

**Panel II: Analyzing Cross-Strait Detente:  
Implications for Taiwan's Relations with the US and the International Community**

The Future of US-Taiwan Relations

May 19, 2009 -- Washington D.C

*Bruce Dickson:* Back to the afternoon session. My name is Bruce Dickson. I'm professor of political science international affairs here at GW. It's my pleasure to chair this session. The formal name of the session is Analyzing Cross Strait Détente Implications for Taiwan's Relations with the United States and International Community. Although the panelists suggested-- told-- me that they had no intention of sticking to that topic.

So let me make a quick introduction for the different panelists. I think all of whom are known and don't require much detailed information. Detailed information is available in the little handouts if you want to get more about them.

First of all, June Dreyer is professor of political science at the University of Miami. She's well known here at Washington on her commentary and research on Taiwan affairs and Chinese security. Author of a popular textbook on China and currently engaged in a study of formal policy between China and Japan.

Bruce Gilley is currently assistant professor of political science at Portland State University. Had, perhaps, the unique distinction of having three University Press books before getting his PhD. Has continued that lucrative or productive strain most relevant to today's session is he's the coeditor with Larry Diamond on a book. The exact title is Political Change in China Comparisons with Taiwan – looking at how the process unfolded in Taiwan and the implications of it and whether similar process is possible within China.

And lastly, Rupert Hammond-Chambers who is president of the U.S. Taiwan Business Council. He's been with the council now for almost 15 years at different capacities. Well known speaker throughout Washington on aspects having to do with economic trade relations between Taiwan and the United States and the region more generally.

Each of the speakers will have approximately 15 minutes to enlighten us and then we'll have ample time for questions and answers afterwards. You can either speak here or at the table as you see fit.

*June Dreyer:* Delighted to be here and I hope you aren't – haven't been made too sleepy by that excellent lunch. And anyway, I am the one who didn't dissent from the panel title, and so I'm going to actually talk about the implications for Taiwan's relations with the United States and the international community, and I am going to start by saying that there is a significant amount of disagreement on just what is the status of cross-strait relations and that unless the – there – we can come to some consensus as to what's going on, it is very difficult for the United States and the international community to develop a policy toward what's going on.

And on the one hand, I read these positively gushy newspaper articles. Ed Friedman, I think, mentioned earlier today correctly that what is actually going on isn't necessarily what appears in the press. And I was astounded to pick up a copy of the New York Times last week. It's the 13<sup>th</sup> if anybody is interested.

There's an article there headlined Exuberance in Taiwan as Ties with China Warm, and it showed a young woman at a Taiwan brokerage office. According to the caption, she was staring avidly at some security monitor giving securities information. She didn't look quite as eager as the caption said, but nonetheless, there it was.

And the article went on to explain that Taiwan stock index has just risen the most since 1991, and the currency had rallied after the government allowed Chinese investment for the first time since the civil war ended sixty years ago. So exuberant. That's the 13<sup>th</sup>.

On the 16<sup>th</sup>, we see two massive demonstrations, one in Kaohsiung and one in Taipei involving hundreds of thousands of people who are unhappy about what's going on in cross-strait relations.

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Now on the first point, the exuberance, hardly a day goes by that you don't see something that is positive. SAT, the Straits Exchange Foundation and the – its China counterpart, ARATS, Association for Relations Across the Taiwan Straits, they have – they're handling cross-strait relations. There are direct airline flights between Taiwan or some people prefer the ROC and the PRC. There are Chinese pandas in the Taiwan zoo. There are going – Chinese police, we hear, are going to set up offices in Taiwan to help deal with cross-strait crime.

Taiwan was given observer status in the World Health Organization, and the former ambassador equivalent to the United States, Steven Shun, said the next step is a peace pact. So all that sounds very good.

And on the other hand, you also have general anger at some of the actions of the Ma Ying-jeou administration which took office just exactly a year ago. There was this really I mentioned to protest the Ma government's plans to pass an assembly and parade law that is very restrictive. And since I'm going to try hard, Bruce, to keep to that 15 minute, I'm not going to tell you why it's been considered too restrictive, but we can do that later.

Petitions – we have petitions protesting this elective prosecution of officials of the former administration including leaks from the prosecutor's office and other perceived aberrations of the judicial process. Fairness in reporting – I was a signer for one of those – several of those petitions.

And there's a generalized feeling that sovereignty is being eroded. The opinion polls in Taiwan, which somebody is bound to bring up, are all over the place, and you can – whatever your firm conviction, you find a Taiwan opinion poll to back whatever you want to believe.

Now what about the United States government? It's reacted by saying positive things about the cross-strait rapprochement, and to be fair, United States policy has said from the very beginning that any solution to cross-strait problems must be a peaceful one. And certainly what goes on looks like peace is breaking out all over. And so that's what we always said we wanted.

And the United States has responded as most of us predicted it would by repeating the time honored mantra that we respect the three communiqué at the Taiwan Relations Act as if somehow the people who were saying this were unaware that the Taiwan Relations Act is not – contradicts the three communiqués and unaware that the 1982 communiqué – the State Department's own spokes – legal counsel said, three days later, it has no legal force whatsoever, and furthermore, it's been a dead letter at least since 1992 when Daddy George Bush agreed to sell the F16s, and arguably, it was a dead letter before then.

Okay. Now repeating mantras can actually be considered a reasonable strategy when there's so much uncertainty in the cross-strait relation because we can always say, as we've been saying for years no matter how much policy does change, our policy hasn't changed. We're for peaceful solution of this situation, and we respect the three communiqués and the Taiwan Relations Act.

And so these expressions of support continue when Barack Obama was campaigning for the presidency, he said he supported Ma's policies – mentioning, in particular, Ma's efforts to forge better relations with Beijing and get greater international space for Taiwan on basis that do not counterproductively raise the sensitive issue of sovereignty.

Now this shows Barack Obama, on the one hand, to be an intelligent guy. You always knew that, and it also shows him to be a politician because he's just said that he approves of doing something that can't be done. Okay?

Functionally, it is impossible to give Taiwan greater international space that does not raise the issue of sovereignty. I'm prepared to argue that one in a Q and A if anybody's interested. Secretary of

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State Hillary Clinton made a statement early on – the mantra – we inherited the one-China policy, and she adds since one of the most successful American foreign policies ever.

This makes me wonder about the status of those other foreign policies that are less successful since for the past 30 years, every time I see people list potential flash points across the globe, the Taiwan strait issue comes in number – somewhere between number one and number three, and when you consider the competition – that hardy perennial Israel Palestine and nuclear nonproliferation, that ain't bad, but it sure doesn't sound successful to me.

Alright. Now one of the thorniest questions the new United States administration is going to face is armed sales to Taiwan. This is another very sticky issue. The Taiwan Relations Act says only that the United States shall make arms available to Taiwan not that it has to force Taiwan to make the – to take the arms.

So what are we going to do if administrations – what happened throughout the Chen administration is, the Chen administration says, "We want X," and the United States says, "Okay." And then the legislative nuance is, "No, we're not going to let you." So partisan bickering, and this drove officials in the United States bananas.

