

CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

**THE TAIWAN RELATIONS ACT
AT 30: DOES THE U.S.-TAIWAN
RELATIONSHIP NEED
REBALANCING?**

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DOUGLAS PAAL: Good morning, everyone. I think I know almost everybody here, but not quite. My name is Doug Paal. I'm the vice president for Asia here at the Carnegie Endowment. And it's our pleasure to welcome you here this morning. It's a Monday of a quiet week in Washington.

We are also well aware that there's a lot of activity marking the anniversary, the 30th anniversary, of the Taiwan Relations Act this week. Obviously it's an important piece of legislation to the people and authorities on Taiwan and they've been eager to see discussions to re-educate those who have forgotten about and to explore the meaning of the Taiwan Relations Act as we go forward.

It's been an important piece of legislation in governing the unofficial relations between the people of the United States and the people of Taiwan for the last 30 years. The origins of the act were somewhat controversial. The initial and substantial portion of the act was submitted by the administration of Jimmy Carter to Congress back in 1979 to meet the needs that had been left by a unique historical circumstance, which was the United States broke relations with the Republic of China and resumed relations with China in the People's Republic of China, but wanted to maintain the many treaties and other relationships between Taiwan and the United States.

And this was – the Taiwan Relations Act was the vehicle that permitted that to happen. It created a number of institutions. One of the things in my background is I was, for a while, director of the American Institute in Taiwan, which would have been called the American Embassy in Taiwan if we had normal relations with Taiwan, which we stopped having in 1979.

And this act is, as I say, being celebrated and commemorated and discussed in a variety of forums here in Washington. And all three of us were at Harvard last Friday. Other gatherings will take place in Texas and California. It's hard to say a lot new on the subject. It's quite easy to get into just reminiscing what happened back then and to look back.

Today I'd like this forum to give us an opportunity to look ahead and to think in terms of what challenges still lie before us, whether or not you think the Taiwan Relations Act is the right vehicle for managing our relationship with Taiwan, whether that should be changed. I think the prejudice in Washington among most people who observe this closely is that if you try to change legislation of this foundational nature, you run more risks than benefits. And so if change of the text of the Taiwan Relations Act and new legislation is not the way to go, what policy implementation, what policy expression would be best for enhancing U.S. and Taiwan relations?

And, for that purpose this morning, we have two very distinguished speakers. Steve Goldstein on my immediate left is a professor at Smith College and is very active at the Harvard University Fairbanks Center. Originally trained as a Soviet-East European specialist, he re-trained himself as a Taiwan expert and is one of the most faithful students of day-to-day and long-term policy with respect to Taiwan. And we're very privileged to have him here today as our lead speaker.

After that we'll ask Bob Sutter to speak. Bob has recently written a very challenging piece that you should have available to you either on the Internet or on paper on PacNet, which is the CSIS Pacific forum online journal, discussing the need to re-balance relations across the Taiwan Strait and in the United States' relationship with Taiwan as the correlation of forces – and they use that old Soviet phrase – as the correlation of forces has changed between Taiwan and the mainland.

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Taiwan is, after all, a place of 23 million people, a small, congested island. PRC is a vast continental power with 1.3 billion people and a very rapidly growing economy – and with that a rapidly growing military capability.

So to discuss where we go and today, we look forward first to remarks by Steve Goldstein.
Steve –

STEVEN GOLDSTEIN: Thank you, Doug. Let me begin by saying something about anniversaries or something about marking anniversaries. Either anniversaries of birth or anniversaries of relationships are usually celebrated in a very, very selective manner. More often than not, what people recall on anniversaries is not random; rather, they respond to the needs and perceptions of the moment. And I think that as we've gone through this 30th anniversary of the TRA, it's been no exception.

I've listened to, I've read what seem to be endless testimonials to the TRA. Among them, many that I've heard sound very much like the U.S. Constitution. The TRA has been praised as, one, a document that has stood the test of time; two, that was written under one set of circumstances and yet has managed to retain its applicability despite dramatic changes over 30 years; and, three, as such, it stands as a symbol of the brilliance of its authors.

Now, in fairness, I should say that these comments often come from people who are involved in writing it. (Laughter.) But I don't want to push the constitution analogy too far because I have this nightmare of the Taiwan press leading with a headline like: "TRA is Greatest Constitution, Goldstein Maintains."

But I do think it's fair to say that the TRA is often commonly presented as an innovative aspect of American foreign policy that's provided a firm foundation for Washington's response to a very complex situation over the last 30 years.

What I'd like to do today is take a somewhat contrarian view. It arises out of the fact that, besides being often selective, anniversaries and birthdays can be very boring. So what I'd like to do is I'd like to challenge two fundamental assumptions about the TRA and then raise one set of questions.

I'd like to argue first that one should not overdo the argument that the TRA was a radical innovation in American foreign policy. I think, if we're going to talk about the future role of the TRA, we have to understand that in spirit and in substance, the TRA was very consistent with the assumptions about the strategic situation in Asia that shaped U.S. policy in the post-World War II era.

Secondly, I would like to suggest that its continued relevance over the last three decades has been as much due to the persistence of that general strategic situation than to the brilliance of its drafting. And, three, I'd like to finish by addressing the possible ramifications of that argument by questioning if the circumstances are changing so radically now in cross-strait relations that this act which was a response to a relatively long-range and deep set of assumptions about the strategic situation in Asia perhaps no longer applies.

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So let me get into the question of e-innovation or continuity. And what I'd like to do is I'd like to look at the spirit and substance of the TRA and ask how it reflected post-war strategic assumptions regarding East Asia. And I'd like to just sort of tick these off.

First assumption: Since the late 1940s, since really the beginning of the relationship with Taiwan, the assumption has been that support of Taiwan, more than anything else, is an indicator of the credibility of the American commitment in Asia. That was clear in the '50s, in the '60s, and was a major background to the drafting of the TRA.

Secondly, since the post-war era, the assumption was that the relationship between the United States and with Taiwan was part of a broader issue of the overall Cold War against communism. This was, again, obvious since the Korean War, but this had somewhat different perspectives in the drafting of the TRA, depending on your standpoint. From the administration's point of view, the TRA was a way to solve the Taiwan question, to get on with the business of rapprochement with China in the interest of opposing the Soviet Union.

For many in Congress, the TRA was a necessary step, not only to support the anti-Soviet alliance, but also as an expression of opposition to Chinese communism and as a support for a regime in Asia that was thought to be a contrast and a roadblock to the spread of communism throughout the area.

Thirdly, the assumption since President Truman ordered the 7th fleet into the Taiwan Strait was that the essence of the relationship between the mainland and Taiwan lay in the refusal of Beijing to renounce the use of force and, thus, the assumption was, since the 1950s, that security issues, military security issues, lay at the core of the Taiwan issue, that the civil war between the mainland and Taiwan was still a potentially hot war and, most importantly, that the foundation of Sino-America détente was shaky.

Fourthly, because of this and because of the issue of credibility, it was therefore necessary to have a security commitment by the United States in regard to Taiwan that was similar to the 1954 treaty, which had been allowed to expire, and was indeed an essential component to the relationship between the United States and Taiwan.

Fifthly, a major concern since the 1950s and right through the 1960s, was the tension in American dealings with Taiwan between entrapment and deterring the mainland. That is, right from the very beginning, the worry was that if the ties with Taiwan were too close and were too firm, that the United States might become entrapped in some adventure by Chiang Kai-shek in his attempt to retake the mainland.

So there was great care in the kind of support and the kind of statements that were made about the nature of the American commitment to Taiwan but, on the other hand, of course, there was the equal concern that too soft a commitment, too light a commitment, would fail to deter the mainland. So the emphasis, therefore, was on the status quo of separation. This was the essence of Dulles' policy. It's, I think, pretty much recognized now that Dulles never had any ideas that Chiang Kai-shek would, in fact, ever regain the mainland and, for him, the ideal outcome of cross-strait relations and the American relationship with Taiwan, would be a persistence of the status quo of separation.

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And, finally, lastly, the last characteristic has to do with American domestic politics. And that was the very active and unusual role of Congress. This was in part a result of the circumstances under which recognition of China was carried out by the Carter administration, but it was also part of a historically deeper relationship between Congress and Taiwan. And it was – characteristic not simply of Congress' support of Taiwan, but of Congress using the Taiwan issue and support of Taiwan in a way to influence and shape the broader issue of policy towards China, towards the mainland.

Those, I think, were the assumptions that sort of were the context for the spirit and for the substance of the Taiwan Relations Act. Now, I can't play this out completely over the last 30 years, but suffice it to say that I think I could argue that if one looks at the past 30 years and if one looks at the strategic image that has guided the implementation of the act over the last 30 years, one could argue that the strategic image or the strategic situation in Asia as seen by American policy-makers was largely consistent with the strategic image or the perception that lay behind the drafting of the act.

And so the argument, very simply, that the persistence of the act and the continued relevance of the act is not so much attributable to the great flexibility, malleability and brilliance of the act, but is due to the fact that the circumstances which the act was intended to address stayed largely – not entirely – the same over a period of 30 years.

