

CARNEGIE ENDOWMENT

**“TAIWAN SECURITY REVIEW:
ONE DECADE AFTER THE 1996 MISSILE CRISIS”**

SPEAKER:

**ANDREW YANG, CHINESE COUNCIL OF
ADVANCED POLICY STUDIES**

MODERATOR:

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MICHAEL SWAINE: Thank you very much for coming this afternoon to our China Program event. My name is Michael Swaine. I'm a senior associate in the China program here at Carnegie, and it's my pleasure to introduce a friend to many of us, and previous speaker at similar events. He's always welcome when he comes into Washington. Andrew Yang, who's a close friend and colleague for many years, is the secretary general of the Council of Advanced Policy Studies in Taipei, and as many of you know, he is one of Taiwan's leading specialists on national security and defense matters in particular. And he is an advisor to the Taiwanese government on these issues. He's also a lecturer and research associate at the Sun Yat-sen Center for Chinese Policy Studies at National Sun Yat-sen University in Kaohsiung.

He is going to speak to us today, giving us his perspectives about the security situation regarding Taiwan 10 years after the Taiwan Strait crisis of 1995-96. We're really just about exactly at the 10-year mark from the end of that crisis in the March of 1996. And so Andrew wanted to address the issue of what he thinks has changed and what hasn't changed in the ensuing 10 years, and why he thinks that the situation regarding Taiwan is still in many ways a very tense situation, despite the fact that there has been some improvements in recent months in the US-China-Taiwan relationship. So he will make remarks for about – 20 to 30 minutes or so – and then after that we'll have plenty of time for question and answer and hopefully have a good discussion, not just on the whole 10-year interval, but we can also talk of course about recent developments, current events, et cetera. So Andrew, take it away.

ANDREW YANG: Thank you very much, Michael. As always, it's a pleasure to be invited again to speak at the distinguished Carnegie Endowment. I also want to thank the Carnegie Endowment for International Peace for constantly supporting my institution, CCAPS in Taipei, and holding many activities, including joint conferences with regard to Taiwanese security and the military build-up in China and its impact on regional security.

I'm here this time on my way to participate in another event in Virginia regarding building strategic interests between the two sides of the Taiwan Strait. It's an informal dialogue between the two sides among scholars. This kind of dialogue has already occurred five times. Nothing concrete has been achieved but we try to keep the dialogue going and hopefully it will bring in some sort of results. Mainly we're trying to enhance mutual trust between the two sides.

I will start to look at what has happened since the 1995-96 military exercises by Beijing in the Taiwan Strait, what are the crucial factors affecting cross-Strait relations, what effect Taiwan's policy toward China has, what effects Taiwanese domestic politics, and what are the implications of these kinds of changes with regard to the security situation across the Taiwan Strait. My argument is that for the last 10 years or so, instead of producing positive achievements to reduce misunderstanding and mistrust between two sides, we have witnessed the emergence of a lot of mistrust and misunderstanding as a result of a lack of trust, lack of negotiation, and lack of constant and constructive contact between the two sides. This is what we have experienced for the last 10 years. This also directly resulted from the Chinese decision to increase military coercion in

response to Taiwan's first democratic election in 1996, and also in response to former President Lee's visit to the U.S.

So I think many factors have contributed to the political distrust and misunderstanding between the two sides. Number one, because there were no continuous interactions in the past, particularly starting from 1992, both sides have adopted more proactive attitudes in terms of bridging the differences in order to achieve a better understanding towards each other. This efforts especially include the effort made by the Cross-Exchange Foundation, the informal nongovernmental organization in Taiwan, and its counterpart, the ARATS, the association across the Taiwan Strait and mainland China. Both organizations have made some efforts to bridge the differences and set aside the disputes between each other.

However, those contacts and the trust-building process are based upon the so-called "one-China with separate definition." That is essential to facilitate better understanding between the two sides. However, if you look at the day-to-day situation, especially since the gained DPP power in Taiwan, the DPP has stopped mentioning the one-China definition, and recently has ceased to apply the unification council, and ceased to activate the unification guidelines. This sent a strong message that the DPP government was no longer emphasizing one China. Even one China means the Republic of China in Taiwan.

So this trend has increased distrust between the two sides in terms of bridging the differences, in terms of mending the political disputes. So this is number one. Political differences have been getting wider and wider between the two sides since 1996. Secondly, we also witness increasing military coercion from China as a result of a perceived shift away from the one China principles adopted by Beijing. We witness not only the increase of the number of missiles deployed across the Taiwan Strait, but also the adoption by China of very focused military modernization in order to fight and win a local war in a high tech situation.

So we do witness increasing defense budget spending in China, and also increasing modernization with focused technology, tactics and doctrines in order to fight a local war in a high tech situation. Thus, the kind of military situation we are faced with today will continue in the near future as well. So military coercion has been enhanced and will be enhanced in order to send a stronger message to the Taiwanese that legal separation will result in military confrontation between the two sides.

On the third front, very much different from the increasing political distrust, increasing military coercion from the mainland China and from both sides, we witness another trend, which is a constant trend: cross-Strait reservations. That is economy. So given mounting political distrust and increasing military coercion, we witness increasing economic action, particularly accumulated over the last 10 years or so. Trade between the two sides has multiplied and over one-third of the foreign investment from Taiwan goes to mainland China. The trade surplus between the two sides has increased to more than \$30 billion USD per year, according to 2005 calculations.