I was a member of the U.S. China Commission. You heard our chair, Carolyn Bartholomew, this morning, and we had a lot of arguments therein. And somebody would say – I'm cleaning up the language slightly here for the audience but, "What the dickens do these people think? They want my son to fight for Taiwan, and they're not willing to buy arms to defend themselves?" This was a very difficult issue here.

Okay. Now, what arms are going to satisfy Taiwan's need to protect itself – especially given the fact that there doesn't seem to be a consensus in Taiwan on what weapons are needed and what numbers. Carolyn mentioned very astutely that people who are about to get jobs become very quiet about what they really think, and in this case, we have Dennis Blair who has been appointed Head of the National Intelligence Counsel.

And he says, Taiwan should not be so defenseless that it feels it has to do everything that China says, and China cannot be so overwhelming that it can bully Taiwan. Now this is a matter, I suppose, of calibration, but how do you calibrate when one side can't seem to decide what it wants and the other side is going to express anger about whatever it gets sold?

So this is one of those dilemmas that is going to be really, really hard to resolve. And now, it may sound as if there's consensus in the Obama administration on the broad outlines in policy. The devil is always in the details, and you can see misgivings within the American bureaucracy on this matter.

There was an interesting article in the Strait's Times which is Singapore's leading English language newspaper and arguably Singapore's leading newspaper. Last week, those of you who read the paper know it takes a normally – how do I put this diplomatically? A very friendly attitude towards the People's Republic of China. Okay?

The reporter had an interview with the PacCom commander, Timothy Keating. The reporter, since he does work for the Strait's Times said, "I repeatedly pointed out to Keating that China had said that its goals in naval expansion were strictly defensive." And the admiral replied –the reporter says the admiral barked – the admiral barked, "Prove it. We can see their ships. We can see their army. We can see their airplanes. We've got the transparency part pretty well, but it's a statement of intention we want. Why are they doing what they're doing? What do they intend to do with these arms?"

So a very different thing from repetition of the mantra and talking about, "Well, we've got to get the arms sales right somehow." The chairman of the Joints Chiefs of Staff, Admiral Michael Mullen, last

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week again, told a Navy League – no, it was a couple of weeks ago, Navy League conference – it was early May – that China's military buildup appears aimed at the United States.

This is just about the same time that two Chinese vessels – and the phrase that's always used – came dangerously close to the US Victorious which is a submarine hunting ship conducting routine operations in international waters in the Yellow Sea. And in March, there was a similar incident involving five Chinese ships and the USS Impeccable about 120 kilometers off Hainan Island.

The latest issue – the May issue of the Institute of Naval Proceedings contains an article entitled A Chinese Anti-ship Ballistic Missile Could Alter the Rules in the Pacific and Place US Navy Carrier Strike Groups in Jeopardy. There are also fears about Chinese hacking into U.S. websites, military websites, the electricity grid and other sensitive sites.

Now this is an international reaction to Taiwan. I remember that part of the title, and the United States is not the only power that's concerned. Australia announced in April that it's going to spend over \$100 billion over the next 20 years to boost its naval and air war fighting capacity. They're doubling the submarine fleet. They will be 100 new joint strike force fighters and new spy planes and new surface warships.

And according to an article in one of Australia's leading newspapers, the Australian, the rise of China will shape Australia's defense planning for a generation. In other words, this – a very expensive buildup -- is not directed against Papua and New Guinea or Indonesia.

Okay. Now India is also increasing the size of its defense budget, and it's casting around for allies. It is buying new equipment, and then there's Japan. Somebody made the statement this morning that Japan has just disappeared. It's given up. I could not disagree more. Japan is on the defensive. It hasn't given up. The Japanese don't give up that easily.

Tokyo is particularly concerned because it has territorial disputes with China. If Taiwan were to be absorbed into the People's Republic of China, that would mean that its territorial waters – that is China's territorial waters was already overlapped with those of Japan and involved some oil and gas rich areas would become still more contentious.

And the same could be expected, obviously, for the United States. American ships are already being harassed in international waters by Chinese ships, and you then add Taiwan absorbed into the PRC. You extend the range on which those American ships can be harassed.

Now I don't really expect any more of, from the U.S. administration, than repetition of the same mantra. Henry Nau talked very eloquently about partisanship. What is interesting is how, even though it sounds rhetoric on China, sounds very partisan before an election, after the election, things change completely. I am near the end.

The Clinton, you remember famously, accused George Bush the First of coddling dictators from Beijing to Bagdad, and it took him about five months before he started coddling Beijing as well. I have a terrific cartoon on that. Didn't bring it with me. I'll tell you about it later.

Okay. Now this administration has a lot of other things on its mind – the financial crisis, nuclear proliferation in North Korea and Iran and perhaps elsewhere that they haven't told us about yet. There's Iraq. There's Afghanistan. There's the Israel Palestine and lots of domestic problems like Social Security and Medicare possibly going broke sooner than we thought they were going broke, and the older I get, the scarier that becomes.

Now also, I would say what happens to Taiwan is also of huge concern not only for the United States but for very important American allies like Japan, like India and like Australia. And if I have an observation from my studies of past history and political science and even from my own life, I would

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say this, it's always the problem you don't think about that seems to cause the most trouble, and let's just hope that the current inattention to what's going on in the Taiwan strait isn't going to be the Achilles' heel of Pax Americana. Thank you for your attention.

*Bruce Gilley:* Well, thank you for coming and thank you for having me here, and I guess I was put on the afternoon program because the hope that I might stir up some passion. So here it goes.

A recent Congressional research service report asks – quote – what U.S. policies should be if Taiwan should continue to move closer to or even align with the PRC? Recent developments in China Taiwan relations are confronting the United States with an unprecedented challenge. One that reveals, in my mind, the deep ambiguity in the 30 year relationship between Taiwan and the United States since ties were ended with Taiwan in favor of China.

Since the early 2000s – and then, I think, accelerating under the Ma Ying-jeou presidency in Taiwan, Taiwan and China have moved into a closer economic and political embrace even. The reasons for this are complex, but at root, concern the fundamental interests that Taiwan has in having closer relations with China and the fundamental interest that China has in asserting its sphere of influence over Taiwan.

The consequences of this are what I'm going to describe as the looming Finlandization of Taiwan, and I'm going to argue that that's not a bad thing, and the United States should embrace this potential change. By Finlandization I mean Taiwan's acceptance of Chinese strategic interests in preventing the drift of the island away from Chinese sovereignty in return for economic integration with China and Beijing's acceptance of Taiwanese autonomy in a limited voice in international foray.

The questions raised by this trend are multiple. Why is it happening? How does it affect U.S. interests, and how should the U.S. respond? And I'll argue here that the comparison to Finland is quite an instructive one, and in many ways, forces us to reconsider Finlandization normally understood as a bad thing – to think of it instead as potentially a good thing that would be in the long term interests in the United States which, in the end, is a peaceful rise of China in Asia.

Taiwan China relations have gone through long periods of warmth and cooling. Cooling, obviously, we think of the Mao-Cheng period. A warmth that began really in 1979 with the end of shelling of offshore islands and **Ye jeng-ling's** 1981 statement to Taiwan compatriots.

