

Sigur Center for Asian Studies
The George Washington University
New Actors and Factors in Cross Strait Relations
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[Note: Beginning four minutes of the audio was not transcribed because it was a duplicate of the end part of CD 1]

[Note: Some non-native English speakers with heavy accent. Participants distance from the microphone during the Q&A made it difficult to hear their words, hence, the indiscernible / inaudible notations.]

Chao Chen: Chao Chen, freelance correspondent. All the speakers can comment or answer, but I start with Dr. Rigger. You were saying as bouy [sounds like] in water in Taiwan politics and political and race. And also, I look at your writing. You had written a book about DPP from opposition to power. And no matter DPP in opposition or in power or other power, in my description, it's this, they conduct strict [sounds like] politics. And so when are they going to grow up?

And also, that you said -- everybody said that they bring everything on Ma. But I got to remind you, people, that several months, just a few months after Ma in power, he get what? He get the "Three link" and he get Taiwan into the international organization on the name of [indiscernible]. These were very big, big breakthroughs. And if you talk about economy, and nobody, even Obama, can bear those responsibilities. Thank you.

Shelley Rigger: I think that's a fair question. When will the DPP change its character to a party that is more oriented toward governing than protesting? And I think, actually, the DPP changed a lot during its years in office. And the DPP has been cultivating talent, for a long time, that has administrative capabilities and skills and so on. It's a very complicated matter.

But I think for any political party that is in the minority, looking for opportunities to mobilize or to win support or to be on the front page of the paper for a few days, Tsai Ing-wen becomes the spokesperson for a large national movement, it's hard to resist the temptation to participate in that kind of thing. And it's also true that for many DPP supporters, the value of the DPP lies precisely in its courage in the face of difficulties and its willingness to speak for Taiwan and Taiwanese people, no matter how strongly the wind seems to be blowing against it.

So I think the DPP is playing its role as an opposition party maybe more skillfully than it played its role as a ruling party. But that opposition party role is an important one. And one point I would make about the protests during Chen Yun-lin's visit. I think they may have performed, in the long run, a very valuable function for cross-strait relations because they dispelled any illusion that Chen Yun-lin himself and his bosses in Beijing might have had. That Ma Ying-jeou could deliver Taiwan on a silver platter to the PRC.

I think it's easy to look at polls and to dissect polls and to convince yourself that it doesn't really mean what it seems to mean or that they didn't survey the right -- there are just a lots of ways that you can take that apart. But I think what the Chinese leaders saw in Taipei in November was a demonstration of the resolve of Taiwanese people to defend their autonomy and their de facto independence against an overeager and overreaching Chinese government. I think that had to signal back to Beijing, okay, wait a minute, we can't expect too much from Ma Ying-jeou. So if there's a possibility of flexibility in Beijing, I think it is enhanced, not diminished, by those demonstrations.

Donald Rodgers: I have to kind of also quickly respond to that. First of all, the DPP rose up during the martial law. Of course, it had no option but to be a street party at that point. The grassroots efforts were all it had. Often, parties, and it's not exclusive to Taiwan, that are

in opposition, particularly when you have or you're coming out of an authoritarian system, opposition parties emerging, new democratic parties are that sort of a party.

I would argue, in fact, that the problem DPP had in going into leadership, I agree with what you're saying, they were better than probably what we give them credit for, was that they got away from their roots, which was the grassroots movement and the grassroots structure of the party, and they became like a ruling party, but that's not really where their strength is.

And then finally, if we look, again, at the party out of power, if you will, we saw increasing numbers of pan-blue protests during the eight years of the Chen Shui-bian administration. That may be something inherent to the nature of being an opposition more than it is a particular character of the DPP in that instance, so it's [inaudible].

Michael Choi: Thank you. My name is Michael Choi. I'm with the Commerce Department. The question is for Professor Rigger but I'm open to also the rest of the panel's comments. Does Taiwan's electorate and ruling party consider international trade policy as a top priority? And who is considered the most important trading partner, the United States or China? And I don't mean in terms of trade volume but I mean in terms of both domestic and international considerations. Thank you.

Shelley Rigger: Those are excellent questions because I think they point to the degree to which Taiwan's domestic political discourse does not adequately address the real issues. There is so much conversation about the politics and atmospherics of cross-strait relations and also the politics and atmospherics of Taiwan-U.S. relations, but sometimes, insufficient attention to the nitty-gritty of trade policy. So for example, the American Chamber of Commerce in Taipei, you can love them or not love them as you will, but they have had, for over a decade, an extensive list of very achievable liberalization measures that they have been

begging Taiwan to undertake. And their argument was you don't need to do anything big, in cross-strait relations, to make it way easier for us to do business here, and that they were frustrated with Lee Teng-hui. They were frustrated with Chen Shui-bian. I haven't talked to them lately so I don't know how frustrated they are with Ma Ying-jeou.

But I think that the focus on -- that Taiwan, to a very great extent, conceives of itself as a bilateral relationship as a very insular, literally and figuratively, society. First of all, insular, than to the extent to which they have external relations, it's a bilateral relationship, and the global context is distant from all of that. And I think one of the great benefits of young people in Taiwan, and one of the reasons why I encourage older people, like me, to listen to young people in Taiwan, is young people in Taiwan have a much clearer sense of the global context in which they are operating and the degree to which even the bilateral relationship between Taiwan and mainland China is really just a kind of side show to the global economic networks.

