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CENTER FOR EAST ASIA POLICY STUDIES

**CROSS-STRAIT RELATIONS AT A
JUNCTURE:
JAPANESE AND AMERICAN
PERSPECTIVES**

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PROCEEDINGS

DR. BUSH: Good morning. My name is Richard Bush; I'm the director of the Center for East Asia Policy Studies at Brookings, and the proud holder of the Chen-Fu and Cecilia Yen Koo Chair in Taiwan Studies. It's my great pleasure to welcome you to our program today on "Cross-Strait Relations at a Juncture: Japanese and American Perspectives." And we are very pleased to have two prominent scholars from Japan with us today. They came all the way from Tokyo, and they hope to be able to leave in spite of the weather.

This is part of an ongoing program series that examines American and Japanese perspectives about issues of common concern. The premise is that because we are allies, the more our views about this or that problem, are in common, the easier it is for us to act as allies. And back when we planned this program, I guess it was in the fall of last year, it seemed that the reason to do cross-Strait relations was political change in Taiwan; the election of Tsai Ing-wen in January of last year, and everything that's happened since. It did not occur to me at the time that maybe political change in the United States might also affect the way we look at this problem. But there you are.

Our speakers today first are: Yasuhiro Matsuda, who is a professor of international politics in the Institute of Advanced Studies on Asia at the University of Tokyo. Russell Hsiao, who is the executive director of the Global Taiwan Institute, he has worked at Project 2049, and the Foundation for the Defense of Democracies, but he has also done a very good thing. He is informing and leading GTI, Global Taiwan Institute, he has provided greater coverage for Taiwan in D.C. through programs and publications, and his energy and entrepreneurship has really made a contribution. Next is Chisako Masuo, who is associate professor at the Graduate School of Social and Cultural Studies at Kyushu University; and her research focuses on Chinese foreign policy, international relations in East Asia and Sino-Japanese relations. And then there's me, and you know all about me, so I don't need to introduce myself. So, what we are going to do is each of the speakers will speak from the podium in turn, and then we'll gather on the stage, maybe converse amongst ourselves for a little bit, but then open it up to questions. So, Professor Matsuda, please? (Applause)

DR. MATSUDA: Good morning. I'm Yasuhiro Matsuda. And thank you very much for inviting me to express my opinion about the cross-Strait stalemate. (Discussion off the record) Richard gave me the question that: how do we assess and understand the stalemate situation between the mainland China and Taiwan? And I have just finished an article about this issue, so I have been trying to translate it in English slides. I describe the mainland China and Taiwan as cooperative antagonists, because both of them share a kind of common interest, but they are enemies to each other. But still they do negotiations, and sometimes bargaining, and sometimes checks and tax and so on. So, they have very big difficulties to reach an agreement on fundamental issues like "One China," or other sovereignty-related issues.

So, the stalemate is -- if the stalemate is mutually hurting, the stalemate, there may be a window of opportunity to make some change to, you know, the -- to agree upon a certain level of consensus, like what happened during the Ma Ying-jeou administration, and try to stabilize the situation. But if the stalemate is mutually endurable, you know, the stalemate may, you know, keep on. So, I think that this is my analytical framework. And there are five possible outcomes of the cross-Strait relations that is, for example, win-win, yes the status quo, you know, coming from the Ma Ying-jeou's period. And I'm going to illustrate what happened in 2016, and based on this assumption, that was a kind of a lost opportunity.

Now, win-lose situation, is that Taiwan accepts "One China," and that's heading toward unification, and Taiwan is the loser. And lose-win is Taiwan rejects "One China" and nothing happens, then maybe the mainland China, Beijing will be the loser. And lose-lose situation is crash of two nationalisms. And that's quite close to what happened during the Chen Shui-bian era. And I add one more possible outcome, that's not lose nor blues, and that's a new normal of the cross-Strait relations, and that they stopped all the existing, you know, the communication, but nothing happens. You know, people are

doing trades in tourism and so on. This may be the new situation.

I have just mentioned that both sides share the same, you know, common interest, but from the viewpoint of structure, I think that there may be on the track of collision course. You know, the aggregate par balance is, you know, extremely tilting toward the PRC, and Xi Jinping is perceived as a hawk in terms of territory and sovereignty; and there are so many hawkish elements in the nation. And Tsai Ing-wen has, again, a mandate to defend Taiwan's sovereignty, through the presidential election, and of course DPP as a huge number of pro-independence elements.

And especially if you take a look at the younger generation in Taiwan, it's so hard to find the people, the young people who have Chinese identity. So, you know, it seems like they are in the collision course, but there are many reasons to maintain status quo stability. For example, in China, China has very difficult relations with the United States, Japan and other neighboring nations, and Taiwan has a huge economic dependence on Beijing, and the United States requests of maintenance of the status quo.

So both sides have good reasons to maintain status quo, at least stability is good for both of them. And there is the issue of a past dependence. Both of them experience the Chen Shui-bian's era and Ma Ying-jeou's era, so they don't want to get back to the Chen Shui-bian's era. That was a nightmare for both of them. And Ma Ying-jeou's era was relatively good, and they started with the stability, the Ma Ying-jeou's era, so they don't want to break this stable situation. And both sides, on the other hand, have flexibility. You know, Tsai Ing-wen doesn't want to provoke China, and Xi Jinping doesn't want to break up the relations. So they, both of them try to avoid lose-lose situation, the fourth scenario I described a little while ago.

Let's take a look, what happened, in the past two years. Xi Jinping, in the beginning took a very hawkish stance against Tsai Ing-wen. You know, he said, “基础不牢·地动山摇” without foundation, political foundation, you know, like 1992 Consensus. "The earth will move and the mountains will shake," that's a horrible statement. And that was his initial stance. But after that Tsai Ing-wen, Dr. Tsai Ing-wen visited D.C. and made a speech, gave a speech at the CSIS, and she stressed that she's going to maintain the status quo, and she raised the question about the Taiwanese people and that, you know, that she will push for the peaceful and stable development of cross-Strait relations in accordance with the will of the Taiwanese people, and existing ROC Constitutional Order, “現行中華民國憲法體制.”

And this was the first timing to witness the key words that possible be discussed by two sides of the Taiwan Strait. And because the KMT was in a very bad situation at the time, Tsai became the most hopeful candidate during the campaign. So, China's response was very much self-restrained, you know, there were very few directing intervention to the presidential election, and there are almost no personal contact with Tsai Ing-wen.

So, the situation began to change around the mid-2016. Actually I said that Xi Jinping also has a kind of flexibility. There are some, you know, examples like Ko Wen-je, the Taipei mayor, could successfully visit Shanghai, even if he treated “One China” issue, ambiguously, and he said, “一中沒問題,” there is not problem here about “One China,” but for whom it is no problem? He didn't mention about that. And he said, “兩岸一家親總比一家仇好,” you know, the cross-Strait relations, like the relations inside one family, you know. But this phrase is Xi Jinping's phrase, but he, tactically, used it, and it doesn't necessarily mean that he -- you know, perfectly accepted what Xi Jinping means, but he quoted it. And he also “理解及尊重九二共識,” understands the 1992 Consensus, and so on.

Then he could visit Shanghai. And this is one of the flexibilities Xi Jinping, what Xi Jinping made. And this summit meeting was also initiated by the Xi Jinping's leadership, and actually, at that time, I didn't really know that there was a hidden message toward, you know, Taiwan, that was the first time for us to witness the keyword, the historical fact of the 1992 Consensus. And agree with its core

implications, or core connotations. These two also keywords; and it means that, you know, Xi Jinping gave a test to Tsai Ing-wen, and it's a kind of a communication, Chinese way of communication with Taiwan. And Tsai Ing-wen, after her election, she also -- actually she also made, already made the related, you know, comments about the historical fact of 1992 before the election. But she confirmed it again, during the very first interview with The Liberal Times, she mentioned about the four key factors, and one is the historical fact of the 1992 Consensus, and the other is ROC Constitutional institution, and so on. So, I believe that there was a kind of communication between them. Without communication I think it's impossible.

And based on some document -- studies we could understand that there are some more broken down questions or requests by Beijing to Taipei. For example, to properly lists like Cross-Strait Agreement Inspection Act, or properly choose personnel in charge of Mainland Affairs, and so on. And recognize, I named 1, 2, 3, 3A and 3B, and 3B is the major question; clearly announced that both mainland China and Taiwan belong to "One China" which is core connotation of the 1992 Consensus. And this is extremely difficult for Tsai Ing-wen. And time passed, you know, no response from Taipei and Mr. Wang Yi made this very famous comment about constitution, and after that they did not -- oh, it's not an official talk, and so on, and so forth. But I don't believe that this is just a slipping his tongue, and coincidence. I think that there is a kind of the context, kind of the communication between both sides.

