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Taiwan's Role in Peace and Stability in East Asia:

A Discussion with Dr. Ma Ying-jeou

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P R O C E E D I N G S

MR. BUSH: Ladies and gentlemen, good morning. My name is Richard Bush. I'm a senior fellow here at the Brookings Institution and director of its Center for Northeast Asian Policy Studies. It is my great pleasure to welcome you today.

It's an even greater pleasure to welcome Mayor Ma Ying-jeou, chairman of the Kuomintang, today's speaker. I must also say it's a pleasure to welcome his delegation, particularly some old friends who are members of that delegation—my old friend Ambassador Steven Chen, Legislator Su Chi, and a number of other people. It's always a great pleasure to welcome Ambassador David Lee to Brookings.

This event we are very pleased to do in co-sponsorship with our friends from the Center for Strategic and International Studies, and my good friend Kurt Campbell joins me on the podium and will have a couple of things to say in just a minute.

Mayor Ma's life, I think, parallels the history of modern China and modern Taiwan over the last five or six decades. He was born in Hong Kong as his family was fleeing from mainland China at the end of the civil war. He was educated in Taiwan. You may not know, but he and Su Chi, I think, took part in a political movement in 1971 and 1972 that began over the Diaoyu Tai Islands but

evolved into a serious questioning of the Kuomintang's authoritarian rule in Taiwan, the first in over a decade and began a stimulus to reform.

He went abroad for education, got degrees from New York University and Harvard Law School. He returned and entered the government. He became part of a group of younger officials serving President Chiang Ching-Kuo, who urged political reform and democratization. The rest is history.

He served in a number of important official positions. He was Minister of Justice, served in the Mainland Affairs Council, and was elected Mayor of Taipei in 1994. And he's not even 60 years old.

He will speak today on the subject of Taiwan's role in promoting peace and stability in East Asia. I would like to invite my friend Kurt Campbell to say a few words to frame that general subject. Kurt?

MR. CAMPBELL: Thanks very much, Richard, and welcome to so many friends here in Washington who are interested in this topic. I think, as many of you know, the general belief about the United States right now is that we are totally and fully preoccupied on Iraq and the Middle East, so it's nice to remind people elsewhere that Washingtonians, indeed Americans, are interested in the world, and particularly in important issues that are playing out in Taiwan and East Asia today.

Generally speaking, the interesting thing about the title of Mayor Ma's speech today—he's not talking simply about Taiwan's role in maintaining peace and stability across the Taiwan Strait, but he's talking about Taiwan's role in a

larger East Asian context—and indeed, I think he's going to talk about Taiwan's role in the world. And I think one of the things that we have to acknowledge over the last several years is through dialogue between the United States and Taiwan. Taiwan has become more active in a variety of ways globally and so we are going to be interested to hear what Mayor Ma has to say.

I must also say that one of the things that we've become accustomed to is Taiwan friends of all political stripes and persuasions coming to town quietly—very little fanfare, very little publicity. It's nice to see that this meeting today is like all those other meetings, hardly any attention, no cameras and the like. Obviously, as everyone understands, this meeting is on the record.

We will have a speech and I think we will have some opportunity for interaction. I would urge all of us to take advantage of Mayor Ma being here, to listen to him. If there are questions and people feel that a statement must be necessary, please, at the very end attach "aren't I right?" or something like that so it makes it seem a little bit like a question.

With that, I think we are all particularly interested to hear what Mayor Ma has to say about the region and the world, but we're also interested to hear what he has to say about Taiwan. We all hear discussions about one country/two systems—one Taiwan, one China—but increasingly, I think, all of us are a little concerned that there may indeed be two Taiwans. And what that fact of domestic dynamics, what that means for the future both of cross-strait relations and U.S.

relations with Taiwan, I think, is one of those issues that we all are meditating on more than any other.

If I may, no one's really here to listen to me, so without any further delay, let's please welcome very warmly in the wonderful Washington spirit Mayor Ma to the Brookings Institution for a wonderful keynote speech.

[Applause.]

MAYOR MA: Thank you, Mr. Bush and Mr. Campbell and distinguished guests, particularly ambassadors and former directors of the American Institute in Taiwan, and three members of Taipei City Council that travel with me.

Ladies and gentlemen, this is my great honor to be invited to Brookings and CSIS joint lecture series in Washington, D.C. You have just heard a bio-sketch of myself. I just want to make a little few notes. I was born in Hong Kong, that is true, but my parents actually went to Taiwan in 1948, a year before '49. I was actually conceived in 1949.

[Laughter.]

MAYOR MA: So technically I was still Made In Taiwan, but delivered in Hong Kong.

[Laughter.]

MAYOR MA: I wear two hats. One is mayor of Taipei City; and chairman of the KMT. But I would rather have you call me Mayor Ma, because the

other day, in Cambridge, Massachusetts, some people pronounced "Chairman Ma" as "Chairman Mao." And that could be fatal to me.

[Laughter.]

MAYOR MA: So let's talk about Taiwan's role in the context of East Asian relations and peace and stability in that region.

Well, actually, as you know, in that part of the world there are two flashpoints. One is the Korean Peninsula, the other is Taiwan Strait. And the strait has never been very peaceful, ever since the establishment of DPRC back in 1949. So from '49 to '79 it was a period of conflict, military conflict and confrontation. But when the United States formally recognized the PRC diplomatically January 1, 1979, the situation also changed across Taiwan Strait.

The mainland side decided to stop shelling the offshore islands of Kinmen and Matsu and then extended an olive branch to Taiwan by asking to establish the Three Links and all that at a time the Taiwan government responded by saying that we have to reunify China with the Three Principles of the People and asked them to return property to people and to dismantle the People's Commune and all that.

So you can see, after the hot war it was followed by a cold war. The period was from 1979 to 1987. One thing that was quite interesting was in 1981, when the marshal Ye Jianying made a nine-point proposal to Taiwan promising Taiwan autonomy status—as you know, the famous 9 Points of Marshal Ye. And one of the very interesting [inaudible] of that was the central government would

not send troops to Taiwan. And if Taiwan had financial problems, the central government would consider subsidizing Taiwan. At the time it was quite interesting to hear that comment. A few years later, the formula of one country/two systems was sort of formulated, but it was not used for Taiwan. Instead, Hong Kong became the first one to use that formula.

