



## **The Triangular Relationship: *The United States, Taiwan and China***

A conference devoted to  
examining American foreign policy toward Taiwan.

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Hudson Institute & Formosa Foundation  
July 8, 2004

## PART I

### OPENING REMARKS

**Kenneth Weinstein**, Vice President and COO, Hudson Institute  
**Li-Pei Wu**, Founder and Honorary Chairman, Formosa Foundation  
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**KENNETH WEINSTEIN:** [IN PROGRESS] –The Formosa Foundation is a leading non-partisan, non-profit educational organization designed to promote human rights and democracy and better understanding between the people of the United States and Taiwan. And I have the honor of introducing the founder and honorary chairman of the Formosa Foundation, Mr. Li-Pei Wu, momentarily.

But, first, allow me to say a few words about Hudson institute and today's conference. It's a real pleasure to see so many old friends here today.

For those of you who do not know, Hudson Institute, for the past few decades, has done cutting-edge policy work in fields ranging from welfare reform to the War on Terror. We're headquartered in Washington, D.C., and we're guided by a belief in free-markets and individual responsibility; a view that technology is the engine of economic progress; and the belief that American national security and economic strength is the basis for peace and prosperity around the world.

Hudson's work in Asian studies is focused on Japan, Korea, China, and, of course, Taiwan. Taiwan is a special place for Hudson; a beacon of freedom, as it is for many Americans--a beacon of freedom under threat; a good friend of the United States and other democracies.

Throughout our four decades, we have published numerous monographs and books on Taiwan and hosted numerous conferences. We turn our attention today to Taiwan because the attention--because the situation in Taiwan merits serious attention. With the focus here in Washington and elsewhere, on the War on Terror, American policymakers and opinion elites risk turning their attention away from Asia.

And when we do turn our attention to Asia, in fact, we are more likely, of course, to focus on North Korean nonproliferation than on the threat that the People's Republic of China poses to the democratic people of Taiwan.

So, given this climate, in conjunction with the Formosa Foundation, we thought it an appropriate moment to refocus attention to Taiwan; to ask whether Taiwan risks, somehow, being lost between the United States and China, especially in the context of the six-nation talks designed to prevent North Korea nuclear capacity from growing.

Today's discussion by leading policy experts, including some who have advised key Democratic and Republican policymakers should shed some light on this subject.

We're very grateful that our distinguished panelists have joined with us today. I'm very sorry to report that neither Senator Kyl, nor Senator Brownback will be able to be with us due to scheduling conflicts, they both send their regrets and their regards.

Now, it is my distinct honor to introduce our co-host, Mr. Li-Pei Wu, the founder and honorary chairman of the Formosa Foundation. Mr. Wu, as I'm sure many of you know, is a lifelong human rights and democracy activist. He has had a very distinguished career in banking, having managed and revived the Los Angeles-based GBC Bancorp and it's subsidiary General Bank. IN 2003, Mr. Wu retired from GBC Bancorp, which was later merged with Cathay Bancorp to form Cathay General Bancorp.

He is the recipient of numerous awards, far too many for me to list here, but, perhaps most notably the 1998 Ernst & Young Entrepreneur of the Year Award for great Los Angeles. He has spoken at many venues, most notably as the distinguished guest lecturer at Cambridge University Department of Oriental Studies, where he gave numerous lectures on such subjects as "Taiwan's Economic Miracle," and "Taiwan/China Relations." We're honored that he's with us today. Mr. Wu.

**LI-PEI WU:** Thank you, Ken, for that kind introduction. Good morning everyone. I'm Lei-Pei Wu, founder and honorary chairman of the Formosa Foundation.

Today, we have opportunity to discuss the issues between United States, Taiwan, and China. I think this issue is very, very important. However, as Ken just mentioned earlier, it's kind of lost. So, we would like to bring us back to refocus on this most important issue in the international politics.

Allow me to briefly introduce Formosa Foundation. Formosa Foundation was organized in 2002. This is a non-profit, non-partisan organization aiming for improving the friendship between Taiwan and the United States and, hopefully, United States through partnership with Taiwan would help stabilize Asian/Pacific area's security and protection.

We are also very interested in seeing that current policy toward Taiwan be revisited and ultimately changed. Our mission is to change current one-China policy to one-Taiwan/one-China policy, with the view that would most help pursue United States' interests and also would adhere to the American body.

You already see the schedules about the subject matters, so I don't want to get into the detail. But here, I would particularly like to thank the Hudson Institute, because, without their--they put everything together--without their coordination, we would not be able to do this conference. And, in particular, I would certainly like to thank Ken Weinstein, the Vice President and COO office of Hudson Institute because of his great, great effort, great work in putting this together.

We'd also like to thank Mr. Keith Appell of Creative Response Concepts for helping to promote this conference in the press and to spread the important message of this conference.

One more person, Mr. Jonathan Baron, who is not here today, who has been working with me for many, many months discussing about the subject matter, the concept of putting this kind of conference together. Unfortunately, he is not with us today, but he has helped us a lot.

I hope you find this conference to be both interesting and enjoyable. Thank you for all coming.

## PART II

### PANEL DISCUSSION:

"China: The Rising Military Threat"

#### Moderator:

**Lawrence Kaplan**, Hudson Institute

#### Panelists:

**Rand Fishbein**, Fishbein & Associates

**John Tkacik**, Heritage Foundation

**Bill Gertz**, *The Washington Times*

**MR. WEINSTEIN:** Our moderator, Lawrence Kaplan of "The New Republic," is on his way down here and he should be here momentarily. But, why don't we begin. We'll hear first this morning, the topic is "China: The Rising Military Threat" and our first panelist to discuss the subject will be Rand Fishbein of Fishbein Associates. He is a noted scholar on strategic policy and served for many years as an aide to Senator Inouye and is well known for his expertise on China/Taiwan issues. Thank you.

**MR. RAND FISHBEIN:** Ken, thank you very much. It's a pleasure to be here and to see so many familiar faces from the Washington foreign policy community and beyond. I prepared a few remarks, which I hope will stimulate some discussion later on, after the other panelists speak.

Ladies and gentlemen, the political rutting season is well underway. We are just four months away from the presidential election. While many issues will be raised and debated by the candidates, themselves, and the American public, I would be surprised if any serious mention were made of China as an emerging threat to U.S. security interests in Asia.

I would be even more surprised if either candidate came forward with any new thoughts on the question of Taiwan. This is a sad commentary on the state of U.S. foreign policy when some of the most important questions of our time are left unspoken and the clear way ahead is left uncharted.

Yes, terrorism and instability in the Middle East are important issues, of this there can be no doubt. But it is China, her growing wealth and power and the seemingly unsated ambitions of its leaders that is the big story that has yet to register for most Americans.

China has woken up. Its citizens are discovering the power of the capitalist marketplace, even as its leaders hold the country in a totalitarian embrace. Many in the world may look on with dismay as America, a true democracy, wields its power; sometimes awkwardly, sometimes in error; but, always at the behest of the governed.

By contrast, the Chinese Communist leadership has no such pretensions. In the absence of a democracy, all decisions to exercise military or police power are ultimately self-serving and geared to the preservation of the Communist elite.

They are not intended to liberate people from oppression, but to extend the bonds of servitude. The people of Taiwan and Tibet understand this fact only too well.

Today, America finds itself in a difficult dilemma: One that is familiar to virtually all global powers that have assumed security responsibilities far beyond their sovereign borders. Simply put, the U.S. must come to grips with how to balance its ever-expanding commitments overseas with what is surely a finite resource base. For a nation that has no territorial or imperial ambitions, this is both a difficult and increasingly burdensome task.

Across the country, Americans are now wondering why they must carry a burden that should rightfully fall on the shoulders of nearly every free country in the world. At the same time, they are beginning to question how the War on Terrorism is being fought and whether victory, at any price, will ever be possible.

Where the Cold War was an expensive necessity, the War on Terrorism has become a veritable hemorrhage in the federal budget, bleeding the nation of productive wealth and, perhaps, one day, sapping the American public of its resolve.

Thankfully, this has not happened. Americans are a strong and resilient people accustomed to sacrifice and endurance. Still, the war is taking its toll and in ways apart from lives and treasure. In fact, its greatest effect may be in distracting our attention from other equally menacing concerns and one of these is, most certainly, China. For the U.S., this could be a costly mistake. For the people of Taiwan, it could be terminal.

There is little doubt that the leadership in Beijing has become emboldened, both by the failure of the U.S. to stabilize Iraq and Afghanistan and by its inability to maintain control over its coalition. They see an America, shaken and confused and having been abandoned by many of its staunchest friends and challenged by its closest allies.

They see a growing hostility to the way in which Washington wields power and the way it accommodates the wishes of those it has liberated.

They see opposition from France, Germany, Canada, and Belgium over the pace of democratic reform in Iraq and the refusal of NATO to commit much needed troops to the peacekeeping effort. They see opposition growing across Latin America and the Arab world for the approach taken by the U.S. to nation building. They see that even Turkey and Mexico, two countries deeply indebted to the US, steadfastly refuse to join the coalition of the willing.

And, yes, in all of this, the Chinese see opportunity. The opportunity to displace the U.S. as the world's leading power. Fearing no repercussions, China sided with Russia and France in the U.N. Security Council in opposing the war with Iraq. The Chinese knew then, as they know now, that America has too much at stake in its relationship with Beijing to allow a rift to develop. The imperatives of trade and the festering problem of North Korea's nuclear program are but two examples.

And, yet, it is China who stands to gain from U.S. global engagement in over 90 countries worldwide. With the U.S. military stretched beyond all reasonable limits, the ability to respond to a new and unexpected threat--be it from China or elsewhere--is, today, questionable. In fact, in the weeks prior to 9/11, the last major act by Secretary of Defense Rumsfeld was to declare that the U.S. was no longer committed to a defense posture that was built around fighting two major regional conflicts or MRCs, simultaneously and to victory. Instead, since August 2001, the U.S. has been positioned to fight only one MRC and, today, that's Iraq.

Today, America is distracted, overdrawn and increasingly exhausted, as evidenced by a growing troop shortage, longer rotations for deployed soldiers, airmen, and marines; increasing anger over the imposition by the Defense Department of the Stop-Loss Program; operational errors; equipment shortages; and, of course, the growing list of dead and injured.

Unfortunately, even with the defense budget now topping \$400 billion annually, there is no immediate relief in sight. So, who's benefiting from America's malaise? Well, in my opinion, it's China. China is learning much from U.S. operations in Iraq and Afghanistan. It is gaining valuable knowledge of U.S. tactics and strategy; equipment performance; logistics; command control and communication; unit readiness levels; the combined war fighting capabilities of servicemen and women; and the way in which we restructured our forces worldwide to meet new contingencies.

All this comes at a time when the PLA is embarked on a massive, long-term modernization effort. The transformation of its 2.5 million-man army, into a first-rate offensive force, involving a full range of military capability from weapons systems and operational doctrine to institutional building and personnel.

Other improvements noted by U.S. intelligence, include joint operations between Chinese land, air, and sea forces; air operations involving new offensive strike capabilities; conventional missile operations involving the deployment of 550 SRBMs deployed against Taiwan--and analysts expect this number to grow by 75 each year.

Naval operations involving both long-range reconnaissance, mine warfare and amphibious warfare and space operations involving the use of advanced satellite imagery, reconnaissance, both electronic and signals intelligence. In fact, the Pentagon believes that Beijing is also developing a counter-space capability and may soon test an anti-satellite weapons system.

Adding to China's military capability is the fact that its industrial base is being aided enormously by the transfer of dual use technology from the West. The massive industrialization of the country, backed by an enormous talent pool of first-rate scientists and engineers, many schooled in the West. And nearly a trillion dollars in U.S. currency sitting in Chinese banks.

All of this is reflected in a booming growth rate in the Chinese GDP of upwards of 7.5 percent per year. The OECD reported last month that in 2003, China overtook the U.S. as one of the largest

recipients of direct foreign investment. Only Luxembourg is higher. In 2003, this amounted to \$40 billion invested in the U.S. as against \$53 billion invested in China.

Increasingly, the quest for raw materials has come to dominate Chinese foreign policy. In particular: oil, strategic minerals, and steel. And, of course, the U.S. is the major supplier of these commodities, along with the technology to process them into high-value goods. Today, the price of scrap steel is at its highest level in years, due in large part to massive Chinese purchases.

Indeed, much of the steel debris left over from the New York World Trade Center went directly to China to be recycled. Yet, the U.S. dependency on China continues to grow, as evidenced by a trade deficit which is now running at \$120 billion a year; surpassing the total U.S. trade gap of just six years ago.

Even the U.S. military has been affected by this trend. Astonishingly, most of the military-grade TNT purchased by the U.S. Department of Defense, comes today from Communist China.

It's an undeniable fact that, increasingly, the U.S. is making the world safe, not for democracy, but for China. As Washington's fortunes in the Middle East plummet, those of China's are on the rise. Chinese state oil and gas companies have moved methodically to acquire large stakes in exploration and refining operations in places like Azerbaijan, Kazakhstan, Iran, Peru, Iraq, the Sudan, and Venezuela.

According to one estimate, by 2010, China will be importing upwards of 95 percent of its petroleum from the Middle East. This, at a time when gas prices are soaring and U.S. businesses are suffering because they cannot afford the higher energy bills.

America and China are now in a great contest over resource acquisition. One that could very well result in conflict if both countries are not careful.

In an effort to protect its balance-of-payments position, China is moving quickly to establish significant trading relationships with its energy partners. Between 1999 and 2000, for instance, trade between China and the Gulf states grew by over a billion dollars to nearly \$3.7 billion. And it continues to grow with large-scale Saudi investment in the Chinese petrochemical industry.

The test case for the U.S. in the Pacific will come, probably, with the Spradley Islands, with Taiwan a close second. And then there are the Straits of Malacca, not a resource, but the passage through which much of the world's oil travels on its way to markets in Europe and the United States.

Today, the United States is unable to mount the credible presence in the Pacific with less than 300 fighter aircraft on permanent station in the entire theater. True, the United States maintains a robust military presence in the Pacific with 100,000 troops and has expanded its security operation with military access in Southeast Asia. However, the U.S. also plans to draw about a third of its troops from Korea in the coming months; a fact which could be taken by China as a sign of weakness and retreat.

Prudence demands that the Pentagon counterbalance this decision with an increased commitment of U.S. military power elsewhere in the Pacific.

Against this backdrop, China is expanding its horizons and is increasingly posing a threat to U.S. and Allied interests through its weapons proliferation activities. The problem is growing as the Chinese see weapons sales as a way to cement international ties and achieve economies-of-scale in their own defense industries.

The Chinese have made no secret of their marketing objectives. For over two decades their policy has been clear. Yet, it was the U.S. Deputy Secretary of Defense, Paul Wolfowitz, who astonished the foreign policy community two years ago when he admitted that the U.S. was caught unaware when one of its closest allies, Saudi Arabia, acquired DF-3 missiles from China; missiles with a range of 3,500 miles and a WMD capability. In an admission startlingly similar to the current quest for Iraqi weapons of mass destruction, Wolfowitz said, quote, "I believe in the 1980s, when Saudi Arabia acquired long-range ballistic missiles from the People's Republic of China, it took us completely by surprise. We think a relatively harmless surprise, but, nonetheless, a surprise" end quote.

One can only wonder what other Chinese actions are going unnoticed by the Administration or ignored by our policymakers out of expediency or simple distraction.

There is only one conclusion to be gleaned from the facts, as we now know them: And that is, that the competition between China and the U.S. will only grow over time. Economically, politically, and militarily, the Chinese are positioning themselves to prevail in what may be an inevitable conflict with the United States.

America must be prepared for a new cold war. One where its dominance in Asia is challenged at the first sign of systemic weakness. Such was the case with Japan prior to World War II and with the former Soviet Union, during the Cuban Missile Crisis.

Ultimately, stability in Asia may rest on a new balance of power and a return to the old days of mutually assured destruction. If and when that time arrives, the U.S. must not retreat from its commitments in the Pacific, in particular, Taiwan, or risk signaling that it is no longer a serious player on the international stage. This would be a dangerous move for all concerned.

To ensure that China understands that the U.S. remains steadfast in its commitments, Washington should take every opportunity to boost Taiwan's defensive capabilities and economic ties. Our policy must be both substantive and unambiguous. Taipei must be allowed to freely purchase conventional weapons systems it deems appropriate for its own defense.

Recently, President Bush pledged that the U.S. will do, quote, "whatever it takes to help Taiwan defend itself" end quote. The American people should hold him to his word.

Taiwan is now negotiating with the U.S. on the largest weapons purchase in its history. Recently, the parliament agreed to an \$18 billion addition to the country's military upgrade program. As part of this enhanced package, the U.S. has wisely agreed to sell Taiwan the Aegis-ship-based antimissile system. Negotiations with Washington also are underway for eight submarines, anti-submarine patrol aircraft, an upgraded Patriot Air Defense System, and destroyers to carry the Aegis system.