So, at this timing, you know, the mainland China has come close to Taipei the most. But the deadlines of the both sides are different. The deadline of Taipei was May 20th, the Inaugural Address, you know, that should be the peak, but as for on China it's one year anniversary of earth and mountain. That was done in the National People's Congress, and it means that China can't wait more. So, from the beginning of March last year, Beijing turned to pressure Taiwan. We will resolutely contain the Taiwan independence, so this is a very much principle-oriented, you know, comments about that. And China's diplomatic relations with Gambia are resumed, and Taiwan's criminals deported from Kenya to Beijing, not Taipei, and mainland tourism to Taiwan reduces, and so on.

So, it turned to pressure mode, from negotiation mode, so the timing was not, you know, coordinated well, and Tsai Ing-wen made a -- finally made an inaugural address. Besides this timing issue, I think that the transitional period of Taiwanese leadership change is too long. It's four-month long, so everybody was so tired about that. So, you know, the longer the night, the more nightmares. So, anyway, she made this inaugural address, and mentioned the fact of 1990 talks, it's a historical fact, and also she mentioned the existing Republic of China Constitutional Order. What is Republic of China Constitution? That's accordingly, it represents "One China," accordingly, I'm not sure about that but -- So, Ms. Tsai, President Tsai admitted that there is a historical about 1992 talks, and she indirectly mentioned that Taiwan's current constitutional order represents a certain kind of "One China."

So, this is her response, and she also mentioned about the act of -- the act governing relations between the peoples of Taiwan area and the mainland area. This means that this act was legislated during the Lee Teng-hui's period, so this was based "One China, One China" idea. So it means that Tsai Ing-wen would not pursue independence of Taiwan, and that's the message, she didn't say so directly, but that was the message. So, the initial response of some scholars in the mainland China was quite positive, but it was quickly shut down, and their official response was an incomplete test answer, 未完全的答案. But it's not Grade D, but it's not A, somewhere between A and B, it's an incomplete test answer. And, you know, the communication channels stopped but, you know, there are some short messages, you know, going back and forth between the cross-Straits. And, you know, Taiwan could send delegations to WHA, the World Health Assembly, but the delegation was denied in ICAO, but Taiwan could send James Soong as the representative of the president, deputy of the president to APEC Summit meeting.

So, it's a kind of inconsistent pressure, it's not a, you know, I'm going to corner Tsai Ing-wen, and strangle her, no. It's not that kind of pressure. However, you know, it's so difficult for cross-Strait relations to maintain a stable situation. For example, Tsai Ing-wen's phone call to Trump was, you know,

opened by Mr. Trump's Twitter. You know, we are so busy with seeing his Twitter, and we are really surprised by this, and maybe it's a kind of punishment, São Tomé and Príncipe was taken away from Taiwan. And, you know, the leadership also has shown some changes, Xi Jinping became the core of the leadership, but on the other hand, Tsai Ing-wen's approval ratings began to decline. So, the best timing to make concessions, especially for Taiwan was fading away. Only the strong leaderships can make difficult decisions and make some concessions.

But still, neither leader is motivated engaging actions to push Taiwan to the corner, or provoke China's strong opposition. Both of them are still very much self-restrained, so this is a very strange stalemate. So, how should we evaluate? How should we assess that? That's the question today. You know, based on my, today's presentation, I think that they share the common interest, they share the common interest, but they are cooperative antagonists. They don't necessarily reach an agreement, if they think that reach an agreement is dangerous for their domestic audience, they don't, but they don't want to get back to lose-lose situation, you know, like what happened during the Chen Shui-bian era. So, they tried to manage the situation, but the timing was uncoordinated, unfortunately. The peak of Beijing was the beginning of February last year, but Taipei was -- in Taipei that was the May last year. And both sides didn't actually, you know, step closer to each other. They lost this opportunity, maybe.

So, if another chance, another opportunity will arrive this year or next year, I can describe that what happened in 2016 was a lost opportunity, because the stalemate is mutually hurting and they, anyway, have to reach an agreement and shake hands and resume older communication channels, then that was lost opportunity. We can describe it so. But if this stalemate is mutually endurable and it's much, much, much more dangerous to shake hands with each other, domestically, so they just leave it, and delay, and wait, and wait, and it may take a certain, you know, long period of time, two years, four years, or we can -- in this we can describe it, it's as not lose-lose situation, it's a kind of a beginning, what happened last year was the beginning of the new normal of the cross-Strait relations. So, did I answer Richard's question? You know, please give me your evaluation. Thank you very much. (Applause)

MR. HSIAO: Okay. Well, first of all I want to thank Richard for this wonderful opportunity to address the audience today, and talk about this topic that -- a very important and timely topic. I also want to preface my comments by stating that my opinions here, expressed today, represent my personal opinions.

So, Matsuda-san provided a very good overview. I was first concerned when I was lined up second, that it's possible that he would address all the current state of issues in cross-Strait relations, and would leave me basically repeating everything that he had said. But I think he led off in a really good way, in that he addressed the structural basis, and the structural challenges that the two sides face. And what I hope to do here, is to give you a more detail sort of timeline, in terms of what has happened since the election of President Tsai Ing-wen in 2016. So, the best place to start of course, in January 2016, after a campaign that predominantly focused on domestic issues, Tsai Ing-wen with the Democratic Progressive Party won a landslide victory in both the presidential and legislative elections. Tsai obtained 56.1 percent to KMT opponent, Eric Chu's 31 percent of the votes, and after a few runoffs and all was said, was done, and done, Tsai's DPP and the Pan-Green coalition held a total of 74 seats, to the Pan-Blue coalition of 39 seats, among the total of 113, which makes the Pan-Green coalition have a total of 64.6 percent of all the seats to the Pan-Blue coalition of 33.6.

Beijing clearly favored the KMT, and that was probably, you know, the worst-kept secret in all of that, and yet in two short months despite -- even before her inauguration, the PRC went on the diplomatic offensive. A wave of deportation began, despite Wang Yi's remarks here at CSIS that Matsuda-san had noted. On March 17th, the PRC announced that it was resuming diplomatic relations with Gambia, the smallest nation in Africa, it had see-sawed between Taiwan and the PRC since gaining its independence in 1965. Gambia, however, in fact broke diplomatic relations with Taiwan as far back as 2013, during the previous Ma administration, but wasn't granted diplomatic relations with the PRC, ostensibly because

Beijing wanted to save the former president's face, but also because he probably saw it in his interest to retain this diplomatic card, to hold over a possible return of the DPP. And the DPP did return.

On May 20th, Tsai was inaugurated the 7th and first female president of Taiwan since the government was formed in the early 20th Century. And after last week's impeachment of Park Geun-hye's of Korea, Tsai is now the only female president in East Asia. In her inauguration speech, President Tsai highlighted her administration's long-awaited policy towards cross-Strait relations as being based on three pillars. The ROC Constitution, the act of bringing relations between peoples of the Taiwan area and the Mainland area, which includes 96 articles that govern the conduct of legal and administrative relations between the two governments. And three, the historical fact of the 1992 meetings.

Beijing basically shrugged off the speech and called it an incomplete test answer, as Matsuda-san referred to. Tsai's approval rating at the time was 69.9 percent. So, despite Tsai's apparent olive branch, the PRC announced in June that it was suspending government-to-government channels of communications. It was important to note here that there are many different channels of communications between the two sides of the Strait, and what PRC was referring to was the channels between Mainland Affairs Council and the Taiwan Affairs Office, and between ARATS and SEF, it's useful to note here that Tsai had yet nominated a chairman to replace the SEF chairman.

And en route in that -- en route to Panama to attend the opening ceremony of the Panama Canal, one of Taiwan's few remaining diplomatic allies, Tsai transited through Miami and Los Angeles. In transits that were a far cry from the high-profile visits made by the Lee Teng-hui and Chen Shui-bian, Tsai met with senior lawmakers, but largely kept a low profile in any public statements that she had made. In the same month, Taiwan's Mainland Affairs Council conducted a public opinion poll, and found that over 74.4 percent of the public supported the government's handling of cross-Strait affairs, according to the Republic of China Constitution, the act governing relations between the people of the Taiwan area and the Mainland area, and other relevant legislation. A follow-up MAC poll in August found that 80 percent of the public support to government's cross-Strait policies stance of commitment to maintain peaceful and stable cross-Strait relations since May 20th, that's 83.8 percent.

