

**Press Conference**  
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DIRECTOR YOUNG: Thank you for coming. It's nice to see you all. I have a little more breath in me than the last time I tried to answer your questions on the 91<sup>st</sup> floor of the 101 Building, and I think I promised a few of you I'd try and answer your questions. So, I appreciate seeing you. I was going to offer an exclusive interview for anyone who was willing to walk up 101 with me, but David said I couldn't do that. (Laughter.)

First of all, why am I having a press conference? I was back in Washington at the beginning of October and had meetings with a number of senior policy-level officials in the White House, the State Department and the Defense Department as well as with Congressmen and Senators on the Hill. So I thought I would share with you the impressions I have of where we are with U.S.-Taiwan relations.

Secondly, it has been five months since I sat down and met with you, although some of you have cornered me on the streets and elevators of Taipei. And third, there are issues in terms of Taiwan's national security, Taiwan's defense cooperation with the United States, that I think are particularly timely to discuss. In that regard, I would draw your attention to the fact that a few hours ago, Secretary Rice gave a speech in Washington addressing Northeast Asian security issues. So it's nice to know that I'm in sync with my boss. I also have to say there has been an awful lot of discussion about what America's interests and America's positions on issues of concern to Taiwan are, sometimes not very accurate, so what I would like to do is give you a chance on the record to discuss those things from an authoritative perspective. I'll give you an example of what I mean, and I want to stress that I'm not picking on *Lian He Bao* [聯合報 *United Daily News*] but the example concerns them. Last week, there was an article that sought to characterize U.S. relations with the Chen administration as "strained." I just have to stress that that's not the case; in fact, we have a very broad cooperation with the Chen Administration, and as an example, we are working very closely with them on modernization of Taiwan's defense capabilities. We intend to continue to work on issues of mutual concern with the Chen Administration until the end of its term in office.

Today I'd like to touch on three themes: democratic development, economic prosperity, and security.

**DEMOCRACY**

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I think that democracy is one of Taiwan's greatest exports. It is something the people of Taiwan are justifiably proud of, and the friends of Taiwan in the United States and around the world are also very, very impressed by it. The peaceful, democratic

transformation of Taiwan, particularly over the last twenty years, is a model for East Asia and the whole world. I think that one of the important aspects of Taiwan's democratic influence is the salutary effect it has on your neighbor across the Strait. And yet, as I've said before, this is difficult and time-consuming work. As a student of democracy, I must admit that 220 years after we began our experiment, we are still working on it today in America.

That said, it is important to build democratic institutions and values, things like rule of law, responsible media, NGO activity, freedom of assembly, and cooperative work between the various branches of government. I think it's also important to avoid things that set back democratic institution-building. A couple of recent examples are Thailand and Hungary. Even though Thailand faced a difficult domestic situation, I think the intervention by the military set back the progress of democracy in Thailand and was bad for the region. Similarly in Hungary, we have been treated to scenes of rioting in the street and clashes between protestors and police which, in a country that just threw off Communism and the Soviet yoke fifteen years ago, is really something that concerns a lot of us.

I was asked by a number of my Taiwan friends what I thought of the protests that went on in September and into October, and I developed the "Steve Young *san he zheng ce* 三和政策", the "three *hé*" policy: *heping, hefa, hexian* 和平, 合法, 合憲 -- peaceful, legal, and constitutional. I would add that the means and the ends should be in sync. I have in mind that there should be a sense of decorum, or what at one point I called "*you yi dianr limao* 有一點兒禮貌" [a bit of courtesy]. I think there was an incident in the legislature two days ago that illustrates my point. These images do not promote the concept of Taiwan's peaceful democratic transition. But to conclude my discussion of democracy, I think that Taiwan's doing just fine, and that the people of this island have much to be proud of, even if there are challenges to moving forward in terms of maturing and deepening the democratic experience.

