



AVİM

Türkmeneli İşbirliği ve Kültür Vakfı
AVRASYA İNCELEMELERİ MERKEZİ
CENTER FOR EURASIAN STUDIES

TURKEY'S AND TAIWAN'S OUTLOOK ON EURASIA-PACIFIC



7 May 2014, Ankara



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On 7 May, 2014, AVİM hosted a meeting with the participation of a distinguished delegation from Taiwan. The delegation was headed by Dr. Chi Su, Senior advisor to the Taiwanese President and included Dr. Jenn-Hwan WANG, Professor at Center of China Studies, and Graduate Institute of Development Studies, National Cheng-Chi; Dr. Kao-Cheng WANG, Professor of the Graduate Institute of International Affairs and Strategic Studies, Tamkang University; Chih-Hao HUA and Sheng-Ping TENG. His Excellency Tai-Shiang Cheng, Representative of Taipei Economic and Cultural Mission in Ankara also attended the meeting. Retired Ambassador Alev Kılıç, Director of AVİM hosted the meeting with the presence of AVİM staff, Aslan Yavuz Şir, Senior Specialist; Hazel Çağan, Specialist; Özge Nur Öğütcü, Specialist; Mehmet Oğuzhan Tulun, Specialist; Hande Apakan, Specialist.



Ambassador Alev Kılıç, Director of AVİM:

May I thank His Excellency Tai-Shiang Cheng, Representative of Taipei Economic and Cultural Mission in Ankara, for organizing this meeting. As far as I recall, this is the most prominent think-tank from Taiwan to visit Ankara for a very long time. Dr. Su, when I go over your CV, I see that you are not only a very prominent person coming to Turkey but that also you have the reputation in Taiwan for having contributed to the cross-strait dialogue. Today we will very much like to learn more about what you have initiated, where it is going and as for AVİM, how we see it from our perspective.

May I welcome you all on behalf of the staff of AVİM, Center for Eurasian Studies. It is a pleasure and privilege for us that you could find the time to come here to our center. We will, I trust, have a very fruitful dialogue and we will learn much from your presence here and your expertise of Taiwan and mainland China.



Dr. Chi Su, Senior Advisor to the President, Taiwan:

Thank you, Ambassador Kılıç, for your warm hospitality. We are very happy to visit your esteemed institute. His Excellency, Tai-Shiang has told us that AVİM is a very influential research center in Ankara. The Ambassador said we have to make a stop here and enjoy your hospitality.

I spent one third of my career in government and two thirds in academia. I am not a full time politician but I was lucky enough to take part in some of the processes in cross-strait. But in my portfolio, at least in strategic mindset, I always think of Taiwan-China-Japan-US and domestic politics. Most of the time, I left out Japan because generally Japan plays an important role, but it plays a secondary role on security and strategic issues. So, it is most likely a triangle. China is important to Taiwan, and US is essential. Also, Taiwanese domestic politics plays a central role, which causes many problems for the neighbors. Politics is always noisy and it can cause problems.

With regard to Taiwan-China relations, we have had difficult times before. You may remember that in 1995 and 1996 there were missile firings from China to Taiwan- not to Taiwan itself but the surrounding waters. And US sent two carrier groups to show

its determination. But those days have gone by. Now, the relations have been quite good since 2008, since when both sides have learned from lessons of the past. We did. China did. So, we promised China that we wouldn't go for independence. We also tell them that we don't prefer unification; we are not ready for it. "Someday we may want to marry you but we don't want marriage to take place soon enough". They understand that, and we prefer that there would be no use of force. I personally coined this term: "No unification, no independence, no use of force." So these three 'No's has become the fundamental pillar of our policy since 2008. US likes it, but China never opened the doors there because it contains 'no unification'. On that basis we have been engaging in negotiations and exchanges.

Now, let me give you some statistics, which will help fill in the details. I call it "Five dimensions": cultural, economic, political, international and military.

Economic and cultural are the soft dimensions, and military and international are the hard dimensions. The two sides clash on the hard dimensions and enjoy friendship on the economic and the cultural dimensions. The soft dimensions are quite good now. Economically, trade is 150 billion US dollars per year. This is in our favor. We have surplus of 70 billion US dollars. Our investment in the mainland is about 100 billion, it could be higher.

China is the largest destination of our ongoing investments. We have 3 million people visiting Taiwan per year. From Taiwan to Mainland the units of calculations are different, we do it by visits (because one person may make multiple visits, and our citizens are free to go, it is easy to get a visa to China), 5 million visits from Taiwan (Taiwan's population is 23 million) to China happen every year. There are 800 flights per week between Taiwan and mainland and this is increasing. 400 flights per week are run by our airlines and 400 are run by their airlines. Four airlines make a bundle of money out of this air transportation.

Regarding marriages- there are 300 000 marriages now between the two sides- mostly our men marry their ladies. But divorce rate is also high. Some of my students married PRC citizens. When they get married to our citizens, they are able to have our citizenship in six years after the marriage. In ten years after the citizenship they would be able to vote. So, pretty soon we will have a lot of citizens of PRC origins who could vote in our elections. That's the soft side.

With regard to the political dimension, the two sides have signed 21 agreements that are all economic related. Health, police (the police of both sides help each other), and our criminals often escape to China, so we help each other. Two sides help each other in judiciary as well. We are about to talk about nuclear energy very soon. These issues are what we have been talking about and signing agreements on. We even have

what we call economic cooperation framework agreement that was already signed in June 2010, that is equivalent to FTA but probably more extensive. That was a landmark. It is a comprehensive agreement, so, many follow-up agreements needed to be negotiated- like services trade, commodity trade. Economically the relationship is quite mature. Culturally it is even better. But so far, both sides, on Taiwan's insistence, have yet to discuss political issues. We care about international space, meaning involving third countries- Turkey, US and others. They care about "sovereignty" issues like "who are you?", "who are we?", "are we part of China?". It is almost theological.

Regarding the military issues, confidence-building measures (CBM)- these issues have not even begun to be discussed. But both sides have practiced help disaster relief on high seas: fishing fleets help each other and official boats help each other. Both sides also refrain from military aircraft. There is a tacit code of conduct. That was not the case in the old days. They have also lowered their activities on the Taiwan Strait. They have not increased their deployment across the Taiwan Strait. Their missiles are more and more pointing toward the possibility of an American intervention, not Taiwan per se.

