

**CENTER FOR  
STRATEGIC AND INTERNATIONAL STUDIES (CSIS)**

**US-TAIWAN RELATIONS IN A NEW ERA**

**WELCOME:  
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**SPEAKER:  
MA YING-JEOU,  
PRESIDENT OF THE REPUBLIC OF CHINA (TAIWAN)**

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JOHN HAMRE: Mr. President, are you ready for us?

PRESIDENT MA YING-JEOU: Almost. (Laughter.)

MR. HAMRE: Well, it turns out that your representative here is stuck in traffic, he's not arrived – (laughter) – but we'll go ahead and start. I mean, we're not going to wait on him. You're the president.

MR. : (Off mic.)

MR. HAMRE: Eight minutes?

MR. : (Off mic.)

MR. HAMRE: Well, but I just want to make sure that – Oh, Jason's here. Come on up. (Laughter.) We can start. (Laughter.) Charles, thank you. Why don't you get us started?

CHARLES FREEMAN: We're – Taiwan is always so much more efficient than we are. We're just getting started, I think. (Laughter.) But I want to welcome everybody to what we know is a pretty exciting event for us, and I'm sure for all of you here at CSIS. I'm Charles Freeman. I'm the chair in China studies here at CSIS. And it gives me great pleasure to welcome all of you here today. If I could ask you to turn your cell phones off, that would be helpful indeed.

This event is not just happening here and being simulcast on our website, but is also going out to different offices with audiences at the Taiwan Economic and Cultural Office in Chicago, Atlanta, New York, Boston, and Miami. And so this is almost a true nationwide event. Our friends on the West Coast, we let them sleep in today. But they can catch it later.

What we'll do with questions is we're going to pass cards up and ask them to be passed back. President Ma has graciously agreed to answer a few questions after his remarks. But with that said, let me introduce my boss, Dr. John Hamre, who really needs no introduction, to –

MR. HAMRE: Take all the time you need.

MR. FREEMAN: -- to start things off. (Laughter.) Dr. Hamre.

MR. HAMRE: Well, thank you all for coming, and good morning, Mr. President. Welcome to Washington; we're delighted to have you here. This is the first time I've ever had the privilege of doing something like this, so if there are mistakes made, it's because I'm a novice. I don't know what I'm doing, but you'll be tolerant of me.

This is a wonderful opportunity. We are delighted to welcome President Ma Ying-Jeou to Washington virtually today, and I would just like to say a few words of introduction of President Ma. I have been around politicians my whole life, and so, you know, I'm used to the character and the intellect of politicians.

But President Ma, really from my first meeting with him – and that was when he was the mayor of Taipei – really set himself apart in a remarkable way – and in preparing for this, I realized why. You know, I think – what I've found is that so many of the really, truly great leaders in Asia started off as English interpreters. (Laughter.) Now just think about that, you know. The reason is it – can any of you figure out how they do that? I can't. I mean, these are remarkable intellects that are able to simultaneously integrate in two different domains at the same time, and then make it clear to me.

I (thought ?), that's remarkable! These are incredible skills, and it is the kind of skill that, frankly, propelled President Ma to the very top. And he's had such a remarkable career. You know, this was a career that started off, he was one of the first – he was the vice chairman of the first mainland affairs council. And it really led to a lot of his very formative thinking that now is showing up in such a profound way when he's president of Taiwan.

He was instrumental when – in lifting the martial law when he was working for President Chen . So this is a man who has experienced, personally – been in the middle of so much of the dynamic character of modern Taiwan. And it's – so now he's leading it. And he's have (ph) to lead it at a tremendously turbulent time.

You know, coming into office, and all of a sudden there's a global recession – this is what tests any leader. And he responded really superbly. I mean, Taiwan has done very, very well. So it's now at an interesting new pivot point. Asia and China – it's becoming a much more complex and dynamic place. And we're lucky to have a man of his character that's leading at a crucial time.

So President Ma, I know it's in the evening there. We're delighted that you're willing to share your time with us, and let me turn to you for your presentation to this group. I must tell you, by the way, normally we can't get 150 people to show up for anything at 8:00 in the morning in Washington. So you have tremendous drawing power here in Washington. Thank you, President Ma. We'll turn to you.

PRESIDENT MA: President Hamre. The distinguished guests, ladies and gentlemen. Good morning, although it's evening in Taipei. (Laughter.)

It gives me great pleasure to be addressing my friends at the Center for Strategic and International Studies once again. We last met two years ago on the occasion of the 30<sup>th</sup> anniversary of the Taiwan Relations Act, a milestone in history of the Republic of China on Taiwan. And this year, after a long journey of blood, toil, tears and sweat, the Republic of China is achieving a greater milestone: its centennial anniversary.

