Sigur Center for Asian Studies  
Navigation Cross-Strait Relations:  
Taiwan’s Domestic and International Imperatives  
Keynote Speech

Shawn McHale: First of all, I hope all of you have had a pleasant lunch as well as entertaining, actually morning session. Today we're honored to be able to have speak as our keynoter Douglas Paal who is vice-president for Studies at the Carnegie Endowment International Peace. When he mentioned he just raised 20 million dollars I thought, oh, my God. This guy obviously has a tongue of gold, I guess. He is a well-respected speaker on issues related to East Asia, Taiwan and China. He previously served as vice-chairman of JPMorgan Chase International from 2006 to 2008, and he also is the unofficial U.S. representative to Taiwan as director of the American Institute on Taiwan from 2000 to 2006. Before that, he's had a very distinguished career serving on the National Security Council Staff of Presidents Ronald Reagan and George H.W. Bush, director of Asian Affairs and senior director and special assistant to the president.

A wide in a sense of variety of experience in and out of government, he's also been at the State Department, CIA, and U.S. embassies in Singapore and Beijing. We've had the pleasure in the past at GW to hear him speak both at the Holdridge Lecture and other talks and because of that experience in the past, we were actually quite happy to have him come back once again. Last but not least, he is a person who studied at Brown and Harvard Universities.

Without further ado, let me turn over the podium to Douglas Paal. Thank you.

Douglas Paal: Thank you, everyone. When I first got back from Taiwan in 2006, I got invited to come to a function here at the Harry Harding Auditorium of the Elliot School in this beautiful new building which didn't exist when I went off to Taiwan. I had a hard time finding it
at first. I was talking to a friend in Beijing, an elderly person, very familiar with the U.S., and he asked me when I return to the U.S. after I described this new facility to extend my sympathies to the Harding family because he knew it was our practice in America never to name anything after anybody until they'd pass away. I actually saw Harry walking past my restaurant yesterday, was able to remind him of the extension of sympathy. It's good to be with you and it's good and challenging to be in this audience of truly expert observers – Taiwanese, American and others. You daunt me with your presence and experience and knowledge.

So I thought for this kind of session, it might be best to start up a conversational approach, much as if you were calling on me in my office and we wanted to talk about what's going on in Taiwan because you're all familiar. I can't tell you what's going on in Taiwan, you know it already. Moreover, I haven't been back since December and we all know that's a lifetime of absence away from the place.

I think the first relevant observation is on the economics of Taiwan and the region. I just came back from Beijing Saturday night. Interesting coming back to an airport where only two airplanes were active. My bags were virtually carried on velvet pillows from the airplane to my car by the underemployed staff out there as everybody sits in Europe trying to get away back to the U.S.

But if you go to China right now, it's 11.9 percent growth past month, in the past quarter. The streets are packed, the restaurants are packed and even the bad restaurants are packed. And I saw lots of people from Taiwan in all of those places. Clearly, the growth in China is propelling growth throughout the region and Taiwan has been doing expressly well in its trade with the mainland, now greater bilaterally than the trade with the United States although we all know a lot
of that trade into China goes on to American markets or at least it used to before we became more subdued consumers in the aftermath of the recent recession.

I think on the economic front, there's a lot to be said for the current negotiations that are taking place and will soon be the subject - is it 24th or 25th - a debate between President Ma Ying-jeou and leader of the DPP opposition, Tsai Ing-wen, on the merits of the Economic Cooperation Framework Agreement or [speaks in Chinese], I think it's more commonly referred to in Taiwan.

This framework agreement promises to take Taiwan to a new level of engagement with the mainland and to do so with more protections for Taiwan's economic interest than is usual in a free-trade agreement. Normally both parties to a free-trade agreement have to open themselves up about equally different markets, different categories depending on respective economic advantages but normally it's pretty equal.