However, as the 21st century started, there were also signs of change and there were signs of change in the perception of the strategic environment that have, of course, become apparent to all of us. Some of these changes were well within the framework of the strategic environment that shaped the TRA. For example, the concern with entrapment was certainly a major driving force in American policy towards the Chen Shui-bian administration and the difficulty of trying to constrain a leader who seemed intent on provoking a mainland reaction was, I think, very similar to the difficulties that President Eisenhower and President Kennedy had with dealing with Chiang Kai-shek. Unfortunately, President Eisenhower and President Kennedy didn't have Doug Paal to rein in Chiang Kai-shek or else, perhaps, the situation would have been much different. (Laughter.)

Anyways, also, of course, during that period, the issue was not only entrapment versus deterrence but the issue was that American policy, as had been the case during the Eisenhower administration and in John Foster Dulles' view, the status quo of separation remained at the core of American policy.

Others – but other perceptions or other events in East Asia were not consistent with the earlier strategic environment. For example, pressures on Chen Shui-bian began to raise the question of the extent to which American policy-makers could in fact seek to shape the policies of a democratically elected president. And the issue which had been clearly hypocritical during the Chiang Kai-shek regime of how much can we seek to guide free China or democratic China in its policies now became a real issue because Taiwan was indeed truly democratic.

More importantly, there were six other changes that began to be very apparent in the last 10 years that have, I believe, begun to re-shape the strategic environment and have begun to re-shape American perceptions of the strategic environment in Asia. The first of these, of course, is the growing economic power of China in Asia and its policy of peaceful development, its policy of seeking to develop a friendly cordon, if you will, an amicable cordon, around it of friendly states.

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Secondly, the enhanced Sino-American relationship – not only multifaceted, but also based on a number of pressing issues to both governments – and it's a cooperation that was actually strengthened and enhanced by Chen Shui-bian's own policies.

Thirdly, of course, the democratization of Taiwan and the growth of the identity issue and demands on Taiwan for greater international recognition. Fourthly, the weakening of congressional support for Taiwan, which, I guess, Bob is probably the best-informed person to talk about, but I think can be ascribed to a number of issues.

Fifthly, of course, the dramatic shift in the military balance across the strait. And, sixthly, last but not least, the burgeoning economic cooperation between Taiwan and the mainland.

These six things, it seems to me, have significantly changed the strategic environment in Asia and American perceptions of the strategic environment of Asia. And so, on the eve of the 30th anniversary of the TRA, it seems to me very appropriate to raise the question of, given that the TRA was designed for one particular environment, and given that that environment is no longer there, is the TRA still an appropriate instrument of American foreign policy?

And, again, as I've listened to and read various articles and various comments on the TRA, it seems to me that there's kind of a Goldilocks approach. There are some who argue, of course, that the TRA is too much. They are mostly on the mainland and the argument, very simply, is that this is an act of – it continues earlier themes, of course, that this is an act of American interference in the domestic issue but it also argues that it's an act that is inappropriate for changing times and the cross-strait relationship.

And even more interestingly, it's an argument that raises the question about whether the United States is really prepared to see Taiwan enter into a closer relationship with the mainland. So there are those who argue that the TRA is too much.

There are also – and I guess here in the United States, this has been the dominant theme – there have been those who have argued that the Taiwan Relations Act is too little. There are a number of variants of this, but I would say that the two major variants are those who say that the Taiwan Relations Act was appropriate for one time when the idea of one China made sense, when the idea of Taiwan's ambiguous place in international affairs made a certain degree of sense, but now, with the growth of democracy, with the growth of Taiwan identity, with Taiwan's growing international profile, with Taiwan's desire to take part in international organizations that it's time to re-think the Taiwan Relations Act, both in terms of American support for Taiwan's place in international organizations, but also in terms of the relationship between Taiwan and the United States – either the diplomatic relationship or the security relationship.

The other species of “too little” I think we're going to hear from our next speaker. And the “too little” argument is basically that, again, the environment has changed, that developments are occurring in the relationship between Taiwan and the mainland and that the past American policies and perhaps also some erosion in the nature of the commitment to Taiwan both dictate that it's necessary to re-think the nature of the relationship that was mandated under the Taiwan Relations Act to deal with these six – and I suspect Bob has ever more – changes that have occurred in the last decade.

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And then, of course, there are those in the middle, as Doug mentioned, who think that the Taiwan Relations Act is just fine enough. But I think that the idea of these three schools of thought – and the idea of the changing strategic environment being really the key to the success of the Taiwan Relations Act – might be a way to get on to the question that Doug wants to talk about, which is the future of the TRA. Thanks.

MR. PAAL: Steve, thank you very much for getting us started with that very good contextual discussion. I somewhat slighted Bob in my earlier introduction; I want to make sure to let people know that Bob brings a tremendous amount of experience: first as a graduate from Harvard University, Ph.D. in modern Chinese studies; secondly as a member of the elite analytical group that the Foreign Broadcast Information Service at the beginning of his governmental career.

And then he moved over to the Congressional Reference Service (sic) where he had a very distinguished career as sort of the dean of people following Chinese studies in that very important institution that produces, as you know, the many congressional reference service documents that keep us all up to date on what actually happens on record, keeps Congress up to date on what's going on with U.S. and China and Taiwan relations.

And, more recently, Bob has been teaching at Georgetown University. Students have the benefit of all of his cumulative experiences. So we are now to hear –

ROBERT SUTTER: Thanks very much. And it's really a pleasure to be here and see so many friends. And it's particularly great to be here with these two wonderful people on either side of me. And Steve really surprised me; this is wonderful, Steve. I hope you'll write this up. I really want to see this.

(Laughter.)

MR. PAAL: I should just say that all of this will be available on the Carnegie Web site – (chuckles) – the transcript for it.

MR. SUTTER: No, Steve has really hit upon what I really wanted to see happen – and this is my concern. It's hard for me to peg myself into schools of thought so I'm a little conflicted about this. But my purpose today is to talk a bit about the TRA. And there are two basic legacies that I want to focus on as far as the TRA is concerned and Steve has hit on one of them. And these are more simple-minded, perhaps, from my working on Capitol Hill for a long time. (Laughter.) You just learn to do that sort of thing. (Laughter.)

No, it works better. It really works better. But then I want to make some points about the contemporary relevance of this, as Steve did, and I want to focus in on some of the issues that I'm concerned about and the implications for U.S. policy. And, to be clear, I did write this PacNet piece. I tried to lay it out there: It's March 5th. You can look it up on the Pacific Forum CSIS Web site. It's very easy to find.

And this is what it is – first, the two legacies. The two legacies – there are many legacies from the TRA, but they are basically, from my perspective looking at this, there are two: Number

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one is this is American. This isn't just Congress. This is the media; this is – it's broader than that. It's interest groups and so forth – is an opposition to elitism and secrecy in policy.

And so if you're – if the policy-makers are doing things in quiet and the elites understand it but the mainstream doesn't, this can be very – this can lead to a backlash. And the TRA, in a way, was a backlash against that kind of behavior. And so just be aware of that. I'm sure you all are aware of it, but I think this is a very strong feature of American policy-making dealing with China.

And the second is what Steve underlined in his strategic environment, and that is the strong and continuing interest in the Congress and in parts of the – I think it's widespread in the media, I think it's interest groups and others and constituencies represented in the Congress – that the TRA and other means should be used in order to sustain a balance of influence in the Taiwan area that's favorable to Taiwan and the United States and where U.S. influence on the balance remains strong.

I think that's an underlying feature of the past several years. And, you know, Steve has couched this as a progressive thing that's changing now. We have gone through ups and downs in this situation. And so the perception, as you would I think acknowledge, Steve, the environment perception, depending on how you looked at it, from one vantage point, the way I think Kissinger looked at the strategic environment was very different, in a way, from how other people did. And the TRA was a way of reaction to that and a re-balancing of U.S. policy.

And we can go back and forth like this. And so sometimes people like Paul Wolfowitz and Richard Armitage are in on this, you see, and then we have a different view of the situation in Asia and sometimes they're not. And that leads to differences too.

So I think that – but I do think the TRA reflects this kind of concern that this is what we want, this is important for us. Let me use the present perfect: This has been important to us, this kind of balance. And I've listened a lot to – so now we're going to move into the points of contemporary relevance – I've listened a lot over the last year to many of my colleagues – some of them are here – who have a very strong interest in moving forward in support of Ma Ying-jeou's policies. I'm very supportive of Ma Ying-jeou's policies. It's so much better than when Chen Shui-bian was president of Taiwan – for the American interest. This is very good.

And, yet, and several of them will remember, that I constantly come back to the refrain, well, what ever happened to balance in our policy? You know, we're not talking about balance anymore. And, yet, it seems to me that the situation is as Steve described it: I think the environment is changing a lot.