In 1987, Taiwan made a very important decision to let its residents go to mainland China to have family reunions. And since November 2, 1987, the cross-strait relations another new phase, where people-to-people contact began to flourish.

Since then, again, there are ups and downs in cross-strait relations. So let's just start from the year 2000, when the Democratic Progressive Party took power in Taiwan and started a new page in cross-strait relations.

When President Chen Shui-bian was elected on March 20, 2000, obviously everybody worried about his independence position, particularly when he got only 39 percent of the votes. But what he did in the two and three months after he was elected was really astonishing and actually very much appreciated. He visited many KMT old-guards, including the very respected [inaudible], and past premiers like [inaudible], and he said in his inaugural address the famous "Five Nos."

He said during his tenure of office, as long as the PRC does not demonstrate an intention to invade Taiwan militarily, then he promised, first, he would not declare Taiwan independence; second, he would not change the national

flag or the national name; number three, he would not put the two-state theory or a special state-to-state relationship theory into the constitution by revision; number four, he would not conduct a referendum on independence or unification intended to change the status quo; number five, there is no question of abolishing National Unification Council and unification guidelines. This is the so-called Five Nos.

So actually, he did everything right. So although he got only 39 percent of the votes on March 20, but one month into his presidency his opinion poll rating shot up to almost 80 percent.

But afterwards, the situation changed. First of all, he began by denying existence of the '92 consensus. The '92 consensus was the result of a meeting of Taiwan and the mainland through their what we call "white glove" instrumentalities. One is the Strait Exchange Foundation on the part of Taiwan, and the Association for Relations across Taiwan Strait (ARATS), representing the Chinese mainland. They met in Hong Kong, but they left Hong Kong without anything written on paper. But the subsequent correspondences exchanged between them, there emerged a consensus.

The consensus was either side accepts the One China principle, but leaves each side the freedom to interpret it, what One China means—One China/different interpretations. That was the consensus not official written in any formal format, but nevertheless served as the most important basis for holding a conference between the Strait Exchange Foundation chairman Koo Chen-fu and ARATS director Wang Daohan in Singapore in April 1993.

That conference was very successful and ended with the conclusion of four agreements. Now, it was the first time when such agreements were made, and they also follow a very important practice first used in 1990 between the Red Cross societies of the two sides in Kinmen, the offshore islands very close to the coast of Fujian. The format was what we call "agree to disagree." What was specifically about that? Well, in 1990, when the two sides met in Kinmen to discuss how they should handle the surging illegal immigrants coming from mainland China to Taiwan and the criminals, or a criminal suspect, coming from Taiwan to mainland China, how do they expatriate these people to their respective homeland?

The agreement was negotiated and concluded, but the final procedure is to date the date. That became the problem. There was no problem with the month and date—it was September 20th—but there was a deep disagreement on how to date the year. On the mainland side, they use the Western year, the year 1990. But for the Taiwan side, official papers use the official year of the Republic of China. That was the 79th year of the Republic of China.

So what can they do? They couldn't agree on a uniform way to date the year. So the solution was they left that blank and they filled it out after they went home. That's it. So each side has identical texts of the agreement, but the only difference is the dating of their year. So this model was followed in 1993 at the Singaporean conference.

So they have achieved some consensus, although fragile in form, but nevertheless serves as a very important commonality to move ahead.

Unfortunately, since that happened, following the 1993 conference became quite unpredictable. One after another, after President Lee Teng-hui went to Cornell, military exercises began to appear on the coast of mainland China. In 1996 they fired dummy missiles to waters off the shore of Taiwan, specifically speaking, on the shores near Keelung Harbor and near Kaoshiung Harbor in the south. The Americans sent two air carrier battlegroups to Taiwan, and the situation was quite tense.

So in 1998, the situation again changed. Chen-fu Koo went to mainland China, not just meeting Wang Daohan but also meeting Chairman Jiang Zemin, and came back with rather optimistic expectations of the first coming visit of Wang Daohan to Taiwan, which was scheduled for September or so, 1999. Unfortunately, in July—on July the 9th, I remember—in an interview with a German radio journalist, President Lee Teng-hui mentioned the special state-to-state relationship. That effectively stopped the cross-strait relations to move ahead when Wang Daohan canceled his trip to Taiwan. What followed was the change-over of government in the year 2000.

So the '92 consensus was a fragile consensus indeed, but there was such consensus. At the time, I was senior vice chairman of the Mainland Affairs Council, so I was one of the architects of the whole process and I supervised the whole thing from beginning to end. On the other hand, when the president decided to deny the consensus, I think relations began to sour, particularly when the

mainland side adopted the attitude of listening to what he says and watching what he does.

It was followed by other measures on the part of mainland China. They deployed missiles targeted against Taiwan. And again, President Chen Shui-bian in 2002 talked about one country on each side of the Taiwan Strait, which obviously connotates a very strong sentiment toward Taiwan independence.

In 2003, in 2004, the president decided to apply the newly enacted referendum law—to use an article dealing with what he called "defensive referendum"—to hold a referendum on two issues. One is whether Taiwan should acquire anti-missile systems, and the other is whether Taiwan should establish a peaceful framework with the Chinese mainland in handling cross-strait relations. That referendum was actually held in connection with the 2004 presidential election. And the two items were actually all vetoed by the referendum, because the people turning out to vote in the referendum did not reach the legal quorum of half of the total voters. So according to law, they were all vetoed. The legal effect of such a veto is that they are not supposed to be brought up again for three years, since they are vetoed.

Well, and then in 2005 mainland China adopted an anti-secession law. The idea first came up a couple of years earlier, but in December 2004 it was reported that the central apparatus decided on the Chinese mainland to let the bill enter the legislative process; in other words, to be adopted by the People's Congress in March 2005.