In this case, although the negotiations aren't complete and China has plenty of protectionists tapping on the shoulders of the PRC negotiators, nonetheless the leadership in China has decided that they will not seek that kind of equal opening into the Taiwan market because they know that it would upset the political basis for an agreement on Taiwan should China unleash its tremendous productive forces into areas of the Taiwan economy that are not ready for that kind of competition.

So it's going to be a very interesting result and from a point of view of an American, I've been trying to use my time when I spend it with members of the Congress, reminding them that we need a trade agenda in the United States, one that embraces growing free-trade with Taiwan whether it's done through a TIFA mechanism at first or moves on to an FTA, or we do it through the Trans-Pacific Partnership which is an idea proposed by Dan Rosen of IIE. I think it's a good
idea if we can capture Taiwan multilaterally in the Trans-Pacific Partnership concept, I think that might be the best framework for doing so.

But in any event, we should not – when ECFA is signed - long put up with the situation where Taiwan has a better trading relationship with China than we have with Taiwan. Hopefully, Congress will be very quick to understand that. Realistically, it may not be because of the other conditions that prevail in this country: high unemployment; rising protectionist sentiment; and the like. But all of us who are interested in this subject and who think that ECFA’s a good idea. Please, when you have an opportunity, mention it to your member of Congress. This is something we're going to be unilaterally disadvantaged in that market if we're not careful and that's not what’s good for us.

One of the other impacts of the improved situation of the mainland's economy and in the regions as a whole, you see growth everywhere with the exception of Thailand where you got special problems and the succession is starting to unfold. Malaysia, Indonesia is doing very well. The ADB just put out its 2010 forecasts this week and Asia as a whole and Taiwan in particular look good for the coming year. Inflation is well within controllable bounds. Unemployment is coming down and the outlook is for a more contented populace in each of these places including Taiwan.

Now, I'd like to turn for a second to the military side because in February the American government announced the arms sale to Taiwan. It was from my perspective the sort of thing that Taiwan needed. It was not one of these things where we are driven entirely by American industrial desires to sell certain kinds of things to Taiwan. What Taiwan bought, in the way of helicopters and PAC-3 capabilities is appropriate to the challenge Taiwan faces. And I think it's as President Ma had tried to do in his remarks up at Harvard through a video conference – I think
it was two weeks ago, two Fridays ago – he tried to put into a broader context what he's doing on
the military side and from a point of view of somebody like myself who has worked with the
Taiwan military, and our own military, trying to get Taiwan to have a more effective fighting
force to create the capacity to deter aggression, they're doing the right thing. They're
emphasizing downsizing of the military.

It is very difficult to do in an environment like Taiwan's because they're going from
having fairly large number of soldiers drawn in from the draft to having a professional military.
That transition is always expensive and difficult and it may be even harder in a culture like
Chinese culture on Taiwan where people — the old phrase, you don't make good steel into nails;
you don't make good people into soldiers. There's that underlying culture. You got to reward
people, you got to give them training and advancement and good pay to get them to serve but it's
also right that Taiwan does not need such a large standing force. It needs a smaller more
proficient force, it needs better technologies.

As I've said in other circumstances, Taiwan is a very defensible island. Despite the huge
disparity between the power of the mainland and the power of Taiwan in real terms and the
growing gap between the two, Taiwan is still an eminently defensible island. This has been
pointed out by a number of four-star advisers to the Taiwan government when the U.S. is asked
to talk them about their long-term security.

In fact, I like to point to the fact of the 1945 when General MacArthur commanded
Pacific forces and he had over 2,000 ships and 1.5 million men under arms in the Pacific and he
had to choose a target moving toward Japan, he said, “Skip Taiwan. That's too hard. We'll go
after Okinawa.” And I think that reality is still unshakable and therefore the current
government's effort at a hard rock defense which is a smarter kind of defense structure makes a
lot of sense to professional military that I talked to and to me, even though I don't have the credentials to put a seal of approval on the approach they're taking.