Still, these items may not be enough to deter future Chinese aggression and will have to be regularly supplemented. The U.S. should aid this Taiwanese effort by bolstering its deterrent forces in the Pacific. Perhaps, even renegotiating a return to a basing presence in the Philippines.

And, lastly, and, perhaps most controversially, Washington, should consider imposing a freedom tax on all U.S. companies doing business in non-democratic states, with China being its principal target.

The logic here is simple: Those who contribute to the strengthening of a totalitarian regime, should bear an increasing part of defending against the threat posed by that regime.

These are a few steps which I believe will help to ensure peace and stability in Asia and the Western Pacific.

No doubt China's expanding power base will be one of the great questions that will dominate the lives of the next generation. And Taiwan is, potentially, the issue around which new strategies and policies will crystalize.

It is a sobering thought, but one which we neglect at our peril. In the emerging contest between two of the world's great powers, Taiwan may be the stage upon which the future security of the region and America's Super Power status will ultimately be decided. Thank you.

**MR. JOHN TKACIK:** When Ken called me and asked me to comment, I said I'd do it on one condition was that I wouldn't have to prepare any remarks, I'd just talk about other people's remarks. But, listening to Mr. Fishbein's great presentation, I'm compelled to sort of add my own patina onto this. I don't know where to start except to say that U.S. policy on Taiwan, I mean, excuse me, on China, seems to be very misguided. It seems to have no direction.

On December 9, 2003, some of you might remember that President Bush welcomed Chinese Premier Wen Jiabao into the White House and declared that China was, quote, "a partner in diplomacy facing the challenges of the 21st century" end quote. And I followed that up with a major paper at the Heritage Foundation, where I referred to this comment as irrational exuberance. I sort of hoped that we had sort of put the nail in that coffin, I didn't want to hear that again.

But I just see, yesterday, that Dr. Condoleeza Rice was in Tokyo meeting with Japanese Prime Minister Koizumi and he asked her what she planned to talk about in Beijing where Dr. Rice is today. And before Dr. Rice went to Beijing, the Associated Press and Reuters and *The Washington Post* all said, well, Dr. Rice will be talking about North Korea and nonproliferation issues when she's in Beijing.

That might have come as news to the Chinese foreign ministry because the foreign ministry spokesman, Jung Chi Ve said, no, no, Taiwan is going to be what we're going to talk about in Beijing.

Well, Dr. Rice is in Beijing today, but it looks like irrational exuberance is still the order of the day. She said she looked forward to discussing ways in which China and the United States could develop a partnership in meeting the challenges of the 21st century.

You know, I don't know whether to laugh or to cry. In a partnership in what? In the War on Terror? Maybe North Korea--the North Korean issue? Maybe nonproliferation--maybe that's where we're

having a partnership. It certainly isn't in the Taiwan issue. It certainly is not in Southeast Asia. It's certainly not Iraq.

But let's go through these issues--the War on Terror. You know, the last time the U.S./China anti- or counter terrorism task force met, the U.S. side still referred to China's contribution as potential. China, in fact, has contributed nothing to the War on Terror, absolutely zero. It has gotten a lot. The Chinese have been able to debrief Weeger terrorists that are detained in Guantanamo. The Chinese have been the beneficiary of a large amount of actionable intelligence from the U.S. regarding the travel of certain personalities across the Chinese border into China. But as near as I can tell, and, certainly, what everybody that is knowledgeable has been able to tell me, is that, no, the Chinese have not actually given us anything to work with ourselves.

China has not been helpful in the long-term. North Korea--the Administration still refers to North Korea as a major area where China has helped. But you know what China's position is on the North Korean nuclear or denuclearization talks? Its position is, "The American policy on North Korea, this is the problem," quote/end quote. That's what assistant vice minister of foreign affairs Jung Ye said last September 1 and that's what he continues to say to this day. Although, perhaps, well, at any rate.

Just three weeks ago, we learned that the Chinese foreign ministry still does not believe that there is a uranium reprocessing program in North Korea. This is, as far as they're concerned, an unproven issue and U.S. intelligence has been wrong in the past and, therefore, it's questionable now.

But this, despite the fact that Dr. A.Q. Khan, the father of the Pakistani nuclear weapon, actually told people, hello, I sold uranium reprocessing equipment to North Korea. Despite the fact that Dr. A.Q. Khan said, hello, I was actually in North Korea and they showed me two things that they said were nuclear devices. This was all four years after the North Korean signed the agreed framework where they would fore swear nuclear weapons, that they would dismantle.

Now, I don't know what more proof you need, except, basically to just invade North Korea and do what we did in Iraq. Maybe there is no uranium program. But, I'll tell you one thing, you're not going to find out by taking North Korea's word for it. And my sense is that when A.Q. Khan said, hey, yes, I did sell this stuff to North Korea, I don't see why there's any question about the facts.

What about nonproliferation? For the last 15 years, the United States has been haranguing China for being the world's largest proliferator of materials, technologies, and components of weapons of mass destruction and their delivery systems-- for the last 15 years. I mean, I can remember when I was in the State Department, that this was an issue of great concern to us that the Chinese would always say, oh, yes, we're going to stop. We will stop. We want to stop. Oh, our borders are very porous, you know, our arms control, our export control regimes are very loose and they're really not very effective.

This, in spite of the fact that I know every foreign investor in China complains about how tight china's import and export control regimes are. For some reason, the Chinese government cannot control their own state-owned firms, which are exporting this stuff.

In 1996, of course, we all remember the ring-magnets issue, okay. Forget that, I mean, let's say that from now on, I mean, the Chinese are really--are really serious about being honest members of the international nonproliferation control regime. On April 7 of this year, do you realize that--were you all reading the newspapers? On April 7 of this year, seven Chinese firms were sanctioned by the State Department for engaging in the transfer of WMD, weapons of mass destruction technology abroad.

And if you read the press releases and listened to what people were saying, especially, in Under Secretary--Assistant Secretary Wolf's testimony before the House International Relations Committee. He said, among the thing that the Chinese were sanctioned for in April of this year was the export of nuclear weapons-related material. Now, they didn't say what it was, they would go into classified session to discuss this. But this was April 7. Why do you suppose, then, the Administration strongly supported China's participation in the nuclear supplier's group, in February, in March, in April and in May, as well? It made no sense to me.

To this day, there is no evidence that China has made nonproliferation a national policy. To this day, every U.S. government document that you read refers to China's--the potential that China has to contribute to a nonproliferation regime. But every document that actually addresses the issue of China's contribution to nonproliferation says, there are still indications that China condones this. That the Chinese government condones it.

Now, you know, on the matter of Taiwan, we all know what China's intentions are. China faces no--repeat me, China faces no threat from Taiwan. If anything, Taiwan is a strategic benefit, as it is, to

China. China wants Taiwan. It wants Taiwan the way it wants Hong Kong. And if you look at the old one-country-two-systems formula and flip back through your history books, you'll find that China proposed one-country-two-systems for Tibet.

There is no question in my mind that Hong Kong is on a glide path to becoming what Tibet was or Tibet is. The Chinese government, I think, does see Taiwan as a political threat. But here Taiwan is a beacon of democracy and representative government in East Asia among the Confucian societies of East Asia where it is said that democracy really doesn't function very well. Although I would notice that the very sophisticated citizens of Hong Kong, seem not to be ready for democracy.

Although, the pastoral nomadic herders of Mongolia seem to be quite adept at democracy. They had an election last week in which they overthrew--not overthrew, but they basically voted out the old line MPRP Communist government and I think we're headed for a new democratic parliament in Mongolia, this time around.

And the reason I say that Taiwan is a political threat is because the Chinese Communist Party has no legitimacy anymore. The previous grounds of their legitimacy were that the Communist Party represents the immutable, historical, fact of the scientific development of history; that we, as the Communist Party, have this truth and we are leading the Chinese people into this glorious future. The Chinese people have nothing to say about it because they're too dumb to know what's good for them. But we, the Communist Party are the vanguard of the proletariat. Have you heard that before? The vanguard of the Proletariat. That's why China has the right--the Chinese Communist Party has the right to rule China.

Well, it's a fact that the Chinese Communist Party has given up claiming that Communism is the social inevitability of history. As of 1992, do you know how the Chinese Communist Party defines socialism with Chinese characteristics? I mean, everybody that's paid attention to this remembers. And I'll repeat it in Chinese because it's something that amazes me that anybody can sort of grasp onto and say, oh, this is the core of the Chinese Communist Ideology?

Let me tell you what it is, [speaks Chinese] Anything that increases the comprehensive strength of the nation is socialism.

Now, that's pretty frightening--that should frighten everyone of you that's older than I am. Everyone of you that remembers Japan and Germany of the 1920s and the 1930s. Because the ideology of the Japanese militarists was increasing the strength of the Japanese nation and glorifying the emperor.

And national socialism in Germany was not socialism. National socialism was strictly increasing the comprehensive strength of the Aryan nation and that was it.

And now we're looking at a one-party dictatorship, in China, that bases its legitimacy on this core issue, increasing the comprehensive strength of the nation.

China's military modernization program is now in full swing. And you now know what China sees as its main goal in its relationship with the United States. It is insistent that the United States sacrifice Taiwan in return for PRC cooperation in other areas.

I would say this is closing, that Taiwan is too great a strategic asset for the United States to sacrifice for a PRC partnership. And there are a number of reasons why this is true and we could, perhaps, discuss this in question-and-answer sessions. But, imagine the precedent that it would set, if the United States began to step back from democratic Taiwan in East Asia at a time when it is woefully or drastically--its power is drastically stretched in the War on Terror in Iraq, and in other areas. Imagine the signal that it would send to the other democratic nations of Southeast Asia or East Asia. The signal would be this: That the United States is not going to be there to help you in the future. That the United States has stretched itself too far; it is distracted and, frankly, if you want to survive in East Asia, you have to come to terms with China.

This is exactly what China wants. And I'm afraid that if the United States can't focus its strategic attention on Asia, this is exactly what China will get.

So, with that, I turn it over to Lawrence there.

**MR. LAWRENCE KAPLAN:** Bill, can I just preface your remarks? First of all, I apologize, I was caught in an unusually vicious traffic jam this morning. But it occurs to me, Bill, before you kick off that the topic we're discussing today is really not one that most Americans have thought much about, since September of 2001, when, of course, the Chinese downed or forced down an American surveillance

plane and President Bush issued his pledge to do whatever it takes to defend Taiwan, which, in fact, was not so recent, if I'm not mistaken.

But since then, of course, really what Americans have been hearing about the PRC is that, as John pointed out--it's an extremely valuable ally in the War on Terror and so on and so forth. And if anything, the policy of strategic ambiguity has been enjoying a vogue again in Washington and we're hearing very, very little about what we heard about the Chinese military before September 11. In fact, I daresay we heard nothing at all. So, I guess, if I could ask you to structure your remarks around, just a very basic question, which is: What has the Chinese military establishment been up to since September 11? Because I think it's a question many of our audience members just have no answer to.

**MR. BILL GETZ:** Sure, let me very briefly what I consider the Chinese military and strategic threat, based on our earlier speakers.

It's a mixed story, as it relates to U.S. policy of a response to that. And I just recently, in April, traveled to China with the Vice President. I was fortunate to go. I normally just cover the Pentagon, but I was able to go on the Vice President's trip. And it was kind of a whirl-wind trip through Asia. And he made sure that he stopped in Japan and Korea before.

And the important thing about these trips is not so much what happens on them, it's the ability to get access to people and to get them talking about things that, in the case of the Bush Administration--they have not talked about, which is the issue of China.

I would start out by saying that when I wrote my book, my 2000 book called "The China Threat," which is a play on the Chinese strategy of discrediting anti-Communist forces which they call the China Threat Theory. And I got the idea for that book after talking to a senior military intelligence official in the Pentagon. And I had been given a briefing--I was working on a story on the Chinese military and the Pentagon was gracious to give me a background briefing. And in the middle of it, this senior officer, who had more than one star on his shoulder, said to me, he said China's not a threat.

And I said to him, well, why do you think that? And he said, well, he had a more complex answer. But, essentially, he said because of their statements. And I was astounded because the military people of all, base their assessments on capabilities since statements are a reflection of intentions and can change as intentions change.

But here was a senior military intelligence official telling me that China was not a threat. And I recognized that this was a reflection of a very sophisticated Chinese strategic influence operation.

This was in the late '90s, I would say probably '98 or '99. The good news is, through the work of the Office of Net Assessment, Andy Marshall and Michael Pillsbury, over the course of the several years from that point, a study was done that looked at Chinese Communist Party and military writings. And a series of books was produced--it was fairly academic--but it was extremely important in terms of changing the perception of China. And these were books by Michael Pillsbury.

And what they showed was there was a very strong dichotomy between what the Chinese would say publicly and for influence and what they were saying to themselves, in terms of their military strategy and the Communist Party. And, there, they showed clearly that the United States was their enemy.

[Technical interruption.]

**MR. GERTZ:** --rebuild-up today, I think that you can see what's taking place.

Now, the good news is that in the past, there have been two recent reports which reflect the fact that, at least on the intelligence side of things within the U.S. government, people are beginning to recognize that China is and poses a long-term strategic threat to the United States. Unfortunately, the policy community is still in the other camp. And I think that this is a real problem for the United States.

But I won't go into the details of the military modernization, but anyone in this room can access the Pentagon's report or Rick Fisher's reports which show what's taking place; that there's a fundamental shift in the Chinese military strategy from basically, from quantity to quality. The idea of assassin's mace weapons. That is finding asymmetric advantages over the United States. The Chinese have gone and are going to school on the U.S. military every time there's a conflict, they learn something that they can use which they plan to use in a possible conflict over Taiwan.

Now, Taiwan is obviously the most important flash point in U.S./PRC relations. It is here that a major miscalculation could occur. It is here that all the Chinese military build-up is ultimately focused and at the heart of that build-up is the missile development.

As was mentioned, there are 550 short-range missiles. In addition, there are also medium-range missiles and these aren't spread around the country. These are focused in areas where these missiles can hit Taiwan.

In addition, there's been a naval build-up, over many destroyers, a Kelo [ph] submarines; we've seen aircraft. And what you have, basically, is fundamental shift in the balance of power. And that shift is favoring Beijing over Taipei.

On the strategic political side of things. I think what we really have to worry about--and this is something that I learned on my trip, is that the Chinese leadership is still divided. The current President, Hu Jintao, represents a new generation of leaders. The old president, Jiang Zemin, is still head of the Central Military Commission. And, as it happens, his protégé is currently the Vice President of China. Vice President Dick Cheney met with Vice President Jaung, as well as Hu Jintao, as well as Jiang Zemin. All three of them had answers on Taiwan. They raised it. And, of course, I imagine that the top issue for Condee Rice today will be Taiwan.

So there is this political split. And how this could affect a possible conflict in Taiwan is the fact that this could become, with the growing nationalism in China, there is a fear, a real fear within the U.S. government that these competing factions could take an even harder line or more importantly could be afraid of being accused of being soft on Taiwan. And that is why there is a real concern that some miscalculation could trigger a conflict across the Taiwan Strait.

In addition to the immediate problem of Taiwan, there's also the issue of Chinese strategic position. And, of course, this relates to the Panama Canal, the two ports. In the Chinese industrial system, there is no distinction between defense and commercial. The factories that make refrigerators also make short-range missiles, unlike the U.S. system. And, of course, this is often an error in U.S. intelligence to mirror image this idea in, again, playing down or trying to minimize the Chinese military build-up.

So, they are on a course to developing new systems. They're looking for high-tech systems. And, again, I won't go into too much detail, but on the strategic positioning, you can see Chinese entities, which will play a strategic role or could play a strategic role in Panama and, again, the defenders--the people who like to play down the China threat, often say, that, well, what could the Chinese do with two commercial ports in Panama?

Well, it's very simple, if there were a conflict in Taiwan, not everything in the U.S. military is going to come from the West Coast of the United States, it would have to go through Panama Canal. That would be if there was a conflict there's no question in my mind that the Chinese would find some way to disrupt our supply lines through the canal.

On the larger picture, we see Chinese port facilities around the world. In the Persian Gulf region, they're working with Iran. We see the Port of Quidar [ph], recently there was a terrorist attack on Chinese workers in the Pakistani port of Quidar, which is located very close to the Persian Gulf. Both the Pakistani and Chinese governments deny that this has any military significance, but who here doubts that the Chinese wouldn't use that for a strategic advantage?

Also, we've seen--I would mention, too, the issue of oil. There are some who view China is really, right now, facing an energy crisis. The bottom line is, China doesn't have large oil reserves, if they have any oil reserves. And the news is not good for the Chinese on this. There's not--it's not even in the off-shore. It's not in the remote regions. They don't have oil. And they are in the process right now of modernizing their economy. A lot of the electrical power generated in China is coming from diesel. And they're just taking--the demand for oil is increasing exponentially. And this is going to--there's going to be a confrontation at some point between the U.S and there is a widespread view that the Chinese will use their military power to gain energy resources. For them, a ripe target is Siberia, where there are large oil reserves--Soklin Island, they're going to start pumping oil.