Well, interestingly enough at the time, I remember that was just after the legislative election on the 11th of December and news came out that they were going to legislate on the anti-secession law. I remember I was the first politician in Taiwan to come out and criticize the bill. My criticism was it was neither necessary nor wise to do this. It was unnecessary because there is no need for the PRC to have a law to provide the legal basis for their invasion of Taiwan; mainland China has never been a country that has so much love for rule of law. Secondly, it would be very antagonistic and it would provoke a strong reaction from the independence-minded people in Taiwan.

Well, what I predicted actually happened. When that law was formally adopted on the 14th of March 2005, I remember the precise passing time was around 11 a.m. And that afternoon, 1:30 p.m., I, on behalf of the Taipei City Council, called a press conference with the participation of 12 other pan-Blue city mayors and county magistrates to make public an open letter to the international community registering our protest and displeasure about this law.

We have three reasons. First, we consider this piece of legislation reflects a least understanding of the mainstream public opinion on Taiwan. Actually, those who support Taiwan independence constitute only a small portion of the people in Taiwan. The majority of the people in Taiwan support maintaining the status quo.

Secondly, we believe all cross-strait matters should be handled under the principle of bilateralism, not unilateralism.

Number three, all cross-strait matters should be handled according to the principle of peaceful settlement of disputes. So we are opposed to any application of non-peaceful means.

In spite of our protest and opposition, in the final paragraph of our letter we call upon mainland China and Taiwan to resume the interrupted dialogue between the two, because we think dialogue, negotiation, are the only means to solve their differences.

But the reaction from the pan-Green is different. They called a large mass rally on the 26th of March, with the participation of 275,000 people, the second-largest political rally in Taiwan's history. So the situation became quite tense after that. Interestingly enough, a pre-scheduled visit to mainland China by the vice chairman of the Kuomintang, Jiang Bingkun, led a delegation to leave Taiwan just two days after the rally, and they concluded a 12-point consensus with the mainland side on a variety of trade and economic matters.

Then that trip was followed by the well-known Journey of Peace by former chairman Lien Chan, who met personally with Hu Jintao on the 29th of April 2005 and reached a 5-point common vision with the mainland. This common vision includes support for the '92 consensus; they should reach consensus again on the peace treaty or agreement; and then they want to establish a common market across the Taiwan Strait; and they also promised to explore the issue of Taiwan's international participation; and number five is that the two parties, CCP and KMT, should establish a platform for interchange on the party-to-party level.

That is 2005. And as you are fully aware, two months ago President Chen Shui-bian said he wants to seriously consider the abolishment of the National Unification Council and unification guidelines. As you know, the council and the guidelines were actually made and established in 1991. But when President Chen was inaugurated in the year 2000, nine years after these two institutions were established, there had been nine years. And the reason why he put them into the Five Nos is a question of contention. But ever since he was inaugurated, the two things, the council and the guidelines, have fallen into disuse. But when he formally put an end to it, that certainly raised the question of whether he was keeping his promise not to abolish these two things.

So what followed in the months of February and March was all public information, but obviously the United States took a very different view. Through a lengthy negotiation—thanks to our representative here, David Lee—they finally came to some kind of an understanding that the Taiwan side used [Chinese term], which the U.S. side used cease to operate and cease to apply.

But nobody really knows whether this organization and this piece of policy are still in existence. People, including Su Chi, raised that question during the official interpolation period and posed the question to Premier Shu Chin-chiang. What Shu Chin-chiang premier said was only we cease to operate the National Unification Council and cease to apply the national unification guidelines. But he was repeatedly asked whether these two still exist. He again repeated what I just said. People said he is like playing a tape recorder.

But in any case, the official view seems to try to avoid saying that it's being abolished. On the other hand, the American side insists that they are only being frozen, not abolished. The final result of this matter remains to be seen.

But in any case, the mutual trust between Taiwan and the United States has been hurt as a result, pretty much what happened in 2003, when President George Bush, in his meeting with mainland Chinese premier Wen Jinbao in the White House, held a press conference on December 9, 2003, where he said leaders of Taiwan seem to intend to unilaterally change the status quo and the United States is opposed to that. That was the first time I've seen a president who is supposed to be very pro-Taiwan to say something like that to our president openly.

But this is the political situation ever since the year 2000. As you can see, the relationship moved from exportation to stagnation and ended with confrontation. On the other hand, this economic relationship became so booming in the last six years—which is actually a continuation of what happened after 1987, when the Home Reunion was permitted to go ahead.

Last year, the year 2005, the trade between Taiwan and the mainland recorded the record number of $71 billion, out of which Taiwan enjoyed a huge trade surplus of $49.7 billion. Last year, Taiwan's total trade surplus was slightly more than $7 billion. So had Taiwan not traded with the Chinese mainland, Taiwan's total foreign trade would have a huge deficit of over $42 billion. Investment, the investment since 1987, has accumulated to more than $100 billion

with more than an estimated 100,000 Taiwanese companies investing on the Chinese mainland, creating more than 10 million jobs over there. And there are an estimated 1 million Taiwanese living, working, doing business on the Chinese mainland. And last year, more than 4 million trips were made by Taiwanese to the mainland, and more than 200,000 trips made by mainland Chinese to Taiwan.

So the relationship, in terms of travel, trade, investment, and other exchanges—cultural or whatever—really are unprecedented in history, between Taiwan and the Chinese mainland. So you can see a vastly different picture, one on the political side and the other on the economic side. There are more than 700 missiles targeted against Taiwan, but trade booms as usual.

So what went wrong with all this? Well, first of all, there is a very significant lack of mutual confidence between the two sides. Each side considers the other side as enemy or potential enemies. Secondly, they lack consensus on the definition of the status quo. I think each side accuses the other side for unilaterally changing the status quo—but they also changed the status quo, which they did not admit. Number three, I think the most important thing is they do not share a common vision for the future.