Turning to the political side – and we've got people here who are following this in exquisite detail and with long-term records – my general impression is that politically, while we've had some setbacks to the KMT candidates in a number of the local elections so far, it doesn't translate to me yet into a kind of sense that the KMT has become hopeless for the presidential election. We got people from the DPP here who can argue with me about this, the DPP doesn't seem to me to have yet found that program, that catch phrase, that takes them from a bed rock 40-42 percent support which they've had religiously voting for them election after election, to something over 50 percent to win at the national level.

The upcoming five big municipal elections will break the way. Obviously the party organizer Jin Pu-tsung [phonetic] is trying to do something different in the way he deals with the local party structure. Clearly the KMT is not a unified force, it's got different factions with different interest and not all pulling in the same direction for Mr. Ma's programs, and we've seen that as having consequences in the by-elections and the small elections that were held earlier this year or last year.

Nonetheless, I think even with the Jin Pu-tsung approach of try to weed out money politics and change the way the KMT operates, posing some new elements and forecasting the election, it seems to me – and even with the current below 50 percent rate of approval in the polls that have been emerging over time - nonetheless I think DPP has yet to prove it's got a winning strategy. A lot will depend on which candidate they came up with and that will have something to do with how the outcomes of the five municipal elections play out this coming November, right? I think it's not December, November. Yes, thanks.
I have certain preferences among the candidates that DPP could put forward because I've worked closely with a lot of these people and I think some of them would really make quite good candidates but the party is going to have to make its own determination. But I think on the whole, the U.S. at this point should expect that the Ma Ying-jeou government has a very strong chance of being reelected. Obviously, we're a long way from an election, a year is a lifetime in politics and we're two years out from the next election so don't hold me to the forecast but as of now, that's how it looks.

And I sort of say that as a kind of challenge to the DPP to find that extra appeal to the Taiwan voters. Well, carry them over their 50 percent goal because I think it is in the long run the best for Taiwan that we have the capacity to alternate parties and government, that the voters can express dissatisfaction with the ruling party and have a real choice that's credible, that's not only credible to the domestic voters but is reassuring to parties like the United States or the mainland that will have to deal with the government that emerges after elections that reject the previous incumbents.

Obviously, Taiwan has now had two switches in party. That's very important – 2000, 2008. Larry Diamond out of Stanford sort of speaks for all the people who keep track of who's becoming democratic has said, “That's the benchmark.” Even though he has made some points about the judicial system and other places that could use reform and improvement in Taiwan, he says Taiwan has now clearly passed the point of being a real thriving democracy. And I'm hoping that we can supplement that with parties that can get out and compete effectively on a broad base of issues and not on narrow sectarian or narrow ethnic or narrow other kinds of interests.
Now, I could turn to American politics and have a lot more to say about how we reform our party structures and hope to find some optimism because I'm kind of a pessimist these days.

Turning to the diplomatic side, obviously has got a number of components. Mr. Ma has now made a few trips outside the country to Taiwan's traditional friends, Taiwanese parliament called allies. And I think that this has been handled from the point of view of the United States, transits have been handled extremely successfully and therefore with each of his transits, the scope of his activity has been expanded in an effort to signal from the United States approval of this kind of management of the affairs of Taiwan by its chief executive.

The diplomatic truce that is tacitly present between China and Taiwan over competition for new allies or friends seems to be holding. Not everything in the international environment is going well for Taiwan and I think the PRC continues to be far too miserly its approach to NGOs in particular where there really shouldn't be these kinds of concerns about whether Taiwan is recognized as Taiwan or as part of China. That shouldn't be relevant to NGOs. They've got work to do such as in Ching Hai's earthquake zone and Haiti and other places. But we have that situation.

The Chinese as you know in cross-strait relationship they view the diplomatic international space issue very narrowly as part of the cross-strait relationship and the Chinese system being what it is, cross-strait relationship always comes back to acknowledgment of eventually reunification and one China principles. China can't seem to put that into a closet and forget about it for a while and get on with other business. They keep bringing it back to the table.

