
Karl Eikenberry: Director General Ma, good to see you here and welcome everybody on behalf of the Assurance and Asia Pacific Research Center, the US Asian Security Initiative and then very specifically, our Taiwan Democracy and Security Project.

Welcome to today's talk, which is titled the United States and Taiwan: An Enduring Partnership by my good friend, Ambassador Jim Moriarty who is the Chairman of the Board of Trustees of the American Institute in Taiwan. Otherwise known as AIT. Jim, I don't know in your talk if you're going to explain the roles of AIT. It's a very interesting history, but if not I will certainly ask that when we begin the Q&A.

All of us here, I look around this audience, I think almost everyone here knows the history of relations with Taiwan and China in the United States over the decades. All of us know that the Taiwan Relations Act, along with the three US China Joint Communiques, which were a set of documents which were signed between 1972, the first communicate, and 1982, the third communicate, that these documents established the foundation of US policy towards an engagement with Taiwan and they still do today.

It's through this framework that the United States and Taiwan have built what we call a comprehensive, a durable and a mutually beneficial partnership that's grounded importantly in shared interest and shared values.

So Ambassador Moriarty this afternoon is going to review with us his view of the current state of this very unique and "unofficial" relationship in terms of security, economics and very importantly, people to people realms.

I was talking to Jim earlier. When it comes to US relations with Taiwan and China, the triangular relationships, it seems like there's never an uninteresting time to talk about them, but today is a particularly interesting time.

Taiwan, like so many of the world's democracies, are facing challenges that are both political and economic in nature. China, under the leadership of President Xi Jinping, has shifted its policies towards Taiwan since the election of President Tsai Ing-wen to one that includes more coercive diplomacy and military actions, mixed with its own unique version of soft power with Beijing characteristics.

The US policy in Asia dominated by the North Korea issues and trade policies seems to, some of us at least, a bit uncertain. So within that mix Ambassador Moriarty is here to make sense of all of this for us today. First a few words of introduction.

Ambassador Jim Moriarty assumed his position as the Chairman of the Board of Trustees of the American Institute in Taiwan, as I said, AIT, in October of 2016. I will say a brief word about AIT. It's a non-profit, private corporation established pursuant to the Taiwan Relations Act, the TRA, to manage this very critical US unofficial relationship with Taiwan.

Ambassador Moriarty has decades of experience on Taiwan, on China and on Asia and occupying some of the most senior level positions in doing so.

Ambassador Moriarty served as a Special Assistant to the President of the United States and as his Senior Director for Asia on the National Security Council from 2002 to 2004. Prior to that, Director for China Affairs at the National Security Council 2001 to 2002. He led the political sections at the United States Embassy in Beijing 1998 to 2001; is where I formed a great partnership with Jim when I was a Defense Attaché at that time.

Jim's also served as the Political Minister Counselor at American Institute in Taiwan 1995 to 1998. Also managed to work in time as the United States Ambassador to Bangladesh and the United States Ambassador to Nepal.

Earlier assignments during this illustrious 36-year career as a diplomat included other postings in Taipei, in Beijing, in South Asia, in Africa and Washington D.C.

Since retiring from the Foreign Service in 2011, Ambassador Moriarty has worked in the private sector. I'd like to make two comments on his living a very meaningful life post-diplomat.

Number 1, in Jakarta 2013 to 2014, Ambassador Moriarty setup a program nicknamed Progress. It was a US government project to help assist ASEAN with their building of political and security and social, cultural communities. We'll have you come back here under Don Emerson's program for a separate talk on this.

Since 2016, Jim has been the country director for the Alliance for Bangladesh Workers Safety. A very, very meaningful effort underway there.

Currently Ambassador Moriarty lives in Hawaii with his wife, Lauren, who's a great diplomat in her own right and he's fluent in Mandarin Chinese. So without further ado, Jim, thank you so much for spending time with us. We welcome you here.

[Applause]

James Moriarty:

Thank you, Karl, for that very kind introduction. He talked a little bit about our time in Beijing, but when I first met Karl Eikenberry, he was probably the leading US military expert on China, knew the place, fluent in the language, hard-working. He was a man that was a pleasure to work with. I should have been able to predict what would have come next.

He had this long, distinguished career of public service. He added two more stars to the single one he had. In Beijing he became an ambassador and now he has finally risen to the heights of being a professor here at Stanford. It's a real privilege for me to be on the same stage as him. So thank you for inviting me, Karl.

First I'd like to explain just a little bit about what Karl was hinting at. My own role as Chairman of this mysterious thing called the American Institute in Taiwan.

As Karl mentioned, it's a nonprofit. It's a non-profit however that was established by the US Congress to advance US relations with Taiwan. It gets its money from the US Congress. It looks suspiciously like an embassy in the way it operates. It's got a visa section, a political section, a cultural section, an economic section. It's got military people. It's got agricultural people. It's got commercial people, but it's a non-profit.

All of these people who work there are detailed by their home agencies to work for this non-profit.

Meanwhile, I am not the person who looks like the Ambassador in Taipei. That's a very talented diplomat named Kin Moy, who I've also known for a couple of decades now. I am the person who chairs the board of this unusual institution. That means that I get to meet with senior level Taiwanese officials when they come through.

It means I get to hold votes that confirm that the money that the State Department has allocated for the American Institute in Taiwan should actually go to the American Institute in Taiwan

and, importantly, I do get to discuss political policy substantive issues with Washington officials, with officials at the Pacific Command, with officials in Taiwan. So it is a unique job.

There's nothing else like it in the US government. There's no other place where we have setup an unofficial body to manage what has become an incredibly full relationship with Taiwan.

Right now I am going to also commend Stanford, which is also doing something that's pretty unusual. It is managing this project on Taiwan's democracy and security. I say that because Taiwan's transformation from an island ruled by Marshall Law to a beacon of democracy to my mind is one of the great stories of the 20th and 21st Centuries. We should all cherish the powerful example that Taiwan offers to the Indo-Pacific region and to the entire world.

Today I'm going to review the foundation for US policy toward and engagement with Taiwan and discuss the current states of this unique, unofficial relationship in the security, economic and people to people realms. One of the areas I'm going to highlight will be the US government support for Taiwan's efforts to participate in and contribute to the international community.

I'll then close with a brief look at cross strait relations.