So what we, the KMT, have in mind regarding all this is what I am going to tell you about. Well, I think, first of all, let's tackle the problem from the most important point. We need a common vision, a shared common vision by two sides. In my view, it should be peace and prosperity—what we call Two P, peace and prosperity. And secondly, if the KMT is able to return to power in 2008—let's

make it clear: the KMT return to power; I'm not talking about any individual becoming president.

[Laughter.]

MAYOR MA: If that becomes a reality, the KMT will, first of all, keep the Five Nos. That is very important for the maintenance of the status quo. The KMT will firmly support maintenance of the status quo without pursuing permanent separation from China and immediate reunification with mainland China. In other words, that is supporting the status quo without considering either independence or unification in the near future.

But in addition to the Five Nos, we need Five Dos. What do we mean by Five Dos? First of all, we would resume the interrupted talks between the two sides on the basis of the '92 consensus—which means One China, Different Interpretations.

Secondly, we would like to negotiate a peace accord with the mainland for, say, 30 years, 40 years, or 50 years, depending on the negotiation. And being a peace accord, a military CBM—confidence-building measures—should be included.

Number three, we will facilitate and accelerate the economic financial exchanges between the two sides, leading eventually to the formation of a common market across the Taiwan Strait. Of course, this will include establishing direct air links with the mainland, allow mainland tourists to come to Taiwan, letting Taiwanese financial service industry to go to the mainland, and so on and so forth.

Number four, which is the most difficult part, we should negotiate a modus vivendi regarding Taiwan's participation in international activities. They should include not just bilateral relations but also multilateral relations. And the modus vivendi should not be based on zero sum game, but rather should be based on pragmatism.

Number five, I think we should accelerate the change in the cultural and educational area. Specifically, we would like to see the exchange of students between the two sides. At the moment, there are 5,000 students studying on the Chinese mainland, but their degrees earned are not recognized in Taiwan. President Chen announced last year that during his tenure of office he would not recognize the degrees earned by Taiwanese on the Chinese mainland because he believed if he does so, more students would go to the mainland and that would make our universities even more difficult to get students.

Well, on the other hand, we will also hope that we could let mainland high school graduates to come to Taiwan to enter our universities, provided that the national security considerations are taken care of.

Why do we want to do that? Well, in Taiwan today there are 169 universities, and there is really a boom in our higher education. And for each graduate from our high schools in that given year, they have one more place in our universities. When I was a high school graduate, our chances of getting into a university was only 27 percent; but now it's more than 100 percent. It's very difficult not to get into college.

[Laughter.]

MAYOR MA: But if you see the statistics sometimes show only 86 percent admission rate, it was because those who were already in college come back to take the exam again. Otherwise, if you are counting only the graduate in class, the admission rate is more than 100 percent. So we have excess capacity.

On the other hand, on mainland China only 18 percent of the high school graduates had a chance to go to college. You might wonder, could the mainland high school students or the family afford going to Taiwan? Well, in Taiwan, you need probably 200,000 or 250,000 NT$ for a year in college. But in mainland China, it's about 50,000 NT$, slightly more than 10,000 renminbi as a point of reference. So the costs of higher education in Taiwan is about 5 times that in mainland China.

But look at another statistic. Mainland China last year spent 50 billion renminbi, which is about 60 billion NT$, on foreign studying. [Inaudible] enough middle class managers who could afford sending their kids to Taiwan. Of course, when I said we would like to see that, you know, you couldn't imagine how happy our university presidents are if they can have 10,000, you know, 20,000 students from the mainland. That could effectively solve the problem of shortage of students.

On the other hand, I think we don't just look at the financial side. I think it is very important for the young people on either side of the Taiwan Strait to get to know each other at an early stage of their life and build a lasting

friendship. I think this will become a very important source of goodwill. If in the future the director of the Taiwan Affairs Office of the State Council [inaudible] is a graduate of the National Taiwan University, and the chairman of the Mainland Affairs Council is a graduate of Beijing University.

Ladies and gentlemen, what's wrong with that? Wouldn't that be a very good thing, when each other understands the other side much better? Our former foreign minister Hu Jintao is a graduate of Oxford University. So when he went to Great Britain to conduct his diplomacy, I think it made it much easier to do that. I'm a graduate of Harvard Law School, so it will be much easier for me to get along with our alumni in the U.S. government. And when we talk about, well, the dormitory we shared or the mixers we went to and what dates we usually get from a nearby teacher's college—you know that?—you know—

[Laughter.]

MAYOR MA: This is something that provides a much better atmosphere for people to get together.

Well, so these are the Five Dos. And you may ask me why are we so optimistic about that kind of proposal. Well, as I said, Premier Lien Chan actually paved the way last year. And I think at least we should seize upon that opportunity to make further proposals in order not only to keep the momentum but to explore new possibilities. After all, we can't afford not to have peace and prosperity across the Taiwan Strait. Only by doing that can we really do the region a favor.

In addition, you might ask what will be the U.S. role in all this. I think the United States will continue to play a very important role in making this possible. The United States should give the two sides enough encouragement to come to terms with peace and prosperity as the ultimate goal. Taiwan should become a responsible stakeholder in East Asia. I know responsible stakeholder has become the name of the game.

Specifically Taiwan should become a peacemaker, not a troublemaker. So we should not rock the boat in regional waters. And I think the U.S. role in security affairs in East Asia will be made much easier. And the U.S.-Taiwan security relationship will be enhanced as a result. More resources could be used for economic development, for education, for social welfare instead of for war preparations. I think this is probably the only way out when we talk about really putting an end to the flashpoint across the Taiwan Strait—or to use a more fashionable term, to let the flashpoint across the Taiwan Strait cease to exist.

Thank you very much.

[Applause.]

MR. BUSH: Thank you very much, Mayor Ma, for that very comprehensive review and those proposals.

We will now open the floor for questions. Let me make a couple of proposals of my own. When you ask your question, please keep it very short. You can tell that Mayor Ma is very intelligent. You don't need to ask a very long question. He will understand what you are asking if you keep it short.

Please wait for the mike. Please identify yourself as you ask your question.

QUESTION: Good morning, Mr. Mayor. Welcome back to the United States. My name is Chad Novacek and I'm a graduate student here at Johns Hopkins, SAIS, just across the road. My question is a pretty important one, I think, regarding the near future.