And this is going to put a limitation on the progress that can be made in cross-strait talks which takes us back to ECFA. ECFA is going to be very important because it's probably the last
thing that can be done during this four-year period of a relatively formal nature between the
mainland and Taiwan. We're not going to be able to move on to a kind of political framework or
a peace and stability framework agreement because China's appetite for concessions from
Taiwan exceeds Taiwan's appetite to make concessions to the mainland on the question of long-
term independence or autonomy or reunification between Taiwan and the mainland.

This comes back to the military question as well. I didn't talk about the PRC build-up
when I talked about Taiwan's military because I think military build-up is part of the diplomatic
puzzle that faces people trying to handle Taiwan's cross-strait relations.

The PRC believes that so long as Taiwan remains a democracy, that however happy they
might be with the direction of Ma Ying-jeou's administration, the next administration could
pocket the gains such as attendance in world health assemblies and other things that Taiwan does
in international space and also pocket the gains across the strait, and then again go back and do an independence trajectory.

The PRC has not been efficiently listening to people like Shelley Rigger and others who
have said that in fact, many Taiwanese have now come to the conclusion that juridical formal
independence is not an option. Taiwan is going to have to find other ways going forward to
preserve its autonomy and integrity separate from that of China. But the Chinese still think that a
day can come, the next March election in 2012, or 2016, or 2020, a new president will raise his
head and say time to declare independence and then China will be forced to act.

And this has therefore permitted the PLA not only to maintain the forces opposite Taiwan
that it has maintained but to continuously upgrade them both as a deterrent to Taiwanese
independence and as a reflection of the general military modernization that's taking place in
China at a fairly rapid clip, roughly at the pace of the economic growth of the mainland
economy. The military is gaining roughly that amount of new resources every year to continue its growth. And Phil Saunders and others here can talk in greater detail on that.

I spent a little bit of time with Taibon [sounds like] people last week, once again -- the Taiwanese office people in Beijing again saying why don't you guys act like the big power? Start showing some restraint, pull back a little bit in the Taiwan Strait. But they clearly seem to be deadlocked internally. Whether there is one faction and another fighting it out or they all believe it, I can't really tell. But they don't seem to be able to take that first step and, of course, that has the knock-on effect of making it very difficult for who's ever leading Taiwan to ignore the looming, increasing nearby presence of a military threat to Taiwan. Therefore, they must seek where they can to improve the military.

I think Mr. Ma and his people are on the right approach, but they also need outside sources of military assistance hence they come back to the U.S. The Chinese keep saying, why don't we Chinese, and you, the Americans, sit down and let's work out some principles so that we won't provide Taiwan sensitive arms and therefore create a context in which we might be able to withdraw or reduce military forces opposite Taiwan? And of course, that's a non-starter for us. We will respond to Taiwan's needs as Taiwan expresses them and as we judge them to be right or wrong for our own interests and we will not do a deal with China over how to supply — if there's going to be a conversation about détente in the Taiwan Strait, it should be between the authorities in Taipei and the authorities in Beijing, not with Americans.

China doesn't seem to be able to get past this determination to do it with us and not with Taiwan. And again, it comes back to this reluctance to compartmentalize or put in the closet the issue of eventual one China and eventual reunification. How long China will take to come to terms with this is very hard for me to estimate. I think rather than focus on that, I'd focus on how
fast China is changing internally. While for most of us with our value system, China is not changing fast enough, I think it's wrong to say China is not changing. Just look at the latest politics in China, this past week, all sorts of commentators have been trying to puzzle out what's going on with Wen Jiabao writing an article on the front page of *People's Daily* about Hu Jintao [cross-talking]. Hu Yaobang, excuse me. About Hu Yaobang who died in 1989 helping to motivate the Tiananmen protest and the like. And people who speculated this is about rehabilitating Tiananmen. No way. Rehabilitating Hu Yaobang? Well, it doesn't have to be rehabilitated, this and that subject.