So I think your question, the answer to your question is that nobody thinks about any of that nearly as much as they ought to. But also, I think the KMT thinks about it more than the DPP because the KMT kind of cut its economic policy teeth in the era before there was a bilateral economic relationship between Taiwan and China, when Taiwan had to think of itself as a player facing Japan, facing the U.S., facing Europe, facing Southeast Asia, and so on.

T.Y. Wang: Okay, to quickly respond to your question, Mr. Choi, is that first of all, Taiwan, in terms of the trading partner, I think, probably one of the top three would be China, Japan, and the United States, and they clearly understand it's not just a -- it's a matter of survival. So in other words, for China, it's basic. It's a necessity. And for the United States, it's much more complicated because the economic relations is compounded with the security,

the United States as a protector of China, and therefore, is very, very important, I think, and the Taiwanese government certainly understands that.

So I also want to mention that when we discuss the Taiwanese government's policy, we don't forget that Taiwan has been isolated, as I pointed out, diplomatically. Therefore, they are far away from many international organizations, the economic organizations. It was not until the 21st century they got admitted to the WTO, so -- but under the pressure of the U.S. government. And finally, as we know, that Taiwan has recently been removed from the 301 list. So that will be a progress, from the U.S. perspective. Thank you.

Edward McCord: We'll have like a couple more questions. Mike and then --

Mike Fonte: I'm Mike Fonte. I work as a liaison for the DPP here in Washington. So let me try to play out a little bit what I think the DPP is trying to do right now and what its concerns are. Shelley, you say that, of course, Ma is trying Plan B. I think a lot of people voted for him on the basis of that, but I think the question, in the DPP's mind and some people in Taiwan, is what exactly is Plan B? Is he in charge of the whole of the KMT apparatus that is dealing with China? That's one question that Professor Rodgers raised.

I think there are two particular points I would raise about concerns that have been evidenced by Ma's approach. First, in his inauguration speech, he used the phrase that Professor Rodgers talked about [speaking in Chinese] "We are all Chinese." So how you would you say [speaking in Chinese] in English; race, tribe, blood, people, but what does that mean? That was a shock, I think, to a lot of people who had heard him speak during the course of the campaign about being Taiwanese.

Secondly, he has raised the question that Taiwan is but one region of the ROC, that there are two regions: a mainland region and a Taiwan region. In the eyes of the DPP, that

marginalizes Taiwan dramatically. And I think that's a key question about who gets to vote on the future of Taiwan? In his campaign, he talked about the Taiwanese people would be the ones who would determine the future of Taiwan. But if you embed Taiwan within the ROC concept of a "One China," that dilutes, first of all, the Taiwanese people's presence within that context.

So I guess those are some questions that I would raise. And I think some of the actions that took place during Chen Yun-lin's visit also underscored the concerns that Taiwanese people had. Now, I have this wonderful little pen here which has the DPP flag and the ROC flag. Now, as you know, the DPP hasn't traditionally liked the ROC flag very much because it represented the KMT.

During Chen Yun-lin's visit, people were flying the KMT flag and it was being taken away by the police. The kind of concern that's very visual, I think, for the people in the DPP, and I think that's a question I really have for you is, is Ma in charge of his own plan and is his own plan really status quo? And of course, then the question is, what is the status quo?

Donald Rodgers: We don't know, all right? It's very clear that Lien and others, Stephen Chen, Ambassador Chen was right, but he had a very, very strong voice in what's going on with foreign policy and with relations with China. They are deeper blue than many and so there is some influence coming from there. There is some concern.

One of the things that haven't been mentioned today, of course, is the Wild Strawberry Movement that is also very important when we talk about the youth. And the Wild Strawberry Movement is not one that is green or blue, as we've seen from coverage of that. So there is concern. We're watching to see what's going on with the party. We're watching to see

whether Ma has absolute control over the process of negotiation with China, and it's not clear that he does at the present time.

There has been, there was quite dramatic shift after he became president than there were from when he was running for office, and it does seem that he has moved toward appealing more of the deeper blue in his own party, as he's negotiated and as he's spoken, and so we've heard more of these references to the common bloodline that goes like that.

But he also notes -- he's an astute politician, I think -- he also notes that he has to balance that. Whether he'll be able to pull that off, I don't know. [Indiscernible] what the other party is questioning. But I'll let Shelley address some of it.

T.Y. Wang: Let me quickly just respond to your question here. Certainly, this dance is not just -- Ma himself cannot play the dance. Whether he will be able to control the whole play is also not sure and in fact, you have a very powerful nation beside you. Certainly, their destiny, in part, it would be controlled by the other side.

Now, that said, I have to point out that, as Shelley just pointed out, that Plan A and Plan B, Plan A, in the past, as demonstrated, this doesn't work. And with a very powerful nation there which can block all the diplomatic initiatives proposed by Taipei, Ma, apparently, believed that it has to, somehow, negotiate with Beijing.

