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TAIWAN UNDER TSAI:
A TWO-YEAR REVIEW

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P R O C E E D I N G S

MR. BUSH: Good afternoon. Welcome to the CSIS-Brookings program on Taiwan under Tsai: A two-year review. I'm Richard Bush, co-director of the Brookings Center for East Asia Policy Studies and the holder of the Chen-Fu and Cecilia Yen Koo Chair in Taiwan Studies.

Bonnie Glaser, my friend and colleague, to my left, is senior advisor for Asia at CSIS, and director of the China Power Project there. And we're very pleased to collaborate in bringing you today's program.

The Tsai in our title is, of course, Taiwan's President Tsai Ing-wen. In January 2016, she won a convincing electoral victory and just as convincing, her party, the Democratic Progressive Party, won an absolute majority in the Legislative Yuan.

We're joined for today's moderated discussion by three prominent specialists on Taiwan. Shelly Rigger, who is the Brown Professor of Political Science at Davidson College and Assistant Dean for Educational Policy. Robert Wang, Senior Policy Advisor at Covington & Burling. And Ryan Hass, a David M. Rubenstein Fellow here in the Foreign Policy Program.

Shelley will talk about politics in Taiwan, Bob will discuss the economy, Bonnie will address China's policy and behavior towards President Tsai in Taiwan, and Ryan will cover U.S.-Taiwan relations.

To frame our discussion today I would like to go back two years to May 20th, 2016, the day that President Tsai was sworn in, and remind us all of some things that she said in her inaugural address. Four issue areas stand out for me: foreign policy, China policy, domestic policies, and Taiwan's democracy.

On foreign policy, she spoke of broadening Taiwan's participation in the international community as a good global citizen. And particularly important, in my view, was her pledge to "Deepen our relationship with friendly democracies, including the United States, Japan, and Europe to advance multi-faceted cooperation on the basis of shared values."

On China, in my view, she sought, through somewhat ambiguous language, to address Beijing's demands that she accept the 1992 Consensus on One China, and particularly the so-called core connotation that the territory of Taiwan was part of that One China.

On the latter point, she said that her government would conduct cross-Strait relations "In accordance with the Republic of China Constitution, the act governing relations between the people of the Taiwan area and the Mainland area, and other relevant legislation." And she said that the governing parties on the two sides of the Taiwan Strait "Must set aside the baggage of history and engage in positive dialogue for the benefit of the people on both sides of the Strait."

Now I know all too well that China all along insisted that President Tsai must address these issues explicitly, but I would note that a bit of ambiguity is often useful in making relationships work.

Although foreign and China policy are certainly important for President Tsai in Taiwan and they were the subject of the most external scrutiny, it was clear two years ago that the principle focus of her presidency would be domestic politics. Or, as she said, "The people elected a new president and a new government for one single expectation, solving problems." And among the problems to be addressed were sustaining Taiwan's economic competitiveness through innovation and reducing dependence on the China market; strengthening the social safety net, particularly by carrying out pension reform; third, bringing about social fairness and justice—and here she specifically mentioned the projects of transitional justice and judicial reform.

Related to these three issue areas was the effectiveness of Taiwan's democracy itself. She spoke of building "A united democracy that is not hijacked by ideology, an efficient democracy that responds to the problems of society and economy, and a pragmatic democracy that takes care of the people." Quite a challenge.

In the course of her speech President Tsai mentioned two overlapping sectors that had particularly special political salience. One sector was young people, who have not received their fair share of the benefits of economic growth, but who also were very important to her electoral victory. The other one was civil society, which has emerged as a key factor in the operation of Taiwan's democratic system.

So that was President Tsai's inaugural vision. We're now two years out, and I'm going to ask my colleagues to join me in evaluating how she has done.

And we'll start with Shelley. Shelley, how do you think President Tsai has done on her domestic policy agenda?

MS. RIGGER: Well, I think many people would say not very well, right? The ambitious promises that you just enumerated certainly are not, you know, fully realized by any stretch of the imagination. On the other hand, though, one of the things that I think is admirable in some ways about that very vision is that it is a vision for long term and sort of slowly unfolding policy changes. So none of the things that you listed were things that anybody thought could really be done overnight.

And I would say that one of the -- two of the sort of characteristics of Tsai's policy making style so far are looking for, if not consensus, then at least broad support for policy changes before kind of moving forward with them. So we see Tsai kind of sometimes frustrating her own supporters with the amount of research and coalition building and trying to kind of build momentum and legitimacy for policy changes, which gives her opponents sometimes the opportunity to be well mobilized against her position. But I think in her view, in the long run, is the right way to go about making big changes in policy.

And then the second attribute of her approach is just moving relatively slowly and taking more deliberate steps. So while she hasn't used, you know, the position of the presidency to ram through a lot of stuff, it does seem to me that the foundation for some significant, and actually very difficult and costly and overdue policy changes has been built. And recently she said something about, you know, the first two years were sort of for planting seeds—this was not her metaphor—but we expect to see the results soon. I think that's not just making excuses of a lack of outcomes in the first two years, but actually the way she thinks about policy making.

So on just a couple of the specific items. The Labor Standards Reform Act was one that the business community had been asking for for a long time. But it was also something basically, you know, changing the relationship between labor and business, has implications for labor and for business. They both want something out of the legislation. It's been very controversial, but it should be very controversial. And the ultimate outcome of the back and forth negotiations was a bill that doesn't satisfy business or labor, which one might say is, you know, a failure of policy making. But one might also say is a success of democracy. Right?

And so similarly, the pension reform work that she's been doing is very difficult, there is a deeply entrenched constituency against pension reform, but there is also a profound economic and fiscal necessity for pension reform. So again, trying to build support but eventually kind of pulling the trigger is probably the best way to go about it. So again, it's been highly controversial and slow in coming. Not all the parts of the Pension Reform Bill are anywhere near realization, nonetheless, there's progress there.

So I think what we see is a lot of frustration with the pace of policy making and the outcomes, in some ways. And you see that reflected in poll numbers. But the real judgment or the real moment of truth, I think, for Tsai will come not in public opinion polls but in election polling in November, where I think we'll see really whether people are using polls to keep the pressure on or to express a genuine dissatisfaction with her performance.

MR. BUSH: I want to come back to November and January 2020 in a minute. But I do want to touch on some groups in Taiwan society who absolutely do not want to be part of the consensus that you were talking about. And these are right wing, even extremists right wing groups. Are you worried about their behavior and their effect on Taiwan's democracy?

MS. RIGGER: Definitely. I mean this trend has been evident a little bit in Taiwan for a long time, the kind of, you could call them fringe elements. And, you know, you could say there have been fringe elements on both ends of the political spectrum. But in the last couple of years they have become much more kind of consolidated, organized, and mobilized, and also appear to have received an influx of cash from somewhere, which they are using to cause disruption way out of proportion to the number of people in Taiwan who actually support their cause.

And the most sort of extreme, or the most significant of these is the China Unification Promotion Party, or CUPP, which has become very vocal, almost impossible to avoid, active across a spectrum of issues. Seeking to run candidates for political office, although they've done really poorly when they have run candidates for political office. But also now increasingly introducing actual violence into their protests against all kinds of both protests in favor of unification and also protest against all kinds of policy moves.

Then the other group that has kind of aligned itself a little bit with the CUPP is this group Eight Hundred Heroes, which exists to fight back against the pension reform plan. But has also allowed itself to become a force for disruption.

And what's worrisome about that is just the way that these organizations intimidate other parts of civil society and put pressure on legislators to kind of act in defensive ways that are really not -- that don't reflect the true preferences or the proportional preferences in the society.

MR. BUSH: Okay. Thanks. So coming back to the elections in November, which are local elections. What are the prospects for the various political parties in those contests? And what should people be looking for in the results? What's important and what's not important?

MS. RIGGER: So the big question I think or a big question is, you know, what's the KMT's fate going forward? Because the KMT had a really bad year in 2016. Taiwan definitely needs a second major party in order to have a functioning democracy. So the question is, you know, can the KMT recover?