And we're not talking about that. What we're talking about in dealing with the situation recently is that we focus on how can we support this progress that Ma Ying-jeou and his administration is pursuing. And I want to support that. See, I'm very conflicted on this. I'm sorry about that, but I really do want that to move forward. I think that's good that we have this kind of approach. But, at the same time, what that does, though, is get us to focus on things that – they seem important; they're symbolically important – and, of course, these economic contacts are very good and social contacts are very good.

And then the tough issues tend to be issues that we spend a lot of time on, looking at issues like, will Taiwan get representation in the WHA? We spend a lot of time on that. Or, will there be

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some sort of a confidence-building measures between Taiwan and China over the buildup of PLA forces?

And I think that's understandable, why we do that. That's what the media focuses on; that's what Taiwan media certainly focuses on this and President Ma focuses on this and so forth. And that's all fine. But what we need to focus more on, in my judgment, is the changing environment. We're not looking at that. And it seems to me that if you look at that, you see a real growing imbalance; you see a big change in the dynamic of cross-strait relations, incrementally. It's nothing dramatic or anything like that.

And it's nothing that, in my judgment, is going to lead to China to use coercive means against Taiwan anytime soon. I don't think that's what's happening. But I do see big changes in this environment that we're really not taking that into account very much.

And this comes from somebody who spent – I've written three books now on China's rise in Asia. I just re-write the same thing and publish another book. (Laughter.) It's a great academic technique; it really works great, looks good in my performance evaluation. They call it something else at Georgetown. But, anyways, it's really –

And when I look at this, I see China rising. And I don't exaggerate its importance. I tend to calm people down about China's rise. It's not that big a deal. The United States is very powerful in Asia. There's no question about that.

But around the rim of China, China's weight is very important. And what you see in the case of Taiwan – I see, at least – is Taiwan and China, China's weight is being felt in Taiwan in a very significant way. And the relative influence of the United States in that equation is less, it seems to me. We're not as influential in Taiwan as we used to be.

I used to say to my students – this is 15 years ago – there's no place of its size in the world that's more dependent on the United States than Taiwan. I would not say that now. I wouldn't say that at all. And I would say the influence of China over Taiwan is very iterative, very incremental. Of course, you have this tremendous military buildup.

But that isn't really what I'm talking about; it's this very integrated economic relationship between the two sides. So, therefore, if you're a pragmatic decision-maker in China, you tend to make decisions pragmatically for the sake of your constituents and, therefore, you tend not to be assertive vis-à-vis China.

And so, in this context, you find that Taiwan is moving in this direction. You have other aspects of this: One of them is, of course, this united front approach between the CCP and the KMT; this is very interesting and it broadens the influence of the PRC administration and it benefits the constituents in Taiwan. So if I were a KMT member, I would be doing this, too, having this kind of interaction which, of course, is very beneficial; it solves problems; it's good for my constituents.

It's a very logical sort of thing that's happening in the context of this overwhelming military buildup on the part of the PRC. And so this kind of integration that's taking place, I think is important.

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You also have espionage. We don't talk about espionage; I don't know anything about espionage, but I have a sense that that's important, too. When a couple of years ago, senior defense intelligence officials in Taiwan went over to China and they retired. (Laughter.) I asked myself a question: How penetrated is Taiwan as a result of this kind of situation? So you have a lot of these kinds of issues that you need to think about in looking at the integration of Taiwan with China.

And so I think, therefore, we need to take these things of changes into account to understand what we should be doing. Is the balance changing and should we focus on that, too? We should focus on supporting Ma Ying-jeou and I think we should focus on the changing environment. So I really hope Steve writes this up because not many people are doing this. Very few people are doing this. And so I felt it was – I feel it's important and I'm glad Steve said what he said.

So what you find, therefore, is that in the United States, then, what do we need to think about? Well, in the United States, some people are concerned about this. You could argue that the McCain camp was concerned about this; they had people who were advocating a very strong U.S. effort to shore up Taiwan. This is the kind of approach that we often followed – we, the United States – often followed in dealing with Taiwan over the last 30 years. And the TRA was a way of shoring up Taiwan.

It's not that we oppose a peaceful settlement between Taiwan and China; it's the sense that Taiwan will get a – if we want Taiwan to get a good deal and they need some strength in their side of the equation. And this kind of argument that's heard repeatedly from U.S. policy-makers throughout the last 30 years is this kind of approach.

And so, therefore, the McCain people were in that line of thinking by saying we need to shore up Taiwan; we need to boost our military relationships with Taiwan; we need to do more on a free-trade agreement for Taiwan. We need to help Taiwan to do these sorts of things.

And, yet, my sense is that I'm not sure how anxious the Ma Ying-jeou government really is. This could be seen as disruptive in your efforts to reassure China. If you want to reassure China, are you really going to push this type of thing hard? I don't think so.

And I see the trend in the Obama administration – and I voted for President Obama, I think he's a great guy and so forth – but I understand why he wouldn't want to do this either. Why disrupt the situation with China now when you've got all of these other issues you want to deal with China about – and particularly if Taiwan isn't pushing it that hard?

And so you say, well, we don't need to do that right now. Let's just not do that right now. And so, therefore, we're in a situation where the balances, I think, continue to change and they're likely to continue along this path. And I'm not slashing my wrists or anything about this. This is happening and this is fine if that's the way it's going to happen.

But I think American policy needs to take all of this into account. And what I'd like to see – and this gets into my sense of what the U.S. administration might want to do – because these issues have not been addressed publicly by the U.S. government. I haven't seen them discussed at all. And we still talk – U.S. government officials still talk in terms of balance. Candidate Obama, welcoming

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arms sales to Taiwan last fall, talked about a healthy balance in cross-strait relations. And then the director of National Intelligence, Dennis Blair, a wonderful person – (inaudible) – this sort of thing, assured a congressional committee in February that we were going to maintain the balance, in a military sense, vis-à-vis Taiwan.

So we are still talking in terms of balance, but I think people like Steve, who is very knowledgeable about this, and Doug and many others here, understand that we need to change this situation in some way or another. The situation has changed, or we have a different way of dealing with this issue. It's a lot more sophisticated than having a balance. And my argument is, okay, but that's an elite, and that elite doesn't transmit to the public, to the media, to the Congress. The Congress I think largely doesn't understand this. And so therefore you really need to work at this to make sure that they understand, otherwise you're going to have that kind of situation that you had with the TRA. You're going to get a big pushback from the Congress and the media and others who, as we know, they're not as sympathetic to China as the administration tends to be. And so this is why I think this should be evaluated and figured out, what we need to do, and so that's why I really applaud Steve in doing what he's doing because it raises the issue – it raises an issue in a way that really can make for much better American policy.

So, I think U.S. policy implications on this are, number one, we need to examine how serious are the imbalances and what should be done. And my sense is we will continue to discuss the positives. We're really not going to do a lot about this. We're not going to shore up Taiwan in a major way as the McCain camp would have had us do, and largely because we don't – probably don't see it in our interest and probably Ma Ying-jeou doesn't want to push this really hard either. And so I think that we probably need to take a look at that. I think we need – I would hope that we would examine this closely because I have a – this is a side issue here but it's important in the context of the Ma Ying-jeou approach.

I think Ma Ying-jeou is approaching China with a plea and he really hasn't done much to beef up his hand very much. In other words, what are the cards he has when he deals with Beijing? And why do I think this way? Well, I've been looking at Chinese foreign relations for a long time in my career and I've come up with the sense that really we need to have a good – when you're dealing with tough issues with China, you really have to have a – (inaudible).

You've got to make it worth their while. They're not going to make compromises out of good will or strategic thinking or new thinking or, you know, this kind of stuff. I just don't see that myself. I'm very skeptical of that. You need to give them some incentive, and Ma Ying-jeou doesn't have a not of incentive to give them, it seems to me. He could have an incentive. If he said, China, if you don't accommodate me, then I can do down this path. I mean, I have a different path. It's not a Chen Shui-bian path; it's a different path, and that path I think would have to involve the United States. This would be a much closer relationship with the United States. But he's not going to do that, I don't think, and I'm not sure the U.S. today would really welcome that, but that's another path he could have pursued but I just don't think he's doing that.

And so, I think that this should be examined but I'm pessimistic that it would be accepted, that the U.S. will really do important major things to shore up Taiwan. They'll do significant things – I don't want to say they won't do anything – but it won't be a big deal and the imbalances will continue to grow, in my judgment.

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And so, longer term, therefore, if this continues then it's just common sense, it seems to me. Don't we have to adjust U.S. policy? Don't we have to start telling people that balance doesn't matter the way it used to? And don't we have to say – because there's a very good argument – Steve really didn't get into this argument – there's a very good argument made by those who feel very strongly we should support Ma Ying-jeou that this is a means to an end, that this balance is a means to an end.

An end is a resolution of the Taiwan issue. This would be wonderful if this were to happen. And so we need to – so that argument needs to be out into the public realm so that – put balance aside, ladies and gentlemen, and focus on this goal, and if you really – if you really think that's going to happen, then obviously you – we need to focus on that and explain to the various stakeholders in the United States about this interest.