And over 70 percent of the public support handling cross-Strait relations by democratic mechanisms, and in line with public opinion, 77.5 percent. And nearly 90 percent of the public support continued handling of cross-Strait affairs through communications, contact and negotiating mechanism, at 89.1 percent. In September, interest in an organization with obscured and deep ties with the PLA and the PRC Government, the China Energy Fund Committee, which describes itself as a high-end strategic think tank, hosted a very interesting focused conference call in Washington, D.C., of all places, entitled: "A War to Remember, United Chinese Effort Against the Japanese Invasion." The event largely flew beneath the radar of most analysts, and interestingly presented a keynote remark by Hau Pei-tsun, who previously served as premier and also chief of staff of the ROC Armed Forces. I think for anyone who has an interest in terms of the deep dive on the General Political Department of which the China Energy Fund Committee is affiliated with, I would recommend them reading the report that was released by the Project 2049 Institute in 2013.

So, you might be wondering why I'm mentioning the conference in D.C. at a summit about cross-Strait relations, this is because I believe that D.C. is now the epicenter of cross-Strait relations. In my opinion, Beijing has determined that the efficacy of working with Taipei under the Tsai administration, is perhaps not in its interest, and found that it would be more to its advantage to persuade Washington to apply pressure on Taiwan to accept its terms for cross-Strait relations negotiations rather than working directly with Tsai. In the same month Tsai appointed former foreign minister, Tien Hung-mao, to serve as chairman of the semi-official Straits Exchange Foundation, which conducts diplomacy between Taiwan and the PRC. In the following month on a day meant to celebrate the events leading up to the establishment of the ROC government, Double 10, Tsai issued her first major policy speech on cross-Strait relations after becoming president.

Most notably President Tsai called on Beijing's leaders to face up to the reality that the Republic of China exists, and that the two sides of the Straits should sit down and talk as soon as possible. In my opinion, contrary to the PRC's assertion, the objective reality is that that ROC did not cease to exist in 1949 after the PRC was established, nor did they cease to exist in 1979 when the United States de-recognized Taiwan. President Tsai, in her speech, added that anything can be included for discussion, as long as it is conducive to the development of cross-Strait peace in the welfare of people on both sides. In a very wide-ranging speech that was intended to focus on cross-Strait relations, and clearly very high profile, President Tsai led in with what she felt, I think, was the most pressing concerns facing Taiwan, and those were the domestic issues. Such as youth employment, affordable housing, pension reform, transitional justice, and industrial reform.

Interestingly the cross-Strait relations section of the speech was preceded by an extensive coverage of Taiwan's international space, and the new government's regional policies, such as the New Southbound Policy. More specifically, cross-Strait relations were addressed in the context of regional developments; this may be seen as an effort by the new administration to embed its China Policy within a broader regional strategy, in contrast to the previous administration, which had a far more China-centric approach.

In November of last year, in an unprecedented move, the PRC officially commemorated the birth of the founder of the Nationalist Party in the ROC Sun Yat-sen. The official ceremony held on November 11 was attended by six out of the seven members of the powerful CCP Politburo Standing Committee. The CCP leaders waxed lyrical about Sun's legacy and hoisted him up as a symbol of Chinese unity. In his speech the General Secretary, the CCP General Secretary and PRC President, Xi Jinping, boldly proclaimed that "CCP members are the firmest supporters, most loyal collaborators, and the most faithful successors of Mr. Sun Yat-sen's revolutionary undertakings." Not hiding the proverbial, political ball of the speech, Xi emphasized that the so-called "1992 Consensus" must be the political foundation for cross-Strait dialogue, and furthermore asserted that, "We, CCP, will never allow anyone, any organization, any party to split off any tract or territory from China anytime, or in any way."

Later that month, then head of the influential Government Research Institution, the Institute of Taiwan Studies at the Chinese Academy of Social Sciences, Zhou Zhihui, spoke at an academic forum in Guangxi Province, on November 30th, and stated that Beijing does not oppose the idea of the 1992 Consensus, being substitute by creative alternative. The same month, the KMT chairwoman, and the party's first 2016 presidential candidate, Hung Hsiu-chu, led a delegation to the PRC to attend the annual KMT-CCP forum, and met with Xi for ceremonial photo op. The forum which started in 2015 after the Lien Chan and Hu Jintao meeting, have had 12 meetings since then, between 2006 and 2016. And perhaps in an effort to position her party as the only interlocutor between the PRC and Taiwan, however, I think, Hung may have inadvertently moved her party farther from the Taiwan mainstream; despite the relatively stable relationship between the two sides, relative, the Tsai's approval rating continued to slump, and reached 41.4 percent.

Then on December 2nd, President-elect Trump accepted a congratulatory phone call from the democratic elected leader of Taiwan. And during the brief 10-minute exchanged, President Tsai congratulated the President-elect on his election victory and exchanged views about the economy and regional issues. And to use a technical IR term here: all hell broke loose. Speaking before reporters immediately after the phone call, PRC Foreign Minister Wang Yi blamed the Tsai government for orchestrating the exchange and -- exchange between the two leaders. He said, "This is just the Taiwan side engaging in a petty action" or "小動作." I know that there's a lot of interpretation in terms of how do you directly translate that; and cannot change the "One China" structure already formed by the internationally community. On December 3rd, Beijing launched a formal diplomatic protest in solemn representation with Washington that reiterated the importance of the "One China" policy, urging the United States to cautiously, properly handle the Taiwan issue to avoid unnecessary disturbance to Sino-

U.S. relations.

In a sign of escalation, on December 10th, Chinese military aircrafts took off on the PLA's Eastern Theatre Command, and exercised and circled around Taiwan. At least four aircrafts were involved in long-range military exercise and covered Taiwan's eastern shore, flew around Taiwan's southern airspace spanning the Bashi Channel off the southern tip of Taiwan in the Luzon Strait, and paired up with advanced fighters from the PLA's Southern Theatre Command. Although similar training exercises were held back in September, the latest sortie in December follows quickly on the heels of another exercise that took place November 25th. The people recalled the episode, it was actually the Japan Self Defense Force that revealed that the six aircraft that entered Japanese airspace included two SU-30s -- I'm talking about the November 25th exercise. The flight report -- path reportedly spanned the strategic airspace along the Miyako Strait, which lies south of the Japanese island of Okinawa, that prompted the Taiwan government to respond.

So, one day later Trump stirred another hornet's nest, after the December 10th, and he stated, "I don't know why we, the United States, have to be bound by the "One China" policy unless we make a deal with China, having to do other things, including trade." Compounding the pressure, this PRC squeeze on Taiwan's international space, since Tsai was elected president, and even before her inauguration, Beijing has already begun to ratchet up the local pressure on Taiwan's international space with a blitzkrieg of deportations of Taiwan nationals to Beijing, all on the basis of its "One China" principle, or the assertion of its "One China" principle that were adopted by and agreed to by other countries. As Matsuda referred to, the small African nation of São Tomé and Príncipe flipped on December 20th, Nigeria announced that it was degrading its unofficial relations with Taiwan on January 11th, and now Taiwan only has 21 allies, diplomatic allies compared to more than 170 that recognize the PRC.

Things really started to heat up on January 2017 of this year. First the PLA sailed its aircraft carrier and other warships up to Taiwan Strait. As I mentioned earlier the PRC force in Nigeria in a downgrade, or persuaded Nigeria to downgrade its already informal relations with Taiwan, by forcing its representative's office to move from the capital. And then Tsai transited to San Francisco and Houston, the PRC counsel general in Houston sent letters to members of Congress urging them to not meet with the leader of Taiwan.

One Member of Congress who received the letter, Senator Ted Cruz, a former Supreme Court law clerk, and a presidential candidate, sounded in a defiant tone, he said, "The People's Republic of China needs to understand that in America we make decisions about meeting visitors for ourselves." Senator Cruz added that, "This is not about the PRC, this is about the U.S. relationship with Taiwan. An ally we are legally bound to defend. The Chinese do not give us veto power over those with whom they meet. We will continue to meet with anyone, including the Taiwanese, as we see fit."

In January 2017, Tsai's approval rating dropped around 8 percent from November; which isn't too bad, when you consider the close to 30 percent drop from May to November, at that time. I would also add that this is actually a pattern that is not necessarily unique to Tsai's administration, and that the previous two administrations, both Ma as well as Chen Shui-bian, there had been a precipitous drop in the approval ratings of both presidents when they were -- after they were elected.