Then, of course, there's the South China Sea where there are supposed to be large reserves of energy resources. And we've actually heard President Hu Jintao and General Shung Quang Ti [ph], talk about strategic sea lanes in Malacca; talking about being able to have military power that could either be used in those sea lanes--and, again, this is raising questions about the United States.

What's the U.S. response, I'll finish that and we'll open it up to questions. Again, it's a mixed picture. The most that--it was very interesting, I traveled with the Secretary of Defense in November of last year, he went to Asia. And I asked a defense official, why wasn't the Secretary going to China? And the answer was, well, it took us three years to get him to Japan.

In reality, Rumsfeld has been invited to China by Hu Jintao, himself. He hasn't gone. His views on China are very closely held. And he has not voiced them publicly. He has not even voiced them in private. And I can tell you as someone who's asked him about that.

The most that we've seen from the statement part of the Pentagon and in the persons of Rumsfeld and Wolfowitz is that China's future is not written. That it's uncertain how it's going to come out. It could come out as a friendly country or it could come out as an enemy country. Of course, that's implicit, that's not stated in their remarks.

Either way, the Defense Department is taking steps to be better positioned to deal with a conflict in the Taiwan Strait.

It's my belief, that until President Bush in the Spring of 2001 made those comments about doing whatever it takes to help Taiwan defend itself, that the military was forced to really dust off a lot of its plans on how to do that. And they realized that they really, it's not going to be an easy task to defend Taiwan. That it would require more than they have now. So we've already seen some very slight positioning of two things that have become public: One is that air-launch CRUISE missiles have been stockpiled in Guam. This happened several years ago. It was the first time they've done that. The Chinese noted it with alarm.

Additionally, they have moved two attack submarines to Guam and probably will move at least one or two more. And as part of its posture review, the Pentagon is looking at moving an additional aircraft carrier forward. And that's probably going to be in Hawaii. Right now, our carrier's on the West Coast and we have the Kitty Hawk in Tokyo. So you see some moves there to be better prepared to respond.

I guess, at that point I'd stop. But I'd say that I think that more needs to be done on the public awareness side. Unfortunately, the reality is that the War on Terrorism and Iraq are dominating the policy right now and there isn't either the time, energy, or resources to think as much as should be thought about the long-term strategic threat from China. Thank you.

**MR. KAPLAN.** Bill it--yeah, you mentioned the policy community and the split in the American policy community. And if I could just cut to the question of America's response to all this.

It occurs to me that we're in danger of discussing the issue in a political vacuum. After all it is American policymakers who set American policy as much as events on the ground or in the strait, if you will.

And on that question, Rand, the--I mean, you counsel an extremely, obviously, robust policy towards the defense of Taiwan. And I guess, the question I'm really wondering is: After September 11, we speak of America being distracted in Iraq and the War on Terror. But I guess it's--a first-order question is: Can America walk and chew gum at the same time when it comes to the issue of Taiwan, because, certainly, at least it's measured by the public statements of the Bush team, there really has been almost a 180-degree reversal on the question of China.

**MR. FISHBEIN:** Well, I guess I would go with the old adage: an ounce of prevention is worth a pound of cure. And that if we don't do something now, that the price we'll have to pay in the future will be much, much higher. As for the question can we walk and chew gum at the same time? I think that's a question that could be applied in many circumstances.

I've been astounded that not only has there been so little discussion of China and Taiwan, but we've had a crisis to our South in Venezuela for the last three years. And I can't remember the last time there's been a major policy statement out of the Administration on that. And, of course, we have major oil interests there, as well.

So, I think I would sort of make the general observation that, you know, while this Administration has done many things that are commendable and I certainly am first among many who supports the--supported the War in Iraq, and Afghanistan. I think the Administration was very courageous in taking those steps.

However, I do think that there has been some dysfunction at the top with regard to personnel. And the inability to address numerous issues simultaneously. You know, it's one thing to not have the military power to be able to address all the issues that you want. But, certainly, when it comes to thinking and diplomacy, I think we should make a much heavier investment, as was said earlier, in public

education. And in trying to bring the Congress along so that, you know, there isn't a disconnect between what the Administration is thinking and what 535 members of the House and the Senate are thinking.

**MR. TKACIK:** On the policy issue, yeah, there's still, I believe, a pervasive self-delusion about China within the policy community. And I think it's a reflection of since the '70s, a couple of ideas: One is this, the self-fulfilling prophecy that, supposedly, that if you treat China as a threat it will become a threat. And, of course, that requires delusion to pretend that they're already a threat. I mean, a country that has nuclear weapons that has privately threatened to use them against Los Angeles, has to be viewed as a threat. And the fact that it isn't, shows you that the Chinese have been extremely successful in influencing the U.S., primarily through the academic community. And the policy of helping so-called friends of China and harming their perceived enemies.

And that's really--it's going to take a while to change. As I said, I think that the intelligence community is still a far way off from getting a realistic view of China, but they're moving in that direction. Whereas, the, again, the policy community, I think, it's going to take a few years for them to catch up to that.

I would just point out something that I don't think people are focusing on now, which is: The whole basis of the U.S./China relationship seems to be that there's some strategic partnership. Now, in 1972, there was a strategic partnership and Henry Kissinger describes it very well in his memoirs, where he says he asked the policy community to come up with strategies on dealing with China. And the Slavophiles said, don't deal with China because it'll just antagonize the Soviets. The Sinophile community said, well, you can deal with China, but you gotta keep the Soviet business out of this because, you know, we have other issues with China that have to be dealt with. Now, this is 1969 and I'm not sure what the other issues were.

And then he said there was a certain real political faction in the U.S. in the National Security Council that said, if we have a relationship with China that gives us great leverage on the Soviet Union. And, indeed, throughout the 1970s and into the 1980s--and we saw this especially with Afghanistan and the U.S./China cooperation in Afghanistan. There was a very effective U.S./China strategic relationship.

During the 1980s, it was interesting because China was, in fact, reforming, politically and economically. And, in fact, before, in the weeks before June 4, 1989, China had far more political and press freedoms than they have now; far more religious freedom than they have now.

Tiananmen changed all that. And then, the collapse of the Soviet Union sort of--should have put the nail in the coffin. I think most people in the United States understand that we don't need China as a strategic counterweight anymore and, furthermore, that China is not democratic and has no intention of being democratic, unlike, before 1989.

Unfortunately, I think this policy community is still engaged in this atavistic reverence for the old strategic partnership of the '70s and '80s, which is long gone.

I don't know how to turn that around. And I do blame the foreign policy community, the State Department, sort of the academic community, the think-tank community for not saying, look, China is the new super power in Eurasia. We have to be very conscious of the fact that there's a great potential for China to become another Japan or another Germany.

And if we're not conscious of that fact, we're going to relive what happened in 1939 and 1940. But I'm afraid that we might be too far gone at this point. China is now the world's largest steel producer. It's the world's largest concrete, cement producer. It's the world's largest producer of finished copper. It's the world's largest producer of primary aluminum. It's the world's second largest consumer of oil. What does this mean? This means that China is a major world-class economic power and they are now becoming one of the world's largest producers of semi-conductors and advanced technology.

I would say that this morning I was very heartened to see this in the Wall Street Journal in the "Marketplace" today: There's a big article here, "Still Made in the USA" and it gives great credit to a company called Hutchison Technology, which manufactures a very key component of all the world's computers disc drives.

But Hutchison Technology says, you know, we're one of the only ones that has not moved our technology to China. You know, we may be too far gone. But I just, you know, throw that open to further consideration.

**MR. KAPLAN:** Bill, if I could just quickly follow up on that--is there no kernel of truth to the Bush team or I should say the policymaking section of the Bush team's assessment that even in terms of China's military posture, that Beijing really has lived up to its name as an ally on the War on Terror? I mean, I guess, has, in terms of it's military establishment, is there any evidence of moderation of its conduct or has anything changed?

**MR. GETZ:** I would say, no. Simply, I think that the War on Terrorism has given the Chinese government a green light to go after dissidents in Xingjiang, and Tibet under the idea of the War on Terrorism. This has also given them an in with the Shanghai Cooperation Organization to try and, in an unusual move for China, develop an alliance of sorts. And, as far as cooperation, it's been very limited on the intelligence front. They have not really provided us good information on terrorism. I think at one point they gave us information that Al Qaeda had a nuclear bomb, which we hope isn't true--it probably isn't true.

And, again, I think the real test will be on Taiwan, I mean, I think that the Chinese are looking at the U.S. being distracted as a way to advance their strategic objectives, specifically as it relates to Taiwan.

**MR. KAPLAN:** Rand, following up on that, if really, the strategic imperative on Washington's part right now, is to define Beijing as an ally of some sort, what exactly is the threshold particularly with regards to Taiwan, for dislodging that attachment to the notion that China really has lived up to its title as an ally?

**MR. FISHBAIN:** Well, I think that's the \$64,000 question. What is the threshold, you know, what was the threshold on Iraq? What was the threshold on Afghanistan? I would hate to think that we would have to see overt aggression on the part of the Chinese before the U.S. would wake up and, you know, apply the kind of presence of mind and diplomatic pressure that would forestall any Chinese action.

Unfortunately, we have a foreign policy that for far too long has been reactive in nature. I mean, it was reactive during the Clinton Administration. Here Al Qaeda was growing, a threat of WMD proliferation was all about us. It was common knowledge among many in the foreign policy community, but it took 9/11 for the country to finally wake up.

Scholars and think tanks and many commentators have tried to draw a lot of lessons from 9/11. And I think one of the great lessons is that we have to begin to think you know, beyond, you know a week or a month or a year from now in terms of our foreign policy. We have to start thinking in terms of our budgeting for national defense, beyond a simple one-year cycle of budgeting which has, I think, been catastrophic for us. And, of course, has all sorts of consequences, as we go down the line in terms of preparedness.

You know, it takes, you know, a decade or more to build a robust military from scratch. Cutting the metal for aircraft carriers, it takes years. But you can destroy it and all that capability in far less time. That's what we saw in the 1990s. We are still paying the price for that demobilization and that has sent a signal throughout the world that, perhaps, the United States, once again, is not serious about national security.

Your question was, what's it going to take to wake up the United States? Well, unfortunately, we have a tragic history in this country going all the way back to World War I, World War II, Korea, Vietnam of catastrophe befalling us before we wake up and mobilize.

And unfortunately, the price for our tardiness and our sleepiness has been high and will continue to be high.

**MR. KAPLAN:** Before we open the panel up to questions. John, do you want to jump in quickly?

**MR. TKACIK:** Well, I mean, on the War on Terror, I don't see that China has really made any contribution at all. But I would submit that China has actually worked against us in the War on Terror. Now, the Chinese--everybody says, well, the Chinese voted for the U.N. resolutions, right after 9/11. Fact is, Syria voted for the U.N. resolutions--everybody voted for the U.N. resolutions, don't get me--don't say that China did us any favors.

On September 18, Tung Jianshen [ph], came to the United States. He met with the State Department to go through a counterterrorism strategy, and what did he do? He said, Ah, yes, we in

China know about terrorism, extremism and separatism, the three evils. This, I'm telling you, this is the truth. Terrorism, extremism, separatism and Taiwan is separatist. And we want to know what the United States is going to do with regard to Taiwan before we start moving on.

Well, within a day, he stopped that. The next week, there was a counterterrorism meeting in Washington, D.C., at which it was agreed by the State Department and the Chinese Foreign Ministry that, yes, terrorism is a bad thing. And that was it.

That same day, as vice foreign minister Wong Ye [ph], traveled to Pakistan and he told Pakistan, you guys don't have to bend to the Americans. We're there for you, we will support you, don't worry. Pakistan's President Musharraf said, sorry about that, we have got some tremendous pressure on us and we gotta do what the Americans say. And you know what Wong Ye said? He said, China understands and respects Pakistan's position.

I mean, the Chinese were not happy with Pakistan supporting the U.S. War on Terror. The Chinese did not support the U.S. attack on Afghanistan. No matter what anybody says, they did not support it. Now, get that through your heads. It's not, this is not brilliant, you know, analysis. In April of 2002, Jiang Zemin visited Libya and Iran and told them that China was a strategic friend of theirs. In May of 2002, Hu Jintao came to the United States and made nice--said nice things about the War on Terror and two days later, the Chinese put pressure on Kazakhstan not to give Americans any basing rights in Kazakhstan.

The Kazak press printed that and said, you know, we've got this pressure and Kazakhstan did not give us the basing rights.

I will say this, well maybe, I've got, television's running but Kyrgyzstan had the same pressure and Kyrgyzstan said, no, we will give the United States basing pressure. The point being there was never any assistance from them.

**MR. KAPLAN:** On that note, I'd like to open the panel up to questions. I would just ask that anyone with questions identify themselves and if they care to who their question is directed to.

**PARTICIPANT:** [OFF MIKE] [inaudible]--pick up on something that Bill Gertz [inaudible] implications of [inaudible] concept [inaudible] say about it [inaudible] it, tell us [inaudible] being abstract

**MR. GETZ:** Well, the expert on assassins mace is Mike Pillsbury, and there are all sorts of thing that involves--I would just say that last year I did a book chapter on the lessons that the People's Liberation Army learned in the Korean War. And one of the big lessons that they learned in the Korean War was: to be successful, you have to strike, you have to have a massive strike and it is best if nobody knows that you were the one that was striking them, at least for a couple of days if not weeks. I think that, you know, in looking at any of these assassins mace scenarios, one of the things you have to recognize is that you might not know who whacked you for a while. And this is something that asymmetric warfare is going to be built on and that the People's Liberation Army is going to be looking at if they haven't already. But that's just sort of a philosophical.

**MR. :** Just quickly, for example, an assassin's mace weapon would be China's ability to blind our satellites and communications and that has been shown to be vulnerable. You know, the Joint Staff did an exercise many years ago where they sent people out with laptops and posing as North Korean hackers and were limited to using software on the Internet and within a short time, not only did they shut down the communications for the Pacific Command, but they showed that they could shut down the entire power grid for the Western United States. So, those are the kinds of things. If you cut off the communications and intelligence and surveillance capability, that's a major, major strategic advantage that they would be able to exploit in a conflict.

**PARTICIPANT:** Fred Fisher with the International Assessment and Strategy Center. I congratulate all three presenters on excellent papers and I also share John Tkacik's great concern about the weakness of backbone in our current leadership with regards to Taiwan. [inaudible] cancellation of a general's visit to Taiwan last week was the latest example of that.

But my question to all of the panelists would be, how worse can it get? If, by chance the Democratic team is selected in November, what kind of policy changes can we expect that will add further

weakness and further doubt to our ability to [inaudible] attack on Taiwan. And I look at the Democrat or Kerry campaign's willingness to get rid of the F-15, but the FA-22 advanced fighter. We just sent our most modern, most well-equipped, updated squadron of F-15s to India to exercise with their SU-30s, they were wiped from the skies. The Indian SU-30s are about, slightly better than the Chinese SU-30s. Is that margin of security already gone? They're weak on missile defense, what about policy, I'll just ask that.

**MR. KAPLAN.** Rand, on the policy question, do we have any indications of where exactly the Kerry team stands on the issue of Taiwan or China?

**MR. FISHBEIN:** Well, I haven't heard any comments that would give me any reassurance that they are going to maintain any kind of tough policy towards Taiwan. Quite the contrary, and I would agree with the questioner that one has to look no farther than their positions vis-a-vis the Defense Department and downsizing to realize the kind of implications of what they're saying.

You know, we tend to view conflict in the West as something that begins with a standing start. We begin our races with a gun. We, you know, somebody says go, they drop a flag we begin and then we end a race.

In the conflict that we're in with China, I think we have to take the position that, in fact, the war has already begun. And so, not to ask the question what will they do when it starts, but to recognize that, not only do we have, you know, massive Chinese espionage in the United States and around the world, but the fact that we are being tested on a daily basis whether it's through the Internet, whether it's probing U.S. defenses, listening to our intelligence; watching our operations in Afghanistan and Iraq.

The war, in a sense has already begun. We recognized a long time ago, that information is really going to be the key to success in future combat. The Chinese understand that, as well. And so, for the United States to not position itself to counteract these threats at all of these different levels of engagement, I think puts us in peril.

I have heard nothing coming out of the Kerry camp that would suggest not only do they have a policy on china, but do they have any recognition whatsoever that the War has begun.

**MR. MAX SINGER:** I don't think I said that the Bush Administration has no back bone, I just think that their rhetoric is irrationally exuberant. I think the Bus Administration's support of Taiwan's military--rebuilding its military has been quite substantial. And I think it's continuing. I think at this point, now, it's going to be up to Taiwan to pick up it's end of the burden and I would just say that the Bush Administration, I think, as far as supporting Taiwan defensively, militarily has been quite good.