But what I think is really interesting is what we have going on in China right now is an extremely sensitive period where they're kind of really antsy politically because everybody's jockeying to maneuver to a position by new rules which were issued two years ago. You got to get into position for promotion two years before the next party congress. So right now to October, people are jockeying like crazy.

You see the most prominent example might be Bo Xilai, the party's secretary in Chongqing who's prominently going after corrupt officials and police and the like, in a way that's just kind of unprecedented in modern communist China. People all say, well, this guy, this is his last chance to get a job. He's never going to be elected by the party's secretariat to a higher job. He's got to get over the heads of the party to get support from popular opinion which the party can't ignore.

Well, the party can't ignore popular opinion is something new. The fact that these guys got a jockey for two years to get into place so they get incumbency before being considered for promotion at the 18th party congress is something new. The fact that if you get entangled with
extramarital relationship or you get involved in taking money from business people, both can destroy your career is something pretty new in China.

Now, they're not where we are politically but probably in some ways they're glad they're not where we are. But they are changing and I think if we're going to see change in their attitude toward Taiwan and its ultimate status, it's going to take that kind of long-term internal adjustment. We see a new generation of leaders coming up in 2012 of a different kind to one we have now. But I don't think in 2013, we're going to have a solution on this issue. It's going to be a part of an interactive relationship between internal change in China and patience on Taiwan, cleverness, steadiness of purpose to maintain Taiwan's successful autonomy, find a way to live alongside a very powerful neighbor who's also economically important, find a way to diversify Taiwan's economic connections in the world so that it's not just a one-way dependency on the mainland. Although the mainland is a big opportunity for Taiwan, there have to be other opportunities. I believe that's part of the government's program to address that.

These are all, I think on the whole, positive developments where Taiwan is today. Obviously, I'm not as concerned as I was in 2004 when President Chen Shui-bian was actively campaigning to shake things up through referendums and the like. And we've now seen even Taiwan's leadership in the current government talk about referendums, even on ECFA, if they're legitimately arrived at as being a legitimate way of dealing with popular opinion on the question of whether or not to go forward on ECFA. So Taiwan is going through its own social and democratic evolution in a very positive way and the aspects of it that reflect themselves in diplomacy, domestic politics, economic management and military preparedness, I think are all on the whole quite positive.
So with that brief set of observations, I'd look forward to getting into fistfight or whatever it is you want to do.

Chairman: Yes. Questions, in the back.

Chao Chien: Yes. Chao Chien [phonetic] freelance correspondent. Vice President Paal, thank you for your comment. It's nice to see you. With your rich experience in Taiwan and U.S. foreign policy, in your own view or perception, what would be the future of Taiwan? Thank you.

Douglas Paal: Well, thank you for your question. I love being called Vice-President Paal. You're the only person who's ever done that. I was playing golf with Vice-President Biden recently. It's one of my real faults, is I like to do this game, golf. And I said to him, I used to see President Bush and President Clinton play and we all knew how long a free putt was - a “gimme” putt. But I never knew how long a vice president's “gimme” put was. Is it half the size of a president's? He says, “We don't get them.” So there's no special privilege in being vice president, as far as I can tell. Your question was on --?

Male Voice: The future of Taiwan.

Douglas Paal: Yes. I've talked about this a lot in various places and I'm sure I'm not getting it right.

I have a historical analogy which I think offers a very nice distant prospect certainly for Americans, maybe not for every Taiwanese. But it ignores the history of how those people got where they are, and I'm sure there are people here who have better examples. But to me, I think if Taiwan can be patient and smart and move adeptly, pay attention to keeping its economy moving forward, and all the things that go with that which is improving education - constantly improving education - working at new technologies, sort of staying ahead of the next technology
the way Taiwan got ahead of the IT wave back in the late ‘80s and the early ‘90s, Taiwan can protect its autonomy and its prosperity and its system until China changes enough to accept a different kind of relationship with Taiwan than the one they currently chant by virtue of being trained by Hu Chiao-mu’s [phonetic] famous history of modern China with its distorted characterization of China's history with Taiwan and with everyone else.