I think, in my opinion, the most substantive changes came last month in February, which was a month that change in the PRC Taiwan policy community. The head of ITS whom I mentioned earlier, Zhou Zhihui, was replaced by Yang Mingjie, who is the 52-year-old Yang served as associate dean of the China Institute of Contemporary International Relations. He is not a Taiwan expert like his predecessor. He is a graduate of the prestigious Peking University, and has very much, much more international relations focus. He was also a visiting researcher at the Stimson Center here in Washington, as well as a researcher at the Japan-based Institute of International Policy Studies.

Also last month it was announced that Dai Bingguo, the former State Councilor was taking over

as chairman of the National Society of Taiwan Studies. I think it's interesting to note that that organization is stacked with government officials, at the deputy chairman -- at its deputy chairman level. It consists of four deputy chairmen; Li Yafei, Cai Fang, Zheng Jianbang, and Sun Yafu. Li serves as the deputy director of the CCP Central Committee's Taiwan Office, the State Council Taiwan Office, and as vice president of ARATS. Cai also served as the vice chairman of the premier government research institution, CASS, and Zheng served as chairman of the Chinese Kuomintang, Revolutionary Committee. And Sun served as the vice president of ARATS. I think given the function of these institutions, these appointments seem to suggest an emphasis on external factors weighing in on cross-Strait relations. I thought, you know, in the interest of time, I believe my time is running up, I just want to point out a few interesting developments that happened also in February.

One in particular that stood out to me, was the commemoration of the 228 Incident, and the events of how the Taiwan Affairs Office spokesperson weighed in and asserted that the 228 is a part of the Chinese liberation struggle. I think one of the commemorative events, it represents nothing new, it could be seen as a border effort to reinterpret historical events to suit CCP's political narrative. Some analysts interpret it as a signal that the CCP is willing to be critical to the campaign, it begs the question: why? And while I think criticizing the KMT might be motivated by the desire to appeal to the Taiwanese public, it also represents a sophisticated attempt to usurp Taiwanese political symbols. So, what does this all mean? I know that, you know, since in the interest of time here, what I'd like to do is we can leave the rest of the discussion toward the -- when we facilitate the discussion. Thank you. (Applause)

DR. MASUO: Hi, everyone. It is my great honor to deliver a talk to such distinguished audiences here in Brookings. I am Chisako Masuo, who studies Chinese foreign policy especially towards its neighbors. I was here about a year ago to talk on Russo-Chinese relations, but wasn't clever enough foresee -- to come back to Washington, D.C. where President Trump has the White House. Well, surrounded by three distinguished scholars on Taiwan issue, my humble job here is to describe the regional architecture or the changes in the regional architecture surrounding Taiwan.

The beginning of my title might sound a bit shocking to some Americans; American retreat from Asia. What I want to say here is that in Asia there is some atmosphere to make you believe that American hegemony is over upon the rise of China. It is strong in East Asia, probably except Japan, that still remains high expectations for the United States' role in this region. I am sure that many of you remember that year 2012, when China's maritime issues were highlighted, in April there was the standoff with Philippines over Scarborough Shoal. In September, the regime mobilized aggressive demonstrations against Japanese companies and factories in all over China when the Japanese government purchased three Senkaku Islands from a private owner. It was also about when China started to plan the island building on the features in Spratly, according to my research. Xi Jinping became the leader of the Communist Party of China in November that year.

Surrounded by the hostile environment China had create by itself, Xi and his colleagues made very clever decisions, I think. Within a year they initiated the so-called One Belt, One Road, or OBOR, together with AIIB, and persuaded the world that it should focus on everyone's common issue, or common interest, economic development. Because there were many countries that wanted to gain more from Chinese growth, Beijing successfully changed people's foresight, and shaped a new discourse that might bring fortunes to many developing countries in Eurasia and in Africa, and also continued building the military bases in Spratly.

In this picture the United States is humble -- sorry -- In this picture the United States is a humble actor who occasionally conducts the freedom of navigation in the South China Sea, but cannot contain China to stop it. Many countries wanted the U.S. to participate creating a new economic framework called TPP, but President Trump, clearly, refused it. Looking from Asia, it is now the Chinese initiative that shaping the new regional order already. President Duterte showed obedience to Beijing, how the Philippines achieved complete victory in the PCA arbitration. Now, nobody wants to make China angry.

Talking with many scholars from ASEAN, you get a sense that the past one year was critical for the mind shift.

If you look at the map of Chinese order, you'll find that it is a huge concept that goes around the Eurasian continent as well as the Indian Ocean. There are many ways to interpret the rationalities of this concept, but at least there are the areas where China plans to extend its economic influence in coming decades in cooperation with the countries concerned. In this sense China is clearly planning to compete with the American global hegemony. However, for now China's influence is relatively limited to its immediate neighbors. China has a concept called peripheral diplomacy, the relations with those countries are considered to be important because they can directly impact Chinese security.

In the course of its ascendants, China's influence over its immediate neighbors is expanding. And the same time, the way China treats the neighbors seem to be also changing at rapid pace. In the past several years, China often resort harassment or punishment to those countries when they did not respect Beijing's will. In this sense, the Chinese leaders are more power centered and already treat those neighboring countries as if they were a part of its kingdom.

This chart, this is a very rough chart, this roughly shows the vulnerability of smaller actors toward -- regional actors toward Beijing. This is just my image, but I wanted to describe that all the regional actors face similar pressure from Beijing, though different in degrees. As many of you are aware, China now has a tighter control over Hong Kong, although it's been only 20 years since unification, not 50. The next victim is probably Taiwan, it is always watched and controlled on the international arena. Then other regional countries follow. If you have higher vulnerability the risk of punishment from China is bigger, and you always have to pay attention to China's evaluation on you.

Upon China's rise, today's Hong Kong will be tomorrow's Taiwan, and today's Taiwan will be tomorrows Vietnam. Recently we have seen many interesting examples of Chinese coercive measures, against those neighboring entities. Rare earth, banana, Lotte boycotts, China tend to resort to these measures on sovereignty-related issues which are often so for the opponents. But the third case in South Korea will be something different. It's more on security which probably means that China is expanding its scope or punishment than before. Because China gets angry relatively easy towards its neighbors, smaller entities are encouraged to keep low profile to deal with China after seeing some examples on themselves, or neighbors. However, where the hatred, I would say, will accumulate against Beijing for not respecting smaller actor's interest in the long-run. The maintenance of such regional order could be very costly for China even if it was achieved.

And Tsai Ing-wen's Taiwan is no exception. She has been very discreet and never aggressive when handling the China issues, unlike Chen Shui-bian, the former DPP president who served until 2008. However, knowing many Taiwanese concerns on China's expanding influence over Taiwan, she quietly resisted fully acknowledging the so-called 1992 Consensus, on "One China" upon inauguration. After Tsai's victory over the presidential election, China's harassment against her, however, continued; first by ending the diplomatic ceasefire during Ma Ying-jeou administration and normalizing the relations with Gambia. And second, by deterring Taiwanese participation to the international organization in some ways. And Kenya deported Taiwanese suspects on Internet fraud presumably under the Chinese influence, and similar cases followed throughout the following year.

Her telephone call with the President-elect Donald Trump on December 2 probably became a watershed for Beijing's anger over her. After Mr. Trump tweeted this news by calling her the president of Taiwan, Beijing starting to move for cutting Taiwan's friendly ties with Príncipe and São Tomé in the same month, and Nigeria the next month. Now there are only 20 countries that recognize the Republic of China. While she was visiting Latin America Chinese aircraft carrier entered Taiwan Strait as if to curse her people. But then, President Trump easily abandoned Taiwan by honoring the "One China" policy in his phone call to President Xi Jinping in February. Tsai was left alone with angry China. When National People's Congress was held in March, Premier Li Keqiang upgraded the tone for criticizing Taiwan from

the previous year, and underline the need to contain Taiwan's independence movement. National Unification Law was said to be discussed during the conference. Clearly Tsai Ing-wen, she is under severe pressure from China who is now more confident about its military power and economic influence. China might be approaching Vatican for diplomatic normalization as the next step.