Now, this has implications not only for Congress and the media and others; I think this has implications for this traditional strategic framework, the strategic situation of U.S. policy that Steve was talking about, which today encompasses a significant aspect that's called hedging. We have a hedging policy in Asia.

This is designed to – it's a contingency planning type of thing where we work with various countries, that if – and we don't talk about this much anymore. We used to talk about it a lot but we don't talk about it very much, but it's designed to – we hope for the positive. We engage with China but we also work with other countries throughout the rim of China in particular, in case China was aggressive or assertive in some way or another. And the leading edge here is Japan, of course, but India is in it and this – various elements of this sort of approach, very informal type of thing but very important, it seems to me, and it seems to me that this has – if we do change our policy, this will have implications for Japan, in particular, and where does the hedge sit?

For example, is Taiwan part of the hedge? You know, is it or isn't it? Now, we don't want to make that explicit but we need to have some understanding of this, it seems to me. We need to – and this, I think you have to go to Armed Services Committees and Foreign Relations Committees to make this sort of clear if you're going to start changing your policy: Is Taiwan in the hedge or outside the hedge, and what's the significance of Taiwan for the hedging policy? And so I think that's just another element that we need to look at.

So I encourage us to do this. I am so glad to be part of this discussion, and I'm going to be annoying and keep saying this sort of thing in other places because I do – I think it's pretty darn important, because I lived through the TRA and one of the legacies of the TRA on this elitism issue is that Congress remains deeply and bitterly suspicious of the executive branch and the executive branch basically had no respect for Congress, and that isn't good for America. That's very bad for America. I hate to see our China policy be successful on the back of this kind of division in American governance. I find it just bad.

And so I do – there, a moral judgment. I'm doing a moral judgment on this thing. And I really want that to stop, and I've tried to work on this over the years and I think what we need now is – I think the way to settle this is to get it out into the public, to get people to understand it and to look at it carefully. There's a lot of things I don't know, so we need – so I'm not saying what we should do or shouldn't do except that we should look at it carefully, but in specific policy recommendations I really don't have them.

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So I will stop there, and thank you for your patience.

MR. PAAL: Thank you very much, Bob. Thank you both for really overfulfilling your quotas of expectations here today. I really did want to wrestle with some tough issues and I think both of you have framed them well.

You know, Bob, in my initial reaction to your PacNet piece – and I think you’ve done us justice by drawing your points even more sharply this morning – my initial reaction was, you know, when was balance part of the formula? I remember that throughout the ’70s and ’80s we talked about maintaining these efficient defense capabilities, and that’s embodied in the language of the Taiwan Relations Act. Balance as a term, it seemed to me, didn’t emerge in my world – it may have been very much on the Hill and I didn’t see it – until we got to the late 1980s when the arrival of new Russian military capabilities in the Taiwan Strait area caused people to be concerned that Taiwan’s F-5s and ships and other kinds of defense systems would be challenged and perhaps overwhelmed in a confrontation with the PRC, and therefore that some efforts needed to be made to bring it back.

And that led to the early discussion of an FX type of aircraft that was to have been built, and ultimately – and that started in 1979, ’80, about the time of the Taiwan Relations Act but didn’t really get any force until the question of the balance emerged in the late 1980s, ’89, ’90. And then we saw George Bush, for whom I worked, in 1992 making a decision to sell F-16s. The decision was primarily a decision based on domestic politics, but the window dressing put on that decision definitely came from a discussion of the diminished capacity of Taiwan to control its airspace when it’s set up against SU-27s the Chinese had recently captured – excuse me, “obtained” from the former Soviet Union by the time we were talking about it in 1991, ’92.

And balance had sort of bounced along through the 1990s, is a term people were using to describe the military situation across the strait, and then it became relatively less important again as China’s capacity continued to grow at double-digit percentage points every year. Dennis Blair, whom you mentioned a moment ago, served in the contractor’s role after he left his job as commander of the Pacific, providing advice to the Taiwan military and how better to use the equipment they have or to chose systems mostly obtained from – well, exclusively obtained from the U.S. to ensure that Taiwan would be a defensible place. And his purpose, as I understood it, through that period was not so much to achieve balance but to achieve defensibility.

The island of Taiwan, in 1945 General MacArthur had to decide which islands he was going to invade on his way towards Japan, and he decided that even though he had 1.3 million men under arms and 1,200 combat ships that he could deploy against Taiwan, that Taiwan was too hard to take. The PRC today wouldn’t have that much to put against Taiwan, although they have more modern systems. It’s still a tough place to take. Defensibility is the issue, not balance. Seeking balance you end up, it appeared, on military terms, you know, 23 million people against 1.3 billion people; a continental power against a maritime insular power. And so I guess my issue is balance that deeply – embed it in the congressional thinking, with all this history of looking at defensibility or not – not looking at balance in the early days. Is this something we may be ascribing artificially to a greater role?

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And then I had a further question, which was, you know, major things need to be done in our policy. Major things need to be done – and your point about how Ma has a weak hand against a tougher China, a tough China, as a negotiating party, and you would want to seek demonstrations of closer relationships with the United States. And this would require doing some major things. I would be interested if you could flesh out some examples of that.

My own impression is that Ma's perception of himself, his administration's perception of itself, would be that it is seeking better relations with the United States, seeking demonstrations of that. His press conference immediately after his election said he wanted to come to Washington before he was inaugurated, and I think that was something that probably would have been a good thing all around. Unfortunately, the handling of it caused it to become too hard to do.

Subsequently he asked for a transit to the United States, and the terms of that transit were an improvement on the terms that had been offered to Chen Shui-bian. The PRC noticed that and experts here noticed it; maybe Congress didn't. And I'm sure there will be further transits as time passes and the conditions of those transits would probably improve over time if the continued development across strait relations and U.S.-Taiwan relations remains on the path that it has been on for the last year.

So I think in Taipei there may be a different perception of the diminishment of American influence that you describe or the perception of a need to do a lot more to offset the, obviously, growing influence that's emerged with the economic and political interaction between Taiwan and the mainland.

So those are some initial thoughts. I will open the floor to everybody else here as well, but let me ask you to comment on those first, Bob.

MR. SUTTER: Very good. On balance, it's been a feature of the discourse on Capitol Hill in dealing with Taiwan for ages. We found the arguments of the F-20. F-20, this is under – this goes before the FX. This is the F-20 option. It was the Joint Chiefs of Staff creeping to the Congress in – before normalization about the need for – justifying the need for arms sales, and the arms sales needs were justified in terms of balance: We have to give them the ability to do such and such a thing, and the initial rationale for the F-20 was that's because China had this and therefore Taiwan had that.

And then we got through this long exercise which Congressman Solarz got involved in on the F-X issue. This is the way it's been explained over the years. And I'm not making this up. I just read – reread a number of books. There was a good book about 10 years ago on the 20th anniversary of GRA, and reminiscences of various U.S. officials, and cites Jim Lilly in there, all about arms sales to Taiwan, this whole balance.

So I don't think I'm making this up. I really do think it's very important, in a perception way. And it harks back to the Cold War. We were always worried about the balance against China in the Taiwan Straits, so, from a military point of view.

You know, on your second point about President Ma, what he's doing, I think surely Ma wants a better relationship with the United States, we want to do things supportive to him, but both of us don't want to do something that would upset China in a significant way. That's what I think is

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happening. So when you get to a sensitive issue like F-16s, then I – how hard is he pushing for that? And of course, is this administration? The previous administration didn't touch it. Why? Well, I mean, that's the kind of thing that could be done to show your support for Taiwan and they're not doing that. And FTA is another thing, and it looks like the – I'm not an expert in this at all but I've seen the U.S. government had reservations about this issue from an economic point of view in the past. Those things seem to be getting resolved.

And so would we do this? I don't think we'll do this now. I think we'll have contacts and things like that and everything – quiet understandings and so forth, but the sense of relationships between China and Taiwan will become much closer, and the influence of China vis-à-vis Taiwan will increase, and the U.S. will – I don't think we'll be advancing a compensatory way. I don't think that's necessarily that important at this point, but I don't think China is going to attack Taiwan or coerce Taiwan; I just see a progression, an incremental process where the U.S. figures less and China figures more immediately and probably more in their calculations in Taiwan. That's my basic point, and so that is part of this changing strategic environment that Steve was talking about.

MR. PAAL: Thank you for those responses. Steve, did you want to make any comments initially before we open up?

MR. GOLDSTEIN: Yeah, I wanted to maybe draw some distinctions. I think it's clear that it's not your father's or your grandfather's East Asia anymore, that it is very different. And Representative Rohrabacher discovered that when he resigned from the Taiwan Caucus because Taiwan wasn't anti-communist anymore. I think that was a good example of what Bob's talking about, that the nature of the relations out there have changed in very significant ways, and there is a need for people to understand those changes and to understand what the ramifications of them are for American policy.