More than half a million Taiwanese businessmen and their families have been residing in China for more than 180 days and doing their business. We call them permanent residents of mainland China. We also see there is a tremendous increase in the inter-marriage between the two sides. According to the Mainland Affairs Council's calculations, there have been more than 200,000 marriages in the past 10 years or so between the two sides of the Taiwan Strait. So this is the constant trend among military coercion and political mistrust between the two sides. It presents a very complicated picture as far as the development of the last 10 years is concerned.

But there is another aspect that is also affecting cross-Strait relations – China's peaceful rise. I think China's peaceful rise impacts Taiwan in two significant ways. Number one is that if China is rising peacefully and is gaining more clout internationally, it will especially marginalize the Taiwanese presence in the international community. For example, the Mainland has been persistently sabotaging Taiwan's participation in the World Health Organization.

Secondly, China's peaceful emergence also challenges U.S. influence in the global arena, and also to some extent threatens the U.S. position in terms of protecting Taiwan or defending Taiwan in the region. Other countries will be affected as well because they will look at the Chinese position and make evaluations before making a decision regarding cross-Strait policies.

There is another important aspect of Chinese peaceful emergence: the Chinese position in the international community. Most strategic interests have been established between China and other major countries. For example, whenever China made a decision or adopted a new policy toward Taiwan, we can see a different kind of response emerging from the international community. The typical case is the Chinese approval of the anti-secession law in 2005. I think that's a good example to show that the international community has adopted different views about the approval of the law in Taiwan.

So these are the major factors. Political mistrust, military coercion, more economic interdependence, and more peaceful emergence and isolation of Taiwanese international participation. All these factors impact the domestic politics in Taiwan. Although I do not hold a crystal ball in my hand, I have witnessed the effects of these four major factors on Taiwanese domestic politics for at least last six years or so, especially under the DPP's rule. As the Chinese increase their coercion and isolation and political repression or political united front toward Taiwan, the more anti-China sentiment will be driven in Taiwan.

Another aspect also has to be taken into consideration – the highly intensified Taiwan identity. The increased isolation and marginalization of Taiwan has created an intensified identity conflict, not only among the different sectors in Taiwan but also between the Taiwanese and the mainlanders. Three identity issues are in dispute right now. One is the identity of Taiwan versus the identity of the Republic of China, which is particularly highlighted by the different political parties.

Second is the identity of the Taiwanese versus the identity of the Chinese. That is very much a conflict or dispute between Taiwan and mainland China. The other is the identity of the “one China” as defined by the Taiwanese constitutional framework and the “one China” as defined by the Beijing “one China” principle. That also creates disputes over whether Taiwan should continue to hold onto a “one China” identity, which has no support in the international arena. So the divergence and the conflict between the definitions of “one China” also will be politicized by the domestic politics.

So in the next year or two, given the fact that Chen Shui-bian’s government is going to undertake constitutional reform in Taiwan, and obviously the identity conflict will be further generated and intensified in order to serve the domestic political interests, politics will be further polarized and disputes over identity affiliation will also further split the society.

I was in Beijing one week before the Chinese New Year, and discussed the forthcoming constitutional reform issues with some of the senior officers in the People’s Liberation Army. And I discovered they were very much concerned, not necessarily from their own point of view but also reflecting the senior leaders’ point of view as well. They expressed extreme concerns over the process of deliberating the constitutional reform in the near future. They particularly addressed certain aspects of the constitutional amendment, particularly with regard to the definition of territorial boundaries.

They also addressed the issues of changing the color of the flag, the national anthem, and making a written statement into the constitution, clauses or provisions by adopting a present-tense statement over the so-called one country on each side of the Taiwan Strait. And they also indicated that any change of sovereignty represented by the aforementioned issues would trigger a response by non-peaceful means in accordance with the anti-secession law from Beijing.

I’m not sure whether this is their criteria or their red line, but it certainly reflects the concerns in Beijing that the forthcoming constitutional reform or the new constitution is a very critical period of time for them to consider or evaluate whether anti-secessionial or non-peaceful means should be applied to the situation. That is the reason why I believe intensified political rivalries focusing on the identity issue in Taiwan in the process of competition over the elections could give rise to mistrust and misunderstanding from Beijing. I’m not sure whether Beijing will really step forward or cross the red line, but certainly there’s some room for Beijing to respond. Beijing needs to send a strong message to curb the process to prevent our independence.

Therefore, I believe that for the next year or so it will be a very, very tough situation not only for Taiwan but also for Beijing because they are facing the Olympic Games in 2008, and also changes of the leadership, probably in 2007 and 2008. And it will also be difficult for the U.S. to respond to the situation because neither side has a

clear definition of what is the red line drawn by Beijing or drawn by the U.S. defined by the status quo.

So I think that the current structure, even if it is defined by the U.S. to sustain peace and stability in the Taiwan Strait, the structure itself is still not stable and could be challenged, not only by Taiwanese domestic politics but also by Beijing's interpretation of the domestic politics emerging from Taiwan. This is my concern and my argument that in the near future there could be escalation and possible confrontation if the situation cannot be properly managed and adequately secured by the three sides of the Taiwan Strait.