The Kerry Administration last year at this time on its Website had one mention of China, if you did a search of China, it came up as number two of six foreign policy priorities. The number two priority was reintegrating China and Russia into the world economic community. Now, I mean, hello. On January 6, when Kerry was in the six-person Democratic debates, the Democratic candidate debate with the other six, I've forgotten who they were, Joe Lieberman was quite supportive of Taiwan. And Kerry said, you know how I would resolve the Taiwan issue? We must go back to the one-China-two-systems--the one-country-two-systems theory that has always been our policy and which successfully reintegrated Hong Kong into China. And you scratch your head and you say, what? What is this? One country two Systems is China's policy, not our policy.

And it looks like it's being an utter failure with regard to Hong Kong, so why would any rational person make the same comments regarding Taiwan. And, finally, just last week Kerry referred to Benedict Arnold firms that are out-sourcing their labor and their product to China and India. And that got a lot of people riled up. But this is the sum total of Kerry's China policy at this point.

**MR.** : Just quickly, I would add, too that the Bush--the Clinton Administration policy favored the Chinese policy of basing relations on the communiques. Whereas, the Bush Administration policy has leaned toward the Taiwan Relations Act and I think that under a Kerry Administration we'll see the shift back to the communiques and down playing any defense of Taiwan.

**PARTICIPANT:** [OFF MIKE] [inaudible] on/off switch where China is either a partner or a threat. Is it not possible [inaudible] the idea of elements of threat from China [inaudible] that China has [inaudible] second of all, [inaudible] hostile [inaudible] trying to be partners. They also have partner interests which is very important to them. We don't know in the internal China politics how all these things

will play out and [inaudible] without committing ourselves to the idea that China is primarily or definitely hostile. And so [inaudible] the problem with the debate is this on/off position, rather than trying to find [inaudible].

**MR. KAPLAN:** Rand.

**MR. FISHBEIN:** Well, I would say there's a much more fundamental issue at stake here. And that fundamental issue is we don't know what our policy is. We don't know what it is that we want at the end of the day. You know, is outsourcing good? Is it bad? Is trying to enhance globalization by providing every scrap of technology we can to the Chinese, is that going to bring peace and security or is that going to bring only conflict down the line?

Is it significant that a Communist government runs the country, if they're prepared to engage in some modicum of capitalism? Or do we view the Communist government the way we viewed the old-style Communists in the former Soviet Union? I think before we can come to terms with nuance of policy, we have to understand what our objectives are. What are we trying to achieve? What maximizes the security of the United States and its allies? I don't think we have a clue.

I think that we have a conflicted bureaucracy and foreign policy establishment. I think Congress is conflicted as an aggregate on this issue, although there were certainly members who have distinguished themselves on either side of the issue. But I would pose the, what I think is the macro question here: What do we want out of this relationship.

**PARTICIPANT:** [OFF MIKE] [inaudible] voice of the community isn't very strong [inaudible] and I think you'll find [inaudible]

**MR. TKACIK:** The U.S.? No, the U.S. has only, like \$9 or \$10 billion--

**PARTICIPANT:** Is that all [inaudible] trade?

**MR. TKACIK:** Trade is \$150 billion, \$160 billion.

**PARTICIPANT:** These are large amounts of money [inaudible] organizations [inaudible]

**MR. TKACIK:** Yeah, I would just comment about the other point, that is a good point about the business. The theory behind that is that if you treat China as a normal nation and trade with it that this will have a liberalizing effect. Unfortunately, it hasn't worked. And I think that that requires a re-assessment, this idea of China as a threat or friend or ally. It needs to be couched in terms of the problem that we face is that China, today, remains a nuclear-armed, Communist dictatorship. Whether they believe in Communism or not, they still have Stalin and Marx in their military museums and the debated needs to be couched in democratic reform. Let's, you know, why not let freedom reign in China. That's never part of the debate with the U.S.

And the Chinese have played on that because of their fears of instability, but I think that the long-term solution to the China problem is democratization. And nothing is being done. I think some of the programs that are supposed to be underway. I think the Republican Party has some problem that really they're just a false sense of democracy. There needs to be real democratic reform. The Chinese need help. They understand that their system doesn't work and they need help and we're not giving it to them. And here we are the leading democratic country in the world.

**MR. KAPLAN:** On that note, I'm afraid we're out of time. But on behalf of Hudson, I'd like to thank everyone for coming today and I'd like to thank the panelists for a very interesting discussion.

**MR. WEINSTEIN:** We will take a brief break and then we resume in five minutes.

[BREAK]

### PART III

#### PANEL DISCUSSION:

"Taiwan: Increasingly Lost Between the U.S. and China?"

#### MODEDATOR:

**Donald S. Lee**, Formosa Foundation

#### PANELISTS:

**Charles Horner**, Senior Fellow, Hudson Institute

**Ross H. Munro**, Center for Security Studies

**Derek Mitchell**, Center for Strategic and International Studies

**MR. DONALD LEE:** Taiwan: Increasingly Lost Between the U.S. and China? The way I sort of view this panel focusing it's conversation is on how Taiwan is positioned in the current environment between China and the United States, balancing it's economic relationship with China, with the military threats from China and also the traditional relationship with the United States and whatever obligations the United States has to Taiwan Security.

We have an excellent panel here and I will introduce them in the order that they appear in the program. And our first speaker is Charles Horner, who is a senior fellow here at the Hudson Institute. And he is a China scholar with a focus on East Asia. And he is also currently a member of the Board of Directors for the Institute of Peace, as appointed by President Bush. And he has a long record of service in government and also in academia. So, please welcome Charles Hudson, Charles Horner, I'm sorry.

**MR. CHARLES HORNER:** I thank our moderator for the introduction and grateful also for the opportunity to get out of the closet, my National Taiwan University necktie. It's a tie died tie, comes, as I was saying to Don, one of our favorite tong twisters of the late 1960s can you find a tie dyed Thai dot tie?

Now we've been asked whether Taiwan is getting increasingly lost between the United States and China and so, I'm going to do my best in this talk to try and find it. Or even better, as contemporary academic lingo has it, locate it. Or, failing that, at least to suggest some places where we can hunt for it.

And, as the moderator said, one of the things I want to do is try and stress how some of these things look to a person on Taiwan. And not only the Taiwan government or, perhaps, most importantly, the Taiwan government.

I've thought about this and it's always fun to begin with what we in the United States have heard many times. It's an old Mexican lament that some of you will know. Poor Mexico, so far from God, so close to the United States. Or, better yet, the--I first heard at a meeting of the United Nation's Conference on the Law of the Sea, way back in the 1970s, the idea of the geographically disadvantaged state. That was UN-speak for landlocked. Although we decided it should also mean bordering the Soviet Union.

So, geography is what it is. That's the first thing. Geography is what it is and, as some like to say, size matters. So there can be historical perspective. And there can be profound insight into the here and now, but neither of these things is going to move Taiwan either closer to God or farther away from China.

But in saying this, I don't mean it's always a bad thing for a place to be close to China, not at all. Indeed for most of it's history, China was the most advanced place in the region. An exporter of useful ideas about philosophy and literature and art and ethics. A source of information about practical things, about how to run a government; how to grow more food; how to make intricate machines of all kinds; how to use mathematics to make useful calculations about things celestial and terrestrial; how to build ships; how to sail them; over large parts of the world.

But about two centuries ago, as we know, this began to change. China became an importer of ideas and techniques from places that were in advance, at that time, of China itself.

And, in particular, there were many Chinese people who had come from China one way or another, who lived on the periphery of China, who were, in fact, playing a large role in this process. They may have been governed by France, as on the Southeast Asian mainland. Or by the Dutch, as in

Indonesia. Or in Britain as in Singapore and Hong Kong. Or, as in the Philippines, first by Spain and then by the United States. Or on Taiwan by Japan.

And, indeed, it's always an important thing to remember that in the curious way in which this notion of the separation of Taiwan from China is discussed, it's been about 110 years, I guess, between 1895 and now. And only during five of those years, can we even imagine, use properly the phrase a common government, that is to say a government based on the--what's now called the Chinese mainland, also governing Taiwan. From the period between 1895 and 1945, Japan was the colonial power.

And then, since 1949, 1950, Taiwan has been governed separately from the mainland in one way or another.

In any case, these Chinese who were once far off on an irrelevant frontier became very important in introducing the modern and the up-to-date, what we might call the techniques and the ideas of the "now," which were relentlessly displacing the ideas and the techniques of the "then." And we know all about the list of the ideas: about socialism or democracy or Christianity or Marxism or capitalism or any other of these notions which came into China.

And we also know about the techniques: mass production; building railroads; generating electricity; opening stock exchanges; things of that kind.

Now, for all the remarkable explosion of energy in China itself, these past 25 years, these are still the fundamental terms of trade. The places on this frontier, if we can use this term, are still the more advanced places. They're more efficient in manufacturing; they're more sophisticated in banking and finance; they're more productive in research and development; they're better integrated into the world economy, as a whole.

And most important of all, they're more advanced in the theory and practice of government. Everybody knows this. People who know it especially are the men in Beijing who are trying to run China.

But even so, the sheer mass of China and the rapid developments of its economy, have begun to draw all of China's neighbors deeper and deeper into it. China is now effectively the largest export market for each of China's Asian neighbors. And the place where they invest their money.

It's particularly true for Taiwan. With the economic integration of the island into the, let's call it the "Mother Economy," if not the Mother Country, continues apace. And it's a fact of life, I think, that Taiwan's favorable balance of trade with China these days is critical to Taiwan's continued economic growth and social stability.

Now, of all the parts of this so-called greater China, whether it's self-governing parts; a part, like, that is to say, de jure and de facto self-governing, like Singapore. Or a place like Hong Kong or Macao; places which are gerittically [ph] parts of China, but they have still more room for maneuver than an ordinary Chinese province does, no matter how much pressure they're under periodically.

Or like Taiwan, itself. Which is self-governing in fact, but it's of a confused status jurisdictionally in the world, it's relation to China and so on.

But all of these places, no matter the degree of difference and the matter of de facto self-government that they have, they have the same problem. And their problem is how to preserve or, hopefully, even expand the room for maneuver that they currently have. It's particularly true of Taiwan. It requires careful calibration on the part of all of them. And as I say, of Taiwan, in particular.

It's easier for some than for others because as I've said, geography matters. And size matters. But if you are Hong Kong or you're Taiwan, the most refined and difficult calculation you have to make in my view is the balance between China's enormous self-interest in the preservation of both of these places as functioning wealth-generating, China-enhancing, China-Building entities and something else, which is harder to measure but may or may not be real. We're not all together sure.

It's a not so easily measured interest which China says it has, which may someday compel China, as it repeatedly says or threatens to do for these reasons to actually kill the geese that lay these golden eggs. And the particular value of Taiwan, both in fact and potentially to China as a valuable thing, is a kind of calculation which needs to be balanced against a presumed threat to destroy the value of that thing and, indeed, relations in the world. So, that's an important calculation that's hard to make.

Another one that matters is what we commonly call the balance of power, and Taiwan's place in it. Now, how should the government of Taiwan and the people who live on Taiwan assess that and its effects on Taiwan's room for maneuver?

Now, when I first came to Taiwan as a student in 1967, there was an American Expeditionary Force of about 500,000 men on the Southeast Asian mainland, including an enormous naval base at

Cam-ron on the coast of Vietnam. There was another huge American naval and air facility due East at Subic Bay in the Philippines. But they're not there now.

There was a stark division between Communist China and the rest of Asia. And that's gone, also. China, itself was in the midst of one of these episodes of Maoist madness, it was called the great proletarian cultural revolution.

Taiwan was under marshal law. The notion that there would arise in Taiwan a political leader like Ah-Bian, who would win two consecutive presidential elections from the point of view of a mere one generation ago, unimaginable. And that's another thing that we have to take into account. It's this notion from the Chinese classics, the famous Book of Changes, which, as I understand it reminds us that "things change."

Now, a generation has passed and despite the enormous changes in the interim; despite this enormous change in the configuration of power, in the world balance of power, in the military balance in the region; in the disposition of U.S. forces; and the structure of Taiwan politics; and the rise and fall of individual political parties, Taiwan has successfully retained its capacity for self-government. Let's call it that. It's capacity for self-government and self-decision.

That itself is an interesting and someone probably should write a book about it. But what about the next 35 years? The next generation, in other words. Now it's my guess, it's my weak guess, I suppose, that the government of Taiwan will have to assess the effects of two important changes that are now going on in the world.

The first is the effect on the world's balance of power. And on the intra-Asian balance of power, of changes in the grand strategy of the United States. If, in fact, the central preoccupation of the United States over the next generation is to be an engagement with the Islamic world which is a kind of short form or euphemism for War on Terrorism, this cannot but influence what happens in Asia. And how countries like China, Japan, and India respond to it, will certainly affect Taiwan. It's just an important calculation.

But equally difficult and, yet, which we think, one would imagine, at least, that people on Taiwan would understand better than we do or understand better than other people, is the ongoing transformation of China, itself. It's structural transformation, to be sure, but far more important, it's intellectual transformation.

Now, so far as the structural part of this is concerned, the ongoing transformation of what we might call the deep structure of China as a country, a society, an economy, as a polity, Taiwan will have to assess, in particular how its own ongoing connection to China fits in with an ever-changing balance of power inside of China. And how Taiwan can somehow connect itself to the desire of provinces and regions for greater independence from the central government in Beijing.

That is a very important thing that is happening in side of China. It's happening all the time, happening every day. This balance--complex balance of forces between the national government, the provinces, the regions, the distribution of wealth inside the country. And the ongoing contest for political power in China--well, let's not call it China, let's call it PRC or People's Republic of China, because it's not all together clear to me, as a Ching Dynasty man, whether we ought to refer to all of this to China or whether we should not. I, myself, don't like to.

I always like to tell people that in Ching Dynasty time, the Ching Dynasty and I used the word China to describe China. So, it's the Ching state.

But in any case, it seems to be that on the notion of size mattering, history mattering, mass mattering, weight mattering--it's China's sense of itself and how it thinks it ought to fit in the world that's going to prove decisive about this.

There is a wide and far-ranging discussion about this among all Chinese. And especially among Chinese in China. And it's an open question. It's not likely to be resolved for a long while, and, perhaps, it'll never be resolved. But in the meantime, we--Americans, people on Taiwan and others--will need to pay even more attention in the course of that discussion to the balance of trade in ideas, if you like, as much as we pay attention to the balance of trade in goods.

Because at the end of all of this, the reappearance of a China-dominated Asian economy, reminiscent of what existed before the 19th century, cannot, by itself, restore China to the preeminence that it seeks.

Its prior preeminence, its prior standing in the world was a consequence not merely or even mainly of its material power, but of the persuasiveness of its ideas and the refinement of its culture; the

beauty of its art; the fundamental appeal of its example or, to put it in a traditional Chinese locution, the capacity to attract people to it, rather than drive people away from it.

And whether or not there could come into being in China a polity which provides to people in Taiwan and the rest of this region some process of reassurance that the rise and creation and enlargement of Chinese power is not going to change, is somehow not a menacing or fundamentally menacing phenomenon. But that is something that China itself must do. We can help in this process as we've heard before, with the transfer of ideas and so on. But, fundamentally, it's something that's going to be decided.

And so, it is in all of these respects that the rising China of which we've heard, is still far from an ascended China and these are the questions it seems to me that will be addressed in the next generation. Thank you.

**MR. LEE:** Thank you, Charles. Our next panelist is Ross Munro. Ross is the Director of Asian Studies at the Center for Strategic Studies here in D.C. And he's also an adjunct faculty member of the Institute of World Politics. He has a long career as a journalist, as a consultant and now as an author, as well, writing "The Coming Conflict With China." And we're very pleased to have Ross on our panel.

**MR. ROSS MUNRO:** Good morning. I want to thank the Hudson Institute for putting together this very interesting morning program. I want to thank them for inviting me and I also want to thank them for putting together not just interesting panels, but also a very interesting audience. There are some really interesting people--a really interesting mix of people. And I was thrilled to see Richard Vigary [ph], sitting in the front row. Mr. Vigary changed the history of American politics. So, it's really good to see you, sir. Now you probably don't remember, but when I was a Canadian citizen, working for a Canadian newspaper, I interviewed you--years ago.

In 1992, I wrote an article for Heritage's Public Policy Review, called "Awakening Dragon," where I said that China was emerging as a threat to the United States. In 1997, I expanded on that enormously in a book called "The Coming Conflict with China," which went into a great deal, marshaled the evidence why China was a threat to the United States; why China saw the United States as its enemy. And in those days, for many years, I felt very alone.

And I was denounced as an alarmist and a hawk. And only the Chinese gave me credit. They did credit me as being author of the China Threat Theory, which I still am proud of to this day.