And I think the KMT, it really depends upon where you put your starting point whether or not you think the KMT has recovered, right? If the starting point for recovery is being better off than they were in 2016, then the KMT is recovering. If the starting point for recovery is being better off than they were in 2012, then the KMT is actually still worse off than it was in 2012. And I think it needs to be back where it was during the Ma administration or during the early, the first Ma term, in order to really be a sort of robust and effective peer competitor in Taiwan politics to the DPP.

So it's kind of brushed off the turn toward really non-mainstream positions, especially on cross-Strait relations that were being pushed by Hung Hsiu-Chu, both during her brief time as a presidential candidate and then during her also brief time as party chair. You know, they sort of reset back to the good old days with Wu Den-Yih as the party chair, saying the same basic things that Ma Ying-jeou always said

about cross-Strait relations and so on. But that is probably not enough to bring the KMT back to being fully competitive.

So I think going into the November elections, if the KMT can hold on to the handful of county and city executive positions that they have and not lose more in the county and city council elections, that's probably a good outcome. The DPP is saying if we lose more than two or three executive or magistrate or mayoral seats, whatever you want to call them, that's a failure for us.

So both sides I would say are setting expectations low, right? The DPP says we could afford to lose a couple and still be fine. The KMT says, you know, we'd just like to hold on to what we've got and we'll be fine. So I think they're both trying not to raise expectations too high. I think it's increasingly likely that the DPP will not lose two or three, and certainly not more than that.

And so the most interesting race now, and as of a few hours ago, really the most interesting race, has become the Taipei City mayoral election, where the DPP in the last go-around had kind of stood aside and allowed Ko Wen-je, an independent, to counter the KMT. Mainly, I think because the DPP thought it might be easier for him to win than for them to win, and they really, really, really didn't want the KMT to win.

Well then the question was will the DPP again allow this independent to run unchallenged from the Green Side. And they've decided no, and then today they picked their candidate, who is Pasuya Yao, Yao Wen-chih. And so now there's a very interesting race in Taipei City. It's a three-way race with a probably better KMT candidate, Ting Shou-chung, than the last time around. Ko Wen-je still has a fairly strong base of people who support him, especially young voters, and then this DPP candidate, Yao. So there is the possibility for a little bit of excitement in November.

MR. BUSH: In addition to the number of seats in the various races, to me it also seems important what the aggregate vote for the KMT is and if that is in the realm of what they've gotten in past elections of this type.

MS. RIGGER: Yeah, I think that's an excellent point. It's also interesting to see whether there is any deterioration of the KMT's grass roots network. So we can also look down the level of elections a little bit to see whether they are able to hold on to, especially county and city assemblies, to see whether or not -- because that's where their networks are -- that's where their grassroots mobilization is most important. And without that grassroots mobilization they will continue their slide, their downward slide.

And the reason that that's so interesting this year is that this is really the first time that the KMT is competing without "the money." Right? One of the first thing that DPP went after after Tsai became president was the so-called KMT ill-gotten party assets. And that has been effective in a way it's never been effective before. This is the white whale of DPP politics for generations. Like how do we separate the KMT from its money? Well the KMT is pretty separated from their money now. So the question is whether or not they needed that money in order to have any kind of political base at all.

So you're absolutely right that we should also be looking at the overall percentage of votes at different levels. And also never ignore that grassroots politics because that's where we're going to see whether the KMT's flagging financial resources are translating into flagging political resources at the grassroots.

MR. BUSH: Thank you. Let's switch to the economy. Bob, the economy seems to be doing okay. The current forecast is a little bit over three percent. But there is also dissatisfaction with the administration's policies and that's affected her popularity. What's going on here?

MR. WANG: Well I would first just draw on the old American saying "Better lucky than good." But I think to some extent that's true in this case because Taiwan's been going through cycles, and globally there's a cycle that's essentially coming back in terms of—at least for the last couple of years—in terms of ICT production, demand, more global demand. So Taiwan's very much been a part of that.

And so if you look at the numbers, clearly, I'm not sure three percent, but approximately that. And last year was about 2.4, something like 2.8. But of course that's compared to about one percent for the two years before that, that's 2015 and 2016. So clearly there's been an uptick. And if you look at the stock market of course, a lot of people see that it's a record high at 11,000, back down a little bit now. If you look at unemployment, it's quite low.

But being somewhat of an economist as well, I always want to balance it a little bit. I mean after all, even though the unemployment figure is pretty low, you have about 800,000 Taiwanese working abroad. So that really is part of it. And I think the stock market going up at its current rate still has not translated in many ways to growth, has not translated to what you were talking about earlier, wage/salary earnings for young people who are coming up. Unemployment is still about 11, 12 percent for young people. Wage has not really come up along with the growth or with the stock market. So this is clearly an issue that will be important in the election as well, I think.

And in terms of the other things you were talking about, Shelley mentioned pension and labor reform. There are a lot of controversies around that. I think most people think that something had to be done about the pension system, the "Shi Ba Pa", the 18 percent. But yet doing it, obviously, alienated a lot of people who had to lose, who were affected by that.

On the labor front, the labor standard front, it was more sort of back and forth. Which, you know, initially intended to reduce work hours. Many Taiwanese are hard workers. So the attempt to reduce it led to I think a lot of reaction. Not just because of the cost for business, but also because of the, you know, we hear from AmCham (the American Chamber of Commerce) in January about the lack of flexibility in the system between blue collar, white collar, professionals, managers. So the back and forth of that I think created a lot of unhappiness on all sides.

And the last thing I would say is that, you know, there's been a long term concern about energy issues in Taiwan, especially given the DPP's stated goal of moving towards non-nuclear plants, no nuclear plants by 2025, etcetera. But, you know, that is not the immediate issue. In August when the -- this was exacerbated by the blackout in August which sort of affected some six million or more people, households. I mean not people, households and businesses for about five hours. And that created a lot of questions about whether the Taiwan administration was able to manage this issue. Not so much the long-term part of it but more the short-term part of it.

And so that was followed, of course, by the resignation of the Economic Minister, the CPC Chairman, and eventually in September by Lin Chuan himself. So I think all of that has created strains on I think the administration, and I think has affected the polls.

MR. BUSH: There was a report today that power consumption in Taiwan today reached an all-time high.

MR. WANG: Summer's coming.

MR. BUSH: And it's not even June. What do you think are the key economic challenges for the Tsai administration over the next two years in the run up to the next election?

MR. WANG: On that I would say when I look at what's happening in Taiwan in terms of the government, the Tsai administration, I think first of all that they're fully aware of the challenges. I don't think it's not that they don't know what the challenges are.

To begin with, although Taiwan's economy and its mainstay that Shelley had talked about before, the whole global supply chain for ICT and so on and so forth. I think that clearly this can be pressure on it going ahead in the next several years, from China in particular. You know, somewhat spurred by the ZTE issue. So they're going to try to build their own semi-conductors and they're going to go out and do more. So that's going to provide a challenge to Taiwan's mainstay in terms of its economy. And that's something they have to worry about at this point.

And so part of it of course, the Tsai government is trying to respond to in terms of infrastructure, it's trying to improve the infrastructure, making sure, of course, electricity, energy. Without that, you know, semi-conductor, factories, etcetera, will all, you know, be effected. So clearly they're looking at ways to improve the fundamentals in terms of the infrastructure with, you know, the board looking at infrastructure programs. So they understand it. What they'll do about it is another matter, you know, how they will implement that.

And the second thing that they fully understand is as reflected in the five plus two innovative industries program is that Taiwan eventually has to broaden its industrial base beyond what it has now. Because again, you'll have competition, but beyond that these are not creating, these are low margin industries in some ways. And you're not going to be able to increase the wages of the young people or others, good jobs and whatnot, unless you begin to develop other industries.

And I think the administration really does understand that. But it's a long-term process. It shows you all of these are long-term processes. And so they need to broaden out. The question then is how do you do it? A lot of questions going on here or there.

But one thing I would say that I've always emphasized when we were in Taiwan, especially talking to the people there including the business people and in government, is I think Taiwan has to do much more than it is now doing to attract foreign investments and talent. Which will then feed into local domestic talents and investments as well. But they have to do a lot more. Not just open up, they actually have to go out there and look and really target. And they've made some successes recently with Microsoft, Google with HTC, Amazon. But it really has to be a broad based, really focused attempt to go out and see what they can bring to Taiwan in terms of these new industries in particular.