Generally speaking, cross strait relations are quite stable. China's not in a hurry for unification. Because, as I already told some of your colleagues, I met with the President of China in Beijing after he took office. We had a two-hour conversation last June. The leader of our delegation was honorary chairman of the party, because our President could not go. He has two honorary Chairmen and they take turns to meet with the President. I would like to share with you the impression I got from this meeting.

President Xi Jinping said, "This is a new historical opportunity for Taiwan-China relations. Oh by the way last week I was in California with Obama and he used the same term in describing China-Taiwan relations." So he told our delegation two things that I would like to share with you.

Firstly, he said that there is a lot of "historical wounds" between Taiwan and China and it takes time to heal those wounds. I found that statement fascinating because it is a psychological approach. It is not about policy or threats. President Xi has spent 22 years of his career in areas across the Taiwan Strait. So he is very knowledgeable, and he knows our mindset. Secondly, he said, "Of course we want unification but unification should take place not just for unification's sake but it has to be based on heart to heart 'compatibility'". That was also something very new.

So my interpretation is that he is not in a hurry. According to my interpretation, the reasons of his relaxation is that he is confident about the future and he has too many problems at home now, he doesn't want to worry about Taiwan, which is true because if you look at Taiwan strait, East China sea, South China Sea, Japan, Korea, North Korea,

you see that there are problems everywhere. Taiwan is very calm and he wants Taiwan to be the way it is.

Internationally, we have been moderate towards each other. On some occasions, we still argue, but most occasions we stay cool and sometimes we help each other. In the past few years we have been taking part in some multilateral meetings such as Asia-Pacific Economic Cooperation (APEC), World Health Assembly (WHA), and recently International Civil Aviation Organization (ICAO). We have been trying to build up the momentum, but as I said, this is a hard dimension and it goes more slowly. Militarily, both are active with restraints. There have been visits of both sides by retired generals from each side. US even hopes that the two sides will engage in CBM negotiations openly, but we said "No". I think it is a good idea but it is about our domestic politics. There is a split in political issues in Taiwan and political issues are sensitive, so we rather slow down for the time being.



**Jenn-hwan Wang, Professor, Center of China Studies,
and Graduate Institute of Development Studies,
National Cheng-Chi**

I would like to talk about China and implication of China-Taiwan relations. Just last week, a World Bank report wrote that China might become the largest economy in the world. For the past three or four decades, China is growing rapidly. Right now, economically, there are few issues I would like to touch upon.

Firstly, China uses the domestic markets to expand its market size. Before, China was a world factory; right now, it wants to become a world market. Now it is doable because China has a big number of operations. On the other hand, China wants to nurture its own firms for them to become global firms. Some of the firms have already acquired technology, acquired multishares in other places, mainly in Africa and expanded their production site, mainly mineral and agricultural. There is an industrial focus, particularly in innovation. China is different from other countries because the State Owned Enterprises (SOEs) play a very big role in domestic market. Those become multinationals and they acquire technology from foreign countries. They use modernity

of large and domestic markets to upgrade. An example of China's usage of domestic market to nurture is high speed railway technology; China has become one of the countries that own that kind of technology. Research and Development is an important part of this in many sectors. But, especially in electronics, China has become a competitor for Taiwan.

So, this is China's ambition to upgrade economically. Politically, China's rapid economic reform also creates a lot of problems.

The other dimension is related to economic development. In the past few decades, China's development has mainly focused on cities and coastal areas. That has created many problems. What I want to say today is, for example, they have the problem of increasing number of social difficulties. This is a new phenomenon that the Chinese state has to face seriously. In fact, in the past few years, budget allocated to some state projects, for example, "keep in peace in society" as we call, that kind of budget for the police has already surpassed the defense budget. Therefore, you can see that domestic issues, particularly on social order, are the priority concern for the Chinese state and that is related to many other issues. On the one hand, there is an environmental issue, because high-speed economic growth creates lot of environmental problems; that creates social protests. Furthermore, rapid economic development acquires a lot of land from the peasants, which creates social tension, another source of social protests. Other protests are from minorities, particularly in Xinjiang. So, there are lots of problems that the Chinese state has to face.

The second largest problem is the problem of corruption. That is also another major issue. Before Wen Jiabao stepped down, he said: "The biggest issue the Chinese state has to face is corruption". The officials can use their power to manipulate economic and social resources for their own benefit. In China right now, people know that most of the officials' children live in either in US or in Europe and they won't come back to China. That is another issue. It is estimated that about 3 percent of GDP goes to corruption.

The third biggest issue is discrepancy among different regions- coastal, interior, rural, urban. Nowadays China has to allocate a big part of its budget in order to create a balance. At the current stage, the Chinese state uses its policy to increase the wage level in the coastal areas, forcing Taiwanese businesses either to migrate to interior areas or migrate to Vietnam or Cambodia because, the wage level right now is almost equivalent to Taiwan. So it is not beneficial for Taiwanese businesses just to invest in China at the moment. Those are the problems that the Chinese have to face and they are the priority. The situation is much worse than the issue of across strait relations; therefore, economically, China now has to face competition. Some of the negotiations already took place economically with across the Taiwan Strait including technological

collaboration; that is both good and bad for Taiwan. It is good because Taiwanese firms can use Chinese markets to expand its scale and use cheaper talent in China to do R&D. It is, on the other hand, bad because Chinese firms become competitors for Taiwanese firms. So that kind of collaboration, in fact, is already occurring.

But, politically, China now is in a much worse situation than before. They have to deal with a lot of issues. Those are priority rather than Taiwan and China relations. In Taiwan, people in general are much more satisfied with the current state of affairs.

Ambassador Kılıç:

How compatible do you find the co-existence of the communist regime and the liberal market economy? How do they manage that?

Dr. Wang:

It is a dual track. They keep the hardline communists, but open the market for private foreign companies and even force the SOEs to go for market competition. When this part becomes larger and they get more benefit; then, in return, they force those hardline socialists accept that kind of market reform.