But, listening to the comments on the first panel this morning, it struck me that, you know, if there are going to be any comments on my remarks here this morning, they're going to be accusing me of being soft on China. So, it reminds me of what Mort Sol said a long time ago, which was, In America, if you maintain a consistent political position for long enough, you'll eventually be denounced as a traitor.

For an even longer period than the years I've been pointing to China as a threat to the vital interests of the United States, I've been a very strong and outspoken supporter of Taiwan.

I worked in China, in Beijing, from 1975 to 1977 and after I was expelled, a few months later, I visited Taiwan. And it probably took me one day to realize how absurdly wrong the moral relativists were who said, there really wasn't much difference between the one-party dictatorship than in Taiwan, the authoritarian system in Taiwan and the totalitarian system on the mainland. It was absurd, it was night and day, even though Taiwan then was not a democracy. It was night and day. And I have been an outspoken supporter of Taiwan ever since.

Now, one of the best things about being a supporter of Taiwan for an American is that it is completely consistent or has been completely consistent with the national interests of the United States. Whether you look at those interests from an idealist or a realist perspective. The idealist perspective, Taiwan is a bulwark of our values of democracy. An example that continues to haunt mainland China.

If you're in real politic, you viewed Taiwan as absolutely essential to the balance of power that is so important in Asia, which is so important to the vital interests of the United States.

By the way, the PRC leadership sees Taiwan--they are very much of the real politic school and they see Taiwan as the most important piece of strategic real estate in the world for them right now. Forget about, you know, this reunification rhetoric and about the sacred duty of the Mother Land, et cetera, et cetera, that's not the big story.

The big story is that the leadership of China sees that if it is going to achieve its goal of dominating East Asia, it must first dominate Taiwan. And that is what is really behind all the tension today.

The Clinton Administration did not realize that. It was the least strategically-minded Administration in decades and they just didn't grasp that. And they were, as a result, and the elements of the Administration were willing to undermine the interests of Taiwan vis-a-vis, the United States, I mean, vis-a-vis China.

No time to go into that, but you're just going to have to take that as a given.

Fortunately, when the Bush Administration, W came to office in the start of 2001, it was a very high priority goal of the Administration to restore a robust balance of power in East Asia. And they went about it very rapidly and very successfully. Strengthening strategic relationships with Japan, Australia, India and the Guam build-up, which Bill Gertz has mentioned, very, very important, not particularly well-noticed by many people.

And then, of course, there was that particular focus on the U.S. relationship with Taiwan; improved military-to-military relations; approval of much better military equipment for sale to Taiwan. And, of course, George Bush's famous whatever it takes guarantee.

We were talking, all of this occurred in the first half of 2001. And there was, indeed, a restoration to a significant degree of a robust balance of power in East Asia. But, of course, in the second half of 2001, the world changed.

We had 9/11, the War on Terrorism, followed by the War in Iraq. And by 2003, as a couple of panelists have mentioned, U.S. resources, military intelligence and even economic resources were stretched thin.

And we desperately, the United States desperately needed stability in East Asia. And in practical terms, that meant no war with North Korea and no war in the Taiwan Strait. And the key to that was China. So, we achieved, to a certain extent, and this is what alarms so many people here in this room, we achieved a limited tactical rapprochement with China.

And I would argue that the Bush Administration pulled it off relatively well. They did a pretty good job. Now, I share the alarm, and I'll conclude with some comments about this. I shared the alarm of the panelists who cite the rhetoric of Condee Rice talking about a partnership. I don't think anyone mentioned Powell, Secretary Powell talking about the greatest friendship we've had for such a long time.

And there is--the fact is that, so far, and this is where I am concerned, so far the Bush Administration has not made a single significant compromise regarding our strategic interests in East Asia. You can--now, the rhetoric is alarming, but there has not been a single concrete compromise of our strategic interests.

And the only place where there has been a concrete sort of, basically pay off to China has been in the trade area. And I would think, in short-term, you can't call that strategic. There is no question the Bush Administration has taken a dive on trade. They pulled their punches on trade, they have not insisted that China live up to its WTO-related obligations, there's no question about that, that's the price we have paid so far.

Now, as for Taiwan, in the short-term at least, China had already pulled back tactically to emphasizing economic leverage against Taiwan, even though, of course, I'll be the first one to concede the long-term military build-up, the missiles, et cetera continues.

Now, by 2000--so basically we, the Bush Administration did achieve a tactical rapprochement of sorts with China. But by 2003, it was clear that President TAIWAN look up----tactic for winning the March 2004 election was to appeal, increasingly to the strong and growing sense of a separate Taiwan identity. Now, that, alone, I--of course, I have no problem with whatsoever.

But part of the way he did that, of course was to deliberately provoke China. Deliberately provoke China because he had seen both in his previous electoral victory and in Lee Dung Hue's [ph], that the way you win elections in Taiwan is to get the Chinese to rattle their sabers against you and make threats. And that's what he was trying to do, he was trying to provide China.

So, as this trend became obvious, the Bush Administration started sending messages. President Chun, we have already given you greater security guarantees, than you've ever received, now, do us a favor in return, don't make waves. Chun kept spurning our appeals, kept on escalating the rhetoric against China and we kept on escalating our appeals right up to a very high level, including a secret demarches.

And, then, Chun, with Chun ignoring him--ignoring the Bush Administration, Bush, finally in December of 2003, as someone said, quite appalled, Bush rebuked Chun publicly.

Now, the ultra conservatives, as I would call them in this context, said it was all part of a conspiracy--no point in naming names, but, you know, they know that there are two people who manipulated this whole rebuke, middle-level people, and that, you know, that Bush was misled. No, the Bush Administration was united in its approach, and still is in its approach and stance on Taiwan.

There was a deep anger throughout all the Taiwan and China hands that Chun was abusing our friendship. Now, once Bush did rebuke Chun, by the way, there was immediate recognition in Taipei that Chun had blundered. Chun, of course, had to save face by saying he wouldn't back down, but he did. He cooled his rhetoric. His top people, who--most of whom had not been consulted about his the direction he was going in, were dismayed.

I interviewed people just, you would be amazed at what high level who were just appalled at what he had done; who are known, to this day as his most important supporters.

Anyway, there are people who say that, you know, if Chun--Chun is a democratically elected leader, Taiwan is a democracy and has the right to self-determination and China, of course, is a bad aggressive dictatorship. I agree with all of those things, but you know, again, they ignore--it's very, but that's cheap and easy rhetoric. It ignores the big picture, which is how, really, in the ultimate analysis to how to safeguard Taiwan from Chinese attack or Chinese subversion.

So, in the March 20 election, I still say it was Chun, not Bush, who was jeopardizing Taiwan security by jeopardizing his Taiwan's relationship with the United States. But by the May 20--his May 20 inaugural address, he had completely--almost completely retreated from his provocative rhetoric. And this, again, is to the credit of the Bush Administration, which, basically negotiated the wording of the inaugural speech that Chun delivered.

Interestingly enough, by the way, there were people who praised both Chun's provocative rhetoric and his retreat as both being fine speeches.

Anyway, here's the difficult idea we have to grasp: Only if the Taiwan leadership is restrained in its rhetoric, vis-a-vis China, can we, the United States be fierce and unequivocal in our support of Taiwan in our security guarantees for Taiwan. Now, there are hawks who say that position amounts to letting China find what is provocative behavior by Taiwan. Well, that's absolute nonsense.

We know what is provocative and what is not. Chun's election rhetoric was provocative. Chun's inaugural address was not provocative. Now, the Chinese said it was provocative; they said even the inaugural address was provocative, but they were ignored because we knew the difference.

Again, the inaugural address was to the credit of the Bush Administration. Today, the situation, at the moment, momentarily, is fairly stable. But there is, clearly, an enormous amount to worry about and, in many ways, I agree with the panelists in this sense: We may be coming to the end of playing out this contradiction between rapprochement tactics with China and the long-term strategic reality, which is, of course, that we and China are strategic adversaries; that we have conflicting, mutually exclusive strategic interests. I have a feeling that this tactical rapprochement period is probably coming to an end.

I'm really intrigued by Condee's visit to Beijing. I wouldn't be surprised if we've had secret talks going on intermittently with the Chinese demanding that we sell out Taiwan or dilute our commitment to Taiwan in trade for some kind of a deal on North Korea. That may be what is up. But, obviously, you're not going to hear me, as--I'm not so realistic, quote/unquote, or so pragmatic that I'm going to support a sell-out of Taiwan for the sake of North Korea. That would be outrageous and I still hope and I still believe that that is not going to happen.

But we have to remember this period is coming to an end. China is our strategic adversary. And we--but, right now, I would say, the Bush Administration, to date, has handled an extremely difficult situation superbly. And if it wasn't for the bold and courageous and wise moves they took in the first six months of 2001, we wouldn't have been in a position to achieve even this long a period of tactical rapprochement. But long-term, I'm with my friends on the first panel. China is a threat. Thank you very much.

**MR. LEE:** Thank you, Ross. And our third panelist is Derek Mitchell, he's the senior fellow for Asia in the CSIS International Security program. He has also served in many positions, I believe at the Department of State and Defense and has a long career, also in government and academia. So, we welcome Derek.

**MR. DEREK MITCHELL:** Thank you all. I also want to thank the Hudson Institute and the Formosa Foundation for inviting me to speak today.

With due respect to Mort Sol, I don't think I've been around enough to change my mind over the years. I lived in Taiwan in 1988 to 1989. And during that period, I got a sense that one of the questions that really hit me was this question of Taiwan identity. And the title of this segment is "Taiwan: Lost between China and the United States." At that time my sense was who was Taiwan? Who are the Taiwan people? And are they lost internally? And I'll get to that in a moment.

I want to expand a bit on the themes that have already been raised by Ross Munro and by Charles Horner.

First, I want to say, it's interesting that we talk about the question of Taiwan being lost between the United States and China in the sense of, look, as I think Mr. Horner suggested, look at what we're talking about? China versus Taiwan. Just on the face of it, the fact that Taiwan gets as much attention as it does in the United States is rather extraordinary.

You have 1.3 billion and counting; you have 23 million and counting but much fewer. And, yet, it gets a lot of attention--for good reason for the interests of the United States, the values of the United States that we discussed. But it's rather fascinating that we even ask the question of whether Taiwan matters and that we give it such attention here. China nowadays, of course, is the "it" country. Everyone--you're not a real business if you're not rushing to China and investing in China.

And tourists have to go to China, people have to go, this is the place that's the political leader now, in East Asia; the economic engine of growth, throughout the world, basically. And, including, on Taiwan. It is a force to be reckoned with and Taiwan, itself, has to be placed, as suggested, in that context. But we do give it attention because it does matter for U.S. interests.

And, I should say, in addition, the idea of being lost between the U.S. and China. I would expand that. It's not simply between the U.S. and China now. We see that Taiwan is being lost in relation to Southeast Asia; being lost in relation to the EEU. As China grows, as we know, the EU is now pushing to lift the arms embargo, an extremely dangerous thing for Taiwan security.

Southeast Asians are rebuking Taiwan in very strong terms now. Not quietly saying okay, we may, we don't want any conflict, but are actually rebuking Taiwan for its actions and saying we would not back you, necessarily, if you had encouraged some kind of action across the Strait.

The sense that Taiwan is being lost to the international community because of what it's doing or what China is doing, as far as growing, is of great concern and needs to be addressed, I think, in this context. And it's not simply U.S./China/Taiwan issue.

Again, I think lost internally--there are questions within Taiwan that really concern me and others in Washington when it comes to the future of Taiwan and the future of Taiwan security. It has to do with the political divisions within the society; the social divisions within the society, as the result of the recent presidential elections.

This is creating, I think, some security concerns. They need to clear up many of the questions that are outstanding within Taiwan society. Other ethnic divisions that are there, that are long lasting between some of those folks who came over from China and those folks who are considered the indigenous Taiwanese, that is creating problems. In the media, there are concerns about whether the DPP is addressing--is clamping down on a free media, within Taiwan. And whether the debate is going to be as active or the information the Taiwanese to make its judgments about the international community, about the United States will get through if some of the charters for the KMT media outlets are revoked.

I think the United States and those who care about Taiwan and care about the situation across the Strait and our relationship with Taiwan, need to be very careful and very concerned about the quality of democracy, not simply that they are a democracy, but the quality of the democracy and the quality of society inside Taiwan, if we care about the future of the across-the-strait situation.

Of course, there's a loss inside China, I think--inside Taiwan as represented, I think, by what Don Lee had suggested about business and what the people--there's this move of business towards China and, yet, there is certainly a sense that this could be dangerous for the future of Taiwan.

This division within the society of how we want to deal with china. It's not simply because the DPP is in control and they dominate the statements and comments. It doesn't mean there's still not divisions in their future and whether their future is within China or within in siding with the United States

on security in trying to avoid China. And, those, I think need to be addressed and those need to be rectified as we move forward.

Now, when I first looked at the question, I also thought in terms of security. That's what I do--part of the international security program, I was at DOD and the idea that Taiwan being lost between China and Taiwan, to me seemed rather passive. Because if Taiwan is not in control and they're kind of lost between the two powers, and it--that struck me as not quite right.

Taiwan has a lot to do with its own future. And it can take control of its own future and can help itself, in a variety of ways. Sticking with the economy, the economic reforms, the economic changes within the society can give it a greater sense of its own future; a great sense of its own--if it's an economically strong island that becomes relevant and viable. And China's growth or rise, so-called, is not going to be straight-lined, it's not going to be--it's going to have enormous bumps in the road. And Taiwan both needs to be enured to that and, also, be alternative. But they cannot just sit back and assume that they will be a relevant player in the international community, as an economic power.

But I think, all-in-all, they have to maintain that critical connection to the United States. Without which they cannot get anywhere. And, in that, I want to sort of expand on Ross Munro's comments.

They have to be concerned. They have to respect U.S. interests and concerns when it comes to issues in the U.S./China relationship and otherwise. The U.S. certainly has interests, vis-a-vis China, outside of Taiwan. The United States understand the bottom line: We understand that the problem in the Taiwan situation. I believe the Bush Administration believes it, I believe, also, in the Democratic Party, they believe this, that China is fundamentally the problem here.

And that that should be where the focus is placed, that they are the problem in their counterproductive tactics. But, we also have interests in engaging China--not that they're such a great partner, that they are our strategic partner, necessarily. But that we don't want to--we need them not to be an adversary. We don't want them to be problematic in the U.N. or in other international issues. We don't need Taiwan to be at the top of our agenda when we meet with Beijing. Which I think was one thing that got so much anger within this Administration in December; was that Taiwan was placing itself at the center of our relationship instead of trade and some issues that I'm sure the Bush Administration for its electoral reasons and otherwise, wanted a place at the top of its agenda in meeting with Wen.

The United States, fundamentally, and, I think we hope that the Taiwan, fundamentally, does not view the U.S./China/Taiwan issue as zero sum. That good relations between the U.S. and China don't necessarily come at the expense of Taiwan. That if Taiwan has fair relations with China, it's not necessarily at the expense of its security. And that the U.S. has good relations with Taiwan, we tell China, that's also in your interest. And it's not necessarily a bad thing.

This is a critical underlying factor that we do not see it as zero sum. And that it--to the degree that Taiwan is viewing that way or that Taiwan makes it more difficult for the United States to have a civil relationship with China. This will grate, I think, on American policymakers and American elite. And it will not serve the interests of Taiwan.

I should also say, I think, taking one step further, perhaps, what Ross Munro had suggested that more tensions that are created across the Strait may have a counterproductive effect on the way--on how the U.S. might get involved. There's greater tension or greater talk of why is this is the one issue the United States does not mediate, does not get in the middle of? We get in the middle of--in the past we got in the middle of the Middle-East; we got in the middle of all kinds of issues, we saw it even in Kashmir, et cetera.

Taiwan, as a matter of policy, which seeks assurances, we step back and say, we will not mediate. Well, we have, clearly, strong interests in a peaceful resolution or reduction of tensions, peace and stability in the region. And to the degree that there is tension across the Strait, by whatever means, whether it's China--well, particularly if it's Taiwan, but even if it's China, there will be growing calls for mediation and that's not necessarily in Taiwan's interest, either.

So, I say all this in terms of Taiwan's own interest in the way it thinks about its policy and as it moves forward with its policy towards China and its policy towards the United States.

I would say, in fact, there is a growing consensus in the U.S. and, in internationally. Talking to my Japanese friends, a couple weeks ago, about why they voted for Taiwan in the WHO? I said there is a consensus here that it's absurd that Taiwan shouldn't be in the WHO. The left papers, the right papers, the centrist papers, the political parties, SARS matters, Taiwan has a role to play. We couldn't just--regardless of China's anger, we believe Taiwan has a role to play.