Let me start by describing the TRA, the Taiwan Relations Act and the US One China Policy, as Karl has alluded to already.

At the beginning of last year when the Trump administration took office, a lot of observers in the United States and on both sides of the Taiwan Strait were undoubtedly watching for any signs of change in US policy toward Taiwan.

I counseled then that US relations with Taiwan would continue to be driven first by our One China Policy based on the Taiwan Relations Act and the three US/China joint communiques. Second, by the enduring interest of the United States of America and, third, by a continuing desire for stability in the Taiwan Strait.

Over the past year the administration's policy toward Taiwan has borne out those expectations. Early on in the administration President Trump in his meeting with President Xi Jinping at Mar-a-Lago, we affirmed the US One China Policy that Karl and I have described.

Our longstanding One China Policy maintained through both Republican and Democratic administrations, including by the current one, has been successful in maintaining cross strait stability for decades.

As articulated in the three joint communiques, the United States acknowledges the Chinese position that there is one China and Taiwan is part of China. The United States does not challenge that position.

Instead, our position focuses on how a resolution of the differences between China and Taiwan should be achieved peacefully. It does not describe the character of what those relations should be.

We have urged consistently that Taiwan's ultimate status be resolved peacefully to the satisfaction of the people on both sides of the Taiwan Strait.

The Taiwan Relations Act, the TRA, clearly articulates certain US commitments to Taiwan. Through the TRA, the Taiwan Relations Act, and under the auspices of the American Institute in Taiwan, the people of the United States maintain commercial, cultural and other relations. That's a direct quote. With the people on Taiwan.

The United States is also committed to providing Taiwan with arms of a defensive character. Here's a key part here. I like to stress this. It is the policy of the United States, from the TRA, "To consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargos, a threat to the peace and security of the Western Pacific area and of grave concern to the United States.

As a power with global responsibilities and interests, the United States has a natural interest in peace throughout the Indo-Pacific Region. Stability in the Taiwan Strait is essential to that goal. It is this enduring interest in peace and security that undergirds the US policy as articulated by the Taiwan Relations Act. Not only to provide Taiwan with arms of a defensive character, but also to maintain our capacity to resist any resort to force or other forms of coercion that would jeopardize the security or social or economic system of the people of Taiwan.

Consistent with the Taiwan Relations Act, the Trump administration announced in June 2017 plans to sell \$1.42 billion in military equipment to Taiwan. Consistent with the TRA, the United States will continue to make available to Taiwan defense

articles and services necessary to enable Taiwan to maintain a sufficient self-defense capability.

This policy contributes to stability across the strait by providing Taipei with the confidence needed to pursue constructive interactions with Beijing.

At the same time, security relations with Taiwan are about much more than arms sales. Taiwan's key defense and military leaders understand the need to overall Taiwan's security concept and to embrace modern, asymmetric approaches and innovative ways to employ existing capabilities. The United States supports this effort.

Through AIT and its counterpart organization, we are working with Taiwan to ensure the successful transformation of its defense concept, including with respect to specific initiatives like the overhaul of reserve forces.

The US commitment to implementing the Taiwan Relations Act is firm, but that commitment alone will not secure Taiwan against the backdrop of an increasingly complex and uncertain cross strait environment. Taiwan must do its part to invest in capabilities that deter aggression and help Taiwan mount an effective defense should deterrents fail.

While we commend Taiwan for the considerable strides it has made, it can and must do more to provide for its own security through substantive actions such as ensuring an adequate level of defense spending.

Turning to economic ties, Taiwan's continued economic security and vitality are equally important to the United States, which is why we strive to deepen our economic ties. Those ties are extensive as we have grown to become each other's 11th and 2nd largest goods trading partners, respectively.

Taiwan is not only an important buyer of US goods and services, but an important investor in the United States. The stock of bilateral foreign direct investment between the US and Taiwan exceeds \$21 billion. Taiwan is a top 20 importer of US services and a top purchaser of US agricultural exports and intellectual property.

The US/Taiwan economic relationship is strong, but could be even stronger. AIT and its Taiwan counterpart facilitate work to address trade issues through the Trade and Investment Framework

Agreement, or TIFA. If Taiwan is to reinvigorate its economic growth, that will be done in part by pursuing through the TIFA mechanism the economic liberalization to which Taiwan has committed.

If we can successfully use mechanisms like TIFA to resolve trade irritants between our two economies, we will foster an even stronger and closer trade relationship.

The United States and Taiwan also need to focus on improving our trade and investment ties in other areas, such as intellectual property rights, pharmaceuticals, medical devices, investment and technical barriers to trade.

The United States appreciates Taiwan's continued efforts and progress on these issues. In addition, we would welcome fresh thinking about how we can make progress toward our mutual goals.

The United States and Taiwan have enjoyed decades of close economic cooperation on technology, including on electronics and semi-conductors. We are now working to bring the US/Taiwan economic relationship into the digital age through the increased digital economy and cyber security cooperation.

The past year also saw milestones and progress in other aspects of the US/Taiwan relationship. The Fulbright Program in 2017 celebrated 60 years of educational exchanges between the United States and Taiwan. Taiwan remained the seventh largest source of international students in the United States in 2017 sending over 21,500 students to the United States, which represented an increase of 1.8 percent from the year before.

Through an arrangement between AIT and its Taiwan counterpart, the two sides agreed to allow their passport holders to apply for each other's trusted traveler program making Taiwan our third global entry partner in East Asia. A significant development that will facilitate travel between the US and Taiwan.

As Chairman of the American Institute in Taiwan, I am looking forward this summer to the dedication of AIT's new state-of-the-art complex in Taipei. \$250 million, 9 years in the building. It will be opening up in Neihu this summer. It is a proud accomplishment. It is a magnificent facility and it's an important symbol of the US commitment to Taiwan. Also of the close links that tie the people of the United States and Taiwan together.

Finally, of the comprehensive durable partnership that we have built together based on shared interest and the shared values of democracy and human rights.

Recognizing that Taiwan has much to offer the international community, the United States will continue to support Taiwan's membership in international organizations where statehood is not a requirement for membership and its meaningful participation in international organizations where statehood is a requirement.