In 1995 to 2005 period, I think emerges as a second period of tension in the Taiwan Strait that forced both sides to rethink the nature of their relationship. From Beijing's perspective, the damage wrought by the tense relationship between 1995 and 2005 led to a rethink. I think this began under Jeng's admin, but it was mainly taken up by Hu Jintao.

The grand strategy was essentially attempts to unify Taiwan were not worth it and that the island's de facto independence should be accepted. China's peaceful rise was at stake as Asian nations band-wagoned around the U.S. Public opinion in Taiwan had become stridently anti-China. And so in a series of initiatives that I think really begin – perhaps you could date it with Hu's four point speech in 2005 – but a series of contacts that began across the strait prior to the 2008 election in Taiwan. Beijing reconceptualized the Taiwan issue. It went from being a national emergency, an issue of urgency, a question of eliminating a potential national security threat to an issue of a management, a headache, an issue that was not urgent, one that could be dealt with through engagement rather than through threat.

And so what we've seen, in my mind, in the last several months in the Taiwan China relationship is really an acceleration of a trend that began well before 2008, Ma Ying-jeou, is in many ways, at the right time and the right place. And what's interesting, in terms of thinking of Finlandization – in other words – the political aspect of Taiwan's closer relationship with China – is that the developments in

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recent months have gone beyond simply economic interchanges. Although, let's not forget, that the impediments to economic relations across the strait were always themselves political.

So to remove economic barriers – in particular, on Chinese investment – the tourism in Taiwan has serious political overtones in terms of an improved political relationship. But there are the most explicit political aims – not just the World Health Assembly invitation but also, going back, if you look at how China has dealt with Taiwan and WTO, it has very quietly stepped aside and allowed Taiwan to take on leadership roles within the WTO most recently as the head of the recently acceded members groups within that body.

Again, sort of emphasizing that China's change of policy on Taiwan predates 2008, and I hear – I'm not sure if this happened, but the DPP mayor of Kaohsiung was going to go to Beijing and Shanghai this week. And to me, that signals a real normalization that goes beyond economic and financial relations to include political relations.

Understanding China's second *détente* phase, as I'm going to call this, is critical to knowing how the U.S. should respond. In essence, there's always two broad ways to interpret Chinese foreign policy on Taiwan. One is that it's a result of nationalist ideology. Here, Taiwan represents a barrier to Chinese greatness, a humiliation inflicted on a rising nation by foreign powers and unless CCP seeks to reunite the island with China, the CCP, itself, will face a legitimacy crisis.

If so, then the second *détente* is merely a tactical shift intended to force Taiwan into reunification through indirect means. This is the carrot instead of the stick, but the nationalist underpinnings of this policy are clear. The alternative view is the Chinese foreign policy sees Taiwan as a means rather than an end – that this is really an issue of geostrategic thinking on the China side.

On this view, which I think has been articulated best by Alan Wachman in his book, *Why Taiwan?* China cares about Taiwan because of its geographic location. It represents a potential strategic threat to China because of the way it can be used to cut off sea lanes to constrain China's power projection.

From this standpoint, the second *détente* is a tactical shift intended to achieve China's strategic objective of reducing the strategic threat represented by Taiwan through Finlandization. The interest here is about sphere of influence on China's rising role in Asia not the takeover of Taiwan per se.

China has no interest in occupying or even in any way ruling Taiwan. What it does have an interest in is expanding its influence in Asia and becoming a dominant power in that region. So from this perspective, Taiwan needs to be understood as a means and not an end to Chinese foreign policy.

And I find that latter argument to be much more convincing. If you look at the domestic sources of Chinese foreign policy on Taiwan, there's actually not a lot of evidence of strong nationalist sentiments driving that policy. A recent survey by the Horizon Research Institute in Beijing found that only 15 percent of those surveyed believed that military action was necessary to deal with Taiwan, and 58 percent believed that military action should actually be ruled out and that economic and other forms of social integration are a better approach.

So I don't see it nationalist imperative driving China's policy on Taiwan. I do see a geostrategic imperative driving that policy, and I think that that's a similar logic that has informed Taiwan's own shift towards China. **Wong Jeng Wei** says this, "Beijing views the Taiwan issue and cross strait relations as an integral part of China's comprehensive rise in world affairs rather than as an isolated issue purely affecting national pride alone. It is endeavored to make the Taiwan issue an asset rather than a liability during China's emergence as a world power.

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So from a Taiwan perspective, the move to closer integration with China reflects a view that Taiwan's interest lie not in challenging China's claims to the island but in realizing the benefits to be had from closer economic and even political integration. Long after the U.S. has gone home from Asia, let us not forget, Taiwan will still wake up and find itself living next door to China. China will still be a day's boat excursion from Shanghai, and so Taiwan has no interests in preserving the island as a geostrategic threat to a rising China.

This, I think, is where we see the fundamental divergence of U.S. and Taiwan's interests. For many years, U.S and Taiwan had a parallel strategic interest in protecting Taiwan from Chinese attacks. Now that China itself has rethought the Taiwan issue, that divergence is starting to become more clear.

There is obviously a justified concern in Taiwan about being lured into a trap of integration with China, but I think we should distinguish between oppositional politics and oppositional views. Most controversies in Taiwan, as far as I can understand them concern how the Ma Ying-jeou presidency should pursue closer relations with China less so on whether that should be the aim of current policy.

So where does this leave the U.S.? U.S. core interests in Taiwan are not the core interest of Taiwan's people anymore than U.S. core interests in Egypt and Saudi Arabia represent the core interests of those peoples. The U.S. is, for the first time, finding that its commitment to Taiwan and its democracy, which served a very valuable role in Taiwan's democratization period, is diverging from what the Taiwanese themselves want and seek in their relationship with China.

Taiwan has always played a strategic role for the U.S. First, as a bulwark against a communist expansion. More recently, as bulwark against an expanding China. Congressman Royce, if you listen to his words this morning, talked about Taiwan as having a strategic position in East Asian shipping lanes and talked about the relationship with Taiwan as being important in order to deter China from being on the wrong course.

For the most part, Taiwan's own anticommunist position has led to an alignment with these initiatives, but the evolution of tactical and strategic thinking in both Beijing and Taipei, which I've earlier described, is leading to a change, a divergence of Taiwan and U.S. interests.

As a result, I think the U.S. should expect and indeed embrace potential looming changes in its relationship with Taiwan. Firstly, it needs to rethink the role that Taiwan plays in U.S. grand strategy in Asia. If, as is reasonable to assume, Taiwan's role must still be how it helps to secure the containment or peaceful rise of China, then this implies significant change in tactic given the new cross straight détente.

The Congressional Research Service Report warns that the Ma government could reach a swift accommodation with Beijing that may complicate U.S. regional interests. In order to see beyond that sort of zero sum view of the Beijing Taipei détente, Washington should understand the liberal logic behind Taiwan's embrace of China.

In a sense, Washington and the United States needs to be willing to lose China for a second time. In this case, the island of Formosa, must be allowed to walk into the PRC sphere of influence. In part, this is making a virtue of necessity. Taiwan is already walking in that direction, and attempts to bring it back would likely backfire.

