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A WAR LIKE NO OTHER

THE TRUTH ABOUT CHINA'S CHALLENGE TO AMERICA

by

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The Brookings Institution
Washington, D.C.
Thursday, April 26, 2007

PROCEEDINGS

MICHAEL O'HANLON: Welcome, everyone. Thank you for being here. I'm Michael O'Hanlon. I was very happy to co-author this book with Richard Bush on the U.S.-China relationship and, specifically, on many aspects of the potential strategic competition, with the possibility of conflict over Taiwan, and how we think through ways to minimize that danger.

Mike Green has very kindly agreed to join us in this morning's discussion. As you know, Mike is one of the great Asia scholars of this generation, and also the former Senior Director at the National Security Council for President Bush until just over a year ago, I guess.

So what we'd like to do this morning is to begin with about 10 minutes from each of us. I'm going to turn the floor over to Richard who, as you know, is one of the country's great Taiwan experts, and has worked on this issue for some two decades in government on Capitol Hill, in the executive branch — and now at Brookings, where he runs the Center for Northeast Asian Policy Studies of Brookings.

Richard and I divvied up responsibility in this book with, of course, Richard being the expert, particularly, on the history of the China-Taiwan problem; the nature of the political relations between them; much of the diplomatic backdrop to this. I focused more on the military issues, so I'll speak on those following Richard, and then Mike will comment. After all that, we'll look forward very much to your participation.

So, with that, I will turn the floor over to my co-author with whom, again, I was very privileged to write this book. Thank you all for being here. We'll go from here.

Richard?

DR. BUSH: Thank you very much, Mike.

If Mike was happy to write a book with me, I was honored to write a book with him. We were both pleased to work with our friends at Wiley Publishing on this effort.

I spent two years as the National Intelligence Officer for East Asia, and I soon learned what my role was in helping policy-makers understand the region of the world that they were trying to shape through policy. Sometimes they got very agitated about what was going on in East Asia, and it was my job to sort of calm them down.

Other times, they were a little too complacent about what was going on, and it was my job to agitate them — to get them excited.

[Laughter]

If you want to use a beverage metaphor: sometimes it was my job to give them a cup of chamomile tea; other times it was my job to give them a cup of Starbucks coffee.

In our book, we do both of those things. On the one hand, we talk at some length about the rise of China, about which some people in the United States are getting a little bit excited. There are reasons they point to as to why we should be excited about the rise of China. Its economy is growing quite quickly — 10 percent a year for a number of years; the military budget is growing 15 to 20 percent a year for a number of years. In the first four years of this decade, it bought over $10 billion of military equipment — probably advanced military equipment — from foreign countries. Its political influence has been growing, both around the compass on its periphery, but also in Latin America and Africa — for a variety of reasons. The most stunning example, I think, is the Republic of Korea, an ally of the United States for five decades, but now a very close partner of the People's Republic of China.

Now, of course, it's easy to overstate where China has come. It's not standing 10 feet tall; rather, its growth has created a host of internal and external problems. It's created winners and losers. On the one hand, in Southeast Asia, it has increased its influence because of its demand for natural resources. But if you look at a country like Cambodia, which was trying to build a capability in light manufacturing, you will see it is being wiped out in a number of sectors.

Furthermore, it is creating a macroeconomic imbalance with the rest of the world, which is something that will have to be addressed. One hopes that there will be a soft landing, and prays that it's not going to be a hard landing.

But we have to ask the question, so what? What does this increase in Chinese power mean?

Political scientists argue that the rapid accumulation of power by a state will necessarily, or likely, lead to conflict. We can point to examples in the past: Germany at the end of the 19th Century; Japan in the 1920s and 1930s. And the established power in the international system often resists the rise of a new power.

So it's not surprising that elements in the United States express worry about the rise of China. It's not surprising that elements in China predict that the United States is going to try and contain China's rise. It's not surprising that the two countries are hedging against each other. There is the danger that each will assume that the other is going to treat it in a hostile way and create a kind of vicious circle.

But we should remember that this is the era of globalization, and not the era of geopolitics. A hundred years ago, 150 years ago, countries accumulated power by seizing territory. Today, countries accumulate economic power by enhancing interdependence. China's a prime example of that. We do create economic vulnerabilities in our relationship with China, but the main one is the macroeconomic imbalance that I mentioned before.

There are other ways that conflict could occur with China. One that occurs to us is that China could get into a conflict with an ally of the United States, such as Japan. Treaty obligations would come into play. It's not impossible. But China and Japan are in situations of co-dependence themselves, and we see the leaders of those two countries working hard to manage their tensions.

So we come to the conclusion that in this dynamic of a rising China and a status quo United States, that a lot—or most—of these issues can be managed; that the leaders of both sides understand the situation they're dealing with. They understand this dynamic, they understand history. They understand the mutual dependence.

Also, they actually understand the opportunity of great power cooperation. China and the United States working together along with the other great powers—the European Union, perhaps Russia, perhaps India, perhaps Brazil, certainly Japan—can be a significant force for the preservation of peace and security in the world. And, indeed, these great powers have an obligation to do so.

This was the concept behind Bob Zoellick's term "responsible stakeholder." This is a vision that is worth pursuing.

I mentioned at the beginning that sometimes analysts have the job of calming people when they're agitated, and other times they have the job of agitating people when they're calm. I just provided a bit of calm, I hope.

What in this book is a message of agitation? Within this optimistic message that the United States and China together can manage China's rise, the one issue where we worry that the United States and China might have problems is the Taiwan issue. If that is not handled well, then it could lead to conflict.

Now, why do we say this? Here we engage in what we feel is some informed speculation.

Let me be clear that we don't feel that the probability of this is necessarily high. But we do feel that costs are extremely high, so it is worth alerting people to even the low probability.

How might a conflict between China and the United States come about? We believe it would be the result of a conflict between China and Taiwan, and a U.S.

decision to come to Taiwan's defense for a variety of reasons: belief that China's military action was unjustified; desire to preserve democracy; a belief that we needed to demonstrate a will to protect our friends; and to ensure commitment to peace and security.

This then provokes the question: how might a cross-Strait conflict occur? It's probably not because of an explicit action by either side to change the fundamental status quo. Those actions would be a deliberate decision by China to use force, or a deliberate decision by Taiwan to change its legal identity.

Rather, we think a cross-Strait conflict would be more likely to occur as a result of misperception and miscalculation.

How might this unfold? Well, our speculation is that Taiwan leaders would take action to strengthen their sovereignty. They would engage in initiatives that had a domestic political purpose, but which had sovereignty implications. The PRC would interpret these actions as changes in Taiwan's legal identity. Each side would misperceive U.S. intentions in the situation. China might assume that the United States would not come to Taiwan's aid, and Taiwan might assume that the United States would come to its aid.