Taiwan should be able to contribute its expertise and experience to help tackle a number of regional and global issues. Public health is one prominent example of a sector where it is in everyone's interest for Taiwan to play a role in addressing global challenges. That is why the United States will continue to support Taiwan's meaningful participation in the upcoming World Health Assembly.

The decision in 2017 to deny Taiwan an invitation to participation in the WHA as an observer was deeply troubling. This and other attempts by China to exclude Taiwan from international organizations prevent the international community from benefiting from Taiwan's expertise, harms cross strait relations and runs counter to Beijing's own professed goal of winning the support of the people of Taiwan.

Along with efforts in international organizations, the United States looks for other ways for Taiwan to earn the dignity and respect that its contributions to global challenges merit.

The Global Cooperation and Training Framework launched by AIT and its Taiwan counterpart in 2015 combines US and Taiwan resources and capabilities to help partners throughout the Indo-Pacific address pressing global challenges.

More than 200 policymakers and experts from dozens of countries have participated in 10 programs on humanitarian assistance and disaster relief, public health, energy, women's empowerment and the digital economy.

Taiwan deserves commendation for its timely action on a number of key security issues standing in solidarity with the US and setting a valuable example for the entire international community.

For example, with respect to our top foreign policy priority, Taiwan has cutoff trade with North Korea and has taken other

actions in support of the international pressure campaign in response to North Korea's continued threats to international peace and security.

As a valued member of the coalition to defeat ISIS, Taiwan has contributed money and supplies to help with demining efforts and to assist those who were forced to flee their homes in Iraq and Syria.

There has clearly been continuity in implementing the US One China Policy and at the same time, impressive growth and ties between the people of the United States and the people on Taiwan.

Developments in cross strait relations over the past year, however, tell a much less positive story. Observers in the United States both inside and outside government, including a broad spectrum of members of Congress, are deeply troubled that China has increased pressure against Taiwan.

Recent congressional actions on Taiwan like the unanimous passage of the Taiwan Travel Act reflect those concerns. AS the Department of Defense has noted, Beijing continues to pursue long-term, comprehensive military modernization.

Over the past year, increased PLA activity in the air and seas around Taiwan has also increased tensions. The United States remains concerned by China's lack of transparency about its growing military capabilities and associated strategic intentions, as well as China's continuing unwillingness to renounce the use of force against Taiwan.

We oppose unilateral actions by any party aimed at altering the status quo including any resort to force or other forms of coercion.

The People's Republic of China also recently commenced operations on the northbound heading of the M503 air route through the Taiwan Strait without genuine consultation with the Taiwan authorities.

In the Dominican Republic's sudden switch of recognition to the PRC this Monday is a clear sign that the diplomatic truce that previously existed between Taibai and Beijing no longer applies.

Let me underscore that Beijing's efforts to alter the status quo are unhelpful and do not contribute to regional stability. The United States has a deep and abiding interest in cross strait stability and

believes that dialogue between the two sides has enabled peace, stability and development in recent years. The United States urges China to work to restore productive dialogue and to avoid further escalatory or destabilizing moves.

The abiding national interests of the United States require that we react to policies that threaten cross strait peace and stability. We encourage both side of the strait to demonstrate patience, flexibility and creativity in resolving their differences. It is critical that both sides of the strait utilize direct authoritative channels of communication to manage issues effectively and to avoid miscalculation.

While we appreciate President Tsai's pragmatic approach to cross strait relations, let me underscore that US cross strait policy is not directed solely at one side of the strait or the other. There should be no unilateral attempts to change the status and quo and that applies to both sides.

When we see something, when the United States sees something that threatens the status quo, whether it's a proposed referendum on UN membership during a previous Taiwan administration or China blocking Taiwan's participation in international organizations devoted to global health and civil aviation safety, we speak out.

To reduce the risk of miscalculation and unintended escalation, the United States will continue to urge both sides to engage in constructive dialogue.

Let me sum up by saying that as we honor our One China Policy, the United States remains firmly committed to supporting Taiwan. Indeed that commitment has never been stronger. The United States endeavors to improve our economic partnership with Taiwan, to support its confidence and freedom from coercion, to deepen the bonds of friendship between our people and to ensure that Taiwan has the ability to make positive contributions to the international community.

Taiwan is a vital and reliable partner in the Indo-Pacific Region and is a force for good in the world. Taiwan merits the continued strong support of the United States of America. Thank you.

[Applause]

Karl Eikenberry: Jim, I'd like to start. We do go way back and if you look at whether you sat in the Department of Defense or the Department of State going back to the late 70s, early 80s, it's interesting. We have this framework, the three communiques and the Taiwan Relations Act and we refer to those as the foundation. Every administration reaffirms them, but then you look over time and you look closely at US/Taiwan relations. There's been changes that have occurred, but always within the context of those four foundational documents.

So whether it was President Reagan's administration which led to the third communique, then President Bush, President Clinton, President Bush again, President Obama, now President Trump, you see changes in Taiwan policy. Could you characterize now with the current administration, President Trump, what changes has the administration made in Taiwan policy? You referred to one of them. Well, it was a congressional action, but what changes have occurred under the Trump Administration?

James Moriarty: I actually see a lot of continuity with respect to the crossover between the two administrations. I think as Karl mentioned, I've been doing this job since the tail end of the Obama administration and have continued doing it under the Trump administration.

The biggest change that I see right now is the uncertainty in the US/China relationship. The US/China relationship appears to be changing quite a bit and that does have an impact on perceptions of Taiwan.

I would go back to something that strikes me, however, is that if you take that longer sweep, the biggest change was Taiwan's democratization back when the three communiques and the Taiwan Relations Act were promulgated and passed, respectively. There was no assumption that Taiwan would move from an authoritarian state to a generally democratic state. That has shifted calculus to some degree.

I think that there is a recognition that given the shared values the framework for cooperation with Taiwan has changed quite a bit.

There's also the recognition that the cross strait relationship has changed. That is a factor not just of the Trump administration coming to power, but also the Tsai Ing-wen administration coming to power. Cross strait relations as I laid out in my remarks have obviously deteriorated. We don't like to ascribe blame, but basically there's a clear desire on the administration of President

Tsai to try and keep the strait's issues as calm as possible. While there have been a series of Chinese actions that were taken specifically to limit Taiwan's international space and to some degree, to punish Taiwan for things that it might or might not be doing.