Although many countries are sympathetic about Taiwan's situations they cannot help it because they don't want to make troubles with Beijing. Taiwan's international space will be smaller and Beijing's growing influence. And Taiwan cannot go out for a multilateral organization without Beijing's consent. In this picture there are only two choices for Taiwan to forge better relations than now. One is Japan, probably. Among Taiwan's neighbors Japan is the only country who dared to say no to China. I think in Asia there are probably two countries, and another one is India, but India doesn't have much close relationship with Taiwan. And Japan is the third economy in the world still and its relations with Beijing is not going well anyway, and so that Prime Minister Abe doesn't have to worry much about deteriorating relations with Beijing. Starting from January 1st this year, Japan's representative on Taiwanese Affairs renamed itself as Japan-Taiwan Exchange Association. Corresponding action is planned to be followed by the Taiwanese side soon.

And the U.S., for in Taiwan the relations with Trump administration will be a key for its survival; however, they there lies the biggest uncertainties. We do not know if he has any clear picture on Asia policy in whole. Judging from Taiwanese strategic position the value of the island should not be downgraded though. It is right in the middle between East China Sea and the South China Sea where China uses this to go out for the Pacific and the Indian Ocean. If China can take over Taiwan it will stand on a very favorable position as a global sea power. However, I'm not certain how much the U.S. are still interested to cooperate with China in those -- how much the U.S. is still interested to compete with China in those areas, when it is so much occupied with Russian and Middle East matters. So, in such situations the best way for Taiwan, will to keep a low-key stance for survival, for its survival policy so that it won't be attacked from Beijing in a much severe way. Thank you very much. (Applause)

DR. BUSH: I'd like to thank each of the speakers so far. They've covered a lot of ground and I hope I don't trod or tread on the ground that they've already covered. I'd like to talk about four things, first of all, briefly, the state of play between the mainland and Taiwan. Second, my thoughts on why we have the current situation that we do; third, say a little bit about my understanding of President Tsai Ing-wen's strategy. And then talk about U.S. policy.

Going back a year ago, there was some hope that the two sides of the Strait could work out some sort of modus vivendi, now this was not because of the position of Taiwan Affairs Office, but in spite of it. As Professor Matsuda has said, there is evidence that there were other communication channels that existed, and that these, at least for a while, were productive. And so there was some hope. As it turned out the hope was not realized and again, Professor Matsuda, I think noted the difficulties of using that kind of interaction to lay a foundation for the relationship. As a result of this failure, we are seeing a number of actions on the PRC's part that suggest efforts to pressure and even punish Taiwan.

First of all, the number of tourists, or at least group tourist, going from the mainland to Taiwan is down. The official channels between the Mainland Affairs Council and Taiwan Affairs Office between the Straits Exchange Foundation and the Association for Relations Across the Strait have been suspended. At the working level, Beijing has been slow to engage on implementation of agreements that already exist, and where you would expect interaction to continue. This is based on reports from the Taiwan media. Mainland propaganda tends to associate President Tsai with Taiwan independence. On the diplomatic front, as already mentioned, you have cases like Gambia and São Tomé and Príncipe, then there's the case of Interpol and ICAO. Beijing has not resisted united front efforts, and so with his giving preference to blue over green counties, there is talk in China about the 19th Party Congress adopting "new language" concerning Taiwan. There's also talk about enacting a unification law to go with the Anti-Secession Law. And the list goes on.

I would mention one other thing, and it doesn't seem on first glance to be relevant to cross-Strait relations, but I think it is. I would refer you to a really fascinating article in the March 6th issue of *The New Yorker*. It's about Russia, and Vladimir Putin's special measures to try and affect the U.S. 2016 election, and undermine the U.S. political system. It's kind of a playbook about how any country, through a variety of means, can try to affect the democratic system of another. I'm sure a lot of these things have occurred to at least some people in China. Whether they'll be action on, is another question.

So, what's going on here? How do we explain this failure to create a pattern of coexistence between Beijing, which we know doesn't like the DPP and Tsai Ing-wen and her administration, which wants to maintain their version of the status quo? Professor Matsuda spoke of a missed opportunity as one explanation that it was very difficult if not impossible for the two sides to reach that *modus vivendi*, and he suggests that as a result what we may have is a new normal of cold confrontation. His conclusions are correct I think, but I think something else is going as well. And we have to step back and analyze the interaction, what it means and what it doesn't mean.

The PRC is very good at stating a version of reality over and over and over again to the point that sort of general observers, come to the conclusion that that must be what reality is. And so their narrative in this case is: Tsai has refused to accept the 1992 Consensus, and its core connotation that the mainland and Taiwan both belong to one China. Moreover, Beijing has insisted that it wants explicit acceptance as some in China say: we need to know what this entity is that we might be dealing with. Is it a separate state? Is it an entity on the way to independence? Or is it part of one China?

But let's step back from this demand, for explicit acceptance of one China. First of all, let us note that China knows how to use nuance and ambiguity to achieve its diplomatic or political objectives when it wants to. It doesn't necessarily need to have explicit categorical statements. It certainly has used them in U.S.-China relations. It asks in a way that this be the way that the United States approach North Korea and that we stop making our sort of very explicit demands on Pyongyang. Stepping back one more step. I think I understand, I do understand that Beijing believes that it has difficulty trusting Tsai Ing-wen, and scholars there have accumulated a lot of evidence, both in terms of Tsai Ing-wen's past and then the actions that have occurred on her watch, to justify why mistrust is their default position.

And so, for example, in the present there's a lot of attention being given now on the mainland to move towards "cultural independence." So, you know, let's accept that China thinks it has reasons to mistrust Tsai Ing-wen, and that it therefore wants reassurance. You know, hence the characterization of her inaugural address as an incomplete test paper. Complete the test paper, please. We don't trust you. And, you know, we've seen the way in which Beijing wants to be reassured. The question that is not asked is: Does Taiwan have reason to mistrust the mainland? Does Tsai Ing-wen have reason to mistrust Xi Jinping's intentions? Of course I do. There's a lot in PRC policies and behavior that would lead Taiwan people and President Tsai to have serious doubts.

Now, if this is a situation of mutual mistrust, then perhaps the way to resolve it is not unilateral reassurance, Tsai Ing-wen completing the test paper in the way that Beijing wants it completed, but it's mutual reassurance. Professor Matsuda I think had a very good analytic framework, and looking behind it I see prisoner's dilemma, right? Yeah, he agreed. And that's very interesting because prisoner's dilemma, there are two ways to look at that, and that is that if you have a situation where cooperation should be possible, but each side has reasons to mistrust the other, if you go through just one round of the game then you are liable to miss an opportunity.

However, if you can play the game over and over again, then the two mistrusting sides have a basis, over time, to come to a point where they can trust each other and seize the opportunity. By this logic, what China and Taiwan should be doing is trust-building that is incremental, reciprocal; that is each side responds to the move of the other, and proportionate. That each side is willing to take small moves in the beginning from the other side, in building up to bigger moves. This is what I thought might be possible a year ago. It does not seem possible now, and the fundamental problem here is that Beijing sees

this as a question of one-way mistrust, and a requirement for one-way reassurance. Partly this, I think, has to do with defects in the PRC system, I frankly don't know how Beijing could believe that Tsai Ing-wen could not reassure it in an explicit way given the political realities in Taiwan, at least at the beginning.

So, why did they make their explicit demand in the first place? My hypothesis is that, in addition to, sort of, the dynamics of prisoner's dilemma, and the likelihood of missed opportunity, is that Beijing really doesn't want to deal with Tsai Ing-wen, it doesn't want to get to a position of coexistence, because that raises the likelihood that it would have to deal with the DPP government for a long time to come. So it issues demands that it knows it cannot accept, that Tsai Ing-wen cannot accept. And it creates circumstances -- it hopes for the KMT to return to power. There's a certain logic there. I wish I was wrong, but I think that that's what is probably going on here.

Now, as far as Tsai Ing-wen is concerned and her political strategy and so on, it's in my way of thinking it's useful to think of her as playing on four chess boards at one time. One is cross-Strait relations, one is domestic politics, one is what I call domestic policy, which basically is her interaction with the bureaucracy, and interaction with the United States. And, you know, it's complicated enough to have to deal with four issues at once, but this is really complicated, because if she moves a piece on one board, then it moves the pieces on all the other boards as well. So, in making a move concerning domestic politics, she has to think about, you know, the implications for domestic politics, for domestic policy, for mainland relations and for U.S. relations. I think that she saw the need to balance these different priorities, and hopefully do so in a mutually reinforcing way. The same thing may have been going on in the Chen Shui-bian administration, at least early one, but we can talk about that later.