But in the process, because China opened its markets to the world market and got accepted to the WTO, the Foreign Direct Investment (FDI) has increased a lot. During the process, China expanded its market share. Also, because of the increase in income, it has also become a world market itself. Many firms, particularly the SOEs, become larger. The Chinese state, on the one hand, wants to reduce the number of SOEs and, therefore, it forces very weak SOEs to go bankrupt. But increased investment on bigger and powerful SOEs, those SOEs become so competitive and they dominate not only the Chinese market but they expand to other places. They go to the lists in the NY stock market, Hong Kong stock market; therefore, the world investors also invest their money on these SOEs. In the process, when those SOEs obey the market rule, they become big players. But, the difference is Chinese state can use policy to force those SOEs to do something for the sake of China. For example, you have to invest some money, you have to do something for Chinese national purpose and even sacrifice your stock prices. I can use one example: China wanted to develop its own third generation telecommunication technology, which, in fact, only Europe and US has that kind of technology. But the Chinese state wants those companies invest in their own version of telecommunication technology. Because of this, those big companies accumulate their own technology, and right now, they have their own forth generation technology. This is very different than what happens in other countries. So, you have to sacrifice for national purposes.

Dr. Chi Su:

I have a theory, which I have in my book. I call it "China's bicycle". The situation in PRC may be described by using "one person riding a bicycle" as an analogy. The bike rider would be the Chinese Communist Party (CCP) and the two wheels would be "economic growth" and "nationalism". The CCP needs both of them to keep the bike from falling. For the very reason that it has only two wheels, the bicycle is comparatively unstable. It cannot remain in one place; it must keep moving forward. Wobbling to the left or to the right will cause it to be unstable. If it goes too fast, it could crash; too slow and it could just fall over.

So, China is managing the situation not just through economic means but also through this whole concept. The communist leadership, the person riding the bicycle, has to be stable and has to move ahead. This explains why they have this kind of struggle- they have to maintain party unity; there should be no division inside the communist party. As for nationalism, Japan comes into focus. Because China has so much trouble at home, they need an outsider bad guy, and that is Japan. If you keep the tension high at this point, people at home will be happy; the nationalist sentiment will be high. All this nationalist glory strengthens the leadership. As for development, growth, it can't be very slow. If it is too slow, under 7 percent, you will be in trouble. If it slows the bicycle, it will make it fall. They have to manage this whole thing- internal unity, nationalism and economic development, and these are macro-management issues. The grey area has to be filled by unity and nationalism.

Kao-Cheng, WANG, Professor of the Graduate Institute of International Affairs and Strategic Studies, Tamkang University:

I think that communism right now is only a slogan for China to pretend it inherited from its founding father in the original party. But, actually I think they have to give up the idea of communism with more focus on the development: to develop China's economy. Sometimes it has to use the capitalist way to develop its economy. Right now, communism only shows up in the CCP's still dominant communist power and CCP still controls the military. I think that part very much reflects the communist regime characteristics. But, regarding economic development and social control to some extent, I think they are already a part of traditional communism.



Hung-Dah Su, Professor, Director General of European Center in Taiwan, National Taiwan University:

I would like to present two points about Taiwan. The land of Taiwan is a little smaller than Switzerland and the population is 23 million. The GDP is half a trillion US dollars per year, and per capita is 20,000 US dollars. Internal trade in goods is the 20th in the world rank. In terms of the foreign reserve holding, we are the 5th ranking. Our biggest trading partner is now China, followed by Japan, US and South East Asia. That's the general picture. Perhaps more important, the real name of this country is the Republic of China, as you may know.

As Dr. Su said, we will not go for independence, which means we will not terminate the current constitutional order based upon the Republic of China and create a new republic called "Republic of Taiwan". So that is the meaning of the independence, but that does not mean we do not need any international room and international personality, because as the Republic of China, we need it. Perhaps after the end of my presentation, I will be very interested in hearing Turkey's regionalist approach because Turkey is geographically located at a very interesting place in the region.

I would like to make some comments with regard to our discussion about China's strategy of how to maintain a balance between political dictatorships and market

economy. According to my analysis, one key factor was the American attitude. Because when China opened its market in 1978, the US opened its market to China and that is important. If China had opened to the world, but the US had not opened its market to China, that would not have worked. That was the case of the USSR. It opened its market but the US and others did not open their markets to Russian goods, so unilateral openness was useless. In my opinion, China was lucky and the timing was excellent. And the US did not prevent, for example, Taiwanese to invest in China as the first wave of investment came from other countries, Taiwan, Hong Kong and overseas Chinese. But if the US had stopped overseas Chinese from investing in China, we would have stopped. But the US did not stop it and even encouraged us to deal with Chinese. I think that the US strategy towards China was and is still important for Chinese future economic development.

Recently two events in my opinion are extremely important in indicating future American economic policy toward China:

Firstly, two years ago and this year WTO issued two judgments on the issues of Chinese restriction of export of raw materials. According to these two judgments, China was accused and condemned by the WTO. All this was between China on one side, and US, EU and Japan on the other side. I think that was a good indicator. When you look into details of the judgment, you see that what is interesting is that China did not violate the general rules of GATT. But what China was accused of violating was the accession treaty of China to WTO. That means, these rules only regulate China's behavior, but not of the other countries. It is one sided. Chinese scholars condemned it as an unequal treaty because China was restricted by the accession treaty which was stricter than the WTO/GATT. It was imposed by the EU and the US. In these two cases China lost.

Secondly, with regard to the undergoing negotiations on Trans-Pacific Partnership (TPP) and Transatlantic Trade Investment Partnership (TTIP), it seems that US in cooperation with the EU and Japan, is now drafting the new rules of trade in the world-against China implicitly. So that is why it is interesting for me to know China's strategy toward regionalism in East Asia.

The rest of my presentation will be divided into four parts: First I will give a brief chronology of development of Eastern Asian regionalism, then I will analyze the competing approaches preferred by different powers in the region, and, following this, I will focus on China's Strategy, and in the conclusion I will explain our strategy, the Taiwanese choice vis-à-vis the rising regionalism in East Asia.