The United States might, in this situation, be sending mixed messages. It's happened before. We would have an unfortunate situation where all three sides would fall off the brink because none would know precisely where the edge of the brink was. In this sort of situation, domestic politics — which exist in all three countries — can exacerbate miscalculations.

One implication of this kind of situation is that the approach, which I call "dual deterrence," that the United States has pursued over the last dozen years, breaks down. In this situation — regrettably — because the PRC sees that its fundamental interests have been challenged, and because the United States has not done what it has expected it to do to restrain Taiwan actions to change the status quo, it needs to act on its own to reverse the situation, and the only way to do that is some level of military force.

I would note that all three sides have gone part way down this road before. In the presidential campaign in Taiwan of 2003-2004, President Chen was taking a number of initiatives that China interpreted — and some in the United States interpreted — as preparations to change the status quo. You will recall that President Bush made statements criticizing President Chen for that.

Now, in the current situation, Beijing is beginning to get worried about what Chen Shui-bian is up to with his declarations that he wants to change the constitution, and he wants to create more international space for Taiwan. And we're beginning to hear complaints that the United States and China are not on the same page.

This is why, on the whole, China and the United States can manage China's rise on the one hand and; on the other, why the Taiwan issue could be the one area where we could get off the rails.

To tell you more about how that could happen, I turn to my colleague, Mike O'Hanlon.

DR. O'HANLON: Thank you, Richard.

What I want to talk about just for a few minutes are some of the military dynamics that could result, if we saw things go to the point where Richard has just left the discussion. Let me say that one of the challenges in writing this sort of a book is that we have such outstanding diplomats — a number of whom are in this room — who have worked on this problem, including my co-author and co-panelist, that, unfortunately, the problem is a little too settled right now to sell a lot of books. So it would have been nice if you could have left a little bit more tension in the relationship just for a few more months.

[Laughter]

But, obviously, on the one hand, what we're seeing is a relatively quiet situation right now over Taiwan. But others, especially Richard, who has written about it very elegantly in our book, understand the history better than I do.

Just to simplify the situation: Taiwan is a democracy of 23 million people, with elements of very strong ethnic association to China, but also at least as much separation from China as the United States had from Great Britain in 1775 — probably a lot more, frankly — one of the most impressive economies in the world; a history of being militarily threatened by the PRC; and being asked to be absorbed by this Communist behemoth that, as much as it's reformed, as impressive as its growth and its evolution have been, is still this giant that has bullyish tendencies.

So it's hard to be too critical of Taiwan at one level. I think a lot of people in this room, again, who have worked on the problem admire Taiwan greatly, as do most Americans, and want to make sure that it has the right not only to stay safe, but also to increasingly play a role in the international community — even though it is not recognized as a nation-state by most countries in the world. And this is a real dilemma.

As Richard explained very well in this book, and helped me to understand the distinction better than I had before: Taiwan wants more sovereignty, even if most of its leaders recognize they should not pursue outright independence.

I don't know how to translate the words "sovereignty" and "independence" into Chinese. I'm sure some people in this room do. But I hope the Chinese leadership understands the distinction in these two terms, and is able to see when Taiwan is simply trying to do the first and not the second.

All I'm trying to do here is simplify, in layman's terms — since I'm the layman on the panel in regard to this issue of Taiwan's politics and its standing in the international community — simplify how there can be the potential here for real disagreement, even if at this moment, through good diplomacy from the United States and others, we have a relatively calm situation.

Okay, so what I want now is to play out the military scenario. Let's assume that Taiwan has done something that China finds unacceptable. We all know that the United States often talks about how we would oppose an unprovoked attack by China on Taiwan, but of course in China's mind, it would never be unprovoked. The question would be the degree of provocation. We would perhaps disagree in Washington and Beijing over whether the provocation had any kind of merit or any kind of seriousness to it such that China could be justified in raising the military specter.

Of course, we would never approve of that in the United States, but what I'm submitting to you is we may find China's position entirely unacceptable and say they were not provoked. There could be disagreement on that very point.

So what does China do? Well, some people will talk about the old D-Day scenario. China is a big country on the map, with 1.3 billion people, the most populous in the world, the number-one rising power in the world, only 100 miles across the Strait from a small island. How could that big land mass and big population and big economy not inevitably just swamp and grab that tiny island if it put its mind to it?

Well, of course, in military terms, it is not so easy. In the era of 24-hour, all-weather reconnaissance, we would see China getting ready to do this. Precision weapons, whatever their limits in the streets of Baghdad, are pretty good against big ships on the open sea. So I spend some time in this book trying to make the case for why China would probably not have a very good amphibious assault option. It would not have a D-Day option, at least not a very compelling one.

I am not necessarily provoking a lot of disagreement among most military analysts with this argument, but in some ways, of course, that shouldn't be too reassuring because, unfortunately for us, China has other options. We saw a couple of them in 1995-1996 when it essentially bracketed Taiwan with missile launches that landed in the waters off Taiwan's coast.

But China has other options, too, which we develop in this book, some of which are becoming more credible, including the idea of what we term a leaky blockade where China simply tells the world: Stop trading with Taiwan because if you send a ship in

toward its ports, we reserve the right to sink, and we are going to pressure Taiwan's economy rather than try to conquer it.

Because Taiwan depends so heavily on trade — I believe a good two-thirds of its GDP is involved in foreign trade and much of it, of course, by shipping or by airplanes — China could threaten either type of transit into the island, and it wouldn't have to do an airtight quarantine. It could simply sink the occasional ship or just make people think that it might do so. Therefore, this puts China in a position where it can sort of dial up the violence or dial it down as a function of how the world is responding, how Taiwan is responding, and what the United States is doing.

I am happy to get more into this during the discussion. We wanted to spend a bit of time explaining why we are worried about this scenario because we think it is a too-compelling reality or too-appealing option for China if things get ugly. In fact, China could sink a couple of ships and then if the United States decides to send the 7th Fleet en mass over toward Taiwan's waters, China can back down for a while. China can play a game of cat and mouse.

Then we worry about a situation where, let's say, we do deploy a large part of our fleet towards Taiwan and we try to set up essentially a convoy escort operation to reliably allow shipping to go in and out of Taiwan, to prop its economy back up. Well, then China has some very significant options and some very hard choices, and we certainly hope that it would choose at that point to desist, but there is the danger that it would try to make America worry that its ships could be vulnerable to anti-ship cruise missiles of the type that China has now been buying from Russia or vulnerable to a torpedo attack from some of China's improving submarine fleet.

Then the United States has to worry in response and consider in response. Do we start trying to sink Chinese ships and submarines in their ports within Chinese territorial waters as a way to escalate preemptively so our vessels out at sea are not at risk or not a serious risk?