This year also marks the third year of my presidency. Therefore, it is time to share with you how I am building three lines of defense for the ROC's national security so as to ensure its longevity for many more centuries to come. These three lines of defense are institutionalizing the Cross-strait rapprochement, enhancing Taiwan's contribution to international development and aligning defense with diplomacy.

The first line of defense: institutionalizing the Cross-strait rapprochement. The Cross-strait rapprochement that began three years ago continues to bear fruit and increase regional peace and stability. We witness this in so many aspects of our society. The arrival of nearly 3 million mainland Chinese visitors – up almost 10 percent, up 10 times – has created a tourism boom in Taiwan. The increase in cross-strait trade also boosted Taiwan's total trade volume to a record high of \$526 billion in 2010.

Since the cross-strait judicial mutual assistance agreement was signed in 2009, a joint crackdown on cross-strait crimes by the police forces of both Taiwan and mainland China has seen more than 100 fugitives repatriated to Taiwan, up 50 percent from before, and has cut cases of fraud in Taiwan by more than a quarter.

And in education, more than 5,600 mainland exchange students studied in Taiwan's universities in 2010, paving the way for another 2,000 students to arrive in the fourth semester this year. We have also seen a surge in Taiwanese companies with a heavy investment presence in mainland China returning to list their companies on the Taiwan Stock Exchange rather than on the Hong Kong Stock Exchange, a dramatic reversal of previous practices.

I owe much of my administration's success to our new approach to cross-strait relations. This new way of thinking revolves around moving beyond the outdated mode of unilateralism that previously characterized and also hindered relations between the two sides. As the renowned diplomatic historian Paul Schroeder concluded in his study of events that led up to the Congress of Vienna peace era, one must have change of thought before one can have change of action.

Before I came to office, we had all witnessed the spread of instability and – (inaudible) – and especially in security in cross-strait relations. I had long recognized that cross-strait relations require a new mindset, one that would emphasize the commonalities, take advantage of our shared interests, capitalize on our mutual opportunities, and de-emphasize our political disagreements.

Former KMT chairman Lien Chan undertook some of the first steps towards instilling this new mindset when he embarked on his journey of peace to the mainland in 2005. His speech at Beijing University calling for the two sides to join together to beat swords into ploughshares captured the essence of this new idea.

The decades-old rivalry between Taiwan and mainland China was thus given a rare window of opportunity for change. After I came to office in 2008, I worked hard to accelerate this change. All around me, the world was changing at breakneck speed, while the ill-founded policies of the last decade were threatening to sideline Taiwan in the Asia-Pacific region.

I knew I had to break out of the cross-strait deadlock for the sake of Taiwan's economic future and national security. Hence, I championed a three-note policy of no unification, no independence, and no use of force – (in Chinese) – under the ROC constitution. This has changed the fundamental structure of, and created a virtuous cycle for, cross-strait relations.

I then adopted the '92 consensus – (in Chinese) – as the cornerstone for the cross-strait negotiations. The '92 consensus, meaning one China, respective interpretations, has proven crucial to paving the way forward. It was under this consensus that the six rounds of – (in Chinese) – talks were able to take place, and the two sides were able to achieve so many practical – indeed, incredible – breakthroughs.

By putting Taiwan first, for the benefit of the people – (in Chinese) – we and Beijing have, thus far, signed 15 agreements that tackled the issues of greatest concern to the people in Taiwan. At the same time, my administration managed to institutionalize convenient, predictable, and stable channels for cross-strait communications. It was only through this groundwork that the next milestone of signing an economic cooperation framework agreement – ECFA – last year, could be realized and its benefits fully exercised.

One econometric study has even shown that the ECFA will eventually add 4.4 percent to our GDP once the dynamic gains of structural adjustment have time to be fully implemented. And that is not even including other potential spillover benefits as a result of the improved services, trade, and investment environment. It is also my belief that increased exchanges across the strait will lead to increased exchanges with other countries for both sides. This will enhance mutual understanding between Taiwan, the mainland, and other countries, which will, in turn, help cross-strait relations evolve even further.

That is, the virtuous cycle in cross-strait relations has positive consequences for the international community, which then adds even greater momentum to improvement in cross-strait relations. For example, due to the diplomatic truce between the two sides of the strait, the number of diplomatic allies that Taiwan has remained constant at 23, compared to a loss of six allies by the previous administration. Taiwan has also joined the government procurement agreement and become an observer in the World Health Assembly – WHA – after a hiatus of 38 years.

Taiwan has expended its visa waiver program from the 53 to 113 countries and regions, with the United States as the notable exception, as well as working holiday arrangement for young people from two to six countries. This just shows what can be achieved by merely changing the way one thinks.

This, I believe, is also the essence of good governance: never to interfere, but to build the necessary structures that encourage the right conditions for growth in society. And it is through this process of institutionalization that we created explicit or implicit principles, norms, rules, and procedures around which the expectations of both sides can converge. This very convergence has created predictability and mutual understanding in our relations, leading to stability across the Taiwan Strait and in the region as a whole.