And the ultimate outcome would be something like – again, I’ll probably offend somebody here - something like Austria and Germany today where Austria has all the attributes of sovereignty within the European Union where we've had a diminished sovereignty in recent years, and where it has the same or similar culture. I'm sure the Austrians and Germans will tell me, we've got very different cultures but you do kind of cross the border pretty seamlessly and even though one was more loden [sounds like] than the other and funnier hats, they basically have the same language, same business opportunities, investments, education and separateness that satisfies their public that they’re not being forced into a nationhood they don't wish to share.

That's something you can envision as a long-term goal. But the point of the goal is not that outcome. The point of the goal is to see that it's long-term, that you have to keep your eye on the ball, you don't give anything away now that you don't want to give away. But you make sure you're making progress enough so that when the time comes, you'll be taken seriously.

That's the big challenge for Taiwan especially right now in China. Right now the sense of self-assurance and bombast and pride is really strong in China. You don’t want to have this conversation with them right now. But in the few years after they stumble again, when they have to refinance their banks and do some other things that they don't have to do immediately but it's definitely coming for them, you start having a conversation about how despite China's superior...
size, superior economic growth and superior military force, that Taiwan deserves to be taken on its own merits.

You can look back in history and say maybe Taiwan should have cut a deal in 1991 when after Tiananmen, China was in the world's doghouse and they were having internal conflicts. Deng Xiaoping was eager to restart foreign investment. Taiwan might have been able to make a deal then. But I'm not sure the Taiwanese people would have been ready for a deal even if the government could have made one, taking advantage of the circumstances.

So those two ships passed to pick metaphors. Two ships passed and are not going to meet again. So Taiwan has to now navigate its future very cautiously to protect its rights and privileges in a difficult environment.

EJ: EJ from the [indiscernible] school. Thanks for vice president -- your comment.

One of your emphasis is focused on the U.S. arms sales to Taiwan today. Just wondering how much do you think Taiwan gained some leverage on this issue because I believe that China and Taiwan are moving toward a semi-normalization process recently? This deal between the U.S. and Taiwan did irritate the Chinese in the past. However, the Chinese leaders seem to blame the U.S. instead of Taiwan this time. Since this behavior of the U.S. government is going to harm the Sino-U.S. relations badly [sounds like], what actually are U.S. interest on these issues? That's what I would like to know. Thanks.

Douglas Paal: You mentioned leverage. What did you mean by leverage?

EJ: Like diplomatic leverage or military leverage.

Douglas Paal: Taiwan's leverage against us, against China?

EJ: Taiwan's leverage on the cross-strait relationship.

Douglas Paal: On the cross-strait, okay.
EJ: Yes.

Douglas Paal: Well, the arms sale situation, it's a subject of never ending debate. There's always a chorus in the side of the theater which is the American industrial complex that wants to sell everything to Taiwan; they can't sell to the mainland. We don't hear them very much but they're always there. Then you've got people who take different ideological stances as on this, and then there are the process people and I'm sort of like one of them. How do you deal with the needs of Taiwan military and still manage U.S.-China relations effectively?

The Bush administration just left office. They thought, well, front-load everything. In that way, you get it out of the way, make sure Taiwan has got what it needs, you satisfy the industrial, you satisfy the pro-Taiwan lobbies and then you get on because it's always hard to find the right day, the right equipment to sell to Taiwan without messing something up you're trying to do with China. Well, that didn't work out because Chen Shui-bian and his government and the KMT in a sense were part of it, didn't want to buy the weapons. They kept postponing it. And so we ended up with this issue never going away and sort of hanging over the heads of every decision. Other times, the previous system was where we had a routine annual meeting and Taiwan would make its requests, there used to be a lot of preliminary process work to get to those requests and then we would sort of determine which ones would help Taiwan and not break the bank with the Chinese and it was always a tough decision. We ended up making a virtually turducken-like product, the IDF, because we were afraid to sell the F5 or the F16.