Now, if my analysis of her strategy is correct, and as she said, that cross-Strait relations is as important as U.S. relations, among other things, and if she believes as I think Russell said, that her main agenda is domestic, then Taiwan independence, which Beijing fears, would be a fool's errand for her. And Tsai Ing-wen is no fool. I think that, intellectually Beijing understands Tsai's domestic situation, but it is not willing to sort of accommodate to it, for reasons that I've suggested.

This leads to the question of: where is the United States in all of this? If we look back to the Obama administration, and its approach to cross-Strait relations, it seems like a very long time ago, actually. But since May 2015 when Susan Thornton made an address on this stage, the theme of our cross-Strait policy was, we called on both sides to be restrained, flexible, creative and patient. And that makes sense. It fits with the idea that the two sides, if they were all of these things could work out a *modus vivendi*. Based on my humble opinion, I think by these standards that Susan Thornton laid out, Taiwan has performed well, and Beijing hasn't.

Now, we move to Donald Trump. There are a lot of rumors floating around about what his policy concerning Taiwan might be. Apparently there are ideas about the change in the conduct of our relations with Taiwan in a positive direction, and I think his phone call to Tsai Ing-wen in early December, was an example of that kind of step. Second, it is clear that at least in his mind, he sees Taiwan or the "One China" policy as something that can be put in play in interactions with Beijing, in order to enhance his leverage to get things that he wants, as on North Korea and trade, and so on. Now, since then, there has been some reaffirmation of past policy. The State Department replying to questions from the Senate Foreign Relations Committee after Rex Tillerson's confirmation hearing said, the three communiqués, that's especially important, Taiwan Relations Act in six assurances provide the framework -- the foundation for U.S. policy towards China and Taiwan, the United States should continue to uphold the "One China" policy, and support a peaceful and mutually agreeable cross-Strait outcome, et cetera, et cetera. In response to a specific question about using Taiwan as a bargaining chip, vis-à-vis Beijing; the answer was, and this is Tillerson speaking, "If confirmed, I intend to support the "One China" policy, the people of Taiwan are friends of the United States and should not be treated as a bargaining chip. The U.S. commitment to Taiwan is both a legal commitment and a moral imperative. If confirmed I would work to ensure economic and military stability across the Strait." And then, as we know, President Trump himself,

on February 9th, said that he would honor the “One China” policy, and was doing so at Xi Jinping's request.

So, there's a lot going on as I suggested in my introductory remarks, the current situation was set in motion by Tsai Ing-wen's election, and then you have Beijing response. The new variable at play is the new administration and how President Trump and his team seek to engage China and support Taiwan and relate the two to each other. So, now I'd like to ask each of the presenters to come up on stage, and we'll have a little bit of a discussion here, and then we'll turn to questions. Thank you. (Applause)

Wait for the mics; there we go. First, Professor Matsuda, I would like to ask you if you have any follow-up comments based on my observation that you were using prisoner's dilemma, and that can be a very useful template for understanding what's going on?

DR. MATSUDA: Okay. Well, thank you for your comments, and for the supplementary, you know, mention about the prisoner's dilemma. Actually my conclusions, there are two conclusions, you know, because it's still too early to make a final conclusion. So the subtitle is it the lost opportunity or the dawn of the new normal? It's still, you know, uncertain. And I think that both sides may step closer to each other in the future. For example, if the major problems of both sides, for example, the lack of -- or the weak power base, for example, in the mainland side, I think the 19th Party Congress is going to be the turning point -- may be going to the turning point. For example, if we take a look at what happened in 1998 -- 1997 to 1998, it was right after the third cross-Strait crisis, but still, you know, after the 15th Party Congress Jiang Zemin, consolidate his power base, and the nuance of Beijing's comments on the cross-Strait relations changed. Then both sides began to interact with each other, and the second Wang Daohan and Koo Chen-fu Meeting that materialized in 1998. So, there is no impossible thinking in the political world, so I think this is one thing we have to think about that. Plus maybe what happened in 2016 was a missed opportunity and both sides may try again, again, and again. So, I don't exclude the possibility of the next round of, you know, interaction.

DR. BUSH: Well, that certainly, I think the view among some scholars on Taiwan that Xi Jinping has domestic political issues in the run up to the 19th Party Congress, and that if there's going to be movement in a positive direction, you have to wait till then.

Russell, you said something about having thoughts about implications of your chronology, and I want to give you a chance to talk about them.

MR. HSIAO: Thank you, Richard. I really appreciate that. You know, I think if I had some parting observations and implications it would be that -- and I hope that this came off in my presentation. It's that despite all the conventional observations that somehow things are at an absolute standstill; there actually has been a lot of developments that's been happening in cross-Strait relations. There are subtle signals, signals that still need to be sort of modulated and figured out. And I think related to this observation is that nothing that's really said really represents any substantive new developments in what close observers in cross-Strait relations have been monitoring for some time. But I think the pace and the sophistication of such activity is notable.

And I think while cross-Strait relations right now are at a juncture, Taiwan itself is not really necessarily at a cross road. And the reason why I say that is because the social political trends that sort of affected the 2016 elections appear to be still present. And it will continue to weigh on the political trajectory that's happening in Taiwan, and so I think that's an important observation in assessing what the implications are in terms of future cross-Strait negotiations might be operating under. I think one of the sorts of policy implications that I hope was -- could be derived from what I've been telling, is that in the light of Tsai administration's policy platforms and low-key approach, I believe also that the onus should be on Beijing to resume the official communications. Also relating to that is whether -- while it would be analytically convenient to characterize the -- sort of the low approval ratings in -- Tsai's low approval rating to cross-Strait relations, my personal assessment is that such assessments overlooked the critical

domestic issues that troubled her administration since the very beginning of her administration, inauguration.

And one of the things that, it was quite interesting in terms of Professor Matsuda's comments, and also Professor Chisako, is the focus on Xi Jinping and the way he approaches policymaking towards Taiwan. And if I may just add to, perhaps, the literature of a sort of Beijing -- what would reflect Beijing's attitude is one interesting assessment that was made back in May of last year, was sort of a psycho-analysis that was done by a Beijing general who has retired, I think, Wang Weixing, who wrote an editorial basically characterizing her as extreme and emotional because she was single-woman politician, who was prone to radical stuff because she lacked the burden of love, family and children.

So, I think that that is the type of attitude that pervades the type of assessment that -- I mean, I'm saying this is more anecdotal, right, than a broad conclusion of what they've -- but I think it reflects the type of attitude towards Tsai Ing-wen that affects how -- the policy mindset towards working with Tsai. I have more to add but, you know, I'll keep it at that.

DR. BUSH: One should note that they took that sort of media report down very quickly.

MR. HSIAO: Okay. Yeah, good.

DR. BUSH: So, let's open it up. We have about an hour, not an hour, half-an-hour. When I call on you, please wait for the mic, identify to whom your question is posed, and please keep your questions short. So, I saw Nadia Tsao in the back.

SPEAKER: Thank you, Richard, and thank you for the panel. I think one thing Professor Matsuda mentioned is the inconsistent with Chinese response to Tsai Ing-wen's policy, or the appointment, that people here are nominated to represent her. But the panel, I wonder if the other panelists could comment. You know, how do you see this inconsistency; if there any signal from that? And a few things doesn't seem too related, but I think actually do, one thing is the inconsistency; the other is the change of personnel in the people who are handling Taiwan affairs in China. With the people have more knowledge of international community or relations. And also, you know, I think in general, the atmosphere, and maybe you are already seeing that, that the criticism from Zhang Zhijun and the response from Taiwan. It seems like, you know, the relationship between Taiwan and China's people who are working on the Taiwan issue are pretty sour at this moment. So why do you think this is happening? Thank you.

DR. BUSH: I would say one thing about Mr. Yang Mingjie. At first this seems like an implausible choice, but it's my understanding that Mr. Yang in addition to his other substantive expertise is also an expert on crisis management, and so this may suggest that there's a desire to have somebody with those skills in place if a crisis occurs. I'm not saying that they are believing that a crisis will occur, but that they want to be ready.

As for the sour mood, there may be something of an echo chamber on the PRC side that is a kind of group think, that nothing good can come from Tsai Ing-wen, and we need to look for a time when the Kuomintang comes back to power. I don't know, it's just a suggestion.

I wanted to ask Matsuda-san another question. You are teaching in Taiwan right now, and we have this interesting phenomenon going on in Taiwan's society now of essentially de-legitimizing Chiang Kai-shek and his role in Chinese history and Taiwan's history. And I wonder if you have any observations about that, and the implications of it for cross-strait relations?

