and fiscal issues in those years. Protectionist sentiment was high in the U.S. The fact that the R.O.C. continuously enjoyed a huge trade surplus over the U.S. and the fact that in those days counterfeiting was not totally eradicated in the R.O.C. made us easy prey to the Section 301 and Special 301 sanctions of the U.S. trade law. There were constant threats made by the U.S. Special Trade Representative Office but no sanctions were ever applied.

During my close to six-years' tenure in the U.S., the worst single case that almost torpedoed all of my strenuous efforts was the Henry Liu case of October 1984. Henry Liu was a Chinese American writer. He was mysteriously murdered outside his residence in Daly City, California. Later, it was uncovered that the head of the Military Intelligence Bureau in Taipei conspired with a criminal gang to commit the crime. Many members of the U.S. Congress were infuriated by this outrageous case and since Liu was a U.S. citizen, they intended to invoke the Solarz Amendment, which would have terminated all military sales to us.

I wrote many reports to Taipei urging the government to do its utmost to pin down all people responsible for the crime and to conduct a fair and public trial in order to forestall any possible repercussions. I emphasized the importance of openness and transparency. In the end, the government in Taipei did exactly that, and gradually the unfortunate event was put behind us.

All in all, I attempted to take advantage of my tour of duty in Washington, DC to put our bilateral relations back on the right track; both sides respected each other and there were proper channels for full and fruitful consultations on all subjects. The nightmare following the de-reorganization was finally put to an end.

An astute Asia observer, James Mann, wrote an article in the Los Angeles Times after I completed my mission entitled "Unofficially, Taiwan is Alive and Well." He said that my farewell reception in Washington was comparable to any inauguration ball and that it was a show of force, indicating that Taiwan continued to have influence in Washington. He went on to say that "Fredrick Chien may not be an Ambassador, but his understanding of how Washington operated and his influence probably exceeded 98% of all ambassadors in Washington."

Sales of F-16s, U.S. Policy Review and Cross Strait Crisis

The R.O.C. Government had long hoped to modernize its air force. As early as 1981, when President Reagan was first inaugurated, we put in our request for the sale of F-16 fighters. But the U.S. considered that this was not in line with its policy towards the P.R.C. Instead, the U.S. agreed to help us with the IDF project in July 1985, under which the General Dynamics Corporation would assist our Air Industrial Development Center in designing and manufacturing an indigenous defense fighter. The prototype of the IDF was completed in November 1988.

The year 1992 was an election year in the U.S. and President George Bush was running for re-election. In Texas, the General Dynamics Corporation, which manufactured the F-16 fighter, was in serious financial difficulty. Many employees were laid off and the production line for the fighters was to be closed down. At the same time, France offered the R.O.C. the opportunity to purchase the Mirage 2000 fighter. On August 14, 1992, 101 members of the U.S. House led by Congressman Joe Barton sent a letter to President Bush urging him to sell F-16's to the R.O.C. to save General Dynamics. Some 19 days later, as the Foreign Minister, I was informed by the AIT Director in Taipei, Stan Brooks, in the form of an oral message from President Bush to President Lee Teng-hui; to the effect that the U.S. was willing to sell 150 F-16 fighters to us and that the U.S. hoped that we would not purchase fighters from any other countries.

On the same day, on board Air Force One en-route to Dallas/Fort Worth where General Dynamics is headquartered, a senior official of the National Security Council briefed the media about the proposed sale. Later that afternoon, President Bush announced his decisions at General Dynamics' headquarters. To placate the P.R.C., Assistant Secretary of State for Asia and Pacific Affairs, William Clark, was dispatched to Beijing to explain the new move.

Since the beginning of the Reagan Administration, we had tried to persuade the U.S. Government to change some of the unreasonable restrictions imposed on our bilateral relations, such as prohibiting senior officials of AIT or CCNAA to enter important government offices in the respective capitals where they resided. A review of these restrictions was promised earlier when I was posted in Washington, but for one reason or another no concrete decisions were ever made. An exception was made when President Bush lost his election. One month before the changing of administration in Washington, the U.S. Special Trade Representative, Ms. Carla Hills, was allowed to visit Taipei to discuss trade matters. We met at my home, not in the Foreign Ministry, for a lengthy discussion.

One year after President Bill Clinton came to office, in early 1994, we were informed that the U.S. was undertaking a serious policy review on how to improve our bilateral relations. That year in May, when President Lee visited some Central American nations, he was not allowed to stopover in the United States. This enraged many members of the U.S. Congress and some leading U.S. media.