The idea of institutionalizing the cross-strait rapprochement, therefore, is not only to reduce the possibility of a miscalculation, but more importantly, to increase the cost of reversing this trend.

The second line of defense: enhancing Taiwan's contribution to international development. Although the incredible breakthroughs achieved in cross-strait relations have ensured a brighter future for Taiwan in the region, Taiwan's national security is also heavily dependent on how it contributes to the international community. I envision Taiwan contributing on two primary fronts: the economy and foreign relations.

In terms of the economy, Taiwan already has the infrastructure and conditions in place to attract the best talent and become East Asia's next commercial center. Without a doubt, the expensive business and personal network Taiwan has built up throughout the region over the last sixty years are an invaluable asset. Its historical ties and cultural and language affinity with the mainland gives it a competitive edge in the vast Chinese mainland market.

At the same time, Taiwan also has a special partnership with Japan, as we share many cultural traits, common interests, ideas, and even the same fashion sense. Therefore, many Japanese and Taiwanese businessmen have decided to work together to enter the mainland Chinese market, and this type of win-win partnership can be successfully repeated with other countries.

Taiwan is located at the geographical center of East Asia and could not be in a better position for tapping into business opportunities in the region. Any businessman or multinational company based in Taiwan has convenient access to the whole Asia-Pacific region. With direct air and sea links, Taiwan is connected to all major cities in the Chinese mainland, from the coastal metropolis of Shanghai and Beijing to the fast-developing cities in the Chinese hinterlands.

At the same time, all other major cities in the region, such as Tokyo, Seoul, Singapore, New Delhi, or Sydney, are well within reach. Taiwan is also endowed with many self-powered attributes that makes it an ideal place for both domestic and multinational companies. Its democracy and rule of law ensure that the rights of individuals and companies, including intellectual property rights, are guaranteed.

The country's modern and comprehensive transportation, health care, and education infrastructure ensures that those who live there enjoy access to very good quality services. We also have a highly educated, innovative, and skilled labor force just waiting for foreign companies to tap into. We have created an amiable and safe society where anyone out at night walking their dogs or buying food at grocery stores can feel safe. And improvements are happening all the time, making our society a better place to live and do business in.

Against a backdrop of stable cross-strait relations, Taiwan's original connections, geographic advantage, and self-power attribute make it poised to ride the next wave of opportunities in the region and to help others do the same if they choose to join us

With respect to foreign relations, there is also a lot of value that Taiwan can add to the global community. And as a maturing democracy, I believe that Taiwan must learn to fully shoulder its own responsibilities in the world. In fact, Taiwan's national security is inseparably tied to its role as a responsible stakeholder. Our nation's political and economic survival depends entirely on how well we uphold the peace and stability of the international system.

This is the same system that is making Taiwan prosperous and allowing our government and people to connect with the rest of the world in ways that are enriching our nation even further. So Taiwan certainly has a vested interest in putting a stop to improper diplomatic practices and in adopting a foreign aid policy that is more in line with international standards and norms.

This is exactly what we have been doing over the last three years. Humanitarian work has especially become an important platform for Taiwan's contributions to the international community. Taiwan's democracy and economic prosperity have combined to give rise to a vibrant society of numerous nonprofit organizations. In almost every major disaster that has occurred in the world recently, Taiwan has been an important contributor, whether in providing international aid to help rebuild homes in Sichuan or giving life-sustaining medical aid to Haitian children.

We were also one of the first to arrive with emergency relief supplies and rescue teams when Japan was struck by the triple disaster of an earthquake, tsunami, and nuclear incident. Deeply saddened by the devastation, my wife and I were personally on hand to answer calls from donors at a major fundraiser in Taiwan last March. An equivalent of 27 million US dollars was raised that night.

My administration had also pledged another 3 million US dollars. In fact, Taiwan ended up donating more than 200 million US dollars in total, which is Japan's biggest donor so far.

But as you may know, our humanitarian contributions in that crisis extended beyond Japan. Our China Airlines was chartered to help fly out scores of US expatriates to Taipei before they headed back home to the United States. This second defensive line aims to give Taiwan a higher moral ground in international politics.

The third line of defense: aligning Taiwan defense with diplomacy. From securing the cross-strait rapprochement to enhancing Taiwan's contributions in international development – (audio break).

MR. : We're obviously experiencing technical difficulties. We'll – sure we'll get it back.

MR. HAMRE: Everybody hold on.

President Ma, if you can hear us on your end, we have a disconnect right now. Please hold your spot in your speech, and we want to come back to you.

PRESIDENT MA: – finance and military doctrines. However, we are confident that we will succeed in building a small but strong military force. Complementary to our defense capability is Taiwan's democratic values, rule of law, and thence civil society, which could make Taiwan an indispensable reference for social-economic development in the Chinese mainland. This is, it could be said, a self-powered approach to national defense.