## ECONOMIC TIES

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Let me just briefly touch upon the economic agenda, because while it's less in the news now, it's a very important part of the United States does here and what AIT does. Taiwan is our eighth largest trading partner and our sixth largest agricultural trading partner. We expect two-way trade to top \$60 billion this year. We have a very active and engaged American Chamber with over 800 members. I think the American perception is that the Taiwan economy is doing pretty well. We are always looking for opportunities to take a more active part in the building of economic prosperity here on the island. Many of the things that we do are under the TIFA framework that was reinvigorated by Deputy U.S. Trade Representative Karan Bhatia when he visited here in late May. Since I hate it when other people use acronyms that I don't understand, I'll tell you that TIFA stands for Trade and Investment Framework Agreement. But we're working on things like trying to establish a consultative council of agriculture to discuss some trade liberalization measures in that area. Other areas of focus include pharmaceuticals, intellectual property rights, and telecommunications.

We expect to have other high-level visitors from Washington coming here from time to time, just as senior Taiwan officials such as Steve Chen from the Ministry of Economics go to Washington from time to time. Just to reiterate, we know there is interest here in negotiating a Free-Trade Agreement. To paraphrase Karan Bhatia, this is not off the table, but it is a difficult task for us to deal with just now, and I'll give you a couple of reasons. First and most important, the fast-track authority that allows us to look at FTAs expires next summer, and unless the Congress which emerges from elections this November 7 authorizes its extension, FTAs will not be possible after mid-2007. Another thing we look for in FTAs is strong support from the American business community, and thus far Taiwan has not had that much support from the U.S. business community for an FTA. But I have to say that the United States is certainly not interested in neglecting our economic relationship or seeing Taiwan marginalized in East Asia, or globally. We support Taiwan's involvement in such organizations as APEC and the WTO with that in mind. You will find no better advocate of Taiwan's active involvement in the globalized economy than the United States.

#### SECURITY TIES AND THE DEFENSE BUDGET

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But now to the main point, which is the defense debate that is going on in Taiwan today. As you know, the Taiwan Relations Act requires the United States to consider providing Taiwan with self-defense weapons. I think more fundamentally, there has long been an American commitment to ensure that Taiwan's freedom will not be threatened or coerced by any other party. That is why, when I was back in Washington a couple of weeks ago, I found considerable concern among policymakers over the failure of Taiwan to pass a robust defense budget that responds to President Bush's offer in April of 2001 to authorize certain new arms purchases. The five years that have gone wasting have not seen the PRC sitting idly. The PRC's robust military modernization process over the last decade or more continues, and the gap between the capabilities of the PRC and Taiwan has been growing.

I fully respect Taiwan's democracy and I respect the fact that the people of Taiwan ultimately have the responsibility and the privilege of deciding these matters. But I think that as Taiwan's indispensable partner in security, the United States has a special interest and should speak its mind. I hope through you, the print and video media of Taiwan, to reach the voters and the citizens of Taiwan with my message.

Since I returned from the United States a couple of weeks ago, I have talked with all the major political leaders in Taiwan about this issue. I might miss somebody, but I will tell you that I have spoken with President Chen, with Premier Su, with Defense Minister Lee, Foreign Minister Huang, Chairman Ma, Speaker Huang, Chairman Soong, former President Lee, and many, many other people. The message is as follows: Taiwan needs to pass a robust defense budget in this fall's legislative session. This is not about arms alone, and it is not about U.S. companies or profits. I would be delighted if other countries were willing to sell weapons to Taiwan, but the fact of the matter is that the United States is the only partner that is willing to do that at this point.

We look -- in the cooperation we enjoy with the Taiwan military -- to promote their sustainability, focus on critical infrastructure protection, the hardening of communications and military facilities, the promotion of jointness between the armed services: air, land, sea, marines; beefing up of stockpiles of munitions, but also weapons to counter the relentless PRC buildup of the past decade, which has included the acquisition of modern aircraft, short-range missiles, surface ships and submarines. It's about quality as well as quantity. In that regard, we believe that the government's aim of raising defense spending to 2.85% of GDP this coming fiscal year of 2007 and then raising it to 3% in 2008 is an appropriate goal.