I still see a lot of continuity, but what you're seeing is an evolution of the strategic atmosphere in East Asia and that is having an impact on that triangular relationship among Taiwan, China and the United States.

Karl Eikenberry:

Jim, talking about the cross strait relationship and how it's evolved, a really profound difference from say 1982, the last communique, and today is that the military balance across the strait has changed dramatically. So from 1982, a big part of that communique is about arms sales, for 10-15 years afterwards, if you were a defense planner in Taiwan you were interested in trying to think through how do we actually maintain a military balance.

Clearly the PLA with the enormous investments that China has made in defense modernization, the size of their force, the capabilities, I think you referred to it during your talk, it's we've moved beyond trying to keep a conventional military balance.

Now it's for Taiwan, in the context of the Taiwan Relations Act to think about deterrents in new and innovative ways. That said though, you had also noted that people have encouraged Taiwan to lean more into defense in new ways. Not to necessarily maintain a conventional balance, which can't be done, but then you look at Taiwan and Jim, as you know, their percentage of spending, GDP, is less than two percent.

To put that into perspective, NATO, as a military alliance, they have as a standard that each country of NATO should try to get to two percent and very few have done that. It's very frustrating for the United States, except in NATO, those countries that feel the Russian threat directly. So the Poles spend less than two percent. Generally the Baltic states, they spend more than two percent.

If you look at the Republic of Korea, I think the Republic of Korea is over four percent of their GDP. They face an existential threat. So in the case of Taiwan why has it been so difficult for this vibrant democracy to spend more on defense?

Then if you could take that a step further, you've noted that, well, it's not just how much you spend on defense. What do you spend it

on, but could you take both of those, why the challenge of getting to higher levels of defense spending and what should, in your view, your personal view, not the administration's, should Taiwan be investing more in?

James Moriarty:

Well, I think with respect to the first question, you have to look at Taiwan's politics in society and its recent history. The shift from an authoritarian government of all of China to a democratic government concentrated on Taiwan and its offshore islands is a huge shift in global outlook.

In the 1950s and even into the 1960s Taiwan was planning on retaking China. That was the goal of government at the time so you could justify large defense budgets and, frankly, under an authoritarian government there wasn't much need to publicly justify. You could set your own priorities.

The shift to democracy and the shift away from any emphasis at all on trying to retake the mainland opens the question of what do you spend money on and why. Where are your priorities going to be. Every democracy faces the question of what we call guns versus butter.

How important is defense spending versus spending on health, education, pensions and inevitably, unless there was a sense of urgency, those other very important social issues begin to loom even more important in the calculus of politicians who need to run the country.

The people demand decent healthcare, demand good education. Only experts who follow the cross strait relationship will be worried about specific items with respect to is China getting more hostile, are they developing the capability to launch an attack across the Taiwan Strait. It's not really a matter of much public discussion in Taiwan because it's not really in the interest of individuals to raise the issue.

That is important because even percentage of GDP, it's an interesting metric, but the real question is have you designed the forces you need to play the role you need. All of the experts I talk to love to point out that one of the most difficult things to do for any military force is to plan an invasion across water into a hostile environment.

It's actually pretty easy to defend against an invasion. Think of all the training and the hundreds of thousands of soldiers, the

thousands of ships that were put together before the D-Day attack on the European continent. It's a very complicated, very difficult task and it can be made much more difficult without huge expense.

You mentioned the balance and that's the key issue, which is if you look at it, it's hard to conceive a situation where Taiwan would have enough planes and enough capability to win the equivalent of the Battle of Britain over the Taiwan Strait. It's difficult to conceive how its navy could defeat the PLA navy just in terms of numbers in an open battle.

It is easy to conceive of ways where the PLA Air Force would continue to lose large numbers of planes where the PLA Navy would have no assurance that most of its ships would be able to cross safely across the Taiwan Strait. Those are the things that people should concentrate on.

How can you not control the air space, but deny the air space to a possible aggressor. How can you have enough good missiles, for example, to make air operations difficult and, as we found in North Vietnam when we began bombing North Vietnam during the Vietnamese War, all the Soviets had to do was send some surface-to-air missiles to the North Vietnamese and all of a sudden our focus shifted for months from attacking logistical hubs to trying to figure out where those missiles were coming from.

Taiwan needs time and it can buy time and it won't be hugely expensive even to do that is what we seem to believe. We've talked to a number of experts. There were a number of very good studies done by the Taiwan side early on. We are talking to the Taiwan side about this. We hope that we'll see a shift to urgently addressing this imbalance that might make the use of force seem like an option that is worth considering.

Karl Eikenberry:

Thanks Jim. Let me ask one more question then open it up to the audience here. So you laid out the history of US/Taiwan relations. You talked about how they're, say, in a relationship at times with US, PRC relations, PRC Taiwan relations, but it's interesting.

In this set of relationships, like no others, do you have leaders of countries, top legislators and they're referring to these particular documents. So you have a leader in Beijing saying, "That's not consistent with the 1982 communique." Or a member of Congress saying to an administration here, "That's not consistent with the Taiwan Relations Act." There's nothing like this where you're referring to these set of communiqués and congressional acts.

Now, to get to cross strait, there's the 1992 consensus. I wonder, Jim, putting on your analytical hat, could you talk about that maybe to explain to this group what is the 1992 consensus and after you explain that, it would seem that if you're Beijing and you're talking about the 1992 consensus, this is so easy. Just President Tsai, they don't refer to as President Tsai, but if President Tsai, all you need to do is say that we agree. We'll go back to the 1992 consensus and then everything will be okay.

If you're President Tsai you're saying there's a lot of strategic reasons. There might be some political reasons that I don't wanna, I cannot do that. Again, your analytical hat, can you explain what this is all about and is there any way forward here?

James Moriarty:

Well, for the Chinese speakers here, it's the 1992 consensus and people dispute what actually was said in 1992, but anyhow, the 1992 consensus according to Beijing and according to KMT officials involved in the negotiations, I believe it was in Singapore in 1992, that is they describe it as "*yi zhong ge biao*", One China with different interpretations.

The Chinese say that just saying this, would be reassuring to China and that it would be an implication that Taiwan also views itself as part of a larger China. So it would in essence be the theoretical justification for eventual political talks on unification. That's why it's so important to China.