Now, assuming there's a peacefully negotiated settlement between the People's Republic of China and the Republic of China to effectively end the Chinese civil war, what mechanisms do you think could be in place to help preserve the freedoms, the way of life, and the privileges of the people of Taiwan in the event that the ROC government is assimilated into the PRC government?

Thank you.

MAYOR MA: Well, first of all, the ROC government would not be assimilated into the PRC. The status quo means the maintenance of the ROC government intact. That is why we need a modus vivendi, that is why we need a peace accord, in order to maintain the status quo. We're not talking about unification here.

QUESTION: Hi, Mr. Ma. Garrett Van der Wies [sp]. We met in '86, when you were vice chairman of the commandant.

Yesterday at CSIS we had a joint CSIS-Brookings conference on consolidating Taiwan's democracy, where your vice chairman, Mr. Kwan Chung [ph], he gave a rather confrontational talk which was perceived here to be a bit

destructive to democracy in Taiwan. How do you intend to work toward reconciliation in Taiwan with this kind of signal still coming out of your party? Reconciliation and consensus building in Taiwan is a major target of your party, I presume.

MAYOR MA: Okay. There is actually a lot of worry in Taiwan that, unless we move quickly, Taiwan's economy will have a lot of trouble. And everything actually focuses upon opening of the so-called Three Links to mainland.

You know, after the failure of the Cancun conference in Mexico, the WTO ceased to operate as a multilateral trade organization. Members of the WTO began to conclude FTAs, free trade agreements, in order to liberalize their trade. You know, multilateralism, which was the basis of WTO, again was changed into bilateralism. Which is really a shame, but this is political reality.

But in any case, the 10 countries of ASEAN are forming an FTA and have agreement with mainland China. That is the so-called 10+1. They might move into 10+2 with the participation of Japan, and then 10+3, with South Korea. If Taiwan is left out of the process 5 years from now, economists in Taiwan estimate that our growth rate could go down 1 percentage point. Last year, our growth rate was about 4 percent.

Now, this was very serious. And also, if that becomes a reality, Taiwanese companies could decide to move into the mainland in large numbers in order to avoid the high-tariff barrier. And that could trigger another flight of

capital, which could be devastating to Taiwan, when we try very much to keep the companies, to keep the capital in Taiwan, at least the high end of investment.

But if nothing is done in the next couple of years, this will happen naturally and there is no way we could stop that. That is why all this, what I have said today, is very much tailored to the needs of Taiwan, not just the business community but people on the streets.

QUESTION: Mayor Ma, Nadia Tsao from Liberty Times, Washington correspondent.

People here are interested in your speech not only as a mayor but also a candidate for 2008. But have you thought of the possibility, you know, some people in Taiwan don't like the current system. So in two years you may be running a presidency, you know, highly restrained by constitutional reform. The premier, instead of the president, will be the leader in Taiwan.

Would you support a constitutional reform moving to that direction?

MAYOR MA: Moving to the direction of what? A parliamentary system?

QUESTION: Yes.

MAYOR MA: Well, I have no opposition to the parliamentary system. Actually, the current system, as we see it, is a semi-presidential system. If the elected president's political party is the majority party in the Legislative Yuan, then the system automatically becomes the presidential system. But if not, it's just like the present situation. The president's political party is not the majority party

in the Legislative Yuan. Then the system will become a parliamentary system. This was the intention in the 1997 revision of the constitution. If you go back to history and look at the reason for the change, that was every party accepted that. And even in the campaign white paper of President Chen Shui-bian in the year 2000, he also says the current system of our constitution is a semi-presidential system.

So I think we should give this system a chance to practice itself. We have amended, revised our constitution seven times in the last 15 years. No country in the world has changed their constitution as frequently as we did. That is why I think it's time for us to really let the constitution live a little bit without changing it. [Inaudible] it just happened that the majority party in the Legislative Yuan is different from the president's political party. Then we should let the majority party in the Legislative Yuan to recommend a person to become the premier.

I have already made that promise. I have already made that promise. If in case the KMT lost the Legislative Yuan election next year but happened to win the presidential election two years from now, then the KMT should let the majority party in the Legislative Yuan to recommend a proper person to become the premier.

[Flip tape.]

MAYOR MA: As a lawyer, I think we should let the constitution really be practiced for awhile before we change it again.

QUESTION: Scott Herald [ph], Columbia University and Brookings.

Mayor Ma, I'd like to give you a chance to speak to some of the domestic policies that the KMT envisions for a future in Taiwan. Because in your most recent presidential election, many people believe that actually domestic issues very strongly drove the election of President Chen Shui-bian.

In particular, I hope you can address three issues. One is media reform; two is the corruption, or black gold issue; and three, the identity of the Taiwanese polity.

If you could address those, that would help us understand better what direction Taiwan is heading in.

Thank you.

MAYOR MA: The first is media reform?

QUESTION: Media reform. Reform of the Taiwanese media.

MAYOR MA: Okay. Very good question.

First of all, regarding media reform, they established a national commission for media and communication, or communication media. We call it NCC, the [Chinese term]. And that is actually intended to implement the media reform. It has now begun to operate. I'm sure it will take care of the question you mentioned.

Secondly, corruption, yes. I have been very much concerned about corruption, not just in general or about the DPP, I am also concerned about corruption of some of the KMT officials and candidates who were elected. That is

why within the party I established a Clean Government Commission in order to monitor all our candidates. And before the candidates were sworn in in an official office after their election last year, I asked each one of them to swear before the portrait of Dr. Sun Yet-sen and sign a piece of paper of guarantee that they will not become corrupt, and then hand that piece of paper to me personally. And we'll use that committee to monitor their behavior in the future.

If they are indicted on a corruption case, then their party rights will be suspended. If they are found guilty on the first trial, in the trial court, they will be expelled from the party. So we're trying to be very strict on our party's candidates or party's officials.

Why did I do that? I think it's very important to get rid of all this unclean matters associated with the KMT. We want the KMT upright, clean, and competitive.