And I believe that the position of the opposition party will make little contribution to the development of a more stable structure for two reasons. One, we do not witness any strong support for the opposition's position, particularly with regard to ending the identity disputes in Taiwan. Second, we still don't see any clear policy of defining adequate status quo for Taiwan that is accepted by the majority of the people in Taiwan. So it's still too early to say that the opposition party can make a constructive contribution to stabilize the status quo in the Taiwan Strait. We do see that there is a weak political position in the Taiwanese politics to smooth the polarized political rivalry in the near future. So that is the reason that I consider the tensions to be still very high and the possibility of escalation on the horizon.

I would like to stop here and welcome your comments. Thank you.

MR. SWAINE: Thank you very much, Andrew. That was a very comprehensive assessment of the situation. It sort of had for me sort of a nostalgic ring to it. That is to say, it brought back the kind of arguments that we had heard in 2003, 2004 that were very pessimistic about the situation, and I guess my reaction, and maybe I just throw that out as a way of sort of stimulating more thought and having some questions and discussion, is that you could also present a kind of a devil's advocate position against much of what you've just said. And I'd be interested to hear your views on this.

There are some people who believe in fact that developments in Taiwan in the last year or two, or longer, since the end of 2003, have produced a set of trends that are indeed very positive in terms of stability, and they have a whole lot of different elements to them that deal with a lot of the points you've been raising. One of them of course, I guess the most important one, is that some people have seen a real change, a sea change in the level of public support or acquiescence to some degrees - I guess you could say - for the arguments of the very strong pro-independence types in the Taiwan political spectrum. And that that emerged over a period of time as a consequence of both a fall in confidence in the capacity of the DPP to rule effectively, and a sense that Taiwan's cross-Strait relations and its relations with the US had both deteriorated to such a point under the DPP government that it was really becoming dangerous for Taiwan.

So you had a shift in the public mood towards - really toward sustained support for more cautious approaches, and this has been most recently reflected in public

sentiment about the abolition or the cessation of the National Unification Council and the guidelines, where there didn't seem to be a real strong public mandate for that kind of action. So I mean, that's sort of one element, and I guess the others are – and I'm not necessarily making this as a sort of strong argument. I'm more sort of saying there are those other arguments out there that are sort of saying there's not a whole lot to be worried about here. Particularly if we can get through the next two years, you may have a total change of government in Taiwan and the level of tension might drop appreciably as a result of that, among as US policy continues along the lines it's been doing for the last couple of years, and as long as the Chinese government doesn't over-react to anything that happens between now and then.

So I'd be interested in the process. Maybe you could respond to some of that now, or we could open it to questions. Either one.

MR. YANG: That's a very good point because it's only a speculation. I mean, you see something really emerging -- people disagree with the government's policies and they consider them too extreme. But it's unnecessarily scientific because we don't see people just come out and say we are not in favor of this or that. So you don't get right statistics out of it -- how many people are really supporting it, how many people are really opposing it. I still don't see very trustworthy polling results to indicate that we have more and more people against the current policies and current government policies across the Strait and towards the U.S. That's not yet a support from the constituencies.

That is my point. It's very much diversified. And very much polarized in Taiwan, particularly about the issue of Taiwanese against Chinese. Why I say this, because I'm also teaching in Kaohsiung and I do my own polling in my classes because I have over 200 students every year. I see the trend in my students and other students too. The young generation is getting more and more impatient and the uncertainty gets higher. In time, anxiety gets higher because they don't want to continue to be, you know, floating in the air but not permitted to touch the ground. Because the sense of a lost identity is haunting the young generation. They do not feel a sense of commitment and they do not feel a sense of planning their future in anything.

I see high impatience and anxiety. If you ask them, "Who are you?" they will say, "I'm Taiwanese." What nationality you are? And they puzzle a bit. Well, if not Taiwanese, who are we? That's the question they are asking. So I do see a growing sense of clarifying the identity issue among the young generation. This is only a small population in my classroom or my university, but it represents some kind of response from the youngsters as well. So you do see this as a wide divergence in Taiwan, particularly with regard to the identity issue that the government is putting emphasis on.

So it's difficult to say whether the policy is very much opposed by the general public or not. If they are opposed by the majority of the Taiwanese, I would say those policies would not be continued, but those policies are still in place, and they're still being promoted. That's the kind of situation that could be misread or misinterpreted by Beijing and could increase the miscalculation in the following years.

MR. SWAINE: Well, let's bring the audience into this discussion, and we have several hands up. Start with Bud, and then Eric and then Harvey.

Q: Bud Cole, National War College. The danger Mayor Ma – of course, Mayor Ma's been in the country now for a couple of days speaking frequently. In fact, you're to be congratulated on this audience since I think we're getting a little intense number of meetings. But he's been quoted as talking about a, quote, "30- to 50-year agreement" that he would form with China, sort of an interim peace agreement if he were elected president.

Have you seen any indication by the mainland, either officials or the press, that that would be a welcomed proposal, should he become president of Taiwan?

MR. YANG: I haven't seen any response yet, but it seems to me many people who for many years suggested some kind of interim agreement think it would be the better solution to maintain peace and stability. Now you have a major opposition party from Taiwan, the leadership, the chairman of the major political party proposing or suggesting that signing some kind of a 30- to 50-year interim agreement would be beneficial to sustaining peace and stability.

