

Taiwan: Advancing Peace and Prosperity

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Chairman Ma:

Distinguished guests, ladies and gentlemen:

It's really a great honor for me to speak to this very distinguished group and participants. My purpose for coming to the United States is to bring the message to our friends here in the academia or in the government, about our perspective on the future of Taiwan, the future of cross-Strait relations, and the future of Taiwan-US relations. Basically, we believe that we could develop a very profitable and stable relationship among the three parties across the Pacific Ocean. So we should do something about cross-Strait relations. As you in the United States know, in the six years since the year 2000, relations across the Taiwan Strait began with expectation followed by stagnation, and ended with confrontation. On the other hand, on the economic relationship across the Taiwan Strait, we continue to see a booming relationship in the sense that trade between the two sides has reached US\$ 71 billion, out of which Taiwan enjoys a huge trade surplus of 49.27 billion. That means had Taiwan not traded with the Chinese mainland, Taiwan would suffer a trade deficit of more than US\$ 43 billion, because our total foreign trade surplus was only US\$ 7 billion.

On the other hand, the investment from Taiwan on the Chinese mainland continues to be the first among all countries of the world and the accumulated amount of that has reached an estimated US\$ 100 billion. Some estimates are higher than others, creating more than 10 million jobs on the Chinese mainland. This investment has a lot to do with our trade because Taiwanese companies import a lot of industrial raw materials, semi-processed, semi-manufactured products from Taiwan, making a huge trade to the investment-driven trade. There are estimated one million Taiwanese residents currently staying, studying, and doing business on the Chinese mainland.

What's the problem on the political side? We see confrontation and stagnation. On the economic side, we see a very booming situation. I think the problem primarily lies in the lack of a common vision for the future. For that I mean, the common vision of peace, prosperity, democracy, and equitable distribution of wealth. So in

our party's prospect, we believe we should change course in the current relations across the Taiwan Straits, not only by maintaining the famous Five-No's, but also proposing a program of Five Do's. We just don't do passively by keeping the Five Do's, but also recommend Five Do's. As you know, the Five No's were first announced by President Chen Shui-bian in 2000 when he was inaugurated. No. 1, he will not declare Taiwan independence. No. 2, he will not change the name of the country and the national flag. No. 3, he will not insert into our constitution "the state to state relationship" idea. No. 4, he will not conduct a referendum on independence and unification. No. 5, there's no question about abolishing the National Unification Council and Guidelines. Aside from the Five No's, which we repeat, we'll propose Five Do's on the other hand.

On the basis of the "92 consensus", that is, "one China with different interpretations". So the KMT policy basically is to maintain the status quo without pursuing permanent separation from Mainland China, nor immediate unification with Mainland China. The Five Do's include first of all, we'll resume negotiation on the basis of the "92 consensus". No. 2, we'll hope to reach a peace accord with Mainland China with military confidence building measures (CBMs). No. 3, we hope to facilitate economic exchanges, leading eventually to the formation of a common market. No. 4, both sides will explore possibilities of having a *modus vivendi*, in relation to the participation of Taiwan in international activities. No. 5, we hope we could expand greatly the cultural and educational exchanges, hoping first of all, to recognize the degrees of Taiwanese students studying in Mainland China. On the other hand, we hope, given proper consideration of national security factors, to let Mainland high school graduates to come to study in Taiwanese universities, because we do have surplus capacity of our universities. Now in Taiwan each high school student could have more than one space in our universities, compared to 18% for high school graduates on the Chinese mainland. So in Taiwan, it's very difficult not to get into colleges.

(Laughter)

And for relations between Taiwan and the United States, if we are able to have some kind of relationship with the mainland as I just described, I think relations between Taiwan and the United States will be enhanced as a result, because the US will have a much easier security role to play in East Asia. After all, the US has been encouraging Taiwan and the Chinese mainland to engage each other in meaningful discussion on the differences. On the other hand, we will continue to negotiate with the United States for a Free Trade Agreement in order to, on the one hand, facilitate a

better trade relationship, and on the other, to talk about the FTA. The United States has already signed FTAs with countries like Singapore, and probably will sign in the future with Korea and other countries. I think there's a possibility of a very stable and profitable triangular relationship among the US, Taiwan and the PRC, on the basis of what I said, peace, prosperity, democracy, and equitable distribution of wealth. Thank you very much.

