

**A Video Conference with His Excellency President Ma Ying-jeou,
Rep. Mario Diaz-Balart, and Dr. Paul Wolfowitz**

April 9, 2014

John Hamre: -- Richard Armitage, Deputy Secretary of State and a dear friend and a very close friend of Taiwan. Thank you for being here, Rich. Ambassador Bouda from Burkina Faso is supposed to be here, I'm not sure if he has yet arrived. And Barbara Schrage who was the managing director at AIT, we're glad to have you here, Barbara. Thank you. Mr. President, I know you have dignitaries on your side. Perhaps you might introduce them so that our audience will know who is with you in Taipei.

Ma Ying-jeou: With me today is the secretary general to the president, Mr. Timothy Yang; Secretary General of the National Security Council, Dr. King.

John Hamre: We know that guy.

Ma Ying-jeou: David Lin, foreign minister.

John Hamre: Thank you for being here. It's really a great pleasure to have you. I was in Taipei with you, President Ma, about a month ago, a little over a month ago. We had an extended conversation with President Ma. We spent a great deal of time talking about the tensions, especially over the Diaoyutai Islands, Senkaku Islands. I must say I greatly admire President Ma's diplomacy and his concept for how to deal with a complicated problem like this. He said, "Let's find pragmatic solutions to a very difficult problem." Now this comes because he is a skilled lawyer so he can bring both the skills of a lawyer and of a politician to understand the complexity of this problem. It was emblematic of, I think, the leadership he has brought these last years.

So I asked if he would be willing to do a conference with us, a teleconference with us, and he very graciously agreed to do that. We want to spend some time today especially talking about TPP and the important role it could play for Taiwan. President Ma, thank you. We're delighted to have you here. I think this is a rare opportunity for us. Let me turn it to you for your remarks. We're very excited to have you. Thank you.

Ma Ying-jeou: Dr. Hamre, Congressman Diaz-Balart, Ambassador Wolfowitz, Chair Johnson, distinguished guests, ladies and gentlemen, good morning. I would first like to extend my appreciation to the Center for Strategic and International Studies for organizing this video conference for the third time. I believe this is the second time Dr. Hamre has hosted this event, and I want to thank him wholeheartedly.

On the eve of the 35th anniversary of the enactment of the Taiwan Relations Act, TRA, the landmark piece of legislation that has laid the cornerstone of the robust relationship between the Republic of China and the United States, I'm especially pleased to have this opportunity to discuss the unique partnership between our two countries with such a distinguished audience.

The friendship between the Republic of China and the United States dates back over one century. It all began with a desire for mutual understanding. The Boxer Indemnity Scholarship Program was established by the U.S. in 1909 with an endowment of US\$10.8 million. The scholarship allowed Chinese students to study in the U.S., and in 1911 helped established the forerunner of the prestigious National Tsing Hua University which has educated generations of young talent in Mainland China and Taiwan including three Nobel Laureates. My hat is off to my American friends for having the foresight to initiate such a beneficial scholarship program.

The idea behind it was the American vision to provide educational opportunities for a vast but poor and backward Asian country surrounded by insatiable imperialist powers.

During the first half century of our partnership, the United States played a vital role in ensuring the Republic of China's survival and development. In August 1941 for instance, four months before the Pearl Harbor attack, the U.S. dispatched the Flying Tigers to help in China's difficult war against Japan. They shot down more than 200 Japanese military aircrafts during the first seven months after their arrival in China.

In January 1943, the U.S. abrogated the 100-year-old unequal treaty system with its extraterritoriality and consular jurisdiction and signed the Sino-American New Equal Treaty with us in Washington, a signal that the U.S. sought a truly equitable partnership with the Republic of China.

On December 1st, 1943, the United States, United Kingdom and Republic of China issued the historic Cairo Declaration in which they demanded that Japan restore all territories stolen from the Chinese such as Manchuria, Taiwan, and the Pescadores to the Republic of China. This position was reconfirmed in the Potsdam Proclamation on July 26, 1945 and realized 38 days later with the signing of the Japanese Instrument of Surrender on September 2nd. We truly appreciate America's vital military and diplomatic role during this period in helping the Republic of China recover sovereignty over Taiwan.

From 1950 to 1965, the U.S. provided Taiwan with US\$1.5 billion in economic aid. Our two countries signed a Mutual Defense Treaty in 1954 under which the U.S. guaranteed our security. This provided a peaceful external environment that enabled Taiwan to create an economic miracle. Since then the U.S. stood by Taiwan through thick and thin.

Relations between the ROC and U.S. changed drastically in 1978, a year that I look back upon with profound regret. In December that year, President Jimmy Carter decided to switch diplomatic recognition from Taipei to Beijing. To remedy the situation, the Carter administration submitted a draft version of the TRA to the Congress. But because of the inadequacies of the draft, Congress made many crucial improvements. On April 10th, President Carter signed the bill into law and made it retroactively effective from January 1st, 1979. The TRA, according to an American scholar at the time, re-recognized Taiwan after it had been de-recognized by the Carter administration.

I was glad to learn that just two days ago, the U.S. House of Representatives unanimously passed a bill reaffirming the unwavering commitment of the United States to the TRA. The TRA provides the legal framework for many agreements signed between Taiwan and the U.S., including a potential bilateral investment agreement. With solid bipartisan support in the U.S. Congress, our two countries have maintained strong political, security, economic, and cultural ties that have helped ensure and enhance peace and stability in East Asia.