For Taiwan, that's why it's tough for them to say it politically. Accepting the formulation is now being put forth by various parts of the _____ and by Beijing would imply, yes, we acknowledge that we are part of One China and are going along with that, it's an implication that at some point we need to talk about what does unification eventually look like.

I think that they both come to the same conclusion that that's the implication of this I Jung Gorbyow that basically they both agree there is but one China. The question is how does it get back together and what exactly does it look like after it gets back together.

Of course from the Taiwan side, this isn't that different from the traditional Chinese formulation of "*yi guo liang zhi*", one country, two systems, which basically is the commitment that China made under the basic law of Hong Kong. The Chinese think that that's just great. They continue to push this as a formula for Taiwan.

Taiwan looks at Hong Kong. Sees restrictions on democracy, fears about the declining neutrality of the courts, the increasing involvement in Hong Kong affairs by Mainland China and says, “Wait a sec. That’s not a system that we would like.”

So I think in the back of their minds it’s tied to this One China different interpretations eventually leads you to negotiations that are geared towards the best hope they could have is a one country two systems formulation, which the people in Taiwan by and large not ready to see.

Karl Eikenberry: Maybe I could ask just one more – talking then about cross strait. So in Taiwan, you mentioned all the students in the United States and I knew the numbers were high. I didn’t know seventh largest. That’s quite impressive, but we also see a lot of students from Taiwan going to the People’s Republic. That there’s these soft power moves to try to encourage more students; good jobs.

In your view, again, your analytical view, just watching this, do you think that that can make a difference in terms of trying to bring the two sides together?

James Moriarty: It might to some degree, but ultimately, I think if you understand each other that helps, but I use this description. It’s been fun for me going back to Taiwan to meet all sorts of people and to talk to young people in particular. People who were probably young kids when I was there last.

When you talk to them you realize these folks have what I like to call a democracy chip in their DNA that basically they’ve grown up expecting that they were gonna vote, they were gonna elect their leaders. When they got tired of them, they’d throw them out and elect new leaders. They could say anything they wanted at any time they wanted.

It’s like me. This is what I expect. This is my life as an American. This is what I’ve been doing for 64 years. I always tell people, “I’m gonna vote in 2020. I’m gonna vote in 2024.” The kids in Taiwan, I don’t know. Older folks from Taiwan might not be totally aware of this, but this is just built into their mentality.

It’s good for people to go to the mainland to try and understand it, but I wouldn’t automatically think that folks who go to a society where you don’t have those types of freedoms, where nobody gets to elect the leader and where the emperor has just declared that he

will be emperor for life, it's hard for me to imagine that that will convince the people of Taiwan, the youth of Taiwan that that's a future that they want because, again, they realize that that's probably what they would end up getting. Something like a Hong Kong solution was the absolute best they could hope for and that's not really what they want either.

Karl Eikenberry: Great, Jim. Well, this audience has democracy in their DNA and if I don't open the floor here pretty soon for questions, they're gonna vote me off the stage here.

What I'd like to do when Kharis finds the – you got the microphone back there. Great.

James Moriarty: They have a mic. We do have a mic –

Karl Eikenberry: So Kharis, why don't you just point to the questions and Patrick, you'll move the microphone. What I'd ask is that when Kharis calls on you, wait for the microphone and if you could give your name and if you have an affiliation to provide that, too, to the audience.

Female: So hands of questions. Let me add a couple other things. First, please ask a question. Not a statement. In the interest of time, we have a lot of people in the audience. I ask that you keep that question fairly brief so that we can hear from our distinguished guest. In the back there.

Question: Thanks for this fascinating overview on Taiwan relations. I'm Scott McCloud, World University School, which is MIT Open _____, which is already in Chinese _____.

In terms of new, fresh thinking and perhaps and emergence in the future of _____ between Taiwan and China, I'm curious what an online MIT open course _____ university with law school, medical school that could even on another side employ with faculty positions and jobs and perhaps in conversation with the Stanford Law China _____ Project, 87 cases from the Beijing Supreme Court, last time I checked was translated _____ gave feedback to China. How that might affect this ongoing conversation between democracy and developments in the area.

James Moriarty: Well, I think there are several things that I would break down there. First of all, I think it's a very useful project to get people looking at each other and thinking about the same issues and see where the similarities and the differences are.

I would give a slight word of caution, however, in that it's dangerous to describe it as ideas about democracy right now in the Chinese context. That's something that will throw up firewalls.

Rule of law, but it's actually **Ifa Jergwa**. It's not **Fajerwa** as we understand it. The difference for the non-Chinese speakers is Ifa Jergwa is the traditional concept way back to **Jin Jer Won-Di**, the original emperor, saying that you use laws to design a system to control the state, to control the country, to control the population.

Fajerwa basically is much closer to our concept of rule of law. So there is interest on something about making the legal system better. There is even desire in China to make it more transparent. The legal system in Taiwan is not perfect. Just like the legal system in the United States is not perfect. So there is room for conversations there.

Again though, with respect to several of the areas that are sensitive, it's gonna be hard to see how much progress you can make without hitting the firewall and seeing it go up and say, mm, time to get this off the internet. I look forward to hearing a report from you on how it goes.

Male: You need somebody to film you while you're taking that –

James Moriarty: That's right. This is confusing. Or do you just turn it around.

Question: Hi, Ambassador. Welcome to the Bay Area. I'm Min Ku. I'm the reporter with KTSF TV. It's a Chinese TV station in the area.

Earlier in your remark you mentioned about in the past, a couple years, a year and a half China has impressed pressure against Taiwan in terms of the military action and the diplomatic efforts and altering the status quo.

In the past we know maintaining the status quo has been achieved through _____ cross strait relationship. So if one side changing the status quo and what kind of action will US take and what kind of role that US will be _____/

James Moriarty: We are always taught as diplomats never to answer hypothetical questions. Now I am the Chairman of a non-profit so I think I will dip my toe gently in and probably get into some trouble for it.

Basically if you look at it, yes, we do worry about some of these actions I described as changing the status quo, potentially destabilizing the cross strait relationship. Ultimately what things like that do is they force the US to look at how does it work with Taiwan to counter some of these pressures.