Director Pempel:

Let me start by picking up the question of the status quo. You've suggested that the long-term future for relations across the Straits should be the maintenance of the status quo as opposed to, on the one hand, the independence of Taiwan, and on the other hand, the immediate unification. But isn't the status quo something that is continually changing? Popular identity on Taiwan is changing as people become less and less immediately identified with China. China is changing the status quo by increasing its military presence along the coast. There is an ongoing change in economic relations. On the one hand, what is the status quo? And additionally, even if Taiwan is willing to accept the status quo, why should China accept the status quo?

Chairman Ma:

I think this is a very good and sensitive question about what constitutes the status quo. Actually, the three sides of the game, Taiwan, the PRC and the US, all have different interpretations and definitions of the status quo. But we are talking about the communal, these common denominators of their definition of the status quo, which could be summarized in the Five No's. In other words, Taiwan will maintain its constitutional structure without changing some of the basic items of their staples, without pursuing the de jure Taiwanese independence and immediate unification with the Chinese mainland. These definitions of the status quo preserve interests of the three parties.

Director Pempel:

I guess one of the other issues that Taiwan continues to face is its international standing or its legitimacy or its diplomatic recognition globally, of course. As we all know, the number of countries that recognize Taiwan as an independent entity is dwindling constantly. How does Taiwan deal with that effort, particularly pushed by the PRC to reduce the presence of Taiwan in the diplomatic arena, to reduce its foreign policy independence and to freeze it out of various global or multilateral organizations. How does the status quo look forward to thirty or fifty years if Taiwan is continuing to suffer shrinkage in its international recognition.

Chairman Ma:

This is actually the most difficult and sensitive question, international space of Taiwan. At the moment the Republic of China on Taiwan maintains formal diplomatic ties with 25 countries in the world. In other words, these countries recognize Taiwan as Republic of China and have formal diplomatic ties. On the other hand, Mainland China has more than 160 and we have a war, or competition, on this diplomatic front for more than 50 years. Now when I say, we want to have a peace accord, I also mention, we want to have a *modus vivendi* regarding Taiwan's participation in international activities. That intended exactly to address this problem. We don't know how much we could move ahead in this area, but given the intention on the PRC to discuss this issue, I think this is a good sign. This was demonstrated in their action last year when our former chairman Lien Chan visited Beijing and had a meeting with party General Secretary Hu Jintao. The fourth point of their five-point vision exactly touches upon this point. They expressed willingness to discuss that. In the past, they said, as long as Taiwan accepts "One China Principle", they're ready to discuss any issue with Taiwan. Now in our "92 consensus", Taiwan did accept "one China principle", because that was actually the principle in our Constitution adopted in 1946. But that "one China" is not People's Republic of China. We do have different interpretations and we won't expect the PRC to recognize the ROC. That is simply impossible in their stand. On the other hand, it is also impossible for Taiwan, the Republic of China to recognize the PRC. Seemingly, these are two contradictories and there is no way of finding something in common. But on the other hand, this is also a question that is not so urgent to be resolved. It could really be shelved for some time, trying to find solutions later on. This is exactly the spirit and the content of the "92 consensus". Each side accepts the "one China principle" and is free to interpret what "one China" means. Each side would not challenge the definition of the other side. This is the so-called "Agree to disagree." We consider that a masterpiece of ambiguity.

Director Pempel:

Let me swift back a little bit to talk about the relations between Taiwan and the United States. I will be very interested in your reactions to the fact that recent evidence suggests a warming-up relationship between the United States and China as trade has been kicked up. China's buying large portion of US debt. China's playing a large role in the six-party talk, vis-a-vis North Korea. China has been a dominant supporter of a lot of US efforts to reduce Iran's activities in the development of a nuclear program, etc. As the US-China relationship continues to

warm, how does Taiwan manage to maintain its presence in its important link with the United States, because presumably as China-US relations improve, the US will become more and more receptive to China's interpretation of how the cross-Strait question should be resolved?