As you can see, these are the kinds of very stark choices that all sorts of escalatory potential. As Thomas Schelling taught us about nuclear war 40 years ago, the worries about a nuclear war are not that one country is going to wake up one morning and decide wouldn't it be a good idea to attack the other with all we've got. The worry is that as you get into this kind of a crisis, neither side wants to lose. Both sides are potentially prepared, especially on the Chinese side, to interject an element of nuclear worry into the equation in order to try to get the other side to back down.

So we neither want to talk too much on this nice April morning in Washington about the specter of U.S.-China nuclear war over Taiwan, nor do we want to dismiss it entirely, either. We think that it really is the kind of escalatory outcome you have to worry about even if the odds would seem quite low at the moment. That's the kind of military analysis we have in the book, looking at what China's options would be, what

America's and Taiwan's response options would be, and what some of the very important red lines would be in this process and try to prevent escalation because in this war, unlike the wars in Iraq and Afghanistan and elsewhere, our main goal would have to be not military victory in an absolute sense but a containment of the crisis before it got to the point of serious U.S.-China all-out conventional war or even the danger of nuclear war.

That is the kind of discussion we wanted to interject into the book at the military level. I am going to leave it at that and again say thank you to Mike Green, even though I wish he hadn't done as quite as good of a job with Doug Paul and others of calming this crisis just as our book was coming out. I, more seriously, admire very much the efforts of Jeffrey Bader, Richard Bush, Douglas Paal, Michael Green and others in this room in dealing with this situation but look forward to your reactions to the book and more generally to the situation between the Chinese, Taiwanese, and Americans.

MICHAEL GREEN: Thank you. I can't promise you that Doug or others of us will call the White House and encourage them to invite Chen Shui-bian to the Oval Office or to sell B-2 Bombers to Taipei to increase book sales.

It's an important book anyway. Don't worry. It will be well read. It's a book you could read on your next trip to Taipei or San Francisco easily; if you're a faster reader, maybe Chicago or Denver. If you're just going out to the taxi, the best 50 words are the ones I wrote on the back. After reading the draft that Mike and Richard sent me, what I wrote was that really this is the ideal combination to address this, in many ways, awkward and almost unthinkable scenario.

Mike, because he has a very strong track record looking at military and strategic problems and doing it in a way where he brings in the counterfactuals, looks at the different paths that scenarios could take and does it really exquisitely as an analyst but in a very balanced way. Richard, because he is, for Asia experts, in and out of government like myself, perhaps the preeminent go-to guy to understand what is happening in the cross-Strait situation. When I was in the NFC, our door was always open to Richard. It helped that his name was Bush. It confused our front office staff a little bit. But it was true for my predecessors, for me, and I am sure it is true for Dennis Wilder and others now because he really has useful insights that are in this book.

Oddly enough, I am going after this session to Georgetown, where I teach a course on Asian security, to administer the final exam, and the final exam question is: Is major war obsolete in Asia? Before you get on your cell phones to warn your friends at Georgetown, I told them that at the beginning of the semester because in some ways that's the cruelest thing a professor can do.

I asked the question precisely so that they'll have the kind of discussion — it is an oral exam — the kind of discussion that is in this book, thinking through what are the factors that preserve war and peace. Often, when we talk about security policy, we talk about very tactical issues here and now, but ultimately our charge, as officials or scholars

thinking about security, is to maintain peace. And so, thinking about war and what causes war, even when it's unpopular or difficult, is a real responsibility for anyone who cares about this issue.

Now this book creates a dilemma for me because now I have to decide whether to hide it from my students next year or require it and then give a different question. I'll probably assign the book and then think about a different question, and Mike and Richard will owe me a good question.

I find this talk in Washington is much easier than it would be in Seattle or New York. When you talk about this question to business leaders, they look at you like you're insane. Why would you raise this unpleasant and difficult issue? I hope that, even more than the Washington policy community, CEOs read this book on the way to Beijing on their next trip and think about this a little bit, not because war is likely. It is very unlikely as these two authors responsibly convey, but, as I said, you need to think about what keeps the peace to understand what we have to do on a day-to-day basis.

You think about the basic ingredients of the cross-Strait scenario. Yes, Taiwan and China are more economically interdependent than anybody probably would have imagined 10 years ago. Taiwanese businessmen, business leaders want to be in Beijing, want to be in China, want to be in Fujian, want to do business. Huge numbers of them are now permanently based there, and that is very, very important.

The overall trend in Taiwan's politics, I think, is generally toward more moderation. The parameters of the debate have narrowed somewhat since 2003. Beijing has emphasized the stick less, and soft power and united front strategies more. So the trends aren't bad; sorry.

But if you think about the military build-up, there were 17.2 percent nominal defense increases last year by the Chinese military. Think about the increasing capabilities, things like the anti-satellite test, unanswered questions we have about crisis management, who's in charge in crisis, what's the role of the People's Liberation Army (PLA), transparency issues. Think about trends in Taiwanese identity politic, growing numbers saying that they are Taiwanese first, Chinese second. These are the ingredients that, in a different setting, could be quite problematic.

Often, wars happen in history not because of the immediate issues between the two potential belligerents, although those are the *casus belli*, those are the things that start the conflict, but often it's some exogenous shock or some larger tectonic plate shift. For example: Japan, in response to the global depression in the twenties; and Europe in 1914 going down a mobilization route and therefore getting off the track of strong interdependence.

There are things that can happen. You could come up with a number of them in Asia, from epidemic flu outbreaks to financial crises, which would change the

environment and make this mix of dangerous ingredients far more prominent and help sell the book better. So I think Mike and Richard have done an excellent job thinking through these scenarios and the overall context.

For someone like me, the challenge in this is to highlight the best parts of the book, to say where you disagree. I generally agree with the scenarios. I thought what I would do is talk a little bit about some of the implications because a good book will provoke further debate, further thinking, and this one does.

As Richard and Michael point out in the book, the danger of miscalculation is a real problem, and it is important that we send clear signals to both sides. They have done a very good job — I guess this is in Michael's chapter — in particular, thinking through escalation, how you would have fire breaks and control escalation. That comes at what military planners call Phase 1 or Phase 2. In any military plan, at least for the U.S., the kinetic occurrences, the deployment orders happen from Phase 1 on.

Strategists have to pay at least as much attention to Phase Zero, which is where we are right now, which is not in a state of war, and think through what is effective in terms of deterrence, dissuasion, encouragement to reinforce positive trends and mitigate against the destabilizing elements.

In the book, a number of things were touched on that I think are worth emphasizing and thinking about as you read the book in terms of this Phase Zero dissuasion, this deterrence phase. By the way, this is the phase, frankly, that belongs in the U.S. Government -- not to the Pentagon, but to the State Department, to the National Security Council and the Pentagon all jointly. So it is really something that requires a lot of interagency thought and a lot of thinking by experts.