I mentioned briefly our support in international organizations. It's actually tough to move them, but it's stepping up and it's stepping up precisely because we see China being more active. We're getting more responsive whenever China decides it's gonna grab another diplomatic partner of Taiwan. Not because we have diplomatic relations with Taiwan, but we do see that as a change of the status quo that is potentially destabilizing.

So when they take steps that somehow threaten status quo, we do have to look at what do we do, how do we respond, what's an effective response that doesn't lead to a downward spiral, but forces China to reconsider whether a given action is in its interest.

Karl Eikenberry:

Jim, if I could. When you talk about China and some of the actions it's taken, maybe diplomatic coercion, military actions trying to send signals to Taiwan, what I have to say was surprising to me was the degree of congressional support for different responses to this.

We maintain this huge, robust relationship with China, top trader and trading partner. You look at the amount of interaction. You mentioned students from Taiwan. There's 200,000 students from the mainland here today; 300,000, but who's counting.

Why is it with all these changes that have occurred where China, if you look at our interdependency and the amount of interaction we have going, which has risen so dramatically and Taiwan's hitting way above their weight class at size, but it's still far below PRC.

Why does Congress in your own experience, why do they continue to look at Taiwan and have obviously special sentiment here in concerns?

James Moriarty:

Well, there has been a lot of support traditionally for Taiwan in the Congress. Frankly it goes back to the old authoritarian days when the KMT lost the Civil War on the mainland. You remember that that was a big shock for the American public.

What has happened more recently is that the relationship with China has gotten increasingly problematic. There really is no way

of denying that we are not nearly as comfortable in our relations with China as we were five to ten years ago. China has changed. Chinese policies have changed. The trade and investment areas have switched from areas where we saw opportunity to areas where we see huge challenges.

We see Chinese policies that seem to be designed to replace America in the economic field and, frankly, in our role in East Asia. That has increased the emphasis on looking at Taiwan as a benign democratic partner that only wants to survive and wants and values a good relationship with the United States.

So the contrast is becoming starker and starker and, frankly, every military exercise seemingly threatening Taiwan falling out into the Pacific, it just keeps on reminding Congress that look, China seems to have aggressive intentions against a democratic entity that only wants to be allowed to survive.

It's a stark story, but the increasing refusal of the Chinese to back off of force as a tool for reunification just reinforces this feeling that China is an aggressive power, that is unfriendly toward the United States and, frankly, is pushing Taiwan around in ways that are not – I don't wanna say not acceptable, but are not just. Not correct.

Male: Let me get way in the back here.

Question: Thank you, Ambassador. My name is _____, first generation of _____ America _____. Just a quick question about recent China _____ global witch hunt that they have _____ this is. On their website they have a church. _____ Taiwan _____, but because they're private business so I don't say that it's easy for the government agency to do anything _____. So just want to know about what your opinion on this and is there something that the Taiwan government can do or other people can do about this.

James Moriarty: It's one of those things that drives State Department officials absolutely nuts. It's unjustified. It's unjustifiable. It's crude. It offends people. It does not accomplish anything and there's very little we can do about it. We don't have diplomatic relations with Taiwan and we can't tell US companies that they have to do or not do this.

Again, I frequently rail against one man dictatorships, but they do have the benefit of actually being able to force people to do things.

We don't have any tools in our democratic toolkit that would allow us to say you've got to describe a given entity in a given way on your website. We just don't have any tools, but it is absolutely infuriating.

It's like just how do you provoke people. How do you annoy people. It annoys the companies. They're very annoyed, but they're also very afraid of losing business so they try to figure out how do they balance this in a way that allows them to continue to do business in both Taiwan and China.

I do know that the State Department is looking this over very closely right now and nobody's coming up with good suggestions as to what we can do other than remind the Chinese that we noticed this stuff. This is not the steps taken by a mature power in trying to step up on to the world stage. It's bullying and it's childish. So there ya' go. There's a few quotes. Get me in trouble for something.

Male: Dan Snyder.

Question: Oh. Dan Snyder from _____ Park. Thank you very much. It was actually a good talk.

I wanted to ask you about something completely different, which is ya' know there's a very high level US delegation in Beijing right now?

James Moriarty: Yeah.

Question: Talking about trade issues and a lot of this deals with questions of intellectual property and investments and we could be embarking on a pretty fierce trade war with the Chinese in which I wonder if Taiwanese firms who are engaged in production and investment in China are worried about being caught in the crossfire here. Many of them are entities, which in some ways are partly Chinese in the sense that they're operating there and they're shipping out to US markets. So I wonder if that's an issue that you've encountered.

Moriarty; The one word answer is yes. Taiwan companies in China by and large are worried about this. Particularly those who produce for foreign markets in China.

Ultimately though most or at least many of those same companies share similar concerns to US companies trying to do business in China, which is you don't control your investment and most

importantly, you don't control your intellectual property. So that makes the most advanced Taiwan companies very nervous.

Made in China 2025, which is a Chinese plan to become the dominant player in 10 of the most advanced manufacturing sectors in the global economy. It's a plan that is based on forced investment by technological leaders in fields. Forced investment if a given foreign company is to do business in China.

The assumption is that technology transfers is also a requirement of that plan. That's just as dangerous for Taiwanese high tech companies as it is for US high tech companies. So it's a mixed bag. There is a lot of concern about a trade war and its collateral impact on Taiwan, but there's also a lot of concern about the very Chinese policies that are forcing us down this road that you're seeing us take.

Male: I saw a question over here.

Question: _____ thanks for coming. My name is _____
Palo Alto. _____ you gave _____ Taiwan become a
democracy, but _____ is a success story because
_____ is that people can vote, but considering I think that the
people they elected run into problem, like _____ actually what
cost from overseas accepting bribe and become a criminal actually
and then their misconstrued policy. For example, the current
energy policy which caused tremendous hardship towards the
people and the industry. So overall it's pretty much like what
happened in Washington, D.C. Nothing gets done and it was really
political motivated.

So I just wonder _____ a success story.

James Moriarty: My answer again, one word answer, yes. I would follow up by absolutely yes. I first went to Taiwan in 1988-89 to study Chinese. It was my second year of Chinese language training. About halfway through that second year I started taking a course at One _____, cultural university and it was a course on contemporary Chinese history. So we actually had a political cadre sitting in the room. We all could figure out who it was. Checking what we were saying.