Another U.S. commitment was the Reagan administration's Six Assurances to Taiwan in July of 1982 in which the U.S. reiterated its continued commitment to Taiwan's security.

When I took office in May 2008, I made it my top priority to improve Taiwan's relationship with the U.S. by restoring high-level mutual trust which was nearly nonexistent at the time. Today, ROC-U.S. relations are the strongest they have been in 35 years or more. With U.S. support, Taiwan has been able to improve cross-strait relations and confidently engaged Beijing from a position of strength.

Continued American backing, under the mandate of the TRA, for Taiwan's meaningful participation in international organizations is another present-day example of U.S. support for our foreign policy goals. In May 2009, the ROC health minister attended the World Health Assembly in Geneva after an absence of 38 years. In September last year, the director-general of our Civil Aeronautics Administration was invited as a guest of the president of the Council of the International Civil Aviation Organization, ICAO, to attend ICAO's 38th Assembly in Montreal, Canada after an absence of 42 years. These were major steps forward in our efforts to achieve more international participation.

Using what I call the policy of viable diplomacy, we have expanded Taiwan's international space and strengthened relations with our allies and neighbors. Taiwan contributes to regional peace, prosperity, and stability through timely and concrete actions.

As many of you know, Taiwan, Mainland China, and Japan all claim sovereignty over a group of small islets in the East China Sea known as the Diaoyutai Islands. These islands are uninhabited but are located near rich fishing grounds, undersea hydrocarbon deposits and some of the world's busiest shipping lanes. In recent years, the danger of confrontation over the Diaoyutai Islands has grown tremendously. That is why I proposed the East China Sea Peace Initiative in August 2012. I wanted to demonstrate that a different path and a more hopeful outcome are possible. This initiative elevates peaceful negotiation over a confrontation. It de-emphasizes the territorial nature of the dispute and focuses on resource sharing and cooperation.

On April 10th last year, exactly a year ago tomorrow, we signed the Taiwan-Japan Fisheries Agreement. There had been 16 rounds of fruitless negotiations in the previous 16 years, but we were able to get it done in the 17th round. We achieved success by proceeding on

the basis that while sovereignty cannot be compromised, resources may be shared. This agreement allows fishing boats from both countries to operate for the first time in more than 40 years in disputed waters twice the size of Taiwan near the Diaoyutai Islands. Meanwhile, the territorial claims of both sides remain intact, thanks to the inclusion of a without prejudice clause. The agreement embraces the spirit of the East China Sea Peace Initiative and has won wide support from Taiwan and Japan, from the U.S. and in the international community in general.

We also acted in line with the East China Sea Peace Initiative to resolve a dispute with the Philippines after the Philippine Coast Guard shot a Taiwan fisherman dead in May of last year. After months of intense negotiations, the Philippine government made an official apology and provided compensation for the victim's family. The perpetrators were charged with homicide by the Philippine Department of Justice last month. In addition, the two sides agreed to refrain from the use of force in law enforcement actions, to notify the other side before taking any enforcement action, and to promptly release detained fishing vessels and crew in case of arrest.

Then, in November last year, when the Philippines was hard hit by Typhoon Haiyan - known there as Typhoon Yolanda - causing more than 6,000 deaths, we immediately delivered 680 tons of relief supplies to the devastated area on 18 air force cargo flights and one naval vessel. The donations were worth US\$12 million.

After the Japanese earthquake in March 2011 which took more than 18,000 lives, my government immediately announced a donation of US\$3.3 million to assist in the rescue effort. In the following two months, the people of Taiwan donated around US\$230 million. This was

the single largest amount of foreign assistance ever donated by the people of Taiwan. In fact, it exceeded the sum total of donations provided to Japan by 93 other countries that provided assistance. I would add that my wife and I also played a small part when we joined a telethon to solicit donations.

These measures reflect our determination to be a peacemaker and a provider of humanitarian aid in the international community.

To forestall the possibility of military conflict over the East China Sea Air Defense Identification Zone, ADIZ, I issued a statement on East China Sea Air Space Security on February 28 this year. In this statement, I proposed that all parties concerned should seek to resolve disputes by peaceful means pursuant to international law and the East China Sea Peace Initiative. I also proposed that the parties should formulate an East China Sea Code of Conduct and set up a multilateral negotiation mechanism.

I was pleased to learn of the testimony given by U.S. Assistant Secretary of State Daniel Russel on February 5th this year before the House Foreign Affairs Subcommittee on Asia and the Pacific. He mentioned that the principles of the East China Sea Peace Initiative are at the heart of the U.S. strategy and the U.S. effort, namely respect for international law and peaceful resolution of disputes. In fact, the spirit of the East China Sea Peace Initiative could also apply to the South China Sea.

Now, let's turn to the cross-strait relations. Since I took office in 2008, I have pursued a cross-strait policy of maintaining the political status quo. This means no unification, no independence, and no use of force under the framework of the ROC Constitution. It also means maintaining peaceful cross-strait relations on the basis of the 1992 Consensus, namely, one

China respective interpretations. And in order to ensure sustainable peace across the Taiwan Strait, I have also formally announced that we will not pursue policies such as “two Chinas,” “one China, one Taiwan,” or “Taiwan independence.”