I'm not sure whether it would be accepted by the Taiwanese or be attractive to the constituencies, but I think that it takes a lot of courage to say that because back home he would be criticized a lot by proposing this. Anything you propose will be immediately politicized in Taiwan, so that's a problem because you cannot have a healthy discussion over the issues. You'll be labeled and put into a different camps and easily going to the political competition, and that's the kind of situation we are facing right now.

Q: Eric McVadon, Institute for Foreign Policy Analysis. Andrew, I guess we could look at the last 10 years, and unfortunately we have to say that China and the PLA have been pretty clever in putting together a military force that is intimidating and is difficult for us to cope with. Of course, I guess most of us don't think it's going to end up being used, and hope that's the case, but it has been – I guess the PLA must consider if they have been successful in doing something that we have good reason to worry about.

MR. SWAINE: Can you hear Eric in the back, because his mike is sort of cutting out? Okay. Try and speak up a little bit, Eric, because your mike's not working quite right.

Q: Okay. I normally don't have trouble being heard anyway, but maybe a little closer is helpful.

I wonder if folks in Beijing might look to the next 10 years and if we might somehow be clever in leading them to thinking that intimidation, military forces and so forth might not be the centerpiece of their effort. I mentioned this yesterday afternoon in CSIS. It struck me after people were talking about a number of things like this, that if

now we could – or maybe Beijing could find in its interest that presenting a face to democratic Taiwan of honey rather than vinegar, and that maybe this is the time.

And of course one of the reasons I'm encouraged about that is because people from the mainland are already telling me, oh, Eric, we're doing that. And they give the example of the agricultural issues and so forth. Do you think the time could conceivably be right for that sort of thing? And does that offer you – do you look at it favorably or do you look at it cynically? In other words, do you want them to present that sort of face in the next 10 years?

MR. YANG: Thank you, Eric. It's a very good question, and I think that it's really up to Beijing whether they have the confidence in their soft power instead of their hard power. One issue which I didn't mention in my talk is that in the last 10 years or so, Beijing has increasingly used soft power, along with the hard power of military coercion. But we do see the flexibility and sophistication of adopting soft power approaches towards Taiwan.

One good example is that they approached the opposition power, the KMT and PFP directly and established a linkage between the two sides. And that really gives Beijing a lot of strings in terms of penetrating Taiwanese domestic society, and also further diversifying the society with regard to many sensitive issues. Also, they approach the agricultural sectors as well – I mean, encourage agriculture to export products to mainland China, and I think they can do more other economic – as you put it, the honey and sweets and so forth.

Q: And I mentioned students already.

MR. YANG: Right. Also encourage students to go to mainland China to have higher education, offering scholarships as well. Recently they said that they also want to invite Taiwanese volunteers and university graduates or post-graduates to take part in the Olympic Games, as they also encourage others in the international community to offer assistance. So I think they are doing a lot, trying to be more flexible, but the question is whether they have faith or confidence to realize what they have achieved by adopting a softer approach instead of a hard-handed approach.

I believe once they discover the soft-handed approach can create more advantages for Beijing, not necessarily in terms of unification but more advantages in terms of preventing Taiwan from going further towards independence, then they will use more soft power instead of hard power. Some people in Beijing I met also said, why don't we just unilaterally reduce numbers symbolically and that will create a lot of talks, and the international community will say that Beijing is willing to reduce the missiles, meaning that they are downgrading the military coercion over Taiwan. That could be a good starting point for Beijing instead of using missiles.

MR. SWAINE: Thank you. Harvey.

Q: Thank you. Harvey Feldman, Heritage Foundation. For precisely the reasons that Eric and you, Andrew, have just given, I'm far more optimistic than your very pessimistic presentation. To the degree that there is any remaining Marxist in the central leadership, they would look around and see the progressive linkage between the economy of Taiwan and the mainland economy, and being Marxist – assuming there are a few left – they would believe the economics after all what is determinative. They would see the million Taiwanese businessmen and their families, and the growing numbers of students. They would see the linkage of the economies, and they just might say to themselves, hey, we can just sit back. It's going our way.

Of course we don't want to reduce the number of missiles because that gets their attention and lets them know there is a price to pay if they do something that takes them down the path of independence, or toward independence, which, by the way, is what the anti-secession law said. It was a retreat from the earlier formulation that Taiwan has to negotiate within a time certain or face military coercion, to know all they have to do is not go toward independence. And then they can look around and see that Chen Shui-bien's approval rating is, what, 28 percent or 27 percent, that the people in Taiwan have come to the conclusion that the DPP cannot manage the economy and can't manage relations with the US.

I think all of these factors will in a sense restrain the PRC leadership from doing anything that would be considered provocative by the US. It would unite the population of Taiwan in opposition to themselves. Meanwhile, it also seems to me that the percentage of people on Taiwan who regard themselves as both Chinese and Taiwanese is perhaps increased slightly under the DPP. So while your students are in Kaohsiung, which is of course the heart of DPP country, I would no more generalize on political attitudes in Taiwan on the basis of Kaohsiung than I would generalize about American political attitudes on the basis of New York City.

MR. YANG: Thank you, Ambassador. Good point. I still remember one famous statement made by a senator. What he said is, don't corner the beast. The danger in this kind of situation is that China got the upper hand in many fronts and by comparison the DPP government perceives itself to be cornered by China. And that could be a dangerous situation because if you corner the beast, the beast will fight back.