My conversation with some friends who are currently in the Ma administration shows that they are practical. They are practical in a sense that they understand that difficulty and the danger involved in their strategy. But again, Taiwan, by comparison, its asymmetrical relations put them in a difficult position here, is how do you break that diplomatic isolation?

So with that -- now, back to earlier -- when we talked about the DPP demonstration, I agree with my colleague's comment. That is, the DPP's demonstration in the last November

really provided Ma an important asset, that I think Ma should utilize it. One, he negotiate with the Beijing government in terms of Taipei's international space. Thank you.

Shelley Rigger: Yes, I would just thank Mike for making those points because I think that's really important. And we need to understand, and I didn't do a very good job of explaining why people in the DPP and throughout Taiwan's society have such suspicions. And your mention of Steve Chen's speech in London, I mean, there were some really old school KMT talk in that speech, so yes.

But I guess what I would say is that this is precisely why it's so important for the DPP to get its act together and to figure out what it wants to -- where it wants to position itself and how it wants to position itself, particularly in relation to Chen Shui-bian because having a strong opposition in Taiwan and having a very clear and a resolute voice for this other point of view is, it is essential to raise the cost to Beijing of erring on the side of overreaching.

And I think one of the biggest perils Taiwan faces is for the Beijing government to sort of become complacent and to think well, we don't have to make these concessions. We can insist on the comma because the Taiwan side is not going to put up a fight. So when the Taiwan side does put up a fight, whether the society or the leadership, that drives home the point that it's not going -- it's not easy and that Beijing is not going to get everything it wants.

And I guess that's my -- as someone who has done a lot of work on the DPP and cares very deeply about it, my anxiety comes, in part, from the feeling that they need to get their act together so that they can play that role as successfully as they need to because these are perilous times.

Edward McCord: We're running overtime but I want to give -- you've had your hand up a long time so I'd give you a chance.

Female Voice [Off-mike]: My name is [indiscernible]. My question is following up on Professor Rodgers' presentation [indiscernible] you were talking about [indiscernible] China, about China's [indiscernible]. A lot of Taiwanese officials seem to be [indiscernible]. I mean how does that belief change [indiscernible] and the [indiscernible] if Taiwan will become the [indiscernible]?

Donald Rodgers: In terms of domestic politics, I'm not sure that the way that's going to come out is going to have a dramatic impact. In other words, I don't think the people are going to be running in the streets celebrating the fact that that was the concession that was made. I think a lot of people see it as a loss, in a sense, that it's not enough that China -- China is asking for too much and almost saying -- they're sort of patting themselves on the back and saying, "See how good we are at giving? See what we're giving you? This, this and --" And how you interpret that is up to you but how the people in Taiwan interpret it may not be seen as strong a concession as adequate concession as they're looking for and hoping for more from the Chinese.

So the perception from Taiwan, again, is this sense that, "But are what are we going to get in return?" And we are making -- it's such that maybe we're making too many concessions among people. And so China is constrained.

You know, it's a difficult thing. The last thing I would say about this, and Lien, when he was, through his years, actually, has advocated this notion of moving from zero sum to win-win, that we can move from a zero sum, kill-each-other game, to a win-win game in negotiations and relations between China and Taiwan. That is possible within certain parameters. In other words, good economic relations certainly can help both sides.

But in the end, the Chinese want and will accept only one thing, and that is the unification, the absorption, or whatever term you want to use of Taiwan into China. And so the win-win can be a win in short term, narrow terms, but in the big term, in the big sense, it's almost impossible to envision a win-win at the present time, with the attitudes of people in Taiwan versus the attitudes of the Beijing government. And so this concession thing fits into that. Maybe we can get these small concessions, but it's not what we really are looking for.

T.Y. wang: Okay, very [indiscernible], very quickly, is that I think the issue is not if we get it admitted but if it's admitted in the right term. Certainly, it would be beneficial to the cause [sounds like]. I think what I worry is that if it's not admitted or not admitted in the right term, that will be a big blow to Ma's conciliatory policy. So what we got to understand is that if the Beijing leaders see Ma's election as their victory over Taiwan independence movement, that's how they view Ma's victory, which means that they believe their policy has been successful.

Now, if that's the case, if it's not being admitted on the right term, then Ma's policy of conciliation will go down the drain and that means Ma's legitimacy probably will be questioned. It will be a cause of a big crisis and therefore, the most, the friendliest government in Taiwan probably will no longer be effective and to implement the policy that, in the future, will be advantageous, improve the Taiwan cross-strait relations. I think that's the aspect that we have to pay attention to. Thank you.

Edward McCord: And I'm afraid we really have gone way over time. So I want to thank our panelists for a stimulating presentation and have a coffee break.

[Applause]

[Break 0:27:30- 0:42:31]

Panel II: Strategic and Economic Drivers of Cross Strait Relations

David Shambaugh: Okay, if we can resume and reconvene please and get everybody to take their seats. Well, good morning. Welcome back from the break. I am David Shambaugh. I teach here in the Department of Political Science in the Elliott School and director of the Elliott School China Policy Program. It is my pleasure to chair the second session, which is going to be, I think, as stimulating as the first session and informative. The first session looked at one set of drivers of the cross-strait relationship, a very important set of drivers, the domestic political situation in Taiwan, I suppose, and as I was listening to it, it occurred to me that maybe we should have looked at the Taiwan issue within mainland domestic politics as well and we can take that up in this session, if necessary.