I think there's a growing consensus among many in the international community. It makes it harder if the international community feels that Taiwan either is playing politics with it or that Taiwan is a problematic factor in international affairs. But there is, I think, a consensus within the United States and elsewhere.

And I think there's support on all sides for de facto Taiwan independence; for Taiwan security. As suggested, I think by Ross, the mill-to-mill relationship with this Administration that was started in the Clinton Administration, may I say, from some strategist in the Clinton Administration in the Defense Department. That we can't--we can be ambiguous politically, so-called, about the U.S./Taiwan issue. We can talk about strategic ambiguity in that sense. But you can't be ambiguous in the mill-to-mill front. You either plan for it or you don't plan for it. And, clearly, we need to plan for the possibility of conflict across the Strait.

And that's being done and that's all for the good. So the idea that the security side, that Taiwan is somehow losing is, I think, belied by the evidence beginning in the late '90s and including to today. And I would suggest it would continue into the future.

Now, a final point, I may say, that is of concern in the U.S./Taiwan relationship is what I detect as a fundamental lack of trust between the two sides, between the U.S. and Taiwan.

I can understand from the Taiwan side. Again as I started this presentation, there's a sense, why does the U.S. care about this, you know? We're so small, you're a super power, China's so big, you know, why do you care and there's a, you know. And then they remember 1972 and they remember 1979 and they're not quite sure, U.S. may sell us out again.

So, it's understandable that it remains sort of a dirty little secret when I talk to my Taiwan friends that they don't trust the United States to be there, they don't quite trust.

But there is, now, this questioning of arms sales that's going on. Which is a bit disturbing and it may not be within the leadership or the presidential office, the NSC and maybe just some in the legislature. But there's a sense that this is protection money, I keep hearing. I think there are some in the media and others, observers, who are those who talk about it as protection money. We don't need this stuff it's overpriced and I don't know what the price--I think the subs are a bit beyond, I'll agree with that.

[Technical interruption--tape flip]

**MR. MITCHELL:** I think there are some in this room who went to great efforts of behalf of Taiwan who would be rather insulted by the sense that this is not for Taiwan's own benefit. And this is not for Taiwan's security. And that somehow, and this is connected to U.S. mistrust of Taiwan, there is this growing sense of, are we being played by Taiwan?

And there's always been that sense within some in the community, not the best friends of Taiwan who have felt that we're just being played by Taiwan, they we'll fight to the last American. And they're-- and I'm not using this as a platform to say you must buy our weapons and just take us at our word. Look at the merits. But, at least, this rhetoric protection money, that we don't need to do this, that perhaps the United States will be there regardless, is not only faulty on the military front, because we may not get there in time. The whole strategic value.

But, also, on the political front. It leads to a growing mistrust that I'm sensing that extends from the political stuff that happened last December where Taiwan is not listening at all or taking at least the U.S. interests into account. And so there's this mutual sort of lack of trust in the elite level and otherwise, is of some concern.

The bottom line, though, as I say is that the support for Taiwan security is there. Taiwan lost between China and the U.S. in the security sense? No, I don't agree, I think the U.S. is strongly on the side of Taiwan security, we showed that in '95 and '96, we've shown that, I think, in the Bush Administration.

But I want to outline just a few items sort of to challenge Taiwan further. Speaking, frankly, I hope as a friend on these issues to suggest that there may be some moves by Taiwan they believe that are in their own interests that may be counterproductive to their interests in it's relationship with the U.S. and otherwise in the international community. So, with that, I will end. Thank you.

**MR. LEE:** Thank you, Derek. I'm going to throw a couple of questions out to the panelists and then we'll open it up to the audience.

My first question, and kind of jumping off of what Derek just said about issues of Taiwan security and also taking some of the comments that were made prior to that about the trust between the United States and Taiwan.

What is--if, in fact, Taiwan is of strategic to China, regardless of the political rhetoric and the issues of returning to the Mother Land and all those sorts of things and it is inevitable to expect that there will be some kind of conflict between China and Taiwan over sovereignty, what is Taiwan's reasonable expectation, in terms of security guarantees from the United States? Like to any or all of the panelists comment on that? Derek, why don't you start.

**MR. MITCHELL:** So, you're saying that if--

**MR. LEE:** If, you're standing in Taiwan's shoes--if it's inevitable that there will be some kind of conflict, given the strategic value of Taiwan to China, what is the reasonable expectation of the Taiwanese government of U.S. security guarantees?

**MR. MITCHELL:** Well, I don't think conflict is inevitable. I mean, certainly, the recent events and what we've seen China preparing for, et cetera and building in its military modernization. And also planning and doctrine and everything, it is not very comforting, so we have to be prepared for the worst.

I don't think it's inevitable. But I think that the United States would get involved, as it could, regardless of the situation; regardless of--I mean, personally--regardless of the scenario, but it's not necessarily going to lead to a benefit for Taiwan's national interests or it's own interest in either gaining or securing its de facto independence or in its economic interests of maintaining a quality of life, for its own people.

So, I, you know, Taiwan has to be careful and think this through as to how this is in its own interest, writ large. Not simply in sort of a narrow interests or an emotional interests or an idealistic interest.

But, yes, I think the United States does have fundamental strategic interest in getting involved. But, also, I think, not simply, vis-a-vis Taiwan, but, also, regionally that will compel it to get involved in some way regardless. But I think we shouldn't, I don't think Taiwan should use that. They need to think through what that means and what the implications are for its own national security interests of even that kind of essential guarantee--universal guarantee.

**MR. HORNER:** I think one of the difficulties here is trying to understand PRC policy toward Taiwan. And it's not at all clear to me why they pursue the policy that they do. Although I have certain suspicions about it. Because you could say, at one level, given the value of Taiwan to China--strategic, economic, and otherwise--you could just as well say that conflict is not inevitable; that conflict undermines and destroys some large measure of the strategic value of Taiwan to China. That it's hard to imagine strategic gains to China from altering the situation, supposedly to PRC's favor in the current situation that would give them more than they are getting now.

I mentioned, when I was there as a student in the '60s, not only did we have a huge deployment of American military forces in the area, it was a very large air base on Taiwan. And B-52s used to fly out of this air base, you could see them come and go. Where they were coming from and where they were going, who knew?

Now, if you look at a sense of strategic objective, of effective neutralization of Taiwan, for the moment, at least, as a base of U.S. military operations; if you look at the extraordinary value that Taiwan has created for itself in its relations with China, you would think that that is a certain amount of, how should I say, security and defense. As, indeed, it is, because the Chinese haven't quite gotten around to attacking Taiwan just yet. Just as to the last 50 years, they haven't quite gotten around to overrunning Hong Kong, either. Yet, somehow--so why do they pursue what is a kind of risky policy for them, for PRC, as much as it is for Taiwan.

And I don't know that I understand that. I don't think it has to do with a lot of their sense of what I mentioned obliquely before: What's China, how does China hold together? What are the implications for other things inside of China, if somehow a sense that Taiwan is outside, at least, the intimidation sphere of influence of China, itself.

It's very complicated, it's a very complicated question. But I think--I mean, it's quite right, an armed attack on Taiwan by the Chinese armed forces, it seems to me, is going to produce a war. And that's not going to be good for China or for us or for anyone, in particular. And so I think that much is clear.

But I think we do need to think much more deeply about what's fueling this policy of Beijing toward Taiwan. As we set about thinking of ways in which to go about this resolving this situation or at least improving it to a marginal degree.

**MR. MUNRO:** There are many things in this world that I'm uncertain about, Mr. Horner, but why China wants to conquer Taiwan is not one of them. If you accept the fact that China's long-term, grand strategic goal is to achieve a modern version of the tributary state system, where it is unchallenged in East Asia, where its primacy is unchallenged, then, it becomes clear that it must--and in order to achieve that--it must bring Taiwan to its knees. And there is an entire body of writings to this effect by senior--not people, in China talking about how China must control Taiwan as a first step.

**MR. HORNER:** I agree with that. That's not my point at all. They want to control it, but at the same time they don't want to--it seems to me--reduce it to uselessness in the process of gaining control over it. I mean, I think they want to preserve the value of Taiwan to them, at the same time that they do this. Otherwise, it's not much of a tributary--much value as a tributary state to them. Or it's not as much value as it could be.

These places are enormously enriching to China. These relations that they've built up are enormously enriching. The billions that Taiwan puts into China, the fact that Taiwan is an economy in advance of that of China in every way and is making all of that advancement available to China for the greater empowerment of China, is something China likes and appreciates. It's, as I say, it's a problem of calibration and there's always a certain risk of killing this particular golden-egg-laying goose.

And that, I think, is not at all different from this idea of their wanting it. But, as I say, it creates certain hazards for them, at the same time and they need to calibrate policy, also, just as our friends on Taiwan need to and just, indeed, as the U.S. needs to. That's all I'm suggesting.

**MR. MUNRO:** The most important distinguishing characteristic of Chinese tactical behavior is its opportunism. It is an opportunistic power. It pulls back when it sees it's being resisted and lunges forward whenever it sees an opportunity. During the Clinton Administration, in contradiction to what Derek Mitchell said, there was an element at the highest levels of the Clinton Administration that was putting enormous pressure on the Taiwan leadership to reach an agreement, putting pressure on the Taiwan leadership to reach an agreement, an interim agreement, with China where basically China would acknowledge--I mean, excuse me, Taiwan would acknowledge that it was part of one China and that in a vague way that Beijing was the prime player.

And these people, contrary to what Derek said, believed that Taiwan was the problem. Really, you worked for Kurt Campbell who's a great guy and believed that China was the problem. But he was fighting Ken Lieberthal and other people in the NSC who were convinced that Taiwan was the problem. And if they could only force Taiwan into a symbolic concession to China everything would be fine.

But this relates exactly to Mr. Horner's point. That would have been the next step towards a take over of Taiwan by China, it would just be another step in that direction to get their cake and eat it, too. To get the golden goose while it was living with U.S. help. Fortunately, Lee Dung Wei, outmaneuvered Ken Lieberthal and that gang in the White House and we escaped that. And then, of course, fortunately, there was a new Administration.

**MR. LEE:** Since time is running short, I'm going to go ahead and open it up to the audience. So, go ahead.

**PARTICIPANT:** [OFF MIKE] [inaudible] administration should be careful [inaudible] I agree with that basically. [inaudible] population, new constitution or new country name [inaudible] Republic of China name, and so on [inaudible] [inaudible] consensus for the country, you know, [inaudible] deal with this pressure. So that's something I want to point out first. The question is I've been observing [inaudible] power for a long, long time, as early as '58 I published a paper [inaudible] on this topic. But recently, I

really can't figure out what the Bush Administration is doing or [inaudible] about what Senator Kerry [inaudible] do. On the one hand [inaudible] President Bush said [inaudible] that he doesn't like, either China or Taiwan to be anything [inaudible] to disturb the status quo, whatever that is. I understand that to mean that, de facto independence status for Taiwan. [inaudible] keep the current status free from China's control, [inaudible] understanding [inaudible]. On the other hand, high government officials would give press briefing and so on and they would say, you know, Taiwan should engage China in a dialogue and if the two sides can reach some kind of a settlement that's enough for the U.S. We don't care about what the outcome is, we are neutral as to the future of Taiwan. I don't know whether that's true, so my question is, what is the ultimate aim of the U.S. policy? [inaudible] Chinese hands either through soft [inaudible] or internal subversion, or do we care? What's our policy.

**MR. LEE:** Who wants to take that one? And because of time, let's keep the answers brief, then we'll take one more question from the audience.

**MR. MITCHELL:** I guess I'll just take your question instead of respond to your comment. But U.S. policy has always been that we are agnostic about the ultimate end. I think there are those, and Ross suggests this, that strategically view it as useful to have a Taiwan and have a China. But our position is the two sides have to work it out peacefully. And whatever they work out, is acceptable to the United States.

If the people of Taiwan one day, you know, China's powerful, China's important, we're just a small island we want to be part of it. I'm sure there would be a lot of folks in the United States who would be a bit uncomfortable with it. Nothing we can do.

**PARTICIPANT:** [OFF MIKE] The Japanese would be uncomfortable.

**MR. MITCHELL:** The Japanese would be uncomfortable but they would not get in the way. No one could get in the way of that. But if Taiwan continues to say, you know, China, you're not for us, you're not a democracy you, you know, we feel alienated from you, you are not reaching out to us, et cetera, culturally and otherwise. The United States is going to support that, you know, the Taiwan Relations Act puts it very clearly. I don't want to fall back on words, but coercion and aggression. You know, I think that truly does reflect U.S. policy and U.S. aim, just keep things stable and peaceful in the region. Status quo seems to work fine for Taiwan, should work fine for China, they're both growing. I know there are people in Taiwan that don't like the status quo with an aim et cetera. But that, I think, there may be many who want to change the name, but there are many who don't.

So, the division in that society needs to be worked out, which is what I was discussing about the internal problems in Taiwan.

**MR. LEE:** Charles or Ross, do you want to comment on that question, briefly?

**MR. HUNTER:** Ross mentioned the re-establishment of the Ming Dynasty system of relations in East Asia. Would that were the limit in my understanding of these things of the ambitions of the people in Beijing, because they want the Ching Dynasty system of international relations, which is Ming dynasty, plus.

In other words, a China, Southeast Asia, Taiwan and, now, you know, Hong Kong, Singapore, Korea and Japan, it's a new kind of Greater East Asia co-prosperity sphere, if you like, except its capital is going to be and already is increasingly in Beijing.

And so, the question for us in all of these things is, doesn't make much sense for us to help this process along, it's hard to figure out ways in which we could prevent it from happening ultimately. We can slow it down a little bit, but the question for us now, I think, is how to deal--to begin to imagine now how we're going to deal with it after it happens at whatever pace, whatever pace it does happen.

And that, it seems to me is what Taiwan needs to think about also.

**PARTICIPANT:** [OFF MIKE] [inaudible] The question is, is it that much of a [inaudible] that [inaudible] it's got to be accommodated. There are [inaudible] in the United States ready to join with the AFL-CIO, ready to take 10 percent more [inaudible] Wal-Mart because of the persecution of house-church

Christians--[inaudible] And the question is, whether there isn't something in it as a strategic American policy and I think, Charles, left one thing out here. He says ultimately China's going to be the great colossus and they have to figure out how to do it. Isn't the question to accommodate to that only after they democratize in a fundamental kind of way and during this interim period before they are a democracy, don't we have means of confronting and being much more aggressive towards China within the United States that will help bring that about before we accommodate, in a sense too early. Or the question is, is it too late? Is China going to be the force of destiny and there ain't much we're going to do about it because the Chamber of Commerce needs the cheap goods and so forth?

**MR. MUNRO:** It's not the sort of Asia that Charles describes, I think it's anything but inevitable. The future of China domestically is very much in doubt. Also, it is becoming every month, let alone every year, every month it is becoming more and more evident that China is a truly malignant force, vis-a-vis its neighbors.

It supports soft, corrupt, dictatorships. It supports them in their repression of democratic movements. Recently, there was evidence of a rapprochement between Uzbekistan and China and the democrats there, however many there were, they were in just in despair because they saw immediately that this meant more trouble for them.

China is allying itself with the most malignant reactionary forces all over Asia. And so, it--there are a lot of contradictions, a lot of issues still to be resolved. We are in early days. But we have to stand up for our values, stand up for the old--the grand strategic policy of the United States, which has worked for more than a century, which is to maintain a balance of power in East Asia and we're a long way from losing that battle.

**MR. HORNER:** With all due respect, I wish that one could have a discussion where people would listen with the ear and not with the knee. I think what I said about the emergence of China as a great power is that there is a fundamental question, precisely of what sort of a--how this power will be manifest in the world; what kind of a power it will be; what kind of a presence in the world it will be; that is much up for grabs and that there is a certain amount of influence that we, ourselves, can exercise over that.

And when I said that that is the question, that is, indeed, the question. The idea of power in the abstract is all very interesting to talk about, there are different kinds of rising and ascendant powers in the world. The United States was once a minor power. It was--then it became a rising power; and is a great power. Its influence in the world, I would aver, is quite different from that, which other rising powers attempted to exercise in the world.

And, therefore, it is a question of values of governing and so on. That is the point. To say that I am implying in any manner, shape, or form that one acquiesces into the--to the power of China and what it is doing now, which is bad and threatening--is not correct. It is precisely that which challenges us not to be passive about these things, but, also, to be realistic about the enormity of the problem we face.

**MR. MITCHELL:** The age-old question is China an opportunity or a threat? You know, you have the business versus all of the strategic and all the rest. And the question is, yes, it's both, I mean, it's an opportunity and a threat. And we have huge business interests, we have huge, you know, they do have low-cost labor, so we have low prices in the United States, they buy up our Treasury Bonds, they are on the U.N. Security Council. You know, to try to block their growth in some way is a futile effort in essence.