And I say that because it's not going to be easy because everybody's doing it. China has Hainan free trade zone, Shanghai's zone as well. And now they're opening up -- not opening, talking about something in Zhejiang, the Big Bay thing, then the Guangzhou and Shenzhen thing, another one with Hong Kong. I mean everybody's out looking for these talents, looking for these investments.

Can Taiwan compete with that? You know, not just stay still, stand still, but they've got to compete with that and anticipate that there will be these challenges. And why would people want to choose Taiwan unless Taiwan offers really, really strong incentives, regulatory reform, barriers putting down. Really something dramatic along those fronts.

MR. BUSH: Okay. Good. Bonnie, let's turn to what China's doing. I think the word "intimidation" is not too strong in describing what China's policy and behavior has been since May 20th, 2016. But this isn't completely new. How does what we're seeing now differ from what we've seen in the past?

MS. GLASER: Well if we look at the beginning of Tsai Ing-wen's administration, there was about a six month period where certainly the cross-Strait relationship was not moving forward. And it almost came to a halt. But we didn't see all that much deterioration. I have a sense that there were some back-channel discussions, that there were signals that were being sent by both sides. And even though we did not hear the Chinese say that the policy was "Ting Qi Yan, Guan Qi Xing", or listened to her words and watch her deeds. But that's essentially what it was.

And the only real pressure I think we saw at that time was the curtailing of the group tourist groups that had been going to Taiwan. And that started while President Ma was president of course. And I think it got worse.

But what we really saw, I think, in 2017 and of course this year, is a ratcheting up of this pressure. In some ways continuing things they've done in the past, but accelerating it. And then pressure in new areas.

So an example, of course, of continuing pressure is the taking away of diplomatic allies. We've seen that with prior presidents of Taiwan. We saw that even when Tsai Ing-wen was first elected, there was the Gambia which had broken relations with Taiwan earlier and then Beijing chose the moment. We happened to be at the Guo Tai Ban (Taiwan Affairs Office) on the day that that was announced.

MR. BUSH: I remember.

MS. GLASER: I'm sure you do. And so since then, of course, we have seen four more since President Tsai actually assumed the presidency. Which with Burkina Faso just being the latest. And very explicitly, foreign minister and state counselor now Wang Yi saying, you know, we now encourage these Taiwan's diplomatic allies to establish relations with the PRC. And that's new. That's not something they have done in the past.

On, of course, the WHA, we saw that finessed in 2016, the World Health Assembly. But Taiwan was unable to send a delegation, not invited in 2017 and 2018. And we've seen other instances of real ratcheting up of pressure on the name that Taiwan uses in various organizations. There was the Kimberley Process in Australia where the Taiwan delegation actually was forced to leave. But of course Taiwan still has retained some of its status in other organizations, like APEC, even though Beijing has tried to downplay its role there.

We've seen, I think, some new tendencies in the military area. Always been Chinese military pressure on Taiwan. But now we've seen really since late 2016 the circumnavigating of the flights, bombers, fighters that are flying around Taiwan, stepping up the operational tempo. And I think these are not only aimed at coercing Taiwan, they are also a signal to the United States that Beijing has the will to assert its sovereignty, and it's a domestic message to the Chinese people that the party in China is willing to defend their claims.

And then of course the area that is really of interest, I think this is getting a lot of attention in the media, is sort of what I call enforcing the One China principle around the world. And we see these websites, I think the first one that I saw was Marriott. It was Zara. Now we see 36 airlines that the deadline was the 25th of this month, so a few days ago that these websites were supposed to be changed to say Taiwan, China. About 25 or 26 of them have. United, Delta, and American Airlines have not. I've talked with U.S. officials, I'm told that the government is in close coordination and discussion with these airlines, and that the airlines have basically -- are telling China, go talk to the U.S. government, talk to Washington. That's interesting. I mean their profit is, their bottom line is at stake here, right? So I don't know how long they really can hold out. But the idea is that they will remain, you know, unified to solidified, and then we'll

have to see whether maybe some of our allies and of course commercial companies—these are not state run—but whether they will be able to hold the line.

And so that's a really disturbing area where China is showing intimidation. I see it as much a function of, in a sense, weakness, as I do strength. Strength in the sense of economic power, knowing the power of China's market, right? But it's weakness in the sense that, you know, this is a rising great power, that this is the way they have to treat Taiwan. I continue to ask myself whether Xi Jinping just feels so vulnerable on the Taiwan issue that he has to find ways to fend off pressure at home. But I have no evidence.

MR. BUSH: Aside from these what you might call coercive activities, do you want to say something about the incentive side? The 31 measures?

MS. GLASER: Right. So as we've seen the hard hand get harder, we've seen the soft hand get maybe a little softer, although I do think the gap is growing.

The 31 measures, I think at least a dozen of them, if not more, relate to education. So they're trying to attract youth, young people, and talent, from Taiwan. I think this is very worrisome to President Tsai Ing-wen that the best people that they have educated at home are going to be drawn in many ways to China to work or to study.

And it is interesting that in President Tsai's statement which she made after the Burkina Faso incident, that she used the word "China" 10 times. I counted this, right? So we've now moved from saying Mainland sometimes and China sometimes, without really just calling them China. But, yes, there are some of the soft things that Beijing is doing, but I don't think that's where the emphasis is at this point.

MR. BUSH: Coming back to the sort of measures in the security realm but not confining ourselves to those. Does this campaign threaten Taiwan's security, do you think?

MS. GLASER: Well, I'm not an international lawyer, but if we had one up here I think that person would tell us that if Taiwan got to the point of having no diplomatic allies then its claim to sovereignty would be somewhat weakened.

MR. BUSH: I agree with that.

MS. GLASER: So I think that there is concern in Taiwan that as that number gets lower and lower, that their own claim to sovereignty becomes weaker. But, ultimately, I do think that the people in Taiwan understand this is really not a function of Tsai Ing-wen provoking China. That it really is a hostile policy from Beijing. And so I don't think it's going to weaken her, she's -- it doesn't apply polling results for all the other reasons that we've talked about.

I don't think that this is going to harm Taiwan's military security. We could get an attack out of the blue, I just don't think that's likely. And I hope that other countries, including the United States, will stand up and do more for and with Taiwan. And as President Tsai herself said, she needs strong diplomatic partners. So maybe there will be a willingness to do more. But of course that also will be probably limited.

MR. BUSH: Picking up on that and preempting Ryan a little bit, what do you think the U.S. government should do?

MS. GLASER: Well I think the U.S. should work with like-minded countries, first to criticize Chinese pressure. It's always good to shine sunlight, it's the world's best disinfectant, on bad behavior. So I do think we should call them out, we should do it ourselves, bilaterally when we can, or multilaterally.

Maybe a G7 Statement, for example.

I do think that more countries are worried about Taiwan's future and the future of Taiwan's democracy. But there's always an awkwardness and a difficulty that I think countries have, they fear being punished. And we see that China punishes countries when they criticize their, you know One China Principle. If China were to take action against one of our airlines, or just calling even for Chinese citizens to not fly that airline, I think we should seek some kind of reciprocity, I think we should retaliate. I don't know whether that's doable, but I think we should look into that.

And then we should seek ways, I think, to strengthen our own relations with Taiwan. And as you wrote on the Brookings website earlier today, the upcoming dedication, of course of the AIT building is a wonderful opportunity. We should be sending a cabinet secretary. We should be celebrating the commitment that that building means to really our enduring relationship with the people of Taiwan with the government and future governments of Taiwan.

And then finally I would just say that where we have the ability to help Taiwan to expand its international participation, we should do that. It's hard to do where, of course, Beijing is present. But there are others ways, and we have this wonderful Global Taiwan Cooperation Framework which I've advocated should be a sort of GCTF plus one. That is, shouldn't just be the U.S. and Taiwan, but we should take this to other countries as well.

And the act of hosting those kind of workshops and things like fighting pandemics and promoting gender equality and things like that, that those kinds of opportunities. Just hosting it in other countries demonstrates a signal of support to Taiwan. So I think that's something we could do too.

MR. BUSH: Thank you. Ryan, you sort of were in charge of executing, along with others, our policy towards Taiwan. Tell us a little bit about how sort of China intruded into that process.