Thanks to the joint efforts of both sides, cross-strait relations are at their best state in over six decades. Today, the two sides have completed 10 rounds of talks, signed 21 agreements, and plan to exchange representative offices in the future. Some of the main areas covered under the 21 agreements include economic cooperation, transportation, health, science, agriculture, and mutual judicial assistance. The number of regularly scheduled direct cross-strait flights has increased from zero to 118 per day. The number of mainland visitors per year has gone up from 290,000 to 2.8 million, nearly a tenfold increase. And the number of mainland students in Taiwan has jumped from 800 to 24,000, a thirtyfold increase.

Meanwhile, law enforcement agencies from Taiwan and the mainland have cooperated to arrest nearly 6,000 criminal suspects. As a result, the number of scam cases has been cut by 60 percent from its peak and the resulting financial losses to victims in Taiwan have fallen by 80 percent from its peak. It is evident that improved cross-strait relations bring tangible benefits to Taiwan. We'll continue to focus on similar topics. We do not exclude political topics, however, if the people of Taiwan support it.

Our Mainland Affairs Minister Wang Yu-Chi visited Mainland China last February to meet in Nanjing with his counterpart, Minister Zhang Zhijun of the Taiwan Affairs Office. This was the first official meeting of its kind since the two sides came under separate rule 65 years ago. This meeting represented the gradual institutionalization of the cross-strait relationship and was a historic milestone on the path toward sustainable peace and prosperity. These

developments prove that viable diplomacy and cross-strait relations are indeed complementary and constitute a virtuous cycle.

Again, I want to thank the United States for Assistant Secretary Daniel Russel's recent testimony in the Senate Foreign Relations Committee, where he said, and I quote, "We very much welcome and applaud the extraordinary progress that has occurred in cross-strait relations under the Ma administration."

Trade and investment relations between the ROC and the U.S. have always been close. In 2013, Taiwan was the 12th largest trading partner of the United States for goods with US\$57.7 billion in two-way trade. The United States is the largest source of foreign direct investment in Taiwan, cumulatively investing US\$23 billion as of January 2014.

In March last year, we resumed talks under the 1994 Taiwan-U.S. Trade and Investment Framework Agreement, TIFA, and we just successfully concluded the 8th TIFA meetings last week in Washington. I want to praise the hard work of both sides and the positive outcome achieved in the meetings. I hope that we can launch the negotiation of a bilateral investment agreement, BIA, in the near future. A BIA would serve as the beginning of a more robust and comprehensive economic relationship between our two countries.

Taiwan is an important security and economic partner of the United States, as former Secretary of State Hillary Clinton stated in 2011. To further demonstrate our commitment to enhancing trade and investment relations with the U.S., Taiwan sent a delegation of 42 business leaders to the SelectUSA Investment Summit last fall. Our delegation was the third largest among over 60 participating countries. We also dispatched a high-level CEO delegation led by

former ROC Vice President Vincent Siew to the U.S. last November to promote investment in the U.S. from Taiwan.

To improve Taiwan's competitiveness and to avoid the danger of being marginalized, I began pursuing deregulation and market opening immediately after taking office in 2008. The lack of diplomatic ties makes it difficult for us to negotiate free trade agreements, FTAs, with our major trading partners. To break the isolation, we decided to start with Mainland China, our largest trading partner since 2003. We successfully concluded the Cross-Straits Economic Cooperation Framework Agreement, ECFA, in 2010. This was followed in 2011 by an investment agreement with Japan, our second largest trading partner and investor. Last year, we signed an economic cooperation agreement, ANZTEC, with New Zealand in July, and an economic partnership agreement, ASTEP, with Singapore in November. We are also in contact with other potential partners in Asia and Europe in the hope of concluding more such accords.

In addition to bilateral trade negotiations, we must also take part in regional arrangements. Taiwan has highly developed markets, and shares Pacific borders with the world's three largest economies – the U.S., Mainland China, and Japan. The ASEAN nations are also nearby. Taiwan should not be excluded from the process of economic integration in East Asia.

Given that Taiwan's trade with the 12 members of the Trans-Pacific Partnership, TPP, in 2013 came to nearly US\$200 billion and accounted for 34 percent of Taiwan's total external trade, we believe Taiwan's membership in the TPP would definitely be beneficial not only for Taiwan, but also for all TPP member states.

Moreover, a TPP with Taiwan's membership would not only assure Taiwan's economic security, but would also help strengthen the economic presence of the U.S. in the Asia-Pacific

region. In this regard, I'm pleased to acknowledge the statements made by Assistant Secretary of State Daniel Russel and Deputy Assistant Secretary of State Kin Moy recently in Congressional hearings. At the hearings, they both stated that the U.S. welcomed Taiwan's interest in the TPP.

In the meantime, Taiwan also trades heavily with the 16 member countries of the Regional Comprehensive Economic Partnership, RCEP. In 2013, our trade volume with RCEP countries came to US\$325 billion, or about 57 percent of Taiwan's total external trade. It is only natural that Taiwan is also seeking membership in the RCEP.

A recent effort by our government for a TPP and RCEP membership is the free economic pilot zones, FEPZs. The goal of the FEPZ is to establish a good environment for doing business, and to pave the way for Taiwan's membership in the TPP and RCEP. The American Chamber of Commerce in Taipei puts out a magazine called *Taiwan Business TOPICS* that has commented on our FEPZs. Allow me to quote from the magazine: "The Taiwan government's initiative in establishing Free Economic Pilot Zones is an indication of its seriousness in seeking innovative new directions for the Taiwan economy." The new directions that the Chamber is referring to here are liberalization and globalization.