And we're not going to get many folks to ally--our allies would not ally with us in this regard. I agree that South, and you know, Japan is very concerned and we can work with Japan on certain fronts regarding China to be prepared for the worst, particularly over Taiwan. But, otherwise, we can be prepared with our Southeast Asian friends, if China does cross certain obvious lines, keep our allies and our powder dry with our friends there. They'd certainly be willing to work with us. And I think they're going to probably move closer to us as China gets closer to them and gets more engaged with them.

But that doesn't mean we can't challenge them on the human rights front, on nonproliferation, on all those other issues, which we absolutely have to. You know, I have a very personal interest in Burma. And, my goodness, what China's doing in Burma in the shadows is horrible. And they're the reason Burma is being propped up the way they are. And we should have a major effort in the United States with Japan and others to shine a light on what they're doing. There's no question that we're letting them get away with a lot of stuff.

But, it's a complex issue, you know, in the sense that anything you say about China is going to be true. That it's this terrible nasty place that has all these problems and it's unreconstructed. But, also, it's changing, it's evolving, it's an opportunity, it's a, you know--I'm not sure we can--just the United States, when we have counterterrorism and we have some real clear and present dangers to deal with, that we can afford to try to get in the way of China in East Asia or that anyone would follow us in that regard.

**PARTICIPANT:** [OFF MIKE] [inaudible] we all know that it can't modernize by itself. Derek Mitchell mentioned that the EU is trying to lift the embargo for France and Germany to sell China advanced weaponry, Russia for years has been selling China advanced weapons, helping China build advanced weaponry and so forth, but to an extent, Israel has also been helping China modernize-- [inaudible]. It's a triangular relationship, but there's a lot of wildcards, you know, in the whole equation. I wanted to get the panelists opinion on what the United States could do to persuade its friends and where, you know, we have friends in France and Germany to--[inaudible] directly challenges U.S. interests and what the United States can do with Russia about that, too.

**MR. LEE:** And I would highlight that point, also, by saying that if there were a lifting of an EU arms embargo, we could potentially be in a conflict with China defending ourselves against the weapons that we provided to our allies. So, I am interested in what the panelists have to say about that.

**MR. MITCHELL:** I know that we at CSIS, privately, and also the government privately, as well, but at least at the official levels have gone to all the EU capitals and been very, very strong in opposition and done what they could to say keep this EU arms embargo in place, and making the point--as one of the points, exactly what Don says, was we don't want to be facing weapons, European-made stuff, if there's a Taiwan conflict. Obviously, EU cares about business. France is concerned about multi-polarity. They're playing a strategic game, you know, there's a lot of stuff going on there. And from what I understand the latest from a friend in Britain that I've talked to says that it's inevitable. He says it's going to happen by the end of the year unless there's a really, you know, go to the mat effort by the United States. What that takes, I don't know, but we've--you know, I agree with you, it's a very serious issue.

What the Europeans say is, well, we have this code of conduct that'll restrict the level of weaponry, et cetera, that hasn't worked in the past and it's not that they're going to sell their highest gleaming stuff. But what they're going to do is sell lots of parts and stuff, military parts and equipment that China is doing an excellent job of putting together and integrating into a very solid force. It is a great danger.

And at the same time, where they're not coming forward to allow Taiwan to buy diesel subs or other weapons, they're going to lift an embargo on China. And the final point on that, too, is the symbolic factor. You know what this says about, you know, China feels that nowadays they are irresistible, they are so confident, the world is coming to it. We are the power that everyone comes to and we--and EU is coming to us and they're going to sell us what they can and they're going to lift their embargo and we don't really have to lift a finger, we don't have to do much.

And that's very dangerous, you know, if they don't--if at least they don't get something substantive out of China, even that, I think is not sufficient. But if the EU just simply does it and says, oh, the human rights situation, Tiananmen's past, it's no big deal, it's sending a political signal that's very dangerous, I think for China's sense of itself and its view of how it may deal with Taiwan and other rights. And in the way it can deal with the international community that they'll, you know, they have to come back to us. So, anyway, it's a great concern.

**PARTICIPANT:** If it's that dangerous, why isn't it a higher priority with the Bush Administration?

**MR. MITCHELL:** Well, it's a great, I mean, we'll see how much of a priority they make it. They've gone in and made some very, they say, direct and very serious representations in all governments, Colin Powell, when he's gone out to Europe has made this point over and over again. They demarched all the capitals from their ambassadors going in. They've made the pitch and been very strong, I suppose, I mean, how much stronger can they be, you know, affecting the actual alliance and making an alliance issue, I don't know. But they know, I've sent them the word from my friends in England that it's going to

happen anyway unless the U.S. does something really, really, goes to the matt. So, I don't know what they're planning to do in the coming six months.

**MR. MUNRO:** On the Europe issue, I'm hoping that the Bush Administration has got the number of corrupt, decadent, cynical Europe. We are, the Administration is threatening or hinting at least that it will stop purchasing weapons from any European military supplier that supplies China. And if the Europeans believe that we'll follow through with that threat, they may have second thoughts. That may be our only, last hope in that area.

I do want to add my personal apology to Mr. Horner, I really apologize if I misinterpreted your remarks. I thought you said, basically, that Chinese agenda in Asia was inevitable and we had to come to terms with that and I apologize for misinterpreting it and reacting the way I did.

**MR. HORNER:** That's fine. I mean, these are--look, these are long and complicated arguments, have been going on at least for the 40 years that I've been interested in them. If you go to Japan and you say what are you afraid of? They say, we're afraid of China. And then you say, what are you going to do about it? And they say, well, this year, we may invest some more money in the Japanese high-technology. And you say, why is that? And they say, well, you know, we're afraid China will be a great power. But we're also afraid China will collapse and then there will be chaos and that would be terrible.

And you go to South Korea and you say what are you afraid of? Well, you know, we're afraid of China, they're going to dominate Korea. We say what are you going to do about it? We're going to put another \$10 billion into China. You go to Taiwan, they say we're scared out of our minds about China, the big military base, you know.

Go to Europe, it's the same. There's a huge amount of cognitive dissidence in this business. And also on the part of the United States, itself, because at the same time European merchants of death are not the only venal and cynical people, there may even be a few in the U.S. of A., for all I know. Or at least I've heard. So, this is a very, you know, the Bush Administration goes to a European friend, said, by the way, send, you know, why don't you send a couple of divisions to Iraq, get involved in this, you know, democracy issue throughout the Islamic world and, by the way, do something about Sudan, where China is a major investor and proper up of all of the bad things that go and do a few--and, by the way, don't sell arms to the Chinese, either.

Well, I think it's an ambitious diplomatic agenda. And with all due praise to the Bush Administration and to President Bush, himself, for whom, I'm going to vote, it's a complex and ambitious agenda and we certainly wish him well at it. But not all of it will be completed, certainly within his first term.

**MR. LEE:** That concludes the second panel. I want to thank all the panelists for their great input. And thanks for coming.

[BREAK]

## PART IV

### PANEL DISCUSSION:

“Toward a New Pro-Taiwan Policy”

#### Moderator:

**Kenneth Weistein**, Hudson Institute

#### Panelists:

**Jeffrey Bell**, Capitol City Partners

**Li-Pei Wu**, Formosa Foundation

**Harvey Feldman**, Heritage Foundation

**MR. SINGER [?]:** -- So, let me move quickly to the last session. And introduce our speakers. Let me introduce them, one at a time. The first one will be

Mr. Li-Pei Wu, who is the founder and chairman of the Formosa Foundation, which is co-host with Hudson for this program. He is one of the two businessmen who will be presenting briefly during this lunch and discussion. It's, I don't know whether it's a tradition in China, but I think it's a great tradition in the United States for business leaders to also take an active part in public policy discussions. And that's an honorable tradition to which he has contributed honorably throughout a long career of both business and concern for public policy, particularly representing Taiwan's security interests and human rights development and concerns. So, let me introduce Mr. Li-Pei Wu, and then I will introduce the other speakers and then we will have questions, all three together. Thank you.

**MR. WU:** Thank you for your kind introduction. I am a Taiwanese American. I spent 35 years back in Taiwan and now 36 years here in the United States. So, I feel that I know a little bit about the feeling of U.S. policy and I also believe I have feeling toward the Taiwanese people's wish. And this morning many panelists talked about U.S. policy from U.S. standpoint. I feel that perhaps in order to facilitate better communications if I just stood on the side of the Chinese people, how they feel about U.S. policy.

Right or wrong, I just wanted to speak on their behalf, although I am a U.S. citizen today, but I think I know the people's feeling in Taiwan. And so, I'd like to communicate their thoughts for your policy decision.

First, let's go back to history, talk about so-called one-China policy. Right after World War II, Chiang Kai-Shek was defeated in China and escaped to Taiwan. And established his reign in Taiwan, continue the name as Republic of China, controlled by one. By 1949, People's Republic of China was established controlling the entire China.

At that point in time, U.S. policy was one-China policy. So this is nothing new about one-China policy, although it's different. Then U.S. one-China policy was that Chiang Kai-shek's Taiwan regime represented the entire China, including mainland China. So, Cold War ignored the distance of PRC. And this was not for one day or one year. This continued for 20-some-odd years. So the world, from all practical purposes ignored and assumed that PRC did not exist. That was so-called one-China policy, supported Chiang Kai-shek having the mutual treaty agreement with Taiwan government.

Until, in the '70s when President Nixon and Kissinger started to talk about establishing relationship with China to deter the Soviet Union's aggression. Then the situation changed, gradually, but definitely shifted toward another one-China policy, that is to assume or to gradually establish diplomatic relationship with the People's Republic of China, and to sever the diplomatic relationship with Taiwan.

So, all of a sudden, Taiwan from representing the entire China to absolutely nothing, not existed in the entire world. That shifted and, if you are the people of Taiwan, perhaps you would have a very strong feeling about that. Because neither Chiang Kai-shek nor Mao Tse-tung, nor United States consulted with the people of Taiwan as to what they would do. They just shifted from one kind of one-China policy to another kind of one-China policy.

In 1979, when United States severed diplomatic relationship with Taiwan, then U.S. did the best by establishing the Taiwan Relations Act to protect the human rights of the people of Taiwan.

So, that's the history behind the one-China policy. It has been one-China policy, nothing but one-China policy. But, the one-China policy as it stands today was established to deter Soviet Union. And at that time it was Cold War and both sides were dictators, Mao Tse-tung and Chiang Kai-shek, both dictators didn't consult with the people, they did say both sides wanted to have one-China policy, but who represented both sides? Mao Tse-tung represent that side, Chiang Kai-shek represent this side. So, people were totally not consulted.

Since then, Taiwan has developed into a full-grown democracy. Gone through two presidents, direct presidential elections. So the government of Taiwan no longer claim China as part of Taiwan or Taiwan is part of China. That changed. The people of Taiwan no longer think, oh, China is part of our territory. They don't think, but who cares about the Chinese people's frustration?

The Taiwanese people, even, made it very clear, that they have no intention to provoke China. They will not invade China; they asked China to leave them alone. But to ask China to leave them alone in the interpretation of China, and in the interpretation of United States, that's provocation. How can you say that? Leave us alone. You are not supposed to do that. So that made the Taiwanese people very, very frustrated.

PRC never set a foot on Taiwan during so many years. All they wanted to do was to maintain a very friendly relationship with China, give them investment, give them management capability, give them financial resources, but that was not good enough. They still want to take over and that make the Taiwanese people very frustrated.

Over the years, you can see from the result of elections the so-called Taiwanese nationalism has arisen. [inaudible] This time, yet more than 50 percent votes were on the people of Taiwan. And that is generally considered that vote for independence had the first time exceeded the Party that wanted unification.

Talk about unification, everybody is talking about unification. I will tell you what the Taiwanese people think. Where there is unification PRC never set a foot on Taiwan, we have nothing to unite with them. If any, it would be a merger, and in a merger both sides would have to consent. I am a businessman, shareholders of a small company and shareholders of a large company will get together, talk about how do you merge or you don't merge.

But that was ignored. The People's Republic of China wanted to take over Taiwan, period. They said they would respect the people of Taiwan's wish, but one thing for sure, it has to be under the one-China umbrella. What kind of respect is that? But that's the feeling of the people of Taiwan.

Sometimes, the United States blame Taiwan for provoking or not adhering to the status quo. But when, in Taiwanese people's mind, how can you maintain a status quo when every day there are more and more missile aiming at Taiwan? Then who is to assure that the status quo can be maintained? So, if we don't do something, pretty soon, we will disappear. They have done everything to accommodate China, in fact, what I heard, was that they sent somebody to China that if Taiwan were to give you \$100 billion would you leave us alone? China said, no, you've got more than \$100 billion. That may be a joke, but it reflects how much Taiwanese are on one hand afraid of China, but on the other, how much they dislike to be a part of China.

So, from idealistic standpoint, rather than say from strategic standpoint, if United States adhered to the democratic principle and send troops to Iraq, tried to free the Iraqi people, when the people of Taiwan today, are already enjoying democracy, enjoying freedom, enjoying market economy. And this is, in fact, helped by the United States. So their feeling is, why would you not try to preserve what you helped create? Why would you force us to be a part of China? That is the sentiment of the people of Taiwan.

Taiwan is a democracy keeps talking to the U.S. who tells it, you should not do this you should not do that. But let's assume, by the end of this year the people elect more of the legislators who are pro-independence? And then they come up with another referendum and that referendum would be stronger, that says, no, we don't want to be part of China. Who can blame the people of Taiwan for exercising their democratic rights?

How would the United States face that problem? Are we going to tell the Taiwanese people that we, Americans, have our set of democracy and you cannot follow us--

[Tape change.]

**MR. WU:** --recognized by the United States. Now you need to recognize Taiwan. And the situation changed, no Cold War anymore. Why wouldn't you re-recognize Taiwan, what's wrong with that? Taiwan is democracy, Taiwan has a population of 23 million, Taiwan has the economy ranking number 16 in the world. What's wrong with recognizing Taiwan? That's the fundamental question Taiwanese people kept asking and I have no answer for them.

The United States wants to do business with China. I think that's great, but have you noticed that, if something not be done, in a few years, China will become the factory of the entire world? All the [inaudible] nation, all the industrialized nation one day, China say stop it, then you have nothing to eat, nothing, no more, they ignore you with their products, particularly no more material. That could happen if something is not done.

Same thing could happen to Taiwan because the Taiwanese people need to invest in China. And more and more business people go to China and move their financial resources to China. Something needs to be done there, as well. And the Chinese government, alone, particularly, in the present-day situation, Chinese government will have difficulty handling that.

So, my suggestion is, why wouldn't United States consider Taiwan as its partner, politically and economically? Politically recognize Taiwan to help stabilize the Asian security. Economically, Taiwan has management capability. Taiwan understands Asian economy. Taiwan has a lot of experience in investing in China and through FTA, again, talking about FTA--so many countries have FTA with United States. But Taiwan cannot have. The reason? Oh, this technical problem, that technical problem of intellectual property rights and so forth.

Well, certainly, technical problems need to be resolved. But I believe it's not technical problems, but political problems because of China's objection to FTA. U.S. should have FTA with Taiwan and then form partnership with Taiwan to enter into Asian countries. That would be a win/win strategy. Thank you.

**MR. SINGER:** Thank you, Dr. Wu, it's good to get the viewpoint of the people concerned, as well as some of these other viewpoints that we've heard. Although, I guess it turns out from your last remarks, that going to that viewpoint also leads to further complications and confusions, nothing is simple. And I suppose that's the real hope. Our next speaker is Jeff Bell, who is one of the great combinations of politician or ex-politician.

**MR. BELL:** I think retired--

**MR. SINGER:** Temporarily retired, think-tank manager and businessman. He's now head of the Capital--

**MR. BELL:** I'm not going to help you--Capital City Partners.

**MR. SINGER:** Capital City Partners. So, Jeff, will you give us this combined viewpoint?

**MR. BELL:** Well, I'm glad my background, such as it is, gives me some qualification because I'm certainly not an expert on China or Taiwan, although I followed it as a political matter for many, many years.

Now, I've only been to Taiwan one time and they gave me a watch, the foreign ministry did because it was a special occasion. It was the inaugural of President Chen. And while I was there, there was a very important funeral and the funeral was for something called Asian values. Remember Asian values? That was the predecessor to the idea that no Islamic country can possibly adopt democracy.

Asian values, I think, Lee Quang Yu [ph], of Singapore was very big on them, said that Chinese culture is different. The Chinese society, civilization, it has this Confucian background and the Communists had to adapt to it and the middle-kingdom and all this, all this stuff. And you could not have democracy in a Chinese culture without an awful lot, hundreds of years of preparation, I suppose. And that was Asian values. And we heard a lot about Asian values from realists, neo-realists, Machiavellians in our country and especially in Europe.