However, I think there is a tactical reason that does actually correspond to U.S. interests to allow this – to allow this Finlandization of Taiwan if that is the direction that Taiwan goes. Namely, that if Taiwan, which finds itself in a closer political and economic relationship with China, will be a positive, transformative influence in China's domestic politics.

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The U.S. needs to maintain its general strategy of not interfering in the cross strait relationship. In the past, that meant not issuing visas, not selling critical arms systems. Today, this means not interfering in the drift of Taiwan into Beijing's embrace. It should simply stand down into a passive position dedicated to the status quo as defined by the two sides.

The tragic dimension of the security dilemma that has always bedeviled U.S. China relations is that in seeking to contain a rising China, the United States has played into the very geostrategic fears of encirclement that have, in turn, prompted Beijing to rearm and expand its military capabilities.

Taiwan is making an historic departure. It is seeking to break the tragic dimension of the security dilemma with its own potential self-Finlandization strategy, taking itself out of the game, breaking the security dilemma that haunts the Washington Beijing relationship.

And let's not forget that Finlandization might have ended the cold war. Finlandization brought about the Helsinki process. The Helsinki process, according to Cold War historians such as John Lewis Gaddis, reasserted the importance of moral values and shared universal commitments to human rights that eventually undermined the moral authority of the communist party of the Soviet Union and led to the dramatic transformation of Europe.

So this current integration is a test of liberal approaches to international relations, is a rejection of militarized approaches to international relations. And if it's true that the Taiwan China issue continually has ranked among the world's greatest hot spots as a result of the last ten years of the militarized approach to this dispute, perhaps it suggests an alternative approach has little to lose.

There are some practical upshots of this for U.S. policy. Military relationships between the U.S. and Taiwan will need to be thought of much more carefully. There's a reasonable and understandable concern within the Pentagon that a closer Taiwan China relationship could lead to the loss of sensitive technologies, intelligence and information.

The U.S. should also expect that the Asian's only regional security forms that are developing will take the lead in defining future security architecture for the region once Taiwan is removed as the lynchpin of U.S. security strategy in the region. But the upside of all this, as I have said, is that Taiwan's embrace of China contains within it the potential of great liberalization in China itself.

Already many prominent Chinese liberals such as **Jian Bul Shu** of the Chinese Academy of Social Sciences or even **Shun Li Jun** of the National University of Singapore argue for the importance of learning from Taiwan for the purposes of political development in China. Taiwan is, in their minds, an asset for the political modernization of China. It's a comparative experience that holds great promise.

Ma Ying-jeou has unlocked that potential. It is this thinking and this role for Taiwan that holds out the best promise for civilizing and redirecting China's regional ambitions. Having allowed itself to be removed as an obstacle to this ambitions, Taiwan will find itself on the inside of the dragon – a Trojan horse so to speak.

A robust Taiwan democracy, that has become a regular political participant in the politics of China, will help to be a powerful impetus for emulation in China far more than the nativist and demagogic Taiwan under Chen Shiu-bien being ever was much less the militarized Cold War Taiwan under Chiang Kai-shek.

The United States, it should be noted, has played an exemplary and heroic role in maintaining cross strait peace and protecting the growing foundations of Taiwan democracy since 1949. Today, the historical burden of the U.S. is in the process of nearing its end. Both sides of the strait are moving into a longer term relationship of economic and potentially political integration that will be of greater benefit to Taiwan and that will eventually be of greater benefit to the United States itself.

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The U.S. should understand and embrace this historic change. Thank you.

*Rupert Hammond-*

*Chambers:* Thank you very much. I wish to thank GW and the Formosa Foundation, and I see Terri Giles back there. Hello, Terri. Thank you for all of your leadership.

Well, I'm going to stick a little bit to the title and then wander off in a couple of different directions and maybe come back to it at the end if that's okay with everyone. I think I'm going to end up perhaps disagreeing a wee bit with Bruce at the end of this on his direction.

I'm not really going to talk about sales. I'm sorry. I'll just apologize for that right now. I like to talk about economics. Sometimes I like to talk about sales but not today. And I've also mixed some polls in there too, and they do support what I'm saying. So I hope that's okay with you too.

I want to talk a little bit about Ma government policy and how it's challenging an Obama team that's still coming together. [Kurt] Campbell isn't even at state yet still, and he's the – clearly a key guy in the interagency process that will drive U.S. policy towards Taiwan. So until he gets into place, it's difficult for us to get a read on the direction that Mr. Obama will take our country's relationship with Taiwan.

But President Ma is certainly taking his country in the direction, and that direction is markedly towards improved relations with China. We're reading about it often – everyday. Economics underpins a significant part of what he's doing at the moment for a number of different reasons, but I think, basically and simply, because it's a good place to start.

It's reasonably uncontroversial. The peoples on the two sides of the Taiwan Strait want to improve their quality of life, want to improve economic opportunity, and they can speed or expedite that process by working more closely together. So improved economic relations is a good platform for reducing tension and raising the quality of life of Taiwanese and Chinese citizens.

Taiwan has had it pretty rough over the past 12 months – as rough as any economy in the world candidly. In December and January, exports halved and given that, 70 percent of Taiwan is industrial production, it's had a dramatic impact on Taiwan's economy.

The Ma government, in my view, has somewhat struggled in its response. Its initiatives have ranged from spending vouchers -- we tried it last year with tax cuts. It just adds a lot of money to our debt and doesn't really have that much of an impact to increase consumer consumption -- to reducing taxes in personal and business investment areas and then he's – Taiwan's also got a significant infrastructure spending package that the Legislative Yuan is mostly sitting on at the moment, and that's not moving particularly quickly.

None of these domestic actions have, are having, much of an impact. Taiwan is principally reliant on to external dynamics which are mostly out of its control. The first is the China market for raising economic activity. The Chinese, actually, have done a pretty good job with their stimulus package.

I don't know if any of you have cause to read about it, but the one thing China does when they want to do something, they get on with it. And the Chinese stimulus package has focused a considerable amount of money on infrastructure investment. It's funny because a couple of years ago when we were talking about how that was overheating the Chinese economy, now we see it as virtuous.

And Taiwan's businesses that are invested in China – and that's many of them – are very well positioned to take advantage of this economic expansion and this flow of money. Construction, IT

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are two areas that Taiwan businesses are doing well in. Taiwan companies have such a broad and deep exposure to China's economy that any activity will have an impact, and it is.

As China's overall economy expands and possibly accelerates in the coming year or two, so Taiwan will see a lift in its own economic fortunes – marginal lift but a life nevertheless. And as I will talk about in a little bit more detail later on, the challenge for Taiwan, in this area, is to continue to unwind the barriers that make or have made much of the investment by Taiwan businesses illegal. We're going to talk about ECFA, the Economic Corporation Framework Agreement, again in a little while, and that's where that largely fits in.

The net result over the past 15 years has been an increasingly complex set of financial frameworks that set up Taiwan's businesses in places such as Hong Kong to keep money they need to invest in China and profits that they earn offshore. It's terrific, in my view, to see President Ma's government work so diligently on winding these restrictions. I personally do think that the endeavor that he's taken in this area is a positive development.