Given the high stakes that America has vested – invested in the region, I am sure the US of all countries can appreciate my administration's commitment to being a responsible stakeholder. For example, President Barack Obama expressed earlier this year his support for the progress that has been made to reduce cross-strait tensions and, in particular, how its continuation will be in the interests of the region and the United States.

However, our cross-strait relations – to continue advancing, the US must help Taiwan level the playing field. Negotiating with a giant like the Chinese mainland is not without its risk. The right leverage must be in place. Otherwise, Taiwan cannot credibly maintain an equal footing at the negotiating table. This is why I continue to urge the US to provide Taiwan with necessary defensive weaponry, such as the F-16 – (inaudible) – and diesel-powered submarines to keep its aerial and naval integrity intact, which is key to maintaining a credible defense.

As Secretary of Defense Robert Gates wrote in Foreign Affairs last year, the US can best help itself by helping others defend themselves. At the same time, American presence in the very system it helped create decades ago is crucial to that system's survival. In the end, only a strong US commitment, backed by its credibility in East Asia, can guarantee the peace and stability of this region.

In conclusion, a country's overall strategy for security requires a sound political foundation in the domestic setting. My approach to Taiwan's national security is based on my administration's unwavering identification with the Republic of China and its constitution. This is common denominator for our vibrant democracy, which has a wide spectrum of political views ranging from those who prefer the – (inaudible) – Taiwan independence to those who enjoy the status quo and – to those who favor reunification with mainland China.

Any deviation from or equivocation on this common denominator will only cause unnecessary uncertainties and risks in Taiwan's domestic politics, cross-strait relations, and international politics. Given that stakes for all the countries in East Asia, and for Taiwan's future development, are high, I am confident that my approach to the ROC's national security is already at an optimum.

My friends in America, the future of the region holds enormous opportunities, but also many political pitfalls. My changes in both Taiwan and the mainland domestic politics could derail much of what has been achieved. Intransigence, overconfidence, or unilateral pursuit of national interests could lead to a losing scenario for all relevant parties.

So it will be essential to keep track of these moving pieces in the future. For my part, the process of transforming Taiwan into a valuable member of the global community, and thus

ultimately enhancing its own security, will continue full steam ahead under my administration. The same old no-frills, no-surprises diplomacy will also continue to be the operational code for my administration's conduct over foreign policy.

That said, I hope this year will mark the start of a new 100 years that will be known as the century when the Taiwan-US partnership achieved its greatest accomplishments. Thank you.

MR. HAMRE: Mr. President, you're in Washington, D.C. D.C. stands for developing country. Our communications are not as good as Taiwan's, and we had about a 40-second gap in your message. But I, fortunately, have a copy of his prepared remarks. And just to summarize what the president was saying at that crucial point: He was talking about his priorities for securing cross-strait rapprochement and enhancing international development, but then the way this contributes to Taiwan's security.

And he said, "I have two priorities. First, to continue to build Taiwan's credibility and trust with our closest allies, especially the United States. And to be a trustworthy partner, Taiwan must be keenly aware of how its actions in the international system affect the interest of big powers.

Second, Taiwan has resolved to defend itself. My administration wants to enhance Taiwan's defense capability on a newly designed volunteer military system."

He then goes on to say, we are confident we will succeed in building a small but strong military force.

And that was the point that your voice came back online, Mr. President. So I wanted to make sure everybody here had the value of your full speech. Ladies and gentlemen, there is an old Greek aphorism that in the land of the blind, the man with one eye is king. And I think what we heard this morning from President Ma was this vision, you know, as he said, and he said at the very beginning, changing our thoughts has to occur before we change actions.

And I think we've seen that systematically, Mr. President, in what you've been doing. I'm very, very impressed, as all of us are, by the strategic quality of your insights that you've brought to this. And so I – I'm going to turn the questions – questioning period here over to my colleague, Dr. Freeman.

But I'm – because I'm president, I get to ask the first question, OK? And so I do want to ask you – president of a little think tank, not a country – I want to ask a – the first question, and that is: You've given us a vision – you've now shared with us, and we've now been able to see your vision, because you've been implementing it now for three years. You've had 15 agreements that you've reached, cross-straits agreements. It's had a remarkable impact.

And so we now can see the vision that you had, three and four and five years ago, as you were conceptualizing this new phase. Can you share with us, now, your vision, looking out even further? Where does this go? How does this proceed in your cross-straits relations?

PRESIDENT MA: I understand many people are interested – what we'll be doing in the next couple of years. Actually, as you know, when we resume negotiations with mainland China and concluded 15 agreements, we cover only a very small portion of the current interchange between the two sides of Taiwan Strait.

