The longstanding dilemma in Taiwan over how to harmonize cross-Strait policies with long-term political interests gained attention last month after a former high-ranking U.S. official stated that Taiwan is at a "turning point" and needs to evaluate how its economic engagement with China impacts its political independence. *Taiwan Security Research’s* Kristian McGuire** speaks with Dr. Richard Bush, a senior fellow at the Brookings Institution and holder of the Chen-Fu and Cecilia Yen Koo Chair in Taiwan Studies, about this, TAO Minister Zhang Zhijun's unprecedented visit to Taiwan, and more in this TSR exclusive interview.

**Kristian McGuire:** In a recent interview with the popular Taiwanese publication *Business Weekly* [商業週刊], former Secretary of State Hillary Clinton said that Taiwan is at a "turning point" right now and that it has to decide how economically dependent it wants to become on China because too much economic dependence can undermine Taiwan's political independence. Lee Teng-hui and Chen Shui-bian both tried and ultimately failed to reduce or at least slow their country's growing economic dependence on China. In light of these past failures, are there any viable options available to Taiwan today that could reduce its economic dependence on China?

**Dr. Richard Bush:** This is probably the most important question facing Taiwan today and people in Taiwan have given it a lot of thought.

It's worth pointing out that Mrs. Clinton has this line of thinking not just concerning Taiwan. Just a few days after this interview appeared, she was saying the same thing about Australia and she could say the same thing about the United States. We are all economically dependent on China in some way or another and to some degree or another. One might say that the Global Financial Crisis was an indirect result of our excessive dependence on Chinese purchase of our debt because of our import dependence. But that's another issue.

Taiwan is a special case because China has certain political objectives concerning Taiwan. Its leaders are Marxists. They think that economic reality will shape political preferences. And certain kinds of economic dependence can affect political choices.

I happen to believe that the Ma administration understands this danger in a couple of important ways. First of all, President Ma has stated on a number of occasions that it's not a good idea for Taiwan to be so tied to only one major trading partner; that incurs certain risks. Therefore, it's important to move forward and improve trade and investment relations with all major trading partners to distribute the dependence. He also understands that this multi-directional improvement requires liberalizing trade and investment relations with countries like the United States and Japan, and so forth; and that Taiwan will have to remove some protectionist barriers in the process. He, realistically I think, also understands for political reasons that Taiwan has no
choice but to do some degree of liberalization with the Mainland first to get the running room to
do the liberalization with others. That is why he focused first on getting ECFA and then moved
out and did an investment liberalization agreement with Japan and is working within TIFA on a
bilateral investment agreement between Taiwan and the United States. Second, I think President
Ma always has understood that improving economic relations with the Mainland is one thing and
improving political relations with China is another. By and large the improvement of economic
relations is a situation of mutual benefit. Political and security relations are another story. And
that there is a legitimate case to be made that a different political relationship with Beijing,
depending on the content, would not be to Taiwan's benefit. There are actually two obstacles
here. Number one is public opinion. Taiwan public opinion is quite skeptical of political talks, a
peace accord, anything like that. Second, there's a major conceptual obstacle and that essentially
is the Republic of China. Does it exist? What is its significance for purposes of political
interactions between the two sides? Those two obstacles are quite difficult to remove and
they've actually been around for over twenty years. That's why I was fairly certain even a couple
of years ago that despite the growing economic interaction between the two sides, there wasn't
going to be much progress on the political front.

Kristian McGuire: So, is this dilemma that Clinton highlighted becoming a general concern
among Taiwan observers here in the U.S.?

Dr. Richard Bush: America is a very pluralistic country so you are going to have a lot of
different points of view.

My own view is that it is in Taiwan's interest to liberalize with all major trading partners
including China, and that as a matter of realism it has to do China first in order to do the others;
Taiwan just has to get the best possible agreements with China.