MR. HASS: Well, first of all, let me just say thank you to Bonnie for doing some of the lifting for me and answering the question about how the United States should be dealing with --

MS. GLASER: You will answer it differently, welcome to hear your views.

MR. HASS: I just wanted to say one thing at the outset, which is a real honor for me to be with this group here on the stage, but also to be with so many friends in the audience. I've learned a lot from many of the people in this room. And I will offer a perspective, but I certainly welcome others during the Q and A to add to or amend what I'm about to say.

My impression, to get to your question, Richard, is this. U.S. policy towards Taiwan consistently has flowed from two source. The first is what I would call the sacred text, the One-China policy based upon the Taiwan Relations Act and the three U.S.-China joint communiques.

And the second has been our enduring interests. One of which is stability in the Taiwan Strait. So that's in the basis of our policy dating back decades.

There also has been a very deliberate effort, dating back decades, to treat Taiwan as a valued partner and not as a chip to play or a tool to use in dealing with the Mainland. That's not how friends treat friends. And Taiwan, by any measure, is a good friend of the United States.

Whether it's on issues of values, Taiwan is a democracy that is flourishing in a tough neighborhood. Economically, Taiwan is our tenth largest trading partner, seventh largest source or export market for

agricultural goods. It's on par with India, Saudi Arabia, Brazil in terms of the market that it presents for U.S. export. That's significant.

In terms of global challenges, every time the United States confronts a challenge, Taiwan stands with us. In Iraq, Taiwan stood up. In dealing with ISIL, Taiwan stood up. In dealing with North Korea, Taiwan has been a great partner. In fighting the outbreak of Ebola in Africa, Taiwan was with us. The list is long. But the point is simple. That when the United States has a need, Taiwan is an able responder.

And then on the issue of security issues, you know, I always like to say that U.S.-Taiwan relationship is not defined by the security relationship, and the security relationship is not defined by arms sales. When you sort of peel back and look beyond the question of arms sales, what you see is a picture of the United States and Taiwan's armed forces working together in a very sophisticated way in training and sharing best practices. It rivals and compares to the work that the United States Military does with many of our closest partners around the world.

So the basic point I'm trying to make is that Taiwan is a close and valued partner of the United States. And part of the reason why I think that our policy has been and should continue to be pro-Taiwan and not anti-China is because if we were to use Taiwan as a tool with China, it wouldn't help the United States' interests, but it would hurt Taiwan's.

And I think that's an important point that we need to remind ourselves of repeatedly, particularly in our government system where we have so many people that change in and out and don't have deep familiarity with the sacred text that Richard and others helped to craft.

And I'll just offer three reasons why. The first I already mentioned, friends don't treat friends as tools. That's not right.

The second is that I don't see any evidence that President Tsai seeks an intensification of cross-Strait tensions. Rather, she seeks to focus on the issues that Shelley and Bob outlined, which are largely domestic. And that's where the United States should be standing by and offering support to President Tsai.

And then the third is that I don't see any evidence, and I haven't seen any evidence, that if the United States were to go down the path of using Taiwan as a tool for influencing Beijing, that it would lead to the outcome we seek. In other words, it would lead Beijing to become more moderate on issues that we care about, or more sensitive to the interests of people in Taiwan. To the contrary, I think that if Beijing perceives that the United States is going down that path, it will create the very outcome that our strategy is designed to prevent.

And so in short, that's been my experience of how we've approached the issues.

MR. BUSH: With that final guidance in mind, where should the United States focus its effort in the sort of near-term future? What are the potential areas for growth in the relationship?

MR. HASS: Yeah. Well I think Bonnie has already touched on some of them. I will just offer three quick thoughts and then be eager to hear the reaction from the people in the room. But when I think about this questions I really think about three interrelated questions.

The first is what kind of Taiwan and U.S.-Taiwan relationship serves the United States? The second is what guiding principles should lead the U.S.-Taiwan relationship forward? And then that leads to the final question, which I think you're getting to, is what specific steps should the United States take?

And in my perspective on this is that the United States wants to see a Taiwan emerge that is confident in its security, that is in control of its economic destiny, and that is treated with dignity and respect on the world stage.

In other words, or put differently, the United States does not want to see Taiwan susceptible to coercion, dependent upon a single market for its economic wellbeing, or humiliated or squeezed on the international stage. So that's what we're trying to do.

I think there's a palpable desire and it's reflected by the attendance in this room, but there's a palpable desire in Washington to do something to support Taiwan. Particularly as Taiwan is being increasingly squeezed by the Mainland. And that's a bipartisan impulse, it's not one party or the other.

The challenge as I see it is to find ways to do that in a substantive manner that helps Taiwan and advances the United States interests.

And so that leads me to the second question that I ask myself, is what principle should guide U.S.-Taiwan interactions going forward? And my sense is that there really are three sort of North Stars that we should follow, both the United States and Taiwan in their joint efforts.

The first is to promote the shared interests of the U.S. and Taiwan. If we're going to do something together, it has to serve both of our interests to be sustainable.

The second is it needs to be beneficial in its substantive merits. Wholly symbolic gestures play a role, but the relationship can't sustain itself on symbolism. It needs substance.

And then the third, I think that there's ample ways for the United States and Taiwan to work together in areas that don't pick at our differences over questions of sovereignty.

So that's sort of how I get to the final question, which is what is it that fits within those parameters that we could do. And I think Bonnie's already outlined a few of them. I will just offer a few additional inputs for the group's consideration and reaction.

The first is President Tsai, as Shelley and Bob have indicated, really is focused on increasing the dynamism and competiveness of Taiwan's economy. And I would love to see the United State lead a very high powered trade mission to Taiwan, and encourage other countries to emulate that approach, to strengthen the economic ties that bind the United States and Taiwan.

Relatedly, it would be wonderful to see our U.S. Trade Representative enter into negotiations on a bilateral investment agreement between the United States and Taiwan. It would benefit both sides, it would spur the type of regulatory reform that Richard and Bob have talked about, and it would create opportunities for one of our comparative strengths, our financial sector.

Similarly, I think that it would be helpful for the United States and Taiwan to seize moonshot initiatives, big, bold, shared missions that we can work on together. Cancer research is something that former Vice President Joe Biden really sought to mobilize with Taiwan. I think that that's a ripe area. Green energy research and development and deployment is another area. Artificial intelligence. There's a long list but I'm just giving you a few illustrative examples.

I think that Bonnie's point on broadening the Global Cooperation Training Framework is right. I would love to see the United States host one of these sessions at a cabinet level in the United States and bring other counterparts from around the world to participate and join and benefit from the expertise that

Taiwan is able to offer.

And I would love to see more members of Congress emulate the standard that Senator Gardner demonstrated this week of making Taiwan a normal stop on tours to the region.

None of these are silver bullets, none of these are going to radically transform the situation in Taiwan or the U.S.-Taiwan relationship. But I think that cumulatively and systematically they will advance the relationship and make Taiwan a more attractive environment for the type of innovation and investment and technology that Bob identified as Taiwan needing.

MR. BUSH: Great. Before we open it up, does any member of the panel want to comment on anything that another member of the panel has said? Or are we in violent agreement with each other? Okay.

At this point, I'd like to turn the chairing responsibilities over to my co-convener, Bonnie. And she will sort of moderate the Q and A from the audience.

MS. GLASER: Okay. So first I want to thank Richard and Brookings. It's always a pleasure to collaborate on events, especially related to Taiwan.

And I want to ask each of you, you know, raise your hand, as usual, identify yourself, please do ask a question, make it short. If you want to direct it to anybody in particular, please do so. If not we'll just choose among ourselves, and you can feel free to direct questions to Richard as well. Okay. So who wants to start? Yes, and wait for the microphone, of course. Okay. So we'll start right there. Wait for the microphone, it's coming up behind you.

QUESTION: Stewart Royder. In all of your commentary I heard nothing about the Taiwanese military. And as a sideline their request to either purchase or manufacture submarines.

MS. GLASER: So I mean I could start on that, and then anybody else can add their thoughts.

It struck me when you were speaking, Ryan, that you didn't say anything about the military. And it made me realize I didn't either.