For instance, we signed ECFA last year. But the items that we cover actually account for roughly a quarter of a normal economic cooperation agreement. So we continue to negotiate the remaining items in a – right now, it probably will take a while before we can conclude them.

We are negotiating, for instance, a(n) investment protection agreement. We are also negotiating a dispute settlement agreement. So there are many others to come. As the nuclear accident happened in Japan – and we are also very concerned about the nuclear reactors located just across the Taiwan Strait. So we will be negotiating a nuclear safety agreement with the mainland as well.

So our hands are really full with all these important economic or technical agreements that are involved and related with the daily lives of our people. So these will be the first priorities for this administration to look into before we can take care of other, more complicated issues between the two sides.

MR. FREEMAN: Thank you very much, Mr. President. We've got a number of questions that will – hopefully, will take as little of your time as possible, but enough time so that our audience members, who submitted a lot of questions, will be satisfied.

First question – these are anonymous for the large part – most part, so I'm not going to identify anyone who's written their name down. But a two-part question, hopefully related.

What do you consider your toughest issue in the upcoming campaign. How do you plan to deal with it? And, if reelected, what will be your priorities in the second term?

PRESIDENT MA: (In Chinese.) (Off mic.) As you know, I just said that we are negotiating several agreements. We may be able to accomplish some of them before the end of the year. So we will proceed to deal with the rest. And in addition to economic issues, cultural issues are also very important.

In our negotiation with the mainland last year, we concluded an agreement on protection of intellectual property rights. But so far, the cultural exchange between the two sides are still hampered by a lot of regulations. For instance, we already reached an agreement between Taiwan and the mainland to export films to the other side. And there's no limit for Taiwanese film going to the mainland. But so far, not a single film has been allowed to be shown.

For mainland China, there is a limit of 10 films a year. So far, we have already shown some. So there's a gap between the understanding of the two sides on some of the cultural exchange items. That's going to be a very important one for the two sides. And so far, we haven't gotten agreement on publications, books, or other items in this regard.

So we do have many things that we have to tackle, if I get elected next year. And we're slowly moving to other areas. But so far, those are the most urgent and most important ones for us.

So, what is your – what are you driving at?

MR. HAMRE: I guess the question – the question is, what's – what's your toughest challenge as you look forward to the election? What do you see that's out there that is – is the biggest obstacle to reelection?

PRESIDENT MA: Well, as you know, we always have some difficulties with the mainland on things that touches upon issues of, you know, sovereignty, or other things. As you know, recently, we did have some difficulties in this regard.

But I think, by and large, the two sides under the principles of '92 consensus are ready to negotiating things in a way that is mutually acceptable. You know, we have had difficulties when we negotiate the ECFA with the mainland. Even in the language – language and terms we use – you're a(n) expert in Mandarin Chinese, you understand – the framework – the English word "framework" is translated in Taiwan as – (in Chinese) – but in mainland is – (in Chinese).

So we call this a framework agreement with different translations. And that is a point neither side could, you know, make any concession. And there are several terms that have this problem. So eventually, when we sum up or wrap up the agreement – just the two sides came up – it was an interesting solution. They add one sentence after Article 16, which is the last article of ECFA, by providing that all the corresponding terms that have different expression means the same. Just one sentence that takes – (inaudible).

You see, sometimes, when the team's negotiating for quite a while – and sometimes we'll spark interesting conclusions, which solved the problem just right away.

So I think, as the negotiations continued in the future, certainly more mutual trust will be built as a result.

MR. FREEMAN: Thank you, that's very helpful. A question on the defense budget. The defense budget has obviously been cut recently. I guess the question is, will you increase it to 3 percent of GDP as earlier suggested?

PRESIDENT MA: Yes, we did hope we could have three percent of our GDP as our defense budget. And we made it in 2008-2009. But we were not able to do it in 2009 and 2010.

Why? Because of the financial tsunami and economic downturn. But for the coming year, we are still unable to do it. But the absolute amount is more than that of last year's budget. The only problem is, last year, the GDP grew at 10.82 percent, which is a record in 23 years. And that makes it very difficult for the military budget to grow at the same speed.

But, believe me, we have already made adequate arrangements not just for the procurement of weaponry from the United States, but for our own plans to have a voluntary military force. So the actual number is more than that of last year. But the percentage is still behind the expected 3 percent. So we will try, you know, in the future, to catch up with that. But I can assure you we do have the resolve to defend ourselves.

And we try other ways to continue strengthen our soldiers, our forces, and our way of making a viable defense. (Audio break.)

MR. FREEMAN: We'll get this back up as soon as possible, thanks.

PRESIDENT MA: Yes, the cross-straits relations and many other issues will be the center of attention. I'm sure what we've been doing in the last three years could demonstrate how much we have achieved and what are the concrete benefits to the people of Taiwan, not just companies, but also individuals.