In the history of East Asian regionalism, the first wave of ideas and actions were taken by Japan in 1960s, the golden era for Japan. In 1969, Japan replaced the then

Western Germany as the second largest economy in the world. So between mid-1960s and mid-1980s, Japan was industrialist, and some political leaders advocated a pacific cooperation leading to the creation of two important NGOs, one is Pacific Basin Economic Conference (PBECE), and the other is Pacific Economic Cooperation Conference (PECC). In 1980, a new player came into scene, that is Australia, which was not regarded as Asian by Asian countries. For Asian countries, it was a western country located in Asia. But then in 1980s Australia switched its focus from the west to the Asian integration, and it started advocating the pacific integration leading to the creation of the Asia Pacific Economic Cooperation (APEC) in 1989. But these two were manipulated by the US in 1990s. It is very interesting that the US used what existed already and intervened. In 1994, President Clinton upgraded APEC to the summit level- so since 1994, the APEC holds annual summits of all economies-. After the creation of the summit, US seemed to be less interested in further integration in Asia. And soon, the financial crisis broke out in Asia.

The third period was dominated by the ASEAN- Association of Southeast Asian Nations. They created an FTA between themselves, and a regional foreign security policy, and jointly with the EU, they created the Asia-Europe meeting in 1996. So that was the era dominated by the ASEAN until the financial crisis in 1997. And then, around the turn of the new millennium, the new powerful actor appeared: China. So after China entered into WTO in 2001, it began advocating regionalism very actively in Asia.



So now, and since 2008, the US seemed to have switched its focus from Asia to Europe and Middle East. Now in East Asia, we see two competing approaches dominated by China on one side and US on the other.

On the competing approaches, I would like to indicate four approaches preferred by four powers.

The first is the US's approach, and according to my analysis, US does not like regionalism. US hates it because it is a global power and regionalism will mitigate its influence in the region. So its strategy is to stop it. American strategy is actually two sided. Either it will use the global scheme to mitigate the regional movement- that is before GATT, or G-20 etc.- or it will go for inter-regionalism, that is the transpacific scheme- using APEC, and now TPP, to mitigate, reduce and stop rising Asian regionalism. So when the East Asia is rising, American engagement in the Pacific cooperation is rising.

Secondly, Japan's strategy is very similar to Great Britain's strategy in Europe. That is inside-out or outside-in. On one hand, finally Japan decided to participate in the TPP negotiations led by the US, but on the other hand, before they came into power, the earlier governments had proposed the so-called East Asia community project based upon cooperation between Japan, Korea and China. They started the talks in 2012 but suspended by the political conflicts over East China Sea. But for Japan, the ideal is, on one hand, they will participate in the American-led integration in the Pacific, and, on the other hand, with the firm support of the US, they will lead the East Asian integration themselves as the agent of the US in Asia.

Thirdly, ASEAN's strategy is very clear. It is led principally by Indonesia, that is a balance strategy through which they made friends with each other. So when they signed an agreement with China, they signed a similar one with India and Australia to maintain a balance in the region. So in 2010, 6 FTAs in the ASEAN entered into effect, that is FTA with China, Japan, Korea, Australia, New Zealand and India. They simultaneously entered into effect in the same year in ASEAN as part of a balance strategy.

Fourthly, China's strategy is a two-circled strategy. One, which I call maritime integration, is the ASEAN+ process now resulting in the creation of the ACEP, regional comprehensive economic partnership led by ASEAN and China -that is without the US. The other circle, perhaps relating to Turkey, is the Shanghai Cooperation Organization, which, I call continental integration for China. But the two integration circles are based on different issues. For the maritime integration, China focuses on trade and economic integration. But on the inside, with regard to Shanghai Cooperation Organization, China focuses on the security issue, that is border security, energy security and anti-terrorism.

I once interviewed some leading scholars in this issue and I still could not understand it- why Japan could not lead the ASEAN integration process but China could. In the end, very interestingly, it seems that Japanese scholars feared that the ASEAN plus process would lead to trade deficits, not in favor of Japan. I asked the same question to Chinese colleagues of mine, and it seems that they shared the same fear as Japanese and their answer is a clear "no". I found the answer because in the long term, on the one hand, China is bigger than Japan, so China can open its market. On the other hand, China has the intention to create a currency zone including South East Asia. They say, "when Chinese currency is the trade currency in East Asia, the deficit is not deficit", just like the US dollar. That is why China could replace Japan ten years ago to lead the ASEAN plus process.

As for Taiwan's choice, which is perhaps similar to Turkey's strategy, we want to make friends with everybody but we don't want to depend unilaterally on one state. So, principally we try our best to maintain a balance between two partnerships- one is with China, and the other is closer relationship with the US and the US-led transpacific cooperation. That is why our president announced solemnly that we need 6 years, we have to enter into negotiations for the creation of TPP. So on the one hand, we are preparing ourselves to enter into TPP in the coming future. On the other hand, we have signed FTA in services with China. We shall begin negotiations on FTA in goods soon if the FTA in services will be ratified; but now we have difficulty. That means integration with China on one hand and closer alliance and cooperation with the US on the other hand. Besides balancing between two partnerships, we have two others, one is with Europe and the other is with South East Asia, and India.

Ambassador Kılıç: You did mention overseas Chinese, the Chinese diaspora. Do you have any idea, what the number of all overseas Chinese could be in the World?

Dr. Chi Su Our government estimated it to be 30 million, but this number is not accurate.

Ambassador Kılıç: Does this include Australia, USA etc.?

Dr. Chi Su: Yes entirely. 30 million may be an underestimation. Our upper estimation is 50 million. I am trying to be conservative when I say 30 million.

Ambassador Kılıç: I would have thought the total number to be over 100 million, when I look at Malaysia, Singapore and all South East.

Dr. Hung-Dah Su: But the definition is very complicated. Because Singaporeans would say "we are Singaporeans, we are not oversea Chinese."

Ambassador Kılıç: Well, that is what they might say, but they are considered as of Chinese origin by those countries' authorities.

Dr. Chi Su A good example is Thailand. In Thailand they change their names, you can't tell from their names that they are Chinese. It is Thai, they have very long syllables, many of them cannot speak any Chinese, any dialects. So I don't know how you want to put them in a category. Do you want to define those guys as Chinese? They may not think they are Chinese.

Ambassador Kılıç: It is then possible to surmise from this information that the Chinese are not necessarily after Chinese nationalism overseas but they are more up to assimilate themselves with the societies they live in. That is the overwhelming characteristic then.

Dr. Chi Su As I joked, there are too many Chinese in the world. So Chinese are very diversified. If China were to remain united, the world would be ruled by Chinese. 1/5 of the world population is Chinese. So because God is fair, Chinese are never united.