I'm not saying this government is a beast, but they probably will come up with some more drastic measures, driving the identity issues, trying to consolidate their positions, you name it. Maybe I have less trust or confidence in the domestic population with regard to their preference of the sensitive political issues based on our past experiences. It's a very permissive society in Taiwan. Even though they try to emphasize that they can make a decision and they have a choice.

But in a permissive society, the sentiment can be easily driven by people in power and those who host the resources, especially in a situation where a beast is cornered, a lot of unexpected situations could happen, and that is the situation for the Taiwanese domestic politics in a year or two starting from now – so a great deal of uncertainty.

I totally agree with you. I mean, China will feel more comfortable if they have advantages and there are all sorts of linkages already being achieved, so why should they use the force? I don't think subjectively China is focusing on how to overcome or take over Taiwan by force. Like Wen Jiabao made a remark the other day at the end of the People's Congress meeting. Even though he criticized Chen Shui-bian a lot using very harsh words for elected leaders in Taiwan, at the same time he also said that we wanted to talk to the DPP as long as the DPP abandoned the independence resolution. That is a very interesting point because he only mentioned that the DPP should abandon the independence resolution, but didn't emphasize that the DPP has to abandon the self-determination resolution at the same time.

So I don't see that the door is still open. I mean, the door for peaceful solution processes is still open. The Chinese government has not abandoned the peaceful option yet. So we are not in the worst situation either. In this situation, I think the Taiwanese should have more confidence in themselves, instead of digging their head into the sand and looking inwardly and driving the local politics to the interests of political parties.

Q: As a follow up, Andrew, as I was surprised by your – somewhat surprised anyway, the idea that the DPP government would really do something outrageous having the furor – having seen the furor that was aroused by the national unification conference and guidelines basis – here are two sets of things that had absolutely no real meaning, but tampering with them produced a fire storm. I would be surprised if they were going to do anything really, really – no, I withdraw stupid – anything really, really serious, but do you think this is a possibility?

MR. YANG: I'm not sure because I see the trend that they will continue the direction of issuing a new constitution, holding town meetings to proliferate the ideas of changing the constitution format and framework. And the DPP government and the DPP itself also emphasize that their options are open in terms of the constitutional provisions, even including the definition of sovereignty and the definition of the territorial boundaries and so forth.

To me those kinds of decisions and suggestions really encourage more debate or more discussion over the new constitution as well. You never know, I mean, these sorts of sentiments could create unexpected results in the population who have already experienced a very emotional political competition in the past.

MR. SWAINE: I should say before we continue there are some journalists in the audience, and before you start quoting Professor Yang as saying the Chen Shui-bian government is a beast.

MR. YANG: Oh, yes.

MR. SWAINE: You should please get his permission for any kinds of quotes that you might be wanting to make. Is that a fair request?

MR. YANG: Yes, thank you very much. I am not addressing –

MR. SWAINE: He specifically said that is not his intention.

MR. YANG: It is analogy. I mean, I'm emphasizing the situation that is expressed by a U.S. politician about not cornering the beast. That is the kind of warning towards the political situation we do not wish to enter into.

MR. SWAINE: There was another question in the back. Yes, the young lady.

Q: Betty Lin of the World Journal. Mayor Ma also has been reluctant to answer the questions on KMT's defense policy statement. And he always said their favor of the reasonable and adequate defense, and in the meantime the U.S. is impatient about Taiwan's stalemating in the LY about their defense budget. And I don't know whether you agree with U.S. argument that Taiwan may not have the will to defend themselves, and also what you think of the defense package, the weapons systems?

MR. YANG: Well, first of all, what I have to emphasize is this – the original packages including the submarines, the Patriot missiles, and anti-submarine warfare, aircraft, and packaged with a special budget – this kind of format is gone. We do not see that this is going anywhere because for the last three years or so, you couldn't pass the legislative procedures. So I do see that the original package proposed by the U.S. and adopted by Chen Shui-bian's government specifically address these three items and provide it with a special budget package. This format is gone.

And what will be the replacement and what will be the other options? Haven't decided yet – some propose we should go back to the normalized defense budget, increasing the percentage annually, and some suggest that we should reprioritize our defense articles and also provide it with a special budget to go along with it. So it's not decided yet.

However, I don't think that the Taiwanese are totally abandoning their defense. I do not see ignoring Taiwanese defense as a trend. I do see that the Taiwanese, including the government and the people, are expecting to have an affordable, more efficient, and more sustainable defense. That is the kind of defense policy on the horizon. So any political party who can answer the expectations or demands about whether Taiwan can have affordable defense with the articles of defense weapons systems or any kind of adoptions which will protect Taiwan's major interests. That will be accepted not only by the legislators but also by the people as well.

So I think that the lessons learned from the defeat of these special defense packages also generate a new horizon for a more healthy debate over what kind of defense determinations are needed in the future. And that also has to go along with the debate on how we should conduct relations with mainland China. Are we going to conduct a confrontation policy against Beijing, or have to pursue more accommodating or

mutually acceptable peaceful relations between each other? So that has to be decided in the future too.

So I think not only the ruling party, the current government, but also the opposition party, who are eager to compete for the next presidency should answer those questions more clearly and more systematically because that is the expectation from the constituency.