Some of the issues that are important in this Phase Zero in terms of dissuasion, one clearly is the U.S.-Japan alliance. There is some debate. I am a Japan expert by training. There is some debate about whether we have created a defense dilemma with China by strengthening U.S.-Japan defense guidelines since 1997.

I would argue no, we have actually helped with dissuasion and deterrence because Japan's willingness to have tactical clarity about its capability to defend its territorial islands and water has complicated Chinese military planning. It is very hard today, I suspect, for the PLA to say to Hu Jintao or to the Central Military Commission, don't worry about Japan. The Japanese have the commitment and capability with the U.S. to defend their territories in a way that complicates a lot of Chinese planning, and that, frankly, is useful because we don't want this to be easy. But because it's based on areas immediately around Japan and the defense of Japan, it is not provocative.

But the U.S.-Japan alliance also has an important dissuasion effect on the other side, which is with Taiwan. Richard and Michael suggest the E.U. or the U.N. or other actors could really shape Taiwanese choices. I think that the most important signals

Taipei follows are what their friends in Tokyo and Washington are saying. And so, U.S.-Japan coordination on this in terms of how we signal Taipei is also very important. President Bush, in 2003, sent some warning signals to Taipei, but very importantly the Japanese representative in Taipei did the next day as well. That, I think, is an important part of dissuasion.

That said, the E.U. does have an important role and other democracies do have an important role. One reason that I and others in the Government were so stubborn about this E.U. arms embargo issue, although this was important, it wasn't just because high tech weapons could go to China. It was because of the signaling of lifting the arms embargo at a time when the National People's Congress was poised to pass an anti-secession law legalizing, in effect, the use of force against Taiwan. So signaling dissuasion from other major powers in the system — Australia falls into this category, too — is very important. Korea is also very important.

You want dissuasion signals, but you have to be very careful because if you push some of these governments to move from dissuasion to deterrence, you can sometimes get answers you don't want. So I think the Government, of which I was a part, made something of a mistake pushing the Korean government too hard two years ago for strategic flexibility, in other words, an explicit agreement that the U.S. forces in Korea could be used more flexibly for scenarios unnamed but obviously related to Taiwan.

My dad teaches litigation at Georgetown. One of the things he teaches is don't ask a question of a witness if you don't know the answer or if you're afraid the answer is going to be something that hurts you.

We asked a question of Korea. Now the Korean side was partly to blame by leaking that question, but the answer was "No," which did not help in terms of dissuasion. So I think our dissuasion strategy with other partners and parties has to be carefully thought through and calibrated and deserves a lot of attention.

The other aspect of dissuasion and deterrence that is very important is Taiwan's own defense capability, defense spending. I think the experts give Taiwan credit for interoperability, for strengthening professionalism, for doing more with what they've got, but the undeniable reality is that as China has increased its defense spending, Taiwan's defense spending has been flat. That sends the wrong signal to Beijing, frankly, in terms of traditional deterrence thinking. But it also sends a very dangerous signal to Washington, and that signal is if there's a dust-up, you guys take care of it and we'll handle it up to that point, which undermines credibility and trust between Washington and Taipei in a way that hurts dissuasion and deterrence, for a gap between Taipei and Washington may send signals of false encouragement in a crisis to Beijing, which we wouldn't want.

Now, the other aspect of Phase Zero thinking is the nature of our relationship with both Beijing and Taipei. In the EP3 incident, President Bush could not really reach Jiang

Zemin on the phone because he didn't know, I suspect, what was happening and was not ready to enter into an open-ended discussion with the U.S. President. That was very dangerous. I think the President has developed an excellent relationship with President Hu Jintao, a trusting relationship where they can call each other whenever they need to very quickly, and that's important.

Increasingly, we are developing that kind of relationship down the line. DoD was initially rather nervous as was the PLA about military-to-military contact. It's now moving forward. All of that is important. All those relationships are important in terms of signaling, establishing clarity, and you need to invest in those relationships.

But the same is true with Taipei. We, I think, in the U.S. need to invest in a significant way in our partnership with Taipei. That means high level meetings. I personally think that we could upgrade the official nature of our interactions with Taiwan because I think Beijing understands the U.S. commitment to keeping stability in the Straits. I think we should be, if and when we get trade promotion authority, actively looking at a Free Trade Agreement. If we don't invest in our relationship with Taiwan, then when we have a crisis we are not going to have the connectivity and the trust that allows us to dissuade and calm things down.

It is not simply a matter, as some people tend to think, of putting Taiwan in a box and telling them to behave. You have to invest in that relationship. We have to invest in it also because we need to signal to Beijing that this democracy matters to us.

Those are some of the sort of Phase Zero implications, I think, of Richard and Mike's book. It's something that people need to think about, particularly if they would like to believe that this is not going to happen.

I encourage you guys to go to Seattle and Beijing and shake things up a little bit on the side of the fence where people tend not to think about these scenarios.

DR. O'HANLON: Thank you, Mike.

Please, we would like to get you involved now. We've got a number of microphones in the room, and when you raise your hand and get one, please identify yourself. If you have one person in particular you'd like to answer your question, go ahead and identify that person.

THOMAS RECKFORD: Thank you. I am Tom Reckford with the World Affairs Council.

There's often a lot of talk about the Taiwan government changing its sovereignty or the constitution. I don't see much talk about the possibility of developing nuclear weapons. Many years ago, Taiwan did go fairly far towards that, actually, in cooperation with Israel and South Africa and then, of course, backed down because of U.S. pressure.

I wonder if any of you would be willing to discuss this particular issue.

DR. GREEN: You guys comment, and then I'll comment on your comment and continue the pattern.

DR. BUSH: Tom, I'm sure that this is a subject which certain parts of the U.S. government follow quite carefully. I have no idea what they find.

There is also a broader issue of whether it's a good idea for Taiwan to acquire conventional offensive capabilities and so be able to hit targets on the mainland in case of a military conflict.

Our friend, Dennis Wilder, who is a senior director on the National Security Council staff, said a couple of days ago in a briefing that he thought that ballistic and cruise missiles are a bad idea for both sides, that he doesn't like China building them up and he doesn't like Taiwan having them either, that they are destabilizing for both. If that's the way the U.S. government feels about cruise missiles, he sort of feels 10 times more strongly as far as nuclear weapons are concerned.

DR. GREEN: The North Korean nuclear weapons program is shaking up the discussion across the region, so it's not surprising that people will be focusing on this. The opportunity costs, the risks involved with a nuclear weapons program for Taiwan are enormous, so I think it's very unlikely. But, as with this book, it is one of those things worth thinking about just to make sure it doesn't happen.