Ambassador Kılıç: In Mainland China, the population in the North look to be quite different than that in the South.

Dr. Chi Su: Definitely. For China to achieve this degree of unity inside the mainland is rare in our history. You go around the provinces and each province is different. I share with you ambassador, when I visit China between my government services, I love to talk to local officials instead of officials in Beijing. I found out to my great interest that a lot of them told that they or their colleagues refused to serve in Beijing. When they offer a higher promotion in the center, they said "No". They much prefer to stay at the hometown and rise in their own provinces.



Dr. Hung-Dah Su:

I want to express something very quickly, I will introduce the general strategic situation in East Asia and I think that would be interesting to you. Like you said, this region has become very interesting. But I think East Asia also has the same character and has been very interesting already with its strategic developments and that's also related to the cross-strait relations in Taiwan's faith, because we are living in a changing strategic region in East Asia. So I think these two can come together by my introduction.

I think there are several factors constituting current day's strategic environment in East Asia. First, there is the rise of China; I think Dr. Su has already mentioned that. It has already been enjoying strong economic power, military power, and political power in this region. It is number two economy in the world. Many people predict that if this situation continues it will probably become the so-called G-2 situation, I mean, equal to United States in the near future. But there is no doubt that China has already been enjoying strong power influence in East Asia. That certainly creates some perception by its surrounding countries including Taiwan. A giant power with an undemocratic regime creates pressure to the surrounding countries.

Second is the re-balance of United States. I think you might have heard that in the new term, after 2008 when Obama came to power, he designed and conducted new

global and Eastern Asian strategies from this region, from Middle East to East Asia. Because East Asia has many important developments and because of the rise of the general economy, that's very important for US economic recovery. Also, the US was used to be the traditional leader in this region. Seeing China rise, it will have to consolidate its leadership position.

Third, I think we have seen the increasing tension and friction regarding the territorial disputes in this region. I will mention some in North East Asia, regarding the so-called islands issue among China, Japan and Taiwan. We also think that that's our territory. There is also territorial dispute between Japan and South Korea, and between Japan and Russia, in the South China Sea we have seen territorial dispute regarding the South China Sea and the islands in that sea. Also we have seen the increasing economic cooperation and integration in the region. Dr. Su just mentioned about this development, so I think this constitutes for general development in this region.

I think that Taiwan's current policy is first to maintain good relations with important big powers including China, United States, Japan too, we always have to maintain good relations with all these powers; I think that's the policy designed by Dr. Su himself when he served in the National Security Council. In other words, you are close to the United States, you may be friends with China and also have good relations with Japan; I think that is essential. I think the strategy is to balance among those influential big powers in this region.

Second, I think Taiwan needs to maintain good relations with China. I think that's very important in seeing rising China. Because this is not the Cold War period, even if we have good relations with United States, if we don't have good relations with China, we still will bear the pressure, directly from China, in the first line of island chain, bear that military pressure. So, I think, regardless of what the situation is in this area, for Taiwan's own best interest we need to maintain very good relations with China. That doesn't mean unification, but good relations to avoid the military, diplomatic, economical pressure from China.

We propose to solve the territorial dispute peacefully regarding the East China Sea and the South China Sea. Our President Ma Ying-jeou had proposed a so-called East-China Sea Peace Initiative. I thought you might probably have heard that because in this area territorial dispute regarding the Diaoyutai Islands-Japan calls them Senkaku Islands- we have seen increasing frictions between China and Japan. But we propose that the three parties should solve this issue peacefully. How to do that? We propose that we have to have three bilateral negotiations among these three and finally we have to do one joint forum to discuss together this issue. We also apply that to South China Sea, too. First we have to join the economic integration.

I would also like to touch upon the issue of domestic politics, which affects the cross-strait relationship. I will mention only one thing, why does Taiwanese want to maintain the status quo right now? According to the official statistics, about %70 of the Taiwanese people support to maintain the status quo. I think that's the realistic choice for Taiwan. Right now, for different reasons it is impossible to unify the cross strait. But if you pursue independence quickly we will arouse China's military pressure-attack. It is not good for Taiwan too. So I think the realistic choice for Taiwan is to maintain the status quo right now. I think that also serves the interests of Beijing and the United States. So far China would not like to be physically united with Taiwan but at least to maintain a non- independent situation that would also serve the interest of Beijing. So I think that's the reason why there are so many people who support the status quo.

Ambassador Kılıç: Very interesting- especially the islands issue. Maybe just briefly, is this not something strategically advantageous for Taiwan in the sense that nobody would like to give those islands to mainland China? And this dispute between Japan and mainland China is not be reconciled very easily, so the solution that would satisfy, I would think not Japan but USA, mainland China and Taiwan would be indeed the Taiwanese inter-mediation and the future of islands to be left to Taiwan.



Dr. Chi Su No, that's impossible. We also claim, geographically closer to Taiwan, we are on the same continental shelf. But now it is a political issue between China and Japan. In my view, both of them are for the domestic concerns, I don't think neither is interested in going to a military conflict for these islands. Both sides are exercising some restraints. I talk with Japanese officials, military and intelligence in the Foreign Ministry. I don't have any feeling, any sense, that they will want to see it out of control. Likewise with Chinese; not military and intelligence but authoritative enough to give me some comfort that they are not going to allow it to go out of control either. The chairman, President Xi Jinping, tried to streamline the chain of command on the maritime issues.

Ambassador, it will be useful to look at it in this way, China spent forty years to solve the land borders; all the way from east side of Chinese-Russian border, islands, including islands on the river, and from India to Vietnam, now except the small part of India, on the eastern borderline. These entire land borders have taken a good forty years, especially Vietnam, which is not easy- they even gave away an island to Vietnam in 1950s. So in forty years, land borders were done. Now they are beginning to tackle the maritime borders, this is only the beginning. So this is a long process, don't expect it to be done in any short time.

When I visited China I had dinner in the Fujian province, the province just across the Taiwan Strait. At the dinner the guy who sat beside me happened to be the director in charge of all the fishing boats of the entire province. I asked him the number of the fishing boats under his jurisdiction and I never forget the number: 35.000 fishing boats under his command. He said they are so many and volatile, and it is very difficult. Even I am confused, there are so many authorities who overlap on managing these maritime issues. So last summer China established, what they call, a Maritime Leadership Group under the direct control of the President. So he streamlined the command all the way down in order to minimize the degree of a possibility of the unwanted disputes.