So there are three areas that require the current government and the opposition party to provide more systematic, adequate, and clear answers. One is what will be the mainland policy that could provide sustainable and peaceful relations between Taiwan and China? What will be the adequate defense policy that can provide Taiwan's necessary defense needs, and also protect Taiwanese interests? And what will be the sound U.S.-Taiwan relations that can reassure the U.S. that Taiwan is on the side of democracy, and also provide the basis for U.S. continued support for Taiwan?

So these are the three major areas that require the ruling government as well as the opposition parties to give systematic and abundantly clear answers regarding their policies toward the constituency. Who gets the upper hand? Who has the chance to win the election next time?

MR. SWAINE: If I could just intercede as prerogative of the chair and ask you a question relating to this, Andrew, how do you explain the recent difficulties that the chairman of the Kuomintang, Ma Ying-jeou, had in trying to get the Kuomintang caucus to agree upon a new approach to the defense issue, and the defense package in particular. It looked as if he was going to get approval for – that is to say that the opposition would support the notion of a revised package that basically threw out the submarines I guess and the PAC-3 upgrades as well and went with the aircraft. But that did not go through.

MR. YANG: No.

MR. SWAINE: And the explanations for this were somewhat bizarre, but they did reflect at least one particular perspective on this I guess within Taiwan, and that is to say that one explanation was that many members within the caucus thought that it was not a good idea to be passing or indicating approval of a defense package for increase defense spending at the time of this controversy over the National Unification Council and guidelines because it would provoke the Chinese government too much.

Is that your reading as well as to why this did not pass through the caucus or is there something else here I haven't seen.

MR. YANG: A consensus about the KMT caucus is already in place. I mean, it has been there for some time so it is not a new phenomenon. For this crucial issue, it takes leadership. So the question is whether Ma Ying-jeou takes the leadership or strong leadership to make a compromise among different opinions. Unfortunately he didn't take the leadership on this issue as far as I can see.

So in that regard, I can see that Ma Ying-jeou is still in a very weak position in terms of exercising his leadership as a potential presidential candidate because he demonstrates himself as still weak in addressing the defense needs and the national security issue. He talks a lot only across the issue recently but he didn't have a comprehensive understanding of what is national security and what are the priorities. He didn't have a clear picture about what the Taiwan future defense will be.

So he is constantly challenged by different opinions, so I do consider Ma Ying-jeou's weakness in taking leadership to be in making crystal-clear the defense requirements for Taiwan in the future. That is the reason for the failure to get the proposal through the legislative body.

MR. SWAINE: That is very interesting because there was an impression at least in some of the media here that he was trying to really make an effort to get the caucus to agree on this issue and it didn't happen. And – I mean, I'm not prepared to say that was the case, but if indeed he was too cautious despite the fact that a consensus exists within the caucus, and he didn't work to achieve that consensus, what would – do you think he is being cautious because he does not want to stick his neck out so soon before his political – before the campaign season begins, and therefore risk it being chopped off or why is he so cautious on this point if it is so important?

MR. YANG: I think his personality has enabled him to be more cautious. That is a reason, because he is a different kind of KMT chairman. His predecessor Lien Chan himself did not demonstrate his strong leadership either. Of course Lee Teng-hui is a much stronger figure. He really takes on his leadership and makes a decision, particularly after 1996. Chiang Ching-kuo certainly was a charismatic leader and so was Chiang Kai-shek, but not Lien Chan, not Ma Ying-jeou. They came from different background and experiences, therefore they are more affected by their personality in facing the more delicate and the more critical situation.

MR. SWAINE: Interesting. Yes, you have been very patient. Go ahead.

Q: Good afternoon. Steve Holder for the Institute for Defense Analyses. I am in Ambassador Feldman's camp. For the last three to five years I have been very encouraged and think that the – there has been a reduction in mistrust and misunderstanding between the two sides, and I think it primarily has to do with the countertrend that you mentioned, the economic involvement by Taiwan and Taiwan businessmen on mainland China to witness a half-a-million Taiwanese living in China and doing business. And as far as identity goes, I have never known a Taiwanese businessman didn't go over to China to take advantage of the special tax and business opportunities that they have that Americans don't get.

So I think there is great understanding and less mistrust. And your visit to Beijing to talk to members of the PLA and the – DP – not the DPP but the KMT and the People's First Party's visits to China have increased understanding on the side of

mainland China what is going on in Taiwan. The political posturing on the DPP's part is natural because it is political, as is the posturing on the PRC's part.

One of the things I thought very interesting in your comment was the lack of identity by the youth in Taiwan today, which I found surprising. And I would be interested in your comments more – not just Kaohsiung-based but would students in Taiwan be inclined to follow the example of the French students in going out on the streets and making their position known that, yes, we are Taiwanese and not Chinese, and let's close down the National Palace Museum and ship everything back because we are Taiwanese, a rather radical statement but it would be a gesture saying, you know, you can have all of this stuff back. It's a great museum. (Chuckles.)

MR. SWAINE: Yes, it is.

MR. YANG: Thank you for your question. Yes, economic ties really make a lot of difference, but the young generation does have an increased sense of deprivation. I use the word "deprivation" because they have more expectations as to what Taiwan can be. In the process of globalization, they have more contact with the international community through the Internet and so forth. They have more opportunities to go abroad and meet other people as well.

But every time they talk to people over the Internet and every time they meet with people abroad, they feel a sense of deprivation as a Taiwanese. It's not accepted – or being mistaken by the foreigners or foreign community as well.