Ladies and gentlemen, Taiwan and the U.S. are determined to maintain peace and stability in East Asia, and we are working together to do so. If actions speak louder than words, then the U.S. has certainly spoken loudly and forcefully in support of our century-long partnership. We continue to be grateful for American political, economic, and security support. And, as I have noted, with admission to the TPP and RCEP a top priority for my administration, I hope, on this 35th anniversary of the TRA, that the United States will join us in this effort. I do

believe we can approach this goal as the beginning of a bright new chapter in the Taiwan-U.S. partnership. The sky is the limit, so let's soar on the wings of this unique partnership.

Ladies and gentlemen, thank you for your attention. I now look forward to your questions.

John Hamre: One of the problems being an amateur is that I forgot to say something this morning. We have other friends who are with us on this video conference. We have friends TECRO has organized in the South and the Eastern offices as the Midwest and the West Coast office and the Guam and Hawaii office will be joining tomorrow morning and they'll be doing it with the recording. So Chris, let me hear go to you.

Christopher Johnson: Thanks, Dr. Hamre, and thank you very much, President Ma, for those fantastic remarks. Let me just remind everyone in our audience here. You've been given index cards, and so we would like you to go ahead and write down any questions that you would like us to pose to President Ma. I'm going to be introducing our discussants and they'll be engaging with President Ma over the next 15 minutes or so. So if you could take a few moments and write down any questions you may have quite quickly so our staff would have time to review them and make sure there aren't too many that are redundant and we can go ahead and get that done.

Without further ado, let me go ahead and introduce our two discussants today. First, I have on my left Congressman Mario Diaz-Balart. Thank you so much for coming. He's currently fulfilling his sixth term in the House of Representatives serving the 25th District of Florida. Representative Diaz-Balart is co-chair of the Taiwan Congressional Caucus and a member of the House Appropriations Committee. As part of the House Appropriations

Committee, Representative Diaz-Balart sits on three of its subcommittees, state and foreign operations, commerce and justice and science, and he is vice-chair of financial services. Before coming to Washington, Representative Diaz-Balart served 14 years in the Florida State Legislature in both chambers, House and Senate. At age 31, he became the youngest person ever elected to the Florida Senate. So we're very pleased to have him with us.

To my right is Dr. Paul Wolfowitz. We're very pleased to have him as well. He's currently a visiting scholar at the American Enterprise Institute. He's also the current chairman of the U.S.-Taiwan Business Council, a position he's held since 2008. He has worked in both public service and higher education and most recently, Dr. Wolfowitz served as president of the World Bank and Deputy Secretary of Defense. From 1986-1989, he served as the U.S. Ambassador to Indonesia. After which, he became dean and professor of international relations at the School of Advanced International Studies at Johns Hopkins University.

Congressman, I'd like to start with you to offer some comments and then also ask President Ma a question.

Mario Diaz-Balart: Great. Thank you for the opportunity to be here and to be with such a distinguished audience of dear friends, but more importantly, Mr. President, let me thank you for your leadership, for your steadfast leadership that you are a trusted, reliable friend not only of the United States, President Ma, but also of the cause for freedom around the world. And for that, all of us who have had the pleasure to not only work with you but get to know you are exceedingly grateful.

President Ma has I think done a great exposition as to not only how we got here but where we are today. Mr. President, I do want to relay a couple of things to you. First, last week,

on the 2nd of April, we had frankly a very impressive turnout of both members of the House and the Senate to welcome your new ambassador to Washington, to the capital. There were so many members of the House and Senate I thought we were going to have a quorum as a matter of fact. It was rather impressive. Of course, I had the privilege of actually meeting your new ambassador, Mr. Shen, Ambassador Shen during I believe it was my last visit to Taipei. He joins a distinguished list of former ambassadors, one of which is sitting next to you, close to you, Mr. President, and of course, ambassadors like Mr. King and also Mr. Wan.

President Ma just mentioned a little awhile ago in his remarks that on Monday, the House passed H.R. 3470 which reaffirms in very clear terms the commitment of the United States Congress of the United States of America to the special relationship with Taiwan. As President Ma mentioned, that passed unanimously, and it's rare in particular in this day and age in Washington to have things passed unanimously. President Ma, you also mentioned how the TRA, the Taiwan Relations Act really is the cornerstone for this very special relationship. It's amazing that now we are basically at the 35th anniversary of the Taiwan Relations Act. If 1978 was a sad day for the actions of the then administration in charge of the White House of the United States. It was I think one of the brightest days, one of the best days for the Congress of the United States where the Congress in a very strong bipartisan way demonstrated and continues to demonstrate the very special relationship that exists with Taiwan. It is again the cornerstone as you stated, Mr. President, of that special relationship between the Republic of China and Taiwan and United States. It also helps to maintain frankly peace and security across the Taiwan Strait and in the Asian Pacific region. The Taiwan Relations Act really exemplifies, to quote one of my heroes, former President Reagan, "the concept of peace through strength." Again, it is I

think one of the best, brightest moments for the United States Congress and it shows that special relationship.