As I said, the arrival of almost 3 million mainland tourists actually brought a lot of business opportunities, not just for big companies, but for peddlers in the streets. On the other hand, another issue of income distribution will be, also – will also be an important election topic. And, in the last year or so, we have tried very hard to increase our social welfare program so that more people will benefit from the fast-developing economy.

And, also, we use a variety of ways to keep the prices stable. As a matter of fact, the consumer price index in Taiwan is the lowest in Asia, next only to that of Japan. Although people is feeling a lot of the difference because, you know, the economists use a different method to assess samples.

But, by and large, I think, we will do our best to keep the gap between the rich and the poor as low as possible. It's not easy. But, compared to other ethnic Chinese society, I think, Taiwan's income distribution is probably the best.

But, on the other hand, we are not satisfied with the status quo. We are continuing to do that through a variety of ways. As you know, the unemployment rate in Taiwan has been down for a consecutive 19 months. Now, it stood at 4.48 percent, the lowest in 29 months. And we expect to see it continue to go down in the next couple of months. So that will help to get more people jobs.

And, in recent months, actually, the complaints from the market, from the companies that – actually, there is a shortage of labor, particularly skilled labor, as a result of a fast economic recovery.

So all these problems we have, you know, have a chance to debate with our opponents in the coming election.

MR. FREEMAN: Thank you, that was very comprehensive. This question is from a self-identified mainland China scholar and dis – wants a discussion on the future political talks

across the strait. A two part question: what serves as the political and social foundation for the beginning of political talks, and then secondly, what is the one thing you'd most expect the mainland to do to make such talks possible for the mutual benefit of both sides?

PRESIDENT MA: Well, in concluding the 15 agreements in the last three years, once in a while, we will touch issues that – it's not – it's not, by nature, a political one, but sometimes has political meaning or significance, as I just mentioned – the wording, for instance.

So we have – we have handled that, you know, in the last three years. But we, at the moment, do not consider it as the most urgent thing to tackle. The sort of pure political issues, for instance, sovereignty or confidence-building measures – those are important. Those are not excluded in our agenda. But obviously, at the moment, we don't have any timetable for that. As I repeatedly said, our hands are full with all those issues that are deeply involved with our people's livelihood.

As you know, the eight years before we took office, a lot of the things were actually – was actually left idle, without any progress. And what we have been doing in the last three years is really to make up the lost eight years. So far, we haven't finished that job yet.

For instance, Taiwan and the Chinese mainland, last year, has set a bilateral trade of more than 150 billion US dollars. For two economies of a bilateral trade of this magnitude, after so many years – and then we had a ECFA – this is really unthinkable in other locations, in other parts of the world. But it happened because of the very strange political relations between the two sides.

So we want to institutionalize the cross-strait interaction so that, gradually, the two sides can interchange – can interact with each other in a way that normal economic entities do.

MR. FREEMAN: Thank you. Next question, on confidence-building measures in military affairs between the mainland and Taiwan. What are the prospects for military-to-military CBMs at this point?

PRESIDENT MA: A military confidence-building measures require a political foundation. So it is, in essence, a political CBM. As I said, along the way from the three years ago, in concluding so many agreements, 15 of them – we do achieve some kind of confidence-building in the process.

If we – if I remember correctly, three years ago, when we first started, actually, the negotiating team didn't even know each other. But, three years later, many people in the different ministries across Taiwan Strait could just pick up the phone and call their counterparts in solving some of the problems.

This is something we certainly would like to see more, so that we don't have to confine all the contacts to the Straits Exchange Foundation or to the Association for Relations Across Taiwan Straits – ARATS and the SEF. In other words, the different ministries and their different ministries could always contact each other on issues of minor importance. So the two sides is

gradually building, collectively, jointly, a net of relationship that could handle problems right away when it occurs.

MR. FREEMAN: Thank you. The process of rapprochement, on the economic side, or generally with the mainland, is certainly a difficult diplomatic and political dance. On the one hand, you have a certain percentage of the population on Taiwan that is inherently suspicious or nervous about greater coming-together across the strait, through the embodiment of the ECFA and other agreements. And then you have the mainland that's inherently suspicious and – and displeased about the military relationship with the United States.

I guess the question is, how do you – how do you square these conflicts? And what role, if any, does the military relationship play – with the United States play in either setting a political tone in Taiwan that allows a rapprochement or otherwise?

PRESIDENT MA: Well, by and large, the people in Taiwan generally support our security relations with the United States. They also support our economic relations with the mainland. And I'm sure you are aware that in the last more than 20 years, in the opinion polls we have conducted, the vast majority of the people support maintenance of the status quo, more than 70 or even 80 percent.

So in other words, they understand that there is no chance for either the supporters of de jure independence or reunification to prevail in current – under current circumstances. So most of the people in Taiwan are pragmatic enough to understand the need to maintain security ties with the United States. And that not only means purchasing arms, but also, for other security, cooperation.