A unilateral capability for cruise missiles on the island of Taiwan is very complicated. First of all, it is, in my view, not that effective a deterrent, and it complicates escalation control, to which Mike and Richard pay so much attention. If the U.S. doesn't have trust that it can control escalation ladders and have escalation dominance because it doesn't know whether Taiwan is going to provoke China to go to the next stage or because Taiwan has this bee sting capability, the effect of that, the likely effect of that is going to be to undermine trust between the U.S. and the ROC, and the effect of that is going to be weakened deterrence.

So it may be quite attractive politically because unilateral counterstrike capabilities are a lot cheaper than missile defense or P3s or other things, but in terms of the stability of the Strait and the defense of Taiwan, it carries a real risk that it would undermine the larger deterrence and stability provided by a U.S. commitment under the Taiwan Relations Act because the U.S. military planners would have to worry and the political leadership would have to worry about losing escalation control and going up this ladder to nuclear war. So I think it is very risky.

That said, I don't think that the military in Taiwan has no right to that capability. It's something that needs to clearly be talked through and thought through because it has much larger implications than simply having the sort of psychic satisfaction of being able

to pop one back at Beijing in a scenario.

DR. O'HANLON: Jeffrey?

JEFFREY BADER: Jeff Bader with Brookings.

I wonder if perhaps all three of you could comment on this question. Our policy on PRC-Taiwan is always focused more on process than outcome. We insist that the process be peaceful, and peaceful resolution, whatever the outcome, has always been judged as acceptable to us. Could we put that aside for a moment and could I ask each of you to give your view on whether an outcome in which Taiwan was reunified in some fashion, and you can specify what fashion you want, with the PRC would have national security implications for the United States and Japan?

DR. BUSH: Do you want to start?

DR. GREEN: Thanks. Would you answer this if you were up here?

The process does matter, just to put that briefly back on the table. There's such a range of possible confederations or unifications that the nature really matters. If you had a unification that was a result of coercive tactics, coercive strategy by Beijing, and that doesn't necessarily have to be military, it could be economic, that's not necessarily good.

The best formula is one where the people on the island of Taiwan feel comfortable enough with the nature of the regime in Beijing and their behavior in terms of security and transparency and being a stakeholder, that they engage in a dialogue and a process that leads to some graduated affiliation, association that could range anything from one country, many systems to something looser to something closer.

But the process matters because, I think, to be in U.S. and Japanese interests, it really needs to be based on not an economic, political, and military coercive process but a process that involves popular participation, popular acceptance. I think that has to involve some change in the nature of the Chinese, if not the system, then the behavior with respect to military and other issues.

If that's the process, if it's an open process that resonates with Taiwan's democracy and so on and so forth, I think it can be in U.S. interests and Japanese interests. If it's more coercive, then it raises questions.

I would never have said that a year and a half ago. So it's my personal opinion, obviously.

DR. BUSH: On the process thing, I think it's also important not only that it be peaceful but also that it be worked through the Taiwan political system because if it's not worked well through that system, it's an unstable outcome.

But to add on to what Mike has said, I think the key variable is that in any substantive outcome the question is, does the PLA get to be on Taiwan, particularly PLA navy forces, and the PLA air force. If it's an outcome where the hints that have been offered some time ago that the PLA will not send a single soldier to Taiwan, that it's basically "Hong Kong minus" with respect to Taiwan or even better than that, but the PLA has no presence on Taiwan, then obviously that basically doesn't change the security situation in the western Pacific.

The other issue, is the Taiwan Strait still an international waterway as opposed to a Chinese domestic waterway? Those would seem to be the key questions.

DR. O'HANLON: I'll make one quick comment agreeing with what my co-panelists have said, but let me take the extreme from a military point of view, the extreme scenario of a totally reunified China and Taiwan with the PLA willing and able to go anywhere it wants and maybe even some questions about the Taiwan Strait. Let's assume that's open but that Chinese naval forces and air forces can be on Taiwan.

Obviously, no American strategist is going to relish that new military constellation. You can certainly construct scenarios where it's obviously more worrisome and you've thought about them. But I think that's the sort of thing where you take the good with the bad, and the good would be resolution of the most pressing issue in U.S.-China relations and what we argue in the book is the most likely path toward a great power war in the first part of the 21st century. I would happily take whatever modest additional risk there is of having Chinese forces 150, 200 miles further east if this particular tinderbox could be put to rest for good.

So, in that sense, I might be a little nervous about it, but I would welcome that development.

Please, the fifth row, Richard. Thank you.

RICHARD SHIN: Hi, Richard Shin with LECG.

My question is really could there be a trade-off between Taiwan and North Korea from the views of the Chinese Government and the United States and whether the progress we made in the Six-Party Talks recently changed that picture in any significant way?

DR. BUSH: Some in China would like there to be a tradeoff. The United States says don't even think about it. The logic is that it's in China's own interest that the North Korean nuclear issue be resolved well because North Korea without nuclear weapons makes China more secure.

DR. O'HANLON: Sir, you had your hand up in the fourth row here in the pink

tie. Yes, please.

HYEONG JUNG PARK: I'm Hyeong Jung Park, visiting scholar at Brookings. My question is for Dr. O'Hanlon.

Dr. Green has mentioned that there was tension between South Korea and the United States because of strategic flexibility of American forces in South Korea. Can you imagine a military scenario in which the U.S. military forces in South Korea should be mobilized to war between Taiwan and China or China and the United States?

DR. O'HANLON: That's a good question, and first of all, I want to thank Mike for his forthright assessment of the recent history. I thought it was a very useful comment that he made earlier.

There certainly are scenarios where the airpower that we have currently on the ROK would be useful in the early days of a Taiwan Strait contingency, especially before we could bring in more reinforcements from the continental United States to bases presumably in Japan, maybe even in the Philippines, depending of course on what other countries wanted to do by way of helping us in this kind of a terrible scenario. So I'm presupposing that all our diplomacy has failed, that we're in this difficult situation and just thinking it through.

But if that were the case, then I think what the United States would ask Seoul would be -- at least in my opinion, what it should be -- to notify Seoul that we taking our forces off South Korean territory without planning to use those bases as combat bases for the operation itself. If the ROK felt strongly that America was in the right and it wanted to voluntarily offer up the use of those bases or give permission to the United States to use those bases as actual combat hubs and then to fly to the Taiwan Strait and fly back despite the geographic undesirability of doing that to some extent relative to Okinawa at least, the United States might welcome that offer. But I think we should operate from the assumption that while we might need the airpower, all we really have the right to ask Seoul to do is let us take those airplanes and take them away and then base them somewhere else and do things with them.