Secondly, you know, I agree with Bob that we don't want to have a who-lost-Taiwan debate should things change, though I don't believe they're going to change that rapidly or that dramatically.

Thirdly, though, I think that we're dealing with two different questions. One question is what should American policy be in these changed circumstances? And, secondly, is the framework of the TRA capable of accommodating those policies? Those are two different questions and I think that they tend to get mixed up. So we've first got to decide what we have to do and then we have to decide whether we can do it within the general context and relationship of the TRA. I'm more sanguine than Bob is to just sort of now come out of the closet. I'm more sanguine than Bob is that the structure that we have is sufficient, that the issue is a policy issue and not an issue of the fundamental nature of the regime. But that's a discussion I think well worth having.

MR. PAAL: Bob has raised the question of whether or not we can get the administration and the Congress to put more on the same sheet and not be at each other's throat. Certainly when we have a president, a vice president and a secretary of state, all of whom come from the Congress, this should be an opportunity for policy initiatives, if they're the right thing, to bring the two bodies, the administration and the Congress, closer together, and I'd be interested in thoughts from the floor on what policy steps we might take. I would also be interested in hearing people's thoughts on whether we're looking at Taiwan too narrowly. Is this issue of the United States' relationship with China playing out not just in Taiwan but in our relationships with Singapore and Thailand and

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Indonesia, South Korea and Japan, and to what extent we're hedging with each of those parties vis-à-vis China, and to what extent we're also accommodating increased Chinese influence there in ways that we don't feel the need to hedge?

So I open the floor to questions and thoughts. Right here on the far left – Mike Fonte.

Q: Thanks, Doug, and thanks for two very fine presentations. I'm Mike Fonte. I work as the liaison for the DPP here in Washington, so you might guess where my questions are coming from.

I think the thing that struck me, Dr. Goldstein, as you were speaking, was the interaction between William Rogers and Henry Kissinger when the first communiqué was being formulated, at least the background as I understand it. Supposedly Rogers said to Kissinger, this phrase that all Chinese on both sides of the straits accept One China and Taiwan as part of China, there are people in Taiwan who don't accept that. And he was speaking about the Taiwanese, who didn't accept Chiang Kai-shek's position, is my understanding. And I think that's still a factor as we go forward and think about the implications of the TRA. And I also thought of the fact that Congressman Jim Leach, in his reminiscence about the TRA, was always very careful to point to – and very proud of pointing to the phrase which talks about the perseverance of the human rights of the people of Taiwan as a function of the TRA.

And I guess that's my sense, is that the strategic environment has changed, yes, because China has changed dramatically and the relationship between Taiwan and China has changed dramatically, and yet I think, in my mind, and think in my people who work within the DPP's mind, preservation of the choice by the people of Taiwan is an important factor, and that that's built into the TRA, and I wonder if you'd have some thoughts about that.

MR. PAAL: You want to have a couple questions first or would you –

MR. SUTTER: Whatever you –

MR. PAAL: Why don't we take a couple questions first? Yes, ma'am?

Q: Hi, I'm Rose Chun (sp), born and raised in Taiwan by a father who was a fighter – (unintelligible) – father followed Chiang Kai-shek to Taiwan, and I've been in the United States since '71. I'm the beneficiary – my family under the protective umbrella of the U.S. for many years. Now, since I have become a naturalized citizen, and I'm just going to just have some comments.

I think the main thing for the U.S. the relationship between Taiwan and China, it doesn't really just apply to the Taiwan; it's the term "democracy." I think as long as the U.S. insists on supporting the government who practice democracy, I think we will run into problems, you know, not just in Taiwan – everywhere. And my comment is China is practicing a total different political system, and if we talk about cause and effect, I think Mr. Sutter has mentioned – I think it's important to see if America wants to invest more, talk about the – (unintelligible) – influence in Taiwan, but the opportunity is having more influence in China, and I think there is a very brief window of opportunity here because the environmental issues, arms control – there's some major issues that we can work with China.

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And the Taiwanese people, if I may say so, they already voted with their investment and the – when I was back in Taiwan, recent years, there is no – I see silver hair class and also school children. All the working-class male, they're all over China. They already voted with their investment. Thank you.

MR. PAAL: Thank you, Ms. Chun. Another question. Alan Romberg?

Q: Alan Romberg of the Stimson Center. Let me just raise a few points on both Bob and Steve's presentation. I have, as Doug does, a very different impression about the issue of balance in the discussion inside the U.S. government. I can't argue with what you're saying about how – people went up to the Hill and may have talked about it.

I'm not terribly familiar with that, but I think I am rather familiar with how the issue was discussed inside the U.S. government and the executive branch, and the issue has not been, for an extremely long time I would say, trying to maintain a balance – a military balance across the strait because that was not feasible, but it was to try to maintain a capability where if the PRC decided to use force, or in considering whether it would use force, it would have to confront a Taiwan military capability that could hold it off for a period of time. And then the question was, would the U.S. get involved?

And, of course, that's always an issue and it's not one that's going to be decided unless and until you face that because no president is going to decide for a future president and is not going to make that announcement. So this gets into this sort of strategic ambiguity. The message to PRC: Don't assume we won't come in to Taiwan; don't assume will, so neither of you should be provocative.

I also have a very different perception of the policies of Taipei, Beijing and Washington that, you do, Bob. I think that Ma Ying-jeou in fact has no intention of giving up capabilities to handle Taiwan's security. It includes the military, and he's made very clear – whether you or I or anybody else agrees with his specific decisions, it includes maintaining an adequate military but it also addresses security writ large, and I think that part of the policy that you're suggesting as weak on defense is one way of getting at Taiwan security, not a way of yielding.

U.S. policy I think is not to seek resolution of the issue, although I could agree with you that if there were a peaceful, non-coerced resolution, that everybody on the two sides could endorse, that would be fine for the United States, but the objective has been to maintain peace and stability, not to maintain the balance, and not now to move toward resolution.

And finally I would just distinguish between PRC foreign policy and PRC Taiwan policy, and I think it's a little risky to draw parallels there. You know a lot about foreign policy. I would suggest on Taiwan policy, the PRC really doesn't want to force a resolution, as you were also saying. It doesn't – I think if there is any kind of resolution that is not consensual on all sides, they're biting off more than they want to chew, and I don't think they want that. And as long as Taiwan is not moving toward independence, I think that the policy is one of a great deal of patience and a great deal of time that will be required to get to the point where they can possibly do this, and I think we've seen much of this under Hu Jintao in the last several years than we did under Jiang Zemin, but nonetheless I think that's the policy.

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Steve, I guess I would question to some extent whether the Cold War background informed the Taiwan Relations Act as much as you think it did. My sense of the TRA was that the U.S. wanted to maintain, for both domestic political reasons but also because of a concern about Taiwan, a very significant concern, the ability to deal with Taiwan, to maintain relationships with Taiwan, not to let Taiwan be taken over by the Mainland in some forceful way and therefore you had the arms provisions and so on and so forth, but that it really wasn't a matter of – let's just put it in Bob's terms perhaps – bringing Taiwan into the hedge. I don't think that by the time this happened that was really a major consideration or, I would argue, even a consideration the way these things were put together. It was a very pragmatic approach, right? The administration put forth a bare-bones piece of legislation designed to create AIT and, without mentioning it but having clearly put it on the table with the PRC, to continue Arms sales to Taiwan. But it wasn't some declaratory policy or even a major element of, I believe, the strategic picture in the region.

And, therefore, I would tend to – and I agree with what Mike Fonte says – I often don't agree with Mike Fonte, but we – (laughter). The people in Taiwan don't have any desire, obviously, to move ahead in some helter-skelter way. They don't want to be under the PRC at all, if you look at it. Whether they can bring themselves to over decades, we'll see. But I think that the utility of the TRA to maintain the relationships with Taiwan still exists, and the policy is not constituted by the TRA alone, obviously, and so the U.S., while maintaining those relationships and trying to preserve peace and stability and not having Taiwan forced to submit to coercion at the same time is quite supportive of the cross-strait developments of late. And you can actually go back before the Kissinger-Nixon opening in 1971 and find an on-the-record statement by the U.S. government that we would be okay with any resolution that the two sides came to peacefully and willingly. And so I – you know, let me draw you out a little bit more on that if I could.

MR. PAAL: Steve, do you want to go first and then Bob?

MR. GOLDSTEIN: Okay, I don't want to answer a question that Bob might answer, but, you know, it's always hard to talk about what was behind the TRA because there was so much behind the TRA. And it's true that the administration did propose a very bare-bones bill that would simply maintain the relationship and keep treaties enforced, but if you look at the debate in Congress and if you look at the testimony of administration people who went up to the Hill and tried to defend the omission of any security component in the original TRA, I think that it becomes a little fuller. For example, if you throw Kennedy into the mix and Javits into the mix and John Glenn into the mix, there is, I think, a little fuller sense, you know, but we can talk about that. We'll have plenty of opportunities.