I think that there continues to be a very close relationship between the U.S. and Taiwan militaries. And Tsai Ing-wen is more interested in indigenous weapons production. We've already seen some successes in Taiwan. This is not brand new. The submarines are something that they aspire to build and are still, as I understand it, working on a blueprint. We cannot build it for Taiwan; we don't build diesel electric submarines. There is a possibility of countries who build them. But that becomes politically complicated.

So I think we have already seen an initial grant from the State Department, which is I think is an initial license. It's a many-step process, but nevertheless I would see this as a signal to American firms -- who have already taken that signal. They are talking with Taiwan with its military to see how we might be able to work with them to build submarines.

In my own view, there's still a lack of convergence between the United States and Taiwan about the size of the submarine, about where it would operate, what its mission would be. So I think we should have more convergence on that. And I'm sure these discussions continue to go on.

But this is something the United States said in 2001, under George W. Bush, that we support it. And if this is a priority for Taiwan then we should find ways to work with them. That's my view.

MR. BUSH: And a couple other points. One is the timeframe in which it would take Taiwan to build sort of large submarines. It's not a short timeline. And the PRC would know sort of at which point Taiwan would have this capability that they would have to deal with.

Another point is that, you know, if we were in a war situation and if the United States chose to come to the defense of Taiwan, I suspect that the U.S. Navy would want to operate alone, or in terms of our submarines. We don't want to create the danger of accidentally shooting at a Taiwan submarine when we thought it was a PRC submarine. It's called the fratricide problem.

MS. GLASER: Where it was operating, that's what I was hinting at.

MR. BUSH: Yes.

MS. RIGGER: Can I say a little something about the military issue? Because I think this is actually one of the things that has really changed a lot under Tsai Ing-wen is the -- so rightly or wrongly, and I think it was a little rightly and a little wrongly, during the Ma Ying-jeou era, there was a perception that Taiwan was really not acknowledging or even taking on board the magnitude of the military and security threats that it was facing. And that manifested itself in various ways.

One was a kind of, you know, is Ma's policy toward the Mainland driven by his conviction that the best way to kind of damp down Mainland aggression is to be friendly, or is it that he just doesn't get that the Mainland has this aggressive tendency?

And also we saw it manifested in -- and this is not just under Ma Ying-jeou, but going back many years, the kind of frequent comments among Americans in the policy world about the lack of resolve in Taiwan. You know, the Taiwanese, they'll fight to the last American, that kind of mentality I think we've probably all heard somebody say that at one time or another.

Neither of those is really sustainable as a position or a view point today. The Tsai administration has definitely not continued Ma's policy of trying to maintain, to cultivate the PRC away from hostility or aggression, because the PRC is just not willing to respond, even if Tsai tried. And I think Tsai has therefore—or alongside that way of dealing with the Mainland—has shown a lot more appreciation of the military and security challenges that Taiwan is facing.

Meanwhile, the more recent evidence from Taiwan suggests that the population, too, is more A, aware of, and B, willing to respond to, the military threat that they're under. So I don't know exactly. I mean a lot of this information is really new and the developments are pretty recent, certainly, you know, Tsai has only been in office for two years. But I think we should be really paying close attention to the kind of resolve issues on the Taiwan side because it seems to me that Tsai on this front, and also her population on this front, are quite different from not very long ago.

MR. HASS: If I could just offer one thought. If I neglected to talk about security issues that's my oversight. But I think I did. Security issues are one of the four main pillars of the U.S.-Taiwan relationship.

MS. GLASER: I meant in terms of a specific recommendation when you got to the third part. Do you have anything specific you want to add?

MR. HASS: Thank you. I'll just finish my thought real quickly and give myself a second to think about that.

But the second thing is, few things in Taiwan politics are consistent. Between the KMT and the

DPP, there have been shifts and fluctuations. One thing that has been consistent since the consolidation of democracy is the percentage of money in the annual budget that is devoted to defense. It has been one of the remarkably flat lines in recent Taiwan history.

And so that sort of poses a question that Derek Mitchell dealt with when he was at the Department of Defense, and others still wrestle with today. Which is you have a finite amount of resources that you know Taiwan is going to allocate toward defense and the percentage of those resources being devoted to personnel are growing, there's less space for procurement. Where is the maximum point of impact for the investment that you're going to make?

And this is where the question of subs or F-35s or other things come up. There's a tension there. And the direction that U.S. policy has been focused on in recent years has been to find ways to support Taiwan's efforts to create more innovative asymmetric capabilities that maximum Taiwan's geographic advantage and make it harder for anyone to seek to invade or challenge Taiwan's territory.

But it's a judgment call. And different people come at it at different angles, there's no right or wrong answer. But I think that sort of the law of physics that we're running up against is unless the share of the pie that's devoted to defense grows to match the threat that Taiwan faces, there are going to be hard choices that are going to put constraints on Taiwan's ability to acquire new capabilities.

MS. GLASER: Okay. Great. All right. There was a question up here.

QUESTION: Thank you. Sheldon Ray. So what should this U.S. government not do at this particular time and in the future such that the Mainland could use it as an excuse to increase hostilities?

MS. GLASER: This government meaning the U.S. or Tsai Ing-wen?

QUESTION: The U.S.

MS. GLASER: The U.S. government. Okay. Who wants to take that? All right, I'll start.

I think that we should be careful to not link positive things that we do with Taiwan to negative behavior from China. In other words, if we decided to disinvite, which we have, China from RIMPAC, some people have said "Well, oh good, China's not going to be here this year, let's go ahead and invite Taiwan." And my position is actually both should have been invited in 2014. I think that would have been the best policy. But that's not the policy we chose.

And so at this juncture, to say when China is engaging in bad behavior we'll reward Taiwan, suggests the adverse, right? I mean what if China is behaving well? Do we then do less with Taiwan? Do we punish Taiwan for that? And the answer, I think, of course, is no.

So I don't think that we should be linking what we do with Taiwan to China's bad behavior. And I go back to what Ryan said earlier as he laid out sort of our principles. We do what's in the interests of the United States and Taiwan's interests, and we just not try to link that together with Taiwan. Taiwan just should not be treated that way, and it puts Taiwan's security in danger.

MR. BUSH: In that vein, I think that once we define what our national interest is concerning Taiwan and what follows from that definition, we shouldn't worry too much about the tender feelings of the Chinese state in response to those actions. We obviously have to take those into account, but if we decide this is important for us, let's act on our interests and not China's definition of its interests.

MR. HASS: I guess I would just add one brief process thought to it. I think the relationship with the United States and Taiwan or the triangular relationship works best when there's a sense that there's a clarity of approach and a sort of a consensus of purpose in what we're trying to do with Taiwan and with the Mainland.

And when there's not that cohesion at the governmental level or at the leader level, then it leaves departments and agencies to sort of interpret things and act on things as best they can based upon the information they have available to them. And if there isn't a coherency for either case, we're going to find ourselves doing things with Taiwan that are inconsistent and incoherent in ways that raise anxieties in Beijing without necessarily providing the material support to Taiwan that we think is necessary.

MS. GLASER: David Brown in the back.

QUESTION: David Brown from SAIS. Great panel. I want to follow up on Bonnie's comment that we haven't, in some ways, addressed the military aspect of the relationship.

The exercises that the PRC is conducting around Taiwan in much greater sophistication and frequency than before are designed in part to coerce Taiwan. But also to undermine Taiwanese confidence in the reliability of the United States as a partner. And you can see this being underlined by the pro-Beijing media in Taiwan repeatedly saying "This proves that the U.S. and Japan are not reliable partners."

So if that's something that's happening now, how should -- what steps can the United States take to demonstrate that we are a reliable partner in ways that are consistent with our overall policy towards Taiwan and the Mainland? I think this part of a larger picture of countries throughout East Asia having increasing doubts about the United States.

MS. GLASER: Who wants to start? You going to start, Richard?

MR. BUSH: I'm not ready yet.

MS. GLASER: It's very difficult, I think, to strike the balance between the things that we do that are under the radar that are very important in our security relationship with Taiwan, and then doing things that are visible that provide that reassurance to the people of Taiwan, and also signal, frankly, the public in the United States that Taiwan is an important partner for us.