But this session is to look at a different set of drivers on the cross-strait relationship, strategic military foreign policy and commercial, a large basket of it but not an unimportant -- And to discuss this, we have really an all-star and very knowledgeable cast to do so. We're going to start -- we're a little bit behind, as you know, and we really should break for lunch at 12:30. So the first thing I'm going to do is ask all of our speakers to not exceed 20 minutes so that we can leave, in theory, half an hour or thereabouts for discussion and Q&A.

And we're going to start in the order on the program with my old friend and colleague, Bernard Cole, who teaches at the National War College here in Washington and has been a prolific author in a wide variety of issues but is a historian by training, has written a number of aspects of 20th century diplomatic history, U.S.-East Asian history, is the author of, to my mind, the Bible on the Chinese Navy, which I just learned is going to be updated and redone. He has written on Taiwan's security, a very fine book, *Taiwan's Security: History and Prospects*. He had written on energy security, a very broad based scholar and a good teacher.

So we're going to start with Bud then move to Bob Sutter, who I might as well introduce now, probably needs no introduction, certainly, to those of you at UW, he has been teaching here, goodness, Bob, I don't want to ask you how long, a long time, of course, on Taiwan, and has contributed to a number of other courses that we offer, Chinese foreign policy, East Asian international relations, and so on, one of the nation's leading experts on Chinese foreign relations and cross-strait relations and domestic Taiwanese affairs. Bob is an adjunct professor here at UW. He is a visiting professor at Georgetown School of Foreign Service, and we're delighted to have you too.

Our third speaker, Terry Cooke, comes from a long background in the U.S. Foreign Service, having served in a number of key posts in Taiwan, Shanghai, Hong Kong and Berlin – I didn't realize that -- both on the Foreign Service and the commercial side, and has started his own market development and investment management consultancy, which focuses on various Asian markets. So he's going to address, I assume, the commercial dimension of cross-strait relations.

So we have a division of labor, if you will, between our three speakers, and whatever is not left or not covered, we can pick up in the discussion period. And as I said, I want to leave a half an hour, if I can, for discussion. And when we get to the discussion period, I want to remind you now, please, to press the microphone button on your -- this is being recorded so please press the microphone button on your mics and speak into the mic. This is apparently being recorded. It's on the record so let me make that admonition now than probably give it later.

Why don't we start then with Bud Cole? Bud?

Bernard Cole: Well, thank you. I'm honored to be asked to appear here today. And since I am a government employee, let me note that the views I present are my own and do not represent those of the National War College or any other agency of the U.S. government.

I've been asked to speak about China's defense strategy and implications for Taiwan. And I'm really not going to -- I don't intend to stand up here and talk about ships and airplanes and tanks and guns and so forth, although I'll be happy to answer such questions during the Q&A period.

Now, fortuitously, just a few days ago, Beijing published their 2008 Defense White Paper. And in that, in the preface, Beijing states very clearly that China's national defense is concerned with "A national defense policy solely aimed at protecting its territory and people." Very reassuring on the surface, of course, but hopefully, we'll be able to delve a little bit into what they really mean by that.

And I'd like to start by what I think are Beijing's national security concerns. What is their security, their national defense strategy aimed at? And I've long maintained that the number one strategic concern of Beijing is keeping the Chinese Communist Party in power. I don't think that represents hypocrisy on their part. I think they honestly believe that the progress that's occurred on the mainland since 1949, or perhaps even before, is due to the CCP's role.

Now, closely tied to that, to almost a startling degree, is the insistence on the fact that the People's Liberation Army is, indeed, a party army and that it owes its loyalty to the CCP. It's hard to find any statement by any national leader of China discussing national defense or discussing military modernization or discussing almost any security concern in which that point is not made, that the PLA owes its loyalty to the CCP.

I think that when we look at the second concern that is often expressed by Beijing, or that I would credit Beijing with, in terms of national security and in terms of defense strategy, it's very simple, as we just saw on the White Paper, which is to defend the sovereignty and the territorial integrity of China. Now, obviously, there's much room for definition there, if we look at the time since the establishment of the PRC in 1949, that, in fact, the PLA has been sent out in the field to do battle. If we look at the Straits Crisis during the 1950's, and perhaps, as recently as 1995, if we look at the conflict with India in 1962, Russia in 1969, three times with Vietnam, not only 1979 but also during the 1970's and '80s in the South China Sea, even perhaps with the Philippines in 1995 over Mischief Reef, that incident, and finally, of course, with respect to Taiwan, as I indicated, throughout, since the establishment of the PRC, where the PLA has been used as a very prominent instrument of statecraft by Beijing.