So much has happened in Taiwan, the Republic of China and Taiwan since those days. I'm always amazed, and I always mention it to everybody that will listen that when you visit Taiwan and you see the prosperity and the freedom and just the dynamic economy, you frankly think that you've gone to an oil rich country because when you see that prosperity and that activity, it has to be driven because of an incredible resource like oil. Yet, the Republic of China and Taiwan has a resource that is a lot more valuable than oil, more than all the gold that the others may have. It is that resource of brilliant, hardworking entrepreneurs who have created a beacon of light and a beacon of democracy and freedom for the entire world to see.

Mr. President, I cannot tell you first place how much I cherish the relationship, how much I cherish also however not only between the United States and Republic of China and Taiwan, but frankly the fact that I've gotten to work with you, to know you, to trust you and your steadfast leadership is something that is greatly appreciated. I would end with a brief question to you, Mr. President. Because particularly the United States Congress has been the cornerstone of that special relationship with your country. If you have any ideas as to what more the Congress of the United States can do to further cement that very special relationship, to make sure that the relationship continues to prosper, but also that the economies of both of the United States and the Republic of China and Taiwan continue to grow.

For somebody like me that understands this special relationship, it would be great if you can just give us some ideas, some comments, some suggestions as to what else we could be doing in Congress to further strengthen the relationship, to further help the security of the region

and to further help our mutual economies. Again, with that Mr. President, a privilege and an honor to welcome you here to Washington on this fine morning.

Ma Ying-jeou: Thank you very much for your very nice, friendly comments. When I took office six years ago, I understand the importance of restoring high-level mutual trust between Taipei and Washington, so I tried my best to launch a program based on low-key and surprise-free. So gradually we have rebuilt mutual covenants between the two sides. Now, six years later, we believe we could really enhance our relationship in a comprehensive way. Primarily in the area of security, we'd certainly like to strengthen that relationship and we can also be pleased to play a regional role as peacemaker.

Another very important area is economy. We're working on a strategy of the building blocks to expand our economic relations with the United States. We started with the Bilateral Investment Agreement, BIA, and hoping eventually we could have a free trade agreement. Also in the process, as I indicated in my remarks, we want to join the TPP because the TPP accounts for 34 percent of Taiwan's external trade. Our joining the TPP would not only benefit Taiwan but to other 12 members of TPP as well. In two fronts, security and economy, we should really push a comprehensive and enduring relationship with the United States.

Christopher Johnson: Thank you, President Ma. Now, I'd like to turn it over to Dr. Wolfowitz for his comments and his question. Thank you.

Paul Wolfowitz: Thank you, Mr. President. I join everyone else in thanking you for taking your time this morning to speak with us. I think you said actions speak louder than words. Your words were wonderful, but frankly, I think what you've done in office in terms of transforming the cross-strait relationship in a way that is positive not only for Taiwan and

Mainland China, but for the United States as well and for Taiwan-U.S. relations is something that is a legacy you will always be proud of and we will always be grateful for.

I was thinking about the fact that here we are overcoming certain physical and political barriers, thanks to modern technology. We've been doing that for 35 years now since the breaking of official relations. Many people said it couldn't be done. Well, it has been done. In fact, I think that's a story of Taiwan over the last 60 years that so many things that couldn't be done have been done, and it really starts with the economics. I confess even I'm not old enough to remember quite how bad your economy was in 1950, but I know it was pretty miserable. Very few people would have dared to say it would be the miracle that it is today, but it is a miracle. Your people, yes, you were kind to thank the United States for its foreign aid, but no amount of foreign aid could have done it without the energy and initiative and free enterprise of the people of Taiwan. You and a handful of other countries in the process have shown an example for the rest of the world that has now made poverty reduction a reality instead of simply a dream. For that alone Taiwan should be recognized.

But another thing that some people said couldn't be done, and I admit that it succeeded my own expectations, is this improvement in cross-strait relations that you have really been the author of. It has so many positive aspects but the one that continues to impress me is the fact that you now have I think you said 2.8 million tourists visiting Taiwan every year. It's not the number. It's the fact that so many millions of people from Mainland China can come and see a Chinese society that is free and democratic. I think that has got to have a very significant influence on the future.

Which brings me to the third miracle which I think is the most important and that is that Taiwan is a flourishing democracy. I became assistant secretary of state for East Asia in 1982 when we still weren't quite sure what the Taiwan Relations Act meant and your so-called new representative, Lyushun Shen, who has only spent 14 years in Washington before this, so it's hard to think of him as new. When I came up for confirmation, he was busily feeding questions to the senators to make sure that the new assistant secretary got the story right, and I had good friends in President Reagan's White House who were busily feeding me the answers to make sure that the new assistant secretary got the story right. I think we've gotten the story right now over 35 years through both Democratic and Republican administrations, but again, it's most of all thanks I think to the progress and statesmanship in Taiwan.

I'm not going to mention the details, but when I was assistant secretary of state, we had some appalling human rights issues in Taiwan that we had to somehow explain to the Congress were not a reason to throw Taiwan over the side. We don't have those issues anymore. And now, in fact, I think the strongest case in the U.S. for this strong relationship, as Congressman has already said, is this political miracle that you and your people have created. All I can say is it's been wonderful personally over 35 years to be a witness to this progress. I think every American who deals with Taiwan would like to contribute in some way. We recognize it's your country, your people and you've been doing it pretty much with minimal assistance overall this period of time, but I think we do want to assist as much as we possibly can.