I do believe that one of the valuable things about trade and investment liberalization is that it
forces structural adjustment on your own economy. It poses challenges to certain sectors that
had been protected and not so competitive. So it is very important for Taiwan to do everything it
can to ensure that it is as competitive as it can possibly be. There are some things that have to be
done domestically in addition to structural adjustment. The most important thing concerns the
education system—to make sure that Taiwan has sufficient human resources to staff an advanced,
knowledge-based economy.

It's worthwhile for Taiwan to preserve some advanced manufacturing on the island itself. It's
also important to preserve Taiwan's position as an intermediate link in a number of global supply
chains. The worst kind of dependence for Taiwan would be if its sole economic reason for being
was to supply the Mainland market—that it dissociates itself from the international economy as
a result. To stay in the international economy you have to maintain internal competitiveness so
you can maintain that middle place in the global supply chains and beat off efforts by Chinese firms to take it over.

**Kristian McGuire**: Many commentators in the U.S. point to Taiwan's failure to lift its defense expenditure to 3 percent of the government budget [correction: GDP] as an indication of the island's lack of will on self-defense. However, given Taiwan's lackluster economic performance, it might be difficult for any Taiwanese administration to fulfill the 3 percent target, at least in the short run. What can Taiwan do to demonstrate its determination and to shore up the United States' confidence in the island's commitment to self-defense?

**Dr. Richard Bush**: First of all, we need to appreciate the difficulty of any political leadership in Taiwan making a strong case for robust self-defense. On the one hand, it must engage China to encourage restraint on its part and give it a stake in peace and stable relations. On the other, the easiest way to get political support within Taiwan is to create great fear about the danger of a Chinese military attack. That would focus the mind of ordinary voters and legislators, but it contradicts the strategic need to encourage good behavior on China's part.

But let's say that that could be done. So how do we assess the 3 percent? I'm less concerned about the absolute value or the relative value of Taiwan's defense budget as I am about what it's being spent on. Setting a target like 3 percent of GDP is probably not the way to assess whether Taiwan has the necessary level of defense capability in order to strengthen deterrence.

If all we're worried about is whether Taiwan reaches 3 percent as opposed to 2.98 or 2.95 percent, there are many ways of fudging a defense budget to show that you've reached the 3 percent, but the things that get counted don't necessarily have anything to do with actual defense capability or deterrence.

Then there's the question of what kind of capabilities Taiwan requires. And there's been a lot of discussion between the United States and Taiwan about what capabilities would most contribute to deterrence and what would not. And so, the current buzzwords are "innovative" and "asymmetric," which suggests certain kinds of capabilities, like mines, shore-based air defenses, fast patrol boats, and so on—things that make a PLA invasion very difficult and therefore less likely. It may not mean acquiring capabilities that would be dedicated to gaining control over the Taiwan Strait, which is the old approach.

**Kristian McGuire**: Last week, Zhang Zhijun, head of China's Taiwan Affairs Office, made a landmark visit to Taiwan. Zhang's tour was mainly focused on central and southern Taiwan, areas of the country where pro-independence sentiment is strongest. As had been predicted, various groups turned out to protest the PRC official's visit. In your opinion, was this trip a victory for the Xi Jinping administration's cross-Strait policy simply because it occurred, or was there something specific that Zhang needed to accomplish for it to be considered a real success?
Dr. Richard Bush: It's really hard to know how PRC leaders measure success particularly when they have a temptation to proclaim success even when it didn't necessarily occur. But we'll leave that aside.

I think the fact of the visit was important. Zhang’s focus on central and southern Taiwan demonstrates a certain level of understanding of how Taiwan's political direction has changed. Not too long ago Beijing was pushing on political talks, which would be done with the government in Taipei. Beijing now appears to understand that President Ma is not interested in sort of addressing those kinds of issues and he's probably not in a political position to do so anyway. And there is concern about the DPP coming back to power. So an emphasis on central and southern Taiwan makes sense.