On September 7, 1994, Lynn Pascoe, the AIT Director, came to my home and briefed me on the results of the policy review. First, the CCNAA was allowed to change its name to Taipei Economic and Cultural Representative Office (TECRO). Second, senior Taiwan officials would be allowed to transit in the U.S. on their way to a third country. Third, AIT personnel could make office calls in Taipei, but TECRO personnel still could not step into the White House or the State Department. Fourth, the U.S. would support Taiwan's participation in international organizations- as long as membership did not require statehood. Fifth, both sides could hold economic and trade dialogues at the vice minister level and they could conclude Trade and Investment Structural Agreements. And finally, senior U.S. economic and professional officials would be allowed to visit Taiwan. The U.S. side also stated that this was the first stage of the policy review, and, if the situation improved, there could be more changes. We were appreciative of the changes, although 15 years had lapsed.

The next year, in May 1995, President Lee went to Cornell University, his alma mater, for a private visit. This outraged the P.R.C. The second Cross Strait dialogue that was originally scheduled in July was summarily called off and relations became very tense. In March 1996, the R.O.C. was to hold its first-ever democratic and direct presidential election. The P.R.C. responded by conducting a series of military exercises, including the firing of medium range missiles targeted near the ports of Keelung and Kaoshiung. On March 8-15th the missiles hit their designated targets. The U.S. Government responded by dispatching two aircraft carriers, the USS Independence and USS Nimitz, to patrol close to the Taiwan Strait. The message they sent was loud and clear. The P.R.C. immediately called off the remaining exercises, blaming inclement weather.

Looking back on these 30 years of our bilateral relations, there have been many ups and downs. The important thing for us to remember is that mutual trust and confidence are all important if two countries are to strive to maintain a good relationship. Each government considers its own national interests to be of paramount importance; but at the same time one should also think about what are the interests and values of the other side. In the three decades of my diplomatic career, I have always been firmly guided by these beliefs.

Q&A

DR. BUSH: Thank you very much, Fred, for that sweeping review and those concluding remarks. Will you take a couple of questions?

DR. CHIEN: Sure, of course.

DR. BUSH: The floor is open. Who would like to ask the first question?

DR. ALAN ROMBERG: Thank you very much. I look forward to your book coming out, and I'm going to endorse Richard's hope that it will come out in English, too, because I think it deserves a very broad audience.

I want to take you beyond your set of remarks and the time period, though, and take something you talked about and ask you a question about it, and that is the defense relationship and arms sales. As you know very well and as everybody else in the room knows, there is a problem today, which is sort of like the three blind men and the elephant, everybody describes it differently. But at a minimum what we have seen is over a period of at least a decade there has been a secular decline in Taipei's defense budget as well as this stymieing of the special package.

What I want to ask is not about the special package per se, but can you talk a little bit about the attitudes in Taiwan toward the military problem that you face and how you would fit those attitudes into this decline—

[End Side A, Begin Side B]

DR. CHIEN: I think one of the reasons why the defense budget is being trimmed year after year is after democratization and liberalization, people consider that the first important thing on the budget priority list should be social welfare. This would be followed by education, economic development. The military and defense, unfortunately, are very low on the priority list.

That's unfortunate. Personally, I take this view. I think the military -- I always told my junior colleagues this -- the military is very important and it's important to spend money in the military. The important thing is the money you spend should not be actually being used. In other words, you spend the money, but you buy the weapons; hopefully the weapons will not be used.

This is for psychological reasons. It is good for our investment climate. Foreign investors look at a country, if they think that a country is not safe for them to make an investment, they would be reluctant to do that. If they think this place is safe, they are careful, they are very conscientious about their safety, then they are willing to make the investment.

Only with investments can we improve our people's livelihood. So I would place defense as a very high priority, probably not number one, but at least two or three.

I told my junior colleagues, but then the military people, they are very important. We hope we will never use them, but you in the diplomatic service, you should help to defend our country every day, every hour, every minute, because using diplomatic methods is probably the best method to avert a war, and in Chinese we say that using force is a bad thing, is not a good omen, it's a bad omen, and fighting is very dangerous.

Historically, our ancestors taught us that, so try to avoid war, but you must be fully prepared so nobody can look down at you and say I can wipe you out in a couple of hours. This is the way I look at it. Unfortunately, I am in the minority. Not many people share my view, and I'm fully aware of this.

So my answer to the second question of your question is, why people are now--this is mainly domestic politics. It has nothing to do with the subject matter itself. I hope and pray our people will understand the true nature of democracy. Democracy is not constantly fighting among ourselves. Democracy means we would use our intelligent wisdom to sort out all of our differences, work together, and find a mutually satisfactory solution. So I think you can teach us a lot about democracy.