Chairman Ma:

As the relations between Washington and Beijing continue to improve, obviously that means Beijing has a larger role to share the burden of their global responsibility. I think you probably have noted that Deputy Secretary Zoellicke's remark about China being a responsible stakeholder in the world. Given that, I think the role of Taiwan will simply become more important to maintain a peace maker instead of a troublemaker. If it becomes a troublemaker, then the US has to take care of that in its relations with the PRC. That could drag their attention from other more urgent, more important concerns of the world, like terrorism or potential conflict in the Korean Peninsula. Actually there are two flashpoints in Asia, one is in the Korean Peninsula, and the other is in the Taiwan Straits. But I don't think that people in Taiwan would like to be labeled a troublemaker. Certainly we have a lot of aspirations for peace, prosperity, democracy and equal distribution of wealth in where we live. So we certainly want to make the Taiwan Strait a boulevard for peace and prosperity, instead of a theater of war. I think that will make Taiwan even more important, because any change of the status quo could upset the relationship of a growing friendship between Mainland China and the United States.

Director Pempel:

How do military weapons fit into this? Because, as I am sure many of the audience know there's been a great deal of controversy within Taiwan in the last year and half, two years. In response to pressures from the United States or substantial purchases by Taiwan of US military technology and exports, and this has been a domestically divisive issue, how does Taiwan deal with the tricky question of, on the one hand, maintaining military security and doing so in ways that improve its defense links with the military of the United States, and at the same time, not creating an condition under which China perceives itself as potentially being surrounded militarily by hostile powers aiming to check the wiles of a peaceful China? How do you balance off economic and other peace initiatives with the need for defense and close ties with the US military?

Chairman MA:

My political party, the Kuomintang always maintains the view that Taiwan has to

maintain adequate defend capability and to demonstrate a determination to defend ourselves. But the issue about the package of arm purchase is a little bit different from what the previous military purchase packages were. The package of three kinds of weapons: the aircraft, the submarine, and the missiles, were approved by President George Bush in April 2001. Now it's March 2006, almost five years on, but out of these five years, three years and two months, were actually delayed by the DPP administration, because no action was taken until the budget proposal was submitted to the Legislative Yuan on June 2, 2004. That was barely 9 days before the recess. So there wasn't really any serious discussion in that until September when members of the Legislative Yuan came back. But that year was an election year for members of the Legislative Yuan and the election was due on December 11, 2004. So the members were primarily preoccupied with their re-election campaign instead of discussing the arm purchase proposal. In addition the price tag at the time was US\$18 billion and the explanation for such a high-price military hardware package was pretty scanty, only 2 pages. So there was an uproar in the Legislative Yuan. And the public opinion was by and large not in favor. Out of the 17 opinion polls conducted during that period, except 5 opinion polls commissioned by the government, the other 12 all indicated the position not in favor of such a purchase

In the year of 2005, the Defense Ministry changed its posture by lowering the price tag from US\$ 18 billion to 10.2 billion and by taking some of the items out of the special budget, as originally proposed, to annual budget. These two moves have effectively softened the resistance. So in the opinion polls conducted in 2005 and recently, we can see that there were pros and cons largely equalized. But the issue remains just what items we are going to purchase. Actually the KMT has already come up with a policy statement as I just said. First of all, we believe we need adequate defense capability and we'll support reasonable purchases of arms from the United States and elsewhere. What do we mean by reasonable? We mean that it has to cater to the needs of our defense; it has to take care of cross-Straits relations; it has to accommodate our financial capability; and it has to meet the public opinion demand. So we have already come up with a policy statement and ready to negotiate with other political parties in the pan-blue camp.

Then it came the decision of the President on the scrapping of the National Unification Council and Guidelines. That has effectively complicated the consensus building process right in the party caucus within the Legislative Yuan. Just a week ago, I sent party Secretary-General and Policy Committee Chairman to the party caucus, trying to sell our party's policy statement. We met with a lot of different

opinions. They believed that the timing was really bad, because if they pushed through that in the next couple of weeks, people would get the a wrong signal. They would believe that the President's action on scrapping the National Unification Council and Guidelines would get some support from the pan-blue camp by pushing through the arm purchase package. So they think they should wait for a while to see if things will changed then. I am not optimistic nor pessimistic, because the time for making a decision is approaching, I think we will continue to negotiate with our party caucus, hoping to get a consensus, and move on to coordinate with other political parties to form a general consensus among the opposition, and then we probably will have the negotiation with the ruling party.