As far as Mike Fonte's question, yes, there is in the TRA preservation of choice, and it's at the beginning where it talks about peaceful means twice. And, of course, as Alan says, that had been policy even before the TRA. The question is – and we're not even getting into this – is what is the status of the TRA? It's never really been tested. Its constitutionality has never really been tested. And if some people were here they would say that this first part where peaceful resolution or means is included is a hortatory part that has no legally binding enforcement possibility anyway.

So, yeah, it's been stated a number of times, most recently by President Clinton, I guess, but it's policy and not law. I guess that's how I'd put it.

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MR. SUTTER: A very rich array of questions. Thank you very much. I'm not sure I'll do them justice in trying to answer the few that I can.

Just putting Ms. Chen's remarks and Mike's remarks together, they seemed, in one sense, to be at odds with one another. I think, you know, the need for the United States to preserve choice in Taiwan, this is something that – you know, Taiwan lobbyists used to come to me on the Hill and say, give us a chance. Give us a chance. Give us time so we can – and we'll take over and we'll run the situation. I remember sitting down with a very senior person in 1982 who said, just give us 10 years, and if you give us 10 years then we'll take over and we'll run this.

And Taiwan is running its own show. Taiwan has its own democracy. And what is it deciding? Well, there are people like Mike in Taiwan but they lost the election. And then there are people that support – that interact with China and they vote with their feet and their investment and things like this. And so I think we have to be – we're working with the elected government of Taiwan, you know, and so we have to follow that. And what is that government doing? Well, it sort of has this policy that we're talking about.

And, really, on the military side – in this area that Alan raised on the adequate military and security issues, I just think the record in Taiwan has not been very adequate. I mean, we're doing a lot of work and Taiwan is – you know, they temporize, they delay, they don't spend money. You know, it doesn't seem to be very popular, whether it's green or blue. They don't seem to do very much.

And so, do we have to preserve the choice for Taiwan, we the United States? I don't think so. Do we have to preserve the defense capability of Taiwan? I think Taiwan has to do a big part of this. And that's why I think that trend – and yet it's not popular in Taiwan. It can be seen as a little bit – on the military side it can be seen as a little bit provocative to China. And so if your goal is to stabilize the situation with China, well, then you're not going to do the military thing, and that makes it hard to sustain it, from the American perspective, it seems to me. It makes the Americans say, well, why the heck are we doing it all? You know, because we are doing a lot, as far as I can see.

And so this is one of the incremental iterative things that I see happening as Taiwan and China just get closer together and Taiwan leaders make pragmatic decisions that are in the best – that seem to be in the best interest of their broad constituencies. I say, fine, they're doing that, it's in their interest, and so don't expect too much from the American side. That's my sense of what's happening, and we have to get realistic about this.

And so, on the balance issue with – I think I've talked about this some – I guess the – when you look at – it's true that policy – and when people keep talking about policy and then you try to get them to define things in policy and you find that the assumptions that you had are not justified by policy – in other words, that – and yet people have these assumptions, and I think that's what we're dealing with in this case, on balance. I think this is the kind of thing that – policymakers have this very intricate sense of what's happening, to the point that there are only a few people that really understand it at all.

And so – you know, I'm a Roman Catholic – it reminds me of the Curiate, you know, trying to understand these different things. And the rest of us in the – you know, we don't understand this stuff. And so – and I think that's – and yet it's very important that we as a people in the United

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States understand this because we have – you know, our people, our sons and daughters and others, will do the fighting.

If there's any fight there, they're going to do the fighting. We pay the taxes. And so, we do need to have this – we need to bridge this sense of understanding the policy to how it conveys to our country. And that's – I don't want to plead for ignorance or stupidity on the part of – but I do think that so much of the debate – and policy is very important. It's extremely important, but I don't think it's often well-understood, and today I just don't think it's addressing the issue directly, so that's the other point.

Let me just make sure I've gotten everything. On PRC foreign policy versus Taiwan policy, I just – I think the PRC does this on all sorts of issues. They're doing this now with climate change. Climate change is the type of issue that they're trying to avoid – big costs with climate change, and so they're looking at the process, they're into process: Yes, we're doing process, process. What are they going to actually do? And that's a domestic and foreign issue and I don't know if it affects Taiwan. It has some effect on Taiwan.

But that's just the latest example for me of China stringing something out in a way that looks flexible, looks really good but doesn't do much, because it's too costly to do it. In the case of the space for Taiwan and the case for, you know, reducing the military pressure against Taiwan, those are two costly issues for China, and I think Ma would do better if he had a stronger hand in dealing with that but, as I say, I don't think that's going to happen, given the nature of U.S. and Taiwan policy toward China.

MR. PAAL: In the back?

Q: Thank you. Steve Lande, Manchester Trade. I've been following this issue, but from the economic point of view, since the 1970s and so on, and there was a little bit of economic negotiations that went on at the time of the TRA, the time of our breaking relationships with – at the time of our breaking relations with Taiwan and reestablishing – or establishing them with China. And that, you may recall, was a negotiation that was taking place both under the context of the GATT negotiations and on television where restrictions on Taiwan we were asking to place. And I was just comparing the situation at that time to what exists today and why I have a feeling we may find this problem solved with a kind of European-Irish solution as opposed to a lot of the military security reasons.

My memory, if correct, we agreed to enter an agreement with Taiwan where we said, Taiwan, we'll give you all the trade benefits of the Tokyo round if you agree that whatever is agreed to in the Tokyo round, where we can't speak to you again possibly, we agree to undertake the obligations, and based on that we gave them something called the injury test. They also agreed, even though they weren't going to talk to us again, to limit their exports of televisions – they even had a television industry back then – to limit their television industry.

To figure out what has happened since then has been quite amazing, and Taiwan has really been moving kind of straight up. The biggest – the two biggest accomplishments were, one the fact that they are now part of the WTO, along with China, and secondly is that they participate in the APEC dialogue, the Asian Pacific Economic Community dialogue. If U.S. trade policy was continuing down the road towards free trade and so on, which we might have been in the past and

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so on, it was only a matter of time until there was some kind of an FTA between APEC and the U.S. which would have included Taiwan, China and the U.S. indirectly. My own view, which is another discussion, is that this will take – the progress will start about two years from now and will continue down the same path.

So my real question is, do you see the type of European solution in the sense that if the U.S. engages in much closer relationships with Asia, that this is eventually how China, Taiwan and the – China and Taiwan specifically are going to find themselves involved in an international economic agreement which should push the military and the political questions somewhat under the rug. Thank you.

MR. PAAL: Eric McVadon?

Q: Eric McVadon, the Institute for Foreign Policy Analysis. I'd like to make a comment first on the defensibility and balance issue that has been raised. For a long time we thought that maybe Taiwan had a technological advantage that could overcome the numbers that the PLA brought to bear, but I think nowadays – and to quickly go over the list of short-range and medium-range ballistic missiles that are very accurate, and a submarine arsenal or force that's really quite impressive now, and modern surface combatants with some scary anti-ship cruise missiles, and then most recently, I guess, the prospect of anti-ship ballistic missiles could end up threatening to thwart the U.S. ability to intervene and so forth, all those are real capabilities that truly have changed the situation and made even defensibility a question. But I do have a question.

As we spoke today I think Mike Fonte was the first one who brought up the communiqués. It seems to me that maybe the Taiwan Relations Act and the communiqués are something of a piece. I wonder whether you agree with that and whether, as we look at the new situation we're also looking at the prospect of a fourth communiqué or something, so how does all that fit together?

MR. PAAL: David Brown?

Q: My question goes off – David Brown from SAIS – goes off Steve's comment about the changes in the overall cross-strait situation in the last decade or so. I think he's done a very good job in describing those. I think the people in Taiwan are very conscious of those and that they have their leaders and their publics have been wrestling with this and they will continue to wrestle with them in the future. At one point they elected Chen Shui-bian and then they've rejected him. They have now elected Ma Ying-jeou. I suspect, in due course, he will be succeeded by someone else and that we as Americans have very little control over the types of policies that the people on Taiwan pursue in trying to wrestle with these changes in the broad context. We also don't have much control over how the PRC reacts to what Taiwan is doing, and I do think Taiwan is very much the driver of the dynamic and Hu Jintao's policies may very well be replaced by some quite different ones in the future. That's the context that I'm pressing my question in.

I think it's also very good to think – and this point has been made – that the TRA is a framework or a foundation for policy. It's certainly not the whole of American policy and it doesn't tell us how to deal with fundamental questions such as the one that Alan raised: What do we do if, in fact, in the future there is a movement towards significant not just economic but political integration across the straits?

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So my question is, do either of the panelists think that there is anything in the TRA which is incompatible with long-term U.S. interests in a dynamic and changing cross-strait environment? My own sense is no, but I wonder if either of them see something that is fundamentally incompatible because if it's not, there isn't such an element – I think the momentum of keeping the TRA, both because it provides the framework for cross-strait – for U.S. dealings with Taiwan and because, as Richard Bush says, it's one of the sacred texts which are not going to be fiddled with, that that continuity is pretty strong. Thank you.