But I was present at the first peaceful change of government in the history of Chinese culture and the world did not come to an end. It was a peaceful transition. Everybody was a grown up and not everybody was happy about the inauguration of free elections in Taiwan. I found that out, my delegation,

it was a conservative delegation. When we went to the Chiang Kai-shek Memorial. And I wanted to know is there a--we'd heard all about Chiang Kai-shek, Madame Chiang, Chiang Ching Kuo [ph], and could I see something on President Lee, the outgoing Kuomintang President of Taiwan, the Republic of China. He said, that man, he is horrible. He his horrible, we have nothing on him.

He was seen as a betrayer of the Kuomintang elite that had run the Republic of China. And so there was no display for President Lee. But, fortunately, our delegation got a chance to meet President Lee in his last week in office. And he received us under a portrait of Sun Yat-sen, the first leader of the Nationalist Party of Chin, and the bringer of equality, the idea of political equality to China.

And he was followed by Chiang Kai-shek, Chiang Ching Kuo, there was a man whose name escapes me in-between the senior Chang and the younger Chang and President Lee was the last Kuomintang President of the Republic of China and there was continuity.

Everyone of these five men was a protestant Christian, everyone of them. So the relationship between the U.S. missionaries Henry Luce, parents and all that, came home to me in that moment.

But, also, that Sun Yat-sen who lived and tried to implement a republican government in a time of turmoil and he had to give way to pragmatic military leaders, who tried to save their country from the Japanese and later from the Communists, led, of course, by Chiang Kai-shek.

But President Lee, who had no exhibit in the Chiang Kai-shek Memorial was the real hero of this situation because at the same time that President Chen, the non Kuomintang successor, and he was not a protestant, either. He wasn't a protestant Christian. That inauguration was also the funeral for Asian values. And I believe that President Lee's genius, I noticed the previous panel was titled is "Taiwan going to get lost in-between the U.S. and China?" I think that was President Lee's greatest fear is that in the first Bush Administration and then into the Clinton Administration, you had neo-realism and they were getting lost in the shuffle, because even after the Soviet Union went out of business, our Administration seemed to be just as fixated on overlooking a lot of the sins of the People's Republic of China.

So, President Lee, got himself invited to his alma mater which is Cornell and then missiles threatened, missile tests happened. Los Angeles, at one point was threatened. And suddenly Taiwan was in no danger of being overlooked by the United States or anybody else. He rattled the cages and now, just to conclude my reflections on this, obviously, I'm sure the earlier panels talked about the tension between the War on Terrorism and the need to have Beijing on-board and our desire to--we have bigger fish to fry, so we have to overlook the Weegers, we have to overlook Taiwanese.

But on the other hand, President Bush, who campaigned as a man who was opposed to nation building, came to the conclusion that the only long-term solution for the Middle East, the Arab world, and the larger Middle East, is the movement toward democracy. And for all of the difficulties that the President has had and all the ridicule he's received from the foreign policy establishment, the democracy initiative in the Middle East is going forward very effectively.

And I see in the paper today it's putting a lot pressure on Yasser Arafat from within the Palestinian movement. So, will the desire that we have bigger fish to fry, or the reorientation, and he is a convert, of President Bush toward the idea of democracy initiative, democracy as a key foreign policy objective of the United States, which wins? Which wins that race?

My own feeling is that Taiwan is no longer in danger of being overlooked because of the funeral of Asian values and the birth of Taiwanese democracy, which has made self-determination and the freedom of the people of Taiwan an issue that is inseparable from the interest of the world in peace and the traditions of the United States. Thank you.

**MR. SINGER:** Thank you very much, Jeff, very elegant presentation and valuable perspective. Our final speaker is Ambassador Harvey Feldman, who is now Principal Asian Scholar with the Heritage Institute and has been involved with China policy in a working way for now, fifty years--

**MR. HARVEY FELDMAN:** Fifty years now.

**MR. SINGER:** --which has seen a lot of changes. Ambassador Feldman, thank you.

**MR. FELDMAN:** Thank you. I'll speak from my seat if you don't mind. And I thought I ought to, as a sort of a substitute speaker, who was tapped on the shoulder this morning at about 9:15 and told I would be speaking.

**MR. SINGER:** Excuse me, one second, you are replacing, Dr. Constantine Menges of the Hudson Institute who has the forthcoming book called "China, the Gathering Threat: The Strategic Challenge of China and Russia," which will be available early in the spring and he was very disappointed that he couldn't make it today. But he's slightly indisposed. Thank you.

**MR. FELDMAN:** Okay, I'll pick up. I was going to begin with an explanation, a little bit of a history lesson, but you've got some of the history from Mr. Wu and then I was struck listening to Derek Mitchell talk about how tiny Taiwan is. There are 23 million, I don't know [inaudible] hardly matters, right? Twenty-three million people is the population of Australia, plus New Zealand and the rest of the South Pacific. It is one and a half times the population of all of Scandinavia.

Most Americans don't understand that, 23 million that's nothing. If size mattered, back in the 1950s, when Indonesia was carrying out a policy of confrontation against Malaysia and Singapore, we should have sided with Indonesia, shouldn't we? We should have said the hell with Malaysia and Singapore, they're a drop in the bucket compared to Indonesia.

I don't think size ought to be the determining factor. But, let me go back to a little bit of the history because you need to know this in order to understand what the U.S. one-China policy is and is not.

It begins, as Mr. Wu has told us, with Henry Kissinger and Richard Nixon deciding that they needed China for at least two reasons: One to balance off against the Soviet Union, which was seen then, erroneously, but nevertheless seen then generally, as in a position equal in strength, perhaps even greater in strength to the United States.

And the second aspect was to help settle the Vietnam War. They understood a little--they did not understand very much history. Had they done so, they would have understood that the Vietnamese and the Chinese are hereditary enemies.

But, for some reason, they thought that the path to a settlement in Vietnam might very well lie through Beijing. That was not the case. At the same time, you had military dictatorship in both Communist China, mainland China, and on Taiwan. And both of them claimed, as you have heard to represent all of China. Well, the claim of Taiwan to represent or the claim of the military dictatorship in Taiwan to represent all of China was manifestly absurd.

The claim of the military dictatorship in Beijing to represent all of China including Taiwan was one that Nixon and Kissinger thought they could swallow. And so, they signed something called the Shanghai Communique in February of 1972, which said that the United States understands the Chinese on both side so the Taiwan Strait, agree that there is but one China of which Taiwan is a part. The United States does not contest that view.

The fact of the matter was that the 85 percent of the people on Taiwan who were Taiwanese would never have agreed to that, but they didn't count. And so, Nixon could sign the Shanghai Communique.

I was, at the time, I was on a policy planning staff in State and written the papers on Taiwan, but apparently, Nixon never read them. Shortly thereafter, I was assigned to Taiwan my second time, this time as political counselor. And over the intervening years of that assignment between '73 and '75, the policy of the United States was to try to get the people of Taiwan accustomed to the idea that we were going to shift diplomatic relations from Taipei to Beijing.

And I believe that but for Watergate, that would have happened sometime in the second Nixon term. However, Watergate did intervene. And so, it was left to Jimmy Carter, because Ford didn't really have the consensus, the public support to carry through normalization, a code word for shifting relations. It was left to Jimmy Carter to do this. The event took place on January 1, 1979. I was then, by the way, Country Director for Republic of China Affairs in the State Department.

And we signed a communique which was based on the Shanghai Communique, but a little bit different, and the difference is significant. The recognition communique says that we understand that the People's Republic of China, not Chinese on both sides of the Taiwan Strait, People's Republic of China states that the--no, the policy of the People's Republic of China is that there is but one China in the world of which Taiwan is a part.

The United States understand that. Now, understand as diplo-speak means we hear you, we know that's what you said. But the United States did not state any position of its own as to what the status of Taiwan was.

Fast forward to August of 1982 when Alexander Haig, you can all hiss, when Alexander Haig persuaded Ronald Reagan to sign something called the August 17 communique, in which the United States said that we will not carry out a two-Chinas policy; we will not carry out a one-China, one-Taiwan policy and once, again, repeated the we understand the Chinese position on Taiwan.

Once again, we stated no position of our own. And a little bit earlier than the 21st of August, round about I think it was, no it was August 17, I do believe it was August 14, that we gave six assurances to Jong Jing Qua [ph], that, amongst other things, the United States was not going to mediate between the two; the United States was not going to set a definitive date to cut off arms sales to Taiwan and the United States had not changed it's position on the status of Taiwan.

Our position was that we had no position. Okay.

So, what does the one-China policy really mean? We keep saying we have a one-China policy and it's based on the three communiqués and The Taiwan Relations Act. And here I pat myself on the back again, I co-chaired the State Department committee which prepared the first draft of The Taiwan Relations Act and I, later, was the point man for the Carter Administration in dealing with the House and Senate in their version of the--their much better version of The Taiwan Relations Act, which allowed me to say, oh, yeah, that's good, put that in. And somehow I didn't get fired, never understood that.

Let me tell you what the TRA says, The TRA says that for all purposes of U.S. law the government previously recognized as the government of the Republic of China shall be considered a friendly government. And the entity previously recognized as the Republic of China shall be considered a friendly state. We put that in, it was absolutely necessary because we're going to sell arms to Taiwan and you can sell arms only to friendly governments. And we were going to sell enriched uranium fuel to Taiwan's nuclear power reactors and you can do that only for friendly states.

So, in U.S. law, Taiwan is a state. And it is a friendly state. Not only that, in section 4E, I think it is of the TRA, gives the view of Congress that Taiwan has all qualifications necessary to be a member of the international financial institutions--and here I quote--"and all other international organizations," unquote.

So that the statements of both the Clinton Administration and the present George W. Bush Administration, that we do not support Taiwan's membership in international organizations which require statehood for membership is directly contrary to United States Public Law 96-8, The Taiwan Relations Act.

Okay. What is the one-China policy? In its essence, what it has been historically is, we are going to recognize and have diplomatic relations only with the People's Republic of China. But we will have all other cultural, economic, et cetera relations with Taiwan. It does not say anything about the status of Taiwan. It does not recognize the PRC claim to Taiwan. This is a very confusing policy. Administration spokesmen get it wrong more often than they get it right.

Very recently, the Assistant Secretary of State for East Asia and Pacific, Jim Kelly, was asked, I think it was the 21st of April in testimony before the House International Relations Committee, to define the one-China policy. And he replied, I cannot tell you what it is, I can only tell you what it's not.

Now, I ask you, what kind of--how can this be a realistic policy for the United States to follow, when the Assistant Secretary charged with relations with East Asia is unable to define what the policy is?

So, okay, let's move forward. Let's come up to a point where we begin to say, should not our policy in the area reflect the reality of the area? Should not our policy, vis-a-vis Taiwan; should not our policy, vis-a-vis China, reflect the realities of Taiwan and China? As you've heard, China has never, People's Republic of China has not for one day ruled in Taiwan--nor, God willing, will it. Taiwan exists, it meets all the tests provided in international law for statehood. The tests are defined in something called the Monte Video Convention. And they are, define territory, define population, capability of entering into international agreements. Define territory, Taiwan, associated islands. Define population, 23.16 million. Capability of entering into international agreements? It's a member of the World Trade Organization, the Asian Development Bank, and so on and so forth.

Obviously, it meets all the tests for statehood. The fact that the United States does not recognize it does not make it a non-state. Look at it this way: At one minute to midnight on December 31, 1978, we recognized the Republic of China on Taiwan and had diplomatic relations with it. At 12:01 a.m. on January 1, 1979, we no longer did so. Did anything change on Taiwan during those two minutes? Obviously not. It is what it was. Okay. I think it is time that we begin working toward a realistic policy. A

realistic policy is one that acknowledges that goes very forthrightly to say that we do not believe, we have never stated the proposition that Taiwan is a part of the People's Republic of China.

I think we should vigorously support Taiwan's membership in international organizations. By the way, do you know that Taiwan was a member of the Bank and the Fund, the International Bank for Reconstruction and Development, the World Bank, was a member of those two entities for nine years after it was expelled from the General Assembly of the United Nations? How did that happen? It happened because the United States supported its membership. And we have a weighted vote, so we could keep them in. When the United States stopped voting for their membership in the bank and the fund, they were kicked out.

The PRC has said that if Taiwan becomes a member of the bank and the fund, they're not going to take loans from the bank and the fund anymore. Won't that be too bad?

Obviously, there will be other consequences. The PRC will be very, very angry with us. They may threaten to break diplomatic relations with us. By the way they threatened to do that when President George H. W. Bush announced the sale of F-16s to Taiwan. But they never did break relations.

We are, after all, their number one export market. We are, after all, the most important source of modern technology for their economy. I kinda don't think they're going to break relations with us. I think they'll be very angry. I think they will, quote, "stop supporting us with regard to North Korea." You've heard, if you were here this morning that their support toward North Korea doesn't amount to very much. All they've done is host meetings. And told us that they agree with the North Koreans, not with us. You've also heard that their supposed cooperation in counter terrorism doesn't amount to diddly squat.

During my State Department days, I used to hear all the time, the following mantra: China is very large; China has a seat on the Security Council; China has nuclear weapons. We have to take account of Chinese sensibilities. And I used to reply, we're not so small. We have a seat on the Security Council. Last time I looked we had nuclear weapons, too. How come they don't have to take account of our sensibilities? Go figure. My time's up.

**MR. SINGER:** Thank you very much. I've not been trained as a diplomat, but it's a little hard for me to understand why it's the natural situation is for Taiwan to be a state and we're helping the Chinese to prevent that from happening, why we can't charge them for it. It seems to me it's an infinite source of opportunity for us to get concessions from them, because of the infinite number of things we can do in that direction.

**MR. FELDMAN:** They collect, they don't pay.

**MR. SINGER:** Since we're already a little bit behind schedule, let's just take a couple of questions and then we will adjourn. If anybody has something they're eager to say or ask? Yes.

**MR. WU:** I want to say something about what I heard at a briefing by chairman Roger Rollinson, on the U.S. China Economic and Security Review Commission, but it was kind of an informal briefing, but many of you must have seen that report, [inaudible] but the gist of his message was, the U.S. policy on China has negative implications that we are not doing all of the things that we ought to be doing. We are trading with China, building it up [inaudible] and yet, they are a potential threat we are not paying attention to. That was the gist of his--he suggested alternative recommendations of steps the U.S. has to take to reverse this course. He also, I don't know, I had the feeling that the U.S. is so preoccupied with Iraq and the rest that I didn't know who was really pay attention to this. But there's a lot of anxiety at least on the Commission, the U.S. China Economic and Security Review Commission, that things are going to get worse. [inaudible] a threat to U.S. Security.

**MR. SINGER:** Yes, last question.

**PARTICIPANT:** I have a question for Ambassador Feldman, regarding how--you stated how, you know, the facts say this, but application is not, I guess, cohesive to the facts. And, so, what are some practical measures that can be taken so that the U.S. sort of goes along with the facts instead of pursuing it's current course of action?

**MR. FELDMAN:** Well, I think the first thing would be to state that we do not recognize but, no, let me back up.

We should say affirmatively, as just a first step, down the road, sort of slicing the salami, that no communique that we have signed--and by the way communiques are not law, they are statements of policy intent. No communique that we have signed states that the United States believes Taiwan is a part of the People's Republic of China. That should be our opening statement.

Number two, we should propose Taiwan's membership in the bank and the fund or the reinstatement, I should say, of Taiwan, in the bank and the fund.

Three, we should vigorously support Taiwan's membership in at least selected United Nations bodies. Taiwan has two international air carriers. The United States should insist that, for reasons of international security, if for no other reason, Taiwan should be a member of the International Aviation--IA, ho what's it called? Help me out. The International Aviation Organization?

**MR.** : IATA.

**MR. FELDMAN:** IA, not that's not, that's the travel agents. That's the travel agents. There's a U.N. body that regulates international aviation, should be a member of that, oh, ICAO, International Civil Aviation Organization, getting old, it's hard to remember these things. It should be a member of the maritime organization. Evergreen is, I do believe the world's largest container shipper, how could it not be a member of the International Maritime Organization? That's for openers.

I was at the World Health Assembly in Geneva in May where the question of Taiwan's observer status was raised. You know, the Knights of Malta have observer status at WHO. So does the Red Cross, the Red Crescent, the Vatican, blah, blah, blah. But not Taiwan.

The United States was represented by the Honorable Tommy Thompson, former Governor of Wisconsin, as he pronounces it, current Secretary of HHS, whose speech in support of Taiwan's observer status went like this. And I am not making this up. We have a one-China policy, we do not believe Taiwan should be a member of any international organization that requires statehood for membership, which is not a statement of policy. It's a statement of policies we don't support, so we do not believe it should be a member, however we do believe it should have observer status. Is this going to convince anybody? Is this the kind of speech you give when you want to win votes? It's nonsense, this is not serious. I think we should have a serious policy and pursue it seriously.

**MR. SINGER:** I think we could all agree that the idea is it's desirable to have a serious policy, even on China? Thank you all very much for coming. Hope I see you here again.

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[END OF CONFERENCE.]