DR. MATSUDA: Well, because I was not that healthy, so I didn't go out frequently, so I don't know much about that part. I think that, you know, on Chiang Kai-shek's issue, the society is quite divided, but the Chiang Kai-shek supporters are a shrinking market, basically. So, I think that basically, this is going to be a long-term trend. This is going to be a long-term trend. But in comparison with the Chen Shui-bian administration I think that, still, the Tsai Ing-wen administration is doing relatively softer

measures, taking relatively softer measures, so the impact on the cross-Strait relations is not that strong. You know, if China wants to smash Taiwan, China can pick up any reasons, but if it doesn't want to smash Taiwan, and try to make something, you know, positive, it can simply ignore it.

DR. BUSH: Yes. Okay. Yes, right here. Wait for the mic.

SPEAKER: I have a question both for Professor Matsuda and Dr. Bush. And Matsuda-san you announced this -- listed five possible outcomes for the cross-Strait relationship including the win-lose scenario, in which Taiwan accepts China's demand for unification. You did not explicitly mention the possibility of a more forceful lot for China to achieve that possibility; either through military intervention or through economic warfare. I would appreciate your elaboration, whether you see that first intervention on Taiwan as a plausible scenario in the foreseeable future? Or whether you see reasons that China might hesitate to take the route?

And the question for Dr. Bush, is from the American perspective, if such forced intervention happens, do you foresee, likely, that the United States will stand by Taiwan and try to maintain its survival? Thank you.

DR. MATSUDA: You know, there are so many slides in my presentation. In the very first slide I put two worth -- you know, aggregate power, and issue-specific power, and yes, the power balance between the mainland China and Taiwan very much very tilting towards the mainland China. But, you know, mainland China would not use force so quickly, and as for mainland China economic interactions are very important for the sake of its own development.

So, it's not that easy or, you know, good for China to use force or economic sanction that quickly. So, although China has a very strong aggregate power, but in terms of the cross-Strait relations, you know, in issue-specific field, China cannot use that, cannot use the nuclear weapons or aircraft carrier. Just showing and keep pressuring, but actually use for force is quite a different matter. If you want to end the rise of China you use the force. But it's the most ridiculous way. I don't foresee that.

DR. BUSH: Thanks for your question. When I was a diplomat I had a self-imposed rule to never answer hypothetical questions because you always get in trouble. And your question is the hardest hypothetical question. First of all, let me say that I agree with Professor Matsuda that Beijing has a lot of reasons not to use force against Taiwan. First of all if -- can believe, and I hope he believes, that someday the Kuomintang will come back to power and things will get better again. So, why use military means to achieve your political objectives if you think you can achieve them through political means. And you minimized the risk of U.S. response.

The basic answer to your question is that what the United States does will depend very much on the circumstances and how it sees its role in Asia, and the degree to which it believes, among other things, that what it does concerning the defense of Taiwan will affect its credibility throughout Asia and around the world. And I think that would weigh very heavily on American decision-makers. Another question?

DR. MATSUDA: May I have one?

DR. BUSH: Oh, please.

DR. MATSUDA: You know, regarding the economic sanctions, when China has sent messages and using, or mobilizing Taiwanese medias, some medias, that the tourism is going to maybe zero or something. But what happened last year was only 16.1 reduction, and tourism toward Taiwan, as a whole, boomed and hit record high last year. So, I think that what we are witnessing is a kind of propaganda and, you know, rather than reality. So, we have to take a look at what's happening very carefully.

DR. BUSH: If I could follow up my own answer. The most likely case in which Beijing would use force if there were decision on Taiwan to move to de jure independence, but I don't think there's going to be that decision, Taiwan people are too smart for that. And, public opinion wouldn't support it. Furthermore, we need to step back again and ask: why is Beijing not achieving its political objective of

unification? I think the main reason is that the formula that it has offered to Taiwan, and at first did it 35 years ago, isn't acceptable by the small minority on the island. Perhaps if it changed the offer, it might get a better response.

MR. HSIAO: Richard, if I may just follow up on that and return Nadia's question about the observation about inconsistency, and following up what you just said though, is that I would sort take a different characterization, observation, is that in fact the PRC has been fairly consistent in terms of its policy towards Taiwan. And as Richard mentioned there, it's based on the "One Country, Two Systems" formula for unification. And its approach to Taiwan, however, in terms of applying pressure, or less pressure or more pressure, is in the approach in terms of how it sees it can affect public opinion in Taiwan to manipulate the results that -- the political objectives that it seeks in the different administration that follows.

DR. BUSH: Okay. Another question? We'll start with the person on this side, right there. And then we'll go to the person in the red tie.

SPEAKER: Thank you to Brookings and the distinguished speakers for your words this morning. My name is Chris, I'm from Johns Hopkins SAIS, across the street. I was wondering if you could evaluate Xi Jinping and mainland China policy of engaging the with grass roots, the students, the low-income families that they've noted is an area in Taiwan with the identity problem is particularly acute? Thanks.

MR. HSIAO: I mean, I'll take the first approach to that if you don't mind.

DR. BUSH: Okay.

MR. HSIAO: But yes, you know, I think particularly after the Sunflower Movements in the spring of 2014, there was, at that point, a scheduled visit by Zhang Zhijun but it was postponed and as a consequence -- because the protest had occurred. And there were, I believe, a re-evaluation at that point to try to get in touch with the grass roots in Taiwan to get more acclimated with what these social forces that are at play affecting, you know, Taiwan's politics.

Whether or not that has actually panned out and then how they've executed it, you know, they've certainly paid more lip service to the need for more youth exchanges. This was highlighted most recently in the National People's Congress meetings, where I believe Yu Zhengsheng, who is the chairman of the CPPCC, to include also I think the deputy director of the Taiwan Affairs leading a small group, have repeatedly stated that one of the main thrusts of, you know, sort of approach to Taiwan policy would be to try to encourage more youth exchanges. Again, I think that it still remains to be seen, exactly how that's going to pan out and, you know, does it realize the results from that.

DR. BUSH: I would add that I'm not sure that these exchanges are the best way to deal with the PRC's youth problem in Taiwan. I think that the problem is more profound than that. Beijing has the same problem concerning youth activists in Hong Kong as it does in Taiwan. And it may have a similar problem within China one of these days. This is a global phenomenon, and I'm not sure any political leadership that's one or two generations older than these very innovative young people, has a clue what to do about them. The gentleman on the other side there, with the red tie, or orange?

SPEAKER: This is for all the panelists. How do you see what is the budding friendship between Trump and Abe, how do you see that affecting cross-Strait relations?

DR. BUSH: And you are?

SPEAKER: I'm Tom Shaddock from the Foreign Policy Research Institute in Philadelphia.

DR. BUSH: Okay. Thanks. Do you want to -- Trump and Abe?

DR. MASUO: Yes. I'll answer.

DR. BUSH: Yes, go ahead.

DR. MASUO: Well, in my view Abe might be able to help Trump to persuade that there is value to pay more attention to Taiwan. So, I think sometimes it is too excessive, but their government is pretty much occupied about this China threat concept. And in order to deter China, he's making a lot of active movements all around the world. And in his picture, Taiwan certainly has value. So, from this perspective I think he might be able to help Tsai Ing-wen to have a better international environment.

DR. BUSH: So, could you talk a little bit more about the specific things that Prime Minister Abe has done or might do to deepen Japan's relations with Taiwan.

DR. MASUO: As I have mentioned in my presentation, he has changed the name of the representative, Japanese representative to Taiwan, and I think there was some sort of negotiation between the Taiwanese side as well, because they are also changing and explicitly going to mention that it is the organization that deals with Japan and Taiwan relations, not like Taipei. So, that's clearly one move, but probably the follow up will be much better for Professor Matsuda.

DR. MATSUDA: Let me follow up. You know, the biggest possible agenda was, you know, free trade agreement between Japan and Taiwan, but the Japanese government set the prerequisite that to open up the market to Japanese food. And the domestic argument about Japanese food in Taiwan is, objectively speaking, fairly unscientific, and millions of -- tens of millions of people are eating foods in certain districts every day, including me, you know. But in Taiwan the discussion is very much extreme; and so that the FTA-related discussion is also stopped. I think that there could be some other approach. For example, in opening the market, food, is one thing, but the discussion over the FTA is doing, at the same time, or something like that. But anyway, the Japanese government has to rethink its approach. Otherwise, I think this is a total dead end.

DR. BUSH: I think this issue is a useful reminder of Taiwan's active civil society.

DR. MATSUDA: Yes.