We also understand very well that mainland China is vehemently opposed to that. But we keep telling them that it is very important to keep the balance across Taiwan Straits. And there are quite a few military hardware we cannot manufacture locally. And those are basically defensive in nature. And they are purchased to really replace the aging items we have in our arsenal.

So I think this is very important for the two sides of the Taiwan Straits and the United States to understand. A right military balance across Taiwan Strait is vital to peace and stability. And our relations with the United States will not hamper our relations with the mainland. I said it in my speech, that I want to create a virtuous cycle so that the deepening of relations with the mainland could also help our international participation.

PRESIDENT MA: And our relations with the United States will not hamper relations with the mainland. I said it in my speech that I want to create a virtuous cycle so that the deepening of relations with the mainland could also help our international participation. And an expanded participation in the international community would also help our people to have more confidence and more interest in developing deeper relations with the Chinese mainland.

We have – I have used many occasions to prove that the virtuous circle is not something that – a wishful thinking. It is a matter of fact.

MR. FREEMAN: Thank you. A question about internal domestic Taiwan politics: At least those of us from the outside observe a rather sharp divide in the political bases in China – or excuse me, in Taiwan – and the question is, is there a – is there a means to bridge that divide? And if so, what are you doing, or what can you do to bridge it?

Let me rephrase it. There is a – the political divide in Taiwan is very sharp, or at least it appears to be from the outside. And the question is, can you – is there a means to bridge that divide? And if so, what means are you using to do so?

PRESIDENT MA: That is a job we have to do constantly. Every policy involving cross-strait relations, we have to do the kind of a – a public communication. But let me just take the process of negotiating ECFA with the Chinese mainland as an example: It started actually two years ago when we announced that we want to negotiate such an economic cooperation agreement with the mainland.

The first response from the populace is not that enthusiastic because general populace didn't understand what it means. So it took us almost a whole year to do the public communication. And we also asked a think tank to come up with econometric statistics. But again, people didn't know what's going on.

So last year, just about this time of year, when the chairwoman of DPP says, they want to debate with me on this issue, I say, why not? I accept right away against the advice of many of my friends. They said, this is unprecedented. I say, I want to take that opportunity to really make my people understand what ECFA means to Taiwan.

So it gave me a golden opportunity to outline what we have in mind in negotiating such an agreement with the mainland. So after the debate, the support rate shot up because people now understand what we're going to have. But still, because before we came up with the actual contents of the agreement, people still have some doubts. So roughly two months later, before we signed agreement, we have to report that to our national parliament. And we let people know there are 539 export items from Taiwan to the mainland, and 267 from mainland to Taiwan. So they immediately understand which section of the business would be affected. By then, the support rate is well above 50 or 60 percent.

So it takes time to do the public communication; it's not that easy. For instance, another one is to allow mainland students to come to our university campuses. Again, the DPP opposed that vehemently. But then, the university professors, presidents came out to support that. They say, listen, we need competition; we need to open up our campuses for competition. And this is the best way for the two sides to understand each other – that is, to let their young people to get to know each other at an early stage of their life.

You see, there are impartial and rational voices in a society that will come up. So after that, we passed the necessary law, and that will become a reality a couple of months from now.

MR. FREEMAN: Thank you. The Taiwan Relations Act is now 32 years old, and you've started to see at least some public commentary in the United States, albeit I think still very much fringe commentary, questioning the basis of the U.S.-Taiwan relationship, and questioning the U.S. interest in a continued relationship with Taiwan that we've sustained.

How would you suggest, or how would you recommend that the United States and Taiwan continue to improve our relationship so that these kinds of questions are laid to rest?

PRESIDENT MA: Obviously, Taiwan Relations Act is a successful piece of legislation. Throughout the last 32 years, so many American presidents, in spite of their political parties or their political beliefs, they all support that. And two years ago, when we commemorated (ph) the 30<sup>th</sup> anniversary, almost everyone says, that's a great legislation.

Of course, there have to be other actions or commitments along with the Taiwan Relations Act – for instance, the August 17<sup>th</sup> communiqué in 1982 between Washington and Beijing where the U.S. made some commitment. But the U.S. also made six assurances to Taiwan that there was no deadline for the sale of defensive weapons to Taiwan, and no consultation would be held between Washington and Beijing before an action – before a decision is made. You know, and the U.S. will not play the role of a mediator between the two sides.

All this very solid, very concrete assurances becomes a very important cornerstone of peace and stability in this part of the world. We certainly appreciate very, very much – we understand the TRA is just a domestic legislation; it's not a treaty. But U.S. governments, presidents seems to be very faithful in implementing the contents of Taiwan Relations Act.

On behalf of the government and people of this country, I really want to express my deep appreciation to the American government and people.