The next concrete step that I believe should happen now is that the legislators in the LY should permit the supplemental budget to pass through the procedural committee and be taken to the floor of the legislature so that an open debate can begin. I say this because there has been much debate in your *media* about what is going on, but the legislators need to take this issue, take the budget submission by the government, and begin to debate it inside the legislature itself. That would permit the budget to be approved by the legislature after the three readings by the end of this fall's session.

This will require leadership from all sides, both in the government and in the opposition. But Taiwan cannot continue to allow its vital security interests to be held hostage to domestic partisan concerns. I have heard from some members of the opposition that somehow passing a budget would be a gift to Chen Shui-bian. I fundamentally disagree with that perspective. This would be a gift for the people and the security of Taiwan. The United States is watching closely and will judge those who take responsible positions on this as well as those who play politics. Because fundamentally, this moment and this opportunity could pass and be missed by Taiwan if it doesn't seize it.

There has been discussion about Taiwan's need for a new generation of aircraft, and when I was back in Washington, the question that I was asked was "Why are they asking for new things when the things that they asked for for years and which we've offered them have not been acted on?"

I have to tell you that America has its politics, too, and in 2008 the presidential campaign for the replacement for George Bush will be in high gear. It will yield a new president of the United States. That new president will have to take time to look at policies and review commitments of the past administration. Inevitably that new president will also have to take into account the views of the PRC, because that relationship and our cooperation with Beijing has been growing broader and broader over the years as China emerges as a major 21<sup>st</sup>-Century power. The United States wants to support Taiwan's defensive needs not because we want to alienate you from your neighbor across the Taiwan Strait, but because we believe a strong and self-confident Taiwan can hold discussions on a variety of issues with China from a position of strength and self-confidence. That will allow Taiwan to expand the very mutually beneficial economic and trade relationship that it has with the PRC. It will also allow Taiwan to discuss more

difficult political issues without fear of threat or coercion. So my message is: Act now to pass a robust and secure defense budget this fall. Don't do it for the United States; do it for Taiwan. Thank you very much. I'm sorry I spoke so long, but as you can see, I had a few things to say, and now it's your turn.

#### QUESTION AND ANSWER PERIOD

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QUESTION: Song Ping-ching, *Global Views*: You just mentioned that the United States welcomes any other country that can provide any type of weapons to Taiwan, and now Taiwan wants to develop certain kinds of weapons, and we need the technology from other countries. What is the U.S. position: Do you support, or [do you] at least not oppose such a move?

DIRECTOR YOUNG: I'm not really sure what you're getting at. The United States is prepared to work with Taiwan on certain types of production here, and in fact the dialogue between the American military and the Taiwan military on these questions is intensive and ongoing. But obviously the question of what types of weapons Taiwan needs is one that we discuss together in a collegial fashion. Certainly the type of weapons that we are offering are ones that Taiwan cannot produce itself. But I would point to the indigenous defensive aircraft process in the 1980s as an example of how we have done that in the past, and I am sure we would consider any proposal from Taiwan in the future. The underpinning concept here is that U.S.-Taiwan military cooperation is very close, obviously within the bounds of the TRA, and I think that since I was here last in 2001, the cooperation has gotten even stronger, something that I intend to continue as the Director of AIT. We have a very good partner in the Taiwan Ministry of Defense.

QUESTION: Nike Ching with the Voice of America. Ambassador Young, thank you so much for [the] on-the-record press conference. If I may, I would like to switch the gear away from arms procurement. The United States has been asking President Chen of Taiwan to have a written guarantee of his "Four Nos" pledges. When Mr. Ford Hart and Dennis Wilder [were] here, and when Ambassador Burghardt escorted President Chen in Guam, President Chen would put his Four Nos orally, but a written statement, a written guarantee, is not provided, so I would like to know the status of that, if you have just given up on that or if you are still pursuing a written statement, a written guarantee.