MR. PAAL: Could you take on those three diverse points of view?

MR. SUTTER: Why don't you go first this time?

MR. GOLDSTEIN: Okay. The first question is on economics, developing to such a degree that it would push away our military and other differences with China and resolve these differences. I hope so. I mean, I really hope it happens that way, or I hope it happens in some way, but I – my sense is watching – you know, when you work in the CIA and you work in intelligence, you work on threats and things of that type. And the Defense Department is full of that kind of thing and the Chinese are preparing for defending Taiwan in a way that would be very bad for Americans coming into that situation, so we're enemies in that sense. And so how do you get rid of that? That's very hard.

And so I think there are lots of elements – I guess lots of elements of friction and differences between the United States and China, and I'm not sure economics will succeed but it certainly could help. And this gets to the answer of the fourth communiqué. I think the danger of this kind of thing – and I do think it's a danger – is that we could start believing our own press releases in U.S.-China relations. We think everything is just going great in U.S.-China relations and I don't think it is. I think we're doing an awful lot of – our engagement is premised on basically – I mean, we spend an awful lot of time talking about where we agree and we don't spend much time talking about where we disagree, and yet we fundamentally disagreed on a whole bunch of issues and we just don't talk about them. But if we had to do a communiqué we would start talking about them, and this would come – and this would not be very pleasant, it seems to me, and so I really would – I'd stay away from this one if at all possible.

And that gets to the TRA. Is it incompatible? I haven't read it in detail, Dave, about the TRA but my sense is that I'd rather leave these kinds of things alone. I think that's – we're doing pretty well in dealing with China. I think both sides are being – the United States and China remain very pragmatic in how they're dealing with issues, but if you want to understand our differences with China, you can see that in the Congress. You can see these spikes of antipathy that show up in the media in the United States. Public opinion – half of the Americans – more than half the Americans have a negative view of the Chinese – a disapproving view of the Chinese administration. I mean, we have a lot of differences with China.

And so – and if you start changing these sacred texts, I think you run the risk – unless you have to, and if they're not broken I would keep them, but unless you have to I wouldn't do it because then these forces will feel they have to come into play, and then you get the – in a very gross sense you get an MFN type of situation. You get a target. And the interest groups – and there are lots of them that don't like China, as well as those that do, will start going into this sort of thing

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and you'll have to resolve those differences and it gets very messy. So I would keep the TRA and not do a fourth communiqué, Eric.

MR. GOLDSTEIN: Well, I'd agree with Bob on the fourth communiqué, Eric, but of course it is American policy that the three communiqués and the TRA are the basis of the One China policy. So we do treat them as a piece, though Congress of course has tried to legislate that the TRA takes precedence over the three communiqués, that the TRA takes precedence over the three communiqués, and that would be an interesting situation.

As far as the architecture, the economic architecture of Asia, the Chinese position is that Taiwan is not entitled to take part in that economic architecture, that if it does it will do so as a part of China, and that's a real problem and that's what makes Ju Jintao's recent suggestion that somehow some arrangement can be worked out tantalizing to Taiwan, but it's been tantalizing with no details. These are two countries who still have to bring themselves in compliance with the WTO. Taiwan's trade with the mainland is way out of compliance with the WTO. So that might be a place to start if they want to deal with international trade organizations.

David's question – is there anything in the TRA that's incompatible with current American policy – no, unless you take the position that Taiwan is entitled to be treated on an equal status as a sovereign state, but if the American policy towards Taiwan remains that it's something else, then we have enormous flexibility. I mean, that's where I think I come down on the TRA. It's enormous flexibility because it's a policy statement; it isn't law, and the policies that are inherent in it are so broad that you can practically anything but have an official relationship.

MR. PAAL: Mr. Lande's point earlier reminded me of something that I observed while I was serving in the government, and that is that the – there are continuing strong and localized voices in the Congress about Taiwan's security and concern about PRC assertiveness and espionage and these things. Increasingly, members of Congress have introduced their own kind of balance in Taiwan-PRC relations based on commercial considerations. A number of members of Congress have told me that whereas in the past they would routinely sign letters on this or that subject in support of Taiwan or against the PRC, but increasingly the focus on letters helping their businesspeople get preferment or opportunities in China, and that they're much more cautious as a consequence.

I'm not saying that members of Congress don't put – I'm not saying they put commercial considerations ahead of everything else, but in the day to day business when it's not a life and death kind of choice there is a lot more interaction between the PRC and constituents of many members of our Congress, which I think has colored the way Congress views these issues.

More questions? Vincent?

Q: Thank you. Vincent Yao (ph) from TECRO. I was going to say I totally agree with what Dr. Sutter has just mentioned. There is a change in the situation between the two sides of the Taiwan Strait, but if we talk about the vast influence of the United States on Taiwan, it didn't happen only after President Ma's taking office. It actually happened in the past eight years. You know, there was a time that both Beijing and Taipei wanted and needed it to go through Washington to solve some of the issues, but it is perceived by Taipei that the U.S. influence on the cross-strait

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development is not in favor of Taipei. And if you talk about WHO and FTA, it is not a new position of the Obama administration.

You know, we didn't get what we got from the United States, say 10 years ago when we first started to participate – to try to participate at WHA. It took the toll of SARS to get the support from the U.S. Congress, and it was signed into law by President George W. Bush, and then it became a policy of U.S. government. So it has to be followed by Obama administration. I mean, I'm not speaking for my government's position; I'm just speaking for myself.

And then FTA, when we were trying to get the negotiation from Bush administration, we didn't get it. And on arms sales, we tried to deliver the letter of intent for the F-16s during the Bush administration; we didn't get that.

So what I'm trying to say is that this so-called last influence of U.S. on Taiwan is not happening right now. It's happening over time and now people are more concerned that both sides, both Beijing and Taipei, they no longer have to go to Washington to solve their issues. They talk to each other, but it is hoped that still Taipei wants to, to some extent, try to go to Washington to balance its developing with Taiwan but perhaps that everybody is trying to figure out what is the real intent of President Ma's position.

I don't have an answer for that, but I just want to raise this issue to you; I mean, this is not happening overnight. And I also have a comment to the lady, Mrs. Chun, just to mention, I don't really understand what it tried to say that by people in Taiwan voted for that, I know, for investing in China. I totally agree with Mr. Yao, what he mentioned, that Taiwanese people may not be – let me try to improve their relationship with Taiwan, but that doesn't mean that they want to be part of China.

These one million or 2 million people, Taiwanese business people doing business in China, they never say that they are Chinese. They don't even see themselves as Chinese. So this is the difference; this is growing of Taiwan identity, Taiwan awareness. It doesn't mean that to doing business or improving the relationship with Taiwan means that we want to be part of China. It is open to discussion, but it is not right now. That is, it should be discussed in the future. Thank you.

MR. PAAL: Anyone else? Yes, sir.

Q: My name's Bill Rudd. I followed export controls for 45 years. This is the 30th anniversary of the Soviet invasion of Afghanistan, which had a direct impact on China and that, a couple of years later, President Regan decided to play the China card and as a result a vast segment of the strategic list of (duty list ?) items were then approved to China without even being reviewed by the Defense Department and even if it was military use.

Now, 20 years ago, that changed, when the Soviet Union imploded and the U.S. suffered from enemy deprivation syndrome and the only enemy left was China. And, of course, Tiananmen Square didn't help, but that didn't really have much to with a strategic analysis.

But much more recently, one year ago, the pendulum shifted way in the other direction. This was executive branch action; I don't believe there was congressional impetus to it but now

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there's a broad swath of items that have been removed from the international strategic list, decades ago, but were controlled unilaterally by the U.S only to countries like Iran and Syria.

But now they're controlled to China and no place else, and to say that we have been proceeding on a pragmatic basis, I think, is kind of a stretch. As to whether Taiwan has much to do with this, I don't really know. I don't believe our export control policy has changed much to Taiwan, but I've recently been researching British controls, and they have 41 general licenses and each one has a different set of good guys and bad guys and Taiwan seems to shift from one to the other, in a quite incomprehensible fashion. And perhaps that has something to do with their attitude towards the arms embargo.

But either of the panel, or any of the panel members can shed some light on why the Taiwan and the U.K. switches from one to the other, I'd appreciate that, but with respect to the U.S., how we could get to the point of what I think is a totally irrational action last year, that's my main question.

MR. PAAL: Could you be a little more explicit what the action –

MR. SUTTER: This is the tightening of restrictions on – (inaudible, cross talk).

Q: Tightening of restrictions to China –

MR. SUTTER: Of technology transferred to China.

MR. PAAL: But just to China.

Q: Just to China; it was directly aimed at China.

MR. SUTTER: China was targeted, yes.

MR. PAAL: One more.