So that brings me I guess to my question which is only slightly different from the Congressman's, maybe a little bit more focused on the executive branch and at the risk of dipping ever so slightly into one of the sensitive current issues in Taiwan. It seems to me that

one of the challenges today is you have this agreement on cross-strait services that has become controversial for reasons that frankly surprised me because I feel very strongly that for Taiwan to be more open to trade, it is critical for Taiwan's future and therefore for Taiwan's democracy. But I sense that there are people in Taiwan who are somehow concerned that all of this will push Taiwan too closely into the arms of China and at risk is not some issues. They may talk about procedural issues. They may talk about trade issues, but I think the real issue is reassurance about Taiwan's free and democratic future.

I guess what I'd like to ask you and maybe I'll lead the question a little bit. It seems to me the United States could make a big contribution to reassuring the people of Taiwan in that regard (1) by bringing Taiwan into TPP as quickly as possible, and (2) making clear that we mean what the Taiwan Relations Act says about providing the means for Taiwan's security. What would you suggest to the U.S. government they do by way of reassuring the people of Taiwan?

Ma Ying-jeou: Well, thank you for your very accurate observation about the recent problem for trading service agreement, TSA, in Taiwan. I think you're right that the United States can give us a helping hand not only by reassuring us you will commit to the TRA, but also try to facilitate our joining the TPP. As you know, and I also put it in my remarks, because of the difficult diplomatic situation of my country, we found it very tough to negotiate trade agreement with countries we do not have diplomatic relations. That is why we first broke the isolation by signing one with Mainland China in 2010. The Cross-Strait Economic Framework Agreement, ECFA. TSA, the trading service agreement is actually part of ECFA, the service

part of ECFA. It's very important for Taiwan because we have a very robust service industry, but our service industry exports lag far behind that of South Korea, Singapore, and Hong Kong.

So there's still large room for us to expand our service industry elsewhere in this part of the world. The TSA with Mainland China according to the estimate of experts could increase our export in the service industry to the Mainland by 37 percent, and for Mainland China to Taiwan, only up 9 percent. So this is really a good opportunity for Taiwan service industry to expand itself by getting into the mainland market.

On the other hand, our own service industry in Taiwan is somewhat saturated and very competitive, and we do not believe that Mainland China's service industry will come to Taiwan in large numbers. We think more public communication and public education are needed to make our people understand having such agreement with Mainland China is in our best interest.

The student demonstrators who occupied our national legislature decided to leave the assembly hall tomorrow, and I think it's very important for our legislature to make a new law on how to handle the oversight of cross-strait agreement to let people feel relieved that such agreement will work to our interest and to really promote peace and prosperity across the Taiwan Strait. It is quite understandable that when we concluded economic cooperation agreement with New Zealand and Singapore, they didn't encounter any difficulties in our national legislature. But once we have one with Mainland China, there have always been some inexplicable fear, as you said, too much dependent on Mainland China.

In fact, ever since we took office six years ago, we already changed that. In the year 2000 when the government changes in Taiwan, our exports to Mainland China and Hong Kong together account for 24 percent of our total export - 24. By the year 2008 when we took office,

the figure was 40 percent. In other words, during the previous administration, there was a 16-point increase in our export to the Mainland. Now, six years into my presidency, the percentage of our export to Mainland China went down to 38 percent, where our total export increased substantively. In other words, we have controlled the growth of export to Mainland China to a point which is lower than we took office.

That means we have diversified our trade to other parts of the world such as ASEAN countries. This is exactly very important policy of this government to diversify our export destinations and to assure our people that we will not put all our eggs in one basket. It takes time. It cannot happen overnight. On the other hand, as I said in my remarks, Mainland China became our number one trading partner in 2003. It is also very common in East Asia; many countries take Mainland China as their number one trading partner.

We cannot really change that overnight, but we could gradually develop other market so as to make a more balanced future. We are trying our best to explain to our people that opening up Taiwan is a very important part of our policy. If we want to join the TPP, if we want to join RCEP, we have to demonstrate our seriousness by not only working in Taiwan the Free Economic Pilot Zone, but also signing agreement with Mainland China, with Japan, with other countries to show that we are serious. We are determined to open up our market to deregulate the unnecessary laws and regulations to make Taiwan really a free economic pilot.

This is a very important part of our policy. We continue to do more public education and public communication to let people understand. We understand it's not going to be a very easy job. But easy or not, we have to try very hard. I'm sure in the future, people will understand for

a small but open economy like Taiwan, this is probably the only way we could do and we should do.

Paul Wolfowitz: For people who want to ask questions, I just want to add one brief comment to what you've said, which I agree with strongly. As the Chairman of the U.S.-Taiwan Business Council, I can also say that the opening cross-strait economic relations has made Taiwan a much more attractive place for American companies to come and do business. That's good for your economy, but it's also good politically. From a security point of view, we are working very hard to try to attract more American companies to Taiwan. What you've done in cross-strait relations helps in that regard. I think it's important for your people to understand that.

Ma Ying-jeou: Well, I'm sure. I certainly think your point is well taken. As I said, actually, cross-strait relations and our international relation are mutually actually supplementary. In the past, the two things are actually conflicting with each other and making it a vicious cycle. Ever since we took office, we tried to make it actually complementary to each other and creating a virtuous cycle. So far, we have done a lot in that regard. Certainly, we have to do more. Now, we will pay more attention to the domestic, as I said, public education and public communication to let people understand. Opening up to the rest of the world and deregulate the unnecessary regulations and laws is probably the only way for Taiwan to go. We do need to do more communication and education.