MR. HAMRE: We have time just for one last question, Mr. President, and then we want to let you make any concluding comments. So one last question, and then we will wrap it up.

MR. FREEMAN: I guess the last question – and you've been extraordinarily generous with your time already as we've asked these rather broad – (chuckles) – and difficult questions – the final question relates to beyond ECFA: Taiwan's economic relations with the rest of Asia and beyond. What is the – what are the prospects for a free trade agreement or its equivalent with Singapore or other countries, other economies?

And to what extent does Beijing have an effective veto on such free trade agreements?

PRESIDENT MA: Certainly, the conclusion of ECFA is the first step for Taiwan to rejoin regional economic integration in this part of the world. Before that, Taiwan and North Korea were the only two countries that have not participated in the regional economic integration in East Asia.

When we finished ECFA, just almost immediately, many countries in the region expressed an interest to discuss with us the potentials of having a similar arrangement, or other

types of arrangement relating to economic problems. So this is a very important step for Taiwan, actually, to join – to come back to the economic landscape in this part of the world.

Now, we are negotiating a similar agreement with Singapore, and we are making some progress. But it takes some time. On the other hand, other countries in the region also express an interest. So we are assessing the pros and cons, and also the economic situation of the countries involved to see whether it is in the two sides' best interest to do that.

I'm sure what happened between Taiwan and mainland China also has some impact on the relations of other countries with us and with the mainland. But by and large, this is a virtuous cycle. In other words, let me just give you an example: For the first quarter of this year, the trade between Taiwan and the mainland went up 15 percent. But our trade with ASEAN countries went up more than 30 percent. Our trade with the U.S., again, went up more than 30 percent.

So it's a little bit ironic: We sign an agreement with the mainland, but other countries also – (chuckles) – benefit from the side effect. This is exactly what we want. We want to diversify our export market, not just with the mainland. But mainland continues to be our largest trading partner, our largest export market, our largest sort of – the surplus-earner country.

So we will continue the very, very mutually beneficial relationship. As I said, we shouldn't put all our eggs in one basket. But we can't really leave no eggs in one of the largest basket of the world.

MR. FREEMAN: Nicely put. Mr. President, you've been extraordinarily generous. I'll ask you to have any final words that you might have and then I'll turn it back over to my boss for his offerings of good day.

MR. HAMRE: Go ahead, Mr. President, with your – if you have any final remarks, you're welcome to make them now.

PRESIDENT MA: OK. My closing remarks – dear friends and colleagues, as the famous American poet Robert Frost once wrote, "I took the road less traveled by and that has made all the difference." The past three years have witnessed unprecedented breakthroughs and positive developments in Taiwan and the region. Yet, for the road ahead, we will need to be patient and careful in our political rhetoric, in the signals we send, in the gesture we make and in the reputation we cultivate. I draw reassurances from the positive developments that continue to unfold across the strait and in the international community. And I have full confidence in my administration's roadmap.

On a deeper level, the improvement of cross-strait relations in the past three years reflect the result of something fundamentally more significant – the comprehensive overhaul of Taiwan strategic approach to the world, an approach that has coupled cross-strait relations, the economy and foreign relations together in such a way as to fully maximize Taiwan's potential value in the global community.

Taiwan has to transform itself into a peacemaker, a contributor of humanitarian aid, a center for innovation and business opportunities, a major promoter of cultural exchange and the standard-bearer of Chinese culture. As the Republic of China reaches its centennial anniversary, I believe my administration's grand strategy will make the republic more secure, more prosperous for many, many years to come. I also firmly believe America's friendship will be an inseparable part of the Republic of China's future as it has been in the past 100 years.

Thank you very much.

(Applause.)

MR. HAMRE: Thank you very much, Mr. President. (Applause.) President Ma, thank you for this rare privilege. It's been a real privilege to have you with us. I know I've been watching the faces of the audience here. You have deeply engaged everyone and we want to thank you for taking the time to do this today.

You know, all societies have only three ways to make major decisions. You know, you make them in the marketplace where a good is priced and you decide if you want to buy it or not or somebody will decide if they want to produce it at that or lower price. That's one way. A second way, of course, is in an administrative proceeding. You've established the rules of the road in a court or some administrative proceeding. And if there's a problem, you go there.

The only other way that societies make major decisions is through politics. Politics is so crucial because it's where you take the complex aspirations of a people and you turn it into a concrete agenda. But politics is about leadership not following. You know, too many politicians are followers not leaders. And I think this morning, we've had a chance to see a man who is a leader – a leader who created a vision, a very powerful vision. It's not necessarily always popular. But it is making a profound change. And we are deeply grateful for what you're doing, Mr. President, and sharing your insights with us.

Thank you. And we wish you a very pleasant evening. Thank you, Mr. President.

PRESIDENT MA: Thank you so much for your attention. Thank you.

(Applause.)

(END)