And so I think there are more things that we can do. It has been some time since a U.S. official has given a comprehensive speech on Taiwan, why Taiwan is important to us in the security realm. Sometimes these speeches contain important references. And I remember when Susan Thornton spoke here when she was Deputy Assistant Secretary, I believe. And she talked about the number of military engagements and exchanges that we have per year with Taiwan. And I think many of us looked at that number, I can't remember what it is off the top of my head, do you? Thousands. Definitely thousands. And we all were like "Wow, that's a lot."

And even small things like that I think are important. We had a few Deputy Assistant Secretaries who went to Taiwan. One was notably, of course, in charge of our Indo-Pacific policy. And so that individual, Alex Wong, was not just in Taiwan to talk about U.S.-Taiwan relations, but to talk about our overall Indo-Pacific policy and what Taiwan is doing in the region and how our interest might converge.

So I think that there are more things that we can do that are visible. But I do think that we should be careful when we think about what are those things that we're going to do. That we have to make sure that the benefit of doing something outweighs what the cost might be.

And there are some things that we might do that maybe, you know, China would not punish us, but they'd punish Taiwan. And so at the end of the day might not really bring security benefits to Taiwan.

I personally think that what goes on behind the radar, under the radar, is even more important, whether it's the joint discussions, the joint planning, the discussions about weapons procurement, maybe even some kind of joint training opportunities. I think that those are the kinds of things that are very important for Taiwan.

MR. WANG: Let me just add to that. You know, I've been struggling thinking about this issue. The question of whether we can do something that is pro-Taiwan and not anti-China. Ideally, hopefully, that's the case.

But at the same time I find that if we only do that, in this response to you, there will be very little things that we could do. Especially in terms of China's goals, vis-a-vis Taiwan. Which is unification and, forcefully or not. So the question is how many things can we actually do that actually would fit this particular definition. And I'm struggling to think of that because of China's goals and China's intent with regard to Taiwan.

And so I remember so many times when I was serving in Beijing, announcement of arms sales, which we have to do under TRA. I'd have to be called to the Foreign Mistry at 3:00 in the morning to be lectured on because this is anti-China. So I mean I don't know how many things there are that the Chinese can define as being anti-China that I think we ought to do, but if we were to really tie their thread to line, I wonder if there's anything we would be doing, except maybe dance troops, or cultural affairs or people to people, or trade, some modified trade but nothing too serious.

Or BIA for example. I've talked to some Chinese who've said, you know, that's not really allowable because it's almost verging towards some recognition -- it's not a BIT but it's a BIA but -- and they've come at me with "This is anti-China." So I don't know. I struggle with that all the time, try to figure out just what it is that -- oh, do we really have to be too, I guess too sensitive to that, I guess. I would lean maybe towards the other side, but still I'd rather have the ideal way. You know, going down a path, not antagonizing anybody, but still protecting Taiwan's interests and its values. I don't know, it's hard.

MS. RIGGER: Well, I can think of a couple that might satisfy you.

MR. WANG: Good.

MS. RIGGER: One is when we're thinking about trade policy to remember that Taiwan is actually one of our friends, along with many other countries that are also our friends. And to refrain from gratuitously punishing them on trade while at the same time actually exempting certain not-so-friendly entities from the same kinds of consequences.

So, for example, I don't know why Taiwan wasn't offered the opportunity, I guess, to get a waiver on steel tariffs. But it absolutely should have been. And I don't think it would be anti-China necessarily to do that.

And then the other thing that's perhaps even less controversial, would be for a U.S. official to speak very forcefully and clearly and unequivocally about the importance to the United States of democracy. Taiwan is once again, you know, warming up toward an election, we need to remind ourselves-- I think I am not, you know, as an American citizen, out in the hinterland reading the newspaper but not necessarily being in the middle of everything every day. I'm not sure where U.S. policy stands on the value of human rights in democracy and democracy promotion as a part of U.S. diplomacy. I'm not sure where U.S.

diplomacy stands itself.

So, you know, that's also something we could do is to remind ourselves, as well as Taiwan and the rest of the world, that we do actually still value democracy. And that as a democracy, Taiwan has a special hold on our friendship.

MR. BUSH: What I would like to see, and I don't need to know that it's happening, is that a very senior official in the United States, whether it's the president or the secretary of state or the secretary of defense, say to their counterpart in China, "We are not trying to change the status quo. Taiwan is not trying to change the status quo. You are trying to change the status quo. And that is hurting U.S.-China relations. It's hurting support in the United States for U.S.-China relations. It is not helping at all with advancing your goal vis-à-vis Taiwan. So please sort of reconsider the coercive and in-your-face things that you're doing. We'll be watching."

I don't need to know that this is happening. I'd just like it to happen.

MS. GLASER: Okay. Another question. Right back there.

QUESTION: Thank you. I came here for study international relations --

MS. GLASER: Would you identify yourself?

QUESTION: Yeah. Alfred from NYU IR Department. And I was also serving in Taiwanese military, one year, as a reserve military officer. To be honest, I have to say I'm highly concerned about our security situation right now even though I'm happy to see more and more military cooperation from last year from the U.S. government and U.S. Congress. But it's also risky because we are putting more our egg into the same basket and it's also risky because I told my question first because I want to know what kind of -- even though you've given us so many kind suggestions about how to help in Taiwan. But actually as a reserve military officer, I want to know what kind of role the United States will play in the foreseeable future under actual conflict with China situation.

Because let me elaborate. Because this is worrying and highly concern by a lot of people because we heard and saw something, some pieces of information and saw some signs that the U.S. is losing its advantage in East Asia, might not have enough resource and resolve to protect its allies in this region when facing a potential conflict with Mainland China in the future. For example, a report from RAND, Rand Corporation, last year, the Scorecard report. I guess so many people of you already read it. Which it says U.S. military forces is losing and will lose its relative advantage in East Asia within 10 years. And back to a closed-door speech, we heard a high ranking official from U.S. Navy. He say they won't send aircraft carrier group in Taiwan Strait again like what they did in 1996 because the situation has changed. So I want to know what's your evaluation on that. Thank you.

MR. BUSH: Let me say, first of all, while others are thinking, I think it is wholly justified for Taiwan to worry about its growing vulnerability to military attack. It is very important that the United States, in its own interests, worry about this scenario.

But I don't think that's the only danger that Taiwan and the United States must consider. I think the things that Bonnie was talking about, various forms of intimidation by China against Taiwan also deserve very serious considerations. The risks that China runs by carrying out intimidation are much less than they are for military attack. And the reward may be just as great. But it's a lot harder to figure out how both Taiwan and the United States can respond to that in a way that is effective and enduring. I think we both need to do a lot more work on that area.

MS. GLASER: So I would support what Richard has said, that the risks in peace time are really growing. That China is staying below the threshold that would actually provoke a military response from the United States, and taking actions where the tool box we have isn't really well suited to handle and respond effectively to some of the intimidation and dealing with the growing pressure on Taiwan's international participation and these kinds of things are really very challenging.

You know, the United States can try to talk to Taiwan's remaining allies, but at the end of the day they can make a decision to switch their diplomatic allegiance. And so, I really think that's where the challenges are.

That said, the military balance as its changing is important. The perception is particularly important. I mean the Chinese could miscalculate, they could think that the U.S. would not come to Taiwan's defense if we are sending the wrong signals. Or they could think that Taiwan won't fight to defend itself. And that's another area where Taiwan has to send the right signals. So we want Xi Jinping to wake up every day and say "Today is not the day that I'm going to attack Taiwan because I don't know what the United States or Taiwan is going to do."

The main concern for the United States is that we have to maintain military access and the ability to maneuver operationally within the region in order to provide defense, whether it's to Taiwan or Japan or any partner, if we choose to do that. And this is definitely a growing challenge. China is physically in the region, that's where it resides. And the United States only has so much military power that it's deployed in the region. So we actually have to flow forces not just from Japan but from Guam and from Hawaii. There's long been a sort of conventional wisdom that it would take the U.S. two weeks to get there. My guess is it would be longer, but I don't know. So Taiwan has to have the capability to defend itself for a significant period of time.