Two factors I want to note with respect to this employment of the PLA. The number one is what Allen Whiting has described as "Beijing's propensity for sending signals," that is, the attempt to use not only diplomacy but also to use the PLA, perhaps active operations in the field, as an attempt to send signals. At one degree, this allows Beijing to claim victory over any use of the PLA, so that we find Chinese historians writing about victories in Korea and in Vietnam and other places where an American or a Western military historian would not believe it was much of a victory.

The second factor I want to note, with this use of the PLA and I think ties very much into Beijing's concept of defense strategy of the use of the military has to do with its estimates of various situations during the year. And I would argue that since 1950, particularly with respect to the Straits Crisis during the '50s, with the possible exception of 1962 and through 1995, that Beijing failed to understand correctly the response that the United States -- that

would come from the United States after they used military pressure. That's pretty serious, I think. It's not reassuring, certainly not in my view. And it says much not only about history, but more importantly, about current and possible future Beijing estimates of when using the military instrument of statecraft, a phrase we like to use at the War College, is, in fact, called for or appropriate.

Now, finally, the third point I'd note here is a national defense concern of Beijing is domestic security. That is, maintaining social stability, something that I think has been a concern throughout Chinese history and one, I think, that is very much on their mind today. Now, this refers not only to instruments of civil disturbance. We can read the estimates that come out of Beijing about 70-80,000 instances of major civil disturbance, undefined, perhaps, but still interesting to me that Beijing would even publish those figures. The post-Tiananmen Square sort of reorganization of the People's Armed Police, the attempt to relieve the PLA of some of the direct burden of reacting to civil disturbances, intentions that, I think, all too often, come to naught, as we saw in Tibet, perhaps, earlier last year, or that we saw in some of the heavy-handed actions in response to some concerns about security during the Olympics this past summer.

Now, let me talk a bit about strategic principles. Now, this is really a wide open point. I mean I can stand up here and talk about Sun Tzu and Clausewitz and Mao Zedong and Deng Xiaoping and so forth, and I'd rather not do that directly. But let me talk, first, about this idea about comprehensive national power, certainly, not a concept unique to Beijing, although I think, within the last decade, that we really saw it adumbrated, to any great extent, by Chinese strategists. A very simple idea; the fact that Beijing is not going to measure its national power strictly in military terms or even economic terms but in a combination of factors -- economic,

diplomatic, military, perhaps cultural, sort of a shorthand for soft power, hard power. Many different phrases can be used to describe this. But I think it has a direct effect on the way the national budget is allocated by Beijing and the degree to which they emphasize modernization of their military, as they attempt to understand what they mean, what Beijing means by a national defense strategy.

Certainly, a capable People's Liberation Army -- that phrase, obviously, intended to include Army, Navy, Air Force, Marine Corp, Coast Guard function -- is part of comprehensive national power. And again, in the White Paper, in the preface, we find the phrase, for the PLA, "Purely defensive in nature." And of course, that opens the bar and doors of where or how one defines "defensive," not an easy task or certainly, not one that may necessarily be definitive, but one that is comforting to Beijing, as they attempt to discuss what they mean in their national strategy.

[Audio glitch]

Well, okay, I'll just speak loudly. [Audio glitch] -- Chinese, although it's often credited to Sun Tzu. We can talk about asymmetry. It's hard to read an analysis of China's defense strategy or the PLA's future intentions without coming across the word "asymmetric." I'm not fond of the idea about asymmetric because I think any decent general or admiral tries to find the enemy's weakness and attack it; only a fool tries to attack the enemy's strength. So asymmetry, I think, or describing that China's strategy is asymmetric is of limited use.

Then, there's the old concept from the 1920's of the silver bullet, which I think I first read about in that wonderful book, *The Northern Expedition*, about Chiang Kai-shek. At some point, during the Northern Expedition, stopping his fighting against the warlords because of other pressures, instead, buying them out with silver bullets. This, it says to me, reminds me of

another phrase that is in the White Paper that just came out last week, and that is the phrase, “Leap-frog development.” And I find this very reassuring because for several years now, I’ve been talking about Chinese’s propensity to -- the mainland’s propensity to look for sort of a Great Leap Forward syndrome, the idea of looking for some magic shortcut to leap ahead of the U.S. or to leap ahead of Western opponents.

Many years ago, in the ’90s, when I used to host senior PLA delegations to this country and the U.S. Army was experimenting with something called the “Digitized Division,” what Beijing would call today “informatization.” In response to the many questions I used to receive, I had the feeling that my interlocutors thought that if I would just take them to the right office in the Pentagon, to the right general’s desk, in the bottom right-hand drawer would be the secret to digitization, that leap, the ability to leap ahead. Now, in the field of telephones, perhaps those exist. You can skip landline installations and go right to cell phones. To my knowledge, it does not exist in the area of military modernization. But I do think this is something we continue reading about in China’s writings.

What are the threats? Why do they think they need a defense strategy? To refer back to what I mentioned earlier about domestic stability, I think popular dissatisfaction is very, very high in Beijing’s list of concerns. Again, we see it frequently discussed.