For Seoul, all this would mean is that the United States was simply making a decision to redeploy its forces and, in theory, Seoul wouldn't even have to know exactly what their next destination was, it's just America's sovereign right to do with its military forces what it wishes, but Korea has the sovereign right to make decisions about how its own bases are used in the course of that operation. That's the distinction I would make. We might want to use the assets, but we would not expect and should not expect that Korean bases would actively support the operation. I think that would be the most important distinction for both Washington and Seoul to make early on in this situation you've described. I don't know if anybody wants to comment on that.

In the third row, and then we'll work our way up.

RICHARD SELDEN: Richard Selden, legal consultant. I had a question for Mr. Green about Taiwan's lack of military funding. They haven't brought the United States package I guess that came up about 3 years ago -- about $22 billion, I think. You had indicated that part of the responsibility for this was Taiwan thinking the United States would come in and just help them out and they don't want to spend a lot of money, but are there more domestic reasons for that? Also, does Taiwan consider a military buildup just not really very helpful in terms of how they relate to China? Is that a factor?

DR. GREEN: Yes, and what I was describing earlier was the impression that's created in Washington by Taipei's lack of movement on increasing defense spending, the impression is that people here think Taipei is willing to fight to the last American in pursuing independence, to put it in an extreme scenario in an extreme way. There is blame to go around for this one. The Pan-Green camp didn't move soon enough, it didn't start building consensus soon enough after the package was signed. So in the initial phase I think probably the preponderance of blame would be on the Pan-Green camp. I won't put Doug Paal on the spot by asking him if he agrees, but I think over the past few years the problem has been with Pan-Blue, which has blocked movement in the Legislative Yuan for a variety of political reasons, and even within their own caucus has had trouble developing a consensus on this one.

It's become a ping pong ball in other internecine fights within the Pan-Blue and between Pan-Blue and Pan-Green, and there are statesmanlike leaders in both parties who are standing up and saying we need to move forward on this, but it hasn't happened in a way that I'd like to see because I do think this hurts the credibility of Taiwan's commitment to its own defense in Washington where we have to make tough judgment calls. We have to maintain capabilities, and I can tell you as a former official we have to put up with very cordial but constant demarches from our Chinese Foreign Ministry friends and it's much more encouraging when you know that the political forces in Taiwan are ready to step up and develop the capabilities that are needed to help stability and deterrence.

DR. BUSH: For the record, it was 6 years ago this week that President Bush approved the package that has yet to be funded.

DR. O'HANLON: I'll work towards the back of them room and then I'll come back up in a minute. In the very back, please.

SHULONG CHU: I'm Chu Shulong, CNAPS Visiting Fellow from China. Richard, you say that the U.S. and China have increasingly found a way to manage their differences including the rise of China and the Taiwan issues. I hope this can continue. My question is, does the U.S. want to manage this difference with Taipei? Richard and Michael Green have worked on this for many years. If the U.S. wants this, the next question is whether the U.S. is able to manage Taipei, that is, their actions in cross-Strait relations. I believe that participants in Washington will try their best to communicate

with them to avoid the worst situation in the world, which the book describes. But I wonder what Taipei thinks and whether Washington will be willing and able to manage Taipei's intentions. Thank you.

DR. BUSH: Certainly so far I think Washington has done a pretty good job in managing this three-way situation, and it is a three-way situation, and it's interesting that both the Clinton administration and the George W. Bush administration have been pursuing basically the same approach in reducing the probability of conflict. Obviously the main driver here is the political balance of power within Taiwan, there is an election in 11 months in Taiwan, and that will determine what the future configuration will be and will determine what the future role for Washington will be, how complicated its role will be. It could be less, it could be more complicated. If I had to predict I would say that probably Washington will be willing and able to play its role.

On the other hand, the message of this book is that we cannot rule out that there might emerge a dynamic between Beijing and Taipei that could get out of control and lead to a very difficult situation.

DR. GREEN: It's an excellent question. I think your colleagues in Beijing believe that Washington is better able to exert influence than perhaps the Chinese thought, and that it's in China's interests, which is why I think personally there is some room for more investment in this relationship with Taiwan because that engagement between Taipei and Washington has helped stabilize the situation from Beijing's perspective.

That said, I can tell you from personal experience that senior U.S. officials or distinguished representatives in Taipei are not able to dictate what political leaders say there. It's a vibrant democracy no matter how hard we try, and Beijing should not expect that Dennis Walter or Steve Young or other people are going to have a mute button or a channel changer remote control to effect what President Chen or Frank Hsieh or Mayor Ma or anybody else says, it's a vibrant democracy.

I would also say that our ability to manage, as you say, Taiwan or the situation is contingent on how much we invest in the relationship. For example, if we were, and this administration won't do it, but if some future administration were to, say, cut a deal on North Korea and in exchange, pull back our commitment to Taiwan, Taiwan is an actor in its own right in this equation and to the extent we did something like that, I think for patriotic people in Taiwan, they would start looking at some more desperate ways to retain their integrity and their sovereignty and what they see as their independence. So every action has a counteraction and I think if we did try to put Taiwan in more of a box or to rearrange our priorities or cut a deal on North Korea and then in exchange, for example, promise never to sell arms to Taiwan, I think if we did something like that it would start a dynamic in Taipei. I don't know which way it would go, but I think it would make it much, much more difficult for the U.S. to "manage" Taiwan, which is why I think we really need to think a lot about what is our agenda for investing in this

relationship ranging from FTAs to person-to-person contacts to official interactions. I'm not looking to provoke Beijing, but I think we need to find ways to deepen that commitment precisely because it stabilizes the situation and it gives us credibility. Taiwan is not the fifty-first state and we need to invest in that relationship like we do any other important one.

DR. O'HANLON: Doug?

DOUGLAS PAAL: Thanks. I'm Doug Paal. Michael, in the spirit of your book I'd like to pose a hypothetical situation and get your response as to how it might play out.

I am mindful of what happened in 1979 when Deng Xiaoping came to the United States and amidst all the ceremonies he let a skunk loose in the Oval Office by telling the President that he was going to invade Vietnam and leaving everybody sitting on their thumbs at the time. Today there are still a few fuses that could be lit in the relationship between Taiwan and China and if one of them, pick whatever you want, gets lit and China decides it's intolerable, what if the Chinese ambassador comes to the Oval Office and says in 30 minutes we're going to put four missiles on the President's office in Taiwan to send a message that what's happened is in intolerable? How would that then play out between the U.S. and China?

DR. O'HANLON: Well, I first think we'd first call Chen Shui-bian and tell him to get out of the palace. That wouldn't be the smartest way of advertising it, unless of course China wanted to find a way to do something pretty blatant and yet still make sure that they didn't kill too many people.