But one thing that I can tell you, that there's a lot of people who think very hard about those questions. These are not things that are being swept under the rug. And I think as Ryan mentioned earlier, the development of asymmetrical capabilities, spending more money on defense, spending that money wisely, that's all important. But that's something, you know, Taiwan has to pull its share as well.

MR. HASS: And if I could just add one thought. Alfred, I think embedded in your question is a very important point that's worth drawing out. Which is that what happens in the United States approach to Taiwan doesn't just affect Taiwan. It affects the perceptions of global standing, America's global standing, America's global resolve, and America's commitment to stand by its partners and friends.

And so I think you raise a very important point, and I think it's critical that the United States stand firmly with Taiwan, do as much as they can to strengthen Taiwan and improve its ability to attract the type of talent and resources that are needed to make Taiwan continue to be a thriving society in a tough neighborhood.

MS. GLASER: Okay. All right. Over here in the blue shirt. That's you.

QUESTION: Hello. My name is Greyson McSwain. I'm at Boston University studying International Relations. Ms. Glaser, you were talking earlier about how allies of Taiwan have been switching their diplomatic allegiance to China amid pressure from China. In the past month, Burkina Faso and the Dominican Republic have also switched their allegiance.

So my question to you is how can Taiwan maintain its engagement with the world while also combatting Chinese pressure to isolate the nation?

MS. GLASER: I've written several reports you can find on my website on things that Taiwan can do. Within organizations that Taiwan is a member, I mean there's a lot that Taiwan can do. And you look at the fishery organizations in the region, as an example. Taiwan is a member of APEC. There's a number of, as Bob Wang knows very well, different mechanisms within APEC, and Taiwan can try to expand its participation there.

The most difficult thing is UN affiliated organizations. Particularly those that require sovereignty for even membership or don't even have observer-ship within their charter. And one of the things that I did several years ago, and you can find one of my reports on line, where we looked at the charters of a large number of UN organizations. And there are some where Taiwan could actually qualify for observer ship and, you know, there are others that it just can't.

You know, like I think there is no such category for like UNF Triple C for example. So Taiwan participates through NGOs. But even that's becoming more challenging. I think that Tsai Ing-wen herself has the view that they should try their best to keep hold of and build relations with their remaining diplomatic allies. But that said, she also believes that Taiwan shouldn't be playing the game of dollar diplomacy. That ultimately if China is going to offer an enormous amount of money to a country -- and by the way, officials from these countries go back to Taiwan and say "Beijing is offering us this much, you know, can you offer us more?" And Taiwan's resources are going to be limited. And I would urge those countries to think about the quality of what they're being offered, not just the quantity. I mean Taiwan has been an enormously good partner for these countries.

But I do think that, you know, where possible, Taiwan should strengthen its relations with its partners to contribute to the international community that may not be within international organizations. And Ryan did a lot of this when he was at the NSC. And you mentioned working with them in Africa, fighting Ebola, there's a lot of opportunities. So there's a limit, but there's more that we can do.

Is there anything anybody else would like to add? No?

MR. HASS: I guess I would just add if the sole measure of Taiwan's international space is the number of diplomatic allies it has, it's playing Beijing's game and it's going to lose. If the measure is the dignity and respect that Taiwan enjoys on the international stage, it has ample ways that it can use its comparative advantages to earn and enjoy respect from others.

And I think that we've talked about several of those instances in which Taiwan has stepped forward in a very material way to change society's trajectories in Syria and Iraq, and the case of Ebola and others, Taiwan has made fundamental contributions that have changed for the better. And those are the types of areas where Taiwan can play its game. And it's very hard for Beijing to provide obstruction.

MS. GLASER: Okay. Sitting right there.

QUESTION: Thank you. Steve Winters, independent consultant.

Of course, Taiwan for some time now the government has come up with this concept of a unique Taiwanese development and identity, which distinguishes them from the Chinese on the Mainland, and clearly this is very important to them.

But at the same time, from the Mainland over the past several years, especially in the last couple of years, there's been a tremendous push to create an identity of overseas Chinese as some kind of unity outside of China. And the Taiwanese have seen this as an attempt to say "No, you're not Taiwanese, you're just part of the overseas Chinese international community and China/Beijing is trying to unify that

community," so forth and so on. In fact, create probably what you referred to earlier impetus in that community for reunification with the Mainland.

So this has gotten to the point now that the Chinese government is even refusing to recognize overseas passports or nationality that's been given to Chinese citizens, claiming that you can't just simply renounce your Chinese citizenship without going through complicated procedures.

So, for example, somebody coming from Canada might actually have to use the overseas Chinese ethnic identification card to travel to the Mainland as opposed to their Canadian passport.

So the point is, what can the U.S. do to push back against this obvious violation of international norms in terms of nationalities, passports, and transportation? Because that certainly would be a great help to Taiwan.

MR. WANG: Looking at me?

MS. GLASER: As we all look at each other.

MR. WANG: Well, you know, we confront this -- you're talking about really a broader issue, culturally and everything else. But we confront this issue in embassies and so on when we have Americans, of whatever ethnic group, we treat them as Americans, period, and nothing else beyond that. And so sometimes the Chinese will do certain things that I think would try to infringe on that. Although, sometimes it's the fault of the citizen himself or herself. When they go into China, for example, they might use two passports and do different things. And the Chinese will treat them then as Chinese. And we of course would go and protest that.

But our point is that we just treat anyone who's in America, who holds an American passport, as an American. Beyond that it's really very hard for us to really do more.

MS. GLASER: Okay. Question back there. Yes?

QUESTION: Thanks. Russell Hsiao with the Global of Taiwan Institute. Excellent and very thoughtful observation.

It struck me, however, that the bulk of our discussion, your discussion, has been on the challenges and constraints facing the Tsai administration. I wonder if we could focus a little bit on the opportunities. And specifically so in terms of Taiwan's New Southbound Policy. And this is a policy that's directed at 18 countries in South Asia, Southeast Asia, Australia, and New Zealand, and, you know, this is now a two-year assessment. So I wondered if you could, the panel, I know Bonnie has written an excellent report about this. But I welcome the other panelists' observation about this policy and where you see, perhaps, there are opportunities going forward between the United States in working with Taiwan, with other countries, in expanding this NSP. Thanks.

MS. GLASER: All right. Thank you for giving me the chance to plug my work.

I think that the New Southbound Policy has not received enough appreciation when it was first enunciated by President Tsai, and she has referred to it in virtually every speech that she has given. It really is, I think, her sort of top flagship policy, if you will, in her foreign policy. And many people, I think, were very dismissive of it. And said "Oh, this is sort of old wine in new bottles, this is the go south policy, Lee Teng-hui tried this, Chen Shui-bian tried that, but it really didn't work."

And I have found that Taiwan has done an enormous amount, and I certainly think there's more to be done, but there's now a budget behind the policy. There really is an effort to find synergy between the ethnic Southeast Asians, Indonesians, Filipinos, for example, Vietnamese that reside in Taiwan with their countries. Develop more people-to-people relationships. And it's not just about encouraging Taiwanese firms to switch investment from the Mainland to Southeast Asian and India, to some extent with the rising cost of doing business in China. And many opportunities in some of these New Southbound countries, that is occurring anyway. And that's mostly new investment. You don't really see companies necessarily pulling out of China. But just like new Japanese investment and American investment is going into a lot of these countries.

The challenge for Taiwan is that the competition is huge, right? I mean if you just look at Chinese investment in India in the telecommunications market would be just one example. I mean it's absolutely intense competition. So in some of these markets Taiwan is actually coming in a little late. But I see a real effort by John Deng, who's coordinating this policy, and I think there's a taskforce within the National Security Council that the president herself is involved.

And there have been some early harvest items, I think. And you can look in each one of these countries where you can see some concrete things that are being developed. There are scholarships that are being given to people from India who come to Taiwan, who go to school, then they work with a company, and then they might go back to India. And that strengthens that relationship.

But it's a lot of little pieces that I think add up. It's really hard to find sort of one big thing and say "What a huge accomplishment that is." And so that's why the report is long. But there's graphs and data. And I think that this is a policy that will grow with time if there is more energy and resources invested in it, just as I think Shelley was talking about earlier, and Bob, about how two years isn't a really long time, you know, in a presidency. And this is an example of something that it has to be sustained.