Then when I was in the office, we sold the F16 to Taiwan and managed to package it in a way we didn't do terrible damage to American relations with China. Of course, it was after Tiananmen in China was in a very low state at the time. So it wasn't in the best position to react to it strongly.
Every year that passes, China gets stronger and more economically robust, and its young people feel self-confident and don't have a history of looking back on the problems that China faced in the past, it's going to be a little harder to work our way through this. We've just experienced this February something of a taste of the future which is where an arms sale was made to Taiwan, it was carefully constructed to meet Taiwan's needs without sort of crossing red lines. The F16 CDs, seem to be the Chinese red line this time, it may change but this time it wasn't. They didn't agree to F16 CDs. In fact, Taiwan didn't formally ask for F16 CDs in the last round of talks.

And so the reaction we got from China was sort of over the top - rhetorically. In fact what China did was nothing new. They threatened to sanction the firms that sell to Taiwan. Well, they've always made life miserable for firms that sell weapons to Taiwan that also want to do business on the mainland. There aren't many of those firms but there are some. And the rhetoric also said they were going to suspend a portion of their military to military contacts. Now, I was just in Beijing talking to people saying, we want to get these military contacts going again. So why did you suspend them? What were you thinking?

I wrote a piece in National Interest two weeks ago talking about how China had let its rhetoric get out of line with its interests. China has five core interests and they've become the mantra. Everybody talks about Taiwan, Tibet, Xinjiang, party rule and government system as the five core interest that can't be abridged. I said, well, that's all very nice. But what are your broad interests? What's the framework of China's interest in the world? How do these five things fit into that? And they haven’t answered that question internally and I hope they will because it will lead to better answers than we're getting so far.
More likely what we saw in terms of higher rhetoric was a foreign ministry and defense ministry in China, afraid not to look strong-spined against American sales of arms to Taiwan because arms sales have been discussed for months and because China has a newly commercialized media, journals like [speaks in Chinese] which leans to the right of the Chinese spectrum over and over again had allowed a lot of people do write things. Hong Kong media outlets also had articles threatening sanctions, threatening tough responses, creating a climate where if the government wasn't as tough as the rhetoric coming out of these other places, people would accuse it of being supine in the face of American pressure tactics. So we ended up with this kind of messy outcome.

And it was plain that as soon as China responded to the Tibet meeting with the Dalai Lama and the Taiwan arm sales, they regretted their response. They wanted to get on to the broader framework of their interest and then the question became, how do you climb down the ladder of high rhetoric? And the administration sent them some pieces of a ladder in the form of reassertion of our one-China policy and we have no interest in splitting Tibet and these are all bromides of the relationship, and then they proceeded to construct a ladder that they could climb down so they could get back to reality. Hu Jintao came here for recently productive meeting with the Nuclear Security Summit in the prospects are for some series of pretty good meetings going forward.

Who's got leverage over whom? Taiwan's president and his administration cannot be seen to be knuckling under to PRC military pressure. They must be able to deter an attack. If one day, Wan Yee [sounds like], the Chinese wake up and discover Taiwan can't resist an attack, it's going to be irresistible to make an attack. So you have to have defenses. On the other hand, Taiwan can't arm itself to the teeth and try to compete with a behemoth like China. That would
be unwise. It wouldn't be the shrewd way to go. Learn a little from Singapore, you got to be smarter than your nearby neighbors because they're a lot bigger than you are and that's what I hope Taiwan will continue to do.