So I do see – not only in my class in Kaohsiung – I do see the sense of deprivation as a result of identity conflict growing in our young generation. Maybe they will not take the drastic actions of protesting and giving back all of the treasures in the National Palace Museum, but I do see that they are more and more willing to speak out that we want our identity to be ascertained or we demand – this is a legitimate question for them – or give us back our identity, and we want to be recognized as a member of the international community. Why can't we be accepted?

I mean, you guys talk a lot about how Beijing used harassment. Well, that has nothing to do with us. I mean, we simply want an integral, fully legitimate personality in this new global village. I see a growing demand for this kind of legitimacy. It may not happen next year, but certainly it will become a major issue over the next couple of years. And I also urge Beijing to pay attention to this. It's not necessarily as a result of your harassment, but your harassment is what pushed this issue much further and sped up the process that the Taiwanese is more demanding to be clarified of their own identity.

So that is my concern. I have no problem with my identity, but I do find that the young generations in their 20s and 30s have this internal struggle because they are seeking identity.

MR. SWAINE: Yes, a question down here in the front.

Q: Hi, Mr. Yang. I'm Stephanie Ho with Voice of America. I just wanted to follow up on the earlier question about whether Taiwan has the will to defend itself or so. You know, there is no dispute that China has been modernizing and their missiles are ready against Taiwan and they have been modernizing their military, and the military budget is increasing. I was just curious. I mean, is Taiwan prepared for the possibility of a military confrontation and is there the will to defend itself? Thanks.

MR. YANG: There are two questions. One, will Taiwan prepare itself to defend the country against a Chinese military attack? Second, what about the will to defend itself? I think these are two different categories of questions.

As to the first one, there was a survey in October 1990 – 2004 conducted by the local business weekly: Three questions were asked. Number one, do you believe China is resorting to force against Taiwan? Over 80 percent do not believe China is going to use force against Taiwan across the board – different ages and education and occupation background.

Second question: Do you believe Taiwan can stand alone to fight against a Chinese military attack? The answer is no. Over 70 percent said no; we cannot stand alone fight against Chinese attack. We certainly will lose the game.

Third question: Do you believe the U.S. will come to Taiwan's rescue? Over 80 percent firmly believe should China use force to attack Taiwan, the U.S. would get directly involved and come to Taiwan's rescue.

So these are very contradictory answers talking about whether Taiwan should engage the war or not. There is no firm decision. You see one is the perception. A lot of people still don't believe China is going to use force against Taiwan, even today. I mean, you see missiles being deployed. The military balance tips off to China's side. People still don't believe that China is going to use force because they say the cost is too high. Why should Beijing be so stupid to use force against Taiwan? There is a very high consensus about this in Taiwan. They don't believe it.

The second question speaks on the will – a little more complicated. The will depends on whether you have the ability to defend yourself or not. So these are two dilemmas in Taiwan. If you consider yourself to have the ability to defend yourself against Chinese attack or continuous attack, then that will increase the will to protect yourself.

But if you cannot fulfill the first question, if you don't believe you have the capability or you certainly don't have the capability of defending Taiwan, I'm not sure whether there is a strong will – say we will fight to the last drop of blood against Chinese invasion. I cannot answer that question, but you have different kinds of opinions about whether using force will be the reality or not. So it's a very highly indecisive situation in present Taiwan today.

MR. SWAINE: Before I go to Eric, you know, this – we have been talking in somewhat general terms about the danger of tension – increased tension and confrontation, particularly between now and the 2008 Taiwan presidential election, but let's talk a little bit more specifically about what it is that could – that kind of scenario that we think or that you think in particular, Andrew, could create a real problem here because, I mean, people who look at this situation today basically see that in terms of actual political power – that is to say the ability to generate support that can make meaningful changes in the constitution, for example, that go beyond rhetoric – Chen Shui-bian's government does not have the support to achieve the kinds of changes which would be violations of his pledges, in effect, because if he observes the due constitutional process, which he has now said he will do, he has indicated very clearly that he would not circumvent the process, that process requires a substantial – jumping a substantial hurdle within the Legislative Yuan, very significant hurdle, and then after that passing a referendum within the population as a whole – also very significant.

And the question then becomes how he gets past these kinds of hurdles. There are another two areas where you can say that there is a danger, if you recognize that there's a hurdle under current circumstances, and that he will observe the process. One is that he changed at the election in 2007, the LY election, if it is still to be held at the end of 2007, results in a change in the balance of power within the Legislative Yuan, in favor of the government. He would have to get a significant shift towards the pan-green alliance through those elections, and then use that as a basis for then putting through a constitutional change in the early part of 2008 prior to the presidential election.

That is one scenario. The question there becomes how likely is it that he is going to have this kind of a change? Many people I have talked to think it's not very likely if current trends continue that he can do this, although many people think that what President Chen is trying to do through a lot of his statements is to provoke reactions from Ma Ying-jeou and from others in the Taiwan political spectrum that alter the perceptions of the Taiwan public in some way, make them less supportive of Ma Ying-jeou, and thereby influence the election in terms of the pan-green for the 2007 LY, that that is basically the focus of what Chen is after now, to try and change that dynamic, leading towards that LY election and then the consequences of that for 2008.