DIRECTOR YOUNG: I am glad you asked the question because it gives me a chance to address what sounds like a misperception.

The United States has in fact placed a great deal of emphasis on President Chen's promises from his first and second inaugural speeches. And we have a very candid and frank exchange with the President and his advisers on these issues. We take very seriously President Chen's commitments that you mentioned and other times that he's reaffirmed those commitments or promises over the last several months. I think it is a very important basis for the cooperation we have with Taiwan, in a number of other areas. But there has never been a request for these pledges to be put in writing, so I am not sure

why you think that would make a difference. I think the importance is not the venues by which they're given to us, the importance is in the sincerity of the pledge.

QUESTION: Hi, I'm [Jewel Huang] a reporter from the *Taipei Times*. Mr. Young, on Sunday, you spent only about 20 minutes to climb up to the top of Taipei 101. How would you evaluate your performance on a scale from 1 to 10? And in terms of the recent relations between the U.S. and Taiwan, on a scale from 1 to 10. What would it get? And my second question is... [Moderator: That's one question.]

DIRECTOR YOUNG: God gives everybody a fate, doesn't He? And in my case, He gave me a name [Young] that is more and more difficult for me to carry as I grew older. (Laughter) So perhaps I am obsessively trying to maintain my physical health as I get older and older. But I am an old marathoner, so I always like to consider the Olympic model of "faster, further, higher." So when I ran up to the 84<sup>th</sup> floor of 101 in May for the Canadian charity event, I did it in 20 minutes 35 seconds. The cruelly clever organizers of last Sunday's event added seven floors to the climb, to the outdoor observation deck on the 91<sup>st</sup> floor. I set my goal to try to do the same pace, which is about 22 minutes. So the fact that I ran in 19 minutes and 35 seconds gave me some satisfaction. And of course, when you all tried to ask me questions there, I was out of breath, so I told you I would come and talk about it today. But after I recovered my breath and my sense of perspective, I thought to myself: I could have gone faster! So I am going to put some pressure on myself to see if I can go under 19 next time. But what I really would like to say is that the other 2000 people who participated in that event were all terrific competitors. And the Australian fellow that ran 10 minutes 31 seconds, is just *wanquan liaobuqi* 完全了不起 [absolutely fantastic], like a *niao* 鳥 [bird] flying high. I'd give a score for myself of seven and a half - 7.5 [on a scale of one to ten]. We'll keep on trying. You want to come with me next time?

QUESTION: Peter Enav from the Associated Press. I want to ask you if the unambiguous nature of your remarks on the defense budget at all reflects the failure of the opposition to follow through with their apparent promise a couple of days ago to let this thing get out of committee [in the Legislative Yuan]. Or whether this very, very strong message that you are presenting reflects the consultations that you had in Washington in September and early October. Were you surprised by the fact that these things would appear to be wired did not in fact go through?

DIRECTOR YOUNG: I think this fall is going to be a busy and tumultuous political period here. You are correct, Peter, that my primary desire to hold this press conference stems primarily from my discussions in Washington and messages that people from Secretary of State Rice on down asked me to bring back here. I take with some stride every step of a long process. But what has frustrated me, and I think my bosses in Washington, has been the apparent satisfaction of certain legislators over the 60 times, 60, that they have blocked movement of this, of some sort of arms bill from the procedural committee. I think they are acting against the best interests of Taiwan, and I sincerely hope that they will reflect on this, and reflect on the importance to Taiwan's security, of addressing this in a non-partisan manner. All legislators, not just the opposition.