Norman Fu: Norman Fu with the China Times. Mr. Paal, I have two questions for you. First, you mentioned that the transit visits by Ma Ying-jeou have been handled exceedingly well. I wonder because of that and perhaps China's tolerance eventually if they might go ask, would the U.S. be prepared to elevate the level of such visits to the extent that he'll be allowed say to come to Washington, not for political talks but for cultural -- whatever you call them. Okay? This is question number one.

Number two, I wonder if you had reservations about the current trend of cross-strait relations. I ask you this because people like Bob Sutter seem to be pretty concerned about the fact if Taiwan moves too closely to China, U.S. interests would be kind of affected, perhaps adversely. You said should that happen, the U.S. would have to reassess its own position vis-à-vis Taiwan and China, and even perhaps rethink about the deployments in the East Asia and Pacific area. So my question, if you share those concerns or whether you have reservations about the current state of cross-strait relations.

Douglas Paal: Well, thank you, Norman, for two very easy questions. On the question of transits escalating, the Ma administration emerged in a climate of great distress of Taiwan caused by the previous eight years and President George W. Bush. The day after the election, Ma said something about coming to Washington before he's confirmed and it was misunderstood in Washington as another pushy Taiwanese leader trying to tell the U.S. what to do. And it has taken some time to rebuild trust.
The Bush administration people are gone. The new team that’s come in I think has a good appreciation of the change in the situation and they’ve shown a greater trust as time has gone on. But they still had a national interest in having Taiwan demonstrate through its leader that what it says is what it will do, and it won't do things that they say they won't do. And Mr. Ma has been very successful in convincing people that he's credible on this score. And that's why transits are doing better.

We didn't need an arm sale to Taiwan with lots of things going on with China, but people in this country have a legal obligation under the Taiwan Relations Act – moral obligation. And thirdly, Ma Ying-jeou needs to show somebody that America has come around to trusting Taiwan again. That this is not just Ma Ying-jeou, it's to Taiwan that trust has been reestablished. We are interested in the well-being of the place. Now speaking as an individual, not as a government because you asked what will America do or U.S. do and I can't speak for that.

My hope is and I've said this before with little effect, but my hope is that when the United States hosts the APEC meeting in November 2011, we will be able to persuade everybody involved that Taiwan's leader, Ma Ying-jeou in his capacity as party chairman would be a wonderful representative of Taiwan at the leader's meeting that takes place at a APEC summit. And I think that would be a win-win-win. It would be a win for Mr. Ma and his efforts, it will be a win from Hu Jintao who will be stepping down the following year and has put Taiwan high on his list of legacies, and it will be a win in the sense for Mr. Obama to be standing with these two guys or maybe being smart enough to let them stand together without him as host and someone who’s been both firm with the Chinese on Taiwan but also we’ve nurtured in an effort to take the tension out of the cross-strait relationship. That would be a win-win-win.
On the second question which was the trend on cross-strait relations and Bob Sutter’s views, Bob and I have debated this openly in the past. I don't share his view. I believe his starting point which you did not mention is that the balance across the strait is deteriorating. Well, as long as I've been doing this stuff, we've not been trying to achieve balance. Balance crept into the language of some people during early 90s but it's never been to my knowledge the official American because we can't have a theoretical balance between Taiwan and the mainland. It's just not in the cards because of the realities. What you want is an effective deterrence and balance is the wrong word.

I have talked to, at various points, virtually all the senior people in command of our armed forces on this subject when I was in Taiwan and subsequently, and no one seriously holds the view that Taiwan which reaches some future theoretical detente with the Mainland would somehow damage our interests. And this is not going to happen in my view but even if Taiwan said, okay, let's fill up the bases with PLA forces with advanced missiles and things like that; it really doesn't make a significant difference in modern warfare to have that kind of small geographical advantage. And so, I don't share the view that we should be concerned. But now if Taiwan lost its marbles and just surrendered, we'd want to reconsider our relationship with Taiwan. But so long as they don't lose their marbles and pursue things in a rational way, our interest will be abiding, I believe.