Unwinding restrictions, and it's surely having an impact on Taiwan equities which have risen over 40 percent this year. But the best – ultimately the best and quickest way to lift Taiwan's economy would be to create an amnesty for Taiwan companies to fully declare their China operations and create incentives to rationalize their operations and repatriate their offshore funds.

When I was in Taiwan in February, I got to see [Mac Chai Li](#), and we got into this a wee bit. Regrettably, Taiwan doesn't really have a plan to an amnesty plan, and the analysts that the counsel gets to interact with -- and I get to talk with regularly who are based out in the region -- there really is consensus that an amnesty program for Taiwan businesses, at this juncture, would have a significant impact on capital flows back into Taiwan. And we're talking hundreds of billions of dollars, really significant sums of money.

Such an effort might bring back as much as \$250 billion into Taiwan. In the longer term, for Taiwan -- and this is a sort of second issue -- Taiwan needs a global economic rebound. There's just no way of getting around it. Taiwan exports approximately 70 percent of its economic activity. China is its largest export market now, yes, but even there, over 40 percent of what Taiwan exports to China is packaged, assembled and re-exported to the G3 economies alone – the EU, U.S. and Japan.

The point is simply that Taiwan is ultimately reliant on the global economy rebounding, and until that starts to take place, it will continue to under-perform economically. I'm going to keep talking about economics. Why is this relevant? Because, as I mentioned, a considerable amount of domestic pressure on Ma is a function of the economic recession, and his engagement with China is pretty much the only substantial area in which he can show practice initiative to the Taiwan people that he is attempting to address some of the fundamental issues challenging Taiwan's economic health and wellbeing.

GDP plunged eight percent in the fourth quarter last year. What does that mean? GDP is the broadest measure of economic activity and has a strong, long term relationship in the profitability of Taiwan businesses. Consensus analysts expect Taiwan's economy to contract this year six, seven percent, maybe as high as ten percent.

Ma actually gave a pretty extensive press conference. I don't know if any of you had an opportunity to read some of the transcript. Today he gave that. Basically on the first year anniversary of his taking control he pointed to the second half of this year as the time in which Taiwan will rebound. That fits neatly with our own president's assessment and indeed many of our economic officials and non-government analysts who view some sort of rebound, probably pretty soft, at the end of the year.

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Trade fell off a cliff at the end of last year, unprecedented for Taiwan. You were talking about export drops in the region of 50 percent in November-December-January timeframe. Simply that means, before then ten widgets a month, after that, five widgets a month. I mean that's catastrophic. I mean there's really no other way to characterize it.

We've seen a rebound. That's encouraging. Is it a more substantial rebound globally? We're seeing this not just with Taiwan but generally within the supply chain. Is it a more substantial rebound that reflects the global economic activity rebounding in a sustainable manner? Or is a somber leave simply a refilling of inventories after an overreaction over the Christmas period to the credit crisis of the autumn?

I don't think there's an answer to that yet. I think the best we can do is cross our fingers and hope that it's the former, but trade should pick up through the rest of the year for Taiwan, and Ma will then be able to point, I think, to some degree, on improved economic relations with China and some of the areas after China in \_\_\_\_\_.

40 percent increase in asset prices this year, that increase puts Taiwan's market basically at the forefront of all markets around the world that have experienced mostly distress other than the last six to eight weeks where we've seen equities rise somewhat. Most analysts are pointing to the fact that Ma's engagement with China has a great deal to do with that and further cross-strait liberalization should focus global institutional money on opportunities for a more integrated relationship.

Alright. Let's talk ECFA for a second. A quasi free trade agreement with China is a good idea for a number of reasons, but as I'll touch on afterwards, I'm becoming increasingly concerned about the direction the Ma government is going, and I'll explain why in a minute. The impact of regional agreements on Taiwan's competitiveness in China is real. ASEAN plus one and ASEAN plus three will start to have an impact on Taiwan's competitiveness in the mainland market.

Indeed this issue caught fire after Taiwan's petrochemical industry earlier this year brought the implications of ASEAN producers moving to zero tariff in China at the end of this year to the attention of the Ministry of Economic Affairs. It was that dynamic that actually sprang the issue into the Taiwan mainstream and forced the Ma government to take a more public position on what its intention was for a free trade agreement with China.

Taiwan's companies need to be able to play on a level playing field, and the ECFA should play that role. What we expect of the counsel is at the SEF-ARATS meeting in Taiwan November or December this year, that a framework will be agreed upon, and then the 18 to 24 months following that, they will prioritize those industries that are directly impacted by the royal ASEAN plus one and ASEAN plus three. But basically, over that 18 to 24 month period, we'll see the actual negotiation and the meat and potatoes of this deal.

It's the right framework to build neutral trust incorporation across the Strait. After a challenging prior eight years of Chen Shui-bian rule, belligerent Beijing and a Bush administration that became angry at Taiwan and, even with the change to Ma, remained angry. And that, regrettably, was the way President Bush left office.

The numerous economic initiatives undertaken over the past 12 months have reframed Taiwan-China relations both in the matter in which it's perceived as well as materially. And perception is important. The number of tourists is steadily increasing. We're over 3,000 a day. The target for this year, I understand, is about 600,000, and global markets – the global government's markets and key regional sectors -- are all responding favorably to this change in the prevailing wind. That's the picture right now.

It'll have a positive impact on Taiwan's attractiveness as an investment location. A reduction in

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tensions coupled with a removal of barriers will better integrate Taiwan into Asia's most important growth market. This, in turn, allows Taiwan to play to its strengths when highlighting why investing in Taiwan makes more sense than China. IT, quality of life, to name two issues.

And of course, as I touched on, the repatriation of capital. So persuading the Hung Chi's of the world, Acer, as some of you may know it by, to base their operations in Taiwan, do their R and D in Taiwan, to integrate their China and Taiwan operations in a manner in which Taiwan can regulate and tax those businesses.

Finally, these business repatriate, as I mentioned, significant sums of money that they hold offshore. It's good for America. It reduces tensions. On the face of it, that's a deliverable right there. The reduction in cross-strait cost will positively impact the supply chain. Those are cost savings that will be passed onto us as consumers at some point. And of course, the reduction in military tension although I – again, I'm not persuaded that that's – on the face of it, I see the reduction in tension as a function of economic and political dialogue. But from a military standpoint, the Chinese are going great guns on military modernization. There's been no reduction. There's been no attempt to reduce. None of that. They continue to invest as quickly as they possible can, enforce modernization, and a Taiwan contingency remains a particular priority for the PLA.

So that runs, in my view, contrary to the notion that everything is heading off in a hunky-dory direction. The U.S. has a profound interest in signing an FTA with Taiwan, and I'll touch that in a minute. I know I've just got a couple of minutes. Right? Yeah.

So is it all gravy? Are we just moving in a direction where it's all just going to be fantastic? I don't believe that's the case for a minute. I believe that President Ma's policy course, while in the short term, is apparently positive, could, in the long term, raise domestic and regional tensions considerably.