QUESTION: Director Young, I am Wang Ping-yu of the *Liberty Times*. You just mentioned that you have met with some Taiwan officials after you came back from Washington. I would like to know if during your meetings with KMT Chairman Ma and PFP Chairman Soong, did they give you any guarantees or promises of what they will do?

DIRECTOR YOUNG: Thank you for the question. I have had good discussions with Chairman Ma, and I saw Chairman Soong just yesterday to discuss this. I think it's fair to say that both of them have indicated support for passing the defense budget. Each of them has perspectives about some of the individual parts of it, which I respect and which I've discussed with them. But I think that they both understand fully the importance to Taiwan's security and also the extreme interest of the United States toward resolving this issue as soon as possible. I would add that I earlier had a discussion with Honorary Chairman Lien Chan and former President Lee, Speaker Wang, and they share the same understanding of the importance to Taiwan and its security, as well as the importance to Taiwan's relationship with its American partner, of addressing this issue.

QUESTION: Douglas Wong, Bloomberg news. I'm just wondering exactly when you spoke to Chairman Ma [Ying-jeou, KMT], because he spoke to us a week ago, exactly.

DIRECTOR YOUNG: You guys met him right after me.

QUESTION: (Wong, Bloomberg) Right. He told us that he wants to negotiate a peace agreement with the PRC if he comes to power in the next election. He also told us that there is no way that Taiwan can win an arms race with China. Given that he spoke with us and made those comments right after meeting with you, what is your response to his comments?

DIRECTOR YOUNG: First of all, I agree with him that Taiwan could not win an arms race with the PRC. But it doesn't need to. What it needs to do is to have a defense capability that sends the signal that an attack on Taiwan would exact a high price. I think that Taiwan has to be smart in the kinds of weapons that it buys, because it obviously doesn't have the economy or the budget to match the PRC. But there are two factors that need to be kept in mind: First, defense is more efficient than offense, and so a capability to defend an island ninety miles off the shores of the PRC poses a greater challenge to the attacker than to the defender. And secondly, the PRC knows it has to factor in the United States if it ever tries to threaten Taiwan. As for Chairman Ma's discussion of possible initiatives should he or the Kuomintang come to power in 2008, I would say probably most politicians here would like to have some sort of agreement with the PRC that would reduce tensions; the question is what would the terms be? So I think the real analysis here is that if Taiwan had the capability to defend itself effectively, it would give itself the self-confidence to negotiate with its partner across the Strait. I think Chairman Ma fully understands that, and that's why he has indicated that he supports a stronger defense budget.

QUESTION: (Ralph Jennings, Reuters) What is the status of the U.S. sale of F-16s to Taiwan, and does the pressure from China not to make the sale have any effect on the transaction going through? Thanks.

DIRECTOR YOUNG: This has been a subject that has been more in the media than in terms of private channels with us. But the emphasis has been on Taiwan's focusing on those systems that have already been approved for sale, and that has been the main focus of discussion between my government and the Taiwan government. If Taiwan were to request F-16s, we would certainly review it in the same way that we have reviewed other arms requests in the past, but as I've tried to say today, if Taiwan can pass the type of robust defense budget that has been eluding it for the last several years, it would create better conditions on which to discuss such issues.

[Question in Chinese from an unidentified reporter.]

DIRECTOR: *Ni jiangde tai kuai. Zhe shi Taiwan guangbo de quedian.* 你講得太快。這是台灣廣播的缺點。[You're speaking too quickly. That's a disadvantage of Taiwan broadcasts.] (Laughter.)

INTERPRETER: We understand that U.S. arms sales to Taiwan are aimed at strengthening Taiwan's national defense capabilities. We also understand that L3 Communications Company and Lockheed Martin are in competition for the arms sales. I don't think [inaudible] keep your focus away from original arms sale.