Q: I have a question for Mr. Sutter. My name is Marvin Fu (ph). I'm a writer of the Chinese Times of Taipei. You know, speaking of the imbalance between the mainland and Taiwan, as you see it. I think your point is being seized by the opposition people, especially the DPP (ph) people as a sign that the Ma policy of accommodation and the reconciliation with China is failing, is very dangerous – so much so to the point that they claim according to your view, the United States is the sound of virtue, but eventually abandoning Taiwan.

Of course, there's a little propaganda there, but I wonder if you're aware of this type of sentiments in Taiwan in so far as your recent remarks on the subject are concerned – and whether can you elaborate as to, is this really your concern, or it's been blown out of proportion, is my question.

My question to Mr. Paal, very simple, how would you characterize U.S.-China policy? We all say it's One China, okay, in theory, of course, but in practice as I see it's One China, one Taiwan. You have the TRA, you've been the director of AIT and the other day Ray Burghardt of the AIT

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made some remarks; his concluding remark was that I quote, “We don’t have to believe our own fiction.”

He’s talking about AIT and all these charades about unofficial relationship with Taiwan, and blah, blah, blah. Okay, so – (chuckles) – it makes me wonder, as a diplomat, as the U.S. representative in Taiwan for four years or so, how would you characterize United States’ policy – China policy, One China, or One China, One Taiwan, or what?

The last question to Professor Goldstein, very simple too. Thirty years from now you think that TRA will still be there and functioning? Of course, by then, most of us wouldn’t be here.

(Laughter.)

MR. PAAL: Any order you prefer?

MR. GOLDSTEIN: Why don’t you try to answer the One China? (Laughter.) I’m sort of curious.

(Laughter.)

MR. PAAL: Well, Norman, you’re not going to get me to say, One China, One Taiwan policy. We have a One China policy and I think it’s intellectually respectful not just a fiction. I can’t speak to what Ray Burghardt was reported to have said. I don’t know what he said and I won’t try to comment –

Q: (Off mike.)

MR. PAAL: On the Hill?

Q: Yeah, Regi Striver (ph), you know –

MR. PAAL: I didn’t attend to those and don’t know the contents. But I do think that the United States, with a One China policy context has sought to preserve the autonomy, democracy and prosperity of the Taiwan people. That spirit is embedded in the Taiwan Relations Act; and it’s also what I think Americans politically want for Taiwan and Congress repeatedly made itself clear about that – because we do not rule out the possibility that some day China may change to such an extent the Taiwanese people might be willing, through some democratic process, peacefully decide to be part of China or peacefully decide between China and Taiwan – if they’re not going to be part of China on a permanent basis. That’s something we leave to them; we just insist on the peacefulness of that resolution also embedded in the Taiwan Relations Act.

But I have, whether practicing as the U.S. government unofficial official in Taiwan or not, I think with a very straight face say that we do seek the continued autonomy, prosperity and democratic development of the people of Taiwan.

MR. SUTTER: I’ll take these questions in reverse order if I may. I’m well aware of the sentiment in Taiwan. My concern about doing this, I think I laid it on the table here, I’ve written it down. I tried to write down what I want, what I’m concerned about. I’m not trying to undermine

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Ma Ying-jeou's policy or support the opposition in any way; I'm an American, I'm worried about America.

I'm not worried about Taiwan, really. I mean, I'm concerned about Taiwan, but my focus is on America, how we manage the situation; what should we do? And I think that's what I'm looking at, and I'm looking at it – Steve characterizes as this broad change of environment, and I think it's a significant change, and so we need to think about what we're going to do in this situation.

It has implications for Taiwan, and I'm not laying them out in any sort of – I'm trying not to let them out in any sort of crude or insensitive way. I'm very sensitive to the situation in Taiwan, but I think we need to deal with this. And so I'm not going to just say, we're not going to talk about it, because people in Taiwan will misinterpret what I'm saying. I'm sorry, that's their problem in that sense, so –

Q: Do you think that you have been misinterpreted?

MR. SUTTER: Sure, but any of us that go to Taiwan, we're always misinterpreted. (Laughter.) I'm sorry, that's not news, Norman, that's really not news. That's standard operating procedure. We all understand that and so if you say anything you're going to be misinterpreted and so that's standard procedure.

I don't know a lot about his controlled list, but there was a lot of pressure, we were in the embargo, the military was concerned in this, Rumsfeld, the Defense Department was much stricter in dealing with China and so I forget where, this one I think came from a congressional pressure. I don't know if there was a law –

Q: (Inaudible) – legislation.

MR. SUTTER: There wasn't legislation, okay. Well, then, I don't know the background of it. I just read reports about it. I wouldn't look at – export controls can be an indicator of overall policy but it isn't always the indicator, it isn't the key indicator. So that's my answer to that one. Vincent, I really appreciate your comments on this: When Bush people came in, the opportunity for this close collaboration between Taiwan and China was – Taiwan and the United States – I thought was extraordinary.

I really thought this was going to be just really close, and what happened from the American perspective, it seems to me, is that Chen Shui-bian took advantage of it at a time when the U.S. was extremely vulnerable with Iraq and Afghanistan and all these other issues, and he was causing a war, a possible war in the Taiwan Strait.

And so, sure, you're going to get this tremendous backlash from the United States on this issue, but the intent of that administration when they came into power, it seemed to me, was very strong. Do what you can – talking up shore – talking about shoring up Taiwan. They really wanted to shore up Taiwan. They were very much in that mode, and Chen Shui-bian seemed to put it in his pocket and then go off and use it to declare – to move toward independence, which was just totally provocative and alienated so many people.

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So what you describe about the decline in U.S. influence and what we didn't do in and so forth I think is in that context. It's a reaction to this type of thing, and – but your point about, that U.S. influence is less than it was, is a good point, I think. I agree with it.

On the licenses and on the treatment of Taiwan, I have no knowledge whatsoever of that, but I – it could be – there is concern of leakage of technology from Taiwan to the mainland. There is concern, I think, that some have expressed and that we've seen in the indictments for illegal exports that Taiwan citizens have actually been exporting to the mainland. So, you know, that's what comes to mind on the basis of total ignorance.

Are we pursuing the One Taiwan, One China policy? We did in the – or, we pursued a Two China policy in the '50s, of course. But I think that as long as the Three No's remain American policy, we are not pursuing a One Taiwan, One China policy, because that assumes an independent, sovereign Taiwan and an independent, sovereign China, and that is not American policy.

As far as where we'll be 30 years from now, I think that depends entirely on where Taiwan is 30 years from now in its relations with the mainland and in the kind of – simply that, in the kind of relationship that exists with the mainland. If its status quo as it is today, I think the TRA will still be in effect. If it's a federation, confederation, a – I mean, there are all kinds of variations. People on the mainland have said that even under some form of reunification, arm sales to Taiwan by the United States would be allowed, but they've never specified whether that's bows and arrows – (laughter) – or anything else. So it really depends on what the relationship with the mainland is for whether the Taiwan Relations Act will have any validity.

Q: Do you really believe that Taiwan controls the future? Taiwan has more control over the future of Taiwan than China?

MR. SUTTER: Yeah, well, I think that Taiwan and the United States have control over the future of Taiwan, working together in a common strategic vision, yes,

Q: Which party has more control: the U.S. or Taiwan?

(Laughter.)

MR. SUTTER: Not going to touch that one. (Laughter.) But I think Taiwan and the United States share a common vision, and as long as they share that vision, that both will be.

MR. PAAL: We have time for one final, brief question. I know you've been waiting. Thank you.

Q: Peggy Shane (ph) with Voice of America, China branch. I'm just curious about your comments about recently, President Ma Ying-jeou is pushing for signing of the ECFA, and what's your thought on that and how is that going to affect the United States down the road? Thank you.

MR. SUTTER: Well, I think it's just a reflection of the integration, economic integration of Taiwan and China, and this is going forward and it's very robust. And so – and this makes Taiwan leaders focus very heavily on economic issues with China and makes China important in their calculus.

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MR. PAAL: It may prove to be a precursor to an FTA with us, that if the big hurdles between China and Taiwan are overcome, it will appear to the American industries, who are vital to the passage of FTAs in Congress, that there will not be a zero-sum game for them. They can support their enterprise's activities on the mainland and not be damaged by supporting something for Taiwan if Taiwan and China themselves have already reached productive compromises on this ek fa (ph), as they call it. The – it sounds like you're clearing your throat. (Laughter.) Anybody else like to make a comment?

MR. GOLDSTEIN: I would just add that I think ek fa would be a very healthy thing for Taiwan in terms of domestic politics, because it'll stimulate a debate and maybe a consensus on exactly what kind of economic relationship Taiwan wants with the mainland, and as we know, ek fa is being attacked by the DPP as a sellout, and it would be nice if they could talk about, in a reasonable, rational way, as to what exactly constitutes a sellout to China.

MR. PAAL: Well, thank you very much, everyone, for being here this morning and for asking such interesting questions and offering comments. I want to thank Bob Sutter and Steve Goldstein for presenting challenging and interesting cases on a very interesting and, I think in this instance, future-loaded set of issues. Thank you very much.

(Applause.)

(END)