Tied in with this, this idea of domestic unrest, the idea that the PLA is not only responsible for defending the nation’s borders but is also has a strong responsibility for maintaining domestic tranquility, “All enemies, foreign and domestic,” might be a phrase they would use. There is the concern, what Beijing calla “splittism,” and here, the concerns are obvious. Xinjiang Province, Tibet. I just saw in the paper this morning where they just launched a -- were coming up on the 15th anniversary of the major Tibetan unrest and

insurgency -- that they arrested 81, that's the number I saw on the paper this morning, 81 dissidents or potential dissidents or people they didn't like or people they thought might potentially lead some sort of demonstration. So Xinjiang, Tibet, and of course, Taiwan, and more about Taiwan, the primary concern.

Perceived threats through the United States. The first time I visited China's National Defense University in early 1993, I asked my interlocutor, some senior colonel in the faculty, what the security threats to China were, and he said, Japan. They were concerned about Russia. They were concerned about Indian nuclear weapons. If I asked that question today, they are going to say "Japan." And when you say, "Well, why? Do you really think Japan is once again going to invade China?" I don't get a reasonable answer. They no longer say Russia because they buy too much stuff from Russia. But now, they're not as polite and they'll talk about the United States.

And I think this goes directly to the 1996 Straits Crisis in May. The crisis was March or April. That is when President Clinton dispatched two aircraft carrier battle groups to the Taiwan Strait area, in reaction to China's attempt to use military pressure against the people in Taiwan and the government. In May of that year, I happened to be in Beijing with a delegation. I was hosted a dinner by then Lieutenant General Cao Gangchuan, who, of course, later became Defense Minister. And after a few mai-tais, I was indelicate enough to ask him what he thought about the aircraft carrier deployment, and he seemed to get very angry, I could tell by the spittle that was coming out of his mouth, and he said, "You should not do that. You should not interfere in China." All the standard sort of schoolyard remarks you get out of a senior Chinese diplomat when you talk about the U.S. support for Taiwan.

But I think the real lesson they learned in 1996 -- and I'm not sure the lesson we learned -- was that if China wanted to use the military instruments that involved flying through the air or going across the ocean, that they would require U.S. acquiescence to do it. And I think China learned that very strongly and if we look at the modernization of the PLA that has occurred since the mid-1990's, I think we might equate that 1996 crisis to the effect on Soviet military modernization that the 1962 Cuban Missile Crisis had. Not directly, but I think there might be some comparison.

So they are very concerned about the United States. I think that concern remains. And of course, Taiwan is the primary object of that. I think the aims are no surprise -- prevent de jure Taiwan independence, reunify. I think they're optimistic right now; I think Beijing is relatively optimistic about peaceful reunification, depending on -- based on what we've seen in the last couple of years, particularly since President Ma's ascension to power.

And most of all, even if the military instrument has to be used to prevent Taiwan independence or to force reunification, is the intention to avoid confrontation with the United States. And here, I will mention some of the modernization that has been so prominent in the Chinese military, particularly the Chinese Navy, and that is the emphasis on building conventionally powered submarines, over 20 since the year 2000. And I think that Beijing has, correctly, in my view, determined that the best way to delay U.S. military intervention in a Taiwan scenario is by being able to deploy a couple of dozen submarines out to sea as a crisis, perhaps, heats up.

So I think that Taiwan remains the number one priority for the PLA. As I said, I believe that, on both sides of the Strait, particularly on Beijing, that there is a relatively optimistic view right now that military use will not be called for. But nonetheless, it is an instrument that

remains in Beijing's potential quiver, if you will. Let me stop there and I look forward to your questions. Thank you.

David Shambaugh: Excellent, Bud. It stimulated a number of questions in my own mind, at least, I'm sure also in the audience, and I thank you for coming in, actually, under the time, slightly, so you bought us back some Q&A time. Let's turn to Robert Sutter, Professor Sutter, our second speaker. Bob?

Robert Sutter: Thanks very much. It's a great pleasure to be here and speak with you today about the issues in cross-strait relations involving the United States, as well as other countries. My focus is looking at the Ma Ying-jeou administration's policies and cross-strait developments, recent ones, how have they impacted the foreign and international factors affecting Taiwan.

My focus is heavily on asymmetry. There's a very large asymmetry, it seems to me, between China and Taiwan. And what should be done about this, if anything? This is what, in the old days, we would call an imbalance. And I'm old and I remember the old days and there's a certain validity to old ideas. And so imbalance is something that we need to think about, it seems to me, if we're interested in Taiwan and cross-strait relations.

And so I guess I'm going to add to Professor Rodger's very good presentation about the Ma Ying-jeou balancing act. He's got other factors he has to balance. He has to balance the United States, to some degree, in this situation too, and so it's not easy. And the U.S. has to think about what it wants in this situation, and that's also not easy.

Now, so what I'm going to try to do is make some points about the context of the situation, looking at the actors, from Taiwan, China, the United States, and a few others and

looking out at the situation in the near term, and then end up with a few U.S. policy implications to share with you.

This is very much a work in progress in my own mind. We're in a very new situation, as Plan A didn't work. I didn't hear what Plan A was but I got an idea of what it was, and so we're into Plan B and we want this to work. I think in the United States, a lot of people want this to work. And yet, will it work? And what if it doesn't work? What do we do then?