But I guess the spirit of your question is that they might want to do something fairly small and yet quite serious. I think in our response, we could probably have a debate on this panel and it probably would depend on the exact scenario you've laid out, and you did lay out one very particular one. I think my reaction, assuming we could make sure nobody died in that palace by getting the word through in time, and if the Chinese really did stop then, I would have a strong instinct in favor of first thinking about economic sanctions in reply. And I might want to make them moderately painful and more than just these seven Chinese can't get their money out of their stock market because they were behind the strike. And I might want to do it for a while, years, and I think that would make more sense for the scenario that you've laid out than a military response. Whether it would be multilateral sanctions would obviously depend on the effectiveness of our diplomacy and the response of other countries, but I think that would be my instinct. But again, one must recognize that it would all depend on the very detailed specifics of how the scenario played out. Does anybody else want to get into that?

QUESTION: When India and Pakistan came closer to war in 2002 and people like Rich Armitage, Colin Powell, the Chinese foreign minister, and others constantly went to Islamabad and Delhi, that had some effect, but the thing that had the greatest

effect at pulling them back from the brink was when a number of American Fortune 500 companies started evacuating their people and the economic indicators all started going south. So I say this half-facetiously, but in some ways the first thing you might want to do is send a warning note out in Beijing, Shanghai, by evacuating Americans and immediately demonstrating the impact economically. I say that half-facetiously because it might be worth thinking about.

The next thing you'd want to do is immediately get on the phone with Tony Blair, with Putin, with Abe if he's still there, I think he will be, and have them immediately get on the phone with Hu Jintao and use words like "incalculable consequences" or something that's very vague but scary, and ideally you'd want to signal that there would be very specific responses without saying what they are. But the worst thing to do would be to sit on your thumbs.

DR. O'HANLON: I'll come up in a minute to you, Scott, but please, here. In a minute I'm going to start taking two questions at a time so we can make sure that all the hands get called upon.

WU XINBO: Wu Xinbo, a Visiting Fellow at the U.S. Institute of Peace, from China. Congratulations on your new book.

I think war is not in anybody's interests in the Taiwan Strait, but I do agree with Richard that there is a real risk of miscalculation and misperception, and from the Chinese perspective the risk of misperception and miscalculation is especially high when you have a reckless leader in Taipei aggressively pushing his agenda while you have an administration in Washington that may be more sympathetic to Taiwan's independence agenda or will be more interested in using Taiwan as a strategic leverage vis-à-vis China. So we kind of saw this situation in the early years of the 21st century in 2001, 2002, and even 2003, and then after that the Bush administration began to adjust its approaches to Taiwan, thanks to the hard work by Mike Green.

My real question is, how would you define a more sophisticated and constructive role by the U.S. in this case and how to avoid the emergence of this kind of war situation in the future? Thank you.

DR. BUSH: As I said before, the main driver in all of this is domestic politics in Taiwan. The administration of Chen Shui-bian has 13 months to go, less a few days, and we will have a new president. We will have to see what that will mean in terms of the policies of the new president for cross-Strait relations and for the dynamic between Taipei and Beijing, Beijing and Washington, Taipei and Washington. It's hard to make predictions at this point because we don't know who the candidates are, but I'm not unoptimistic. I am somewhat optimistic that the situation will see some improvement and that there will be room for creativity all the way around. There are some predictions that there are deeper changes occurring in Taiwan society in terms of political attitudes

that are even more positive in reducing the forces that create the problems that you're worried about.

DR. GREEN: In addition to what we've already discussed, I think there are two other important messages that the international community needs to send, one to Beijing and one to Taipei. I think the message for Taipei should be to its next administration -- that Taiwan's identity, Taiwan's security, and Taiwan's value to the international community has a lot more to do with what Taiwan represents as a successful democracy than it does with 19th century definitions of sovereignty like flags or borders. And those issues may link Taipei with some of its diplomatic allies in the South Pacific or Central America, but the thing that matters to the major powers that uphold the system, the U.S., Europe, Australia, Japan and others is that what Taiwan represents as an economic success and as a democracy, and that's the winning wicket, that's the game to play -- to emphasize what Taiwan represents in that sense.

Sometimes I say this and friends in Taipei say you're absolutely right, the critical pillar is self-determination, therefore we should have an election creating an independent Taiwan, and that's not quite the point. Functioning liberal democracies require leadership and require vision and inclusiveness.

The message for Beijing I think we should all be sending is, it's very nice that you're talking to the Pan-Blue camp, but this united front strategy is not a sustainable strategy and it only exacerbates polarization in Taipei and makes the long-run situation less stable and Beijing has got to engage with the elected government, and even if Pan-Blue wins should be talking to both camps because trying to heighten polarization in Taiwan may be tactically attractive for Beijing, but in the long run it's not in China's interests or in the interests of a peaceful process.

DR. O'HANLON: Actually we're going to do three at a time. The three of you right here, and then I'm going to finish with you three, and we will have one round in between. So, please you three.

MASAHIRO MATSUMURA: My name is Masahiro Matsumura from Brookings. Your book has three major assumptions, whether you made it explicit or not. The first assumption is that the U.S. will sustain hegemony both in the military and the economy, and the second one is we are going to have a robust U.S.-Japan alliance without any significant effect, and the third one, maybe because of the first two assumptions, is that China's rise is significant, but the nature of the rise is quantitative, not qualitative, to the extent that they change their original system.

I wonder how these assumptions are shared by the people in this town, and if in effect you think your assumptions are shared, why you think that they will support your assumptions. The future is inherently uncertain and unpredictable, so do you think that the people agree with your assumptions because there is enough empirical background to support or impart people support on some wishful thinking?

DR. O'HANLON: Scott and Gary?

SCOTT HAROLD: Scott Harold, John L. Thornton China Center at Brookings. I really want to piggy-back on Dr. Wu's earlier comment, but before I do I want to thank the two of you for a really balanced presentation. I notice Mike appears to be drinking tea; Richard, I think you're drinking coffee, so it's a very balanced presentation.

I want to point out that although it's very nice to think of China as rising and the United States as stable, for which I think actually you can make a pretty coherent argument, from the perception of those in Beijing it might be possible to think that actually China is fairly status quo minded and that it's the United States that has doubled its military spending during this Bush administration, which has been pursuing a democracy agenda around the world and which has pushed missile defense. And of course Japan is rising and as Japan has risen it has signed agreements with Australia, for example. So I wonder if there's any way in which this perception might interact with escalation concerns. In particular, here I'm looking at the 2008 Olympics in China, a time when many in Taipei have thought if we're ever going to do something, there will be a strong disincentive for Beijing to react because they won't want to lose the Olympics. Of course we also have the incentives of upcoming U.S. and Taiwanese presidential elections. U.S. presidential elections are often a time when U.S. candidates for the highest office tend to bash Beijing; presidential candidates in Taipei also want to appear the same way.