First, I'm not convinced that the Ma government has a U.S. policy. I don't see it, and I don't – in my experience, I don't see how Taiwan government can have a China policy but not a U.S. policy. And here, this notion of a Finlandization, what I see in Taiwan – what I saw in Taiwan in 2008 was the end of eight very difficult years for Taiwan with a president that left and whose fortunes have fallen even further – who left office and left its citizenry with a view that they had to make a dramatic change, and even then, 42 percent of the electorate vote agreeing. 42 percent of the people still said, "We're with you. We're with the things that you felt were important."

When I look at Ma's engagement with China, I believe that he's making the right case about closer ties with China and what they can deliver – that it will break Taiwan out of its isolation, that he has returned Taiwan to a sustainable partner with China that underpins Taiwan's sovereignty – which I think is debatable and opens the door to new opportunities which I think is possible.

In the middle of April the MAC in Taiwan released some interesting poll data, and I'd like to throw out a couple of data points. The first was that Taiwan support for the status quo stood at 91 percent – the status quo – de facto independence. There is close to zero appetite in Taiwan for unification with mainland China and Taiwan.

However, Taiwan support for ECFA, in the same poll, stood at 71 percent, an impressive number even if, realistically, it's probably a wee bit less. I do believe that the people of Taiwan support improved relations with China, and that superior access to their market with increased flexibility on issues such as WHA plays well domestically. But the same set of poll data noted that over 60 percent of those who support an ECFA condition that support on Taiwan signing other FTAs with global trading partners. They see it as a means to a global end, not a China end, and that's where the money ball is.

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My read of the past 12 months has Taiwan citizens supported only if these leads to greater global participation in organizations like WHA with other FTA partners such as United States. If President Ma is unable to deliver on a broader stage, then support for his China's policies will quickly erode, dramatically increasing domestic tensions.

Such an increase in domestic tensions will reduce Ma's ability to engage China and negotiate with China, which will, in turn, reduce Chinese willingness to make concessions. This week's demonstrations, whether 600,000 or some lesser number, were still a strong showing of the degree of angst a large majority of Taiwanese reflexively feel about closer China ties. You can throw in the 20 percent of swing voters who aren't so reflexively dogmatic but represent the best example of supporters of the status quo, voters who shied away from the DPP's confrontational policies in '08 could easily shy away from Ma if he moves too close to Beijing.

President Ma needs to articulate clearly what his goals are for his relationship with America and then match those public statements with the private outreach he and his colleagues conduct with Obama's team. This is what we will quietly hear as time progresses over the next few months and year.

It is one thing for President Ma in a CSIS event to say, "We want an FTA. We want F16s." It is another thing for him to have that message delivered privately by those who represent him in the engagement that they have – the unofficial engagement or the public engagement that they have. All the different mechanisms that we have for communicating with Taiwan and I am, at this moment, suggesting to you there's a possibility there's a disconnect between the rhetoric of the president and what is being discussed privately.

In my view, it should include a board effort to persuade President Obama to launch FTA negotiations with Taiwan. I think that's essential both for the interests of the United States as well as from the interests of Taiwan and for the relaunch initiatives such as cabinet level visits to improve communication.

Finally, President Ma's policies vis-à-vis China have created an opening he can walk his country through if he chooses, but it'll take leadership and courage on his part. He needs to champion these matters publically and often while pressing his colleagues to do so in their private engagements with the U.S. Thank you.

*Audience:* I'm Mike Fonte. I work as the Washington liaison for the DPP, Bruce, if you don't mind, I'm going to go after you a little bit.

I think the one poll that was quoted that stands the test of everything is the one about the election. Yes, President Ma won 58 percent of the vote, but as Rupert pointed out, 42 percent of the vote also went to the DPP.

I think the question is what was the question that was asked in that poll? That is the election poll. Was it Finlandization or was it an economic relationship – a better economic relationship? I would pause at that. I think a large chunk of that 58 percent were voting for a better economic relationship with China which President Ma posited as the way forward out of Taiwan's economic difficulties.

And I think the question that many of the people that I work with in the DPP are concerned about is whether Ma has taken that vote and turned it from an economic question into a political question and gone, as you say, towards a self-Finlandization.

I think Ma is going in the direction. I don't think it's safe to say that Taiwan, as a whole, wants to go that direction. I think that's what the DPP demonstration of this past weekend was pointing towards. That the political implications of what Ma is trying to do concern a large number of people in Taiwan,

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and I think the other poll – there are many polls, but almost every poll shows that a vast majority of the Taiwanese people want the status quo that they have now. That they don't want to be another Hong Kong.

They look at the Tibetan example of nice relationships and signed agreements with PRC leadership and see what it resulted in. They look at the Hong Kong example and don't see, in either of those examples, a happy model for the future of Taiwan in a political way.

So I want to state that case and say that I don't think that calling Chen Shui-bian a nativist demagogue really helps to advance the question of what do at least 40 percent of the people of Taiwan want, and is Ma willing, at this point, to work in a democratic way to win those people over?

*Bruce Gilley:* I agree with you. I mean we don't know where Taiwan's going right now, and we do know that, unlike Finland, there's a bunch more heterogeneous set of public preferences in Taiwan. So what I was addressing was if a consensus emerges in Taiwan in the direction of a closer economic relationship with China and closer political relationship with China – in particular – not pressing sovereignty issues.

And it's interesting that, as a DPP person, you're now sort of talking about the status quo as what the DPP represents, but that's not what the DPP represented under Chen Shui-bian. So there's clearly a shift towards a more status quo, or even engagement-with-China attitude across the political spectrum in Taiwan.

The question I pose is, if that moves in the direction that is has been moving, how should the U.S. respond? And my main argument is rather than being alarmed by that, the U.S. should embrace that change. And I think that there is a good clear liberal logic that would justify such a change.

I'm not advocating it because I'm not a Taiwan citizen. So it's up to the Taiwanese to decide. But I'm suggesting that it's not something that should raise alarm bells and potentially, in a longer term sense, would hold a lot more potential to resolving the cross straight issue than what I've described as the militarized approach of the 1995 to 2005 period.

*Audience:* My name is Gerrit van der Wees, editor of *Taiwan Communiqué*. I also would like to take issue with the proposal of Finlandization. I am from Europe, and I have a number of friends from Finland. They see it as something that was forced down their throats, and they didn't like it at all whatsoever, and they speak very glowingly of the resistance against the Russians for many, many years. And they really were very delighted when Perestroika happened and basically Finlandization was ended and it became a normal country internationally.

So how do we ensure that the people in Taiwan have a free decision on it? And you said, "You don't live in Taiwan and you don't vote there," but how can we ensure that they do have a free and open decision on their future, particularly in view of the fact that China is by far not Democratic yet at all? By all accounts, it is still a very repressive authoritarian country, and if you read people like Jim Mann, it's going to be like that for quite some time to come. So how can we support democracy in East Asia and ensure that there is really a genuine choice for the people in Taiwan and they are not a pawn on somebody else's chess game?