And so this is something that I think I'd want to focus on a little bit. But the context first. The Ma Ying-jeou initiative is very welcomed in the United States. It's very welcomed in the world, in many different quarters. Australia, Southeast Asian countries, they all think this is so much better than what happened before, to the point that I think the U.S. policy goal is basically, it seems to me -- this is not based on any inside information -- but it's basically trying to move toward a positive sum relationship among the United States, China and Taiwan. And I think the debate is, is this a reasonable expectation?

In particular, how do present circumstances prompt China to make compromises over key issues with the Ma administration that will be meaningful in dealing with this overriding situation of asymmetry in Taiwan-China relations? These are diplomatic compromises but they're also military ones and economic and other things. So this is an important factor, I think, we need to just think about, and that's really what I'm thinking about right now and that's the focus of my presentation.

Now, U.S. policy, I think, is very much tied up, in as far as China is concerned, is very tied up with a basic positive equilibrium, sustaining a positive equilibrium. You don't want trouble with China at this point. I mean the reasons for this are pretty clear. Engagement has worked for the United States in China. Secondly, the two sides are very interdependent so they

certainly don't want to emphasize key areas of difference, if they don't have to. And third, both leaderships are very preoccupied with other issues. And so the idea of them, somehow, having a fight over Taiwan and making an issue out of it, I think, is not likely, particularly on the U.S. side. So that's sort of -- these are context points. This is the background of the situation.

And then what are concerns that one thinks about, and this is what I think about. I look at Ma Ying-jeou's policy and I really support it. I want it to work. I really do want it to work. But looking at it as an analyst, I'd say it seems pretty one-sided. It seems to be reassuring China at a time when China is consolidating a position of dominance, militarily, economically, and diplomatically vis-à-vis Taiwan. That's the approach. That's Plan B. Is that going to work? Is that really going to work?

So what it does is it allows China to consolidate further its position of influence over Taiwan in these key areas. And what we don't see yet, and which I hope we see, this is what I think is needed. I think Professor Rigger emphasized that Taiwan opposition has to show itself as a strong force in order to show Beijing that there's some cost and therefore, if they wanted to avoid this type of thing, they might want to be more accommodating to Ma Ying-jeou.

What I would like to see, in addition, is something internationally, where Ma would show an alternative strategy, an alternative approach, a fallback position, a contingency plan that would show China there is an alternate path, alternative path for Taiwan. We don't have to follow this Plan B. And it isn't Plan A. Plan A didn't work. That's not a viable alternative. So what is Plan C? Not that you'd use it, but you need it in the background. You need it in the background. And I think this is where the U.S. plays a big role, in this Plan C. But we have to

see how this works. If China doesn't accommodate Taiwan in a significant way, why do it? It is the question that Professor Rigger raised and I think it's in the back of my mind as well.

Okay, so what we have here is this imbalance, big imbalance between Taiwan and China regarding economics, regarding diplomacy, and regarding security. Now, old-timers in the United States used to worry about that. They used to say that imbalance was bad for U.S. interest. Go back and read the record. It's full of this stuff. So, is that no longer the case?

Now, we have to think about this, and Americans have to think about this. This is where the Americans get into the act. Are we going to think about this and say, "Well, it's all changed?" The administration is so relieved that we don't have Chen Shui-bian that it loses sight of this, it seems to me, and yet I don't think people really lose sight of it, but it doesn't get much publicity. And so we need to think about is the United States still concerned about balance in the Taiwan Strait?

If the policy says we're not concerned about that anymore, we have win-win, well, then, you better go to Capitol Hill and tell those people because I don't think they know that. And I think a lot of people, the media, would probably find this of interest too if we're no longer doing that. And so we need to think about the implications.

And we're in a very -- and so what we find though, and I'm not leveling criticism at all here of Ma Ying-jeou policy. I want this to work. I think it's a good idea that he pursues this. But I think that the point is that -- and we're in the middle of this. We're watching. It's sort of like a great experiment. Is this going to work? Is this Plan B, as I hope I understood it correctly, going to work?

And so I think most people in the United States that look at this, not that many people do this, but those that look at it closely, I think, say they want to give it a chance. Let's see if it works. Support it.

And so at the same time, do the Americans and does Ma Ying-jeou want to develop a contingency plan just in case it doesn't work? Do we want to have some relationships with the United States and other actors, internationally, that will help Taiwan in this kind of situation, to build up, to deal with the asymmetry in cross-strait relations?

Now, the outlook in this situation, I think, is very muddled. And is there drift? Now, I don't think in Ma Ying-jeou's side there's drift. But at the end of the Bush administration, I saw a drift. I thought this was a big time drift. Now we have a new administration. So we'll see what's going to happen with the new administration. We're waiting to see if China will compromise and accommodate. We're waiting to see if Ma is building and strengthening Taiwan's position in the face of China's dominance. That's important for him.

This is what -- just as a side bar here, everybody gets so excited about participating in the WHA [phonetic] and the WHO. What is that going to change, ladies and gentlemen? What the devil is that going to change? I mean if you're looking at the balance of forces, think about it. And so this is the beginning. People say this is the beginning. Great. I want to see where is it going to go? And can Beijing string this thing out? I think so.