As you know, Taiwan's already a democracy, even if a party chairman can't decide everything out of his own will. It has to be negotiated with many people. But once that is done, I think there's a strong support on the basis of public opinion, because the legislators who express different views about the arms purchase package were actually reflecting the wishes of their voters.

You need to know next year, the new election of the Legislative Yuan will take place. Over half of the current members will not find jobs there. The total number now is 225. But at the end of next year, it will be cut down to 113. At least half will become jobless as a result. There is an anxiety for sure. So they have to take care of their voter's wishes very seriously.

Director Pempel:

I want to shift to what is often less focused on, a problem that I think Taiwan has to deal with, that is relations within the region, because typically, analysis of Taiwan begins with questions about the cross-Strait relations and the relations with the United States. But in many ways the interesting trend in Asia seems to me in many respects positive for Taiwan. That is to say a tremendous move for a greater economic integration across the region, democratization of Taiwan, South Korea, the Philippines and many other countries, all we should favor Taiwan. But I am curious as how you see Taiwan taking advantages of these changes to enhance its position within the region because of diplomatic isolation. It's very difficult for these countries to play a positive role. But, how, for example, would you envision relations with particularly South Korea and Japan moving forward in the ways that can be beneficial to Taiwan, and to viable peace and security in the region.

Chairman Ma:

According to our past experiences, there was room for improvement of our international relations or bilateral relations with some of the countries you talked about. But these countries having formal diplomatic ties with the PRC always have difficulty expanding our ties, let alone official ties. So there's a growing consensus among the foreign affairs experts in Taiwan that to solve our problem on the diplomatic front, or international front, certainly, efforts have to be made with the PRC in the context of our cross-Strait relations. So this is why the fourth point of my Five Do's is to explore the possibility of having a *modus vivendi* on Taiwan's international participation. We have to get answer from the source of the problem. If that can be done, we will probably find it easier to handle. For instance, given the fast pace of regional economic integration in South East Asia, the ten-nation ASEAN is going to have FTA with the PRC in the year 2010, that is "10 plus 1", to be followed possibly by Japan and South Korea before 2015. So, that means "10 plus 3". Three years ago, I went to Singapore to attend a conference on world economic forum entitled East Asian Economic Summit. I asked a question to senior minister Lee Kuang-yew, whether "10 plus 3" could become "10 plus 4", including Taiwan. He said that Taiwan is interested in negotiating an FTA with Singapore, which he welcomed. And he said that to our president. But on the other hand, he said that Taiwan should pay more attention to substance rather than the name of the country, because we insist on the name Taiwan, which is not acceptable to Singapore because it has diplomatic relations with PRC. So the negotiating process was stalled as a result. But on the other hand, if we can have some breakthrough in our relations with the Mainland in the area of having a common market or some other mechanism leading to a common market, I think that problem could probably be solved in a more substantive and meaningful way.

Director Pempel:

I would like to ask the one last question about domestic politics. There's a tremendous division in Taiwan as it is in the United States two, seemingly irreconcilable camps, pan-blue and pan-green, a great deal of political hostility and very different opinions on most issues between those two. I would be interested in your assessment of how the next president after the election in 2008 should proceed forward to try to reconcile some of these differences, and perhaps to create a greater sense of commonality across Taiwan and may hope to reduce some of the internal tensions.

Chairman Ma:

I think your point is well taken, and we should really reconcile the differences. But

given the polarized positions on independence and unification, it has become very difficult. But on the other hand, the idea from my party's perspective to propose the Five Do's is intended exactly to address that problem. In other words, when we talk about positions, you have very polarized positions. But when we talk about interest, you might have some overlapping area of interests, in Chinese we should look more for 利益 instead of 立場. You have your very stubborn position vis-a-vis the other guy, if you explore the possibility of finding some overlapping part in you interest, you might come to at least partial compromise as a result. I do see a possibility and I am trying to really start a process of reconciliation not just across the Taiwan Strait, but also within Taiwan, across the widening gap, difference between the green and the blue. I think there's a chance of success, because we do share the common aspiration of not just peace and prosperity, but also democracy and equitable distribution of wealth.