DR. KURT CAMPBELL: Thank you, Fred. Let me join Al and then Richard in thanking you for coming to the United States and for your very important remarks. I think for Americans listening in the audience, there are elements of that story that are difficult to hear. It is no consolation in any way, but you can imagine situations developing in Iraq where the story might even be worse over time. So just keep that in mind as you go forward.

I'd like to follow-up on Alan's question and just ask you something about what you describe as domestic politics having just returned from Taiwan.

I was struck by a series of interpretations about why particularly the KMT has been so resistant to basically think seriously about defense-related issues. One suggests that there are some dynamics within the coalition that make it difficult. Others say that one of the most animating features across Taiwanese politics of the President's statement of “do whatever it takes” and the fundamental belief at the core in Taiwan is that the United States will do that and we shouldn't really have to spend something that in fact the United States is going to do ultimately.

The third interpretation is ultimately that what's most important is to destroy the adversary, the party in power, for political purposes. I think there are some that believe that this is currying favor with the Mainland, although I think that's a minority view.

I'd be curious since you have such an inside view of this. How do you interpret these dynamics playing out? Because I will tell you, Americans try to stay out of this, but, frankly, we are occasionally confused by these dynamics. Thank you.

DR. CHIEN: I think, Kurt, the most important thing is that we must understand we cannot depend entirely on the U.S. in that if the other side strikes, the U.S. would automatically come to our aid. That is not the case. In the TRA, Congress would be the decision-maker as to whether the U.S. would help us, and the decision-making process is not that fast. So we must have the capability of resisting any attack for a period of days, at least, if not weeks.

Secondly, we look at the reality, the political reality. There should be no reason for us to worry about our safety as long as we don't do the wrong thing. We should not invite the other side to attack us. This is the important thing to remember. I wish everybody in Taiwan would think like me, but unfortunately they don't.

With regard to the various explanations you've heard, some of them were valid in that the coalition saying this would be dragging their feet, and that's true. That's very true, but others are not that solid. But basically it's politics, it's nothing else, it's just politics.

And with the new chairman in KMT, I spent long hours with him discussing this issue because in my humble opinion, that issue must be dealt with in that looking at us when I was in Washington: David was AIT Chairman, Jim Lilley was Deputy Assistant Secretary, Principal Deputy Assistant Secretary East Asia, and we tried so hard to get those items to, as I put it there, to undo the August 17 Joint Communiqué. Two nights ago I spoke with David Laux about a very, very cold winter day he had to wear his snow boots, and he took the Metro from Rosslyn to my home. I had to use a four-wheel drive to dig the several-inches deep snow, four steps down to Gaston Sigur's home to drag him out and we signed that.

In those days we worked like hell to get whatever we could, and for whatever we got we were grateful, we were thankful for the U.S. And now when everything is offered in a silver platter, we say, no, this is too much. I'm not interested.

I don't know. I felt that my whole life was wasted. If that should be right, then I must have been wrong. Was I that wrong? I don't know. Norman may be a better judge.

DR. BUSH: Chris Nelson in his personal capacity.

MR. NELSON: Chris Nelson. Long, long, long ago I had the great privilege of working with you when I worked with Lester Wolf on the Asian Subcommittee.

DR. CHIEN: I see.

MR. NELSON: This is even before Solarz -- before Richard even, so it's wonderful to see you again. I used to introduce myself as, “I used to be Richard Bush,” and people then understood what it was I did. But anyway, that's a long time ago.

Shifting our eye for a minute to our friends in Korea and then getting back, increasingly the younger generation in Korea seems to reject the notion of North Korea as a military threat. They're blaming us for being aggressive, et cetera. One of the results is less and less support for military spending and an aggressive posture and things like that.

It strikes me to ask whether there is a parallel in Taiwan? Does the younger generation, does the business class, see the Mainland as the threat anymore or do they think this is just politics, it's just American conservatives and Taiwanese nationalists who are making the trouble? Is there a rising sense that the P.R.C. really isn't a threat? Is that what's underlying a lot of this?

DR. CHIEN: Yes, this is a tough issue for me to answer because I have to spend a little more time, then, answering the earlier two questions.

First of all, what has been happening in Korea is also happening in Taiwan. I explained, before this luncheon, to Nat Bellocchi about their behavioral pattern and their mentality, which are totally different from ours.

Young people believe that the present is the most important thing and they want to spend money, they want to enjoy the good life, and with no responsibility. But they are smart. They are much smarter than we are and we must not look down at them. They deserve our respect and admiration.

But because of this different value system we have, our generation versus the younger generation, we are very serious people, we are very pragmatic people, and, no, they are not. They are very idealistic. There is a saying in Taiwan among the young people: as my emotions drift, I will go whatever that may be. Whatever I like I will just do it. And we cannot.

There are a lot of things we were taught when I was a little kid, this you cannot do, that you cannot do, this is taboo and that is taboo. So we are being built up like this, and now the young people are not like that.