Christopher Johnson: Thank you, Mr. President. Now, we'll ask a few questions from our audience. It speaks to the wisdom of both of our discussants today that many of the questions that have been asked by our audience were reflected in the questions that they asked.

Let me ask one that has not come up so far or certainly one with more detail. We know about Taiwan's desire for F-16 C/Ds and for diesel submarines. What other defense procurement and military modernization efforts is Taiwan pursuing to make itself a harder target for the modernizing Chinese military?

Ma Ying-jeou: Well, we are in the process of retrofitting our F-16 A/Bs in order to upgrade its capability. On the other hand, we do need diesel engine submarines for the defense of Taiwan. We have already expressed our needs many years ago. So far, we haven't gone very far. Now, there seems to be a consensus in Taiwan that we should seek the foreign technology to help us build ourselves. These are the important consideration for the defense of Taiwan. I hope the American government will also take that into account.

Christopher Johnson: Our second question is the media has paid a great deal of attention to the possibility of a meeting between yourself and President Xi Jinping of the PRC, the so-called Ma-Xi Way [sounds like]. If the modalities could be worked out, what would you want to discuss with President Xi? What is the single most important message you'd want to convey to him if you were to have the pleasure of meeting him in person?

Ma Ying-jeou: Well, first of all, I have stated this several times in public that a meeting between the leaders of Taiwan and the leaders of Mainland China should occur when it is needed by our nation and supported by our people. The meeting should bring benefit to Taiwan and to cross-strait relations. So far, I have said that the APEC meeting should be a good occasion for the leaders to meet because the settings of that meeting seem to be tailor-made. Countries are referred to as economies. Presidents or prime ministers are referred to as leaders to greatly reduce, minimize the sensitivity of such an occasion. But the other side of the Taiwan Strait

does not take a positive view of this request. We still have to think about creating more favorable conditions for such a meeting.

You asked me what should be the subject. Of course, as I said, the subject should be intended for continued sustainable peace and prosperity across Taiwan Strait. This is actually the initial idea six years ago when I decided to improve relation across the Taiwan Strait. I think peace is the cornerstone of prosperity. After so many years of hard struggle between the two sides, it's time for us to think about ways to achieve peace and then prosperity. So far, as I said in my remarks, six years into my presidency, we have already found the right way to go and we certainly hope we continue to advance.

So we decided to set up offices in Taiwan and the Mainland, in each other's places, in order to facilitate more interchange between the two sides. We have also decided to broaden and deepen the current state of exchange. As I said, we've already concluded 21 agreements, but certainly, we could more. But we have to keep in mind that if we want to maintain the current state of relationship, certainly we need to find ways to ensure, as I said, sustainable peace and prosperity. That is something that the two sides have to work out together.

Christopher Johnson: Thank you very much. Our next question is: We've talked a lot today about the East China Peace Initiative and what a helpful contribution that has been. You mentioned Assistant Secretary Russel's comments recently praising the initiative. Do you think that Taiwan can also play a role in the peaceful management of disputes in the South China Sea? Is your administration thinking at all about a parallel initiative with regard to those disputes?

Ma Ying-jeou: I made it clear in my remarks that the spirit of East China Sea Peace Initiative could also apply to South China Sea. Actually, in negotiating a settlement with the

Philippines on the fishing boat shooting incident, we did use the same idea. We resorted to international law. That is the 1982 United Nations Convention on the Law of the Sea and on other areas of international law. Gradually, we were able to have agreement at least so far on the ways and means of law enforcement. So far, we have been able to use that principle to achieve peace in the East China Sea and part of the South China Sea. Of course, we have been able to do that on the Taiwan Strait.

We certainly hope the same principle. In other words, the ease of tension, the non-escalation of conflict, ideas that concentrate on the sharing of resources instead of territorial claims should be the focus of attention in any effort in South China Sea. As I put it in my remarks, the national sovereignty could not be compromised, but natural resources can be shared. When we reached the fishery agreement with Japan, we didn't make any concession on the territorial claim that we have on the Diaoyutai Islands. But we just think that it's a good strategy to shelve the territorial dispute, not sovereignty, a sovereign dispute so that we could concentrate on more urgent issues. I think this is probably the only way to solve issues, territorial or otherwise in East China Sea *and* South China Sea.

Christopher Johnson: I agree. Thank you so much. Our next question is sort of a refinement of something you discussed a lot today. It mentions that there is the possibility that the Trade and Services Agreement with the Mainland might need to be renegotiated. Would your administration seek to engage in TPP and RCEP negotiations before concluding more trade agreements with the Mainland?

Ma Ying-jeou: Actually, as I said, the TSA, Trade and Service Agreement, is part of ECFA. The ECFA has four parts: trading goods, trading services, peaceful settlement, and

investment protection. We hope to complete all these four in the near future and to make ECFA a complete one. After all, Mainland China is our largest trading partner. We have to demonstrate to other members of TPP that we are very serious to opening our market and to deregulate the system. We will continue to do that.