DR. BUSH: It's not just political parties that are actors, but you have independent groups, for example, on food safety, that can set the tone for both domestic politics and external policy.

DR. MATSUDA: Yes. And I have many Chinese friends and I always say to them that, you and us are older victims of some extreme movements in Taiwan. And sometimes it's unnecessarily demonized on the mainland China, and sometimes, you know, Japan.

MR. HSIAO: Richard, if I may?

DR. BUSH: Yes.

MR. HSIAO: I just want to add, an additional one data point to this discussion. And that is I think it's worth noting that the National Institute of Defense Studies, Japan's NIDS, have just recently released a China-Taiwan report, and its annual defense report. And I think that that is a significant contribution in itself, to while not an indicator of Japanese government policy, but nevertheless one that, you know, helps to inform policymakers to make better decisions. Certainly we can pick at the contents of the report and its characterizations, and its analysis, but I think, in itself, the report represents, I think, not an insignificant contribution and the focus of Japan on China and Taiwan.

DR. BUSH: Thank you. Okay. The woman at the back, and then there may have been one over there.

SPEAKER: Thank you. Janet Zhiang, China Times Taiwan. I just want to follow, Richard, your mention about this, maybe China needs to change the offer, because of the unification obviously, and Russell also mentioned that "One Country, Two Systems," actually not sell well in Taiwan. So, my question is: what is the new formula -- will be, and how can two side actually reach the formula? Thank you.

DR. BUSH: This is another very hard question, it's not hypothetical but it's hard. I think the

underlying problem is the strong believe and widespread belief on Taiwan that Taiwan or the Republic of China is a sovereign entity, and that that has to be the starting point for any discussion of unification. So, you know, if there is to be convergence in resolving the fundamental dispute, you need to find something that both allows a political union, but acknowledges that the belief in Taiwan that it is a sovereign entity. And there are political forms that do that, like confederations, those are very hard to construct, very hard to maintain, as our own country's history has demonstrated. You know, another sort of scenario is that people in Taiwan just give up this belief and claim that they are a sovereign entity.

I also think that, you know, to get to this point requires a lot of discussion, and among experts on both sides, and maybe these experts and their political leaders could come to a wholly new approach to this problem. I think that's more likely to happen in a situation where cross-Strait relations are stable, mutually beneficial and mutually non-threatening.

MR. HSIAO: Richard, maybe if I could just add one point to that?

DR. BUSH: Sure.

MR. HSIAO: And I'd like to go back to the comments that the former ITS director, Zhou Zhihui made in late November of last year, where he suggested that there could be a creative framework. I mean that was the demonstration to the extent that he represented an official view which, you know, he worked for a government-funded think tank, a research institution. So, how authoritative he represents the policy of the PRC it's hard to really assess that. You know, that was a demonstration of some flexibility, but there has been -- that signal has basically -- I haven't heard any kind of reinforcement of that signal since, and there's been a doubling down by the senior policymakers on the emphasis of the 1992 Consensus, and much more restrictive approaches to a cross-Strait formula. I will also, lastly, just point out that there has been indication that the Tsai administration is in the midst of planning a new framework for a new policy, cross-Strait policy that will be announced later this year. So, I think it's important to stay tuned to that, too.

DR. BUSH: I would note, Russell, first of all that this idea of different language to accomplish the same thing is not new.

MR. HSIAO: Mm-hmm, mm-hmm.

DR. BUSH: I mean it goes back almost six years. Second, the requirement that this be a formula based on one China, still exists, and I think the core connotation of one China would be at the heart of it, or would have to be at the heart of it, to be acceptable. Also, I think that one reason that there may not have been any follow up, was the fact that the Tsai-Trump phone call took place just a few days later, and that just changed the environment as far as Beijing was concerned. And, you know, if they were hoping for the Tsai administration to pick up on it, maybe their hopes disappeared. Do you have a -- Joe Bosco, right on the -- in center on the aisle?

SPEAKER: Thank you. Joe Bosco, formerly with the Defense Department --

DR. BUSH: Can you move the mic a little bit closer to you?

SPEAKER: Yes. Richard, you mentioned in response to the question, as to how the U.S. might respond to the use of force by China against Taiwan. That would depend on the circumstances, which of course is the classic definition of strategic ambiguity, which means that there are circumstances under which the United States would not defend Taiwan. You didn't indicate what those circumstances might be, but it's worth speculating further on that.

But more importantly I'd like you to comment on the reverse dynamic; that is China's decision to use force will depend on how it assesses a U.S. response. Therefore, to the extent it believes the U.S. will respond, it is far less likely to use force which, to my mind, puts in question the whole utility of the strategic ambiguity approach. I wonder if you would address that. And also speculate on how the Trump administration's apparent willingness to upset the status quo or rethink fundamentals may cause a change

in China's approach to Taiwan.

DR. BUSH: All good questions, all hard to answer. Let me start and work back. Number one, it depends on which tendency in the Trump administration, the tendencies that I identified as my believing - - at work in the Trump administration, are at play. I mean, if there's more emphasis on sort of upgrading, in various ways, our relations with Taiwan, then that invites one PRC reaction. If, on the other hand, there is a serious intention to use Taiwan as a bargaining chip, which they say they are not going to do, then that leads to a different PRC judgment. On the PRC perception of what the U.S. would do, in the event that it chose to mount an attack, strategic ambiguity can be judged in terms of things that we say, it can also be judged in things that we do, and the PRC for its part has to look at both. And then it has to act accordingly.

I've always thought that the efforts that Beijing has undertaken at some great cost to create capabilities to counter intervention, what we call anti-access area denial, suggest that the assumption of the Beijing's policy is that we will intervene. If they had any doubt then, you know, they wouldn't be spending that money on sort of everything involved. So I think that, you know, so far they have assumed that we would intervene; that they can't run the risk that we wouldn't. I also think that the United States has and will work full-time through diplomacy to avoid the development of the situation where Beijing feels it has to use force. Now, what are the circumstances that might leave Beijing to use force where we wouldn't respond? You know, it's hard to say.

I would say that an action on the part of Taiwan's leadership to say, we are the Republic of Taiwan, and we have nothing to do with China, that would probably invite a military response. Polling suggests that a lot of people in Taiwan understand that, and so I think that no Taiwan leadership would undertake that kind of action. But that's sort of hypothetically is what would create that situation. I would say that another thing that governs the PRC willingness to use force is its assessment of Taiwan's own capabilities and its ability to hold on until the United States could get into the fight if it chooses to do so. It's not an insubstantial factor. There was one other person. Okay, let's go to that gentleman, and then we'll go back there.

SPEAKER: My name is Takahiro Motegi. My question goes to Dr. Bush, it's a quick question. How do you see the possibility that Donald Trump will try to implement arms sale to Taiwan, for example, the people of 19th Congress? Thank you very much.

DR. BUSH: I don't know. It's a good question, but I don't have enough information to give you an answer. So, further back?

SPEAKER: Thank you. My name is Kensuke Abe, also visiting fellow at CSIS And my questions go to Professor Matsuda. So, I want to ask the same questions, so in the case of the crisis between cross-Strait relations, how would Japan's government react? And the action should be the connection with the U.S. force, or independent -- also Japanese defense?

DR. MATSUDA: I haven't been asked that question for eight years. So I have to remember the answer I made eight years ago. But basically, you know, under the current Japanese system, basically Japan would not defend other nations or, for example, in this case Taiwan, based on the collective defense, right, directly. So, the only possible way is to coordinate with military; if U.S. military wants to deal with the Taiwan Strait crisis. And the approach is that Japan can assist U.S. military in the (inaudible) area, and give support. And in the past, that was excluding live ammunitions and physical support, but now it also includes live ammunition and fuels and so on. And after, two years ago, the new legislation passed. But Japan's approach is still strategic ambiguity, so it never process that Taiwan is included or excluded. So, Japan's action will be decided by the characteristics of the situation. So, Japan would never try to, you know, break the status quo. So, that's Japan's basic --

DR. BUSH: Well, let's hope that these dark scenarios never happen.

DR. MATSUDA: Hmm? So far, you know, one China is very confident; China would not use very extreme measures, like use of force. When China feels the challenge, and feel, you know, vulnerable, and China may take very extreme actions, and so far I think China is a little bit confident compared to the past. Time is standing by China, that's the Chinese mindset now. So, I don't foresee a serious situation would occur in foreseeable future.

DR. BUSH: So, thank you. We've run out of time. I thank you for attending and for your great questions. Thanks to all the panelists for their contribution. And thank you, again. (Applause)

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