I can't think of anything more objectionable than not being able to say in public what I think. Not being able to say that my current leader is wrong. I don't know what system you're suggesting as an alternative. Democracies are flawed. Democracies get to vote

again. Democracies get to try to improve. Democracies step backwards.

I forget who it was, but basically the development of democracies is never like this. Anybody who expects it to be is gonna be sorely disappointed. It's gonna be like this. It's gonna be like this, but note the trend.

We in the United States, we have flaws now. We're very polarized right now. We do have courts that function well. We do now that I'm gonna vote in 2020 and my kids are gonna vote in 2024. So I'll get to vote for whoever I want to be my leader.

So you raised your hand when I said I don't know what you were suggesting as an alternative. What were you suggesting as an alternative?

Question: No. Exactly. There is no ideal political system _____, but I would say that the object really should be the benefit for the people. Granted there is little pressure. You may not be able to say whatever you want to say, but I would say the goal of the government really is to promote the best policies instead of being political motivated. Let's have a reasonable energy policy, which is so vital. Let's have a good trade policy. Let's have a good military operation.

You say that the Taiwanese didn't spend a lot of money, but think about it. Recently they've spent a lot of money try to manufacture some kind of boat, gun boat or something, but turned out to be a _____.

Male: Perhaps you can –

Question: I'm just saying that –

Male: I think we got the point –

Question: No _____ --

James Moriarty: Well, actually I'll stand up here and tell you I can't think of any better system than being able to have people stand up and say, "I don't like the decisions my leaders are making." If people who are anti-nuclear win a vote and they realize you start getting power shortages because of that vote, then you can elect people who change the policy.

A lot of governments will change policies if they see they're not working.

I will tell you, in a dictatorship, in particular a one-man dictatorship, it's really difficult to tell the top guy that he's got it wrong. Imagine if you strongly disagree with a policy and you see it leading to bad things. What can you do? You can't speak out.

I'll tell you something. Look back at the year 2012. What was the US/China relationship like? It was relatively good. How is it now? It's bad. That's a dramatic deterioration in the US/China relationship. What's the biggest variable during those five years. Who's been in charge in China?

So basically does anybody in China raise that question? Does anybody have the freedom to raise that question? Does anybody get the therefore to say, "Well maybe we should change policies. Maybe something has gone wrong in our policy." People don't get to raise that. Maybe Made in China 2025 is a bad idea. Maybe it's caused the whole world to react against it.

[Question: I know –

Male: So that's stimulated some additional questions. _____

Question: Hello. I _____ and a first year _____ student in _____ studies. I have a brief question. How do _____ . What's your _____ people support communication. So do you think Taiwan _____ ?

James Moriarty: We frequently put it in terms of Taiwan _____, Taiwan identity. We don't put it in terms of Taiwan nationalism frankly because we hope that nothing happens that destabilizes the cross strait relationship.

While I agree there's very, very little support for unification, I also believe there's not that much support for rapid independence. I do think that the cross strait relationship really is one where the best solution for now is kicking the can down the road and saying that, okay, there is no way to resolve this peacefully at this time. That we'll be acceptable to the people of Taiwan and importantly to the people on China because I cannot see overt moves towards independence that would not raise huge objections from China and would probably lead to the use of force by China.

So Taiwan should exercise its democratic rights. There should be healthy debate on this issue, but for the foreseeable future, _____ moves towards independence are just very, very dangerous for Taiwan.

Male: I wanna have _____ --

Question: Thank you very much for giving me this privilege. Thank you. Welcome back to San Francisco Bay Area again, for giving such a wonderful speech with your insight and update of the current situation in Taiwan.

We appreciate that you mentioned that United States continue to support and concern about the economic security of Taiwan, but after the US decided to step out of the TTP, actually Taiwan is facing more and more pressure for being marginalized in the regional trade integration. So do you have any good suggestions for us? How can we counter the pressure from the other side, the economic pressure, but from the other side, and how can we solve this problem to be marginalized in the region? Thank you.

James Moriarty: Right now the US trade plate is very, very full. There are a lot of issues that the US is talking about, including as we mentioned, the current visit to Beijing by two of our most senior officials.

The advice I give to my Taiwan friends is, "Look, use the **TFER** process to the extent possible." I also consistently say that there are longstanding issues where Taiwan has made commitments and has failed to meet those commitments.

Trade negotiators are just like people. In fact, they are people. I gotta be careful because my wife, even though she was a State Department officer, was frequently working as a trade negotiator. So trade negotiators are definitely people. They have long memories. They remember when they've been promised something and they haven't gotten it. When those same people continue to work the same issues with the same countries, it's against that backdrop.

Pork and beef are not overwhelmingly important to the US/Taiwan relationship except as far as they are symbols of how well Taiwan implements its commitments to the US in the trade area. That's what it has become. That's why I keep on raising it and reminding the Taiwan side that these are important and they need to be addressed at some point. We don't wanna buy the same horse over

and over again. We bought those two horses two or three times already and that's enough money on those horses. Please.

Smartest thing to do would be unilaterally just address it and not say that somehow we're gonna tie this into future talks. That doesn't make a lot of sense.

Taiwan obviously doesn't wanna be isolated. The US doesn't wanna isolate Taiwan economically. Who knows. If talks with NAFTA go well, will we reopen talks with the TPP countries? Maybe. We don't wanna isolate Taiwan and we are aware of the problems facing Taiwan as we look at how all those countries threatened by Chinese actions, such as Made in China 2025, respond to forced investment, forced transfer of technology. Then I'm pretty sure we'll be perfectly happy to talk to Taiwan about issues such as that.

We are talking to Taiwan about Section 232. We hope we're gonna come up with a good solution that satisfies everybody on it, but that's still early days and we don't know for sure.

So the doors are open. The TFER process is important. I recommend that you use it and if you could possibly take care of these hearty perennials which we've been negotiating over for a decade now and have won the negotiation two or three times already, it would make a big difference.

Karl Eikenberry: Jim, could I ask on the economic front. One thing you haven't touched upon. Bilaterally what are trends in foreign direct investment? Foreign direct investment in Taiwan and Taiwanese foreign direct investment in the United States?

James Moriarty: They're both looking up. One of the questions earlier was about the impact of the trade issues between China and the US. There are big Taiwan companies, like Foxconn, for example, Hi Hun, Hun Hi.