I just wonder if there's any risk there that our thinking is very positive about ourselves and we're missing how Beijing might see it.

DR. O'HANLON: Gary?

GARY MITCHELL: Thanks. Gary Mitchell from "The Mitchell Report." I want to go back to the question that Mr. Paul asked and sort of ramp it up a little bit. Let's say that something provocative literally happened in the next 30 days because the Chinese reasoned that we're tapped out with other areas of the world. What's the likelihood that this administration and this Congress and this electorate would be willing to commit American treasure and lives and other resources to the defense of Taiwan? You may want to comment on what the nature of the treaty obligation is, but in political terms, if something crazy happened, what are we apt to do really?

DR. BUSH: Let me answer the three questions quickly and then you can do the political will side of Gary's question. Hiro, you're right about the assumptions to this study and the basis of the assumptions. It's just an interpretation for 25 years of thinking about China and nothing more. Scott, on the sort of first part of your comment/question, one can make a case that it's the United States that's the revisionist power in all of this and not China and a scholar as eminent as Bob Jervis as actually sort of made that case. I would argue that over the next 11 months or even beyond that, for Taiwan to change the

status quo as the United States would define it, what we're really talking about is a change in the legal definition of what Taiwan and the Republic of China are and that requires a constitutional change and that all of this other stuff, sort of changing the names of corporations and having a referendum on this or that on advisory referendums is annoying and it's provocative, but it doesn't rise to the level of change in the status quo. And as long as the Pan-Blue in Taiwan maintains an opposition to constitutional change, it's not going to happen, and I feel fairly confident that they will maintain that opposition. They're not even willing to pass the budget. They blocked a bill that would have put their presidential candidate in jeopardy. So they are being pretty hard line.

Gary, there is no treaty obligation, a legally binding treaty obligation to come to the defense of Taiwan. The Taiwan Relations Act only legally requires the president to report to Congress if Taiwan is under threat. It's more of a political commitment, and so it's contingent on circumstances at the time, and so your question is quite relevant.

Mike, you follow the larger security environment in which the United States operates. What do you think?

DR. O'HANLON: I'm going to be very quick because I want to get these last three in and finish up, and Mike Green may want to comment, too. I think that in essence, militarily speaking we all know in a sense this is a tailor-made scenario to complement the ones in Iraq and Afghanistan in that it would require exactly the assets we're not using there. So in that sense I think it's doable. Of course, the American people don't want another war. That's usually true. It may be even more true right now. On the other hand, you know all the arguments that get made in this kind of a situation. If China is menacing Taiwan and America is now saying maybe we're a little too tired and overextended to want to get involved, the entire logic of America's role in the world is cast into doubt. What kind of military commitments are reliable anymore in Korea or in the Persian Gulf vis-à-vis Iraq? I think if we look at 60 years of post-World War II American history there's a very strong reason to think that the national psyche, and certainly the national security community, is going to say you can't at this moment flinch just because you're preoccupied. So I think that the calculus probably wouldn't change that much relative to normal times. Do you want to comment on any of this?

DR. GREEN: I think on the second question that's right. Obviously the specific cause of the conflict, how much the public views that Taiwan is to blame, would have some impact on the politics. But I think the larger strategic question would go to what Mike's addressing which is the credibility of what scholars call the hegemonic stability. This would be a fundamental challenge to U.S. hegemonic stability and would be viewed with great scrutiny in Japan, in Western Europe, Australia and elsewhere. And a non-U.S. response is simply inconceivable, and whatever risk would be associated with a military response would be weighed against the risk of essentially undercutting our position in Asia and our alliances. So it would go far beyond whether Taiwan was to blame or Beijing was to blame, or those would be factors in the tone of the response and the politics.

On the other item, I think you've accurately captured the concerns Beijing has about U.S. policy. I think we should be cognizant of that. I think the Zoellick and now Negroponte dialogue with Dai Bingguo in that kind of very senior exchange on this is very, very important because we should not dismiss those concerns. On the other hand, I think that the nature of U.S. defense spending has everything to do with the Middle East, our position in Asia hasn't changed that much, Japan's defense spending has not increased either as much as China's has.

I think an important part of the solution of that possible defense dilemma is to strengthen our dialogue on this issue with the Europeans, with Australia, with Korea, in part because many major powers speaking softly is as effective as one major power speaking loudly, so it's a way out of the defense dilemma. Frankly, having been in some of the exchanges with the E.U., with NATO, with Australia, they bring out the best in us and we sometimes need a little — as the Japanese say, too, from our like-minded friends.

DR. O'HANLON: Very quickly, I'm going to go down this row as I promised. Please be as brief as you can and we'll wrap up.

DARNELL EDWARDS: Lieutenant Commander Darnell Edwards, a naval fellow. A question for Michael: you said a number of times that the U.S. should send clear signals to both Taiwan and Beijing. With that in mind, and I agree with that completely, should the next U.S. administration consider revising or reviewing it's one China policy, because there are those that argue that in its ambiguity it does work for us?

GERRIT VAN DER WEES: Gerrit van der Wees. I work for the Formosan Association for Public Affairs, a Taiwanese-American grassroots organization. I'm a bit disappointed in the fact that you seem to be so focused on a war scenario. Wouldn't it be much more desirable to try to focus on and think about peace scenarios and see how peaceful coexistence as two friendly neighbors could come about? I think Mike did mention that the U.S. and Britain were at war 200 years ago, only a very short period, and now you live in peace with each other. So couldn't we have more creative thinking along those lines? Taiwan is a democratic country now. They want to live in peace with all its neighbors including China. So I do have a suggestion for your new book, "A Peace Like No Other."

DR. O'HANLON: Richard, and then Mike to finish up, please.

DR. BUSH: I wrote a book on that called "Untying the Knot," but you know about that. On the one China policy, it's a marvelously flexible device that includes a lot of different elements that can be deployed in different permutations and combinations. It's an additive framework, and so it really doesn't need to be revised. It's also adaptive to circumstances. So I think it's fine the way it is and there are others who would like us to change it in one way or another, but it's working fine.

DR. GREEN: I agree with that, and I would just add that I think it is very unlikely, highly unlikely, that any of the possible candidates for president in their administration would actually change the one China policy. So it's an interesting sort of hypothetical discussion, but I don't see any of the candidates, and the Republicans would be more likely obviously to change it, although the Democrats might change it in certain ways, I just don't see any of them doing it. It's just not worth the downside risk when as Richard say it's a broad enough framework that it's like a potato, you can put whatever you want on it.

DR. O'HANLON: Thank you all very much for being here, and we'll see you again soon.

[END OF TRANSCRIPT]