Both Abe and Xi will gain popularity and support at home because of the conflict. But as Taiwan we try to stay out even though we also have a claim. But we understand that this is their problem, not ours. So we stay out. Our president even has come out with ideas before, which earned the praise of the US and to some extent Japan, but not China. We call it East China Peace Initiative. We called for solving this issue; joint exploration of the undersea petroleum if there would be exponential and the code of conduct. US said that's a good idea but nobody else did.

Lastly, my colleague reminded me that we have direct flight to Urumchi from Tapei. We have 800 weekly flights to 250 cities in China including Xinjiang. We can fly from Taipei to Urumchi and to Istanbul.

Ambassador Kılıç: Establishing direct flights is a bilateral issue which I think we expect some more, let's say, forthcoming attitude from Taiwan to realize direct flights between Taipei and Istanbul.

Dr. Chi Su: Have you visited Xinjiang before? Does China favor Turkish officials visiting?

Ambassador Kılıç: Yes, because we have a good record and trustability that we are against against any sort of terrorism, in this context also respect, non-interference with internal affairs. So on those basis, Turkish officials or citizens visiting Xinjiang do not face obstacles.



Questions by AVİM Staff

Oğuzhan Tulun (AVİM): I have two questions; One, you mentioned how China cannot afford to slow down in terms of economic growth. Why does China feel obligated to go at that kind of a rate? Why does it have to maintain a growth of %8-%9?

Dr. Chi Su: 7% is the limit. Because they need to satisfy the needs of the people and also keep the unemployment low. It is important for the legitimacy of the government. That the communist party can deliver, can make people have a good life and for those people who feel they are under privileged or deprived that there is always hope that their living conditions will improve. This is very important for the legitimacy of the communist party.

Taiwanese Delegation: The most serious problem is local government's deficit. Because local governments lease a lot of land and then build a lot of infrastructure. The state owned company borrows lots of money and therefore they need to keep the economic growth in order to return the deficit. Therefore if the economy slows down, various problems of local government's deficit will emerge and they will create a political trouble.

Dr. Kao-Cheng, WANG: I think, therefore in the previous decade the average economic growth was about 2 digits. Around 10, no lower than 8%, if the current administration performs too poor it will hurt its legitimacy.

Oğuzhan Tulun: Second question, China envisions peace through unification. But how does China expect the Taiwanese people to accept their form of political rule? I am asking this because Taiwan is ruled in a democratic fashion while China is not. How does China expect Taiwanese people to accommodate this kind of an idea?

Dr. Chi Su: In China there is unanimous aspiration that China and Taiwan should unify. This has grown out of the historic connection and it is universal. However, the leadership understands the difficulties and complexities of the problems. So we are heartened by the fact that on President Xi, at least for now, is more relaxed, because he understands more than anyone else in the leadership that the problem is very complex; and Taiwan's politics is very difficult so he is willing to give us some time.

Most of the problems are from our domestic politics. So there are two opposing trends; one is the power ratio which is increasing in China's favor. In 2000, Taiwan and China GDP ratio was 1/4, now the GDP is probably 1/12, even 1/15. So the power ratio is definitely in their favor. But at the same time, domestic opinion in Taiwan is moving away from unification, identification and sentiments are moving away. I was born in

1949 and look where I am, now, I am a 65 year-old man. I was born in Taiwan, and the children were born in Taiwan. So the trend is moving away from China and they understand that, and hence there is tension between the power and the heart. That's the problem, both governments, whoever in power, have to manage and make sure that the process is peaceful.

Ambassador Kılıç: Taiwan is exercising a very meticulous diplomacy. It is not easy.

Özge Öğütçü (AVİM): I have a question regarding to the energy issue in Taiwan. Because, as far as I know, Taiwan is highly dependent on export of energy, and recently Taiwan is considering renewable and sustainable energy resources. But due to some climate conditions it is also facing a lot of obstacles such as not having enough lands for the solar power systems or the wind sights, and social demonstrations against any kind of off-shore infrastructure by the fishers and environmentalists, also the lack of the chance to present yourself in the international space to further develop your cooperation with other regions on energy issues. Do you foresee any kind of developments? Because you mentioned that you are getting along with China very well recently, do you foresee any kind of development on the energy issue as well?

Dr. Chi Su: Our dependence on energy structures is like this; nuclear is about %20, mostly coal, and followed by liquid gas, and alternative sources like solar, geo-thermal, and wind power -none are workable. The wind power requires a lot of land which is quite scarce. Solar, we have a terrible sunshine in summer time but it is highly unstable. We get a lot of rain too, we get more rainfall in a year than the entire Europe, so all the alternative energy resources are unreliable or not commercially feasible.

There is very strong anti-nuclear sentiment in Taiwan. Just the last week we announced that we would temporarily put nearly finished 4th nuclear power plant in moratorium for the time being. Fortunately our manufacturing industry's economic structure also changed. We have moved from manufacturing to services, it is about %60 of the GDP contribution. Manufacturing is slowing down so our need for electricity is also down which contributes to the environment. Right now there is no need yet, we have coal from China which is very stable, liquid gas from Australia and some other countries, crude oil from Saudi Arabia and Kuwait, which are all very stable. We are good customers. So we are OK.

This is why the president decided under domestic pressure to shelve, not kill, temporarily the 4th, which is very modern. I don't know about my colleagues, there is a debate among us; but I am in favor for nuclear cooperation with China. We need to take care of our nuclear waste, which is a big problem for us. But the problem is not eminent, and in the future we need to pick up the issue with China.



Ambassador Kılıç: With regard the nuclear plants, how about the technology? Are they your own technology?

Dr. Chi Su: Mostly US. The forth is an international combination.

Ambassador Kılıç: We have already started to build two nuclear plants, one in the north – Black Sea Coast, one in the south on the Mediterranean. One with Russian technology and the other is Japanese-French technology.

Hande Apakan (AVİM): I have a question about the role of the US. We know that US has supported Taiwan but it also has to keep good relations with China due to good economic relations. But now that there are some problems in the UN Security Council (UNSC) with regard to China's stance on Syria. Do you think there was a change in the US's stance towards China and towards the consultations between China and Taiwan?