*Bruce Gilley:* Yeah, I mean I guess they've been a pawn on someone's chess game since 1949, and I would love the day when they weren't, but they find themselves in the uncomfortable position of being squeezed between two giants. The obvious answer, which is not really an answer, it's a question begging one, but we will know that it's their sovereign choice as long as Taiwan democracy remains robust. And several speakers, Julian in particular, have talked about the importance of Taiwan democracy, and I couldn't agree more. And the things that are suggested in ways that Taiwan democracy might be eroding are indeed of concern. But if we were to accept sovereign choice and that Taiwan is a

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precedent of democracy, then we need to be willing to accept the democratic legitimacy of a Taiwanese decision to move in the direction of a closer relationship with China.

And there's a kind of a meta-level issue. You might say that the process in Taiwan is democratic, but if it is operating within an environment of a rising China which constrains the incentives for Taiwanese to vote or choose certain things, then is that democratic?

You can't blame China for rising. You can't blame China for having an expanding economy, and you can't blame China for having geostrategic interests that accompany its expansion. So I don't see this as a fair criticism of saying that Taiwanese choices are constrained by a rising China. It is true, but I think, in an uninteresting way.

*Audience:* I agree with you. If there's – we can't blame China for rising – the constraint that's there. But what we can say as U.S. citizens and our foreign policy is that – don't you think if we're going to say, "You have the choice, Taiwan, and we support that, so if you want to drift this way, that's fine," that we can't then turn around and say, "Shame on you, Taiwan, for wanting to be independent."?

So, I think for the United States, wouldn't you agree that a more clarified position is, "We'll support you no matter what and whatever that has to do with."? And there are some considerations to that, I agree, but we can't just have it one way. "Oh, we'll support you if you go this way because it's easier for us."

If we're supporting the democratic process, we have to support it if they choose independence. And if that is the choice, there are all kinds of implications for that. So, I'd like to hear, you know, to June, maybe, you guys to talk about that, or others, about why are we only supporting your choice if you choose what we tell you to choose?

*Bruce Gilley:* Yeah, I mean I think that's right. You know, you respect the decisions of the Taiwanese people, whatever sort of relationship they choose to pursue with China, whether it is a closer relationship as Ma seems to be developing, and as what is kind of extrapolated as potentially Finlandization. Because I'm trying to say, "What's the worst case scenario here?" That if Tai And I'm trying to argue that the worst case scenario is one that we should think about, be prepared for and embrace based on an alternative logic of what would bring peace to the cross-straight relationship, and to Asia more generally.

On the other end – but one would want to put sort of constraints on that, right? wanese democracy collapsed, we might say, "No, we're not going to accept any sort of decision reached under that sort of political system."

But on the other end, if Taiwan declared independence, no, that's a constraint, right? Because there is an international understanding – there's an international law and agreements in international relations that constrain the ability of peoples to declare independence. So I think that's a – there are limits to that.

But there's substantial room to maneuver for Taiwan to choose its course within certain boundaries. And, again, I'm not advocating Finlandization of Taiwan, and I'm only sort of suggesting that if that's the direction it goes, and if democratic process remains robust, as I believe it is in Taiwan, that that's something that should be accepted.

*June Dreyer:* It seems to me that the United States talks a good game about supporting democracy, and sometimes we even act on it when we're scolding Iraq or Afghanistan. But we have really not been very supportive of democracy in Taiwan. We say we are, but in fact we're not. You know, where is the protest? It seems to me that the right to a referendum, I mean it's in our Declaration of Independence. It's in the Taiwan Constitution. It's part of Sun Yat-sen's sanminzhuyi. And what do

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we say when the people of Taiwan want a whole new referendum? Our consulate in Taipei is, "No, no, no. We don't want this." And certainly we're just going to protest. This Assembly and Parade Law is extremely restrictive. You have to be a Taiwan citizen, so suppose you're an illegal worker, or a legal worker, and you find yourself being oppressed by your employer. That means you can't assemble and you can't protest? Why aren't we saying anything?

There are any number of aberrations of democracy being perpetrated. You saw Freedom House dropped a former ace reporter in China, and they dropped Taiwan from 32<sup>nd</sup> to 43<sup>rd</sup> in their 2009 report vs. 2008. That's a pretty sharp drop in one year, and that's the Ma Ying-jeou administration. Chen Shui-bian was detained for more than four months, which is improper according to Taiwan's judicial rules.

Why aren't we saying anything? It seems to me that democracy is going in the opposite direction here. And while we're big about lecturing human rights in other countries, we don't say a peep about what's going on in Taiwan.

*Rupert Hammond*

*Chambers:*

I think we give Ma too much credit for how far he can take this. There's this presumption that he can walk this forever and that all the Taiwan people are just going to allow this to continue. Again, I would make the case that there is a significant minority in Taiwan that is reflexively uncomfortable about the direction that Ma is going.

There is a middle part of Taiwan that will move depending on how extreme they feel the presidency is, and then on the other end, again, a similar percentage of the country that's set in its views. But Ma's constraint about how far he can go, that constraint is domestic in origin. And I believe we're going to see the limits of that constraint manifest themselves in the next 12 to 18 months. Ma has to deliver on ECFA. Let the Chinese strike their heels.

What if the negotiations become a bit difficult or contentious, or he does build – he's already building an expectation that some sort of framework will be signed at Christmas. This path that has undertaken is strewn with pitfalls. And, again, one of the points in all of this, I'm absolutely convinced that the majority support that exists from Ma's policies is conditional on those policies rewarding Taiwan for a greater international role. And what if the Chinese decide that Taiwan isn't going to have a greater international role, or that with its WHA status is going to be conditional? We don't even know what conditions the WHA status – Taiwan's participation in WHA came with. We just know that Taiwan can do it this year. Well, what about next year?

*Audience:*

I'd just like to ask Rupert a follow-up on this ECFA. You spoke very positively about this agreement and said, "I think it was the right framework to build trust," and that global markets were already responding favorably. But what do you make of the lack of transparency with which this agreement is?

*June Dreyer:*

Okay, as you implied there, and what makes this agreement so particularly scary, is the disparity in size between the PRC's economy and Taiwan's economy. So if it is not carefully negotiated, it could be a recipe for the swallowing of Taiwan into the PRC's economy, and this is what worries people. And I see Ma as Ah-Q. (*Laughter in background*) And for those of you who are not familiar with it, this is a character. And Luxun is China's most famous writer, and Ah-Q is his symbol for everything he doesn't like about China. He's a Chinese writer. And Ah-Q is always denying when things happen, and I see this with Ma Ying-jeou all the time. And if somebody is saying – well, you know, there was a memorandum of understanding signed between the mainland and the Animal Right's Association saying that Taiwan is a province of China, and Ma will say, "Well that doesn't affect us because we didn't sign it." Jesus, you know? So this is denial up and down. "It doesn't affect our sovereignty because we didn't sign it." Horse feathers. And that's the politest way I can think to put it.

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*Bruce Gilley:* I think we have to be very careful to project our conception of what constitutes a robust democracy onto Taiwan. You know, United State's democracy is very, very unusual in global perspectives. It's adversarial in nature. It's strong legislature. It's judicial review. I mean these are not normal features of a democracy. Most democracies have strong executives, no judicial review, and legislatures who have the power to pass, but not initiate or initiate a limited amount of legislation. And the standards to which we are holding Taiwanese' foreign policy, in terms of participation, accountability, transparency, are so high that I wonder if Japan or South Korea would meet these standards in terms of how they make foreign policy. I mean I somehow doubt it. Foreign policy is generally a very executive-led sphere of every government. It's particularly the case in Asian countries. And there's a danger here -- sort of discrediting -- using the discrediting of process in order to disagree with outcomes that by any standard are democratically arrived at.