Now why does Beijing do this? If you look at -- I spend a lot of time looking at Chinese foreign relations -- if you look at how the Chinese make their decisions on foreign relations, it's often cost-benefit. And in some areas where they dialogue, when it's sensitive for them to make compromises -- and this will be a sensitive one, diplomatic space for Taiwan is a

sensitive issue in China, and they don't want to do it, well, they can -- they use process very effectively. Look at their policy on human rights dialogues, on climate change, things like that.

Sometimes, they get into an area that they don't want to compromise but they do it. This is, I would say, arms control proliferation. They didn't want to do a lot of these things but they did it because they got a lot of pressure. The cost was too extensive. They had to do it.

And on others, they find it's really very much in what they want to do: globalization, joining the WTO, this type of thing. Where do these concessions, as far as Taiwan is concerned, fit? I think they're in the human rights category. And so I'm a little concerned about that. Anyway, we're waiting. We're waiting on this type of thing, and I really hope it works, and we know the status of the situation, the different indicators of this kind of situation, so we'll see what happens.

But as we're waiting in the United States -- I'm an old government administrator; I'm always worried about if things go wrong, so I'm the contingency planner. My kids, it was terrible. They drive me crazy. What did you do? And so I worry about if things go wrong or if they don't work out so I want contingencies. And I think the United States really needs a Taiwan -- a quiet Taiwan policy review. They really have to take a very hard look at this type of situation.

And I think this would lead to -- on the one hand, I think the U.S. needs to look at the situation, okay, Ma Ying-jeou is following this policy. Would it be helpful to Ma Ying-jeou? Obviously, the U.S. doesn't want to get out ahead of Ma Ying-jeou. It doesn't want to disrupt things at this point so they have to wait, even if they want to take an action. They have to be consistent so they don't disrupt Ma Ying-jeou's reassurance policy towards China. But they can still plan.

So what would they do to help Ma Ying-jeou under these circumstances? And I think that there are a number of things that, possibly, could be done and this would shore up Taiwan. This would make Taiwan be stronger as it deals with China from a position of not such asymmetry. And so this is going to involve economic connections also, but it's basically an international connection between the United States and China.

And so the U.S. needs to investigate this. What are the paths that the United States could take in this regard? I think there's a second contingency that needs to be done too. What if Taiwan doesn't want to do it? What if Taiwan has decided it really doesn't want to do this kind of thing?

Now, the Americans say, well, they could say, "Well, imbalance isn't that important to us anymore." Taiwan wants to get in to the orbit of China this way. We need to have a plan to deal with that as well. I don't think it's the end of the world at all for the United States. I think it's very easy for the United States to do this, to adjust to this kind of situation. But I do think we need a plan.

And so we need two plans. The first one, I think, would help Ma Ying-jeou, shore him up as he deals with China, and probably, I think, would help him get a better deal from China. But it has to be done -- but he has to show that he wants this and the U.S. has to be willing to do it. And in a way that gets away from making the China-U.S.-Taiwan relationship a positive sum game, doesn't it? It might. Anyway, it could be seen that way. This is contingency. This is basically hedging, in the parlance of Asian security.

The second plan is to say if Taiwan has reached a point where it's really very much in China's orbit and moving -- it's not going to stop, then we need a contingency plan for that. We really have to figure -- we Americans have to figure out what do we do in that kind of

circumstances. And I think it's not that hard to figure out what to do in a way that's advantageous for the United States but it changes the way the United States deals with Taiwan.

Okay, so let me stop there and again, I think things are -- we're watching. I'm optimistic that something will happen here. I am hopeful that this will happen, but I'm always nervous. And there's an asymmetry of power. And if you're a realist, and I guess I am, and you look at this kind of situation, you say, well, "Why would China compromise? Why would they significantly compromise to the point that it would change the overall pattern of ever increasing Taiwan being enveloped in the orbit of China?" Thank you.

David Shambaugh: Thanks, Bob, very much for a very thought-provoking presentation. A number of questions arise. So as you're thinking about them and formulating them, I hope Bob is ready for a number of them. I've got at least one I'd like to ask. Okay, but before we turn to that, let's turn to Terry and look at the commercial dimension. We had a very nice presentation on the strategic military side, the diplomatic side. Let's look at the commercial side of the relationship.

Terry Cooke: Well, first of all, it's a great pleasure to be here. My role, in the division of labor, is to address the commercial side, but I'm also very mindful that I am the last in a series of six speakers. I'm the only speaker at this point between you and lunch, so I want to make it painless for you. I will be really just trying to focus on one point and two key questions, and I'll deliver them at the end of my 15 minutes.

So what comes in between, you have license to kind of zone out of, and I will, from time to time, look down, refer through my notes. What I'm going to do is divide my 15 minutes into three sections. And David, I hope you will nudge me on five-minute increments. And the first one is like a fast-forwarded movie, even to the point of blurring, just recapping the

last 16 years or so of cross-strait economic engagement. This information is readily available in other places and I'd be happy to point you to them, to those places, if you'd like that.

Then, what I'm going to do, this is actually going back to a point that Shawn McHale made at the introduction --

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