Now, the other – so we can – I would like to get your reaction on that kind of a scenario. Now, the other picture, the other possibility here is that it doesn't matter whether Chen Shui-bian has a majority in the LY or not because the name of the game is holding a constitutional debate or a constitutional conference of sorts that discusses a new constitution, that raises this level, this issue to such a high level and puts it forward as a significant proposal regardless of whether it can get passed or not, that that sufficiently provokes Beijing, that Beijing's position is basically to say we don't care whether this passes the LY or not, we don't want this kind of a proposal to be submitted, even for a vote within the LY because that alone is a major provocation, that alone shows that Taiwan's government, that the Chen government can achieve certain objectives, even if they are not formal changes in law that we can't tolerate, and therefore we don't even

want him to submit a proposal for a new constitution that would violate any of the four nos. That alone would be a red line for us.

Now, it seems to me that as far as I can see, these are the only two really viable alternatives or ways in which the situation could radically disintegrate between now and 2008, and in the former – as I said, I'm very unsure that Chen could achieve his goals in political terms, to be able to shift the center of gravity in politics so that he can get those votes. The latter I am not so sure about because I don't know exactly what Beijing's view is on this, but some people who have been to Beijing recently said that – have said that indeed they don't want to see even a submission of a revised constitution to an LY.

But of course that runs the risk – if Beijing takes that position, that runs the risk that they are really being – that some people would think, particularly in Washington, that they are overreacting, and they don't want to be seen as overreacting to this situation because it plays into the hands of Chen Shui-bian to do this. And so some people would argue they would not do this. They wouldn't overreact to that degree. They would strike some kind of a – they would be more restrained, but I would like to get your view on this, Andrew.

MR. YANG: I think where Chen can make an effort is in the first scenario instead of the second one. What he can do is to change it into a game to shift the LY election to a different time slot.

MR. SWAINE: Meaning into 2008, or earlier? It would have to be earlier.

MR. YANG: It has to be earlier, yeah, before the presidential election. But that really depends how far he can go to rally the support of this. He understands this hurdle exists, but he will try to do it. He's got to get a majority of the next LY election, so that he can proceed with what he promised that he would not go otherwise. The possibility of changing into a game and go for the LY reform and winning the election – that is the likely scenario he is going to go over to pursue in the future.

MR. SWAINE: What would it take for him to change the rules of the game, though, in that sense, to bring the LY elections forward, let's say, or to change the voting procedures for a passage of the constitution? I mean, that would in itself require revision in the constitution.

MR. YANG: Right.

MR. SWAINE: So it's hard for me to see how he could do this.

MR. YANG: But that really requires two-third of the approval.

MR. SWAINE: No?

MR. YANG: So it will be a low –

MR. SWAINE: Threshold.

MR. YANG: – threshold of approval for that kind of changes, so he might try that, which means he will do whatever to his advantage in terms of changing the rules of the game.

As for the second, it will be very remote. I don't think China is going to try that. Even the proposals or the arguments of the change of the sovereignty issue will trigger Beijing's response. I think they will be more cautious. They will not immediately respond to it by submission of the proposals. They will wait until the results of the votes and to make a judgment about whether they should react or not.

MR. SWAINE: Well, I'm somewhat heartened by that response.

Eric, I think you first – oh, Bud, you had a two-fingered on this?

Q: Andrew, let me see if I understand you. You are saying that it might be possibly systemically for Chen to change the timing of the elections. Is that what you were saying about the legislative elections?

MR. YANG: Yes.

Q: Don't you think that that would raise hackles about the word, "coup," or – I mean, it seems to me that it would be such a basic change that –

MR. YANG: Well, I think that's what he is. He's in a good position to make the changes because he wants to make the term of the legislators equivalent to the presidential term. Because LY election will be taking place next year.

Q: (Off mike) – coincide with –

MR. YANG: Coincide with, yeah. So I think that is the purpose because there is an expectation now that reducing the elections or major elections will be the trend in Taiwan. So the change of the LY election timetable to coincide more with the presidential is one option. So that could be the case, yes.

Q: I don't mean to be alarmist by bringing up military things again, but you were talking about things the DPP might do. Well, there is something that as best I could determine from press reports that they are doing, and that is this offensive counterstrike missile. I continue to be surprised that there has been a – essentially a lack of reaction on the part of Beijing. I'm wondering is this something that gets discussed a lot in Taiwan. I know the conferences you and I attend in Taipei and so forth, we talk about it there. It has been talked about for a number of years, but is it a subject of public debate? Is it generalized recognize that Taiwan is moving to this capability? Is there a concern that there might be a reaction from Beijing – these kinds of things get discussed?

MR. YANG: Let me quickly respond to the admiral's question. There is no public debate, wide debate about this construct capability or offensive capability.

Q: Well, this is cruise missile.

MR. YANG: Right. Well, it was questioned by the legislatures at the defense committee in LY, with regard to the development and the possible deployment of this advance offensive missile project.

Q: Counterstrike.

MR. YANG: Yeah, counterstrike, yes. I still remembered what the respond to the questions from the LY members was that they are still in the stage of developing it. They haven't actually produced this kind of counterstrike ability.

Q: The press says it's been tested.

MR. YANG: Well, they have probably tested it but the test itself is not fully operational missile. I mean, it's in the development stage but is not yet fully developed.

MR. SWAINE: And with that I think reached our end. In fact, we have gone a little bit over. Thank you all for coming and participating and I hope to see you again.

MR. YANG: Thank you.

(Applause.)

(END)