Kristian McGuire: So do you think Zhang was expected to win over some people in the Pan-Green areas?

Dr. Richard Bush: I have no idea what the expectation was, but I suspect that he didn't change any minds. Perhaps he gets good marks for good intentions. But Beijing is going to need a more sophisticated strategy if it wants to change votes. I'm not sure how successful any PRC initiative would be in changing votes. There are a lot of reasons that Taiwan voters vote the way they do.

Kristian McGuire: You were the National Intelligence Officer for East Asia during the Third Taiwan Strait Crisis. Here we are nearly two decades later and cross-Strait relations appear better than they have ever been. Yet Beijing still reserves the right to use force against Taiwan under circumstances detailed in China's Anti-Secession Law. Is there something Beijing might be willing to accept, short of unification, in return for a pledge not to use force against Taiwan?

Dr. Richard Bush: In the medium term, if Beijing had its druthers, it would like some understanding with the Taiwan government that went beyond the 1992 Consensus regarding how it speaks about "one China" and Taiwan's relationship to "one China." And Taiwan would certainly want something about how the ROC related to that "one China." I actually think that's very difficult under current circumstances, but as a medium term goal that would probably be satisfactory for Beijing. Long term, of course, they would want unification.

Now, if they were willing to work out a formula that was acceptable to Taiwan and gave them some assurance that the medium term would eventually lead to the long term, would they be willing to renounce the use of force? Probably not. I think it would be a good idea for them to do so.

Kristian McGuire: So you think they believe too strongly in the deterrent effect of this military might?
Dr. Richard Bush: Yes, I do. They cannot predict who four years from now or eight years from now or twelve years from now is going to be the leader of Taiwan and what she or he is going to do. So they have to hedge.

What you might have, which perhaps is a more explicit rendering of what PRC policy appears to be already, that is, we won't use force unless certain things happen. That's the essence of the Anti-Secession Law. It doesn't authorize the use of force unless one of the three conditions is met. The problem with those three conditions, of course, is that they are written in a very vague way and the PRC gets to decide when the condition has been met. And so, that doesn't have a stabilizing effect that they could. For such conditionality to be effective, Taiwan would clearly have to know when it is approaching a line that Beijing doesn't want it to cross. All this is highly speculative at this point.

Kristian McGuire: Last week, you moderated a talk here at Brookings on Taiwan's Legislative Yuan. There seemed to be a consensus among your presenters that Taiwan's legislative body has a very difficult road ahead of it. And yet, the ROC has already undergone major legislative reforms in recent years. Is the country making any progress? Are the kinds of problems Taiwan is facing today typical of a young democracy, or are they more serious?

Dr. Richard Bush: Well, that's an interesting question. I guess I can't evaluate it because I haven't done the research. But the South Korean National Assembly is not a perfect institution. The U.S. Congress is not a perfect institution. What I would say with more conviction is that the challenges that are facing Taiwan in lots of different ways—in terms of military capability, economic competitiveness, and so on—are too pressing for Taiwan not to reform the way its legislature operates. They are too pressing not to change the structure of incentives so that individual legislators pay more attention to the national interest and less to their own personal interests. Every legislator in every democratic country has both concerns, but hopefully there are enough incentives to do something about the national interest as well.

Kristian McGuire: Finally, would you please tell us about any publications or events you and your colleagues at Brookings are working on that might be of interest to our readers?

Dr. Richard Bush: Well, the most recent thing is the, aside from the conferences we've had including on the Legislative Yuan, is the book that I did *Uncharted Strait*. I am not working on a new Taiwan book right now. I'm working on one on Hong Kong which is actually relevant to Taiwan. And I imagine that I will get back to Taiwan. One of our visiting scholars is doing work on Taiwan and TPP. We will do a Brookings Symposium in Taipei in late October that will look at a variety of issues.

Kristian McGuire: Thank you very much for your time. We at TSR greatly appreciate it.
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