But I think that it's an important policy. Ryan made a very good point earlier about really nobody should be overly dependent on any single market. And Taiwan sells something like 40 percent of its exports to Mainland China as well as, I think, Hong Kong and Macau. And that's too much.

MR. WANG: Bonnie.

MS. GLASER: Yes.

MR. WANG: Could I just go back to that question earlier. I didn't know why everybody was looking at me. But I guess I'm obviously Chinese in that sense. I'm a little slow today. And so I answered in a different way.

But actually when I was in Beijing and working with the Chinese government and others, there are people who come to me and say "Hey, you really are Chinese, right? Because you look Chinese." And so this effort, and I've always said "I represent the U.S. and I act as an American with American values and American things." And I ignore it basically.

So it really is the responsibility of the overseas community, whoever, you know, Indian, Chinese American, whatever, to act responsibly in terms of their responsibilities, their, you know, values or whatever else, and not play that game. Although, it doesn't mean that I can't socialize and like the culture and do different things. But these two things are separate. So if it gets to the political things, you make sure that the lines are very clear.

So actually I didn't realize that question sort of in that sense was directed at me. I just suddenly

realize that after people started talking. "Oh, I'm Chinese American." I forgot, sorry.

MS. RIGGER: I think we can though relate these two questions actually. And I think we were looking at you because you're the U.S. official that deals with those passport holders given local treatment.

MR. WANG: That's how I responded to it. But go ahead.

MS. RIGGER: But I think one of the virtues of the New Southbound Policy in particular and more broadly the kind of mentality that Taiwan has developed in the last 10 years or so is precisely that it doesn't -- it's really just kind of left behind, this ethnonational version of Taiwanese identity and embraced what we would call in political science civic nationalism. The idea that what makes us Taiwanese, I don't know, are we Chinese, are we not Chinese, can we not ask that question? But could we talk about the fact that we live here in Taiwan, we're born and raised here, and we are citizens of a democratic nation, which is Taiwan, and that's what makes us a community of common destiny. So not our blood, but our shared commitment to values and to living together under a certain kind of institutional and ideological framework.

That one really challenges the ethnonational version of identity that the PRC definitely does try to impose upon people of Chinese background everywhere in the world. And it also works in reverse in that it allows Taiwan to absorb people who are not of Chinese background into Taiwanese society.

This was very controversial not so long ago, you know, the idea of foreign-born brides coming to Taiwan, especially the ones from the PRC people worried about. But they also didn't really know how to feel about women marrying in from Vietnam, Philippines, Thailand, you know. Can these people ever be citizens of Taiwan? I think that that debate has been settled with the answer yes. Yes, they can become part of our society and part of our community of common destiny.

And that in turn has enabled the New Southbound Policy to turn not only to temporary sojourning by students and others, but to the actual institutionalization of migration, of labor migration with better treatment and more legal protection than I think, than certainly I thought Taiwan was going to be able to manage by, you know, 2018.

MR. WANG: Shelley's a better answer than me.

MS. GLASER: At the end of the day it remains a question mark as to whether I think the longer strategic objective of the New Southbound Policy can be achieved. And that is really deepening Taiwan's integration in the region. And at what levels it will be able to do that. Will it just be people to people, will it be businesses? Will Taiwan be able to have more economic agreements? You know we talked about a BIA, you know. I think that the bilateral investment agreement they have with Vietnam goes back to the 1990s. This is in need of upgrading, you know.

China's pressuring some of these countries, right? To not upgrade these agreements. We had New Zealand and Singapore that were willing to sign free trade type agreements with Taiwan. So I think that is an objective in the out years. But there's a lot more, you know, there's work to be done. And then there's a question as to whether China's going to be a negative factor in that regard.

MR. HASS: I think you raise a really important point, Bonnie, and I would just add one thought, which is that Beijing's strategy, I think, at its core, is to tell the people of Taiwan, "If you want prosperity you have to come through us. If you want security you have to come to us. If you want international dignity and respect, we will give it to you but you have to come to us." And what the Southbound Policy does is it says "No, there are different ways for Taiwan to grow its economy."

And from the United States perspective I wish that we could do more, that we were doing more to support this strategy. Because it aligns with what the United States wants to see in the region, which is an integrated, diversified region that's densely connected and which no one country is able to dominate.

And so I hope going forward that we are able to find creative ways to lend support and tailwinds to the strategy that President Tsai has outlined.

MS. GLASER: Okay. We'll take one more question, this woman here.

QUESTION: Jiangxin Wei, a recent graduate from George Mason, and not affiliated with any organization.

And my question. I feel like our discussions today has been, you know, focused more on the political side of the new cross-Strait relations. So my questions are more about a promising, you know, side of the cross-Strait relations.

So do you see any promising aspects, you know, for any cross-Strait relations? If you were the advisor to either President Xi or President Tsai, what sort of advice would you have for them? Thank you.

MS. GLASER: I'm personally not very optimistic about cross-Strait relations in the near term. Because I see China's policy tightening up, as I suggested earlier. I think that Xi Jinping should have engaged early on with Tsai Ing-wen. There are other people in the DPP who could be president in Taiwan that maybe would be even more problematic from Beijing's perspective.

Tsai Ing-wen is really, in my view, doing what she is saying. She is preserving the status quo. She is not promoting independence. And so I think that if that relationship is going to improve, that Xi Jinping is just going to have to loosen up. And I don't think, honestly, that he's going to do that.

But there is, and I think there was potential and there's still is potential going forward to have quiet discussions between the two sides about what they could agree on. They could build a better relationship based on the ROC Constitution. This was something that I think was possible and might still be possible going forward.

In other words, you set the bar too high, you say she has to accept the 1992 Consensus. I just don't think that that's possible. But there are other things that they could agree on. Or they could engage what Richard has talked about so many times in a sort of mutual confidence-building process of incremental steps to build trust. Taking one step and then reciprocating that. That's something that I think President Tsai actually tried to engage in but didn't get much of a positive response from Beijing.

So I remain rather pessimistic in the short run. But I hope that in the longer run that the Chinese realize that winning the hearts and minds of the people of Taiwan can't be done through intimidation. And that ultimately China's interests really do lie in winning over the hearts and minds of the people of Taiwan.

Reminds me of this wonderful fable of the wind and the sun. If you've ever read Aesop's Fables. Of a man who's holding his coat. And he holds it tighter and tighter because the wind is blowing. But when the sun comes out he takes his coat off, right? So China's intimidation tactics are like the wind. And what they really do is they need to pursue more sunshine like policies if they want to get support from and just positive feelings from the people of Taiwan. They should set the bar lower, and both sides I think could take more positive steps. But it's a difficult period right now.

MR. BUSH: I agree with that, and I guess at this point it's sort of two years into President Tsai's

term, the event that might lead Beijing to take a different approach is if the people of Taiwan, through their voting in January 2020, basically say, "Tsai Ing-wen has won our hearts and minds and China hasn't." Then, you know, is China prepared to adjust to that reality?

MS. GLASER: So Richard has asked me to just make a couple of closing remarks. It's always difficult to summarize a very rich conversation like we've had today but I'm going to try and just say a couple of things.

When we talked about the domestic side, the economy and domestic politics my take away was that these are sort of a work in progress. That Tsai Ing-wen set out these very ambitious objectives, she's working on some issues that are highly controversial, we should only engage in our own pension reform. It's hard for democracies to do this. And two years isn't a long time.

On the economic front, there's a recognition, as you kept on saying, about understanding what the problems are but a need to offer more incentives, reduce regulations, open up, things like that. So two years isn't long enough, and we should give her more time and understand that the problems are difficult.

On the sort of external side that Ryan and I talked about, I would sum that up as saying that we would agree that we're building on a solid foundation in the U.S.-Taiwan relationship and yet there's room for growth. And we talked about a lot more things that could be done. I think we are, at least I am, I think most of us are rather pessimistic about the cross-Strait relationship. But as Richard and I talked about, there's even more dangers maybe in peace time and in this pressure campaign, or at least as many dangers, that often go and don't get as much attention as the risk of a military crises, which of course we should keep our eye on that ball as well.

And with that I want to thank you all for coming and thank our panelists. (Applause)

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