*June Dreyer:* I disagree completely. I think this is a mischaracterization of democracy. And, sure, the United States has its unique features, and so does Taiwan, because it has that -- it's a quasi presidential quasi parliamentary system. But look at British democracy, and you talk about a strong executive. I mean the Prime Minister is the leader of the party -- the Majority Party and Parliament. This is not an executive situation. He comes out of the Parliament. And the Japanese system, the same way. And they have very noisy parliamentary debates there. I was, in fact, astounded, because I grew up with the idea that the British are very proper and very well behaved, to find that they're throwing spitballs at each other and saying very nasty things to the Prime Minister.

And, you know, there's also the saying about the French that they are simultaneously the most patriotic and the most anti-government people on earth, so they have a very noisy democracy. And in my limited -- my daughter is married to a Frenchman, and in my somewhat limited experience there, the French national pastime is le grève, the strike, and so the executive has very limited power to do what people don't want.

*Rupert Hammond-*

*Chambers:* I understand what you're saying, and I recognize that we do have a unique democracy here. And for all its quirks, it works for us. I think I believe that. But I also believe that the Taiwan people have got democracy unlike almost any other people's around the world and that their view of democracy does embody some of the more robust interpretations we have of our own, including a voracious appetite for transparency, which I think is driving -- it's continuing to drive reformative institutions. And that, again, will increasingly press Mr. Ma to be more transparent about what he's up to.

And I want to come back to this issue of transparency, because I think it's absolutely critical here. We actually have a working example already of the lack of transparency, and that's WHA. That was not arranged SEF-ARATS, and we're led to believe that SEF-ARATS is the sole mechanism for talking between Taiwan and China, but we already know that Lien Chan's Kuomintang-CCP effort is up and running, and those guys are still moving backwards and forwards and talking about stuff. Yes, PK Chiang is talking with his counterparts in the SEF-ARATS, and then WHA pops up. Well, where did that come from? Where was that negotiated physically? Where were those meetings held, and who was in those meetings?

So, again, this issue of transparency I think is key. And if pressure is not increased, we're going get more of that, and that is going to -- that's going to cause considerable trouble down the road.

*Audience:* Jay Loo. I'm with the Institute for Taiwan Studies. I'd like to comment on one statement that Professor Gilley said, and then ask you a question as well. If I put it correctly, you think that Beijing doesn't think Taiwan issue is urgent. It might not be interested in like occupying Taiwan quickly. My comment is, I remember when just before Chen Yun-lin visited Taiwan recently, he had a press conference in Beijing, or somewhere, and he kept saying that again and again, We have waited so long -- too long already. Implication was they want to push for unification very quickly. That was the implication. Also, the PLA is still planning large scale military exercises. More recently, what? 50,000

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troops. They often simulate invasion of Taiwan. So, I'm not that complacent about their intentions. That's my comments.

The question is, you also said Taiwan wants to embrace China, or something to that effect, and that might not be bad for U.S., or for U.S. interests. I don't know that it's right to say, "Taiwan wants to embrace China." It's more like the radical wing of the KMT, as you present it, but the Ma administration. The general consensus in Taiwan, the largest majority really doesn't want to unify with China. Like a January survey by the *Common Wealth* magazine, only 6.5 percent supported unification. The rest were either for formal independence or status quo. So, another thing, does Ma really presents the Taiwanese opinion there?

Now about whether this is good for the U.S., I would want to ask this question. If the U.S. really take Ma's policies and support it and sort of sacrifice a long time ally, a democratic ally, what would this do to the U.S. Japan alliance? What will this do to America's geostrategic position in East Asia?

*Bruce Gilley:* Well, quickly, I think it's quite clear that their sense of urgency towards reunification Taiwan has declined, and you can see that in many official statements. And the point is that force modernization in China is not solely aimed at Taiwan, and indeed I now have a new description. I'll call it the "Frederick the Great Strategy", based on our lunchtime talk. It's aimed at enhancing China's global and regional power. So, that's one point.

When I said "Taiwan wants to embrace", of course I agree with you that what Taiwan wants is up in the air right now. So we're seeing the strings of a new change and a certain direction, and I was thinking about where that might go if it continues. But I didn't, by any means, say "unify". I agree that Taiwan – no part of the Taiwan political spectrum virtually would seek unification with China. There would be nothing in it for Taiwan, as no part of the Fin political spectrum ever wanted to become a Baltic Republic of the Soviet Union. And I agree with you that this has profound implications for the U.S. role in East Asia, and I think that requires a real deep strategic rethink about what exactly U.S. interests are in this region, and whether they might not be well served by this sort of change.

*Rupert Hammond-Chambers:* When negotiating, whether you're negotiating a contract or anything, you need to have a goal. And as Bruce noted just now, Taiwan doesn't know what it wants, and you can interpret all different reasons why there isn't consensus in the different positions. But ultimately, there isn't a central goal.

China absolutely knows what it wants. Every decision it makes is focused on a single goal – unification with Taiwan. So, Taiwan decides to engage and negotiate in the absence of a goal with an entity that has a very specific goal. How can Taiwan manage the decisions that it makes or address the challenge that China faces when China is so focused on their goal? I think that's really key. As much as Taiwan negotiates with the Chinese, it runs the risk that it's closing doors that it may need to keep open down the road.

**Panel II: Analyzing Cross-Strait Detente:  
Implications for Taiwan's Relations with the US and the International Community**

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The Future of US-Taiwan Relations

May 19, 2009 -- Washington D.C

*Shawn McHale:* Thank you, I want to thank the panel for a very engaging panel. Earlier on when I was talking to some member I was trying to invite, I like disputes, it's the academic in me, I like fights of some sort. I like to thank you for giving different point of view. No violence, no food was thrown. It was a success. Congressman Berman is tied up in Congress so he will not be actually making his appearance here unfortunately. In my concluding remark, I'd like to reiterate something. I like to thank Terri Giles and the Formosa Foundation for cosponsoring with us and of course with the staff of the Sigur Center, Deepa Ollapally, Erin Robinson, Alan Campana, and of course Ed McCord and Bruce Dickinson as moderators of the panel including other people who have helped this conference in various ways.

In the end of the conference, in the end of the conference, one of the purposes of the conference is to ask questions and give answers. As you can sort of tell from the last panel, the answer to the US-Taiwan relation is murky. Gives us another chance to have a conference on a similar topic. Even though it is murky, even though many questions are thrown out and many different perspectives were perhaps proffered, it certainly is an enlightening conference in terms of articulating, in the short term and the longer term, some of the key conflicts, issues, problem confronting Taiwan-US relationship but also cross-strait relationships. In that sense, we can only look forward in this particular town, Washington DC, makes it even more intriguing in the months and the years to come in the new administration.

Once again thank you. Last but not least, thank you to the members of the audience for your questions and participations. Thank you.

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