Now, the problem we now have with TSA will be handled very carefully. As I said, in Taiwan, anything that is connected with Mainland China sometimes generate controversies or sensitivity. So we have to handle that more carefully, letting our people know opening up to Mainland is something that we have to do but we have to do it very carefully. The impact on our society, not just our economy will also be taken into consideration. Actually, the government has set NT\$98 billion toward import relief for strengthening the business and for other purpose in relation to liberalization of trade. We have done that with ECFA because ECFA has been signed for four years.

There have been cases that we are requested to provide assistance to companies, which are affected by EFCA. This is something that we have thought about for many years because we joined the WTO in 2002, but we didn't benefit much from that because the multilateral trade negotiations had been stopped as a result of the Doha Round. We have to go back to bilateral trade negotiations. This is probably for Taiwan the most difficult part because of diplomatic situation. We have to persuade the people at home that, again, opening up Taiwan is a very important part of our survival strategy. I'm sure more and more people will understand.

Actually, even in newspaper, even in news, economic minister said the problems associated with TSA already affected the ongoing negotiation with some of our trading partners. They were a little bit surprised and puzzled with what's going on with Taiwan. Although we

continue to reassure them that we are determined to open our market, to sign more FTA-type agreements with our trading partners, but what happened in Taiwan certainly will make them a little bit uneasy about Taiwan as a reliable trading partner and our seriousness about the trade liberalization. We still have a lot of work to do inside Taiwan and outside Taiwan to make our counterparts understand we will take care of the problem at home, to try our best to make our legislature pass the TSA so that we could complete the whole framework of the ECFA.

Christopher Johnson: Thank you very much for that very comprehensive answer. Our next question is what would you say is the most important agenda item in U.S.-Taiwan relations for the remainder of your term in office, which is not exclusively a U.S.-Taiwan bilateral issue but rather is a multilateral matter?

Ma Ying-jeou: Well, as I said earlier, the relations between Taiwan and the United States actually focus on security and economy. In security, I've already said the security cooperation with the U.S. in the last six years has been quite close and beneficial to both. A lot of people say the situation was even better than it was when we have diplomatic relations. We'll continue the close cooperation to make sure not only our security relationship to make Taiwan safe, but also to make Taiwan a responsible stakeholder in this part of the world and play the role of a regional peacemaker.

On the other hand, on the economy side, our BIA with the U.S., our participation in TPP certainly will contribute to our economic security. But also, it will make Taiwan economy more vibrant. This is certainly also in the interest of the United States when the United States continues to enhance its economic presence in this part of the world. If we are able to join the

TPP then we'll be the sixth largest economy in that organization. Certainly, that will bring benefit to all the members of TPP.

Christopher Johnson: Thank you very much. Our last question regards the comments you made about deregulation in Taiwan's domestic economy to be able to facilitate participation in these regional trade architectures. Could you provide a few more specifics with regard to what your administration is thinking about in that area of deregulation going forward?

Ma Ying-jeou: We actually have already deregulated about 860 laws and regulation ever since I took office. Of course, that's not enough. We have to do more, so we have asked all the ministries under the cabinet to review and re-review all the possible areas that we could do more liberalization. Particularly, in the month of February, we have called back 17 representatives, ambassadors abroad to Taiwan to work out how many issues, trade and otherwise we will encounter in the future in our efforts to join TPP and RCEP, to identify all these issues and try to find ways that we can negotiate with our trading partners. This is really an all-out effort and comprehensive effort to open up Taiwan. We certainly realize there are difficulties in some sectors of economy which fear the opening, so we'll do it gradually.

In the case of Singapore and New Zealand, these are two high-quality agreements. From the beginning of its entry into force, more than 99 percent of the items will be covered by the agreement. Out of this 99 percent, roughly more than 80 percent will become zero tariff, effective, simultaneous with the entry into force of agreement. This is really a new experience for us, for government, for industry because what a high quality agreement is all about. Once we have that experience, we certainly will learn and try to apply that to other countries. This is why

we use negotiating the Economic Cooperation Agreement with Singapore and New Zealand as an important way to create favorable conditions for Taiwan's forthcoming joining of the TPP.

Christopher Johnson: Thank you so very much, Mr. President, for all of those comments. Let me take a moment to thank Congressman Diaz-Balart and also Dr. Wolfowitz for being our discussants today. I want to thank you as well, Mr. President, for your candor in answering those questions. We can see in your remarks that the passion that you have for all of these issues and for Taiwan's future. We so appreciate your spending this time with us this morning. I'd like to invite you now to please share with us any closing remarks that you might like to share with us at this time.

Ma Ying-jeou: I want to thank CSIS again for organizing this informative and timely conference on Taiwan-U.S. relations on the eve of the 35th anniversary of the enactment of the TRA. I also wish to recognize the invaluable contributions of the conference panelists for their insightful observation on the present state of Taiwan-U.S. relations. Let me thank the audience and distinguished guests for their participation.

The TRA is the cornerstone of Taiwan-U.S. relations. It has stood the test of time, nurturing Taiwan's blooming democracy and vibrant economy. It has given Taiwan the confidence to engage constructively with its neighbor across the narrow Taiwan Strait. I wish to close by saluting the TRA on its 35th anniversary and by hailing [sounds like] the close friendship of the people of Taiwan and the United States. We have stood together in war and peace, in good times and bad. The Republic of China and the United States will continue to stand together in the years and decades ahead. Thank you very much, ladies and gentlemen.

Christopher Johnson: Thank you. Ladies and gentlemen, please join me in thanking

President Ma.

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