DIRECTOR YOUNG: I think you're referring to former Deputy Secretary Armitage's letter. I want to say that I worked for Mr. Armitage at the State Department, and he is a great American and has devoted much of his life to military and government service. He is now a private citizen, and the views he has expressed are his own. But as you correctly implied in your question, the process that the United States has is not directly with companies; it is between the American Defense Department and the Taiwan military. What we do is we work with the Taiwan military to identify needs, and once there is an identified need and a budget for it, the process of determining how to acquire the weapons proceeds. That is a process that in the end is ultimately decided by the Taiwan military. So, again I call upon the legislature to fund a defense budget, and then the rest of that process can kick in. It's not the other way around: You don't make all the arrangements and then go look for funding.

QUESTION: (Lin Yi-jou, NHK): The opposition parties have claimed a grievance [sic] to try to depose President Chen Shui-bian. First they were trying to recall him, then they want to pass a non-confidence vote on the cabinet and also organize demonstrations on the streets. Could you please clearly indicate whether you really support President Chen to finish his term of office in 2008?

DIRECTOR YOUNG: Thank you for your question. There have been attempts to cast the U.S. and AIT and myself as Blue, Green or Red. And I'd like to answer that we are none of those things. We are red, white and blue. In other words, our job is to represent

American interests in Taiwan, and to respect Taiwan's democratic processes. You all don't make that easy, but that's what I try and do every day. ... We ought to make that the last question, but why don't we take one more.

QUESTION: Kathryn Hille, *Financial Times*. Given that Taiwan and the U.S. have labored over this current arms package for five years, even if it is passed one day, it will not solve the issue of Taiwan's security once and for all. It's just one of many. And so in the light of the difficulties of getting this one done, how will the U.S. adjust the process and perhaps the means of consultation with Taiwan on these issues, because we can see that the current problem is not very realistic and is not getting very good results. And also is the U.S., how willing is the U.S. to take into [inaudible] some kinds of weapons Taiwan had talked about wanting, apart from those defined as something more offensive, something like cruise missiles.

DIRECTOR YOUNG: That's an excellent question, and I appreciate your asking it. I want to be a little personal here. The first time I arrived in Taiwan 42 years ago, it was as the son of an American military officer who was sent here to serve as an advisor to the Taiwan army. Even though I was young, I realized that there were great stakes in what my father was trying to do with his Taiwan counterparts. It was a whole number of factors: It was our training; it was our advice; it was our supplying weapons, all of which went into giving Taiwan the capability to defend itself. Not to attack the Mainland, because that was never in the cards and still isn't now, but to defend itself. So we talk about processes, and time lines and trends. The time line is long-term, and the trend has been negative. What I'm talking about today, and what I think there is increasing awareness of, is that we have to turn that trend line around again, because of the nature of the PLA's modernization. The numbers 2.85% and 3% of GDP are not magical, but they would represent a significant increase over the numbers of about 2.4% to 2.5% that Taiwan has been spending on its defense in the last few years.

I think you have to judge the results, because over the last fifty-some years the American cooperation with Taiwan in the defense area has gone through a number of shifts and changes, but fundamentally it has allowed Taiwan to continue to grow, prosper, and democratize. I'm very proud to have played a small role in that, and I think that my colleagues in AIT and the U.S. Government want to continue to be that indispensable partner to Taiwan as it continues to protect its freedom, adjust and consider its relations with the Mainland, and advance into the future with a sense of self-confidence. So I think that the question here is to turn the trend line around and to continue to rely upon the cooperation that the two of us have so successfully fostered over the last half-century.

I think we should all give a round of applause to Irene [applause for the interpreter]. I'd like to thank all of you for coming, and I look forward to seeing you again, preferably in this kind of environment and not on the 91<sup>st</sup> floor of [Taipei] 101. Also, please remember that sometimes when you accost me in an elevator or on the street or coming out of a meeting, I may not really have a lot to say to you. I think the question is really finding

times when both of us have got our minds on trying to talk about these things in a public way. Thank you very much.

(End transcript)