So number three, you're talking about Taiwanese identity. If you look at the proposal that I just made, every step, every point has a very strong Taiwanese identity. But Taiwanese identity does not equal Taiwan independence. We want Taiwan to handle our own affairs. But there is no—it doesn't make any sense that we want to pursue permanent separation. Our constitution would not allow that. But even if we keep the constitution intact, we still have the freedom to elect our own president, to elect our own parliament, to run our own affairs without being interfered from outside. And we have been doing that for over half a century, and we will be able to do that continuously.

Thank you.

MR. BUSH: I'm going to exercise the prerogative of the chair to invite my co-chair to ask a question.

MR. CAMPBELL: Thank you, Richard, and thank you very much, Mayor Ma, for a very comprehensive speech. I will say that your description of Harvard, with dating and mixers, is certainly like nothing I've ever experienced at Harvard.

[Laughter.]

MR. CAMPBELL: We must have been at different parts of the campus, I guess.

MAYOR MA: That I don't know.

MR. CAMPBELL: Mayor, let me ask you about a specific set of issues that have to do with the United States. I would be one that would argue that one of the basic aspects of the relationship between Taiwan and the United States is obviously the defense relationship and particularly the role of the Pentagon; you were talking earlier, where the strong supporters of Taiwan exist in the U.S. government. I take your point about the White House, but I think primarily historically the strong supporters have existed in the Defense Department.

And I think increasingly they are anxious, worried, concerned not just about the government but about the opposition when it comes to specifics about how Taiwan and the United States should interact, and a lot of anxiety of, you

know, a huge amount of finger-pointing—it's their fault, it's their fault—about why various systems and certain kinds of areas of cooperation haven't gone forth.

I'd be curious to hear your views, both now in opposition—because, obviously, leadership is important both in opposition and in leadership—what your specific recommendations would be about how to handle this issue now and also if you came to power in 2008.

Thank you, Richard.

MAYOR MA: Very good question. I think you put your finger right on the issue of the arms purchase package.

As you know, that package was approved by President Bush in April 2001. Now it's 2006. Five years have lapsed without a major decision made. But if you look back, you will see that from April 2001 to June 2004 nothing was done by the DPP government. They made the budget proposal to the Legislative Yuan on June the 2nd, barely nine days before the recess. So nothing was worked upon on that proposal until members of the Legislative Yuan came back in September. But that year, 2004, was an election year for the Legislative Yuan. So when the members came back, they were more preoccupied with their election campaign than talking about the bills.

On the other hand, when the bills first were proposed, the paper, the explanation, whatever—policy analysis—accompanying the bills was very scant, only just a few pages. And the price tag was $18 billion. So there was an uproar in the society, in the general public, why would you spend so much money on

this—for instance, a submarine. We don't know which countries are going to manufacture it, we don't know what type of submarine are we purchasing, and we don't even know—you know, that was just an item without enough information about the item.

So out of the 17 opinion polls conducted in the year 2004, other than the five commissioned by the government, by the Defense Ministry or the Government Information Office, the rest, 12 of them, almost uniformly showed that people were opposed to it. So there was no serious discussion in the year 2004, until last year, 2005.

The Defense Ministry decided to make some changes. First of all, the cut the price tag after 40 boycotts from the Procedure Committee, from $18 billion to $10.2 billion. So that was quite an improvement and has softened the resistance to some extent. In addition, they decided not to use the format of a special budget, because a special budget was intended to avoid application of a limit, 15 percent budget limit. So the atmosphere had become much more congenial after this.

So in January of this year, I, as chairman of the KMT, decided that we should come up with a policy statement at the end of March or early April in order to let the general public understand where we stand on this issue. And the policy statement was largely ready by early March, but the decision on the part of the president to terminate the operation of the National Unification Council and guidelines actually complicated the consensus building process within the party

caucus of the Legislative Yuan. Su Chi is a leading member in that. And as we know, more than 20 members, about one-third or so, say the timing is very bad.

If we, the KMT itself—not mentioning the people's first party—if we the KMT party caucus adopt a resolution to go ahead with the arms purchase package, people will receive a wrong signal. It sounds like we support President Chen's decision to scrap the National Unification Council. That wasn't our purpose. Therefore they think we should wait a little while. This is why this has not become a reality.

But on the other hand, we have already said many times, now, the KMT opposes unreasonable arms purchase, but we firmly support reasonable arms purchase. What are the criteria for distinguishing between reasonable and unreasonable? We base our decision on four criteria: First, our defense needs; second, the cross-strait relations; third, our financial capability; and fourth, public opinion.

We believe Taiwan should maintain adequate defense capability and Taiwan should demonstrate its determination to defend itself. And we are flexible in considering how much of defense spending should be in our overall budget. In other words, we have a very clear policy now. The only question left to be decided is what items are we going to talk about. And this has to be left to the party caucus. After all, they are our national parliament and they have the constitutional power to decide it.

But I can tell you now, we as a political party should really try to work out a solution in the near future in order to demonstrate our determination to defend ourselves and the very important fact that our defense apparatus system really needs an overhaul in order to make us strong enough to defend ourselves.

QUESTION: Mr. Chairman, at an AEI-Heritage event yesterday, in listening to some of the commentary afterwards there seemed to be a great deal of anxiety raised by the discussion that you have repeated again very clearly this morning, that in their minds what you're proposing would somehow upset the U.S.-Taiwan defense relationship and put Taiwan very firmly into China's camp and thereby force a change in the emerging U.S. hedge strategy on China. I know they were making these remarks to fellow journalists and others, and I thought it would be interesting to hear what your reaction to them would be.

Thank you.

MAYOR MA: Well, I think I made it very clear yesterday that the defense relationship between Taiwan and the United States will be enhanced as a result of the peace process across the Taiwan Strait. Because that would make the U.S. role much easier to maintain and the relationship more stable.

Because as I said, whether you would rather have Taiwan serving as a troublemaker, you know, making trouble once in a while, that would be much easier for the U.S. to handle; or do you have a Taiwan which has relatively stable relationship with the mainland but still keeping the status quo intact. I think this is the best way for Taiwan to do.