Male: Hun Hi.

James Moriarty: I knew it was one or the other. In fact, Foxconn has announced that it's gonna invest a significant amount of money in Wisconsin.

If you look at the other thing, just in natural growth and the increase in US competitiveness, you see a lot of interest. A lot of money probably going from _____ plastics into plants in Louisiana and Texas just because we're about as good a place in

the world as you can invest in petrochemical capability right now. Good supply. Strong rule of law. Terrific place to invest.

US companies, we're seeing a lot of them beefing up investment, looking at investment in Taiwan as regional high tech hubs; Google, Amazon. They're setting up research centers partly because, again, my wife is delighted with this. The much stronger IPR protections you see in Taiwan than anyplace else in the Chinese speaking world. So it's become a very attractive place for the Googles, the Amazons.

Some of the traditional big investors from the US are stepping up their investments just because working there, they're making a profit and it's a reasonable place to invest.

This \$21 billion figure I keep on using is actually slightly dated and more importantly, it's a fully utilized figure. My guess is that's actually going up fairly quickly. Much more quickly than in past years. We've shifted from investment mainly being in relatively low tech areas to being much higher tech.

Karl Eikenberry: I think we will maybe Kharis take two questions at once and that will probably bring us to the end.

Female: This gentleman here.

Question: Thank you for your presentation.

Karl Eikenberry: Could you identify yourself, please?

Question: Sure. My name is _____ and I'm a member of the community. I wanted to ask you to look into the crystal ball. Give me your experience and your vision. What would be the scenario that needs to occur both in China, mainland China and the US and in Taiwan for reunification to become _____ and what would be, if you can envision that, what would be an intermediate step towards that?

James Moriarty: Okay. One question. Now the second question.

Question: I have a very simple question for you. You mention _____ one China policy _____. What's the major difference between the two of them? I remember couple days ago newspaper kept saying Taiwan has severed the political relationship with _____.

James Moriarty: Dominican Republic, yeah.

Question: But my understanding is that Taiwan never had the _____ relationship with _____ because back into _____ Republic of China has the political relationship with _____. So according to Taiwan _____ Section 15 say clearly – check it – the United States _____ recognize Republic of China and only recognize the Taiwan governing authority. _____

James Moriarty: Right, okay. I'm following you so far.

Question: How you _____ and historically every time the Korean peninsula has done _____.

Karl Eikenberry: I wanna make sure we give him a chance to respond.

Male: I think we understand it, but we do wanna finish by 6:00.

Question: -- _____ Taiwan _____. So now this time the President Trump will have the _____ with _____. So would not Taiwan become the scapegoat again?

Karl Eikenberry: That started out as a simple question and it got degrees of complexity. So your challenge.

James Moriarty: Okay. So first of all, the great Moriarty takes out his crystal ball. Again, this is very hypothetical, which I've always been told not to answer, but basically if you listen to the underpinnings of US policy, I think that's what the US would need. That's very difficult.

What you need is agreement on both sides of the strait that this makes sense. I can only pause at that making sense if China makes a lot of progress towards liberalization and frankly probably towards democracy. I can't imagine a situation where the people of Taiwan would be comfortable about moving towards reunification with a China that continues to be under the domination of one party or even worse, one man. That's just hard to imagine.

Could there be steps along the path? Maybe at some point an economic confederation might make sense, but again, it's hard to envision exactly how that would occur.

Question: _____.

James Moriarty:

It has no attractiveness. Absolutely no attractiveness. The Hong Kong model in the eyes of Taiwan never applied because Taiwan viewed itself as an independent entity without a colonial power to give it away, but more importantly, the experience of Hong Kong since the basic law was passed reinforces the tendency not to trust Chinese commitments. That's pretty blunt.

Quickly shifting. Where did we end up with the question? I will answer. First of all, if you look at a Taiwan passport it says Republic of China. The name has not changed. The constitution has not changed. Taiwan, in terms of how it treats itself, considers itself the Republic of China and that's why it's treated as such and that's why the Dominican Republic continued to have diplomatic relations with it.

Don't worry. I don't think President Trump will give away Taiwan when and if he meets with Kim Jung Un. That answers all your questions? Just barely got there.

Karl Eikenberry:

Well, let me first of all, give a round of thanks and hold off on applause, to all the people from our Asia Pacific research center and the _____ Institute for International Studies that put in a lot of effort to make this happen. You can imagine these chairs did not just magically appear; nor did the stand.

First to Kharis Templeton who is the program manager for our Taiwan Democracy and Security Program.

[Applause]

Doing a wonderful job. I'd like to also thank, if she's there, Belinda Yeoman, our Associate Director for the US Asia Security Initiative to –

[Applause]

And if you just hold off for the last three, not that they don't deserve equal applause, but in the interest of time, Patrick, if you'd raise your hand. Patrick is running the – you got less applause Patrick – Patrick is the coordinator and does a lot of the work for US ASI and especially for the Taiwan Democracy and Security Program.

Roger Winkelman in the _____ back there against the wall. Raise your hand there, Roger. He does all the audio/visual support for events throughout the year for the _____ Institute to

include remarkably – how long ago was that, Roger? The event we had with then President Mi Ing Jo where we had this remarkable video teleconference with President –

Male: Over three years.

Karl Eikenberry: Over three. Time flies. This remarkable video teleconference right here in Encino Hall where we had a panel that included Larry Diamond and we were talking to President Ma as if he was in this building at a video teleconference in Taibai and is Thom Holme still there? Thom must have left, but Thom does all the communications work, but a round of applause for all of those people.

[Applause]

Also, again Director General Ma, thank you and Shannon, and your fantastic team and last, but not least, Jim, old friend, wonderful to be on this stage with you. Thanks for continuing to be such a great diplomat in the service of the United States.

Let me also just commend all of you in this audience. This topic of US relations with Taiwan, it is truly we talk about the American public under appreciating how important it really is and many times just taken for granted. This is a critical relationship for the United States of America. It has huge consequences as we think about that relationship in the context of China and the broader Indo-Pacific Region and indeed globally for the United States.

So it's late on a Thursday afternoon. Thank you for taking time out of your schedule to come here for what I thought was a great talk on a very important subject.

[Applause]

[End of Audio]