A lot of young people in Taiwan now are studying in the P.R.C. The number is growing very rapidly. So whatever happened in Korea, you have the same thing in Taiwan. And the sad part of this, particularly from my point of view, is that by being educated in this country, spending my whole career dealing with this country, naturally I have a strong affection for the United States. But now the situation is different. Everywhere I went, Asia, Europe, Africa, Latin America, people rejoice in U.S. calamities. They applaud. The U.S. is taking the role of the whipping boy now by many countries. You have done so much for them and now no reward.

For instance, about Iraq last year, I have not read any positive comments on that particular effort. I have no doubt that efforts were conducted with positive thinking, with very serious considerations, good for the Middle East in the future, good for the whole world. 9/11 -- such a sad thing. I mean, my wife and I were watching the television that evening. It happened here in the morning; at home it's in the evening. We couldn't sleep. We found that how can this be happening and to the city we are so familiar with, here in the Pentagon, New York, the Twin Towers, we were there not too long ago, and we feel sad -- but not the average, particularly the young, people. They are not sad. They are not unhappy.

Now this is something we will have to think very seriously. You have a good representative in Taipei, Doug Paal. I often discuss this subject with him because we serve in the Foreign Service. When we're abroad we try to make other people, the people of the country where we are being posted, come to like us. When the people of the

country where we reside do not like us, there are so many critical articles. For instance, there's a famous weekly (I read it every week), called *The Journalist*. A good weekly. Solid articles. Week in, week out there were strong articles condemning the U.S. I called attention to that. I said you must do something. If you want, I can help you in getting to those people. But I don't know why. Not much improvement.

MR. MICHAEL FONTE: Thank you, Mr. Ambassador. I appreciated your comments very much.

I was interested in following-up on your comments that you did talk to Chairman Ma about the whole issue of the defense budget. It seems to me that at this point--first, let me back up by saying as you heard from Alan and Kurt, if you're in this town very long you know how serious the criticism is over Taiwan for both the defense special budget and the regular budget, and it's a palpable feeling here in Washington.

I was wondering if you could explore with us a little bit what Chairman Ma had to say about this issue because at this point, at least from my perspective and since I'm the Washington liaison for the DPP, I will show my prejudice here, but it doesn't seem like he's moved very much on this issue.

DR. CHIEN: Yes, this is the problem, I must say very candidly. After all, we are Chinese. Chinese are patient people, and particularly when you take over a new job. Your predecessor is still around. You don't move that rapidly in turning the table 180 degrees. Maybe you can appreciate it, this is un-Chinese. But I know our friends are becoming very impatient. You have to give him a little time.

I have all the confidence that he would be moving, he would be steering his way, but it's not easy, because don't forget who runs against him. It's the Speaker, and the whole thing has to go through the Legislature. The Speaker is very popular in the Legislature. I say this as clearly as I could.

MR. DAVID LAUX: This is more of a comment perhaps than a question, Fred, but David Dean, Jim Lilley, myself, and a few others in this room had many key private conversations with you during those critical early years. I just want to thank you for sharing your thoughts here today and putting them in that book.

I guess my key comment is I really want to second Alan's recommendation that you please do this in English and do it as fast as you can. It's too valuable. The truth needs to be out there.

And you've left out a lot of intriguing details. I remember running meetings in the middle of the night with Judge Clark and Senators and other people in this town during your five years here that I think you handled a very difficult set of problems very, very handily.

So I would just like to add one other thing that I think in a sense stands behind everything you've said but it hasn't been said, and that is what really has been accomplished since 1950, but really in the tougher years in the relationship that began in 1979, and I think, I know that Gaston Sigur and I share this view, felt that what Taiwan accomplished has done more to affect the Mainland and move it in the direction we would like to see it go than any other single thing that's gone on, and that should not be forgotten.

I mean, you set the example and my own feeling is that the changes that Deng Xiaoping made in loosening up the system and moving toward a more capitalist and open system came because he saw economic miracles all around him in South Korea, in Taiwan, in Hong Kong and Singapore, and three of those places were ethnic Chinese miracles, so he knew it was not the people, it was the system and I think he began to take some lessons from what you and others have done. So we shouldn't forget the role that you have played and that your country has played in this period.

So please get this into English so more of the world can share your insights. Thank you.

DR. CHIEN: Thank you, David. You are very kind. About the impact Taiwan has over the P.R.C., I think there is a certain kind of cross-fertilization between the two sides. Even though often times the two sides have been so hostile one towards the other, but whatever happened, one side that is good, the other side immediately tries to borrow, to emulate. As I pointed out even the method we work here, the P.R.C. embassy also emulated.

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