We're only improving our relations with the mainland. This is exactly what the U.S. would like to see. The U.S. wants us to have a dialogue and to resolve our differences peacefully. This is exactly what they want. And it's exactly what the U.S. has been talking about for more than three decades. You know, we're exactly doing that. And this one, I think, in our contact with U.S. officials, obviously they appreciate our point.

QUESTION: —Michael McDeavitt [sp], Center for Naval Analysis.

Mr. Mayor, staying on the security theme for a moment, I'd like to ask you about the second of your Five Dos, which is the peace accord 30 to 50 years that you discussed. What indications do you have that Beijing would be willing to talk about such a thing? Are there some indications that you have that they would be interested in such a proposal, particularly since the other aspects of your vision for a KMT administration would suggest that it would remove the incentive—or remove the possibility of independence and therefore potentially remove any incentive for Beijing to want to cut a deal in terms of a peace agreement.

So is there a loss of leverage, in fact? Does it make sense to talk about something that they may not be willing to talk about?

MAYOR MA: Well, this has been a frequently asked question, what is the incentive on the part of the PRC to come along with this peace proposal? Well, as you can see, in the past—well, in the early '50s, the PRC at the time was willing even to invade Taiwan. They talked about a bloodbath in Taiwan. But I think in the last three, four, or five decades, the situation has changed tremendously. Even

today Beijing is interested in preventing independence, but they are not talking about promoting unification.

If you look at what happened during the trip to mainland by Mr. [inaudible], nothing was said about peaceful unification and one country, two systems. They didn't say Taiwan is an integral part of the People's Republic of China for quite a while, until recently, until the time when they talk about, when the People's Congress passed the 11th 5-year Plan. They mentioned that. I think that was intended, probably, for the scrapping of the National Unification Council.

So if we stop escalating tension, there is a great chance for peace. That's what I'm talking about, a sheer vision for the future. Does Mainland China want peace and prosperity across Taiwan Strait? When they were poor, when they were, you know, much more authoritarian as they were before, they might just go ahead without having to consult the people. But since they've changed quite a lot, they also want peace. They also want prosperity. They don't want to see Taiwan moving further to independence.

On the other hand, they have a much different view of the concept of the Republic of China. You know, in the last couple of years, I found something very ironic. When we came to the United States to study, for instance, or in Taiwan, Mainland China actually hated the term "Republic of China." They think this is a defunct regime. And they tried to compile the history of the Republic of China pretty much after the traditional Chinese custom, that a successor dynasty compiled the history of the predecessor dynasty.

But lately the attitude has changed. Of course they won't recognize the Republic of China, but they seem to be able to tolerate their existence. Why? Because if the Republic of China is terminated or ceases to operate, then what they face is a blatant Taiwan independence that they would have much more difficulty to handle.

This is what I mean: It's a choice between two evils, and you choose the lesser evil.

QUESTION: Nick Berry [sp] of Foreign Policy Forum.

I think it's no secret that both Beijing and Washington will welcome the Five Dos over pan-Green's rather shaky Five Nos. In the election coming up, what would be the effect if both Washington and Beijing publicly sort of give hints that they support you over your opponent? What would be your reaction to that, and what do you recommend?

MAYOR MA: Well, I don't think the U.S. will be involved in domestic politics in Taiwan. And we make this proposal not just out of partisan consideration; this is really for the future of Taiwan. And I think as long as we maintain identity of the Republic of China and Taiwan, a lot of people will come along.

You see, when you ask people whether they want to maintain a strong Taiwanese identity, many will say yes. But if you ask them can we change the name of our country, for instance to use The Republic of Taiwan to replace

Republic of China, many would say no, the majority would say no. I think the latest poll is about almost 80 percent.

So quite naturally, people believe that without changing the name of the country or the flag, we could still have Taiwanese identity. If that is the majority of mainstream public opinion, then we should keep it. On that basis, we negotiate with the mainland, as the previous questioner says. If they say no, no, no, we don't want Republic of China, you have to consider yourselves as a province of the People's Republic of China. Then no deal. Let's go back to the confrontation, let's go back to escalation of tension. I don't think the U.S. wants that; I don't think the leaders in Beijing want that.

Now, the choice is quite clear for Beijing if you want Republic of China or Republic of Taiwan. They have to make that choice. Although they don't have to recognize that; all they have to do is just tolerate that.

You know, this is exactly what was written into the national unification guidelines. Each side does not deny the existence of the other side. We're not talking about recognize the other side—there's no way the PRC can recognize the ROC under their constitution. There's no way for ROC to recognize the PRC in our constitution. But we could just tolerate that. Because in our constitution, we have already made a provision for that. We're talking about Taiwan area, mainland area. That is a de facto sort of tolerance of that. And this the only way. And this is another modus vivendi. It has been done. It could be done in the future as well.

QUESTION: David Laux, former chairman of AIT.

My question has to do with the economic relationship between Taiwan and China. You know, the figures have always been a little murky in terms of what is the actual total investment by Taiwan companies and institutions in China. And the figure that's been bandied about the last year or two has been roughly $100 billion. But this past fall at a conference in New York at the Waldorf, put on by Institutional Investor, the head of your SEC said that actually he thought the figure was more like $250 billion.

Well, whatever the figure is, it's enormous. And the impact of this activity has, in my view, been tremendously beneficial to both sides. It's enabled Taiwan companies to become world leaders that they couldn't have been without the cheaper labor in the mainland, and it's helping, even more importantly in my view, to build the business class in China, which I think is the class that is going to change the Communist Party and eventually the government in the mainland.

Now, one thing that would advance this enormously would be direct air travel across the strait. And you haven't really spoken about that this morning, and I wanted you to say a few words about that. But nothing would be more symbolic, in effect, of moves toward alleviating the stress between the two places and nothing—

MAYOR MA: You mean the air links?

QUESTION: Yes, air links. Although I know sea links are terribly important, too. And it would obviously reduce the costs of the Taiwan companies that spend so much on not only travel, but time.