Dr. Chi Su: No, Taiwan issue for US is much more important than Syria which I am not ashamed to say. Because Taiwan is the only place that would cause US and China into war. China and US would not fight over Syria, they would not even fight for North Korea. China would fight for Taiwan if necessary. So they are celebrating the fact that Taiwan is not causing them trouble now. Syria and China are playing along with Russia I guess.

Taiwanese Delegation: Also there are many records that China opposed to US stance in the UNSC so Syria will not be a new and the last one. Mutual relations between China and US is too big, it will not be sacrificed for the case of Syria.

The two powers, US and China, are striving to avoid conflicts at this moment. Neither has a stomach for conflict with another, both are too busy at home.

Ambassador Kılıç:

With a view to initiating a conversation, I would like to give a brief outline of where Turkey stands and how Turkey sees the developments in the east. In one sense, what I can say, when I want to draw parallels between Taiwan and Turkey, is that we have two faces. We are European and Asian. The parallel I would draw with Taiwan is that you are Chinese, Mainland China is still a part of your heritage but you are also very much open to the west. You do represent the western institutions and influence in the area.

Turkey, geographically, historically, socially is part of Europe; this should not be put into doubt in anybody's mind. As for Turkey's candidacy for full membership to the EU- let me put it in this perspective: the EU is definitely an organization of European countries, but it does not encompass all of Europe. It is, at the moment, those European countries that have agreed to enlarge on economic and political cooperation. The continent and states of Europe, however, is represented in the one single European institution, the Council of Europe. The Council of Europe is a 47-membered body encompassing what we can call all European countries. There is no exception and no gap in the Council of Europe membership. The Council of Europe includes Russia, and the Southern Caucuses, that is to say Georgia, Armenia and Azerbaijan. So, in that sense, even countries further to the east of Turkey are members of this European Institution. Hence, there is no hesitation in anybody's mind where Turkey belongs geographically or geopolitically- that is Europe. But we also see the reality that today Europe is represented by the European Union. That is why we are very much keen on the full membership with the EU and this target has not changed, although we have been encountering difficulties –and probably we will be encountering even more difficulties in the future.

I wanted to touch upon these because of Ukraine. One argument for Turkey's membership that has often been said is that Turkey is too big a chunk to be digested by the EU both in territorial terms and in population terms. And that is why we have always been said, "Take your time, let us first have the smaller European countries in, and the time will come to Turkey." We do not object to that as long as the principle is there and our ties with the EU are there. We have opened up the chapters for full membership, so we are adopting the rules and *acquis* of the EU. As far as Turkey is concerned, we are on our way of leveling ourselves with the rules of the EU.

Ukraine is almost as large, in territorial terms, as Turkey. Turkey's land area covers around less than 800,000 square kilometers and Ukraine covers about 600,000 square kilometers. Turkey's population is about 72-74 million, and, Ukraine's population is 45 million at the moment. Whatever happens in Ukraine, there is only one way the West can hold it in its side: to offer Ukraine a perspective of membership to the EU. They

will definitely have priority, otherwise Ukraine would reverse their political outlook to say, "We are not happy with the EU, we did not gain anything." So, what that means for Turkey is that, it will take decades, if not more, for the EU to digest and incorporate Ukraine, which will of course prolong, on pure technical terms, Turkey's accession. This is how we, in AVIM, see it.

Nevertheless, this does not deter us from our objective target that we are part of Europe, and that we will be a full member of the EU. But it is not a short-term development. It will take time and further development. It has been a part of the Turkish foreign policy since the establishment of the republic in 1923 to reach the current level of civilization, and to do that, to have good ties with what represented the current civilization, the western outlook. And this has been the guiding line for Turkey for all these years. Now what we see is of course a development to the east of Turkey. We have never denied our face to the east and it has always been our motto that we are both Asian and European. But Europe or the west is the prominent force in the world. So our face was more to the west without denying our ties to the east. Now what we observe, and this is very important for us, that both economical and political gravity in the global sense is shifting to Asia Pacific. As you did mention, by the end of this year, China is going to equalize itself in economical GDP terms with the US. Of course, this is deceiving in one way. In the overall global GDP, China will probably equal, or even pass the US, but when we look at per capita income, then the Chinese per capita income is something around the 90th in the world- very low in the scale. So, in people's wealth terms, China is still a developing country that will need much time to acquire the prosperity and wealth for its people. But on the other hand, there is no denial that as a state, it is going to be or it is already becoming world's largest economy, and maybe the mightiest economy.

Taiwan, perhaps, may have given a lead to this development as one of the four tigers of the East. Other countries in the region like Japan, as you mentioned, and, like Australia and even countries like Indonesia, Malaysia are becoming economic powers. That is why Turkey has started looking also to the East and to these shifting weights. What we also see is that, with the economic crisis that first the US and the EU faced, maybe Europe has reached its limits. It will be a major power, but there is an emerging power to the east and Turkey now is in a position to say more than ever that it is the nexus between the East and the West. Our geopolitical and strategic position is moving more to the center from the peripheric post of the west. This is how we tend to analyze the situation, and this is how we can, in this regional position, make use of our capabilities, both with EU, with the West as well as with the East.

To the east, there are two openings for the EU. One is through Russia. The other is with Turkey Russia is a major economic partner of Turkey and it is becoming our major trading partner. We import most of our energy inputs, oil and gas from Russia. We

export not only goods in return but we are also very much involved in contracting and construction fields in Russia.

We are opening up to Africa, which is a new area that Turkish foreign policy is directing its efforts to. And that is why we follow very closely what China is doing there. We find it very interesting that the first visit of the new President of China was to Africa, and also that the Chinese Prime Minister is in Africa at the moment. We understand why there is such an interest because we also understand the potential of Africa.

That is a new opening, and a good potential opportunity, but our main focus still is on the East-West, Eurasian developments, and as such, as I said, on the Eurasian front, our number one opening is with Russia. With Russia, we seldom see eye to eye in political terms with regard to Ukraine or Syria for example, but our economic ties are so embedded now that it comes before everything else. That is why we trust that Turkish Russian economic ties will be the guiding factor for the coming future. So this is one Eurasian opening in that sense for Turkey.

The second is, of course, our historical, cultural, religious, ethnic ties with Asia- the seven Asian Republics. We express kinship with them, and we have, despite differences, very substantial ties with every single one of them.