MAYOR MA: Okay. I think you are quite right that the total investment of Taiwan in the Chinese mainland is a matter of guessing. The figure I used is rather conservative, $100 billion. And you said even some Taiwanese officials say it's $200 billion. Last month I was in Europe, the European officials said $170 billion. But because some companies went to the mainland in the name of a Taiwanese company, some set up a dummy company in Hong Kong and then went on from there, some set up in Bermuda or the Bahamas, you know, that sort of thing, so you never know exactly.

But in any case, we know very well from industrial sources in the electronic or ICT industry in Mainland China, about 70 percent of the companies there are owned by Taiwanese. So when we said 80 percent of the world's notebook computers are produced by Taiwan, that doesn't mean it's made in Taiwan. It's made by Taiwanese on the Chinese mainland because it's no longer profitable to manufacture it in Taiwan.

That is why I think this is very important, because it is also the reason why we have such large trade figures with the mainland. The trade is primarily an investment-driven trade. Taiwanese companies import a lot of industrial raw material or semi-finished products from Taiwan in order to support investment over there.

You mentioned about the air link. Of course, air link is the most urgent item to be completed. Now, the progress is only a charter flight during the Chinese New Year. And the one we just had in January and February is the best one ever, you know, in charter. The charter flights, when they first started, would take about 4 hours and 30 minutes, but the current one, only 3 hours. But still, it's twice the time needed for a direct flight from Taipei to Shanghai. Why 3 hours? Because aircraft coming from Shanghai has to touch the air space of Hong Kong before they reach Taiwan, to show it is an indirect flight.

So that has to be changed. And if that can be changed, there will be important subsequent changes in many areas. For instance, for the high-tech companies, they don't have to move their headquarters to the mainland. They could still keep their R&D, the research department, design department, the incubation, the marketing department in Taiwan with a superior telecommunication and other sort of relations, connections with the world. And they could go to their companies on the mainland taking a 7 a.m. flight, arriving at Shanghai at 8:30, and go to the business meeting starting at 9, have lunch with their clients at 12, go to see the factory at 2, and then finish the work at 5, go to the airport at 5:30, take the plane at 6 and arrive home at 7:30. They could still have dinner with their family and to take the garbage out to dump.

[Laughter.]

QUESTION: [Inaudible] from Georgetown University Law Center.

Mr. Mayor, in 1998, in your first term of leadership, you identified yourself as a new Taiwanese. I wonder, after so many years would you still say you are a new Taiwanese? And just at the beginning of your speech, you said you were Made In Taiwan, only delivered in Hong Kong. For me, there is no need to emphasize you are a new Taiwanese. But I just wonder, would you say in the year 2008 you will still use the term "new Taiwanese" to identify yourself, or how else you will identify yourself?

MAYOR MA: Well, "new Taiwanese" is a term first used by [inaudible] when I was campaigning for the mayor in 1998. Yeah, I used that once. And I established a foundation called New Taiwanese Cultural and Educational Foundation. That just shows that we were called the mainlanders, but we are the first generation in Taiwan so you could say the "new Taiwanese." Some people say we're new immigrants—you know, the latest term is [Chinese term]. But that does not— no, no [Chinese term], I'm sorry, "new residents." New residents. So there are a lot of terms coming up. And the [Chinese term] refers to the ladies from mainland China or Vietnam or Indonesia. They came to Taiwan to get married with the local men.

So there are quite a lot of terms. But basically, no matter what term you use, you have to demonstrate your allegiance to Taiwan, to Republic of China, to that piece of land and the people. So it doesn't really matter what term you use.

QUESTION: Mr. Mayor, let me ask you a question about the free trade agreement between the United States and Taiwan that has been discussed. What are your views on that? Specifically—

MAYOR MA: FTA?

QUESTION: Yeah, free trade agreement, FTA. What would be the benefits, in your view, that Taiwan would derive? What do you think needs to be done to prepare Taiwan's economy in order to survive no barriers to trade? How would such an arrangement relate to your common market between mainland and Taiwan?

MAYOR MA: Okay, I think the ROC government is trying very hard to get FTA not just with U.S., but with Singapore. The one with the U.S. was the most difficult one. Singapore already has one with the U.S. That one took three years to negotiate and has 1,400 pages. So it's a very lengthy document and needs a lot of time to negotiate.

But I know we encountered problems in the area of financial services and the importation of rice and all that. That remains to be overcome. But I think it's an established policy of Taiwan to pursue conclusion of FTA with the United States.

At the moment the only FTA we have is with Panama. Our trade with Panama was only about $100 million, less than .3 percent of our total trade. And our negotiation with Singapore encountered difficulties because the government

wanted to use a name different from the one we use under the WTO, so making the process very difficult.

I talked to the senior minister, [inaudible], about this and he said they will come to a conclusion, but hoping that Taiwan should not use that occasion to change the name, making the process more complicated. Something like that.

Thank you.

[Applause.]

MR. BUSH: I used to work for politicians and I knew that it was part of my responsibility as a staff person to make sure that my boss was always on time. And so I feel a special responsibility to Mayor Ma to make sure he's on time for his next appointment. So we now need to bring the session to a close. But I want to express my appreciation to a number of parties.

First of all, to CSIS and Kurt Campbell for co-sponsoring this event. Second, to you the audience for joining us and for asking such good questions. Third, to my colleagues in the communications department for doing such an outstanding job, for managing such a challenging event. Fourth, to the KMT PFP office here in Washington for making this opportunity available. But most of all, to Mayor Ma Ying-jeou for making it possible and for giving us so much of your time on your whirlwind visit to Washington, D.C.

Thank you very much.

[Applause.]

MR. BUSH: We have a small gift for you.

MAYOR MA: Thank you, Richard. I already got the book, and I'm reading another of your books about Taiwanese history. And I have to say you have really done a really good work on our history. We have a lot to learn from you.

MR. BUSH: Well, thank you very much.

[Applause.]

MAYOR MA: Thank you very much for joining us.

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