This brings us, of course, to the borders of China, and within China, as you did mention, Xinjiang is a region that we are interested in. There is not an iota of doubt that Turkey nourishes any separatist or other ambitions there. We simply see it is that part of China that could be a very good bridge to further deepen our relations with the rest of China. But it is working in reverse actually. We have started establishing contracts at the east of China and moving on to the west. We see in China a big potential for Turkey's Eurasian opening but mostly because of the fact that we could work with China as we do with Russia on bilateral economic relations, where we have, I would say, substantial trade and relations, but it is mostly one sided. Just the opposite of your case, we have more deficit with China. Turkish Republic is working on how to balance this.

Then, cooperation in Asia comes into focus, and this is why we are also interested in the Shanghai Cooperation Organization. We know that from China's point of view and Russia's point of view, it is mostly security but now we also see and follow with great interest that Shanghai Cooperation Organization is giving weight and prominence to economic cooperation as well, and this is the part we are mostly interested in. This is more or less our Eurasian outlook and this is where we want to assume, like Taiwan to the East to be a conduit between European Union, Central Asia and further east.

Now, when we look at Russia and China, what we see from AVİM, which I would like to touch upon, is that we think that China has drawn the right conclusions. China

has made the correct analysis of the collapse of the Soviet Union in the sense that USSR was a communist country, which thought that they could continue with their existence through sheer military supremacy- it did not work. What Soviet experience has shown us, and probably to Chinese, is that, it is not the military that dominates; it is the economy. Military is strong if the economy is strong. The root is economy- if you are not economically diverse, than you have very little chance to keep maintaining that supremacy, and that is how we see it also with China today. I would like to touch upon the approaches of Russia to Central Asia and of China to Central Asia in today's world. Russia still thinks that by establishing a Collective Security Treaty Organization (CSTO), the military organization or keeping military in the upper scale in its relations with Central Asia, it can continue to maintain its power there, whereas, what we see with China is that they are going into Central Asia predominantly on an economical track- the Silk Road Project, the pipelines projects etc.-. This is what we see as sustainable and wise. We think that this is the road to the future with regard developments in Central Asia and Turkish-Chinese relationship based more on economical cooperation than military. When the chips are down- we hope that the chips will never be down- let's say in Ukraine, there is no doubt where Turkey stands; we are a NATO member, and we are part of the Western world and a candidate for the EU. So, should the chips fall down, we know where we stand. But again, we don't want that to happen, and we want to develop equally strong ties with the East.

Dr. Hung-Dah Su:

I would like to ask a question. As you have mentioned Turkish interest in economic cooperation under the framework of Shanghai Cooperation Organization, I need your comment to my observation because it seems to me, according to my observation, that Chinese economic penetration into the Shanghai Cooperation Organization is self-constrained due to Russian opposition. Because Russia now puts emphasis on the economic integration under the Eurasian economic community scheme, and this



scheme deliberately excludes China including all Central Asian countries with the neighboring countries, it was problematic when Ukraine was invited to join. So, according to my observation, the economic integration inside Shanghai Cooperation Organization is still deliberately limited owing to the Russian deeply suspicion of China's role. So, inside Shanghai Cooperation Organization, economic integration had been proposed by Wen Jiabao in 2003, but disappeared in the agenda totally. According to my analysis this was due to Russian's opposition.

Ambassador Kılıç:

Now it has changed again under bilateral terms. I am making reference to the new opening of China to Central Asia and all these economic projects. What we see is that the collapse of the USSR has not yet reached its full limits, which is to say that some of the republics of former Soviet Union are now independent and now part of the EU and the West. What remained were Ukraine, Belarus, and Moldova. What we see now is that the EU and NATO are not satisfied with this situation. Both NATO and EU have introduced back in 2008, the Eastern Partnership Programs. Those programs are targeted at six countries, Belarus, Moldova, Ukraine, Georgia, Armenia and Azerbaijan. What, this in practice, openly shows is that the West – NATO and EU- wants to enlarge its area of friends to the very European borders of Russia. Especially Crimea is very important in this regard because that is the one and only warm water port of Russia. Without Crimea, Russia was practically told to take all its fleet back to Vladivostok since there is no other reliable marine base in between. This, in practice, was the design, at least, how we understand the Russians interpreted it, leave Europe to the West, to the Europeans, and go to the East to Central Asia and deal with China and Pacific. This is probably not very much to the taste of China, either. So in that sense, what we see now is that we are going through some very sensitive days and establishment of a new order. How that will happen or whether it will happen remains to be seen, but what we see in that sense is that both Russia and China need to be prudent in the steps they take to make it possible for a peaceful settlement of the new order. And that is why I think that Taiwan and Turkey have even more prominent roles to assume in the establishment of this new order.

Dr. Chi Su:

What is Turkey's position on Crimea?

Ambassador Kılıç:

We are officially on the Ukrainian side upholding its territorial integrity. We also

have reasons to be specifically involved with Crimea much more substantially than the Western line on more than one account.

Firstly, 13 percent of Kiev's population is Crimean Tatars- we acknowledge them as Crimean Tatar Turks. In that sense, we are very much interested in what happens in Crimea for the sake of our kins. In all of Ukraine, their population is only 0.06 percent, but in Crimea it is 13.6 per cent; so they all live in Crimea. In that sense, the Crimean Tatars whom we call Turks- and many call themselves Turks also- they have very tragic, historical wounds in the past with first the Tsarist Russia, then Soviet Russia. They were content to be within Ukraine. They were, after all, still a sizable minority represented in the Ukrainian parliament as well, and whereas, in Russia, they are now less than a drop in the ocean. It is, in that sense, another reason that prompts us to support the Ukrainian view of Crimea.

Then comes also another point, a third one: if Russian fleet is ousted from the Black Sea, what happens in the Black Sea, what happens to the Montreux Convention? These are substantial issues.

Lastly, with Ukraine on the western side, the European Union borders come to the Russian borders. That introduces a barrier to the Eurasian concept. It draws the boundaries of Europe and Asia, sidelining the concept of Eurasia. That is again, something we need to consider. These are the issues that are not very much in the foreground today, but as think tanks, we think that we need to look deeper into the future.

Dr. Chi Su:

Thank you very much. This is very interesting.

